

# FAQ

In this section, we respond to frequently asked questions from our stakeholders.

**Q 1** The Company has entered the third year since the launch of the “Challenge 2020 Vision.” Does it have any plans to revise targets?

**A 1** Circumstances surrounding energy after the Great East Japan Earthquake and other basic conditions are generally in line with our forecasts, and we therefore see no need to revise targets at this point in time. In the “hop, step, jump” progression of the “Challenge 2020 Vision,” fiscal 2014 is positioned as the last year of the “hop” stage during which we will form the structures that the Tokyo Gas Group will require going forward. After these structures have been solidified, we will reconsider the necessity of target revisions.

**Q 2** Would it be best for Tokyo Gas to focus on the gas business? Specifically, why is the Company investing in the Barnett basin project and other upstream businesses?

**A 2** Investment in upstream businesses not only enables us to secure returns; it also brings other benefits. For example, should resource procurement costs associated with the Cove Point LNG Project increase due to a rise in the Henry Hub index, the revenues generated by upstream interests in the Barnett basin will also increase. This is because we could sell gas procured from the Barnett basin within the United States at the higher price dictated by this index. In this manner, investment in upstream businesses helps stabilize the earnings of the entire Tokyo Gas Group.

**Q 3** It would appear that Tokyo Gas is investing aggressively in northern Kanto. To what extent do you think gas demand can be cultivated in this area?

**A 3** There is significant latent demand in northern Kanto (see P.17). We will cultivate this demand by developing infrastructure, and thereby we aim to expand gas sales volume to 22.0 billion m<sup>3</sup> by fiscal 2020. To date, growth in gas sales volumes has been consistent with the forecasts of the “Challenge 2020 Vision.”

In addition, while developing infrastructure, we have seen cases in which the installation of pipelines has resulted in the appearance of new demand that we had not initially anticipated.

**Q 4** What are the Board of Directors’ policies toward corporate governance?

**A 4** Aiming to protect shareholder interests in management, the Company began appointing outside directors in 2002 to improve corporate governance systems, and management transparency has improved as a result. Going forward, we will continue to practice accountability toward stakeholders while actively conducting information disclosure.

**Q 5** The “Challenge 2020 Vision” calls for the Tokyo Gas Group to conduct aggressive investment. What is the likelihood that this will result in excessive investment in projects with insufficient profitability?

**A 5** Our basic approach toward investment is to make decisions based on economic rationality, and we will only invest in projects from which we can expect appropriate returns. The Investment Evaluation Committee is responsible for evaluating projects and making judgments regarding economic rationality.

## Investment Evaluation Committee

**Overview** To evaluate the economic rationality of investments, the Company has established the Investment Evaluation Committee. This committee conducts objective, multifaceted evaluations of estimates formulated by planning departments.

Before investment proposals are presented to the Corporate Executive Committee for deliberation and approval, the Investment Evaluation Committee evaluates their economic rationality from a quantitative perspective. It then reports these findings to the Corporate Executive Committee.

**Scope of Evaluations** The Investment Evaluation Committee evaluates investments targeting increased profitability or business development in a wide range of areas.

**Evaluation Methods** The conditions required to generate future cash flows are evaluated, and net present value (NPV) and the internal rate of return (IRR) are calculated based on projected cash flows. The committee also formulates withdrawal standards that consider whether or not investments are producing the anticipated results. Prior to investment, the committee considers possible

measures that could be implemented should the projects come into conflict with these standards while also evaluating investment risk factors.

**Post-Investment Monitoring** In addition to evaluating projects before investment, the Investment Evaluation Committee continues to evaluate investments periodically after they are concluded to ensure that they are properly managed. Should a project come into conflict with withdrawal standards, the likelihood of achieving the initial goals of the investment is reevaluated. When deemed necessary the committee will propose withdrawal to the Corporate Executive Committee.

**Committee Membership** The Investment Evaluation Committee is chaired by the executive officer in charge of finances and its members include the general managers of the Corporate Planning Department and the Finance Department. Based on the nature of the projects being discussed, Tokyo Gas Group members that are knowledgeable on the subject may be asked to participate.