18-D-0470
September 3, 2018

Green Loan Evaluation by Japan Credit Rating Agency, Ltd.

Japan Credit Rating Agency, Ltd. (JCR) announces the following Green Loan Evaluation Results.

JCR Assigned Green 1 (preliminary) to Long-term Loan 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 (SMTB)
Borrowing Amount	:	JPY 10 billion (planned)
Interest Rate	:	Undecided
Date of the Loan agreement	:	September 28, 2018 (planned)
Issue Date	:	September 28, 2018 (planned)
Redemption Date	:	September 29, 2023 (planned)
Redemption method	:	Lump-sum repayment at maturity
Use of Proceeds	:	Payment of funds to acquire assets and refinancing of assets to be held

<Green Loan Preliminary Evaluation Results>

Overall Evaluation	Green 1
Evaluation on Greenness (use of proceeds)	g1
Evaluation on Management, Operation and Transparency	m1

Chapter 1：Evaluation Overview

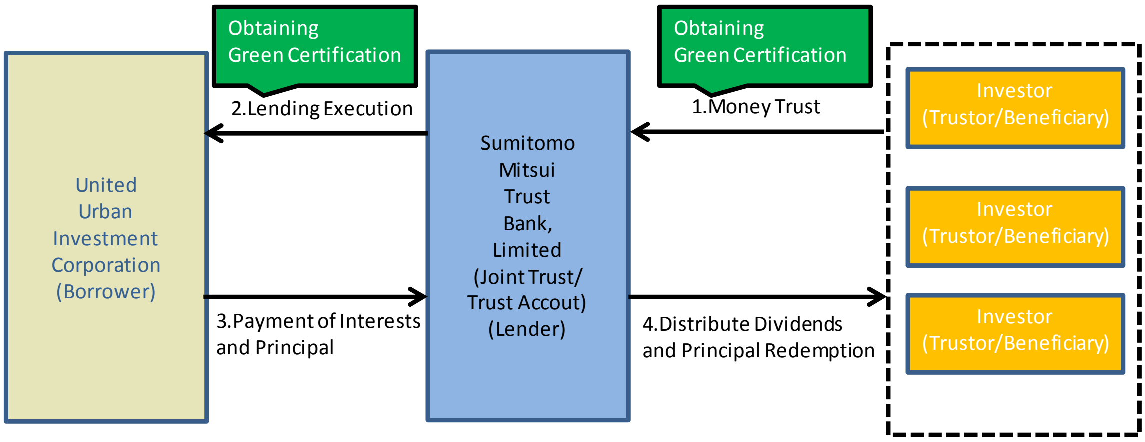
United Urban Investment Corporation (UUR) was established in November 2003 under the Investment Trust Law and listed on the Tokyo Stock Exchange Real Estate Investment Trust Market (J-REIT Market) in December 2003. The asset management business is conducted by Japan REIT Advisors Co., Ltd. (JRA).

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, the company 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.

This evaluation is based on long-term loan borrowed by the UUR from the trust account (joint money trust) of the SMTB. The overview of finance is shown below.

(Scheme Diagram)



SMTB receives money in trust (or borrowing from ABLs) from investors (1), 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.

The Loans will be used to refinance the existing office buildings and commercial buildings acquired by UUR and to fund the acquisition of a newly acquired hotel. JRA, which is an asset management company of UUR, defines "green eligible assets" as properties that have acquired or are expected to be acquired any of three stars or more of DBJ Green Building certification, CASBEE Real Estate Evaluation Certification A or higher, or two or more stars of BELS. JCR evaluates that the definition of green eligible assets set by JRA is limited to higher environmental performance ranks than other competitors.

JCR has confirmed that the target asset to refinancing and newly acquired assets under this loan is "green eligible assets" as defined in the asset management guidelines of JRA, the asset management company of UUR. It was confirmed from the Environmental Performance Evaluation Report and the hearing with JRA that there is no possibility that the target assets will have a serious negative impact on the environment that exceeds the effects of environmental improvement. From the above, JCR evaluates that the use of proceeds subject to this evaluation has a high environmental improvement effect, such as reduction of CO2 emissions and reduction of water use.

UUR is strengthening its ESG efforts to achieve "sustainable growth" and has a goal of increasing the coverage ratio for acquiring various environmental certifications for owned properties to 50% by 2020. JCR has confirmed the robust management structure and high transparency of the Green Loan by incorporating the criteria for the selection of eligible green assets into JRA's asset management guidelines by including investment in the green assets, making the green finance projects subject to internal audits.

Based on the JCR Green Loan Evaluation Method, the target long-term borrowings are "g1" in the "Green Evaluation (use of proceeds)" and "m1" in the "Management, Operation and Transparency" and the "Overall

Evaluation" is "Green1." Detailed evaluation results are discussed in detail in the next chapter. The loan meets the requirements of the Green Loan Principles and the Ministry of the Environment's Green Bond Guidelines[1,2].

Chapter 2: Current status of the project on each evaluation factor and JCR's evaluations

Evaluation Phase 1: Greenness Evaluation

JCR assigns"g1", the highest grade, to "Evaluation phase 1: Greenness Evaluation".
Rationale: 100% use of proceeds of the Long-term Loan is allocated to green projects, considering the factors described below.

(1) JCR's key consideration in this factor

In this section, we first assesses whether the funding money will be allocated to green projects that have explicit improvement effects on environment. Next, in the event that a negative environmental impact is anticipated for the purpose of uses of proceeds, the inspector shall confirm whether necessary measures for avoidance and mitigation have been taken based on a thorough examination of the impact by the specialist department of the company or an external third-party organization. Finally, it confirms consistency with the Sustainable Development Goals (SDGs).

(2) Current status of the project on each evaluation factor and JCR's evaluation.

Overview of the use of proceeds

a. On the environmental improvement effects of the project

i. 100% of the funds are used to refinance or acquire existing or new "green eligible assets," which is highly environmental improvement effect.

JRA Asset Management Guidelines (excerpt)

(2)Specific Investment Criteria 2. Other Attributes of the Target Investment Property (b) Green Eligible Assets

New and existing management assets that have acquired or are expected to obtain DBJ Green Building certification (three stars or more), CASBEE real estate certification (A rank or higher), and BELS evaluation (two stars or more) (collectively referred to as "environmental certification") shall be defined as "green eligible assets," and efforts shall be made to acquire environmental certification through initiatives such as improving the environmental performance of those management assets that have not acquired environmental certification.

All the use of proceeds will be allocated to the existing or new "green eligible assets" set forth in the guidelines, which are the eight "green eligible assets" listed on the page 4, namely, office buildings, commercial buildings, and hotels. These eight office buildings, commercial buildings and hotels will be refinanced or acquired in September 2018. JCR has confirmed that seven of the eight office buildings, commercial buildings, and hotels that measured BEI[3] (six with CASBEE real estate certification and one

[1] LMA (Loan Market Association) Green Loan Principles 2018

[2] Ministry of the Environment's Green Bond Guidelines 2017. This is not a green bond, but as the concept of the four principles required is very similar to that of a green bond, compliance with the Ministry of the Environment's Green Bond Guidelines is also considered in the evaluation.

[3] Abbreviation of Building Energy Index. This property indicates the ratio of the design primary reduced energy consumption of the relevant property to the criterion primary energy consumption. The lower the value, the higher the energy efficiency.

with BELS certification) have good results and are expected to be highly effective in improving the environment. JCR has also confirmed that energy-saving measures have been implemented in the scoring sheet for one of the buildings that acquire DBJ Green Building certification.

ii. The use of proceeds falls under the category of green projects defined in the Green Bond Principles or the Green Bond Guidelines of the Ministry of the Environment of Japan that are "energy efficient" or " green buildings which meet regional, national or internationally recognized standards or certifications".

b. Negative impact on Environment

JRA checks and evaluates green eligible assets using checklists, etc. at due diligence meetings. At this time, the negative environmental impact of the eight office buildings, commercial buildings and hotels for which this loan is expected to be utilized has not been identified. JCR confirms that if there is a negative impact on the environment, it is necessary to take corrective measures by the seller as a precondition to avoid or mitigate the negative impact.

(List of Assets)

Number	Name	Newly/Existing	Certification		Status
				Rank	
1	Pacific Marks Yokohama East	Existing	CASBEE Real Estate	Rank A (★★★★)	Obtained
2	Pacific Marks Shin-Yokohama	Existing	CASBEE Real Estate	Rank A (★★★★)	Obtained
3	Pacific Marks Sapporo Kita-Ichijo	Existing	CASBEE Real Estate	Rank A (★★★★)	Obtained
4	Mallage Kashiwa	Existing	CASBEE Real Estate	Rank S (★★★★★)	Obtained
5	Pacific Marks Tsukishima	Existing	CASBEE Real Estate	Rank A (★★★★)	Obtained
6	Pacific Marks Akasaka-mitsuke	Existing	CASBEE Real Estate	Rank A (★★★★)	Obtained
7	Tsubogawa Square Building	Existing	DBJ Green Building	Three Stars ★★★	Obtained
8	The "b" Fukuoka Tenjin	Newly Acquired	BELS	Above Two Stars (★★)	To be acquired

*: "The "b" Fukuoka Tenjin" describes the ranks expected to be acquired by the UUR because BELS's environmental certification was not obtained at the time of this Green Loan Evaluation.

(Reference) Certification System for Each Green Building

1. CASBEE

An acronym for the English name of the Building Environmental Performance Assessment System (Comprehensive Assessment System for Built Environment Efficiency).

This is a method to evaluate and rate the environmental performance of buildings. The Comprehensive Environmental Evaluation Research Committee for Buildings was established in April 2001 as a joint project of industry, government and academia with the support of the Housing Bureau of the Ministry of Land, Infrastructure, Transport and Tourism, and has been continuously developing and maintaining buildings since then. Valuation tools include CASBEE-architecture, CASBEE-streets, etc., as well as CASBEE-real estate developed to provide easy-to-understand environmental performance to the real estate market.

The evaluation results are divided into five grades: Rank S (excellent), Rank A (very good), Rank B (good), Rank B (slightly poor), Rank C (poor), and CASBEE-Real Estate scoring has four grades : Rank S (Excellent), Rank A (very good), Rank B+(good), and Rank B (Satisfaction of mandatory items).

2. DBJ Green Building

A certification system provided by DBJ (Development Bank of Japan) that evaluates properties with environmental and social considerations. The evaluation results are expressed as the number of stars, and the evaluation axis is "Buildings with consideration for the environment and society. "Each is represented by five stars (the best class in Japan), four stars (exceptionally high), three stars (excellent), two stars (high), and one star (satisfactory). Although it is not an environmental performance-specific evaluation, it is highly recognized in Japan and has a certain evaluation item regarding environmental performance. Therefore, JCR believes that this certification corresponds to "regional, national or internationally recognized standards and certified green buildings" of the Green Project Classification as defined in the Green Loan Principles. However, since the certification is not limited to environmental performance, JCR believes that it is desirable to confirm the evaluation of environmental performance individually.

3. BELS

An acronym for the English name of the Energy-saving Performance Indication System for Buildings (Building-housing Energy-efficiency Labeling System).

In October 2013, the Ministry of Land, Infrastructure, Transport and Tourism established the "Evaluation Guidelines for Labeling the Energy Conservation Performance of Non-Residential Buildings (2013)", and based on the guidelines, a third-party organization will properly evaluate and label the energy-saving performance of non-residential buildings. The results of the evaluation are indicated by the number of stars based on the achievement value of the energy conservation criterion.

Five stars, four stars, three stars (induction criterion), two stars (energy conservation standard), and one star (existing energy conservation standard), respectively.

c. Alignment with SDGs goals and target

This project is classified into energy-saving and regional, national or internationally recognized standards and certification green buildings. JCR evaluated the project to contribute to the following SDGs targets and targets, referring to ICMA's SDGs mapping.

Goal 7: Ensure access to affordable, reliable, sustainable, and modern energy for all.

Target 7.3. By 2030, double the global rate of improvement in energy efficiency.

Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.

Target 9.4. By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities. With all countries taking action in accordance with their respective capabilities.

Goal 11: Make cities and human settlements inclusive, safe, resilient and sustainable.

Target 11.6. By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.

Evaluation Phase 2: Evaluation on Management, Operation and Transparency

JCR assigns “m1”, the highest rating on JCR evaluation Phase 2: Evaluation on Management and Operation and Transparency.

Rationale: These projects have allocated the funding and implemented the businesses as planned through a firmly equipped management and operation system and high transparency as described below.

1. Appropriateness and Transparency concerning selection standard and processes of the use of proceeds

(1) JCR’s key consideration in this factor

This section confirms that the objectives to be achieved through the green bond, the criteria for selecting green projects, the appropriateness of the process, and the series of processes are appropriately disclosed to investors.

(2) Current status of evaluation targets and JCR evaluation

a. Goal

In the "Sustainability Targets" published in its website, the UUR states that "As the owner of a large-scale facility that is believed to emit a considerable amount of greenhouse gases, the UUR aims to reduce the energy consumption per unit of production, which is calculated by taking into account the energy consumption and the total floor area of its facilities, by an average of 1% per year over a five-year period. Specific measures to reduce the emissions include upgrading the efficiency of air conditioning systems and adopting high-efficiency equipment at the time of renewal of lighting, etc., in accordance with the conditions of the facilities." The refinancing and acquisition of new green eligible assets are part of this plan.

In addition, UUR is strengthening its ESG initiatives with the aim of achieving "sustainable growth" and has a goal of increasing the coverage ratio for acquiring various environmental certifications for owned properties to 50% by 2020.

JCR believes that these set of targets are specific, with numerical targets.

b. Selection criteria

JRA's Sustainability Committee, which has specialized knowledge, evaluates green assets.

The Sustainability Committee evaluates based on the criteria set out in the JRA Asset Management Guidelines. The Sustainability Committee also plays a principal role in selecting "green eligible assets" to be eligible for refinancing and new acquisition. In addition, when the acquisition of "green eligible assets" is considered to have a negative impact on the environment, the company has adopted a limited impact measure, such as requiring the seller to take corrective measures for the purpose of complying with laws and regulations as a precondition for avoiding or mitigating the negative impact.

JRA's criteria for selecting "green eligible assets" are new and existing operating assets that have acquired or are expected to acquire either DBJ Green Building certification (three stars or more), CASBEE real estate certification (A rank or higher), or BELS assessment (two stars or more), as described above on page 3 of this evaluation report. JCR highly appreciates this selection criterion in that they are limited to higher environmental performance rankings than other companies.

c. Process

JRA's Sustainability Committee evaluates the green quality of its "green eligible assets," and the Finance Team proposes the appropriation of these assets to be acquired and refinancing of "green eligible assets," which is approved and resolved by the JRA Board of Directors.

The Sustainability Committee consists of the Chief Executive Officer, the Chief Investment Officer, the Chief Financial Officer, and the Chief Compliance Officer (CCO). JCR also evaluates that the management is involved in the selection process of green eligible assets appropriately and the institutional decision-making process is clear.

The JCR believes that goal, selection criteria, and process are outlined in this evaluation report and that transparency for investors is ensured.

2. Appropriateness and Transparency of Management of the proceeds

(1) JCR’s key consideration in this factor

The management method of the procured funds is usually assumed to be diverse depending on the issuer. Confirm whether the funds procured through green loans are allocated to green projects and whether a mechanism and an internal system are in place to enable easy tracking and management of the appropriations.

It also attaches importance to evaluating the management and operation of the unallocated funds, as well as to confirming that the funds procured from the loan will be allocated to the green projects at an early stage.

(2) Current status of evaluation targets and JCR evaluation

a. The total amount of long-term loan will be appropriated for the refinancing and new acquisitions of the eight "green eligible assets" described on page 4 of this report. There is no plan to use the proceeds for any other purpose.

b. With regard to account management, JRA's department in charge (finance team, etc.) confirms that the use of proceeds, dates, and balances are managed via electronic media, such as Excel files, for each procurement fund. JCR has confirmed that long-term loans can be allocated to refinance "green eligible assets" as soon as they are procured, and that it is sufficient to track management at the time of collective allocation.

c. As it stated in the Asset Management Guidelines revised on July 31, 2018, JRA is required to confirm the status of its portfolio at least once a year and obtain CFO approval when publishing it on the website. Therefore, an internal management system is in place.

d. The use of proceeds is to refinance and acquire green eligible assets as soon as possible after procurement, and therefore, no unallocated funds will be generated.
The Finance Team of JRA has confirmed that, in the event that unallocated funds are generated by the sale of "green eligible assets" before repayment of all long-term loans, the JRA will endeavor to reallocate the balance to green projects such as the acquisition funds and refinancing funds of other green eligible assets at the earliest possible stage after recognizing and management the balance.

JCR has confirmed that funds are securely allocated to "green eligible assets," that management of proceeds is appropriate within JRA and that internal management systems are in place, and that "green eligible assets" are appropriately selected and that funds are appropriately substituted even if unallocated funds are generated. JCR has evaluated that funds management is highly appropriate and transparent.

3. Reporting

(1) JCR's key consideration in this factor

This section evaluates whether the disclosure system for investors, etc. before and after the issuance of green bonds is planned in a detailed and effective manner at the time of the issuance of green bonds.

(2) Current status of evaluation targets and JCR evaluation

a. Reporting about the proceeds allocations

As confirmed in the previous section, the proceeds will be immediately allocated to refinance or acquire "green eligible assets," and therefore, no reporting of unallocated funds during the period is currently assumed. However, JCR confirms that in the event of a material change in the situation, such as the sale of "green eligible assets" acquired through the current long-term borrowings resulting in unappropriated funds, JRA will disclose the information after obtaining the approval of management, such as CEO, CFO, CIO, CCO, etc., from the UUR website.

b. Impact reporting for environmental benefits

The list and outline of "green eligible assets" are shown in the list of uses of funds in Evaluation Phase 1 of this report. UUR plans to disclose electricity, gas, CO_2, and water usage on its website and other media once a year.

UUR will also receive a third-party review of the accuracy of the reporting status once a year by JCR until the due date.

JCR believes that the above-mentioned reports are intended to be appropriately disclosed to investors and other parties regarding both the appropriation of funds and the effects of environmental improvement

4. Efforts taken by the organization

(1) JCR's key consideration in this factor

This section evaluates whether the issuer's management positions environmental issues as a high-priority management issue, and whether the JCR green loan borrowing policy, process and the criteria for selecting green projects are clearly defined through the establishment of a department specializing in the environmental field or through the assistance of external organizations.

(2) Current status of evaluation targets and JCR evaluation

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.

According to the Environmental Policy, as measures against “1.energy efficiency and global warming prevention”, the report states that "we will actively promote the efficient use of resources and energy and strive to realize a low-carbon society through the introduction of environmentally friendly technologies and systems." In addition, regarding “2.reduction of environmental impact”, the report states that "we will strive to reduce environmental impact and realize a realization of recycle-oriented society by reducing water consumption, reducing waste generation, reusing (reuse), recycling (recycling), etc., in addition to reducing carbon."

In addition, the UUR has independently established key sustainability issues (materiality), linking each materiality with each objective of the Sustainable Development Goals (SDGs), and evaluating and publishing each fiscal year on the website.

In particular, with regard to the environmental, JRA publishes the following as "Sustainability Targets" on its website;

"As the owner of a large-scale facility that generates a considerable amount of greenhouse gas emissions, we are aiming to reduce the energy consumption per unit of energy, which is calculated by taking into account the energy consumption in the facility and the total floor area, by an average of 1% per year over a five-year period. As a concrete measure to reduce emissions, we will adopt high-efficiency equipment by replacing air-conditioning systems and adopting high-efficiency equipment when replacing lighting, etc., in accordance with the conditions of the facility."

Every fiscal year, the amount of electricity used, gas used, CO_2 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.

JCR also believes that 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 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 these organizations, and that departments with expertise are clearly involved in green loan procurement policies and processes and the selection of green projects.

■Assessment result

Based on the JCR Green Loan Evaluation Method, long-term loans subject to the evaluation were classified as "g1" in the Green Evaluation (use of proceeds) and "m1" in the Management/Operation and Transparency Evaluation, and "Green1" in the Overall Evaluation. In addition, this Loan is considered to meet the criteria for the items required by the Green Loan Principles and the Green Bond Guidelines issued by the Ministry of the Environment of Japan.

<JCR Green Loan Evaluation Matrix>

		Management, Operation & Transparency				
		m1	m2	m3	m4	m5
Greenness	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

< Evaluation Subject>

Borrower: United Urban Investment Corporation

[Assignment]

Issue	Amount (bn)	Date of Borrowing	Maturity date	Interest Rate	Preliminary Evaluation
Long-term Loan (Green Loan)	JPY 10 bil.	Sep. 28, 2018	Sep. 29, 2023	Undecided	JCR Green Bond Evaluation :Green1 Greenness Evaluation :g1 Management, Operation, and Transparency :m1

GB Analysts in charge of this evaluation: Atsuko Kajiwara, Kosuke Kajiwara and Yuichi Yamada

Important explanations about this Green Loan Evaluation

1. Assumptions, meaning and limits of JCR Green Loan Evaluation

   Assumptions, Significance, and Limitations of JCR Green Loan Evaluation JCR Green Loan 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 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, the 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 Green Loan on the environmental 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. 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/greenfinance)) as JCR Green Finance Evaluation Method.

3. Relationship with Acts Related to Credit Rating Business

   The 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 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 conflicts of interest related to capital or human resources relationships between the subject of this evaluation and JCR.

■Disclaimers

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■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)

■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 (http://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