

November 24, 2022

Issuance of Japan's First Hybrid Bonds (Subordinated Bonds) in Transition Bond Format

Tokyo Gas Co., Ltd.

Tokyo Gas Co., Ltd. (President: Takashi Uchida; hereinafter, "Tokyo Gas"), is pleased to announce that it has decided to issue Japan's first publicly offered hybrid bonds (subordinated bonds, the "Hybrid Bonds")^{*1} in transition bond format.^{*2}

The Hybrid Bonds are scheduled to be issued in December 2022 to raise funds of up to 20 billion yen for investments during the transitional period to achieve a decarbonized society and for strengthening the financial base. Tokyo Gas also plans to conduct financing through a hybrid loan,^{*1} which has equity characteristics equivalent to those of the Hybrid Bonds, and expects to raise funds of around 70 billion yen in total.

Based on the Tokyo Gas Transition Finance Framework,^{*3} the Hybrid Bonds will be issued as transition bonds, the funds raised from which will be used for four projects undertaken by the Tokyo Gas Group (development of low-cost water electrolysis cell stack,^{*4} methanation verification testing,^{*5} onshore wind project in Denmark,^{*6} and biomass power project^{*7}).

In its Group Management Vision "Compass 2030,"^{*8} Tokyo Gas outlines its commitment to take on the challenge of achieving net-zero CO2 emissions in its entire business activities, including those of its clients, and to lead the transition to a decarbonized society. Going forward, Tokyo Gas will make investments of approx. 2 trillion yen in growth areas that include decarbonization by 2030, while continuing to utilize ESG financing, in order to contribute to the achievement of carbon neutrality and a decarbonized society by 2050.

<Reference>

■Formulation of a transition finance framework and obtainment of external evaluation

As a financing framework to lead the transition to carbon neutrality, Tokyo Gas formulated the Tokyo Gas Transition Finance Framework in February 2022.

The Company has received a second party opinion^{*9} from DNV BUSINESS ASSURANCE JAPAN K.K., a third-party evaluation agency, on the compatibility of the Framework and the Hybrid Bonds with various guidelines.

*1: Bonds and loans that have intermediate properties between those of equity and debt, with a redemption and borrowing period of 60 years and an initial possible early repayment date of 5 or 10 years later for bonds and 5 or 7 years later for loans. There is no dilution of shares since they are debt, while they have properties and characteristics similar to equity, such as optional deferral of interest, super long maturities, and subordination upon liquidation and bankruptcy proceedings. Therefore, we expect to receive capitalization certification from rating agencies for 50% of the funds raised.

*2: Bonds issued by companies pursuing a long-term transition strategy consistent with sector-specific roadmaps formulated by the government to reduce greenhouse gas emissions with the aim of raising funds to be used in projects in line with their transition strategies. For the gas sector, the Ministry of Economy, Trade and Industry (METI) released the [Technology Roadmap for "Transition Finance" in Gas Sector](#) (in Japanese only) on February 4, 2022. The bonds are subject to METI's FY2022 Climate Innovation Finance Promotion Project.

*3: See [here](#) for details. (in Japanese only)

*4: [Tokyo Gas and SCREEN Agree to Jointly Develop a Water Electrolysis Cell Stack for Low-cost Green Hydrogen Production \(released](#)

[on May 26, 2021](#))

- *5: [Commencing Methanation Verification Testing to Achieve Carbon Neutrality and a Decarbonized Society in 2050 \(released on March 23, 2022\)](#) (in Japanese only)
- *6: [Establishment of a subsidiary in Denmark and joint development of renewable energy in the Nordics through business collaboration with EWII S/I \(released on January 21, 2022\)](#)
- *7: [Tokyo Gas acquisition of wood pellet biomass power generation facilities in Toyama and Chiba Prefecture \(released on August 26, 2020\)](#)
- *8: [Tokyo Gas Group Management Vision Compass 2030; Providing Energy and Solutions to the Future of Our Life, Society and the Earth \(released on November 27, 2019\)](#)
[Compass Action - A detailed roadmap for achieving Compass 2030 \(released on November 26, 2021\)](#)
- *9: [Second party opinion on Tokyo Gas Transition Finance Framework \(Master SPO\)](#)
[Second party opinion on Tokyo Gas Transition Bonds \(ANNEX\)](#)