

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

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

JCR Reviewed Green Bond Evaluation on The Trust Beneficiary Rights 00012747

Subject	:	Trust beneficiary rights 00012747
Type	:	Trust beneficiary rights
Amount	:	JPY 2 billion
Interest rate	:	6 month JPY Tibor+0.70%
Trust setup date	:	September 28, 2018
Date of transfer of beneficial interest	:	September 28, 2018
Trust Expiration Date	:	September 30, 2036
Method of Repayment	:	Scheduled repayment
Use of Proceeds	:	Acquisition of loan claim for use of proceeds for capital investment in solar power generation facilities

<Green Bond Review Results>

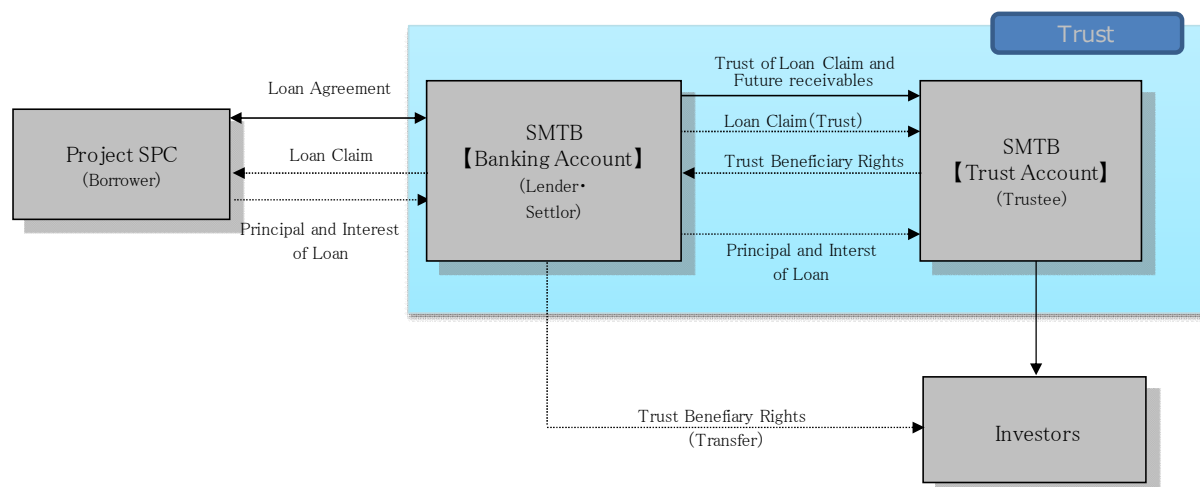
Overall Evaluation	Green 1
Greenness Evaluation (Use of Proceeds)	g1
Management, Operation, and Transparency Evaluation	m1

1. Evaluation Overview

Sumitomo Mitsui Trust Bank, Limited (SMTB) was founded as Mitsui Trust and Banking Corporation in 1924 and Sumitomo Trust and Banking Corporation in 1925, and is the core company of the Sumitomo Mitsui Trust and Banking Corporation Group. SMTB was established in 2012 through the merger of Sumitomo Trust and Banking, Chuo Mitsui Trust and Banking, and Chuo Mitsui Asset Trust and Banking. The Sumitomo Mitsui Trust Group, to which SMTB belongs, is the largest asset operation and management group in Japan. It is a trust banking group with industry-leading businesses, mainly in the fiduciary business (asset management).

The subject of this evaluation is trust beneficiary rights backed by a loan receivable from a project SPC that operates a solar power generation facility in SMTB's banking account. The schematic diagram of this financing is shown below.

(Scheme Diagram)



SMTB entrusts its loan to the SPC held in the bank account to its own trust account. The Trustee SMTB shall deliver the trust beneficiary rights to the bank account and SMTB shall transfer the trust beneficiary rights to investors.

Through this scheme, SMTB provides investors with opportunities to invest in ESGs. The loan from SMTB underlying the trust beneficiary rights to the SPC will be used to fund the construction of a solar power generation facility owned by the SPC.

SMTB also confirmed that this project may not have a serious negative environmental impact that would outweigh the environmental impact of the project. Based on the above, JCR has evaluated the use of the loan, which is the underlying asset of this assessment, as a green project that contributes significantly to reducing CO₂ emissions.

In addition, JCR confirmed that the management system and transparency of the trust beneficiary rights in SMTB are high, for example, due to the fact that the management of the trust beneficiary rights is managed in an appropriate manner internally and that the internal management system is in place.

As a result of the above reviews based on the JCR Green Finance Evaluation Methodology, JCR maintains "g1" for "Greenness Evaluation (Use of Proceeds)" and "m1" for "Management, Operation and Transparency Evaluation." Consequently, JCR maintains "Green 1" as the overall evaluation to the trust beneficiary rights. The evaluation results are described in the next chapter. The trust beneficiary rights are also considered to meet the standards for items required by the Green Bond Principles and the Ministry of the Environment's Green Bond Guidelines.¹²

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

² http://greenbondplatform.env.go.jp/pdf/greenbond_guideline2017.pdf, 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 period.

(1) Use of Proceeds (Status of Appropriation)

JCR evaluates if the management of funds procured by the trust beneficiary rights and the appropriation of funds procured for green projects 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) Environmental Initiatives of the Organization

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 (allocation status)

- a. The trust beneficiary right was issued in exchange for one solar power plant.

Summary of the Use of Proceeds (List of Acquisition Asset)

(List of Target Asset)

Location	Power Output	Initial Estimated Annual Generation Amount of Electricity (19-year average)	Annual CO ₂ Reductions (19-year average forecast)*
Tochigi Prefecture	14.2MW (Initial forecast) → 13.1MW (after change)	Approx. 14,875MWh → 10,945MWh (January-August 2019)	Approx. 7,051t-CO ₂ (Initial forecast) → Approximately 5,034t -CO ₂ (January-August 2019)

(Source: Technical Due Diligence Report, SMTB submission materials, CO₂ emissions are JCR estimates)

* Methodologies for calculating CO₂ reductions = Assumed annual power generation × Adjusted emission factor (FY2016, FY2017 (most recent figures))
Adjusted emission coefficients are published by the Ministry of the Environment by electric utility and by fiscal year.

- b. The target assets were to implement the project by reducing panel capacity from 14.2MW, which was initially assumed, to 13.1MW. In October 2018, SMTB explained to investors of trust beneficiary rights that the size of panels will be reduced from those initially expected, and SMTB received their approval. In addition, JCR confirmed through interviews with SMTB that the plant started commercial operation in December 2018 and is generating power as planned.
- c. No serious negative environmental impacts have been identified, including sediment-related disasters, electric shocks and complaints from local residents.

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

In interviews, JCR confirmed that there were no particular changes to the selection criteria and processes for the solar power generation facilities for which the trust beneficiary rights were used.

(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 allocated for the refinancing of the funds for the purchase of solar-related facilities, and there are no unallocated funds after the issuance. JCR has confirmed through interviews with SMTB that it has made efforts to compensate for the deterioration in DSCR caused by the decline in cash flows due to the reduction in panel capacity through the subordination of O & M fees. Although the reduced panel was already sold, it was confirmed that there was no change in the allocation of funds.

(4) Reporting

a. Reporting on the proceeds allocation

JCR confirmed that the Trust Property Status Report has already been provided to investors that the entire amount of the proceeds from the issuance of the trust beneficiary rights has already been allocated for solar facilities.

b. Reporting on environmental improvement effects

SMTB plans to disclose the actual results of photovoltaic power generation in the ESG/CSR Report by including them in the whole CO₂ reductions of project financing. At the time of the review, JCR confirmed that SMTB appropriately understood the actual results of photovoltaic power generation and the amount of CO₂ reductions for the project, and that although SMTB did not disclose the effects of the project as a stand-alone project due to the high level of confidentiality in relation to the individual impacts of the project, it planned to appropriately disclose the project finance as a whole.

(5) Environmental Initiatives of the Organization

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 the ESG since its publication in 2006, and incorporates the concept of ESG into its management.

In 2015, the company 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 next page and conducts its operations in accordance with them.

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 ESGs 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.

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 realized the effects of environmental improvement that were originally assumed.

[JCR Green Bond 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

Review

Subject	Issue Amount	Issue Date	Redemption Date	Interest Rate	Evaluation
Trust Beneficiary Rights 00012747	JPY 2 billion	September 28, 2018	September 30, 2036	6month Tibor+ 0.70%	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 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 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. JCR Green Bond Evaluation does not fully indicate the extent to which the funds procured from such green bonds are allocated and the management, operation, and transparency of the use of the funds are ensured.

JCR Green Bond Evaluation assesses the plan or status of the appropriation of funds at the time of the green bond 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 Bond Evaluation does not prove the environmental effects of green bonds and is not responsible for their environmental effects. JCR confirms that the effects of the funds procured from the issuance of green bonds 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 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 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.

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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 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 reviewer of green finance

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

■ 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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