

**FY2016 1Q Financial Results**



July 29, 2016



# 1. FY2016 1Q Consolidated Financial Results ended June 30, 2016



## Highlights: Sales Down, Profit Down

(+ - , +/- indicate impact on profit, billion yen)

<b>Net sales</b>	-111.6	-	City gas (-91.5: Decrease in unit price, etc. due to resource cost adjustment -95.4, increase in sales volume +3.7)
		-	Energy related (-21.1: LNG sales -9.1 (decrease in unit sales price due to decrease in crude oil price), appliances -5.4 (due to deconsolidation of GASTAR, etc.), engineering solutions -5.0 (lower volume of projects, etc.))
<b>Operating expenses</b>	+64.2	+	City gas resource costs, etc. (+62.8: Decrease in unit price arising from economic framework assumptions, etc. +64.0, increase in sales volume -1.2)
<b>Operating income</b>	-47.4	-	City gas (-37.5: Gas gross margin -29.0 (including sliding time lag effect -30.1), increase in fixed costs, etc. -8.8)
		-	Energy related (-4.2: LNG sales -3.0 (including sliding time lag effect -3.0), appliances -1.5)
		-	Electricity (-3.0: Decrease in profit due to increase in retail sales expenses, increase in depreciation, etc.)
<b>Extraordinary income/loss</b>	+2.9	+	Gain on sale of investment securities +2.9 (FY2016 1Q 2.9 ← FY2015 1Q 0.0)

(billion yen)

	FY2016 1Q	FY2015 1Q	Change	%
Gas sales volume (million m <sup>3</sup> , 45MJ)	3,640	3,538	+66	+1.8%
Net sales	375.7	487.3	-111.6	-22.9%
Operating expenses	328.6	392.8	-64.2	-16.3%
Operating income	47.1	94.5	-47.4	-50.2%
Segment income (operating income + equity income of subsidiary)	47.7	95.0	-47.3	-49.7%
Ordinary income <sup>(1)</sup>	47.2	93.3	-46.1	-49.5%
Extraordinary income/loss	2.9	0	+2.9	-
Profit attributable to owners of parent	39.1	73.4	-34.3	-46.6%
<i>Temperature effect<sup>(2)</sup></i>	<b>-4.9</b>	-5.4	+0.5	—
<i>Sliding time lag effect (city gas, LNG sales)<sup>(3)</sup></i>	<b>16.1</b>	49.2	-33.1	—
<i>Amortization of actuarial differences<sup>(4)</sup></i>	<b>-6.0</b>	-0.5	-5.5	—
<i>Adjusted ordinary income<sup>(1)-(2)+(3)+(4)</sup></i>	<b>42.0</b>	50.0	-8.0	-16.0%

Economic framework	Exchange rate (¥/\$)	Crude oil price (\$/bbl)	Avg. air temp. (°C)
FY2016 1Q	108.16	41.09	17.3
FY2015 1Q	121.43 <-13.27>	59.59 <-18.50>	17.6 <-0.3>

Pension assets	Investment yield (costs deducted)	Discount rate		Year-end assets (billion yen)
		Annuity portion	Lump-sum portion	
FY2015	2.92%	0.236%	0.000%	2,810
FY2014	5.57%	0.829%	0.358%	2,810

Figures in <> brackets indicate year-on-year increase/decrease.

Expected rate of return: 2%

# FY2016 1Q Consolidated Gas Sales Volume < vs. FY2015 1Q >

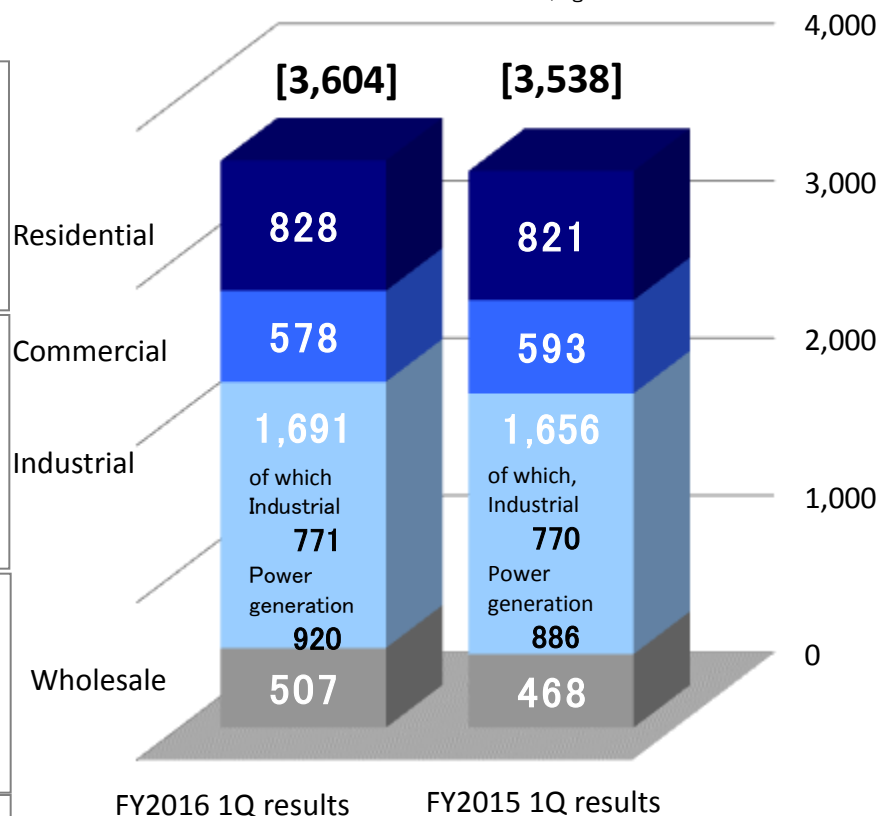
**+66 mil. m<sup>3</sup> (+1.8%)**

[Including temperature effect +4 mil. m<sup>3</sup>, +0.1%]

<b>Residential</b>	+ 7 mil. m <sup>3</sup> (+0.8%)
● Temperature effect	+6 mil m <sup>3</sup>
● Number of days	+11 mil m <sup>3</sup>
● Number of customers	+14 mil m <sup>3</sup>
● Others	-24 mil m <sup>3</sup>
<b>Commercial</b>	- 15 mil m <sup>3</sup> (-2.5%)
● Temperature effect	- 1 mil m <sup>3</sup>
● Number of days	+ 4 mil m <sup>3</sup>
● Number of customers	+ 6 mil m <sup>3</sup>
● Others	-24 mil m <sup>3</sup>
<b>Industrial</b>	+ 35 mil m <sup>3</sup> (+2.1%)
● Industrial	+ 1 mil m <sup>3</sup>
● Power generation	+34 mil m <sup>3</sup>
<b>Wholesale</b>	+ 39 mil m <sup>3</sup> (+8.3%)
● Temperature effects	- 1 mil m <sup>3</sup>
● Others	+40 mil m <sup>3</sup>
Increase in demand from wholesale suppliers, etc.	

Gas Sales Volume :

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



Number of customers (10 thousands)

FY2016 1Q results	FY2015 1Q results	Change
<b>1,141.8</b>	1,128.5	+13.3 (+1.2%)

	FY2016 1Q	FY2015 1Q	Change
LNG liquid sales volume (thousands t)	273	258	+15
Average temperature (°C)	17.3	17.6	-0.3

**■ Gas Sales Volume (Vision Basis)**

(unit : million m3)

	<b>FY2016 1Q Results</b>	<b>FY2015 1Q Results</b>	<b>Change</b>
Gas sales volume (financial accounting basis)	3,604	3,538	+66
			+1.8%
Gas volume used in-house under tolling arrangement	431	353	+78
			+22.1%
LNG sales volume (m3 basis)	342	323	+19
			+5.9%
Total	4,376	4,214	+162
			+3.9%

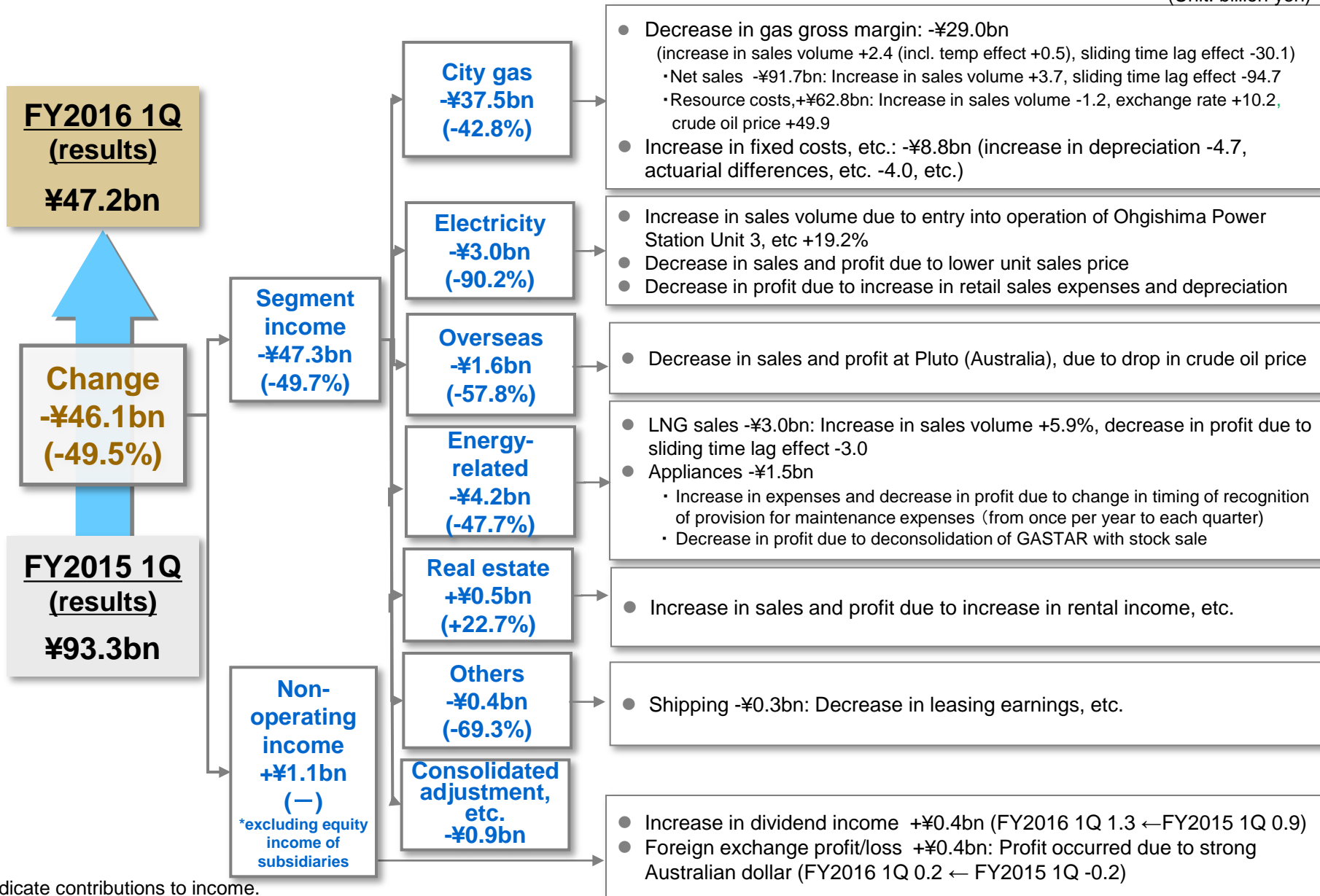
# FY2016 1Q Results : Sales and Operating Income/Loss by Business Segments <vs. FY2015 1Q>

(Unit : billion yen)

	Net Sales				Segment Income (Operating income + Equity income/loss of subsidiary)			
	FY2016 1Q	FY2015 1Q	Change	%	FY2016 1Q	FY2015 1Q	Change	%
<b>City Gas</b>	256.8	348.3	-91.5	-26.3	50.1	87.6	-37.5	-42.8
<b>Electric Power</b>	27.3	29.6	-2.3	-7.8	0.3	3.3	-3.0	-90.2
<b>Oversea business</b>	7.3	8.5	-1.2	-14.0	1.2	2.8	-1.6	-57.8
<b>Energy-related</b>	100.7	121.8	-21.1	-17.3	4.6	8.8	-4.2	-47.7
<b>(Engineering Solutions)</b>	23.8	28.8	-5.0	-17.5	0.3	0.3	-0.0	-2.0
<b>(LNG Sales)</b>	23.1	32.2	-9.1	-28.1	4.0	7.0	-3.0	-43.3
<b>Real estate</b>	10.0	9.7	0.3	3.5	2.2	1.7	0.5	22.7
<b>Others</b>	18.8	17.2	1.6	9.1	0.2	0.6	-0.4	-69.3
<b>Adjustment</b>	-45.4	-47.9	2.5	—	-10.9	-10.0	-0.9	—
<b>Consolidated</b>	375.7	487.3	-111.6	-22.9	47.7	95.0	-47.3	-49.7

- Notes:
- Net sales by business segments include internal transactions.
  - “Energy-related” includes businesses in engineering construction, appliances sales, gas pipe installation, construction, and LNG sales, liquefied petroleum gas and industrial gas, etc.
  - “Others” includes businesses in shipping, information processing service, credit and leasing, etc.
  - The “Adjustment” to operating income is primarily companywide expenses not allocated to individual segments.

# FY2016 1Q Results: Ordinary Income Analysis <vs. FY2015 1Q>



\*+/- indicate contributions to income.

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## 2. FY2016 Full Year Forecast

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# FY2016 Forecast (Apr. 1, 2016 – Mar. 31, 2017) <vs. Initial Forecast>

## Highlights: No Change to Original Profit Forecast

( + - indicate impact on profit, billion yen)

- Economic framework changed as follows: (1) exchange rate changed from ¥115.0 per dollar to ¥105 per dollar from 2Q; (2) crude oil price changed from \$35/bbl in 2Q and \$40/bbl in 2H to \$45/bbl from 2Q.
  - Gas sales volume reflects the change(decrease) between 1Q results and initial forecast 1Q, while electricity sales volume reflects increase in nighttime electricity use.
- ⇒ Original profit forecast for the year is unchanged, as the decrease in profit in the city gas segment due to lower gas sales volume will be offset by profit growth in the electricity and overseas segments, etc.

<b>Net sales</b>	+10.0	+	City gas (+4.5: Increase in unit sales price due to resource cost adjustment system, etc.)
		+	Electricity (+4.0: Increase in sales volume due to increased nighttime electricity use)
<b>Operating expenses</b>	-10.0	-	City gas resource costs (-7.8: Increase in unit resource price arising mainly from changes to economic framework)
		-	Electricity (-2.8: Increase in fuel costs with increase in sales volume, etc.)

(billion yen)

	Current forecast	Initial forecast (Apr. 28)	Change	%	FY2015 results	Change	%
Gas sales volume (million m <sup>3</sup> , 45MJ)	1,555.6	1,559.8	-4.2	-0.3%	1,543.6	+12.0	+0.8%
Net sales	1,591.0	1,581.0	+10.0	+0.6%	1,884.6	-293.6	-15.6%
Operating expenses	1,543.0	1,533.0	+10.0	+0.7%	1,692.6	-149.6	-8.8%
Operating income	48.0	48.0	0	0.0%	192.0	-144.0	-75.0%
Segment income (operating income + equity income of subsidiary)	49.6	49.1	+0.5	+1.0%	194.1	-144.5	-74.4%
Ordinary income <sup>(1)</sup>	40.0	40.0	0	0.0%	188.8	-148.8	-78.8%
Extraordinary income/loss	7.0	7.0	0	0.0%	-33.0	+40.0	—
Profit attributable to owners of parent	35.0	35.0	0	0.0%	111.9	-76.9	-68.7%
Temperature effect <sup>(2)</sup>	-4.9	0	-4.9	—	-17.3	+12.4	—
Sliding time lag effect (city gas + LNG sales) <sup>(3)</sup>	-7.4	-8.1	+0.7	—	80.3	-87.7	—
Amortization of actuarial differences <sup>(4)</sup>	-24.1	-24.1	0	—	-2.3	-21.8	—
Adjusted ordinary income <sup>(1)+(2)+(3)+(4)</sup>	76.4	72.2	+4.2	+5.8%	128.1	-51.7	+40.4%

Economic framework	Exchange rate (¥/\$)	Crude oil price (\$/bbl)	Avg. air temp. (°C)
Current forecast	105.79 *1	44.02 *2	16.1
Original forecast	115.0 <-9.21>	37.50 *3 <+6.52>	15.8 <+0.3>

Pension assets	Investment yield (costs deducted)	Discount rate		Year end assets (billion yen)
		Annuity portion	Lump-sum portion	
FY2015	2.92%	0.236%	0.000%	2,810
FY2014	5.57%	0.829%	0.358%	2,810

Figures in <> brackets indicate year-on-year increase/decrease. \*1 From 2Q: ¥105.0

\*2 From 2Q: \$45/bbl \*3 1H: \$35/bbl, 2H: \$40/bbl

# FY2016 Full Year Forecast ; Consolidated Gas Sales Volume

## Current Forecast ( vs. Initial Forecast)

**-42 mil. m<sup>3</sup> (-0.3%)**

[Including temperature effect -75mil. m<sup>3</sup>, -0.5%]

- Residential** - 75 mil. m<sup>3</sup> (-2.1%)
  - Temperature effect - 64 mil. m<sup>3</sup>
  - Number of days - 2 mil. m<sup>3</sup>
  - Number of customers 0 mil. m<sup>3</sup>
  - Others - 9 mil. m<sup>3</sup>

**Commercial** -17 mil. m<sup>3</sup> (-0.6%)

- Temperature effect - 6 mil. m<sup>3</sup>
- Number of days 0 mil. m<sup>3</sup>
- Number of customers + 1 mil. m<sup>3</sup>
- Others - 12 mil. m<sup>3</sup>

**Industrial** +44 mil. m<sup>3</sup> (+0.6%)

- Industrial - 12 mil. m<sup>3</sup>
- Power generation + 56 mil. m<sup>3</sup>

**Wholesale** +6 mil. m<sup>3</sup> (+0.3%)

- Temperature effect - 6 mil. m<sup>3</sup>
- Others + 12 mil. m<sup>3</sup>
- Increase in demand from wholesale suppliers, etc.

## Current forecast (vs FY2015 Results)

**+120 mil m<sup>3</sup> (+0.8%)**

[Including temperature effect +226mil. m<sup>3</sup>, +1.5%]

- Residential** +127 mil. m<sup>3</sup> (+3.8%)
  - Temperature effect +152 mil. m<sup>3</sup>
  - Number of days + 3 mil. m<sup>3</sup>
  - Number of customers + 51 mil. m<sup>3</sup>
  - Others - 79 mil. m<sup>3</sup>

**Commercial** +31 mil. m<sup>3</sup> (+1.2%)

- Temperature effect + 54 mil. m<sup>3</sup>
- Number of days - 2 mil. m<sup>3</sup>
- Number of customers +23 mil. m<sup>3</sup>
- Others - 44 mil. m<sup>3</sup>

**Industrial** - 53 mil. m<sup>3</sup> (-0.7%)

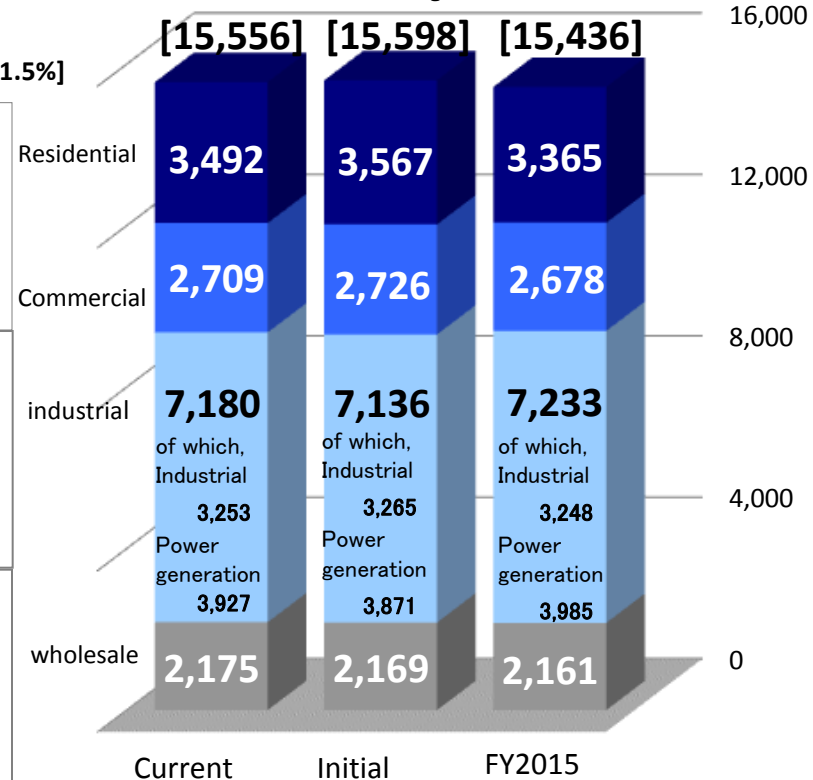
- Industrial + 5 mil. m<sup>3</sup>
- Power generation - 58 mil. m<sup>3</sup>

**Wholesale** +14mil. m<sup>3</sup> (+0.6%)

- Temperature effect + 20 mil. m<sup>3</sup>
- Others - 6 mil. m<sup>3</sup>
- Decrease in demand from wholesale suppliers, etc.

## Gas sales Volume :

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



## Number of customers (10 thousands)

Current Forecast	Initial Forecast	Change
1,153.7	1,153.7	0.0 (0.0%)

	Current Forecast	Initial Forecast	Change
LNG liquefied sales volume (thousands t)	1,059	1,058	+1
Average temperature (°C)	16.1	15.8	+0.3

# FY2016 Full Year Forecast : Gas Sales Volume (Vision Basis)

<vs FY 2016 Initial Forecast, FY2015 Results>

## ● Gas Sales Volume (Vision Basis)

(Unit : mil. m3)

	FY2016 Current Forecast	FY2016 Initial Forecast	Change	FY2015 Results	Change
Gas Sales Volume (financial accounting basis)	15,556	15,598	-42	15,436	+120
			-0.3%		+0.8%
Gas volume used in-house under tolling agreement	2,053	1,949	+104	1,717	+336
			+5.3%		+19.6%
LNG sales (m3 basis)	1,324	1,323	+1	1,434	-110
			+0.0%		-7.7%
Total	18,933	18,870	+63	18,587	+346
			+0.3%		+1.9%

# FY2016 Full Year Forecast : Sales and Income/Loss by New Business Segments

<vs. FY2016 Initial Forecast>

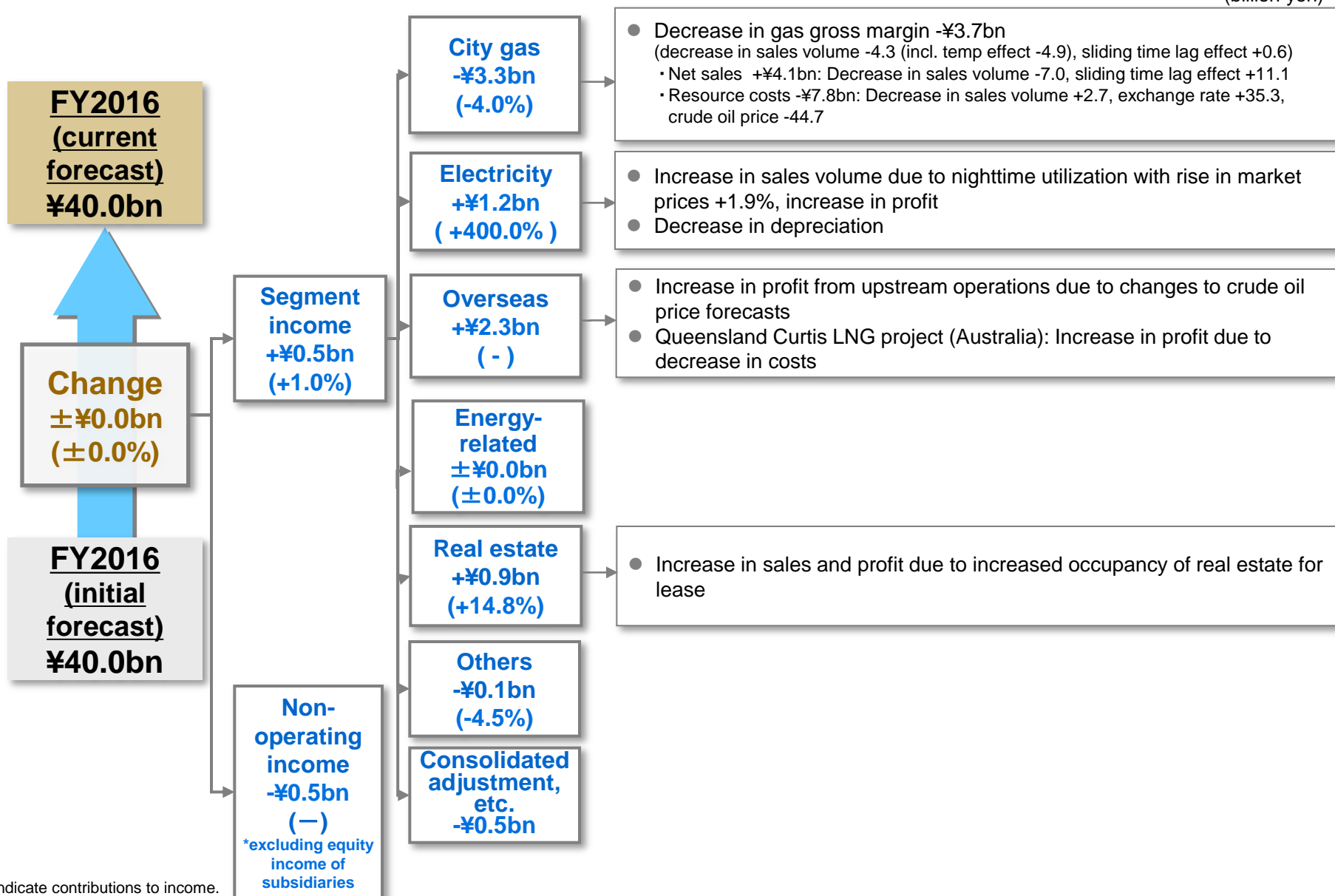


(Unit : billion yen)

	Net Sales				Segment Income (Operating income + Equity income/loss of subsidiary)			
	FY16 Current	FY16 Initial	Change	%	FY16 Current	FY16 Initial	Change	%
<b>City Gas</b>	1,027.3	1,022.8	4.5	0.4	79.4	82.7	-3.3	-4.0
<b>Electric Power</b>	138.8	134.8	4.0	3.0	1.5	0.3	1.2	400.0
<b>Oversea business</b>	27.6	30.4	-2.8	-9.2	2.3	0.0	2.3	—
<b>Energy-related</b>	464.1	471.7	-7.6	-1.6	8.1	8.1	0.0	0.0
<b>(Engineering solutions)</b>	111.2	111.3	-0.1	-0.0	3.7	3.7	0.0	0.0
<b>(LNG Sales)</b>	88.1	81.5	6.6	8.1	3.5	3.4	0.1	2.7
<b>Real estate</b>	41.1	40.1	1.0	2.5	7.0	6.1	0.9	14.8
<b>Others</b>	86.4	82.8	3.6	4.3	2.1	2.2	-0.1	-4.5
<b>Adjustment</b>	-194.3	-201.6	7.3	—	-50.8	-50.3	-0.5	—
<b>Consolidated</b>	1,591.0	1,581.0	10.0	0.6	49.6	49.1	0.5	1.0

- Notes:
- Net sales by business segments include internal transactions.
  - “Energy-related” includes businesses in engineering construction, appliances sales, gas pipe installation, construction, and LNG sales, liquefied petroleum gas and industrial gas, etc.
  - “Others” includes businesses in shipping, information processing service, credit and leasing, etc.
  - The “Adjustment” to operating income is primarily companywide expenses not allocated to individual segments.

# FY2016 Forecast: Ordinary Income Analysis <vs. Original Forecast>



\*+/- indicate contributions to income.

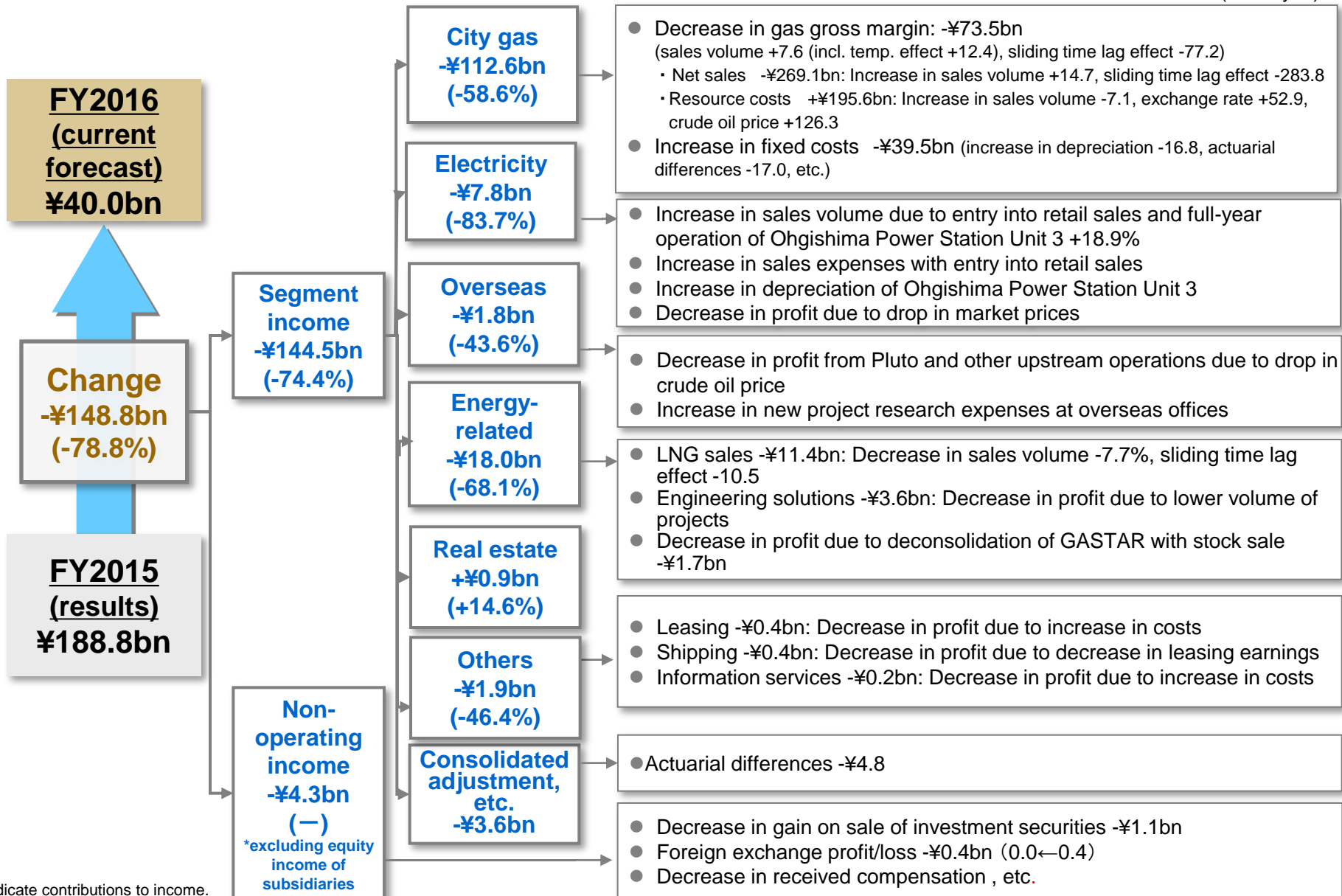
# FY2016 Full Year Forecast : Ordinary Income Analysis <vs FY2015 Results>

	Net sales				Segment Income (Operating income + Equity income/loss of subsidiary)			
	FY2016 Current Forecast	FY2015 Results	Change	%	FY2016 Current Forecast	FY2015 Results	Change	%
<b>City Gas</b>	1,027.3	1,294.6	-267.3	-20.7	79.4	192.0	-112.6	-58.6
<b>Electric Power</b>	138.8	124.8	14.0	11.1	1.5	9.3	-7.8	-83.7
<b>Oversea business</b>	27.6	30.1	-2.5	-8.6	2.3	4.1	-1.8	-43.6
<b>Energy-related</b>	464.1	550.4	-86.3	-15.7	8.1	25.5	-17.4	-68.1
<b>(Engineering solutions)</b>	111.2	137.0	-25.8	-18.9	3.7	7.3	-3.6	-49.3
<b>(LNG Sales)</b>	88.1	124.3	-36.2	-29.1	3.5	14.9	-11.4	-76.4
<b>Real estate</b>	41.1	39.3	1.8	4.4	7.0	6.1	0.9	-14.6
<b>Others</b>	86.4	80.2	6.2	7.6	2.1	4.0	-1.9	-46.4
<b>Adjustment</b>	-194.3	-235.1	40.8	—	-50.8	-47.2	-3.6	—
<b>Consolidated</b>	1,591.0	1,884.6	-293.6	-15.6	49.6	194.1	-144.5	-74.4

- Notes:
- Net sales by business segments include internal transactions.
  - “Energy-related” includes businesses in engineering construction, appliances sales, gas pipe installation, construction, and LNG sales, liquefied petroleum gas and industrial gas, etc.
  - “Others” includes businesses in shipping, information processing service, credit and leasing, etc.
  - The “Adjustment” to operating income is primarily companywide expenses not allocated to individual segments.

# FY2016 Forecast: Ordinary Income Analysis

<vs. FY2015 Results>



\*+/- indicate contributions to income.

# Key Indicators (Consolidated)

(Unit : billion yen)

	FY2016 Forecast	FY2015 Results	FY2014 Results
Total assets (a)	2,188.0	2,251.5	2,257.6
Shareholders' equity (b)	1,002.0	1,100.2	1,069.5
Shareholders' equity ratio (b)/(a)	45.8%	48.9%	47.4%
Interest-bearing debt (c)	780.0	715.7	730.7
D/E ratio (c)/(b)	0.78	0.65	0.68
Profit attributable to owners of parents (d)	35.0	111.9	95.8
Depreciation (e)	165.0	145.1	141.8
Operating cash flow (d) + (e)	200.0	257.1	237.6
Capex	248.0	232.0	224.5
ROA: (d) / (a)	1.6%	5.0%	4.3%
ROE: (d) / (b)	3.3%	10.3%	9.2%
TEP	-22.8	67.6	43.4
WACC	3.4%	3.4%	3.6%
Total payout ratio	Approx. 60%	60.1%	60.8%

Note: 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 = [FY-N dividends + FY-(N+1) treasury stock purchased] / FY-N consolidated net income

TEP (Tokyo Gas Economic Profit) : Profit after taxes and before interest payments – Cost of capital (invested capital × WACC)  
 Items for WACC calculation (FY2016 forecast)  
 • Cost of interest-bearing debt : forecast interest rate (1.12%, after tax)  
 • Cost rate for shareholders' equity  
 • Risk free rate : 10-year JGB yield (0.44%)  
 • Risk premium : 5.5% β: 0.75



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## 3. Reference Materials

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# Gas Gross Margin Sensitivity to Change in Crude Oil Price and Exchange Rate

## Impact of rising JCC by \$1/bbl

(Unit : billion yen)

		Impact on earning			
		2Q	3Q	4Q	Full Year
Period	2Q	-0.2	-0.9	+1.1	0.0
	3Q	—	-0.1	-1.1	-1.2
	4Q	—	—	-0.3	-0.3
	Full Year	-0.2	-1.0	-0.3	-1.5

## Impact of depreciation by ¥1/\$

(Unit : billion yen)

		Impact on earning			
		2Q	3Q	4Q	Full Year
Period	2Q	-0.6	+0.4	+0.2	0.0
	3Q	—	-0.6	+0.6	0.0
	4Q	—	—	-0.8	-0.8
	Full Year	-0.6	-0.2	0.0	-0.8



**< 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.**

**TSE:9531**