

Green Bond Evaluation by Japan Credit Rating Agency, Ltd.

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

JCR Reviewed Green Bond Evaluation on UUR Green Joint Trust Beneficiary Rights (UUR Green Trust)

Subject	:	UUR Green Joint Trust Beneficiary Rights (UUR Green Trust)
Type	:	Beneficial Interest
Issue amount	:	JPY 10 billion
Interest rate	:	0.25% (per annum)
Trust Establishment Date	:	September 28, 2018
Trust Termination Date	:	September 29, 2023
Repayment Method	:	Lump-sum repayment at maturity
Use of proceeds	:	Loans to United Urban Investment Corporation

<Green Bond 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 beneficial interest (the "Beneficial Interest") backed by loans receivable to United Urban Investment Corporation (UUR). The main summary is as follows.

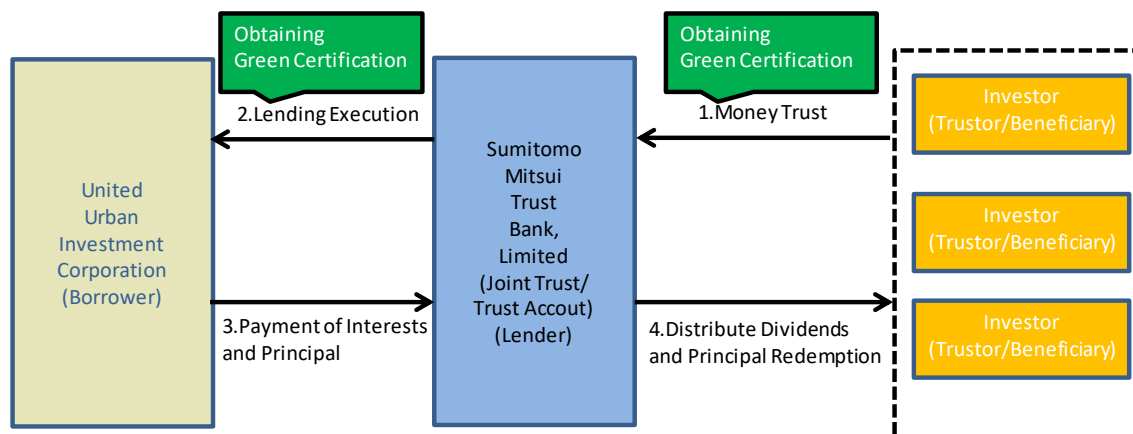
(Excerpt from the September 28, 2018 evaluation report)

Sumitomo Mitsui Trust Bank, Limited (SMTB) was founded both in 1924 as Mitsui Trust Co., Ltd., and in 1925 as Sumitomo Trust Co., Ltd., and is the core company of Sumitomo Mitsui Trust Group. This is a trust bank established by the merger of Sumitomo Trust Co., Ltd., Chuo Mitsui Trust and Banking Co., Ltd., and Chuo Mitsui Asset Trust

and Banking Co., Ltd. in 2012. The Sumitomo Mitsui Trust Group to which SMTB belongs is Japan's largest asset management group, and it is a trust banking group with a leading size in the industry centering on asset management and administration.

This time, the Beneficial Interest delivered by the joint money trust established by SMTB is subject to evaluation. The overview of finance is shown below.

Scheme Diagram



SMTB receives money in trust from investors (1), or borrowing from ABLs and lend the funds to UUR (2). Principal and interest paid by UUR to SMTB (3) are returned to investors as income dividend (4) in the structure. The long-term loan from SMTB (the "Joint Trust") to UUR (the "Loan"), which are the use of proceeds of the issuance of the Beneficial Interest, shall be used to refinance the funds acquired by UUR for acquisition of existing office buildings and commercial buildings and to acquire new hotels. The Loan acquired JCR's highest green loan evaluation "Green1," and SMTB has thereby confirmed the greenness of the loan's use of proceeds.

(End of the excerpt)

JCR reviewed the Beneficial Interest and confirmed that SMTB provided a loan to UUR, the borrower, and that it was used to finance the acquisition of existing office buildings and commercial facilities and to acquire newly acquired hotels by UUR. JCR also confirmed that the management and operational systems have been maintained unchanged from those originally anticipated, and that appropriate disclosures are to be made to investors.

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" for overall evaluation of the bonds. Detailed evaluation is discussed in the next chapter. The Beneficial Interest is considered to meet the criteria for the items required by ICMA's Green Bond Principles¹ and the Green Bond Guidelines issued by the Ministry of the Environment of Japan.²

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 periods.

(1) Use of Proceeds (Status of Appropriation)

JCR evaluates if the management of proceeds from the Beneficial Interest and the appropriation of funds procured for green projects has been properly carried out in a manner specified by the issuer at the time of assigning the evaluation of the Beneficial Interest.

(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 Beneficial Interest, 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 from the Beneficial Interest have been certainly allocated for green projects or not. JCR also evaluates if there is a system and an internal structure 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 from the Beneficial Interest are appropriately calculated according to the method stipulated by the borrower at the time of assigning the evaluation of the Beneficial Interest.

(5) Organization's Environmental Activities

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 (Status of Appropriation)

- a. The following eight Green Buildings have been allocated to the proceeds through loans to UUR in lieu of the issuance of the Beneficial Interest:

(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	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - An office building located 4 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	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - 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 using LED lighting, reducing waste, and waste for animal feed use.

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	<ul style="list-style-type: none"> - The office building is located in 4 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	<ul style="list-style-type: none"> - The office building is located in 3 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	<ul style="list-style-type: none"> - This complex is located in front of Tsubogawa Station, Okinawa Urban Monorail. It takes 5 minutes from Prefectural Office Station, which is locating in the center of Naha City and 10 minutes from at Naha Airport Station. - The buildings is fully 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 (Note)

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	<ul style="list-style-type: none"> - A hotel located in Tenjin district 1 minute walk from Tenjin-Minami Station on the Subway Nanakuma Line and 5 minutes' walk from Tenjin Station on the Subway 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.

(NOTE) Regarding "The B Fukuoka Tenjin," in a press release by UUR on December 16, 2020, it was announced that there was a change in its tenant from K.K. Ishin Tenjin Operations, the former tenant, to Greens Co., Ltd.

- b. UUR continues to hold all eight buildings, and no sales to other investment corporations have occurred.
- c. Regarding the eight properties, no serious negative impacts on the environment have been confirmed, such as noise and soil contamination or complaints from local residents. While the tenant contract for The B Fukuoka Tenjin was cancelled by the former tenant, JCR confirmed that it has secured a new tenant and has signed a contract. In conjunction with this tenant transfer, small-scale work, such as the replacement of billboards, is scheduled, but JCR conducted hearings with UUR, the borrower, to confirm that there is no negative impact on the environment.

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

At the initial evaluation in 2018, JCR conducted an interview on the criteria for selecting the use of proceeds and the validity and transparency of the process, and the results were evaluated as reasonable. In this review, JCR confirmed in interviews that there were no changes to the selection criteria and the process related to the Green Building, which is the use of proceeds for the Beneficial Interests, and continues to evaluate it as appropriate.

(3) Appropriateness and Transparency of management of the proceeds

JCR evaluates management of proceeds as appropriate at the time of the previous evaluation. The entire amount of the Beneficial Interest has already been appropriated for the refinancing or purchase of existing or new Green Buildings and therefore there are no unappropriated funds. Accordingly, JCR continues to evaluate the fund management system as appropriate.

(4) Reporting

a. Reporting on the proceeds allocation

JCR has confirmed that the entire amount of the Beneficial Interest has been appropriated through loans to UUR for the refinancing of existing offices, commercial facilities and other facilities and the acquisition of new hotels. JCR also confirmed that SMTB have already reported to investors through the Trust Assets Status Report.

b. Reporting on environmental improvement effects

JCR confirms that SMTB intends to disclose the details disclosed by UUR to investors in Beneficial Interest. Specifically, once a year, UUR discloses the level of environmental certification acquired, power usage, CO₂ emissions, and water usage of Green Eligible Assets specified in UUR's eligibility criteria on its website. SMTB plans to disclose the content disclosed by UUR as a report on the effects of environmental improvements to investors in the subsequent year's Trust Assets Status Report. In an interview with UUR, it was confirmed that the disclosure of the above figures by UUR in fiscal 2019 will occur at the latest in March 2021, and JCR will confirm whether the disclosure will be made going forward.

JCR evaluates that the reporting planned will appropriately disclose to investors both the allocation of proceeds and the effects on environmental improvement.

(5) Organization's environmental activities

a. Sumitomo Mitsui Trust Group's Environmental Efforts

Sumitomo Mitsui Trust Group ("the Group") to which SMTB belongs has signed the Principles for Responsible Investment (PRI) that advocated the ESG since its publication in 2006, and incorporates the concept of ESG into its management.

In 2015, the Group identified a theme called "materiality," which affects the corporate value creation process and sorted out the themes that the board of directors should address. It also 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. The Group is actively working on these issues as it believe ESG including environment is necessary for the Group to improve its corporate value over the long term.

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."

In response to Task Force on Climate-related Financial Disclosures: TCFD, the Group established an internal project team in October 2019 to conduct scenario-based analyses of climate change risks and hold executive-level discussions through management conferences and other forums. The findings are included in the integrated report of Sumitomo Mitsui Trust Holdings, Inc. In December 2020, for the first time, TCFD Report specializing in TCFD was published and widely released.

On top of these initiatives, in November 2020, the government set and disclosed long-term sustainable finance targets (5 trillion yen over the 10-year period from fiscal 2021), targets for reducing the balance of

financing for coal-fired power generation projects, and targets for reducing CO₂ emitted by SMTB itself (reduced by 50% by fiscal 2030, zero by 2050). The government has announced and is now implementing initiatives that have further strengthened its engagement.

The Group has also established the environmental policies shown in this page 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, and waste disposal and recycling in large-scale office buildings within the Group.

b. SMTB's Environmental Efforts

As a core company of the Group, the management of SMTB recognizes the importance of ESGs and environmental issues. In 2019, the Bank also participated as a signatory to the "Principle for Responsible Banking" advocated by the United Nations Environmental Programme and Finance Initiative (UNEP FI) and announced that it would strategically conduct its business in a manner consistent with the Paris Agreement on SDGs and Climate Change. SMTB has been taking a number of initiatives as a pioneer in climate change, such as first Positive Impact Finance in Japan which is type of finance engaging with the company. It focuses on impact to climate, society and economy resulting from holistic analysis of the company. The implementation of Positive Impact Finance has received positive feedback from the implementing corporates, such as having been able to organize ESG-related issues and facilitating communication between ESG personnel and other employees in finance/accounting and other sections. It is expected that the implementing companies' ESG-related initiatives will be further promoted through this initiative.

SMTB established the Sustainability Promotion Department within the Corporate Planning Department (upgraded to a department within a department in April 2020) as a department with specialized knowledge of environmental issues. The Department supervises the entire ESG of SMTB and supports the ESG activities of individual businesses. In addition, JCR confirmed in hearings with SMTB that it is utilizing external specialist organizations and cooperating in accordance with the content of its efforts. In April 2020, SMTB established the ESG Solution Planning and Promotion Office within the Corporate Planning Department, which is the business management department, to further promote the provision of added value to corporate customers starting with ESG and SDGs. JCR confirmed at interviews that this Department intends to promote dialogue with customers, identify needs, link them to new businesses, and expand them to other departments.

In the real estate business, since 2005, SMTB has been publicly involved in the popularization of environmental real estate at national/local governments and committee related to CASBEE, starting with the release of papers on the added value brought by environmental real estate. Moreover, as a pioneer in environmental real estate, SMTB has been developing businesses aimed at the popularization of environmental real estate, such as consulting on the application for CASBEE certification.

JCR highly evaluates that SMTB's establishment of a green bonds in jointly-managed money trusts as part of the financial arrangement for J-REIT is also part of the above-mentioned efforts, and that investors can put their money in businesses that have environmental improvement effects through the Beneficial Interest.

SMTB promotes initiatives for ESG such as establishment of their Green Bond Framework and obtaining third-party certification from an external certification body in August 2018.

The eight properties for which the Beneficial Interest are to be used are in line with the environmental initiatives of the Group and SMTB as described above, and JCR evaluates that they will contribute to the achievement of the SDGs.

Based on the above, JCR confirmed that SMTB's management continues to position various sustainability issues, such as environmental issues, as a high-priority issue for them and is implementing initiatives accordingly.

4. Conclusion

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

[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

Issuer: Sumitomo Mitsui Trust Bank, Limited

[Review]

Subject	Issue Amount	Trust Establishment Date	Trust Termination Date	Interest rate	Evaluation
Beneficial Interest	JPY 10 billion	Sep. 28, 2018	Sep. 26 2023	0.25%	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, meaning and limits 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, 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 (Sustainable Finance & ESG in <https://www.jcr.co.jp/en/>) as JCR Green Finance Evaluation Methodology.

3. Relationship with Acts Related to Credit Rating Business

JCR Green Bond Evaluation is determined and provided by JCR as an ancillary business, which is different from the activities related to the credit rating business.

4. Relationship with Credit Ratings

The Evaluation differs from credit ratings 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 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)
- Members of the Working Group on UNEP FI Positive Impact Finance Principles
- Climate Bonds Initiative Approved Verifier (Climate Change Initiative Accreditation Verification Organization)

■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/>).

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