22-D-1632
March 20, 2023

Third-Party Opinion (Review) on Transition Linked Finance Framework of Kawasaki Kisen Kaisha, Ltd

Japan Credit Rating Agency, Ltd. (hereinafter referred to as "JCR") reviewed Third-Party Opinion due to a revision to Transition Linked Finance Framework and submitted it.

<Summary>

JCR confirmed the achievement status of SPT calibrated by Kawasaki Kisen Kaisha, Ltd. (hereinafter referred to "Kawasaki Kisen" or "the Company) in accordance with Sustainability Linked Loan Principles (hereinafter referred to as "SLLP"), Sustainability Linked Bond Principles (hereinafter referred to as "SLBP") and Green Loans and Sustainability Linked Loan Guidelines (hereinafter referred to as "Guideline") (SLLP, SLBP and Guidelines of Ministry of the Environment are collectively referred to as "SLLP and so on") for Transition Linked Finance Framework (hereinafter referred to as "the Framework") formulated by Kawasaki Kisen in September 2021, revised in January 2022 and February 2023, respectively and submitted Third-Party Opinion so as to confirm the alignment with Climate Transition Finance Handbook (hereinafter referred to as "CTFH"), Basic Guidelines on Climate Transition Finance (hereinafter referred to as "CTF Basic Guidelines") (CTFH and CTF Basic Guidelines are collectively referred to as "CTFH and so forth") and SLLP and so on in September, 2021 and January, 2022, respectively.

This Third-Party Opinion confirmed whether the Framework was continuously aligned with the aforementioned Principles as of February, 2023.

<u>(1) Overview of Business, Transition Strategy and its Appropriateness</u>

Kawasaki Kisen was spun off from Kawasaki Dockyard Co., Ltd. (current Kawasaki Heavy Industries, Ltd.) and incorporated in 1919. The Company is a comprehensive logistics company whose parent organization is in the marine transportation industry and one of the three major domestic marine transportation companies. Kawasaki Kisen and its consolidated subsidiaries (hereinafter referred to as "'K"LINE Group') deploys three business segments: "Dry Bulk," "Energy Resources" and "Product Logistics." Kawasaki Kisen dominates the world largest fleets with car carriers, dry bulk carriers and LNG carriers and has excellent client bases both domestically and internationally. On the other hand, the scale of businesses other than tankers and marine transportation is smaller than that of peers. The percentage of sales by segment was 36.5 percent for dry bulk, 11.8 percent for energy resources and 50.3 percent for product distribution in the fiscal year ended March 2022.

Kawasaki Kisen announced its long-term environmental vision ("K" LINE Environmental Vision 2050) until 2050 for the first time in the industry in 2015 and set forth the commitment to halve CO_2 emissions and to avoid serious accidents. The Company newly established a goal, "to reduce CO_2 emission efficiency by 25 percent over 2011 by 2030" in June 2016 since it achieved its target ahead of schedule, which is "to reduce

CO_2 emissions by 10 percent over 2011 by 2019," a target to reduce CO_2 as a milestone in 2019. Kawasaki Kisen announced the revised edition of "K" LINE Environmental Vision 2050 in June 2020 and additionally revised the 2050 goal in November 2021. The current 2030 interim milestones and the goal for 2050 on decarbonization are as follows:

・Improve CO_2 emission efficiency (CO_2 emissions per loading) by 50 percent over 2008 by 2030.

・Strive to achieve net zero GHG emissions by 2050 (a road map for the following target will be revised in the future. *)

* The goal for 2050, for which a road map was already formulated, is to halve GHG emissions (to improve CO_2 emission efficiency by 70 percent over 2008.)

In 2019, Kawasaki Kisen partially achieved the goal of '"K" Line Environmental Vision 2050,' ahead of schedule, which was formulated in 2015, with which the Company newly reviewed it and established 2030 interim milestones, "to improve CO_2 emission efficiency by 50 percent over 2008" as its medium- to long-term goal. The Company establishes a project team with several experts on action plan promotion to achieve the target along with the 2050 goal of "Challenging GHG Emissions Net-Zero" under GHG Reduction Strategy Committee and starts its operations.

Kawasaki Kisen achieved to reduce CO_2 emission efficiency by 36 percent over 2008 in 2021 by introducing LNG-fueled vessels, such as a LNG-fueled car carrier ("Century Highway Green") and by implementing safe and economical operations through introducing Kawasaki Integrated Maritime Solutions (hereinafter referred to as "K-IMS,") an integrated vessel operation/performance control system.

The Company significantly increased the scheduled environment-related investment to JPY 310 billion for five years from JPY 100 billion, the total amount in the previous year in the medium-term management plan announced in May 2022. The increase is attributable to the increase to approximately JPY 250 billion in investment in vessels with alternative fuels and the increase to JPY 25 billion yen of environmental response equipment. Thereby, the Company plans to invest in new technologies/projects related to alternative fuels/decarbonization toward the 2030 goal and the 2050 goal, respectively.

JCR has confirmed that the Company's GHG emissions' result and reduction target, transition strategy and initiatives include those of its consolidated subsidiaries (more than 50 percent owned subsidiaries, including ships and vessels-owned subsidiaries) and that the Group is promoting to achieve its transition strategy as the whole group.

JCR has evaluated that Kawasaki Kisen continues to meet the four elements of CTFH and so forth for the aforementioned transition strategy and specific policies.

(2) Sustainability Strategy and Calibration of KPI/SPTs

Kawasaki Kisen has calibrated the following KPI and SPTs in specific Transition Linked Loans and/or Transition Linked Bonds (collectively referred to as "the Finance") to be executed under the Framework.

KPI1: Annual total GHG emissions for the full finance period

SPT1: Set a target for each fiscal year by linearly interpolating a target to reduce 50 percent over 2008 by 2050

KPI2: Annual CO_2 emissions per ton-mile for the full finance period

SPT2: Set a target for each fiscal year by linearly interpolating a target to reduce 50 percent over 2008 by 2030

KPI3: CDP Evaluation[1]

SPT3: Maintain the evaluation, A- or higher

JCR has evaluated that the items calibrated as KPI and SPT of the Framework by Kawasaki Kisen are significant and ambitious in the reviews published in 2021 and 2022, respectively. JCR has also confirmed that the items remain unchanged in preparing this Third-Party Opinion.

(3) Finance's Terms and Conditions and Monitoring System during the Period

JCR confirmed that Kawasaki Kisen had disclosed KPI figures to the lender for the detailed incentives in formulating the Framework and that it would also disclose its final sustainability achievement at maturity or when the repayment period comes. In this Third-Party Opinion, JCR received data from KPI1 to KPI3 from Kawasaki Kisen and confirmed that both figures and scores from KPI1 to KPI3 had achieved the annual numerical targets originally set by the Company.

Based on the aforementioned considerations, JCR has confirmed that the Framework and individual finance for Kawasaki Kisen, which are subject to this Third-Party Opinion, continuously align with CTFH and so forth and SLLP and so on.

*Please refer to the following pages for the detailed opinion.

[1] CDP is a Non-Governmental Rrganization (hereinafter referred to as "NGO") managed by a British charitable organization that operates a global disclosure system for investors, companies, nations, regions and cities to manage their own environmental impacts. CDP has strived to improve engagement (approach) on global environmental issues since its establishment in 2000. CDP has been active in Japan since 2005. (Source: CDP website: https://japan.cdp.net /)

Third-Party Opinion

Evaluation Target: Transition Linked Finance Framework
Borrower/Issuer: Kawasaki Kisen Kaisha, Ltd.

March 20, 2023
Japan Credit Rating Agency, Ltd.

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1 Loan Market Association (hereinafter referred to as "LMA"), Asia Pacific Loan Market Association (hereinafter referred to as "APLMA") and Loan Syndication and Trading Association (hereinafter referred to as "LSTA") revised in May 2021.

2 International Capital Market Association (hereinafter referred to as "ICMA") established in July 2020.

3 ICMA established in December 2020.

4 Established by the Financial Services Agency, Ministry of Economy, Trade and Industry and Ministry of the Environment in May 2021

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KPI3: CDP Evaluation[5]

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JCR has confirmed that Kawasaki Kisen has disclosed KPI figures to the lender for the detailed incentives in formulating the Framework and that it will also disclose its final sustainability achievement at maturity or when the repayment period comes. In this Third-Party Opinion, JCR has received data from KPI1 to KPI3 from Kawasaki Kisen and has confirmed that both figures and scores from KPI1 to KPI3 have achieved the annual numerical targets originally set by the Company. Based on the aforementioned considerations, JCR has confirmed that the Framework and individual finance for Kawasaki Kisen, which are subject to this Third-Party Opinion, continuously align with CTFH and so forth and SLLP and so on.

I. Positioning and Objectives of Third-Party Opinion

JCR has confirmed whether the Framework continuously complies with CTFH and so forth and SLLP and so on. CTF refers to a financial approach, aiming to support a company that is considering taking measures for climate change to reduce greenhouse gas in accordance with a long-term strategy toward the achievement of decarbonized society. SLL and SLB mean loan instruments, loan facilities, including commitment lines or bonds in order for the issuer/borrower and the lender or investors to aim to contribute to realizing sustainable society by incentivizing to achieve the ambitious SPTs predefined by the issuer/borrower.

CTFH consists of four elements as follows: Element 1 refers to the issuer's transition strategy and governance; Element 2 should be environmental key issues in the Company's business model; Element 3 should be based on scientific evidences and Element 4 should secure transparency of investment plans on transition.

SLLP and so on consist of five Principles as follows: 1st Principle refers to the calibration of KPI; 2nd Principle refers to the measurement of SPTs; 3rd Principle is characteristics of a loan or bond; 4th Principle refers to reporting and 5th Principle refers to verification.

This Third-Party Opinion is intended for JCR as an independent third party to confirm that the Framework continuously aligns with 1st Principle to 5th Principle in SLLP and SLBP and simultaneously to make sure that it continually aligns with four Elements in CTFH and CTF Basic Guidelines so as to ensure the transparency and objectivity of the evaluation recommended in CTF Basic Guidelines and SLLP and the 5th Principle in SLBP.

II. Outline of the Third-Party Opinion

The target of this evaluation is Transition Link Finance Framework formulated by Kawasaki Kisen in September, 2021 and revised by it in January, 2022 and February, 2023, respectively. The following is the evaluation items included in this Third-Party Opinion.

1. Relevance to sustainability in the Framework
2. Kawasaki Kisen's mid- and long-term management plan and transition strategy
3. Alignment with items required in CTFH
4. Alignment with SLLP and so on (Principle 1): Appropriateness of Calibration of the KPI
5. Alignment with SLLP and so on (Principle 2): Measurement of SPTs
6. Alignment with SLLP and so on (Principle 3): Characteristics (Economical Conditions) of a Loan and Bond
7. Alignment with SLLP and so on (Principle 4 and 5): Reporting and Verification
8. Conclusions on alignment with CTFH and so forth and SLLP and so on

III. Confirm Alignment with CTFH and so forth and SLLP and so on in the Framework

1. Relation with Sustainability in the Framework

Kawasaki Kisen set three KPI and SPTs, respectively, which are related to the Company's materiality-focused efforts in financing based on Transition Linked Finance Framework as follows: these KPIs and SPTs are one of the most significant issues in its sustainability strategy as described in the following section.

KPI1: Annual total GHG emissions for the full finance period
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SPT2: Set a target for each fiscal year by linearly interpolating a target to reduce 50 percent over 2008 by 2030
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2. Kawasaki Kisen's Medium- to Long-Term Management Plan and Transition Strategy

<Business Overview>

Kawasaki Kisen was spun off from Kawasaki Dockyard Co., Ltd. (current Kawasaki Heavy Industries, Ltd.) and incorporated in 1919. The Company is a comprehensive logistics company whose parent organization is in the marine transportation industry and one of the three major domestic marine transportation companies. Kawasaki Kisen and its consolidated subsidiaries (hereinafter referred to as '"K"LINE Group') deploys three business segments: "Dry Bulk," "Energy Resources" and "Product Logistics." Kawasaki Kisen dominates the world largest fleets with car carriers, dry bulk carriers and LNG carriers and has excellent client bases both domestically and internationally. On the other hand, the scale of businesses other than tankers and marine transportation is smaller than that of peers. The percentage of sales by segment was 36.5 percent for dry bulk, 11.8 percent for energy resources and 50.3 percent for product distribution in the fiscal year ended March 2022.

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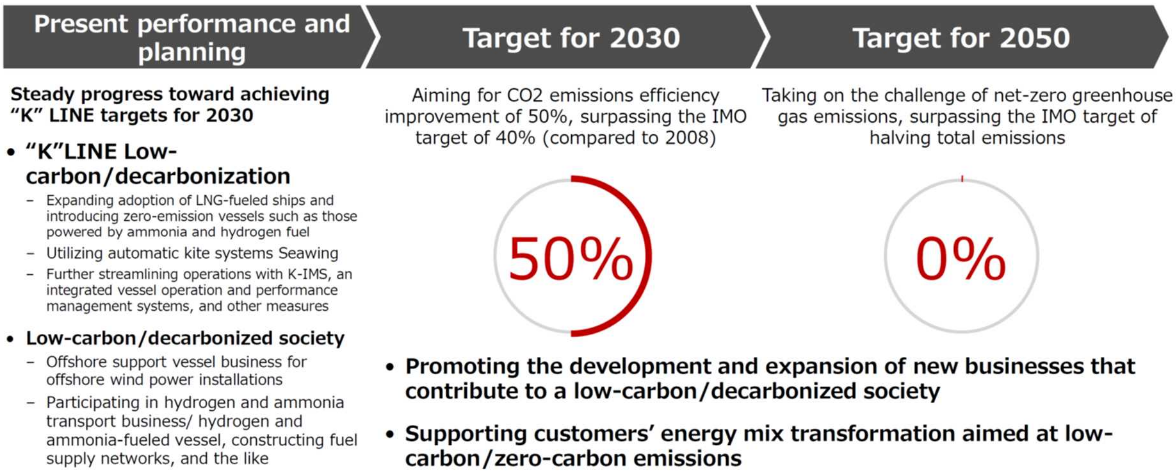
* The 2050 goal, for which a road map was already formulated, is to halve GHG emissions (to improve CO_2 emission efficiency by 70 percent over 2008.)

<Medium-Term Management Plan>

Kawasaki Kisen announced a new medium-term management plan in May 2022, in which the policies to be achieved by the Company in the mid-2020s are described. The Company researches new technology and implements it. The technology leads to low carbon/decarbonization as "commitment for Kawasaki Kisen/society to smoothly convert energy and promote activities toward the achievement of low carbon/decarbonization for sustainable growth and corporate value improvement" in the management plan's theme for 2022. In particular, Kawasaki Kisen expresses to make efforts to achieve 2030 interim milestones, which is a target year in the "K"LINE environment vision 2050 or the 2050 target, including expanding introduction of LNG-fueled ships, researching to introduce ships that use new zero-emission fuels, such as ammonia and hydrogen fuels, expanding the implementation of K-IMS, participating in hydrogen and ammonia transportation businesses and building a fuel supply network.

[Activity Guidelines to Reduce GHG]



(Source: Medium-Term Management Plan 2022 by Kawasaki Kisen)

<Basic Philosophy and Activity Guidelines>

The Kawasaki Kisen Group (hereinafter referred to as '"K"LINE Group') is aware that its business activities can impact on the global environment and it therefore set forth its determination and commitement to minimize the impact of its business activities on the global environment in its environmental policy.

"K" LINE Group Environmental Policy

Core Concept

“K” LINE Group is aware and recognizes that addressing environmental concerns is an issue shared by all mankind. Therefore, the “K” LINE Group is taking proactive measures as an essential condition for its existence and for conducting a business enterprise, striving to reduce the environmental impact of its business activities, and seeking to contribute to the development of a sustainable society.

Conduct Guidelines

1. "K" LINE Group is setting objectives and targets for environmental preservation and making improvements on an ongoing basis to reduce the impact on the environment from its business activities. Furthermore, "K" LINE Group is complying with all environmental treaties/laws, regulations/policies and voluntary standards to which the "K" LINE Group has consented.
2. "K" LINE Group is striving to protect the global and marine environment through fleet-wide implementation of safe operation practices and is establishing the organizations and structures necessary for such implementation.
3. "K" LINE Group is promoting research, development and introduction of ship facilities and equipment to improve ship energy efficiency and operating efficiency, which results in reduction of greenhouse gas emissions and prevention of atmospheric pollution.
4. In consideration of biodiversity, "K" LINE Group is maintaining an awareness of the impact that the transport of ballast water and living organisms that attach to ship hulls have on ecosystems and is working to protect those ecosystems.
5. "K" LINE Group is contributing to establishing a recycle-based society by promoting the 3Rs (reduce, reuse, and recycle) and promoting the effective re-use of resources, including ship recycling.
6. The entire "K" LINE Group is and will continue to support and participate in social contribution activities intended to protect the environment.
7. "K" LINE Group is conducting education and training programs to elevate awareness and understanding of environmental preservation issues among each member of the entire "K" LINE Group.

<Materialities (Key Issues)>

"K" LINE Group seeks to build on a dual framework of "managing the impact of its business activities" and "creating new values" as its sustainability management, identifies 23 significant issues based on which it is working on "building a management structure that emphasizes social responsibility" Of those key issues, the transition strategy is a core issue in the Company's sustainability since it has identified "environmental preservation," "safety in navigation and cargo operations" and "human resource development" as its key issues.
Kawasaki Kisen invited external experts (a representative of NPO Corporation on environmental management and a university professor specialized in safety/crisis management) to identify relevant theme through holding stakeholder

dialogues with the then cooperate officer in charge of safety, the environment and human resources in 2014. Subsequently, the Company identified significant issues (materialities) for internal and external stakeholders, which widely reflected the views of various stakeholders.

Thereafter, Kawasaki Kisen annually establishes "CSR Activity Targets" for the materialities identified as a single year target. The Company linked 17 goals of SDGs adopted by the United Nations in 2015 with CSR Activity Goals and reconciled these with SDGs in 2017.

[Key environmental issues in the "K"LINE Group's materialities]

Key Issues/Themes	Significant Issues	Related SDGs
Safety in navigation and cargo operations	Prevention of major accidents [High-priority issues]	
Innovation	New value proposals through reduction of environmental burdens and improvement of service qualities	
Environmental preservation	Reinforcement of environmental management Environment-friendly business activities [High-priority issues]	

(Source: JCR extracted the high-priority issues related to KPI from the Kawasaki Kisen website.)

<Targets and results established on the environment>

Kawasaki Kisen has formulated "K" LINE Environmental Vision 2050 and has established a long-term target until 2050 in which the Company announced that it will take on a challenge to improve CO_2 emission efficiency by 50 percent over 2008 as 2030 interim milestones and set forth net zero GHG emissions as the 2050 goal.

The Company formulated '"K" LINE Environmental Vision 2050' as an environmental goal in 2015 in which it set forth "to halve CO_2 emissions" and "to avoid serious accident" and established "to reduce CO_2 emissions by 10 percent over 2011 by 2019" as a milestone for 2019. Kawasaki Kisen newly established a target, "to reduce CO_2 emission efficiency by 25 percent over 2011 by 2030" in June 2016.

Target	Kawasaki Kisen	IMO
FY 2030	Improve the emission efficiency of Greenhouse gas (hereinafter referred to as "GHG") by 25 percent over 2011	—
	Improve CO_2 emission efficiency by 50 percent over 2008	Improve CO_2 emission efficiency by 40 percent over 2008

FY 2050	Reduce the total GHG emissions by 50 percent	Reduce the total GHG emissions by 50 percent
	Improve CO_2 emissions efficiency by 70 percent over 2008	Improve a CO_2 emissions efficiency by 70 percent over 2008

Kawasaki Kisen announced a revised "K" LINE Environmental Vision and set targets toward the carbon neutral as described above in June 2020. The Company revised Environmental Vision 2050 in November 2021 and established a higher target to take on a challenge toward the achievement of "net zero GHG emissions" for the 2050 goal although its road map will be revised hereafter. This target is more ambitious than the GHG emission reduction target set by International Maritime Organization (hereinafter referred to as "IMO".) The aforementioned target improved by 38 percent in 2020 whose target was 50 percent improvements in the CO_2 emission efficiency, the 2030 goal. The Company has also aimed to achieve the following CO_2 reduction targets, with which it acquired SBT certification in 2017 along with the aforementioned targets.

・Improve the CO_2 emission efficiency by 25 percent over 2011 by 2030

The targets to reduce GHG emissions announced by IMO are as follows:

[Overview of Strategy to Reduce GHG Emissions]

The following medium- and long-term goals to reduce GHG emission with a base year, 2008 was formulated in IMO's Maritime Environment Protection Committee 72nd session (hereinafter referred to as "MEPC72") in April 2018.

1. Improve fuel efficiency in the whole international shipping (CO_2 emissions per loading) by 40 percent or more by 2030.
2. Reduce the total GHG emissions from the international shipping by 50 percent or more by 2050.
3. Aim to achieve net zero GHG emissions at the earliest possible during this century.

The target for improvements in 2030 is established based on scientific feasibility analyses, such as technological feasibility or effective analyses of EEDI regulations, which reflect the following suggestions made by the Japanese government in the IMO's discussion.

The combination of improved efficiency by 17 percent due to improved fuel efficiency for new vessels under the EEDI regulations and improved efficiency by 28 percent due to operational benefits, such as slow steaming or route optimization ($0.83\times0.72=0.60$)

The measures to cope with global warming in the world are discussed in the United Nation Framework Convention on Climate Change (hereinafter referred to as "UNFCCC"); however, the measures to address GHG emissions for the international shipping, which operate internationally are entrusted their examination to IMO, Specialized Agency of the United Nations since vessels' ship's nationality or countries in which vessels are operated are difficult to be categorized and are incompatible with the framework of these measures to reduce GHG emissions per country in UNFCCC.

Quantitative goals are also set for a medium- and long-term target in Kawasaki Kisen in light of the GHG emission reduction strategy of the aforementioned IMO.

Kawasaki Kisen has already achieved safety-conscious economic operations by introducing LNG-fueled vessels, including LNG-fueled car carrier ("Century Highway Green") and K-IMS, the integrated vessel operation/ performance management system and successfully reduced the CO_2 emission efficiency by 36 percent over 2008.

< Promotion System for Sustainability>

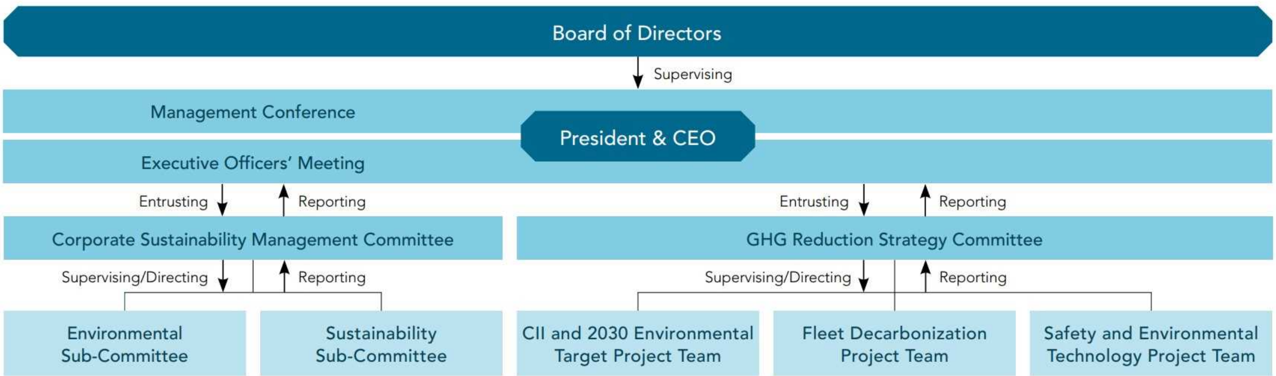
Kawasaki Kisen expansively reorganized its existing structure and reformed its sustainability promotion system in order to strengthen its management that focuses on sustainability in April 2021. "Corporate Sustainability Management Committee" chaired by President and CEO, is enhancing its corporate value by reviewing/formulating the promotion structure for the "K" LINE Group’s sustainability management.

"Environmental Sub-Committee," a subcommittee under "Corporate Sustainability Management Committee" is responsible for operating the environmental management system (hereinafter referred to as "EMS") formulated in accordance with the "K" LINE Group Environmental Policy and the standards of International Organization for Standardization (hereinafter referred to as "ISO".) The subcommittee is also responsible for promoting other environmental activities.

The second committee, "Sustainability Sub-Committee" is responsible for promoting management that will contribute to the sustainability of "K" LINE’s businesses and the enhancement of corporate value through developing ship safety navigation technology, economic navigation technology and environmental technology, including the next generation fuel compatibility and thorough initiatives for low carbon and decarbonization businesses, digital transformation (hereinafter referred to as "DX") compatibility and its response to social issues and further reinforcement of governance/compliance.

Kawasaki Kisen newly established "GHG Reduction Strategy Committee" by integrating functions of the existing "Alternative Fuel Project Committee" and "Environment/Technology Committee," respectively in October 2021. The Company established three project teams, "CII and 2030 Environmental Target Project Team," "Fleet Decarbonization Project Team" and "Safety and Environmental Technology Project Team" as subcommittees under "GHG Reduction Strategy Committee." They are responsible for reinforcing the organizational response to urgent issues, such as Energy Efficient Existing Ship Index (hereinafter referred to as "EEXI") and Carbon Intensity Indicator (hereinafter referred to as "CII"), accelerating initiatives for ships fueled by liquefied natural gas (hereinafter referred to as "LNG")/LNG fuel supply businesses and examine the next-generation fuels or new technologies and formulating the measures for compliance with environmental guidelines, including technical aspects.

(Sustainability Promotion System)



(Source: Website at Kawasaki Kisen)

Operations under the jurisdiction in each organization are as follows.

Sustainability Sub-Committee	It accelerates to promote sustainability management, identifies the best way forward to enhancing corporate value and elicits understanding from both within and outside the Company. It monitors the status of the implementation of sustainability promotion in the entire Group, reports the progress to Sustainability Management Promotion Committee on a regular basis and strives to activate and enhance the sustainability promotion in "K"LINE Group by making proposals in a timely and effective manner.
Environmental Sub-Committee	It operates EMS formulated in accordance with "'K" LINE Group Environmental Policy' and promotes other environmental activities.
GHG Reduction Strategy Committee	It formulates the strategy to reduce GHG mainly through the conversion of fuels by "K" LINE Group. It develops the GHG reduction strategy, primarily focusing on fuel conversion and policies for, and overseeing the implementation of, comprehensive response strategies, technical measures, such as equipment selection and preparations for smooth operations.
CII and 2030Environmental Target Project Team	It discusses the actual response to CII or environmental targets for 2030. In particular, it considers whether individual slow steaming vessels can be actually used.
Fleet Decarbonization Project Team	It formulates/manages a road map (a scenario assumed) for respective business divisions to provide transportation services with net zero GHG emissions.
Safety and Environmental Technology Project Team	It utilizes K-IMS (an integrated vessel operation/performance management system,) enhances its functions and considers to carrying Seawing (an automated kite system.)

(Source: Transition Linked Finance Framework of Kawasaki Kisen)

3. Alignment with items required in Climate Transition Finance Handbook

3-1. Element 1: Issuer's Transition Strategy and Governance

JCR has confirmed Kawasaki Kisen's transition strategy for climate change mitigation and that it aligns with CTFH in Third-Party Opinions announced three times in total in 2021 and 2022, respectively. JCR has checked the Company's revised strategy to mitigate climate change and has confirmed that no particular change is made. JCR has also confirmed that no change is made to the governance structure on sustainability from the previous Third-Party Opinion.

3-2. Element 2: Should be Material Environmental Issues in the Corporations' Business Model

JCR has evaluated that reducing both GHG emissions and CO_2 emissions is a key environmental issue in Kawasaki Kisen's business model in Third-Party Opinions issued in 2021 and 2022, respectively. JCR has confirmed the status quo of the Company and that no change is made in this Third-Party Opinion.

Kawasaki Kisen recognizes its indispensable efforts is to address decarbonization, including accepting a request for new freight transportation in collaboration with efforts for decarbonization in its customers' marine transportation and leading to the enhancement of corporate value through entering new business areas or challenging for them by cooperatively working with business partners and cargo owners in the wide industry as a common goal of decarbonization.

3-3. Element 3: Should be based on a scientific rationale

JCR has evaluated that the medium- and long-term goal of Kawasaki Kisen is established based on scientific rationales in Third-Party Opinions published in 2021 and 2022, respectively.

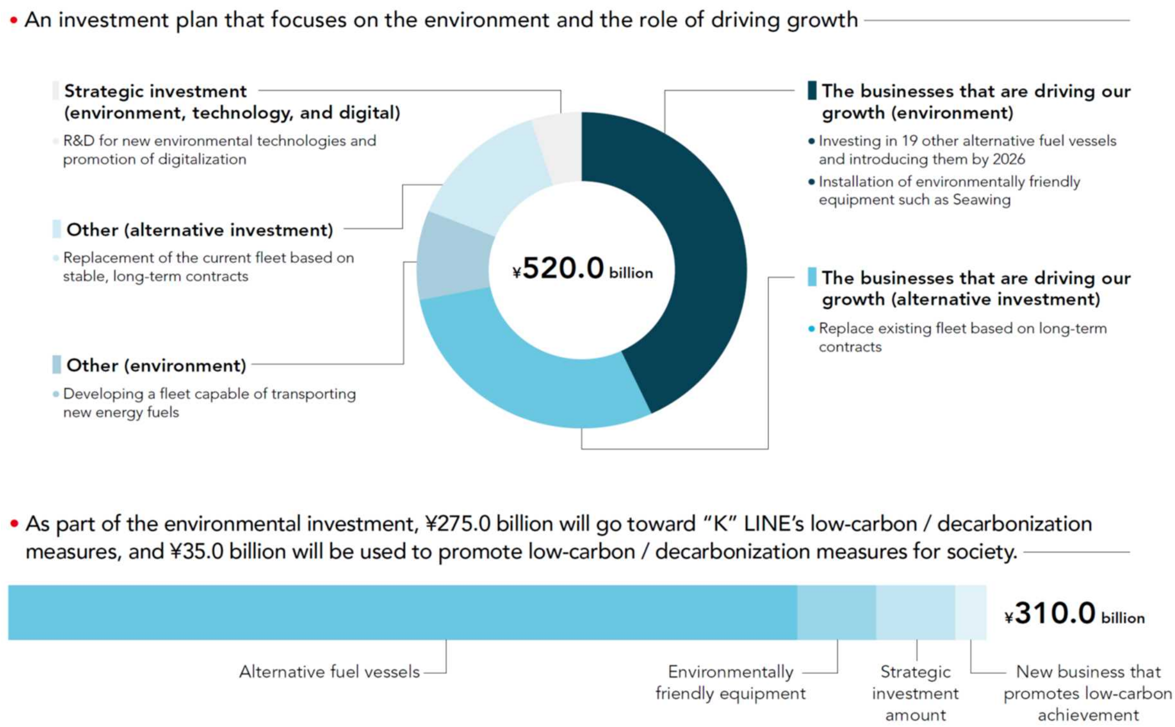
The target Scope of Kawasaki Kisen is changed to Scope 1 and CO_2 emissions of its owned vessels operated by Ocean Network Express Pte. Ltd. (hereinafter referred to as "ONE") from the conventional Scope1 due to the changes in the CO_2 measurement method. JCR has confirmed that the CO_2 calculation target that is the Company's goal remains unchanged after the CO_2 measurement method is modified.

3-4. Element 4: Transparency should be secured for the investment plan on transition

Kawasaki Kisen discloses investment plans for the next five years toward the achievement of "K" LINE Environmental Vision 2050 in its rolling planning. The Company significantly increased its investment from JPY 100 billion to JPY 310 billion for five years in the medium-term management plan announced in May 2022. This increase was resulted from that the investment in alternative fuel vessels was increased to approximately JPY 250 billion by JPY 180 billion to JPY 200 billion from the previous evaluation and the investment in environmental response equipment was increased by JPY 15 billion. The plan for alternative fuel vessels is changed, looking ahead to additionally invest in 19 vessels, including alternative fuel vessels, such as ammonia in addition to vessels fueled by LNG for five years until 2026. Accordingly, JCR has confirmed that Kawasaki Kisen aims to increase its operating alternative fuel vessels to roughly 60 in the first half of 2030.

JCR has confirmed that the investment in environmental response equipment has increased due to the expansion of the target vessels for "Seawing," an automated kite system, SOx scrubbers or the ballast water treatment system.

(Kawasaki Kisen: Anticipated environmental investment for the next five years)



(Source: Kawasaki Kisen: FACTBOOK2022)

JCR has confirmed that there is no negative impact on employment or society other than climate change and that appropriate measures are taken for the environment, such as preventing marine pollution with the aforementioned SOx scrubbers or the ballast water treatment equipment along with implementing the Kawasaki Kisen's transition strategy. The Company plans to reduce the use of fossil fuels for feasibility of a lock-in to fossil fuels while simultaneously developing biomethane, carbon recycled methane, hydrogen, ammonia and on-board CO_2 capture technology to be implemented in sequence in and after 2025 with the aforementioned environmental technological development. Kawasaki Kisen looks ahead to use vessels without CO_2 emissions in the future by investing in new decarbonization-related technologies/projects and conducting research and development (hereinafter referred to as "R&D"); therefore, there is no possibility of a lock-in to fossil fuels.

Additionally, it is unlikely for this finance to cause significant damages on other green projects ("Do no significant harm assessment"), and it is not presently likely for the aforementioned investments to cause significant damages on the areas in which the fair transition is required.

Based on the above, JCR has evaluated that the Framework continuously meets the four elements required by Climate Transition Finance Handbook.

4. Consistency with Sustainability Linked Loan Principles: Principle 1 Appropriateness of the Selection of KPI

4-1. JCR's Key Consideration in This Factor

In this section, JCR will evaluate the significance of KPI selected by the issuer/borrower, mainly whether the following elements as illustrated by SLLP and so on are included:

1) Is it relevant, core and material to the issuer's/borrower's overall business and of high strategic significance to the issuer's/ borrower's current and/or future operations?
2) Is it measurable or quantifiable on a consistent methodological basis and is it externally verifiable?
3) Is it able to be benchmarked, e.g., as much as possible using an external reference or definitions to facilitate the assessment of the SPT's level of ambition?

4-2. Current Status of Evaluation Targets and JCR's Evaluation

JCR has evaluated that the items set by Kawasaki Kisen as KPI of the Framework is of high significance in Third-Party Opinions published three times in 2021 and 2022, respectively and has confirmed that there is no change made to this items in preparing Third-Party Opinion.

5. Consistency with Sustainability Linked Loan Principles: Principle 2 Measurement of SPTs

5-1. JCR's Key Consideration in This Factor

In this section, JCR will evaluate the ambition and significance for the SPTs calibrated by the issuer/borrower, mainly whether the SPTs include the following elements as illustrated in SLLP and so on:

1) represent a material improvement in the respective KPIs and be beyond a "Business as Usual" trajectory;
2) where possible be compared to a benchmark or an external reference;
3) be consistent with the borrower's overall sustainability /ESG strategy; and
4) be determined on a predefined timeline, set before or concurrently with the origination of the loan.

Then, the benchmarks considered in calibrating the issuer's/borrower's SPTs are confirmed. The following elements are illustrated in SLLP and so on.

- ✓ Set quantitative based on the issuer's and borrower's own level of recent performance (select KPIs with at least the last three years of track records whenever possible) and also disclose forward-looking information on KPIs as much as possible.
  - ✓ Relative positioning of established SPTs in comparison to peers (e.g., average level of performance or industry-leading level)
  - ✓ Scientific-based scenario analyses and absolute values (e.g., carbon budgets), national and regional or international targets (e.g., the Paris Agreement, zero CO_2 emissions targets and SDGs), certified BATs (best available technologies) and other indicators that determine relevant targets across ESG topics

5-2. Current Status of Evaluation Targets and JCR's Evaluation

(1) Comparison with its own past track records

The following tables show the past actual score on the Kawasaki Kisen's total GHG emissions and CO_2 emissions per ton-mile, target figures for 2030 and 2050, respectively and a reduction rate based on 2008 as a base year. The latest figure in 2021 exceeds the target figure over 2008: reduced the total GHG emissions by 33 percent and CO_2 emissions per ton-mile by 36 percent, respectively. However, taking into consideration the current circumstances, under which the demand for social distribution increases due to spending from home triggered by the COVID-19 pandemic, it may be needed to maintain/increase the fleets and to extend the distance travelled in the future for 434 fleets operated in the "K" LINE Group as of March 31, 2022. In cases where the aforementioned environmental changes are constant, it is not easy to address both the increasing demand for fleets and the environment although SPT1 and SPT2 goals are presently achieved. In that case, the numerical targets of respective SPTs needs to have efforts that beyond the traditional business ("Business As Usual)" and the SPTs calibrated are still ambitious.

[Annual actual scores (in a base year) or target scores on the total GHG emissions] (Unit: 1,000 tons)

【SPT1：GHG排出総量目標(千トン)】

	基準年度実績 CY08	CY21	CY22	CY23	CY24	CY25	CY26	CY27	CY28	CY29	CY30	CY50
CY08－CY50線形計画	13,677	11,560	11,398	11,235	11,072	10,909	10,746	10,583	10,421	10,258	10,095	6,839
CY08対比削減率	-	-15.5%	-16.7%	-17.9%	-19.0%	-20.2%	-21.4%	-22.6%	-23.8%	-25.0%	-26.2%	-50.0%

[Annual actual scores (in a base year) or target scores on CO_2 emissions per ton-mile] (Unit: g-CO_2/ton-mile)

【SPT2：トンマイルあたりCO2排出量目標(gCO2/ﾄﾝﾏｲﾙ)】

基準年度実績

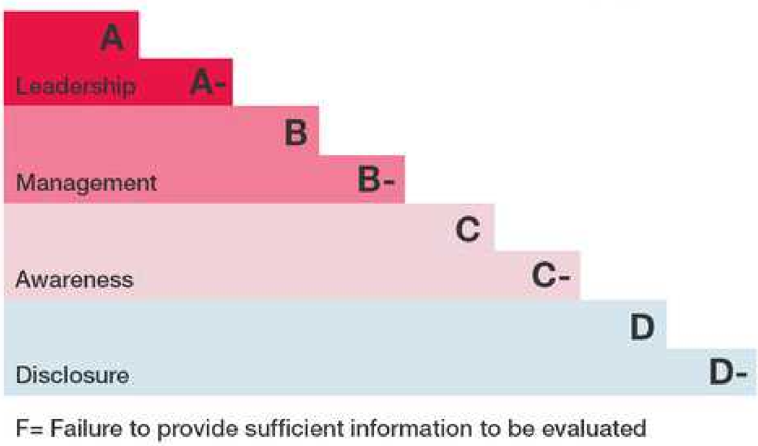
	CY08	CY21	CY22	CY23	CY24	CY25	CY26	CY27	CY28	CY29	CY30
CY08－CY30線形計画	7.21	5.08	4.92	4.75	4.59	4.42	4.26	4.10	3.93	3.77	3.61
CY08対比削減率	-	-29.5%	-31.8%	-34.1%	-36.4%	-38.6%	-40.9%	-43.2%	-45.5%	-47.7%	-50.0%

(Source: Kawasaki Kisen: Transition Link Finance Framework)

CDP is a non-profit organization established in London in 2000. CDP provides an infrastructure for global information disclosure for companies or municipalities in areas, such as climate change, water security and forest. More than 680 investors signed up for CDP and the total investment management by these investors amounts to more than US130 trillion. These investors utilize data and evaluation results gathered by CDP, respectively. In 2022, 15,000 or more companies gave responses to the questionnaires of "CDP Climate Change" and CDP is acknowledged as a global standard for environmental reporting/disclosure worldwide. CDP also operates International Initiatives, such as SBTi and RE100.

CDP scores based on questionnaires responded by respective companies. Companies responded are evaluated with four levels (information disclosure, awareness, management and leadership), and their scores are made on a scale of eight from A to D-. The scores of these companies are published via the CDP website.

(Image of CDP Scoring)



(Source: CDP Website)

Kawasaki Kisen has maintained the highest evaluation, A rank (A or A-) for the CDP score since 2016. However, absolute valuation is carried out for CDP climate change while relative valuation is conducted by comparing with companies responded. It is difficult for Kawasaki Kisen to maintain A rank if efforts by peers progress further even though the Company promotes its initiatives for climate change. CDP Secretariat regularly reviews detailed questionnaires/score criteria of CDP climate change, taking into account social conditions or how these companies responded tackle with climate change and these may be tightened in the future. Based on the aforementioned, Kawasaki Kisen needs to continuously boost up the efforts while maintaining/expanding the climate change structure so that the score, A- or higher can be successively given, which is suitable for "leadership." Therefore, SPT's evaluation criteria for CDP are ambitious.

(2) Significance and ambition by comparing with value chain, benchmarks and other companies

Kawasaki Kisen is a shipping business whose 95 percent or more of sales are related to dry bulk, energy resources and product logistics as mentioned above. The Company's efforts to reduce GHG and CO_2 is one of the significant measures against climate change based on its important position dominated by the shipping business in the distribution.

The quantitative targets set as SPTs are on par with or higher than the IMO's global numerical targets and in that regard, they are ambitious. The Company set targets to reduce the total GHG missions and their intensity for the medium- and long- terms, respectively; its detailed disclosure is more enhanced than that of peers; it maps out a linear plan for a range of reduction for respective years and it has reduced GHG emissions under the targets from 2015 to 2050. When IMO established CO_2 emission efficiency in 2018, it has taken the initiatives to reduce GHG and CO_2 emissions internationally ahead of the rest, including a new 2030 interim milestones established by the Company, which exceeds the IMO numerical targets in the review in 2019. Such efforts are extremely advanced with the concrete initiatives. Based on the aforementioned, JCR has evaluated that the calibration of SPT1 and 2 is significant to lead decarbonization in the shipping industry and is highly ambitious.

The companies to be responded have covered 1,841 Prime-listed companies for the CDP evaluation of SPT3 since 2022, which makes companies to be responded increase, resulting in 1,101 firms that responded to the CDP questionnaires. Of those, Japanese companies with evaluation, A- or higher that is "A List" amount to 75, which account for a little less than 7 percent of the total. Kawasaki Kisen was certified as A List for seven consecutive years from 2016 to 2022, only one of the four Japanese companies. It is therefore difficult efforts to maintain "A" evaluation of CDP. Kawasaki Kisen aims to maintain its "A-" rating; however, its lending rate remain unchanged even if it maintains "A-." While favorable treatment is given to an interest rate only when A is acquired, a spread is added in cases where the rating falls below A- in the agreement. Based on the aforementioned, JCR has evaluated that the calibration of this SPT is highly ambitious.

(3) Kawasaki Kisen's efforts to reduce GHG and CO_2

The following measures will be taken to reduce GHG and improve CO_2 emission efficiency in Kawasaki Kisen.
Improve CO_2 emission efficiency

(1) To expand the introduction of next-generation environmentally friendly ships fueled by LNG and to introduce ships fueled by liquefied petroleum gas (hereinafter referred to as "LPG") and ships that use zero-emission fuels, such as ammonia and hydrogen
(2) To further introduce "K-IMS," an integrated vessel operation/performance management system
(3) To introduce "Seawing," an automated kite system
(4) To investigate and introduce other new technologies, including a hybrid propulsion system or CO_2 capture storage on a vessel

Reduce the total GHG emissions

(1) To introduce flagship with the aim of improving efficiency by 70 percent with advanced technologies

(2) Start to introduce zero emission flagship with advanced technologies

The Company expansively reorganized its existing organizational structure and renovated its environmental governance system, centering on President in October 2021.

Kawasaki Kisen has established "Corporate Sustainability Management Committee" and "GHG Reduction Strategy Committee" as an advisory committee to Management Conferences and Executive Officers' Meetings, chaired by President under the new organizational structure and initiatives in respective committees are incorporated by Management Conferences and Executive Officers' Meetings so that they can understand the impacts of the sustainability initiatives on management.

JCR has confirmed that not only committees but also departments are reorganized and the Company has established three teams, "CII and 2030 Environmental Target Project Team," "Fleet Decarbonization Project Team" and "Safety and Environmental Technology Project Team" under GHG Reduction Strategy Committee with policies to promote efforts, such as research on sustainable/next-generation fuels/decarbonisation/carbon neutral.

JCR has evaluated that these efforts incorporate more sustainability elements in its management than ever before in Kawasaki Kisen.

Based on the aforementioned, JCR has evaluated that Kawasaki Kisen with its SPTs calibrated aims to achieve a target for a reduction rate that beyond the scenario assumed in the existing businesses and that it has an ambitious target that exceeds the industry level and the Company has calibrated three SPTs, which is ambitious.

KPI in the Framework is identified in Kawasaki Kisen's "K" LINE Environmental Vision 2050 as a target and the items required to achieve this target are subject to evaluation; therefore, it aligns with the Company's sustainability strategy.

SPTs are also consistent with the Company's direction intended in "K" LINE Environmental Vision 2050.

5-3. Impacts evaluated by JCR

JCR considered five elements (diversity, effectiveness, efficiency, multiplication and additionality) of impact evaluation standards as exemplified in the fourth Principle of Positive Impact Finance (hereinafter referred to as "PIF") Principle mapped out by the United Nations Environment Programme to confirm the following: (1) SPTs stipulated in this finance are ambitious and significant and contribute to the sustainable growth and social value improvements for Kawasaki Kisen and (2) a level of maximization of positive impacts and levels of avoidance, management and reduction of negative impacts.

(1) Diversity: Showing any significant impacts. (Impacts in the entire value chain, impacts per business segment and impacts by region or others)
Various kinds of positive impacts are expected to be developed and a multiple of negative impacts are likely controlled, including energy efficiency, mitigating the industry and climate change and air pollution for Kawasaki Kisen's target to reduce the total GHG emissions and the target to improve CO_2 emission efficiency and the goal on CDP evaluation. Although the Scope covered by KPI1 and 2 is limited to Scope1 and the CO_2 emissions of the Company's vessels operated by ONE, the CDP evaluation includes Scope3 related disclosures or the entire initiatives and is the selection of KPI covering its value chains, its business segments and its whole business areas.
(2) Effectiveness: Having any significant impacts. (SPTs' targeted sales, business activities, target geographies, and domestic and overseas market shares of business activities for which SPTs are assessed)
This finance has significant impacts in the shipping industry from the following viewpoints: Kawasaki Kisen is one of the three major domestic shipping companies, and when the Company moves forward with the decarbonization initiatives, it addresses low carbon technological development by forming diversified cross-industrial consortiums; thus, it expects to have significant impacts. It is also significant efforts from the viewpoint of further development of SLL, SLB and transition loans and transition bonds since the features of SLL and SLB are advanced, including as annual target setting based on linear scenarios toward achieving the 2030 goals.
(3) Efficiency: A relatively large impact to invested capital.
This finance is a highly efficient approach from the following viewpoints: Kawasaki Kisen set the interim milestones for 2030 and the 2050 goal due to "K" LINE Environmental Vision 2050. JCR has confirmed that the Company will make efforts to improve CO_2 emission efficiency as follows: (1) building ships fueled by LNG and introducing zero emission vessels; (2) promoting K-IMS; (3) advancing Seawing, an automated kite system and (4) examining and introducing other new technology. Owners of cargos increasingly tend to select ships to which they entrust their cargo based on environmental performance of cargos to which they ship or sustainability efforts of shipping companies due to growing interests in ESG and sustainability; therefore, it is crucial for Kawasaki Kisen to initiatively promote efforts contributable to the environment to maintain/expand its businesses in the future. Kawasaki Kisen makes "environmental preservation" or "environment-friendly business activities" the most important issues of materialities with the aforementioned recognition, introduces scenario analyses and environmental accounting in accordance with TCFD and decides its investment planning after thoroughly examining its own risks and opportunities. Based on the aforementioned, it is expected to have significant impacts on invested capital.
(4) Magnification: Degree of use of private funds relative to public funds or donations
Subsidy programs with the government can be utilized for the efforts to reduce GHG/CO_2 emissions to which this finance intended, in particular, in developing next-generation fuels; however, it is covered by public funds in many cases. Although Third-Party Opinion is recommended making SLL and SLB, subsidy programs are

partially carrying out for Third-Party Opinions of SLL, SLB and transition loans and transition bonds. It is likely to make further progress toward decarbonization in the shipping industry, including this finance by backing up these public funds.

(5) Additionality: Having any additional impacts.
Encouraging to address areas where SDGs have not been achieved or responses are insufficient.
A major step toward achieving SDGs.

Of SDGs' 17 goals and 169 targets, respective indicators are expected to have additional impacts on multiple goals and targets as follows:

Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all

Target 7.3. By 2030, double the global rate of improvement in energy efficiency

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

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, with all countries taking action in accordance with their respective capabilities

Target 12: Ensure sustainable consumption and production patterns

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

Target 12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle

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

Goal 14: Conserve and sustainably use the oceans, seas and marine resources for sustainable development

Target 14.1. By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution

Target 14.3. Minimize and address the impacts of ocean through sustainable management of fisheries, aquaculture and tourism acidification, including through enhanced scientific cooperation at all levels

6. Consistency with Sustainability Linked Loan Principles: Principle 3: Characteristics of Loans and Bonds (Economic Conditions)

6-1. JCR's Key Consideration in This Factor

In this section, JCR will confirm the following details:

(1) The financial and structural characteristics could change according to the achievement of SPTs which was set in their KPI.

(2) The documents of loan agreement of sustainability linked loan or bond disclosure of sustainability linked bond include the definitions of KPIs as well as the variability of the financial and structural characteristics of SPTs.

(3) The documents of loan agreement of sustainability linked loan or bond disclosure of sustainability linked bonds refer the countermeasure of unexpected events which could significantly affect the measurement of KPI, setting of SPTs, precondition and KPI coverage (e.g., material M&A activities, substantial regulatory or other system changes, or the occurrence of abnormal events).

6-2. Current Status of Evaluation Targets and JCR Evaluation

JCR has confirmed that Kawasaki Kisen is to change its financial characteristics upon achievement for the KPI selected and SPT pre-defined in the Framework in Third-Party Opinions publicized in 2021 and 2022, respectively. In cases where the definitions of KPI or the calibration of SPTs or pre-requisites are changed due to unforeseeable circumstances at the time of raising this finance, the issuer/borrower will disclose the explanations on detailed changes to the lender or investors through Change Report.

In cases where a significant change is made on the calibration of SPTs, such as changes in the CDP's evaluation criteria, Kawasaki Kisen will discuss whether SPTs of the ambition level, which is equivalent or more than the conventional evaluation criteria based on these detailed changes with the relevant personnel and will be evaluated by an external review organization as needed. JCR has confirmed that there is no change made to this item in preparing this Third-Party Opinion.

7. Alignment with Sustainability Linked Loan Principles: Principles 4 and 5 Reporting and Verification

7-1. JCR's Key Consideration in This Factor

In this section, JCR will confirm whether the following items will be included as reporting details to be made after financing or whether the disclosure method and third-party verification are planned.

i. Items to be disclosed

Whether the following items will be disclosed once or more a year.

- ✓ The latest information on the performance of the KPI selected (including preconditions of baselines)
- ✓ Useful information for the borrower/fund raiser to gauge a level of SPTs ambition, including the borrower's latest sustainability strategy, information on relevant KPI/ESG governance or data on KPI and SPTs analyses

Disclose the following information to the extent possible:

- ✓ Qualitative/quantitative explanations on the main factors that contributed to improving the performance/KPI, including M&A activities
- ✓ Explanations on how performance improvements have impacts on the borrowers' sustainability
- ✓ Whether KPI is reevaluated, whether SPTs calibrated are revised and whether the baselines' preconditions and the scope of KPI are changed.

ii. Verification

Is it planned to disclose detailed verification, such as the achievement of SPTs, impacts on changes of financial/structural characteristics and the timing?

7-2. Current Status of Evaluation Targets and JCR Evaluation

(Evaluation Results) Kawasaki Kisen appropriately plans the details, frequency and methods of disclosure in reporting after financing is made, and a third party will verify the contents required, in principle, including the progress of SPTs.

Kawasaki Kisen plans to annually report the progress of the CO_2 reduction program (the achievement status of medium- and long-term goals: both the total volume and efficiency indicators) for the performance of KPI via the Company's website or, in the case of loans, to the lender. JCR also believes that the aforementioned handling is appropriate in light of the guidelines provided by Ministry of the Environment, which permits not to disclose it due to competitive considerations. In cases where the Company finances through bonds, it plans to disclose the performance of KPI to the investor via its website. Kawasaki Kisen entirely discloses environmental policies, structures, risks and opportunity analyses for the CDP scoring via its website.

Kawasaki Kisen calculates its GHG emissions in line with Greenhouse Gas Protocol (hereinafter referred to as "GHG Protocol") and receives third-party verification and Verification Statement for the data on emissions of GHG generated in the course of its every business activity ranging from the top on down, and DNV, a third-party organization verifies its GHG emissions in accordance with ISO14064 (the international standard on GHG Protocol.) JCR, a third-party organization, also has verified the data based on the mileage of vessels and evaluated the appropriateness of CO_2

emissions per ton-mile[6]. JCR has obtained data on KPI from Kawasaki Kisen and confirmed that the items established by KPI1 to KPI3 satisfy the numerical standards or levels specified by SPT1 to SPT3. The Company also plans to annually report figures accurately calculated in accordance with the standards above via its website or, in the case of loans, to the lender.

Kawasaki Kisen annually entrusts JCR to confirm the achievement of SPTs and plans to publicly announce the results of the confirmation.

In cases where a significant change is made to SPTs during the period, JCR reviews the change and confirms whether the SPTs continuously comply with CTFH and SLLP and so on, and whether the ambition level and the significance originally anticipated are maintained.

Kawasaki Kisen and JCR will review individual Transition Linked Loan and/or Transition Linked Bond made under the Framework in the year when it falls due for repayment and will evaluate the achievement of SPTs and impacts developed against the Company and society.

[6] Please refer to "Significant Explanations on this Third-Party Opinion" for the impartiality of JCR in verifying this Third-Party Opinion and the CO2 emissions per ton-mile.

8. Conclusions on Alignment with CTFH and so forth and SLLP and so on

Based on the aforementioned observation, JCR has confirmed that the Framework that is subject to this Third-Party Opinion complies with CTFH and so forth and SLLP and so on.

(Responsible analysts for this evaluation) Atsuko Kajiwara and Kosuke Kajiwara

Third-party opinions on individual finance

Evaluation Target	Transition Linked Loan
Amount borrowed	Approximately JPY 165 billion (Breakdown) Tranche A: Approximately JPY 50 billion Tranche B: JPY 40 billion Tranche C: JPY 20 billion (Added this time) Tranche D: Approximately JPY 55 billion
Arranging banks	Mizuho Bank, Ltd.
Transition structuring agent	Mizuho Securities Co., Ltd. and Mizuho Bank, Ltd.
Loan contract date	March 2023 (planned) (Tranche D)
Maturity	March 2028 (planned) (Tranche D)

JCR confirmed that the aforementioned Transition Linked Loans (Tranche A, Tranche B and Tranche C) satisfy all of the requirements set forth in Kawasaki Kisen's Transition Linked Finance Framework for which JCR made sure the alignment with the following Principles in advance in September 2021.

(1) Climate Transition Finance Handbook (hereinafter referred to as "CTFH")[7]

(2) Basic Guidelines on Climate Transition Finance[8] (hereinafter referred to as "CTF Basic Guidelines")

(3) Sustainability Linked Loan Principles (hereinafter referred to as "SLLP")[9]

(4) Sustainability Linked Bond Principles (hereinafter referred to as "SLBP")[10]

(5) Green Loan and Sustainability Linked Loan Guidelines[11]

Tranche D added this time is a commitment line (a revolving line of credit.) Tranche D is also an unspecified typed use of proceeds as same as the conventional Tranche; however, JCR has confirmed that Kawasaki Kisen and the lender allow these proceeds financed to be used for working capital, including interim payments made in multiple installments during the construction of vessels and are expected to be used mainly to purchase additional vessels using alternative fuels in the future. JCR has also confirmed that the proceeds financed will be fully repaid by changing them to a long-term borrowing after the completion of vessels and that these proceeds are assumed to be used to purchase the next vessels using alternative fuels.

JCR has confirmed that Tranche D as same as Tranche A, Tranche B and Tranche C, satisfies all of the requirements set forth in Kawasaki Kisen's Transition Linked Finance Framework whose conformity with the aforementioned Principles is confirmed in advance.

7 ICMA established in December 2020.
8 Established by the Financial Services Agency, Ministry of Economy, Trade and Industry, and Ministry of the Environment in May 2021.
9 LMA, APLMA and LSTA revised in March 2022.
10 ICMA established in July 2020.
11 Established by Ministry of the Environment in April 2020.

Important Explanation on this Third-Party Opinion

1. Assumptions, Significance and Limitation of Third-Party Opinion Assigned and Provided by JCR

The Third-Party Opinion assigned and provided by JCR is a comprehensive statement of the JCR's current opinions on alignment with (1) CTFH formulated by ICMA, (2) SLBP, (3) SLLP drew up by LMA, (3) Basic Guidelines on Climate Transition Finance established by Financial Services Agency, Ministry of Economy, Trade and Industry, and Ministry of the Environment in May 2021 and (4) Green Loan and Sustainability Linked Loan Guidelines formulated by Ministry of the Environment in March 2020, four of which are subject to evaluation and it is not a complete representation of the extent of positive impacts that are brought about by the said evaluation.

This Third-Party Opinion evaluates plans or circumstances at present based on information provided by the client and information independently collected by JCR and does not guarantee evaluation on the situation in the future. This Third-Party Opinion does not quantitatively demonstrate positive effects by Sustainability Linked Loan, and JCR assumes no responsibility for its effects. JCR confirms that the financing made through this business is quantitatively/qualitatively measured by the borrower or a third party requested by the borrower for the achievement of the impact indicator set by the Company; however, in principle, JCR does not directly measure it.

2. International Initiatives, Principles Referenced in Implementing This Evaluation

JCR references the following Principles and guides developed by ICMA, LMA, UNEP FI and respective ministries in conducting this evaluation.

- Climate Transition Finance Handbook
- Basic Guidelines on Climate Transition Finance provided by Financial Services Agency, Ministry of Economy, Trade and Industry and Ministry of the Environment
- Sustainability Linked Loan Bonds
- Sustainability Linked Loan Principles
- Green Loan and Sustainability Linked Loan Guidelines provided by Ministry of the Environment
- Positive Impact Financial Principles
- Positive Impact Finance Model Framework that does not limit use of proceeds

3. Relation with Acts on Credit Rating Business

This Third-Party Opinion is provided by JCR as its related business and differs from any act of credit rating business.

4. Relation with Credit Ratings

This evaluation differs from credit rating and is not committed to providing a predetermined credit rating or making it available for inspection.

5. Independency of JCR

There is neither capital nor personal relationships that cause conflicts of interest between this evaluation targets and JCR. Staff in charge of an operation to prepare this Third-Party Opinion is different from personnel responsible for an operation to verify CO_2 emission per ton-mile; therefore, JCR carefully handles procedures in which one operation does not wrongly effect the other operation.

Points of Concern

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Terminology

Third Party Opinion: This report expresses third party opinions for the alignment with CTFH prepared by ICMA and Sustainability Linked Loan Principles prepared by LMA for Sustainability Linked Loan made by the lender to the borrower from an independent, neutral and equitable viewpoint at the request of the client.

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- United Nations Environment Programme, Financial Initiative, Positive Impact Working Group Members
- Registered as an external reviewer of Green Bonds by Ministry of the Environment
- Climate Bonds Initiative Approved Verifier
- ICMA (registered as an observer), Social Bond Principles, Climate Transition Finance Working Group Members

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Check Sheet for Consistency with Basic Guidelines on Climate Transition Finance

March 20, 2023

Japan Credit Rating Agency, Ltd.

Company to be evaluated: Kawasaki Kisen Kaisha, Ltd.

The following are the check results of the consistency of the Finance with respect to the items recommended in the Basic Guidelines on Climate Transition Finance (the "Guidelines") published by the Financial Services Agency, the Ministry of Economy, Trade and Industry, and the Ministry of the Environment.

The Guidelines use three expressions: "should," "recommended," and "be considered/possible." These expressions are used in the following context:

- Items described with the word "should" are basic elements that financial instruments labeled as transition finance are expected to have.
- Items described with the word "recommended" are elements that financial instruments labeled as transition finance are optimally recommended to have under the Guidelines although instruments which do not have these items can also be labeled as transition finance.
- Items described with the word "be considered" or "possible" are elements that they are not considered problematic even if financial instruments labeled as transition finance do not have them.

Element 1: Fundraiser's Climate Transition Strategy and Governance

a) Financing through transition finance **should** aim to implement or incentivize the achievement of transition strategies. Such strategies **should** incorporate a long-term target to align with the goals of the Paris Agreement, relevant interim targets on the trajectory towards the long-term goal, disclosure on the levers towards decarbonization, and fundraiser's strategic planning.
Consistency: ✓ K Line has set the achievement of GHG and CO_2 reduction targets, which are the interim milestones stipulated in "K" LINE Environmental Vision 2050, as SPTs of the Loan, which can be said to be aimed at motivating it to realize its transition strategy. The Company's transition strategy is more ambitious than IMO's GHG reduction strategy assuming the achievement of the Paris Agreement's goals, and it discloses target setting for 2030, 2050, action plans for decarbonization, and investment plans for the next five years.

b) A transition strategy **should** serve to explicitly communicate the implementation of an issuer's strategy to transform the business model in a way which effectively addresses climate-related risks and contributes to achieving the goals of the Paris Agreement. Transformation of a business

model is not limited to initiatives as an extension of existing businesses but **can** also be transformation based on various other perspectives. It includes fuel conversion that achieves significant carbon and GHG reduction benefits, introduction of innovative technologies, improvement of / changes in manufacturing processes and products, and development and provision of products and services in new fields.
Consistency: ✓ K Line aims to contribute to decarbonization through the achievement of "K" LINE Long-Term Vision 2050. The plan includes the introduction of innovative technologies, such as fuel conversion, utilization of kites, and on-board CO_2 capture technologies, as the intent of business transformation to this end.

c) The implementation of a transition strategy assumes cases where it affects society and environment other than climate change, such as employment or stable provision of products and services, through transformation of a business model. In such cases, it is **recommended** that the fundraiser also takes into consideration the impact of business innovations to society and environment other than climate change.
Consistency: ✓ The following items have been examined and considered as impacts on the environment and society other than climate change: Environment: Prevention of marine pollution Society: There are no matters of particular concern, but the Company takes consideration to safe vessel operation in general.

d) Climate change-related scenarios **should** be referenced in developing transition strategies. The pathway to transition **should** be planned for respective sector and regions of individual fundraiser, who **may** generally be placed in a different starting point and pathway to transition.
Consistency: ✓ When formulating "K" LINE Environmental Vision 2050, K Line analyzed risks based on climate change scenarios based on TCFD guidance, and benchmarked IMO's GHG reduction strategy. The results are reflected in this analysis. K Line also acquired SBT certification in 2017.

e) Transition strategies and plans must be highly credible in terms of their effectiveness. Therefore, it is **recommended** that a transition strategy and plan are linked to management strategy and business plan, including medium-term management plans.
Consistency: ✓ K Line's "K" LINE Environmental Vision 2050 announces investment plans aimed at realizing these

plans for five years from 2021, which are linked to management strategies and business plans. Promote low-carbon investment by setting the internal carbon pricing ("ICP") for investment. (When evaluating investment projects, the economic efficiency index considering the contribution to future earnings of 4,000 yen per ton of CO_2 emissions is calculated as a reference value.)

f) However, because such strategies and plans run for a long period of time, it is **possible** that the content may be modified or adjusted in the event of a major change in the assumed external environment and so on.
Consistency: ✓ K Line plans to change or revise the contents in the future if it is judged necessary in the event of a major change in the external environment, etc.

g) In the initial phase of developing a transition strategy by the fundraiser, it is **considered** as an option for the fundraiser to indicate a plan for future implementation of items described with the words "recommended" and "be considered/possible" in these Guidelines.
Consistency: ✓ All items that are considered "should" in the Basic Guidelines satisfy their requirements. In addition, almost all items identified as "desirable" and "considered/possible" have met their requirements or are expected to be implemented in the future.

h) In order to secure the effectiveness of the transition strategy, the fundraiser **should** establish an organizational structure for the board of directors and/or other such committee to oversee the activities addressing climate change and for management to play a role in assessing and managing such climate-related activities.
Consistency: ✓ In order to ensure the effectiveness of the transition strategy, K Line has established an organizational structure for the board of directors, management committee, etc. to oversee the activities and for management to play a role in assessing and managing such climate-related activities.

i) While a transition strategy shall be basically developed by a company in need of finance, it is **possible** for entities to utilize the strategy of companies that are wholly or partially responsible for the initiatives to establish or explain their own strategy, given that the finance supports GHG emissions reduction initiatives of not just a single company but its supply chain.
Consistency: Not applicable K Line is building its own transition strategy.

j) Transition strategies **should** be disclosed in advance in a company's integrated report, sustainability report, statutory documents and other materials for investors (including such disclosures on the website). This also applies to the other three elements.
Consistency: ✓ K Line's transition strategy is disclosed to the public on its website as "K" LINE Environmental Vision 2050.

k) It is **possible** to disclose transition strategies and elements concerning the governance guaranteeing that the execution of transition strategies is in alignment with the reporting frameworks such as the Recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD; Final Report).
Consistency: ✓ K Line makes disclosures consistent with TCFD framework.

l) If the implementation of a transition strategy assumes impacts on society and environment other than climate change, it is **recommended** that the fundraiser explain the view underlying its approach14, etc. to address such impacts and disclose how the strategy on the whole contributes to achieving the Sustainable Development Goals (SDGs) so that the effects can be appropriately evaluated by the financier.
Consistency: ✓ K Line, through the framework, discloses to lenders its environmental and social impacts from factors other than climate change and its responses and contributions to SDGs achievement. It is also scheduled for publication to the public through JCR's third party opinion.

m) Considering the length of application and other factors, there may be instances when a transition strategy and plan will need to be modified due to major changes in the external environment and relevant conditions that were assumed at a planning phase. In this case, the contents of the modification **should** be disclosed together with the underlying reason in a timely manner.
Consistency: ✓ If there is a major change in the future, the strategy and plan will be changed and disclosed in a timely manner.

n) In terms of governance, it is **recommended** that disclosures include an organizational structure for overseeing the implementation of a transition strategy and for assessing and managing related initiatives. It is also **recommended** that disclosures include the specific roles of the

constituent organizations and the management and the process by which the content of deliberations is reflected in management.
Consistency: ✓ The necessary organizational structure is established and announced in the Medium-Term Management Plan (Rolling Plan), website, etc.

o) In cases where the fundraiser determines the need for an objective assessment regarding the transition strategy, it is **recommended** that a review, assurance and verification by an external organization for its transition strategy.
Consistency: ✓ K Line utilizes JCR review in the implementation of this finance for objective evaluation. In addition, the mid and long-term goals of decarbonization was certified by SBTi in 2017.

p) It is **recognized** useful to obtain a review particularly concerning the following in connection with the transition strategy: - Alignment of short-term, mid-term and long-term targets (for targets, refer to Element 3) with the overall scenario - Credibility of the fundraiser's strategy to reach the targets - Appropriateness of the management process and governance for the transition strategy
Consistency: ✓ JCR confirms the above three items and provides this third-party opinion.

Element 2: Business Model Environmental Materiality

a) Initiatives for achieving the transition strategy **should** be such that contribute to transforming core business activities that are environmentally material parts today and in the future.
Consistency: ✓ K Line's transition strategy is an initiative that contributes to environmental preservation, etc., which the Company's regarded as the most important issue when identifying materiality.

b) When identifying business activities that are environmentally material parts, it is **recommended** that the fundraiser consider multiple climate change-related scenarios that may possibly impact its judgment on the identification.
Consistency: ✓ K Line conducts scenario-based analyses in accordance with TCFD guidance.

c) In terms of considering materiality, it is **possible** to apply existing guidance provided by an organization that creates standard criteria concerning sustainability reporting.
Consistency: ✓ K Line refers to existing guidance in particular materiality.

d) The fundraiser **should** indicate that climate change is an environmentally material part of business activities.
Consistency: ✓ K Line considers climate change to be an important theme when identifying its materiality and makes it one of its most important management issues. This has been clarified through the disclosure of integrated reports, websites, etc.

e) It is **recommended** that disclosures include the contents of climate change-related scenarios used in identifying business activities that are environmentally material parts along with the underlying reasons (e.g., regional and industrial characteristics) for selecting such scenarios.
Consistency: ✓ K Line formulates and analyses climate change-related scenarios for marine transportation project based on TCFD in "K" LINE Environmental Vision 2050. Its scenario analysis involves risk and opportunity analysis of changes in cargo volumes under multiple temperature increase scenarios and their associated impact on the Company's business. This approach to scenario analysis is the same as that used when the IMO formulated its GHG reduction strategy.

Element 3: Climate Transition Strategy to be Science-based Including Targets and Pathways

a) The fundraiser **should** reference science-based targets in developing its transition strategies.
Consistency: ✓ K Line is constructing a transition strategy by referring to TCFD's scenario analysis, SBT's 2°C scenarios, and IMO's GHG reduction strategy.

b) This **should** include mid-term targets (short- to mid-term targets) in addition to long-term targets for 2050 and be quantitatively measurable based on a measurement methodology which is consistent over a long period of time.
Consistency: ✓ The target setting for K Line includes the following medium-and long-term goals. - Improve CO_2 emissions efficiency (emissions of CO_2 per transportation volume) by 50% from 2008 levels by 2030

- Halve GHG emissions by 2050 (improve CO_2 emissions effectiveness by 70% compared to 2008) Scope for reducing CO_2 emissions includes Scope 1 and can be measured quantitatively. In addition, K Line conducts linear interpolation in the implementation of the Loan and sets quantitative targets for each year.

c) In addition, it is recommended that GHG reduction targets, which could be formulated either in intensity and absolute terms, **should** consider environmental materiality and cover Scopes 1 through 3 of GHG Protocol, the international standard on supply-chain emissions. It is **recommended** that targets covering Scope 3 be set using a practical calculation method when it could be subject to significant reduction in the fundraiser's business model. It is also **possible** to disclose the avoided emissions as necessary.
Consistency: ✓ K Line calculates emissions for all scopes. Scope 1 accounts for 99% of the Scope 1 and Scope2. As the change of methodology for calculating CO_2 emission, the targeted scope for K Line have shifted from conventional Scope 1 to Scope 1 and CO_2 emission form ships operated by Ocean Network Express, owned by K Line. JCR confirmed that there is no change for CO2 calculation target which K Line has endeavored to achieve. For Scope 3, CO_2 emissions for the relevant categories are calculated. K Line discloses CO_2 emissions and GHG emissions intensity of production. Target setting is based on emission intensity through 2030 and on a total volume basis in 2050.

d) Science-based targets are GHG reduction targets required for achieving the goals of the Paris Agreement and **should** be set while taking into account differences in regional characteristics and industries. In so doing, it is **possible** to refer to the following trajectories. - Scenarios widely recognized in the international community (Examples include the Sustainable Development Scenario (SDS) outlined by the International Energy Agency (IEA)) - Objectives verified under the Science Based Targets Initiative (SBTi) and such like - Nationally Determined Contributions (NDC) of countries aligned with the goals of the Paris Agreement, roadmaps by industry sector, industries set out plans that are science-based achieving the Paris Agreement and so on.
Consistency: ✓ K Line referred to all of the above in its target setting. - Internationally recognized scenarios IMO's GHG reduction strategy - SBTi Establishment of current medium and long-term goals on the assumption that

certification will be obtained in the future - Roadmap and green growth strategy outlined in Zero Emission from International Shipping Project established by the Ministry of Land, Infrastructure, Transport and Tourism

e) Short- to mid-term targets (with a term of three to fifteen years) **should** be set by referencing the aforesaid trajectories or on the pathway toward the long-term targets planned as benchmarks.
Consistency: ✓ K Line, considering the roadmap to the implementation of next-generation fuels, kites, and on-board CO_2 capture, examines GHG reduction paths, and discloses them in "K" LINE Environmental Vision 2050, Rolling Plan, etc.

f) In doing so, since short- to mid-term targets will likely be set in consideration of various factors (including the starting point and track records of the issuer, timing of capital investments, economic rationality, cost-benefit analysis, and availability of technology necessary to achieve the targets), it is **possible** that the pathway may not necessarily be linear with the same slope at all times but may be nonlinear.
Consistency: ✓ The progress of K-Line's goals is planned to be reduced linearly at the present stage.

g) The fundraiser **should** disclose the short- to mid-term and long-term targets they have set, including the base years etc.
Consistency: ✓ K Line has set the mid-to long-term goals set forth in the "K" LINE Environmental Vision 2050 as the base year for fiscal 2008, and the target for SBT-certification is fiscal 2011 as the base year. The Company also discloses this information on its website and so on.

h) In order to show that long-term targets are science-based, disclosures **should** explain the methodology or trajectory used to define target, including the underlying reasons (e.g., characteristics specific to a region or industry). In particular, when reference is made to plans and industry roadmaps established by an industry, etc., the explanation **should** include that they are grounded in scientific basis.
Consistency: ✓ The references described in 3-d) are included in the "K" LINE Environmental Vision 2050.

i) It is **possible** that disclosures explain the pathway toward a long-term target and the alignment

between the short- to mid-term targets on the pathway and the transition strategy, based on the investment plan (refer to Element 4) and other plans.
Consistency: ✓ The investment plan is disclosed in the Rolling Plan of the Medium-Term Management Plan.

j) Concerning targets and trajectories, obtaining expert reviews on the following is **considered** to be particularly useful: - Whether the long-term target is aligned with science-based targets -> Whether the disclosed information explains the alignment with the Paris Agreement - Whether the short- to mid-term targets are determined using a GHG emissions forecast calculated based on a climate change scenario analysis -> Whether scenarios, etc. widely recognized in the international community are used or referenced - Whether the actual values of the indicators used for the targets are quantitatively measured using consistent measurement methods -> Whether a specific GHG emissions reduction measure has been developed to achieve short- to mid-term targets aligned with long-term goals
Consistency: ✓ JCR has reviewed all of the above items to be met.

Element 4: Implementation Transparency

a) In implementing transition strategies, the fundraiser **should** provide transparency of the basic investment plan to the extent practicable.
Consistency: ✓ The Rolling Plan announced to invest in low-/de-carbonization from 2022 through 2026. In addition, major milestones through 2035 were also announced.

b) The investment plan includes not only capital expenditure (Capex) but also capital and operational expenditure (Opex). Therefore, costs related to research and development, M&A, and dismantling and removal of facilities are also subject to the investment plan. In other words, it is **recommended** that the investment plan incorporate, to the extent possible, expenditure and investment necessary for implementing the transition strategy.
Consistency: ✓ The investment plan includes not only capital investment but also research and development expenses, etc. ICP setting for investment promotes low-carbonization investment.

c) It is **recommended** that the investment plan outline the assumed climate-related outcomes and impacts in a quantitative fashion where possible, along with the calculation methods and prerequisites. If quantification is difficult, the use of external certification systems **can** be considered as a substitute for qualitative assessment.
Consistency: ✓ The expected outcomes and impacts of investments are shown in the "K" LINE Environmental Vision 2050. In addition, a series of investment plans are all positioned as measures that contribute to the achievement of medium and long-term goals, and the calculation method and preconditions for such goals are disclosed in the Vision.

d) In particular, when outlining the assumed climate-related outcomes and impacts, it is **recommended** that the disclosure include not only GHG emission reduction and other initiatives to ease climate change but also report how consideration of a "just transition" is incorporated into the transition strategy.
Consistency: Not applicable The transition strategy implementation by K Line does not require consideration for a just transition.

e) If implementing the transition strategy has the potential of having a negative impact on employment or the environment and communities other than climate change, it is **recommended** that any expenditures to mitigate such negative impacts be added to the plan.
Consistency: ✓ The implementation of K Line's transition strategy has no negative impact on employment or other social aspects. In terms of the environment, appropriate measures have been taken, such as the prevention of marine pollution.

f) Moreover, the outcomes arising from investments included in the investment plan **should** align with the targets.
Consistency: ✓ All of the results of K Line's investment plan are positioned as efforts that ultimately contribute to the goal of decarbonization, and results and targets are consistent each other.

g) Transition finance is a means to financially support the implementation of a transition strategy, and it is **recommended** that financing be provided for new initiatives. However, in the case of transition finance in the format of Use of Proceeds instruments, refinancing for a reasonably

set lookback period (the period during which refinancing is to be applied for projects that have already started) is **considered** to be eligible.
Consistency: Not applicable The purpose of the Finance is unspecified.

h) It is **recommended** that investment plans be disclosed by linking the outcomes and impacts with the expenditures to the extent practicable.
Consistency: Amounts, results and impacts of investments under the Finance are disclosed in the framework in conjunction with each other. For the entire transition strategy, each investment target and the total investment amount are disclosed, but it is difficult at this point to link the results and impact individually, and therefore it is not disclosed. In the future, it is assumed that specific individual plans will be disclosed as soon as they are finalized.

i) It is **recommended** that the fundraiser, after securing financing, reports any deviations between the initial plan and the actual expenditure, outcomes and impacts. For any deviations, it is **recommended** that the underlying reasons be explained.
Consistency: ✓ Differences between the initial plan and actual expenditures, results, and impact of the Finance will be disclosed in impact reporting, which is scheduled to be implemented on a regular basis after loan execution.

j) In cases where the Use of Proceeds bonds include refinancing, the fundraiser **should** provide an explanation on the lookback period set under the framework or other relevant methods along with the underlying reasons and factors.
Consistency: Not applicable The purpose of the Finance is unspecified.

k) While there are differences in business practices, such as the fact that loans are traditionally made based on the bilateral relationship between a borrower and a lender, it is **recommended** that disclosure on the above be made to the extent possible in order to ensure transparency and credibility of transition finance. However, if it is difficult to disclose such information to the public from the standpoint of confidentiality and competition, it is **possible** to report such information only to lenders or external evaluation organizations without disclosing it to the public.
Consistency: ✓

The Finance is a loan, but the progress of the transition strategy is generally scheduled to be disclosed.

l) Similarly, in cases where the fundraiser is a small-to-medium-sized enterprise and it is difficult to disclose to the public the same content as that reported to the financier or an external evaluation institution, it is **possible** for the fundraiser to simplify the content of disclosure, for example, by limiting disclosure to a summary of h) to j) of this section.
Consistency: Not applicable K Line is not a small or medium-sized enterprise, and therefore is not subject to this conformity confirmation.