

Message from the President

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Nobuyuki Masuda
Representative Director, President

In this era of uncertainty, we are embracing challenges and working to achieve carbon neutrality and expand our business domains, thereby improving our corporate value.



Message from the President

Continuing disaster preparedness and prioritizing compliance

First of all, we wish to send our heartfelt condolences to everyone affected by the 2024 Noto Peninsula Earthquake that struck on January 1 of this year. As an infrastructure provider responsible for energy supply in the region, Toho Gas is constantly working to ensure safety, security, and stable supply, and in addition to providing measures for city gas production facilities and gas pipeline supply facilities in the event of a disaster, we are promoting comprehensive collaborative agreements with local government agencies in order to establish a system that can quickly restore operations. Locally, the risk of a Nankai Trough earthquake has long been a concern, and for this reason, we continue measures to protect the lives and businesses of our customers in the event of a disaster.

In March, we received a warning from the Japan Fair Trade Commission regarding the supply of residential city gas as well as electricity after the expiration of the purchase period under the feed-in tariff for renewable energy, and we were found to have violated the Antimonopoly Act with regard to supplying city gas to large-scale consumers. We sincerely apologize to all of our stakeholders. We take this matter seriously and will work to regain your trust by implementing thorough measures to prevent a recurrence.

Flexibly adapting to environmental changes

With developments in carbon neutrality, the full liberalization of electricity and city gas retail markets, changes in the environment for procuring raw materials, and rising geopolitical risks, the current

business environment surrounding the Company is increasingly uncertain, creating a significant impact. That said, Toho Gas has experienced its fair share of major environmental changes since its establishment more than 100 years ago. While it is essential to maintain a healthy awareness of risks, it is also important to see these as opportunities for new growth and be willing to take on new challenges. For example, while developments in carbon neutrality may naturally be expected to negatively impact future city gas demand, the transition period presents a positive opportunity to reemphasize natural gas as a clean energy source, and this could lead to fuel conversion from other fossil fuels, proposals for energy savings utilizing our technical expertise, and expansion of business in areas such as energy services and engineering. In this era of uncertainty, we must change with the times and flexibly adapt to environmental changes in order for the Group to survive.

Looking back on FY2023 and looking forward to FY2024

In FY2023, residential city gas sales decreased year on year due to the significant impact of mild winter temperatures in our region despite continued developing demand. Likewise, commercial city gas sales fell due in part to reduced operation at customers' production facilities. In terms of our financial performance, revenue and profit decreased year on year due to a decrease in gas sales and a decrease in sales prices amid a relatively stable raw materials market. However, in addition to the results of demand development and reductions in fixed costs through efficiency improvements, there were gains from the timing difference between raw materials costs and sales revenue, allowing us to secure a high level of profits.

In FY2024, assuming temperatures remaining average, residential city gas sales are expected to increase year on year, and commercial gas sales are expected to stay the same due to anticipated individual factors such as continued energy saving impacts despite developing demand and a return from a temporary decrease in production capacity. Regarding the financial performance, while a decrease in profit is expected due to a reduction in gains from the timing difference between raw materials costs and sales revenue, the Company generally expects profit to be close to its current actual level.

I would like to take this opportunity to share my thoughts with all our stakeholders including shareholders who have shown a great interest in our electricity business. We began our electricity business in FY2016 and have steadily expanded sales and customers. Regarding our financial performance, the ongoing situation of tight supply and demand along with a significant impact on procurement from soaring market prices caused by the Russia-Ukraine conflict since FY2022 continues to hamper our efforts to contribute to profits. However, our electricity business will become a pillar of our strategic business as outlined in the Group Vision, and with the number of customers exceeding that of the LPG business in FY2023 for the first time and in terms of maintaining core business profitability through set proposals with city gas, there is potential for our electricity business to expand and become an even more important business in the future. In FY2024, while we can see the end of the deficit in sight, the next step is to grow the Company to the point where it can become the driving force in expanding our profits. To achieve this, we are working to build a procurement portfolio to contribute to stabilizing and improving income and expenditure, examine owning our own power sources, and expand rates and services to meet the diverse needs of our customers.

Message from the President



Progress of Our Medium-Term Management Plan

Our current Medium-Term Management Plan is a four-year period from FY2022 to FY2025, and it is the first step to realizing our vision for the mid-2030s outlined in the Group Vision. Our four objectives are to promote carbon neutrality, evolve as an energy operator, create diverse value, and contribute to the SDGs, and in order to establish a path for new growth of the Company, I have taken the lead, facing changes and driving the Group to take on challenges together.

In FY2023, our second year of the Medium-Term Management Plan, we were able to achieve our goal of reaching 3 million total customers for our city gas, LPG, and electricity businesses by FY2025 ahead of schedule. Regarding our city gas business, the number of customers increased year on year for the first time since the full liberalization of the market. In

FY2024, we plan to reach our management target of 25.0 billion yen in consolidated ordinary income for FY2025 ahead of schedule based on our actual performance. The key to the Company's steady progress toward the targets of our Medium-Term Management Plan has been the growing sense of challenge among our employees to achieve these goals. As I mentioned earlier, we are facing developments in carbon neutrality and fierce competition from other companies, and instead of focusing solely on the negative aspects, we need to view risks as opportunities and take on new challenges. I value the seriousness and strong sense of responsibility that our employees bring to their work. To further instill a spirit of embracing challenges, I have consistently shared my vision through meetings and discussions with our team. I feel like the results of these efforts are becoming apparent.

Implementing carbon neutrality initiatives while expanding our strategic businesses

I would like to discuss two initiatives in line with our Medium-Term Management Plan. The first is one of our four objectives and is the initiative to promote carbon neutrality. To become carbon neutral, Toho Gas is studying efforts to decarbonize gas and expand the use of hydrogen. Regarding the decarbonization of gas, we are most excited about the introduction of e-methane, which enables us to continue using our gas pipeline network, a company asset. As we are working with domestic and overseas partners to identify and review projects, we have started to explore the possibility of exporting e-methane from the U.S. to Japan in 2030, and in March of this year, we began e-methane production demonstrations using biogas-derived CO₂ in collaboration with the city of Chita, Aichi Prefecture, using city gas as a raw material for the first time in Japan. With regard to hydrogen, we constructed a hydrogen production plant that uses natural gas as a raw material at Chita-Midorihamma Works in the same city of Chita, and hydrogen production started in June of this year. As this region is a hub for manufacturing and looking forward to a future hydrogen society, we are working on creating a hydrogen supply chain that is easily accessible to our customers. In this way, we are steadily making efforts toward carbon neutrality in the future one step at a time, and it is my responsibility to change stakeholders' concerns into expectations.

The second initiative I would like to address is the growth of our strategic business related to evolving as an energy operator and creating diverse value. In our core businesses of city gas and LPG businesses, we will continue to develop demand in light of the future population decline in Japan and development of energy saving measures, but we do not expect to see steady growth we have seen in the past. Amid this, the growth of future profits of the

Message from the President

Company will be driven by strategic businesses including electricity, overseas energy, carbon neutrality support, energy services and engineering, and living and business support. While our core businesses have made up a majority of our profit structure to date, the scale of our strategic businesses, particularly overseas energy, is gradually expanding. Regarding living and business support, we have a high affinity with existing energy businesses, providing services related to food, housing, and health by utilizing customer accounts, such as for city gas. We will continue to expand new services and enhance customer convenience, but further innovation is needed to ensure a profitable business. As we continue to invest in strategic businesses that will become sources for future growth, we will strongly focus on profitability while utilizing ROIC, which was introduced this fiscal year as an internal investment management indicator.

Realizing management that focuses on shareholder returns, capital costs, and stock prices

Regarding shareholder returns, we announced the repurchase of treasury stock with an upper limit of 10 billion yen in March of this year, and in July, we expanded this limit to 30 billion yen. Taking into account our medium- to long-term profit levels and optimization of equity capital, we decided to repurchase the largest amount of treasury stock to date. In April, we announced an increase in the dividend by 10 yen for the fiscal year ended March 31, 2024, bringing the full-year dividend to 70 yen for FY2023 and 80 yen for FY2024.

Furthermore, in April, we disclosed our capital policy, which was under review since last year, as part of the measures toward realizing management that focuses on capital costs and stock prices, and

we outlined initiatives to improve the PBR by enhancing asset efficiency, ensuring an appropriate capital structure, and improving the PER. We have received generally positive feedback from our stakeholders regarding these announcements, and while there may be some surprise at the changes the Company is making, this result reflects a re-evaluation of the gap between the capital

efficiency demanded by capital markets and our current situation, and thorough discussions at the Board of Directors and other meetings on action to take to close that gap. However, it is important to outline specific steps forward based on our policies while executing them steadily, and we will continue to create a dialogue with capital markets and push forward to realize our vision.



Value Creation Process

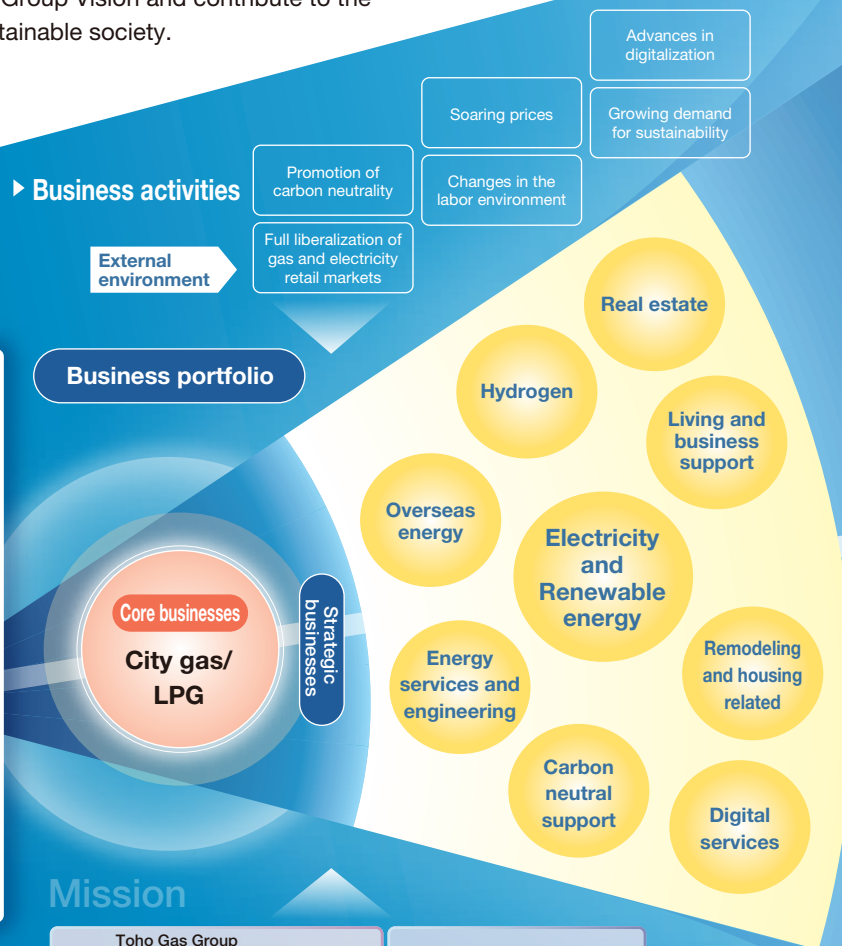
Toho Gas Group uses its cultivated strengths and management capitals to realize the Group Vision and contribute to the development of a sustainable society.

► Main capitals



For details, see ► p. 14

► Business activities



Mission

Toho Gas Group
Medium-Term Management Plan
2022-2025

► p. 17

Materiality

► p. 15

Toho Gas
Group Vision

► See right

Corporate
Philosophy

► p. 1

► Targets for FY2025

Number of customer accounts^{*1}: **Achieving 3 million at an early stage**

City gas sales^{*2}: **Maintain our current figure**

LPG sales: **Expand by about 10%**

Electricity sales: **Expand by about 10% annually**

Digital contacts^{*3}: **Membership 1.3 million**

New service launches^{*4}: **About 10/year**

Amount of contribution to CO₂ reduction: **1 million tonnes**

Handled amount of renewable energy power sources^{*5}: **250 thousand kW**

Operating cash flow: **210 billion yen or more**
(FY2022 to FY2025 aggregate)

ROA: **About 3%^{*6} > WACC^{*7}**

D/E ratio: **About 0.6**

► Our vision and value

Toho Gas Group Vision

What we aim to be in the mid-2030s

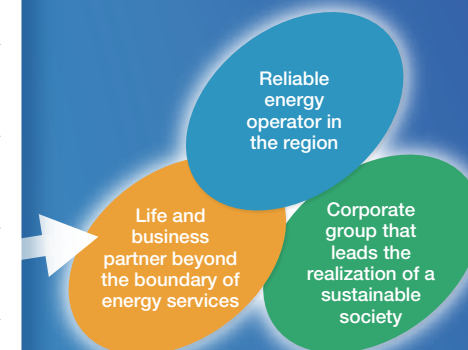
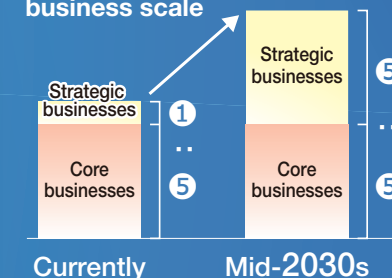


Image of expansion of business scale



^{*1} Total number of city gas, LPG, and electricity contracts ^{*2} Including LNG sales (city gas equivalent)

^{*3} Total number of customer accounts for Club TOHOGAS, ASMITAS, and TOHOBIZNEX

^{*4} Total for ASMITAS, new services, digital services, etc.

^{*5} Volume of renewable energy sources handled includes power development and ownership both domestically and internationally, FIT sources, and procurement.

^{*6} Consolidated ordinary income for FY2025 is approximately 25 billion yen.

^{*7} WACC = Cost of capital: Mid 2% range

Input

Business model




Output

Outcome

Management Capital

Toho Gas Group creates new value by challenging customer needs and societal changes, thereby accumulating management capitals.

By utilizing our management capitals, which are also the sources of value creation, and the strengths we have cultivated since our founding, we aim to contribute to the development of the community and society while sustainably enhancing corporate value.

 Finance capital	A stable financial base for sustainable growth.	Total assets (consolidated) 734.5 billion yen		Equity ratio 62.2%	Credit rating (R&I) AA			
 Manufacturing capital	Realizing the “S + 3E” of safety, energy security, economic efficiency, and environmental protection, and ensuring the safe, secure, and stable supply of clean energy such as natural gas, electricity, and hydrogen.	Domestic bases ^{*1} Number of city gas plants 4		Pipeline length (consolidated) 31,000 km	LPG supply network Number of gas-filling and delivery bases including Meiko LPG Terminal (secondary terminal) 22	Power generation facilities Yokkaichi Power Plant 16.5 MW	Tsu Power Storage Station 11.4 MW	Capital expenditures (including investments, etc.) 49.8 billion yen
 Intellectual capital	Abundant expertise on design and operation related to energy production and supply. R&D capabilities contributing to advanced and highly efficient use of energy as well as carbon neutrality.	R&D expenses 1.62 billion yen						
 Human capital	Dedicated and diverse human resources supporting the energy infrastructure with a strong sense of mission. Talented individuals who drive innovation and strive for ambitious goals.	Number of employees (consolidated) 6,042		Ratio of female general employees hired 33.3%	Engagement rating ^{*2} BB			
 Social and relationship capital	Trusted relationships with local communities and collaborative relationships with suppliers and partner companies.	City gas supply area ^{*1} 55 cities, 22 towns, 1 village						
 Natural capital	Promoting environmentally conscious and sustainable business through advanced and highly efficient use of energy as well as effective utilization of renewable energy.	LNG purchase volume 2.65 million tonnes		LPG purchase volume 0.58 million tonnes	Volume of renewable energy sources handled 120 thousand kW			

^{*1} Gifu, Aichi, and Mie Prefectures ^{*2} Engagement survey results according to Link and Motivation Inc.

Materiality

Utilizing the Global Reporting Initiative (GRI) Standards*, the international benchmark for sustainability information disclosure, we extracted individual issues in line with the expectations of our stakeholders and the Toho Gas Group Vision.

The extracted issues were evaluated in terms of their economic and social values, and after an exchange of opinions with relevant agencies, the materiality was identified by the Management Committee and Board of Directors.

* These are standards for sustainability information disclosure published by the Global Reporting Initiative (GRI), an international NGO.

Materiality identification process

Step 1

Extraction of individual issues

Based on details for consideration in the process of formulating the Group Vision, evaluation items of ESG evaluation agencies, expectations from stakeholders, and other factors, potential individual issues were identified, discussed in meetings with each department, and then 30 individual issues were extracted.

Step 2

Organization and evaluation of extracted individual issues

Materiality candidates were examined in a workshop based on the individual issues extracted in step 1. To achieve a sustainable society and the new Toho Gas Group Vision, we mapped out individual issues along two axes based on their social and economic values. Issues with common elements were then grouped together.

Step 3

Identification of materiality

Discussions were held on the issues grouped in step 2, and they were organized into a draft materiality plan. Materiality was then identified by the Management Committee and Board of Directors.

Issues and goals in implementing the materiality were brought in line with the Medium-Term Management Plan 2022–2025.

Identified materiality and their related SDGs

Promote carbon neutrality



Provide diverse energy and services



Supply energy in a safe, secure, and stable manner



Contribute to the community by resolving social issues



Enhance work satisfaction and ease of work, and promote diversity



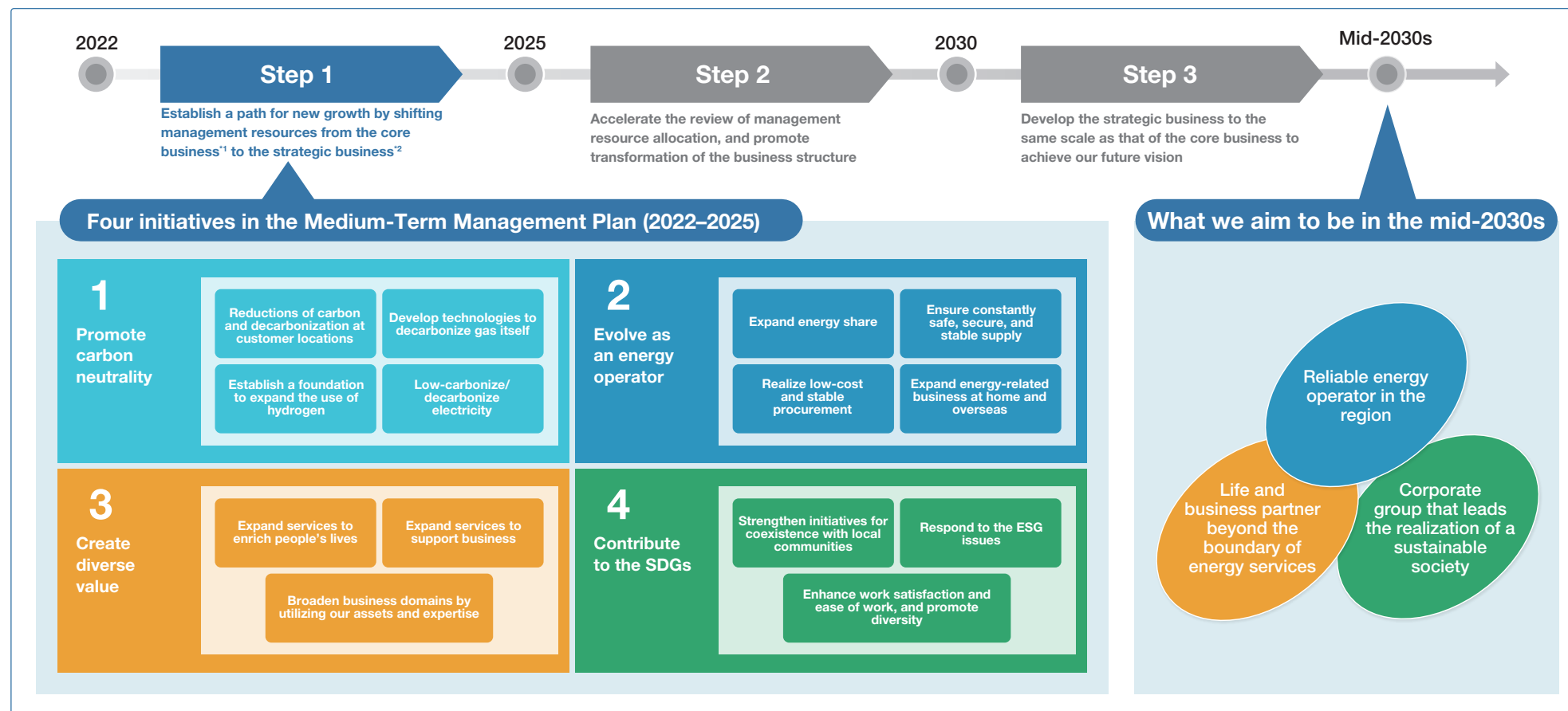
Strengthen compliance and governance



Materiality	Action Issues	Targets (for FY2025)	FY2023 Results	Main Reference Pages
Promote carbon neutrality	<ul style="list-style-type: none"> Promote low carbon and decarbonization at gas customer locations Contribute to a reduction of cumulative CO₂ emissions in society as a whole 	<ul style="list-style-type: none"> Contribution to CO₂ reduction: 1 million tonnes Reduce CO₂ emissions intensity in business activities by 2% per year 	<ul style="list-style-type: none"> Reduced CO₂ emissions by 390,000 tonnes Reduced CO₂ emissions intensity in business activities by 2.4% year on year Began operation of jointly developed gas differential pressure power generation system at Yokkaichi Works Launched business to create and utilize J-credits using ENE FARM residential fuel cell systems 	<p>pp. 19–20 pp. 53–54 p. 34 p. 36</p>
	<ul style="list-style-type: none"> Develop technologies to decarbonize gas itself 	<ul style="list-style-type: none"> Promote development and verification of CO₂ separation and capture and methanation 	<ul style="list-style-type: none"> Began e-methane production demonstrations using biogas-derived CO₂ “Regional Carbon Recycling Project Using CO₂ Concrete Fixation Technology” was selected for commercialization support in Aichi Prefecture Agreement reached on the establishment of e-NG Coalition, an international alliance for e-methane Signed various contracts and memorandums of understanding for the commercialization of e-methane and CCS 	pp. 20–24
	<ul style="list-style-type: none"> Build a foundation to expand the use of hydrogen 	<ul style="list-style-type: none"> Establish a firm position as a regional hydrogen supplier 	<ul style="list-style-type: none"> Constructed a hydrogen production plant at Chita-Midorihamma Works (operation to begin in June 2024) Agreement reached on collaboration with Taiyo Nippon Sanso Corporation for hydrogen business at Chita-Midorihamma Works 	pp. 24–25
Provide diverse energy and services	<ul style="list-style-type: none"> Promote low carbon and decarbonization of electricity 	<ul style="list-style-type: none"> Increase volume of renewable energy sources handled to 250,000 kW 	<ul style="list-style-type: none"> Increased volume of renewable energy sources handled to 120,000 kW Demonstrated “Waketoku,” a new electric power service using residential storage batteries Launched the “Toho Gas Kurashi no Denchi” service for residential solar power generation 	pp. 25–26
	<ul style="list-style-type: none"> Develop as a total energy provider Expand domestic and international energy-related business 	<ul style="list-style-type: none"> Achieve 3 million city gas, LPG, and electricity customers 	<ul style="list-style-type: none"> Reached 3 million energy customers (1.75 million city gas customers, 620,000 LPG customers, and 640,000 electricity customers) Participated in commercial natural gas sales business in Southeast Asia (Singapore) 	pp. 27–28 p. 32
Supply energy in a safe, secure, and stable manner	<ul style="list-style-type: none"> Provide value through services that enrich lives and support business 	<ul style="list-style-type: none"> Increase digital contact membership to 1.3 million Launch about 10 new services each year 	<ul style="list-style-type: none"> Increased digital contact membership to 1.08 million Launched 9 new services Launched “Toho Gas Kurashi” brand (October 2023) 	pp. 33–34 p. 28
	<ul style="list-style-type: none"> Promote security measures and disaster preparedness 	<ul style="list-style-type: none"> Maintain zero serious accidents Strengthen security measures and disaster preparedness 	<ul style="list-style-type: none"> Maintained zero serious accidents Promoted advanced measures against aging (updated LNG plant control system and implemented measures for aging pipes) 	p. 29
Contribute to the community by resolving social issues	<ul style="list-style-type: none"> Ensure stable procurement at a reasonable price 	<ul style="list-style-type: none"> Diversify procurement sources 	<ul style="list-style-type: none"> Built LNG procurement portfolio that is resilient to environmental changes Introduced grid storage battery that contributes to stable supply of electricity (full-scale operation to begin in FY2025) 	p. 31
	<ul style="list-style-type: none"> Strengthen initiatives to coexist with the local community 	<ul style="list-style-type: none"> Strengthen initiatives to coexist with the local community to solve social issues and improve resilience 	<ul style="list-style-type: none"> Comprehensive partnership agreements have been concluded with two local governments, bringing the total to eight agreements with local governments. Business partnership for the development of high-performance biochar “Soratan” 	p. 36 p. 35
	<ul style="list-style-type: none"> Promote CSR procurement 	<ul style="list-style-type: none"> Implement activities that contribute to SDGs in collaboration with the community and education related to SDGs for the next generation 	<ul style="list-style-type: none"> Provided support activities for school education (special classes at schools, Gas Energy Exhibition Hall) 	p. 60
	<ul style="list-style-type: none"> Promote resource recycling 	<ul style="list-style-type: none"> Confirm procurement status and promote CSR procurement in collaboration with related parties 	<ul style="list-style-type: none"> Announced our CSR procurement policy and guidelines Conducted questionnaire survey of business partners on their CSR activities Maintained our partnership building declaration 	p. 70
	<ul style="list-style-type: none"> Biodiversity conservation 	<ul style="list-style-type: none"> Achieve a recycling rate of 99% or higher for waste generated from gas pipeline construction Contribute to maintaining and restoring biodiversity through business activities and regional activities, conserving satoyama and forests, and protecting local species 	<ul style="list-style-type: none"> Achieved a recycling rate of 99.6% for waste generated from gas pipeline construction 	p. 55
Enhance work satisfaction and ease of work, and promote diversity	<ul style="list-style-type: none"> Maintained and managed biotopes, and implemented satoyama and forest conservation activities in collaboration with local governments Chita Peninsula Greenbelt acquired certification as a nature-friendly site 		<ul style="list-style-type: none"> Maintained and managed biotopes, and implemented satoyama and forest conservation activities in collaboration with local governments Chita Peninsula Greenbelt acquired certification as a nature-friendly site 	pp. 57–58 p. 37
	<ul style="list-style-type: none"> Human resource management 		<ul style="list-style-type: none"> Expanded opportunities for challenge and growth through exchanges with other industries, such as joint training with other industries and placement at outside companies Held lectures led by outside instructors for younger employees (TOHO MEETUP) 	pp. 61–62
	<ul style="list-style-type: none"> Diversity and inclusion 	<ul style="list-style-type: none"> Improve employee engagement Ensure diversity in appointing managers 	<ul style="list-style-type: none"> Achieved a 3.4% female manager ratio (26 female managers), 72.6% gender pay gap, 36.4% career employment ratio (51 people), and 2.53% employment rate of persons with disabilities 	pp. 62–63
	<ul style="list-style-type: none"> Realize flexible workstyles 		<ul style="list-style-type: none"> Introduced a side job system and relaxed the dress code Received Platinum Kurumin certification for our outstanding support for childcare 	p. 64
Strengthen compliance and governance	<ul style="list-style-type: none"> Safety and health management 		<ul style="list-style-type: none"> Recognized as a Certified Health & Productivity Management Outstanding Organization 2024 	p. 68
	<ul style="list-style-type: none"> Promote risk management and strengthen information security 		<ul style="list-style-type: none"> Held workplace meetings focusing on everyday job-related risks Conducted training for scenarios where the core system is under cyber attack 	pp. 75–76
	<ul style="list-style-type: none"> Promote compliance 	<ul style="list-style-type: none"> Share and raise awareness about compliance and risk detection throughout the organization 	<ul style="list-style-type: none"> Strengthened measures related to compliance with the Antimonopoly Act Enhanced education through regular streaming and library archiving of compliance training videos Promoted utilization of Compliance Consultation Service 	pp. 77–78

Medium-Term Management Plan 2022-2025

We position our current Medium-Term Management Plan as the first step towards realizing the vision for the mid-2030s outlined in the Group Vision. By focusing on four key themes, we will solidify the path towards new growth.



^{*1} Business to create cash flow as a long-term stable earnings base (e.g., city gas, LPG) ^{*2} Business that drives medium- to long-term growth (e.g., electricity, energy services, living/business support)

Policy

- Accelerate investment for sustainable growth while maintaining the ability to generate operating cash flow
- Even in an investment expansion phase, balance between efficiency and soundness to manage the entire system

	Profitability	Efficiency	Soundness
Management index	Operating cash flow	ROA	Debt to Equity ratio
Management goals	210 billion yen and over (Cumulative total from FY2022 to FY2025)	About 3%^{*3} > WACC^{*4} (FY2025)	About 0.6 (FY2025)

^{*3} Consolidated ordinary income for FY2025 is approximately 25 billion yen

^{*4} WACC
= Cost of capital: Mid 2%

Medium-Term Management Plan 2022-2025

Looking back on the first two years, and key initiatives for FY2023

In the initial two years, we have steadily generated profits amid various changes in the environment, and we have taken action to lay the groundwork for new growth of the Company. In FY2024, we will continue to solidify our path for further growth, and come together as a group to address various management challenges.

	Overview of initiatives during the first two years	Major initiatives for FY2023
1 Promote carbon neutrality	<ul style="list-style-type: none"> ● We promoted carbon emission reduction and decarbonization at customers' sites through fuel conversion for heat demand, advanced energy utilization proposals, and other efforts. ● We also began demonstration projects essential in building a supply chain, such as the development of e-methane production technology to decarbonize gas itself in the future as well as CO₂ separation, capture, storage, and utilization technologies, and we have been able to make steady progress toward their implementation into society. ● We are steadily advancing initiatives for hydrogen utilization as well as low-carbon and carbon-free electricity. 	<ul style="list-style-type: none"> ● Expanded CNxP services (such as GreenConnex and other related services) ● Began examining overseas e-methane production (North America, Australia, etc.) ● Began feasibility study for building a CCS value chain ● Initiated demonstration testing of CO₂ separation and capture ● Began regional carbon recycling project using CO₂ concrete fixation technology ● Increased volume of renewable energy sources handled to 120,000 kW
2 Evolve as an energy operator	<ul style="list-style-type: none"> ● In addition to maintaining a safe, secure, and stable energy supply, we have been working to increase our customer base, and we reached the target set in our Medium-Term Management Plan of 3 million total gas, LPG, and electricity customers. ● We are expanding our international energy business focusing primarily in Asia, with projects starting in Singapore and Vietnam. 	<ul style="list-style-type: none"> ● Achieved 3 million energy customers (total number of city gas, LPG, and electricity contracts) ● Completion of construction of the high-pressure Nanbu Trunk Line (Phase One: Chita to Handa) ● Participated in international energy businesses (natural gas sales business in Singapore and solar power generation business in Vietnam)
3 Create diverse value	<ul style="list-style-type: none"> ● We have developed products and services that are beneficial for life and business and reviewed our sales structure to create a one-stop system to provide diverse value to our customers. ● We utilize our assets and expertise and are proactively engaged in collaborating with startup companies, contributing to addressing social issues and promoting regional development while expanding our business areas. 	<ul style="list-style-type: none"> ● Launched "Toho Gas Kurashi" brand ● Land-based farming of Chita Cool Salmon using LNG cold energy and its adoption as a hometown tax return gift ● Business partnership with Towing Ltd. for the development and production of high-performance biochar
4 Contribute to the SDGs	<ul style="list-style-type: none"> ● We steadily promoted initiatives to contribute to addressing social issues in the region, such as by entering into comprehensive collaborative agreements with multiple local governments (cumulative total of eight local governments), establishing a regional new power company (cumulative total of five companies), and making biodiversity conservation efforts. ● We are improving diversity and inclusion as well as ease of work based on the Toho Gas Group Sustainability Policy and are also focusing on safety and health management. 	<ul style="list-style-type: none"> ● Entered into comprehensive partnership agreements with local governments (Kota and Nagoya) ● Chita Peninsula Greenbelt acquired certification as a nature-friendly site ● Promoted flexible workstyles (relaxed the dress code) ● Supported balancing work and childcare (received Platinum Kurumin Certification)

Medium-Term Management Plan 2022-2025

1

Promote carbon neutrality

In addition to promoting low-carbon/decarbonization efforts for our gas customers' premises, we will work to develop technologies with an eye on future decarbonization of gas itself. We will also work to expand the use of hydrogen, reduce/eliminate carbon in electricity and promote the transition to carbon neutrality.

Promote low carbon and decarbonization at gas customer locations

We provide one-stop support for efforts to realize carbon neutrality at customer locations by promoting fuel conversion to city gas and advanced energy utilization as well as introducing LNG to offset carbon with credits.

Helping our customers achieve carbon neutrality

CNxP business

We are expanding our CNxP business to support carbon neutrality at customer locations by supporting data visualization and development of action plans and introducing renewable energy and high-efficiency facilities.

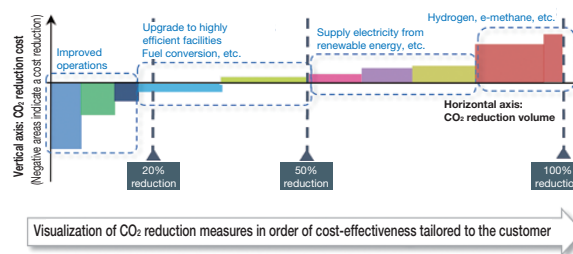


Our CNxP (Carbon Neutrality x Professional/Package/Partner) business is a service provided by our Group as an energy Professional in a full Package, from consultation to engineering, working together with customers as a Partner to help achieve carbon neutrality.

Leveraging our strengths in proposing integrated energy and engineering solutions, we contribute to realizing carbon neutrality by repeating the cycle of analyzing, reducing, and maintaining.

Consultation for reducing CO₂ emissions

We visualize the full picture of a customer's CO₂ emissions, select appropriate CO₂ reduction measures, and prioritize them based on cost-effectiveness. We also support setting emission reduction targets and formulating a medium- to long-term roadmap.



Roadmap to reducing CO₂ emissions
(example of our proprietary carbon neutrality curve)



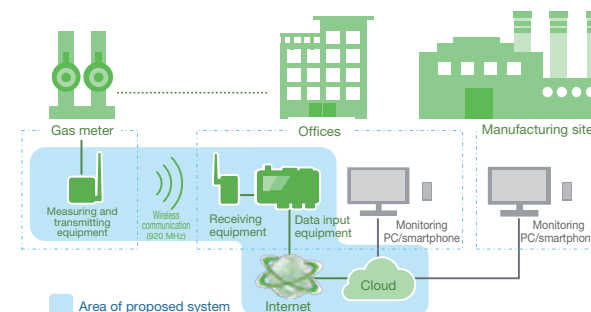
Corporate commercial promoting our efforts in helping our customers achieve carbon neutrality

GreenConnex factory visualization service for improving energy utilization

Our factory visualization service not only visualizes city gas and electricity but steam, air, and other components as well. Various types of visualizations can be used to propose improvements in energy utilization, and they can also be effective in increasing operational efficiency, improving the work environment, and identifying the cause of problems when they occur.

We also launched GreenConnex, a system that visualizes CO₂ emissions per product unit by introducing a production daily report system and combining production data with energy data.

To save energy and solve potential problems, we also provide a steam diagnosis, industrial furnace diagnosis, and chemical analysis service.



Example of implementation (visualization of city gas usage in a manufacturing plant)

Medium-Term Management Plan 2022-2025

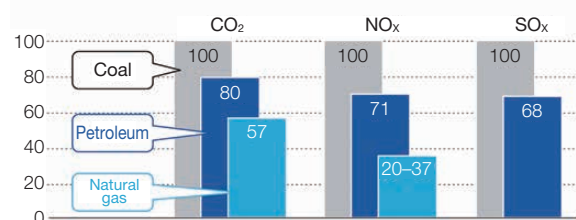
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Promote carbon neutrality

Promotion of fuel conversion and advanced energy utilization

Fuel conversion for heat demand

To realize carbon neutrality, we are promoting fuel conversion to city gas as one of the established low-carbon technologies on the market today. The Chubu region of Japan is a major industrial hub, and there is room for reducing carbon emissions from fossil fuels, especially in the high-temperature thermal sector. Natural gas, the source of city gas, is the fossil fuel with the least CO₂ emissions, and by converting from coal and petroleum, we are contributing to low-carbon heat demand.



Environmental impact of natural gas (city gas feedstock)

Source: (CO₂ data) "Demonstration Survey Report on Atmospheric Impact Assessment Technology for Thermal Power Plants" (March 1990), Institute of Applied Energy
(NO_x and SO_x data) "Natural Gas Prospects to 2020" (1986), International Energy Agency

Energy savings and advanced energy utilization

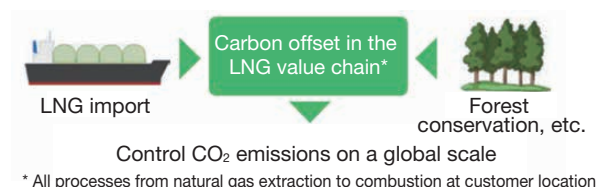
By promoting the introduction of high-efficiency gas air conditioning, cogeneration, and district heating and cooling, we are contributing to energy savings

and low-carbonization at customer sites. In addition to conventional energy savings and advanced energy utilization, we are also promoting new initiatives, such as carbon recycling and hydrogen utilization, thereby supporting low-carbonization and decarbonization at customer sites.

Procurement initiatives in response to customer needs

Carbon offset using CO₂ credits

In April 2021, we began receiving LNG with CO₂ credits, offsetting CO₂ emissions from extraction to combustion. City gas that utilizes this LNG is in demand among customers in a wide range of industries as a means of contributing to reducing CO₂ emissions, and the volume of gas we handle is increasing. In addition, the operational status is verified by a third-party organization to ensure transparency and reliability. We will continue to examine projects that lead to flexible procurement and creation of credits, thereby contributing to our customers' efforts to reduce CO₂ emissions.



Initiative to decarbonize gas itself

To realize carbon neutrality, we are focusing on procuring e-methane from overseas and steadily promoting the development and demonstration of key technologies, such as CO₂ separation and capture and methanation.

Methanation

Methanation is the technology of generating synthetic methane by reacting hydrogen with CO₂. The e-methane synthesized during this reaction is expected to become a future means for decarbonizing gas itself.

With methanation as the core method for gas decarbonization, we will promote demonstration tests and other activities to address issues such as improving efficiency and reducing costs through a broad alliance, with the goal of implementing the technology in society by 2030.

Domestically, we began methanation demonstrations in March 2024 in collaboration with the city of Chita and utilized city gas in this technology for the first time in Japan.

Medium-Term Management Plan 2022-2025

1

Promote carbon neutrality

Characteristics of e-methane

e-methane, synthesized by methanation from captured CO₂ and hydrogen, is a decarbonized fuel that does not increase atmospheric CO₂ when used, similar to hydrogen and ammonia.

The use of e-methane allows for effective use of existing city gas infrastructure and end-use equipment as well as efficient energy transport, thereby reducing costs to society while maintaining customer convenience.

e-methane イーメタン

Overseas procurement of e-methane

To promote the adoption of this fuel, it is important to build an international supply chain capable of producing highly competitive e-methane using inexpensive renewable electricity and the existing LNG supply chain and procure it to Japan, and we are accelerating full-scale efforts to realize this goal in the future.

Agreement reached on the establishment of an international alliance for e-methane

Together with companies from around the world engaged in the energy sector, we have agreed to establish e-NG Coalition, an international alliance aiming for the global proliferation of e-methane. Through the efforts of this alliance, we are collaborating across countries and industries to promote the use of e-methane worldwide and contribute to realizing a carbon neutral society.

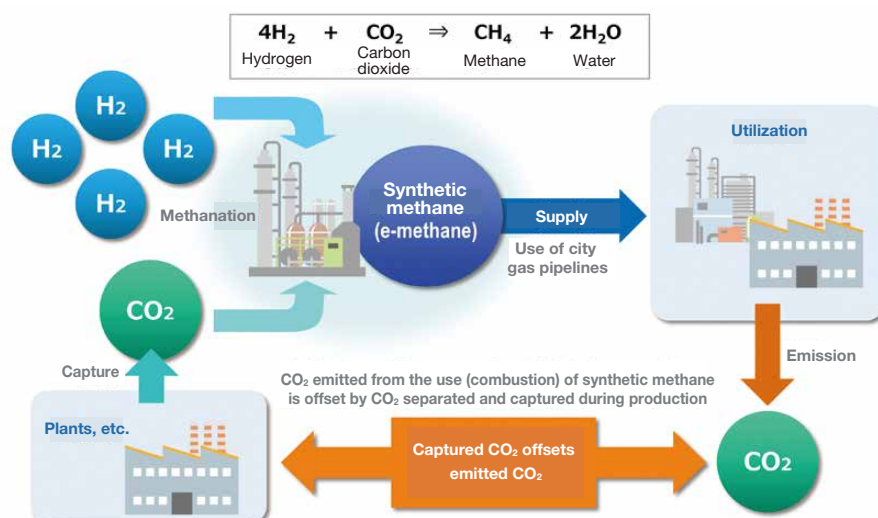


Exploring business related to e-methane production and export in Australia

We signed a joint study agreement with Santos Ventures Pty Ltd on the production of e-methane and its export to Japan. This study will assess the feasibility of producing e-methane using hydrogen produced from abundant renewable energy in Central and Eastern Australia as a feedstock and its export to Japan using existing LNG bases.

Comprehensive partnership regarding e-methane

We signed a memorandum of understanding on comprehensive collaboration with Tree Energy Solutions Belgium B.V. aimed at building an e-methane supply chain and implementing it in society. In addition to jointly exploring an e-methane



Medium-Term Management Plan 2022-2025

1

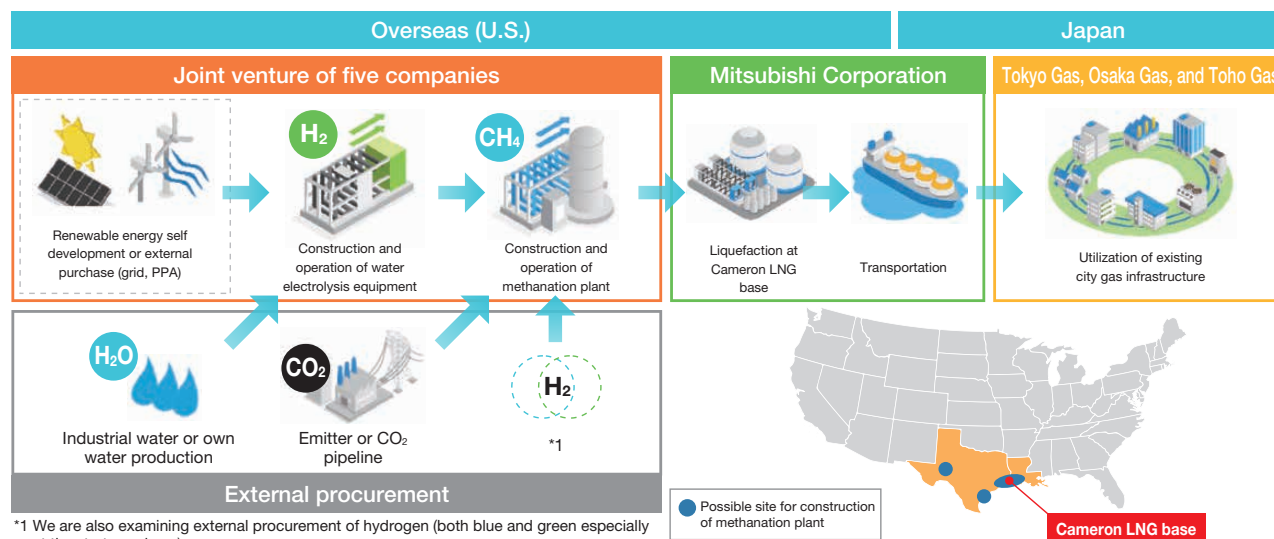
Promote carbon neutrality

supply chain, we are working together to raise awareness of e-methane and designing a system for rules on measuring CO₂ and economic support.

Introducing e-methane utilizing a U.S. LNG base

Together with Mitsubishi Corporation, Tokyo Gas, Osaka Gas, and Sempra Infrastructure Partners LP, we are continuing detailed project studies on the production of e-methane near the Cameron LNG shipping terminal in southwest Louisiana and the export of e-methane to Japan utilizing the existing

LNG infrastructure of LNG shipping terminals, LNG vessels, and receiving terminals. With the goal of beginning implementation by 2030, the plan is to produce and export 130,000 tonnes of e-methane annually, which is equivalent to 1% of gas sales for Tokyo Gas, Osaka Gas, and Toho Gas.

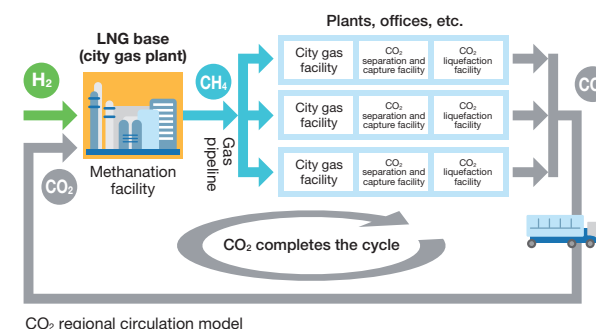


Domestic e-methane production

Examining the regional cooperation of methanation in the Chubu region

We are continuing to study a CO₂ regional circulation model together with Aisin Corporation and Denso Corporation.

To secure means for the carbon neutrality of heat demand at an early stage, we are focusing our study on a model case in which CO₂ emitted from inland plants is captured, transported by land to city gas production plants, and methanated, thereby circulating CO₂ within the country and region.



Medium-Term Management Plan 2022-2025

1

Promote carbon neutrality

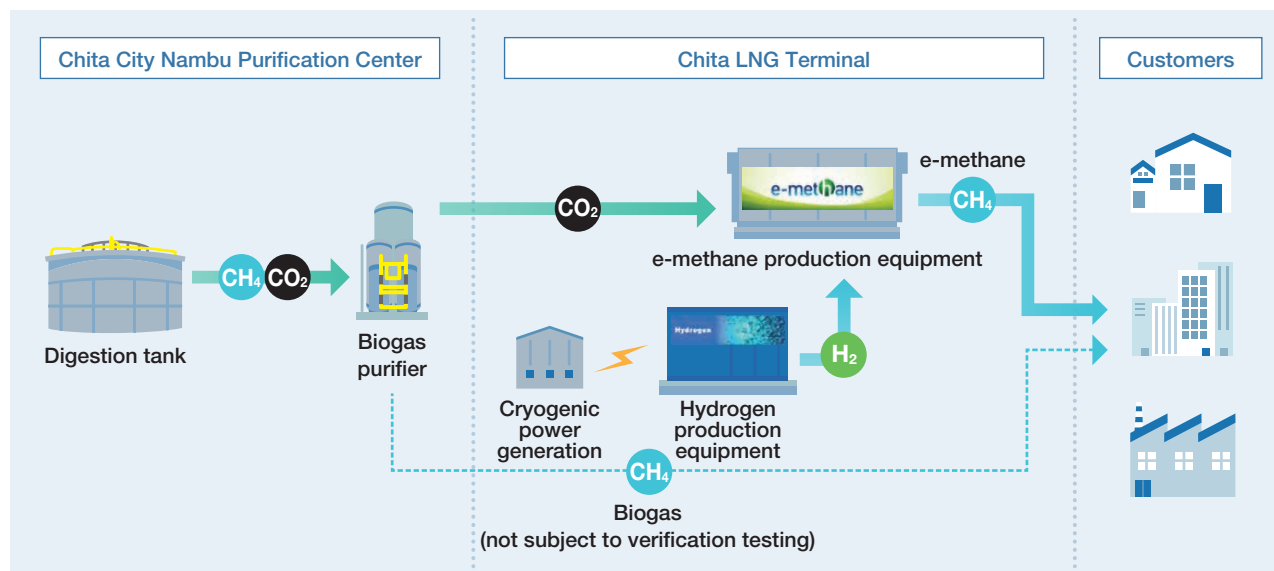
e-methane production demonstrations using biogas-derived CO₂

We have begun demonstrations of e-methane production in cooperation with the city of Chita in Aichi Prefecture, and we are identifying and examining technical and regulatory issues. This initiative makes effective use of local resources by utilizing CO₂ derived from biogas generated in sewage sludge treatment at Chita City Nambu Purification Center and hydrogen produced using electricity from cryogenic power generation for methanation to be used as a feedstock for city gas. This is the first use

of e-methane as a feedstock for city gas in Japan. This demonstration will lead to a larger scale production facility and lower costs.



e-methane production equipment



Overview of e-methane production demonstration in collaboration with the city of Chita

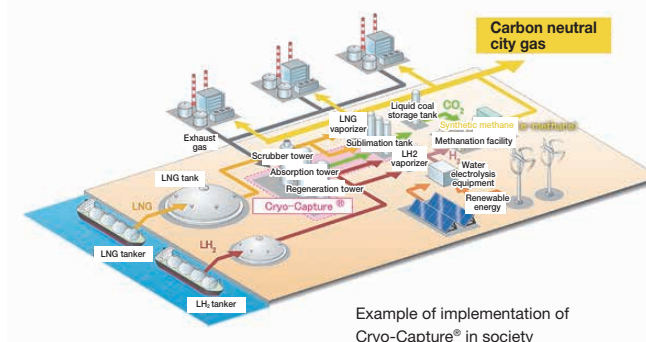
CO₂ separation, capture, utilization, and storage

Toho Gas has focused its efforts on developing CO₂ separation and capture technology early on, and we will continue to refine our technical expertise in CO₂ utilization (conversion to fuel and fixation) and storage.

Development of CO₂ capture technology using unused cold energy

As part of our technology to utilize unused cold energy from LNG and capture CO₂ affordably, we are focused on developing Cryo-Capture®, which captures waste gas from large-scale plants on the bay, and Cryo-DAC®, which will capture atmospheric CO₂ in the future.

In terms of CO₂ separation and capture at large-scale plants on the bay, we are working with Nagoya University as part of the Green Innovation Fund project sponsored by the New Energy and Industrial Technology Development Organization (NEDO) for the commercialization of technology. During the demonstration phase (FY2028 to FY2030), we are planning to conduct a demonstration in



Example of implementation of Cryo-Capture® in society

Medium-Term Management Plan 2022-2025

1

Promote carbon neutrality



Cryo-Capture® testing facility

which CO₂ captured at an LNG base using Cryo-Capture® will be used to produce e-methane. Regarding separation and capture of atmospheric CO₂, we are conducting R&D in collaboration with academia as part of a “moonshot”-type research and development project.

Feasibility study of Japan-Australia CSS value chain

We signed a memorandum of understanding with Sumitomo Corporation, Kawasaki Kisen Kaisha, Ltd., and Woodside Energy Ltd. for a feasibility study on building a CCS value chain between Japan and Australia. This study will evaluate the technology for separating and capturing CO₂ using unused cold energy from LNG that we are currently developing with the aim of commercialization, as well as the entire process from CO₂ separation, capture, accumulation, and liquefaction to export to Australia and storage.

Commercialization of CO₂ concrete fixation technology

Together with Aisin Corporation and Taisei Corporation, we are studying the commercialization of technology for fixing CO₂ captured from waste gas at plants as a raw material for use in concrete. The “Regional Carbon Recycling Project Using CO₂ Concrete Fixation Technology” was selected for commercialization support at the Aichi Carbon Neutrality Strategy Meeting led by Aichi Prefecture.

Building a foundation to expand the use of hydrogen

In addition to solidifying the concept for creating a hydrogen supply base, we will promote initiatives to commercialize hydrogen utilization technology and establish a solid position as a hydrogen supplier in the region by meeting growing demand for hydrogen.

Building a hydrogen supply chain with Chita-Midorihamma Works as the base

Construction of a hydrogen production plant at Chita-Midorihamma Works

We constructed a hydrogen production plant at Chita-Midorihamma Works and began operations in June 2024. As part of our efforts to achieve carbon neutrality, we will start by producing and supplying 1.7 tonnes of hydrogen per day from natural gas, and then expand the size of the plant according to growing regional demand for hydrogen.



Hydrogen production plant at Chita-Midorihamma Works

Promotion of collaboration for hydrogen business

We are promoting a collaboration with Taiyo Nippon Sanso Corporation in the hydrogen business to achieve carbon neutrality. As part of this collaboration, we will supply hydrogen from the hydrogen production plant at Chita-Midorihamma Works and coordinate alternative hydrogen procurement, and Taiyo Nippon Sanso Corporation plans to procure and sell some of

the hydrogen produced at this plant. Together we will work to build a hydrogen supply chain in the region.

Hydrogen utilization

We are promoting the development of hydrogen combustion-related technology to expand its application in the thermal sector and other fields, as well as its early commercialization after conducting demonstrations at customer locations. In the mobility sector, we are utilizing a cross-industry framework to develop and operate hydrogen stations with the aim of expanding vehicle models and applications.

Commercialization of burners for both hydrogen and city gas

We commercialized* multiple industrial burners that can switch between city gas combustion and hydrogen combustion while minimizing the need for replacement parts. In addition, a burner jointly developed with Nippon Furnace Co., Ltd. received the Technology Award at the 2023 Technology Grand Prize sponsored by the Japan Gas Association for being able to eliminate the need to replace parts in the main unit.

* One type for direct heating, and two types for indirect heating

Test run of hydrogen co-combustion cogeneration

We conducted a city gas and hydrogen combustion demonstration using a gas engine for commercial cogeneration systems, and our test run achieved rated power output and a hydrogen mixing rate of 35% (by volume) for the first time in Japan.



Medium-Term Management Plan 2022-2025

1

Promote carbon neutrality

Expanding our hydrogen combustion trial service

By utilizing our expertise and technology in fuel conversion and burner development, hydrogen is burned in combustion equipment at customer plants and other locations, and we help customers identify and address issues related to hydrogen use. In March 2023, we constructed a dedicated testing facility to enable testing in a larger furnace.



Hydrogen combustion test field
(inside research institute)

Growing mobility demand

In the Chubu region of Japan, the use of hydrogen for mobility purposes continues, and we are developing hydrogen stations to support the adoption of fuel cell vehicles. We are utilizing a cross-industry framework to make effective use of the hydrogen infrastructure with the aim of expanding vehicle models and applications, such as industrial and transport vehicles.

Hydrogen station development
(4 locations operating)



Toyota Hoen hydrogen station



Hydrogen technology implementation at Minato AQULS

Hydrogen is positioned as a new energy source in the second phase of construction of the Minato AQULS urban development project that is currently underway.

As hydrogen usage is expected to start from hydrogen stations, hydrogen will be produced at a hydrogen station in Minato AQULS and supplied to fuel cell vehicles and other applications. In addition, progress is being made on installing hydrogen pipelines from the station to supply hydrogen to hydrogen utilization facilities such as cogeneration systems and fuel cells.



Minato AQULS hydrogen station

Promoting low carbon and decarbonization of electricity

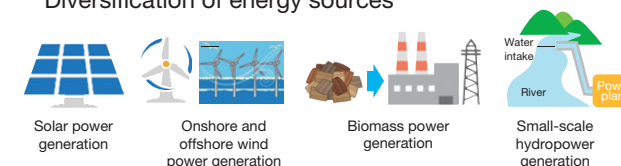
We are contributing to our customers' achievement of carbon neutrality by expanding the development and procurement of renewable energy sources while diversifying energy sources and providing services utilizing these sources.

Expansion and utilization of renewable energy sources

To achieve a decarbonization of energy sources, we are working on developing, procuring, and diversifying renewable energy sources such as solar power, biomass, and onshore and offshore wind power. In addition, we are strengthening our system to ensure stable operation and management of power plants. Furthermore, we are working with local governments and other organizations to utilize potential renewable energy resources in the region through new regional electric power companies and others to contribute to solving regional issues such as local production and local distribution of energy and strengthening resilience.

By utilizing these renewable energy sources and other energy sources, we will expand our products that contribute to low-carbon and decarbonization of electricity as well as services that promote efficient use of electricity.

Diversification of energy sources



Medium-Term Management Plan 2022-2025

1

Promote carbon neutrality

Renewable energy source development and introduction

This fiscal year, we will begin operation of woody biomass power plants as a joint investment with other companies. (Operation in Yatsushiro, Kumamoto Prefecture began in June, and operation in Karatsu, Saga Prefecture is expected to begin in December.) We will promote collaboration and cooperation among all related parties to ensure safe and secure operation of power plants.

In addition, by owning non-FIT solar power plants and procuring power, we expanded the volume of renewable energy sources handled, reaching 120,000 kW by March 31, 2023. We aim to expand that to 180,000 kW by the end of this fiscal year.



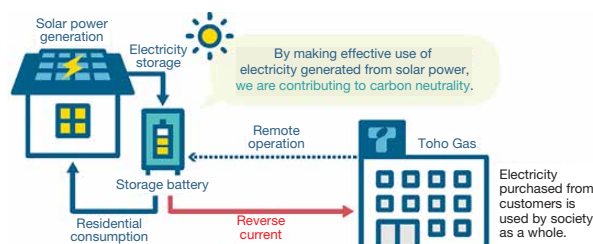
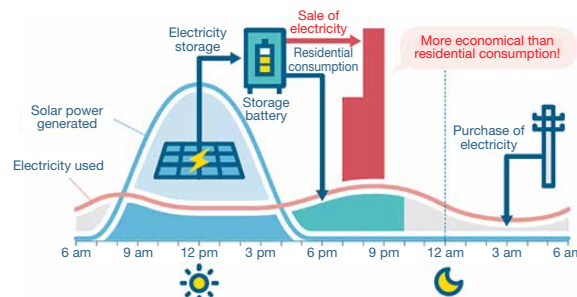
Yatsushiro Biomass Power Plant

Expansion of electricity services

In addition to promoting the adoption of diverse distributed energy resources, such as solar power generation and storage batteries, we are promoting a service that rewards customers and achieves efficient use of energy by integrating and controlling these resources using digital technology and interconnecting electricity.

Demonstration of “Waketoku,” a new electric power service using residential storage batteries

This service uses a system in which we remotely discharge the customer’s storage battery and buy back the resulting reverse flow of electricity during times of electricity supply and demand constraints. We are continuing demonstrations in efforts to reward customers, adjust the electricity supply and demand balance, and expand the use of renewable energy.



“Waketoku,” a new electric power service using residential storage batteries

Launching of the Toho Gas Kurashi Battery service

This service combines free* installation of a solar power generation system with the leasing of a storage battery. The customer pays no initial cost or maintenance fees for the solar power generation system, which can be a barrier to its installation and use.



Toho Gas Kurashi Battery

* Customer is responsible for scaffolding installation costs and costs requiring special construction.

Energy saving challenge —a residential demand response service

Customers responding to requests to save energy made through the Club TOHO GAS app at specific times are awarded energy-saving achievement incentives based on the amount of energy saved.



Screenshot of energy saving challenge

Medium-Term Management Plan 2022-2025

2

Evolve as an energy operator

We will continue to take strong measures to ensure safety, security, and stable supply, and work to expand our energy share by leveraging diverse energy sources. We will also strive to expand our domestic and international business for new energy sources.

Expanding energy share

As a total energy provider, Toho Gas delivers diverse energy sources, including city gas, LPG, electricity, and hydrogen, as well as services to more customers in optimal formats for living and business.

Responding to diverse customer needs

Expanding our city gas business

We are promoting and strengthening proposals to integrate energy and engineering to help our customers reduce CO₂ emissions in their supply chains and provide business solutions through fuel conversion to city gas, advanced energy utilization, and supply of carbon-neutral energy. See pages 19 to 26 and page 34 for details.

We also deliver energy and various services in an integrated and effective method to help our customers realize an ideal lifestyle. See pages 27 to 28 and 33 to 35 for details.

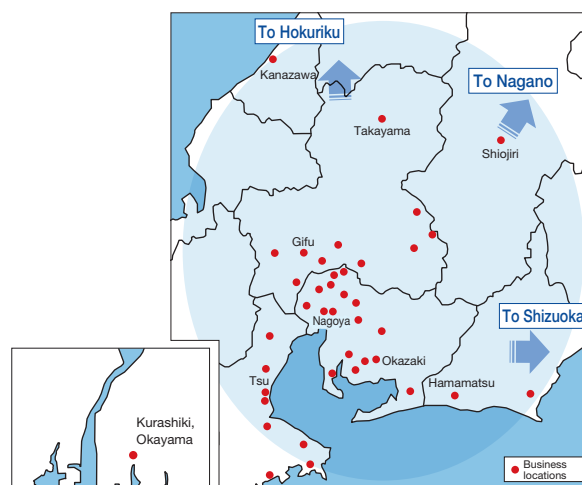
Expanding our LPG business

Growing demand in wide areas and wholesale

In addition to actively developing demand in our core area comprising Aichi, Gifu, and Mie Prefectures and the city of Kurashiki in Okayama Prefecture, we are expanding activities in the outlying Hokuriku, Shizuoka, and Nagano regions and developing residential, commercial, and industrial demand. We also plan to expand our share of wholesale sales through contracted delivery and systemization support.

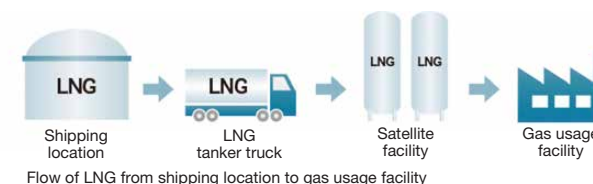
Strengthening filling and distribution bases

We are improving filling and distribution efficiency by reviewing our locations and other efforts. In the future, we will further enhance efficiency by utilizing remote meter reading technology and functions for optimizing distribution routes.



Expanding our LNG business

LNG is delivered by tanker trucks from Chita-Midorihamma Works and Yokkaichi Works to satellite facilities installed on customer premises. This LNG is stored and vaporized at customer satellite facilities to provide clean, low-carbon natural gas.



Strengthening sales proposals and alliances

Through our locally rooted Toho Gas Kurashi Shop sales outlets, we will deepen our relationship with our customers at in-person contact points. In addition to providing a high level of expertise in the sale, installation, repair, and renovation of a variety of equipment, we offer integrated and effective delivery of energy and various services and stand by our customers as a lifestyle partner.

Medium-Term Management Plan 2022-2025

2

Evolve as an energy operator

Our new brand, Toho Gas Kurashi

On October 1, 2023, we launched a new brand, Toho Gas Kurashi.

Based on the concept of creating better lives for tomorrow, our Group and service locations will become lifestyle partners for individual customers, helping them achieve an ideal way of life. Through this brand, we will better respond to diverse customer needs and contribute to development of the local community.

ENE FARM residential fuel cells

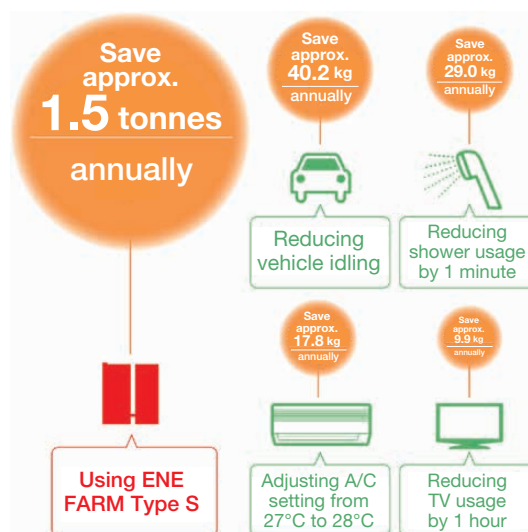
ENE FARM is a residential fuel cell that generates energy and hot water at the same time for a household. Hydrogen extracted from city gas is reacted with oxygen to generate electricity and heat, thereby reducing energy waste and CO₂ emissions.

Models sold since FY2022 come standard with a



ENE FARM residential fuel cell

power outage resilience feature, which automatically switches to self-sustaining operation during a blackout and supplies electricity to a dedicated power outlet, thereby enhancing household resilience.



Example of CO₂ reduction using the ENE FARM residential fuel cell

Source: "A Complete Guide to Energy Conservation in the Home: Spring, Summer, Fall, and Winter," Agency for Natural Resources and Energy at the Ministry of Economy, Trade and Industry (August 2017)

Data based on a simulation using our calculation conditions (with gas hot water floor heating and gas hot water bathroom heater and dryer). Actual values may vary depending on household composition, lifestyle, building, equipment used, usage conditions, temperature, and other factors.

"Meister of My Home" - A Specialized Home Renovation Store

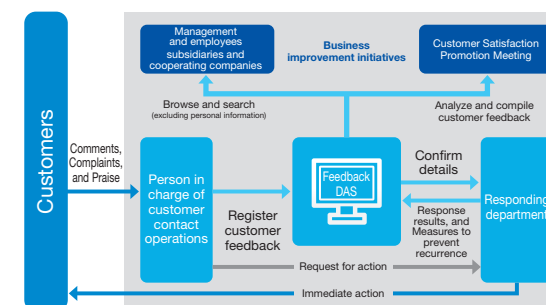
The HOME REFORM by TOHO GAS brand for home renovation is available at 25 locations.

Customer needs for housing are becoming increasingly diverse. Under this brand, we help customers meet their needs and realize their ideal lifestyle through home renovations.



Improving customer satisfaction

The Customer Satisfaction Promotion Steering Committee, departmental customer satisfaction organizations, affiliates, sales outlets, and gas construction companies work together to improve the quality and services of operations in accordance with the basic policy for customer satisfaction activities determined by the Customer Satisfaction Promotion Meeting, which is comprised of officers and department heads. Customer feedback is shared with relevant divisions as valuable management resources, leading to prompt measures and business improvements. In addition, the results of customer satisfaction surveys are reported to relevant divisions to further improve customer service.



Improving our customer support center

Our customer support center not only receives calls but also provides support via the web and automated voice guidance for increased customer convenience. In addition, we introduced a system in our gas heat pump maintenance service that enables administrators to monitor the call status of all telephone responders in real-time. According to customer surveys conducted in FY2023, we received a 98% satisfaction rating.

Medium-Term Management Plan 2022-2025

2

Evolve as an energy operator

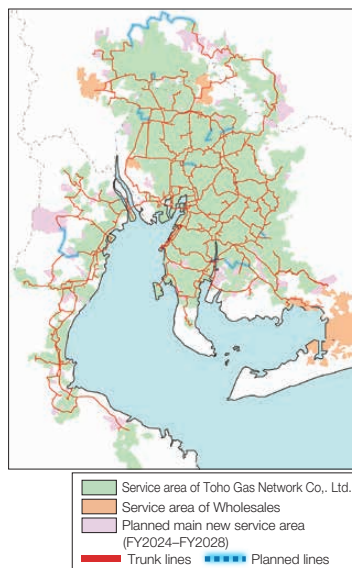
Ensuring unwavering safety, security, and stable supply

Toho Gas will continue to ensure unwavering safety, security, and stable supply while steadily promoting the development of city gas infrastructure aiming for a low-carbon society from the ground up.

Developing a foundation to expand the use of city gas

We will work with urban planning and develop new demand to expand our supply area. We will also expand our pipeline network that serves as our supply base to improve our gas transportation capacity to wider areas.

The gas pipelines maintained and operated by Toho Gas Network Co., Ltd. stretch some 30,000 km, supplying city gas to 55 cities, 22 towns, and 1 village across Aichi, Gifu, and Mie Prefectures as of the end of FY2023.



Ensuring safety, security, and stable supply of city gas

To ensure unwavering safety, security, and stable supply, we steadily and systematically promote various physical and procedural measures while working to reduce costs, improve operation efficiency, and increase productivity.

Promoting disaster prevention measures against earthquakes, tsunamis, and other natural disasters

We have completed measures to protect against large-scale earthquakes at city gas production facilities, such as reinforcing LNG receiving pipelines, as well as elevating facilities as part of our tsunami countermeasures.



The tsunami screen protects plants from flying flotsam

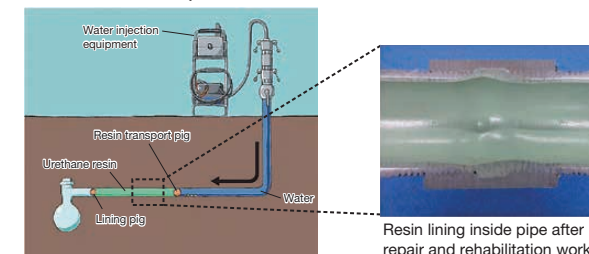
Moving forward, we will enhance our disaster response capabilities by implementing procedural measures.

We have adopted a three-pillar approach to prepare for natural disasters, such as earthquakes and wind and flood damage. This includes preventive measures in case of an earthquake or tsunami at gas pipeline supply facilities, emergency measures to halt supply with the aim of preventing a secondary disaster at hard-hit areas, and recovery measures implemented together with regional gas retailers and national gas companies in the event of a large-scale earthquake. We are also strengthening cooperative efforts with local governments and administrative agencies in preparation for disasters.

Upgrading aging facilities

We are steadily taking measures at our city gas plants, such as by updating aging electrical equipment and instrumentation.

At gas pipelines, we are prioritizing measures based on the type of pipe and environment where it is buried, and we are steadily and systematically conducting regular inspections and examinations of gas facilities. In addition, we are developing and incorporating a trenchless pipe installation method and a repair and rehabilitation method that does not require road excavation.



Repair and rehabilitation method for internal pipes that do not occupy roads

Strengthening our disaster preparedness

As part of our physical measures, we are implementing seismic measures for gas pipelines to further improve the earthquake resistance rate. In addition to promoting the subdivision of blocks, we are introducing a low-pressure shut-off system to ensure the continuation of medium-pressure supply and minimize the scale of supply interruptions. As part of our procedural measures, we conduct our own disaster drills as well as drills coordinated with local governments and other organizations to improve regional resilience. Together with the Japan Gas Association, we are coordinating with national gas companies to establish systems for disaster recovery support and receiving.

Medium-Term Management Plan 2022-2025

2

Evolve as an energy operator

Improving the efficiency of operations by incorporating digital technology

We are incorporating digital technology in operation and maintenance work at city gas plants to make operations more efficient and sophisticated.

Double checking on site and central remote monitoring using a wearable camera

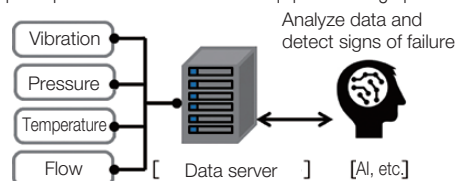


Job site



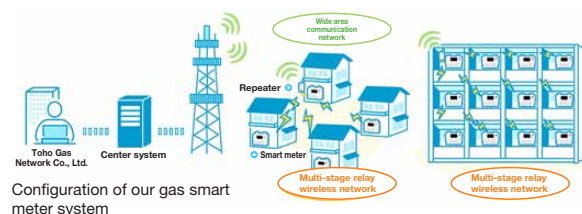
Central monitoring station

Example of preventive maintenance of equipment using operation data



The introduction of smart meters in FY2024 is expected to enable remote monitoring of gas usage at customer locations, improved efficiency of meter reading in normal conditions, as well as quick and reliable on-site response by early detection in abnormal conditions. In the future, we aim to enhance recovery operations using emergency remote shut-off and recovery functions and provide new services and added value utilizing accumulated data.

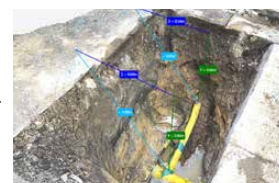
We are also incorporating the latest digital technologies, such as 3D visualization of buried gas lines, to enhance the efficiency and sophistication of on-site operations.



Buried gas line 3D visualization technology

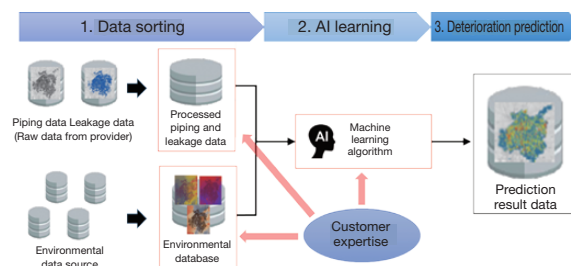


Data acquisition



3D visualization

By utilizing AI developed in cooperation with U.S. startup Fracta, we are able to predict gas line deterioration and prioritize and narrow down measures to take for more efficient gas line replacement. Toho Gas Network Co., Ltd. and Fracta jointly sell this system.



Example of deterioration prediction of gas pipes using AI

Ensuring stable supply of LPG

Toho Liquefied Gas Co., Ltd. is building a network of 22 filling and distribution bases in Aichi, Gifu, Mie, and Shizuoka Prefectures, including the secondary terminal Meiko LPG Terminal as well as the Okazaki, Konan, and Shima Filling Stations designated as core filling stations that are responsible for supplying LPG in case of emergency. Establishing this infrastructure will ensure the smooth supply of LPG even during a disaster.



Core filling station (Okazaki)



Disaster drill at Meiko LPG Terminal

During the 2024 Noto Peninsula Earthquake, which struck on January 1, in addition to the seismic shut-off by a microcomputer meter, a gas line for an industrial customer suffered damage. However, support personnel were dispatched from the head office to complete facility inspection and repairs. In response to demand from a local gas company, we delivered LPG using our tanker trucks from Aichi, Gifu, and Mie Prefectures and cooperated to ensure stable supply to the affected Hokuriku region.

Medium-Term Management Plan 2022-2025

2

Evolve as an energy operator

Realize stable procurement at a reasonable price

To mitigate the impact of changes in the international environment and sudden market changes, we are diversifying procurement sources and realizing stable and affordable procurement.

LNG procurement

Building an LNG procurement portfolio that is resilient to environmental changes

To ensure stable procurement, we will secure sufficient procurement volume mainly through long-term contracts. We will also continue to develop a procurement portfolio that is resilient to environmental changes while achieving both price competitiveness and stable supply.



Promoting agile measures to environmental changes

We are preparing and implementing flexible and agile measures to deal with sudden fluctuations in supply and demand. To strengthen the LNG value chain, we are planning to invest in upstream development and LNG vessels.



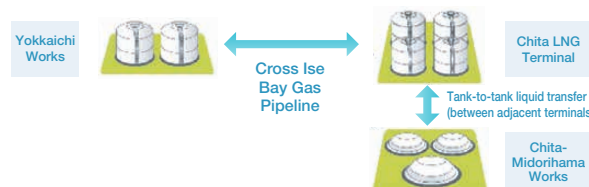
Ichthys central processing facility



LNG Canada Project (under construction)

Effective utilization of LNG receiving terminals

Through use of the Cross Ise Bay Gas Pipeline and tank-to-tank liquid transfer facilities, we are fully utilizing our LNG tanks and ensuring efficient terminal operations.



LPG procurement

Ensuring stable feedstock procurement at a reasonable price

We are working to procure stable and affordable LPG by taking advantage of economies of scale and the Meiko LPG Terminal, our key strength and one of the largest secondary bases in Japan with a storage capacity of over 5,000 tonnes. The Meiko LPG Terminal began operations in October 1987 as a base of Toho Liquefied Gas Co., Ltd. On May 2, 2023, a jointly owned domestic vessel, the Hourin Maru No. 1, docked as the 9,526th vessel to the terminal, bringing the cumulative LPG intake volume to 7 million tonnes. Measures to protect the terminal against increasingly severe natural disasters and upgrades to aging facilities continue to be made, and the terminal contributes to realizing stable, low-cost procurement of LPG as a supply hub for the Tokai region.



Meiko LPG Terminal



Hourin Maru No. 1 vessel

Electricity Procurement

Through collaboration with multiple partners and utilization of the Yokkaichi Power Plant, we will ensure stable procurement of energy sources.

We will promote efforts to contribute to securing energy sources and improving our in-house power source ratio for enhanced procurement and stable income and expenditures.

Ensuring stable energy source procurement

In addition to our own power sources such as through renewable energy sources and the Yokkaichi Power Plant, we will combine various methods of procurement to secure a stable supply of power. We are also installing a large-scale storage batteries (grid storage batteries) that directly connect to the power grid. We will continue efforts to improve our in-house power source ratio, such as by studying the feasibility of large-scale power sources and the utilization of a virtual power plant (VPP) and storage batteries.



Yokkaichi Power Plant



Tsu Power Storage Station (under construction)

Medium-Term Management Plan 2022-2025

2

Evolve as an energy operator

Expanding domestic and international energy-related business

By leveraging our knowledge and expertise gained in past business operations, we are expanding our domestic and international energy businesses including gas, LNG, and renewable energy.

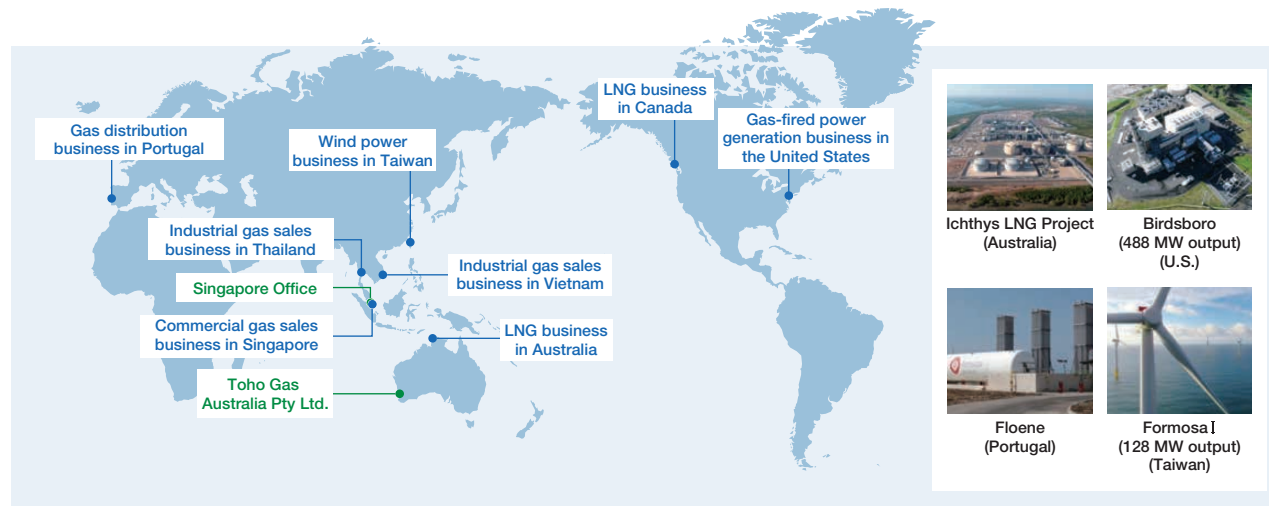
Investment in domestic and international energy businesses and participation in an LNG value chain

International energy-related business

In Southeast Asia, where energy demand is increasing, we are using our knowledge and expertise in natural gas utilization to contribute to local economic growth as well as a low-carbon and decarbonized society.

In Singapore and Australia, we are building information networks and identifying new projects while providing sales and technical support to investee companies.

In Europe, North America, and other regions, we are deepening our involvement in the management of businesses related to natural gas and promoting business research into carbon neutrality.



Australia	In addition to the Ichthys Project (LNG business), we are studying and examining projects related to carbon neutrality, including renewable energy and CO ₂ capture and storage (CCS).
Portugal	Working jointly with Marubeni Corporation, we have set up a special purpose company to participate in the gas distribution business as well as investing in privately owned businesses that own gas distribution operators with business rights in their respective regions.
U.S.	Working jointly with Saibu Gas Holdings and Hiroshima Gas, we have set up a special purpose company to participate in gas-fired electric power generation in which Sojitz Corporation and others have invested.
Canada	Working with partner companies, we are participating in a project to produce LNG by liquefying natural gas.
Taiwan	Working jointly with Mitsui O.S.K. Lines and Hokuriku Electric Power Company, we have set up a special purpose company to participate in an offshore wind power generation project funded by JERA and other companies from Europe and elsewhere.
Thailand	Working jointly with Shizuoka Gas, we have set up a special purpose company to develop natural gas sales for industrial use with local companies.
Vietnam	We have invested in local companies that are developing gas businesses and participating in sales of natural gas for industrial use. We are also participating in a solar power generation project in Hau Giang Province in southern Vietnam.
Singapore	We have invested in local companies that are developing gas businesses and participating in sales of natural gas for commercial use.

Medium-Term Management Plan 2022-2025

3

Create diverse value

We are expanding our services to meet diversified customer needs and enhance customer convenience, while leveraging our assets and expertise to broaden our business areas.

Expanding services to enrich lives

We launched a new brand, Toho Gas Kurashi, as a lifestyle partner for individual customers. We enhance customer contact points by improving our digital platforms and provide new businesses and services primarily in the areas of living, food, and health and caregiving.

Expanding customer touchpoints and diversifying service offerings

Club TOHOGAS – A website offering valuable benefits and convenient procedures

We offer a web-based membership service that offers customer convenience and rewards as part of our effort to make beautiful tomorrows.

Customers who sign up get access to their monthly gas and electricity bills in a timely manner and easy-to-understand format. This paperless billing also protects the environment by reducing the use of paper.



Make beautiful tomorrows



Basic service

Access an easy-to-understand monthly gas and electricity bill on a browser



Benefit 1

Enjoy unlimited access to our "Gasuteki Column," which offers engaging and practical lifestyle tips.



Benefit 2

Earn GASUTEKI Points and enjoy exclusive benefits!

Customers also get access to our newsletter "GASUTEKI Column," which is filled with fun and useful information, and the opportunity to earn "GASUTEKI Points," which accumulate in accordance with your gas and electricity contracts and can be used to pay your bills. All of this can be conveniently done from a smartphone or computer.

As of March 31, 2024, about 990,000 customers already signed up, and we are working to enhance the service as a digital point of contact with our customers.

Revitalizing communities with the Franomista (One-drink subscription)

For a monthly fee of 550 yen (tax included), subscribers to the Franomista service can enjoy a free daily beverage at participating restaurants and one free beverage at each restaurant from the second visit onwards. As an energy provider, we aim to bring more smiles to people and the community by helping raise a glass and bringing more cheers to Japan.



Currently, the Franomista service model is called the "One-drink subscription," and we are expanding the service nationwide, primarily among energy providers. By subscribing to any service, including Franomista, users can access various services in any region, with the aim of revitalizing communities throughout Japan.

Note: 2,319 restaurants participate in the "One-drink subscription."
* Of those, 504 participate in the Franomista service. (As of May 2024)

Launching the Toho Gas Hikari fiber internet service

We launched a new internet provider service called Toho Gas Hikari Powered by USEN NETWORKS. This service provides a convenient internet environment by using optical fiber lines that combine stability and high speed. We will meet diverse customer needs in the telecommunications service sector by providing high-speed internet plans, Wi-Fi routers, and other peripheral products.



Launching the Toho Gas Kurashi Soko site

Toho Gas Kurashi Soko is our e-commerce site. Launched in 2022 as part of the Club TOHOGAS customer website, it provides products for everyday life.

We plan to expand the products and services available to provide new value to lifestyles with a focus on food, health, security, and disaster preparedness, based on the concept of creating lifestyles.



Medium-Term Management Plan 2022-2025

3

Create diverse value

Expanding services to support business

We are enhancing business customer support by expanding our services that provide solutions to increasingly complex and sophisticated business needs.

Expanding products and services

Promoting our TOHOBIZNEX service

TOHOBIZNEX, a web-based membership service with total business support, provides business solutions for customers in various sectors. With services such as CNxP business, which helps customers achieve carbon neutrality, and GreenConnex, which visualizes CO₂ emissions per product unit, we can help customers achieve low-carbon and decarbonization goals while offering greater convenience and a wide range of useful information to business customers primarily related to energy services, which is our strength.



Expanding business areas utilizing assets and know-how

Utilizing real estate holdings

Planning development of residential land and detached houses in Ichinomiya

As part of our utilization of real estate holdings, Toho Gas Real Estate Development Co., Ltd. planned the development of residential land and detached houses (16 lots) in Imaise-cho, Ichinomiya, obtained development permission and began construction in May 2024, and started sales in July 2024. They expect to sell residential land and pre-built homes starting in FY2025.

Introducing a radar trajectory measuring device at Howa Minato Golf driving range

Toho Gas Real Estate Development Co., Ltd. operates several sports facilities in Minato AQUUS (Minato Ward, Nagoya) for use by the local community. At the Howa Minato Golf driving range, we introduced the Trackman Range radar system in April 2024 to accurately measure the distance and trajectory of hit balls. This system has been well received by a wide range of customers, from those who want to improve their game to those just having fun.



Radar trajectory measuring device (Trackman Range)

External sales of manufacturing and supply technologies

Sale of gas differential pressure power generation system

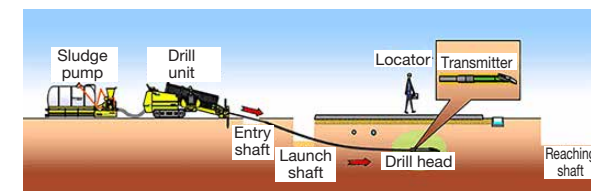
Toho Gas has developed compact power generation equipment that utilizes the pressure differential of unused energy from city gas and is preparing for external sales. By integrating a turbine and generator into a single unit, we have succeeded in significantly reducing both installation space and cost.



Turbine generator

Third-party development of pipeline engineering services

Toho Gas Network Co., Ltd. offers unique pipeline engineering services, such as trenchless pipe installation, repair and rehabilitation, and remote monitoring systems, to other gas companies. They are also working to grow as a versatile infrastructure provider, such as by collaborating with water utilities with whom they have a strong affinity in maintenance and management operations.



New trenchless pipe installation method

Medium-Term Management Plan 2022-2025

3

Create diverse value

Expanding business in new areas

We will leverage our assets and expertise to explore and commercialize new areas that contribute to addressing social issues and promoting regional development while strengthening our relationship with startups through flexible direct investment.

Land-based farming of Chita Cool Salmon

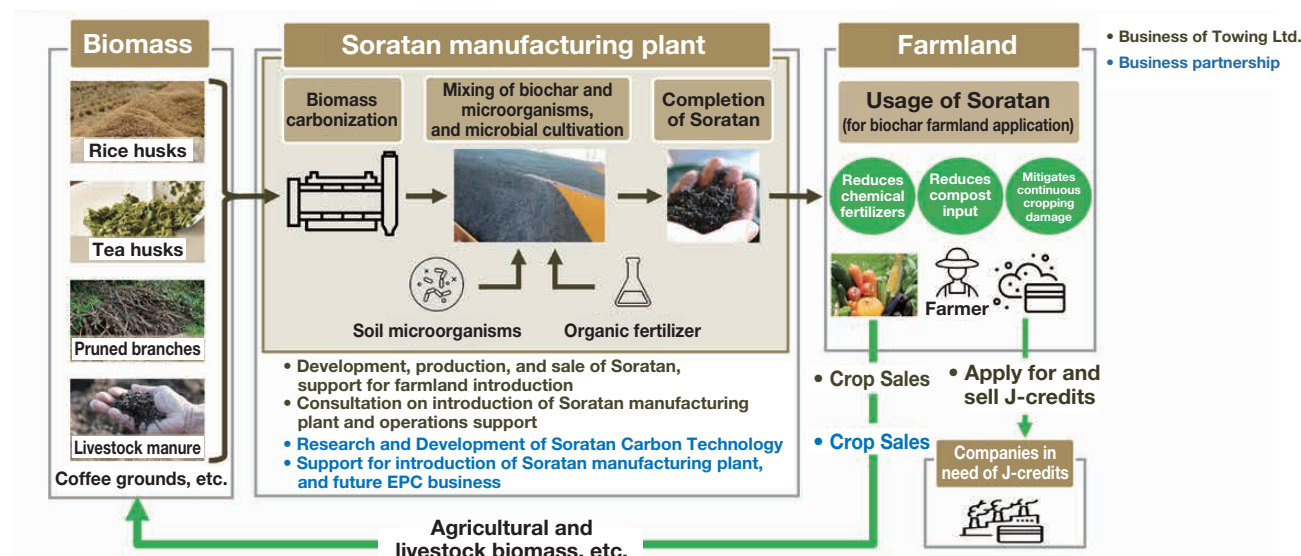
In FY2021, we started phase two of demonstration testing of land-based farming of Chita Cool Salmon using unused cold energy from LNG at Chita-Midorihamas Works. In FY2023, we began commercialization efforts based on the results of our demonstration tests, and in FY2024, we aim to produce five times more salmon than during phase two (approximately 12 tonnes).



Chita Cool Salmon

Recycle-based low-carbon agriculture

We are promoting the commercialization of recycle-based low-carbon agriculture through open innovation with investee company Towing Ltd.* In FY2023, we entered into a business alliance agreement with Towing Ltd., designed and



Example of collaboration with a super recycling society based on sustainable next-generation agriculture

constructed a Soratan manufacturing plant, and began R&D of plant equipment. Moving forward, we will steadily continue with Soratan plant construction with the aim of developing peripheral businesses for the cultivation and sale of crops.

* Towing Ltd. is a startup company spun off from Nagoya University that uses technology to upcycle unused biomass into a superior, high-performance agricultural biochar called "Soratan."

Providing solutions to local governments with Toho Gas Tsunagu Tech

We launched a new service, Toho Gas Tsunagu Tech, to provide solutions to administrative and regional

issues facing local governments. One of the services available is the "Regional gift certificate one-stop service," which provides complete support for the planning, management, and digitization of premium gift certificates issued by local governments.

In the future, we will expand the services available to include childcare support as well as DX and improved operational efficiency of various consultation services. In this way, we are developing services that provide community-based solutions.



Medium-Term Management Plan 2022-2025

4

Contribute to the SDGs

As a community-based company, we will continue to work to achieve the SDGs with our stakeholders.

Strengthening initiatives to coexist with the local community

We are deepening cooperation with local governments and other organizations and strengthening initiatives to coexist with the local community to solve social issues and improve resilience.

For more information, see pages 59 and 60 in Foundation for Value Creation.

Collaborating with local governments in promoting solutions for social issues

We are deepening cooperation with local governments in various aspects, such as supporting carbon neutrality efforts and creating initiatives for new regional electric power companies, thereby contributing to creating a more attractive community.

Cooperative agreements with local governments

We have concluded partnership agreements with local governments to work on activities to help solve regional issues such as realizing carbon neutrality and educating children who will lead the next generation. We aim to realize a sustainable society by leveraging our knowledge and expertise accumulated to date and strengthening initiatives to coexist with the local community in cooperation with local governments.

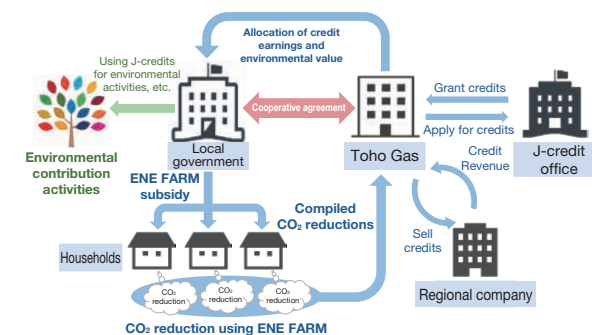


Summer school experiment class
(Initiative based on a comprehensive partnership agreement with the city of Miyoshi)

Contracting party	Agreement name	Date of agreement
Okazaki	Comprehensive Collaboration Agreement for the Promotion, Etc., of Carbon Neutrality	November 2022
Hashima	Comprehensive Collaboration Agreement for Achieving a Zero Carbon City	January 2023
Chiryu	Comprehensive Collaboration Agreement for the Promotion of the SDGs	January 2023
Kuwana	Comprehensive Collaboration Agreement for Achieving a Zero Carbon City	January 2023
Anjo	Comprehensive Collaboration Agreement for the Promotion, Etc., of Carbon Neutrality	March 2023
Miyoshi	Comprehensive Collaboration Agreement for Town Development	March 2023
Kota	Comprehensive Collaboration Agreement for the Promotion, Etc., of Carbon Neutrality	October 2023
Nagoya	Comprehensive Agreement on Partnership and Collaboration	February 2024
Nisshin	Collaboration Agreement for the Promotion of Decarbonization for Achieving a Zero Carbon City	April 2024
Tsu	Partnership Agreement on the Promotion of Energy Saving Facilities for Achieving Carbon Neutrality	May 2024

Supporting local government's efforts to achieve carbon neutrality using J-credits

Using ENE FARM residential fuel cells installed in homes with subsidies from local governments, we compile the amount of CO₂ reduced in the home, convert it to J-credits, and use them in the local government area to promote local production and local distribution of environmental value and contribute to realizing carbon neutrality in the region.



Example of creating and utilizing J-credits

Promoting the second phase of development of the Minato AQUUS

Contributing to the local community through Minato AQUUS

We are working to create a community based on the concept of creating a town that fosters connections among people, the environment and the region.

By centrally managing energy supply and demand through our community energy management system (CEMS), we continue to achieve a CO₂ reduction rate of 60% or more compared to 1990 levels. We installed the ENE FARM Type S residential fuel cell in 503 total ZEH-M Oriented certified* condominiums. By sharing surplus electricity, we contribute to providing approximately 10% of the local electricity needs to promote local production and local distribution.

Additionally, through the Ministry of the Environment's decarbonization pilot project in Nagoya in collaboration

* "ZEH-M Oriented" refers to condominiums that reduce primary energy consumption by over 20% building-wide, including in shared areas.

Medium-Term Management Plan 2022-2025

4

Contribute to the SDGs

with Mitsui Fudosan Residential Co., Ltd. and the agreement with Nagoya and Nagoya University for promoting a decarbonized society through the Minato AQUUS urban development project in April 2024, we will utilize Minato AQUUS for research and demonstration to realize a decarbonized society and address regional issues.

Progress is now being made on phase two development including the PORTBASE concert hall, and this will help develop the area into a vibrant town with diverse experiences and interactions.



Unveiling ceremony of the agreement signing



Conceptual drawing of PORTBASE

Addressing ESG challenges

We will steadily address ESG issues to achieve sustainability.

For more information, see pages 48 to 83 in Foundation for Value Creation.

Environment, Society, and Governance initiatives

Environment

We are implementing initiatives for climate change measures, resource recycling, and biodiversity conservation to contribute to achieving a sustainable society.

Environmental management, global warming countermeasures, resource recycling, and biodiversity conservation

Toho Gas Group has formulated Environmental Action Principles and Environmental Action Guidelines, and under an environmental management system, we set environmental action goals and promote a wide range of environmental activities.

We promote initiatives to reduce our own CO₂ emissions intensity, control CO₂ emissions including those at customer locations, reduce the consumption of natural resources while promoting effective use of recycled resources, and support biodiversity conservation through our business activities.

Chita Peninsula Greenbelt acquired certification as a nature-friendly site

Chita Peninsula Greenbelt, an initiative in cooperation with various companies including Toho Gas as part of the Inochiwotsunagu ("Connecting Life") Project, acquired certification from Japan's Ministry of the Environment as a nature-friendly site.

We will continue to work with these companies to play a part in the ecosystem network through the creation of a quality green space, with the aim to improve the biodiversity of the Chita Peninsula and contribute to realizing a sustainable society.



Chita Peninsula Greenbelt

Social

We will maintain and strengthen our relationships with our stakeholders and contribute to the development of the community together with cooperating companies and others.

Initiatives to contribute to the local community and respect human rights

We address diverse needs and challenges facing the region, contribute to realizing prosperity in the community, and are actively engaged in environmental and social contribution activities as well as the promotion of local culture and sports.

In addition, we conduct our business activities in accordance with international standards, such as the United Nations Guiding Principles on Business and Human Rights and respect the human rights of our stakeholders.

Medium-Term Management Plan 2022-2025

4

Contribute to the SDGs

Governance

We will strengthen our corporate governance to continue to gain the trust of our stakeholders.

Enhancing job satisfaction and ease of work, and promoting diversity

To enhance employee engagement and promote personal and organizational growth, we will work to improve job satisfaction and ease of work, and promote diversity.

For more information, see pages 61 to 68 in Foundation for Value Creation.

Human resource management

We encourage employees to take on new challenges through training, placement, evaluation, and other measures to further their growth.

Human resource management and training programs

We encourage success of our human resources through recruitment, training, placement, and fair evaluation. In addition, to respond to environmental changes, such as carbon neutrality and DX, we develop capabilities based on on-the-job training, group training, and self-development. Furthermore, we expand opportunities for challenges and growth through interactions with different industries.

Diversity and inclusion

We will secure diverse talent and support their engagement to revitalize the organization, strengthen our competitiveness, and foster innovation.

Strengthening internal systems

To further enhance diversity and inclusion, we created the D&I and Career Development Support Group in our Personnel Department. With the focus on the new group, we will implement more effective activities than before in promoting women, career hires, seniors, and people with disabilities, as well as providing career training for younger employees.

Flexible workstyles

We are working to create an environment where employees can choose productive work styles to better balance their work and life for a more fulfilling life.

Promoting flexible workstyles

We are expanding the system to allow flextime and telecommuting for more flexible work styles and enable employees to work autonomously and efficiently, and we are relaxing the dress code.

Supporting balancing work and childcare (received Platinum Kurumin Certification)

To support balancing work and childcare, we have established a leave system and reduced working hour system. In recognition of our efforts to support childcare at a high standard, we received the Platinum

Kurumin Certification from the Ministry of Health, Labour and Welfare in May 2023.



Safety and health management

We provide physical and mental health management and a safe, secure, and comfortable workplace to ensure the long-term success of employees.

Promoting health management

Regular health checkups include a comprehensive health exam covering legally required items, gastrointestinal and dental examinations, as well as one-on-one visits to help prevent illness from a young age. We also promote health management by providing rank-specific mental health education to new employees, mid-level employees, and managers.

Disclosure Based on TCFD Recommendations

The Toho Gas Group recognizes addressing climate change as a critical management issue and endorsed the Task Force on Climate-related Financial Disclosures (TCFD) in April 2020. The Group appropriately discloses information about the impact of climate change on the Company’s business activities and its efforts to address these in accordance with TCFD recommendations.

Information Disclosure in Line with TCFD Recommendations

The TCFD encourages companies to disclose information about governance, strategies (risks, opportunities, and responses), risk management, metrics, and targets related to climate change.



1. Governance

The Toho Gas Group recognizes addressing environmental issues, including climate change countermeasures, as a critical management issue.

The Carbon Neutral Promotion Committee, chaired by the Representative Director and President of the Company and composed of executive officers in charge of relevant departments, is held to discuss and determine the direction on important matters, including the formulation of policies and plans related to carbon neutrality.

The Sustainability Committee, chaired by the executive officer in charge of the CSR Environment Department and composed of directors, department heads, and others from Toho Gas and major affiliates, is convened to discuss and check sustainability policies and targets including climate change countermeasures.

Important matters such as climate change risks and opportunities, strategies, risk management, and metrics reports are deliberated by the Management Committee and submitted to the Board of Directors, who oversees their implementation.

The achievement status of climate-related metrics, such as contribution to CO₂ reduction, for each fiscal year is reflected in the remuneration of internal Directors.

2. Strategy

A cross-sectional scenario analysis for the year 2050 is implemented to identify and evaluate future risks and opportunities related to climate change and strategies to address these, in line with TCFD recommendations.

As external scenarios, we selected the 1.5°C scenario, in which temperature rise is limited to 1.5°C, and the 4°C scenario, in which low-carbon initiatives are not promoted.

Main external scenarios used in scenario analysis

International Energy Agency (IEA)

■ World Energy Outlook: NZE, APS, STEPS

■ Energy Technology Perspectives: B2DS and RTS

Intergovernmental Panel on Climate Change (IPCC)

■ Fifth Assessment Report: RCP2.6 and RCP8.5

Based on the envisioned society in 2050 derived from these scenarios, we identified risks and opportunities considering temporal axes such as short- to medium-term (through 2030) and medium- to long-term (through 2050), assessed their impact, and worked on enhancing resilience.

As a strategy for 2050, we formulated the Toho Gas Group 2050 Carbon Neutrality Initiative following deliberation by the Management Committee and submission to the Board of Directors, and announced it in July 2021.

To address the organized risks and opportunities, we are accelerating our efforts to achieve carbon neutrality by identifying overseas e-methane production projects and studying the feasibility of its import, demonstrating domestic e-methane production, developing CO₂ separation and capture technology, assessing the business feasibility of fixing and storing CO₂, building a hydrogen supply chain, promoting CNxP business, developing and introducing renewable energy sources, and demonstrating virtual power plant (VPP) services.

3. Risk Management

The Toho Gas Group promotes organizational identification, assessment, and addressing risk occurrence and change based on risk management rules, and we are working to improve the level of risk management and ensure smooth business operations.

Risks associated with climate change are integrated into the company-wide risk management system and processes based on risk management rules. Risk factors, including those related to climate change, are identified each year, countermeasures by responsible departments are examined, and a comprehensive assessment is performed. The results of the comprehensive assessment and other related information are deliberated by the Management Committee and submitted to the Board of Directors at least once a year, and the Board of Directors oversees company-wide risk management and its implementation.

4. Metrics and Targets

Environmental action goals and other values are used as metrics and targets.

● Main climate change-related metrics and targets

Metrics	Targets	
Contribution to CO ₂ reduction (compared to FY2020 levels)	[2025] 1 million tonnes-CO ₂ /year	[2030] 3 million tonnes-CO ₂ /year
Greenhouse gas emissions (Scopes 1 to 3)		[2050] Carbon neutrality
Reduction of CO ₂ emissions intensity in business activity	[2025] CO ₂ emissions intensity: -2%/year	
Introduction of e-methane		[2030] Begin import of e-methane
Volume of renewable energy sources handled	[2025] 250 thousand kW	[2030] 500 thousand kW

Contribution to CO₂ reduction

The contribution to CO₂ reduction volume is the quantified measure of how much Toho Gas products and services have contributed to reducing CO₂ emissions from others.

Calculated based on “Guidelines for Calculating Contributions to Greenhouse Gas reduction in the City Gas Industry” (Japan Gas Association)

How the Toho Gas Group affects total CO₂ emissions in society

By transitioning from other fossil fuels to low-carbon city gas, CO₂ emissions from the Group increase, but CO₂ emissions from customers decrease.

Disclosure Based on TCFD Recommendations

Scenarios and external environment					Risks with comparatively large financial impact	Opportunities with comparatively large financial impact
					Short- to medium-term (through 2030)	Medium- to long-term (through 2050)
Major climate change-related risks	1.5°C scenario	Transition risks	Technology	Progress of decarbonization innovation	Poor competitiveness due to delay in technological development	Further loss of competitiveness due to delay in technological development
			Regulation	Carbon pricing	Increased sales price of gas and electricity	Accelerated overseas relocation of domestic companies
				Transition to renewable energy	Shift to electrification starting from the ground up	Advances in energy conservation and shift to electrification in the thermal sector
			Market	Change in customer preferences	Decreased thermal demand in industrial sector (electrification of passenger cars) Shift to electrification due to ZEH and ZEB (mainly new buildings)	Decreased thermal demand in industrial sector (electrification of various vehicle models) Shift to electrification due to ZEH and ZEB (new and existing buildings)
	4°C scenario	Physical risks	Reputation	Assessment by investors	Lower assessment of companies that are unwilling to decarbonize	Even lower assessment of companies that are unwilling to decarbonize
			Acute	Increasing weather intensity	Gradual increase in the cost of countermeasures related to production and supply facilities Gradual increase in disaster recovery costs	Further increase in the cost of countermeasures related to production and supply facilities Further increase in disaster recovery costs
Major climate change-related opportunities	1.5°C scenario	Transition risks	Chronic	Rising temperatures	Decreased demand for heating and hot water Strain on power transmission capacity at peak periods	Further decreased demand for heating and hot water Further strain on power transmission capacity at peak periods
			Regulation	Progress of decarbonization innovation	Expanded use of technology for energy conservation and advanced, high-efficiency energy utilization Social implementation of decarbonization technology (e-methane, hydrogen, etc.)	Further expanded use of technology for energy conservation and advanced, high-efficiency energy utilization Expanded use of decarbonization technology (e-methane, hydrogen, etc.)
				Carbon pricing	Rising demand for gas and electricity (fuel conversion and advanced use)	Expanded use of carbon neutral energy
			Market	Transition to renewable energy	Expanded use of renewable energy and storage batteries Expanded use of cogeneration	Further expanded use of renewable energy and storage batteries Expanded use of decarbonization technology
	4°C scenario	Physical risks	Reputation	Change in customer preferences	Growing need for decarbonization support Expanded use of fuel cell vehicles (passenger vehicles and small special-purpose vehicles) Growing need for optimal and advanced energy utilization	Further growing need for decarbonization support Expansion of fuel cell vehicle market (passenger vehicles, buses, cargo vehicles, etc.) Expanded use and expansion of energy demand optimization systems
			Acute	Assessment by investors	Higher assessment of companies that are proactive in decarbonization efforts	Even higher assessment of companies that are proactive in decarbonization efforts
				Increasing weather intensity	Growing need to introduce a highly resilient supply infrastructure and energy system	Further growing need to introduce a highly resilient supply infrastructure and energy system
			Chronic	Rising temperatures	Rising demand for air conditioning and growing need for high-efficiency HVAC systems Rising demand for products and services that reduce peak electricity usage	Further rising demand for air conditioning and growing need for high-efficiency HVAC systems Further expanded use of products and services that reduce peak electricity usage

			Main responses
Main responses to climate change	1.5°C scenario	Transition risks	<ul style="list-style-type: none"> Identify overseas e-methane production projects and study the feasibility of import Demonstrate domestic e-methane production Develop CO₂ separation and capture technology Assess business feasibility of fixing and storing CO₂ Build a hydrogen supply chain Promote CNxP business Develop and introduce renewable energy sources Demonstrate virtual power plant (VPP) service, and other efforts <p>➡ We are challenging ourselves to become carbon neutral by 2050 throughout the entire supply chain including customers' sites.</p> <p>Toho Gas Group 2050 Carbon Neutrality initiative https://www.tohogas.co.jp/lang/en/corporate/company-vision/pdf/carbon-neutrality-initiative.pdf</p>
		4°C scenario	Physical risks <ul style="list-style-type: none"> Storm surge and flood countermeasures Supply block subdivision Expanded use of a highly resilient energy system Proposals for energy conservation and advanced energy utilization Peak shaving through aggregation and advanced utilization of city gas

Financial Strategy

Action to Implement Management that is Conscious of Cost of Capital and Stock Price

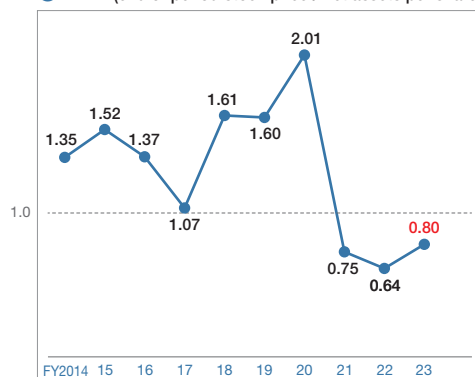
1. Recognition of the current PBR status

Toho Gas disclosed action to implement management that is conscious of cost of capital and stock price in April 2024. We will explain our current perception of the PBR and initiatives to improve the PBR in line with the disclosure contents.

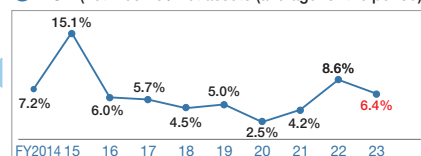
In terms of the current perception of the PBR, while the Company's PBR exceeded 1.0 in the past, it has been below 1.0 since FY2021 and is currently recovering slightly. Breaking down the PBR into ROE and the PER, ROE generally remained around 5%, while the PER decreased to 7.7 at the end of FY2022 but increased to around 13 at the end of FY2023.

$$\text{PBR (price book-value ratio)} = \text{ROE (return on equity)} \times \text{PER (price-earnings ratio)}$$

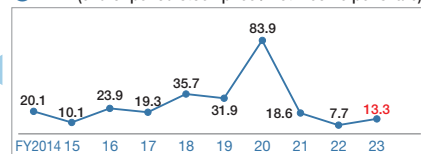
● PBR (end of period stock price / net assets per share)



● ROE (net income / net assets (average for the period))



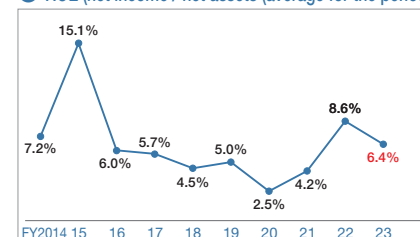
● PER (end of period stock price / net income per share)



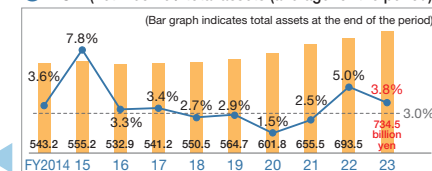
1.1 Analysis of ROE

$$\text{ROE} = \frac{\text{ROA}}{\text{Equity ratio}}$$

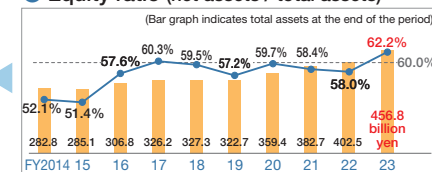
● ROE (net income / net assets (average for the period))



● ROA (net income / total assets (average for the period))



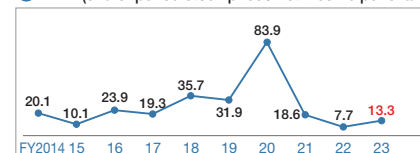
● Equity ratio (net assets / total assets)



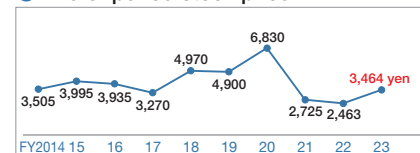
By breaking down ROE into ROA (return on assets) and equity ratio, ROA has generally remained at 3%. Although this is above the mid-2% weighted average cost of capital (WACC) indicated in the Medium-Term Management Plan (FY2022–FY2025), which was released in FY2022, we recognize that WACC is on an upward trend due to the recent rise in interest rates and other factors. The equity ratio has remained close to 60% since FY2016 as a result of making investments and shareholder returns within the scope of operating cash flow while also paying down debt.

1.2 Analysis of PER

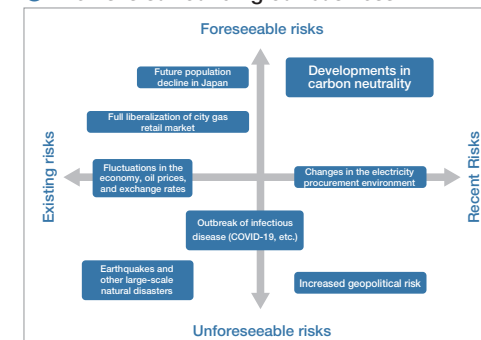
● PER (end of period stock price / net income per share)



● End of period stock price



● The risks surrounding our business



Our PER used to be around 20 times, but due to changes in the external environment and exclusion from the index (MSCI), it has significantly declined from FY2020 to FY2022. The current PER level may be due to the fact that our growth potential, including responses to new risks such as changes in the electricity procurement environment and progress of carbon neutrality, is not fully understood, and concerns have not been dispelled.

Financial Strategy

2. Efforts towards improving PBR

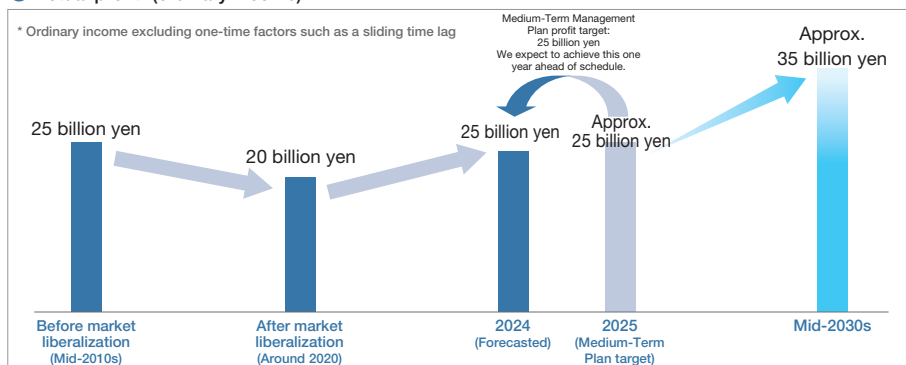
To improve the PBR based on the current situation to date, we identified the issues that need to be addressed from the three perspectives of improvement of asset efficiency, achieving an optimal capital structure, and improvement of the PER, and we organized a response policy for each issue.

		Perspectives	Action issues
PBR	ROE	A. Improvement of asset efficiency	a. Acceleration of profitability improvement b. Management of profitability by business c. Asset reduction and effective utilization
		B. Optimal Capital Structure	d. Organization of appropriate levels of equity capital e. Shareholder returns
	PER ×	C. Improvement of PER (Reduction of Cost of Equity)	f. Promoting dialogue with capital market by strengthening investor relations and shareholder relations activities

A. Improvement of Asset Efficiency

In our Group Vision outlined in March 2022, we set the target of expanding our business scale by 1.5 times or more by the mid-2030s, and we are accelerating this initiative to achieve this target.

Actual profit* (ordinary income)



a. Acceleration of profitability improvement	Core businesses	<ul style="list-style-type: none"> Regarding City Gas business, we aim to maintain and expand our customer base while pursuing thorough efficiency improvements. Regarding LPG business, we aim to achieve stable growth through continued increase in the number of customers.
	Strategic businesses	<ul style="list-style-type: none"> Monetization of the electric power business Expand “Toho Gas Kurashi” and “Business Support” Growth of group companies and new businesses Response to Carbon Neutrality <p>Allocate management resources to these areas as a priority.</p>
b. Management of profitability by business		<ul style="list-style-type: none"> To manage the profitability of each business segment, we introduced valuation based on ROIC from FY2024.
c. Compression and utilization of assets		<ul style="list-style-type: none"> While advancing investments in strategic businesses, simultaneously proceed with the consolidation and effective utilization of assets. We will proceed with the dissolution of cross-shareholdings. <ul style="list-style-type: none"> * We will start by selling approximately one-third of our assets, focusing on those with diminished significance, based on current valuation. Promote monetization through the utilization of real estate holdings, and asset compression through sales

a. Acceleration of profitability improvement

In the city gas business, which is an existing business, we are maintaining and expanding our customer base and promoting thorough efficiency. Meanwhile, in the LPG business, we are aiming for stable growth by increasing the number of customers while utilizing M&As.

In strategic businesses, we are allocating management resources to the areas of monetizing the electricity business, expanding Toho Gas living and business support, growing Group companies and new businesses domestically and overseas, and accelerating carbon neutrality initiatives with the aim of generating income.

b. Management of profitability by business

In FY2024, we will introduce ROIC-based profitability management by business within the Company and promote initiatives to improve asset efficiency.

c. Asset reduction and effective utilization

Regarding cross-shareholdings, over the next several years, we will begin by selling off about one-third of assets that are no longer meaningful to hold, based on their current appraised value. In addition, we will generate income through effective utilization of real estate holdings and promote asset reduction through sales of real estate holdings.

Financial Strategy

B. Optimal Capital Structure

d. Appropriate levels of equity capital	<ul style="list-style-type: none"> The target level of equity capital is estimated to be between 350 to 400 billion yen*, taking into account the necessity of ensuring safety, security, and stable supply, which are the missions of gas operators, as well as considering natural disasters such as large-scale earthquakes and geopolitical risks related to LNG procurement. * There is a possibility that it may change depending on the quantity and nature of risks, such as changes in the external environment and expansion of strategic business activities.
e. Shareholder returns	<p>Shareholder return policy</p> <ul style="list-style-type: none"> In addition to our conventional shareholder return policy, we will implement additional shareholder returns for the time being, aiming to optimize our equity capital. * Based on stable dividends, we will combine flexible acquisition and cancellation of treasury stocks and deliver shareholder returns approximately 40 to 50% of the consolidated net income over the medium to long term
	<p>Recent shareholder return</p> <ul style="list-style-type: none"> We decided to repurchase our own shares in March 2024*. * Shares to be repurchased will be up to: 4 million shares or 10 billion yen, Period of repurchase: From April 1, 2024 to September 30, 2024 We will increase the year-end dividend for the fiscal year ended March 31, 2024 to 40 yen per share. * The dividend for FY2023 is ¥70/share on an annual basis. The dividend for FY2024 is planned to be ¥80/share on an annual basis

d. Appropriate levels of equity capital

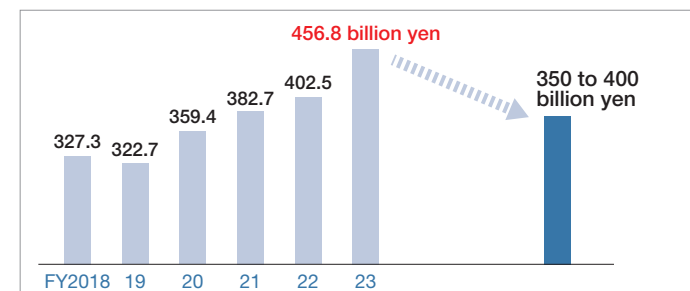
The target level of equity capital is estimated to be between 350 to 400 billion yen, taking into account the necessity of ensuring safety, security, and stable supply, which are the missions of gas operators, as well as considering natural disasters such as large-scale earthquakes and geopolitical risks related to LNG procurement. We will strive to make steady efforts to optimize equity capital over the next several year.

C. Improvement of the PER

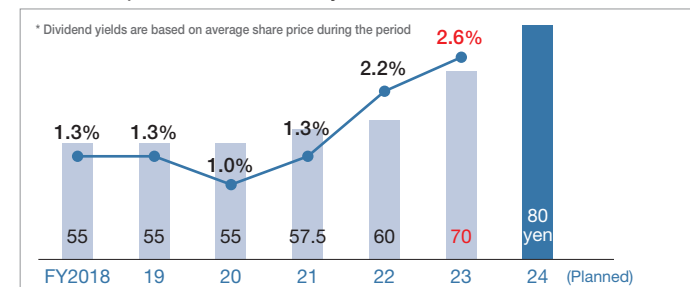
In terms of the PER, if we are unable to adequately address concerns of investors regarding the business risks that we face, stock price volatility could increase, resulting in a higher cost of equity, which could ultimately lead to a decrease in the PER.

Going forward, we will enhance our information disclosure, such as by addressing highly relevant topics including our response to carbon neutrality in financial results presentation materials, and in this way, we will promote a better understanding of the Company's growth potential and work to alleviate concerns about the risks that we face.

Net assets



Dividend per share and dividend yield



e. Shareholder returns

The basic policy on shareholder returns is based on stable dividends with the goal of returning 40% to 50% of consolidated net income over the medium to long term together with flexible share buybacks and cancellations. In addition to this, we will implement an additional shareholder return for the time being to optimize our equity capital.

Financial Strategy

Interview with a Financial Executive

Q Tell us about the background leading up to this year's disclosure.

- In light of the fact that PBR of our stock price has remained below 1.0 since the fiscal year 2021 and the Tokyo Stock Exchange issued a request in March 2023, it has become necessary to thoroughly communicate our specific initiatives for improving the PBR to our shareholders and investors.
- We began by analyzing historical changes in stock prices and capital structure to gain an understanding of the current situation, and based on the background to date, we examined specific initiatives for the future from the three perspectives of improvement of asset efficiency, optimal capital structure, and improvement of PER.
- Improving the PBR, namely increasing corporate value, is a company-wide challenge, and therefore, we sought out cooperation not only from the Finance Department but also from other departments, and we conducted careful discussions with the Management Committee and Board of Directors. It was a very meaningful opportunity to sort out the vision of the Company and initiatives going forward regarding profitability and capital structure.

Q Were there any specific points that were particularly debated during the review process?

- In light of the fact that our mission as a city gas provider is to ensure safety, security, and stable supply, the target level of equity capital is one of the most discussed topics within the Company. We recognize that there is a discrepancy between the level of equity capital we want to maintain to withstand emergencies and the ideal level required

by capital markets in terms of capital profitability. Therefore, we have held numerous discussions to determine the appropriate level while finding a balance between stability and efficiency.

- Regarding our shareholder return policy, given that the Company indicated a scale of 350 to 400 billion yen for its equity capital, which is lower than the current level, we implemented an additional shareholder return to optimize our equity capital. However, our basic shareholder policy is not something to be changed lightly, and therefore, we added the premise of implementing the additional shareholder return “for the time being” to the basic policy.
- While our investors often inquire about the time frame for optimizing equity capital, it is not something that can be achieved immediately in the short term. That being said, rather than taking 10 to 20 years to implement, we would like to steadily carry it out over a period of several years.



Satoshi Yamazaki

Director, Senior
Managing Executive Officer

Q Could you please provide a concluding message for our stakeholders?

- We have received valuable feedback from shareholders and investors on our management policies and financial strategies, and we have made good use of their advice in internal discussions and deliberations on realizing management that takes into account capital costs and stock prices.
- Increasing corporate value requires both improving profitability and responding with capital policies, and it is important to help shareholders and investors understand this through enhanced dialogue and information disclosure. We will steadily implement the initiatives outlined this time for “the improvement of asset efficiency,” “an optimal capital structure,” and “the improvement of our PER.”

Human Resources Strategy

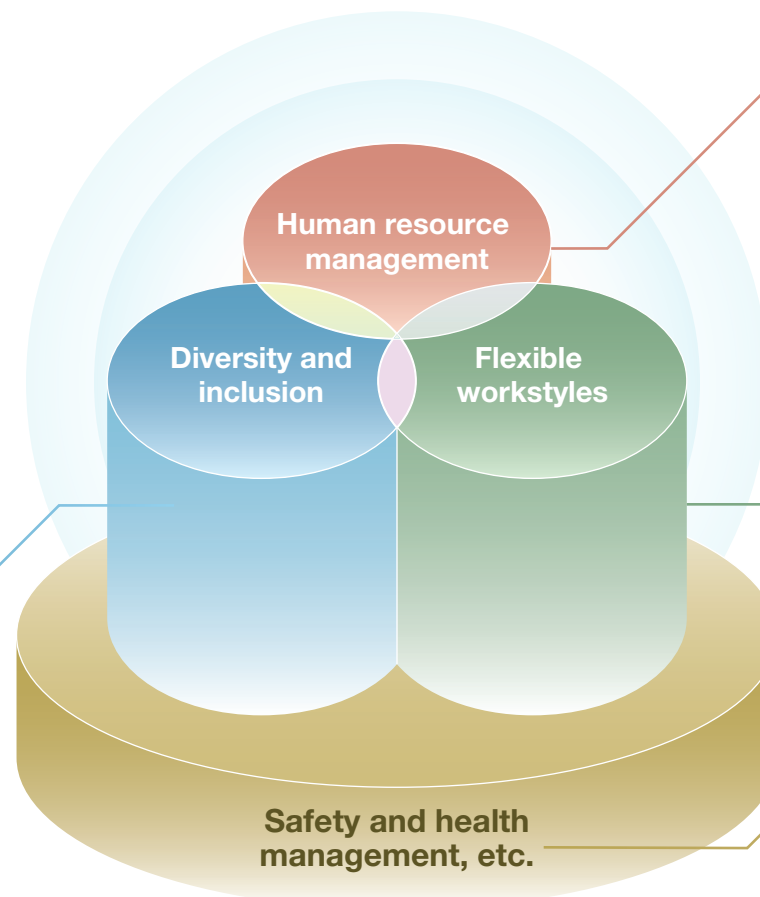
Our Approach to Human Capital

One of the management policies outlined in our corporate philosophy is to develop human resources by focusing on motivation and ability. To increase employee engagement and enable our diverse human resources to maximize their capabilities, we are working to enhance work satisfaction and ease of work from the four perspectives of human resource management, diversity and inclusion, flexible workstyles, and safety and health management. In this way, we will achieve sustainable growth in corporate value.

Diversity and inclusion

We recognize that enhancing corporate value and achieving sustainable growth of the Group require innovation from talent with a wide range of knowledge, experience, and values. Therefore, we are committed to securing diverse talent and supporting their success.

- Strengthen hiring of women and mid-career employees
- Support long-term engagement of older employees
- Expand hiring and job opportunities for persons with disabilities
- Enhance communication and support the development of skills



Human resource management

By hiring, developing, and deploying diverse talent and ensuring fair and appropriate evaluation and treatment, we are promoting the further success of our employees. In addition, we are working to expand opportunities for employees to challenge themselves and enhance the system to support their efforts.

- Expand opportunities for employees to challenge themselves (Active rotation and promotion, external dispatch, personnel exchange, internal recruitment, etc.)
- Enhance the system to support their efforts (Set and evaluate challenge goals, support IT literacy improvements, selective training, etc.)

Flexible workstyles

We are enhancing the flexibility of workstyles to allow employees to better utilize their strengths and individualities and to achieve greater work-life balance.

- Expand measures to support balancing work with childcare and caregiving
- Effectively utilize telecommuting
- Improve the efficiency of operations by incorporating digital technology

Safety and health management, etc.

We are promoting physical and mental health management and a safe, secure, and comfortable workplace to ensure the long-term success of employees.

- Promote health management (Disease prevention, mental health measures, etc.)
- Improve harassment measures and make the work environment more comfortable
- Promote safety and health activities

Human resources development policy

To realize our vision for the mid-2030s as outlined in the Toho Gas Group Vision, we must challenge ourselves with new initiatives that go beyond what we have done in the past and transform our business structure. The Group must work together as one, and the driving force behind this effort is each and every employee.

To support our employees in taking on new challenges, we are expanding investment in human resources and creating an environment where every employee can perform at their best. To achieve our vision, we will focus on hiring, developing, and promoting the success of talent who support our core businesses as well as talent with management skills and expertise to drive the transformation of business operations through strategic businesses, operational reform, and efficiency improvement.

Technology and Product Development

Technical Development for Promoting Carbon Neutrality

Toho Gas Group contributes to achieving a sustainable society including carbon neutrality by developing technologies to address the diverse needs and challenges facing customer's lives, businesses, and local communities.

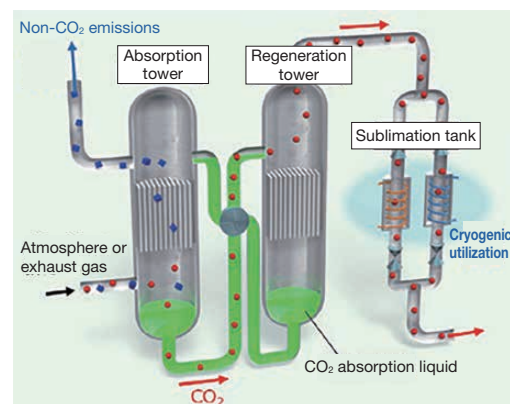
Development of technology to separate and capture CO₂ from the atmosphere using cold energy

We are working to develop CO₂ Direct Air Capture (DAC) technology as part of a moonshot project subsidized by the Japanese government aiming for widespread use of commercial-scale plants by 2050.

Cryo-DAC® technology utilizes unused cold energy from LNG to sublimate CO₂ (converting it into dry ice), thereby drastically reducing the thermal load required for CO₂ regeneration.

Development of technology to separate and capture CO₂ from exhaust gas using cold energy

The development goal of the government project subsidized by a Green Innovation Fund is to drastically reduce CO₂ capture costs, and we are working to meet that goal by developing technology



Development of CO₂ separation and capture technology using cold energy

known as Cryo-Capture® to separate and capture CO₂ from exhaust gas utilizing unused cold energy from LNG. This technology will be deployed at an LNG base in the pilot demonstration phase, which is expected to begin in FY2028. A series of carbon recycling tests will be performed, in which captured CO₂ is reacted with hydrogen produced through water electrolysis and other technology to produce e-methane at a methanation facility, which will then be used as a feedstock for city gas.

Enhancing performance and lowering costs of separation and capture technology

We have built a demonstration facility consisting of membrane separation and physical adsorption methods within our Technical Research Institute, and we are using this facility to conduct performance evaluations of CO₂ concentrations, capture volume, energy consumption, and other characteristics, with the aim of improving performance and lowering costs.

CO₂ separation and capture demonstration facilities (Membrane separation and physical adsorption methods)



- Search for new materials (membrane and adsorbents) that can achieve high CO₂ concentrations and large capture volumes, install them in demonstration facilities, evaluate the results, and make improvements
- Optimize using simulation technology

Development of hydrogen burners

We are also working to develop technologies using hydrogen as a fuel in industrial furnaces, which are essential for manufacture. To solve technical issues such as backfire and other combustion instabilities, increased NO_x emissions, and hydrogen leakage, we are working to make improvements to city gas burners and evaluate solenoid valves, check valves, and other auxiliary equipment for use with hydrogen.

We have already successfully commercialized several hybrid burners for city gas and hydrogen, and plan to continue expanding our lineup in the future. We use test furnaces and customers' actual furnaces to evaluate the heating time, the impact on product quality, and other factors when using hydrogen.

City gas



Hydrogen



Demonstration of hydrogen co-combustion cogeneration system

We are developing city gas-hydrogen co-combustion engine technology to contribute to low-carbon and decarbonized electric power generation.

Co-combustion tests using actual gas engines and simulation models will help solve issues during hydrogen co-combustion, such as controlling abnormal combustion and reducing NO_x emissions, and we are promoting the future application of this technology to gas engine co-generation.



Technology and Product Development

Opened CaN-Lab information dissemination facility

We opened an information dissemination facility as part of our efforts to develop technology for achieving carbon neutrality.

The name “CaN-Lab” stands for “Carbon Neutral Laboratory” and also conveys the message of “can,” indicating possibility and capability.

By informing our industrial customers and local governments about our technology, we are working to make it possible to achieve carbon neutrality together.



CaN-Lab information dissemination facility

Developing Products to Enrich Lives

Commercialization of Trans-Warming® L Mat for thermal protection

Toho Gas commercialized the Trans-Warming® L Mat, a thermal protection mat that uses latent heat storage material developed in-house to repeatedly store and dissipate heat. This foot warming mat uses a solar collector to store heat from sunlight, and then the metal strips built into the mat are warped to radiate the accumulated heat. The mat can retain heat all night long, making it ideal for thermal protection for outdoor activities or disaster preparedness.

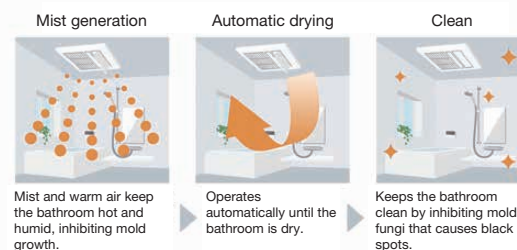


Thermal protection mat (storing heat from sunlight)

Commercialization of a bathroom heater/dryer that inhibits mold growth

In an effort to find an effective means to inhibit mold growth in the home, we verified that the high-temperature, high-humidity environment of a mist sauna can inhibit mold, and we correlated the growth of mold in bathrooms with temperature, humidity, and exposure time. Using this knowledge, and together with

Rinnai Corporation, we developed a mold-prevention technology (Mold Guard Mist) to inhibit the growth of mold in the bathroom by simply operating this function once every two weeks. We have successfully commercialized a bathroom heater/dryer with mist sauna that incorporates this function.



Business Support Using Technology Solutions

Business support services using chemical analysis technology

We utilize chemical analysis technology to ensure safe and stable supply of city gas and to develop technologies that contribute to carbon neutrality. We also offer analytical services using this technology to our customers.

As part of our efforts to increase the reliability of analysis of hydrogen gas produced in-house, we received ISO/IEC 17025 certification, the international standard for the ability to produce reliable measurement results.

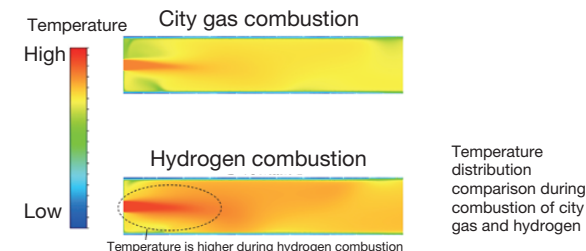


Chemical analysis work

Business support services using simulation technology

We use simulation technology to ensure safe and stable supply of city gas, to promote new business, and to support our customers' efforts to achieve carbon neutrality. We conduct heating performance pre-evaluations and propose facility improvements

when switching fuel from city gas to hydrogen in industrial furnaces, and we perform performance evaluations and improvements for city gas production and supply facilities.



Business support services using digital technology

To provide new services to our customers and promote more efficient and sophisticated operations, we are working to utilize the latest data analysis technologies, including big data analysis of energy usage data and energy demand forecasting using machine learning. By fusing these digital technologies with our long-standing expertise in energy-related equipment, we are developing operation schedules for air conditioning units and power generation facilities that minimize CO₂ emissions to the lowest possible level.

