

Kawasaki Kisen Kaisha, Ltd. | Overview

Kawasaki Kisen Kaisha, Ltd. : Transition Link Loan

■ Corporate Profile

Industry	Shipping
Location	Japan
Business	One of the major shipping companies in Japan. It consists of four businesses: "dry bulk," "energy resources," "car carrier," and "logistics and coastal shipping," and is advancing a global strategy centering on Asia.

Alignment with the Four Basic Guideline Elements*

Element 1	<ul style="list-style-type: none"> Transition strategy: The "K" LINE Environmental Vision 2050 has set SBT-certified targets, along with a timeline of action plans through 2030 to achieve those targets. Governance: Reorganized three organizations into two, the "Corporate Sustainability Management Committee" and the "GHG Reduction Strategy Committee" to promote sustainability.
Element 2	<ul style="list-style-type: none"> With over 95% of its business segment dominated by shipping, the company has identified decarbonization efforts in shipping as their materiality.
Element 3	<ul style="list-style-type: none"> 25% improvement in CO₂ emission efficiency by 2030 (compared to 2011 levels) has received SBT certification in recognition of its science-basis. Targets set at the same level as those of the IMO (International Maritime Organization) were updated in November 2021.
Element 4	<ul style="list-style-type: none"> Plans to invest 310 billion yen on environmental related themes for the next 5 years from FY 2022, which was updated from the previous announcement of 110 billion yen set out in FY2021)




■ Loan Outline

Borrower	Kawasaki Kisen Kaisha, Ltd.
Structuring Agent	<ul style="list-style-type: none"> Mizuho Securities Co., Ltd. Mizuho Bank, Ltd.
Evaluation Agency	Japan Credit Rating Agency, Ltd.
Amount Borrowed	Approx. 165 bn yen (tranche A: approx.50 bn yen, B:40 bn yen, C: 20 bn yen, D: approx.55 bn yen (FY 2022 case))
Contract Date	March 2023

Overview of procurement method (Tranche of commitment line method)

- Corresponding to the increase in alternative fuel vessels constructions and other purposes, tranche of the commitment line method has been added to the September 2021 transition link loan, with the following SPTs.
- This procurement will be used for several OPEX* related to the construction of alternative fuel vessels.

*when purchasing ships, payments to shipyards are divided to several times (e.g., contract day, steel cutting, start of construction, completion etc)

-  SPT1: Total annual GHG emissions for the entire funding period
 - ✓ Targets are set reach the 50% reduction target by 2050 with linear assumption (compared to 2008 levels)
-  SPT2: annual CO₂ emissions per ton-miles for the entire funding period
 - ✓ Establish annual targets that will reach the 50% reduction target (compared to 2008 levels) by 2030 with linear assumption
-  SPT3: Maintain CDP rating of A- or higher

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Transition Strategy and Governance (Element 1) Science-based Targets and Pathways (Element 3)

Targets

Decarbo
nization

- Decarbonization of the company: challenge to reach net-zero by 2050 (added to the previous targets)
- Support for decarbonization of society
Become a leader in new energy transport and supply that supports decarbonization of society

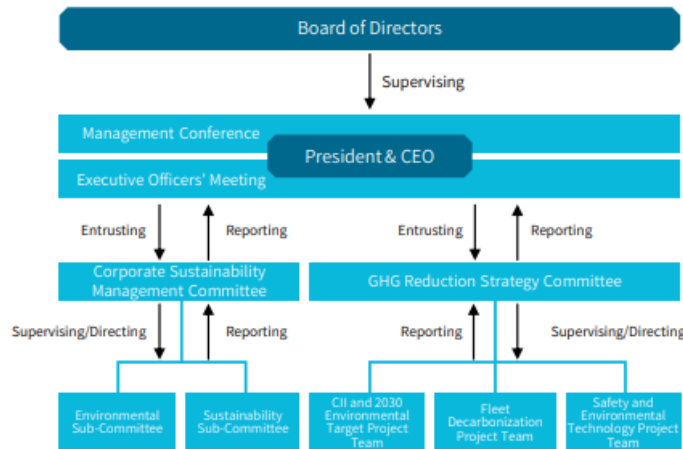
Near
zero
environ
mental
impact

- Achieve near zero environmental impact on oceans and atmosphere from the company's operations
- Support environmental improvement

Action plan until 2030

- Strengthen measures to improve operational efficiency
- Increase the strategic introduction of LNG fuel
- Contribute to the demonstration and promotion of wind propulsion aids

Governance



Strategy Updates

Targets
TLL*

2021.09

K LINE targets set at same level as IMO

- 2030 50% improvement in CO2 emission efficiency (compared to 2008)
- 2050 50% reduction in total CO2 emissions

IMO targets (compared to 2008)

- 2030 40% reduction in CO2 emissions
- 2050 70% improvement in CO2 emission efficiency
50% reduction in total CO2 emission

Additional
Targets

2021.11

2050 Announcement to challenge to achieve net-zero GHG

Key Points

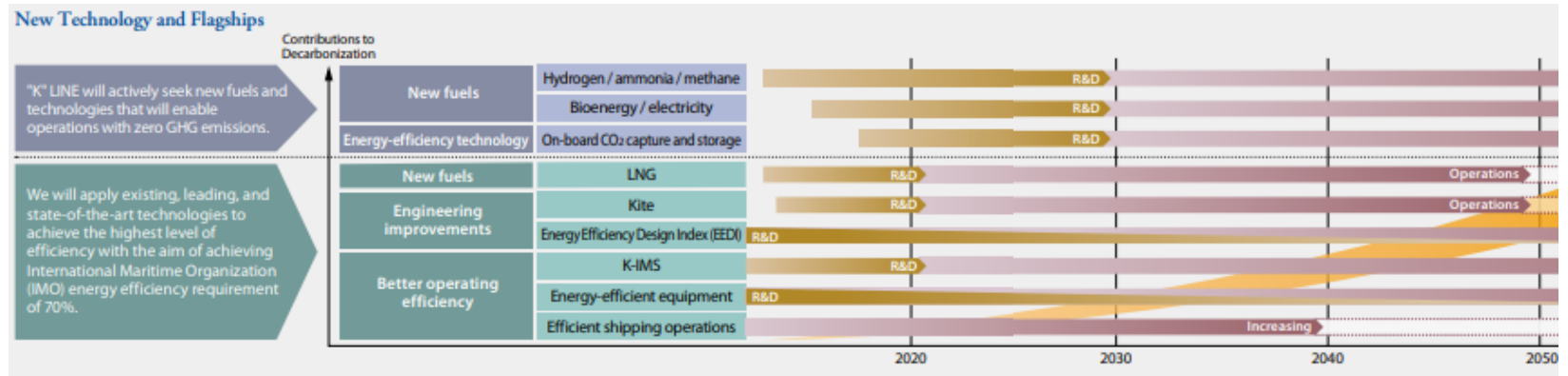
- Addition of this tranche is the result of updated ambitious announcement on challenging to achieve 2050 net-zero GHG emissions and increase in environmental related investment.
- The following two committees were established as a governance structure.
Sustainability Management Promotion Committee: Chaired by the president, it aims to increase corporate value through deliberation and formulation of a system to promote sustainability management.
GHG Reduction Strategy Committee: As a forum for strategic discussions, it is responsible for accelerating efforts in the LNG-fueled vessel business and LNG fuel supply business and studying next-generation fuels and new technologies.

*TLL: Transition Link Loan

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Science-based Targets and Pathways (Element 3)

Action Plan
Roadmap
(Excerpt from Plan
up to 2100)



Roadmap to Zero
Emission from
Shipping

MLIT

Roadmap	Kawasaki Kisen	MLIT
Hydrogen/ammonia fueled vessels	○	○
LNG/methane/biofuel fueled vessels	○	○
Onboard CO ₂ capture and storage	○	○
Design improvements	○	○
Wind propulsion	○	○
Hybrid/battery propulsion	○	○
Improved operational efficiency	○	○
Support for decarbonization of society (Renewable power generation business support/New fuel transportation/CO ₂ transportation, etc.)	○	

Key Points

- Laid out various efforts along with a timeline to achieve 2050 targets.
- These efforts are consistent with MLIT's roadmap for the shipping sector.

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Science-based Targets and Pathways (Element 3)

Alignment with the SLLP

Selection of KPT	<ul style="list-style-type: none"> KPI of CO2 emission efficiency and GHG emissions are in line with the achievement of "K" LINE Environmental Vision 2050. CDP ratings are related to one of the key elements in Basic Guidelines and essential in sophistication of sustainability management. 	Loan characteristics	<ul style="list-style-type: none"> Financial characteristics are modified based on the achievement of SPTs. Disclosure of annual targets ensures high transparency.
Calibration of SPTs	<ul style="list-style-type: none"> Aligned with the overall K Line's sustainability promotion policy. Omitting the outliers (e.g., pandemics) the level of SPTs are ambitious than Business As Usual level. 	Reporting and verifications	<ul style="list-style-type: none"> Confirmed that GHG emissions data are verified by external evaluation agency. Annual achievements are also verified by external evaluation agency.

KPI/SPTs

- Progress of SPTs will be judged annually, and applicable spreads will be revised depending on the achievement.

- ✓ SPT1: Total annual GHG emissions for the entire funding period
 - ✓ Targets are set reach the 50% reduction target by 2050 with linear assumption (compared to 2008 levels)

[SPT1: total GHG emission targets (unit: 1,000 tons)]

	Base Year											
	CY08	CY21	CY22	CY23	CY24	CY25	CY26	CY27	CY28	CY29	CY30	CY50
CY08-CY50 Linear Plan	13,677	11,560	11,398	11,235	11,072	10,909	10,746	10,583	10,421	10,258	10,095	6,839
Reduction rate (vs 2008 level)	-	-15.5%	-16.7%	-17.9%	-19.0%	-20.2%	-21.4%	-22.6%	-23.8%	-25.0%	-26.2%	-50.0%

- ✓ SPT2: annual CO₂ emissions per ton-miles for the entire funding period
 - ✓ Establish annual targets that will reach the 50% reduction target (compared to 2008 levels) by 2030 with linear assumption

[SPT2: annual CO2 emission per tonne mile (unit: 1,000 tons)]

	Base Year										
	CY08	CY21	CY22	CY23	CY24	CY25	CY26	CY27	CY28	CY29	CY30
CY08-CY50 Linear Plan	7.21	5.08	4.92	4.75	4.59	4.42	4.26	4.10	3.93	3.77	3.61
Reduction rate (vs 2008 level)	-	-29.5%	-31.8%	-34.1%	-36.4%	-38.6%	-40.9%	-43.2%	-45.5%	-47.7%	-50.0%

Committee | Results

Kawasaki Kisen Kaisha, Ltd. : Transition Finance

RESULTS:

Approved for Climate Innovation Finance Promotion Grants Scheme

Main Opinions

Transition Strategy

- SBT certification has been obtained at the time of procurement in September 2021. This case have updated its already SBTi certified target and plans to use the funds for the continual decarbonization efforts.

Other factors/ Others

- A very ambitious initiative, with SPTs being set every year.

This document focuses on the contribution of transition finance to the realization of Japan's carbon neutrality by 2050 and the Paris Agreement and does not cover any of the risks associated with transition finance as a financial instrument. It should be noted that even the approved cases of this scheme, there are credit risks and other risks (in the case of bonds, price fluctuation risks, liquidity risks, etc.) as in ordinary financing.