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

Joint Green Bond Issuers (Local Governments)

Joint Local Government Green Bond 6th

Assignment

Preliminary
Overall
Evaluation

Green 1

Preliminary
Greenness Evaluation
(Use of Proceeds)

g1

Preliminary
Management,
Operation, and
Transparency Evaluation

m1

Issuer	Joint Green Bond Issuers (Local Governments) * Joint Green Bond Issuers is the group that jointly issues local government Green Bonds.
Subject	Joint Local Government Green Bond 6th
Type	Bond
Issue Amount	JPY 39.4 Billion
Interest Rate	TBD
Issue Date	December 2025 (scheduled)
Repayment Date	December 2035 (scheduled)
Method of Payment	Bullet
Use of Proceeds	Projects that contribute to climate change mitigation and adaptation

Evaluation Overview

▶▶▶ 1. Overview of Joint Green Bond Issuers (Local Governments)

Japanese local governments are broadly divided into ordinary local governments and special local governments in accordance with Article 1-3, paragraph (1) of the Local Autonomy Act (Act No. 67 of 1947). The former is comprised of prefectures and municipalities, and the latter, special wards, unions of local governments, and financial wards. Municipalities fall into three categories: (1) designated cities: cities with a population of 500,000 or more that are designated by cabinet orders; (2) core cities: cities with a population of 200,000 or more that are designated by cabinet orders based on their application; (3) special cities: cities that were special cities when the special city system was abolished; (4) other cities: cities with a population of 50,000 or more and with other conditions being met; and (5) towns and villages¹. Local governments except financial wards are allowed to issue local bonds budgeted.

Municipal bonds are debts borne by local governments to raise funds necessary for their finances, and the repayment period is more than one fiscal year². Raising funds for expenditures of public corporations (transportation, gas, water supply, etc.) or construction expenses of public or official facilities, municipal bonds, in principle, can be issued only when the conditions in each item of Article 5 of the Local Finance Act (Act No. 109 of 1948) are met. The municipal bonds mainly have the following six characteristics: they are (1) borne by local governments; (2) for financing; (3) debts in the form of loans on deeds or debt securities; (4) debts whose substantial collateral are taxation rights of local governments; (5) debts are to be repaid beyond one fiscal year; and (6) issued for projects stipulated by law³.

Among these municipal bonds, joint local government bonds, which are collectively issued by local governments that offer municipal bonds nationwide, have been issued since April 2003. They mainly have the following three characteristics: (1) they are issued by local governments assuming joint and several obligations⁴ in accordance with Article 5-7⁵ of the Local Finance Act; (2) their liquidity is enhanced; and (3) they trade in large lots, which makes them highly liquid. As for (1), each issuer is responsible for fully repaying the issuance amount of the bonds as joint and several obligors, and thus the system is extremely robust in terms of the certainty of the repayment. Regarding (2), besides joint and several obligations, a fund is set up to enhance the liquidity by depositing part of sinking funds of respective issuers in the trustee bank in order to repay the principal and interests without delay even if any issuer faces contingencies caused by disasters, etc. Concerning (3), they are excellent in merchantability for its high liquidity with the large issuance amount of approximately 100 billion yen every month (FY 2025).

¹ Source: Websites at Ministry of Internal Affairs and Communications
https://www.soumu.go.jp/main_sosiki/jichi_gyousei/bunken/chihou-koukyoudantai_kubun.html

² Source: Websites at Ministry of Finance
https://www.mof.go.jp/policy/filp/summary/filp_local/tihousaiseidonogaiyou.htm

³ Source: Akane Enatsu (2007) *Local Bond Investment Handbook* published by Zaikei Shoho Sha

⁴ Article 5-7 of the Local Finance Law (Joint Issuance of Municipal Securities)

In case of issuing municipal bonds by a method to issue securities, two or more local governments can jointly issue securities through the vote of the Assembly. In this case, these local governments shall be jointly and severally liable for the redemption of such local government bonds and the payment of interest thereon.

⁵ Joint and several debts: Respective Joint and several debtors shall be accountable for repaying all debts (Article 436 of the Civil Code).

▶▶▶ 2. Environmental Initiatives of Joint Green Bond Issuers (Local Governments)

According to *Japan's Sixth Basic Environmental Plan*, local governments can be key to driving regional priority strategies, are main promoters of local environmental conservation, which is a core for developing a sustainable society, and are expected to play a role as coordinators of local initiatives. They are therefore expected to deploy environmental conservation measures in an integrated manner in their regions by working together with residents, business operators, private organizations, other local governments, and government-affiliated institutions through dialogues, including creating opportunities to discuss and consider the targets and directions of regional efforts with local firms, organizations, and residents according to regional characteristics while their relevant departments and agencies closely work with each other, presenting the targets and directions, setting respective systems, developing infrastructures for social capital, and encouraging respective bodies to take actions.

The National Plan for Global Warming Countermeasures shows the following two main roles that local governments should play: "promoting measures in accordance with natural and social conditions in regions" and "taking measures for their own affairs and projects." As to the former, local governments promote measures comprehensively and systematically to reduce greenhouse gas ("GHG") emissions according to the natural and social conditions in the regions. Concerning the latter, local governments map out and implement plans for measures to reduce GHG emissions for their own affairs and projects (*the Local Governments' Implementation Plan for Affairs and Projects* section) as they should take the initiative in such efforts to be a model for business operators and residents in the areas.

Furthermore, *the National Climate Change Adaptation Plan* encourages local governments to formulate regional climate change adaptation plans in order to promote measures for climate change adaptation according to regional natural, economic, and social conditions, considering the national plan. In this process, local governments seek to actively incorporate the national plan into related measures for disaster prevention and national resilience, promotion for the agriculture, forestry and fisheries industry, and preservation for biodiversity, in cooperation with relevant departments and agencies, and intend to promote measures for climate change adaptation in respective sectors.

As described above, local governments promote measures for climate change mitigation and adaptation based on *the Basic Environmental Plan*, *the Plan for Global Warming Countermeasures* and *the Climate Change Adaptation Plan* formulated by the national government or respective local governments.

The Joint Local Government Green Bond has been issued since FY 2023. Mitigation and adaptation measures for climate change can be accelerated nationwide more than ever as utilizing the mechanism of the Joint Local Government Bond enables even a local government unable to launch sizable projects by itself to raise funds through Green Bonds.

▶▶▶ 3. Joint Local Government Green Bonds

The evaluation target is the Joint Local Government Green Bond 6th (the "Bond") issued by local governments. JCR evaluates whether the Bond aligns with *the Green Bond Principle*⁶ and *the Green Bond Guidelines*⁷. They are no more than principles or guidelines, which are not legally binding, however, JCR evaluates the Bond, referring to them as domestically and internationally unified standards at the present moment.

Local governments established eligibility criteria for the Joint Local Government Green Bond Framework (the "Framework") in accordance with *the Basic Environmental Plan*, *the Plan for Global Warming Countermeasures*, and *the Climate Change Adaptation Plan* formulated by the national government or respective local governments. The project which the proceeds from the Bond are used for consists of 135 projects selected by local governments, which meet the Framework. Based on various materials submitted by respective Joint Green Bond issuers, JCR confirmed that all projects: (1) are important measures to achieve the goals of the environmental policy intended by the national or local governments' *Basic Environmental Plan*, *Plan for Global Warming Countermeasures*, and *Climate Change Adaptation Plan*; (2) align with the "requirements to determine the alignment of individual projects" set in the Framework; and (3) have taken or will take "measures for the negative impacts assumed" in the Framework. Based on the above, JCR considers that the projects eligible for the use of proceeds are expected to have environmental benefits.

The project selection process is carried out by departments with expertise in local governments. A management system has been established to ensure that the proceeds are certainly allocated to green projects. Reporting items disclosed will present environmental benefits. Accordingly, JCR considers that the management system in the local governments is appropriate and that transparency is provided.

Consequently, JCR has assigned "g1" to the preliminary evaluation of the "Greenness Evaluation (Use of Proceeds)", "m1" to the preliminary evaluation of the "Management, Operation and Transparency Evaluation" and "Green 1" to the "JCR Green Bond Preliminary Evaluation" for the Bond, based on JCR Green Finance Evaluation Methodology. JCR has evaluated that the Bond meets the criteria for items required in *the Green Bond Principles* and *the Green Bond Guidelines*.

⁶ International Capital Market Association (ICMA), *Green Bond Principles 2021*
<https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/>
JCR also verified its alignment with the *Green Bond Principles 2025* published in June 2025.

⁷ Ministry of the Environment, *Green Bond Guidelines 2022*
<https://www.env.go.jp/content/000062495.pdf>
JCR also verified its conformance with the *Green Bond Guidelines 2024* published in November 2024.

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I. Use of Proceeds

JCR's Key Consideration in This Factor

In this section, JCR initially discusses whether the proceeds are used for green projects that bring about clear environmental benefits. JCR then verifies whether the impacts are fully examined by internal specialist departments in local governments or external third parties and whether measures are taken for avoiding and mitigating impacts as required in cases where the project is expected to negatively impact the environment and society. Lastly, JCR verifies the consistency with the Sustainable Development Goals ("SDGs") of the project.

▶▶▶ Current Status of Evaluation Targets and JCR Evaluation

JCR has examined various materials provided by respective members of the Joint Green Bond Issuers for all projects, and accordingly, JCR has confirmed the following about the projects using proceeds from the Bond: (1) they are important measures to achieve the goals on the environmental policy sought in the national or local governments' *Basic Environmental Plan, Plan for Global Warming Countermeasures, and Climate Change Adaptation Plan*, (2) they align with the "requirements to determine the alignment of individual projects" set in the Framework and (3) "the negative impacts and measures assumed" established in the Framework are properly carried out or will be carried out, and consequently the projects are expected to have environmental benefits.

1. Outline of Use of Proceeds

Local governments will appropriate the proceeds through the Bond to projects in green cells among projects shown in Table 1 below.

Table 1: List of Uses of Proceeds⁸

Category	Subcategory	Green Projects	
2. Projects for energy efficiency	(1) Conversion of public facilities into ZEB	1	Convert public facilities into ZEB
		2	Convert public housing into ZEH
	(2) Introduction of equipment with high energy saving performance to public facilities	1	Convert lighting for public facilities or traffic lights into LED
		2	Improvement of air conditioning equipment for public facilities (introducing air conditioning equipment with high energy efficiency)
		3	Improvement of elevators in public facilities (introducing elevators with high energy efficiency)
		4	Energy saving for other public facilities
	(3) Utilization of unused energy	1	Construction of facilities that utilize unused heat energy (geothermal and sewage heat)

⁸ Source: Materials submitted by Ministry of Internal Affairs and Communications, which were edited by JCR.

Category	Subcategory	Green Projects	
3. Projects for pollution prevention and control	(1) Construction of sewage treatment facilities	1	Construction of sewerage facilities (related to sewage treatment) (improvement of sewage treatment facilities and pipes or cross-jurisdictional renovation)
		2	Improvement of combined sewage systems
		3	Construction of night soil treatment facilities
	(2) Construction of waste disposal-related facilities	1	Improvement of core equipment in general waste treatment facilities, such as energy recovery type waste treatment and high-efficient refuse-burning power generation facilities (related to energy recovery)
		2	Improvement of energy recovery type waste treatment facilities and high-efficient refuse-burning power generation facilities (consolidation, reconstruction)
		3	Construction of general waste treatment equipment and facilities, which reduce hazardous substances emissions, and consolidation or reconstruction in case of improving facilities
		4	Improvement of facilities and equipment for proper reuse, such as used products or of facilities and equipment for recycling of resources (waste)
	(3) Monitoring and removal of contaminants	1	Construction of monitoring facilities of water and air pollutants and hazardous chemical substances
		2	Reduction of nitrate nitrogen (improvement of animal excrement treatment facilities (compost centers))
		3	Removal of contaminated soil
		4	Measures for marine pollution
4. Projects for environmentally sustainable management of living natural resources and land use	(1) Conservation and management of marine resources	1	Creation of tidal flats, shallow bottom, and seaweed beds
		2	Creation of fish beds
		3	Creation of breeding grounds
		4	Improvement of river environment (fish ladder installation)
		5	Construction of seed production facilities
		6	Improvement of fisheries technology development facilities
	(2) Conservation and management of forest resources	1	Construction of forest roads
		2	Improvement of forests, such as thinning or afforestation (excluding opening of forest roads)
		3	Promote to introduce wooden structure and introduce wooden interior decoration with wood produced by the group concerned in public facilities

Category	Subcategory	Green Projects	
	(3) Improvement of personnel training bases on natural resources management	1	Improvement of bases to develop human resources to engage in sustainable forests and forestry industries
	(4) Greening promotion	1	Construction of parks (creation of green space)
		2	Greening public facilities
	(5) Natural park construction	1	Improvement of national park facilities
8. Projects for climate change adaptation	(1) Measures for damage from storms and floods	1	Construction of riverbank protection (improvement of banks or dams)
		2	Removal of sediment from rivers
		3	Widening rivers
		4	Improvement of floodway
		5	Construction of roads (drainage and permeability pavement, roads for emergency transportation)
		6	Improvement of flood control dams
		7	Construction of agricultural irrigation facilities (drainage pump stations)
		8	Replacement of railway bridges at the bottleneck in watercourses
		9	Extending the life of river management facilities (improvement of switching gears)
		10	Improvement of flood control facilities (retention and equalizing reservoirs or basins)
		11	Removal of all power poles on roads (for reducing damage in case of damage from storms and floods)
		12	Construction of additional devices of emergency power supply for traffic lights
		13	Water level gauge for crisis management, river monitoring camera or river information infrastructure (information gathering and processing devices of precipitation)
		14	Improvement of wide-area disaster prevention bases that will be evacuation sites in the event of disasters
		15	Construction of sewerage facilities (related to rainwater) (improvement of rainwater drainage and infiltration facilities, expansion of pumps or introduction of highly efficient pumps)

Category	Subcategory	Green Projects	
	(2) Measures for high tide and wave	1	Construction of facility to protect the coastline (bank protection, embankment, detached breakwaters, groins, floodgates, improvement of drainage pumping stations or rising breakwater)
		2	Construction of harbor and fishing port facilities (quay walls)
	(3) Measures for landslides	1	Construction of erosion control (Sand Control Act-based dams or mountain stream maintenance work)
		2	Improvement of afforestation facilities (Forest Act-based dams or channel works)
		3	Construction of protection forests
		4	Prevention of landslides in steep slope terrains (construction of retaining wall and slope work) and other landslides
		5	Prevention of road slopes and stone fall
		6	Build a Sand Control Act-based dam information infrastructure (information gathering and processing equipment of precipitation)
	(4) Research and development in preparation for climate change by the agriculture, forestry and fisheries industry	1	Improvement of developmental facilities for varieties of agricultural products or agricultural production technologies
		2	Construction of fisheries research facilities
		3	Improvement of seeding production facilities for aquatic plants and animals
	(5) Measures for temperature increase	1	Addressing summer heat along with heat island phenomenon (improving heat shielding and water retention on roads)
		2	Creating cool spots in cities

*1 Categories and subcategories comply with the *Green Bond Guidelines 2024* formulated by the Ministry of the Environment.

*2 Table 1 excludes categories without projects where proceeds from the Bond are allocated.

2. Environmental Benefits of Projects

Use of Proceeds 1: Projects for Energy Efficiency (Conversion of Public Facilities into ZEB)

Local governments will use the proceeds from the Bond for ZEB conversion of public facilities.

Net Zero Energy Building (ZEB) is defined as: (1) ZEB (energy savings of 100 percent or more); (2) Nearly ZEB (energy savings of 75 percent or more to less than 100 percent); and (3) ZEB Ready (no introduction of renewable energy) for buildings that have further reduced energy consumption by introducing renewable energy depending upon the reduction amount after making efforts to save 50 percent or more energy. Additionally, (4) ZEB Oriented is defined as a building of 10,000 square meters or larger to achieve energy savings of at least 30 to 40 percent and has adopted technologies that are expected to save energy but are not presently evaluated in the energy conservation calculation program under *the Act on Improvement of Energy Consumption Performance of Buildings* (Act No. 53 of 2015). The Framework stipulates that green projects meet one of the aforementioned criteria from (1) to (4) as the eligibility of green projects, and JCR considers that the use of the proceeds falls under the criteria above.

The use of the proceeds will improve the environment as high energy efficiency will be achieved in accordance with the use of the building. The use of proceeds falls under "Energy Efficiency" in *the Green Bond Principles* and "Projects for Energy Efficiency" among the uses of proceeds exemplified in *the Green Bond Guidelines*.

Use of Proceeds 2: Projects for Energy Efficiency (Introduction of Equipment with High Energy Efficiency Performance to Public Facilities)

Local governments will use the proceeds from the Bond for converting lighting in public facilities or traffic lights into LED lighting.

The project selected under the Framework is expected to improve energy efficiency by 30 percent or more by installing it as an alternative for the existing equipment. JCR considers that the project has environmental benefits as the energy efficiency reduction rate is in line with the globally required level.

The use of proceeds will improve the environment as it will help achieve the energy efficiency of 30 percent or more. The use of proceeds falls under "Energy Efficiency" in *the Green Bond Principles* and "Projects for Energy Efficiency" among the use of proceeds exemplified in *the Green Bond Guidelines*.

Use of Proceeds 3: Projects for Pollution Prevention and Control (Construction of Sewage Treatment Facilities)

Local governments use the proceeds from the Bond for improving their night soil treatment plants.

A night soil treatment plant is a facility to properly process night soil from pit latrines and sludge in its septic tank. Wastewater processed in the septic tank is discharged into rivers or coastal areas or, in some cases, into a sewage system, only after meeting regulatory standards based on the Water Pollution Control Law.

The use of proceeds will improve the environment as it will reduce the risk of pollution in rivers or oceans. The use of the proceeds falls under "Pollution Prevention and Control" in the "Green Bond Principles" and "Projects for Pollution Prevention and Control" among the uses of proceeds exemplified in the "Green Bond Guidelines."

Use of Proceeds 4: Projects for Pollution Prevention and Control (Construction of Waste Disposal-related Facilities)

Local governments will use the proceeds from the Bond for renovating energy recovery type waste treatment facilities, high-efficient refuse-burning power generation facilities, etc.

JCR considers that the use of proceeds has greenness as it has environmental benefits or is contributable to reducing environmental loads: for instance, there are mechanisms to recover thermal energy generated in the process of waste treatment and reuse it in or outside facilities or to effectively reduce harmful substances generated during normal operations of waste treatment facilities.

The use of proceeds for waste treatment will improve the environment as it will contribute to improving power generation and thermal efficiency. The use of proceeds falls under "Pollution Prevention and Control" in the Green Bond Principles and "Projects for Pollution Prevention and Control" among the uses of proceeds exemplified in the Green Bond Guidelines.

Use of Proceeds 5: Projects for Environmentally Sustainable Management of Living Natural Resources and Land Use (Conservation and Management of Marine Resources)

Local governments will use the proceeds from the Bond for creating tidal flats, shallow bottoms, seaweed beds and fish beds.

As seen in the recent poor catches of squid, saury and salmon, fish that were caught has not been caught, and vice versa. This has been seen over several consecutive years, which is different from ones temporarily experienced before. These changes are considered to be caused by water resource changes due to global warming or changes in the marine environment and are likely to continue for a long period time into the future. In response to these issues, the government established the "Basic Fisheries Plan" so as to comprehensively and systematically promote measures for fisheries in cooperation with relevant ministries and agencies, local governments, producers, and consumers.

The Basic Fisheries Plan states that sustainable fishing while maintaining the marine ecosystem is important and promotes the conservation and development of seaweed beds and tidal flats, which play a major role in nurturing ecosystems and increasing fishery resources. In the same way, breeding grounds (fish beds, etc.) will also contribute to the proliferation of marine resources as they grow seaweeds for spawning, provide hiding places for young fish, and increase food for their growth.

The use of proceeds will improve the environment as it will promote efforts toward sustainable fishery. The use of proceeds is categorized into "Environmentally Sustainable Management of Living Natural Resources and Land Use" in the Green Bond Principles and "Projects for Environmentally Sustainable Management of Living Natural Resources and Land Use" among the use of proceeds illustrated in the Green Bond Guidelines.

Use of Proceeds 6: Projects for Environmentally Sustainable Management of Living Natural Resources and Land Use (Conservation and Management of Forest Resources)

Local governments will use the proceeds from the Bond for improving forest roads and developing forests by thinning and planting.

Forests that make up roughly 70 percent of the land in Japan have multiple functions, such as preventing global warming, preserving the natural environment, cultivating water sources, and conserving biodiversity. Due to concentrated clear-cutting on areas preferred for easy trimming, some forests in Japan do not provide enough density. This poses a challenge that could inflict an adverse effect on their multifaceted functions, including frequent occurrence of disasters in mountain regions due to increased heavy rains. To tackle these challenges, the Japanese government established *the Basic Plan for Forest and Forestry*, which indicates the perspective and basic direction in developing its policy into the future. The plan is aimed at achieving prosperous society and economy, looking ahead to Carbon Neutrality by 2050, by appropriately managing forests and developing the forestry and lumber industry while increasing its sustainability.

In order to maintain the multiple functions of forests, forest management, such as thinning to promote the growth of trees and afforestation after logging, is required. The purpose of forest roads is to provide access to forests and promote forest improvement.

The use of proceeds will improve the environment as it may promote the initiatives toward sustainable forests and forestry. The use of the proceeds falls under "*Environmentally Sustainable Management of Living Natural Resources and Land Use*" in the *Green Bond Principles* and "*Projects for Environmentally Sustainable Management of Living Natural Resources and Land Use*" among the use of proceeds exemplified in the *Green Bond Guidelines*.

Use of Proceeds 7: Projects for Environmentally Sustainable Management of Living Natural Resources and Land Use (Greening Promotion)

Local governments will use the proceeds from the Bond for building parks (generating green spaces).

Building parks for the purpose of generating green spaces delivers various effects. It improves the urban environment by protecting and regenerating indigenous animal and plant species and ecosystem in cities to boost their biodiversity, causing evapotranspiration effects of green spaces to mitigate heat island phenomenon and preventing urban sprawl from spreading to create green belts. It also creates beautiful landscape environments, and parks built can be symbols of the cities.

The use of proceeds will improve environment as it will protect natural landscapes and elevate biodiversity. The use of the proceeds falls under "*Environmentally Sustainable Management of Living Natural Resources and Land Use*" in the *Green Bond Principles* and "*Projects for Environmentally Sustainable Management of Living Natural Resources and Land Use*" among the use of proceeds exemplified in the *Green Bond Guidelines*.

Use of Proceeds 8: Projects for Climate Change Adaptation (Measures for Damage from Storms and Floods)

Local governments will use the proceeds from the Bond for projects for rivers (bank protection, removal of sediment from rivers, widening rivers, flood-dam control, etc.), agricultural irrigation facilities (drainage pump stations, etc.) and roads (paving work for better drainage and permeability performance).

The National Climate Change Adaptation Plan states that it is required to evaluate the future climate change and start taking measures in advance as new forms of large-scale disasters may occur due to complex factors, such as landslide and flooding and high tide and flooding as well as frequent and serious water disasters along with increases in the frequency and intensity of short-term heavy or massive rain, increases in total precipitation, rises in average sea levels, sea level anomaly and increases in extreme values. The plan also calls for efforts for River Basin Disaster Resilience and Sustainability by ALL to reduce damage in the entire basins, such as catchment areas and rivers and floodplain areas by all stakeholders across the basins, including those who were not previously involved, so as to take the flow of water as one system. The plan stresses the importance of utilizing green infrastructure with various functions of the natural environment and strengthening non-structural measures (software measures), such as enforcing observation systems and improving prediction accuracy for concentrated downpours or typhoons caused by linear precipitation zones when promoting the efforts.

Local governments quantitatively measure the extent of the maximum storm and flood disasters assumed by the project or the degree of damage to be reduced by the project when selecting climate change adaptation projects. The use of proceeds will improve the environment as it will reduce damage caused by storm and flood disasters. The use of proceeds falls under "*Climate Change Adaptation*" in the *Green Bond Principles* and "*Projects for Climate Change Adaptation*" among the use of proceeds illustrated in the *Green Bond Guidelines*.

Use of Proceeds 9: Projects for Climate Change Adaptation (Measures for High Tide and Wave)

Local governments will use the proceeds from the Bond for constructing facilities for protecting coastlines and improving harbor and fishing port facilities that serve as high tide or wave barriers.

According to *the National Climate Change Adaptation Plan*, sea levels around Japan were reportedly on an upward trend (+2.8 (1.7 to 4.0) millimeters per year from 1993 to 2015 and +4.19 (- 1.10 to +8.20) millimeters per year from 2004 to 2019) based on the analyses of sea level observation records. To date, there have been neither concrete events nor research results that imply correlations between high waves and tides and the effects of climate change. Meanwhile, the average global sea level will definitely rise between 2081 and 2100, based on the average between 1986 and 2005 even though the GHG emissions will be reduced in both RCP2.6 and RCP8.5 scenarios. In cases where the sea level rises by 80 centimeters, the zero-meter area in the three major bays (Tokyo Bay, Ise Bay, and Osaka Bay) increases by 1.6 times and, accordingly, the impacts are extended to coasts across Japan. In the event that sea levels rise, disaster risks of damage from high tides, high waves, or tsunamis or coastal erosion increase compared to the current levels even if there is neither typhoon nor powerful low-pressure systems. In particular, functionally degraded or damaged river water intake facilities, coastal disaster prevention facilities, port and harbor facilities, fishing port facilities, etc. would cause submergence or flood in coastal areas, acceleration of coastal erosion, impediments to harbors

and fishing port operations, and negative impacts on ecosystems in tidal areas of tidal flats or rivers.

The use of proceeds will improve the environment as it will reduce damage from high tides and waves. The use of proceeds falls under "*Climate Change Adaptation*" in the *Green Bond Principles* and "*Projects for Climate Change Adaptation*" among the uses of proceeds exemplified in the *Green Bond Guidelines*.

Use of Proceeds 10: Projects for Climate Change Adaptation (Measures for Landslides)

Local governments will use the proceeds from the Bond for construction of sand control and forest conservation facilities, prevention of landslides on steep terrain, and slope erosion control of roads, development of an infrastructure for sand control information, etc.

According to the *National Climate Change Adaptation Plan*, there is not that much research that clearly shows the correlations between landslide disasters and climate change. Meanwhile, as more harsh rain conditions are predicted, the potential changes to come include the frequent occurrence of concentrated collapses, landslides, and debris flows, the impacts on social life in mountains and around slopes, the relatively less effective structural and non-structural measures, and more occurrence of landslides and floods. Both of the structural and non-structural measures are considered to be effective as landslides often occur due to a combination of complicated factors. More specifically, the *Climate Change Adaptation Plan* sets forth several landslide measures for increases in the frequency, a short lead time for warning and evacuation at landslides, deep-seated landslides, etc.

The use of proceeds will improve the environment as it will mitigate landslides. The use of proceeds falls under "*Climate Change Adaptation*" in the *Green Bond Principles* and "*Projects for Climate Change Adaptation*" among the uses of proceeds illustrated in the *Green Bond Guidelines*.

Use of Proceeds 11: Projects for Climate Change Adaptation (Research and Development in Preparation for Climate Change by the Agriculture, Forestry and Fisheries Industry)

Local governments will use the proceeds from the Bond for construction of facilities to develop varieties of agricultural products and agricultural production technologies.

The *National Climate Change Adaptation Plan* refers to the possibilities that climate change could change the geographical distribution of varieties of agricultural products and their life cycles, that altered interaction among plant species in the wake of their migration and local extinction could cause further negative impacts, and that the inability of varieties of agricultural products to migrate following climate change due to their divided habitats could result in their extinction. Global warming of more than 2 degrees Celsius by 2050 could drive over 30% of species on the earth on the verge of extinction.

The use of proceeds will improve the environment as it will mitigate damage from the deterioration of the quality in the agriculture, forestry and fisheries industry and the reduced crop yields. The use of proceeds falls under "*Climate Change Adaptation*" in the *Green Bond*

Principles and "Projects for Climate Change Adaptation" among the uses of proceeds illustrated in the Green Bond Guidelines.

Consequently, JCR has concluded that the aforementioned uses of proceeds from 1 to 11 are projects with environmental benefits, respectively.

3. Negative Impacts on Environment and Society

Local governments are aware of negative impacts of the candidate projects eligible for the use of proceeds, and the examination on the potential environmental and social effects at their implementation is ongoing. As a result of the examination, projects with fewer negative impacts on the environment and society will be selected as projects eligible for the use of proceeds.

JCR has affirmed that appropriate consideration will be given to negative effects of eligible projects on the environment and society and considers that appropriate avoidance and mitigation measures will be taken to each project.

4. Alignment with SDGs

JCR considers that the projects eligible for the use of proceeds will contribute to the SDGs as indicated in the Framework.

Evaluation Phase 2: Management, Operation, and Transparency Evaluation

m1

I. Selection Criteria and Processes for Use of Proceeds

JCR's Key Consideration in This Factor

In this section, JCR discusses the goals that the issuers intend to achieve through the green projects the adequacy of the criteria and processes for selecting them and the appropriateness of the disclosure of a series of processes to investors.

▶▶▶ Current Status of Evaluation Targets and JCR Evaluation

JCR considers that the departments and executives with expertise are appropriately involved in the goals to be attained by issuing the Bond and the criteria and processes for selecting green projects.

1. Goals

According to the G7 Hiroshima Leaders' Communiqué held on May 20, 2023, the Earth faces three crises: climate change, biodiversity loss, and pollution.

The study results of the planetary boundaries⁹ in 2023 (vs. 2015) show that human activities are about to exceed the environmental capacity or planetary boundaries that allow humans to engage in their activities safely as climate change, change in land use, new chemical substances, use of freshwater as well as species extinction rates and nitrogen and phosphorus cycles have gone beyond an uncertainty zone into a high risk zone.

In terms of economy and society, Japan is challenged by several issues including depopulation, a low birthrate and aging society, a large population in the Tokyo Metropolitan area and deterioration in rural areas, and long-term economic stagnation. Environmental risks are also emerging from security crises, i.e. environmental destruction and energy crises due to disputes. Infectious disease pandemics remind us of risks posed by environmental and ecological imbalances.

In light of this current situation, it is imminent to create a new civilization toward a sustainable society and to make a paradigm shift in economic and social systems. The choices to be made and measures to be taken up to around 2030, which is the target year in *the Sixth Basic Environmental Plan* set out on May 21, 2024, are seen as highly likely to impact the globe for thousands of years to come, and the year of 2030 has been positioned as a critical year from all perspectives of the environment, economy, and society.

The Sixth Basic Environment Plan is aimed at "improving the quality of life, happiness, well-being, and economic welfare for each and every individual of the nation in the present and future" and "contributing to the welfare of human being" through "environmental conservation" in light of the current issues. To that end, the plan pursues "recycling and symbiotic society," which enables growth and development by protecting the planetary boundaries and improving the environmental quality.

There are six points of view in changing the mode of thinking about structural issues to improve the foremost goal, "well-being and high quality of life" from the perspectives of both market value and non-market value: (1) stock; (2) long-term views; (3) essential needs; (4) intangible

⁹ <https://www.stockholmresilience.org/research/planetary-boundaries.html>

assets and spiritual richness; (5) community and inclusion; and (6) emphasis on independence and decentralization.

As environmental policies going forward, *the Sixth Basic Environmental Plan* shows the directions of mainly four environmental policies under the banner of "new growth," which will bring about "well-being and high quality of life":

- (1) Ensure the speed and scale of science-based initiatives, which is also applied to the critical year of 2030;
- (2) Integrate and create synergy of measures including net zero, circular economy, and nature positive;
- (3) Make co-evolution in governments, markets, and the nation (civil society and local communities); and
- (4) Practice and implement "new growth" by building "regional circular and ecological sphere."

As above, it is indispensable to further and holistically improve the environment, economy, and society so as to realize a "recycling and symbiotic society," an ideal sustainable society. *The Sixth Basic Plan* set forth the following six key strategies¹⁰, in which specific measures can solve even several and different issues in an integrated manner from the perspective of "new growth" and four environmental policies:

- (1) Establish the green economic system that enables sustainable production and consumption toward "new growth";
- (2) Improve the value of national land as stock based on natural capital;
- (3) Create local communities as places for practices and implementation to improve the environment, economy and society in an integrated manner;
- (4) Achieve safe, secure, healthy, and spiritually rich living, where the nation can realize "well-being and high quality of life";
- (5) Develop and demonstrate scientific technologies and innovation, which support "new growth," and implement them in society; and
- (6) Contribute to national interests and human welfare by promoting strategic international cooperation centering on the environment.

Local governments can be key to driving these regional priority strategies, are main promoters of local environmental conservation, which is a core for developing a sustainable society, and are expected to play a role as a coordinator of local initiatives. Local governments are therefore expected to deploy environmental conservation measures in an integrated manner in their regions by working together with residents, business operators, private organizations, other local governments, and government-affiliated institutions through dialogues, including creating opportunities to discuss and consider the targets and directions of regional efforts with local firms, organizations, and residents according to regional characteristics while their relevant departments and agencies closely work with each other, presenting the targets and directions, setting respective systems, developing infrastructures for social capital, and encouraging respective bodies to take actions. Local governments are also expected to widely and aggressively incorporate environmental considerations into their activities and make efforts to

¹⁰ Source: Overview of *the Sixth Basic Environmental Plan* publicized by the Ministry of the Environment

build regional platforms that support "Independent areas" as a central player to create regional circular and ecological spheres. From the perspective of economic rationality, local governments play extremely important roles in taking environmental conservation measures widely, comprehensively, and holistically even in the environmental areas in which private business operators do not start or implement them.

Local governments formulated *the Basic Environmental Plan, the Plan for Global Warming Countermeasures, and the Climate Change Adaptation Plan* in accordance with the circumstances of the respective organizations so as to play a role in promoting the critical strategies mentioned above. Against the backdrop of a rising sense of crises as to intense weather disasters, the number of local governments pursuing "net zero by 2050" or so-called zero-carbon cities was not more than four as of September 2019, however, it rapidly increased to as many as 1,188 as of September 30, 2025.

*The National Plan for Global Warming Countermeasures*¹¹ sets the goal of reducing GHG emissions by 46 percent in FY 2030 from FY 2013. Based on the plan, respective local governments set GHG reduction targets in their implementation plans to meet the natural and social conditions in their regions.

The national and local governments' *Climate Change Adaptation Plans* seek to create a secure, safe, and sustainable society while striving to prevent and mitigate damage caused by effects of climate change, stabilize the livelihood of the nation and the residents, soundly develop society and economy, preserve the natural environment, and strengthen the national land by comprehensively and systematically promoting measures for climate change adaptation based on scientific knowledge.

JCR considers that the use of proceeds in the Framework is consistent with *the Plan for Global Warming Countermeasures or Climate Change Adaptation Plans* formulated by the Japanese government or *Local Governments' Implementation Plans* laid out by respective local governments.

Consequently, JCR considers that the purpose of issuing the Joint Local Government Green Bond is aligned with the goals or plans presented by the local governments.

2. Selection Criteria

JCR considers that the selection criteria set forth in the Framework by the local governments are appropriate and environmentally beneficial. JCR verified that all of the projects covered by the Bond meet the selection criteria.

3. Processes

The projects eligible for the use of proceeds from the Bond will be determined from projects collaboratively shortlisted by the financial departments of respective local governments and the relevant project departments.

¹¹ On February 18, 2025, Japan submitted a new Nationally Determined Contribution (NDC) to the United Nations Framework Convention on Climate Change (UNFCCC). The new NDC sets the target of reducing GHG emissions by 60% and 73% in FY 2035 and FY 2040, respectively, compared to FY 2013 in line with the Paris Agreement's goal of 1.5°C and toward net zero by 2050. The new NDC adopted as the *Plan for Global Warming Countermeasures* approved at a Cabinet meeting on the same day seeks to enhance policy predictability and to strike a good balance between decarbonization investments and economic growth.

JCR considers that the selection process is adequate as the greenness of the projects is evaluated by the relevant departments in the respective local governments and the projects eligible for the use of proceeds undergo the processes of the respective local governments.

The goals, criteria, and processes related to the Bond are set forth in the Framework. The Framework can be viewed on the website of the Japan Local Government Bond Association ("JLGBA"). Consequently, JCR considers the Framework highly transparent.

II. Management of Proceeds

JCR's Key Consideration in this Factor

Proceeds would be managed in a wide variety of methods, depending on issuers. JCR affirms that proceeds from the Bond will be certainly allocated to green projects and that there are mechanisms and internal systems in place to easily track and manage the allocation.

And JCR focuses on whether the proceeds from the Bond are allocated to green projects promptly as well as the evaluation of managing and operating methods for unallocated proceeds.

▶▶▶ Current Status of Evaluation Target and JCR Evaluation

JCR considers that transparency is high as local governments have their proper systems of managing proceeds and the method of managing proceeds is disclosed in the evaluation report and on the website.

The proceeds from the Bond will be promptly wired to the bank accounts designated by respective local governments via the trustee bank. Respective local governments, in principle, allocate the proceeds from the Bond to eligible projects within the fiscal year of the fund raising. The finance departments of respective local governments allocate the proceeds to eligible projects and use a matrix to manage the costs and the proceeds allocated by project so as to keep them within the limit. In the event of delay or suspension of a project, the proceeds held by respective local governments will be left in cash or invested in risk-free assets until the allocation is determined.

At the end of each fiscal year, respective local governments compile the documents of the balance between revenues and expenditures and the financial statements, and they undergo an audit by the Audit Committee. And subsequently, the assembly of each local government receives and approves the financial statements with the opinions of the audit committee members attached. Accordingly, JCR considers it disciplined.

Unallocated proceeds from the Bond will be held in cash or invested in risk-free financial assets. Documents are also properly managed as those related to the Bond are stored until the maturity based on the document management rules.

Accordingly, JCR considers that respective local governments properly manage the proceeds.

III. Reporting

JCR's Key Consideration in this Factor

In this section, JCR discusses the issuers' planned disclosures to investors before and after funding through the Bond in terms of their particularity and effectiveness.

▶▶▶ Current Status of Evaluation Target and JCR Evaluation

JCR evaluates local governments' reporting as proper disclosure as it provides investors with both allocation of proceeds and environmental benefits.

Reporting on Allocation of Proceeds

The use of proceeds from the Bond will be disclosed on the JLGBA's website and will be explained to investors in advance. JLGBA plans to annually disclose the allocation of proceeds from the Bond on its website. Some local governments may disclose the allocation of their own proceeds as well as the allocation related to the Bond on their websites. Any major change in the allocation plan will be disclosed on the website.

Reporting on Environmental Benefits

JLGBA annually reports environmental benefits of all the eligible projects covered by the Bond in accordance with the Framework on its website. Some local governments may disclose their own environmental benefits as well as those of the eligible projects covered by the Bond on their websites. Reporting on environmental benefits provides the data on a quantitative basis.

Consequently, JCR considers that the reporting system by local governments is adequate.

IV. Organizational Environmental Initiatives

JCR's Key Consideration in This Factor

In this section, JCR discusses whether the management team of an issuer puts sustainability issues at the top of agenda and whether its sustainable finance policies and processes and the selection criteria for green projects are clearly shown through a department with expertise in sustainability and cooperation with external organizations.

▶▶▶ Current Status of Evaluation Target and JCR Evaluation

JCR considers that local governments put sustainability issues at the top of their policy agenda and promotes sustainability initiatives by broadly adopting the expertise of outside experts.

As discussed, the present economic and social system will do little, if any, good for the current environmental, economic and social situations. *The Sixth Basic Environment Plan* states that conversion rather than sustainability is inevitable for the modern civilization and calls for the need to transform its society. More specifically, the plan suggests the need of transformation from the "linear and standardized mass-production economic and social system," which excessively depends on underground resources, such as fossil fuels, which have long supported the modern civilization since the Industrial Revolution, to the "circulating and high added value economic and social system," which focuses on intangible values and spiritual richness based on ground resources. Meanwhile, the first-ever global stocktake¹² of the Paris Agreement took place at COP28 in 2023, which adds a new goal of transition from fossil fuels in the energy system for the first time.

It is imminent to implement the aforementioned major transformation as the choices made or measures taken up to around 2030, the target year in *the Sixth Basic Environment Plan*, are considered to be highly likely to impact the environment for thousands of years to come. The *Sixth Basic Environment Plan* promotes measures based on the "Strategy for Promoting Transition to a Decarbonized Growth-Oriented Economic Structure" toward Green Transformation (GX) or transformation of the fossil fuel-oriented industrial and social structures since the Industrial Revolution to clean energy-focused structures.

The government formulates *the Plan for Global Warming Countermeasures* and *the Climate Change Adaptation Plan* to respond to various environmental issues. The current *Plan for Global Warming Countermeasures* covers all GHG including carbon dioxide and other GHG and sets forth the measures and policies that support the targets, toward the goal of reducing GHG emissions by 46 percent in FY 2030 (from FY 2013). Some of ongoing or potential projects for achieving the new GHG emission reduction targets in FY 2035 and FY 2040 were compiled into a list. The current *Climate Change Adaptation Plan* is aimed at preventing and reducing damage caused by the effects of climate change, stabilizing people's living, soundly developing society and economy, preserving the natural environment, and strengthening the national land to establish a safe, secure and sustainable society. Both *the Plan for Global Warming Countermeasures* and *the Climate Change Adaptation Plan* refer to the roles that local governments ought to play.

¹² A mechanism for internationally evaluating the progress of countries around the world in achieving the GHG emission reduction targets set out in the Paris Agreement

In response to the adoption of the 2030 Agenda focused on SDGs, the national government set up the Sustainable Development Goals Promotion Headquarters in May 2016 and set out *the Sustainable Development Goals Guidelines*, a mid- to long-term national strategies to achieve the SDGs in December 2016. The guidelines were partially revised¹³, and the revision guidelines encourage local governments to further accelerate efforts toward the SDGs and proactively disseminate and share local best practices domestically and internationally, and approach diverse stakeholders seeking to achieve further penetration of the SDGs. The guidelines also encourage local governments, on the basis of preserving their autonomy, to create independent areas, which continue to launch projects to holistically improve economy, society, and the environment by sustainably utilizing regional sources, and to create the "regional circular and ecological sphere" aimed at realizing a self-supporting and decentralized society, which forms a network where regions support each other by leveraging their respective characteristics.

To live up to the expectation to create "regional circular and ecological sphere," local governments formulated *the Basic Environmental Plans* for the purpose of simultaneously solving environmental, social and economic issues in their regions in harmony with the circumstances of respective organizations. They also set out the implementation plans and the climate change adaptation plans of their own as necessary based on the specific environmental issues in their respective regions to move forward with the measures to migrate and adopt climate change. Prefectures and municipalities work together to formulate and promote these plans in consideration of the situation of each local government.

Local governments collaboratively work with external institutions, for instance, the Ministry of Internal Affairs and Communications ("MIC") and JLGBA.

MIC has worked together with JLGBA in providing local governments with information on issuance of Green Bonds since FY 2017 when the Tokyo Metropolitan Government issued a Green Bond as a local government for the first time. In recent years, MIC has discussed issuing Green Bonds, etc., utilizing the Framework so that local governments consistently raise funds to meet the investors' need in light of the growing need for ESG investments in the domestic markets and the expansion of issuance of Green Bonds by individual local governments. MIC contributes to solving issues, such as securing the size of issue (an amount as much as required for issuing Green Bonds) and labor-saving of local governments by supporting them in formulating the framework, utilizing the Framework.

JLGBA, which provides support to formulate the framework, set up a working group in the "Research and Study Committee on Local Bonds" as the organizer, sorts out obstacles to issuing Green Bonds, and researches and discusses tangible measures to promote issues, including jointly issued Green Bonds. JLGBA provides local governments that issue joint local government Green Bonds with the knowledge obtained through the Research and Study Committee on Local Bonds.

Consequently, JCR considers that local governments put sustainability at the top of agenda and discuss policies and initiatives on sustainability by broadly adopting the knowledge of outside experts.

¹³ The SDGs Promotion Headquarters decided it on December 22, 2016. Subsequently, the guidelines were partially revised on December 20, 2019, and December 19, 2023.

Evaluation Phase 3: Evaluation Results (Conclusion)

Green 1

JCR assigned "g1" to the preliminary appraisal of "Green Evaluation (Use of Proceeds)", "m1" to the preliminary appraisal of "Management, Operation and Transparency Evaluation" and "Green 1" to the "JCR Green Bond Preliminary Evaluation" for the Bond based on JCR Green Finance Evaluation Methodology. JCR evaluated that the Bond meets the criteria for the factors required in the Green Bond Principle and the Green Bond Guidelines.

<JCR Green Bond Evaluation Matrix>

		Management, Operation and Transparency Evaluation				
		m1	m2	m3	m4	m5
Green Evaluation	g1	Green 1	Green 2	Green 3	Green 4	Green 5
	g2	Green 2	Green 2	Green 3	Green 4	Green 5
	g3	Green 3	Green 3	Green 4	Green 5	N/A
	g4	Green 4	Green 4	Green 5	N/A	N/A
	g5	Green 5	Green 5	N/A	N/A	N/A

(Responsible analysts for this evaluation) Shintaro Arai, Takuto Touda

Important Explanation on This Evaluation

1. Assumptions, Significance and limitation of JCR Green Finance Evaluation

JCR Green Finance Evaluation, which is granted and assigned by Japan Credit Rating Agency (JCR) is a comprehensive statement of JCR's current opinion on the extent to which proceeds financed through issuing Green Bonds or making green loans to be evaluated, respectively (hereinafter, Green Bonds and green loans are collectively referred to as "green finance" and issuance of Green Bonds and execution of green loans is collectively referred to as "execution of green finance") are allocated to green projects as defined by JCR and the extent of the initiatives to ensure management, operations and transparency on the use of proceeds of the green finance concerned. JCR Green Finance Evaluation does not fully present the allocation of proceeds financed through the green finance in question and the extent of the initiative to ensure management, operation and transparency on the use of proceeds.

JCR Green Finance Evaluation is to appraise the plan or status of proceeds allocation when the execution of green finance is planned or made and does not guarantee the status of proceeds allocation in the future. JCR Green Finance Evaluation neither proves the green finance effects on the environment nor assumes any responsibility for the environmental effects. JCR, in principle, does not directly measure the environmental benefits through proceeds financed by executing green finance although JCR will confirm that the environmental benefits are quantitatively and qualitatively measured by the issuer or the borrower (hereinafter the issuer and the borrower are collectively referred to as the "finance raiser") or the third party requested by the finance raiser. Green equity may be included in the evaluation only when the assets are categorized into green projects, such as investment corporations.

2. Methodology Used in this Evaluation

The methodology used to make this evaluation is posted as JCR Green Finance Evaluation Methodology in the Sustainable Finance/ESG section on the JCR's website at <https://www.jcr.co.jp/>

3. Relations with Conduct for Credit Rating Business

The conduct of assigning and providing JCR Green Finance evaluation is performed by JCR as its related business and is different from the conduct for the credit rating business.

4. Relations with Credit Rating

This evaluation is different from a credit rating and does not commit to providing a predetermined credit rating or make available for inspection.

5. Impartiality when Evaluating JCR Green Finance

There are no capital or personnel relationships that could create a conflict of interest between this evaluation target and JCR.

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■ Glossary

JCR Green Finance Evaluation: This evaluates the extent to which the funds procured from the Green Bonds are allocated to green projects as defined by JCR, and the degree to which the management, operation and transparency of the Green Bonds are ensured. Evaluations based on a 5-point scale are given from top to bottom using the Green1, Green2, Green3, Green4, and Green5 symbols.

■ Status of registration as an external assessor of green finance

- Ministry of the Environment: Registered as External Reviewer of Green Finance
- ICMA (observer registration as an external evaluator with the International Capital Market Association)
- UNEP FI Positive Impact Financial Principles Working Group Member
- Climate Bonds Initiative Approved Verifier

■ Status of registration as a credit rating agency, etc.

- Credit Rating Agency: the Commissioner of the Financial Services Agency (Rating) No.1
- EU Certified Credit Rating Agency
- NRSRO: JCR has registered with the following four of the five credit rating classes of the U.S. Securities and Exchange Commission's Nationally Recognized Statistical Rating Organization NRSRO: (1) financial institutions, broker-dealers; (2) insurance companies; (3) general business corporations; and (4) government and municipalities. If the disclosure is subject to Section 17g-7 (a) of the Securities and Exchange Commission Rule, such disclosure is attached to the news releases posted on the JCR website (<https://www.jcr.co.jp/en/>).

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