TSE:9531

FY2014 1Q Financial Results

TOKYO GAS

July 31, 2014

1. FY2014 1Q Consolidated Financial Results ended June 30, 2014

FY2014 1Q Consolidated Financial Results (Apr. 1, 2014 – Jun. 30, 2014) <vs. FY2013 1Q>

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Highlights: Sales Growth, Profit Increase

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

Net sales +60.4 :
- \+ Increase in city gas sales (+45.3: sales volume +18.6, unit sales price +26.6 (slide +29.5, tariff revision -4.4, etc.)
- \+ Increase in electricity sales (+ 12.7: unit sales price +5.3, sales volume +7.4)
- \+ Increase in overseas sales (+3.9: increase in earnings at Pluto, addition of Barnett to consolidation, etc.)

Sliding time lag effect +14.1

Operating expenses -40.4 :
- \- Increase in city gas resource costs (-34.0: sales volume -17.2, unit sales price -16.8 (exchange rate -6.3, crude oil +1.3, price revision, etc.)
- \- Increase in electricity fuel costs (-8.1: unit sales price -3.0, sales volume -5.1)

Operating income +20.1 :
- \+ Increase in city gas profit (+11.8: gas gross margin +11.2 (sales volume +1.4 (temperature effect -0.9), unit sales price +9.8 (slide +14.1, tariff revision -4.4, etc.))
- \+ Increase in electricity profit (+4.7: electric power gross profit +4.7 (unit sales price +2.3, sales volume +2.3))
- \+ Increase in overseas profit (+1.7: increase in earnings at Pluto, etc.)

Extraordinary Income/loss +4.9 :
- \+ Gain on sales of non-current assets (land) +5.4, etc.

(Unit: billion yen)

	2014 1Q results	2013 1Q results	Change	%
Gas sales volume (mil. m^3, 45MJ)	3,657	3,387	+270	+8.0%
Net sales	534.0	473.6	+60.4	+12.8%
Operating expenses	474.0	433.6	+40.4	+9.3%
Operating income	60.0	39.9	+20.1	+50.3%
Ordinary income — (a)	59.6	39.6	+20.0	+50.5%
Net income	44.7	26.0	+18.7	+71.8%
Temperature effect — (b)	*-3.8*	*-2.9*	*-0.9*	—
Sliding time lag effect — (c)	*11.1*	*-3.0*	*+14.1*	—
Depreciation of pension actuarial differences — (d)	*0.7*	*-0.5*	*+1.2*	—
Adjusted ordinary income: (a) - ((b)+(c)+(d))	*51.6*	*46.0*	*+5.6**	*+12.2%*
Adjusted net income	*39.1*	*30.2*	*+8.9*	*+29.5 %*

* +5.6: Increase in gas sales volume+2.3 (excl. temp. effect -0.9), tariff revision -4.4, electric power +4.7, overseas +1.7, other segment profit, etc. +1.3

Economic Frame	Exchange rate (¥/$)	JCC ($/bbl)	Avg. Temperature (℃)
FY2014 1Q	102.17	109.52	17.8
FY2013 1Q	98.78 <+3.39>	107.75 <+1.77>	17.5 <+0.3>

(Unit: billion yen)

	FY2014 1Q	FY2013 1Q	Change	%
Capex	38.8	80.3	-41.5	-51.6%

*Absence of previous year's Barnett 43.0

Pension fund investment performance (as of June 30, 2014): 1.62% (Expected rate of return: 2.0%)

<Figures in brackets are year-on-year increase/decrease>

2

Please look at page 2. For the fiscal 2014 first quarter, sales reached 534 billion yen, a new high for the historical first quarter sales, based on the fuel cost adjustments to gas prices and increased sales volume. Operating income, ordinary income and net income all increased and marked the highest record.

As I will refer the reason lately, it was mainly due to the 11.2 billion yen increase in gas gross margin, owing to the improved sliding time lag and increased sales volume of gas for industrial use.

The 60.4 billion yen or 12.8% sales growth is due to factors including city gas sales and sales volume for electric power business, which increased by 45.3 billion yen and 12.7 billion yen respectively.

The sliding time lag effect amounted to 29.5 billion yen due to yen depreciation against the level in the fiscal 2013 first quarter. It should be noted that the effect of tariff revision implemented in December 2013 was 4.4 billion yen; consisting of 3.7 billion yen for small-sized customers and 700 million yen for large-scale customers.

On the other hand, the 40.4 billion yen or 9.3% increase in operating expense reflects the increase in city gas resource cost and costs associated with the electric power business by 34 billion yen by 8 billion yen respectively, due to reasons such as depreciation of yen.

Reflecting the above, operating income increased 20.1 billion yen or 50.3% to 60 billion yen.

Non-operating income/expenses remained almost flat against the fiscal 2013 first quarter, based on the 1.5 billion yen improvement in foreign exchange profit/loss due to the appreciation of Australian dollar and other factors, which was offset by the 800 million yen loss in equity -method due to the planned shutdown of a power plant.

Reflecting this, ordinary income for the fiscal 2014 first quarter increased 20.0 billion yen or 50.5% to 59.6 billion yen.

Extraordinary income/loss increased 4.9 billion yen, reflecting the gain on sale of non-current assets and other factors. In view of the confidentiality agreement with the buyer of the assets, we will not disclose the detailed information on the sale.

As a result, net income for the fiscal 2014 first quarter increased 18.7 billion or 71.8% to 44.7 billion yen.

Of note, the sliding time lag associated with resource costs improved by 14.1 billion yen as compared to the fiscal 2013 first quarter, and its contribution to the operating income amounted to 11.1 billion yen as indicated at the bottom of the table located in the middle of the page 2.

Consolidated Gas Sales Volume

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FY2013 1Q Results→ FY2014 1Q Results

+270 mil. m^3 (+8.0%)

Including temperature effect: -8 mil. m^3, -0.2%

■ Residential -2 mil. m^3 (-0.3%)
- Temperature effect -13 mil. m^3
- Number of days -6 mil. m^3
- Number of customers +12 mil. m^3
- Others +5 mil. m^3

■ Commercial -5 mil. m^3 (-0.9%)
- Temperature effect +7 mil. m^3
- Number of days -6 mil. m^3
- Number of customers -0 mil. m^3
- Others -6 mil. m^3

■ Industrial +273 mil. m^3 (+18.4%)
- Industrial: +10 mil. m^3
  Portion from increase in Kashima area +22 mil. m^3
- Power generation: +262 mil. m^3
  Portion from increase in Kashima area +284 mil. m^3

■ Wholesale +5 mil. m^3 (+1.0%)
- Temperature effect -1 mil. m^3
- Others +6 mil. m^3

Increase in demand from wholesale suppliers, etc.

Initial Plan → FY2014 1Q Results

-37 mil. m^3 (-1.0%)

Including temperature effect: -58 mil. m^3, -1.6%

■ Residential -45 mil. m^3 (-5.1%)
- Temperature effect -52 mil. m^3
- Number of days -2 mil. m^3
- Number of customers +2 mil. m^3
- Others +7 mil. m^3

■ Commercial -11 mil. m^3 (-1.8%)
- Temperature effect -2 mil. m^3
- Number of days 0 mil. m^3
- Number of customers -3 mil. m^3
- Others -6 mil. m^3

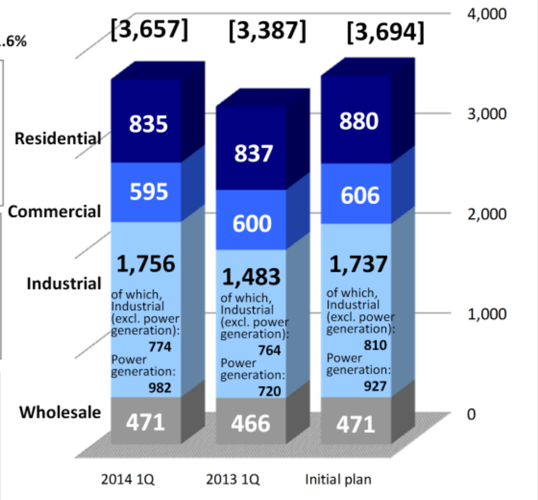
■ Industrial +19 mil. m^3 (+1.1%)
- Industrial: -36 mil. m^3
  Portion from decrease outside Kashima area -39 mil. m^3
- Power generation +55 mil. m^3
  Portion from increase in Kashima area +55 mil. m^3

■ Wholesale +0 mil. m^3 (+0.0%)
- Temperature effect -4 mil. m^3
- Others +4 mil. m^3

Increase in demand from wholesale suppliers, etc.

Gas sales volume:

(Figures are rounded to nearest mil. m^3.)



	FY2014 1Q	FY2013 1Q	Change
LNG liquid sales volume (thousand t)	198	211	-13
Average temperature (℃)	17.8	17.5	+0.3

Number of customers (10 thousand)

FY2014 1Q	FY2013 1Q	Change
1,113.7	1,099.5	+14.2 (+1.3%)

3

Moving on to page 3, the consolidated gas sales volume for the fiscal 2014 first quarter increased 270 million cubic meters or 8.0% from the fiscal 2013 first quarter level and reached 3,657 million cubic meters. The solid overall growth reflects the substantial 262 million cubic meter increase in gas sales volume for industrial power generation through the upgrade of gas turbines to combined cycle turbines at Tepco Kashima Power Station, which was partially offset by the 8 million cubic meters or 0.2% decline due to the high temperature effect.

For your information, page 4 provides the gas sales volume including portion used in-house under tolling arrangement and the gas sales volume for industrial-use by power generation and general industrial, which are further broken down to Kashima area and other area.

Changes in Gas Sales Volume Including Tolling

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FY2014 1Q Results

● Gas sales volume including portion used in-house under tolling arrangement

mil. m^3, 45MJ/m^3

	FY2014 1Q	FY2013 1Q	Change	Initial plan	Change
Gas sales volume (financial accounting basis)	3,657	3,387	+270 +8.0%	3,694	-37 -1.0%
Gas volume used in-house under tolling arrangement	414	324	+90 +27.8%	413	+1 +0.2%
Total	4,071	3,711	+360 +9.7%	4,107	-36 -0.9%

● Gas sales volume for industrial-use (Unit: million m^3)

	Kashima area	Other area	Total
Power generation	342	640	982
vs. FY2013 1Q	+284 (+491.2%)	-22 (-3.3%)	+262 (+36.5%)
vs. Initial plan	+55 (+19.4%)	-1 (-0.0%)	+55 (+6.0%)
General industrial	52	722	774
vs. FY2013 1Q	+22 (+70.0%)	-11 (-1.6%)	+10 (+1.3%)
vs. Initial plan	+3 (+5.2%)	-39 (-5.1%)	-36 (-4.5%)
Total	394	1,362	1,756
vs. FY2013 1Q	+306 (+345.9%)	-33 (-2.4%)	+273 (+18.4%)
vs. Initial plan	+58 (+17.3%)	-39 (-2.8%)	+19 (+1.1%)

FY2014 1Q Net Sales and Operating Income/Loss by Business Segment <vs. FY2013 1Q>

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(Unit: billion yen)

	Net Sales				Segment Income			
	FY2014 1Q	FY2013 1Q	Change	%	FY2014 1Q	FY2013 1Q	Change	%
City gas	389.8	344.5	45.3	13.2%	55.3	43.5	11.8	27.2%
Gas appliances and installation work	40.3	42.3	-2.0	-4.7%	0.6	0.6	-0.0	-1.5%
Other energy	97.5	79.4	18.1	22.7%	9.7	3.5	6.2	170.7%
(Electric power business)	41.2	28.5	12.7	44.7%	7.4	2.7	4.7	167.3%
Real estate	6.5	7.3	-0.8	-10.3%	1.6	1.6	0.0	4.1%
Others	46.0	40.5	5.5	13.4%	2.8	0.6	2.2	373.6%
(Overseas business)	7.6	3.7	3.9	101.1%	2.0	0.3	1.7	518.0%
Adjustment	-46.3	-40.6	-5.7	—	-10.2	-10.0	-0.2	—
Consolidated	534.0	473.6	60.4	12.8%	60.0	39.9	20.1	50.3%

Notes:
- Net sales by business segment include internal transactions.
- "Other energy" includes energy-service, liquefied petroleum gas, electric power and industrial gas, LNG sales.
- "Others" includes businesses in construction, information processing service, 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).

I will briefly comment on the net sales and operating income by business segment and their components provided on pages 5 and 6.

The city gas segment saw 11.8 billion yen increase in operating income, mainly driven by the movement in gross margin, including 900 million yen decline due to high temperature, 2.3 billion yen increase due to the strong growth in industrial gas sales volume, 14.1 billion increase due to the improved sliding time lag as explained earlier, and 4.4 billion yen decline in gross margin as a result of tariff revision.

Operating income from the electric power business segment grew significantly by 4.7 billion yen. Electric power sales volume increased substantially by approximately 2.7 billion kilowatt hour or 26% as there was no regular inspection at the Ohgishima Power Station.

While the unit sales price increased along with the expansion of the economic frame, the electric power business segment achieved a substantial growth in operating income in line with the increase in sales volume, as the rise in resource costs were well-contained owing to the effects of beginning balance of inventories.

We expect that the full-year operating income from the electric power business will decline, as there will be no benefit of inventories etc. in the second quarter and thereafter.

Other energy segment achieved 1.5 billion yen increase in operating income, mainly due to the 1.0 billion yen growth in operating income from the LNG sales through the sliding time lag effect.

The operating income for overseas business segment increased 1.7 billion, mainly due to the increased income at Pluto as a result of increased pricing.

FY2014 1Q Ordinary Income Analysis <vs. FY2013 1Q>

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(Unit: billion yen)

FY2014 1Q (Results) 59.6

Change +20.0 (+50.5%)

FY2013 1Q (Results) 39.6

Operating income +20.1 (+50.3%)

- **City gas** +11.8 (+27.2%)
  - Increase in gas gross margin +11.2 (sales volume +1.4 (temp. effect -0.9), unit sales price +9.8 (slide +14.1, tariff revision -4.4, etc.))
    - Net sales +45.2: sales volume +18.6, unit sales price +26.6 (slide +29.5, etc.)
    - Resource costs -34.0: sales volume -17.2, unit sales price -16.8 (foreign exchange rate -6.3, crude oil +1.3, price revision, etc.)
  - Decrease in general expenses: repair costs, etc. +0.4
  - Decrease in personnel expenses +1.1
  - Increase in depreciation: acquisition of Ohgishima LNG tanks, etc. -1.0
- **Gas appliances/ Installation** -0.0 (-1.5%)
  - Gas appliance sales -0.2: decrease in ENE-FARM sales, etc. (number of units sold in non-consolidated basis: -100 (2,600 → 2,500))
- **Electric power business** +4.7 (+167.3%)
  - Electric power sales volume +26.2% (decrease in number of days for regular inspections, etc.)
    - Net sales +12.7 (sales volume +7.5, unit sales price +5.2)
    - Fuel costs -8.0 (sales volume -5.0, unit sales price -3.0)
- **Other energy** +1.5 (+182.9%)
  - LNG sales +1.0: sales volume -6.2%: net sales +1.2 (+6.4%), costs -0.2
  - Energy-service +0.1: new utilization of on-site energy services, etc.
- **Overseas business** +1.7 (+518.0%)
  - Increase in earnings at Pluto, addition of Barnett to consolidation, etc.
- **Real estate/ Others** +0.5 (+31.1%)
  - Construction +0.2
  - Shipping +0.1: increase in number of transport ships
- **Adjustment, etc.** -0.2

Non-operating income 0.0 (—)

- Equity-method loss (decreased utilization at Mexican power plants, etc.) -0.8
- Dividends received (1.4→1.0) -0.4
- Revenue from use of large-volume dedicated equipment -0.4
- Foreign exchange profit/loss: AUD appreciation vs. USD, etc. (-1.2→0.3) +1.5

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

2. FY2014 Full Year Forecast

FY2014 Full Year Forecast (Apr. 1, 2014 – Mar. 31, 2015) <vs. Initial plan announced on Apr. 28>

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Highlights: Sales Decrease, Profit Increase

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

Net sales -10.0 :
- − Decrease in city gas sales (-7.7: sales volume +0.3, unit sales price -8.1 (slide -8.1))
- − Decrease in electricity sales (-1.2: sales volume 0.3, unit sales price -1.5)
- − Decrease in LNG sales (-1.7: sales volume -0.9, unit sales price -0.8)

Sliding time lag effect +4.7

Operating expenses +13.0 :
- + Decrease in city gas resource costs (+9.4: sales volume -3.4, unit sales price +12.8 (foreign exchange rate +6.8, crude oil +0.9, etc.))
- + Decrease in electricity fuel costs (+1.4: sales volume -0.2, unit sales price +1.6)
- + Decrease in LNG resource costs (+1.8: sales volume +0.9, unit sales price +0.9)

Operating income +3.0 :
- + Increase in city gas profit (+1.7: gas gross margin +1.6 (sales volume -3.1 (temp. effect -3.8), unit sales price +4.7 (slide +4.7))
- + Increase in overseas profit (+1.3: increase in profit at Pluto, QCLNG, etc.)

Extraordinary income/loss +0.8 :
- + Sale of land +1.3, loss on valuation of securities -0.5

(Unit: billion yen)

	Current forecast	Initial plan (4/28)	Change	%	FY2013	Change	%
Gas sales volume (mil. m³, 45MJ)	15,326	15,266	+60	+0.4%	14,735	+591	+4.0%
Net sales	2,288.0	2,298.0	-10.0	-0.4%	2,112.1	+175.9	+8.3%
Operating expenses	2,155.0	2,168.0	-13.0	-0.6%	1,946.0	+209.0	+10.7%
Operating income	133.0	130.0	+3.0	+2.3%	166.0	-33.0	-19.9%
Ordinary income — (a)	126.0	123.0	+3.0	+2.4%	159.6	-33.6	-21.1%
Net income	97.0	94.0	+3.0	+3.2%	108.4	-11.4	-10.6%
Temperature effect — (b)	*-3.8*	*0.0*	*-3.8*	—	*-2.5*	*-1.3*	—
Sliding time lag effect — (c)	*3.5*	*-1.2*	*+4.7*	—	*16.4*	*-12.9*	—
Depreciation of pension actuarial differences — (d)	*3.0*	*3.0*	*0.0*	—	*-2.2*	*+5.2*	—
Adjusted ordinary income: (a) – ((b)+(c)+(d))	*123.3*	*121.2*	*+2.1**	*+1.7%*	*147.9*	*-24.6*	*-16.6%*
Adjusted net income	*95.1*	*92.7*	*+2.4*	*+2.6%*	*100.7*	*-5.6*	*-5.6%*

* +2.1: Gas sales volume +0.7 (excl. temp. effect -3.8), overseas +1.3, other segment profit, etc. +0.1

Economic frame	Foreign exchange rate (¥/$)	JCC ($/bbl)	Average temp. (℃)
Current forecast	104.29	109.88	16.9
Previous forecast	105.00 (-0.71)	110.00 (-0.12)	16.6 (+0.3)
FY2013	100.17 <+4.12>	110.00 <-0.12>	17.0 <-0.1>

Figures in parenthesis ( ) are increase/decrease from initial plan, figures in brackets < > are increase/decrease from FY2013

Expected rate of return: 2%

Pension asset	Investment yield *cost deducted	Discount rate	Year-end assets (billion yen)
FY2013	1.61%	1.5%	273.0
FY2012	6.10%	1.4%	276.0

(Unit: billion yen)

Capex	Current forecast	Initial plan	Change	%
FY2014	237.0	237.0	0.0	0.0%

8

Moving on to page 8, I will explain the full-year forecast in comparison with the initial plan provided in April 2014.

Firstly, the sales volume was revised upward by 0.4% or 60 million cubic meters from the initial plan. Please refer to page 9 for detailed information.

Residential gas sales volume for the fiscal 2014 first quarter was 45 million cubic meters short of the initial plan. However, considering the improving operation rate in the second quarter and thereafter, we revised the initial plan for residential gas sales volume upward by 5 million cubic meters. As a result, the full-year forecast was revised downward by 40 million cubic meters in total.

Commercial gas sales volume for the fiscal 2014 first quarter fell short of the initial plan by 11 million cubic meters, reflecting the stronger than expected trend for energy conservation. Assuming that this trend will continue further through the second quarter and thereafter, we revised the full-year forecast downward by 20 million cubic meters.

As for industrial use, we revised the full-year forecast of sales volume for power generation upward by 272 million cubic meters, based on the strong first quarter sales volume to Tepco Kashima Power Station which exceeded the initial plan by 55 million cubic meters, and the assumption that the sales volume to Independent Power Producers is likely to exceed the initial plan in the second quarter and thereafter.

On the other hand, gas sales volume for general industrial use for the fiscal 2014 first quarter fell short of the initial plan by 36 million cubic meters, based on which we removed from the current forecast the achievement of volume growth via economic recovery originally assumed in the forecast for the second quarter and thereafter. As a result, the full-year forecast was revised downward to 152 million cubic meters in total.

Based on the above, total gas sales volume forecast for industrial use was revised upward by 120 million cubic meters against the initial plan.

Please look at page 8 again. Despite the upward revision of gas sales volume, net sales was revised downward by 10 billion yen against the initial plan, and operating income upward by 3 billion yen.

The decline in net sales is mainly because we assumed, considering the first quarter results, that despite the growth of sales volume for the city gas segment, the appreciation of yen will be faster than expected under the initial plan, and sales will decline by 7.6 billion yen due to the fuel costs adjustment to gas prices.

The increase in operating income mainly reflects the 1.7 billion increase in segment income based on the 4.7 billion yen improvement in sliding time lag and 700 million yen gross margin via the growth in gas sales volume for industrial use, which is expected to be offset by the 3.8 billion yen decline in gross margin due to the temperature effect.

As indicated in the bottom part of the table, the improvement in sliding time lag effect is mainly driven by the revision of the foreign exchange rate. The initial plan assumed 105 yen per U.S. dollar. Given actual exchange rate for the fiscal 2014 first quarter, we assumed the current trend to continue and changed the rate upward to 104.29 yen per U.S. dollar for the second quarter and thereafter.

Additionally, operating income from overseas business is revised upward by 1.3 billion yen. I will refer to this in conjunction with page 11 and thereafter.

As a result, the operating income was revised upward by 3.0 billion yen from the initial plan.

FY2014 Full Year Forecast: Consolidated Gas Sales Volume

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Initial Plan → Current Forecast

+60 mil. m^3 (+0.4%)

Including temp. effect -58 mil m^3, -0.4%

Residential -40 mil. m^3 (-1.2%)
- Temperature effect -52 mil. m^3
- Number of days -2 mil. m^3
- Number of customers +6 mil. m^3
- Others +7 mil. m^3

Commercial -20 mil. m^3 (-0.7%)
- Temperature effect -2 mil. m^3
- Number of days -0 mil. m^3
- Number of customers +9 mil. m^3
- Others -27 mil. m^3

Industrial +120 mil. m^3 (+1.7%)
- Industrial: -152 mil. m^3
  Portion from decrease outside Kashima area -155 mil. m^3
- Power generation: +272 mil. m^3
  Portion from increase outside Kashima area +172 mil. m^3

Wholesale -1 mil. m^3 (-0.0%)
- Temperature effect -4 mil. m^3
- Others +3 mil. m^3

Increase in demand from wholesale suppliers, etc.

FY2013 Results → Current Forecast

+591 mil. m^3 (+4.0%)

Including temp. effect -45 mil m^3, -0.3%

Residential +5 mil. m^3 (+0.1%)
- Temperature effect -4 mil. m^3
- Number of days -12 mil. m^3
- Number of customers +48 mil. m^3
- Others -27 mil. m^3

Commercial -70 mil. m^3 (-2.5%)
- Temperature effect -41 mil. m^3
- Number of days -12 mil. m^3
- Number of customers 0 mil. m^3
- Others -17 mil. m^3

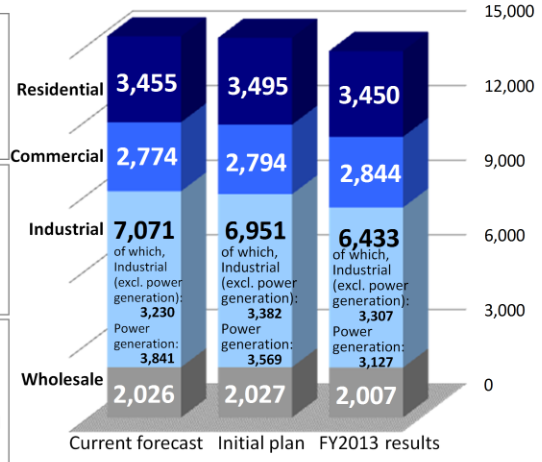
Industrial +638 mil m^3 (+9.9%)
- Industrial: -77 mil m^3
  Portion from decrease outside Kashima region -100 mil. m^3
  (Absence of previous year's accelerated demand from steel industry)
- Power generation: +714 mil. m^3
  Portion from increase in Kashima area +819 mil. m^3

Wholesale +19 mil. m^3 (+0.9%)
- Temperature effect -0 mil. m^3
- Others +19 mil. m^3

Increase in demand from wholesale suppliers, etc.

Gas Sales Volume:

(Figures are rounded to nearest mil. m^3.)



	Current forecast	Initial plan	Change
LNG liquid sales volume (thousand t)	955	965	-10
Average temperature (℃)	16.9	16.6	+0.3

Number of customers (Unit: 10 thousand)

Current forecast	Initial plan	Change
1,123.8	1,123.7	+0.1 (+0.0%)

Changes in Gas Sales Volume Including Tolling

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FY2014 Forecast

●Gas sales volume including portion used in-house under tolling arrangement

mil. m^3, 45MJ/m^3

	Current forecast	Initial plan	Change	FY2013	Change
Gas sales volume (financial accounting basis)	15,326	15,266	+60 +0.4%	14,735	+591 +4.0%
Gas volume used in-house under tolling arrangement	1,664	1,666	-2 -0.1%	1,510	+154 +10.2%
Total	16,990	16,932	+58 +0.3%	16,245	+745 +4.6%
Forecast as per Challenge 2020 Vision:	18,184	18,138	+46	17,225	+959

●Gas sales volume for industrial-use (Unit: million m^3)

	Kashima area	Other	Total
Power generation	1,400	2,441	3,841
vs. Initial plan	+101 (+7.7%)	+172 (+7.6%)	+272 (+7.6%)
vs. FY2013 results	+819 (+140.9%)	-105 (-4.1%)	+714 (+22.8%)
General industrial	208	3,022	3,230
vs. Initial plan	+3 (+1.2%)	-155 (-4.9%)	-152 (-4.5%)
vs. FY2013 results	+24 (+12.8%)	-100 (-3.2%)	-77 (-2.3%)
Total	1,608	5,464	7,071
vs. initial plan	+103 (+6.8%)	+18 (+0.3%)	+120 (+1.7%)
vs. FY2013 results	+843 (+110.0%)	-204 (-3.6%)	+638 (+9.9%)

For your information, page 10 shows the gas sales volume including portion used in-house under tolling arrangement and the gas sales volume for industrial-use by power generation and general industrial, which are further broken down to Kashima area and other area.

FY2014 Full Year Forecast: Net Sales and Operating Income/Loss by Business Segment <vs. Initial Plan (Announced on April 28)>

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(Unit: billion yen)

	Net Sales				Segment Income			
	Current forecast	Initial plan	Change	%	Current forecast	Initial plan	Change	%
City gas	1,625.9	1,633.6	-7.7	-0.5%	128.8	127.1	+1.7	+1.3%
Gas appliances and installation work	209.9	210.0	-0.1	-0.0%	4.4	4.5	-0.1	-2.2%
Other energy	414.6	417.0	-2.4	-0.6%	22.4	22.1	+0.3	+1.4%
(Electric power business)	163.6	164.8	-1.2	-0.7%	15.9	15.9	-0.0	-0.3%
Real estate	24.1	24.1	0.0	0.0%	3.9	3.8	+0.1	+2.6%
Others	209.3	210.2	-0.9	-0.4%	15.8	14.8	+1.0	+6.8%
(Overseas business)	34.8	34.5	+0.3	+0.8%	9.6	8.3	+1.3	+15.4%
Adjustment	-195.8	-196.9	1.1	—	-42.3	-42.3	0.0	—
Consolidated	2,288.0	2,298.0	-10.0	-0.4%	133.0	130.0	+3.0	+2.3%

Notes:
- Net sales by business segment include internal transactions.
- "Other energy" includes energy-service, liquefied petroleum gas, electric power and industrial gas, LNG sales.
- "Others" includes businesses in construction, information processing service, 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).

Pages 11 and 12 provide the current forecast by business segment and the gap analysis between the current forecast and the initial plan.
As mentioned earlier, operating income from the city gas segment is projected to increase by 1.7 billion yen.
Additionally, there is no change to the initial plan for the electric power business segment.
While it is difficult to identify the timing of resumption of operation of nuclear power stations, we developed a sales plan assuming that a few stations will resume operation in the autumn and thereafter. As such, the full-year electricity sales volume is forecasted at approximately 10.5 billion kilowatt hour, flat against the initial plan.
Overseas business segment income was revised upward by 1.3 billion, mainly reflecting the upward revision of earnings at Pluto.

FY2014 Full Year Forecast: Ordinary Income Analysis <vs. Initial Plan (Announced on April 28)>

TOKYO GAS

(Unit: billion yen)

FY2013 Initial plan 123.0

Change +3.0 (+2.4%)

FY2014 Current forecast 126.0

- **Operating income** +3.0 (+2.3%)
  - **City gas** +1.7 (+1.3%)
    - Increase in gas gross margin +1.6 (sales volume -3.1 (incl. temp. effect -3.8), unit sales price +4.7 (slide +4.7))
      - Net sales -7.8: sales volume +0.3, unit sales price -8.1 (slide -8.1)
      - Resource cost +9.4: sales volume -3.4, unit sales price +12.8 (foreign exchange +6.8, crude oil +0.9, etc.)
  - **Gas appliances/ Installation** -0.1 (-2.2%)
    - Decrease in installation work profit due to an increase in labor expenses
  - **Electric power business** -0.0 (-0.3%)
    - Unit sales price and sales volume: +0.2%, decrease in net sales -1.2, decrease in fuel costs +1.4, etc.
  - **Other energy** +0.3 (+5.6%)
    - LPG sales +0.1: increase in unit sales price
    - Energy-service +0.1: decrease in fuel costs for district heating and cooling due to yen's appreciation
  - **Overseas business** +1.3 (+15.4%)
    - Increase in earnings at Pluto, increase in in earnings at QCLNG, etc.
  - **Real estate/ Others** -0.2 (-1.9%)
    - Shipping -0.4: decrease in tanker lease
  - **Adjustment, etc.** 0.0
- **Non-operating income** 0.0 (—)
  - Foreign exchange profit/loss + 0.7 (0.0→0.7)
  - Dividend income -0.5 (2.3→1.8)

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

FY2014 Full Year Forecast: Net Sales and Operating Income/Loss by Business Segment <vs. FY2013 Results >

TOKYO GAS

(Unit: billion yen)

	Net Sales				Segment Income			
	Current forecast	FY2013	Change	%	Current forecast	FY2013	Change	%
City gas	1,625.9	1,505.1	+120.8	+8.0%	128.8	152.6	-23.8	-15.6%
Gas appliances and installation work	209.9	221.7	-11.8	-5.3%	4.4	7.6	-3.2	-42.4%
Other energy	414.6	357.5	+57.1	+15.9%	22.4	32.5	-10.1	-31.1%
(Electric power business	163.6	135.9	+27.7	+20.4%	15.9	24.4	-8.5	-35.0%
Real estate	24.1	28.3	-4.2	-14.9%	3.9	5.7	-1.8	-31.6%
Other	209.3	199.3	+10.0	+5.0%	15.8	11.6	+4.2	+35.1%
(Overseas business)	34.8	22.1	+12.7	+57.5%	9.6	2.8	+6.8	+235.0%
Adjustment	-195.8	-199.8	+4.0	—	-42.3	-44.0	+1.7	—
Consolidate	2,288.0	2,112.1	+175.9	+8.3%	133.0	166.0	-33.0	-19.9%

Notes:
- Net sales by business segment include internal transactions.
- “Other energy” includes energy-service, liquefied petroleum gas, electric power and industrial gas, LNG sales.
- “Others” includes businesses in construction, information processing service, 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).

For your information, pages 13 and 14 provide a full-year forecast by business segment in comparison with the fiscal 2013 financial results.

FY2014 Full Year Forecast: Ordinary Income Analysis <vs. FY2013 Results>

TOKYO GAS

(Unit: billion yen)

FY2014 Current Forecast
126.0

Change
-33.6
(-21.1%)

FY2013 Results
159.6

Operating income
-33.0
(-19.9%)

- **City gas** -23.8 (-15.6%)
  - Decrease in gas gross margin -24.3 (sales volume +1.0 (incl. temperature effect -1.3), unit sales price -25.3 (slide -12.9, tariff revision -15.5, etc.)
    - Net sales +122.3: sales volume +40.0, unit sales price +82.3 (slide +90.3, tariff revision -15.5, etc.)
    - Resource cost -146.6: increase in sales volume -39.0, unit sales price -107.6 (foreign exchange -36.0, crude oil -0.4, price revision, etc.)
  - Decrease in fixed costs, etc. +0.5, etc.
- **Gas appliances/ Installation** -3.2 (-42.4%)
  - Decline in wake of accelerated demand ahead of consumption tax increase (net sales -11.8)
- **Electric power business** -8.5 (-35.0%)
  - Increase in sales volume +8.4%
  - Net sales +27.7 (increase in sales volume +11.4, increase in unit sales price +16.3), higher fuel costs -38.2 (sales volume -7.0, unit sales price -31.2), decrease in other expenses +2.0
- **Other energy** -1.6 (-19.4%)
  - LNG sales -0.7: net sales +22.7, resource cost -23.3
  - Energy-service -1.0: increase in fuel costs for district heating and cooling due to yen's depreciation
- **Overseas business** +6.8 (+235.0%)
  - Increase in earnings at Pluto, decrease in earnings at QCLNG, addition of Barnett to consolidation, etc.
- **Real estate/ Others** -4.4 (-31.0%)
  - Shipping -2.5: decrease in tanker lease
  - Real estate -1.8: decrease in rental income, etc.
  - Construction -0.3: completion of large orders, etc.
- **Adjustment, etc.** +1.7

Non-operating income
-0.6
(—)

- Foreign exchange profit/loss: +6.3 (-5.6 →0.7)
- Equity-method P/L: -2.5 (4.8 → 2.3)
- Interest & dividends received: -1.9 (increase in interest paid -0.9, decrease in interest & dividends received -1.0)
- Miscellaneous income: -1.9 (absence of previous year's reversal of ¥1.2 billion expense for environmental equipment expenses, etc.)

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

Key Indicators (Consolidated)

TOKYO GAS

(Unit: billion yen)

	FY2014 Current forecast	FY2014 Initial plan	FY2013 Results
Total assets (a)	2,232.0	2,226.0	2,176.8
Shareholders' equity (b)	1,036.0	1,030.0	1,011.7
Shareholders' equity ratio (b)/(a)	46.4%	46.3%	46.5%
Interest-bearing debt (c)	771.0	773.0	713.8
D/E ratio (c)/(b)	0.74	0.75	0.71
Net income (d)	97.0	94.0	108.4
Depreciation (e)	142.0	142.0	140.3
Operating cash flow (d) + (e)	239.0	236.0	248.8
Capex	237.0	237.0	248.0
ROA: (d)/(a)	4.4%	4.3%	5.2%
ROE: (d)/(b)	9.5%	9.2%	11.2%
TEP	24.4	23.3	50.7
WACC	3.5%	3.6%	3.2%*
Total payout ratio	approx. 60%	approx. 60%	60.0%

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 (including depreciation of long-term prepaid expenses)
Total payout ratio = (FYn dividends + (FYn+1) treasury stock purchased) / FYn consolidated net income
*Total number of issued stock: 2,446,778,295 (as of July 31, 2014)

TEP: (Tokyo Gas Economic Profit): Profit after taxes and before interest payments – Cost of capital (invested capital × WACC)
Items for WACC calculation (FY2014 forecast):
- Cost of interest-bearing debt: actual interest rate (1.1%, after tax)
- Cost rate for shareholders' equity
  - Risk free rate: 10-year JGB yield (0.8%)
  - Risk premium: 5.5%, β: 0.75 (Risk premium through FY2013: 4%)
  - Capital: market capitalization

Page 15 provides key indicators on a consolidated basis. As planned initially, the total payout ratio is assumed at approximately 60% for the fiscal year 2014, unchanged from the fiscal year 2013.

3. FY2014 First Half Forecast

TOKYO GAS

FY2014 First Half Forecast (Apr. 1, 2014 – Sep. 30, 2014)
<vs. Initial plan (Announced on Apr. 28, 2014)>

TOKYO GAS

Highlights: Sales Decrease, Profit Increase

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

Net sales -10.0 :
- − Decrease in city gas sales (-7.9: sales volume -3.0, unit sales price -4.9 (slide -4.9))
- − Decrease in LNG sales (-1.0: sales volume, etc.)
- − Decrease in electricity sales (-0.6: unit sales price, etc.)

Operating expenses +12.0 :
- \+ Decrease in city gas resource costs (+8.9: sales volume -1.8, unit sales price +10.7 (foreign exchange +6.7, crude oil +0.8, etc.))
- \+ Decrease in LNG sales costs (+1.3: sales volume and unit sales price, etc.)
- \+ Decrease in electricity expenses (+1.0: unit sales price)

Sliding time lag effect +5.8

Operating income +2.0 :
- \+ Increase in city gas profit (gas gross margin +1.0 (sales volume -4.8 (temp. effect -3.8), unit sales price +5.8 (slide +5.8))
- \+ Increase in LNG profit (+0.4: unit sales price, etc.)
- \+ Increase in electricity profit (+0.5: unit sales price, etc.)

(Unit: billion yen)

	Current forecast	Initial plan (4/28)	Change	%	FY2013 1H results	Change	%
Gas sales volume (mil. m^3, 45MJ)	7,136	7,118	+18	+0.3%	6,673	+463	+6.9%
Net sales	1,033.0	1,043.0	-10.0	-1.0%	933.5	+99.5	+10.7%
Operating expenses	970.0	982.0	-12.0	-1.2%	865.0	+105.0	+12.1%
Operating income	63.0	61.0	+2.0	+3.3%	68.5	-5.5	-8.0%
Ordinary income — (a)	62.0	60.0	+2.0	+3.3%	64.9	-2.9	-4.6%
Net income	53.0	50.0	+3.0	+6.0%	42.7	+10.3	+23.9%
Temperature effect — (b)	*-3.8*	*0.0*	*-3.8*	—	*-4.2*	*+0.4*	—
Sliding time lag effect — (c)	*10.5*	*4.7*	*+5.8*	—	*10.9*	*-0.4*	—
Depreciation of pension actuarial differences — (d)	*1.5*	*1.5*	*0.0*	—	*-1.1*	*+2.6*	—
Adjusted ordinary income: (a) - ((b)+(c)+(d))	*53.8*	*53.8*	*0.0**	*0.0%*	*59.3*	*-5.5*	*-9.3%*
Adjusted net income	*47.3*	*45.7*	*+1.6*	*+3.5%*	*39.0*	*+8.3*	*+21.3%*

* 0.0: Gas sales volume -1.0 (excl. temp. effect -3.8), electric power +0.5, other segment profit, etc. +0.5

Economic frame (average for 1H)	Foreign exchange rate (¥/$)	JCC ($/bbl)	Average temp. (℃)
Current forecast	103.59	109.76	22.0
Initial plan	105.00 (-1.41)	110.00 (-0.24)	21.4 (+0.6)
FY2013	98.86 <+4.73>	107.66 <+2.10>	22.3 <-0.3>

Figures in parenthesis ( ) are increase/decrease from initial plan, figures in brackets < > are increase/decrease from FY2013

(Unit: billion yen)

Capex	Current forecast	Initial plan	Change	%
FY2014 1H	99.0	99.0	0.0	0.0%

17

For your information, pages 17 through 19 provide the fiscal year 2014 half-year forecast.

FY2014 First Half Forecast: Consolidated Gas Sales Volume

TOKYO GAS

Initial Plan → Current Forecast

+18 mil. m³ (+0.3%)

Including temperature effect -58 mil.m³, -0.8%

■ Residential	-44 mil. m³ (-3.3%)
●Temperature effect	-52 mil. m³
●Number of days	-2 mil. m³
●Number of customers	+2 mil. m³
●Others	+7 mil. m³

■ Commercial	-13 mil.m³ (-1.0%)
●Temperature effect	-2 mil. m³
●Number of days	0 mil. m³
●Number of customers	+1 mil. m³
●Others	-12 mil. m³

■ Industrial	+75 mil. m³ (+2.1%)
●Industrial:	-90 mil. m³
Portion from decrease outside Kashima area	-93 mil. m³
●Power generation:	+165 mil. m³
Portion from increase in Kashima area	+101 mil. m³

■ Wholesale	+0 mil.m³ (+0.0%)
●Temperature effect	-4 mil. m³
●Others	+4 mil. m³

Increase in demand from wholesale suppliers, etc.

FY2013 1H → Current Forecast

+463 mil. m³ (+6.9%)

Including temperature effect -15mil.m³, -0.2%

■ Residential	+20 mil.m³ (+1.6%)
●Temperature effect	+6 mil. m³
●Number of days	-6 mil. m³
●Number of customers	+19 mil.m³
●Others	+2 mil. m³

■ Commercial	-36 mil.m³ (-2.6%)
●Temperature effect	-22 mil. m³
●Number of days	-6 mil.m³
●Number of customers	0 mil. m³
●Others	-8 mil. m³

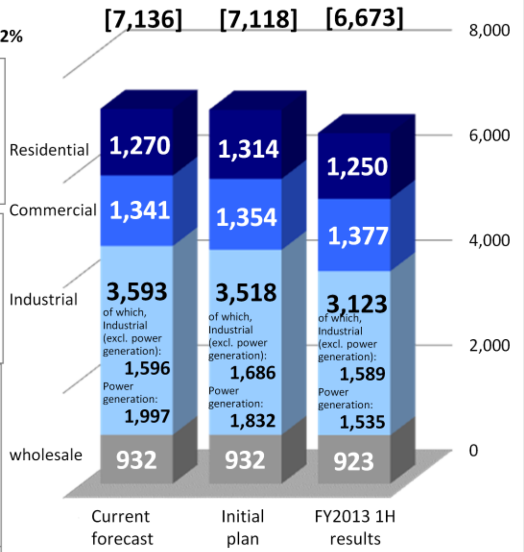
■ Industrial	+470 mil.m³ (+15.0%)
●Industrial:	+7 mil. m³
Portion from increase in Kashima area	+30 mil. m³
●Power generation:	+462 mil. m³
Portion from increase in Kashima area	+517 mil. m³

■ Wholesale	+9 mil.m³ (+1.0%)
●Temperature effect	+2 mil. m³
●Others	+7 mil. m³

Increase in demand from wholesale suppliers, etc.

Gas sales volume:

(Figures are rounded to nearest mil. m³.)



	Current forecast	Initial plan	Change
LNG liquid sales volume (thousand t)	393	399	-6
Average temperature (℃)	22.0	21.4	+0.6

Changes in Gas Sales Volume Including Shift to Tolling

TOKYO GAS

FY2014 First Half Forecast

● Gas sales volume including portion used in-house under tolling arrangement

mil. m^3, 45MJ/m^3

	Current forecast	Initial plan	Change	FY2013 1H	Change
Gas sales volume (financial accounting basis)	7,136	7,118	+18	6,673	+463
			+0.3%		+6.9%
Gas volume used in-house under tolling arrangement	845	847	-2	743	+102
			-0.3%		+13.6%
Total	7,981	7,965	+16	7,416	+565
			+0.2%		+7.6%

● Gas sales volume for industrial-use (Unit: million m^3)

	Kashima area	Other	Total
Power generation	713	1,284	1,997
vs. Initial plan	+101 (+16.4%)	+65 (+5.3%)	+165 (+9.0%)
vs. FY2013 1H results	+517 (+263.1%)	-55 (-4.1%)	+462 (+30.1%)
General industrial	101	1,495	1,596
vs. Initial plan	+3 (+2.6%)	-93 (-5.9%)	-90 (-5.4%)
vs. FY2013 1H results	+30 (+41.7%)	-22 (-1.5%)	+7 (+0.4%)
Total	814	2,779	3,593
vs. Initial plan	+103 (+14.5%)	-28 (-1.0%)	+75 (+2.1%)
vs. FY2013 1H results	+546 (+204.2%)	-77 (-2.7%)	+470 (+15.0%)

4. Reference Materials

Operating Income Sensitivity to Changes in Oil Price and Exchange Rate

TOKYO GAS

Impact of rising JCC by $1/bbl

(Unit: billion yen)

		Impact on earnings			
		2Q	3Q	4Q	Full year
Period	2Q	-0.3	-0.7	+1.1	+0.1
	3Q	—	-0.4	-1.0	-1.4
	4Q	—	—	-0.6	-0.6
	Full year	-0.3	-1.1	-0.5	-1.9

Impact of yen depreciation by ¥1/$

(Unit: billion yen)

		Impact on earnings			
		2Q	3Q	4Q	Full year
Period	2Q	-1.1	+0.8	+0.3	0.0
	3Q	—	-1.2	+1.4	+0.2
	4Q	—	—	-1.7	-1.7
	Full year	-1.1	-0.4	0.0	-1.5

< 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.

< Calculation method >

Numerical amounts in these materials are shown with fractional portions disregarded or rounded, while percentage changes are calculated based on the actual figures. This may result in discrepancies between the amounts and percentages as shown.

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