

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

Japan Credit Rating Agency, Ltd. (JCR) announces the Post-issuance Review of its GreenBond Evaluation.

JCR Reviewed Green Bond Evaluation on The Trust Beneficiary Rights 00012747

S u b j e c t	: Trust Beneficiary Rights 00012747
T y p e	: Trust Beneficiary Rights
Issue 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

On September 28, 2018, JCR assigned "Green 1" of overall evaluation to the trust beneficiary rights (the "Trust Beneficiary Rights") backed by the loan receivables from Sumitomo Mitsui Trust Bank, Limited ("SMTB") for a business SPC that operates solar power generation facilities in the banking account. The summary is as follows:

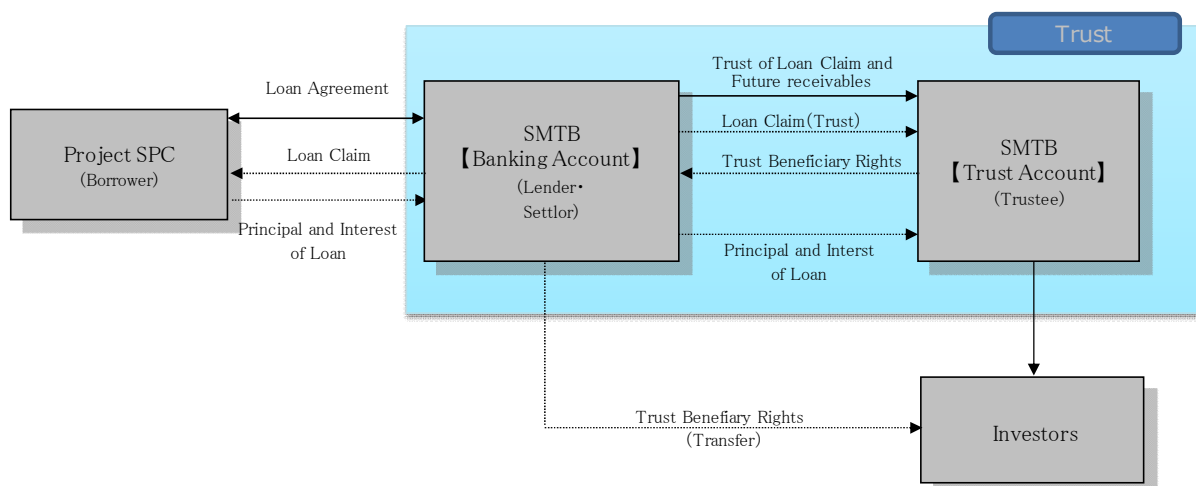
(Excerpt from evaluation report on September 28, 2018)

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. JCR 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.

(End of excerpt)

JCR reviewed the use of proceeds and confirmed that the project is operating without problems at the time of evaluation. JCR also confirmed that the management and operation system are maintained as originally planned and that appropriate disclosures were made to investors.

As a result of the above review 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 <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 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 the green project 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 the green project, 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 procured by the Trust Beneficiary Rights have been certainly allocated for the green project or not. JCR also evaluates if there is a structure 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 in its business management.

3. Contents of Review

(1) Use of Proceeds (Status of Appropriation)

- a. The asset for which proceeds from issuance of the Trust Beneficiary Rights was appropriated was a solar power plant.

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

(List of Target Asset)

Location	Power Output	Yearly generated power	Annual CO ₂ Reductions*
Tochigi Prefecture	13.1MW	Approx. 14,000MWh (September 2019- August 2020)	Approximately 6,500t-CO ₂ (September 2019- August 2020)

(Sources: Technical Due Diligence Report, SMTB submission materials; CO₂ reductions are JCR estimates)

* : Calculating CO₂ reductions = Estimated annual power generation x Adjusted emission coefficients (FY2018 (latest figure))
Adjusted emission coefficients are published by the Ministry of the Environment by electric utility entities and by fiscal year.

- b. JCR confirmed through a hearing with SMTB that the solar power plant started commercial operations in December 2018 and is steadily generating power at the time of review.
- 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

Through interviews, JCR confirmed that there were no particular changes to the selection criteria and its processes with regards to the solar power generation facility for which the proceeds of the Trust Beneficiary Rights are used.

(3) Appropriateness and Transparency of management of the proceeds

JCR evaluated the management of proceeds as appropriate at the time of the initial evaluation. The full amount of the Trust Beneficial Rights has already been appropriated for refinancing of purchasing funds for a solar-related facility immediately after issuance, and no unappropriated funds have been generated.

(4) Reporting

a. Reporting on the proceeds allocation

JCR confirmed that a trust property status report has already been provided to investors that the full amount of the proceeds from the issuance of the trust beneficiary rights was allocated for a solar-related facility.

b. Reporting on environmental improvement effects

SMTB plans to disclose the results of photovoltaic power generation in its ESG/CSR Report in a form of including them in the whole CO₂ reductions of project financing as a whole. JCR confirmed, at the time of review, that SMTB appropriately understood the results of photovoltaic power generation and the amount of CO₂ reductions by the project, and that although SMTB would 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 plans to appropriately disclose its 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, SMTB identified themes that impact the enterprise's value creation process, referred to as "materiality," and identified 14 topics to be addressed by the Board of Directors. In 2019, 17 new topics were identified with the addition of the latest items such as the pursuit of business opportunities on the theme of climate change and sustainability, based on the seven top risk items selected as risk events (assumed losses of at least 10 billion yen) that have a significant impact on management with regard to the aforementioned materiality. The department in charge of sustainability conducts "internal engagement," in which it communicates with departments in charge of materiality items, and has established a mechanism to reflect the evaluations of ESG investors in management. In this way, SMTB is actively working at ESG, including the environment, believing that ESG is necessary to improve its corporate value over the long term.

With regard to external reporting, in addition to ESG/CSR Report, SMTB in 2017 started to prepare an integrated report that sophisticated its conventional disclosure and examined the relevance of materiality and financial information. The Group is continuing to focus on and steadily work on ESG, as exemplified by reforms on three "materiality themes" of "corporate governance reform," "further thorough customer-orientation," and "work style reform."

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

(Sumitomo Mitsui Trust Group Environmental Policy)

1. Provision of Products and Services

We will strive to reduce environmental risks and enhance environmental value for the society as a whole by providing financial products and services that contribute to the preservation of the global environment and the realization of a sustainable society.

2. Environmental Burden Reduction

We will strive to preserve the environment and realize a sustainable society through efforts toward energy conservation, resource conservation, and resource recycling based on the recognition of the burden imposed on the environment by the consumption of resources and the discharge of wastes involved in our business activities.

3. Pollution Prevention

We will strive to ensure continuous verification and improvement of our environmental activities and make efforts to prevent pollution.

4. Regulatory Compliance

We will comply with the laws, regulations, rules, and agreements concerning the preservation of the environment.

5. Monitoring

We will strive to ensure the continuous improvement of our environmental activities by setting and periodically reviewing and revising environmental objectives and targets.

6. Education & Training

We strive to ensure group-wide awareness of compliance with the Environmental Policy and to provide appropriate environmental education.

7. Information Disclosure

We will strive to promote activities to preserve the environment through communications with external.

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.

As noted above, the issuance of green bonds is part of management initiative on proactive approach to ESG.

After the issuance of green bonds, SMTB in 2019 joined the Principles for the Responsible Banking, which was proposed by the UNEP and Finance Initiative, as an original signing member. SMTB also announced that it would conduct its business strategically consistent with the Paris Agreement on SDGs and Climate Change. As a concrete initiative, SMTB has been making a number of pioneering efforts on climate change, including, implementing Positive Impact Finance ("PIF") for the first time in Japan. In PIF, after a holistic analysis of a company's efforts, the bank has an engagement with the company and offers finance to the company's impacts on climate, society and economy.

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 hearing with SMTB that it utilizes and collaborates with external specialized organizations depending on content of initiatives.

In addition, in real estate business, one of its main businesses, SMTB since 2005 has been undertaking public initiatives for the dissemination of environmental real estate in national, local governments and committees related to CASBEE, etc., starting with publication of papers on the added value of environmental real estate. Furthermore, as the pioneer 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 from issuance of the Trust Beneficiary Rights have been allocated for the green project, which was originally assumed to be used for funding, and that the asset subject to the funding have sufficiently realized the effects of environmental improvement that were originally assumed, though the panel capacity was reduced from the initial assumption.

[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 Evaluation

[Review]

Subject	Issue Amount	Issue Date	Redemption Date	Interest Rate	Evaluation
Trust Beneficiary Rights 00012747	JPY 2 billion	September 28, 2018	September 30, 2036	TIBOR 6 months +0.70%	JCR Green Bond Evaluation :Green1 Greenness Evaluation :g1 Management, Operation and Transparency Evaluation :m1

(Responsible analysts for this evaluation) Atsuko Kajiwara and Kosuke Kajiwara

Important explanation of this Green Bond Evaluation

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

JCR Green Bond Evaluation, which is granted and provided by the 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 system, 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 issuer or by a third party requested by the issuer, but in principle it does not directly measure the effects.

2. Method used to conduct this evaluation

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

3. Relationship with Acts Concerning 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 Evaluation of JCR Green Bond

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

- 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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