

FY2016 2Q Financial Results



October 28, 2016

1. FY2016 2Q Consolidated Financial Results ended September 30, 2016



FY2016 2Q Consolidated Results (Apr. 1, 2016 – Sept. 30, 2016) <vs. FY2015 2Q>



Highlights: Sales Down, Profit Down

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

Net sales	-193.7	-	City gas (-162.2: Decrease in unit price, etc. due to resource cost adjustment -163.8, increase in sales volume +0.6)
		-	Energy-related (-45.4: Appliances -16.0 (due to deconsolidation of GASTAR, etc.), engineering solutions -13.9 (lower volume of projects, etc.), LNG sales -13.0 (decrease in unit sales price due to decrease in crude oil price))
Operating expenses	+119.8	+	City gas resource costs, etc. (+123.6: Decrease in unit price arising from economic framework assumptions, etc. +123.8, increase in sales volume -0.2)
Operating income	-73.8	-	City gas (-58.6: Gas gross margin -39.5 (including sliding time lag effect -37.7), increase in fixed costs -20.2)
		-	Energy-related (-7.6: LNG sales -4.2 (including sliding time lag effect -4.2), appliances -2.7)
		-	Electric power (-4.8: Increases in retail sales expenses and depreciation)
Extraordinary income/loss	+5.5	+	Gain on sale of investment securities +2.9 (FY2016 2Q 2.9←FY2015 2Q 0.0) Loss on valuation of investment securities +2.6 (FY2016 2Q 0.0←FY2015 2Q -2.6)

	FY2016 2Q	FY2015 2Q	Change	%	Prev. forecast (July 29)	Change	%
Gas sales volume (million m ³ , 45 MJ)	721.0	718.4	+2.6	+0.4%	713.3	+7.8	+1.1%
Electricity sales volume (million kWh)	617.2	495.7	+121.5	+24.5%	619.6	-2.4	-0.4%
Net sales	707.7	901.4	-193.7	-21.5%	709.0	-1.3	-0.2%
Operating expenses	671.5	791.3	-119.8	-15.1%	686.0	-14.5	-2.1%
Operating income	36.2	110.0	-73.8	-67.1%	23.0	+13.2	+57.4%
Segment income (operating income + equity income of subsidiary)	37.0	110.8	-73.8	-66.5%	23.8	+13.2	+55.9%
Ordinary income ⁽¹⁾	34.3	107.0	-72.7	-67.9%	20.0	+14.3	+71.9%
Extraordinary income/loss	2.9	-2.6	+5.5	-	2.9	0.0	-
Profit attributable to owners of parent	26.4	80.6	-54.2	-67.1%	15.0	+11.4	+76.6%

Temperature effect ⁽²⁾	-4.9	-5.0	+0.1	—	-4.9	0.0	—
Sliding time lag effect (city gas, LNG sales) ⁽³⁾	8.8	50.7	-41.9	—	2.8	+6.0	—
Amortization of actuarial differences ⁽⁴⁾	-12.0	-1.1	-10.9	—	-12.0	0.0	—
Adjusted ordinary income ⁽¹⁾⁻⁽²⁾⁺⁽³⁾⁺⁽⁴⁾	42.4	62.4	-20.0	-32.1%	34.1	+8.3	24.3%

Economic framework	Exchange rate (¥/\$)	Crude oil price (\$/bbl)	Avg. air temp. (°C)
FY2016 2Q	105.25	43.75	21.5
FY2015 2Q	121.87<-16.62>	58.84<-15.09>	21.4<+0.1>
Prev. forecast (7/29)	106.58 (-1.33)	43.05 (+0.70)	21.4(+0.1)

Pension assets	Investment yield (costs deducted)	Year-end assets (billion yen)
FY2016 2Q (cumulative)	2.28%	284.0
Expected rate of return: 2%		

Figures in <> brackets indicate year-on-year increase/decrease. Figures in () parentheses indicate increase/decrease from previous forecast.

FY2016 2Q Consolidated Gas Sales Volume

FY2016 2Q Results (vs. FY2015 2Q)

FY2016 2Q Results (vs Previous forecast)

Gas sales volume: (Figures are rounded to nearest mil. m³)

8,000

+26 mil.m³ (+0.4%)

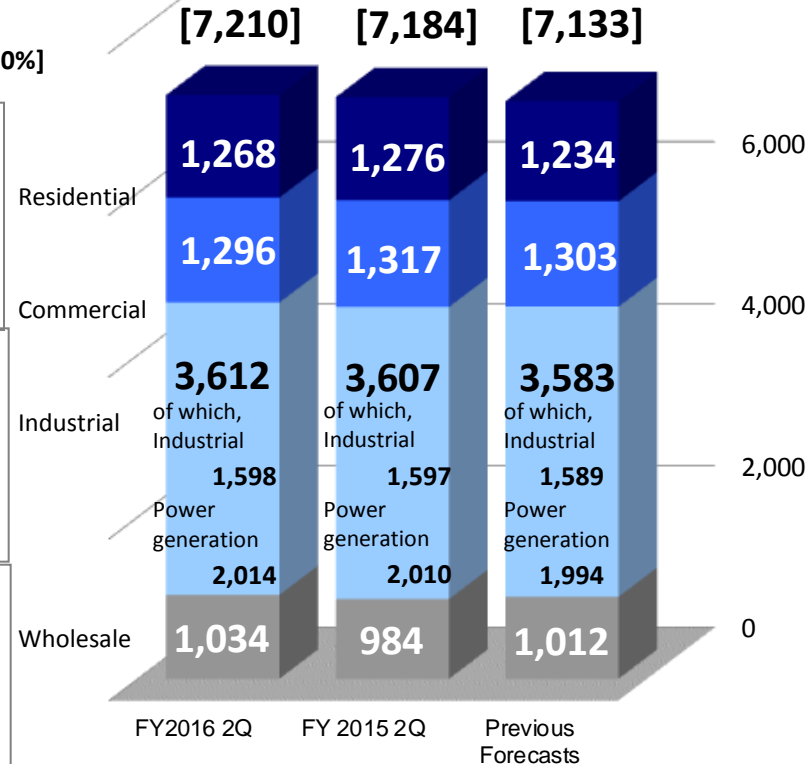
[including temperature effect +4 mil.m³, 0.0%]

+78 mil.m³ (+1.1%)

[including temperature effect +1 mil.m³, 0.0%]

<p>■ Residential - 8 mil.m³ (-0.6%)</p> <ul style="list-style-type: none"> ● Temperature effect 0mil.m³ ● Number of days +8 mil.m³ ● Number of customers +20 mil.m³ ● Others - 36 mil.m³ 	<p>■ Commercial - 21 mil.m³ (-1.6%)</p> <ul style="list-style-type: none"> ● Temperature effect +6 mil.m³ ● Number of days +3 mil.m³ ● Number of customers +8 mil.m³ ● Others - 38 mil.m³ 	<p>■ Industrial +5 mil.m³ (+0.1%)</p> <ul style="list-style-type: none"> ● Industrial +1 mil.m³ ● Power generation +4 mil.m³
<p>■ Wholesale +50 mil.m³ (+5.1%)</p> <ul style="list-style-type: none"> ● Temperature effect - 2 mil.m³ ● Others +52 mil.m³ <p>Increase in demand from wholesale suppliers, etc.</p>		

<p>■ Residential +34 mil.m³ (+2.8%)</p> <ul style="list-style-type: none"> ● Temperature effect 0 mil.m³ ● Number of days 0 mil.m³ ● Number of customers 0 mil.m³ ● Others +34 mil.m³ 	<p>■ Commercial - 7 mil.m³ (-0.5%)</p> <ul style="list-style-type: none"> ● Temperature effect +1 mil.m³ ● Number of days 0 mil.m³ ● Number of customers +4 mil.m³ ● Others - 12 mil.m³ 	<p>■ Industrial +29 mil.m³ (+0.8%)</p> <ul style="list-style-type: none"> ● Industrial +9 mil.m³ ● Power generation +20 mil.m³
<p>■ Wholesale +22 mil.m³ (+2.2%)</p> <ul style="list-style-type: none"> ● Temperature effect 0 mil.m³ ● Others +22 mil.m³ <p>Increase in demand from wholesale suppliers, etc.</p>		



Number of customers (10 thousands)

FY2016 2Q Results	FY2015 2Q Results	Previous Forecast
1,144.8	1,131.5	1,144.7
	+13.3 (+1.2%)	+0.1(0.0%)

	FY2016 2Q Results	FY2015 2Q Results	Previous Forecasts
LNG liquid sales volume (thousand t)	515	490	514
		(+25)	(+1)
Average temperature (°C)	21.5	21.4	21.4
		(+0.1)	(+0.1)

FY2016 2Q Gas Sales Volume (Vision Basis)

■ Gas sales volume (Vision Basis)

(Unit: million m³)

	FY2016 2Q Results	FY2015 2Q Results	Change	FY2016 Previous forecasts (July.29)	Change
Gas sales volume (financial accounting basis)	7,210	7,184	+26	7,133	+78
			+0.4%		+1.1%
Gas volume used in-house under tolling arrangement	989	775	+214	980	+9
			+27.6%		+0.9%
LNG sales volume (m3 basis)	643	613	+30	643	0
			+4.9%		0.1%
Total	8,842	8,572	+270	8,756	+86
			+3.2%		+1.0%

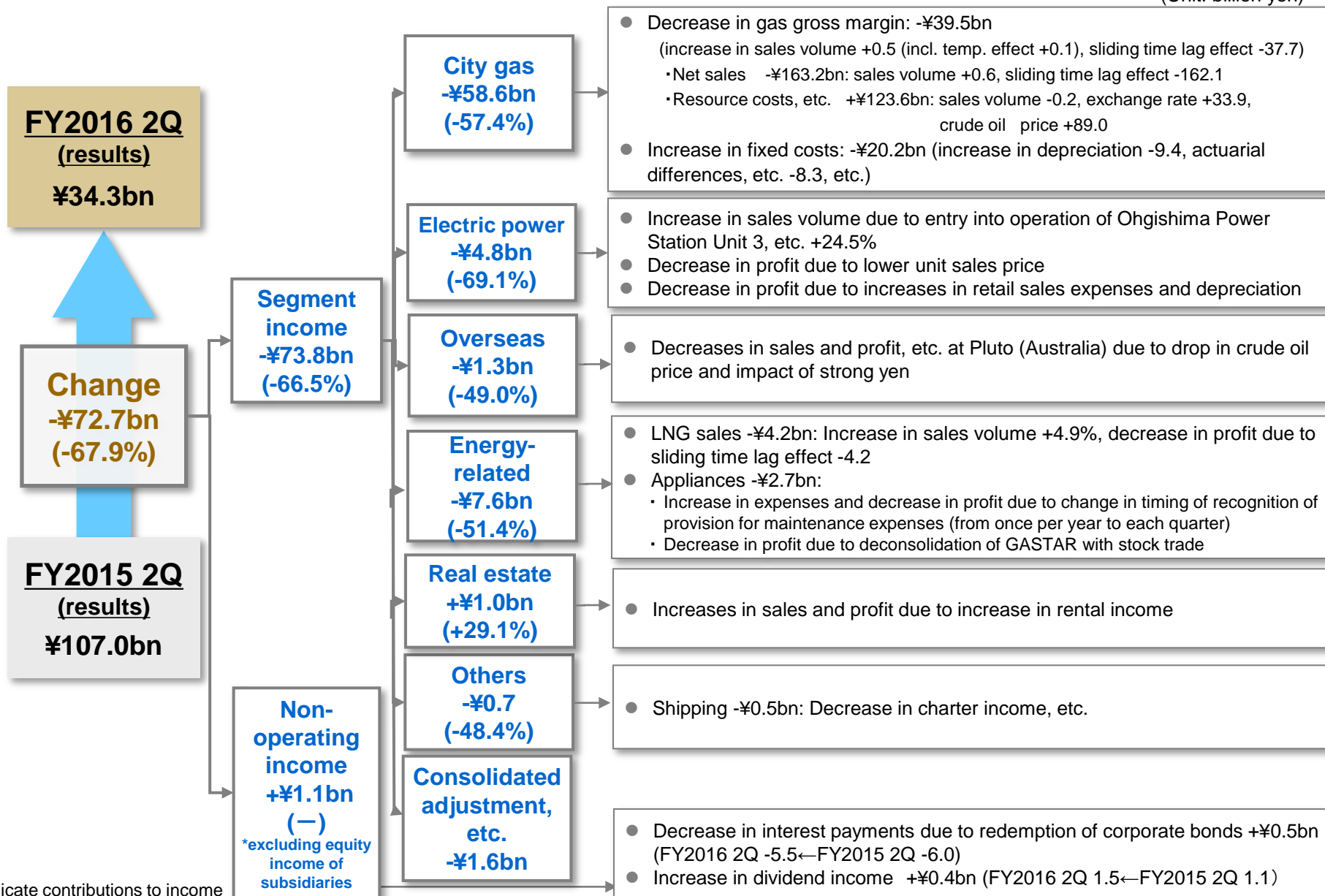
FY2016 2Q Results : Sales and Operating Income/Loss by Business Segments <vs. FY2015 2Q>

(unit : billion yen)

	Net Sales				Segment Income (Operating income + Equity income/loss of subsidiary)			
	FY2016 2Q Results	FY2015 2Q Results	Change	%	FY2016 2Q Results	FY2015 2Q Results	Change	%
City Gas	462.2	624.4	-162.2	-26.0	43.5	102.1	-58.6	-57.4
Electric Power	64.9	61.7	3.2	5.3	2.1	6.9	-4.8	-69.1
Overseas business	13.0	13.8	-0.8	-5.9	1.4	2.7	-1.3	-49.0
Energy-related	205.9	251.3	-45.4	-18.1	7.1	14.7	-7.6	-51.4
(Engineering Solutions)	49.0	62.9	-13.9	-22.0	1.7	2.1	-0.4	-22.0
(LNG sales)	45.8	58.8	-13.0	-22.1	4.5	8.7	-4.2	-47.8
Real estate	20.2	19.2	1.0	4.9	4.3	3.3	1.0	29.1
Others	38.9	35.3	3.6	10.3	0.7	1.4	-0.7	-48.4
Adjustment	-97.5	-104.4	6.9	-	-22.2	-20.6	-1.6	-
Consolidated	707.7	901.4	-193.7	-21.5	37.0	110.8	-73.8	-66.5

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

FY2016 2Q Results: Ordinary Income Analysis <vs. FY2015 2Q>



*+/- indicate contributions to income

2. FY2016 Full Year Forecast

FY2016 Forecast (Apr. 1, 2016 – Mar. 31, 2017) <vs. Previous Forecast (Released July 29)>

Highlights: Sales Up, Profit Up

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

- The economic framework reflects final 1H figures and assumes an exchange rate of ¥105.0 per dollar and a crude oil price of \$45/bbl for the 2H as previously forecast.
- Gas sales volume reflects 2Q increases relative to the previous forecast, and is in line with the previous forecast from the 3Q onward.

Net sales	+5.0	+	City gas	(+5.3: Increase in sale volume in residential and industrial sectors, etc.)
		+	Electric power	(+5.3: Increase in unit sales price, etc.)
		-	Energy-related	(-6.9: Decreases in sales volume and volume of orders in engineering solutions, etc.)
Operating expenses	+3.0	+	Consolidated adjustment	(Decrease due to revision of consolidated adjustment of depreciation, etc. +3.0)
Operating income	+8.0	+	City gas	(+3.6: Increase in sales volume, etc.)
		+	Electric power	(+0.9: Increase in gross margin due to increase in sales and decrease in fuel costs,)

(billion yen)

	Current forecast	Prev. forecast (7/29)	Change	%	FY2015 results	Change	%
Gas sales volume (million m ³ , 45 MJ)	1,563.4	1,555.6	+7.8	+0.5%	1,543.6	+19.8	+1.3%
Electricity sales volume (million kWh)	1,300.7	1,302.6	-1.9	-0.1%	1,095.9	+204.8	+18.7%
Net sales	1,596.0	1,591.0	+5.0	+0.3%	1,884.6	-288.6	-15.3%
Operating expenses	1,540.0	1,543.0	-3.0	-0.2%	1,692.6	-152.6	-9.0%
Operating income	56.0	48.0	+8.0	+16.7%	192.0	-136.0	-70.8%
Segment income (operating income + equity income of subsidiary)	57.9	49.6	+8.3	+16.7%	194.1	-136.2	-70.2%
Ordinary income ⁽¹⁾	48.0	40.0	+8.0	+20.0%	188.8	-140.8	-74.6%
Extraordinary income/loss	7.0	7.0	0.0	0.0%	-33.0	+40.0	—
Profit attributable to owners of parent	41.0	35.0	+6.0	+17.1%	111.9	-70.9	-63.4%

Temperature effect ⁽²⁾	-4.9	-4.9	0	—	-17.3	+12.4	—
Sliding time lag effect (city gas + LNG sales) ⁽³⁾	-6.1	-7.4	+13	—	80.3	-86.4	—
Amortization of actuarial differences ⁽⁴⁾	-24.1	-24.1	0	—	-2.3	-21.8	—
Adjusted ordinary income ⁽¹⁾⁺⁽²⁾⁺⁽³⁾⁺⁽⁴⁾	83.1	76.4	+67	+8.8%	128.1	-45.0	-35.1%

Economic framework	Exchange rate (¥/\$)	Crude oil price (\$/bbl)	Avg. air temp. (°C)
Current forecast	105.13	44.38	16.1
Prev. forecast (7/29)	105.79<-0.66>	44.02 <+0.36>	16.1<0.0>
FY2015 results	120.17(-15.04)	48.73 (-4.35)	16.6(-0.5)

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

Figures in <> brackets indicate increase/decrease from previous forecast. Figures in () parentheses indicate increase/decrease from FY2015 results.

FY2016 Full Year Forecast ; Consolidated Gas Sales Volume

Current Forecast (vs. Previous Forecast)

+78 mil. m³ (+0.5%)

[Including temperature effect +1mil. m³,+0.0%]

Residential	+ 34 mil. m ³ (+1.0%)
● Temperature effect	0 mil. m ³
● Number of days	0 mil. m ³
● Number of customers	0 mil. m ³
● Others	+ 34 mil. m ³

Commercial	- 7 mil. m ³ (-0.3%)
● Temperature effect	+ 1 mil. m ³
● Number of days	0 mil. m ³
● Number of customers	+ 4 mil. m ³
● Others	- 12 mil. m ³

Industrial	+29 mil. m ³ (+0.4%)
● Industrial	+8 mil. m ³
● Power generation	+ 21 mil. m ³

Wholesale	+23 mil. m ³ (+1.1%)
● Temperature effect	0 mil. m ³
● Others	+ 23 mil. m ³
Increase in demand from wholesale suppliers, etc.	

Current forecast (vs FY2015 Results)

+198 mil m³ (+1.3%)

[Including temperature effect +227mil. m³,+1.5%]

Residential	+161 mil. m ³ (+4.8%)
● Temperature effect	+152 mil. m ³
● Number of days	+ 3 mil. m ³
● Number of customers	+ 51 mil. m ³
● Others	- 45 mil. m ³

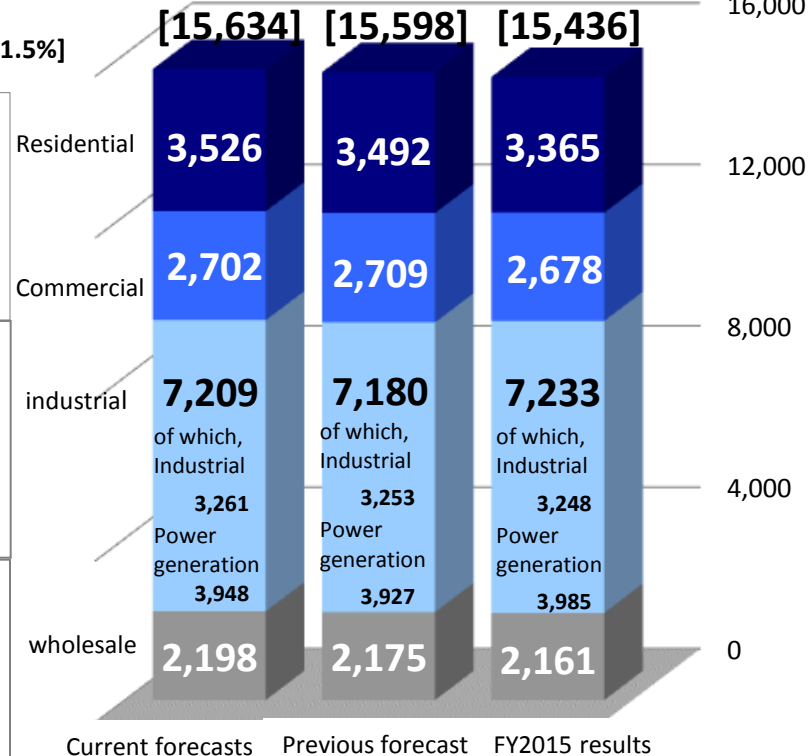
Commercial	+24 mil. m ³ (+0.9%)
● Temperature effect	+ 55 mil. m ³
● Number of days	- 2 mil. m ³
● Number of customers	+27 mil. m ³
● Others	- 56 mil. m ³

Industrial	- 24 mil. m ³ (-0.3%)
● Industrial	+ 13 mil. m ³
● Power generation	- 37 mil. m ³

Wholesale	+37mil. m ³ (+1.7%)
● Temperature effect	+ 20 mil. m ³
● Others	+ 17 mil. m ³
Increase in demand from wholesale suppliers, etc.	

Gas sales Volume :

(Figures are rounded nearest mil m³)



Number of customers (10 thousands)

Current Forecast	Previous Forecast	FY2015 Results
1,153.7	1,153.7	1,139.8
	0.0(0.0%)	+13.9 (+1.2%)

	Current Forecast	Previous Forecast	FY2015 Results
LNG liquefied sales volume (thousands t)	1,054	1,059 (-5)	1,147 (-93)
Average temperature (°C)	16.1	16.1 (0.0)	16.6 (-0.5)

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

<vs FY 2016 Previous Forecast (July.29), FY2015 Results>

● Gas Sales Volume (Vision Basis)

(Unit : mil. m3)

	FY2016 Current Forecasts	FY2016 Previous Forecasts(July.29)	Change	FY2015 Results	Change
Gas Sales Volume (financial accounting basis)	15,634	15,556	+78	15,436	+198
			+0.5%		+1.3%
Gas volume used in-house under tolling agreement	2,062	2,053	+9	1,717	+345
			+0.4%		+20.1%
LNG sales (m3 basis)	1,318	1,324	-6	1,434	- 116
			-0.5%		- 8.1%
Total	19,014	18,933	+81	18,587	+427
			+0.4%		+2.3%

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

<vs. FY2016 Previous Forecast (July 29) >

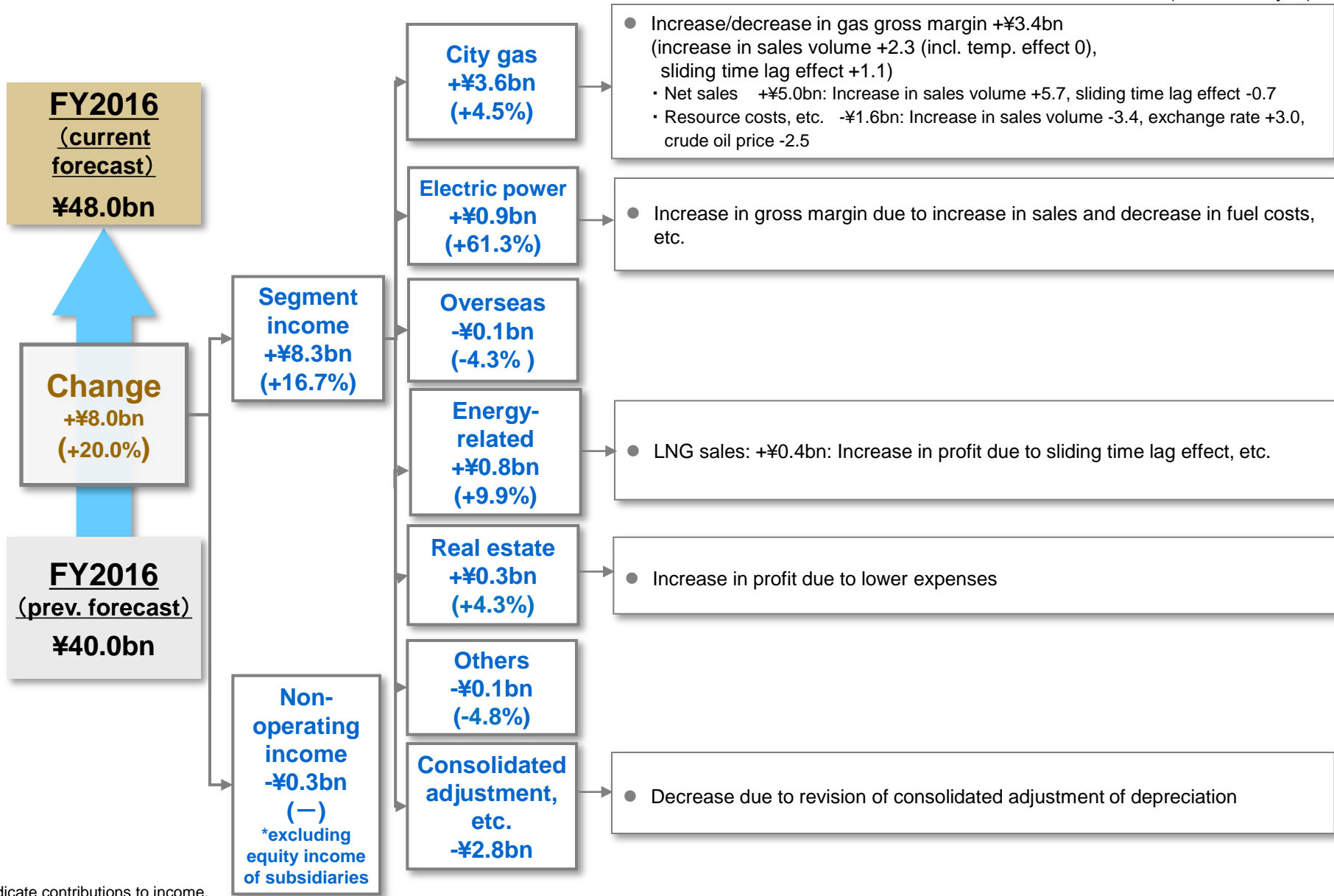


(unit : billion yen)

	Net Sales				Segment Income (Operating income + Equity income/loss of subsidiary)			
	FY2016 Current forecasts	FY2016 Previous forecasts	Change	%	FY2016 Current forecasts	FY2016 Previous forecasts	Change	%
City Gas	1,032.6	1,027.3	5.3	0.5	83.0	79.4	3.6	4.5
Electric Power	144.1	138.8	5.3	3.8	2.4	1.5	0.9	61.3
Overseas business	26.9	27.6	-0.7	-2.5	2.2	2.3	-0.1	-4.3
Energy-related	457.2	464.1	-6.9	-1.5	8.9	8.1	0.8	9.9
(Engineering solutions)	107.4	111.2	-3.8	-3.3	3.7	3.7	0.0	0.0
(LNG sales)	88.4	88.1	0.3	0.3	3.9	3.5	0.4	12.3
Real estate	40.8	41.1	-0.3	-0.7	7.3	7.0	0.3	4.3
Others	88.1	86.4	1.7	2.0	2.0	2.1	-0.1	-4.8
Adjustment	-193.7	-194.3	0.6	—	-48.0	-50.8	2.8	—
Total	1,596.0	1,591.0	5.0	0.3	57.9	49.6	8.3	16.7

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

FY2016 Forecast Ordinary Income Analysis <vs. Previous Forecast (Released July 29)>



*+/- indicate contributions to income.

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

<vs. FY2015 Results>



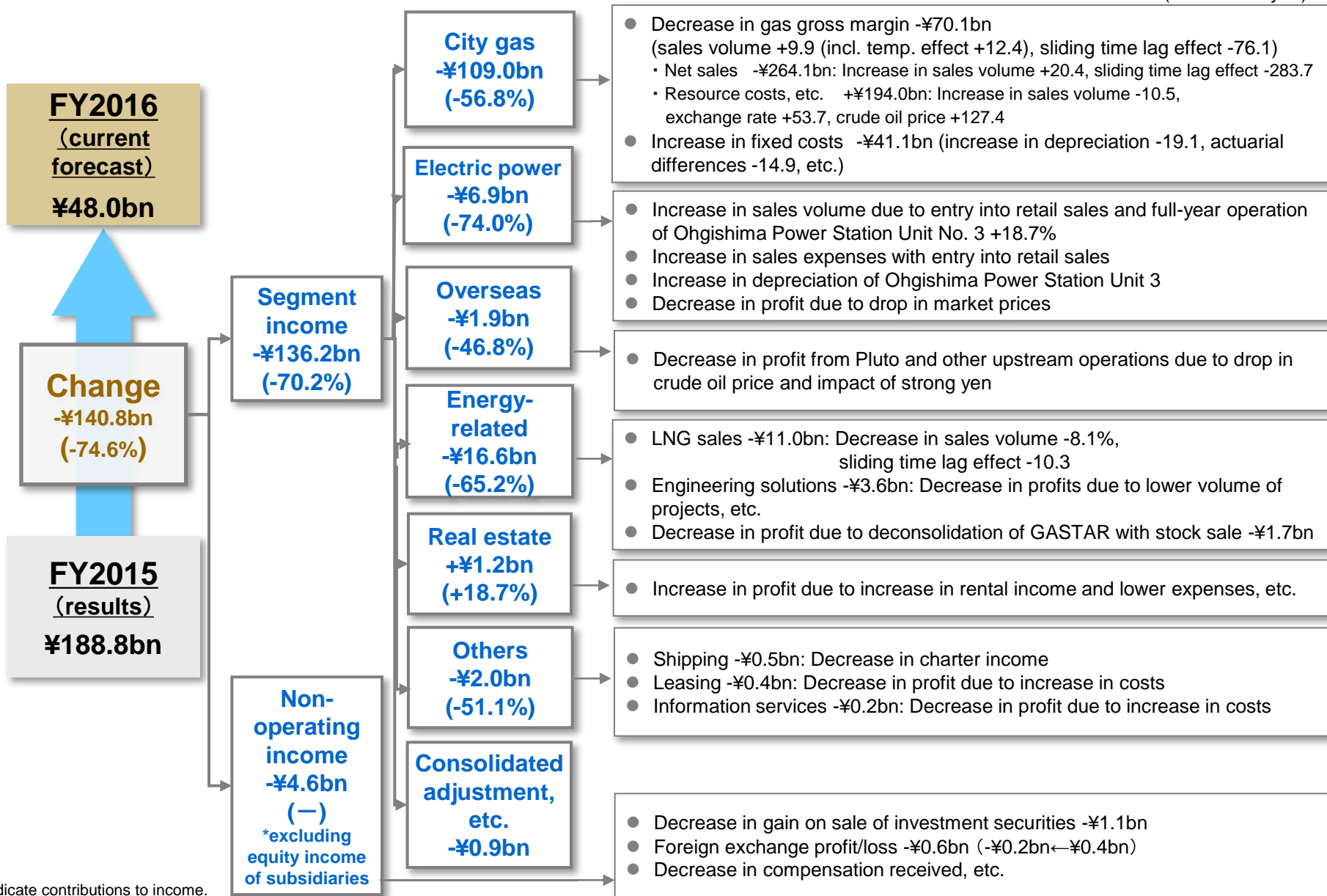
(unit : billion yen)

	Net Sales				Segment Income (Operating income + Equity income/loss of subsidiary)			
	FY2016 Current forecasts	FY2015 Results	Change	%	FY2016 Current forecasts	FY2015 Results	Change	%
City Gas	1,032.6	1,294.6	-262.0	-20.2	83.0	192.0	-109.0	-56.8
Electric Power	144.1	124.8	19.3	15.4	2.4	9.3	-6.9	-74.0
Overseas business	26.9	30.1	-3.2	-10.9	2.2	4.1	-1.9	-46.8
Energy-related	457.2	550.4	-93.2	-16.9	8.9	25.5	-16.6	-65.2
(Engineering solutions)	107.4	137.0	-29.6	-21.6	3.7	7.3	-3.6	-49.3
(LNG sales)	88.4	124.3	-35.9	-28.9	3.9	14.9	-11.0	-73.6
Real estate	40.8	39.3	1.5	3.7	7.3	6.1	1.2	18.7
Others	88.1	80.2	7.9	9.8	2.0	4.0	-2.0	-51.1
Adjustment	-193.7	-235.1	41.4	—	-48.0	-47.1	-0.9	—
Total	1,596.0	1,884.6	-288.6	-15.3	57.9	194.1	-136.2	-70.2

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

FY2016 Forecast: Ordinary Income Analysis

<vs. FY2015 Results>



*+/- indicate contributions to income.

Key Indicators (Consolidated)

(unit: billion yen)

	FY2016 Current Forecasts	FY2015 Results	FY2014 Results
Total assets (a)	2,185.0	2,251.5	2,257.6
Shareholders' equity (b)	1,011.0	1,100.2	1,069.5
Shareholders' equity ratio (b)/(a)	46.3%	48.9%	47.4%
Interest-bearing debt (c)	773.0	715.7	730.7
D/E ratio (c)/(b)	0.76	0.65	0.68
Profit attributable to owners of parents (d)	41.0	111.9	95.8
Depreciation (e)	163.0	145.1	141.8
Operating cash flow (d) + (e)	204.0	257.1	237.6
Capex	240.0	232.0	224.5
ROA: (d) / (a)	1.8%	5.0%	4.3%
ROE: (d) / (b)	3.9%	10.3%	9.2%
TEP	▲16.8	67.6	43.4
WACC	3.4%	3.4%	3.6%
Total payout ratio	Approx. 60%	60.1%	60.8%

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

TEP (Tokyo Gas Economic Profit) : Profit after taxes and before interest payments – Cost of capital (invested capital × WACC)
 Items for WACC calculation (FY2016 forecast)
 • Cost of interest-bearing debt : forecast interest rate (1.12%, after tax)
 • Cost rate for shareholders' equity
 • Risk free rate : 10-year JGB yield (0.44%)
 • Market Risk premium : 5.5% β: 0.75

3. Reference Materials

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

Impact of rising JCC by \$1/bbl

(unit: billion yen)

		Impact on earning		
		3Q	4Q	2nd half
Period	3Q	- 0.1	- 1.1	- 1.2
	4Q	—	- 0.3	- 0.3
	2nd half	- 0.1	- 1.4	- 1.5

Impact of depreciation by ¥1/\$

(unit: billion yen)

		Impact on earning		
		3Q	4Q	2nd half
Period	3Q	- 0.6	0.6	0
	4Q	—	- 0.8	- 0.8
	2nd half	- 0.6	- 0.2	- 0.8



< Cautionary Statement regarding Forward-looking Statements >

Statements made in this presentation with respect to Tokyo Gas's present plans, forecasts, strategies and beliefs, and other statements herein that are not expressions of historical fact are forward-looking statements about the future performance of the Company. As such, they are based on management's assumptions and opinions stemming from currently available information and therefore involve risks and uncertainties.

The Company's actual performance may greatly differ from these projections, due to these risks and uncertainties which include without limitation general economic conditions in Japan, crude oil prices, the weather, changes in the foreign exchange rate of the yen, rapid technological innovations and the Company's responses to the progress of deregulation.

TSE:9531