

March 12, 2021

Kawasaki Kisen Kaisha, Ltd.

First Climate Transition Finance in Japan

“K” LINE is pleased to announce that we have arranged operating lease for the Next-Generation Environmentally-Friendly LNG-fueled Car Carrier through Climate Transition Loan with Mizuho Bank Ltd. (MHBK) and Sumitomo Mitsui Trust Bank Ltd. (SMTB). This loan is recognized as the very first Climate Transition Finance in Japan. The loan was evaluated by Japan Credit Rating Agency, Ltd.(JCR) in line with the Climate Transition Finance Handbook published by the International Capital Markets Association(ICMA) and it acquired the highest recognition, Green1 (T), as an overall evaluation.

The concept of Climate Transition Finance is to accelerate the efficient flow of financing to the companies, which address climate change risk as material issues for its core business activities and to do non Business As Usual Efforts in order to achieve its GHG emission reduction target to contribute to the global goals for decarbonization.

“K” LINE is one of the most advanced companies in the world to set long-term decarbonization goals. It established its long-term decarbonization roadmap in very early stage in 2015 ahead of its peers and even ahead of global GHG emission reduction goals set by International Maritime Organization (IMO) in 2018.

With this long-term decarbonization roadmap, “K” LINE Environmental Vision 2050, we are accelerating the initiatives toward minimizing all environmental impacts generated by our business activities. In the roadmap, as 2030 interim milestones, we set CO2 emission efficiency improvement by 50% over 2008, which is beyond IMO target of 40%, and pursuance of transporting and supplying new energy for a low-carbon society. This Next-Generation Environmental Friendly LNG-fueled Car Carrier is one of the concrete action plans for achieving these milestones, and is officially supported by the Ministry of the Environment and Ministry of Land, Infrastructure, Transport and Tourism as “a model business using alternative fuels to reduce ship CO2 emissions”.

As an environmental front runner, aiming for the realization of sustainable society in which more people throughout the world can enjoy the benefits of more environmentally-friendly and highly-efficient marine transportation, we continue to adopt ESG/SDGs finance in order to disseminate our initiatives to a wide range of stakeholders through the refinement of our strengths, “Safety”, “Environment”, and “Quality”.

<Outline of finance>

Finance scheme	Operating lease
Charterer	“K” LINE
Owners/Borrowers	Leasing companies’ SPC
Agreement date	March 10, 2021
Loan amount	About JPY 5.9 billion
Loan arranger	MHBK
Loan co-arranger	SMTB
Transition structuring agent	MHBK, Mizuho Securities Co., Ltd., SMTB
Lenders	MHBK, SMTB
Use of proceeds	Purchase of the Next-Generation Environmentally-Friendly LNG-fueled Car Carrier
Evaluator	Japan Credit Rating Agency, Ltd.
Overall evaluation	Green 1(T)

<Attachments>

The Very First Climate Transition Finance in Japan - appendix

<Related Links>

“K” LINE Environmental Vision 2050 - Blue Seas for the Future -

<http://www.kline.co.jp/en/csr/environment/index.html>

Delivery of Next-generation Environmentally Friendly Car Carrier Fueled by LNG
“CENTURY HIGHWAY GREEN”

<https://www.kline.co.jp/en/news/car/car753727087818379669/main/0/link/210312EN1.pdf>

Japan Credit Rating Agency, Ltd. website

<https://www.jcr.co.jp/en/>

※ “K” LINE Group, as a participant in the United Nations Global Compact, is promoting activities that contribute to SDGs (Sustainable Development Goals), and this project is a part of its ongoing activities.



(<https://www.un.org/sustainabledevelopment/>)

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Outline of Climate Transition Loan Framework 1

■ There are four key elements in the Climate Transition Finance Handbook issued by ICMA

Four key elements	"K"LINE's transition strategy
<p>1. Issuer's climate transition strategy and governance</p>	<ul style="list-style-type: none"> ● We set 2030 interim milestones in "K" LINE Environmental Vision 2050 : <ul style="list-style-type: none"> - CO2 emission reduction by improvement by 50% over 2008 (It is higher than IMO GHG Emission Reduction Target (40%)) - Pursuance of transporting and supplying new energy for a low-carbon society ➔ The LNG-fueled car carrier with this loan is one of the concrete action plans for achieving these milestones
<p>2. Business model environmental materiality</p>	<ul style="list-style-type: none"> ● Environmental material issues : <ul style="list-style-type: none"> - IMO adopted an ambitious GHG reduction strategy with a vision to decarbonize. - Accelerating the initiatives to achieve our decarbonization goals in line with IMO's strategy, we meet the requirement of low-carbon shipping services from customers and stakeholders. ● Selection of material issues : <ul style="list-style-type: none"> - We select material issues based on the results of scenario analysis, recommended by TCFD.
<p>3. Climate transition strategy to be 'science-based' including targets and pathways</p>	<ul style="list-style-type: none"> ● "K" LINE's CO2 reduction targets were approved to be scientifically consistent with the level achieving to the "Paris Agreement" set binding 2°C goal for rise of global temperature and obtained certification from an international initiative, Science Based Targets Initiative (SBTi) in 2017. ● Our targets are in line with IMO and Japanese government strategies.
<p>4. Implementation transparency</p>	<ul style="list-style-type: none"> ● We form investment plans based on "K" LINE Environmental Vision 2050. ● Third-party institution applies ISO 14064 (international standards related to GHG calculation, reporting and verification) to verify "K" LINE's data on GHG emissions and evaluates its validity, and we yearly respond to a questionnaire sent from CDP (Earning highest rating "A" for five consecutive years).

Outline of Climate Transition Loan Framework 2

■ Use of Proceeds

- The loan was applied to purchase of the LNG-fueled car carrier, one of the concrete action plans for the environmental strategy
- The vessel is expected to be about 45% more energy efficient (EEDI basis), reduce sulfur oxides by about 100%, nitrogen oxides by about 80 to 90% with Exhaust Gas Recirculation (EGR), compared to vessels using conventional heavy fuel oil.
- The project is officially supported by the Ministry of the Environment and Ministry of Land, Infrastructure, Transport and Tourism as “a model business using alternative fuels to reduce ship CO2 emissions”

■ Project Evaluation and Selection Process

- The project was evaluated and selected by relevant divisions to see conformance to eligible criteria, and was approved by board members

■ Management of Proceeds

- The proceeds will be managed by cash flows based on the contracts among relevant parties
- All the proceeds is tied to this specific project
- The proceeds are tracked and managed through our internal accounting system

■ Reporting

- All the funds procured from the loan is applied to purchase of the LNG-fueled vessel
- GHG (CO2) emissions from the vessel will be disclosed annually to the lenders
- Our KPIs on environmental strategy will be updated on our website accordingly