

March 12, 2021

To whom it may concern

Sumitomo Mitsui Trust Bank, Limited

## **Conclusion of the First Transition Loan Contract in Japan**

### **(Kawasaki Kisen Kaisha, Ltd.)**

Sumitomo Mitsui Trust Bank, Limited (President: Masaru Hashimoto, hereinafter “SuMi TRUST Bank”) entered into a syndicated “Transition Loan” agreement (hereinafter “Transition Loan”), the first of its kind in Japan, to be evaluated in accordance with the Climate Transition Finance Handbook (\*1) proposed by the International Capital Markets Association (\*2) for Kawasaki Kisen Kaisha, Ltd. (President and CEO: Yukikazu Myochin, hereinafter “K” LINE).

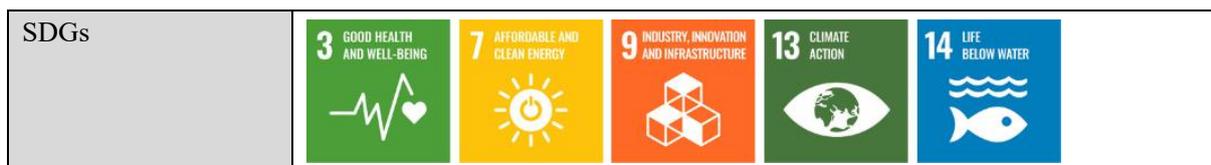
Transition Loan is a loan that aims to support companies that are considering measures to address climate change risks when taking actions to reduce CO<sub>2</sub> in accordance with a long-term strategy toward a low-carbon society. It assesses the evidence-based climate transition strategy and environmental materiality in governance and business models that companies advocate for effectively addressing climate change-related risks and promotes activities to achieve the goals of the Paris Agreement.

In the “K” LINE Environmental Vision 2050, “K” LINE set the “Climate Transition Strategy” for the 2030 interim milestones for decarbonization, “to improve CO<sub>2</sub> emission efficiency by 50% over 2008” and “to become a leader in new energy transportation and supply that supports the decarbonization of society.” To achieve these milestones, “K” LINE obtained a next-generation environmentally-friendly LNG-fuel carrier (hereinafter “the Vessel”) through this loan.

In addition, “K” LINE has set milestones that align with the Paris Agreement's 2°C target and is promoting efforts toward decarbonization.

The target projects are expected to achieve the following SDGs. We support the activities of “K” LINE to realize a low-carbon society through this loan.

Overview of the use of proceeds	<ul style="list-style-type: none"><li>• Next-generation environmentally-friendly LNG-fueled car carrier</li></ul> Operating lease scheme The Borrower is a leasing company SPC
Eligibility criteria	<ul style="list-style-type: none"><li>• Projects eligible for funding are those that are expected to lead to sound business operations and meet the following eligibility criteria</li></ul> <ol style="list-style-type: none"><li>① The LNG fuel introduced to the Vessel is low environmental impact with CO<sub>2</sub> emissions of 25% to 30% lower (*3) than those of the conventional heavy oil fuel for marine vessels and contributes to the transition and climate strategy of “K” LINE.</li><li>② The project is selected by the public offering based on the “Model Project for Reduction of CO<sub>2</sub> Emissions from Ships through Use of Alternative Fuels” established by the relevant ministries and agencies.</li></ol>
Eligible categories and Anticipated Program Benefits	<ul style="list-style-type: none"><li>• Prevention and control of pollution</li><li>• Clean transportation</li></ul>



This loan is subject to third-party opinion (\*4) from the Japan Credit Rating Agency, Ltd. (President: Shokichi Takagi) regarding compliance with the Climate Transition Finance and the rationality of the evaluation indices used.

Through offering sustainable solutions such as transition loans, we will continue to support our clients' business activities toward the achievement of the SDGs' goals and contribute to the improvement of their corporate value over the medium to long term.

<Outline of the Syndicate Loan >

Borrower	Leasing companies' SPC
Contract date	March 10, 2021
Arranger	Mizuho Bank Ltd.
Co-arranger	SuMi TRUST Bank
Transition structuring agent	SuMi TRUST Bank / Mizuho Bank Ltd./ Mizuho Securities Co., Ltd.
Loan amount	About JPY 5.9 billion
Use of proceeds	Next-generation environmentally friendly LNG-fueled car carrier
Lenders	SuMi TRUST Bank / Mizuho Bank Ltd.

<Outline of the Vessel>

Vessel name	CENTURY HIGHWAY GREEN
Overall length	About 199.9 meters
Moulded breadth	About 37.2 meters
Maximum number of cars loaded	About 7,000 units
Shipbuilding company	Imabari Shipbuilding Co., Ltd.
Effects of LNG fuel use (Comparison with heavy oil)	Reduce CO <sub>2</sub> emissions by 25-30% (*3) 100% reduction of SO <sub>x</sub> (sulfur oxide) emissions Reduce NO <sub>x</sub> (nitrogen oxide) emissions by approximately 80-90%

End

(\*1) Climate Transition Finance Handbook

ICMA issued a "Climate Transition Finance Handbook" in 2020. Climate Change Transition Finance is one of the frameworks for sustainable finance that supports CO<sub>2</sub>-intensive industries, which have previously received few financing cases in sustainable finance markets, in their efforts to reduce CO<sub>2</sub> emissions in line with long-term strategies.

(\*2) International Capital Markets Association (ICMA)

ICMA is an international body headquartered in Zurich, Switzerland, where it was founded in 1969 with more than 500 members based in nearly 60 different countries, including issuers, primary and secondary market intermediaries, asset managers, investors and capital market infrastructure providers.

Working actively with its members in all segments of markets, ICMA focuses on a comprehensive range of regulatory, market and other relevant issues which impact market practices and the functioning of the international debt capital markets.

(\*3) Based on the EEDI (Energy Efficiency Design Index), we anticipate a reduction in CO2 emissions of approximately 45%, which exceeds Phase 3 (30%) applied to contract vessels built after 2025.

(\*4) For the independent opinion from the Japan Credit Rating Agency, Ltd., please visit:

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