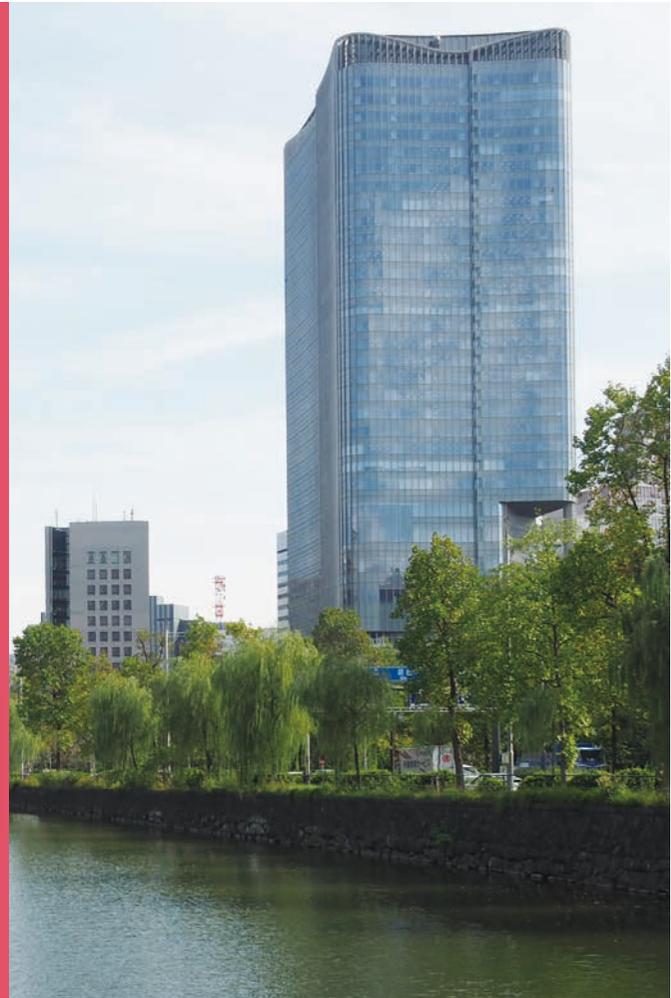


ESG-themed Initiatives in Our Real Estate Businesses

Given the significant impact of real estate property on the three aspects of the environment, society, and the economy, integrated initiatives for achieving the SDGs are thought to be highly beneficial for improving the sustainability of the three aspects.

The Group aims to promote and increase properties that give consideration to the environment, such as cities and buildings with high energy and resource efficiency and buildings that contribute to improving production efficiency. We will advance initiatives that contribute to increasing property values through features such as high environmental performance that reduce risk and enhance income.



Challenges for Achieving the Goals

- Making the environmental performance of properties visible
- Making the added value of environmentally friendly properties visible
- Increasing awareness in the real estate market about the added value of environmentally friendly properties
- Expanding corporate initiatives toward creating added value

Initiatives for Solving the Challenges

- Support acquisition of environmental performance certifications, such as CASBEE for Real Estate and CASBEE for Urban Development.
- Support the realization of environmentally friendly construction through construction consulting and assistance to help subsidy applicants qualify.
- Promote and raise awareness of environmentally friendly properties through committees and lectures.
- Create businesses that contribute to promoting environmentally friendly properties, including green finance and environmentally friendly property funds.

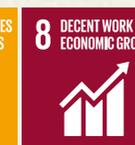
KPIs for Solving the Challenges

- Support acquisition of environmental performance certifications
At least 20 certifications a year (Aggregate total so far: 91 certifications)
- Support environmentally friendly construction
At least 2 cases a year (Aggregate total so far: 12 cases)
- Promotion and awareness-raising of environmentally friendly properties (Articles, lectures, etc.)
At least 10 activities a year (Aggregate total so far: Over 150 activities)

Environment
(Energy, water, resources, biodiversity, etc.)

Society
(Indoor environment, health/
comfort, safety/security, etc.)

Economy
(Property value, corporate value, etc.)



Fundamentals Driving the Shift to Environmentally Friendly Property

The Paris Agreement was adopted in December 2015 at the 21st Conference of Parties (COP21) to the United Nations Framework Convention on Climate Change (UNFCCC), and came into effect in November 2016. The goals of the agreement include holding the increase in the global average temperature to below 2°C above pre-industrial levels.

On the domestic policy front, new non-residential buildings with floor space of 2,000m² or more need to comply with energy saving standards under the Building Energy Efficiency Act (publicly issued in 2015) since the law came into force in 2017. Meanwhile, there has been progress in improving and broadening programs that offer government subsidies for projects with high environmental performance such as the “leading projects” program for sustainable buildings.

Global investment and financial sectors recognize that addressing global environmental problems is essential. More than 1,900 institutions in the United States and Europe 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 200 financial institutions based in

Japan and overseas, 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 signatory to PRI and UNEP FI since their 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 2018, 61 companies in Japan participated in the GRESB assessment. Of those, 38 were real estate investment trusts (REITs) that together comprise about 89% of Japan’s total REIT market capitalization.

In 2015, more than 200 institutions in Japan’s asset management and finance sectors announced their adoption of Japan’s Stewardship Code, which spells out principles for responsible investors. The Corporate Governance Code, which includes principles to encourage listed companies to respond to sustainability concerns, also took effect as an attachment to the Tokyo Stock Exchange’s securities listing requirement.

For real estate, there is a growing emphasis on environmental considerations.

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 and is well managed for high environmental performance.

The Group believes environmentally friendly properties can generate more value added than conventional properties through features such as high environmental performance that reduce risk and enhance income.



Business Lineup for Environmentally Friendly Property

1. Consulting to Support Applications for "CASBEE for Real Estate" Certification

Initiatives related to CASBEE for Real Estate

CASBEE for Real Estate is a system developed in 2012 for the purpose of promoting widespread use of environmental building performance evaluations in the real estate market. While maintaining consistency with CASBEE® certifications for buildings (new construction and existing buildings), CASBEE for Real Estate sharply narrows down evaluation items and takes into account consistency with environmental performance items that are focused on overseas.

CASBEE for Real Estate can be also used for GRESB assessment (see page 65), so use of this track is spreading,

especially among REITs and real estate companies that are sensitive to sustainability concerns.

It consists of evaluation items that help show initiatives related to the Sustainable Development Goals (SDGs) and environmental, social, and governance (ESG) issues.

SuMi TRUST Bank is a participant in developing CASBEE for Real Estate as an organizer of the subcommittee for CASBEE property appraisal, which is sponsored by the Institute for Building Environment and Energy Conservation.

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

Energy/ Greenhouse gases	Target setting and monitoring/energy saving standards/O&M*3 system, usage and emissions intensity (calculated values), usage and emissions intensity (actual values) , natural energy forms
Water	Target setting and monitoring/O&M system, water usage volume (calculated values), water usage volume (results)
Use of resources/ Safety	Conforms to new earthquake resistance standards, 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.), operation and maintenance
Biodiversity/ Sustainable site	No use of invasive alien species, enhancement of biodiversity , soil environment quality/regeneration of brownfields, public transportation access, measures in preparation for natural disaster risks
Indoor environment	Attainment of building sanitation and environmental management standards , 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 the United Nations Environment Programme's Sustainable Buildings and Climate Initiative (UNEP SBCI) is studying.

*3 O&M: operation and maintenance

Consulting to Support Applications for CASBEE for Real Estate Certification

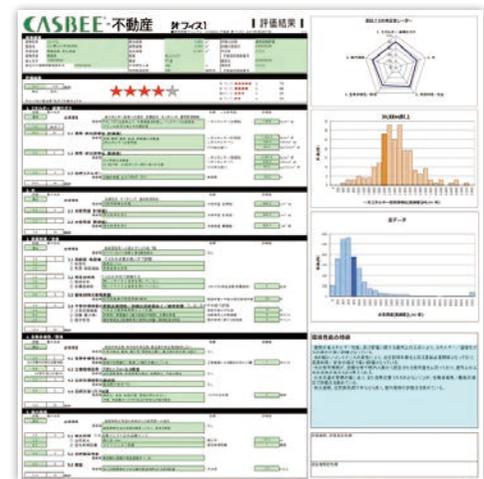
SuMi TRUST Bank engages in consulting services to support applications for the CASBEE for Real Estate certification.

CASBEE accredited professionals with the proper qualification support the selection of real estate applying for certification while also evaluating the environmental performance of real estate and supporting the submission of applications for certification to certifying bodies.

Problem Discovery and Proposals for Improvement via CASBEE for Real Estate

SuMi TRUST Bank offers proposals on initiatives that work in concert with CASBEE for Real Estate evaluations to identify problems and suggest improvements aimed at bolstering environmental performance.

We will continue to provide services that use the CASBEE system in our business promoting environmentally friendly property.



A CASBEE evaluation sheet

TOPIC

Head Office Building of SuMi TRUST Bank Received CASBEE for Real Estate "S" Rank Certification

CASBEE for Real Estate had widen its applicable scope to include commercial properties and logistics facilities from its original focus on office buildings so as to broaden the range of properties eligible for this certification, and since December 2016 this certification has become applicable to sectional owned properties. As the first property evaluated under the broader scope, the head office building of SuMi TRUST Bank (the three floors below ground, and the 13 floors above ground) received a CASBEE for Real Estate "S" rank certification.



Examples: Consulting to Support Applications for CASBEE for Real Estate Certification

Owners	Property	Rank	Certification date
Isetan Mitsukoshi Holdings	1 Isetan Shinjuku Main Store	S	2016/3/4
	2 Mitsukoshi Nihonbashi Main Store	S	2016/3/4
Tosei Corporation	3 Toranomom Tosei Bldg.	A	2015/9/26
Japan Retail Fund Investment Corporation	4 AEON Naha Shopping Center	S	2018/2/28
	5 Ito-Yokado Yotsukaido	S	2018/2/28
Premier Investment Corporation	6 NTT CRED Okayama Building	S	2018/3/28
	7 Gotanda NT Building	A	2018/3/28
Activia Properties Inc.	8 A-PLACE Shinagawa Higashi	S	2018/10/1
	9 A-PLACE Ebisu Higashi	A	2018/10/1
AEON REIT Investment Corporation	10 AEON MALL Kagoshima	S	2018/3/20
GLP J-REIT	11 GLP Amagasaki	S	2018/8/31
Industrial & Infrastructure Fund Investment Corporation	12 IIF Fukuoka Hakozaki Logistics Center II	S	2018/7/12
ORIX JREIT Inc.	13 Hamamatsu Act Tower	S	2018/3/29



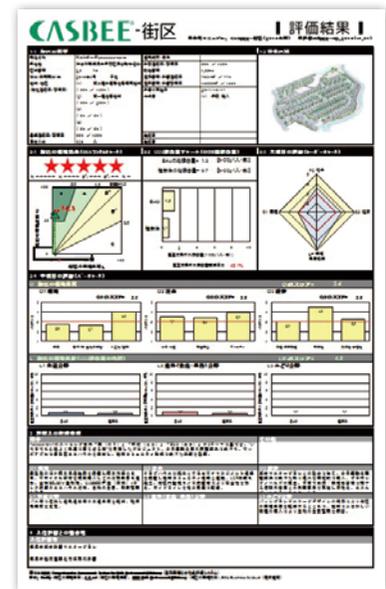
2. Consulting to Support Applications for “CASBEE for Urban Development” Certification About CASBEE for Urban Development

CASBEE® (Comprehensive Assessment System for Built Environment Efficiency) is a system for evaluating the environmental performance of buildings and urban development, which is being developed and promoted in Japan under the leadership of the Ministry of Land, Infrastructure, Transport and Tourism. It is comprised of tools, such as CASBEE for Buildings and CASBEE for Real Estate.

Among CASBEE®'s various tools, CASBEE for Urban Development is an environmental performance evaluation for assessing the overall development of housing and commercial areas (urban development).

It evaluates environmental quality from the three aspects of the environment, society, and the economy as well as reduction in the environmental footprint.

It consists of evaluation items that help show initiatives related to the Sustainable Development Goals (SDGs) and environmental, social, and governance (ESG) issues.



SuMi TRUST Bank carries out environmental performance evaluations using CASBEE for Urban Development, as well as provides advice on application procedures for certification and support services, including supports for CASBEE reviews.

Case Study A

LIST GARDEN nococo-town

In July 2018, LIST GARDEN nococo-town, a large eco-town in Totsuka, Yokohama City, became the first ever recipient of the highest rank certification (“S” rank) for CASBEE for Urban Development.

CASBEE for Urban Development's certification results are made public. They are introduced in mediums such as magazines and exhibited in model rooms, and help show that the eco-town offers quality housing, promotes the neighborhood's vitalization, and proactively contributes to the local community.



3. Construction-Phase Support for Environmental Considerations

The first bank in Japan to develop a land trust product in the 1980s, SuMi TRUST Bank has been involved in managing and developing many buildings and condominiums, and it provides construction consulting services based on knowhow from such projects.

We offer advice relating to factoring in environmental considerations in our menu of construction consulting services such as on the installation of energy-saving systems in buildings, ways to take into account landscapes and eco-systems, extension of building life spans, and adoption of recycling systems.

Examples: Construction-phase support for environmental considerations

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)
	Kanagawa Prefecture	Office	1 basement floor, 7 floors above ground, 1 rooftop floor	Approx. 10,000 m ²	B+ (notification)
AEON MALL	Tokyo	Commercial facility	5 floors above ground	Approx. 150,000 m ²	A (certification completed)
FUJI	Ehime Prefecture	Commercial facility	3 floors above ground	Approx. 140,000 m ²	B+ (certification completed)
Ito-Yokado	Kanagawa Prefecture	Commercial facility	4 floors above ground	Approx. 29,000 m ²	B+ (notification)
Toyo Seikan Group Holdings	Tokyo	Office* ¹	2 basement floors, 21 floors above ground, 1 rooftop floor	Approx. 72,400 m ²	S (certification completed)
Daikin Industries	Osaka Prefecture	Office, R&D facility* ¹	1 basement floor, 6 floors above ground	Approx. 48,000 m ²	S (self-evaluation)
Hiroshima Mazda	Hiroshima Prefecture	Office, observation deck, product sales and dining facilities* ¹	2 basement floors, 14 floors above ground	About 11,500 m ²	A (notification)
Anritsu	Kanagawa Prefecture	Office* ²	7 floors above ground	Approx. 28,000 m ²	S (self-evaluation)
Shimane Bank	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.

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

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 and by the Ministry of Economy, Trade, and Industry (METI) for the "net zero energy building" experimental 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.



Case Study B

Shimane Bank's New Head Office

The new head office building for Shimane Bank, a project commenced around the hundredth anniversary of its founding, has an energy-saving design and self-supporting systems for emergencies that bolster local disaster-response capabilities. A plank in the "GREEN BANK Shimagin Project," the building symbolizes the bank's contribution to efforts to create a low-carbon regional economy and bolster local disaster preparedness. The "appearance control system" realizes ideal visual environments through a combination of lighting controls for brightness, exterior louvers and controls for window blinds; the energy-saving air conditioning system is optimized for the climate of a region facing the Sea of Japan with "eco-void," natural ventilation chimneys, at "twin corners" of the building that create an updraft from natural wind pressure; and the "Green Plaza" initiative includes the use of digital signage to display energy consumption paired with a building energy management system (BEMS). Self-supporting systems that enhance disaster-response capabilities have been built into the building so that it contributes to creating a disaster-resilient community where the lighting always stays on and information is never cut off. (Selected for the "leading projects" program for sustainable buildings; this was formerly known as the 2014 No. 1 "leading projects for promoting CO₂ reduction" program for housing and buildings)

4. Making the Value of Smart Towns and Cities Visible, Supporting Concept Formulation

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.

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 environmental, social, and governance (ESG) issues 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 home mortgages, we also help projects get executed.

*See METI’s website for details.

Concept Diagram for Making the Value of Smart Towns Visible



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.

SuMi TRUST Bank is participating in various ways, such as designing smart town evaluation indicators (environmentally friendly property values) and creating project-specific product plans for environmentally friendly housing loans.

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 (formerly known as the 2013 No.1 “leading projects for promoting CO₂ reduction” program for housing and buildings).



Delivering Value

Added Value of Environmentally Friendly Property 1 —Added Value Derives from Property Profitability

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 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.

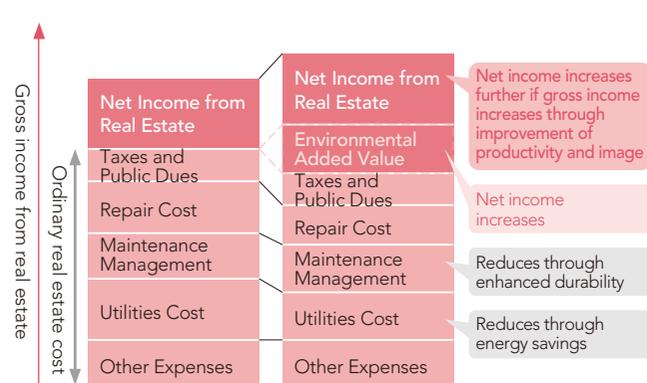
Furthermore, environmentally friendly property is less exposed to future environment-related tax hikes or tougher regulations, so the capitalization rate for such buildings factors in less environmental risk. A lower depreciation rate resulting from a longer life span as well as enhanced appeal as environmentally friendly can also lower the capitalization rate.

For the reasons above, SuMi TRUST Bank believes that environmentally friendly property will realize added value.

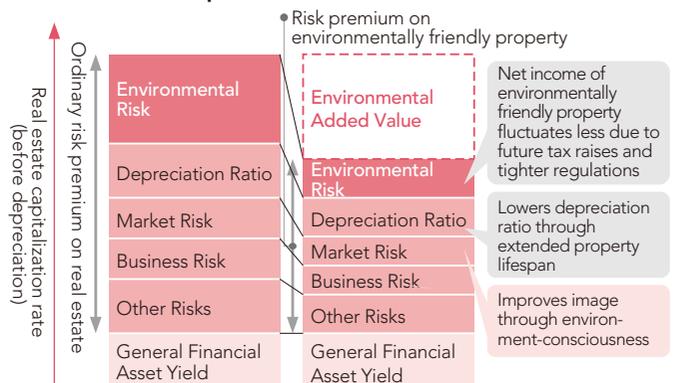
Conceptual diagram of environmental added value (1) Prices focused on the “profitability” of real estate



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 “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

Added Value of Environmentally Friendly Property 2

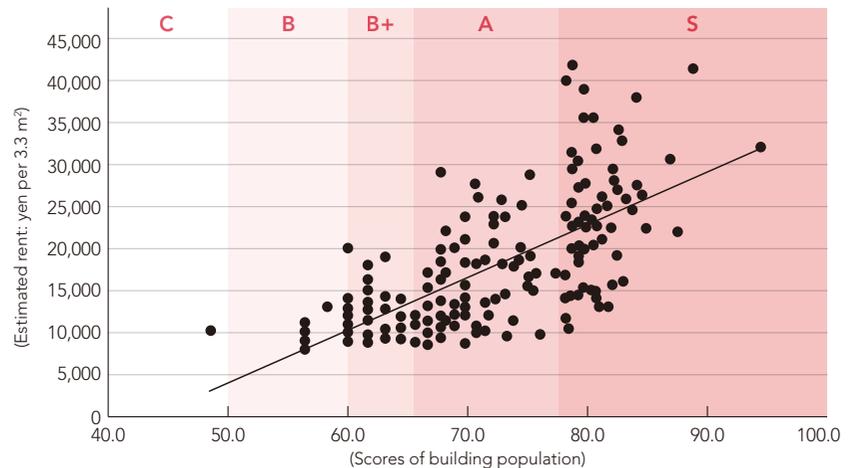
—Helping to Make Added Value Visible

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 implemented a study into the economic impact of buildings with CASBEE® evaluations as the leader of a working group examining economic benefits under the aegis of the Japan Sustainable Building Consortium's Smart Wellness Office Research Committee. The study analyzed buildings with CASBEE® certification and non-evaluated buildings and found average market rents in buildings

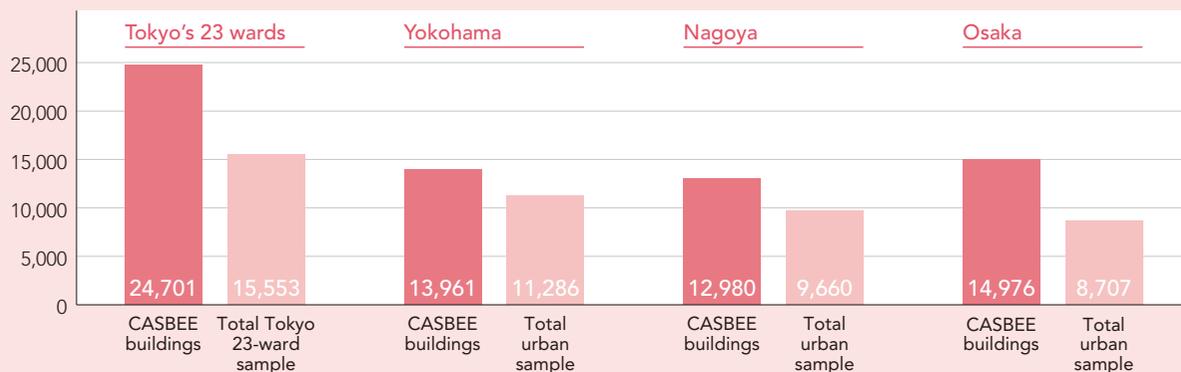
with CASBEE certifications or applications were about 3.6% higher. This suggests each point in the CASBEE scoring system (adjusted so 100 points is the maximum score) equates to a market rent 0.5% higher than the average. These results were announced at symposiums, the Architecture Institute of Japan convention, and other events.

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.

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 (whether or not buildings have CASBEE evaluations)	517	564.160	+3.64%
CASBEE rank (five-level evaluation rankings)	517	263.525	+1.70%
CASBEE score (evaluation score with a maximum score of 100)	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.

Initiatives of SuMi TRUST Bank related to Environmentally Friendly Property

Harnessing its broad client base as a trust bank, SuMi TRUST Bank has expanded into a wide range of businesses requiring cutting-edge expertise that leverages the Group's comprehensive capabilities in fields ranging from real estate brokerage, securitization, consulting, and appraisals to property investment.

SuMi TRUST Bank has proposed many ideas relating to environmental real estate, with a focus on showing how environmental performance can create added value in ways that are readily understandable. The efforts to raise

awareness on this topic go back to a paper we published in 2005 on the added value created by environmentally friendly property.

In 2010, SuMi TRUST Bank became the first Japanese financial institution to establish a section dedicated to environmentally friendly property. In addition to the expertise-based real estate business foundation, the Bank has worked to orient its businesses toward promoting environmentally friendly property through pioneering initiatives in environmental real estate.

Main Initiatives as a Pioneer in Environmentally Friendly Property

[Inception]

A commemorative paper entitled "A Note on Environmental Value Added for Real Estate" for the 10th anniversary of Tokyo Association of Real Estate Appraisers received grand prize in 2005 (see page 17).

[Organizing Study Groups]

- Lead organizer of a sustainable real estate study group since 2007; released results of studies in 2009 and 2016
- Lead organizer of a smart city study group in 2013; released results of studies in 2016

[Initiatives linked to UNEP]

- Member of a property working group organized as part of the United Nations Environment Programme Finance Initiative (UNEP FI) since 2007; released a collection of case studies and a handbook for Responsible Property Investment (RPI) in sequence

[Initiatives related to CASBEE]

- Lead organizer of subcommittee examining CASBEE property appraisal since 2007; launched "CASBEE for Real Estate" certification system in 2013 (see page 6)

[Initiatives related to Real Estate Appraisal and Evaluation]

- Chair of a working group on environmental added value, organized by Japan Association of Real Estate Appraisers (JAREA), since 2007
- Member of office building performance evaluation and display manual committee; released a manual on office building performance evaluation and display in 2017

[Initiatives with National and Local Authorities]

- Member of a MLIT-sponsored study committee on the promotion and spread of environmentally friendly property; the committee launched in 2008
- Member of Tokyo metro government's low carbon partnership committee for small and medium-sized buildings; the committee launched in 2012 by the Tokyo Bureau of Environment
- Member of Smart Wellness Office Research Committee, sponsored by Japan Sustainable Building Consortium; announced results of a study on economic impact of buildings with CASBEE evaluations in 2015 (see page 18).

Correlation between evolution of environmentally friendly property initiatives and SDGs

