

**FY2018 3Q Financial Results
ended December 31, 2018**



January 31, 2019

1. FY2018 3Q Consolidated Financial Results
ended December 31, 2018



FY2018 3Q Consolidated Results (Apr. 1, 2018 – Dec. 31, 2018) <vs. FY2017 3Q>



Highlights: Sales Up, Profit Down

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

Net sales	+105.2	+	Gas (+55.3: Increase in unit cost due to resource cost adjustment +76.8, third-party access revenue +4.5, decrease in sales volume -34.2, etc.)
		+	Electricity (+40.9: Increase in sales volume due to increase in retail customers, etc.)
		+	Energy-related (+21.3: Engineering solutions +16.8, etc.)
Operating expenses	-145.4	-	Gas (-95.6: Increase in unit cost of city gas arising from economic framework assumptions -95.7, decrease in sales volume +14.5, increase in fixed cost due to increase in actuarial differences, etc.)
		-	Electricity (-45.3: Increase in costs due to increase in sales volume, increase in retail sales expenses, etc.)
		-	Energy-related (-18.6: Increase in engineering solution expenses -14.2, etc.)
Operating profit	-40.3	-	Gas (-40.2: Change in sales volume -19.7, change in unit price -18.9, third-party access revenue +4.5, increase in fixed costs due to increase in actuarial differences, etc.)
		-	Electricity (-4.4: Increase in retail sales expenses, etc.)
		+	Overseas (+6.6: Increase in profit from upstream projects, etc.)
Extraordinary profit/loss	+25.0	+	FY2018 3Q +28.8: Gain on sale of non-current assets +29.1, gain on sale of investment securities +6.2, loss from revaluation of investment securities -6.5 FY2018 2Q +3.8: Gain on sale of non-current assets +3.2, gain on sale of investment securities +3.0, impairment loss -2.3

	FY2018 3Q	FY2017 3Q	Change	%
City gas sales volume (million m ³ , 45MJ)	10,637	10,933	-296	-2.7%
Electricity sales volume (million kWh)	10,998	10,492	+506	+4.8%
Retail (million kWh, receiving end)	4,295	2,912	+1,383	+47.5%
(Breakdown) Wholesale, etc. (million kWh)	6,703	7,580	-877	-11.6%
Net sales	1,326.6	1,221.4	+105.2	+8.6%
Operating expenses	1,298.8	1,153.4	+145.4	+12.6%
Operating profit	27.7	68.0	-40.3	-59.2%
Segment profit (operating profit + equity income of subsidiaries)	29.8	68.9	-39.1	-56.8%
Ordinary profit ⁽¹⁾	26.2	65.3	-39.1	-59.9%
Extraordinary profit/loss	28.8	3.8	+25.0	—
Profit attributable to owners of parent	34.6	48.3	-13.7	-28.4%
Temperature effect ⁽²⁾	-9.8	+2.8	-12.6	—
(Adjustment items) Sliding time lag effect ⁽³⁾ (city gas + LNG sales)	-29.9	-9.2	-20.7	—
Amortization of actuarial differences ⁽⁴⁾	-3.4	5.7	-9.1	—
Adjusted ordinary profit ⁽¹⁾⁻⁽²⁾⁺⁽³⁾⁺⁽⁴⁾	69.3	66.0	+3.3	+5.0%

Economic framework	Exchange rate (¥/\$)	Crude oil price (¥/bbl)	Avg. air temp (°C)	Pension assets	Investment yield (costs deducted)	Year-end assets (billion yen)
FY2018 3Q	111.14 (-0.55)	75.05 (+21.17)	20.3 (+1.4)			
FY2017 3Q	111.69	53.88	18.9			
				FY2018 3Q	-0.23%	264.0

Figures in parentheses (1) indicate year-on-year increase/decrease.

Expected annual rate of return: 2%

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During the third quarter of FY2018, net sales increased by ¥105.2 billion (+8.6%) to ¥1,326.6 billion. The main factors were an increase in net sales of the gas segment by ¥55.3 billion due to a rise in city gas sales owing in part to a rise in unit price from resource cost adjustments despite a drop in city gas sales volume, an increase in net sales of the electricity segment by ¥40.9 billion due to a rise in sales volume on the back of an increase in the number of retail customers, and an increase in net sales of the energy-related segment by ¥21.3 billion owing to an increase in sales of engineering solutions.

Operating expenses rose by ¥145.4 billion (+12.6%) to ¥1,298.8 billion, due in part to an increase in city gas resource costs owing in part to a rise in unit price arising in part from economic framework assumptions in the gas segment and an increase in electricity operating expenses due to the rise in retail sales volume in the electricity segment.

As a result, operating profit and ordinary profit dropped by ¥40.3 billion (-59.2%) to ¥27.7 billion, and by ¥39.1 billion (-59.9%) to ¥26.2 billion, respectively.

Furthermore, in addition to the gain on sale of non-current assets and the loss from revaluation of investment securities booked as extraordinary loss and extraordinary income in the second quarter, respectively, we have booked a gain on sale of investment securities of ¥6.2 billion during the third quarter. As a result, the profit attributable to owners of parent dropped by ¥13.7 billion (-28.4%) to ¥34.6 billion.

The loss from revaluation of investment securities of ¥6.5 billion is related to an overseas investment project. The amount has been changed to ¥6.5 billion from ¥6.3 billion as of the time it was announced previously, reflecting exchange rate fluctuations.

FY2018 3Q Consolidated Gas Sales Volume/ Number of Customers <vs. FY2017 3Q>

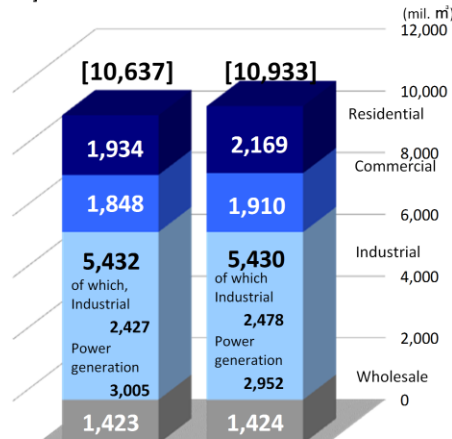
City Gas sales volume :

*Each value is rounded.

-296mil.m³ (-2.7%)
 [including temperature effect -194mil.m³, -1.8%]

Residential	-235mil.m³ (-10.8%)
● Temperature effect	-176 mil.m ³
● Number of days	+8 mil.m ³
● Number of customers	-39 mil.m ³
● Others	-28 mil.m ³
Commercial	-62mil.m³ (-3.2%)
● Temperature effect	-6 mil.m ³
● Number of days	+9 mil.m ³
● Number of customers	-36 mil.m ³
● Others	-29 mil.m ³
Industrial	+2mil.m³ (+0.0%)
● Industrial	-51 mil.m ³
● Power generation	+53 mil.m ³
Wholesale	-1mil.m³ (-0.1%)
● Temperature effect	-12 mil.m ³
● Others	+11 mil.m ³

Increase in wholesale demand, etc.



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

	FY2018 3Q Results	FY2017 3Q Results	Change
Number of customers for city gas retail sales (10 thousands) *1	998.2	1,029.6	-31.4 (-3.0%)
Number of customers(meters) (10 thousands, meter) *2	1,177.0	1,162.7	+14.3 (+1.2%)
LNG sales volume (thousandst)	702	762	-60 (-7.8%)
Average temperature(°C)	20.3	18.9	+1.4

	FY2018 3Q Results	FY2017 3Q Results	Change
Gas sales volume (financial accounting basis)	10,637	10,933	-296 (-2.7%)
Gas volume used in-house under tolling arrangement	1,329	1,510	-181 (-12.0%)
LNG sales volume (m ³ basis)	878	953	-75 (-7.8%)
Total	12,844	13,396	-552 (-4.1%)

*1. Number of billed customers for city gas retail sales *2. Including inactive meters and meters for gas supply from other retail companies

I would now like to explain about our gas sales volume.

Consolidated city gas sales volume during the third quarter of FY2018 decreased by 296 million m³ (-2.7%) to 10,637 million m³.

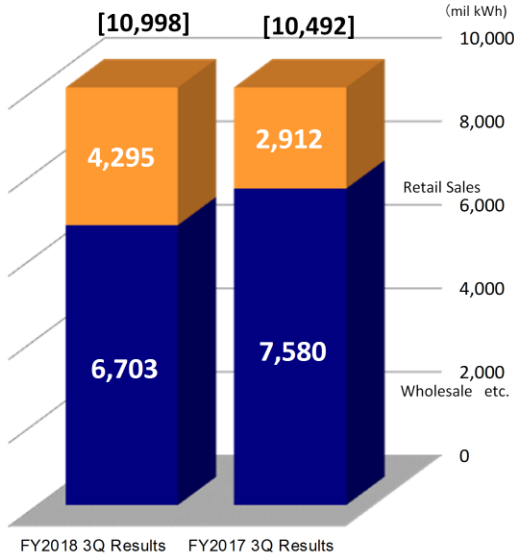
The main causes of the drop in the gas sales volume were a decrease of 194 million m³ due to the extremely higher average temperature (+1.4°C) compared to the previous year and a decrease of 75 million m³ due to a drop in the number of retail customers.

FY2018 3Q Consolidated Electricity Sales Volume/ Number of Customers <vs. FY2017 3Q>

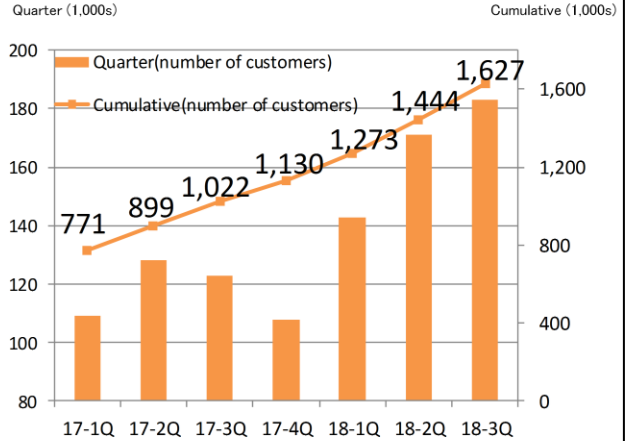
Electricity sales volume:

+506mil. kWh (+4.8%)

■ Retailing	+ 1,383mil.kWh(+47.5%)
■ Wholesale etc.	- 877mil.kWh(- 11.6%)



New electricity retail customers won by Tokyo Gas



“Denki de Lucky Campaign”

Summer; From Jul., 13 to Sep., 26,
 Autumn; From Oct., 22 to Dec., 17,
 Winter; From Dec., 26 to Apr., 10

Let me describe the electricity sales volume.

Consolidated electricity sales volume during the third quarter of FY2018 increased by 56 million kWh (+4.8%) to 10,998 million kWh as a whole.

Retail sales volume increased to 4,295 million kWh (+47.5%) due to a rise in the number of subscribers. The number of retail customers has increased steadily due in part to the effects of sales campaigns. We supply electricity to 1.627 million customers as of the end of December.

Meanwhile, the sales volume of wholesale, etc. dropped by 11.6% to 6,703 kWh due in part to the shift of group power resources to retail.

FY2018 3Q Results : Sales and Operating Profit/Loss by Business Segments <vs. FY2017 3Q >

Parts of segments change in FY2018 *

	Net sales					Segment Profit (Operating profit + Equity income/loss of subsidiary)				
	FY2018 3Q Results	FY2017 3Q		Change	%	FY2018 3Q Results	FY2017 3Q		Change	%
		After Conversion	Before Conversion				After Conversion	Before Conversion		
Gas	947.6	892.3	786.3	55.3	6.2	26.2	66.4	63.6	- 40.2	- 60.6
(City gas)	833.3	786.3	786.3	47.0	6.0	24.9	63.6	63.6	- 38.7	- 60.7
(LNG sales)	119.3	73.0	73.0	46.3	63.5	0.8	1.3	1.3	- 0.5	- 39.7
Electric Power	191.7	150.8	150.8	40.9	27.1	3.6	8.0	8.0	- 4.4	- 55.1
Overseas business	40.2	33.0	33.0	7.2	21.8	13.4	6.2	6.2	7.2	117.5
(equity income of subsidiaries)	—	—	—	—	—	1.6	0.9	0.9	0.7	77.7
Energy -related	249.0	227.7	327.3	21.3	9.4	10.4	7.7	10.0	2.7	35.4
(Engineering Solutions)	97.3	80.5	80.5	16.8	20.9	4.0	1.4	1.4	2.6	175.4
Real estate (including equity income of subsidiaries)	33.2	31.6	31.6	1.6	5.1	7.2	6.6	6.6	0.6	8.2
Others (including equity income of subsidiaries)	72.6	57.9	63.8	14.7	25.2	3.0	2.3	2.7	0.7	28.1
Adjustment	- 208.0	- 172.1	- 171.6	- 35.9	—	- 34.2	- 28.5	- 28.5	- 5.7	—
Consolidated	1,326.6	1,221.4	1,221.4	105.2	8.6	29.8	68.9	68.9	- 39.1	- 56.8
(equity income of subsidiaries)	—	—	—	—	—	2.0	0.9	0.9	1.1	121.3

Notes

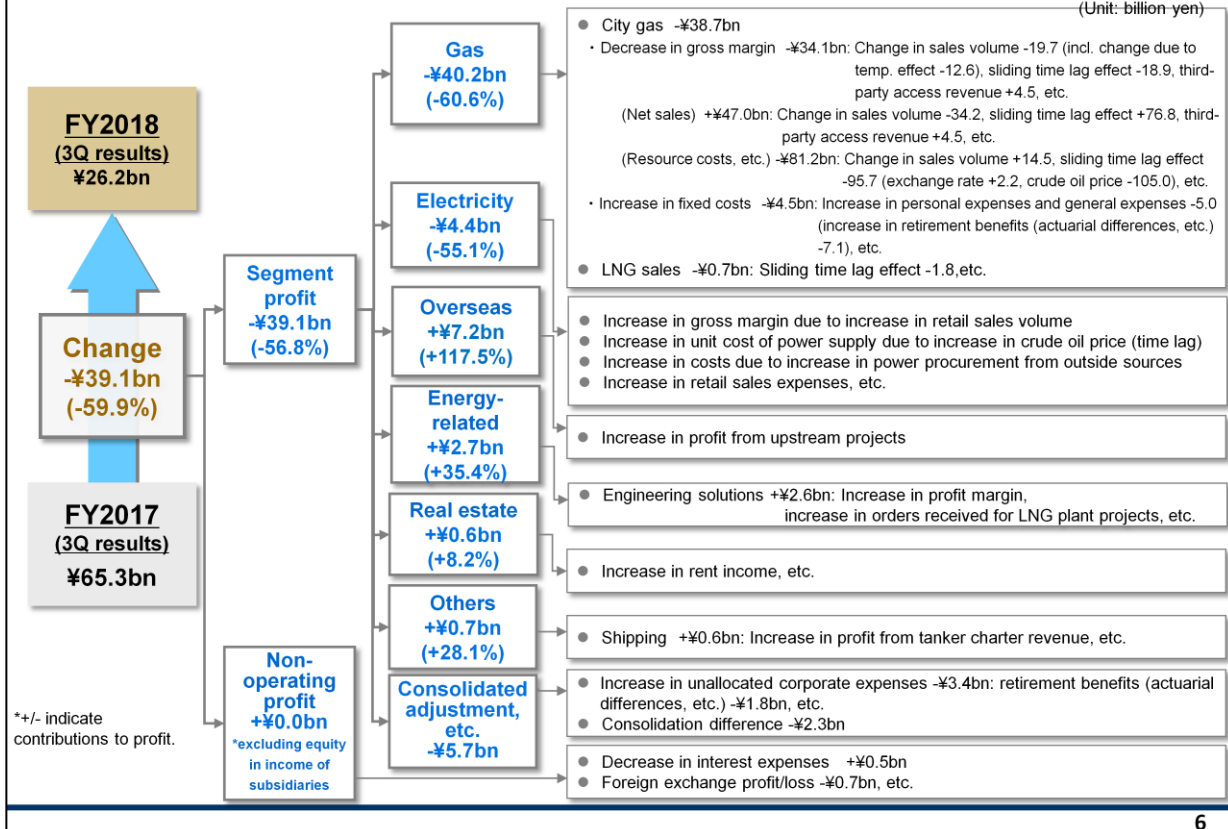
- Net sales by business segments include internal transactions.
 - Net sales of "City gas" and "LNG sales" within "Gas" include internal transactions within Gas segment.
 - "Gas" includes businesses in city gas, liquefied petroleum gas, industrial gas, LNG sales. "Energy-related" includes businesses 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.
- *Segment change in FY 2018 are as follows. Liquid Gas Business("Liquefied petroleum gas" and "Industrial gas") and "LNG sales" included in "Energy-related" were recognized as "Gas".
"Credit" included in "Others" were recognized as "Energy-related".

Slide 5 indicates net sales by segment and segment profit (operating profit + equity income/loss of subsidiary), and changes thereof.

Some of the segments have been revised from FY2018. The results of the same period of the previous year that have been reclassified into the new segments are indicated under "after conversion."

In terms of segment profit, the ¥40.2 billion drop in income of the gas segment had a negative impact on overall profit.

FY2018 3Q Results: Ordinary Profit Analysis <vs FY2017 3Q>



Of the ¥40.2 billion drop in profit of the gas segment, the city gas gross margin decreased by ¥34.1 billion, while the decrease excluding revision items such as the ¥12.6 billion drop due to high temperatures and the ¥18.9 billion drop due to the sliding time lag effect owing to a rise in oil prices remained at ¥2.6 billion.

Although the drop in profit due to increased fixed costs for city gas was ¥4.5 billion, fixed costs excluding ¥7.1 billion of increased retirement benefits due to actuarial differences have decreased.

Profit of the electricity segment decreased by ¥4.4 billion. The drop in profit was due to an increase in unit cost of power supply due to a rise in the crude oil price (time lag), an increase in unit price of power supply procurement due in part to a rise in power procurement from outside sources following an increase in sales volume, and a rise in retail sales expenses, despite an increase in gross margin on the back of increased retail customers and sales volume.

Profit of the overseas segment increased by ¥7.2 billion. Profit has increased on the back of an increase in profit of the Gorgon project, an overseas upstream project that commenced operation last year, owing to increased sales volume and the reduction in initial year cost burden, as well as an increase in the profit of upstream projects following a rise in oil prices.

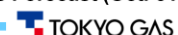
Profit of the energy-related segment increased by ¥2.7 billion. The main causes were an increase in sales following the progress of installation work for a large property and an improvement in profit margin.

This concludes my explanation on our third quarter performance.

2. FY2018 Full Year Forecast



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



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

* The economic framework reflects final figures for 3Q, and assumes an exchange rate of ¥110.0 to the dollar per the original forecast and a crude oil price of \$65/bbl (revised down from \$75/bbl) in 4Q.

Net sales	-13.0:	-	Gas	(-12.9: Decrease in city gas sales volume due to high temperatures, etc.)
Operating profit	+19.0:	+	Gas	(+15.0: Decrease in sales volume due to high temperatures, decrease in expenses, decrease in depreciation, etc.)
		+	Energy-related	(+4.9: Engineering solutions +2.1, etc.)
Operating profit	+6.0:	+	Gas	(+2.1: Change in unit price of city gas +1.5, change in sales volume, etc. -4.3, decrease in fixed costs +5.7, etc.)
		+	Energy-related	(+2.0: Engineering solutions +1.7, etc.)
Extraordinary profit/loss	±0.0:	±	FY2018	28.8: Gain on sale of non-current assets +29.1, gain on sale of investment securities +6.2, loss from revaluation of investment securities -6.5

	Forecast	Previous forecast	Change	%	FY2017 results	Change	%
City gas sales volume (million m ³ , 45MJ)	15,217	15,412	-195	-1.3%	15,568	-351	-2.3%
Electricity sales volume (million kWh)	15,807	15,445	+362	+2.3%	14,656	+1,151	+7.9%
Net sales	2,001.0	2,014.0	-13.0	-0.6%	1,777.3	+223.7	+12.6%
Operating expenses	1,911.0	1,930.0	-19.0	-1.0%	1,661.0	+250.0	+15.0%
Operating profit	90.0	84.0	+6.0	+7.1%	116.3	-26.3	-22.6%
Segment profit (operating profit + equity income of subsidiaries)	93.5	87.4	+6.1	+6.9%	118.7	-25.2	-21.3%
Ordinary profit ⁽¹⁾	89.0	83.0	+6.0	+7.2%	111.5	-22.5	-20.2%
Extraordinary profit/loss	28.8	28.8	±0.0	—	3.2	+25.6	—
Profit attributable to owners of parent	87.0	83.0	+4.0	+4.8%	74.9	+12.1	+16.0%

Adjustment items		Forecast	Previous forecast	Change	%	FY2017 results	Change	%
Temperature effect ⁽²⁾		-9.8	-6.3	-3.5	—	3.9	-13.7	—
Sliding time lag effect ⁽³⁾		-26.6	-27.6	+1.0	—	-23.0	-3.6	—
(city gas + LNG sales)		(-23.9 + -2.7)	(-25.4 + -2.2)	(+1.5 + -0.5)	—	(-20.3 + -2.7)	(-3.6 + 0.0)	—
Amortization of actuarial differences ⁽⁴⁾		-4.6	-4.6	±0.0	—	7.7	-12.3	—
Adjusted ordinary profit ⁽¹⁾⁻⁽²⁾⁺⁽³⁾⁺⁽⁴⁾		130.0	121.5	+8.5	+7.0%	122.9	+7.1	+5.8%

Economic framework	Exchange rate (¥/\$)	Crude oil price (\$/bbl)	Avg. air temp. (°C)	Pension assets	Investment yield (costs deducted)	Discount rate		Year-end assets (billion yen)
						Annuity portion	Lump-sum portion	
Present forecast	110.86 (+0.73)	72.54 (-1.84)*	16.8 (+0.2)	FY2017	1.03%	0.293%	0.046%	271.0
Previous forecast	110.13	74.38	16.6	FY2016	1.57%	0.389%	0.055%	277.0
FY2017 results	110.85	57.03	15.7	FY2015	2.92%	0.236%	0.000%	281.0

*4Q \$75.00/bbl → \$65.00/bbl Figures in parentheses indicate change from previous forecast.

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I will describe our forecast for the FY2018 full year in comparison with our previous forecast, which was released on October 31.

For the FY2018 full year, we have made a downward revision to our sales forecast and an upward revision to our profit forecast. With regards to the economic framework for January 2019 and later for FY2018, which serves as a basis of our forecast, the foreign exchange rate assumption has remained unchanged at ¥110/\$, while the crude oil price assumption has been revised downward by \$10 from \$75 to \$65.

We expect net sales to decrease by ¥13.0 billion (-0.6%) from the previous forecast to ¥2,001.0 billion. The main reason is a decrease in net sales of the gas segment by ¥12.9 billion due to incorporating the decrease in city gas sales volume owing to high temperatures during the third quarter in the forecast.

We have reduced our forecast for operating expenses by ¥19.0 billion (-1.0%) from the previous forecast to ¥1,911.0 billion. The main reasons are a decrease in resource costs in the gas segment due to a drop in city gas sales volume and a decrease in depreciation.

As a result, operating profit, ordinary profit, and profit attributable to owners of parent for the full year were revised upward by ¥6.0 billion (+7.1%) from the previous forecast to ¥90.0 billion, by ¥6.0 billion (+7.2%) to ¥89.0 billion, and by ¥4.0 billion (+4.8%) to ¥87.0 billion, respectively.

FY2018 Full Year Forecast ; Consolidated Gas Sales Volume/Number of Customers

Consolidated City Gas Sales Volume

(Figures are rounded nearest mil m³)

VS. Previous Forecast

-195 mil m³ (-1.3%)

[Including temperature effect -63mil. m³, -0.4%]

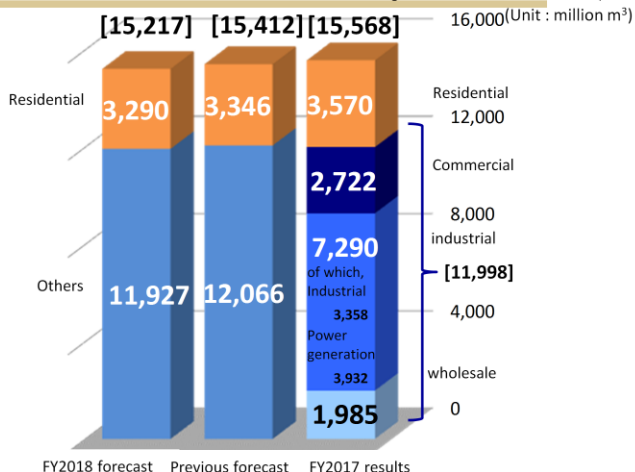
■ Residential	- 56mil. m ³ (- 1.7%)
■ Others	- 139mil. m ³ (- 1.2%)

VS. FY2017 Results

-351 mil m³ (- 2.3%)

[Including temperature effect -206mil. m³, - 1.3%]

■ Residential	- 280mil. m ³ (- 7.9%)
■ Others	- 71mil. m ³ (- 0.6%)



Gas Sales Volume (Vision Basis) (Unit : million m³)

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

	Forecast	Previous Forecast	Change	FY2017 Results	Change
Number of meters (10 thousands)	1,182.5	1,182.5	±0.0 (±0.0%)	1,167.8	+14.7 (+1.3%)
LNG sales volume (thousands t)	1,090	1,085	+5 (+0.5%)	1,150	-60 (-5.2%)
Average temperature (°C)	16.8	16.6	+0.2	15.7	+1.1

	Forecast	Previous Forecast	Change	FY2017 Results	Change
Gas sales volume	15,217	15,412	-195 (-1.3%)	15,568	-351 (-2.3%)
Gas volume used in-house under tolling arrangement	1,863	1,840	+23 (+1.2%)	2,047	-184 (-9.0%)
LNG sales volume (m ³ basis)	1,363	1,357	+6 (+0.5%)	1,437	-74 (-5.2%)
Total	18,444	18,609	-165 (-0.9%)	19,052	-608 (-3.2%)

We have made a downward revision to our gas sales volume forecast by 195 million m³ (-1.3%) from the previous forecast, of which -63 million m³ (-0.4%) is due to a temperature effect. The revisions from the previous forecast were the reflection of the business performance up to December and a downward revision to the usage volume of some large customers in the fourth quarter.

FY2018 Full Year Forecast ; Consolidated Electricity Sales Volume/Number of Customers

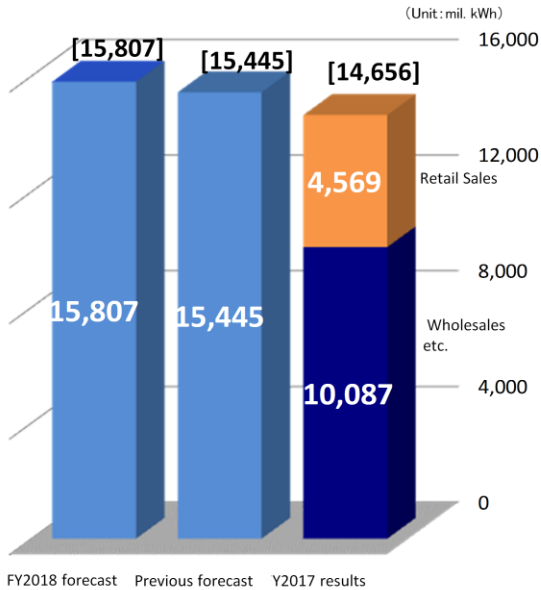
Consolidated Electricity Sales Volume

VS. Previous Forecast

+362 mil kWh (+2.3%)

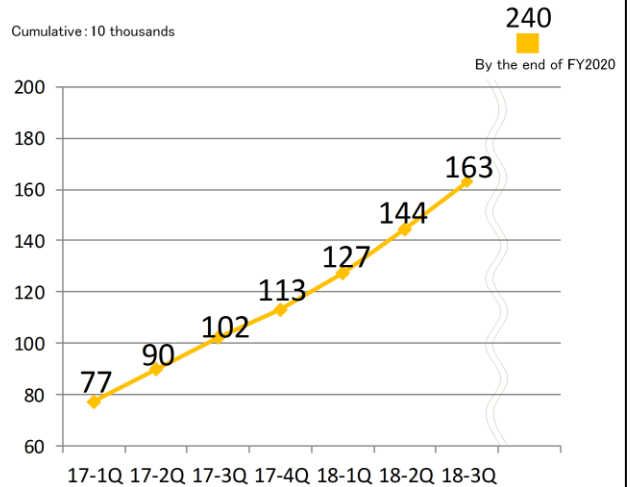
VS. FY2017 Results

+1,151 mil kWh (+7.9%)



New electricity retail customers won by Tokyo Gas

	Previous Forecast	FY2017 Results	Change
Number of retail customers (10 thousands)	158.0	113.0	+45.0 (+39.8%)



Let me now describe the electricity sales volume and number of customers.

The forecast of electricity sales volume has been revised upward by 362 million kWh (+2.3%) from the previous forecast. The target number of customers is unchanged from the previous forecast at 2.4 million as of the end of FY2020.

FY2018 Full Year Forecast : Sales and Profit/Loss by Business Segments

<vs. FY2018 Previous Forecast (Oct., 31)>



Parts of segments change in FY2018 *

	Net sales				Segment Profit (Operating profit + Equity income/loss of subsidiary)			
	FY2018 Forecast	Previous Forecast	Change	%	FY2018 Forecast	Previous Forecast	Change	%
Gas	1,424.2	1,437.1	- 12.9	- 0.9	89.6	87.5	2.1	2.4
(City gas)	1,246.1	1,259.7	- 13.6	- 1.1	88.4	85.5	2.9	3.4
(LNG sales)	188.1	188.9	- 0.8	- 0.4	0.9	1.3	- 0.4	- 31.5
Electric Power	283.6	283.0	0.6	0.2	9.7	8.4	1.3	15.8
Overseas business	51.1	50.1	1.0	2.0	15.3	14.2	1.1	7.7
(equity income of subsidiaries)	—	—	—	—	3.0	3.0	±0.0	±0.0
Energy –related	356.9	359.8	- 2.9	- 0.8	11.0	9.0	2.0	22.2
(Engineering Solutions)	142.6	143.0	- 0.4	- 0.3	4.9	3.2	1.7	54.2
Real estate (including equity income of subsidiaries)	44.4	43.7	0.7	1.6	8.7	8.6	0.1	1.2
Others (including equity income of subsidiaries)	107.0	113.6	- 6.6	- 5.8	4.8	5.5	- 0.7	- 12.7
Adjustment	- 266.2	- 273.3	+7.1	—	- 45.6	- 45.8	0.2	—
Consolidated	2,001.0	2,014.0	- 13.0	- 0.6	93.5	87.4	6.1	6.9
(equity income of subsidiaries)	—	—	—	—	3.5	3.4	0.1	1.8

Notes

- Net sales by business segments include internal transactions.
 - Net sales of "City gas" and "LNG sales" within "Gas" include internal transactions within Gas segment.
 - "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.
- *Segment change in FY 2018 are as follows. Liquid Gas Business("Liquefied petroleum gas" and "Industrial gas") and "LNG sales" included in "Energy-related" were recognized as "Gas".
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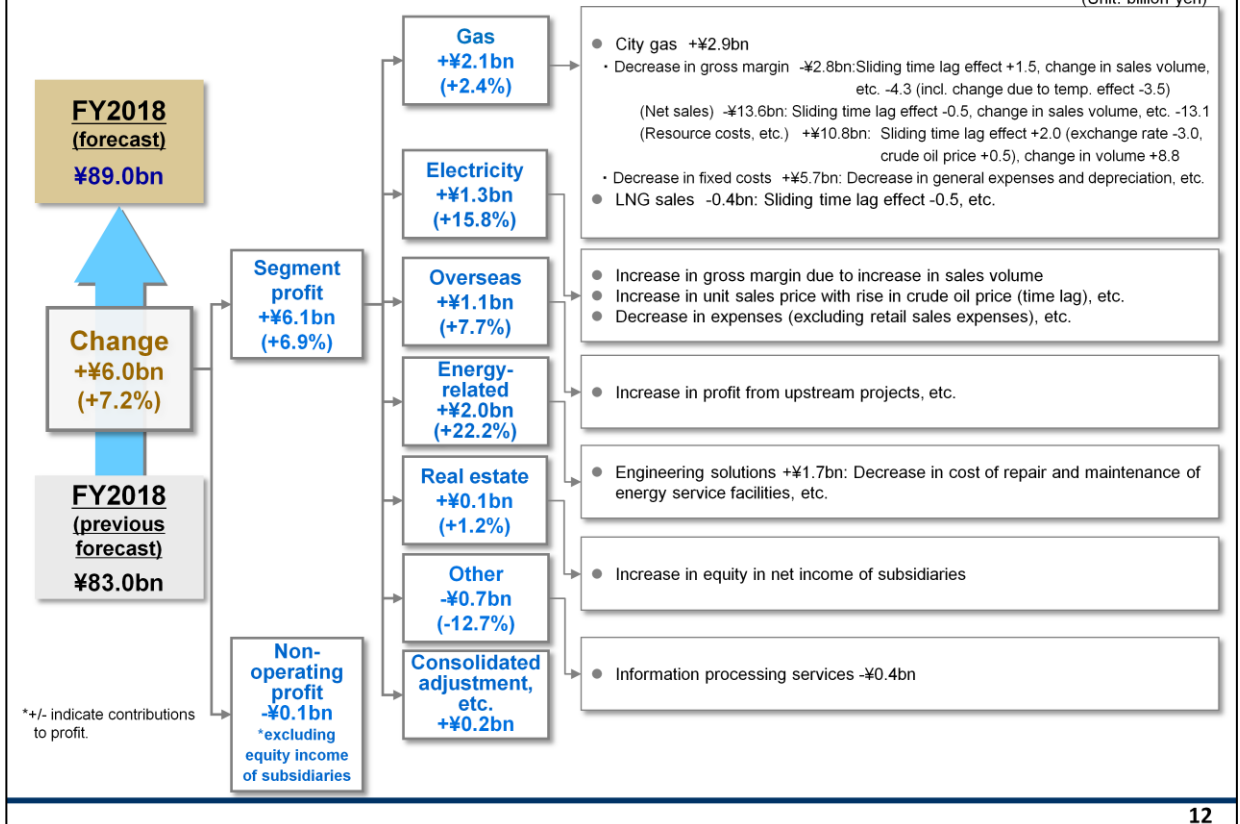
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Slide 11 shows the forecasts of net sales by segment and segment profit as well as their changes.

Segment profit has been revised upward in most segments.

FY2018 Forecast: Ordinary Profit Analysis

<vs. Previous Forecast (Oct. 31)>



The ¥2.1 billion upward revision in the ordinary profit of the gas segment compared to the previous forecast is mainly due to an increase in city gas profit of ¥2.9 billion. Although gross margin is expected to decrease by ¥2.8 billion due to a drop in sales volume on the back of high temperatures, we expect a drop in fixed costs by ¥5.7 billion due to a decrease in general expenses and depreciation.

Ordinary profit of the electricity segment has been revised upward by ¥1.3 billion from the previous forecast. This is mainly because of a rise in gross margin due to increases in the number of customers and sales volume as well as a rise in unit sales price owing to the rise in oil prices (time lag), and a decrease in expenses excluding retail sales expenses.

We made an upward revision to the segment profit of the overseas segment by ¥1.1 billion. This is due in part to an increase in sales volume from upstream projects.

Ordinary profit of the energy-related segment has been revised upward by ¥2.0 billion. The main reason is a drop in the cost of repair and maintenance in engineering solutions.

FY2018 Full Year Forecast : Sales and Profit/Loss by Business Segments

<vs. FY2017 Results>



Parts of segments change in FY2018 *

	Net sales					Segment Profit (Operating profit + Equity income/loss of subsidiary)				
	FY2018 Forecast	FY2017 Results		Change	%	FY2018 Forecast	FY2017 Results		Change	%
		After Conversion	Before Conversion				After Conversion	Before Conversion		
Gas	1,424.2	1,304.8	1,148.8	119.4	9.1	89.6	119.0	116.6	- 29.4	- 24.7
(City gas)	1,246.1	1,148.8	1,148.8	97.3	8.5	88.4	116.6	116.6	- 28.2	- 24.1
(LNG sales)	188.1	108.8	108.8	79.3	72.9	0.9	0.6	0.6	0.3	38.0
Electric Power	283.6	218.6	218.6	65.0	29.7	9.7	9.6	9.6	0.1	1.8
Overseas business	51.1	41.5	41.5	9.6	23.0	15.3	7.7	7.7	7.6	98.7
(equity income of subsidiaries)	—	—	—	—	—	3.0	2.4	2.4	0.6	21.0
Energy –related	356.9	333.6	480.8	23.3	7.0	11.0	11.9	13.7	- 0.9	- 7.9
(Engineering Solutions)	142.6	118.1	118.1	24.5	20.8	4.9	3.5	3.5	1.4	39.9
Real estate (including equity income of subsidiaries)	44.4	42.3	42.3	2.1	4.9	8.7	7.9	7.9	0.8	9.1
Others (including equity income of subsidiaries)	107.0	85.0	92.7	22.0	25.8	4.8	4.3	4.9	0.5	10.9
Adjustment	- 266.2	- 248.7	- 247.6	- 17.5	—	- 45.6	- 41.8	- 41.8	- 3.8	—
Consolidated	2,001.0	1,777.3	1,777.3	223.7	12.6	93.5	118.7	118.7	- 25.2	- 21.3
(equity income of subsidiaries)	—	—	—	—	—	3.5	2.4	2.4	1.0	41.0

Notes

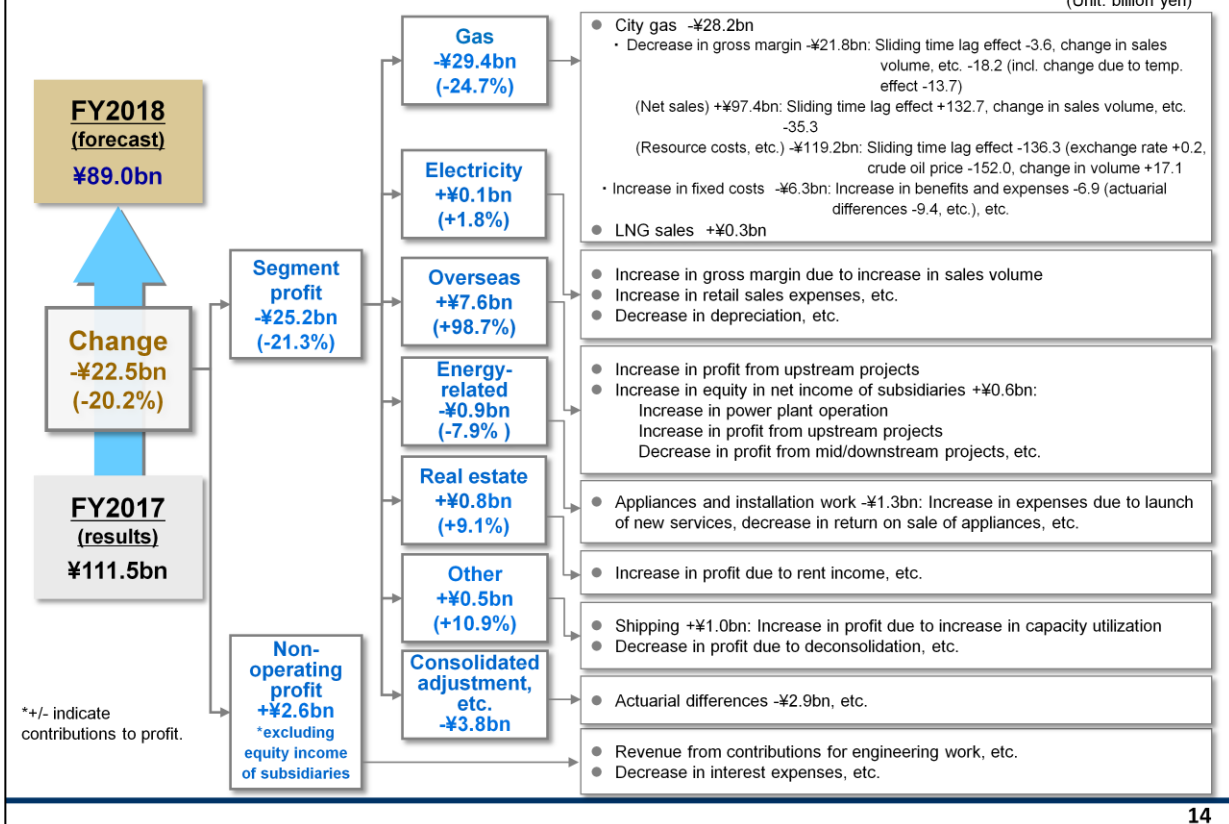
- Net sales by business segments include internal transactions.
 - Net sales of "City gas" and "LNG sales" within "Gas" include internal transactions within Gas segment.
 - "Gas" includes businesses in city gas, liquefied petroleum gas, industrial gas, LNG sales. "Energy-related" includes businesses 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.
- *Segment change in FY 2018 are as follows. Liquid Gas Business("Liquefied petroleum gas" and "Industrial gas") and "LNG sales" included in "Energy-related" were recognized as "Gas".
"Credit" included in "Others" were recognized as "Energy-related".

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Please refer to slides 13 and 14 for the forecast of net sales by segment and segment profit as compared with the results of FY2017.

FY2018 Forecast: Ordinary Profit Analysis

<vs. FY2017 Results>



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

(Unit: billion yen)

	Forecast	Main Items	Previous Forecast	Change	%	FY2017 Results	Change	%
Capital Expenditure								
Gas	165.2	Production facilities : 19.7(- 1.2) Hitachi LNG terminal expansion, etc. Distribution facilities : 101.3(- 5.0) Ibaraki Line installation, New demand development, etc. Service and maintenance facilities : 44.1(- 3.8) System related, etc.	175.4	- 10.2	- 5.8%	139.7	+25.5	+18.2%
Electric Power	5.7	Improvement construction for power generation efficiency etc.	5.2	+0.5	+10.8%	1.7	+4.0	+234.6%
Overseas business	8.3	Upstream (Australia, North America)	7.8	+0.5	+5.9%	7.1	+1.2	+16.8%
Energy-related	23.9	Energy Service(TGES) etc.	25.2	- 1.3	- 5.1%	23.5	+0.4	+1.7%
Real Estate	37.2	Msb Tamachi etc.	41.7	- 4.5	-10.8%	32.0	+5.2	+16.4%
Others	5.1	LNG carrier etc.	5.1	±0.0	±0.0%	7.6	- 2.5	- 33.1%
Adjustment	- 4.6		- 4.5	- 0.1	—	- 3.0	- 1.6	—
Sub Total	241.0		256.0	- 15.0	- 5.9%	208.7	+32.3	+15.5%
Investment and Financing	72.7	Investment and financing 81.7(Including overseas) Collection - 8.9	72.6	+0.1	—	47.0	+25.7	—
Total	313.7		328.6	- 14.9	- 4.5%	255.8	+57.9	+22.6%

Slide 15 describes the usage of cash flow for FY2018.

Key Indicators (Consolidated)


(Unit: billion yen)

	FY2018 Forecast	FY2017 Results	FY2016 Results
Total assets (a)	2,475.0	2,334.3	2,230.2
Shareholders' equity (b)	1,160.0	1,136.0	1,101.4
Shareholders' equity ratio (b)/(a)	46.9%	48.7%	49.4%
Interest-bearing debt (c)	846.0	724.9	713.5
D/E ratio (c)/(b)	0.73	0.64	0.65
Profit attributable to owners of parents (d)	87.0	74.9	53.1
Profit per share (EPS, yen per share)	193.02	164.12	115.09
Depreciation (e)	163.0	165.3	164.3
Operating cash flow (d) + (e)	250.0	240.3	217.4
Capital expenditure	241.0	208.7	203.3
ROA (d) / (a)	3.6%	3.3%	2.4%
ROE (d) / (b)	7.5%	6.7%	4.8%
TEP	7.4	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
 Profit per share is calculated on the assumption that share consolidation took place.(5 shares integrated to 1share)
 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 ratio= [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-bearing 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

Slide 16 indicates consolidated key indicators.

3. Reference Materials



We have provided reference materials at the end of the slides. They are the gross margin's sensitivity to the economic framework, a summary of services for the residential sector, which we intend to expand, a list of major press releases, a list of overseas projects, and the trend in city gas/electricity switching. I hope that you will find these materials useful.

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
		4Q
Period	4Q	- 0.2

Impact of depreciation by ¥1/\$

(unit: billion yen)

		Impact on earning
		4Q
Period	4Q	- 1.4

- We are working to provide customers with value for bargains, safety, simplicity, and convenience by packaging gas and electricity with other solutions to deliver services tailored to individual customers’ lifestyles.
 - In order to serve customers even better, we will **expand what we call “co-creation services” developed in collaboration with business partners** (including startups).
 - **Investment in partners** will also be considered where further strong synergies may be generated.
- Co-creation→Investment:** Investment in EcoNaviSta and Otobank (capital and business partnership agreements signed) *^{①②}
Co-creation: Launch of housekeeping service “co-created” (jointly developed) with Kajitaku *^③

*Press releases issued in November/December 2018

Expansion of “co-creation” and consideration of investment

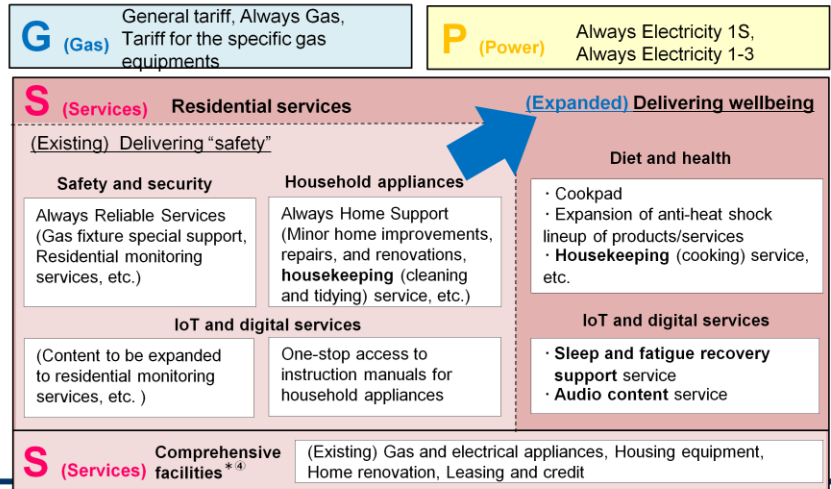
Fusing our knowledge and know-how with our business partners’ to deliver **wellbeing** as well as **safety** as in the past.

■ **Co-creation→Investment**

- ① **Sleep and fatigue recovery support service**
 - Capital and business partnership with EcoNaviSta Co., LTD.
 - Joint development of customer health support service.
- ② **Audio content service**
 - Capital and business partnership with Otobank Inc.
 - Joint development of audio content for getting small kids to sleep, cooking, and other domestic needs.
- **Co-creation**
 - ③ **Housekeeping service**
 - Cooperation with KAJITAKU CO., Ltd.
 - Addition of cooking service to existing cleaning and tidying services.

Evolution of content of existing services too

- ④ **Comprehensive facilities**
 - Expansion of commercial products and sales channels (including online channels) in addition to cost reductions achieved by switching product brands.



We have prepared a summary of our new services, following press releases in November and December 2018 on our new services and future direction.

Key Topics in FY2018 (Excerpted from Press Releases up to 31st January)

Management Strategy	<ul style="list-style-type: none"> • "Tokyo Gas Group CSR Report 2018" published (Aug. 31) • Initiatives towards achieving The Tokyo Gas Group FY2018-2020 management plan "GPS2020"(Oct. 11)
Gas Electric power (G/P)	<ul style="list-style-type: none"> • Construction work starts on second LNG tank at Hitachi LNG Terminal (Apr. 3) • Cove Point LNG Project in the U.S. starts commercial operation 3 firms have visited the LNG Plant in Lusby Maryland (Apr. 16) • Tokyo Gas electricity customers pass the 1.2 million mark, and Tokyo Gas Group improves and expands its "Zuttomo" total energy service plan (May 10) • Details of Tokyo Gas Group's "Zuttomo" total energy service plan offerings for the Nichigas Moka service area (May 11) • LNG arrives from the Cove Point LNG Project, Japan's first shipment of gas derived from U.S. shale to be delivered under a long-term supply agreement (May 21) • Letter of intent on renewable electricity generation and acquisition of equity interest in photovoltaic power plant operator (May 28) • Tokyo Gas signs agreement on cooperation in photovoltaic power generation business (June 1) • Ceremony held to commemorate delivery of Cove Point LNG (Jun. 6) • Tokyo Gas and Centrica sign Heads of Agreement to purchase LNG from Mozambique LNG Project (Jun.15) • Personnel dispatched to assist earthquake recovery in northern Osaka (Jun. 19) • Tokyo Gas Group makes first purchase of FIT electricity certified to have been generated using non-fossil fuel energy sources (Jul. 2) • LPG refueling and delivery company Gaskuru Co., Ltd. launched (July 10)^{*3} • Tokyo Gas's new LNG carrier is named (Oct. 3) • Tokyo Gas signs Heads of Agreement to purchase LNG from LNG Canada Project (Oct. 10) • New 0120 phone number set up to simplify the process of applying for electricity service using a smartphone's camera (Oct. 22) • <u>Tokyo Gas signs Heads of Agreement to purchase LNG from Energia Costa Azul LNG Project (Nov. 8)</u> • <u>Tokyo Gas Signs Memorandum of Understanding on Mutual Cooperation with RWE (Germany) (Nov. 9)</u> • <u>"Personalized map service" developed to keep customers informed about progress on restoration of gas supplies following a major earthquake (Nov. 30)</u> • <u>Changes in the Thermal Power Plant Project in Sodegaura City, Chiba Prefecture (Jan. 31)</u>
Services (S)	<ul style="list-style-type: none"> ◆ Engineering Service • Niihama LNG Co., Ltd. established (Apr. 2)^{*1} • Construction work starts on the Niihama LNG terminal, which will have the world's largest aboveground LNG tank (230,000 kiloliters) (Oct. 1)^{*1} • Work on improving the environmental performance of Shinjuku District Heating and Cooling Center completed (Oct. 15)^{*1} • Power generation and air-conditioning system combining energy service using gas cogeneration with non-CFC air conditioning launched in Malaysia (Oct. 18)^{*1}

Dates of press releases are shown in parentheses. * 1 Press releases issued by Tokyo Gas Engineering Solutions. * 2 Press releases issued by Tokyo Gas Real Estate Holdings. * 3 Press releases issued by Tokyo Gas Liquid Holdings.
Press releases issued after the 2Q results were announced (OCT. 31) are underlined.

Key Topics in FY2018 (Excerpted from Press Releases up to 31st January)

<p>Services (S)</p>	<ul style="list-style-type: none"> ◆Urban Development Service (Real Estate) <ul style="list-style-type: none"> · Second plant of Tamachi smart energy center completed, heat and electricity supply started in msb Tamachi (May 8) *¹ · Construction work starts on new “Toyotama Rental Housing” (provisional name) (May 9)^{*2} · Two rental housing properties acquired (June 29)^{*2} · Rental housing property acquired (Dec. 7)^{*2} ◆Other <ul style="list-style-type: none"> · Total number of ENE-FARM residential fuel cells sold hits 100,000 (Jun. 8) · “Stop Heat Shock!”TM project launched (Nov. 1) · Launch of new housekeeping service: Tokyo Gas expands its Always Plan through co-creation with business partners (Nov. 8) · Tokyo Gas signs capital and business alliance partnership to develop sleep and fatigue recovery support service: Always Plan expanded through co-creation with business partners (Nov. 15) · Tokyo Gas signs capital and business alliance partnership to develop new audio content service: through co-creation with business partners (Nov. 27) · Total number of ENE-FARM residential fuel cells sold hits 110,000 (Dec. 21)
<p>Global (× G, Overseas)</p>	<ul style="list-style-type: none"> · Completion of Sale of Shares in Natural Gas Fired Power Station in Belgium (Oct. 3) · Tokyo Gas and First Gen sign Joint Development Agreement regarding the construction and operation of the LNG receiving terminal in Republic of the Philippines (Dec. 5) · Launch of Thailand's Very First Fully Private Natural Gas Distribution Business (Dec. 7)
<p>Digital Innovations</p>	<ul style="list-style-type: none"> · Tokyo Gas wins first prize at the WSN-IoT Awards 2018 (May 24) · Tokyo Gas wins IT Special Award (Nov. 20)
<p>ESG</p>	<ul style="list-style-type: none"> · Carbon offsetting of CO2 emissions from FC Tokyo home matches (Apr. 23) · Environment Month initiatives to help build a sustainable society (May 24) · Tokyo Gas joins the Japanese Ministry of the Environment's “Cool Share” scheme and registers five facilities as “Cool Share Spots” (Jun. 20) · Tokyo Gas assists with offsetting carbon emissions generated by Japan's 89th Intercity Baseball Tournament (Jul. 9) · With two years to go to the Tokyo 2020 Paralympic Games, Tokyo Gas hosts a participatory event to showcase all 22 Paralympic sports being contested at the games (Jul. 12) · CSR Report 2018 issued (Aug. 31) · Verification test of “suidel” city gas reforming hydrogen generator commences (Oct. 16) · Announcement of construction of “Toyosu hydrogen station (provisional name)” : Japan's first large-scale onsite hydrogen station capable of refueling fuel cell buses (Nov. 12)

Dates of press releases are shown in parentheses. * 1 Press releases issued by Tokyo Gas Engineering Solutions. * 2 Press releases issued by Tokyo Gas Real Estate Holdings. * 3 Press releases issued by Tokyo Gas Liquid Holdings.
Press releases issued after the 2Q results were announced (Oct.31) are underlined.

Key Topics in FY2018 (Excerpted from Press Releases up to 31st January)



Finance and shareholder returns	<ul style="list-style-type: none">•Announcement of revision to forecast results (Apr. 20)•Notification of resolution to acquire treasury shares (Apr.27), notice of share buyback (Jun.18), notice of retirement of treasury stock (Jun.28)•Grand prize winner at the Social Value and Capital Creation M&A Awards (Jun. 12)•Announcement of 44th, 45th, and 46th issues of debenture bonds (Jul. 13)•<u>Partial transfer of stock in Capty Co., Ltd. (Nov. 5)</u>•<u>Announcement of issue of the 47th, the 48th and the 49th Domestic unsecured notes(Nov. 22)</u>
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Dates of press releases are shown in parentheses. * 1 Press releases issued by Tokyo Gas Engineering Solutions. * 2 Press releases issued by Tokyo Gas Real Estate Holdings. * 3 Press releases issued by Tokyo Gas Liquid Holdings.
Press releases issued after the 2Q results were announced (Oct. 31) are underlined.

Overseas Projects



North America

No	Country	Subject	Main Business	Investment year
①	U.S.A	Barnett	Upstream Shale gas	2013
		Eagle Ford	Upstream Shale gas	2016
		East Texas	Upstream Shale gas	2017
		TGES America	Downstream Energy Service	2015
		Empire Power Plant	Downstream Natural gas power	2016
		Birdsboro Power Plant	Downstream Natural gas power	2017
		Acario Ventures	Other Open Innovation	2017
②	Mexico	Bajio	Downstream Natural gas power	2004
		MT Falcon	Downstream Natural gas power	2010

No	Country	Subject	Main Business	Investment year
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Southeast Asia

④	Malaysia	GAS MALASIA Bhd.	Downstream City gas	1992
		GAS MALASIA ENERGY ADVANCE Sdn.Bhd.	Downstream Energy Service	2014
⑤	Thailand	Bang bo	Downstream Natural gas power	2016
		GWHAMT	Downstream Gas Supply	2018
⑥	Vietnam	PVGD	Downstream CNG Supply	2017
⑦	Indonesia	Sengkang	Upstream Production, liquefaction and sales of LNG	2010
		PRA	Downstream Gas Supply, Transfer	2017

Oceania

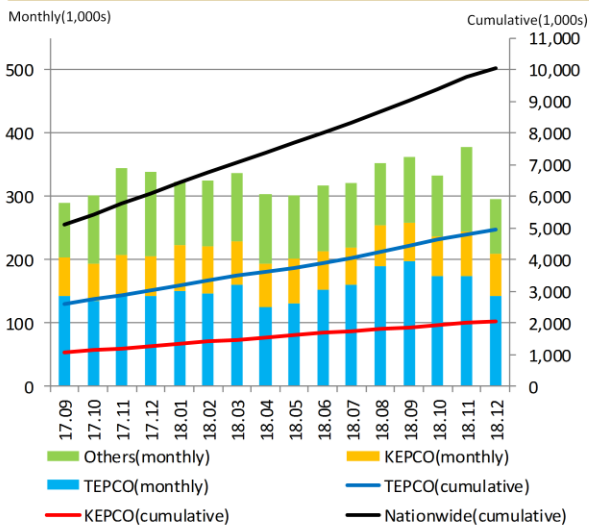
⑧	Australia	Darwin	Upstream Production, liquefaction and sales of LNG	2008
		Pluto	Upstream Production, liquefaction and sales of LNG	2008
		Gorgon	Upstream Production, liquefaction and sales of LNG	2009
		Queensland Curtis	Upstream Production, liquefaction and sales of LNG	2011
		Ichthys	Upstream Production, liquefaction and sales of LNG	2012

Europe

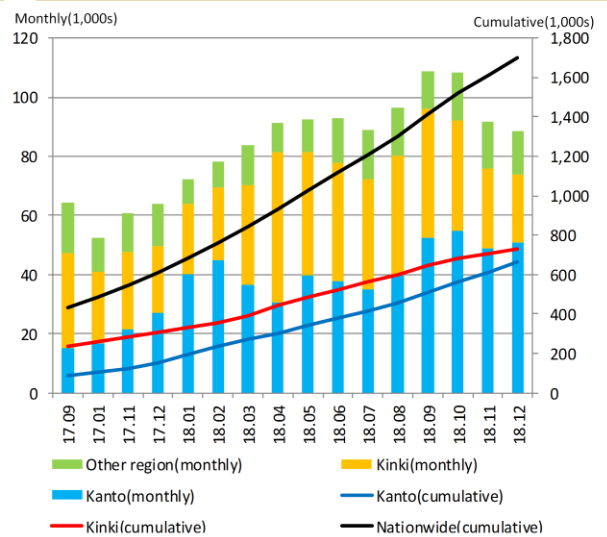
③	Belgium	T-Power	Downstream Natural gas power	2012 ~ 2018
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**Trends in city gas/electricity switching (published data),
Number of customers for city gas retail sales (Tokyo gas consolidated)**

Electricity switchers (based on applications)



City gas switchers (based on applications)



* Based on data published by the Organization for Cross-regional Coordination of Transmission Operators.

* Based on data published by the Agency for Natural Resources and Energy.

Number of customers for city gas retail sales (Tokyo gas consolidated, 10thousands)

Full deregulation of the retail market (2017.04)

As of	2016.03	2016.06	2016.09	2016.12	2017.03	2017.06	2017.09	2017.12	2018.03	2018.06	2018.09	2019.01
Number (Change)	1,012.6 (-)	1,019.9 (+7.3)	1,020.8 (+0.9)	1,025.4 (+4.6)	1,026.9 (+1.5)	1,031.4 (+4.5)	1,028.9 (-2.5)	1,029.6 (+0.7)	1,020.9 (-8.7)	1,018.9 (-2.0)	1,008.9 (-10.0)	998.2 (-10.7)



< Cautionary Statement regarding Forward-looking Statements >

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

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

TSE:9531