Environmentally-friendly financial products of Sumitomo Trust & Banking
Sustainability-related activities in Japan (1)

- Increasing number of CASBEE submitted to local governments

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Number of governments</th>
<th>Number of submission (annual)</th>
<th>Number of submission (total)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004FY</td>
<td>2</td>
<td>174</td>
<td>174</td>
</tr>
<tr>
<td>2005FY</td>
<td>4</td>
<td>420</td>
<td>594</td>
</tr>
<tr>
<td>2006FY</td>
<td>9</td>
<td>817</td>
<td>1411</td>
</tr>
<tr>
<td>First half of 2007FY</td>
<td>10</td>
<td>600</td>
<td>2011</td>
</tr>
</tbody>
</table>

http://www.ibec.or.jp/CASBEE/english/methodE.htm
Sustainability-related activities in Japan (2)

- "Cool Earth 50" initiative
  Calling for a halving of global greenhouse gas emissions by 2050.

- Reinforcement of Energy Conservation Law

- New subsidy schemes
  Projects for installation of advanced CO2 reduction facilities and systems
  Projects for ultra long term houses

- Measurements of local governments
  Tokyo Climate Change Strategy
  Yokohama CO-DO 30
Social Activity Charter of Sumitomo Trust
(Formulated December 2004)

1. Pursue sustainable social development
2. Create new levels of value and foster economic development
3. Protect the natural environment
4. Respect human rights
5. Comply with regulations
We present specific products and services of Sumitomo Trust’s Eco Trustution, which provide solutions to ecological problems by using the functions of trusts.
Eco Trustution Products and Services

Global Warming
- Preferential Interest Loans for Environmentally Friendly Housing
- Emission Rights Trusts
- Development of Financial Schemes for Promoting Energy Conservation in Tenant Buildings
- Establishing a Mechanism for the Promotion of Environmental Consciousness Real Estate (Buildings)

Waste Disposal
- Environmentally Friendly Project Finance

Brown Field
- Eco-Land-Fund Investment

Others
- SRI
- Financial Scheme to Promote CSR Procurement

Retail Financial Services

Wholesale Financial Services
- Environmentally Friendly Project Finance
- Environmental Consciousness Construction Consulting
Eco Trustution Activities 1
Providing Housing Loans for Environmentally Friendly Houses

Preferential rate housing loans which are based on the “CASBEE Kawasaki” and the Apartment Environmental Efficiency Label Program of the Tokyo Metropolitan Government

Preferential interest rate loans for the purchase of environmentally friendly houses
**Eco Trustution Activities 2**  
Environment-Conscious Approach in Real Estate Business

Value indicated by Income approach

\[
\text{The price of real estate} = \frac{\text{the net income generated by real estate}}{\text{Capitalization rate}}.
\]

*In the case of the direct capitalization

**Environmentally conscious measures**
- Energy conservation design
- Avoidance of toxic materials
- Preservation and creation of biological environments
- Building longevity
  etc.

**Benefits of environmentally conscious measures**
- Reduction of utilities and other costs
- Increase in rental income and sales
- Reduction of the depreciation ratio
- Reduction of risk of declining income
- Becoming a landmark, etc.

**Environmental added value**
- Contribution to increase in net revenue
- Contribution to decline in yield

Organized “The added Value of Sustainable Real Estate” workshop, promoting the market which appreciates sustainable buildings
How to Draw Sustainable Real Estate Added Value (1)

Value added by Increasing Net Income

"A note on environmental value added for real estate "(Masato Ito)

for the tenth anniversary memorable article for Tokyo Association of Real Estate Appraisers in 2005
How to Draw Sustainable Real Estate Added Value (2)

Environmental added value about risk premium reduction

“A note on environmental value added for real estate “(Masato Ito)

for the tenth anniversary memorable article for Tokyo Association of Real Estate Appraisers in 2005

When Durability of a building increases, “Sustainable Real Estate” will not catch influence of future taxation and regulation reinforcement by its environmental consideration.

“Image Improvement Effect” by environmental consideration
Connecting CASBEE to Real Estate Appraisal

(1)

Value of Property* = Value indicated by Income approach

Value indicated by Income approach = the net income generated by real estate

Capitalization rate

Capitalization rate in the case of the direct capitalization

Building Environmental Efficiency (BEE)

Q (Building environmental quality and performance)

L (building environmental loadings)

BEE =

Decrease of repairs

Increase of Tenant Income

Decrease of utilities

Reduction of environmental risk

Improvement of Durability (Q-2)

Improvement of Productivity (Q-1)

Decrease of Depreciation ratio

Image improvement effect

Sustainability Ranking

Energy Saving (LR-1)

Improvement of

Tenant Income

Decrease of repairs

Reduction of environmental risk

Improvement of Productivity (Q-1)

Sustainability Ranking

Energy Saving (LR-1)
## Connecting CASBEE to Real Estate Appraisal

### Potential of Items

<table>
<thead>
<tr>
<th>CASBEE Items</th>
<th>Real Estate Appraisal Items</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Income Increase</td>
</tr>
<tr>
<td>Q-1-1 Noise &amp; Acoustics</td>
<td>○</td>
</tr>
<tr>
<td>Q-1-2 Thermal Comfort</td>
<td>○</td>
</tr>
<tr>
<td>Q-1-3 Lightning &amp; Illumination</td>
<td>○</td>
</tr>
<tr>
<td>Q-1-4 Air Quality</td>
<td>○</td>
</tr>
<tr>
<td>Q-2-1 Service Ability</td>
<td>○</td>
</tr>
<tr>
<td>Q-2-2 Durability &amp; Reliability</td>
<td>○</td>
</tr>
<tr>
<td>Q-2-3 Flexibility &amp; Adaptability</td>
<td>○</td>
</tr>
<tr>
<td>Q-3 Outdoor Environment</td>
<td></td>
</tr>
<tr>
<td>LR-1 Energy</td>
<td>○</td>
</tr>
<tr>
<td>LR-2 Resources &amp; Materials</td>
<td>○</td>
</tr>
<tr>
<td>LR-3 Off-site Environment</td>
<td></td>
</tr>
<tr>
<td>Sustainability Ranking</td>
<td></td>
</tr>
</tbody>
</table>
Eco Trustution Activities 3
Energy Conservation Promotion Mechanism (LLP Structure)

[Owner]
Pays the energy costs for common areas (set base line)

[Owner]
Profit/loss dividend based on common area cost reduction amount (members' levy)

[Tenant]
Pays the energy costs for specific areas (set base line)

[Tenant]
Profit/loss dividend based on specific area cost reduction amount (members’ levy)

ESCO businesses
Energy conservation for buildings (guarantee a fixed percentage of energy conservation)

Financial institutions
Financing for energy conservation construction business

Energy Management LLP (limited liability/pass-through taxation)
Eco Trustution Activities 4
Support for Contaminated Land Purchase and Revival Fund

1. Entrustment
2. Trust beneficiary right
3. Investment
4. Transfer of trust beneficiary right (sale of property)
5. Purification of property
6. Transfer of trust beneficiary right (sale of property)
7. Dividend

Investors (including Sumitomo Trust)

Sumitomo Trust

Eco-Land-Fund
Green Earth Co., Ltd. (manager)

Land Solution, Inc

Buyer

Cleaned-up property
On the way to launching a “Japanese Sustainable Real Estate Fund.”

Meeting the Standard of Environment Efficiency
  e.g. B+ or better of CASBEE score is prerequisite

&

Highlighted sustainability

For example...
- CASBEE S rating buildings
- Over 50% of Energy Efficiency Ratio
- Ultra long term houses
- Contributing to preserving Biodiversity