



R&I Green Bond Assessment

Kyushu Railway Company
Green Bond: GA1 (Formal)

July 14, 2023
ESG Division
Masayuki Ishii

Rating and Investment Information, Inc. (R&I) has assigned an R&I Green Bond Assessment to the financial instruments of Kyushu Railway Company (JR Kyushu).

■ Overview of R&I Green Bond Assessment

| | |
|----------------------|--|
| Issuer | Kyushu Railway Company |
| Financial Instrument | 14th Issuance of unsecured bonds (with specific inter-bond pari passu clause) (Green Bond) |
| Issue Amount | JPY 10 billion |
| Issue Date | July 21, 2023 |
| Maturity Date | July 21, 2033 |
| Use of Proceeds | Green buildings |
| Assessment | GA1 (Formal) |

Assessment by item

| Item | Assessment |
|--|------------|
| Use of proceeds | |
| Process for project evaluation and selection | |
| Management of proceeds | |
| Reporting | |
| Environmental activities of the issuer | |

* Each item is assessed on a 5-point scale, from (highest) to (lowest).

Rating and Investment Information, Inc.

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R&I Green Bond Assessment is R&I's opinion regarding the extent to which the proceeds from the issuance of green bonds are used to invest in projects with environmental benefits and is not statements of fact. R&I Green Bond Assessment does not certify the environmental benefits and other qualities of the eligible projects. Hence, R&I will not be held responsible for the effectiveness of the projects, including their environmental benefits. R&I Green Bond Assessment is not the Credit Rating Business, but one of the Ancillary Businesses (businesses excluding Credit Rating Service but are ancillary to Credit Rating Activities) as set forth in Article 299, paragraph (1), item (xxviii) of the Cabinet Office Ordinance on Financial Instruments Business, etc. With respect to such business, relevant laws and regulations require measures to be implemented so that activities pertaining to such business would not unreasonably affect the Credit Rating Activities, as well as measures to prevent such business from being misperceived as the Credit Rating Business. Further, R&I does not give advice regarding investment decisions or financial matters, or endorse the merits of any investment. R&I does not undertake any independent verification of the accuracy or other aspects of the related information when issuing R&I Green Bond Assessment and makes no related representations or warranties. R&I is not liable in any way for any damage arising in relation to R&I Green Bond Assessment (including amendment or withdrawal thereof). As a general rule, R&I issues R&I Green Bond Assessment for a fee paid by the applicant. For details, please refer to <https://www.r-i.co.jp/en/docs/policy/site.html>.

Overall Assessment

The proceeds from the green bonds will be fully allocated to green buildings. The projects are aligned with "realization of a decarbonized society," one of the material issues of JR Kyushu. The projects give sufficient consideration to negative environmental and social impacts, and R&I has determined that they are expected to produce a clear benefit of CO2 reduction. The criteria for project selection are clearly defined. The eligible projects are considered to be in line with JR Kyushu's basic principle and policies for environmental conservation activities. The Finance Department will manage the allocation of proceeds on a project-by-project basis using an internal accounting system. Until the proceeds are allocated in full, unallocated funds will be held in cash or cash equivalents. The method of managing the proceeds is defined appropriately. Allocation reporting and impact reporting will be disclosed for each project. Quantifiable indicators will be reported quantitatively, and qualitative information will provide details of eligible projects.

Based on the above, R&I has concluded that the green bond proceeds will be used to invest in projects with environmental benefits to a significant degree, and assigned GA1 (Formal).

The R&I Green Bond Assessment Methodology can be found on the following website.
<https://www.r-i.co.jp/en/rating/products/esg/index.html>

I . Outline of the Issuer

- JR Kyushu is a passenger railway company that operates throughout the Kyushu region. It runs the Kyushu Shinkansen, conventional lines and distinctive tourist trains. In addition to the railway business, it is engaged in diverse businesses, particularly in areas that create a significant synergy with the railway business, such as real estate, construction, retail and hotels.
- JR Kyushu sets out a vision of what it aims to be: A corporate group that invigorates Kyushu, Japan, and Greater Asia with safety and service as its foundation. The Kyushu region is expected to see a further population decline. Increasingly frequent and severe natural disasters amid global warming are another issue to tackle, given a number of disasters that have hit the region in recent years, such as the Kumamoto earthquakes in 2016 and the flooding and landslides caused by heavy rains in 2017 and 2020. In light of such circumstances, JR Kyushu established the 2030 Long-Term Vision in 2019 to "contribute to the sustainable development of Kyushu through city-building/community development initiatives that leverage the distinctive characteristics of local communities, centering on safe and reliable mobility services." The JR Kyushu Group Medium-Term Business Plan 2022-2024 announced in March 2022 presents the direction to achieve the 2030 Long-Term Vision based on the policies of "implementing city-building initiatives for the realization of well-being, with consideration for changes in values" and "expanding areas we work in that contribute to the sustainable development of Kyushu."
- In 2019, JR Kyushu established the ESG Strategy Committee. To continue to be a corporate group that contributes to local communities through its business, it is implementing and reinforcing corporate ESG. In the JR Kyushu Group Medium-Term Business Plan 2022-2024, the company revised its material issues. It also set non-financial KPIs for each of the Environment (E), Society (S) and Governance (G) components and discussed linking director remuneration to some of these KPIs, which shows its stronger commitment.

| | Material issues ~Points that the JR Kyushu Group focuses on at all times~ | Major initiatives in the medium-term business plan | Major objectives/indicators | | |
|---|--|---|---|---|---|
| E | Realization of a de-carbonized society | Initiatives for the realization of a de-carbonized society (slide 12) | <ul style="list-style-type: none"> CO₂ emissions Disclosure of environment-related information Green building | <ul style="list-style-type: none"> JR Kyushu non-consolidated emissions in FY2031/3 Groupwide Scope 1 and 2 emissions Groupwide Scope 3 emissions Acquisition of green building certification | 50% reduction compared to FY2014/3 Tracking emissions Starting to calculate 1 or more cases |
| | | Ensuring the utmost safety at all times Implementing initiatives to enhance our corporate culture founded on service | <ul style="list-style-type: none"> Safety Service | <ul style="list-style-type: none"> Accidents in the railway business that result in fatalities among customers^{*1} Occupational accidents that result in fatalities among employees, etc. Score of service ranking^{*2} | 0 cases 0 cases 90 or more points |
| S | Sustainable city-building | Creating a model for building cities that promote well-being | <ul style="list-style-type: none"> Resident population in regions around development areas Creating employment through new development projects | <ul style="list-style-type: none"> Monitoring indicators Monitoring indicators | |
| | | Developing businesses in new areas in which we can contribute (slide 17,18,19,20,25) | <ul style="list-style-type: none"> Employee engagement Diversity (promoting women's participation and advancement in the workplace) Comfortable environments that are easy and satisfying to work in Health management Re-skilling support | <ul style="list-style-type: none"> Results of employee attitude survey Exchanges of opinions between executives and employees Ratio of female employees among new employees Ratio of female managers (End of FY2031/3) Ratio of male employees who take childcare leave Ratio of special health guidance given to relevant employees Development of employees skilled in digital technologies Participation in external distance learning | Continued YoY improvement 40 times per year or more 30% or more 10% or more 50% or more 80% or more 500 people or more 500 people or more per year |
| G | Sound corporate management | Advancing personnel strategy (slide 21,24) | <ul style="list-style-type: none"> Institutional investors Individual investors Customers Local communities | <ul style="list-style-type: none"> Continuing to hold financial results presentations, etc.; sharing of investors' opinions at meetings of the Board of Directors Large meetings (JR Day events) offering opportunity to talk with outside directors Offering opportunities for exchange, such as presentations, tours, etc. Discussions with customers Building sustainable relationships with local communities | 1 or more events per year 5 or more times per year 10 or more times per year |
| | | | Enhancing communication with stakeholders | | |

*1. Accidents for which the Group is responsible *2. Survey of actual conditions for station/conductor service, conducted by an outside party (A perfect score is 100 points) *3. Objectives/indicators related to the development of human resources are for JR Kyushu

[Source: JR Kyushu Group Medium-Term Business Plan 2022-2024]

II. Assessment by Individual Item

1. Use of proceeds

(1) Eligible Projects

- Target projects are shown below. They correspond to the project category of "Green buildings."

| Project Category | Eligible Project / Criteria | Target Project |
|------------------|---|--|
| Green buildings | Investments in relation to construction of buildings near stations and JR Kyushu's facilities scheduled to obtain the following green building certifications. LEED-BD+C (Building Design and Construction) or LEED-O+M (Building Operations and Maintenance): Gold or Premium; CASBEE for Buildings (New Construction, Existing Buildings, and Renovation) or CASBEE for Real Estate: A or S Rank; BELS: 4 or 5 Stars; and DBJ Green Building Certification: 4 or 5 Stars | New Nagasaki Station Building (tentative name) JR Kagoshima Chuo Building |

<Eligibility Criteria>

For existing investments in eligible projects, the use of proceeds is restricted to projects that were initiated, or whose environmental performance was affirmed, within two years prior to issuance of the green bond.

- The use of proceeds is disclosed to investors in advance, as it is described in statutory disclosure documents as the outline of the framework and also disclosed along with external assessments.

(2) Environmental Benefits

Green buildings

- New Nagasaki Station Building (tentative name) to be financed by the green bonds is scheduled to obtain A Rank in CASBEE for Buildings (New Construction). JR Kagoshima Chuo Building has acquired A Rank in CASBEE for Buildings (New Construction) and is scheduled to obtain 5 Stars in BELS. Descriptions of the properties are shown below.

<Description of the Property> (Plan)

| | |
|------------------------------------|--|
| Building name | New Nagasaki Station Building (tentative name) |
| Location | Part of 1-1 and 1-57, Onoue-machi, Nagasaki City, Nagasaki |
| Site area | Approx. 18,000 m ² |
| Total floor area | Approx. 102,000 m ² |
| Floors | 13 floors above the ground (office: 5-6F; store: 1-4F and part of 5F; hotel: 7-13F) |
| Designed by | Obayashi Corporation First-Class Architect Office |
| Constructed by | New Nagasaki Station Building (tentative name) construction JV (consisting of Obayashi and Kyutetsu Corporation) |
| Start of construction | December 2021 |
| Completion | Fall 2023 |
| Major environmental considerations | Improve energy efficiency through the introduction of BEMS, high-efficiency transformers and elevator VVVF control, reduce heat- and water-related impacts |

| | |
|--|---|
| | through the adoption of pair glass, wall and roof greening, and the use of well water, reduce air conditioning- and ventilation-related impacts through the individual control of office air conditioning and outer wall natural ventilation systems, and reduce lighting-related impacts through the individual control of office lighting and the optimization of basic LED illuminance |
| Major environmental certifications, etc. | A Rank in CASBEE for Buildings (New Construction) |

<Description of the Property>

| | |
|--|---|
| Building name | JR Kagoshima Chuo Building |
| Location | 1-2-10 Take, Kagoshima City, Kagoshima |
| Site area | 6,485.07 m ² |
| Total floor area | 31,869.75 m ² |
| Floors | 11 floors above the ground (store: 1-3F; office: 4-10F) * 11F: equipment floor |
| Designed by | Shimizu Corporation First-Class Architect Office |
| Constructed by | Shimizu & Kyutetsu Corporation specified construction JV |
| Start of construction | November 2021 |
| Completion | April 2023 |
| Major environmental considerations | Introduce high-efficiency systems, adopt low-e pair glass for smaller heat-related impacts and introduce solar power generation |
| Major environmental certifications, etc. | A Rank in CASBEE for Buildings (New Construction) acquired, 5 Stars in BELS to be obtained |

(3) Consideration for Negative Environmental and Social Impacts

- It has been confirmed that the following measures to reduce environmental and social risks are in place for eligible projects, showing that sufficient consideration is given.
 - Compliance with environmental laws and regulations required by the national government or the local government where a project is to be implemented, and implementation of environmental impact studies as necessary
 - Providing adequate explanations to local residents when conducting a project
 - Ensuring the safety of transportation based on the JR Kyushu safety management system
 - Procurement of materials, prevention of environmental pollution, and consideration of the working environment and human rights in accordance with the JR Kyushu Group's basic principle and policies for environmental conservation activities, basic procurement policy, and other policies

Assessment (Use of Proceeds): 

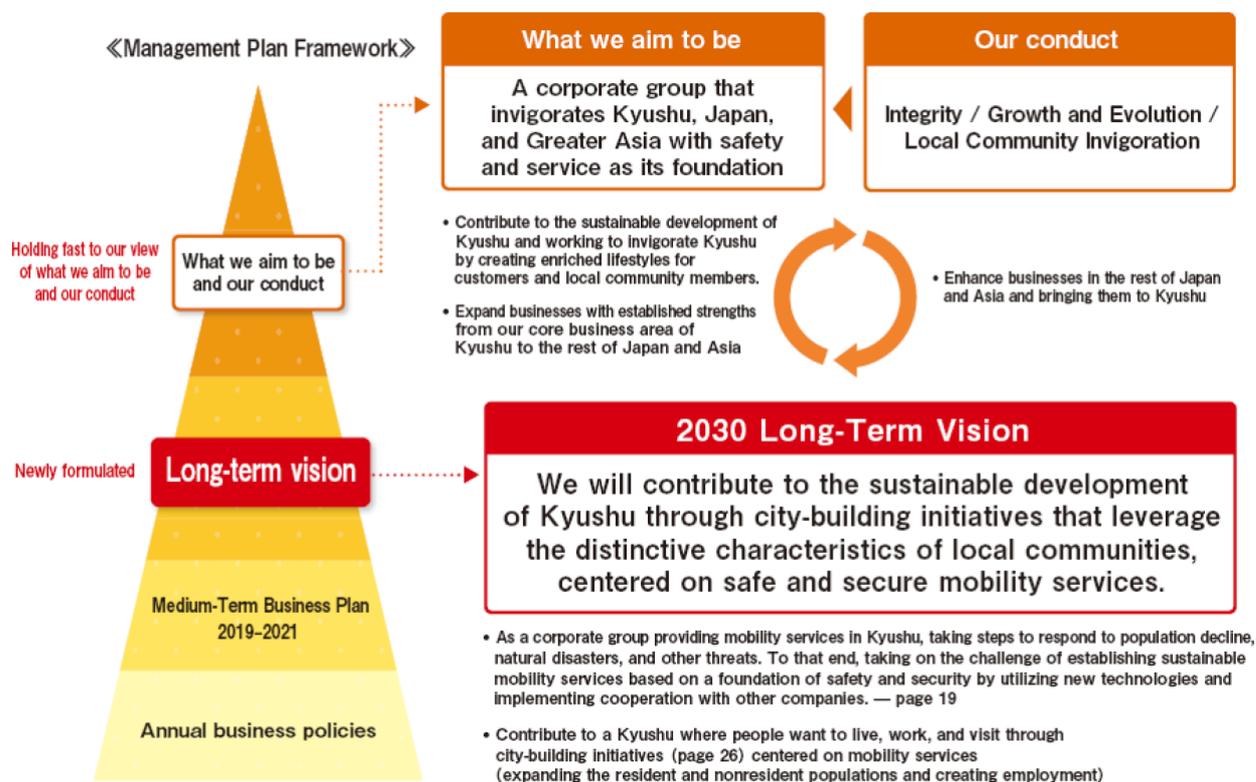
The proceeds from the green bonds will be fully allocated to green buildings. The projects are aligned with "realization of a decarbonized society," one of the material issues of JR Kyushu, and contribute to greater energy consumption efficiency and lower CO₂ emissions. The projects give sufficient consideration to negative environmental and social impacts, and R&I has determined that they are expected to produce a clear benefit of CO₂ reduction.

2. Process for Project Evaluation and Selection

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

- With a focus on three pillars that form its code of conduct—Integrity, Growth and Evolution, and Local Community Invigoration—, the JR Kyushu Group strives to achieve its vision of what it aims to be: A corporate group that invigorates Kyushu, Japan, and Greater Asia with safety and service as its foundation. Based on these, it formulated the Long-Term Vision for 2030 to contribute to the sustainable development of Kyushu.

‘Long-Term Vision for 2030’



[Source: JR Kyushu Green Bond Framework]

- In April 2022, JR Kyushu revised its basic principle and policies for environmental conservation activities established in 1999, to step up efforts to tackle climate change and other environmental issues throughout the group. To realize a decarbonized society, it will take further measures against climate change, such as efficient energy use through the introduction of energy-saving train cars and the utilization of renewable energy, and strive to maintain biodiversity, build a circular society and prevent environmental pollution.
- Each of the target projects is positioned in the context of the basic principle and policies for environmental conservation activities and contributes to the company's Low-Carbon Society Action Plan.

(2) Criteria for Project Evaluation and Selection

- To select eligible projects, the criteria that correspond to the categories of "Clean transportation" and "Green buildings" under the Green Bond Principles have been established. For green buildings, certifications to be referenced are identified.
- Although exclusion criteria are not provided, JR Kyushu confirms that measures to reduce environmental and social risks are in place when selecting eligible project candidates.

(3) Process for Project Evaluation and Selection

- The Finance Department will identify candidate projects based on the eligibility criteria, and the Executive Officer and General Manager of the Finance and Accounting Department will give final approval based on the alignment with the basic principle and policies for environmental conservation activities. The project evaluation and selection process is described in the Green Bond Framework.

Assessment (Process for Project Evaluation and Selection):

The criteria for project selection are clearly defined. The eligible projects are considered to be in line with JR Kyushu's basic principle and policies for environmental conservation activities. Measures to reduce environmental and social risks are included in the process. The evaluation and selection process is clearly and reasonably defined, and R&I has determined that the process is superior.

3. Management of Proceeds

- The Finance Department will allocate the proceeds to eligible projects. The department will track and manage the proceeds on a quarterly basis using an internal accounting system until maturity in accordance with established administrative procedures, to ensure that the proceeds will be fully allocated to one or more of the eligible projects. The allocation of proceeds will be managed on a project-by-project basis.
- JR Kyushu intends to complete the allocation within two years after issuance, and unallocated proceeds will be held in cash or cash equivalents.
- The method of managing the proceeds is explained to investors through the disclosure of the outline of the framework.

Assessment (Management of Proceeds):

The Finance Department will manage the allocation of proceeds on a project-by-project basis using an internal accounting system. Unappropriated proceeds will be held in cash or cash equivalents until allocated in full. The method of managing the proceeds is defined appropriately, and R&I has determined that the method is excellent.

4. Reporting

(1) Overview of Disclosure

- Reporting will be made as follows:

| | Items | Timing | Disclosure |
|------------------------|---|---|---|
| Allocation of Proceeds | 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 | Annually until the proceeds are allocated in full | Disclosed on JR Kyushu's website to the extent practicably feasible |
| Environmental Benefits | <u>Green buildings</u> Overview of eligible projects Status of acquisition of certification (expected timing of acquisition / level of acquired certification) Annual reduction in CO2 and energy consumption through green building Progress of revitalization of regions, mainly in Kyushu, through new buildings and urban development | Annually as long as there are bonds outstanding | Disclosed on JR Kyushu's website to the extent practicably feasible |

- Information will be disclosed in a timely manner in the event of any major changes in allocation after the proceeds are allocated.

(2) Indicators to Show Environmental Benefits and Calculation Method, etc.

- Allocation reporting and impact reporting will be disclosed for each project category.
- Quantifiable indicators, including a reduction in CO2, will be reported quantitatively.

Assessment (Reporting):

Allocation reporting and impact reporting will be disclosed for each project category. Quantifiable indicators will be reported quantitatively, and qualitative information will provide details of eligible projects. R&I has therefore determined that the reporting is excellent in terms of frequency, content, etc.

5. Environmental Activities of the Issuer

- The ESG Strategy Committee forms the core of JR Kyushu's environmental management system. The committee, chaired by the President, deliberates and decides on necessary matters including basic policies and has special environmental sub-committees to create implementation plans, set targets, report results and promote activities for various environmental issues. In addition, ISO 14001 certifications have been obtained at the Kokura Rolling Stock Center and group companies.
- To prevent global warming, JR Kyushu targets a 50% CO2 emissions reduction on a stand-alone basis by 2030 compared to FY2013 and net-zero CO2 emissions from the JR Kyushu Group by 2050. Besides the projects to be financed by the green bond proceeds, it has introduced the first "power interchanging device" on Shinkansen in the Shin-Miyama feeder sorting station, where regenerative power created when a train decelerates is used to run a train in the transmission range of different substations. The company also generates electricity at mega solar power plants by effectively utilizing unused land.
- JR Kyushu is working to reduce waste during construction and use environmentally friendly materials by promoting the three Rs (Reduce, Reuse, Recycle) toward a circular society. It manages chemical substances appropriately as stipulated in relevant laws and regulations.
- JR Kyushu discloses its environmental activities to the public appropriately through Integrated Reports, ESG Data Books, JR Kyushu Environmental Actions, etc. In February 2021, the company announced its support for the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and participation in the TCFD Consortium, and disclosed climate-related information based on the TCFD. For the railway business, it analyzed 1.5°C, 2°C and 4°C scenarios developed by the Intergovernmental Panel on Climate Change (IPCC) and International Energy Agency (IEA), and quantitatively disclosed some of the expected financial impacts.

Assessment (Environmental Activities of the Issuer):

JR Kyushu is tackling environmental issues throughout the group based on an environmental management system led by the ESG Strategy Committee. Its environmental activities reduce CO2 emissions through greater energy consumption efficiency in the railway business. In addition, it is working to build a circular society while ensuring compliance with relevant laws and regulations. Such initiatives are appropriately communicated to the public through Integrated Reports and TCFD-based disclosures. R&I has determined that JR Kyushu's environmental activities are excellent.

Ⅲ. Overall Assessment

- Prior to the R&I Green Bond Assessment, R&I has confirmed that the Green Bond Framework complies with the Green Bond Principles 2018 and the Ministry of the Environment's Green Bond Guidelines 2020.
- The green bonds that have been assessed this time will be issued based on the above-mentioned Green Bond Framework established by the issuer.
- The proceeds from the green bonds will be fully allocated to green buildings. The projects are aligned with "realization of a decarbonized society," one of the material issues of JR Kyushu, and contribute to greater energy consumption efficiency and lower CO2 emissions. The projects give sufficient consideration to negative environmental and social impacts, and R&I has determined that they are expected to produce a clear benefit of CO2 reduction. The criteria for project selection are clearly defined. The eligible projects are considered to be in line with JR Kyushu's basic principle and policies for environmental conservation activities. The Finance Department will manage the allocation of proceeds on a project-by-project basis using an internal accounting system. Until the proceeds are allocated in full, unallocated funds will be held in cash or cash equivalents. The method of managing the proceeds is defined appropriately. Allocation reporting and impact reporting will be disclosed for each project. Quantifiable indicators will be reported quantitatively, and qualitative information will provide details of eligible projects.

Based on the above, R&I has concluded that the green bond proceeds will be used to invest in projects with environmental benefits to a significant degree, and assigned GA1 (Formal).

[Disclaimer]

R&I Green Bond Assessment is R&I's opinion regarding the extent to which the proceeds from the issuance of green bonds are used to invest in projects with environmental benefits. In R&I Green Bond Assessment, R&I may also provide a second opinion on a green bond framework. R&I Green Bond Assessment does not certify the environmental benefits and other qualities of the eligible projects. Hence, R&I will not be held responsible for the effectiveness of the projects, including their environmental benefits. R&I Green Bond Assessment is not the Credit Rating Business, but one of the Ancillary Businesses (businesses excluding Credit Rating Service but are ancillary to Credit Rating Activities) as set forth in Article 299, paragraph (1), item (xxviii) of the Cabinet Office Ordinance on Financial Instruments Business, etc. With respect to such business, relevant laws and regulations require measures to be implemented so that activities pertaining to such business would not unreasonably affect the Credit Rating Activities, as well as measures to prevent such business from being misperceived as the Credit Rating Business.

R&I Green Bond Assessment is not, in any sense, statements of current, future, or historical fact and should not be interpreted as such, and R&I Green Bond Assessment is not a recommendation to purchase, sell, or hold any particular securities and does not constitute any form of advice regarding investment decisions or financial matters. R&I Green Bond Assessment does not address the suitability of an investment for any particular investor. R&I issues R&I Green Bond Assessment based on the assumption that each investor will investigate and evaluate the securities which they plan to purchase, sell, or hold for themselves. All investment decisions shall be made at the responsibility of the individual investor.

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As a general rule, R&I issues R&I Green Bond Assessment for a fee paid by the applicant.

Japanese is the official language of this material and if there are any inconsistencies or discrepancies between the information written in Japanese and the information written in languages other than Japanese the information written in Japanese will take precedence.

[Expertise and Third-Party Characteristics]

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

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

There is no capital or personal relationship between R&I and the fundraiser that could create a conflict of interest.



Green, Social and Sustainability Bonds

External Review Form

This form complements the Bond Information Template that should have been filled in by the issuer. It provides additional information on the role of the External Reviewer when assessing the issuer's sustainability framework. This form may be used or adapted, where appropriate, to summarise the scope of the review.

Section 1. Basic Information

Issuer name: Kyushu Railway Company

Bond ISIN¹: JP324701AP70

Independent External Review provider's name: Rating and Investment Information, Inc. (R&I)

Completion date of this form: July 14, 2023

Date of the review: July 14, 2023

Section 2. Overview

SCOPE OF REVIEW

The review:

- assessed the 4 core components of the Principles (**complete review**) and confirmed the alignment with the GBP (*delete where appropriate*).
- assessed only some of them (**partial review**) and confirmed the alignment with the GBP/SBP/SBG (*delete where appropriate*); please indicate which ones:
 - Use of Proceeds
 - Management of Proceeds
 - Process for Project Evaluation and Selection
 - Reporting
- assessed the alignment with other regulations or standards (CBI, EU GBS, ASEAN Green Bond Standard, ISO 14030, etc.); please indicate which ones: Please refer to the report above.

ROLE(S) OF INDEPENDENT REVIEW PROVIDER

- Second Party Opinion
- Verification
- Other (*please specify*):
- Certification
- Scoring/Rating

¹ The ISIN code is mandatory for publishing the form in the Sustainable Bond Issuers Database.

Does the review include a sustainability quality score²?

- | | |
|--|--|
| <input type="checkbox"/> Of the issuer | <input type="checkbox"/> Of the project |
| <input type="checkbox"/> Of the framework | <input type="checkbox"/> Other (please specify): |
| <input checked="" type="checkbox"/> No scoring | |

ASSESSMENT OF THE PROJECT(S)

Does the review include:

- The environmental and/or social features of the type of project(s) intended for the Use of Proceeds?
- The environmental and/or social benefits and impact targeted by the eligible Green and/or Social Project(s) financed by the Green, Social or Sustainability Bond?
- The potentially material environmental and/or social risks associated with the project(s) (where relevant)?

ISSUER'S OVERARCHING OBJECTIVES

Does the review include:

- An assessment of the issuer's overarching sustainability objectives and strategy, and the policies and/or processes towards their delivery?
- An identification and assessment of environmental, social and governance related risks of adverse impact through the Issuer's [actions] and explanations on how they are managed and mitigated by the issuer?
- A reference to the issuer's relevant regulations, standards, or frameworks for sustainability-related disclosure and reporting?

CLIMATE TRANSITION STRATEGY³

Does the review assess:

- The issuer's climate transition strategy & governance?
- The alignment of both the long-term and short/medium-term targets with the relevant regional, sector, or international climate scenario?
- The credibility of the issuer's climate transition strategy to reach its targets?
- The level/type of independent governance and oversight of the issuer's climate transition strategy (e.g. by independent members of the board, dedicated board sub-committees with relevant expertise, or via the submission of an issuer's climate transition strategy to shareholders' approval).
- If appropriate, the materiality of the planned transition trajectory in the context of the issuers overall business (including the relevant historical datapoints)?
- The alignment of the issuer's proposed strategy and targets with appropriate science-based targets and

² The external review may indicate the provider's opinion of the overall sustainability quality of a bond or bond framework and assess whether it has a meaningful impact on advancing contribution to long-term sustainable development.

³ Where issuers wish to finance projects towards implementing a net zero emissions strategy aligned with the goals of the Paris Agreement, guidance on issuer level disclosures and climate transition strategies may be sought from the [Climate Transition Finance Handbook](#).

transition pathways⁴ that are deemed necessary to limit climate change to targeted levels?

The comprehensiveness of the issuer's disclosure to help investors assess its performance holistically⁵?

Overall comment on this section:

-

Section 3. Detailed Review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Does the review assess:

- the environmental/social benefits of the project(s)?
- whether those benefits are quantifiable and meaningful?
- for social projects, whether the target population is properly identified?

Does the review assess if the issuer provides clear information on:

- the estimated proceeds allocation per project category (in case of multiple projects)?
- the estimated share of financing vs. re-financing (and the related lookback period)?

Overall comment on this section:

Please refer to the report above.

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Does the review assess:

- whether the eligibility of the project(s) is aligned with official or market-based taxonomies or recognised international standards? Please specify which ones.⁶
- whether the eligible projects are aligned with the overall sustainability strategy of the issuer and/or if the eligible projects are aligned with material ESG-related objectives in the issuer's industry?
- the process and governance to set the eligibility criteria including, if applicable, exclusion criteria?
- the processes by which the issuer identifies and manages perceived social and environmental risks associated with the relevant project(s)?
- any process in place to identify mitigants to known material risks of negative social and/or environmental impacts from the relevant project(s)?

⁴ GHG emissions reduction targets that are in line with the scale of reductions required to keep the average global temperature increase to ideally 1.5°C, or at the very least to well below 2°C above pre-industrial temperatures. Science Based Targets Initiative (SBTi) is a branded verification body for science-based targets and SBTi verification is one way for issuers to validate the alignment of their emission reduction trajectories with science-based reference trajectories. In addition, ICMA has published a [Methodologies Registry](#) which includes a list of tools to specifically help issuers, investors, or financial intermediaries validate their emission reduction trajectories..

⁵ Including information such as the respective contribution (e.g. %) of the different measures to the overall reduction, the total expenses associated with the plan, or the issuer's climate policy engagement.

⁶ The EU Taxonomy, CBI Taxonomy, UK Taxonomy, China catalogue, etc.

Overall comment on this section:

Please refer to the report above.

3. MANAGEMENT OF PROCEEDS

Does the review assess:

- the issuer's policy for segregating or tracking the proceeds in an appropriate manner?
- the intended types of temporary investment instruments for unallocated proceeds?
- Whether an external auditor will verify the internal tracking of the proceeds and the allocation of the funds?

Overall comment on this section:

Please refer to the report above.

4. REPORTING

Does the review assess:

- the expected type of allocation and impact reporting (bond-by-bond or on a portfolio basis)?
- the frequency and the means of disclosure?
- the disclosure of the methodology of the expected or achieved impact of the financed project(s)?

Overall comment on this section:

Please refer to the report above.

Section 4. Additional Information

Useful links (e.g. to the external review provider's methodology or credentials, to the full review, to issuer's documentation, etc.)

1. R&I Green Bond Assessment
https://www.r-i.co.jp/en/rating/products/esg/gba_methodology_eng.pdf
2. Issuers' website
<https://www.jrkyushu.co.jp/english/>

Analysis of the contribution of the project(s) to the UN Sustainable Development Goals:

Please refer to the report above.

Additional assessment in relation to the issuer/bond framework/eligible project(s):

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