We will steadily implement measures in accordance with the "Challenge 2020 Vision" with the aim of further enhancing the LNG value chain.

Tsuyoshi Okamoto
President and Representative Director

In November 2011, Tokyo Gas announced its "The Tokyo Gas Group's Vision for Energy and the Future~Challenge 2020 Vision~," also referred to as the "Challenge 2020 Vision." This plan is meant to serve as a road map to guide us on our quest to continue growing the Group while improving the value we provide to customers and society as a leader in the field of natural gas. Over the period of a year and a half since the vision was announced, the entire Group has avidly pushed forward with initiatives geared toward enhancing the LNG value chain. Looking ahead, it is highly likely that conditions in the operating environment will undergo various changes. However, we will remain forward looking regardless of these changes, with the future of energy always in view, as we advance rapidly toward the vision we have established for the Group in 2020.

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In this section, the president of Tokyo Gas explains his thoughts concerning items of particular interest to investors. For information regarding performance in fiscal 2012, an overview of the "Challenge 2020 Vision," and a detailed look at progress under the vision, please refer to the corresponding pages listed on the right.

Q There have been various changes in the operating environment over the year and a half since the "Challenge 2020 Vision" was announced. Have there been any alterations to the scenarios you have envisioned in light of these changes?

Okamoto: Enhancing the LNG value chain is at the very heart of the "Challenge 2020 Vision," and we are making steady progress in this enhancement. There have been many changes in the operating environment, but these all remain within the range of possibilities we had considered when the vision was formulated, and I therefore see no reason to revise our assumptions. As was assumed, the shale gas revolution in the United States has served as a catalyst for change in global energy trends. As one such change, in May 2013, the U.S. Department of Energy granted approval to a Japanese company to export LNG to countries that have not entered into free-trade agreements with the United States. This is the first time for a Japanese company to receive such approval.

Further, the yen has been rapidly depreciating, but we did not assume that exchange rates would stay at the level of ¥80 to US$1. On the contrary, we have assumed that yen exchange rates will remain in a range of between ¥90 and a little over ¥100 to US$1 into the long term. The impacts of foreign exchange rate fluctuations on raw material costs will be neutralized over the medium-to-long term by the gas rate adjustment system. Nevertheless, more than ever, customers will expect us to work to reduce resource costs to lighten their burden, and we will work to live up to those expectations.

Q In reference to the "LNG value chain," specifically what "values" are you creating?

Okamoto: Specially, we are creating three significant values with regard to the LNG value chain.

The first value is the maximization of earnings. We believe that Tokyo Gas developing operations spanning from upstream to downstream areas will enable us to improve profitability in each area and, thereby, maximize earnings. For example, improving investment efficiency in upstream ventures will allow us to secure earnings from upstream areas while also producing liquefied natural gas (LNG) at a competitive price. Further, using this competitively priced LNG in our domestic gas operations will in turn help improve the profitability of these operations. In this way, it will be possible for us to maximize earnings throughout the entire value chain.

The second value is the overall optimization of operations, which will be accomplished by taking advantage of the various perspectives we will acquire through operations spanning upstream to downstream areas. Tokyo Gas provides energy in response to demand from large-scale power generators as well as customers in the industrial, commercial, and residential sectors. In each area, demand is moved in a different manner by conditions specific to that market before it finally becomes directed at natural gas provided by Tokyo Gas. We develop our operations while predicting what demand will look like three, five, or sometimes even 10 years into the future. Being more closely connected to markets will help us better predict future market conditions through operations in downstream areas. If we are able to make better predictions, we will also be able to make better decisions regarding future business development. In turn, this will help us develop production and supply infrastructure in an optimal manner and also assist us in matching resource development efforts in accordance with future market conditions. Specifically, we will be able to alter the types of involvement in projects, supply periods and volumes, and contract conditions as necessitated by market demand. At the same time, the ability to secure stable demand over the long term through involvement in downstream areas is a powerful negotiating tool for participation in upstream projects. Participation in upstream resource development projects helps us acquire volumes of LNG with greater flexibility and a more diverse range of prices, which I believe enables us to provide new value when responding to downstream demand.

The third value is created by the fact that having operations that spread from upstream areas to downstream areas enables us to accumulate expertise in all of these areas. Clearly, this will be an invaluable asset in comprehensively developing global operations that span the value chain. For example, we are able to serve emerging countries considering the introduction of natural gas generation by leveraging expertise and business foundations that encompass all areas of the value chain, starting from securing resource supplies and progressing on to procurement, infrastructure development, and sales. This comprehensive expertise will enable us to contribute to the development of such countries and will also provide us with a number of different business opportunities.

Q How are efforts advancing in the three areas of diversification for resource procurement?

Okamoto: The decision to procure LNG from the Cove Point LNG Project in the United States has the possibility of enabling the Company to import LNG from this country, the world's foremost producer of natural gas, into Japan. This decision represents a large stride forward in all three areas of diversification—diversification of resource suppliers, diversification of procurement contract conditions, and diversification of our global LNG network. In order to advance the project, we must first wait to receive approval to export LNG from the U.S. Department of Energy. Assuming that we are able to acquire this approval, we expect to secure 1.4 million tons of LNG per year from Cove Point. One important element of this project is that it is the Company's first long-term LNG procurement contract to have the price linked to the natural gas market through the use of the Henry Hub index. Considering the current Henry Hub price, we expect that the final cost of delivering this LNG to Japan will be significantly lower than LNG procurement from other suppliers, even after liquefaction and transportation costs are accounted for. Another important element is the fact that the procurement contract has no restrictions on shipment destinations*. While we primarily plan to import LNG from this project into Japan, the option of reselling this resource to Europe or other markets opens the possibility of developing global LNG sales networks. Of course, we are also considering the possibility of supplying this LNG to other overseas projects in which Tokyo Gas participates, such as natural gas-fired thermal power plants.

* Pending the receipt of approval to export LNG from the U.S. Department of Energy

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Q How are efforts advancing in overseas businesses?

Okamoto: In March 2013, we acquired 25% working interests in the shale gas development joint venture in the Barnett basin in Texas State in the United States. This is our first time to acquire interests in an upstream project in the United States; therefore, this move has substantial strategic significance. First of all, the move has allowed us to address the overconcentration of our natural gas resource development projects in Asia and Australia. More importantly, it enabled us to do this by expanding operations in the world's foremost natural gas producing country, the United States. In addition, our stake will entitle us to sell between 350,000 tons and 500,000 tons of natural gas resources a year in LNG equivalent. By marketing this gas in the United States, we should be able to expand earnings by capturing the country's growing natural gas demand. Should there be a notable increase in the Henry Hub price, the price of procuring LNG from the Cove Point LNG Project in the United States will be impacted. However, our participation in the upstream Barnett basin project will enable us to hedge against this risk, which is another significant benefit of our participation. I believe this represents a prime example of our efforts to stabilizing the earnings of the entire Tokyo Gas Group while also pursuing ongoing growth in profits.

Q What will be the future direction of efforts to reduce resource procurement costs?

Okamoto: There has been no change to our policy to steadily advance initiatives that contribute to diversification in the three aforementioned areas. However, in doing this, we must consider the fact that it is growing more difficult to participate in upstream natural gas resource development projects with each coming year. As such, we must carefully develop plans if we aim to achieve profitability and, at the same time, secure a stable supply of resources. If we concentrate our efforts on specific countries, then it will be difficult to advance the diversification of pricing schemes and contract conditions. Therefore, we must explore possibilities in consideration of a wide range of options as we work to advance basic business strategies.

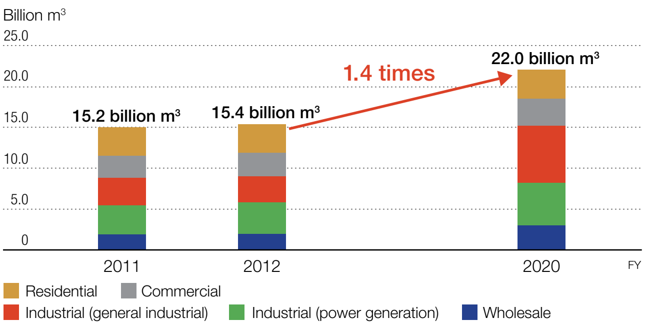
The shale gas revolution has brought with it the potential for a substantial leap in the volume of natural gas supplied on the global market. In addition, development in Mozambique is advancing on one of the world's largest gas fields. This field is so large that it is said to surpass those in Qatar. We expect that this field will be a major supply point in the future. Further, the development of natural gas projects is accelerating in the far east of Russia and in eastern Siberia. These sellers of natural gas are starting to consider their various options, and as such the range of viable options for buyers like Tokyo Gas is expanding. For example, should we commence procurement from Mozambique, it would be possible for us to conclude procurement contracts with prices linked to the National Balancing Point (NBP) index, which is the standard index in Europe. Likewise, participation in projects in Russia could enable us to enter into contracts with conditions differing from those of contracts linked to the U.S. Henry Hub index. The benefits of such contracts for our operations would be immense.

A number of our current procurement contracts are approaching their renewal periods. With regard to these contracts, I think there is room to improve contract conditions, even within the traditional crude oil price linked framework. We plan to suggest new terms during contract negotiations with these concerned parties.

Q While industrial demand for power generation purposes is strong, we have yet to see a recovery in general industrial demand. What is your view on this situation?

Okamoto: Throughout fiscal 2012, power generation demand and the acquisition of new customers were major contributing factors to growth in gas sales volumes. Conversely, demand from current general industry customers remained low, giving reason for concern. To address this concern, we will work to solicit the environmental benefits of natural gas as well as its viability as a business continuity plan measure while, at the same time, reducing resource costs to fuel demand expansion. However, I believe we cannot expect a recovery in general industrial demand until we see a full-fledged recovery in the Japanese economy and the manufacturing industry as a whole.

Gas Sales Volume by Use



Q Have there been any changes in the Company's plans for the electric power business or the scenario Tokyo Gas has developed for accomplishing these plans?

Okamoto: There have not been any changes in the scenario we have envisioned. We are currently in the process of constructing Unit 3 of the Ohgishima Power Station, which is scheduled to have a generation capacity of 407 MW. Once Unit 3 is operational, the total generation capacity of our electric power business will rise to 2,400 MW, positioning us within view of a total capacity of 3,000 MW. This capacity will be further augmented through an alliance with Tokyo Electric Power Company (TEPCO). The results of alliances under consideration will affect what part of the 3,000 MW—5,000 MW range our generation capacity finally falls into. In forming alliances, we are advancing consideration based on the stance that alliances should contribute to the supply of low-priced electricity, the invigoration of the electricity market, and the expansion of options for use by customers.

Q What tariff measures will be instituted for large-volume and small-volume customers? Also, it is my understanding that Tokyo Gas will once again lower tariffs for small-volume customers, as the Company did previously in March 2012. What is the reasoning behind implementing successive tariff reductions over such a short period?

Okamoto: For the small-volume segment, a regulated area, we revise tariffs in accordance with rate manuals and based on forecasts established in consideration of fair provision costs. In fiscal 2012, demand increased to a greater degree than was expected, and we believe that demand will increase in fiscal 2013 as well. We have also judged that the reductions to fixed costs that resulted from our efforts to improve managerial efficiency will be greater than initially anticipated. All of these factors were considerations behind the decision to revise tariffs for small-volume customers. We plan to make the final decision with regard to the timing and rate of tariff revisions in mid-fiscal 2013. This decision will be made in consideration of earnings and provision cost forecasts, which will be formulated based on projected future trends in the Japanese economy and the electricity market, including the possible resumption of operations at nuclear power plants, as well as how these trends will impact the gas industry.

As the large-volume segment is completely deregulated, our basic policy is to decide tariffs though negotiations with customers. Recently, customers have been suffering under the burden created by yen depreciation, and their overall energy costs have been rising due to electricity rate hikes and other factors. In recognition of this, we are always working to lighten their burden.

Q What scenario are you envisioning for meeting the goal of raising the stock of commercial and industrial cogeneration systems to 4,000 MW in fiscal 2020?

Okamoto: Customers are becoming increasingly aware of the benefits of cogeneration systems that Tokyo Gas has continued to promote, principally the lack of electricity transmission losses and the ability to recycle exhaust heat realized through onsite generation. It takes a relatively long period of seven or eight years to recover the initial investment in a cogeneration system. For this reason, it is important for customers to consider the energy security and business continuity benefits of these systems, rather than only focusing on the economic considerations. We remain steadfast in our quest to communicate these benefits. Going forward, we will work to meet the goal you spoke of by reducing the facility costs associated with cogeneration systems and taking advantage of support from the government and other administrative bodies.

Q Some of the goals outlined in the "Challenge 2020 Vision" have already been met. Is there any possibility of you revising your plans?

Okamoto: It is true that we surpassed the levels assumed in "Challenge 2020 Vision" for consolidated net income, return on equity (ROE), and return on assets (ROA) in fiscal 2012, and the forecasts released for fiscal 2013 project that goals will be met in that year as well. However, at the present moment, there has been no change in the underlying assumptions of our "Challenge 2020 Vision," and I see no need to revise the direction of the vision accordingly. In fact, I do not think it would be appropriate to change only the numerical targets of the vision when only a year and a half has passed since its release.

	Fiscal 2012	**Fiscal 2020 ("Challenge 2020 Vision" targets)**
Consolidated operating cash flow	¥240.4 billion	Approx. ¥250.0 billion / year (FY2012–FY2020 total: ¥2,240.0 billion)
ROE	11.5%	Approx. 8%
ROA	5.3%	Approx. 4%
D/E ratio	0.69	Approx. 0.8 (each fiscal year)
Total payout ratio	60.7%	Approx. 60%

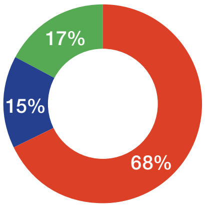
Q What are your policies for cash flow distribution? Also, what shareholder returns were issued for fiscal 2012, and what is your forecast for fiscal 2013?

Okamoto: Our "Challenge 2020 Vision" calls for total consolidated operating cash flow of ¥2,240 billion between fiscal 2012 and fiscal 2020, and we will also procure a total of ¥240 billion from outside of the Company. Of this amount, 68%, or ¥1,680 billion, is earmarked for capital expenditures; 15%, or ¥380 billion, for investments and financing; and 17%, or ¥420 billion, for shareholder returns.

Our shareholder return policy calls for a total payout ratio of around 60%, including dividends and repurchases of stock scheduled for retirement. After examining revenue / expense and funding plans leading up to fiscal 2020 on the basis of our balance sheet structure, we believe it will be possible to maintain a debt-to-equity ratio (D/E ratio) of approximately 0.8 times. We therefore intend to continue issuing returns in line with our current policy.

Our basic policy is to maintain stable dividend payments, and we also aim to gradually increase dividends over the medium-to-long term. For fiscal 2012, we raised dividend payments by ¥1 yen per share from the previous fiscal year, to ¥10 per share. In addition, we repurchased our own shares, paying ¥36 billion for 60,368 thousand shares, and these shares have already been retired. In fiscal 2013, we forecast a dividend of ¥10 per share.

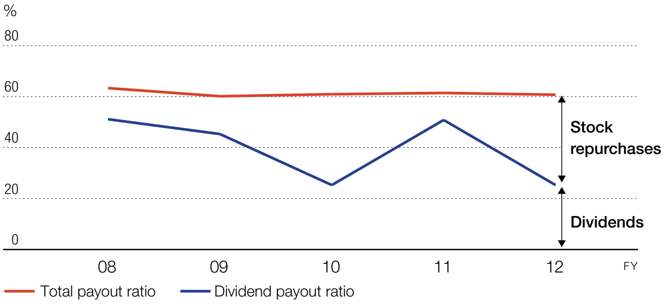
Capital Expenditures, Investments and Financing, Shareholder Returns
Fiscal 2012–Fiscal 2020: Approx. ¥2,480.0 billion



Capital expenditures
¥1,680.0 billion
Investments and financing
¥380.0 billion
Shareholder returns
¥420.0 billion

Consolidated operating cash flow	¥2,240.0 billion
External debt (interest bearing debt), etc.	¥240.0 billion
Capital expenditures, Investments and financing, Shareholder returns	¥2,480.0 billion

Trends in Total Payout Ratio



Q What is your forecast for fiscal 2013?

Okamoto: In fiscal 2013, consolidated gas sales volume is forecast to decline 609 million m^3, or 4.0%, to 14,781 million m^3. This decrease will be largely due to the shift to the tolling scheme for a portion of the gas sold for power generation purposes. When the tolling portion is included, gas sales volume is expected to increase 287 million m^3, or 1.8%, from fiscal 2012's level.

For consolidated net sales, we are forecasting a year-on-year increase of ¥200.4 billion, or 10.5%, to ¥2,116.0 billion, which will result from a rise in unit prices under the gas rate adjustment system and higher LNG sales.

Operating income will rise ¥15.4 billion, or 10.6%, to ¥161.0 billion. This increase is because the slide time lag effect will result in an improvement of ¥30.5 billion, effectively offsetting the rise in resource prices stemming from yen depreciation.

For details, see P.40 Management's Discussion and Analysis

Million m^3, 45MJ/m^3, Billions of yen

	Fiscal 2012	Fiscal 2013 (Forecasts announced on April 26, 2013)	Change	%
Gas sales volume	15,390	14,781	– 609	– 4.0
Including tolling portion	15,987	16,273	+287	+1.8
Net sales	1,915.6	2,116.0	+200.4	+10.5
Operating expenses	1,770.0	1,955.0	+185.0	+10.5
Operating income	145.6	161.0	+15.4	+10.6
Ordinary income	1,47.4	155.0	+7.6	+5.1
Net income	1,01.6	101.0	– 0.6	– 0.7
Slide time lag effect	– 10.5	+20.0	+30.5	–
Amortization of actuarial differences	– 4.4	– 2.2	+2.2	–