

# Transition Finance | Case Study 2: Mitsui O.S.K. Lines, Ltd.

## Overview

### ■ Corporate Profile

Company Name	Mitsui O.S.K. Lines, Ltd. (MOL)
Industry	Shipping
Location	Japan
Business	One of the Japanese leading shipping companies. Its business is based on the following four pillars; Dry Bulker Transport, Energy Transport, Product Transport and Associated Business

### ■ Loan Summary

Schedule	<ul style="list-style-type: none"> <li>September 2021</li> </ul>
Summary	<ul style="list-style-type: none"> <li>Borrowings: Not disclosed</li> <li>Term: Construction period + 15 years</li> <li>Rate: Not disclosed</li> </ul>
Evaluation Agency	<ul style="list-style-type: none"> <li>Japan Credit Rating Agency, Ltd.</li> </ul>

### 3rd Party Evaluation

- As the world's first integrated shipping company to declare carbon neutrality by 2050, the long-term strategic Environmental Vision 2.1 is advanced and ambitious, being based on a TCFD scenario analysis.
- Use of proceeds of this loan, LNG-fueled ferries, are a key part of this strategy.
- Internal controls and other measures are taken to appropriately allocate the loan.
- Based on the above, JCR evaluates the four elements of the Climate Transition Finance Handbook and the Basic Guidelines to be satisfied.
- It is also aligned with the Green Loan Principles which define procurement procedures, management processes, and so on.

### Use of Proceeds

Appropriation Target	<ul style="list-style-type: none"> <li>Funding for construction of 1 LNG-fueled ferry scheduled for completion in Dec 2022</li> <li>Funding for construction of 1 LNG-fueled ferry scheduled for completion in Mar 2023</li> </ul>
Ship Names	<ul style="list-style-type: none"> <li>Sunflower Kurenai, Sunflower Murasaki</li> </ul>
Sea Route	<ul style="list-style-type: none"> <li>Beppu - Osaka</li> </ul>
Ship Type	<ul style="list-style-type: none"> <li>LNG-fueled ferry</li> </ul>
Gross Tonnage	<ul style="list-style-type: none"> <li>Approx. 17,300 tons</li> </ul>
Shipyard	<ul style="list-style-type: none"> <li>Mitsubishi Shipbuilding Co., Ltd.</li> </ul>
Shipowner	<ul style="list-style-type: none"> <li>Mitsui O.S.K. Lines, Ltd.</li> </ul>
Operator	<ul style="list-style-type: none"> <li>Ferry Sunflower Ltd.</li> </ul>

### Market Reaction

- 10 Regional banks which most of them located around Western Japan have joined the syndication. Western Japan is where the ferries will be built and operated.

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## Alignment with the Four Elements in Basic Guidelines on Climate Transition Finance

### ■ Transition Strategy (Environmental Vision 2.1)

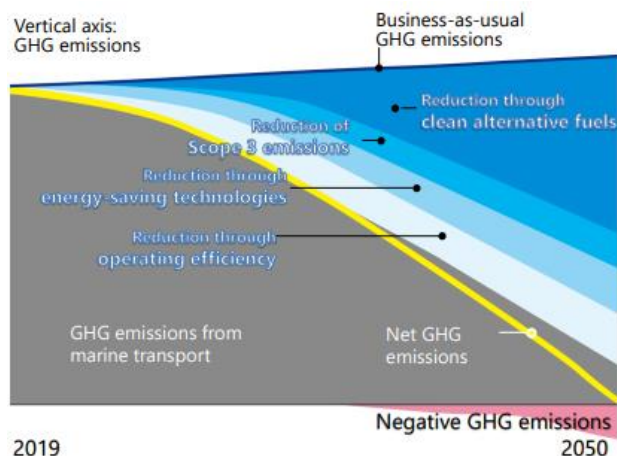


### ■ Science-based goals

2035 GHG emission intensity **Approx. -45%**  
(versus to 2019)

2050 **Net zero emissions throughout the Group**

International Sectoral Target



### ■ Investment plan

2021–2023  
Investment in  
low-carbon/  
decarbonization  
fields

**205 billion yen**

### Reduction of the Group’s GHG emissions (91 billion yen)

- Promotion of LNG fuel vessels
- Equipping of Vessels with “Wind Challenger” systems
- Introduce clean alternative fuels for ships

### Contribution to the reduction of society’s GHG emissions (114 billion yen)

- LNG-related project in emerging countries
- Projects related to offshore wind power farms
- Supply, storage, and transport of clean alternative fuels
- Development of negative GHG emission business projects

Element 1  
(Transition  
Strategy and  
Governance)

- CO2 reduction strategies developed based on the results of risk scenario analysis in line with TCFD guidance, IMO, and shipping roadmaps.
- Environmental Vision 2.1, which includes achieving carbon neutrality by 2050, presents complex technical developments for introducing innovative technologies.
- An Environment & Sustainability Committee has been established to promote environmental strategies.

Element 2  
(Materiality)

- More than 90% of the business segment is shipping, and decarbonization efforts in ships are positioned as a key challenge in the core business.
- Climate change is considered a key theme and positioned as one of the most important management issues.

Element 3  
(Science-based  
Targets &  
Pathways)

- Interim targets are set in line with the shipping guidance currently drafted by SBTi, which contributes to achieve 2°C target. MOL is planning to obtain SBT certification in the future.
- Its long-term goal is to achieve net zero emission by 2050.

Element 4  
(Transparency)

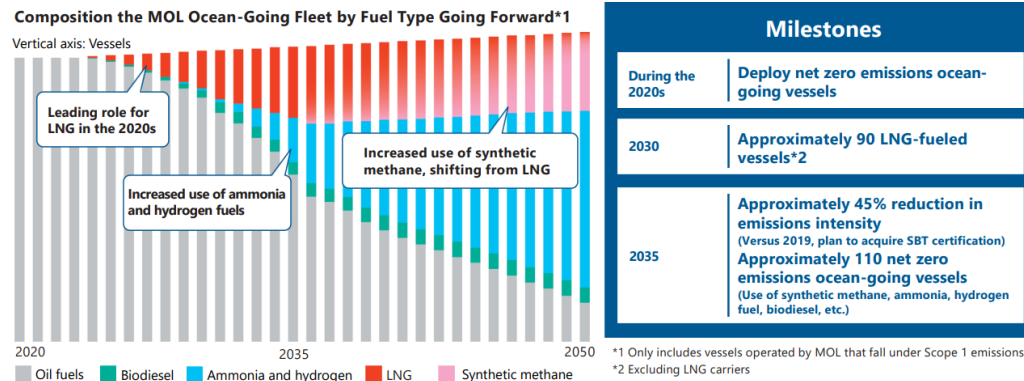
- 3-year investment plan and milestones till 2023 have been announced.
- Projected outcomes and impacts of investments have been announced in Environmental Vision 2.1.

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Key Points in the Case Study (Element 1: Transition strategy and governance, Element 3: Science-based Targets & Pathways)

## Portfolio Transition and Milestones

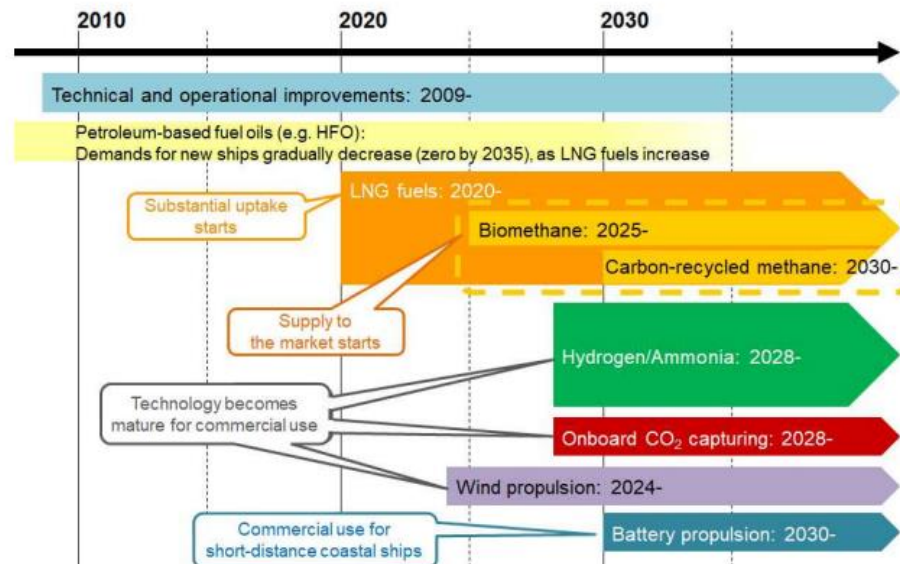
### 1 Adoption of Clean Alternative Fuels



## Key Points

- Mitsui O.S.K. Lines, Ltd. has set out 5 strategies to achieve carbon neutrality by 2050 as stated in its Environmental Vision 2.1. Strategy 1 sets the adoption of clean alternative fuels.
- MOL is currently promoting the use of LNG fuel, which has the lowest CO2 emissions of currently available marine fuels and can be replaced by hydrogen fuel in the future and expect to expand the use of ammonia and hydrogen fuel in the future.
- MOL's target of achieving net zero emission by 2050 is more ambitious than the IMO's, and consistent with the roadmap of the Ministry of Land, Infrastructure, Transport and Tourism, which aims to reduce CO2 emissions mainly by using LNG fuel and to develop low-carbon alternative fuels by 2028.

## MLIT's Shipping Roadmap



# Modelability Review Committee | Summary of Results

## Case Study: Mitsui O.S.K. Lines (MOL) Transition Loan

### Modelability review results: **Approved**

Appropriate as a model example in terms of contributing to reduce emissions and expanding the scope of transition finance

#### Main opinions

##### Transition strategy

- The LNG-fueled ferries funded by this project are viewed as a transition stage, and a shift to carbon-neutral methane and hydrogen is expected in the future.
- The scenario is to aim for zero emissions by enabling the use of new technologies after 2035, but MOL confirmed that it will respond flexibly based on the progress of technology development.

##### Scientific basis

- MOL set up medium-term goal for 2035 by reference to the SBTi guidance, which is consistent with the IMO's reduction goal.
- Establishing the long-term goal for 2050 at net zero emissions throughout the group ahead of other companies is ambitious and can be highly evaluated.
- Goal setting based on the prediction of CO2 emissions on the assumption of TCFD scenario analysis is confirmed.

##### Other factors/Others

- In executing the transition strategies, detailed plan of investment to low carbonization and decarbonization areas in the next 3 years was confirmed.
- The use of proceeds are coastal vessels, which leads to reduction of CO2 emissions in Japan. It is an important effort that also contributes to the reduction in CO2 through modal shift.
- Furthermore, spillover effect toward facilitating efforts on carbon neutralizing coastal vessels is expected.
- It also contributes to the promotion of transition finance among regional financial institutions as a syndicated loan, thus the value of model is considered high.
- As for reduction of emission in the coastal shipping, the perspective of not only fuel but also the type of ship (such as RORO ships) is important. Policy support in these areas should be considered.