

CFO's message

Tokyo Gas is committed to maintaining competitive shareholder returns and making necessary investments required for sustainable growth, with the awareness of achieving an 8% ROE

Senior Managing Executive Officer, CFO
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Achieving a balanced operating cash flow distribution based on our business strategy

As Senior Managing Executive Officer, I participate in the process of determining company-wide management strategy. At the same time, as CFO, I am in charge of financial and capital policy. Tokyo Gas's basic policy for its financial strategy is to achieve a balanced distribution of operating cash flow between (1) full and stable shareholder payouts, (2) growth investments, and (3) maintaining sound financial health. We will continue to review and adjust this balance as needed, based on factors such as our medium to long-term business strategy and capital market trends at the time. With regard to shareholder returns, we have announced our commitment to maintaining a total payout ratio of 60% until fiscal 2020. If you look at our track record over the past 12 years since fiscal 2006, when we set the target of a 60% total payout ratio, you can see that we have consistently maintained that payout ratio by steadily increasing dividends in combination with appropriate share repurchases. We are confident that this 60% total payout level remains competitive, not only amongst companies in the Japanese electric power and gas sectors, but in capital markets overall. In terms of growth investments for the future, we will continue to focus our investments into the expansion of our natural gas

and LNG value chain, which will continue to play an important role into the 2020s, and in other areas that will contribute to the advancement of the Greater Tokyo Area, which continues to exhibit high growth potential.

In addition to expanding its electric power business by building its own high-efficiency gas-fired thermal power plants, Tokyo Gas will also continue to take a proactive approach to challenges in new fields; for example, such as by increasing added value by combining those conventional power sources with renewable energy sources.

Meanwhile, with regard to financial health, which is our basis for minimizing financing costs, ensuring stable management and securing the trust and confidence of customers, we have already secured a certain level.

Based on the assumption of consistent shareholder payouts and proactive growth investments for the future, by fiscal 2020, our D/E ratio is expected to rise from the current level of 0.64 to around 0.9, which we consider to be within acceptable levels.

Seizing opportunities for growth through appropriate investments

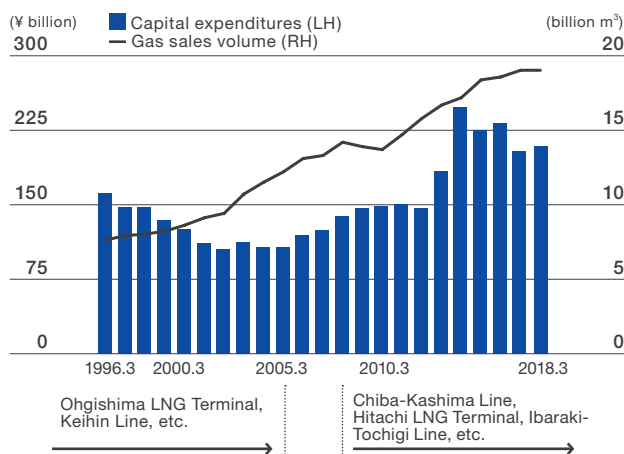
Adding a few words about growth investments, natural gas is an excellent source of energy in terms of the global environment and other such perspectives, and significant

growth in demand is still expected to continue in the Greater Tokyo Area, which is our main business area.

With the completion of the Hitachi LNG Terminal expansion and the Ibaraki Line (currently under construction), we will achieve a complete loop in our Greater Tokyo high-pressure pipeline network, thereby further increasing the stability of our natural gas supply infrastructure. Based on this, we want to unleash the maximum potential of natural gas. As one technology development initiative to help achieve this, we will actively incorporate methods such as open innovation, with our sights also set on the arrival of “Society 5.0.”

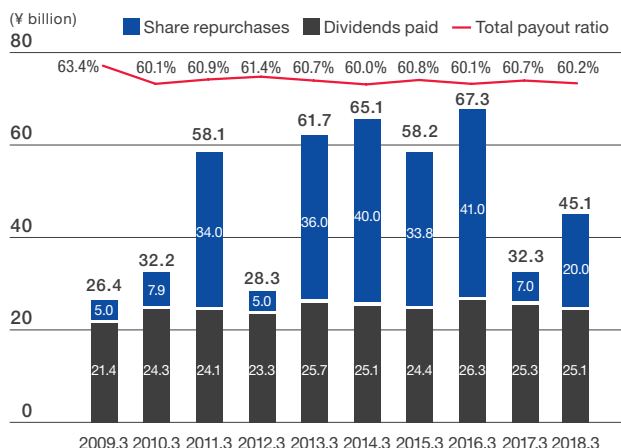
When making decisions with regard to significant investments, in addition to making multi-faceted evaluations and analyses of the profitability and risks involved in the preliminary stages of each project, we also hold Investment Evaluation Committee meetings to verify the strategic significance of the investment. After the decision has been made to proceed with an investment, the Committee periodically validates the performance and future outlook of each project. In this way, we are making efforts to ensure appropriate and timely judgments with regard to the future of each investment project.

Capital Expenditures and Gas Sales Volume



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

Shareholder Returns



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 health, as a basis for stable management and securing the trust and confidence of customers

As CFO I act as chairman of the Investment Evaluation Committee. We have set a hurdle rate (a standard for judging profitability) that reflects a conscious awareness of our capital costs, and are striving to ensure disciplined investments, with a view to achieving our FY2020 ROE target of 8%. However, we also believe that achieving sustainable growth amidst the uncertainty of the future business environment will require strategic thinking from a medium to long-term perspective and carefully-considered risk taking. For this reason, recently, we are investing particular energies into identifying issues that will contribute to overall management decisions and fundamental debates.

Paying thorough attention to corporate governance in management

In addition to multi-faceted and comprehensive overall debates, I believe that making our business strategies more fruitful and rewarding will also demand logical judgement, without denial of inconvenient facts. Achieving this will require a mechanism for supervising and checking its appropriateness of how our business is operated, and I believe that is exactly what corporate governance represents.

I place particular importance on constructive dialogues (or “engagement”) with shareholders and investors. Shareholders and investors each have their own various ways of thinking, and their own decision-making criteria, and are by no means one unified group. But we endeavor to listen constantly and humbly to their opinions. Together with the CEO and our investor relations (IR) representative, I work to create numerous opportunities for such engagement, totaling around 250 times per year, covering main themes that include the background and future outlook of our investment strategy, and the impact of the deregulation of the electric power and gas markets. Tokyo Gas has been selected in three ESG assessment indexes used by Japan’s GPIF (Government Pension Investment Fund): the FTSE Blossom Japan Index, the MSCI Japan ESG Select Leaders Index, and the MSCI Japan Empowering Women Index (WIN). I also regard our inclusion in these indexes as an achievement of these initiatives. Next year, it will be 50 years since Tokyo Gas became the first company to import LNG to Japan. Moving forward, we will continue working to increase our corporate value by drawing out the maximum value of natural gas. We ask for the continued understanding and support of our shareholders.