



Japan Credit Rating Agency, Ltd. (“JCR”) announces the following:
issuance of a Second Party Opinion on the Sustainability Finance Master Framework and sustainability finance, climate transition finance, and blue finance frameworks assessments.

Kawasaki Heavy Industries, Ltd.

Sustainable Finance Master Framework

Affirmation

■ Alignment with Sustainability-Linked Bond Principles and Sustainability-Linked Loan Principles

The Sustainability Finance Master Framework is aligned with the Sustainability-Linked Bond Principles and the Sustainability-Linked Loan Principles.

■ Alignment with Climate Transition Bond Guidelines

The Sustainability Finance Master Framework is aligned with Climate Transition Bond Guidelines.

■ Alignment with Guide to Transition Loans and Transition Loan Principles (Exposure Draft)

The Sustainability Finance Master Framework is aligned with Guide to Transition Loans and Transition Loan Principles (Exposure Draft).

■ Evaluation Results of Use-of-Proceeds Financing

Overall Evaluation	Overall Evaluation	Overall Evaluation
SU 1(F)	Green 1(T)(F)	Blue 1(F)
Greenness and Social Beneficial Impacts Evaluation (Use of Proceeds)	Greenness/Transition Evaluation (Use of Proceeds)	Blueness Evaluation (Use of Proceeds)
gs1(F)	gt1(F)	b1(F)
Management, Operation, and Transparency Evaluation	Management, Operation, and Transparency Evaluation	Management, Operation, and Transparency Evaluation
m1(F)	m1(F)	m1(F)

Issuer/Borrower

Kawasaki Heavy Industries, Ltd. (Security Code: 7012)

Evaluation Target

Kawasaki Heavy Industries, Ltd.
Sustainable Finance Master Framework

Evaluation Overview

Kawasaki Heavy Industries, Ltd. (KHI) is a comprehensive heavy machinery manufacturer, which has expanded its business across a wide range of fields of land, sea, and air, embracing the philosophy of founder Shozo Kawasaki: “Contributing to the nation—to society—through expertise,” since its establishment in 1896. The Kawasaki Heavy Industries Group (Kawasaki Group) consists of KHI and its 132 subsidiaries and 28 affiliates. Centered around KHI, the Kawasaki Group operates Aerospace Systems Company, Kawasaki Railcar Manufacturing Co., Ltd. (Kawasaki Railcar Manufacturing), Energy Solution & Marine Engineering Company, Precision Machinery & Robot Company, Powersports & Engine, etc.

KHI has formulated the Group Vision 2030 as a vision for the Group’s future to achieve by the year 2030. In pursuit of realizing the Group Vision 2030, KHI formulated a master framework (Master Framework) in 2023, which covers six types of sustainable finance (green, transition, transition-linked, blue, social, and sustainability-linked finance). JCR issued a second party opinion and an evaluation report on the Master Framework (23-D-1181). Recently, KHI revised the Master Framework to further accelerate its commitment to sustainability management. The revision includes additions of and changes to KPIs and SPTs in the unspecified use-of-proceeds projects and additions of use of the proceeds to use-of-proceeds projects.

In the evaluation report and the second party opinion, JCR confirms the alignment of KHI’s transition strategy and specific policies with the Climate Transition Finance Handbook¹ and the Basic Guidelines on Climate Transition Finance² (collectively, CTFH, etc.). JCR also confirms whether KHI’s transition strategy and specific policies meet the requirements of the Climate Transition Bond Guidelines³ (CTBG), the Guide to Transition Loans⁴ (GTL), and the Transition Loan Principles (TLP) (Exposure Draft) included in the GTL.

In addition, JCR confirms the alignment of financing for unspecified use-of-proceeds projects with the Sustainability-Linked Bond Principles,⁵ Sustainability-Linked Loan Principles,⁶ Sustainability-Linked Bond Guidelines,⁷ and Sustainability-Linked Loan Guidelines⁸ (collectively, SLBP, etc.).

¹ ICMA (2025) *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.pdf

³ ICMA *Climate Transition Bonds Guidelines*

<https://www.icmagroup.org/assets/documents/Sustainable-finance/2025-updates/Climate-Transition-Bond-Guidelines-CTBG-November-2025.pdf>

⁴ LSTA *Guide to Transition Loans*

<https://www.lsta.org/content/transition-loans-guide/>

⁵ ICMA (2024) *Sustainability-Linked Bond Principles*

<https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-linked-bond-principles-slbp/>

⁶ APLMA, LMA, and LSTA (2025) *Sustainability-Linked Loan Principles*

<https://www.lsta.org/content/sustainability-linked-loan-principles-sllp/>

⁷ MOE (2024) *Sustainability-Linked Bond Guidelines*

<https://www.env.go.jp/content/000128193.pdf>

⁸ MOE (2024) *Sustainability-Linked Loan Guidelines*

<https://www.env.go.jp/content/000128193.pdf>

Furthermore, JCR confirms the alignment of financing for specified use-of-proceeds projects with the Green Bond Principles,⁹ the Social Bond Principles,¹⁰ the Sustainability Bond Guidelines,¹¹ the Green Loan Principles,¹² the Social Loan Principles,¹³ the Green Bond Guidelines,¹⁴ the Green Loan Guidelines,¹⁵ and the Social Bond Guidelines.¹⁶ And JCR confirms the eligibility of blue projects to be financed under the Master Framework as blue finance based on A Practitioner's Guide for Bonds to Finance the Sustainable Blue Economy (SBE Guide),¹⁷ IFC's Blue Finance Guidelines,¹⁸ etc., using JCR's evaluation methodology. Since these are principles or guidelines rather than regulations, they do not have any binding power, however, JCR evaluates them in accordance with these principles and guidelines for now as domestically and globally unified standards.

The revised Master Framework adds a framework to be used when customers finance their purchase of KHI's products to an existing framework for KHI's own financing. Please refer to 25-D-1732 for JCR's opinion on the newly added framework.

▶▶▶ 1. Evaluation Overview of Alignment with CTFH, etc.

KHI has set the following medium- and long-term CO₂ emissions reduction targets for the Kawasaki Group as in the table below. The specific projects are disclosed on the corporate website, etc. with their investment amounts. And these amounts are on its website and provided as the results of TCFD scenario analysis. The 2032 targets meet the standards required by the Science Based Targets initiative (SBTi).

Scope	Target Year	Target	Notes
Scope 1 and 2	2030	Achieve zero CO ₂ emissions (circa 300,000 tons/year) from domestic locations by 2030 (Calculation Scope: KHI and domestic consolidated subsidiaries)	
	2032	Reduce CO ₂ emissions by 50.4% relative to fiscal 2022 level	<ul style="list-style-type: none"> · Obtain validation on short-term SBT (1.5°C target) · Meanwhile, more ambitious 2030

⁹ ICMA (2025) *Green Bond Principles*
<https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/>

¹⁰ ICMA (2025) *Social Bond Principles*
<https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/social-bond-principles-sbp/>

¹¹ ICMA (2021) *Sustainability Bond Guidelines*
<https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-bond-guidelines-sbg/>

¹² LMA, APLMA, and LSTA (2025) *Green Loan Principles*
<https://www.lsta.org/content/green-loan-principles/>

¹³ LMA, APLMA, and LSTA (2025) *Social Loan Principles*
<https://www.lsta.org/content/social-loan-principles-slp/>

¹⁴ MOE (2024) *Green Bond Guidelines*
<https://www.env.go.jp/content/000128193.pdf>

¹⁵ MOE (2024) *Green Loan Guidelines*
<https://www.env.go.jp/content/000128193.pdf>

¹⁶ FSA (2021) *Social Bond Guidelines*
<https://www.fsa.go.jp/en/news/2021/001.pdf>

¹⁷ ICMA, IFC, UNEP FI, UN Global Compact, and ADB *Bonds to Finance the Sustainable Blue Economy Practitioners-Guide-September-2023.pdf*
<https://www.icmagroup.org/assets/documents/Sustainable-finance/Bonds-to-Finance-the-Sustainable-Blue-Economy-a-Practitioners-Guide-September-2023.pdf>

¹⁸ IFC *Guidelines for Blue Finance Version 2.0*
<https://www.ifc.org/en/insights-reports/2025/guidelines-for-blue-finance>

			domestic net zero target
Scope 3	2032	Reduce emissions from use of products sold (Category (xi)) by 30% relative to fiscal 2022 level	· Obtain validation on short-term SBT (well below 2°C target)
	2040	Category (i): Reduce emissions by 80% (relative to fiscal 2021 level) Category (xi): Line up CO ₂ -free solutions to promote CO ₂ reduction in society (Zero-Carbon Ready) (Calculation Scope: KHI, Kawasaki Railcar Manufacturing, and Kawasaki Motors, Ltd.)	
Scope 1, 2, and 3	2050	Net Zero (Calculation Scope: KHI and consolidated subsidiaries)	· Obtain validation on long-term SBT

Based on the four elements required by CTFH, etc., JCR has confirmed that these targets and the specific projects include the transition of KHI's business model, which contributes to achieving the goals of the Paris Agreement, that they are built on an appropriate implementation framework and governance, that they are environmental materiality in KHI's business model, that they are science-based, and that the investment plans ensure transparency.

▶▶▶ 2. Evaluation Overview of Alignment with SLBP, etc.

KHI has established SPTs after selecting the following KPIs in the Master Framework. The revised Master Framework adds KPI2 and SPT2 and changed SPT3 of KPI3.

KPI1	CO ₂ emissions (Scope 1 and 2)	SPT1	2030 Domestic Group Company Net Zero *1
KPI2	CO ₂ emissions (Scope 3)	SPT2	2032 Scope3 Category(11) 30% reduction vs. FY 2022
KPI3	Building the hydrogen supply chain	SPT3	Completion of the construction, by FY 2030, of one commercialized demonstration liquefied hydrogen carrier with a transport capacity of 30,000 t/year or more for shipment to Japan*2

*1Targeting domestic CO₂ emissions from Kawasaki Heavy Industries, Kawasaki Rolling Stock, Kawasaki Motors, and domestic companies

*1The base to be counted fluctuates as appropriate due to the refinement of measurement, etc.

*2Tank capacity of 40,000m³

The Kawasaki Group has laid out the Group Vision 2030 as a vision for the Group's future, focusing on energy and environmental solutions therein, which is one of its growth scenarios toward 2030. The Kawasaki Group is promoting "the coming of a hydrogen and carbon neutral society" and "initiatives to achieve zero CO₂ emissions" under the theme, "working toward the stable supply of clean energy" in the field of focus. The KPIs and SPTs of the Master Framework are essential for realizing the Kawasaki Group's growth scenario and are also meaningful as they also align with the policies of the Government of Japan. Furthermore, the SPTs are more ambitious, compared with KHI's past performance and that of its rivals.

JCR has confirmed that contract documents of loans or disclosure documents of bonds will provide arrangements to change the financial characteristics of those instruments based on the

progress of the SPTs and specify their details therein. In addition, there is an appropriate plan of how financial characteristics are linked to the progress of SPTs and what should be included in the post-implementation reporting.

Based on the above, JCR has confirmed the alignment of the Master Framework with the SLBP, etc., the CTBG, and the GTL.

▶▶▶ 3. Evaluation Overview of Alignment with Sustainability Finance Framework, etc.

KHI has designated the use of the proceeds of the Master Framework in alignment with the three fields of focus in the Group Vision 2030. (Please refer to “Evaluation Phase 1: I. Use of Proceeds.”) The revised Master Framework adds the following uses of the proceeds: social robots for care facilities, social robots for hazardous work, etc., MINATOMAÉ, an aquaculture system, and the Innovation Lab (KAWARUBA).

JCR considers that the use of the proceeds of the Master Framework is likely to offer environmental and social benefits and has confirmed that eligible projects will be appropriately implemented in consideration of negative impacts on the environment and society.

Departments with expertise will be involved in the selection process of projects. There is an established system to manage proceeds, which ensures allocation to green, social, transition, and blue projects. Environmental and social benefits will be included in a report. Based on the above, JCR holds the view that KHI has an appropriate system to manage proceeds.

Based on the JCR Sustainability Finance Evaluation Methodology, JCR assigned gs1(F) for the Greenness and Social Beneficial Impacts Evaluation (Use of Proceeds) and m1(F) for the Management, Operation, and Transparency Evaluation. As a result, JCR assigned SU 1(F) for the JCR Sustainability Finance Framework Evaluation.

Meanwhile, based on the JCR Green Finance Evaluation Methodology, JCR assigned gt1(F) for the Green/Transition Evaluation (Use of Proceeds), m1(F) for the Management, Operation, and Transparency Evaluation, and Green 1(T)(F) for the JCR Climate Transition Finance Framework Evaluation. In addition, based on the same methodology, JCR assigned b1(F) for the Blueness Evaluation (Use of Proceeds) and m1(F) for the Management, Operation, and Transparency Evaluation. As a result, JCR assigned Blue 1(F) for the JCR Blue Finance Framework Evaluation.

JCR has assessed that the Master Framework meets the standards for the requirements of the Green Bond Principles, the Social Bond Principles, the Sustainability Bond Guidelines, the Green Loan Principles, the Social Loan Principles, the Green Bond Guidelines, the Green Loan Guidelines, the Social Bond Guidelines, the CTFH, etc. and the SBE Guide, etc. and that it meets the requirements of the CTBG and the TLP (Exposure Draft).

JCR evaluates herein only pre-convertible bonds when KHI issues them under the Master Framework.

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JCR's Key Consideration on This Factor

Current Status of Evaluation Targets and JCR's Evaluation

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2. Selection Standards

3. Selection Processes

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JCR's Key Consideration on This Factor

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JCR's Key Consideration on This Factor

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Chapter 1: Overview of Evaluation Target

1-1. Overview of Kawasaki Heavy Industries

Business Overview

KHI is a comprehensive heavy machinery manufacturer, which has expanded its business across a wide range of fields of land, sea, and air, embracing the philosophy of founder Shozo Kawasaki: “Contributing to the nation—to society—through expertise,” since its establishment in 1896. The Kawasaki Heavy Industries Group (Kawasaki Group) consists of KHI and its 132 subsidiaries and 28 affiliates. Domestic operations accounted for 40% and overseas operations contributed to 60% of the revenue for fiscal 2024. Centered around KHI, the Kawasaki Group’s business portfolio is comprised of Aerospace Systems Company, Kawasaki Railcar Manufacturing Co., Ltd., Energy Solution & Marine Engineering Company, Precision Machinery & Robot Company, Powersports & Engine, etc.

- ✓ Aerospace Systems Company
Production and sale of aircraft, aircraft jet engines, space-related equipment, etc.
- ✓ Kawasaki Railcar Manufacturing
Production and sale of rolling stock, snowplows, etc.
- ✓ Energy Solution & Marine Engineering Company
Production and sale of energy-related machinery and systems, hydrogen-related facilities, marine machinery and systems, plant machinery and systems, ships, other vessels, crushers, etc.
- ✓ Precision Machinery & Robot Company
Production and sale of hydraulic equipment, industrial robots, etc.
- ✓ Power Sports & Engine
Production and sale of motorcycles, off-road vehicles models (SxS and ATV), personal watercraft (PWC) JET SKI, general-purpose gasoline engines, etc.
- ✓ Other
Commercial activities, sales/order agency and intermediary activities, management of welfare facilities, etc.

The revenue breakdown for fiscal 2024 is shown in the table below.

Table 1 : KHI's Revenue and Revenue Breakdown by Segment (Fiscal 2024)¹⁹

(million yen)

Segment	Revenue	Revenue Breakdown
Aerospace Systems Company	567,838	26.7%
Kawasaki Railcar Manufacturing	222,306	10.4%
Energy Solution & Marine Engineering Company	398,138	18.7%
Precision Machinery & Robot Company	241,503	11.3%
Power Sports & Engine	609,357	28.6%
Other	90,177	4.2%
Total (after adjustments of intercompany revenue or transfer amount)	2,129,321	

1-2. Overview of Sustainable Finance Master Framework

The subject of this evaluation is the Master Framework formulated by KHI. The Master Framework covers the following:

Unspecified Use of Proceeds:

- Transition-Linked Finance
- Sustainability-Linked Finance

Specified Use of Proceeds:

- Green Finance
- Social Finance
- Sustainability Finance
- Transition Finance
- Blue Finance
- Sustainable Finance (green (blue) / transition finance and social finance)

¹⁹ Created by JCR based on KHI's Securities Report and Kawasaki Report 2025

The purpose of the second party opinion and the evaluation report is to confirm the alignment of the aforementioned finance with the following relevant principles, etc.

Table 2 : Principles, etc. Relevant to Financing Instruments Covered by Master Framework

Unspecified/Specified	Principles, etc.
Unspecified Use of Proceeds	Climate Transition Finance Handbook Basic Guidelines on Climate Transition Finance Climate Transition Bond Guidelines Guide to Transition Loans Sustainability-Linked Bond Principles Sustainability-Linked Loan Principles Sustainability-Linked Bond Guidelines Sustainability-Linked Loan Guidelines
Specified Use of Proceeds	Climate Transition Finance Handbook Basic Guidelines on Climate Transition Finance Climate Transition Bond Guidelines Transition Loan Principles (Exposure Draft) Green Bond Principles Social Bond Principles Sustainability Bond Guidelines Green Loan Principles Social Loan Principles Green Bond Guidelines Green Loan Guidelines Social Bond Guidelines SBE Guide Blue Finance Guidelines

The revised Master Framework adds a framework to be used when customers finance their purchase of KHI's products to an existing framework for KHI's own financing. Please refer to 25-D-1732 for JCR's opinion on the newly added framework.

Chapter 2: Alignment with Climate Transition Finance Handbook, etc.

2-1. Kawasaki Heavy Industries Group Vision 2030 and Transition Strategy

Kawasaki Group Mission Statement

In 2007, the Kawasaki Group established the Kawasaki Group Mission Statement to orient the group as a whole. It incorporates the Kawasaki Group's social mission for the 21st century, commonly shared values to increase Kawasaki brand value, core principles to guide business activities, and actions regularly expected of each individual employee.

Embracing the Group mission, "Kawasaki, working as one for the good of the planet," which is the highest guiding principle in its mission statement, the Kawasaki Group seeks to achieve its social mission, taking advantage of its advanced technology, realize a sustainable society, and increase its corporate value. Under the mission, the Kawasaki Group places Kawasaki Value as the basis for its strategy and policy, the Group Management Principles as guidelines for its management policies and business activities, and the Kawasaki Group Action Guidelines as guidance for its daily business operations.

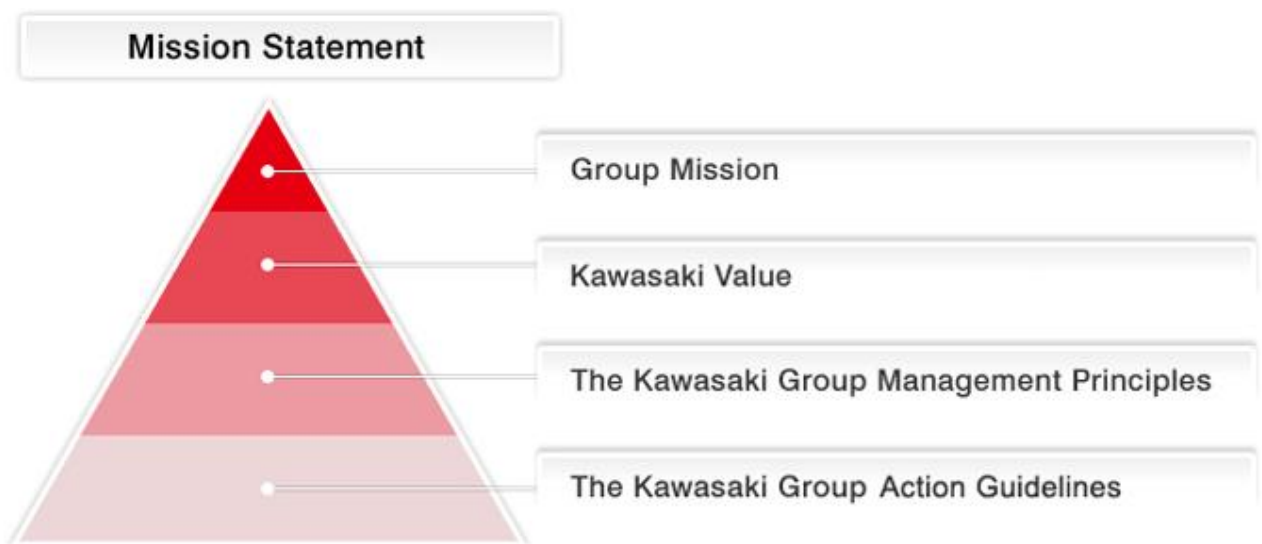


Figure 1: Structure of Kawasaki Group Mission Statement²⁰

The Kawasaki Group also lays out its sustainability management policy, the Kawasaki Group Policy on Sustainability Management, as its long-term management approach to realize a sustainable society and consistently increase its corporate value by creating innovative solutions to address various social and environmental issues that the world will face into the future. Based on the policy, the Kawasaki Group has identified the following materiality and laid out its management plan as a growth scenario.

²⁰ Source: KHI's website
<https://global.kawasaki.com/en/corp/profile/statement.html>

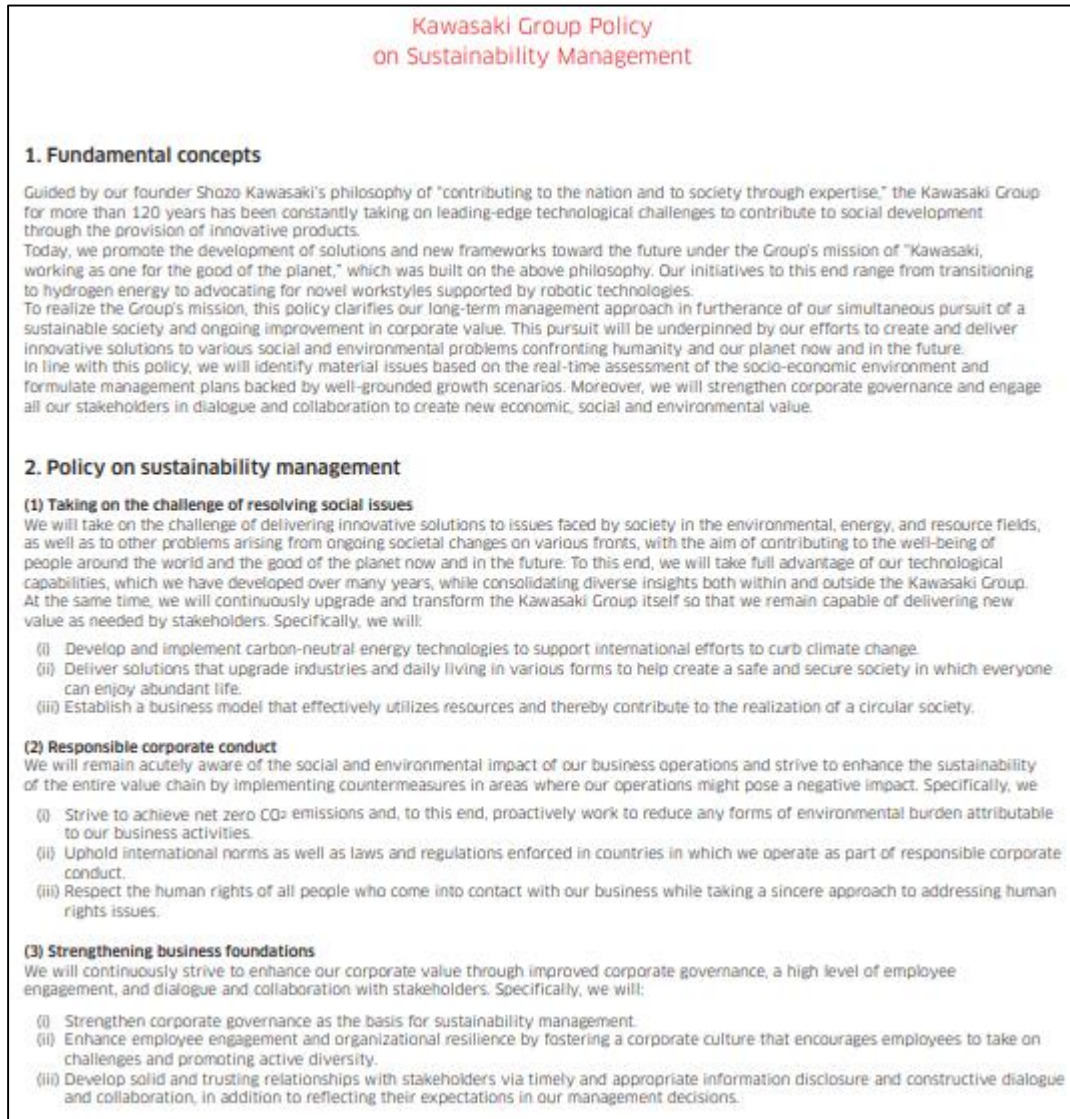


Figure 2: Kawasaki Group Policy on Sustainability Management²¹

Group Vision 2030

a. Overview of Group Vision 2030

In November 2020, the Kawasaki Group formulated the Group Vision 2030 as a vision for the Group's future in 2030. It was built on the belief that the Kawasaki Group should more clearly show its vision to stakeholders, looking ahead as in "Changing Forward," to achieve the aforementioned Group Mission.

²¹ Source: KHI Kawasaki Report 2025
https://global.kawasaki.com/en/corp/sustainability/report/2025/pdf/25_houkokusyo.pdf



Figure 3: Relationship between Group Mission and Group Vision 2030²²

Group Vision 2030: “Trustworthy Solutions for the Future” is based on its commitment to continually creating a future society, leveraging the trust that it has steadily earned from its customers as its strength. It expresses Kawasaki Group's commitment to timely delivering innovative solutions to an ever-changing society to create a hopeful future and expanding its own potential and continuing to grow by taking speedy action and taking on new challenges beyond various boundaries. In pursuit of the vision, the Kawasaki Group has also set three key words.

Trustworthy Solutions for the Future

The Kawasaki Group will make available in a timely manner innovative solutions that accommodate an ever-changing society in order to create a hopeful future. At the same time, the Group will surpass organizational boundaries and take on challenges to expand the horizons of its potential for further growth.

Frontier | Pioneering the technology frontier with our challenger DNA
 Since our founding, we have always been challengers. Throughout a history studded with national and global firsts in many sectors, including shipbuilding, rolling stock, and aerospace, we have leveraged our cutting-edge technologies and fostered a DNA characterized by a spirit of pioneering the frontier that draws on our unique perspective.
 We will continue to respond to the frontier of this new era's social challenges, based on that unique perspective, in order to create a hopeful future.

New Values | Providing innovative solutions to the problems facing the world
 The world is now facing an array of problems, including environmental deterioration, energy challenges, expanding populations, graying societies, natural disasters, and pandemics.
 We are committed to providing new and meaningful value to a wide range of customers and society by concentrating the trusted technologies and knowledge that we have built in order to provide innovative solutions and to speedily accommodate social change.

Cross Over | Becoming a creative challenger that continues to grow by breaking barriers
 To provide innovative solutions focused on social challenges, we will continue to be an open-minded, free-thinking, and creative team that goes beyond the boundaries of internal and external organizations and of product/service categories, leveraging our rich diversity.
 Moreover, we will keep growing as an organization and as individuals by expanding our potential, boldly taking on challenges in unfamiliar domains and learning from the experience.

Figure 4: Three Key Words to Achieve Group Vision 2030²³

²² Source: KHI Kawasaki Report 2021
https://global.kawasaki.com/en/corp/sustainability/report/2021/pdf/21_houkokusyo.pdf

²³ Source: KHI Kawasaki Report 2024
https://global.kawasaki.com/en/corp/sustainability/report/2024/pdf/24_houkokusyo.pdf

b. Overview of Three Fields of Focus

The Kawasaki Group sets the three fields of focus as the main pillars of its growth scenario leading to the Group Vision 2030. With these fields of focus, the Kawasaki Group will enhance its existing core business and generate synergy among operating companies to grow new business into a future pillar of business, keeping abreast of social needs including a remotely-connected society, global warming, and increasingly severe natural disasters.

i. Creating a Safe and Secure Remotely-Connected Society—Creating new value emphasizing safety and security

In diverse fields, such as medical and healthcare, manufacturing, and industrial infrastructure, the Kawasaki Group will propose new working and living styles that enable all people to participate in society through the realization of a remotely-connected society, using the Group's remote control technology, information technology, robotics technology, etc. KHI will also actively engage in activities to realize a society where people can live with safety and security in the fields of disaster prevention and defense through development of remote technology, etc.

ii. Near-Future Mobility—Transforming Movement of People and Freight by New Transportation Systems

The Kawasaki Group will propose new means of transport and movement to create a society where affluent, smart, and seamless movement is possible amid labor shortage caused by growing logistics volumes, declining birthrate, and aging population.

iii. Energy and Environmental Solutions—for Stable Supply of Clean Energy

The Kawasaki Group is building a world-leading hydrogen supply chain for quick realization of a carbon-neutral society. The Kawasaki Group is also advancing standalone carbon neutrality with the aim of achieving virtually zero CO₂ emissions by 2030 at Company sites in Japan. Expectations for hydrogen that can be produced in various methods at locations around the world have increased not only for the aim of becoming carbon neutral but also for energy security aspects, and the Kawasaki Group will accelerate initiatives to quickly achieve a hydrogen-based society. As a Group, KHI will also spread decarbonization solutions including electrification to cover a wide range of society and stakeholders as KHI aims to be Zero-Carbon Ready²⁴ by 2040, and achieve net zero CO₂ emissions for the entire Group by 2050.

²⁴ A term coined by KHI, meaning that KHI offers options of its products and services so that customers select them for achieving carbon neutrality.

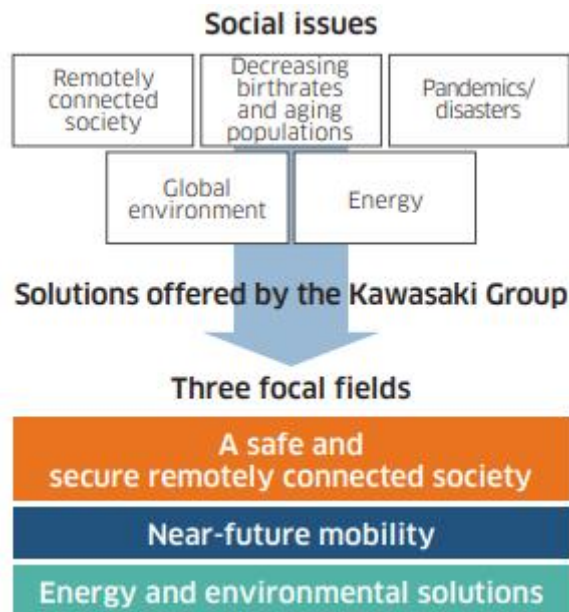


Figure 5: Three Fields of Focus²⁵

c. Overview of Growth Scenario

Under the Group Vision 2030, KHI will advance its growth scenario centered around three fields of focus. Revenue of order-based business, especially Aerospace Systems Company, is expected to grow at a stable pace backed by the recovery in demand for air travel to pre-pandemic levels. As the growth scenario is transitioning from stage 2 to stage 3, the Kawasaki Group will follow a stable growth trajectory by realizing profitability in the hydrogen business. In addition, the Kawasaki Group will accelerate the shift from products to services and the creation of new businesses through open innovation. The Kawasaki Group also anticipate significant expansion in carbon neutrality-related businesses other than hydrogen businesses, such as electrification and green power networks.

²⁵ Source: KHI Kawasaki Report 2025
https://global.kawasaki.com/en/corp/sustainability/report/2025/pdf/25_houkokusyo.pdf

and identified specific projects. In addition, KHI will monitor the progress of the achievement annually to improve sustainability, following the Plan-Do-Check-Act (PDCA) cycle.

Focal field and goal	Social outcomes (results)	Targets for 2030	Key performance indicators (KPIs)
<p>A safe and secure remotely connected society</p> <p>Creating new value emphasizing safety and security</p> <p>Create a society that is affluent, safe, and secure for all with remote technology</p> 	<ul style="list-style-type: none"> Improve patient quality of life through minimally invasive and advanced robotic-assisted surgery Eliminate regional disparities in healthcare through remote surgery Reduce the burden on medical professionals and nursing care workers Improve productivity and alleviate labor shortages Work style reforms <ul style="list-style-type: none"> Time flexibility Eliminate strenuous, dirty, and dangerous work Remote work that includes on-site operations Secure labor Provide opportunities for all people to participate in society 	<ul style="list-style-type: none"> Robotic-assisted surgery system made widely available globally and being used in many cases Practical application of remote surgery using robotic-assisted surgery system Eliminate 5% of Japan's approximately 2,000,000 shortage in healthcare and welfare workers (market estimated at over ¥1 trillion) Eliminate 5% of Japan's approximately 4,000,000 shortage in manufacturing and service industry workers (market estimated at over ¥2 trillion) 	<ul style="list-style-type: none"> (a) Annual number/cumulative total of cases using robotic-assisted surgery system (b) Steady achievement of remote surgery development milestones (c) Remote platform active users
<p>Near-future mobility</p> <p>Transforming the movement of people and freight with new transportation systems</p> <p>Create a society where people and freight move safely, quickly, and efficiently using new forms of mobility</p> 	<ul style="list-style-type: none"> Handle increasing logistics volumes and alleviate labor shortages Provide safe working conditions Realize a society that enables the environmentally friendly and safe movement of people and freight Realize seamless urban transportation increase the speed and efficiency of the movement of people and freight Alleviate traffic congestion and logistics delays Disaster-resilient community building Rapid transportation of emergency supplies, etc. 	<ul style="list-style-type: none"> Eliminate 20% of Japan's approximately 200,000 shortage in logistics workers Commercialize new mobility <ul style="list-style-type: none"> Delivery robots Unmanned VTOL aircraft (vertical take-off and landing aircraft) Autonomous four-wheelers Supply chain optimization services, etc. Autonomous marine transport (Marine Collaboration Project) Take part in super city projects 	<ul style="list-style-type: none"> (a) Number of unmanned VTOL aircraft and total volume transported (b) Number of delivery robot users and total volume transported
<p>Energy and environmental solutions</p> <p>For stable supply of clean energy</p> <p>Quickly achieve a stably powered, carbon-neutral society at low cost</p> 	<ul style="list-style-type: none"> Reduce the price of hydrogen energy Help address climate change by reducing CO₂ emissions Provide clean travel and transportation by land, sea, and air Help address climate change by reducing CO₂ emissions Reduce environmental burden throughout the value chain 	<p>Hydrogen</p> <ul style="list-style-type: none"> Completion of liquefied hydrogen supply chain commercialization demonstration Start of domestic hydrogen utilization <p>Existing products</p> <ul style="list-style-type: none"> Manufacture of even more environmentally friendly products Expansion of hydrogen-ready products for the transition period Reduction of CO₂ emissions from products 	<p>Hydrogen</p> <ul style="list-style-type: none"> (a) Hydrogen supplied by Kawasaki solutions (b) CO₂ reductions by Kawasaki's hydrogen energy solutions <p>Existing products</p> <ul style="list-style-type: none"> (a) Reduction of CO₂ emissions through product-based contributions (b) Number of registered products and revenue in Kawasaki Ecological Frontiers (formerly Green Products)

Figure 7: Targets of Three Fields of Focus²⁷

²⁷ Source: KHI Kawasaki Report 2025 https://global.kawasaki.com/en/corp/sustainability/report/2025/pdf/25_houkokusyo.pdf

Kawasaki Global Environmental Vision 2050

In response to the Paris Agreement enacted to curb global warming and the United Nations' Sustainable Development Goals (SDGs), the Kawasaki Group has declared its commitment to collaborating toward the realization of a sustainable society in the future and formulated the Kawasaki Global Environmental Vision 2050. This long-term environmental vision pursues the three FREEs: i) CO₂ FREE (zero CO₂ emissions), ii) Waste FREE (zero waste), and iii) Harm FREE (zero hazardous chemicals) and aims to realize environmental management and contribute to mitigating global warming, promoting a recycling-oriented society, and preserving biodiversity toward 2050.



*Activity Mark: Designed with the three challenges, imagining a "letter to the future."

- CO₂ FREE

 - Aim for zero CO₂ emissions in business activities
 - Provide products and services that greatly curb CO₂ emissions
- Waste FREE

 - Aim for zero waste emissions in business activities
 - Thoroughly enforce conservation and recycling of water resources
- Harm FREE

 - Aim for zero harmful chemical substances emissions in business activities
 - Develop business with respect for biodiversity

Figure 8: Kawasaki Global Environmental Vision 2050²⁸

In September 2019, KHI also announced its support for the final report (TCFD recommendations) of the Task Force on Climate-related Financial Disclosures (TCFD). Accordingly, KHI explains risks and opportunities related to climate change for each segment and discloses the results of scenario analyses.

Initiatives for Early Realization of Hydrogen Society

The Government of Japan has laid out its plan to make an up-front investment of 20 trillion yen for attracting public and private investments of over 150 trillion yen in green transformation (GX) for the next decade. In addition, as a more concrete measure, it expects a total investment of 15 trillion yen from both the public and private sectors in the development of the hydrogen supply chain over the next 15 years.

Taking these social needs and market expansion as business opportunities, KHI will contribute to the implementation of a hydrogen society by providing equipment and services across all phases of the hydrogen supply chain: production, transportation, storage, and utilization.

²⁸ Source: KHI's website
<https://global.kawasaki.com/en/corp/sustainability/environment/em.html>

In connection with existing business, KHI has completed the basic design of large-scale liquefied hydrogen carriers for commercial use, starting with the Suiso Frontier, the world's first liquefied hydrogen carrier, leveraging its track record of building liquefied gas carriers in various sizes. KHI will also contribute to the expansion of the lineup of small- and medium-sized vessels that are in high demand in the nascent period. With the extensive track record of the plant business in delivering many large-scale liquefied natural gas (LNG) tanks, its technology and expertise are applied to the development of large-scale liquefied hydrogen tanks.

Capitalizing on the strengths of these existing businesses, KHI is steadily advancing its efforts toward building the hydrogen supply chain. The Group Vision 2030 sets forth the goal of building the hydrogen supply chain by 2030 in order to ensure a stable supply of hydrogen.

Efforts Toward Zero CO₂ Emissions

The Kawasaki Group has strived to realize a decarbonized society through its business activities (Scope 1 and 2) and products and services (Scope 3) toward CO₂-free as set forth in the Kawasaki Global Environmental Vision 2050. Toward a decarbonized society, the interim targets are set for both domestic locations and the entire Kawasaki Group.

The target for domestic locations is to achieve carbon neutrality (Scope 1 and 2) by 2030. The Kawasaki Group aims to attain the zero emissions goal of its domestic plants²⁹ by a combination use of waste power generation and renewable energy primarily through hydrogen power generation with its proprietary generators. The Kawasaki Group-wide targets are to reduce Scope 1 and 2 emissions of 50.4% by fiscal 2032 relative to fiscal 2022 levels and Scope 3 (category (xi)) (use of sold products) emissions of 30% by fiscal 2032 relative to fiscal 2022 levels, and Scope 1 and 2 plus Scope 3 emissions to net zero by fiscal 2049. The Kawasaki Group-wide reduction targets for Scope 1 and 2 and Scope 3 have received SBT validation in August 2024.

²⁹ An effort to reduce CO₂ emissions from plants to zero by generating power and heat energy used in plants through a combination of hydro and solar power generation, which emit no CO₂

CO₂ emissions and reduction targets (Scope 1 and 2)

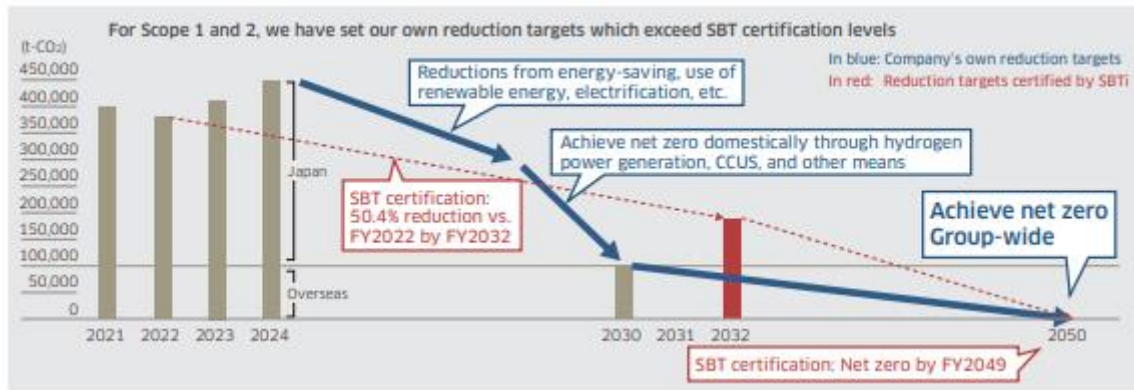


Figure 9: CO₂ Emissions and Reduction Targets (Scope 1 and 2)³⁰

CO₂ emissions reduction plan in Japan

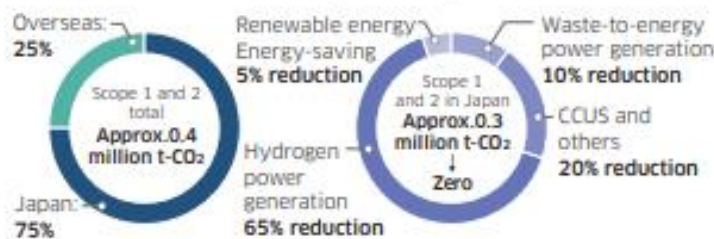


Figure 10: Reduction Ratio of Scope 1 and 2 Emissions³¹

A Scope 3 target has also been set for 2040 to achieve category (i) (purchased goods and services) reduction of 80% compared to fiscal 2021. The Kawasaki Group will not only deepen collaboration with business partners where it supplies materials and parts, including sharing emissions data, and utilize solutions such as hydrogen electricity and fuels, other alternative fuels, and CCUS within the group but also provide these solutions to the business partners, to support CO₂ reductions and strive for early achievement of zero emissions.

Scope 3 Category (i) (CO₂ reductions scenarios)

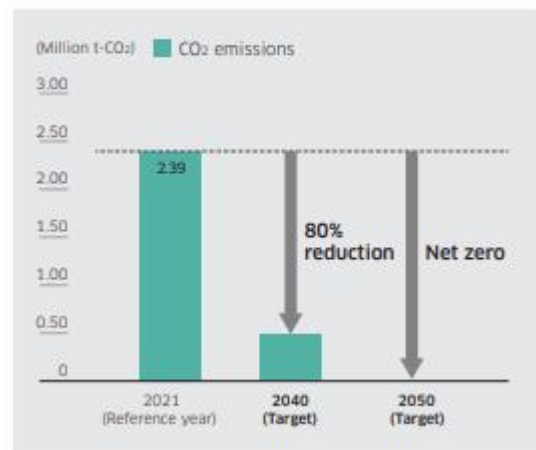


Figure 11: CO₂ Reduction Targets in Scope 3 for Business Partners³²

³⁰ Source: KHI's website
<https://global.kawasaki.com/en/corp/sustainability/environment/co2.html>

³¹ Source: KHI Kawasaki Report 2025
https://global.kawasaki.com/en/corp/sustainability/report/2025/pdf/25_houkokusyo.pdf

³² Source: KHI Kawasaki Report 2025
https://global.kawasaki.com/en/corp/sustainability/report/2025/pdf/25_houkokusyo.pdf

The target of Scope 3 (category (xi)) for 2040 is Zero-Carbon Ready, which means, by that year, preparing options of products and services that contribute to carbon neutrality for all the customers. Short-term initiatives toward 2030 include continued efforts to reduce energy consumption and improve efficiency of existing products and advancement of a shift to hybrid and electrified motorcycles, through Kawasaki Ecological Frontiers, a program for certification of environmentally friendly products and other initiatives, as part of the transition to a decarbonized society. In addition, the Kawasaki Group will advance the development of hydrogen energy for commercialization, the expansion of the use of hydrogen for gas turbines and engines, and the commercialization of Kawasaki CO₂ Capture and DAC for CO₂ capture and utilization. The Kawasaki Group will pursue the achievement of Zero-Carbon Ready with the following three pillars as a medium- to long-term initiative toward 2040.

- (1) Provide society with CO₂-free fuels and electricity from the Kawasaki Group, mainly from its hydrogen business;
- (2) Prepare CO₂-free fuels, such as electricity and hydrogen fuels, as options when customers use the Kawasaki Group's solutions, for examples, various mobility devices and robots; and
- (3) Promote effective use of CO₂ to realize a CO₂ circular society, such as the production of synthetic fuels and chemical products as well as CO₂ capture.

Existing domestic natural gas-fired gas turbines have a capacity of circa 5,000 MW power generation, out of which circa 1,000 MW comes from KHI's proprietary gas turbines currently in operation. The Kawasaki Group will support its customers' decarbonization efforts by proposing the introduction of hydrogen energy for these existing gas turbines currently in use. According to KHI's estimation, hydrogen power generation after fuel conversion of KHI's proprietary gas turbines is potentially equivalent to the 2030 government target volume of hydrogen power generation. KHI is developing hydrogen co-firing and 100% hydrogen-fueled gas turbines based on existing natural gas-fired gas turbines, which enables a shift to hydrogen fuel by retrofitting existing equipment without significant modifications to existing infrastructure.

CO₂ emissions and reduction targets (Scope 3)

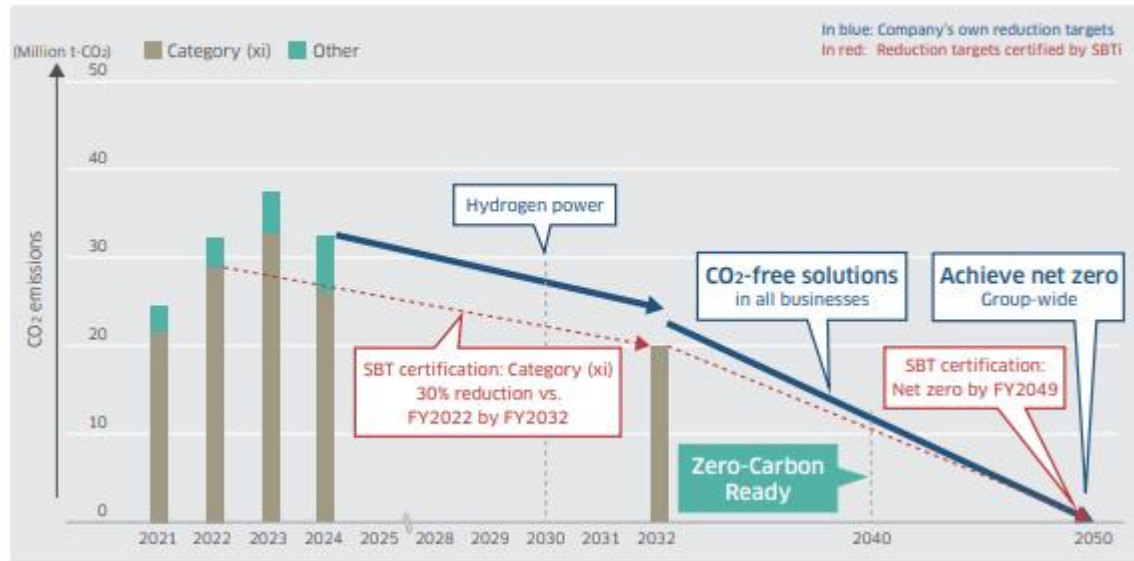


Figure 12: CO₂ Emissions and Reduction Targets (Scope 3)³³

³³ Source: KHI's website
<https://global.kawasaki.com/en/corp/sustainability/environment/co2.html>

2-2. Consistency with Elements of Climate Transition Finance Handbook

Element 1: Issuer's Climate Transition Strategy and Governance

(1) The financing issuer, etc. have a transition strategy for mitigating climate change.

The Kawasaki Group has set the following medium- to long-term CO₂ emissions reduction targets in the Group Vision 2030 and the Kawasaki Global Environmental Vision 2050.

Table 3: KHI's Medium- to Long-Term CO₂ Emissions Reduction Targets³⁴

Scope	Target Year	Target	Notes
Scope 1 and 2	2030	Achieve zero CO ₂ emissions (circa 300,000 tons/year ³⁵) from domestic locations by 2030 (Calculation Scope: KHI and domestic consolidated subsidiaries)	
	2032	Reduce CO ₂ emissions by 50.4% relative to fiscal 2022 level	<ul style="list-style-type: none"> · Obtain validation on short-term SBT (1.5°C target) · Meanwhile, more ambitious 2030 domestic net zero target
Scope 3	2032	Reduce emissions from the use of products sold (category (xi)) by 30% relative to fiscal 2022 level	<ul style="list-style-type: none"> · Obtain validation on short-term SBT (well below 2°C target)
	2040	Category (i): Reduce emissions by 80% (relative to fiscal 2021) Category (xi): Line up CO ₂ -free solutions to promote CO ₂ reduction in society (Zero-Carbon Ready) (Calculation Scope: KHI, Kawasaki Railcar Manufacturing, and Kawasaki Motors)	
Scope 1, 2, and 3	2050	Net Zero (Calculation Scope: KHI and consolidated subsidiaries)	<ul style="list-style-type: none"> · Obtain validation on long-term SBT

As detailed in the previous chapter, specific projects to achieve the Scope 1 and 2 reduction targets seek to create zero-emission plants, focusing on KHI's proprietary hydrogen power generation, with the combination of waste power generation and renewable energy. And projects related to the reduction targets of Scope 3 (category (i) and (xi)) pursue achievement of the targets by supplying hydrogen-generated power and alternative fuels, such as and hydrogen fuels, and providing CO₂-free solutions.

³⁴ Created by JCR based on publicly disclosed KHI's materials

³⁵ Emissions from domestic business sites for fiscal 2021, which is the base year for the relevant targets

Accordingly, JCR considers that the Kawasaki Group as a whole has a transition strategy for mitigating climate change.

(2) The use of the transition label for financing is intended to support the realization of a corporate strategy for a shift to a business model that effectively addresses climate-related risks and contributes to achieving the goals of the Paris Agreement.

The Kawasaki Group has set the year of 2030 as its target year, considering consistency with the Group Vision 2030, identified climate change-related risks and opportunities based on both the 1.5°C scenario (in case that the Group Vision 2030 is achieved) and the 4°C scenario (in case that there is no progress in the Group Vision 2030), and appropriately reflected them in its management strategy.

The 4°C scenario predicts nearly 28 billion yen in damage as of 2030 over concerns on stricken production sites and disruptions to the supply chain due to increasing severity of natural disasters. On the other hand, the 1.5°C scenario looks to building a hydrogen supply chain, the commercialization of hydrogen-related products, and the electrification of motorcycles in 2030, anticipating opportunities for increased demand related to carbon neutrality tied to the expanded use of hydrogen, CCUS and alternative fuels, and electrification.

KHI's transition strategy aims at not only achieving its own decarbonization but also reducing Scope 3 emissions based on the analysis of the 1.5°C scenario by providing carbon-neutral related products. The Kawasaki Group will offer hydrogen-related products, such as hydrogen co-firing and 100% hydrogen-fueled gas turbines, and contribute to lower carbon emissions from and decarbonization of companies that rely on fossil fuels while growing its carbon neutrality-related revenue.

Accordingly, JCR holds the view that KHI's transition strategy will shift to a business model that contributes to the achievement of the goals of the Paris Agreement.

(3) A corporate governance system has been established to ensure the effectiveness of the transition strategy.

The Kawasaki Group has a Sustainability Committee chaired by the President and comprised of directors (excluding Audit & Supervisory Committee members and outside directors), operating companies' presidents, the President and Representative Director of Kawasaki Motors, the President and Representative Director of Kawasaki Railcar Manufacturing, officers responsible for sustainability, and the general managers of the headquarters, for the purpose of promoting sustainability in society, the environment, and the Kawasaki Group. Directors serving as Audit & Supervisory Committee members attend the committee from the perspective of auditing business execution, and outside directors are also present to ensure that a broad range of external knowledge and opinions are reflected in the committee's decision-making processes.

In principle, Sustainability Committee holds a meeting at least twice a year (three times in fiscal 2024) and discusses primarily broad and forward-looking topics. More specifically, the committee deliberates and decides various initiatives to promote sustainability, including the formulation of

sustainability management policies and the review of materiality, monitors the status of their achievement and compliance, and submits important matters to the Board of Directors.

The administrative office responsible for promoting sustainability management is the Sustainability Department of the Corporate Planning Division. The Sustainability Planning Working Group under the department, which is formed with representatives from each department of the headquarters, each operating companies, Kawasaki Motors, and Kawasaki Railcar Manufacturing, discusses in advance actions to be taken to new sustainability issues, effectively cascades decisions by the Sustainability Committee down to the entire organization, and reflects them in specific business activities.

KHI's transition strategy is consistently managed from its formulation through to its implementation and progress monitoring within the organization centering on the Sustainability Committee and the Sustainability Planning Working Group, which ensures the effectiveness of the strategy. In addition, revising its director's compensation system in 2024 and setting new indicators, such as the level of contribution to CO₂ emissions reduction, are elevating effectiveness of the strategy. Accordingly, JCR holds the view that KHI has an established system to ensure implementation of its transition strategy.



Figure 13: Sustainability Promotion System³⁶

Element 2: Environmental Materiality in Business Model

One of KHI's material issues is "energy and environmental solutions." KHI recognizes that its materiality is to contribute to not only its decarbonization but also the decarbonization of the value chain through its products and solutions.

KHI estimates the size of markets related to hydrogen equipment, hydrogen power generation, and hydrogen supply chains that it targets to be 22 trillion yen by 2050³⁷. Based on this estimation,

³⁶ Source: KHI's "Kawasaki Report 2025" https://global.kawasaki.com/en/corp/sustainability/report/2025/pdf/25_houkokusyo.pdf

³⁷ Estimated the value, referencing Hydrogen Council "Hydrogen for Net Zero"

KHI set the goal of scaling its business to 400 billion yen in 2030 and to 2 trillion yen in 2050. To this end, KHI is adopting hydrogen across its business segments and enhancing its lineup of CO₂-free solutions to offer carbon-neutral products options to customers (Zero-Carbon Ready). Majority of KHI's business segments have driven this effort. Accordingly, JCR considers that KHI's transition strategy covers key areas of its business.

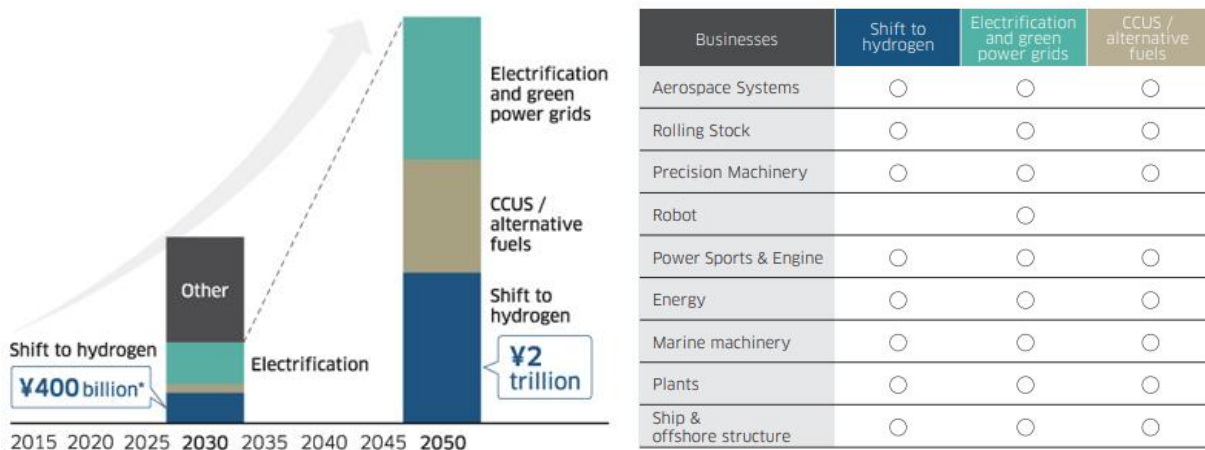


Figure 14: Business Scale by Future Solution and Direction of Shifts by Business Segment³⁸

Based on the above, JCR holds the view that KHI's transition strategy is positioned as environmental materiality in its business model.

Element 3: Climate Transition Strategy and Targets to be Science Based

JCR has confirmed the following four components for the Kawasaki Group's transition roadmap.

(1) Targets are quantitatively measurable and covers Scope 1 and 2. (Achievable targets are recommended for Scope 3.)

As aforementioned, KHI has set targets for Scope 1, Scope 2, and Scope 3 (categories (i) and (xi)). The data related to the targets is quantitatively measurable and has obtained limited assurance from a third party.

The Kawasaki Group is one of the leading comprehensive heavy machinery manufacturers in Japan. While the Kawasaki Group has significant direct and indirect Scope 1 and 2 CO₂ emissions, it has substantial Scope 3 emissions from both upstream and downstream in its supply chain as well. Scope 3 CO₂ emissions are overwhelmingly higher than Scope 1 and 2 emissions, especially Categories (i) and (xi). Based on such a CO₂ emissions structure, KHI discloses Scope 3 emissions and advances initiatives to reduce them, with understanding that Scope 3 is a major source of CO₂

³⁸ Source: KHI's website
<https://global.kawasaki.com/en/corp/sustainability/environment/co2.html>

emissions throughout its product life cycle and with a focus on significant emissions especially in the phases of purchasing raw materials and using products.

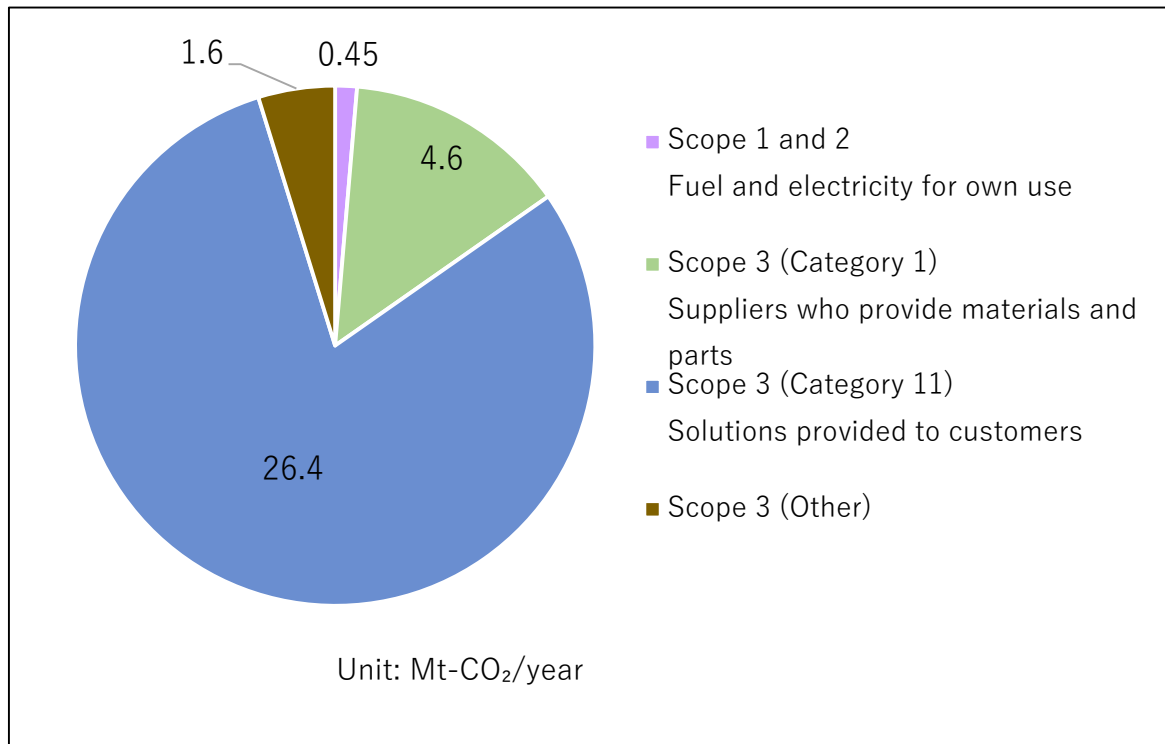


Figure 15: Breakdown of Kawasaki Group's CO₂ Emissions for Fiscal 2024³⁹

(2) Targets are consistent with generally accepted science-based targets.

Based on the CO₂ emissions (Scope 1 and 2) from the Kawasaki Group's production activities by region, emissions from domestic locations accounted for nearly 70% of the total emissions in fiscal 2021. Accordingly, KHI's target of Net Zero emissions from domestic group companies by 2030 (Scope 1 and 2) is equivalent to the target of roughly 70% reductions by 2030, considering fiscal 2021 as the base year. The average annual reduction rate is approximately 7.6%/year, which is higher than 4.2%/year on a total basis required by the SBTi's 1.5°C scenario (to keep the global temperature rise below 1.5°C above pre-industrial levels). Hence, JCR considers that KHI's target is set at a more ambitious level than targeted reduction rates on the 1.5°C pathway. Likewise, JCR has confirmed that the SBTi-verified Scope 1 and 2 targets for fiscal 2032 (a 50.4% reduction vs. fiscal 2022) are lower than the global temperature rise below 1.5°C (4.2%/year).

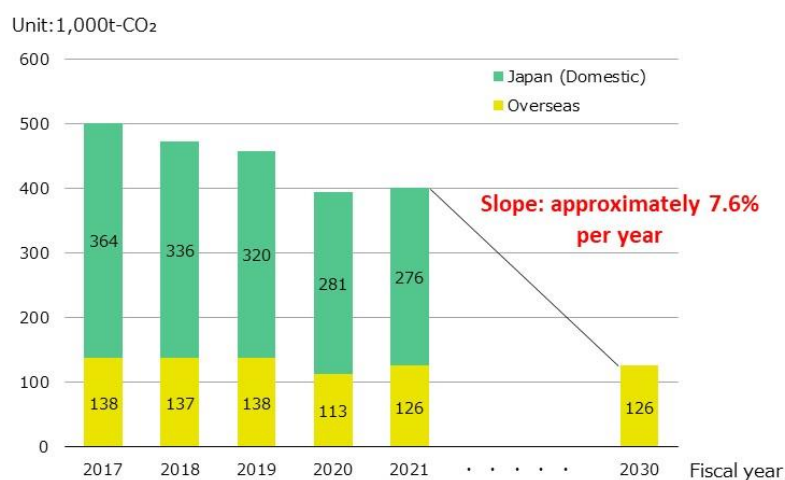
³⁹ Created by JCR based on KHI's CO₂ Emissions Performance <https://global.kawasaki.com/en/corp/sustainability/esg/data.html>

CO₂ Emissions by Region (Kawasaki and Group Companies)

(Fiscal Years ended March 31)

Region	Unit	2017	2018	2019	2020	2021	2022
Japan	1,000t	363.88	336.37	320.24	281.17	276.35	-
North America	1,000t	79.29	80.43	76.2	50.92	64.55	-
Europe	1,000t	2.12	2.18	2.03	2.06	3.03	-
South America	1,000t	0.14	0.14	0.13	0.13	0.15	-
Asia-Pacific	1,000t	56.57	54.41	59.97	60.28	57.95	-
Total	1,000t	502.00	473.53	458.57	394.56	402.03	-

Figure 16: CO₂ Emissions by Region⁴⁰



* Overseas emissions in FY2030 set at the same level as those in FY2021.

Figure 17: CO₂ Emissions (Scope 1 and 2) and Slope to Fiscal 2030⁴¹

Scope 3 (category (xi)) closely connected to products sold sets a target of achieving a 30% reduction by fiscal 2032 (vs. fiscal 2022). The target has been validated by SBTi as well-below 2°C (WB2°C)-aligned, meaning that it is science-based. Scope 3 (category (i)) sets a target of achieving an 80% reduction in fiscal 2040 relative to fiscal 2021 levels. Although the target is not within the SBT validation scope, the average annual reduction rate is approximately 4.2%/year, which is significantly higher than SBTi-aligned target of Scope 3 reduction rate (2.5%/year: WB2°C).

KHI has developed CO₂-free products to achieve carbon neutrality across KHI and its supply chain. KHI's products correspond to technologies that the Transition Roadmaps set forth by the Ministry of Economy, Trade and Industry (METI) and the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) consider essential for each sector to achieve carbon neutrality. The relationship between KHI's decarbonization solutions and the Transition Roadmaps is as in Figure 18.

⁴⁰ Source: Kawasaki Sustainability Report 2022
https://global.kawasaki.com/en/corp/sustainability/environment/22_houkokusyo.pdf
⁴¹ Created by JCR based on Kawasaki Sustainability Report 2022
https://global.kawasaki.com/en/corp/sustainability/environment/22_houkokusyo.pdf

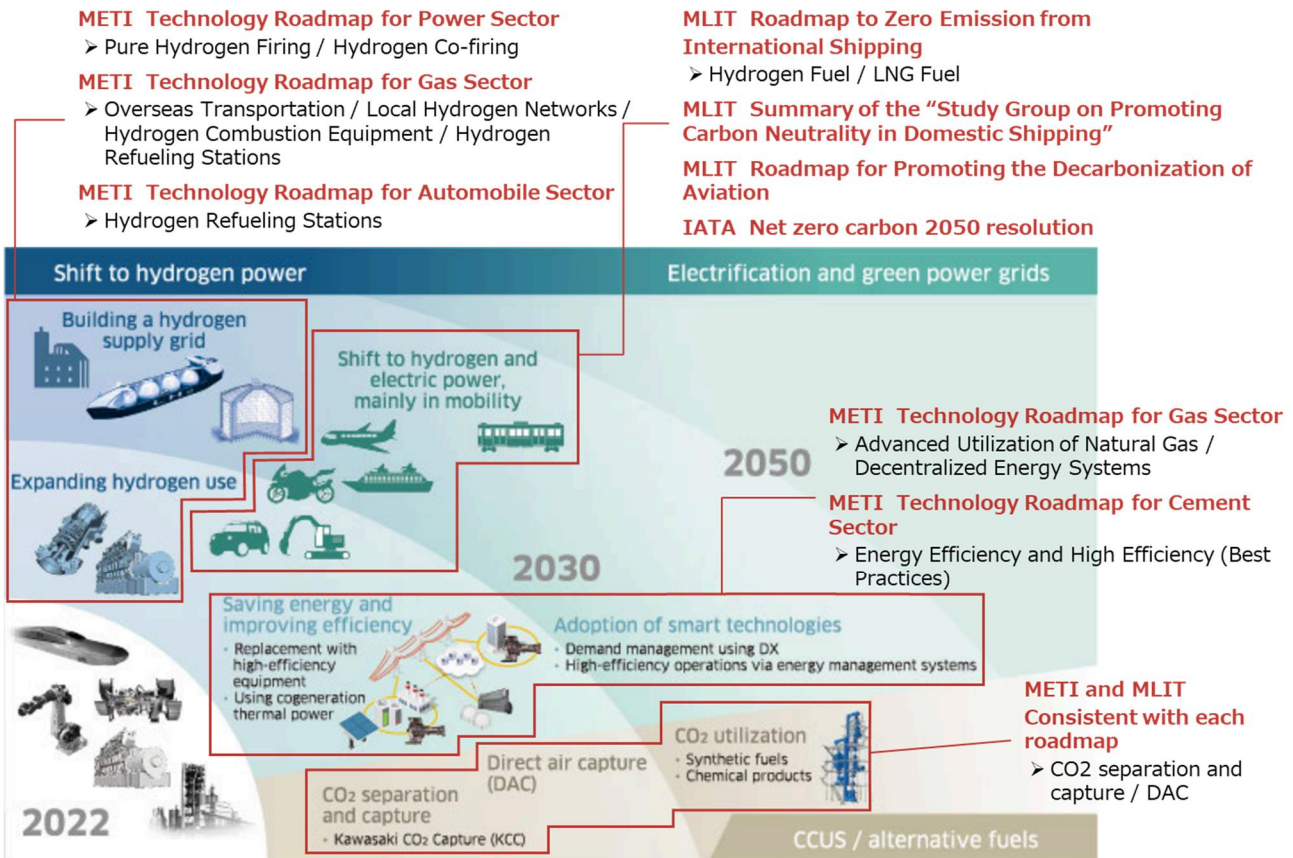


Figure 18: Transition Roadmaps Correspond to KHI's Decarbonization Solutions⁴²

With its 100% hydrogen-fueled gas turbine, a core technology of the transition strategy, KHI became the world's first manufacturer to supply power and heat,⁴³ using 100% hydrogen-fueled gas turbines, in urban areas in 2018. KHI also succeeded in the demonstration test of a dry low NO_x emission 100% hydrogen-fueled gas turbine⁴⁴ for the first time in the world in 2020 and launched the product in 2023. KHI also sells combustors capable of 30% hydrogen co-firing for gas turbines. Figure 19 below shows the Government of Japan's Transition Roadmap for Power Sector. The roadmap anticipates the establishment and commercialization of the 100% hydrogen combustion technology in/after 2030 and the commercialization and introduction of 10% hydrogen co-firing in the latter half of 2020s. JCR considers that KHI's development of 100% hydrogen-fueled and hydrogen co-firing gas turbines ahead of the Transition Roadmap for Power Sector timelines will contribute to achieving the Government of Japan's goals.

⁴² Source: KHI Created by JCR based on Kawasaki Sustainability Report 2024 https://global.kawasaki.com/en/corp/sustainability/environment/24_houkokusyo.pdf

⁴³ KHI has completed construction of a demonstration plant for a hydrogen cogeneration system (hydrogen CGS) in Kobe Port Island to demonstrate various technologies for supplying heat (steam) and electricity generated from the hydrogen CGS to neighboring facilities. The developed hydrogen CGS is either 100% hydrogen-fueled (exclusive combustion) or hydrogen and natural gas mixture fueled at selected blending ratios (co-combustion).

⁴⁴ The conventional water injection method sprays water into the high-temperature zone of the flame to reduce NO_x emissions, which entails lower efficiency in power generation caused by evaporated water. KHI's proprietary dry combustion method offers higher power generation efficiency and lower NO_x emissions compared to the water injection method.

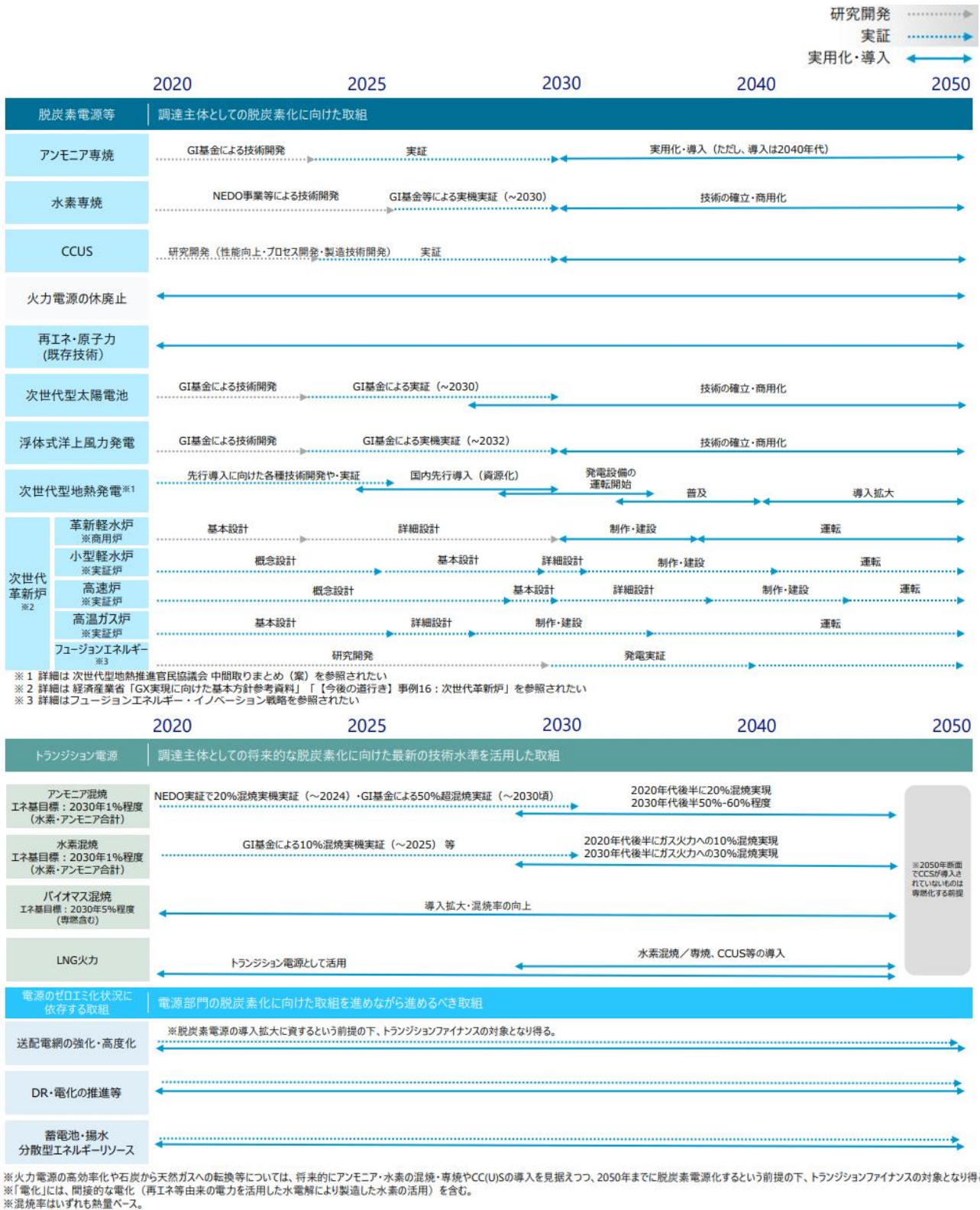


Figure 19: Transition Roadmap for Power Sector⁴⁵

⁴⁵ Source: METI Transition Roadmap for Power Sector https://www.meti.go.jp/policy/energy_environment/global_warming/transition/transition_roadmap2025_electric_j.pdf

Based on the above, JCR holds the view that KHI's transition strategy sets science-based targets and that its specific projects are consistent with the Transition Roadmap for Power Sector toward carbon neutrality.

(3) Targets (including interim milestones) are disclosed to the public.

KHI has set targets to reduce CO₂ emissions as interim targets to realize the Kawasaki Global Environmental Vision 2050 based on the Group Vision 2030, and these targets are posted on its website. Actual CO₂ emissions are disclosed on the website, through which the progress toward these targets can be monitored.

(4) Targets have been validated and verified by an independent third party.

As described above, KHI's CO₂ emissions reduction targets have been validated by SBTi. In addition, the Kawasaki Group's actual CO₂ emissions (Scope 1, Scope 2, and Scope 3 (category (i) and (xi))) have been assured by an independent third party.

Based on the above, JCR considers that the Kawasaki Group's initiatives toward carbon neutrality are science-based and meet the requirements of Element 3.

Element 4: Implementation Transparency

KHI aims to turn its vision for 2030 into reality as analyzed under the 1.5°C scenario, by taking measures for its energy and environmental solutions in the fields that the Group Vision 2030 focuses on. In pursuit of the 1.5°C scenario, KHI anticipates carbon neutral-related investments totaling 350 billion yen (fiscal 2020 to 2030) and projects the sales of 650 billion yen for fiscal 2030.

While the overall investment plans for its hydrogen business, which is the focus of its transition strategy, are undisclosed from the perspectives of confidentiality obligations with partners of respective projects and international competition, KHI plans to make an investment in order to realize zero-emission plants ahead of rivals across the world. Power Sports & Engine Business also plans to make a 150 billion yen investment in the development of hydrogen-powered mobility and general-purpose hydrogen engines and a shift of key models to EV/HEV (fiscal 2023 to 2027).

Based on the above, JCR considers that KHI has set medium- to long-term targets for CO₂ reduction in line with the goals of the Paris Agreement and disclosed specific investment plans for achieving them to the extent possible, which offers great transparency.

Regarding a just transition, JCR has confirmed that it has no adverse impact on employment because withdrawal from business operations is not anticipated after KHI's execution of its transition strategy.

As to Do No Significant Harm (DNSH), KHI has set forth the action guidelines as the Kawasaki Group Policy on Environmental Management, under which it not only reduces environmental impact, engages in business activities, respecting biodiversity, and complies with environmental laws and regulations but also establishes the voluntary control standards as necessary in all the

fields of its business activities from product planning, R&D, designing, raw material procurement through to manufacturing, distribution, product usage and disposal. JCR has confirmed that KHI aims to achieve Waste FREE (realization of a recycling-oriented society), one of the goals of the Kawasaki Global Environmental Vision 2050, by reducing resource consumption and waste generated during manufacturing processes and promoting recycling of waste.

From the following perspectives, JCR considers that a fossil-fuel lock-in possibility is small:

- KHI has a strategy for achieving carbon neutrality by 2050;
- KHI's hydrogen business, which is the main pillar of its transition strategy, primarily provides solutions for the phase of using hydrogen, such as gas turbines, gas engines, and hydrogen-fueled vessels; and
- KHI is studying the possibility of transporting natural gas-derived liquefied hydrogen in Australia by liquefied hydrogen carriers constructed by KHI.⁴⁶ KHI seeks to produce clean hydrogen from CO₂ generated during the manufacturing process through Carbon Capture and Storage (CCS).

As described above, JCR considers that the transition investment plan in the Master Framework seems unlikely to significantly harm (Do No Significant Harm, DNSH) other projects with environmental benefits and that, at this moment, no impact from such an investment is expected on a just transition.

Based on the above, JCR holds the view that the Master Framework meets the four elements required by the CTFH.

⁴⁶ Japan and Australia signed a memorandum of understanding for cooperation in building a liquefied hydrogen supply chain. https://www.kepco.co.jp/english/corporate/pr/2025/pdf/sep25_1.pdf

Chapter 3: Alignment with Sustainability-Linked Bond Principles, etc.

3-1. KPI Selection

3-1-1. JCR's Key Consideration on This Factor

In this section, JCR confirms the significance of KPIs, more specifically, whether those in the Master Framework are relevant, core, and important in the entire business of issuers/borrowers, whether they are of great strategic importance for issuers/borrowers in the present and future business operations, and whether they are measurable and quantifiable based on a consistent methodology.

3-1-2. Overview of KPI Selection and Evaluation by JCR

▶▶▶ Evaluation Results

The KPIs set out in the Master Framework meet all the requirements of the SLBP, etc.

KHI sets the following KPIs in the Master Framework. (KPIs in bold and underlined were added after the previous evaluation.)

Table 4: Master Framework's KPIs⁴⁷

KPI1	CO ₂ emissions (Scope 1 and 2)
KPI2	<u>CO₂ emissions (Scope 3)</u>
KPI3	Building the hydrogen supply chain

■ KPI1: CO₂ Emissions (Scope 1 and 2)

■ KPI2: CO₂ Emissions (Scope 3)

KHI, a leading comprehensive heavy machinery manufacturer, is classified in the transportation equipment manufacturing sector. The industrial sector is the largest CO₂ emitter in Japan with the emissions of nearly 340 million tons for FY2023, out of which the machinery manufacturing industry where KHI belongs accounted for 11% (36.3 million tons).⁴⁸ Reducing CO₂ emissions from the industrial sector, the largest source of emissions, is essential for achieving the nationally determined contributions (NDCs) to CO₂ emissions reduction by 2030, 2035, and 2040 and carbon neutrality by 2050.

⁴⁷ Created by JCR based on the Master Framework

⁴⁸ MOE 2.3 Energy-Origin CO₂ in the Industrial Sector, GHG Emissions and Absorption Calculation Results <https://www.env.go.jp/content/000378800.pdf>

KHI sells products that support energy-intensive industries, such as gas turbines and engines for power generation, aircraft engines, ships, railroad cars, and construction machinery durable for several decades. For this reason, CO₂ emissions from the usage (Scope 3 (category (xi))) are far greater than those from the manufacturing processes (Scope 1 and 2) and account for roughly 90% of total emissions. Accordingly, reducing Scope 3 (category (xi)) emissions is important as it directly links to not only KHI's efforts of mitigating its environmental impact but also the decarbonization of society as a whole. KHI's products form the basis of high-emission industries such as power generation and transportation, and thus reducing emissions from the usage will translate into transforming the emission structure of the entire society.

The Kawasaki Group has set forth the Group Vision 2030 as a vision for the Kawasaki Group's future, which focuses on the field of energy and environmental solutions, one of its growth scenarios for 2030. In the field of energy and environmental solutions, the Kawasaki Group is advancing "the coming of a hydrogen and carbon neutral society" and "initiatives to achieve zero CO₂ emissions" for "stable supply of clean energy." "The initiatives to achieve zero CO₂ emissions" for Scope 1 and 2 is aimed at the realization of zero-emission plants in KHI's domestic locations as early as 2030 by using primarily KHI-generated hydrogen power combined with waste power and renewable energy. As to Scope 3 (category (xi)), the Kawasaki Group aims for carbon neutrality by offering CO₂-free solutions as its standard lineup (Zero-Carbon Ready).

KHI measures KPI1 and KPI2 based on consistent methodologies, referencing the GHG Protocol, etc., and they are verified by an external party.

■ KPI3: Building The Hydrogen Supply Chain

KHI places hydrogen business at the center of its future growth strategy and is advancing projects for building the hydrogen supply chain. The hydrogen supply chain is built on a series of processes: production (produce and liquefy hydrogen), transportation (transport hydrogen), storage (store hydrogen), and utilization (supply and use hydrogen). In order to advance hydrogen-based decarbonization, technological development will be necessary at each process. KHI is enthusiastically developing technologies at each process. More specifically, they include technologies for the production process to extract hydrogen gas from brown coal combustion and to purify hydrogen gas through water electrolysis using electricity derived from renewable energy sources, for the transportation process to construct liquefied hydrogen carriers, for the storage process to develop liquefied hydrogen tanks and a loading arm system, and for the utilization process to develop hydrogen gas turbines, hydrogen gas engines, and hydrogen-fired boilers.



Figure 20: Hydrogen-related Products Dealt by Kawasaki Group⁴⁹

In December 2017, Japan became the first country in the world that formulated the Basic Hydrogen Strategy, a national strategy where various government ministries and agencies collaborate. In June 2021, Green Growth Strategy Through Achieving Carbon Neutrality by 2050 (Green Growth Strategy) was formulated, led by METI. The strategy positions hydrogen as one of the 14 key technological fields and as one of the critical decarbonization measures in other fields. In order to achieve carbon neutrality, decarbonization needs to be achieved in consumer and industrial sectors, the non-electricity sector, such as transportation, the electricity sector, CO₂ separation and capture, etc. Based on these factors, the Government of Japan revised the Basic Hydrogen Strategy in June 2023 to add a plan for making a combined public and private investment of 15 trillion yen over the next 15 years in developing a hydrogen supply chain.

Hydrogen is a key technology potentially applicable to a wide range of fields, such as the power generation sector (fuel cells and turbines), the transportation sector (vehicles, vessels, aircrafts, railroads, etc.), and the industrial sector (steelmaking, chemicals, oil refining, etc.). Renewable energy sources such as solar and wind power are major power sources in the power supply mix for achieving carbon neutrality. Likewise, hydrogen power generation is a zero-emissions source of energy and is expected to play a critical role as supply, adjustability, and inertia capacity for the grid power in the carbon-neutral era. Thus, the Green Growth Strategy expects hydrogen and ammonia to account for nearly 10% of the total power generation by 2050. In addition to that, the Government of Japan will realize hydrogen-based decarbonization across a wide range of sectors including not only the power generation sector but also the steel, chemicals, and transportation sectors (collectively, hard-to-abate sectors), where electrification alone is not sufficient for conversion of energy sources, by supporting the development of technology to convert the fuel sources for hydrogen reduction steelmaking and naphtha cracking furnaces and promoting its implementation in society. Hydrogen has entered the phase of advancing specific

⁴⁹ Source: Materials provided by KHI

measures for social implementation in each sector after overcoming technical challenges, developing the infrastructure, and reducing costs. Countries around the world are intensifying their efforts to promote the use of hydrogen.

Based on the above, JCR has confirmed that KHI considers the KPIs of the Master Framework important for continuing and expanding its business and that they are also aligned with the Government of Japan's long-term policy goal of achieving carbon neutrality by 2050. Thus, JCR holds the view that KHI's KPIs are of great significance.

3-2. Calibration of SPTs

3-2-1. JCR's Key Consideration on This Factor

In this section, JCR confirms the level of ambition of SPTs of the Master Framework, more specifically, from the perspective of whether they have brought significant improvements to selected KPIs, they are ambitious enough to exceed a business-as-usual (BAU) trajectory (when implementing no projects or following the development as it goes), they are comparable with benchmarks or external reference values, they are aligned with an issuer's/borrower's overall sustainability strategy, and they are set based on the timeline (target fiscal years, etc.) laid out before financing.

3-2-2. Overview of SPT Calibration and Evaluation by JCR

▶▶▶ Evaluation Results

The SPTs of the Master Framework meet all the requirements of the SLBP, etc.

KHI sets the following SPTs in the Master Framework. (The SPTs in bold and underlined are additions to or changes from the previous evaluation.)

KHI adopts any of the following KPIs or SPTs at each sustainability-linked financing. The KPIs and SPTs adopted are specified in statutory disclosure documents (such as amended shelf registration statements, shelf registration supplements, etc.) of transition-linked bonds (TLBs) / sustainability-linked bonds (SLBs), or in the agreements, etc. of transition-linked loans (TLLs) / sustainability-linked loans (SLLs). Additionally, as to TLBs/SLBs, the reasons for having adopted the SPTs at sustainability-linked financing are disclosed in investor materials, and concerning TLLs/SLLs, explanations are provided to the lenders.

Table 5 : SPTs of Master Framework⁵⁰

SPT1	2030 Domestic Group Company Net Zero ^{*1}
SPT2	<u>2032 Scope3 Category(11) 30% reduction vs. FY 2022</u>
SPT3	<u>Completion of the construction, by FY 2030, of one commercialized demonstration liquefied hydrogen carrier with a transport capacity of 30,000 t/year or more for shipment to Japan</u> ^{*2}

*1Targeting domestic CO2 emissions from Kawasaki Heavy Industries, Kawasaki Rolling Stock, Kawasaki Motors, and domestic companies

*1The base to be counted fluctuates as appropriate due to the refinement of measurement, etc.

*2Tank capacity of 40,000m³

KHI uses the following KPIs and SPTs according to financing to be implemented:

- Transition-linked finance (TLBs/TLLs):
Any of KPI1/SPT1, KPI2/SPT2, or KPI3/SPT3 or any combination of those (excluding KPI3/SPT3 alone)
- Sustainability-linked finance (SLBs/SLLs):

⁵⁰ Created by JCR based on the Master Framework

KPI3/SPT3

■ SPT1: 2030 Domestic Group Company Net Zero

i. Comparison with Past Performance

Historical performance of KPI1 and a target are as in the table below:

Table 6: Historical Performance of KPI1 and Target for Fiscal 2030⁵¹

		Unit	Historical Performance				SPT1
			Fiscal 2021	Fiscal 2022	Fiscal 2023	Fiscal 2024	Fiscal 2030
KPI1	CO ₂ Emissions (Scope 1 and 2) *	10,000 t-CO ₂	27.6	26.5	30.0	30.1	0

* Targeting domestic CO₂ emissions from Kawasaki Heavy Industries, Kawasaki Rolling Stock, Kawasaki Motors, and domestic companies

* The base to be counted fluctuates as appropriate due to the refinement of measurement, etc.

As for SPT1, historical performance shows that CO₂ emissions increased from the KHI's base year of fiscal 2021 to fiscal 2024. In order to achieve SPT1, KHI will need to reduce emissions by an average of 50,000 t-CO₂/year. This requires accelerating efforts to reduce CO₂ emissions more than ever before.

ii. Scientific Evidence and Comparison with Other Benchmarks

As in Element 3, Section 2-2, Chapter 2, SPT1: 2030 Domestic Group Company Net Zero is construed as an approximately 70% reduction of CO₂ emissions across the Kawasaki Group including overseas operations and meets the 1.5°C target for the SBT validation.

JCR has confirmed that the KHI's target of an approximately 70% reduction is higher than domestic peers'.

Based on the above, JCR holds the view that SPT1 is ambitious, compared with industry peers' and other indicators.

iii. Efforts for Achieving SPTs

As in Element 3, Section 2-2, Chapter 2, KHI aims to achieve SPT1, focusing on in-house hydrogen power generation. In addition to that, KHI will introduce energy conservation systems and renewable energy, purchase clean power from its electricity retail subsidiary, and separate and capture CO₂ in-house.

⁵¹ Created by JCR based on materials provided by KHI

■ SPT2: 2032 Scope3 Category(11) 30% reduction vs. FY 2022

i. Comparison with Historical Performance

Historical performance of KPI2 and targets are as in the table below:

Table 7: Historical Performance of KPI2 and Target for Fiscal 2032⁵²

		Unit	Historical Performance		SPT2	
			Fiscal 2022 (Base Year)	Fiscal 2023	Fiscal 2024	Fiscal 2032
KPI2	CO ₂ Emissions (Scope 3 (category (xi)))	10,000 t-CO ₂	2,894	3,265	2,643	2,026
	CO ₂ Emissions Reduction Rate (Scope 3 (category (xi)))	%	-	-12.8 (increase)	8.7	30

As to SPT2, CO₂ emissions saw some increase or decrease from the base year of fiscal 2022 to fiscal 2024. Over the two years, CO₂ emissions were successfully reduced by 8.7% (average annual reduction rate of 4.3%/year). The main reason for the decrease in fiscal 2024 actual emissions relative to fiscal 2023 was a decline in the unit sales of gas turbines and gas engines with large emissions.

To achieve SPT2, KHI needs to attain an average annual reduction rate of nearly 2.7%/year over the years from fiscal 2024 to fiscal 2032. Although the reduction rate is more moderate compared to historical performance, the SPT2 is highly challenging and ambitious to achieve as recovery in the unit sales of gas turbines and gas engines is anticipated and the expanded use of new technologies yet to be widely adopted, such as hydrogen gas turbines and hydrogen gas engines, is the main objective in reducing emissions as in the following "iii. Efforts for Achieving SPTs."

ii. Scientific Evidence and Comparison with Other Benchmarks

SPT2 is to achieve a 30% reduction of Scope 3 (category (xi)) by 2032 relative to fiscal 2022 (annual reduction rate of 3.0%/year). JCR considers the target ambitious as it exceeds the annual reduction rate of 2.5%/year, which is the SBTi-validated level to keep the global temperature rise below 2°C. KHI's target has been validated by SBTi as WB2°C.

Domestic peers also set Scope 3 targets. However, it is impossible to simply compare their performance with KHI's as different calculation methods are applied. Meanwhile, JCR has confirmed that KHI is currently the only company in the sector, which has obtained an SBT validation for its Scope 3 targets.

Based on the above, JCR holds the view that SPT2 is ambitious, compared with industry peers' and other indicators.

⁵² Created by JCR based on KHI's ESG data
<https://global.kawasaki.com/en/corp/sustainability/esg/data.html>

iii. Efforts for Achieving SPTs

Towards 2030, KHI will continue to improve its existing products to be more energy-saving and energy-efficient and promote hybridization and electrification of motorcycles, etc., in pursuit of the transition to a decarbonized society. Additionally, KHI aims to achieve SPT2 by advancing the development for commercialization of hydrogen energy and promoting expanded use of hydrogen in gas turbines, gas engines, etc.

■ SPT3: Completion of the construction, by FY 2030, of one commercialized demonstration liquefied hydrogen carrier with a transport capacity of 30,000 t/year or more for shipment to Japan

KHI jointly established CO₂-free Hydrogen Energy Supply-chain Technology Research Association (HySTRA) together with other companies in February 2016. HySTRA's primary objective is to establish and demonstrate technologies for producing, transporting, and storing hydrogen, efficiently utilizing brown coal, to build a CO₂-free hydrogen supply chain and commercialize it around 2030. For the first time in the world, HySTRA has successfully conducted the demonstration test to transport hydrogen made from Australian brown coal by sea on a liquefied hydrogen carrier between Japan and Australia in collaboration with relevant ministries and agencies, many private companies, and local governments where the facilities are located.

The liquid hydrogen carrier used in the demonstration test, Suiso Frontier, was constructed by KHI and is the world's first of its kind. The liquefied hydrogen carrier can transport by sea large volumes of cryogenically liquefied hydrogen, which is reduced to 1/800th by cooling it to minus 253°C. She can carry 1,250 m³ of hydrogen. On the other hand, the medium-sized liquefied hydrogen carrier under construction, whose completion is SPT3 of the Master Framework, has a capacity of 40,000 m³, which is 32 times larger than that of Suiso Frontier.

In the Master Framework before the last revision, SPT3 linked to the KPI of building the hydrogen supply chain was to complete the construction of one large-sized liquefied hydrogen carrier by fiscal 2027 for commercialization demonstration and to be able to carry 225,000 tons or more/year of hydrogen to Japan on an annual basis by fiscal 2031. The revised Master Framework consolidates the SPTs into one, which is to construct the medium-sized hydrogen carrier instead of the large-sized one. The hydrogen transportation capacity has decreased due to the change in the size of the carrier.

The consolidation of the SPTs came after a revision of the KHI's business plan for R&D. KHI's initial plan was to construct a large-sized liquefied hydrogen carrier with a capacity of 160,000 m³ of hydrogen made from brown coal in Australia and transport it to Japan (Kawasaki coastal area). However, KHI revised the plan to conduct a demonstration test using a mid-sized liquefied hydrogen carrier with a capacity of 40,000 m³, which is more realistic scale, in consideration of delayed Australian government approval for the construction, soaring project cost, and demand forecasts in the early stage of commercialization. After the revision, it became difficult to purchase hydrogen from Australia. Accordingly, the demonstration test was changed to loading hydrogen purchased in Japan onto the carrier at a shipping facility in the Kawasaki coastal area,

setting off to the sea, and backing to the starting point to accept the hydrogen. The SPT was changed from the previous one due to the revision of the business plan.

The following are how JCR confirms whether the SPT remains ambitious:

i. Comparison with Historical Performance

With the support of the NEDO's GI Fund project, KHI is researching and developing technologies for constructing a liquefied hydrogen carrier for commercialization demonstrations. In April 2022, KHI obtained approval for the basic design of the large-sized liquefied hydrogen carrier with a capacity of 160,000 m³. KHI has made progress in building the hydrogen supply chain. In 2023, KHI decided to designate the Kawasaki coastal area as the port of departure and arrival, completed the technical development of cargo tanks for the large-sized liquefied hydrogen carrier, and obtained approval for the basic design of the hydrogen-fueled vessel. As to the hydrogen-fueled vessel, KHI plans a demonstration voyage of the liquefied hydrogen carrier equipped with marine hydrogen engine and the marine hydrogen fuel system (MHFS) as part of the GI Fund-approved project: the development of marine hydrogen-fueled engines and MHFS. Concerning the medium-sized liquefied hydrogen carrier, KHI will construct it, utilizing the technologies and knowledge built in the basic design process of the large-sized liquefied hydrogen carrier.

The SPTs at the time of the previous evaluation was to complete the construction of one large-sized liquefied hydrogen carrier, which was set before the revision of the business plan. Even if the business plan was changed to the construction of the medium-sized liquefied hydrogen carrier, its transportation capacity is larger than that of the existing liquefied hydrogen carrier (Suiso Frontier). An ongoing plan for constructing a zero-emission vessel powered by hydrogen fuel requires technological development capabilities beyond BAU and capital investments. Accordingly, JCR considers that the SPTs remain ambitious.



Figure 21: Image of Finished Medium-sized Liquefied Hydrogen Carriers⁵³

ii. Scientific Evidence and Comparison with Other Benchmarks

⁵³ Source: KHI press release
https://global.kawasaki.com/news_260106-1e.pdf

The Japan's hydrogen introduction plan aims to annually introduce a maximum of 3 million tons of hydrogen/year in 2030, 12 million tons/year in 2040, and circa 20 million tons/year in 2050 and target the supply cost of 30 yen/Nm³ in 2030 and 20 yen/Nm³, which is lower than that of gas-fired power, in 2050, through an increase in the introduction volume. The target hydrogen introduction amount of 3 million tons/year in 2030 is far from achievement with hydrogen produced as a byproduct in chemical plants or hydrogen generated through water electrolysis. It is considered indispensable to import CO₂-free hydrogen from overseas at low cost and in quantity.

As existing port facilities are insufficiently capable of accepting a large quantity of low-cost hydrogen imported by the medium-sized liquefied hydrogen carrier, it is an imminent issue to build port facilities for hydrogen import. The MLIT aims to create a carbon neutral port (CNP) that eliminates GHG emissions from ports by developing environments allowing for a stable supply of a large quantity and low-cost hydrogen and fuel ammonia. The Government of Japan is taking the KHI's project to develop technologies for building its entire hydrogen supply chain, including liquefied hydrogen carriers, as an example of CNP projects, which indicates its high expectations for the project.

HySTRA, which is composed of seven member companies including KHI, has successfully demonstrated the ability of the world's first liquefied hydrogen carrier, Suiso Frontier. At present, there is no other successful maritime transport of liquefied hydrogen than that anywhere in the world. Thus, KHI is leading the world in the process of transportation within the hydrogen supply chain. Leveraging its insights gained from demonstration tests of Suiso Frontier, KHI will construct the medium-sized liquefied hydrogen carrier as specified in SPT3. South Korea also plans to construct a liquefied hydrogen carrier with a capacity of 80,000 m³ by 2030, however, it has not conducted a demonstration test (hydrogen supply, transportation, and cargo handling). To the best of JCR's knowledge, the KHI's project is the most advanced effort worldwide.

Based on the above, JCR considers the KHI's SPT3 of the Master Framework ambitious in light of comparisons with domestic and international benchmarks and the importance of expanding hydrogen infrastructure in Japan.

iii. Efforts for Achieving SPTs

KHI has already completed the development of the underlying technologies for SPT3: Completion of the construction, by FY 2030, of one commercialized demonstration liquefied hydrogen carrier with a transport capacity of 30,000 t/year or more for shipment to Japan. KHI will conduct, in phases, demonstration tests for commercialization after detailed design work for the practical use.

Based on the above, KHI needs to make extra efforts beyond BAU relative to its track record in order to achieve its SPTs. The KHI's SPTs are ambitious in comparison with those of its peers and the industry. JCR considers the KHI's SPTs ambitious as KHI assumes a major role in realizing the national hydrogen introduction plan.

The SPTs of the Master Framework are set based on the KHI's Group Vision 2030 and materiality. Accordingly, they are consistent with the KHI's overall sustainability strategy and business strategy.

When the scope, KPI methodology, or SPT calibration are significantly changed, JCR will confirm the alignment of such changes with the SLBP, etc.

3-2-3. Impact Evaluation by JCR

JCR has assessed how much KHI's SPTs of the Master Framework have increased their positive impacts and their negative impacts have been avoided, controlled, and mitigated, in accordance with the five impact assessment criteria set forth in the Principle Four of the Principles for Positive Impact Finance (PIIF) formulated by the United Nations Environment Programme Finance Initiative (UNEP FI).

i. Variety: variety of positive impacts delivered

As below, the SPTs of the Master Framework impact Energy and Climate Stability among the impact areas/topics defined by UNEP FI:

Social	Integrity & security of person	Conflict	Modern slavery	Child labor	
		Data privacy	Natural disasters		
	Health & safety				
	Availability, accessibility, affordability, quality of resources & services	Water	Food	Energy	Housing
		Healthcare & sanitation	Education	Mobility	Information
		Connectivity	Culture & heritage	Finance	
	Livelihood	Employment	Wages	Social protection	
Equality & justice	Gender equality	Ethnic/racial equality	Age discrimination	Other vulnerable groups	
Socio-economic	Strong institutions, peace & stability	Civil liberties		Rule of law	
	Healthy economies	Sector diversity		Flourishing MSMEs	
	Infrastructure				
	Convergence				
Natural environment	Climate stability				
	Biodiversity & ecosystems	Waterbodies	Air	Soil	
		Species	Habitat		
Circularity	Resource intensity		Waste		

Each SPT is expected to impact the areas and topics defined above in the following processes of the KHI's supply chain:

Identified Positive Impacts



SPT1		Climate Stability			
SPT2				Climate Stability	
SPT3			Energy		

The SPT3 contributes to the transportation process in the flow of the hydrogen supply chain: production, transportation, storage, and utilization.

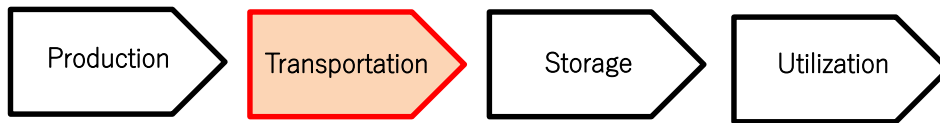


Figure 22: Transportation Process in Hydrogen Supply Chain⁵⁴

ii. Magnitude: magnitude of the impacts delivered

KHI has great presence as one of Japan's leading comprehensive heavy machinery manufacturers with net sales of 2,129.3 billion yen for fiscal 2024. JCR recognizes KHI as a leading company to form a hydrogen-based society as it looks to shift its aircraft, railcar, precision machinery, and motorcycle businesses to a hydrogen-based model. KHI is taking the lead in introducing hydrogen power generation to achieve its own CO₂ emissions reduction target (SPT1) and contributes to CO₂ emissions reduction across the value chain through the penetration of its products such as hydrogen co-firing/100% hydrogen-fueled gas turbines and gas engines (SPT2), which would stimulate momentum for investment in hydrogen-related equipment across various industries. This is expected to exert a significant impact on the market.

In order to achieve carbon neutrality through the realization of a hydrogen society, it is essential to advance, in parallel, the reduction of hydrogen supply costs and the creation of demand for hydrogen across diverse sectors. To that end, the national Basic Hydrogen Strategy aims to reduce the current 100 yen/Nm³ for hydrogen sold at general hydrogen stations down to 30 yen/Nm³ by 2030, to 20 yen/Nm³ or less by 2050, and ultimately to a level comparable to that of fossil fuels over time. Meanwhile, the strategy aims to increase the current annual hydrogen supply volume of circa 2 million tons to a maximum of 3 million tons by 2030, circa 12 million tons by 2040, and circa 20 million tons by 2050. KHI has estimated that circa 80 large-sized liquefied hydrogen carriers will be required by 2050 to achieve the Government of Japan's goal of carbon neutrality. As that is unachievable by KHI's plants alone, KHI is considering sharing its technologies with other Japanese shipbuilders. Based on the idea, KHI announced in June 2025 that it would start exploring collaboration with other shipbuilders in building a system for constructing liquefied hydrogen carriers. KHI will also need to improve existing

⁵⁴ Created by JCR

port facilities as they are insufficiently capable of accepting hydrogen imported in quantity and at low cost by medium-sized liquefied hydrogen carriers.

Sharing cutting-edge technologies earlier than the rest of the world has a ripple effect and will advance investments in the renovation of port facilities for accepting liquefied hydrogen, which should have a significant impact on the market. Based on the above, JCR holds a view that SPT3 will similarly have a major impact.

iii. Scale: scale of impacts delivered relative to amount of funds spent

Financing provided under the Master Framework is highly efficient from the following viewpoints:

The KHI's SPTs of the Master Framework are the centerpiece of "the coming of a hydrogen and carbon neutral society" and "initiatives to achieve zero CO₂ emissions" of "energy and environmental solutions," one of the fields that KHI focuses on in the Group Vision 2030, which describes a vision for the Group's future.

The Sustainability Committee chaired by the President and the Sustainability Planning Working Group subordinated to the committee have discussions in the course of delivering the SPTs. Projects will be implemented under the appropriate commitment of the management team. What discussed is also reported to the Board of Directors when necessary.

Based on the above, the SPTs have potentially significant impact on invested capital as they are critical for achieving the targets which are the centerpiece of KHI's business transformation and future growth scenario and the management team actively takes an initiative in driving such activities in an organized manner.

iv. Leverage: degree of leverage of private funds relative to public funds and/or donations

The SPTs are supported by the Large-Scale Hydrogen Supply Chain Construction Project of the GI Fund Project solicited by the NEDO. The Master Framework is expected to further leverage and mobilize private-sector capital.

v. Additionality: level of additionality

The SPTs of the Master Framework are anticipated to have additional impacts on multiple goals and targets among the 17 SDGs and 169 targets listed below.



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

Target 7.a: By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology

Goal 9: Industry, Innovation and Infrastructure



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



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

Target 13.3: Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning



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

3-3. Characteristics of Bonds and Loans

3-3-1. JCR's Key Consideration on This Factor

In this section, JCR confirms whether the characteristics of the bonds/loans specified in the Master Framework, such as financing conditions, are affected by the achievement of or failure to achieve the SPTs set in advance.

3-3-2. Overview of Characteristics of Bonds/Loans and Evaluation by JCR

▶▶▶ Evaluation Results

The characteristics of bonds/loans specified in the Master Framework meet all the requirements of the SLBP, etc.

Financial and structural characteristics of TLB/SLB or TLL/SLL based on the Master Framework are subject to change depending on the achievement of or failure to achieve the SPTs as of an observation date. How they are changed, including step-ups or step-down in the coupon rate and donations, will be specified in statutory disclosure documents (such as amended shelf registration statements, shelf registration supplements, etc.) or in agreements of TLLs/SLLs at financing. The Master Framework specifies that KHI makes a donation to organizations with the purpose of conserving the environment or purchases emission credits by the repayment date when it failed to achieve an SPT by an observation date. The donation amount is calculated by multiplying the amount financed through TLB/SLB or TLL/SLL by the percentage set forth in the statutory disclosure documents, etc.

Based on the above, JCR has confirmed that KHI will make necessary arrangements for or disclosures of financing conditions, etc. and that the contents included or disclosed in agreements are also appropriate.

3-4. Reporting and Verification

3-4-1. JCR's Key Consideration on This Factor

In this section, JCR confirms that updates on historical KPIs selected and information for determining SPTs' level of ambition are disclosed in the reporting process under the Master Framework at least once a year and that historical KPIs selected will be verified by an external independent party and what was verified will be disclosed in the verification process under the Master Framework.

3-4-2. Overview of Reporting/Verification and Evaluation by JCR

▶▶▶ Evaluation Results

The reporting and verification processes under the Master Framework meet all the requirements of the SLBP, etc.

KHI plans to post the following information on its website or disclose it to lenders on an annual basis:

- Updates on KPIs;
- Progress of SPTs;
- Information on the issuer's latest sustainability strategies related to KPIs and SPTs; and
- Where/when to make donations and what amounts in the event of a missed SPT.

Historical KPIs and SPTs specified in the Master Framework and used when providing TLB/SLB or TLL/SLL will be verified by an independent third party once a year. In addition, KHI will annually post information on the verification process on its website. However, in some SLL arrangements, SPT verification reports and achievement results will be disclosed only to lenders.

3-5. Conclusion on Alignment with SLBP, etc.

Based on the above, JCR has confirmed the alignment with SLBP, etc. In addition, JCR has confirmed that the Master Framework meets the requirements of the CTBG and the GTL.

Chapter 4: Consistency with Green Bond Principles, Social Bond Principles, etc.

Evaluation Phase 1: Social, Greenness/Transition, and Blueness Evaluation

**gs1(F)/gt1(F)
/b1(F)**

I. Use of Proceeds

JCR's Key Consideration on This Factor

In this section, JCR confirms that: 1) proceeds are allocated to projects with clear environmental benefits or social benefits; 2) potential negative impacts of uses of the proceeds on the environment and society are well examined by an in-house specialized department or an external third-party organization, and necessary prevention and mitigation measures have been taken; and 3) use of the proceeds is consistent with SDGs.

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

Each use of the proceeds that KHI set forth in the Master Framework is a key contributor to materiality and expected to offer environmental or social benefits.

KHI sets the use of the proceeds as follows. (The SPIs in bold and underlined are additions to the previous evaluation.)

Master Framework for Use of Proceeds (Excerpt)

4.1 When specifying the use of funds: Disclosure based on the Green Bond Principles, etc.

1) Use of Proceeds

The Green, Social, Sustainability, Transition and Blue Finance (Sustainable Finance) proceeds will be allocated to finance new and existing expenditures for businesses and projects related to the following eligible criteria: Refinancing of existing expenditures is limited to expenditures made within two years prior to sustainable financing.


※In the case of convertible bonds (CBs), the application of this Framework shall, in principle, be limited to the period prior to conversion into equity.


Depending on the financing to be executed, proceeds will be allocated to the following project categories.


- Green Finance: Green (Blue) Project
- Social Finance: Social Project
- Sustainability Finance: Green (Blue)/Social Project
- Sustainable Finance: Green (Blue)/Transition/Social Project


- Transition Finance: Green (Blue)/Transition Project
- Blue Finance: Blue Project

※ The marks in each project example refer to the following project categories:




 : Green Project

 : Social Projects



 : Blue Project

 : Transition Projects
















[A Safe and Secure Remotely-Connected Society]


































Eligibility Criteria	Eligible Category (Target Populations)	Project Example
Surgical Support Robot	Access to essential services Socioeconomic advancement and empowerment (Persons with diseases, healthcare professionals, etc.)	 Hinotori™ surgical robot system (R & D and Capital Investment)
<u>Social Robot for Care Facilities</u>	<u>Socioeconomic advancement and empowerment (Nursing care staff, etc.)</u>	 <u>Social Robot for Care Facilities (Related indoor positioning information service) (R & D and Capital Investment)</u>
<u>Social Robot for hazardous work, etc.</u>	<u>Socioeconomic advancement and empowerment (hazardous work operator, etc.)</u>	 <u>Kaleido (R & D and Capital Investment)</u>



[Near-Future Mobility]

Eligibility Criteria	Eligible Category (Target Populations)	Project Example
Delivery robot and unmanned transport helicopter	Access to essential services Socioeconomic advancement and empowerment (Deliverer, residents of remote islands, etc.)	 Delivery robot  VTOL unmanned aircraft (R & D and Capital Investment)

[Energy and Environmental Solutions]

Eligibility Criteria	Eligible Category	Project Example
Clean transport and storage of hydrogen	Environmentally Adapted Products, Environmentally Conscious Production Technologies and Processes (Sustainable Marine Transport)	  Hydrogen liquefier* 1   Liquefied hydrogen shipping and receiving base* 1   Liquefied hydrogen storage tank* 1   Liquefied hydrogen carrier* 1    Hydrogen fuel vessel* 1   Tank system for liquefied hydrogen carrier* 1   hydrogen compressor* 1 (R & D, Demonstration, and Capital Investment)

Clean energy use of hydrogen	Environmentally Adapted Products, Environmentally Conscious Production Technologies and Processes clean transportation (Sustainable Marine Transport)	<ul style="list-style-type: none">   Hydrogen gas turbine for power generation (dedicated firing) * 2   Hydrogen gas engine for power generation (dedicated firing) * 2  Core technologies for hydrogen aircraft   Marine hydrogen engine and hydrogen fuel ship propulsion system(MHFS)  Hydrogen engine for motorcycle  Hydrogen engine vehicle  Fuel cell vehicle (R & D, Demonstration, and Capital Investment)
Clean energy use of hydrogen (co-firing)	Environmentally Adapted Products, Environmentally Conscious Production Technologies and Processes	<ul style="list-style-type: none">  Hydrogen gas turbine for power generation (co-firing)  Hydrogen gas engine for power generation (co-firing) (R & D, Demonstration, and Capital Investment)
CCUS	Environmentally Adapted Products, Environmentally Conscious Production Technologies and Processes	<ul style="list-style-type: none">  CO2 separation and recovery in flue gas (Kawasaki CO2 Capture)  DAC (Direct Air Capture) (R & D, Demonstration, and Capital Investment)
Use of gas energy	Environmentally Adapted Products, Environmentally Conscious Production Technologies and Processes clean transportation	<ul style="list-style-type: none">  High efficiency gas turbine  Kawasaki Green Gas Engine  Large LPG and LNG carriers (R & D and Capital Investment)
Transport Equipment (Electric)	Clean Transportation	<ul style="list-style-type: none">  EV Motorcycle Vehicle  Infrastructure for EV Motorcycle Vehicles  Track material monitoring and remote monitoring device (R & D, Demonstration, and Capital Investment)
Transport Equipment (Hybrid)	Clean Transportation	<ul style="list-style-type: none">  Hybrid motorcycle vehicle   Marine hybrid/electric propulsion system * 3 (R & D and Capital Investment)
Waste Disposal	Pollution prevention and control	<ul style="list-style-type: none">  Garbage Carbonization fuel system (R & D and Capital Investment)
Construction and cement	Energy conservation	<ul style="list-style-type: none">  Controller for construction machine  Electric joystick  CK Mill  CKK system (R & D and Capital Investment)
Sewage Treatment	Pollution prevention and control (Marine Pollution)	<ul style="list-style-type: none">   Mega MAG Turbo (R & D and Capital Investment)
Other energy-	Energy conservation	<ul style="list-style-type: none">   Cogeneration system * 4  Eco Servo

saving products		 Membrane type CO2 removal device (SEPERNA) (R & D and Capital Investment)
<u>Aquaculture System</u>	<u>Environmentally sustainable management of living natural resources and land use</u>	 <u>Aquaculture System "MINATOMAÉ"</u> <u>(R & D, Demonstration, and Capital Investment)</u>


* (1) As the project promotes the transition from natural gas to a hydrogen society from its early stages, the project is eligible as a green/transition project.

* (2) Equipment that can switch between exclusive firing and co-firing is eligible as a green/transition project.

* (3) In the case of pure battery electric propulsion, the project is eligible as a green project.

* (4) If fossil fuels are used as primary fuels, they are eligible as transition projects.

【Cross-cutting Initiatives】

Eligibility Criteria	Eligible Category (Target Populations)	Project Example
<u>Social Innovation</u>	<u>Socioeconomic advancement and empowerment</u> <u>(Persons with diseases, healthcare professionals, Nursing care staff, hazardous work operator, etc.)</u> <u>Environmentally Adapted Products, Environmentally Conscious Production Technologies and Processes</u>	 <u>Innovation Lab (KAWARUBA)</u> <u>(R & D and Capital Investment)</u>

JCR's Evaluation for Master Framework

1. Social, Greenness/Transition, and Blueness of Projects

(1) Social Benefits of Projects

Use of Proceeds 1: Access to essential services / socioeconomic advancement and empowerment (surgical support robots)

Use of Proceeds 1 targets R&D and capital investments for surgical support robots. The use of proceeds is expected to offer social benefits as it will enhance medical care and contribute to solving the shortage of physicians. It is categorized into "access to essential services" for patients and healthcare workers in the Social Bond Principles and the Social Loan Principles.

In 2013, KHI established Medicaroid Corporation (Medicaroid) specializing in medical robots through joint investment with SYSMEX CORPORATION (Systemex), which possesses inspection and diagnostic technologies and an extensive network in the medical field, for the purpose of applying technologies cultivated through the development of industrial robots to medical robots.

Leveraging its industrial robot technology and Sysmex's medical expertise, KHI developed the Japan's first medical robot, the hinotori™ Surgical Robot System. The system assists in laparoscopic surgery, enabling operating surgeons to insert surgical instruments and an endoscope into multiple ports with a diameter of just a few millimeters which are created on the patient's abdominal wall and to operate the hand control while watching a 3D video feed. This allows them to perform surgical operations as if they moved their own hands within the body cavity and minimally invasive surgery, which minimizes burden on patients.

In October 2022, the hinotori™ received approval for more extensive applications not only to urology but also gastroenterological surgery and gynecology. As of October 2023, the system was used in over 2,500 surgeries across urology, gastroenterological surgery, and gynecology. Going forward, KHI will utilize the digital surgery platform, Mediaroid Intelligent Network System (MINS), to propose improvements in surgical efficiency and provide services for sharing its technologies. KHI participates in a remote surgery project, aiming to enhance technology through demonstration experiments, and in a project for formulating guidelines toward practical use as well.

In 2025, the entire baby boomer generation, which constitutes the largest age group in Japan's population by age, will turn 75 years old. Although the actual conditions vary by region, it is anticipated that the number of people requiring eldercare services and medical treatment will increase due to a rise in the elderly population aged 75 and older. Additionally, Japan faces the issue of regional disparities in the distribution of physicians. These disparities may create areas with a shortage of doctors, potentially leaving some people unable to receive adequate medical care.

JCR has evaluated the use of the proceeds as socially beneficial as it supports the healthcare sector, which is expected to expand further due to aging population and it contributes to alleviating the current shortage of physicians for remote operability making doctor mobility unnecessary.

Use of Proceeds 2: Socioeconomic advancement and empowerment (social robots for care facilities)

Use of Proceeds 2 targets R&D and capital investments for social robots at care facilities. The use of the proceeds is expected to offer social benefits as it enhances eldercare services and contributes to solving the shortage of eldercare workers. It is categorized into "socioeconomic advancement and empowerment" for eldercare workers in the Social Bond Principles and the Social Loan Principles.

The number of eldercare workers was nearly 2.13 million in fiscal 2023, a slight decrease from about 2.15 million in fiscal 2022, while the government estimates the required number of eldercare workers to be approximately 2.4 million in fiscal 2026 and roughly 2.72 million in fiscal 2040.⁵⁵ Securing eldercare workers has become a significant challenge for Japan's long-term care policy as an increase in certified long-term care recipients and a sharp decline in working-age population are anticipated. The government measures for securing eldercare workers include introduction and utilization of care robots and Information and Communication Technology (ICT) to prevent turnover, encourage retention, and enhance productivity as well as improvement in treatment of eldercare workers and establishment of an environment of accepting foreign eldercare workers.

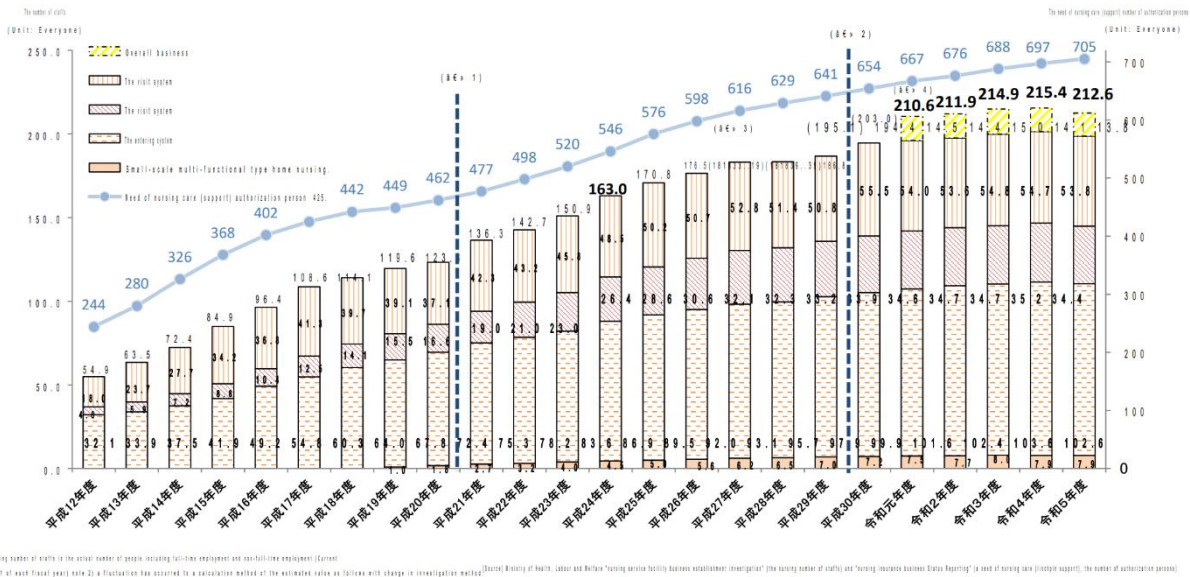


Figure 23: Trends in Eldercare Worker Count⁵⁶

KHI has commenced full-scale development of social robots capable of conversing with dementia patients for their social implementation, aimed at addressing labor shortages at eldercare facilities. KHI is developing social robots based on findings from previous demonstration tests at eldercare facilities with the goal of officially offering the robots to them.

As part of a study about the robotics development, a demonstration test using a prototype social robot was conducted in July 2024 at a private eldercare facility, Diage Kobe. The robot responded to repetitive conversations and inconsistent conversations, which are dementia-specific characteristics. This proved its ability to communicate with dementia patients. Using AI technology, its communication capabilities will be improved for different dementia stages. Additionally, based on the needs of eldercare facilities learned during the demonstration test, KHI will also study the possibility of installing a monitoring function to it for dementia patients.

Despite a focus on eldercare technologies such as robots and ICT, care workers are unfamiliar with their effectiveness and use, which makes their introduction unlikely to occur. In light of such a challenge, KHI together with the Japan No-Lift Association⁵⁷ and care equipment manufacturers,

⁵⁵ Required number of eldercare workers based on Plan for the 9th Care Insurance Project https://www.mhlw.go.jp/stf/newpage_41379.html

⁵⁶ Source: MHLW (2023) Update on Number of Care Workers https://www.mhlw.go.jp/stf/newpage_47882.html

⁵⁷ Provide and promote penetration of no-lift care education to prevent lower back pain of nurses and eldercare workers and provide

etc. will develop a user-friendly packaged model for eldercare facilities with a combination of various technologies, such as on-site devices and systems, and verify effectiveness of the introduced packaged model. The Japan Agency for Medical Research and Development (AMED) has selected the project as a “Fundamental On-Site Improvement Project Using Nursing DX initiative.”

In verifying the effectiveness of the introduced packaged model, KHI will measure activities of care workers, utilizing its proprietary digital technology, mapxus Driven by Kawasaki™,⁵⁸ the indoor positioning information service. The technology will efficiently visualize care workers’ activities and identify issues. KHI aims to form a consortium with the Japan No-Lift Association, eldercare facilities, and eldercare equipment manufacturers to build a packaged model for eldercare facilities all over Japan and deploy it to several hundreds of eldercare facilities nationwide by fiscal 2030. As for the packaged model, the proceeds through the Master Framework will not be allocated to capital investments for mapxus Driven by Kawasaki™ but will be used for verifying the effectiveness of the introduced packaged model.



Figure 24: Illustrative Flow of Eldercare DX Packaged Model⁵⁹

JCR has assessed that the use of the proceeds offers social benefits as it aims to address a social issue of care worker shortages through the introduction of care technology.

Use of Proceeds 3: Socioeconomic advancement and empowerment (social robot for hazardous work, etc.)

Use of Proceeds 3 targets R&D and capital investments for social robots (Kaleido) designed for hazardous work. The use of the proceeds is expected to offer social benefits as it will contribute to reduction of burdens on those who perform dangerous and heavy work and enhancement of the safety of work environments. It is categorized into "socioeconomic

safe care

⁵⁸ Overall digital solutions to provide information on indoor locations, which are readily and quickly available in the Wi-Fi environment. It has been provided for shopping malls, airports, hospitals, etc.

⁵⁹ Source: KHI's website
https://www.khi.co.jp/pressrelease/detail/20250730_1.html

advancement and empowerment" for workers engaged in hazardous work in the Social Bond Principles and the Social Loan Principles.

In sectors such as manufacturing, construction, infrastructure inspection, and disaster response, occupational accident risks constantly present as many workers are engaged in tasks at heights, lifting heavy load, and performing on-site work that involves risks of collapse and falls. According to the Ministry of Health, Labor and Welfare (MHLW)'s report on the 2024 occupational accident situation,⁶⁰ fatalities reached a record low of 746. Falls and slips, which were the largest causes of death, were 188, accounting for approximately one quarter of the total. In particular, in the construction and manufacturing industries, many work at heights and on scaffolding, and fall accidents continue to be a leading cause of occupational injuries. Against this backdrop, developing robotic technologies to safely perform tasks in disaster sites and environments inaccessible for humans is called for domestically and internationally.

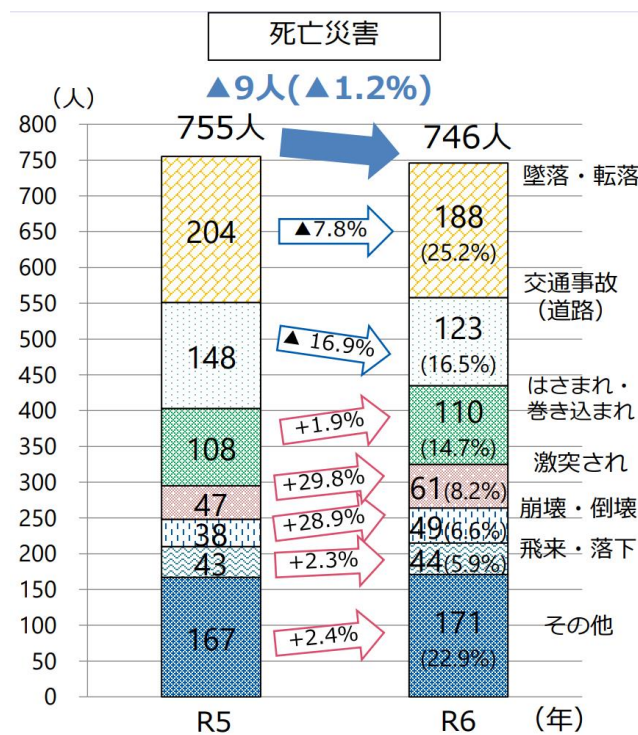


Figure 25: Status of Labor Accidents by Type of Accident (Number of Fatalities) Comparison between Fiscal 2023 and Fiscal 2024⁶¹

KHI is developing a humanoid robot, Kaleido, looking at a future where humans and robots work together. Kaleido closely resembles the adult human form and is capable of bipedal locomotion, which enables it to operate in environments similar to human living environments. It was developed to perform tasks in hard-to-access hazardous areas, such as disaster sites and heights,

⁶⁰ Source: MHLW (2024) Status of Industrial Accident Occurrences <https://h-crisis.niph.go.jp/archives/442591/>

⁶¹ Source: MHLW (2024) Status of Industrial Accident Occurrences <https://h-crisis.niph.go.jp/archives/442591/>

in place of humans with the goal of reducing their burdens by supporting or replacing them in performing physically demanding and dangerous work and creating safer work environments.

The development of Kaleido began in 2015. The first model was completed in 2016. The development is still underway with a series of improvements. The development and testing are ongoing in pursuit of better stability and usability. KHI has conducted demonstrations where Kaleido works with humans at height and where it carries a single table together with humans, assuming carrying relief supplies into evacuation sites. KHI aims to foster a society where humans and robots coexist through such R&D efforts.

JCR has assessed that the use of the proceeds offers social benefits as it will contribute to reducing burdens on those who perform hazardous or physically demanding work and enhancing safety of work environments.

Use of Proceeds 4: Access to essential services / socioeconomic advancement and empowerment (delivery robot and unmanned transport helicopter)

Use of Proceeds 4 targets R&D and capital investments for delivery robots and unmanned transport helicopters. Easier delivery of goods to hard-to-access locations will offer social benefits. The use of the proceeds is categorized into “access to essential services” and “socioeconomic advancement and empowerment” for delivery workers, residents of remote islands, and victims of natural disasters in the Social Bond Principles and the Social Loan Principles.

The Kawasaki Group has been advancing the development of unmanned vertical take-off and landing (VTOL) aircrafts, leveraging its track record of manufacturing many helicopters over the years and know-how on air traffic control. Additionally, it aims to transform last-mile delivery through use of delivery robots with a combination of robotics technologies and off-road performance of four-wheel vehicles.

In fiscal 2021, KHI conducted a technical demonstration test for seamless unmanned cargo transport using an unmanned VTOL aircraft and a delivery robot and a demonstration test for specimen shipments in order to realize smart hospitals.⁶² KHI participates in a government-private sector council and the Robot Delivery Association to formulate regulatory frameworks for them. In the future, it will integrate these transport devices to offer a new logistics system.

The government is promoting Society 5.0, where it aims to connect all people and things through the Internet of Things (IoT), share diverse knowledge and information, and create new value to overcome challenges and difficulties such as the declining birthrate, aging population, and

⁶² Part of DX in the medical industry aimed at improving the quality of medical services, using IT, increasing medical operational efficiency, changing work styles of medical workers, and elevating user convenience. The government set up the Medical DX Promotion Headquarters to promote DX in the medical sector.

depopulation of rural areas. Delivery robots are expected to be a solution to contribute to eliminating behavioral constraints for age, disabilities, etc.

Large-scale disasters pose a challenge in smooth land transportation of relief supplies to disaster-stricken areas affected by the disruption of transportation networks and traffic congestion. To address this challenge, KHI's unmanned VTOL aircrafts are equipped with a small high-power engine utilizing its motorcycle technology, enabling it to operate effectively over long and vast delivery distances from urban centers to rural areas without stopping by relay points. Transport capacity has already reached 100 kg, and development is underway to increase it to 200 kg. KHI also looks to a conversion to a power unit in view of decarbonization in the future.

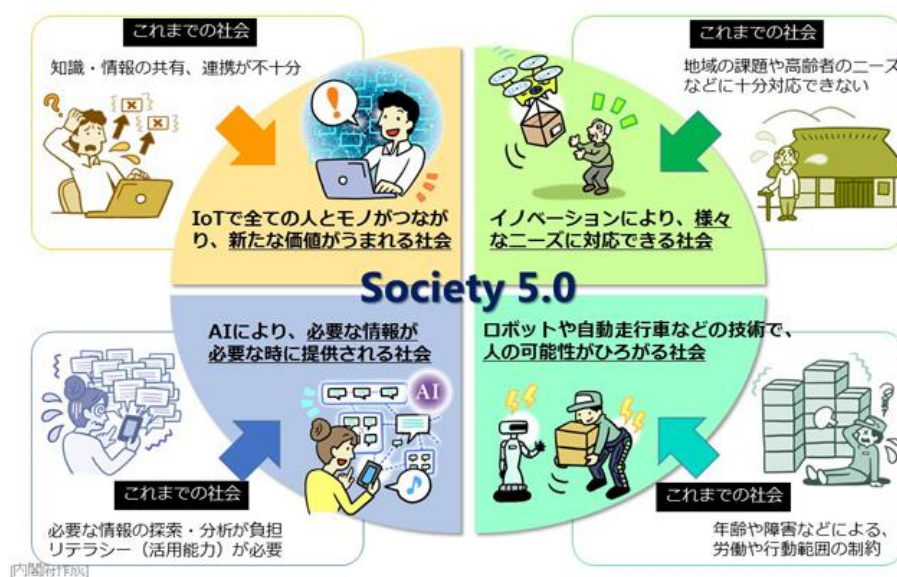


Figure 26: Society Realized by Society 5.0⁶³

JCR has assessed that the use of the proceeds offers social benefits as it will facilitate long and short transportation to hard-to-access locations.

(2) Environmental Benefits of Projects

Use of Proceeds 5: Circular economy adapted products, production technologies and processes (clean transportation and storage of hydrogen)

Use of Proceeds 5 targets R&D, demonstrations, and capital investments for the “transportation” and “storage” processes of the KHI's hydrogen supply chain strategy. The use of the proceeds falls under “circular economy adapted products, production technologies and processes” in the Green Bond Principles and the Green Loan Principles and

⁶³Source: Cabinet Office's Website
https://www8.cao.go.jp/cstp/english/society5_0/index.html

“projects related to circular economy adapted products, production technologies and processes” in the Green Bond Guidelines and the Green Loan Guidelines.

In the Master Framework, the use of the proceeds targets development, demonstrations, and capital investments related to the "transportation" and "storage" processes of the KHI's hydrogen supply chain strategy. This project will be implemented with support from the NEDO's GI Fund for “Large-scale Hydrogen Supply Chain Establishment (Large-Scale Demonstration of the Liquid Hydrogen Supply Chain and Development of Innovative Liquefaction Technology)” and covers R&D, demonstrations, and capital investments for the following products, technologies, and solutions. JCR has evaluated all of the following as eligible green/transition projects as they will promote a transition to a hydrogen society from the initial stage and contribute to reduction of GHG emissions.

➤ Hydrogen Liquefier

Hydrogen is cooled down to minus 253°C and liquefied, which reduces its volume to 1/800th of its original size. This is the first purely domestically produced industrial hydrogen liquefier utilizing KHI's cryogenic materials handling technology and turbine technology developed through high-speed rotating machinery.

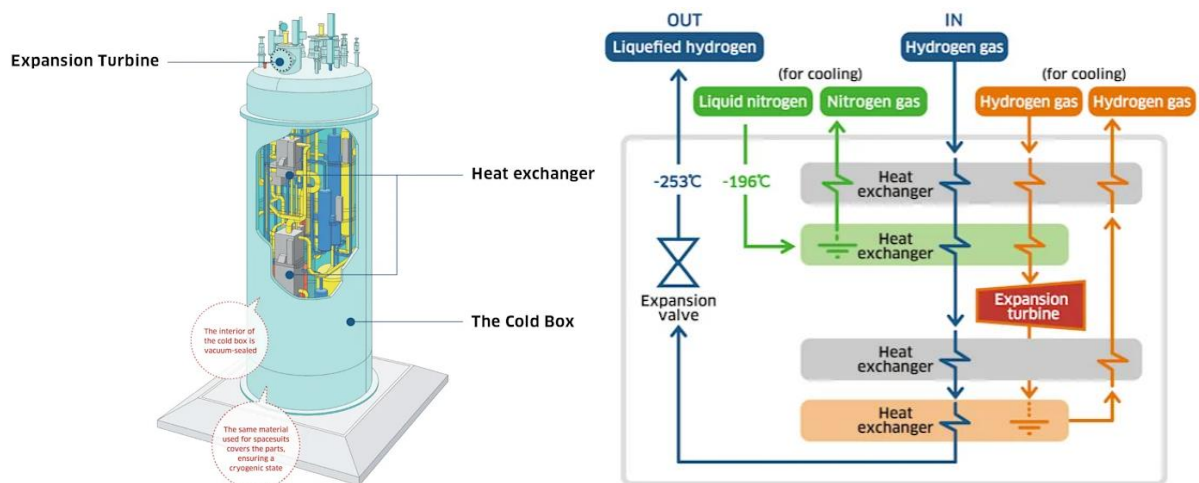
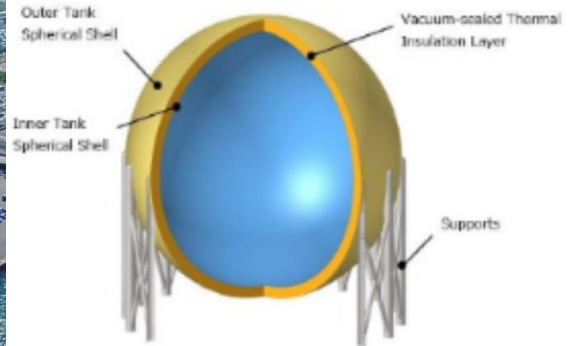


Figure 27: Principle of Hydrogen Liquefier⁶⁴

➤ Liquefied Hydrogen Shipping and Receiving Base and Liquefied Hydrogen Storage Tank

⁶⁴ Source: KHI's website
<https://answers.khi.co.jp/en/energy-environment/20180131e-02/>

These are facilities for the transfer of liquefied hydrogen between liquefied hydrogen transport ships and bases in the liquefied hydrogen shipping and receiving base. The liquefied hydrogen storage tank, the main equipment in the facilities, employs a vacuum insulated double-shell structure, where a vacuum layer between inner vessel and outer shell blocks heat conduction from the outside air temperature, making it a high-performance liquefied hydrogen storage tank that suppresses boil-off gas (BOG) as much as possible. Through the demonstration project, KHI will manufacture large-scale tanks toward commercialization.



Tank cross-section image

Figure 28: (Left) Liquefied Hydrogen Shipping and Receiving Base; and (Right) Cross-section of Liquefied Hydrogen Storage Tank⁶⁵

➤ Liquefied hydrogen transport vessels and their dedicated tank systems

Utilizing the knowledge gained from the world's first construction of a 1,250 m³ liquefied hydrogen carrier, Suiso Frontier, KHI will construct another liquefied hydrogen carrier for the purpose of commercialization. During the commercialization demonstration, it will construct a medium-sized liquefied hydrogen carrier with a total tank volume of 40,000 m³. Taking into account the global market trends based on the supply-demand balance of hydrogen in the 2030s nascent period and provision of options tailored to various customer needs, the lineup will be expanded to include small, medium, and large vessels.

⁶⁵ Source: (Left) HySTRA's website and (Right) KHI's website

The tank system will adopt the vacuum insulated double-shell structure as with storage tanks at onshore bases. When using hydrogen as a power source, BOG is used as fuel to improve fuel efficiency.



Figure 29: Image of Finished Medium-Sized Liquefied Hydrogen Carrier (copy)⁶⁶

➤ Hydrogen-Fueled Vessel

A hydrogen fuel vessel is a ship powered by a hydrogen engine or a hydrogen fuel cell. A hydrogen fuel supply system utilizing liquefied hydrogen storage technology will be adopted.

➤ Hydrogen Compressor

A hydrogen compressor is a device to compress hydrogen at a high pressure and used in pipelines and hydrogen stations.

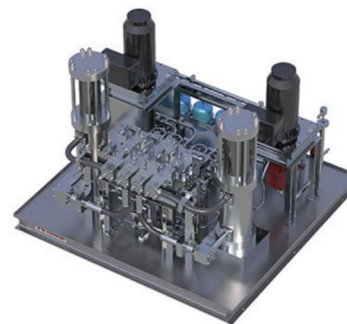


Figure 30: Energy-efficient hydrogen compressor for hydrogen stations⁶⁷

Use of Proceeds 6: Circular economy adapted products, production technologies and processes / clean transportation (clean energy use of hydrogen)

⁶⁶ Source: KHI's press release
https://global.kawasaki.com/news_260106-1e.pdf

⁶⁷ Source: KHI'S Website

Use of Proceeds 6 targets R&D, demonstrations, and capital investments for the "utilization" phase of the KHI's hydrogen supply chain strategy. Hydrogen gas turbine / engine power generators fall under "circular economy adapted products, production technologies and processes" in the Green Bond Principles and the Green Loan Principles and "projects related to circular economy adapted products, production technologies and processes" in the Green Bond Guidelines and the Green Loan Guidelines. Core technologies for hydrogen aircrafts, marine hydrogen-fueled engines and MHFS, hydrogen engines for motorcycles, hydrogen engine vehicles, and fuel cell vehicles are categorized into "clean transportation" or "projects related to clean transportation."

In the Master Framework, the use of the proceeds targets R&D, demonstrations, and capital investments for the utilization phase of the KHI's hydrogen supply chain strategy.

Hydrogen gas turbine power generators, a use of the proceeds, are products fueled by 100% hydrogen or hydrogen co-firing with other gases at an arbitrary ratio. According to the Government of Japan's Transition Roadmap for Power Sector, technologies for 100% hydrogen-fueled gas turbines will be established and launched in 2030 onward. Development of hydrogen gas turbine power generators, a use of the proceeds, has already been completed, and some models have been launched. The project is ongoing ahead of the Government of Japan's Transition Roadmap for Power Sector timeframe. These hydrogen gas turbine power generators are expected to be used in a co-firing mode until a hydrogen supply chain is established, however, since they can be used in a 100% hydrogen mode, JCR has evaluated the project as eligible green/transition projects. JCR has also evaluated 100% hydrogen-fueled gas engine power generator as eligible green/transition projects. KHI will develop gas engines capable of 100% hydrogen or co-firing at an arbitrary ratio, depending on needs. In addition, JCR has evaluated

hydrogen powered engines and fuel cells as eligible green projects as they are fueled primarily by hydrogen.

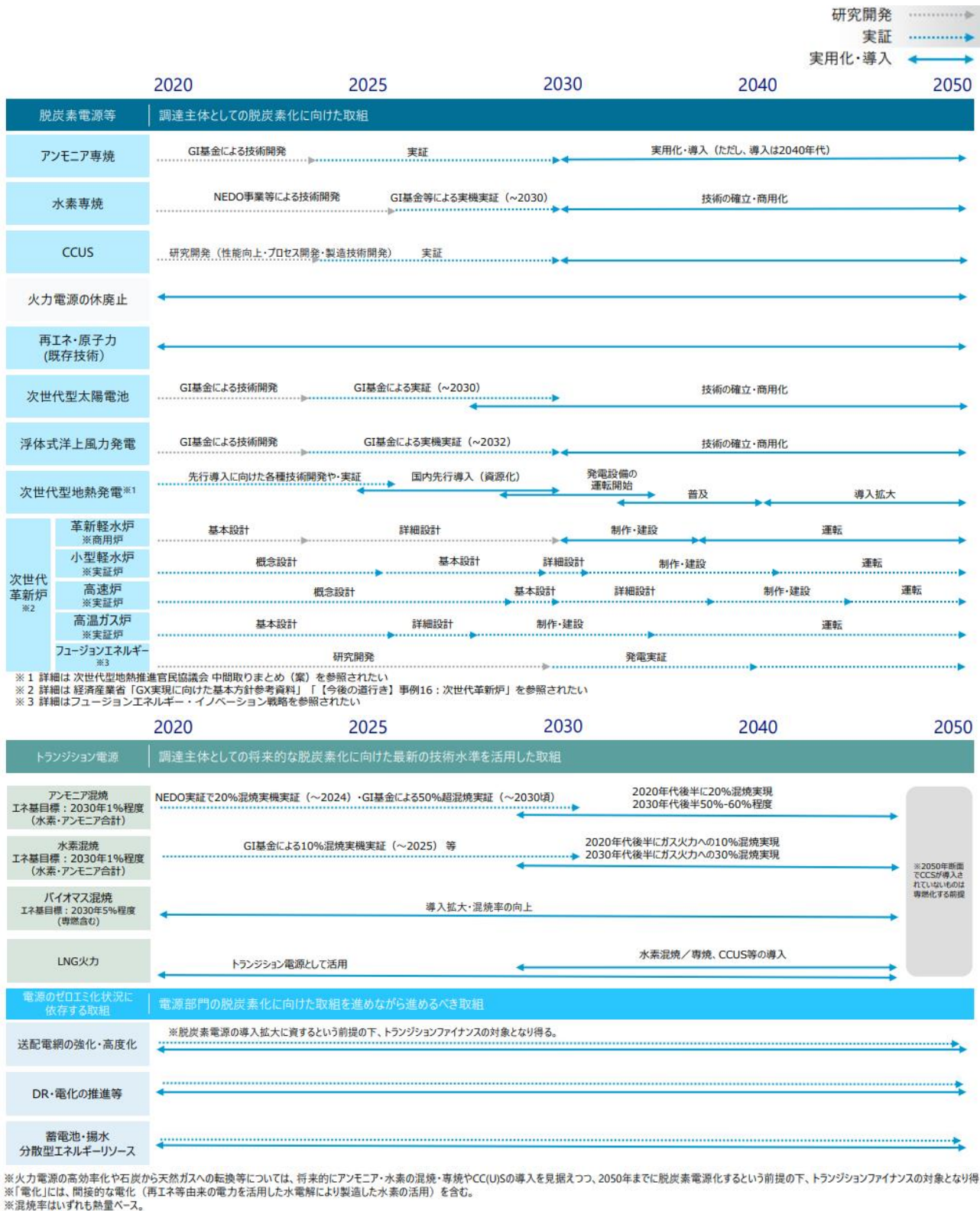


Figure 31: Transition Roadmap for Power Sector (copy)⁶⁸

⁶⁸ Source: METI Transition Roadmap for Power Sector https://www.meti.go.jp/policy/energy_environment/global_warming/transition/transition_roadmap2025_electric_j.pdf

➤ 100% Hydrogen Gas Turbine Power Generator

This product is a hydrogen gas turbines for power generation and cogeneration fueled by 100% hydrogen or hydrogen co-firing with other gases at an arbitrary ratio through retrofitting of existing models. The development has already been completed, and some models have been launched on the market. In September 2023, KHI began offering a 1.8 MW class gas turbine cogeneration system equipped with a combustor capable of 100% hydrogen-fueled dry combustion, the world's first of its kind. These models apply technologies developed as part of the NEDO's GI Fund projects.

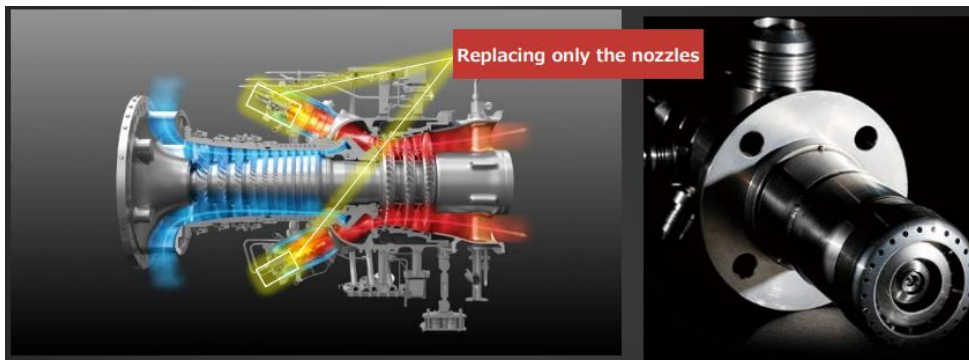


Figure 32: Overview of Hydrogen Gas Turbine Retrofit⁶⁹

➤ 100% Hydrogen-fueled Gas Engine Power Generator

This use of the proceeds targets gas engines powered by 100% hydrogen or hydrogen co-firing with other gases at an arbitrary ratio as with hydrogen gas turbines. The development of core technologies related to 100% hydrogen combustion is advancing. In 2024, KHI developed the world's first 100% hydrogen combustion technology for large gas engines with a power output of 5MW or greater.⁷⁰

➤ Core Technologies for Hydrogen Aircraft

KHI will conduct R&D on engine systems for hydrogen aircrafts including auxiliaries, for example, a vaporizer and a fuel control system, leveraging knowledge KHI acquired from the development of land-based hydrogen gas turbines and liquefied hydrogen storage tanks. This project is financed by the NEDO's GI Fund, and the project duration is ten years from fiscal 2021 to fiscal 2030.

➤ Marine Hydrogen-Fueled Engines and MHFS

KHI will develop hydrogen-fired dual-fuel engines, marine hydrogen fuel tanks, and a fuel supply system with support from the NEDO's GI Fund. The developed engine will be used for a demonstration voyage on an actual vessel to verify its functionality and reliability for social implementation. The project duration is ten years from fiscal 2021 to fiscal 2030.

⁶⁹ Source: KHI Group Vision 2030 Progress Report Meeting (December 6, 2022)

⁷⁰ KHI's press release
https://www.khi.co.jp/pressrelease/detail/20241016_1.html

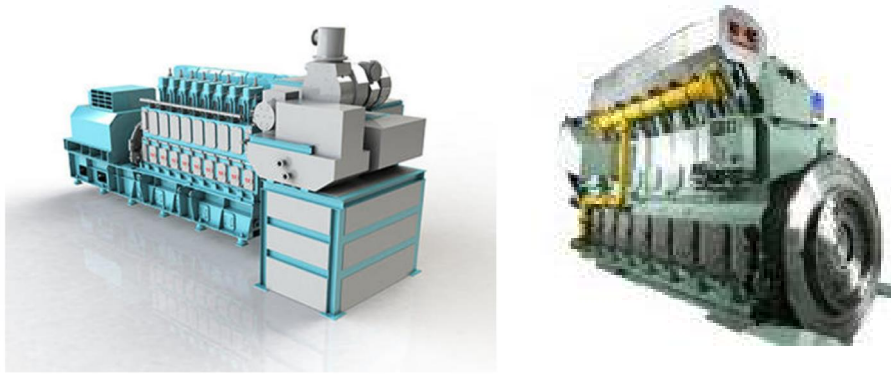


Figure 33: (Left) Hydrogen-Fired Dual-Fuel Engine; and (Right) Image of Marine Hydrogen-Fueled Engine⁷¹

➤ Hydrogen Engine for Motorcycles

KHI will conduct basic research on hydrogen engines and a fuel supply system. Kawasaki Motors obtained approval from the METI in May 2023 for the joint establishment of the Hydrogen Small mobility & Engine technology Association (HySE) with Suzuki Motor Corporation (Suzuki), Honda Motor Co., Ltd. (Honda), and Yamaha Motor Co., Ltd. (Yamaha), which aims to conduct fundamental research on hydrogen engines for small mobility applications. Building on the knowledge and technologies accumulated by each company through the development of gasoline-fueled engines, they will collaborate on basic research including formulating design guidelines for hydrogen engines for small mobility.



Figure 34: Image of Hydrogen Engine for Motorcycles⁷²

➤ Hydrogen Engine Vehicles and Fuel Cell Vehicles

Leveraging its technologies related to hydrogen gas engines and hydrogen fuel supply systems, KHI will conduct R&D on hydrogen engines and a fuel supply system for railroads. The MLIT specifies in the ideal vision of carbon neutrality in the railroad sector that non-electrified sections will be decarbonized through the use of non-fossil fuels and the introduction of fuel cell railroad cars, indicating that the project will contribute to the government's goals.

⁷¹ Source: KHI's website

⁷² Source: KHI's website

Use of Proceeds 7: Circular economy adapted products, production technologies and processes (clean energy use of hydrogen (co-firing))

Use of Proceeds 7 targets R&D, demonstrations, and capital investments for the “utilization” process of the KHI’s hydrogen supply chain strategy. The use of the proceeds falls under “circular economy adapted products, production technologies and processes” in the Green Bond Principles and the Green Loan Principles and “projects related to circular economy adapted products, production technologies and processes” in the Green Bond Guidelines and the Green Loan Guidelines.

In the Master Framework, the use of the proceeds targets R&D, demonstrations, and capital investments related to "utilization" of KHI's hydrogen supply chain strategy.

This project targets hydrogen gas turbine and engine power generators, which generate electricity through hydrogen co-combustion. As mentioned above, according to the Government of Japan's Transition Roadmap for Power Sector, the practical use and introduction of 10% hydrogen co-combustion models are expected from the latter half of 2020s onward. KHI has already commercialized a model capable of 30% hydrogen co-combustion, which has advanced the project ahead of the Transition Roadmap for Power Sector timeframe. Therefore, JCR has evaluated the hydrogen co-firing gas turbines and engines, use of the proceeds, as an eligible transition project.

➤ Hydrogen Gas Turbine Power Generator (Co-firing)

Hydrogen gas turbines for power generation and cogeneration systems have become capable of hydrogen co-firing through retrofitting of existing models. Development of models capable of 0% to 30% hydrogen co-firing has already been completed, and some of the models have been launched in the market. Hydrogen co-firing models of all existing gas turbines will be launched from 2025 onward.

➤ Hydrogen Gas Engine Power Generator (Co-firing)

Hydrogen gas engine power generators have become capable of hydrogen co-firing through retrofitting of existing models. The gas engine technology, a use of the proceeds, enables stable operation of the products by co-firing natural gas mixed with up to 30% hydrogen (by volume), and it is the first of its kind developed by a domestic gas engine manufacturer. Distribution of gas engines using the technology began in 2025 for the first time in the world.⁷³

⁷³ KHI's press release
https://global.kawasaki.com/en/corp/newsroom/news/detail/?f=20250930_4865

Use of Proceeds 8: Circular economy adapted products, production technologies and processes (CCUS)

Use of Proceeds 8 targets R&D, demonstrations, and capital investments for carbon capture, utilization, and storage (CCUS). The use of the proceeds falls under “circular economy adapted products, production technologies and processes” in the Green Bond Principles and the Green Loan Principles and “projects related to circular economy adapted products, production technologies and processes” in the Green Bond Guidelines and the Green Loan Guidelines.

In the Master Framework, the use of the proceeds targets R&D, demonstrations, and capital investments related to two technologies associated with CCUS. KHI has been developing CO₂ separation and capture technology using a solid sorbent as a technology for removing CO₂ from exhaled air in confined spaces, such as submarines and spacecraft, for approximately 40 years. In recent years, technology development has been advancing for Kawasaki CO₂ Capture (KCC), which captures CO₂ from combustion exhaust gases, and Direct Air Capture (DAC), which captures CO₂ directly from the atmosphere, which apply this technology. Development of their underlying technology and demonstration experiments are underway with the support of the NEDO and the Ministry of the Environment (MOE) with the goal of commercialization from 2030 onward. The proceeds will be allocated to R&D, demonstrations, and capital investments related to these technologies. Given that CCUS is an indispensable technology for achieving carbon neutrality in sectors where decarbonization through electrification or hydrogen-based solutions is not feasible and CO₂ emissions cannot be avoided, JCR has evaluated this use of the proceeds as an eligible green project.

➤ CO₂ Separation and Capture from Combustion Exhaust Gases (Kawasaki CO₂ Capture)

KCC features the ability to separate and capture CO₂ at low temperatures and with minimal energy consumption by using a solid sorbent with amine supported on a porous material. Use of renewable energy and unused waste heat makes it possible to achieve energy-efficient CO₂ separation and capture.

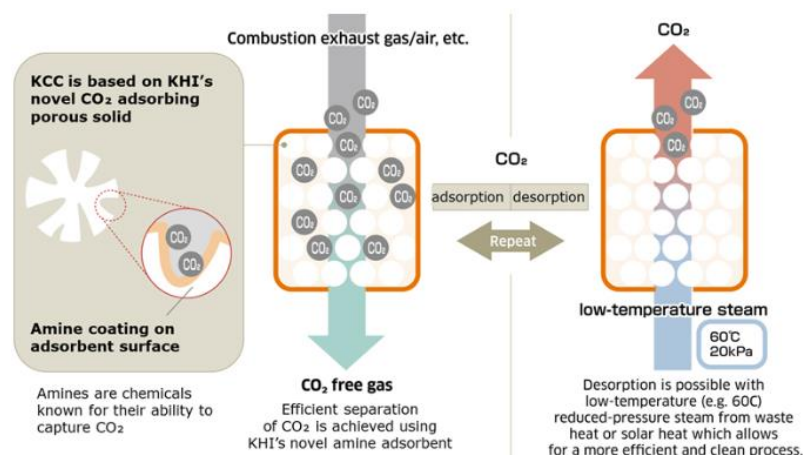


Figure 35: Overview of Kawasaki CO₂ Capture⁷⁴

⁷⁴ Source: KHI's website

➤ Direct Air Capture (DAC)

As with KCC, the underlying technology is a CO₂ capture technology using a solid sorbent, however, unlike KCC which captures CO₂ from combustion exhaust gases with high CO₂ concentration, DAC captures CO₂ from the atmosphere where the CO₂ concentration is low. Leveraging KHI's fluid control technology developed through development of gas turbines and engines, efficient CO₂ capture is achieved.

Use of Proceeds 9: Circular economy adapted products, production technologies and processes / clean transportation (use of gas energy)

Use of Proceeds 9 targets R&D and capital investments for the utilization of gas energy. The high-efficiency gas turbines and Kawasaki Green Gas Engines fall under “circular economy adapted products, production technologies and processes” in the Green Bond Principles and the Green Loan Principles and “projects related to circular economy adapted products, production technologies and processes” and “projects related to clean transportation” in the Green Bond Guidelines and the Green Loan Guidelines. Large LPG carriers and LNG carriers are categorized into “clean transportation” and “projects related to clean transportation.”

In the Master Framework, the use of the proceeds targets gas turbines and gas engines with industry's top class power generation efficiency and fuel economy and large LNG/LPG carriers. The proceeds will be allocated to R&D and capital investments related to the following products, technologies, and solutions.

The use of the proceeds targets highly efficient gas turbines and gas engines. The Transition Roadmap for Power Sector mentions highly efficient thermal power sources by saying, “In view of future introduction of ammonia or hydrogen co-firing, 100% ammonia or hydrogen co-firing, and CCUS technologies, highly efficient thermal power sources could be a target of transition finance if their power sources are decarbonized by 2050.” KHI's highly-efficient gas turbines and engines offer world's or industry's top class power generation efficiency, and future retrofitting enables fuel conversion to hydrogen or ammonia or hydrogen co-firing and 100% hydrogen-fueled gas turbines and gas engines. Hence, JCR has assessed that this project is an eligible transition project as it is consistent with the Transition Roadmap for Power Sector.

The MLIT's Roadmap to Zero Emission from International Shipping also considers LNG an alternative fuel for heavy oil. LNG is expected to achieve significant GHG reductions compared to conventional heavy oil-fueled vessels. Although LPG is not mentioned in the roadmap above, it is positioned in the Technology Roadmap for "Transition Finance" in Gas Sector as an element to promote energy conservation and contribute to fuel conversion. Therefore, JCR has evaluated the large-scale LNG carrier and LPG carrier project as eligible transition projects.

These products are registered under Kawasaki Ecological Frontiers⁷⁵ and are rated S Class, which indicates that they have industry's top class environmental performance.

➤ High-Efficiency Gas Turbine

Kawasaki Ecological Frontiers-registered products include L30A-01D/DLH gas turbines, M7A-03D gas turbines, M5A-01D gas turbines, and M1A-17D gas turbines, all of which have been confirmed to exhibit industry's top class environmental performance.

L30A-01D/DLH gas turbines have achieved the world's highest gross generating efficiency of 40.1% in the 20 to 35 MW class and successfully reduced NOx emissions in the exhaust gas to a world's lowest level of 15 ppm (O₂=15%) or lower (25 ppm (O₂=15%) or lower at hydrogen co-firing), equipped with KHI's proprietary DLE combustor capable of hydrogen co-firing.

M7A-03D and M5A-01D gas turbines are used as power generators primarily for cogeneration systems and have achieved the highest overall efficiency of 85.2% in its class as cogeneration systems. They also guarantee the lowest NOx emissions in their class. Additionally, the M1A-17D gas turbines have achieved the highest power generation efficiency in their class while attaining the industry's lowest NOx emissions in their class of 35 ppm (O₂=0%).

➤ Kawasaki Green Gas Engine

Kawasaki Green Gas Engines are new high-performance green gas engines equipped with an 8MW-class two-stage supercharging system with the world's highest power generation efficiency of 51.0%. By reducing fuel gas consumption, they also decrease CO₂ emissions.

➤ Large LPG Carriers and LNG Carriers

KHI's large LPG carriers exhibit propulsion performance and environmental performance that surpass LPG carriers built by other companies through hull design improvements, the installation of various energy-saving add-ons, and adoption of new engines. By utilizing LPG as fuel and improving the vessel design, it is possible to reduce emissions of NO_x, SO_x, and CO₂ by approximately 6%, 98%, and 20%, respectively, compared to competing products of other companies.

KHI's large LNG carriers adopt the Kawasaki Panel System, which offers industry's top class thermal insulation performance, and have achieved the world's lowest actual boil-off rate (BOR) by employing a partial reliquefaction system. Fuel efficiency has also been improved, achieving approximately 15% improvement compared to KHI's comparable products by combining its proprietary hull design with a dual-fuel engine.

⁷⁵ KHI's ISO14021-compliant environmental label, which indicates conformity of its product production and use with its own three standards: "CO₂ FREE," "HARM FREE," and "Waste FREE." Products with industry's top level of environmental performance are registered as S Class, and those exceeding the standards of KHI's entire products and the industry, as A Class. The labels on products including those registered are reviewed every three years.

Use of Proceeds 10: Clean transportation (transport equipment (electric))

Use of Proceeds 10 targets R&D, demonstrations, and capital investments for electric transport equipment. The use of the proceeds falls under “clean transportation” in the Green Bond Principles and the Green Loan Principles and “projects related to clean transportation” in the Green Bond Guidelines and the Green Loan Guidelines.

In the Master Framework, the use of the proceeds targets electric two-wheelers, off-road four-wheelers, swappable batteries for electric two-wheelers, and equipment related to railroad infrastructure monitoring. The proceeds will be allocated to R&D, demonstrations, and capital investments related to the following products, technologies, and solutions. JCR has assessed that the use of the proceeds is an eligible green project as it will contribute to decarbonization of transport equipment.

KHI has set a goal of including electrification products in its standard electrified lineup by 2040 along with fuel conversion to hydrogen so that customers can choose various types of electrified mobilities. The use of the proceeds will contribute to this goal.

➤ EV Motorcycles and Vehicles

The use of the proceeds targets motorcycles (two-wheelers) and off-road four-wheelers manufactured and sold by Kawasaki Motors, a group company of KHI. In order to achieve carbon neutrality, Kawasaki Motors has set goals for motorcycle operations and off-road four-wheelers operations, respectively. The former will complete electrification of key models (BEVs/HEVs) for developed countries by 2035. The latter will develop four-wheel BEVs/HEVs.

Motorcycles and off-road four-wheelers in this use of the proceeds are associated with an aforementioned project of BEVs.

➤ Infrastructure for EV Motorcycles and Vehicles

The use of proceeds targets infrastructure for swappable batteries for electric two-wheelers. In 2019, KHI established a consortium for swappable batteries of electric two-wheelers with Honda, Suzuki, and Yamaha. In 2021, they reached an agreement on the standardization (common specifications) of swappable batteries and their exchange systems to enable interoperability. In 2022, five companies of the above four and ENEOS Holdings, Inc. established Gachaco Inc. with the aim of providing a sharing service of swappable batteries for electric two-wheelers and developing the infrastructure necessary for the sharing service and have been advancing these projects.

➤ Track Monitoring and Remote Track Monitoring Systems

Track monitoring and remote track monitoring systems are installed under the floor of rolling stock and detect defects, such as loosened bolts or track distortions, through image data from lasers and cameras and vibration data from accelerometers. As monitoring rolling stock is no longer required, energy consumption can be reduced. Another advantage is that the systems

allow for monitoring during commercial operations, which eliminates vibration and noise issues during nighttime. They are registered as S Class under Kawasaki Ecological Frontiers products.

Use of Proceeds 11: Clean transportation (transport equipment (hybrid))

Use of Proceeds 11 targets R&D, demonstrations, and capital investments for hybrid transportation equipment. The use of the proceeds falls under “clean transportation” in the Green Bond Principles and the Green Loan Principles and “projects related to clean transportation” in the Green Bond Guidelines and the Green Loan Guidelines.

In the Master Framework, the use of the proceeds targets marine hybrid/electric propulsion systems, including hybrid motorcycles and off-road four-wheelers. The proceeds will be allocated to R&D and capital investments related to the following products, technologies, and solutions.

JCR has evaluated hybrid electric two-wheeler and four-wheeler vehicles as an eligible transition project as they use fossil fuels as well. JCR has evaluated marine hybrid/electric propulsion systems as an eligible transition or a green project as customers’ selection of either gas engines or batteries in a combination among gas engines, batteries, lithium-ion capacitors, power conversion devices, etc. translate into LNG-fueled or purely battery electric propulsion.

➤ Hybrid motorcycle vehicles

As mentioned above, Kawasaki Motors has set carbon neutrality goals. The use of the proceeds targets HEV projects among those goals. As to HEV motorcycles, one model is scheduled for commercial release in 2024. It features driving mode switching between motor-only and motor and engine-combined according to driving conditions.

The Government of Japan promotes the penetration of EVs in the Technology Roadmap for “Transition Finance” in Automobile Sector. In the Green Growth Strategy, it also pursues electrification of two-wheeled vehicles, considering their CO₂ emissions less than those of other kinds of mobility. The strategy initially targets those for short-distance travel, which offer applicability even with their current performance levels. JCR has evaluated the use of the proceeds 8 for EVs and the use of the proceeds for HEVs as aligned with government policies.

➤ Marine Hybrid / Electric Propulsion Systems

The systems integrate ship propulsion and power supply, enabling switching of multiple energy sources according to applications to maximize efficiency and reduce exhaust emissions. They offer solutions tailored to vessel requirements, such as zero-emission battery electric propulsion during port entry and exit and efficiency-driven mechanical propulsion during cruising. Applying a gas engine hybrid propulsion system to coastal bulk carriers, energy consumption can be reduced by roughly 10% and CO₂ emissions by about 24% compared to KHI's gas engine propulsion system. The systems are registered as S Class under Kawasaki Ecological Frontiers products.

Use of Proceeds 12: Pollution prevention and control (waste disposal)

Use of Proceeds 12 targets R&D and capital investments related to waste disposal. The use of the proceeds falls under “pollution prevention and control” and “renewable energy” in the Green Bond Principles and the Green Loan Principles and “projects related to pollution prevention and control” and “projects related to renewable energy” in the Green Bond Guidelines and the Green Loan Guidelines.

In the Master Framework, the use of the proceeds targets R&D and capital investments related to waste carbonization system. JCR has evaluated the system as an eligible green project with environmental benefits as it captures unused energy from waste, thereby enabling waste reduction and energy supply for power generation.

➤ Waste Carbonization System

This is a system that extracts charcoal (carbonized fuel) usable for power generation from general waste and uses it as a substitution of fossil fuels in generating power. Converting general waste into carbonized fuel allows for the capture of unused energy. CO₂ emissions in the process of carbonizing fuel are more than 40% less than those in simple incineration of general waste. A high-performance desalination process to prevent metal corrosion has enabled the use of carbonized fuel for power generation for the first time in Japan. The system is registered as S Class under Kawasaki Ecological Frontiers products.

Use of Proceeds 13: Energy efficiency (construction and cement)

Use of Proceeds 13 targets R&D and capital investments related to equipment for the construction and cement industries. The use of the proceeds falls under “energy efficiency” in the Green Bond Principles and the Green Loan Principles and “projects related to energy efficiency” in the Green Bond Guidelines and the Green Loan Guidelines.

In the Master Framework, the use of the proceeds targets KHI's equipment for the construction and cement industries. The use of the proceeds targets R&D and capital investments related to following products, technologies, and solutions. All of these products are registered as either S Class or A Class under Kawasaki Ecological Frontiers products, demonstrating clear environmental benefits.

Although the government has not formulated a transition roadmap for the construction sector, the Green Growth Strategy sets forth construction efficiency and advancement and fuel efficiency of construction machinery as milestones toward 2030. The Japan Federation of Construction Contractors' “Roadmap toward Carbon Neutrality by 2050⁷⁶” promotes expansion of use of energy-efficient equipment and energy-saving activities along with penetration of renewable energy, to reduce power consumption.

⁷⁶Source: https://nikkenren.com/kankyoku/cn/assets/pdf/cn_roadmap_202307.pdf

⑧ 物流・人流・土木インフラ産業の成長戦略「工程表」

●導入フェーズ： 1. 開発フェーズ 2. 実証フェーズ 3. 導入拡大・コスト低減フェーズ 4. 自立商用フェーズ
 ●具体化するべき政策手法： ①目標、②法制度（規制改革等）、③標準、④税、⑤予算、⑥金融、⑦公共調達等

	2021年	2022年	2023年	2024年	2025年	～2030年	～2040年	～2050年	
④インフラ・都市空間等でのゼロエミッション化	<ul style="list-style-type: none"> 道路照明の省エネ化、太陽光発電導入検討、電動車の普及促進支援 省エネ化・高度化等新たな道路照明技術の開発 太陽光発電等の再生可能エネルギー導入推進の検討 	<ul style="list-style-type: none"> 新たな道路照明技術の実証 	<ul style="list-style-type: none"> 新たな技術の導入促進 	<ul style="list-style-type: none"> 道路照明省エネ化・高度化の推進 	<ul style="list-style-type: none"> 道路照明省エネ化・高度化の推進 	<ul style="list-style-type: none"> 道路照明省エネ化・高度化の推進 	<ul style="list-style-type: none"> 道路照明省エネ化・高度化の推進 	<ul style="list-style-type: none"> 道路照明省エネ化・高度化の推進 	
⑤建設施工におけるカーボンニュートラルの実現	<ul style="list-style-type: none"> ICTを活用した施工の効率化 ディーゼルエンジンを基本とした燃費性能の向上 燃費性能の優れた建設機械の普及促進 油圧シリンダー等、ホイールクレーン 革新的建設機械の導入拡大 	<ul style="list-style-type: none"> ICTを活用した施工の効率化 燃費性能の優れた建設機械の普及促進 油圧シリンダー等、ホイールクレーン 革新的建設機械の普及促進 	<ul style="list-style-type: none"> ICTを活用した施工の効率化 燃費性能の優れた建設機械の普及促進 油圧シリンダー等、ホイールクレーン 革新的建設機械の普及促進 	<ul style="list-style-type: none"> ICTを活用した施工の効率化 燃費性能の優れた建設機械の普及促進 油圧シリンダー等、ホイールクレーン 革新的建設機械の普及促進 	<ul style="list-style-type: none"> ICTを活用した施工の効率化 燃費性能の優れた建設機械の普及促進 油圧シリンダー等、ホイールクレーン 革新的建設機械の普及促進 	<ul style="list-style-type: none"> ICTを活用した施工の効率化 燃費性能の優れた建設機械の普及促進 油圧シリンダー等、ホイールクレーン 革新的建設機械の普及促進 	<ul style="list-style-type: none"> ICTを活用した施工の効率化 燃費性能の優れた建設機械の普及促進 油圧シリンダー等、ホイールクレーン 革新的建設機械の普及促進 	<ul style="list-style-type: none"> ICTを活用した施工の効率化 燃費性能の優れた建設機械の普及促進 油圧シリンダー等、ホイールクレーン 革新的建設機械の普及促進 	<ul style="list-style-type: none"> ICTを活用した施工の効率化 燃費性能の優れた建設機械の普及促進 油圧シリンダー等、ホイールクレーン 革新的建設機械の普及促進

Figure 36: Green Growth Strategy, 8. Growth Strategy "Roadmap" for Logistics, People Flow, and Civil Engineering Infrastructure Industries⁷⁷

The METI has published the Technology Roadmap for "Transition Finance" in Cement Sector, calling for the introduction of energy-saving and highly efficient technologies and the fuel conversion to waste energy, toward carbon neutrality by 2050.

⁷⁷ Source: Green Growth Strategy for Carbon Neutrality by 2050 (June 18, 2021)
https://www.meti.go.jp/policy/energy_environment/global_warming/ggs/pdf/green_gaiyou.pdf



※ 実用化にあたっては、安価な水素の安定供給、インフラの確立など社会システムの整備といった条件の確立が必要。

Figure 37: Technology Roadmap for 'Transition Finance' in Cement Sector (Excerpt)⁷⁸

JCR has evaluated the following KHI's products as an eligible transition project as they will contribute to these projects.

➤ Controller for Construction Machinery

Controllers for construction machinery are controllers compatible with a new hydraulic system for excavators. A new control system enables reduction of fuel consumption by 15% during excavators at work compared to that of a previous model.

➤ Electric Joystick

Electric joysticks are for operating construction machinery. Compatible with the electric pilot system of the next-generation hydraulic excavators, they offer excellent operability and durability through a reaction force mechanism. They reduce power consumption by 12% compared to competitors' products and improve durability (switching counts) by 17%.

⁷⁸ Source: Technology Roadmap for 'Transition Finance' in Cement Sector (updated in October 2025) https://www.meti.go.jp/policy/energy_environment/global_warming/transition/transirion_roadmap2025_cement_j.pdf

➤ CK Mill

CK Mills are high-efficiency roller mills for cement plants. Improved crushing energy efficiency reduces power consumption by 35% to 50%. Converting supports (pedestals) of the pressurization mechanism to concrete supports decreases weight by nearly 10% and vibration values by roughly 50%.

➤ CKK System

The CKK System (Conch Kawasaki Kiln System), where waste incineration facilities are built adjacent to an existing cement manufacturing facility and the processes of cement production and waste treatment are integrated, is a system that effectively utilizes thermal energy and incineration ash of waste as fuel and raw materials for cement manufacturing equipment. The system reduces the number of required equipment by 70% compared to standalone waste incineration facilities, and effective use of waste energy decreases fuel costs during the cement firing process by 5%.

Use of Proceeds 14: Pollution prevention and control (sewage treatment)

Use of Proceeds 14 targets R&D and capital investments for sewage treatment. The use of the proceeds falls under “pollution prevention and control” in the Green Bond Principles and the Green Loan Principles and “projects related to pollution prevention and control” in the Green Bond Guidelines and the Green Loan Guidelines.

In Japan, the activated sludge method is primarily employed for sewage treatment. This process involves mixing sewage with sludge containing microorganisms, which consume organic matter in the sewage and proliferate, thereby transforming the sewage into clean water. Aeration blowers play a crucial role in supplying air to biological reaction tanks to activate microorganisms in tanks in sewage treatment plants. A significant portion of electricity during sewage treatment is consumed by aeration blowers. In the Master Framework, the use of the proceeds targets R&D and capital investments related to these blowers. JCR has evaluated sewage treatment equipment as an eligible green project as the use of the proceeds contributes to water pollution prevention.

➤ Mega MAG Turbo

Mega MAG Turbo is a magnetic bearing turbo blower for sewage aeration. Energy required for operating the blower has been reduced by adopting a high-pressure, large-capacity, and high-speed drive system (magnetic bearing motor + inverter) and developing a new type of impeller. Reduction in power consumption is 7% compared to conventional products. The product is registered as S Class under Kawasaki Ecological Frontiers products.

Use of Proceeds 15: Energy efficiency (other energy-saving products)

Use of Proceeds 15 targets R&D and capital investments for KHI's energy-efficient products. The use of the proceeds falls under "energy efficiency" in the Green Bond Principles and the Green Loan Principles and "projects related to energy efficiency" in the Green Bond Guidelines and the Green Loan Guidelines.

Under the criterion, the use of the proceeds targets other energy-efficient products including cogeneration systems, ECO SERVO, and membrane-type CO₂ removal equipment. The use of the proceeds targets R&D and capital investments. JCR has evaluated cogeneration systems using conventional gas turbines as an eligible transition project and those using hydrogen gas turbines as an eligible green project. Furthermore, ECO SERVO and membrane-type CO₂ removal equipment are registered as S Class under Kawasaki Ecological Frontiers products, which proves that they reduce power consumption. JCR has evaluated them as an eligible green project.

➤ Cogeneration System

The cogeneration system uses KHI's gas turbines. High energy efficiency is achieved by electricity generated by gas turbines and concurrent capture of waste heat produced in the process. Compared to conventional systems, fuel consumption is reduced by 30%, and CO₂ emissions, by 48%. The system can also incorporate hydrogen co-firing or 100% hydrogen-fueled gas turbines, thereby building a CO₂-free system.

➤ ECO SERVO

ECO SERVO is a hydraulic power source that achieves energy efficiency and lower noise by controlling the rotation speed of hydraulic pumps. It is widely used in press machines and semiconductor manufacturing equipment. Power consumption is reduced by 70% compared to that of conventional products. ECO SERVO Light and ECO SERVO Avant have been commercialized with different functionality as an energy saving hydraulic package unit integrating peripheral devices necessary for a hydraulic unit, such as a tank.

➤ Membrane-Type CO₂ Removal Equipment (SEPERNA)

SEPERNA is a new ventilation system utilizing gas permeable membranes designed to create a comfortable indoor environment in office buildings. The device removes CO₂ from the indoor air and supplies O₂ to the indoor environment, completely blocking aerosols, such as PM2.5, smoke, and viruses, from entering indoors. By utilizing surplus air from inside the building for outdoor air supply, power consumption is reduced by approximately 50% compared to that of conventional ventilation systems.

Use of Proceeds 16: Environmentally sustainable management of living natural resources and land use (aquaculture system)

Use of Proceeds 16 targets R&D and capital investments for an enclosed ocean surface aquaculture system. The use of the proceeds falls under “environmentally sustainable management of living natural resources and land use” in the Green Bond Principles and the Green Loan Principles and “projects related to environmentally sustainable management of living natural resources and land use” in the Green Bond Guidelines and the Green Loan Guidelines.

The article 16 of the Basic Fisheries Act sets forth the promotion of proliferation and aquaculture of aquatic animals and plants in harmony with the environment. Aquaculture is positioned as an important means to ensure stable supply without imposing excessive burden on natural resources and to contribute to the recovery of these resources. The Master Framework targets R&D and capital investments related to aquaculture systems as a use of the proceeds. JCR has evaluated the use of the proceeds as an eligible green project as it will contribute to sustainable fisheries.

➤ Aquaculture System MINATOMAÉ

KHI promotes MINATOMAÉ enclosed ocean surface aquaculture system, which is considered to be a technology compliant with the Basic Act on Fisheries. The system provides advanced control over seawater circulation and water quality management for healthy growth of fish, minimizing impacts on the external environment. The technology enables high-density farming⁷⁹ in a drug-free environment, preventing the intrusion of parasites and viruses, which will reduce dependence on marine resources and eventually not only recover them but also mitigate environmental burdens. The structure capable of efficient production in confined waters near ports also will improve logistics efficiency and contribute to the sustainable development of the fisheries industry.

The closed containment aquaculture system requires significant electricity consumption to keep water temperature constant. KHI will conduct demonstrations for controlling water temperature with cold energy from groundwater, LNG, and liquefied hydrogen and waste heat from factories, which are aimed at reducing power consumption in the future.

⁷⁹ In January 2025, the test farming of Trout Salmon began in the sea near the Kobe Works using a 30 m³ closed pen with a farming density of 60 kg/m³, which is approximately four times larger than that of conventional marine aquaculture systems and one of the largest systems in Japan (according to KHI's research).

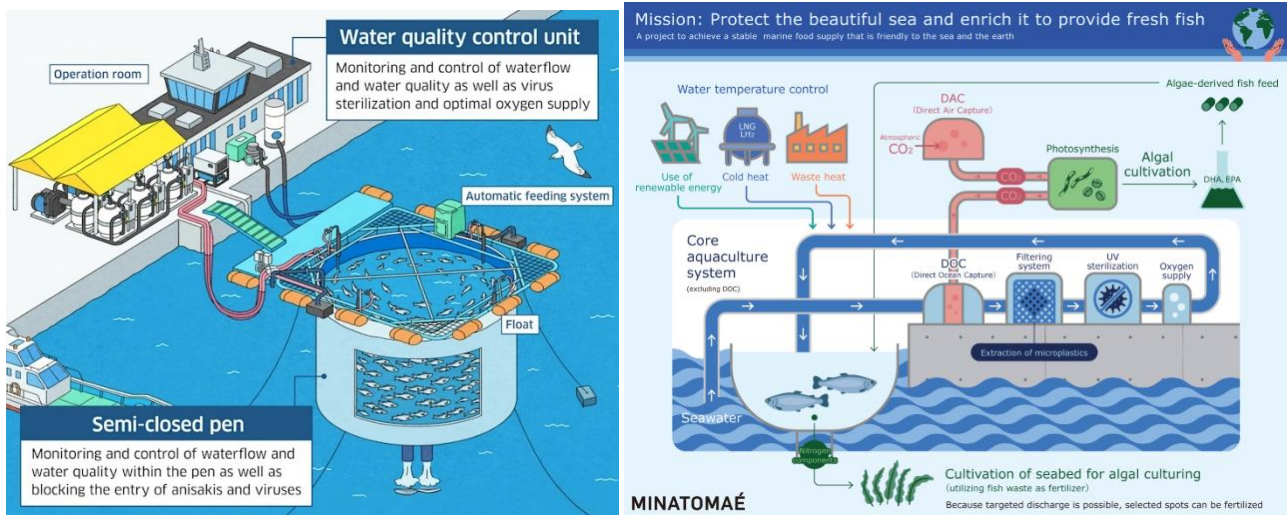


Figure 38: Mechanism of MINATOMAÉ⁸⁰

Use of Proceeds 17: Socioeconomic advancement and empowerment / circular economy adapted products, production technologies and processes (social innovation)

Use of Proceeds 17 targets R&D for the Innovation Lab. The use of the proceeds falls under “socioeconomic advancement and empowerment” for patients, healthcare workers, care workers, and hazardous job workers in the Social Bond Principles and the Social Loan Principles, “circular economy adapted products, production technologies and processes” in the Green Bond Principles and the Green Loan Principles, and “projects related to circular economy adapted products, production technologies and processes” in the Green Bond Guidelines and the Green Loan Guidelines.

Under its Group Vision 2030, KHI is committed to solving social issues and creating new values. As part of it, KHI established the social innovation co-creation hub CO-CREATION PARK–KAWARUBA in November 2024 within HANEDA INNOVATION CITY in Ota Ward, Tokyo. KAWARUBA is positioned as a hub where diverse individuals with ambitions meet and gather to create values and successfully achieve social implementation toward the goal of solving various social challenges. It serves as an open innovation platform where multiple entities, including corporations, government agencies, research institutions, and startups, collaborate. It is not merely a research facility but is positioned as an intermediate stage for social implementation of technologies and ideas.

Specifically, KAWARUBA focuses on demonstrating effectiveness and operating models of existing technologies and established underlying technologies for the purpose of social implementation rather than conducting basic research or technological development. Demonstrations and collaborative projects lead to answers on how to integrate technology into products or services

⁸⁰ Source: KHI’s website
https://global.kawasaki.com/en/corp/newsroom/news/detail/?f=20250424_6041
<https://answers.khi.co.jp/en/voices/250912e-01/>

and in which fields and with which stakeholders' collaboration will yield the greatest social value. KAWARUBA has already been simultaneously implementing multiple projects aimed at solving social issues under the themes of "Pioneering a new era of green society using hydrogen and carbon-neutral solutions" and "Realizing a society that unlocks human ingenuity to create robotics that enrich the future."

Under the theme of "Pioneering a new era of green society using hydrogen and carbon-neutral solutions," R&D on CO₂ capture, sustainable aviation fuel (SAF), and paraxylene (a raw material for PET bottles, etc.) are underway toward carbon neutrality. CO₂ capture offers significant environmental benefits as it directly reduces CO₂ from the atmosphere or combustion exhaust gases and slows the progress of climate change. SAF also offers great environmental benefits as it is produced from renewable resources such as waste oil and biomass and significantly reduces CO₂ emissions compared to fossil fuels. Research on paraxylene is underway. Paraxylene is produced via methanol from CO₂ and hydrogen. DAC technology converts CO₂ captured from the atmosphere or emitted from factories into methanol and paraxylene for use, which will contribute to both reduction and fixation of CO₂ emissions. The proceeds raised under the Master Framework are intended to be allocated to these research themes as green projects.

The other theme, "Realizing a society that unlocks human ingenuity to create robotics that enrich the future," promotes technology and business development related to robots in response to declining birthrates, aging populations, labor shortages, rescue operations, etc. Social robots introduced to tackle declining birthrates, aging populations, and labor shortage offer social benefits as they maintain and enhance labor productivity by supporting on-site workers in the fields of elderly care, customer service, and manufacturing and thereby contributing to society to sustain its functionality. In rescue operations as well, robots offer social benefits as they substitute or assist humans in life-saving operations, victim searches, and information gathering at dangerous sites during disasters, which mitigates risks to human life and enables quick rescue operations, thereby strengthening disaster prevention and mitigation systems and maintaining and improving disaster response capabilities. To date, KHI has developed the slim-type humanoid robot (Friends) exclusively for communication with humans, the dual-arm self-propelled robot (Nyokkey), and the nursing assistant robot (Nurabot) based on the technology of Nyokkey to explore their potential applications and conducted demonstrations of mobile intelligent robots in collaboration with other companies. The proceeds raised under the Master Framework are intended to be allocated to these research themes as social projects.

JCR has assessed that the use of the proceeds offers environmental and social benefits as it is research aimed at solving various social issues and plays a crucial role in incorporating existing and underlying technologies into social implementation.

Allocating proceeds raised under the Master Framework to research themes other than the above, KHI will confirm eligibility of each theme as a green project or a social project.

Blue Project Requirements

JCR confirms whether Use of Proceeds 5: hydrogen-fueled vessels, Use of Proceeds 6: marine hydrogen-fueled engines and hydrogen propulsion systems, Use of Proceeds 14: Mega MAG Turbo, and Use of Proceeds 16: aquaculture system MINATOMAÉ meet all the requirements for blue finance set forth in the JCR Green Finance Evaluation Methodology with reference to the SBE Guide and the IFC Guidelines from the following perspectives.

Requirement 1: Proceeds financed through or referencing to the Master Framework fall under the blue finance categories as in the SBE Guide for ocean-related projects and the IFC Guidelines for freshwater-related projects.

Blue projects that KHI defines in the Master Framework fall under the following categories in the SBE Guide.

Table 8: Blue Finance Categories of Respective Projects

Blue Projects	Blue Finance Category	(Reference) Green Bond Principles, etc.
Hydrogen-Fueled Vessels	Sustainable Marine Transport	Circular economy adapted products, production technologies and processes
Marine Hydrogen-Fueled Engines and Hydrogen Propulsion Systems	Sustainable Marine Transport	Circular economy adapted products, production technologies and processes
Mega MAG Turbo	Marine Pollution	Pollution prevention and control
Aquaculture System MINATOMAÉ	Sustainable Marine Value Chains	Environmentally sustainable management of living natural resources and land use

Requirement 2: Eligible projects offer clear environmental benefits related to the sustainable blue economy or water infrastructures. The projects clearly contribute to achievement of goals at least related to SDG 6 or SDG 14.

Projects that KHI defines in the Master Framework fall under the following targets related to SDG 6 or SDG 14. Details of the targets are as in "3. Consistency with SDGs."

Table 9: SDGs of Projects

Blue Project	SDG	Target
Hydrogen-Fueled Vessels	Goal 14: Life below Water	14.3
Marine Hydrogen-Fueled Engines and Hydrogen Propulsion Systems	Goal 14: Life below Water	14.3
Mega MAG Turbo	Goal 6: Clean Water and Sanitation	6.3
Aquaculture System MINATOMAÉ	Goal 14: Life below Water	14.2

Requirement 3: Blue projects fall under any of the project categories in the GBP or the GLP.

Blue projects that KHI defines in the Master Framework fall under any of the project categories in the GBP, etc. Please refer to Requirement 1 as for the applicability.

Requirement 4: Implementing projects poses serious risks to the achievement of other SDGs (especially 2, 7, 12 and 13).

As described in the following section 2-1. Negative Impacts on Environment and Society, negative impacts on the environment and society have been appropriately addressed, and no serious risks to the achievement of other SDGs have been found.

Requirement 5: Environmental benefits clearly outweigh negative impacts. (It is recommended that they be quantified and comparable.)

Projects do no significant harm to other green/blue projects.

Eligible projects are managed in accordance with the IFC Performance Standard, the World Bank EHS Guidelines, or their equivalent ESG standards.

Projects are not ineligible under the SBE Guide and the UNEP FISBEFI (sectors considered to be involved in unsustainable practices, such as offshore oil and gas mining operations and deep sea mining operations) (Minimum Safeguard).

In light of the UNEP FISBEFI, negative impacts on the environment are appropriately managed and alleviated.

Blue projects specified in the Master Framework appropriately manage and mitigate negative environmental impacts as in the following section 2-1. Negative Impacts on Environment and Society and meet all the aforementioned standards.

Based on the above, JCR has evaluated Use of Proceeds 5: hydrogen-fueled vessels, Use of Proceeds 6: marine hydrogen-fueled engines and hydrogen propulsion systems, Use of Proceeds 14: Mega MAG Turbo, and Use of Proceeds 16: aquaculture system MINATOMAÉ as marine-friendly.

2-1. Negative Impacts on Environment and Society

Master Framework for Negative Impacts on Environment and Society

Our group strives to implement environmental management activities in compliance with environmental laws and regulations, and pays attention to potentially negative environmental and social impacts when implementing relevant projects. We hold liaison conferences as needed for personnel with environmental responsibilities to ensure adherence to environmental laws and regulations, the dissemination and full understanding of legal revisions, and the enhancement of their capabilities. These conferences, which are held under the direction of the Head Office Environmental Management Division, serve as opportunities for working with Group personnel to preempt environmental accidents and other compliance-related problems.

JCR's Evaluation for Master Framework

At this moment, no potential serious negative environmental impacts can be expected as KHI's use of the proceeds will require a significant amount of R&D expenses. In addition, KHI strives to implement environmental management activities in compliance with environmental laws and regulations and pays attention to potentially negative environmental and social impacts when implementing relevant projects. KHI holds liaison conferences as needed for personnel with environmental responsibilities to ensure adherence to environmental laws and regulations, the dissemination and full understanding of legal revisions, and the enhancement of their capabilities. These conferences, which are held under the direction of the Head Office Environmental Management Division, serve as opportunities for working with Group personnel to preempt environmental accidents and other compliance-related problems. The Master Framework contains such KHI's efforts.

i. Possibility of Lock-in to Fossil Fuels

Although the transition projects specified in the Master Framework include the use of the proceeds related to gas turbines/engines and ships that use fossil fuels, these technologies are expected to become carbon-free through future retrofits and align with the government's Transition Roadmaps. Accordingly, JCR has assessed that the technologies are not locked-in to fossil fuels. Additionally, the eligibility criteria related to construction and cement align with the government's green growth strategy and Transition Roadmaps as above. JCR has confirmed that there are no problems in this respect.

ii. Do No Significant Harm Assessment

JCR has confirmed that there are no possibilities that the use of the proceeds specified in the Master Framework do significant harm to other green projects.

iii. Consideration for Just Transition

JCR has confirmed that there are no possibilities that the implementation of the projects will not adversely affect employment relations, etc.

In case of hydrogen leaks, hydrogen itself will not contribute to global warming. It has been pointed out that when hydrogen leaks and disperses into the air, it reacts with various atmospheric substances such as methane, ozone, and water vapor, and the reaction heat generated at that time heats the atmosphere, thereby accelerating global warming. KHI will take the following measures to prevent hydrogen leaks during the processes of loading and unloading liquefied hydrogen and maritime transportation.

- BOG generated during loading and unloading is either returned upstream to the liquefaction equipment or utilized at the base facility as hydrogen gas (fuel).
- BOG generated during maritime transport is stored inside tanks and utilized as gas (e.g., power generation fuel) at the base facility during unloading for small vessels. BOG are currently used as propulsion fuel for middle-sized liquefied hydrogen carriers that KHI concluded a shipbuilding contract on.
- BOG generated during storage at onshore base facilities is forcibly vaporized and utilized as with hydrogen gas for power generation.

In the demonstration project of the HySTRA's hydrogen supply chain, hydrogen leaks are actually measured with sensors at various locations within the base facility. Through interviews, JCR has confirmed that no leakage has been observed during the demonstration phase.

Based on the above, JCR has assessed that KHI takes appropriate measures for all the eligible projects as follows, considering negative environmental and social impacts.

2-2. Consistency with Safeguards of Climate Transition Bond Guidelines

In the Climate Transition Bond Guidelines (CTBG) published by ICMA in November 2025, four components are set out for the evaluation of use-of-proceeds bonds.

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

This section provides the results of a review on the safeguards set forth in the CTBG "1. Use of Proceeds" for climate transition projects to be met and measures to be taken to meet the safeguards.

Eligibility with the requirements of the CTBG will be detailed in "V. Alignment with Requirements of Climate Transition Bond Guidelines, Evaluation Phase 2."

(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.

JCR has confirmed that KHI's transition strategy is consistent with CTFH's key elements as in "Section 2-2. Consistency with Elements of Climate Transition Finance Handbook, Chapter 2."

(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.

Eligible transition projects financed under the Master Framework formulated by KHI are aligned with the Roadmap for Promoting Transition Finance (Sectoral Technology Roadmap)⁸¹ formulated by the Government of Japan, and transition projects for sectors where such a roadmap has yet to be formulated are in alignment with the Green Growth Strategy and the national subsidy program for decarbonization.

Eligible projects for clean hydrogen transportation and storage (such as hydrogen liquefier, liquefied hydrogen storage tanks, and liquefied hydrogen carriers) contribute to the "transportation" and "storage" processes of the hydrogen supply chain. Converted renewable energy into hydrogen endures long-term storage and can be utilized in sectors with thermal demand that are difficult to decarbonize through electrification alone, such as steel and cement industries. To this end, under the Basic Hydrogen Strategy, the Government of Japan has set targets for hydrogen deployment and supply costs and set out plans for domestic production and import of hydrogen as means of achieving these targets. The use of the proceeds will contribute to expanding hydrogen imports and is aligned with the national strategy.

The use of the proceeds for gas turbines and engines that generate electricity covers 100% hydrogen-fueled models and high-efficiency and hydrogen co-firing models. Although 100% hydrogen-fueled models are key as a future decarbonized power source on the path to carbon neutrality, introducing them alone is not a realistic option as an inexpensive and stable supply of hydrogen has yet to be established at this moment. On the other hand, hydrogen co-firing gas turbines, etc. are a rational solution that maintains a stable power supply, expands hydrogen use to the extent feasible, and reduces CO₂ emissions in phases. KHI's hydrogen co-firing gas turbines with a blending ratio of 30% of hydrogen have been already commercialized, which is ahead of the Transition Roadmap for Power Sector. In addition, Co-generation system (CGS) captures and effectively utilizes exhaust heat from these gas turbines. The national Plan for Global Warming

⁸¹ These roadmaps were formulated in sequence, starting in fiscal 2021, targeting industries with relatively large CO₂ emissions, such as steel, chemicals, electric power, gas, oil, paper and pulp, cement, and automobile industries. The roadmaps encompass low-carbon and decarbonization technologies with which each sector will improve existing technologies and develop new ones and aim to achieve their future social implementation toward carbon neutrality by 2050. The roadmaps present pathways to meet the 1.5°C to 2°C target by 2030 and achieve carbon neutrality by 2050, using combinations of these technologies.

Countermeasures promotes the wider deployment of the system in order to improve overall energy efficiency.

Vessels as an eligible transition project include large LPG-fueled vessels, LNG-fueled vessels, and marine hybrid/electric propulsion systems. Among them, large LPG-fueled vessels and LNG-fueled vessels are expected to be used for international shipping. Low environmental-impact fuels, such as electricity, hydrogen, ammonia, and green methanol, are drawing attention as power sources for large vessels, however, it is currently technically or economically difficult to introduce them in many cases in terms of energy density, fuel supply networks, and new technologies. Hence, LNG-fueled vessels and LPG-fueled vessels would be the most realistic option as a temporary solution. In the same way, marine hybrid and electric propulsion systems would be also a realistic solution for decarbonization as they enable highly efficient navigation using a 100% LNG-powered engine and zero-emission operation during port-in/out for battery propulsion and power supply. (A hundred percent battery propulsion is also possible, however, it would be applied to domestic coastal services from the perspective of energy density.) In addition, the Government of Japan is also promoting penetration of LNG-fueled vessels with a subsidy program for facilities to manufacture equipment required for vessel construction.

Hybrid motorcycles and vehicles are large HEV models to be used in commuting to work or school and touring. Their potential alternative fuels for decarbonization would be electricity, hydrogen, and synthetic fuels (e-fuels). Currently, HEV models would be a realistic decarbonization option amid current conditions where EV models are faced with a driving range issue and yet-to-be-developed hydrogen models are challenged by hydrogen and e-fuel supply infrastructure issue.

Construction machinery controllers and electric joysticks are components essential for construction machinery and are products that improve energy efficiency. There would be no other potential low-carbon alternatives for these components as they are independent from the power source of construction machinery.

The CK Mill and the CKK system are products used in the cement sector, which is a high-emission industry. JCR has assessed that the use of the proceeds reduces electricity and fuel consumption and is aligned with “energy-saving and efficiency improvement technologies” in the Technology Roadmap for “Transition Finance” in Cement Sector.

Accordingly, JCR has assess that the use of the proceeds financed under the Master Framework meets the safeguards.

(3) Alignment or compatibility with official sector and market-based taxonomies, decarbonization pathways and roadmaps, and/or other international and national decarbonization 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.

As aforementioned, eligible transition projects defined by KHI under the Master Framework are aligned with the national Sectoral Technology Roadmap, the Green Growth Strategy, and a national subsidy program for decarbonization.

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

As above, the Government of Japan presents the BATs for each sector through the Sectoral Technology Roadmap in order to reduce GHG emissions.

The use of the proceeds financed under the Master Framework targets not only projects expected to reduce GHG emissions beyond BAU but also BATs in consideration of technical and economic constraints of each project. In addition, JCR has confirmed consistency of the use of the proceeds with the Sectoral Technology Roadmap providing each sector with BATs.

The Sectoral Technology Roadmap excludes the use of the proceeds related to clean transportation and storage of hydrogen as it has yet to be in the utilization phase. However, technology development beyond BAU would be necessary as it is a technology essential for realizing a hydrogen-based society in Japan and a hydrogen supply chain using liquefied hydrogen carriers has yet to be built in the world.

As a result, JCR has assessed that the safeguards are satisfied.

(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, utilization rate, emission profile over time, rebound effects, potential barriers to low(er)-carbon substitutes (e.g. contractual, labor, 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.

KHI has set a target of achieving 2040 Zero-Carbon Ready for Scope 3 (category (xi)). This means that KHI intends to prepare a range of options so that all customers can choose products and services designed for carbon neutrality by that year. When green fuels and power become economically available in the future, such products and services readily available for customers’ selection and use will prevent their carbon lock-in, where equipment discourages the move toward decarbonization.

Eligible projects for clean transportation and storage of hydrogen financed under the Master Framework target hydrogen transportation and storage facilities. Hence, carbon lock-in will never occur. In addition, liquefied hydrogen carriers will be powered by hydrogen but not by fossil fuel.

The use of the proceeds financed under the Master Framework includes high-efficiency or hydrogen co-firing gas turbines and gas engines. The existing products can be retrofitted to 100% hydrogen-fueled models.

Electric propulsion models of both ships and motorcycles have already been commercialized, while hydrogen-fueled models are in the process of R&D.

The controllers and electric joysticks for construction machinery will not pose carbon lock-in risk as they are control and operation system products that can be introduced regardless of power sources or types of fuel of construction machinery and they will not use any specific fossil fuel.

The CK Mill is an electrically powered facility, and the facility itself is not locked in fossil fuels. The CKK system is also designed for the effective utilization of waste energy and is not deemed as infrastructure lock-in, which impedes future decarbonization.

Accordingly, JCR has assessed that the use of the proceeds financed under the Master Framework meets the safeguards.

3. Consistency with SDGs

JCR has assessed that the eligible projects will contribute to the following SDGs and targets in light of ICMA's SDG mapping.



Goal 3: Good Health and Well-Being

Target 3.8: Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all



Goal 6: Clean Water and Sanitation

Target 6.3: By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally

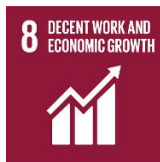


Goal 7: Affordable and Clean Energy

Target 7.1: By 2030, ensure universal access to affordable, reliable and modern energy services

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

Target 7.a: By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology



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 labor-intensive sectors



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 9.4: 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



Goal 11: Sustainable Cities and Communities

Target 11.2: By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons

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 12.2: By 2030, achieve the sustainable management and efficient use of natural resources



Goal 13: Climate Action

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



Goal 14: Life Below Water

Target 14.1: By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution

Target 14.2: By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans

Target 14.3: Minimize and address the impacts of ocean acidification, including through enhanced scientific cooperation at all levels



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(F)

I. Selection Standards and Processes for Use of Proceeds

JCR's Key Consideration on This Factor

In this section, JCR assesses whether targets to be achieved through the Master Framework, the appropriateness of the selection standards and processes of green and social projects, and a series of processes are properly disclosed to investors, etc.

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

JCR has assessed that departments with expertise and the management team are properly involved in the processes of setting targets and establishing the selection standards and processes for green and social projects financed under the Master Framework and that transparency is also ensured.

1. Goals

KHI has announced the Group Vision 2030 along with a message "Trustworthy Solutions for the Future" and is promoting its growth scenario through to 2030, focusing on three fields: "A Safe and Secure Remotely-Connected Society," "Near-Future Mobility," and "Energy and Environmental Solutions."

Following the announcement of the Group Vision 2030, KHI has reviewed its materiality issues (materiality). As a result of this review, the three priority fields of the Group Vision 2030 were positioned as the most material issues. For promoting them, KHI will set targets and KPIs for 2030 and monitor the progress on an annual basis. Going forward, KHI will review its materiality on a regular basis alongside of changes in the business environment and social expectations.

Eligible projects financed under the Master Framework will contribute to the three priority fields of KHI's materiality, and implementing these projects will lead to the promising future and growth that KHI envisions. Based on the above, JCR has evaluated the Master Framework formulated by KHI as consistent with its goals.

2. Selection Standards

JCR has assessed that the eligibility criteria set forth in the Master Framework cover projects to offer significant environmental and social benefits as confirmed in Evaluation Phase 1 herein.

3. Processes

Master Framework for Processes

2) Project Evaluation and Selection Process

Eligible projects will be selected by our company's finance and planning departments based on eligibility criteria established in accordance with Group Vision 2030, the Carbon Neutral Strategy, and the Kawasaki Ecological Frontiers System. The selected projects will be finalized after approval by the Finance and Planning Officers.

JCR's Evaluation for Master Framework

The Finance & Control Division, which is responsible for financing, and the Sustainability Department of the Corporate Planning Division, which drives sustainability initiatives, select eligible projects to be financed under the Master Framework and work in coordination with departments overseeing those projects as needed. Directors in charge of Finance Division and Corporate Planning Decision give final approval on the selection of projects financed with proceeds from sustainability finance instruments, etc.

Based on the above, JCR has assessed that KHI's dedicated sustainability department and management team are properly involved in the project selection process specified in the Master Framework.

KHI's sustainability finance goals and selection standards and processes are disclosed herein. Through interviews, JCR has confirmed that KHI plans to give explanations to investors, etc. in IR events and private briefings prior to implementing sustainability finance, etc. Based on the above, JCR considers that KHI ensures transparency for investors, etc.

II. Management of Proceeds

JCR's Key Consideration on This Factor

Management of proceeds may usually be of great variety depending on issuers/borrowers. In this section, JCR assesses whether the issuer/borrower ensures that proceeds raised under the Master Framework are allocated to eligible projects and whether a mechanism and an internal system for easy allocation tracking are in place.

JCR also places importance on early allocation of proceeds raised under the Master Framework to respective eligible projects and evaluation on the management of unallocated proceeds.

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

JCR has assessed that KHI provides great transparency as it has an appropriate system in place to manage proceeds, the management of proceeds is disclosed herein, and the Master Framework will be disclosed on the website.

Master Framework for Management of Proceeds

3) Management of Proceeds

The proceeds raised through sustainable finance will be allocated within approximately two years.

Our company Finance Division uses our company internal management system to track and manage the connection between funding and eligible projects and the allocation of funding. The tracking results will be reviewed by the Finance Officer on a quarterly basis. The proceeds will be managed in cash or cash equivalents until the proceeds are allocated.

In addition to the internal tracking of allocated and unallocated funds described above, we will also confirm that balances are properly managed through semi-annual internal audits and quarterly accounting audits by external auditors.

If a project for which funds have been allocated is cancelled or postponed, the funds will be reallocated to other projects that meet the eligibility criteria in accordance with this Framework.

JCR's Evaluation for Master Framework

KHI allocates proceeds of sustainability financing instruments, etc. within approximately two-year timeframe to projects that meet eligibility criteria. The Finance Department of the Finance & Control Division monitors the payment status of relevant eligible projects, using the internal management system, to manage allocation of proceeds. The proceeds will be held in cash or cash equivalents until allocation to respective projects.

Director in charge of finance makes sure roughly on a quarterly basis that the tracking and management of proceeds are properly done. On top of that, through semi-annual internal audits

and quarterly accounting audits by certified public accountants, KHI makes sure that the balances are properly managed. Documents related to sustainability finance, etc. are to be retained for 10 years after redemption or repayment.

Based on the above, JCR has evaluated KHI's management of proceeds as appropriate.

JCR has assessed that KHI provides great transparency as management of proceeds is disclosed herein and, upon cancellation or delay of any project financed, KHI will disclose on its website reallocation to another eligible project.

III. Reporting

JCR's Key Consideration on This Factor

In this section, JCR assesses whether the issuer/borrower has a detailed and effective plan for disclosure to investors, etc. before and after financing under the Master Framework.

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

With regard to KHI's reporting, JCR has assessed that KHI will appropriately disclose proceeds allocation status and environmental and social benefits to investors, etc.

Master Framework for Reporting

4) Reporting

i. Allocation reporting

The allocation status is disclosed on the website or to the lender (in the case of a loan) once a year until the proceeds are fully allocated. In the case of a CB, this applies until the total issues amount is fully allocated, regardless of whether conversion takes place.

- Amounts allocated to each eligibility criteria
- Unallocated amount and investment method
- Amounts (or percentages) of the portion of the proceeds used for refinancing

Even after the completion of the allocation of proceeds, if an event different from the initial assumption occurs in the project subject to the use of proceeds, the Company will promptly disclose the event, the status of the occurrence of unallocated proceeds, the status of reallocation, etc.

In addition, if the entire amount of a CB is converted into equity, such fact will be disclosed.

ii. Impact reporting

Within the scope of confidentiality obligations, all or any of the following output and outcome measures will be disclosed once a year on our company website or disclosed to the lender (in the case of a loan) as impact reporting for the target project until the full amount of proceeds is allocated to the target project, or, in the case of a CB, until the originally assumed maturity date regardless of whether conversion takes place.

【A Safe and Secure Remotely-Connected Society】

Eligibility Criteria	Output indicator	Outcome measure	Impact
Surgical Support Robot	<ul style="list-style-type: none"> Progress in R & D and demonstration Number of installed hinotoriTM surgical robot systems 	<ul style="list-style-type: none"> Number of operations with the hinotoriTM surgical robot system 	<ul style="list-style-type: none"> Reduction of physical and mental burden and improvement of QOL of patients Reducing the burden on physicians and healthcare professionals
Social Robot for Care Facilities	<ul style="list-style-type: none"> Progress in R & D and demonstration Number of Social Robots manufactured and sold 	<ul style="list-style-type: none"> Amount of Burden Reduction for nursing care staff and others through social robot deployment(headcount equivalent) 	<ul style="list-style-type: none"> Maintaining and improving care quality levels Reducing the burden and elimination of labor shortages on nursing care staff
Social Robot for hazardous work, etc.	<ul style="list-style-type: none"> Progress in R & D and demonstration Number of Social Robots manufactured and sold 	<ul style="list-style-type: none"> Workload reduction for workers engaged in hazardous work through social robot deployment (headcount /worksite equivalent) 	<ul style="list-style-type: none"> Improvement of worker safety through the replacement of hazardous work.

【Near-Future Mobility】

Eligibility Criteria	Output indicator	Outcome measure	Impact
Delivery robot and unmanned transport helicopter	<ul style="list-style-type: none"> Progress in R & D and demonstration Number of users of delivery robots and VTOL drones 	<ul style="list-style-type: none"> Case study of delivery robot and VTOL unmanned aircraft 	<ul style="list-style-type: none"> Elimination of labor shortages Last One Mile (Disasters, Remote Islands)

【Energy and Environmental Solutions】

Eligibility Criteria	An example of impact reporting
Clean transport and storage of hydrogen	<ul style="list-style-type: none"> Progress in R & D and demonstration Number of products developed or manufactured and installed Reduction of CO2 emissions by using hydrogen (theoretical value)
Clean energy use of hydrogen	<ul style="list-style-type: none"> Progress in R & D and demonstration Number of products developed or manufactured and installed Reduction of CO2 emissions by using hydrogen (theoretical value)
Clean energy use of hydrogen (co-firing)	<ul style="list-style-type: none"> Research and development, progress of demonstration, research and development papers Number of products developed or manufactured and installed

	<ul style="list-style-type: none"> Reduction of CO2 emissions by using hydrogen (theoretical value)
CCUS	<ul style="list-style-type: none"> Research and development, progress of demonstration, research and development papers Reduction of CO2 emissions by using CO2 separation and recovery systems (theoretical value)
Use of gas energy	<ul style="list-style-type: none"> Number of products manufactured and installed Reduction of CO2 emissions by product contribution
Transportation equipment (Electric)	<ul style="list-style-type: none"> Research and development, progress of demonstration, research and development papers Number of products developed or manufactured and installed Estimated CO2 emissions reduction by product contribution (theoretical value) Reduction in energy consumption by service contribution (theoretical value)
Transportation Equipment (Hybrid)	<ul style="list-style-type: none"> Research and development, progress of demonstration, research and development papers Manufacture and sales of products Estimated CO2 emissions reduction by product contribution (theoretical value)
Waste Disposal	<ul style="list-style-type: none"> Number of products manufactured and installed Amount of waste reduction by product contribution (theoretical value)
Construction and cement	<ul style="list-style-type: none"> Manufacture and sales of products Reduction in CO2 emissions, energy consumption, and power consumption by product contribution (theoretical value)
Sewage Treatment	<ul style="list-style-type: none"> Number of products manufactured and installed Treatment capacity of installed sewage treatment plant (theoretical value)
Other energy-saving products	<ul style="list-style-type: none"> Number of products developed or manufactured and installed Reduction in CO2 emissions, energy consumption, and power consumption by product contribution (theoretical value)
Aquaculture System	<ul style="list-style-type: none"> Progress in R & D and demonstration Number of aquaculture operators that adopted the aquaculture system Shipment volume from aquaculture operations

【Cross-cutting Initiatives】

Eligibility Criteria	Output Index	Outcome Index	Impact
Social innovation	<ul style="list-style-type: none"> Progress in R&D and demonstrations 	<ul style="list-style-type: none"> Research Results 	<ul style="list-style-type: none"> Realization of social innovation (hydrogen society, resolving labor shortages, etc.)

JCR's Evaluation for Master Framework

Reporting on Allocation Status of Proceeds

KHI will disclose allocation status of proceeds raised from sustainability financing instruments, etc. as set forth in the Master Framework annually on its website or to lenders (loans). When any significant changes occur in the financing status after the allocation of entire proceeds, KHI will disclose the fact immediately.

Reporting on Environmental and Social Benefits

KHI will disclose following information as in the reporting requirement of the Master Framework annually on its website or to lenders (loans) within the scope of confidentiality: environmental benefits of eligible green (blue) or transition projects and social benefits of eligible social projects. These disclosure items include quantitative indicators, such as reduced energy consumption and CO₂ emissions, and appropriate disclosure items are specified.

In the Master Framework, KHI specifies that it will, regardless of whether it is converted to equity, make allocation reporting on proceeds raised from a convertible bond on an annual basis until allocation of the entire proceeds and impact reporting on a yearly basis until the initially assumed redemption date.

Based on the above, JCR has evaluated KHI's reporting system as appropriate.

JCR has confirmed that allocation reporting and impact reporting were properly done in fiscal 2024 and fiscal 2025 for the transition bond issued in fiscal 2023.

IV. Organization's Sustainability Initiatives

JCR's Key Consideration on This Factor

In this section, JCR assesses whether the issuer/borrower's management positions sustainability issues as top priority material issues and whether the implementation policy and process of sustainability finance and the selection standards for green and social projects are clearly set for the establishment of departments with expertise in sustainability or collaboration with external entities.

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

JCR has highly evaluated the fact that KHI positions sustainability issues as material operating issues, addresses them through a committee on sustainability issues from both practical and operational perspectives, and actively participates in external initiatives.

As mentioned above, the Kawasaki Group aims to resolve sustainability issues by leveraging its advanced comprehensive technological capabilities across a wide range of fields while maintaining harmony with the global environment, under the Kawasaki Group Mission—Kawasaki, working as one for the good of the planet.

Toward the goal, the KHI Group formulated the Group Vision 2030 in November 2022, which describes a desirable future vision for 2030. To achieve the vision, the three fields of focus have been identified: "A Safe and Secure Remotely-Connected Society," "Near-Future Mobility," and "Energy and Environmental Solutions."

In Safe and Secure Remotely-Connected Society, the Kawasaki Group will provide solutions for realizing new work and life styles in various fields, including the medical and healthcare field, to create new values emphasizing safety and security. In Near-Future Mobility, the Kawasaki Group will provide solutions to support disaster response and mobility of people and freight with the goal of transforming the movement of people and freight with new transportation systems. In Energy and Environmental Solutions, the Kawasaki Group will provide environmental burden reduction and decarbonization solutions across a wide range of business fields for stable supply of clean energy. The Kawasaki Group is pursuing ongoing growth by investing in growth businesses while transforming to meet evolving needs.

As mentioned above, KHI has established the Sustainability Committee chaired by the President to promote its sustainability initiatives. The committee deliberates and approves various initiatives including formulating the sustainability management policy and reviewing materiality while monitoring their achievements and compliance. Material issues are brought forward for the Board of Directors to consider.

KHI has publicly announced that it signed off on the United Nations Global Compact and joined the initiative in January 2020. KHI also signed to agree with the final report of the Task Force on Climate-related Financial Disclosures (TCFD recommendations) in September 2019 and disclosed the results of scenario analysis in its integrated report (Kawasaki Report). From a financing

perspective, KHI has actively accessed sustainable financing, starting with the issuance of a sustainability bond in July 2021 followed by positive impact finance, sustainability-linked loans, green bonds, transition bonds, etc. KHI aims to secure half of a long-term borrowing by 2030 and all of it by 2050 through sustainability financing instruments.

Based on the above, JCR has highly evaluated the fact that KHI positions sustainability issues as material operating issues, addresses them through a committee on sustainability issues from both practical and operational perspectives, and actively participates in external initiatives.

Response to Misconduct

Regarding governance, misconduct related to a submarine repair contract (submarine repair case)⁸² was discovered in July 2024 and fraudulent inspections during factory trials of ship engines (ship engine case)⁸³ were found out in August of the same year. In response to them, KHI set up a special investigation committee composed of external lawyers to investigate facts, analyze causes, and propose preventive measures. Subsequently, KHI published interim reports of the committee on the submarine repair case⁸⁴ in December 2024 and the ship engine case⁸⁵ in January 2025, containing recommendations including measures to prevent the recurrence. Following the recommendations, KHI has created a mechanism to prevent misconduct, such as revising business workflows, utilizing digital technology (automated systems), and fostering a corporate culture that encourages employees to speak up.

The special investigation committee continued other investigations of similar cases. In December 2025, KHI published an additional investigation report on the submarine repair case and an additional report on the ship engine case.⁸⁶ The reports have concluded that it is important to continue existing preventive measures as the nature of new findings is common with that of the former cases. The new cases include work hours misallocation and false fuel consumption rates for the diesel main engines of the submarine power generators.

As mentioned above, KHI is taking preventive measures based on the reports provided by the special investigation committee on the misconduct cases to date. JCR believes that KHI will be highly likely to make reporting based on reliable data. JCR expects KHI to consistently take preventive measures based on the respective reports of the special investigation committee.

⁸² Illegal gifts to crew members of submarines of the Marine Self-Defense Force

⁸³ Manipulation of inspection devices at factory trials of ship engines to falsify data

⁸⁴ (Progress on Disclosed Matters) Notice Regarding the Findings of the Special Investigative Committee for Submarine Repairs (Interim Report) and Measures to Be Implemented in Response (Progress on Disclosed Matters)
https://global.kawasaki.com/news_241227-1e.pdf

⁸⁵ (Progress on Disclosed Matters) Notice Regarding the Findings of the Special Investigative Committee for Marine Engines (Interim Report)
https://global.kawasaki.com/news_250124-1e.pdf

⁸⁶ (Progress on Disclosed Matters) Notice Regarding the Additional Investigation Findings for Submarine Repairs and Marine Engines, and Measures to Prevent Recurrence
https://global.kawasaki.com/news_251226-1e.pdf

V. Alignment with Requirements of Climate Transition Bond Guidelines

The CTBG published by ICMA in November 2025 was formulated to introduce a standalone Climate Transition Bond label in order to support financing of projects implemented by high-emitting sectors and/or involved in high-emitting activities for achieving the goals of the Paris Agreement.

The CTBG provides the following four core components for evaluating use-of-proceeds bonds. In this section, JCR assesses alignment of the Master Framework with the safeguards of the CTBG.

Requirements of CTBG

1. Use of Proceeds
Align with five safeguards and additional safeguards on fossil fuel
2. Process for Project Evaluation and Selection
Provide information on eligibility as a transition project, safeguards, classification, and exclusion criteria
3. Management of Proceeds
Ensure that proceeds are allocated to green/transition projects without fail, have an easy tracking mechanism for the allocated proceeds, and disclose such information
4. Reporting
Have a detailed and effective plan for a system to provide information to investors, etc.

JCR's Evaluation

1. Use of Proceeds

For details of the use of the proceeds of the Master Framework, please refer to "I. Use of Proceeds, Evaluation Phase 1, Chapter 4" herein.

As to alignment of the use of the proceeds with the five safeguards required in this section, JCR has confirmed in "2-2. Consistency with Safeguards of Climate Transition Bond Guidelines" that the use of the proceeds of the Master Framework meets the five safeguards of the CTBG.

2. Process for Project Evaluation and Selection

For the selection standards and processes for the use of the proceeds of the Master Framework, please refer to "I. Selection Standards and Processes for Use of Proceeds, Evaluation Phase 2, Chapter 4" herein.

Alignment with requirements in this section, including the above five safeguards, is disclosed herein. Accordingly, JCR has assessed that the process for project evaluation and selection meets the relevant requirements of the CTBG.

3. Management of Proceeds

For the management of the proceeds of the Master Framework, please refer to "II. Management of Proceeds, Evaluation Phase 2, Chapter 4" herein.

As above, JCR has assessed that the Company ensures that proceeds are allocated to green/transition projects, has an easy tracking mechanism for the allocated proceeds, and appropriately provides such information.

4. Reporting

For reporting of the Master Framework, please refer to “III. Reporting, Evaluation Phase 2, Chapter 4” herein.

As above, JCR has assessed that the Company has a detailed and effective plan for a system to disclose information to investors, etc.

Based on the above, JCR has assessed that the Master Framework meets the requirements of the CTBG.

VI. Alignment with Requirements of Transition Loan Principles (Exposure Draft)

The GTL's TLP (Exposure Draft) published in October 2025 by the LMA, the APLMA, and the LSTA is intended to provide a practical framework focused on transition loans for market participants to identify and assess the use of the proceeds from use-of-proceeds bonds.

The TLP provides the following five components for evaluating the above use-of-proceeds bonds. In this section, JCR assesses alignment of the Master Framework with the requirements of the TLP.

Requirements of TLP

1. Entity-level Transition Strategy

- A credible entity-level transition strategy should be evidenced through a published or actively developed transition plan or planning process and/or a robust set of indicators showing alignment with recognized transition frameworks and science-based decarbonization pathways.

2. Use of Proceeds

- Proceeds are allocated to transition projects, which is appropriately described in the finance documents and the Master Framework.
- Transition projects are not yet aligned with the goals of the Paris Agreement but on a credible pathway toward net-zero GHG emissions with quantifiable, substantial, and clear reductions of GHG emissions within a specific timeframe.

3. Project Evaluation and Selection

- To support the integrity and transparency of transition finance, borrowers clearly communicate to lenders the rationale and governance behind the selection of eligible transition projects. This includes:
 - Project eligibility and alignment with sectoral pathways or taxonomies
 - Absence of low-carbon alternatives available in the market
 - Environmental and social risk management
 - Carbon lock-in risk assessment

4. Management of Proceeds

- The proceeds of a transition loan are credited to a dedicated account or otherwise tracked in an appropriate manner.
- Transition loans undergo a formal internal process linked to the borrower's loan debt and investment operations.
- Temporary placement for the balance of unallocated proceeds is made known to the lenders.

5. Reporting

- Borrowers make and keep readily available up-to-date information on the use of the proceeds, and such information is renewed at least annually until the transition loan is fully allocated.
- The information is renewed on a timely basis in the event of material developments.
- Such reporting includes:
 - A list of transition projects to which the transition loan proceeds have been allocated and a brief description of the projects;
 - The amounts allocated to each transition project; and
 - The expected and, where feasible, achieved impact and contribution to a transition strategy.

JCR's Evaluation

1. Entity-level Transition Strategy

For details of KHI's transition strategy, please refer to "2-2 Consistency with Elements of Climate Transition Finance Handbook, Chapter 2."

As above, JCR has confirmed that the KHI's transition strategy meets the requirements of the TLP.

2. Use of Proceeds

For details of the use of the proceeds in the Master Framework, please refer to "I. Use of Proceeds, Evaluation Phase 1, Chapter 4" herein. In the section, JCR assesses eligibility of transition projects. The use of the proceeds in the Master Framework includes green and transition projects. The TLP (exposure draft) designates only eligible transition projects to be financed by transition loans but not green projects. Therefore, borrowers are required to finance only transition projects through transition loans. JCR has confirmed that KHI raises funds through transition loans to solely finance transition projects.

Accordingly, JCR has assessed that the eligibility of the use of the proceeds in the Master Framework meets the requirements of the TLP.

3. Project Evaluation and Selection

For the selection standards and processes for the use of the proceeds in the Master Framework, please refer to "I. Selection Standards and Processes for Use of Proceeds, Evaluation Phase 2, Chapter 4" herein.

i. Project Eligibility and Alignment with Sectoral Pathways or Taxonomies

JCR has confirmed in "I. Use of Proceeds, Evaluation Phase 1, Chapter 4" the eligibility of the use of the proceeds that KHI designates as eligible transition projects and in (3), "2-2 Consistency with Safeguards of Climate Transition Bond Guidelines, Evaluation Phase 1, Chapter 4" their alignment with sectoral pathways or taxonomies.

Accordingly, JCR has assessed that the Master Framework meets this requirement.

ii. Absence of Low-carbon Alternatives Available in Market

JCR has assessed alignment with this requirement in (2), "2-2 Consistency with Safeguards of Climate Transition Bond Guidelines, Evaluation Phase 1, Chapter 4."

Accordingly, JCR has assessed that the Master Framework meets this requirement.

iii. Environmental and Social Risk Management

JCR has assessed alignment with this requirement in "2-1. Negative Impacts on Environment and Society, Evaluation Phase 1, Chapter 4."

Accordingly, JCR has assessed that the Master Framework meets this requirement.

iv. Carbon Lock-in Risk Assessment

JCR has assessed alignment with this requirement in (5), "2-2. Consistency with Safeguards of Climate Transition Bond Guidelines, Evaluation Phase 1, Chapter 4."

Accordingly, JCR has assessed that the Master Framework meets this requirement.

4. Management of Proceeds

For management of proceeds in the Master Framework, please refer to "II. Management of Proceeds, Evaluation Phase 2, Chapter 4 herein.

JCR has assessed that management of proceeds in the Master Framework meets the requirements of the TLP.

5. Reporting

For reporting in the Master Framework, please refer to "III. Reporting, Evaluation Phase 2, Chapter 4" herein.

JCR has assessed that the reporting in the Master Framework meets the requirements of the TLP.

Based on the above, JCR has assessed that the Master Framework meets the requirements of the TLP.

Evaluation Phase 3: Evaluation Results
(Conclusion)

**SU 1(F)/
Green 1(T)(F)/
Blue 1(F)**

Based on the JCR Sustainability Finance Evaluation Methodology, JCR assigned “gs1(F)” for the “Greenness and Social Beneficial Impacts Evaluation (Use of Proceeds)” and “m1(F)” for the “Management, Operation, and Transparency Evaluation.” As a result, JCR assigned “SU 1(F)” for the “JCR Sustainability Finance Framework Evaluation.”

Also, based on the JCR Green Finance Evaluation Methodology, JCR assigned “gt1(F)” for the “Greenness/Transition Evaluation (Use of Proceeds)” and “m1(F)” for the “Management, Operation, and Transparency Evaluation.” As a result, JCR assigned “Green 1(T)(F)” for the “JCR Climate Transition Finance Framework Evaluation.” In addition, based on the JCR Green Finance Evaluation Methodology, JCR assigned “b1(F)” for the “Blueness Evaluation (Use of Proceeds),” “m1(F)” for the “Management, Operation, and Transparency Evaluation.” As a result, JCR assigned “Blue 1(F)” for the “JCR Blue Finance Framework Evaluation.”

JCR has assessed that the Master Framework meets the standards of the requirements of the Green Bond Principles, the Social Bond Principles, the Sustainability Bond Guidelines, the Green Loan Principles, the Social Loan Principles, the Green Bond Guidelines, the Green Loan Guidelines, the Social Bond Guidelines, CTFH, etc. and the SBE Guide. JCR has also assessed that the Master Framework meets the requirements of the CTBG and the TLP (Exposure Draft).

【JCR Sustainability Finance Framework Evaluation Matrix】

		Management, Operation, and Transparency Evaluation				
		m1(F)	m2(F)	m3(F)	m4(F)	m5(F)
Greenness and Social Beneficial Impacts Evaluation	gs1(F)	SU 1(F)	SU 2(F)	SU 3(F)	SU 4(F)	SU 5(F)
	gs2(F)	SU 2(F)	SU 2(F)	SU 3(F)	SU 4(F)	SU 5(F)
	gs3(F)	SU 3(F)	SU 3(F)	SU 4(F)	SU 5(F)	N/A
	gs4(F)	SU 4(F)	SU 4(F)	SU 5(F)	N/A	N/A
	gs5(F)	SU 5(F)	SU 5(F)	N/A	N/A	N/A

【JCR Climate Transition Finance Framework Evaluation Matrix】

		Management, Operation, and Transparency Evaluation				
		m1(F)	m2(F)	m3(F)	m4(F)	m5(F)
Greenness/Transition Evaluation	gt1(F)	Green 1(T)(F)	Green 2(T)(F)	Green 3(T)(F)	Green 4(T)(F)	Green 5(T)(F)
	gt2(F)	Green 2(T)(F)	Green 2(T)(F)	Green 3(T)(F)	Green 4(T)(F)	Green 5(T)(F)
	gt3(F)	Green 3(T)(F)	Green 3(T)(F)	Green 4(T)(F)	Green 5(T)(F)	N/A
	gt4(F)	Green 4(T)(F)	Green 4(T)(F)	Green 5(T)(F)	N/A	N/A
	gt5(F)	Green 5(T)(F)	Green 5(T)(F)	N/A	N/A	N/A

【JCR Blue Finance Framework Evaluation Matrix】

		Management, Operation, and Transparency Evaluation				
		m1(F)	m2(F)	m3(F)	m4(F)	m5(F)
Blueness Evaluation	b1(F)	Blue 1(F)	Blue 2(F)	Blue 3(F)	Blue 4(F)	Blue 5(F)
	b2(F)	Blue 2(F)	Blue 2(F)	Blue 3(F)	Blue 4(F)	Blue 5(F)
	b3(F)	Blue 3(F)	Blue 3(F)	Blue 4(F)	Blue 5(F)	N/A
	b4(F)	Blue 4(F)	Blue 4(F)	Blue 5(F)	N/A	N/A
	b5(F)	Blue 5(F)	Blue 5(F)	N/A	N/A	N/A

Chapter 5: Conclusion of Second Party Opinion and Evaluation

JCR provides this second party opinion on the Master Framework to notify that based on the above analysis, JCR has confirmed that the Master Framework meets the standards of the requirements of the CTFH, the Basic Guidelines on Climate Transition Finance, the CTBG, the GTL, the SLBP, the SLLP, the SLBG, and the SLLG, and is aligned with these principles, etc.

In addition, JCR assigned “SU 1(F)” for the “JCR Sustainability Finance Framework Evaluation,” “Green 1 (T)(F)” for the “JCR Climate Transition Finance Framework Evaluation,” and “Blue 1(F)” for the JCR Blue Finance Framework Evaluation. And JCR has confirmed that the Master Framework meets the requirements of the CTBG and the TLP (Exposure Draft).

(Responsible analysts for this evaluation) Daisuke Sato, Tomohiko Inamura, and Takuto Touda

Important explanations of this Evaluation

1. Assumptions, Significance and Limitations of JCR Sustainability Finance Framework Evaluation, Climate Transition Finance Framework Evaluation, Blue Finance Framework Evaluation and Second Party Opinion

JCR Sustainability Finance Framework Evaluation, Climate Transition Finance Framework Evaluation and Blue Finance Framework Evaluation, which are determined and provided by Japan Credit Rating Agency, Ltd. (JCR), cover the policies set out in the Sustainability Finance Framework, and expresses JCR's comprehensive opinion at this time regarding the appropriateness of the Green/Transition Project, Social Project and Blue Project as defined by JCR and the extent of management, operation and transparency initiatives related to the use of funds and other matters. Therefore, JCR Sustainability Finance Framework Evaluation, Climate Transition Finance Framework Evaluation and Blue Finance Framework Evaluation are not intended to evaluate the effects of specific environmental improvements and the management, operation and transparency of individual bonds and borrowings, etc. to be implemented based on these policies. In the event an individual bond or individual borrowing based on this Framework is subject to a green/transition/sustainability/ Blue finance evaluation, a separate evaluation is needed. JCR Sustainability Finance Framework Evaluation, Climate Transition Finance Framework Evaluation and Blue Finance Framework Evaluation do not prove the environmental improvement effects and social benefits of individual bonds or borrowings implemented under this Framework, and do not assume responsibility for their environmental improvement effects and social benefits. JCR confirms the environmental improvement effects and social benefits of funds procured under the Sustainability Finance Framework measured quantitatively and qualitatively by the issuer or by a third party nominated by the issuer, but in principle it does not directly measure such effects.

Furthermore, The second party opinion assigned and provided by Japan Credit Rating Agency (JCR) is a comprehensive statement of the JCR's current opinion on alignment of the target evaluation with the Sustainability-Linked Bond Principles formulated by the International Capital Market Association (ICMA,) Sustainability-Linked Loan Principles formulated by Asia Pacific Loan Market Association (APLMA,) Loan Market Association (LMA) and Loan Syndications and Trading Association (LSTA,) and the Sustainability-Linked Bond Guidelines and Sustainability-Linked Loan Guidelines developed by the Ministry of the Environment.

This second party opinion evaluates the plans or circumstance at present, based on information provided by the client and independently collected by JCR and does not guarantee the evaluation on circumstances in the future. This second party opinion does not quantitatively demonstrate positive effects through the Sustainability-Linked Loan (SLL) / Sustainability-Linked Bond (SLB,) which is based on the Framework, and JCR assumes no responsibility for its effects. JCR confirms that the achievement of the sustainability performance target is quantitatively/qualitatively measured by the borrower/issuer or a third party requested by the borrower/issuer; however, JCR, in principle, does not directly measure it.

2. Method used to conduct this evaluation

The methodologies used in this assessment are described in "JCR Green Finance Evaluation" and "JCR Sustainable Finance Framework" on the "Sustainable Finance ESG" section of the JCR website (<https://www.jcr.co.jp/en>).

3. International Initiatives or Principles Referred in Providing this Second Party Opinion

JCR refers to the following Principles and Guidelines developed by ICMA, APLMA, LMA, LSTA, the Ministry of the Environment and the United Nations Environment Program Finance Initiative in providing this evaluation.

- Sustainability-Linked Bond Principles
- Sustainability-Linked Loan Principles
- Sustainability-Linked Bond Guidelines
- Sustainability-Linked Loan Guidelines
- Positive Impact Finance Principles

4. Relationship with Acts Concerning Credit Rating Business

JCR Sustainability Finance Framework Evaluation and Climate Transition Finance Framework Evaluation are determined and provided by JCR as a related business, which is different from its activities related to the credit rating business.

5. Relationship with Credit Ratings

The Evaluation is different from the Credit Rating and does not assure to provide or browse a predetermined credit rating.

6. Third-Party Evaluation of JCR Sustainability Finance Framework Evaluation and Climate Transition Finance Framework Evaluation

There are no capital and/or personnel relationships that may result in a conflict of interests between the subject of this evaluation and JCR.

■Matters of Attention

The information contained in this document was obtained by JCR from the issuer and from accurate and reliable sources; however, such information may be mistaken for human and/mechanical errors or other reasons. Therefore, JCR makes no representation or warranty, whether express or implied, as to the accuracy, result, appropriateness, timeliness, completeness, marketability or fittingness for any particular purpose of such information, and 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 damages of any kind, including any loss of money, which may result from any use of such information under any circumstances, whether contractual liability, tort liability, negligence or other causes of liability, and whether or not such damages are foreseeable or unforeseeable. JCR Sustainability Finance Framework Evaluation and Climate

Transition Finance Framework Evaluation do not express any opinion on various risks (credit risk, price fluctuation risk, market liquidity risk, price fluctuation risk, etc.) related to green Bond, which is the target of the evaluation. Furthermore, it is an expression of JCR's opinion at the present time and does not represent facts nor does it make any recommendation regarding risk assessment or decisions on the purchase, sale or holding of individual bonds, commercial paper, etc. JCR Sustainability Finance Framework Evaluation and Climate Transition Finance Framework Evaluation may be modified, suspended or withdrawn due to changes in information, lack of information or other reasons. All rights pertaining to this document, including data from JCR Sustainability Finance Framework Evaluation and Climate Transition Finance Framework Evaluation, are held by JCR. All or part of this document, including data from JCR Green Finance Framework Evaluation, is prohibited from being reproduced, modified or otherwise altered without the permission of JCR.

■ Glossary

JCR Sustainability Finance Framework Evaluation: JCR Sustainability Finance Framework Evaluation evaluates the extent to which the funds procured from the Sustainability Finance Framework are allocated to the Sustainability Project as defined by JCR, and the extent to which the management, operation, and transparency of the Sustainability Loan are ensured. Evaluations are graded on a scale of 5(F), beginning with the top, using the SU1(F), SU2(F), SU3(F), SU4(F), and SU5(F) symbols.

JCR Climate Transition Finance Framework Evaluation: The evaluation assesses the extent to which funds raised through transition financing based on the framework will be allocated to green/transition projects as defined by JCR, as well as the degree of management, operations, and transparency initiatives related to the use of such transition financing, etc. The evaluation is on a five-point scale, from top to top, and is displayed using the rating symbols Green1 (T)(F), Green2 (T)(F), Green3 (T)(F), Green4 (T)(F), and Green5 (T)(F).

■ Status of Registration as an External Evaluator of Green Finance

- Registered as an External Reviewer of Green Bonds by the Ministry of the Environment
- ICMA (registered as an observer with the Institute of International Capital Markets)

■ Status of registration as a credit rating agency, etc.

- Credit Rating Agency: the Commissioner of the Financial Services Agency (Rating) No.1
- EU Certified Credit Rating Agency
- NRSRO: JCR has registered with the following four of the five credit rating classes of the U.S. Securities and Exchange Commission's Nationally Recognized Statistical Rating Organization (NRSRO): (1) financial institutions, broker-dealers, (2) insurance companies, (3) general business corporations and (4) governments and municipalities. If the disclosure is subject to Section 17g-7 (a) of the Securities and Exchange Commission Rule, such disclosures are attached to the news releases appearing on the JCR website (<https://www.jcr.co.jp/en/>).

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