January 28, 2021
Tokyo Gas Co., Ltd.

Main Q&A

At the Results Presentation for 3Q of FY2020 (FY Ending March 2021)

Q1: In the first half you were in a position of adjusting supply and demand such as by reselling LNG, on the back of the rapid drop in demand caused by COVID-19. Why did you face a shortage of LNG over the year-end and new year?

A1: In LNG management, you usually fill up the tanks to the limit before the peak season of winter (around November). This year, however, there was a risk that the limit would be exceeded before November due to the rapid drop in demand due to the impact of COVID-19. Therefore, we made adjustments to supply and demand over the summer and autumn, and gradually increased our inventory toward November. Since demand for gas later surged in the winter peak season mainly for large-scale power generation due to the impact of low temperatures, we considered a flexible review of vessel allocation plans, but it coincided with the global tightening of supply and demand of LNG.

Q2: What are your assumptions on the increase in city gas sales volume due to low temperatures and the negative impact of the surge in JEPX prices in and after January in your full-year forecasts?

A2: We have revised our city gas sales volume forecast upward based on the increase in demand as customers stayed at home longer due to COVID-19 but have not reflected the impact of the increase in demand due to low temperatures in and after January. As for the surge in JEPX prices, we have reflected the performance of up to the deadline of our formulation of the full-year forecasts.

Q3: Your forecast of the impact of COVID-19 has improved from -¥22 billion in the previous forecast to -¥6 billion (an improvement of ¥16 billion). What is the reason for the improvement?

A3: The majority of the improvement is due to the increase in the gross margin of city gas (+¥13 billion). We had expected a drop in city gas gross margin until the 2Q results due to a decrease in demand caused by COVID-19, but we now expect profits to increase on the back of an outlook of an increase in residential demand in excess of expectations. As for LNG supply and demand adjustment expenses, a factor that pushes down profits, we have been able to reduce the negative impact by around ¥5 billion as a result of efforts to reduce the drop in profits as much as possible.