ACEF 2024 DEEP DIVE SESSION

Kawasaki Transition Finance

Jun. 5th, 2024

Kawasaki Heavy Industries, Ltd.

Takeshi Numa
Manage, Finance

Powering your potential
Section 1
Transition Strategy
Group Vision and Social Issues Resolution

There are various social issues in the world.

- **remote society**
- Population, declining birthrate and aging population
- Pandemic and natural disasters
- Global environment
- Energy

A Safe and Secure Remotely-connected Society
Proposing fundamental change from the traditional way of working and living through actual work using robots and remote control

Near-Future Mobility
Combine robotics technology and the excellent runnability of fourwheeled utility vehicles to develop a delivery robot that achieves innovation in last-mile logistics

Energy and environmental solutions
Securing the technology necessary for the entire supply chain (for production, transportation, storage and utilization) ahead of the rest of the world, to realize a society that utilizes hydrogen, the ultimate clean energy that emits no carbon dioxide when used

Kawasaki, working as one for the good of the planet
Kawasaki Transition Strategy

Shift to hydrogen power

Electrification and green power grids

Building a hydrogen supply grid

Shift to hydrogen and electric power, mainly in mobility

Expanding hydrogen use

Saving energy and improving efficiency
- Replacement with high-efficiency equipment
- Using cogeneration thermal power

2022

CO₂ separation and capture
- Kawasaki CO₂ Capture (KCC)

2030

Adoption of smart technologies
- Demand management using DX
- High-efficiency operations via energy management systems

Direct air capture (DAC)

CO₂ utilization
- Synthetic fuels
- Chemical products

2050

CCUS / alternative fuels
Section 2
Transition Technologies and Superiority
### Road Map of Hydrogen Gas Turbine / Gas Engine Development

#### Hydrogen strategy in Japan

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<tr>
<th>Hydrogen Combustor</th>
<th>2020</th>
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**Current DLE Combustor**

**Current Gas Engine**

**Diffusion Combustor**

**MM Combustor / Hydrogen 100%**

**New Concept of Combustion/Hydrogen 100% or Hydrogen 0~100%**

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**"Large-Scale Hydrogen Supply Chain Construction" Project by GI Funds: Promoting Social Implementation of Hydrogen Power Generation**

- PUC 17, world’s first hydrogen cogeneration system (completion: 2018)

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Technology development and demonstration of a system to use "Power", "Hydrogen" and "Heat" efficiently at the regional level were carried out using a 1 MW class gas turbine power generation facility fueled by hydrogen and natural gas.

FY 2017 & 2018: Demonstration tests of hydrogen gas turbine equipped with diffusion combustors that can handle 100% natural gas / 100% hydrogen / mixture of natural gas and hydrogen (0 ~ 100%). NOx amount conformed to meet the air pollution control law regulation value of 70 ppm or less (16% O2 equivalent).

FY 2019 & 2020: Development and demonstration of hydrogen gas turbine using DLE combustor, that can enable 100% hydrogen. NOx amount was 70 ppm or less (16% O2 equivalent), which is the same as that of a diffusion combustor.

Business Structure: Kawasaki Heavy Industries, Obayashi Corporation, Kobe city, Kansai Electric Power, Iwatani Corporation, Kenes, Osaka University, Kansai University.
Section 3
Kawasaki Transition Finance
Transition Finance

- Sustainable Finance Master Framework for Trustworthy Solution for the Future (issued in Last Nov.)

This is the world 1\textsuperscript{st} framework for all types of sustainable finance

/ Green / Social / Sustainability / Blue / Transition / Linked
## Summary of the Transition Bond issued in Feb. 2024

<table>
<thead>
<tr>
<th></th>
<th>Kawasaki Heavy Industries, Ltd.</th>
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<td><strong>Company</strong></td>
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<td><strong>Tenor</strong></td>
<td>5 years</td>
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<tr>
<td><strong>Amount</strong></td>
<td>¥10 Billion</td>
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<td><strong>Interest Rate</strong></td>
<td>0.742%</td>
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<td><strong>Date of Issuance</strong></td>
<td>February 29, 2024</td>
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<td><strong>Date of Redemption</strong></td>
<td>February 28, 2029</td>
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<td><strong>Structuring Agent</strong></td>
<td>Mizuho Securities Co., Ltd.</td>
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<td><strong>Purpose for funds</strong></td>
<td>Usage in projects related to clean energy utilization of hydrogen, as well as clean transport and storage of hydrogen</td>
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<td><strong>Framework</strong></td>
<td>Sustainable Finance Master Framework</td>
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<td><strong>Second-party Evaluation</strong></td>
<td>Japan Credit Rating Agency, Ltd.</td>
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Result of Issuing: Realization of CTVaR Premium?

- Generally speaking, CTVaR discounts Corporate Value.
- On the other hand, our transition bond enjoyed the cheaper coupon than the theoretical value.
- For KHI, transition for CN is one of the important business strategies, and this can be regarded as a realization of CTVaR premium.
Section 4
Issues to be addressed
Kawasaki Heavy Industries and Sustainable Finance

Significance of Sustainable Finance

For our company, sustainable finance has three meanings: it serves as a channel for communicating the Group’s vision initiatives and motivates employees who are responsible for these initiatives, in order to continue to be an attractive investment destination for all of us, in addition to responding to current trends. All three are inseparable pieces of sustainable finance in our company.

Keep Us Invested
To remain an attractive investment destination

Heat Us For The Goals
To motivate employees

Inform Us To Stakeholders
To raise awareness of the Group Vision
Sustainable Finance Goals and Progress

**First year of sustainable finance**
Our company issues SDGs bond for the first time in FY 2021, setting sustainable finance procurement ratio as KPI.

**Framework for SLL and PIF**
In fiscal 2022, we created a framework for SLL and PIF that can be executed multiple times with a single SPO.

**Master Framework**
In November 2023, Our company announced Master Framework to Enable All Types of Sustainable Finance.

**Transition Bond**
In February 2024, we issued our first transition bond based on the master framework.
To achieve our goal, especially for Transition

- The top management should continue to regard CN achievement as a major business issue.
- The investors should treat with transition as other green finance.
- Issuers or borrowers should obtain economic benefits from transition finance.

- Setting a goal based on KPI and stabilizing it in management incentives
- Investing continually by utilizing incentives or regulations for transition
- Realizing of economic benefit, such as greenium
New Values

Trustworthy Solutions for the Future

A Safe and Secure Remotely-Connected Society

Cross Over

Energy and Environmental Solutions

“Near-Future” Mobility

Frontier