MUFG Support Framework

Clients working to reduce their environmental footprint through corporate activities

Clients engaged in environmental businesses

The Bank of Tokyo-Mitsubishi UFJ

Maximizing MUFG’s Comprehensive Strengths

Group companies

- Implementation of environment-friendly measures (boosting equipment energy efficiency, etc.)
- Designing environmental management strategies
- Progression of environmental business
- Usage of emission credits
- Environmentally-conscious asset management
- Reduction of greenhouse gas emissions
- Adoption and usage of environmental management systems

Clients’ management tasks relating to the environment

Financing support

Implementation of Equator Principles

Financing support

Promoting socially responsible investment (SRI)

CDM consulting

Joint Crediting Mechanism (JCM) projects

ESCO proposals

Energy conservation consulting

Introducing energy conservation contractors

Green leasing

Environmental management consulting

Support for adopting environmental management systems

As we aspire to become the world’s most trusted financial group, we make the most of our comprehensive strengths by providing customers with across-the-board support, including financial, business matching, and consulting services.

Supporting Environment and Energy-Conscious Businesses with Our Extensive Financial Solutions and High-Quality Research & Consulting Services

More and more customers are considering installing energy-efficient and eco-friendly facilities as a long-term solution to cutting energy costs and addressing global environmental issues.

For such customers, MUFG proposes solutions to the challenges of reducing electricity consumption and greenhouse gas emissions from operations, and also actively develops an array of services covering everything from advising on projects at the planning stage to providing support for reducing financing costs by drawing on all available financing options.

Activities on Group CSR Priority Theme: Addressing Global Environmental Issues

Corporate & Investment Banking

Activities on Group CSR Priority Theme: Addressing Global Environmental Issues
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More and more customers are considering installing efficient and eco-friendly facilities as a long-term solution to cutting energy costs and addressing global environmental issues. For such customers, MUFG proposes solutions to the challenges of reducing electricity consumption and greenhouse gas emissions from operations, and also actively develops an array of services covering everything from advising on projects at the planning stage to providing support for reducing financing costs by drawing on all available financing options.
BTMU actively finances investments in energy-efficient equipment and provides broad support for customers looking to introduce energy-efficient technologies in their office building, factory, retail store, or other location, or invest in projects that involve solar power, biomass power, or other renewable energy systems. In August 2013, we began offering the Green Project Support Loan (with 2% interest subsidized)*1 that takes advantage of the Japanese Ministry of the Environment’s “Environmental risk research loan promotion by interest subsidy” program. Since then we have financed 11 of the 16 projects subsidized by this fund nationwide.

We also endeavor to provide environmental loans that make use of existing Japanese government subsidy programs,*2 such as the Ministry of the Environment’s interest subsidy for environmental management promotion activities, and the Ministry of Economy, Trade and Industry’s subsidy program for promotion of upgrading facilities for energy efficiency. We also offer a CSR-Type Environmental Management Support Loan, a BTMU-exclusive product that sets financing terms based on the results of an evaluation of the customer’s environmental management activities.

For corporate customers with an active CSR program or CO2 emissions reduction program for global warming mitigation, MUFB offers CSR Support and CO2 Reduction Support Loans.*3

MUFB will continue to support the environmental conservation, energy saving, and renewable energy generation plans of our corporate customers from both the financial solutions and the research and consulting perspectives.

*1 A loan product offered by BTMU based on a government subsidy program that draws from a fund for promoting green finance. The program alleviates the customer’s interest burden in exchange for having the financial institution survey the environmental impacts of the customer’s capital investment and, based on the results, plan and monitor specific actions to reduce those impacts.

*2 Environmental loans that use Japanese government subsidy programs: Environmental Management Support Loan (with 1% interest subsidized) using the Ministry of the Environment’s interest subsidy for environmental management promotion activities, and Energy Conservation Support Loan (with 1% interest subsidized) using the Ministry of Economy, Trade and Industry’s subsidy program for promotion of upgrading facilities for energy efficiency.

*3 CSR Support Loan is a loan with preferential interest rates for customers who have committed to targets for improving their CSR performance in specific areas (three to five targets). CO2 Reduction Support Loan is a loan with preferential interest rates for customers who have committed to reducing their CO2 emissions. For either loan, if the company’s targets are not met, the amount of interest subsidized by the government can be donated to a third-party organization as a form of social or environmental philanthropy.
Renewable Energy in Japan

Assisting Japan’s Shift to a Sustainable Society through Project Finance

The 2011 earthquake and tsunami reanimated the debate over Japan’s medium- to long-term energy and environmental policy, prompting a rise in renewable energy installations. Japan’s Basic Energy Plan adopted in 2010 sets a target to increase the share of zero-emission sources (nuclear and renewable) in the energy mix by more than 50% by 2020. A feed-in tariff scheme for renewables (solar, wind, hydro, geothermal, and biomass) was launched in July 2012, imparting further momentum to the spread of renewable energy across all sectors of society.

Based on its substantial track record and expertise acquired through overseas projects, BTMU has been providing full-fledged financing to energy development projects in Japan since around 1998. In FY 2013, the company arranged financing for the Eurus Rokkasho Solar Park (Aomori Prefecture), the largest photovoltaic development project in Japan to date, and the Eurus Yurikogen Wind Farm (Akita Prefecture), among other projects (see Note).

For the Eurus Rokkasho Solar Park, the plan is to install around 510,000 solar panels in two districts, Takahoko and Chitosedairakita, totalling 253 hectares of land (about the size of 50 baseball stadiums). With a total output of 148 MW (direct current), the solar park is expected to generate enough electricity year-round to power approximately 38,000 ordinary Japanese households, offsetting roughly 70,000 tons of CO₂ emissions per year. Financing for this project totaled 39.3 billion yen, with BTMU serving as lead arranger in a group of 14 banks including regional banks. The Eurus Yurikogen Wind Farm, meanwhile, is a project to install seventeen 130-meter-tall turbines on a plateau spanning the three districts of Koyoshi, Nishiyurihara, and Nishime located five kilometers inland from the Japan Sea. With a total output of 51 MW, the wind farm is expected to generate enough electricity to power some 30,000 ordinary households, offsetting roughly 57,000 tons of CO₂ emissions per year. BTMU coordinated financing as lead arranger of a group underwriting 11.3 billion yen for the project.

Mitsubishi UFJ Lease & Finance (MUL), too, has been actively promoting renewable energy projects. One example is a joint solar power project using land owned by a corporate customer in Japan. The project began operations in December 2013, with all generated electricity being sold to the local power utility.

Note: Rokkasho Solar Park and Yurikogen Wind Farm are projects developed by renewable energy developer Eurus Energy Group.

Miwa Taniguchi
Manager
Project Finance Department, Structured Finance Division
The Bank of Tokyo-Mitsubishi UFJ

Project finance is an indispensable form of financing for renewable energy development in Japan. The introduction of a feed-in tariff scheme has been an important catalyst in the deployment of renewable energy generation systems. My desire is to make the most of my experience and creative thinking to provide financing that contributes to both business and the environment. It’s meaningful to me that I can take part in this energy industry movement in Japan.
Renewable Energy Overseas

Promoting the Growth of Renewable Energy around the World

Governments around the world are initiating steps to support the growth of renewable energy sources as environmentally clean alternatives to fossil fuels. Through its role as a project finance lender and provider of other financial services, BTMU is a proactive supporter in the global development of renewable energy for reducing greenhouse gas emissions and supporting the future of industries and modern lifestyles.

In the geothermal field, we served as mandated lead arranger of a financing contract totalling US$1.17 billion underwritten by six Japanese and overseas banks, the Japan Bank for International Cooperation (JBIC), and the Asian Development Bank for a power generation project in the Sarulla district of Sumatra, Indonesia, owned by a consortium of private companies from Japan, the U.S., and Asia. Project finance for geothermal energy, although known for having a more challenging risk assessment process than other resources, is the largest in the world. The power plant is scheduled to supply 320.8 MW of electricity to a state-owned power utility for 30 years starting in 2016, and is expected to offset 1.84 million tons of CO₂ per year.1

In addition to geothermal, our involvement in solar, wind, and other projects around the globe resulted in our being ranked as the world’s leading provider of project finance debt to renewable energy projects in 2013,2 as well as the world’s largest provider of project financing overall. We will continue to utilize our arrangement experience and know-how in driving renewable energy growth in countries around the world that are promoting sustainable development.

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1 According to an estimate by JBIC

2 Results of survey by Infrastructure Journal, a project finance magazine

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Renewable Energy Project Finance MLA 2013

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>Total (US$ million)</th>
<th>Market Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mitsubishi UFJ Financial Group</td>
<td>1,301.43</td>
<td>5.86</td>
</tr>
<tr>
<td>2</td>
<td>Sumitomo Mitsui Financial Group</td>
<td>1,183.26</td>
<td>5.33</td>
</tr>
<tr>
<td>3</td>
<td>Deutsche Bank</td>
<td>1,101.25</td>
<td>4.55</td>
</tr>
<tr>
<td>4</td>
<td>Credit Agricole Group</td>
<td>830.04</td>
<td>3.74</td>
</tr>
<tr>
<td>5</td>
<td>UniCredit</td>
<td>828.56</td>
<td>3.73</td>
</tr>
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<td>6</td>
<td>NordLB</td>
<td>734.07</td>
<td>3.31</td>
</tr>
<tr>
<td>7</td>
<td>HSH Nordbank</td>
<td>714.55</td>
<td>3.22</td>
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<tr>
<td>8</td>
<td>National Australia Bank</td>
<td>685.22</td>
<td>3.09</td>
</tr>
<tr>
<td>9</td>
<td>Rabobank</td>
<td>683.97</td>
<td>3.08</td>
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<tr>
<td>10</td>
<td>ING Group</td>
<td>682.32</td>
<td>3.07</td>
</tr>
</tbody>
</table>

Source: Infrastructure Journal League Tables (www.infjonline.com)
**Leveraging Our CDM Expertise to Support Carbon Reductions in Developing Countries through JCM**

In 2013, the 19th Conference of the Parties (COP 19) to the United Nations Framework Convention on Climate Change agreed to look into the introduction of voluntary greenhouse gas (GHG) emissions reduction targets under the new international climate change mitigation framework that will start in 2020 with the participation of all countries. As part of that, the Japanese government has proposed a mechanism to complement the existing Kyoto Protocol Mechanisms, called the Joint Crediting Mechanism (JCM), and is seeking a resolution on their proposal by 2015.

Since 2001, under the Clean Development Mechanism (CDM), one of the UN-based international GHG mitigation schemes, MUMSS has been assisting projects with the entire process related to the creation of certified emission reduction (CER) and thorough the development of methodologies needed for project execution. As of May 2014, 76 out of more than 100 projects MUMSS has handled have been registered by the UN.

Since 2010, the company has been also supporting the Japanese government’s JCM efforts, providing consulting services for project commercialization, advising on financing schemes and delivering other services based on its industry expertise and outstanding CDM track record. One JCM project for which MUMSS is providing consulting services is a project to distribute solar lanterns to non-electrified communities in Kenya. Since less than 20% of the rural population in the country has access to electricity, people in these areas rely heavily on kerosene lamps, which represent a fire hazard, emit harmful black smoke and weigh heavily on family finances due to rising fuel costs. The introduction of solar lanterns eliminates such problems in addition to cutting CO₂ emissions.

In Vietnam, meanwhile, a project is underway to conserve energy by equipping transport vehicles with digital tachographs. The installation of these devices has demonstrated to improve fuel efficiency and even reduce traffic accidents.

Drawing on its know-how in the CDM field and on MUFG’s extensive financing resources, MUMSS is carrying out efforts to promote JCM and globally advance climate mitigation measures in ways that Japan and developing countries can both benefit.

*1 A bilateral credit scheme proposed by the Japanese government to the international community as a new mechanism to complement CDM. Benefits of JCM include mutual implementation of projects by countries who sign a bilateral agreement, a broader range of applicable projects than CDM, short processing times, and the availability of Japanese government subsidies.

*2 CDM is a GHG emissions reduction mechanism that supports sustainable development through technology transfer and financing while assisting developing countries in achieving their GHG emission reduction targets.

*3 Rechargeable LED lanterns powered by solar energy. They can also be used as a power source for mobile phones. Replacing 100,000 kerosene lamps with solar lanterns can reduce approximately 15,000 tons of CO₂ per year.

*4 A constituent of petroleum, kerosene is the primary ingredient in fuels used across a range of applications, such as lamps, heaters, and jet engines.

*5 A type of driving recorder, a digital tachograph automatically stores on a memory card vehicle operation data such as time and speed, making it easy to confirm whether a driver is complying with legal speed limits, break times, and other rules.

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**How JCM Works**

- **Japan**
  - Use in achieving Japan’s reduction target
  - Credits
  - Green technology Subsidy

- **Host country**
  - JCM project
  - GHG emissions reduction/sequestration
  - Credits

- **Sign bilateral agreement**

- **Joint committee**

Feasibility studies for JCM projects are being carried out and project plans and financing schemes are being explored to make the JCM an effective mechanism.
Supporting Environmental Risk Management through the Equator Principles

Financial institutions are now expected to undertake efforts to prevent potential environmental degradation, human rights violations, and other issues attributed to loans to development projects in emerging countries and to other domestic and international business activities.

In 2005, BTMU adopted the Equator Principles (EP)*1 as a framework to ensure that environmental considerations are made when financing large-scale development projects. We advise our clients to take due care in complying with international standards, and also monitor environmental impacts even after financing support has been rendered.

While EP originally applied only to project finance, its third version effective June 4, 2013 (EP III) now includes large corporate loans within its scope, thus strengthening environmental and social considerations.

All financial institutions that have adopted EP currently apply EP III.

To show that its EP implementation is reliable, BTMU has been disclosing its internal EP procedures and information on financed projects to an independent third party and, since FY 2012, has been obtaining an Independent Assurance Report to demonstrate that all of the disclosed information related to EP implementation*2 is compliant with the guidelines.

*1 The Equator Principles is a framework independently established by the financial industry to assess and manage social and environmental impacts and risks associated with financing large-scale development projects, in order to avert and mitigate the impacts of such development on the surrounding environment and communities. EP requires assessment of the environmental and social risks of projects from the planning stage, implementation of effective measures, and management of such measures even after financing is complete. BTMU and 79 other financial institutions in 34 countries worldwide have adopted the Equator Principles as of July 2014.


Disclosure of EP projects and their risk categories

In compliance with EP II (2006 version) and EP III, BTMU has disclosed the number and risk categories of projects reviewed in FY 2013 that are subject to the Equator Principles. These projects are those that reached their financial close in the period from April 1, 2013, to March 31, 2014.

<table>
<thead>
<tr>
<th>Projects subject to EP (EP II + EP III)</th>
</tr>
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<tbody>
<tr>
<td><strong>By Category</strong></td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td><strong>By Region</strong></td>
</tr>
<tr>
<td>Americas</td>
</tr>
<tr>
<td>Asia and Oceania</td>
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<tr>
<td>Europe, Middle East, Africa</td>
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<tr>
<td><strong>By Sector</strong></td>
</tr>
<tr>
<td>Infrastructure</td>
</tr>
<tr>
<td>Mining</td>
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<tr>
<td>Oil and gas</td>
</tr>
<tr>
<td>Petrochemicals</td>
</tr>
<tr>
<td>Power</td>
</tr>
</tbody>
</table>

*3 For information on project-related corporate loans and project finance advisory services, visit our website at http://www.bk.mufg.jp/global/csr/eco/implementing.html

*4 The sum of the numbers reported for each region does not match with the total as one of the projects is located over two regions.

Project finance*3

The table below shows the number of projects that were reviewed after April 1, 2013, and reached financial close between April 1, 2013, and March 31, 2014.
Principles (EP)*1 as a framework to ensure that environmental and social considerations are made in evaluating and pricing of transactions, and to support environmentally and socially conscious projects through dialogue with customers and other stakeholders.

In 2005, BTMU adopted the Equator Principles to more than 350 transactions. With EP III going into effect last fiscal year, we endeavored to raise employee awareness of environmental and social considerations by conducting training on the introduction of the new guidelines at offices worldwide. BTMU has been a member of the EP Association Steering Committee since 2009, and will continue to support environmentally and socially conscious projects and further outreach and anchoring of EP. Using EP as a tool, we will support environmentally and socially responsible projects through dialogue with customers and other stakeholders.

**By Category**

<table>
<thead>
<tr>
<th>Category</th>
<th>Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>20</td>
</tr>
<tr>
<td>B</td>
<td>15</td>
</tr>
<tr>
<td>C</td>
<td>5</td>
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</table>

**By Region**

<table>
<thead>
<tr>
<th>Region</th>
<th>Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>10</td>
</tr>
<tr>
<td>Americas</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
</tr>
</tbody>
</table>

**By Sector**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power</td>
<td>5</td>
</tr>
<tr>
<td>Oil and gas</td>
<td>3</td>
</tr>
<tr>
<td>Mining</td>
<td>2</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>5</td>
</tr>
</tbody>
</table>

**Disclosure of EP projects and their risk categories**

- **Category A**: Projects with potential significant adverse environmental and social risks and/or impacts. These projects could lead to severe adverse environmental and social impacts after financing. BTMU will support environmentally and socially responsible projects through dialogue with customers and other stakeholders.
- **Category B**: Projects with potential limited adverse environmental and social risks and/or impacts. These projects could lead to adverse environmental and social impacts that are diverse, irreversible or with large-scale effects. BTMU will support environmentally and socially conscious projects through dialogue with customers and other stakeholders.
- **Category C**: Projects with minimal or no adverse environmental and social risks and/or impacts. These projects are largely reversible and readily addressable. BTMU will support environmentally and socially responsible projects through dialogue with customers and other stakeholders.

*4 The sum of the numbers reported for each region does not match with the total as one of the projects is located over two regions.

For information on project-related corporate loans and advisory services, visit our website at: [http://www.bk.mufg.jp/global/csr/eco/implementing.html](http://www.bk.mufg.jp/global/csr/eco/implementing.html).

**Independent Assurance Report**

To show that its EP implementation is reliable, BTMU has been disclosing its internal EP procedures and information on project financing projects to an independent third party and since FY 2012, has been obtaining an Independent Assurance Report to demonstrate that all of the disclosed projects are compliant with the guidelines.

**Maki Shibatsuchi**

Manager
Social & Environmental Risk Assessment Office,
Structured Finance Division
The Bank of Tokyo-Mitsubishi UFJ

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**Independent Assurance Report**

**Field visit (South East Asia)**