



August 5, 2021
IINO Kaiun Kaisha, Ltd.

**Declaration of Support for the Recommendations
of the Task Force on Climate-Related Financial Disclosures**

IINO Kaiun Kaisha, Ltd. (IINO) today announced that it has declared its support for the recommendations of the Task Force on Climate-Related Financial Disclosures (hereinafter TCFD Recommendations, see note below), a task force established by the Financial Stability Board (FSB).

In its medium-term management plan “Be Unique and Innovative. : The Next Stage -Towards 2030”, IINO has positioned the impact of climate change as one of its material issues. The Company has set targets for the reduction of greenhouse gas emissions and is implementing sustainability initiatives to help address this issue.

In line with its promotion of sustainability initiatives, IINO made the decision to declare its support for the TCFD Recommendations to bolster its analysis of and response to the business risks and opportunities presented by climate change and to expand its disclosure of relevant information.

Based on the TCFD Recommendations, IINO has identified important risks and opportunities in the shipping industry based on the respective future global scenarios assumed in the “2°C Scenario” and the “4°C Scenario”. Please refer to the attached material for further details.

With the transition to a carbon-free society expected to reduce demand for marine transportation of fossil fuels, one of the Company’s core cargo categories, IINO will formulate strategies to proactively engage in efforts including transporting clean energy sources that help to reduce environmental impact and investing in ships powered by next-generation fuels.

Meanwhile, IINO’s real estate business is endeavoring to reduce greenhouse gas emissions by purchasing electric power for Company-owned buildings that is certified to be from non-fossil sources, converting to LED lighting, and installing solar panels. IINO will also incrementally disclose the information about the risks and opportunities presented by climate change to the Company’s real estate business.

IINO aims to contribute to realization of the global situation envisioned by the 2°C Scenario.

Assuming climate change will impact its businesses, the Company will reinforce its risk management and integrate appropriate countermeasures into its business strategies.

(Remark) TCFD Recommendations

The Task Force on Climate-related Financial Disclosures (TCFD) was established by the Financial Stability Board at the request of G20 finance ministers and central bank governors. The task force has published recommendations to encourage companies to ascertain and disclose information about the business risks and opportunities presented by climate change.

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<Attached material>

1. Two global scenarios (the 2°C Scenario and 4°C Scenario) and the main risks and opportunities for IINO's shipping business

	2°C Scenario	4°C Scenario
	Scenario in which societal changes caused by transition to carbon-free society impacts business	Scenario in which climate change mitigation measures prove unsuccessful, and continued global warming impacts business
Scenarios developed by external bodies	IEA, World Energy Outlook 2020, Sustainable Development Scenario, etc.	IEA, World Energy Outlook 2020, Stated Policies Scenario, etc.
Assumed global scenarios	<p>Promotion of ambitious policies and environment-related technological innovations to realize sustainable development while holding rise in average temperatures to less than 2°C until the end of this century.</p> <p>【Policies/Regulations】</p> <ul style="list-style-type: none"> • Policies balancing economic growth and climate change countermeasures • Global carbon pricing & rising carbon prices • IMO further strengthens its environmental regulations <p>【Economies/Markets】</p> <ul style="list-style-type: none"> • Advance of modal shift • Advance of shift from fossil fuels to renewable energy • Customers show preference for carbon-free services <p>【Technologies】</p> <ul style="list-style-type: none"> • Widespread use of next-generation ships and fuels 	<p>Countries implement policies aimed at achieving their targets in accordance with the Paris Agreement, but insufficient cooperation, inadequate environmental technology development and energy conversion, etc., result in Earth's average temperature rising about 4°C by the end of this century.</p> <p>【Policies/Regulations】</p> <ul style="list-style-type: none"> • Prioritization by each country of their own economic growth <p>【Economies/Markets】</p> <ul style="list-style-type: none"> • Strong global economic growth • Dependence on fossil fuels, soaring fossil fuel prices <p>【Environments】</p> <ul style="list-style-type: none"> • Intensification of storm & flooding disasters and extreme meteorological phenomena • Acceleration of chronic changes, such as rising sea levels and air and water temperatures
Key risks arising in 2°C & 4°C worlds	<ul style="list-style-type: none"> • Lower sales due to reduced demand for fossil fuels • Higher operating costs due to carbon pricing • Higher ship construction costs due to tighter fuel consumption regulations • Higher fuel costs resulting from compliance with fuel consumption regulations (use of next-generation fuels) 	<ul style="list-style-type: none"> • Increase in fuel costs due to higher crude oil prices • Higher ship operating costs owing to need to alter shipping routes and increased cost of hull and equipment repairs due to damage caused by stormy weather. • Increase in ship repair costs due to rising air and sea temperatures • Lower sales due to decline in agricultural produce yields
Main opportunities arising in +2°C & +4°C worlds	<ul style="list-style-type: none"> • Higher sales thanks to increased demand for clean energy sources (hydrogen, ammonia, biofuels, etc.) • New business generated by need to transport materials related to offshore wind-power generation, and transport CO₂ in connection with CO₂ capture & storage (CCS) activities, etc. • Lower ship operating costs through shifting to low-carbon operations 	<ul style="list-style-type: none"> • Higher sales driven by increased demand for fossil fuels with lower GHG emission factors (LNG, etc.). • Sales increases related to demand for transport of materials for construction of coastal disaster prevention infrastructure necessitated by rising sea levels.

2. IINO Group initiatives responding to risks and opportunities presented by climate change

The IINO Group is undertaking the following initiatives in line with its medium-term management plan “Be Unique and Innovative. : The Next Stage – Towards 2030” (covering the period April 2020 through March 2023).

Medium-term Management Plan “Be Unique and Innovative. : The Next Stage – Towards 2030” Priority Strengthening Measures and Response to ESG and SDGs	IINO’s Efforts since April 2020
<p>1) Promote investment in assets that contribute positively to the environment</p> <p><Shipping></p> <ul style="list-style-type: none"> • Investment in large vessels with fuel efficient engines • Reducing CO₂ emissions as well as improving economic efficiency <p><Real Estate></p> <ul style="list-style-type: none"> • Investment in facilities that can reduce power consumption (such as LED, air conditioning, and solar panels, etc.) <p><Both of Shipping and Real Estate></p> <ul style="list-style-type: none"> • Planning to invest ¥15 billion in green assets during the plan’s three years 	<p><Shipping></p> <p><u>Completed two VLCC*¹ newbuilds (SHOHO MARU & YOHO)</u></p> <ul style="list-style-type: none"> • Both feature electronically controlled main engines designed to reduce fuel consumption • Expecting a nearly 20% reduction in CO₂ emission volume compared to existing VLCCs <p><Real Estate> <u>Purchasing of certified non-fossil electricity*²</u></p> <ul style="list-style-type: none"> • Reducing CO₂ emissions by purchasing certified non-fossil electricity from FY2021 <p><u>Shifted to LED lighting on office floors of Shiodome Shiba-Rikyu Building</u></p> <ul style="list-style-type: none"> • Completed transition to LED lighting, which significantly reduces power consumption <p><u>Decision to introduce solar panels on roof of Iino Building</u></p> <ul style="list-style-type: none"> • To be installed by end of FY2022 <p><u>Procurement of funds for construction of new building emphasized contribution to realizing sustainable society</u></p> <ul style="list-style-type: none"> • Construction cost of Hibiya Fort Tower (a building with exceptional

	environment-friendly features) partly funded by green bonds and loans
2) Strengthening initiatives on next-generation fueled ships <ul style="list-style-type: none"> • Investment in vessels fueled by LNG, LPG, and methanol, etc. • Enhancement of knowhow on operating and managing two-stroke dual-fuel engine vessels 	<u>Order for 2 LPG dual-fueled VLGCs^{*3}, etc.</u> <ul style="list-style-type: none"> • LPG will be used as fuel for the new VLGCs with two-stroke engine • Now gathering navigational/management data from a methanol dual-fuel chemical tanker built in 2019
3) Strengthening initiatives on sustainable cargo <ul style="list-style-type: none"> • Knowhow for cargo operation with a low impact on the environment, such as LNG, and strengthening relationships with shippers 	<u>Continuing efforts to promote LNG tanker projects</u> <ul style="list-style-type: none"> • Considering participating in domestic and overseas projects
4) Measures to reduce greenhouse gas emissions <Shipping> Reduce greenhouse gas emissions to achieve IMO ^{*4} target of 40% reduction by 2030 <ul style="list-style-type: none"> • IINO Group has set emission reduction targets in line with the IMO target <Real Estate> Reduce greenhouse gas emissions to help achieve Japanese government's target of 50% reduction by 2030 <ul style="list-style-type: none"> • IINO Group targets have been revised to match them with government's target^{*5} 	<u>Establishment of a cross-divisional environmental task force</u> <ul style="list-style-type: none"> • Ascertain greenhouse gas emission volume on a regular basis • Oversee efforts to reduce greenhouse gas emissions

*1 Very Large Crude Oil Carrier: 300,000 DWT-class crude oil tankers

*2 Certificates verifying the non-fossil value (NFV) of electricity generated from non-fossil renewable energy sources (solar, wind, biomass, geothermal, etc.)

*3 Very Large Gas Carrier: the largest class of LPG tankers with refrigerated cargo tank volume of 80,000m³

*4 International Maritime Organization

*5 Revised upward from original target of 40% reduction (from 2008 level) by 2030, taking into consideration the government's target

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