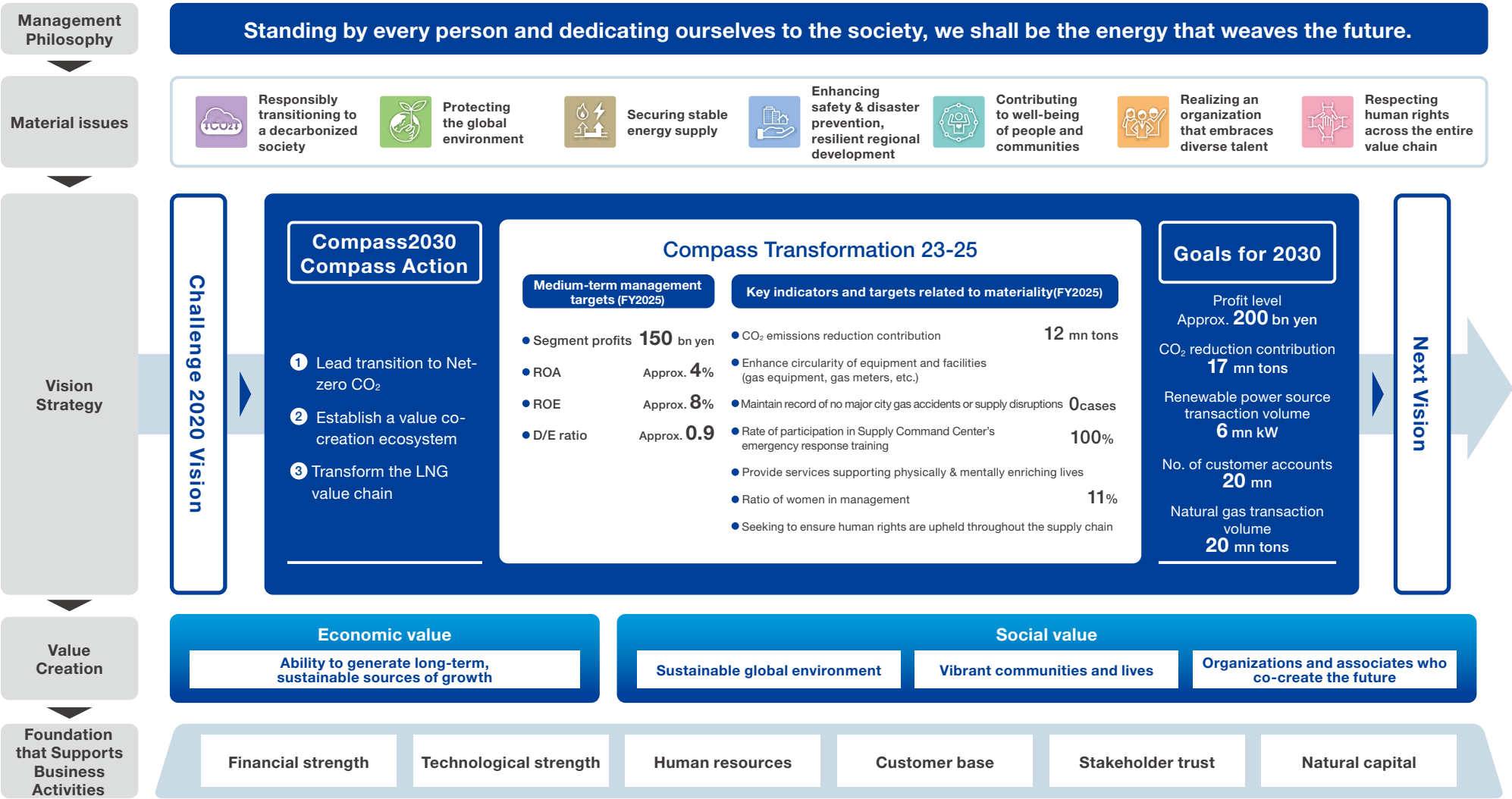


How We Create Value

The Value Creation Process

Based on its Group's Management Philosophy, the Tokyo Gas Group defines material issues—the key medium- and long-term sustainability issues we need to address— and aims to create economic and social value through its business activities. Furthermore, by strengthening the foundation that supports our business activities through the values created, we will further improve enterprise value.



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Promoting Sustainability and Material issues

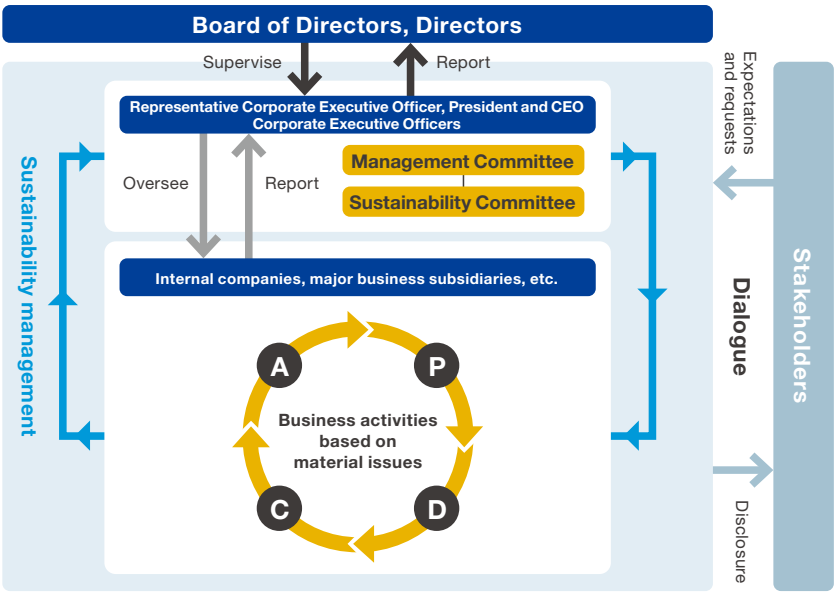
Promoting sustainability

Fundamental policy

We have defined key sustainability issues (material issues) in order to embody the Group’s management philosophy—“Standing by every person and dedicating ourselves to the society, we shall be the energy that weaves the future.”—and we will tackle them through our business activities. In this way, we strive to create both social and economic value.

Sustainability Promotion System

Various organizations within the Tokyo Gas Group strive to promote business activities based on material issues. In addition, a committee that supports rational decision-making by Corporate Executive Officers (Management Committee) and the Sustainability Committee, which is chaired by the President, are instrumental in promoting sustainability management throughout the Group. Furthermore, important matters are reported to the Board of Directors.



Key Sustainability Issues (Material issues)

Material issues (from FY2023)

We have defined seven material issues corresponding to issues we aim to resolve through our business activities over the medium-to long-term.

- | | | | | | |
|----------|---|--|----------|---|--|
| 1 | Responsibly transitioning to a decarbonized society | | 5 | Contributing to well-being of people and communities | |
| 2 | Protecting the global environment | | 6 | Realizing an organization that embraces diverse talent | |
| 3 | Securing stable energy supply | | 7 | Respecting human rights across the entire value chain | |
| 4 | Enhancing safety & disaster prevention, resilient regional development | | | | |

Comment from an expert

Since the Russian invasion of Ukraine, the world has become increasingly divided, and the Tokyo Gas Group (the “Company”), a comprehensive energy company, is being significantly affected by geopolitical risks. In such a business environment, the Company has become more sensitive to societal trends and reassessed its material issues. As a result, it is committed to addressing climate change, including decarbonization, and supply chain risk management. The Company places a central focus on providing solutions that go beyond traditional energy businesses and aims to have an ongoing impact on society and business growth in the long term, including beyond 2030.

I would like to commend the Company for incorporating the infrastructure business into its growth strategy from a new perspective, without being bound by the traditional “status quo.” This should prove to be a significant strength for the Company as it transitions towards a decarbonized society and becomes a key player in resilient energy infrastructure.

Looking ahead, I anticipate that Company will responsibly transition toward a decarbonized society by developing and implementing a concrete roadmap. Furthermore, I look forward to the Company becoming a leader in closing the gender gap, in addition to promoting women’s empowerment, in line with the goal of “Realizing an organization that embraces diverse talent” from the perspective of diversity, equity, and inclusion.



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YOSHITAKA Mari

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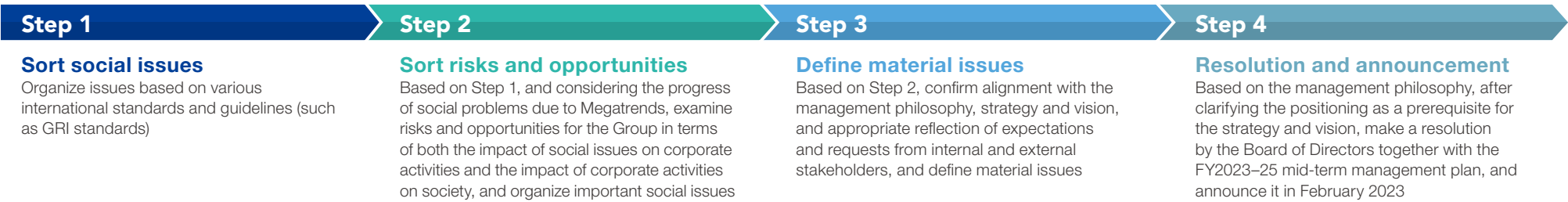
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The Definition Process



Sort risks and opportunities

Sorting of risks and opportunities of importance to the Tokyo Gas Group

- ★ Impact of social issues on our corporate activities
- Impact of our corporate activities on society

Megatrends	Social issues*	Risks	Opportunities	Material issues
Global Climate change	★● Climate change	<div>● If the decarbonization of gas-based energy does not progress, the value of gas-related assets will be lost</div> <div>● A decline in the competitiveness of the electric power business due to insufficient acquisition of renewable energy</div> <div>● Decrease in demand due to increase in prosumers</div> <div>● Carbon taxes and other schemes that may affect the natural gas business</div>	<div>● Increasing global demand for natural gas, LNG, and carbon-neutral gas energy</div> <div>● Acceleration of the electric power business with green power</div> <div>● Business opportunities to meet emerging and expanding demand-side needs, such as EVs, storage batteries, PVs, and VPPs</div>	Responsibly transitioning to a decarbonized society
Global Population growth and economic development in emerging countries	<div>★● Environmental destruction at the local and global levels</div> <div>★ Constraints on energy resources and destabilization of the international situation</div>	<div>● The potential for lawsuits and business injunctions in the event of noncompliance with regional environmental considerations in natural gas extraction, power development, and power plant operation</div> <div>● Increasing global demand for natural gas making procurement more difficult</div> <div>● Impact of the worsening supply and demand tightness on supply disruptions</div>	<div>● Differentiation of products and services through advanced environmental initiatives (advanced resource recycling, nature positive measures)</div> <div>● Potential for increased profits in upstream operations</div> <div>● Enhancement of stable supply through integrated supply and demand</div>	<div>Protecting the global environment</div> <div>Securing stable energy supply</div>
Japan Changes in demographics and changes and diversification of values as Japan's economy matures	<div>★ Deterioration of infrastructure and buildings over time</div> <div>★ Concentration of functions in cities</div> <div>★ Shrinking domestic market</div> <div>★ Declining regional vitality</div> <div>★ A lack of spiritual richness</div> <div>★ Decline in the productive working population</div> <div>★ Lack of support for work styles of diverse human resources</div>	<div>● Degradation of owned assets</div> <div>● Worsening supply disruptions due to disasters</div> <div>● In the energy retail business, profits decrease as the population declines</div> <div>● Difficulty securing workers at stable supply sites</div> <div>● Negative impact on recruitment and engagement, increase in retirement</div>	<div>● Sustainable urban development using various energy sources</div> <div>● Expansion of gas demand due to the improved positioning of disaster-resistant gas infrastructure</div> <div>● Improving lifetime value by transitioning to a service model</div> <div>● Development of services contributing to the enrichment of the mind</div> <div>● Efforts to contribute to the local community as a company that has continued to uphold the values of "Safety, Security, and Trust."</div> <div>● Accelerating innovation through the diversification of human resources</div>	<div>Enhancing safety & disaster prevention, resilient regional development</div> <div>Contributing to well-being of people and communities</div> <div>Realizing an organization that embraces diverse talent</div>
Global Growing demand for corporate social responsibility	★● Human rights violations	<div>● Growing awareness of human rights and diversification of people involved in supply chains have led to increases in lawsuits and business injunctions worldwide</div>	—	Respecting human rights across the entire value chain

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Material issues Initiatives and Value Creation

Material issues	What we aim to become	Main targets and indicators (FY2025 numerical targets)	Relevant SDGs
1 Responsibly transitioning to a decarbonized society	We will contribute to the transition to a decarbonization society in terms of both electricity and heat through our decarbonization of gas and electric initiatives such as low-carbonization and the introduction of renewable energy and methanation through the sophisticated use of natural gas. In this process, we will realize a responsible transition that does not place excessive burden on society from various viewpoints such as economic efficiency, stable supply, and employment.	<ul style="list-style-type: none">• CO₂ reduction contribution (12 mn tons)• Renewable power source transaction volume (2.2 mn kW)• Promotion of large-scale methanation overseas• Reduction of CO₂ emissions from our activities (achieve 60% vs. FY2020)	   
2 Protecting the global environment	As a company that conducts business activities using the earth's resources such as natural gas, renewable energy, and various mineral resources, we will conserve the environment in our business activity areas, including biodiversity conservation, and continue to enhance resource utilization with an awareness of the balance with economic efficiency.	<ul style="list-style-type: none">• Enhance circularity of equipment and facilities (gas equipment, gas meters, etc.)• Promote biodiversity conservation	   
3 Securing stable energy supply	As a company responsible for the stable supply of energy, we will continue to secure stable energy supply through both supply and demand approaches so that society can use energy with peace of mind, even in an increasingly complex business environment with heightened geopolitical risks.	<ul style="list-style-type: none">• Maintain record of no major city gas accidents or supply disruptions (0 cases)• Address procurement risks	  
4 Enhancing safety & disaster prevention, resilient regional development	As an energy infrastructure company, we will promote disaster-resistant urban development so that our customers can use energy safely and securely, not only in normal times but also in the event of natural disasters such as earthquakes and wind and flood disasters, and continue to earn the trust of our customers.	<ul style="list-style-type: none">• Rate of participation in Supply Command Center's emergency response training (maintaining 100%)• Continue subdivision of disaster prevention blocks to contribute to minimize supply outage areas in the event of a large-scale earthquake• Promote the introduction of resilient energy systems	   
5 Contributing to well-being of people and communities	As a company that has built a brand of peace of mind, affluence, safety, and trust based on energy, we will continue to contribute to a society in which people live healthy lives in vibrant communities by working together with various stakeholders to realize a fulfilling life both physically and mentally in light of social conditions such as the declining population and birthrate, the aging population, and the increase in the number of dual-income households, and to revitalize regions and communities.	<ul style="list-style-type: none">• Provide services supporting physically & mentally enriching lives• Promote regional and municipal collaboration on carbon-neutral cities	   
6 Realizing an organization that embraces diverse talent	As a company that is expanding its business areas and promoting innovation, we will continue to promote diversity, equity, and inclusion so that each and every one of our diverse human resources can grow and play an active role on their own and in their own way and give back to society, while we strengthen recruitment and training efforts by enhancing mid-career hiring and providing employees with reskilling opportunities.	<ul style="list-style-type: none">• Ratio of women in management (11%)• Percentage of male employees taking childcare leave of at least one month (100%)• Reskilling/retraining participation rate (100%)• Measure Group employee engagement indicators and make improvements	    
7 Respecting human rights across the entire value chain	As a company involved in a wide range of supply chains, we will respect the human rights of all related people and continue to contribute to a society in which all people can secure their lives and freedom and pursue their own happiness.	<ul style="list-style-type: none">• Seeking to ensure human rights are upheld throughout our supply chain	   

Social value created by the Tokyo Gas Group

Sustainable global environment

We will lead the transition to a decarbonization society while ensuring the stability of society as a whole, and contribute to the response to climate change. We will also contribute to the realization of a society that is less affected by biodiversity loss and resource constraints.

Vibrant communities and lives

With safe, secure, clean energy and optimized solutions, we will contribute to the enrichment of physical and mental well-being, stable businesses, and the revitalization of regions and communities.

Organizations and associates who co-create the future

Based on the premise of respect and esteem for all people involved throughout the Group's entire supply chain, human resources who have a sense of mission and willingness to change the earth, society, community, and individuals will become the driving force for co-creating the future.