

Tokyo Gas will invest in growth areas while ensuring asset efficiency and financial soundness

We have increased sales and profits by better procurement of raw materials and expansion of overseas business

In FY2021 (ended March 31, 2022), the business environment was severe especially due to rising raw material costs. However, we made fastidious adjustments in supply and demand conditions of LNG, such as improving the accuracy of demand forecasts and utilizing the flexibility of the assets we hold, and we were able to control to a high degree the procurement of LNG in the spot market where prices were rising. As raw material prices and demand are fluctuating more dramatically at this time, management of these risks has become a major issue. We believe that we benefited from our procurement portfolio being centered on long-term contracts and through our efforts of the past few years to improve the optimizing of operations through supply and demand adjustments, and this has led to the superiority of raw material procurement.

In the overseas segment, rising resource prices led to higher profits from the upstream business in Australia and also to higher profits from the shale gas business in North America due to a company that became a consolidated subsidiary in the 3Q of FY2020. This resulted in a significantly high increase of 625.2% in profits over the previous fiscal year.

Consequent to these results, our profits and revenues in FY2021 increased from the previous fiscal year and from the initial plan.

We will consolidate efforts for success of the Medium-term Management Plan, including optimization of LNG supply and demand, and implement cost structure reforms, to achieve our profit targets

In FY2022, the final year of the three-year Medium-term Management Plan, our latest plan of 143.5 billion yen in

segment profit (operating profit + equity method profit) exceeds the target in our Mid-term Management Plan. We know that we are facing similar challenges as in the previous year, such as the rise in crude oil and LNG prices caused by the destabilization of the international situation. However, we believe that our profit forecast is sufficiently achievable, given that the efforts over the Medium-term Management Plan period such as optimization of LNG supply and demand as well as cost structure reforms are already bearing fruit.

As a driving factor behind the profit increase, our initial forecast of 25.3 billion yen in segment profit for the Electric Power Business exceeds its profit level of the past few years, due mainly to an increase in wholesale electricity sales volume. The Overseas Business is also expected to increase profit to 37.4 billion yen, with a contribution by an increase in profit from the upstream business in Australia, mainly due to the rise in crude oil prices.

On the other hand, ROE and ROA—the financial indicators set forth in our Medium-term Management Plan, are currently expected to be below our targets. The main reason for this is the increased size of the assets that have been driven by aggressive business investments over the past few years. As we aim to balance profit growth and asset efficiency improvement, we will introduce new management controls at each of our internal companies and business corporations under the holdings type group structure, which was launched in April. In FY2022 we will start using an advanced Profit/Loss (P/L) management approach designed to improve the earning power of companies and business corporations. From the next fiscal year onwards, we intend to develop this into a Balance Sheet (B/S) management arrangement and aim for each company and business corporation to improve asset efficiency through changing the makeup of its own business assets and other means.



Managing Executive Officer and CFO

SATO Hirofumi

By 2030, we will invest approximately 2 trillion yen in decarbonization and other growth to raise profits to approximately 200 billion yen

Compass Action, which is a detailed roadmap for achieving Compass2030, states the plan calls for investing around 2 trillion yen in growth areas by 2030, including approximately 700 billion yen in the decarbonization area, such as for renewable energy and hydrogen-related technology development. In order to carry out these investments, we must simultaneously address many challenges, including the financial arrangements, ensuring financial soundness, and improving asset and capital efficiency.

Above all, we need to increase operating cash flow, or in other words, earning power. It is essential to nurture businesses to compensate for the decrease in gas sales profits caused by liberalization, and we have made many strategic moves to achieve this. For example, one move was to enable the Electric Power Business to reach 30 billion kWh in electricity sales volume and 3 million in the number of retail customers. The Overseas Business and the Urban Development Business have also grown to

become profit pillars. In addition, the Network Business, which was spun off in April this year, is expected to make more bold efforts than ever to improve work efficiency via DX and to review operations in line with the changing times, thereby enhancing its earning power. Based on these initiatives, we will add investment opportunities that early contribute to profitability, and aim to achieve the 200 billion yen profit target for 2030.

Some of the investment capital will be externally financed. In recent years, we have been actively making use of low interest rates but as interest rates have shifted to a rising phase, we need to devise various new measures. We intend to try new methods such as the further utilization of transition bonds, which was first issued in March of this year, and the liquidation of assets to ensure financial soundness and improve asset efficiency.

We aim to improve corporate value over the medium to long term by allocating 10% of the return to investment in the decarbonization area

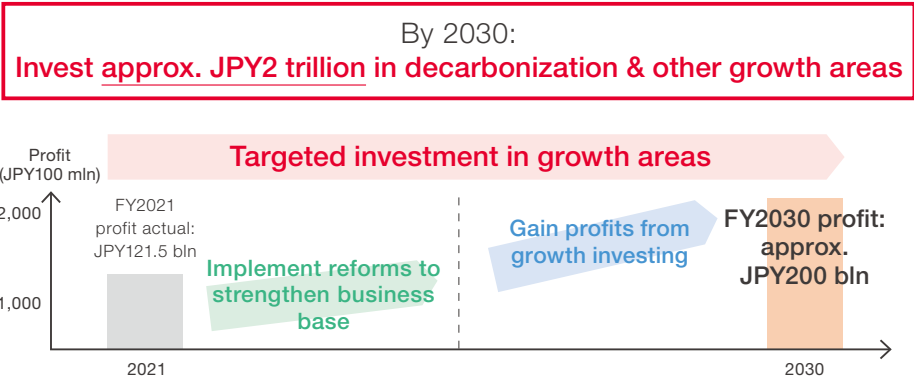
In response to the Japanese government’s 2050 Carbon Neutral Declaration in October 2020, we decided to make

our target year of achieving Net-Zero CO₂ earlier, to 2050. In line with this, we have revised our shareholder return policy and have lowered our target for total return ratio from 60% to 50%. The reduction of 10% will be used as quickly as possible as a source for investment in hydrogen and methanation. We are committed to sustainable development by contributing to the realization of a decarbonized society, and to rewarding our shareholders through the improvement of medium- to long-term corporate value. We will continue our efforts to gain the understanding of our shareholders.

Going forward, various SDGs beyond the prevention of global warming need to be addressed but what we think critically important is to align these with the sustainable development and corporate value improvement of the Tokyo Gas Group. We will further strengthen the disclosure of non-financial information through integrated reports, etc., so that our efforts and corporate value will be properly evaluated.

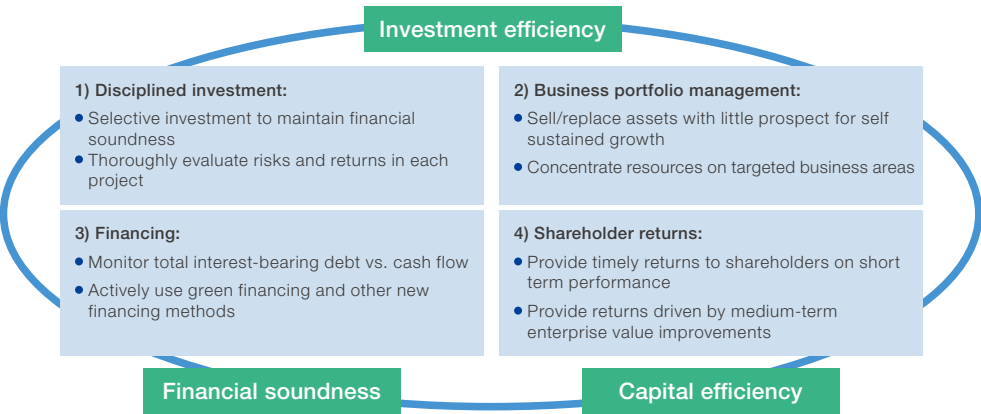
Targeted investment in growth areas

- Shift investment to decarbonization & other growth areas, and place capital aggressively
(early investments in decarbonization + active investment in other growth areas)
- Strengthen business platform by implementing reforms in first half of 2020s, achieve profit growth from investments in the second half



Financial strategy supporting investment

- Support growth investing by enhancing investment/capital efficiency and by employing effective cash flow management to secure sufficient investment capital



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