BOND SPOTLIGHT

JERA and Kyushu Electric return to the USD bond market

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SUMMARY

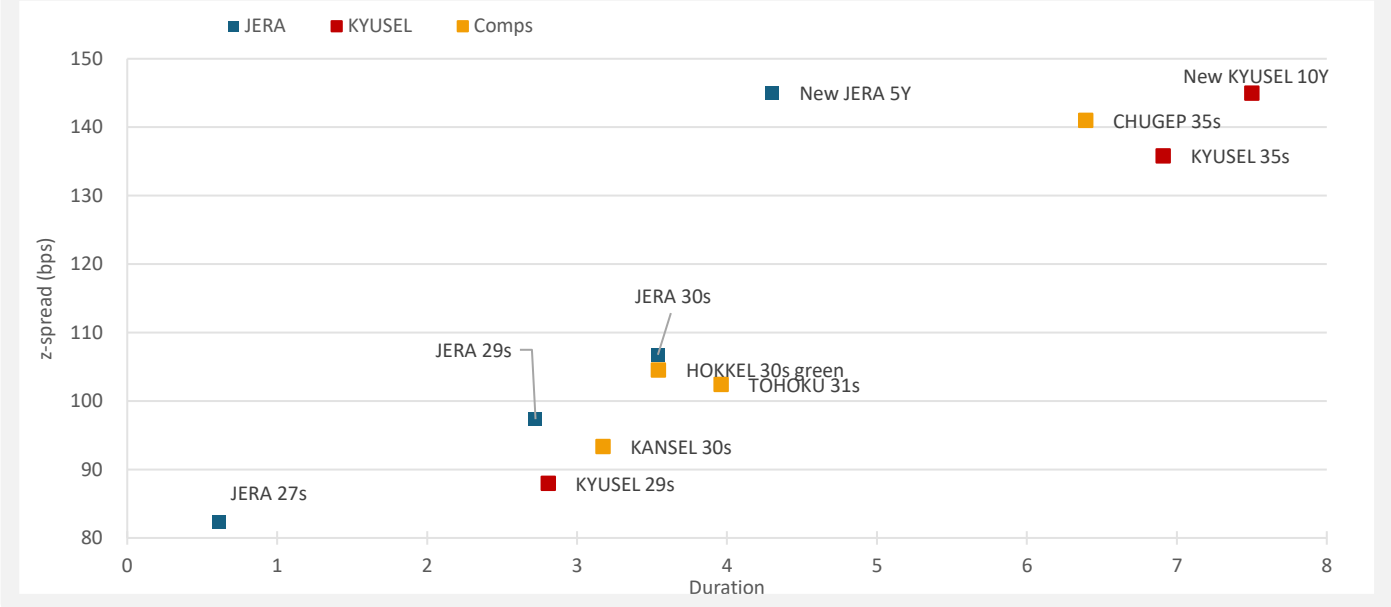
- JERA markets a USD500 million 5-year at T+115bps.
- JERA's IPT is around 30bps wide of its existing curve.
- Kyushu mandates a 10-year USD benchmark.
- KYUSEL's bonds allow substitution to KYUDEN Holdings ahead of the 2027 reorganisation.
- USD funding is broadening across Japanese utilities. Labelled issuance remains more concentrated in JPY.

Japanese utilities continue to access both domestic and offshore bond markets, with conventional and labelled financing developing in parallel as the sector funds Japan's energy transition.

JERA Co., Inc. (ticker JERA), a major global LNG player and Japan's largest thermal power generator, rated A- by S&P, is marketing a USD500 million 5-year Regulation S senior unsecured bond on 24 August 2026 at initial price talk (IPT) of Treasuries plus 115bps (equivalent to ~ z-spread of 141bps).

Kyushu Electric Power Company (ticker KYUSEL), one of Japan's regional electric utilities with a diversified generation mix, rated A3 with a stable outlook by Moody's, has separately mandated banks for a 10-year Regulation S USD benchmark, with pricing expected to follow subject to market conditions. Neither deal is labelled, despite both issuers having previously used transition or green financing in the JPY market. [1]

Figure 1. Comparables for JERA and KYUSEL (USD) in the Japan utility sector. Source: Bloomberg Finance L.P., accessed 24 Aug 2026.



[1] Details from Bloomberg.

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Pricing

JERA

JERA's new 5-year bond is being marketed at T+115bps, equivalent to approximately Z+141bps. Its existing USD bonds trade at around Z+97bps at 2.8 duration and Z+107bps at 3.5 duration, as shown in Figure 1. Tightening by around 30bps from IPT would bring the new JERA 2031 broadly in line with the existing secondary marketing curve. The deal comes ahead of a USD300 million bond maturing in April 2027 and JPY12 billion transition bond maturing in May 2027. JERA has issued transition or transition-linked JPY bonds since 2022.

KYUSEL

KYUSEL has yet to announce IPT. Its existing USD bonds trade at around Z+88bps for the bond with 2.8 duration and Z+136bps for the bond with 6.9 duration. This suggests that pricing the new KYUSEL at around Z+145bps would broadly align it with its existing secondary marketing curve. Kyushu has JPY140 billion of domestic bond maturities between December 2026 and May 2027. Kyushu has JPY140 billion of domestic maturities between December 2026 and May 2027 and has issued both green and transition bonds in JPY.

The new KYUSEL bond includes substitution provisions allowing the issuer's obligations to be transferred to KYUDEN Holdings without bondholder consent, ahead of the group's transition to a pure holding-company structure in April 2027. The reorganisation will place six core businesses directly under the holding company, including Kyushu Electric's generation and retail business and Kyuden Mirai Energy's renewable-energy business.[2] The purpose is to reorganise around its business to make its non-fossil and growth businesses (renewables/overseas) more agile and independent. Funding is expected to remain largely centralised at KYUDEN Holdings, with subsidiaries financed through intercompany loans, while the new structure provides clearer operational separation between the group's businesses. Kyushu expects group creditworthiness to remain unchanged.

Japanese utility issuance trends

USD issuance continues to broaden. Other recent issuers include Chugoku Electric, Kansai Electric and Hokkaido Electric in 2025, followed by Tohoku Electric in early 2026.[3] [4] This reflects greater use of offshore funding alongside domestic programmes as utilities adjust to the end of the ippan tanpo general security regime and manage sizeable capex and refinancing needs.[5] As funding needs grow and the domestic JPY market becomes less flexible, offshore USD markets provide deeper liquidity and a broader investor base, even though issuers may need to pay a premium to tap them.[6]

[2] "Decision on Transition to a Holding Company Structure - Aiming for further growth of the Group", Kyushu Electric, 26 Mar 2026.
[3] "Green nuclear dollar bonds from Japanese utilities", AFII, 28 Aug 2025.
[4] "Tohoku Electric Power new USD issuance", AFII, 25 Feb 2026.
[5] See "Funding opportunities post ippan tanpo: Kansai Electric", AFII, 7 Mar 2025. "Ippan tanpo" refers to a removal of statutory privileges for certain bonds.
[6] JERA's 4.544% 2030 bonds are currently trading at around G-spread of 82bps in USD, but if swapped in JPY is around 74bps.

JPY remains the core and principal labelled market. Utilities continue to raise sizeable conventional JPY funding, while Japan's green and transition-finance frameworks have developed mainly in the domestic market. Recent USD issuance has largely been conventional, with Hokkaido Electric's USD500 million green bond in 2025 a notable exception.

Conclusions

JERA and Kyushu reinforce a two-track funding pattern among Japanese utilities: JPY remains the core funding market and principal venue for labelled issuance, while USD is becoming a more regular source of conventional funding diversification.

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