

Environmentally Friendly Property

SuMi TRUST
SUMITOMO MITSUI TRUST HOLDINGS

CSR REPORT

2015



SuMi TRUST Group's Eco-Trustution

The Group has coined the word “Eco-Trustution” to represent its environmental financial business based on the concept of providing solutions to ecological issues through the use of our trust function. We will continue to develop and provide solution-based financial instruments and services.

**Solutions that use
the unique functions
of a trust bank**

Editorial policy

The CSR Report 2015, as with the previous edition, consists of a full report, a digest report, and four feature booklets on *Climate Change*, *Natural Capital*, *Responsible Investment*, and *Environmentally Friendly Property*. We have published a digest version of our CSR report along with feature booklets so that readers can gain a deeper understanding of our Group's proactive initiatives. You can visit our website to view our other CSR initiatives.

<http://www.smtb.jp/csr/>

* This booklet introduces various initiatives and activities by our Group, led by SuMi TRUST Bank.

Support for
Energy Efficiency
(Renewable
Energy, Energy
Conservation)

Investment in
Environmentally
Friendly
Companies
(Responsible
Investment)

Financing for
Environmentally
Friendly
Companies
(Environmental
Rating Loans)

Valuation of
Natural Capital
(Biodiversity)

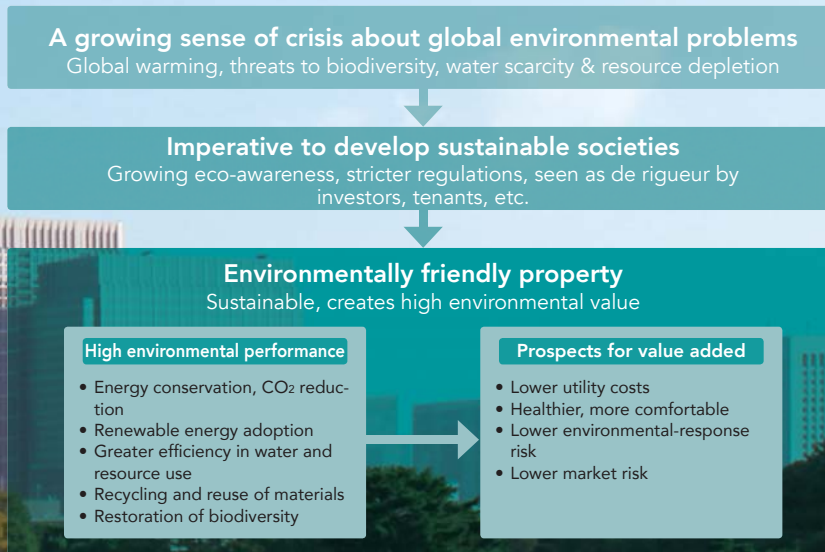
Support for
Environmental
Friendliness in
Real Estate

Support for
Smart City
Projects

**ECO
Trustution**
エコ・トラステーション

What is Environmentally Friendly Property?

- Amid a growing sense of crisis about global environmental problems, environmental consideration has become necessary in real estate to realize a sustainable society.
- Environmentally friendly property takes the environment into account, is sustainable, and fosters high environmental value.
- The Group believes environmentally friendly properties can generate more value added than conventional properties through features that enhance income by improving environmental performance and reducing risk.



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Why is Environmentally Friendly Property Necessary Now?

- Many governments are adopting policies to respond to global environmental problems based on the United Nations Framework Convention on Climate Change (UNFCCC) and Convention on Biological Diversity (CBD).
- On the domestic policy front, new non-residential buildings with floor space of 2,000m² or more will need to comply with energy saving standards under the Energy Conservation Act (publicly issued in 2015) when the law comes into force in April 2017. Meanwhile, there has been progress in improving and broadening programs that offer government subsidies and investment funds for high-environmental-performance projects such as the “leading projects” program for sustainable buildings and a program to promote eco-friendly, earthquake-resistance property.
- Global investment and financial centers recognize that addressing global environmental problems is essential. More than 1,300 institutions in Japan and overseas have become signatories to the Principles for Responsible Investment (PRI), a United Nations-led global platform for investment that factors in environmental, social, and governance (ESG) issues, since its launch in 2006. Under the United Nations Environment Programme Finance Initiative (UNEP FI), more than 300 financial institutions, including banks, insurers, and brokerages, are working together to integrate ESG risks into financial system functions. In 2015, Japan’s Government Pension Investment Fund (GPIF) became a PRI signatory, a notable step for PRI’s acceptance. The SuMi TRUST Group has been a PRI UNEP FI signatory since its launch.
- Used for investment decision-making, Global Real Estate Sustainability Benchmark (GRESB) was created in 2009, mainly for a group of large pension funds in Europe, to measure sustainability performance in the real estate sector. In 2015, 32 firms (including 21 REITs) participated in the GRESB survey.
- In 2015, about 200 institutions in Japan’s asset management and finance sector announced their adoption of Japan’s Stewardship Code, which spells out principles for responsible institutional investors. The Corporate Governance Code, which includes principles to encourage companies to respond to sustainability concerns, also took effect in 2015 as an attachment to the Tokyo Stock Exchange’s securities listing requirement.
- As the above shows, there is no time to wait in shifting to eco-friendly property.

No time to wait in shifting to eco-friendly property

International conventions

- United Nations Framework Convention on Climate Change (UNFCCC)
- Convention on Biological Diversity (CBD)

Japanese government policies

- Energy Conservation Act
 - > Bolsters environment-related regulations
- “Leading projects” program for sustainable buildings, etc.
- Program to promote eco-friendly, earthquake-resistant property
 - > Support property with high environmental performance

Global investment & financial centers

- PRI UNEP FI
 - > Promotes investment and finance that factors in ESG
- GRESB
 - > A benchmark is used for real estate-related investment decisions

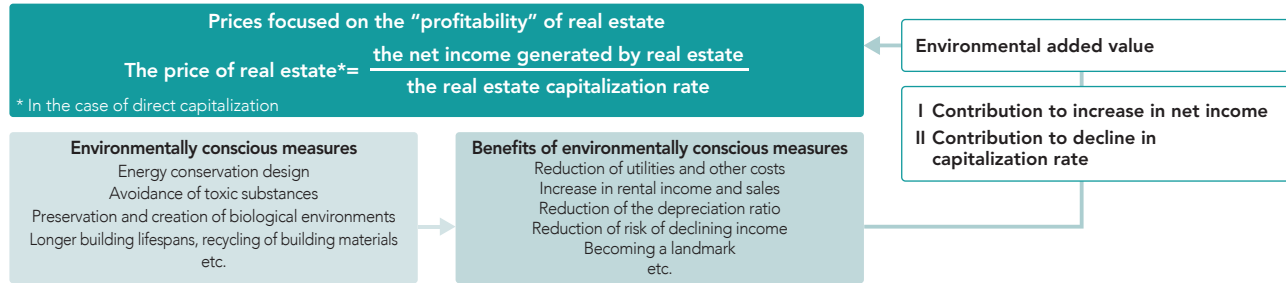
Domestic investment & financial centers

- Japan’s Stewardship Code
 - > About 200 institutions have announced adoption
- Corporate Governance Code
 - > Principles to encourage listed companies to respond to sustainability concerns

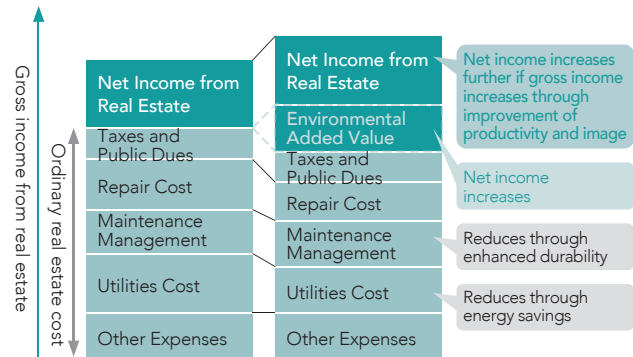
Added Value of Environmentally Friendly Property

- It is often said environmental friendly property “costs more than usual and is difficult to invest in,” but price theory in real estate investment suggests such buildings are able to generate added value equal to or greater than their additional cost.
- From the perspective of profitability (how much and how long do properties generate steady profits), a property's price derives from net income (revenue minus costs) divided by the real estate capitalization rate. The greater gross income including rents is, and the lower the costs of utilities, maintenance, and building management are, the higher net income is, and so the higher the price valuation of a property. In addition, stable properties with less income fluctuation risk are awarded higher valuations as investors require a lower yield from them.
- Environmentally friendly property can earn higher net income by reducing utility expenses via energy savings and maintenance and operating expenses via the enhanced durability of parts and materials. Furthermore, such buildings can also generate higher gross income on higher rents stemming from higher productivity enabled by their enhanced office environments and the cachet boost from their environmental credentials.
- Furthermore, environmentally friendly property is less exposed to future environment-related tax hikes or tougher regulations, so the capitalization rate for such buildings factors in less environmental risk. A lower depreciation rate resulting from a longer life span as well as enhanced appeal as environmentally friendly can also lower the capitalization rate.
- For the reasons above, SuMi TRUST Bank believes that environmentally friendly property will realize added value.

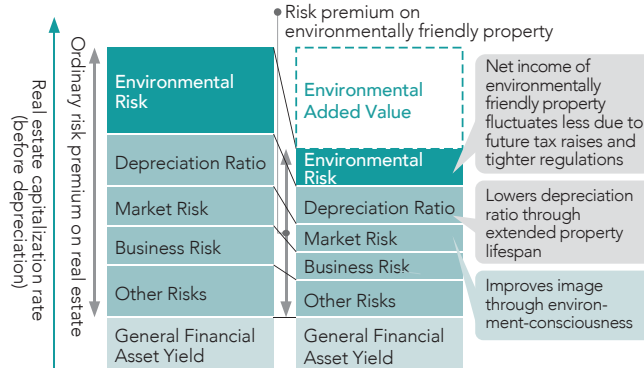
Conceptual diagram of environmental added value (1) Prices focused on the “profitability” of real estate



Conceptual diagram of environmental added value (2) Reflection in net income



Conceptual diagram of environmental added value (3) Reflection in capitalization rate



Source: Partial revision of the “A Note on Environmental Value Added for Real Estate,” a commemorative paper written by Masato Ito in 2005 for the 10th anniversary of Tokyo Association of Real Estate Appraisers

Our Environmentally Friendly Property Initiatives

- SuMi TRUST Bank has made many recommendations related to environmentally friendly property since the 2005 release of an employee-authored paper about the added value created by such buildings.
- Easy-to-understand indicators of environmental performance and the attendant value added are especially important as a way to recommend environmentally friendly property. In view of this, the CASBEE Research Committee launched the “CASBEE for Properties*” certification system in 2013 to promote widespread use of environmental evaluations in real estate. In 2015, the Smart Wellness Office Research Committee, a member of the Japan Sustainable Building Consortium, released the result of a study on the CASBEE program suggesting that it yielded economic benefits.
- In terms of services, we use the unique characteristics of a trust bank to offer a diverse lineup of business services related to environmentally friendly property, including consulting services on environmentally friendly construction. We established the first section dedicated to environmentally friendly property among financial institutions in Japan in 2010.
- We are working to realize a sustainable society by bringing environmentally friendly property into the mainstream and linking it to business sustainability. This is one of our missions as a leading company in the environmentally friendly property market.

*The comprehensive assessment system for built environment efficiency (CASBEE) certification is an environmental performance evaluation system for buildings that is being developed and promoted in Japan by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT). CASBEE for Properties (the name was changed from “CASBEE for Market Promotion” in November 2014) has fewer evaluation items but maintains consistency with CASBEE® Standard Version.



“CASBEE for Properties” manual
(see page 12)

Balancing Environmental Friendliness and Economic Performance

I believe that real estate has a significant role to play in resolving global environmental problems and creating a pathway to a sustainable society. Initiatives concerning environmental friendliness in **real estate should be based on the concept of investment, i.e., "aiming to increase property asset values by raising profits and enhancing stability," rather than on the idea of "doing something good for the environment, even if it means spending a little extra money."** Institutional investors mainly in Europe and the United States have come to utilize a benchmark for real estate management institutions called GRESB in making investment decisions. As a result, a trend toward improving the environmental performance of buildings is also springing up among Japanese real estate funds and real estate investment companies. Since releasing a paper about the added value of environmentally friendly property in 2005, SuMi TRUST Bank has been working on this theme together with various stakeholders in Japan and overseas, and we have a real sense that environmentally friendly property is truly starting to spread and expand at this very moment. We will continue to work toward expanding environmentally friendly property both in terms of promotion and awareness-raising as well as from a business angle.



Sumitomo Mitsui Trust Bank
Real Estate Advisory Department
Associate General Manager
Head of the Environmentally Friendly
Property Promotion Team

Masato Ito

Our Business Lineup in Environmentally Friendly Property

1 Environmentally Friendly Construction Consulting

- To promote the introduction of environmentally friendly property, SuMi TRUST Bank provides environmentally friendly construction consulting services where we advise on the installation of energy-saving systems in buildings, ways to take into account landscapes and ecosystems, extension of building life spans, and adoption of recycling systems.
- As interest in environmental issues has grown, so has the number of properties applying for CASBEE® certification* or providing notification of self-evaluation in the past several years. In addition, some projects have been selected by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) for the “leading projects” program for sustainable buildings (see page 14) and by the Ministry of Economy, Trade, and Industry (METI) for the “net zero energy building” proof-of-concept pilot program.

* The comprehensive assessment system for built environment efficiency (CASBEE) certification is an environmental performance evaluation system for buildings being developed and promoted in Japan under the guidance of MLIT.

Examples: Environmentally friendly construction consulting

Company Name	Location	Use	Number of Floors	Floor Area	Target Rank
Clarion	Saitama Prefecture	Headquarters office and research center	10 floors above ground, 1 rooftop floor	Approx. 19,000 m ²	A (certification completed)
Yachiyo Bank	Tokyo	Central branch ^{*1}	9 floors above ground	Approx. 7,700 m ²	S (certification completed)
Chuo Labour Bank	Tokyo	Central branch	1 basement floor, 9 floors above ground, 2 rooftop floors	Approx. 6,000 m ²	A (self-evaluation)
AEON MALL	Kanagawa Prefecture	Office	1 basement floor, 7 floors above ground, 1 rooftop floor	Approx. 10,000 m ²	B+ (application)
FUJI	Tokyo	Commercial facility	5 floors above ground	Approx. 150,000 m ²	A (certification completed)
Ito-Yokado	Ehime Prefecture	Commercial facility	3 floors above ground	Approx. 140,000 m ²	B+ (certification completed)
Toyo Seikan Group Holdings	Kanagawa Prefecture	Commercial facility	4 floors above ground	Approx. 29,000 m ²	B+ (application)
Daikin Industries	Tokyo	Office ^{*1}	2 basement floors, 21 floors above ground, 1 rooftop floor	Approx. 72,400 m ²	S (certification completed)
Hiroshima Mazda	Osaka Prefecture	Office, R&D facility ^{*1}	1 basement floor, 6 floors above ground	Approx. 48,000 m ²	S (self-evaluation)
Anritsu	Hiroshima Prefecture	Office ^{*1}	Renovation project for existing building		
Shimane Bank	Kanagawa Prefecture	Office ^{*2}	7 floors above ground	Approx. 28,000 m ²	S (self-evaluation)
	Shimane Prefecture	Central branch ^{*1}	1 basement floor and 13 floors above ground	Approx. 12,000 m ²	S (self-evaluation)

*1: Selected for the MLIT-led “leading projects” program for sustainable buildings; This was formerly known as the “leading projects for promoting CO₂ reduction” program for housing and buildings.

*2: Selected for the METI-led “net zero energy building” experimental pilot program.

Case Study A

Construction of Anritsu Global Headquarters Building

Based on the concepts of “innovative business creation,” “building safety and comfort,” and “advancing energy-savings and low environmental impact,” the Anritsu Global Headquarters Building has a wide range of eco-conscious features. The exteriors save energy (insulation, vents, natural lighting), and with integrated high-efficiency systems for lighting, air conditioning, and ventilation with individual operational control options and a building-wide energy management system, the building can be run based on a plan that enables flexible energy management and eliminates waste in many small ways. Moreover, the climate and site conditions of the headquarters site in Atsugi City are well suited to natural ventilation and renewable energy systems, and making visible the energy use of all the other structures at the site with potential for efficient management is what Anritsu seeks to achieve next before integrating and applying such technologies in the future to transition the site to a smart community model with the aim of reaching net zero energy building (ZEB) status (CASBEE Kanagawa S rank, self-certification).



Photos: Shigeo Ogawa Studio

Our Business Lineup in Environmentally Friendly Property

2 Consulting to Support Applications for “CASBEE for Properties” Certification

Initiatives related to CASBEE for Properties

- CASBEE for Properties (the name was changed from “CASBEE for Market Promotion” in November 2014) is a system developed for the purpose of promoting widespread use of environmental building performance evaluations in the real estate market. While maintaining consistency with CASBEE® Standard Version, CASBEE for Properties sharply narrows down evaluation items and takes into account consistency with environmental performance items that are focused on overseas.
- CASBEE for Properties can also use the GRESB study (see page 4) (2013-2015 results), so use of this certification is spreading, especially among REITs and real estate companies that are sensitive to sustainability concerns.
- SuMi TRUST Bank is a participant in developing CASBEE for Properties as an organizer of a CASBEE subcommittee.

Table Evaluation items in CASBEE for Properties (In the case of office buildings)

Energy/ Greenhouse gases	<u>Target setting and monitoring/energy saving standards</u> , usage and emissions intensity (calculated values), usage and emissions intensity (actual values) , renewable energy
Water	<u>Target setting and monitoring</u> , water usage intensity (calculated values), water usage intensity (actual values)
Use of resources/ Safety	<u>Disaster prevention and safety (new earthquake resistance, etc.)</u> , high earthquake resistance/seismic isolation and vibration damping, etc., usage of recycled materials , service life of structure materials, necessary renewal interval for main equipment functions, higher self-sufficiency ratio (electricity, etc.), maintenance and operation
Biodiversity/ Sustainable site	<u>No use of invasive alien species</u> , enhancement of biodiversity , soil environment quality/regeneration of brownfields, public transportation access, measures in preparation for natural disaster risks
Indoor environment	<u>Attainment of building sanitation management standards</u> , use of daylight, natural ventilation function, view

* 1 Underlined items are prerequisites (they must be met to pass an evaluation).

* 2 Items in **red** are related to universal metrics recommended by the United Nations Environment Programme (UNEP).

Consulting to Support Applications for CASBEE for Properties Certification

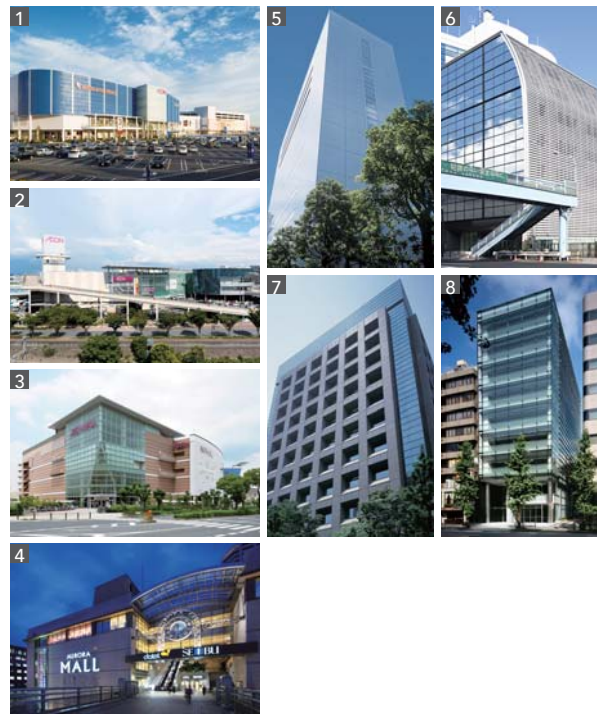
- SuMi TRUST Bank engages in consulting services to support applications for CASBEE for Properties certification. We will continue to provide services that use the CASBEE system in our business promoting environmental property.

Examples: Consulting on CASBEE for Properties certification applications

Owner	Property	Rank	Certification date
JRF REIT*	1 Aeon Mall Musashi Murayama	S	2/27/2015
	2 Aeon Mall Itami	A	2/27/2015
	3 Aeon Mall Tsurumi Ryokuchi	S	2/27/2015
	4 Higashi-Totsuka Aurora City	S	2/27/2015
Premier REIT**	5 Premier Kaigan Bldg.	A	8/7/2015
	6 Premier Toyochō Bldg.	A	8/7/2015
	7 Takadanobaba Center Bldg.	A	8/7/2015
Tosei Corp.	8 Toranomon Tosei Bldg.	A	9/26/2015

*JRF: Japan Retail Fund Investment Corp.

**Premier REIT: Premier Investment Corp.



Our Business Lineup in Environmentally Friendly Property

3 Assistance to Help Subsidy Applicants Qualify

What is the “Leading Projects” program for Sustainable Buildings?

- Leading projects (construction and renovation projects) that show outstanding initiative in CO₂ reduction can apply to a MLIT-led public subsidy program.
- The program grants subsidies up to one half of the budget for construction and other costs of pioneering initiatives. The average per-project subsidy (budget) has trended in the range of 200 million yen.
- Recipient projects are announced by MLIT and published on the Building Research Institute website. Recipients are given an opportunity to present their projects at the time of selection as well as post-completion.

“Leading projects” program* for sustainable buildings: Number of applications, recipients, and budget amounts

Fiscal year	Applications	Recipients	Budget
	Number of projects	Number of projects	
2008	155	20	5 billion yen
2009	84	33	7 billion yen
2010	91	27	Included in 33 billion yen for projects promoting the environment and use of stock real estate
2011**	74	24	Included in 16 billion yen for projects promoting the environment and use of stock real estate
2012	92	25	Included in 17 billion yen for projects promoting the environment and use of stock real estate
2013	42	21	Included in 17 billion yen for projects promoting the environment and use of stock real estate
2014	28	17	Included in 22 billion yen for projects promoting the environment and use of stock real estate

*Projects that promote CO₂ reduction

**Figures for fiscal year 2011 exclude the third round, a section for specified disaster-afflicted zones. (Source: MLIT)

Our Initiatives Involving the “Leading Projects” Program for Sustainable Buildings

- As part of our environmentally friendly construction consulting, we offer support for projects that seek to qualify for subsidies.
- We also provide specialized consulting services to assist in applying for subsidies under the MLIT-led “leading projects” program for sustainable buildings, offering assistance not only in material matters, but also in consulting based on our extensive experience and expertise in building management and the like.

*Our consulting service does not guarantee applicants will be granted subsidies under the “leading projects” program for sustainable buildings.

Case Study B

Daikin Industries Technology Innovation Center

This is a new construction plan that integrates the office and R&D facilities on the existing factory site. The office plan features a high degree of depth, combining such architectural measures as building shapes and differing exterior specifications depending on orientation, and the latest equipment technology such as air conditioning, lighting, and solar power generation. The idea is to make the office zone a zero energy building (ZEB) in the future. We also seek to achieve CO₂ reductions not only in the management of this facility but across a broader sphere by inviting visitors from around the world and making building energy management system (BEMS) data available to designers, technicians, researchers, and other visitors.



Our Business Lineup in Environmentally Friendly Property

4 Supporting Eco-conscious Regional Development

1 Making the value of smart towns and cities visible, supporting development policies

- Developing smart towns and cities that adopt next-generation “smart community*” social systems at the local level is an important step from the standpoint of regional development. In the past few years, these towns and cities have combined a series of complex reforms from changes to citizen lifestyles and local transportation systems to the introduction of area energy networks, including the recapture of heat and unused energy, to go together with effective use of electricity.

*See METI's website for details.

- To realize smart towns and cities, it is necessary to create economic value added commensurate with higher costs while establishing clear targets from the basic planning stage onward for ESG topics for the city or town.
- SuMi TRUST Bank supports projects for smart towns and cities on many fronts such as devising frameworks that link various initiatives on environmental contributions etc. to economic value added and formulating project concepts. Through our provision of financial functions such as leases and home mortgages, we also help projects get executed.

2 Mizbering Project, Proposing Effective Land Use Ideas

- Since fiscal year 2011, efforts by MLIT to open up riverside spaces have moved ahead, with for-profit private-sector operators increasingly active in using such spaces. Raised platforms on river banks and open-air cafes have been set up, for example.
- In Japan, this effort to create new possibilities for the use of waterside spaces is called the Mizbering Project. Through this project and others, people are gathering for informal discussions on social design for waterside spaces and communities. SuMi TRUST Bank also participates in such discussions as a commentator.
- SuMi TRUST Bank approaches property owners adjacent to river zones with ideas for effective land use, drawing on Mizbering Project experiences and other community efforts.

Case Study C

Fujisawa Sustainable Smart Town

- The “Fujisawa Sustainable Smart Town” is a project currently being carried out by Panasonic Corporation at the former site of Panasonic’s Fujisawa factory.
- Panasonic Corporation, Fujisawa City, and eleven partner companies, including SuMi TRUST Bank, are collaborating to promote the project, which marked the town’s opening in spring 2014.
- We are participating in the project in various capacities. We are designing the smart town evaluation indicators (environmentally friendly property values), investigating eco-point and town card mechanisms, advancing project-specific product plans for environmentally friendly housing loans, and providing leasing and financing schemes.
- This project is also praised for its community-wide comprehensive CO₂ reduction efforts together with town management. It was selected for subsidies under the MLIT-led “leading projects” program for sustainable buildings.



Our Business Lineup in Environmentally Friendly Property

5 Supporting Formation of Environmentally Friendly Property Funds

- On October 1, 2013, Sumitomo Mitsui Trust Bank joined with MLIT and the Real Estate Sustainability & Energy-Efficiency Diffusion (Re-Seed) Association to conclude a “partnership agreement on the amended Real Estate Specified Joint Enterprise Act and program to promote the formation of environmentally friendly, earthquake resistant property.” Under this agreement, we work together with MLIT and Re-Seed to foster use of the program to promote the formation of environmentally friendly, earthquake resistant property and the amended Real Estate Specified Joint Enterprise Act. We cooperate on matters such as providing information to each other, introducing cases that could benefit from use of the program, and presenting investment opportunities to fund managers.
- With our extensive knowledge of real estate services and wealth of experience in environmentally friendly property, we use information supplied by MLIT and Re-Seed to disseminate relevant information to our clients and other stakeholders. We likewise study the commercial potential of each case referred to us based on the information we receive, harnessing the Group’s comprehensive capabilities in areas such as equity arrangements, financing, fund management, asset management, effective-use consulting, and construction consulting as well as serving as a broker for rentals, purchases, and sales.

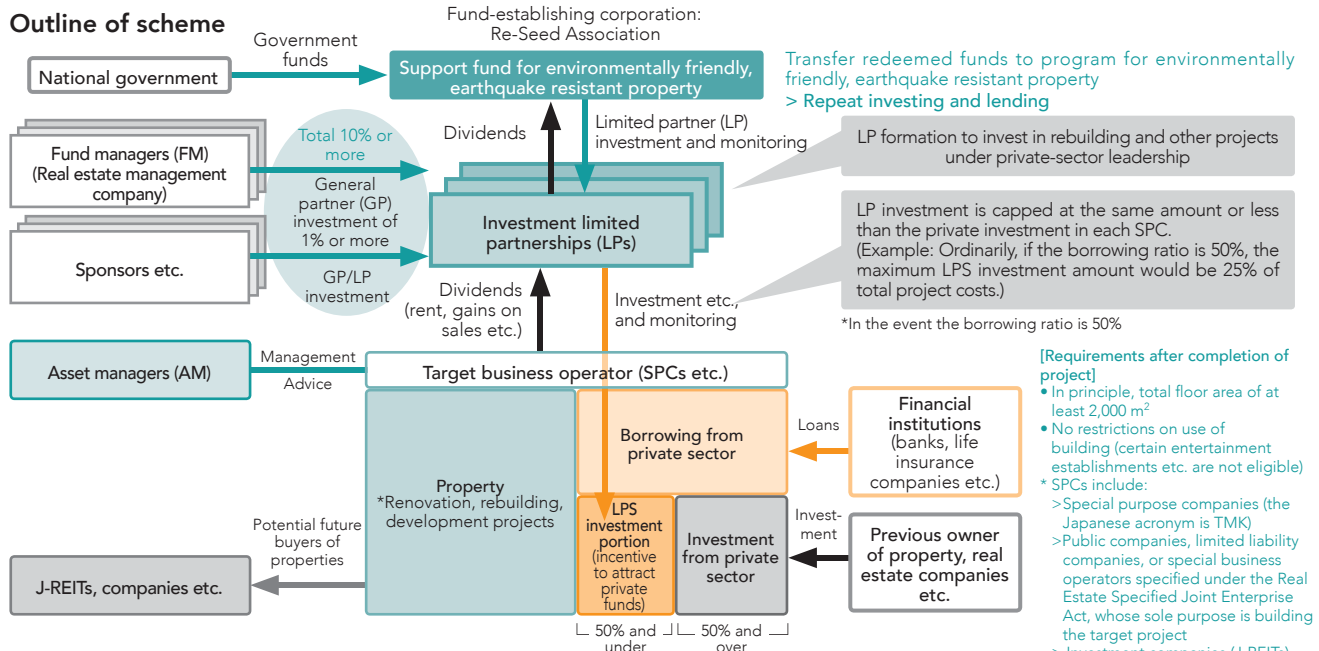
SuMi TRUST Bank’s menu of services provided

Services Provided	Business Department	Description/Strengths
Financing arrangements	Real Estate Finance Department	Mezzanine arrangements and supplying financing
Equity arrangements	Real Estate Business Department I	Attracting investors seeking medium- to long-term stable returns in line with the fund concept
Trusts under management	Real Estate Custody Business Department	Verifying eligibility in the event of liquidation, handling due diligence
Brokering sales or purchases of real estate	Real Estate Business Departments	Exit support through sales activities taking advantage of our wide-ranging channels in Japan and abroad
Fund management/asset management services	Sumitomo Mitsui Trust Real Estate Investment Management Co., Ltd.	Scheme formation capabilities, smooth debt-equity procurement, and arrangements based on our track record and credibility in FM (AM) as a financial institution
Tenant leasing	Real Estate Business Solution Departments	(1) Securing places to relocate existing tenants; (2) Attracting competitive new tenants after rebuilding or development
Construction consulting	Real Estate Advisory Department	Total support, from drawing up plans to verifying business feasibility and management of cost scheduling etc., based on our neutrality as a financial institution
Businesses related to environmentally friendly property	Real Estate Advisory Department	(1) Business plan proposals in sync with government-promoted concepts by formulating environmentally friendly renovation and development plans using CASBEE® etc. (2) Support for fund formation using a global network of real estate investors through the United Nations Environment Programme Finance Initiative Property Working Group (UNEP FI PWG) etc.

Structure of Program to Promote Environmentally Friendly, Earthquake Resistant Property

Under this program targeting aging, unused or underused real estate, the government supplies risk funds as an incentive to attract private investors and bring in private capital and expertise to foster the renovation, rebuilding, and development of high-quality real estate that resists earthquakes and delivers strong environmental performance. The program thus advances town development activities that contribute to local renewal and revitalization as well as measures to mitigate global warming.

Outline of scheme



Source: Outline of the program to promote the formation of environmentally friendly, earthquake resistant property (Re-Seed Association)

A Leading Company in Japan's Environmentally Friendly Property Market

As a leading company in environmentally friendly property, SuMi TRUST Bank has been making various recommendations aimed at developing the market. We are playing a driving role in further spreading environmentally friendly property in Japan, while we actively participate in a range of study groups, committees, and forums in Japan and overseas.

Main activities of Sumitomo Mitsui Trust Bank

Start

- Oct. 2005 Awarded grand prize for essay marking the 10th anniversary of the Tokyo Association of Real Estate Appraisers entitled "A Note on Environmental Value Added for Real Estate." Proposed ideas to ensure environmental efforts are reflected in real estate value

Organizing Study Groups

- From Mar. 2007 Organized Sustainable Real Estate Study Group
- Jun. 2009 Published "Sustainable Properties—Prediction from Multi-Stakeholders' Activities"
- From May 2013 Organized Smart City Study Group

Initiatives Regarding the United Nations Environment Programme (UNEP)

- From Jun. 2007 Member of UNEP FI Property Working Group Raised awareness for responsible property investment (RPI) and published a collection of case studies and a handbook

CASBEE-related Initiatives

- From Jul. 2007 Subcommittee for CASBEE and Property Appraisal (current organizer)
- Feb. 2010 Released "CASBEE Property Appraisal Manual"
- May 2012 Released "CASBEE for Market Promotion (2012 edition)"
- Jul. 2013 First announcement of CASBEE MP Certified Properties
- Jul. 2014 Released test version of CASBEE for Properties (2014 edition) "Office Buildings" "Stores"

Initiatives in Real Estate Appraisal and Evaluation

- **From Oct. 2007** Chair, Working Group on Environmental Added Value, Japan Association of Real Estate Appraisers
- May 2009** Published "Prices for Environmentally Sound Properties to Climb" (JUTAKU-SHIMPO-SHA)
- Aug. 2011** Released results of study "Toward an Era When Environmental Performance Is Reflected in Real Estate Valuation"

Initiatives with National and Regional Governments

- **From Nov. 2008** Member of and advisor to MLIT-led workshop on the status of property markets with an emphasis on environmental values
Served as a coordinator at the 16th and 17th Annual International Land Policy Forum "Sustainable Real Estate Investment"
- **From Nov. 2011** Member of MLIT-sponsored "Environmentally Friendly Property Panel"
- Apr. 2012** "Recommendations by Environmentally Friendly Property Panel" released by the same panel

- **From Feb. 2012** Member of study group on environmental investment in low carbon buildings at Tokyo Bureau of Environment

Apr. 2012 "Toward the Spread of Low Carbon Buildings via the Real Estate Market" released by the same study group

- **From Apr. 2012** Member of expert evaluation committee for the MLIT-led "leading projects" program for sustainable buildings*
Valued leading buildings for CO₂ reduction as well as buildings with wooden structures or made from wooden materials from an economic perspective

- **From Apr. 2012** Member of MLIT-sponsored study committee on the promotion and spread of environmentally friendly property

- **From Apr. 2014** Member of the Smart Wellness Office Research Committee of the Japan Sustainable Building Consortium

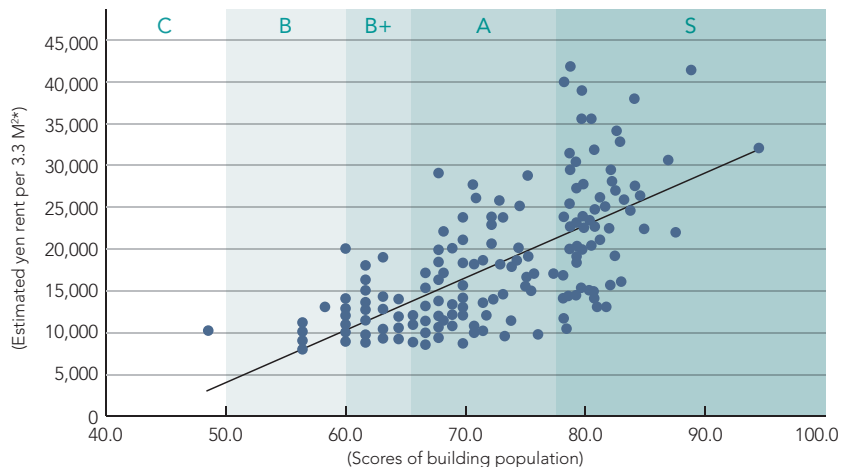
*We are not involved in evaluating projects in cases where we advise them regarding the MLIT-led "leading projects" program for sustainable buildings (see page 15).

A Leading Company in Japan's Environmentally Friendly Property Market

Study on Economic Impact of Buildings with CASBEE Evaluations

- Given the paucity of research in Japan showing a correlation between the environmental performance of buildings and economic benefits, SuMi TRUST Bank cooperated as the lead investigator with a study into the economic impact of buildings with CASBEE evaluations in a working group examining economic benefits under the aegis of the Smart Wellness Office Research Committee. The study found market rents in buildings with CASBEE certification (or CASBEE applications, etc.) were about 3.6% higher than the average for non-evaluated buildings with similar attributes. This suggests each point in the CASBEE scoring system (scores adjusted so 100 points is the maximum score) equates to a market rent 0.5% higher than the average. These results were announced at a Smart Wellness Office-sponsored symposium and an Architecture Institute of Japan convention.

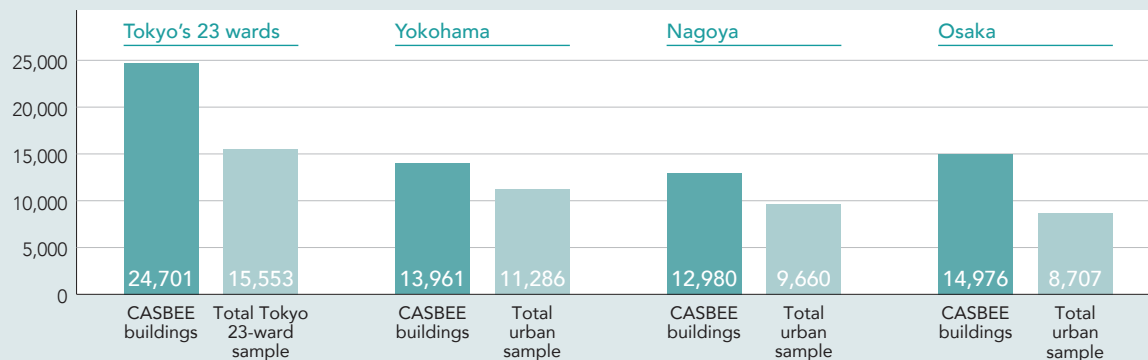
**Correlation between CASBEE Score and market rents
(Single regression analysis)**



Source: Data is from a fiscal year 2014 report issued by Japan Sustainable Building Consortium's Smart Wellness Office Research Committee.

*One tsubo equals 3.3 square meters.

Comparison of average rents: Yen per 3.3 M²



Source: Data is from a fiscal year 2014 report issued by Japan Sustainable Building Consortium's Smart Wellness Office Research Committee.

Summary of multiple regression analysis results for CASBEE buildings

CASBEE evaluations, etc.	Sample size	Coefficients	Differential in average rent
CASBEE flag	517	564.160	+3.64%
CASBEE rank	517	263.525	+1.70%
CASBEE score	183	78.974	+0.46%
Service performance (Q2) score	183	1702.667	+9.9%
Intellectual productivity evaluation	180	319.318	+1.86%

Source: Data is from a fiscal year 2014 report issued by Japan Sustainable Building Consortium's Smart Wellness Office Research Committee.

A Leading Company in Japan's Environmentally Friendly Property Market

Smart City Study Group

Since 2013, the Group has run the Smart City Study Group, also chaired by University of Tokyo Professor Tomonari Yashiro and subsidized by the Trust Forum Foundation. The group brings together leading experts from various fields across industry, government, and academia to engage in discussion on smart cities, which are attracting world-wide attention as a 21st century urban planning model. The purpose of the discussion is to identify what is required for smart cities to sustain value in the long term and to study related challenges and the direction they are going.

Supporting Creation of Market Foundation for Spread of Environmentally Friendly Property

Since 2008, the Group has participated in MLIT committees for spreading environmentally friendly properties, such as collaboration on setting up the MLIT's Green Building Online Portal and support in organizing the International Land Policy Forum. Recently, we have been working on the visualization and distribution of information about environmentally friendly property as a chair of Working Group A in the Study Committee on the Promotion and Spread of Environmentally Friendly Properties. Furthermore, in the belief that the MLIT-led CASBEE system should be put to effective use in the real estate market, the Group has supported its spread by actively making proposals in a CASBEE subcommittee. As an organizer of the subcommittee, we were involved in the development of CASBEE for Properties.

Our Activities as an UNEP FI Property Working Group Member

As a member of the United Nations Environment Programme Finance Initiative Property Working Group (UNEP FI PWG), the Group has collaborated on the creation and translation of tools and case studies to encourage investment in properties that take sustainability into account. We actively make recommendations for the promotion of such investment.

Our Website on Environmentally Friendly Property

A variety of information on environmentally friendly property is available in the special features section of our CSR activities website. For further details, please refer to:

<http://www.smtb.jp/csr/real-estate/>



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Minister of Land, Infrastructure, Transport, and Tourism,
Registration No. 1

Member, The Real Estate Companies Association of Japan

Member, The Association of Real Estate Agents of Japan

Member, Real Estate Fair Trade Council

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