26th January, 2024

Nippon Yusen Kabushiki Kaisha
Green/Transition Finance Framework

1. Introduction

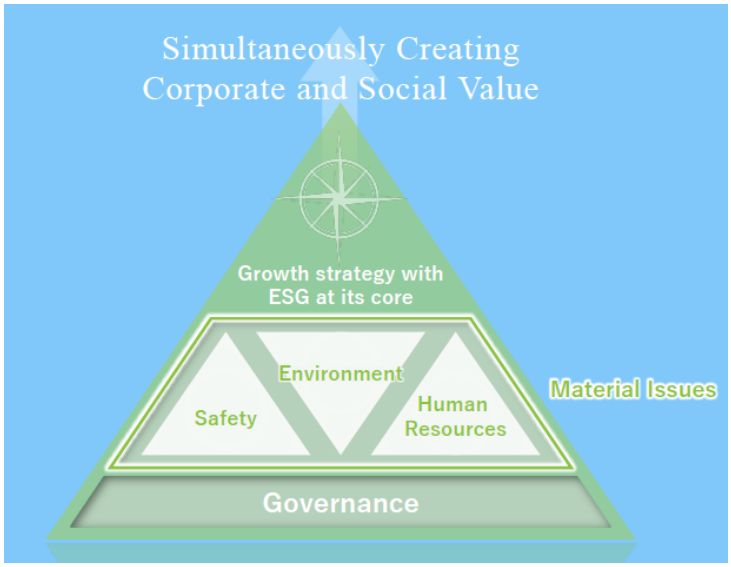
Nippon Yusen Kabushiki Kaisha (hereinafter, "our company" or "NYK") developed its Green/Transition Bond Framework in 2021. The framework has now been revised and renamed as the Green/Transition Finance Framework (hereinafter, “this framework”) to include loans as an additional financing source. NYK has obtained a second-party opinion from DNV Business Assurance Japan K.K. as an independent external reviewer confirming that this framework is aligned with Green Bond Principles 2021 (ICMA), Green Bond Guidelines 2022 (Ministry of the Environment, Japan), Green Loan Principles 2023 (LMA), Green Loan Guidelines 2022 (Ministry of the Environment, Japan), Climate Transition Finance Handbook 2023 (ICMA), and Basic Guidelines on Climate Transition Finance (May 2021) (Financial Services Agency, Japan; Ministry of Economy, Trade and Industry, Japan; and Ministry of the Environment, Japan). NYK will issue green/transition bonds and raise funds through green/transition loans under this framework.

2.1 NYK Group ESG Management

The NYK Group’s vision is to “go beyond the scope of a comprehensive global logistics enterprise to co-create value required for the future by advancing our core business and growing new ones.” In February 2021, we issued the "NYK Group ESG Story," and annual updated versions have since followed — “NYK Group ESG Story 2022” in March 2022 and “NYK Group ESG Story 2023” in November 2023. We aim to create corporate and social value by maximizing earnings and pursuing sustainability simultaneously.

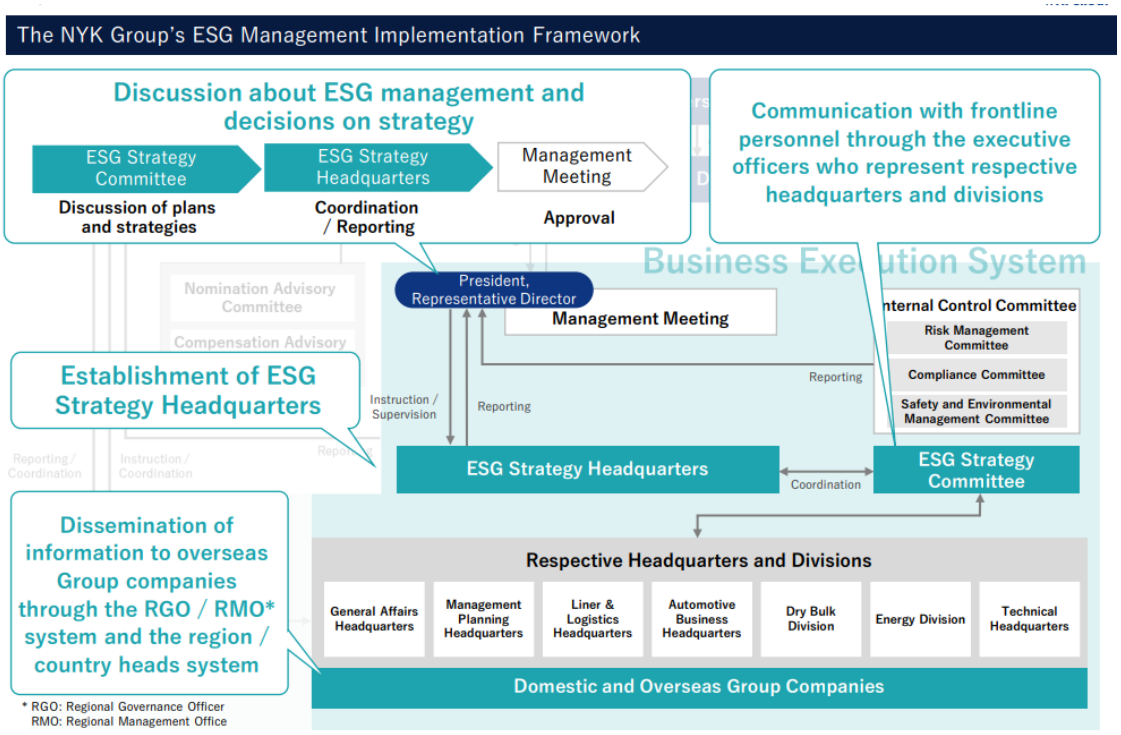
2.2 Material Issues

As a growth strategy with ESG as its core, we have positioned (1) Safety, (2) Environment, and (3) Human Resources as three material issues.



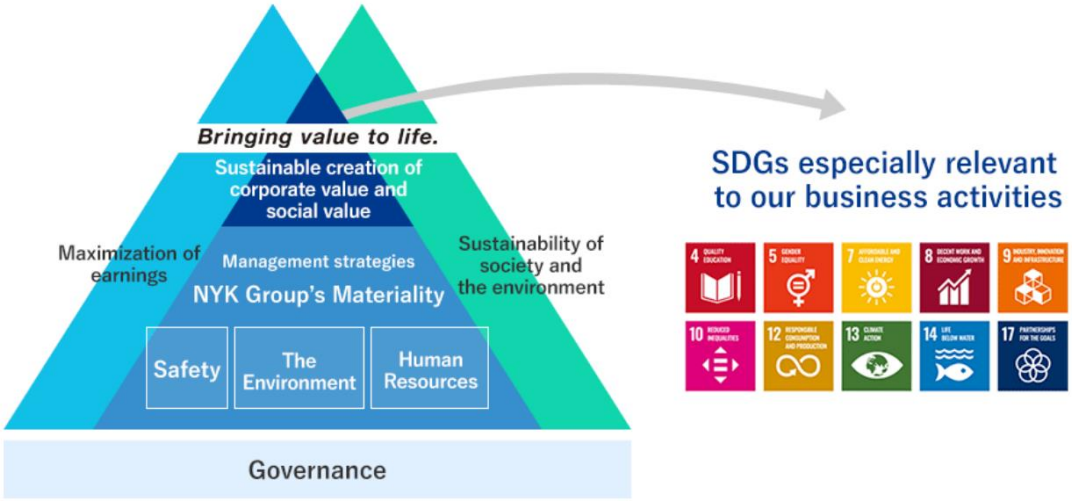
2.3 Establishing Support Systems for ESG Management

Comprising the ESG Management Group and the Decarbonization Group, the ESG Strategy Headquarters was established in April 2023. The headquarters acts as the engine for implementing ESG management, which is at the core of the growth strategy in the medium-term management plan. With regulations regarding the reduction of greenhouse gas (GHG) emissions tightening and calls for the disclosure of non-financial information increasing, the issues concerning ESG matters are diversifying and closely linked to companies' long-term strategies. The two groups involve a wide range of concerned parties and work toward implementing ESG management for the NYK Group globally. In addition, the ESG Strategy Committee meets monthly, and the company's Management Meeting discusses ESG management and strategies and makes decisions.



3. Materiality and SDGs

The NYK Group pursues the creation of social value and corporate value by ensuring and enhancing safety, the environment, and human resources, which are material issues, while also contributing to achieving the SDGs.



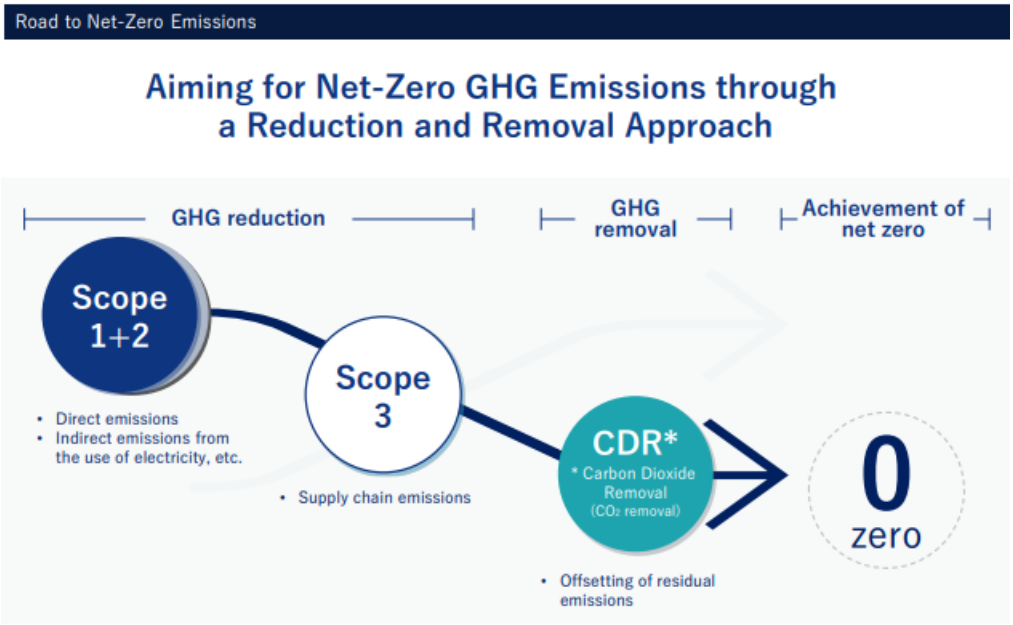
4.1 The NYK Group's Absolute Corporate Emissions Targets

To promote the reduction of greenhouse gas (GHG) emissions, we have built a framework for climate change response management. We employ a wide variety of methods and systems to advance in-house measures focused on the climate change issue. For example, the Board of Directors supervises GHG emission reduction activities, while the Risk Management Committee identifies climate change-related risks and monitors the progress of countermeasures. Other initiatives under the framework include our introduction of internal carbon pricing and the further promotion of green finance—a field where we have been playing a progressive role. Further, based on an awareness of the disclosure methods of the Task Force on Climate-related Financial Disclosures (TCFD) and with a view to responding to changes that may arise from future scenarios, such as the effects of climate change on businesses, we have introduced a new management method that involves making observations of key fixed points, which act as benchmarks that show how trends and scenarios are emerging.

The NYK Group's absolute corporate emissions targets (baseline: 2021) are below.

In "NYK Group ESG Story 2023," we have established a new decarbonization target: the total amount of fiscal 2030 emissions from Scope 1 (direct GHG emissions) and Scope 2 (indirect GHG emissions such as the use of electricity) should be 45% less than the amount recorded in fiscal 2021. In addition, as a long-term target, the total amount of fiscal 2050 emissions, including Scope 3 (emissions in the

supply chain), should be net zero. We will adopt two approaches to achieve these targets: GHG reduction and GHG removal.



The following is an image of the contribution of each technology to the realization of net zero, as currently envisioned.

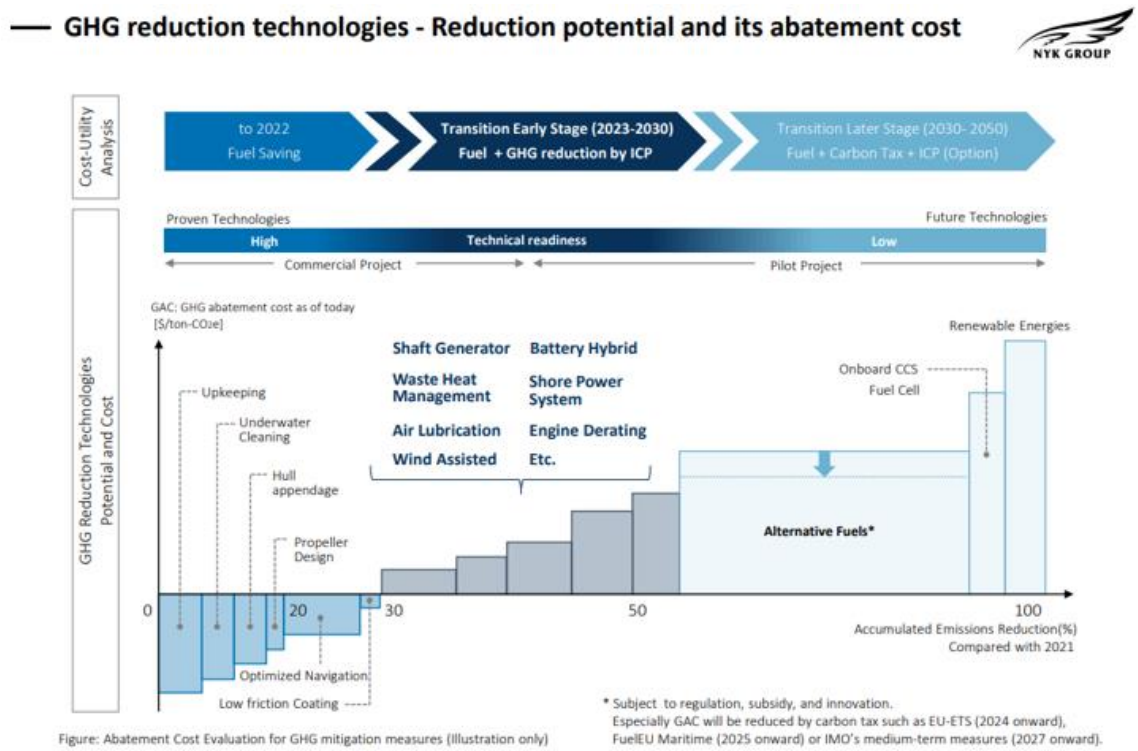
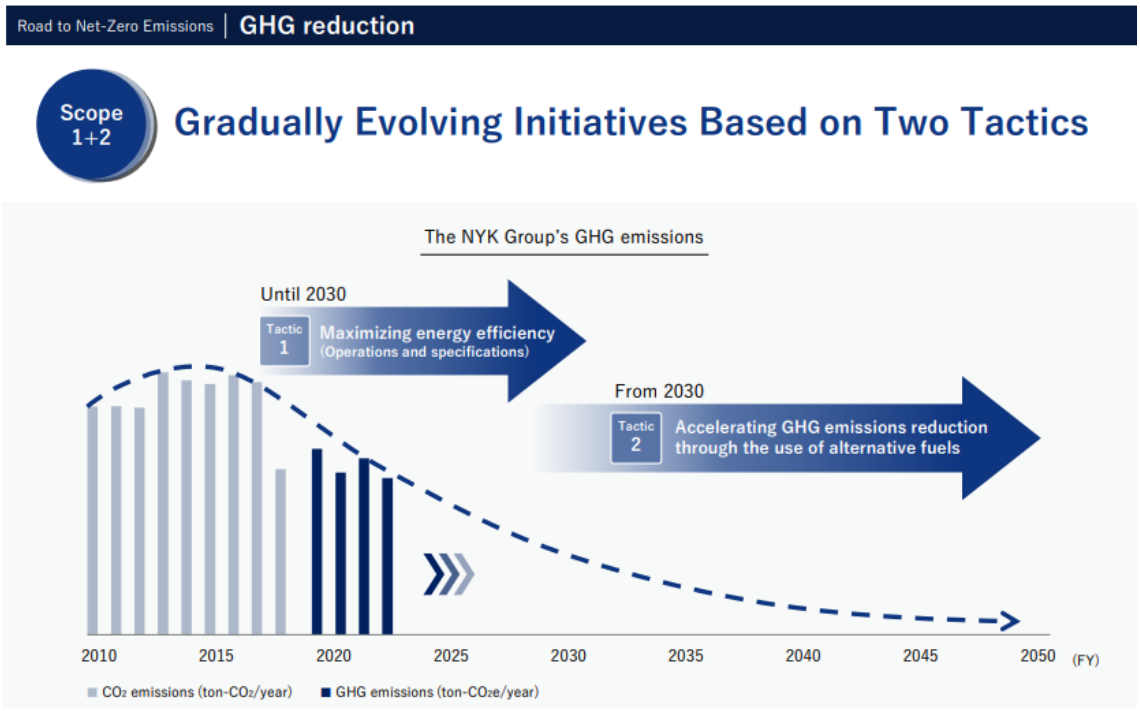
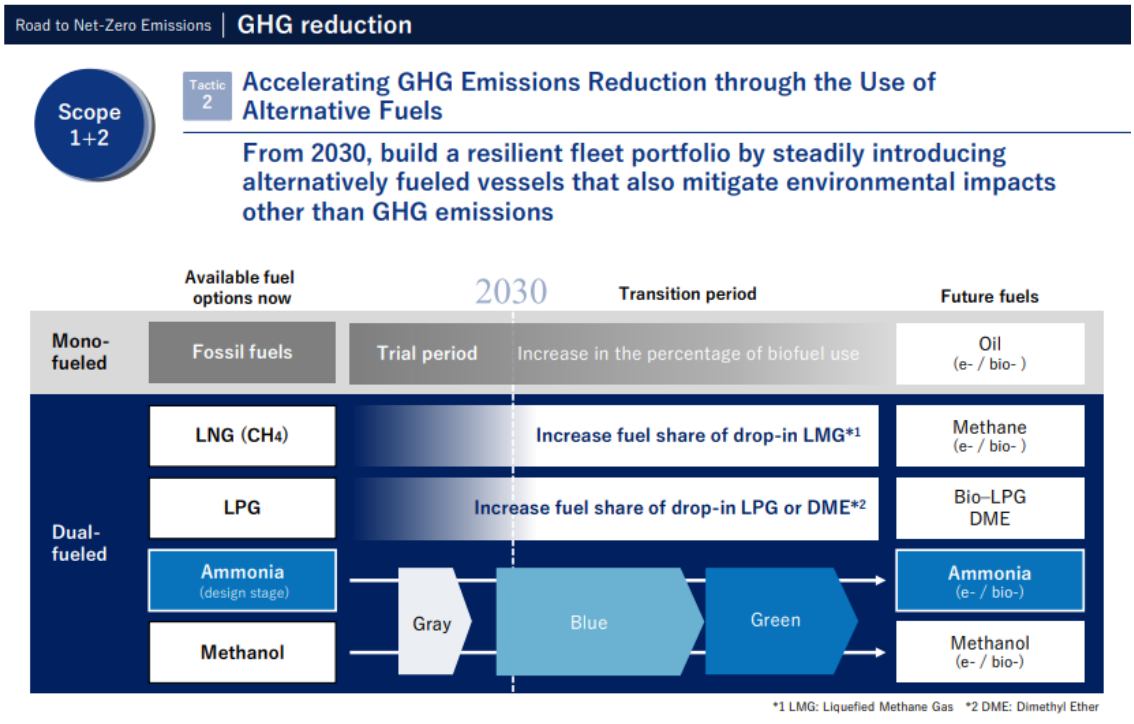


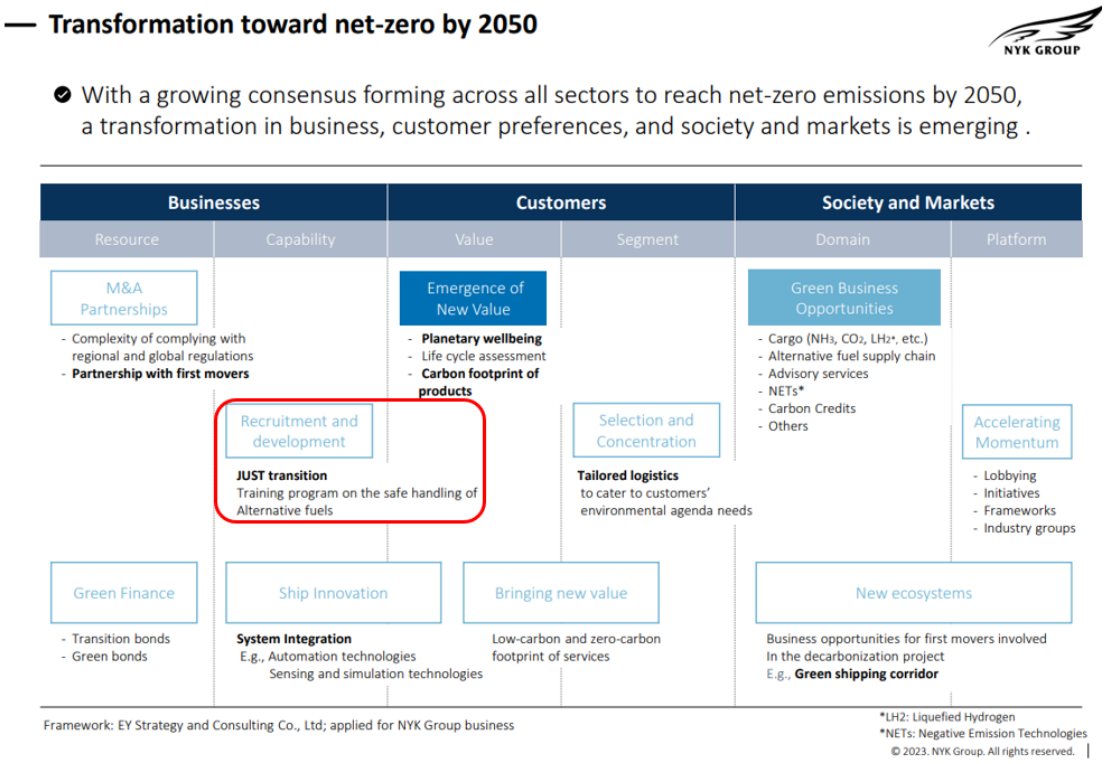
Figure: Abatement Cost Evaluation for GHG mitigation measures (Illustration only)

We aim to reduce GHG emissions from our existing fleet by improving day-to-day operations and energy efficiency through 2030. From 2030, we will build a resilient fleet portfolio by steadily introducing alternatively fueled vessels that also mitigate environmental impacts other than GHG emissions.



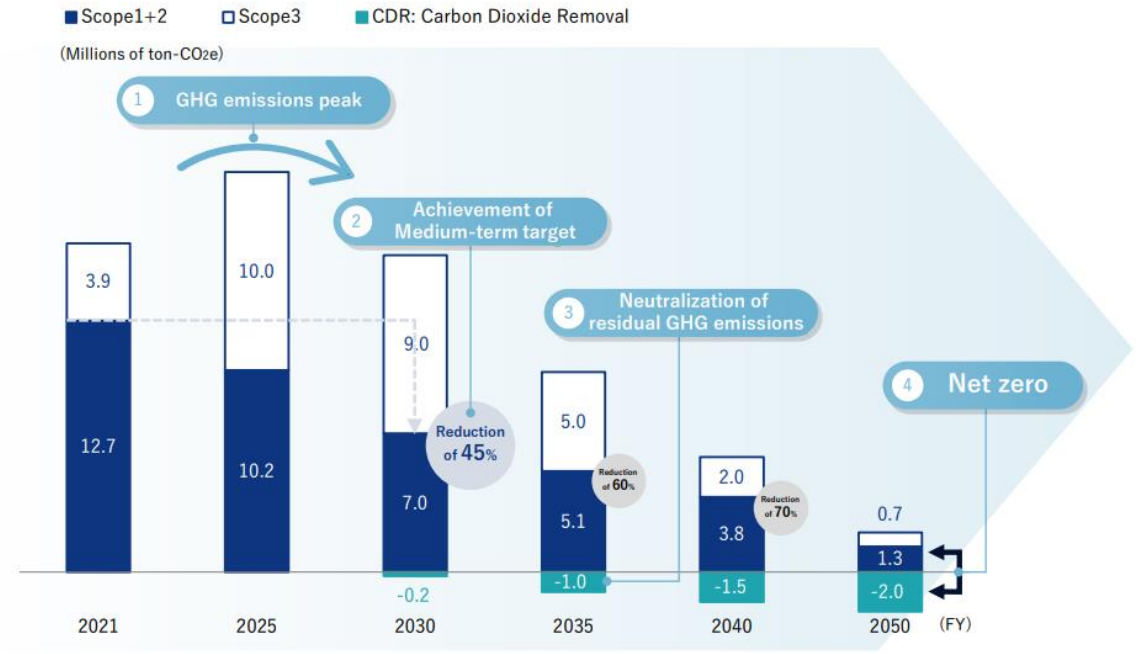


When introducing alternative fuels, we will work to establish safety and realize an equitable transition.



After 2030, we will also work on GHG removal through investment in a forestry fund and other means to cover residual GHG emissions that are difficult to transition to zero emissions.

Scenario for Achieving Net Zero



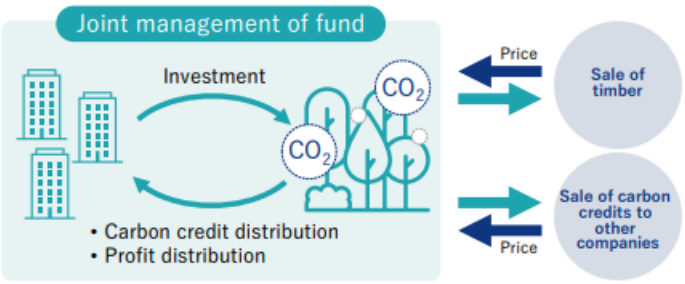
GHG removal

CDR

Utilization of NETs

Covering residual GHG emissions that are difficult to transition to zero emissions

■ **Joint investment in a forestry fund formed by Sumitomo Forestry Group**

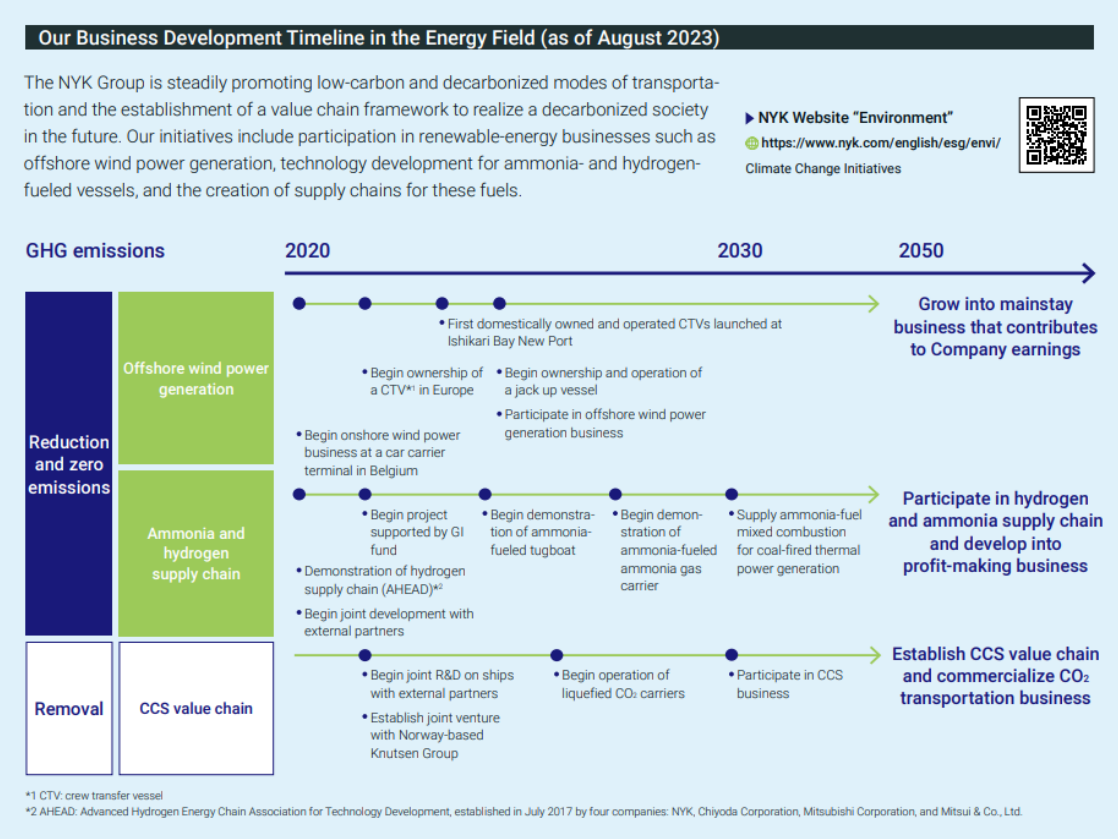


■ **Growth investments in climate technology-related start-ups through the Marunouchi Climate Tech Growth Fund**

NYK GREEN EARTH

4.2 Taking On Ambitious New Businesses in the Energy Field

By leveraging expertise and technological competence accumulated over many years and its global network, the NYK Group is tackling ambitious projects in the renewable energy field with the aim of creating a new core business. Another promising way of providing an alternative to fossil fuels and helping reduce GHG emissions is to build a global hydrogen and ammonia supply chain. With this in mind, we will participate in R&D on the transportation of hydrogen and ammonia and move forward with the development of value chains for new energy.



4.3 Participation in External Initiatives

Under our mission of "Bringing value to life," we are proactively taking part in international initiatives for contributing to the realization of a sustainable society.

Major Initiatives in Which the Group Participates

Initiative/Organization Name	Theme	From
Mærsk Mc-Kinney Møller Center for Zero Carbon Shipping	Climate Change/Decarbonization	July 2020
Ship Recycling Transparency Initiative (SRTI)	Maritime	May 2021
Japan Climate Initiative	Climate Change/Decarbonization	Sept 2018
Challenge Zero	Climate Change/Decarbonization	Mar 2020

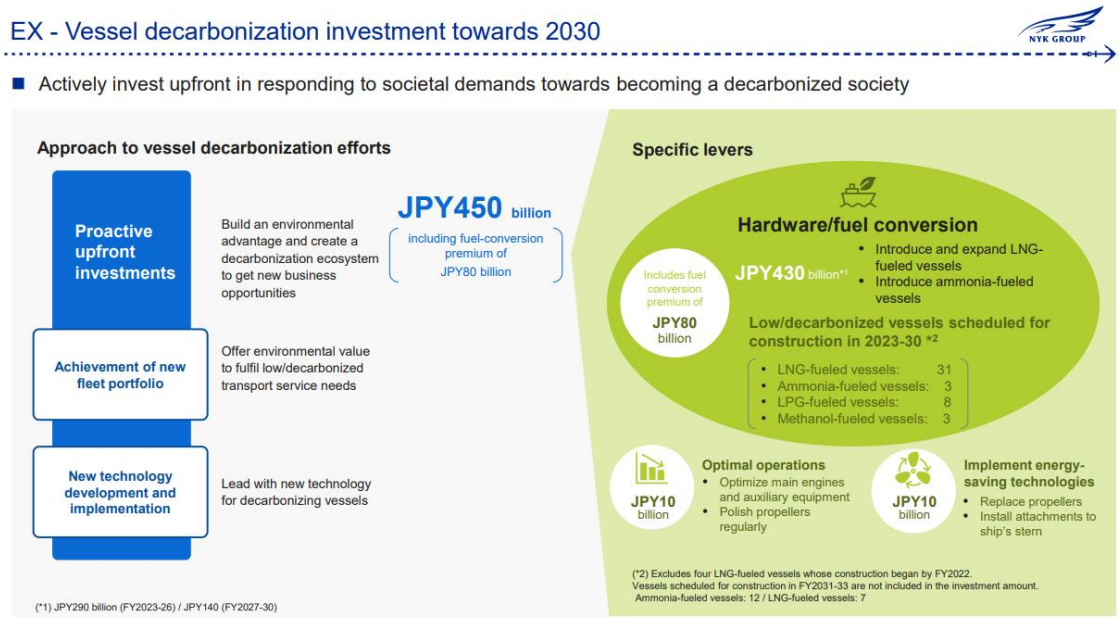
Science Based Targets Initiatives (SBTi)	Climate Change/Decarbonization	June 2018
Task Force on Climate-related Financial Disclosures (TCFD)	Climate Change/Decarbonization	May 2019
International Shipping GHG Zero Emission Project	Climate Change/Decarbonization	Aug 2018
Getting to Zero Coalition	Climate Change/Decarbonization	Oct 2019
Global CCS Institute	Climate Change/Decarbonization	July 2021
Hydrogen Council	Hydrogen	July 2020
Japan Hydrogen Association (JH2A)	Hydrogen	Dec 2020
Clean Fuel Ammonia Association	Ammonia	Apr 2019
WBCSD (World Business Council for Sustainable Development)	Sustainability	Apr 2023
Global Maritime Forum	Maritime	Aug 2022
Sustainable Ocean Principles	Maritime	June 2022
GX League	Climate Change/Decarbonization	May 2023
GCMD (Global Centre for Maritime Decarbonisation)	Climate Change/Decarbonization	July 2023

4.4 Rationale for Green/Transition Finance

Our transition targets incorporate the GHG reduction targets of the IMO and the "Roadmap to Zero Emission from International Shipping" developed by Japan's Ministry of Land, Infrastructure, Transport and Tourism. Our targets also contribute to the achievement of the Paris Agreement. We have set green/transition finance as an initiative to accomplish our transition strategy. In addition, we also consider issuance to be an opportunity to inform various stakeholders of the NYK Group's initiatives. Our long-term strategy will be reviewed if policy assumptions change.

4.5 Rationale for Green/Transition Finance

The NYK Group plans to invest 450 billion yen by 2030 toward decarbonization, as announced in the medium-term management plan released in March 2023.



4.6 Corresponding Sections to the Four Disclosure Elements of the ICMA Climate Transition Handbook

We intend to have our transition bond issuance aligned with Climate Transition Finance Handbook 2023 (ICMA) and Basic Guidelines on Climate Transition Finance (May 2021) issued by Japan's Financial Services Agency, the Ministry of Economy, Trade and Industry, and the Ministry of the Environment. The four disclosure elements and the corresponding sections are as follows:

Disclosure elements	Sections
1. Climate Transition Strategy and Governance	2.1/2.2/2.3/3/4.1/4.2/4.3/4.4/5.1/7
2. Business Model Environmental Materiality	2.2/4.2/4.3/5.1
3. Climate Transition Strategy to be Science-based, Including Targets and Pathways	4.1/4.2/4.3/4.4/5.1
4. Disclosures	4.2/4.5/5.1/6

5. Green/Transition Finance Framework

5.1 Use of Proceeds

NYK plans to allocate the proceeds from green/transition finance to new and existing investments related to eligible projects that meet the following criteria. In the case of existing investments, allocation is limited to expenditures made within three years before the issuance of the green/transition bond.

Under this framework, NYK can issue the below types of finance.

1. Green Bonds/Loans – for which the funds raised are exclusively allocated to green project categories
2. Transition Bonds/Loans – for which the funds raised are exclusively allocated to green project categories and transition project categories

Green Projects (environmental objectives of the GBP: Climate change mitigation)

Category	Business/Project	GBP Project Categories	Consistency with SDGs
Renewable Energy	Expenditure for offshore wind support vessel, self-elevating platform (SEP) vessel, and crew transport vessel (CTV). (Capital investment, R&D funds, business development and operation funds, working capital, etc.)	Renewable Energy	7. Affordable and clean energy 8. Decent work and economic growth 9. Industry, innovation and infrastructure 12. Responsible consumption and production 13. Climate action 17. Partnerships for the goals
	Expenditure for new construction and expansion of green terminals. (Capital investment, R&D funds, business development and operation funds, working capital, etc.)		

Ammonia-fueled vessel	Expenditure for ammonia-fueled ammonia gas carrier and tugboat. (Capital investment, R&D funds, business development and operation funds, working capital, etc.)		
Hydrogen-fueled vessel	Expenditure for vessel equipped with high-power hydrogen fuel cells. (Capital investment, R&D funds, business development and operation funds, working capital, etc.)		

Transition Projects

Category	Business/Project	Consistency with SDGs
LNG-fueled vessel	Expenditure for LNG-fueled vessels. (Capital investment, R&D funds, business development and operation funds, working capital, etc.)	7. Affordable and clean energy 8. Decent work and economic growth 9. Industry, innovation and infrastructure 12. Responsible consumption and production 13. Climate action 17. Partnerships for the goals
LNG-bunkering vessel	Expenditure for LNG-bunkering vessels. (Capital investment, R&D funds, business development and operation funds, working capital, etc.)	
LPG-fueled vessel	Expenditure for LPG-fueled vessels. (Capital investment, R&D funds, business development and operation funds, working capital, etc.)	
Operation efficiency & optimization	Expenditure for technology development that contributes to operational efficiency and optimization. (Capital investment, R&D funds, business development and operation funds, working capital, etc.)	

5.2 Exclusion Criteria

The proceeds from green/transition finance will not be allocated to projects related to the following:

- Unfair transactions that do not comply with the laws and regulations of the country, such as transactions involving bribery, corruption, blackmail, embezzlement, etc.
- Transactions that can cause social problems related to human rights and the environment

5.3 Process for project evaluation and selection

NYK's Finance Group will select potential eligible projects, and the CFO will approve such selections. Eligibility assessments are done in a comprehensive manner to examine financial, technical and operational, market, and ESG-related risk points of view. In addition, in the operation and

implementation of the project, NYK has each related department work on conservation of the surrounding environment, which the company regularly monitors through a PDCA cycle.

5.4 Management of Proceeds

NYK's Finance Group will manage the allocation status of the proceeds annually using the internal management system until the full amount of the proceeds from the issuance of green/transition finance is allocated. The proceeds will be allocated to eligible projects within two years from issuance and will be managed in cash or cash equivalents until the full amount of the proceeds from the green/transition finance is allocated.

6. Reporting

6.1 Report of Allocation Status of Proceeds

NYK will publish the allocation status on the company's website annually until the proceeds are fully allocated to projects that meet the eligible criteria. (For loans, reporting will be done at the lender's request.) The content of the disclosure will include the amount of funds allocated to each project category, the amount of unallocated funds, and the amount of funds that have been allocated to refinance the expenditures. In the event of a significant change in the allocation of funds raised, we will disclose it in a timely manner.

6.2 Impact Reporting

NYK will report the following indicators and project outlines on our website to the extent practically possible until the proceeds from the finance are fully allocated. (For loans, reporting will be done at the lender's request.)

Category	Business/Project	Reporting Item
Renewable Energy	Expenditure for offshore wind support vessel, self-elevating platform (SEP) vessel, and crew transport vessel (CTV). (Capital investment, R&D funds, business development and operation funds, working capital, etc.)	・Number of the vessels invested in ・Major specifications ・Location, amount and capacity (kW) of introduced offshore wind power generation
	Expenditure for new construction and expansion of green terminals. (Capital investment, R&D funds, business development and operation funds, working capital, etc.)	・Amount and capacity (kW) of introduced wind power generation ・Capacity of solar PVs (kW)
Ammonia-fueled vessel	Expenditure for ammonia-fueled ammonia gas carrier and tugboat. (Capital investment, R&D funds, business development and operation funds, working capital, etc.)	・Number of the vessels invested in ・Major specifications

Hydrogen-fueled vessel	Expenditure for the vessel equipped with high-power hydrogen fuel cells. (Capital investment, R&D funds, business development and operation funds, working capital, etc.)	・ Number of the vessels invested in ・ Major specifications
LNG-fueled vessel	Expenditure for LNG-fueled vessels. (Capital investment, R&D funds, business development and operation funds, working capital, etc.)	・ Number of the vessels invested in ・ Major specifications ・ GHG emissions (mt/ship/year) ・ GHG ・ CO2 ・ SOx ・ NOx emission reduction amount or ratio compared to conventional vessel
LNG-bunkering vessel	Expenditure for LNG-bunkering vessels. (Capital investment, R&D funds, business development and operation funds, working capital, etc.)	・ Number of the vessels invested in ・ Major specifications ・ GHG emissions (mt/ship/year) ・ GHG ・ CO2 ・ SOx ・ NOx emission reduction amount or ratio compared to conventional vessel
LPG-fueled vessel	Expenditure for LPG-fueled vessels. (Capital investment, R&D funds, business development and operation funds, working capital, etc.)	・ Number of the vessels invested in ・ Major specifications ・ GHG emissions (mt/ship/year) ・ GHG ・CO2 ・ SOx emission reduction amount or ratio compared to a conventional vessel
Operation efficiency & optimization	Expenditure for technology development that contributes to operational efficiency and optimization. (Capital investment, R&D funds, business development and operation funds, working capital, etc.)	・ GHG / CO2 / SOx / NOx emission reductions or ratios before and after the introduction of equipment or systems compared to standard operations

※All of the reporting items will be disclosed.

7. External Review

7.1 Second Party Opinion

NYK has obtained a second-party opinion from DNV Business Assurance Japan K.K.. as an independent external reviewer that this framework is aligned with Green Bond Principles 2021 (ICMA), Green Bond Guidelines 2022 (Ministry of the Environment, Japan), Green Loan Principles 2023 (LMA), Green Loan Guidelines 2022 (Ministry of the Environment, Japan), Climate Transition Finance Handbook 2023 (ICMA), and Basic Guidelines on Climate Transition Finance (May 2021) (Financial Services Agency, Japan; Ministry of Economy, Trade and Industry, Japan; and Ministry of the Environment, Japan).

7.2 Annual Review

Within one year from the date of issuance of the green/transition bond, NYK will obtain a review from DNV Business Assurance Japan K.K. as an independent external reviewer to evaluate whether eligible projects are aligned with this green/transition bond framework. This review will be conducted annually until the proceeds from the bond are fully allocated. For loans, review will be done at the lender's request.)