TSE:9531

FY2017 Financial Results ended Mar. 31, 2018

TOKYO GAS

April 27, 2018

1. FY2017 Consolidated Financial Results ended Mar. 31, 2018

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FY2017 Consolidated Financial Results (Apr. 1, 2017 – Mar. 31, 2018) <vs. FY2016>

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Highlights: Sales Up, Profit Up

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

Net sales +190.3 :
- + City gas (+108.8: Increase in unit price due to resource cost adjustment +107.4, transmission service income +2.6, decrease in sales volume -3.1, etc.)
- + Electric power (+72.9: Increase in electricity sales volume, etc.)

Operating expenses -132.3 :
- − City gas (-68.7: Increase in unit price arising from economic framework assumptions -107.7, decrease in sales volume +6.9, decrease in fixed costs due to actuarial differences, etc.)
- − Electric power (-67.7: Increase in expences due to increase in electricity sales volume, etc.)

Operating profit +58.0 :
- + City gas (+40.1: Change in sales volume +3.9, transmission service income +2.6, change in unit price -0.3, decrease in fixed costs due to actuarial differences, etc.)
- + Electric power (+5.2: Increase in electricity retail sales volume, increase in gross margin due to increase in retail gross margin ratio, etc.)
- + Overseas (+4.4: Increase in profit from upstream and mid/downstream projects, etc.)

Extraordinary profit/loss -10.1 :
- − FY2017 +3.2: Gain on sale of non-current assets +3.4, gain on sale of investment securities +3.0, impairment loss -3.2
- FY2016 +13.3: Gain on sale of non-current assets +6.6, gain on sale of investment securities +9.1, impairment loss -2.4

(billion yen)

		FY2017	FY2016	Change	%
Gas sales volume (million m3, 45MJ)		15,568	15,720	-152	-1.0%
Electricity sales volume (million kWh)		14,656	12,654	+2,002	+15.8%
(Breakdown)	Retail sales (million kWh, receiving end)	456.9	225.4	+231.5	+102.7%
	Wholesale etc. (million kWh)	1,008.7	1,040.0	-31.3	-3.0%
Net sales		1,777.3	1,587.0	+190.3	+12.0%
Operating expenses		1,661.0	1,528.7	+132.3	+8.7%
Operating profit		116.3	58.3	+58.0	+99.3%
Segment profit (operating profit + equity income of subsidiaries)		118.7	61.9	+56.8	+91.8%
Ordinary profit(1)		111.5	55.6	+55.9	+100.3%
Extraordinary profit/loss		3.2	13.3	-10.1	—
Profit attributable to owners of parent		74.9	53.1	+21.8	+41.1%
(Adjustment items)	*Temperature effect(2)*	4.0	-7.4	+11.4	—
	Sliding time lag effect (city gas, LNG sales)(3)	-23.0 (-20.3 + -2.7)	-19.9 (-20.0 + 0.1)	-3.1 (-0.3 + -2.8)	—
	Amortization of actuarial differences(4)	7.7	-24.0	+31.7	—
Adjusted ordinary income(1)-((2)+(3)+(4))		122.8	106.9	+15.9	+14.9%

Economic framework	Exchange rate (¥/$)	Crude oil price ($/bbl)	Avg. air temp. (℃)
FY2017	110.85(+2.47)	57.03(+9.50)	15.7(-0.6)
FY2016	108.38	47.53	16.3

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

Pension assets	Investment yield (costs deducted)	Discount rate: Annuity portion	Discount rate: Lump-sum portion	Year-end assets (billion yen)
FY2017	1.03%	0.293%	0.046%	271.0
FY2016	1.57%	0.389%	0.055%	277.0
FY2015	2.92%	0.236%	0.000%	281.0

Expected annual rate of return: 2%

2

In FY2017, sales and profits increased year-on-year.

Consolidate net sales totaled ¥1,777.3 billion, an increase of ¥190.3 billion year-on-year. Although city gas sales declined in volume due to a decrease in wholesale supply to other gas operators, city gas sales rose in value, owing mainly to a rise in gas unit price reflecting resource cost adjustments and retail electricity sales volume also increased.

Operating expenses came to ¥1,661.0 billion, a increase of ¥132.3 billion year-on-year. Although there was a decline in the amortization of actuarial differences, there was a rise in city gas resource costs due to the impact from a rise in crude oil prices and in electricity sales cost in tandem with an increase in retail electricity sales.

Owing to the addition of an equity income of subsidiaries, segment profit totaled ¥118.7 billion, an increase of ¥56.8 billion year-on-year, and ordinary profit came to ¥111.5 billion, a growth of ¥55.9 billion.

In FY2016, we posted an extraordinary profit of ¥13.3 billion. In the fiscal year under review, we recorded an extraordinary profit of ¥3.2 billion. This reflects a ¥3.4 billion gain on the sale of non-current assets and a ¥3.0 billion gain on the sale of investment securities. We also booked an impairment loss of ¥3.2 billion under extraordinary loss.
The impairment loss was posted for facilities in the domestic business to reflect expectations that profitability will undershoot book value going forward.

Accordingly, profit attributable to owners of parent totaled ¥74.9 billion, a increase of ¥21.8 billion year-on-year.

FY2017 Consolidated Gas Volume / Number of customers <vs. FY2016>

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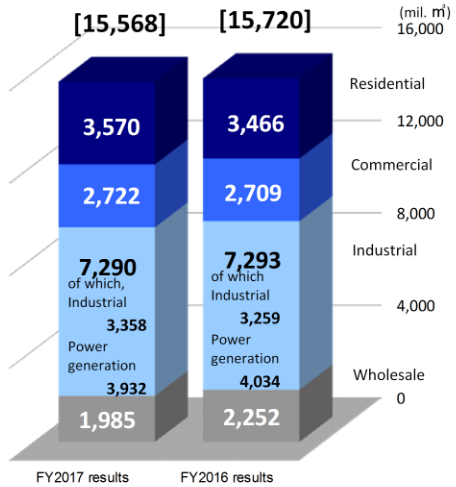
City Gas sales volume :

−152mil.m³ (-1.0%)
[including temperature effect +188mil.m³, +1.2%]

■ Residential	**+104mil.m³(+3.0%)**
●Temperature effect	+133 mil.m³
●Number of days	-23 mil.m³
●Number of customers	+23 mil.m³
●Others	-29 mil.m³
■ Commercial	**+13mil.m³(+0.5%)**
●Temperature effect	+44 mil.m³
●Number of days	-10 mil.m³
●Number of customers	−4 mil.m³
●Others	-17 mil.m³
■ Industrial	**-3mil.m³ (-0.0%)**
●Industrial	+99 mil.m³
●Power generation	-102mil.m³
■ Wholesale	**-267mil.m³ (-11.8%)**
●Temperature effect	+11mil.m³
●Others	-278mil.m³

Decrease in the number of wholesale customers, etc.



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

	FY2017 Results	FY2016 Results	Change
Number of customers(meters) (10 thousands, meter)	1,167.8	1,153.6	+14.2 (+1.2%)
LNG sales volume (thousands t)	1,050	1,070	+80 (+7.5%)
Average temperature (℃)	15.7	16.3	▲0.6

*Each value is rounded.

3

This slide explain our performance gas sales volume, which is the basis for our results.

Total gas sales volume was 15,568 million m3, a decrease of 152 million m3, year-on-year.

Residential demand was 3,570 million m3, a increase of 3.0%, reflecting an increase in demand for hot water supply due to a cold winter.

Commercial demand was 2,722 million m3, an increase of 0.5%, owing to an increase in air-conditioning demand due to hot temperatures during the summer months.

Industrial demand was 7, 290 million m3, on a par with the previous fiscal year.

Wholesale supply to other gas operators was 1,985 million m3, a decrease of 11.8% year-on-year, due to a decline in customer demand.

FY2017 Consolidated Electricity Sales Volume / Number of customers <vs. FY2016>

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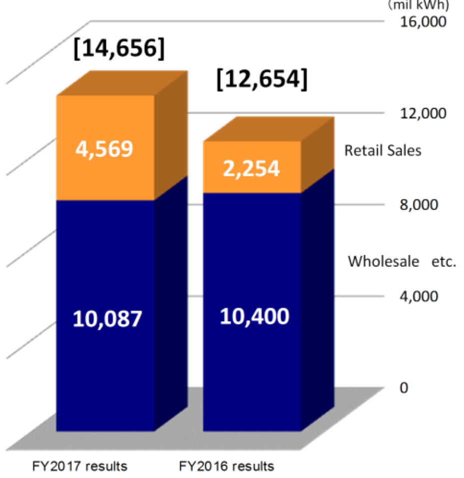
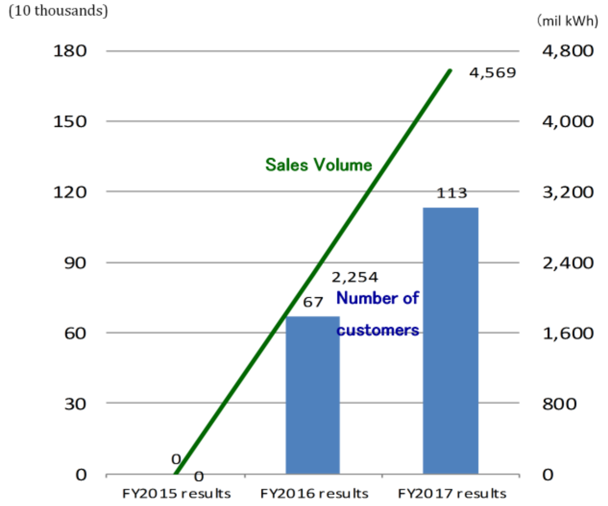
Electricity sales volume:

+2,002mil. kWh (+ 15.8%)

[Retailing +2,315mil.kWh, Wholesale etc. -313mi, kWh]



Retail sales Results:



Number of customers

	FY2017 Results	FY2017 3Q Results	FY2017 2Q Results	FY2017 1Q Results	FY2016 Results	Change (FY2017-FY2016)
Number of customers (Supply basis) (10 thousands)	113.0	102.3	89.9	77.6	66.7	+46.3(+69.4%)

4

Total electricity sales volume was 14,656 million kWh, a increase of 202 million kwh versus a year earlier.

Retails electricity sales volume totaled 4,569 million kWh, a increase of 102.7% year-on-year while wholesale sales volume came to 10,087 million kWh, a decrease of 3.0%.

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

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

	FY2017 Results	FY2016 Results	Change
Gas sales volume (financial accounting basis)	15,568	15,720	-152 -1.0%
Gas volume used in-house under tolling arrangement	2,047	1,996	+51 +2.6%
LNG sales volume (m³ basis)	1,437	1,337	+100 +7.5%
Total	19,052	19,053	-1 -0.0%

5

This slide explains actual gas sales volumes on a 2020 Vision basis.

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

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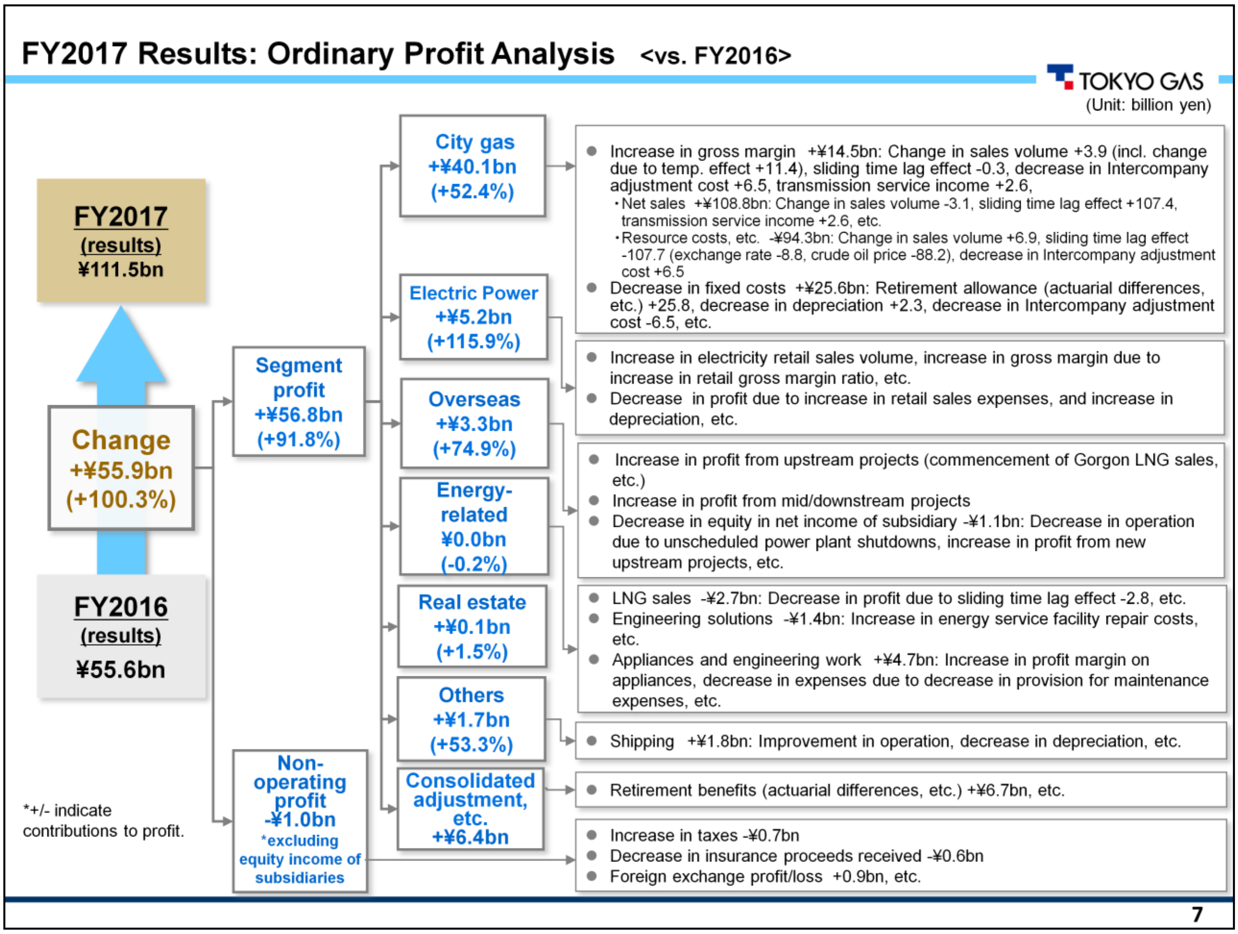
(unit : billion yen)

	Net Sales				Segment Profit (Operating profit ＋ Equity income/loss of subsidiary)			
	FY2017 Results	FY2016 Results	Change	%	FY2017 Results	FY2016 Results	Change	%
City Gas	1,148.8	1,040.0	108.8	10.5	116.6	76.5	40.1	52.4
Electric Power	218.6	145.7	72.9	50.0	9.6	4.4	5.2	115.9
Overseas business	41.5	31.9	9.6	30.1	7.7	4.4	3.3	74.9
(equity income of subsidiaries)	—	—	—	—	2.4	3.5	-1.1	-30.3
Energy-related	480.8	459.5	21.3	4.6	13.7	13.7	0.0	-0.2
(Engineering Solutions)	118.1	111.6	6.5	5.8	3.5	4.9	-1.4	-27.6
(LNG sales)	108.8	91.2	17.6	19.3	0.6	3.3	-2.7	-80.3
Real estate	42.3	41.4	0.9	2.2	7.9	7.8	0.1	1.5
Others	92.7	89.0	3.7	4.1	4.9	3.2	1.7	53.3
Adjustment	-247.6	-220.7	-26.9	—	-41.8	-48.2	6.4	—
Consolidated	1,777.3	1,587.0	190.3	12.0	118.7	61.9	56.8	91.8
(equity income of subsidiaries)	—	—	—	—	2.4	3.5	-1.1	-30.4

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.

This slide explains our FY2017 segment net sales and segment profits in comparison with the previous fiscal year.

The ¥40.1 billion increase in profit in the city gas segment shored up overall profit performance.



This slide explains the change in profit in each segment and performance versus the previous fiscal year.

In the city gas segment, profit rose ¥40.1 billion year-on-year owing to a increase in gross profit, mainly reflecting a increase in sales volume owing to temperature effect, and a decrease in fixed costs, including a decrease in amortization of actuarial differences and depreciation.

In the electricity segment, profit grew ¥5.2 billion owing to an increase in sales volume in tandem with a growth in the number of retail customers.

FY2017 Uses of Cash Flow（Capex , Investment and financing）

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Capital expenditure

(Unit: billion yen)

Capex	Main items	Ref:FY2016 results
Tokyo Gas: 165.4 (+12.2, +8.0%)	Production facilities : 16.9 (-5.5) Hitachi LNG terminal expansion, etc. Distribution facilities : 90.7 (-3.6) Koga-Moka Line installation, New demand development, etc. Service and maintenance facilities: 57.6 (+21.3) Real estate-related, System-related investment, etc.	Tokyo Gas: 153.2
Total of Consolidated Subsidiaries: 46.3 (-7.7, -14.2%)	・Tokyo Gas Engineering solutions 22.0(+6.9) ・Overseas 7.1 (-6.9) ・Real estate related 3.6(-1.9)	Total of Consolidated Subsidiaries: 54.0
Total 208.7 (+5.4,+2.6%, after eliminations in consolidation)		Total: 203.3 (after elimination in consolidation)

※ Numbers in parentheses refer to comparisons with FY2016 results

Investment and financing

47.1（Investment and financing52.6, collection -5.5, vs FY2016 results+33.3）

This slide explains the use of cash flows and performance versus the previous fiscal year.

Returns to Shareholders

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■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 percentage of consolidated net income) of approx.60% each year until FY2020

■As per this policy, returns to shareholders in FY2018 will maintain as shown below.

- Will maintain annual dividend ¥55 per share (Total dividend for FY2018:25.1 billion yen)
- Will repurchase treasury stock shares for liquidation up to the cap of 8million shares(1.7%) for ¥20.0 billion.

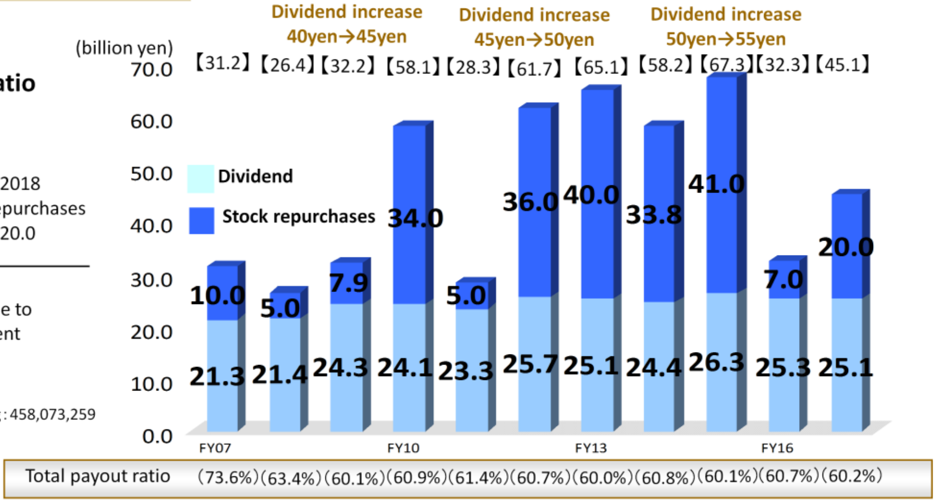
Maintaining 60% total payout ratio

Total payout ratio 60.2%

$$= \frac{\text{FY2017 Dividend } 25.1 + \text{FY2018 Stock repurchases } 20.0}{\text{FY2017 Profit attributable to owners of parent } 74.9}$$

※Total number of shares outstanding：458,073,259 (as of March 31, 2018）

Change in total payout amount and dividend



- As of October 1, 2017, the Company changed unit stock number from 1,000 shares to 100 shares, and carried out a share consolidation at a ratio of 5 common shares to 1.
- Dividend：Converted and displayed after a share consolidation

This slide explains our returns to shareholders for FY 2017.

We plan to pay a year-end dividend of ¥27.5 per share. This will mean our annual dividend will be ¥55 per share.

In FY2018, we plan a stock repurchases. A maximum of ¥20.0 billion or 8 million shares are set to be repurchased. Along with dividend payouts, we have positioned the stock repurchases, with the intent to retire shares, as part of our shareholder return policy. It is our goal to maintain a total payout ratio of around 60% in each fiscal year. In FY2018, we plan a total payout ration of 60.2%, which factors in plans for both dividend payouts and share repurchases.

2. FY2018 Full Year Forecast

FY2018 Consolidated Forecast (Apr. 1, 2018 – Mar. 31, 2019) <vs. FY2017 Results>

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Highlights: Sales Up, Profit Up

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

Net sales +176.7: + Gas (+95.5: Increase in unit price due to resource cost adjustment, etc.)
+ Electric power (+49.7: Increase in sales volume due to increase in retail customers, etc.)
+ Energy-related (+22.7: Engineering solutions +20.3, appliances and engineering work +8.3, etc.)

Operating expenses -200.0: − Gas (-111.7: Increase in unit price arising from economic framework assumptions, increase in actuarial differences and depreciation, etc.)
− Electric power (-47.1: Increase in sales volume due to increase in retail customers, etc.)

Operating profit -23.3: − Gas (-16.2: Increase in actuarial differences and depreciation, etc.)
− Energy-related (-6.0: Appliances and engineering work -3.8, engineering solutions -0.8, etc.)

Extraordinary profit/loss +25.9: + FY2018 29.1: Gain on sale of non-current assets +29.1
FY2017 3.2: Gain on sale of non-current assets +3.4, gain on sale of investment securities +3.0, impairment loss -3.2

(billion yen)

		FY2018 forecast	FY2017 results	Change	%
Gas sales volume (million m3, 45 MJ)		15,542	15,568	-26	-0.2%
Electricity sales volume (million kWh)		15,128	14,656	+472	+3.2%
Net sales		1,954.0	1,777.3	+176.7	+9.9%
Operating expenses		1,861.0	1,661.0	+200.0	+12.0%
Operating profit		93.0	116.3	-23.3	-20.0%
Segment profit (operating profit + equity income/loss of subsidiary)		97.2	118.7	-21.5	-18.2%
Ordinary profit(1)		93.0	111.5	18.5	-16.6%
Extraordinary income/loss		29.1	3.2	+25.9	—
Profit attributable to owners of parent		88.0	74.9	+13.1	+17.4%
(Adjustment items)	*Temperature effect(2)*	*0.0*	*3.9*	*-3.9*	—
	Sliding time lag effect (city gas, LNG sales)(3)	*-11.3 (-10.9 + -0.4)*	*-23.0 (-20.3 + -2.7)*	*11.7 (9.4 + 2.3)*	—
	Amortization of actuarial differences(4)	*-4.6*	*7.7*	*-12.3*	—
Adjusted ordinary profit(1)-((2)+(3)+(4))		*109.0*	*122.9*	*-13.9*	*-11.3%*

Economic framework	Exchange rate (¥/$)	Crude oil price ($/bbl)	Avg. air temp. (°C)
FY2018 forecast	110.00(-0.85)	65.00(+7.97)	15.9(+0.2)
FY2017 results	110.85	57.03	15.7

Figures in parentheses () indicate change from previous year's results.

Pension assets	Investment yield (costs deducted)	Discount rate: Annuity portion	Discount rate: Lump-sum portion	Year-end assets (billion yen)
FY2017	1.03%	0.293%	0.046%	271.0
FY2016	1.57%	0.389%	0.055%	277.0
FY2015	2.92%	0.236%	0.000%	281.0

11

This is our forecast for FY2018. I would like to explain our plans in comparison with performance in the previous fiscal year.

In FY2018, we estimate net sales and profit attributable to owners of the parent to increase year-on-year. Note that the forecast is based on a foreign exchange rate assumption of ¥110/USD and an assumption of USD65 a barrel for crude oil.

We forecast net sales of ¥1,954.0 billion, an increase of ¥176.7 billion. This mainly reflects an increase in gas segment sales of ¥95.5 billion owing to a rise in unit price due to resource cost adjustments and an increase in electricity sales of ¥49.7 billion in tandem with a growth in retail electricity sales volume.

We estimate operating expenses of ¥1,861.0 billion, a increase of ¥200.0 billion. This chiefly reflects a increase in operating expenses in the gas segment of ¥111.7 billion primarily due to an increase in gas resource gas, mainly triggered by a rise in crude oil prices, and a rise in fixed costs, including amortization of actuarial differences and depreciation. We also estimate increase is operating expenses of ¥47.1 billion due to an increase in electricity sales volume.

Consequently, we forecast segment profit, including equity income/loss of subsidiary, of ¥97.2 billion, a decrease of ¥21.5 billion year-on-year and ordinary profit of ¥93.0 billion, a decrease of ¥18.5 billion.

We look for profit attribution to owners of the parent to total ¥88.0 billion, a increase of ¥13.1 billion, which includes a ¥29.1 billion gain on the sale of non-current assets.

Note that, based on this, we estimate adjusted ordinary profit will be ¥109.0 billion reflecting ¥11.3 billion in slide time lag effect due to fluctuations in resource costs and ¥4.6 billion in actuarial differences.

FY2018 Full Year Forecast <vs. FY2017 Result>

Consolidated Gas Sales Volume and Number of customers / Electricity Sales Volume and Number of customers

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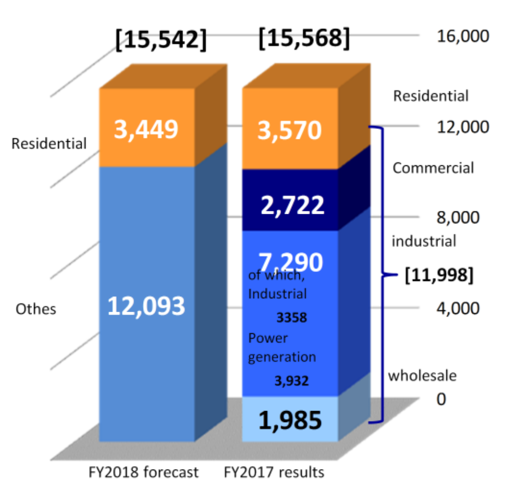
City Gas Sales Volume

-26 mil m³ (-0.2%)

[Including temperature effect -64mil. m³,-0.4%]

(Figures are rounded nearest mil m³)



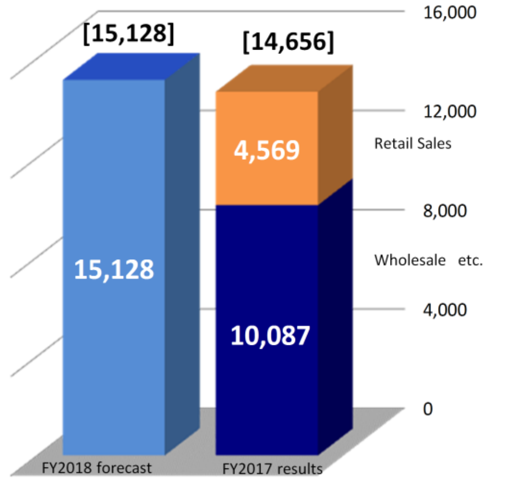
- **Residential** -121 mil. m³(3,449←3,570 (-3.4%))
- Others +95 mil. m³(12,093←11,998) (+0.8%)

*Each value is rounded.

Electricity Sales Volume

+472 mil kWh (+3.2%)

(Figures are rounded nearest mil kWh)



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

	FY2018 Forecast	FY2017 Results	Change
Gas: Number of customers(meters) (10 thousands, meter)	1,181.2	1,167.8	+13.4 (+1.1%)
Electricity: Number of customers (Supply basis) (10 thousands)	158.0	113.0	+45.0 (+39.8%)
LNG sales volume (thousands t)	1,075	1,150	-75(-6.5%)
Average temperature(℃)	15.9	15.7	+0.2

12

This slide explains our outlook for gas sales volume.

In FY2018, we forecast gas sales volume of 15,542 million m3, a decrease of 0.2%, decrease year-on-year. This mainly reflects a decrease in residential and commercial demand, owing to correcting average temperature into temperature of normal year.

We estimate electricity sales volume of 15,128 million kWh, a rise of 3.2% year-on-year, owing to an increase in retail sales transactions.

The growth in sales volume is a mere 472 million kWh which I would like to explain. We anticipate a rise in retail electricity sales volume but much of the needed electrical power source is diverted from our wholesale portion. This curbs the overall growth.

In addition, as I will explain later on, overall growth is also capped by a decrease in wholesale sales volume due to our expectations of a decrease in our electrical power generating capacity.

FY2018 Full Year Forecast ; Gas Sales Volume (Vision Basis) <vs FY 2017 Results>

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●Gas Sales Volume (Vision Basis)

(Unit : mil. m^3)

	FY2018 Forecasts	FY2017 Results	Change
Gas Sales Volume (financial accounting basis)	15,542	15,568	-26
			-0.2%
Gas volume used in-house under tolling agreement	1,923	2,047	-124
			-6.1%
LNG sales (m3 basis)	1,344	1,437	-93
			-6.5%
Total	18,809	19,052	-243
			-1.3%

13

This slide explains our gas sale volume forecast on a 2020 Vision basis.

I would like to briefly explain the gas volume used in-house under a tolling agreement, which is the second row from the top.

This reflects the volume of gas used to generate electricity. As you can see, we expect this to decline 6.1%. This is due to modifications currently being made to our electric power station to improve efficiency. It is also related in part to construction of a higher voltage power system for the distribution of electricity. In accordance with the rules, we need to curb our operations. This is the reason for the decrease in the power generation volume.

FY2018 Full Year Forecast : Sales and Profit/Loss by Business Segments <vs. FY2017 Results>

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Main points of modification about segment information

- ”City Gas” replaced “gas”. ”Liquefied petroleum gas” ,“Industrial gas“ and "LNG sales" were reorganized as “Gas"
- “Credit" were reorganized as “Energy-related"

(unit : billion yen)

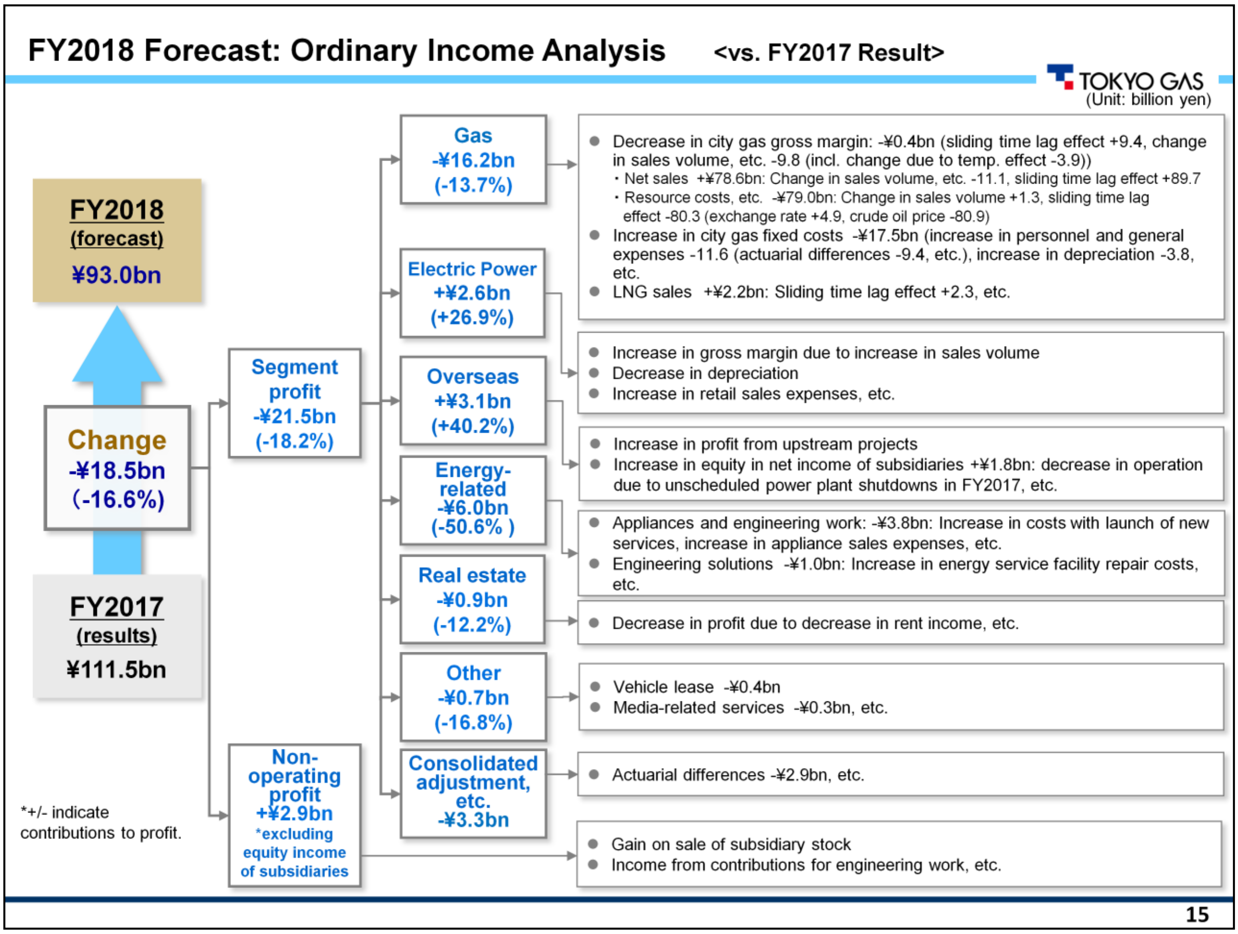
	Net Sales					Segment Profit (Operating profit + Equity income/loss of subsidiary)				
	Current Forecast	Previous Forecast: Estimate	Previous Forecast: Before Conversuin	Change	%	Current Forecast	Previous Forecast: Estimate	Previous Forecast: Before Conversion	Change	%
Gas	1,400.3	1,304.8	1,148.8	95.5	7.3	102.8	119.0	116.6	-16.2	-13.7
(LNG sales)	187.9	108.8	108.8	79.1	72.8	2.8	0.6	0.6	2.2	336.7
Electric Power	268.3	218.6	218.6	49.7	22.7	12.2	9.6	9.6	2.6	26.9
Overseas business	46.0	41.5	41.5	4.5	10.7	10.8	7.7	7.7	3.1	40.2
(equity income of subsidiaries)	—	—	—	—	—	4.2	2.4	2.4	1.8	69.4
Energy-related	356.3	333.6	480.8	22.7	6.8	5.9	11.9	13.7	-6.0	-50.6
(Engineering solutions)	138.4	118.1	118.1	20.3	17.1	2.7	3.5	3.5	-0.8	-24.0
Real estate	42.6	42.3	42.3	0.3	0.6	7.0	7.9	7.9	-0.9	-12.2
Others	101.1	85.0	92.7	16.1	18.9	3.6	4.3	4.9	-0.7	-16.8
Adjustment	-260.6	-248.7	-247.6	-11.9	—	-45.1	-41.8	-41.8	-3.3	—
Total	1,954.0	1,777.3	1,777.3	176.7	9.9	97.2	118.7	118.7	-21.5	-18.2
(equity income of subsidiaries)	—	—	—	—	—	4.2	2.4	2.4	1.8	68.5

Notes:
- Net sales by business segments include internal transactions.
- “Gas” includes businesses in city gas, liquefied petroleum gas, industrial gas, LNG sales. “Energy-related” includes businesses in engineering solutions, gas appliances sales, gas pipe installation, construction and credit, etc. “Others” includes businesses in shipping, information processing service and leasing, etc.
- The “Adjustment” to operating profit is primarily companywide expenses not allocated to individual segments.
- The new segment results for FY2017 are estimates .

This slide explains our FY2018 segment net sales and segment profit forecasts and changes versus the previous fiscal year.

From FY2018, we are changing a portion of our segments. The key changes are discussed in the materials. We will replace “City gas” to “Gas”, and we recognize “LPG”, “Industrial gas”, and “LNG sales”, as “Gas” which were previously included in the “Energy-related”.

In addition segment performance for FY2017, we also included estimated results based on the new segments for comparison purposes.



In the gas segment, the ¥16.2 billion decrease is mainly due to a increase in fixed cost triggered by amortization of actuarial differences and an increase in depreciation.

In the electricity segment, the ¥2.6 billion increase in segment profit primarily reflects increase in sales volume due to an increase in the number of retail customers.

In the overseas segment, the ¥3.1 billion increase in segment profit chiefly reflects profit growth in the upstream business and a rise in gains from equity income of subsidiary, which declined in the previous fiscal year.

In the energy-related segment, the ¥6.0 billion decrease in segment profit is mainly due to an increase in expense in the appliance and engineering work, and an increase in repair costs in engineering solutions.

FY2018 Uses of Cash Flow（Capex , Investment and financing）

TOKYO GAS

Capital expenditure

(Unit: billion yen)

Capex	Main items	Ref:FY2017 results
Tokyo Gas : 199.0 (+33.6, +20.3%)	Production facilities : 21.9 (-5.0) Hitachi LNG terminal expansion, etc.	Tokyo Gas : 165.4
	Distribution facilities : 102.5 (+11.8) Ibaraki Line installation, New demand development, etc.	
	Service and maintenance facilities : 74.4 (+16.8) System-related investment, Real estate-related etc.	
Total of Consolidated Subsidiaries : 68.5 (+22.2, +48.0%)	･Real estate related 12.1（+8.5） ･Oversea 8.9（+1.8）	Total of Consolidated Subsidiaries : 46.3
Total : 262.0 (+53.3,+25.5%, after eliminations in consolidation)		Total : 208.7 (after eliminations in consolidation)

※ Numbers in parentheses refer to comparisons with FY2017 results

Investment and financing

73.4（Investment and financing 81.7, collection -8.2, vs. FY2017 results +26.4）

This slide explains the planned use for cash flows in FY2018.

Key Indicators (Consolidated)

TOKYO GAS

(unit: billion yen)

	FY2018 Forecast	FY2017 Results	FY2016 Results
Total assets (a)	2,466.0	2,334.7	2,230.2
Shareholders' equity (b)	1,171.0	1,136.0	1,101.4
Shareholders' equity ratio (b)/(a)	47.5%	48.7%	49.4%
Interest-bearing debt (c)	832.0	724.9	713.5
D/E ratio (c)/(b)	0.71	0.64	0.65
Profit attributable to owners of parents (d)	88.0	74.9	53.1
Depreciation (e)	167.0	165.3	164.3
Operating cash flow (d) + (e)	255.0	240.3	217.4
Capex	262.0	208.7	203.3
ROA: (d) / (a)	3.7%	3.3%	2.4%
ROE: (d) / (b)	7.6%	6.7%	4.8%
TEP	11.4	24.4	-6.2
WACC	3.1%	3.1%	3.0%
Total payout ratio	Approx. 60%	60.2%	60.7%

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 (FY2018 forecast)
- Cost of interest-beating debt : forecast interest rate (1.04%, after tax)
- Cost rate for shareholders' equity
  - Risk free rate : 10-year JGB yield 0.05%
  - Market Risk premium : 5.5% β: 0.75

This slide explains our key indicators on a consolidated basis.

3. Reference Materials

TOKYO GAS

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

TOKYO GAS

Impact of rising JCC by $1/bbl

(Unit: billion yen)

		Impact on earnings				
		1Q	2Q	3Q	4Q	Full year
Period	1Q	-0.2	-0.5	+0.6	+0.4	+0.3
	2Q	—	-0.2	-0.6	+0.8	0.0
	3Q	—	—	-0.2	-0.8	-1.0
	4Q	—	—	—	-0.3	-0.3
	Full year	-0.2	-0.7	-0.2	0.1	-1.0

Impact of depreciation by ¥1/$

(Unit: billion yen)

		Impact on earnings				
		1Q	2Q	3Q	4Q	Full year
Period	1Q	-0.7	+0.5	+0.1	0.0	-0.1
	2Q	—	-0.6	+0.6	+0.2	+0.2
	3Q	—	—	-0.8	+0.8	0.0
	4Q	—	—	—	-1.0	-1.0
	Full year	-0.7	-0.1	-0.1	0.0	-0.9

This slide explains gross margin sensitivity reflecting fluctuations in economic framework.

Key Topics in FY2017-18（Domestic）(Excerpted from Press Releases up to 27th Apr.)

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) ・<u>Strategic alliance in Real Estate business between Kansai Electric Power Group and Tokyo Gas Group（Mar. 15）</u>
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) ・Receipt of IT Special Award (Disaster Recovery System "TG-DRESS" (Nov. 20) ・Total number of ENE-FARM residential fuel cells sold hits 90,000（Nov. 29） ・11 companies sign agreement to form a new company in spring 2018 for full-scale development of a hydrogen charging station network in Japan (Dec. 12) ・Enhancement of our total energy service plan, "Always Plan"（Dec. 22） ・<u>Launch of "Tokyo Gas Web Shop" e-commerce site: gas appliances and related parts go on sale online (Feb. 19)</u> ・<u>Announcement for launching Tokyo Gas Pipe Network Co., Ltd.（Feb. 23）</u> ・<u>Tokyo Gas signs basic agreement on Olympic Athlete Village District Energy Project (Feb. 28)</u> ・<u>Japan H2 Mobility, LLC established by eleven companies to accelerate deployment of hydrogen stations in Japan（Mar. 5）</u>
Liquid gas	・Launch of pilot IoT project utilizing a low power wide area (LPWA) network to streamline LPG distribution (Jun. 5)☆ ・<u>Basic agreement signed to explore partnership on LPG refueling and distribution, etc. (Feb. 28)☆</u>
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)

Dates of press releases are shown in parentheses. ☆Press releases issued by Tokyo Gas Liquid Holdings. Press releases issued after the 2Q results were announced (Oct.27) are underlined.

These slides explain the main press releases we issued in FY2017 up to the date we disclosed our earnings results.

Key Topics in FY2017-18（Domestic / Overseas）(Excerpted from Press Releases up to 27th Apr.)

TOKYO GAS

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)* ・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) ・<u>Niihama LNG Co., Ltd. established (Apr. 2)*</u>
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) ・<u>Acquisition of interests in trust of Shiba Park Building（Mar.15）★</u>
Digital Innovations	・<u>Announcement for the investment in Digital Grid Corporation（Mar. 29）</u>
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) ・<u>Elected a Nadeshiko Brand for second year running (Mar. 22)</u>

Overseas

City gas	・Execution of the Letter of Intent on the new LNG Project in Alaska –to commence the dialogue regarding the purchase of LNG and other businesses-（Dec. 5） ・<u>Cove Point LNG Project in U.S. Starts commercial operation 3 firms have visited the LNG Plant in Lusby maryland（Apr.16）</u>
Overseas	【North America】 ・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) 【Southeast Asia】 ・Opening of Manila Office (Apr. 21) ・Investment and Strategic Alliance in Vietnam Natural Gas Distribution Business(Jul. 31) ・Joint investment in gas distribution company in Indonesia(Oct. 17) ・Tokyo Gas Submits Letter of Intent to Department of Energy, the Philippines（Oct. 31） ・<u>Investment in gas distribution company in Thailand（Feb. 1）</u>
Engineering services	・Business of consulting for construction of LNG receiving terminal in Bangladesh (Jul. 27)＊ ・Receipt of PMC contract for construction of Thailand's Nong Fab LNG receiving terminal (Jan. 9)＊
Digital Innovations	・Announcement for launching the two entities for new corporate innovation team, "Acario Investment One LLC" and "Acario Innovation LLC" (Dec. 18) ・Investment in US energy technology venture fund "Activate Capital Partners" (Jan. 19) ・<u>Announcement for the investment in WESTLY CAPITAL PARTNERS FUND III, L.P., the venture capital fund in US（Mar. 7）</u>

Dates of press releases are shown in parentheses. ＊Press releases issued by Tokyo Gas Engineering Solutions. ★Press releases issued by Tokyo Gas Urban Development
Press releases issued after the 3Q results were announced (Jan. 31) are underlined.

Key Topics in FY2017-18（Overseas）(Excerpted from Press Releases up to 27th Apr.)

TOKYO GAS

【Southeast Asia Area】

⑥ <Philippines>Opening of Manila Office
<Philippines>Tokyo Gas Submits Letter of Intent to Department of Energy

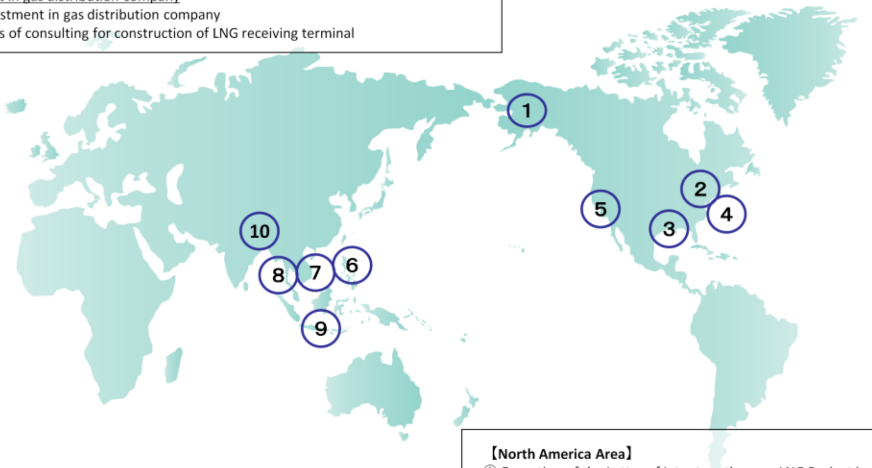
⑦ <Vietnam>Investment and Strategic Alliance in Vietnam Natural Gas Distribution Business

⑧ <Thailand> Receipt of PMC contract for construction of Nong Fab LNG receiving terminal

⑧ <Thailand> Investment in gas distribution company

⑨ <Indonesia> Joint investment in gas distribution company

⑩ <Bangladesh> Business of consulting for construction of LNG receiving terminal



【North America Area】

① Execution of the Letter of Intent on the new LNG Project in Alaska

② Participation in a natural gas-fired power plant（Pennsylvania, U.S.A. ）

③ Investment in natural gas development project（East Texas, U.S.A. ）

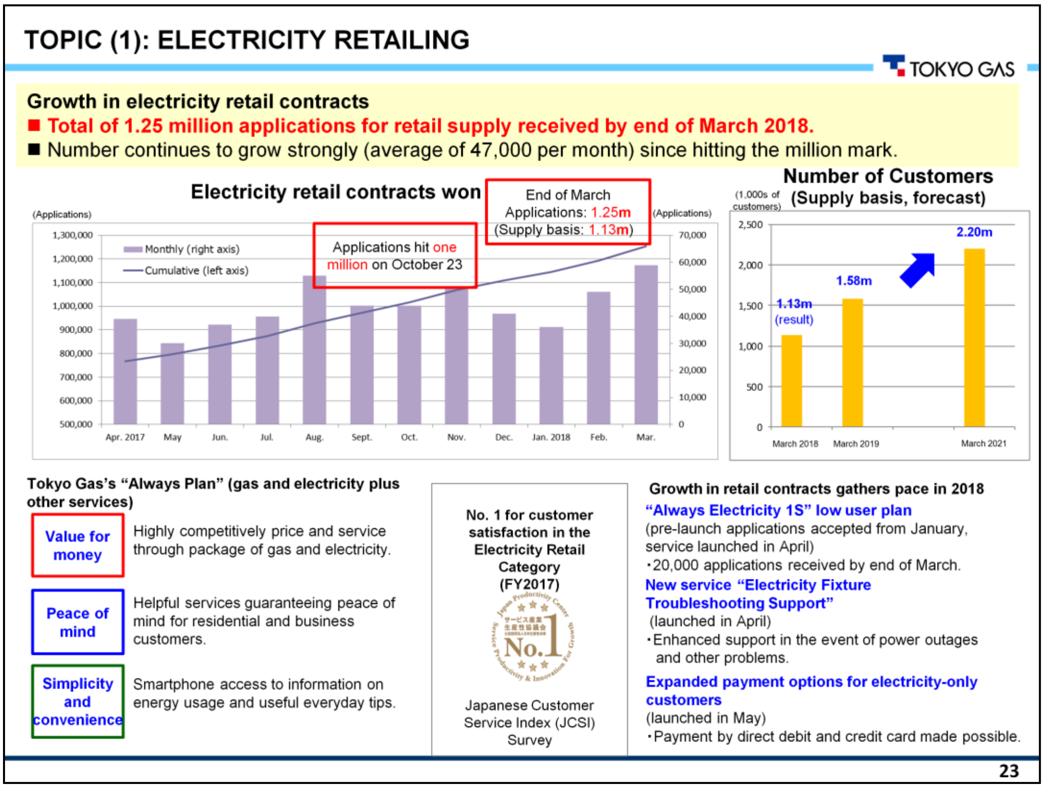
④ Cove Point LNG Project Starts commercial operation（Maryland, U.S.A.）

（Silicon Valley）

⑤ Launching the two entities for new corporate innovation team

⑤ Investment in energy technology venture fund

⑤ Investment in WESTLY CAPITAL PARTNERS FUND III, L.P., the venture capital fund



These slides explain recent two undertakings as topics of interest.

TOPIC (2): GENERATING INNOVATION

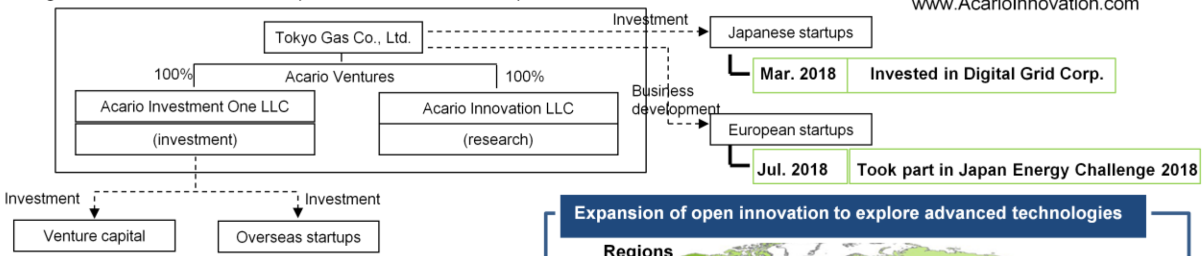
TOKYO GAS

Promoting open innovation* through Acario Ventures

- Headquartered in Silicon Valley, Acario Ventures was launched by Tokyo Gas in December 2017 to provide a means of assimilating innovative technologies and business models from around the world.
- We will continue to create value that contributes to customers and society by generating innovation using open innovation as one of our tools.

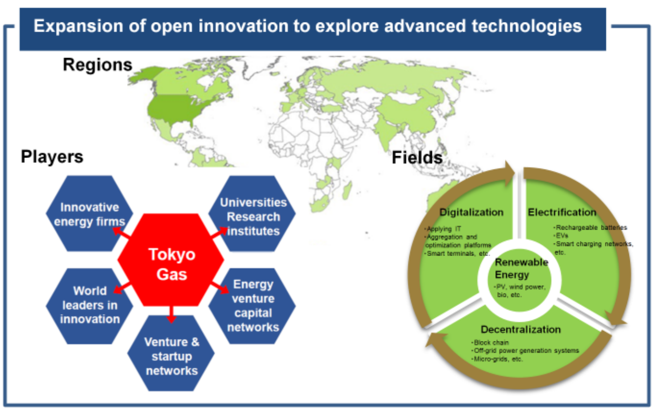
535 Middlefield Rd, Menlo Park, CA
www.AcarioInnovation.com

Organization of Acario Ventures (launched December 2017)



Jan. 2018	**Signed investment agreement with Activate Capital Partners**
Feb. 2018	**Signed strategic partnership agreement with EnerTech Capital**
Mar. 2018	**Signed investment agreement with Westly Capital Partners Fund III**

* Open innovation:
The solicitation and aggregation of new technologies and ideas from outside sources to develop innovative products, services, and business models.



< 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