

Japan Credit Rating Agency, Ltd. (hereinafter referred to as "JCR") will publish the evaluation results of a green bond as follows:

Joint Green Bond issuers (Local Governments)

Joint Local Government Green Bond 3rd

Assignment



Issuer	Joint Green Bond issuers (Local Governments) * Joint Green Bond issuers refer to a group that issues Joint Local Government Green Bond.
Evaluation Target	Joint Local Government Green Bond 3rd
Classification	Bond
Amount of Issue	60.0 billion yen
Interest Rate	1.162 per cent
Date of Issuance	November 29, 2024
Date of Repayment	November 24, 2034
Payment Method	Bullet payment at maturity
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 Article 1-3, paragraph (1) of the Local Autonomy Law (Act No. 67 of 1947). Ordinary local governments include prefectures and municipalities, and special local governments have special wards, unions of local governments and property wards. Municipalities are categorized into three: (1) designated cities that are required to be designated by cabinet orders among cities with a population of 500,000 or more; (2) core cities whose requirements are to be designated by cabinet orders from cities with a population of 200,000 or more; (3) special cities at the time of the enforcement (they were actually special cities when the special city system was abolished); (4) other cities that are required to have a population of 50,000 or more or others; and (5) towns and villages¹. Local bonds can be issued by local governments except for property wards according to budgets stipulated, respectively.

Municipal bonds refer to debts borne by local governments through externally financing proceeds financially required, which are to be repaid for more than one fiscal year². Municipal bonds, in principle, can be issued only in the cases listed in each item of Article 5 of the Local Finance Law (Act No. 109 of 1948), including those when financing financial resources for expenditures of public corporations (transportation, gas or water supply) or construction expenses of public or official facilities. The main six characteristics of municipal bonds are: (1) debts borne by local governments; (2) debts borne through financing; (3) debts in the form of loans on deeds or securities issuance; (4) debts whose substantial collateral are taxation rights of local governments; (5) debts are to be repaid beyond one fiscal year; and (6) municipal bonds can be issued for businesses stipulated by law³.

Among these municipal bonds, joint local government bonds are municipal bonds jointly issued by local governments that issue publicly offered local bonds nationwide and have been issued since April 2003. The joint local government bonds mainly have the following characteristics: (1) they are issued in accordance with Article 5-7⁴ of the Local Finance Law through assuming joint and several debts⁵ by local governments; (2) measures are taken to supplement liquidity; and (3) they have large issuance lots and high liquidity. As for (1), respective participating organizations are responsible for fully repaying the issuance amount of the joint local government bonds as joint and several obligors and thus the system is extremely robust on the certainty of the repayment. Regarding (2), a fund is established, aiming to supplement liquidity by depositing part of sinking funds of respective organizations in the trustee bank in order to repay the principal and interests without delay even if the participating organizations face unforeseen situations caused by disasters and others. Concerning (3), products are superior with high liquidity since the issuance amount is large, approximately 100 billion yen every month (FY 2024).

¹ Source: Websites at Ministry of Internal Affairs and Communications
<https://www.soumu.go.jp/mainsosiki/jichigyousei/bunken/chihou-koukyoudantaikubun.html>

² Source: Websites at Ministry of Finance
<https://www.mof.go.jp/policy/filp/summary/filplocal/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)

Local governments can be a key to implement regional priority strategies and are main promoters on local environmental conservation, which is a core for developing sustainable society and is expected to play a role as a coordinator of local initiatives in the government's "Sixth Basic Environmental Plan". Local governments are therefore expected to deploy environmental conservation measures in an integrated manner in their regions by discussing targets or directions of regional efforts with local firms, organizations or residents and making cooperative initiatives through communications with residents, business operators, private organizations, other local governments or government-affiliated institutions, including: creating places for discussion; presenting targets or directions, setting respective systems or developing infrastructures for social capital or encouraging respective bodies to take actions according to regional characteristics while striving to closely cooperate between related divisions.

In the national Plan for Global Warming Countermeasures, it has listed two main roles to be played by local governments as follows: "Promoting measures in accordance with natural and social conditions in regions" and "Taking measures on their own affairs and projects." Local governments will promote measures comprehensively and systematically to reduce greenhouse gas (hereinafter referred to as "GHG") emissions according to the natural and social conditions in regions for the former. Prefectures and municipalities will map out/implement plans on measures to reduce GHG emissions and to conserve/strengthen absorption mechanisms for their own affairs and projects (Local Governments' Implementation Plan for Affairs/Businesses) as local governments shall aim to be a model for business operators and residents in the areas by working through efforts initiatively for the latter.

Furthermore, local governments are to strive to consider the plan and to formulate the regional climate change adaptation plan in order to promote measures on climate change adaptation according to regional natural economic and social conditions in the national Climate Change Adaptation Plan. Simultaneously, the local governments actively incorporate climate change adaptation into related measures on: disaster prevention/national resilience, promotion for agriculture, forestry and fisheries; and preservation for biodiversity in cooperation with related departments and strive to promote measures on climate change adaptation in respective sectors.

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

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 since utilizing the mechanism of the Joint Local Government Bond enables the local governments that could not handle allocation projects to finance proceeds with green bonds individually.

▶▶▶ 3. Joint Local Government Green Bonds

The evaluation target is Joint Local Government Green Bond 3rd (hereinafter referred to as "this bond") issued by local governments. JCR will evaluate whether this bond aligns with the Green

Bond Principles⁶ and Green Bond Guidelines⁷, which are principles or guidelines and are not legally underlying regulations; however, JCR will evaluate this bond by referring to the Principles and Guidelines above since they are domestically and internationally unified standards at the present moment.

Local governments established eligible criteria for Joint Local Government Green Bond Framework (hereinafter referred to as "Joint Local Government Green Bond Framework") in accordance with the Basic Environmental Plan, Global Warming Measures Plan or Climate Change Adaptation Plan formulated by the national government or respective local governments. The projects whose proceeds are used for this bond consist of 158 projects selected by local governments, which meet the said Framework. JCR has confirmed that all projects: (1) are important measures to achieve the goals on the environmental policy intended by the national or local governments' Basic Environmental Plan, Global Warming Measures Plan or Climate Change Adaptation Plan; (2) align with the "requirements to determine the alignment of individual projects" set in the Joint Local Government Green Bond Framework; and (3) have taken or will take "the negative impacts and measures assumed" properly established in the aforementioned Framework based on various materials submitted by respective Joint Green Bond issuers. With which, JCR has evaluated that the projects eligible for the use of proceeds are expected to have environmental benefits.

The project selection process will be carried out with departments having specialized knowledge in local governments. A management system has been established to ensure that the proceeds are certainly allocated to green projects. Items to be disclosed as reporting will present environmental benefits. Accordingly, JCR has evaluated that the management system in the local governments has been appropriate and that transparency has been provided.

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

⁶ International Capital Market Association (ICMA) (2021) *Green Bond Principles 2021*

<https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/>

⁷ Ministry of the Environment (2022) *Green Bond Guidelines 2022*

<https://www.env.go.jp/content/000062495.pdf>

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JCR's Key Consideration in this Factor

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I. Use of Proceeds

JCR's Key Consideration in this Factor

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

▶▶▶ Current Status of Evaluation Targets and JCR Evaluation

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

1. The Outline of the Use of Proceeds

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

Table 1: A list of uses of proceeds⁸

Category	Subcategory	Green related Business	
1. Projects for renewable energy	(1) Projects for development of renewable energy-related facilities/equipment	1	Development of solar power generation facilities/equipment
		2	Development of micro-hydroelectric power generation facilities/equipment
		3	Renovation of deteriorated hydroelectric power plants
		4	Development of onshore wind power generation facilities/equipment
		5	Development of offshore wind power generation facilities/equipment
		6	Development of facilities for geothermal power generation
		7	Development of woody biomass power generation facilities/equipment

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

Category	Subcategory	Green related Business	
		8	Development of sewage sludge and human waste biomass power generation facilities/equipment
		9	Development of facilities for effective use of sludge (Generation of biogas/conversion of sewage sludge into solid fuels)
2. Projects for Energy saving	(1) Convert 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	Development 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	Development of facilities that utilize unused heat energy (geothermal/sewage heat)
3. Projects for pollution prevention and control	(1) Development of sewage treatment facilities	1	Development of sewerage facilities (related to sewage treatment) (improvement of sewage treatment facilities/pipes or cross-jurisdictional renovation)
		2	Improvement of combined sewage systems
		3	Development of night soil treatment facilities
	(2) Development of waste disposal-related facilities	1	Improvement of core equipment in general waste treatment facilities, such as energy recovery type waste treatment/high-efficient refuse-burning power generation facilities (related to energy recovery)
		2	Improvement of energy recovery type waste treatment facilities/high-efficient refuse-burning power generation facilities (consolidation, reconstruction)
		3	Development of general waste treatment equipment/facilities, which lead to reduce hazardous substances emissions, and consolidation or reconstruction in case of improving facilities
		4	Improvement of facilities/equipment for proper reuse, such as used products or of facilities/equipment on recycling of resources (waste)
	(3) Monitoring/removal	1	Development of monitoring facilities of water/air pollutants and hazardous chemical substances

Category	Subcategory	Green related Business		
	of contaminants	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 sustainable management of natural resources/ land use	(1) Conservation/ management of marine resources	1	Creation of tidal flats, shallow bottom and seaweed beds	
		2	Development of fish beds	
		3	Creation of breeding grounds	
		4	Improvement of river environment (fish ladder installation)	
		5	Development of seed production facilities	
		6	Improvement of fisheries technology development facilities	
	(2) Conservation/ management of forest resources	1	Development 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	
	(3) Improvement of personnel training bases on natural resources management	1	Improvement of bases to develop human resources who are responsible for sustainable forests/forestry	
	(4) Greening promotion	1	Development of parks (creation of green space)	
		2	Greening public facilities	
	(5) National park development	1	Improvement of national park facilities	
	6. Projects for clean transportation	(1) Development of vehicles in public transportation	1	Development of vehicles in the railway business (public/quasi-public corporation)
			2	Improvement of facilities (station buildings) in the railway business (public/quasi-public corporation)
3			Development of vehicles in the bus business (public/quasi-public corporation)	
(2) Spread and expansion of electric vehicles		1	Switch official vehicles from conventional cars to electric vehicles	
		2	Improvement of battery charging facilities for electric vehicles	
		3	Development of hydrogen stations	

Category	Subcategory	Green related Business	
	(3) Promotion of utilizing the clean modes of transport	1	Improvement of bicycle running space
		2	Development of facilities for park and ride
	(4) Formation of carbon neutral port (CNP)	1	Formation of carbon-neutral port (CNP)
8. Projects for adaptation to climate change	(1) Measures for damage from storms and floods	1	Development of river bank protection (improvement of banks or dams)
		2	Removal of sediment from rivers
		3	Widening rivers
		4	Improvement of floodway
		5	Development of roads (drainage/permeability pavement, roads for emergency transportation)
		6	Improvement of flood control dams
		7	Development of agricultural irrigation facilities (drainage pump stations)
		8	Development of railway bridge replacement at the bottleneck in watercourses
		9	Extending the life of river management facilities (improvement of switching gears)
		10	Improvement of flood control facilities (retention/equalizing reservoirs or basins)
		11	Removal of all power poles on roads (for reducing damage in case of damage from storms and floods)
		12	Development 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/processing devices of precipitation)
		14	Improvement of wide-area disaster prevention bases that will be evacuation sites in the event of disasters
		15	Development of sewerage facilities (related to rainwater) (improvement of rainwater drainage/infiltration facilities, expansion of pumps or introduction of high efficient pumps)

Category	Subcategory	Green related Business	
	(2) Measures for high tide/wave	1	Development of facility to protect the coastline (bank protection, embankment, detached breakwaters, groins, floodgates, improvement of drainage pumping stations or rising breakwater)
		2	Development of harbor and fishing port facilities (quay walls)
	(3) Measures for landslide	1	Development of erosion control (hereinafter referred to as "SABO") facilities (SABO dams or mountain stream maintenance work)
		2	Improvement of afforestation facilities (check dams or channel works)
		3	Development of protection forests
		4	Implementation of projects to prevent landslides at steep slopes (development of retaining wall/ slope work) and to take measures for landslide
		5	Implementation of measures for road slopes and projects for stone fall prevention
		6	SABO information infrastructure (information gathering/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 technology
		2	Development 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/water retention on roads)
		2	Creating cool spots in cities

*1 Categories/Subcategories comply with the 2022 Green Bond Guidelines formulated by the Ministry of the Environment.

*2 Lists are omitted for the categories without appropriation projects on this joint local government green bond.

2. The Environmental Benefits of Projects

Use of Proceeds 1: Projects for renewable energy (Renewable energy-related facilities/equipment development projects)

Local governments will use the proceeds from this bond for development of solar power generation facilities/equipment.

JCR has determined that since renewables do not emit GHG during power generation, the introduction/expansion of renewable energy is essential for countermeasures against global warming in the energy conversion sector. Renewables can be also produced domestically; therefore, it is promising, diverse and important domestic energy sources that can contribute to energy security.

A solar power plant directly converts sun light energy into electricity with photovoltaic cells. The introduction of photovoltaic power generation has been expanding as main renewable energy and costs for generating power has been steadily lowered for commercial solar power in Japan with the world's largest installed capacity per level ground. At the same time, the photovoltaic power generation can be developed not only on a large scale but also as a distributed energy resource that can be self-consumed in close proximity to consumers, including individuals and that can be produced locally and consumed locally, which is expected to be utilized from the perspective of resilience.

The proceeds will be used to promote the introduction of renewable energy, which is expected to have environmentally benefits. This use of proceeds falls under "Renewable energy" in the Green Bond Principles and "Projects for renewable energy" among the use of proceeds illustrated in the Green Bond Guidelines.

Use of Proceeds 2: Project for Energy Saving (ZEB conversion of public facilities)

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

ZEB (Net Zero Energy Building) is defined as: (1) ZEB (energy savings of 100 percent or more); (2) Nearly ZEB (energy savings of 75 percent or more and 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 more 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 Joint Local Government Green Bond Framework has stipulated that green projects meet one of the aforementioned criteria from (1) to (4) as the eligibility of green projects, and JCR has confirmed that the use of the proceeds falls under the criteria above.

The use of the proceeds is expected to improve the environmental benefits since high energy efficiency is likely to be achieved in accordance with the use of the building. This use of proceeds falls under Energy Efficiency in the Green Bond Principles and Project for Energy Conservation among the uses of proceeds exemplified in the Green Bond Guidelines.

Use of Proceeds 3: Project for Energy Saving (introducing equipment with high energy saving performance to public facilities)

Local governments will use the proceeds from this bond to convert lighting in public facilities or traffic lights into LED.

The project selected under the Joint Local Government Green Bond Framework is expected to improve energy efficiency by 30 percent or more by installing alternatives for the existing equipment. JCR can determine that the project has environmental benefits since the level concerned is favorably compared with the globally required level as energy efficiency reduction rates.

Environmental benefits are prospective since the use of proceeds will contribute to improving power generation/thermal efficiency. The use of this proceeds falls under Energy Efficiency in the Green Bond Principles and Project for Energy Saving among the use of proceeds exemplified in the Green Bond Guidelines.

Use of Proceeds 4: Project for Pollution Prevention and Control (developing waste treatment facilities)

Local governments will use the proceeds from this bond to develop energy recovery type waste treatment facilities and high-efficient refuse-burning power generation facilities through consolidation or rebuilding.

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

It is expected to have environmental benefits since the contribution will be made to improve power generation/thermal efficiency along with waste disposal through using this proceeds. This 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: Project for Sustainable Management of Natural Resources/Land Use (contributing to the conservation/management of fishery resources)

Local governments will use the proceeds from this bond for developing fish reefs.

As seen in the recent poor catches of squid, saury and salmon, fish that had been caught in the past has not been caught any more, and fish that had not been caught in the past has been caught and these conditions have been continued for several years, which is different from the short-term poor catches experienced before. These changes are likely to be occurred by fluctuation in resources arose from global warming or changes in the marine environment and may continue for a long period in the future. In response to these issues, the government established the "Basic Plan for Fisheries" so as to comprehensively and systematically promote

measures on fisheries in cooperation with relevant prefectural offices, local governments, producers or consumers.

In the Basic Plan for Fisheries, sustainable fishing is important while maintaining the marine ecosystem, and the conservation and development of seaweed beds or tidal flats have been promoted, which play a major role to nurture ecosystems and increase fishery resources. Similarly, fishery resources have increased due to breeding grounds, such as fish beds in which sea algae necessary for spawning have grown thick, young fish has hidden from enemies or the food required for their growth has increased.

It is expected to have environmental benefits since the efforts toward sustainable fishery will be promoted with the use of proceeds. This use of proceeds is categorized into Sustainable Management of Living Natural Resources and Land Use in the Green Bond Principles and Project for Sustainable Management of Living Natural Resources and Land Use among the use of proceeds illustrated in the Green Bond Guidelines.

Use of Proceeds 6: Project for Sustainable Management of Natural Resources/Land Use (contributing to the conservation/management of forest resources)

Local governments will use the proceeds from this bond for improving forest roads.

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 or conserving biodiversity. There have been some issues, which could hinder from demonstrating multifaceted functions, including some forests without proper reforestation, in which clear-cutting is concentrated in areas where is easier to cut down trees or disasters that frequently occur in mountain regions due to increased heavy rains. In response to these issues, Japanese government has established Forest/Forestry Basic Plan, indicating the perspectives and basic directions for future policy development. The Plan aims to achieve prosperous special economy, looking ahead to carbon neutrality in 2050 by appropriately managing forests and developing the forestry/forest industry while increasing its sustainability.

In order to maintain the multiple functions of forests, forest management, such as thinning to promote tree growth or 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 promote the initiatives toward sustainable forests/forestry; therefore, environmental benefits are prospective. The use of this proceeds falls under Environmentally Sustainable Management of Living Organism Resources and Land Use in the Green Bond Principles and Projects for Sustainable Management of Natural Resources/Land Use among the use of proceeds exemplified in the Green Bond Guidelines.

Use of Proceeds 7: Project for Clean Transportation (spreading and expanding electric vehicles)

Local governments will use the proceeds from this bond to convert public vehicles into electric vehicles.

Electrifying public vehicles refers to purchasing battery electric vehicles (hereinafter referred to as "BEV"), fuel cell vehicles (hereinafter referred to as "FCV") and hybrid vehicles (hereinafter referred to as "HV") and replacing them with the existing gasoline-powered cars. BEV has high environmental benefits since it does not emit GHG while running.

It is listed to popularize next-generation vehicles and improve fuel efficiency as one of the initiatives on decarbonization in the transportation sector in the government's Global Warming Measures Plan. The aim is to reduce the environmental burdens by spreading/expanding the next-generation vehicles (EV, FCV or PHEV that is an abbreviation of Plug-in Hybrid Electric Vehicle) with excellent energy efficiency and by strategically developing EV charging facilities and hydrogen stations that are required for widespread use of the next-generation vehicles. This use of proceeds is considered to be contributable to these measures.

JCR has evaluated that HV has environmental benefits only if it meets the fuel efficiency with CO₂ emissions of 50 gram or below per person/kilometer by 2025.

This use of proceeds is expected to have environmental effects since reducing CO₂ emissions is achievable. This use of proceeds falls under Clean Transportation in the Green Bond Principles and Projects for Clean Transportation among the uses of proceeds exemplified in the Green Bond Guidelines.

Use of Proceeds 8: Project for Adaptation to Climate Change (measures for disasters caused by storms and floods)

Local governments will use the proceeds from this bond for developing a project for rivers (bank protection, removal of sediment from rivers, widening rivers, flood-dam control or extending the service life of river management facilities), improving agricultural irrigation facilities and sewerage facilities (drainage pump stations or storm drainage facilities) and a project for storm and flood control measures including a project for roads (pole-free cities).

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

Local governments quantitatively grasp the extent of the maximum storm and flood disasters assumed by the project concerned or the degree of damage to be reduced by the project in question when selecting climate change adaptation projects. Environmental benefits are prospective with this use of proceeds since it is expected to reduce damage caused by storm and flood disasters. This 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: Project for Adaptation to Climate Change (measures for high tide/high wave)

Local governments will use the proceeds from this bond to develop facilities for protecting coastlines and improving harbor/fishing port facilities.

Sea levels around Japan are on an upward trend (rising 2.8 (1.7 to 4.0) millimeters per year from 1993 to 2015, rising 4.19 (- 1.10 to +8.20) millimeters per year from 2004 to 2019) based on the analyses of sea level observation records according to the government's Regional Climate Change Adaptation Plan. Neither concrete events nor research results have been confirmed regarding the relationship between high waves/tides and the effects of climate change at the current moment. Meanwhile, the average global sea level will definitely rise between 2081 and 2100, based on the average between 1986 and 2005 even through 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 situation even if there is neither typhoon nor powerful low-pressure systems. In particular, anticipated impacts are as follows: (1) river water intake facilities, coastal disaster prevention facilities or ports and harbors/fishing port facilities may be functionally degraded or damaged; (2) coastal areas may be submerged/flooded; (3) coastal erosion may be accelerated; (4) ports and harbors/fishing port operations may be hindered; and (5) ecosystems in tidal areas of tidal flats or rivers may be impacted.

This use of proceeds is expected to have environmental benefits since the effect to reduce damage from high tides/waves are prospective. This 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: Project for Adaptation to Climate Change (measures for sediment disaster)

Local governments will use the proceeds from this bond for measures for landslide disasters such as: (1) development of SABO facilities; (2) improvement of forest conservation facilities; (3) improvement of protection forest; (4) prevention of landslides on steep; (5) slope erosion control of roads; or (6) information infrastructure development for SABO.

There is not much research that clearly shows the cause-effect relationship between landslide disasters and climate change according to the government's Climate Change Adaptation Plan. Meanwhile, changes in situations are assumed on the basis that rainfall conditions will become more stringent in the future, including the frequent occurrence of concentrated collapses/landslides/debris flows, the impacts on social life in mountains or around slopes, the structural/non-structural measures that are relatively less effective and increases in the frequency of landslides/floods. Both of the structural and non-structural aspects are considered

to be effective since landslides often occur due to a combination of complicated factors. Several concrete measures are listed in the Climate Change Adaptation Plan as specific countermeasures against landslides, such as increases in the frequency, short-time warning/evacuation and deep-seated landslides.

This use of proceeds is expected to be effective for mitigating landslides; therefore, environmental benefits are prospective. This 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: Project for Adaptation to Climate Change (R&D in agriculture, forestry and fisheries in preparation for climate change)

Local governments will use the proceeds from this bond to improve facilities for developing agricultural product varieties or agricultural production technology.

The government's Climate Change Adaptation Plan states that climate change will cause changes in distribution ranges or life cycles, further negative impacts will cause changes in interspecific interaction through migration/local extinction of species or species may be extinct since species cannot migrate in the distribution ranges to follow climate change due to the fragmentation of habitats. It is predicted that 30 percent or more species worldwide will be at risk of extinction if temperature rises by 2 degrees Celsius or higher by 2050.

This use of proceeds is expected to be effective for mitigating damage, such as deterioration in quality or reduction in yields in the agriculture, forestry and fisheries, and is therefore expected to have environmental benefits. This 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 evaluated that the aforementioned use of proceeds from 1 to 11 are subject to projects with environmental benefits, respectively.

3. Negative Impacts on the Environment and Society

Local governments are aware of negative impacts of the projects assumed as targets for the use of proceeds and are examining the potential environmental/social effects when projects are carried out. As a result of verification by the local governments, projects with less negative impacts on the environment and society will be selected as eligible projects for the use of proceeds.

JCR has confirmed that appropriate consideration will be given to negative effects on the environment and society of the projects for which the proceeds will be used and has evaluated that appropriate avoidance/mitigation measures will be taken per project.

4. Alignment with SDGs

JCR has evaluated that the projects eligible for the use of proceeds will contribute to the SDGs' goals as indicated in the Joint Local Government Green Bond Framework.

I. Selection Criteria and Processes of the Use of Proceeds

JCR's Key Consideration in this Factor

In this section, JCR will confirm the objectives to be achieved through this evaluation target, the adequacy of the criteria and processes for selecting green projects, and whether a series of processes will be appropriately disclosed to investors.

▶▶▶ Current Status of Evaluation Targets and JCR Evaluation

JCR has determined that the departments and executives with specialized knowledge are appropriately involved in the goals of this bond and the criteria and processes for selecting green projects.

1. Goals

The Earth faces three crises: climate change, biodiversity loss and pollution was stated in the G7 Hiroshima Leaders' Communiqué held in May 20, 2023.

In the Planetary Boundaries study⁹, the research findings in 2023 indicated that climate change, land use change, new chemical substances, freshwater use as well as species extinction rates and nitrogen/phosphorus cycles, have gone beyond an uncertainty zone into a high risk zone compared with the 2015 study results, showing that human activities are exceeding the environmental capacity or planetary boundaries in which humans activities can safely operate.

Japan has faced several issues economically and socially, 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. There are environmental risks that will be brought about by security crises, such as environmental destruction or energy crises caused by conflicts. The infectious disease pandemic has again revealed risks posed by environmental and ecological imbalances.

In light of this current situation, it is urgently needed to create a new civilization toward a sustainable society and to make revolutionary changes to economic and social systems. It has been indicated that the choices made and measures taken up to around 2030, the target year in the Sixth Basic Environment Plan, is highly likely to have impacts for thousands of years to come, and it has been positioned as a critical year of 2030 in the all of the environment, economy, and society.

In the Sixth Basic Environment Plan (May 21, 2024), the objectives are to realize "Improvement of the quality of life, happiness, well-being and economic welfare for each and every citizen for the present and in the future" and "Contribution to the welfare of people" through "Environmental conservation" in light of the current issues. In order to achieve the objectives, the aim is to create a "Recycling and symbiotic society" that can grow and develop by protecting the environmental capacity and improving the environmental quality.

In order to improve the foremost goal, "Well-being/high quality of life" including both market value and non-market value, six perspectives have been listed as follows: (1) stock; (2) long-term

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

perspectives; (3) essential needs; (4) intangible assets/rich at heart; (5) community/inclusion; and (6) emphasis on independence and decentralization, with a stance "to change a changing method" toward structural issues.

In the Sixth Basic Environment Plan, mainly four lines of environmental policies are mainly shown under the policies of "New growth" that will bring about "well-being/high quality of life" as development of future environmental policies as follows:

- a. Ensuring the speed and scale of science-based initiatives, which is applicable to the critical year of 2030
- b. Integration and synergy of measures and policies, including net zero, circular economy or nature positive
- c. Co-evolution of governments, markets and citizens (civil society/local communities)
- d. Practices and implementation of "New growth" by building "Regional circular and ecological sphere"

As noted above, the important is to advance integrated improvement for the environment, economy and society so as to realize a "recycling and symbiotic society," an ideal sustainable society. In the Sixth Basic Plan, it sets out the following six key strategies in which specific measures can solve several different issues in an integrated manner in light of the perspective of "New growth" and four lines of environmental policies:

- a. Construction of green economic systems that achieve sustainable production and consumption, which leads "New growth"
- b. Improvement of value as national land stock based on natural capital
- c. Building local communities as places for practices/implementation, which improve the environment, economy and society in an integrated manner
- d. Achievement of safe/secure and healthy and spiritually rich living, which can realize "well-being/high quality of life"
- e. Development/demonstration of scientific technologies/innovation and their social implementation, which support "New growth"
- f. Contribution to national interests and human welfare by promoting strategic international cooperation centered on the environment

Local governments can be a key in promoting these key strategies in their regions, and they play a role as a leading promoter of local environmental conservation, which is a basis to build a sustainable society and simultaneously serve as a coordinator of local initiatives. Local governments are therefore expected to develop environmental conservation measures in an integrated manner in their regions by discussing targets or directions of regional efforts with local firms, organizations or residents and making cooperative initiatives through communications with residents, business operators, private organizations, other local governments or government-affiliated institutions, including: creating places for discussion; presenting targets or directions, setting respective systems or developing infrastructures for social capital or encouraging respective bodies to take actions according to regional characteristics while striving to cross-sectorally cooperate between related divisions. Local governments are also expected to widely and aggressively incorporate environmental considerations into their activities and make efforts to build regional platforms that support

"Independent areas" as a central player to create regional circular and ecological spheres. Local governments play extremely important roles in taking environmental conservation measures widely, comprehensively and exhaustively even in the environmental areas in which private business operators have not started/implemented from the perspective of economic rationality.

Local governments formulated some plans for the Basic Environment, Global Warming Measures and Climate Change Adaptation in accordance with the circumstances of respective organizations so as to play a role to promote the critical strategies mentioned above. "Net Zero Emission of CO₂ by 2050" aimed by local governments or so-called zero-carbon cities include only four local governments as of September 2019; however, the zero-carbon cities have rapidly increased to 1,122 local governments as of September 30, 2024 due to a rising sense of crises against intense weather disasters.

The national government aims to reduce GHG emissions by 46 percent in FY 2030 from FY 2013 in its Global Warming Measures Plan. Local governments that formulated plans for global warming measures established GHG reduction targets in line with the circumstances of respective organizations.

The national/local governments aim to create a secure, safe and sustainable society while striving to prevent/mitigate damage caused by effects of climate change, stabilize the livelihood of people/residents, soundly develop society/economy, preserve the natural environment and strengthen the national land by comprehensively and systematically promoting measures on climate change adaptation based on scientific knowledge in their climate change adaptation plans.

JCR has evaluated that the use of proceeds indicated in the Joint Local Government Green Bond Framework has been consistent with the plans for Global Warming Measures or Climate Change Adaptation Plans formulated by the national or local governments.

Consequently, JCR has evaluated that the purpose of issuing the joint local government green bond has been aligned with the goals or plans presented by the local governments.

2. Selection Criteria

JCR has evaluated the selection criteria stipulated in the Joint Local Government Green Bond Framework by the local governments as appropriate with environment benefits. JCR has confirmed that all of the projects covered by this bond meet the selection criteria.

3. Processes

The projects eligible for the use of proceeds financed by this bond will be determined after candidate projects will be cooperatively selected by the financial departments of respective local governments and relevant project departments.

The greenness of projects will be determined by the relevant departments in respective local governments, and the projects for which proceeds are to be used will be decided through the processes of respective local governments and thereby JCR has evaluated the selection process as adequate.

The goals, criteria and processes on this bond have been stated in the Joint Local Government Green Bond Framework. The said Framework has also been published on the website of JAPAN

LOCAL GOVERNMENT BOND ASSOCIATION. Consequently, JCR has evaluated this bond as highly transparent.

II. Management of Proceeds

JCR's Key Consideration in this Factor

It is generally assumed that how to manage proceeds widely varies depending on finance raisers. JCR will confirm that proceeds financed based on this evaluation target will be certainly allocated to green projects or whether the mechanisms and internal systems will be in place to easily track and manage the allocation.

JCR will also give importance to whether the proceeds financed through this evaluation target will be allocated to green projects promptly and also to the evaluation of managing/operating methods for unallocated proceeds.

▶▶▶ Current status of Evaluation Target and JCR Evaluation

JCR has evaluated that the transparency is high since the financial management system of local governments is appropriately in place and that the method of managing proceeds financed is disclosed in this evaluation report and on the website.

The proceeds financed through this bond will be promptly transferred to the account designated by respective local governments via the trustee bank. Respective local governments, in principle, will allocate the proceeds financed through this bond to projects that meet the eligibility criteria during the fiscal year in which the proceeds are financed. The proceeds to eligible projects are allocated by the finance departments of respective local governments, and the amount financed is to be managed in order not to exceed the allocation of this bond in the target projects with the bond management table that records the business expenses or the bond issuance amounts per project. In cases where the project originally scheduled for appropriation is delayed or interrupted, the proceeds of respective local governments will be appropriated to cash or highly safe financial assets until the appropriation of the proceeds is fixed.

Performance results and financial statements will be prepared for all revenues and expenditures in each local government and are audited by the Audit Committee at the end of each fiscal year. Thereafter, the financial statements will be submitted to the assembly of each local government for approval, with the opinions of the audit committee members attached. It is therefore considered to be appropriately controlled.

Unallocated proceeds will be managed in cash or highly safe financial assets among the proceeds financed with this bond. Documents related to the Joint Local Government Green Bond financed are stored until the repayment based on document management rules, and thereby the document management is adequate.

Accordingly, JCR has evaluated the financial management by respective local governments as appropriate.

III. Reporting

JCR's Key Consideration in this Factor

JCR will evaluate whether the disclosure systems to investors before and after financing based on this evaluation target is planned in a detailed and effective manner in this section.

▶▶▶ Current status of Evaluation Target and JCR Evaluation

JCR has evaluated local governments' reporting as a plan in which both of the appropriation of proceeds and environmental benefits are adequately disclosed to investors.

Reporting on the appropriation of proceeds

The use of proceeds by this bond will be disclosed on the JLGBA's website and will be explained to investors ahead of time. JLGBA plans to annually disclose the appropriation of the use of proceeds related entirely to this bond on its website. Some local governments may disclose the appropriation of their own group's proceeds as well as the appropriation of the proceeds related totally to the bond on their websites. In cases where any major change is made in the plan to appropriate the use of proceeds, that effect will be disclosed on the website.

Reporting on environmental benefits

JLGBA will annually disclose contents specified in the Joint Local Government Green Bond Framework as reporting on the environmental benefits of the eligible projects of this bond as a whole on its website. JLGBA plans to annually disclose the appropriation of the use of proceeds related to the whole of this bond as a whole on its website. Some local governments may disclose their own group's environmental benefits as well as the environmental benefits of the eligible projects of this bond as a whole on their websites. Reporting on environmental benefits include the details by which the benefits are quantitatively recognizable.

Consequently, JCR has evaluated the reporting system by local governments as adequate.

IV. Organizational Environmental Initiatives

JCR's Key Consideration in this Factor

JCR will evaluate whether the management of finance raisers regards sustainability issues as high-priority management issues or whether sustainable finance policies/processes or selection criteria for green projects are clearly positioned by establishing departments that specialize in sustainability categories or in cooperation with external organizations in this section.

▶▶▶ Current Status of Evaluation Target and JCR Evaluation

JCR has evaluated that local governments regard sustainability issues as important issues of policies and are promoting sustainability initiatives by widely incorporating the knowledge of outside experts.

As previously described, the current environmental, economic and social situations have limits to continue to address the present economic and social system. In the Sixth Basic Environment Plan, it states that the inevitable is not sustainable but conversion for the modern civilization, and that social change is required. Specifically, the Plan describes that it is necessary to convert from the "linear/standardized mass-production economic and social system" that has excessively depended on underground resources, such as fossil fuels and emphasized on material wealth, which has supported the modern civilization since the Industrial Revolution to a "circulating/high added value economic and social system" that is based on ground resources and places emphasis on intangible values and spiritually rich. Meanwhile, the first-ever global stocktake¹⁰ of the Paris Agreement took place at COP28 in 2023, which will include a transition from fossil fuels in the energy system for the first time.

It has also been pointed out that the choices made or measures taken up to around 2030, the target year in the Sixth Basic Environment Plan are highly likely to have impacts for thousands of years to come, making the aforementioned major changes urgently needed tasks. In the Sixth Basic Environment Plan, it promotes measures based on the "Strategy for Promoting Transition to a Decarbonized Growth-Oriented Economic Structure" toward the achievement of Green Transformation (GX), which will transform the industrial and social structures that have been centered on fossil fuels since the Industrial Revolution to these structures centered on clean energy.

The government has formulated Plans for Global Warming Measures and Climate Change Adaptation to respond to various environmental issues. The current Plans for Global Warming Measures cover all GHG, including those other than carbon dioxide, in order to achieve the goal of reducing GHG by 46 percent in FY 2030 (from FY 2013) and include the measures and policies that support the targets. The government aims to prevent/reduce damage caused by the effects of climate change, stabilize people's living, soundly develop society/economy, preserve the natural environment and strengthen the national land in a safe, secure and sustainable manner in the current Climate Change Adaptation Plan. The roles in which local governments shall play are described in the Global Warming Measures Plan and the Climate Change Adaptation Plan, respectively.

¹⁰ 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.

The government, in response to the adoption of the 2030 Agenda with SDGs at its core, established the Sustainable Development Goals Promotion Headquarters in May, 2016 and determined Sustainable Development Goals Implementation Guidelines, a mid- to long-term national strategies to achieve the SDGs in December, 2016. The Implementation Guidelines were partially revised in which local governments are expected to further accelerate efforts to achieve the SDGs, proactively disseminate/share local best practices domestically and internationally and approach diverse stakeholders with the aim of disseminating the SDGs still more. In the Guidelines, local governments are expected to create independent areas where regional issues will be continuously solved by continuing to generate businesses that will improve economy, society and the environment in an integrated manner by sustainably utilizing regional sources with their own interdependence as a base and simultaneously address to create "Regional circular and ecological sphere" that aim to realize an autonomous/decentralized society that will form a network in which regions will support each other by leveraging their respective characteristics.

Local governments that are required to create such "Regional circular and ecological sphere" have formulated Basic Environmental Plans, aiming to simultaneously solve environmental, social and economic issues in regions in harmony with the circumstances of respective organizations. Local governments also formulated Plans for Global Warming Measures and Climate Change Adaptation as necessary and have promoted to take measure to migrate and adopt climate change based on the specific environmental issues in respective regions. Prefectures and municipalities have worked together to formulate/promote these plans, taking the situation of each local government into consideration.

Local governments have collaboratively worked with external institutions; collaboration was made between the Ministry of Internal Affairs and Communications and JLGBA, for instance.

Ministry of Internal Affairs and Communications (hereinafter referred to as "MIC") has provided 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 collaboration with JLGBA. In recent years, MIC is considering issuing green bonds utilizing the joint bond framework in order for local governments to stably finance proceeds to meet the investors' need in light of the growing need for ESG investments in the domestic markets or the expansion of issuance of green bonds by individual local governments. MIC has contributed to solving issues, such as ensuring issuance lots (a financing amount that is enough to issue green bonds) or labor-saving of local governments by supporting to formulate this Framework with the framework of the Joint Local Bond.

JLGBA that is supporting to formulate this Framework has established a working group in the "Research and Study Committee on Local Bonds" as the Secretariat to organize challenges when issuing green bonds and to investigate/consider concrete measures in order to promote issuing, including jointly issued green bonds. JLGBA has provided local governments that issue joint local government green bonds with the knowledge obtained through the Research and Study Committee on Local Bonds.

Consequently, JCR has evaluated that the local governments regard issues on sustainability as significant challenges and are considering policies/initiatives on sustainability by widely incorporating the knowledge of outside experts.

Evaluation Phase 3: Evaluation Results (Conclusion)

Green 1

JCR assigned "g1" to the "Green Evaluation (Use of Proceeds)", "m1" to the "Management, Operation and Transparency Evaluation" and "Green 1" to the "JCR Green Bond Evaluation" for this bond based on JCR Green Finance Evaluation Methodology. JCR has evaluated that this 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

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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 (hereinafter referred to as "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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