



Tokyo^o

Green Bond Impact Report

January 2023



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• This report is intended to provide general information on Tokyo Green Bonds and not to distribute or offer for subscription any specific bonds.
 • Although this report is based on a set of data deemed reliable, we do not guarantee its accuracy or integrity. The future prospects and forecasts contained in this report fall within reasonable range in the view of the TMG; we are not in a position to guarantee their realization.
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reen Bond



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Amid the increasingly serious impacts of climate change, the world is advancing toward the common goal raised in the Paris Agreement of limiting global temperature increase to 1.5°C.

In order to contribute to the world's goal of achieving net-zero carbon emissions by 2050, the Tokyo Metropolitan Government has raised the realization of "Zero Emission Tokyo," and announced that Tokyo will halve its greenhouse gas emissions by 2030. With the understanding and cooperation of the people and companies of Tokyo, we are now devoting our full resources to addressing this challenge.



The power of finance can help find solutions to social problems. In order to significantly accelerate actions for carbon neutrality, in 2017, the Tokyo Metropolitan Government became the first local government in Japan to issue green bonds. With the backing of investment, we strived to stimulate the ESG market while also promoting environmental measures.

Meanwhile, amid the rapid global expansion of green finance, greenwashing is also rising as a new concern in the market. The quality of sustainability strategy as a whole is in question, and there is a growing trend for securing more transparency, such as confirming the situation of funds procured after bond issuance and better reporting.

The Tokyo Metropolitan Government has prepared the Tokyo Green Bond Impact Report to show in an easy-to-understand manner the situation and environmental effects of projects that were allocated funds raised through bond issuance, and also provide a total picture of the environmental goals and individual projects.

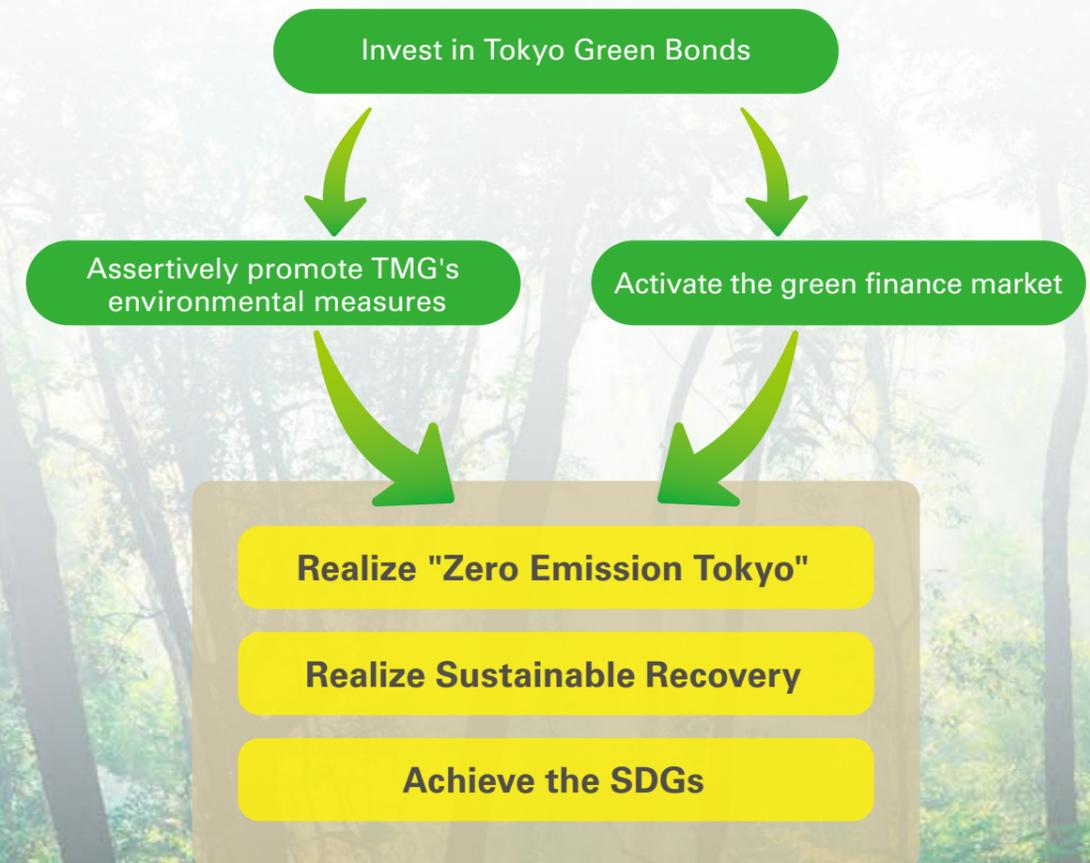
As a city standing on the front line of climate change response, along with continuing to take concrete actions for decarbonization, we will also engage in developing the ESG market through the issuance of green bonds.

I hope this report will serve to deepen your understanding of Tokyo's green bonds.

KOIKE Yuriko
Governor of Tokyo

The Future Tokyo Green Bonds aim to realize

- 1 **Assertively promote TMG's environmental measures** through the additional support derived from Tokyo residents and enterprises' **investment in Tokyo Green Bonds**.
- 2 **Create a virtuous cycle between the environment and the economy** by accelerating the trend of utilizing market funds for environmental measures taken in Japan.
- 3 Aim to **realize "Zero Emission Tokyo" and Sustainable Recovery** through these efforts and **contribute to achieving the SDGs**.



Environmental Targets and Initiatives of TMG

Developments related to climate change

Rising anthropogenic CO₂ emissions are having a greater global impact on climate change, including extreme weather events. The climate crisis now affects the world, Japan, and of course Tokyo.

Torrential rains

- ▶ Pakistan (June 2022)
 - One-third of the country flooded



Droughts

- ▶ Europe (August 2022)
 - Almost half of Europe affected
 - Worst drought damage in 500 years



Heatwaves

- ▶ Downtown Tokyo (June – July 2022)
 - Temperature exceeded 35°C for 9 consecutive days
 - Longest streak on record



TMG recognizes that we are currently facing a climate crisis and will implement concrete policies and effective measures as well as calling for the understanding and cooperation of all of Tokyo's citizens and continuing to stand against this climate crisis.

Actions taken by TMG

- 2015 ● COP 21 adopted the Paris Agreement.
- 2019 ● Zero Emission Tokyo Strategy
A vision, concrete actions and a roadmap to realize Zero Emission Tokyo by 2050, contributing to global net zero CO₂ emissions
- 2020 ● The national government announced that Japan will achieve carbon neutrality by 2050.
- 2021 ● TMG announced "Carbon Half," a commitment to halving GHG emissions by 2030
● Zero Emission Tokyo Strategy 2020 Update & Report
Enhancing the key targets to be achieved, and updating the key policies to be implemented in 10 years, by 2030
- 2022 ● Tokyo Environmental Master Plan was revised.
Setting out specific targets and the shape of initiatives based on the recognition that actions in the period up to 2030 are extremely important to realize the visions for 2050.

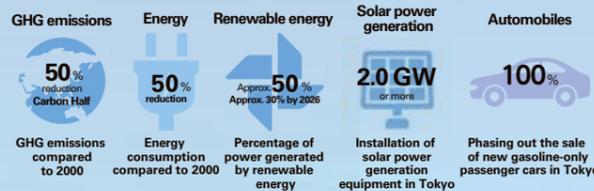


Principal means of achieving the vision

- Mandatory installation of solar power generation equipment at new buildings
- Tokyo Zero Emission Points
- Tokyo Cap-and-Trade Program

2030 "Carbon Half" to be achieved

Main 2030 Targets (examples)



2050 "Zero Emission Tokyo" to be achieved

Visions for 2050 (examples)

- All energy used to be decarbonized
- Green Hydrogen serving as a pillar for realizing a decarbonized society
- All buildings in Tokyo to be zero emission buildings
- All cars driven in Tokyo to be ZEVs
- Minimizing risks from climate change impacts

Principal use of proceeds from Tokyo Green Bonds



realizing a green and resilient global city Tokyo opening up a future

Overview and Framework of The Tokyo Green Bonds Series5

The table below overview of The Tokyo Green Bonds Series5 in FY2021.

For Institutional Investors

Series name	Tokyo Metropolitan Government Public Bond (Tokyo Green Bond (5 yr)) #5	Tokyo Metropolitan Government Public Bond (Tokyo Green Bond (30 yr)) #5
Tenor	5yr	30yr
Issue Amount	JPY 15bn	JPY 15bn
Coupon	0.001%	0.740%
Spread	-	JGB + 5bp
Issue price	100.00	100.00
Pricing Date / Settlement Date	Friday, October 15, 2021/Tuesday October 26, 2021	
Redemption date	Friday, September 18, 2026	Wednesday, September 20, 2051
Ratings	A+ (S&P Global Rating Japan Inc.)	
External Review	ISS ESG	
Final Demand Subscription rate	10.5 times oversubscribed	7.3 times oversubscribed
Declaration of Investment	From 107 investors	

For Private Investors

Series name	Tokyo Metropolitan Government public international bond (Tokyo Green Bonds (international bonds)) #5
Tenor	5yr
Currency	Australian dollar (AUD)
Issue Amount	AUD 122mn (≈JPY 10bn)
Coupon	1.83% (year) (1.458%/year after tax) *Coupon after tax assumes a tax rate of 20.315% including the special income tax for disaster recovery.
Sales price	100.00% of face value
Pricing Date / Settlement Date	Friday, November 19 – Monday, December 6, 2021/Tuesday, December 7, 2021
Redemption date	Friday, December 4, 2026
External Review	ISS ESG

Tokyo Green Bonds Framework

- In compliance with the International Capital Market Association's (ICMA) Green Bond Principles, TMG developed the Tokyo Green Bonds Framework including sections for the use of proceeds, process for project evaluation and selection, management of proceeds and reporting.
- Prior to the 5th series of public offering of Tokyo Green Bonds, we obtained on September 3, 2021 a second party opinion from ISS ESG that the Tokyo Green Bonds Framework complies with the Green Bond Principles.

Outline of the Tokyo Green Bonds Framework

1. Use of Proceeds	<ul style="list-style-type: none"> Categories of environmental projects specified under the Tokyo Environmental Master Plan (March 2016): <ul style="list-style-type: none"> Smart energy and urban development Sustainable resource and waste management National environmental conservation Improvement of living environment Adaptation for climate change
2. Process for Project Evaluation and Selection	<ul style="list-style-type: none"> Evaluate projects for eligibility using ESG criteria and select projects that qualify for financing through Tokyo Green Bonds to be issued in the current fiscal year. Priority is placed on E (environment).
3. Management of Proceeds	<ul style="list-style-type: none"> Management by identifying the use of the allocated funds through classification into accounting segments under TMG's budget rules. Funds to be allocated to projects selected for the fiscal year in principle. Documents required for financial statements to be prepared after the end of each fiscal year for approval by the Tokyo Metropolitan Assembly.
4. Reporting	<ul style="list-style-type: none"> Information on the amount of funds to be allocated to and the expected environmental impact of each selected project to be posted on the TMG website before issuance, followed by disclosure of the actual amount allocated to and expected impact of each selected project by the end of the following fiscal year.

Second Party Opinion

ISS ESG

- Compliance with the Green Bond Principles
- All financed projects were recognized as contributing positively to achieving the SDGs (see the table below).

	USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Green real estate development	Improved energy and resource efficiency in green real estate	Limited Contribution	7, 11, 13
	Sustainable plantings in green real estate	Limited Contribution	11
Renewable energy	Solar power	Significant Contribution	7, 13
	Hydropower (micro hydropower systems in water supply infrastructure)	Significant Contribution	7, 13
Pollution prevention and control	Wastewater treatment facility	Significant Contribution	6
Public transport	Public transport vehicles (diesel buses)	Significant Contribution	13
Adaptation to climate change	Flood prevention (excluding dams)	Limited Contribution	3, 11, 13
Sustainable road development	Heat insulation on roads and pedestrian and cycling paths	Limited Contribution	13

Significant Obstruction Limited Obstruction No Net Impact Limited Contribution Significant Contribution

*The TMG Green Bond Framework and second-party opinion are available on the TMG website at: https://www.zaimu.metro.tokyo.lg.jp/bond/en/ir_library/tosai_ir_gb.html

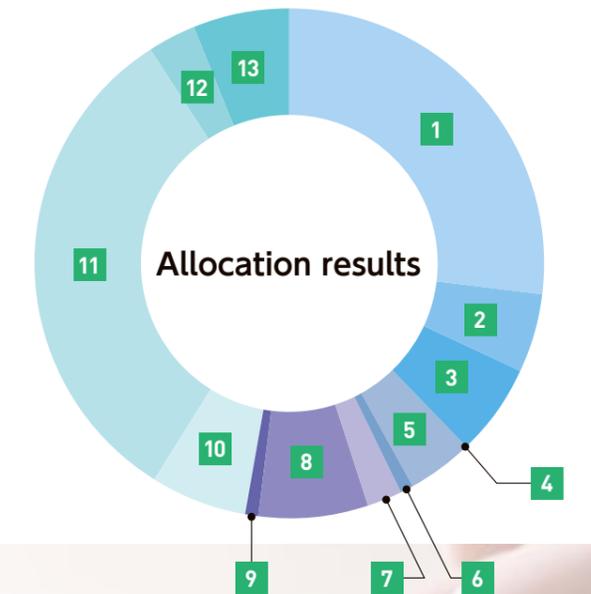
Projects Financing and Environmental Impact of The Tokyo Green Bonds Series5

- Proceeds from The Tokyo Green Bonds Series5 in FY2021 were allocated to 13 projects in six environmental categories.
- About 30% of the total proceeds were allocated to the "Smart Energy & Urban Development" category, and some 50% to the "Adaptation for Climate Change" category.

These projects, assessed and selected before the bond issue, were made public in September 2021 in line with the process for the project evaluation and selection and the reporting method specified in the Tokyo Green Bonds Framework. The proceeds of some ¥40 billion from the 5th round issue of Tokyo Green Bonds were managed according to the management method set forth in the Framework and allocated in their entirety to those projects in FY 2021.

NO.	Environmental category	Project name	Allocation results (million of yen)	Environmental impact	
1	Smart Energy & Urban Development	Rebuilding and repairment of facilities (Introduction of photovoltaic facilities and green space development)	7,140	Expected annual capacity of installed photovoltaic facilities	491,982kWh (annual total)
	Natural Environment Conservation		3,850	Expanded green area	9,023m ²
2	Smart Energy & Urban Development	Installation of LED in facilities and roads	2,020	Reduce energy consumption	4,364,077kWh (annual total)
3		Energy saving of water and sewage facilities	2,300	Power generation (including power selling)	386,000kWh (annual total)
				Reduce energy consumption	943,000kWh (annual total)
				Reduce GHG emissions	33,000t-CO ₂ /5 year (capacity) (by the end of FY2025)
4	Development of cycling routes and areas	40	Develop and extend length of cycling routes	11.5km (by the end of FY2024)	
5	Natural Environment Conservation	Development of parks	1,800	Expand developed areas	48,715m ²
6		Greening along water sides	250	Expand developed areas	5,055m ²
7	Improvement of Living Environment	Heat island countermeasures (heat insulation and water absorption)	1,107	Develop and extend length of heat insulation and water absorption	13.0km
8		Installation of environment friendly metropolitan buses	2,700	Reduction of the emission of regulated substances	NOx (nitrogen oxide): 80% PM (particulate matter): 63%
9		Improvement of centralized sewerage system	450	Capacity of storage facility	1,750,000m ² (by the end of FY2025)
10	Adaptation for Climate Change	Countermeasures against floods	2,550	Avoidance rate from drainage system flooding caused by 50 mm/h rain	73% (by the end of FY2025)
11		Development of medium and small size rivers	12,700	Completion of river development	68%
				Capacity of regulating reservoir	1,056,500m ³ (by the end of FY2025)
12	Development of tsunami protection facilities	1,000	Develop and extend length	Revetment: 0.05km	
13	Adaptation for Climate Change	Development Tokyo port facilities and islands coastal protection facilities	2,200	Expand development scale and number of facilities	Levee in Tokyo port area 57.9km Water gate in Tokyo port area 15 facilities Internal revetment in Tokyo port area 45.6km Drainage pump station in Tokyo port area 4 facilities Coastal conservation facilities in Izu island 0.4km
			Total 40,107		

Breakdown of allocated amount



- 1 Rebuilding and repairment of facilities (Introduction of photovoltaic facilities and green space development) 27.4%
- 2 Installation of LED in facilities and roads 5.0%
- 3 Energy saving of water and sewage facilities 5.7%
- 4 Development of cycling routes and areas 0.1%
- 5 Development of parks 4.5%
- 6 Greening along water sides 0.6%
- 7 Heat island countermeasures (heat insulation and water absorption) 2.8%
- 8 Installation of environment friendly metropolitan buses .. 6.7%
- 9 Improvement of centralized sewerage system 1.1%
- 10 Countermeasures against floods 6.4%
- 11 Development of medium and small size rivers 31.7%
- 12 Development of tsunami protection facilities 2.5%
- 13 Development Tokyo port facilities and islands coastal protection facilities 5.5%

*1 Environmental impact refers to the positive impact on the environment yielded by the end of FY2021 or expected to be yielded.
 *2 The total amount of allocation results is the sum of the issuance (30 billion yen) in yen and the issuance (issued to be equivalent to 10 billion yen) in foreign currency that is converted with the currency exchange rate (10,107 billion yen) at the time when the issuance condition is designated.



Rooftop of Tokyo Metropolitan Nagayama High School

Installation of solar Power Generation Equipment

(Smart Energy & Urban Development)

Rationale for the project

- TMG is promoting the use of renewable energy to carbon half by 2030, and realize zero emissions by 2050.
- Highly urbanized and packed with buildings,* Tokyo has substantial scope for deploying solar power generation equipment. Installing solar power generation equipment also benefits the owners of buildings in terms of resilience and economic efficiency.
- TMG is leading the effort by installing solar power generation equipment for its buildings, to win the hearts and minds of key players including Tokyo residents, businesses and other organizations.

(Buildings account for some 70% of CO₂ emissions from Tokyo.)

Objective of the TMG (planned)

FY2024 : Total installed capacity of the solar power generation equipment in TMG-facilities (departments reporting to the Governor, etc.) **to reach 20,000kW**

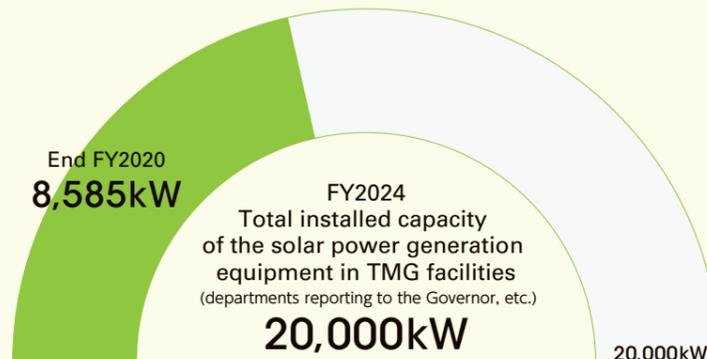
FY2030 : 100% of installing solar power generation equipment at all of the TMG facilities (departments reporting to the Governor, etc.) **by FY2030**

Environmental effect

Estimated annual output of solar power generation equipment (installed in FY2021)

491,982 (493.7kW) **kWh**

Equivalent to the annual power consumption of some 120 general households



Installed in FY2021

- Tokyo Metropolitan Nagayama High School
- Tokyo Metropolitan Tachikawa Gakuen School
- Machida Police Station Minami-Machida Grandberry Park Station Police Box
- Tokyo public housing complex (Tatsumi Itchome, Koto Ward), etc.

Contribution to SDGs



Heiwajima Canal

Development of tide embankment

(Development of coastal protection facilities for the Port of Tokyo and remote islands)
(Adaptation to Climate Change)

Rationale for the project

- Climate change is likely to increase the **risk of flooding through rising sea levels*1 and storm surges caused by severe typhoons**. We are developing tide embankment and interior embankment to protect people in Tokyo from the risk.
- In 2019, the tide embankment and interior embankment that we had built effectively **prevented water damage from the storm surge** caused by Typhoon Hagibis*2.

*1 Average annual sea level in the coastal waters of Tokyo is expected to rise by about 0.6 meters by the end of the century.

*2 Equivalent tidal level to Typhoon Kitty in 1949 (Arakawa Baselevel (A.P.) + 3.15m) (Typhoon Kitty caused water damage to 140,000 households.)

Objective of the TMG (planned)

By the end of FY2031 : 60.4km of tide embankment to be completed

Environmental effect

Length of tide Embankment constructed for the Port of Tokyo

60.4 km

(To be completed by the end of FY2031)

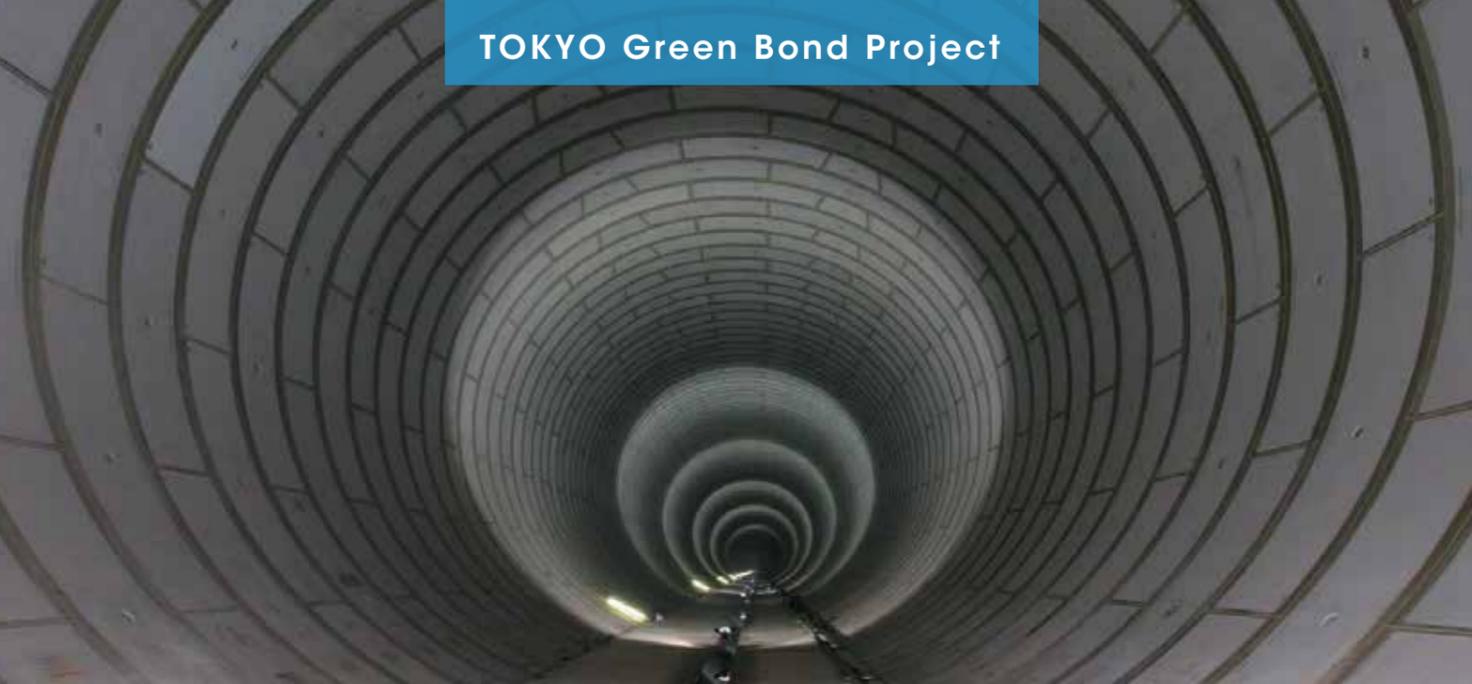


Created in FY2021

- Shinonome Nichome (east segment), etc.

Contribution to SDGs





Kandagawa River Ring Road No.7 Underground Regulating Reservoir

Constructing Regulating Reservoirs (Adaptation to Climate Change)

Rationale for the project

- Regulating reservoir have been built to **prevent rivers from overflowing by temporarily storing swollen river water** during torrential rains, which are becoming increasingly intense and frequent.
- For example, the Kandagawa River Ring Road No.7 Underground Regulating Reservoir effectively helped prevent water damage as Typhon Hagibis hit Tokyo in 2019, lowering the downstream **water level by up to 1.5m** (estimate) by retaining 490,000m³* of water, or about 90% of its maximum capacity.

*Equivalent to about 1,600 25-meter pools

Objective of the TMG (planned)

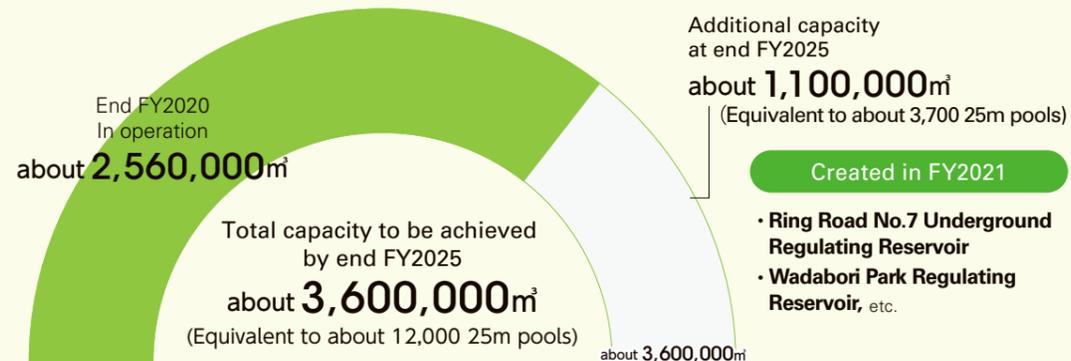
By the end of FY2025 : New regulating Reservoir with a total capacity of about 1,100,000m³ to be operational

Environmental effect

Total capacity of regulating reservoir under construct in FY2021

about **1,100,000** m³
in additional capacity

(To be achieved by the end of FY2025)



Contribution to SDGs



Higash-Kojiya Pumping Station, a facility similar to the one allocated in FY2021

Prevention of flooding (Adaptation to Climate Change)

Rationale for the project

- Protecting local communities by swiftly discharging rainwater is one of the key functions of sewerage systems.
- The increase in heavy rains in recent years caused by frequent local downpours, large typhoons, etc. warrants the development of retention facilities to **alleviate water damage**.
- In 2019, **rainwater retention facilities***¹ and **rainwater pumping facilities***² helped substantially reduce water damage when Tokyo was hit by Typhoon Hagibis.

*1 Total retention capacity: 600,000m³ (end of FY2020), equivalent to 2,000 25-meter pools

*2 Total drainage capacity: 140,000m³/minute (end of FY2020), equivalent to eight 25-meter pools per second

Objective of the TMG (planned)

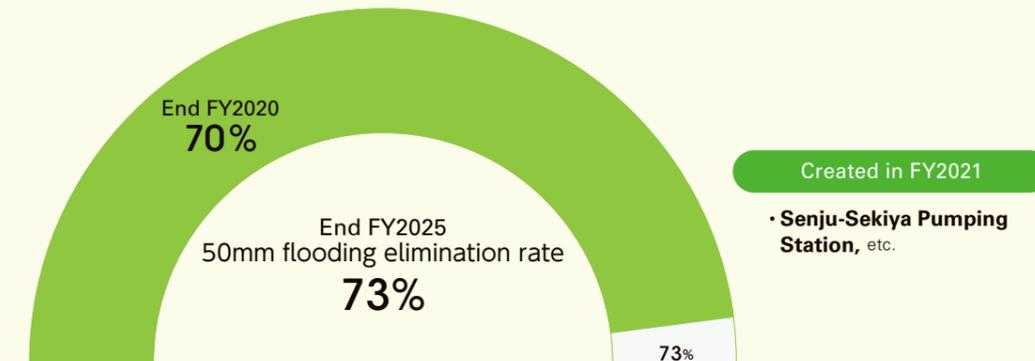
By the end of FY2025 : Raise the 50mm flooding elimination rate * to 73%

Environmental effect

Percentage of the area of the 23 wards of Tokyo where water damage is prevented during heavy rainfall of 50mm/hour

73%

(To be achieved by the end of FY2025)



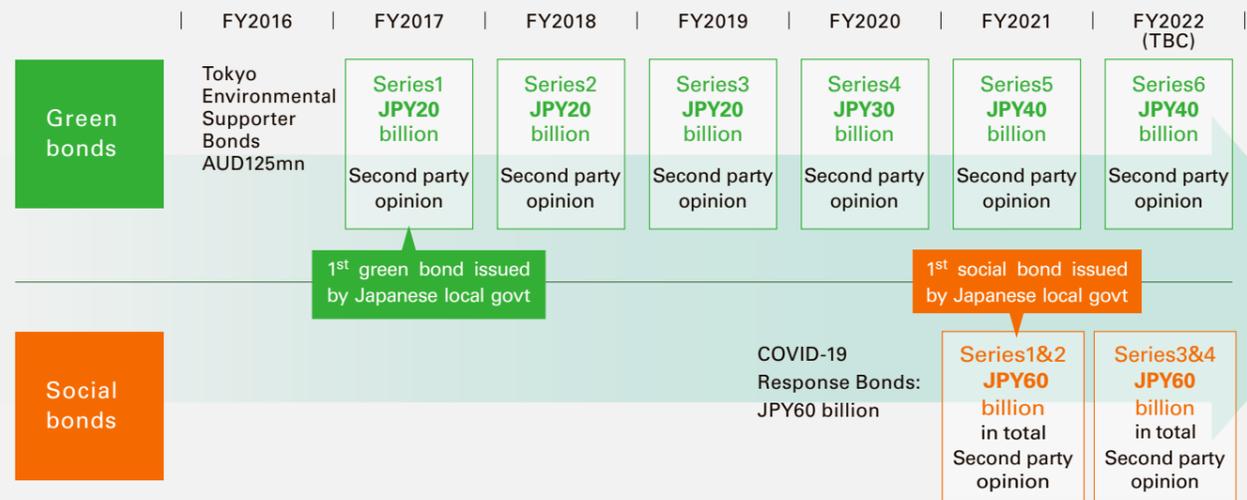
Contribution to SDGs



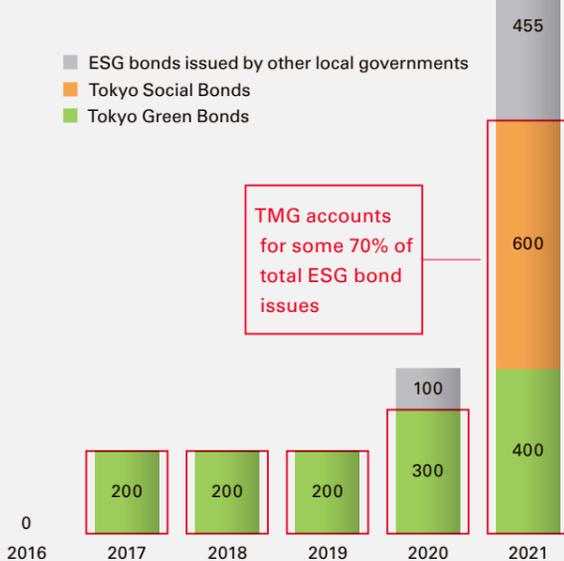
Issuance Result of TMG's ESG Bonds

(Appendix)

- To capture the momentum of the SDGs and ESG, TMG issued Tokyo Environmental Supporter Bonds in FY2016.
- With the issuance of Tokyo Green Bonds in FY2017, the TMG became the first local government in Japan to issue green bonds, thus contributing to the development of the domestic market since its inception.
- In response to the momentum toward sustainable recovery both in Japan and overseas, in FY2020 TMG issued bonds earmarked for action to cope with the COVID-19 pandemic. In FY2021, TMG launched Tokyo Social Bonds – the first of its kind for a Japanese local government – to assist Tokyo residents and businesses in need of social support.
- TMG has also scaled up the bond issuance since the initial offer of JPY20 billion. In FY2021, the total amount of Tokyo Green Bonds and Tokyo Social Bonds issued during a fiscal year has reached JPY100 billion, effectively contributing to the growth of the ESG bond market.



Share of TMG ESG bonds in the domestic ESG local bond market (Unit: 100 million yen)



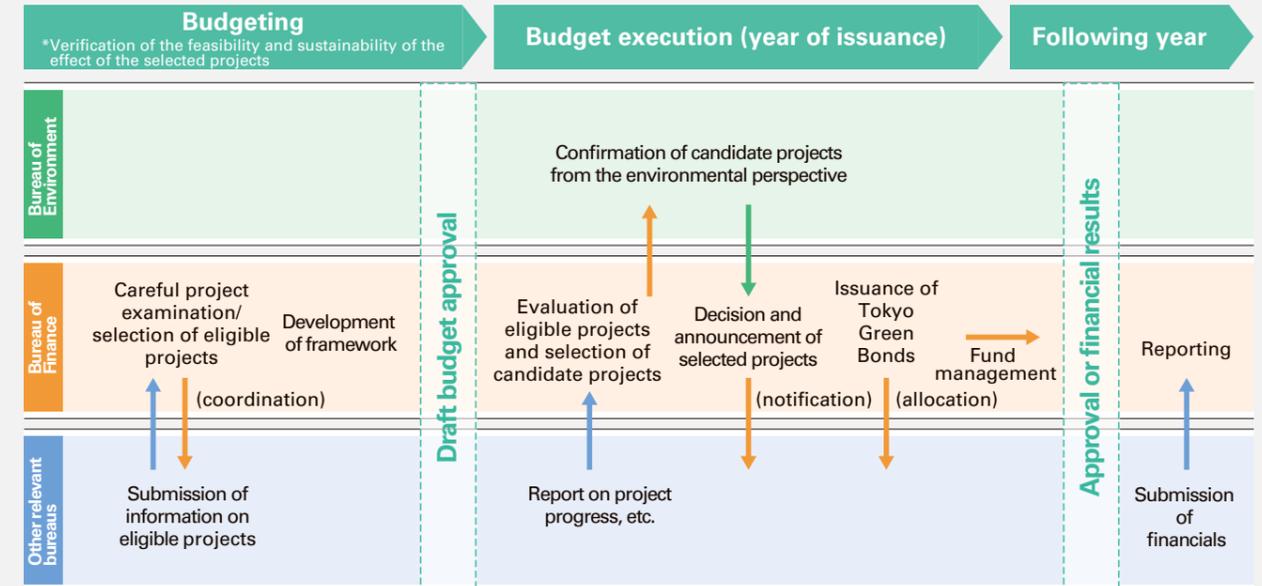
Awards

- Research Institute for Environmental Finance, "3rd Sustainable Finance Awards" Special Prize**
 - Leading the way to green financing by local governments
 - Ensuring objectivity by conforming to GBP, a global standard
- Refinitiv Japan, K.K., "Dealwatch Awards 2020" Local Government Bond Issuer of the Year**
 - First local bond earmarked for action in response to the COVID-19 pandemic
 - Continued issuance of green bonds
 - Commitment to social contribution highly appreciated in the market
- Capital Eye, Limited, "Best Deals of 2021" Best Issuer of 2021 in the local bond category**
 - First local government in Japan to issue social bonds
 - Leading local governments in the issuance of SDG bonds, including green bonds, contributing to the diversification and expansion of the market



Process from Project Selection to Reporting

(Appendix)



<Budget planning phase>

- The Bureau of Finance selects eligible projects and the projects to be financed by the proceeds in consultation with the bureau responsible for each project and the department responsible for the environment.
- Where stipulated by the applicable law, such as the Local Government Finance Act, a local government may issue local bonds as specified in the budget, which needs to be adopted by the local assembly before the start of the fiscal year concerned. TMG bonds, including Tokyo Green Bonds, are issued in accordance with this procedure. The feasibility of the selected projects and the sustainability of their effects are also verified in the budgetary process.

<Budget execution phase>

- We manage the allocation of proceeds to selected projects following the issuance of Tokyo Green Bonds while clarifying the use of the allocated funds by classifying the revenue budget into accounting segments under the TMG budget rules.

<Fiscal year after issuance>

- Documents required for financial statements are prepared after the end of the fiscal year regarding the revenues and expenditures of the TMG, including those pertaining to the projects financed by the proceeds of Tokyo Green Bonds. These documents are reviewed by the Audit and Inspection commissioners, and then submitted to the Tokyo Metropolitan Assembly for approval, along with the commissioner's opinion.
- Regarding reporting, we publish the results of fund allocation by the end of the fiscal year following the issuance of Tokyo Green Bonds.
- Throughout this process, the TMG ensures the appropriateness and transparency of the evaluation and selection of financed projects as well as fund management.



*Compiled by TMG from data available on local government websites, etc.

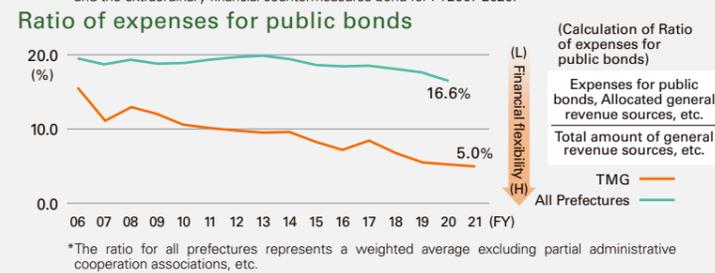
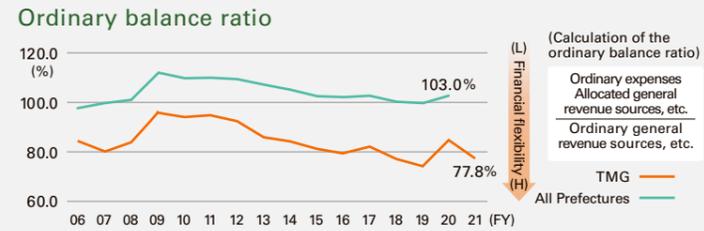
*Includes ESG bonds issued for private investors. (The amount of Tokyo Green Bonds issued for personal investors is an estimate converted to yen.)

*Excludes ESG bonds that have not obtained an external review pertaining to compliance with the ICMA Principles.

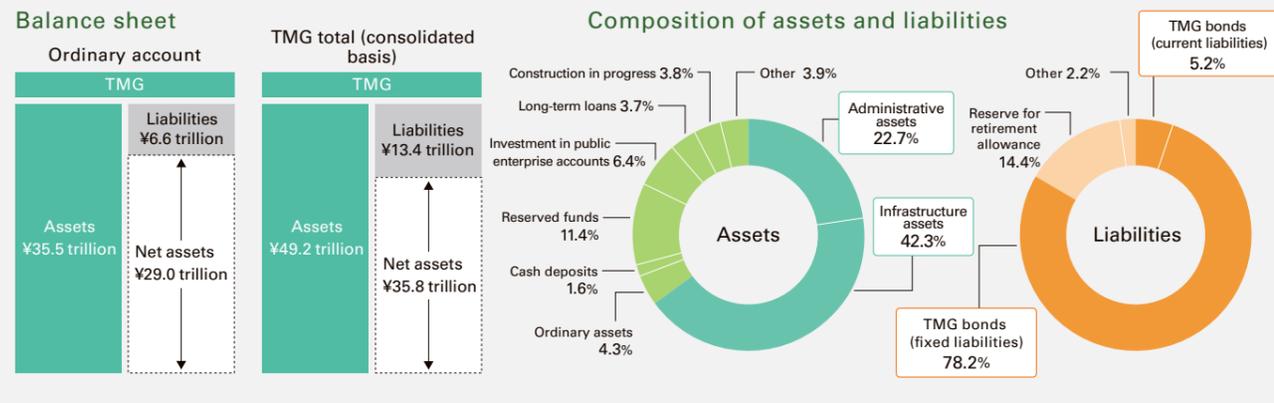
Financial Standing of TMG (Appendix)

*Based on financial results of ordinary account for FY2021

- TMG's ordinary balance ratio and ratio of expenses for public bonds in FY2021 stood at 77.8% and 5.0%, respectively, highlighting greater financial flexibility than the prefectural average.
- Assets and liabilities on the balance sheet come to total ¥35,538.8 billion and ¥6,582.3 billion, respectively, resulting in a total net worth (difference between assets and liabilities) of ¥28,956.5 billion.
- The aggregate balance sheet of the TMG, including special accounts and public enterprise accounts and policy cooperation bodies, etc., as well as ordinary account, shows total assets of ¥49,184.0 billion, total liabilities of ¥13,375.1 billion, and a total net worth of ¥35,808.9 billion.



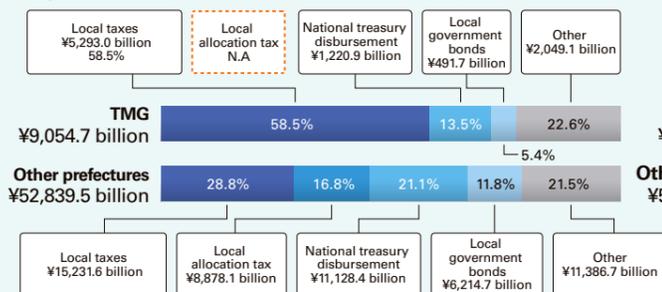
* "Ordinary account" refers to the accounts of each local government systematically restructured under the standards set by the Ministry of Internal Affairs and Communications to understand the financial status of local governments and analyze all local finance plans, among others.



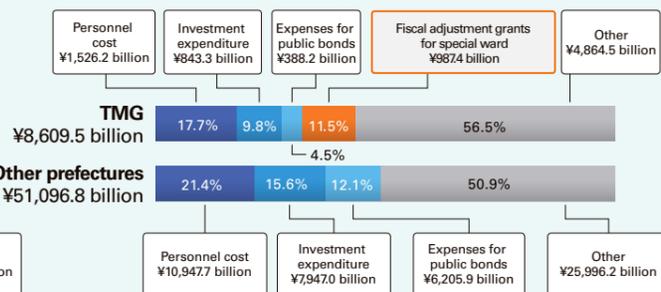
Characteristics of TMG finance

- As compared with the local finance plan, the revenue structure of TMG has the following characteristics: (1) high dependence on local taxes; (2) no local allocation tax granted from the national government; (3) low dependence on national treasury disbursement; and (4) low dependence on local government bonds. All these characteristics indicate considerably higher financial autonomy and flexibility than other local governments in general.
- As regards the structure of expenditure, one of the characteristics of the TMG is the disbursement of grants for financial adjustments under the Special Ward System. The low ratio of expenses for public bonds, mainly for redemption of local bonds, also indicates greater financial flexibility than other prefectures.

Comparison of revenue structure between TMG and other prefectures (financial results for FY2020)



Comparison of spending structure with other prefectures (financial results for FY2020)



For further information on the results of ordinary account in FY2021, please visit:
<https://www.zaimu.metro.tokyo.lg.jp/bond/en/about/about.html> (TMG Annual Financial Report, FY2021).

Safety and Liquidity of TMG Bonds (Appendix)

<Safety>

- The TMG is capable of financing the redemption of its bonds in a stable manner as it depends mostly on its own sources of revenue, such as local taxes, which it has power to impose.
- The BIS applies 0% risk weighting to local government bonds, including TMG bonds, because the national government guarantees necessary funding for the repayment of principal and interest, for example by setting the total amount of the local allocation tax at a level to ensure a balance between total expenditure, including public bond costs, on the one hand, and total revenue on the other.
- In recognition of its disciplined fiscal administration, the TMG enjoys from S&P Global Ratings Japan Inc. the A+ rating in the long-term issuer credit, and the aa+ rating in the stand-alone credit profile, or rating specific to the TMG, net of any influence from the national government.

<Liquidity>

- TMG bonds account for some 8% of the publicly offered local government bonds by amount issued, and some 9% by amount outstanding.

BIS risk weighting

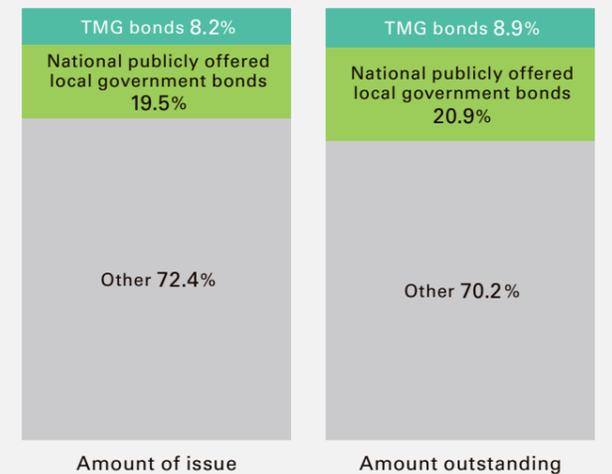
Japanese govt bonds	Govt-backed bonds	TMG bonds	FILP agency bonds	Bank debenture Finance bonds
0%	0%	0%	10%	20%

Rating of TMG bonds



Rating obtained from S&P Global Rating Japan Inc.

Publicly offered local government bond market (FY2021)



*Excluding citizen participatory-type public market offering bond.

