

**FY2014 3Q Financial Results**



January 30, 2015

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# **1. FY2014 3Q Consolidated Financial Results ended December 31, 2014**

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# FY2014 3Q Consolidated Financial Results (Apr. 1, 2014 – Dec. 31, 2014) <vs. FY2013 3Q>

**Highlights: Revenue growth for 5th consecutive 1-3Q period, profit declined (net sales at record high for period)**

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

|                           |                       |   |   |   |   |
|---------------------------|-----------------------|---|---|---|---|
| <b>Net sales</b>          | +144.8<br>(+10.1%)    | : | + | Increase in city gas sales (+104.7 (+10.3%): sales volume +53.3, unit sales price +52.3 (slide +61.2, tariff revision -14.0, etc.)etc.)   | - |
|                           |                       |   | + | Increase in electricity sales (+26.8 (+27.8%): sales volume +14.4, unit sales price +12.4)  |   |
|                           |                       |   | + | Increase in overseas sales (+13.9 (+103.2%): increase in sales at Pluto, increased sales from full-year Barnett contribution, etc.)   |   |
| <b>Operating expenses</b> | -175.9<br>(-13.1%)    | : | - | Increase in city gas resource costs (-134.5 (-21.0%): sales volume -48.3, unit sales price -86.2 (exchange rate -45.6, crude oil +3.1, price revision, etc.))                       |   |
|                           |                       |   | - | Increase in electricity fuel costs (-26.6 (-42.6%): sales volume -9.3, unit sales price -17.2)  |   |
|                           |                       |   | - | Recording of allowances (-9.5: Multi-year gas pipeline measures -5.7, Gas appliance maintenance -3.8)   |   |
| <b>Operating income</b>   | -31.1<br>(-35.4%)     | : | - | Decrease in city gas profit (-31.8 (-38.6%): gas gross margin -28.9 (sales volume +5.0 (incl. temp effect +0.9), unit sales price -33.9 (slide -22.1, tariff revision -14.0, etc.)) |   |
|                           |                       |   | + | Increase in electricity profit (+0.9 (+6.5%): electric power gross margin +0.2 (sales volume +5.1, unit sales price -4.8))  |   |
|                           |                       |   | + | Increase in overseas profit (+6.2 (+344.5%): increase in earnings at Pluto, etc.)   |   |
| <b>Operating income</b>   | +10.6<br>(-1.4→+9.2): | : | + | Gain on sales of investment securities +4.8, Gain on sales of non-current assets +4.8, etc. (Unit: billion yen)   |   |

Sliding time lag effect  
-22.1 (+17.6 → -4.5)

|  | 2014 3Q results | 2013 3Q results | Change | %      |
|--|-----------------|-----------------|--------|--------|
| Gas sales volume (mil. m <sup>3</sup> , 45MJ)              | 10,850          | 10,130          | +720   | +7.1%  |
| Electricity sales volume (billion kWh)                     | 7.96            | 6.92            | +1.04  | +14.9% |
| Net sales  | 1,580.1         | 1,435.3         | +144.8 | +10.1% |
| Operating expenses   | 1,523.3         | 1,347.4         | +175.9 | +13.1% |
| Operating income   | 56.7            | 87.8            | -31.1  | -35.4% |
| Ordinary income — (a)                                      | 51.4            | 83.1            | -31.7  | -38.1% |
| Net income   | 37.7            | 55.1            | -17.4  | -31.5% |
| <i>Temperature effect — (b)</i>                            | -3.3            | -4.2            | +0.9   | —      |
| <i>Sliding time lag effect — (c)</i>                       | -4.5            | 17.6            | -22.1  | —      |
| <i>Depreciation of pension actuarial differences — (d)</i> | 2.2             | -1.6            | +3.8   | —      |
| <i>Adjusted ordinary income — (a) - ((b)+(c)+(d))</i>      | 57.0            | 71.3            | -14.3* | -20.1% |
| <i>Adjusted net income</i>                                 | 41.6            | 47.3            | -5.7   | -12.1% |

\* -14.3: Increase in gas sales volume +4.1 (excl. temp. effect +0.9), tariff revision -14.0, electric power +0.9, overseas +6.2, other segment, etc. -11.5

Expected rate of return: 2%

| Economic frame (3Q) | Exchange rate (¥/\$) | JCC (\$/bbl)   | Avg. temperature (°C) |
|---------------------|----------------------|----------------|-----------------------|
| FY2014              | 106.73               | 102.54         | 19.3                  |
| FY2013              | 99.36 (+7.37)        | 109.46 (-6.92) | 19.5 (-0.2)           |

| Pension asset        | Investment yield (Cost deducted) | Year-end assets (Billion yen) |
|----------------------|----------------------------------|-------------------------------|
| FY2014 3Q cumulative | 4.88%                            | 281.0                         |

| (Billion yen) | FY2014 3Q | FY2013 3Q | Change | %      |
|---------------|-----------|-----------|--------|--------|
| Capex         | 140.6     | 174.6     | -34.0  | -19.5% |

Figures in brackets are year-on-year increase/decrease. Temperature for previous year is adjusted for changes in the Japan Meteorological Agency's observation points.

# FY2014 3Q Consolidated Gas Sales Volume

## FY13 3Q Results → FY14 3Q Results

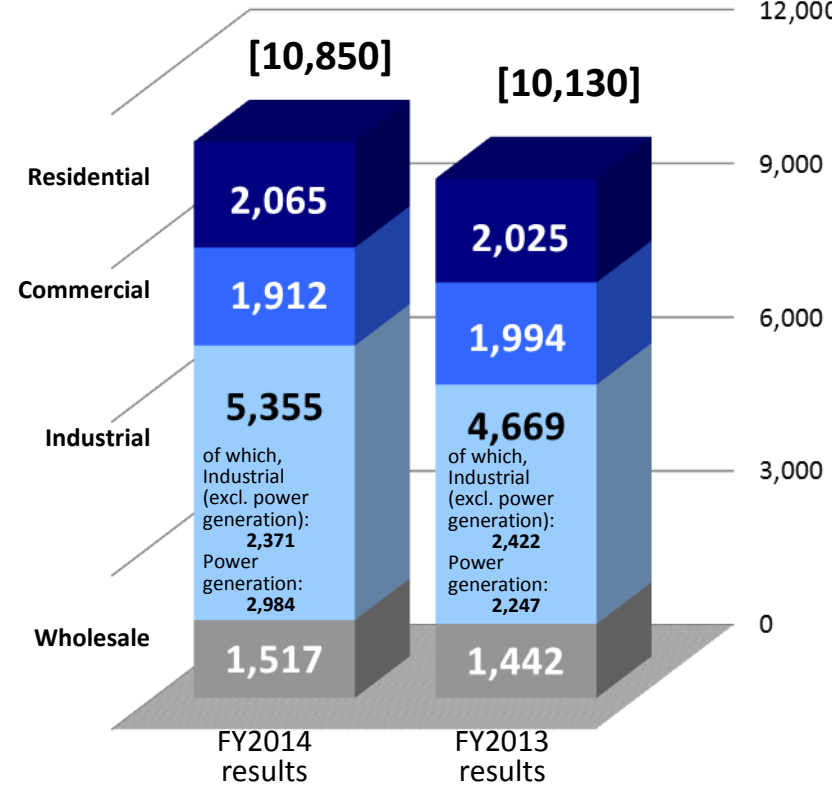
**+720 mil. m<sup>3</sup> (+7.1%)**

Including temperature effect: -8 mil. m<sup>3</sup>, -0.1%

|   |   |
|---|---|
| <b>Residential</b>                                | <b>+40 mil. m<sup>3</sup> (+2.0%)</b>   |
| ● Temperature effect                              | +15 mil. m <sup>3</sup>                 |
| ● Number of days                                  | -12 mil. m <sup>3</sup>                 |
| ● Number of customers                             | +30 mil. m <sup>3</sup>                 |
| ● Others  | +7 mil. m <sup>3</sup>                  |
| <b>Commercial</b>                                 | <b>-82 mil. m<sup>3</sup> (-4.1%)</b>   |
| ● Temperature effect                              | -25 mil. m <sup>3</sup>                 |
| ● Number of days                                  | -18 mil. m <sup>3</sup>                 |
| ● Number of customers                             | +7 mil. m <sup>3</sup>                  |
| ● Others  | -46 mil. m <sup>3</sup>                 |
|   | } (-2.0%)                               |
| <b>Industrial</b>                                 | <b>+686 mil. m<sup>3</sup> (+14.7%)</b> |
| ● Industrial:                                     | -51 mil. m <sup>3</sup> (-2.1%)         |
| Portion from decrease outside Kashima             | -77 mil. m <sup>3</sup>                 |
| ● Power generation:                               | +737 mil. m <sup>3</sup> (+32.8%)       |
| Portion from increase in Kashima area             | +848 mil. m <sup>3</sup>                |
| <b>Wholesale</b>                                  | <b>+75 mil. m<sup>3</sup> (+5.1%)</b>   |
| ● Temperature effect                              | +2 mil. m <sup>3</sup>                  |
| ● Others  | +73 mil. m <sup>3</sup>                 |
| Increase in demand from wholesale suppliers, etc. |   |

## Gas sales volume:

(Figures are rounded to nearest mil. m<sup>3</sup>.)



|                                      | FY2014 3Q results | FY2013 3Q results | Change |
|--------------------------------------|-------------------|-------------------|--------|
| LNG liquid sales volume (thousand t) | 619               | 550               | +69    |
| Average temperature (°C)             | 19.3              | 19.5              | -0.2   |

(10 thousand)

|                           | FY2014 3Q results | FY2013 3Q results | Change        |
|---------------------------|-------------------|-------------------|---------------|
| Number of customer        | 1,120.9           | 1,105.7           | +15.2 (+1.4%) |
| Net increase during 1Q-3Q | 9.8               | 7.9               | +1.9 (+24.3%) |

## FY2014 3Q Results

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

mil. m<sup>3</sup>, 45MJ/m<sup>3</sup>

|   | FY2014 3Q | FY2013 3Q | Change         |
|---|-----------|-----------|----------------|
| Gas sales volume<br>(financial accounting basis)      | 10,850    | 10,130    | +720<br>+7.1%  |
| Gas volume used in-house under<br>tolling arrangement | 1,247     | 1,077     | +170<br>+15.9% |
| Total   | 12,097    | 11,207    | +890<br>+7.9%  |

### ● Gas sales volume for industrial-use

mil. m<sup>3</sup>, 45MJ/m<sup>3</sup>

|                    | Kashima area   | Other area   | Total         |
|--------------------|----------------|--------------|---------------|
| Power generation   | 1,139          | 1,846        | 2,984         |
| vs. FY2013 3Q      | +848 (+290.8%) | -109 (-5.6%) | +737 (+32.8%) |
| General industrial | 152            | 2,218        | 2,371         |
| vs. FY2013 3Q      | +25 (+19.7%)   | -77 (-3.3%)  | -51 (-2.1%)   |
| Total              | 1,291          | 4,064        | 5,355         |
| vs. FY2013 3Q      | +872 (+208.4%) | -187 (-4.4%) | +686 (+14.7%) |

(Ref.)

Power-generation sales volume  
included in wholesale sales

(mil. m<sup>3</sup>)

|                  |          |
|------------------|----------|
| Power generation | 142      |
| vs. FY2013 3Q    | +142 (-) |

# FY2014 3Q Net Sales and Operating Income/Loss by Business Segment <vs. FY2013 3Q>

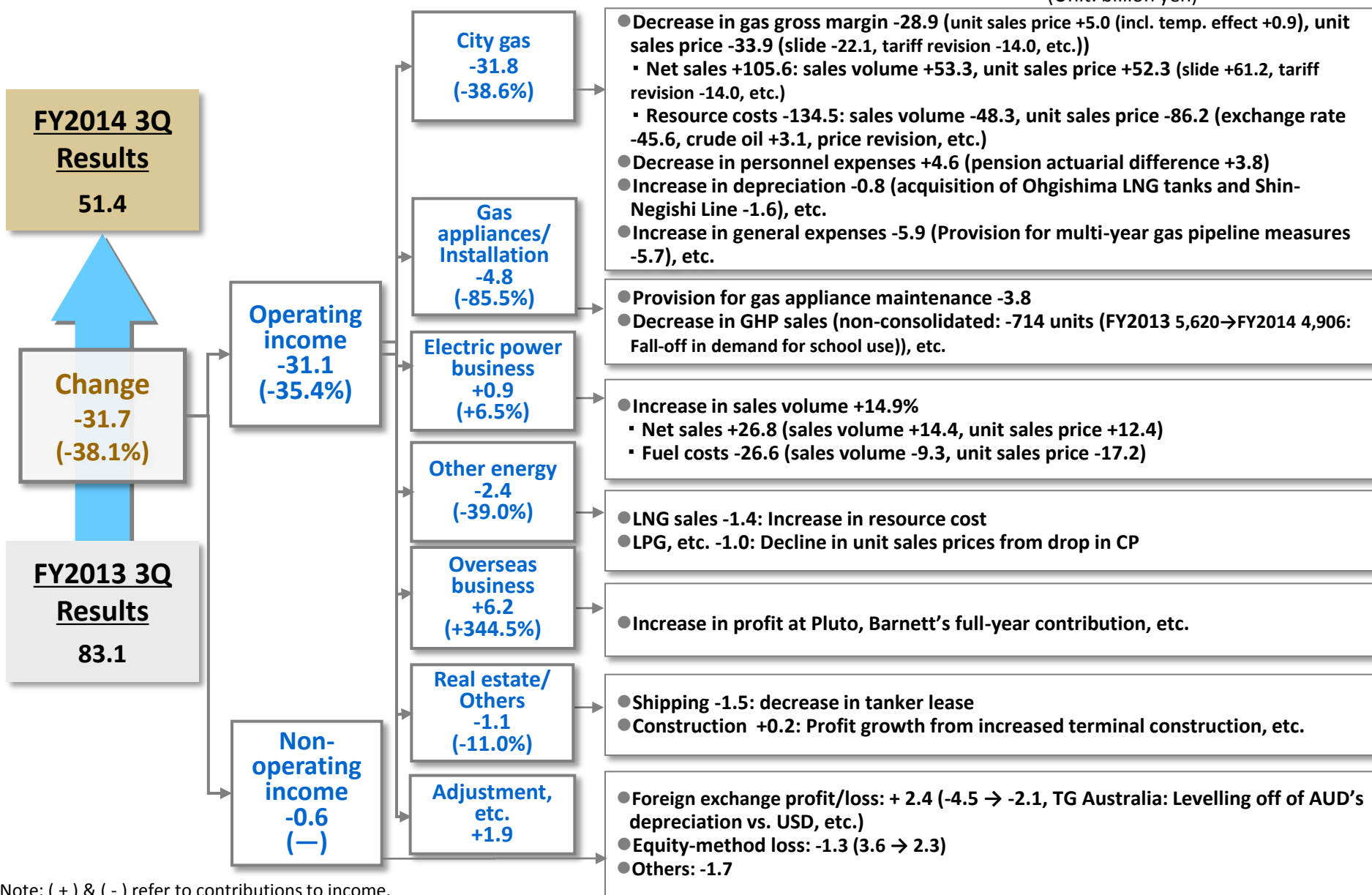
(Unit: billion yen)

|   | Net Sales |           |        |       | Segment Income |           |                                    |       |
|---|-----------|-----------|--------|-------|----------------|-----------|------------------------------------|-------|
|   | FY2014 3Q | FY2013 3Q | Change | %     | FY2014 3Q      | FY2013 3Q | Change                             | %     |
| <b>City gas</b>                             | 1,119.5   | 1,014.8   | 104.7  | 10.3  | 50.5           | 82.3      | -31.8                              | -38.6 |
| <b>Gas appliances and installation work</b> | 140.4     | 152.1     | -11.7  | -7.7  | 0.7            | 5.5       | -4.8<br>(Incl. allowances<br>-3.8) | -85.5 |
| <b>Other energy</b>                         | 294.9     | 252.4     | 42.5   | 16.8  | 18.7           | 20.2      | -1.5                               | -7.6  |
| <b>(Electric power business)</b>            | 123.4     | 96.6      | 26.8   | 27.8  | 14.9           | 14.0      | 0.9                                | 6.5   |
| <b>Real estate</b>                          | 19.3      | 21.3      | -2.0   | -9.1  | 3.9            | 4.5       | -0.6                               | -12.0 |
| <b>Others</b>                               | 154.0     | 133.2     | 20.8   | 15.6  | 13.2           | 7.5       | 5.7                                | 74.7  |
| <b>(Overseas business)</b>                  | 27.4      | 13.5      | 13.9   | 103.2 | 8.0            | 1.8       | 6.2                                | 344.5 |
| <b>Adjustment</b>                           | -148.2    | -138.8    | -9.4   | —     | -30.5          | -32.4     | 1.9                                | —     |
| <b>Consolidated</b>                         | 1,580.1   | 1,435.3   | 144.8  | 10.1  | 56.7           | 87.8      | -31.1                              | -35.4 |

- 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).

# FY2014 3Q Ordinary Income Analysis <vs. FY2013 3Q>

(Unit: billion yen)



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

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## 2. FY2014 Full Year Forecast

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# FY2014 Full Year Forecast (Apr. 1, 2014 – Mar. 31, 2015) <vs. Previous forecast announced on Oct. 30>

## Highlights: Sales Growth, Profit Increase

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

|                           |                        |   |   |   |
|---------------------------|------------------------|---|---|---|
| <b>Net sales</b>          | +16.0<br>(+0.7%)       | : | + | Increase in city gas sales (+15.9 (+1.0%): sales volume and composition +12.4, unit sales price +3.6 (slide +3.6), etc.)                                  |
|                           |                        |   | - | Decrease in electricity sales (-1.1 (-0.7%): sales volume -0.3, unit sales price -0.8)  |
|                           |                        |   | + | Increase in overseas sales (+4.6 (+12.5%): increase in sales at Pluto and Barnett, etc.)  |
| <b>Operating expenses</b> | +14.0<br>(+0.7%)       | : | + | Decrease in city gas resource costs (+12.1 (+1.1%): sales volume -11.7, unit sales price +23.8 (exchange rate -30.0, crude oil +45.7, etc.))              |
|                           |                        |   | + | Decrease in electricity fuel costs (+3.4 (+2.8%): sales volume +0.2, unit sales price +3.2)   |
|                           |                        |   | + | Decrease in LNG resource costs (+1.9 (+2.2%): sales volume -0.2, unit sales price +2.1)   |
|                           |                        |   | - | Recording of allowances (-9.5: Multi-year gas pipeline measures -5.7, Gas appliance maintenance -3.8)   |
| <b>Operating income</b>   | +30.0<br>(+20.7%)      | : | + | Increase in city gas profit (+27.1 (+19.8%): gas gross margin +28.1 (sales volume +0.7 ((incl. temp. effect +0.1), unit sales price +27.4 (slide +27.4))) |
|                           |                        |   | + | Increase in electricity profit (+1.9 (+10.5%): electric power gross margin +2.2 (sales volume -0.1, unit sales price +2.3))                               |
|                           |                        |   | + | Increase in LNG sales profit (+1.9 (+33.2%): sales volume +0.0, unit sales price +1.9)  |
| <b>Extraordinary loss</b> | -2.7<br>(+12.3 → +9.6) | : | - | Gain on sales of investment securities -3.2 (8.0 → 4.8), etc.   |

Sliding time lag effect +27.4  
(+10.8 → +38.2)

(Unit: billion yen)

|   | Current forecast | Previous forecast | Change | %      | FY2013  | Change | %      |
|---|------------------|-------------------|--------|--------|---------|--------|--------|
| Gas sales volume (mil. m <sup>3</sup> , 45MJ)       | 15,548           | 15,387            | +16.1  | +1.0%  | 1,473.5 | +81.3  | +5.5%  |
| Net sales   | 2,307.0          | 2,291.0           | +16.0  | +0.7%  | 2,112.1 | +194.9 | +9.2%  |
| Operating expenses                                  | 2,132.0          | 2,146.0           | -14.0  | -0.7%  | 1,946.0 | +186.0 | +9.6%  |
| Operating income                                    | 175.0            | 145.0             | +30.0  | +20.7% | 166.0   | +9.0   | +5.4%  |
| Ordinary income — (a)                               | 167.0            | 137.0             | +30.0  | +21.9% | 159.6   | +7.4   | +4.6%  |
| Net income  | 122.0            | 103.0             | +19.0  | +18.4% | 108.4   | +13.6  | +12.5% |
| Temperature effect — (b)                            | -3.3             | -3.4              | +0.1   | —      | -2.5    | -0.8   | —      |
| Sliding time lag effect — (c)                       | 38.2             | 10.8              | +27.4  | —      | 16.4    | -21.8  | —      |
| Depreciation of pension actuarial differences — (d) | 3.0              | 3.0               | 0.0    | —      | -2.2    | +5.2   | —      |
| Adjusted ordinary income — (a) - ( (b)+(c)+(d) )    | 129.1            | 126.6             | +2.5*  | +2.0%  | 147.9   | -18.8  | -12.7% |
| Adjusted net income                                 | 95.8             | 95.8              | 0.0    | 0.0%   | 100.7   | -4.9   | -4.9%  |

\* +2.5: Gas sales volume +0.6 (excl. temp. effect +0.1), electricity +1.9, LNG sales +1.9, other segment, etc. -1.9

Expected rate of return: 2%

| Economic frame (4Q) | Foreign exchange rate (¥/\$) | JCC (\$/bbl) | Average temp. (°C) | Economic frame (full year) | Foreign exchange rate (¥/\$) | JCC (\$/bbl)    | Average temp.* (°C) | Pension asset | Investment yield cost deducted | Discount rate | Year-end assets (billion yen) |
|---------------------|------------------------------|--------------|--------------------|----------------------------|------------------------------|-----------------|---------------------|---------------|--------------------------------|---------------|-------------------------------|
| Current forecast    | 120.00                       | 60.00        | 6.3                | Current forecast           | 110.05                       | 91.91           | 16.0                | FY2013        | 1.61%                          | 1.5%          | 273.0                         |
|                     |                              |              |                    | Previous forecast          | 106.51 (+3.54)               | 104.75 (-12.84) | 16.0 (0.0)          | FY2012        | 6.10%                          | 1.4%          | 276.0                         |
|                     |                              |              |                    | FY2013                     | 100.17 <+9.88>               | 110.00 <-18.09> | 16.1 <-0.1>         |               |                                |               |                               |

(Figures in parenthesis are increase/decrease vs. previous forecast),  
<Figures in brackets are year-on-year increase/decrease>  
\*Temperature for previous year is adjusted for changes in the Japan Meteorological Agency's observation points.

(Unit: billion yen)

| Capex  | Current forecast | Previous forecast | Change | %     |
|--------|------------------|-------------------|--------|-------|
| FY2014 | 232.0            | 237.0             | -5.0   | -2.1% |

# FY2014 Full Year Forecast: Consolidated Gas Sales Volume <vs. Previous Forecast (Announced on Oct. 30)>

## Previous Forecast → Current Forecast

**+161 mil. m<sup>3</sup> (+1.0%)**

Including temp. effect -2 mil m<sup>3</sup>, -0.0%

|                       |                                |
|-----------------------|--------------------------------|
| <b>Residential</b>    | +9 mil. m <sup>3</sup> (+0.3%) |
| ● Temperature effect  | +4 mil. m <sup>3</sup>         |
| ● Number of days      | -1 mil. m <sup>3</sup>         |
| ● Number of customers | +3 mil. m <sup>3</sup>         |
| ● Others              | +3 mil. m <sup>3</sup>         |

### Commercial -33 mil. m<sup>3</sup> (-1.2%)

|                       |                         |
|-----------------------|-------------------------|
| ● Temperature effect  | -6 mil. m <sup>3</sup>  |
| ● Number of days      | -0 mil. m <sup>3</sup>  |
| ● Number of customers | -6 mil. m <sup>3</sup>  |
| ● Others              | -21 mil. m <sup>3</sup> |

### Industrial +178 mil. m<sup>3</sup> (+2.5%)

|  |                          |
|--|--------------------------|
| ● Industrial:                              | -17 mil. m <sup>3</sup>  |
| Portion from decrease outside Kashima area | -15 mil. m <sup>3</sup>  |
| ● Power generation:                        | +196 mil. m <sup>3</sup> |
| Portion from increase in Kashima area      | +111 mil. m <sup>3</sup> |

### Wholesale +7 mil. m<sup>3</sup> (+0.3%)

|   |                        |
|---|------------------------|
| ● Temperature effect                              | +0 mil. m <sup>3</sup> |
| ● Others  | +7 mil. m <sup>3</sup> |
| Increase in demand from wholesale suppliers, etc. |                        |

## FY2013 Results → Current Forecast

**+813 mil. m<sup>3</sup> (+5.5%)**

Including temp. effect -37 mil m<sup>3</sup>, -0.3%

|                       |                                 |
|-----------------------|---------------------------------|
| <b>Residential</b>    | +28 mil. m <sup>3</sup> (+0.8%) |
| ● Temperature effect  | +3 mil. m <sup>3</sup>          |
| ● Number of days      | -18 mil. m <sup>3</sup>         |
| ● Number of customers | +51 mil. m <sup>3</sup>         |
| ● Others              | -7 mil. m <sup>3</sup>          |

### Commercial -131 mil. m<sup>3</sup> (-4.6%)

|                       |                         |
|-----------------------|-------------------------|
| ● Temperature effect  | -40 mil. m <sup>3</sup> |
| ● Number of days      | -24 mil. m <sup>3</sup> |
| ● Number of customers | +7 mil. m <sup>3</sup>  |
| ● Others              | -74 mil. m <sup>3</sup> |
| } (-2.4%)             |                         |

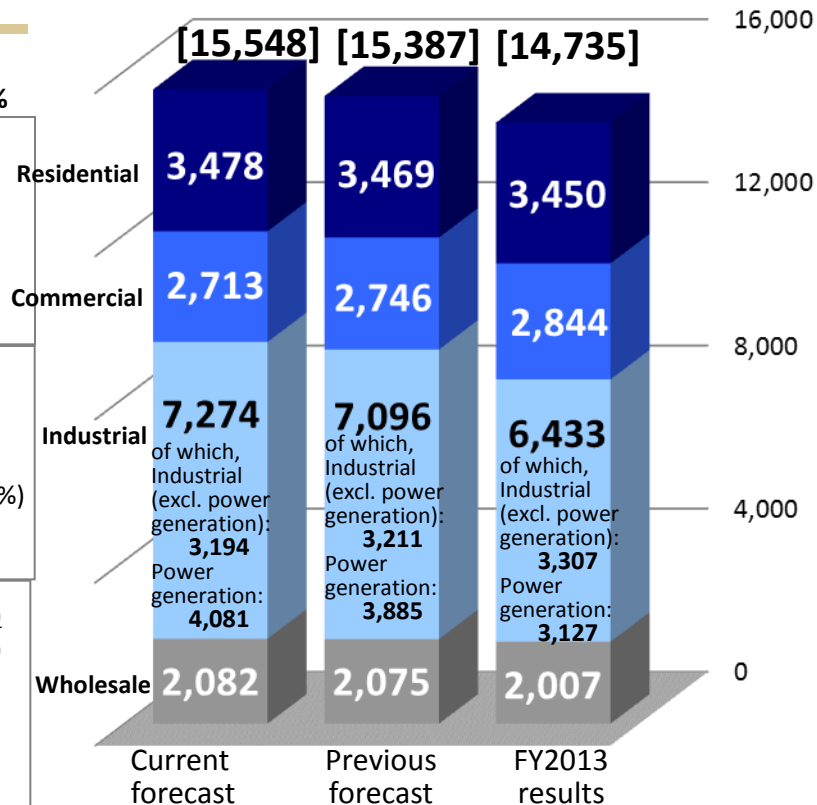
### Industrial +841 mil. m<sup>3</sup> (+13.1%)

|  |                                   |
|--|-----------------------------------|
| ● Industrial:                              | -113 mil. m <sup>3</sup> (-3.4%)  |
| Portion from decrease outside Kashima area | -129 mil. m <sup>3</sup>          |
| ● Power generation:                        | +954 mil. m <sup>3</sup> (+30.5%) |
| Portion from increase in Kashima area      | +1,007 mil. m <sup>3</sup>        |

### Wholesale +75 mil. m<sup>3</sup> (+3.7%)

|   |                         |
|---|-------------------------|
| ● Temperature effect                              | -0 mil. m <sup>3</sup>  |
| ● Others  | +75 mil. m <sup>3</sup> |
| Increase in demand from wholesale suppliers, etc. |                         |

Gas Sales Volume: (Figures are rounded to nearest mil. m<sup>3</sup>.)



|                                      | Current forecast | Previous forecast | Change |
|--------------------------------------|------------------|-------------------|--------|
| LNG liquid sales volume (thousand t) | 948              | 949               | -1     |
| Average temperature (°C)*            | 16.0             | 16.0              | 0.0    |

\*Temperature for previous year is adjusted for changes in the Japan Meteorological Agency's observation points.

### Number of customers

(Unit: 10 thousand)

| Current forecast | Previous forecast | Change       |
|------------------|-------------------|--------------|
| 1,125.5          | 1,124.4           | +1.1 (+0.1%) |

## FY2014 Forecast

### ● Gas sales volume including portion used in-house under tolling arrangement mil. m<sup>3</sup>, 45MJ/m<sup>3</sup>

|  | Current forecast | Previous forecast | Change                      | FY2013 results | Change                      |
|--|------------------|-------------------|-----------------------------|----------------|-----------------------------|
| Gas sales volume (financial accounting basis)      | 15,548           | 15,387            | +161<br>+1.0%               | 14,735         | +813<br>+5.5%               |
| Gas volume used in-house under tolling arrangement | 1,672            | 1,676             | -4<br>-0.2%                 | 1,510          | +162<br>+10.7%              |
| <b>Total</b>                                       | <b>17,220</b>    | <b>17,063</b>     | <b>+157</b><br><b>+0.9%</b> | <b>16,245</b>  | <b>+975</b><br><b>+6.0%</b> |
| Forecast as per Challenge 2020 Vision:             | 18,409           | 18,249            | +160                        | 17,225         | +1,184                      |

### ● Gas sales volume for industrial-use

mil. m<sup>3</sup>, 45MJ/m<sup>3</sup>

|                       | Kashima area     | Other        | Total         |
|-----------------------|------------------|--------------|---------------|
| Power generation      | 1,588            | 2,492        | 4,081         |
| vs. Previous forecast | +111 (+7.5%)     | +84 (+3.5%)  | +196 (+5.0%)  |
| vs. FY2013 results    | +1,007 (+173.3%) | -54 (-2.1%)  | +954 (+30.5%) |
| General industrial    | 206              | 2,988        | 3,194         |
| vs. Previous forecast | +3 (+1.3%)       | -20 (-0.7%)  | -17 (-0.5%)   |
| vs. FY2013 results    | +22 (+11.6%)     | -134 (-4.3%) | -113 (-3.4%)  |
| <b>Total</b>          | <b>1,794</b>     | <b>5,480</b> | <b>7,274</b>  |
| vs. Previous forecast | +114 (+6.8%)     | +64 (+1.2%)  | +178 (+2.5%)  |
| vs. FY2013 results    | +1,029 (+134.4%) | -188 (-3.3%) | +841 (+13.1%) |

(Ref.)

Power-generation sales volume included in wholesale sales

(mil. m<sup>3</sup>)

|                       |                  |
|-----------------------|------------------|
| Power generation      | 173              |
| vs. FY2013 results    | +158 (+1,033.6%) |
| vs. Previous forecast | +0 (+0.2%)       |

# FY2014 Full Year Forecast: Net Sales and Operating Income/Loss by Business Segment <vs. Previous forecast (Announced on Oct. 30)>

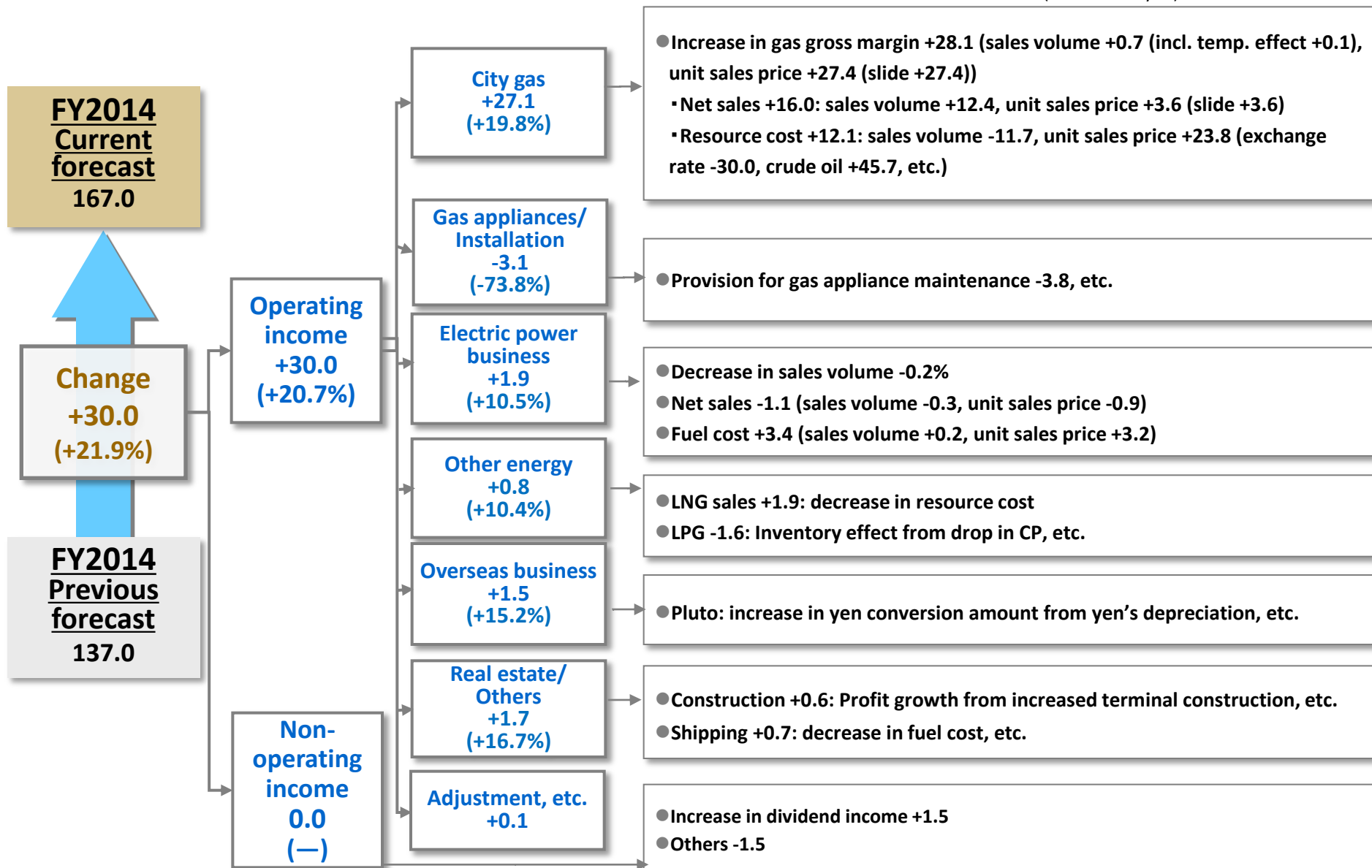
(Unit: billion yen)

|   | Net Sales        |                   |        |      | Segment Income   |                   |        |       |
|---|------------------|-------------------|--------|------|------------------|-------------------|--------|-------|
|   | Current forecast | Previous forecast | Change | %    | Current forecast | Previous forecast | Change | %     |
| <b>City gas</b>                             | 1,640.1          | 1,624.2           | 15.9   | 1.0  | 164.2            | 137.1             | 27.1   | 19.8  |
| <b>Gas appliances and installation work</b> | 207.8            | 210.8             | -3.0   | -1.4 | 1.1              | 4.2               | -3.1   | -73.8 |
| <b>Other energy</b>                         | 408.9            | 415.0             | -6.1   | -1.5 | 28.5             | 25.8              | 2.7    | 10.5  |
| <b>(Electric power business)</b>            | 164.4            | 165.5             | -1.1   | -0.7 | 19.7             | 17.8              | 1.9    | 10.5  |
| <b>Real estate</b>                          | 24.3             | 24.2              | 0.1    | 0.4  | 4.3              | 4.1               | 0.2    | 4.9   |
| <b>Others</b>                               | 224.3            | 213.5             | 10.8   | 5.1  | 18.9             | 15.9              | 3.0    | 18.9  |
| <b>(Overseas business)</b>                  | 41.2             | 36.6              | 4.6    | 12.5 | 11.1             | 9.6               | 1.5    | 15.2  |
| <b>Adjustment</b>                           | -198.4           | -196.7            | -1.7   | —    | -42.0            | -42.1             | 0.1    | —     |
| <b>Consolidated</b>                         | 2,307.0          | 2,291.0           | 16.0   | 0.7  | 175.0            | 145.0             | 30.0   | 20.7  |

- 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).

# FY2014 Full Year Forecast: Ordinary Income Analysis <vs. Previous forecast (Announced on Oct. 30)>

(Unit: billion yen)



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

# FY2014 Full Year Forecast: Net Sales and Operating Income/Loss by Business Segment

<vs. FY2013 Results >



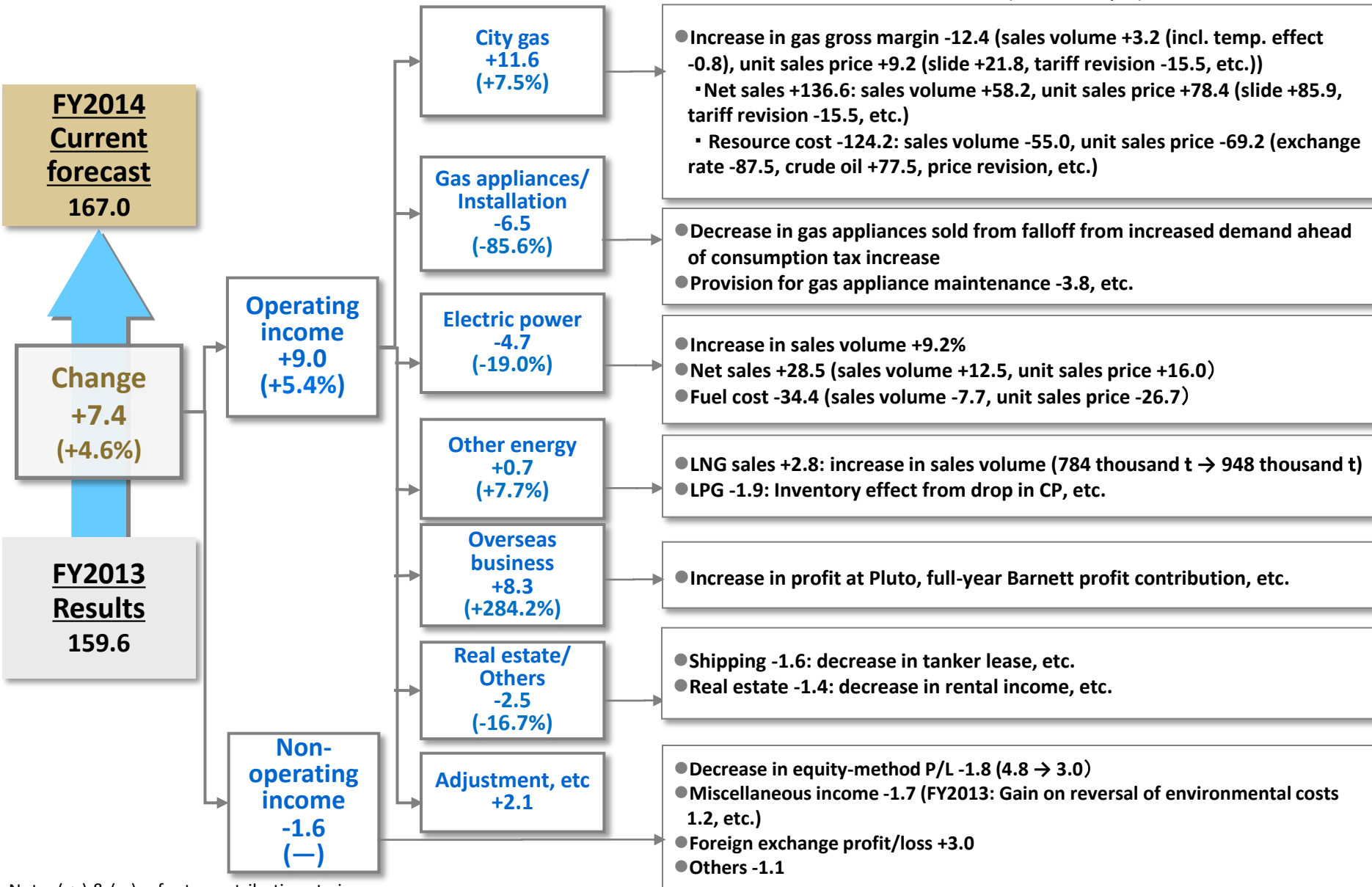
(Unit: billion yen)

|                                      | Net Sales        |                |        |       | Segment Income   |                |        |       |
|--------------------------------------|------------------|----------------|--------|-------|------------------|----------------|--------|-------|
|                                      | Current forecast | FY2013 results | Change | %     | Current forecast | FY2013 results | Change | %     |
| City gas                             | 1,640.1          | 1,505.1        | 135.0  | 9.0   | 164.2            | 152.6          | 11.6   | 7.5   |
| Gas appliances and installation work | 207.8            | 221.7          | -13.9  | -6.3  | 1.1              | 7.6            | -6.5   | -85.6 |
| Other energy                         | 408.9            | 357.5          | 51.4   | 14.4  | 28.5             | 32.5           | -4.0   | -12.4 |
| (Electric power business)            | 164.4            | 135.9          | 28.5   | 20.9  | 19.7             | 24.4           | -4.7   | -19.0 |
| Real estate                          | 24.3             | 28.3           | -4.0   | -14.2 | 4.3              | 5.7            | -1.4   | -24.6 |
| Other                                | 224.3            | 199.3          | 25.0   | 12.5  | 18.9             | 11.6           | 7.3    | 61.6  |
| (Overseas business)                  | 41.2             | 22.1           | 19.1   | 86.4  | 11.1             | 2.8            | 8.3    | 284.2 |
| Adjustment                           | -198.4           | -200.0         | 1.6    | —     | -42.0            | -44.1          | 2.1    | —     |
| Consolidate                          | 2,307.0          | 2,112.1        | 194.9  | 9.2   | 175.0            | 166.0          | 9.0    | 5.4   |

- 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).

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

(Unit: billion yen)



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

## Capital expenditure

(Unit: billion yen)

| Capex  | Main items  | Ref: Initial plan                                     |
|--|---|---|
| Tokyo Gas:<br>157.8<br>(-2.0, -1.3%)                           | Production facilities: 35.2 (+0.1)<br>Hitachi LNG terminal construction, etc.   | Tokyo Gas:<br>159.8                                   |
|  | Distribution facilities: 99.5 (-1.1)<br>Ibaraki-Tochigi Line and other trunk line installation, new demand-side pipes and pipelines, etc. |   |
|  | Service and maintenance facilities, etc.: 23.1 (-0.8)<br>Systems-related investment, Tamachi development-related, etc.                    |   |
| Total consolidated subsidiaries:<br>75.5<br>(-3.0, -3.8%)      | Overseas upstream investment: 31.0<br>On-site energy service: 9.0 (ENAC), etc.  | Total consolidated subsidiaries:<br>78.5              |
| Total 232.0 (-5.0, -2.1%, after eliminations in consolidation) |   | Total: 237.0<br>(after eliminations in consolidation) |

\*Numbers in parentheses refer to comparisons with previous forecast.

## Investments and financing

-¥3.9 billion (investment & financing 3.8, collections -7.7, vs. previous forecast -21.1)

## Returns to shareholders

¥64.7 billion (TG non-consolidated, on cash flow basis, unchanged from previous forecast )

(Total of FY2013 year-end dividends' and FY2014 interim dividends' ¥24.7 billion, and FY2014 treasury stock purchases' ¥40.0 billion)



## Required funds and procurement of funds

FY2014 forecast

(Unit: billion yen)

| Required funds                  |                | Change<br>(Vs. previous<br>forecast) | Internal<br>funding | Procurement of funds                  |                | Change<br>(Vs. previous<br>forecast) |
|---------------------------------|----------------|--------------------------------------|---------------------|---------------------------------------|----------------|--------------------------------------|
| Capex                           | 232.0          | -5.0                                 |                     | Internal<br>funding                   | Depreciation   | 142.0                                |
| Other investment & financing*   | -3.9           | -21.1                                | Ordinary income     |                                       | 167.0          | +30.0                                |
| Dividends & tax                 | 72.0           | +5.6                                 | Others              |                                       | 23.6           | -36.6                                |
| Share buybacks                  | 40.0           | 0.0                                  | Total               |                                       | 332.6          | -6.6                                 |
| Repayment<br>(Non-consolidated) | 66.4<br>(41.3) | +3.5<br>(0.0)                        |                     | Outside funding<br>(Non-consolidated) | 73.9<br>(43.0) | -10.4<br>(-7.6)                      |
| <b>Total</b>                    | <b>406.5</b>   | <b>-17.0</b>                         |                     | <b>Total</b>                          | <b>406.5</b>   | <b>-17.0</b>                         |

\*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 March 31, 2015 (forecast): ¥739.0 billion (vs. previous forecast -¥3.0 billion (Includes ¥10.9 billion valuation gain on foreign currency-denominated borrowings in addition to ¥13.9 billion reduction of above net decrease in procurement of funds))

# Returns to Shareholders

- 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

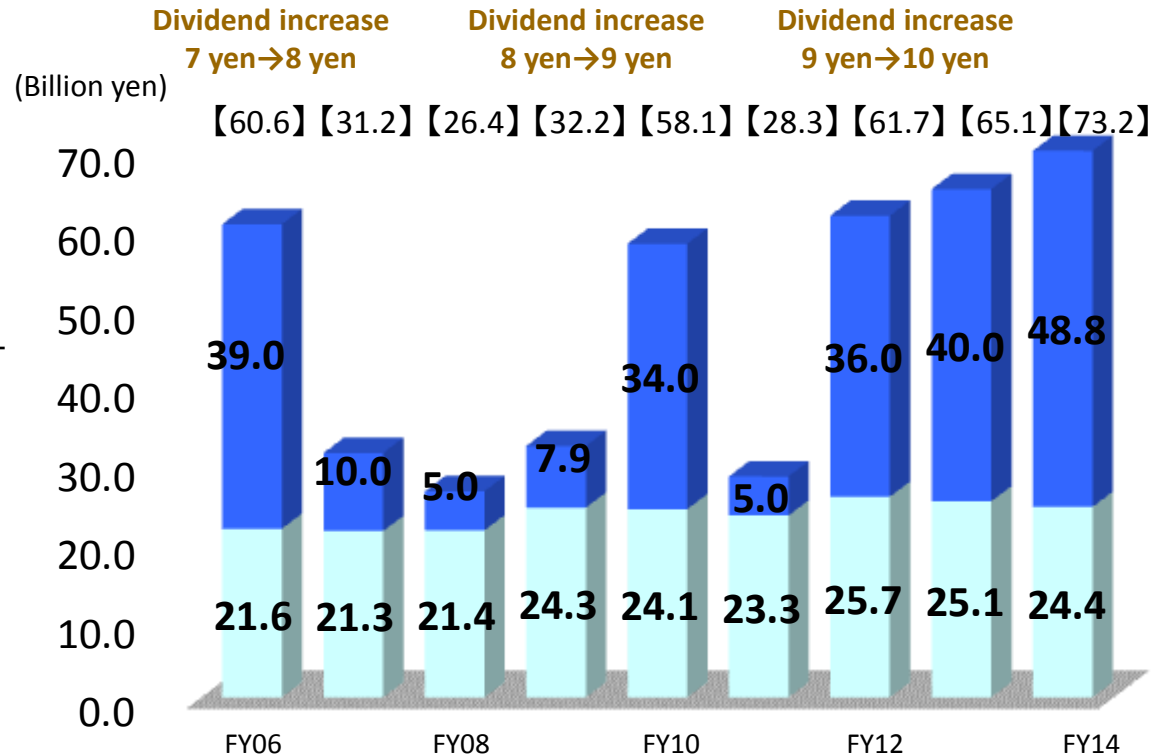
## Change in total payout ratio and dividend

■ Purchase of treasury stock  
■ Dividend

**Total payout ratio 60.0%**

$$\begin{array}{r}
 \text{FY2014 Dividend} \\
 \text{¥24.4 billion}
 \end{array}
 +
 \begin{array}{r}
 \text{FY2015 Purchase of} \\
 \text{treasury stock} \\
 \text{¥48.8 billion}
 \end{array}
 =
 \frac{\text{FY2014 Consolidated net income}}{\text{¥122.0 billion}}$$

\*Total number of shares outstanding 2,446,778,295 (as of December 31, 2014)



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

# Key Indicators (Consolidated)

|                                    | FY2014<br>Current forecast | FY2014<br>Previous forecast | FY2013<br>Results |
|------------------------------------|----------------------------|-----------------------------|-------------------|
| Total assets (a)                   | 2,262.0                    | 2,222.0                     | 2,176.8           |
| Shareholders' equity (b)           | 1,093.0                    | 1,051.0                     | 1,011.7           |
| Shareholders' equity ratio (b)/(a) | 48.3%                      | 47.3%                       | 46.5%             |
| Interest-bearing debt (c)          | 739.0                      | 742.0                       | 713.8             |
| D/E ratio (c)/(b)                  | 0.68                       | 0.71                        | 0.71              |
| Net income (d)                     | 122.0                      | 103.0                       | 108.4             |
| Depreciation (e)                   | 142.0                      | 142.0                       | 140.3             |
| Operating cash flow (d) + (e)      | 264.0                      | 245.0                       | 248.8             |
| Capex                              | 232.0                      | 237.0                       | 248.0             |
| ROA: (d)/(a)                       | 5.5%                       | 4.7%                        | 5.2%              |
| ROE: (d)/(b)                       | 11.6%                      | 10.0%                       | 11.2%             |
| TEP                                | 46.8                       | 27.2                        | 50.7              |
| WACC                               | 3.6%                       | 3.6%                        | 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 December 31, 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 (0.7%)
  - Risk premium: 5.5%, β: 0.75 (Risk premium through FY2013: 4%)
- Capital: market capitalization

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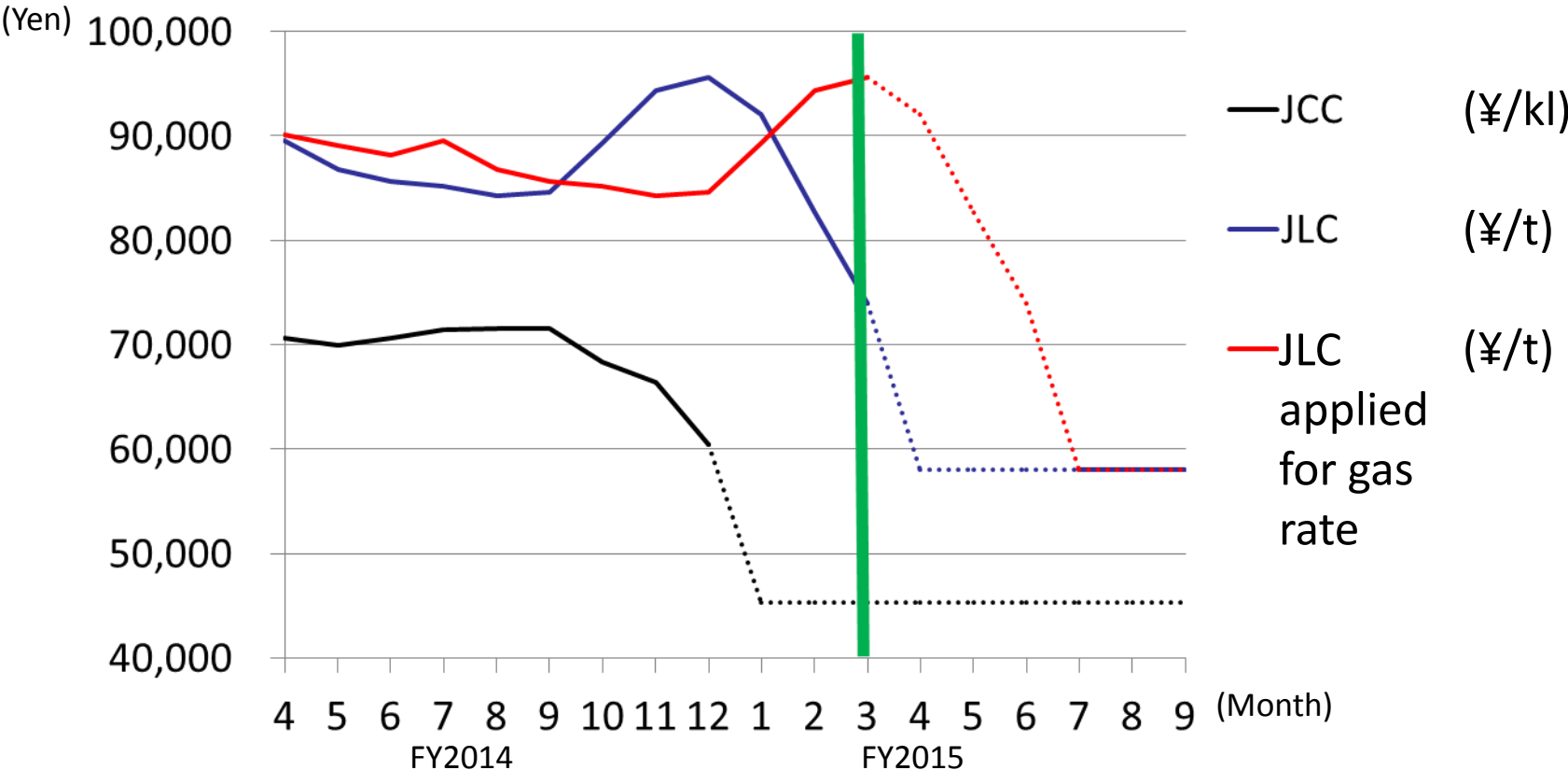
## 3. Reference Materials

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## Increase/decrease in FY2014 3Q and 4Q (vs. previous forecast)

|   | 3Q (Oct. – Dec.)               | 4Q (Jan. – Mar.)              | Total (2H)                     |
|---|--------------------------------|-------------------------------|--------------------------------|
| <b>Gas sales volume</b>                       | <b>+7.9 mil. m<sup>3</sup></b> | <b>+82 mil. m<sup>3</sup></b> | <b>+161 mil. m<sup>3</sup></b> |
| <b>Operating income</b>                       | <b>-14.1</b>                   | <b>+44.1</b>                  | <b>+30.0</b>                   |
| <b>City gas sales</b>                         | <b>+6.6</b>                    | <b>+9.4</b>                   | <b>+16.0</b>                   |
| <b>Resource costs</b>                         | <b>+13.4</b>                   | <b>-25.5</b>                  | <b>-12.1</b>                   |
| <b>Gas gross margin</b>                       | <b>-6.8</b>                    | <b>+34.9</b>                  | <b>+28.1</b>                   |
| (Including sliding time lag effect)           | (-7.3)                         | (+34.7)                       | (+27.4)                        |
| Recording of allowances                       | -9.5                           | —                             | -9.5                           |
| (Including multi-year gas pipeline measures)  | (-5.7)                         | (—)                           | (-5.7)                         |
| (Including gas appliance maintenance)         | (-3.8)                         | (—)                           | (-3.8)                         |
| Gas fixed cost reductions                     | +1.5                           | +3.2                          | +4.7                           |
| Operating income from electric power business | +0.4                           | +1.5                          | +1.9                           |
| Operating income from LNG sales               | -0.9                           | +2.8                          | +1.9                           |
| Operating income from overseas businesses     | —                              | +1.5                          | +1.5                           |
| Others  | +1.2                           | +0.2                          | +1.4                           |
| <b>Non-operating income/loss</b>              | <b>-0.6</b>                    | <b>+0.6</b>                   | <b>±0.0</b>                    |
| Dividend income                               | +1.5                           | —                             | +1.5                           |
| Foreign exchange profit/loss                  | -1.4                           | -0.3                          | -1.7                           |
| Recording of allowances                       | -1.7                           | —                             | -1.7                           |
| Others  | +1.0                           | +0.9                          | +1.9                           |

Changes in crude oil price (JCC), LNG price (JLC), and gas rate benchmark LNG price



Assuming \$60/bbl from January 2015.



**< 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.**

**TSE:9531**