



Japan Credit Rating Agency, Ltd. (hereinafter referred to as "JCR") will announce Green Bond Framework Evaluation Results as follows:

Kyoto City

Green Bond Framework

Affirmation

Overall
Evaluation

Green 1(F)

Green
Evaluation
(Use of Proceeds)

g1(F)

Management,
Operation and
Transparency Evaluation

m1(F)

Issuer / Borrower

Kyoto City

Subject

Kyoto City
Green Bond Framework

Evaluation Overview

Kyoto City is the capital of Kyoto Prefecture and an ordinance-designated city. The population is about 1.44 million¹, which accounts for about 57% of the population of Kyoto Prefecture. Kyoto City is an inland city adjacent to part of Osaka Prefecture and Shiga Prefecture, and is located in a basin. The Kamo River, the Katsura River, the Uji River, etc. flow into the city, and forests occupy three-quarters of the city area, which are some features of the city richly endowed with nature.

Kyoto City has promoted various approaches since the Kyoto Protocol, an international commitment on global warming countermeasures adopted in 1997. In 2017, the 20th anniversary of Kyoto Protocol enactment, Kyoto Conference on the Global Environment 2017 (KYOTO+20) was held in cooperation with Paris City, international organizations, etc. to share the importance of global warming countermeasures, the direction of their efforts and the

¹ Estimates based on the 2020 Population Census Results (final figures) of the Kyoto City Statistics Portal November 2024

implementation. In addition, the 49th Session of IPCC was held in Kyoto City to disseminate various information on climate change countermeasures from Kyoto City.

The Kyoto City Environmental Master Plan (2016–2025), which is the environment-specific plan of the Kyoto City Master Plan formulated by Kyoto City in March 2016, calls for various efforts to realize a “Sustainable Society in Harmony with the Environment” through four long-term goals and 10 basic policies to foster human resources and establish the system for promoting decarbonization, biodiversity, natural environment, effective use of resources and energy, and environmental conservation over 10 years from FY 2016 to FY2025.

In the Kyoto City Program of Global Warming Countermeasures, Kyoto City clarifies the long-term target of “Net-Zero by 2050” formulated first in the country, and lays out an action plan for realizing a carbon-free society. In order to achieve Net-Zero by 2050, Kyoto City sets its interim target for reducing greenhouse gas emissions from the city by 46% or more from the FY 2013 level by 2030. The plan’s mitigation efforts include 20 measures in the five carbon sinks: lifestyle transformation, business transformation, energy transformation, mobility transformation, and forest / agricultural land, to accelerate energy conservation and expand the use of renewable energy. In the adaptation measures to cope with the impacts of climate change, the city intends to enhance measures in the six areas where such impacts are of concern: natural disasters, health and urban livelihoods, agriculture and forestry, etc.

The subject of this evaluation is the Green Bond Framework (hereinafter referred to as the “Framework”) defined by Kyoto City so as to use proceeds financed through green bonds exclusively for projects with environmental benefits. JCR has evaluated whether the Framework has been aligned with the Green Bond Principles² and the Green Bond Guidelines³. These principles and guidelines are voluntarily published by the International Capital Market Association (hereinafter referred to as “ICMA”) and the Ministry of Environment, respectively, and are non-legally binding. JCR however refers these principles and guidelines as they are referred to as unified standards domestically and globally at the current moment.

JCR assigned “Green1 (F)” as an overall evaluation to Kyoto City’s Framework as a result of its Green Bond Framework Evaluation on November 19, 2022. JCR is to review the Framework as Kyoto City partially updated it.

In the Framework as of November 2022, Kyoto City states that the proceeds will be used for projects that contribute to climate change mitigation and adaptation measures, pollution prevention and management, sustainable management of natural resources and land use, and biodiversity conservation. Among them, the eligibility criteria for green buildings are defined as properties that have obtained Rank A or higher in CASBEE Kyoto. JCR has evaluated the eligibility criteria set by Kyoto City as a project with environmental benefits.

On top of that, Kyoto City has established new criteria for the environmental performance of buildings (the Building Energy Index or BEI) from the perspective of their energy-saving performance, in addition to the criteria for CASBEE Kyoto. JCR considers that the criteria will continue to have environmental benefits even after these changes.

Kyoto City intends to raise funds through green bonds, setting the clear environmental targets. The city has the right framework to address environmental issues, where the function with

² International Capital Market Association (ICMA) “Green Bond Principles 2021”
<https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles-June-2022-060623.pdf>

³ Ministry of the Environment’s Green Bond Guidelines 2024 (Japanese)
<https://www.env.go.jp/content/000062348.pdf>

expertise in such issues gets involved in the process of selecting projects to receive proceeds. The designated function properly manages the proceeds from green bonds. Proceeds allocation and the index of environmental improvement effects will be disclosed in the reporting process. Based on the above, JCR has affirmed that as with the previous evaluation, Kyoto City's Framework for management and operation relevant to green bonds are appropriate and highly transparent.

Consequently, JCR assigned "g1(F)" for "Green Evaluation (Use of Proceeds)," "m1(F)" for "Management, Operation and Transparency Evaluation" and "Green 1(F)" for "JCR Green Finance Framework Evaluation (Overall Evaluation)" based on JCR Green Finance Evaluation Methodology.

JCR has evaluated that the Framework has met the standards for the items required in the Green Bond Principles and the Green Bond Guidelines.

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Review Items

In this section, JCR will describe items that shall be confirmed in reviewing the framework. JCR will mainly confirm items whose details have been changed since the previous evaluation in the review as follows:

1) Use of Proceeds

Whether the category of eligible criteria and use of proceeds of green finance continuously have greenness after changes are made.

2) Selection Criteria and Processes for Use of Proceeds

Whether the goals to be achieved through green finance and the selection criteria of green projects and their processes are continuously appropriate.

3) Management of Proceeds

Whether the proceeds raised through green finance are certainly allocated to green projects, and whether there are a scheme and an internal structure in which the allocation can be easily tracked and managed.

4) Reporting

Whether the reporting structure for green finance are still properly developed and operated.

5) Organizational Sustainability Initiatives

Whether the management of the issuer continues to highly prioritize sustainability as a material managerial issue.

Review Contents

I. The Use of Proceeds

Kyoto City has stipulated the use of proceeds in the Framework as follows: (Changes made this time are in bold.)

The Framework for Use of Proceeds (Excerpt)

[Use of Proceeds]

Table 1 shows the projects envisioned for each business category of green projects based on the Green Bond Principles, etc., with respect to the projects to which the funds procured by the Kyoto City Green Bond will be allocated.

Table 1 List of Eligible Businesses

Target Businesses	Business Segments of Green Projects	Anticipated Environmental Benefits
Solar panels installation business for municipal facilities	• Renewable energy	• Increase in the amount of renewable energy introduced
Energy-saving renovation project for municipal facilities and equipment	• Energy efficiency	• Reduction of CO ₂ emissions by reducing energy consumption
Clean Center Renovation Project	• Energy efficiency	• Reduction of CO ₂ emissions
Soil pollution countermeasures	• Pollution prevention and control	• Improving environmental pollution and reducing health risks by eliminating soil contamination
Tree-planting projects	• Environmentally sustainable management of living natural resources and land use • Terrestrial and aquatic biodiversity conservation • Climate change adaptation	• Expansion of green areas to protect the environment and curb rainwater drainage
Forest Maintenance and other projects	• Environmentally sustainable management of living natural resources and land use • Terrestrial and aquatic biodiversity conservation • Climate change adaptation	• Increasing CO ₂ removals by expanding appropriately managed forest areas and other multifaceted functions of forests
Projects for Introduction of Next-Generation Automobiles and biodiesel Vehicles	• Clean transportation	• Reducing CO ₂ Emissions by Reducing Energy Consumption
River Development Project	• Sustainable water resource management • Climate change adaptation	• Prevention of flood damage

Municipal facility construction and extension	<ul style="list-style-type: none"> • Green Buildings • Energy efficiency 	<ul style="list-style-type: none"> • Reducing CO2 Emissions by Reducing Energy Consumption • Increase in renewable energy introduction • Reducing CO2 Emissions from Carbon Storage Associated with the Use of Locally Produced Timber (<i>Miyako-somagi</i>), etc.
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[Evaluation and Selection Process for Target Projects]

The Global Warming Countermeasures Office of the Environmental Policy Bureau and the Finance Office of the Administration and Finance Bureau will conduct interviews with each department, evaluate eligibility in light of the eligibility criteria shown in Table 2, and select candidates for the Kyoto City Green Bond to be issued in the relevant fiscal year based on the results.

Table 2 List of Eligible Businesses

Target Businesses	Eligibility Criteria
Solar panels installation business for municipal facilities	Introduction of solar power generation equipment according to the total floor area stipulated in the Kyoto City Public Building Decarbonization Specifications
Energy-saving renovation project for municipal facilities and equipment	Introduction of high-efficiency lighting equipment (LEDs) and upgrading to high-efficiency air conditioning (energy saving of 30% or more)
Clean Center Renovation Project	Introduction of energy-saving equipment
Soil pollution countermeasures	Measures to remove zoning
Tree-planting projects	Improvement of green cover
Forest maintenance and other projects	Appropriate afforestation, childcare, thinning, and conservation, or maintenance of forest roads, etc., in order to demonstrate the multifaceted functions of forests.
Project for Introduction of Next-Generation Automobiles and Biodiesel Vehicles	Introduction of EVs, FCVs, HVs, PH(E)Vs (CO2 emissions of 50 g-CO2 / km / capita or less) and biodiesel vehicles
River Development Project	Renovation and maintenance of rivers and waterways for flood countermeasures, and maintenance and renewal of drainage stations
Municipal facility construction and extension business	<p>New construction and expansion of buildings with high environmental performance (*)</p> <p>* One of the following conditions must be satisfied.</p> <ul style="list-style-type: none"> • Candidate buildings must have obtained the Rank S or Rank A in CASBEE Kyoto. • Non-residential buildings must meet BEI equivalent to ZEB Oriented or higher levels, depending on the size and use. On the other hand, residential buildings must meet BEI equivalent to ZEH (with estimations included).

Evaluation by JCR to the Framework

In this revision of the Framework, some amendments were made to the eligibility criteria for the selection relevant to the use of proceeds. JCR also looked into Kyoto City's operational policies pursuant to CASBEE Kyoto, although there were few changes that would affect the Framework.

The following are overviews of ZEB, ZEH, and CASBEE certifications related to the amendments in the eligibility criteria and Kyoto City's operational policies related to them. From these perspectives, JCR considers that the revised eligibility criteria cover spending on projects, etc. that continue to have significant environmental benefits.

ZEB, ZEH and ZEH-M

Net Zero Energy Building (hereinafter referred to as "ZEB") refers to buildings that are designed to achieve Net Zero by reducing primary energy consumption through their improved energy savings performance, an area energy network and on-site renewable energy. ZEB is rated on four levels: (i) ZEB (buildings that successfully decrease primary energy consumption by saving energy (50% or more) and generating energy (100% or more)); (ii) Nearly ZEB (buildings that reduce primary energy consumption by saving energy (50% or more) and generating energy (75% or more)); (iii) ZEB Ready (buildings that cut primary energy consumption by 50% or more; and (iv) ZEB Oriented (buildings with a total floor area of 10,000 square meters or more that curtail primary energy consumption by 40% or more (offices, schools, factories, etc.) or by 30% or more (hotels, hospitals, department stores, restaurants, halls, etc.).

ZEH, which stands for Net Zero Energy House, is defined as "residences that are designed to achieve NET Zero on an annual basis by introducing renewable energy to increase energy self-sufficiency as much as possible, as well as by adopting advanced building design to reduce substantial energy load, employing passive technologies to actively use natural energy, and introducing highly efficient facility systems to achieve significant energy savings, maintaining the quality of the indoor space."

ZEH must meet the requirement of achieving a 20% or more reduction of primary energy consumption from the standard level and is rated on four levels: (i) ZEH (residences that achieve a 100% or more reduction of primary energy consumption from the standard level after adding renewable energy, etc.); (ii) Nearly ZEH (residences that achieve a reduction of 75% to less than 100% of primary energy consumption from the standard level after adding renewable energy, etc.); (iii) ZEH Ready (residences that achieve a reduction of 50% to less than 75% of primary energy consumption from the standard level after adding renewable energy, etc.); and (iv) ZEH Oriented (residences that achieve a 20% or more reduction of primary energy consumption from the standard level after excluding renewable energy, etc.).

Net Zero Energy House Mansion or ZEH-M, which meets the ZEH standards for ZEH-M, is rated on four levels: (i) ZEH-M (residences that achieve a 100% or more reduction of primary energy consumption from the standard level after adding renewable energy, etc.); (ii) Nearly ZEH-M (residences that achieve a reduction of 75% to less than 100% of primary energy consumption from the standard level after adding renewable energy, etc.); (iii) ZEH-M Ready (residences that achieve a reduction of 50% to less than 75% of primary energy consumption from the standard level after adding renewable energy, etc.) and (iv) ZEH-M Oriented (residences that achieve a 20% or more reduction of primary energy consumption from the standard level after excluding renewable energy, etc.).

In the Framework, Kyoto City includes non-residential buildings that meet BEI⁴ equivalent to ZEB Oriented or higher and residential buildings that meet BEI equivalent to ZEH levels in the eligibility criteria, depending on the size and use of the building. This means that the former (factories, offices and schools) has an environmental performance of BEI 0.60 or less (or contributes to a 40% or more reduction from the standard level) and other non-residential buildings have an environmental performance of BEI 0.70 or less (or contributes to a 30% or more reduction from the standard level), and that the latter has an environmental performance of at least BEI 0.80 or less (or contributes to a 20% or more reduction from the standard level). As above, any buildings exhibit sufficient environmental improvement benefits, thus JCR considers that they are appropriate destinations of proceeds.

In March 2024, Kyoto City partially revised the Decarbonization Specifications for Public Buildings in Kyoto City⁵ formulated in FY2020. In response to the growing social demand for improving environmental performance of buildings, Kyoto City also revised its policies, including raising the BEI standards for new and expanded buildings to ZEB and ZEH levels and expanding the scope of the specifications⁶. In particular, offices, schools, etc. of 300 to 10,000 square meters, which account for a large proportion of the new constructions in Kyoto City, set the target of BEI 0.50 or less after the revision, which is the high numerical target equivalent to ZEB Ready, instead of BEI 0.75 or less before the revision. This indicates that Kyoto City is highly motivated to improve the environmental performance of buildings.

JCR believes that the most recent changes in the eligibility criteria are in line with these policy revisions by Kyoto City. In addition, JCR construes that these changes reflect a high level of awareness of Kyoto City that is working on decarbonization of society as a whole, and thus are significant from the perspective of solving environmental issues of a whole society.

Comprehensive Assessment System for Built Environment Efficiency (CASBEE)

CASBEE is an acronym standing for Comprehensive Assessment System for Built Environment Efficiency and is a method to evaluate and rate the environmental performance of buildings. In April 2001, the Comprehensive Environmental Evaluation Research Committee for Buildings was established as an industry-academia-government collaboration project with the support of the Housing Bureau of the Ministry of Land, Infrastructure, Transport and Tourism. Since then, CASBEE has been continuously developed and maintained. In addition to CASBEE for Buildings and CASBEE for Cities, the evaluation tools include CASBEE for Real Estate that is designed to indicate environmental performance to the real estate market in an easy-to-understand manner.

CASBEE for Buildings (New Construction) is evaluated based on the value of Built Environment Efficiency or BEE whose denominator is Load or L and numerator is Quality or Q after reorganizing the evaluation items of the four fields: energy efficiency, resource efficiency, local environment and indoor environment, from the viewpoint of environmental quality of buildings (Q=Quality) and environmental loads of buildings (L=Load). The evaluation results are categorized into five ranks: Rank S (excellent), Rank A (very good), Rank B+ (good), Rank B- (slightly inferior) and Rank C (inferior). CASBEE for Real Estate falls under four ranks: Rank S

⁴ Abbreviation for Building Energy Index. It is one of the representative indicators of the energy-saving performance of buildings, which is calculated by dividing the design primary energy consumption of a real building to be constructed by the standard primary energy consumption determined by the region, a purpose of use, room usage conditions, etc.

⁵ Source: "Decarbonization Specifications for Public Buildings" (Kyoto City, March 2024)
<https://www.city.kyoto.lg.jp/tokei/cmsfiles/contents/0000200/200618/datutansosiyor603.pdf>

⁶ In the past, the scope of application of the specifications was construction work ordered by Kyoto City's Public Building Department, but is now expanded to include all the construction work ordered by Kyoto City (Reference: <https://www.city.kyoto.lg.jp/tokei/cmsfiles/contents/0000200/200618/datutansosiyor603.pdf>)

(excellent), Rank A (very good), Rank B+ (good) and Rank B (satisfied with items required). In order to obtain a higher rate, buildings must be constructed in consideration of indoor comfort or landscape in addition to the environment, such as saving energy or using materials and equipment with less environmental loads, and thus integrated high quality is required for buildings.

The municipal version CASBEE was developed based on the idea that buildings shall be environmentally friendly to match with regional characteristics and is utilized for notification under the system mainly in ordinance-designated cities. The municipal version CASBEE evaluates buildings based on the results computed by evaluation software used in CASBEE for Buildings, depending upon municipalities' ideas or regional characteristics.

Kyoto City developed CASBEE of its own, "CASBEE Kyoto," which incorporates evaluation items reflecting the characteristics of Kyoto City into the evaluation system based on the nationwide version of CASBEE, and uses it to evaluate environmental performance of newly renovated buildings⁷. Building on the evaluation system of the nationwide version of CASBEE, CASBEE Kyoto adds factors that should be considered and recommended to the evaluation items where "Kyoto-specific characteristics and persistence" cannot be fully valued and elaborates such factors, and evaluates such items in its own way. More specifically, the city has its unique framework for evaluating buildings from the perspectives of "promotion of the use of wood," "handling of natural materials," "consideration for history and region-specific factors" and "creation of low-carbon landscapes."

On top of that, when evaluating the greenness of green buildings, JCR places emphasis on their ability of achieving environmental improvement effects on a continuous basis even after a certain period of time since the proceeds were allocated to the project. In this regard, Kyoto City looks to reviewing the evaluation on buildings after a certain period of time since the appropriation of the proceeds, in accordance with the following procedures during the appropriation period:

1. Having made a decision on allocating proceeds of green bonds, the Global Warming Countermeasures Office of the Environmental Policy Bureau and the Finance Office of the Administration and Finance Bureau notify the department in charge of managing the building that it will need to record the changes made to the equipment after the completion of the construction and review the evaluation of CASBEE Kyoto (three years after the completion of the construction and every three years thereafter);
2. The department in charge keeps the record of changes made to the equipment for a period of time until reviewing CASBEE Kyoto's evaluation;
3. At the beginning of the fiscal year after three years since the completion of construction or the previous review, the Global Warming Countermeasures Office and the Finance Office notify the department in charge that it will need to review the evaluation of CASBEE Kyoto and report its findings;

⁷ For details on the evaluation system for CASBEE Kyoto, please refer to Kyoto City website <https://www.city.kyoto.lg.jp/tokei/page/0000152813.html>

4. The department in charge reviews the record of changes made to the equipment and the usage status at that time to see whether there are any changes from the initial evaluation of CASBEE Kyoto;
5. The department in charge reports the results of the review to the Global Warming Countermeasures Office and the Finance Office; and
6. If the evaluation of CASBEE Kyoto may change, the Global Warming Countermeasures Office and the Finance Office will also check the status of the building.

JCR concluded that buildings rated as Rank A or higher in CASBEE Kyoto as specified in the eligibility criteria of the Framework had the environmental improvement effect equivalent to CASBEE for Buildings. In addition, Kyoto City has a framework that allows it to review the validity of the greenness of the building over a long period of time by reviewing the evaluation after a certain period of time since the completion of construction. In light of these findings, JCR considers that the use of proceeds is appropriate.

II. Selection Criteria and Processes for Use of Proceeds

The selection criteria and processes for the use of proceeds stipulated in the Framework by Kyoto City are as follows: (No particular changes have been made since the previous evaluation.)

The Framework for the Processes (Excerpt | Restatement)

[Process of evaluating and selecting target businesses]

The Global Warming Countermeasures Office of the Environmental Policy Bureau and the Finance Office of the Administration and Finance Bureau conduct interviews with each bureau, evaluate eligibility in light of the eligibility criteria, and select target business candidates for Kyoto City Green Bonds to be issued in the relevant fiscal year based on the results.

Evaluation by JCR to the Framework

JCR concluded in the prior evaluation that the validity of the selection criteria and its process in the Framework was appropriate.

In response to the revision made to the Framework, JCR confirmed that there were no problems with the selection criteria, considering the aforementioned changes to the eligible criteria, and that there were no changes from the previous evaluation, and thus considers that the Framework remains appropriate.

III. Management of Proceeds

The management of proceeds stipulated in the Framework is as follows: (No particular changes have been made since the previous evaluation.)

The Framework for Management of Proceeds (Excerpt)

[Management of Proceeds]

Since the expenditure in each fiscal year of local governments needs to be covered with the revenue within the fiscal year, the proceeds of Kyoto City Green Bonds will, in principle, be allocated to the eligible projects during the fiscal year. The Finance Office shall manage the historical proceed allocations so that the allocation status can be tracked as necessary, and disclose them based on "Reporting."

Evaluation by JCR to the Framework

JCR concluded in the previous evaluation that the management of proceeds in the Framework was appropriate.

In response to the revision made to the Framework, JCR confirmed that no changes were made to the overall management of proceeds, and thus considers that the Framework for the management of proceeds remains appropriate.

IV. Reporting

The reporting defined by Kyoto City in the Framework is as follows: (Changes made this time are in bold.)

The Framework for Reporting (Excerpt)

[Reporting]

In addition to the allocation status of the proceeds from the Kyoto City Green Bond, the impact reporting shown in Table 4 below in principle will be disclosed on the city's website in the following fiscal year after the bond issue as environmental improvement effects of the projects.

Table 4: Impact Reporting of Target Businesses

Target Business	Reporting Indicators
Solar panels installation business for municipal facilities	Amount of power generated from photovoltaic power generation facilities
Energy-saving renovation project for municipal facilities and equipment	Number of installations of LED lighting and air-conditioning facilities, and reduced CO2 emissions due to reduced energy consumption
Clean center renovation project	Reduced CO2 emissions
Soil pollution countermeasures	Target parcel number, type of measures taken, and area where the designation of the area has been lifted
Tree-planting projects	Name of site and area of improvement
Forest maintenance and other projects	Name of site and area of improvement
Project for introduction of next-generation automobiles and biodiesel vehicles	Reduced CO2 emissions by reducing energy consumption
River development project	Names of rivers implementing projects, number of rivers implementing projects, number of routes implementing projects, names of wastewater machine sites implementing projects, and number of wastewater machine sites implementing projects
Green building	<ul style="list-style-type: none"> Overview of the building CASBEE Kyoto acquisition status and ranking Types and evaluations of environmental certifications such as BELS, ZEH and ZEB obtained in addition to CASBEE Kyoto (only when those have been obtained) Reduced amount of CO2 emissions Building envelope performance and the primary energy consumption standards Amount of introduction of photovoltaic power generation facilities and solar heat utilization facilities Usage amount of timber produced within the city (<i>Miyako-somagi</i>), etc.

Evaluation by JCR to the Framework

JCR concluded in the previous evaluation that the reporting on the appropriation status and environmental improvement effects in the Framework was appropriate.

In addition, even after the changes to the Framework, JCR considers that the Framework for Reporting remain appropriate as there are no particular problems with the content of the reporting from the perspective of understanding the environmental improvement effects of the projects for which proceeds are used despite changes to the content of the reporting following some changes in the eligibility criteria related to the use of proceeds.

JCR confirmed that Kyoto City's reporting had been properly carried out⁸ on its website based on the Framework.

⁸ The track record of fund raising and appropriation to date are disclosed on the Kyoto City website as follows:
· FY 2022: <https://www.city.kyoto.lg.jp/gyozai/cmsfiles/contents/0000319/319108/R4greenbondreport2.pdf>
· FY 2021: https://www.city.kyoto.lg.jp/gyozai/cmsfiles/contents/0000305/305255/sdgs_sai_impactreporting.pdf

V. Organizational Sustainability Initiatives

Since Kyoto Protocol in 1997, an international commitment on global warming countermeasures, Kyoto City has promoted various approaches to the climate. Kyoto City has formulated the Kyoto City Master Plan "Flap to the Future! Miyako Plan 2025" in order to realize the master concept of Kyoto City, which is an ideal concept to show the policy of urban development in Kyoto in the 21st century based on the Declaration of Global Cultural and Freedom Cities. The current third Kyoto City Basic Plan covers the five-year period from FY 2021 to FY2025. Focusing on the four changes in the socio-economic situation: full-scale population decline, acceleration of global warming, progress of globalization, change in industrial structure and severe Kyoto City finance, the philosophy of urban management is to "pioneer the future through participation and collaboration with consumers as the base." Among the six future images of Kyoto, the first is "Kyoto, a town of harmonious coexistence with the environment and decarbonization," which is richly in harmony with the global environment. The city is making efforts with priority.

In the Kyoto City Environmental Master Plan (2016-2025), which is an individual plan for the environmental field of the Kyoto Basic Plan formulated by Kyoto City in March 2016, various initiatives have been promoted to realize a "sustainable society in harmony with the environment" through the four long-term targets and 10 basic measures for promoting carbon de-carbon, biodiversity, natural environment, resource and energy effective utilization, and environmental conservation for the 10 years from FY 2016 to FY2025. "The Administrative and Fiscal Reform Program 2021-2025" formulated in August 2021 also promotes initiatives related to sustainable finance, such as by aiming to become a city where diverse human resources and corporates can gather and attract investment and support by realizing the goals and values shared by the international community, including carbon de-carbon and SDGs, from Kyoto City through the issuance of green bonds, etc. as a city's growth strategy. Since the plan has achieved a certain degree of success in terms of initiatives, Kyoto City intends to formulate a new plan that takes into account changes in the external environment⁹.

In the Kyoto City Program of Global Warming Countermeasures, Kyoto City has formulated an action plan for realizing a decarbonization society that will achieve "Net-Zero by 2050" specified as a long-term target in the Kyoto City Global Warming Prevention Ordinance. In order to achieve Net-Zero by 2050, the city has set an interim target of reducing greenhouse gas emissions from the city area by 46% or more from the FY 2013 level by 2030. Twenty mitigation measures will be deployed in five fields: lifestyle conversion, business conversion, energy conversion, mobility conversion, and absorption source measures such as forests and agricultural land, to accelerate energy conservation and expand the use of renewable energy. In addition, the plan aims to promote green finances by expanding the use of ESG finance and green bonds as a means of creating a virtuous cycle between the environment and the economy. Adaptation measures, which cope with the damages from climate change, are intended to enhance measures in six areas where the impacts of climate change are of concern: health and urban livelihoods, agriculture and forestry, natural ecosystems, culture, tourism,

⁹ As a result of the integrated promotion of administrative and fiscal reforms and the city's growth strategy based on the plan, a certain level of improvement in the fiscal situation has been achieved, and the goals set forth in the plan have been largely achieved. On the other hand, in light of the significant changes in the external environment since the last plan, such as a declining population and soaring prices, Kyoto City will plan to formulate a new plan (New Kyoto Strategy) to replace the existing administrative and fiscal reform plan by the end of fiscal 2024 (Please refer to Kyoto City website: <https://www.city.kyoto.lg.jp/gyozai/page/0000284994.html>)

local industries, etc. More specifically, the Kyoto Climate Change Adaptation Center established in July 2021 identifies, analyzes, disseminates adaptation information, promotes measures in each field, and moves forward with new initiatives in the city.

Other recent trends¹⁰ include a partial revision in March 2024 of the Decarbonization Specifications for Public Buildings in Kyoto City formulated in FY2020, which is designed to raise the standard values for energy consumption performance of new and renovated buildings to ZEB and ZEH levels as well as to further reduce energy consumption by bringing the performance level of existing buildings up to ZEB. In addition to this, Kyoto City apparently focuses on developing rules for the decarbonization of society as a whole.

Based on the above, JCR confirmed that Kyoto City continued to implement various initiatives together with different stakeholders under a clear goal toward reducing CO2 emissions and that the city continued to formulate and implement its environmental policies for which proceeds of green bonds will be used such as decarbonization strategies and adaption plans. JCR considers that Kyoto City regards environmental issues as a high-priority issues in its municipal operations.

¹⁰ In addition, the "Basic Policy on the Use of Wood in Buildings, etc." was revised in April 2023. Kyoto City mainly sets forth the following policies as well as takes a lead in using locally produced wood in government buildings, etc., in order to promote the use of wood in private buildings and foster a wide momentum for wood change. (Please refer to Kyoto City website: <https://www.city.kyoto.lg.jp/sankan/page/0000311824.html>)

- Expand the scope of promoting the use of wood in public buildings to buildings in general
- Further promotion of the use of wood in buildings, etc. maintained by Kyoto City
- Promotion of the use of wood in buildings, etc. maintained by non-Kyoto city residents
- Promote the use of *Miyako-somagi* and secure a stable supply

Review Results (Conclusion)

JCR has confirmed that the details of the Framework, including the changes, are expected to have significant environmental benefits in the green projects for which the proceeds will be used. The Framework has also met the criteria for the items required in the Green Bond Principles, and Green Bond Guidelines.

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

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Important Explanation on this Evaluation

1. Assumptions, Significance and Limitations of JCR Green Finance Framework Evaluation

JCR Green Finance Framework Evaluation, which is granted and assigned by Japan Credit Rating Agency, Ltd. (hereinafter referred to as "JCR") is a comprehensive statement of JCR's current opinion on the alignment with green projects as defined by JCR and the extent of the initiatives to ensure management, operations and transparency on the use of proceeds with policies set forth by the Green Finance Framework as the target evaluation. Therefore, it is not intended to evaluate the specific environmental benefits, management/operation systems and transparency of individual bonds or borrowings to be executed based on these policies concerned. In cases where a green finance evaluation is granted or assigned to an individual bond or borrowing based on the said framework, a separate evaluation is required. JCR Green Finance Framework Evaluation neither proves environmental benefits from the individual bond or borrowing executed based on the framework concerned nor does it assume responsibility for any environment benefits. JCR, in principle, will not directly measure environmental benefits of proceeds financed through the Green Finance Framework although JCR will confirm the items measured quantitatively and qualitatively by the issuer and/or borrower (hereinafter an issuer and borrower are collectively referred to as "a fundraiser") or a third party requested by the fundraiser. Green Equity may also be included in the evaluation only if all assets, in case of investment corporations, fall under green projects.

2. Methodology Used in this Evaluation

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

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

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■Terminology

JCR Green Finance Framework Evaluation: The assessment of the extent to which proceeds financed based on the Green Finance Framework are allocated to green projects as defined by JCR and of the degree of management, operation and transparency on the use of proceeds for the said Green Finance. The evaluation is made on a five scale in the order from top to bottom with evaluation symbols of Green 1 (F), Green 2 (F), Green 3 (F), Green 4 (F) and Green 5 (F).

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- Ministry of the Environment: Registered as an external reviewer for Green Finance
- ICMA (observer registration as an external evaluator with the International Capital Markets Association)
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