April 25, 2024
Tokyo Gas Co., Ltd.

Presentation of Financial Results for the Fourth Quarter of Fiscal Year 2023 (Ended March 31, 2024)

Q&A

Q1: How do you view the deviation of segment profit of 1,208 hundred million yen and ordinary profit of 1,110 hundred million yen in the forecast for FY2024 (ending March 31, 2025) from the FY2025 targets of the medium-term management plan, given the need for even higher profit levels and capital efficiency due to risk-taking in last year’s major overseas investment?

A1: We do not consider the profit and efficiency indicator forecasts of our FY2024 forecast to be at a sufficient level. Since the North American shale gas business (Rockcliff) and the North American mid/downstream projects we invested in last year will be developed at full scale after this, not all of the expected profits from the projects have been reflected in our FY2024 forecasts. In the domestic business, we are seeking to transform the structure of our business as the energy market undergoes a structural change. This transformation is preceded by investments in systems. In terms of cost reduction, we are promoting reforms in staff operations to double productivity and are currently building up our efforts. This is preceded by expenses for system modifications to implement the reforms. We will advance these structural reforms to ensure that we achieve our profit targets for FY2025.

Q2: What are the reasons why the results for FY2023 (ended March 31, 2024) outperformed the forecast announced in the third quarter?

A2: The reasons for this include the difference in revenue recognition estimates due to lower-than-expected temperatures in late March, the decrease in electricity procurement costs due to lower-than-expected JEPX prices, and the inclusion of profits from the LNG trading that was realized.

Q3: The presentation material includes segment ROA, but how exactly is it managed? Also, how do you view the levels of each segment?

A3: We recognize that the forecast levels for FY2024 are not sufficient in any of the segments. Internally, we have set a more granular target ROA for each internal company and core business subsidiary, which are the actual business entities, that reflects the characteristics of each business and that should be exceeded in the medium term. For example, the forecast for the Overseas segment for FY2024 is 3.3%, but we recognize that we should be aiming for a double-digit ROA to match the business risks. We also believe that we need to reduce costs on a company-wide basis through structural reforms, including staff operation reforms, and raise our profit level. We will implement strategies in accordance with market conditions and manage the business with an eye to the cost of capital cost while reducing and controlling risks in order to achieve the medium-term plan targets of 4% ROA and 8% ROE.