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Compass 2030 & Compass Action

The Tokyo Gas Group announced its management vision “Compass 2030” in November 2019, and announced the action plan “Compass Action” to realize the management vision in November 2021.

Amid the greatly changing current of the times, from decarbonization to digitalization, change and diversification of customer values and progress in energy deregulation, the Tokyo Gas Group aims to be a corporate group that continues to create value whilst becoming a leader in the future energy systems, by capitalizing on the strengths of the Group, which has revolutionized energy and taken on the challenge of realizing a sustainable society.

Three challenges for achieving the Compass 2030 vision

Lead transition to “Net-Zero CO₂”

- Top leader at the forefront of the transition
 - Thoroughly use natural gas + develop practical CCUS^{*1}
 - Strengthen gas-fired thermal power as balancer for renewable energy
- Create value chain for e-methane
 - Form alliance for achieving low-cost, practical deployment of hydrogen & e-methane
- Hydrogen: ¥30/m³*2 or lower (2030)
- Create renewable energy value chain leveraging our Group’s unique strengths
 - Establish revenue model that covers areas from power source development and O&M^{*3} to renewable energy sales.
- Renewable energy transaction volume: 6 mn kW (2030)

Establish a value co-creation ecosystem

- Energy industry’s digital marketing front runner
 - Nationwide operation as a digital marketer (TG Octopus Energy Co., Ltd.)
- Use digital & face-to-face channels to increase the number of retail power contracts to more than 5 million (2030)
- Evolve into the No. 1 player in customer satisfaction through value co-creation at the last-mile^{*4}
 - Launch services in Kanto area that provide solutions to each type of lifestyle need, then expand nationwide via alliances
- Transform into a provider of solutions for community challenges
 - Provide nationwide and global solutions for decarbonization and strengthening resilience through coordination with government & local businesses

Transform the LNG value chain

- Corporate culture that enhances the earning power of each business
 - A holdings group structure that comprises internal companies & operating companies
 - Major realignment of management structure on a Group-wide level
 - Establish a business model that links our market volatility responsiveness toward the stabilization of earnings
- Human resources system that encourages pursuit of challenges in ways that leverage diversity
 - Employ and cultivate diverse human resources at each internal company and operating company
- A financial strategy that promotes growth investment
 - Step up investment in growth areas by selling/replacing assets and boldly revamping cost structure

Compass 2030 indicators

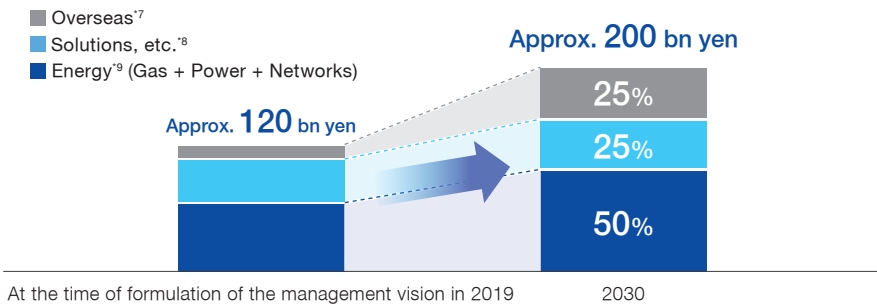
Management guidelines / Key figures

	2030
Operating profit + equity income of subsidiaries	Approx. 200 bn yen
CO ₂ reduction contribution (Base year FY2013)	17 mn tons ^{*5}
Renewable power source transaction volume (FY-end)	6 mn kW ^{*6}
No. of customer accounts (FY-end)	20 mn
Natural gas transaction volume (FY)	20 mn tons

Financial Indicators

ROA 4%	ROE 8%	D/E ratio Approx. 0.9
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Company portfolio composition in 2030: Profit levels



Growth investments (FY2021-2030 plan)

Breakdown of 2 trillion yen^{*10} in growth investment

Energy (Gas+Electricity)	Overseas	Solutions, etc.
Approx. 500 bn yen	Approx. 500 bn yen	Approx. 1 trillion yen

^{*1}: CO₂ recovery/use/storage. ^{*2}: The hydrogen supply cost (CIF price) target set by the Japanese government. It is premised on a reduction in the cost of hydrogen production equipment, and achievement of low-cost electricity made possible by factors such as growth of the renewable energy market. ^{*3}: Operation & maintenance. ^{*4}: Technical work performed at customers’ residences. ^{*5}: 10 mn tons (domestic only) when Compass 2030 was announced. ^{*6}: 5 mn kW when Compass 2030 was announced. ^{*7}: All businesses overseas. ^{*8}: Continuing service agreements, engineering, real estate, etc. ^{*9}: Gas, electricity and network business in Japan ^{*10}: Includes 700 bn yen for decarbonization field: Domestic & overseas renewable energy approx. 600 bn yen, hydrogen & carbon neutral-related approx. 100 bn yen

Medium-term Management Plan

Compass Transformation 23-25

The Tokyo Gas Group’s business environment continues to change rapidly due to heightening geopolitical risks and the associated volatility in energy markets. We view the 2023–2025 period of the mid-term management plan as one in which “We transform our own business model in pursuit of the sustainable development of society and the provision of greater value to customers with solutions and business groups that transcend conventional energy frameworks.” Through this, we will progress toward the vision outlined in “Compass 2030.”

Business model transformation

Maximize cash flow generated from the core energy business and actively invest in new growth areas such as decarbonization and solutions, etc., while identifying core and non-core businesses and business life cycles, and promoting asset replacement.

Key Figures / Investment Plan

Preconditions: Economic frame for 2025 Crude oil price = 90 \$/bbl, Exchange rate = 140 yen/\$

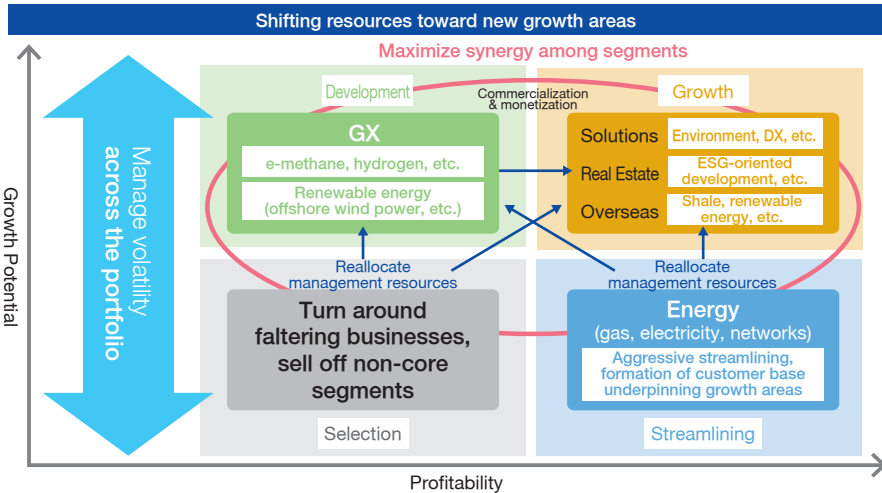
				FY2023 results	FY2024 plan	FY2025 (mid-term plan)
Financial	Segment profits			223.3 bn yen	120.8 bn yen	150 bn yen
	ROA			4.5%	2.1%	Approx. 4%
	ROE			10.4%	4.7%	Approx. 8%
	D/E ratio			0.85	0.82	Approx. 0.9
	Factoring in hybrid bonds/ hybrid loans			0.81	0.78	
Environment	CO ₂ reduction contribution			9.52 mn t	11.5 mn t	12 mn t ¹
Operating cash flow				382.2 bn yen	336 bn yen	1.1 tn yen (3-year total)
Investments	Growth investments			380.1 bn yen	268.7 bn yen	650 bn yen (3-year total)
	(portion for decarbonization-related investments)			70.3 bn yen	17.3 bn yen	230 bn yen (3-year total)
	Growth investment breakdown	Energy solutions	Capital investment	48.7 bn yen	69.5 bn yen	Energy: 200 bn yen
			Investment and financing	49.6 bn yen	51.2 bn yen	
		Overseas	Capital investment	40.3 bn yen	102.3 bn yen	Overseas: 190 bn yen
			Investment and financing	221.8 bn yen	8 bn yen	Solutions: 260 bn yen
		City business	Capital investment	15.8 bn yen	35.4 bn yen	
			Investment and financing	3.4 bn yen	2.3 bn yen	(3-year total)
	Infrastructure investments			100.8 bn yen	128.6 bn yen	350 bn yen (3-year total)
	Total (After consolidated adjustment)			480.4 bn yen	390.5 bn yen	1 tn yen (3-year total)

*1 Includes overseas

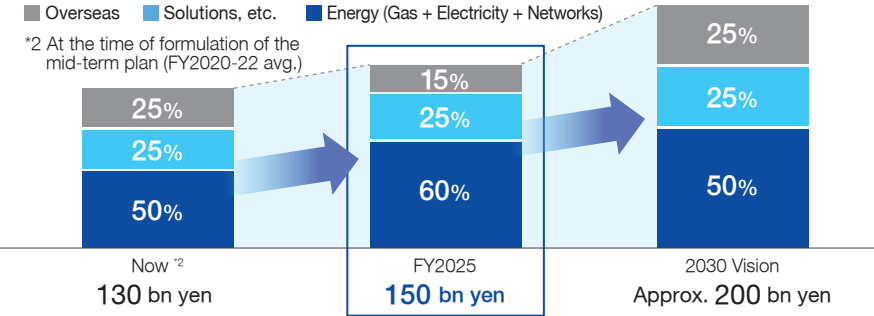
Mid-term management plan based on the Compass 2030 Vision

- Strategy 1
- Achieve both stable energy supply and decarbonization
- Strategy 2
- Fully roll out the solutions business
- Strategy 3
- Realize a flexible corporate culture resilient to change

The mid-term management plan will fully promote portfolio-based management with enhanced business portfolio management. In the energy field, which has been the Group’s mainstay business to date, we will further improve efficiency and generate cash. We will then use the cash created to actively invest in new growth fields such as GX, solutions, overseas areas, and real estate, nurturing them to be our next core businesses.






Business portfolio composition: Operating profit + equity income of subsidiaries



Compass Transformation 23-25

Compass Transformation 23-25 key strategies and issues / Action plans / Results

The plan aims to maximize the diverse values of LNG while actively investing resources in the GX field (renewable energy, e-methane, etc.), leverage our face-to-face communication strengths and utilize digital technology to expand solutions and establish a profit model, and reform staff operations and manage human capital through the use of digital technology.

Core strategies	Action plan	Main results for FY2023
<div>Strategy 1 Achieve both stable energy supply & decarbonization</div> <p>Progressively commercialize and monetize the businesses in the decarbonization area, while continuing to stably supply energy in the face of uncertainties surrounding energy.</p> <div><p>[Issues to focus on]</p><ul style="list-style-type: none">●Achieve both stable energy procurement/supply and “green transformation” (GX)</div>	<ul style="list-style-type: none">●Establishment of a new model for stable energy supply●Leveraging the entire value chain flexibility to address market volatility and maintain stable supply●Responsibly leading the transition	<ul style="list-style-type: none">●Investment decision-making concerning LNG-fired thermal power generation business, looking firmly ahead to the realization of carbon neutrality●Participation of Semptra Infrastructure in the detailed study regarding the introduction of e-methane to Japan utilizing Cameron LNG terminal in the USA●Offshore wind power investment fund established and invested in with Octopus Energy●Acquisition of all shares in Rockcliff Energy II LLC, a company that develops and produces natural gas in the states of Texas and Louisiana, USA.●Decision made to acquire a Battery Energy Storage System (BESS) business in Texas, USA●Investment in a gas marketing and trading business in North America●Announcement of Carbon Neutrality Roadmap●Concluded a capital and business alliance agreement with RENOVA, Inc. and accepted a third-party allocation of newly issued shares 
<div>Strategy 2 Fully roll out the solutions business</div> <p>Develop the Solution business as a core business second only to the Energy business by branding solutions which incorporate GX & DX and by providing and enhancing solutions that contribute to resolving issues faced by residential, corporate and community customers.</p> <div><p>[Issues to focus on]</p><ul style="list-style-type: none">●Strengthen customer experience (CX) by accelerating digital transformation (DX)●Establish a new business to join the gas & electricity businesses</div>	<ul style="list-style-type: none">●Building an integrated business brand & expanding lineup of solutions●Strengthening customer communication through our strengths in face-to-face engagement and through digital technologies●Co-creating value with communities by providing them with optimized solutions that leverage our strong roots in the community	<ul style="list-style-type: none">●Launch of IGNITURE Solution Brand <div>Special Feature IGNITURE: Creating the Future P. 23</div> <ul style="list-style-type: none">●Began installing photovoltaic power generation facilities at Narita International Airport, in preparation for the 180 MW facility which will be installed there in 2045●Participation in a real estate asset management company M&A and a private placement REIT business●Participation in planning for our second real estate development business in Australia, “Bloom1”●Expansion of comprehensive utility services such as steam to Toray’s U.S. plant●Entered into comprehensive agreements for carbon-neutral urban development with a total of 54 local governments 
<div>Strategy 3 Realize a flexible corporate culture resilient to change</div> <p>Increase resilience to market volatility and uncertainty by transforming our business model and improving productivity through DX, in addition to exercising human capital management and implementing financial strategy.</p> <div><p>[Issues to focus on]</p><ul style="list-style-type: none">●Strengthen human capital●Drive internal structural reforms with digital tools (DX)</div>	<ul style="list-style-type: none">●Three main DX policies (1. Construct digital trading platform that helps to achieve both supply/demand balancing and profit creation; 2. Improve customer experience by centralizing and standardizing the customer management system base; 3. Radically overhaul our back-office operations to double their productivity)●Exercise human capital management●Strengthening our financial base	<ul style="list-style-type: none">●Adoption of Octopus Energy’s Kraken and Kraken Flex platforms brings greater improvements to CX and to the value of decentralized energy resources●Personnel reform linked with management strategy <div>Personnel strategy P. 39</div> 

* Agreement concluded April 1, 2024