

Toho Gas Group

FY2026 Business Plan

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01. Introduction

In March 2025, we released the Toho Gas Group Medium-Term Management Plan 2025-2027 ("the MTM Plan").

In FY2026, the second year of the MTM Plan, we will steadily advance initiatives based on the four themes outlined in our business strategy, as well as the financial and human resources strategies in line with the policy behind the MTM Plan, while fulfilling our social responsibility to ensure a stable energy supply amid uncertainty driven by geopolitical risks.

Furthermore, we will continue to advance sustainability management to achieve sustainable growth.

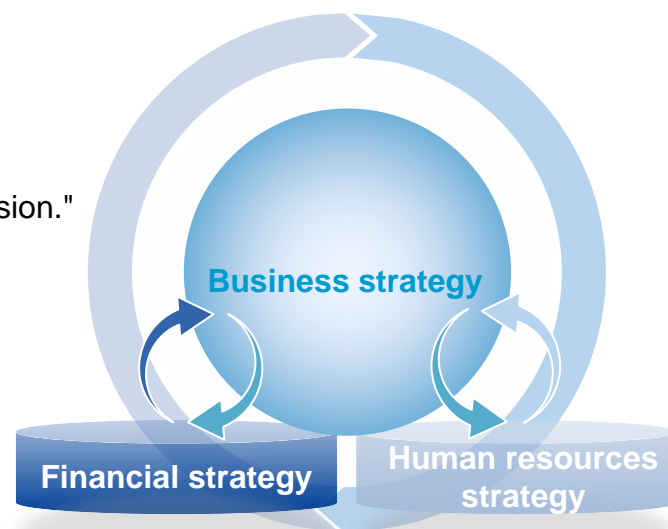
Toho Gas Group Medium-Term Management Plan 2025-2027 (Overview)

The policy behind the Medium-Term Management Plan

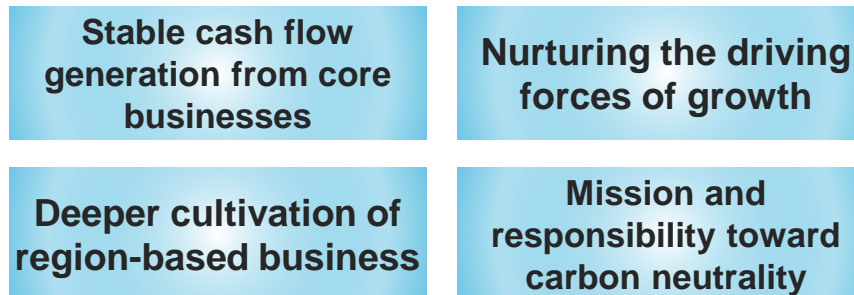
We will advance business, financial, and human resources strategies in an integrated manner to increase our earning power while accelerating **the business structure transformation** to "enhance corporate value" and "realize our vision."

What is business structure transformation?

- ▶ Growing our strategic businesses to match the scale of our core businesses by the mid-2030s and realizing our vision
- ▶ Shifting human, material, and financial resources and improving their quality and quantity to achieve this goal



<Four themes in our business strategy>



<Core business> Business to create cash flow as a long-term stable earnings base (e.g., city gas, LPG)

<Strategic business> Business to drive medium-to long-term growth (e.g., electricity, overseas, energy services)

Stable cash flow generation from core businesses



Policy behind the MTM Plan

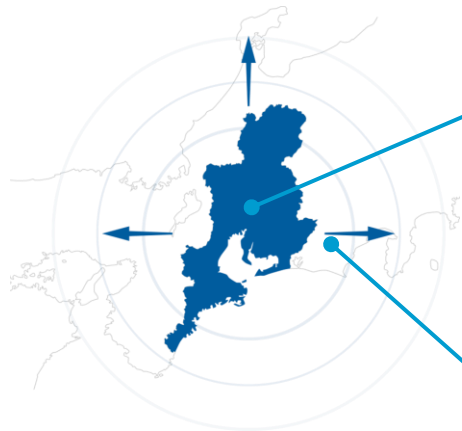
To generate stable cash flows in our core businesses, which form the starting point of our "business structure transformation," we will promote initiatives at each stage of the supply chain.

Topic 01

Widespread use of gas and promotion of disaster prevention and safety measures

For the city gas and LPG businesses, whose importance is reaffirmed in the Seventh Strategic Energy Plan, we are steadily moving forward with efforts to build solid business and revenue bases.

In FY2026, we will continue to expand our city gas supply network, promote a wide-area expansion of the LPG business, and proceed with disaster prevention and safety measures for the two businesses.



[City gas business] We will accurately identify the demand for fuel conversion, which will contribute to the low-carbonization of the region, and proceed with the construction of core routes, which will contribute to expanding supply capacity, while promoting new development. Moreover, we will strengthen safety measures for highly aged facilities and disaster response capabilities.

[LPG business] We will expand market share in the three Tokai prefectures, strengthen development in the wider region (Shizuoka, Nagano, and the Hokuriku region), increase the number of customers, and promote fuel conversion for residential and industrial use.

Topic 02

Stable procurement of LNG and establishment of trading system

While primarily procuring LNG from a variety of sources under long-term contracts, we also conduct LNG transactions in a timely and appropriate manner in response to supply and demand conditions.

In FY2026, we will continue to maintain stable procurement as our foundation while also working to establish a system for expanding transactions. In addition, we are investing in the construction of an LNG carrier as an initiative to enhance our future procurement flexibility, and the ship is scheduled for completion this fiscal year.

Topic 03

Revamp of the membership website "Club TOHOGAS"

Celebrating the 10th anniversary of its launch in 2016, Club TOHOGAS has been used by over 1 million customers.

In FY2026, we will work to expand the range of products available on Club TOHOGAS MALL (EC site) and revamp our membership website in order to improve the convenience and satisfaction that the site provides as a digital platform that supports daily life.

Nurturing the driving forces of growth (electricity business)



Policy behind the MTM Plan

We will proactively allocate resources with an eye on profitability in order to both expand scale and strengthen competitiveness, so that we may leverage the strengths (infrastructure, technologies, and knowledge) we have cultivated in the gas business and ensure that our electricity and overseas businesses will serve as the driving force for profit growth in the next era.

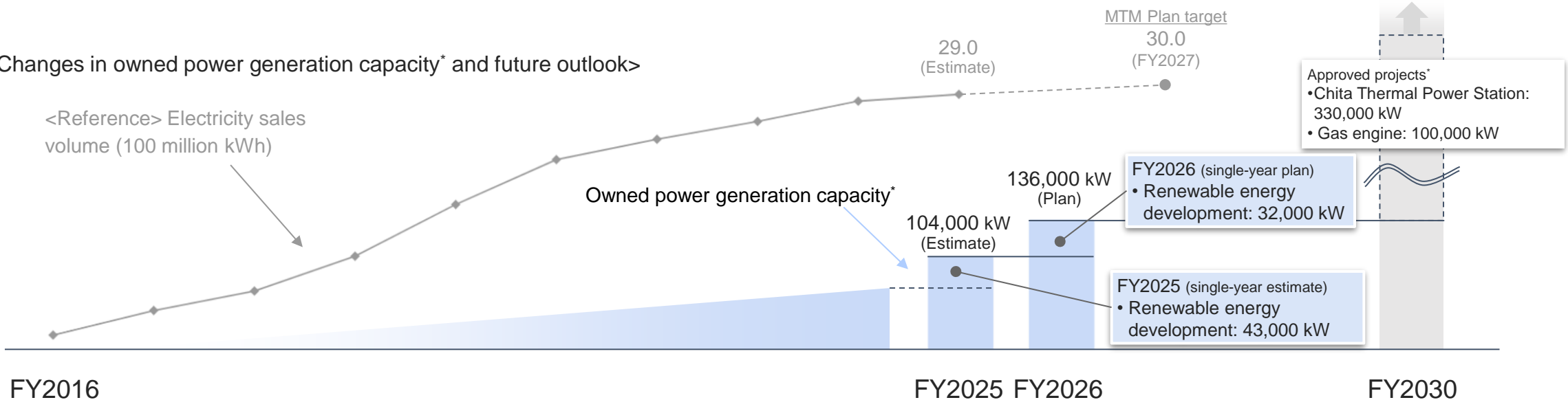
Topics

Establishment of stable and competitive power sources

Since participating in the retail electricity business in FY2016, we have been working on sales initiatives to expand the scale of our business, while also optimizing procurement and securing power generation capacity that meets demand in order to enhance business stability and profitability.

In FY2026, we will begin the design of a 100,000 kW gas engine power plant, for which we secured a successful bid in the second Long-term Decarbonized Power Source Auction, to strengthen our medium- to long-term revenue base.

<Changes in owned power generation capacity* and future outlook>



*Capacity equivalent to the Group's equity interest (Domestic, on a commercial operation start basis)
For the Chita Thermal Power Station, calculations are based on the multiplication of its output by our investment ratio.

Nurturing the driving forces of growth (overseas business)



Policy behind the MTM Plan

Topic 01

Deeper cultivation of our energy business in Southeast Asia and Australia

In Southeast Asia, where energy demand is expected to grow in line with economic growth, we are working to establish and expand our energy business base through collaboration with local partner companies.

In FY2026, we will accelerate widespread use and advanced utilization of natural gas in Southeast Asia, where we have increased our local personnel, to contribute to the low-carbon and decarbonized development of each country. Moreover, while steadily advancing the Australian renewable energy project, in which we decided to invest in FY2025, we will continue to seek out further projects.

<Our Group's first participation in a renewable energy business in Australia>



Example of business assets held by YES Group

✓ We have invested in YES Group, an entity running an integrated business in southeastern Australia, from renewable energy development and operation to electricity retailing, and in its business assets such as solar power and battery storage.

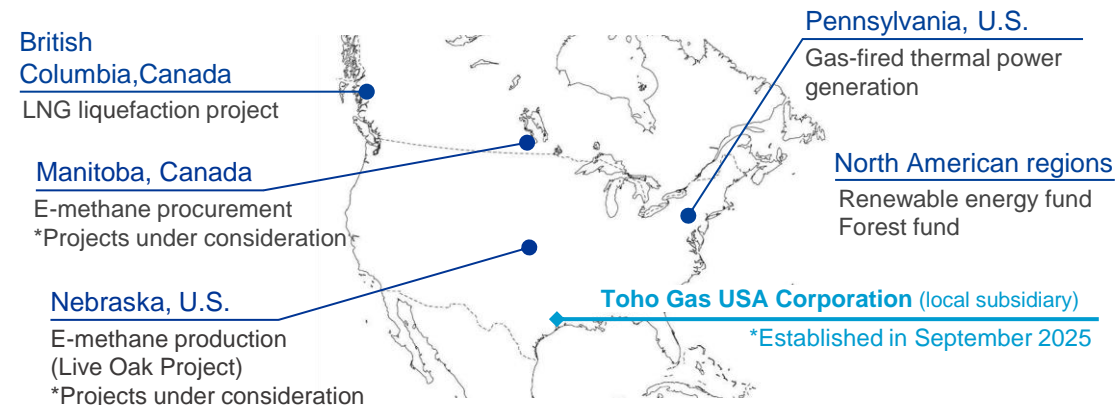
Topic 02

Launch of the operations at the North American base

We are reinforcing our business portfolio in North America by leveraging our established fund investment as a foothold for further expansion. In addition, we are currently considering multiple projects, including those in North America, to produce and procure e-methane* and biogas.

Starting in FY2026, we will accelerate our business activities in North America by dispatching expatriates to our local subsidiaries that we have already established.

<North American projects already invested/participated in or under consideration>



* Synthetic methane produced by chemically reacting hydrogen and CO₂

Deeper cultivation of region-based business



Policy behind the MTM Plan

We will strive for deeper cultivation of problem-solving businesses that lead to win-win relationships and harmonious coexistence with local communities, businesses, and local governments, focusing on areas related to energy. We also aim to expand our business domain through collaboration between companies across fields and industries.

Topic 01

Community-based value creation through community development

To improve both the appeal of communities and our corporate value, we are promoting community development through the effective use of our own land.

As part of this, we will participate in the demonstration project run by the Aichi Perovskite Solar Cell Promotion Council at minato AQUUS in Minato Ward, Nagoya. Also, we will work with a partner company to construct a condominium on the site of our former employee dormitory in the city's Meito Ward.

For other properties we own, we will consider complex development projects involving residential and commercial facilities, depending on the location characteristics and scale, and gradually move toward realization.

<Overview of the development plan for Meito Ward, Nagoya City*1 (construction started in March 2026)>



Exterior design that blends into the serene residential area

- ✓ Aiming to provide a living space that combines high comfort with excellent environmental performance, the building employs the residential fuel cell system "ENE-FARM," a gas clothes dryer, a gas hot water floor heating system, etc.

Topic 02

Enhancement of the renovation business and expansion of its scope

We have been working for many years to provide a rich and comfortable living environment by renovating residential facilities.

In FY2026, we will work to enhance our renovation proposals provided at the Toho Gas Kurashi Shop, an accessible consultation point for customers, and Wagaya No Meister (Our Home Meister), our dedicated renovation brand.

In addition, we will begin considering participation in the condominium renovation business, whose market is continuing to expand, toward promoting the use of existing homes and further expanding our business area. Together with partner companies*2, we will work to establish a collaborative system in the area centered around Nagoya City.

<Example of a renovation proposal>



Equipment proposals to reduce the burden of housework (Gas clothes dryer, dishwasher, etc.)



Energy generation and storage proposals (Solar power, storage batteries, etc.)

*1: The perspective drawing is for illustrative purposes and is subject to change. Completion is scheduled for FY2027.

*2: In March 2026, we invested in Renoveru Inc., one of Japan's leading companies with extensive expertise in the business field.

Mission and responsibility toward carbon neutrality



Policy behind the MTM Plan

To reduce cumulative CO₂ emissions during the transition period, we will focus on promoting the use of natural gas and proposing solutions that contribute to low-carbonization in the heating sector both domestically and overseas while accelerating our efforts to achieve carbon neutrality by 2050.

Topic 01

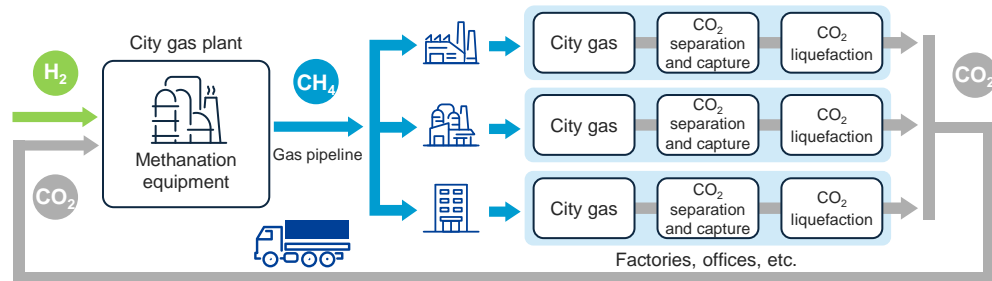
Promotion of an e-methane project

Having launched a demonstration project to produce e-methane in Chita City, Aichi Prefecture, in 2024, we are working to solve technical issues such as cost reduction.

In FY2026, we plan to begin basic design for the Live Oak Project in Nebraska, the U.S., which aims to begin producing e-methane and export it to Japan by the end of FY2030, with a view to full-scale social implementation.

Furthermore, in order to establish "a regional CO₂ circulation model," we will collaborate with Aisin Corporation and Denso Corporation in demonstrating the capture and transport of CO₂ emitted from the factories of both companies and the production of e-methane.

<Regional CO₂ circulation model (future image)>



Topic 02

Social implementation of CO₂ separation and capture technology

We are promoting the development of CO₂ separation and capture technology, which serves as the starting point for carbon recycling, through industry-academia-government collaboration.

In FY2026, we will confirm the capture performance and durability of the technology to separate and capture CO₂ from exhaust gases at demand sites at a product scale, aiming to transition to the social implementation phase (commercialization).

Topic 03

Demonstration of new hydrogen production technology

We are working to ensure a stable supply of hydrogen and create demand, centered around the Chita-Midorihamma Hydrogen Production Plant and hydrogen stations.

In FY2026, toward reducing the costs of hydrogen production and transportation, we will launch a demonstration of technology for turquoise hydrogen, which is produced by thermal decomposition of methane, the main component of city gas.

03. Financial strategy



To steadily advance our financial strategy in line with the policy behind the MTM Plan, we have planned the following cash allocation for FY2026.

Policy behind the MTM Plan

Assets side

Liabilities and equity side

Increase assets with excellent risk-return potential while streamlining core business assets and selling cross-shareholdings.

Implement initiatives to improve capital structure and lower the cost of capital while ensuring financial soundness.

Cash in

Cash out

Operating cash flow

- Strengthen cash flow generation capabilities to achieve steady growth in line with the policy behind the MTM Plan.

Policy behind the MTM Plan
FY2027 Approx. **60 billion yen**

Sales of cross-shareholdings

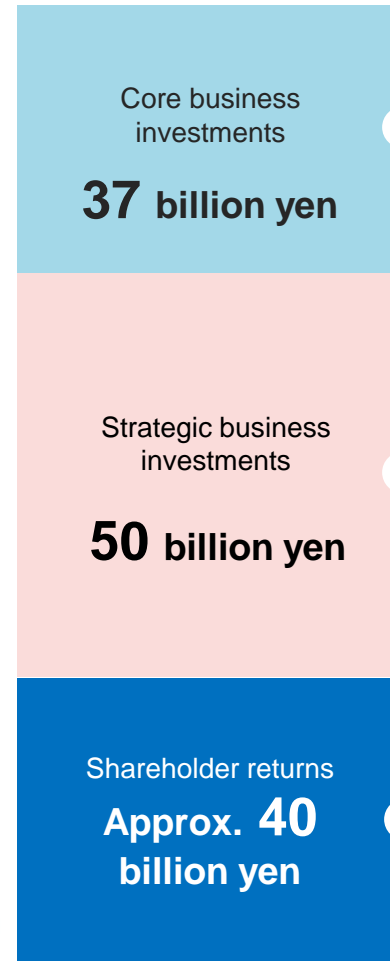
- Plan to **sell over 10 billion yen per year**

Policy behind the MTM Plan
Cumulative total for FY2025-FY2027
Approx. **30 billion yen**

Utilization of borrowing capacity

- Utilize borrowing capacity within a scope that ensures financial soundness determined by the policy behind the MTM Plan

Policy behind the MTM Plan
D/E ratio **General upper limit: 0.8 times**



- Promote the construction of core routes that will contribute to expanding supply capacity, implement safety measures for manufacturing facilities, and proceed with various system adaptations.

Policy behind the MTM Plan
Cumulative total for FY2025-FY2027
Approx. **110 billion yen**

- Further strengthen resource allocation to the strategic businesses with an eye toward achieving the MTM Plan and realizing sustainable growth beyond that.

Breakdown

- Electricity business: 16 billion yen
- Overseas business: 18 billion yen
- Community-based value creation businesses, etc.: 16 billion yen

Policy behind the MTM Plan
Cumulative total for FY2025-FY2027
Approx. **130 billion yen**

- Plan to **achieve shareholder returns exceeding a total payout ratio of 100%** to strive for optimization, aiming for equity capital of 400 billion yen.

Policy behind the MTM Plan
Cumulative total for FY2025-FY2027
Approx. **100 billion yen**

Invigoration of organizations and human resources

To maximize the potential of each employee and link it to autonomous growth and results, we are driving transformation through both our institutional systems and organizational culture intended to realize work satisfaction and a comfortable work environment.

As part of this, we will introduce a new personnel system in FY2026. While establishing a career path that allows employees with advanced knowledge and skills in specific fields to demonstrate their expertise, we will overhaul the current system to one that focuses on employees' achievements and contributions, enabling their early promotion.

Alongside fostering a culture where diverse employees can fully express their individuality, we will accelerate the “*Mirai no Mannaka Project*.” This initiative is designed to strengthen our unity as we work together toward the shared goal of realizing the ideal vision set out in the Group Vision.

<Examples of the “*Mirai no Mannaka Project*,” implemented in FY2025>



Dialogue session between the President and Group employees



Social event for Group employees across organizations

Company-wide acceleration of digital transformation

As the use of generative AI within the company steadily spreads, in November 2025, we launched “*Degi-katsu!*,” a DX promotion activity aimed at spreading the knowledge accumulated in each organization throughout the company.

In FY2026, centered on this activity, we will promote the sharing of AI use cases and efficiency tools across organizational boundaries to enhance productivity and drive operational transformation.

We will also promote the use of our AI voice recognition system* in call center operations in order to improve the quality of customer service.

*Introduced NamiSense®, provided by NAMI TECHNOLOGY JSC, Inc. in February 2026

Co-creation with local communities, etc.

Based on the partnership agreements with 29 local governments in the three Tokai prefectures, we are working together to solve issues specific to each area and realize local invigoration.

As part of this, in FY2026, we will explore coordinated renewal work for gas and water pipes using AI degradation diagnosis in collaboration with Ise City, and also launch an industry-academia-government co-creation project in Tsu City.

Furthermore, we will aim to achieve sustainable growth through management that incorporates an ESG perspective by, for example, continuing environmental conservation activities and strengthening corporate governance.

○ Energy business numerical plan

[Table 1] Customer base* plan

FY2025 (estimate)	FY2026 (plan)
3.12 million	3.16 million

* Total number of customer accounts for city gas, LPG, and electricity

[Table 2] Sales volume plan

	FY2025 (estimate)	FY2026 (plan)
City gas	3.30 billion m ³	3.25 billion m ³
LPG	473 thousand tons	470 thousand tons
Electricity	2.90 billion kWh	2.82 billion kWh

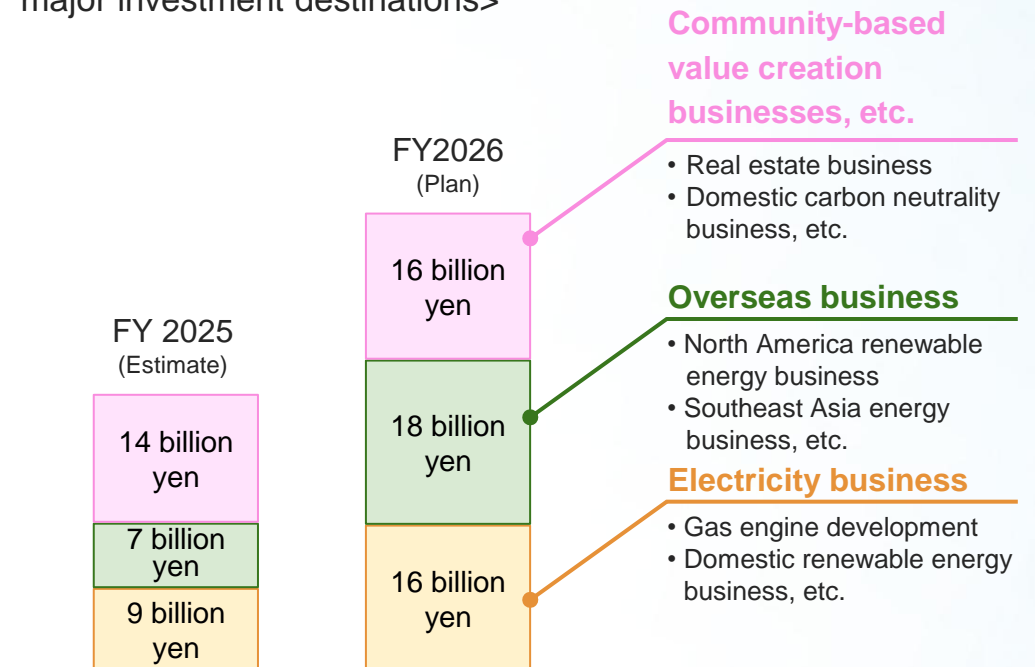
[Table 3] City gas development volume plan

	FY2025 (estimate)	FY2026 (plan)
City gas development volume	30 million m ³	70 million m ³

○ Investment and financing plan

	FY2025 (estimate)	FY2026 (plan)
Core businesses	35 billion yen	37 billion yen
Strategic businesses	30 billion yen	50 billion yen
Total	65 billion yen	87 billion yen

<Strategic business investment and financing breakdown and major investment destinations>





Forward-looking statements in this document are expectations based on currently available information and are subject to potential risks and uncertainties. Therefore, please be aware that actual performance may differ from these due to various factors.