Tokyo Gas is committed to following its basic financial policy and accomplishing the Medium-Term Management Plan

Senior Management Executive Officer, CFO
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Basic Financial Strategy Policy

1. Continue to maintain competitive shareholder returns (total payout ratio of 60%)
2. Steadily implement growth investments, with consideration given to investment efficiency and awareness of achieving an 8% ROE
3. Maintain sound financial base, as a basis for stable management and securing the trust and confidence of stakeholders

Working to increase corporate value through constructive dialogue

One year has passed since I became the chief financial officer (CFO). In that time, I have had many discussions with a large number of investors. As I am in a position partly responsible for management, I keep in mind that in constructive dialog with investors it is essential to closely communicate views of our Group and make them understood, and to listen to investors and incorporating their views into decision-making.

We announced management vision Compass 2030 in November 2019. It envisions what we wish to be in 2030 by backcasting from 2050, not by extrapolating from current trends. Among the points in the plan, many people were surprised that a city gas operator launched an effort to achieve Net-Zero CO_2. We understand that this is part of our responsibility to seriously address climate change, one of the ESG challenges. As an LNG pioneer, we have worked on carbon reduction by popularizing the use of natural gas in the past half century. The vision manifested our stance of working on the utilization of renewable energy and on the decarbonization of gas as a source of energy, to lead societal trends in the next half century.

Appropriating cash flow created for the future to growth investments

In March 2020, we announced the FY2020 - 2022 Medium-Term Management Plan. The impact of the current COVID-19 outbreak on the world economy and the changes in social and economic systems after the end of the pandemic cannot be foreseen currently, but we believe that the course of action that we have determined for the medium- and long-term future will not change and we will take steady steps forward towards the accomplishment of the plan. Also, our basic financial policy will continuously aim to distribute the operating cash flow to ensure adequate and stable returns for shareholders, investments for growth and the maintenance of sound financial standing in a balanced manner.

The new Medium-Term Management Plan defined the sum of operating profits and equity method income as a key goal indicator (KGI) and set a goal of 140 billion yen for fiscal 2022. With regard to capital efficiency, it set targets of around 8% in ROE and around 4% in ROA, and for safety, a target D/E ratio of around 0.9 was set.

While carrying out cost reforms and expanding sales to create cash flow and ensure a balance between efficiency, soundness and shareholder returns, we will implement growth investments to solidify our foundation for future growth and enlargement.

Specifically, we are planning to make investments, including capital investment and financing, worth 1 trillion yen within the three-year period. Fiscal 2020 marks an end to our investment in pipelines and LNG terminals in the gas business. In the future, we will appropriate a large portion to overseas businesses and promising areas such as renewable energy and new services.

Returning the management results to shareholders in an appropriate and timely manner

We will return the cash flow created to shareholders properly and in a timely manner, as we have done in the past.

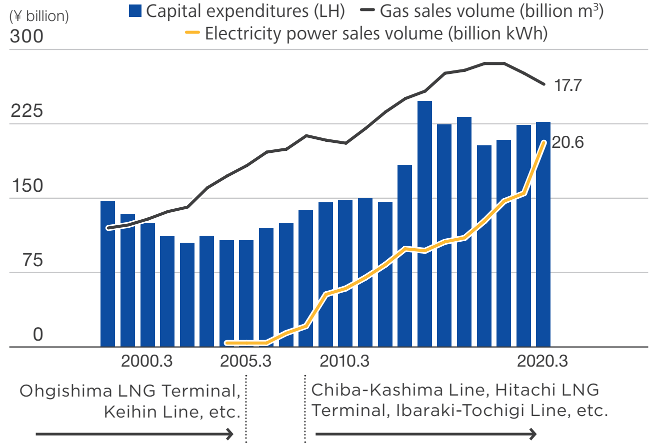
We set a total payout rate target of approximately 60% in the Challenge 2020 Vision announced in 2011, and we have steadily implemented dividend payments. When we announced management vision Compass 2030 last year, we did not refer to shareholder return. This was because we did not find it appropriate to present the conventional policy, including the shareholder return policy, in the vision, which indicates our desired future shape, rather than crunching of numbers. Instead, we presented our shareholder policy in the new Medium-Term Management Plan together with the specific income and expenditure plan or appropriation of cash flow to growth investments and others. In the process of formulating the Medium-Term Management Plan, we assessed our capacity to create cash flow, financial capabilities, ratings and others, we believed that we would be able to properly provide returns to shareholders and to make growth investments in the following three years and decided to maintain our dividend policy with its 60% total payout ratio, reflecting the ratio of dividends and treasury share acquisitions to consolidated profit.

While maintaining stable dividend payments, we will increase them according to our growth in overall consideration of medium- and long-term profits.

For fiscal 2019, we posted a huge extraordinary loss in the overseas business. This resulted in a total payout ratio of 60% with the total dividend payments only. For the first time since we announced our policy of attaining a total payout ratio of 60% in 2006, we failed to repurchase treasury shares. We on the management team take this seriously. As of the end of April we had not produced earnings forecasts for fiscal 2020 due to the difficulty of estimating the impact of the COVID-19 outbreak. However, we announced that we were planning to continue paying annual dividends of 60 yen per share so as to clarify our Group's stance on shareholder returns.

We will continue to listen to shareholders and investors and strive for greater corporate value through constructive communication. We respectfully ask for your continued support and understanding.

Capital Expenditures and Gas and Electricity Sales Volume



1 Non-consolidated basis up to fiscal 1998; consolidated basis from fiscal 1999
2 Gas sales volumes from fiscal 2011 onwards are on a 2020 Vision basis, including the gas volume used in-house under tolling arrangement and the LNG sales volume.

Shareholder Returns