

Japan Credit Rating Agency, Ltd. (JCR) announces its Second Party Opinion on the Sustainable Finance Framework and Sustainability Finance Framework Evaluation Results as follows:

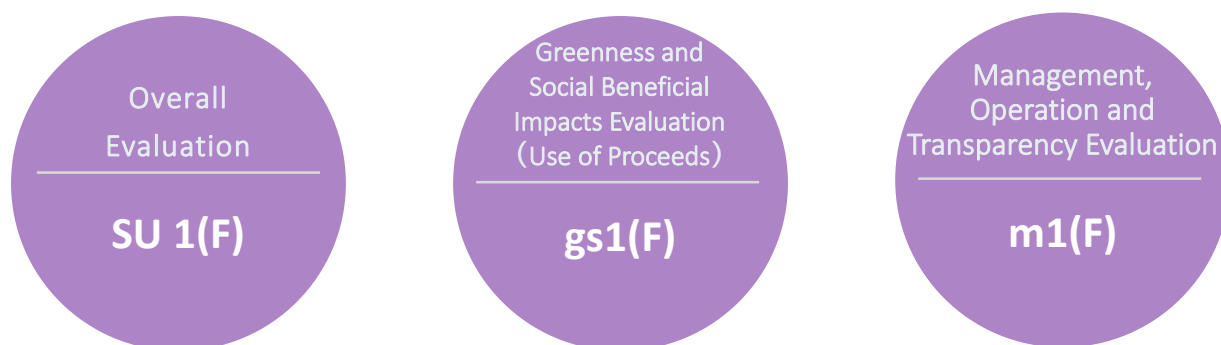
Kyushu Railway Company

Sustainable Finance Framework

Assignment

<Results of the Assessment of Compliance with the SLBP, etc. >

This framework aligns to the Sustainability Linked Bond Principles, Sustainability Linked Loan Principles and MOE Guidelines.



Issuer/Borrower	Kyushu Railway Company (security code: 9142)
Subject	Sustainable Finance Framework of Kyushu Railway Company

Evaluation Overview

▶▶▶ 1. Overview of Kyushu Railway Company.

Kyushu Railway Company (JR Kyushu or the "Company") was established in 1987 when Japanese National Railways (JNR) was divided and privatized under the Japanese National Railways Reform Act. As of the end of March 2025, the JR Kyushu Group consists of the Company, 62 subsidiaries, and 7 affiliated companies, and operates primarily throughout Kyushu in the transportation services, real estate and hotel, distribution and food service, construction, and business services segments. Consolidated operating revenue for the fiscal year ended March 2025 was JPY 454.3 billion. In its core transportation services business, the Company operates

railway and bus services. Among these, the railway business operates a total of 23 lines—comprising 2 Shinkansen lines, 8 main lines, and 13 local lines—with a total operating route length of 2,342.6 km (as of March 31, 2025). JR Kyushu’s railway business serves as a vital transportation infrastructure connecting the prefectures of Kyushu, a role it has fulfilled since the era of Japanese National Railways, while also contributing to the enhancement of Kyushu’s overall brand value and attracting tourists to the region.

In addition, the JR Kyushu Group formulated the “JR Kyushu Group Environmental Vision 2050” in February 2025. This vision reflects a long-term commitment to viewing climate change, resource circulation, and biodiversity as three interrelated themes and, by working hand in hand with local communities, business partners, and customers, to creating a future in coexistence with nature. Particularly in the area of decarbonization, it has established medium- to long-term targets of reducing GHG emissions by 60% by FY2035 compared with FY2023 levels and achieving carbon neutrality by 2050. To achieve this goal, the Company has clearly stated its policy of advancing measures integrated with its business operations, including the introduction of energy-efficient vehicles, the decarbonization of traction power, the promotion of renewable energy utilization, and the deployment of energy storage technologies.

The JR Kyushu Group has established the ESG Strategy Committee, chaired by the President and CEO and administered by the ESG Promotion Office, as a deliberative body to strengthen and advance initiatives in the environmental, social, and governance fields. The Board of Directors receives reports on the substance of these discussions and oversees management’s initiatives. In addition, to implement corporate ESG, outside directors with expertise in ESG attend meetings as observers as appropriate. In the fiscal year ended March 2025, the ESG Strategy Committee reported to the Board of Directors on four occasions on matters including the editorial policy for the integrated report and the status of ESG penetration within the Company.

▶▶▶ 2. Results of the Assessment of Compliance with the SLBP, etc.

This second party opinion is provided to confirm whether, in cases where JR Kyushu conducts financing raised for general corporate purposes under the Sustainable Finance Framework established by JR Kyushu, such financing is in alignment with Sustainability Linked Bond Principles¹, Sustainability Linked Loan Principles², Sustainability Linked Bond Guidelines³ and Sustainability Linked Loan Guidelines⁴ (collectively, the “SLBP, etc.”).

Under this framework, JR Kyushu has established the following KPI and SPT.

KPI	JR Kyushu Group’s GHG emission reduction rate in Scope1 and Scope2
SPT	The target value for the KPI is a 60% reduction in GHG emissions for Scope1 and Scope2 by fiscal year 2035 (base year: fiscal year 2023).

Of Japan’s total GHG emissions, the railway business—JR Kyushu’s principal operation—falls under the transport sector, which accounts for approximately 20% of the national total. In May 2023, the Ministry of Land, Infrastructure, Transport and Tourism published “the Vision for Carbon Neutrality in the Railway Sector”, setting forth a long-term vision for the railway sector as a whole to achieve carbon neutrality by 2050. It also

¹ International Capital Market Association (ICMA) (2024) *Sustainability-Linked Bond Principles* <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-linked-bond-principles-slbp/>

² Asia Pacific Loan Market Association (APLMA), Loan Market Association (LMA), Loan Syndications and Trading Association (LSTA) (2025) *Sustainability Linked Loan Principle* <https://www.lsta.org/content/sustainability-linked-loan-principles-sllp/>

³ Ministry of the Environment (2024) *Sustainability Link Bond Guidelines* <https://www.itvn.go.jp/content/000062348.pdf>

⁴ Ministry of the Environment (2024) *Sustainability Link Loan Guidelines* <https://www.itvn.go.jp/content/000062348.pdf>

presented a specific reduction target of cutting CO₂ emissions to approximately 46% of the FY2013 level by the 2030s, underscoring the need for reductions in GHG emissions in the railway sector as well. In addition, JR Kyushu has set a long-term target of reducing GHG emissions (Scope1 + Scope2) across the entire Group to net-zero by 2050, and has established “60% reduction of GHG emissions by FY2035 (compared to FY2023)” as a KPI for the materiality, thereby positioning the reduction of GHG emissions as a key priority. Accordingly, this KPI is meaningful.

With respect to this SPT, based on a comparison with the Government of Japan’s benchmark target, the medium-term target set forth in the Ministry of Land, Infrastructure, Transport and Tourism’s “Vision for Carbon Neutrality in the Railway Sector,” and the targets of industry peers, it is relatively high and ambitious.

As a characteristic of the bonds/loans under this framework, the financial and structural characteristics are designed to vary depending on the degree of achievement of the SPT. Changes may include a step-up/step-down in the interest rate, donations, and the purchase of emission credits. Until the maturity date of the bonds/loans under this framework, JR Kyushu will report annually on the status of SPT achievement on its website by each SPT determination date. JR Kyushu plans to obtain independent third-party verification of the annual performance of its KPI.

Based on the above, JCR has confirmed that this framework is aligned with the SLBP and related principles.

▶▶▶ 3. About the Sustainability Finance Framework

This evaluation report assesses whether, in cases where JR Kyushu conducts use-of-proceeds financing under the Sustainable Finance Framework, such financing conforms to the Green Bond Principles⁵, the Social Bond Principles⁶, the Sustainability Bond Guidelines⁷, the Green Loan Principles⁸, the Social Loan Principles⁹, the Green Bond Guidelines¹⁰, the Green Loan Guidelines¹¹ and Social Bond Guidelines¹². These principles and guidelines are voluntarily published respectively and are not legally regulated based on evidence. JCR conducts evaluation, referring to these principles and guidelines at present as unified domestic and global standards.

JR Kyushu has designated projects aligned with its materiality as eligible uses of proceeds under this framework. After reviewing the details of the eligibility criteria and related requirements for each use of proceeds, JCR has confirmed that all uses of proceeds generate environmental improvement effects or social benefits, and that any negative environmental or social impacts are taken into consideration and addressed appropriately.

⁵ ICMA (2025) *Green Bond Principles*
<https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/>

⁶ ICMA (2025) *Social Bond Principles*
<https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/social-bond-principles-sbp/>

⁷ ICMA (2021) *Sustainability Bond Guidelines*
<https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-bond-guidelines-sbg/>

⁸ LMA, APLMA, and LSTA (2025) *Green Loan Principles*
<https://www.lsta.org/content/green-loan-principles/>

⁹ LMA, APLMA, and LSTA (2025) *Social Loan Principles*
<https://www.lsta.org/content/social-loan-principles-slp/>

¹⁰ Ministry of the Environment (2024) *Green Bond Guidelines*
<https://www.env.go.jp/content/000128193.pdf>

¹¹ Ministry of the Environment (2024) *Green Loan Guidelines*
<https://www.env.go.jp/content/000128193.pdf>

¹² Financial Services Agency (2021) *Social Bond Guidelines*
<https://www.fsa.go.jp/en/news/2021/001.pdf>

With respect to the project selection criteria and process, departments with relevant expertise and management are appropriately involved, and transparency is also ensured. The selection process is carried out with the involvement of departments possessing specialized expertise. JR Kyushu is assessed as having appropriately established a system to ensure that the procured funds are allocated to eligible projects, and as maintaining a high level of transparency, including through disclosure of this framework on the JR Kyushu website. It is planned that reporting will appropriately disclose the status of fund allocation as well as environmental improvement effects and/or social benefits. Based on the above, JCR assesses that JR Kyushu has appropriately established its management and operational framework and that it possesses transparency.

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

Table of contents

Chapter 1: Overview of the Subject of Evaluation

- 1-1. Company Overview
- 1-2. Management Philosophy / Materiality
- 1-3. JR Kyushu Group Environmental Vision 2050
- 1-4. Sustainability Promotion Structure
- 1-5. Overview of the Sustainable Finance Framework

Chapter 2: Alignment with the Sustainability-Linked Bond Principles, etc.

- 2-1. Selection of KPI
- 2-2. Measurement of SPT
- 2-3. Characteristics of Bonds/Loans
- 2-4. Reporting and Verification
- 2-5. Conclusion Regarding Alignment with the SLBP, etc.

Chapter 3: Alignment with the Green Bond Principles, Social Bond Principles, etc.

■Evaluation Phase 1: Greenness and Social Beneficial Impacts Evaluation

I. The Overview of Use of Proceeds

JCR's Key Consideration on This Factor

Current Status of Evaluation Targets and JCR's Evaluation

- 1. Greenness and Social Beneficial Impacts of the project
 - (1) Environmental Improvement Effects of the Use of Proceeds
 - (2) Social Benefits of the Use of Proceeds
 - (3) Environmental Improvement Effects and Social Benefits of the Use of Proceeds
- 2. Negative Impacts on the Environment and Society
- 3. Consistency with SDGs

■Evaluation Phase 2: Management, Operation and Transparency Evaluation

I. Selection Standards and Processes for Use of Proceeds

JCR's Key Consideration on This Factor

Current Status of Evaluation Targets and JCR's Evaluation

- 1. Goals
- 2. Selection criteria
- 3. Processes

II. Management of the Proceeds

JCR's Key Consideration on This Factor

Current Status of Evaluation Targets and JCR's Evaluation

III. Reporting

JCR's Key Consideration on This Factor

Current Status of Evaluation Targets and JCR's Evaluation

IV. Organization's Sustainability Initiatives

JCR's Key Consideration on This Factor

Current Status of Evaluation Targets and JCR's Evaluation

■Evaluation phase 3: Evaluation result (Conclusion)

Chapter 1: Overview of the Evaluation Subject

1-1. Company Overview

Kyushu Railway Company (JR Kyushu) was established in 1987 through the division and privatization of Japanese National Railways (JNR) under the Japanese National Railways Reform Act. As of the end of March 2025, the JR Kyushu Group comprises the Company, 62 subsidiaries, and 7 affiliated companies, and operates primarily throughout the Kyushu region in the transportation services, real estate and hotels, distribution and food services, construction, and business services segments. Consolidated operating revenue for the fiscal year ended March 2025 amounted to JPY 454.3 billion.

Figure 1: JR Kyushu FY2024 Operating Revenue by Segment¹³

	FY2024 Operating Revenue (JPY100 million)	Percentage After adjustment for intersegment transactions
Transportation Services	1,693	36.2%
Real Estate & Hotels	1,434	30.5%
Distribution & Food Service	670	14.7%
Construction	1,006	9.5%
Business Services	825	9.2%
Total (after adjustment for intersegment transactions)	4,543	

With regard to its core transportation services business, the Company operates railway and bus services. Among these, the railway business operates a total of 23 lines—comprising 2 Shinkansen lines, 8 main lines, and 13 local transportation lines—with a total operating distance of 2,342.6 km (as of March 31, 2025). JR Kyushu's railway business serves as critical transportation infrastructure connecting the prefectures of Kyushu, a role it has fulfilled since the era of Japanese National Railways. At the same time, through its D&S (Design & Story) trains—including the “Seven Stars in Kyushu,” which travels throughout Kyushu in sleeper-car style, and the “ARU RESSHA”—it also plays a role in enhancing the overall brand value of Kyushu and attracting tourists to the region.

1-2. Management Philosophy / Materiality

JR Kyushu Group established a new management philosophy in March 2025.

¹³Prepared by JCR based on disclosure materials of the JR Kyushu Group

Our Way

Bringing the energy of Kyushu to the world

Through fascinating city building, we aim to make Kyushu more lively and more exciting.
We strive to bring energy to the people living in Kyushu, those who visit Kyushu,
and people all over the world who utilize the JR Kyushu Group's service.

Our Mission

Prioritizing safety,
we put our customers first
and create stable daily life,
as well as exciting moments.

Our Conduct

Sincerity	We consistently uphold sincerity and take pride in our work, both in ourselves and in society.
Co-creation	We co-create value that connects the future with people, communities, and diverse colleagues.
Challenge	With flexible thinking, we continuously embrace challenges for growth.

Figure 2: JR Kyushu Group Management Philosophy¹⁴

JR Kyushu Group's management philosophy consists of three elements: "Our Way," "Our Mission," and "Our Conduct." It sets forth "Our Way" as "Bringing the energy of Kyushu to the world," while clearly defining its "Our Mission" as "Prioritizing safety, we put our customers first and create stable daily life, as well as exciting moments," and establishing three core values under "Our Conduct": "Sincerity, Co-creation, and Challenge." This management philosophy reflects the Group's diversified business development and its commitment to co-creating value with local communities, while being grounded in the public nature of its railway business.

In addition, at the same time as establishing its new management philosophy, the Company has also revised its materiality (key issues), which serves as the foundation for putting that philosophy into practice. Looking at the JR Kyushu Group's development from a business perspective, "Our Mission" states that "prioritizing safety, we put our customers first", and "Our Way" espouses "fascinating city-building". Accordingly, the Company has defined "our utmost mission: to create safety and pursue customer satisfaction" and "leveraging our comprehensive capabilities centered around mobility services, aiming to co-create with local communities through city building". From the perspective of the foundation for supporting its business, JR Kyushu believes the "development of human resources, the source of value creation" and "sound corporate management" are essential for realizing "Our Way". In addition, the Company has established "business development in harmony with the environment" as a materiality item toward the realization of a decarbonized, circular, and nature-friendly society.

Under "business development in harmony with the environment," three initiatives have been established. Among them, with the objective of realizing a decarbonized society, JR Kyushu has set targets for reducing GHG emissions by 60% in FY 2035 compared with FY 2023 levels and addressing Scope3 emissions.

¹⁴ JR Kyushu News Release, March 11, 2025
https://www.jrkyushu.co.jp/news/_icsFiles/afieldfile/2025/03/11/20250311_JRkyushu_Group_Management_Philosophy_and_JR_Kyushu_Group_Medium-Term_Management_Plan_2025-2027.pdf

	Materiality	Major strategies/initiatives	Major KPIs	
			Indicators	Targets (FY2028/3)
Businesses	Our utmost mission: to create safety and pursue customer satisfaction	Medium-term safety plan	Accidents in the railway business that result in fatalities among customers	0 cases
			Occupational accidents that result in fatalities among employees, etc.	0 cases
	Leveraging our comprehensive capabilities centered around mobility services, aiming to co-create with local communities through city building	CS-improvement strategy	Level of customer satisfaction ^{*1}	75.0 points or higher
		Business strategy NEW	Population along train lines	Rate of population decline lower than for Kyushu as a whole
			Promote alliances outside the Group	No quantitative target
Foundations	Development of human resources, the source of value creation	Human resource strategy ^{*2}	Results of employee attitude survey (overall level of satisfaction)	Continued YoY improvement
			Exchanges of opinions between executives and employees	40 times or more per year
			Ratio of female employees among new employees	30% or more per year
			Percentage of management positions held by employees with at least 15 years of service ^{*3}	Percentage of women not below that of men
			Retention of female employees	Monitoring annual trends
			DE&I index ^{*4}	Continued YoY improvement
	Sound corporate management	IR (institutional investors)	Ratio of male employees who take childcare leave	50% or more taking one month or more
			Continued holding of financial results briefings and the sharing and utilizing of investor opinions at board meetings	5 time or more per year
		IR (individual investors)	Holding of large meetings with outside directors	1 time or more per year
		Briefings, tours, and other opportunities to interact with individual investors	10 times or more per year	10 times or more per year
	Business development in harmony with the environment	Promotion of mutual understanding	Customer roundtable meetings	10 times or more per year
		Risk management NEW	Reinforcement of group governance	Monitor status ever six months
		Decarbonized society NEW	Reduce greenhouse gas emissions by 60% by FY2036/3 (vs. FY2024/3)	Confirm progress
		NEW	Tackle Scope 3	Set reduction targets
		Circular economy NEW	Efficient use of water resources	Reduce water consumption ^{*5} each fiscal year
		Biodiversity NEW	Biodiversity initiatives	Disclosure based on TNFD recommendations

Figure 3: JR Kyushu Materialities and KPIs¹⁵

1-3. JR Kyushu Group Environmental Vision 2050

As environmental issues become increasingly complex—such as the escalating severity of climate change, resource circulation, and the conservation of biodiversity—the JR Kyushu Group formulated its “Environmental Vision 2050” in February 2025 out of a need to further develop its existing Basic Environmental Philosophy and Policies and to present a clearer and more specific direction. This vision presents a long-term stance of viewing climate change, resource circulation, and biodiversity as three interrelated themes and, while working hand in hand with local communities, business partners, and customers, creating a future in coexistence with nature.

¹⁵ JR Kyushu Group Integrated Report 2025

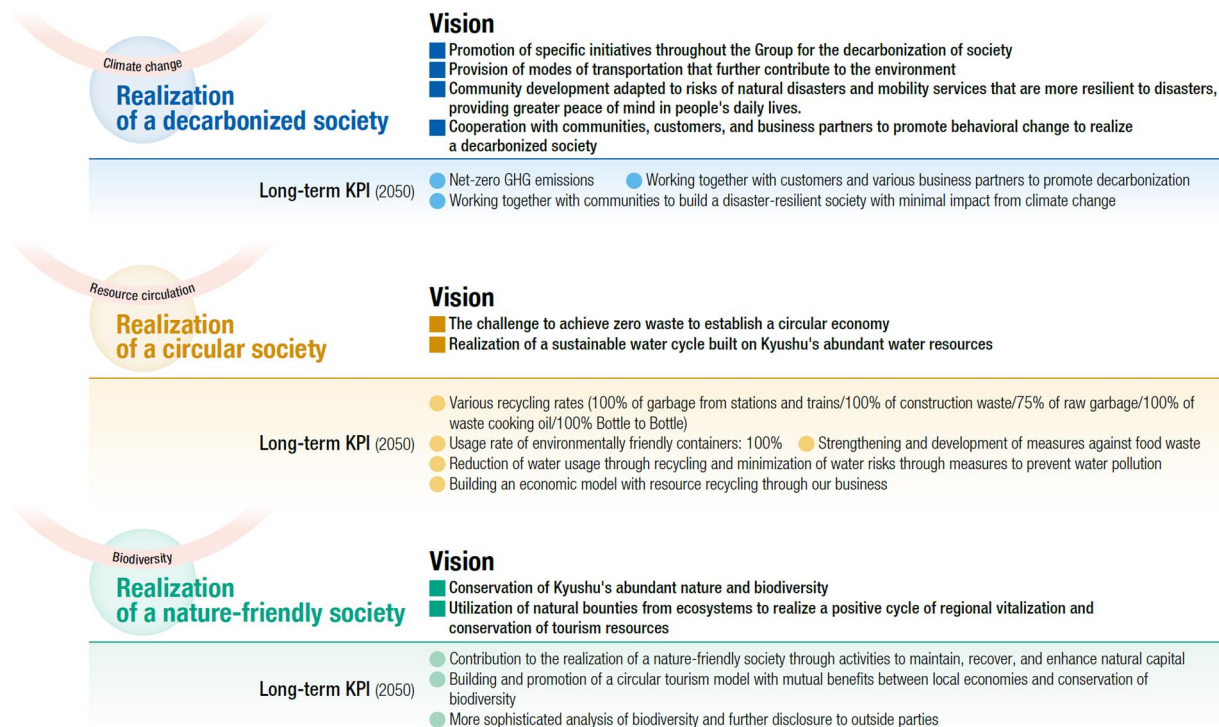


Figure 4: JR Kyushu Group Environmental Vision 2050 and Long-term KPIs¹⁶

1-4. Sustainability Promotion Framework

The JR Kyushu Group has established the ESG Strategy Committee, chaired by the President and CEO and administered by the ESG Promotion Office, as a deliberative body to strengthen and advance initiatives in the environmental, social, and governance fields. The Board of Directors receives reports on the substance of these discussions and oversees management's initiatives. In addition, to implement corporate ESG, outside directors with expertise in ESG attend meetings as observers as appropriate. In the fiscal year ended March 2025, the ESG Strategy Committee reported to the Board of Directors on four occasions on matters including the editorial policy for the integrated report and the status of ESG penetration within the Company.

¹⁶ JR Kyushu Group Environmental Vision 2050

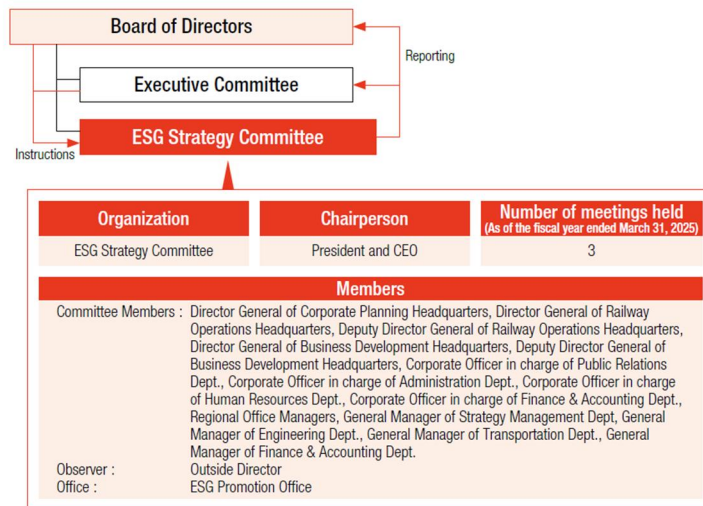


Figure 5: ESG Management Promotion System¹⁷

1-5. Overview of the Sustainable Finance Framework

The subject of this evaluation is the Sustainable Finance Framework (this framework) prepared by JR Kyushu. This Framework covers the following:

- <General Purpose Finance (the proceeds are used for general purposes)>
 - Sustainability-Linked Finance
- <Use of Proceed Finance (the proceeds are used for eligible projects)>
 - Green Finance
 - Social Finance
 - Sustainability Finance

This second party opinion and evaluation report is intended to confirm the alignment of the above financing with the following relevant principles.

Finance type	Principles
The proceeds are used for general purposes	Sustainability-Linked Bond Principles Sustainability-Linked Loan Principles Sustainability-Linked Bond Guidelines Sustainability-Linked Loan Guidelines
The proceeds are used for eligible projects	Green Bond Principles Social Bond Principles Sustainability Bond Guidelines Green Loan Principles Social Loan Principles Green Bond Guidelines Green Loan Guidelines Social Bond Guidelines

Figure 6: Relevant Principles Applicable to Financing Covered by This Framework

¹⁷ JR Kyushu Group Integrated Report 2025

Chapter 2: Alignment with Sustainability-Linked Bonds and Related Instruments

2-1. Selection of KPI

2-1-1. JCR's Key Consideration in this Factor

In this section, JCR will confirm the meaningfulness of the KPI defined in this framework. Specifically, we will check whether the investment is relevant, core and important to the issuer/borrower's overall business, has high strategic significance to the issuer/borrower's current and future business operations, and can be measured or quantified based on a consistent methodology.

2-1-2. Overview of KPI Selection and JCR's Evaluation

►►► Evaluation results

The KPI of this framework meets all of the conditions that must be met as indicated in the SLBP and other standards.

Under this framework, JR Kyushu has established the following KPI.

KPI	JR Kyushu Group's GHG emission reduction rate in Scope1 and Scope2
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The KPI selected under this framework is the GHG emissions reduction rate of the JR Kyushu Group.

This section reviews the importance of climate change initiatives in Japan's transport sector and at JR Kyushu, as well as the significance of JR Kyushu's efforts to reduce GHG emissions.

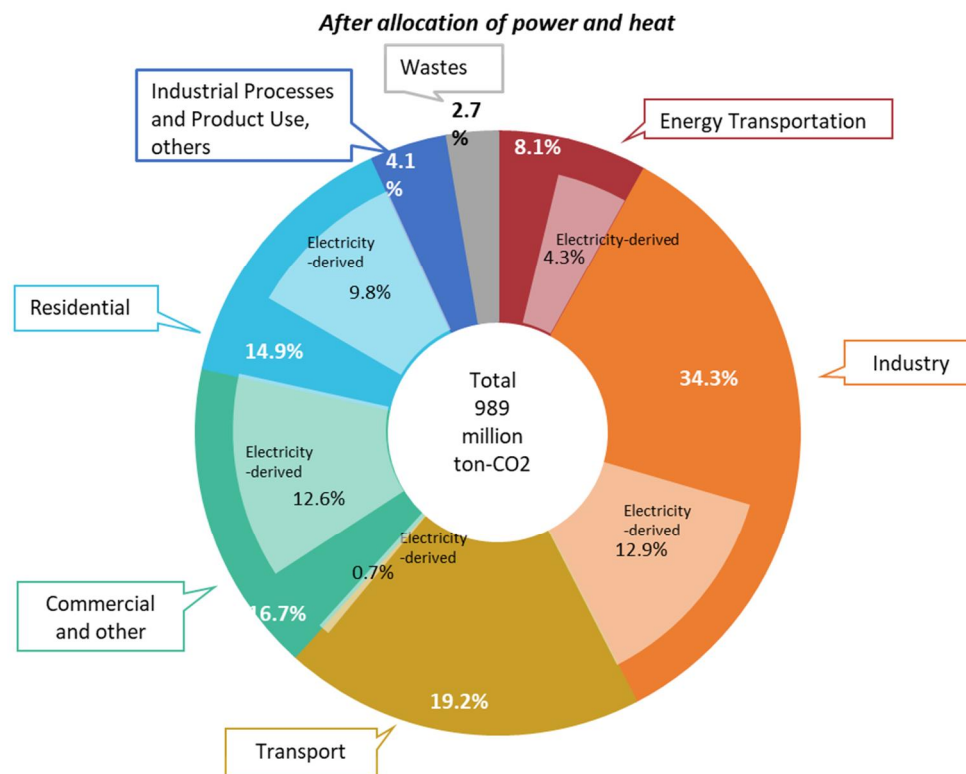
Meaningfulness of the KPI: Positioning of the transport and real estate sectors in Japan

To mitigate climate change, it is necessary to reduce emissions of GHGs, which are a cause of climate change. The Government of Japan announced in April 2021 a long-term goal of achieving carbon neutrality by 2050 and, as its NDC, declared a target of reducing emissions by 46% in FY2030 compared with FY2013¹⁸. In addition, in February 2025, Japan submitted to the United Nations its next NDC, setting targets of a 60% reduction in FY2035 and a 73% reduction in FY2040, both relative to FY2013.

Within Japan's overall GHG emissions, JR Kyushu's core railway business falls under "the transport sector", which accounts for approximately 20% of the national total. Its real estate and hotel businesses fall under "the commercial and other sector", which represents slightly less than 20% of the national total. Accordingly, efforts are required in Japan's railway sector and real estate and hotel sector to address climate change and reduce GHG emissions.

¹⁸ Ministry of the Environment <https://www.env.go.jp/earth/earth/ondanka/ndc.html>

Figure 7: Japan, FY2023, GHG emissions by sector (after allocation of electricity and heat)¹⁹



Meaningfulness of the KPI: Policies and Plans for the Railway Sector

The Government of Japan established the "Study Group on Accelerating Carbon Neutrality in the Railway Sector," composed of experts and relevant stakeholders, to examine ways to further accelerate efforts to reduce CO₂ emissions in the railway sector toward achieving carbon neutrality by 2050. In May 2023, it published "The Vision for Carbon Neutrality in the Railway Sector²⁰," which includes target setting and a roadmap, thereby presenting the railway industry with a clear decarbonization roadmap. The report sets forth a long-term vision of achieving carbon neutrality across the railway sector as a whole by 2050, while also presenting a specific reduction target of cutting CO₂ emissions to approximately 46% of the FY2013 level by the 2030s. These targets are positioned as the foundation for contributing to emissions reductions across society as a whole while further strengthening the environmental advantages inherently offered by railways.

In addition, this decarbonization roadmap is structured around three directions in order to leverage the environmental value of railways from multiple perspectives. First, to advance the decarbonization of railway operations themselves through measures such as improving the energy efficiency of train cars and facilities and introducing renewable energy. Second, to advance decarbonization through the use of railway assets. For example, by leveraging extensive assets such as stations, rail lines, and railway property to contribute to the local supply of renewable energy and energy management.

¹⁹ Ministry of the Environment document (<https://www.env.go.jp/content/000310279.pdf>) translated by JCR

²⁰ Ministry of Land, Infrastructure, Transport and Tourism document <https://www.mlit.go.jp/report/press/content/001611572.pdf>

Third, there is a need to contribute to decarbonization across society as a whole by encouraging the use of railways, which emit less CO₂ than other modes of transport, thereby reducing emissions from overall passenger movement. The Government of Japan has indicated that, by combining these three directions, the railway sector should steadily advance toward achieving carbon neutrality by 2050.

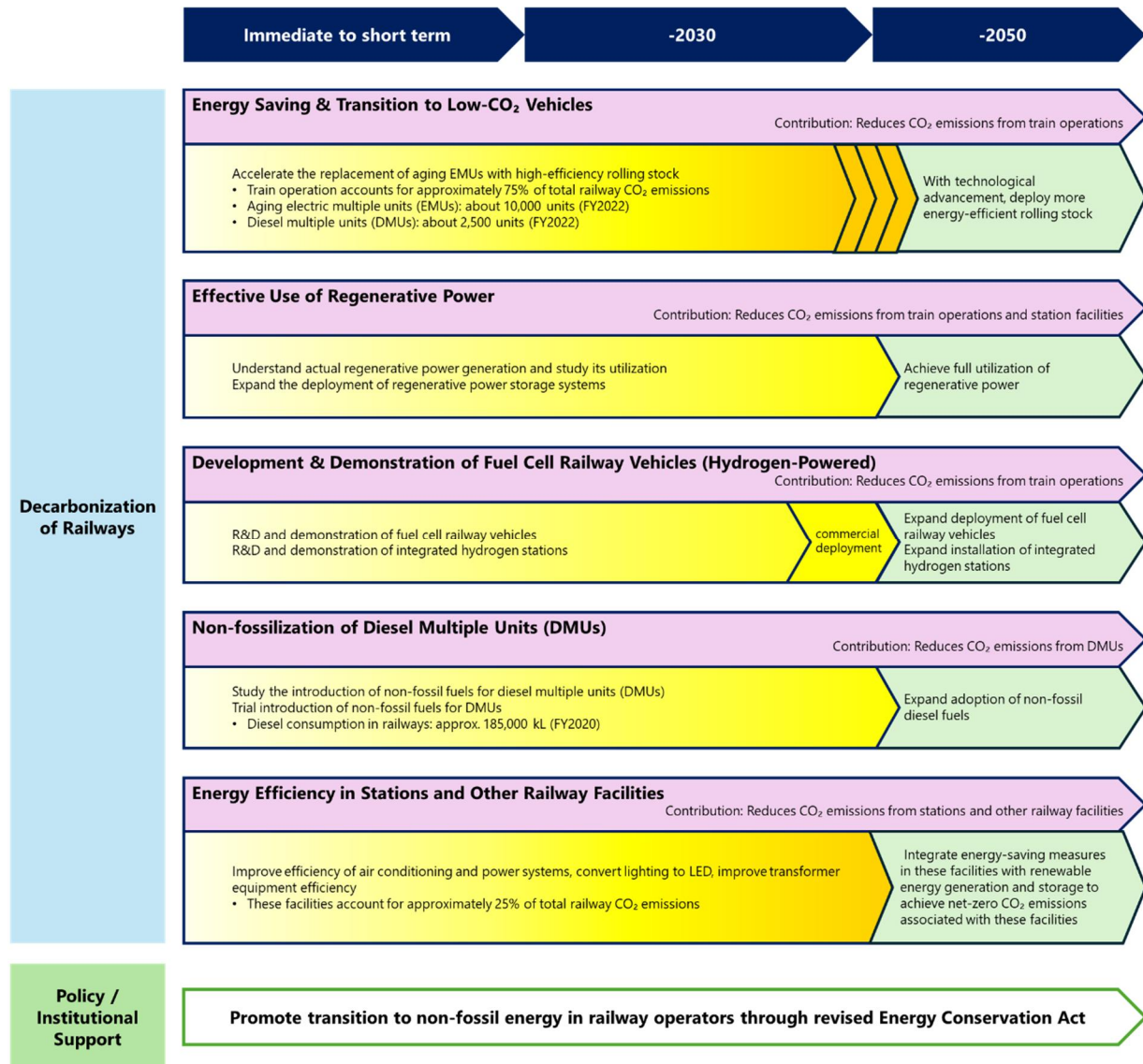


Figure 8-1: Roadmap of Individual Measures²¹

²¹ Ministry of Land, Infrastructure, Transport and Tourism <https://www.mlit.go.jp/report/press/content/001611572.pdf> (translated by JCR)

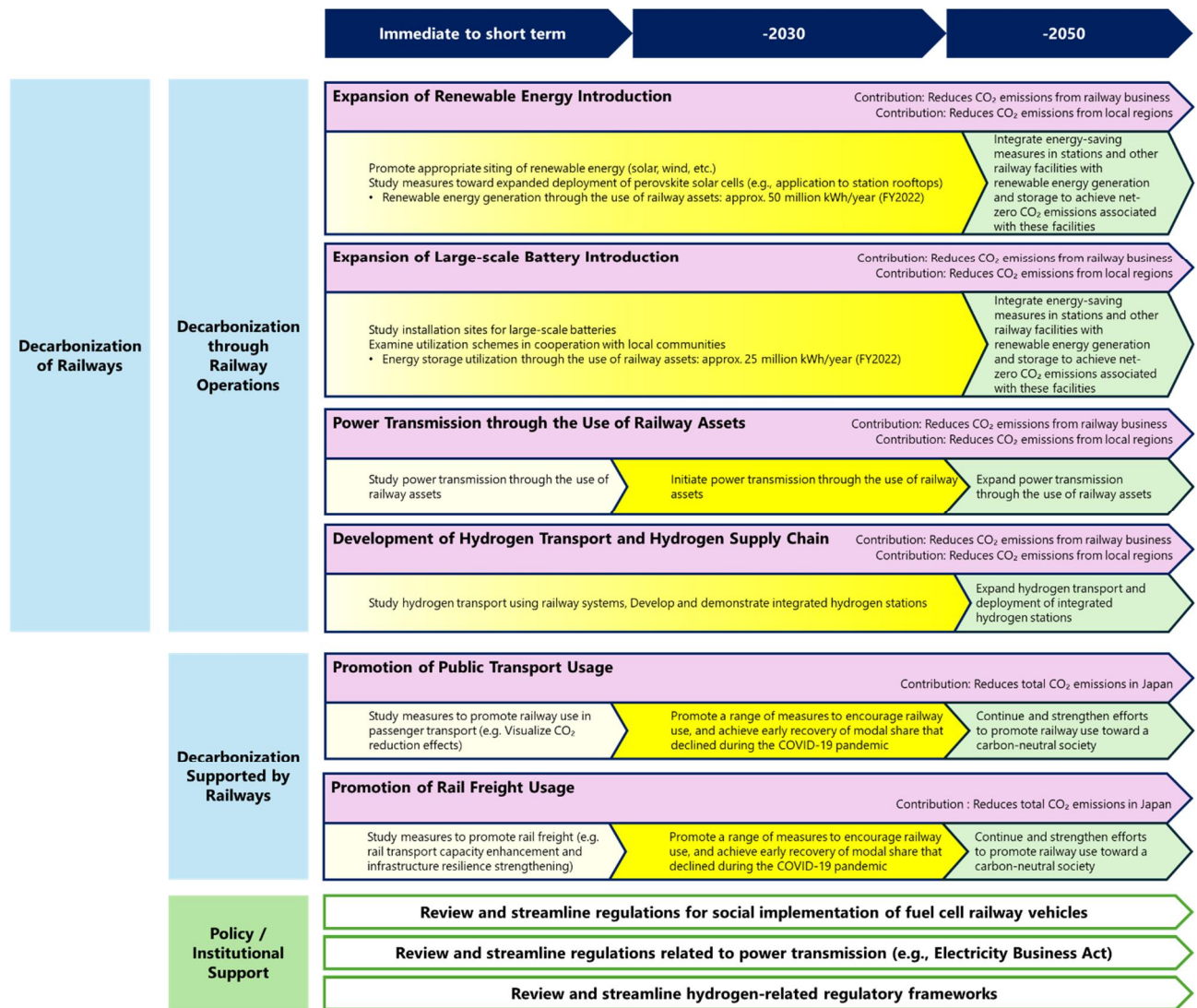


Figure 8-2: Roadmap of Individual Measure²¹²¹

In light of the above, decarbonization and GHG emissions reduction are important in the railway sector.

[Meaningfulness of the KPI: The Positioning of KPI at JR Kyushu]

The JR Kyushu Group's total GHG emissions for FY 2024 amounted to 1.609 million t-CO₂, with the breakdown as follows.

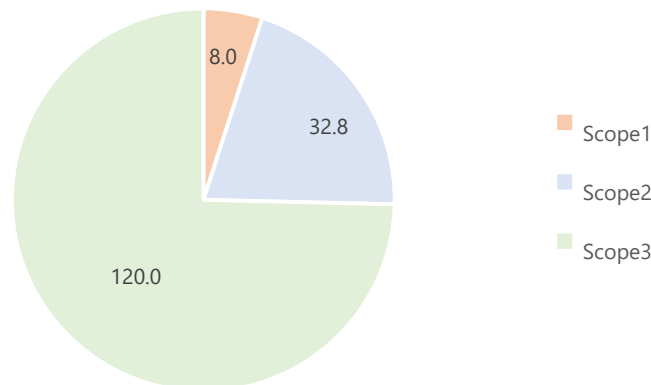


Figure 9: JR Kyushu Group GHG Emissions (FY2024) Unit: 10,000 t-CO₂

JR Kyushu has set a long-term target of achieving net-zero GHG emissions (Scope1 + Scope2) across the entire Group by 2050, and, as a KPI under the materiality issues described above, has established a target of reducing GHG emissions by 60% by FY 2035 (compared with FY 2023).

Accordingly, adopting the GHG emissions reduction rate for Scope1 + Scope2 as a KPI lies at the core of JR Kyushu's decarbonization strategy and can be said to be meaningful in enhancing the sustainability of its business operations. In light of the above, JCR considers the KPI of the GHG emissions reduction rate to be a core, important, and meaningful indicator that is aligned with JR Kyushu's materiality.

In addition, with regard to Scope3, which has not been set under this SPT, the Company plans to accelerate reductions through the supply chain going forward. At present, it has obtained third-party assurance for emissions across the entire group and is currently considering reduction targets.

[Whether measurement or quantification based on a consistent methodology is possible (external verifiability)]

This KPI is calculated based on the GHG Protocol. As this KPI is calculated in accordance with internationally recognized rules, it is quantified using a consistent methodology and can be subject to external verification.

Based on the above, JCR has confirmed the materiality of the KPI under this framework.

2-2. Measurement of SPT

2-2-1. JCR's Key Consideration in this Factor

This section reviews the level of ambition associated with the SPT under this framework. Specifically, confirmation will be made from the perspectives of whether the SPT represent ambitious targets, such as demonstrating material improvement in the selected KPI and exceeding the Business as Usual (BAU) trajectory (i.e., the trajectory in the absence of the project or under a status quo scenario); whether they are comparable, where possible, with benchmarks or external reference values; whether they are aligned with the issuer's/borrower's overall sustainability strategy and business strategy; and whether the SPT is determined based on a predefined timeline (such as a target year) by the commencement of the financing.

2-2-2. Overview of SPT Measurement and JCR's Evaluation

►►► Evaluation results

The SPT of this framework meets all of the conditions that must be met as specified in the SLBP and other standards.

JR Kyushu has established the following SPT under this framework.

SPT	The target value for the KPI is a 60% reduction in GHG emissions for Scope1 and Scope2 by fiscal year 2035 (base year: fiscal year 2023).
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i Comparison with past performance (whether it is ambitious beyond BAU)

Past KPI performance is as follows.

KPI	Unit	FY2022	FY2023 (Base Year)	FY2024
Scope1 and Scope2 GHG emissions/reduction rate	1000 t-CO ₂	309	463	409
	Year-on-year (%)		—	▲11.7%
	Compared with the base year (%)		-	▲11.7%

Figure 10: JR Kyushu KPI Performance²²

JR Kyushu established a framework in 2022 for calculating the Group's overall GHG emissions and began full-scale aggregation in 2023. Accordingly, the scope of calculation differs between FY2022 and FY2023/FY2024. Although emissions increased by 49.8% from FY2022 to FY2023, this was attributable to factors including the expansion of the aggregation scope. Meanwhile, emissions shifted to a decline of 11.7% from FY2023 to FY2024, attributable to factors such as the accelerated replacement with energy-efficient vehicles, the promotion of renewable energy adoption, and the advancement of energy conservation and more sophisticated operations at the Company's own facilities.

²²Prepared by JCR based on interviews with JR Kyushu

Going forward, it will be necessary to reduce the remaining 48.3% over the 11 years until the SPT target year (FY2035), which is equivalent to an annual reduction rate of 4.4%. In the future, as available GHG reduction measures gradually become more limited, it is expected to be highly challenging to continue achieving reductions equivalent to 4.4% per year.

ii Comparison with benchmarks (scientific evidence, etc.)

[National and Industry Targets]

Compared with the Government of Japan's target announced in February 2025 of 'a 60% reduction in FY2035 compared with FY2013 (equivalent to an annual reduction rate of 2.7%),' this SPT represents a high level, with a 5.0% annual reduction relative to the base year and a 4.4% annual reduction relative to the most recent year.

In the transport industry to which JR Kyushu belongs, the medium-term target set out in the Ministry of Land, Infrastructure, Transport and Tourism's aforementioned "Vision for Carbon Neutrality in the Railway Sector" — namely, "to reduce CO₂ emissions by approximately 46% in the 2030s compared with FY2013" — is required, and this SPT is at a high level even in comparison with that target.

[Comparison with Scientific Evidence]

SBT (Science Based Targets) is internationally recognized as a scientific GHG emissions reduction target that is aligned with the level required under the Paris Agreement. Under SBT, a reduction in total emissions of at least 4.2% per year is required to achieve the 1.5-degree target. The SPT established by JR Kyushu calls for an annual reduction of 5% from the base year of FY2023 and an annual reduction of 4.4% from the most recent year of FY2024, making it a more ambitious target than the SBT standard.

[Comparison with Industry Peers]

Compared with the targets of other JR companies established through the breakup and privatization of Japanese National Railways, this SPT set by JR Kyushu is more ambitious.

iii Plans and initiatives toward achieving the SPT

In its Environmental Vision 2050, JR Kyushu has published the following roadmap.

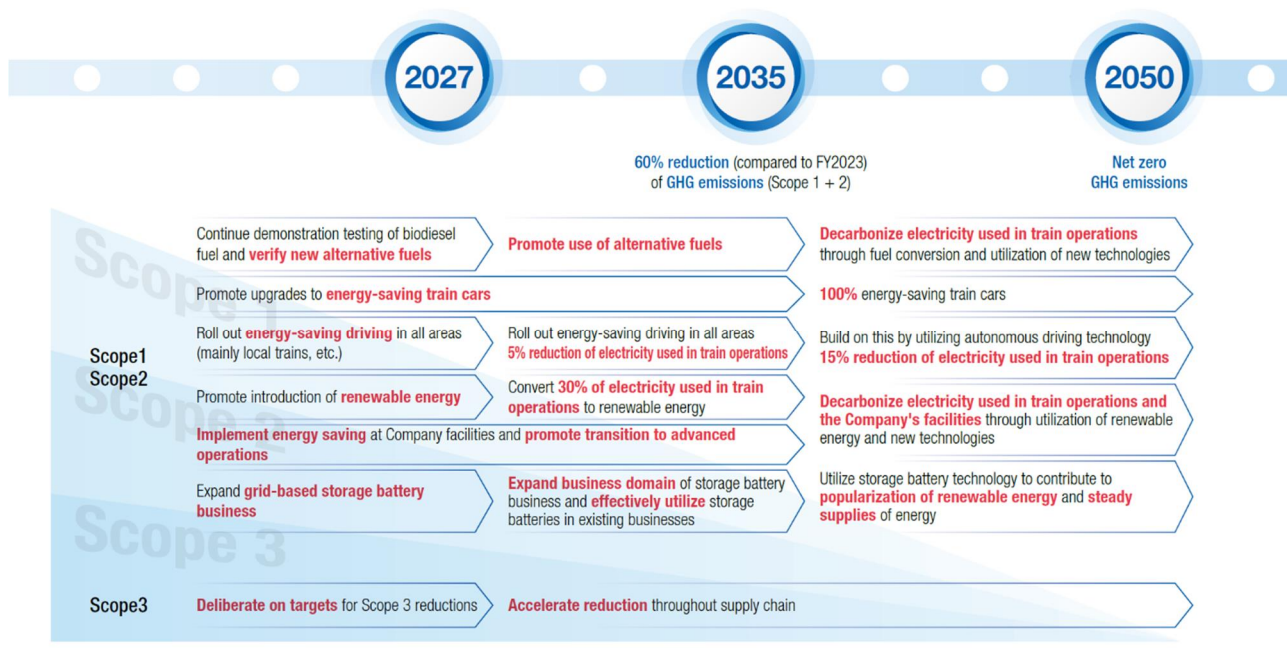


Figure 11: JR Kyushu Group Environmental Vision 2050 Roadmap for Realizing a Decarbonized Society²³

Based on the above roadmap, JR Kyushu plans to promote the following measures to achieve this SPT.

- (1) Promote upgrades to energy-saving train cars
- (2) Roll out energy-saving driving in all areas
- (3) Promote introduction of renewable energy
- (4) Implement energy saving at Company facilities and promote transition to advanced operations
- (5) Expand business domain of storage battery business and effectively utilize storage batteries in existing businesses

With regard to item (1), for the older 811 and 813 series train cars, work will proceed to upgrade the main circuit control system from thyristor phase control, which entails significant power loss, to low-loss SiC hybrid VVVF inverter control, thereby substantially improving energy-saving performance. In addition, converting the seating layout to longitudinal seating will improve transport efficiency and also help alleviate peak-hour congestion. Furthermore, the Company will proceed with the construction of new next-generation hybrid train cars, namely battery-equipped diesel-electric trains (YC1 series). The YC1 series significantly reduces fuel consumption compared with conventional JNR-type diesel railcars by charging regenerative braking power to onboard storage batteries during braking and reusing it during acceleration.

Item (2), "energy-saving driving," refers to an operating method that maintains the required travel time between stations while limiting the maximum speed, shortening the acceleration time, extending coasting (the period of inertial running with the notch off), and shortening the deceleration

²³ JR Kyushu Group Environmental Vision 2050

time. By deploying this operating curve across all lines, the aim is to reduce electricity consumption for railway operations by 5% by FY 2035.

For item (3), JR Kyushu will expand the procurement and deployment of renewable energy, with the goal of supplying 30% of the electricity used for railway operations from renewable sources.

Item (4) will further deepen initiatives already underway—such as converting lighting at stations and related facilities to LED, upgrading to high-efficiency air-conditioning equipment, and optimizing operations through energy management systems—in order to achieve even greater energy-saving effects.

Item (5) does not contribute directly to Scope1 + Scope2 reductions; however, it is important from the perspectives of promoting the wider adoption of renewable energy and stabilizing the power grid. Within the Kyushu Electric Power service area, the high share of renewable energy has resulted in output control (curtailment of renewable power generation) occurring more frequently than in other regions, which has become a factor hindering the further expansion of renewable energy adoption. JR Kyushu will expand its energy storage business and, by using storage batteries to absorb and utilize surplus electricity from renewable energy sources, will promote the effective use of renewable energy and indirectly contribute to the achievement of the SPT.

2-2-3. Impact Assessment by JCR

JCR confirmed the increase in positive impacts and the degree of avoidance, management and reduction of negative impacts related to SPT in this framework in accordance with the five perspectives of the impact assessment criteria exemplified in the fourth principle of the Positive Impact Finance Principles formulated by the United Nations Environment Program Finance Initiative (UNEP FI).

① Diversity: Will variety of positive impacts be delivered?

Under this framework, the SPT is limited in its impact solely to “Climate Stability” among the impact areas/topics defined by UNEP FI, as set out below.

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
		Healthcare & sanitation	Education	Mobility
		Connectivity	Culture & heritage	Finance
	Livelihood	Employment	Wages	Social protection
	Equality & justice	Gender equality	Ethnic / racial equality	Age discrimination
Socio-economic	Strong institutions, peace & stability	Rule of law		Civil liberties
	Healthy economies	Sector diversity		Flourishing MSMEs
	Infrastructure			
	Convergence			
Natural environment	Climate stability			
	Biodiversity & ecosystems	Waterbodies	Air	Soil
		Species	Habitat	
	Circularity	Resource Intensity		Waste

In addition, the SPT under this framework is expected to have an impact across all stages of JR Kyushu's supply chain.

	[Procure]	[Produce]	[Transport]	[Use]	[Disposal]
Transportation services		○	○	○	
Real Estate and Hotels			○	○	
Distribution / Food Service		○	○	○	
Construction		○	○		
Business services			○		

② Effectiveness: Will magnitude impacts be delivered?

JR Kyushu operates businesses primarily throughout the Kyushu region in segments such as transportation services, including railways, as well as real estate and hotels, and construction, and recorded operating revenue of JPY 454.3 billion for the fiscal year ended March 2025. JR Kyushu's railway business, its founding business, has a total operating route length of 2,342.6 km and serves as critical transportation infrastructure connecting the prefectures of Kyushu.

As noted above, JR Kyushu plays a major role in the Kyushu region as a transportation provider linking the prefectures of Kyushu, and its SPT target of reducing GHG emissions by 60% in FY 2035 compared with FY 2023, together with the related initiatives, will have a significant impact on the railway business and transport sector in the Kyushu region.

③ Efficiency: Will large scale of impacts relative to amount of funds spent be delivered?

The JR Kyushu Group, in its "Environmental Vision 2050", identifies climate change, resource circulation, and biodiversity as three interrelated thematic areas and sets out its long-term stance. The SPT under this framework are aligned with that vision and contribute to the realization of a decarbonized society, one of the material issues identified by the JR Kyushu Group.

The JR Kyushu Group has established the "ESG Strategy Committee" as a deliberative body to strengthen and promote ESG management, and it reviews responses to climate change, GHG reduction, and related matters. Going forward, initiatives aimed at achieving this SPT are also expected to be discussed, and ESG management is expected to be strengthened toward the realization of a decarbonized society.

Accordingly, this SPT is one of the important measures for enhancing the corporate value of the JR Kyushu Group, and because it is being advanced by management through governance frameworks such as the ESG Strategy Committee, it is expected to generate a significant impact relative to the invested capital.

④ **Multiplication: Will private funds be used to a greater extent than public funds and/or donations?**

With respect to the impact associated with the SPT under this framework, this item is outside the scope of evaluation.

⑤ **Additionality: Will additional impacts be delivered**

The SPT of this framework is expected to have additional impacts on multiple goals and targets out of the 17 goals and 169 targets of the SDGs, as 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, to double the global rate of improvement in energy efficiency



Goal 13: Climate Action

Target 13.1. To strengthen resilience and adaptive capacity to climate-related disasters 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.

2-3. Characteristics of Bonds/Loans

2-3-1. JCR's Key Consideration in this Factor

JCR will confirm, as for the characteristics of bonds/loans specified in this framework, whether the interest rate of bonds/loans based on this Framework will change depending upon whether the pre-established SPT is achieved or not in this sector.

2-3-2. Overview of Bond/Loan Characteristics and JCR's Evaluation

▶▶▶ Evaluation results

The characteristics of bonds/loans defined in this Framework satisfy all of the conditions set out in the SLBP and so on.

As a characteristic of the bonds/loans prescribed under this framework, their financial and structural characteristics are designed to vary depending on the degree of achievement of the SPT. The anticipated changes include an interest rate step-up/step-down, donations, and the purchase of emissions credits.

In addition, if, after the execution of bonds/loans under this framework, an unforeseen event that materially affects the business structure (such as M&A, significant institutional changes including regulatory changes, or the occurrence of extraordinary events) arises and makes it necessary to revise the KPI definitions or the setting of the SPT, the SPT target values are expected to be reviewed in a timely manner in consultation with lenders and external institutions.

As stated above, JCR has confirmed that the characteristics of the bonds/loans defined under this framework satisfy all of the requirements that should be met as set forth in the SLBP and related guidelines.

2-4. Reporting and Verification

2-4-1. JCR's Key Consideration in this Factor

In this section, regarding the reporting specified in this framework, JCR confirms whether the latest information on the performance of the selected KPI and information that can judge the ambition of SPT are disclosed at least once a year. In addition, regarding the verification specified in this framework, JCR confirms whether independent external verification of the selected KPI results will be carried out and whether the verification contents will be disclosed.

2-4-2. Overview of Reporting and Verification and JCR's Evaluation

▶▶▶ Evaluation results

The reporting and verification specified in this Framework meet all the conditions to be met shown in the SLBP and so on.

Until the redemption/repayment due date of the bonds/loans, JR Kyushu is to report annually on its website on the status of SPT achievement by the SPT determination date.

JR Kyushu plans to have its annual KPI performance verified by an independent third party and to disclose the results on its website. In addition, JCR has confirmed that, as of the present time, third-party verification of the KPI has been conducted and that the verification report has been disclosed on the Company's website.

Based on the above, JCR has confirmed that the reporting stipulated for the bonds/loans satisfies all of the required conditions set forth in each of the relevant principles, etc.

2-5. Conclusion on Alignment with the SLBP, etc.

Based on the above, JCR has confirmed that this framework is aligned with the SLBP, etc.

Chapter 3: Alignment with the Green Bond Principles, Social Bond Principles, etc.

Evaluation Phase 1: Greenness and Social Beneficial Impacts Evaluation

gs1(F)

I. The overview of Use of Proceeds

JCR's Key Consideration on This Factor

In this section, JCR first confirms whether the proceeds are used for projects with clear environmental improvement effects and/or projects with social benefits. Then, in cases where the use of proceeds is expected to have a negative impact on the environment and society, JCR confirms whether the impact is fully examined by an internal specialist department or an external third party and whether necessary measures have been taken for its workaround and mitigation. Finally, JCR confirms the consistency with the Sustainable Development Goals (SDGs.)

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

The projects for which JR Kyushu has designated the use of proceeds under this framework are all important initiatives that contribute to materiality and are expected to generate environmental improvement effects or social benefits.

This framework established by JR Kyushu is structured to enable procurement through green finance when the use of proceeds is limited to green projects, through social finance when the use of proceeds is limited to social projects, and through sustainability finance when the use of proceeds includes both green projects and social projects.

This Framework Concerning the Use of Proceeds

An amount equal to the total proceeds of the sustainability finance that the Company issues will be allocated to finance new investments or refinance existing investments in eligible projects. For existing investments, the use of proceeds is restricted to refinance investments whose expenditures were made, or whose environmental / social performance was affirmed, within three years prior to issuance of the sustainability finance.

Eligibility Criteria

The table below outlines the eligibility criteria for these eligible green projects.

GBP Category	Eligible project/criteria		Example of eligible project
Clean Transportation	Train Cars	■ Investments in relation to manufacturing, remodeling or replacement of train cars powered by electricity	➤ Renovation of 811 and 813 series train cars
		■ Investments in relation to manufacturing, remodeling or	➤ FC bus

		replacement of train cars powered by hydrogen	
	Railway-related Facilities	Investments in relation to construction, maintenance, repair and replacement of railway-related facilities	- Development of Next-Generation Train Cars Depot - Opening JR Kaizuka Station - Installation and enhancement of ATS-DK ground facilities (automatic train stop device) - Wireless train control system
Green Buildings	Investments in relation to construction of buildings near stations and the company owned facilities that have obtained, are expected to obtain, or are scheduled to renew the green building certifications²⁴. (LEED-BD+C (Building Design and Construction) or LEED-O+M (Building Operations and Maintenance): Gold or Platinum; CASBEE for Buildings (New Construction, Existing Buildings, and Renovation) or CASBEE for Real Estate: B+ Rank, A Rank or S Rank; DBJ Green Building Certification: 4 or 5 Stars; BELS: 4 or 5 Stars; ZEB/ZEH/ZEH-M (including Nearly, Ready, Oriented))		LOGI STATION Fukuoka Ogori
Energy efficiency	Investments in relation to the introduction and renovation of energy efficiency equipment and facilities		- LED lighting replacement - Introduction of high-efficiency air conditioning equipment²⁵
Renewable energy	- Expenditures in relation to the introduction of renewable energy equipment - Expenditures in relation to the purchase of renewable energy power - Expenditures in relation to storage battery business		- Solar energy generation on vacant land - Demonstration experiment of film-type perovskite solar cells - On-site PPA - Battery Station
Climate change adaptation	Investments in relation to the renovation and renewal of railway-related facilities to address the intensification of natural disasters (such as heavy rain and typhoons) in Kyushu caused by climate change.		Disaster preparedness railway work for Kyushu Shinkansen

The table below outlines the eligibility criteria for these eligible social projects.

SBP Category	Eligible projects/criteria		Target Population	Example of eligible project
Affordable basic Infrastructure	Train Cars	Investments in relation to making railway train cars barrier free	- Persons with disabilities - Senior - Pregnant - Children and families with children - All railway users including above	Installation of wheelchair spaces in train cars

²⁴ For certifications with an expiration date, only those within their validity period are accepted.

²⁵ Limited to equipment that shows an energy efficiency improvement of 30% or more after the upgrade.

	Railway-Related Facilities	Investments in relation to the introduction of barrier free facilities at stations	- Persons with disabilities - Senior - Pregnant - Children and families with children - All railway users including above	- Installation of platform doors - Introduction of barrier free bathrooms
		Investments in relation to renovation and renewal of railway-related facilities contributing to improved safety and security, including measures against intensifying disasters	- Disaster victims - Local residents - All railway users including above	Replacement of wooden sleepers with TPC sleepers
	Buildings	Investments and expenses in relation to the introduction and maintenance of barrier free facilities	- Persons with disabilities - Senior - Pregnant - Children and families with children - All railway users including above	Introduction of barrier free facilities in buildings and squares
		Investments and expenses in relation to the introduction and maintenance of disaster prevention equipment	Disaster victims	- Installation of disaster prevention equipment - Establishment of evacuation spaces

The table below outlines the eligibility criteria for these eligible sustainability projects.

GBP, SBP Category	Eligible projects/criteria	Target individuals	Example of eligible project
< GBP > Renewable Energy Green Buildings < SBP > Affordable basic infrastructure Socioeconomic advancement and empowerment	【Green】 - Introduction of renewable energy equipment - Investments in relation to construction of buildings near stations and the company owned facilities that have obtained, are expected to obtain, or are scheduled to renew the green building certifications²⁶. (LEED-BD+C (Building Design and	- Local businesses - Small and medium-sized enterprises, ventures, and startups - Local residents - Persons with disabilities - Senior - Pregnant	Development of the Former Site of Kyushu University Hakozaki Campus

²⁶ For authentications with an expiration date, only those within their validity period are accepted.

	Construction) or LEED-O+M (Building Operations and Maintenance): Gold or Platinum; CASBEE for Buildings (New Construction, Existing Buildings, and Renovation) or CASBEE for Real Estate: B+ Rank, A Rank or S Rank; DBJ Green Building Certification: 4 or 5 Stars; BELS: 4 or 5 Stars; ZEB/ZEH/ZEH-M (including Nearly, Ready, Oriented)) 【Social】 ■ Facilities with shelter functions in the event of disasters ■ Facilities for fostering and creating local industries and innovation²⁷ ■ Venture support²⁷ ■ Making facilities barrier free	➤ Children and families with children ➤ All facility users	
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JCR's Evaluation for the Framework

1. Environmental improvement effects and social benefits of the project

(1) Environmental improvement effects of the project

Use of proceeds 1: Clean Transportation

The use of these proceeds is for “train cars” and “railway-related facilities” in the railway business. Within the “train cars” category of this use of proceeds, there are two subcategories: “investments in relation to manufacturing, remodeling or replacement of train cars powered by electricity” and “investments in relation to manufacturing, remodeling or replacement of train cars powered by hydrogen.” For the former, the envisioned use includes the renovation of 811 and 813 series train cars, while for the latter, FC buses (fuel cell buses) are envisaged.

All of these uses of proceeds fall under “clean transportation” as defined in the Green Bond Principles and Green Loan Principles, and correspond to “projects related to clean transportation” among the examples of eligible uses of proceeds set out in the Green Bond Guidelines and Green Loan Guidelines.

■ Of the “train cars,” “Investments in relation to manufacturing, remodeling or replacement of train cars powered by electricity,” and “railway-related facilities”

Railways have an environmental advantage in that, owing to their modal characteristic of mass transportation, they are more energy-efficient than other modes of transport and emit less CO₂ per

²⁷ When allocating funds to the relevant eligible project, eligibility must be confirmed in advance with Japan Credit Rating Agency, Ltd. on each occasion.

unit of transport volume. As described below, railways have relatively low CO₂ emissions per unit of transport volume (passenger), at approximately one-seventh that of private passenger cars, one-sixth that of airplane, and one-fourth that of buses.

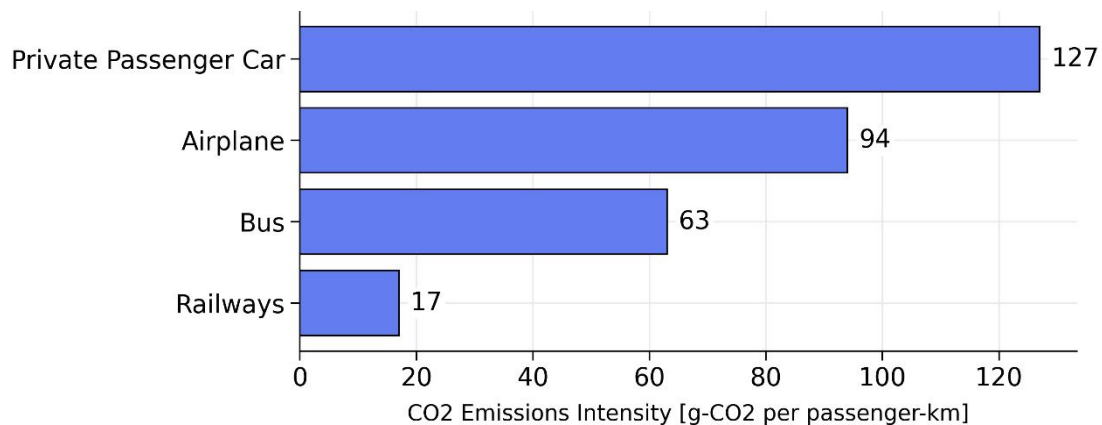


Figure 12: CO₂ emissions per unit of transport volume by mode of transport (passengers) (FY2023)²⁸

Additionally, the table below shows figures obtained by applying the GHG emissions reduction targets for the transport sector and for Japan as a whole, as set forth in the Plan for Global Warming Countermeasures, to the average CO₂ emissions per unit of transport volume for major passenger transportation modes and private passenger vehicles. Even if railways were to remain at their current level (FY2023), they would still maintain their characteristic position as an overwhelmingly superior mode of transport from an environmental perspective. To reduce CO₂ emissions across the country as a whole, it is important to enhance convenience while increasing the use of public transportation in place of private passenger cars and other modes, and in particular to promote greater use of rail, where environmental advantages can be fully realized. Therefore, among the intended uses of these proceeds, investments in “railway train cars” and “railway-related facilities” have environmental improvement effects.

	(Unit: g-CO ₂ /passenger-km)	
	When applying 35% reduction compared with FY2013 (Transport sector target)	When applying 46% reduction compared with FY2013 (Overall target)
Main passenger transport mode average (FY2013: 87)	64 (3.8 times that of railways*)	54 (3.2 times that of railways)
Private passenger car (FY2013: 149)	97 (5.7 times that of railways)	80 (4.7 times that of railways)

* For railways, the figure is 17 (g-CO₂/passenger-km) as of FY2023.

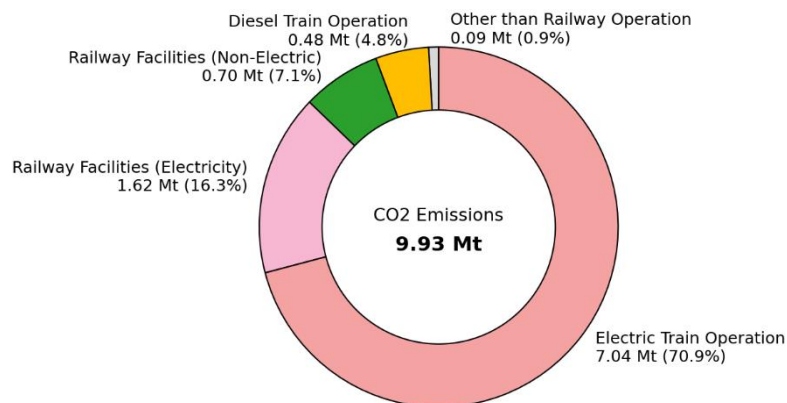
Figure 13: CO₂ emissions per unit of transport volume (average passenger transport, private passenger cars)²⁹

While railways are an environmentally superior mode of transport, the government intends to accelerate efforts to reduce CO₂ emissions in the rail sector more than ever toward achieving carbon

²⁸ Ministry of Land, Infrastructure, Transport and Tourism (Translated by JCR)

²⁹ Prepared by JCR based on the Ministry of Land, Infrastructure, Transport and Tourism, Railway Bureau, “The Vision for Carbon Neutrality in the Railway Sector”
<https://www.mlit.go.jp/tetudo/content/001611767.pdf>

neutrality by 2050. To this end, after establishing the “Study Group on Accelerating Carbon Neutrality in the Railway Sector,” composed of experts and relevant stakeholders, deliberations were conducted, and “The Vision for Carbon Neutrality in the Railway Sector,” which includes target setting and a roadmap, has been published. To achieve carbon neutrality in the railway sector, in addition to the environmental advantages inherent in railways themselves described below, it is important to decarbonize railway operations as such. Given that CO₂ emissions resulting from train operations account for approximately three-quarters of the total CO₂ emissions of railway operators, reducing these emissions is the most effective approach.



Created by the Railway Bureau based on reports required under the Act on the Rational Use of Energy, etc.

Figure 14: CO₂ Emissions of Railway Operators³⁰

Although electric trains have environmental advantages because they use electricity as their power source, some train cars with low energy efficiency remain in service due to outdated control systems and older semiconductor device structures and materials used in the control equipment. The government believes that the introduction of the latest train cars should be accelerated for such older vehicles, as replacing them with the latest models—equipped with VVVF inverter control systems³¹ incorporating semiconductor devices made from SiC (silicon carbide)³², which offer superior energy efficiency—can improve power consumption by approximately 50% to 75% and reduce CO₂ emissions.

³⁰ Ministry of Land, Infrastructure, Transport and Tourism, “The Vision for Carbon Neutrality in the Railway Sector (Overview)” (Translated by JCR) <https://www.mlit.go.jp/report/press/content/001611572.pdf>

³¹ A central power control mechanism positioned between the train’s pantograph and traction motor; using semiconductors to vary voltage and frequency, it efficiently controls the AC motor and regulates the train’s acceleration and speed. It offers higher energy efficiency than conventional resistance control and similar systems. VVVF stands for “Variable Voltage Variable Frequency.”

³² Silicon carbide (SiC) is a compound semiconductor material composed of silicon (Si) and carbon (C). By incorporating it into a VVVF inverter control system, it offers superior heat resistance, reduces switching losses during current on/off operations, and enables downsizing and weight reduction.

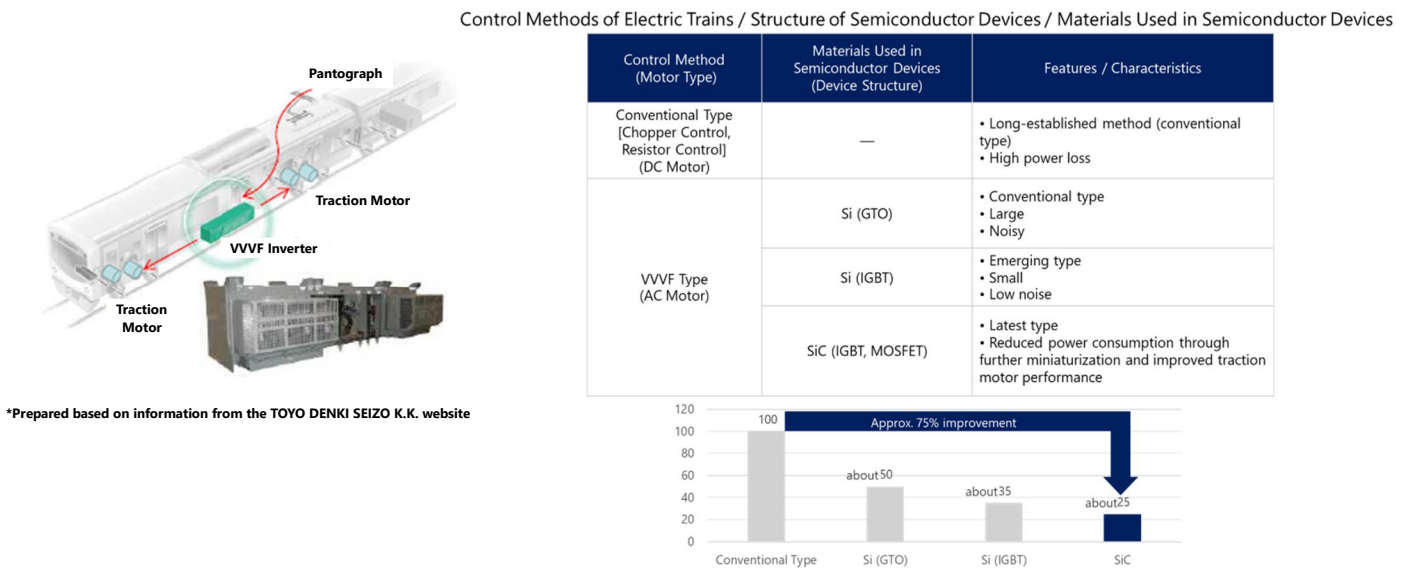


Figure 15: Comparison of performance by train control method, semiconductor device structure, and materials used in semiconductor devices³⁰

In this instance, the “railway train cars” designated by JR Kyushu as eligible for the use of proceeds refers to the renewal of the 811 and 813 series. The renewed version of the 811 series suburban electric train is a vehicle equipped with new systems, based on the concept of “Old is New: A Train of Tradition and Innovation.” The drive motors and control equipment have been completely renewed, with the control system changed to VVVF control employing energy efficient SiC hybrid modules; environmental impact has also been reduced through measures such as the adoption of regenerative braking and the conversion of interior lighting to LED. For the refurbished Series 813 trains as well, a VVVF control system has been introduced in the same manner as for the Series 811 trains. In addition, the seating is scheduled to be changed from reversible cross seats, which allow passengers to sit facing the direction of travel, to longitudinal seats arranged parallel to the doors, thereby increasing the capacity per trainset (three cars) by 90 passengers and contributing to a reduction in CO₂ emissions per unit of transport volume.

Accordingly, investment in the renewal of the 811 and 813 series is aligned with the national policy of achieving carbon neutrality by 2050 and has environmental improvement effects.

■ Of the “train cars,” “Investments in relation to manufacturing, remodeling or replacement of train cars powered by hydrogen”

The FC bus (fuel cell bus) covered by the use of proceeds under this financing refers to a bus that generates electricity through a chemical reaction in the onboard fuel cell between hydrogen stored in hydrogen tanks mounted on the upper part of the bus body and oxygen in the air and runs by powering a motor with that electricity. Unlike diesel and gasoline vehicles, which run by burning fuel in an engine, FC buses emit no environmentally harmful substances such as CO₂ and therefore have environmental improvement effects.

The Government of Japan, in its Seventh Strategic Energy Plan, has stated its aim of achieving zero CO₂ emissions throughout the automobile lifecycle by 2050 in pursuit of carbon neutrality in the automotive sector, and, under the following “electrification targets,” is promoting the widespread adoption of “electrified vehicles”³³. In addition, within the lineup of next-generation vehicles designated by the Ministry of Land, Infrastructure, Transport and Tourism³⁴, fuel cell buses are clearly positioned as one of the means of transportation in urban areas.

5. Automobile & Battery Industry

Key Future Initiatives

- **Set electrification targets.**
 - Passenger vehicles: Achieve 100% electric vehicles in new car sales by 2035.
 - Commercial vehicles:
 - For small and light vehicles, aim for 20–30% electric vehicles in new sales by 2030.
 - Achieve 100% electrification (including zero-emission fuels) by 2040.
 - For large vehicles, introduce 5,000 advanced vehicles by 2025.
 - Set targets for the spread of electric vehicles between 2030 and 2040.

Figure 16: The Government of Japan’s Electrification Targets for Automobiles³⁵

Based on the above, investment in fuel cell buses is consistent with the national policy of achieving carbon neutrality by 2050 and offers environmental improvement benefits.

[Development of Next-Generation Train Cars Inspection Hubs; Establishment of JR Kaizuka Station]

JR Kyushu is planning next-generation train cars inspection hubs with superior seismic resistance and equipped with the latest technologies (automation and robotics), due to the significant aging of its inspection and repair facilities for conventional railway train cars.

In addition, JR Kyushu is considering establishing a new station, JR Kaizuka Station, in the Kaizuka area between Hakozaki and Chihaya stations on the JR Kagoshima Main Line, taking into account improved convenience for local residents associated with the redevelopment of the adjacent former Kyushu University Hakozaki Campus site, as well as enhanced transfers to other lines (strengthening the transportation hub function).

³³ Definition of electric vehicles: EV (electric vehicle), FCV (fuel cell vehicle), HV (hybrid vehicle), PHEV (plug-in hybrid vehicle)

³⁴ Ministry of Land, Infrastructure, Transport and Tourism
https://www.nts-el.go.jp/Portals/0/resources/forum/2019files/p1122_1020.pdf

³⁵ Ministry of Economy, Trade and Industry (Translated by JCR)
https://www.meti.go.jp/policy/energy_environment/global_warming/ggs/pdf/jidosha.pdf

JCR assesses that both initiatives will help maintain railway operations, which have low CO₂ emissions, while promoting a modal shift from other modes of transport to rail, and therefore will have positive environmental improvement effects.

[ATS-DK Wayside Equipment Maintenance (Automatic Train Stop System)]

The ATS-DK wayside equipment is a high-function digital ATS (Automatic Train Stop system) introduced by JR Kyushu. It is a system that primarily transmits signal information and speed restriction data from trackside transponders installed near railway signals to trains, and performs continuous pattern checking. This system is expected to improve safety—particularly by preventing failures to stop at red signals—and to enable the cost-effective introduction of automatic operation. JR Kyushu plans to transition from conventional equipment to the safer ATS-DK wayside equipment.

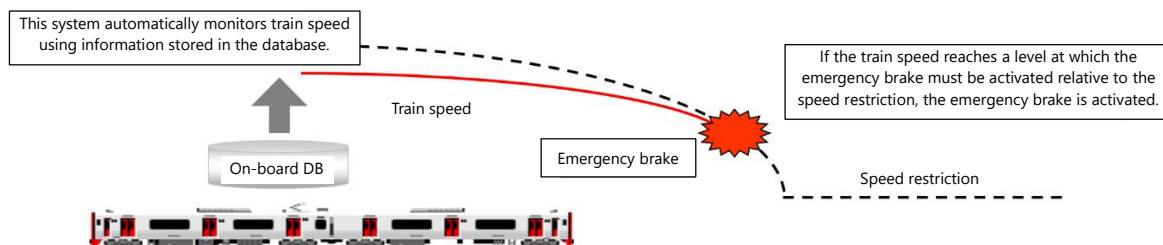


Figure 17: Image of the Automatic Train Stop System (ATS-DK)³⁶

In light of the above, this use of proceeds will have a positive environmental impact, as enhanced train control will improve safety—particularly by preventing failures to stop at red signals—thereby ensuring the safety of rail users and contributing to the continued operation and improved reliability of rail services, which have low CO₂ emissions.

[Radio-Based Train Control]

Radio-based train control is intended to enhance safety by introducing train control that utilizes general-purpose wireless communications, thereby streamlining equipment and enabling in-cab signal indication. The aim is to use radio communications to perform the same role in train control as the ATS-DK described above. Although it is still in the consideration stage, prototypes are scheduled to be developed from this point forward, followed by tests using actual railway tracks.

Accordingly, this use of proceeds, like the ATS-DK described above, is expected to help ensure the safety of railway users and to contribute to the maintenance and improved reliability of railway operations, which have low CO₂ emissions; therefore, it has a positive environmental impact.

³⁶ JR Kyushu ANNUAL SAFETY REPORT 2025 https://www.jrkyushu.co.jp/company/esg/safety/pdf/2025_anzen_all.pdf

Use of Proceeds 2: Green Buildings

Use of Proceeds 2 consists of expenses related to the construction of real estate around stations and company-owned facilities that have obtained, are expected to obtain in the future, or are scheduled for renewal of green building certification. This use of proceeds falls under “green building projects” among the categories of use of proceeds exemplified in the Green Bond Principles and Green Loan Principles as “green buildings that meet regionally, nationally, or internationally recognized standards or certifications for environmental performance,” and in the Green Bond Guidelines and Green Loan Guidelines.

Under this framework, JR Kyushu designates as eligible uses of proceeds properties with high environmental performance for which the eligibility criteria for property selection require that specified certification levels for LEED, CASBEE, DBJ Green Building Certification, BELS, or ZEB/ZEH/ZEH-M have already been obtained, are to be obtained in the future, or are scheduled for renewal. Details of each certification are provided below; however, all of them are environmental certifications recognized regionally, nationally, or internationally.

Based on the above, JCR considers that projects that have obtained certifications meeting the eligibility criteria are expected to have positive environmental improvement effects.

LEED (Leadership in Energy and Environment Design)

LEED is an environmental performance assessment system for the environment of buildings and cities developed and operated by the U.S. Green Building Council (USGBC), a not-for-profit organization. LEED stands for Leadership in Energy and Environmental Design, and a draft of the system was published in 1996 and has been updated once in several years. Version 5 is currently in operation.

There are six types of certifications: BD + C (building design and construction), ID + C (interior design and construction), O + M (building operations and maintenance), ND (neighborhood development), Homes and Cities. The sum of the points acquired in the respective categories shows the levels: Platinum (80+ points earned), Gold (60-79 points earned), Silver (50-59 points earned) and Certified (standard, 40-49 points earned). Receiving higher scores or achieving the goals of the energy-saving category is often the precondition of the evaluation. To acquire higher levels of the certification, it may be necessary to attain a high energy-efficiency score.

Accordingly, Gold or higher, which JR Kyushu defines as the eligible level, is regarded as the level that buildings with high energy efficiency can receive; therefore, JCR has assessed that buildings with this level of certification are environmentally beneficial.

Comprehensive Assessment System for Built Environment Efficiency (CASBEE)

CASBEE stands for Comprehensive Assessment System for Built Environment Efficiency, which is a system to evaluate and rate buildings in terms of their environmental performance. In April 2001, with the support of the Housing Bureau of the Ministry of Land, Infrastructure, Transport and Tourism, the research committee for the comprehensive environmental assessment of buildings was established as a joint project among industry, government, and academia. Since

then, continuous development and maintenance have been carried out. Its valuation tools include CASBEE for Real Estate developed to straightforwardly show environmental performance and to cater to the real estate market as well as CASBEE for Buildings and CASBEE for Cities.

As to CASBEE for Buildings, evaluation is conducted by reorganizing the assessment items in four areas—energy consumption, resource circulation, local environment, and indoor environment. The environmental performance (BEE: Built Environmental Efficiency) of a building is calculated by dividing the environmental quality (Quality) by the environmental load (Load). The evaluation results are shown at five levels: S rank (excellent), A rank (very good), B + rank (good), B-rank (fairly poor) and C rank (poor). To achieve a high rating, it is necessary not only to give due consideration to the environment, such as by using energy-efficient materials and equipment with a low environmental impact, but also to take into account indoor comfort and the surrounding landscape; in other words, a high overall level of building quality is required.

Buildings rated B+ or more based on JR Kyushu's eligibility criteria must have BEE of 1.0 or more and clearly outperform the environmental load. Although CASBEE for Real Estate does not apply BEE as a measurement standard, such buildings are B+ rank-equivalent properties based on conventional CASBEE for Buildings, etc. For this reason, JCR has assessed that they are environmentally beneficial.

DBJ Green Building Certification

DBJ Green Building Certification is a certification system provided by the Development Bank of Japan (DBJ) for assessing buildings in terms of consideration for environment and society. They are rated by the number of stars, and the point of evaluation is "whether the building is built with consideration for environment and society." The system evaluates them based on five major categories: "Energy and Resources (environmental performance of buildings)," "Amenity (comfort of tenant users)," "Resilience (responsiveness to crises)," "Community and Diversity (consideration for diversity and living environments) and Partnership (cooperation with stakeholders)." Each of them is rated by five (properties with the best class environmental & social awareness), four stars (properties with exceptionally high environmental & social awareness), three stars (properties with excellent environmental & social awareness), two stars (properties with high environmental & social awareness) and one star (properties with satisfactory environmental & social awareness). Although it is not a system focusing on environmental performance, the system is highly recognized in Japan and has a certain set of categories to evaluate environmental performance. Therefore, JCR has assessed that the certification corresponds to "standards or certifications recognized regionally, nationally, or internationally" in the green project category defined in the Green Bond Principles. Since the certification is not environmental performance-specific, however, receiving an environment performance rating from another system may be recommendable.

DBJ Green Building Certification comprehensively evaluates buildings in terms not only of environmental performance but also the comfort of tenant users, risk management such as crime/fire prevention, consideration for living environment and community and cooperation with stakeholders. Its scoring system is designed by compiling the data of specific "best practices" beneficial for environment and society, and there are many in the real estate market that fall short of the levels needed for evaluation. To obtain a higher rating, the building needs to be built with proper consideration for all its stakeholders as well as environment.

The level needed for acquiring DBJ Green Building Certification is assumed to be the top 20% or somewhere of all domestic income-producing properties in terms of consideration for environment and society. The top three stars are assigned to the groups of such properties in the following percentages: five stars, the top 10%, four stars, the top 30%, and three stars, the top 60%. Accordingly, four stars or higher, which JR Kyushu defines as the eligible level, is the level that buildings with strong environmental performance can receive, and thus JCR has assessed that buildings with that level of certificate are environmentally beneficial.

Building-Housing Energy-efficiency Labeling System (BELS)

BELS stands for Building-Housing Energy-efficiency Labeling System, which is the system where the third-party evaluation organization evaluates and accredits energy-saving performance of new and existing buildings. To acquire higher ratings under the system, buildings need to have excellent energy-saving performance, which hinges on their building envelope performance and primary energy consumption. Building Energy Index (BEI) ranks buildings by the number of stars: one through five stars. BEI measures energy-saving performance relative to the standard value, which is calculated by dividing design primary energy consumption by standard primary energy consumption. Under the previous standard (FY2016 standard), ratings were assigned on a five-tier scale from one to five stars, with two stars indicating compliance with the energy-efficiency standard.

With the revised Building Energy Efficiency Act coming into force on April 1, 2024, the energy-efficiency standards applicable to large non-residential buildings with a total floor area of 2,000 m² or more were tightened. The post-enforcement energy-efficiency standards vary by building use: for factories and similar facilities, including logistics facilities, a reduction of 25% or more is required, while for offices, schools, hotels, department stores, and similar buildings, the requirement is 20% or more. Based on this revision, the system for displaying the energy-efficiency performance of buildings at the time of sale or lease was strengthened in April 2024, and new standards (FY2024 standard) were introduced into BELS. Under the new standards, residential and non-residential buildings equipped with renewable energy systems are rated on a seven-level scale from Level 6 (energy consumption reduction rate of 50% or more) to Level 0 (energy consumption reduction rate of less than 0%), while residences without renewable energy systems are rated on a five-level scale from Level 4 (energy consumption reduction rate of 30% or more) to Level 0 (energy consumption reduction rate of less than 0%). Under the new standards, BELS Level 4 (energy consumption reduction rate of 30% or more but less than 40%) and above are awarded to buildings that satisfy the energy efficiency standards for all non-residential buildings, and for certain uses, this serves as the guidance standard. Also, for housing, as before, a reduction in energy consumption of 0% or more remains the energy-efficiency standard, while a reduction of 20% or more constitutes the guidance standard.

JCR considers that the criteria relating to BELS applied by JR Kyushu, having been set at four stars (or Level 4) or higher under both the previous standard (FY2016 standard) and the new standard (FY2024 standard), indicate performance exceeding the energy-efficiency standard and therefore have an environmental improvement effect.

ZEB / ZEH (ZEH-M)

ZEB (Net Zero Energy Building) refers to a building that aims to achieve a net zero balance of primary energy consumption by reducing energy use through improvements in the energy efficiency of the building and its equipment, the integrated use of energy across the site, and the utilization of on-site renewable energy.

ZEB is categorized under four stages: 1. ZEB (buildings with energy efficiency (50% or more) and energy creation that reduces primary energy consumption by 100% or more; 2. Nearly ZEB (buildings with energy efficiency (50% or more) and energy creation that reduces primary energy consumption by 75% or more); 3. ZEB Ready (buildings with energy efficiency that reduces primary energy consumption by 50% or more); and 4. ZEB Oriented (buildings with a total area of 10,000 m² that reduce primary energy consumption by 40% or more for offices, schools, factories, etc. and by 30% or more for hotels, hospitals, department stores, restaurants, meeting places, etc.)

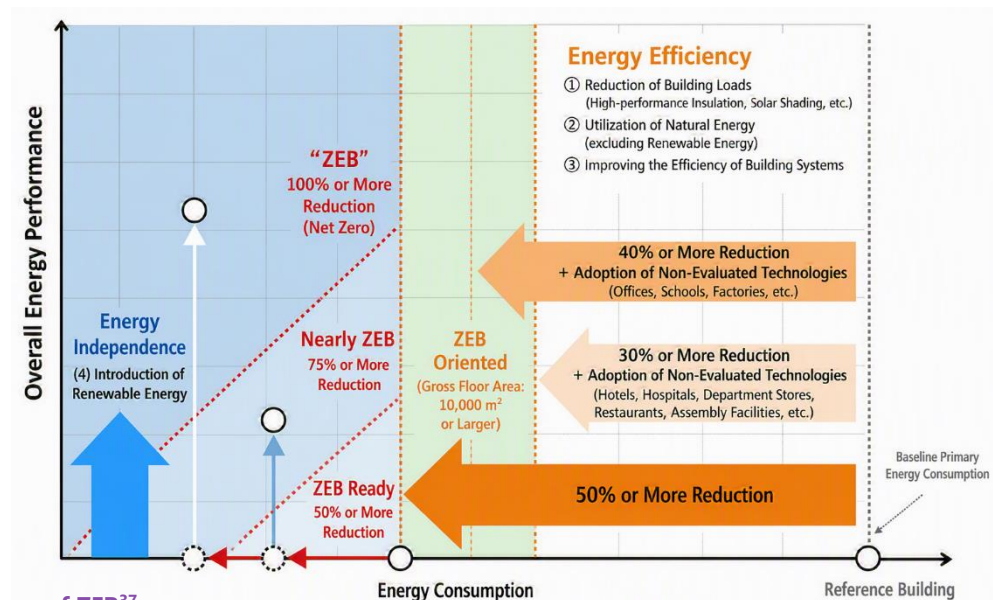


Figure 18 : Definitions of ZEB³⁷

For details, reference is made to the website of Ministry of Economy, Trade and Industry, Agency for Natural Resources and Energy³⁷ (Japanese)

ZEH stands for Net Zero Energy House, and it is "housing aiming to increase energy self-sufficiency as much as possible and to make a balance of annual primary energy consumption zero by introducing renewable energy after realizing significant energy efficiency while maintaining qualities of indoor environments and by actively utilizing natural energy through controlling energy loads with advanced architectural designs or adopting passive technologies and through introducing systems in high-efficiency facilities."

ZEH has 4 stages as follows: (i) "ZEH" (reduce primary energy consumption by 100% or more from standard primary energy consumption by adding renewable energy); (ii) "Nearly ZEH" (reduce primary energy consumption by 75% or more and less than 100% from standard primary energy consumption by adding renewable energy); (iii) "ZEH Ready" (reduce primary energy

³⁷ "ZEB Roadmap Follow-up Committee Report in FY 2018" (March 2019) of Ministry of Economy, Trade and Industry, Agency for Natural Resources and Energy (Translated by JCR)

consumption by 50% or more and less than 75% from standard primary energy consumption by adding renewable energy) and (iv) "ZEH Oriented" (reduce primary energy consumption by 20% or more from standard primary energy consumption by excluding renewable energy.)

ZEH-M is an abbreviation for Net Zero Energy House Mansion and, in a broad sense, refers to a multi-unit residential building designed to achieve a net annual primary energy consumption balance of zero by drastically reducing energy consumption while maintaining indoor environmental quality through advanced architectural design that suppresses energy loads, proactive use of natural energy through the adoption of passive technologies, and the introduction of highly efficient equipment systems, and by incorporating renewable energy to maximize energy self-sufficiency. Whereas the above-mentioned ZEH is evaluated on an individual dwelling-unit basis, ZEH-M is evaluated on a building-wide basis. Like ZEH, ZEH-M has four evaluation categories.

JCR assesses that the ZEB/ZEH/ZEH-M standards (including Nearly, Ready, and Oriented) newly established by JR Kyushu as eligibility criteria have sufficient environmental improvement effects.

Use of Proceeds 3: Energy Efficiency

The use of proceeds is for the costs of introducing LED lighting and high-efficiency air-conditioning equipment for energy saving. This use of proceeds falls under "energy efficiency" in the "Green Bond Principles" and the "Green Loan Principles," and corresponds to "projects related to energy efficiency" among the example uses of proceeds set out in the "Green Bond Guidelines" and the "Green Loan Guidelines."

JCR assesses LED lighting as offering substantial energy-saving benefits and sufficient positive environmental impact, given that it consumes approximately 85% less electricity than conventional incandescent bulbs and fluorescent lamps and has a long service life. Regarding the installation of energy-saving equipment, JCR considers the eligibility criterion of an improvement in energy efficiency of 30% or more before and after the replacement to be fully comparable with global standards.

Use of Proceeds 4: Renewable Energy

The use of proceeds will be allocated to solar power generation, demonstration testing of film-type perovskite solar cells, wind power, on-site PPAs, and Battery Station (*Denki no eki*), all of which are intended to expand the supply of renewable energy. This use of proceeds falls under "renewable energy-related projects" among the eligible uses of proceeds exemplified as "renewable energy" in the Green Bond Principles and Green Loan Principles, and in the Green Bond Guidelines and Green Loan Guidelines.

Renewable energy sources such as solar, wind, and biomass use natural resources as their energy source and are a form of clean energy that does not directly emit greenhouse gases (GHGs). In the Seventh Strategic Energy Plan, approved by the Cabinet in February 2025, Japan sets out ambitious GHG emissions reduction targets toward achieving the long-standing national goal of carbon neutrality by 2050 (announced in October 2020): a 60% reduction by FY2035 and a 73% reduction by FY2040, both compared with FY2013 levels. With regard to renewable energy, its share of the power

generation mix expanded to approximately 23% in FY2023; going forward, while maintaining S+3E (safety, energy security, economic efficiency, and environmental compatibility) as the fundamental premise, the policy is to steadfastly promote renewable energy as a primary power source and encourage its maximum possible deployment while ensuring coexistence with local communities and containing the burden on the public.

		Fiscal Year 2023 (Preliminary Report)	Fiscal Year 2040 (Outlook)
Energy self-sufficiency rate		15.2%	Approx. 30-40%
Amount of electricity generated		985.4 billion kWh	Approx. 1.1 to 1.2 trillion kWh
Power generation mix	Renewable energy	22.9%	Approx. 40-50%
	Solar PV power	9.8%	Approx. 23% to 29%
	Wind power	1.1%	Approx. 4-8%
	Hydropower	7.6%	Approx. 8-10%
	Geothermal power	0.3%	Approx. 1-2%
	Biomass	4.1%	Approx. 5-6%
	Nuclear power	8.5%	Approx. 20%
Thermal power		68.6%	Approx. 30-40%
Final energy consumption		300 million kL	Approx. 260 to 270 million kL
GHG reduction rate (compared to FY2013)		22.9% (%) (Actual results in FY2022)	73%

Figure 19: Outlook for the power generation mix in FY2040 under the 7th Strategic Energy Plan³⁸

To achieve the above objectives, it will be necessary to raise the share of renewable energy in the power generation mix to 40%–50% by FY2040, making further expansion in the deployment of renewable energy essential.³⁹

Solar power generation and on-site PPAs use solar renewable energy as their energy source and are expected to reduce GHG emissions by replacing fossil fuels. In addition, JCR assesses that storage batteries that store the electricity generated by these solar power facilities also have an environmental improvement effect from the perspective of contributing to the effective and efficient use of renewable energy.

Film-type perovskite solar cells are solar cells that use a crystal structure known as perovskite in the power-generating layer. Unlike conventional silicon-based solar cells, whose installation locations are limited, they are lightweight, flexible, and can be expected to achieve lower costs. Perovskite solar cells are moving toward practical application, with the Ministry of the Environment and the Ministry of Economy, Trade and Industry having begun demonstration and deployment support in 2025; a production system is to be established by 2030, followed by large-scale deployment by 2040. In light of these circumstances, JR Kyushu is conducting a demonstration experiment involving film-type

³⁸ Agency of Natural Resources and Energy, The 7th Strategic Energy Plan (Outline) (February 2025)
https://www.enecho.meti.go.jp/en/category/others/basic_plan/pdf/7th_outline.pdf

³⁹ Agency of Natural Resources and Energy, The 7th Strategic Energy Plan (Outline) (February 2025)
https://www.enecho.meti.go.jp/en/category/others/basic_plan/pdf/7th_outline.pdf

perovskite solar cells on the roof of the Hakata Station platform. This project is aligned with national policy, and JCR assesses that it can be expected to deliver environmental improvement effects.

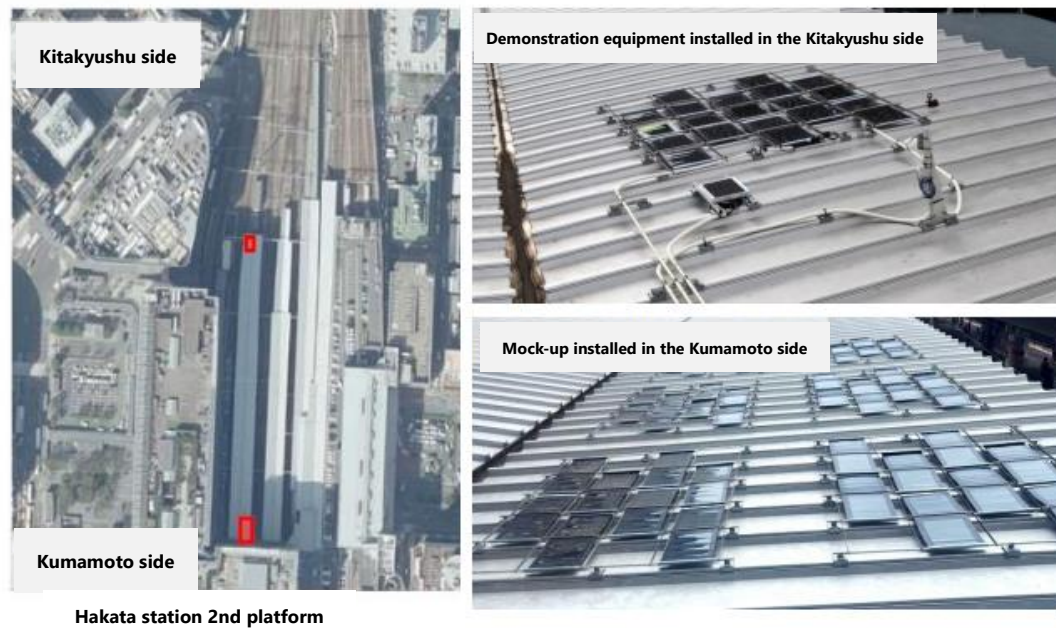


Figure 20: JR Kyushu Film-Type Perovskite Solar Cell Demonstration Experiment — Installation Location and Demonstration Equipment⁴⁰

“Battery Station (*Denki no eki*)” is a battery storage business project operated by JR Kyushu in cooperation with other businesses, leveraging JR Kyushu's business foundation to utilize sites along its railway network and idle land. Battery Station Kyushu LLC, the company engaged in this business, was established in April 2023 by three companies: JR Kyushu, BS Holdings, a wholly owned subsidiary of Sumitomo Corporation, and Sumitomo Corporation Kyushu.

In Kyushu, installed solar power capacity has exceeded 10 million kW. On days when demand is low and the weather is favorable, resulting in high solar generation output, not all electricity generated by solar power can be consumed. Because electricity demand (power consumption) and supply (power generation) must always be balanced to ensure a stable electricity supply, whenever there is a surplus of electricity, output from renewable energy sources must also be curtailed. As a result, Kyushu has the highest output curtailment rate in Japan.

⁴⁰ JR Kyushu News Release, October 21, 2025
https://www.jrkyushu.co.jp/news/_icsFiles/afieldfile/2025/10/21/20251021_Start_of_power_generation_demonstration_experiment_of_perovskite_solar_cells.pdf

- Regarding the short-term outlook for curtailment of renewable energy output, we report the estimated outlook for FY2026.

	Hokkaido	Tohoku	Tokyo	Chubu	Hokuriku	Kansai	Chugoku	Shikoku	Kyushu	Okinawa
Output Curtailment Rate *1	1.8%	4.0%	0.03%	0.2%	2.7%	0.1%	1.8%	2.9%	6.9%	0.1%
[Output Curtailment]	[0.11 bn kWh]	[0.75 bn kWh]	[0.008 bn kWh]	[0.03 bn kWh]	[0.05 bn kWh]	[0.02 bn kWh]	[0.19 bn kWh]	[0.15 bn kWh]	[1.22 bn kWh]	[0.008 bn kWh]
(If entire area is online)										
Output Curtailment Rate	0.8%	3.9%	0.01%	0.1%	2.3%	0.09%	1.6%	2.7%	6.9%	0.05%
[Output Curtailment]	[0.05 bn kWh]	[0.72 bn kWh]	[0.003 bn kWh]	[0.02 bn kWh]	[0.04 bn kWh]	[0.01 bn kWh]	[0.16 bn kWh]	[0.14 bn kWh]	[1.22 bn kWh]	[0.004 bn kWh]
Interconnection Utilization *2	65%	90%	-85% (Power receiving)	-20% (Power receiving)	2%	-25% (Power receiving)	April-August 20% September-March 70%	35%	85%	-
(FY2024 Result)										
Output Curtailment Rate	0.04%	1.3%	-	0.3%	0.9%	2.1%	2.3%	3.2%	4.8%	0.15%
(FY2025 Outlook Updated)										
Output Curtailment Rate *1	0.3%	3.0%	0.042%	0.3%	0.03%	0.6%	1.5%	3.8%	5.9%	0.09%
(FY2025 Outlook Updated)										
Interconnection Utilization *2	55%	90%	-80% (Power receiving)	-25% (Power receiving)	5%	-35% (Power receiving)	45%	35%	80%	-

*1 Output Curtailment Rate [%]

= Curtailed renewable energy output [kWh] ÷ (Curtailed renewable energy output [kWh] + Renewable energy generation [kWh]) × 100

*2 Interconnection lines include direct connection lines in low-demand periods

*3 For Kansai, includes areas operated by other utilities; for Chugoku, includes western-area connections

Source: General transmission and distribution utilities in each area

Figure 21: Agency for Natural Resources and Energy, Short-Term Outlook for Renewable Energy Output

Curtailment in FY2026⁴¹

The purpose of the “Battery Station” project is to jointly launch an energy storage business on railway corridor land and idle land, in light of the fact that stabilizing and modernizing the power network for the next generation is essential toward achieving carbon neutrality by 2050, with a view to the large-scale introduction of renewable energy, and thereby contribute to the broader adoption of renewable energy throughout the Kyushu region through power stabilization⁴². JCR evaluates this project as one that contributes to the spread of renewable energy in Kyushu and is expected to generate positive environmental improvement effects.

Use of proceeds 5: Climate change adaptation

The proceeds will be used for investment in the refurbishment and renewal of railway-related facilities to address the intensification of natural disasters in Kyushu, such as torrential rain and typhoons, resulting from the impacts of climate change, and will be allocated to disaster prevention works on the Kyushu Shinkansen. This use of proceeds falls under “projects for climate change adaptation” among the examples of eligible uses of proceeds for “climate change adaptation” set out in the Green Bond Principles, Green Loan Principles, Green Bond Guidelines, and Green Loan Guidelines.

JCR has confirmed that JR Kyushu is undertaking adaptation projects through procedures equivalent to the six steps required by the Climate Resilience Principles established by the international initiative Climate Bonds Initiative, as detailed below.

⁴¹ Agency of Natural Resources and Energy (Translated by JCR)
https://www.meti.go.jp/shingikai/enecho/denryoku_gas/saisei_kano/smart_power_grid_wg/pdf/006_01_00.pdf

⁴² JR Kyushu, Sumitomo Corporation, and Sumitomo Corporation Kyushu News Release, March 29, 2023
https://www.jrkyushu.co.jp/news/_icsFiles/afidfieldfile/2023/03/29/20230329_denki_no_eki.pdf



Figure 22: Overview of Equivalent Steps Required by the Climate Resilience Principles

JR Kyushu considers the Kyushu region to be characterized by a warm climate and blessed with tourism resources derived from its natural environment, while also being an area prone to numerous natural disasters, including river flooding and landslides, due to frequent torrential rains during the rainy season and the frequent approach of typhoons. Accordingly, the increasing frequency and severity of natural disasters, believed to be attributable to global warming, are having a significant impact on business activities; to address this, the JR Kyushu Group has identified “the realization of a decarbonized society” as one of its materialities, endorsed the TCFD recommendations, and is advancing analyses and initiatives to respond to climate change-related risks and opportunities, with the aim of realizing a sustainable society.

JR Kyushu states in its 2024 Basic Safety Policy that, in order to “Flexible and strong measures to handle dramatic changes in our business environment,” it will pursue “measures and improvements in both software and hardware aspects to address increasingly severe natural disasters, terrorism, and new threats.” In addition, in the “JR Kyushu Group Environmental Vision 2050” formulated in February 2025, under the materiality theme of “Realization of a decarbonized society,” it identifies as “adaptive measures” the short- to medium-term KPI of “Strengthen measures for adaptation to climate change through both hard and soft disaster protection measures,” while also setting as a long-term KPI the “Work together with communities to build a disaster-resilient society with minimal impact from climate change.” In light of the above policies and other considerations, JR Kyushu plans to proceed with disaster prevention measures for the Kyushu Shinkansen.

Based on the above, JCR assesses that this use of proceeds contributes to the long-term KPI of “Work together with communities to build a disaster-resilient society with minimal impact from climate change,” and is therefore appropriate as a use of proceeds.

(2) Social benefits of the project

Use of proceeds 1: [Train cars] Investment in improving accessibility of railway train cars

Use of proceeds 2: [Railway-related facilities] Investment in the installation of barrier-free facilities at stations

This use of proceeds will be allocated to making railway train cars barrier-free and to the installation of barrier-free facilities at station facilities, which are railway-related facilities. This use of funds falls under the category of eligible social project areas set forth in the Social Bond Principles, the Social

Loan Principles, and the Social Bond Guidelines, and qualifies as a project that contributes to “access to essential services” for “aging populations and people with disabilities or other physical impairments.”

In the use of passenger facilities, vehicles, and other components of public transportation, it is necessary to ensure that all people can travel smoothly and without difficulty. The Act on Promotion of Smooth Transportation, etc. of Elderly Persons, Disabled Persons, etc. (the Barrier-Free Act) requires the implementation of the following measures not only for elderly persons and persons with physical disabilities, but also for all persons with disabilities, including intellectual disabilities, mental disabilities, and developmental disabilities.

- A) When establishing or otherwise providing public transportation facilities (passenger facilities, vehicles, etc.), roads, off-street parking facilities, urban parks, or buildings, they must conform to specified barrier-free standards (standards for smooth mobility, etc.).
- B) Based on the basic plan formulated by the municipality, smooth mobility in passenger facilities, buildings, and other such facilities, as well as along the routes connecting them, shall be promoted intensively and in an integrated manner.

Under the Act, public transportation operators are required, when newly developing or introducing passenger facilities, vehicles, and the like, to develop passenger facilities, vehicles, and other equipment that enable barrier-free mobility in accordance with the Ordinance on Standards for Smooth Transportation (“Ordinance on Standards for Structure and Equipment of Passenger Facilities or Vehicles, etc. Necessary for Smooth Transportation”) which set forth the mandatory requirements to be observed.

In addition, “Guideline for Smooth Movement and Accessibility in Public Transport Passenger Facilities (Barrier-Free Guidelines for Public Transportation)” recommend, in particular, that the following three accessible environments be developed for the diverse users shown in the figure below.

- A) Securing barrier-free routes: Ensure, as far as possible, routes and spaces that are continuous, easy to understand, offer clear sightlines, involve minimal changes in elevation, and provide the shortest possible travel distance.
- B) Securing easy-to-understand routes: Combine spatial configuration, various signage, audio cues, and human assistance effectively to provide appropriate guidance.
- C) Safe and user-friendly facilities and equipment: Develop the necessary facilities and equipment (ticket sales counters, waiting areas, information counters, restrooms, etc.) so that they are easily accessible, safe, and easy to use.

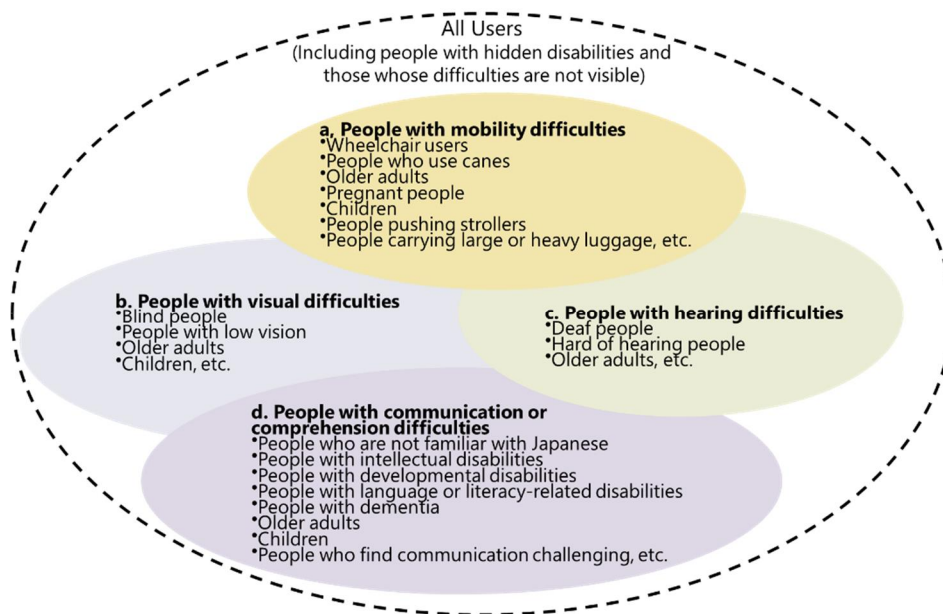


Figure 23: Conceptual diagram organizing the potential needs of diverse users during movement based on the needs that may arise while traveling.⁴³

In light of the above, JR Kyushu is working to improve accessibility, making it a key priority to create stations and trains that are “easy to use”, “easy to understand”, and “safe” for all customers.

As part of its efforts to make stations barrier-free, JR Kyushu is proceeding with the installation of accessible restrooms and other facilities at eligible stations in accordance with the national basic policy, while receiving cooperation from the national government and local municipalities along its rail lines. The conditions for a station are: (1) a station with 3,000 or more users per day; and (2) a station with 2,000 or more users per day that is designated as a daily life-related facility in the basic plan established by the local government. Such a station is eligible. In addition, measures to prevent falls from platforms are also being implemented, including the installation of platform doors.

As part of its barrier-free initiatives for train cars, JR Kyushu is advancing the adoption of universal design, with a primary focus on its new train models. Additionally, to distinguish the priority seating and priority spaces provided at the end sections of each car from the general seating areas, the floor covering is being newly replaced, and measures are being advanced to install and secure wheelchair spaces.

Based on the above, JCR evaluates this use of funds as generating social benefits because it contributes to addressing the social issue of “facilitating smooth mobility for all people, including the elderly and persons with disabilities.”

⁴³Ministry of Land, Infrastructure, Transport and Tourism, “Guideline for Smooth Movement and Accessibility in Public Transport Passenger Facilities” (Translated by JCR)
<https://www.mlit.go.jp/sogoseisaku/barrierfree/content/001964852.pdf>

Use of proceeds 3: Investment in the renovation and renewal of railway-related facilities that contribute to improving safety and security, including measures to address the increasing severity of disasters

For this use of proceeds, the conversion of wooden sleepers to TPC sleepers is envisaged. This use of proceeds falls under “Affordable basic infrastructure” among the eligible social project categories set out in the Social Bond Principles, Social Loan Principles, and Social Bond Guidelines, targeting “all railway service users, including persons affected by natural disasters and residents living along railway lines.”

[Conversion of Wooden Sleepers to TPC Sleepers]

A sleeper (railroad tie) is a component laid perpendicular to railway tracks to distribute the weight of railway vehicles and the load imposed on the ground. Traditionally, wooden sleepers have been used; however, when they deteriorate due to decay or other causes, they can no longer secure the rails properly, creating a risk that may lead to train derailment. To prevent the above risks before they materialize, it is important to regularly inspect the condition of wooden sleepers and replace defective sleepers; however, these inspections currently rely on visual checks, and in light of future labor shortages and other factors, maintaining inspection quality is expected to become increasingly difficult. Accordingly, replacement with concrete sleepers (TPC sleepers), which are not susceptible to decay, is being called for. TPC sleepers are expected to have a service life approximately 3.5 times longer than that of wooden sleepers, and in the future, they are also expected to help reduce waste through a substantial reduction in the number of replacements required.



Figure 24: Example of TPC sleeper installation⁴⁴

Based on the above, JCR evaluates this use of proceeds as having social benefits, as it is expected to improve train safety and, as a result, also ensure the safety of railway users.

Use of proceeds 4: Investment and costs associated with the introduction and installation of barrier-free facilities

This use of proceeds is intended for, among other things, the introduction of barrier-free facilities in buildings and plazas other than station facilities. This use of proceeds falls under projects that

⁴⁴JR Kyushu website <https://www.jrkyushu.co.jp/company/esg/env/symbiosis1.html>

contribute to “access to essential services” for “aging populations and people with disabilities or other physical impairments” among the eligible social project categories set forth in the Social Bond Principles, Social Loan Principles, and Social Bond Guidelines.

As noted above, the Barrier-Free Act requires the implementation of various measures for all persons with disabilities—including not only older persons and persons with physical disabilities, but also those with intellectual disabilities, mental disabilities, and developmental disabilities. JR Kyushu regards the creation of stations and trains that are “easy to use,” “easy to understand,” and “safe” for all customers as an important theme in its barrier-free initiatives, and, as part of these efforts, is proactively promoting the introduction of barrier-free features in buildings and plazas that are facilities surrounding stations.

Based on the above, JCR has assessed this use of proceeds as having social benefits, as it contributes to addressing the social issue of “facilitating smooth mobility for older persons, persons with disabilities, and all people.” Furthermore, if the entire building is to be treated as an eligible social use of proceeds, the building must satisfy additional social criteria in addition to being barrier-free.

Use of proceeds 5: Introduction of disaster preparedness facilities and investments and costs related to such facilities

The intended use of proceeds includes the establishment of temporary evacuation sites in the event of a disaster, the development of emergency stockpiling warehouses, and investments in and expenses for the introduction of digital signage and other equipment capable of providing disaster information.

This use of proceeds falls under the category of “Affordable basic infrastructure” among the eligible social project categories set out in the Social Bond Principles, the Social Loan Principles, and the Social Bond Guidelines, targeting “all railway service users, including disaster victims and residents living along the railway lines.”

To date, JR Kyushu has undertaken the following projects as part of its development of facilities in the vicinity of its stations.

[Past Example] Kamome Plaza (in front of Nagasaki Station) and surrounding facilities

This project involved the redevelopment of the station building and surrounding facilities in conjunction with the opening of the Nishi-Kyushu Shinkansen in 2022, together with the development of the broader area alongside the commercial complex Amu Plaza Nagasaki. Serving as the entrance to Amu Plaza Nagasaki (new and main buildings), Kamome Plaza provides level access and features a barrier-free design that avoids steps and stairways.

Kamome Plaza is designed to serve as a temporary evacuation space in the event of a large-scale disaster. In addition, a large digital signage system installed at Kamome Plaza, known as the “Kamome Vision,” can switch to a disaster information display and is linked with Nagasaki City's

disaster prevention administrative radio system, thereby providing a framework for the rapid dissemination of disaster and weather information.

JR Kyushu envisions projects for the use of these funds to include, as exemplified above, the development of temporary emergency shelters, the establishment of stockpiling warehouses, and the introduction of digital signage to serve as disaster information hubs. JCR assesses that the development of primary evacuation sites in the event of a disaster and related measures provide social benefits to “people affected by natural disasters, as well as local residents” In addition, if stockpiling warehouses and digital signage are to be treated as social eligible projects, they shall be limited to those installed in evacuation spaces.

(3) Environmental improvement effects and social benefits of the project

Use of proceeds 1: Development of the former site of Kyushu University Hakozaki Campus

The use of proceeds will be invested in projects deemed eligible as green projects and social projects within the development of the former site of Kyushu University Hakozaki Campus.

Kyushu University intends to create a new world-class educational hub by relocating and consolidating its campuses in the Hakozaki, Ropponmatsu, and Haramachi areas to the Motooka and Kuwabara areas in Nishi-ku, Fukuoka City. Kyushu University and the Urban Renaissance Agency (UR), an independent administrative institution, solicited applications in April 2024 from prospective land-use developers for the former site of Kyushu University Hakozaki Campus district. As a result, the corporate group represented by Sumitomo Corporation has been selected as the preferred negotiating party, and JR Kyushu is participating as a member of that group. The concept for the group's community development is “HAKOZAKI Green Innovation Campus,” and, while carrying forward the history of the project area and Kyushu University, it will promote the development of a high-quality, greenery-rich district and propose new value. The project is intended to realize future-oriented urban development that creates and disseminates new industries while leading the world as an environmentally advanced city. It also sets forth the “Six Policies of HAKOZAKI Green Innovation Campus” and focuses on the IOWN initiative⁴⁵, an innovative technology development concept, with plans to work together with a cooperating party, Japan’s largest telecommunications company promoting this initiative, to bring the proposed concept to fruition.

Heritage Continuity of Kyushu University's 100-Year Legacy	Creation of New Lifestyles	Creation and Growth of New Industries
Passing on the Kyushu University legacy and advancing learning toward “ <i>Manabi-machi</i> (A City of Learning).”	Enhancing the quality of life for each individual through personalized services.	Spreading and developing new industries across the entire city, centered on an innovation core
Heritage Continuity of Fukuoka's Culture and 1,000-Year History	Creation of Lush Green Spaces	Creation and Growth of an Environmentally Advanced City

⁴⁵IOWN (Innovative Optical and Wireless Network) is an innovative communications technology characterized by low power consumption, low latency, and large capacity. The IOWN concept envisions the smart city of the future by realizing a digital twin for the entire city and integrating and interconnecting all smart services.

Passing on Fukuoka's culture such as food, art, music, etc. and historical assets to the next 100 years.	Building a Creative Ecological Network <Hakozaki Creative Forest >	Realizing a decarbonized society through advanced technologies while ensuring a safe and secure urban environment.
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Figure 25: The Six Policies of HAKOZAKI Green Innovation Campus⁴⁶



Figure 26: Overview of HAKOZAKI Green Innovation Campus (Image)⁴⁶

As this project encompasses a wide range of initiatives, eligibility for Green Projects and Social Projects will be confirmed by establishing criteria individually for each eligible project, as set out below.

GBP, SBP Category	Eligible project/criteria	Target individuals
<GBP> Renewable Energy Green Buildings <SBP> Affordable basic infrastructure Socioeconomic advancement and empowerment	【Green】 ■ Introduction of renewable energy equipment ■ Investments in relation to construction of buildings near stations and the company owned facilities that have obtained, are expected to obtain, or are scheduled to renew the green building certifications⁴⁷. (LEED-BD+C (Building Design and Construction) or LEED-O+M (Building Operations and Maintenance): Gold or Platinum; CASBEE for Buildings (New Construction, Existing Buildings, and Renovation) or CASBEE for Real Estate: B+ Rank, A Rank or S Rank; DBJ Green Building Certification: 4 or 5 Stars; BELS: 4 or 5 Stars; ZEB/ZEH/ZEH-M (including Nearly, Ready, Oriented)) 【Social】 ■ Facilities with shelter functions in the event of disasters	➢ Local businesses ➢ Small and medium-sized enterprises, ventures, and startups ➢ Local residents ➢ Persons with disabilities ➢ Senior ➢ Pregnant ➢ Children and families with children ➢ All facility users

⁴⁶Kyushu University and the Urban Renaissance Agency, News Release dated April 18, 2024 (Translated by JCR)

⁴⁷For authentications with an expiration date, only those within their validity period are accepted.

	■ Facilities for fostering and creating local industries and innovation⁴⁸ ■ Venture support⁴⁸ ■ Making facilities barrier free	
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Figure 27: Eligible Projects/Criteria for the Redevelopment of the Former Site of Kyushu University Hakozaki Campus

[Green Eligibility Criteria 1] Introduction of renewable energy equipment

Green Eligibility Criteria 1 for the Hakozaki Campus Redevelopment Project is the “introduction of renewable energy equipment”, specifically envisaging solar power generation and storage batteries for storing solar-generated electricity. As stated above, solar power generation uses sunlight as its energy source, and by replacing fossil fuels, it is expected to help reduce GHG emissions. JCR also assesses storage batteries that store the electricity generated by these solar power facilities as having environmental improvement effects, from the standpoint that they contribute to the effective and efficient use of renewable energy.

[Green Eligibility Criteria 2] Investment related to the construction of station-area real estate and company-owned facilities that have obtained, are expected to obtain in the future, or are scheduled for renewal of the green building certifications

Green Eligibility Criteria 2 for the Hakozaki Campus Redevelopment Project is “investment related to the construction of station-area real estate and company-owned facilities that have obtained, are expected to obtain in the future, or are scheduled for renewal of the green building certifications.” As stated above, under this framework, JR Kyushu designates as eligible uses of proceeds properties with high environmental performance for which the eligibility criteria related to property selection have already obtained, are expected to obtain in the future, or are scheduled for renewal of the prescribed certification ranks under LEED, CASBEE, DBJ Green Building Certification, BELS, or ZEB/ZEH/ZEH-M. The details of each certification are as described below; however, all of them are environmental certifications recognized at the regional, national, or international level.

[Social Eligibility Criteria 1] Facilities that serve as evacuation shelters in the event of a disaster

Social Eligibility Criteria 1 for the Hakozaki Campus Redevelopment Project Site is “facilities that serve as evacuation shelters in the event of a disaster.” This use of proceeds falls under projects that contribute to the development of “affordable basic infrastructure” for “people affected by natural disasters, as well as local residents,” within the eligible social project categories set out in the Social Bond Principles, Social Loan Principles, and Social Bond Guidelines.

⁴⁸ When allocating funds to the relevant eligible project, eligibility must be confirmed in advance with Japan Credit Rating Agency, Ltd. in advance on each occasion.

In the “Kyushu University Hakozaki Campus Site Grand Design” formulated by Fukuoka City and Kyushu University in July 2018, the following items are presented among the action points under “Consideration for Security and Safety.”

1. Improvement of Disaster Resilience

〈Key Initiatives〉

- To improve disaster resilience in redevelopment sites and similar areas, efforts will be made to develop open spaces—such as parks and adequately sized urban plazas—so that residents, visitors, and workers in and around these areas can utilize them as temporary evacuation spaces and locations for emergency response activities during disasters.
- For facilities within redevelopment areas, efforts will focus on enhancing disaster preparedness by providing shelter space for stranded individuals, establishing storage for emergency supplies, and securing essential items such as water, food, and daily necessities for use during disasters.
- Prepare for intense rainfall by installing and maintaining stormwater runoff control facilities during development, designed in line with the discharge capacity of downstream drainage systems. In addition, promote measures such as greening, permeable pavements, and infiltration trenches or inlets to further enhance infiltration capacity and reduce flood damage.
- Leverage geographical advantages—such as strong public transportation access and distance from the Kego Fault Zone—to strengthen disaster resilience in the Hakozaki Campus area. From a broader regional perspective, including its potential role as a backup for the Tokyo metropolitan area, examine development and location options based on functional requirements, scale, and intended uses.
- Advance disaster preparedness efforts during normal times, while also ensuring effective emergency response activities during disasters.
- Aim to create a city that can respond flexibly to disasters by promoting spatial improvements and initiatives led by a wide range of stakeholders, including public authorities, businesses, and residents, to enhance overall disaster resilience.

Figure 28: Action Points for Enhancing Disaster Resilience in the Kyushu University Hakozaki Campus Site Grand Design⁴⁶

JR Kyushu, considering the above action points, intends to construct temporary evacuation shelters and stockpile warehouses for disaster victims, including local residents, visitors, and workers, in the event of a disaster. In light of the above, evacuation shelters and stockpiling warehouses in the event of a disaster are beneficial for ensuring the safety of disaster victims and provide social benefits.

[Social Eligibility Criteria 2] Facilities for fostering and creating regional industries and generating innovation

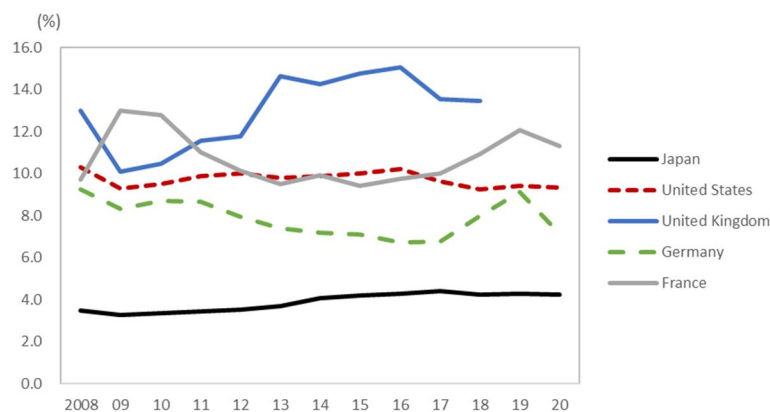
[Social Eligibility Criteria 3] Support for startups

Social Eligibility Criteria 2 for the Hakozaki Campus Redevelopment Project Site is “facilities for fostering and creating regional industries and generating innovation,” and Social Eligibility Criteria 3 is “support for startups.” This use of proceeds falls under projects that contribute to “socioeconomic advancement and empowerment” targeting “SMEs and local residents,” among the eligible social project categories set forth in the Social Bond Principles, Social Loan Principles, and Social Bond Guidelines.

The Government of Japan considers science, technology, and innovation to be the source of national strength and a driving force for accelerating economic growth and resolving social issues. Accordingly, the Government of Japan has formulated the 6th Science, Technology and Innovation

Basic Plan (FY2021–FY2025) as a five-year plan setting out Japan's science and technology policy. Under the plan, with the aim of realizing Society 5.0, priority is placed on strengthening research capabilities, integrating the humanities and social sciences with the natural sciences (comprehensive knowledge), developing human resources, and ensuring economic security, while seeking to build a sustainable and resilient society and enhance individual well-being (happiness)⁴⁹. In addition, as shown in the figure below, Japan tends to have a lower business start-up rate than other major advanced countries, and this trend is similarly observed across industries. It has been pointed out that an increase in ventures and startups contributes not only to economic development through the growth of those companies themselves, but also to the growth of existing large corporations⁵⁰ through the introduction of new technologies and other means via collaboration with ventures and startups.

(1) Trends in Unemployment Rates Across Major Developed Countries



(2) Unemployment Rates by Industry: Japan vs. the United States (2016)

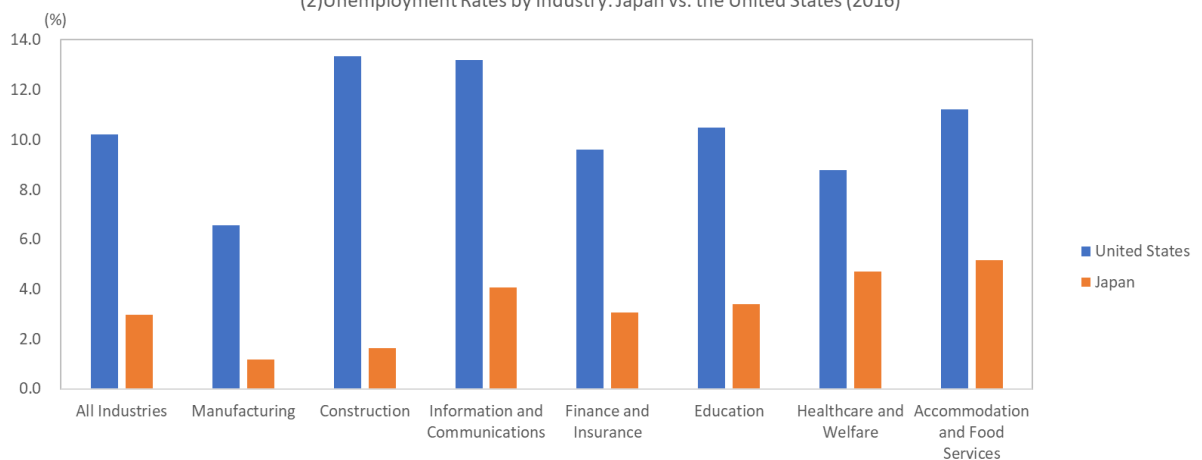


Figure 29: International Comparison of Business Start-up Rates⁵¹

In light of these social circumstances, Fukuoka City provides support, including subsidies, to R&D-oriented startup companies possessing proprietary technologies that are expected to drive the city's economy in the future. The "Grand Design for the Redevelopment of the Former Kyushu University Hakozaki Campus," formulated by Fukuoka City and Kyushu University, also envisions an "entrepreneurship support function."

⁴⁹Cabinet Office website <https://www8.cao.go.jp/cstp/tougosenryaku/2025.html>

⁵⁰Cabinet Secretariat, "Five-Year Startup Development Plan" (https://www.cas.go.jp/jp/seisaku/atarashii_sihonsyugi/pdf/sdfyplan2022.pdf)

⁵¹White Paper on the Labour Economy, "2023 Analysis of the Labour Economy," Figure 2-(3)-10: International Comparison of Business Start-up Rates (Translated by JCR) <https://www.mhlw.go.jp/stf/wp/hakusyo/roudou/23/backdata/02-03-10.html>

Accordingly, this project is highly likely to offer social benefits, as it has the potential to contribute to ventures and local small and medium-sized enterprises. However, as the details of this project have not yet been clarified at this time, when considering this project as a social project, JR Kyushu shall obtain prior confirmation from JCR, a third-party institution, as to the existence of beneficiaries and social benefits.

[Social Eligibility Criteria 4] Barrier-free accessibility improvements for facilities

Social Eligibility Criteria 4 for the Hakozaki Campus Redevelopment Project Site is “barrier-free accessibility improvements for facilities.” This use of proceeds falls under the category of eligible social project businesses defined in the Social Bond Principles, Social Loan Principles, and Social Bond Guidelines, specifically projects that contribute to “access to essential services” for “the older adults, people with disabilities, and others with physical impairments.”

As noted above, the Act on Promotion of Smooth Transportation, etc. of Elderly Persons, Disabled Persons, etc. (Barrier-Free Act) requires that, when newly developing public transportation facilities (passenger facilities, vehicles, etc.), roads, off-street parking facilities, urban parks, or buildings for elderly and people with disabilities, they conform to certain barrier-free standards (standards for smooth mobility, etc.).

In light of these circumstances, the “Grand Design for the Former Site of Kyushu University Hakozaki Campus” formulated by Fukuoka City and Kyushu University states that, “if facilities expected to attract large numbers of visitors are to be located there, safe and comfortable pedestrian routes continuous from the station shall be secured.”

JCR assesses that the use of proceeds has social benefits, as it contributes to resolving the social issue of facilitating smooth mobility for all people, including elderly and people with disabilities.

Based on the above review, JCR assesses that the project stipulated for the redevelopment of the former Hakozaki Campus of Kyushu University has environmental improvement effects or social benefits.

2. Negative Impacts on the Environment and Society

This framework pertaining to environmental and social risks (excerpt)

We will confirm that the following measures are taken for all the eligible projects in order to reduce environmental and social risks.

- Compliance with environmental laws and regulations required by the national government or the local government where the project is to be implemented, and implementation of environmental impact studies as necessary.
- Providing adequate explanations to local residents when conducting business.
- Ensuring the safety of transportation based on our safety management system.
- Procurement of materials, prevention of environmental pollution, and consideration of the working environment and human rights in accordance with the Group's basic philosophy and policies for global environmental conservation activities, basic procurement policies, and other policies.

[JCR's Evaluation of This Framework]

JR Kyushu plans to mitigate negative environmental and social impacts for all eligible candidate projects subject to the use of proceeds.

Eligible Projects		Anticipated Risks	Measures to Address Risks
Train cars	Manufacturing, remodeling or replacement	• Disposal of existing vehicles • Noise and vibration during operations • Labor-related issues in construction work	• Compliance with environmental laws and regulations • Providing sufficient explanation to local residents • Consideration for the work environment and human rights
	Making railway train cars barrier free		
Railway-related facilities	Construction, maintenance, repair and replacement	• Disposal of existing equipment and facilities • Noise and vibration during operations • Labor-related issues in construction work	• Compliance with environmental laws and regulations • Providing sufficient explanation to local residents • Consideration for the labor environment and human rights
	Renovation of railway-related facilities to address the intensification of natural disasters		
	Introduction of barrier free facilities at stations		
	Investments in relation to renovation and renewal of railway-related facilities contributing to improved safety and security, including measures against intensifying disasters		
Buildings near stations and the company owned facilities (the green building certifications)		• Noise and vibration during construction • Opposition and complaints from local residents • Labor-related issues in construction	• Compliance with environmental laws and regulations • Providing sufficient explanations to local residents • Consideration for the working environment and human rights
Introduction of barrier free facilities in buildings and installation of disaster prevention equipment			
Investments in relation to the introduction and renovation of energy efficiency equipment and facilities (LED)		• Labor-related issues in construction work	• Consideration for the working environment and human rights
Renewable energy equipment, storage battery business		• Environmental destruction caused by development • Replacement and disposal due to aging	• Conducting environmental impact assessments • Compliance with environmental laws and regulations

	• Opposition and complaints from local residents • Labor-related issues in construction work	- and providing sufficient explanations to local residents • Consideration for the working environment and human rights
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Figure 30: Anticipated Risks and Countermeasures for Each Eligible Project⁵²

Accordingly, JCR has confirmed that due consideration has been given to the project's negative environmental and social impacts and has assessed that appropriate avoidance and mitigation measures have been implemented for each project.

3. Consistency with SDGs

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



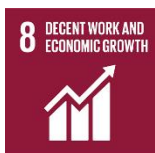
Goal 3: Good health and well-being

Target 3.6. By 2020, halve the number of global deaths and injuries from road traffic accidents



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, to double the global rate of improvement in energy efficiency



Goal 8: Decent work and economic growth

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



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, to 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

Goal 11: Sustainable cities and communities

⁵²Prepared by JCR based on an interview with JR Kyushu



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 11.3. By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries

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



Goal 13: Climate Action

Target 13.1. To strengthen resilience and adaptive capacity to climate-related disasters 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

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 confirms that the objectives to be achieved through sustainability financing, the appropriateness of sustainability project selection standards and processes, and whether or not a series of processes are properly disclosed to investors/lenders and others.

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

JCR has determined that, with respect to the objectives of this framework and the criteria and processes for selecting green projects and social projects, departments with relevant expertise and management are appropriately involved, and transparency is also ensured.

1. Goals

As noted above, the JR Kyushu Group established a new management philosophy in March 2025 and is also reexamining its materiality (key issues), which serves as the foundation for implementing that philosophy. The use of proceeds for sustainability finance and similar instruments executed under this framework is considered to contribute particularly to the following JR Kyushu materialities: "Our utmost mission: to create safety and pursue customer satisfaction," "Leveraging our comprehensive capabilities centered around mobility services, aiming to co-create with local communities through city building," and "Business development in harmony with the environment."

Accordingly, JCR has assessed that the execution of sustainability finance and similar instruments under this framework is aligned with JR Kyushu's goals.

2. Selection criteria

JCR has conducted an assessment of the eligibility criteria set forth in this framework and has determined, as confirmed in Phase 1 of the evaluation, that the projects targeted thereunder are those with significant environmental improvement effects and/or social benefits.

3. Processes

The Framework for Processes

Process for Project Evaluation and Selection

The Finance Department of the Company (the 'Finance Department') will identify the candidate projects to which the proceeds of this Sustainability Finance will be allocated based on the eligibility criteria defined in 2.1. Use of Proceeds. The General Manager of the Finance Department

of the Company will give final approval to the identified candidate projects based on the alignment with the basic philosophy and basic policy of the Group's environmental conservation activities. The decision is reported to the ESG Strategy Committee, which is chaired by the President of the Company and composed of general managers of the business divisions.

JCR's Evaluation for the Framework

In selecting projects eligible for the use of proceeds under sustainability finance, the Finance Department identifies candidate projects, and the General Manager of the Finance Department grants final approval for the identified candidates. The selection results are also reported to the ESG Strategy Committee, chaired by the President of the Company.

Based on the above, JCR evaluates that management and the specialized departments of the ESG Strategy Committee are appropriately involved in the project selection process defined in this framework.

In addition, JR Kyushu's targets, selection criteria, and processes related to sustainability finance will be disclosed in this evaluation report and on JR Kyushu's website. Therefore, transparency for investors and other stakeholders is considered to be ensured.

II. Management of the Proceeds

JCR's Key Consideration on This Factor

It is usually assumed that the management of the proceeds varies widely depending on issuers/borrowers. JCR confirms whether the proceeds are surely appropriate to the green project and/or social project and whether a mechanism and internal system are in place to make tracking easy.

JCR also focuses on whether the proceeds are scheduled to be used for green projects and/or social projects at an early stage and on the management and operation methods for unallocated funds.

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

JCR considers JR Kyushu's fund management system to be appropriately established, and evaluates it as highly transparent because the method for managing procured funds is disclosed in this assessment report and the framework is also disclosed on the website.

The Framework for Management of the Proceeds

Management of Proceeds

The Finance Department will allocate to eligible projects and manage proceeds of the sustainability finance. The Finance Department will track and manage the proceeds on a quarterly basis using the internal accounting system until maturity or repayment, to ensure the amount equal to the proceeds of the sustainability finance is allocated to one or more of the eligible projects. The internal accounting system will keep track of and manage allocation for each of the eligible projects.

Until the proceeds of the sustainability finance are allocated in full to eligible projects or in case there are not sufficient eligible projects to allocate the proceeds to, the unallocated proceeds will be held in cash or cash equivalent, and we intend to complete the allocation within 2 years after issuance of the sustainability finance.

JCR's Evaluation for the Framework

Funds raised through sustainability finance are expected to be fully allocated within approximately two years from execution. Until the full amount of the raised funds has been allocated, such funds will be invested and managed in cash or cash equivalents. For tracking and management purposes, until redemption or repayment, each eligible project will be managed by the Finance Department on a quarterly basis using the internal accounting system and approved by the General Manager of the Finance Department. A framework of internal checks is scheduled to be established for the management of the procured funds.

Documents and other records concerning the management of the procured funds will be retained until the redemption of the bonds or the repayment of the loans.

Based on the above, JCR assesses that JR Kyushu has appropriately established its fund management framework and, because the methods for managing the procured funds will be disclosed in this evaluation report, considers the level of transparency to be high.

III. Reporting

JCR's Key Consideration on This Factor

In this section, JCR evaluates whether the disclosure system for investors/lenders before and after the issuance of sustainability bonds/loan, which is implemented with reference to the Framework, is planned in detail and in an effective manner.

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

JCR assesses that JR Kyushu's reporting is planned to be appropriately disclosed to investors and other stakeholders with respect to the allocation of funds, environmental improvement effects, and social benefits.

The Framework for Reporting

[Reporting]

We will report on the status of allocation to eligible projects and effects on the environment annually on the Company's website (or report to lenders in the case of loans).

<Allocation Reporting>

Until the proceeds from the sustainability finance are allocated in full, we will annually disclose the following indicators in relation to the status of allocation of the proceeds to eligible projects to the extent practicably feasible (or report to lenders in the case of loans).

- Overview of eligible projects
- Allocated amounts to eligible projects on a project-by-project basis and unallocated amount
- Expected timing of allocation in case there remain unallocated proceeds
- The ratio of finance for new investments and refinance

Once the proceeds are allocated in full and in the event of any major changes in allocation, we will disclose on a timely basis (or report to lenders in the case of loans).

<Impact Reporting>

As long as the funds procured through sustainability finance remain fully unallocated, we will annually disclose the following matters in relation to the impact of the eligible projects on the environment and society to the extent practicably feasible (or report to lenders in the case of loans). Information will also be disclosed in the event of significant changes in a timely manner.

Green Eligibility Criteria

Eligible Business		Impact of impact reporting
Clean Transportation		
Train Cars	Investments in relation to manufacturing, remodeling or replacement of train cars powered by electricity	- Overview of eligible projects - Number of train cars newly introduced in a year
	Investments in relation to manufacturing, remodeling or replacement of train cars powered by hydrogen	- Overview of eligible projects - Number of train cars newly introduced in a year
Railway-related Facilities	Investments in relation to construction, maintenance, repair and replacement of railway-related facilities	- Overview of eligible projects - Details of work in relation to maintenance, repair and renewal of railway-related facilities - Overview of new stations - Progress of installation of platform doors (Number of stations with platform door installation completed/Total number of stations) - Progress of other railway-related infrastructure that has been maintained, repaired, or upgraded, if any.
Green Buildings		
Investments in relation to construction of buildings near stations and the company owned facilities that have obtained, are expected to obtain, or are scheduled to renew the green building certifications		- Overview of eligible projects - Status of acquisition of certification (expected timing of acquisition/level of acquired certification)
Energy efficiency		
Investments in relation to the introduction and renovation of energy efficiency equipment and facilities		- Overview of eligible projects - Annual GHG emission reduction effects - Energy efficiency effects before and after equipment installation
Renewable energy		
- Expenditures in relation to the introduction of renewable energy equipment - Expenditures in relation to the purchase of renewable energy power - Expenditures in relation to energy storage business		- Overview of eligible projects - Amount of renewable energy generated - Amount of renewable energy electricity purchased - Number of battery storage installations - Capacity of battery storage systems - Amount of electricity that could be stored annually through the battery storage
Climate change adaptation		
Investments in relation to the renovation and renewal of railway-related facilities to address the intensification of natural disasters (such as heavy rain and typhoons) in Kyushu caused by climate change		- Overview of eligible projects - Damage status after disasters - Implementation status of disaster prevention measures

Social Eligibility Criteria

Eligible Business	Output	Outcome	Impact
Affordable basic infrastructure			

Train Cars	Investments in relation to making railway train cars barrier free	Overview of eligible projects	- Number of barrier free facilities installed - Number of wheelchair spaces installed	Realization of safe, secure, and sustainable mobility services
Railway-related Facilities	Investments in relation to the introduction of barrier free facilities at stations	Overview of eligible projects	- Number of barrier free facilities installed - Status of platform door installation (number of stations with installation completed / total number of stations)	
	Investments in relation to renovation and renewal of railway-related facilities contributing to improved safety and security, including measures against intensifying disasters	- Overview of eligible projects - Damage status after disasters	- Number of measures - Status of disaster prevention construction measures - Details of maintenance and management improvements	
Buildings	Investments and expenses in relation to the introduction and maintenance of barrier free facilities	Overview of eligible projects	Number of barrier free facilities installed	
	Investments and expenses in relation to the introduction and maintenance of disaster prevention equipment	Overview of eligible projects	Status of disaster prevention construction measures	

Sustainability Eligibility Criteria

<Green>

Eligible Business	Item of impact reporting
Renewable Energy, Green Buildings	
■ Introduction of renewable energy facilities ■ Investments in relation to construction of buildings near stations and the company owned facilities that have obtained, are expected to obtain, or are scheduled to renew the green building certifications	➢ Overview of eligible projects ➢ Number of renewable energy facilities installed ➢ Amount of renewable energy generated ➢ Status of acquisition of certification (expected timing of acquisition/level of acquired certification))

<Social>

Eligible Business	Output	Outcome	Impact
Affordable basic infrastructure, Socioeconomic advancement and empowerment			
■ Facilities with shelter functions in the event of disasters ■ Facilities for fostering and creating local industries and innovation ■ Venture support ■ Making facilities barrier free	➢ Overview of eligible projects	➢ Number of facilities with shelter functions ➢ Number of collaborations with local businesses ➢ Number of facilities aimed at fostering innovation ➢ Number of collaborations with venture companies ➢ Number of barrier free facilities installed	➢ Revitalization of the community through sustainable urban development

JCR's Evaluation for the Framework

JCR considers the above reporting to be a plan for appropriate disclosure to investors and other stakeholders regarding the status of allocation of funds, environmental improvement effects, and social benefits.

Reporting on the allocation status of the proceeds

JR Kyushu plans to disclose annually on its website the information specified in this framework regarding the allocation status of funds procured through sustainability finance (or, in the case of loans, to report such information to lenders). In addition, if there is any material change in the status of the funds after the full amount of the procured funds has been allocated, the Company plans to

disclose such change promptly on its website or report it to lenders without delay (in the case of loans only).

Reporting on environmental improvement effects and social benefits

JR Kyushu plans to disclose annually on its website the information specified in this framework as reporting on the environmental improvement effects of eligible green projects and reporting on the social benefits of eligible social projects (however, in the case of loans, such information will be reported to the lender). These disclosure items include quantitative indicators such as annual GHG emissions reductions, renewable energy generation, battery storage capacity, and the number of stations where platform screen door installation has been completed relative to the total number of stations. Outcomes have been quantified to the extent possible, and appropriate disclosure targets have been identified. In addition, the impacts are aligned with JR Kyushu's goals and are sufficient to demonstrate the social significance of the projects.

JCR therefore considers JR Kyushu's reporting framework to be appropriate.

IV. Organization's Sustainability Initiatives

JCR's Key Consideration on This Factor

In this section, JCR evaluates whether the management of the issuer/borrower positions sustainability issues as a high priority for management and whether the sustainability policy, process and selection criteria for green/social projects are clearly positioned through the establishment of a department specializing in environmental issues or in collaboration with external organizations.

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

JCR recognizes that JR Kyushu has positioned sustainability and ESG issues as key management priorities, has established organizational bodies to address sustainability-related matters, and is undertaking initiatives from both operational and management perspectives, while also promoting sustainability and ESG by incorporating the views of internal operational departments and outside directors.

As stated above, the JR Kyushu Group established a new management philosophy in March 2025, expressed through three elements: "Our Way," "Mission," and "Our Conduct." With the slogan "Bringing the energy of Kyushu to the world" as "Our Way," it has also clearly defined its "Mission" as "Prioritizing safety, we put our customers first and create stable daily life, as well as exciting moments," and has established three core values for its "Our Conduct": Sincerity, Co-creation, and Challenge. At the same time as formulating its new management philosophy, it has also revisited its materiality issues, which form the foundation for putting that philosophy into practice. It has also established KPIs for each materiality issue.

In addition, the JR Kyushu Group formulated its "Environmental Vision 2050" in February 2025. This vision reflects a long-term commitment to viewing climate change, resource circulation, and biodiversity as three interrelated themes and, in collaboration with local communities, business partners, and customers, creating a future in coexistence with nature. Particularly in the area of decarbonization, the Company has clearly set out a policy of advancing measures integrated with its business activities—including the introduction of energy-efficient vehicles, the decarbonization of operational power sources, the promotion of renewable energy use, and the deployment of energy storage technologies—based on medium- to long-term targets of reducing GHG emissions by 60% by FY 2035 compared with FY 2023 levels and achieving carbon neutrality by 2050.

The JR Kyushu Group has established the ESG Strategy Committee, chaired by the President and CEO and administered by the ESG Promotion Office, as a deliberative body to strengthen and advance initiatives in the environmental, social, and governance fields. The Board of Directors receives reports on the substance of these discussions and supervises management's initiatives. In addition, to promote ESG management, outside directors with expertise in ESG attend meetings as observers, as appropriate.

In light of the above, JCR highly values the fact that JR Kyushu's management positions sustainability-related issues as high-priority material matters in management, has established meeting bodies on

sustainability-related issues and is undertaking initiatives from both operational and management perspectives and is also proactively appointing outside directors with expertise in ESG.

Evaluation phase 3: Evaluation result(Conclusion)

SU 1(F)

Based on its JCR Sustainability Finance Evaluation Methodology, JCR assigned "gs1(F)" for the "Greenness and Social Beneficial Impacts Evaluation (Uses 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." The Framework meets the standards for the items required in the Green Bond Principles, the Green Loan Principles, the Social Bond Principles, the Social Loan Principles, the Sustainability Bond Guidelines, the Green Bond Guidelines, the Green Loan Guidelines and the Social Bond Guidelines.

		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)	Not qualified
	gs4(F)	SU 4(F)	SU 4(F)	SU 5(F)	Not qualified	Not qualified
	gs5(F)	SU 5(F)	SU 5(F)	Not qualified	Not qualified	Not qualified

(Responsible analysts for this evaluation) Daisuke Sato · Fuyuki Tamagawa

Important explanations of this Evaluation

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

JCR Sustainability Finance Framework Evaluation, which is determined and provided by Japan Credit Rating Agency, Ltd. (JCR), covers the policies set out in the Sustainability Finance Framework, and expresses JCR's comprehensive opinion at this time regarding the appropriateness of the Green Project and/or Social 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 is not intended to evaluate the effects of specific environmental improvements and social benefits the management, operation and transparency of individual bonds and loans, etc. to be implemented based on these policies. In the event an individual bond or individual loan based on this Framework is subject to a sustainability finance evaluation, a separate evaluation is needed. JCR Sustainability Finance Framework Evaluation does not prove the environmental improvement effects and social benefits of individual bonds or loans implemented under this Framework, and does 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/borrower or by a third party nominated by the issuer/borrower, but in principle it does not directly measure such effects.

Also, 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 Sustainability Finance Evaluation" 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 second party opinion.

- 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 is 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

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

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■ Glossary

JCR Sustainability Finance Framework Evaluation: This evaluates the extent to which the funds procured through Sustainability Finance are appropriated for green projects and/or social projects as defined by JCR and the degree to which the management, operation and transparency of the Sustainability Finance are ensured. Evaluations based on a 5-point scale are given from top to bottom using the SU 1(F), SU 2(F), SU3 (F), SU4 (F), and SU5 (F) symbols.

■ Status of Registration as an External Evaluator of Sustainability 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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