NEWS RELEASE

JCR Sustainable Evaluation

26-D-0189
May 18, 2026

Japan Credit Rating Agency, Ltd. (JCR) announces the following preliminary Climate Transition Bond Evaluation Results.

The Government of Japan

Japan Climate Transition Bond (5th) — Assignment

<Alignment with Climate Transition Bond Guidelines>

The bond is aligned with Climate Transition Bond Guidelines

Overall Preliminary Evaluation	Greenness/ Transition Preliminary Evaluation (Use of Proceeds)	Management, Operation and Transparency Preliminary Evaluation
Green 1(T)	gt1	m1

Issuer	The Government of Japan
Subject	10-year Japan Climate Transition Bonds (5th) 5-year Japan Climate Transition Bonds (5th)
Type	interest-bearing government bonds
Issue Amount	10-year bonds: face value of approximately JPY 250 billion 5-year bonds: face value of approximately JPY 250 billion
Interest Rate	to be decided
Auction Date	10-year bond: August 2026 5-year bond: May 25, 2026
Redemption Date	10-year bond; For bids in August 2026: June 20, 2036 (TBD) 5-year bonds; For bids in May 2026: March 20, 2031 (TBD)
Method of Redemption	Lump-sum redemption at maturity
Use of Proceeds	Projects that meet the eligibility criteria identified in the Climate Transition Bond Framework based on the GX 2040 Vision

Evaluation Overview

This preliminary evaluation report is intended to evaluate whether the 10-year Japan Climate Transition Bonds (5th) and the 5-year Japan Climate Transition Bonds (5th), both of which are scheduled to be issued by the Government of Japan in FY2026 (collectively, or individually, referred to as the "Japan Climate Transition Bonds (5th)" or the "Bonds"), are aligned with the Climate Transition Finance Handbook[1] and the Basic Guidelines for Climate Transition Finance[2] (collectively, the "CTFH, etc."), the Green Bond Principles[3], and the Green Bond Guidelines[4], based on JCR Green Finance Evaluation Methodology[5]. In addition, this report confirms whether the framework satisfies the requirements set forth in the Climate Transition Bond Guidelines (CTBG)[6]. JCR assigned the overall evaluation of "Green 1(T)(F)" to the Climate Transition Bond Framework (the "Framework") formulated by the Government of Japan on November 7, 2023, as the result of the evaluation. Subsequently, in June 2025, JCR conducted a review evaluation in response to the update of the Framework reflecting, among other developments, the formulation of the Seventh Strategic Energy Plan, the Global Warming Countermeasures Plan, and the GX2040 Vision, as well as the addition of new eligible uses of proceeds by the Government of Japan. In addition, in November 2025, JCR conducted a further review evaluation to confirm the Framework's consistency with the Climate Transition Bond Guidelines (CTBG) published by ICMA. The Bonds are to be issued in accordance with this Framework.

Accordingly, with regard to the overview of Japan, Japan's transition strategy, and its alignment with the CTFH, etc. in relation to the transition strategy, please refer to the review evaluation report 25-D-1419[7].

The projects that are expected to be financed by the Bonds are GX-related projects selected by the Government of Japan as meeting the requirements of the Framework, and are eligible projects included in the FY2025 supplementary budget and the FY2026 initial budget. The Government of Japan selects the use of proceeds for the Bonds after confirming that such projects do not have negative environmental or social impacts, and JCR has confirmed this process. Based on the above, the use of proceeds for the Bonds is expected to contribute to the promotion of GX initiatives across Japan and to the achievement of carbon neutrality by 2050, as well as the respective milestone greenhouse gas (GHG) emission reduction targets.

---

[1] International Capital Market Association (ICMA) (2023) "*Climate Transition Finance Handbook*" https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/climate-transition-finance-handbook/

[2] FSA, METI and MOE (2025) "Basic Guidelines on Climate Transition Finance" https://www.meti.go.jp/policy/energy_environment/global_warming/transition/basic_guidelines_on_climate_transition_finance_jpn_2025.pdfhttp://www.meti.go.jp/press/2021/05/20210507001/20210507001-1.pdf

[3] International Capital Market Association (ICMA) (2025) "Green Bond Principles" https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/

[4] MOE (2024) "Green Bond Guidelines" https://greenfinanceportal.env.go.jp/pdf/greenbond_guideline_eng.pdf

[5] JCR "JCR Green Finance Evaluation Methodology" https://www.jcr.co.jp/en/pdf/greenfinance/Green_Finance_Evaluation_en_20231030.pdf

[6] International Capital Market Association (ICMA) " Climate Transition Bond Guidelines 2025" https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/climate-transition-finance-handbook/

[7] https://www.jcr.co.jp/download/ca234cdfbee77ffb0df0a07efcd4eaa3affcd4edf75ae4e0ce/25d1419_3_en.pdf

In the process of selecting projects set out in the Bonds by the government include (1) a liaison system between relevant ministries and agencies has been established; (2) the selection is to be finally reported in the GX Implementation Council chaired by the Prime Minister; (3) bonds to be issued are managed within the Special Account for Energy Measures, separate from other accounts. JCR therefore has evaluated that a system has been established to properly classify and manage proceeds financed, based on the Framework. JCR has also confirmed that reporting contents/periods on the allocation of proceeds and impacts are adequately established. Accordingly, JCR has evaluated that the management and operation system in the Government of Japan has been established and has transparency.

In addition, we confirmed that the Bonds satisfy the four items set out in the CTBG—(i) Use of Proceeds, (ii) Process for Project Evaluation and Selection (iii) Management of Proceeds, and (iv) Reporting—and also confirmed that the safeguards required for climate transition bonds with respect to the use of proceeds are met.

Accordingly, JCR has assigned "gt1" to the preliminary evaluation of the "Greenness/Transition Evaluation (Use of Proceeds), "m1" to the preliminary evaluation of the "Management, Operation and Transparency Evaluation" and "Green 1(T)" to the "JCR Climate Transition Bond Preliminary Evaluation" for the Bonds. JCR has evaluated that the Bonds satisfy the criteria for items required in the "Green Bond Principles," "Green Bond Guidelines," and CTFH, etc.

Table of contents

Chapter 1: Overview of Evaluation Targets

The subjects of this evaluation are the 10-year Japan Climate Transition Bonds (5th) and 5-year Japan Climate Transition Bonds (5th) to be issued by Japan in FY2026 (collectively, the "Japan Climate Transition Bonds (FY2026)" or the "Bonds").

The projects that are expected to be financed by the Bonds are GX-related projects included in the FY2025 supplementary budget and the FY2026 initial budget, which have been selected by the Government of Japan as meeting the requirements of the Climate Transition Bond Framework formulated by the Government of Japan (the “Framework”).

Based on the "GX2040 Vision," the proceeds will be allocated to projects aimed at achieving the internationally pledged NZE by 2050 and each milestone greenhouse gas (GHG) reduction target in line with the Paris Agreement. In addition, the proceeds shall be selected from the measures/projects stipulated “GX2040 Vision”. Priority is given to investments in sectors that contribute to emission reduction, enhance industrial competitiveness and economic growth, and which are truly difficult for the private sector alone to make investment judgment on, taking into account the benefits and burdens associated with future carbon pricing (CP: fossil fuel surcharge and paid auctioning in the power sector) , which will be used as a source of redemption for the Bonds.

The GX2040 Vision contains the Sector-specific Investment Strategies for 16 industries, which the public and private sectors formulated as sector-specific initiatives to accelerate GX. The Government of Japan describes the eligibility criteria for Japan Climate Transition Bonds (or Climate Transition Interest-Bearing Government Bonds (CT Government Bonds)), an individual issue of GX Economy Transition Bonds, in the Framework. The eligibility of each project will be assessed based on the industries and measures deemed necessary by the Sector-specific Investment Strategies and expert working groups. (Please refer to the Framework[8] published on June 27, 2025, and the JCR evaluation report (25-D-1419) [9]).

In the Framework, the Government of Japan states that the selection of the use of proceeds will be based on the "basic conditions" of investment promotion measures based on the basic concept of upfront investment support for GX Economy Transition Bonds shown in Table 1(eligible business).

[8] Cabinet Secretariat, FSA, MOF, METI and MOE "Japan Climate Transition Bond Framework November 2023" (Revised June 2025)
https://www.mof.go.jp/jgbs/topics/JapanClimateTransitionBonds/climate_transition_bond_framework_eng_revised_version.pdf
[9] JCR's Evaluation Report on Japan Climate Transition Bond Framework published on January 19, 2026

Table 1: GX Economy Transition Bond "basic conditions" in the selection of the use of proceeds (overview) [10]

	Basic Conditions
I.	Efforts that are truly difficult to make investment decisions solely by the private sector
II.	Efforts that contribute to strengthening industrial competitiveness, economic growth and emission reduction, all of which are essential for achieving GX
III.	Integration with regulatory regime and system that changes corporate investment and demand-side behavior
IV.	Efforts that contribute to the expansion of domestic investment including support for human capital development

In addition to the above principles, prioritization will be conducted by identifying projects that meet one of the A-C requirements related to strengthening industrial competitiveness and economic growth, as well as one of the 1-3 requirements related to emission reduction.

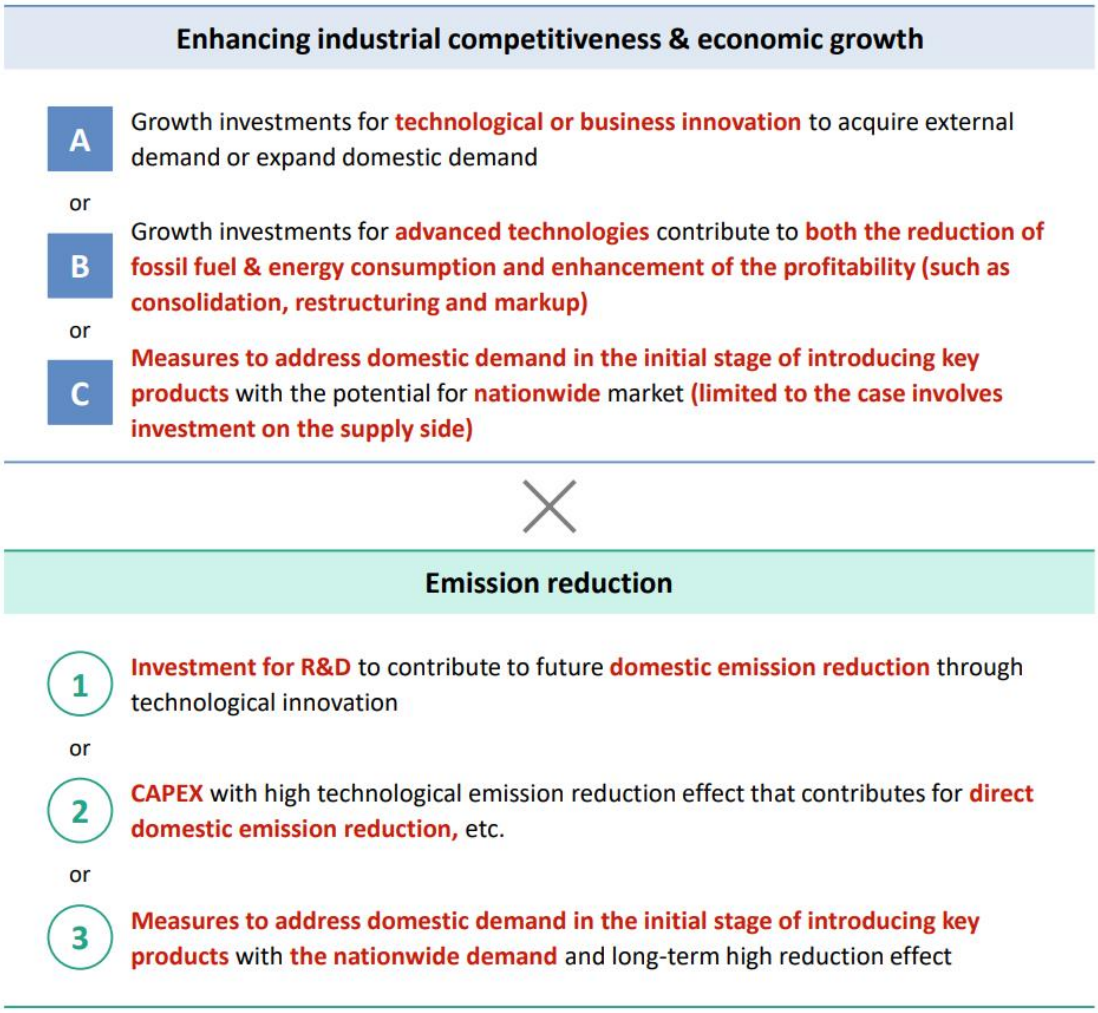


Figure 1: Requirements for Selecting Use of Proceeds for GX Economy Transition Bonds[11]

[10] Source: Framework
[11] Source: Framework

Based on the above, JCR evaluates the alignment of the Bonds with the Green Bond Principles, the Green Bond Guidelines of the Ministry of the Environment, and CTFH, etc., based on JCR Green Finance Evaluation Methodology in the next chapter in detail. In addition, JCR confirms whether the use of proceeds for the Bonds satisfies the requirements set forth in the Climate Transition Bond Guidelines (CTBG).

Chapter 2: Alignment with Climate Transition Finance Handbook etc.

This section confirms that the transition strategy of the Government of Japan is aligned with the following four elements required under the Climate Transition Finance Handbook and related guidelines (CTFH, etc.):

Element 1: Issuer's climate transition strategy and governance
Element 2: Business model environmental materiality
Element 3: Climate transition strategy and targets to be science-based
Element 4: Implementation transparency

It has been confirmed that there have been no changes to the transition strategy of the Government of Japan since the time of the Framework evaluation (January 19, 2026). In addition, as compliance with the above four elements was confirmed at that time, please refer to "1-2. Alignment with Items Required in the Climate Transition Finance Handbook etc." in the JCR Framework Review Evaluation Report (25-D-1419[12]) published on January 19, 2026, for further details.

[12] https://www.jcr.co.jp/download/ca234cdfbee77ffb0df0a07efcd4eaa3affcd4edf75ae4e0ce/25d1419_3_en.pdf

Chapter 3: Consistency with Green Bond Principles, etc.

Evaluation Phase 1: Greenness/Transition Evaluation

gt1

I. Use of Proceeds

JCR's Key Consideration on This Factor

In this section, JCR will firstly confirm whether the proceeds financed are allocated to green/transition projects that bring about clear environmental benefits. Then, in case where negative impacts on the environment and society are expected with the use of proceeds, the impacts will be fully examined by an in-house specialized division or external third parties and will confirm that necessary workarounds and mitigation measures are taken. Lastly, JCR will confirm alignment with the Sustainable Development Goals (hereinafter referred to as "SDGs".)

▶▶▶ Current Status of Evaluation Targets and JCR's Evaluation

JCR evaluated the Framework formulated by the Government of Japan and published an evaluation report on January 19, 2026. In this evaluation report, JCR confirmed how each criterion of the Japan Climate Transition Bond Framework contributes to the realization of a decarbonized society in Japan. All of the uses of proceeds determined by the Government of Japan for the Bonds fall under the categories whose eligibility and environmental improvement effects were confirmed in the framework evaluation. Therefore, JCR evaluates that all of the planned uses of the proceeds from the Bonds are important projects for achieving carbon neutrality by 2050 and Japan's transition to a decarbonized society.

1. Overview of Use of Proceeds

In the Framework, the Government of Japan determines the use of proceeds from the areas specified in the GX Promotion Strategy as measures that contribute to Japan's GX, and the basic conditions specified in the strategy (see Chapter 1). Established as support for research and development, capital investment and demand-side measures for projects that meet the requirements. Table 2 shows the use of proceeds for the Bonds, which is organized according to the use of proceeds classification in the Framework. In addition, As with the FY2025 CT bonds, "Deep Tech Startup Support Program in the Green Transformation field," which provides necessary support for social implementation for startup companies in the GX sector, and "Capital for GX Acceleration Agency," in which the GX Acceleration Agency provides financial support services such as loan guarantees to supplement risks that private financial institutions cannot fully address in the GX sector, are businesses that target all categories, so they are described as cross-sectoral in Table2.

In addition, based on the requirements shown in Figure 1, Table 3 presents the budget amounts classified into the following four categories: (A) research and development of innovative

technologies aimed at market deployment (research and development); (B) capital investment that contributes to both economic growth and greenhouse gas reduction (Capital Investment); (C) nationwide demand-side measures that support economic growth (Demand-side Measures); and (D) cross-cutting initiatives for realizing GX (Cross-cutting Initiatives).
Please see below for details of the business.

Table 2: Use of proceeds for the Bonds in the classification of the Framework[13]

Main Category (Green category)		Sub-category Eligibility criteria	Use of proceeds for the Bonds
1	Energy efficiency	Promotion of thorough energy efficiency improvement	- Subsidy for Energy Conservation Investment Promotion and Demand Structure Transformation - Energy Conservation and Non-Fossil Conversion Investment Promotion and Social Implementation Support Project - Support for installing CO_2-saving facilities to reduce Scope 3 emissions through collaboration among companies - Subsidy for Installation of High-Efficiency Water Heaters to Promote Energy Savings in Households
		Houses and buildings	- Support Project for Accelerating Energy Conservation and CO_2 Reduction in the Household Sector through Insulating Windows - Support for the Introduction of GX-Oriented Housing - Accelerating decarbonizing renovations for buildings
		Digital investment aimed at decarbonization	- Research and Development Project of the Enhanced Infrastructures for Post-5G Information and Communication Systems - Project for the Development of Multimodal Foundation Models Targeting AI Robotics and Physical AI
		Battery industry	- Installation support for electricity storage systems such as grid-scale batteries to expand renewable energy usage
2	Renewable energy	Making renewable energy a major power source	- Support for building GX supply chains - Promotion of implementation for creating social implementation models of perovskite solar cells ("Installation support for electricity storage systems such as grid-scale batteries to expand renewable energy usage" also meet this criterion.)
		Infrastructure	- Support for commercialization for the revitalization of complexes in the GX strategic Zone Program - Subsidy for Capital Investments Utilizing Decarbonized Power and Benefiting Host Regions - Grant for Decarbonization Transition Acceleration for Specific Regions

[13] Created by JCR based on Framework and materials provided by METI

			- Decarbonization Promotion Project for Industrial Parks and Other Industrial Areas under the GX Strategic Zone Program
3	Low-carbon and decarbonized energy	Utilization of nuclear power	- Promotion Project for Demonstration of Fusion Energy Power Generation - Demonstration Reactor Development Project for Fast Reactor - Demonstration Reactor Development Project for High Temperature Gas-cooled Reactor - Support Program for Technology Development and Supply Chain Enhancement Toward Next-Generation Advanced Reactors Deployment
		Establishing electricity and gas markets to achieve carbon neutrality	(No applicable projects in the Bonds.)
4	Clean transportation	GX in transport sector	- Next-generation aircraft development and related areas - Support Project for Strengthening Small Engine MRO Facilities - Promotion of the construction of zero-emission ships etc. - Support project for Sustainable Aviation Fuel (SAF) production and supply chain development - Subsidy for introducing clean energy vehicles - Subsidy for introducing of EV chargers and refueling stations to promote the spread of clean energy vehicles - Support Program for Promoting the Electrification of Commercial Vehicles - Support for the introduction of zero-emission ships, etc.
		Infrastructure (repeat)	(No applicable projects in the Bonds)
5	Circular economy adapted products, production technologies and processes	Restructuring the manufacturing industry (fuel and feedstocks transition)	- Support for energy/manufacturing process conversion for hard-to-abate industries
		Facilitating introduction of hydrogen and ammonia	- Hub Development Program for Low-carbon Hydrogen and its Derivatives - Support focused on the price difference to build supply chains for hydrogen and its derivatives ("Support for building GX supply chains" also meets this criterion)
		Carbon Recycling and CCS	(No applicable project in the Bonds)
6	Environmentally sustainable management of living natural resources and land use, Circular economy	Food, agriculture, forestry, and fisheries industry	(No applicable projects in the Bonds)
		Resource circulation	- Support for enhancing the resilience and autonomy of circular economy systems - Investment promotion for advanced resource circulation
Cross-sectoral (applies to all green categories)			- Deep Tech Startups Support Program in the Green Transformation field - Capital for GX Acceleration Agency

Table 3: Projects allocated to the Bonds[14]

	Budget Year	New/ continuation	Appropriated projects (including some potential projects)	Project budget (JPY billion)
(1) Research and Development	2025	Continuation	1. Research and Development Project of the Enhanced Infrastructures for Post-5G Information and Communication Systems	80.2
	2025	New	2. Promotion Project for Demonstration of Fusion Energy Power Generation	20.0
	2026	Continuation	3. Demonstration Reactor Development Project for Fast Reactor	57.2
	2026	Continuation	4. Demonstration Reactor Development Project for High Temperature Gas-cooled Reactor	62.8
	2025/ 2026	Continuation	5. Support Program for Technology Development and Supply Chain Enhancement Toward Next-Generation Advanced Reactors Deployment	8.0
	2026	Continuation	6. Deep-Tech Startups Support Program in the Green Transformation field	18.5
	2026	Continuation	7. Next-generation aircraft development and related areas	15.0
	2026	New	8. Project for the Development of Multimodal Foundation Models Targeting AI Robotics and Physical AI	387.3
				649.0
(2) Capital Investment	2025	Continuation	9. Subsidy for Energy Conservation Investment Promotion and Demand Structure Transformation	55.0
	2025/ 2026	Continuation	10. Support for building GX supply chains	55.2
	2025	New	11. Support Project for Strengthening Small Engine MRO Facilities	0.7
	2025/ 2026	Continuation	12. Promotion of the construction of zero-emission ships etc.	15.9
	2026	Continuation	13. Energy Conservation and Non-Fossil Conversion Investment Promotion and Social Implementation Support Project	84.0
	2026	Continuation	14. Support Project for Sustainable Aviation Fuel (SAF) Production and Supply Chain Development	10.0
	2026	Continuation	15. Support for enhancing the resilience and autonomy of circular economy systems	7.3
	2026	Continuation	16. Support for energy/manufacturing process conversion for hard-to-abate industries	41.7
	2026	Continuation	17. Investment promotion for advanced resource circulation	20.0
	2026	Continuation	18. Support for installing CO_2-saving facilities to reduce Scope 3 emissions through collaboration among companies	1.5
	2026	New	19. Support for commercialization for the revitalization of complexes in the GX Strategic Zone Program	3.0
	2026	New	20. Subsidy for Capital Investments Utilizing Decarbonized Power and Benefiting Host Regions	40.0
	2026	Continuation	21. Grant for Decarbonization Transition Acceleration for Specific Regions	7.0
	2026	New	22. Decarbonization Promotion Project for Industrial Parks and Other Industrial Areas under the GX Strategic Zone Program	0.5
	2026	New	23. Hub Development Program for Low-carbon Hydrogen and its Derivatives	41.5
				383.3
(3) Demand-	2025/	Continu	24. Installation support for electricity storage systems such as	43.0

[14] Created by JCR based on materials provided by METI

side Measures	2026	ation		grid-scale batteries to expand renewable energy usage	
	2025	Continuation	25.	Subsidy for Installation of High-Efficiency Water Heaters to Promote Energy Savings in Households	57.0
	2025	Continuation	26.	Subsidy for introducing clean energy vehicles	110.0
	2025	New	27.	Subsidy for introducing of EV chargers and refueling stations to promote the spread of clean energy vehicles	50.0
	2025	Continuation	28.	Support Project for Accelerating Energy Conservation and CO_2 Reduction in the Household Sector through Insulating Windows	112.5
	2025	Continuation	29.	Support for the Introduction of GX-Oriented Housing	75.0
	2025	Continuation	30.	Support Program for Promoting the Electrification of Commercial Vehicles	30.0
	2026	Continuation	31.	Accelerating decarbonizing renovations for buildings	4.0
	2026	New	32.	Support for the introduction of zero-emission ships, etc.	1.2
	2026	Continuation	33.	Promotion of implementation for creating social implementation models of perovskite solar cells	7.0
	2026	Continuation	34.	Support focusing on the price gap to build supply chains for hydrogen and its derivatives	36.3
					526.0
(4) Cross-cutting Initiatives	2025/2026	Continuation	35.	Capital for GX Acceleration Agency	65.0
					65.0
Total					**1,623.3**

*1 For classifications (A) to (D), certain projects span multiple categories; however, the category determined by the Government as representative is shown.

*2 Table 3 shows the breakdown of the budget amounts for the projects eligible for the Bonds. The issuance amount of the Bonds is planned to be JPY 500 billion, while the total issuance amount scheduled for FY2026 is JPY 1 trillion. The actual amount allocated will be reported in the funds allocation report.

The budget amounts for the projects to be allocated under the Bonds and the relationships among each classification are shown in the figure and table below.

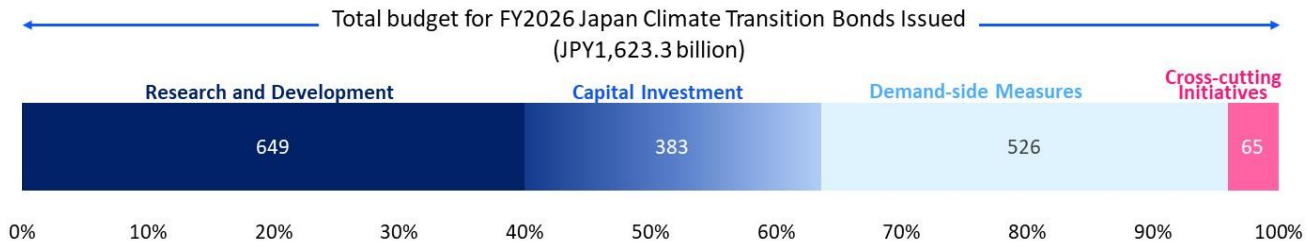


Figure 2: Budget for Projects to Receive Proceeds from CT Bonds (FY2026) (by Category)[15]

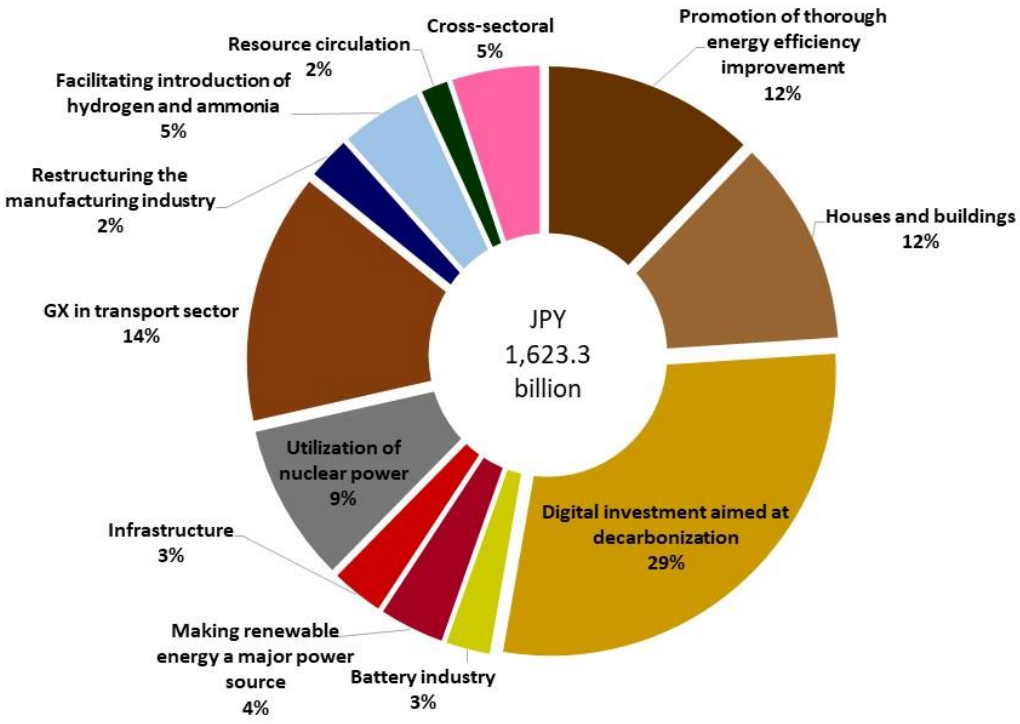


Figure 3: Budget for Projects to Receive Proceeds from CT Bonds (FY2026) (by Eligibility criteria)[16]

In Table 3, projects that were newly added as a use of proceeds from the Bonds (issued in FY2026) are indicated as "New," while projects that were included in the use of proceeds from the Japanese Climate Transition Bonds to date (issued in FY2023-2025) and will continue in the Bonds (issued in FY2026) are indicated as “Continuation.” The ratio of new projects to continuing projects is as follows. In terms of the total budget amount, new projects: JPY544.2 billion, continuing projects: JPY1079.1 billion, with continuing projects accounting for about 70%. Please note that specific targets or requirements were changed in some ongoing projects.

[15] Created by JCR based on materials provided by METI
[16] Created by JCR based on materials provided by METI

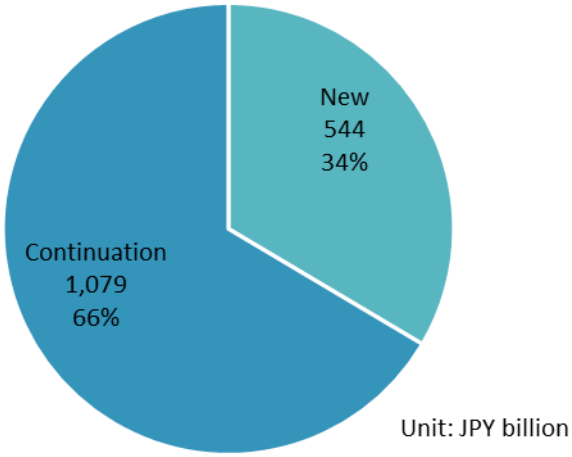


Figure 4: Budget-based Proportion of New and Existing Projects to Receive Proceeds from Bonds[17]

[17] Created by JCR based on materials provided by METI

2. Project Overview and Impact (Environmental Improvement Effect)

The use of proceeds for the Bonds consists of (A) research and development, (B) capital investment, (C) demand-side measures, and (D) cross-cutting initiatives. The outline of each project and its environmental benefits are detailed below. JCR has confirmed that the use of proceeds from the Bonds meets the eligibility criteria, which have been confirmed in the framework evaluation for both eligibility and environmental benefits. JCR has confirmed that all the subsidy program recipients are obliged to submit, in advance, their direct or indirect GHG emissions and GHG emissions reduction targets and initiatives toward carbon neutrality, such as joining the GX League, in a predetermined format. Accordingly, JCR considers that all the projects to receive the proceeds from the Bonds are important for achieving NZE by 2050 and milestone interim targets set for each fiscal year.

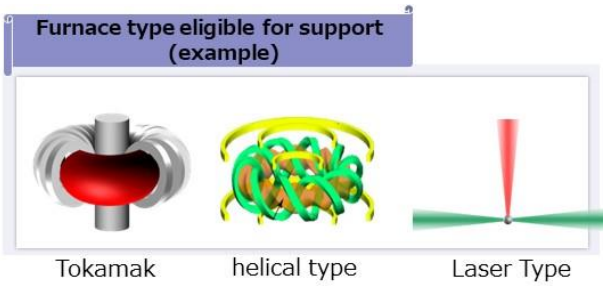
(A) Research and Development

Use of Proceeds 1: Research and Development Project of the Enhanced Infrastructures for Post-5G Information and Communication Systems
(projects continued from the Japan Climate Transition Bonds issued in FY2023, FY2024, and FY2025)

ICMA GBP Classification	"Energy efficiency"
GB Guidelines	"Projects for energy efficiency"
Project Objectives	The fifth-generation mobile communication system (5G), which is more advanced than the fourth-generation mobile communication system (4G), is currently being commercially available in various countries, but 5G (hereinafter referred to as "post-5G"), which has enhanced functions such as ultra-low latency and multiple simultaneous connections, is expected to be used in a variety of industrial applications such as factories and automobiles in the future, and is expected to be the core of Japan's competitiveness. This project aims to strengthen the development and manufacturing base of post-5G information and communication systems in Japan by developing core technologies for post-5G information and communication systems (hereinafter referred to as "post-5G information and communication systems").
Project Overview	We will work on the development and demonstration of design and manufacturing technologies for post-5G information and communication systems and advanced semiconductors. (1) Development of post-5G information and communication systems (consignment and subsidy) Support technology development for the entire information and communication network and its constituent elements (foundation models for generative AI in the field of robotics). (2) Development of design and manufacturing technologies for advanced semiconductors, etc. (Consignment, subsidy) We will support the development of semiconductor design and system design technologies for the purpose of promoting the utilization of advanced semiconductors, etc., as well as manufacturing equipment and parts materials that are essential for the manufacture of advanced semiconductors and have advantages in Japan.
Outcome Objectives	The technology developed in this project aims to be used in Japan's post-5G information and communication systems in the future (Practical application rate of developed technology 50% or more (cumulative)).
Related URL	https://www.meti.go.jp/policy/mono_info_service/joho/post5g/pdf/20260324_kenkyukaihatsukeikaku.pdf
JCR's Evaluation	Under the Research and Development Plan for the Project to Enhance Infrastructure for Post-5G Information and Communication Systems, not only research and development specialized for individual products but also cross-cutting research and development, including technologies that connect and integrate different products, are planned. The use of proceeds under the Bonds

	corresponds to projects designated as GX-related development themes within this research and development plan. Projects designated as GX themes refer to those that possess technological innovation and are considered to contribute to the reduction of CO_2 emissions. Regarding CO_2 emission reduction, certain themes have specific targets for reducing power consumption and other indicators. In addition, some themes are expected to contribute to reduced energy consumption through the optimization of processes achieved as a result of technological development, even where explicit reduction targets are not individually specified. Based on the above, as the use of proceeds is limited to themes within the Research and Development Project of the Enhanced Infrastructure for Post-5G Information and Communication Systems that contribute to CO_2 emissions reduction, JCR evaluates that the use of proceeds is expected to generate environmental improvement effects.

Use of Proceeds 2: Promotion Project for Demonstration of Fusion Energy Power Generation

ICMA GBP Classification	"Low carbon/decarbonized energy"
GB Guidelines	N.A.
Project Objectives	Regarding fusion energy, there are startups in Japan and overseas aiming to demonstrate power generation in the 2030s due to expectations as the next generation of clean energy. In light of this situation, the Strategic Energy Plan (decided by the Cabinet in February 2025) stipulates that "we will strengthen the R&D capabilities of the public and private sectors, including startups," and "Aiming for the world's first power generation demonstration, the Government will promote the development of prototype reactors and promote initiatives using various methods such as tokamak, helical, and laser types." In addition, the Fusion Energy Innovation Strategy (revised on June 2025) aims to achieve early realization and industrialization, including demonstration of power generation in the 2030s, which is the first in the world. This project will support the efforts of startups and others to realize world-leading power generation demonstrations.
Project Overview	The project will support technology development by startups and others aiming to demonstrate power generation using fusion energy. Milestones are set based on discussions in government meetings, and candidates for the demonstration reactor concept are narrowed down based on the status of achievement.
Project Scheme	
Outcome Objectives	Based on the fusion energy innovation strategy, candidates for the demonstration reactor concept will be narrowed down according to the achievement of milestones, and aim to demonstrate power generation in the 2030s, which will be the first in the world.
Related URL	https://www8.cao.go.jp/cstp/fusion/taskforce_social/4kai/siryou1-2.pdf https://www8.cao.go.jp/cstp/fusion/fusion_senryaku2506.pdf
JCR's Evaluation	Fusion energy refers to energy generated by nuclear fusion, which is the energy released when light atomic nuclei fuse together and transform into a different nucleus and is regarded as a promising future baseload power source due to its characteristics, including the absence of CO_2 emissions during power generation, the abundance of fuel derived from seawater, a higher level of safety compared with existing nuclear reactors due to the ability to stop the reaction by cutting off the fuel supply or power, and the fact that radioactive waste can be managed using conventional technologies.

	In overseas countries, including the United States and the United Kingdom, strategies related to fusion energy have been formulated and plans for prototype reactor construction are under consideration, indicating an acceleration of initiatives in this field. In Japan, the Government formulated the Fusion Energy Innovation Strategy (Revised in June 2025) in April 2023 as its first national strategy on fusion energy and has positioned fusion energy as a new industrial sector, while promoting initiatives such as the ITER (International Thermonuclear Experimental Reactor) project and the Broader Approach (BA) activities. The use of proceeds under the Bonds is intended to be applied to technological demonstration activities conducted by startups and other entities for the purpose of demonstrating power generation using fusion energy, with demonstration of power generation in the 2030s set as the target. This target is comparable to that of similar fusion energy power generation demonstrations overseas and is therefore evaluated as ambitious. At the same time, JCR evaluates that the setting of this target contributes to the achievement of Japan's 2050 carbon neutrality goal.

Use of Proceeds 3: Demonstration Reactor Development Project for Fast Reactor (projects continued from the Japan Climate Transition Bonds issued in FY2025)

ICMA GBP Classification	"Low carbon/decarbonized energy"
GB Guidelines	N.A.
Project Objectives	Fast reactors contribute to the decarbonization of energy supply, and have three significances: effective use of resources, reduction of high-level radioactive waste volume and hazardousness, and R&D is underway in other countries such as France and the United States. In Japan, the Strategic Energy Plan (Cabinet decision in February 2025) states, " Regarding the development of demonstration reactors, under the supervision of an integrated research and development organization that brings together engineers from JAEA, nuclear operators, and core companies, the Government will engage in intensive research and development of the entire reactor and fuel cycle, utilizing technical knowledge from international cooperation with like-minded countries such as the United States and France." In this project, in accordance with the strategic roadmap (decided by the Nuclear Energy Ministerial Meeting in December, 2022), the conceptual design and research and development of the fast reactor demonstration reactor will be promoted.
Project Overview	In accordance with the milestones set out in the strategic roadmap, we will proceed with the conceptual design of the demonstration reactor and gradually engage in research and development of elemental technologies necessary to achieve high safety and reliability in order to make a decision on the transition to the basic design and licensing procedures for the demonstration reactor around FY2028. Specifically, the project will promote prototype testing of large-scale equipment, the development of test and research facilities, and the acquisition of data that contributes to the development of design evaluation technologies and the development of standards and standards. Utilizing international cooperation on fast reactors between Japan, the United States, and France, the project will efficiently promote demonstration reactor development by enhancing test data, design, and other knowledge.
Outcome Objectives	In line with the strategic roadmap, we will proceed with the conceptual design of fast reactor demonstration reactors, the development of test and research facilities, the development of design evaluation technologies, and the development of standards and standards over a six-year period from FY2023 to FY2028. The project aims to conduct a concrete study of fuel technology around FY2026 and make a decision on the transition to the basic design and permitting procedures for demonstration reactors around FY2028.
Related URL	https://www.meti.go.jp/shingikai/enecho/denryoku_gas/genshiryoku/kakushinro_wg/pdf/20260408_roadmap_all.pdf
JCR's Evaluation	The use of proceeds constitutes a continuation of an existing project. A fast reactor is a type of nuclear reactor in which the nuclear fission chain reaction is sustained by high-energy neutrons (fast neutrons). No moderator such as that used in light water reactors

	is required to slow down neutrons, and fuels with higher density within fuel assemblies are used. By utilizing fast neutrons, fast reactors further enhance the benefits of the nuclear fuel cycle, including the reduction of the volume and hazardousness of high-level radioactive waste and the more effective use of nuclear fuel resources. In the fast reactor demonstration reactor construction project that constitutes the use of proceeds, research and development of the conceptual design and elemental technologies is progressing, and a decision is scheduled to be made around FY2028 on whether to proceed to the basic design phase and to initiate the necessary licensing and permitting procedures for the demonstration reactor.

Use of Proceeds 4: Demonstration Reactor Development Project for High Temperature Gas-cooled Reactor
(projects continued from the Japan Climate Transition Bonds issued in FY2023, FY2024, and FY2025)

ICMA GBP Classification	"Low carbon/decarbonized energy"
GB Guidelines	N.A.
Project Objectives	High temperature gas-cooled reactors (HTGRs) are expected to contribute to the decarbonization of materials industries such as steelmaking and chemicals by supplying semi-domestic carbon-free hydrogen and heat that utilizes high-temperature heat. In Japan, the Basic Energy Plan (decided by the Cabinet in February 7) states, "We will take on further challenges for hydrogen production tests using the High Temperature Engineering Test Reactor (HTTR), and we will promote the development of HTGR demonstration reactors through extensive collaboration with industry, academia, and government through extensive cooperation with industry, making use of international cooperation with the United Kingdom, a like-minded country." This project aims to conduct the design and R&D necessary for hydrogen production tests and demonstration reactor development using HTTR.
Project Overview	In order to establish connection technology and evaluation methods between HTGRs and hydrogen production facilities with high safety, hydrogen production tests will be conducted at HTTR by 2030. Specifically, the project will work on the design of hydrogen production facilities and the development of connection technologies between HTGRs and hydrogen production facilities, such as high-temperature isolation valves, based on trends in nuclear regulatory reviews. In addition, in order to realize carbon-free hydrogen production methods (high-temperature steam electrolysis, IS method, and methane pyrolysis method) that utilize high-temperature heat generated in HTGRs of about 900°C, it will develop a heat transfer structure that efficiently extracts heat from high-temperature helium. In addition, we will proceed with the design of HTGR demonstration reactors and gradually work on research and development of elemental technologies necessary to achieve high safety and reliability. Specifically, it will work on analytical tests and production of test equipment for the larger size of equipment, as well as tests to acquire material data with excellent high-temperature resistance.
Outcome Objectives	This is an eight-year project from FY2023 to FY2030. In the short term, we aim to solve the problems of each major equipment for the HTTR hydrogen production test, and to complete the development process and equipment concept according to the specifications of the demonstration reactor. In the medium term, the project aims to complete the detailed design of the HTTR hydrogen production system and the production of major equipment. In the long term, the project aims to establish hydrogen production volume evaluation technology and demonstrate technology that assumes a connection environment between hydrogen production technology and decarbonized high-temperature heat sources.
Related URL	https://www.meti.go.jp/shingikai/enecho/denryoku_gas/genshiryoku/kakushinro_wg/pdf/20260408_roadmap_all.pdf
JCR's Evaluation	The use of proceeds constitutes a continuation of an existing project.

	A high-temperature gas-cooled reactor (HTGR) is a type of nuclear reactor that uses graphite as a moderator, helium gas as a coolant, and fuel composed of ceramic-coated fuel particles with high heat resistance, allowing it to extract and utilize heat at temperatures close to 900°C. High-temperature heat can be utilized for hydrogen production and power generation. Regarding hydrogen production, which has attracted attention as a means of decarbonizing industrial sectors including steelmaking and chemicals, the amount of hydrogen produced by one HTGR unit (five reactor cores) of the same scale as a demonstration reactor would be sufficient to supply the hydrogen required for one commercial-scale shaft furnace capable of direct hydrogen reduction ironmaking. Compared with hydrogen production using solar power generation, hydrogen production using an HTGR is estimated to require less than approximately one-thousandth of the land area needed for solar power generation to achieve the same level of hydrogen output. In Japan, the Japan Atomic Energy Agency (JAEA) operates the High Temperature Engineering Test Reactor (HTTR). By utilizing HTTR, in addition to conducting international demonstrations of safety, the Government plans to carry out technological development necessary for the large-scale and low-cost production of carbon-free hydrogen by 2030. Over the longer term, the objectives include establishing technologies for evaluating hydrogen production volumes and conducting technological demonstrations assuming an integrated environment connecting hydrogen production technologies with decarbonized high-temperature heat sources. Based on the above, JCR evaluates that the use of proceeds, which supports these initiatives, contributes to the achievement of Japan's 2050 carbon neutrality goal.

Use of Proceeds 5: Support Program for Technology Development and Supply Chain Enhancement Toward Next-Generation Advanced Reactors Deployment (projects continued from the Japan Climate Transition Bonds issued in FY2025)

ICMA GBP Classification	"Low carbon/decarbonized energy"
GB Guidelines	N.A.
Project Objectives	The GX2040 Vision (approved by the Cabinet in February 2025) states that, "To materialize nuclear energy as a decarbonized power source, the Government will work on the development and deployment of next-generation advanced reactors with built-in new safety mechanisms to improve the safety of nuclear energy". It also stipulates that, alongside promoting research and development of next-generation advanced reactors, efforts will be made to maintain and strengthen supply chains and human resources. Under this project, support will be provided for technology development toward the realization of advanced light water reactors and small modular reactors that are included in next-generation advanced reactors incorporating new safety mechanisms, as well as for the advancement of supply chains. In addition, in order to maintain and strengthen the nuclear industry as a whole, which underpins the safety and reliability of nuclear power utilization, supply chain development will be promoted through the use of international cooperation. With a view to capturing overseas market opportunities, the program will further enhance the competitiveness of companies by strengthening technology development, human resource development, and supply capacity, while addressing challenges such as supply disruptions and shortages of skilled personnel.
Project Overview	(1) Technology development of next-generation advanced reactors The project will support technological development that will contribute to further enhancing the competitiveness of domestic supply chains with technological strengths and proven track records. In particular, new safety measures such as static safety systems will be used for advanced light water reactors, and technologies that Japanese companies have strengths in international cooperation will be targeted small modular reactors. (2) Strengthening the industrial base for the development and installation of next-generation advanced reactors The project will support R&D, manufacturing technology development, and manufacturing demonstration that contribute to the advancement of the supply chain of equipment and parts related to the technical items necessary for the development and installation of advanced light water reactors and small modular reactors.

Project Scheme	Examples of Business Support • Development of technologies related to advanced light water reactors, such as major equipment such as steam generators incorporating new mechanisms, core catchers, and double cylindrical containment vessels • Development of technologies related to small modular reactors, such as integrated isolation valves and cooling systems by natural circulation • R&D, manufacturing technology development, and manufacturing demonstration that contribute to the advancement of the supply chain for nuclear equipment and parts and materials
Outcome Objectives	It is a project from FY2025, In the short term, the project aims to make two independent projects as independent businesses of companies with the results of this project by FY2030. Ultimately, the project aims to apply the results inherited by independence to the actual machine by FY2040.
Related URL	https://www.meti.go.jp/shingikai/enecho/denryoku_gas/genshiryoku/kakushinro_wg/pdf/20260408_roadmap_all.pdf
JCR's Evaluation	With regard to the technological development of next-generation advanced reactors, both advanced light water reactors and small modular reactors (SMR), which are identified as eligible uses of proceeds under the Bonds, are expected to be socially implemented in the 2040s, according to the Roadmap for Next-Generation Advanced Reactor Development. Advanced light water reactors pursue enhanced safety by incorporating strengthened safety measures at the design stage, based on the designs of existing reactors such as pressurized water reactors (PWR) and boiling water reactors (BWR), considering the lessons learned from the Fukushima Daiichi Nuclear Power Plant accident. In the case of small modular reactors, development for deployment is progressing in the United States and Canada, and this project targets initiatives involving technologies in which Japanese companies have particular strengths in the context of international collaboration, as well as efforts to examine adaptability to Japan-specific natural conditions, such as seismic and tsunami risks. The strengthening of the industrial base toward the development and deployment of next-generation advanced reactors is aimed at enhancing domestic supply chains related to the construction of such reactors. Japan's industrial supply chain for nuclear power generation is among the most robust of the major countries, with a high degree of technological accumulation among domestic companies and strong international competitiveness. Further strengthening the existing technological base and enhancing the overall competitiveness of domestic companies is important in order to actively respond to the growing overseas demand for reactor construction. In this context, the use of proceeds for research and development and the preparation of an enabling environment that contribute to strengthening the supply chain is evaluated as promoting the enhancement of Japan's nuclear industry and contributing to the achievement of Japan's 2050 carbon neutrality target.

Use of Proceeds 6: Deep-Tech Startups Support Program in the Green Transformation field (projects continued from the Japan Climate Transition Bonds issued in FY2024 and FY2025)

ICMA GBP Classification	"Renewable energy," "Energy efficiency," "Clean transportation," "Circular economy adapted products, production technologies and processes and/or certified eco-efficient products" and "Environmentally sustainable management of living natural resources and land use"
GB Guidelines	"Projects for renewable energy," "Projects for energy efficiency," "Projects for clean transportation," "Projects concerning production technologies and processes and environmentally friendly products for the circular economy," and "Projects for the sustainable management of living natural resources and land use."
Project Objectives	While some analyses indicate that Japan's related technology potential in the GX field is large, Japan is lagging behind international competition in the social implementation stage of the GX field. In order to quickly implement a wider range of technology seeds in society, it is important to utilize startups from the perspective of flexible R&D systems and access to risk money based on market trends. In the GX field, startups are created based on technology seeds, but it takes a long time for the startups to research and develop and realize social implementation, and there

	are major barriers in terms of demand creation and fundraising. By eliminating these barriers, we will strongly support the early implementation of GX-related technologies in society.
Project Overview	(1) Comprehensive support for social implementation of deep tech startup companies in the GX field The project aims to realize GX and develop the startup ecosystem by providing seamless support covering all stages from start-up to commercialization for deep tech startups in the GX field, which face many challenges before establishing technology and business, over multiple years. (2) Exploration and incubation of frontier GX technologies To explore and foster excellent technologies in the GX field, the project provides R&D support for frontier areas, conducts prize-based programs to encourage ambitious challenges, and offers accompanying commercialization support. (3) Investment support by the GX Acceleration Agency Regarding the risks that deep tech startups in the GX field cannot fully absorb, from the perspective of risk compensation, the GX Acceleration Agency will support the provision of funds for startups and other companies to invest in GX.
Outcome Objectives	• The goal is to accelerate the business growth of startups in the GX field. • In the short term, the project aims to increase the percentage of companies which have raised funds in the next series of funds to 50% within one year after the end of the support project (for the business development support project, the project aims to achieve 60% of the percentage of companies which have commercially developed products and services within one year after the end of the support project). • In the medium term, the project aims to pursue more ambitious results beyond financing, including the start of large-scale commercial production, listing on the exchange, and acquisitions. • In the long term, the project aims to promote GX that realizes emission reduction and economic growth at the same time, and to create and develop a world-class GX startup ecosystem.
Related URL	(1) Comprehensive support for social implementation of deep tech startup companies in the GX field https://www.nedo.go.jp/activities/ZZJP_100250.html (2) Exploration and incubation of frontier GX technologies ・Studies on Promoting the Development of a GX Innovation Ecosystem for Frontier Exploration and Priority Support https://www.nedo.go.jp/koubo/NA2_100231.html ・NEDO Leading Research Program / Advanced Technology Leading Research Program and Frontier Development Program https://www.nedo.go.jp/koubo/SM2_100001_00084.html ・Frontier Development Program https://www.nedo.go.jp/news/press/AA5_101853.html (3) Investment support by the GX Acceleration Agency https://www.gxa.go.jp/financial-support/program/
JCR's Evaluation	(1) Comprehensive support for social implementation of deep tech startup companies in the GX field With regard to the research and development targeted under this program, it is stipulated that the eligible activities include the promotion of the development and use of non-fossil energy such as solar power, wind power, and hydrogen; the development of next-generation lithium-ion batteries; the development of innovative materials to shift to non-fossil-derived feedstocks; the advancement of energy utilization through the development of semiconductors, innovative materials, and AI that contribute to energy efficiency; and projects related to the reduction of CO_2 emissions from business sites, among others (excluding nuclear power). The eligible fields correspond to all categories of use of proceeds under this Framework, except for "the utilization of nuclear power." These activities are expected to contribute to the reduction of domestic CO_2 emissions, including over the longer term. Accordingly, JCR evaluates that this use of proceeds has environmental improvement effects. (2) Exploration and incubation of frontier GX technologies This program aims to promote research and development and commercialization by identifying new areas in the GX field that Japan should newly address as a nation (frontier areas), and by fostering the areas defined as a result of such exploration. It is anticipated that approximately six

	GX frontier areas will be established, and to date, “Extreme Materials” and “Utilization of Underground Untapped Resources” have been designated. “Extreme Materials” This research and development aims to induce materials-driven innovation by advancing technological development of key materials ahead of other countries, in response to efforts toward carbon neutrality and the circular economy. Among the technologies related to “Extreme Materials” that contribute to CO_2 emissions reduction, the focus is on the following two areas: (i) Power laser technologies; (ii) High-temperature superconducting conductor technologies; Power laser technologies contribute to higher efficiency in processing and cutting by enhancing material and device performance against heat generation and optical damage associated with high-output lasers. High-temperature superconducting conductor technologies contribute to the expansion of application ranges by reducing alternating current losses in conductors that achieve zero electrical resistance at liquid nitrogen temperatures. “Utilization of Underground Untapped Resources” This research and development focuses on natural hydrogen. Natural hydrogen is attracting attention as a low-cost hydrogen source with minimal CO_2 emissions during extraction and is considered to have the potential to become a purely domestic primary energy source. While natural hydrogen is gaining global interest, the mechanisms of its generation, migration, and accumulation in deep underground environments have not yet been fully elucidated. Accordingly, research indispensable for its utilization is being conducted, with the aim of identifying its potential as a future low-carbon hydrogen supply source. (3) Equity investment support by the GX Acceleration Agency Equity investment by the GX Acceleration Agency in deep-tech startups in the GX field are allocated to the social implementation of technologies that contribute to GX through technological development, demonstration activities. In making such investments, consistency with this Framework is confirmed, and in addition, a system is in place to verify whether appropriate environmental and social considerations are implemented by project operators so that potential environmental and social impacts are avoided or mitigated. Furthermore, the loan guarantees by the GX Acceleration Agency are allocated not by this project, but by the budget for “Capital for GX Acceleration Agency," which is designated as use of Proceeds 35.

Use of Proceeds 7: Next-generation aircraft development and related areas (projects continued from the Japan Climate Transition Bonds issued in FY2025)

ICMA GBP Classification	“Clean transportation”
GB Guidelines	“Projects for clean transportation”
Project Objectives	METI has formulated "Aircraft Industry Strategy” in April 2024, outlining the challenges and growth directions of Japan’s aircraft industry. By acquiring integration capabilities in both new markets and volume zones, we decided to break away from the traditional supplier structure and aim to create an airframer business through international collaboration in the future. This project aims to acquire integration capabilities in the next-generation aircraft development project through demonstrations of advanced composite applications, high-efficiency production demonstrations, and improvements in engine fuel efficiency that contribute to emission reduction, as well as consistent business implementation capabilities, including maintenance of MRO bases (maintenance, repair, overhaul, etc.).
Project Overview	(1) Development of the main structure of the next-generation aircraft and demonstration of high-rate production technology In order for domestic companies to participate in the next-generation aircraft development project from the upstream process and acquire integration capabilities, the project will support the demonstration of the application of composite materials that contribute to the weight reduction of the aircraft and the demonstration of high-efficiency production to increase

	production volume. (2) Demonstration of next-generation engine architecture technology The project will support the demonstration of elemental technologies necessary for engine development that is more efficient than current engines, specifically, the demonstration of element-level technologies necessary to improve fuel efficiency, and the study of prototypes that combine elemental technologies. (3) Investment support for supply chain modernization In order for domestic aircraft suppliers to participate in the next-generation aircraft development project, the project will support capital investment and process certification to improve production capacity such as high-efficiency production. (4) Strengthening Engine MRO Capabilities For aircraft engine MRO, which is forced to use overseas maintenance bases, it has established a system that can be consistently maintained in Japan by introducing parts repairs and post-maintenance test run equipment. (5) Development of common basic technology for innovative aircraft composites In order to optimize the molding process of carbon fiber composites for high-rate production, the project supports foundational technologies for the establishment of carbon fiber composite molding process analysis tools and for the acquisition of data necessary for certification.
Outcome Objectives	In the next-generation aircraft development project, which is expected to be launched on the market around 2035, the program has acquired integration capabilities by participating in the upstream process, mainly leveraging weight reduction and efficiency technologies. In addition, the project will acquire a profit base through the development of MRO bases, expand the introduction of SAF, and switch to new equipment. (1) Development of the main structure of the next-generation aircraft and demonstration of high-rate production technology (FY2025-27) (2) Demonstration of next-generation engine architecture technology (FY2025-27) (3) Investment support for supply chain modernization (FY2025-29) (4) Strengthening Engine MRO Capabilities(FY2025-29) (5) Development of common basic technology for innovative aircraft composites (FY2025-29)
Related URL	https://www.meti.go.jp/shingikai/sankoshin/seizo_sangyo/kokuki_uchu/pdf/2025_001_03_00.pdf
JCR's Evaluation	The project is intended to provide support for: (i) development and acquisition of technologies related to aircraft weight reduction and the development of high-efficiency engines, corresponding to items (1), (2), (3), and (5) of the project overview; and (ii) the strengthening of the industrial base and operational frameworks, corresponding to item (4). With respect to item (i), all related initiatives are expected to contribute to the reduction of greenhouse gas emissions in the future. Regarding the development of high-efficiency engines, the Roadmap for Promoting the Decarbonization of Aviation formulated by the Ministry of Land, Infrastructure, Transport and Tourism in May 2024 assumes the phased introduction of sustainable aviation fuel (SAF) toward the achievement of carbon neutrality by 2050. In addition, while SAF is regarded as a promising decarbonization measure, the roadmap indicates that there may be constraints in terms of supply volume and cost. From a complementary perspective, the development of high-efficiency technologies, including innovative improvements in fuel efficiency, is positioned as necessary. Accordingly, JCR evaluates that the risk of carbon lock-in associated with these initiatives is limited. With respect to item (ii), although it does not involve the development of new technologies in itself, JCR evaluates that it constitutes an essential foundation that underpins the social implementation of next-generation aircraft technologies.

Use of Proceeds 8: Project for the Development of Multimodal Foundation Models Targeting AI Robotics and Physical AI

ICMA GBP Classification	"Energy efficiency"
GB Guidelines	"Projects for energy efficiency"
Project Objectives	The government formulated the "ARTIFICIAL INTELLIGENCE BASIC PLAN" in December 2025.

	The plan states that "We position AI as intellectual and execution infrastructure, and through research and development, and utilization of energy-efficient foundation models, we will realize a new "Technology-Driven Nation" and contribute to Green Transformation (GX: Transformation and activities aimed at minimizing the use of fossil fuels and utilizing clean energy) across society." This project aims to develop domestic AI models as infrastructure that will serve as a basis for the development of AI robots and physical AI, and aim to strengthen the competitiveness of industries such as the manufacturing industry, where Japan has strengths, and realize GX.
Project Overview	The project aims to develop multimodal foundation models that will serve as the basis for the development of AI robots and physical AI.
Outcome Objectives	• This is a project from FY2026 and aims to advance the social implementation of AI by developing a domestic AI infrastructure model that will serve as a basis for the development of AI robots and physical AI, and promoting the development and utilization of AI for specific applications based on the model in the public and private sectors. • Regarding the performance targets of the models to be developed, we will review and set major indicators established globally in each fiscal year in line with trends in technological innovation.
Related URL	https://www.meti.go.jp/policy/policy_management/ebpm/kensyo_shinario/260413_multimodal.pdf
JCR's Evaluation	The use of proceeds under this project is intended for the development of domestic multimodal AI foundation models that serve as the development platform for AI robotics and physical AI. Through this initiative, the project aims to strengthen industrial competitiveness in sectors such as manufacturing and to contribute to the realization of GX. Physical AI refers to AI that integrates images, audio, video, and various sensors to understand the real world and generate actions to perform physical tasks.. Physical AI can be regarded as a foundational technology for enabling autonomous control and optimization in factories, autonomous control of robots, and automated driving. By enabling delicate real-time adjustments, it is expected to improve productivity. In addition by eliminating waste in manual and robotic operations, and by optimizing factory and building operations through simulations using digital twins and feeding the results back to the site, it also contributes to reducing energy consumption. In order to operate such physical AI systems, it is necessary to develop multimodal foundation models capable of processing not only language data but also diverse types of data that do not exist on the web. The use of proceeds under this project directly corresponds to initiatives for developing such multimodal foundation models. With respect to the implementing organization, NEDO has been promoting research and development in AI by providing support such as access to computational resources necessary for foundation model development and the operation of related communities under the "GENIAC (Generative AI Accelerator Challenge) Project," which has been conducted since February 2024 as part of the Research and Development Project for Enhanced Infrastructures for Post-5G Information and Communication Systems, with the aim of fostering domestic development capabilities in generative AI at the earliest possible stage. As described above, since the realization of physical AI is expected to enhance productivity in manufacturing and other industries and to improve energy efficiency, JCR considers that this project is expected to generate environmental improvement effects.

(B) Capital Investment

Use of Proceeds 9: Subsidy for Energy Conservation Investment Promotion and Demand Structure Transformation
(projects continued from the Japan Climate Transition Bonds issued in FY2023, FY2024, and FY2025)

ICMA GBP Classification	"Energy efficiency"
GB Guidelines	"Projects for energy efficiency"
Project Objectives	The purpose of this project is to contribute to the achievement of the "Outlook for Energy Supply and Demand in FY2030" by supporting the introduction of advanced equipment and other equipment throughout factories and workplaces, custom-designed equipment, equipment designed and manufactured according to the purpose and use of business operators, or a combination of specific equipment with high energy-saving effects, and equipment replacement with electrification and fuel conversion that leads to decarbonization. At that time, we will provide seamless support for multi-year investment plans, and unlock the latent demand for energy-saving investment, especially in small and medium-sized enterprises. In addition, by promoting the replacement of existing equipment with high energy-efficient equipment at factories and other facilities, we will reduce greenhouse gas emissions and strengthen Japan's industrial competitiveness.
Project Overview	We will support the replacement for energy-efficient equipment at factories and workplaces through the following initiatives. (1) Factory and business site type: Support the implementation of energy conservation at factories, business sites, and the entire supply chain by introducing advanced equipment and equipment with mechanical design throughout factories and business sites. (2) Electrification and decarbonizing fuel conversion types: Support the introduction of equipment and other equipment that involves fuel conversion for the purpose of electrification and decarbonization, such as the transition from fossil fuels to electricity and the conversion to lower-carbon fuels. (3) GX equipment unit type: Support the introduction of energy-saving equipment that greatly exceeds the conventional support level and energy-saving equipment of manufacturers who are committed to corporate growth (4) Energy demand optimization type: Support for businesses that reduce energy consumption and optimize energy demand using energy management systems
Outcome Objectives	Among the energy-saving measures (approximately 27 million kl) for the industrial and business sectors in the Outlook for Energy Supply and Demand in FY2030, we will promote the implementation of measures centered on energy-saving capital investment and aim to achieve energy savings of 21.55 million kl, including the effects of this project.
Related URL	https://www.enecho.meti.go.jp/category/saving_and_new/saving/government/package.html
JCR's Evaluation	The Sixth Strategic Energy Plan formulated in 2021 set a target of reducing energy consumption by approximately 62 million kiloliters by 2030 through energy conservation measures. The Seventh Strategic Energy Plan formulated in 2025 also clearly states that the importance of thorough energy conservation remains unchanged, and emphasizes the need to continue improving energy efficiency without undermining economic activity. This project aims to contribute to the achievement of thorough energy conservation by supporting initiatives that realize substantial energy savings across entire factories and business facilities through the introduction of equipment involving mechanical design, equipment designed and manufactured in accordance with the specific purposes and applications of business operators, and advanced equipment, as well as through equipment renewal involving electrification and fuel conversion that lead to decarbonization. Accordingly, it can be evaluated that this project contributes to the achievement of the objectives set forth in the above-mentioned Strategic Energy Plans. The subsidy coverage of these projects includes support for energy conservation initiatives related to equipment using fossil fuels (LNG, petroleum, coal, etc.). JCR has confirmed through disclosed information and interviews with the Japanese government that this subsidy constitutes a project aimed at achieving Japan's greenhouse gas emission reduction targets for 2030.

	Furthermore, the Japanese government states that there is no assumption of long-term use of fossil fuels in this project that could affect the achievement of the 2050 carbon neutrality target. JCR has confirmed that the grant conditions stipulate, the requirement to consider alternatives to low-carbon fuels such as hydrogen, ammonia, and synthetic methane, thereby reducing carbon lock-in risk. Furthermore, as with other transition projects, it is considered necessary to conduct periodic reviews of the aforementioned matters to ensure that carbon lock-in risks do not materialize.

Use of Proceeds 10: Support for building GX supply chains
(projects continued from the Japan Climate Transition Bonds issued in FY2024 and FY2025)

ICMA GBP Classification	"Renewable energy"
GB Guidelines	"Projects for renewable energy"
Project Objectives	The number of countries and regions declaring carbon neutrality is increasing, and long-term and large-scale investment competition for GX, which achieves both emission reduction, industrial competitiveness, and economic growth, is intensifying. Against this background, this project aims to make the most of the strengths of Japan's manufacturing supply chain and technological base, including small and medium-sized enterprises, and to build a domestic manufacturing supply chain in the GX-related industries, including water electrolyzers, floating wind power generation facilities, perovskite solar cells, fuel cells, HVDC cables, etc., which are essential for the realization of GX, ahead of the world.
Project Overview	In order to establish a domestic manufacturing supply chain in the GX sector in Japan with a high level of industrial competitiveness, including SMEs, subsidies shall be provided to manufacturers and other entities that plan to undertake large-scale investments capable of competing globally in areas such as water electrolysis equipment, floating and other offshore wind power generation facilities, perovskite solar cells, fuel cells, and HVDC cables, as well as their related components, materials, and manufacturing equipment; or to manufacturers and other entities that possess components with currently limited domestic production or proprietary technologies.
Project Scheme	[Examples of subsidy targets]  Water electrolyzer Floating offshore wind power generation equipment Perovskite Solar Cells *In selecting the target person, we will ask the support recipients to provide the following content to the following purpose so that it will lead to the strengthening of industrial competitiveness. • The top management of the company is committed to change. • Being able to attract funds from the capital market on its own while looking forward to future independence Efforts are made to involve market consumers, etc.
Outcome Objectives	Achieve a domestic content ratio of 65% or more by 2040, which is set in the Offshore Wind Industry Vision (2nd Edition) (August 2025), and set individual performance targets for each target field.
Related URL	Sector-specific Investment Strategies (Next-Generation Renewable Energy) https://www.meti.go.jp/press/2024/12/20241227006/20241227006-15.pdf Support for Building GX Supply Chains https://gx-supplychain.jp/

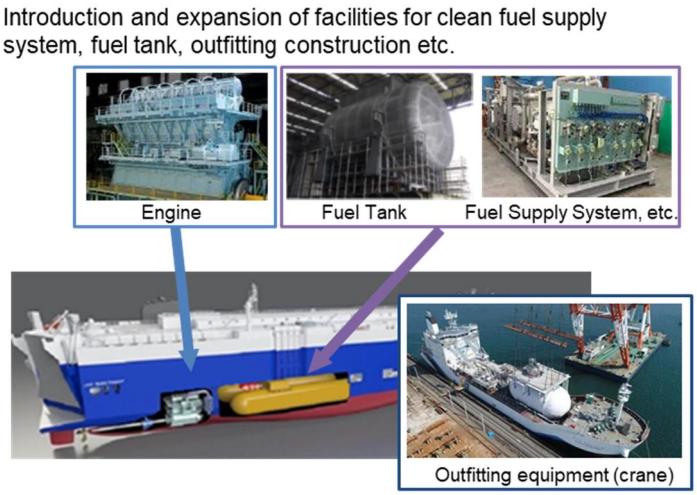
JCR's Evaluation	The use of proceeds under this project targets subsidies for capital investment related to projects that have been continuing since FY2024. Subsidies will be provided for capital investments associated with water electrolyzers, floating and other offshore wind power generation equipment, perovskite solar cells, fuel cells, and related facilities, as specified in the use of proceeds. While capital investment related to HVDC (high-voltage direct current) transmission was included as an eligible use of proceeds in the prior fiscal year, it has been removed in the current fiscal year due to the absence of further necessity. On the other hand, additional products related to the supply chain for wind power generation—such as bearings, generators, gearboxes, control systems, power conversion equipment, and hubs—have been newly added as eligible items for support. Together with the ongoing capital investment related to perovskite solar cells, all eligible uses of proceeds under this project target supply chain-related projects that are essential for achieving carbon neutrality through GX. Accordingly, JCR evaluates that the use of proceeds is expected to generate environmental improvement effects.

Use of Proceeds 11: Support Project for Strengthening Small Engine MRO Facilities

ICMA GBP Classification	"Clean transportation"
GB Guidelines	"Projects for clean transportation"
Project Objectives	The Ministry of Economy, Trade and Industry (METI) has formulated "Aircraft Industry Strategy" in April 2024, outlining the challenges and growth directions of Japan's aircraft industry. In anticipation of increasing aviation demand and carbon neutrality by 2050, the strategy aims to break away from the traditional supplier structure by acquiring integration capabilities and create an airframer business through international collaboration in the future. Based on this strategy, the project will establish a consistent maintenance base for aircraft engine MRO (maintenance, repair, overhaul, etc.) in order to strengthen its capacity to implement the engine business, which is a high-value-added field throughout aircraft production, and to enhance its international competitiveness. By leveraging the knowledge gained from maintenance and applying it to develop fuel-efficient aircraft engines, the project aims to decarbonize the aircraft industry and expand its market share in the aircraft engine market.
Project Overview	We will continue to accumulate knowledge gained through engine MRO and build a domestic collaboration platform to reflect it in the development of fuel-efficient engines expected to be installed in the next-generation aircraft. In addition, given the lack of capacity to perform MRO in to meet the current global demand for small engine maintenance, we will establish a sufficient maintenance system in Japan by developing and increasing facilities to perform small engine MRO.
Outcome Objectives	The project period is planned to be four years. By leveraging the knowledge and expertise gained through engine MRO operations, the project aims to establish a collaborative framework among domestic companies for future engine development, enabling their participation from upstream stages such as the design phase. In addition, anticipating the rapid growth in global demand for aircraft engine maintenance, particularly in Asia, the project will strengthen the capabilities of domestic small engine MRO facilities.
Related URL	https://www.meti.go.jp/shingikai/sankoshin/seizo_sangyo/kokuki_uchu/pdf/2025_001_03_00.pdf
JCR's Evaluation	Under Use of Proceeds 7, "Next-generation aircraft development and related areas," the "Strengthening Engine MRO Capabilities" is a project aimed at acquiring maintenance, repair and overhaul (MRO) capabilities for large aircraft engines, most of which are currently maintained by overseas MRO operators due to the absence of large-scale test run facilities in Japan. The project provides support for capital investment and other measures necessary to enable such domestic MRO capabilities. On the other hand, the project also aims to strengthen capacity through capital investment and other support measures in order to respond to future maintenance demand for small aircraft engines, for which domestic operators already partially conduct MRO activities. In the implementation of this project, processes involving the transport of engines and parts by

	cargo aircraft to overseas maintenance facilities are eliminated, thereby contributing to reductions in CO_2 emissions. Furthermore, by accumulating data and know-how through MRO operations and sharing such knowledge among domestic operators, the project is expected to contribute to the development and dissemination of next-generation fuel-efficient aircraft engines, leading to further reductions in CO_2 emissions. Accordingly, JCR evaluates that this project has environmental improvement effects as well as positive spillover effects for future technological development.

Use of Proceeds 12: Promotion of the construction of zero-emission ships etc.
(projects continued from the Japan Climate Transition Bonds issued in FY2024 and FY2025)

ICMA GBP Classification	"Clean transportation"
GB Guidelines	"Projects for clean transportation"
Project Objectives	Of the CO_2 emissions from Japan's transportation sector, ships account for the second largest proportion after automobiles, and in order to achieve net-zero by 2050, the widespread use of zero-emission ships that use hydrogen and ammonia fuels (see below) is essential. In Japan, there are a variety of companies in the supply chain for marine business operators, including manufacturers of producing important marine equipment such as zero-emission ships etc., and the shipbuilders that construct them. By providing this support, the aim is to strengthen the international competitiveness of the shipping industry.
Project Overview	• The government will support capital investment required for the development and expansion of production facilities for engines, fuel tanks, fuel supply systems, etc., which are necessary for the construction of zero-emission ships, etc., as well as the development and expansion of facilities for installing the above-mentioned marine equipment on ships. • By providing this support, the aim is to strengthen the international competitiveness of the shipping industry.
Project Scheme	
Related URL	Sector-specific Investment Strategies (Ships) https://www.meti.go.jp/press/2024/12/20241227006/20241227006-10.pdf
JCR's Evaluation	This project is a subsidy program that supports the production of marine equipment and the development of outfitting facilities for vessels using hydrogen, ammonia, LNG, methanol, and electricity (batteries) as energy sources, and is aligned with roadmaps and other initiatives aimed at achieving zero emissions in the maritime sector. LNG fuel is positioned as the Best Available Technology (BAT) in the maritime sector under the current circumstances where the full-scale deployment of hydrogen- and ammonia-fueled vessels remains technically and economically challenging. In addition, the Sector-specific Investment Strategy (Shipping) envisages a phased transition to green methane toward 2050, and therefore the risk of carbon lock-in associated with LNG-fueled vessels is considered to be limited. Similarly, with respect to methanol fuel, the same strategy assumes the future dissemination of

	green methanol, indicating that the carbon lock-in risk is likewise limited. It should be noted that LNG-fueled vessels and methanol-fueled vessels have been excluded from new eligibility targets under FY2025 supplementary program. Based on the above, JCR evaluates that this project is an initiative that is expected to generate environmental improvement effects while mitigating carbon lock-in risks.

Use of Proceeds 13: Energy Conservation and Non-Fossil Conversion Investment Promotion and Social Implementation Support Project
(projects continued from the Japan Climate Transition Bonds issued in FY2023, FY2024, and FY2025)

ICMA GBP Classification	"Energy efficiency"
GB Guidelines	"Projects for clean transportation"
Project Objectives	In order to achieve carbon neutrality by 2050 and the new 2030 greenhouse gas emission reduction target, the project aims to reduce greenhouse gas emissions and strengthen Japan's industrial competitiveness by promoting energy-saving investment and technology development in an integrated manner using advanced energy-saving equipment and systems.
Project Overview	(1) Subsidy for Energy Conservation Investment Promotion and Demand Structure Transformation Support multi-year projects related to these initiatives that have been adopted in the past for efforts to achieve significant energy savings throughout factories and workplaces, upgrade equipment with electrification and switch to lower-carbon fuels, and introduce energy management systems. (2) Program to Develop and Promote the Commercialization of Energy Conservation Technologies to Realize a Decarbonized Society Support for each phase according to the development stage and technology development from a long-term perspective on priority issues.
Outcome Objectives	(1) Among the energy-saving measures (approximately 27 million kl) for the industrial and business sectors in the outlook for energy supply and demand in FY2030, it will promote the implementation of measures centered on energy-saving capital investment and aims to achieve 21.55 million kl of energy savings, including the effects of this project. (2) In the short term, the project aims for a practical application rate of 55% after the completion of the adopted projects by FY2026. Ultimately, as an energy saving effect, it aims to reduce 20 million kl in crude oil equivalent by FY2050.
Related URL	N.A.
JCR's Evaluation	The use of proceeds encompasses both the "Subsidy for Energy Conservation Investment Promotion and Demand Structure Transformation," which was the previous use of funds for Climate Transition interest-bearing government bonds, and the "Program to Develop and Promote the Commercialization of Energy Conservation Technologies to Realize a Decarbonized Society," for which a portion of the project has been designated as a use of these funds since the FY2026 budget. This program supports the research, development, and social implementation of innovative energy-saving and non-fossil transition technologies by business operators, thereby accelerating initiatives toward GX. It is noted that the use of proceeds may include research and development related to energy efficiency, and such technologies may also be applicable to equipment using fossil fuels. However, JCR has confirmed that this subsidy program is designed on the premise of achieving carbon neutrality by 2050 and is aligned with the Strategic Energy Plans. Furthermore, in cases where subsidies are provided for the research and development of equipment that uses fossil fuels, requirements are expected to be included to require consideration, within a technically and economically feasible range, of a shift to equipment utilizing non-fossil fuels—such as hydrogen, ammonia, and synthetic methane—at the stage of social implementation. For these reasons, efforts are being made to reduce carbon lock-in risks. In addition, this subsidy program is positioned as a cross-sectoral measure under the

	sector-specific investment strategies, and support is envisaged for projects that contribute to Japan's 2050 carbon neutrality target in combination with various technologies aimed at non-fossil fuel conversion. Based on the above, JCR evaluates that the use of proceeds contributes to the achievement of thorough energy conservation and is intended to promote research and development utilizing non-fossil fuels, thereby contributing to the achievement of the Government of Japan's carbon neutrality objectives.

Use of Proceeds 14: Support Project for Sustainable Aviation Fuel (SAF) Production and Supply Chain Development

(projects continued from the Japan Climate Transition Bonds issued in FY2024 and FY2025)

ICMA GBP Classification	"Clean transportation"
GB Guidelines	"Projects for clean transportation"
Project Objectives	To achieve carbon neutrality by 2050, it is necessary to work to achieve a stable supply of energy, economic growth, and decarbonization through GX. In particular, in the aviation sector, the International Civil Aviation Organization (ICAO) has set targets for reducing CO_2 emissions in the international air transport sector, etc., and has adopted the "Sustainable Aviation Fuel (SAF)" system. is essential, and the demand is expected to increase globally. The purpose of the project is to build a system that can stably supply SAF at internationally competitive prices by providing investment support for large-scale SAF manufacturing facilities in order to expand the production and supply of SAF in the future.
Project Overview	Regarding SAF manufacturing projects that contribute to the stable supply of energy, economic growth, and decarbonization through GX, large-scale SAF in Japan is being carried out in order to build a system that can stably supply SAF at internationally competitive prices. Support capital investment, etc. for manufacturing companies, etc.
Outcome Objectives	Japan has set a target of replacing 10% of the fuel consumption used by Japanese airlines with SAF as of 2030. This project is a five-year project from FY2024 to FY2028, and first of all, the project aims to complete and operate SAF manufacturing facilities by leading to the implementation of FID (Final Investment Decision) regarding the construction of SAF manufacturing facilities. Ultimately, the project aims to produce SAF on a commercial scale that can contribute to SAF demand around 2030.
Related URL	Sector-specific Investment Strategies (Sustainable Aviation Fuel or SAF) https://www.meti.go.jp/press/2024/12/20241227006/20241227006-9.pdf
JCR's Evaluation	The projects eligible for support under this program are aligned with the Roadmap for Promoting the Decarbonization of Aviation formulated by the Ministry of Land, Infrastructure, Transport and Tourism in May 2024. According to the International Civil Aviation Organization (ICAO), it is assumed that sustainable aviation fuel (SAF) will account for approximately 55% of greenhouse gas emissions reductions required for achieving net zero emissions in the aviation sector by 2050, indicating the significant environmental improvement effects expected from the substitution of conventional aviation fuel with SAF. Under current aviation fuel standards, the maximum blending ratio of SAF is set at up to 50%. However, in recent years, technological development, flight demonstrations, and discussions toward the establishment of standards for 100% SAF use have been progressing. As movements toward the future relaxation of the current blending ratio constraints are being observed, the risk of carbon lock-in associated with these constraints is considered to be limited. Based on the above, JCR evaluates that this project is an initiative that is expected to generate environmental improvement effects while mitigating carbon lock-in risks.

Use of Proceeds 15: Support for enhancing the resilience and autonomy of circular economy systems

(projects continued from the Japan Climate Transition Bonds issued in FY2024 and FY2025)

ICMA GBP Classification	"Pollution prevention and control," and "Circular economy adapted products, production technologies and processes and/or certified eco-efficient products"
GB Guidelines	"Projects for pollution prevention and control," and "Projects concerning production technologies and processes and environmentally friendly products for the circular economy"
Project Objectives	Based on the "Growth-Oriented Resource-Autonomous Economy Strategy" formulated for the transition to a circular economy toward the realization of GX, the project will provide support with the aim of early realization of decarbonization and economic growth to create a new resource circulation market by utilizing the framework of "Circular Partners"*. *A collaborative organization whose members are related entities such as the national government, local governments, universities, companies, industry associations, related institutions, and related organizations that are ambitious and pioneering in working on the circular economy.
Project Overview	Utilizing the framework of "Circular Partners", the project will provide subsidies for the following initiatives related to resource circulation. (1) Support for technology development, demonstration, and capital investment for commercialization aimed at manufacturing products utilizing recycled materials and other secondary resources as feedstocks. (2) Support for technology development, demonstration, and capital investment for commercialization for environmentally friendly manufacturing, contributing to extended product lifetimes and improved recyclability. (3) Support for technology development, demonstration, and capital investment for commercialization to promote CE commerce, including reuse and refurbishment.
Outcome Objectives	It is a three-year project from FY2026 to FY2028, In the short term, the project aims to start demonstration projects related to resource circulation and environmentally friendly manufacturing through the collaboration between arterial and venous industries. In the medium term, the project aims to commercialize products related to resource circulation and environmentally friendly manufacturing by demonstration projects through the collaboration between arterial and venous industries. In the long term, the project aims to popularize products related to resource circulation and environmentally friendly manufacturing through the collaboration between arterial and venous industries.
Related URL	Growth-Oriented Resource Autonomous Economy Strategy https://www.meti.go.jp/press/2022/03/20230331010/20230331010-2.pdf Sector-specific Investment Strategies (Resource Circulation) https://www.meti.go.jp/press/2024/12/20241227006/20241227006-12r.pdf
JCR's Evaluation	More than 30% of fossil resources are used for the production of materials, including both energy use and feedstock use. Accordingly, the decarbonization of materials used in products is essential for the realization of GX. In particular, expanding the use of recycled materials is expected to significantly reduce CO_2 emissions associated with product manufacturing. In addition, among greenhouse gas (GHG) emissions in Japan's waste sector, emissions arising from waste incineration and related processes—including simple incineration as well as incineration with heat recovery and use as alternative fuels—account for approximately 80%. In order to reduce GHG emissions associated with such incineration processes, it is important to expand the utilization of circular resources, including increasing recycling rates. As subsidy requirements, applicants are required to satisfy at least one of the targets related to resource circulation set forth in items (1) through (3). Accordingly, this project provides subsidies for technology development and capital investment related to resource circulation that contribute to CO_2 emissions reduction.

	<table><tr><th>Requirement</th><th>Target</th></tr><tr><td>(1) Promote the use of recycled materials</td><td>The products to be produced in this project contain at least 10% recycled materials.</td></tr><tr><td>(2) Expand the CE commerce market</td><td>At least 50% of the procured waste becomes reusable as products through reuse, refurbishment, repurposing, etc.</td></tr><tr><td>(3) Promote sustainable manufacturing</td><td>Sustainable products are rolled out within two years after the closure of the project.</td></tr></table> Subsidized projects are selected after examining how much they reduce CO_2 emissions. In the process, how much the eligible products produced under the projects will reduce CO_2 emission throughout their entire life cycle, from raw material procurement to manufacturing and disposal. Based on the above, JCR evaluates that this project has environmental improvement effects.

Use of Proceeds 16: Support for energy/manufacturing process conversion for hard-to-abate industries

(projects continued from the Japan Climate Transition Bonds issued in FY2024 and FY2025)

ICMA GBP Classification	"Energy efficiency," and "Circular economy adapted products, production technologies and processes and/or certified eco-efficient products"
GB Guidelines	"Projects for energy efficiency," and "Projects concerning production technologies and processes and environmentally friendly products for the circular economy"
Project Objectives	Toward carbon neutrality by 2050, the purpose of the project is to transform energy and manufacturing processes in industries where it is difficult to reduce emissions, such as iron, chemicals, pulp and paper, and cement, which will lead to the reduction of emissions and the strengthening of industrial competitiveness.
Project Overview	In order to reduce emissions and strengthen industrial competitiveness in industries where it is difficult to reduce emissions, the project will support capital investment, etc. related to the following that will lead to early social implementation. (1) Manufacturing process conversion business In order to transition from conventional manufacturing processes with high CO_2 emissions to new low-emission manufacturing processes, the project will support capital investment related to the following; (i)Steel ・Conversion from conventional blast furnaces and converters to innovative electric furnaces that significantly reduce emissions, and introduction of steelmaking processes using hydrogen (ii)Chemistry ・Conversion to chemical recycling to reduce the amount of naphtha raw materials used by using waste plastics and other materials ・Conversion of raw materials to bio-based raw materials manufactured from plants and other sources with low emissions throughout the life cycle (iii)Pulp and paper ・Conversion to a biorefinery industry using wood pulp, which has the potential to be used as an alternative material for fossil fuel-derived products, etc. (2) Fuel conversion business for in-house power generation equipment, etc. Conversion of in-house power generation facilities and boilers fueled by coal and other fossil fuels to fuels that contribute to significant emission reductions
Project Scheme	*When selecting target candidates, we will ask the target recipients to provide the following content to the following purpose so that it will lead to the strengthening of industrial competitiveness ・The top management of the company is committed to change. ・Being able to attract funds from the capital market on its own while looking forward to future independence ・Efforts are made to involve market consumers, etc.
Outcome	This project has been implemented since FY2024. In the short term, it aims to stimulate

Objectives	investment toward the creation of green and high value-added products, while innovating manufacturing processes to reduce emissions. Ultimately, by using investment mobilized through this project as a catalyst, the goal is to achieve 8 trillion yen in combined public and private investment over ten years and to reduce domestic emissions by more than 40 million tons.
Related URL	https://www.meti.go.jp/policy/energy_environment/global_warming/gx_budget/gx_HtA.html
JCR's Evaluation	In the steel industry, a large amount of CO_2 emissions is generated in the iron ore reduction process. Accordingly, the technology roadmap for the steel sector aims to achieve decarbonization through the increased use of electric arc furnaces, which have lower CO_2 emissions, and the establishment of production processes that reduce iron ore using hydrogen. In the petrochemical sector, a significant amount of energy is used as heat in manufacturing processes, typified by naphtha cracking, and CO_2 emissions also arise from the use of fossil-based feedstocks. The use of proceeds under this project contributes to decarbonization from the perspectives of feedstock conversion and feedstock circulation, as indicated in the roadmap for the chemical sector. In the technology roadmap for the pulp and paper sector, the conversion of fuels used for heat and electricity in the pulp drying process from coal to renewable energy sources, such as woody biomass, is identified as a key decarbonization pathway. All of the above represent initiatives that are necessary for decarbonization in each respective industry. In addition, many captive power generation facilities operated in high-emitting industries currently rely on coal as a fuel. The conversion of such facilities to fuels that contribute to CO_2 emissions reduction, including LNG, biomass, ammonia, and hydrogen, is also positioned as a decarbonization measure in the technology roadmap for the power sector, and is therefore considered appropriate. On the other hand, with respect to biomass, While there are mechanisms in place to verify risk management, such as food competition, these are not explicitly stated as requirements, JCR recommends that requirements be introduced to address such risks.

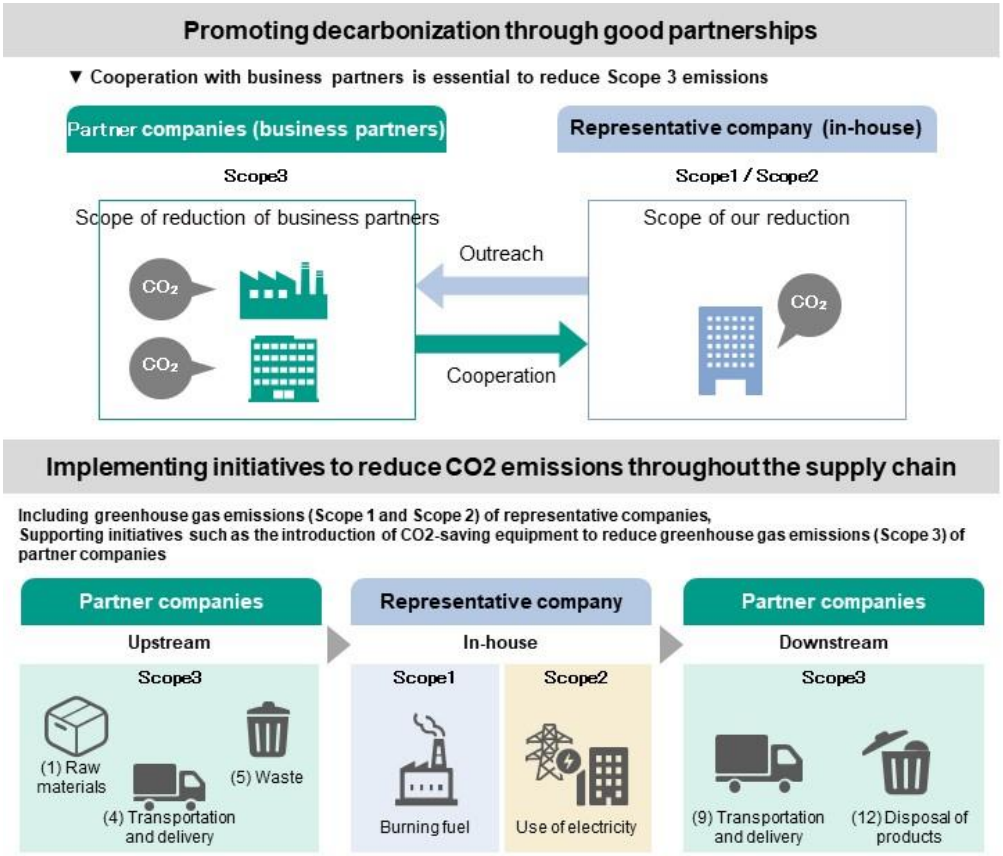
Use of Proceeds 17: Investment promotion for advanced resource circulation (projects continued from the Japan Climate Transition Bonds issued in FY2024 and FY2025)

ICMA GBP Classification	"Pollution prevention and control," and "Circular economy adapted products, production technologies and processes and/or certified eco-efficient products"
GB Guidelines	"Projects for pollution prevention and control," and "Projects concerning production technologies and processes and environmentally friendly products for the circular economy"
Project Objectives	This project will invest in (1) resource recycling equipment that greatly contributes to emission reduction in industries where it is difficult to reduce CO_2 emissions (hard-to-abate industries), and (2) recycling equipment that supplies high-quality recycled products that are essential for the production of innovative GX products. The purpose of this project is to promote both the transition to a circular economy (circular economy) and the decarbonization of the resource recycling field, and to support the realization of GX in Japan's industry.
Project Overview	(1) Emission reduction contribution projects for industries where it is difficult to reduce CO_2 emissions This project will provide support for the demonstration and introduction of advanced resource recycling technologies and equipment, and by implementing recycling, we will supply recycled materials to industries that are difficult to decarbonize (hard-to-abate industries) in a leap forward, contributing to the transition to GX and the reduction of CO_2 emissions. Specifically, through participation in industry-government-academia partnerships on the circular economy, we will provide demonstration and introduction support for large-scale and advanced separation and recovery facilities such as waste plastics and metals and recycling facilities in order to establish resource circulation in collaboration between the manufacturing industry and the resource recycling industry. (2) Supply of high-quality recycled products for innovative GX products Innovative products required for GX transition (storage batteries, etc. Hereinafter referred to as "GX Products". By providing support for resource recycling efforts to supply raw materials for domestic products, we will contribute to stable production activities by securing domestic resources. In addition, by adding value to GX products through the use of recycled materials, it

	will lead to securing the international competitiveness of the manufacturing industry. Specifically, in order to establish a resource cycle in cooperation between the manufacturing industry and the resource recycling industry through participation in industry-government-academia partnerships on the circular economy, we will provide necessary demonstrations and support for the introduction of equipment for a recycling system that contributes to securing resources for non-ferrous metals in Japan from discarded lithium storage batteries (Lib) and waste scrap.
Project Scheme	(1) Examples of equipment that contribute to reducing emissions in industries where it is difficult to reduce CO2 emissions (hard-to-abate industries)  Plastic sorting and volume reduction molding equipment  Advanced Metal Sorting System (2) Examples of high-quality refurbished product supply equipment essential for the production of innovative GX products   Lithium battery recovery equipment and recycled material refining equipment
Related URL	Growth-Oriented Resource Autonomous Economy Strategy https://www.meti.go.jp/press/2022/03/20230331010/20230331010-2.pdf Sector-specific Investment Strategies (Resource Circulation) https://www.meti.go.jp/press/2024/12/20241227006/20241227006-12r.pdf
JCR's Evaluation	As a subsidy requirement, applicants are required to ensure that the processing volume of the eligible items after social implementation satisfies the criteria specified below. **Material** / **Minimum Standards for Annual Processing Capacity after Social implementation** Waste Plastics / 10,000 tons in principle Metals (e-scraps, etc.) and Batteries / More than double the processing volume in 2030 compared to 2020 Used oil / 10,000 kiloliters By expanding the supply of recycled resources and thereby substituting for primary resources, this project is expected to contribute to the reduction of CO_2 emissions in the material manufacturing stage and the waste disposal stage. Accordingly, JCR evaluates that this project contributes to environmental improvement. Application to subsidies requires the submission of an investment plan. The plan should provide concrete processes, material flows, CO_2 emissions and who implements each phase across the supply chain (collection and processing of raw materials, production of recycled materials, manufacturing using the recycled materials), for each FY over the five-year period after facility installation, planned sales units of recycled materials and other related matters.

Use of Proceeds 18: Support for installing CO_2-saving facilities to reduce Scope 3 emissions through collaboration among companies
(projects continued from the Japan Climate Transition Bonds issued in FY2025)

ICMA GBP Classification	"Energy efficiency"
GB Guidelines	"Projects for energy efficiency"
Project Objectives	In order to contribute to the FY2030, FY2035, and FY2040 targets indicated in the Global Warming Countermeasures Plan and the realization of carbon neutrality by 2050, the representative companies that make up the value chain will collaborate with multiple small and medium-sized enterprises that are business partners to support efforts to introduce CO_2-saving equipment that contributes to the reduction of Scope 3. In addition to strongly promoting the reduction of CO_2 emissions as a whole, we will strengthen industrial competitiveness and create a GX market.
Project Overview	In light of the international trend of decarbonization management, the importance of reducing CO_2 emissions (Scope 3) of business partners is increasing for large companies. Therefore, we will support the introduction of CO_2-saving equipment by representative companies and partner companies (small and medium-sized enterprises, etc.). Key Requirements: • The representative company must have made a " GX Acceleration Declaration " • Based on the Scope 3 reduction targets of the representative company, the representative company and the partner company must have agreed*1 on the CO_2 emissions of the partner company after the implementation of this project. *1 If the representative company is a large company, an agreement must be reached with two or more partner companies, and if the representative company is a small and medium-sized company, an agreement must be reached with one or more partner companies. Subsidy target: Introduction of equipment that can be expected to reduce CO_2 emissions by 30%*2 or more compared to current equipment. *2 The entire equipment introduced in this project must meet the CO_2 saving effect of 30% or more. However, large companies must meet the CO_2 saving effect of 30% or more, medium-sized companies by 20% or more, and small and medium-sized enterprises by 10% or more. Subsidy rate: 1/2 of small and medium-sized enterprises 1/3 of large companies (1/2 subsidy rate for those who make the GX Acceleration Declaration and reduce CO_2 emissions by 3,000 tons-CO_2 or more through countermeasures) Maximum subsidy amount and project period: 1.5 billion yen (per business), up to 3 years

Project Scheme	 *Scope 3 category is indicated in parentheses
Related URL	https://www.env.go.jp/earth/ondanka/kojojigyojo.html
JCR's Evaluation	In light of global trends in decarbonization management, the importance for large companies of reducing CO_2 emissions generated outside their own operations—namely Scope 3 emissions arising from business partners within their value chains—has been increasing. Against this background, the use of proceeds under this project aims to strongly promote CO_2 emissions reduction across the entire value chain by encouraging the introduction of CO_2-saving equipment, through collaboration among multiple small and medium-sized enterprises (SMEs) and other business partners that constitute the value chain. At the same time, the project seeks to strengthen industrial competitiveness and foster the creation of GX markets. In general, SMEs tend to lag behind large companies in taking decarbonization actions due to constraints in human resources and capital. However, emissions from SMEs account for approximately 10% to just under 20% of Japan's total greenhouse gas (GHG) emissions. Accordingly, initiatives by SMEs are indispensable for achieving carbon neutrality. In view of this background, the project does not merely aim at reducing Scope 3 emissions, but rather promotes decarbonization across the entire value chain through collaboration between representative companies and SMEs, whose decarbonization efforts have tended to progress more slowly than those of large companies. The project has been implemented since FY2025. In FY2026, while maintaining the overall CO_2 reduction target of 30% for the project as a whole, differentiated requirements have been established according to company size: 30% for large enterprises, 20% for medium-sized enterprises, and 10% for small enterprises. In addition, with respect to the number of partner companies required to conclude agreements with a representative company, the requirement has been relaxed from two partner companies in the previous fiscal year to one partner company for medium-sized and small enterprises from the current fiscal year. With respect to the use of proceeds, JCR has confirmed that the eligible facilities include equipment that uses fossil fuels. However, the public solicitation guidelines are to clearly state that, in cases where equipment is introduced to convert fuel use from coal, oil, and other fuels to lower-carbon fossil fuels such as gas, or where equipment that continues to use fossil fuels is introduced, such introduction shall be permitted only if the applicant considers measures to transition to non-fossil energy—such as the use of hydrogen or ammonia or the additional introduction of synthetic methane—at the stage of social implementation of non-fossil energy,

	and declares its intention to implement such measures to the extent that they are technically and economically feasible, in order to avoid future lock-in to fossil fuels. JCR has confirmed that these provisions are intended to prevent carbon lock-in associated with fossil fuel use. Based on the above, JCR confirms that this project contributes to the reduction of CO_2 emissions across the entire supply chain, while also appropriately addressing the risk of carbon lock-in.

Use of Proceeds 19: Support for commercialization for the revitalization of complexes in the GX Strategic Zone Program

ICMA GBP Classification	"Renewable energy"
GB Guidelines	"Projects for renewable energy"
Project Objectives	Based on the direction of the GX industrial location policy outlined in the GX2040 Vision, the GX Strategic Zone Program was established to create "new industrial clusters" at the initiative of local governments and businesses, with complexes as the core of industrial resources. In one of these strategic areas, such as complexes, the project aims to develop "globally competitive" GX hubs by making effective use of vacant space and equipment on existing sites and creating new GX businesses.
Project Overview	The project will support the promotion of commercialization under the commitment of local governments and businesses, including evaluating the cost and profitability of each project in promising areas under the GX Strategic Zone Program (complex revitalization type), and promote the decision-making of new projects, securing off-takers, and subsequent formation of bases. The following expenses will be subsidized for businesses that carry out projects selected in promising areas. • Expenses necessary for basic and detailed design and estimated necessary costs related to infrastructure conversion, expansion and extension of shared utilities, and renovation of common facilities • Labor costs necessary for business profitability evaluation and business plan formulation, supply chain evaluation and negotiation for LOI acquisition, outsourcing and outsourcing costs, etc.
Project Scheme	*When selecting the target person, the following contents will be requested. • The content must be consistent with the proposed project in the promising area • The target business must comply with the framework of the Japan Climate Transition Bond and is expected to have a certain emission reduction effect. • Other items necessary for the implementation of appropriate business environment development (survey methods, schedules, implementation systems, budgets, financial foundations, etc.), etc.
Outcome Objectives	It is a single-year project in FY2026 and aims to acquire customers while evaluating the business feasibility of each project in promising areas of the GX Strategic Zone Program (complex revitalization type) and designing detailed designs such as common facilities. By refining the business plan using this project, we will promote the formation of "globally competitive" GX hubs.
Related URL	https://www.cas.go.jp/jp/seisaku/gx_jikkou_kaigi/sangyoritchi_wg/pdf/summary.pdf
JCR's Evaluation	The use of proceeds corresponds to initiatives aimed at the revitalization of industrial complexes, such as industrial clusters, under the GX Strategic Zone Program, which represents an industrial policy framework for GX. The GX2040 Vision, formulated in February 2025, presents the targeted GX industrial structure and the direction of industrial location policies for its realization. Specifically, it sets forth a policy objective of creating an industrial structure in which (i) new GX businesses utilizing innovative technologies are continuously generated, and (ii) Japan's full-set supply chains—from materials to finished products, which constitute a core strength of the Japanese economy—are upgraded through the use of decarbonized energy and digital transformation (DX). In line with the policy direction set out in the GX2040 Vision, discussions commenced in April 2025 within the "GX Industrial Location Working Group for the Realization of GX Industrial Structures," and in August 2025, the GX Strategic Zone Program was established as a concrete

	measure of GX industrial location policy. The system aims to promote GX-oriented industrial agglomeration and watt–bit integration (the integrated development of power and communication infrastructure), centered on industrial assets such as former industrial complex sites and regionally concentrated decarbonized power sources, with the objective of creating new industrial clusters. The system is structured into three categories for area selection—(i) industrial complex revitalization type, (ii) data center agglomeration type, and (iii) decarbonized power source utilization type—and one category for project operator selection, namely (iv) regional contribution through decarbonized power sources. Among these, the "industrial complex revitalization type" targets industrial complexes and industrial areas that exist throughout Japan. While such areas are characterized by highly integrated infrastructure—including electricity, gas, heat, water, and road networks—some of them face the need for business transformation amid intensified international competition and the requirements of GX. In this context, vacant land and underutilized facilities have partially increased. At the same time, these areas retain well-developed industrial infrastructure, including power, gas, and heat. Given the nationwide shortage of industrial land in Japan, the effective utilization of existing infrastructure and industrial sites by GX-related companies is regarded as necessary in order to achieve production expansion and enhance competitiveness toward the creation of new industrial clusters. The use of proceeds targets expenses necessary for considering the feasibility of projects under the "industrial complex revitalization type," including costs required for basic and detailed design related to infrastructure conversion, expansion and extension of shared utilities, renovation of common facilities, estimation of necessary costs, business profitability evaluations, business plan formulation, and supply chain evaluation and negotiations for the acquisition of letters of intent (LOIs). The use of proceeds does not cover capital expenditure itself, but rather expenses related to surveys and studies required to assess the potential of projects under the promising areas of the "industrial complex revitalization type." Furthermore, personnel expenses are explicitly included in the use of proceeds. These personnel expenses have been explained as a necessary element for conducting the feasibility study described below. In order to engage in the "industrial complex revitalization type" under the GX Strategic Zone Program, applicants are required to satisfy ten requirements, including perspectives related to infrastructure development, competitiveness enhancement, decarbonization, and collaboration with local communities (including commitments by local governments). The required surveys encompass a wide range of analyses necessary for establishing GX-related industries in the relevant area, such as technology readiness level (TRL) assessments, business growth analyses (including IRR and CAGR), and supply chain analyses. The investigation requires personnel and companies with high levels of expertise regarding GX-related technologies and business feasibility assessments, and the Government of Japan explained that the use of these proceeds is a necessary process within the "industrial complex revitalization type" project in the GX Strategic Zone Program. Regarding the environmental improvement effects in reporting, it is necessary to continue to confirm what kind of reporting is appropriate in demonstrating the impact of the above-mentioned use of proceeds. Having organized things as described above, JCR evaluates that the use of proceeds represents an essential investigation for realizing environmental improvement effects in GX Strategic Zone, and considers it to be appropriate as a use of proceeds for the Climate Transition Bonds.

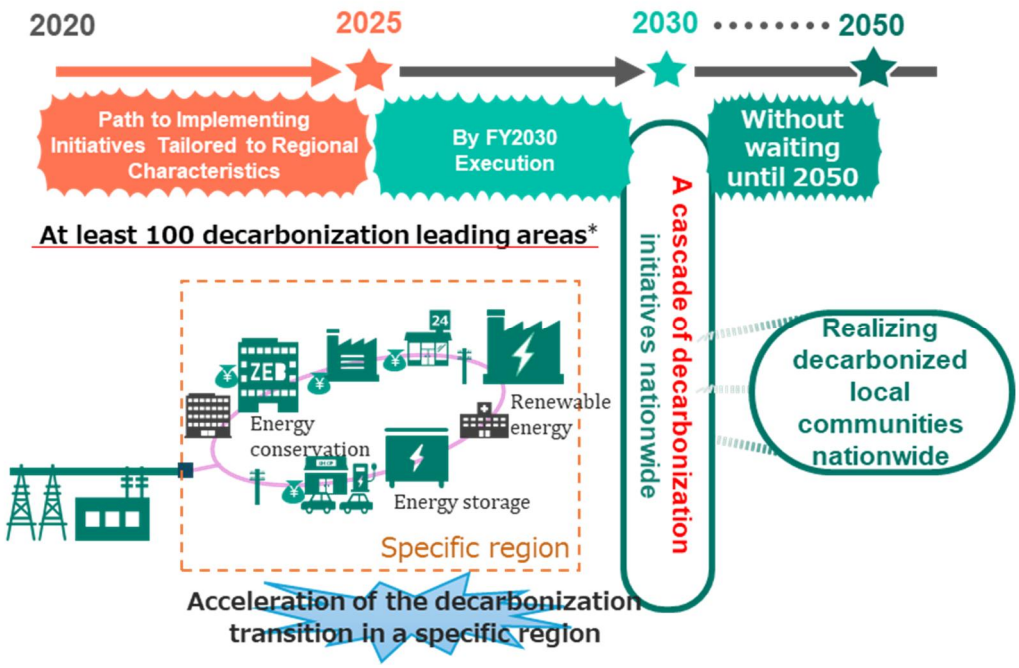
Use of Proceeds 20: Subsidy for Capital Investments Utilizing Decarbonized Power and Benefiting Host Regions

ICMA GBP Classification	“Renewable energy"
GB Guidelines	“Projects for renewable energy”
Project Objectives	Demand for the utilization of decarbonized power sources has been steadily increasing, particularly among global corporations. At the same time, amid evolving international circumstances, enhancing the supply capacity of domestically produced decarbonized power has become an increasingly important policy challenge. This subsidy provides CAPEX support for GX-related investments by companies—provided they utilize decarbonized electricity and contribute to the prefectures where the decarbonized power sources are located. Through this support, this project aims to simultaneously achieve an increase in the supply of decarbonized electricity and an expansion of domestic GX-related investments.
Project Overview	This subsidy provides support for capital investments made by companies locating in regions where decarbonized power sources are situated, utilizing decarbonized electricity there, and conducting high-value-added business activities. In addition to companies located in regions where decarbonized power sources are situated, a certain level of support will also be provided to companies contributing to these regions from remote locations through mechanisms such as regional coexistence funds and the corporate version of the hometown tax donation program. Furthermore, to achieve the ultimate goal of increasing the supply of decarbonized electricity, the level of support will be determined based on the expected increase in decarbonized electricity supply through the utilization of newly constructed or restarted power sources, as well as whether the company has signed corporate power purchase agreements (Corporate PPAs) that promote power source investment by power generators.
Project Scheme	*The subsidy rate/maximum subsidy amount will be determined by combining the axes (A) through (C) below. (A) The degree of contribution to the region hosting the decarbonized power source utilized (e.g., corporate location) (B) The degree of linkage with the decarbonized power source utilized (e.g., Corporate PPAs) (C) The type of decarbonized power source utilized (e.g., newly developed or restarted power sources)
Outcome Objectives	This subsidy program will be implemented from fiscal year 2026 through fiscal year 2030. In the medium term, it aims to encourage the location of a greater number of enterprises in prefectures hosting decarbonized power sources, as well as to develop cases in which electricity consumers support decarbonized power sources through mechanisms such as Corporate PPAs. In the long term, the program seeks to increase the supply of decarbonized electricity and expand domestic GX-related investments.
Related URL	https://www.cas.go.jp/jp/seisaku/gx_jikkou_kaigi/sangyoritchi_wg/pdf/summary.pdf
JCR’s Evaluation	The use of proceeds corresponds to initiatives targeting regions that utilize decarbonized power sources under the GX Strategic Zone Program, which constitutes an industrial policy framework for GX. Among the GX Strategic Zone Program, this project falls under the category of “(iv) Regional Contribution through the Utilization of Decarbonized Power Sources,” which selects project operator companies. This category provides support for capital investment by manufacturing companies or data centers that utilize decarbonized power sources. Eligible entities include: (i) companies that locate their operations in prefectures where decarbonized power sources are situated and utilize such electricity through on-site generation or local production and consumption; or (ii) companies that locate their operations outside the host prefectures, utilize decarbonized electricity through corporate power purchase agreements (Corporate PPAs), and contribute to the prefectures hosting the decarbonized power sources through mechanisms such as the corporate version of the hometown tax donation program. Accordingly, there may be cases where the physical location of corporate facilities differs from the regions that benefit from the decarbonized power sources, or cases where decarbonized electricity plans are utilized. However, all such cases remain consistent with the purpose of the subsidy, which is to provide support for capital investment by businesses that conduct high

	value-added GX-related investments using decarbonized power sources while contributing to the regions hosting those power sources. Furthermore, by setting higher level of subsidy support for projects that involve closer linkages to host regions—such as cases where companies locate in the prefectures where decarbonized power sources are situated and utilize on-site generation or Corporate PPAs—the project promotes local production and consumption of decarbonized power. While there is a potential concern that the utilization of decarbonized power sources could be limited to a short period, thereby weakening the linkage between GX-related investments and decarbonized power, the Ministry of Economy, Trade and Industry assumes the continued use of decarbonized electricity under this project. The secretariat plans to conduct follow-up monitoring for a total period of up to eight years, comprising a maximum of five years during the project implementation period and three years following project completion. In addition, JCR has confirmed that PPAs are expected to be required to cover a period of approximately 10 to 15 years or longer, thereby encompassing the above-mentioned monitoring period. In addition, differing subsidy rates are established depending on whether newly developed or existing decarbonized power sources are utilized. Where existing power sources are used, support is limited to regions that already possess abundant supplies of decarbonized electricity. With respect to GX-related investments, JCR has confirmed that eligibility requirements include the condition that the projects involve the production of high value-added products and contribute to the strengthening of industrial competitiveness. At the project selection stage, factors such as (i) market growth potential, (ii) the competitiveness of the business itself, and (iii) whether the investment entails a sufficient level of risk (i.e., the necessity of subsidies) are comprehensively evaluated. In addition to market growth and product value-added potential, the evaluation criteria also include improvements in business efficiency and sophistication through the introduction of advanced technologies and processes, with the objective of promoting innovative capital investment that enhances industrial competitiveness. Based on the above, JCR evaluates that the use of proceeds promotes the development and utilization of decarbonized power sources, while also contributing to the strengthening of industrial competitiveness.

Use of Proceeds 21: Grant for Decarbonization Transition Acceleration for Specific Regions (projects continued from the Japan Climate Transition Bonds issued in FY2023, FY2024, and FY2025)

ICMA GBP Classification	“Renewable energy"
GB Guidelines	“Projects for renewable energy”
Project Objectives	Aiming to achieve carbon neutrality by 2050 and the FY2030 target of a 46% reduction in greenhouse gas emissions, the Government of Japan provides grants, as investments in the decarbonization transition of regions, to local governments and other entities that are undertaking ambitious decarbonization initiatives in collaboration with the private sector, and extends continuous and comprehensive support over multiple fiscal years, based on the Regional Decarbonization Roadmap, the Plan for Global Warming Countermeasures, the Basic Policy for the Realization of GX, and other relevant policies. Through this program, new demand will be created and investment expanded across entire regions in decarbonization products and technologies such as renewable energy, energy conservation, and energy storage, thereby accelerating the decarbonization transition in specific regions and contributing to decarbonization in the regional and daily-life sectors.
Project Overview	Grant for Decarbonization Transition Acceleration for Specific Regions (microgrid-related projects utilizing privately-owned distribution lines and other related initiatives)[GX] Grant requirements: Demonstration of a certain level of private-sector benefit, among other requirements. Eligible projects: Introduction of renewable energy, energy-efficient equipment, energy storage systems, and other decarbonization technologies with high greenhouse gas emission reduction effects in areas where private operators benefit through public-private partnerships.

	Grant rate: In principle, two-thirds. Project period: Approximately five years.
Project Scheme	
Related URL	https://www.env.go.jp/content/000335876.pdf
JCR's Evaluation	This project aims to support the introduction of key decarbonization products and technologies with high emissions reduction effects in specific regions that have been designated by the Ministry of the Environment as "Leading Decarbonization Areas," based on the Regional Decarbonization Roadmap, the Plan for Global Warming Countermeasures, the Basic Policy for the Realization of GX, and other relevant policies. These regions are characterized by the establishment of privately owned line microgrids through public–private collaboration, whereby private sector operators benefit directly from the infrastructure (hereinafter referred to as "Specified Regions"). A microgrid refers to a small-scale energy network that does not depend on power supply from large-scale power plants, but instead aims for local production and consumption of energy by integrating energy generation sources and consumption facilities within a community. Renewable energy sources such as solar power, wind power, and biomass power generation are utilized as energy supply sources. However, renewable energy is generally considered to be intermittent in nature, making it challenging to align energy supply with demand. To stabilize such energy supply, microgrids employ information and communication technologies (ICT) for operational management and control. In conventional power systems, electricity is transmitted from power plants to end users via substations, and longer transmission distances result in greater power losses and energy consumption for transmission. By contrast, the installation of small-scale power generation facilities in proximity to end users and supplying electricity locally enables a reduction in transmission losses. In addition, in the event of natural disasters, if local power generation facilities are not damaged, switching to fully localized supply can shorten the time required for recovery until full restoration. Based on the above, the Regional Decarbonization Roadmap cites initiatives utilizing microgrids and related systems as examples of decarbonization measures tailored to regional characteristics, including the application of digital technologies. Accordingly, JCR evaluates that the use of proceeds under this project contributes to promoting regional decarbonization initiatives and is expected to generate environmental improvement effects.

Use of Proceeds 22: Decarbonization Promotion Project for Industrial Parks and Other Industrial Areas under the GX Strategic Zone Program

ICMA GBP Classification	“Renewable energy"
GB Guidelines	“Projects for renewable energy”
Project Objectives	Based on the Plan for Global Warming Countermeasures and the GX 2040 Vision, both approved by the Cabinet on February 18, 2025, this project aims to promote, with a strong sense of urgency and in an efficient and effective manner, the development of decarbonized power sources and related infrastructure required for the transition to a GX-oriented industrial structure. Through these efforts, the project seeks to form industrial clusters centered on decarbonized power sources while accelerating regional decarbonization.
Project Overview	(1) Support for the Development of Decarbonized Power Sources and Related Infrastructure under the GX Strategic Zone Program In order to expand the supply of decarbonized power by promoting industrial concentration in areas with access to decarbonized power sources and by increasing regional benefits, this project supports the introduction of decarbonized power sources and infrastructure in regions designated under the GX Strategic Zone Program, including initiatives related to data center clustering and the use of decarbonized electricity in GX Industrial Parks. Grant requirements: Designation under the GX Strategic Zone Program, among other requirements. Eligible activities: Development of decarbonized power sources, related infrastructure, and other associated facilities in designated regions. Grant rate: Fixed-rate or fixed-amount support, depending on the eligible category. Project period: Approximately five years.
Project Scheme	Forming an industrial cluster with decarbonized power sources at its core 
Related URL	https://www.cas.go.jp/jp/seisaku/gx_jikkou_kaigi/sangyoritchi_wg/pdf/summary.pdf
JCR’s Evaluation	The use of proceeds under this project targets initiatives related to the development of decarbonized power sources and related infrastructure under the GX Strategic Zone Program, which constitutes an industrial policy framework for GX. Specifically, the eligible uses of proceeds correspond to Category (ii) “Data Center Agglomeration Type” and Category (iii) “Decarbonized Power Utilization Type (GX Industrial Parks)” within the GX Strategic Zones, and are intended to support the development of decarbonized power sources and related facilities in such regions. More specifically, the project is expected to support the introduction of foundational infrastructure facilities, including renewable energy power generation equipment, storage batteries, privately owned distribution lines, and heat pipelines; heat utilization facilities such as renewable energy-derived heat and other forms of heat; thermal storage facilities; cogeneration systems; hydrogen-related facilities and hydrogen utilization facilities; and other related facilities such as energy management systems. While the eligible uses of proceeds include support for certain cogeneration systems, subsidy requirements are expected to include provisions requiring applicants to declare measures to avoid future lock-in to fossil fuels. In light of this, JCR considers that, through environmental support related to decarbonized power sources, this project promotes the integrated advancement of industrial agglomeration, infrastructure development, and demand creation by

	effectively utilizing regionally concentrated decarbonized power sources and existing industrial bases. Accordingly, JCR evaluates that this project constitutes a system that concretely advances the transition toward a GX-oriented industrial structure aimed at achieving Japan's 2050 carbon neutrality goal.

Use of Proceeds 23: Hub Development Program for Low-carbon Hydrogen and its Derivatives

<table>
<tr><td>ICMA GBP Classification</td><td>"Circular economy adapted products, production technologies and processes and/or certified eco-efficient products"</td></tr>
<tr><td>GB Guidelines</td><td>"Projects concerning production technologies and processes and environmentally friendly products for the circular economy"</td></tr>
<tr><td>Project Objectives</td><td>In sectors where decarbonization is difficult, such as steel and chemicals, and in the power generation field, which contributes to the construction of such supply chains, the project aims to create projects that are proactive and expected to be self-reliant by providing support for base development in business plans that will be the key to change. At the same time, through support, it will form a base that realizes both large-scale demand creation and efficient supply chain construction.</td></tr>
<tr><td>Project Overview</td><td>Based on the premise of S+3E, the project aims to build self-sustaining pilot supply chains that contribute to the realization of GX by FY2030, and provide support for shared facilities that will lead to the large-scale expansion of the use of low-carbon hydrogen and its derivatives and widely benefit a wide range of businesses.</td></tr>
<tr><td>Outcome Objectives</td><td>By FY2030, the project aims to build a low-carbon hydrogen and its derivatives supply chain through the development of bases in Japan.
It will commercially operate the established supply chain and ultimately promote the construction of a supply chain that continues to supply low-carbon hydrogen and its derivatives even after the end of the support with the goal of economic independence (We request that the supply continue for 10 years after the end of the support) .</td></tr>
<tr><td>Related URL</td><td>https://www.jogmec.go.jp/activities/hydrogen/base-support.html</td></tr>
<tr><td>JCR's Evaluation</td><td>This project provides grants to support infrastructure development when business operators newly establish facilities such as tanks and pipelines for the transportation and storage of low-carbon hydrogen and related fuels. JCR evaluates that the criteria for low-carbon hydrogen and related fuels, as outlined below, are set at levels that are comparable to international standards.
<table>
<tr><th>Low-carbon hydrogen</th><th>Boundary</th><th>Basis for setting threshold</th><th>Threshold</th></tr>
<tr><td>Hydrogen</td><td>Well to Gate</td><td>Approx. 70% reduction from fossil fuel-derived gray hydrogen</td><td>3.4kg-CO_2e/kg-H2</td></tr>
<tr><td>Ammonia</td><td>Well to Gate</td><td>Approx. 70% reduction from fossil fuel-derived gray ammonia</td><td>0.87kg-CO_2e/kg-NH3</td></tr>
<tr><td>e-fuels</td><td>Lifecycle</td><td rowspan="2">Hydrogen production part: Approx. 70% reduction from fossil fuel-derived gray hydrogen. Additionally, energy related to synthesis, transport, etc. is added.</td><td>39.9g-CO_2e/MJ</td></tr>
<tr><td>e-methane</td><td>Lifecycle</td><td>49.3g-CO_2e/MJ</td></tr>
</table>
In expanding the introduction of hydrogen, it is indispensable not only to secure economic viability by narrowing the price gap with existing fuels, but also to develop infrastructure necessary to realize stable supply. This project is evaluated as functioning in a complementary manner with the price-gap-focused support under Use of Proceeds No.34, and as playing a role in promoting the formation of a hydrogen market through the development of supply infrastructure.</td></tr>
</table>

(C) Demand-side Measures

Use of Proceeds 24: Installation support for electricity storage systems such as grid-scale batteries to expand renewable energy usage
(projects continued from the Japan Climate Transition Bonds issued in FY2024 and FY2025)

ICMA GBP Classification	“Energy efficiency” and “Renewable energy"
GB Guidelines	“Projects for energy efficiency” and “Projects for renewable energy”
Project Objectives	In order to achieve carbon neutrality by 2050, it is necessary to accelerate the introduction of renewable energy (hereinafter referred to as renewable energy). On the other hand, renewable energy such as solar and wind power generation fluctuates greatly depending on the weather and time of day, so power surplus occurs depending on the time of day, and output control occurs, and if the introduction expands, it may affect the stability of the power system. Therefore, it is necessary to secure decarbonized coordination capabilities that can respond to these fluctuations, and further introduction and utilization of large-scale power storage systems are expected. The purpose of this project is to secure the necessary coordination capacity for the large-scale introduction of renewable energy by subsidizing a portion of the installation costs to businesses that introduce large-scale power storage systems such as grid storage batteries directly connected to the power system, storage batteries installed in conjunction with renewable energy power sources, storage batteries installed on the consumer side, and long-term energy storage technology (LDES).
Project Overview	In order to accelerate the introduction of renewable energy, we will subsidize the cost related to the introduction of large-scale power storage systems such as grid storage batteries, renewable energy storage batteries, commercial and industrial storage batteries, and LDES (flow batteries, liquefied air energy storage, rock heat storage, hydrogen storage by water electrolysis, etc.), which can be used as adjustment power.
Outcome Objectives	Through these projects, we aim to achieve a renewable energy power supply ratio of approximately 40-50% in FY2040 as indicated in the "Energy Supply and Demand Outlook for FY2040" by supporting the introduction of resources that can provide the necessary coordination capabilities for the introduction of renewable energy.
Related URL	Economic Security Policy/battery https://www.meti.go.jp/policy/economy/economic_security/battery/ Regulations on the Grant of Subsidies for the Battery Stable Supply Assurance Support Fund Program https://www.nedo.go.jp/itaku-gyomu/secure_stable_supply_koufukitei_yoshiki.html
JCR’s Evaluation	Under the Seventh Strategic Energy Plan, it is stated that, in order to make renewable energy a core power source, it is essential to secure balancing capacity that can address output fluctuations and contribute to the stabilization of the power grid. As one of the specific measures to this end, the promotion of the introduction of electricity storage systems, such as grid-scale storage batteries, is positioned. The Government of Japan has set a target for the share of renewable energy in the power generation mix at 36–38% in FY2030. Grid-scale storage batteries and other electricity storage systems are expected to absorb fluctuations in renewable energy generation and thereby contribute to the expanded deployment of renewable energy.

Use of Proceeds 25: Subsidy for Installation of High-Efficiency Water Heaters to Promote Energy Savings in Households
(projects continued from the Japan Climate Transition Bonds issued in FY2023, FY2024, and FY2025)

ICMA GBP Classification	“Energy efficiency”

GB Guidelines	"Projects for energy efficiency"
Project Objectives	The purpose of this project is to contribute to energy savings and the achievement of the Energy Supply and Demand Outlook for FY2030 by supporting the widespread adoption of high-efficiency water heaters. In household sector, water heating is one of the largest sources of energy consumption. Therefore, it is important to promote the use of high-efficiency water heaters such as heat pump water heaters, hybrid water heaters and household fuel cells to achieve energy savings in the water heating field. In addition, accelerating the introduction of high-efficiency water heaters, will help reduce greenhouse gas emissions while strengthening Japan's industrial competitiveness.
Project Overview	This project subsidizes the installation of high-efficiency water heaters which are essential for reducing household energy consumption. Subsidies are available for products that meet specified performance criteria including models capable of utilizing surplus renewable energy electricity during the daytime hours and models with superior energy efficiency. In addition, extra incentives are offered when removing and replacing low-performance equipment such as heat storage heaters and electric water heaters.
Outcome Objectives	In the Energy Supply and Demand outlook for FY2030, total energy-saving measures in household sector are projected to achieve reductions to 12 million kiloliters of crude oil. It is expected to achieve energy savings of approximately 2.649 million kiloliters, including the effects of this project.
Related URL	https://www.enecho.meti.go.jp/category/saving_and_new/saving/general/housing/kyutokidonyu/kyutodonyuhojo2025.html
JCR's Evaluation	In the GX 2040 Vision, promoting energy-efficiency renovations of existing homes—such as the widespread adoption of high-efficiency water heaters—is identified as a key measure for achieving the target of securing ZEH- and ZEB-level energy performance on a stock-average basis by 2050. As water heating accounts for approximately 30% of energy consumption in the residential sector, improving the efficiency of water heaters contributes significantly to CO_2 emission reductions in the household sector.

Use of Proceeds 26: Subsidy for introducing clean energy vehicles (projects continued from the Japan Climate Transition Bonds issued in FY2023, FY2024, and FY2025)

ICMA GBP Classification	"Clean transportation"
GB Guidelines	"Projects for clean transportation"
Project Objectives	The transportation sector accounts for about 20% of Japan's CO_2 emissions. The automotive sector accounts for about 90% of the transportation sector, and it is important to promote clean energy vehicles with excellent environmental performance to achieve carbon neutrality by 2050. It is also important to leverage the spread of electric vehicles in the domestic market and to acquire overseas markets by strengthening the competitiveness of the automobile industry. By supporting the cost of introducing electric vehicles, etc., we will strengthen industrial competitiveness and reduce CO_2 emissions.
Project Overview	For electric vehicles and fuel cell vehicles that are in the introduction stage, we will promote demand creation and price reduction through mass production effects through partial subsidies for purchase costs and promote production capital and R&D investment by companies in anticipation of increased demand.
Outcome Objectives	We will promote the spread of clean energy vehicles to achieve the goal of 100% electrified vehicles in new passenger car sales by 2035 in the Green Growth Strategy.
Related URL	https://www.meti.go.jp/policy/mono_info_service/mono/automobile/cev/r7h_cev.html
JCR's Evaluation	This subsidy program covers battery electric vehicles (BEVs), plug-in hybrid vehicles (PHVs), and fuel cell vehicles (FCVs), and contributes to achieving the target of 100% electrified vehicles in new passenger car sales by 2035. Regarding reductions in CO_2 emissions during the vehicle use phase, Japan's Technology Roadmap for the Automotive Sector under Transition Finance presents a multi-pathway approach, including the electrification of vehicles through BEVs, as well as the decarbonization of

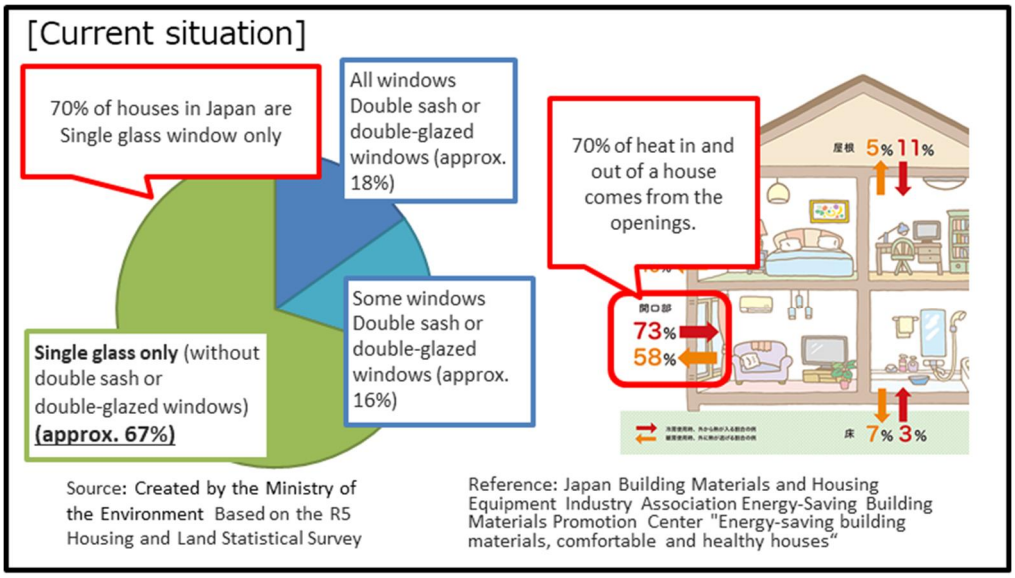
	internal combustion engines with synthetic fuels and biofuels. While PHVs directly emit CO_2 during operation, the roadmap positions their decarbonization through the introduction of synthetic fuels and biofuels. JCR confirms that this approach does not result in lock-in to fossil fuels and is consistent with transitional decarbonization pathways.

Use of Proceeds 27: Subsidy for introducing of EV chargers and refueling stations to promote the spread of clean energy vehicles

ICMA GBP Classification	"Clean transportation"
GB Guidelines	"Projects for clean transportation"
Project Objectives	To achieve carbon neutrality by 2050, the widespread adoption of environmentally friendly clean energy vehicles is essential. To this end, the development of charging infrastructure and hydrogen refueling facilities, which is inseparably linked to vehicle deployment, will be promoted nationwide. Furthermore, as electric vehicles can serve as emergency power sources during disasters such as power outages, efforts will be made to promote the deployment of V2H (Vehicle-to-Home) charging and discharging systems and external power supply units that enable electricity to be supplied from electric vehicles.
Project Overview	(1) Charging Facility Maintenance Business, etc. The project will subsidize the purchase and construction costs of charging equipment for electric vehicles and plug-in hybrid vehicles, the purchase and construction costs of V2H charging and discharging equipment at public facilities and disaster sites, and the purchase costs of external power supply. (2) Hydrogen refueling station development project Subsidies will be provided for the maintenance and operation costs of hydrogen stations, which are essential for the spread of fuel cell vehicles. In particular, it will provide intensive support to priority areas to promote the introduction of commercial vehicles, and subsidies will be provided for operating costs based on existing fuel prices.
Project Scheme	
Outcome Objectives	As essential equipment for the spread of vehicles, the project aims to develop 300,000 charging plugs by 2030 and hydrogen charging facilities to become independent by the second half of the 2020s.
Related URL	https://www.meti.go.jp/policy/mono_info_service/mono/automobile/cev/r7hosei_juden.html
JCR's Evaluation	As the facilities concerned are indispensable for the widespread adoption of electric vehicles and fuel cell vehicles, JCR evaluates that the use of proceeds is expected to generate environmental improvement effects.

Use of Proceeds 28: Support Project for Accelerating Energy Conservation and CO_2 Reduction in the Household Sector through Insulating Windows
(projects continued from the Japan Climate Transition Bonds issued in FY2023, FY2024, and FY2025)

ICMA GBP Classification	"Energy efficiency"
GB Guidelines	"Projects for energy efficiency"
Project Objectives	• In order to contribute to achieving net-zero emissions by 2050 and the greenhouse gas reduction target by FY2030, this project will support the introduction of windows with high thermal insulation performance to contribute to the decarbonization of housing and the realization of "well-being/high quality of life". • By accelerating the introduction of advanced insulated windows, we will strengthen industrial competitiveness through price reduction, achieve economic growth, and reduce greenhouse gas emissions.
Project Overview	Although most of the heat in and out of houses is generated through openings such as windows, 70% of houses in Japan are composed of only single-pane glass windows, so the potential for energy conservation and CO_2 reduction in houses by insulation and renovation of windows is great. For this reason, in order to accelerate GX in life-related fields, this project will provide subsidies for the renovation of insulated windows in existing houses, etc. • Subsidy amount: Fixed amount depending on the type of construction • Eligible work: Insulation renovation work of windows (glass and sashes) in houses and some non-residential buildings (Inner window installation, Outer window replacement, Glass replacement), etc. • Requirements: Items that exceed the 2030 target level of the Building Materials Top Runner System, such as a heat penetration rate (Uw value) of 1.9 or less, or that meet other requirements* *Example of requirements (depending on the size of the company, etc.) The manufacturer is committed to promoting its own growth based on a portion of the profits obtained from the implementation of the project.

Project Scheme	 
Related URL	https://www.env.go.jp/earth/earth/ondanka/building_insulation/window_00004.html
JCR's Evaluation	CO_2 emissions from the household sector account for approximately 15% of Japan's total CO_2 emissions. The GX Vision sets forth a target of securing energy-saving performance equivalent to the ZEH/ZEB standards on a stock-average basis by 2050. Improving the energy efficiency of existing housing stock is therefore an indispensable initiative for decarbonizing the household sector. In particular, insulation retrofits that reduce heat transfer between the interior and exterior of buildings directly enhance the operating efficiency of heating and cooling systems and make a significant contribution to reducing energy consumption. Among residential building components, windows are a major source of heat loss. Accordingly, improving the thermal insulation performance of windows directly leads to improved heating and cooling efficiency and contributes substantially to reductions in energy consumption.

Use of Proceeds 29: Support for the Introduction of GX-Oriented Housing
(projects continued from the Japan Climate Transition Bonds issued in FY2025)

ICMA GBP Classification	"Energy efficiency"
GB Guidelines	"Projects for energy efficiency"
Project Objectives	1. By accelerating the introduction of GX-Oriented houses, this project will strengthen the industrial competitiveness of related industries, achieve economic growth and reduce greenhouse gas emissions, and accelerate GX in life-related fields. 2. Accelerate the energy conservation of housing and protect people's livelihoods from soaring energy prices.

Project Overview	To promote reductions in CO_2 emissions in the residential sector and to achieve GX in life-related fields, as a leading force in aiming to ensure that the average stock of housing in 2050 meets the energy-saving performance standards of ZEH (Net Zero Energy House), we will support the introduction of decarbonization-oriented housing (GX-oriented housing) in order to promote the early adoption of housing with energy-saving performance that greatly exceeds the level of ZEH standards. • Eligible projects (subsidies): Newly built detached houses, Newly built apartment buildings Regional classifications 1–4 under the energy efficiency standards: 1.25 million yen per unit, Regional classifications 5–8: 1.10 million yen per unit [1] Limited to cases where construction has commenced after 28 November 2025 (based on basic construction date). • Main requirements: 1. Achievement of Grade 6 or higher for Thermal Insulation Performance under the Housing Performance Indication System 2. Reduction in primary energy consumption of 35% or more (energy-saving measures only) 3. Reduction in primary energy consumption of 100% or more (including renewable energy, etc.) [2] 4. Introduction of an Advanced Energy Management System (HEMS) 5. The developer must express agreement to initiatives for the promotion of GX [3]…and other requirements [2] See the project scheme. [3] The implementation of initiatives to reduce GHG emissions, and an increase in the supply ratio of housing that meets energy-saving performance standards.
Project Scheme	Subsidy Requirements (Details)

Type of housing (Including form and location)		Insulation Performance	Primary energy consumption reduction rate		Other requirements
			Energy saving only	Including renewable energy	
Detached house	Regions other than	Level 6 Above	35% Above	More than 100%	・Introduction of advanced energy management (HEMS, etc.) *It is necessary to comply with the standard that can be connected to other devices. (The decision of the resident to decide whether or not to connect)
	Cold or low-sun areas			More than 75%	
	Small urban areas or snowy areas			—	
Apartments	1-3 stories			More than 75%	
	4-5 stories			More than 50%	
	More than 6 stories			—	

Related URL	Overview of the Mirai Eco Housing 2026 Program (Me Housing 2026) *The Bonds cover only “GX-Oriented Housing.” https://www.env.go.jp/content/000363138.pdf
JCR’s Evaluation	This project forms part of initiatives aimed at the decarbonization of newly constructed housing and seeks to accelerate the early diffusion of homes with energy-saving performance that greatly exceeds the ZEH standard level, thereby generating environmental improvement effects. Although energy-efficiency renovations of existing housing are being promoted, in Japan—where housing starts are on a declining trend, and the population has entered a phase of decrease—opportunities to replace existing housing stock are limited. As a result, it is assumed that by 2050 a

	certain proportion of housing that does not meet the ZEH standard level will remain. Accordingly, by promoting the diffusion of "GX-oriented housing" with performance that significantly exceeds the ZEH standard, the project aims to achieve the ZEH standard on a stock-average basis. (Reference: ZEH Standards) ・ Thermal insulation performance level 5 or higher ・ At least a 20% reduction in primary energy consumption compared with the reference level, excluding renewable energy ・ Introduction of renewable energy ・ A reduction of 100% or more in primary energy consumption compared with the reference level when renewable energy is included

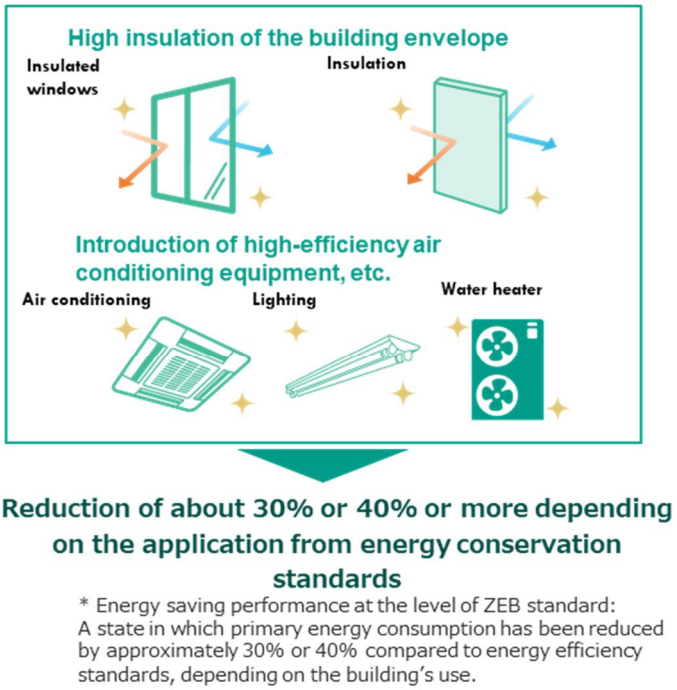
Use of Proceeds 30: Support Program for Promoting the Electrification of Commercial Vehicles (projects continued from the Japan Climate Transition Bonds issued in FY2023, FY2024, and FY2025)

ICMA GBP Classification	"Clean transportation"
GB Guidelines	"Projects for clean transportation"
Project Objectives	• The transportation sector accounts for about 20% of Japan's total CO_2 emissions, of which about 40% comes from commercial vehicles such as trucks, and the electrification of commercial vehicles (BEV, PHEV, FCV, etc.) is essential to achieve carbon neutrality by 2050 and the greenhouse gas reduction target by FY2030 (46% reduction compared to FY2013). • In addition, the CO_2 emissions of the entire industrial sector account for about 35.1% of Japan's total, of which construction machinery accounts for about 1.7%, and the electrification of construction machinery is also essential. • For this reason, this program will subsidize the electrification of commercial vehicles (trucks, taxis, buses) and construction machinery, and support the acceleration of introduction in the early stages of adoption, thereby strengthening industrial competitiveness and promoting economic growth through price reductions, while also reducing greenhouse gas emissions.
Project Overview	Subsidize the introduction of vehicles, construction machinery, and charging facilities for the electrification (e.g., BEV, PHEV, FCV*) of commercial vehicles (trucks, taxis, buses) and construction machinery. Specifically, following the introduction of the requirement to prepare medium- to long-term plans based on the "Non-Fossil Energy Transition Target" under the Act on Rationalizing Energy Use and Shifting to Non-fossil Energy, a portion of the cost of introducing vehicles and charging facilities will be subsidized for businesses that are motivated to work on decarbonization and those affected by the transition to non-fossil energy. *BEV: Electric vehicle, PHEV: Plug-in hybrid vehicle, FCV: Fuel cell vehicle In addition, in light of the deployment status of GX construction machinery*, in line with the plan to gradually promote the use of GX construction machinery in public works in the future, a portion of the costs of machinery and charging equipment will be subsidized to businesses that introduce GX construction machinery. *GX construction machinery: Electric construction machinery certified by the Ministry of Land, Infrastructure, Transport and Tourism.

Project Scheme	
Related URL	Support Program for Promoting the Electrification of Commercial Vehicles Overview https://www.env.go.jp/content/000377641.pdf
JCR's Evaluation	In Japan, in addition to the target of achieving 100% electrified vehicles in new passenger car sales by 2035, the government aims to achieve a 20–30% share of electrified vehicles in new commercial vehicle (under 8 tons) sales by 2030 (and a 5% share of non-fossil vehicles in the vehicle stock), as well as the early deployment of 5,000 electrified vehicles for commercial vehicles over 8 tons. This subsidy contributes to the achievement of these targets. About the reduction of CO_2 emissions during the vehicle use phase, Japan's Technology Roadmap for the Automotive Sector under Transition Finance presents a multi-pathway approach, including the electrification of vehicles through BEVs, as well as the decarbonization of internal combustion engines through the use of synthetic fuels and biofuels. While plug-in hybrid vehicles (PHVs) directly emit CO_2 during operation, they are positioned to pursue decarbonization through the introduction of synthetic fuels and biofuels, and JCR confirms that this does not result in lock-in to fossil fuels. In addition, GX construction machinery eligible for this subsidy is electric, and therefore does not emit CO_2 during the use phase, and accordingly is considered to have environmental improvement effects.

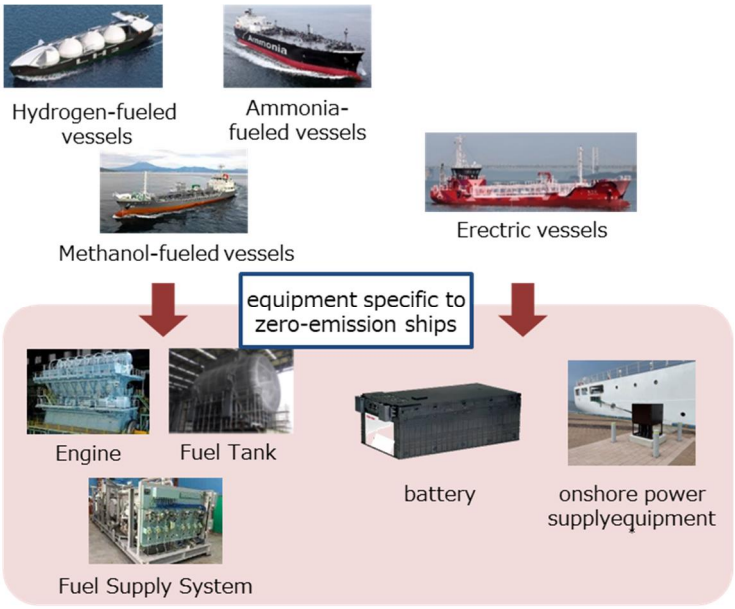
Use of Proceeds 31: Accelerating decarbonizing renovations for buildings
(projects continued from the Japan Climate Transition Bonds issued in FY2024 and FY2025)

ICMA GBP Classification	"Energy efficiency"
GB Guidelines	"Projects for energy efficiency"
Project Objectives	• In order to contribute to the FY2030, FY2035, and FY2040 targets indicated in the Global Warming Countermeasures Plan and the realization of carbon neutrality by 2050, we will support the introduction of high-efficiency air conditioning equipment and other equipment for the building envelope of existing buildings, and strive to decarbonizing renovations for buildings and achieve a high quality of well-being/quality of life. • By accelerating the introduction of advanced insulated windows, insulation materials, high-efficiency air conditioning equipment, lighting equipment, and water heater, we will strengthen industrial competitiveness by reducing prices, and achieve economic growth and reduce greenhouse gas emissions together.
Project Overview	(1) Project to accelerate the decarbonizing renovations for buildings (newly adopted) In order to promote the introduction of high insulation of the building envelope of existing buildings and the introduction of high-efficiency air conditioning equipment, etc., subsidies will be provided for design costs, equipment costs, and construction costs. • Main requirements: The BPI of the skin performance after renovation is 1.0 or less, the

	primary energy consumption must be reduced by about 40% or more (30% depending on the application) from the energy conservation standard (*energy saving performance at the level of the ZEB standard is achieved), energy management and equipment operation improvement must be carried out, etc. • Main target equipment: Insulated windows, insulation materials, high-efficiency air conditioning equipment, high-efficiency lighting equipment, high-efficiency water heater, etc., which exceed the target level of the top runner system, etc., and meet certain standards. In addition, when energy is transferred from an external high-efficiency heat source equipment that meets certain requirements, the equipment, etc. is also eligible. • Subsidy rate: 1/2~1/3 (2) Accelerating decarbonizing renovations for buildings (only for continuing projects from the previous fiscal year's budget) Budgetary measures for continuing projects from previous fiscal year budgets
Project Scheme	
Related URL	https://www.env.go.jp/earth/earth/ondanka/building_insulation/building_decarbonization.html https://bl-renos.jp/
JCR's Evaluation	In the Policy on Energy Conservation Measures for Housing and Buildings toward a Decarbonized Society, the Government of Japan states that the desired state of housing and buildings to be achieved by 2050 is one in which energy-saving performance equivalent to the ZEH/ZEB standards is secured on a stock-average basis, and that the thorough promotion of energy conservation through securing and improving energy efficiency is necessary to realize this goal. The use of proceeds under this project aims to improve the thermal insulation and energy efficiency performance of existing buildings by promoting the installation of insulated windows and insulation materials and/or the introduction of high-efficiency air conditioning equipment. Through this use of proceeds, reductions in energy consumption in buildings are expected to be achieved, thereby promoting the decarbonization of buildings.

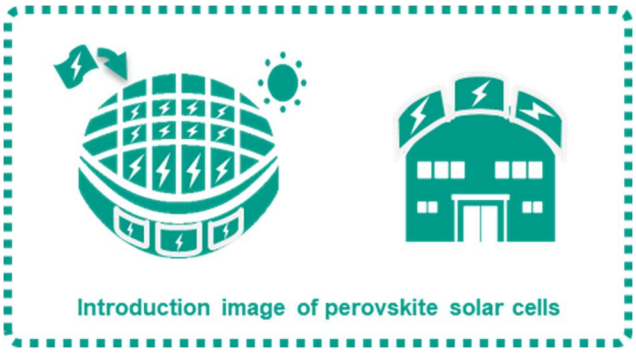
Use of Proceeds 32: Support for the introduction of zero-emission ships, etc.

ICMA GBP Classification	"Clean transportation"
GB Guidelines	"Projects for clean transportation"

Project Objectives	• Of the CO_2 emissions from Japan's transportation sector, ships account for the second largest proportion after automobiles. • In order to achieve net-zero by 2050, the widespread use of zero-emission ships that use hydrogen and ammonia fuels (see below) is essential. • By supporting introduction of zero emission ships in the early stages of their popularization, aiming to achieve CO_2 emissions reduction and strengthening the international competitiveness of the maritime industry.
Project Overview	• The government will subsidize shipowners' investments in the introduction of engines, fuel tanks, fuel supply systems for hydrogen-fueled vessels, ammonia-fueled vessels, methanol-fueled vessels and electric vessels. • With the aim of reducing emissions from shipping, this support project will promote the introduction of zero-emission vessels, etc.
Project Scheme	
Related URL	Sector-specific Investment Strategies (Ships) https://www.meti.go.jp/press/2024/12/20241227006/20241227006-10.pdf
JCR's Evaluation	This project is a subsidy program that supports the introduction of engines, fuel tanks, fuel supply systems, propulsion batteries, shore power supply equipment, and related facilities for hydrogen-fueled vessels, ammonia-fueled vessels, methanol-fueled vessels, battery-powered vessels, and hybrid vessels. It constitutes an initiative aligned with roadmaps and other policies aimed at achieving zero emissions in the maritime sector. Under this project, certification of a Specified Vessel Introduction Plan in accordance with the Marine Transportation Act is required as a condition for receiving subsidies. This certification system is designed to encourage the introduction of vessels with superior environmental performance and safety, and by imposing this requirement, subsidy eligibility is limited to vessels that contribute to CO_2 emissions reduction. At present, the use of fossil-fuel-derived grey methanol is assumed for methanol-fueled vessels, and partial use of fossil fuels is assumed for hybrid vessels. However, from the perspective of mitigating carbon lock-in risks, shipping operators and other beneficiaries are required, as a condition for receiving subsidies, to formulate transition targets toward non-fossil energy sources that are consistent with the achievement of carbon neutrality by 2050. Based on the above, JCR evaluates that this project is an initiative that is expected to generate environmental improvement effects while suppressing carbon lock-in risks.

Use of Proceeds 33: Promotion of implementation for creating social implementation models of perovskite solar cells

(projects continued from the Japan Climate Transition Bonds issued in FY2025)

ICMA GBP Classification	"Renewable energy"
GB Guidelines	"Projects for renewable energy"
Project Objectives	In order to contribute to the realization of FY2030, FY2035, and FY2040 targets and carbon neutrality by 2050 indicated in the Global Warming Countermeasures Plan, lightweight, flexible, etc. By supporting the introduction of perovskite solar cells for the domestic market launch, we will create a social implementation model that contributes to cost reduction and continuous demand expansion in the early stages of introduction and promote decarbonization of private companies and regions and strengthen industrial competitiveness and create a GX market.
Project Overview	Perovskite solar cells can be installed in locations and on infrastructure where conventional solar panels have been difficult to deploy. Japan accounts for approximately 30% of the global market share of iodine, a key raw material. Accordingly, this technology is expected to serve as a next-generation solution that will contribute to the expanded adoption of renewable energy and the realization of a resilient energy supply structure. In this project, in order to reduce power generation costs in the early stages of the introduction of perovskite solar cells, we will support the introduction of perovskite solar cells to highly scalable installation locations, with an eye on the future spread phase of perovskite solar cells. ① Preliminary survey and implementation plan formulation We will support the formulation of installation plans for each structure based on preliminary surveys (surveys of building load capacity and on-site confirmations) for the introduction of perovskite solar cells, which will lead to the introduction of equipment. ② Introduction of equipment, etc. We will support the introduction of film-type and building-integrated perovskite solar cells that meet performance standards on building roofs, windows, etc., and building roofs in infrastructure spaces, which are difficult to install with conventional solar cells. <main requirements> There is a high possibility of horizontal expansion to buildings with similar roofs. There are the minimum limit of the adoption scale and the maximum limit of the subsidy Subsidized businesses submit data related to application after construction and installation. , etc.
Project Scheme	
Related URL	https://eta.or.jp/index.php
JCR's Evaluation	Perovskite solar cells have characteristics such as being thin, lightweight, and flexible, and are solar cells that have the potential to be installed in locations where installation has traditionally been difficult, such as building façades and roofs with low load-bearing capacity. As a type of renewable energy power generation equipment, they are considered to have environmental improvement effects. Under the Seventh Strategic Energy Plan, solar power generation is positioned as a core renewable energy source, with the share of solar power in total electricity generation targeted at 23–29% by 2040. In order to achieve this target, the government has set a policy to introduce approximately 20 GW of perovskite solar cells by 2040.

Use of Proceeds 34: Support focusing on the price gap to build supply chains for hydrogen and its derivatives

(projects continued from the Japan Climate Transition Bonds issued in FY2024 and FY2025)

<table>
<tr><td>ICMA GBP Classification</td><td>“Circular economy adapted products, production technologies and processes and/or certified eco-efficient products”</td></tr>
<tr><td>GB Guidelines</td><td>“Projects concerning production technologies and processes and environmentally friendly products for the circular economy”</td></tr>
<tr><td>Project Objectives</td><td>The project aims to decarbonize industries and applications such as iron and chemicals, where there are few alternative technologies and are difficult to convert, and promote the use of hydrogen and its derivatives in power generation, etc., which is necessary to form a supply chain for hydrogen and its derivatives.
In order to convert from existing raw materials to hydrogen and its derivatives and develop self-sustainably, support will be provided focusing on the price gap between existing raw materials and fuels to form commercial-scale supply chains.</td></tr>
<tr><td>Project Overview</td><td>Based on the premise of S+3E, the project aims to build self-sustaining pilot supply chains that contribute to the realization of GX by FY2030 and will support the price gap between existing raw materials and fuels that are replaced by low-carbon hydrogen and its derivatives for 15 years.</td></tr>
<tr><td>Outcome Objectives</td><td>This is a 22-year project spanning from 2024 to 2045. In the short term, it aims to develop supply chains such as by promoting the necessary capital investments required to supply hydrogen and its derivatives to Japan.
The program will then bring the established supply chains into commercial operation and maintain the supply of low-carbon hydrogen and its derivatives for 15 years.
Ultimately, with the goal of achieving economic self-sufficiency, efforts will be made to build supply chains that continue to provide low-carbon hydrogen and its derivatives even after the conclusion of government support (requiring continued supply for a further 10 years).</td></tr>
<tr><td>Related URL</td><td>Hydrogen Society Promotion Act
https://www.meti.go.jp/shingikai/enecho/shoene_shinene/suiso_seisaku/pdf/014_01_00.pdf
Support Program for Building Supply Chain for Low-Carbon Hydrogen, etc. (Support Focused on Price Gap) (JOGMEC)
https://www.jogmec.go.jp/hydrogen/hydrogen_10_00001.html</td></tr>
<tr><td>JCR’s Evaluation</td><td>In its Basic Hydrogen Strategy, revised in June 2023, the Government of Japan set out the following four points:
(i) In addition to the target of introducing 3 million tons of hydrogen and related fuels by 2030, targets have been set at 12 million tons by 2040 and approximately 20 million tons by 2050. Correspondingly, cost targets have been established to reduce hydrogen costs from the current level of JPY 100/Nm^3 to JPY 30/Nm^3 by 2030 and JPY 20/Nm^3 by 2050.
(ii) A target of introducing approximately 15 GW of water electrolyzers by Japanese-related companies domestically and overseas by 2030 has been established.
(iii) Support schemes have been developed to build supply chains and develop supply infrastructure.
(iv) Agreement has been reached among the G7 on carbon intensity, with the aim of promoting a transition to low-carbon hydrogen and related fuels.
The target costs for 2030 and 2050 indicated in item (i) are set at levels that are sufficiently competitive with fossil fuels. This project aims to reduce the supply cost of hydrogen and related fuels to levels comparable to existing feedstocks through price gap support, thereby promoting their social implementation.
The criteria for low-carbon hydrogen and related fuels are defined as outlined below, and JCR evaluates that these criteria are comparable to international standards.
<table>
<tr><th>Low-carbon hydrogen</th><th>Boundary</th><th>Basis for setting threshold</th><th>Threshold</th></tr>
<tr><td>Hydrogen</td><td>Well to Gate</td><td>Approx. 70% reduction from fossil fuel-derived gray hydrogen</td><td>3.4kg-CO_2e/kg-H2</td></tr>
<tr><td>Ammonia</td><td>Well to Gate</td><td>Approx. 70% reduction from fossil</td><td>0.87kg-CO_2e/kg-NH3</td></tr>
</table>
</td></tr>
</table>

			fuel-derived gray ammonia	
	e-fuels	Lifecycle	Hydrogen production part: Approx. 70% reduction from fossil fuel-derived gray hydrogen. Additionally, energy related to synthesis, transport, etc. is added.	39.9g-CO_2e/MJ
	e-methane	Lifecycle		49.3g-CO_2e/MJ

Accordingly, JCR evaluates that this project promotes the supply and utilization of low-carbon hydrogen and related fuels and accelerates Japan's transition toward a hydrogen-based society.

(D) Cross-cutting Initiatives

Use of Proceeds 35: Capital for GX Acceleration Agency

(projects continued from the Japan Climate Transition Bonds issued in FY2024 and FY2025)

ICMA GBP Classification	"Renewable energy", "Energy efficiency", "Clean transportation", "Low carbon/decarbonized energy," "Low carbon/decarbonized energy," "Circular economy adapted products, production technologies and processes and/or certified eco-efficient products", "Environmentally sustainable management of living natural resources and land use".
GB Guidelines	"Projects for renewable energy," "Projects for energy efficiency," "Projects for clean transportation," "Projects concerning production technologies and processes and environmentally friendly products for the circular economy," and " Projects for the sustainable management of living natural resources and land use."
Project Objectives	The purpose of this project is to accelerate private-sector GX investment by providing capital to the GX Acceleration Agency, which serves as the entity responsible for operating carbon pricing—an essential component of pro-growth carbon pricing—and for delivering financial support to the private sector.
Project Overview	In order to achieve the goal of carbon neutrality by 2050, the GX Acceleration Agency, which functions as a hub for GX initiatives by the government, local governments, industry, and financial sectors, will support the provision of funds for GX investment by providing financial support (loan guarantees) for risks that private financial institutions cannot address.
Outcome Objectives	Through the GX Acceleration Agency, the project will promote GX investment by private companies and other companies and aims to achieve GX investment of more than 150 trillion yen in the public and private sectors over the next 10 years.
Related URL	https://www.gxa.go.jp/
JCR's Evaluation	This project contributes to the reduction of greenhouse gas emissions through the expansion of GX investment toward the achievement of carbon neutrality by 2050. By providing financial support such as loan guarantees for risks that are difficult for private financial institutions to bear on their own, the GX Acceleration Agency facilitates GX-related investments. The financial support provided under this project is aligned with the eligible projects defined under the Government of Japan's Climate Transition Bond Framework. The use of proceeds under the Framework corresponds to sector-specific roadmaps set by the Government of Japan and sector-specific investment strategies under the GX2040 Vision and is premised on initiatives that are aligned with Japan's transition strategy. Accordingly, the risk of carbon lock-in arising from this project is considered to be limited. In addition to the above-mentioned financial support, the GX Acceleration Agency is expected to play a role in underpinning the advancement of decarbonization in a manner compatible with economic growth through the operation of carbon pricing mechanisms.

3-1. Negative Impacts on the Environment

The uses of proceeds covered by the Bonds will be subject to checks for potential negative environmental and social impacts, and mitigation measures will be confirmed as necessary, during the project selection and evaluation process, including at the time of review for the allocation of each R&D expense and in the evaluation processes by each implementing organization.

As stated in Chapter 2 of this report (see "1-2. Alignment with the Items Required in the Climate Transition Finance Handbook, etc." in the JCR Framework Review Evaluation Report (25-D-1419[18])), avoidance of lock-in to fossil fuels, consideration for a just transition, and consideration of the Do No Significant Harm (DNSH) will be appropriately considered, and additional measures and mitigation measures will be considered as necessary.

In consideration of the impact on the environment and society, the Framework has established the following exclusion criteria. JCR has confirmed that the use of proceeds from the Bonds does not fall under these exclusion criteria.

- Projects involved in manufacturing, sales or distribution of mass destruction weapons such as nuclear weapons, chemical weapons, biological weapons, and inhumane weapons such as anti-personnel landmines and projects involved in manufacturing and providing services of products that support the manufacturing or sale of mass destruction weapons such as nuclear weapons, chemical weapons, biological weapons, and inhumane weapons such as antipersonnel landmines
- Projects involved in mining, refining and transportation of coal
- Projects involved in the ownership or operation of gambling facilities or businesses
- Projects involved in forced labor
- Projects involved in unfair trade practices, bribery, corruption, extortion, embezzlement and other inappropriate relationships that do not comply with the laws of the country where they are located
- Projects involved in transactions that may cause human rights, environmental, or other social issues

Based on the above, JCR evaluates that the negative impact on the environment and society has been taken into account and appropriate measures have been taken regarding the use of the proceeds of the Bonds.

[18] https://www.jcr.co.jp/download/ca234cdfbee77ffb0df0a07efcd4eaa3affcd4edf75ae4e0ce/25d1419_3_en.pdf

3-2. Alignment with the safeguard requirements set out in the Climate Transition Bond Guidelines

Under the Climate Transition Bond Guidelines (CTBG) published by ICMA in November 2025, four assessment components are established for evaluating use-of-proceeds bonds:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

This section presents the results of our review of the degree to which the five safeguards that should be considered for climate transition projects, as set out in CTBG "1. Use of Proceeds," are satisfied, as well as the policies adopted to achieve such compliance.
In addition, the Bonds' alignment with each of the CTBG components listed above is described in "V. Alignment with the Items Required under the Climate Transition Bond Guidelines."
The five safeguards that must be met are as follows.

(1) **Existence of an issuer-level sustainability and/or climate transition strategy** to which the CT Projects contribute and incorporating disclosures which align on a best-efforts basis with the four key elements of the Climate Transition Finance Handbook

(2) **Analysis supporting the technological and/or economic unfeasibility of low-carbon alternatives for the issuer** considering also the local context. For practical purposes, this assessment can be made by referencing existing official sector or other authoritative third-party resources and issuers' cost-benefit analyses.

(3) **Alignment or compatibility with official sector and market-based taxonomies, decarbonisation pathways and roadmaps, and/or other international and national decarbonisation policy frameworks,** where available and relevant. Annex 1 provides a non-exhaustive list and an overview of existing official sector and market-based taxonomies and pathways and roadmaps to help issuers identify the relevant resources.

(4) **Mitigation of substantial and quantifiable GHG emissions beyond business-as-usual (BAU),** considering sector standards, practices, proxies and best available technologies (BAT), where available and feasible.

(5) **Identification, analysis, best-efforts mitigation, and disclosure of carbon-lock in risks.** In this respect, sunset provisions and/or the restriction of interim performance categories (also known as the "amber" category) primarily for existing assets and activities in some taxonomies should be noted. The lock-in assessment may consider, where relevant, factors such as a project's lifetime and amortisation period, utilisation rate, emission profile over time, rebound effects, potential barriers to low(er)-carbon substitutes (e.g. contractual, labour, or supply chain constraints), readiness for future incorporation of lower-carbon feedstock or change in end-use, reversibility (e.g. retrofitting, repurposing, or repowering), and

displaceability, and monitoring of a project's end-use emissions. Annex 2 provides a non-exhaustive overview of existing resources for evaluating and avoiding carbon lock-in risks.

The use of proceeds for the Bonds falls within those specified under the Framework. With respect to the status of compliance with the safeguard items required for the Bonds, please refer to "2-2. Alignment with the Safeguard requirements set out in the Climate Transition Bond Guidelines" in the JCR Framework Review Evaluation Report (25-D-1419[19]).

Accordingly, JCR evaluates that the use of proceeds for the Bonds satisfies the safeguard requirements.

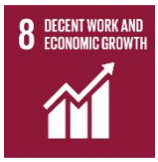
4. Consistency with SDGs

JCR evaluated the use of proceeds contributes to the following SDGs' goals and targets in reference to ICMA's SDGs mapping.

Goal 7: Affordable and clean energy

Target 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix

Target 7.3: By 2030, double the global rate of improvement in energy efficiency



Goal 8: Decent work and economic growth

Target 8.2: Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors

Target 8.4: Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-Year Framework of Programmes on Sustainable Consumption and Production, with developed countries taking the lead

Goal 9: Industry, innovation and infrastructure

Target 9.1: Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all

Target 9.2: Promote inclusive and sustainable industrialization and, by 2030, significantly raise industry's share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries

Target 9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities

Target 9.5: Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending

[19] https://www.jcr.co.jp/download/ca234cdfbee77ffb0df0a07efcd4eaa3affcd4edf75ae4e0ce/25d1419_3_en.pdf

Goal 11: Sustainable cities and communities

Target 11.6: By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management

Goal 12: Responsible consumption and production

Target 12.5: By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

Goal 13: Climate action

Target 13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

Goal 15: Life on land

Target 15.2: By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally

Goal 17: Partnerships for the goals

Target 17.17: Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships

Evaluation Phase 2: Management, Operation and Transparency Evaluation

m1

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 project selection criteria and processes, and whether a series of processes will be appropriately disclosed to investors.

▶▶▶ Current Status of Evaluation Targets and JCR Evaluation

An organization was established with cross-ministerial expertise for the goals, the project selection criteria and processes in the Bonds and the GX Implementation Council, chaired by the Prime Minister under the leadership of the Cabinet Office is appropriately involved, and all disclosures were made about these conference bodies and their operations; therefore, JCR has evaluated that the transparency is also ensured.

1. Goal

Basic Policy for the Realization of GX[20]

The main plans and laws to achieve net-zero by 2050 and the respective GHG emission reduction targets are as follows:

- Plan for Global Warming Countermeasures
- The 7th Strategic Energy Plan
- Basic Policy for the Realization of GX (GX Implementation Council)
- Act for Promoting a Smooth Transition to a Decarbonized Growth-Oriented Industrial Structure (GX Promotion Act)
- Act for Partial Revision of the Electricity Business Act and Other Acts for Establishing Electricity Supply Systems for Realizing a Decarbonized Society (GX Decarbonized Power Act)
- GX2040 Vision (Sector-specific Investment Strategies)

It is important for the Government of Japan to reduce CO_2 emissions from energy sources, which account for roughly 90 % of GHG reductions. The Government of Japan discussed the shift from an economic, social, and industrial structure centered on fossil fuels since the Industrial Revolution to one centered on clean energy, and the transformation of the entire economic and social system, as well as concrete efforts toward reduction.in the GX Implementation Council, and the GX Promotion Act was enacted. The issuance of Japan Climate Transition Bonds, including the Bonds, is a measure stipulated in Article 7 of the GX Promotion Act, and is clearly positioned as part of the Government of Japan's policy toward the realization of decarbonized society.

[20] Created by JCR from the basic policy for the realization of GX

2. Selection Criteria

In the Framework evaluation published in the evaluation reports on January 19, 2026, JCR confirmed that the selection criteria set by the Government of Japan in the Framework are consistent with the content stipulated in the GX 2040 Vision. The project is evaluated as being appropriate and has an environmental improvement effect.

The use of proceeds set out in the Bonds was included in the Sector-specific Investment Strategies (roadmaps) however, the individual eligibility criteria (environmental benefits) will be examined in the working group with experts invited hereafter. JCR has evaluated that the project selection criteria are appropriate.

3. Process

In selecting projects for which the proceeds of the Bonds, the alignment is to be confirmed in the liaison meeting with relevant ministries and agencies; therefore, JCR has evaluated that the process is appropriate.

The Government of Japan's goals, selection criteria and processes for the Bonds are disclosed in the Japan Climate Transition Framework and this evaluation report. The Government of Japan plans to disclose the target projects on its website when issuing the Bonds based on the Japan Climate Transition Framework. Therefore, JCR has evaluated that transparency to investors is ensured.

II. Management of proceeds

JCR's Key Consideration in This Factor

It is usually assumed that the method of managing the proceeds financed widely varies depending upon the finance raisers. JCR will confirm that the proceeds financed based on this evaluation target are surely allocated to green/transition projects, and that mechanisms and internal systems are in place so that the allocation can be easily tracked and managed.

JCR will emphasize whether the proceeds financed by this evaluation target are scheduled to be early used for green projects and it will also give importance to the evaluation of the management/operation methods of unallocated proceeds.

▶▶▶ Current Status of Evaluation Targets and JCR's Evaluation

JCR has evaluated that the Government of Japan's proceeds management system has been properly established and is highly transparent since the method of managing the proceeds financed will be disclosed in this evaluation report and the framework has been already disclosed on its website.

The proceeds financed by the Bonds will be entered into the energy supply and demand account of the special account for energy measures immediately after the issuance of the bonds, and METI will track and monitor the amount of the net proceeds to match the actual expenses on an annual basis using an internal management system.

The eligible projects to be allocated are those that have started operations or have been executed in the fiscal year including the implementation date of funding based on the Framework, as well as projects that have started operations or executed in subsequent FYs and the previous FY. In cases where unallocated proceeds are generated, they shall be managed in cash. Accordingly, JCR has evaluated the plan as adequate.

The management of proceeds will be inspected by the Audit Office, an independent body, in the same way as the normal budget process. The decision on the use of proceeds and the allocation will be confirmed in the liaison meeting with relevant ministries and agencies. The ledger on the management of proceeds financed will be retained until the repayment of the target Bonds and the retention period based on laws and regulations.

Consequently, JCR has evaluated that the Government of Japan's proceeds management system has been properly established, and that the management method of the proceeds financed will be disclosed in this evaluation report; therefore, it is highly transparent.

III. Reporting

JCR's Key Consideration in This Factor

JCR will evaluate whether the disclosure system 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 Targets and JCR Evaluation

Regarding the allocation status, The Government of Japan plans to report annually, and regarding the impact, such as environmental benefits, plan to report from the bond issuance within two fiscal years of issuance. JCR has evaluated that the Government of Japan's reporting will be appropriately disclosed for both the allocation of proceeds and the environmental benefits to investors.

Reporting on the allocation of proceeds

The Government of Japan will annually disclose the contents set out in the Framework regarding the allocation of proceeds financed by the Bonds on its website. In cases where any significant change is made in the financial situation after the full amount of the proceeds financed were allocated, the disclosure shall be made in a timely manner.

Reporting on environmental benefits

The Government of Japan plans to disclose the contents set forth in the Framework on its website as reporting on the environmental benefits of eligible projects within two fiscal years of issuance. These disclosure items will quantify progress, expected CO_2 reduction effects from R&D, and environmental benefits, as well as the expected CO_2 reduction effects from capital investments and demand-side measures. Disclosure will be made to the extent feasible. The progress and environmental benefits for impact reporting will be updated at least until the end of the individual projects, and the information will be disclosed on the website for the repayment period.

Accordingly, JCR has evaluated that the reporting system by the Government of Japan is adequate.

IV. Efforts to Address Organizational Environmental Issues

JCR's Key Consideration in This Factor

JCR will evaluate whether the top finance raiser positions environmental issues as important issues with high management priority, or whether policies/processes/criteria for selecting eligible projects are clearly positioned by establishing divisions that specialize in environmental sectors or collaborating with external organizations in this section.

▶▶▶ Current Status of Evaluation Targets and JCR Evaluation

JCR has confirmed that the Government of Japan has positioned the realization of decarbonized society as one of Japan's important issues and has stipulated laws and regulations for the decarbonization of GX and energy sources, and is working on it as an important priority issue for the government. JCR has evaluated in practical that a liaison meeting with relevant ministries and agencies has been established under the initiative of the GX Implementation Council, headed by the Prime Minister, and the government as a whole is working on it, and the GX Implementation Council and the working group responsible for the concrete examination of Sector-specific Investment Strategies has invited experts from academic, financial and industrial sectors to build a system for repeated multifaceted examinations.

Please refer to Chapter 2 2.1 and 2.2 in this evaluation report for details of this evaluation target (see “1-1. Japan’s Economic Policy and Transition Strategy” and “1-2. Alignment with Items Required in the Climate Transition Finance Handbook, etc.” in the JCR Framework Review Evaluation Report (25-D-1419[21])).

[21] https://www.jcr.co.jp/download/ca234cdfbee77ffb0df0a07efcd4eaa3affcd4edf75ae4e0ce/25d1419_3_en.pdf

V. Alignment with the Items Required under the Climate Transition Bond Guidelines

JCR's Key Consideration in This Factor

In this section, JCR assesses whether the framework and the Bonds are aligned with each component of the Climate Transition Bond Guidelines, among other considerations.

The CTBG launched by ICMA in November 2025 were developed to introduce a standalone "Climate Transition Bond" label in order to support fundraising by projects in high-emitting sectors and/or projects that involve high-emitting activities, with the aim of achieving the goals of the Paris Agreement.

For the evaluation of transition bonds as use-of-proceeds bonds, CTBG sets out the following four components. In this section, we verify the alignment between the items required by CTBG and this Framework.

1. Use of Proceeds

Alignment with the five safeguards and the additional safeguards related to fossil fuels.

2. Process for Project Evaluation and Selection

The extent of disclosure regarding eligibility as transition projects, safeguards, classification, and exclusion criteria.

3. Management of Proceeds

Whether the raised funds are allocated to green/transition projects with certainty, and whether there are mechanisms that enable easy tracking and management of such allocation, as well as the status of disclosure regarding those mechanisms.

4. Reporting

Whether the disclosure framework for investors and other stakeholders is planned in a detailed and effective manner.

Current Status of Evaluation Targets and JCR Evaluation

1. Use of Proceeds

For details of the use of proceeds under the Bonds, please refer to this evaluation report, "Evaluation Phase 1: Green/Transition Evaluation– I. Use of Proceeds."

JCR also confirms that, with respect to the eligibility of the use of proceeds against the five safeguards required under this section, the use of proceeds for the Bonds satisfies the five

safeguards required by the CTBG, as described in "3-2. Alignment with the safeguard requirements set out in the Climate Transition Bond Guidelines."

2. Process for Project Evaluation and Selection

For the criteria and process for selecting the use of proceeds under this Framework and the Bonds, please refer to this evaluation report, "Evaluation Phase 2: Management, Operation and Transparency Evaluation – I. Selecting Criteria and Processes of the Use of Proceeds."

The responses required under this section, including the five safeguards described above, are disclosed in this evaluation report. Accordingly, JCR confirms that the Process for Project Evaluation and Selection under the Framework satisfies the requirements set forth in the CTBG.

3. Management of Proceeds

For details regarding the management of proceeds for the Bonds, please refer to this Evaluation report, "Evaluation Phase 2: Management, Operation and Transparency Evaluation – II. Management of Proceeds."

As confirmed above, JCR has confirmed that the proceeds raised will be allocated exclusively to green/transition projects, that appropriate mechanisms are in place to enable the allocation status to be clearly tracked and managed, and that relevant information will be appropriately disclosed.

4. Reporting

For reporting related to the Bonds, please refer to this evaluation report, "Evaluation Phase 2: Management, Operation and Transparency Evaluation – III. Reporting."

As confirmed above, JCR has confirmed that the disclosure framework for investors and other stakeholders is planned in a detailed and effective manner.

Based on the above, JCR evaluates that the Bonds satisfy the requirements set forth in the CTBG.

Evaluation Phase 3: Evaluation Result (Conclusion)

Green 1(T)

JCR assigned "gt1" to the preliminary appraisal of "Greenness/Transition Evaluation (Use of Proceeds,)" "m1" to the preliminary appraisal of "Management, Operation and Transparency Evaluation" based on JCR Green Finance Evaluation Methodology. As a result, JCR assigned "Green 1(T)" to the "JCR Preliminary Climate Transition Bond Evaluation" for the Bonds. The Bonds meet the criteria for the items required in the Green Bond Principles, the Green Bond Guidelines, the Climate Transition Finance Handbook, the Basic Guidelines on Climate Transition Finance, and Climate Transition Bond Guidelines.

		Management/operation/transparency evaluation				
		m1	m2	m3	m4	m5
Greenness/ Transition Evaluation	gt1	**Green 1(T)**	Green 2(T)	Green 3(T)	Green 4(T)	Green 5(T)
	gt2	Green 2(T)	Green 2(T)	Green 3(T)	Green 4(T)	Green 5(T)
	gt3	Green 3(T)	Green 3(T)	Green 4(T)	Green 5(T)	N/A
	gt4	Green 4(T)	Green 4(T)	Green 5(T)	N/A	N/A
	gt5	Green 5(T)	Green 5(T)	N/A	N/A	N/A

Responsible Analyst: Rieko Kikuchi, Kosuke Kajiwara, Yuki Katsura, Takuto Toda

Important Explanation on this Evaluation

1. Assumptions, Significance, and Limitations of JCR Climate Transition Finance Evaluation

   JCR Climate Transition Finance Evaluation provided by Japan Credit Rating Agency (hereinafter referred to as "JCR") covers the policies set out in the JCR Climate Transition Finance Evaluation as an evaluation target and states JCR's comprehensive opinion on the extent to which allocation is made to the Green/Transition Project defined by JCR and on the degree to which the efforts to ensure the management, operation and transparency on the use of proceeds at present. It is therefore not intended to evaluate the specific environmental benefits and the management/operation system/transparency on the use of proceeds, such as individual bonds or borrowings implemented based on the policies. JCR, in principle, does not directly measure the environmental benefits of proceeds financed through the green/transition finance although JCR confirms that the environmental benefits are quantitatively and qualitatively measured by an issuer or borrower (hereinafter the issuer and borrower are collectively referred to as a "finance raiser") or the third parties requested by the finance raiser.

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. Relation 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. Relation 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.

Points to Consider

The information contained in this document was obtained by JCR from finance raisers and accurate and reliable sources. Such information however may be mistaken for artificial, mechanical or other reasons. Therefore, JCR makes neither representation nor warranty, express or implied, as to the accuracy, result, eligibility, timeliness, completeness, merchantability, or fitness for any particular purpose of such information, and JCR assumes no responsibility for any errors, omissions or consequences of using such information. JCR shall not be liable for any loss of opportunity and extraordinary, indirect, incidental or consequential damage of any kind, including any loss of money, which result from any use of such information under any circumstances, whether contractual liability, tort liability, negligence or other causes of liability, and whether such damage is foreseeable or unforeseeable. JCR Green Finance Evaluation does not express any opinion on various risks (credit risk, price fluctuation risk or market liquidity risk) on the green finance that is the subject of evaluation. JCR Green Finance Evaluation is a comprehensive opinion of JCR at present and does neither represent facts nor make any recommendation regarding risk assessments or decisions on the purchase, sale or holding of individual bonds or commercial paper. JCR Green Finance Evaluation may be modified, suspended or withdrawn due to changes in information or lack of information.

Terminology

JCR Climate Transition Finance Evaluation: The assessment of the extent to which proceeds financed by the Climate Transition Finance are allocated to green/transition finance defined by JCR and the degree of management, operation and transparency related to the use of proceeds for the green/transition finance. The evaluation is made on a scale of five in the order from top to bottom with evaluation symbols, Green 1 (T), Green 2 (T), Green 3 (T), Green 4 (T), Green 5 (T)

Status of Registration as External Evaluator of Sustainability 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

Other Registration Status as Credit Rating Agency

- Credit Rating Agency: the Commissioner of the Financial Services Agency (Credit Rating) No. 1
- EU Certified Credit Rating Agency
- NRSRO: JCR registered with the following four of the five credit rating classes of the Nationally Recognized Statistical Rating Organization ("NRSRO") as defined by the U.S. Securities and Exchange Commission: (1) financial institutions, broker/dealers, (2) insurance companies, (3) general business corporations and (4) national/local governments. In cases where disclosure is required based on Rule 17g-7(a) of the Securities Exchange Act, such disclosure is attached to News Release on the JCR webpage at https://www.jcr.co.jp/en/.

For inquiries, please contact us below

TEL: 03-3544-7013 FAX: 03-3544-7026
Information Service Department

Japan Credit Rating Agency, Ltd.
Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026