

CFO's Message

Looking Beyond FY2030 through Disciplined Growth, United from Management to the Front Lines

Managing Executive Officer, CFO
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This year marks my third year as CFO. Over the past year, our business environment has continued to shift dramatically, with soaring energy prices, sharp exchange rate fluctuations, inflation, and rising interest rates. In September 2025, we also revised our materialities, which serve as the guiding principles that connect our corporate philosophy with our strategy. Amid growing uncertainty, I believe what our Company needs is the resilience to build new business models that anticipate the future while continuing to generate stable profit and achieve sustainable growth, regardless of the business environment.

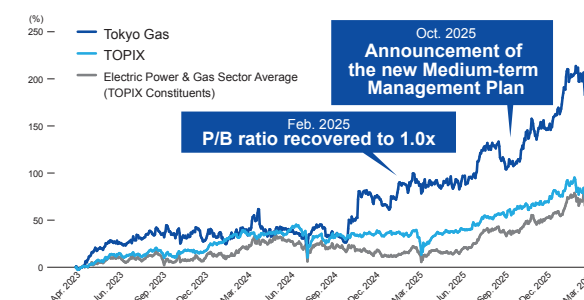
Our CEO has made a clear commitment to transform our Company into one that consistently delivers results. My role is to turn that commitment into disciplined financial strategy and tangible financial results.

To me, “management flexibility” means maintaining a strong balance sheet and executing agile, disciplined capital allocation. Equally important is our winning formula—our customer base, energy assets, and operational capabilities—which is the key to improving ROIC by increasing profit and cash flow and enhancing capital efficiency. Our FY2026–2028 Medium-term Management Plan represents a critical milestone in transforming our Company into one that truly delivers results. In this message, I will share my candid perspectives on the lessons we have learned, the direction of our transformation, and the path to translating the earnings power of our core business into greater corporate value.

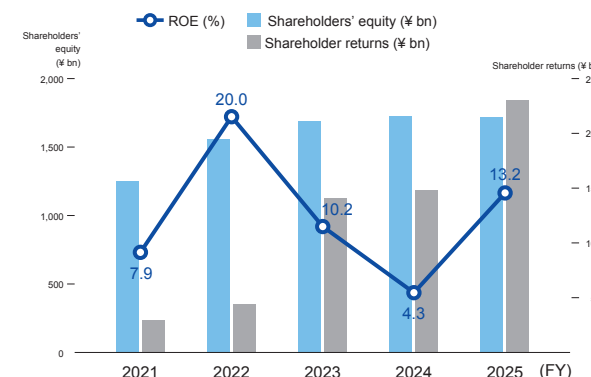
1 Building on the achievements of the previous Medium-term Management Plan—Looking beyond FY2030

In FY2025, the final year of our FY2023–2025 Medium-term Management Plan, we pursued a range of initiatives with an unwavering commitment to achieving our ROE target of 8%. Across each internal company and business division, we remained firmly focused on both profit growth and asset efficiency, executing measures such as capital recycling. We also acted decisively to improve capital efficiency by

Share price performance since FY2023



ROE, shareholders' equity, and shareholder returns



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repurchasing a record ¥200 billion of our own shares. As a result, ROE reached 13.2%, significantly exceeding our target. As CFO, I am encouraged that we came together as one company to achieve the goals we had set. However, our results also benefited from one-off gains, including a foreign currency translation adjustment gain realized on the dissolution of Tokyo Gas Australia Pty Ltd. and gains on the sale of fixed assets. While our FY2026 forecast for profit attributable to owners of parent appears lower because these gains will no longer be recognized, FY2026 will be a year in which we steadily strengthen our underlying profit and cash flow generation capabilities. In FY2025, we demonstrated our strong commitment to improving capital efficiency. Under the new Medium-term Management Plan, we will clearly demonstrate both our earnings power and our ability to execute initiatives that enhance corporate value.

2 Financial strategy aligned with capital market expectations

In developing the new Medium-term Management Plan, we focused our discussions from an early stage on how best to present quantitative management targets to the capital markets. This reflected feedback from investors that, if we were to set an ROE target, we

should also clearly present the corresponding profit targets and other key financial metrics, together with our cash allocation policy.

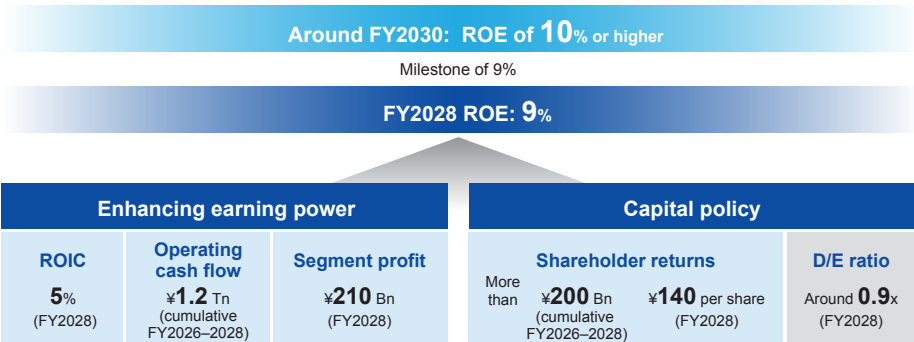
Under the new Medium-term Management Plan, we have positioned an ROE of 9% as our highest-priority target, with an ROE of 10% as our goal beyond the plan period. Even if we were to achieve a 9% ROE through large-scale share buybacks alone, it would be difficult to sustain a 10% ROE over the longer term. While disciplined management of shareholders' equity remains a prerequisite, profit growth across all businesses is essential. By improving ROIC, operating cash flow, and segment profit, we will enhance the profitability and productivity of each business and achieve sustainable improvements in ROE.

Our cash allocation plan projects cumulative cash inflows of ¥1.5 trillion over the three-year period. Of this amount, ¥1.1 trillion will be allocated to growth investments, more than ¥200 billion to shareholder returns, and the remaining ¥200 billion will be reserved for strategic deployment. We will determine how best to deploy this capital by assessing whether allocating it to growth investments or shareholder returns would contribute more to improving ROE and enhancing corporate value. Achieving our ROE targets of 9%, and ultimately 10%, will require a higher level of profit than we generate today. Accordingly, we will first actively pursue growth investment opportunities.

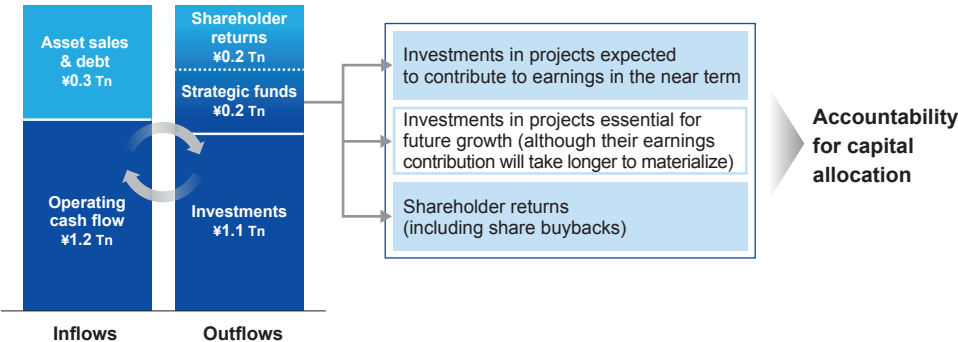
We have also revised our shareholder return policy to enhance predictability by specifying the total amount of shareholder returns and adopting a progressive dividend policy. Although our previous policy, based on the total payout ratio, was well received for its transparency, increasing profit volatility made it more difficult for investors to anticipate the level of shareholder returns. Accordingly, we have specified a total amount of shareholder returns for the plan period and, with dividend yield also in mind, adopted a progressive dividend policy linked to EPS growth, with the goal of increasing the annual dividend to ¥140 per share by FY2028. Even if the external environment changes, we are committed to maintaining the dividend per share and increasing it in line with medium- to long-term profit growth. This commitment will enhance the predictability of shareholder returns.

As for financial soundness, in view of our mission as a public utility, we must maintain an appropriate level of capital and risk buffers to ensure resilience against disasters and other contingencies. We also view a D/E ratio of around 0.9x as an appropriate benchmark and intend to increase leverage from the current level of approximately 0.7x–0.8x. By closely monitoring interest rate trends, strictly managing the proportion and maturity profile of our long-term fixed-rate debt, and maintaining our strong credit ratings, we will help contain funding costs.

Key metrics supporting the sustainable achievement of ROE



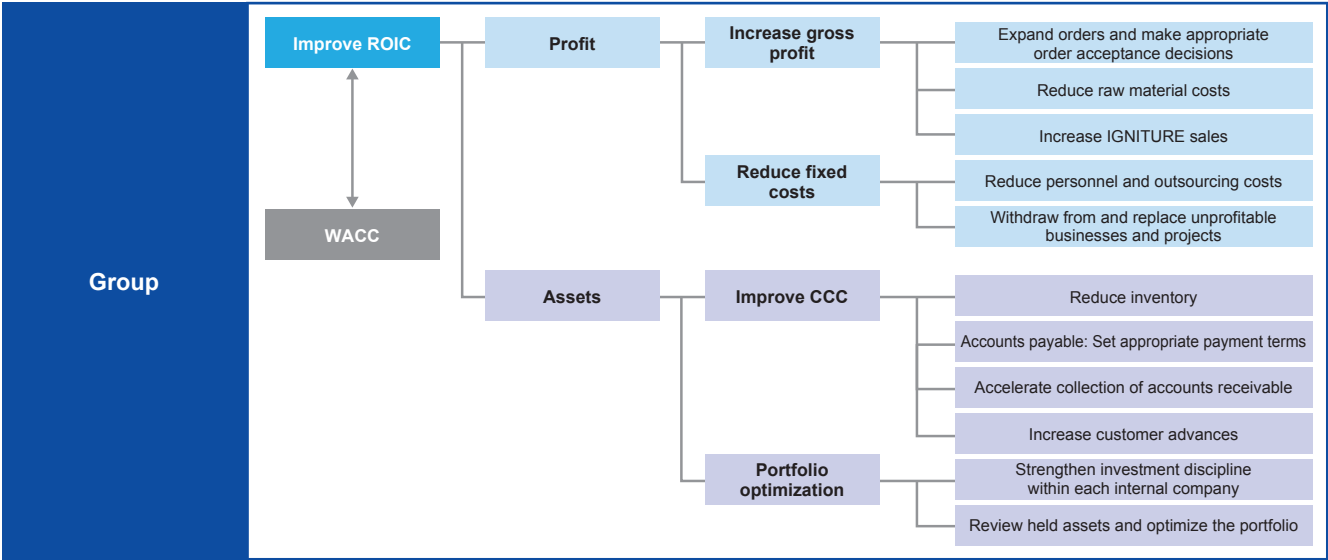
Cash allocation and approach to strategic capital deployment



3 Steadily expanding the ROIC-WACC spread

Under the new Medium-term Management Plan, we will further advance our business portfolio management by introducing ROIC-WACC as a key management framework. At the core of this framework is our value creation story—leveraging the combination of our customer base, energy assets, and operational capabilities to achieve stronger financial performance, including our Company-wide ROIC target of 5%. We will assess the strategic importance and capital efficiency of each business and asset to guide our decisions on resource allocation and portfolio optimization. By replacing ROA with ROIC as our primary management indicator, we are able to more clearly assess how effectively each internal company and business division is generating profit and cash flow from its assets and whether it is delivering a sufficient ROIC-WACC

ROIC-WACC tree



spread. We have already begun putting this approach into practice. In our overseas business, for example, we divested non-contiguous shale interests and replaced them with interests in adjacent acreage within existing fields, where production facilities can be shared. We also sold our stake in Tokyo Gas Lease Co., Ltd., recognizing that the business would be better positioned under an owner with broader financial capabilities. In our real estate business, we have likewise sold assets such as GINZA gCUBE where we determined that opportunities for further value enhancement were limited, thereby promoting capital recycling. Successfully embedding ROIC into our management approach requires employees across each business to break it down into its component drivers and proactively identify what they can improve in their day-to-day work to enhance capital efficiency. Each internal company and business division

has thoroughly discussed opportunities for improvement, translated the ROIC tree into KPIs and business processes, and incorporated them into its daily operations. We recognize that WACC has increased across our businesses since formulating the new Medium-term Management Plan, reflecting recent rises in interest rates and other factors. We will first work to contain our cost of capital by reducing business risk and enhancing the transparency of our disclosures. At the same time, we will steadily expand the ROIC-WACC spread as we seek cost reductions, portfolio optimization, and disciplined investment decisions.

4 Delivering high-quality profit growth through investment in our growth drivers

Under the new Medium-term Management Plan, we have identified Energy, Solutions, and Overseas as our three key drivers of profit



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growth. We plan to increase segment profit from ¥87.0 billion to ¥109.0 billion in Energy, from ¥5.0 billion to ¥28.0 billion in Solutions, and from ¥59.0 billion to ¥79.0 billion in Overseas.

In our Energy business, we will strengthen profitability by maintaining and expanding our gas and electricity customer base and enhancing profitability by way of LNG trading and supply-demand optimization. In the gas business, it is also important to appropriately recover the costs required to ensure a safe and stable energy supply, taking the competitive environment into account. The revision to the basic monthly charge for residential gas services announced in FY2026 was the first adjustment to the fixed-charge component in 46 years. It was a necessary decision to ensure the continued safe and stable supply of gas amid rising personnel and construction costs. Appropriately recovering these costs, while securing our customers' understanding, is essential to fulfilling our responsibilities as a public utility.

In the electric power business, we are targeting 5.2 million customer accounts by FY2028, but it is equally important to manage the market procurement risks associated with growing demand. The approximately 2 GW LNG-fired power plant currently under construction in Sodegaura, Chiba Prefecture, is a strategic investment, with construction set to progress during the Medium-term Management Plan period and the plant expected to strengthen our supply capacity and stabilize profit in our electricity business from FY2030 onward.

The Solutions business is an important driver of a more resilient business portfolio, as it creates opportunities for cross-selling with our gas and electric power businesses while being less susceptible to commodity price fluctuations and market volatility. In the commercial sector, customer demand for power infrastructure at data centers and semiconductor manufacturing facilities is growing rapidly. We are meeting these needs by providing on-site cogeneration systems that deliver integrated electricity, air conditioning, and heat. For residential customers, we will expand our service offerings to include home equipment, repair and maintenance, plumbing, and solar power and battery storage systems. We will drive both revenue

growth and improved profitability by leveraging the Kraken platform for customer management, digital marketing, and business process transformation.

In our Overseas business, the North American upstream business has become one of our core profit drivers. By concentrating our assets in the Haynesville region, maintaining production of more than 1 Bcf/d, and keeping operating costs at approximately \$2/MMBtu, we have a clear path to improving profitability. At the same time, we recognize the need to take investors' views regarding our midstream and downstream businesses seriously. We have received candid feedback about ROIC remaining below WACC as a result of our up-front investments. However, we view this as an investment phase to support growth beyond FY2030 and plan to raise ROIC for our Overseas business above WACC by FY2030, turning the spread positive.

In the North American energy market, we will expand profit opportunities and reduce our exposure to Henry Hub prices by strengthening our marketing and trading capabilities and securing liquefaction capacity. In Asia, we will establish a stable earnings base through investments in energy infrastructure, including LNG receiving terminals. Looking ahead, we aim to build a global portfolio centered on LNG.

5 Enhancing the effectiveness of capital allocation with investment discipline

Improving ROIC requires us to be highly selective in pursuing investments that offer attractive returns. Following the announcement of our new Medium-term Management Plan, some investors questioned whether Tokyo Gas could generate sufficient returns from its investments and suggested that, if not, more capital should instead be returned to shareholders. In addition to strengthening the rigor of our investment evaluation process, we are placing particular emphasis on ensuring that lessons learned from past investments are systematically incorporated into the development and evaluation of future projects, thereby improving the quality of our investment decisions.

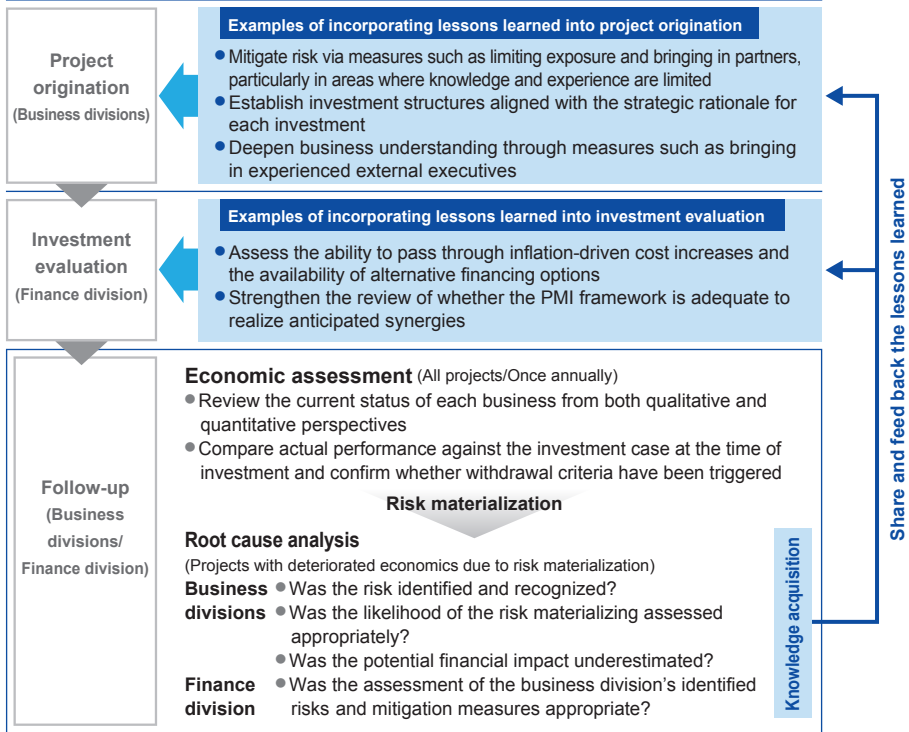


We will continue to enhance the quality of our investment decisions by incorporating the lessons we have learned into project origination, risk assessment, and ongoing monitoring.

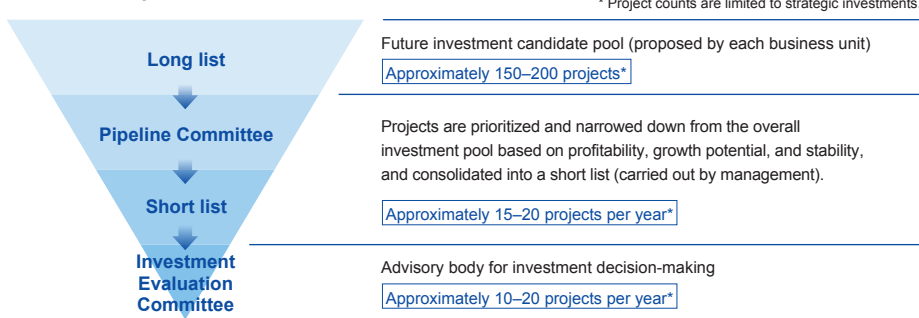
In FY2025, we recognized an impairment loss of approximately ¥28.7 billion related to our domestic biomass power generation business. Although our initial investment decision was sound, we encountered unforeseen events, including earthquakes, as well as unexpected operational and fuel procurement challenges. We have also demonstrated that we can learn from past setbacks and turn those lessons into success. Our North American upstream business, for example, also experienced significant impairment losses during the 2010s. Applying the lessons learned, we concentrated our resources in TG Natural Resources LLC, leveraged the expertise of experienced local operators, reduced fixed costs by consolidating our interests, and implemented an effective hedging strategy. As a result, the business has grown into one of our core profit drivers. It is essential to continuously apply the PDCA cycle, learn from setbacks, and improve the quality of our investment decisions.

It will be difficult to achieve an ROE of 9%, and ultimately our goal of 10%, through organic growth alone. Investment inevitably involves risk. That is why we will continue to enhance the quality of our investment decisions by incorporating the lessons we have learned into project origination, risk assessment, and ongoing monitoring. By carefully selecting investments and maintaining disciplined risk management, we will deliver step-change growth. We will continue to communicate our progress and outlook in a timely manner, earning investors' confidence in our investment strategy through the results we deliver.

Feedback of lessons learned from investment projects



Investment process



6 Enhancing corporate value beyond 2030

I serve as the executive officer responsible for both finance and sustainability, and I firmly believe that these two areas must be considered together. From a long-term corporate value perspective, sustainability initiatives are not at odds with financial performance. Many factors that are currently regarded as non-financial will, over time, become sources of competitive advantage and resilience, contributing to a lower cost of capital and enhanced corporate value. As we pursue sustainable growth, we will continue creating social value while maintaining a strong focus on investment discipline and profitability, taking a practical and responsible approach to management.

Carbon neutrality, human capital, and DX are particularly important priorities. Some argue that the tide has turned against carbon neutrality. I believe, however, that the environment is becoming more conducive to addressing these challenges in a practical manner. To maintain our competitiveness and ensure a stable energy supply over the long term, it is important to pursue a responsible transition while retaining options such as e-methane and biomethane. We cannot do so at the expense of economic viability, however. We will carefully assess uncertainties surrounding technology, policy, and market development as we pursue initiatives that enhance corporate value from both financial and non-financial perspectives.

Human capital and DX are fundamental to embedding ROIC-WACC-based management across our operations and strengthening the earnings power of each business. To transform our business portfolio, we will promote employee reskilling, reallocate talent to priority growth areas, and drive operational transformation using digital technologies. The CEO's focus on AI and digital technologies is key to taking capital efficiency to the next level. AI is not simply a tool for reducing costs. By bringing together the strengths of our people and AI on a Company-wide data platform, we will optimize supply and demand management, accelerate decision-making, and drive profit growth. Leveraging these capabilities alongside our customer base and energy assets will enable us to manage our invested capital more effectively and achieve our Company-wide ROIC target of 5%. We will continue to explain how our non-financial initiatives contribute to enhancing corporate value over time and work to earn investors' understanding and support.

We are committed to consistently delivering strong annual performance, allocating capital with discipline to growth areas using the ROIC-WACC spread as our common management framework, and clearly communicating our progress as we continue refining our management based on ongoing dialogue with investors. We will continue enhancing corporate value over the long term by remaining steadfast in these three commitments.