

We will Swiftly Establish a Future-focused Business Model, and Take on the Challenge of Achieving a Carbon Neutral Society and Sustainable Growth.

The goal of the Tokyo Gas Group:
With an awareness that this is our third founding, we will take on the challenge of achieving both carbon neutrality in society and sustainable growth.

With our Compass 2030 management vision (2019), the Tokyo Gas Group became the first in the Japanese energy industry to announce that it was taking on the challenge of achieving net-zero CO₂ by 2050. In order to set out a specific path for achieving a responsible transition from 2030 and leading to net zero by 2050, this year we put together the Carbon Neutrality Roadmap 2050. As set out in the Group's Management Philosophy of "Standing by every person and dedicating ourselves to the society, we shall be the energy that weaves the future" (2022) that inherits the "analects (moral issue) and abacus (business sense)" mindset of Tokyo Gas founder SHIBUSAWA Eiichi: this series of transformations aims to balance both the challenge of achieving a carbon neutral society (moral issue) and sustainable growth (business sense). In order to implement changes appropriately and swiftly, we will continue to take on challenges as a leading company in the energy industry including the governance reforms we have conducted such as switching to a company with a nominating committee, etc. and a holding-type group structure. Since I took up the role of president in April 2023, I have worked with a strong awareness that we are in the midst of our third founding. I will talk further about the third founding below.

Strengthening portfolio management to enhance corporate value:
In the first year of our Medium-term plan, we responded to significant changes in the business environment and achieved our second best results ever.

Currently, we are working to strengthen our portfolio management to increase profitability in the energy sector while investing the cash flow generated there in growth areas such as solutions and overseas business, as well as in the future growth area of Green Transformation.

In each of our business areas, we have shifted to a trading structure that optimizes the use of assets rather than just the conventional integrated value chain energy supply to enable us to respond flexibly to changes in market structure. By doing this, I feel that we have enacted an appropriate response to the extremely volatile markets that have resulted from soaring resource prices and heightened geopolitical risks over the past several years. In specific terms, we have taken forward three forms of diversification in our procurement of raw materials - diversification of (1) procurement sources, (2) contract types, and (3) commercial distribution - in order to increase our risk response capabilities, and through the utilization of trading, we are increasing our resilience to volatility while working on monetization. These measures were successful, and FY2023 saw our second best ever net sales and profit levels after the preceding year.

Director,
Representative Corporate
Executive Officer,
President and CEO

SASAYAMA
Shinichi

笹山 晋一



Our work in our third founding:
Steadily proceeding with the three core strategies in our Medium-term Management Plan.

We will work to make steady progress on the three core strategies we set out in our Compass Transformation 23-25 Medium-term Management Plan.

(1) Achieve both stable energy supply & decarbonization

In order to ensure a responsible transition to a carbon neutral society under uncertain circumstances that include the geopolitical risk seen over recent years, we will aim to establish both a stable supply of energy and decarbonization.

In our city gas business, we will ensure a stable supply through putting in place infrastructure and diversifying LNG procurement, and steadily proceeding with projects related to hydrogen and e-methane¹ to contribute to decarbonization. E-methane is a feasible means of decarbonization that makes effective use of existing assets such as pipelines and is expected to provide full-lifecycle cost competitiveness. Tokyo Gas was the first in the world to commence investigations in this area, and in order to take forward a specific verification, we are undertaking a supply chain establishment project for production, liquefaction, and transportation in the US. Furthermore, in order to increase the number of our partners in Japan and overseas and expand our circle of cooperation internationally, the e-NG Coalition international alliance that includes Europe and North American members among others was launched in March this year, and a structure to incorporate e-methane into global society is gradually taking shape.

In the electric business, we are contributing to the stable supply of electricity by utilizing low-carbon and highly efficient LNG-fired thermal plants, and with over 3.8 million customers among other achievements, we continue to be a top player among new electric power companies in sales volume. Furthermore, with the aim of decarbonization, we are steadily growing our transaction volume of renewable energy. Toward the commercialization of floating offshore wind power generation, which has the greatest potential of all forms of renewable energy, we have invested in Principle Power (US), a company that possesses the leading floating foundation technology in Europe, and are undertaking verification work ahead of mass production in Japan.

(2) Fully roll out the solutions business: A new pillar after gas and electricity

With the aim of creating a new pillar to follow gas and electricity, we have launched a new brand called IGNITURE. While thus far we have developed and provided new devices and services for households, companies, and community customers, we decided to launch a new brand that sets things out in an organized manner in order to enable use to convey the solutions of the Tokyo Gas Group in an easily understandable and comprehensive manner. The brand name is a portmanteau of the words ignite and future, and the company will provide the three increasingly important values of decarbonization, optimization, and

resilience to meet customers' needs in the optimum form.

Going forward, we will expand the comprehensive service capabilities that we have nurtured through gas systems and decentralized energy systems, such as fuel cells and cogeneration, and that cover everything from proposals and sales to operation and maintenance with strong roots in the local community to include electricity systems and new decentralized energy systems in the form of solar, storage batteries, electric vehicles, etc. And we will use digital technology including data and AI to create a structure that enables the proposal of optimized solutions that combine real-world and digital technologies.

(3) Realize a flexible corporate culture resilient to change

Given the volatility accompanying increased geopolitical risks, the spread of renewable energy, and the marketization of energy, we have put in place a digital trading platform for the optimum operation and management of a diverse range of decentralized energy systems. Utilizing digital technology, we are also working to provide an even better experience to our customers and to radically improve productivity throughout the Tokyo Gas Group.

And as the group's business expands, the number of new areas we are involved in - areas such as GX, DX (digital transformation), and business overseas - is also increasing. We need to respond to changes in each market and raise the capabilities of each organization to the top level in the industry. We believe that it is people who are the driving force behind transformation, and as such we will strengthen our human capital management.

Enhancement of human capital management:
We will develop and recruit highly-specialized human resources to create an organization in which diverse human resources can continue to take on the challenge of achieving lofty goals that lead to increased corporate value while engaging in free and unfettered discussions.

In order to build a human resource portfolio that is consistent with the business portfolio we aim for, we are deepening discussions at the Human Resource Development Committee, which consists of members of the Management Committee, in cooperation with the CHRO and the director in charge of DE&I². We will make expertise visible, enhance expertise by providing training support and acquiring highly specialized personnel, and create an organization and structure that enables diverse human resources to play an active role and generate synergy for the entire group. We will create a virtuous cycle that leads to the next stage of growth by enabling each individual to achieve personal growth and to feel their contribution to the value provided to customers and to the enhancement of corporate value. While we are still only part of the way on our journey, we will make repeated improvements and implement human resources management to bolster both the quality and numbers of our human resources.

And to establish a future-focused business model, we must formulate and implement bold goals and actionable plans. To this end, from this year we have made the decision to have all senior staff take an OKR³ declaration, and to confirm this on a one-on-one basis. I myself set out specific results and plans (i.e. key results) to achieve ambitious objectives, and hold discussions with executives on the basis of these. I would also like to speak directly to all employees of group companies as far as possible, and in the regular “President’s Communication” I directly accept a varied mixture of serious and lighthearted questions that I answer frankly. In addition, I also go onsite to have regular meetings called “Coffee Chat” with around ten people, and in these meetings we have free and unfettered discussions. I believe that value is created by discussing things in an unhindered fashion rather than through one-way communication from myself, and I am undertaking these initiatives not only in Japan but also in other countries.



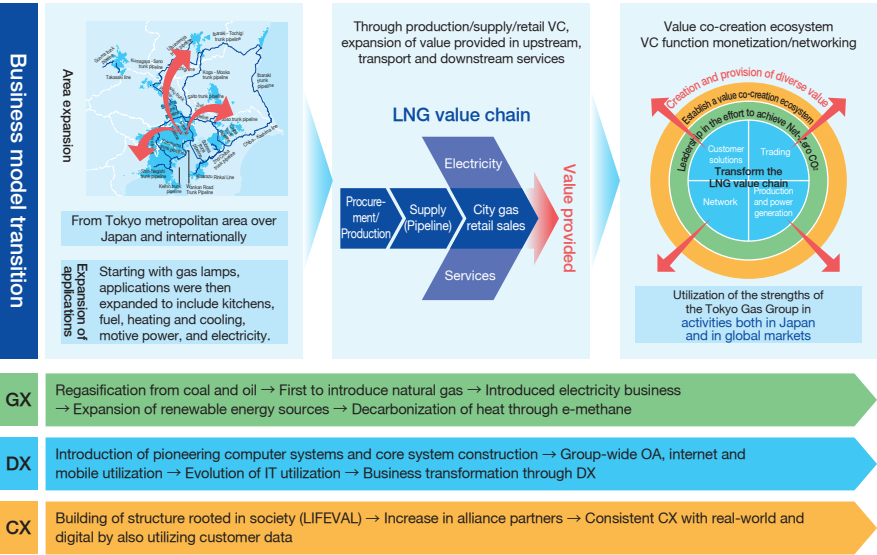
The determination incorporated in the Carbon Neutrality Roadmap 2050: Taking on the challenge of dealing with new issues and technology, and setting out solutions taking the latest trends into consideration.

As a top runner toward carbon neutrality, and as a company that advocates a responsible transition, the Tokyo Gas Group believes that it is important to set out not only a vision for its goal in 2050 but also for the milestones along the way to reaching this goal in the form of a roadmap, and has therefore created and published a roadmap leading to carbon neutrality by 2050.

Based on this determination, we present our solution in Special Feature 1, so please be sure to check it out.



The capabilities required for our third founding (organizational capability): The Tokyo Gas Group has always successfully transformed its business model in line with the issues faced by society. We will ensure the successful achievement of this transformation in our third founding.



In reflection upon the history of transformation of the Tokyo Gas Group’s business model thus far, I am convinced that we can achieve a transformation in our third founding.

(1) First founding: Scaling up through application expansion and area expansion

As the name would suggest, our first founding was in 1885 when SHIBUSAWA Eiichi established Tokyo Gas with the vision of lighting up Japan with gas lamps, and since then, through the roughly 80 years before and after WWII, we have mainly worked to establish our city gas business for our customers in the Tokyo metropolitan area. While things started out from gas lamps, we have not limited our business domain to lighting, and have expanded the use of gas to a heat source for kitchens, hot water, and heating, and other such uses including motive power and electricity. Subsequently, the company expanded its business area from the Tokyo metropolitan area to all of Japan, and has worked to grow the size of its business.

(2) Second founding: Contribution to the local environment through the introduction of LNG, IT-based productivity increase, and expansion of scope through value chain evolution

I view the second founding of Tokyo Gas as 1969, when LNG was first introduced in Japan. The rapid growth in energy demand and the pollution problems that accompanied

rapid economic growth led to the decision to introduce LNG as a solution to both problems. Compared to petroleum and coal, natural gas has significantly lowered the burden on the environment and contributed greatly to solving local environmental problems such as pollution. The heat output of LNG is more than double that of conventional systems, and by increasing the efficiency of its use as well as expanding the supply network, it became possible to respond flexibly to increasing demand. We were also one of the first companies to introduce a mainframe computer to accommodate the rapid increase in the number of customers, and this significantly improved our operational efficiency.

Given this increase in supply capability, we worked to further expand applications and proceeded to develop technologies for decentralized power sources such as cogeneration and fuel cells. As a result, we have expanded our business scope downstream in the value chain, transitioning to an energy service company that not only provides electricity and heat but also offers comprehensive service solutions, including power outage resilience, financing, optimized system proposals, and operation and maintenance (O&M). In recent years, the parties we provide our service to have expanded beyond factories and buildings to include redevelopment areas and industrial parks, and this suite of solutions is what led to IGNITURE.

We have also expanded the scope of our business upstream in the value chain by acquiring upstream interests and owning LNG carriers in order to strengthen our LNG procurement capabilities, which led to the expansion of the overseas business and trading business we see today.

(3) Third founding: Contribution to the global environment through decarbonization, greater opportunities for profit through digitalization, and working towards the establishment of a new ecosystem

We are decarbonizing the heat sector to efficiently produce hydrogen and e-methane, utilizing technologies developed in our second founding, such as catalysts for fuel cells. We also utilize our optimal control technologies for distributed power sources and power balancing capabilities to contribute to a stable increase in forms of renewable energy, which are fluctuating power sources. Furthermore, technologies such as gas fluid analysis and stress analysis can also be applied in new areas such as offshore wind power. We believe that the technologies we have developed in the fields of gas and electricity can not only bring expansion to the GX field and increase profits, but also contribute to solving global environmental problems.

On the other hand, while we have always accumulated data and undertaken data analytics as part of our IT utilization, this is now evolving into AI utilization, and by improving the accuracy of demand forecasting, enhancing productivity, and expanding the scope of digital utilization into areas such as optimizing energy system operations, we will create new profit opportunities.

Our business model used to be one that provided value mainly through retail in the

downstream section of the gas business value chain, but with the progress of energy marketization and digitalization, each internal company can now form a new ecosystem and optimize the value they provide while working with different partners than before. For example, the LNG Procurement Department's main role was previously to procure competitive LNG for customers of the Retail Department, but now, by trading LNG in the market and with new business partners, the department plays a role in adjusting supply and demand in response to volatility and creating new revenue opportunities.

In addition to the community-based sales structure built primarily for gas customers, the Retail Department will provide and continue to develop new solutions that integrate real and digital technologies through alliances with digitally advanced companies overseas, such as Octopus Energy, Inc.

We believe that the value provided by IGNITURE will be expanded by adding optimization that utilizes digital technologies such as AI to technologies and value for decarbonization and resilience. After the announcement of IGNITURE, the number of companies that recognize and appreciate the value it offers is gradually increasing. We will foster a new ecosystem from this movement, provide value to as many customers as possible, increase the number of profit opportunities we have, and undertake transformations towards a future-focused business model.

**Towards an increase in corporate value:
We intend to cement our growth story through dialogues with our stakeholders.**

Going forward, we intend to further improve asset efficiency, proactively invest in future growth, provide greater value to our customers, and return the fruits of our growth to our shareholders through the enhancement of corporate value. It is from this perspective that we have set out our Carbon Neutrality Roadmap, and along with taking on the challenge of making solutions the next pillar of our business, we have set a new target of achieving an ROE of 10% or more by around 2030.

We presented our growth story thus far that is formed of the transition in our business model alongside the capabilities of the Tokyo Gas Group, and going forward we will present our progress toward our vision of a future in which we Tokyo Gas will continue to provide solutions for the issues faced by society.

Through dialogues with our stakeholders going forward, we will cement the growth of the Tokyo Gas Group, and do our utmost to meet the expectations placed on us. I hope that you will continue to provide your kind understanding and support to us.

*1 E-methane Methane synthesized from non-fossil fuel energy (green hydrogen, etc.)

*2 DE&I stands for diversity, equity, and inclusion

*3 OKR is a technique for objective setting and management, and stands for "objectives and key results"