

Leading energy companies around the world in the effort to achieve Net-Zero CO₂

**“Never ever stop the energy supply.”
We are committed to fulfilling this mission to
support our customers’ normal lives.**

First, I would like to express my sincerest condolences to the families and friends of those who have lost their lives due to the novel coronavirus (COVID-19), and my profound sympathies to those that are suffering from it. I would also like to express my heartfelt gratitude to the medical professionals and others dedicated to stopping the spread of infection.

“Never ever stop the energy supply.” This is the phrase that immediately came to mind as the CEO as the COVID-19 outbreak began, and the slogan that I shared with all Group employees. I think that we as a utility company have three duties to meet in unusual or emergency situations, beyond just this ongoing pandemic, to ensure that all customers can lead normal lives.

The first is the duty we have as an energy provider that supplies electric power in addition to gas. Our Group supplies gas and electricity not only to general households

but to medical institutions, public facilities, factories and other facilities that cannot close down. We have a responsibility to stably supply energy, even during emergencies like the one we are now experiencing. To fulfill this responsibility, we must procure raw materials without disruption, safely produce gas and electric power and thoroughly maintain and manage our supply and safety systems under any circumstances. These are the greatest, fundamental duties that we must meet as an energy supplier. Lifeval, the outlets of Tokyo Gas, have to serve customers using gas and electric power at home. Gaslight 24 bases must deal with a gas leak on site. I feel grateful for the staff of our Group, for their contribution to the stable supply of energy despite the mounting strain on themselves and their families.

The second duty is a social responsibility that we have as a corporate citizen to build a community where people can live safely, without worries. The current pandemic has caused many people to experience financial difficulties. Our Group has swiftly introduced a special measure extending bill payment due dates by up to three months for our customers who are having temporary difficulties making bill payments. To aid households experiencing financial difficulties, we donated food to food banks. We also provided 15,000 N95 face masks that we had stockpiled for

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Representative Director,
President and CEO

* This interview took place on May 18, 2020.
The state of the spread of COVID-19, our Group's actions, the status of announcement of the consolidated forecast for the fiscal year ending March 31, 2021, and other details are correct as of the interview date.

a novel influenza to medical workers. We are thus carrying out support activities positively.

And the third duty is our responsibility to increase corporate value as a public stock company. We will not stop the implementation of our management vision Compass 2030, or the FY2020 - 2022 Medium-Term Management Plan (hereafter, the new Medium-Term Management Plan). We will soundly announce our financial results and hold the meeting of shareholders to present our Group's policy and gain the support of stakeholders. These are a part of the responsibilities that our Group has to meet. While the closing of the financial statements was disrupted by the COVID-19 outbreak, as a result of the concerted efforts of the group staff, we were able to report our financial results on schedule.

The COVID-19 outbreak impacts customers in many different ways

Our commercial and industrial customers running stores and other commercial facilities, hotels, schools, offices, factories and other facilities are affected in many different ways by the COVID-19 outbreak. As we begin the fiscal year, we have yet to determine the consolidated forecast for the fiscal year ending March 31, 2021, because it has

been deemed difficult to accurately understand and estimate specific circumstances and the severity of their impact. To date, we are aware that, among our commercial customers, hotels and restaurants are severely affected. In addition, demand for air conditioning energy and electricity at schools that have been closed for a long time fell sharply. With regard to industrial customers, it has been successively reported that some automobile factories have suspended operations and that steel manufacturers have suspended the operation of blast furnaces or closed them. It is thought that gas and electricity sales volumes will change considerably depending on the future moves of these large customers.

We will also need to closely watch the trends of crude oil and LNG prices that are vulnerable to severe fluctuation

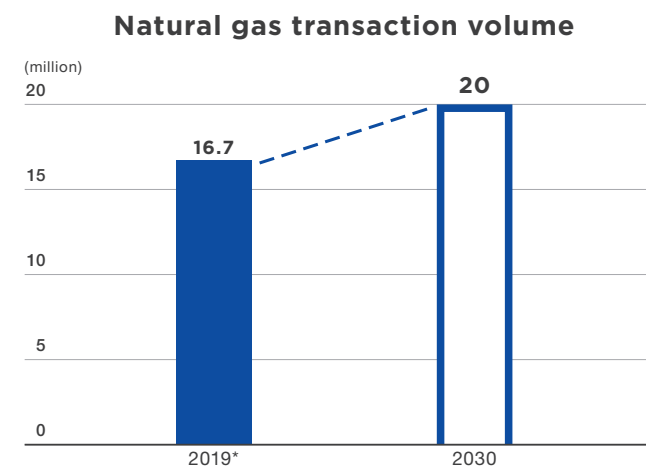
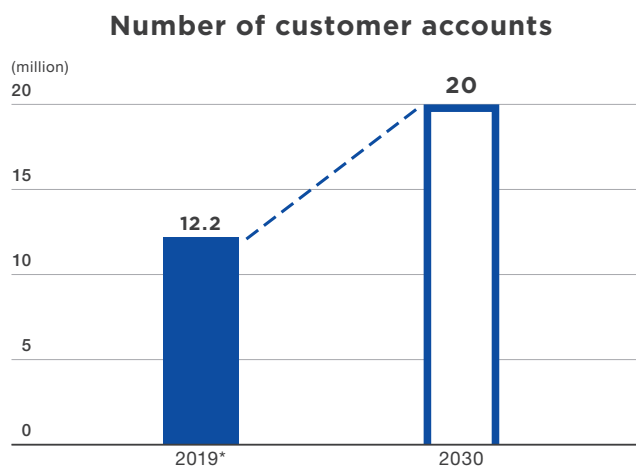
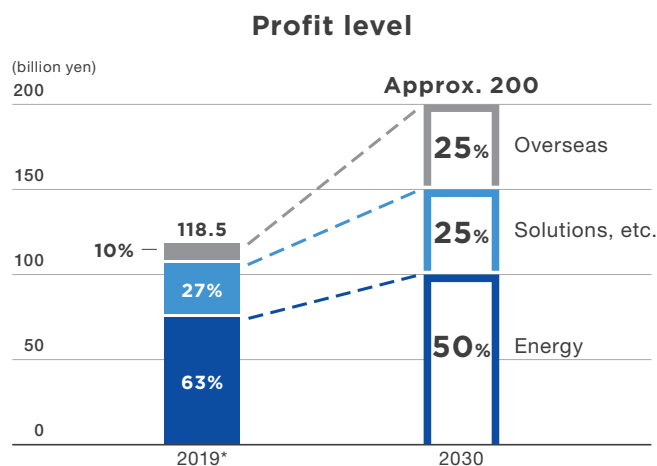
Now, the outlook for not only energy demand but also LNG prices is uncertain. Late in April, the New York Mercantile Exchange saw the West Texas Intermediate (WTI) crude oil futures for May delivery plunge sharply and temporarily mark a negative figure for the first time in history amid concern about the deterioration of the Chinese and other world economies. The WTI futures are a benchmark for the

international trade of crude oil. In addition, there are a pile of questions regarding crude oil prices, such as how long OPEC Plus will maintain its coordinated reduction of production and how the United States, which is now effectively the world's largest oil producer, will respond. Some forecast that the market will remain unstable for the foreseeable future.

Our Group uses LNG and LPG as raw materials for city gas. Raw material expenses depend on foreign exchange rates and crude oil prices. The decline in raw material prices is expected to produce a positive effect on our Group's domestic gas business and a negative impact on the overseas business, since we own upstream interests in Australia and in North America. In view of future trends of crude oil and LNG prices, we will assess the extent of positive and negative effects, and we will announce our financial forecast at the earliest possible timing.

We have formulated a long-term management vision by means of backcasting from 20 to 30 years in the future

As I have mentioned, the current business environment is very harsh and uncertain for reason of the COVID-19



*FY2019 forecast at the time of formulating the medium-term management plan

What I want to tell you

- We have formulated our management vision Compass 2030 by backcasting from 20 to 30 years in the future.
- The management vision Compass 2030 spelled out our Group's policy aiming Net-Zero CO₂ with an eye to 2050 and beyond. In the effort to achieve Net-Zero CO₂, we will lead energy companies around the world.
- Our awareness of changes in the market environment presented in the new Medium-Term Management Plan has not changed following the beginning of the COVID-19 pandemic. Rather, it is anticipated that these changes will speed up. We will accelerate the actions specified in the new Medium-Term Management Plan.
- We will develop our personnel into a force driving corporate development.
- We have set a target for a total payout ratio of around 60% for each fiscal year up to fiscal 2022.
- Our DNA drives us to seek coexistence with multiple stakeholders and a balance between social and economic value.

outbreak. Our Group's management vision Compass 2030 and the new Medium-Term Management Plan for FY2020 to 2022 formulated in March 2020 referred to our awareness of changes in market environment in the medium-to long-term future. This view has not been changed. Rather, it is anticipated that the changes will speed up.

In the past, when our group formulated its long-term management vision, it had a forecast for the coming 10 years. For the latest vision, we started by foreseeing the situation 20 to 30 years into the future, and carried out backcasting from that future time to identify the things we should be doing now. Ten years from now, natural gas fired thermal power generation and natural gas as its fuel will have a greater role to play in line with the expansion of renewable energy, since it can make up for variation in the output of renewable energy power generation methods that depend on weather conditions. However, we thought that if we had only thought of the target for 10 years from now, the resulting plan would have failed to deal with the social change that will occur beyond that time, in the form of decarbonization.

We have selected four words starting with the letter D as key terms that represent changes in the business environment and in the trends of the times that we project. We believe that we cannot picture the future of our company without devising measures to address these four D challenges.

The first is Decarbonization. Today, society seeks decarbonization as well as low carbonization. In Japan as well, there are increasing discussions about whether it is really appropriate for businesses to merely seek low carbon emissions and whether they need to aim for decarbonization in the future. It is the top priority challenge for us. We have made it clear how our Group will respond to this demand.

The second is Digitalization. This change is gaining momentum. In recent years, some companies started to disruptively change society and the economy using the latest digital technologies. In the future, similar moves will emerge in the energy sector as well. Our Group has the policy of strongly pushing ahead with digitalization.

The third is Diversity, particularly in value. Many customers are no longer in favor of the conventional mass

production of single items. They now choose items that are matched to their own sense of value. Meanwhile, increasingly people are happy to share goods instead of owning them. It is presumable that the way of using energy at households may change given that they can achieve self-sufficiency by effectively using renewable sources of energy, such as solar power generation, and storage batteries. Another important challenge is to address the diversification of our customers and their sense of value to improve the services of our Group.

The fourth is Deregulation. To survive the increasingly intense competition between operators, we will take actions, including the formulation of strategies involving not only our competitors but also other businesses beyond the boundaries of the industry.

In the effort to achieve Net-Zero CO₂, we will lead energy companies around the world

Our Group launched its policy aiming Net-Zero CO₂ with an eye to 2050 and beyond in our management vision Compass 2030. This created a great reaction, not only from

the energy industry but also from many different business sectors. The term of Net-Zero CO₂ embodies our aspiration to lead energy companies around the world, our sense of the crisis regarding the survival of companies that do not take action and see results for decarbonization and our sense of mission as an energy company. Personally, I felt obliged to provide an answer through the Management Vision to our young employees who nervously feel the changes in society and feel strongly uneasy about survival of the Tokyo Gas Group in its present state.

We will develop our personnel into a force driving the company

I see our employees as key stakeholders who invest their own lives in our Group. Personnel are the driving force behind corporate development. No matter how brilliant the vision we make is, it is personnel who carry it out. I realize that the biggest management issue is to motivate the personnel.

For our Group, dedication to the maintenance of the stable supply of energy and safety is an important part of our corporate culture that has taken root since our foundation. While it is a good thing, emphasis on protection may have led to excessive prudence regarding the changes required in the coming era of shifting paradigms.

I believe that in order for people to change, the corporate culture must change. It is the young personnel who can change the corporate culture. As these young personnel grow, the company will change significantly. Therefore, I hope that they will try many new things, even if they make mistakes. Without this progressive spirit, no company can develop.

That is why we established Engagement with Current and Future Colleagues at the end of Management Vision Compass 2030. In the process of formulating the Management Vision, we introduced two totally new approaches. One was backcasting. The other was to hold discussions with around 20 young employees. They are the closest to the future generations. They gave vigorous

comments. For example, one said, "We would like to be a company achieving decarbonization," and another said, "We aspire to create new value in relationships with customers." The Management Vision declares that we will establish a value co-creation ecosystem that creates value together with customers, the local community, local governments, and business partners that include companies in different industries and venture firms.

This new attempt is based on these comments from our young employees.

We will seek to attain a balance between growth investments and return to shareholders

Our Group has paid dividends at a total payout ratio of 60% since 2006. We are proud to have taken measures to positively return profit to shareholders since our early days as a Japanese energy firm. The new Medium-Term Management Plan set a total payout ratio target at approximately 60% in each fiscal year through fiscal 2022, since we judged that we would be able to attain a total payout ratio of 60% as in the past while making growth investments. We will continue to regard treasury share acquisition as part of shareholder returns and maintain our policy of stably paying dividends according to our growth.

We will follow the principle of The Analects and the Abacus by our founder Shibusawa Eiichi

In 1885, Tokyo Gas was established by Shibusawa Eiichi, the Father of Japanese Capitalism. The principles discussed in his book, Rongo to Soroban (The Analects and the Abacus), coexistence with multiple stakeholders and the balancing between social and economic value, has been passed down through the generations to us. In our history, there were tough times following the emergence of new energy and equipment. I think that we were able to maintain our business because he set a process for development. However, we must open the way towards the future ourselves and hand it down to the next generation.



Now, our Group stands on the cusp of a new age of innovation towards 2030. Thinking of the coming days as an opportunity to take a big leap, we will develop into a corporate group that will be capable of continuously creating value while leading energy in the next generation. I hope that our stakeholders will look forward to the future development of Tokyo Gas Group and continue to support us for years to come.