

Challenge

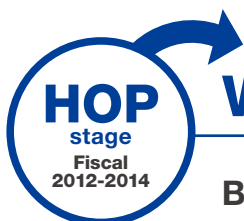
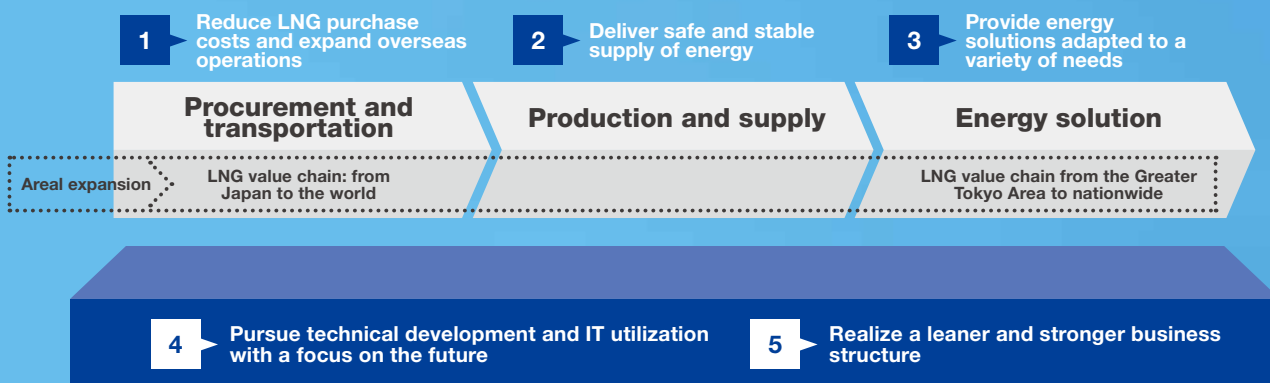
Toward Achieving the Challenge 2020 Vision

In November 2011, we released “The Tokyo Gas Group’s Vision for Energy and the Future: Challenge 2020 Vision” as a guideline to lead us to what we aim to be up to 2020. It was based on extensive internal discussions about the role of an energy company in society that can enable it to realize a prosperous, fulfilling way of life for people, contribute to the competitiveness of domestic industries, and be friendly toward the environment.

Gist of Challenge 2020 Vision

We will develop and expand our business structure and base, in order to enhance the value of our LNG value chain, return profits to customers and shareholders, and contribute to society.

Five action plans to advance the LNG value chain



What we did in the “Hop” stage

Built a base to realize the Vision and evolved the Value Chain

The first three-year period (fiscal 2012-2014) was identified as a “Hop” stage and we carried out activities for the following major themes: (1) diversification and expansion of LNG procurement and overseas business; (2) infrastructure building for safe and stable energy supply; and (3) provision of energy solutions that meet customer needs.

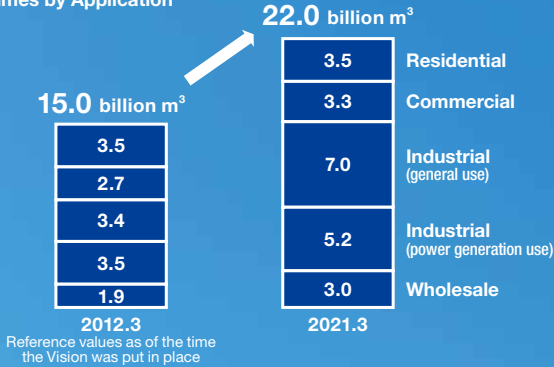
- Diversification and expansion of LNG procurement and overseas business**
While taking into consideration the balance between supply stability, price, and flexibility, we emphasized acquisition of shale and other unconventional gas resources, and of interests in them. We also made progress in making alliance with overseas LNG players.
- Safe and stable energy supply**
We endeavored to put in place an optimal infrastructure in step with the increased use of natural gas and broadening of our service area by constructing the Hitachi LNG Terminal and establishing trunk line loops in Northern Kanto. At the same time, we implemented countermeasures for earthquakes and other disasters to ensure safe and stable gas supply that is less susceptible to damage and interruption.
- Energy solutions that meet customer needs**
We released the world’s first residential fuel cell system for housing complexes, ENE-FARM. In addition to securing additional power sources in order to expand the electric power business, we worked to expand nationwide LNG sales.

2020

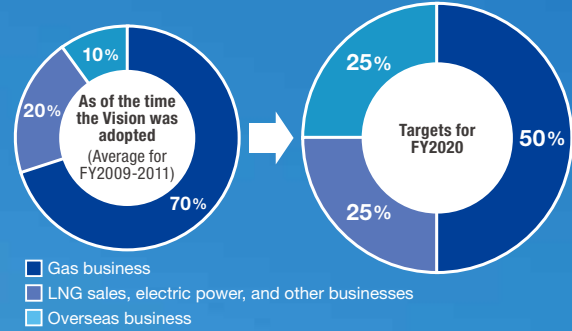
Toward becoming the “total energy corporate group” and the “global corporate group”

Tokyo Gas will make further progress in its core city gas business and develop the electric power, engineering, wide-area gas supply, and other businesses into new sources of strength whereby to make being the “total energy corporate group” a reality. At the same time, we will maintain our business base in the Greater Tokyo Area and develop business across Japan and overseas, aiming to become a “global corporate group” with about a quarter of earnings to be generated from overseas businesses in fiscal 2020.

Challenge Performance Indicators of Gas Supply Volumes by Application

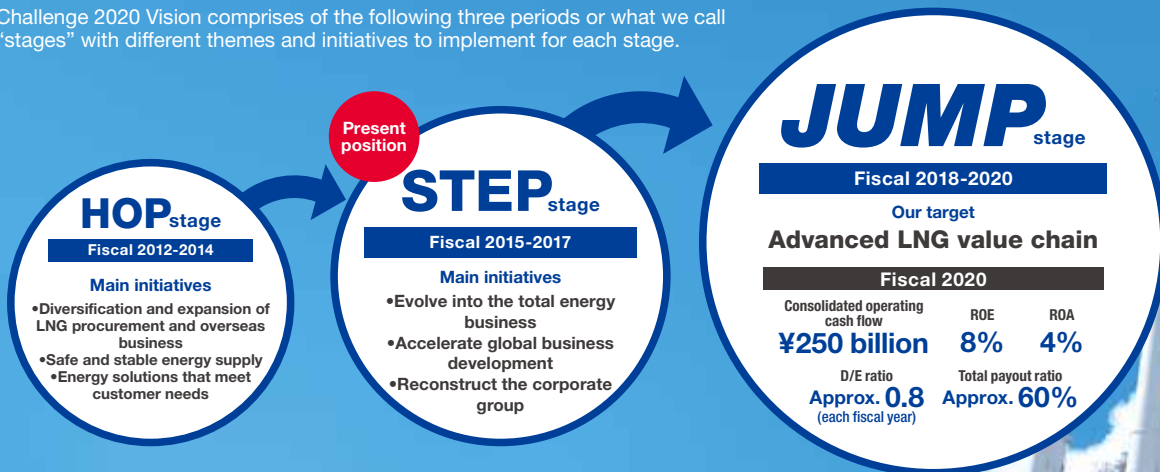


Business Structure (Consolidated Net Income Ratio by Business)



Milestones

Challenge 2020 Vision comprises of the following three periods or what we call “stages” with different themes and initiatives to implement for each stage.



Review of the “Hop” stage

We made a smooth first step during the “Hop” stage. Various initiatives in areas such as LNG procurement, overseas business, infrastructure building and expansion, and energy solutions were carried out.

Looking at the business environment, in Japan, the direction and schedule of the electric power and gas system reforms had become clearer. As electric power companies and gas companies have begun to enter into each other’s markets and areas, and new companies have also begun to enter both

markets, a new era of a choice of customers for their electric power and gas suppliers has been emerging. Overseas, increased needs for natural gas-related infrastructure have become evident on the back of a sustainable increase in demand for natural gas. The Tokyo Gas Group is taking such changes in the energy industries in Japan and overseas as an opportunity for growth and is boldly and speedily taking up challenges in the next “Step” stage.





Three years from fiscal 2015

Building a path toward achieving the Vision

The full deregulation offers an opportunity for growth for the Tokyo Gas Group. Beyond enabling us to start in the electric power business it is facilitating our evolution into the total energy corporate group. Our emphasis continues to be on serving the Greater Tokyo Area, where we seek for a style of evolution only the Tokyo Gas Group can have, by leveraging its business base, know-how, history of 130 years duration. We also find it critical to explore growth opportunities overseas in order to achieve long-term growth. An

important part of accelerating our overseas development at present is our management of the existing upstream project in Australia. In addition, we will focus on new projects in Southeast Asia and North America. Moreover, we are reconstructing our group itself, in order to better promote both the evolution into the total energy business and the accelerated global development, not to overlook creating new sources of earnings flows.

Changes in Business Environment

Energy policies

Natural gas will continue to be one of the key energy sources in Japan in the immediate future.

Regulations

Deregulation of the electric power and gas industries led to more market interpenetration across business and regional borders.

Trend in the Greater Tokyo Area

Growth of the economy and energy demand of the Greater Tokyo Area is slowing down over the long term.



Two Growth Factors

Evolving into the total energy business



Shift from management focused on one dominant business in city gas, corresponding to Mt. Fuji, to management of several large businesses, by developing additional sources of income and growth, in electric power, engineering and other businesses, corresponding to an entire mountain range.

Accelerating global business development



Expand nationwide and overseas, based on the business in the Greater Tokyo Area.



Reconstructing our corporate group

Build an organization and a system to support the "total energy corporate group" and the "global corporate group"

What we did in fiscal 2015

Evolving into the total energy business	City gas business 1. LNG procurement · Started LNG imports from Australia's Queensland Curtis LNG Project. · Signed an agreement on strategic mutual cooperation with Taiwan's CPC Corporation · Signed a basic agreement on LNG sale and purchase from the Cameron LNG Project in the U.S. 2. Infrastructure · Saito Trunk Pipeline went into service. · Onahama Satellite Terminal started operation. · Hitachi LNG Terminal started operation and Ibaraki-Tochigi Line went into service. 3. Restructuring and integration · Completed the approval and notification procedures required for the integration of Chiba Gas, Tsukuba Gakuen Gas, and Miho Gas 4. Energy Solutions · Started marketing for ENESINFO · Hydro Stations in Senju and Urawa went into service. · Developed housing complexes fuel cell "ENE-FARM," jointly with Panasonic Corporation	Electric power business 1. Sales of electric power to low-voltage customers · Started pre-order sales of the total energy service "Zuttomo Plan" · Entered into alliance with wholesale customers and LPG companies 2. High-voltage and extra-high-voltage electric power sales · Established Synergia Power Co. with Tohoku Electric Power 3. Expansion of power generation capacity · Chiba-Sodegaura Energy Co. began preparation for construction of a coal-fired power plant · Ohgishima Power Station Unit 3 went into operation · Preparation began for an expansion plan of the Kawasaki Natural Gas Power Plant Units 3 and 4
	Engineering solution business Consolidated the group's engineering capability into Tokyo Gas Engineering Solutions	Real estate business Started construction of the TGMM Shibaura Project (tentative name).
Accelerating global business development	Expansion of business bases and business development in North America and Southeast Asia · Opened offices in Jakarta, Hanoi, Singapore, and Bangkok. · Entered into a basic agreement with Toray Industries to provide energy services to its factory in South Carolina, U.S. · Withdrew from the energy service business in Brazil, in order to concentrate managerial resources more effectively.	
Reconstructing our corporate group	· Decided to establish Tokyo Gas Liquid Holdings Co., Ltd. to control the liquid gas business. · Signed agreement to transfer stock in GASTAR Co., Ltd. with the aim of transferring management control of GASTAR to Rinnai Corporation.	

What we will do in fiscal 2016

Fiscal 2016 is an important year to ensure future growth of the group, as the current year is in the middle of the nine-year Challenge 2020 Vision period (fiscal 2012-2020).

In the electric power business, we are committed to establish ourselves as No. 1 among new electric power entrants.

Concerning the gas business, the retail gas market will be fully deregulated in April 2017. We will be fully prepared for the change by having deepened our relationships with over 11 million customers and by leveraging such strength.



1 City gas business

1. LNG procurement

- Promote diversification
- Enhance flexibility and price-competitiveness through alliances with LNG players in Japan and overseas

2. Infrastructure expansion

- Establish and expand the pipeline network, production infrastructure, etc.

3. Restructuring and integration

- Integrated Chiba Gas, Tsukuba Gakuen Gas, and Miho Gas to Tokyo Gas

4. Address the shift to full gas deregulation

5. Optimal LNG value chain

6. Energy solutions

2 Electric power business

1. Increase generation capacity

- Expand competitive gas-fired thermal power and base power generation capacity
- Implement initiatives for expansion of renewable energy generation, as an effort to suppress climate change

2. High-voltage and extra-high-voltage electricity sales

- Expand sales through Ennet and Synergia Power

3. Low-voltage electricity sales

- Expand sales, aiming to become a No. 1 new electric power entrant
- Expand sales via alliances with wholesale customers, LPG companies, and various industries.

3 Developing engineering solution business, liquid gas business, and real estate business

Engineering solution business

- Provide one-stop solutions that satisfy needs of customers in Japan and overseas

Liquid gas business

- Expand and rationalize via alliances with LPG operators and M&A
- Provide electricity and value added services to LPG customers

Real estate business

- Promote large-scale development projects in areas such as Tamachi and Toyosu and do business in small- and mid-scale properties



Participate in new projects in North America and Southeast Asia by utilizing the enhanced overseas basis (organization and personnel) and information network

Schedule the start of providing energy services in the Toray Group's factories in Malaysia and North America



The group management and structure will be enhanced to support growth strategies.