

Second Opinion

Tokyo Metropolitan Government Tokyo Social Bonds Framework

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ESG Dept.
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Rating and Investment Information, Inc. (R&I) has confirmed the alignment of the Tokyo Social Bonds Framework formulated by the Tokyo Metropolitan Government (Tokyo Metropolitan Govt. or TMG) in March 2021 with the Social Bond Principles (SBP) 2020 announced by the International Capital Market Association (ICMA). This opinion is based on the following views.

■ Overview of the Opinion

(1) Use of Proceeds

Proceeds will be allocated to projects that meet specified requirements. Specifically, (1) a project must be targeted at individuals in need of social support, (2) clear social benefits are expected (in terms of the generation of a new benefit or maintenance of an existing benefit) and such benefits can be assessed quantitatively, and (3) financial resources can include municipal bonds in accordance with the provisions of Article 5 of the Local Governance Finance Act and other laws and regulations. The Tokyo Metropolitan Govt. assumes the four specific projects to which proceeds from bond issuance are allocated: Improvement of schools for special needs education, Establishment of Challenge schools, Improvement of employment and job placement promotion facilities, etc., and Deposits related to TMG's financing scheme for small and medium-sized enterprises (SMEs). Each of these projects aims to solve social issues of supporting proactive efforts toward the independence and social participation of young children, pupils and students with disabilities, providing educational opportunities to students, etc. who have not attended classes in their elementary and/or junior high school days, providing employment and job placement support to Tokyo residents, and securing SMEs' business continuity and operations stability of SMEs. The four projects to which social bond proceeds will be allocated contribute to the formation of a multicultural society, a recovery in local economy, and the promotion of sustainable local economic growth, as well as direct benefits to targeted individuals. R&I has evaluated that eligible projects will provide positive outcomes for the society as a whole. Eligible projects correspond to the project categories of "Access to essential services," "Socioeconomic advancement and empowerment," and "Employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, including through the potential effect of SME financing and microfinance" illustrated in SBP2020, which target at "young children, pupils and students with disabilities," "students, etc. who have not been able to capitalize on their abilities and aptitudes," "individuals in need of employment or job placement support" and "small and medium-sized business operators who need financing to stabilize operations and their employees."

(2) Process for Project Evaluation and Selection

Eligible projects to which proceeds from the issuance of Tokyo Social Bonds are allocated will be selected after coordination by the Tokyo Metropolitan Govt. Bureau of Finance and the bureau managing business establishments. The feasibility of such projects and durability of project outcomes are verified in a budgeting process. The Tokyo Metropolitan Assembly's approval shall be given to the projects at the end of process. With an evaluation approach and criteria determined and eligible projects selected through appropriate processes, both third-party characteristics and expertise are ensured.

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(3) Management of Proceeds

Proceeds will be managed by the Bureau of Finance, etc. and appropriately allocated to project categories in accordance with laws and regulations. Full proceeds shall be allocated within the fiscal year and until then, proceeds will be held as cash or cash equivalents. Financial accounting shall be examined by audit committee members from the perspectives of accuracy, regulatory compliance, economics, efficiency, effectiveness, etc., and approved by the Assembly. Consequently, R&I considers that proceeds will be managed appropriately.

4) Reporting

Tokyo Metropolitan Govt. will disclose information to clearly explain the allocation of proceeds and social outcomes thereof to investors. Such disclosure will be made on the Tokyo Metropolitan Govt.'s website, which comprises an allocation plan before the issuance of Tokyo Social Bonds and the results of the allocation in the year after the issuance. R&I considers Tokyo Metropolitan Govt.'s reporting to be appropriate.

Outline of the Issuer

- Tokyo Metropolis is the capitol of Japan with a population of about 14 million and a world-leading megalopolis.
- In March 2021, the Tokyo Metropolitan Govt. formulated the “Future Tokyo: Tokyo’s Long-Term Strategy” (hereinafter referred to as the "Future of Tokyo" Strategy), which lays out its vision for Tokyo in the 2040s, strategies to be implemented up to 2030 to achieve that goal, and the Promotion Project to implement such strategies. The "Future of Tokyo" Strategy sets out the direction of future policies as "the realization of a sustainable society where *growth* is compatible with *maturity*, placing a person as the driving force for Tokyo's development at the center thereof." This is in line with the philosophy of the SDGs to create an inclusive society where *no one will be left behind*. Based on this idea, Tokyo Metropolitan Govt. considers that its core policy is realizing Tokyo where people who are close to each other and rich in diversity and inclusion can shine.
- In 2020, the quick worldwide spread of the novel coronavirus or COVID-19 infection had significant impacts on the lives of people also in Japan, in terms of shrinking economic activity, an increasing burden on healthcare systems, etc. The stream has arisen particularly in Europe to aim at "better recovery" from the COVID-19 pandemic while coping with climate change. By extending the stream to the perspective of realizing sustainable life, Tokyo Metropolitan Govt. intends to work to advance a *sustainable recovery*.
- In addition, Tokyo Metropolitan Govt. has been proactively making efforts to contribute to solving social issues through sustainable finance such as the establishment of the Tokyo ESG Fund, implementation of the Tokyo Financial Award and issuance of Tokyo Green Bonds.
- Based on the above, Tokyo Metropolitan Govt. will issue Tokyo Social Bonds to secure financial resources for the realization of Tokyo where people shine and the achievement of a sustainable recovery. It will further promote ESG investment in Japan, as well as helping individuals and businesses in need of social support in Tokyo.

■Initiatives for the "Future of Tokyo" Strategy (20 visions for Sustainable Tokyo 2040)

おおむね四半世紀先である2040年代を念頭に、我々が目指す「未来の東京」の姿を提示



- | | |
|--|---|
| <p>01 子供の笑顔と子供を産み育てたい人で溢れ、
家族の絆と社会が支える東京</p> <p>02 新たな教育モデルにより、すべての子供・若者が
将来への希望を持って、自ら伸び、育つ東京</p> <p>03 女性が自らの希望に応じた生き方を選択し、
自分らしく輝いている東京</p> <p>04 高齢者が人生100年時代に元気に活躍し、
心豊かに暮らす東京</p> <p>05 誰もが自分らしくポジティブに働き、活躍できる東京</p> <p>06 様々な人が共に暮らし、多様性に富んだ東京</p> <p>07 誰もが集い、支え合う居場所・
コミュニティが地域の至る所に存在する東京</p> <p>08 災害の脅威から都民を守る強靱で美しい東京</p> <p>09 犯罪、事故、火災への対処、病気への備えなど、
暮らしの安心が守られた東京</p> <p>10 高度な都市機能と自然が調和し、人が集い、憩う東京</p> | <p>11 最高の交通ネットワークが構築された便利で快適な東京</p> <p>12 デジタルの力で東京のポテンシャルを引き出し、都民が質の
高い生活を送る「スマート東京」(東京版Society 5.0)</p> <p>13 世界中からヒト・モノ・カネ・情報が集まる、
世界オープンな東京</p> <p>14 次々と新しい産業が生まれる、
世界のスタートアップ都市・東京</p> <p>15 世界の高い生産性を実現した、世界経済を牽引する東京</p> <p>16 水と緑を一層豊かにし、ゆとりと潤いのある東京</p> <p>17 ゼロエミッション東京</p> <p>18 文化やエンターテインメントで世界を惹きつける東京</p> <p>19 スポーツが日常に溶け込んでいる、
スポーツフィールド・東京</p> <p>20 全国各地との連携を深め、真の共存共栄を実現した東京</p> |
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[Source: "Future of Tokyo" Strategy]

1. Use of Proceeds

(1) Eligible Projects

- Proceeds from the issuance of the Tokyo Social Bonds will be allocated to projects that meet the following three requirements:
 - ① A project must be targeted at individuals in need of social support.
 - ② Clear social benefits are expected (in terms of the generation of a new benefit or maintenance of an existing benefit) and such benefits can be assessed quantitatively.
 - ③ Financial resources can include municipal bonds in accordance with the provisions of Article 5 of the Local Finance Act and other applicable laws and regulations.

The table below shows such projects eligible for allocation that meet the three requirements described above and are specifically assumed in each project category, and social issues to be addressed.

Project categories	Projects for allocation	Social issues
Education	Improvement of schools for special needs education	supporting proactive efforts toward the independence and social participation of young children, pupils and students with disabilities
	Establishment of Challenge schools	Providing educational opportunities to students, etc. who have not attended classes in their elementary and/or junior high school days
Employment continuity and generation	Improvement of employment and job placement promotion facilities, etc.	Providing employment and job placement support to Tokyo residents
	Deposits related to TMG's financing scheme for SMEs	Securing SMEs' business continuity and operations stability

- Under SBP2020, the targets of a social project comprise people with disabilities, unemployed, and other vulnerable groups, including as a result of natural disasters. The requirement ① described above reflects the principle.

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Overview of projects to which proceeds are allocated

< Improvement of schools for special needs education >

- The origin of the Tokyo Metropolitan Schools for Special Needs Education is a private technical school for the blind, which was founded in 1908, and TMG has long been engaged in the education of people with disabilities.
- Special needs education, which is based on the perspective of supporting proactive efforts toward the independence and social participation of young children, pupils and students with disabilities, shall grasp the educational needs of each of such children and provide appropriate guidance and necessary support so that they can enhance their abilities and improve or overcome living and learning difficulties.
- It will be implemented in all schools where young children, pupils and students who need special support are enrolled, including those who have developmental disabilities without intellectual delay as well as those with disabilities conventionally recognized as being subject to special education.
- Special needs education is not limited to education for young children, pupils and students with disabilities, but is the basis for the formation of a multicultural society where various people can play an active role while recognizing the presence or absence of disabilities and other individual differences. It has important implications for Japan's present and future society.
- Schools for special needs education are established to enhance special needs education. Tokyo Metropolitan Govt. is working to expand and improve such schools to enrich the educational environment of schools, above all, for students with intellectual disabilities, according to the future estimation of the number of enrolled students. By securing the required number of classrooms, Tokyo Metropolitan Govt. is proceeding with the elimination of partition classrooms and diverted classrooms.
- In order to realize steady corporate employment of students with mild to moderate intellectual disabilities, Tokyo Metropolitan Govt. has been working to increase the number of vocational development courses that provide basic occupational education and establish an education for the sickly department to enhance in-hospital visiting education. It is also building a guidance system that can flexibly respond to fluctuations in the number of enrolled students by making bases with the in-hospital visiting education function.
- The social issue Tokyo Metropolitan Govt. recognizes is supporting proactive efforts toward the independence and social participation of young children, pupils and students with disabilities.

■Origin of the Tokyo Metropolitan Schools for Special Needs Education

Type of disabilities	Forerunner of TM schools for special needs education	Established in	School name as of 2016
For the Blind	Technical School for the Blind	1908	Tokyo Metropolitan Bunkyo School for the Blind
For the Deaf	Tokyo Metropolitan School for the Deaf	1926	Tokyo Metropolitan Otsuka School for the Deaf
For the Physically Disabled	Tokyo Metropolitan Komei School	1932	Tokyo Metropolitan Komei School for Special Needs Education
Health impaired	Tokyo Metropolitan Kurume School	1936	Tokyo Metropolitan Kurume School for Special Needs Education
Intellectually disabled	Osaki Junior High Branch School in Shinagawa-ku	1947	Tokyo Metropolitan Seicho School for Special Needs Education

■ The number of public schools for special needs education in Tokyo (as of October 15, 2020)

Tokyo Metropolitan Schools for the Blind (4)

Tokyo Metropolitan Schools for the Deaf (4)

Tokyo Metropolitan Schools for Special Needs Education for the Physically Disabled (18)

Tokyo Metropolitan Schools for Special Needs Education for the Intellectually Disabled (41 and 1 temporarily closed, 1 will open)

Tokyo Metropolitan Schools for Special Needs Education for the Health Impaired (5)

Special Needs Education Schools in wards (1 for the orthopedically impaired, 1 for the intellectually disabled and 3 for the health impaired)

[Source: Tokyo Metropolitan Govt.'s website]

< Establishment of Challenge schools >

- A Challenge school is an independent day and evening school primarily to accept students who have not attended classes in their elementary and/or junior high school days or who have dropped out of high school due to long-term absence, etc. It provides a comprehensive course in a class system divided into the three parts of morning, afternoon and night classes. While students usually take four years to graduate, taking a course in other parts will also allow them to graduate the school in three years.
- Tokyo Metropolitan Govt. has announced its purpose of establishing Challenge schools in Tokyo as "In order to respond to changes in part-time high schools, an increase in the number of dropouts from full-time high schools, etc. from the viewpoint of developing an education environment where every student who has motivation and enthusiasm to gain higher education can have a fruitful high school life, amid the diversification of students studying in Tokyo metropolitan high schools."
- Based on this concept, Kirigaoka High School opened in 2000 followed by four more schools being currently open, and two new schools are scheduled to open by 2025.
- A Challenge school provides each student with careful support and enriched services of counseling and educational consultation. It has a comprehensive course offering more elective subjects than a regular course, allowing students to take specialized classes. Students can enjoy education suited to their lifestyles and pace of study. The school is also characterized by, for instance, its credit system whereby each student can develop his/her own schedule and therefore everyone can deepen learning of fields in which a student is interested.
- The social issue Tokyo Metropolitan Govt. recognizes is providing educational opportunities to students, etc. who have not attended classes in their elementary and/or junior high school days.

■ Structure of a Challenge school

Slogan	Description
Any time you like	Class system divided into the three parts of morning, afternoon, and night classes
What you want	Credit system/ comprehensive course
From where you like	Subjects for basic content Ample instruction in accordance with students' learning levels
As much as you like	Students usually take four years to graduate and can take more subjects than full-time high schools ⇒ Also can graduate in three years
Through experience	School subjects ⇒ Welfare activities, Volunteer activities, etc.
While valuing hearty contact	Small-group instruction, Enriched consultation activities for educational counseling, subject selection guidance, etc.
Everyone can learn	Philosophy: Accepting students with motivation and enthusiasm to learn
Open to a local community	School supported and nurtured by a locality ⇒ Focusing on experimental study through a local community's cooperation

[Source: Tokyo Metropolitan Govt's website]

< Improvement of employment and job placement promotion facilities, etc.>

- The Tokyo Metropolitan Govt. has established and operates the Tokyo Shigoto (Work) Center (Iidabashi) and the Tokyo Shigoto Center Tama (Kokubunji) as "one-stop service centers for work" to support the employment and job placement of Tokyo residents. The Shigoto Centers provide consistent job-related services extending from detailed consultation (career counseling) based on each person's aptitude and situation, various seminars and skill development programs to help acquire knowledge and skills that are useful for seeking jobs and being employed, to the provision of job information and placement service. Everyone who seeks a job in Tokyo can use the Centers even if he/she is a non-Tokyo resident.
- The social issue Tokyo Metropolitan Govt. recognizes is providing employment and job placement support to Tokyo residents.

■ Outline of the Tokyo Shigoto Center Tama

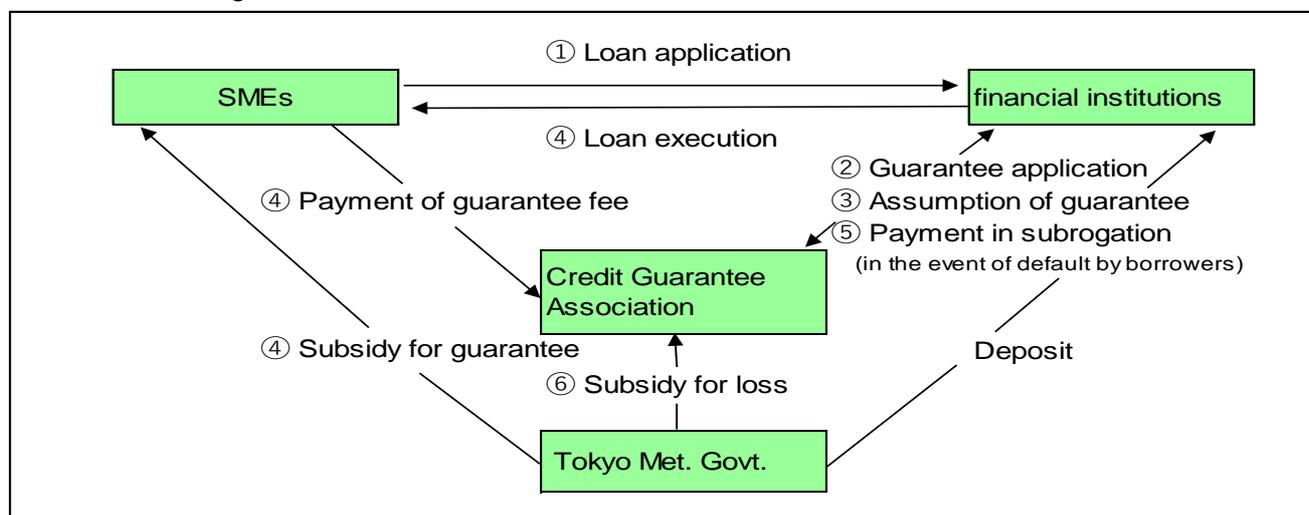


[Source: Materials provided by Tokyo Metropolitan Govt.]

< Deposits related to TMG's financing scheme for SMEs >

- Tokyo Metropolitan Govt.'s financing scheme for small and medium-sized enterprises (SMEs) is intended to help SMEs, which may have difficulty receiving loans from market financial institutions, smoothly procure funds necessary for their businesses under cooperation between the three of Tokyo Metropolitan Govt., the Tokyo Credit Guarantee Association and financial institutions. Deposits are funds deposited as resources for loans by Tokyo Metropolitan Govt. into financial institution accounts.
- Many of SMEs have poor collateral and low levels of profits, and their financial bases are not necessarily strong. Therefore, SMEs are often vulnerable to economic downturn and employees can be exposed to risk of unstable employment. Supporting such SMEs in cash flow management will lead to business continuity and continued employment.
- Particularly from 2020 onward, support for business operators whose activities have been affected by the COVID-19 outbreak is a critical issue in the society. The TMG's financing scheme is a pillar of initiatives to support such business operators.
- Loans provided amid the COVID-19 pandemic are intended to support businesses in financing until circumstances are normalized. As all proactive steps to prevent employment loss are expected, such loans play an important role to supplement the government policy, as well as backing local economy and companies with rapid support.
- The social issue Tokyo Metropolitan Govt. recognizes is support in, for instance, securing SMEs' business continuity and operations stability

■ TMG's financing scheme for SMEs



Credit guarantee	Have Credit Guarantee Association guarantee loans from financial institutions to facilitate SMEs finance.
Deposit	Deposit funds for part of sources of loans at financial institutions
Subsidy for guarantee	Provide a subsidy for part of credit guarantee fees in order to reduce the financing burden on SMEs, etc.
Subsidy for loss	Make up some loss incurred due to payment in subrogation in order to encourage Credit Guarantee Association to make proactive guarantees.

(2) Goals of Eligible Projects Are Positive Social Outcomes

Eligible projects	Benefits	Benefits and impacts of eligible projects
Improvement of schools for special needs education	Direct benefits	Enhancement of knowledge and experience by providing targeted individuals with places for learning
	Indirect benefits	Formation of a multicultural society
Establishment of Challenge schools	Direct benefits	Enhancement of knowledge and experience by providing targeted individuals with places for learning
	Indirect benefits	Formation of a multicultural society
Improvement of employment and job placement promotion facilities, etc.	Direct benefits	Enhancement of knowledge and skills by providing targeted individuals with places for learning
	Indirect benefits	Recovery in local economy and promotion of sustainable local economic growth Securing of employees for companies
Deposits related to TMG's financing scheme for SMEs	Direct benefits	Reduction of customers' (companies' and sole proprietors') financial burdens
	Indirect benefits	Companies' business continuity Continuous employment of company employees Recovery in local economy and promotion of sustainable local economic growth

Positive social outcomes

■ Improvement of schools for special needs education

- Schools for special needs education, which are based on the perspective of supporting proactive efforts toward the independence and social participation of students with disabilities, are schools that grasp the educational needs of each of such students and help them enhance their abilities and improve or overcome living and learning difficulties by providing appropriate guidance and special support.
- Special needs education is not limited to education for young children, pupils and students with disabilities, but is also the basis for the formation of a multicultural society where various people can play active roles while recognizing the presence or absence of disabilities and other individual differences. It has important implications for Japan's present and future society.

■ Establishment of Challenge schools

- A Challenge school is intended to provide educational opportunities for students who have not attended classes in their elementary and/or junior high school days or who have dropped out of high school due to long-term absence, etc., in order to respond to students' willingness to take on challenges for learning.
- It adequately provides counseling to students and takes care of them. Students can find elective classes in more subjects than a regular course, including specialized ones. Challenge schools contribute to students' paths to higher education or occupations after graduation. It is the basis for the formation of a multicultural society where various people can play active roles and has important implications for Japan's present and future society.

■ Improvement of employment and job placement promotion facilities, etc.

- Tokyo Metropolitan Govt. manages Shigoto Centers to back Tokyo residents with employment and job placement support. The Shigoto Centers provide consistent job-related services extending from detailed consultation (career counseling) based on each person's aptitude and situation, various seminars and

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skill development programs to help acquire knowledge and skills that are useful for seeking jobs and being employed, to the provision of job information and placement service.

- By helping Tokyo residents obtain employment, the centers contribute toward the securing of employees for companies and a recovery in local economy, and the promotion of sustainable local economic growth.

■Deposits related to TMG's financing scheme for SMEs

- Supporting the financing of small and medium-sized enterprises, which are easily affected by business conditions and may have difficulty receiving loans from market financial institutions, will reduce the financial burden and credit deterioration of such enterprises. In particular, maintaining the corporate foundation even in the current severe business environment amid the COVID-19 pandemic will prevent employment suspension and promote employment continuity and generation, as well as enabling smooth business resumption after circumstances improve. It plays an important role as all precautions to prevent job loss are expected.
- Institutional loans are targeted for a broad base of companies and as a result, contribute to the maintenance and creation of large employment opportunities. Supporting companies' cash flows contributes to a recovery in local economy and the promotion of sustainable local economic growth, having many positive ripple effects.

The four projects to which proceeds from social bond issuance are to be allocated will contribute to the formation of a multicultural society, a recovery in local economy and the promotion of sustainable local economic growth, as well as conferring direct benefits to targeted individuals. Since deposits related to TMG's financing scheme for SMEs are in the form of loans by the private sector with guarantees by the guarantee association, the project will not put pressure on the private sector business. Given no specific factor in other projects, R&I has evaluated that they will provide positive outcomes for the society as a whole.

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Checks against project categories illustrated in SBP2020

- The table below shows eligible projects corresponding to the project categories illustrated in SBP2020 and targeted individuals.

Projects	Project categories in SBP2020	Targeted individuals
Improvement of schools for special needs education	Access to essential services	Young children, pupils and students with disabilities
Establishment of Challenge schools	Access to essential services	Students, etc. who have not been able to capitalize on their abilities and aptitudes
Improvement of employment and job placement promotion facilities, etc.	Access to essential services Socioeconomic advancement and empowerment	Individuals in need of employment or job placement support
Deposits related to TMG's financing scheme for SMEs	Employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, including through the potential effect of SME financing and microfinance Socioeconomic advancement and empowerment	Small and medium-sized business operators who need financing to stabilize operations and their employees

2. Process for Project Evaluation and Selection

(1) Incorporation into Comprehensive Objectives, Strategies and so on

- The Tokyo Metropolitan Govt. formulated the “Future Tokyo: Tokyo’s Long-Term Strategy”, which lays out its *vision* for Tokyo in the 2040s, *strategies* to be implemented up to 2030 to achieve the vision, and the *promotion project* to implement such strategies.
- The strategies described above encompass eligible projects to which proceeds from social bonds are allocated. For each project, social issues to be addressed are incorporated appropriately, with objectives and plans thereof clarified.
- The strategies are organized also from the perspective of SDGs and function as a roadmap for Tokyo to achieve SDGs. More sustainability has been pursued in such strategies, since all initiatives that constitute each strategy were brushed up also from a SDG viewpoint.

■Tokyo Metropolitan Govt.'s strategies toward 2030

「ビジョン」の実現に向け、2030年に向けて取り組むべき20+1の戦略を提示

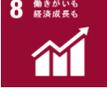
20+1の「戦略」

<p>戦略0 感染症に打ち克つ戦略</p> <p>戦略1 子供の笑顔のための戦略</p> <p>戦略2 子供の「伸びる・育つ」応援戦略</p> <p>戦略3 女性の活躍推進戦略</p> <p>戦略4 長寿（Chōju）社会実現戦略</p> <p>戦略5 誰もが輝く働き方実現戦略</p> <p>戦略6 ダイバーシティ・共生社会戦略</p> <p>戦略7 「住まい」と「地域」を大切にす戦略</p> <p>戦略8 安全・安心なまちづくり戦略</p> <p>戦略9 都市の機能をさらに高める戦略</p> <p>戦略10 スマート東京・TOKYO Data Highway戦略</p>	<p>戦略11 スタートアップ都市・東京戦略</p> <p>戦略12 稼ぐ東京・イノベーション戦略</p> <p>戦略13 水と緑溢れる東京戦略</p> <p>戦略14 ゼロエミッション東京戦略</p> <p>戦略15 文化・エンターテインメント都市戦略</p> <p>戦略16 スポーツフィールド東京戦略</p> <p>戦略17 多摩・島しょ振興戦略</p> <p>戦略18 オールジャパン連携戦略</p> <p>戦略19 オリンピック・パラリンピックレガシー戦略</p> <p>戦略20 都政の構造改革戦略</p>
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- 未来の東京を切り拓くために、**新型コロナに打ち克つ取組を戦略0**に位置付ける
- 政策面からの視点である3C（Community、Children、Chōju）を、戦略の核に据える

[Source: The "Future of Tokyo" Strategy]

■Mapping between projects and SDGs

Eligible projects	Aims of SDGs				
Improvement of schools for special needs education					
Establishment of Challenge schools					
Improvement of employment and job placement promotion facilities, etc.					
Deposits related to TMG's financing scheme for SMEs					

[Source: Prepared by R&I from disclosed documents of Tokyo Metropolitan Govt.]

(2) Criteria for Project Evaluation and Selection

- With regard to eligible projects to which proceeds from the issuance of Tokyo Social Bonds are allocated, criteria for project evaluation and selection were determined as follows.
 - ① A project must be targeted at individuals in need of social support.
 - ② Clear social benefits are expected (in terms of the generation of a new benefit or maintenance of an existing benefit) are expected and such benefits can be quantitatively assessed.
 - ③ Financial resources for projects can include municipal bonds in accordance with the provisions of Article 5 of the Local Finance Act and other applicable laws and regulations.
- The criteria ① described above was set in consideration of the item given as examples of individuals targeted by social projects in SPB2020, i.e. people with disabilities, undereducated, unemployed, and other vulnerable groups, including as a result of natural disasters.

(3) Process for Determining Project Evaluation and Selection

- Eligible projects to which proceeds from the issuance of the Tokyo Social Bonds will be allocated shall be selected from those which meet the three criteria listed in (2) Criteria for Project Evaluation and Selection after coordination between the Tokyo Metropolitan Govt. Bureau of Finance and the bureau managing business establishments, prior to the issuance of the bonds. If any of such eligible projects is found to be a direct cause of a significant negative impact in environmental and social aspects, it will be excluded from the eligible projects.
- It is stipulated that a local government can issue municipal bonds according to its budget if provided in the Local Government Finance Act and other laws. The budget must be approved by an assembly before the start of a fiscal year. Tokyo Metropolitan Govt. bonds including the Tokyo Social Bonds are issued in accordance with such procedures, and the feasibility of eligible projects and the durability of outcomes are verified in the process of budgeting. As a result, the adequacy of the process for determining project evaluation and selection can be secured in terms of governance.

Projects are selected after coordination between the Tokyo Metropolitan Govt. Bureau of Finance and the bureau managing business establishments. When a budget is made, the feasibility of eligible projects and the durability of outcomes are verified. The process ends with an assembly's approval. With an evaluation approach and criteria determined and eligible projects selected through appropriate processes, both third-party characteristics and expertise are ensured.

3. Management of Proceeds

- Expenditures of local governments in each fiscal year must be covered by the revenue for that year. Therefore, proceeds from the Tokyo Social Bonds issuance shall be allocated to eligible projects in the business year, in principle. Information on such projects to which proceeds will be allocated and the amount thereof shall be determined after confirmation of the implementation status, etc. by the Bureau of Finance with the bureau managing business establishments and disclosed before the issuance.
- After the issuance of the Tokyo Social Bonds, proceeds to be allocated to eligible projects will be managed for clarified use thereof, for instance, through the sorting of a revenue budget according to the accounting classification (by title, item, and section) under the Tokyo Metropolitan budget administration rules. In regard to Tokyo Metropolitan Govt.'s revenues and expenditures, including those related to projects to which the proceeds have been allocated, financial statements are prepared after the end of each fiscal year and examined by the audit committee members. With audit comments given, such statements will be subject to an assembly's approval thereafter.

Proceeds from the Tokyo Social Bonds issuance will be managed by the Bureau of Finance, etc. through appropriate separation from other matters according to laws and regulations. Full proceeds shall be allocated within the fiscal year and until then, proceeds will be held as cash or cash equivalents. Financial accounting shall be examined by audit committee members from the perspectives of accuracy, regulatory compliance, economics, efficiency, effectiveness, etc., and approved by the Assembly. Consequently, R&I considers that proceeds will be managed appropriately.

4. Reporting

(1) Overview of Disclosure

- Reporting will be made as follows:

Items	Timing
Framework	On a constant basis
Determining an eligible project <ul style="list-style-type: none"> Project category Project to which proceeds are allocated Expected outcomes Amount to be allocated (in millions of yen) 	Before issuance of bonds
Outcomes of projects to which proceeds were allocated <ul style="list-style-type: none"> Project category Project to which proceeds were allocated Outcomes Amount allocated (in millions of yen) 	In the year following issuance
Details of any significant event such as a change in eligible projects	Upon occurrence of an event

(2) Impact Reporting

- Tokyo Metropolitan Govt. discloses information on the outcomes of eligible projects to which proceeds are allocated when announcing the results of such allocation in the year following the issuance of Tokyo Social Bonds.
- It is difficult to disclose impact navigators, since not a few projects need time to see social outcomes. Information on any significant event such as a change in eligible projects shall be announced upon occurrence thereof.

Project categories	Projects	Expected outcomes
Education	Improvement of schools for special needs education	School capacity
	Establishment of Challenge schools	School capacity
Employment continuity and generation	Improvement of employment and job placement promotion facilities, etc.	Number of facilities users
	Deposits related to TMG's financing scheme for SMEs	Number of loans Total amount of loans

Tokyo Metropolitan Govt. shall disclose to investors its materials clearly explaining the allocation of proceeds and social outcomes thereof. The disclosure of a schedule of proceeds allocation will be published before the issuance of Tokyo Social Bonds and the results of the allocation will be in the year following the issuance, on the Tokyo Metropolitan Govt.'s website. R&I considers Tokyo Metropolitan Govt.'s reporting to be appropriate.
(End of Document)

Second Opinion

[Disclaimer]

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[Expertise and Third-Party Characteristics]

R&I has launched the R&I Green Bond Assessment business in 2016, and since then, R&I has accumulated knowledge through numerous evaluations. Since 2017, R&I has been participating as an observer in the Green Bond Principles and Social Bond Principles, which have their own secretariat at the International Capital Market Association (ICMA). It also has been registered since 2018 as an Issuance Supporter (external review entity) of the Financial Support Programme for Green Bond Issuance, a project by the Ministry of the Environment.

The R&I assessment method and results can be found on the R&I website (<https://www.r-i.co.jp/en/rating/esg/index.html>).

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