

# Tohoku Electric Power new USD issuance

*Jeannette Leong* [(*)]

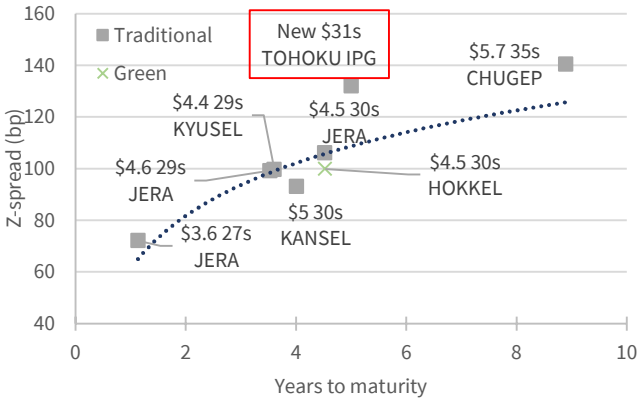
Tohoku Electric Power (ticker TOHOKU), rated A- by S&P, is a vertically integrated regional utility serving the Tohoku and Niigata regions of Japan. The group operates across generation, transmission and distribution, and retail supply. Its credit profile reflects regulated network earnings stability, material exposure to thermal generation, and structurally high capital expenditure. The company is currently in a transition phase, balancing financial recovery and deleveraging with sustained decarbonisation investment.

The company came to market on 25 Feb 2026 with its a USD bond, having not tapped the USD market since 1997. Use of proceeds are expected to be primarily for capital expenditures, and redemption of lending to Tohoku Electric Power Network, its principal subsidiary.[1]

## USD bond price guidance

Initial Price Talk (IPT) for this 5 year benchmark issuance is at Treasuries + 105bps (equivalent to ~ z-spread of 132bps). Pricing is expected the same day, and would usually tighten substantially (subject to market conditions).

*Figure 1. Comparables for TOHOKU (US$) in the Japan utility sector. Source: Bloomberg Finance L.P., accessed 25 Feb 2026.*




Japanese regional utility peers that have issued in 2025, trade at z-spreads in the range of 80bps to 140bps, see Figure 1.[2] This suggests a tightening of 20bp from IPT would keep Tohoku's prospective USD issuance aligned. Its forward spread performance will be likely influenced by leverage trajectory, nuclear operational stability, capital intensity and the credibility of its coal phase-down and renewable scaling plans. Pricing is expected to reflect core utility credit fundamentals rather than a material green premium. Table 2 in the Appendix compares the various metrics of the Japan utility companies that have issued in USD.

**As one of a growing number of USD issuances from Japanese utility companies, the transaction offers international investors broader access to Japan's utility sector transition story.**

[1] Tohoku Preliminary Offering Circular

[2] "Green nuclear dollar bonds from Japanese utilities", AFII, 28 Aug 2025.

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*(*) Anthropocene Fixed Income Institute (www.anthropocenefii.org). Author for contacts: jle@anthropocenefii.org*

## Existing labelled debt issuance

Tohoku has issued JPY 25bn of green bonds and JPY 35bn of transition bonds, with labelled debt accounting for approximately 4.0% of total outstanding bonds. The JPY 15bn of transition bonds issued in 2023 were mainly allocated to the high-efficiency LNG construction of the Joetsu plant (86%) and grid-related investments (13%), with 73% of proceeds used for refinancing.[3] While the labelled framework signals alignment with the company's transition objectives, the scale and refinancing component mean it does not materially alter the overall capital structure. Allocation reports for the JPY 20bn transition bonds issued in 2025 have not yet been disclosed.

## Installed power capacity and generation mix

Installed capacity is approximately 25 GW, with thermal assets accounting for just over half and hydro, nuclear and other renewables comprising the remainder.[4] In Table 1, generation remains more thermally weighted than capacity suggests, with coal and LNG contributing more than 80% of its owned generation mix. The gap between non-fossil capacity and generation highlights that transition progress depends on operational execution rather than asset mix alone.

*Table 1. Tohoku Electric Power FY2024 installed capacity and owned generation mix. Source: Tohoku Electric Power Factbook.*

| Category | Type | FY2024 Installed capacity (MW) | FY2024 Installed capacity mix (%) | FY2024 Own Generated Power (GWh) | FY2024 Own Generated Power mix (%) |
|---|---|---|---|---|---|
| Thermal | Coal | 6,240 | 25% | 46,123 | 83% |
| | Gas | 6,780 | 27% | | |
| | Oil | 600 | 2% | | |
| Nuclear | Nuclear | 2,970 | 12% | 2,266 | 4% |
| Renewables | Hydroelectric | 3,710 | 15% | 6,794 | 12% |
| | New Energy | 4,620 | 19% | 184 | 0% |
| Total | | 24,920 | 100% | 55,367 | 100% |

## Transition Strategy

Tohoku's transition strategy centres on sustained capital investment of roughly JPY 300bn annually for system maintenance and upgrades, plus strategic spending through FY2030 on renewables, thermal efficiency and digitalisation. These priorities are broadly consistent with Japan's Green Transformation (GX) policy direction, which emphasises decarbonisation alongside energy security and grid resilience.[5] This capital intensity constrains free cash flow and increases bond market reliance. Nuclear capacity remains critical but operational stability depends on regulatory approvals and safety upgrades, while renewable expansion and grid reinforcement aim to raise non-fossil generation, complemented by replacement of older thermal units with higher-efficiency LNG, with meaningful decarbonisation requiring gradual coal displacement. Further details on Nuclear restarts and Renewables expansion and thermal rationalisation are set out in the Appendix.

[3] "Tohoku Electric Power Co., Inc. Transition Bond Post-Issuance Periodic Review, DNV", 13 Sep 2024.
[4] "Tohoku Electric Power Factbook", accessed 25 Feb 2026.
[5] "Japan's transition bonds", AFII, 25 Feb 2026

## Conclusion

Overall, Tohoku's transition pathway is directionally aligned with Japan's decarbonisation objectives but remains execution dependent. Sustained capital expenditure, nuclear governance stability and renewable integration will be the principal determinants of long-term carbon intensity and credit profile evolution.

**As one of a growing number of USD issuances from Japanese utility companies, the transaction offers international investors broader access to Japan's utility sector transition story.**

## Appendix

## Key metrics of Japan utitlity companies

*Table 2. Key metrics of Japan utitlity companies. Source: AFII, issuers, Bloomberg Finance L.P., accessed 25 Feb 2026.*

| Issuer | TOHUKU | KANSEL | JERA | KYUSEL | CHUGEP | HOKKEL |
|---|---|---|---|---|---|---|
| Issues in USD | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Issued Green bonds | ✓ | ✓ | | ✓ | | ✓ |
| Issued Transition Bonds | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Ratings | A- (S&P) | A3 (Moody's) | A- (S&P) | A3 (Moody's) | BBB+ (S&P) | BBB+ (S&P) |
| Total assets (JPY trn) | 5.4 | 9.65 | 8.6 | 5.77 | 4.36 | 2.24 |
| Green bonds outstanding (JPY bn) | 25 | 95 | 0 | 55 | 40 | 89.3 |
| Transition bonds outstanding (JPY bn) | 35 | 182.4 | 59.2 | 85 | 199 | 74.5 |
| FY2025 Capex (JPY bn) (2) | 394 | 495 | 424 | 355 | 378 | 168 |
| FY2025 FCF (JPY bn) (2) | 18 | 80 | -19 | 77 | -192 | -43 |
| Planned capital allocation ( Amt and period) (2) | Maintenance: 300 yearly Strategic: 300 (2025-2030) | 1170 (2025-2030) | 5000 (2025-2035) | NA | 300 (2025) | 1660 (2025-2030) |
| Green & transition bonds/ Total public bonds(1) | 4% | 22.06% | 8.5% | 9.1% | 19.6% | 10% |
| Installed Energy Mix (Thermal/Renewables/Nuclear)(2) | 54/34/12 | 39/14/48 | 99/0/1 | 56/16/28 | 81/12/7 | 56/20/24 |

*(1) % refers to green & transition bonds over all debt including loans and bonds.*
*(2) Source: Company filings.*

## Nuclear restarts

Nuclear energy remains central to Tohoku Electric's decarbonisation strategy, with approximately 2,750 MW of installed capacity across the Onagawa and Higashidori stations. Onagawa Unit 2 (825 MW) resumed commercial operations on December 26, 2024, but is expected to be halted in December 2026 due to delays in completing a required specialised safety facility. Onagawa Unit 1 (524 MW) is under decommissioning, while Onagawa Unit 3 (825 MW) and Higashidori Unit 1 (1,100 MW) remain offline pending regulatory review; Higashidori Unit 2 (1,385 MW) is in planning. In February 2026, Tohoku submitted an improvement plan to Japan's Nuclear Regulation Authority

following testing irregularities, underscoring continued regulatory scrutiny.[6] Nuclear capacity is therefore critical to lowering carbon intensity, but output stability remains contingent on regulatory approval and completion of safety measures.

## Renewables expansion and thermal rationalisation

Renewable expansion represents another pillar of the transition plan. The Tohoku region has strong wind and geothermal resource potential, and management has articulated investment priorities in wind, solar, geothermal and biomass development. Grid reinforcement and cross-regional interconnection spending are intended to support higher renewable penetration and system stability. Over time, increased renewable utilisation is expected to narrow the structural gap between renewable installed capacity and actual generation share.

Thermal rationalisation complements this strategy. The company is replacing older, less efficient thermal units with higher-efficiency LNG combined cycle facilities, including the Joetsu thermal project. While LNG remains part of the generation mix, improved efficiency lowers emissions intensity relative to legacy coal units. Meaningful decarbonisation will require gradual coal displacement and sustained non-fossil output growth.

[6] "Tohoku Electric submits improvement plan after improper tests at nuclear plant", The Japan Times, 19 Feb 2026.

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