February 2, 2024
Tokyo Gas Co., Ltd.

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

Q&A

Q1: In December, you made a major investment decision to acquire all the shares of Rockcliff Energy in the US. How do you see this impacting your balance sheet and what will be the effect on your earnings?

A1: Rockcliff was included in our balance sheet when we compiled our financial results for the third quarter of the fiscal year ending March 31, 2024, and the impact was to boost our overall consolidated balance sheet by over 4,000 hundred million yen. A large portion of this comes from mining rights. Liabilities have also been consolidated. Interest-bearing debt is being temporarily used in addition to cash on hand to cover our acquisition-related expenses, and this will increase our interest-bearing debt.

As for the impact on earnings, we expect Rockcliff Energy to contribute to profits from the fiscal year ending March 31, 2025. Although we are aware that HH prices are currently low, we will secure steady earnings by utilizing hedging and other means. We anticipate generating a level of profit that will replace the Australian upstream business we plan to sell in future.

Over the medium term, we believe it is important to have a system for ascertaining and managing market conditions, and we will address this need appropriately by bolstering our system at Tokyo Gas America.

Q2: It would seem that profits on par with the current fiscal year's level will be necessary to continually achieve an ROE of 8% or more in the next fiscal year and beyond in order to improve PBR. Given that ordinary income for the current fiscal year was 1,900 hundred million yen, including a positive impact of more than 700 hundred million yen from the sliding difference, please tell us what direction efforts will need to take to achieve this level of profit on a sustainable basis from the next fiscal year onward. Also, what level of ROE are you aiming for, given the increasing amount of risk, including market risk from large investments in overseas upstream businesses?

A2: We recognize the need for returns based on increased risk, and we believe the market's viewpoint is that a ROE of 8% or higher is required. Our company's plan for the next fiscal year will incorporate measures to improve the efficiency and profitability of our subsidiaries and affiliated companies from the perspective of business portfolio management.

Q3: The acquisition of North American shale gas assets has increased the D/E ratio to 0.93, but does that mean the company will become more leveraged? Do you consider a D/E ratio of 0.9 to be an appropriate level for achieving management mindful of capital costs and stock prices, or will this change in future?

A3: We consider a D/E ratio of about 0.9 to exemplify financial and capital discipline. From this perspective, we believe that we are at an appropriate level despite our major investment in acquiring Rockcliff. We will be maintaining a disciplined balance between debt and equity.