

2023.01.26

Z Holdings Corporation

Z Holdings Signs Sustainability Linked Loan Aimed at Early Achievement of Renewable Energy Target

First in Japan, borrower and financial institutions work together to support efforts to reduce environmental impact through donations

Z Holdings Corporation (hereinafter "ZHD") has today signed an agreement on a syndicated sustainability linked loan (hereinafter "SLL") in the amount of JPY20 billion, which will be executed on January 31, 2023. Based on the achievement level of the sustainability target set in the SLL and the corresponding change in interest rate, the borrower, ZHD, or the financial institutions are scheduled to donate the amount equivalent to the interest rate change to environmental protection organizations, etc.

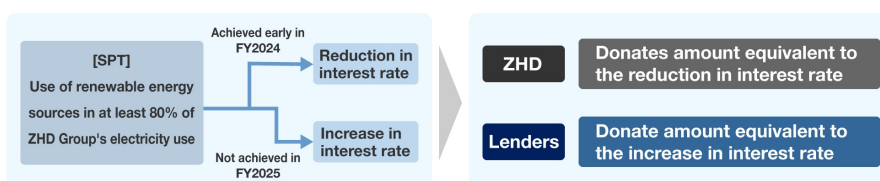
SLLs set sustainability performance targets (hereinafter "SPT") linked with the borrower's ESG strategies. By linking interest rates and other borrowing terms as incentives to achieve the SPTs, SLL aims to promote and support environmentally and socially sustainable economic activities and economic growth.

ZHD announced its "2030 Carbon Neutrality Declaration," a commitment to reduce greenhouse gas emissions from the business activities of the entire ZHD Group to net-zero by FY2030^{*1}. To achieve the declaration's target, first, more than 80% of the electricity used by major ZHD Group companies will be generated from renewable energy sources by around FY2025, and then the remaining electricity used will be converted to 100% renewable energy sources over the following five years. Accordingly, ZHD has set the SPT of this SLL as "Use of renewable energy sources in at least 80% of ZHD Group's electricity use." Specifically, the interest rate will be increased if the actual results in FY2025 do not meet the SPT, and lowered if the actual results in FY2024 meet the SPT early.

To support efforts made by the society to reduce the environmental impacts, both ZHD and the financial institutions plan to respectively make donations from the incentive to environmental protection organizations, etc.; i.e., ZHD will donate the amount equivalent to the reduction in interest rates when the SPT is achieved early, and the financial institutions, the amount equivalent to the increase in interest rate they obtain from ZHD when the SPT is not achieved. In addition to SLL's mechanism in which the interest rate changes, this is the first initiative of its kind in Japan^{*2} in which the borrower or financial institutions will take the initiative to donate the amount of the change in the interest rate. Details of the donation recipients will be determined in the future.

Interest Rate & Donations According to the Achievement of SPT

Donations are scheduled to be made by the beneficiary of the change in the interest rate



The SLL has obtained third-party opinions from Rating and Investment Information, Inc. (R&I)^{*3} for the loan's compliance with the Sustainability Linked Loan Principles published by the Loan Market Association, etc., and the Green Loan and Sustainability Linked Loan Guidelines published by Japan's Ministry of the Environment. R&I's opinions also cover the rationality of the SPT set in the SLL.

Based on its "2030 Carbon Neutrality Declaration," the ZHD Group will promote the introduction of renewable energy throughout the Group. Furthermore, it will contribute to the realization of a sustainable society by promoting carbon neutrality initiatives both within and outside of the ZHD Group.

*1Z Holdings Corporation Announces "2030 Carbon Neutrality Declaration"

<https://www.z-holdings.co.jp/en/news/press-releases/2022/0202/>

*2According to cases announced by Rating and Investment Information, Inc. (R&I).

*3Please refer to the evaluation report by Rating and Investment Information, Inc. (R&I).

<https://www.r-i.co.jp/rating/esg/index.html> (Japanese only)

<Outline of SLL>

Syndicated amount: JPY20 billion

Lenders: Mizuho Bank, Sumitomo Mitsui Banking Corporation, MUFG Bank, Sumitomo Mitsui Trust Bank, Crédit Agricole Corporate and Investment Bank

Application: Business funds

Date of agreement: January 26, 2023

Execution date: January 31, 2023

Period: Five years

Unless otherwise specified, English-language documents are prepared solely for the convenience of non-Japanese speakers. If there is any inconsistency between the English-language documents and the Japanese-language documents, the Japanese-language documents will prevail.