

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)

| | | | | |
|----------------------------------|--------|---|---|---|
| Net sales | -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.)) |
| Operating expenses | +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) |
| Operating income | -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.) |
| Extraordinary income/loss | +2.9 | : | + | Gain on sale of investment securities +2.9 (FY2016 1Q 2.9 ← FY2015 1Q 0.0) |

| | FY2016 1Q | FY2015 1Q | Change | % |
|---|-----------|-----------|--------|--------|
| Gas sales volume (million m ³ , 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 ⁽¹⁾ | 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% |

| | | | | |
|--|------|------|-------|--------|
| Temperature effect ⁽²⁾ | -4.9 | -5.4 | +0.5 | — |
| Sliding time lag effect (city gas, LNG sales) ⁽³⁾ | 16.1 | 49.2 | -33.1 | — |
| Amortization of actuarial differences ⁽⁴⁾ | -6.0 | -0.5 | -5.5 | — |
| Adjusted ordinary income ⁽¹⁾⁻⁽²⁾⁺⁽³⁾⁺⁽⁴⁾ | 42.0 | 50.0 | -8.0 | -16.0% |

| Economic framework | Exchange rate (¥/\$) | Crude oil price (\$/bbl) | Avg. air temp. (°C) | Pension assets | Investment yield (costs deducted) | Discount rate | | Year-end assets (billion yen) |
|--------------------|----------------------|--------------------------|---------------------|----------------|-----------------------------------|-----------------|------------------|-------------------------------|
| | | | | | | Annuity portion | Lump-sum portion | |
| FY2016 1Q | 108.16 | 41.09 | 17.3 | | 2.92% | 0.236% | 0.000% | 2,810 |
| FY2015 1Q | 121.43 <-13.27> | 59.59 <-18.50> | 17.6 <-0.3> | | 5.57% | 0.829% | 0.358% | 2,810 |

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

Expected rate of return: 2%

2

During the first quarter of FY2016, net sales decreased due to falling sales unit prices under the gas rate adjustment system, etc. And all of operating income, ordinary income and profit attributable to owners of parent decreased year-on-year, although ordinary expenses decreased due to a decline in city gas resource costs, etc. as a result of influence of falling crude oil prices and the strong yen.

Main causes of a fall in net sales by ¥111.6 billion (-22.9%) include a decrease in net sales of city gas segment by ¥91.5 billion and a decline in net sales of energy-related segment, including LNG sales and appliances, etc., by ¥21.1 billion.

On the other hand, a fall in operating expenses by ¥64.2 billion (-16.3%) was caused mainly by a decrease in city gas resource costs by ¥62.8 billion as a result of influence of falling crude oil prices and the strong yen.

Since a decrease in net sales exceeded a decline in operating expenses, operating income decreased by ¥47.4 billion (-50.2%) to ¥47.1 billion.

As a result, ordinary income decreased by ¥46.1 billion (-49.5%) to ¥47.2 billion. During the first quarter of FY2016, a gain on sale of investment securities in the amount of ¥2.9 billion is recorded as extraordinary income (such gain was not recorded in the same quarter of the previous year).

In the end, profit attributable to owners of parent decreased by ¥34.3 billion (-46.6%) to ¥39.1 billion.

The slide time lag effect due to fluctuations of resource prices as indicated in the lower part of above table decreased by ¥33.1 billion, although it represents over-collection as in the case of the same quarter of the previous year).

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

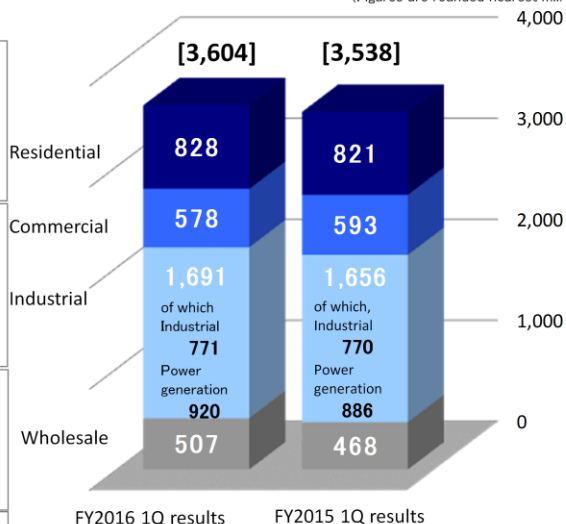
+66 mil. m³ (+1.8%)

[Including temperature effect +4 mil. m³, +0.1%]

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

Gas Sales Volume :

(Figures are rounded nearest mil. m³)



Number of customers (10 thousands)

| FY2016 1Q results | FY2015 1Q results | Change |
|-------------------|-------------------|---------------|
| 1,141.8 | 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 |

Consolidated gas sales volume during the first quarter of FY2016 increased by 66 m³ (+1.8%) year-on-year to 3,604 million m³.

Main causes of this increase are a 2.1% increase in industrial gas sales due to increased demand for power generation, a 0.8% increase in residential demand due to increased hot water demand (hot water demand increased because temperatures in May and June remained lower than the same period of the previous year) and other factors.

■ Gas Sales Volume (Vision Basis)

(unit: million m3)

| | FY2016 1Q Results | FY2015 1Q Results | Change |
|---|-------------------|-------------------|--------|
| 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% |

Slide 4 indicates gas sales volume (vision basis) which represents the total of gas sales volume (financial accounting basis), gas volume used in-house under tolling arrangement and LNG sales gas volume.

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

(Unit : billion yen)

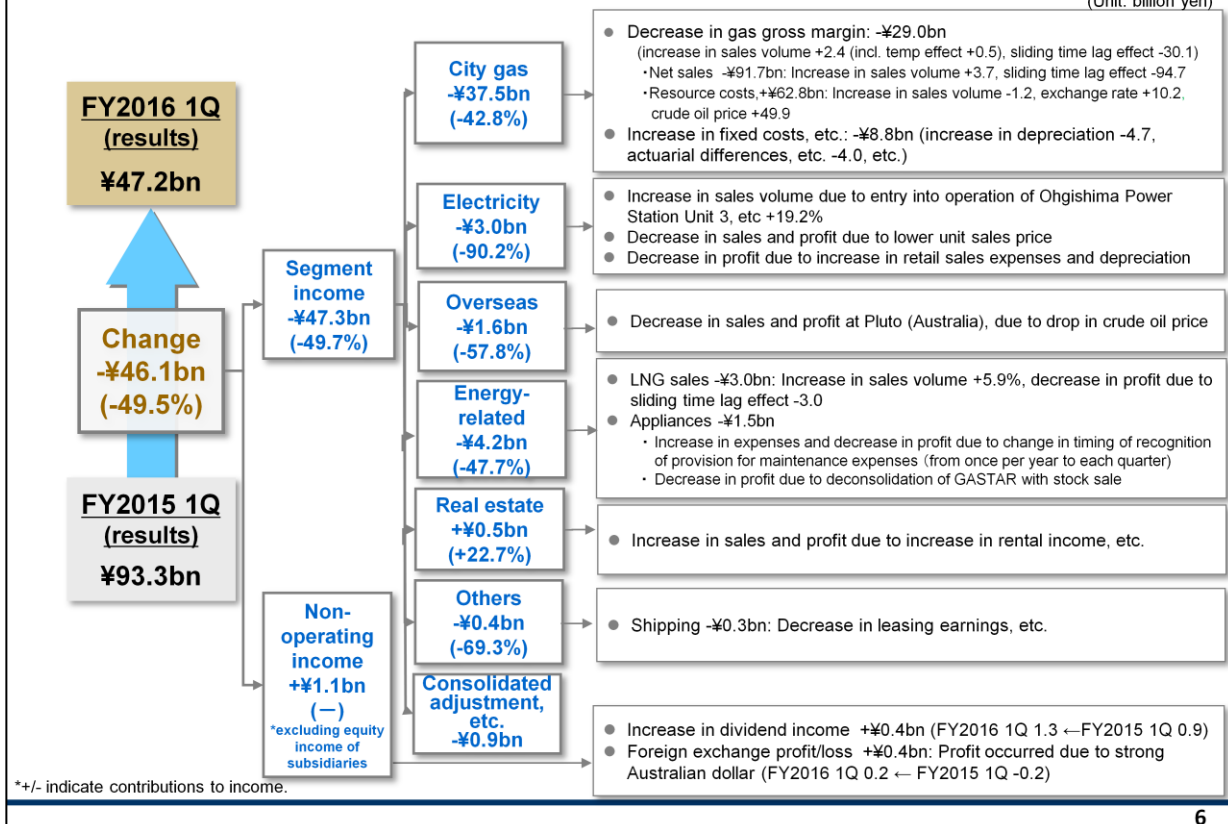
| | Net Sales | | | | Segment Income (Operating income + Equity income/loss of subsidiary) | | | |
|-------------------------|-----------|-----------|--------|-------|---|-----------|--------|-------|
| | FY2016 1Q | FY2015 1Q | Change | % | FY2016 1Q | FY2015 1Q | Change | % |
| City Gas | 256.8 | 348.3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

Slides 5 and 6 indicate net sales by segment, and segment income (operating income + equity earnings of subsidiary) and its. Let me explain briefly.

With effect from this first quarter of FY2016, the reporting segments are changed. Two main changes are that electric power and overseas business are treated as independent segments although they were treated as breakdowns of other segments and that gas appliances and installation work are included in energy-related segment.

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



Please refer to slide 6.

Segment income of city gas segment decreased by ¥37.5 billion. This is mainly because gross profit decreased by ¥29.0 billion due to falling sales unit prices and fixed cost, including depreciation, increased by ¥8.8 billion.

Segment income of electric power segment decreased by ¥3.0 billion. This is mainly because sales unit prices decreased and fixed cost, including selling expenses to entry in retail business and depreciation expenses, increased, although sales volume increased due to the commencement of operation of Ohgishima Power Plant No.3 in February 2016

Segment income of overseas business segment decreased by ¥1.6 billion due to the influence of a decline in income of upstream business as a result of falling crude oil prices.

Segment income of energy-related business segment decreased by ¥4.2 billion mainly because of a fall in income due to sliding time lag effect in LNG sales business.

2. FY2016 Full Year Forecast



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.

| | | | |
|---------------------------|---------|---|---|
| Net sales | +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) |
| Operating expenses | -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 ³ , 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 ⁽¹⁾ | 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 ⁽²⁾ | -4.9 | 0 | -4.9 | — | -17.3 | +12.4 | — |
| Sliding time lag effect (city gas + LNG sales) ⁽³⁾ | -7.4 | -8.1 | +0.7 | — | 80.3 | -87.7 | — |
| Amortization of actuarial differences ⁽⁴⁾ | -24.1 | -24.1 | 0 | — | -2.3 | -21.8 | — |
| Adjusted ordinary income ⁽¹⁾⁺⁽²⁾⁺⁽³⁾⁺⁽⁴⁾ | 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) | Pension assets | Investment yield (costs deducted) | Discount rate | | Year end assets (billion yen) |
|--------------------|----------------------|-----------------------------|---------------------|----------------|-----------------------------------|-----------------|------------------|-------------------------------|
| | | | | | | Annuity portion | Lump-sum portion | |
| Current forecast | 105.79 ^{*1} | 44.02 ^{*2} | 16.1 | FY2015 | 2.92% | 0.236% | 0.000% | 2,810 |
| Original forecast | 115.0 <-9.21> | 37.50 ^{*3} <+6.52> | 15.8 <+0.3> | 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

Please refer to slide 8. Let me explain full-year prospective income and expenditure as compared with the initial plan indicated in April 2016.

Gas sales volume is revised down by 42 million m³ (-0.3%) from the level specified in the initial plan. This revision is made in consideration of actual results in the first quarter. For details, please refer to slide 9.

Although gas sales volume is revised down, net sales is revised upward by ¥10.0 billion from the initial plan.

This is because the forecast of sales unit prices is raised for the reason that, in consideration of recent economic performances, crude oil prices in the initial plan (\$35 in 1H, and \$40 in 2H) is revised upward (\$45 in and after 2Q) and the exchange rate is also changed (from ¥115/\$ to ¥105/\$).

As explained to you earlier, income of gas business in the first quarter decreased due to a decline in gas sales volume from the initial plan. However, full-year prospective income will remain unchanged from the initial plan for the reason that mainly power and overseas business will achieve an increase in income.

FY2016 Full Year Forecast ; Consolidated Gas Sales Volume

Current Forecast (vs. Initial Forecast)

-42 mil. m³ (-0.3%)

[Including temperature effect -75mil. m³, -0.5%]

| | | | |
|--|--|--|--|
| <p>Residential - 75 mil. m³ (-2.1%)</p> <ul style="list-style-type: none"> ● Temperature effect - 64 mil. m³ ● Number of days - 2 mil. m³ ● Number of customers 0 mil. m³ ● Others - 9 mil. m³ | <p>Commercial -17 mil. m³ (-0.6%)</p> <ul style="list-style-type: none"> ● Temperature effect - 6 mil. m³ ● Number of days 0 mil. m³ ● Number of customers + 1 mil. m³ ● Others - 12 mil. m³ | <p>Industrial +44 mil. m³ (+0.6%)</p> <ul style="list-style-type: none"> ● Industrial - 12 mil. m³ ● Power generation + 56 mil. m³ | <p>Wholesale +6 mil. m³ (+0.3%)</p> <ul style="list-style-type: none"> ● Temperature effect - 6 mil. m³ ● Others + 12 mil. m³ Increase in demand from wholesale suppliers, etc. |
|--|--|--|--|

Current forecast (vs FY2015 Results)

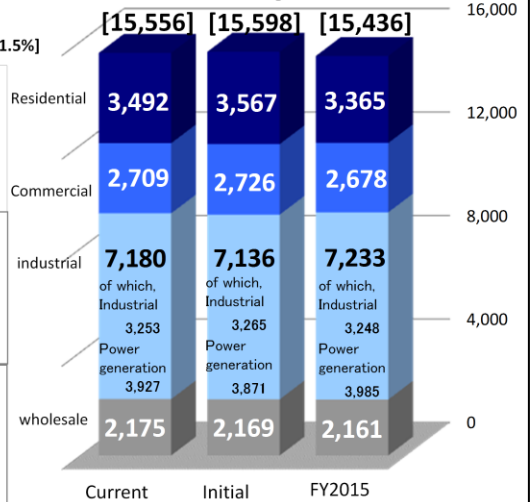
+120 mil m³ (+0.8%)

[Including temperature effect +226mil. m³, +1.5%]

| | | | |
|--|---|--|--|
| <p>Residential +127 mil. m³ (+3.8%)</p> <ul style="list-style-type: none"> ● Temperature effect +152 mil. m³ ● Number of days + 3 mil. m³ ● Number of customers + 51 mil. m³ ● Others - 79 mil. m³ | <p>Commercial +31 mil. m³ (+1.2%)</p> <ul style="list-style-type: none"> ● Temperature effect + 54 mil. m³ ● Number of days - 2 mil. m³ ● Number of customers +23 mil. m³ ● Others - 44 mil. m³ | <p>Industrial - 53 mil. m³ (-0.7%)</p> <ul style="list-style-type: none"> ● Industrial + 5 mil. m³ ● Power generation - 58 mil. m³ | <p>Wholesale +14mil. m³ (+0.6%)</p> <ul style="list-style-type: none"> ● Temperature effect + 20 mil. m³ ● Others - 6 mil. m³ Decrease in demand from wholesale suppliers, etc. |
|--|---|--|--|

Gas sales Volume :

(Figures are rounded nearest mil m³)



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 |

The forecast of residential gas sales volume is revised down by 75 million m³ (-2.1%) as temperatures in the first quarter were higher than those of the initial plan.

The forecast of commercial gas sales volume is also revised down by 17 million m³ (-0.6%) in consideration of a decrease in the consumption of the existing consumers and other factors.

Although the forecast of industrial gas sales volume in the first quarter is revised down by 12 million m³ due to a decline in operating ratio, etc. of the industrial customers, the demand for power generation is revised upward to 56 million m³. In total, the forecast of industrial gas sales volume is revised upward by 44 million m³ (+0.6%) .

The forecast of wholesale gas sales volume is revised upward by 6 million m³ (+0.3%) due to an increase in demand from wholesale suppliers, etc.

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% |

Slide 10 indicates gas sales volume (vision basis) which represents the total of gas sales volume (financial accounting basis), gas volume used in-house under tolling arrangement and LNG sales gas volume.

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

<vs. FY2016 Initial Forecast>



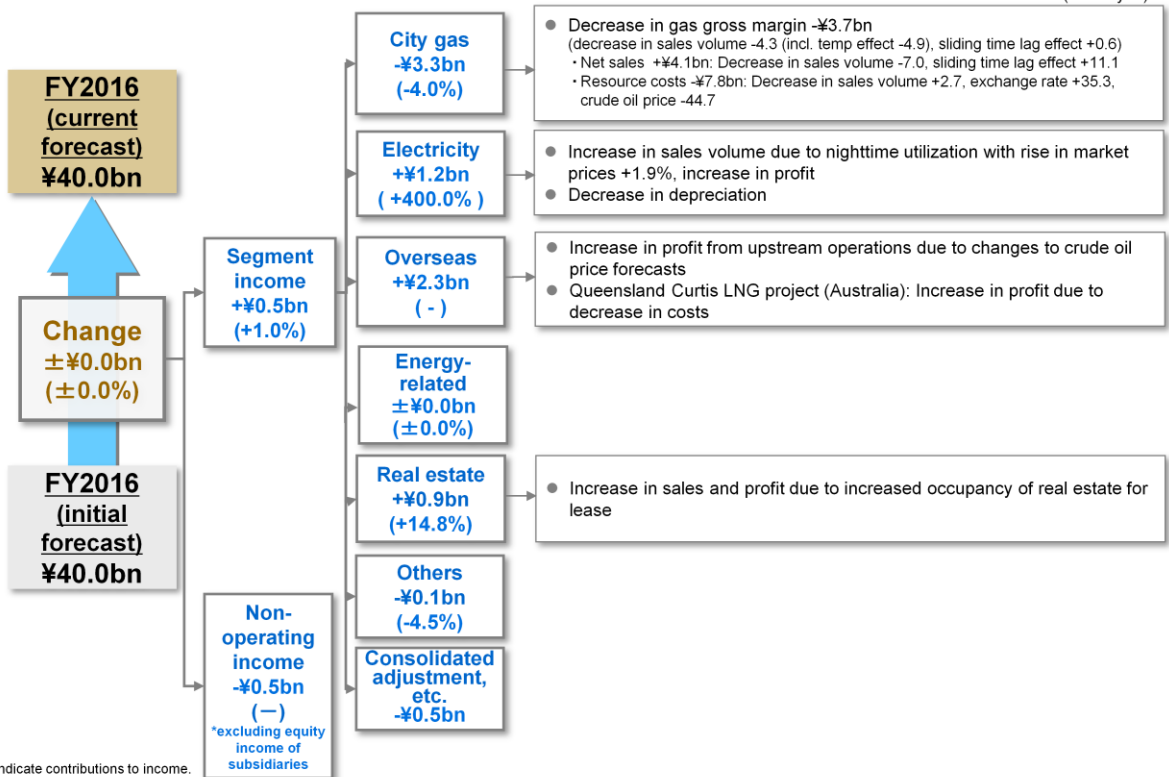
(Unit : billion yen)

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

Slides 11 and 12 indicate the main factors causing differences between forecast by segment and the initial plan.

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



*+/- indicate contributions to income.

City gas segment income would decrease by ¥3.3 billion due to a drop in sales volume as explained earlier.

Electric power segment income would increase by ¥1.2 billion yen due to an increase in sales volume as a result of increased nighttime operation at power stations during summer season and other factors.

Overseas business segment income would increase by ¥2.3 billion yen due to an expected increase in profit of the upstream business as a result of change of forecasted crude oil prices.

Energy-related business segment would remain unchanged from the initial plan.

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 | % |
| City Gas | 1,027.3 | 1,294.6 | -267.3 | -20.7 | 79.4 | 192.0 | -112.6 | -58.6 |
| Electric Power | 138.8 | 124.8 | 14.0 | 11.1 | 1.5 | 9.3 | -7.8 | -83.7 |
| Oversea business | 27.6 | 30.1 | -2.5 | -8.6 | 2.3 | 4.1 | -1.8 | -43.6 |
| Energy-related | 464.1 | 550.4 | -86.3 | -15.7 | 8.1 | 25.5 | -17.4 | -68.1 |
| (Engineering solutions) | 111.2 | 137.0 | -25.8 | -18.9 | 3.7 | 7.3 | -3.6 | -49.3 |
| (LNG Sales) | 88.1 | 124.3 | -36.2 | -29.1 | 3.5 | 14.9 | -11.4 | -76.4 |
| Real estate | 41.1 | 39.3 | 1.8 | 4.4 | 7.0 | 6.1 | 0.9 | -14.6 |
| Others | 86.4 | 80.2 | 6.2 | 7.6 | 2.1 | 4.0 | -1.9 | -46.4 |
| Adjustment | -194.3 | -235.1 | 40.8 | — | -50.8 | -47.2 | -3.6 | — |
| Consolidated | 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.

Slides 13 and 14 indicate segment information as compared with the previous year.

FY2016 Forecast: Ordinary Income Analysis

<vs. FY2015 Results>

**FY2016
(current
forecast)
¥40.0bn**

**Change
-¥148.8bn
(-78.8%)**

**FY2015
(results)
¥188.8bn**

**Segment
income
-¥144.5bn
(-74.4%)**

**Non-
operating
income
-¥4.3bn
(-)
*excluding equity
income of
subsidiaries**

**City gas
-¥112.6bn
(-58.6%)**

**Electricity
-¥7.8bn
(-83.7%)**

**Overseas
-¥1.8bn
(-43.6%)**

**Energy-
related
-¥18.0bn
(-68.1%)**

**Real estate
+¥0.9bn
(+14.6%)**

**Others
-¥1.9bn
(-46.4%)**

**Consolidated
adjustment,
etc.
-¥3.6bn**

- Decrease in gas gross margin: -¥73.5bn (sales volume +7.6 (incl. temp. effect +12.4), sliding time lag effect -77.2)
- Net sales -¥269.1bn: Increase in sales volume +14.7, sliding time lag effect -283.8
- Resource costs +¥195.6bn: Increase in sales volume -7.1, exchange rate +52.9, crude oil price +126.3
- Increase in fixed costs -¥39.5bn (increase in depreciation -16.8, actuarial differences -17.0, etc.)

- Increase in sales volume due to entry into retail sales and full-year operation of Ohgishima Power Station Unit 3 +18.9%
- Increase in sales expenses with entry into retail sales
- Increase in depreciation of Ohgishima Power Station Unit 3
- Decrease in profit due to drop in market prices

- Decrease in profit from Pluto and other upstream operations due to drop in crude oil price
- Increase in new project research expenses at overseas offices

- LNG sales -¥11.4bn: Decrease in sales volume -7.7%, sliding time lag effect -10.5
- Engineering solutions -¥3.6bn: Decrease in profit due to lower volume of projects
- Decrease in profit due to deconsolidation of GASTAR with stock sale -¥1.7bn

- Leasing -¥0.4bn: Decrease in profit due to increase in costs
- Shipping -¥0.4bn: Decrease in profit due to decrease in leasing earnings
- Information services -¥0.2bn: Decrease in profit due to increase in costs

- Actuarial differences -¥4.8

- Decrease in gain on sale of investment securities -¥1.1bn
- Foreign exchange profit/loss -¥0.4bn (0.0-0.4)
- Decrease in received compensation, etc.

*+/- 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

Slide 15 indicates consolidated key indicators which remain unchanged from the initial plan.

3. Reference Materials



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.

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