

FY2016 3Q Financial Results



January 31, 2017

1. FY2016 3Q Consolidated Financial Results ended December 31, 2016



FY2016 3Q Consolidated Results (Apr. 1, 2016 – Dec. 31, 2016) <vs. FY2015 3Q>



Highlights: Sales Down, Profit Down

(+ - indicate impact on profit, billion yen)

Net sales	-253.9:	-	City gas (-211.1: Decrease in unit price, etc. due to resource cost adjustment -231.0, increase in sales volume +18.5)
		-	Energy-related (-68.5: Engineering solutions -25.9 (lower volume of projects, etc.), appliances -20.2 (due to deconsolidation of GASTAR, etc.), LNG sales -18.1 (decrease in unit sales due to decrease in crude oil price))
Operating expenses	+153.5:	+	Electricity (+11.1: Increase in sales volume, etc. with entry into retail sales)
		+	City gas resource costs, etc. (+162.7: Decrease in unit price arising from economic framework assumptions, etc. +173.2, increase in volume -10.5)
Operating income	-100.3:	-	City gas (-79.8: Gas gross margin -49.8 (including sliding time lag effect -54.7), increase in fixed costs -31.3)
		-	Energy-related (-13.0: LNG sales -6.3 (including sliding time lag effect -6.1), appliances -3.7, engineering solutions -2.2)
		-	Electricity (-6.4: Increases in depreciation and retail sales expenses)
Extraordinary income/loss	+22.0:	+	Impairment loss +19.1 (FY2016 3Q 0.0 ← FY2015 3Q 19.1)
		+	Gain on sale of investment securities +2.9 (FY2016 3Q 2.9 ← FY2015 3Q 0.0)

(billion yen)

	FY2016 3Q	FY2015 3Q	Change	%
Gas sales volume (million m ³ , 45 MJ)	11,086	10,833	+253	+2.3%
Electricity sales volume (million kWh)	9,266	7,491	+1,775	+23.7%
Net sales	1,086.0	1,339.9	-253.9	-18.9%
Operating expenses	1,057.9	1,211.4	-153.5	-12.7%
Operating income	28.1	128.4	-100.3	-78.1%
Segment income (operating income + equity income of subsidiary)	29.8	130.0	-100.2	-77.1%
Ordinary income ⁽¹⁾	25.5	125.3	-99.8	-79.6%
Extraordinary income/loss	2.9	-19.1	+22.0	-
Profit attributable to owners of parent	17.4	78.9	-61.5	-77.9%

Temperature effect ⁽²⁾	-5.3	-9.4	+4.1	—
Sliding time lag effect (city gas, LNG sales) ⁽³⁾	-2.0	58.8	-60.8	—
Amortization of actuarial differences ⁽⁴⁾	-17.7	-1.7	-16.0	—
Adjusted ordinary income ⁽¹⁾⁻⁽²⁾⁺⁽³⁾⁺⁽⁴⁾	50.5	77.5	-27.0	-34.8%

Economic framework	Exchange rate (¥/\$)	Crude oil price (\$/bbl)	Avg. air temp. (°C)
FY2016 3Q	106.65	44.86	19.5
FY2015 3Q	121.74<-15.09>	54.60<-9.74>	19.6<-0.1>

Pension assets	Investment yield (costs deducted)	Year-end assets (billion yen)
FY2016 3Q (cumulative)	1.46%	278.0

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

Expected rate of return: 2%

FY2016 3Q Consolidated Gas Sales Volume<vs. FY2015 3Q>

FY2016 3Q Results (vs. FY2015 3Q)

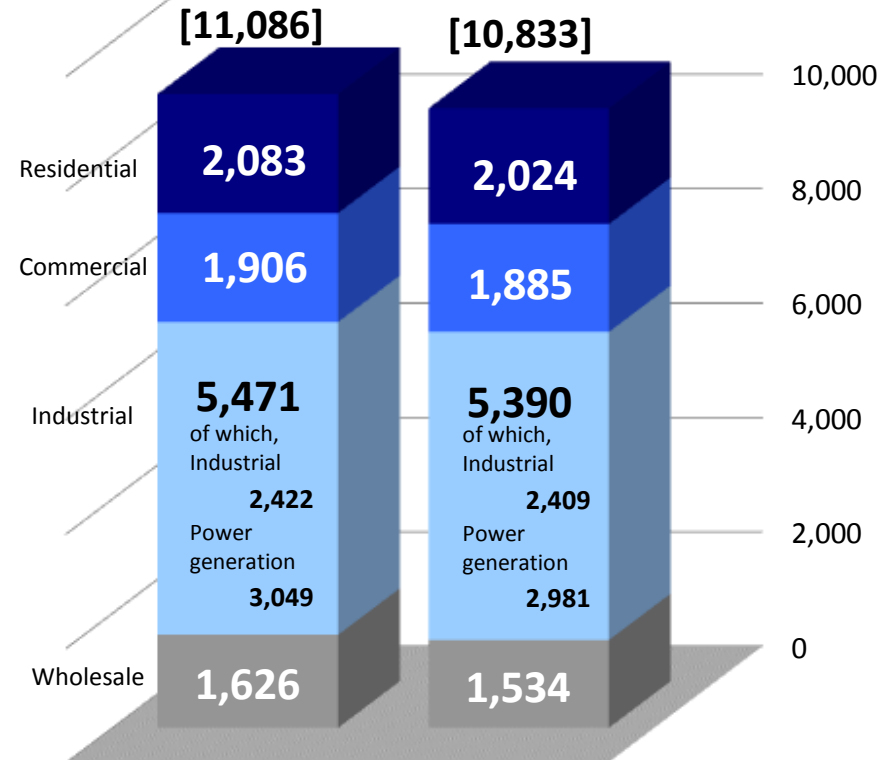
+253 mil. m³ (+2.3%)

[including temperature effect +79 mil. m³, +0.7%]

<p>Residential + 59 mil. m³ (+ 2.9%)</p> <ul style="list-style-type: none"> ● Temperature effect +47 mil. m³ ● Number of days +10 mil. m³ ● Number of customers +30 mil. m³ ● Others - 28 mil. m³
<p>Commercial + 21 mil. m³ (+ 1.1%)</p> <ul style="list-style-type: none"> ● Temperature effect +24 mil. m³ ● Number of days +5 mil. m³ ● Number of customers +12 mil. m³ ● Others - 20 mil. m³
<p>Industrial +81 mil. m³ (+1.5%)</p> <ul style="list-style-type: none"> ● Industrial +13 mil. m³ ● Power generation +68 mil. m³
<p>Wholesale +92 mil. m³ (+6.0%)</p> <ul style="list-style-type: none"> ● Temperature effect +8 mil. m³ ● Others +84 mil. m³ <p>Increase in demand from wholesale suppliers, etc.</p>

Gas sales volume :

(Figures are rounded to nearest mil. m³)



Number of customers (10 thousands)

	FY2016 3Q Results	FY2015 3Q Results
	1,144.8	1,135.2 +13.6 (+1.2%)
	FY2016 3Q Results	FY2015 3Q Results
LNG sales volume (thousand t)	750	771 (-21)
Average temperature (°C)	19.5	19.6 (-0.1)

FY2016 3Q Gas Sales Volume (Vision Basis) <vs. FY2015 3Q>

■ Gas sales volume (Vision Basis)

(Unit: million m³)

	FY2016 3Q Results	FY2015 3Q Results	Change
Gas sales volume (financial accounting basis)	11,086	10,833	+253 ----- +2.3%
Gas volume used in-house under tolling arrangement	1,474	1,174	+300 ----- +25.5%
LNG sales volume (m3 basis)	938	964	-26 ----- -2.7%
Total	13,498	12,971	+527 ----- +4.1%

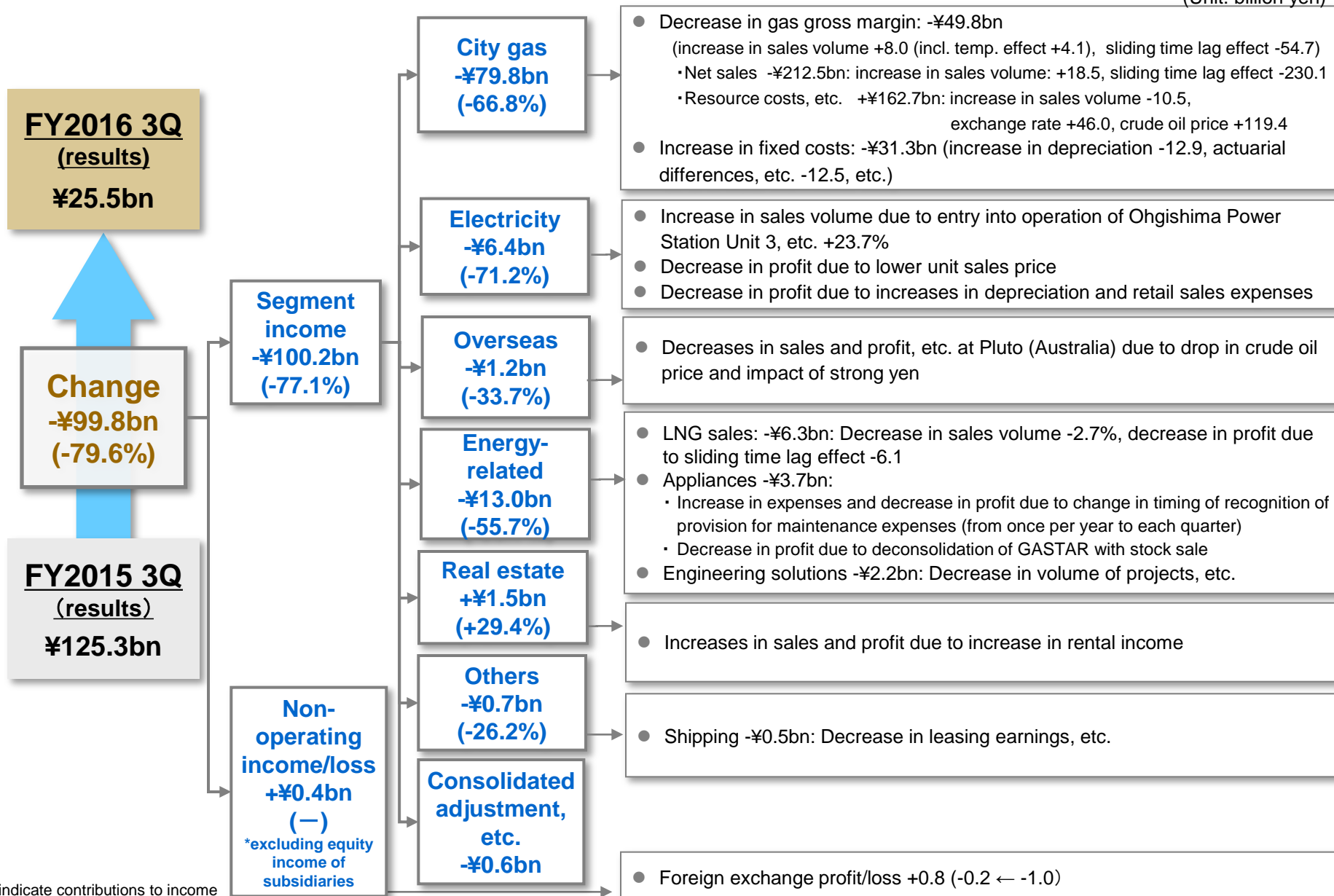
FY2016 3Q Results : Sales and Operating Income/Loss by Business Segments <vs. FY2015 3Q>

(unit : billion yen)

	Net Sales				Segment Income (Operating income + Equity income/loss of subsidiary)			
	FY2016 3Q Results	FY2015 3Q Results	Change	%	FY2016 3Q Results	FY2015 3Q Results	Change	%
City Gas	707.1	918.2	-211.1	-23.0	39.5	119.3	-79.8	-66.8
Electric Power	100.7	89.6	11.1	12.4	2.6	9.0	-6.4	-71.2
Overseas business	19.6	21.3	-1.7	-7.8	2.4	3.6	-1.2	-33.7
Energy-related	316.5	385.0	-68.5	-17.8	10.2	23.2	-13.0	-55.7
(Engineering Solutions)	73.8	99.7	-25.9	-26.0	3.0	5.2	-2.2	-42.3
(LNG sales)	65.5	83.6	-18.1	-21.7	4.1	10.4	-6.3	-60.2
Real estate	30.9	29.4	1.5	5.1	6.6	5.1	1.5	29.4
Others	61.6	55.1	6.5	11.8	2.0	2.7	-0.7	-26.2
Adjustment	-150.6	-158.9	8.3	—	-33.8	-33.2	-0.6	—
Consolidated	1,086.0	1,339.9	-253.9	-18.9	29.8	130.0	-100.2	-77.1

- 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 3Q Results: Ordinary Income Analysis <vs. FY2015 3Q>



*+/- indicate contributions to income

2. FY2016 Full Year Forecast

FY2016 Forecast (Apr. 1, 2016 – Mar. 31, 2017) <vs. Previous Forecast (Released on Oct. 28)>

Highlights: Sales Up, No Change to Profit Forecast (on Net Income Basis) (+ - indicate impact on profit, billion yen)

- The economic framework for FY2016 forecast reflects final figures up to 3Q and assumes an exchange rate of ¥115.0/\$ and crude oil price of \$55/bbl for 4Q
- No change to profit forecast due to decrease in gas gross margin arising from changes to economic framework, etc., and increase in gross margin due to increase in gas sales volume, gain on sale of assets, etc.

Net sales	+21.0	+	City gas (+17.7: Increase in gas sales volume, etc.)
	:	+	Energy-Related (+4.0: Impact of exchange rate, etc.)
Operating income	-3.0	-	City gas (-6.2: Gas gross margin -6.4 (including sliding time lag effect -10.5, increase in sales volume, etc. +4.1))
	:	+	Electric Power (+0.6: Decrease in retail sales expenses, etc.)
Extraordinary income/loss	+2.0	+	Overseas (+0.6: Impact of exchange rate, etc.)
	:	+	Increase in gain on sale of asset holdings

(billion yen)

	Current forecast	Prev. forecast (Oct. 28)	Change	%	FY2015 results	Change	%
Gas sales volume (million m³, 45 MJ)	15,798	15,634	+164	+1.1%	15,436	+362	+2.3%
Electricity sales volume (million kWh)	12,518	13,007	-489	-3.8%	10,959	+1,559	+14.2%
Net sales	1,617.0	1,596.0	+21.0	+1.3%	1,884.6	-267.6	-14.2%
Operating expenses	1,564.0	1,540.0	+24.0	+1.6%	1,692.6	-128.6	-7.6%
Operating income	53.0	56.0	-3.0	-5.4%	192.0	-139.0	-72.4%
Segment income (operating income + equity income of subsidiary)	55.2	57.9	-2.7	-4.7%	194.1	-138.9	-71.6%
Ordinary income⁽¹⁾	46.0	48.0	-2.0	-4.2%	188.8	-142.8	-75.6%
Extraordinary income/loss	9.0	7.0	+2.0	+27.8%	-33.0	+42.0	—
Profit attributable to owners of parent	41.0	41.0	0.0	0.0%	111.9	-70.9	-63.4%
Temperature effect⁽²⁾	-5.3	-4.9	-0.4	—	-17.3	+12.0	—
Sliding time lag effect (city gas, LNG sales)⁽³⁾	-17.5	-6.1	-11.4	—	80.3	-97.8	—
Amortization of actuarial differences⁽⁴⁾	-24.1	-24.1	0.0	—	-2.3	-21.8	—
Adjusted ordinary income⁽¹⁾⁻⁽²⁾⁺⁽³⁾⁺⁽⁴⁾	92.9	83.1	+9.8	+11.8%	128.1	-35.2	-27.5%

Economic framework	Exchange rate (¥/\$)	Crude oil price (\$/bbl)	Avg. air temp. (°C)
Current forecast *1	108.74	47.40	16.2
Prev. forecast (Oct. 28) *2	105.13<+3.61>	44.38 <+3.02>	16.1<+0.1>
FY2015 results	120.17(-11.43)	48.73 (-1.33)	16.6(-0.4)

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%	281.0
FY2014	5.57%	0.829%	0.358%	281.0

*1 4Q : 115.00¥/\$.55.00\$/bbl *2 1st half : 105.25¥/\$. 43.75\$/bbl
 2nd half : 105.00¥/\$. 45.00\$/bbl

FY2016 Full Year Forecast ; Consolidated Gas Sales Volume

Current Forecast (vs. Previous Forecast)

+164 mil. m³ (+1.1%)

[Including temperature effect -13mil. m³, -0.0%]

■ **Residential** + 31 mil. m³ (+0.9%)

- Temperature effect -4 mil. m³
- Number of days -1 mil. m³
- Number of customers 0 mil. m³
- Others + 36 mil. m³

■ **Commercial** + 25 mil. m³ (+0.9%)

- Temperature effect - 7 mil. m³
- Number of days + 1 mil. m³
- Number of customers - 6 mil. m³
- Others + 37 mil. m³

■ **Industrial** +77 mil. m³ (+1.1%)

- Industrial +5 mil. m³
- Power generation + 72 mil. m³

■ **Wholesale** +30 mil. m³ (+1.4%)

- Temperature effect -2 mil. m³
- Others + 32 mil. m³

Increase in demand from wholesale suppliers, etc.

Current forecast (vs FY2015 Results)

+362 mil m³ (+2.3%)

[Including temperature effect +214mil. m³, +1.4%]

■ **Residential** +192 mil. m³ (+5.7%)

- Temperature effect +148 mil. m³
- Number of days + 2 mil. m³
- Number of customers + 51 mil. m³
- Others - 9 mil. m³

■ **Commercial** +49 mil. m³ (+1.8%)

- Temperature effect + 48 mil. m³
- Number of days - 1 mil. m³
- Number of customers +22 mil. m³
- Others - 21 mil. m³

■ **Industrial** + 53 mil. m³ (+0.7%)

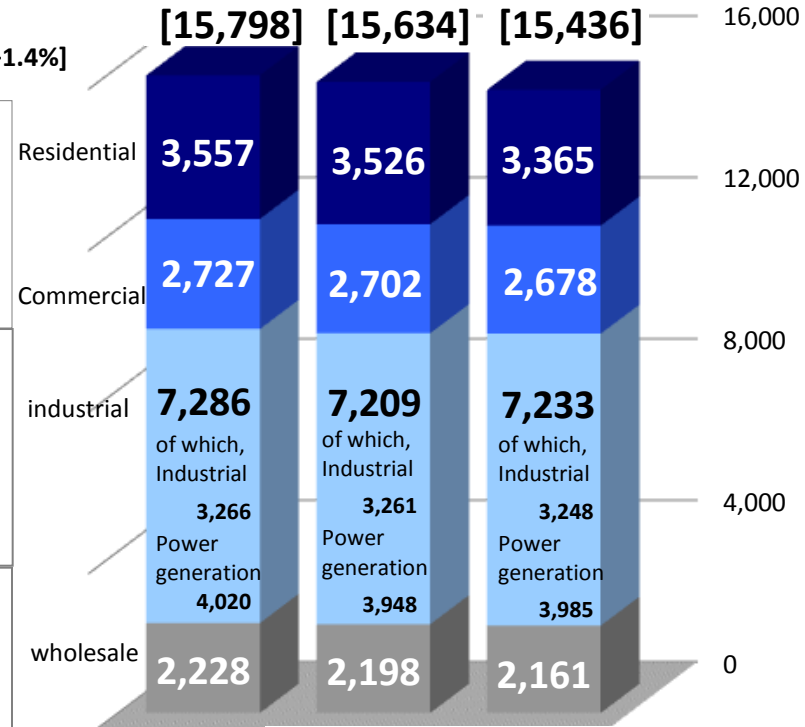
- Industrial + 18 mil. m³
- Power generation + 35 mil. m³

■ **Wholesale** +67mil. m³ (+3.1%)

- Temperature effect + 18 mil. m³
- Others + 49 mil. m³

Increase in demand from wholesale suppliers, etc.

Gas sales Volume : (Figures are rounded nearest mil m³)



Current forecasts Previous forecast FY2015 results

Number of customers (10 thousands)

Current Forecast	Previous Forecast	FY2015 Results
1,154.4	1,153.7	1,139.8
	+0.7(+0.1%)	+14.6 (+1.3%)

	Current Forecast	Previous Forecast	FY2015 Results
LNG sales volume (thousands t)	1,062	1,054 (+8)	1,147 (-85)
Average temperature (°C)	16.2	16.1 (+0.1)	16.6 (-0.4)

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

<vs FY 2016 Previous Forecast (Oct.28), FY2015 Results>

● Gas Sales Volume (Vision Basis)

(Unit : mil. m3)

	FY2016 Current Forecasts	FY2016 Previous Forecasts(Oct.28)	Change	FY2015 Results	Change
Gas Sales Volume (financial accounting basis)	15,798	15,634	+164	15,436	+362
			+1.1%		+2.3%
Gas volume used in-house under tolling agreement	1,968	2,062	-94	1,717	+251
			-4.6%		+14.6%
LNG sales (m3 basis)	1,327	1,318	+9	1,434	- 107
			+0.7%		- 7.5%
Total	19,093	19,014	+79	18,587	+506
			+0.4%		+2.7%

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

<vs. FY2016 Previous Forecast (Oct. 28) >

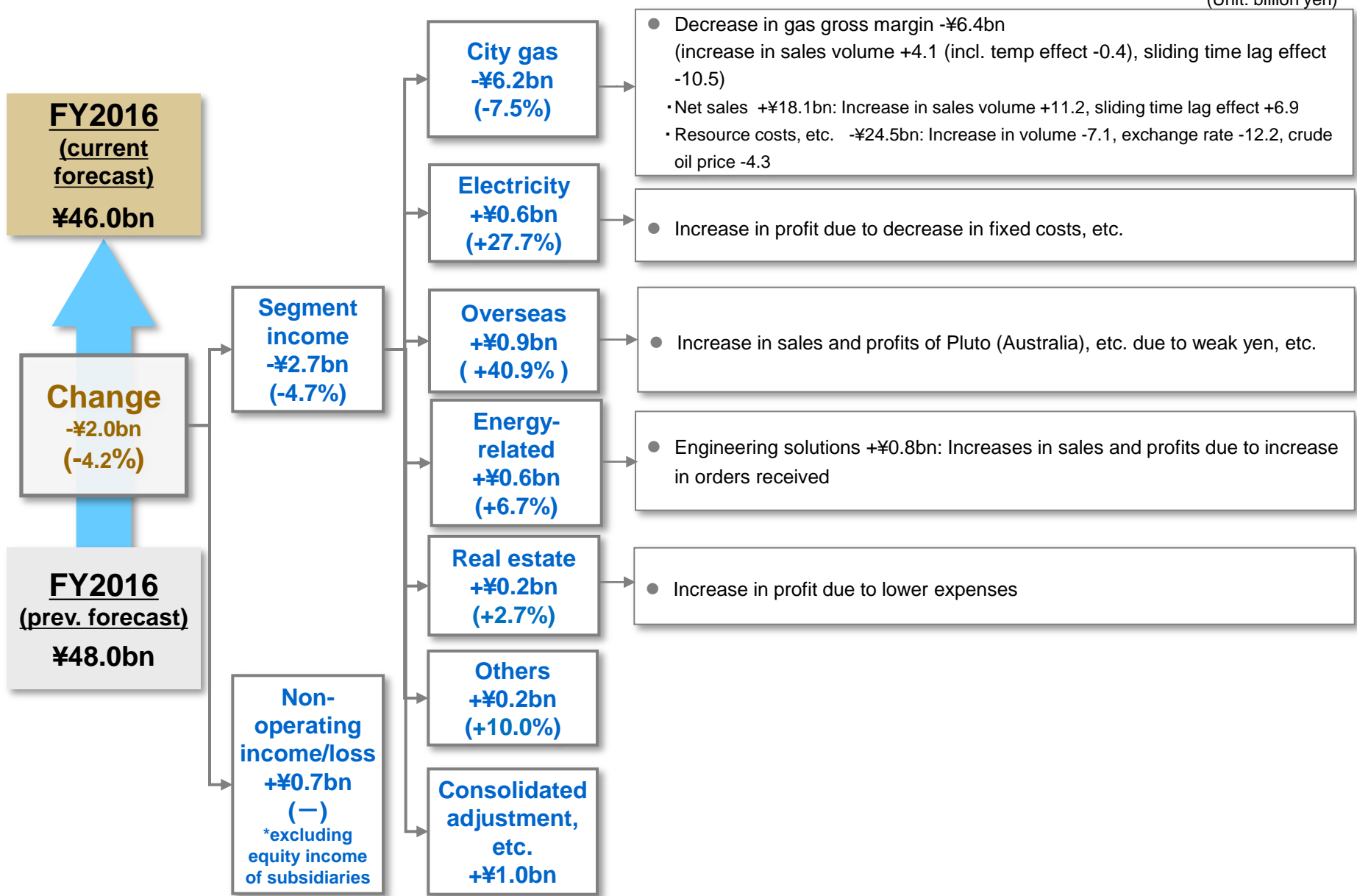


(unit : billion yen)

	Net Sales				Segment Income (Operating income + Equity income/loss of subsidiary)			
	FY2016 Current forecasts	FY2016 Previous forecasts	Change	%	FY2016 Current forecasts	FY2016 Previous forecasts	Change	%
City Gas	1,050.3	1,032.6	17.7	1.7	76.8	83.0	-6.2	-7.5
Electric Power	143.3	144.1	-0.8	-0.6	3.0	2.4	0.6	27.7
Overseas business	30.9	26.9	4.0	14.9	3.1	2.2	0.9	40.9
Energy-related	461.2	457.2	4.0	0.9	9.5	8.9	0.6	6.7
(Engineering solutions)	111.5	108.0	3.5	3.3	4.2	3.4	0.8	21.9
(LNG sales)	90.9	88.4	2.5	2.9	3.1	3.9	-0.8	-21.7
Real estate	41.0	40.8	0.2	0.5	7.5	7.3	0.2	2.7
Others	88.5	88.1	0.4	0.5	2.2	2.0	0.2	10.0
Adjustment	-198.2	-193.7	-4.5	—	-47.0	-48.0	1.0	—
Total	1,617.0	1,596.0	21.0	1.3	55.2	57.9	-2.7	-4.7

- 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 Forecast: Ordinary Income Analysis <vs. Previous Forecast (Released on Oct. 28)>



*+/- indicate contributions to income.

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

<vs. FY2015 Results>

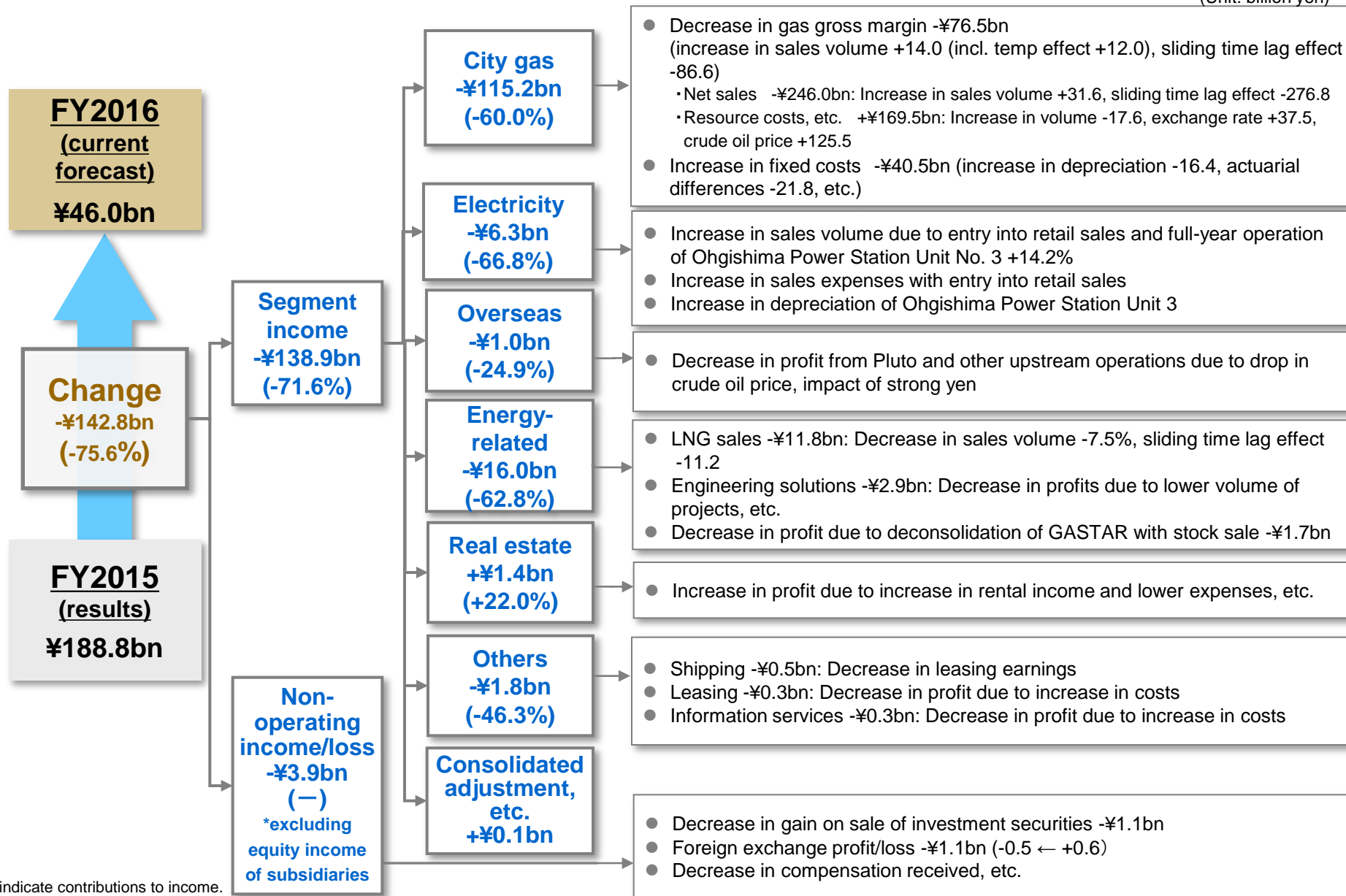


(unit : billion yen)

	Net Sales				Segment Income (Operating income + Equity income/loss of subsidiary)			
	FY2016 Current forecasts	FY2015 Results	Change	%	FY2016 Current forecasts	FY2015 Results	Change	%
City Gas	1,050.3	1,294.6	-244.3	-18.9	76.8	192.0	-115.2	-60.0
Electric Power	143.3	124.8	18.5	14.7	3.0	9.3	-6.3	-66.8
Overseas business	30.9	30.1	0.8	2.3	3.1	4.1	-1.0	-24.9
Energy-related	461.2	550.4	-89.2	-16.2	9.5	25.5	-16.0	-62.8
(Engineering solutions)	111.5	137.1	-25.6	-18.7	4.2	7.1	-2.9	-41.0
(LNG sales)	90.9	124.3	-33.4	-26.8	3.1	14.9	-11.8	-79.3
Real estate	41.0	39.3	1.7	4.2	7.5	6.1	1.4	22.0
Others	88.5	80.2	8.3	10.3	2.2	4.0	-1.8	-46.3
Adjustment	-198.2	-235.1	36.9	—	-47.0	-47.1	0.1	—
Total	1,617.0	1,884.6	-267.6	-14.2	55.2	194.1	-138.9	-71.6

- 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 Current Forecasts	FY2015 Results	FY2014 Results
Total assets (a)	2,192.0	2,251.5	2,257.6
Shareholders' equity (b)	1,037.0	1,100.2	1,069.5
Shareholders' equity ratio (b)/(a)	47.3%	48.9%	47.4%
Interest-bearing debt (c)	735.0	715.7	730.7
D/E ratio (c)/(b)	0.71	0.65	0.68
Profit attributable to owners of parents (d)	41.0	111.9	95.8
Depreciation (e)	163.0	145.1	141.8
Operating cash flow (d) + (e)	204.0	257.1	237.6
Capex	218.0	232.0	224.5
ROA: (d) / (a)	1.8%	5.0%	4.3%
ROE: (d) / (b)	3.8%	10.3%	9.2%
TEP	-18.2	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%)
 • Market Risk premium : 5.5% β: 0.75

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
		4Q
Period	4Q	- 0.3

Impact of depreciation by ¥1/\$

(unit: billion yen)

		Impact on earning
		4Q
Period	4Q	- 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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