TSE:9531

FY2017 2Q Financial Results ended Sep. 30, 2017

TOKYO GAS

October 27, 2017

1. FY2017 2Q Consolidated Financial Results ended Sep. 30, 2017

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FY2017 2Q Consolidated Financial Results (Apr. 1, 2017 – Sep. 30, 2017) <vs. FY2016 2Q>

Highlights: Sales Up, Profit Up

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

Net sales +82.6 :
- + City gas (+45.1: Increase in unit price due to resource cost adjustment +45.6, decrease in sales volume -2.0, etc.)
- + Electric power (+34.1: Increase in electricity retail sales volume, increase in unit sales price)
- + Overseas (+7.5: Increase in sales from upstream projects, etc.)

Operating expenses -74.6 :
- − City gas (-46.1: Increase in unit price arising from economic framework assumptions, etc. -63.0, decrease in sales volume +3.2, decrease in fixed costs due to actuarial differences, etc.)
- − Electric power (-29.5: Increase in electricity retail sales volume, increase in fuel costs due to increase in unit price, etc.)

Operating profit +8.0 :
- + Electric power (+4.6: Increase in gross margin due to increase in retail sales volume)
- + Overseas (+1.8: Increase in profit from upstream projects, etc.)

Extraordinary profit/loss +0.3 :
- + FY2017 2Q 3.2: Gain on sale of non-current assets FY2016 2Q 2.9: Gain on sale of investment securities

(billion yen)

		FY2017 2Q	FY2016 2Q	Change	%
Gas sales volume (million m³, 45MJ)		7,136	7,210	-74	-1.0%
Electricity sales volume (million kWh)		7,007	6,172	+835	+13.5%
(Breakdown)	Retail sales (million kWh, receiving end)	1,834	685	+1,149	+167.7%
	Other sales (million kWh)	5,173	5,487	-314	-5.7%
Net sales		790.3	707.7	+82.6	+11.7%
Operating expenses		746.1	671.5	+74.6	+11.1%
Operating profit		44.2	36.2	+8.0	+22.1%
Segment profit (operating profit + equity income of subsidiaries)		44.4	37.0	+7.4	+19.9%
Ordinary profit[1]		42.6	34.3	+8.3	+23.9%
Extraordinary income/loss		3.2	2.9	+0.3	—
Profit attributable to owners of parent		31.9	26.4	+5.5	+20.6%
Temperature effect[2]		-1.7	-4.3	+2.6	—
Sliding time lag effect (city gas, LNG sales)[3]		-12.4	8.8	-21.2	—
Amortization of actuarial differences[4]		3.8	-12.0	+15.8	—
Adjusted ordinary profit[(1)-((2)+(3)+(4))]		52.9	41.8	+11.1	+26.6%

Economic framework	Exchange rate (¥/$)	Crude oil price ($/bbl)	Avg. air temp. (°C)
FY2017 2Q	111.04	51.37	21.2
FY2016 2Q	105.25(+5.79)	43.78(+7.59)	21.5(-0.3)

Figures in parentheses () indicate year-on-year increase/decrease.

Pension assets	Investment yield (costs deducted)	Year-end assets (billion yen)
FY2017 2Q cumulative total	1.64%	278.0

Expected annual rate of return: 2%

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During the first half of FY2017, sales increased for the first time in three terms, while income increased for the first time in two terms.

Net sales increased by ¥82.6 billion (+11.7%) year-on-year to ¥790.3 billion, due to an increase in “city gas” sales on the back of a rise in unit price from resource cost adjustments, and an increase in “electric power” sales due to an increase in electricity retail sales volume, despite a decline in gas sales volume.

On the other hand, operating expenses increased by ¥74.6 billion (+11.1%) to ¥746.1 billion due in part to an increase in city gas resource costs partly owing to the rise in oil prices, and an increase in electric power operating expenses on the back of an increase in electricity retail sales volume.

As a result, operating profit increased by ¥8.0 billion (+22.1%) year-on-year to ¥44.2 billion, ordinary profit rose by ¥8.3 billion (+23.9%) year-on-year to ¥42.6 billion, and profit attributable to owners of parent increased by ¥5.5 billion (+20.6%) year-on-year to ¥31.9 billion.

Interim dividends are to be ¥5.50 per share. As of October 1, the Company carried out a share consolidation at a ratio of 5 common shares to 1, and plans year-end dividends of ¥27.50. If the share consolidation is not taken into consideration, there will be no changes to the annual dividend forecast of ¥11.

FY2017 2Q Consolidated Gas / Electricity Sales Volume <vs. FY2016 2Q>

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Gas sales volume :

(Figures are rounded to nearest mil. m³)

−74 mil.m³ (-1.0%)
[including temperature effect +47mil.m³, +0.7%]

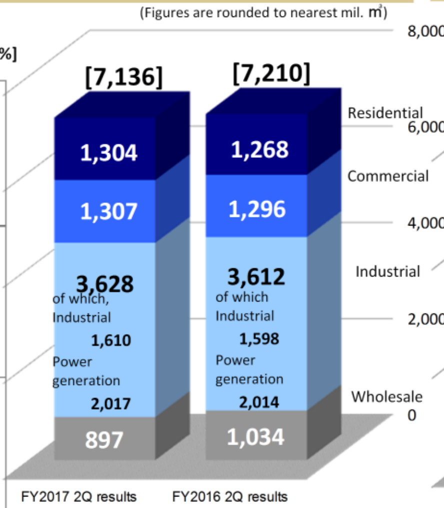
■ **Residential** + 36mil.m³(+ 2.8%)
- Temperature effect + 34 mil.m³
- Number of days -9 mil.m³
- Number of customers +13 mil.m³
- Others -2 mil.m³

■ **Commercial** + 11mil.m³(+ 0.8%)
- Temperature effect + 10 mil.m³
- Number of days - 6 mil.m³
- Number of customers +7 mil.m³
- Others ±0 mil.m³

■ **Industrial** + 16 mil.m³ (+0.4%)
- Industrial + 12 mil.m³
- Power generation + 3 mil.m³

■ Wholesale -137 mil.m³ (-13.2%)
- Temperature effect +3 mil.m³
- Others - 140 mil.m³

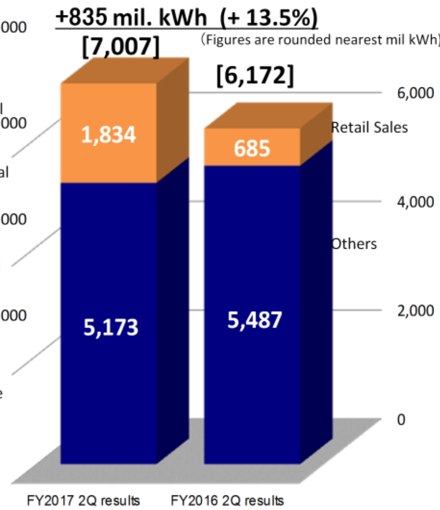
Decrease in the number of wholesale customers, etc.



Electricity sales volume :

+835 mil. kWh (+ 13.5%)

(Figures are rounded nearest mil kWh)



Number of customers(Gas), LNG sales volume, Average temperature

	FY2017 2Q Results	FY2016 2Q Results	Change
Gas: Number of customers(meters) (10 thousands, meter)	1,158.4	1,144.8	+13.6 (+1.2%)
LNG sales volume (thousands t)	541	515	+26 (+5.2)
Average temperature (℃)	21.2	21.5	−0.3

3

Let us look at the sales volume of gas and electricity, our core products, which served as a basis for the earnings results.

Gas sales volume for the first half decreased by 74 million m³ (-1.0%) year-on-year to 7,136 million m³.

Residential demand increased to 1,304 million m³ (+2.8%) due to a rise in hot water demand on the back of lower temperatures in the first half.

Commercial gas sales rose to 1,307 million m³ (+0.8%) owing to a rise in air conditioning demand on the back of higher temperatures during the summer.

Industrial demand remained almost unchanged year-on-year at 3,628 m³ (+0.4%).

Supply to other operators dropped to 897 million m³ (-13.2%) due to a decrease in the number of wholesale customers.

Electricity sales volume for the first half increased by 835 kWh (+13.5%) year-on-year to 7,007 kWh.

Retail sales rose to 1,834 million kWh (+167.7%), due to a rise in customer contracts.

Others mainly include wholesale, which dropped to 5,173 kWh (-5.7%).

FY2017 2Q Gas Sales Volume (Vision Basis) <vs. FY2016 2Q>

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■ **Gas sales volume (Vision Basis)** (Unit: million m^3)

	FY2017 2Q Results	FY2016 2Q Results	Change
Gas sales volume (financial accounting basis)	7,136	7,210	-74 -1.0%
Gas volume used in-house under tolling arrangement	1,012	989	+23 +2.4%
LNG sales volume (m^3 basis)	677	643	+34 +5.2%
Total	8,825	8,842	-17 -0.2%

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

FY2017 2Q Results : Sales and Operating Profit/Loss by Business Segments ＜vs. FY2016 2Q＞

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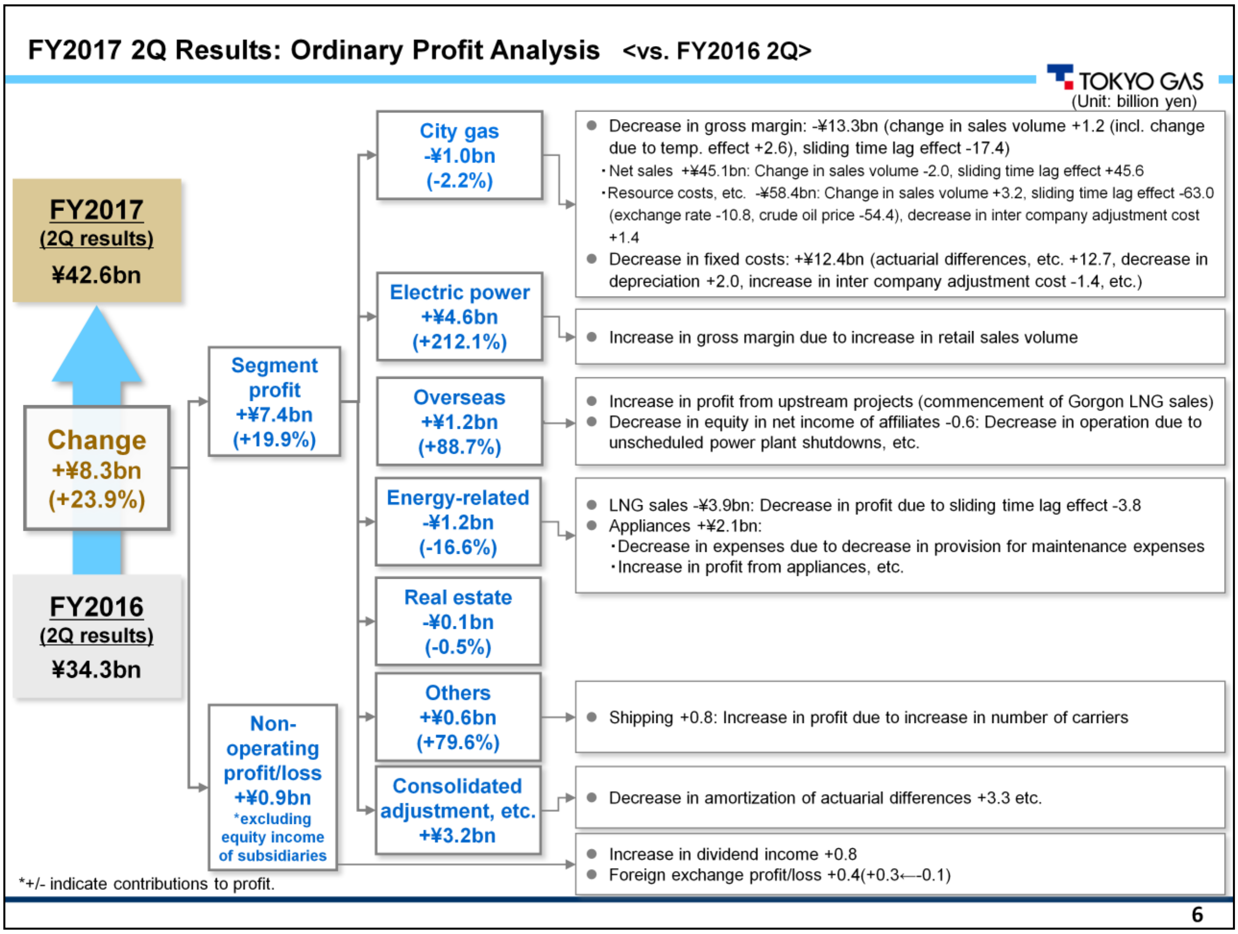
(unit : billion yen)

	Net Sales				Segment Profit (Operating profit ＋ Equity income/loss of subsidiary)			
	FY2017 2Q Results	FY2016 2Q Results	Change	%	FY2017 2Q Results	FY2016 2Q Results	Change	%
City Gas	507.3	462.2	45.1	9.8	42.5	43.5	-1.0	-2.2
Electric Power	99.0	64.9	34.1	52.5	6.7	2.1	4.6	212.1
Overseas business	20.5	13.0	7.5	57.5	2.6	1.4	1.2	88.7
Energy-related	211.8	205.9	5.9	2.9	5.9	7.1	-1.2	-16.6
(Engineering Solutions)	52.3	49.0	3.3	6.6	1.5	1.7	-0.2	-11.8
(LNG sales)	51.7	45.8	5.9	12.9	0.6	4.5	-3.9	-85.7
Real estate	20.7	20.2	0.5	2.5	4.2	4.3	-0.1	-0.5
Others	41.7	38.9	2.8	7.2	1.3	0.7	0.6	79.6
Adjustment	-110.9	-97.5	-13.4	—	-19.0	22.2	3.2	—
Consolidated	790.3	707.7	82.6	11.7	44.4	37.0	7.4	19.9

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

Slide 5 indicates net sales and segment profit as compared with the same period of the previous year.

The increase in profit of the electric power segment by ¥4.6 billion has pushed up the overall profit.



Slide 6 shows the change in segment profit as compared with the same period of the previous year.

The main reason for the ¥1.0 billion decrease in the segment profit of the city gas business was the sliding time lag effect of -¥17.4 billion, despite an improvement in actuarial differences by ¥12.7 billion.

The main reason for the ¥4.6 billion increase in segment profit of the electric power business was the increase in gross margin due to an increase in sales volume following a rise in retail contracts.

Segment profit of the overseas business increased by ¥1.2 billion due to a rise in profit from the commencement of Gorgon LNG sales, an upstream project, despite a drop in profit owing to a decrease in operation due to temporary unscheduled power plant shutdowns in the mid- and downstream businesses.

Segment profit of the energy-related business decreased by ¥1.2 billion for the segment as a whole. This was because of a fall in income due to the sliding time lag effect in LNG sales, despite an increase in LNG sales volume.

2. FY2017 Full Year Forecast

FY2017 Forecast (Apr. 1, 2017 – Mar. 31, 2018) <vs. Previous Forecast (Released July 28)>

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Highlights: Sales Down, Profit Up on Previous Forecast (Released July 28) (+ -, +/- indicate impact on profit, billion yen)

- The economic framework reflects final figures for 2Q and assumes an exchange rate of ¥115.0 to the dollar and crude oil price of $55/bbl from 3Q onward per the original forecast.
- Gas sales volume reflects changes in 2Q results and is as per the previous forecast from 3Q onward.

Net sales -13.0 :
- − City gas (-14.8: Decrease in unit price due to resource cost adjustment, etc.)
- + Electric power (+2.6: Increase in retail sales volume, etc.)

Operating expenses +17.0 :
- + City gas (+17.2: Decrease in unit price arising from economic framework assumptions, decrease in depreciation, etc.)
- − Electric power (-3.5: Increase in retail sales expenses, etc.)

Operating profit +4.0 :
- + City gas (+2.4: Decrease in depreciation, etc.)
- + Other (+1.4: Shipping +0.7, etc.)
- − Electric power (-0.9: Increase in retail sales expenses, etc.)

(billion yen)

	Current Forecast	Initial Forecast (Jul. 28)	Change	%	FY2016 Results	Change	%
Gas sales volume (million m³, 45 MJ)	15,347	15,326	+21	+0.1%	15,720	-373	-2.4%
Electricity sales volume (million kWh)	14,824	14,615	+209	+1.4%	12,654	+2,170	+17.1%
Net sales	1,795.0	1,808.0	-13.0	-0.7%	1,587.0	+208.0	+13.1%
Operating expenses	1,707.0	1,724.0	-17.0	-1.0%	1,528.7	+178.3	+11.7%
Operating profit	88.0	84.0	+4.0	+4.8%	58.3	+29.7	+50.8%
Segment profit (operating profit + equity income/loss of subsidiary)	89.1	86.3	+2.8	+3.2%	61.9	+27.2	+43.8%
Ordinary profit(1)	83.0	80.0	+3.0	+3.8%	55.6	+27.4	+49.0%
Extraordinary income/loss	3.4	3.2	+0.2	—	13.3	-9.9	—
Profit attributable to owners of parent	63.0	61.0	+2.0	+3.3%	53.1	+9.9	+18.6%
Temperature effect(2)	-1.7	-1.7	0.0	—	-7.4	+5.7	—
Sliding time lag effect (city gas, LNG sales)(3)	-28.8	-28.8	0.0	—	-19.9	-8.9	—
Amortization of actuarial differences(4)	7.7	7.7	0.0	—	-24.0	+31.7	—
Adjusted ordinary profit(1)-((2)+(3)+(4))	105.8	102.8	+3.0	+2.9%	106.9	-1.1	-1.0%

Economic framework	Exchange rate (¥/$)	Crude oil price ($/bbl)	Avg. air temp. (°C)
Current forecast*	113.02	53.19	16.0
Previous forecast	114.02(-1.00)	54.59(-1.40)	16.0(±0.0)
FY2016 result	108.38(+4.64)	47.51(+5.68)	16.3(-0.3)

*3Q～: ¥115.00/$、 $55.00/bbl
Figures in parentheses indicate change from current forecast.

Pension assets	Investment yield (costs deducted)	Discount rate		Year-end assets (billion yen)
		Annuity portion	Lump-sum portion	
FY2016	1.57%	0.389%	0.055%	277.0
FY2015	2.92%	0.236%	0.000%	281.0
FY2014	5.57%	0.829%	0.358%	281.0

From here on I would like to describe our full-year forecast for FY2017.

For the FY2017 full year, we have made a downward revision to our sales forecast and an upward revision to our income forecast from our previous forecast announced on July 28. We have not changed our economic frame, which serves as a basis of assumption, for October 2017 and later for FY2017, with the foreign exchange rate assumption at ¥115/$ and crude oil price assumption of $55 per barrel.

We expect that net sales would decrease ¥13.0 billion (-0.7%) from the previous forecast to ¥1,795.0 billion. This is due to a decline in sales of the city gas business on the back of a drop in sales unit price by ¥14.8 billion, despite sales of the electric power business being expected to increase by ¥2.6 billion due to a rise in retail sales volume.

We have reduced our forecast for operating expenses by ¥17.0 billion (-1.0%) from the previous forecast to ¥1,707.0 billion. This is due to a ¥17.2 billion decrease in expenses of the city gas business partly owing to a decline in resource unit price and a decrease in depreciation, despite an increase in expenses by ¥3.5 billion for the electric power business mainly on the back of an increase in sales-related expenses.

As a result, operating profit for the full year was revised upward by ¥4.0 billion (+4.8%) from the previous forecast to ¥88.0 billion, ordinary profit was revised upward by ¥3.0 billion (+3.8%) to ¥83.0 billion, and profit attributable to owners of parent was also revised upward by ¥2.0 billion (+3.3%) to ¥63.0 billion.

The sensitivity of operating profit to changes in exchange rates and crude oil prices are described on page 17 as reference material.

FY2017 Full Year Forecast ; Consolidated Gas Sales Volume / Electricity Sales Volume

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Consolidated Gas Sales Volume

VS. Previous Forecast(July 28)

+21 mil m³ (+0.1%)

[Including temperature effect +3mil. m³,+0.0%]

- Residential +1mil. m³(+0.0%)
- Others +20 mil. m³(+0.2%)

VS. FY2016 Results

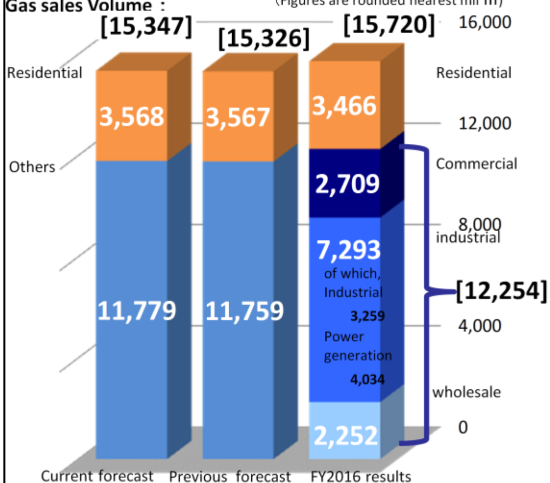
-373 mil m³ (-2.4%)

[Including temperature effect +98mil. m³,+0.6%]

- Residential +102 mil. m³(+2.9%)
- Others -475 mil. m³ (-3.9%)

Gas sales Volume :

(Figures are rounded nearest mil m³)

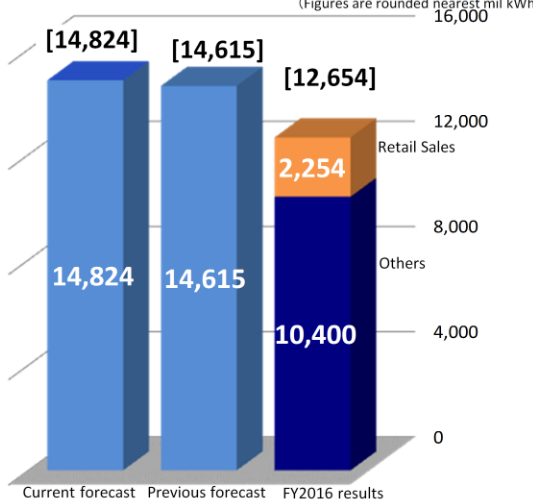


Electricity Sales Volume

VS. Previous Forecast (July 28) +209 mil. kWh (+1.4%)

VS. FY2016 Results +2,170 mil kWh (+17.1%)

(Figures are rounded nearest mil kWh)



Number of customers (Gas), LNG sales volume, Average temperature

	Current Forecast	Previous Forecast	Change
Gas: Number of customers (meters) (10 thousands)	1,166.8	1,166.8	±0.0 (±0.0%)
LNG sales volume (thousands t)	1,125	1,123	+2(+0.1%)
Average temperature(℃)	16.0	16.0	±0.0

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Please turn to slide 9 for the forecast of gas sales volume and electricity sales volume, which form the basis of the earnings forecasts.

We have made an upward revision to our overall gas sales volume forecast by 21 million m³ (+0.1%) from the previous forecast. We have not changed our forecast for the second half, but have reflected the difference from the forecast of up to 2Q. The forecast of residential gas sales volume is roughly as the previous forecast, while forecasts for commercial and industrial gas sales volume have been revised upward.

The forecast of total electricity sales volume has been revised upward by 209 million kWh (+1.4%), mainly due to an expected increase in sales volume from the rise in retail contracts.

FY2017 Full Year Forecast ; Gas Sales Volume (Vision Basis) ＜vs FY 2017 Previous Forecast, FY2016 Results＞

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●Gas Sales Volume (Vision Basis)

（Unit : mil. m^3）

	FY2017 Current Forecast	FY2017 Previous Forecast	Change	FY2016 Results	Change
Gas Sales Volume（financial accounting basis）	15,347	15,326	+21	15,720	-373
			+0.1%		-2.4%
Gas volume used in-house under tolling agreement	2,056	2,025	+31	1,996	+60
			+1.6%		+3.0%
LNG sales（m^3 basis）	1,406	1,404	+2	1,337	+69
			+0.1%		+5.1%
Total	18,809	18,754	+55	19,053	-244
			+0.3%		-1.3%

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Slide 10 indicates the breakdown of the gas sales volume outlook (vision basis). We expect gas sales volume of 18.8 billion m^3 in total on a vision basis for the current fiscal year, almost unchanged from the previous forecast.

FY2017 Full Year Forecast : Sales and Profit/Loss by Business Segments
<vs. Previous Forecast>

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(unit : billion yen)

	Net Sales				Segment Profit (Operating profit + Equity income/loss of subsidiary)			
	Current Forecast	Previous Forecast	Change	%	Current Forecast	Previous Forecast	Change	%
City Gas	1,136.0	1,150.8	-14.8	-1.3	95.3	92.9	2.4	2.6
Electric Power	216.2	213.6	2.6	1.2	9.2	10.1	-0.9	-9.0
Overseas business	43.4	44.5	-1.1	-2.5	5.5	6.5	-1.0	-15.4
Energy-related	502.6	505.5	-2.9	-0.6	8.3	7.4	0.9	12.2
(Engineering solutions)	121.6	122.1	-0.5	-0.4	4.0	3.6	0.4	12.3
(LNG sales)	122.8	125.9	-3.1	-2.5	0.5	0.5	0.0	0
Real estate	42.8	42.8	0.0	0.0	7.8	7.8	0.0	0
Others	95.0	94.0	1.0	1.1	3.8	2.4	1.4	58.3
Adjustment	-241.0	-243.2	2.2	—	-40.8	-40.8	0.0	—
Total	1,795.0	1,808.0	-13.0	-0.7	89.1	86.3	2.8	3.2

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

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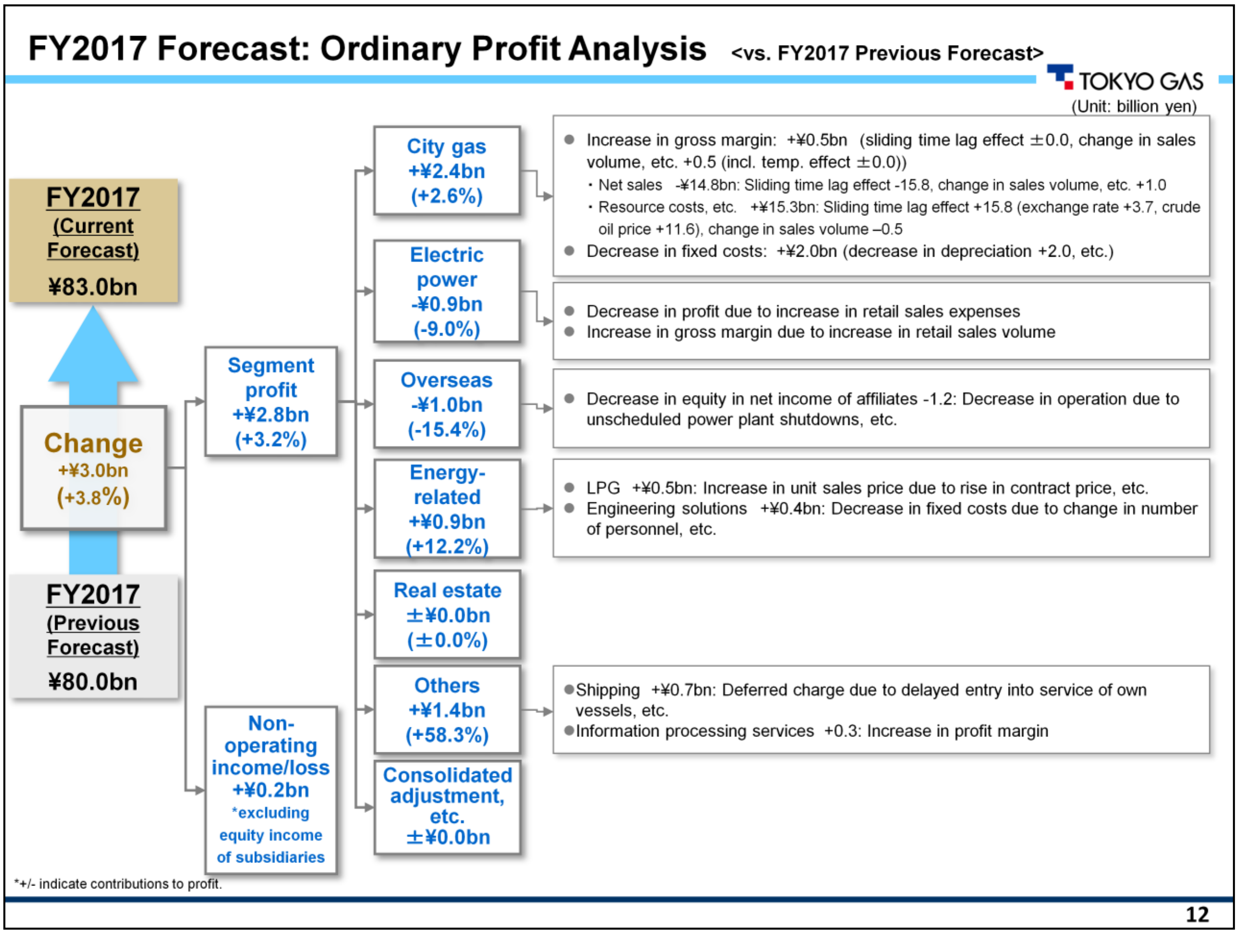
Slide 11 indicates the forecast of net sales and segment profit as compared with the previous forecast.

The main changes in profit will be explained in the next slide.



The ¥2.4 billion increase in the profit of the city gas segment is due to an expected increase in gross profit by ¥0.5 billion on the back of an increase in sales volume, and an expected decline in fixed costs by ¥2.0 billion due to a decrease in depreciation.

The ¥0.9 billion decrease in the profit of the electric power segment is because of an expected rise in retail sales expenses, despite an increase in gross margin due to the increase in retail sales volume.

The ¥1.4 billion increase in the "Others" segment is mainly due to an increase in profit of the shipping business by ¥0.7 billion following deferred charges due to delayed entry into service of own LNG vessels.

FY2017 Full Year Forecast : Sales and Profit/Loss by Business Segments

<vs. FY2016 Results>

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(unit : billion yen)

	Net Sales				Segment Income (Operating profit ＋ Equity income/loss of subsidiary)			
	Current Forecast	FY2016 Results	Change	%	Current Forecast	FY2016 Results	Change	%
City Gas	1,136.0	1,040.0	96.0	9.2	95.3	76.5	18.8	24.5
Electric Power	216.2	145.7	70.5	48.3	9.2	4.4	4.8	106.5
Overseas business	43.4	31.9	11.5	35.9	5.5	4.4	1.1	24.9
Energy-related	502.6	459.5	43.1	9.4	8.3	13.7	-5.4	-39.8
(Engineering solutions)	121.6	111.6	10.0	12.9	4.0	4.9	-0.9	-18.5
(LNG sales)	122.8	91.2	31.6	34.7	0.5	3.3	-2.8	-84.9
Real estate	42.8	41.4	1.4	3.4	7.8	7.8	0.0	-0.7
Others	95.0	89.0	6.0	6.6	3.8	3.2	0.6	18.5
Adjustment	-241.0	-220.7	-20.3	—	-40.8	-48.2	7.4	—
Total	1,795.0	1,587.0	208.0	13.1	89.1	61.9	27.2	43.8

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 profit is primarily companywide expenses not allocated to individual segments.

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

FY2017 Forecast: Ordinary Profit Analysis <vs. FY2016 Results>

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FY2017 (Current Forecast) ¥83.0bn

Change +¥27.4bn (+49.0%)

FY2016 (Results) ¥55.6bn

Segment profit +¥27.2bn (+43.8%)

- **City gas** +¥18.8bn (+24.5%)
  - Increase in gross margin: +¥0.1bn (sliding time lag effect -6.1, change in sales volume, etc. +6.2 (incl. temp. effect +5.7))
    - Net sales +¥96.0bn: Sliding time lag effect +109.4, change in sales volume, etc. -13.4
    - Resource costs, etc. -¥96.0bn: Sliding time lag effect -115.5 (exchange rate -20.5, crude oil price -81.1), change in sales volume +16.6, decrease in inter company adjustment cost +2.9
  - Decrease in fixed costs: +¥18.7bn (decrease in actuarial differences, etc., increase in inter company adjustment cost -2.9, increase in costs arising from response to gas market liberalization, etc.)
- **Electric power** +¥4.8bn (+106.5%)
  - Increase in gross margin due to increase in retail sales volume
  - Decrease in profit due to increase in retail sales expenses
- **Overseas** +¥1.1bn (+24.9%)
  - Increase in profit from upstream projects (commencement of Gorgon LNG sales)
  - Decrease in equity in net income of affiliates -2.4: Decrease in operation due to unscheduled power plant shutdowns, etc.
- **Energy-related** -¥5.4bn (-39.8%)
  - LNG sales -¥2.8bn: Sliding time lag effect -2.8
  - Engineering solutions -¥0.9bn: Increase in fixed costs with increase in personnel, etc.
  - Decrease in profit from appliances., etc.
- **Real estate** ±¥0.0bn (-0.7%)
- **Others** +¥0.6bn (+18.5%)
  - Shipping +¥1.4bn: Increase in profit due to increase in number of carriers
- **Consolidated adjustment, etc.** +¥7.4bn
  - Decrease in amortization of actuarial differences, etc.

Non-operating income/loss +¥0.2bn
*excluding equity income of subsidiaries

*+/- indicate contributions to profit.

Key Indicators (Consolidated)

TOKYO GAS

(unit: billion yen)

	FY2017 Forecast	FY2016 Results	FY2015 Results
Total assets (a)	2,341.0	2,230.2	2,251.5
Shareholders' equity (b)	1,130.0	1,101.4	1,100.2
Shareholders' equity ratio (b)/(a)	48.3%	49.4%	48.9%
Interest-bearing debt (c)	796.0	713.5	715.7
D/E ratio (c)/(b)	0.70	0.65	0.65
Profit attributable to owners of parents (d)	63.0	53.1	111.9
Depreciation (e)	166.0	164.3	145.1
Operating cash flow (d) + (e)	229.0	217.4	257.1
Capex	260.0	203.3	232.0
ROA: (d) / (a)	2.8%	2.4%	5.0%
ROE: (d) / (b)	5.6%	4.8%	10.3%
TEP	7.6	-6.2	67.6
WACC	2.9%	3.0%	3.4%
Total payout ratio	Approx. 60%	60.7%	60.1%

Note: Shareholders' equity = Net assets – minority interests
ROA = Net profit / Total assets (average of the amounts as of the end of the previous period and end of the current period)
ROE = Net profit / 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 profit + Depreciation (including depreciation of long-term prepaid expenses)
Total payout ration= [FY-N dividends + FY-(N+1) treasury stock purchased] / FY-N consolidated net profit

TEP (Tokyo Gas Economic Profit) : Profit after taxes and before interest payments – Cost of capital (invested capital × WACC))
Items for WACC calculation (FY2017 forecast)
- Cost of interest-beating debt : forecast interest rate (1.11%, after tax)
- Cost rate for shareholders' equity
  - Risk free rate : 10-year JGB yield 0.11%
  - Market Risk premium : 5.5% β: 0.75

Slide 15 indicates consolidated key indicators.

3. Reference Materials

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

TOKYO GAS

Impact of rising JCC by $1/bbl

(Unit: billion yen)

		Impact on earnings		
		3Q	4Q	Full year
Period	3Q	-0.2	-1.3	-1.5
	4Q	—	-0.4	-0.4
	Full year	-0.2	-1.7	-1.9

Impact of depreciation by ¥1/$

(Unit: billion yen)

		Impact on earnings		
		3Q	4Q	Full year
Period	3Q	-0.7	+0.7	0.0
	4Q	—	-1.0	-1.0
	Full year	-0.7	0.3	-1.0

Key Topics in FY2017 (Excerpted from Press Releases up to 27th Oct.)

TOKYO GAS

Management Strategy	• FY2017 initiatives by Tokyo Gas Group (Apr. 13) • Strategic alliance in LNG procurement between Kyushu Electric Power and Tokyo Gas (Apr. 12) • The Tokyo Gas Group FY2018-2020 management plan "GPS2020" (Oct. 5)
City gas / Electric power	• Total number of ENE-FARM residential fuel cells sold hits 80,000 (May 8) • Development of technology to improve the power generating efficiency of fuel cells : the first case of 65% equivalent efficiency with using a low output (5kW) fuel cell in the world (May 23) • 11 Companies Agree to Collaborate on Large-scale Construction of Hydrogen Stations : New Company to Be Considered for Supporting Strategic Construction and for Achieving Wider Use of FCVs and Independence of Hydrogen Station Business (May 19) • Application to alter registered particulars concerning gas retail business (May 29) • Offer of the service, "Total Energy Service Plan (Zuttomo) by Tokyo Gas Group in Tosai Gas and Higashinihon Gas supply areas (Jun. 27) • Discontinuation of feasibility study into the business of units 3 and 4 at Kawasaki Gas Power Plant (Jul. 14) • Establishment of Prominet Power Co., Ltd. (Aug. 1) • Total number of commercial ventilation alarms installed hits the half million mark (Aug. 9) • Basic agreement on wholesale distribution of natural gas signed with Horikawa Sangyo Co., Ltd.: supply to residents in Suzunomiya Harigaya commenced (Sept. 19) • Koga-Maoka trunk pipeline enters service (Oct. 18) • Number of electricity contracts hits one million (Oct. 17)
Liquid gas	• Launch of pilot IoT project utilizing a low power wide area (LPWA) network to streamline LPG distribution (Jun. 5)
Overseas	• Opening of Manila Office (Apr. 21) • Participation in a natural gas-fired power plant in Pennsylvania (Apr. 18) • Investment in natural gas development project in East Texas, U.S.A. (May 8) • Investment and Strategic Alliance in Vietnam Natural Gas Distribution Business(Aug. 31) • Joint investment in gas distribution company in Indonesia(Oct. 17)
Living services	• Launch of service to access information regarding home gas and electric appliances of customers by linking myTOKYOGAS and the smartphone app "TORISETSU" (Jul. 21) • "Predicting Heat Shock service" developed jointly by Japan Weather Association and Tokyo Gas launched on the tenki.jp online weather site (Oct. 2)
Engineering services	• Opening of offices in Kyushu and Nagano (Apr. 3)* • Jointly feasibility study of LNG terminal business at Sumitomo Chemical's Ehime Works (May 31)* • Business of consulting for construction of LNG receiving terminal in Bangladesh (Jul. 27)* • Launch of energy management service using Helionet Advance (Sept. 29) • Development of "Optopass" planning software to optimize energy facility operation and launch of consulting service (Sept. 29)
Urban development Services	• District developed by the tentatively named TGMM Shibaura Project to be called "msb Tamachi": mixed-use complex with direct access to JR Tamachi Station to be developed by Tokyo Gas, Mitsui Fudosan, and Mitsubishi Estate (May 16) • Commencement of work on Tamachi Station Tower N as part of the "msb Tamachi" development project (Aug. 23)
Finance and shareholder returns	• Announcement of issue of 42nd and 43rd domestic unsecured notes (Jun. 2) • Notification of resolution to acquire treasury shares (Apr. 28), notice of share buyback (May 23), notice of retirement of treasury stock (Jun. 29)

Dates of press releases are shown in parentheses. *Press releases issued by Tokyo Gas Engineering Solutions. Press releases issued after the 1Q results were announced (July 28) are underlined.

< 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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