TSE:9531

FY2014 2Q Financial Results

TOKYO GAS

October 30, 2014

1. FY2014 2Q Consolidated Financial Results ended September 30, 2014

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FY2014 2Q Consolidated Financial Results (Apr. 1, 2014 – Sep. 30, 2014) <vs. FY2013 2Q>

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Highlights: 5th consecutive first half-year period of revenue growth, 3rd of profit growth (record sales and profit at all 3 levels)

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

Net sales +97.5 (+10.4%):
- + Increase in city gas sales (+73.2 (+11.0%): sales volume +38.9, unit sales price +35.1 (slide +41.1, tariff revision -9.4, etc.))
- + Increase in electricity sales (+16.6 (+24.8%): sales volume +7.7, unit sales price +8.8)
- + Increase in overseas sales (+6.4 (+73.7%): increase in sales at Pluto, increased sales from full-year Barnett contribution, etc.)

Sliding time lag effect +3.0 (+10.9→+13.9)

Operating expenses -91.5 (-10.6%):
- - Increase in city gas resource costs (-72.9 (-17.8%): sales volume -33.7, unit sales price -39.2 (exchange rate -15.3, crude oil -0.3, price revision, etc.))
- - Increase in electricity fuel costs (-15.2 (-35.0%): sales volume -5.0, unit sales price -10.1)

Operating income +6.0 (+8.9%):
- + Increase in city gas profit (+0.8 (+1.3%): gas gross margin +1.1 (sales volume +5.2 (incl. temp effect +0.7), unit sales price -4.1 (slide +3.0, tariff revision -9.4, etc.))
- + Increase in electricity profit (+2.1 (+20.7%): electric power gross profit +1.4 (sales volume +2.7, unit sales price -1.3))
- + Increase in overseas profit (+2.0 (+119.0%): increase in earnings at Pluto, etc.)

Extraordinary income +11.8 (-2.0 →+9.8):
- + Gain on sales of non-current assets +5.4, Gain on sales of investment securities +4.8, etc.

(Unit: billion yen)

	2014 2Q results	2013 2Q results	Change	%	Previous forecast (July 31)	Change	%
Gas sales volume (mil. m^3, 45MJ)	7,192	6,673	+519	+7.8%	7,136	+56	+0.8%
Electricity sales volume (billion kWh)	5.31	4.76	+0.55	+11.6%	5.37	-0.06	-1.1%
Net sales	1,031.0	933.5	+97.5	+10.4%	1,033.0	-2.0	-0.2%
Operating expenses	956.4	864.9	+91.5	+10.6%	970.0	-13.6	-1.4%
Operating income	74.5	68.5	+6.0	+8.9%	63.0	+11.5	+18.3%
Ordinary income — (a)	72.6	64.9	+7.7	+11.8%	62.0	+10.6	+17.1%
Net income	57.0	42.7	+14.3	+33.3%	53.0	+4.0	+7.5%
Temperature effect — (b)	-3.4	-4.1	+0.7	—	-3.8	+0.4	—
Sliding time lag effect — (c)	13.9	10.9	+3.0	—	10.5	+3.4	—
Depreciation of pension actuarial differences — (d)	1.5	-1.1	+2.6	—	1.5	0.0	—
Adjusted ordinary income — (a) - ((b)+(c)+(d))	60.6	59.2	+1.4*	+2.4%	53.8	+6.8	+12.6%
Adjusted net income	48.8	38.9	+9.9	+25.4%	47.3	+1.5	+3.2%

* +1.4: Increase in gas sales volume +4.5 (excl. temp. effect +0.7), tariff revision -9.4, electric power +2.1, overseas +2.0, other segment, etc. +2.2

Economic frame (2Q)	Exchange rate (¥/$)	JCC ($/bbl)	Avg. temperature (℃)
FY2014	103.01	109.50	21.9
FY2013	98.86 (+4.15)	107.69 (+1.81)	22.3 (-0.4)
Previous forecast	103.59 <-0.58>	109.76 <-0.26>	22.0 <-0.1>

Expected rate of return: 2%

Pension asset	Investment yield (Cost deducted)	Year-end assets (Billion yen)
FY2014 2Q cumulative	2.54%	276.0

(Billion yen)	FY2014 2Q	FY2013 2Q	Change	%
Capex	86.4	121.9	-35.5	-29.1%

(Figures in brackets are year-on-year increase/decrease), <Figures in parenthesis are increase/decrease vs. previous forecast> 2

First, I will explain the overview of our financial results for the first half of fiscal year 2014. As shown on Slide 2, we recorded year-on-year sales and income growth for the first half. This was our fifth consecutive period for net sales growth and our third for income growth. Operating income, ordinary income and net income all increased and marked the highest record in the first half of fiscal year.

Net sales increased by 10.4% or 97.5 billion yen year-on-year, to 1, 031 billion yen.

Looking at drivers for the sales growth, a 11.0% increase in city gas (+73.2 billion yen) year-on-year was mainly attributable to a 7.8% increase in city gas sales volume (+519 million cubic meters) as well as an improvement in sales unit prices under the gas rate adjustment system by 41.1 billion yen resulting from a rise in LNG price under the depreciation of the yen by 4.15 yen per US Dollar.

In addition, revenues in the electric power business increased 24.8% (+16.6 billion yen), due to a 11.6% increase in electricity sales volume and a rise in unit sales prices.

On the other hand, operating expenses rose by 91.5 billion yen or 10.6% to 956.4 billion, due mainly to a 17.8% increase in city gas resource cost (+72.9 billion yen) as well as a 35% rise in costs associated with the electric power business (+15.2 billion yen).

As a result, operating income rose 8.9% year-on-year, to ¥74.5 billion, and ordinary income increased 11.8%, to ¥72.6 billion.

Extraordinary income increased 11.8 billion yen year-on -year, reflecting the gain on sale of land and securities in amount of 5.4 billion yen and 4.6 billion yen, respectively.

As a result, net income increased 33.3% to ¥57.0 billion.

In addition, the sliding time lag associated with resource costs improved by 3 billion yen to as compared to the fiscal 2013 first half (+10.9 billion yen), and its contribution to the operating income amounted to 13.9 billion yen.

FY2014 2Q Consolidated Gas Sales Volume

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FY13 2Q Results→ FY14 2Q Results

+519 mil m³ (+7.8%)
Including temperature effect:
-9 mil. m³, -0.1%

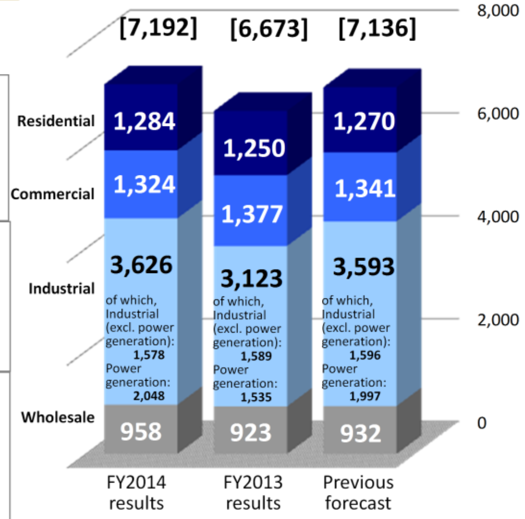
■ Residential	+34 mil. m³ (+2.7%)
●Temperature effect	+10 mil. m³
●Number of days	-6 mil. m³
●Number of customers	+19 mil. m³
●Others	+11 mil. m³
■ Commercial	-53 mil. m³ (-3.8%)
●Temperature effect	-21 mil. m³
●Number of days	-15 mil. m³
●Number of customers	+3 mil. m³
●Others	-20 mil. m³
■ Industrial	+503 mil. m³ (+16.1%)
●Industrial:	-11 mil. m³
Portion from decrease outside Kashima area	-42 mil. m³
●Power generation:	+513 mil. m³
Portion from increase in Kashima area	+586 mil. m³
■ Wholesale	+35 mil. m³ (+3.9%)
●Temperature effect	+2 mil. m³
●Others	+33 mil. m³
Increase in demand from wholesale suppliers, etc.	

Previous forecast → FY14 2Q Results

+56 mil m³ (+0.8%)
Including temperature effect:
+3 mil. m³, +0.0%

■ Residential	+14 mil. m³ (+1.1%)
●Temperature effect	+5 mil. m³
●Number of days	-0 mil. m³
●Number of customers	+1 mil. m³
●Others	+8 mil. m³
■ Commercial	-17 mil. m³ (-1.3%)
●Temperature effect	-3 mil. m³
●Number of days	0 mil. m³
●Number of customers	-7 mil. m³
●Others	-8 mil. m³
■ Industrial	+33 mil. m³ (+0.9%)
●Industrial:	-18 mil. m³
Portion from decrease outside Kashima area	-19 mil. m³
●Power generation:	+51 mil. m³
Portion from increase in Kashima area	+70 mil. m³
■ Wholesale	+26 mil. m³ (+2.8%)
●Temperature effect	+1 mil. m³
●Others	+25 mil. m³
Increase in demand from wholesale suppliers, etc.	

Gas sales volume: (Figures are rounded to nearest mil. m³.)



	FY2014 2Q	FY2013 2Q	Change
LNG liquid sales volume (thousand t)	378	343	+35
Average temperature (℃)	21.9	22.3	-0.4

(10 thousand)

	FY2014 2Q	FY2013 2Q	Change
Number of customer	1,116.8	1,102.5	+14.3 (+1.3%)
Net increase during the 1st half	5.7	4.7	+1.0 (+21.7%)

3

Next, let us look at gas sales volume.

As shown in the lower right-hand corner of Slide 3, the number of users increased 143,000 or 1.3% over the past year. The net increase in the number for the first half was an increase of 10,000 or 21.7%.

Gas sales volume for the first half increased 519 million cubic meters or 7.8% year-on-year, to 7,192 million cubic meters.

Residential gas sales volume increased by 2.7% to 1,284 million cubic meters, due to an increase in the number of household users an improved hot water demand affected by cooler temperature in summer season than the previous year.

Commercial-use sales volume decreased by 3.8% to 1,324 million cubic meters, due mainly to a decline in demand for air-conditioner resulting from cooler temperature in summer season, further energy saving measures by users and a decrease in the number of gas usage days from the same period a year earlier attributable to gas meter reading schedule.

Industrial-use gas sales volume increased by 16.1% to 3.626 million cubic meters driven by a growing demand for electric power generation mainly in the Kashima area

Additionally, note that the demand for general industrial-use in areas other than Kashima dropped 2.8% year-on-year. Therefore, we do not see that an improvement in capacity utilization by users is attributable to the so-called Abenomics effects.

Wholesale sales volume was 923 million cubic meters, an increase of 3.9% or 35 million cubic meters year-on-year, due mainly to a growing demand from wholesale suppliers.

This figure includes an increase in sales volume of 84 million cubic meters for electric power-generation-use.

Changes in Gas Sales Volume Including Tolling

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FY2014 2Q Results

● Gas sales volume including portion used in-house under tolling arrangement

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

	FY2014 2Q	FY2013 2Q	Change	Previous forecast	Change
Gas sales volume (financial accounting basis)	7,192	6,673	+519 +7.8%	7,136	+56 +0.8%
Gas volume used in-house under tolling arrangement	831	743	+88 +11.7%	845	-14 -1.7%
Total	8,023	7,416	+607 +8.2%	7,981	+42 +0.5%

● Gas sales volume for industrial-use (Unit: million m^3)

	Kashima area	Other area	Total
Power generation	783	1,265	2,048
vs. FY2013 2Q	+586 (+298.8%)	-74 (-5.5%)	+513 (+33.4%)
vs. Previous forecast	+70 (+9.8%)	-19 (-1.5%)	+51 (+2.5%)
General industrial	102	1,475	1,578
vs. FY2013 2Q	+31 (+43.8%)	-42 (-2.8%)	-11 (-0.7%)
vs. Previous forecast	+1 (+1.4%)	-19 (-1.3%)	-18 (-1.1%)
Total	885	2,741	3,626
vs. FY2013 2Q	+618 (+230.9%)	-115 (-4.0%)	+503 (+16.1%)
vs. Previous forecast	+71 (+8.8%)	-38 (-1.4%)	+33 (+0.9%)

(Ref.)
Power-generation sales volume included in wholesale sales

(mil. m^3)

Power generation	84
vs. FY2013 2Q	+84 (-)
vs. Previous forecast	+21 (+32.8%)

4

Slide 4 shows gas sales volume including the portion used in tolling, which is not recorded in gas sales volume.

Including this portion, the real total gas volume increased by 8.2% or 607 million cubic meters year-over-year.

FY2014 2Q Net Sales and Operating Income/Loss by Business Segment <vs. FY2013 2Q>

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(Unit: billion yen)

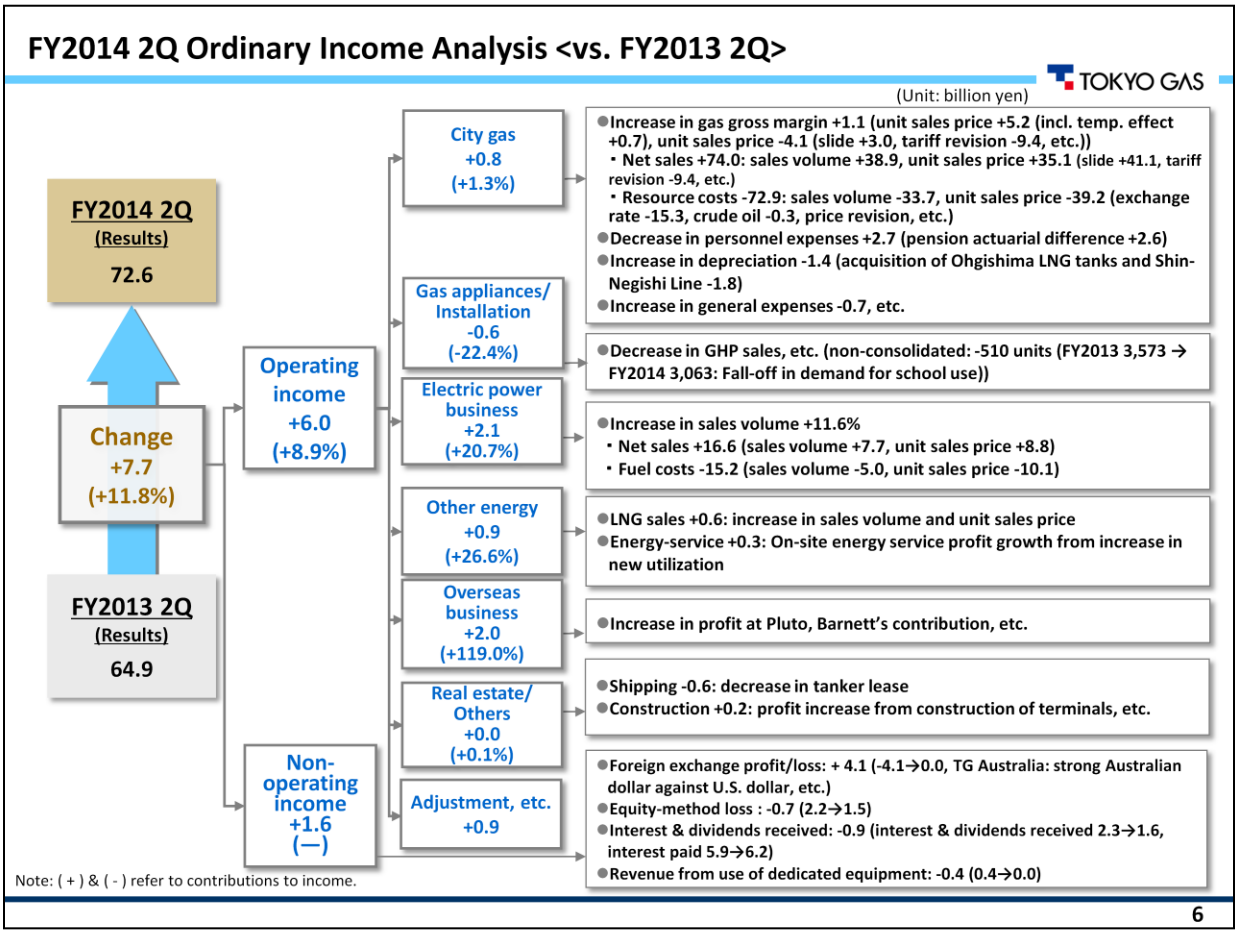
	Net Sales				Segment Income			
	FY2014 2Q	FY2013 2Q	Change	%	FY2014 2Q	FY2013 2Q	Change	%
City gas	737.8	664.6	73.2	11.0	66.7	65.9	0.8	1.3
Gas appliances and installation work	86.6	93.3	-6.7	-7.2	2.3	2.9	-0.6	-22.4
Other energy	193.7	165.8	27.9	16.8	16.3	13.3	3.0	22.2
(Electric power business)	83.2	66.6	16.6	24.8	12.0	9.9	2.1	20.7
Real estate	13.0	14.5	-1.5	-10.2	3.1	3.1	-0.0	-0.3
Others	96.1	83.6	12.5	14.9	6.0	4.0	2.0	49.9
(Overseas business)	15.1	8.7	6.4	73.7	3.6	1.6	2.0	119.0
Adjustment	-96.4	-88.5	-7.9	—	-20.0	-20.9	0.9	—
Consolidated	1,031.0	933.5	97.5	10.4	74.5	68.5	6.0	8.9

Notes:
- Net sales by business segment include internal transactions.
- “Other energy” includes energy-service, liquefied petroleum gas, electric power and industrial gas, LNG sales.
- “Others” includes businesses in construction, information processing service, 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).

Then I will explain operating results by segment.

Slide 5 shows net sales and operating income/loss by segment, with year-on-year comparisons

Operating income increased in most segments. The reasons for increases and decreases in operating income of each segment are outlined on the following slid.



Operating income for city gas segment grew 1.3% or 800 million yen year-on-year. This increase was driven by an increase in gas sales volume of 5.2 billion yen and the sliding time lag effect of 3 billion yen, as I explained earlier, as well as a decrease in salaries and benefits of 2.7 billion yen due mainly to a drop in amortization of actuarial gain or loss of pensions, which more than offset the effect of this tariff revision introduced in December 2013 on earnings by 9.4 billion.

Operating income for gas appliances and installation segment decreased 22.4% or 600 million yen year-on-year, due mainly to a drop in sales of GHP and a fading of a surge in consumer spending after the introduction of consumption tax.

Operating income in electric power business segment grew 20.7% or 2.1 billion yen year-on-year, due mainly to a significant increase in electricity sales volume of 11.6% or 5.3 billion kilowatt hour caused by an improvement in capacity utilization especially by shortening regular inspection period at each power plant, which more than offset a rise in resource costs.

Operating income for overseas business segment saw a significant increase of 119.0% or 2 billion year-on-year, mainly due to the increased income in Pluto and Barnett.

2. FY2014 Full Year Forecast

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FY2014 Full Year Forecast (Apr. 1, 2014 – Mar. 31, 2015) <vs. Previous forecast announced on Jul. 31>

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Highlights: Sales Growth, Profit Increase

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

Net sales +3.0 (+0.1%) :
- − Increase in city gas sales (-1.7 (-0.1%): sales volume and composition +5.8, unit sales price -8.0 (slide -8.0) etc.)
- \+ Increase in electricity sales (+1.9 (+1.1%): sales volume +1.5, unit sales price +0.4)
- \+ Increase in overseas sales (+1.8 (+5.1%): increase in sales at Pluto and Barnett, etc.)

Sliding time lag effect +7.3 (+3.5 → +10.8)

Operating expenses +9.0 (+0.4%) :
- \+ Decrease in city gas resource costs (+10.7 (+1.0%): sales volume -4.6, unit sales price +15.3 (exchange rate -19.7, crude oil +31.4, etc.))
- \+ Decrease in electricity fuel costs (+0.4 (+0.3%): sales volume -1.1, unit sales price +1.5)
- \+ Decrease in LNG resource costs (+1.8 (+2.0%): sales volume: +0.6, unit sales price +1.2)

Operating income +12.0 (+9.0%) :
- \+ Increase in city gas profit (+8.3 (+6.4%): gas gross margin +8.5 (sales volume +1.2 (incl. temp. effect +0.4), unit sales price +7.3 (slide +7.3))
- \+ Increase in electricity profit (+1.9 (+12.8%): sales volume +0.1, unit sales price +1.8)
- \+ Increase in LNG sales profit (+1.6 (+37.5%): sales volume +0.0, unit sales price +1.6)

(Unit: billion yen)

	Current forecast	Previous forecast	Change	%	FY2013	Change	%
Gas sales volume (mil. m^3, 45MJ)	15,387	15,326	+61	+0.4%	14,735	+652	+4.4%
Net sales	2,291.0	2,288.0	+3.0	+0.1%	2,112.1	+178.9	+8.5%
Operating expenses	2,146.0	2,155.0	-9.0	-0.4%	1,946.0	+200.0	+10.3%
Operating income	145.0	133.0	+12.0	+9.0%	166.0	-21.0	-12.7%
Ordinary income — (a)	137.0	126.0	+11.0	+8.7%	159.6	-22.6	-14.2%
Net income	103.0	97.0	+6.0	+6.2%	108.4	-5.4	-5.0%
Temperature effect — (b)	-3.4	-3.8	+0.4	—	-2.5	-0.9	—
Sliding time lag effect — (c)	10.8	3.5	+7.3	—	16.4	-5.6	—
Depreciation of pension actuarial differences — (d)	3.0	3.0	0.0	—	-2.2	+5.2	—
Adjusted ordinary income — (a) - ((b)+(c)+(d))	126.6	123.3	+3.3*	+2.7%	147.9	-21.3	-14.4%
Adjusted net income	95.8	95.1	+0.7	+0.7%	100.7	-4.9	-4.9%

* +3.3: Gas sales volume +0.8 (excl. temp. effect +0.4), electricity +1.9, LNG sales +1.6, other segment, etc. -1.0

Economic frame	Foreign exchange rate (¥/$)	JCC ($/bbl)	Average temp. (℃)
Current forecast	106.51	104.75	16.9
Previous forecast	104.29 (+2.22)	109.88 (-5.13)	16.9 (0.0)
FY2013	100.17 <+6.34>	110.00 <-5.25>	17.0 <-0.1>

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

Expected rate of return: 2%

Pension asset	Investment yield *cost deducted	Discount rate	Year-end assets (billion yen)
FY2013	1.61%	1.5%	273.0
FY2012	6.10%	1.4%	276.0

(Unit: billion yen)

Capex	Current forecast	Previous forecast	Change	%
FY2014	237.0	237.0	0.0	0.0%

8

Next, on Slide 8, I will discuss our full-year forecast for FY2014.

We have revised our full year earnings forecast announced in July 2014. We made upward revision on net sales and income items. However, we expect that net sales would increase but net income would drop from the previous fiscal year.

With regard to the economic assumptions framing our consolidated results forecast for FY2014 which are shown in the lower left-hand corner of the page, we anticipate a crude oil price of $100 per barrel and a foreign exchange rate of ¥110/$ for the second half of the fiscal year, revising the previous forecast by a drop of 5.13 USD per barrel and by a depreciation of the yen against USD by 2.22 yen for the full year.

With regard to our full-year gas sales volume forecast, based on the actual results up to the second quarter in particular for an increase in wholesale sales volume and strong demand for industrial power generation in summer season, we made an upper revision by 0.4% or 60 million cubic meters to 16,387 million cubic meters against the previous forecast.

We expect that gas sales volume for industrial power generation would increase 0.9%

We expect that full year net sales would increase by 0.1% or 3 billion yen to 2,291 billion yen from the previous forecast. This upward revision reflects a drop in sales in city gas segment due to the review of the economic assumptions framing our consolidated results forecast as I explained earlier as well as an increase in sales for electric power business and overseas business segments.

We have reduced our forecast for operating expenses by 0.4% or 9 billion yen from the previous forecast, mainly to reflect lower city gas resource costs by 10.7 billion yen resulting from the review of the economic assumptions framing our consolidated results forecast.

As a result, operating income for the full year was revised upward by 9.0% or 12 billion yen to 145 billion yen from the previous forecast, and ordinary income was revised upward by 8.7% or 11 billion yen to 137 billion yen.

Net income was revised upward by 6.2% or 6 billion yen to 103 billion yen from the previous forecast.

In addition, extraordinary gain is almost the same as the previous forecast.

Sliding time lag effect stemming from changes in resource costs was revised to 10.8 billion yen by an increase of 7.5 billion from the previous forecast of a 3.5 billion yen surplus from a year-earlier.

Note, however, that sliding time lag effect stemming from changes in resource costs is just an expected value. In particular, the average value in Japan is computed by us. Since the value is expected to fluctuate in the future, we will update the value in each earnings announcement based on our latest forecast.

FY2014 Full Year Forecast: Consolidated Gas Sales Volume <vs. Previous Forecast (Announced on July 31)>

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Previous Forecast → Current Forecast

+61 mil. m^3 (+0.4%)

Including temp. effect +2 mil m^3, +0.0%

- **Residential** +14 mil. m^3 (+0.4%)
  - Temperature effect +5 mil. m^3
  - Number of days -0 mil. m^3
  - Number of customers +1 mil. m^3
  - Others +9 mil. m^3
- **Commercial** -28 mil. m^3 (-1.0%)
  - Temperature effect -3 mil. m^3
  - Number of days 0 mil. m^3
  - Number of customers -7 mil. m^3
  - Others -18 mil. m^3
- **Industrial** +25 mil. m^3 (+0.4%)
  - Industrial: -19 mil. m^3
    Portion from decrease outside Kashima area -14 mil. m^3
  - Power generation: +44 mil. m^3
    Portion from increase in Kashima area +78 mil. m^3
- **Wholesale** +49 mil. m^3 (+2.5%)
  - Temperature effect +1 mil. m^3
  - Others +48 mil. m^3
    Increase in demand from wholesale suppliers, etc.

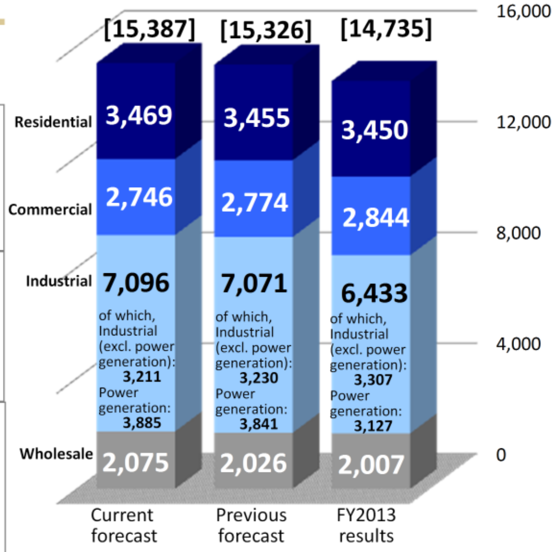
FY2013 Results → Current Forecast

+652 mil. m^3 (+4.4%)

Including temp. effect -39 mil m^3, -0.3%

- **Residential** +19 mil. m^3 (+0.6%)
  - Temperature effect +1 mil. m^3
  - Number of days -12 mil. m^3
  - Number of customers +49 mil. m^3
  - Others -18 mil. m^3
- **Commercial** -98 mil. m^3 (-3.5%)
  - Temperature effect -39 mil. m^3
  - Number of days -21 mil. m^3
  - Number of customers +3 mil. m^3
  - Others -41 mil. m^3
- **Industrial** +663 mil. m^3 (+10.3%)
  - Industrial: -96 mil. m^3
    Portion from decrease outside Kashima area -114 mil. m^3
  - Power generation: +758 mil. m^3
    Portion from increase in Kashima area +896 mil. m^3
- **Wholesale** +68 mil. m^3 (+3.4%)
  - Temperature effect -0 mil. m^3
  - Others +68 mil. m^3
    Increase in demand from wholesale suppliers, etc.

Gas Sales Volume: (Figures are rounded to nearest mil. m^3.)



	Current forecast	Previous forecast	Change
LNG liquid sales volume (thousand t)	949	955	-6
Average temperature (℃)	16.9	16.9	0.0

Number of customers (Unit: 10 thousand)

Current forecast	Previous forecast	Change
1,124.4	1,123.8	+0.6 (+0.1%)

9

Now I will move on to our full-year gas sales volume forecast.

As I explained earlier, we made a small upward revision of our full year forecast on consolidated gas sales volume for fiscal year 2014 by 0.4% or 60 cubic meters to 15,387 cubic meters.

Then I will explain the breakdown of our full year forecast on consolidated gas sales volume.

Regarding the forecast temperature, we computed the average figure based on historical data for ten years as we did in the previous forecast. The forecast temperature for the full year is 16.9 degrees Celsius, as the same as the previous forecast.

We have remained the precious forecast on residential gas sales volume for the second half, and incorporated the effect from the actual difference due to lower temperature in the second quarter. As a result, residential gas sales volume was revised upward by 0.4% or 14 million cubic meters from the full year previous forecast.

Commercial gas sales volume for the first half fell short of the initial plan, reflecting the stronger than expected trend for energy conservation. Assuming that this trend will continue further through the second half, we revised the full-year forecast downward by 1.0% or 28 million cubic meters.

In the industrial use, given that power generation demand exceeded the previous forecast, we revised upward revision by 0.4% or 25 million cubic meters.

Looking at the breakdown of industrial use gas sales volume forecast by use, gas sales volume for general industrial use for the full year was revised downward by 19 million cubic meters as a result of incorporating the actual difference from the previous forecast (shortage of 18 million cubic meters) while we remained the precious forecast on gas sales volume for general industrial use.

We revised the full-year forecast of sales volume for power generation upward by 44 million cubic meters from the previous forecast, based on the strong first half sales volume to Tepco Kashima Power Station through the upgrade of gas turbines to combined cycle turbines.

In respect of wholesale sales volume, given that the demand from wholesale customers has been consistent, we have revised upward for our full-year forecast for wholesale sales volume by 2.5% or 49 million cubic meters from the previous forecast.

Changes in Gas Sales Volume Including Tolling

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FY2014 Forecast

●**Gas sales volume including portion used in-house under tolling arrangement**

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

	Current forecast	Previous forecast	Change	FY2013	Change
Gas sales volume (financial accounting basis)	15,387	15,326	+61 +0.4%	14,735	+652 +4.4%
Gas volume used in-house under tolling arrangement	1,676	1,664	+12 +0.7%	1,510	+166 +11.0%
Total	17,063	16,990	+73 +0.4%	16,245	+818 +5.0%
Forecast as per Challenge 2020 Vision:	18,249	18,184	+65	17,225	+1,024

●**Gas sales volume for industrial-use (Unit: million m^3)**

	Kashima area	Other	Total
Power generation	1,477	2,408	3,885
vs. Previous forecast	+78 (+5.5%)	-33 (-1.4%)	+44 (+1.1%)
vs. FY2013 results	+896 (+154.2%)	-138 (-5.4%)	+758 (+24.3%)
General industrial	203	3,008	3,211
vs. Previous forecast	-5 (-2.4%)	-14 (-0.5%)	-19 (-0.6%)
vs. FY2013 results	+19 (+10.1%)	-114 (-3.7%)	-96 (-2.9%)
Total	1,680	5,416	7,096
vs. Previous forecast	+73 (+4.5%)	-48 (-0.9%)	+25 (+0.4%)
vs. FY2013 results	+915 (+119.5%)	-252 (-4.4%)	+663 (+10.3%)

(Ref.)
Power-generation sales volume included in wholesale sales

(mil. m^3)

Power generation	173
vs. FY2013 results	+157 (+1,031.4%)
vs. Previous forecast	+43 (+33.3%)

10

Slide 10 shows our forecast for gas sales volume including the portion used in tolling, which indicate almost the same as the previous forecast.

FY2014 Full Year Forecast: Net Sales and Operating Income/Loss by Business Segment <vs. Previous forecast (Announced on July 31)>

TOKYO GAS

(Unit: billion yen)

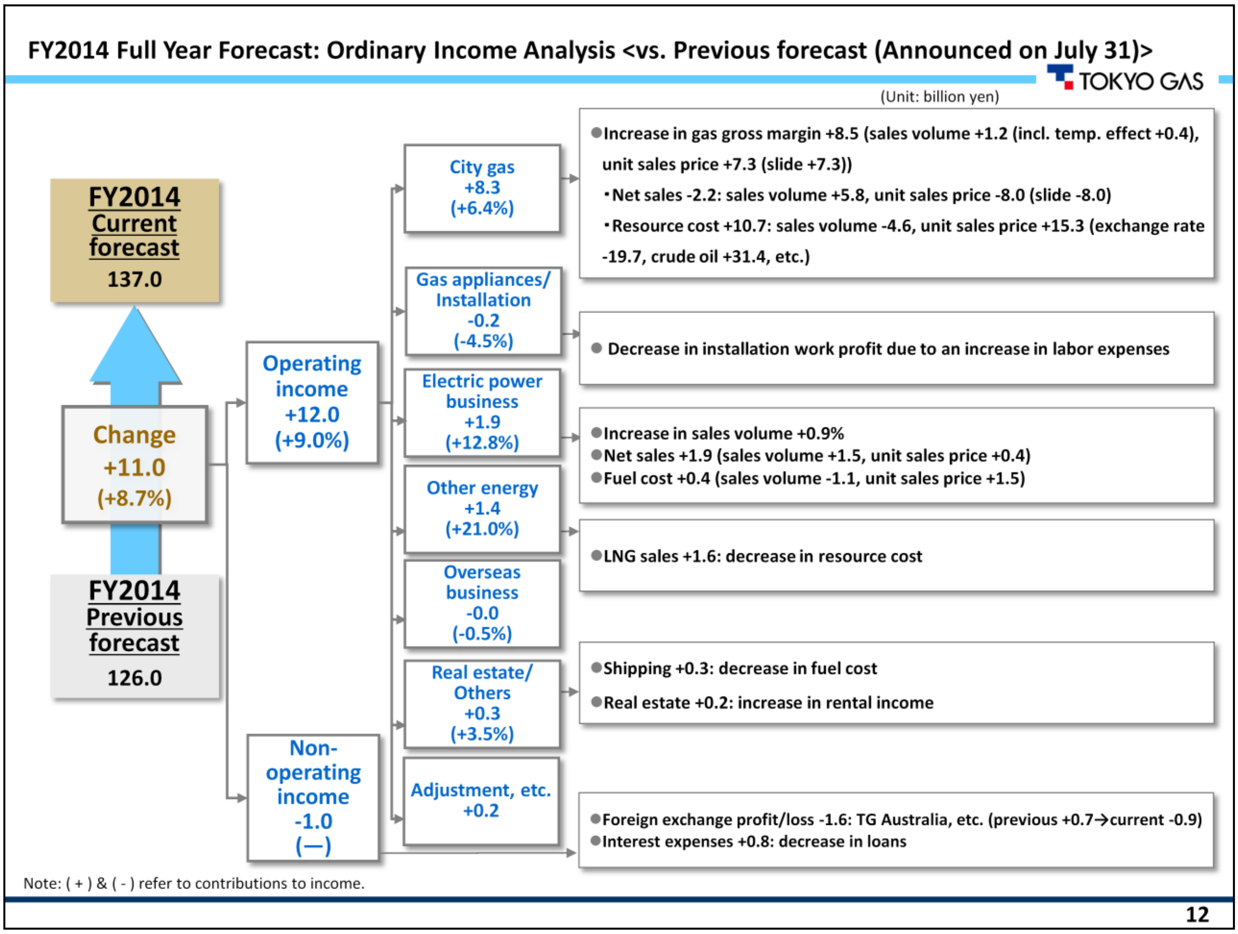
	Net Sales				Segment Income			
	Current forecast	Previous forecast	Change	%	Current forecast	Previous forecast	Change	%
City gas	1,624.2	1,625.9	-1.7	-0.1	137.1	128.8	8.3	6.4
Gas appliances and installation work	210.8	209.9	0.9	0.4	4.2	4.4	-0.2	-4.5
Other energy	415.0	414.6	0.4	0.1	25.8	22.4	3.4	15.2
(Electric power business)	165.5	163.6	1.9	1.1	17.8	15.9	1.9	12.8
Real estate	24.2	24.1	0.1	0.4	4.1	3.9	0.2	5.1
Others	213.5	209.3	4.2	2.0	15.9	15.8	0.1	0.6
(Overseas business)	36.6	34.8	1.8	5.1	9.6	9.6	-0.0	-0.5
Adjustment	-196.7	-195.8	-0.9	—	-42.1	-42.3	0.2	—
Consolidated	2,291.0	2,288.0	3.0	0.1	145.0	133.0	12.0	9.0

Notes:
- Net sales by business segment include internal transactions.
- “Other energy” includes energy-service, liquefied petroleum gas, electric power and industrial gas, LNG sales.
- “Others” includes businesses in construction, information processing service, 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 11 gives comparisons of our full-year forecasts for net sales and operating income/loss by segment, with comparisons with our previous forecasts. We have revised upward for operating income in most segments.

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



We expect that operating income for city gas segment would improve by 6.4% or 8.3 billion, due mainly to an effect from the sliding time lag associated with resource costs by 7.3 billion yen based on the review of the economic assumptions framing our consolidated results forecast.

We expect that operating income for electric power business would increase 12.8% or 1.9 billion yen, due mainly to a reduction in unit fuel cost and an increase in unit sales price.

We expect operating income for other energy segment would grow by 21.0% or 1.4 billion, due mainly to an increase in LNG sales by 1.6 billion through the sliding time lag effect based on the review of the economic assumptions framing our consolidated results forecast.

FY2014 Full Year Forecast: Net Sales and Operating Income/Loss by Business Segment <vs. FY2013 Results >

TOKYO GAS

(Unit: billion yen)

	Net Sales				Segment Income			
	Current forecast	FY2013	Change	%	Current forecast	FY2013	Change	%
City gas	1,624.2	1,505.1	119.1	7.9	137.1	152.6	-15.5	-10.2
Gas appliances and installation work	210.8	221.7	-10.9	-4.9	4.2	7.6	-3.4	-45.0
Other energy	415.0	357.5	57.5	16.1	25.8	32.5	-6.7	-20.7
(Electric power business)	165.5	135.9	29.6	21.7	17.8	24.4	-6.6	-26.7
Real estate	24.2	28.3	-4.1	-14.5	4.1	5.7	-1.6	-28.1
Other	213.5	199.3	14.2	7.1	15.9	11.6	4.3	36.0
(Overseas business)	36.6	22.1	14.5	65.6	9.6	2.8	6.8	233.4
Adjustment	-196.7	-200.0	3.3	—	-42.1	-44.1	1.9	—
Consolidate	2,291.0	2,112.1	178.9	8.5	145.0	166.0	-21.0	-12.7

Notes:
- Net sales by business segment include internal transactions.
- “Other energy” includes energy-service, liquefied petroleum gas, electric power and industrial gas, LNG sales.
- “Others” includes businesses in construction, information processing service, 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 information, Slide 13 and 14 provide a full-year forecast by business segment in comparison with the fiscal 2013 financial results.

FY2014 Full Year Forecast: Ordinary Income Analysis <vs. FY2013 Results>

TOKYO GAS

(Unit: billion yen)

FY2014 Current forecast
137.0

Change
-22.6
(-14.2%)

FY2013 Results
159.6

Operating income
-21.0
(-12.7%)

City gas
-15.5
(-10.2%)

- Decrease in gas gross margin -15.7 (sales volume +2.5 (incl. temp. effect -0.9), unit sales price -18.2 (slide -5.6, tariff revision -15.5, etc.))
  - Net sales +120.6: sales volume +46.0, unit sales price +74.6 (slide +82.3, tariff revision -15.5, etc.)
  - Resource cost -136.3: sales volume -43.5, unit sales price -92.8 (exchange rate -57.5, crude oil +31.8, price revision, etc.)

Gas appliances/ Installation
-3.4
(-45.0%)

- Decrease in gas appliances sold and new projects, from falloff from increased demand ahead of consumption tax increase

Electric power
-6.6
(-26.7%)

- Increase in sales volume +9.4%
- Net sales +29.6 (sales volume +12.7, unit sales price +16.8)
- Fuel cost -37.8 (sales volume -7.9, unit sales price -29.9)

Other energy
-0.1
(-2.4%)

- Energy-service -0.9: increase in fuel costs for district heating and cooling
- LNG sales +0.9: increase in sales volume (784 thousand t → 949 thousand t)

Overseas business
+6.8
(+233.4%)

- Increase in profit at Pluto, full-year Barnett profit contribution, etc.

Real estate/ Others
-4.1
(-28.6%)

- Shipping -2.2: decrease in tanker lease
- Real estate -1.6: decrease in rental income
- Construction -0.4: decrease in profit from construction of terminals, etc.

Adjustment, etc.
+1.9

Non-operating income
-1.6
(—)

- Decrease in equity-method P/L -2.5 (4.8→2.3), etc.

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

FY2014 Uses of Cash Flow

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Capital expenditure

(Unit: billion yen)

Capex	Main items	Ref: Initial plan
Tokyo Gas: 159.8 (-0.6, -0.4%)	Production facilities: 35.1 (-0.2) Hitachi LNG terminal construction, etc. Distribution facilities: 100.6 (+0.6) Ibaraki-Tochigi Line and other trunk line installation, new demand-side pipes and pipelines, etc. Service and maintenance facilities, etc.: 23.9 (-1.1) Systems-related investment, Tamachi development-related, etc.	Tokyo Gas: 160.4
Total consolidated subsidiaries: 78.5 (+0.2, +0.3%)	Overseas upstream investment: 30.5 On-site energy service: 8.0 (ENAC), etc.	Total consolidated subsidiaries: 78.3
Total 237.0 (0.0, 0.0%, after eliminations in consolidation)		Total: 237.0 (after eliminations in consolidation)

*Numbers in parentheses refer to comparisons with initial plan for FY2014.

Investments and financing

¥17.2 billion (investment & financing 24.4, collections -7.2, vs. initial plan for FY2014 -2.2)

Returns to shareholders

¥64.7 billion (TG non-consolidated, on cash flow basis, unchanged from initial plan)
(Total of FY2013 year-end dividends' and FY2014 interim dividends' ¥24.7 billion, and FY2014 treasury stock purchases' ¥40.0 billion)

Slide 15 indicates the latest information on the use of cash flow for the fiscal 2014.

FY2014 Funding Plan (Consolidated)

TOKYO GAS

Required funds and source of funds

(Unit: billion yen)

FY2014 2Q results

Required funds			Source of funds	
Capex	86.4	Internal funding	Depreciation	68.1
Other investment & financing*	-5.9	Internal funding	Ordinary income	72.6
Dividends & tax	42.8	Internal funding	Others	28.9
Share buybacks	40.0	Internal funding	Total	169.6
Repayment (Non-consolidated)	58.1 (40.7)		Outside funding (Non-consolidated)	51.8 (33.0)
Total	221.4		Total	221.4

FY2014 forecast

Required funds			Source of funds	
Capex	237.0	Internal funding	Depreciation	142.0
Other investment & financing*	17.2	Internal funding	Ordinary income	137.0
Dividends & tax	66.4	Internal funding	Others	60.2
Share buybacks	40.0	Internal funding	Total	339.2
Repayment (Non-consolidated)	62.9 (41.3)		Outside funding (Non-consolidated)	84.3 (50.6)
Total	423.5		Total	423.5

*Other investment & financing is the net amount of investment outlays and loan collection.
The above does not include CP to be issued and redeemed within FY2014 as seasonal working capital.

Interest-bearing debt

As of March 31, 2014: ¥713.8 billion
As of September 30, 2014: ¥757.4 billion
As of March 31, 2015 (forecast): ¥742.0 billion (vs. initial plan -¥31.0 billion)

16

Our funding plan for FY2014 is shown on slide 16. I will not go into details, except to say that we are forecasting a roughly 28.2 billion yen year-on-year increase in interest bearing debt as of the fiscal year-end, to 742.0 billion yen.

This is 31 billion yen less than our initial plan. This is due to a better than expected income and a decrease in working capital resulting from a decline of crude oil prices

Although we expect that our externally-raised capital would decrease significantly from the initial projection of 125 billion yen to 84.3 billion due to strong income exceeding the initial projection, I ask your debt investors to support us by providing funds continuously in future.

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 percentage of consolidated net income) of approximately 60% each year through FY2020.
- Based on current FY2014 consolidated net income forecast, a 60% return to shareholders while maintaining ¥10 dividend would break down as follows:

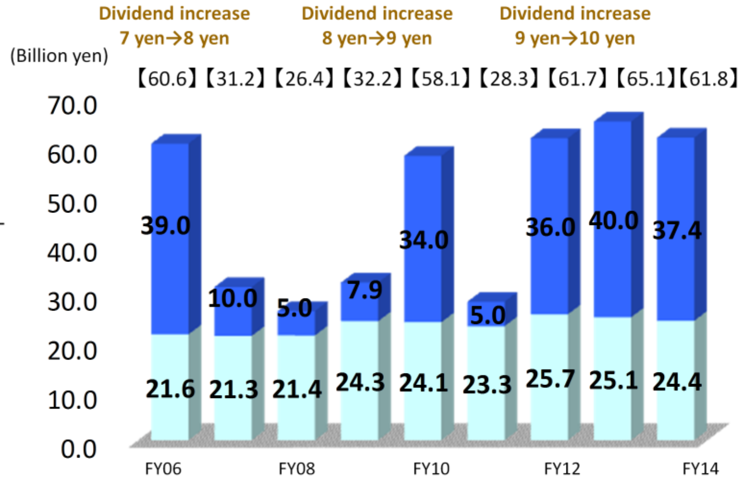
Maintaining 60% total payout ratio

Total payout ratio 60.0%

= (FY2014 Dividend ¥24.4 billion + FY2015 Purchase of treasury stock ¥37.4 billion) / (FY2014 Consolidated net income ¥103.0 billion)

*Total number of shares outstanding 2,446,778,295 (as of September 30, 2014)

Change in total payout ratio and dividend



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

On Slide 17, 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 continuously accomplished this goal each year since FY2006.
If we are able to achieve our FY2014 results as planned, we expect to pay 24.4 billion yen in dividends for FY2014, and based on our policy of a total payout ratio of 60%, to purchase treasury stock in the amount of 37.4 billion yen.
We will pay a 5 yen per share interim dividend for 1H FY2014 and plan to pay a 10 yen per share for FY 2014.

Key Indicators (Consolidated)

TOKYO GAS

(Unit: billion yen)

	FY2014 Current forecast	FY2014 Previous forecast	FY2013 Results
Total assets (a)	2,222.0	2,232.0	2,176.8
Shareholders' equity (b)	1,051.0	1,036.0	1,011.7
Shareholders' equity ratio (b)/(a)	47.3%	46.4%	46.5%
Interest-bearing debt (c)	742.0	771.0	713.8
D/E ratio (c)/(b)	0.71	0.74	0.71
Net income (d)	103.0	97.0	108.4
Depreciation (e)	142.0	142.0	140.3
Operating cash flow (d) + (e)	245.0	239.0	248.8
Capex	237.0	237.0	248.0
ROA: (d)/(a)	4.7%	4.4%	5.2%
ROE: (d)/(b)	10.0%	9.5%	11.2%
TEP	27.2	24.4	50.7
WACC	3.6%	3.5%	3.2%*
Total payout ratio	Approx. 60%	Approx. 60%	60.0%

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 (including depreciation of long-term prepaid expenses)
Total payout ratio = (FYn dividends + (FYn+1) treasury stock purchased) / FYn consolidated net income
*Total number of issued stock: 2,446,778,295 (as of September 30, 2014)

TEP: (Tokyo Gas Economic Profit): Profit after taxes and before interest payments – Cost of capital (invested capital × WACC)
Items for WACC calculation (FY2014 forecast):
- Cost of interest-bearing debt: forecast interest rate (1.1%, after tax)
- Cost rate for shareholders' equity
  - Risk free rate: 10-year JGB yield (0.8%)
  - Risk premium: 5.5%, β: 0.75 (Risk premium through FY2013: 4%)
  - Capital: market capitalization

Slide 18 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 FY2014, at 10.0% from the preceding fiscal year.

Finally, as you already know, we announced key measures for the fiscal 2015 through 2017 towards the realization of the "Challenge 2020 Vision" through press announcement.

Since you are already familiar with the vision, I would like to skip the details. However, I commit that we will achieve sustained growth and improve sustained growth of our company to meet your expectations through steady implementation of the key measures consisting the principles: (1) Evolve the Total Energy Business (2) Accelerate Global Business Development (3) Construct a New Group Formation.

3. Reference Materials

Operating Income Sensitivity to Changes in Oil Price and Exchange Rate

TOKYO GAS

Impact of rising JCC by $1/bbl

(Unit: billion yen)

		Impact on earnings		
		3Q	4Q	2H
Period	3Q	-0.4	-1.1	-1.5
	4Q	—	-0.6	-0.6
	2H	-0.4	-1.7	-2.1

Impact of yen depreciation by ¥1/$

(Unit: billion yen)

		Impact on earnings		
		3Q	4Q	2H
Period	3Q	-1.2	+1.3	+0.1
	4Q	—	-1.7	-1.7
	2H	-1.2	-0.4	-1.6

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Sliding time lag effect in 1H and 2H

(Unit: billion yen)

	1H	2H	Full year
Initial plan	4.7	-5.9	-1.2
Previous forecast	10.5	-7.0	3.5
Current forecast	13.9	-3.1	10.8

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.

< Calculation method >

Numerical amounts in these materials are shown with fractional portions disregarded or rounded, while percentage changes are calculated based on the actual figures. This may result in discrepancies between the amounts and percentages as shown.

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