

September 27, 2021  
Mizuho Bank, Ltd.

## **Mizuho Bank concludes agreement with Kawasaki Kisen Kaisha for the first transition-linked loan in Japan**

Mizuho Bank, Ltd. (President & CEO: Koji Fujiwara) has arranged the first transition-linked loan in Japan via general syndication, concluding an agreement with Kawasaki Kisen Kaisha, Ltd. (President & CEO: Yukikazu Myochin) today. Mizuho Securities Co., Ltd. (President & CEO: Yoshiro Hamamoto) and Mizuho Bank serve as the transition structuring agents on the loan.

In March 2021, Kawasaki Kisen raised Japan's first transition loan with a specified use of proceeds as part of funding a next-generation environmentally friendly liquefied natural gas (LNG)-fueled car carrier ship. This new transition-linked loan is the second transition loan and will provide working capital without a specified use of proceeds. In terms of scale, this is also one of Japan's largest ESG loans.

Transition-linked loans are a way in which financial institutions aim to support the transition initiatives corporations implement in order to reduce carbon emissions and work toward achieving a low-carbon society. By setting sustainability performance targets (SPTs) aligned with the borrower's transition strategy and linking the targets to interest rate and other terms, the financial institution is able to offer the borrower an incentive to implement its transition strategy and advance society's decarbonization.

Kawasaki Kisen has set forth the "K" Line Environmental Vision 2050<sup>1</sup>, moving ahead of the rest of the industry, and has been endeavoring to transition to low carbon. In the transition-linked loan, it has set three SPTs: (1) a target for overall greenhouse gas emissions, (2) a target for CO<sub>2</sub> emissions per ton-mile, and (3) a third-party evaluation from the Carbon Disclosure Project. It has further linked all of these SPTs in a matrix with interest rate terms, establishing a structure for committing to the implementation of individual transition strategies (a transition-linked finance framework<sup>2</sup>).

Also, in regard to the transition-linked loan and transition-linked finance framework, Kawasaki Kisen has obtained its first third-party evaluation in Japan from the Japan Credit Rating Agency, Ltd.<sup>3</sup> The evaluation affirms compliance with the Basic Guidelines on Climate Transition Finance of Japan's Ministry of Economy, Trade and Industry, Ministry of the Environment, and Financial Services Agency; the Climate Transition Finance Handbook and Sustainability-Linked Bond Principles of the International Capital Markets Association; the Sustainability Linked Loan

Principles of the Loan Market Association; and the Green Loan and Sustainability Linked Loan Guidelines of Japan's Ministry of the Environment.

In addition, the transition-linked loan was selected as a model example by the Ministry of Economy, Trade and Industry in its FY2021 Climate Transition Finance Model Project.<sup>4</sup>

At Mizuho, we are strengthening our initiatives ("Sustainability Action") toward realizing a sustainable society, including responding to climate change and the transition to a low-carbon society. We will draw on our expertise as a financial services group to proactively provide financing support, advice, and solutions for strengthening and shifting clients' businesses toward decarbonization.

#### Loan overview

Borrower: Kawasaki Kisen Kaisha, Ltd.

Arranger: Mizuho Bank, Ltd.

Co-arranger: Development Bank of Japan Inc.; Sumitomo Mitsui Trust Bank, Limited

Lenders: The Bank of Yokohama, Ltd.; The Chugoku Bank, Ltd.; Development Bank of Japan Inc.; The Hachijuni Bank, Ltd.; The Higo Bank, Ltd.; The Hokuriku Bank, Ltd.; The Hyakujushi Bank, Ltd.; Kansai Mirai Bank, Limited; Mizuho Bank, Ltd; Mizuho Trust & Banking Co., Ltd.; The Norinchukin Bank; The Saikyo Bank, Ltd.; The San-In Godo Bank, Ltd.; San ju San Bank, Ltd.; Shinkin Central Bank; Sumitomo Mitsui Trust Bank, Limited; Suruga Bank, Ltd.; The Tochigi Bank, Ltd.; The Yamaguchi Bank, Ltd.; others

Transition structuring agent: Mizuho Securities Co., Ltd.; Mizuho Bank, Ltd.

Loan amount: Approximately JPY 110 billion

Agreement date: September 27, 2021

1. "K" Line Environmental Vision 2050: Securing Blue Seas for Tomorrow

<https://www.kline.co.jp/en/csr/environment/vision.html>

2. Transition-linked finance framework (Japanese text only)

[https://www.kline.co.jp/ja/csr/sustainable\\_finance/main/01/teaserItems1/01/file/Transition%20Linked%20Finance%20Flamework.pdf](https://www.kline.co.jp/ja/csr/sustainable_finance/main/01/teaserItems1/01/file/Transition%20Linked%20Finance%20Flamework.pdf)

3. Japan Credit Rating Agency Website

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

4. Model Quality Examination Committee for the 3<sup>rd</sup> Climate Transition Finance Model Project  
(Japanese text only)

[https://www.meti.go.jp/shingikai/energy\\_environment/climate\\_transition/003.html](https://www.meti.go.jp/shingikai/energy_environment/climate_transition/003.html)