

New "Label" for ESG Bonds – Maruha Nichiro's Blue Bond Attracts High Levels of Investor Attention

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TOKYO, JAPAN, November 30, 2022 /EINPresswire.com/ -- New "Label" for ESG Bonds – Maruha Nichiro's Blue Bond Attracts High Levels of Investor Attention

[Nikkei QUICK News] New ESG (Environmental, Social, Governance) bonds are emerging. On October 27, Maruha Nichiro (1333), the Japanese fishery company with the highest recent sales figures, set the terms and conditions for issuing its "blue bond," which limit the use of funds to projects that will lead to marine conservation. This is the first example of a blue bond to emerge from Japan. ESG bonds, which are expected to be given a new "label" along with green bonds (environmental bonds) and transition bonds, appear to have attracted a high level of attention from investors.

Funds Will Go into Land-Based Salmon Farming Business

Maruha Nichiro decided on October 27 to offer a 5-year blue bond with an interest rate of 0.550%. In the demand survey started on October 21, the company indicated the rate would fall within the range of 0.52% - 0.56%. Amid a difficult environment in which government bond yields are rising (and prices are correspondingly falling) worldwide, the terms were set at a level close to the upper limit of the range. Nevertheless, investors ultimately demanded approximately JPY6 bn – more than 1.2 times the amount of issue (JPY5 bn).

According to Mizuho Securities, the lead manager, "The fact that the bond was issued by a food company (with stable performance) was a factor in driving its popularity, together with the rarity of blue bonds." The bond was sold to a wide range of investors, including life insurance companies, non-life insurance companies, cooperative financial institutions, regional banks, credit unions, and various other corporations.

Maruha Nichiro will use the funds raised by the bond sales to start a land-based salmon farming business in Nyuzen Machi, Toyama Prefecture. On October 18, the company announced the establishment of a new company, ATLAND Corporation, jointly with Mitsubishi Corporation (8058), and the facility is scheduled to begin operations in 2025.

Blue Bonds – Not Easy to Issue

Blue bonds have only a short history. The world's first blue bond was issued in 2018 by the Republic of Seychelles, an island nation in the Indian Ocean. Unlike green bonds, whose issuance has become increasingly common, blue bonds are not underpinned by clear principles set forth by the International Capital Markets Association (ICMA) or any other organization. So far, only a few examples of such bonds have been made available worldwide. Kaori Ichikawa, a strategist at Daiwa Securities, said, "Blue bonds take time to research and analyze, making it difficult for general business companies to even consider issuing them."

Nevertheless, Maruha Nichiro decided to put its new blue bond on the market because, according to an IR representative, "We wanted to promote our commitment to the blue bond while we had the option of borrowing funds."

For the bond issuance, the company announced in September that it had developed a blue financing framework. In the absence of guidelines for blue bonds, the company obtained a second-party opinion from Rating and Investment Information, Inc. (R&I) regarding compliance with ICMA's Green Bond Principles, etc., to ensure that the new bond would qualify as an ESG bond.

This fall, ICMA and other international organizations will jointly develop international guidance on blue bonds. Ms. Ichikawa of Daiwa Securities has high expectations for this market, saying, "The blue bond market is similar to the green bond market of a decade ago. Once the guidelines are in place, there could be an increase in issuance by business corporations. The issuance of Maruha Nichiro's blue bond is likely to trigger a further boost in the ESG bond market." (Reported on October 28)

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