

CHAPTER

01

Toho Gas Group's Ideal Positioning

The Toho Gas Group addresses the diverse needs and challenges of daily life, businesses, and local communities, and contributes to the realization of a sustainable society. This section introduces the Group's ideal positioning, the value creation process through which it leverages its strengths, and initiatives that are aimed at realizing this ideal positioning, including Medium-Term Management Plan 2025–2027.

Message from the President.....	08
Toho Gas Group's Ideal Positioning	11
Our Belief and Corporate Slogan	12
Materiality	13
Value Creation Process	15
Medium-Term Management Plan 2025–2027.....	17



The Toho Gas Group aims to contribute to local communities and the lives of people within them, and to become a trusted presence at the heart of the communities and customers it serves.

Satoshi Yamazaki

Representative Director,
President

Driving the Next Stage of Growth Through Business Structure Transformation

Since our founding more than 100 years ago, the Toho Gas Group has grown as an energy infrastructure provider, supported by a wide range of stakeholders. However, in recent years, the outlook for the energy sector has become extremely uncertain, due in part to heightened geopolitical risks globally. In addition, against the backdrop of major changes in social structures, including decarbonization and population decline, sustainable growth based solely on conventional approaches has become difficult to achieve.

Amid these conditions, in March 2025, the Group announced Medium-Term Management Plan 2025–2027 as the second step toward realizing the ideal positioning set forth in Toho Gas Group Vision. Even in a highly uncertain and rapidly changing environment, we will fulfill our social responsibility of ensuring a stable supply of energy while promoting business structure transformation to enhance corporate value.

Message from the President

Specifically, while making the most of the strengths we have cultivated to date, we will accelerate the reallocation of management resources and grow strategic businesses such as the electricity business and overseas business to a scale comparable to our core businesses, including the city gas and LP gas businesses.

Review of the First Year of Medium-Term Management Plan 2025–2027: Advancing Business Structure Transformation

In FY2025, the first year of Medium-Term Management Plan 2025–2027, the business environment remained uncertain due to factors including U.S. policy trends. Nevertheless, the Group fulfilled its mission of providing a safe, reliable, and stable energy supply in its core businesses, while steadily advancing the transformation of the business structure set out in the plan.

The number of customers in the energy business progressed steadily toward the targets of the plan, reaching 3.12 million. In strategic businesses that will drive future growth, the electricity business remained profitable for the second consecutive year, and we decided to invest in large-scale gas engine power generation facilities to strengthen earning capacity. In the overseas business, we steadily expanded business scale, including participation in renewable energy projects in Australia.

Accelerating Business Structure Transformation by Integrating Three Strategies

Although the business environment is expected to remain uncertain from FY2026 onward, the Group will integrate and advance the three strategies set out in Medium-Term Management Plan 2025–2027—business strategy, financial strategy, and human resource strategy—while enhancing its earning power and accelerating

business structure transformation.

Business Strategy: Promoting Core and Strategic Businesses in Tandem

As part of our business strategy, in our core city gas and LP gas businesses, we will provide a safe, reliable, and stable energy supply by maintaining a well-balanced raw material procurement portfolio that takes geopolitical risks into account, while ensuring robust supply and service systems. At the same time, by promoting the review of operational workflows through the use of advanced digital technologies such as generative AI, we will absorb increases in fixed costs associated with rising prices and maintain and strengthen the earnings base of our core businesses.

As for our strategic businesses that drive growth, in the electricity business, we are strengthening our sales capabilities through the expansion of electricity rate plans and services, as well as enhancing procurement capabilities by broadening our network of business partners, in addition to advancing the construction of large-scale in-house power sources. In our overseas business, we will strengthen our business promotion framework by leveraging established bases in the United States and Southeast Asia, while advancing the development of a business portfolio that covers all of our overseas operations.

We are also continuing our efforts toward achieving carbon neutrality. As outlined in the *Toho Gas Group 2050 Carbon Neutrality Initiatives*, updated in March 2026, we will focus first on reducing carbon emissions through the expanded use of natural gas, based on the “S+3E” approach, which aims to balance the three Es of energy security, economic efficiency, and environmental compatibility with safety as the major premise. Furthermore, with an eye to 2050, we will work to



achieve a carbon-neutral energy supply by introducing e-methane and biogas, utilizing hydrogen, creating carbon credits, and developing renewable energy, in combination with technologies such as CO₂ separation, capture, utilization, and storage.

Financial Strategy: Enhancing Earning Power and Improving Capital Efficiency

To sustainably enhance corporate value, improving capital efficiency is essential. In our financial strategy, we will first focus on strengthening cash flow generation in our core businesses. At the same time, we will secure funds through measures such as the sale of cross-shareholdings and accelerate investment in strategic businesses, which serve as the drivers of growth. In making these investments, we will enforce strict investment discipline and, post-investment, enhance earning capacity through monitoring based on return on invested capital (ROIC).

In addition, we will work to optimize shareholders' equity with the aim of achieving an appropriate capital structure. As part of this effort, and with a target equity level of 400 billion yen, we plan to implement shareholder returns exceeding a total payout ratio of 100 percent in fiscal 2026.

Message from the President

Through the steady execution of these initiatives, we aim to achieve the targets set out in Medium-Term Management Plan 2025–2027, namely, consolidated ordinary income of 30.0 billion yen and return on equity (ROE) that sustainably exceeds the cost of shareholders' equity.

Human Resource Strategy: The Source of Value Creation

We believe that people are the primary source of value creation and are the drivers of business structure transformation. As such, it is essential to create a virtuous cycle in which individual growth leads to organizational growth.

As specific initiatives, we are working to enhance employee engagement and create an environment in which everyone can fully demonstrate their capabilities and translate them into results and growth. We are expanding systems and fostering a supportive organizational culture from four perspectives: human resource management; diversity, equity, and inclusion; flexible working styles and productivity improvements; and safety and health management. In addition, to encourage employees to take on challenges to drive transformation and create a virtuous cycle of taking on challenges and achieving growth, we introduced a new human resource system in April 2026.

Further details on these initiatives are disclosed in our *Human Capital Report 2026* (Japanese only), published in March 2026.

Promoting Sustainability Management to Realize Sustainable Growth

The Toho Gas Group promotes sustainability management in order to contribute to the resolution of social issues through its business activities and to achieve sustainable growth together with its stakeholders. While

“sustainability management” may be a relatively new term, it is rooted in the enduring values advocated by our founder, namely, that customers, shareholders, and employees form a trinity, and that it is essential that all of the Company's stakeholders enjoy mutual prosperity. In this sense, sustainability management can be said to have been part of our approach since our founding.

In April 2026, we established the Sustainability Council directly under the Board of Directors to further advance sustainability management. From environmental, social, and governance (ESG) perspectives, we will promote both the realization of a sustainable society and the enhancement of corporate value.

From an environmental perspective, we will focus on expanding the use of natural gas and providing solutions that contribute to decarbonization, while accelerating various initiatives toward achieving a carbon-neutral energy supply.

Regarding efforts focused on society, we will continue to address social issues in local communities. Each of our employees is motivated by a strong desire to contribute to the community, and this commitment has become embedded in our organizational culture. By building on this culture, we will contribute to resolving social issues such as revitalizing and enhancing the resilience of local communities.

With regard to governance, we will continue to strengthen our systems and rules to ensure thorough compliance with laws and regulations, including the Antimonopoly Act. From a corporate governance standpoint, to further enhance management transparency and independence, the Group increased the number of outside directors in June 2026, bringing the proportion of outside directors on the Board to 40%. To remain a company that is truly trusted by our stakeholders, we will continue to ensure strict compliance and build a robust governance framework.

Remaining a Trusted Presence at the Heart of Local Communities

Although the Group's operating environment is characterized by uncertainty and structural change, the Group will continue to take on bold challenges, viewing these changes as an opportunity for further evolution. Leveraging the business foundation, technologies, and expertise cultivated over more than a century, we will transform our business structure with the aim of growing our strategic businesses to a scale comparable to our core businesses by the mid-2030s.

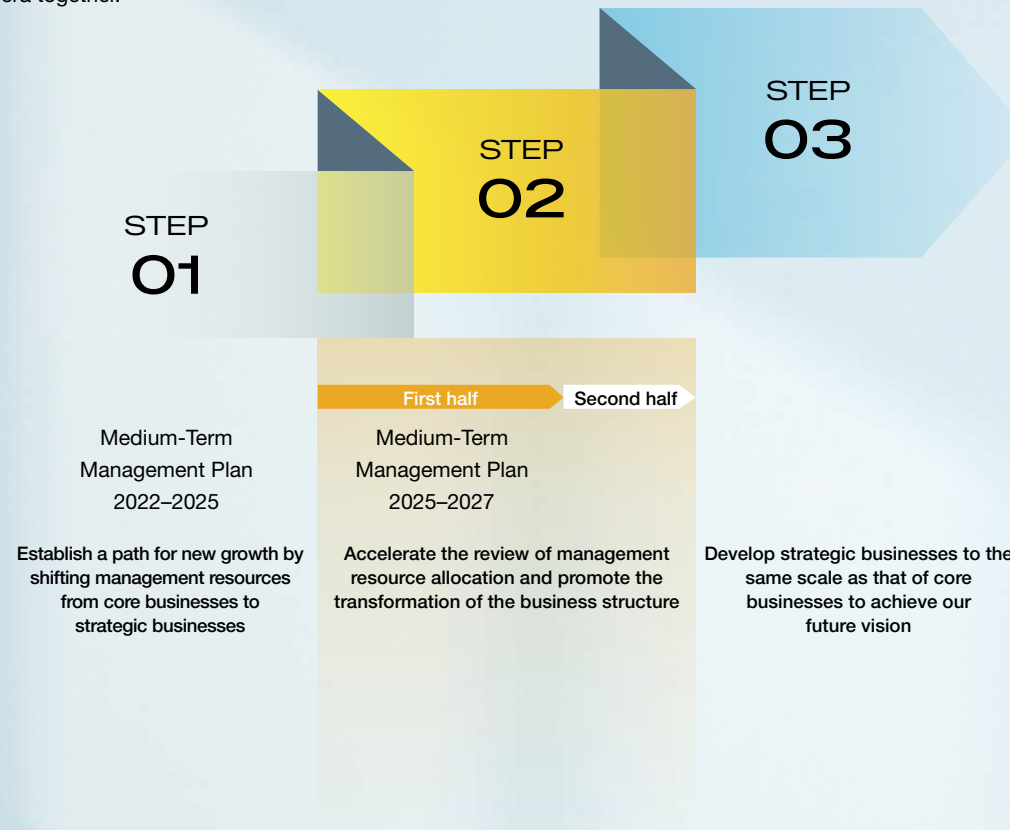
In addition, by building on the relationships of trust we have established with our stakeholders—shareholders and investors, customers, local communities, and employees—we will earnestly address the challenges facing local communities and businesses and continue to move forward as a corporate group that leads the realization of a sustainable society.

Guided by our corporate slogan, “Toward the Heart of the Future,” which expresses our commitment to remaining a trusted presence at the heart of local communities and among our customers, we will continue to take on new challenges. I look forward to your continued understanding and support for the Group.



Toho Gas Group's Ideal Positioning

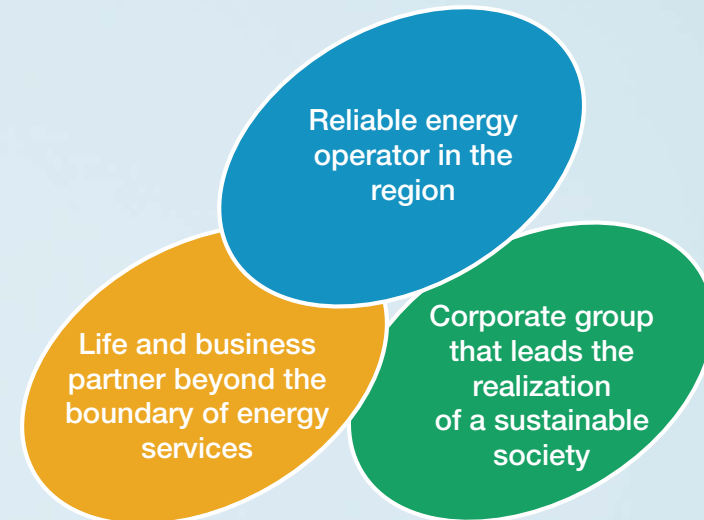
The Toho Gas Group celebrated its 100th anniversary in June 2022. The Group Vision announced at this turning point envisions what society will be like in 2050 and sets out the vision we aim to achieve by the mid-2030s, the halfway point of this journey, to enable all Group employees to share a common understanding in carving out a new era together.



Core businesses: Businesses that create cash flow as a long-term stable earnings base (e.g., city gas, LP gas)
Strategic businesses: Businesses that drive medium- to long-term growth (e.g., electricity, overseas operations, energy services)

Group Vision

Ideal Positioning in the Mid-2030s



Value Creation Initiatives to Realize the Group Vision (Materiality)

Promote carbon neutrality	Provide various kinds of 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

Our Belief and Corporate Slogan

To realize Toho Gas Group Vision, we established Our Belief, which summarizes the principles cherished by the Group. We have also adopted the Corporate Slogan “Toward the Heart of the Future (Mirai no Mannakae)” to express the image of the Toho Gas Group as a company that provides new value beyond the boundaries of energy services.

Our Belief

To facilitate unwavering peace of mind and a vibrant future,
creating areas where everyone wants to live, starting with
your community.

Corporate Slogan

未来の、まんなかへ

(Mirai no Mannakae)

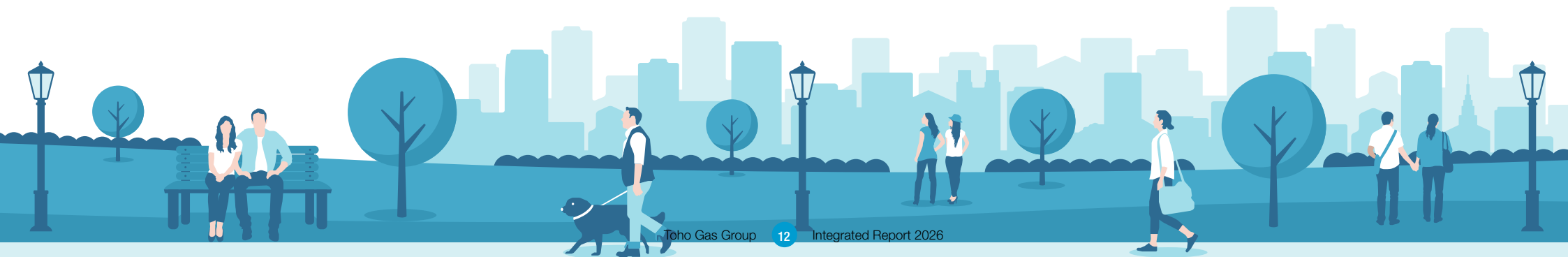
100 Years After Our Founding,
Our Challenge Begins in Your Community

Whether it be a community where
the Toho Gas Group has operated for many years
or a new community where we will build
new relationships, we want to make it
an attractive place to live.

Communities where life is colorful
and psychologically fulfilling
Communities where innovation and vitality abound
Communities that excite and inspire people's hearts
Sustainable communities where peace of mind
is maintained across generations

We will provide the energy and services desired by
our customers, and create communities comprising
the heart of Japan where everyone wants to live.

Toward the Heart of the Future
(Mirai no Mannakae)

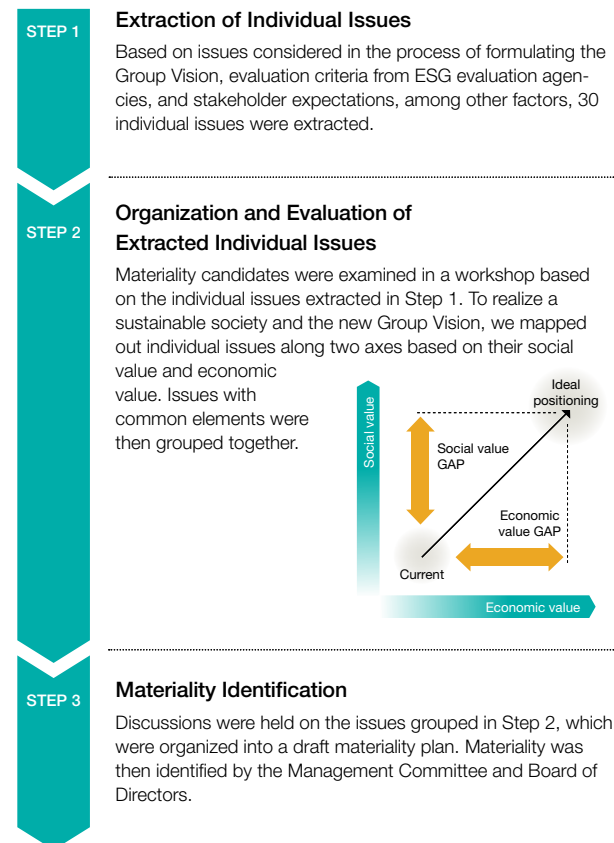


Materiality

Utilizing the Global Reporting Initiative (GRI) Standards,* the international benchmark for sustainability information disclosure, we extract individual issues in line with the expectations of our stakeholders and Toho Gas Group Vision (hereinafter, "Group Vision"). The extracted issues are evaluated in terms of their social value and economic value, and after an exchange of opinions with the relevant agencies, materiality is identified by the Management Committee and Board of Directors. Main materiality targets are then linked to Medium-Term Management Plan 2025–2027.

* Standards for sustainability information disclosure published by the Global Reporting Initiative (GRI), an international NGO

Materiality Identification Process



Summary of Major Risks and Opportunities

Changes in the external environment	Major risks	Major opportunities	Materiality
Climate change (long term)	- Reduced demand for natural gas - Increases in gas and electricity sales prices due to carbon pricing, among other factors - Strengthening of laws and regulations	- Promotion and expansion of carbon-neutral energy sources such as e-methane, hydrogen, renewable electricity, and related businesses - Expansion of energy-saving equipment and promotion of advanced, highly efficient use - Growing need for decarbonization support	Promote carbon neutrality
Climate change (short term) Lifestyle and values diversification	- Loss of customers, loss of competitiveness - Lost business opportunities	- Growing importance of energy transition - Creation of new products and services in the lifestyle and business fields - Promotion of innovation	Provide various kinds of energy and services
Geopolitical risks Increasing natural disasters and other crises	- Difficulties in procuring energy - Rising energy, material, and equipment costs - Supply disruptions due to natural disasters such as storms and floods	- Improved regional sustainability and increased customer trust through manufacturing and supply facilities that are resilient to natural disasters - New demand growth	Supply energy in a safe, secure, and stable manner
Declining population due to low birth rates and aging Shrinking domestic market	- Shrinking of energy retail business - Labor shortages, declining vitality in rural areas	- Revitalization of local communities through resolution of local issues - Expansion of products and services that improve convenience and efficiency	Contribute to the community by resolving social issues
Changes in the labor environment Advances in digitalization	- Intensifying recruitment competition and increasing turnover rates - Mismatches between abilities/skills and work - Declining productivity and operational efficiency due to delays in DX promotion	- Promotion of innovation through diversification of human resources - Increased output through improved abilities and skills - Improved productivity and operational efficiency through DX promotion	Enhance work satisfaction and ease of work, and promote diversity
Increasing expectations for corporate social responsibility	- Loss of trust from customers, investors, and other stakeholders - Increased litigation risks and business continuity disruptions	—	Strengthen compliance and governance

Materiality

Main Targets Related to Materiality

	Indicators and items	Targets		FY2025 results		
Promote carbon neutrality	Avoided emissions*1	3 million t	[FY2030]	757,000 t		P.30–P.31 P.33 P.39–P.40
	Carbon neutrality rate of gas*2	5% of gas sales volume	[FY2030]	1.7%		
	Volume of e-methane introduced, etc.	1% of city gas sales volume	[FY2030]	Trace amount (less than 0.01%)		
	Volume of renewable energy handled*3	500 MW	[FY2030]	205,000 kW		
	Hydrogen sales volume	400 t	[FY2027]	60 t		
	J-Credits generated	2,000 t-CO ₂	[Cumulative period planned]*4	29 t-CO ₂		
	Development of CO ₂ separation and the capture technology Cryo-Capture®	Social implementation	[FY2030]	Progressing as planned		
Provide various kinds of energy and services	Number of energy customer accounts*5	3.14 million	[FY2027]	3.121 million customers		P.25–P.32
	(of which) Number of LP gas customer accounts	650,000	[FY2027]	646,000 customers		
	City gas development volume	100 million m ³	[Cumulative period planned]*4	30 million m ³		
	Electricity sales volume	3 billion kWh	[FY2027]	2.90 billion kWh		
	External sales of proprietary technologies	7 billion yen	[FY2027]	6.2 billion yen		
	Sales of lifestyle-related products and services*6	20 billion yen	[FY2027]	16.6 billion yen		
	Sales of CNxP business	13 billion yen	[FY2027]	10.9 billion yen		
	Accumulation of automated business processes	700 cases	[FY2027]	552 cases		
	Number of personnel promoting DX	200 people	[FY2026]	224 people		
Supply energy in a safe, secure, and stable manner	Earthquake resistance rate of main and branch pipes*7	100%	[FY2030]	98.3%		P.25–P.29
	Number of blocks in supply area*7, *8	109 blocks	[FY2027]	107 blocks		
Contribute to the community by resolving social issues	Number of community activities	600 cases	[Cumulative period planned]*4	322 cases		P.41–P.46
Enhance work satisfaction and ease of work, and promote diversity	Engagement*9	Continuous improvement		Maintained the previous year's score (FY2024 and FY2025 score: BB)		P.35–P.36
	Number of female managers*10	50 people or more	[FY2027]	49 people		
	Rate of female general employees hired*11	40% or more	[Cumulative period planned]*4	28.7%		
	Rate of employees with disabilities*12, *13	2.7% or more	[FY2027]	2.55%		
	Rate of rehired employees*14	80% or more	[Cumulative period planned]*4	83.3%		
	Health and Productivity Management Certification	Continue obtaining White 500 certification*12		Certification obtained		
	Rate of taking parental leave*11, *15	100%	[FY2027]	100% or higher		
Strengthen compliance and governance	Number of human rights violations	Zero	[Period planned]	Zero cases of serious human rights violations		P.39–P.52
	Number of environmental conservation activities	50 cases	[Cumulative period planned]*4	18 cases		
	Compliance	Share and spread compliance awareness and risk recognition throughout the organization		Conducted educational and awareness-raising activities in accordance with the compliance activity plan		

*1 Avoided emissions through business activities (Cumulative value from FY2021; FY2020 = Base year for calculating reductions for each fiscal year)

*2 Carbon neutrality rate to be achieved through various means

*3 Including domestic and international renewable energy power source development and ownership, FIT (Feed-in Tariff) power sources, and procurement

*4 Plan period: 2025–2027

*5 Total number of contracts for city gas, LP gas, and electricity

*6 Total sales of gas appliances, renovations, etc.

*7 Within Toho Gas Network Co., Ltd. supply area

*8 Unit for suspending city gas supply in the event of a natural disaster or other emergency

*9 Applies to Toho Gas Co., Ltd. and Group companies that conduct engagement surveys

*10 Figures based on the revised human resource system implemented in April 2026. Applicable to employees of Toho Gas Co., Ltd.

*11 Applies to Toho Gas Co., Ltd.

*12 Applies to the entire Toho Gas Group

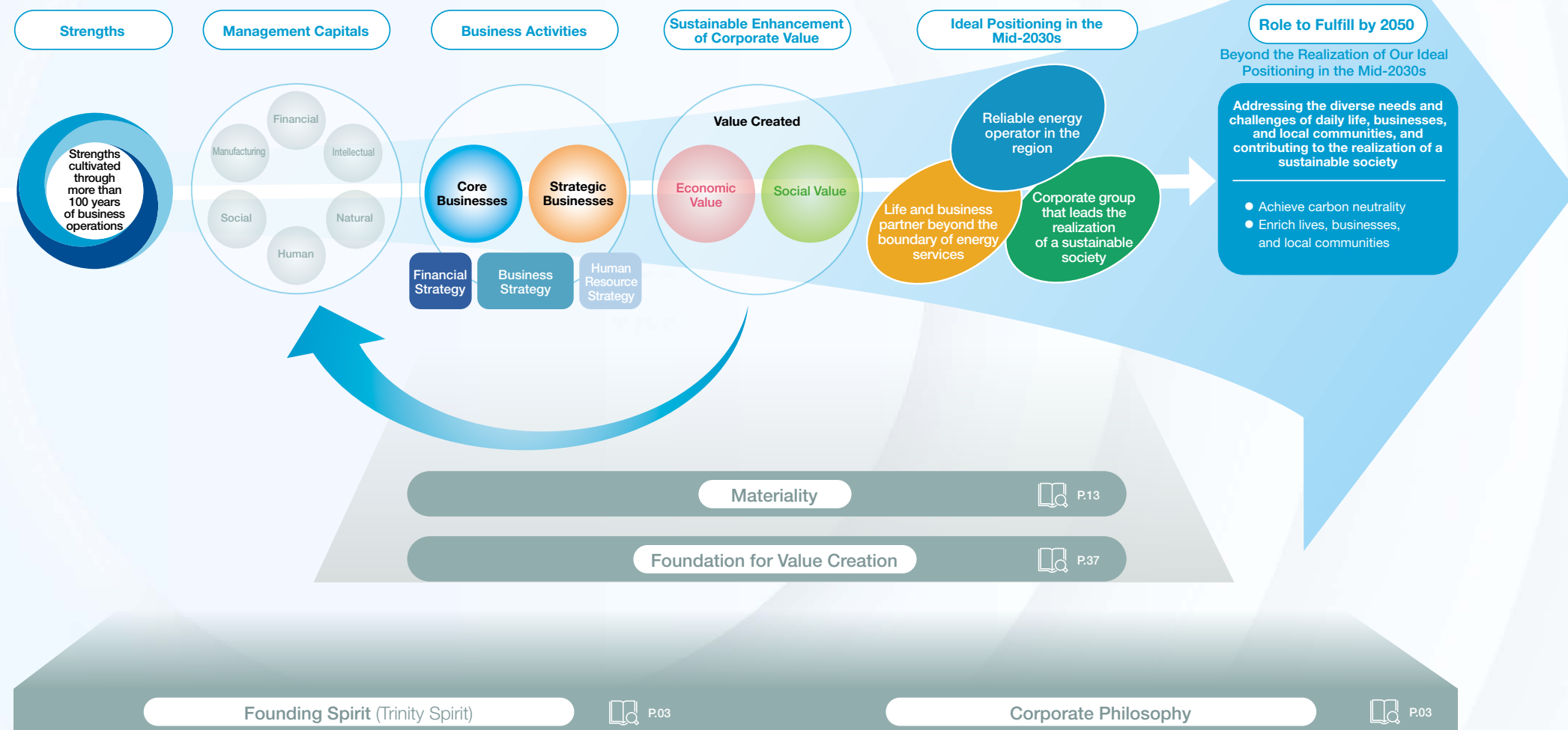
*13 As of June 1, 2025

*14 Eligible employees are those who were employed by Toho Gas Co., Ltd. at the time of retirement.

*15 Exceeds 100% due to difference in timing between childbirth and the taking of childcare leave

Value Creation Process

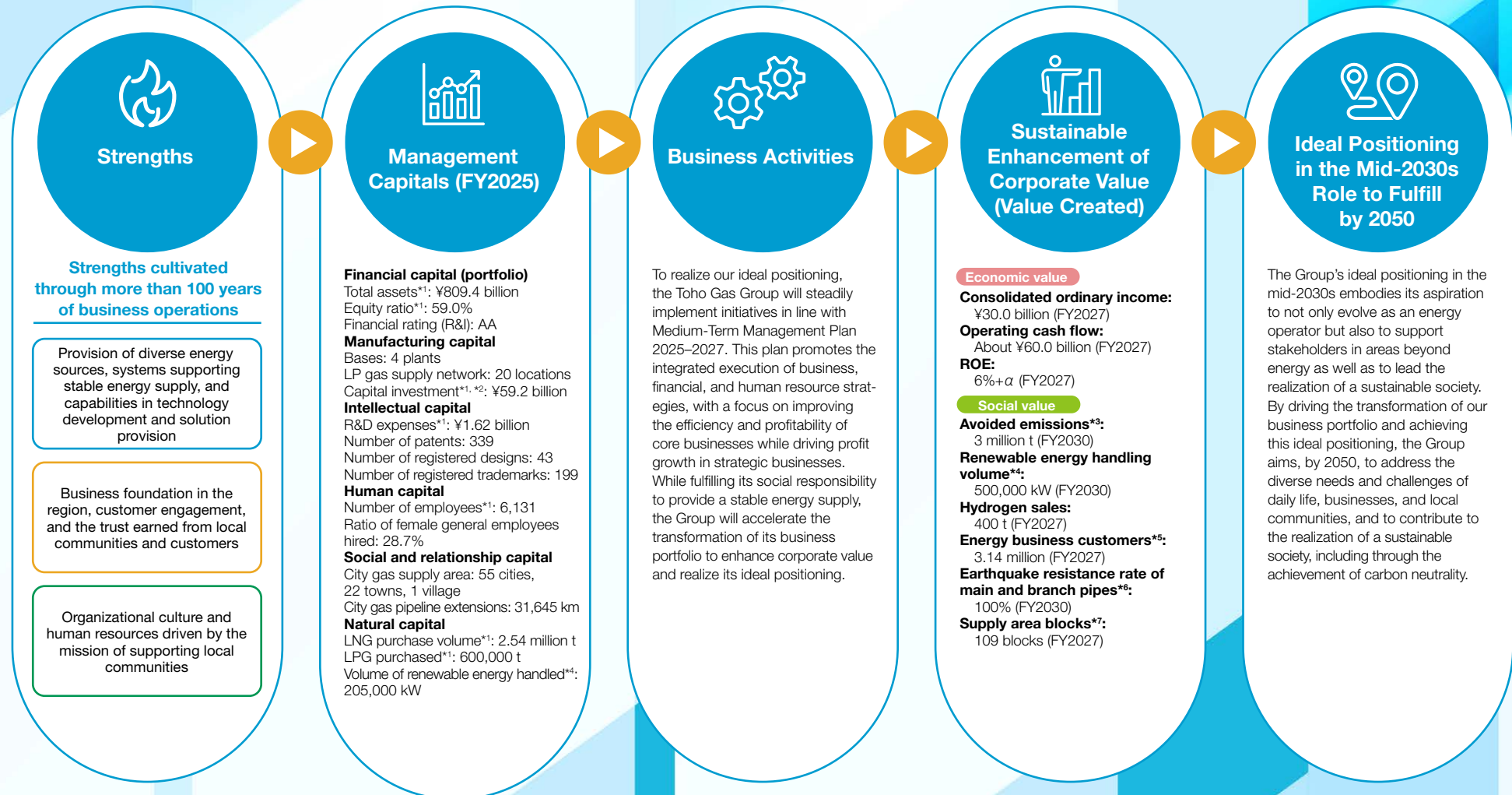
The Toho Gas Group uses its cultivated strengths and management capitals to realize the Group Vision, while accelerating the transformation of its business portfolio to enhance corporate value and realize its ideal positioning, thereby contributing to the development of a sustainable society.



Value Creation Process

Toho Gas Group's Value Creation Story

This section explains the various elements that comprise the Toho Gas Group's approach to value creation.



^{*1} Figures include consolidated subsidiaries (30 companies) ^{*2} Includes financing ^{*3} Contribution to CO₂ emissions reductions through business activities (Cumulative value from FY2021; FY2020 = Base year for calculating reductions for each fiscal year)

^{*4} Including domestic and international renewable energy power source development and ownership, FIT (Feed-in Tariff) power sources, and procurement ^{*5} Total number of contracts for city gas, LP gas, and electricity

^{*6} Within Toho Gas Network Co., Ltd. supply area ^{*7} Unit for suspending city gas supply in the event of a natural disaster or other emergency

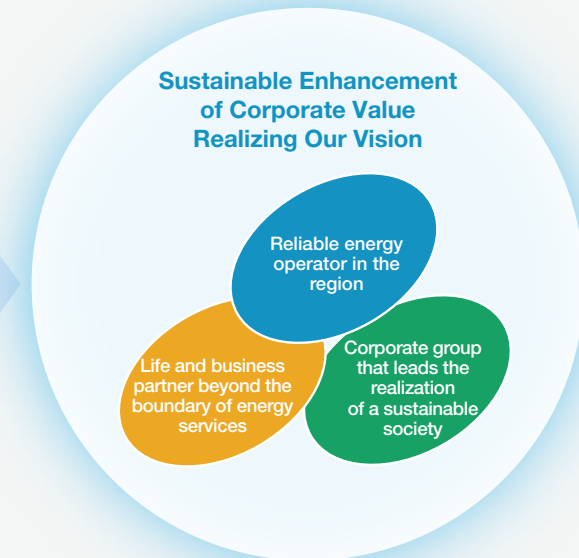
Medium-Term Management Plan 2025–2027

Medium-Term Management Plan 2025–2027 (Policy)

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

Business structure transformation details:

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



Surrounding Business Environment

Trends that have continued since the formulation of the Group Vision

Demand for sustainability

The 5 Ds surrounding energy*



Rising natural disaster and geopolitical risks

Current environmental changes

Changes in the economic environment

- Shift in monetary policies
- Fundamental price and wage increases
- Increasing demand for management that is conscious of cost of capital and stock price

* Trends involving the energy industry: Decarbonization, Depopulation, Deregulation, Digitalization, Decentralization

Medium-Term Management Plan 2025–2027

Accelerating Transformation Through Key Strategies

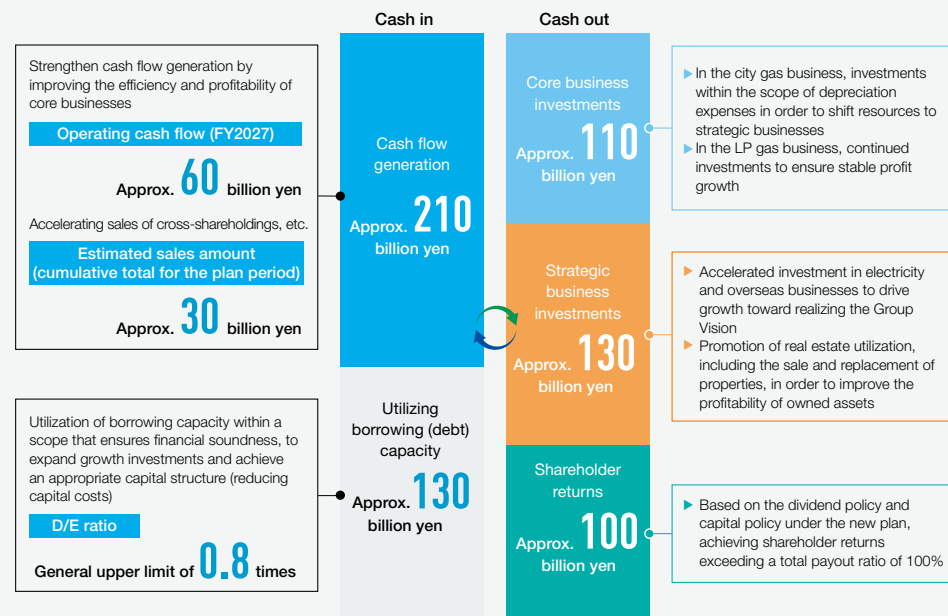
To maximize corporate value, we will steadily execute our financial, business, and human resource strategies under efficient capital allocation, while fulfilling our social responsibility to provide a stable energy supply.

Financial Strategy

P.20

We will work to maximize corporate value through two complementary approaches: expanding profits through the transformation of our business portfolio and improving capital efficiency through the optimization of shareholders' equity.

Cash Allocation (Three-Year Cumulative Total Under the Plan)



Business Strategy

P.24

Leveraging the strengths cultivated through our gas business, we will pursue four business strategy themes, including the generation of stable cash flow from core businesses, which serves as the starting point for the transformation of our business portfolio.

Four Business Strategy Themes

Stable cash flow generation from core businesses

Nurturing the driving forces of growth

Deeper cultivation of region-based businesses

Mission and responsibility toward carbon neutrality

Human Resource Strategy

P.35

We will support the growth of each employee, who serves as the driving force behind the enhancement of corporate value and the realization of our ideal positioning, while working to foster and enhance their individual potential and vitality.

