

**FY2013 2Q Financial Results,  
ended September 30, 2013,  
and Gas Tariff Revisions**



**October 30, 2013**



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# 1. Gas Tariff Revisions

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Tokyo Gas will implement the following tariff revisions for the Tokyo district as a means of returning to customers the results of increased gas sales volume from successful marketing efforts and fixed cost reductions achieved through ongoing efforts to enhance management efficiency.

## ■ Amount of Reduction

- An average reduction of 2.09% from current tariff levels for small-volume customers (Average unit tariff in notification: Service agreement: -1.59%; Optional agreement: -3.13%, including discount for direct bank account deduction)

## ■ Date of Implementation

- To be implemented on December 10, 2013. Discount for direct bank account deduction (¥53 including tax) to be applied from March 2014 meter reading.

## ■ Standard average gas resource cost

- ¥82,470/t (Reference: ¥66,180/t at time of previous revision)

## Reference: Past tariff revisions

Revision date	Avg. revision for small-volume customers
December 10, 1999	-2.00%
February 15, 2001	-3.20%
January 1, 2005	-5.18%
February 21, 2006	-0.28%
April 15, 2008	-1.51%
March 8, 2012	-1.57%
December 10, 2013 (outlined above)	-2.09%

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## **2. FY2013 2Q Consolidated Financial Results ended September 30, 2013**

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# FY2013 2Q Consolidated Financial Results (Apr. 1, 2013 – Sep. 30, 2013) <vs. FY2012 2Q>

## Highlights: Sales Growth, Profit Increase

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

<b>Net sales</b>	+69.8	:	+	Increase in city gas sales	(+36.3: higher sales unit prices for purchasing gas resource by weaker yen)
			+	Increase in LNG sales	(+12.9: increase in sales volume)
			+	Increase in electricity sales	(+4.9: increase in unit sales prices, etc.)
			+	Increase in overseas sales	(+4.6: Pluto, Barnett, etc.)
<b>Operating expenses</b>	-66.3	:	-	Increase in city gas resource costs	(-36.0: foreign exchange rate -67.3, crude oil +18.2, etc.)
			-	Increase in resource costs for LNG sales	(-12.3: increase in volume, etc.)
			-	Increase in electricity resource cost	(-3.2: increase in resource costs)
<b>Operating income</b>	+3.5	:	+	Increase in city gas profit	(+1.3: gas gross margin +0.3 (including temperature effect -9.3))
			+	Increase in electricity profit	(+1.8)
<b>Net income</b>	+2.8	:	+	Decrease in income tax	(+3.8)

(Unit: billion yen)

	FY2013 2Q Results	FY2012 2Q Results	Change	%	Previous Forecast (July 31)	Change	%
Gas sales volume (mil. m <sup>3</sup> , 45MJ)	6,673	6,998	-325	-4.6%	6,732	-59	-0.9%
Net sales	933.5	863.7	+69.8	+8.1%	942.0	-8.5	-0.9%
Operating expenses	864.9	798.6	+66.3	+8.3%	875.0	-10.1	-1.2%
Operating income	68.5	65.0	+3.5	+5.3%	67.0	+1.5	+2.3%
Ordinary income — (a)	64.9	67.0	-2.1	-3.1%	61.0	+3.9	+6.5%
Net income	42.7	39.9	+2.8	+7.0%	40.0	+2.7	+7.0%
Temperature effect — (b)	-8.5	0.8	-9.3	—	-5.9	-2.6	—
Sliding time lag effect — (c)	10.9	0.8	+10.1	—	10.8	+0.1	—
Amortization of actuarial differences — (d)	-1.1	-2.2	+1.1	—	-1.1	0.0	—
Adjusted ordinary income: (a) - (b)+(c)+(d)	63.6	67.6	-4.0*	-5.9%	57.2	+6.4	+11.2%
Adjusted net income	41.8	40.4	+1.4	+3.5%	37.4	+4.4	+11.8%

\* -4.0: Decrease in gas sales volume -3.1 (excl. temperature effect -9.3), lower fixed costs +1.0, electric power +1.8, gas appliances and installation +1.5, non operating -5.5, other segment profit, etc. +0.3

Economic Frame (2Q)	Exchange Rate (¥/\$)	JCC (\$/bbl)	Avg. Temperature (°C)
FY2013 2Q results	98.86	107.66	22.3
FY2012 2Q results	79.41 <+19.45>	113.97 <-6.31>	21.6 <+0.7>
Previous forecast	99.39 (-0.53)	108.87 (-1.21)	21.8 (+0.5)

Pension Asset	Investment Yield (Cost Deducted)	Year-end Assets (Billion Yen)
FY2013 2Q	-0.73%	271.0

Expected rate of return: 2%

<Figures in brackets are year-on-year increase/decrease>  
(Figures in parenthesis are increase/decrease vs. previous forecast)

# FY2013 2Q Consolidated Gas Sales Volume

## FY2012 2Q Results

### → FY2013 2Q Results

**-325 mil. m<sup>3</sup> (-4.6%)**

Including temperature effect: -91 mil. m<sup>3</sup> (-1.3%)

■ Residential	-86 mil. m <sup>3</sup> (-6.4%)
● Temperature effect	-90 mil. m <sup>3</sup>
● Number of days	-2 mil. m <sup>3</sup>
● Number of customers	+17 mil. m <sup>3</sup>
● Others	-11 mil. m <sup>3</sup>

■ Commercial	-6 mil. m <sup>3</sup> (-0.5%)
● Temperature effect	+3 mil. m <sup>3</sup>
● Number of days	+4 mil. m <sup>3</sup>
● Number of customers	0 mil. m <sup>3</sup>
● Others	-14 mil. m <sup>3</sup>

■ Industrial	-236 mil. m <sup>3</sup> (-7.0%)
● Industrial:	+12 mil. m <sup>3</sup>
● Power generation:	-247 mil. m <sup>3</sup>
Tolling effect, etc.	-464 mil. m <sup>3</sup>
Portion from increase in Kashima region	+96 mil. m <sup>3</sup> , etc.

■ Wholesale	+4 mil. m <sup>3</sup> (+0.4%)
● Temperature effect	-4 mil. m <sup>3</sup>
● Others	+8 mil. m <sup>3</sup>
Increase in demand from wholesale suppliers, etc.	

## Previous Forecast

### → FY2013 2Q Results

**-59 mil. m<sup>3</sup> (-0.9%)**

Including temperature effect: -7 mil. m<sup>3</sup> (-0.1%)

■ Residential	-35 mil. m <sup>3</sup> (-2.7%)
● Temperature effect	-35 mil. m <sup>3</sup>
● Number of days	-1 mil. m <sup>3</sup>
● Number of customers	0 mil. m <sup>3</sup>
● Others	+2 mil. m <sup>3</sup>

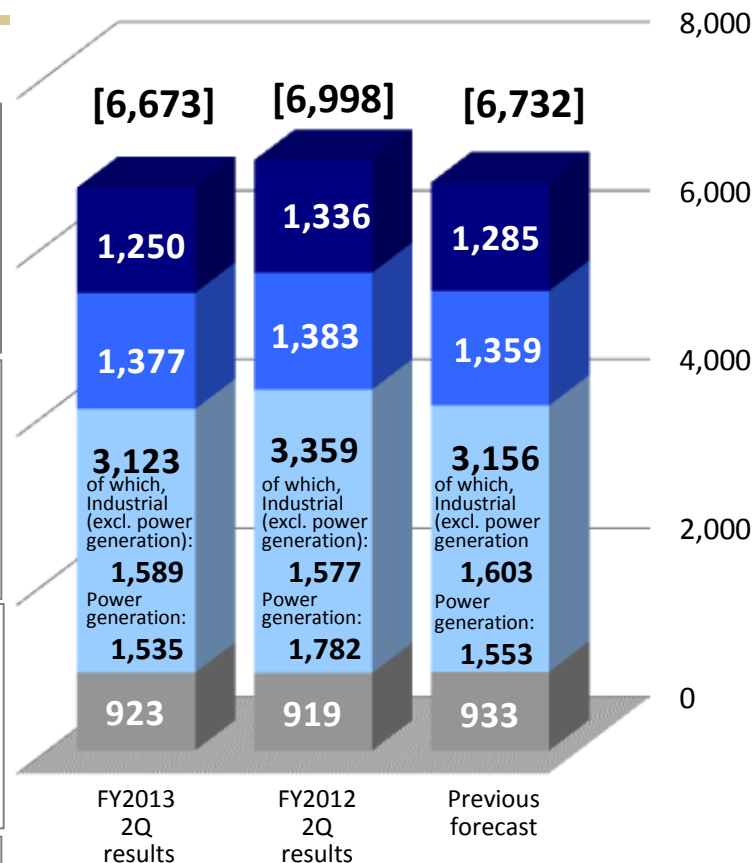
■ Commercial	+18 mil. m <sup>3</sup> (+1.3%)
● Temperature effect	+31 mil. m <sup>3</sup>
● Number of days	0 mil. m <sup>3</sup>
● Number of customers	-6 mil. m <sup>3</sup>
● Others	-8 mil. m <sup>3</sup>

■ Industrial	-33 mil. m <sup>3</sup> (-1.0%)
● Industrial:	-15 mil. m <sup>3</sup>
Reduction from operation on existing facilities, etc.	
● Power generation:	-18 mil. m <sup>3</sup>
Reduction from operation on existing facilities, etc.	

■ Wholesale	-10 mil. m <sup>3</sup> (-1.1%)
● Temperature effect	-3 mil. m <sup>3</sup>
● Others	-6 mil. m <sup>3</sup>
Decrease in demand from wholesale suppliers, etc.	

Gas sales volume:

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



## Number of customers (10 thousand)

FY2013 2Q result	FY2012 2Q result	Change
<b>1,102.5</b>	1,090.0	+12.5 (+1.1%)

	FY2013 2Q	FY2012 2Q	Change	Previous forecast	Change
LNG liquid sales volume (thousand t, excl. sales to Nijio)	343	215	+128	342	+1
Average temperature (°C)	22.3	21.6	+0.7	21.8	+0.5



## 2Q Results

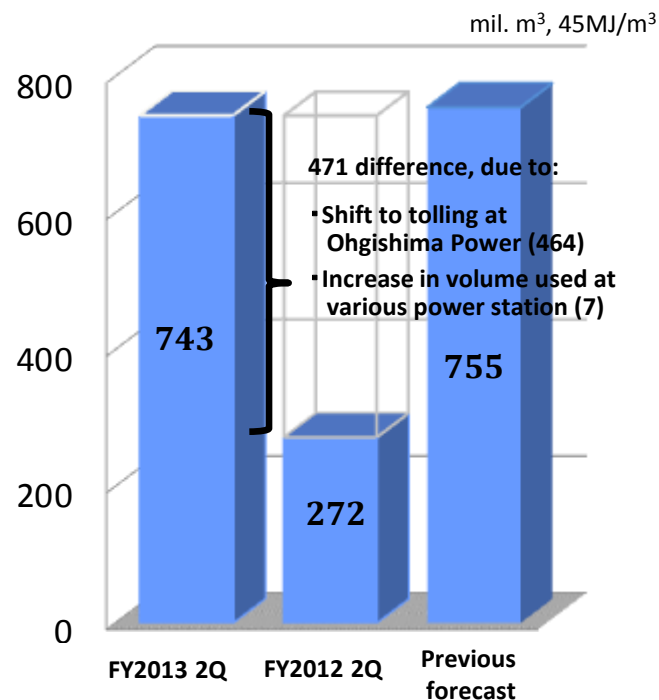
### Gas sales volume including portion used in-house under tolling arrangement (Unit: million m<sup>3</sup>)

	FY2013 2Q results	FY2012 2Q results	Change	Previous forecast	Change
Gas sales volume (financial accounting basis)	6,673	6,998	-325 -4.6%	6,732	-59 -0.9%
Gas volume used in-house under tolling arrangement	743	272	+471 +172.7%	755	-12 -1.5%
Total	7,416	7,270	+146 +2.0%	7,486	-70 -0.9%

### Gas sales volume for industrial-use (Unit: million m<sup>3</sup>)

	Kashima area	Other	Total
Power generation	196	1,339	1,535
vs. FY2012 2Q results	+96 (+94.8%)	-343* (-20.4%)	-247 (-13.9%)
vs. previous forecast	-16 (-7.4%)	-2 (-0.2%)	-18 (-1.1%)
General industrial	71	1,517	1,589
vs. FY2012 2Q results	+41 (+137.5%)	-30 (-1.9%)	+12 (+0.7%)
vs. previous forecast	+1 (+1.8%)	-16 (-1.0%)	-15 (-0.9%)
Total	268	2,856	3,123
vs. FY2012 2Q results	+137 (+104.6%)	-373 (-11.5%)	-236 (-7.0%)
vs. previous forecast	-14 (-5.1%)	-18 (-0.6%)	-32 (-1.0%)

### Gas volume used in-house under tolling arrangement



Tolling: A contract under which the seller of electricity delivers the gas required as fuel for power generation to the power plant, where the power generator processes the fuel into electricity, which it returns to the seller of electricity in exchange for a processing fee.

\* Portion from shift to tolling: -464

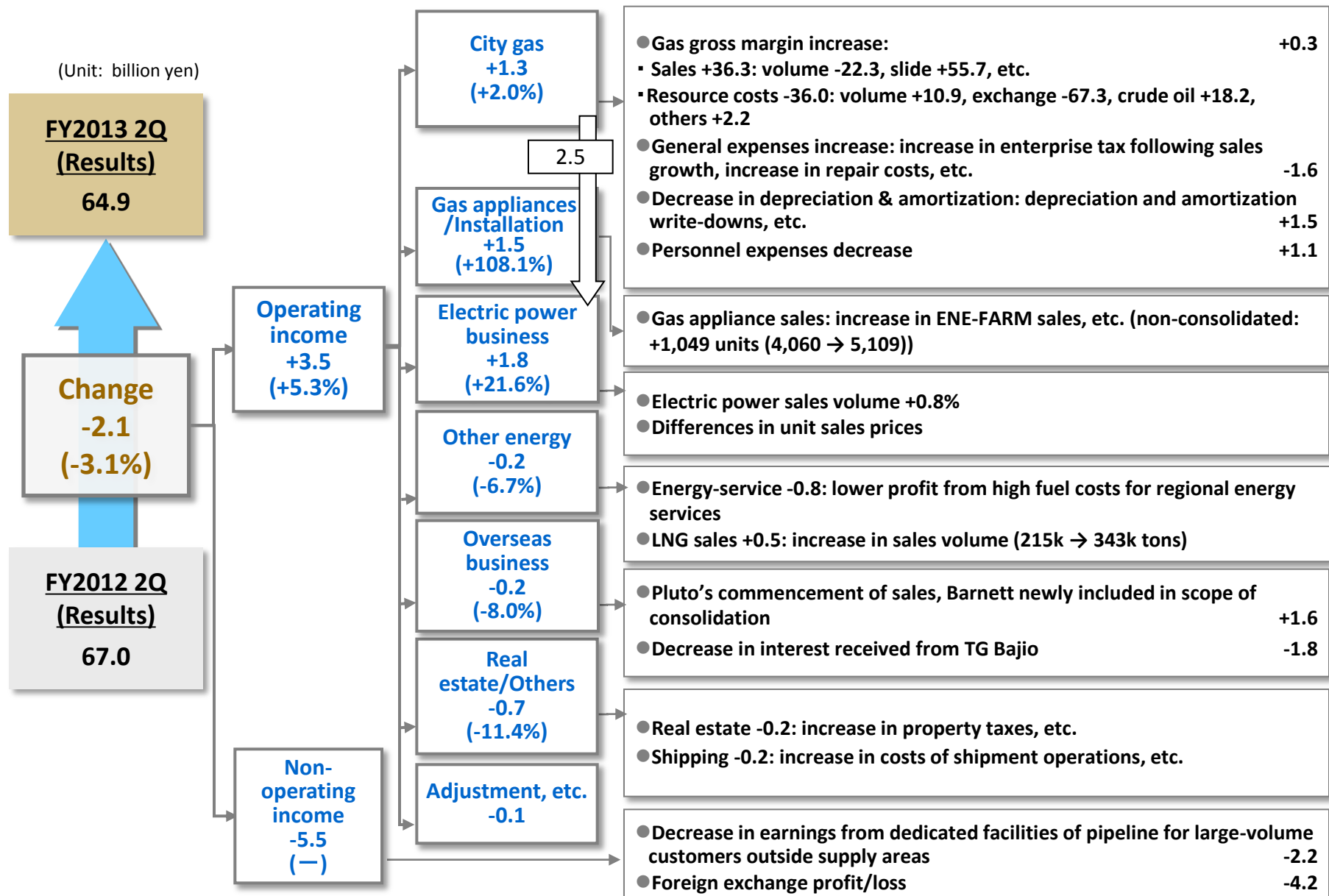
# FY2013 2Q Net Sales and Operating Income/Loss by Business Segment <vs. FY2012 2Q>

(Unit: billion yen)

	Net Sales				Segment Income			
	FY2013 2Q	FY2012 2Q	Change	%	FY2013 2Q	FY2012 2Q	Change	%
City gas	664.6	628.3	+36.3	+5.8%	65.9	64.6	+1.3	+2.0%
Gas appliances and installation work	93.3	93.3	0	-0.1%	2.9	1.4	+1.5	+108.1%
Other energy	165.8	157.8	+8.0	+5.1%	13.3	11.8	+1.5	+12.8%
(Electric power business)	66.6	61.7	+4.9	+8.1%	9.9	8.1	+1.8	+21.6%
Real estate	14.5	15.0	-0.5	-3.4%	3.1	3.3	-0.2	-6.0%
Others	83.6	88.0	-4.4	-5.0%	4.0	4.7	-0.7	-13.9%
(Overseas business)	8.7	4.1	+4.6	+108.6%	1.6	1.8	-0.2	-8.0%
Adjustment	-88.5	-119.0	+30.5	—	-20.9	-20.8	-0.1	—
Consolidated	933.5	863.7	+69.8	+8.1%	68.5	65.0	+3.5	+5.3%

- Notes:
- Net sales by business segment include internal transactions.
  - “Other energy” includes energy-service, liquefied petroleum gas, electric power and industrial gas, etc.
  - “Others” includes businesses in construction, information processing, shipping, credit and leasing, and overseas, etc.
  - The “Adjustment” to operating income is primarily companywide expenses not allocated to individual segments.
  - Parentheses indicate sub-segment (figures included in segment total).

# FY2013 2Q Ordinary Income Analysis <vs. FY2012 2Q>



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

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## 3. FY2013 Full Year Forecast

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# FY2013 Full Year Forecast (Apr. 1, 2013 – Mar. 31, 2014) <vs. Previous Forecast (July 31 Release)>

## Highlights: Sales Decline, Profit Increase

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

<b>Net sales</b>	<b>-16.0:</b>	-	Decrease in city gas sales	(-20.7: decrease in volume -8.7, sliding -6.3, tariff revisions -6.0)
		+	Increase in electricity sales	(+4.1: increase in volume)
<b>Operating expenses</b>	<b>+14.0:</b>	+	Decrease in city gas resource costs	(+11.3: volume +5.6, foreign exchange rate +1.2, crude oil price +3.3)
		+	Decrease in operating expense for LNG sales	(+1.5: decrease in resource costs)
<b>Operating income</b>	<b>-2.0:</b>	-	Decrease in city gas operating income	(-7.5: gas gross margin -9.4 (gas tariff revision -6.0), lower fixed costs +1.9)
		+	Increase in gas appliances/installation operating income	(+1.7: increase in GHP unit sales and number of installation work ordered, etc.)
		+	Increase in other segment income	(+2.1: Electric power +0.7, Overseas +0.5, LNG sales +0.3, etc.)
<b>Net Income</b>	<b>+2.0:</b>	+	Decrease in income taxes	(+5.6)

(Unit: mil. m<sup>3</sup>/45MJ, billion yen)

	Current Forecast	Previous Forecast (July 31)	Change	%	FY2012	Change	%
Gas sales volume (mil. m <sup>3</sup> , 45MJ)	14,483	14,590	-107	-0.7%	15,390	-907	-5.9%
Net sales	2,080.0	2,096.0	-16.0	-0.8%	1,915.6	+164.4	+8.6%
Operating expenses	1,921.0	1,935.0	-14.0	-0.7%	1,770.0	+151.0	+8.5%
Operating income	159.0	161.0	-2.0	-1.2%	145.6	+13.4	+9.2%
Ordinary income — (a)	153.0	155.0	-2.0	-1.3%	147.4	+5.6	+3.8%
Net income	103.0	101.0	+2.0	+2.0%	101.6	+1.4	+1.3%
<i>Temperature effect — (b)</i>	-8.5	-5.9	-2.6	—	2.9	-11.4	—
<i>Sliding time lag effect — (c)</i>	22.1	22.7	-0.6	—	-12.4	+34.5	—
<i>Amortization of actuarial differences — (d)</i>	-2.2	-2.2	0.0	—	-4.4	+2.2	—
<i>Adjusted ordinary income: (a) - ((b)+(c)+(d))</i>	141.6	140.4	+1.2*	+0.9%	161.3	-19.7	-12.2%
<i>Adjusted net income</i>	95.5	91.3	+4.2	+4.6%	110.9	-15.4	-13.9%

\* +1.2: Decrease in gas sales volume -0.5 (excl. temp. effect -2.6), impact from tariff revision -6.0, lower fixed cost +1.9, gas appliances and installation +1.7, other segment income, etc. +4.1.

Economic Frame (Full Year)	Foreign Exchange Rate (¥/\$)	JCC (\$/bbl)	Average Temp. (°C)
Current forecast	99.43	108.83	17.0
Previous forecast	99.70 (-0.27)	109.43 (-0.60)	16.8 (+0.2)
<b>FY12</b>	<b>82.91 &lt;+16.52&gt;</b>	<b>113.88 &lt;-5.05&gt;</b>	<b>16.6 &lt;+0.4&gt;</b>

Pension Asset	Investment Yield (Cost Deducted)	Discount Rate	Year-end Assets (Billion Yen)
<b>FY12</b>	<b>6.10%</b>	<b>1.4%</b>	<b>276.0</b>
<b>FY11</b>	<b>5.13%</b>	<b>1.7%</b>	<b>254.0</b>

(Figures in parenthesis are increase/decrease vs. previous forecast),  
<Figures in brackets are year-on-year increase/decrease>

Expected rate of return: 2%

# FY2013 Full Year Forecast: Consolidated Gas Sales Volume

## Previous Forecast → Current Forecast

-107 mil. m<sup>3</sup> (-0.7%)  
Incl. temperature effect: -6 mil. m<sup>3</sup> (-0.0%)

### Residential -34 mil. m<sup>3</sup> (-1.0%)

- Temperature effect -34 mil. m<sup>3</sup>
- Number of days -1 mil. m<sup>3</sup>
- Number of customers +2 mil. m<sup>3</sup>
- Others -1 mil. m<sup>3</sup>

### Commercial +21 mil. m<sup>3</sup> (+0.7%)

- Temperature effect +31 mil. m<sup>3</sup>
- Number of days 0 mil. m<sup>3</sup>
- Number of customers -6 mil. m<sup>3</sup>
- Others -5 mil. m<sup>3</sup>

### Industrial -62 mil. m<sup>3</sup> (-1.0%)

- Industrial: -25 mil. m<sup>3</sup>  
Reduction from operation on existing facilities, etc.
- Power generation: -38 mil. m<sup>3</sup>  
Reduction from operation on existing facilities, etc.

### Wholesale -30 mil. m<sup>3</sup> (-1.5%)

- Temperature effect -3 mil. m<sup>3</sup>
- Others -28 mil. m<sup>3</sup>  
Decrease in demand from wholesale suppliers, etc.

## FY2012 Results → Current Forecast

-907 mil. m<sup>3</sup> (-5.9%)  
Incl. temperature effect: -146 mil. m<sup>3</sup> (-0.9%)

### Residential -109 mil. m<sup>3</sup> (-3.1%)

- Temperature effect -118 mil. m<sup>3</sup>
- Number of days -2 mil. m<sup>3</sup>
- Number of customers +43 mil. m<sup>3</sup>
- Others -32 mil. m<sup>3</sup>

### Commercial -34 mil. m<sup>3</sup> (-1.2%)

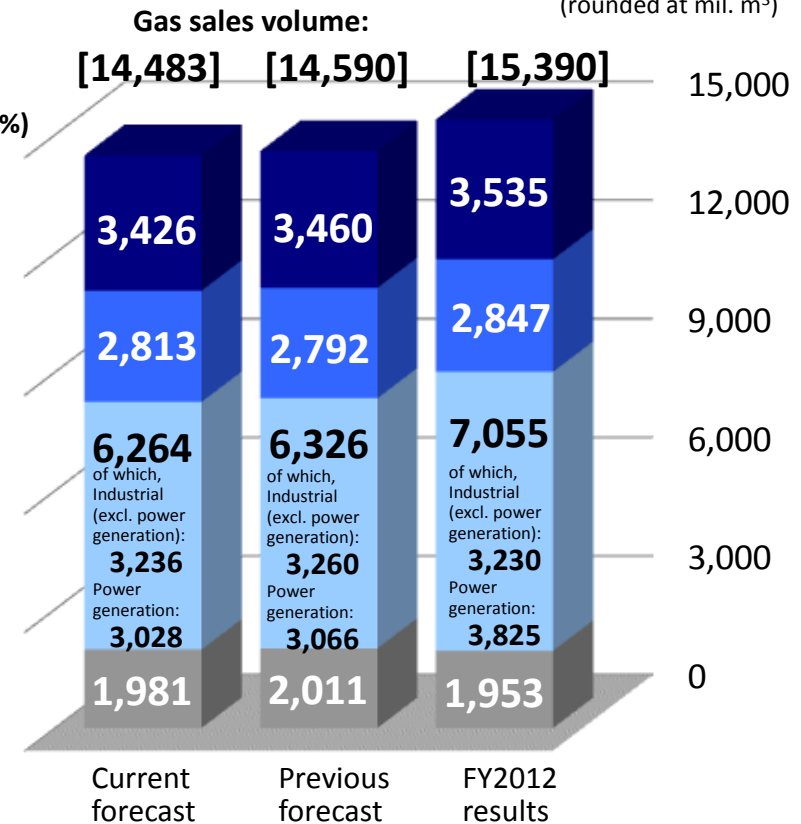
- Temperature effect -19 mil. m<sup>3</sup>
- Number of days +4 mil. m<sup>3</sup>
- Number of customers 0 mil. m<sup>3</sup>
- Others -20 mil. m<sup>3</sup>

### Industrial -791 mil. m<sup>3</sup> (-11.2%)

- Industrial: +5 mil. m<sup>3</sup>  
Increase of operation in Kashima area, etc.
- Power generation: -796 mil. m<sup>3</sup>  
Impact from shift to tolling  
-969 mil. m<sup>3</sup>  
Portion from Kashima area  
+172 mil m<sup>3</sup>, etc.

### Wholesale +28 mil. m<sup>3</sup> (+1.4%)

- Temperature effect -9 mil. m<sup>3</sup>
- Others +37 mil. m<sup>3</sup>  
Increase in demand from wholesale suppliers, etc.



	Current forecast	Previous forecast	Change
LNG liquid sales volume (thousand t, excl. sales to Nijio)	790	801	-11
Average temperature (°C)	17.0	16.8	+0.2

### Number of customers

(Unit: 10 thousand)

Current forecast	Previous forecast	Change
1,110.5	1,110.4	+0.1 (+0.0%)

# Changes in Gas Sales Volume from Shift to Tolling

## FY2013 Full Year Forecast

Gas sales volume including portion used in-house under tolling arrangement (Unit: million m<sup>3</sup>)

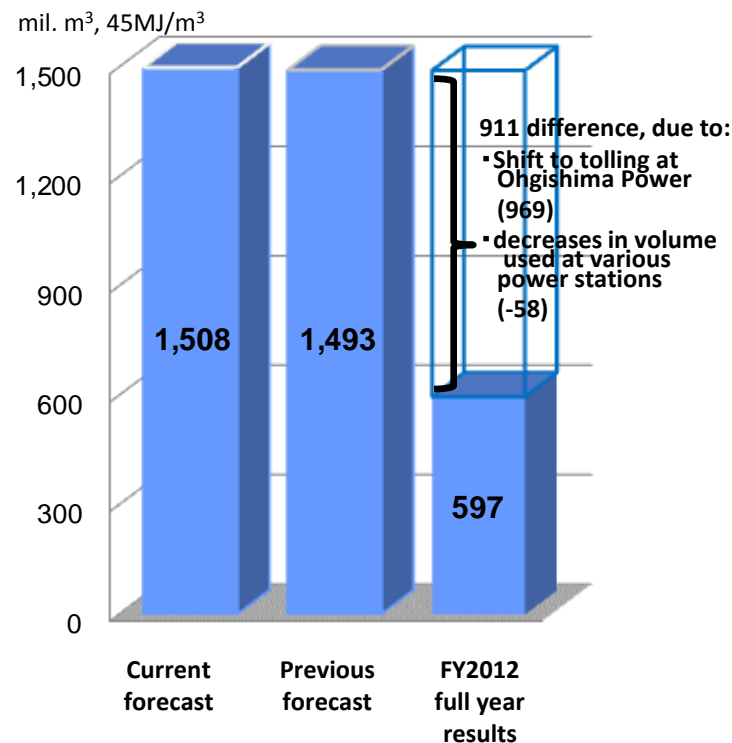
	Current forecast	Previous forecast	Change	FY2012 full year results	Change
Gas sales volume (financial accounting basis)	14,483	14,590	-107 -0.7%	15,390	-907 -5.9%
Gas volume used in-house under tolling arrangement	1,508	1,493	+15 +1.0%	597	+911 +152.7%
Total	15,991	16,083	-92 -0.6%	15,986	+5 +0.0%

Current sales volume forecast as per Challenge 2020 Vision: 16,978 million m<sup>3</sup>

Gas sales volume for industrial-use (Unit: million m<sup>3</sup>)

	Kashima area	Other	Total
Power generation	487	2,541	3,028
vs. FY2012 results	+172 (+54.6%)	-968* (-27.6%)	-796 (-20.8%)
vs. previous forecast	-21 (-4.0%)	-17 (-0.7%)	-38 (-1.2%)
General industrial	167	3,068	3,236
vs. FY2012 results	+78 (+87.5%)	-73 (-2.3%)	+5 (+0.2%)
vs. previous forecast	+10 (+6.3%)	-35 (-1.1%)	-25 (-0.8%)
Total	655	5,609	6,264
vs. FY2012 results	+250 (+61.9%)	-1,041 (-15.7%)	-791 (-11.2%)
vs. previous forecast	-11 (-1.6%)	-52 (-0.9%)	-62 (-1.0%)

Gas Volume Used In-House Under Tolling Arrangement



Tolling: A contract under which the seller of electricity delivers the gas required as fuel for power generation to the power plant, where the power generator processes the fuel into electricity, which it returns to the seller of electricity in exchange for a processing fee.

\* Portion from shift to tolling: -969

# FY2013 Net Sales and Operating Income/Loss by Business Segment <vs. Previous Forecast>

(Unit: billion yen)

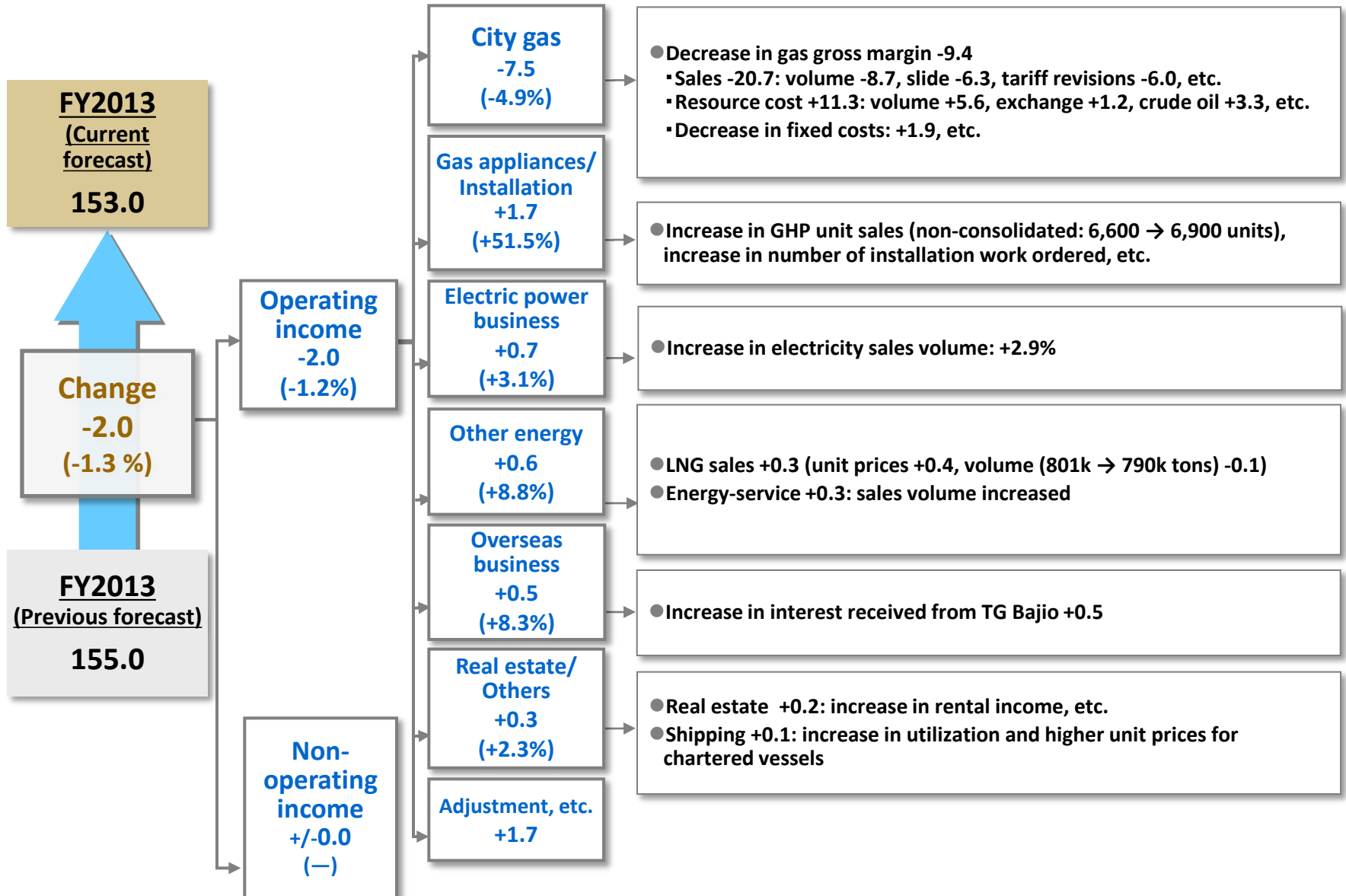
	Net Sales				Segment Income			
	Current Forecast	Previous Forecast	Difference	%	Current Forecast	Previous Forecast	Difference	%
City gas	1,475.0	1,495.7	-20.7	-1.4%	146.8	154.3	-7.5	-4.9%
Gas appliances and installation work	211.4	207.5	+3.9	+1.9%	5.0	3.3	+1.7	+51.5%
Other energy	348.8	343.6	+5.2	+1.5%	30.4	29.1	+1.3	+4.5%
(Electric power business)	133.9	129.8	+4.1	+3.2%	23.0	22.3	+0.7	+3.1%
Real estate	28.2	28.1	+0.1	+0.4%	5.1	4.8	+0.3	+6.3%
Others	192.6	191.7	+0.9	+0.5%	14.9	14.4	+0.5	+3.5%
(Overseas business)	23.1	23.4	-0.3	-1.3%	6.5	6.0	+0.5	+8.3%
Adjustment	-176.0	-170.6	-5.4	—	-43.2	-44.9	+1.7	—
Consolidated	2,080.0	2,096.0	-16.0	-0.8%	159.0	161.0	-2.0	-1.2%

- Notes:
- Net sales by business segment include internal transactions.
  - “Other energy” includes energy-service, liquefied petroleum gas, electric power and industrial gas, etc.
  - “Others” includes businesses in construction, information processing, shipping, credit and leasing, and overseas, etc.
  - The “Adjustment” to operating income is primarily companywide expenses not allocated to individual segments.
  - Parentheses indicate sub-segment (figures included in segment total).



# FY2013 Ordinary Income Analysis <vs. Previous Forecast>

(Unit: billion yen)



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

# FY2013 Net Sales and Operating Income/Loss by Business Segment <vs. FY2012 Results>

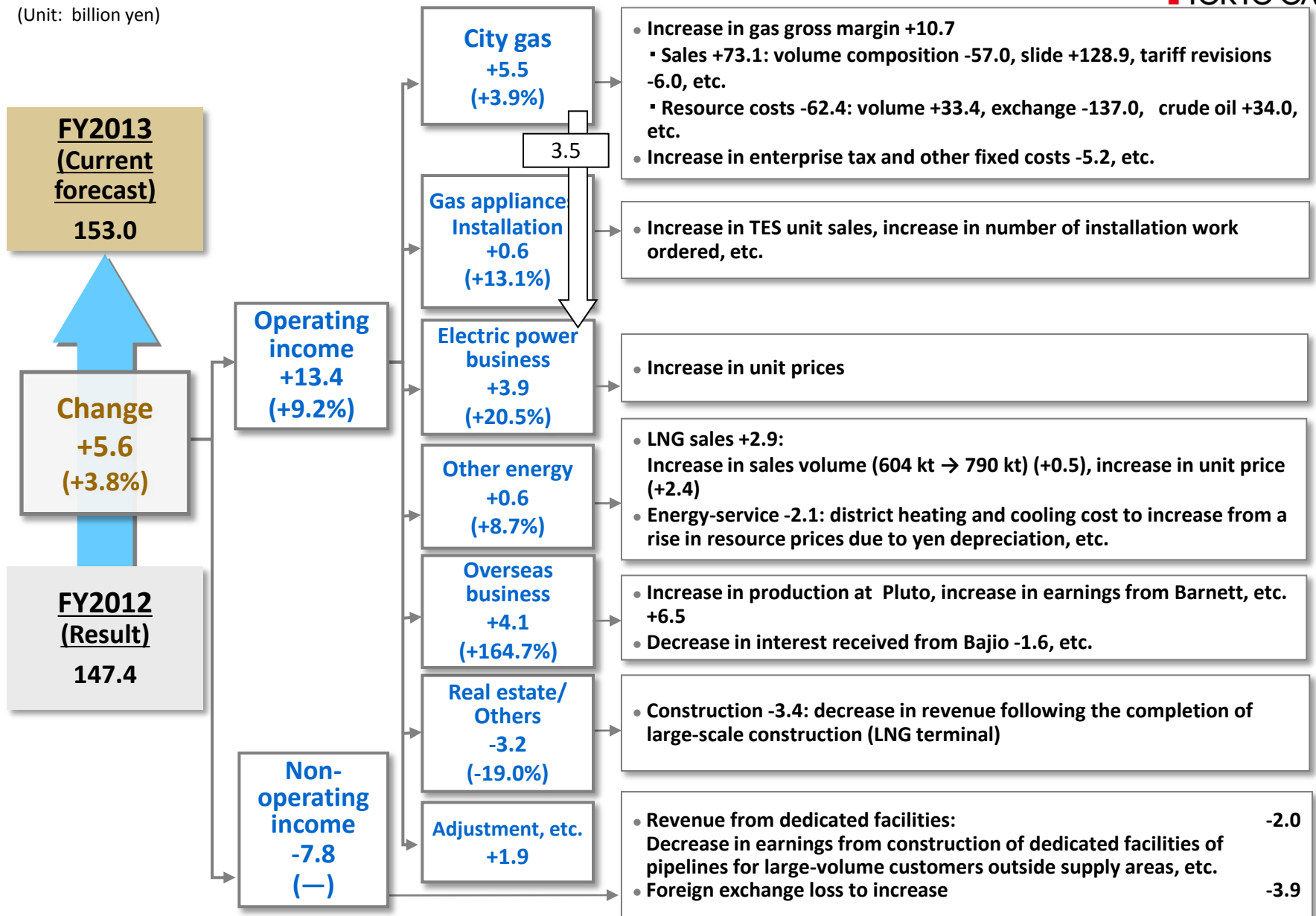
(Unit: billion yen)

	Net Sales				Segment Income			
	Current Forecast	FY2012 Results	Difference	%	Current Forecast	FY2012 Results	Difference	%
City gas	1,475.0	1,401.9	+73.1	+5.2%	146.8	141.3	+5.5	+3.9%
Gas appliances and installation work	211.4	206.0	+5.4	+2.6%	5.0	4.4	+0.6	+13.1%
Other energy	348.8	336.6	+12.2	+3.6%	30.4	25.9	+4.5	+17.2%
(Electric power business)	133.9	127.0	+6.9	+5.4%	23.0	19.1	+3.9	+20.5%
Real estate	28.2	30.2	-2.0	-6.8%	5.1	5.6	-0.5	-8.9%
Others	192.6	195.7	-3.1	-1.6%	14.9	13.5	+1.4	+10.1%
(Overseas business)	23.1	12.4	+10.7	+86.5%	6.5	2.4	+4.1	+164.7%
Adjustment	-176.0	-255.0	+79.0	—	-43.2	-45.1	+1.9	—
Consolidated	2,080.0	1,915.6	+164.4	+8.6%	159.0	145.6	+13.4	+9.2%

- Notes:
- Net sales by business segment include internal transactions.
  - “Other energy” includes energy-service, liquefied petroleum gas, electric power and industrial gas, etc.
  - “Others” includes businesses in construction, information processing, shipping, credit and leasing, and overseas, etc.
  - The “Adjustment” to operating income is primarily companywide expenses not allocated to individual segments.
  - Parentheses indicate sub-segment (figures included in segment total).

# FY2013 Ordinary Income Analysis <vs. FY2012 Results>

(Unit: billion yen)



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

## Capital expenditure

(Unit: billion yen)

Capex	Main items	Ref: initial plan
Tokyo Gas: 142.5 (-4.1, -2.8%)	Production facilities: 28.4 (+0.3) Hitachi LNG terminal construction, etc.	Tokyo Gas: 146.6
	Distribution facilities: 93.3 (-3.3) Ibaraki-Tochigi Line and other trunk line installation, New demand-side pipes and pipelines, etc.	
	Service and maintenance facilities, etc.: 20.7 (-1.2) Systems-related investment, Tamachi development-related, etc.	
Total of Consolidated Subsidiaries: 115.4 (+1.0,+0.9%)	Overseas upstream investment 69.9 On-site energy service 16.9 (ENAC), etc.	Total consolidated subsidiaries: 114.4
Total 254.0 (-4.0, -1.6% after eliminations in consolidation)		Total: 258.0 (after eliminations in consolidation)

\*Numbers in parentheses refer to comparisons with FY2013 initial plan.

## Investments and loans

11.7 (overseas businesses, etc. 20.7, collections on loans -9.0; unchanged from initial plan)

## Returns to shareholders

62.7 (TG non-consolidated, on cash flow basis; unchanged from initial plan)  
(Total of FY2012 year-end dividends' and FY2013 interim dividends' ¥26.7 billion, and FY2013 treasury stock purchases' ¥36.0 billion)

## Required funds and source of funds

[2Q Results]

Required Funds		Source of Funds		
Capex	121.9	Internal funding	Depreciation	66.5
Other Investment & Financing*	-5.2		Ordinary income	64.9
Dividends & Tax	48.2		Others	2.1
Share buyback	36.0		Total	133.5
Repayment (Non-consolidated)	17.4 (22.5)	Outside funding (Non-consolidated)	84.8 (76.5)	
<b>Total</b>	<b>218.3</b>	<b>Total</b>	<b>218.3</b>	

[FY2013 Full Year Forecast]

(Unit: billion yen)

Required Funds		Source of Funds		
Capex	254.0	Internal funding	Depreciation	139.0
Other Investment & Financing*	11.7		Ordinary income	153.0
Dividends & Tax	68.2		Others	14.5
Share buyback	36.0		Total	306.5
Repayment (Non-consolidated)	53.0 (39.2)	Outside funding (Non-consolidated)	116.4 (107.3)	
<b>Total</b>	<b>422.9</b>	<b>Total</b>	<b>422.9</b>	

## Interest-bearing debt

End of FY2012: 642.5 billion yen

End of FY2013 2Q: 718.7 billion yen    End of FY2013 Forecast: 712.0 billion yen (-4.0 (vs. initial plan))

- \* Other investment & financing is the net amount of investment outlays and loan repayments.  
The above does not include CP to be issued and redeemed within FY2013 as seasonal working capital.

# Key Indicators (Consolidated)

(Unit: billion yen)

	FY2013 Current Forecast	FY2013 Previous Forecast	FY2012 Result
Total assets (a)	2,084.0	2,091.0	1,992.4
Shareholders' equity (b)	974.0	967.0	927.6
Shareholders' equity ratio (b)/(a)	46.7%	46.2%	46.6%
Interest-bearing debt (c)	712.0	716.0	642.5
D/E ratio (c)/(b)	0.73	0.74	0.69
Net income (d)	103.0	101.0	101.6
Depreciation and amortization (e)	139.0	140.0	138.7
Operating cash flow (d) + (e)	242.0	241.0	240.4
Capex	254.0	258.0	183.7
ROA: (d)/(a)	5.1%	4.9%	5.3%
ROE: (d)/(b)	10.8%	10.7%	11.5%
TEP	57.7	57.0	59.8
WACC	3.2%	3.2%	3.2%
Total payout ratio	approx. 60% (forecast)	approx. 60% (forecast)	60.7%

Notes: Shareholders' equity = Net assets – Minority interests  
 ROA = Net income / Total assets (average of the amounts as of the end of the previous period and end of the current period)  
 ROE = Net income / Shareholders' equity (average of the amounts as of the end of the previous period and end of the current period)  
 Balance sheet figures are as of the corresponding term-end  
 Operating cash flow = Net income + Depreciation and amortization (including amortization of long-term prepaid expenses)  
 Total payout ratio = (FYn dividends + (FYn+1) treasury stock purchased) / FYn consolidated net income  
 \*Total number of issued stock: 2,517,551,295 (as of September 30, 2013)

TEP: (Tokyo Gas Economic Profit): Profit after taxes and before interest payments – Cost of capital (invested capital × WACC)  
 Items for WACC calculation (FY2013 forecast):  
 • Cost of interest bearing debt: interest (1.6%)  
 • Cost rate for shareholders' equity (average interest rate of 10-year JGBs for past 10 years : 1.3%)  
 • Risk premium: 4.0%; β 0.75  
 • Shareholders' equity used to calculate WACC is the average market cap

- Our financial policy is to provide returns to shareholders through dividends and stock repurchases, with a target total payout ratio (dividends and stock repurchases as a percentage of consolidated net income) of approximately 60% each year through FY2020.
- Based on our current forecast for FY2013 consolidated net income and the maintenance of a ¥10 dividend, our forecast for a 60% return to shareholders is as follows.

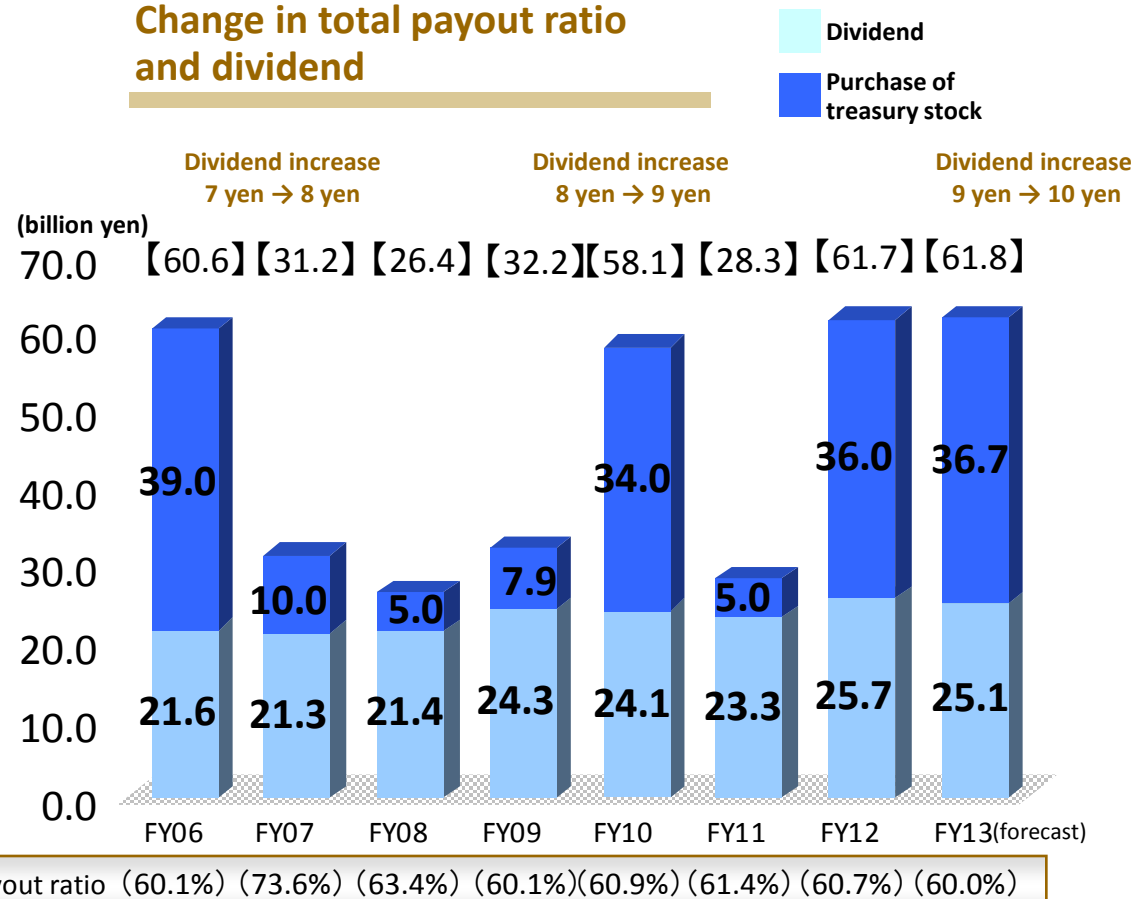
## Maintaining 60% total payout ratio

### Total payout ratio 60.0%

$$\begin{array}{r}
 \text{FY2013 dividend} \\
 \text{¥25.1 billion}
 \end{array}
 +
 \begin{array}{r}
 \text{FY2014 purchase of} \\
 \text{treasury stock} \\
 \text{¥36.7 billion}
 \end{array}
 =
 \frac{\text{FY2013 consolidated net income}}{\text{¥103.0 billion}}$$

\* Total number of shares outstanding: 2,517,551,295  
(As of September 30, 2013)

## Change in total payout ratio and dividend



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## 4. Progress under Challenge 2020 Vision

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## 1. Gas resource procurement and overseas business

- Diversification of gas resource procurement

Cove Point LNG Project in the United States, with which an LNG purchasing agreement (1.4 million tons/year) has been concluded, received approval from the U.S. Department of Energy for LNG exports to non-Free Trade Agreement (non-FTA) countries (September 2013).

- Development of overseas business

Drilling of new gas wells and gas production at the Barnett basin shale gas development project in the United States are proceeding on schedule.

## 2. Production and distribution

- Construction of Ohgishima terminal No. 4 LNG Tank

Construction of No. 4 LNG Tank completed (storage capacity of 250,000kl; full-scale operations from November 2013).

- Installation of natural gas infrastructure

Installation of Hitachi LNG Terminal, Ibaraki-Tochigi Line proceeding on schedule; Shin-Negishi Line and 2nd Phase of Yokohama Line commenced operations.

## 3. Energy solution

- Spread and expansion of the use of distributed energy systems

Jointly developed with Panasonic world's first ENE-FARM home fuel cell for condominiums and began accepting orders (October 2013).

- Expansion of electric power business

Began construction of Ohgishima Power Station Unit 3 (June 2013).

## ■ Forecast

- Going forward, we expect consolidated net income to recover to the FY2013 level in FY2016, with an improvement in the gas gross margin from increased sales volume and a contribution from earnings growth at overseas businesses more than offsetting the increase in depreciation from the Hitachi LNG terminal.
- For FY2017-20, expecting consolidated net income to steadily outpace Vision.

## ■ Reference

### □ Major management coefficients

	Current forecast	Challenge 2020 Vision
Consolidated operating cash flow FY2012 - FY2020 cumulative	¥2,370.0 billion	¥2,240.0 billion (Average of ¥250 billion p.a.)
ROE (FY2020)	Approx. 10%	Approx. 8%
ROA (FY2020)	Approx. 5%	Approx. 4%
D/E ratio (FY2020)	Approx. 0.7	Approx. 0.8

### □ Cash flow allocation (2012-2020 cumulative)

	Current forecast	Challenge 2020 Vision
Capex	¥1,930.0 billion (73%)	¥1,680.0 billion (68%)
Investments and loans	¥200.0 billion (7%)	¥380.0 billion (16%)
Returns to shareholders	¥510.0 billion (20%)	¥420.0 billion (17%)
External borrowings	¥270.0 billion	¥240.0 billion

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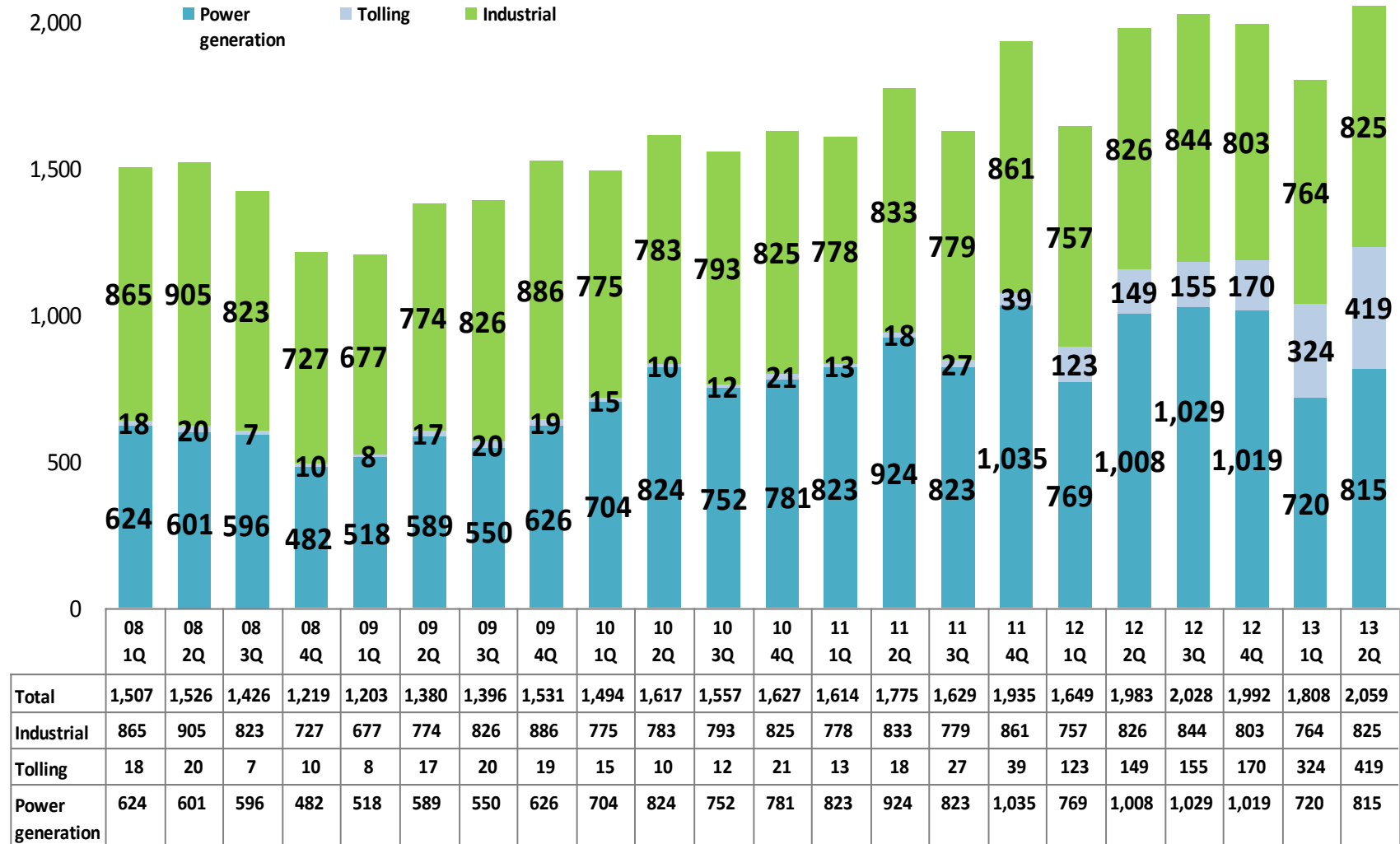
## 5. Reference Materials

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# Transition of Industrial-use Gas Sales Volume (Quarterly, including Portion Used In-house under Tolling Arrangement)

## Consolidated

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



\* Lehman shock

\* Great East Japan Earthquake

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

(Unit: billion yen)

		Impact on earnings		
		3Q	4Q	2nd half
Period	3Q	-0.2	-1.0	-1.2
	4Q	-0.1	-0.1	-0.1
	2 <sup>nd</sup> half	-0.2	-1.1	-1.3

## Impact of yen depreciation by ¥1/\$

(Unit: billion yen)

		Impact on earnings		
		3Q	4Q	2nd half
Period	3Q	-1.3	1.2	-0.1
	4Q	-1.6	-1.6	-1.6
	2 <sup>nd</sup> half	-1.3	-0.4	-1.7



**< 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**