

SOCIAL BOND / SOCIAL BOND PROGRAMME INDEPENDENT EXTERNAL REVIEW FORM

Section 1. Basic Information

Issuer name:	National University Corporation, the University of Tokyo
Social Bond ISIN or Issuer Social Bond Framework Name, if applicable:	Social Bond Framework
Independent External Review provider's name:	Japan Credit Rating Agency, Ltd.
Completion date of this form:	September 3, 2020
Publication date of review publication:	September 3, 2020

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the SBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF INDEPENDENT EXTERNAL REVIEW PROVIDER

- | | |
|--|--|
| <input type="checkbox"/> Second Party Opinion | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input checked="" type="checkbox"/> Scoring/Rating |
| <input type="checkbox"/> Other (please specify): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

National university corporation, the University of Tokyo was established in 1877 as the first university in Japan, and it has led academia while contributing to Japan's history of modern national construction. In 2003, looking ahead to incorporation designed to expand scope of discretion in an autonomous environment, it established "The University of Tokyo Charter" and decided to aim for "an institution that serves the global public". Then, it formulated "The University of Tokyo: Vision 2020" in October 2015 and the "University of Tokyo Application for Designated National University Status" in June 2017, and it intends to reinforce its functions of leading transition to a knowledge-intensive society by utilizing the United Nations' Sustainable Development Goals ("SDGs") to become a truly "operational entity". Becoming an "operational entity" means that a university transforms into an organization which can generate valuable knowledge and resources and obtain diverse funds as reward. In July 2017, the "Future Society Initiative (FSI)", headed by the president, was established as a control tower to realize the designated national university corporation plan. In 2020, at the "Review Conference on Strategic Management of National University Corporations" in the Ministry of Education, Culture, Sports, Science and Technology, the president Gonokami, who is a member of the conference, argued that requirements for long-term borrowing and bond issuance by national university corporations should be relaxed as a means of increasing freedom of management discretion and expanding functions of national universities which will be driving forces for social transformation. As a result, a relevant regulation was revised in June of the same year, and the requirements were relaxed.

The subject is the social bond framework which the University of Tokyo established to limit use of proceeds from bond issuance to projects with a high degree of social contribution ("the framework"). JCR evaluated whether the framework is suitable for the Social Bond Principles ("SBP") (2020 edition) and the SDGs. Since the SBP isn't a regulation but a "principle" voluntarily published by the International Capital Markets Association ("ICMA"), it doesn't bind at all. However, JCR evaluated the framework by referring to the SBP and a High-Level Mapping to the SDGs published by ICMA because there isn't any other global principle/standard to define social impacts.

In the framework, the University of Tokyo will allocate funds from social bond proceeds to new investments identified as "The University of Tokyo FSI Project", utilizing the relaxation of requirements for long-term borrowing and bond issuance by national university corporations. In the project, the University of Tokyo will promote research and education which will contribute to a knowledge-intensive society and the SDGs. In addition, the University of Tokyo's raising funds by utilizing the above relaxation of requirements means to diversify financial resources of a national university corporation, which will increase the degree of freedom of management discretion and lead to improvement of research and education functions. From these, JCR evaluated the use of proceeds in the framework will have a high degree of social contribution. The use of proceeds falls under "access to essential services (education)" within the project categories of the SBP, and the target populations are researchers and students at the University of Tokyo and beneficiaries of the University of Tokyo's research results contributing to the SDGs, etc. Concerning the SDGs, JCR evaluated the use of proceeds would contribute to the goal 4 "Quality education", the goal 9 "Industry, innovation and infrastructure", and the SDGs as a whole. The use of proceeds is also consistent with the Japanese government's policy on science, technology, and innovation. Considering the use of proceeds is mainly construction of education and research facilities and renovation of buildings, JCR evaluated the use of proceeds wouldn't create any environmental and social risks. In addition, JCR confirmed appropriate consideration would be given to safety of workers during construction work.

JCR evaluated that the University of Tokyo's intention to promote "The University of Tokyo FSI Project" and to reinforce its functions of research and education which would contribute to a knowledge-intensive society and the SDGs by utilizing the above relaxation of requirements is consistent with "The fundamental goals of academic pursuits" and "an institution that serves the global public", which "The University of Tokyo Charter" holds up. In addition, the selection process is appropriate because an internal organization with expert knowledge will select candidate projects and the management will make final decision. The management of proceeds is also appropriate because receipts and expenditures of funds from social bond proceeds will be properly managed by internal financial accounting systems and audited by an auditing firm and there isn't any particular concern about the operation of unallocated funds. The key performance indicators to be disclosed by the University of Tokyo are divided into three stages: output, outcomes, and impacts, of which output and outcomes are quantitative, so they are appropriate for showing the social improvement effects of "The University of Tokyo FSI Project". Furthermore, the University of Tokyo, whose management considers social issues as high priorities, has established the clear selection criteria, etc. for the framework on the basis of consultation with its expert department. From the above, JCR evaluated the management and operation system is appropriate and the transparency is secured in raising funds under the framework.

As a result, on the basis of JCR Social Finance Evaluation Methodology, JCR assigned "s1(F)" for the "Social Impact Evaluation (Use of Proceeds)" and "m1(F)" for the "Management, Operation, and Transparency Evaluation". Consequently, JCR assigned "Social 1(F)" for the overall "JCR Social Bond Framework Evaluation". JCR also evaluated the framework meets the requirements of the SBP and is consistent with the SDGs and the Japanese government's specific measures for the SDGs.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (if applicable):

- i In the project which the framework holds up as the use of proceeds, the University of Tokyo will promote research and education which will contribute to a knowledge-intensive society and the SDGs. In addition, the University of Tokyo's raising funds by utilizing the revision of the relevant regulation means to diversify financial resources of a national university corporation, which will increase the degree of freedom of management discretion and lead to improvement of research and education functions. From these, JCR evaluated the project will have a high degree of social contribution.
- ii The use of proceeds falls under "access to essential services (education)" within the project categories of the SBP, and the target populations are researchers and students at the University of Tokyo and beneficiaries of the University of Tokyo's research results contributing to the SDGs, etc.

Use of proceeds categories as per SBP:

- | | |
|--|--|
| <input type="checkbox"/> Affordable basic infrastructure | <input checked="" type="checkbox"/> Access to essential services |
| <input type="checkbox"/> Affordable housing | <input type="checkbox"/> Employment generation / programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises |
| <input type="checkbox"/> Food security and sustainable food systems | <input type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the social taxonomy, if other than SBPs:

Target populations:

- | | |
|---|---|
| <input type="checkbox"/> Living below the poverty line | <input type="checkbox"/> Excluded and/or marginalised populations and /or communities |
| <input type="checkbox"/> People with disabilities | <input type="checkbox"/> Migrants and /or displaced persons |
| <input type="checkbox"/> Undereducated | <input type="checkbox"/> Underserved, owing to a lack of quality access to essential goods and services |
| <input type="checkbox"/> Unemployed | <input type="checkbox"/> Women and/or sexual and gender minorities |
| <input type="checkbox"/> Aging populations and vulnerable youth | <input type="checkbox"/> Other vulnerable groups, including as a result of natural disasters |
| <input checked="" type="checkbox"/> Other (please specify): | Researchers and students at the University of Tokyo and beneficiaries of the |

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

The Issuer has clear social objectives, selection criteria, and selection processes to determine the use of proceeds, which are disclosed in the JCR evaluation report.

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Social Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify) : |

Information on Responsibilities and Accountability

- | | |
|---|---|
| <input type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify) : | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable) :

JCR evaluated the management of proceeds is appropriate because receipts and expenditures of funds from social bond proceeds would be properly managed by internal financial accounting systems and audited by an auditing firm and there wasn't any particular concern about the operation of unallocated funds.

Tracking of proceeds:

- ☒ Social Bond proceeds segregated or tracked by the issuer in an appropriate manner
- ☒ Disclosure of intended types of temporary investment instruments for unallocated proceeds
- ☐ Other (please specify):

Additional disclosure:

- ☒ Allocations to future investments only
- ☐ Allocations to both existing and future investments
- ☐ Allocation to individual disbursements
- ☐ Allocation to a portfolio of disbursements
- ☐ Disclosure of portfolio balance of unallocated proceeds
- ☐ Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

a. Reporting on proceeds allocation

The University of Tokyo will disclose the status of allocating funds from social bond proceeds annually on the website.

b. Reporting on society improvement effects

The key performance indicators to be disclosed by the University of Tokyo are divided into three stages: output, outcomes, and impacts, of which output and outcomes are quantitative, so they are appropriate for showing the social improvement effects of "The University of Tokyo FSI Project".

Use of proceeds reporting:

- ☒ Project-by-project
- ☐ On a project portfolio basis
- ☐ Linkage to individual bond(s)
- ☐ Other (please specify):

Information reported:

- ☒ Allocated amounts
- ☐ Social Bond financed share of total investment
- ☐ Other (please specify):

Frequency:

- ☒ Annual
- ☐ Semi-annual
- ☐ Other (please specify):

Impact reporting:

- ☐ Project-by-project
- ☒ On a project portfolio basis

☐ Linkage to individual bond(s)

☐ Other (please specify):

Frequency:

☒ Annual

☐ Semi-annual

☐ Other (please specify):

Information reported (expected or ex-post):

☒ Number of beneficiaries

☐ Target populations

☐ Other ESG indicators (please specify):

Means of Disclosure

☐ Information published in financial report

☐ Information published in sustainability report

☐ Information published in ad hoc documents

☒ Other (please specify):

Show on the website

Information published in the Business Report

☐ Reporting reviewed

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

Website of the Issuer

<https://www.u-tokyo.ac.jp/en/>

JCR's website about social finance evaluation methodology

<https://www.jcr.co.jp/en/greenfinance/>

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

☐ Second Party Opinion

☐ Certification

☐ Verification

☒ Scoring/Rating

☐ Other (please specify):

Review provider(s):

Japan Credit Rating Agency, Ltd.

Date of publication:

September 3, 2020

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP

1. **Second Party Opinion:** An institution with sustainability expertise that is independent from the issuer may provide a Second Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second Party Opinion.
It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
2. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
3. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
4. **Social Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.