TSE:9531

FY2013 2Q Financial Results, ended September 30, 2013, and Gas Tariff Revisions

TOKYO GAS

October 30, 2013

Contents

At today's briefing, I would first like to announce the tariff revisions that we notified the Ministry of Economy, Trade and Industry of today, followed by a summary of our FY2013 2Q results and our forecasts for the FY2013 full year, and finally an update on the progress being made under our Challenge 2020 Vision.

1. Gas Tariff Revisions

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Gas Tariff Revisions

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Tokyo Gas will implement the following tariff revisions for the Tokyo district as a means of returning to customers the results of increased gas sales volume from successful marketing efforts and fixed cost reductions achieved through ongoing efforts to enhance management efficiency.

■ **Amount of Reduction**

- **An average reduction of 2.09% from current tariff levels for small-volume customers (Average unit tariff in notification: Service agreement: -1.59%; Optional agreement: -3.13%, including discount for direct bank account deduction)**

■ **Date of Implementation**

- **To be implemented on December 10, 2013. Discount for direct bank account deduction (¥53 including tax) to be applied from March 2014 meter reading.**

■ **Standard average gas resource cost**

- **¥82,470/t (Reference: ¥66,180/t at time of previous revision)**

Reference: Past tariff revisions

Revision date	Avg. revision for small-volume customers
December 10, 1999	-2.00%
February 15, 2001	-3.20%
January 1, 2005	-5.18%
February 21, 2006	-0.28%
April 15, 2008	-1.51%
March 8, 2012	-1.57%
December 10, 2013 (outlined above)	-2.09%

. Today Tokyo Gas notified METI of changes to our service agreement, the main component of which will be an average overall reduction of 2.09% from the current combined tariff levels for the service agreement and optional agreement for small-volume customers in the Tokyo district, effective December 10, 2013.

These tariff revisions are being implemented to return to customers, as quickly as possible, the results of increased gas sales volume from successful marketing efforts and fixed cost reductions achieved through ongoing efforts to enhance management efficiency, which we expect to emerge going forward.

Given customers' and society's increasing expectations for natural gas, as well as the recent trend of rising energy costs, we aim to make it even easier to use natural gas, which has the advantages of a stable supply, environmental friendliness, and convenience.

We will reduce the service agreement tariff by an average of 1.59% per m3. For a standard household using an average of 32 m3 per month, this works out to reduction of ¥119 per month, or 2.04%.

We are also introducing a new, additional "discount for direct bank account deduction" of ¥53 for customers who pay their monthly gas bill by direct bank account deduction, bringing the reduction for a standard household to ¥172 per month, or 2.95%.

For the optional agreement, we are reducing tariffs by 3.13% per m3 including the discount for direct bank account deduction.

I would also like to say a bit more about the new discount for direct bank account deduction.

This is an optional agreement for a discount that is automatically applied to gas tariffs for customers with a "main contract eligible for discounting," and who pay their monthly gas bill by direct bank account transfer. We are introducing this discount to promote payment by bank account transfer, with the aim of reducing invoice collection costs and thereby increasing the efficiency of our business operations.

The amount of the discount is ¥53 (including tax) per contract.

We will need to make arrangements with financial institutions and some time will be required to notify customers, however, so we intend to apply this discount from the March 2014 meter reading.

With regard to the effect of this tariff revision on earnings, we are factoring in a four-month impact of ¥6.0 billion for the current fiscal year. This breaks down as approximately ¥5.0 billion in regulated areas and ¥1.0 billion in non-regulated areas.

For fiscal 2014, we are forecasting an impact of approximately ¥15.0 billion in regulated areas and roughly ¥5.0 billion in non-regulated areas. The effect in non-regulated areas will depend on negotiations with customers going forward, however, so this figure is not fixed at this time.

2. FY2013 2Q Consolidated Financial Results ended September 30, 2013

FY2013 2Q Consolidated Financial Results (Apr. 1, 2013 – Sep. 30, 2013) <vs. FY2012 2Q>

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Highlights: Sales Growth, Profit Increase

(+ - +/- indicates profit impact, billion yen)

Net sales	+69.8	+	Increase in city gas sales	(+36.3: higher sales unit prices for purchasing gas resource by weaker yen)
		+	Increase in LNG sales	(+12.9: increase in sales volume)
		+	Increase in electricity sales	(+4.9: increase in unit sales prices, etc.)
		+	Increase in overseas sales	(+4.6: Pluto, Barnett, etc.)
Operating expenses	-66.3	-	Increase in city gas resource costs	(-36.0: foreign exchange rate -67.3, crude oil +18.2, etc.)
		-	Increase in resource costs for LNG sales	(-12.3: increase in volume, etc.)
		-	Increase in electricity resource cost	(-3.2: increase in resource costs)
Operating income	+3.5	+	Increase in city gas profit	(+1.3: gas gross margin +0.3 (including temperature effect -9.3))
		+	Increase in electricity profit	(+1.8)
Net income	+2.8	+	Decrease in income tax	(+3.8)

(Unit: billion yen)

	FY2013 2Q Results	FY2012 2Q Results	Change	%	Previous Forecast (July 31)	Change	%
Gas sales volume (mil. m^3, 45MJ)	**6,673**	6,998	-325	-4.6%	6,732	-59	-0.9%
Net sales	**933.5**	863.7	+69.8	+8.1%	942.0	-8.5	-0.9%
Operating expenses	**864.9**	798.6	+66.3	+8.3%	875.0	-10.1	-1.2%
Operating income	**68.5**	65.0	+3.5	+5.3%	67.0	+1.5	+2.3%
Ordinary income — (a)	**64.9**	67.0	-2.1	-3.1%	61.0	+3.9	+6.5%
Net income	**42.7**	39.9	+2.8	+7.0%	40.0	+2.7	+7.0%
Temperature effect — (b)	***-8.5***	*0.8*	*-9.3*	—	*-5.9*	*-2.6*	—
Sliding time lag effect — (c)	***10.9***	*0.8*	*+10.1*	—	*10.8*	*+0.1*	—
Amortization of actuarial differences — (d)	***-1.1***	*-2.2*	*+1.1*	—	*-1.1*	*0.0*	—
Adjusted ordinary income: (a) - ((b)+(c)+(d))	***63.6***	*67.6*	*-4.0**	*-5.9%*	*57.2*	*+6.4*	*+11.2%*
Adjusted net income	***41.8***	*40.4*	*+1.4*	*+3.5%*	*37.4*	*+4.4*	*+11.8%*

* -4.0: Decrease in gas sales volume -3.1 (excl. temperature effect -9.3), lower fixed costs +1.0, electric power +1.8, gas appliances and installation +1.5, non operating -5.5, other segment profit, etc. +0.3

Economic Frame (2Q)	Exchange Rate (¥/$)	JCC ($/bbl)	Avg. Temperature (℃)
FY2013 2Q results	98.86	107.66	22.3
FY2012 2Q results	79.41 <+19.45>	113.97 <-6.31>	21.6 <+0.7>
Previous forecast	99.39 (-0.53)	108.87 (-1.21)	21.8 (+0.5)

Pension Asset	Investment Yield (Cost Deducted)	Year-end Assets (Billion Yen)
FY2013 2Q	**-0.73%**	**271.0**

Expected rate of return: 2%

<Figures in brackets are year-on-year increase/decrease>
(Figures in parenthesis are increase/decrease vs. previous forecast)

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Next I will move on to our financial results. As shown on Slide 6, we recorded year-on-year sales and profit growth for the first half. This was our fourth consecutive year of 1H sales growth and our second for profit growth, for record 1H net sales and net income.

Net sales rose ¥69.8 billion year-on-year, to ¥933.5 billion. This included a ¥36.3 billion increase in city gas sales from higher unit sales prices in line with higher resource costs, and a ¥12.9 billion increase in LNG sales from growth in sales volume.

At the same time, operating expenses grew ¥66.3 billion, to ¥864.9 billion, from a ¥36.0 billion increase in city gas resource costs and a ¥12.3 billion increase in costs for LNG sales.

As a result, operating income rose ¥3.5 billion, to ¥68.5 billion. After accounting for non-operating items, ordinary income declined ¥2.1 billion, to ¥64.9 billion.

In terms of extraordinary items, in FY2012 1H we recorded a ¥2.9 billion gain from the sale of shares of subsidiaries and affiliates and a ¥5.1 billion loss on valuation of investment securities, etc., while in FY2013 1H we recorded an impairment loss of ¥2.0 billion as an extraordinary loss.

We also saw a year-on-year decrease in income taxes for the first half, however, and as a result net income grew ¥2.8 billion, to ¥42.7 billion.

The sliding time lag effect stemming from changes in resource costs increased ¥10.1 billion, to a ¥10.9 billion surplus from a year-earlier ¥0.8 billion surplus.

The amortization of actuarial differences in pension asset accounting was a ¥1.1 billion expense, compared with a ¥2.2 billion expense in FY2012 1H, boosting profit by ¥1.1 billion year on year.

FY2013 2Q Consolidated Gas Sales Volume

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FY2012 2Q Results → FY2013 2Q Results

-325 mil. m^3 (-4.6%)
Including temperature effect: -91 mil. m^3 (-1.3%)

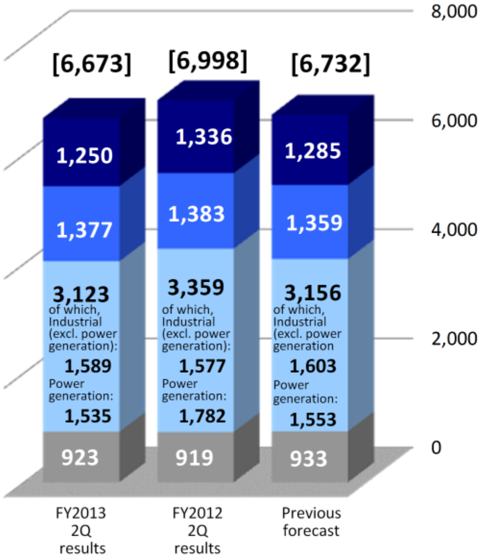
- **Residential** -86 mil. m^3 (-6.4%)
  - Temperature effect -90 mil. m^3
  - Number of days -2 mil. m^3
  - Number of customers +17 mil. m^3
  - Others -11 mil. m^3
- **Commercial** -6 mil. m^3 (-0.5%)
  - Temperature effect +3 mil. m^3
  - Number of days +4 mil. m^3
  - Number of customers 0 mil. m^3
  - Others -14 mil. m^3
- **Industrial** -236 mil. m^3 (-7.0%)
  - Industrial: +12 mil. m^3
  - Power generation: -247 mil. m^3
    Tolling effect, etc. -464 mil. m^3
    Portion from increase in Kashima region +96 mil. m^3 ,etc.
- **Wholesale** +4 mil. m^3 (+0.4%)
  - Temperature effect -4 mil. m^3
  - Others +8 mil. m^3
    Increase in demand from wholesale suppliers, etc.

Previous Forecast → FY2013 2Q Results

-59 mil. m^3 (-0.9%)
Including temperature effect: -7 mil. m^3 (-0.1%)

- **Residential** -35 mil. m^3 (-2.7%)
  - Temperature effect -35 mil. m^3
  - Number of days -1 mil. m^3
  - Number of customers 0 mil. m^3
  - Others +2 mil. m^3
- **Commercial** +18 mil. m^3 (+1.3%)
  - Temperature effect +31 mil. m^3
  - Number of days 0 mil. m^3
  - Number of customers -6 mil. m^3
  - Others -8 mil. m^3
- **Industrial** -33 mil. m^3 (-1.0%)
  - Industrial: -15 mil. m^3
    Reduction from operation on existing facilities, etc.
  - Power generation: -18 mil. m^3
    Reduction from operation on existing facilities, etc.
- **Wholesale** -10 mil. m^3 (-1.1%)
  - Temperature effect -3 mil. m^3
  - Others -6 mil. m^3
    Decrease in demand from wholesale suppliers, etc.

Gas sales volume: (rounded at mil. m^3)



Number of customers (10 thousand)

FY2013 2Q result	FY2012 2Q result	Change
1,102.5	1,090.0	+12.5 (+1.1%)

	FY2013 2Q	FY2012 2Q	Change	Previous forecast	Change
LNG liquid sales volume (thousand t, excl. sales to Nijio)	343	215	+128	342	+1
Average temperature (℃)	22.3	21.6	+0.7	21.8	+0.5

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Next, let us look at the year-on-year comparison for gas sales volume.

On a consolidated basis, gas sales volume declined 325 million m3, or 4.6% year on year, to 6,673 million m3.

Residential-use sales volume declined 6.4%, to 1,250 million m3, on reduced demand for heating and hot water from higher temperatures compared with FY2012 1H.

Commercial-use sales volume was roughly flat year-on-year, with a 0.5% decline, to 1,377 million m3.

Although industrial-use sales volume saw the development of new demand from the opening of the Chiba-Kashima Line and growth in demand for electric power generation, the shift to a tolling contract for gas sales to Nijio's Ohgishima Power reduced sales volume by 464 million m3, for an overall decline of 7.0%, to 3,123 million m3.

Wholesale sales volume was basically flat year-on-year, with a 0.4% increase, to 923 million m3.

Changes in Gas Sales Volume from Shift to Tolling

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2Q Results

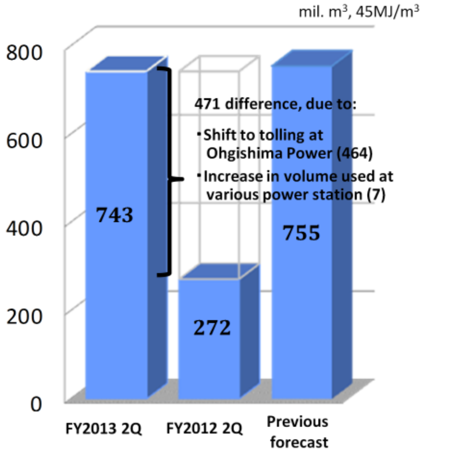
■ **Gas sales volume including portion used in-house under tolling arrangement (Unit: million m³)**

	FY2013 2Q results	FY2012 2Q results	Change	Previous forecast	Change
Gas sales volume (financial accounting basis)	6,673	6,998	-325 -4.6%	6,732	-59 -0.9%
Gas volume used in-house under tolling arrangement	743	272	+471 +172.7%	755	-12 -1.5%
Total	7,416	7,270	+146 +2.0%	7,486	-70 -0.9%

■ **Gas sales volume for industrial-use (Unit: million m³)**

	Kashima area	Other	Total
Power generation	196	1,339	1,535
vs. FY2012 2Q results	+96 (+94.8%)	-343* (-20.4%)	-247 (-13.9%)
vs. previous forecast	-16 (-7.4%)	-2 (-0.2%)	-18 (-1.1%)
General industrial	71	1,517	1,589
vs. FY2012 2Q results	+41 (+137.5%)	-30 (-1.9%)	+12 (+0.7%)
vs. previous forecast	+1 (+1.8%)	-16 (-1.0%)	-15 (-0.9%)
Total	268	2,856	3,123
vs. FY2012 2Q results	+137 (+104.6%)	-373 (-11.5%)	-236 (-7.0%)
vs. previous forecast	-14 (-5.1%)	-18 (-0.6%)	-32 (-1.0%)

Gas volume used in-house under tolling arrangement



Tolling: A contract under which the seller of electricity delivers the gas required as fuel for power generation to the power plant, where the power generator processes the fuel into electricity, which it returns to the seller of electricity in exchange for a processing fee.

＊ Portion from shift to tolling: -464

Slide 8 shows gas sales volume including the portion used in tolling, which is not recorded in gas sales volume. Including this portion, total gas volume grew 2.0%, to 7,416 million m3 year-on-year.

This slide also shows the breakdown of industrial-use gas sales volume by the Kashima area and other areas, and by electric power-generation-use and general industrial-use, with year-on-year increases/decreases. The shift to tolling at Ohgishima Power had a major negative impact of 464 million m3.

FY2013 2Q Net Sales and Operating Income/Loss by Business Segment <vs. FY2012 2Q>

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(Unit: billion yen)

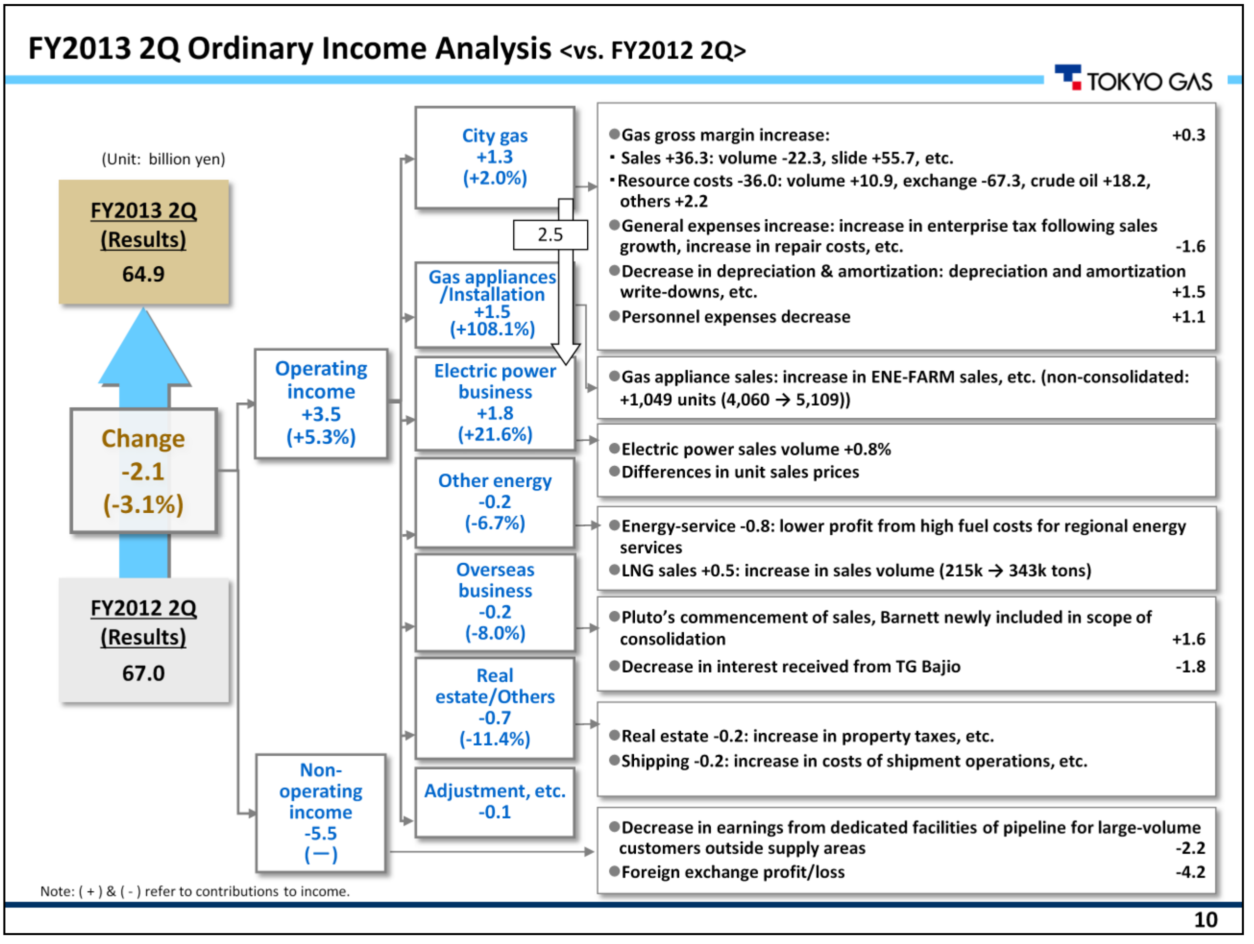
	Net Sales				Segment Income			
	FY2013 2Q	FY2012 2Q	Change	%	FY2013 2Q	FY2012 2Q	Change	%
City gas	664.6	628.3	+36.3	+5.8%	65.9	64.6	+1.3	+2.0%
Gas appliances and installation work	93.3	93.3	0	-0.1%	2.9	1.4	+1.5	+108.1%
Other energy	165.8	157.8	+8.0	+5.1%	13.3	11.8	+1.5	+12.8%
(Electric power business)	66.6	61.7	+4.9	+8.1%	9.9	8.1	+1.8	+21.6%
Real estate	14.5	15.0	-0.5	-3.4%	3.1	3.3	-0.2	-6.0%
Others	83.6	88.0	-4.4	-5.0%	4.0	4.7	-0.7	-13.9%
(Overseas business)	8.7	4.1	+4.6	+108.6%	1.6	1.8	-0.2	-8.0%
Adjustment	-88.5	-119.0	+30.5	—	-20.9	-20.8	-0.1	—
Consolidated	933.5	863.7	+69.8	+8.1%	68.5	65.0	+3.5	+5.3%

Notes:
- Net sales by business segment include internal transactions.
- “Other energy” includes energy-service, liquefied petroleum gas, electric power and industrial gas, etc.
- “Others” includes businesses in construction, information processing, shipping, credit and leasing, and overseas, etc.
- The “Adjustment” to operating income is primarily companywide expenses not allocated to individual segments.
- Parentheses indicate sub-segment (figures included in segment total).

Next, I would like to discuss our segment results.

Slide 9 shows net sales and operating income/loss by segment, with year-on-year comparisons.

The reasons for increases and decreases in operating income of each segment are outlined on the following slide.



Please turn to slide 10.

First, operating income at the city gas segment grew ¥1.3 billion. Volume declined from the temperature effect and the shift to tolling, but profit was boosted by the sliding time lag effect, along with progress in amortization and depreciation, and personnel expense reductions.

Operating income rose ¥1.5 billion at the gas appliance and installation segment, mainly because of solid ENE-FARM and TES sales.

At the other energy segment, the electric power business recorded a ¥1.8 billion increase in operating income. Electric power sales volume remained solid, with a slight year-on-year increase. On the other hand, this includes ¥2.5 billion of operating income at the Nijio Gas division that was included in the city gas segment last year, but moved to the electric power segment with the shift to tolling, so actual operating income declined ¥0.7 billion. This was mainly because of differences in unit sales prices.

Operating income at the overseas business declined ¥0.2 billion. The effect of full production at TG Pluto and the addition of Barnett to the scope of consolidation from FY2013 boosted profit by ¥1.6 billion, but a ¥1.8 billion decrease in interest received from TG Bajio resulted in an overall decline.

Net non-operating income deteriorated ¥5.5 billion, mainly because of a ¥4.2 billion foreign exchange loss at TG Australia Group from the AUD's depreciation against the USD, and a ¥2.2 billion decrease in earnings from payments for the construction of dedicated facilities of pipelines for large-volume customers outside supply areas.

3. FY2013 Full Year Forecast

FY2013 Full Year Forecast (Apr. 1, 2013 – Mar. 31, 2014) <vs. Previous Forecast (July 31 Release)>

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Highlights: Sales Decline, Profit Increase (+ − +/- indicates profit impact, billion yen)

Net sales	-16.0: −	Decrease in city gas sales	(-20.7: decrease in volume -8.7, sliding -6.3, tariff revisions -6.0)
	+	Increase in electricity sales	(+4.1: increase in volume)
Operating expenses	+14.0: +	Decrease in city gas resource costs	(+11.3: volume +5.6, foreign exchange rate +1.2, crude oil price +3.3)
	+	Decrease in operating expense for LNG sales	(+1.5: decrease in resource costs)
Operating income	-2.0: −	Decrease in city gas operating income	(-7.5: gas gross margin -9.4 (gas tariff revision -6.0), lower fixed costs +1.9
	+	Increase in gas appliances/installation operating income	(+1.7: increase in GHP unit sales and number of installation work ordered ,etc.)
	+	Increase in other segment income	(+2.1: Electric power +0.7, Overseas +0.5, LNG sales +0.3, etc.)
Net Income	+2.0: +	Decrease in income taxes	(+5.6))

(Unit: mil. m³/45MJ, billion yen)

	Current Forecast	Previous Forecast (July 31)	Change	%	FY2012	Change	%
Gas sales volume (mil. m^3, 45MJ)	14,483	14,590	-107	-0.7%	15,390	-907	-5.9%
Net sales	2,080.0	2,096.0	-16.0	-0.8%	1,915.6	+164.4	+8.6%
Operating expenses	1,921.0	1,935.0	-14.0	-0.7%	1,770.0	+151.0	+8.5%
Operating income	159.0	161.0	-2.0	-1.2%	145.6	+13.4	+9.2%
Ordinary income — (a)	153.0	155.0	-2.0	-1.3%	147.4	+5.6	+3.8%
Net income	103.0	101.0	+2.0	+2.0%	101.6	+1.4	+1.3%
Temperature effect — (b)	*-8.5*	*-5.9*	*-2.6*	—	*2.9*	*-11.4*	—
Sliding time lag effect — (c)	*22.1*	*22.7*	*-0.6*	—	*-12.4*	*+34.5*	—
Amortization of actuarial differences — (d)	*-2.2*	*-2.2*	*0.0*	—	*-4.4*	*+2.2*	—
Adjusted ordinary income: (a) - ((b)+(c)+(d))	*141.6*	*140.4*	*+1.2**	*+0.9%*	*161.3*	*-19.7*	*-12.2%*
Adjusted net income	*95.5*	*91.3*	*+4.2*	*+4.6%*	*110.9*	*-15.4*	*-13.9%*

* +1.2: Decrease in gas sales volume -0.5 (excl. temp. effect -2.6), impact from tariff revision -6.0, lower fixed cost +1.9, gas appliances and installation +1.7, other segment income, etc. +4.1.

Economic Frame (Full Year)	Foreign Exchange Rate (¥/$)	JCC ($/bbl)	Average Temp. (℃)
Current forecast	99.43	108.83	17.0
Previous forecast	99.70 (-0.27)	109.43 (-0.60)	16.8 (+0.2)
FY12	82.91 <+16.52>	113.88 <-5.05>	16.6 <+0.4>

(Figures in parenthesis are increase/decrease vs. previous forecast),
<Figures in brackets are year-on-year increase/decrease>

Pension Asset	Investment Yield (Cost Deducted)	Discount Rate	Year-end Assets (Billion Yen)
FY12	6.10%	1.4%	276.0
FY11	5.13%	1.7%	254.0

Expected rate of return: 2%

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Next I will discuss our full-year forecast for FY2013. The table in the slide also shows year-on-year comparisons, but I will discuss changes from our previous forecast announced at the 1Q presentation. Please note that the arrangement of the columns in the table is different than in the slide for 2Q results.

Compared with our previous forecast, on a net income basis we have lowered our sales forecast and raised our profit forecast for FY2013.

We have reduced our forecast for gas sales volume by 0.7%, and I will discuss the details of this next.

For net sales, although we expect a sales increase in the electric power business, we have reduced our sales forecast by ¥16.0 billion, due to a lower estimate for the city gas business's overall gas sales volume. This also includes a ¥6.0 billion negative impact from gas tariff revisions.

We have reduced our forecast for operating expenses by ¥14.0 billion, mainly to reflect lower city gas resource costs.

We have raised our forecasts for all segments other than city gas, but with a ¥9.4 billion reduction to our projection for the gas gross margin, we have reduced our forecasts for operating income and ordinary income by ¥2.0 billion each.

Taking into account the difference in our income tax estimate, we now see net income coming in ¥2.0 billion higher than previously forecast.

The assumptions underlying our forecast are unchanged from the previous forecast; from October we expect a crude oil price of $110/barrel and an exchange rate of ¥100/US$.

FY2013 Full Year Forecast: Consolidated Gas Sales Volume

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Previous Forecast → Current Forecast

-107 mil. m³ (-0.7%)
Incl. temperature effect: -6 mil. m³(-0.0%)

Residential -34 mil. m³ (-1.0%)
- Temperature effect -34 mil. m³
- Number of days -1 mil. m³
- Number of customers +2 mil. m³
- Others -1 mil. m³

Commercial +21 mil. m³ (+0.7%)
- Temperature effect +31 mil. m³
- Number of days 0 mil. m³
- Number of customers -6 mil. m³
- Others -5 mil. m³

Industrial -62 mil. m³ (-1.0%)
- Industrial: -25 mil. m³
  Reduction from operation on existing facilities, etc.
- Power generation: -38 mil. m³
  Reduction from operation on existing facilities, etc.

Wholesale -30 mil. m³ (-1.5%)
- Temperature effect -3 mil. m³
- Others -28 mil. m³
  Decrease in demand from wholesale suppliers, etc.

FY2012 Results → Current Forecast

-907 mil. m³ (-5.9%)
Incl. temperature effect: -146 mil. m³ (-0.9%)

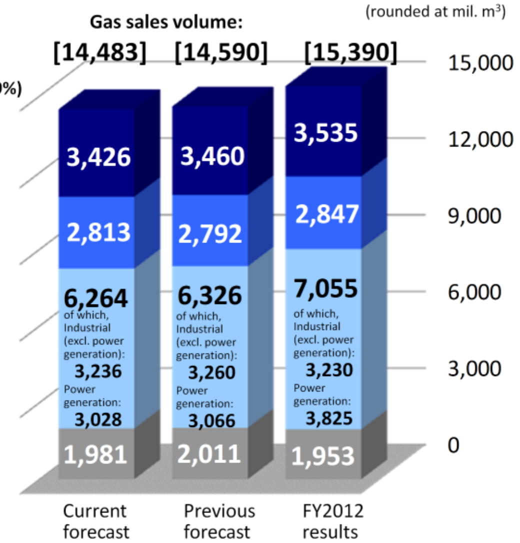
Residential -109 mil. m³ (-3.1%)
- Temperature effect -118 mil. m³
- Number of days -2 mil. m³
- Number of customers +43 mil. m³
- Others -32 mil. m³

Commercial -34 mil. m³ (-1.2%)
- Temperature effect -19 mil. m³
- Number of days +4 mil. m³
- Number of customers 0 mil. m³
- Others -20 mil. m³

Industrial -791 mil. m³ (-11.2%)
- Industrial: +5 mil. m³
  Increase of operation in Kashima area, etc
- Power generation: -796 mil. m³
  Impact from shift to tolling -969 mil. m³
  Portion from Kashima area +172 mil m³ , etc.

Wholesale +28 mil. m³ (+1.4%)
- Temperature effect -9 mil. m³
- Others +37 mil. m³
  Increase in demand from wholesale suppliers, etc.

(rounded at mil. m³)



	Current forecast	Previous forecast	Change
LNG liquid sales volume (thousand t, excl. sales to Nijio)	790	801	-11
Average temperature (℃)	17.0	16.8	+0.2

Number of customers (Unit: 10 thousand)

Current forecast	Previous forecast	Change
1,110.5	1,110.4	+0.1 (+0.0%)

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Now I will move on to our full-year gas sales volume forecast. Also, please refer to the attached reference materials for comparisons of our 2H forecast with the previous 2H forecast.

We have reduced our forecast for total gas sales volume by 107 million m3, or 0.7%, to 14,483 million m3. We have reduced our 2H forecast by 48 million m3, mainly in industrial-use and wholesale gas sales volume in light of 1H results.

At the residential-use sector, we have left our 2H projection unchanged, but lowered our full-year forecast 34 million m3, to 3,426 million m3, to reflect lower-than-anticipated demand for hot water because of hot summer temperatures.

At the commercial-use sector, hot summer temperatures increased demand for air conditioning, so we have left our 2H forecast basically in place but raised our full-year forecast by 21 million m3, to 2,813 million m3.

We have reduced our forecast for the industrial-use sector by 62 million m3, taking into account actual 1H utilization for both general industrial-use and electric power generation-use sales volume. This breaks down as a 25 million m3 reduction for general industrial-use and a 38 million m3 reduction for power generation-use. Of the total reduction, 30 million m3 is for 2H.

Based on capacity utilization by our wholesale customers, we have reduced our full-year forecast for wholesale sales volume by 30 million m3, of which 21 million m3 is for 2H.

Changes in Gas Sales Volume from Shift to Tolling

TOKYO GAS

FY2013 Full Year Forecast

Gas sales volume including portion used in-house under tolling arrangement (Unit: million m³)

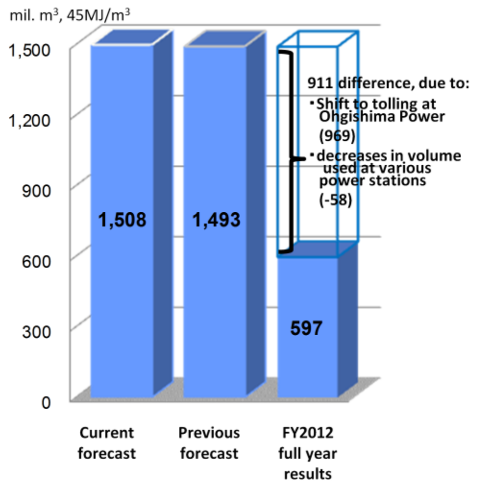
	Current forecast	Previous forecast	Change	FY2012 full year results	Change
Gas sales volume (financial accounting basis)	14,483	14,590	-107 -0.7%	15,390	-907 -5.9%
Gas volume used in-house under tolling arrangement	1,508	1,493	+15 +1.0%	597	+911 +152.7%
Total	15,991	16,083	-92 -0.6%	15,986	+5 +0.0%

Current sales volume forecast as per Challenge 2020 Vision: 16,978 million m³

Gas sales volume for industrial-use (Unit: million m³)

	Kashima area	Other	Total
Power generation	487	2,541	3,028
vs. FY2012 results	+172 (+54.6%)	-968* (-27.6%)	-796 (-20.8%)
vs. previous forecast	-21 (-4.0%)	-17 (-0.7%)	-38 (-1.2%)
General industrial	167	3,068	3,236
vs. FY2012 results	+78 (+87.5%)	-73 (-2.3%)	+5 (+0.2%)
vs. previous forecast	+10 (+6.3%)	-35 (-1.1%)	-25 (-0.8%)
Total	655	5,609	6,264
vs. FY2012 results	+250 (+61.9%)	-1,041 (-15.7%)	-791 (-11.2%)
vs. previous forecast	-11 (-1.6%)	-52 (-0.9%)	-62 (-1.0%)

Gas Volume Used In-House Under Tolling Arrangement



Tolling: A contract under which the seller of electricity delivers the gas required as fuel for power generation to the power plant, where the power generator processes the fuel into electricity, which it returns to the seller of electricity in exchange for a processing fee.

＊Portion from shift to tolling: -969

14

Slide 14 shows our forecast for gas sales volume including the portion used in tolling, which is not recorded as gas sales volume. For total gas volume, including this portion, we have reduced our previous forecast by 0.6%, to 15,991 million m3.

FY2013 Net Sales and Operating Income/Loss by Business Segment <vs. Previous Forecast>

TOKYO GAS

(Unit: billion yen)

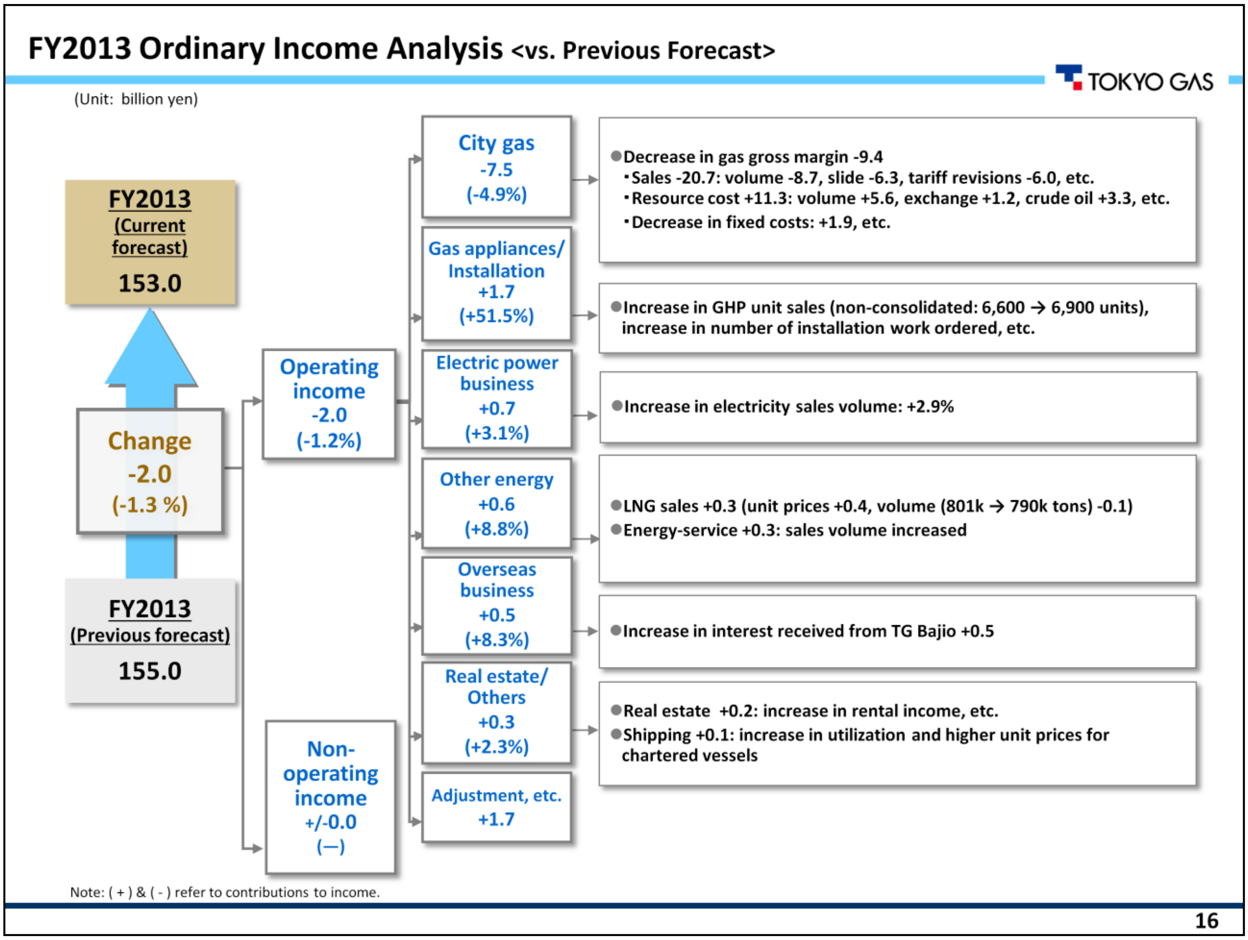
	Net Sales				Segment Income			
	Current Forecast	Previous Forecast	Difference	%	Current Forecast	Previous Forecast	Difference	%
City gas	1,475.0	1,495.7	-20.7	-1.4%	146.8	154.3	-7.5	-4.9%
Gas appliances and installation work	211.4	207.5	+3.9	+1.9%	5.0	3.3	+1.7	+51.5%
Other energy	348.8	343.6	+5.2	+1.5%	30.4	29.1	+1.3	+4.5%
(Electric power business)	133.9	129.8	+4.1	+3.2%	23.0	22.3	+0.7	+3.1%
Real estate	28.2	28.1	+0.1	+0.4%	5.1	4.8	+0.3	+6.3%
Others	192.6	191.7	+0.9	+0.5%	14.9	14.4	+0.5	+3.5%
(Overseas business)	23.1	23.4	-0.3	-1.3%	6.5	6.0	+0.5	+8.3%
Adjustment	-176.0	-170.6	-5.4	—	-43.2	-44.9	+1.7	—
Consolidated	2,080.0	2,096.0	-16.0	-0.8%	159.0	161.0	-2.0	-1.2%

Notes:
- Net sales by business segment include internal transactions.
- “Other energy” includes energy-service, liquefied petroleum gas, electric power and industrial gas, etc.
- “Others” includes businesses in construction, information processing, shipping, credit and leasing, and overseas, etc.
- The “Adjustment” to operating income is primarily companywide expenses not allocated to individual segments.
- Parentheses indicate sub-segment (figures included in segment total).

The next slide shows our full-year forecasts by business segment.

Slide 15 gives comparisons of our forecasts for net sales and operating income/loss by segment, with comparisons with our previous forecasts.

The reasons for increases and decreases in operating income of each segment are presented in the next slide.



Please turn to Slide 16.

We have reduced our forecast for operating income at the city gas segment by ¥7.5 billion, to reflect our lower forecast for gas sales volume and the ¥6.0 billion effect of tariff revisions.

At the gas appliances and installation segment, we have raised our profit forecast by ¥1.7 billion, mainly because of an increase to our projection for unit sales of GHP.

We now expect slightly higher electricity sales volume, and have raised our profit forecast for the electric power business by ¥0.7 billion.

We have raised our forecast for operating income at the overseas business by ¥0.5 billion, mainly because we have raised our previous projection for interest received from TG Bajio by ¥0.5 billion.

FY2013 Net Sales and Operating Income/Loss by Business Segment <vs. FY2012 Results>

TOKYO GAS

(Unit: billion yen)

	Net Sales				Segment Income			
	Current Forecast	FY2012 Results	Difference	%	Current Forecast	FY2012 Results	Difference	%
City gas	1,475.0	1,401.9	+73.1	+5.2%	146.8	141.3	+5.5	+3.9%
Gas appliances and installation work	211.4	206.0	+5.4	+2.6%	5.0	4.4	+0.6	+13.1%
Other energy	348.8	336.6	+12.2	+3.6%	30.4	25.9	+4.5	+17.2%
(Electric power business)	133.9	127.0	+6.9	+5.4%	23.0	19.1	+3.9	+20.5%
Real estate	28.2	30.2	-2.0	-6.8%	5.1	5.6	-0.5	-8.9%
Others	192.6	195.7	-3.1	-1.6%	14.9	13.5	+1.4	+10.1%
(Overseas business)	23.1	12.4	+10.7	+86.5%	6.5	2.4	+4.1	+164.7%
Adjustment	-176.0	-255.0	+79.0	—	-43.2	-45.1	+1.9	—
Consolidated	2,080.0	1,915.6	+164.4	+8.6%	159.0	145.6	+13.4	+9.2%

Notes:
- Net sales by business segment include internal transactions.
- "Other energy" includes energy-service, liquefied petroleum gas, electric power and industrial gas, etc.
- "Others" includes businesses in construction, information processing, shipping, credit and leasing, and overseas, etc.
- The "Adjustment" to operating income is primarily companywide expenses not allocated to individual segments.
- Parentheses indicate sub-segment (figures included in segment total).

For your reference, slides 17 and 18 analyze our full-year segment forecasts for operating income and ordinary income, with comparisons with FY2012 results.

FY2013 Ordinary Income Analysis <vs. FY2012 Results>

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(Unit: billion yen)

FY2013 (Current forecast) 153.0

Change +5.6 (+3.8%)

FY2012 (Result) 147.4

Operating income +13.4 (+9.2%)

- **City gas** +5.5 (+3.9%)
  - Increase in gas gross margin +10.7
    - Sales +73.1: volume composition -57.0, slide +128.9, tariff revisions -6.0, etc.
    - Resource costs -62.4: volume +33.4, exchange -137.0, crude oil +34.0, etc.
  - Increase in enterprise tax and other fixed costs -5.2, etc.
- 3.5
- **Gas appliance Installation** +0.6 (+13.1%)
  - Increase in TES unit sales, increase in number of installation work ordered, etc.
- **Electric power business** +3.9 (+20.5%)
  - Increase in unit prices
- **Other energy** +0.6 (+8.7%)
  - LNG sales +2.9: Increase in sales volume (604 kt → 790 kt) (+0.5), increase in unit price (+2.4)
  - Energy-service -2.1: district heating and cooling cost to increase from a rise in resource prices due to yen depreciation, etc.
- **Overseas business** +4.1 (+164.7%)
  - Increase in production at Pluto, increase in earnings from Barnett, etc. +6.5
  - Decrease in interest received from Bajio -1.6, etc.
- **Real estate/ Others** -3.2 (-19.0%)
  - Construction -3.4: decrease in revenue following the completion of large-scale construction (LNG terminal)
- **Adjustment, etc.** +1.9

Non-operating income -7.8 (—)

- Revenue from dedicated facilities: -2.0
  Decrease in earnings from construction of dedicated facilities of pipelines for large-volume customers outside supply areas, etc.
- Foreign exchange loss to increase -3.9

Note: (+) & (-) refer to contributions to income.

FY2013 Uses of Cash Flow

TOKYO GAS

Capital expenditure

(Unit: billion yen)

Capex	Main items	Ref: initial plan
Tokyo Gas: 142.5 (-4.1, -2.8%)	Production facilities: 28.4 (+0.3) Hitachi LNG terminal construction, etc. Distribution facilities: 93.3 (-3.3) Ibaraki-Tochigi Line and other trunk line installation, New demand-side pipes and pipelines, etc. Service and maintenance facilities, etc.: 20.7 (-1.2) Systems-related investment, Tamachi development-related, etc.	Tokyo Gas: 146.6
Total of Consolidated Subsidiaries: 115.4 (+1.0,+0.9%)	Overseas upstream investment 69.9 On-site energy service 16.9 (ENAC), etc.	Total consolidated subsidiaries: 114.4
Total	254.0 (-4.0, -1.6% after eliminations in consolidation)	Total: 258.0 (after eliminations in consolidation)

*Numbers in parentheses refer to comparisons with FY2013 initial plan.

Investments and loans

11.7 (overseas businesses, etc. 20.7, collections on loans -9.0; unchanged from initial plan)

Returns to shareholders

62.7 (TG non-consolidated, on cash flow basis; unchanged from initial plan)
(Total of FY2012 year-end dividends' and FY2013 interim dividends' ¥26.7 billion, and FY2013 treasury stock purchases' ¥36.0 billion)

Next I will discuss the differences from our initial plan for the use of cash flow in FY2013. For capital investment, we have reduced our initial plan for Tokyo Gas by ¥4.1 billion, to ¥142.5 billion, and increased our plan for consolidated subsidiaries by ¥1.0 billion, to ¥115.4 billion, and after eliminations in consolidation this resulted in a ¥4.0 billion reduction, to ¥254.0 billion.

Meanwhile, our initial plan for investments and loans of ¥11.7 billion is unchanged.

We plan to return ¥62.7 billion to shareholders. We have already paid ¥14.1 billion as a year-end dividend for FY2012 and repurchased treasury stock shares in the amount of ¥36.0 billion during FY2013, and we intend to pay ¥12.5 billion as a ¥5 per share interim dividend for FY2013.

FY2013 Full Year Forecast: Funding Plan (Consolidated)

TOKYO GAS

Required funds and source of funds

[2Q Results]

Required Funds			Source of Funds	
Capex	121.9	Internal funding	Depreciation	66.5
Other Investment & Financing*	-5.2		Ordinary income	64.9
Dividends & Tax	48.2		Others	2.1
Share buyback	36.0		Total	133.5
Repayment (Non-consolidated)	17.4 (22.5)	Outside funding (Non-consolidated)		84.8 (76.5)
Total	218.3	Total		218.3

[FY2013 Full Year Forecast] (Unit: billion yen)

Required Funds			Source of Funds	
Capex	254.0	Internal funding	Depreciation	139.0
Other Investment & Financing*	11.7		Ordinary income	153.0
Dividends & Tax	68.2		Others	14.5
Share buyback	36.0		Total	306.5
Repayment (Non-consolidated)	53.0 (39.2)	Outside funding (Non-consolidated)		116.4 (107.3)
Total	422.9	Total		422.9

Interest-bearing debt

End of FY2012: 642.5 billion yen
End of FY2013 2Q: 718.7 billion yen End of FY2013 Forecast: 712.0 billion yen (-4.0 (vs. initial plan))

* Other investment & financing is the net amount of investment outlays and loan repayments.
The above does not include CP to be issued and redeemed within FY2013 as seasonal working capital.

20

Our funding plan for FY2013 is shown on slide 20. I will not go into details, except to say that we are forecasting a roughly ¥70.0 billion year-on-year increase in interest bearing debt as of the fiscal year-end, to ¥712.0 billion. This is ¥4.0 billion less than our initially planned ¥716.0 billion.

Key Indicators (Consolidated)

TOKYO GAS

(Unit: billion yen)

	FY2013 Current Forecast	FY2013 Previous Forecast	FY2012 Result
Total assets (a)	2,084.0	2,091.0	1,992.4
Shareholders' equity (b)	974.0	967.0	927.6
Shareholders' equity ratio (b)/(a)	46.7%	46.2%	46.6%
Interest-bearing debt (c)	712.0	716.0	642.5
D/E ratio (c)/(b)	0.73	0.74	0.69
Net income (d)	103.0	101.0	101.6
Depreciation and amortization (e)	139.0	140.0	138.7
Operating cash flow (d) + (e)	242.0	241.0	240.4
Capex	254.0	258.0	183.7
ROA: (d)/(a)	5.1%	4.9%	5.3%
ROE: (d)/(b)	10.8%	10.7%	11.5%
TEP	57.7	57.0	59.8
WACC	3.2%	3.2%	3.2%
Total payout ratio	approx. 60% (forecast)	approx. 60% (forecast)	60.7%

Notes: Shareholders' equity = Net assets – Minority interests
ROA = Net income / Total assets (average of the amounts as of the end of the previous period and end of the current period)
ROE = Net income / Shareholders' equity (average of the amounts as of the end of the previous period and end of the current period)
Balance sheet figures are as of the corresponding term-end
Operating cash flow = Net income + Depreciation and amortization (including amortization of long-term prepaid expenses)
Total payout ratio = (FYn dividends + (FYn+1) treasury stock purchased) / FYn consolidated net income
*Total number of issued stock: 2,517,551,295 (as of September 30, 2013)

TEP: (Tokyo Gas Economic Profit): Profit after taxes and before interest payments – Cost of capital (invested capital × WACC)
Items for WACC calculation (FY2013 forecast):
- Cost of interest bearing debt: interest (1.6%)
- Cost rate for shareholders' equity (average interest rate of 10-year JGBs for past 10 years : 1.3%)
- Risk premium: 4.0%; β 0.75
- Shareholders' equity used to calculate WACC is the average market cap

Slide 21 lists key indicators on a consolidated basis. I will skip the details, except to note that we expect to maintain a double-digit ROE for FY2013, at 10.8%.

Returns to Shareholders

TOKYO GAS

- Our financial policy is to provide returns to shareholders through dividends and stock repurchases, with a target total payout ratio (dividends and stock repurchases as a percentage of consolidated net income) of approximately 60% each year through FY2020.
- Based on our current forecast for FY2013 consolidated net income and the maintenance of a ¥10 dividend, our forecast for a 60% return to shareholders is as follows.

Maintaining 60% total payout ratio

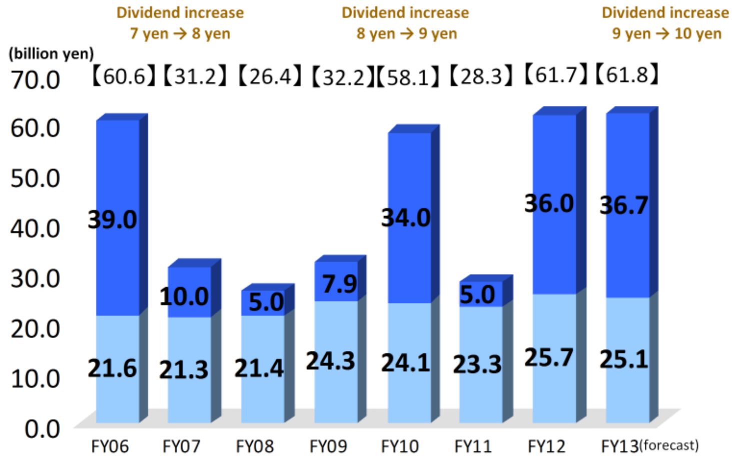
Total payout ratio 60.0%

= (FY2013 dividend ¥25.1 billion + FY2014 purchase of treasury stock ¥36.7 billion) / FY2013 consolidated net income ¥103.0 billion

* Total number of shares outstanding: 2,517,551,295 (As of September 30, 2013)

Change in total payout ratio and dividend

Dividend
Purchase of treasury stock



Total payout ratio (60.1%) (73.6%) (63.4%) (60.1%)(60.9%) (61.4%) (60.7%) (60.0%)

Turning to slide 22, I will discuss our returns to shareholders.

Included in our financial policy is the target of maintaining a total payout ratio of roughly 60% each year through FY2020, with returns to shareholders being made in the form of dividends and treasury stock purchases.

As shown in the chart, we have cleared this target each year since FY2006, and in FY2012 we implemented a ¥1 per share dividend increase.

If we are able to achieve our FY2013 results as planned, we expect to pay ¥25.1 billion in dividends for FY2013, and based on our policy of a total payout ratio of 60%, to purchase treasury stock in the amount of ¥36.7 billion.

4. Progress under Challenge 2020 Vision

Major Progress under Vision (Initiatives since Apr. 26, 2013 announcement)

TOKYO GAS

1. Gas resource procurement and overseas business

- Diversification of gas resource procurement
  Cove Point LNG Project in the United States, with which an LNG purchasing agreement (1.4 million tons/year) has been concluded, received approval from the U.S. Department of Energy for LNG exports to non-Free Trade Agreement (non-FTA) countries (September 2013).
- Development of overseas business
  Drilling of new gas wells and gas production at the Barnett basin shale gas development project in the United States are proceeding on schedule.

2. Production and distribution

- Construction of Ohgishima terminal No. 4 LNG Tank
  Construction of No. 4 LNG Tank completed (storage capacity of 250,000kl; full-scale operations from November 2013).
- Installation of natural gas infrastructure
  Installation of Hitachi LNG Terminal, Ibaraki-Tochigi Line proceeding on schedule; Shin-Negishi Line and 2nd Phase of Yokohama Line commenced operations.

3. Energy solution

- Spread and expansion of the use of distributed energy systems
  Jointly developed with Panasonic world's first ENE-FARM home fuel cell for condominiums and began accepting orders (October 2013).
- Expansion of electric power business
  Began construction of Ohgishima Power Station Unit 3 (June 2013).

Moving on, I would like to update you on our progress since 1Q under the Challenge 2020 Vision.

In terms of gas resource procurement and overseas businesses, the Cove Point LNG Project in the United States, with which we have concluded an LNG purchasing agreement, received approval from the U.S. Department of Energy in September for LNG exports to non-Free Trade Agreement countries.

With regard to production and distribution, we have completed construction of the Ohgishima No. 4 LNG Tank, with storage capacity of 250,000kl, and we plan to commence full-scale operations from November 2013.

In the area of energy solutions, we have recently developed with Panasonic the world's first ENE-FARM home fuel cell for condominiums, and have begun accepting orders.

Forecast for Medium- to Long-Term Earnings after Tariff Revisions

TOKYO GAS

Forecast

- **Going forward, we expect consolidated net income to recover to the FY2013 level in FY2016, with an improvement in the gas gross margin from increased sales volume and a contribution from earnings growth at overseas businesses more than offsetting the increase in depreciation from the Hitachi LNG terminal.**
- **For FY2017-20, expecting consolidated net income to steadily outpace Vision.**

Reference

Major management coefficients

	Current forecast	Challenge 2020 Vision
Consolidated operating cash flow FY2012 - FY2020 cumulative	¥2,370.0 billion	¥2,240.0 billion (Average of ¥250 billion p.a.)
ROE (FY2020)	Approx. 10%	Approx. 8%
ROA (FY2020)	Approx. 5%	Approx. 4%
D/E ratio (FY2020)	Approx. 0.7	Approx. 0.8

Cash flow allocation (2012-2020 cumulative)

	Current forecast	Challenge 2020 Vision
Capex	¥1,930.0 billion (73%)	¥1,680.0 billion (68%)
Investments and loans	¥200.0 billion (7%)	¥380.0 billion (16%)
Returns to shareholders	¥510.0 billion (20%)	¥420.0 billion (17%)
External borrowings	¥270.0 billion	¥240.0 billion

Finally, I would like to discuss our outlook for medium- to long-term earnings following the tariff revisions.

With these tariff revisions, a one-time profit decline in FY2014 will be unavoidable.

Nevertheless, with an improvement in the gas gross margin from increased sales volume and a contribution from earnings growth at overseas businesses more than offsetting the increase in depreciation from the Hitachi LNG terminal, we expect consolidated net income in FY2016 to recover to the FY2013 level.

In addition, looking ahead to FY2020, even with the decrease in excess profit from small-volume customers, with a solid boost to earnings from increased gas sales and growth in earnings from the overseas and electric power businesses, we expect to exceed our final-year target for FY2020 consolidated net income under the Vision.

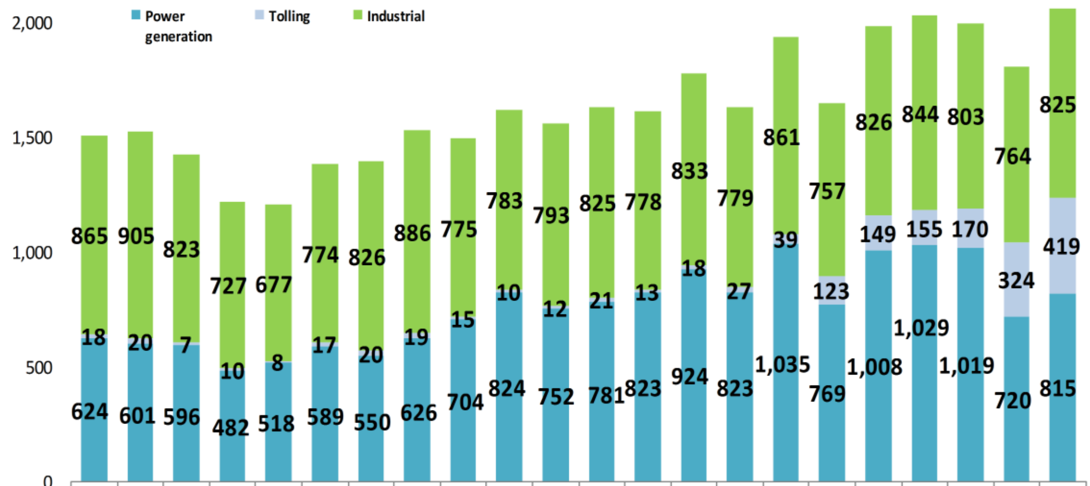
5. Reference Materials

Transition of Industrial-use Gas Sales Volume (Quarterly, including Portion Used In-house under Tolling Arrangement)

TOKYO GAS

Consolidated

(mil. m^3, 45MJ/m^3)



	08 1Q	08 2Q	08 3Q	08 4Q	09 1Q	09 2Q	09 3Q	09 4Q	10 1Q	10 2Q	10 3Q	10 4Q	11 1Q	11 2Q	11 3Q	11 4Q	12 1Q	12 2Q	12 3Q	12 4Q	13 1Q	13 2Q
Total	1,507	1,526	1,426	1,219	1,203	1,380	1,396	1,531	1,494	1,617	1,557	1,627	1,614	1,775	1,629	1,935	1,649	1,983	2,028	1,992	1,808	2,059
Industrial	865	905	823	727	677	774	826	886	775	783	793	825	778	833	779	861	757	826	844	803	764	825
Tolling	18	20	7	10	8	17	20	19	15	10	12	21	13	18	27	39	123	149	155	170	324	419
Power generation	624	601	596	482	518	589	550	626	704	824	752	781	823	924	823	1,035	769	1,008	1,029	1,019	720	815

* Lehman shock

* Great East Japan Earthquake

Gross Margin Sensitivity to Changes in Oil Price and Exchange Rate

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Impact of rising JCC by $1/bbl

(Unit: billion yen)

		Impact on earnings		
		3Q	4Q	2nd half
Period	3Q	-0.2	-1.0	-1.2
	4Q		-0.1	-0.1
	2nd half	-0.2	-1.1	-1.3

Impact of yen depreciation by ¥1/$

(Unit: billion yen)

		Impact on earnings		
		3Q	4Q	2nd half
Period	3Q	-1.3	1.2	-0.1
	4Q		-1.6	-1.6
	2nd half	-1.3	-0.4	-1.7

TOKYO GAS

< Cautionary Statement regarding Forward-looking Statements >

Statements made in this presentation with respect to Tokyo Gas's present plans, forecasts, strategies and beliefs, and other statements herein that are not expressions of historical fact are forward-looking statements about the future performance of the Company. As such, they are based on management's assumptions and opinions stemming from currently available information and therefore involve risks and uncertainties.

The Company's actual performance may greatly differ from these projections, due to these risks and uncertainties which include without limitation general economic conditions in Japan, crude oil prices, the weather, changes in the foreign exchange rate of the yen, rapid technological innovations and the Company's responses to the progress of deregulation.

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