NEWS RELEASE

JCR Sustainable Evaluation

26-D-0134
April 28, 2026

Japan Credit Rating Agency, Ltd. (JCR) announces the results of the Climate Transition Finance Framework Evaluation, the Green Finance Framework Evaluation, and the Transition-Linked Finance Framework as follows:

The Chugoku Electric Power Company, Incorporated

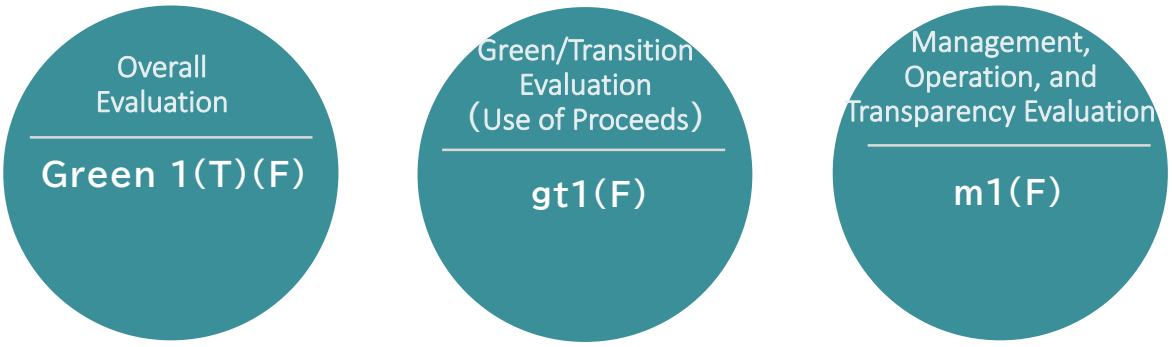
Sustainable Finance Framework (Green Finance, Transition Finance, and Transition-Linked Finance)

Affirmation

<Evaluation Results on Alignment with Sustainability-Linked Bond Principles and Sustainability-Linked Loan Principles>

The framework is aligned with the Sustainability-Linked Bond Principles and the Sustainability-Linked Loan Principles.

<Results of Climate Transition Bond Framework Evaluation>



Issuer/Borrower	The Chugoku Electric Power Company, Incorporated (security code: 9504)
Subject	The Chugoku Electric Power Company, Incorporated Sustainable Finance Framework

Summary

The Chugoku Electric Power Co., Incorporated (hereinafter, the "Company", and together with its group companies, the "Group") announced in September 2025 the Chugoku Electric Power Group Corporate Vision 2040 and the Chugoku Electric Power Group Environmental Management Policy, which set targets including "50% reduction in supply chain GHG emissions (Scope 1, 2 and 3) by FY2030 (unless otherwise specifically noted, "FY2030" means the fiscal year ending March 31, 2031; other fiscal years are referred to in a corresponding manner) and 60% reduction by FY2035 (vs. FY2013)" and "50% reduction in CO_2 emissions by FY2030 in both retail electricity business and power generation business (vs. FY2013)." The Company formulated a sustainable finance framework in April 2023 for green financing, transition financing, and transition-linked financing. In order to revise targets and raise funds necessary for taking measures to achieve them, the Company has updated the sustainable finance framework (hereinafter, the "Framework").

This evaluation report based on the JCR Green Finance Evaluation Methodology[1] is intended to assess whether the Framework is aligned with the Climate Transition Finance Handbook (CTFH),[2] the Basic Guidelines on Climate Transition Finance[3] (collectively, CTFH, etc.), the Green Bond Principles,[4] the Green Loan Principles,[5] the Green Bond Guidelines,[6] and the Green Loan Guidelines.[7]

- **Alignment with CTFH, etc.**

The Company has set the following interim targets (up until 2030 and 2035) and long-term targets (up until 2050) for reducing GHG emissions. Specific measures and roadmaps to achieve these targets have been disclosed. The Medium-term Management Plan announced in April 2026 provides an investment plan and an investment amount for achieving the targets. The interim and long-term targets are aligned with the Transition Roadmap for Power Sector, which was formulated by the Ministry of Economy, Trade and Industry (METI) in February 2022 and subsequently updated in November 2025 in terms of reduction targets and benchmarks.

Based on the four key elements of the CTFH, etc., JCR has confirmed that the targets and the roadmaps reflect the Company's business model transition that contributes to achieving the goals of the Paris Agreement with an appropriate implementation structure and good governance in place; that they are environmental material issues for the Company's business model; that they are science-based; and that the investment strategy ensures transparency.

- **Alignment with Sustainability-Linked Bond Principles**

The Company has set the following KPIs and SPTs for respective transition-linked bonds and transition-linked loans (collectively, Transition-Linked Finance) based on the Framework. (Changes from the previous framework are in bold).

[1] JCR Green Finance Evaluation Methodology
https://www.jcr.co.jp/pdf/greenfinance/Green_Finance_Evaluation_jp_20250730.pdf
[2] International Capital Market Association (ICMA) *Climate Transition Finance Handbook 2025*
https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/climate-transition-finance-handbook/
[3] Financial Services Agency; Ministry of Economy, Trade and Industry; and Ministry of the Environment, Japan *Basic Guidelines on Climate Transition Finance 2025 Edition*
[4] ICMA *Green Bond Principles 2025*
https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/
[5] LMA, APLMA, and LSTA *Green Loan Principles 2025*
https://www.lsta.org/content/green-loan-principles/
[6] Ministry of the Environment *Green Bond Guidelines 2024 Edition*
https://greenfinanceportal.env.go.jp/en/bond/guideline/guideline.html
[7] Ministry of the Environment *Green Loan Guidelines 2024 Edition*
https://greenfinanceportal.env.go.jp/en/loan/guideline/guideline.html

KPI	SPT
KPI 1: Supply chain GHG emissions (Scope 1, 2 and 3)	**SPT 1-1: 50% reduction by FY2030 (vs. FY2013)** **SPT 1-2: 60% reduction by FY2035 (vs. FY2013)**
KPI 2: CO_2 emissions in the retail electricity business	SPT2-1: 50% reduction by FY2030 (vs. FY2013)

The Company set a KPI, "CO_2 emissions in the retail electricity business," and an SPT, "50% reduction by FY2030 (vs. FY2013)," in the sustainable finance framework formulated in April 2023. An update this time around adds a KPI1, "supply chain GHG emissions (Scope 1, 2 and 3)," an SPT1-1, "50% reduction by FY2030 (vs. FY2013)," and an SPT1-2, "60% reduction by FY2035 (vs. FY2013)."

JCR holds the view that setting KPIs for the entire supply chain is meaningful as the Company belongs to the high-emission power sector and has many fossil fuel-based power generation facilities. The past KPI performance shows that SPT1-1 was getting closer to achievement. However, given that an increase in future electricity sales is anticipated, the achievement is uncertain unless expansion of renewable energy, utilization of nuclear power, and the transition of thermal power generation are advanced without delay. Also, the existing SPT2-1 reached the target level in FY2024, but maintaining the achieved level will be virtually challenging in consideration of an expected increase in future electricity sales.

In light of these factors, both SPTs require efforts beyond business as usual (BAU) and can be assessed as having a certain level of ambition. Furthermore, the SPTs of the Framework are equivalent with those of other former general electricity utilities and ambitious relative to the national targets of a 46% GHG emissions reduction by FY2030 and a 60% reduction by FY2035 (vs. FY2013).

JCR has confirmed that the Company will adopt a mechanism that adjusts interest rate terms or imposes a penalty of making donations, etc. to environmental conservation organizations, depending on whether it has achieved SPTs, and will disclose KPI performance on an annual basis. In addition, at redemption or repayment, the Company and JCR will review this financing and assess the achievement and social impacts of the SPTs as before. The Company has established a system to annually obtain third-party verification of the KPIs under the Framework from FY2026 onward.

Based on the above, JCR has verified the alignment of the Framework with CTFH, etc., the Sustainability-Linked Bond Principles, [8] the Sustainability-Linked Loan Principles, [9] the Sustainability-Linked Bond Guidelines, and the Sustainability-Linked Loan Guidelines [10] (collectively, the SLBP, the SLLP, etc.).

[8] ICMA *Sustainability-Linked Bond Principle 2024*
https://www.icmagroup.org/assets/documents/Sustainable-finance/2024-updates/Sustainability-Linked-Bond-Principles-June-2024.pdf
[9] LMA, APLMA, and LSTA *Sustainability-Linked Loan Principle 2025*
https://www.lsta.org/content/sustainability-linked-loan-principles-sllp/
[10] Ministry of the Environment *Green Bond and Sustainability-Linked Bond Guidelines, Green Loan and Sustainability-Linked Loan Guidelines 2024 Edition*
https://greenfinanceportal.env.go.jp/pdf/greenbond_guideline_eng.pdf

- **Alignment with Green Bond Principles, etc.**

The Company specifies the following uses of the proceeds in the Framework. (Changes from the previous framework are in bold.)

<Green Project>

Eligibility Criteria	Project Overview
Renewable Energy	Development, construction, operation, and refurbishment of renewable energy (solar, wind, hydro, biomass) Deployment of battery storage
Nuclear Power	Investments necessary for the operation of nuclear power plants (new and existing), including compliance with the new regulatory standards, operation, and refurbishment R&D related to advanced technologies
Data Center	**Investments related to the construction, acquisition, or refurbishment of data centers with PUE of 1.4 or below**
Other Business Areas (Green)	Investments related to initiatives and services that contribute to decarbonization of customers and communities, such as energy-saving and CO_2-reduction consulting, EV solution services, electricity rate plans that utilize non-fossil energy power sources, and services leveraging energy management systems (EMS)

* In structuring individual transition loans, the above-mentioned projects may be classified as climate transition projects.

<Climate Transition Project>

Eligibility Criteria	Project Overview
Thermal Power	Shutdown/decommissioning of inefficient thermal power plants Development of high-efficiency LNG-fired power plants Implementation and expansion of biomass co-firing at thermal power plants R&D and demonstrations related to IGCC/IGFC (e.g., the Osaki CoolGen Project) Studies, R&D, demonstration projects, and capital investments related to CCS/CCUS R&D, demonstrations, and implementation of hydrogen/ammonia co-firing at thermal power plants
Power Networks (Grid)	Strengthening and upgrading the power network to support expanded renewable energy deployment (e.g., new construction, maintenance, and renewal of network facilities; resilience enhancement; next-generation upgrades; introduction of equipment necessary for supply-demand balancing)

Other Business Areas (Transition)	**Service proposal aimed at decarbonization of communities, ports, and industrial complexes**

Overall, there are no major changes to eligible projects from the former framework. JCR has assessed that the respective uses of the proceeds will offer environmental benefits as they reduce CO_2 emissions and are essential for achieving the Company's GHG emission reduction targets.

JCR has assessed that the selection processes for projects, management of the proceeds, and reporting at transition financing are appropriate as at the previous evaluation.

Based on the above, JCR assigned "gt1(F)" for the Green/Transition Evaluation (Use of Proceeds) and "m1(F)" for Management, Operation, and Transparency Evaluation. As a result, JCR assigned "Green 1(T)(F)" for the overall JCR Climate Transition Finance Framework Evaluation. The Framework meets the standards of the requirements of the Green Bond Principles, the Green Loan Principles, the Green Bond Guidelines, the Green Loan Guidelines, and CTFH, etc.

Principles related to transition finance include the Guide to Transition Loans[11] (GTL) published in October 2025 by the Loan Market Association (LMA) and the Climate Transition Bond Guidelines (CTBG)[12] released in November of the same year by the International Capital Market Association (ICMA). Both set out principles that transition finance as a standalone label should follow. Although JCR's Green Finance Evaluation Methodology does not currently reference these sets of principles, JCR assesses herein the alignment of the Framework with these principles. As a result, JCR has confirmed that the Framework meets the standards of the four core components of the CTBG, and that transition loans that meet the five components of the GTL and the Exposure Draft of the Transition Loan Principles (TLP) therein will be structured.

[11] LMA, APLMA, and LSTA *Guide to Transition Loans*
https://www.lsta.org/content/transition-loans-guide/
[12] International Capital Market Association (ICMA) *Climate Transition Bond Guidelines 2025*
https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/climate-transition-finance-handbook/

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Chapter 1: Overview of Evaluation Target

1-1. Overview of Chugoku Electric Power Company

The Company is an electric utility company established in 1951. As a former general electricity utility, it supplies power mainly to five prefectures in the Chugoku region (Hiroshima, Yamaguchi, Okayama, Tottori, and Shimane). For FY2024, its total electricity sales volume was 51.7 TWh, of which retail sales were 41.7 TWh and sales to other companies were 10 TWh.

For FY2024, the power source mix of the electricity sales is coal-fired 35%, gas-fired (such as LNG) 11%, nuclear 4%, hydro (below 30MW) 4%, and FIT power and wholesale power trading 37%, etc.[13]

As many materials-based industries, such as steel, chemicals, and petroleum, are located within the Company's service areas, the share of industrial use in sales volume is high. The Company's power generation facilities were centered on coal-fired power generation with excellent cost competitiveness due to fierce competition with large-scale private power generation facilities within the region. For these reasons, the Company has pursued the development of nuclear power and advanced high-efficiency LNG thermal power to balance the power source mix with a heavy reliance on certain fuel types. Even now, the share of coal-fired power generation remains relatively high. Hence, it should be noted that the Company tends to be more sensitive to environmental compliance requirements and developments in environmental policies compared with its peers.

1-2. Sustainable Finance Framework

The Company published its "challenge of achieving carbon neutrality by 2050" in 2021 and set goals of "50% reduction in CO_2 emissions by FY2030 in the retail electricity business," etc. in 2022. In order to achieve them, the Company formulated the Framework in 2023 and updated it to add elements related to the new Chugoku Electric Power Group Medium-term Management Plan 2026-2030. The Framework that JCR evaluates herein covers green finance through green bonds and green loans and transition finance through transition bonds and transition loans and is intended to finance business activities of the Company's subsidiaries.

Transition finance is a type of finance based on climate transition finance (CTF). CTF refers to a financial approach intended to support projects to reduce GHG emissions in line with long-term strategies of companies, considering taking measures against climate change to achieve a decarbonized society. JCR assesses the alignment of the Framework with the CTFH, etc. of ICMA.

Based on that, JCR assesses in accordance with the JCR Green Finance Evaluation Methodology whether green finance and transition finance are in alignment with the Green Bond Principles, the Green Loan Principles, the Green Bond Guidelines, and the Green Loan Guidelines.

Principles related to transition finance include the GTL published in October 2025 by LMA and the CTBG released in November of the same year by ICMA. Both set out principles that transition finance as a standalone label should follow. Although JCR's Green Finance Evaluation Methodology does not currently reference these sets of principles, JCR assesses herein the alignment of the Framework with these principles.

[13] Chugoku Electric Power Company's power source mix and CO_2 emission factor (Japanese Only) https://www.energia.co.jp/elec/free/co2/index.html

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

2-1. Medium- to Long-Term Management Plan and Transition Strategy

Chugoku Electric Power Group Corporate Vision 2040

The Company formulated a new management policy, the Chugoku Electric Power Group Corporate Vision 2040,[14] in September 2025. The vision sets environmental sustainability targets, including "50% reduction in supply chain GHG emissions (Scope 1, 2 and 3) by FY2030 and 60% reduction by FY2035 (vs. FY2013)" and "50% reduction in CO_2 emissions by FY2030 in both the retail and power generation businesses (vs. FY2013)." Subsequently, in 2025, the Chugoku Electric Power Group Environmental Management Policy[15] was newly formulated. The policy reaffirms the Group's commitment to, "We will strive to be carbon neutral by 2050," and sets reduction targets for supply chain GHG emissions and emissions from the retail and power generation businesses as mentioned above.

The Company compiled a plan for specific initiatives to achieve the Chugoku Electric Power Group Corporate Vision 2040 into the Action Plan 2030 Overview of the Chugoku Electric Power Group Medium-term Management Plan 2026-2030 and disclosed priority measures to achieve carbon neutrality by 2050 and the aforementioned emissions reduction targets for the 2030s.

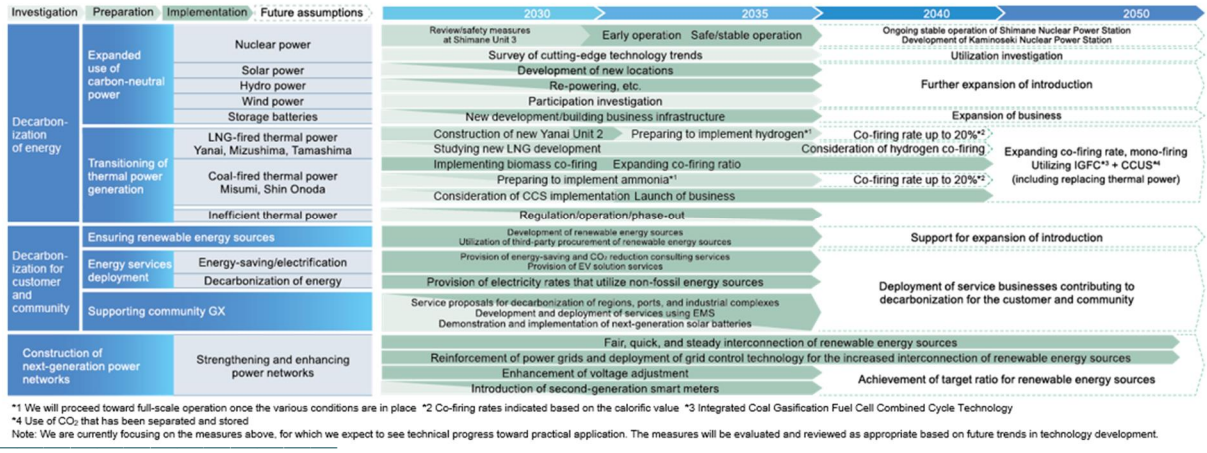
The priority measures are intended to expand solar and wind power deployment, introduce and enhance storage batteries to secure adjustment capabilities, which lays the groundwork for wider deployment of these renewable energy sources, and increase output of existing hydropower.

Based on its view that thermal power generation continues to play a crucial role as an adjustment capability as well as a power supply capability, the Company will accelerate thermal power transitions, replacing Yanai Power Station Unit 2, etc. with cutting-edge facilities and studying the adoption of decarbonization technologies including biomass, hydrogen, ammonia, and CCS.

As to nuclear power generation, the Company will address the stable operation of Shimane Nuclear Power Station Unit 2 and the early introduction of Unit 3.

In addition, the Company intends to achieve carbon neutrality by 2050 through various advanced energy services, contributions to regional decarbonization, and next-generation networks.

Figure 1: Priority Measures toward Carbon Neutrality by 2050[16]



*1 We will proceed toward full-scale operation once the various conditions are in place *2 Co-firing rates indicated based on the calorific value *3 Integrated Coal Gasification Fuel Cell Combined Cycle Technology
*4 Use of CO_2 that has been separated and stored
Note: We are currently focusing on the measures above, for which we expect to see technical progress toward practical application. The measures will be evaluated and reviewed as appropriate based on future trends in technology development.

[14] Chugoku Electric Power Group Corporate Vision 2040
https://www.energia.co.jp/e/ir/info/pdf/ir6-72.pdf
[15] Chugoku Electric Power Group Environmental Management Policy (Japanese Only)
https://www.energia.co.jp/energy/energia/kankyou/pdf/kankyou_houshin.pdf
[16] Action Plan 2030

With its view that energy security is one of the most important responsibilities of electric utilities, the Company will advance decarbonization by introducing technologies that reduce CO_2 emissions compared to current levels, aiming to simultaneously achieve so-called "S+3E," energy security, economic efficiency, and environmental compliance, with safety as its top priority, toward challenge of achieving carbon neutrality by 2050 after holistically assessing economic and environmental performance.

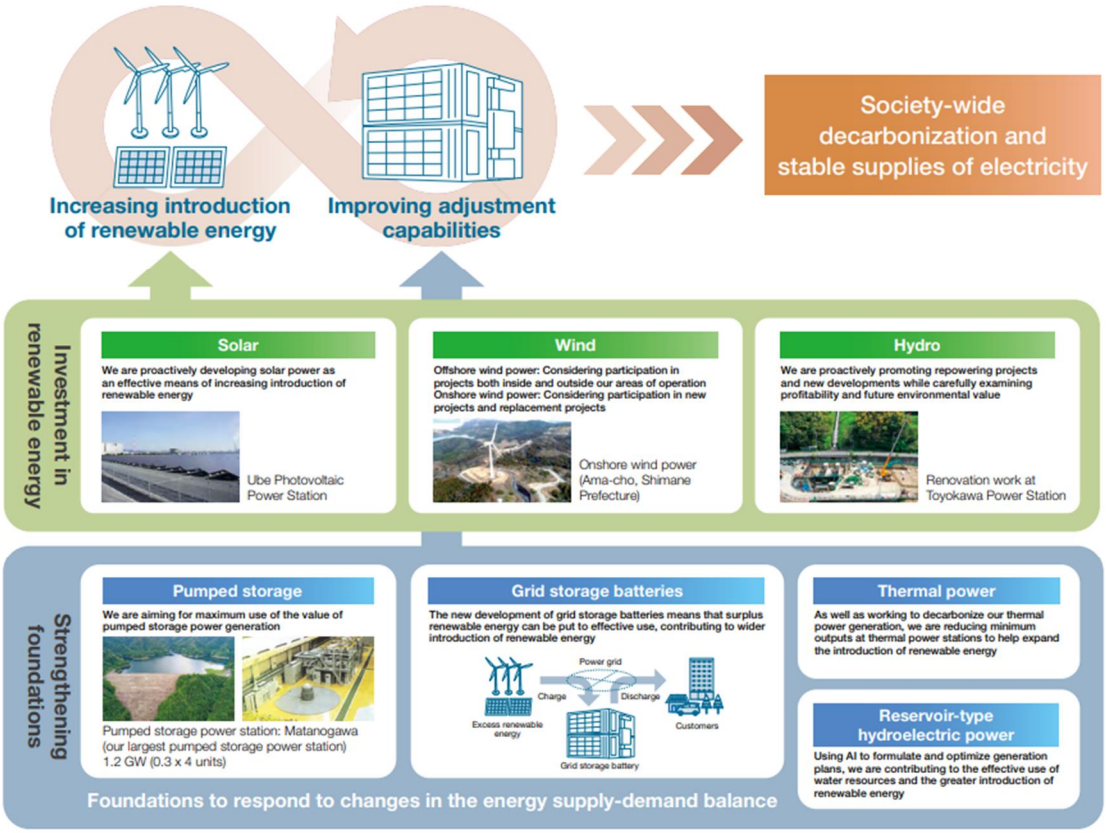
Details of Carbon Neutral 2050 Initiatives

(i) Renewable Energy Generation

As of the end of FY2024, the Company achieved approximately 370MW of newly introduction of renewable energy (vs. FY2019). The Company will stay focused on participating in offshore wind power projects within and outside its service areas, as well as increasing output through solar power generation and repowering of existing hydroelectric power.

In April 2026, the Company revised targets for further introduction of renewable energy to +700MW by FY2030 and +1GW by FY2035 (vs. FY2019). The revised targets expand the scope of initiatives to supply from storage batteries and newly developed facilities, taking into account not only the development volume of new renewable energy facilities pursued to date, but also efforts to secure adjustment capabilities to maximize the use of renewable energy.

Figure 2: Efforts Related to Renewable Energy Projects[17]



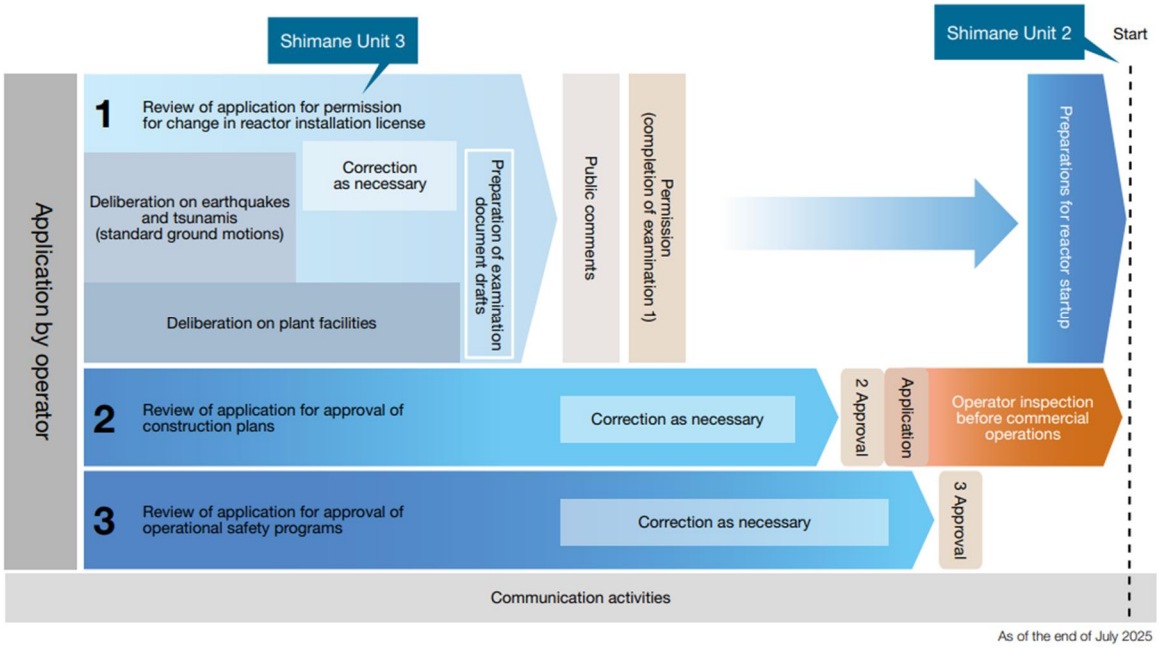
[17] Chugoku Electric Power Group Integrated Report 2025
https://www.energia.co.jp/e/ir/report/pdf/integrated-01.pdf

(ii) Nuclear Power Generation

In October 2024, construction work for enhancing safety was completed at Shimane Nuclear Power Station Unit 2, one of the two nuclear power facilities owned by the Company. It resumed commercial operation after receiving a Pre-service Inspection Certificate related to operator inspection before commercial operations by the Nuclear Regulation Authority in January 2025.

Shimane Nuclear Power Station Unit 3 is undergoing an inspection to verify conformity to the new regulatory standards. The Company aims to complete construction work for enhancing safety by 2028 and start operation by FY2030.

Figure 3: Shimane Nuclear Power Station's Compliance with New Regulatory Standards[18]



The major construction work for enhancing safety at Shimane Nuclear Power Station Unit 3 is as follows:

- Response to design basis accidents (earthquakes, tsunamis, fires, etc.)
- Severe accident management (core damage prevention measures, containment failure mitigation measures, and radioactive material diffusion suppression measures)

As part of measures for spent fuel that contribute to stable operation of Shimane Nuclear Power Station, the Company is conducting research and studies related to installation of a spent fuel interim storage facility at Kaminoseki site.

The Seventh Strategic Energy Plan sees nuclear power as a low-carbon power source that contributes to energy security and articulates that it will be used to the fullest extent possible with safety. The Transition Roadmap for Power Sector also factors in the importance of nuclear power generation ensuring safety measures, toward achieving carbon neutrality.

[18] Chugoku Electric Power Group Integrated Report 2025
https://www.energia.co.jp/e/ir/report/pdf/integrated-01.pdf

(iii) Thermal Power Generation

The Company is advancing thermal power transitions as it recognizes that thermal power will play an important role as an adjustment capability as well as a power supply capability in balancing energy security and carbon neutrality. Specifically, the Company plans to work primarily on the following: (1) closing aging thermal power facilities, (2) improving the efficiency of thermal power equipment, and (3) consideration of the introduction of decarbonization technologies.

The closure and decommissioning of aging thermal power facilities was announced in May 2022.[19] As planned, all four thermal power units were closed, which reduced the environmental impact of power generation operations. To achieve decarbonization and improve the efficiency of thermal power facilities, the Company is moving forward with a plan to replace No.1 and No.2 plants of Yanai Power Station Unit 2 series (198MW × 4 LNG plants) to adopt the latest high-efficiency gas turbine and steam turbine combined-cycle (GTCC) power generation available. Regarding the consideration of decarbonization technologies, biomass co-firing is being implemented at Misumi Unit 2 and at Shin-Onoda Unit 1 and Unit 2. Co-firing ratios of approximately 10% at Misumi Unit 2 and approximately 8% at Shin-Onoda Unit 1 and Unit 2 have been achieved.

The Company will also study adoption of every possible technology as options, such as CCS, biomass, and ammonia, for transition of thermal power generation operations.

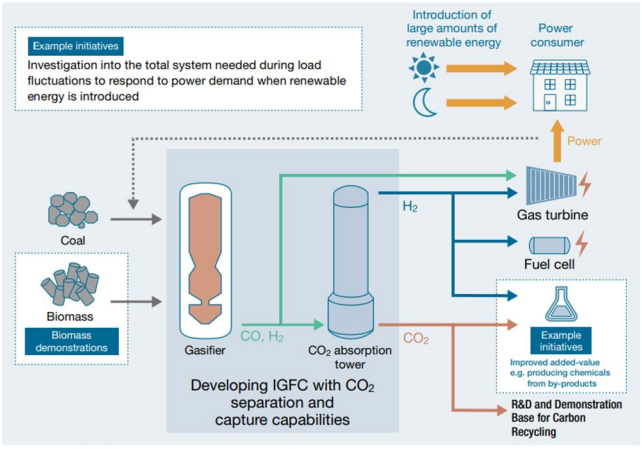
Osaki CoolGen Project

Osaki CoolGen Project is a demonstration project for coal gasification power generation started in FY2012 in Osakikamijima, Hiroshima Prefecture, by the Company and the Electric Power Development Co., Ltd. (J-Power). The project is composed of three phases. In the first phase, up until FY2018, a large-scale facility demonstration test was conducted for oxygen-blown integrated coal gasification combined cycle (oxygen-blown IGCC), which is an underlying technology for an integrated coal gasification fuel cell combined cycle (IGFC), a highly efficient power generation system. In the second phase, a demonstration test was conducted for an oxygen-blown IGCC with CO_2 separation and capture capabilities. In the third phase, a demonstration test was implemented for IGFC with CO_2 separation and capture capabilities that combine fuel cells. The second and third phases were carried out by FY2022. As a result of these demonstration tests, fuel diversification (making low-rank coals usable) and higher efficiency were achieved.

After the demonstration tests, successor projects are being implemented. They include development of technology for gasification of woody biomass-mixed fuel, technology to enhance adjustment capabilities to respond to fluctuations in power supply and demand, and technology to generate power and produce chemical products, such as fuel, using CO_2 captured. In particular, biomass co-gasification has achieved a mixing ratio of 50%, which demonstrated the potential to achieve carbon-negative outcomes in combination with CO_2 separation and capture equipment of high efficiency. The Seventh Strategic Energy Plan also positions this project as an ambitious effort aimed at realizing zero-emission coal-fired power generation.

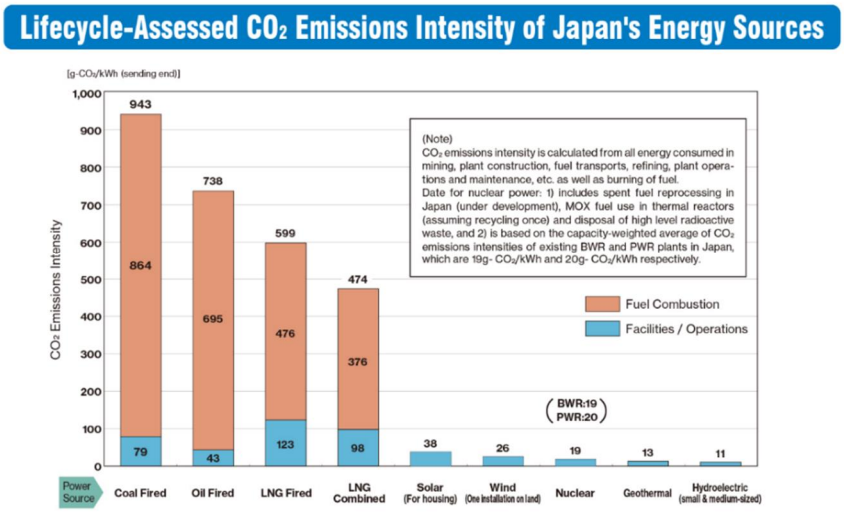
[19] Chugoku Electric Power Group press release
https://www.energia.co.jp/e/ir/info/pdf/ir10-c2022b13.pdf

Figure 4: Overview of Osaki CoolGen Project[20]



*1 Triple combined cycle coal-fired thermal power generation that combines fuel cells with IGCC.
*2 Coal is gasified, and the product gas is used to drive gas turbines alongside steam turbines to achieve combined cycle coal-fired thermal power generation.
The Osaki CoolGen Project and development of carbon recycling technologies that are underway are assisted and commissioned by the New Energy and Industrial Technology Development Organization (NEDO).

Figure 5: CO_2 Emissions by Power Generation Type[21]



(iv) Power Transmission and Distribution Business

Chugoku Electric Power Transmission & Distribution Co., Inc. (Transmission & Distribution Company), which is responsible for power transmission and distribution business in the Group, has set out a strategy for enhancing and advancing power networks to promote construction of a next-generation network of the priority measures for achieving carbon neutrality by 2050.

Specifically, the Transmission & Distribution Company plans to promptly and steadily connect renewable energy power generation, reinforce power grid and develop grid control technology to secure transmission capacity in preparation for an increase in access to renewable energy power generation, and advance voltage adjustment technology.

In addition, the Transmission & Distribution Company set goals of achieving more fine-tuned voltage management in the distribution system by promoting installation of the second generation smart meters that can collect more detailed data compared with current ones to utilize the data, expanding renewable energy introduction, achieving decarbonization, stabilizing supply-demand across the entire grid, etc.

[20] Chugoku Electric Power Group Integrated Report 2025
https://www.energia.co.jp/e/ir/report/pdf/integrated-01.pdf
[21] Japan Atomic Energy Relations Organization (JAERO)
https://www.ene100.jp/www/wp-content/uploads/zumen/e2-1-9.jpg

The Group's Corporate Philosophy and Corporate Charter of Conduct

"ENERGIA—With You, and With the Earth—" is the corporate philosophy (key concept) of the Group. The corporate philosophy is linked to social needs for achieving a sustainable society, and the Company's business activities are considered as initiatives to realize the goal.

Key Concept

ENERGIA

—With You, and With the Earth—

Corporate Philosophy

Trust. Creation. Growth.

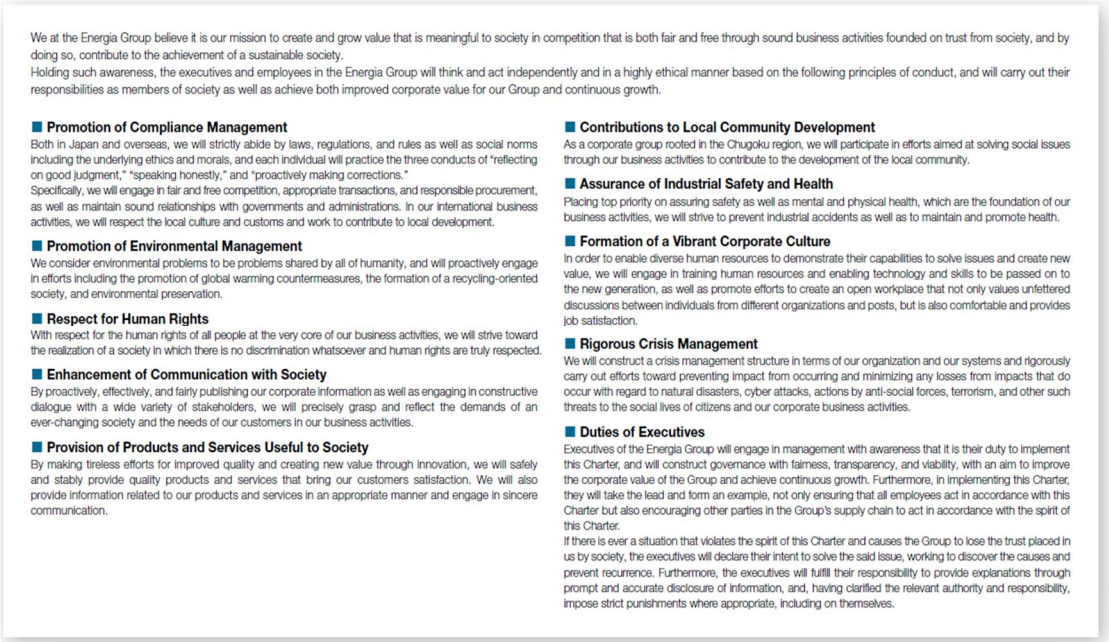
We take delight in earning the trust of our customers.

We create an abundant future through energy.

We will grow together with community.

The Group Corporate Charter of Conduct revised in April 2024 along with the formulation of the aforementioned Chugoku Electric Power Group Corporate Vision also specifies its mission of contributing to the realization of a sustainable society. As such, the Group is working on solving various social issues through its business activities.

Figure 6: ENERGIA Group Corporate Charter of Conduct[22]



We at the Energia Group believe it is our mission to create and grow value that is meaningful to society in competition that is both fair and free through sound business activities founded on trust from society, and by doing so, contribute to the achievement of a sustainable society.
Holding such awareness, the executives and employees in the Energia Group will think and act independently and in a highly ethical manner based on the following principles of conduct, and will carry out their responsibilities as members of society as well as achieve both improved corporate value for our Group and continuous growth.

■ **Promotion of Compliance Management**
Both in Japan and overseas, we will strictly abide by laws, regulations, and rules as well as social norms including the underlying ethics and morals, and each individual will practice the three conducts of "reflecting on good judgment," "speaking honestly," and "proactively making corrections."
Specifically, we will engage in fair and free competition, appropriate transactions, and responsible procurement, as well as maintain sound relationships with governments and administrations. In our international business activities, we will respect the local culture and customs and work to contribute to local development.

■ **Promotion of Environmental Management**
We consider environmental problems to be problems shared by all of humanity, and will proactively engage in efforts including the promotion of global warming countermeasures, the formation of a recycling-oriented society, and environmental preservation.

■ **Respect for Human Rights**
With respect for the human rights of all people at the very core of our business activities, we will strive toward the realization of a society in which there is no discrimination whatsoever and human rights are truly respected.

■ **Enhancement of Communication with Society**
By proactively, effectively, and fairly publishing our corporate information as well as engaging in constructive dialogue with a wide variety of stakeholders, we will precisely grasp and reflect the demands of an ever-changing society and the needs of our customers in our business activities.

■ **Provision of Products and Services Useful to Society**
By making tireless efforts for improved quality and creating new value through innovation, we will safely and stably provide quality products and services that bring our customers satisfaction. We will also provide information related to our products and services in an appropriate manner and engage in sincere communication.

■ **Contributions to Local Community Development**
As a corporate group rooted in the Chugoku region, we will participate in efforts aimed at solving social issues through our business activities to contribute to the development of the local community.

■ **Assurance of Industrial Safety and Health**
Placing top priority on assuring safety as well as mental and physical health, which are the foundation of our business activities, we will strive to prevent industrial accidents as well as to maintain and promote health.

■ **Formation of a Vibrant Corporate Culture**
In order to enable diverse human resources to demonstrate their capabilities to solve issues and create new value, we will engage in training human resources and enabling technology and skills to be passed on to the new generation, as well as promote efforts to create an open workplace that not only values unfettered discussions between individuals from different organizations and posts, but is also comfortable and provides job satisfaction.

■ **Rigorous Crisis Management**
We will construct a crisis management structure in terms of our organization and our systems and rigorously carry out efforts toward preventing impact from occurring and minimizing any losses from impacts that do occur with regard to natural disasters, cyber attacks, actions by anti-social forces, terrorism, and other such threats to the social lives of citizens and our corporate business activities.

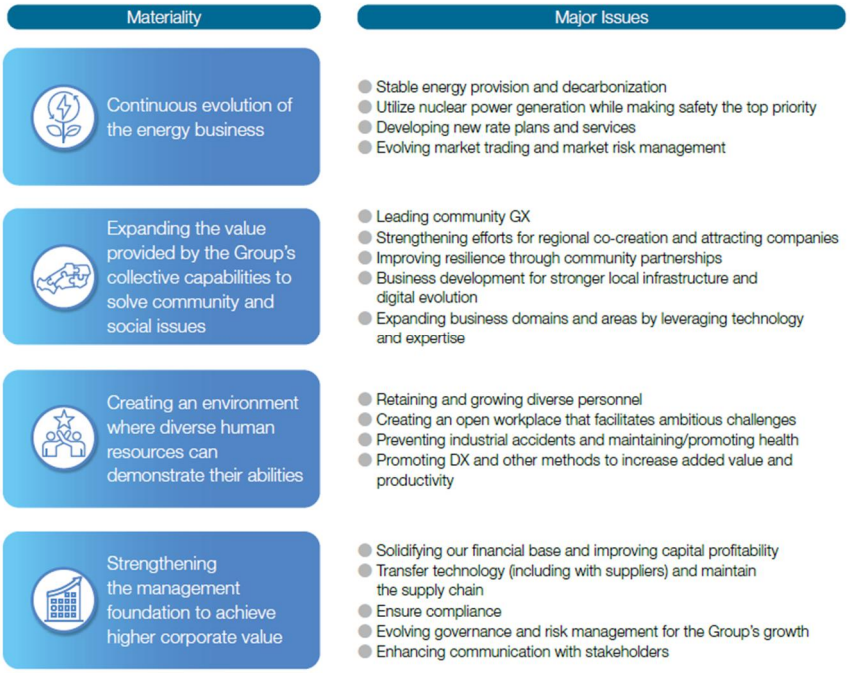
■ **Duties of Executives**
Executives of the Energia Group will engage in management with awareness that it is their duty to implement this Charter, and will construct governance with fairness, transparency, and viability, with an aim to improve the corporate value of the Group and achieve continuous growth. Furthermore, in implementing this Charter, they will take the lead and form an example, not only ensuring that all employees act in accordance with this Charter but also encouraging other parties in the Group's supply chain to act in accordance with the spirit of this Charter.
If there is ever a situation that violates the spirit of this Charter and causes the Group to lose the trust placed in us by society, the executives will declare their intent to solve the said issue, working to discover the causes and prevent recurrence. Furthermore, the executives will fulfill their responsibility to provide explanations through prompt and accurate disclosure of information, and, having clarified the relevant authority and responsibility, impose strict punishments where appropriate, including on themselves.

[22] Framework

Materiality

The Company sets four material issues to achieve its desired outcomes outlined in the Chugoku Electric Power Group Corporate Vision 2040. Material issues related to climate change are categorized as "continuous evolution of the energy business" and "expanding the value provided by the Group's collective capabilities to solve community and social issues." The issues identified therein are aligned with the achievement of the aforementioned carbon neutrality by 2050, as well as with the GHG emission reduction targets in the supply chain, and the CO_2 emission reduction targets in the retail and power generation businesses.

Figure 7: Materiality of Chugoku Electric Power Group[23]



Chugoku Electric Power Group Environmental Management Policy

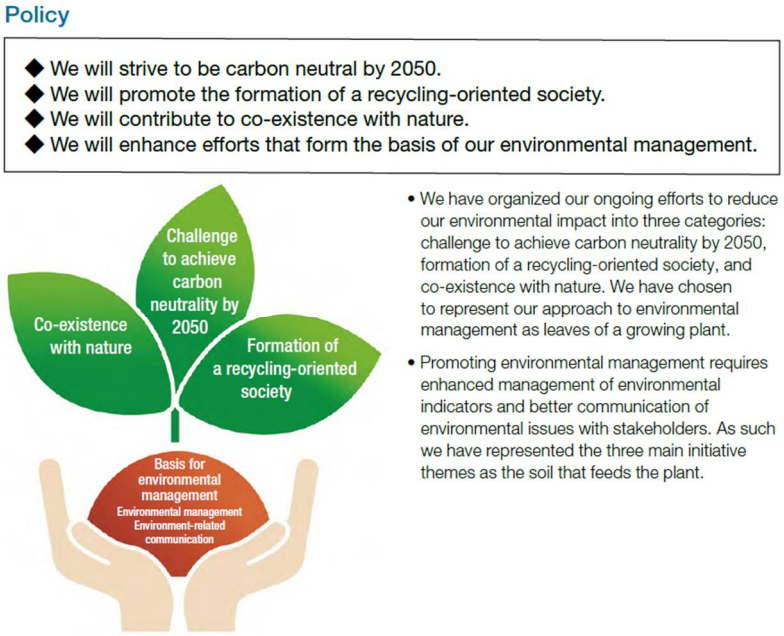
Since 2015, the Company has promoted group-wide initiatives for achieving environmental management and carbon neutrality, by formulating the Chugoku Electric Power Group Environmental Action Plan and the Basic Policy of Chugoku Electric Power Group Carbon Neutral Strategy (CN Strategy), etc.

Most recently, the Government of Japan formulated environmental and energy policies in FY2024, including the Sixth Basic Environmental Plan, the GX2040 Vision, and the Seventh Strategic Energy Plan.

The Company integrated the Chugoku Electric Power Group Environmental Action Plan and the CN Strategy into the Chugoku Electric Power Group Environmental Management Policy in FY2025, reflecting these policy developments.

[23] Framework

Figure 8: Chugoku Electric Power Group Environmental Management Policy[24]



Under the policy, the Company intends to achieve environmental management that simultaneously creates social value and economic value through its business activities, while designating challenge of achieving carbon neutrality by 2050, formation of recycling-oriented society, and co-existence with nature as pillars of its environmental action to continue environmental management and environmental communication, which is the basis of the pillars, and reducing environmental impacts associated with those activities.

The Company has set ambitious GHG emission reduction targets aligned with the GX2040 Vision and the Nationally Determined Contributions (NDCs) toward the achievement of carbon neutrality by 2050. At the Group-wide level, the Company has set targets of "supply chain GHG emissions (Scope 1, 2 and 3) 50% reduction by FY2030" and "60% reduction by FY2035 (vs. FY2013)." In addition, as its individual company targets, the Company continues to maintain the goal of achieving a "reduce CO_2 emissions of 50% by FY2030 in both the retail and power generation businesses (vs. FY2013)."

In addition, the Company positions formation of recycling-oriented society and co-existence with nature as key management priority and is actively working on them. The former includes active recycling of waste through reuse and recycling, prioritizing reduction of waste (reduce). In particular, a high level of waste recycling rate of coal ash generated at thermal power plants is maintained through development and use of coal ash products, such as Hi-Beads,[25] which are utilized for ground improvement and environmental enhancement of seabed sediments in coastal and estuarine areas.

The Company is advancing CO_2 emissions reduction and carbon neutrality by 2050 by driving initiatives set forth in the above vision, such as stable operation of Shimane Nuclear Power Station Unit 2, early launch of its Unit 3, expansion of renewable energy introduction, and biomass co-firing in coal-fired power.

[24] Framework
[25] Chugoku Electric Company website (Japanese Only)
https://www.energia.co.jp/business/sekitanbai/hi.html

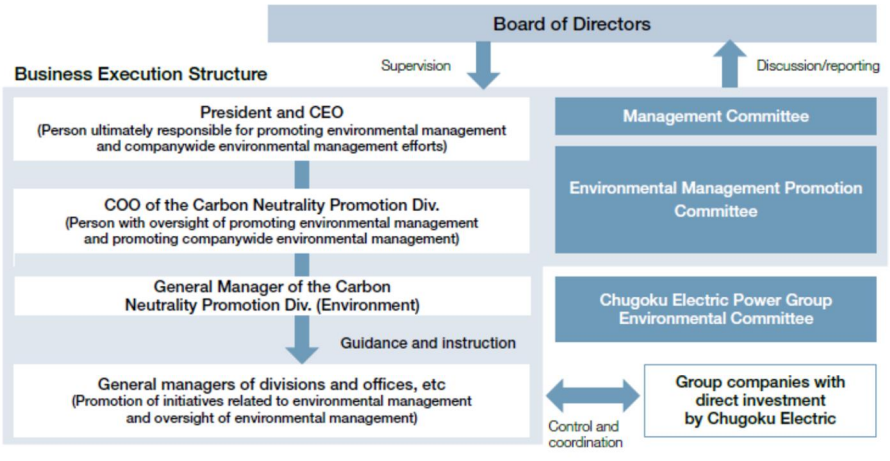
Chugoku Electric Power's Environmental Management Promotion Framework

The Company formulated the new Chugoku Electric Power Group Environmental Management Policy. Subsequently, in October 2025, the Company integrated the Companywide Environmental Committee and the Carbon Neutrality Promotion Committee into the newly established Environmental Management Promotion Committee, which comprehensively deliberates plans related to environmental management.

The new environmental management framework is also structured to promote initiatives based on environmental policies. Under the leadership of the President and CEO, who bears ultimate responsibility for the Company's environmental management, the chief operating officer (COO) of Carbon Neutrality Promotion Division continues to act as Chair of the committee to oversee companywide environmental activities and ensure that conclusions of its deliberations are appropriately reflected in environmental management. The Board of Directors receives reports from the President and CEO on progress and management of environmental matters and oversees the execution of tasks related to the environment.

As with the former Carbon Neutrality Promotion Committee, the Environmental Management Promotion Committee is held once a quarter in principle. JCR has confirmed that the Environmental Management Promotion Committee (until September 2025, the Carbon Neutrality Promotion Committee) held meetings four times in FY2025.

Figure 9: Environmental Management & Environmental Management Promotion Organization[26]



Chugoku Electric Environmental Forum		
Purpose: Incorporate opinions from external experts into business operations		
	Composition	**Frequency**
Environmental Management Promotion Committee	Chair: COO of the Carbon Neutrality Promotion Div. Members: General managers of divisions and relevant departments	Four times a year (in principle)
Chugoku Electric Power Group Environmental Committee	Chair: General Manager of the Carbon Neutrality Promotion Div. (Environment) Members: Environmental management leaders at each company of the Chugoku Electric Power Group	Twice a year (in principle)
Chugoku Electric Environmental Forum	Members: Ten outside experts	At least once a year

[26] Framework

2-2. Alignment with Requirements of Climate Transition Finance Handbook

Element 1. Issuer's Climate Transition Strategy and Governance

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

The Company has set goals of achieving "carbon neutrality by 2050," "supply chain GHG emissions (Scope 1, 2 and 3) 50% reduction by FY2030 and 60% reduction by FY2035 (vs. FY2013)" and "CO_2 emissions 50% reduction by FY2030" in both the retail and power generation businesses (vs. FY2013) as set out in the Chugoku Electric Power Group Environmental Management Policy and the Chugoku Electric Power Group Corporate Vision 2040. Among these goals, the major emission-reduction initiatives aimed at achieving the targets by FY2030 are as follows:

- Stable operation of Shimane Nuclear Power Station Unit 2 and early commencement of operation at Unit 3
- Renewable energy introduction target of +700MW (vs. FY2019)
- Commencement of operation of the new Yanai Power Station Unit 2

In addition to the above, the Company is studying the possibility of using decarbonized power sources such as IGFC + CCUS/carbon recycling as well as further introducing renewable energy and launching grid storage battery business, hydrogen or ammonia co-firing, and 100% hydrogen or ammonia firing toward carbon neutrality by 2050.

The new Chugoku Electric Power Group Environmental Management Policy is intended to decarbonize energy use of not only the Company but also its customers and communities and will advance initiatives for decarbonization of not only the Company but also its customers and entire service areas.

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

The Company has formulated its transition strategy with the goals of "supply chain GHG emissions (Scope 1, 2 and 3) 50% reduction by FY2030 and 60% reduction by FY2035 (vs. FY2013)" and "CO_2 emissions 50% reduction by FY2030 in both retail and power generation businesses (vs. FY2013)" toward achieving carbon neutrality by 2050. The Paris Agreement calls for the formulation of long-term strategies for reducing GHG emissions, and in response to this, Japan's Long-term Strategy under the Paris Agreement as Growth Strategy was formulated in June 2019 and revised in October 2021. This national long-term strategy includes the goal of carbon neutrality by 2050, which is consistent with the Company's long-term goals. In addition, the Company's goals of "supply chain GHG emissions (Scope 1, 2 and 3) 50% reduction by FY2030 and 60% reduction by FY2035 (vs. FY2013)" and "CO_2 emissions 50% reduction by FY2030 in both the retail and power generation businesses (vs. FY2013)" are aligned with Japan's ambitious national goal of reducing GHG emissions by 46% from FY2013 levels by FY2030, while continuing strenuous efforts toward the higher target of 50% reduction, and are also consistent with the latest NDC objective of reducing GHG emissions by 60% by FY2035 from FY2013 levels, as well as with the Company's challenge of achieving carbon neutrality by 2050.

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

As mentioned above, the Company has established a framework for promoting environmental management, and the Carbon Neutrality Promotion Division, which oversees the Environmental

Management Promotion Committee, etc., is responsible for driving the transition strategy. JCR has assessed that the Company has an organization in place to steadily implement the transition strategy.

Element 2. Business Model Environmental Materiality

Electric power is indispensable to people's daily and economic lives. In Japan, thermal power generation fueled by coal, oil, and LNG has accounted for more than half of power generation since the high economic growth period of the 1960s. After the sequential shutdown of nuclear power plants following the Great East Japan Earthquake in 2011, thermal power became the main source of Japan's power generation. Electricity-derived indirect CO_2 emissions from final energy consumption amounted to 402 million tons in FY2023, accounting for 37.5% of total emissions.[27] On the other hand, the CO_2 emission factor for the power industry has a larger ripple effect on other sectors than that of other industries, as it directly affects Scope 2 emissions of electricity-using industries as well as CO_2 emissions from the household sector.

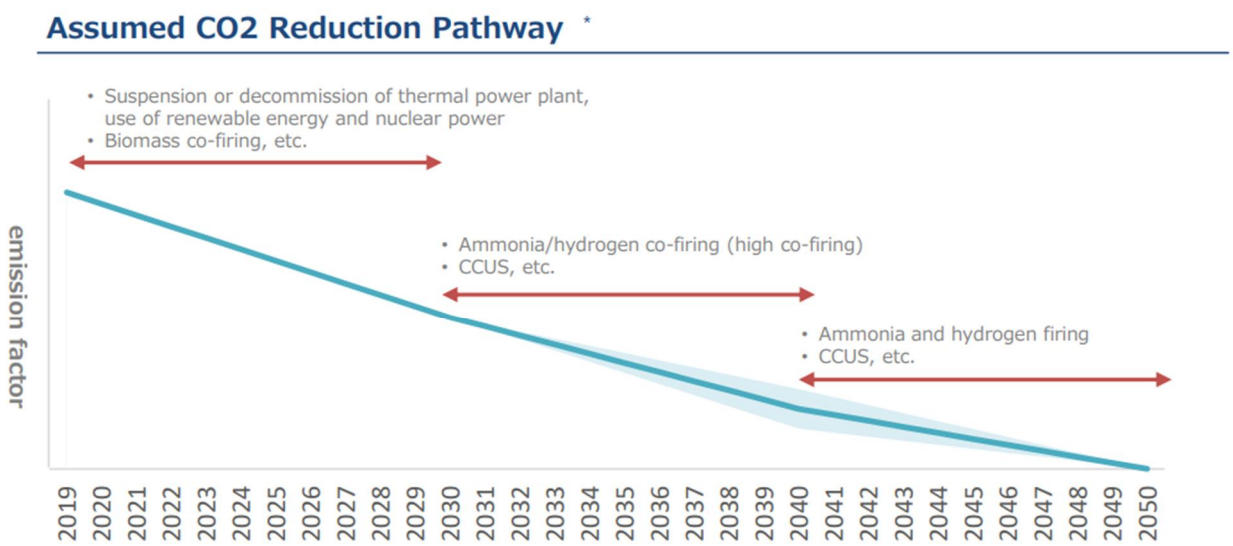
Efforts to reduce CO_2 emissions in the power sector were outlined in the Transition Roadmap for Power Sector published by the Agency for Natural Resources and Energy in February 2022 (revised in November 2025). As respective electricity companies formulate their own roadmaps in line with the national roadmap and put them into practice, further acceleration of CO_2 emissions reduction efforts toward carbon neutrality by 2050 is expected.

The Company's share in domestic electricity sales was 5.1% in FY2024,[28] which accounts for a large portion in the Chugoku region as a former general electric utility. Its power source composition lays weight on thermal power generation. Under these circumstances, based on the principle of S+3E, the Group has declared its commitment to realizing a sustainable future society and contributing to regional carbon neutrality by promoting efforts for reducing environmental impact and addressing carbon neutrality. The Company sets the goals of "50% reduction in supply chain GHG emissions (Scope 1, 2 and 3) by FY2030 and 60% reduction by FY2035 (vs. FY2013)" and "50% reduction in CO_2 emissions by FY2030 in both the retail and power generation businesses (vs. FY2013)" in its various management policies, as described above.

Accordingly, JCR has evaluated that carbon neutrality efforts by the Company are environmental materiality in its business model.

[27] METI FY2023 (the year of Reiwa 5) GHG Emissions and Removals
https://www.env.go.jp/content/000378799.pdf
[28] Chugoku Electric Power Group Integrated Report 2025
https://www.energia.co.jp/e/ir/report/pdf/integrated-02.pdf

Figure 10: Assumed CO_2 Reduction Pathway[29]



1 **2020~2030**
In addition to expanding the use of renewable energy and nuclear power, which are decarbonized power sources that have already been put into practical use, efforts will be made to reduce carbon emissions by co-firing biomass into thermal power generation and suspending or decommission thermal power. In parallel, ammonia/hydrogen co-firing technology and CCUS technology will be developed and demonstrated.

2 **2030~2040**
Expanding the introduction of the co-firing of ammonia/hydrogen and increasing the ratio of them to achieve higher co-firing.

3 **2040~2050**
Achieved carbon neutrality by significantly reducing emissions through the commercialization and expansion of ammonia/hydrogen exclusive firing.

* It should be noted that this only illustrates the assumption of the overall Japanese power sector's decarbonization pathway. In reality, decarbonization will be achieved based on each company's long-term strategy and hence, will not necessary be the reflection of this assumption.

[29] Agency for Natural Resources and Energy Transition Roadmap for Power Sector
https://www.meti.go.jp/policy/energy_environment/global_warming/transition/transition_finance_technology_roadmap_power_eng.pdf

Element 3. Climate Transition Strategy and Targets to be "Science-Based"

The transition roadmap meets the following requirements:

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

The Company has obtained a third-party verification of its GHG emissions. Targets cover the requirements of Scope 1, Scope 2, and Scope 3 (Category 3). JCR has confirmed that the Company will obtain a third-party verification for all the categories of Scope 3, starting in FY2026. The targets of GHG emissions reduction are Scope 1, Scope 2, and Scope 3.

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

JCR has assessed that the targets of "50% reduction in supply chain GHG emissions (Scope 1, 2 and 3) by FY2030 and 60% reduction by FY2035 (vs. FY2013)" and "50% reduction in CO_2 emissions by FY2030 in both the retail and power generation businesses (vs. FY2013)" are consistent with the Seventh Strategic Energy Plan formulated by the Government of Japan in February 2025 and "Transition Roadmap for Decarbonization of the Power Sector by 2050" in the Transition Roadmap for Power Sector developed and published by the Agency for Natural Resources and Energy in February 2022 and revised in November 2025.

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

The Company's priority measures toward carbon neutrality by 2050 and goals of "50% reduction in supply chain GHG emissions (Scope 1, 2 and 3) by FY2030 and 60% reduction by FY2035 (vs. FY2013)" and "50% reduction in CO_2 emissions by FY2030 in both the retail and power generation businesses (vs. FY2013)" are disclosed on the Company's website.

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

Targets are consistent with Japan's GHG reduction targets based on the Paris Agreement and scientific evidence. In addition, the Company has obtained third-party verification for actual CO_2 emissions from the retail electricity business and will obtain third-party verification for all the categories of Scope 3, starting in FY2026.

Element 4. Implementation Transparency

In line with the priority measures toward Carbon Neutrality by 2050, the Company will make decarbonization-related investments across its business area, such as further deploying renewable energy, utilizing nuclear power generation with safety, transitioning thermal power generation through replacing Yanai Power Station Unit 2 series, etc., and taking measures for grid-related equipment along with extended introduction of renewable energy.

JCR has confirmed that the Company will implement initiatives outlined in priority measures toward Carbon Neutrality by 2050, which includes active introduction of renewable energy, such as more extensive adoption of solar, wind, and biomass power and biomass fuels, transition of thermal power generation, sophistication of power grid equipment that contributes to further introduction of renewable energy.

The Transmission & Distribution Company has disclosed its capital investment plan up until 2027 for the power transmission and distribution business, which is included in a business plan for the first regulatory period of the revenue cap system. The capital investment plan is intended to take countermeasures for aging transmission and distribution facilities, extend introduction of renewable energy toward decarbonization, enhance resilience, and establish next-generation transmission and distribution networks.

JCR has assessed that the Company provides a high level of transparency, as it has set targets for 2030, 2035, and 2050 in line with the national GHG reduction targets and has disclosed specific investment plans as the Group for achieving these targets to the extent possible as noted above. In addition, the Company is advancing the Osaki CoolGen Project and performing R&D on low-carbon and decarbonization technologies, such as ammonia and hydrogen power generation. JCR has assessed that, among others, technologies under demonstrations in the Osaki CoolGen Project are advanced technologies with a potential to significantly reduce CO_2 emissions from coal-fired power generation.

Disaster-prevention efforts in construction work for enhancing safety in preparation for launch of Shimane Nuclear Power Station include advancing safety measures to prevent nuclear accidents while continuously conducting drills aimed at improving response capabilities in the event of a nuclear accident and strengthening cooperation with relevant local governments.

JCR has assessed that the fossil fuel lock-in risk is marginal as the Company aims for decarbonization by maximizing the deployment of renewable energy based on the principle of S+3E while early commencing operation of nuclear power stations with safety and implementing transition of thermal power generation, such as CO_2 capture via CCUS and hydrogen and ammonia power generation.

Accordingly, JCR has assessed that the Framework meets the four elements required in the CTFH.

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

3-1. Principle 1: Selection of KPIs

1. JCR's Key Consideration on This Factor

In this section, JCR evaluates significance of KPIs selected by an issuer/a borrower, focusing on whether they include the following elements of the SLBP, the SLLP, etc.:

1) KPIs should be relevant, core, and material to the corporate issuer's/borrower's overall business and of high strategic significance to the issuer's/borrower's current and/or future operations;

2) KPIs should be measurable or quantifiable on a consistent methodological basis and externally verifiable; and

3) KPIs should be able to be benchmarked, i.e. using an external reference or definitions to facilitate the assessment of the SPT's level of ambition.

2. Current Status of Evaluation Targets and JCR's Evaluation

Evaluation Results
The KPIs of the Framework encompass all the elements required by the SLBP, the SLLP, etc. The KPIs selected are significant in achieving the Chugoku Electric Power Group Corporate Vision 2040 and the Chugoku Electric Power Group Environmental Management Policy.

The Company has selected the following KPIs in the Framework:

KPI
KPI 1: Supply chain GHG emissions (Scope 1, 2 and 3)
KPI 2: CO_2 emissions in retail business

The Company has set medium-term targets of "50% reduction in supply chain GHG emissions (Scope 1, 2 and 3) by FY2030 and 60% reduction by FY2035 (vs. FY2013)" and "50% reduction in CO_2 emissions by FY2030 in both the retail and power generation businesses (vs. FY2013)" toward carbon neutrality by 2050 in the Chugoku Electric Power Group Corporate Vision 2040 and the Chugoku Electric Power Group Environmental Management Policy. To achieve these targets, the Company is implementing initiatives based on specific decarbonization strategies, while enhancing its organizational structure through the establishment of the Carbon Neutrality Promotion Division and the Environmental Management Promotion Committee as mentioned above. As such, the Company is implementing specific initiatives with an enhanced organizational structure, a long-term strategy, and interim targets, taking KPIs of the Framework as key to its business continuity.

JCR considers the KPIs to be quantitative. To date, Scope 1, Scope 2, and Category 3 of Scope 3 have been subject to third-party verification. As the Framework newly adopts "supply chain GHG emissions (Scope 1, 2 and 3)" as a KPI, the Company plans to obtain third-party verification covering all categories of Scope 3 starting in FY2026.

As mentioned above, the Government of Japan sets the goals of achieving carbon neutrality by 2050, reducing GHG emissions by 46% by 2030, and 65% by 2035 compared to FY2013 levels. Given that electricity-derived indirect emissions account for a significant share of 37.5% of final energy consumption, the importance of CO_2 emissions reduction in the power sector is

particularly high. Therefore, JCR has evaluated the KPIs newly added this time around as significant.

3-2. Principle 2: Calibration of SPTs

1. JCR's Key Consideration on This Factor

In this section, JCR evaluates the level of ambition of and significance of SPTs set by an issuer/a borrower, focusing on whether they include the following elements of the SLBP, the SLLP, etc.

(1) SPTs of SLBs and SLLs must be set in good faith by both issuers/borrowers and investors/lenders based on economic incentives and over their entire terms. The SPTs should represent a material improvement in the respective KPIs and be beyond a "BAU" trajectory;

(2) SPTs should, where possible, be compared to a benchmark or an external reference;

(3) SPTs should be consistent with the issuer's/borrower's existing overall strategic sustainability and ESG strategy; and

(4) SPTs should be determined on a pre-defined timeline, set before (or concurrently with) the issuance/the provision of the bond/the loans.

Next, JCR assesses the benchmarks, etc., referenced by an issuer/a borrower and investors/lenders when their setting the SPTs. The SLBP, the SLLP, etc. set forth the following elements:

- ✓ Quantitative target setting and KPI forward-looking forecast disclosure to the extent possible based on the issuer's/the borrower's latest performance (select KPIs that, where possible, have at least a three-year track record);
- ✓ SPT's relative positioning versus its peers' where available (e.g. average performance or best-in-class performance); and
- ✓ Science-based scenarios, absolute levels (e.g. carbon budgets), official country/regional/international targets (Paris Agreement on Climate Change and net-zero goals, SDGs, etc.), recognized Best Available Technologies (BAT), or other proxies to determine relevant targets across ESG themes.

2. Current Status of Evaluation Targets and JCR's Evaluation

Evaluation Results

The Company's KPIs and SPTs are ambitious compared with its past performance and the national targets and are on par with those of peers. They are also consistent with the Company's environmental initiatives.

The Company has set the following SPTs in the Framework.

SPT
SPT1-1: 50% reduction in Supply chain GHG emissions (Scope 1, 2 and 3) by FY2030 (vs. FY2013)
SPT1-2: 60% reduction in Supply chain GHG emissions (Scope 1, 2 and 3) by FY2035 (vs. FY2013)

SPT2-1: 50% reduction in CO_2 emissions by FY2030 in the retail electricity business (vs. FY2013)

(1) Comparison with the Company's Past Track Record

The table below shows the Company's historical supply chain GHG emissions and CO_2 emissions from its retail and power generation businesses.

As shown in the figure below, CO_2 emissions from the retail electricity business have been on a declining trend in recent years. The emissions stood at 19.71 million tons in FY2024, which is already below the SPT of 21.14 million tons. CO_2 emissions are calculated as the product of electricity sales volume and the emission factor (after feed-in-tariffs (FIT) adjustments). The major reasons for the recent downward trend include: (1) a decline in electricity sales; (2) a reduction in the emission factor due to a decrease in its own thermal power generation associated with lower electricity sales; and (3) improvements in the emission factor of electricity procured from other companies.

If electricity sales continue to decline, especially due to factor (1), CO_2 emissions from the retail electricity business are likely to continue to follow a downward trend. However, the Company has announced a plan to increase its electricity sales from 41.7 TWh/year for FY2024 to 50 TWh/year by FY2030.

Figure 11: Actual Supply Chain GHG Emissions (Category 1,2,3,5,6,7, and 11 only for Scope 3) and Emissions Target[30]

Unit : 10,000 tons CO2		FY3/2014 (Base Year)	FY3/2021	FY3/2022	FY3/2023	FY3/2024	FY3/2025	FY3/2031 (Target)	FY3/2036 (Target)
Scope1		-	1,739	1,850	1,961	1,805	1,583		
Scope2	Office porotion	-	0.003	0.003	0.004	0.003	0.002		
	T&D loss portion	-	-	-	-	-	63		
Scope3	Category 3 (Fuel & Energy)	-	1,071	1,023	830	909	704		
	Category 1 (Purchased Goods)	-	-	-	182	152	174		
	Category 2 (Capital Goods)	-	67	65	64	71	108		
	Category 5 (Waste)	-			4	3	3		
	Category 6 (Business Travel)	-			0.1	0.1	0.1		
	Category 7 (Employee Commuting)	-			0.2	0.2	0.3		
	Category 11 (Use of Sold Products)	-	-	-	220	192	202		
Scope1+2+3		4,955	2,877	2,938	3,261	3,132	2,837	2,480	1,980

(Source: Created by JCR based on Chugoku Electric Power Group Environmental Data 2025)

[30] Created by JCR based on Chugoku Electric Power Group Integrated Report 2025. Calculation of actual supply chain GHG emissions covers the Company and the Transmission & Distribution Company. Starting in FY2025, the scope will be extended to 20 companies in Japan and abroad.

Figure 12: Actual and Target Values of CO_2 Emissions in the Retail Electricity Business[31]

	FY3/2014 (Base Year)	FY3/2021	FY3/2022	FY3/2023	FY3/2024	FY3/2025	FY3/2031 (Target)
Electricity Sales Volume (100 million kWh)	590	464	471	453	446	417	
Nuclear Power Generation (100 million kWh)	0	0	0	0	0	20	
Adjusted CO_2 Emission Factor (kg-CO_2/kWh)	0.717	0.521	0.536	0.544	0.511	0.472	
CO_2 Emissions (10,000 tons CO_2)	4,228	2,415	2,527	2,466	2,277	1,971	2,114

(Source: Created by JCR based on Chugoku Electric Power Group Integrated Report 2025)

The projected increase in electricity sales will translate into the Company's top-line growth while accelerating electrification and a shift from captive fossil fuel-fired power generation to grid electricity. Hence, JCR has assessed that the projected increase in electricity sales may provide certain benefits to Japan's overall decarbonization. On the other hand, an increase in electricity sales will create structural upward pressure not only on CO_2 emissions from the retail electricity business but also on supply-chain GHG emissions. Accordingly, the Company should pursue decarbonization without lagging behind the pace of increasing electricity sales.

In the Chugoku Electric Power Group Corporate Vision 2040, the Company provides directions to capturing business opportunities, including the electrification of production facilities in the Chugoku region, the transition from captive coal-fired power generation to grid electricity supply, and the construction and expansion of data centers and semiconductor manufacturing plants and to growing retail electricity sales by attracting companies to the Chugoku region for gaining their power demand. Specifically, the Company has announced its plan to increase retail electricity sales from 41.7 TWh in FY2024 to 50 TWh by FY2030.

The Company's electricity sales are reasonably likely to increase, given that the Chugoku region hosts one of the Japan's largest concentrations of manufacturing industries, including steel, chemical, and automotive sectors, and ranks second nationwide after the Tokyo metropolitan area in terms of CO_2 emissions from the industrial sector. The Company has yet to fully capture power demand in the region amid a competitive environment as well as many captive coal-fired power plants located in the region. In addition, demand in the Chugoku region may grow due to the construction and expansion of data centers and semiconductor plants and the electrification of industrial complexes associated with Green Transformation (GX).

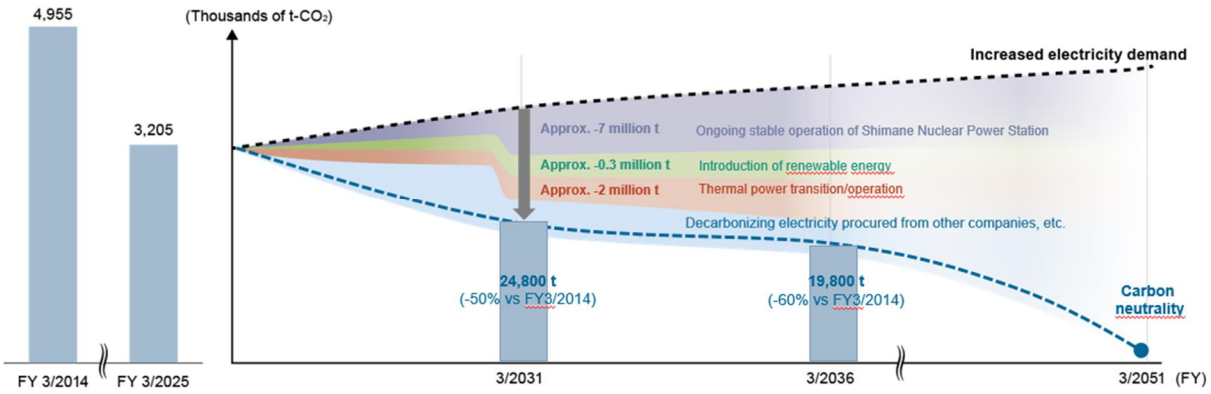
Amid these favorable trends, including behavioral changes by companies seeking to advance GX initiatives, such as shifting energy sources for production from coal-centered systems to grid electricity supply, the Company is promoting the acquisition of new contracts through its own marketing efforts, including revisions to rate plans and enhancement of ancillary services. As a result, the forecasted increase in electricity sales is likely to occur to some extent.

Based on the above, in order to maintain the progress in achieving a "CO_2 emissions 50% reduction by FY2030 in retail business (vs. FY2013)" and achieve a "supply chain GHG emissions (Scope 1, 2 and 3) 50% reduction by FY2030 (vs. FY2013)" and a "60% reduction by FY2035 (vs. FY2013)" amid increasing electricity sales, a further focus on expanded introduction of renewable energy, stable operation and restart of nuclear power stations, and transition of thermal power generation is required to accelerate the decarbonization of the power mix in electricity sales. As shown in the figure below, the Company expects that GHG emissions will be reduced by FY2030 to circa 7 million tons for utilization of nuclear power generation, circa 0.3 million tons for expanded introduction of renewable energy, and circa 2 million tons for transition of thermal power generation through replacement of LNG-fired units. These reduction effects need to be

[31] Created by JCR based on Chugoku Electric Power Group Integrated Report 2025.

achieved at a faster pace than an increase in electricity sales. From the above, JCR considers that all the Company's SPTs of the Framework are ambitious as they are based on activities beyond BAU.

Figure 13: Illustrative Supply-Chain GHG Emissions Reduction[32]



(2) Comparison with Other Industries, Other Companies, and Japan's National Targets

The Company is a former general electricity utility. Other former general electricity utilities have also set targets equivalent to the Company's SPTs under the Framework: "50% reduction in supply chain GHG emissions (Scope 1, 2 and 3) by FY2030 (vs. FY2013)," and "supply chain GHG emissions (Scope 1, 2 and 3) 60% reduction by FY2035 (vs. FY2013)," and "50% reduction in CO_2 emissions by FY2030 in retail electricity business (vs. FY2013)." Hence, the Company's SPTs are in line with its industry peers'. And the SPTs of the Framework are ambitious as they are equal to or exceed the government's targets of reducing GHG emissions by 46% by FY2030 and 60% by FY2035 (vs. FY2013).

(3) Chugoku Electric Power's Efforts to Reduce CO_2

In order to achieve the SPTs, the Company will take various measures to reduce emissions, which include:

a. Commencement of operation of Shimane Nuclear Power Station Unit 3;

b. Further introduction of renewable energy target of +0.7 GW by FY2030 and 1 GW by FY2035 (vs. FY2019); and

c. Commencement of operation of Yanai Power Station new Unit 2 and subsequent transition of thermal power generation.

In the efforts to reduce CO_2 emissions, the COO of the Carbon Neutrality Promotion Division will continue to oversee initiatives based on environmental policies under the new organizational structure. Under the leadership of the President and CEO, who bears ultimate responsibility for the Company's environmental management, the COO oversees companywide environmental activities as Chair of the Environmental Management Promotion Committee and appropriately reflects conclusions of deliberations at the committee in environmental management. The board of directors receives reports from the President and CEO on the status of environmental initiatives and implementation of environmental management and oversees execution of tasks related to the environment.

[32] Action Plan 2030

As above, the Company is taking appropriate measures toward achieving carbon neutrality by 2050 and is actively addressing the emission reduction targets for 2030 and 2035, which are interim milestones, through the above-mentioned organizational structure.

(4) Disclosure to or Agreement with Investors/Lenders on SPTs

JCR has confirmed that, for financing conducted under the Framework, the Company will, in advance, disclose or agree on the SPTs with bond investors/lenders.

(5) Timing of SPT Assessment

The Framework sets the SPTs of "50% reduction in supply chain GHG emissions (Scope 1, 2 and 3) by FY2030 (vs. FY2013)," "60% reduction in supply chain GHG emissions (Scope 1, 2 and 3) by FY2035 (vs. FY2013)," and "50% reduction in CO_2 emissions by FY2030 in retail electricity business (vs. FY2013)." The Company has decided not to set SPTs on an annual basis as setting SPTs on a long-term basis rather than annually is more suitable for its business model where emissions are affected by events outside the scope of its efforts, such as trends in power demand and the timing of restarting a nuclear power station. JCR has assessed that the Framework appropriately sets SPTs and the timing of their assessment, considering the above circumstances.

Based on the above, JCR has evaluated the Company's SPTs as ambitious as achieving them will require efforts beyond BAU in light of its track record and they are equivalent to the government's GHG reduction targets for FY2030 and FY2035. JCR has also evaluated the SPTs of the Framework as consistent with the Company's environmental initiatives as they are in line with the emission reduction targets of the Chugoku Electric Power Group Environmental Management Policy.

3. JCR's Impact Assessment

JCR has assessed the level of impact from the SPTs based on the five elements of the assessment criteria (variety, magnitude, scale, leverage, and additionality) specified in the Principle Four of the Principles for Positive Impact Finance (PIF) formulated by the United Nations Environment Programme to verify that the SPTs are ambitious and significant and contribute to the Company's sustainable growth and enhancement of social value and to measure the level of maximization of positive impacts and the levels of avoidance, management, and reduction of negative impacts.

a. Variety: Variety of positive impacts delivered (impacts across the entire value chain, impacts by business segment, impacts by region, etc.)
The Company's SPTs of "50% reduction in supply chain GHG emissions (Scope 1, 2 and 3) by FY2030 (vs. FY2013)," "60% reduction in supply chain GHG emissions (Scope 1, 2 and 3) by FY2035 (vs. FY2013)," and "50% reduction in CO_2 emissions by FY2030 in the retail electricity business (vs. FY2013)" are expected to generate various positive impacts on energy, climate change, and air pollution, while mitigating negative impacts. In addition, supply chain GHG and CO_2 emissions calculations cover Scope 1, 2, and 3, which encompass the Company's entire supply chain.
b. Magnitude: Magnitude of impacts delivered (sales and business operations associated with SPTs, target regions, and market shares in Japan and abroad of business operations subject to SPT measurement)
The Company holds a large share in the Chugoku region as a former general electric utility, which accounts for 5.1% of domestic electricity sales. Promoting efforts to reduce

environmental impact, prioritizing stable energy supply, the Company are expected to have a significant impact through the Company's SPTs: "50% reduction in supply chain GHG emissions (Scope 1, 2 and 3) by FY2030 (vs. FY2013)," "60% reduction in supply chain GHG emissions (Scope 1, 2 and 3) by FY2035 (vs. FY2013)," and "50% reduction in CO_2 emissions by FY2030 in the retail electricity business (vs. FY2013)" and measures to achieve them.

c. Scale: Scale of impacts delivered relative to amount of funds spent

Financing under the Framework will provide a high level of efficiency from the following perspectives.

In order to achieve the SPTs, the Company will take various measures to reduce CO_2 emissions including:

a. Commence operation of Shimane Nuclear Power Station Unit 3;

b. Targets for newly introducing renewable energy
(+0.7 GW by FY2030 and 1 GW by FY2035 (vs. FY2019)); and

c. Commence operation of Yanai Power Station new Unit 2 and subsequent transition of thermal power generation.

The SPTs are specified in the Chugoku Electric Power Group Environmental Management Policy, and specific measures to achieve them are provided in the Chugoku Electric Power Group Corporate Vision 2040 and Action Plan 2030 Overview of Chugoku Electric Power Group Medium-term Management Plan 2026-2030. All of them will lead to achieving "mitigation of climate change," which the Company is addressing as a key management priority. The Company will drive efforts to reduce GHG emissions from the supply chain with the appropriate commitment of the management team through the Environmental Management Promotion Committee, etc.

Based on the above, a significant impact relative to invested capital will be delivered.

d. Leverage: Degree of leverage of private funds relative to public funds and/or donations

With regard to initiatives for reducing supply chain GHG and CO_2 emissions under the SPTs of the Framework, some projects related to development of decarbonization technologies have received subsidies from the government, but most of them are financed by private capital.

Support of public capital as above including financing through the Framework will reduce GHG and CO_2 emissions from the power sector and move forward with efforts toward carbon neutrality.

e. Additionality: Level of additionality
SDGs help address an unmet or underserved targets
Targets constitute a significant step forward for the attainment of the SDGs

Each SPT will deliver additional impacts on the following multiple goals and targets among the 17 SDGs and 169 targets:

Goal 7: Affordable and Clean Energy for all

Target 7.2. By 2030, substantially increase the share of renewable energy in the global energy mix.

Goal 8: Decent Work and Economic Growth

Target 8.4 By 2030, progressively improve global resource efficiency in consumption and production, and strive to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programs on sustainable consumption and production, led by developed countries.

Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

Target 9.1. Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being with a focus on affordable and equitable access for all.

Target 9.4. By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes. All countries shall undertake efforts in accordance with their national capacities.

Goal 12: Responsible consumption and production

Target 12.4: By 2020, in accordance with agreed international frameworks, achieve environmentally sound management of chemicals and all wastes throughout their life cycle, and significantly reduce their release to air, water and soil in order to minimize adverse impacts on human health and the environment.

Goal 13: Take urgent action to combat climate change and its impacts

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

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

3-3. Principle 3: Financial Characteristics of Bonds/Loans

1. JCR's Key Consideration on This Factor

In this section, JCR assesses the following:

(1) There is a mechanism where financial and structural characteristics of corporate bonds and loans change depending on whether the selected KPIs reached the predefined SPTs;

(2) Disclosure documents of bonds or contract documents of loans provide the definition of KPIs, SPTs, and changeability of the financial and structural characteristics of the Transition Finance; and

(3) Disclosure documents of bonds or contract documents of loans will provide KPI measurement methods, SPTs, and response to unexpected events likely to materially affect baselines and the scope of KPIs (significant M&A activities, major regulatory or institutional changes, or occurrence of irregularity).

2. Current Status of Evaluation Targets and JCR's Evaluation

Evaluation Results
Financing through the Framework has a mechanism where its financial and structural characteristics change depending on whether the selected KPIs reached the predefined SPTs. Disclosure documents of bonds or contract documents of loans will include changeability, which provides a high level of transparency. These documents will provide methods for measuring KPIs, SPTs, and baselines.

JCR has confirmed that the Company will establish a mechanism under the Framework to change financial or structural characteristics of the financing, such as interest rate step-up or step-down and donations, etc. to organizations for environmental conservation activities, based on SPT achievement. The Company will also provide the definition of KPIs, SPTs, and baselines through disclosure documents of bonds or contract documents of respective loans. JCR has confirmed that, in fact, following the establishment of the Sustainable Finance Framework in April 2023, relevant information was disclosed for bond issuances,[33] and that for loans, transactions have been executed based on contractual documents reflecting such terms. In the event of unforeseen circumstances at the time of financing that result in changes to the definitions of KPIs, SPTs, or underlying assumptions, the Company will disclose such changes to bond investors/lenders.

Furthermore, in cases where there are material changes to SPTs due to unforeseen events, or where the significance of the SPTs diminishes over time after their achievement, the Company will consult with relevant stakeholders to set revised SPTs with a level of ambition equivalent to or higher than the original criteria and will obtain external verification as necessary.

Based on the above, JCR has confirmed that the necessary mechanism linked to financing conditions or its disclosure will be arranged and that the contents of contractual documents and what to be disclosed are appropriate.

[33] Chugoku Electric Power Company press release (Japanese Only)
https://www.energia.co.jp/press/2025/15822.html

3-4. Principle 4 and 5: Reporting/Verification

1. JCR's Key Consideration on this Factor

In this section, JCR assesses whether the following information will be included in reporting after financing, how such information is disclosed, and whether it will be verified by a third-party.

ⅰ. Disclosure Items

The following information will be disclosed at least annually:

- ✓ Up-to-date information on the performance of the selected KPI(s), including baselines where relevant; and
- ✓ Any information enabling investors to monitor the level of ambition of the SPTs (e.g. any update in the issuer's/borrower's sustainability strategy or on the related KPI/ESG governance or any information relevant to the analysis of the KPIs and SPTs).

The following information will be disclosed to the extent possible:

- ✓ Qualitative or quantitative explanation of the contribution of the main factors, including M&A activities, behind the evolution of performance/KPI:
- ✓ Illustration of the issuers'/borrower's positive sustainability impacts of the performance improvement; and
- ✓ Any re-assessments of KPIs and/or restatement of the selected SPTs and/or pro-forma adjustments of baselines or KPI scope.

ii. Verification

The verification (performance against SPTs and impacts on financial and/or structural characteristics, their timings, etc.) will be made publicly available.

2. Current Status of Evaluation Targets and JCR's Evaluation

Evaluation Results
The Company has an appropriate plan for disclosure items, frequency, and methods after financing and will undergo third-party verification on the progress of SPTs, etc. required by the principle.

The Company will publish an annual report on KPI performance (progress in supply chain GHG and CO_2 emissions reductions) on its website. In fact, following the establishment of the Sustainable Finance Framework in April 2023, it has already published a report on the progress of supply chain GHG and CO_2 emissions reductions on its website.[34]

The GHG emissions data of Scope 1, Scope 2, and Category 3 of Scope 3 have been subject to third-party verification. With the addition of chain GHG emissions (Scope 1, 2 and 3) as a KPI under the Framework, the Company will obtain third-party verification covering all the categories of Scope 3 from FY2026 onward. JCR will review any material changes in SPTs during the fiscal period to see, on an ongoing basis, the alignment with the CTFH, the SLBP, the SLLP, etc. and whether the initially intended level of ambition and significance will be maintained. By the date of SPT assessment, the Company and JCR will conduct a review related to respective Transition-linked Finance issued under the Framework and assess SPT performance.

[34] Chugoku Electric Power Company website Promotion of Sustainable Finance (Japanese Only) https://www.energia.co.jp/ir/irzaimu/finance.html

3-5. Conclusion on Alignment with CTFH, etc. and SLBP, SLLP, etc.

Based on the above, JCR has assessed that the Framework subject to a third-party opinion is aligned with CTFH, etc. and the SLBP, the SLLP, etc.

I. Use of Proceeds

JCR's Key Consideration on This Factor

In this section, JCR assesses in the beginning whether the proceeds are allocated to green / climate transition projects that offer clear environmental benefits. Then, in cases where the use of proceeds has a potential negative impact on the environment and society, JCR assesses whether the impact is well examined by an internal expert department or an external third party, and whether necessary preventing and mitigating measures are taken for it. Lastly, JCR assesses consistency with the Sustainable Development Goals (SDGs).

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

JCR has assessed that the Company's eligibility criteria and eligible projects, which are the uses of the proceeds of the Framework, pursue the Group's challenge of achieving carbon neutrality by 2050 and will offer environmental benefits.

Framework for Use of Proceeds (excerpt)

Funds raised through Green/Transition Finance will be allocated to new investments and refinancing for projects that meet the eligibility criteria below (Eligible Projects).

For refinancing, eligible projects are those for which expenditures, equity investments, or commencement of operation occurred within 36 months prior to the financing execution date.

<Green Projects>

Eligibility Criteria	Project Overview
Renewable Energy	Development, construction, operation, and refurbishment of renewable energy (solar, wind, hydro, biomass) Deployment of battery storage
Nuclear Power	Investments necessary for the operation of nuclear power plants (new and existing), including compliance with the new regulatory standards, operation, and refurbishment R&D related to advanced technologies
Data Center	Investments related to the construction, acquisition, or refurbishment of data centers with PUE of 1.4 or below
Other Business Areas (Green)	Investments related to initiatives and services that contribute to decarbonization of customers and communities, such as energy-saving and CO_2-reduction consulting, EV solution services, electricity rate plans that utilize non-fossil energy power sources, and services leveraging energy management systems (EMS)

* In the context of structuring individual transition loans, the above-mentioned projects may be categorized as climate transition projects.

<Climate Transition Projects>

Eligibility Criteria	Project Overview
Thermal Power	Shutdown/decommissioning of inefficient thermal power plants Development of high-efficiency LNG-fired power plants Implementation and expansion of biomass co-firing at thermal power plants R&D and demonstrations related to IGCC/IGFC (e.g., the Osaki CoolGen Project) Studies, R&D, demonstration projects, and capital investments related to CCS/CCUS R&D, demonstrations, and implementation of hydrogen/ammonia co-firing at thermal power plants
Power Networks (Grid)	Strengthening and upgrading the power network to support expanded renewable energy deployment (e.g., new construction, maintenance, and renewal of network facilities; resilience enhancement; next-generation upgrades; introduction of equipment necessary for supply-demand balancing)
Other Business Areas (Transition)	Service proposal aimed at decarbonization of communities, ports, and industrial complexes

JCR's Evaluation for Framework

1. Environmental Improvement Effects of Projects

Use of Proceeds 1: Renewable Energy

Use of proceeds 1 involves the introduction of solar, wind, hydro, and biomass power generation facilities and storage batteries. This use of proceeds falls under "renewable energy" in the Green Bond Principles and the Green Loan Principles and "projects for renewable energy" in the Green Bond Guidelines and the Green Loan Guidelines.

Renewable energy is a clean energy source that contributes to reducing GHG emissions and does not rely on unsustainable resources such as fossil fuels. Hence, the Government of Japan indicates its intention to adopt renewable energy as a main power source to decarbonize the power sector in the Seventh Strategic Energy Plan approved by the Cabinet in February 2025. The plan provides the outlook for raising the share of renewable energy in the power mix for FY2040 to 40% to 50% as in the figure below.

Figure 14: Outlook for Supply-Demand of Energy for FY2040[35]

		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%**

Investments in storage batteries constitute projects that support the further introduction of renewable energy. Renewable energy sources, such as solar and wind power, are also referred to as intermittent energy sources and are characterized by variability in power generation due to meteorological conditions, such as solar radiation and wind conditions, which can make stable power supply difficult. Storage batteries compensate for the variability of renewable energy by storing energy when generation is high and converting the stored energy into electricity for supply when generation declines and demand cannot be met. This function enables a more stable power supply. The International Energy Agency (IEA) expects storage battery capacity to expand to circa 2.9 TW by 2035 in the Net Zero emissions scenario of the World Energy Outlook 2025. This implies a significant potential increase in capital investment in storage batteries. JCR has assessed that the Company's investment in storage batteries is appropriate as an eligible green project as expanded use of renewable energy entails enhancement of storage battery facilities as noted above.

[35] Agency for Natural Resources and Energy Overview of Strategic Energy Plan
https://www.enecho.meti.go.jp/en/category/others/basic_plan/pdf/7th_outline.pdf

Use of Proceeds 2: Nuclear Power

Use of proceeds 2 involves investments related to the restart, operation, and improvement of nuclear power stations, as well as R&D related to advanced technologies.

The Seventh Strategic Energy Plan refers to nuclear power as a power source that simultaneously contributes to energy security, decarbonization, and economic growth (including meeting increasing electricity demand associated with DX and GX), and states that it will be utilized to maximum extent alongside renewable energy. The plan assumes that nuclear power will account for approximately 20% of the power mix by 2040 and indicates a more active role compared to the Sixth Strategic Energy Plan.

As noted above, among the Company's nuclear power stations, Shimane Nuclear Power Station Unit 2 restarted operation in January 2025, and Shimane Nuclear Power Station Unit 3 is currently undergoing conformity reviews for new regulatory standards. The use of proceeds includes costs related to safety enhancement works at these nuclear power stations, periodic inspections following the restart, outsourcing expenses, and nuclear fuel cycle costs, including both front-end and back-end costs. Capital investment for restarting the operation includes safety measures such as facilities for addressing specific severe accidents and other accidents.

The Seventh Strategic Energy Plan published in February 2025 further highlights that nuclear power is a power resource that contributes to energy security alongside renewable energy and has a high decarbonization effect. It is characterized by stable supply capability, a high level of domestic technological capacity, cost competitiveness comparable to other power sources, low volatility, and the ability to provide stable baseload generation. These characteristics are also well suited to emerging demand from data centers and semiconductor manufacturing facilities. Based on these factors, the plan states that nuclear power will continue to be utilized to the extent necessary, with safety as a top priority and efforts to maintain public trust. On the other hand, high-level radioactive waste (specified radioactive waste) generated from nuclear power generation is required to be disposed of safely and securely in deep geological repositories at depths of more than 300 meters (final disposal). The Basic Policy on the Final Disposal of Specified Radioactive Waste [36] approved by the Cabinet in April 2023, states that the Government of Japan will take responsibility and work comprehensively toward final disposal. The Seventh Strategic Energy Plan also reaffirms that the government will play a leading role in advancing efforts.

Given the above, JCR considers that nuclear power generation can be evaluated as a green asset, taking into account that it is a decarbonized energy source, that the Seventh Strategic Energy Plan published in February 2025 set a policy of maximizing its use with safety as a top priority, and that responsibility for the final disposal of spent nuclear fuel is clearly assigned to the Government of Japan.

In addition, the use of proceeds includes R&D related to advanced technologies, including R&D and demonstration tests for next-generation innovative reactors (such as innovative light-water reactors, small modular light-water reactors, fast reactors, high-temperature gas reactors, and fusion reactors), as well as investments in demonstration reactors. The development of safer nuclear power generation technologies is important from the perspective of the S+3E principle, and JCR has also assessed that the above use of proceeds will also contribute to achieving carbon neutrality.

[36] Agency for Natural Resources and Energy Basic Policy on the Final Disposal of Specified Radioactive Waste (Japanese Only) https://www.cas.go.jp/jp/seisaku/saisyu_syobun_kaigi/pdf/kihonhousin.pdf

Use of Proceeds 3: Data Center

Use of Proceeds 3 involves construction, acquisition, and renovation of new and existing data centers with high energy efficiency. This use of proceeds falls under "energy efficiency" in the Green Bond Principles and the Green Loan Principles and "projects for energy efficiency" in the Green Bond Guidelines and the Green Loan Guidelines.

The Company targets the construction, acquisition, and renovation of data centers that meet a power usage effectiveness (PUE) of 1.4 or lower as the use of proceeds. PUE is calculated as the total energy consumption of a data center divided by the energy consumption of IT equipment, and is widely referenced globally as a metric for measuring energy efficiency of data centers. However, installing inefficient IT equipment may result in lower PUE values while potentially increasing total power consumption of the entire data center.

The threshold of PUE 1.4 or lower is more stringent than the benchmark value of 1.40 set out in the Overview of the Benchmark System for the Data Center Industry[37] published by the Agency for Natural Resources and Energy in May 2023, and is recognized as a level that reflects enhanced energy efficiency beyond IT equipment. According to a survey conducted by the METI, the most common PUE values for typical data centers range from approximately 1.6 to 1.8. The PUE threshold of 1.4, as set by the Company, corresponds to roughly the top 15% of survey respondents, indicating that many data centers are in need of initiatives for energy efficiency. Examples of relevant international standards for data centers include:

- PUE of 1.4 corresponds to the “GOOD” level under the U.S. Best Practice Guide for Energy-Efficient Data Center Design; and
- The highest level, “Platinum,” under Singapore's Green Mark standards corresponds to a PUE range of 1.35-1.5 (depending on load conditions; PUE 1.4 corresponds to approximately 75% IT load).

Based on the above, JCR has evaluated the use of proceeds as appropriate as it adopts the threshold of below PUE 1.4, which is recognized domestically and internationally as a high standard.

Use of proceeds 4: Thermal Power

Use of Proceeds 4 includes projects for the transition of thermal power plants. As part of the Chugoku Electric Power Group’s priority measures toward achieving carbon neutrality by 2050, initiatives related to thermal power generation include the closure of inefficient thermal power plants, the operation and renovation of high-efficiency thermal power plants such as Yanai Power Station Unit 2 series, biomass co-firing, R&D and demonstration related to IGCC/IGFC (such as the Osaki CoolGen Project), R&D and demonstrations related to CCU/CCS (such as carbon recycling technology development at a carbon recycling research site in Osakikamijima), and R&D and demonstrations of hydrogen and ammonia co-firing at thermal power plants. These initiatives constitute the use of proceeds. JCR has assessed that this use of proceeds will contribute to achieving carbon neutrality, as discussed in “2-1 Medium- to Long-Term Management Plan and Transition Strategy, Chapter 2.” JCR has also assessed that the risk of fossil

[37] Agency for Natural Resources and Energy, Overview of the Benchmark System for the Data Center Industry (Japanese Only) https://www.enecho.meti.go.jp/category/saving_and_new/saving/enterprise/factory/support-tools/data/2023_01benchmark.pdf

fuel lock-in is limited, as the Company will pursue carbon neutrality in thermal power generation and allocate the proceeds according to its priority measures.

Use of proceeds 5: Power Network

Use of Proceeds 5 involves projects for power networks. The proceeds will be allocated primarily to strengthening and advancing power networks that contribute to accelerated adoption of renewable energy, including the installation, maintenance, and replacement of network equipment, resilience enhancement measures, next-generation grid equipment, and the introduction of equipment necessary for supply-demand balancing. These uses of proceeds relate to projects undertaken by Transmission & Distribution Company, the Group's power transmission and distribution arm. As described in "2-1. Medium- to Long-Term Management Plan and Transition Strategy, Chapter 2," investments in strengthening and upgrading power grids are essential for the accelerated deployment of renewable energy. In addition, the introduction of storage batteries is necessary for the expanded use of renewable energy, which is referred to as intermittent energy sources due to their dependence on natural conditions. Based on the above, JCR has assessed that the use of proceeds will contribute to carbon neutrality to be realized in the entire Chugoku Electric Power Group.

Use of proceeds 6: Other Business Areas (Green and Climate Transition Projects)

Green Projects

- Energy conservation and CO_2 reduction consulting
- EV solution services
- Electricity rate plans utilizing non-fossil fuel energy
- Services utilizing EMS

Climate Transition Projects

- Proposal of services toward decarbonization of communities, ports, and industrial complexes

Use of Proceeds 6 involves investments in initiatives and services that contribute to decarbonization of customers and local communities. This use of proceeds falls under "renewable energy," "energy efficiency," and "clean transportation" in the Green Bond Principles and the Green Loan Principles and "projects for renewable energy," "projects for energy efficiency," and "projects for clean transportation" in the Green Bond Guidelines and the Green Loan Guidelines. The use of proceeds includes investments in initiatives and services that contribute to decarbonization of customers and local communities, such as energy conservation and CO_2 reduction consulting, EV solution services, electricity rate plans utilizing non-fossil fuel energy, and services utilizing EMS.

Energy conservation and CO_2 reduction consulting and services utilizing EMS contribute to customer decarbonization through the visualization of CO_2 emissions, including investments in CO_2 emission measurement devices installed at customer facilities. EV solution services contribute to customer decarbonization through the use of electric vehicles (EVs), including investments in vehicles and charging infrastructure. Electricity rate plans utilizing non-fossil fuel

energy are related to the expansion of rate plan options for effective use of renewable electricity by customers, including investments in system development necessary for contract management after the introduction of new rate plans.

In addition, the Group engages in activities to promote decarbonization in communities, ports, and industrial complexes. These efforts include participation in councils for decarbonization of municipalities and industrial complexes designated as Decarbonization Leading Areas by the Ministry of the Environment (MOE), and the promotion of measures tailored to local characteristics. As these initiatives represent transition efforts toward steady decarbonization, including energy efficiency improvements and fuel conversion, they are classified as climate transition projects.

Based on the above, JCR has assessed that the use of proceeds contributes to the decarbonization of the Company's service areas.

2-1. Negative Impacts on Environment and Society

The Company implements eligible projects after assessing potential negative environmental and social impacts. It assesses the following in accordance with its project initiation procedures: obtaining certifications and permits for relevant equipment and projects required by countries, regions, or municipalities where the equipment is installed and the projects are implemented and making sure that environmental assessment and other environmental impact assessments are properly carried out.

In constructing or retrofitting power generation plants, the Company conducts the above environmental impact assessment as necessary and formulates a plan when there are environmental considerations. Construction work is carried out only after properly completing procedures based on relevant laws and regulations, such as the Electricity Business Act, and meeting required technical standards. Furthermore, biomass fuel used in eligible projects is expected to be sourced from materials that have obtained sustainability-related certifications.

JCR has evaluated the above Company's procedures as effective as they have been applied to projects meeting the eligibility criteria.

In Japan, geological disposal has been adopted as the method for final disposal of high-level radioactive waste remaining after reprocessing of spent nuclear fuel from nuclear power generation. However, the final disposal site has not yet been determined, which JCR recognizes as a potential negative impact associated with the Company's nuclear power generation operation. The site selection consists of three stages: (1) literature survey, (2) preliminary investigation, and (3) detailed investigation. Currently, the literature survey stage is underway. As described above, JCR will conduct an interview with the Company on a regular basis as it considers monitoring the progress of a final disposal plan, etc. necessary.

In addition, projects related to the transition strategy may have social impacts, such as effects on employment. For example, reductions in operations at power plants may lead to decreased business activity among local companies. JCR has confirmed through interviews with the Company that it will provide information to minimize such impacts and take necessary measures in cooperation with group companies.

On top of that, financing under the Framework will not cause significant damage to other green projects.

Accordingly, JCR has assessed that the Company identifies negative environmental and social impacts in a proper way and takes appropriate measures to address them.

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

The CTBG published by ICMA in November 2025 provides four components for assessing use-of-proceeds bonds:

1. Use of Proceeds

2. Process for Project Evaluation and Selection

3. Management of Proceeds

4. Reporting

This section provides the results of JCR's assessment on the safeguards of the CTBG "1. Use of Proceeds," which should be considered in implementing climate transition projects, and measures taken to meet them.

In addition, alignment with the safeguards of the CTBG will be detailed in "V. Alignment with the Items Required under the Climate Transition Bond Guidelines, Evaluation Phase 2."

(1) Existence of an issuer-level sustainability and/or climate transition strategy to which the CT Projects contribute and incorporating disclosures which align on a best-efforts basis with the four key elements of the CTFH.

JCR has confirmed that the Company's transition strategy is aligned with the four components required by the CTFH as described in "2-2. Alignment with Requirements of the CTFH, etc., the Chapter 2."

(2) Analysis supporting the technological and/or economic unfeasibility of low-carbon alternatives for the issuer considering also the local context. For practical purposes, this assessment can be made by referencing existing official sector or other authoritative third-party resources and issuers' cost-benefit analyses.

Climate transition projects defined by the Company in the Framework are aligned with the "Roadmap for Promoting Transition Finance (Sectoral Technology Roadmap)"[38] formulated by the Government of Japan and the national subsidy program for decarbonization.

Potential uses of the proceeds for thermal power generation of the Framework include:

- Closure of inefficient thermal power plants;
- Development of high-efficiency LNG-fired power plants;
- Adoption and expanded adoption of biomass co-firing in thermal power plants;
- IGCC/IGFC-related R&D and demonstration (Osaki CoolGen Project, etc.);
- CCU/CCS-related R&D and demonstration; and surveys, R&D, demonstration projects, and capital investments; and
- R&D, demonstration, and implementation of hydrogen/ammonia co-firing at thermal power plants.

The METI's Technology Roadmap for Power Sector provides a list of measures to achieve carbon neutrality. Based on the above, JCR has evaluated the Company's initiatives aligned with the national strategy.

The power network project is categorized as a climate transition project as the proceeds are used mainly for upgrading transmission and distribution grids which provide electricity generated from fossil fuels as well. In order to achieve decarbonization through the project, the

[38] Government of Japan formulated the roadmaps for industries with relatively large CO_2 emissions, such as steel, chemicals, electric power, gas, petroleum, pulp and paper, cement, and automobiles, in phases from FY2021. The roadmaps encompass low-carbon and decarbonization technologies to be used by each industry for implementing them in society by developing both existing and new technologies and shows pathways to achieve alignment with the targets of 1.5–2° C by 2030 and carbon neutrality by 2050 with combinations of these technologies.

Company's power generation business and power generation companies in the Company's service areas need to advance decarbonization. JCR believes that if the Company makes steady efforts to attain milestones of the Carbon Neutral 2050 Initiatives, the carbon neutrality by 2050 will be achieved.

Accordingly, JCR has assessed that the use of proceeds of the Framework meets the safeguards of the CTBG.

(3) Alignment or compatibility with official sector and market-based taxonomies, decarbonization pathways and roadmaps, and/or other international and national decarbonization policy frameworks, where available and relevant. Annex 1 provides a non-exhaustive list and an overview of existing official sectors and market-based taxonomies and pathways and roadmaps to help issuers identify the relevant resources.

As mentioned above, JCR has confirmed that climate transition projects defined under the Framework are aligned with the Sectoral Technology Roadmap formulated by the Government of Japan and with the national subsidy program for decarbonization.

(4) Mitigation of substantial and quantifiable GHG emissions beyond BAU, considering sector standards, practices, proxies and BAT, where available and feasible.

As described above, the Government of Japan provides the BAT for each sector to mitigate GHG emissions through the Sectoral Technology Roadmap.

The use of proceeds under the Framework includes projects to achieve GHG emission reductions beyond BAU, and adopts the best technologies applicable to respective businesses, taking into account technological and economic constraints. JCR has also confirmed that the use of proceeds is aligned with the Sectoral Technology Roadmap, which provides BAT for each sector.

Accordingly, JCR has assessed that the use of proceeds of the Framework meets the safeguards of the CTBG.

(5) Identification, analysis, best-efforts mitigation, and disclosure of carbon-lock in risks. In this respect, sunset provisions and/or the restriction of interim performance categories (also known as the "amber" category) primarily for existing assets and activities in some taxonomies should be noted. The lock-in assessment may consider, where relevant, factors such as a project's lifetime and amortization period, utilization rate, emission profile over time, rebound effects, potential barriers to low(er)-carbon substitutes (e.g. contractual, labor, or supply chain constraints), readiness for future incorporation of lower-carbon feedstock or change in end-use, reversibility (e.g. retrofitting, repurposing, or repowering), and displaceability, and monitoring of a project's end-use emissions.

To achieve carbon neutrality by 2050, the Company has set a target of "50% reduction in supply chain GHG emissions (Scope 1, 2 and 3) by FY2030 and 60% reduction by FY2035 (vs. FY2013)." The Company's "Challenge toward Carbon Neutrality by 2050" defines priority measures and outlines pathways toward carbon neutrality across power generation, service deployment, and collaboration with stakeholders.

Thermal power generation projects categorized as climate transition projects under the Framework are designed to avoid carbon lock-in risks by implementing the following measures:

- Preparation for the future implementation of hydrogen co-firing in LNG-fired power generation and consideration of new LNG-fired power generation capacity in line with such plans;
- Expansion of biomass co-firing, preparation for implementation of ammonia, and phased implementation and development of CCS in coal-fired power generation; and
- Adjustment of operations and phased retirement of inefficient thermal power generation.

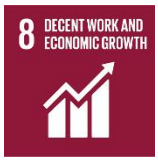
Accordingly, JCR has assessed that the use of proceeds of the Framework meets the safeguards of the CTBG.

3. Consistency with SDGs

JCR has assessed that the use of proceeds of the Framework contributes to the following SDGs and targets in reference to ICMA's SDGs mapping.

Goal 7: Affordable and clean energy

Target 7.2. By 2030, increase substantially the share of renewable energy in the global energy mix



Goal 8: Decent work and economic growth

Target 8.4. Improve progressively, through 2030, global resource efficiency in consumption and production and endeavor to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programs on sustainable consumption and production, with developed countries taking the lead

Goal 9: Industry, Innovation and Infrastructure

Target 9.1. Develop quality, reliable, sustainable and resilient infrastructure, including regional and trans-border 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

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

Goal 12: Responsible Consumption and Production

Target 12.4. By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment

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 assesses whether the targets to be achieved through the Framework, the appropriateness of green project selection standards and processes, and a series of processes are properly disclosed to investors/lenders.

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

JCR has assessed that respective departments with expertise in the Company and its management team are properly involved in setting targets and green project selection standards and processes of the Framework with transparency.

1. Goals

Framework for Goals (excerpt)

The Chugoku Electric Power Group (hereinafter, the Group) established the "Chugoku Electric Power Co., Inc. Sustainable Finance Framework" (hereinafter, the Framework) in April 2023 and has actively pursued financing utilizing the Framework to support its transition toward decarbonization.

Subsequently, in response to changes in the operating environment—such as increased electricity demand and rising decarbonization needs—and with the intent to turn regional and societal challenges into opportunities for growth together with stakeholders, centering on its energy business with domestic electricity business as a core growth driver, Chugoku Electric Power formulated the "Chugoku Electric Power Group Corporate Vision 2040" in September 2025 and set new environmental targets toward achieving carbon neutrality by 2050. In addition, the Company has formulated "Action Plan 2030 (Chugoku Electric Power Group Medium-Term Management Plan 2026-2030)" as an implementation plan toward achieving these goals. To develop these commitments into future financing, the Company has decided to revise the Framework.

The Company intends to continue utilizing sustainable finance and will execute a range of initiatives using the proceeds to advance the Chugoku Electric Power Group's Challenge to Achieve "2050 Carbon Neutrality."

Financing through sustainable finance is viewed by the Company as both a commitment to continue making its utmost efforts toward the above objectives and an opportunity to further promote initiatives toward a decarbonized society through ongoing dialogue with stakeholders.

JCR's Evaluation for Framework

With the Group's "challenge of achieving carbon neutrality by 2050," not only the Company but also group companies are promoting efforts toward carbon neutrality.

JCR has assessed that the use of proceeds of the Framework will contribute to achieving the above the Group's goal.

2. Selection Criteria

The eligibility criteria of the Framework are as described in Evaluation Phase 1 herein. JCR has evaluated the project selection standards as appropriate.

3. Processes

Framework for Processes
Candidate projects to be financed as Eligible Projects will be identified by the Finance Group within the Corporate Management Division based on the eligibility criteria. The Finance Group and relevant internal departments will confirm that the projects meet the eligibility criteria, after which a final decision will be made.

JCR's Evaluation for Framework

Projects financed by green finance instruments are selected by the department responsible for financing. Following confirmation of environmental eligibility by the expert department in charge of carbon neutrality, and where necessary, by an external reviewer, the projects are approved by the management team according to its decision-making authority. JCR has assessed that the expert department and the management team are properly involved in the project selection processes under the Framework.

The goals, selection standards, and processes of the Framework are disclosed in this report. Accordingly, JCR considers that transparency is ensured for investors and other stakeholders.

II. Management of Proceeds

JCR's Key Consideration on This Factor

Management of proceeds may typically vary, depending on issuers/borrowers. In this section, JCR assesses whether proceeds raised through the Framework are allocated to green projects without fail and whether a mechanism and internal system are in place to allow for easy tracking of the allocations.

Also, JCR performs assessment, focusing on whether proceeds raised through the Framework will be allocated to green projects in an early stage and how unallocated proceeds are managed.

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

JCR has assessed that management of proceeds is highly transparent as the Company has in place an appropriate system to manage proceeds and discloses it herein.

Framework for Management of Proceeds

Funds raised through Green/Transition Finance will be managed by the Finance Group within the Corporate Management Division using internal management systems and a dedicated ledger, ensuring that the total amount of Eligible Projects does not fall below the amount of proceeds raised. The Finance Group Manager will verify the management status.

For projects implemented by the Company's affiliates or other related entities, the Company will provide loans or investments to such entities, and allocation status will be managed using internal management systems and a dedicated ledger.

Any unallocated proceeds will be held in cash or cash equivalents.

JCR's Evaluation for Framework

Proceeds from green finance instruments are managed by the Finance Group, the Corporate Management Division. The allocation of proceeds is reviewed on an annual basis by the Finance Group Manager. In cases where eligible projects are implemented by its subsidiaries, the Company provides funding through investments or loans, and monitors the allocation status through its internal management systems. The proceeds are tracked using a dedicated ledger to sort out proceeds from green/transition finance instruments. Until all proceeds are fully allocated, they are managed in cash or cash equivalents.

The management of proceeds is reviewed by the Finance Group Manager. Records related to the management of proceeds are retained until redemption or final repayment.

Based on the above, JCR has assessed that the Company has established an appropriate system for managing proceeds and that a high level of transparency is ensured, as the management approach is disclosed in this report.

III. Reporting

JCR's Key Consideration on This Factor

In this section, JCR assesses whether the Company has a detailed and effective plan for a system to disclose information to investors, etc. before and after financing through the Framework.

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

JCR has assessed that both allocation of proceeds and environmental benefits will be appropriately disclosed to investors, etc. in the Company's reporting.

Framework for Reporting

Until all proceeds raised through Green/Transition Finance have been fully allocated, and within the bounds of confidentiality and to the extent reasonably practicable, the Company will disclose, on an annual basis, the allocation status of proceeds and all or part of the items defined by the Company as environmental improvement effects, either in the Integrated Report or on the Company's website, or disclose to lenders (for loans only).

During the financing period, if there are material changes in allocation status or impact, the Company plans to disclose such changes.

<Allocation Reporting>

- Amounts allocated
- Balance of unallocated proceeds
- Estimated amount (or proportion) of proceeds allocated to refinancing

<Impact Reporting>

For impact reporting, the Company plans to disclose all or part of the illustrative items below, subject to change depending on the projects to which proceeds are allocated.

While quantitative disclosure of environmental improvement effects will be pursued whenever possible, if quantitative disclosure is difficult due to the status or nature of the project, disclosure may be qualitative only.

Eligible Business	Reporting/Example
Renewable energy (Generation Facilities)	・Installed capacity by renewable type (kW) ・Annual CO_2 emissions reductions by renewable type (t-CO_2/year))
Renewable Energy (Battery Storage)	・Installed capacity (kW) ・Annual CO_2 emissions reductions (t-CO_2/year)
Nuclear power	・Project overview (facilities, R&D, etc.) ・Installed capacity (kW) ・Annual CO_2 emissions reductions (t-CO_2/year)

Data Centers	・Project overview ・PUE value ・Annual CO_2 emissions reductions (t-CO_2/year)
Other Business Areas (Green)	・Project overview ・Number of installations and capacity of target assets, etc. ・Annual CO_2 emissions reductions (t-CO_2/year)
Thermal Power	・Project overview (facilities, R&D, etc.) ・Installed capacity (kW) ・Annual CO_2 emissions reductions (t-CO_2/year)
Power Network (Strengthening/Upgrading the Grid)	・Status of capital investments (e.g., examples of investments contributing to expanded renewable deployment, or total investment amounts, etc.) ・Application status for renewables within Chugoku Electric Power Transmission & Distribution Co., Inc.'s service area (connected capacity (kW))
Power Network (Others)	・Project overview ・Number of installations and capacity of target assets, etc.
Other Business Areas (Transition)	・Project overview ・Number of installations and capacity of target assets, etc. ・Annual CO_2 emissions reductions (t-CO_2/year)

JCR's Evaluation for Framework

Reporting on Allocation Status of Proceeds

The Company will disclose information on the use of proceeds primarily through bond disclosure documents in case of bonds issuance, and through reports provided to lenders in case of loans. Information on the allocation of proceeds, as specified in the Framework, will be disclosed annually in the Company's Integrated Report or on its website. In case where loans are publicly disclosed by the Company as green or transition loans, the same disclosure approach will be applied. For loans that are not publicly disclosed as green or transition loans, reporting will be made solely to the lenders. In addition, if a significant change in the financial position occurs after all proceeds have been allocated, such changes will be disclosed on the Company's website or through other appropriate means.

Reporting on Environmental Improvement Effects

The Company will disclose impact reporting on its website in principle. For certain green or transition loans that are not publicly disclosed, impact reporting will be provided only to lenders. Disclosure items include project outcomes, such as power generation and CO_2 reduction as indicators for respective eligible criteria, and an overview of R&D deemed as an eligible project.

The Company appropriately discloses reports on transition finance that it has implemented, referencing to the former framework before the revision on a dedicated page of its website.

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

IV. Organization's Sustainability Initiatives

JCR's Key Consideration on This Factor

In this section, JCR assesses whether the management team of an issuer/a borrower positions sustainability issues as key management priority and whether the establishment of an expert department on sustainability and collaboration with external organizations provide clear understanding of sustainability finance implementation policy and processes and green project selection standards.

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

JCR has assessed that the Company implements projects from practical and managerial perspectives, positioning environmental issues as key management priority and setting up meeting bodies on environmental issues, and has formulated the Framework, reflecting knowledge of working departments and experts on carbon neutrality.

Please refer to 2.1 and 2.2 of Chapter 2 herein for details on the current status of the Framework.

V. Alignment with Requirements of Climate Transition Bond Guidelines

The CTBG published in November 2025 by the ICMA was formulated to introduce a standalone climate transition bond label for financing high-emitting industries and projects with high emissions, to achieve the goals of the Paris Agreement.

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

Requirements of CTBG

1. Use of Proceeds

Align with five safeguards and additional safeguards on fossil-fuel

2. Process for Project Evaluation and Selection

Provide information on the eligibility as a climate transition project, safeguards, classification, and exclusion criteria

3. Management of Proceeds

Ensure that proceeds are allocated to green/climate transition projects without fail, have an easy tracking mechanism for the allocated proceeds, and disclose such information

4. Reporting

Have a detailed and effective plan for a system to disclose information to investors, etc.

JCR's Evaluation

1. Use of Proceeds

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

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

2. Process for Project Evaluation and Selection

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

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

3. Management of Proceeds

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

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

4. Reporting

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

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

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

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

The TLP published in October 2025 by the LMA, the APLMA, and the LSTA is intended to provide a practical framework focused on transition loans for market participants to identify and assess the use of proceeds from use-of-proceeds financing instruments.

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

Requirements of TLP

1. Entity-Level Transition Strategy

- A credible entity-level transition strategy is evidenced through a set of indicators showing alignment with a published transition plan (or a transition plan being formulated) and/or well-known and internationally recognized transition frameworks and science-based GHG emissions reduction pathways.

2. Use of Proceeds

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

3. Project Evaluation and Selection

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

4. Management of Proceeds

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

5. Reporting

- Borrowers make and keep readily available up-to-date information on the use of proceeds, such information to be renewed at least annually until the transition loan is fully allocated.
- The information is renewed on a timely basis in the event of material developments.
- Such reporting includes:

- A list of transition projects to which the transition loan proceeds have been allocated and a brief description of the projects;
- The amounts allocated to each transition project; and
- The expected and, where feasible, achieved impact and contribution to a transition strategy.

JCR's Evaluation

1. Entity-Level Transition Strategy

For details of the Company's transition strategy, please refer to "2-2 Alignment with Requirements of Climate Transition Finance Handbook, etc., Chapter 2."

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

2. Use of Proceeds

For details of the use of proceeds in the Framework, please refer to "I. Use of Proceeds, Evaluation Phase 1, Chapter 4" herein. The TLP (exposure draft) designates only climate transition projects as the use of proceeds of transition loans but not green projects. JCR has confirmed that only projects categorized as climate transition projects will be the use of proceeds from each transition loan structured under the Framework.

3. Project Evaluation and Selection

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

i. Project eligibility and alignment with sectoral pathways or taxonomies

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

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

ii. Absence of low-carbon alternatives available in the market

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

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

iii. Environmental and social risk management

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

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

iv. Carbon lock-in risk assessment

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

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

4. Management of Proceeds

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

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

5. Reporting

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

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

Evaluation Phase 3: Evaluation Results (Conclusion)

Green 1(T)(F)

Based on the JCR Green Finance Evaluation Methodology, JCR assigned "gt1(F)" for the "Green and Transition Evaluation (Uses of Proceeds)" and "m1(F)" for the "Management, Operation, and Transparency Evaluation." As a result, JCR assigned "Green 1(T)(F)" for the "JCR Green Finance Framework Evaluation."

The Framework meets the standards for the requirements of the Green Bond Principles, the Green Loan Principles, the Green Bond Guidelines, the Green Loan Guidelines, the CTFH, and the Basic Guidelines on Climate Transition Finance.

JCR has also confirmed that the Framework meets the safeguards of the CTBG, and transition loans to be structured meet the five components of the GTL and TLP (exposure draft) in the GTL.

		Management, Operation, and Transparency Evaluation				
		m1(F)	m2(F)	m3(F)	m4(F)	m5(F)
Green and Transition Evaluation	gt1(F)	Green 1(T)(F)	Green 2(T)(F)	Green 3(T)(F)	Green 4(T)(F)	Green 5(T)(F)
	gt2(F)	Green 2(T)(F)	Green 2(T)(F)	Green 3(T)(F)	Green 4(T)(F)	Green 5(T)(F)
	gt3(F)	Green 3(T)(F)	Green 3(T)(F)	Green 4(T)(F)	Green 5(T)(F)	Not qualified
	gt4(F)	Green 4(T)(F)	Green 4(T)(F)	Green 5(T)(F)	Not qualified	Not qualified
	gt5(F)	Green 5(T)(F)	Green 5(T)(F)	Not qualified	Not qualified	Not qualified

（Responsible analysts for this evaluation） Rieko Kikuchi, Kosuke Kajiwara, and Yuki Katsura

Important explanations of this Evaluation

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

   JCR Climate Transition Finance Framework Evaluation, which is determined and provided by Japan Credit Rating Agency, Ltd. (JCR), covers the policies set out in the Climate Transition Finance Framework, and expresses JCR's comprehensive opinion at this time regarding the appropriateness of the Green/Transition 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 Climate Transition Finance Framework Evaluation is not intended to evaluate the effects of specific environmental improvements and the management, operation and transparency of individual bonds and borrowings, etc. to be implemented based on these policies. In the event an individual bond or individual borrowing based on this Framework is subject to a green/transition finance evaluation, a separate evaluation is needed. JCR Climate Transition Finance Framework Evaluation does not prove the environmental improvement effects of individual bonds or borrowings implemented under this Framework, and does not assume responsibility for their environmental improvement effects. JCR confirms the environmental improvement effects of funds procured under the Climate Transition 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.

2. Method used to conduct this evaluation

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

3. Relationship with Acts Concerning Credit Rating Business

   JCR Climate Transition 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.

4. Relationship with Credit Ratings

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

5. Third-Party Evaluation of JCR Climate Transition Finance Framework Evaluation

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

■Matters of Attention

■ Glossary

JCR Climate Transition Finance Framework Evaluation: This evaluates the extent to which the funds procured through Green/Transition Finance are appropriated for green/transition projects as defined by JCR and the degree to which the management, operation and transparency of the Green/Transition Finance are ensured. Evaluations based on a 5-point scale are given from top to bottom using the Green 1(T)(F), Green 2(T)(F), Green 3(T)(F), Green 4(T)(F), and Green 5(T)(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/).

■For further information, contact

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