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Notice regarding issuance of Straight Bonds (the first series) and Sustainability-Linked Green Bonds (the second series)

Takamatsu Construction Group Co., Ltd. (“TCG”) held the Board of Directors on January 20, hereby announces that TCG decided to issue straight bonds (the first series), which will be our first public offering of bonds, and Japan’s first Sustainability-Linked Green Bonds (the second series) (*1) (*2), which combines Sustainability-Linked Bonds and Green Bonds as follows.

This Sustainability-Linked Green Bonds are to set revenue target that corresponds to the 17 goals of the SDGs (SDGs Contribution Revenue), and to allocate all funds raised to a green project (construction of a new “TCG Building” (TCG Group’s Tokyo headquarters building) with superior environmental performance) which will be the first SDGs Bonds in Japan.

The overview of the Sustainability-Linked Green Bonds is as follows. At the same time, we are planning to issue Straight Bonds (10-year bonds) in the form of a public offering.

I . About Sustainability-Linked Green Bonds

1. Purpose and Background of Sustainability-Linked Green Bonds Issuance

TCG Group have adopted “We conduct the construction business as a mutually complimentary activity vital to society.” as our management credo. We will responsibly provide useful and safe buildings and reliable services to society. We will build better relationships not only with our customers, business partners, and employees, but also with countries, communities, nature, and the global environment.

We believe that it is necessary to fulfill our social responsibility.

At present time, TCG Group are working on Mid-Term Management Plan “Create ! 2022” which ends in FY ending March 2022.

This Mid-Term Management Plan is made up of five “Creates”. The fifth pillar, “Create Value towards Economy, Society and Environment”, We position our efforts toward the SDGs as essential for the long-term growth of TCG Group. To sustainably increase corporate value, we are proactively addressing Environmental, Social, and Governance issues, with each of unique companies of TCG Group demonstrating a high level of expertise in their respective business fields.

TCG Group’s five “Creates”

- ① Create High-growth, High-profit Group
- ② Create New Business Domain
- ③ Create Group Culture that Respects Diversity and Compliance
- ④ Create Synergy Effect
- ⑤ Create Value towards Economy, Society and Environment

Under the circumstances, TCG has decided to issue Japan's first Sustainability-Linked Green Bonds, whose issuance conditions are linked to the achievement of sustainability performance targets (*3) (“SPTs”), to raise awareness of our environmental initiatives.

Sustainability-Linked Green Bonds are bonds that combine the features of Green Bonds, in which the entire amount of funds to be raised is allocated to green projects, unlike Sustainability-Linked Bonds, in which the use of funds is not limited.

The SPTs that are linked to the conditions of issuance are set as "the cumulative total of SDGs Contribution Revenue of TCG Group total for the 4 FY in the future (FY ending March 2022 and beyond) is at least 391.1 billion yen.

(*1) Sustainability Linked Bonds (SLB)

SLB are bonds whose terms and conditions vary depending on whether or not they achieve predetermined sustainability/ESG targets. Therefore, the funds raised need not be limited to a specific use of funds. SLB are assessed by key performance indicators (KPI) and SPTs predetermined by the issuer. A bond in which SPT is set as target values to be achieved with respect to KPI, and the terms of the bond change depending on whether the KPI achieve the SPT, thereby motivating the issuer to achieve the SPTs.

(*2) Green Bonds

A bond that conforms to the Green Bond Principles set forth by the International Capital Market Association (ICMA) and the 2020 edition of the Ministry of the Environment's Green Bond Guidelines, and is issued to raise funds for projects that contribute to solving environmental problems, i.e., “green projects”.

(*3) Sustainability Performance Targets (SPTs)

A target based on the issuer's business strategy that determines the terms and conditions of the Sustainability-Linked Bonds issue.

2. The Outline of Sustainability Linked Green Bond

Maturity	5years (Schedule)
Issue period	March, 2021 (Schedule)
Issue amount	10 billion yen (Schedule)
Use of funds	(Tentative name) Construction funds for new construction of “TCG Building” (Schedule)

SPTs linked to issuance conditions	Achieve a cumulative total of 391.1 billion yen in SDGs Contribution Revenue of TCG Group over the next 4 FY (FY ending March 2022 and beyond).
Premium	If SPTs are not met, a premium of 0.5 yen per 100 yen of the bond amount is paid.
Lead managers	Daiwa Securities Co. Ltd. (administrative lead manager), Mizuho Securities Co., Ltd.
Sustainability-Linked Bond Structuring Agent (*4) / Green Bond Structuring Agent (*5)	Daiwa Securities Co. Ltd.

(*4) Sustainability-Linked Bond Structuring Agent

An entity that provides support for the issuance of Sustainability-Linked Bonds through the development of a Sustainability-Linked Bond framework and advice on obtaining second-party opinions.

(*5) Green Bond Structuring Agent

Provide support for the issuance of Green Bonds by formulating green bond frameworks and advising on obtaining second party opinions.

3. Definition of SPTs

In issuing the Sustainability-Linked Green Bonds, TCG has set the targets for SDGs Contribution Revenue as SPTs.

1) SPTs

TCG Group aim to achieve a cumulative total of 391.1 billion yen (*6) in SDGs contribution Revenue over the next four years (FY ending March 2022 to 2025).

(*6) About 391.1 billion Yen as SPTs

In the past three years (FY ended March 2018 to 2020), the average of SDGs Contribution Revenue per FY was 92.7 billion yen.

We have set targets for each FY to grow this average by 1.52% per year to reach 100 billion yen in SDGs Contribution Revenue in the FY ending March 2025.

Considering the unevenness of the results for each FY, the SPTs were set as a cumulative total for 4 future FY.

2) SDGs Contribution Revenue is total of the simple sum of TCG group of each of the following revenue as defined.



(1). Contribution to Environment Reservation

① Civil engineering revenue directly linked to renewable energy

- Revenue from the construction of solar, wind, geothermal, small and medium sized hydroelectric, and biomass power generation facilities
- Revenue from installation of solar power generation equipment

② Revenue of slope construction using natural symbiotic materials and methods

- Revenue of slope construction work using greening methods based on nature recovery greening technology that considers biodiversity and local landscape

③ Revenue of buildings that comply with energy conservation standards

- Revenue of buildings that comply with certain environmental standards designated by us, such

as CASBEE (Comprehensive Assessment System for Built Environment Efficiency) (*7) and ZEB (Net Zero Energy Building) (*8).

(*7) CASBEE

It refers to the Comprehensive Assessment System for Built Environment Efficiency ("CASBEE"), which is a method of evaluating and rating buildings based on their environmental performance.

It is a system that comprehensively evaluates the quality of buildings, including not only environmental considerations such as energy conservation and the use of materials and equipment with low environmental impact, but also indoor comfort and consideration for the landscape (*8).

(*8) ZEB

It is an abbreviation for Net Zero Energy Building, which is a building that aims to achieve a zero annual primary energy consumption balance while providing a comfortable indoor environment.

In addition to the ZEB standard, buildings that meet the Nearly ZEB, ZEB Ready, and ZEB Oriented standards are also included in the calculation.

(2). Contribute to Sustainable Cities and Communities



① Revenue of Present safe and long-life residence

- Revenue of Architectures with its strength exceeding Buildings Standards Act by more than 15%
- Revenue of anti-seismic reinforcement work
- Revenue of excellent long-term housing

② Construction revenue that maintains safety, comfort, and high quality

- Revenue of large-scale renovation work for condominiums and other buildings.

③ Revenue of construction leading to the inheritance of traditional architecture and culture, and the protection of buried cultural properties.

- Revenue of shrine and temple construction and excavation of buried cultural properties

④ Revenue related to housing services for the elderly

- Revenue related to the operation of residences with health and welfare services for the elderly

(3). Revenue related to other technologies similar to (1) and (2) above that are acquired by TCG Group in connection with new business start-ups, technology development, mergers and other acquisitions.

4. Conformity as Sustainability-Linked Bonds

In order to issue Sustainability-Linked Green Bonds, TCG has received confirmation from Japan Credit Rating Agency, Ltd. ("JCR") regarding its compliance with the "Green Loan and Sustainability-linked Loan Guidelines 2020" of the Ministry of the Environment and the "Sustainability-linked Bond Principles 2020" of the International Capital Market Association ("ICMA").

5. Conformity as Green Bonds

With regard to the conformity assessment of the Green Bonds, TCG has received a preliminary assessment of "Green1," the highest level of the "JCR Green Bond Assessment," from JCR to the effect that we conform to the "Green Bond Guidelines 2020" of the Ministry of the Environment and the "Green Bond Principles 2018" of ICMA.

Please refer to the news release issued by JCR today for the valuation.

URL: <https://www.jcr.co.jp/en/greenfinance/>

6. (Tentative name) The Outline of New "TCG Building"

Location	4-8-2 Shiba Minato-ku, Tokyo, Japan
Site area	1,529.49 m ²
Total floor area	16,493.48 m ²
Number of floors	18 floors above ground, 1 floor below ground
Structure	Steel-frame construction, partially steel-frame reinforced concrete construction
Scheduled start of construction	September, 2020
Scheduled for completion	February, 2023 (Schedule)
Construction	Joint venture between Asunaro Aoki Construction Co., Ltd. and Takamatsu Corporation
Main environmental certifications, etc.	Acquired CASBEE A rank (December 21, 2020)

■ Rendering of the completed new "TCG Building"



【Reference Information】

TCG's ESG Web Page <https://www.takamatsu-cg.co.jp/eng/about/esg/>

II . About Straight Bonds

Maturity	10years (Schedule)
Issue period	March, 2021 (Schedule)
Issue amount	5 billion yen (Schedule)
Use of funds	The funds will be used for repayment of loans and operating funds.