

Tokyo Gas Group FY2020 - 2022

Medium-Term Management Plan

This Medium-Term Management Plan has been established to enable us to work to make steady progress and to reinforce the foundations of our business for future growth and expansion in the three-year period starting in FY2020, despite the recent difficult circumstances.

Overview of the Medium-Term Management Plan

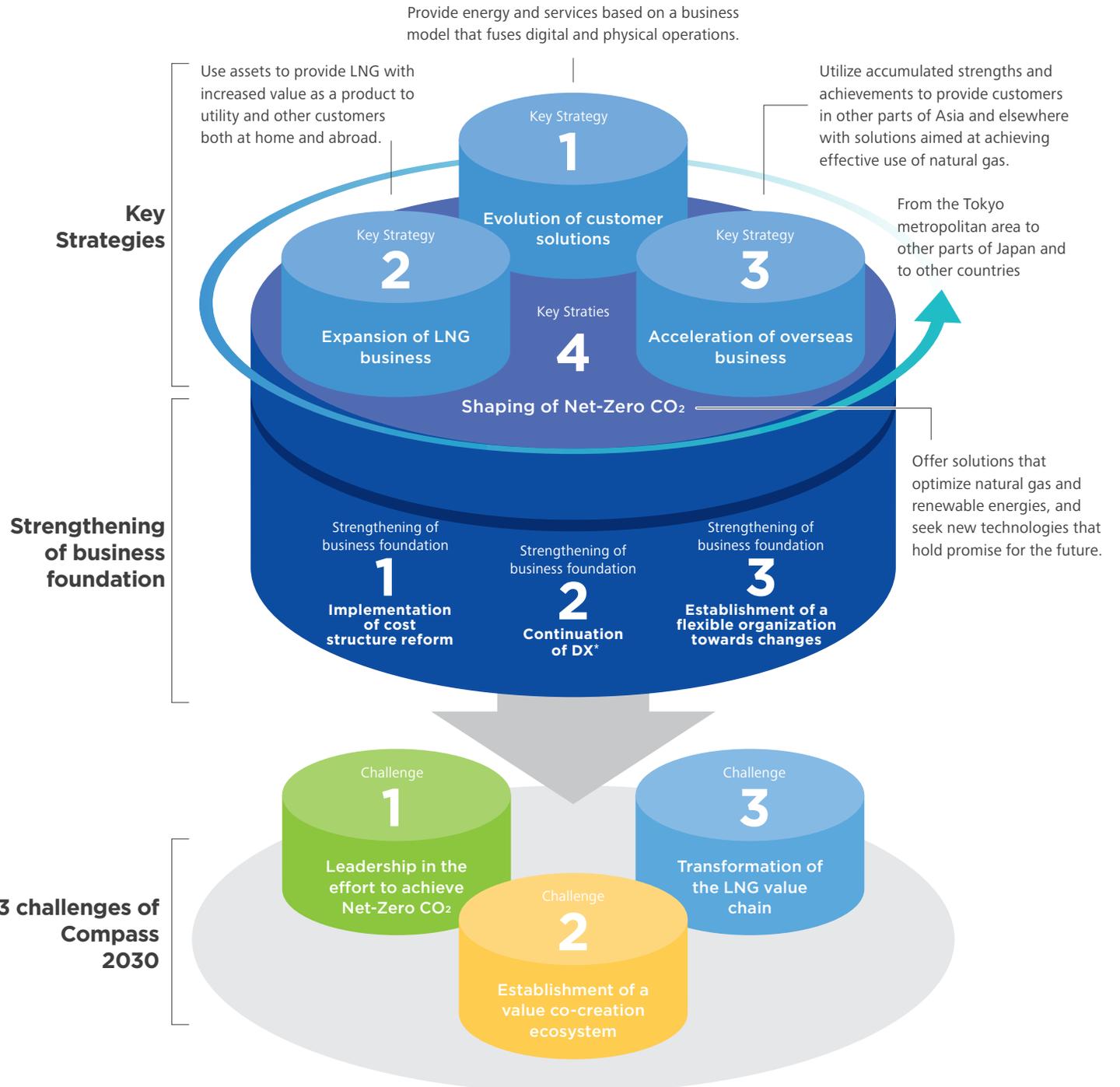
In preparation for future growth and expansion, we will establish the following as key strategies:

- ① Evolution of customer solutions
- ② Expansion of LNG business
- ③ Acceleration of overseas business
- ④ Shaping of Net-Zero CO₂

We will strive to

- ① Implement cost structure reform
 - ② Continue the digital transformation (DX)* and
 - ③ Build a flexible organization towards changes
- in order to change the revenue and expenditure structure, create resources for future growth and also strengthen our business foundation.

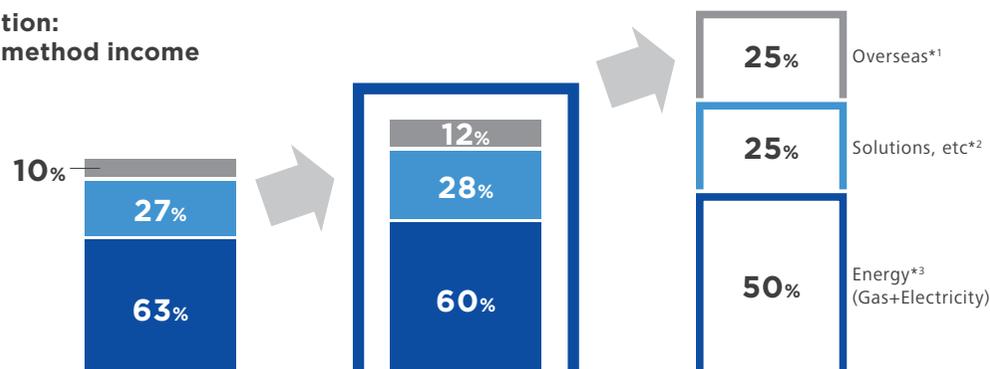
* DX: Digital transformation. The use of data and digital technologies to transform products, services and business models based on customer and societal needs, and also transform work operations themselves as well as organizations, processes, and corporate culture and climate.



Key figures

We will achieve operating profits + equity method income of JPY 140.0 billion in FY2022 through a balance between cost structure reform (primarily in the gas business), the expansion of electricity, solutions, etc., and investment in growth.

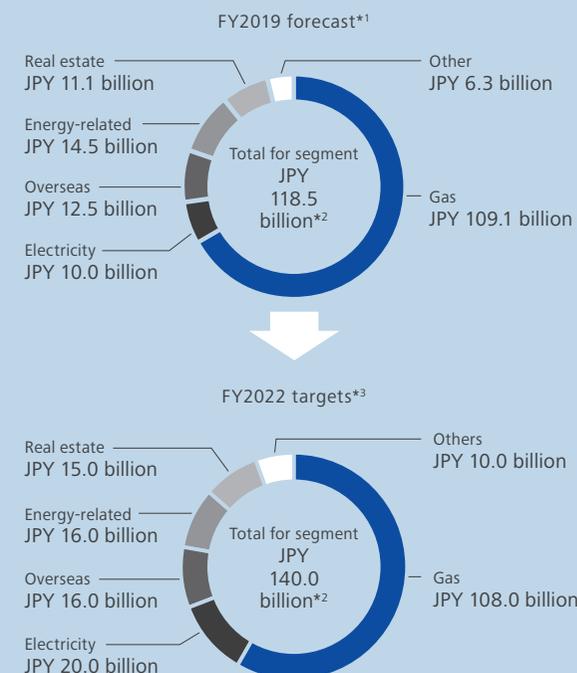
Project portfolio composition: Operating profit + equity method income



	FY2019 forecast*4	FY2022	Management Guidelines and key figures in Compass 2030
KGI			
Operating profit + equity method income	JPY 118.5 billion	JPY 140.0 billion	Approx. JPY 200.0 billion
Financial indicators			
ROA	3.1%	Approx. 4%	
ROE	6.6%	Approx. 8%	
D/E ratio	0.78	Approx. 0.9	
KPI			
No. of customer accounts (as of the end of FY)	12.20 million	14.80 million	20.00 million
Natural gas transaction volume	16.70 million tons	17.00 million tons	20.00 million tons
Segment profit from Overseas Business	JPY 12.5 billion	JPY 16.0 billion	-
Contribution to CO ₂ emission reductions (as compared to FY2013 levels)	5.0 million tons	6.50 million tons	10.00 million tons
Renewable power source transaction volume (as of the end of FY)	0.59 million kW	2.00 million kW	5.00 million kW
Cost structure reform (compared to FY2019)	-	-JPY 30.0 billion	-

*1 Overseas business: All overseas business *2 Solutions, etc.: Energy-related, real estate, other *3 Energy: Gas and electricity business in Japan *4 At time of 3Q results

Supplementary reference Profit planning by segment



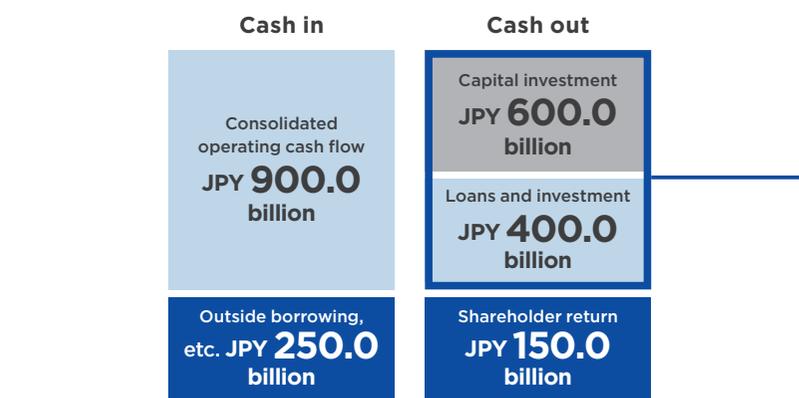
Segment	Main activities
Gas	Factor in increased depreciation costs and intensified competition while carrying out drastic cost structure reform and boosting LNG sales (trading).
Electricity	Achieve a balance between reducing marketing costs and increasing the number of accounts.
Overseas	Growth of upstream, midstream and downstream projects, primarily in North America.
Energy-related	Promote cost structure reform including making services for profit.
Real estate	Take into account the full-fledged start of the Tamachi Project.
Others	Promote cost structure reform and create profitability of M&A.

*1 At time of 3Q results
 FY2019 3Q results frame: Oil price \$68.42/bbl, Exchange rate ¥109.00/\$
 *2 Including consolidation adjustment (-¥45.0 billion)
 *3 FY2022 anticipated frame: Oil price \$60/bbl, Exchange rate ¥110/\$

Cash flow allocation plan and shareholder return policy

Using as a primary resource cash flow extended by cost structure reform and increase in sales, we will invest in future growth while maintaining the balance of asset efficiency, fiscal health and shareholder return.

Cash flow allocation (total for three years)

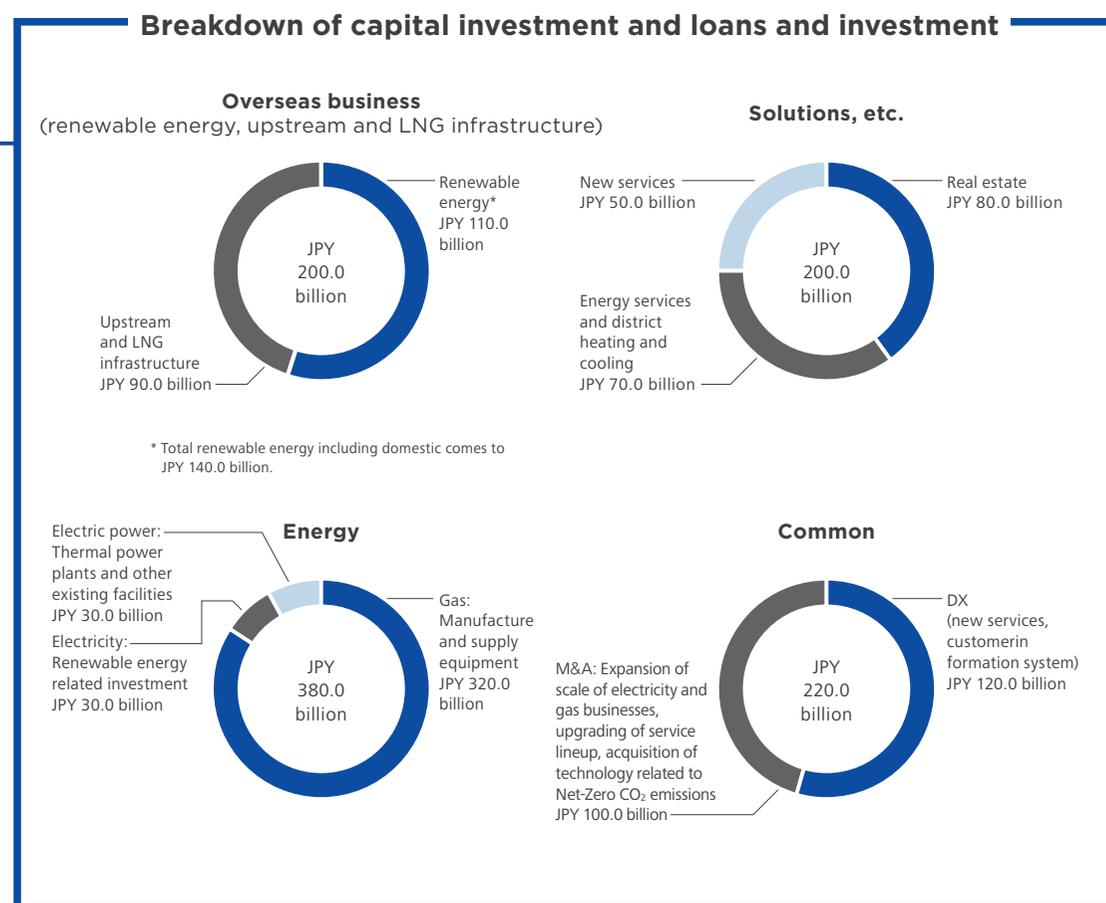


Shareholder return

Distributable income will be applied to the improvement of customer services and to the achievement of a sustainable society, and also distributed to shareholders in a timely and appropriate manner.

Acquisition of treasury stock for retirement will be considered as one way of providing shareholder return in addition to dividends, and targets for total payout ratio (ratio of dividends on current consolidated net income and acquisition of own shares) will be approximately 60% in each fiscal year up through FY2022.

With regard to dividends, we will continue to provide stable dividends and will gradually increase dividends in accordance with growth while comprehensively taking into consideration the profit level over the medium- to long-term.





Key Strategy 1

Evolution of customer solutions

- Through a business model that fuses digital and physical operations, we will provide an improved customer experience to meet increasingly diverse customer needs, and achieve increase of the number of customer accounts and improvement of profitability.
- To provide gas, electricity and services widely, we will deploy a second brand especially designed for digital operations, and build a new business model by collaborating with our business partners.

Main activities in FY2020 - 2022

2022 KPI

Restructuring of the retail sector

Prioritize operations to balance improved customer service with more efficient sales costs.

- Carefully examine and abolish tariffs and operations in order to create menus that are easy for customers to choose.
- Reassess and improve the quality of customer contact activities (increasing speed by the use of tech in the operation of reception and task allocation and make preparations for the use of electronic billing).

Promotion of electric power sales based on a new approach

Conduct business development that is not limited to the existing areas by employing a second brand.

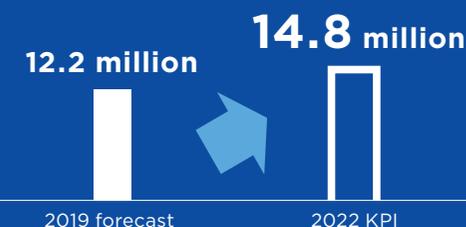
- Expanding business areas with electricity as a foothold for customers who do not have gas contracts or who have potential service needs.
- Establish a Hinatao Energy Co., a second brand that is especially designed for internet sales of electricity and gas in order to provide a menu of various services that can meet the wide-ranging needs of primarily digitally oriented customers.

Establishment of a business model utilizing the “last one mile” and the use of digital technology

Provide a new customer experience by using digital technology and equipment-related strengths.

- In addition to conventional appliance sales centering on face-to-face contacts, collaborate with e-commerce companies as well to establish installation and maintenance services, etc. for customer appliances and systems (“last one mile”) so as to meet customer needs that include electricity and plumbing.
- Create new solution menus beginning with photovoltaic power generation services for homes and businesses and gas appliances and home equipment services with fixed payment that include installation and maintenance (Sumilena).
- Provide an improved customer experience, by working with business partners as well as using AI to provide each customer with optimized menus of services to match needs of each customer.

 **No. of customer accounts**
(total no. of contracts for gas, electricity and services)



 **Of that amount, electricity**
3.8 million





Key Strategy 2

Expansion of LNG business

- We have seen LNG as a raw material for gas and electricity business, but we will reassess LNG as a product that provides value to customers. Through establishing a new company, we will grow a LNG trading to a mainstay for the Tokyo Gas Group.
- As LNG demand continues to increase worldwide, we will optimize LNG supply and demand by utilizing the Tokyo Gas Group assets and deepening cooperation with other companies in order to expand both transaction volumes and profits.



Main activities in FY2020 - 2022

2022 KPI

Expand LNG trading

Use assets and collaborate with other companies to pursue transaction opportunities.

- Cooperation with Centrica, RWE and other business partners will provide flexibility with respect to procurement and sales contracts and expand LNG swap transactions* that utilize ships, LNG terminals, thermal power plants and other assets.

* Transactions in which the price differential is determined in accordance with LNG time, heat quantity and location.

Strengthen operational structure

Optimize supply and demand to expand LNG transaction volumes and increase profits.

- Formulate and promote a comprehensive strategy for accommodating LNG supply and demand, and upgrade operational functions for gas and power source procurement, LNG transactions and so on (by establishing a new Asset Optimization & Trading division).
- Establish a new company for LNG trading to ensure agile transactions.

Conduct procurement to help expand LNG business

Achieve a flexible and competitive LNG procurement portfolio.

- Meet the diverse needs of domestic gas and electric power customers (mainly industrial users and power generation use), and domestic and foreign utilities.



Natural gas transaction volume

16.7 million tons **17** million tons



2019 forecast 2022 KPI

* Including overseas business





Key Strategy 3

Acceleration of overseas business

- Using our accumulated LNG strengths and achievements, we will focus on LNG infrastructure business development in Asia where the demand for natural gas is increasing. We will also work to expand the scale of renewable power generation and increase the value of natural resource development business.
- We intend to conduct "growth engine type investment" where we invest in business corporations and get involved in the management. We will use the management resources of invested-in companies to quickly expand business and increase value.

Main activities in FY2020 - 2022

Development of LNG infrastructure business (Asia)

Secure LNG demand and develop new LNG terminals in an integrated manner.

- Participate in LNG infrastructure study to discover and develop new projects in each country from the master plan stage.
- Conduct integrated development of LNG terminals and gas power generation business (LNG to Power), utilizing the strengths and achievements of LNG user's know-how cultivated in the course of conducting domestic gas operations.

Expansion of scale of renewable energy power generation (North America and Europe)

Expand scale by using business expertise.

- Acquire development and business management knowledge through collaboration with Engie in Mexico and deploy this knowledge in North America and Europe.
- Participate in the management of renewable energy development operators, with involvement from the initial stages of development, in order to improve profitability.

Increase the value of upstream business (North America)

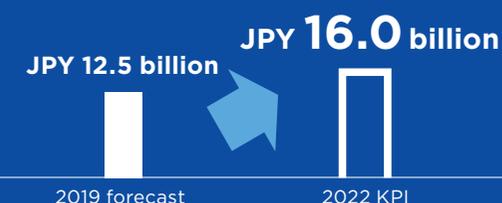
Increase profits by using the resources of invested-in companies.

- Participate in the management of shale gas business corporations and take a leading role through refinancing and the expansion of interests to increase asset efficiency.

2022 KPI



Overseas segment profit





Key Strategy 4

Shaping of Net-Zero CO₂

- To achieve Net-Zero CO₂ emissions, we will expand the scale of virtual power plants (VPP) in order to develop a power business that integrates both renewable energies and natural gas.
- We will also make use of investment in domestic and foreign companies that possess new technologies in order to explore technologies that can aid in decarbonization and pursue innovation of these technologies.

Main activities in FY2020 - 2022

Develop solutions that combine renewable energies and natural gas

Balance the effective use of natural gas with expand of renewable energies and VPP.

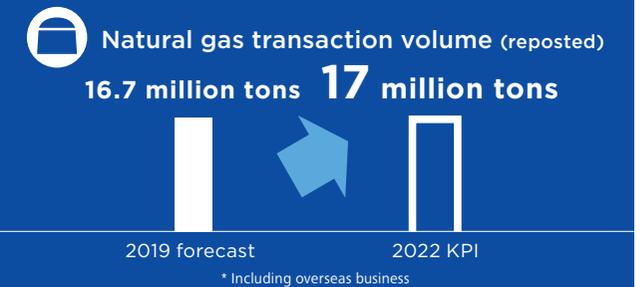
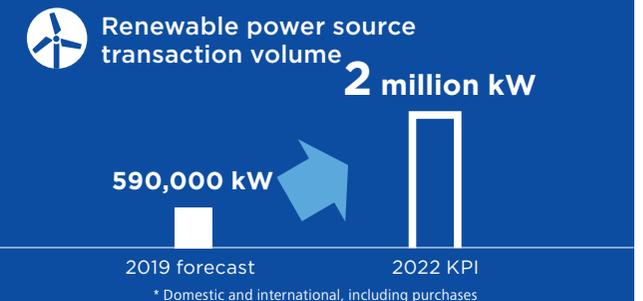
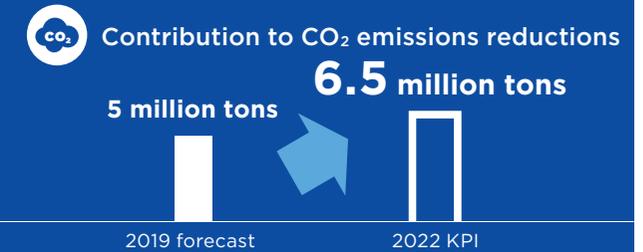
- Utilize digital technologies to combine thermal power, renewable energy and other centralized power sources with photovoltaic power, storage battery, CHP and other distributed power sources to consolidate diverse customer resources and expand the scale of VPP.
- Participate in photovoltaic power, biomass and wind power projects from the initial stages of development and insource operation and maintenance to expand scale while increasing business profits.
- Pursue development of offshore wind farms in Kashima and other promotion zones and take on the challenge of floating structures that have great development potential.
- Make effective use of natural gas by further advancing smart energy systems and energy services that have been successfully implemented at Nihonbashi Muromachi and Kiyohara Industrial Park and so on, and by combining with our group's property development projects.

Developing and commercialization of new technologies by utilizing open innovation

Acquire technologies for CO₂ emissions reduction, capture and use, and zero emissions.

- Promote technical development by using technologies and expertise accumulated through fuel cell development and the like.
 - Develop commercially viable fuel cells with the world's highest power generation efficiency (65%).
 - Conduct demonstration tests and begin services regarding CO₂ capture and use systems in redevelopment areas and at factories.
 - Develop the core element technologies for hydrogen production systems.
- Pursue innovation through collaboration that includes investment in companies that possess renewable energy, CCUS and other new technologies.

2022 KPI





Strengthening of business foundation

Implementation of cost structure reform, continuation of DX, establishment of a flexible organization towards changes

- Implement cost structure reform to generate growth resources that can be allocated to key strategies.
- Continue to implement digital transformation (DX) in order to increase operational efficiency, improve the customer experience and increase resilience.
- Take action with regard to the legal unbundling of the Pipeline Network Division and other changes within and outside the Group, and reassess organization, governance and personnel to increase the engagement of the Group overall.

Main activities in FY2020 - 2022

2022 KPI

**Strengthening of business foundation ①
Implementation of cost structure reform**

Conduct a drastic review of operations and mechanisms.

- Reduce the workload by simplifying increasingly complex gas fees and IT systems.
- Review (with no exceptions) in-house criteria and operations based on appropriate quality.
- Reduce costs by means of procurement reform achieved through value engineering* and crystallization of business operations.

* A systematic method for maximizing the value per cost of products and services (in terms of function, performance, degree of satisfaction, etc.).

**Strengthening of business foundation ②
Continuation of DX**

Increase operational efficiency, improve the customer experience and increase resilience.

- Increase operational efficiency through prediction and optimization based on AI and data.
- Increase customer convenience by making services available online, and by offering optimized proposals and so on, based on understanding of the customer.
- Make use of digital technologies to build a system that achieves a balance between ensuring safety/stable supply and achieving low costs.
- Increase meter reading efficiency and build a system that is capable of rapid restoration in preparation for the comprehensive introduction of smart meters.

**Strengthening of business foundation ③
Establishment of a flexible organization towards changes**

Take steps regarding legal unbundling and review the organization, governance and personnel.

- Implement thorough preparations for legal unbundling (introduce a pipeline network company in 2020 and establish a new company in 2022).
- Reassess Group governance in the light of heightened expectations for the role of subordinates (in addition to the new pipeline company, a new business company owned by Tokyo Gas Liv Solutions and a new trading company will be established).
- Welcome and train diverse personnel, and create the mechanisms and corporate culture needed to take on challenges.



Cost structure reform

2022 KPI
* Compared to FY2019

-JPY 30.0 billion

