

RISING TO NEW HEIGHTS OF CREATIVITY



Stock Code 9531.T

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About Tokyo Gas

Developing Business through the LNG Value Chain

Tokyo Gas has developed a comprehensive range of businesses that spans from upstream resource development and procurement to gas transportation and sales. We specialize in natural gas, and the technologies and expertise we have accumulated in this respect are being leveraged to maximize the value we provide and to expand all areas of our operations. Moving forward, Tokyo Gas will enhance its LNG value chain and work to increase its corporate value.

Overseas Upstream and Downstream Businesses

7 Countries*
14 Projects*

Diversifying Activities Expanding All Areas of Operations



Darwin LNG Project (Bayu-Undan Gas Field)



Pluto LNG Project Woodside-operated Pluto LNG onshore gas plant, Image courtesy of Woodside.

- Upstream projects
- Major overseas downstream projects
- LNG supply

Procurement and Transportation

LNG Procurement Volume

13.967 million t*
5 Countries 11 Projects*

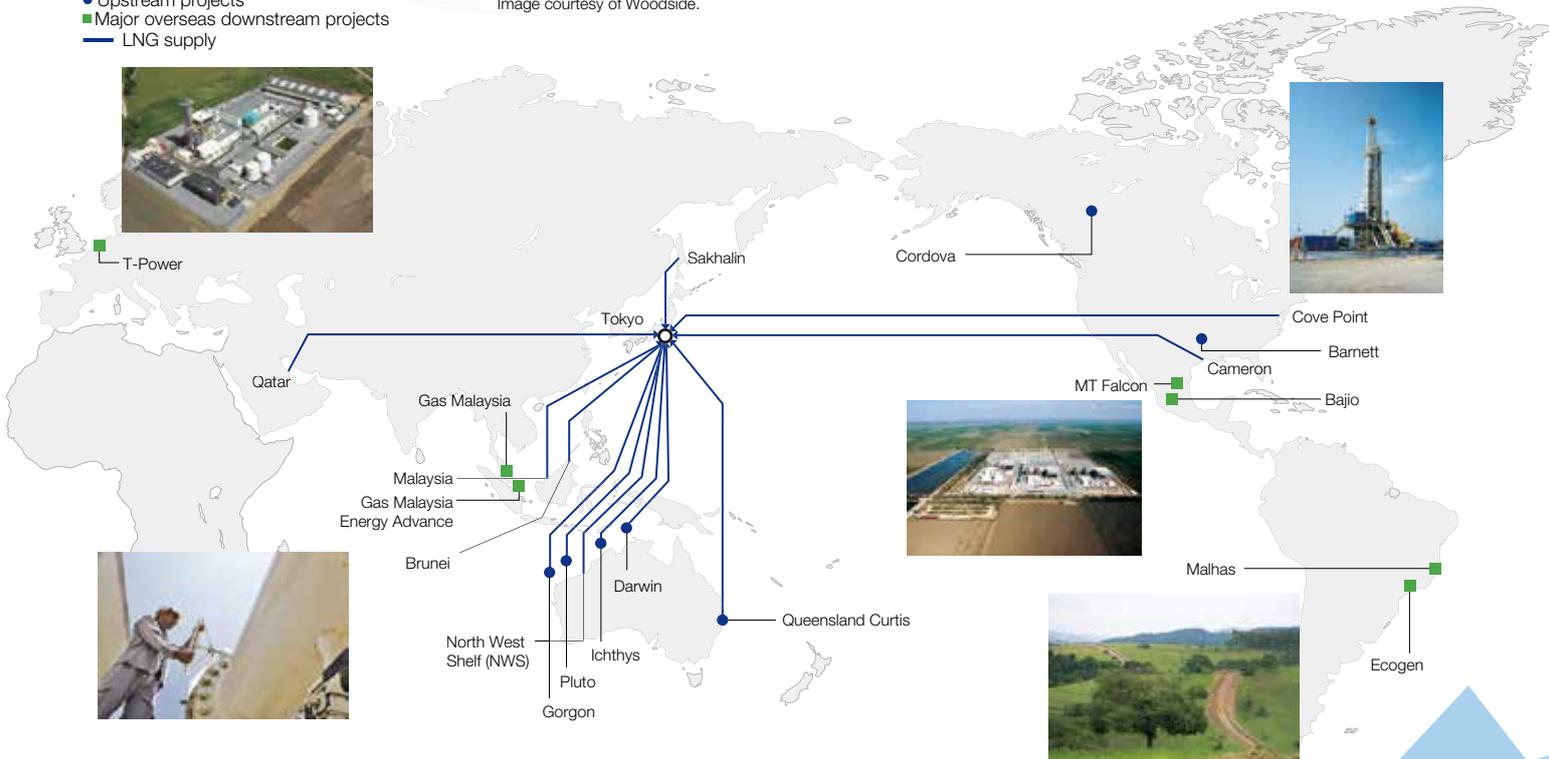
Stable and affordable resource procurement



Cove Point LNG Project



LNG vessel 「Energy Frontier」

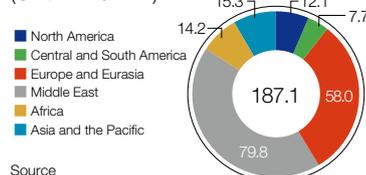


Advantages of Natural Gas

- ① Natural gas reserves are scattered throughout the world with supply secured on a stable basis
- ② Low levels of CO₂ and other emissions during combustion and highly environmentally friendly
- ③ Robust pipeline network structure and configuration; high city gas supply stability
- ④ Virtually zero loss during production and transportation

Major confirmed reserves of natural gas

(Unit: Trillion m³)



Source
BP Statistical Review of World Energy 2015

**Enhancing the LNG Value Chain
through Efforts Aimed at Realizing
Our Challenge 2020 Vision**

The Tokyo Gas Group will increase the added value delivered to its customers and society through the LNG value chain of each of its businesses. In addition to expanding overseas business development, we will establish an additional pillar in the total energy business while enhancing the LNG value chain.

Production, Generation, Supply

4 LNG Terminals^{※2}

^{※2} Including the Hitachi LNG Terminal, which is scheduled to come online in March 2016

4 power plants[※]

**Improving supply security
Further strengthening safety**

Gas Sales Volumes

15.5 billion m³[※]

Net Sales

¥2,292.5 billion[※]

Net Income

¥95.8 billion[※]

**Gas sales
Energy services**

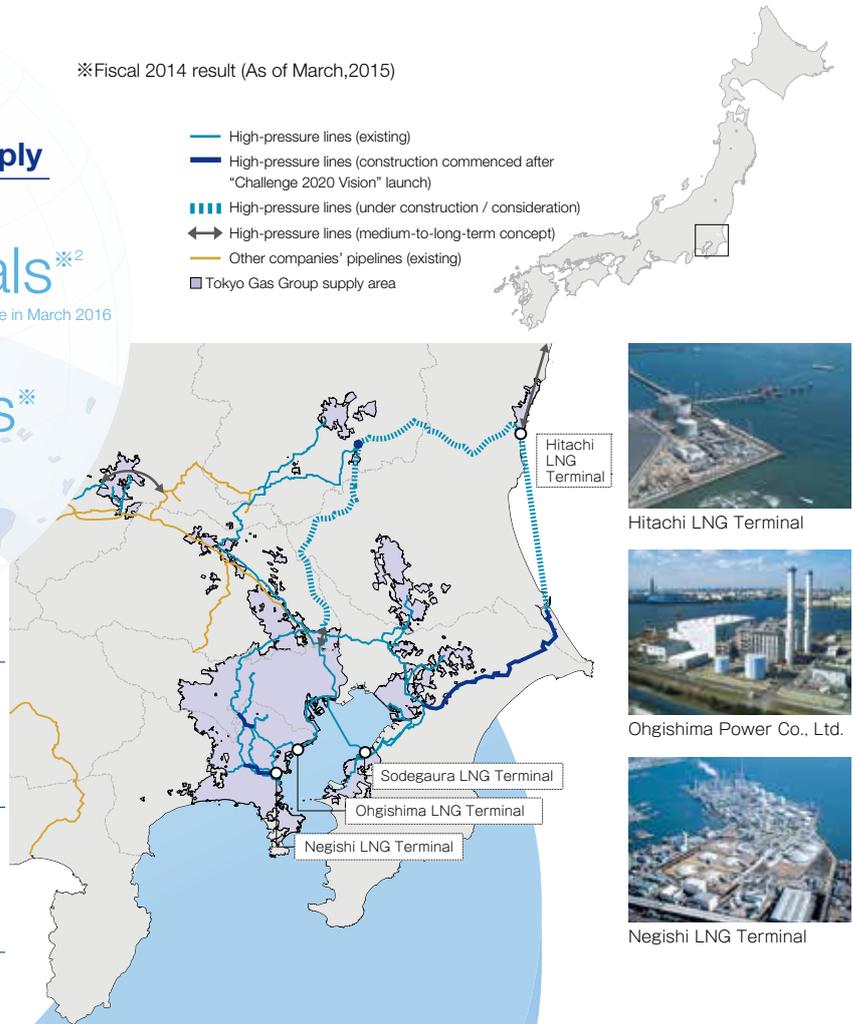
Number of Customers:

11.26 million[※]

**Gas sales that match customers' needs
Providing diverse energy solutions**

※Fiscal 2014 result (As of March, 2015)

- High-pressure lines (existing)
- High-pressure lines (construction commenced after "Challenge 2020 Vision" launch)
- ▨ High-pressure lines (under construction / consideration)
- ↔ High-pressure lines (medium-to-long-term concept)
- Other companies' pipelines (existing)
- Tokyo Gas Group supply area



Hitachi LNG Terminal



Ohgishima Power Co., Ltd.



Negishi LNG Terminal

Profile (As of March 31, 2015)

Tokyo Gas Co., Ltd.

Established	October 1, 1885
Capital	141.844 billion yen
Net sales	2,292.5 billion yen (Consolidated basis)
Number of employees	16,835 (7,979 Non-consolidated basis)
Service area	Tokyo Metropolitan Area and major cities in Kanagawa, Saitama, Chiba, Ibaraki, and Gunma prefectures
Affiliated companies	Consolidated subsidiaries: 69 Equity-method affiliates: 6

- Lines of business**
- (1) Production, supply and sale of city gas
 - (2) Supply and sale of gas appliances, and related installation work
 - (3) Construction work relating to the supply of city gas
 - (4) Energy services
 - (5) Supply of electricity



"ENE-FARM"



Smart Energy Center located in the north I district from the east exit of Tamachi station, Tokyo

Performance in Fiscal 2014

Overview of Performance

Results in Fiscal 2014: An Increase in Sales and a Decrease in Income

Gas Sales Volumes

Up 5.5%

An increase in sales due to such factors as growing demand for electric power generation mainly in the Kashima area led to an 806 million m³ year-on-year, or 5.5%, rise in gas sales volumes, to 15,541 million m³. The gas sales volumes on a 2020 Vision basis, which includes the portion used in tolling and the volume of LNG liquid sales, came to 18,360 million m³, up 1,135 million m³, or 6.6%.

Net Sales

Up 8.5%

Net sales increased ¥180.4 billion, or 8.5%, year on year, to ¥2,292.5 billion. This was largely driven by growing city gas sales, mainly attributable to an increase in sales unit prices owing to the gas rate adjustments as well as the year-on-year upswing in gas sales volumes coupled with higher year-on-year electricity and LNG sales from the increase in sales volumes and unit prices.

Operating Income

Up 3.4%

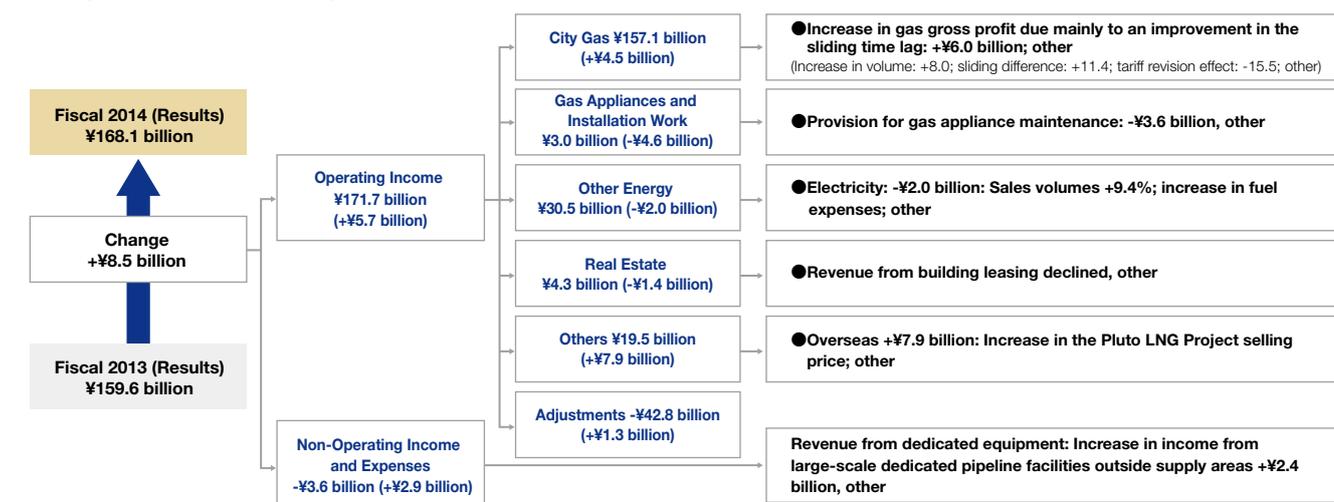
Operating income rose ¥5.7 billion, or, 3.4%, year-on-year, to ¥171.7 billion. This largely reflected an increase in gas gross profit due mainly to an improvement in the sliding time lag as well as higher overseas business profits mainly from the Pluto LNG Project.

Net Income

Down 11.6%

Net income was down ¥12.6 billion, or 11.6%, year-on-year, to ¥95.8 billion due mainly to the posting of an impairment loss with respect to overseas business.

Analysis of Ordinary Income (Year-on-Year Results)



Summary of Operating Results

	FY 2014	FY 2013	Change	%
Gas sales volumes (Million m ³ , 45MJ/m ³)	15,541	14,735	+806	+5.5
Gas sales volumes on a 2020 Vision basis* (Million m ³ , 45MJ/m ³)	18,360	17,225	+1,135	+6.6
Net sales	2,292.5	2,112.1	+180.4	+8.5
Operating expenses	2,120.7	1,946.0	+174.7	+9.0
Operating income	171.7	166.0	+5.7	+3.4
Ordinary income	168.1	159.6	+8.5	+5.4
Net income	95.8	108.4	▲12.6	▲11.6

* Includes the portion used in tolling and the volume of LNG liquid sales.

Economic Frame

	JCC* (\$/bbl)	Exchange rate (¥/\$)	Average temperature (°C)
FY 2014	90.35	109.76	16.0
FY 2013	110.01	100.17	16.1

* Japan Crude Cocktail.

Pension Investment (non-consolidated)

	Investment yield (costs deducted)	Year-end assets (Billions of yen)
FY 2014	5.57%	281.0
FY 2013	1.61%	273.0
FY 2012	6.10%	276.0

Our Shareholder Return Policies

Shareholder Return Policies

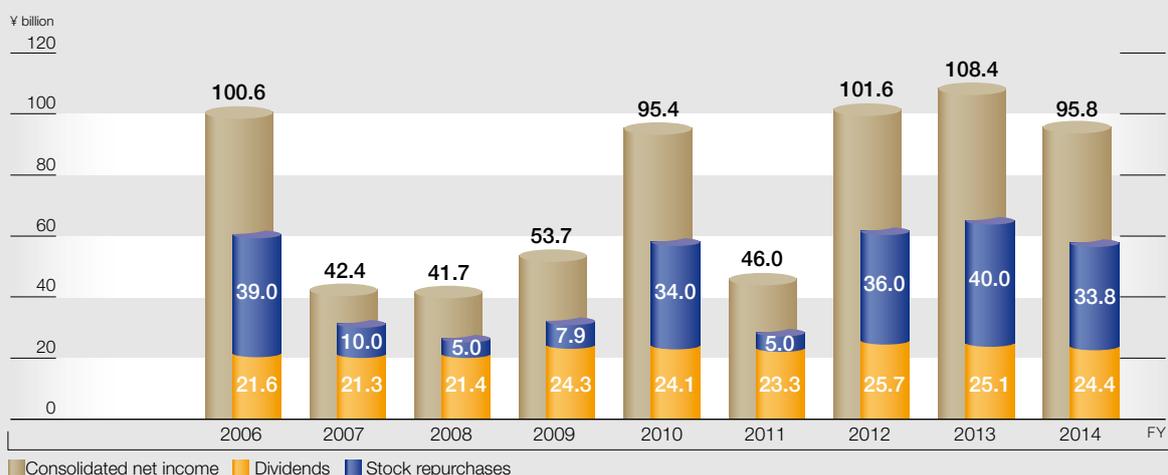
- The Company's financial policies call for Tokyo Gas to issue shareholder returns through dividends and stock repurchases and to target a total payout ratio (ratio of dividends and stock repurchases to consolidated net income) of approximately 60% each year until fiscal 2020.
- In regard to dividends, we aim to maintain stable levels while potentially raising dividend payments based on growth levels.

• In fiscal 2014, we issued the following shareholder returns in accordance with the aforementioned policies, making for a total payout ratio of approximately 60%

1. Issued dividend payments of ¥10 per share, the same as in fiscal 2013.
2. Paid ¥33.8 billion to repurchase 50.0 million shares to be cancelled

Trends in shareholders returns

Dividends per share	¥7→¥8 up	¥8	¥8	¥8→¥9up	¥9	¥9	¥9→¥10up	¥10	¥10
Total payout ratio	60.1%	73.6%	63.4%	60.1%	60.9%	61.4%	60.7%	60.0%	60.8%



Fiscal 2014 shareholder returns

Total payout ratio

60.8%

=

Dividends paid
in fiscal 2014:
¥24.4 billion

+

Stock repurchases
in fiscal 2015:
¥33.8 billion

Consolidated net
income in fiscal 2014:
¥95.8 billion

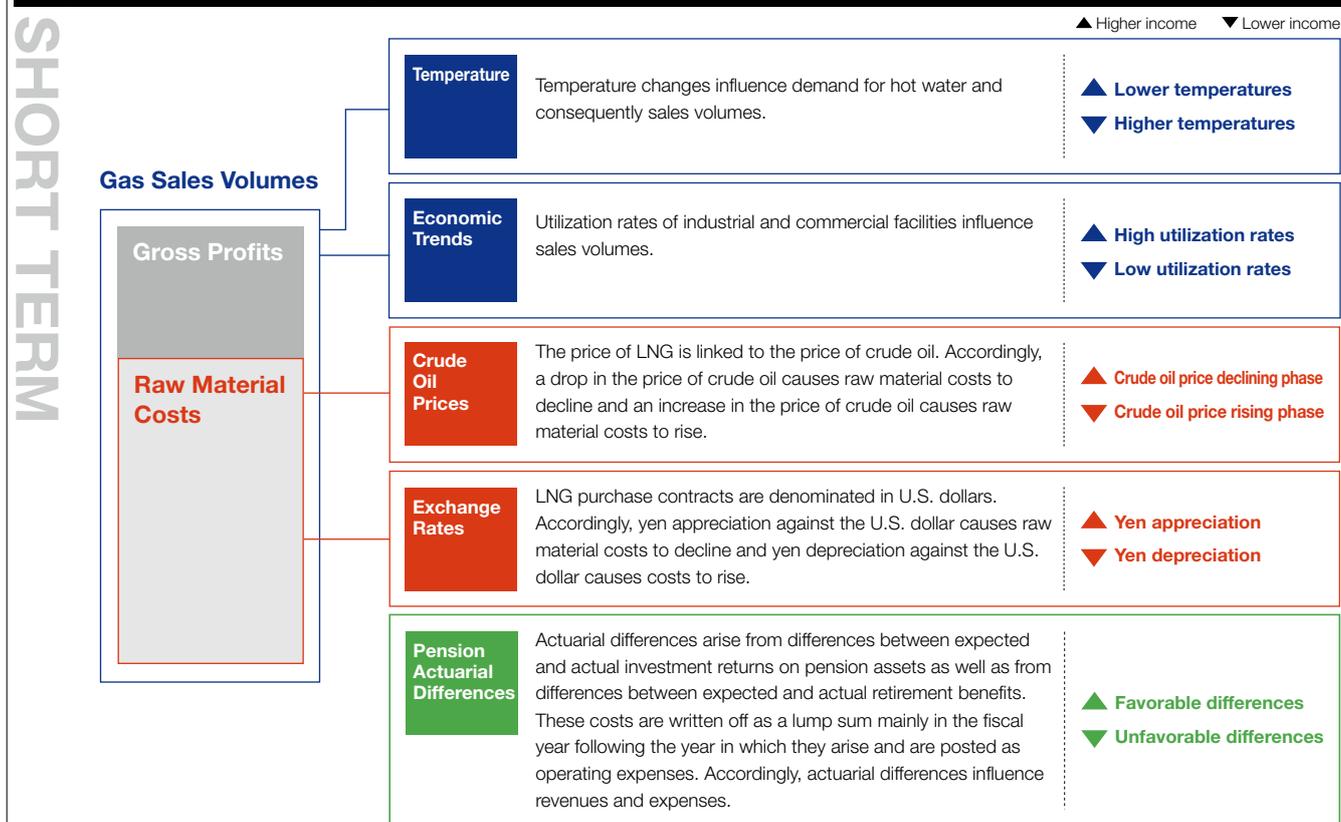
The cumulative total of stock cancellations as part of shareholder returns to be 413 million shares (14.7% of a record high number of issued shares) by March 31, 2016.

* Number of issued shares, including treasury stock, as of March 31, 2015: 2,446,778,295

Factors Influencing Revenues and Expenses

Revenues and expenses in the gas business are determined by the increase or the decrease in gas sales volumes (volume difference) and the gap between the selling price and the purchase price (price difference). It is necessary to distinguish between factors that exert influence in the short term and those that exert influence in the medium-to-long term.

Major Factors Influencing Revenues and Expenses in the Short Term



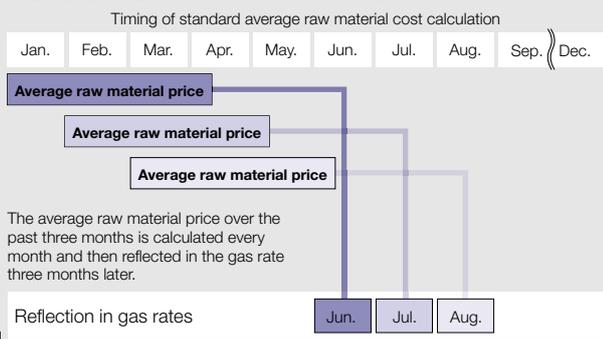
POINT

Gas Rate Adjustment System's Medium-to-Long-Term Neutralizing Effect on Crude Oil Price and Exchange Rate Fluctuations

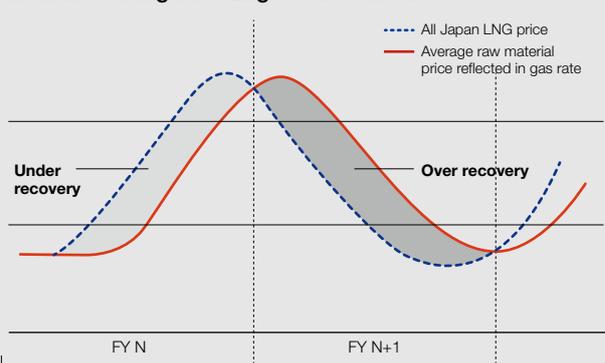
Gas prices are determined using the gas rate adjustment system. Through this system, average raw material prices over a three-month period according to trade statistics are compared with the raw material cost that is used as the standard (standard average raw material cost), and the gas rates are adjusted using a defined calculation method based on the differences. A time lag of four months on average (called a sliding time lag) exists between the

payment of raw material costs and the reflection of such changes in gas rates. Consequently, fluctuations in crude oil prices and exchange rates may result in the under-recovery or over-recovery of raw material costs if this lag cuts across a fiscal year, thereby affecting income. Looking at the medium-to-long term, however, the gas rate adjustment system has a neutralizing effect on the income impacts of fluctuations in raw material costs.

Timing of the Standard Average Raw Material Cost Calculation and Reflection in Gas Rates



How the Sliding Time Lag in Rates Works



Major Factors Influencing Revenues and Expenses in the Medium-to-Long Term

MEDIUM-TO-LONG TERM

Government Policies and Regulations Relating to Energy ▶ For details, see P.37

Tokyo Gas is involved in the city gas business and the electric power business, both of which are subject to regulations. Revisions to regulations governing these businesses could influence the Company's earnings.

Fluctuations in Raw Material Prices

Raw material price trends could influence our cost-competitiveness in comparison with other gas providers or suppliers of other forms of energy. The Company is taking steps to hedge risks related to a decrease or stabilization of raw material prices, such as resolving to import natural gas at prices based on the Henry Hub index.

Competition with Other Energy Sources

Competition between energy sources occurs with regard to such factors as eco-friendliness and efficiency, and this competition could possibly influence demand for natural gas.

Tokyo Gas is actively promoting fuel conversion from heavy fuel oil to natural gas through such means as soliciting the environmental benefits of natural gas.

Population Movements and Industrial Development within the Company's Service Area

Long-term trends, such as population movements and industrial development, within the Kanto region, the Company's service area, have the potential of influencing medium-to-long-term earnings.

Population influx into the Kanto region continues, and the number of houses is expected to rise into the future.

Demand and Infrastructure Development by Tokyo Gas

Tokyo Gas is simultaneously developing infrastructure and demand in the Kanto region, its service area.

We are also focusing on nationwide wholesale efforts. Our ability to develop demand could influence medium-to-long-term earnings.

POINT

Expansion of Industrial Gas Sales Volumes ▶ For details, see P.23

Tokyo Gas aims to increase industrial gas sales volumes going forward. The causes of this expected rise can be categorized based on the abovementioned factors as follows.

① Competition with Other Energy Sources

Fuel conversion from heavy fuel oil to natural gas is proceeding due to the following benefits of natural gas.

- Natural gas has a very small impact on the environment. During combustion, it emits no sulfur oxide (SOx). Further, nitrogen oxide (NOx) emissions are 60% less than those from coal, and carbon dioxide (CO₂) emissions are 40% lower than when using coal and 30% lower than when using heavy fuel oil.
- There is no need to store city gas in tanks, which contributes to improved operational efficiency at factories.
- Dirtying by soot is low when burning natural gas, thereby reducing equipment cleaning requirements along with associated costs.

② Demand and Infrastructure Development by Tokyo Gas

Northern Kanto is ripe with latent demand, at the North Kanto Industrial Zone for example. However, this area currently lacks pipeline networks, necessitating the use of heavy fuel oil or other non-gas energy sources. For this reason, the Company is undertaking capital expenditures targeting northern Kanto. In March 2016, the construction of the Hitachi LNG Terminal will be completed, allowing us to open a pipeline that will run from a terminal to Moka City, Tochigi Prefecture. Going forward, we will progressively construct pipelines and develop demand, and we anticipate expanded gas sales volumes in northern Kanto to result.

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History of Tokyo Gas

- Oct. 1885 : Tokyo Gas established.
- Jul. 1893 : Following the enactment of the Commercial Code, name changed to Tokyo Gas Co., Ltd.
- Sep. 1962 : Caloric value in the Tokyo Head Office service area raised from 3,600 kcal to 5,000 kcal.
- May 1966 : Negishi LNG Terminal went into operation.
- Nov. 1969 : LNG imports from Alaska commenced.
- Jun. 1972 : Caloric value conversion to natural gas begun, from 5,000 kcal to 11,000 kcal.
- Jan. 1973 : LNG imports from Brunei commenced.
- Feb. 1973 : Sodegaura LNG Terminal went into operation.
- Jan. 1976 : Looped Trunk Line from the Negishi LNG Terminal to the Sodegaura LNG Terminal went into operation.
- Dec. 1977 : Tokyo Bay underwater Trunk Line went into operation.
- Feb. 1983 : LNG imports from Malaysia commenced.
- Oct. 1988 : Caloric value conversion to natural gas completed.
- Aug. 1989 : LNG imports from Australia commenced.
- Jan. 1994 : LNG imports from Indonesia commenced.
- Oct. 1998 : Ohgishima LNG Terminal went into operation.
- Dec. 1998 : LNG imports from Qatar commenced.
- Dec. 1999 : Keihin Trunk Line and Yokohama Trunk Line went into operation, connecting three terminals.
- Apr. 2009 : LNG imports from Russia commenced.
- May 2009 : Tokyo Gas was first in the world to release “ENE-FARM” residential fuel cell systems.
- Oct. 2009 : Establishment of new regional energy service provider—“LIFEVAL”—completed.
- May 2010 : Chuo Trunk Line went into operation.
- Mar. 2012 : Chiba-Kashima Line went into operation.

Forward-Looking Statements

This annual report includes various management goals and other forecasts relating to the “Challenge 2020 Vision” announced in November 2011 and other strategies. This information is based on forecasts, assumptions, and available information when preparing the “Challenge 2020 Vision” and other strategies and does not guarantee the achievement of goals and forecasts or future business results. Further, this information may change due to changes in business conditions. Therefore, placing undue reliance on this information is not advised. In addition, the target figures for fiscal 2015 are based on the judgment of management and the information available when the figures were published (April 28, 2015). The Company will disclose the latest information to the Tokyo Stock Exchange in a timely manner and at the same time publish it in the investor relations section of its website (<http://www.tokyo-gas.co.jp/IR/english/index.html>).



Representative Director, President

Michiaki Hirose

The Tokyo Gas Group is seeking out sustainable growth while taking up the challenge of transforming itself.

Ahead of the full liberalization of the retail sectors for electricity and gas, the fabric of the energy industry itself is changing in Japan. At the center of this tumultuous change, the Tokyo Gas Group is transforming itself in a bid to sustain growth as the industry enters virgin territory.

In November 2011, we formulated “The Tokyo Gas Group’s Vision for Energy and the Future ~Challenge 2020 Vision~.” My mission is to make this “Challenge 2020 Vision” into a reality and ensure the unfaltering growth of the Tokyo Gas Group into the future.

From our base of operations in the Tokyo metropolitan area and core gas business, we aim for further growth by expanding our business fields and strengthening our operating foundation. In these endeavors, we may encounter the occasional failure or setback, but we intend to minimize the impact of these missteps through risk management. I believe it is vital that we continue to boldly take on new challenges without hesitation in order to become a truly global company—a total energy company that flourishes in the coming new era of deregulation.

I ask for the continued understanding and support of our stakeholders, including our customers, shareholders, local communities and business partners.

Q. What are your impressions of the fiscal year ended March 31, 2015?

A Although performance was adversely affected by external factors such as the decline in crude oil prices, we were able to lay the groundwork for taking the next step.

Japan's energy industry is undergoing its biggest transformation since the 1950s, and I was appointed to the position of president in April 2014 in the midst of this transformation. While emphasizing continuity amid these unprecedented changes and rapidly shifting landscape, I have served as president with a keen understanding of my role as a banner-bearing leader responsible for steering the Company in a new direction.

Looking back on the fiscal year ended March 31, 2015, Tokyo Gas's performance was impacted in no small way by considerable changes in external conditions, such as the sharp drop in crude oil and gas prices through the second half, as well as the consumption

tax hike in April 2014. Normally, earnings in the gas business do not fluctuate that much over the short timeframe. The impact from the drop in crude oil and gas prices was especially significant, leading to impairment losses of ¥29.5 billion in the overseas upstream business during the fiscal year.

Fiscal 2014 was also the final year of the initial three-year "hop" stage of the "Challenge 2020 Vision." In autumn 2014, we put together the principle measures for the "step" stage over the next three years. We are pleased that the Company has already gotten off to an excellent start in the "step" stage during fiscal 2014, as evident in a number of performance indicators. For example, Tokyo Gas Asia Pte. Ltd. was established in Singapore as our regional headquarters for business and investment activities in Southeast Asia. Centered on this new company, we intend to create a group formation overseas that encompasses bases in Vietnam, Indonesia and Thailand.

Q. How is progress toward "Challenge 2020 Vision," and what measures are being implemented?

A Over the next three years, we will focus on evolving into a total energy business, accelerating global business development, and constructing a new group formation.

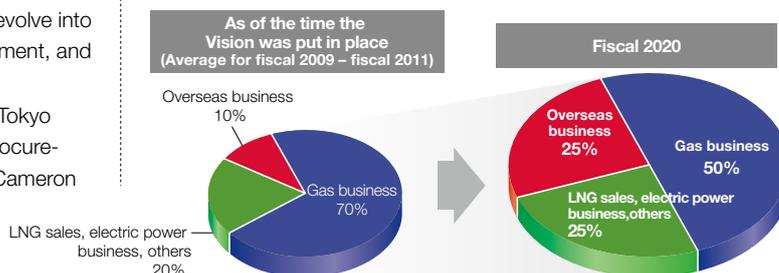
Our Vision aims to further enhance value in the LNG value chain by following an action plan that entails three components: (1) diversify and expand resource procurement and overseas business; (2) ensuring a safe and reliable energy supply; and (3) provide energy solutions that meet customer needs. On all these fronts, we have made steady progress in line with initial plans. In light of these results, we are transitioning to the "step" stage of the Vision from fiscal 2015, and these three very important years will prepare us for the next "jump" stage.

The primary measures for the "step" stage are threefold: evolve into a total energy business, accelerate global business development, and construct a new group formation.

With regard to the evolution into a total energy business, Tokyo Gas has made progress diversifying sources for resource procurement, entering into agreements to purchase LNG from the Cameron

LNG Project in the U.S. and signing a memorandum of understanding with Korea Gas Corporation for mutual cooperation on strategic initiatives. At the same time, Tokyo Gas continues to upgrade infrastructure centered on the Hitachi LNG Terminal Project, which aims to spread the use of natural gas further. With an eye on the April 2016 deregulation of the electricity retail sector, we aim to attain approximately 30 billion kWh in electric power sales by 2020, equivalent to about 10% of electricity demand in the Tokyo metropolitan area. Tokyo Gas is focusing its efforts on the provision of optimal energy solutions that combine value added from both gas and electricity.

Changing Business Structure (Consolidated net income ratio by business)



In the context of accelerating global business development, Tokyo Gas has been concentrating management resources specifically in the targeted regions of North America in the upstream business and of Southeast Asia and North America in the midstream and downstream businesses, including engineering solutions. We intend to swiftly promote overseas business, but will take cautious steps due to the significant risks involved.

Thirdly, we seek to construct a new group formation. I have already touched on overseas group formation above, and in Japan, we are adjusting the direction of each business with the aim of integrating functions and operations, including at subsidiaries and affiliates, through the selection and concentration of businesses. The gas business will always be our core business. Going forward, however, we will pivot toward fostering a second and third pillar of operations to complement the gas business in a bid to shift away from management focused on one dominant business, like Mt. Fuji, to management of several large businesses, like an entire mountain range.



Q. Please describe the Company's policies for the core gas business.

A

We emphasize a balance of stability, economic viability, and flexibility in our procurement of resources, while continuing to upgrade infrastructure in the northern Kanto area.

Infrastructure must be upgraded to satisfy expanding demand for gas. Our existing gas infrastructure consists of pipelines extending northward from three LNG terminals in Tokyo Bay. Farther to the north in Japan, Tokyo Gas is constructing the Hitachi LNG Terminal, from which pipelines are being constructed southward to compete the connection to its supply network. Tokyo Gas plans to begin operations of the Ibaraki-Tochigi trunk line that links up with the Hitachi LNG Terminal in the second half of fiscal 2015. This trunk line will improve the reliability of its natural gas supply infrastructure and should play a major role as the Company taps into the potential for considerable demand in the north Kanto area. As one example of this potential demand surfacing, Tokyo Gas has already entered into an agreement with Kobe Steel, Ltd., one of the largest independent power producers (IPP) in Japan, to supply gas to its gas-fired thermal power plant that will be constructed near Moka City, Tochigi

Prefecture.

Resource procurement is another key aspect of the gas business. When forming a strategy for resource procurement, reliability is the most important factor, but so is economic viability with competitive sources, as well as flexibility in being able to adapt to changes. How best to balance out these three factors is the conundrum we constantly face. While economic viability has been main focus for the past few years, we now aim to diversify procurement sources, pricing benchmarks and destination clauses through more flexible arrangements with a variety of market players inside and outside Japan. Levering economies of scale, we intend to ensure the stable and inexpensive procurement of resources.

Learning from the lessons of the Great East Japan Earthquake, Tokyo Gas is stepping up efforts to prevent damage from natural disasters, focusing on making its facilities more resistant to earthquakes.

The Tokyo Gas Group will continue to make every effort to ensure a reliable and safe supply infrastructure, the foundation of its gas business.

Q. What is Tokyo Gas's strategy for the electric power business in light of deregulation?

A

Tokyo Gas is making preparations to begin selling electricity pre-order sales, with the objective of acquiring 10% of demand for electricity in the Tokyo metropolitan area by 2020.

In the power generation business, with the full-scale liberalization of the retail electricity sector in April 2016, Tokyo Gas is focusing on the sale of electricity to households and small commercial customers, the sectors that are subject to deregulation, in addition to wholesale and large-lot customer markets. By 2020, Tokyo Gas aims to acquire a 10% or so share of the electric power market in the Tokyo metropolitan area, a very ambitious target.

In 2017, the retail gas sector is due to be fully deregulated, putting Tokyo Gas in a defensive position over its current 100% market share. Since the electricity market is considerably larger than the gas market, the Tokyo Gas Group regards the liberalization of the retail electricity sector as a major business opportunity.

While developing the power generation business, we are putting in place a value chain for electric power, from power plants to retail

sales. In this endeavor, we can leverage our base of 11 million customers in the Tokyo metropolitan area, the nerve center of Japan, as well as the close customer relationships that have been built up locally through Tokyo Gas Lifeval subsidiaries, our gas sales channels. Tokyo Gas is in the final stages of preparations for the start of electricity pre-order sales this autumn, including system updates, rate structures and service options. We now aim to win market share and generate synergies through advertising in mass media and community and customer-focused marketing through Tokyo Gas Lifeval subsidiaries. I believe the true value of our relationships with customers to date will be reflected in the number of customers that choose to purchase electricity from Tokyo Gas.

We plan to expand our own power generation capacity to approximately 3,000 MW by 2020 from the current capacity of 1,300 MW. We also aim to build an even more competitive power source portfolio by adding power sources to our current base of gas-fired thermal power plants.

Q. Please explain plans for overseas business development and expansion.

A

Tokyo Gas is concentrating management resources in specific target regions with upstream business in North America and midstream and downstream business in Southeast Asia and North America.

Above, I described how Tokyo Gas is dividing its overseas business strategy by region for upstream business and midstream and downstream business. In the upstream business, which can be regarded as a resource business, Tokyo Gas pursues growth through the acquisition of upstream beneficiary rights alongside traditional LNG procurement, as well as the acquisition of gas field beneficiary rights in North America and other regions



without rights for procurement. Moreover, Tokyo Gas aims to diversify the ways it participates in projects, such as by participating in small and medium-scale LNG projects as well. In North America, we are aggressively seeking out promising projects while expanding and enhancing our management team based in Houston, Texas. Since upstream business is exposed to short-term trends in crude oil prices, we are balancing it with expansion in the midstream and downstream business, which should bring in more stable revenues.

Our midstream and downstream business is centered on Southeast Asia. If countries in Southeast Asia follow the same path taken by Japan in terms of population growth and economic development, we see the need to create an LNG value chain in the region. Tokyo Gas aims to contribute to the creation of energy infrastructure and provide energy solutions, such as for factories and commercial facilities, in Southeast Asian countries by leveraging the Group's accumulated technologies and expertise in the total energy business centered on LNG. Through alliances with local energy companies, Tokyo Gas is taking on the challenge of developing value chains from the import of energy resources to its supply and consumption. We intend to grow this business by contributing to the development of countries in Southeast Asia while fostering personnel with insight in local conditions, such as local legal systems and business practices, even if it takes time.

Q. What impact will reforms to electric power and gas systems have on the business structure of Tokyo Gas?

A

Through trial and error, management will do its utmost to steer Tokyo Gas through tumultuous change while making preparations for every scenario imaginable amid a strong likelihood of corporate restructurings and mergers.

The gist of reforms to the electric power and gas systems goes to the roots of these two businesses, tearing down regional barriers in both the electric power and gas sectors. Throughout the process of reforms, corporate restructurings and mergers are expected to pick up. In April 2015, Tokyo Electric Power Co., Ltd. and Chubu Electric Power Co., Ltd. formed an alliance that established JERA Co., Ltd., a new company with operational scope ranging from upstream business and fuel procurement through to power generation. This was a ground-breaking event for the energy industry in Japan.

As a country poor in natural resources, Japan must import most of its energy, making it imperative to address the significant issue of negotiating lower LNG prices. JERA Co., Ltd. plans to procure 40 million tons of LNG annually, one of the largest procurement mandates in the world. If this company is able to gain bargaining power through economies of scale, we would expect positive

ripple-down effects for not only Tokyo Gas, but for Japan as a whole.

As Japan moves for the first time toward the full liberalization of its electric power and gas markets, Tokyo Gas has been preparing for every scenario imaginable by examining similar cases overseas as well as cases of deregulation in other sectors, such as finance and telecommunications. However, we have limited visibility on how the industry will look after deregulation takes effect. By taking a flexible approach through trial and error, we will spare no effort in charting a path of growth for Tokyo Gas throughout this period of tumultuous change that only happens once in a lifetime.

Schedule for liberalization of electric power and gas markets (plan)



Q. What are the Company's policies with regard to shareholder returns?

A

Tokyo Gas aims to maintain a total payout ratio of 60% by striking a balance between returns for shareholders and customers, given the strong public nature of its business.

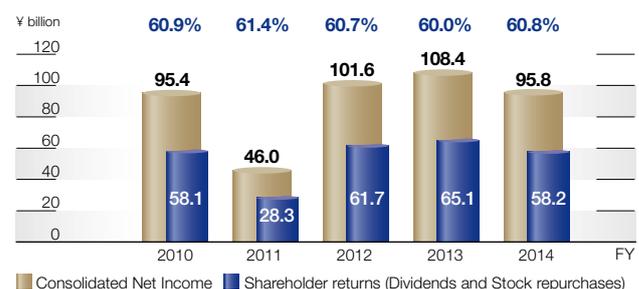
Tokyo Gas intends to increase dividend step by step over the long term in tune with profit levels without cutting dividends. Moreover, our basic policy is to maintain a total payout ratio of 60% to shareholders through the buyback and retirement of shares.

The introduction of the Corporate Governance Code has focused attention more than ever on return on equity (ROE). Tokyo Gas has traditionally emphasized efficiency indicators like ROE in addition to stability and growth indicators. Ever since we set a medium-term target for ROE of 8% in 2011, there have been a number of years where ROE has been higher than this level. Tokyo Gas must gain the understanding of its customers in the course of operations, because this is a heavily regulated industry that serves local communities and society as a whole. For this reason, our management stance to date has emphasized a well-balanced approach our customers, our biggest stakeholders, and our shareholders. By making our operations more efficient, our customers benefit from lower gas prices, and

our shareholders benefit in the form of higher dividends. I think that an ROE target of 8% should be regarded as the level of commitment we can make to shareholders, in light of the nature of our business.

Our corporate and business philosophy will not change in principle after deregulation. As deregulation progresses along the timeline for full liberalization, there may be a time when management revises its approach to ROE. However, I believe we will stay with our current approach until 2020, while looking for room for improvement.

Total payout ratio



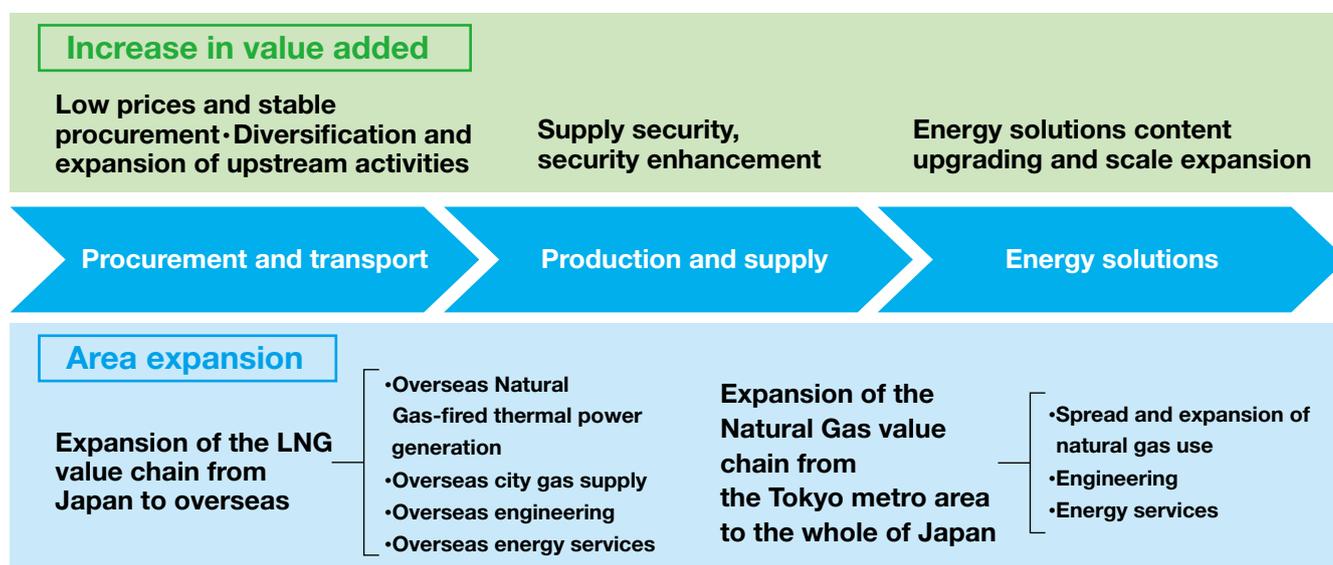
Challenge 2020 Vision

Overview

The Tokyo Gas Group's Vision for Energy and the Future

Debate over the nature of Japan's energy supply continues unabated. Against this backdrop, Tokyo Gas has long played a key role in the supply of energy in Japan, with a focus on the Tokyo metropolitan area. In order to address the challenges posed by new energy issues, we put in place "Challenge 2020 Vision," our vision for energy and the future. Recognizing the growing need to enhance energy security, reduce energy costs, and promote energy system innovation that helps to conserve energy and curtail CO₂ emissions, we will continue to hone our technologies and expertise in LNG and natural gas while working to address the needs of each era.

Enhancing the LNG Value Chain



Action Plan

1 Strive to reduce raw material prices and expand overseas operations

- Diversify and expand raw materials procurement and overseas upstream projects
- Construct an overseas LNG value chain
- Pursue overseas expansion of energy services and engineering

2 Deliver a safe and stable supply of energy

- Strengthen resistance to disaster and ensure safe supply
- Upgrade and expand optimal infrastructure in step with the spread and expansion of natural gas use

3 Provide energy solutions adapted to a variety of needs

- Promote the spread and expansion of distributed energy systems
- Promote the spread and expansion of gas equipment that contributes to peak saving, energy conservation and CO₂ emissions reduction
- Build a "smart energy society" that uses energy wisely

- Expand the electric power business (natural Gas-fired thermal power generation)

- Implement renewable energy initiatives
- Promote advanced utilization of natural gas and fuel conversion
- Promote the spread and expansion of natural gas use and nationwide development of energy services

4 Pursue technical development and IT utilization with a focus on the future

- Engage in technical development with a focus on the future
- Use IT to enable closer communication with customers

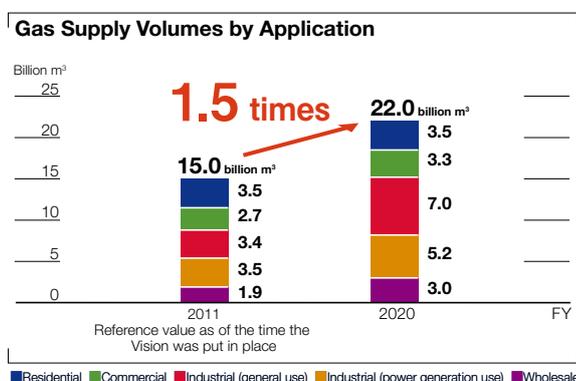
5 Realize a leaner, stronger business structure

Hop (FY2012-2014)

Step



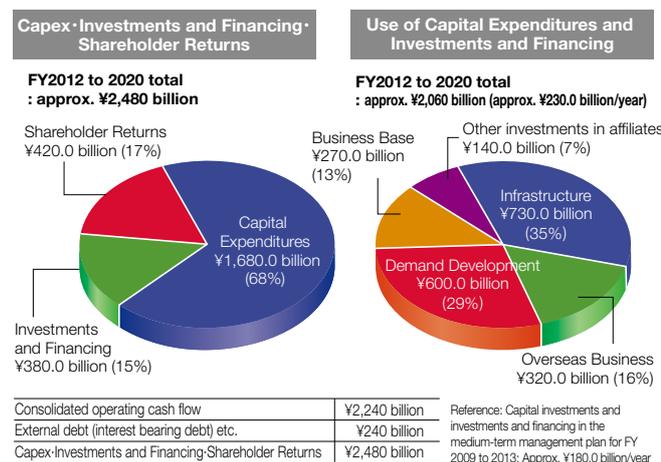
Challenge Performance Indicators



	Fiscal 2011 Outlook (Reference value as of the time the Vision was put in place)	FY 2020	Annual Average Growth rate
Residential	3.5	3.5	0%
Commercial	2.7	3.3	2%
Industrial (general use)	3.4	7.0	8%
Industrial (power generation use)	3.5	5.2	4%
Wholesale	1.9	3.0	5%
Total	15.0	22.0	4%

Billion m³

Tokyo Gas will actively invest capital to prepare for sustained growth and has established the following performance indicators, taking into consideration investment efficiency, financial position, and shareholder returns.

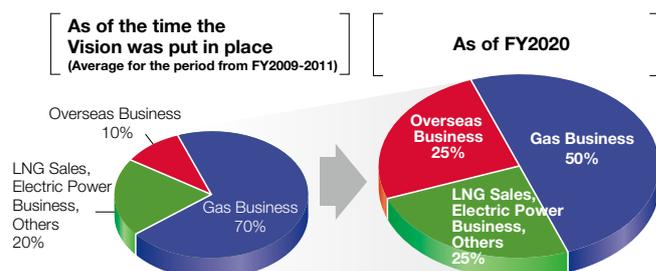


Financial Performance Indicators

	As of the time the Vision was put in place (Average for the period from FY2009-2011)	As of FY2020
Consolidated operating cash flow	Approx. ¥210 billion/year	Approx. ¥250 billion/year
ROE	7.3%	Approx. 8%
ROA	3.3%	Approx. 4%
D/E ratio	0.7	Approx. 0.8 (each fiscal year)
Total payout ratio	60.6%	Approx. 60%

Business Structure (Consolidated Net Income Ratio by Business)

Tokyo Gas will grow the LNG sales, power generation, other, and overseas businesses while expanding the domestic gas business. We will aim to change the current 7 to 2 to 1 ratio of net income from the Gas Business, LNG Sales, Electric Power Business and Others, and Overseas Business to a ratio of 2 to 1 to 1 while at the same time increasing the total amount of earnings.



(FY2015-2017)

Jump (FY2018-2020)

➤ Steady Path from Fiscal 2012 to Fiscal 2014 toward Realizing Our “Challenge 2020 Vision”

Making Inroads into the Procurement of Raw Materials and Expanding Overseas Business while Upgrading and Expanding Infrastructure Development and Energy Solutions

In its effort to realize its “Challenge 2020 Vision,” the Tokyo Gas Group has identified the three hop (FY2012-2014), step (FY2015-2017), and jump (FY2018-2020) periods. During the three-year period from fiscal 2012 to fiscal 2014, we took a positive step forward in each of the raw materials procurement, overseas business, infrastructure development, and energy solution fields.

1 Efforts to Date

(1) Diversification and Expansion of Raw Materials Procurement and Overseas Business

In line with the increase in LNG demand, the risk of rising raw materials costs is a major concern. Against this backdrop, the Tokyo Gas Group has worked diligently to procure resources from and acquire interests in existing large-scale LNG projects and to purchase shale and other unconventional gas resources while taking into consideration the balance between supply stability, price, and flexibility. Every effort was made to further diversity and expand supply sources as well as overseas upstream projects and to lower raw materials prices.



- | | |
|---|---|
| <ul style="list-style-type: none"> ❶ March 2012 : Signed a Memorandum of Understanding with PetroVietnam Gas regarding cooperation in the development of an LNG value chain in Vietnam ❷ November 2012 : Entered the energy service business in Brazil
February 2014 : Established an energy services business company in Malaysia ❸ April 2013 : Decided to participate in the U.S. Cove Point LNG Project; contracted for the purchase of 1.4 million tons per year of LNG | <ul style="list-style-type: none"> ❹ April 2013 : Joined a shale gas development joint venture in the U.S. Barnett Basin ❺ July 2014 : Contracted for the purchase of approximately 0.52 million tons per year of LNG from the U.S. Cameron LNG Project ❻ September 2014 : Signed a Memorandum of Understanding with Korea Gas Corporation regarding the optimization of LNG inventories, joint LNG procurement, and joint investment in upstream businesses |
|---|---|

(2) Safe and Stable Energy Supply

The Tokyo Gas Group endeavored to put in place an optimal infrastructure in step with the spread and expansion of natural gas use by constructing the Hitachi LNG Terminal and establishing trunk line loops. At the same time, we put in place a variety of disaster prevention countermeasures to address the risks of a wide range of contingencies including earthquakes, tsunamis and blackouts and to ensure the safe and stable of gas through a framework that is less susceptible to damage and interruption.

- | | |
|---|---|
| <ul style="list-style-type: none"> ❶ Infrastructure Improvements to Respond to Demand Increases and Boost Supply Stability
[North Kanto Area]
November 2011 : Began construction of the Saito Line (operations scheduled to commence from October 2015)
January 2012 : Began construction of the Ibaraki-Tochigi Line (operations scheduled to commence from March 2016)
June 2012 : Completed construction of the Kashima Waterfront Line and commenced supply to the Kashima Thermal Power Station of Tokyo Electric Power Company
July 2012 : Began construction of the Hitachi LNG Terminal (operations scheduled to commence from March 2016) | <ul style="list-style-type: none"> January 2014 : Began construction of the Koga-Moka Line (operations scheduled to commence from March 2018) [Bay Area]
November 2013 : Began use of Ohgishima LNG Terminal No. 4 LNG Tank ❷ Preparedness for Earthquakes and other Disasters
June 2012 : Concluded an agreement with Shizuoka Gas Company Ltd. and INPEX Corporation for the reciprocal backup of natural gas in an emergency
May 2014 : Subdivided the number of low-pressure pipeline blocks into 207 blocks to minimize the areas affected by supply failure during and after an earthquake disaster (140 blocks in 2011) |
|---|---|



(3) Energy Solutions that Meet Customer Needs

The Tokyo Gas Group released the world's first ENE-FARM residential fuel cell system for housing complexes. In addition to securing power sources in a bid to expand its electric power business, the Group also worked to expand nationwide LNG sales.



① ENE-FARM

April 2014 : Released the world's first ENE-FARM residential fuel cell system for housing complexes

② Expansion of the Electric Power Business

June 2013 : Began construction of Ohgishima Power Station Unit 3 (operations scheduled to commence from February 2016)

September 2014 : Signed an agreement with Kobe Steel, Ltd. for the supply of electric power from the Shinko Moka Power Plant (supply scheduled to commence from fiscal 2019)

March 2015 : Reached an agreement with Idemitsu Kosan Co., Ltd. and Kyushu Electric Power Company Inc. to consider the joint development of a coal-fired power plant; May 2015: Established Chiba-Sodegaura Energy Co., Ltd.

③ Nationwide Development of LNG Supply

October 2012 : Began LNG supply to Hokkaido Gas Co., Ltd. via ocean liners

September 2014 : Began construction of the Onahama Satellite Terminal with a view to supply that meets industrial demand in Iwaki City, Fukushima Prefecture (supply scheduled to begin from January 2016)

October 2014 : Commenced supply of LNG to Saibu Gas Co., Ltd.



➤ Main Policies for FY2015-2017 toward Realizing “Challenge 2020 Vision”

Evolve the Total Energy Business and Accelerate Global Business Development

The Tokyo Gas Group has moved smoothly throughout the hop period in its efforts to realize its “Challenge 2020 Vision.” The Group is now poised to enter the step period from fiscal 2015 and to lay the groundwork by advancing a variety of measures. Here we provide details of our three main policies for the step period: “evolving the total energy business,” “accelerating global business development,” and “constructing a new group formation.”

2 Main Policies from Fiscal 2015 to Fiscal 2017

(1) Evolve the Total Energy Business

In order to evolve the total energy business, the Tokyo Gas Group will work to further diversify the procurement of raw materials and upgrade and expand infrastructure in step with the spread and expansion of natural gas use. At the same time, the Group will expand electric power sales, bolster competitive generation capacity, and provide optimal energy solutions that combine gas, electricity, and value added while ensuring safe and stable supply.

① Further Diversify Raw Materials Procurement

Further advance diversification of procurement sources, price indices and destinations, and flexibly form alliances not only with domestic companies but also with Korea Gas Corporation and other diverse foreign players, depending on the contract conditions and trading timing, for joint procurement, optimization, and sales of LNG.

② Upgrade and Expand Infrastructure in order to Spread and Expand the use of Natural Gas

The Tokyo Gas Group will look to construct the Hitachi LNG Terminal LNG Storage Tank No. 2 as well as Ibaraki Trunk Line with a view to completion by 2020. Steps will also be taken to pursue the construction of the Hitachi-Onahama Line by the 2020s. For this purpose, we will advance more detailed studies on various aspects of the undertaking including demand trends and route selection. In addition, operations will commence at the Hitachi LNG Terminal, Ibaraki-Tochigi Line, pipeline for the Mito area, and the Saito Line as a part of efforts to address natural gas demand in the northern Kanto area focusing mainly on Ibaraki and Tochigi prefectures.

③ Ensure Safe and Stable Supply

The Tokyo Gas Group will aim to ensure zero major accidents and realize an earthquake resistance ratio of 90% by the mid-2020s by accelerating measures for aged gas pipes and carrying out other initiatives.





④Expand Electric Power Sales

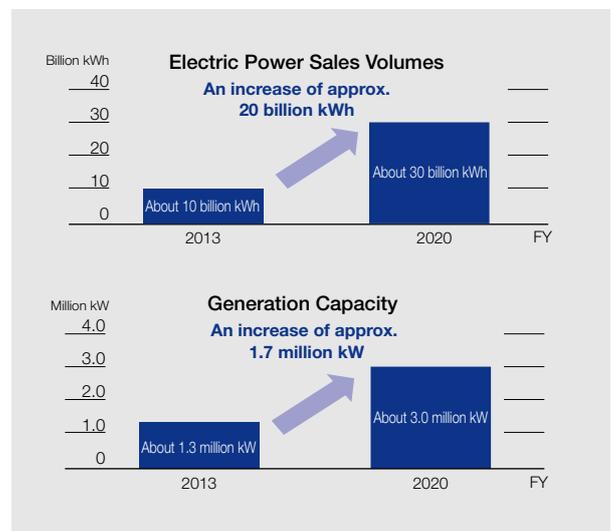
With the complete liberalization of retail electric power in 2016, the Tokyo Gas Group will deliver electricity to residential and commercial customers and expand sales to around 30 billion kWh (about 10% of Tokyo metropolitan area demand) by 2020 in addition to servicing the needs of existing wholesale and large-lot customers.

⑤Increase Competitive Generation Capacity

The Tokyo Gas Group will expand generation capacity from the present level of approximately 1.3 million kW (company equity) to around 3.0 million kW by 2020.

⑥Provide Optimal Energy Solutions by Combining Gas, Electricity, and Value Added

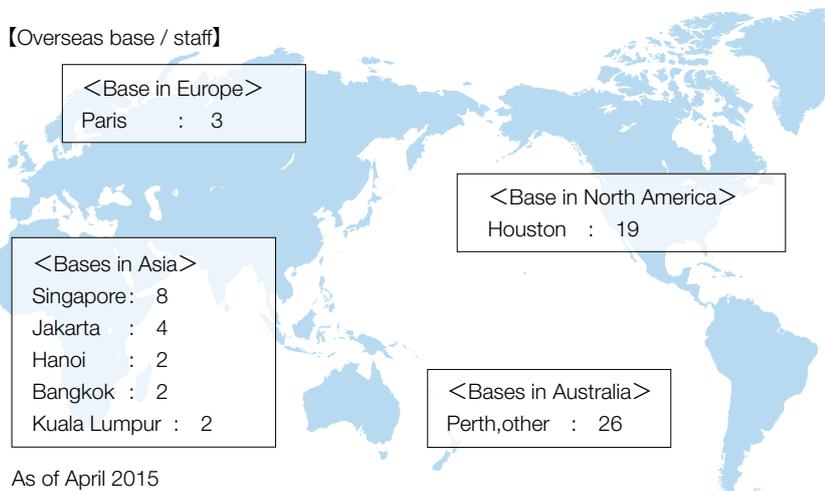
The Tokyo Gas Group will deliver the best mix of gas and electricity services. Every effort will be made to boost and create value added through partnerships between the Tokyo Gas Group and companies in diverse industries such as housing, construction, facilities, communications, and information services. We will also push forward smart energy trends and advance finely tuned energy solutions utilizing feedback from customers.



(2)Accelerate Global Business Development

The Tokyo Gas Group will expand and diversify upstream businesses while at the same time specifying regions and focusing on midstream and downstream businesses. Moreover, we will upgrade and expand overseas bases in order to strengthen our overseas operations.

【Overseas base / staff】



As of April 2015

①Develop Upstream Businesses

The Tokyo Gas Group will acquire interests in gas fields in North America and elsewhere without procurement, participate in small and medium-scale LNG projects, and otherwise work toward the diversification of participation formats aimed at further expansion.

②Develop Midstream and Downstream Businesses

The Tokyo Gas Group will harness its technologies and know-how to intensively develop businesses in specific areas of Southeast Asia and North America.

③Upgrade Overseas Base Functions

The Tokyo Gas Group will build local networks in Singapore, Jakarta, Hanoi, and Bangkok. The Group will also put together projects that make the most of the Group's comprehensive strengths and promote commercial business opportunities. Moreover, we will increase the number of business development personnel to around 200 (compared with the present number of approximately 100) over the next three years, and otherwise examine upgrading overseas base functions.

➤ Main Policies for FY2015-2017 toward Realizing “Challenge 2020 Vision”

Evolve the Total Energy Business and Accelerate Global Business Development

The Tokyo Gas Group has positioned efforts to construct a new Group formation as one of its main policies during the step period. Moving forward, we will work to lay a foundation for the jump period from fiscal 2018 to fiscal 2020 during which we will realize our “Challenge 2020 Vision”

(3) Construct a new Group formation

In order to “evolve the total energy business,” we will further expand the electric power business while fostering and strengthening businesses that help realize added value. In addition to fostering businesses that have the potential to become pillars of Group revenues through the selection and concentration of businesses, we will construct a new Group formation to accelerate global development.

① Organizational Systems and Structure

The Tokyo Gas Group will work to gain a consensus regarding the selection and concentration of businesses. In addition to promoting specific measures including the reorganization and consolidation of subsidiaries and affiliates, we will put in place and carry out appropriate growth strategies.

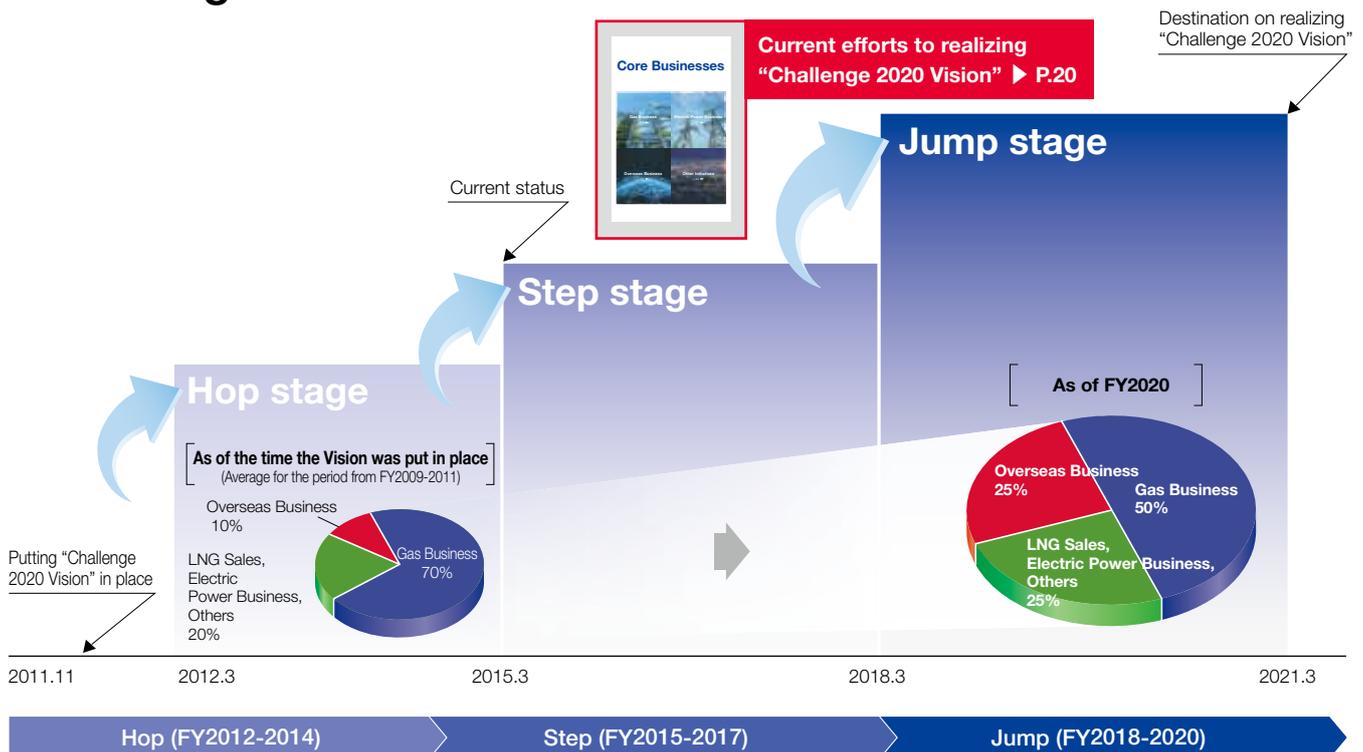
② Management Systems

The Tokyo Gas Group will introduce personnel programs that cover the entire Group as well as operating and management systems that help to accelerate the pace at which a dedicated organizational structure is established, take full use of diverse human resources, and foster businesses that have the potential to become earnings pillars.

③ Address the Shift to Full Gas Deregulation

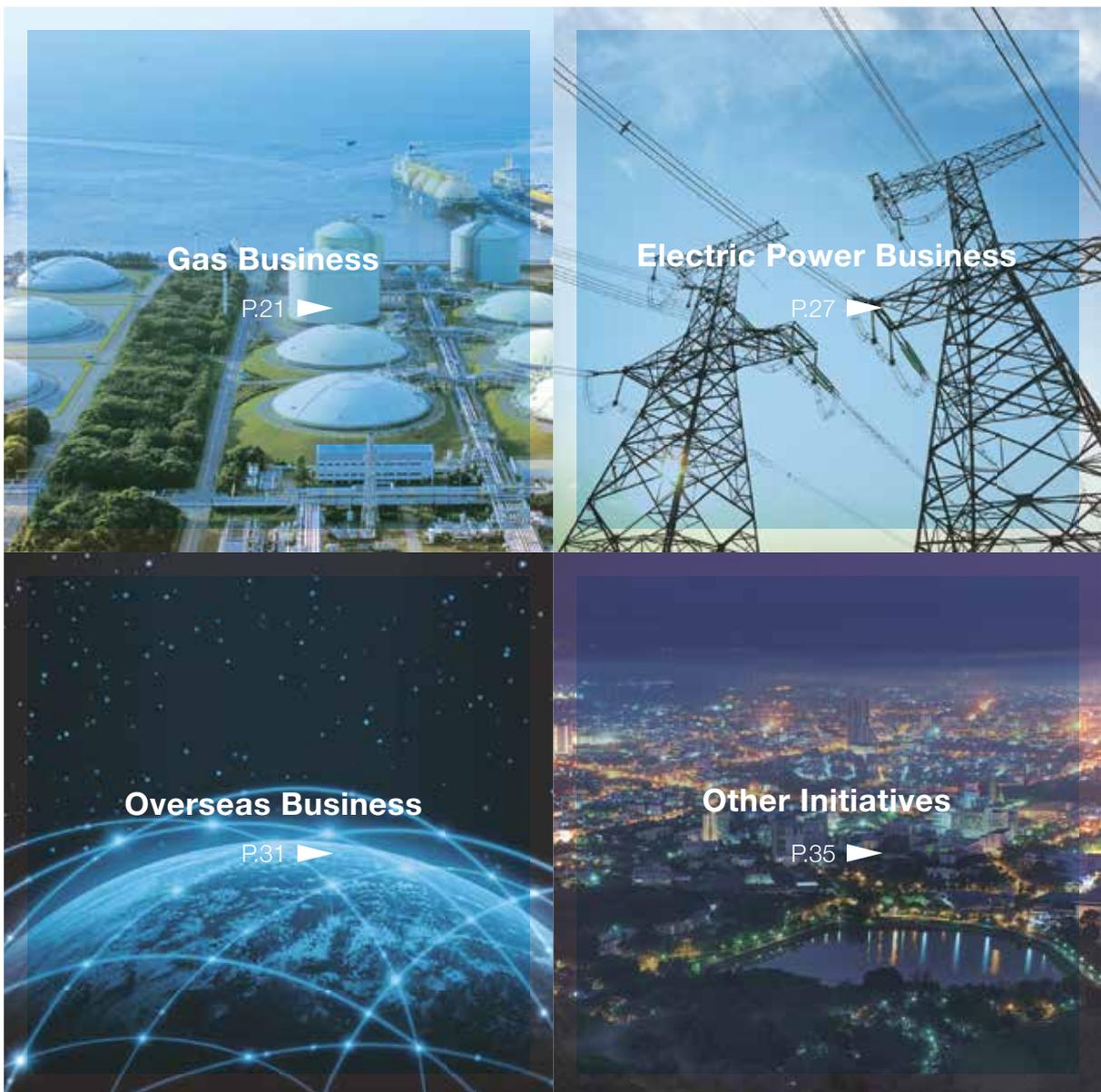
In the lead-up to full gas deregulation, the Tokyo Gas Group is putting in place a dedicated organizational structure and reviewing its operating and IT systems to secure a finely tuned framework that is capable of addressing gas system reform. Every effort is also being made to generate added value by utilizing data. In addition, the Group will work to secure fairness and transparency in the use of pipelines while increasing convenience by ensuring the proper application of its dedicated organization.

Milestones in the Lead-Up to Realizing “Challenge 2020 Vision”



Core Businesses

In order to achieve the targets in the “Challenge 2020 Vision,” Tokyo Gas has to attain sure and steady growth through sound and bold measures for each business. Our main businesses are the gas business, electric power business and overseas business. We once again describe these three businesses as our core businesses within the context of other initiatives being made to evolve into a total energy business, one of the objectives under our vision.



1 Gas Business

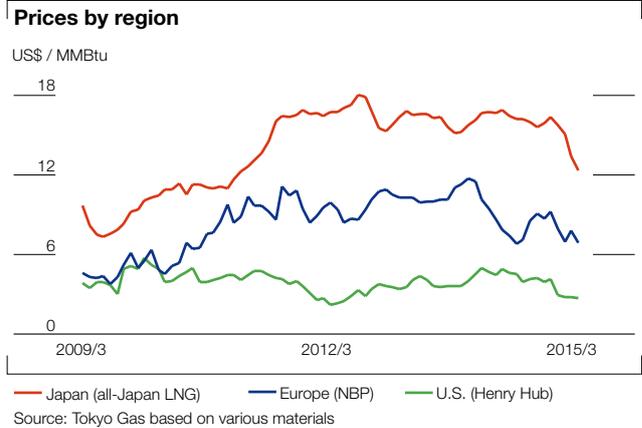
Stable and affordable resource procurement through Diversification

As a nation poor in natural resources, Japan has practically zero natural gas resources, and there are no gas supply pipelines, such as those in North America and Europe, that are alternatives to LNG imports. For these reasons, Japan is in a relatively weak bargaining position for settling prices with sellers. Japan must procure LNG at higher prices than Europe and the U.S.

Prices for LNG currently imported into Japan are generally set under a framework that is linked to the price of crude oil. If crude oil prices rise, LNG prices also increase.

Under these circumstances, Tokyo Gas continues to engage in harsh negotiations with LNG sellers. The Company has engaged in ongoing efforts to stably procure natural gas at as low a price as possible.

Tokyo Gas has been advancing an LNG procurement strategy by diversifying into three areas in order to ensure stable and affordable resource procurement through diversification.



Diversification 1 Resource Suppliers

We are diversifying our procurement sources, which have mainly been in Asia and Australia, to other regions of the world such as North America.

Strategic Goal
Ensure reliable procurement and improve bargaining power for procurement prices by diversifying sources of procurement

Present Primarily Asia and Australia → **Future** Asia, Australia, and the rest of the world



Tokyo Gas Group's LNG procurement by country (year ended March 31)

Country	FY2012	FY2013	FY2014	Composition
Malaysia	4,409	4,767	5,638	(40.4%)
Australia	3,379	3,992	4,179	(29.9%)
Brunei	1,439	962	1,003	(7.2%)
Indonesia	835	614	192	(1.4%)
Russia	1,682	1,813	1,812	(13.0%)
Qatar	235	325	749	(5.3%)
Other	734	330	395	(2.8%)
Total	12,712	12,804	13,967	(100.0%)

1,000 tons

Significance of Export Project in North America
In addition to procurement from sources in Asia and Australia, Tokyo Gas has been diversifying sources of procurement to ensure reliability of supply by working to import LNG from the North America.

The price of LNG imports from the U.S. will be linked to the Henry Hub price, the benchmark price for natural gas in the U.S. Tokyo Gas aims for more stability in procurement prices through portfolio effects, by procuring LNG from the U.S. at prices linked to the Henry Hub benchmark, on top of LNG procurement contracts with suppliers in Asia and Australia that use prices linked to the crude oil price.

Cove Point Project
Start of imports : 2017 (20 years)
Contracted volume : 1.4 million tons/year
Seller : ST Cove Point LCC (U.S.)*
Delivery terms : All volume FOB (free on board)
* Tokyo Gas Group has a 49% stake in this company.

Cameron Project
Start of imports : 2020 (20 years)
Contracted volume : About 0.52 million tons/year
Seller : Mitsui & Co., Ltd.
Delivery terms : Ex-ship (delivered ex-ship)



Diversification

2 Contract Terms and Conditions

Tokyo Gas aims to diversify contract terms and conditions, by shifting from links to crude oil prices to links to various benchmarks, such as Henry Hub, as well as by shifting from forwarding with destination clauses to forwarding without destination clauses.

Strategic Goal

Stabilize procurement prices through portfolio effects, such as by diversifying price benchmarks and using a combination of contract period lengths

Present

- Primarily crude oil price linked
- Mostly long term
- Forwarding with designation clauses

Future

- Crude oil price linked
- NBP-linked
- Free shipment destinations
- Henry Hub-linked
- Combination of differing periods

Diversification

3 Our Global LNG network

Tokyo Gas aims to own interests in gas fields and electric power stations around the world. We aim to eliminate price differences among regions by building distribution channels that bridge Asia, North America and Europe.

Strategic Goal

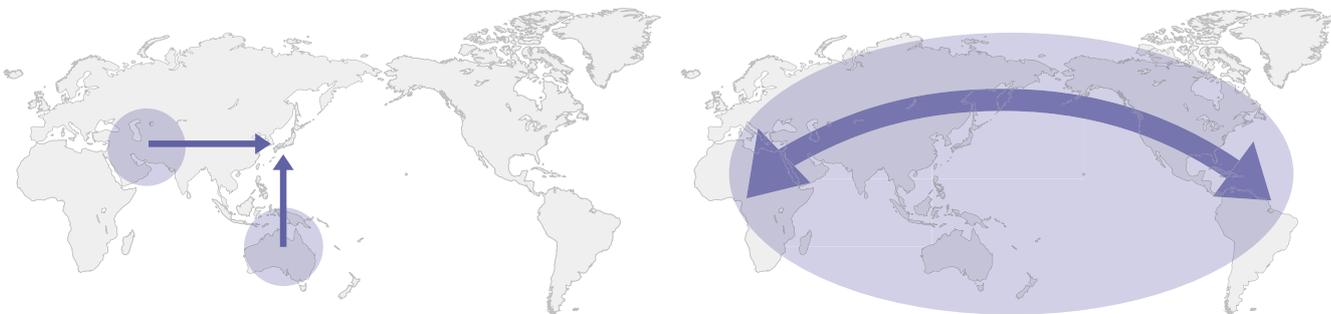
Narrow regional price differences and build a global LNG network

Present

- Transactions between exporting nations and Japan

Future

- Global network of gas fields and electric power plants



Deploy own ships

The Tokyo Gas Group aims to reduce resource prices by diversifying and expanding sources of procurement through the possession and management of its own LNG carriers.

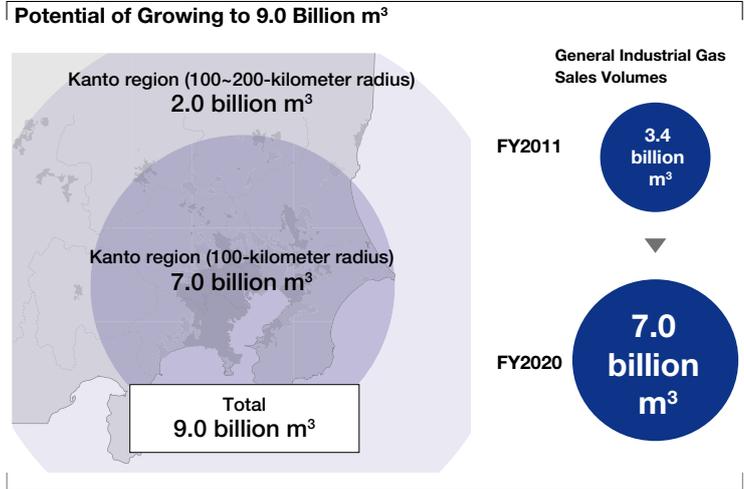


	Name	Capacity	Type	Built	LNG project
Vessels owned and managed by the company	LNG Vesta	127,000m ³	Moss	1994/6	Expand North West Shelf (NWS)
	Energy Frontier	147,000m ³	Moss	2003/9	
	Energy Advance	147,000m ³	Moss	2005/3	
	Energy Progress	147,000m ³	Moss	2006/11	
	Energy Navigator	147,000m ³	Moss	2008/6	Sakhalin II
	Energy Confidence	155,000m ³	Moss	2009/5	
	Energy Horizon	177,000m ³	Moss	2011/9	Pluto
	New Vessel (1)				
	New Vessel (2)	165,000m ³	SPB	2017	Cove Point, Others
	New Vessel (3)				
Vessels chartered to third party	New Vessel (4)	165,000m ³	SPB	2018	
	LNG Flora	127,000m ³	Moss	1993/3	
	GDF SUEZ NEPTUNE	145,000m ³	Membrane (Regasification Vessels)	2009/11	
	GDF SUEZ CAPE ANN	145,000m ³	Membrane (Regasification Vessels)	2010/6	

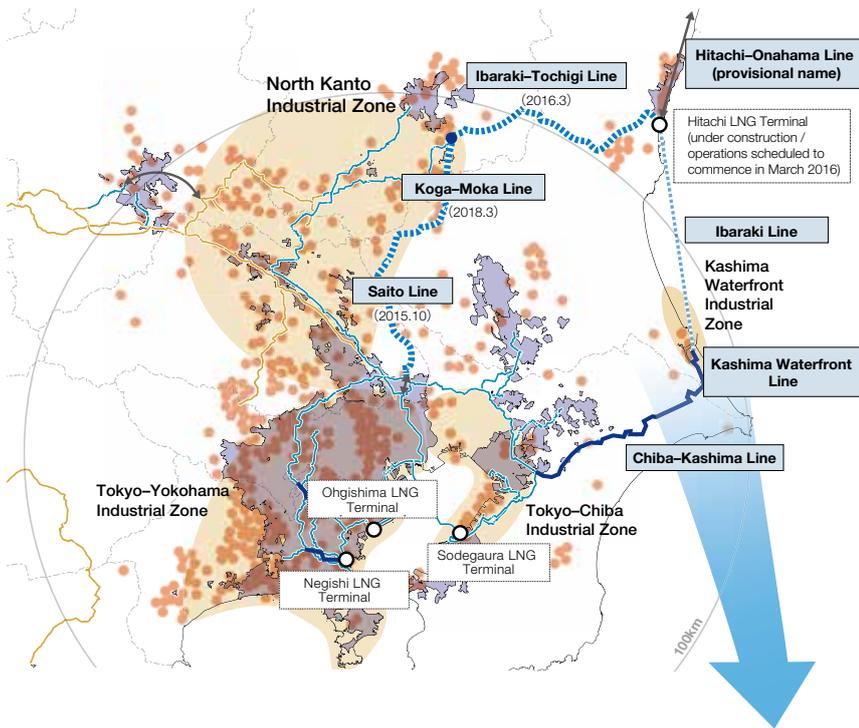
Expansion of Natural Gas Usage through Infrastructure Development

Under the “Challenge 2020 Vision,” Tokyo Gas plans to invest around ¥730 billion, equivalent to 35% of its total investment budget, in infrastructure upgrades over the nine-year period from fiscal 2012 to fiscal 2020. Our strategic focus is on the northern Kanto region, where there is strong potential demand for gas with a number of large-scale industrial zones.

Tokyo Gas aims to expand gas sales volumes to 22.0 billion cubic meters (including tolling gas usage and LNG sales) by fiscal 2020, by further enhancing the stability of supply through expanded supply capacity for the development of potential demand and the completion of its pipeline loops, as well as by facilitating the transition from heavy oil and kerosene as fuel to natural gas and promoting the advanced use of natural gas. In particular, Tokyo Gas aims to double the volume of gas used by general industry, from 3.4 billion cubic meters in fiscal 2011 to 7.0 billion cubic meters.



Northern Kanto Containing Significant Latent Demand



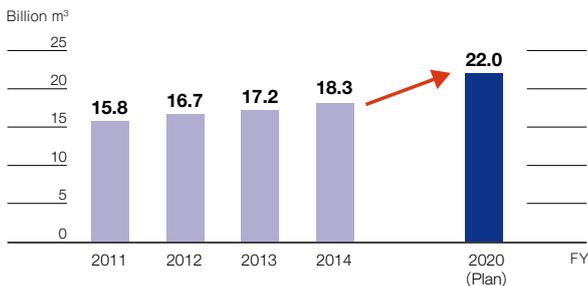
Near the Tokyo metropolitan area, northern Kanto, centered on Tochigi Prefecture and Ibaraki Prefecture, is a region with strong potential demand for natural gas with a number of large-scale industrial zones.

As a first step toward capturing latent demand through the development of infrastructure, we completed the Chiba-Kashima Line in March 2012. Gas sales volumes increased dramatically in the Kashima Waterfront Industrial Zone.

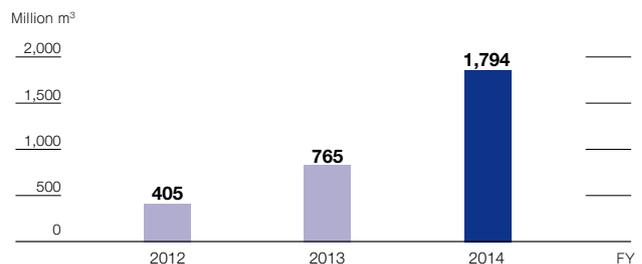
Tokyo Gas plans to enhance the stability of supply by completing its pipeline network. We are working to spread natural gas usage by developing new customers in northern Kanto.

- High-pressure lines (existing)
- High-pressure lines (construction commenced after “Challenge 2020 Vision” launch)
- High-pressure lines (under construction / information in parentheses is the date operations are scheduled to commence)
- High-pressure lines (under consideration / route selection progress)
- High-pressure lines (medium-to-long-term concept)
- Other companies’ pipelines (existing)
- Tokyo Gas Group supply area
- Industrial zones
- Factories

Gas Sales Volumes (“Challenge 2020 Vision” forecasts)



Gas Sales Volumes in the Kashima Waterfront Industrial Zone





Cultivating Demand Based Out of the Hitachi LNG Terminal

The Hitachi LNG Terminal began construction in July 2012 as a strategic production and supply base for the company's expanding service area and to penetrate markets further. The Ibaraki-Tochigi Line will connect existing pipelines in Moka City, Tochigi Prefecture to the Hitachi LNG Terminal. We plan for the Hitachi LNG Terminal to be fully operational in March 2016. Here, we introduce the comments of project managers working on the construction site for the new terminal.

Developing New Customers with Company's First LNG Terminal for Large-Lot Customers

A New Energy Hub for the Northern Kanto Area

Hitachi Project Group

Manager **Tohru Komatsubara**



Tokyo Gas has expanded gas production facilities in tandem with growth in demand for natural gas. However, the maximum receiving capacity at our three LNG terminals around the Tokyo Bay is approximately 18.0 billion cubic meters. New terminals need to be constructed to meet future demand for natural gas. Since a large number of ships pass through Tokyo Bay and from a security standpoint, we decided to build our first offshore receiving terminal located outside Tokyo Bay.

When choosing a construction site, it is important to be on good terms with local residents. Hitachi City is located in northern Kanto, where we think there is potential demand, and our Hitachi Branch Office has built relationships of trust with government officials over 70 years. Taking into consideration the distance for laying the trunk line and other factors, we decided to build our new terminal in the Hitachi port area. We have worked very hard with representatives of Ibaraki Prefecture and Hitachi City to gain the understanding of local residents and to change port harbor plans.

The most important aspect of construction is the sharing of our concept of the terminal, which is to create a new energy hub for the northern Kanto region with our first LNG terminal for developing new large-lot customers. The most ambitious aspect of the new terminal is its aim to unearth new demand for gas. In the northern Kanto region, the deregulated sector for large-lot customers is the main battleground in the competition over energy. Tokyo Gas must reduce the cost of production as much as possible without sacrificing safety and reliability. Construction of the new terminal requires a variety of technologies, from civil engineering and machinery to electrical facilities and fixtures. When pursuing optimal configurations in various parts of construction, the tendency is to over-engineer.

By sharing the concept of the new terminal with everyone involved in the project, we take care to maximize use of the LNG terminal construction and operating know-how nurtured over four decades and make sure everyone's eyes are on the same goals.

The terminal site is approximately 10 hectares in size, smaller than our other three terminals, so construction work efficiency has suffered. Being an offshore project, sea conditions can also slow construction down and pose many challenges for the project. Leveraging our long years of accumulated LNG terminal construction know-how, we have successfully cut costs through the modularization* of pier facilities and substantially reduced construction time for storage tanks. After experiencing the Great East Japan Earthquake, Tokyo Gas has reassessed building specifications for stronger resistance against earthquakes larger than the Great Hanshin-Awaji Earthquake, while making preparations to prevent cyberattacks against IT systems.

The Hitachi LNG Terminal is a strategic base for developing new customers in northern Kanto, and it will also enhance energy security in the Kanto region by connecting together our networks of trunk lines while also making it possible to supply high-pressure gas (7MPa) from the northern area. Kobe Steel's decision to build its Moka power plant near our facilities is proof that our strategy to develop new customers in northern Kanto is working. I believe the new terminal is helping to establish the Tokyo Gas brand in the northern Kanto area as we strive to cooperate with local residents through contributions to local communities and stable operations.

*Modularization: Pipes and other assembly work is performed at other plant locations in order to reduce work volume on sites with limited area. Only installation work is performed on-site.



Providing Diverse Energy Solutions

Stably Supplying Energy

Under the “Challenge 2020 Vision,” ¥600.0 billion, or 29% of total capital expenditures, investments, and financing, will be directed toward cultivating energy demand over the period from fiscal 2012 to fiscal 2020. By providing various energy solutions centered on natural gas, we aim to diversify the range of fields in which natural gas is used and thereby enhance the LNG value chain.

Fuel Conversion

The Benefits of Converting to Natural Gas

If we identify coal as the base rate of 100, the level of CO₂ emissions produced by natural gas during combustion comes in at 60. In this regard, natural gas offers outstanding eco-friendly properties. Coupled with efforts to increase the efficiency of burners, successful steps can be taken to further reduce the amount of CO₂ emissions.

Unlike heavy fuel oil, which requires various storage facilities including tanks, gas is delivered through a network of pipes. This

helps to minimize management costs. Moreover, natural gas generates low levels of soot during combustion, making it easier to clean the equipment used compared with other fuels.

Natural gas also offers benefits from a BCP perspective. Tokyo Gas uses medium- and high-pressure pipelines that are laid underground. These pipelines provide exceptional strength and flexibility allowing the Company to ensure the stable supply of natural gas even when earthquakes cut off traffic along roadways.

The Benefits of Fuel Conversion

- Eco-friendly (helps to reduce CO₂ emissions)
- Eliminates the need for storage equipment and facilities
- Offers improved operability
- Delivers labor savings
- Ensures high supply stability

Comparison of Emissions (Coal=100)

	Natural gas	Oil	Coal
SOx	0	70	100
NOx	40	70	100
CO ₂	60	80	100

Promoting the Widespread Use and Expansion of Distributed Energy Systems

Commercial and Industrial Cogeneration Systems

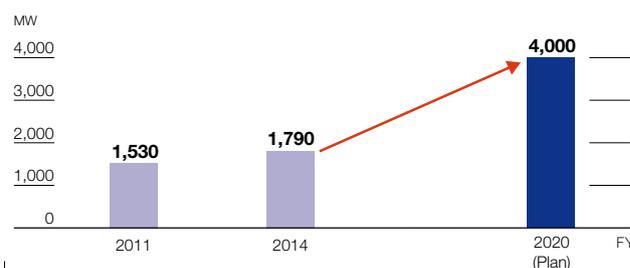
Against the backdrop of increased demand for energy security and business continuity plans, we have been promoting sales of commercial and industrial cogeneration systems, and our cumulative stock of these systems has reached 1,790 MW. We plan to raise this cumulative stock to 4,000 MW in fiscal 2020.

Cogeneration systems supply electricity and heat through engines and other sources of power. In addition to the installation of facilities at the point of demand, cogeneration systems help to enhance energy efficiency, reduce the amount of CO₂ emissions, and improve economic efficiency through the conservation of energy by effectively utilizing both electricity and waste heat. The introduction of cogeneration systems continues to advance from a BCP perspective. This reflects the ability of these systems to provide stable supplies of electricity and heat as concurrent disaster prevention facilities at the time of commercial power network blackout if certain conditions are met.

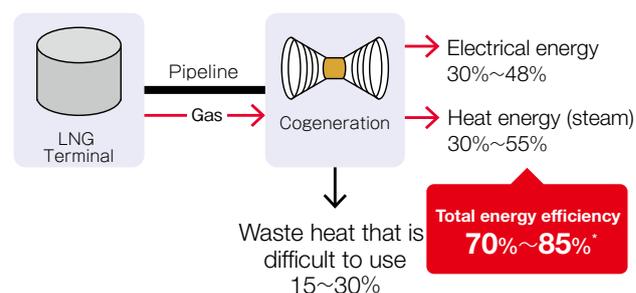
Benefits of Cogeneration Systems

- Reduced Energy Usage and Costs
- Reduced environmental impact
- Improved Energy Security

Cogeneration System (Commercial, Industrial) Stock Plan



Cogeneration Systems



* The aforementioned energy efficiency is calculated based on certain assumptions made by the Company.



Core Businesses

“ENE-FARM”

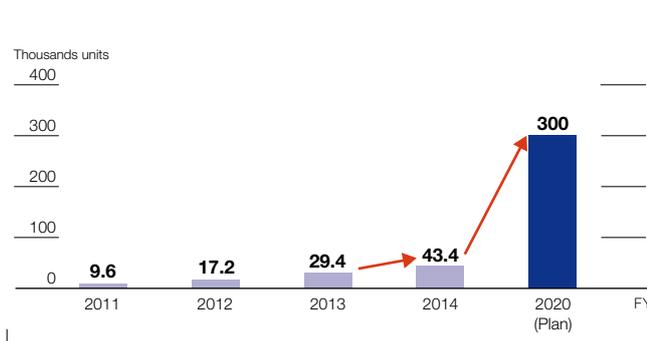
The “ENE-FARM” residential fuel cell system is a type of distributed energy system that is installed onsite at customers’ homes. This highly efficient system uses city gas to generate electricity while also utilizing the heat created through the generation process to heat water. Moreover, “ENE-FARM” is an important strategic product in residential gas sales as customers using this system also consume

greater volumes of city gas.

“ENE-FARM” has continued to evolve since the first unit was launched in 2009. In April 2015, our “ENE-FARM” stock had risen to approximately 43,000 units.

The “Challenge 2020 Vision” calls for a stock of 300,000 “ENE-FARM” units to be accumulated by fiscal 2020, and we will continue to refine these systems and promote sales with the aim of achieving this goal.

“ENE-FARM” (Residential) Stock Plan



Advances to Date

May 2009	First unit sold
Apr. 2011	New “ENE-FARM” model launched, priced approximately ¥700,000 less than previous offerings (MSRP: ¥2,630,000 plus tax)
Apr. 2013	New, more affordable “ENE-FARM” model launched (MSRP: ¥1,900,000 plus tax)
Apr. 2014	New “ENE-FARM” system for housing complexes launched
Apr. 2015	New product developed for detached house use; sales at a record low price (MSRP: ¥1,600,000 plus tax)

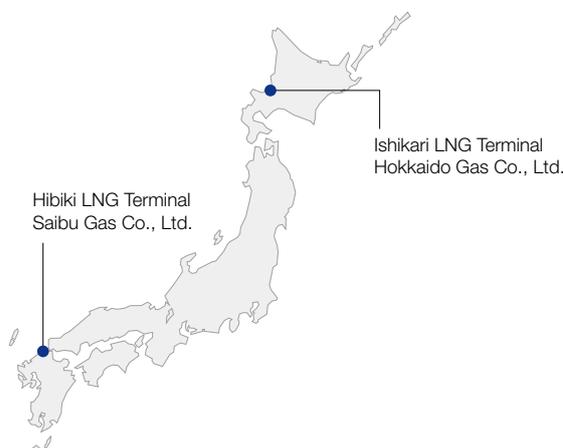
Supplying LNG throughout Japan

Not limiting its operations to the Kanto region, the resources procured by Tokyo Gas are provided throughout Japan. We thereby meet the needs of gas companies throughout the country, supplying them with LNG via tank lorries, large ocean-going tankers, and smaller domestic vessels. The expansion of our sales channels in this manner is yet another one of our efforts to enhance the LNG value chain.

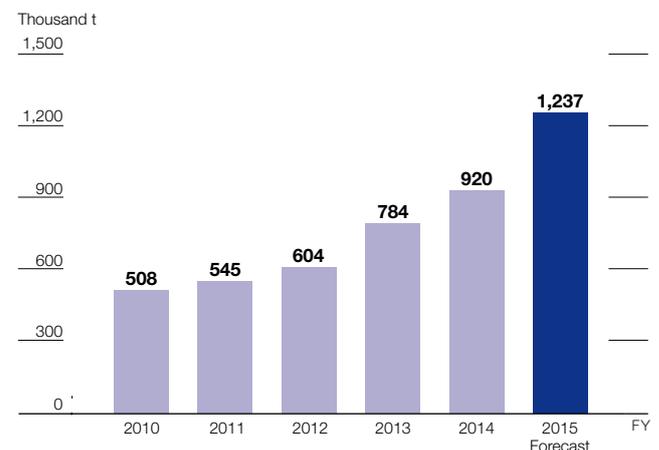
As one facet of these efforts, we commenced supply to the Ishikari LNG Terminal of Hokkaido Gas Co., Ltd., in October 2012. This project is our first endeavor to provide a domestic gas company with gas procured by the Company via ocean-going tankers. Through this

venture, the Ishikari LNG Terminal will be supplied with between 300,000 tons and 400,000 tons of LNG per year during the 11-year period beginning fiscal 2012. Further, we acquired a 20% stake in Hokkaido LNG Co., Ltd., a consolidated subsidiary of Hokkaido Gas that is the direct owner of the Ishikari LNG Terminal, to deepen our relationship as we work to advance the spread of LNG. We also signed an LNG sales agreement with Saibu Gas Co., Ltd., for the supply of about 300,000 tons of LNG per year over the 16-year period beginning fiscal 2014, and commenced supplying them from October 2014.

Supplying LNG via Overseas Ocean-Going Tankers



LNG liquid sales volumes

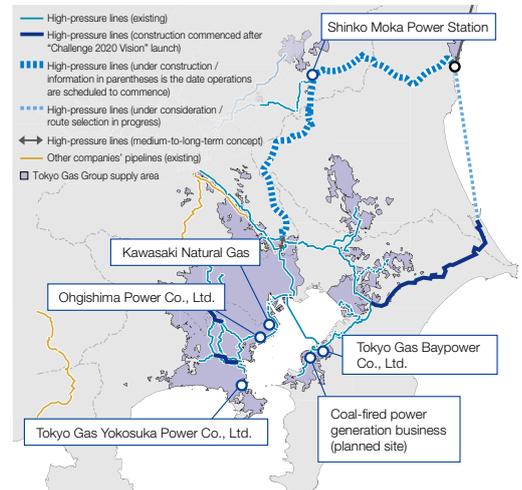


2 Electric Power Business

The scope of the Group's electric power business encompasses the procurement of fuels, generation, and sales. In these operations, wholly owned subsidiary Nijio Co., Ltd. procures its own fuel and then subcontracts power generation to Group-owned power plants. The power that is then generated is sold to wholesale and large-lot customers. Looking ahead, and with the complete liberalization of retail electric power, the Tokyo Gas Group will look to build a more competitive power source portfolio while at the same time delivering electricity to residential and commercial customers as a part of efforts to expand its electric power business.

Recent Initiatives

Jun. 2013	Start-up of construction of third unit of Ohgishima Power Station (operations scheduled to commence from February 2016)
Sep. 2014	Concluded an agreement with Kobe Steel, Ltd. for the supply of electricity from the Shinko Moka Power Station(1,200 MW; operations scheduled to commence from fiscal 2019)
May 2015	Joint establishment of Chiba Sodegaura Power Co., Ltd. with Idemitsu Kosan Co., Ltd. and Kyushu Electric Power Company Inc. to further promote the coal-fired thermal generation business (power generation scale up to a maximum of 2,000 MW; operations scheduled to commence in the mid 2020s)
Jun. 2015	Full-fledged consideration of the enlargement plan for the no. 3 and 4 units of the Kawasaki Natural Gas Power Plant (power output of approximately 550 MW x 2 units; operations scheduled to commence progressively from 2021)
Jul. 2015	Agreed with Tohoku Electric Power Co., Inc. to jointly establish an electric power retail sales company (New company scheduled to be established in October 2015)



The Group's Natural Gas-Fired Thermal Power Plants



Tokyo Gas Baypower Co., Ltd.	
Generation capacity	100 MW x 1 unit 100 MW
Tokyo Gas generation capacity	100 MW
Generation method	Combined cycle generation
Start of operations	2003
Tokyo Gas interest	100%



Tokyo Gas Yokosuka Power Co., Ltd.	
Generation capacity	240 MW x 1 station 240 MW
Tokyo Gas generation capacity	180 MW
Generation method	Combined cycle generation
Start of operations	2006
Tokyo Gas interest	75%



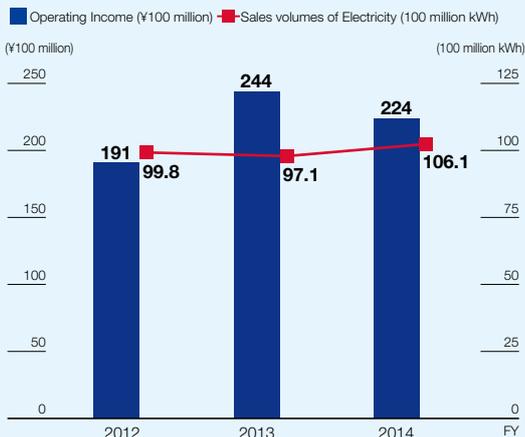
Kawasaki Natural Gas Power Generation Co., Ltd.	
Generation capacity	420 MW x 2 units 840 MW
Tokyo Gas generation capacity	400 MW
Generation method	Combined cycle generation
Start of operations	2008
Tokyo Gas interest	49%



Ohgishima Power Co., Ltd.	
Generation capacity	407 MW x 3 stations 1,221 MW*
Tokyo Gas generation capacity	900 MW
Generation method	Combined cycle generation
Start of operations	Progressive rollout from 2010
Tokyo Gas interest	75%

* Unit 3 is scheduled to start operations from February 2016.

Operating Income from Electric Power Business



Tokyo Gas's Strengths 1 Close Proximity to High Demand Areas

Robust electricity demand

The Kanto region, is densely populated by the Tokyo-Yokohama and other industrial zones, and electricity demand is robust as a result. Electricity differs from gas in the fact that it cannot be stored. It is therefore necessary to adjust generation levels in line with fluctuations in demand. Electricity also incurs large losses during transmission. For these reasons, a location close to high demand areas is a great advantage for an electric power business.

Tokyo Gas's Strengths 2 Neighboring LNG Terminal

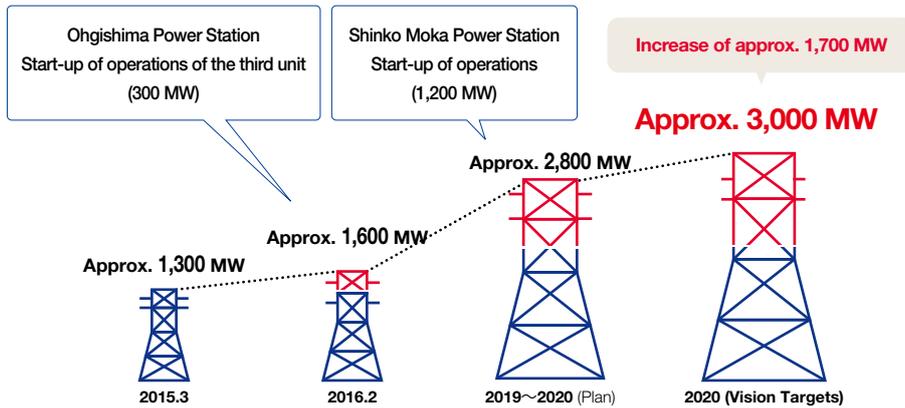
Efficient power plant operations

Close proximity to the LNG receiving terminal ensures that the power station is easily supplied with the natural gas that is used as fuel. In addition, power station operations can be contracted within the LNG terminal, thereby ensuring efficient operation at low cost.

Increasing Competitive Generation Capacity

- Expand generation capacity from the current level of approximately 1,300 MW (company equity) to around 3,000 MW by 2020.
- Aim at building a more competitive power source portfolio, including base load supply sources, in addition to natural gas thermal power.

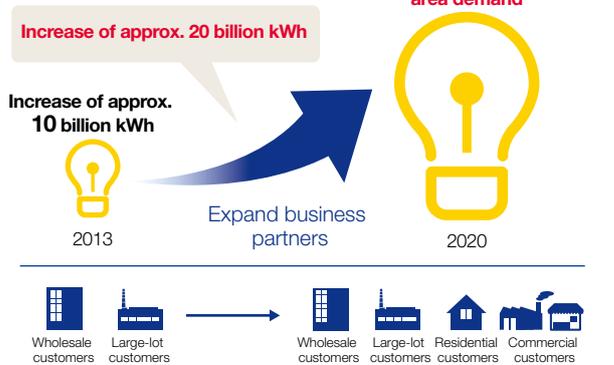
Confirmed Expansions in Generation Capacity (Own Equity)



Expand Electric Power Sales

- With the complete liberalization of retail electric power in 2016, in addition to the wholesale and large-lot customer to date, deliver electricity to residential and commercial customers and expand sales to around 30 billion kWh (about 10% of Tokyo metropolitan area demand) by 2020.
- Commence pre-order sales of electricity to residential and commercial customers from fiscal 2015.

Sales Volumes of Electricity



Realize

“Challenge 2020 Vision”

Earnings from the electric power and LNG sales as well as other businesses account for 25% of consolidated net income.

(Fiscal 2020)

Breakdown of Consolidated Net Income

- Electric power business, LNG sales, others
- Gas business
- Overseas businesses

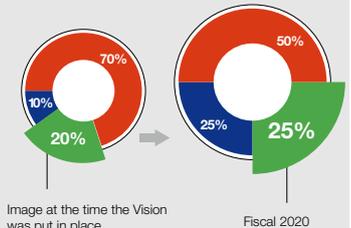
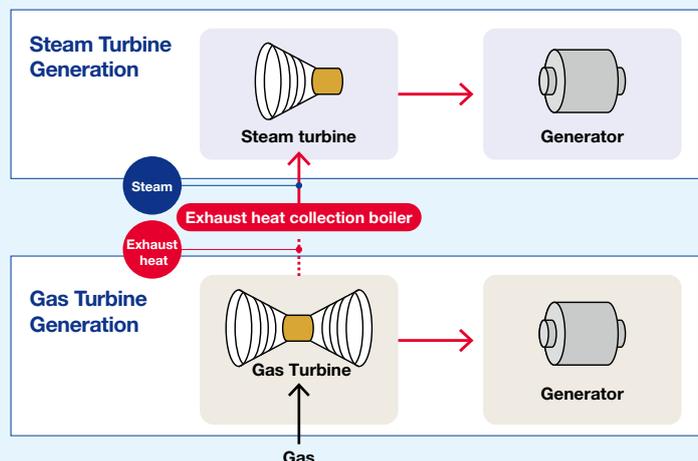


Image at the time the Vision was put in place (Average for fiscal 2009-2011)

Tokyo Gas's Strengths 3

Highly efficient gas turbine combined cycle (GTCC) generation

The Tokyo Gas Group currently generates electricity at its gas-fired thermal power generation plants in Japan. These plants employ GTCC generation, which is highly efficient and offers superior energy savings. In this manner, the Company is engaging in highly efficient power generation. (record high of 58% realized at the Ohgishima Power Station)



Initiatives Aimed at Increasing Competitive Generation Capacity

Electric Power Trading Contract with the Moka Power Station of Kobe Steel, Ltd.

In September 2014, Tokyo Gas concluded an agreement concerning the supply of electric power with Kobe Steel, Ltd. Under the agreement, Tokyo Gas will supply city gas to Shinko Moka Power Station, the gas-fired thermal power station under construction by Kobe Steel in Moka City, Tochigi Prefecture. All of the electricity generated at the station will then be supplied to the Company. This initiative, which complements efforts to cultivate additional demand in the northern Kanto region through the construction of the Hitachi LNG Terminal, is a major step toward Tokyo Gas increasing its competitive generation capacity in the lead up to the complete liberalization of retail electric power. Here, we provide details of the significance of this agreement in the following interview with a Kobe Steel representative.

In ensuring the timely start-up of Japan's first full-scale thermal power station located inland, we will balance the supply of electric power at competitive prices with technological stability and reliability.

General Manager
East Japan Power Project Department
Electric Power Project Division
Hisato Murakoshi



Background Leading Up to the Decision

Drawing on its know-how in operating private power generation facilities nurtured for over five decades, Kobe Steel, one of Japan's leading independent power producers (IPPs), has continued to supply electricity on a wholesale basis through the Shinko Kobe Power Station. Guided by its medium-term business plan, the company has made efforts to secure a stable profit base by expanding its power supply business. Impacted by the Great East Japan Earthquake that devastated the nation in March 2011, we have taken steps to boost our generation capacity in a timely manner and on a major scale by promoting plans to construct a power station adjacent to our Moka Plant at the No. 5 Industrial Park in Moka.

From the outset, the construction of a power station by Kobe Steel was based on the supply of gas as a generation fuel from Tokyo Gas. With our understanding toward Tokyo Gas's electric power business deepened, our confidence in and expectation toward the Company have similarly increased. As a result, we decided to enter into this agreement.

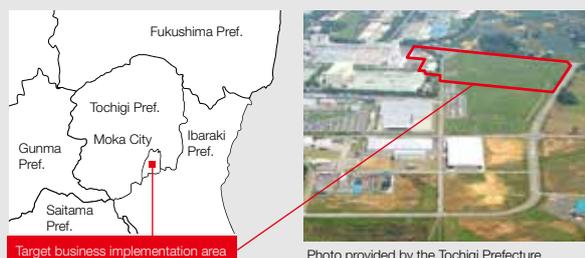


Photo provided by the Tochigi Prefecture Business Establishment Promotion Council

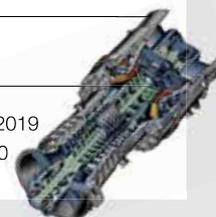
Special Features of the Shinko Moka Power Station

The Shinko Moka Power Station is attracting considerable interest as Japan's first full-scale thermal power station located inland. The facility will yield a generation capacity of 1.2 million kW (0.6 million kW x 2 units), which is equivalent to the output of one nuclear power plant. In adopting a state-of-the-art gas turbine combined cycle power generation format, positive steps are being taken to achieve Japan's highest level of energy efficiency at around 60%.

In the case of inland power plants, where seawater is not an option, the steam generated by steam turbines is cooled by ambient air using fans. At the same time, long distance transportation is also a necessity after reducing the size of large-scale facility components. The construction site in Moka City, Tochigi Prefecture, however, offers a host of benefits. In addition to a fully completed industrial zone site as well as existing plans by the Company to construct a major trunk line, the location of the plant provides excellent access to large volume power distribution grids and the potential to maximize use of existing or planned social infrastructure. Taking into consideration the concentration of existing power plants in and around Tokyo Bay and the Pacific Coast, scattered distribution that includes inland areas also addresses such risks as tsunami damage in the event of an earthquake. This attribute of scattered distribution therefore helps to overcome some of the associated weaknesses.

Turning to efforts aimed at securing power sources on a timely basis, steps have been taken in advance to conduct the necessary environmental impact assessment from March 2013. We anticipate construction with commence around the middle of 2016 with the first station coming online in the second half of 2019 and the second station in the first half in 2020.

Power generation method	Gas-fired, gas turbine combined cycle power generation
Generator output	1.2 million kW class (0.6 million kW class x 2 units)
Fuel	City gas
Operations scheduled to commence	Unit 1: Second half of 2019 Unit 2: First half of 2020



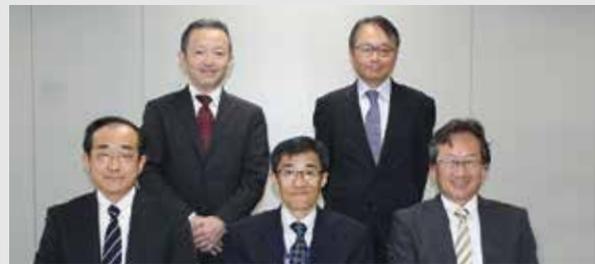
Significance to Both Companies and Future Outlook

On completion, the Moka Power Station will become Japan's first fully-fledged inland thermal power station. In addition to ensuring the stable supply of electricity to the northern Kanto region, expectations are that the Moka Power Station will serve as a precious source of power for the Tokyo metropolitan area, which has a high dependence on power generated along coastal areas. In recognition of the initiative taken through this project, the Moka Power Station was selected by the Kanto Bureau of Economy, Trade and Industry and the National Resilience Promotion Office of Japan's Cabinet Secretariat as a prime example of energy base resilience and private sector ingenuity, respectively. Energies are now being channeled toward completing construction of the station and heading toward the commencement of commercial operations in a bid to meet these expectations and acclaim.

For Kobe Steel, which is overseeing the project and its operations, the Shinko Moka Power Station is a component of its earnings platform. In addition to providing Kobe Steel with a stable stream of earnings, the Shinko Moka Power Station will also complement Tokyo Gas's generation capacity with an additional 1.2 million kW of electricity, bringing within sight the Company's target of 3.0 million kW identified under its Vision. By controlling both the supply of fuel (entry) to the Power Station as well as the purchase of electricity (exit), Tokyo Gas is well positioned to properly manage risks,

By ensuring a competitive electricity price in combination with successful efforts to promote technological stability and reliability, this initiative is expected to exert a significant presence in the stable supply of

electricity to the Kanto region as a whole, while taking into consideration trends in the complete liberalization of retail electric power. In addition, Tokyo Gas, which maintains considerable experience in natural gas-fired thermal power generation, and Kobe Steel, which has substantial know-how in coal-fired thermal power, are anticipated to nurture close ties of mutual trust through this business. By deepening mutual exchange and interaction, both Tokyo Gas and Kobe Steel will further lift the levels of their overall technological and power generation capabilities, thereby enhancing corporate value. At the same time, the common goal of expanding power generation as the next business pillar is also serving to deepen ties of mutual trust between the companies. Through collaboration that makes the most of each company's inherent steps, Tokyo Gas and Kobe Steel will continue to promote this business in a bid to contribute to the next-generation and society as a whole.



Front row from left: General managers Yamamoto, Murakoshi, and Manabe from Kobe Steel, Ltd. Back row from left: Mr. Sato and Mr. Miyamoto from Tokyo Gas Co., Ltd.

Initiating Steps to Consider the Construction of a Coal-Fired Thermal Power Plant ~Establishing the New Company Chiba Sodegaura Power Co., Ltd.~

Overview

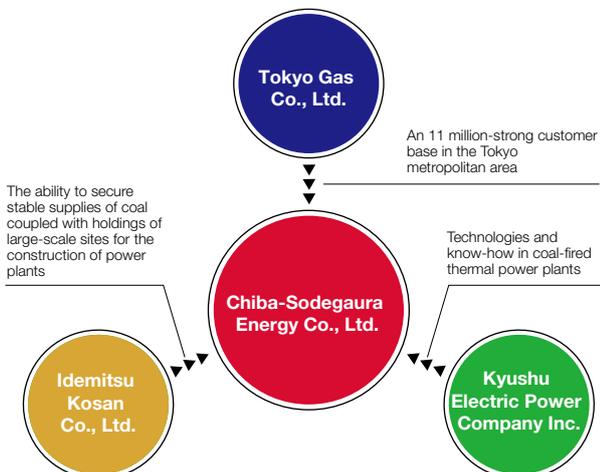
Idemitsu Kosan Co., Ltd., Kyushu Electric Power Company Inc., and Tokyo Gas all agreed to jointly proceed with preparations for the development of a coal-fired thermal power plant in March 2015. As a part of these preparations, steps were taken to establish Chiba Sodegaura Power Co., Ltd. in May 2015. This is the Company's first venture into the coal-fired thermal power plant field. In the lead-up to the full liberalization of the retail electric power, this initiative will go a long way to helping Tokyo Gas provide stable electric power at a competitive price to the Tokyo metropolitan area and building a competitive power source portfolio.

Special Features

In addition to securing stable and competitively priced base load supply sources, this initiative will help to maximize efforts aimed at reducing environmental impact by incorporating a variety of technologies.

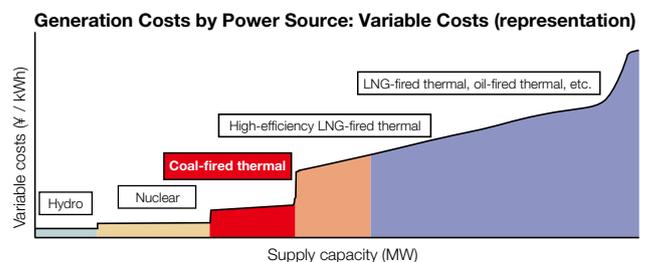
① Alliance between three companies

Working to realize the stable supply of electric power at affordable prices while making the most each company's inherent strengths



② Economic rationality

Coal prices remain stable at a low level; considerable competitive advantage from a generation cost (variable expenses) perspective



③ Eco-friendliness

- Reducing CO₂ emissions by adopting highly efficient units that comply with BAT.*
- Plans are in place to reduce NO_x, SO_x, soot and dust through the installation of environmental equipment and facilities.

*BAT is the acronym for best available technology. BAT is a specification that is announced at the national level calling on business operators to utilize the best available technology. In the case of commercial operations, BAT entails the introduction of technologies that ensure the highest levels of efficiency.

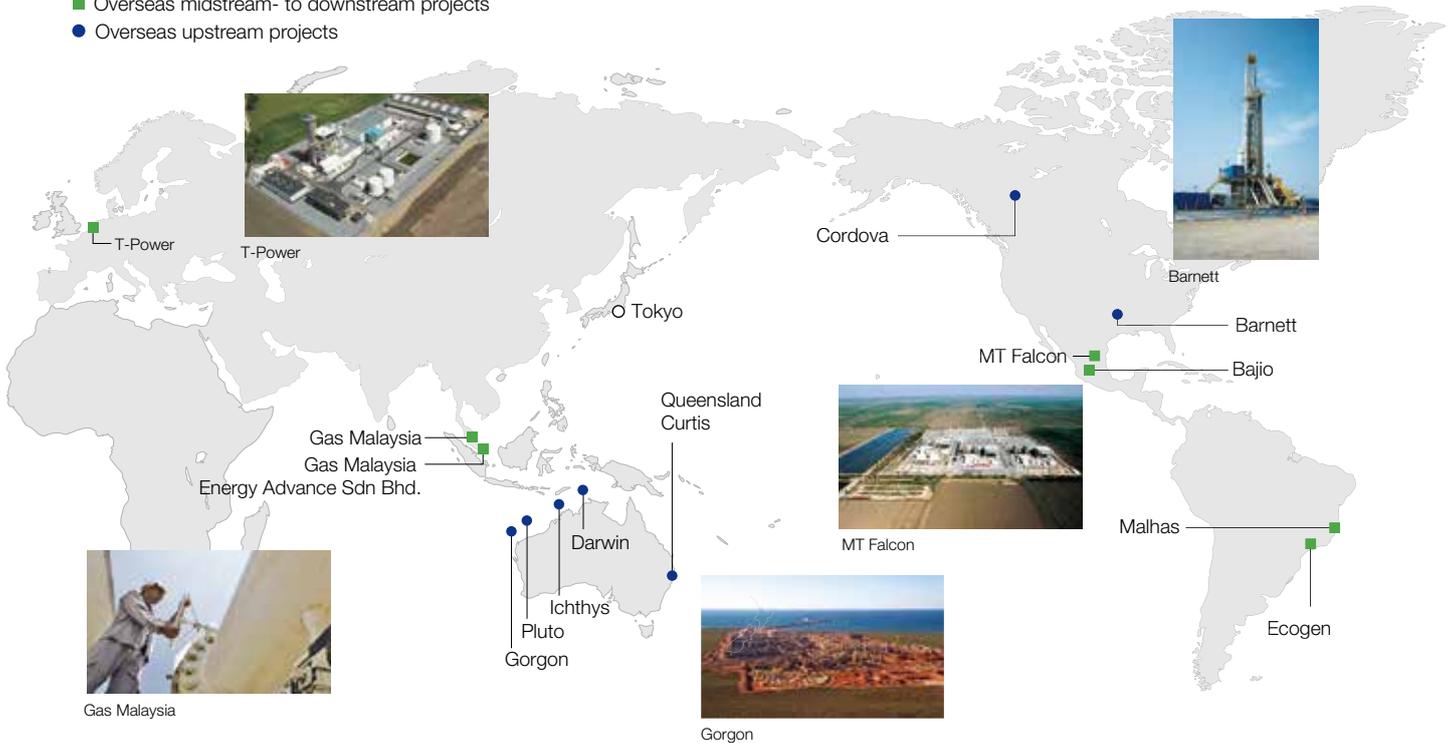
3 Overseas Business

Overview of Overseas Business

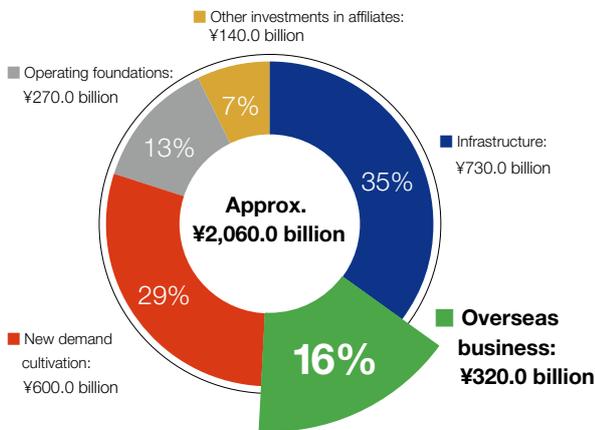
The Tokyo Gas Group develops wide-ranging businesses that include engaging in overseas projects, from upstream businesses, such as overseas gas field development, to midstream- to downstream businesses, as exemplified by IPP business and energy service and engineering businesses.

Status of Overseas Business

- Overseas midstream- to downstream projects
- Overseas upstream projects



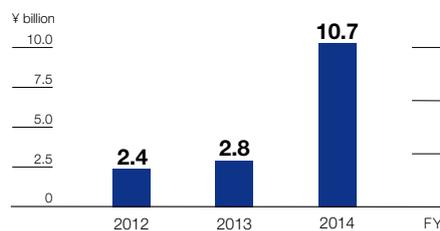
Scale of Investment Fiscal 2012–2020 total



Of the total capital expenditures and investments of ¥2,060.0 billion for the nine-year period from fiscal 2012 to fiscal 2020, ¥320.0 billion, equivalent to 16%, is earmarked for overseas business.

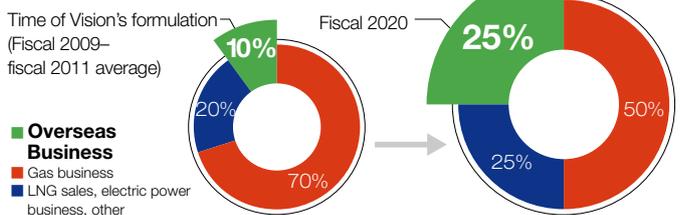
Income Level

Overseas Business Operating Income



In fiscal 2014, operating income from overseas business amounted to ¥10.7 billion, a year-on-year increase of ¥7.9 billion, due to the increase in income from the Pluto LNG Project.

Composition of Consolidated Net Income



Under "the Challenge 2020 Vision", we are aiming to expand total net income and increase Overseas Business earnings to compose 25% of consolidated net income.

Upgrading and Expanding Overseas Base Capabilities

Through alliances with local business partners, we are opening new overseas bases as well as augmenting our existing bases to undertake our own project composition and business promotion. Furthermore, during the next three years, we will increase our business development personnel to 200 and upgrade as well as expand our overseas base capabilities.

Examples of Initiatives

(1) Singapore, Jakarta, Bangkok, Hanoi

We are building local networks and promoting project compositions and commercialization that leverage the Group's comprehensive capabilities.

(2) North America, Australia

In addition to the operational management of existing businesses, we are leveraging the local networks that we have built up thus far and promoting the development of new projects.



Deeply rooted in the local areas, we are leveraging the Company's knowhow to the utmost and promoting natural gas applications in all the countries of Southeast Asia.

Tokyo Gas Asia Pte. Ltd.
President

Nobuhisa Kobayashi



Providing energy solutions to customers conducting business in Southeast Asia and contributing to the building of local energy infrastructure, Tokyo Gas Asia Pte. Ltd. was established in Singapore in December 2014 to convert into tangible forms "accelerate global business development," one of the main policies in the fiscal 2015 to fiscal 2017 period toward the realization of the Tokyo Gas Group's "Challenge 2020 Vision."

Southeast Asian countries are in the process of development, and in the years ahead demand for energy will stay on the increase in line with further economic growth. Although many of Southeast Asian nations possess their own in-country resources, the trend is for increasing volumes of LNG imports within Southeast Asia to meet

robust demand, and consideration is being given to making further progress with this utilization. Leveraging to the utmost its knowledge of such areas as natural gas-related technologies and expertise in energy solutions that have been built up in Japan, the Tokyo Gas Group will support the promotion of natural gas utilization in all Southeast Asian countries.

In order to accurately seize these opportunities, the Tokyo Gas Group established representative offices in Vietnam and Indonesia in April 2015 and is also planning to open an office in Thailand. Including the existing office in Malaysia and Tokyo Gas Asia Pte. Ltd. In Singapore, new projects are being researched and developed at five bases in Southeast Asia, and Tokyo Gas Asia will continue to fulfill a managing function over them.

In line with Tokyo Gas Asia's method of conducting business, the characteristics of each country depend on the country, and to possess sufficient knowledge of each country's culture, religion and business practices, in other words to conduct business in a way that takes into consideration factors that are deeply rooted in the locale, is of the utmost importance. What is more, while building good relationships to gain and maintain the trust of a rich network of contacts—including people in local energy-related corporations and in government—as well as of major companies with a track record of achievements, I would like to devote all of my own energy to promoting business in those countries and regions.

It is believed that Southeast Asia will undergo a rapid transformation in the years to come, but I am confident that Tokyo Gas Asia will be able to accompany the region along the road to development.

Upstream Business

Objectives In addition to working for sustainable growth by securing new sources of revenue as business investment, upstream business enables both the stabilization of overall Group revenues in the face of fluctuations in raw material prices and the gathering of valuable information as a participant in upstream projects.

Project Name	Location	LNG Production Capacity	Year of Participation	Tokyo Gas Interest	Start of Operation
Darwin	Australia	3 million t/year	2003	3.07%	January 2006
Pluto	Australia	4.3 million t/year	2008	5%	April 2012
Gorgon	Australia	15.6 million t/year	2009	1%	Planned to commence production in 2015
Queensland Curtis	Australia	8.5 million t/year	2011	1.25% (Gas field) 2.5% (No. 2 Liquefaction Plant)	Commenced phased operations from December 2014
Cordova	Canada	5.5 million t/year	2011	3.75%	2009
Ichthys	Australia	8.4 million t/year	2012	1.575%	Planned to commence production in 2016
Barnett	USA	2 million t/year	2013	25%	2003



Darwin LNG Project



Barnett



First delivery to Tokyo Gas Sodegaura LNG Terminal (Sodegaura City, Chiba Prefecture)

The business of the Queensland Curtis LNG Project on the east coast of Australia is liquefying unconventional natural gas on the island of Curtis and shipping that gas as LNG. In this case, the unconventional natural gas is the coal bed methane (CBM) found in the coal seams centered on Surat Basin in the state of Queensland. Having commenced phased operations in December 2014, the Company started to receive CBM-derived LNG from this project in April 2015, marking the first delivery to Japan of long-term contract LNG from unconventional natural gas sources.

Future Strategies

In addition to acquiring the upstream rights associated with conventional LNG procurement, we are planning further diversification in the form our project participation takes—such as the acquisition of gas field rights not associated with procurement in North America and participation in small- to medium-scale LNG projects—and targeting further expansion. When expanding business, if the project seems

favorable following thorough and more careful scrutiny, we will not hesitate to get involved in the project. Furthermore, with regard to changes in the price of crude oil, currency exchange rates and the business environment, we will promote strategies to mitigate and decrease these fluctuating risks along the entire LNG value chain and will continue to build a flexible yet robust business structure.

Midstream- to Downstream Business

Objectives In addition to being able to leverage the Group's strengths competitive advantages, including in energy services and engineering, we are able to ensure a stable income as business investment.

Energy Service project

We design, construct and conduct the operational management and maintenance of facilities, including gas cogeneration systems, and provide one-stop utilities, such as electricity, heat, water and compressed air.

Engineering Business

Leveraging the information processing technologies associated with natural gas handling technologies and the gas business, we design and construct as well as undertake the project management of energy infrastructure, including LNG terminals.

Project Name	Location	Main Business	Year of Participation	Tokyo Gas Interest
Gas Malaysia Bhd.	Malaysia	City gas supply project	1992	14.8%
Bajio	Mexico	Natural gas power project	2004	49%
Malhas	Brazil	Natural gas pipeline project	2005	15%
MT Falcon	Mexico	Natural gas power project	2010	30%
T-Power	Belgium	Natural gas power project	2012	26.66%
Ecogen	Brazil	Energy Service project	2012	10%
Gas Malaysia Energy Advance Sdn Bhd.	Malaysia	Energy Service project	2014	34%

Examples of Initiatives

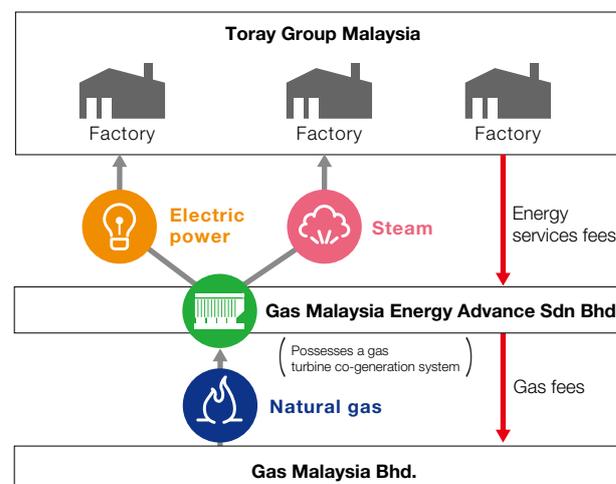
Construction commenced of Building No. 1 at Gas Malaysia Energy Advance Sdn Bhd. energy services business

With the objective of entering the energy services business in Malaysia, Tokyo Gas Engineering Solutions (TGES) Corporation established Gas Malaysia Energy Advance Sdn Bhd. (GMEA), a joint venture with Gas Malaysia Berhad, in April 2014.

Having concluded a 15-year agreement covering energy services with three Toray Corporation-owned subsidiaries (Toray Group Malaysia), GMEA commenced construction of an energy plant with the aim of commencing supplies in 2016.

Establishing a gas turbine co-generation system on Toray Group Malaysia premises, GMEA will supply electric power and steam to Toray Group Malaysia using as fuel natural gas procured from Gas Malaysia. GMEA will be collectively responsible for design, construction and maintenance and receive energy service fees from Toray Group Malaysia, which will thus reduce its energy costs, conserve energy and cut the volume of its CO₂ emissions.

Diagram of Energy Services Business



Designed to supply electric power and steam, the energy control center under construction

Future Strategies

Leveraging the Group's total energy-related technologies and knowhow, we will identify areas in Southeast Asia and North America and develop business in a focused manner. To give specific examples, we will contribute energy solutions to customers that are

deploying overseas and to the building of local energy infrastructure. In addition, we will leverage the technologies and knowhow of local energy businesses and take on the challenges of developing local value chains through alliances with local energy companies.

4 Other Initiatives

In addition to the initiatives outlined above, Tokyo Gas promotes a number of businesses in its efforts to contribute to the evolution of a total energy business. Of those businesses, this section contains profiles about smart energy networks, the real estate business and the hydrogen business.

1 Smart Energy Networks

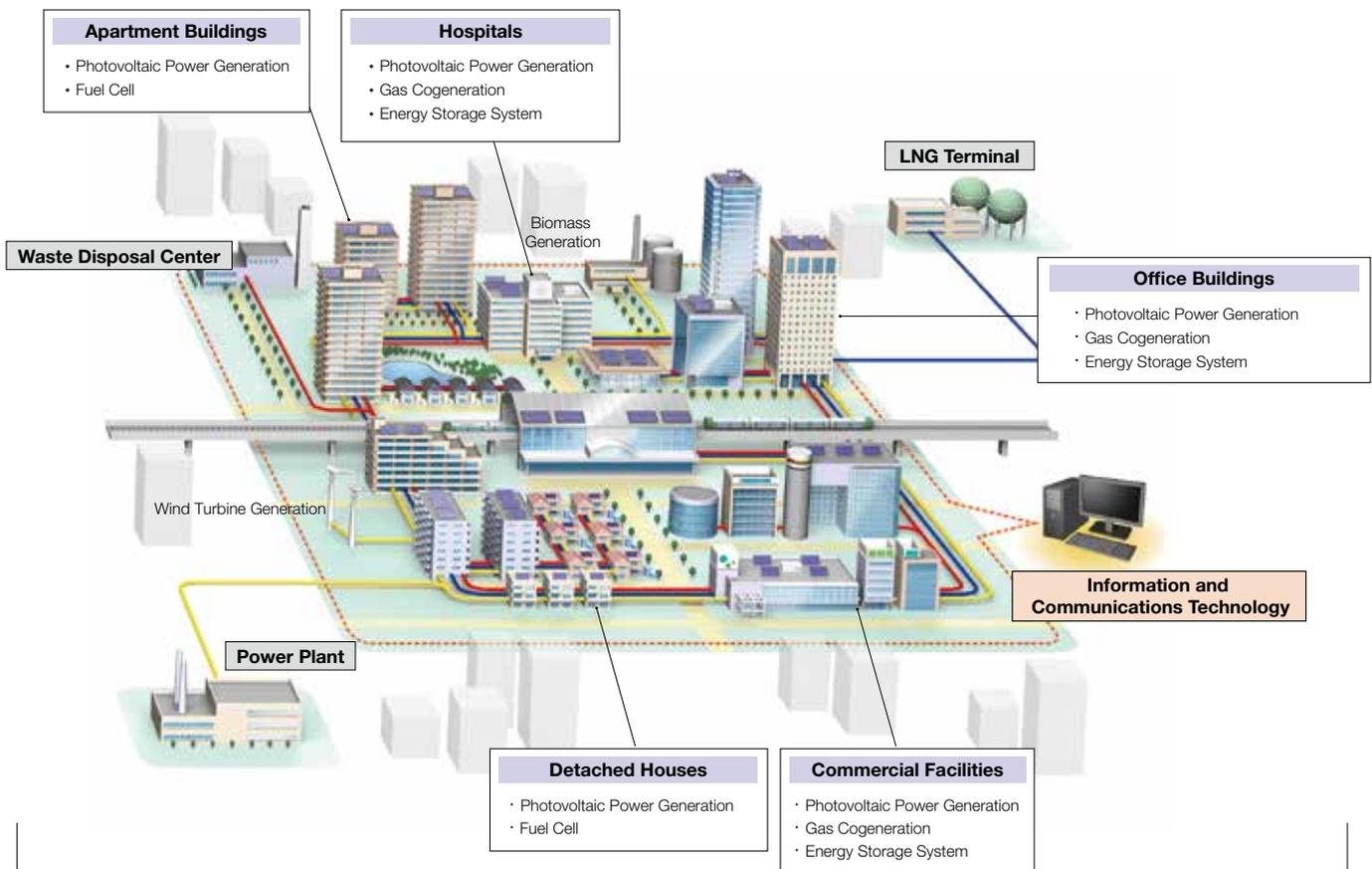
A combination of renewable energy and gas cogeneration system, a smart energy network provides optimum control by means of information and communication technology (ICT) and realizes energy

conservation and reduced CO₂ emissions by the comprehensive utilization of electric power and heat within the network.

At the present time, Tokyo Gas is advancing several projects in collaboration with government and business partners.

<p>Examples of Recent Initiatives</p>	<ul style="list-style-type: none"> • July 2014 Construction commenced of Smart Energy Center in the wharf district of Toyosu, Tokyo (supply scheduled to begin in fiscal 2016) • November 2014 Construction of a smart energy network in Japan's first innovative urban community in a city block area in the north I district from the east exit of Tamachi station, Tokyo
<p>Future Strategies</p>	<ul style="list-style-type: none"> • Commence construction of second Smart Energy Center to expand the smart energy network in the north district from the north exit of Tamachi station • Initiate commercialization study with a view to business participation in Nihonbashi-Muromachi District Urban Redevelopment Electric Power and Heat Supply Plan, a smart city project that will be the first in Japan to include a fully developed urban area

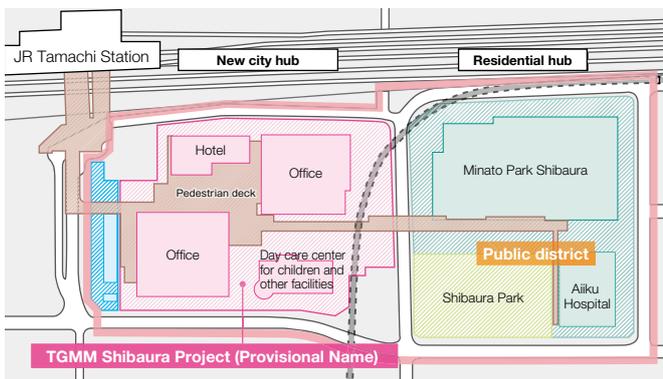
Diagram of a Smart Energy Network



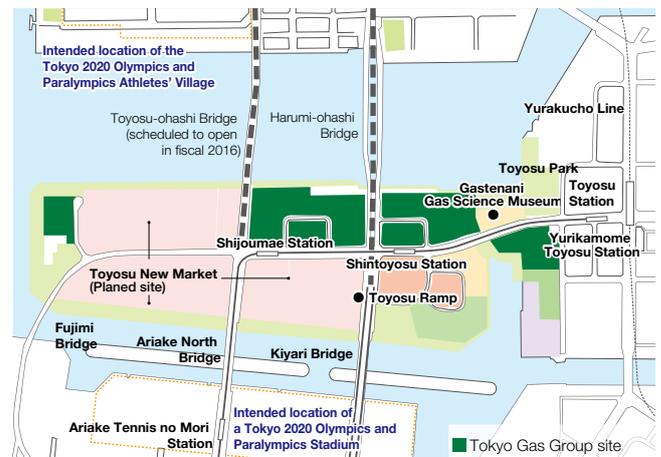
2 Real Estate Business

Tokyo Gas holds high-potential, large-scale sites in such locations as Tamachi and Toyosu in the Tokyo metropolitan area. While limiting risk, the Company develops its real estate holdings and works to improve asset value by their effective use. We are installing smart

energy networks, an advanced energy system, in those assets that are not yet developed and, in concert with efforts to improve asset value, will promote initiatives as an energy business partner.



Tamachi Station East Exit Northern District Redevelopment Plan



Toyosu District Redevelopment Plan

3 Hydrogen Business

Attention has been focused on hydrogen vehicles for their low environmental impact and as replacements for conventional, gasoline-powered vehicles. Hydrogen vehicles utilize electric power, generated by a chemical reaction between hydrogen and oxygen in a fuel cell, to drive electric motors. The city gas provided by Tokyo Gas consists primarily of methane (CH₄). Therefore, we are able to extract

hydrogen from this gas to create fuel for hydrogen vehicles.

In addition to automotive innovation and reducing the cost of the vehicles, making hydrogen vehicles more widespread necessitates bringing down the cost of the hydrogen fuel. Tokyo Gas, however, believes that the supply of hydrogen at a stable price will boost the market penetration of hydrogen vehicles.

In December 2014, as part of the initiatives toward greater hydrogen utilization in the years to come, Nerima Hydrogen Station—the first commercial hydrogen station in the Kanto region—was opened and commenced sales. A hydrogen station under construction in Saitama City, Saitama Prefecture, is planned to commence sales during the current fiscal year. We will continue to review future construction, while monitoring social conditions and the market penetration of fuel cell hydrogen vehicles.



Ceremony marking the filling of a hydrogen vehicles

Deregulation of the Gas and Electric Industries

Overview of Gas Business Regulations

General gas utilities are granted the right to establish regional monopolies within their service area but are subject to regulation under the Gas Business Act in order to protect user interests. Large-scale users with an annual gas consumption of 100,000 m³ or more fall within the scope of deregulation. Users with an annual gas consumption of less than 100,000 m³ are subject to regulation. Details of typical regulations are presented briefly as follows.

1 Rate Regulations

- The Act states that “The rates consist of fair costs incurred as a result of efficient management and fair profits,” and rates must undergo inspection by the Ministry of Economy, Trade and Industry.
- The production costs required to supply gas to customers and the costs required to fulfill safety responsibilities are considered necessary costs for gas utilities, and these costs may therefore be factored into gas rates to within an appropriate extent.
- In regard to profits, capital costs related to facilities necessary to operate a gas business, based on profit figures calculated using the total of shareholder capital cost and debt cost, may be factored into gas rates to within an appropriate extent. This provision is meant to allow gas utilities to operate their business in an appropriate manner.
- Approval from the Ministry of Economy, Trade and Industry is required to raise rates, but lowering rates only requires notification to be submitted.

Overview of electricity and gas system reforms and the main schedule for revising the Business Act

Revision of the Business Act is designed to provide users with an enhanced degree of freedom with respect to their choice of energy, suppress energy rates, and secure a safe and stable supply of energy thereby increasing benefits to consumers by creating a comprehensive energy market through integrated reform in the energy field.

The proposal to revise the Business Act was approved by Japan’s Cabinet in March 2015 and enacted at an ordinary session of the Diet in June 2015.

	Electricity																				
2015	April Establishment of an organization for operating wide-area electrical grids																				
2016	<p>April Full deregulation of the retail market</p> <table border="1"> <thead> <tr> <th>Period</th> <th>Percentage</th> <th>Power Consumption Threshold</th> <th>User Types</th> </tr> </thead> <tbody> <tr> <td>Prior to 2004</td> <td>26%</td> <td>2,000kW or more</td> <td>Large-scale factory, other</td> </tr> <tr> <td>2004</td> <td>40%</td> <td>500kW or more</td> <td>Medium-scale factories, etc.</td> </tr> <tr> <td>2005</td> <td>62%</td> <td>50kW or more</td> <td>Small factories, etc.</td> </tr> <tr> <td>2016~</td> <td>100%</td> <td>Less than 50kW</td> <td>Residential and small commercial users</td> </tr> </tbody> </table>	Period	Percentage	Power Consumption Threshold	User Types	Prior to 2004	26%	2,000kW or more	Large-scale factory, other	2004	40%	500kW or more	Medium-scale factories, etc.	2005	62%	50kW or more	Small factories, etc.	2016~	100%	Less than 50kW	Residential and small commercial users
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2017																					
2020	April Legal separation of the power transmission and distributions networks																				
2022																					

Our Stance

Tokyo Gas has positioned electricity system reform as a significant opportunity to expand its business. Utilizing the following inherent strengths, the Company will take up the challenge of growing its power generation business.

- ① Our superior LNG procurement capabilities
- ② Our competitive power sources namely, our natural gas-fired thermal power plants that employ highly efficient combined cycle generation methods, and
- ③ Frequent opportunities to meet directly with customers.

2 Obligation to Supply

- In exchange for receiving monopoly rights within their city gas supply area, gas utilities are required by principle to supply to any user upon request. Moreover, once supply has been commenced, the utility may not cease supply without justifiable grounds.

3 Safety Responsibilities

- Gas utilities are responsible for ensuring the safety of gas facilities, including users' assets. "Gas facilities" refers to all facilities installed for the purpose of supplying gas as well as auxiliary facilities and includes gas generating facilities, pipelines, gas meters, and gas taps. Gas utilities are required to maintain all gas facilities at levels safe for operation.
- If gas utilities manufacture their own gas facilities, they are required to ensure that these facilities conform to technical standards. Gas utilities are also obligated to inform users with regard to potential dangers that could arise from gas usage and conduct inspections to assess conformity to technical standards of certain gas facilities.

Gas

2015

2016

Full deregulation of the retail market

Effective date of full liberalization of Gas retail market is set by the government ordinance in less than two years and six months from the issued day of the revised law (June 24, 2015).



2017

2020

April Legal separation of the gas pipeline network

2022

Against the backdrop of a fiercely competitive gas business environment attributable to full retail deregulation, the independence and autonomy of management is expected to rise. Under these circumstances, Tokyo Gas is harnessing the following unique attributes to take all appropriate measures from each of the strategic, financial, and IT system perspectives to address full deregulation as a priority issue and ensure that it remains the preferred choice of customers.

- ① Relationship with more than 11 million customers
- ② Advanced energy solution technologies provided as a leader in the field of natural gas
- ③ Robust infrastructure centered on the Tokyo metropolitan area, including LNG terminals and pipeline facilities

Corporate Governance

Tokyo Gas works to ensure continued development while consistently earning the trust of customers, shareholders, and society. Based on this philosophy, we aim to achieve a continuous increase in our corporate value through enhancing corporate governance systems. We are endeavoring to develop systems with a commitment to management legality, soundness, and transparency. Tokyo Gas continues to emphasize the importance of accurate and prompt decision making, efficient business operations, strengthening of auditing and monitoring functions, and clarification of management and executive responsibilities.

Board of Directors

In principle, the Board of Directors meets once a month to discuss and decide important matters regarding business operations. Directors must submit reports to the Board of Directors regarding the status of execution of their duties periodically and when deemed necessary, allowing the board to monitor the performance of directors.

The Board of Directors comprises 11 directors, 3 of whom are outside directors. In addition, the term of directors is set at one year with the goal of further clarifying managerial responsibility.

Outside Directors

In accordance with their individual experience and knowledge, the outside directors strive to secure the soundness and appropriateness of deliberations and decisions regarding business execution. From an independent viewpoint, the outside directors monitor the performance of duties by the directors and exercise their authority at meetings of the Board of Directors. In this way, the outside directors contribute to

the improvement of the rationality and objectivity of the Company's business execution and of the deliberations and decisions of the Board of Directors.

In making judgments about matters related to the independence of outside officers, such as capital, transactions, and relationships, we comprehensively verify that they are unlikely to have conflicts of interest with general shareholders and they are in a position that enables them to be objective and neutral, and on that basis we make a judgment on their independence. The Advisory Committee has confirmed that none of the outside officers has a material conflict of interest with the Company—in regard to capital, transactions, or relationships—and has confirmed their independence in accordance with the above standards. The committee's decision has been reported to the Board of Directors, which has designated them as independent officers and reported that designation to the stock exchanges on which the Company is listed.

Reasons for selecting Outside Directors

Name	Major concurrent positions	Reason for selecting
Yoshihiko Nakagaki	—	The Company's management will benefit from Yoshihiko Nakagaki's management way of thinking nurtured in a wide range of business development activities, including electric power source development and electric power wholesale supply, and his advanced capabilities in management, such as the implementation of reforms reflecting changes in the operating environment.
Akihiko Ide	—	The Company's management will benefit from Akihiko Ide's cosmopolitan outlook he has acquired in overseas businesses in the general materials industry, particularly in Asia, as well as the strong management capabilities and deep insight he has acquired through a wide range of business development in resource business and others.
Yoshinori Katori	—	The Company's management will benefit from Yoshinori Katori's cosmopolitan and broad outlook as well as the deep insight he has acquired over his many years as a diplomat.

Realizing Accurate, Rapid Decision Making and Efficient Business Execution

The Corporate Executive Committee, which meets weekly as a general rule, deliberates on provisions stemming from Board of Directors' resolutions and important management-related issues. The Company has introduced an executive officer system for business execution in accordance with decisions of the Board of Directors.

Substantial authority has been delegated to executive officers in their designated areas of responsibility, while directors, as appropriate, receive reports on the status of execution from executive officers and monitor the executive officers. In addition, executive officers report to the Board of Directors as needed. (To clarify management responsibility and executive responsibility, the terms of office of directors and executive officers have been fixed at one year.)

Audit & Supervisory Board Members

The audit & supervisory board members meet once a month as a general rule and otherwise as needed. The five members of the board, which include three outside audit & supervisory board members, conduct deliberations and make reports.

In line with the Corporate Auditor's Audit Standards, each audit & supervisory board member conducts effective audits through the following principal initiatives.

- The audit & supervisory board members attend meetings of the Board of Directors, the Corporate Executive Committee, and other important meetings. They state their opinions relating to legality and other perspectives when necessary.
- The audit & supervisory board members conduct research into the

state of operations at the head office, business offices, and subsidiaries and hold discussions with directors to exchange opinions, both on a regular basis and otherwise as needed.

- The audit & supervisory board members cooperate closely with the Internal Audit Department, which is the internal audit organization, and with the independent auditors and strictly audit the execution of duties by the directors, targeting the establishment of a high-quality corporate governance system.
- In regard to the internal control system for financial reporting, the audit & supervisory board members receive evaluations of internal control and reports on the status of audits from the Board of Directors, etc., and KPMG AZSA LLC.

Outside Audit & Supervisory Board Members

The outside audit & supervisory board members conduct audits / monitoring from an independent viewpoint and contribute to improving the rationality and objectivity of the Company's business execution and of the deliberations of the Board of Directors through their statements at meetings of the Board of Directors. In addition, through their statements and the exercise of their majority voting rights at meetings of the Audit & Supervisory Board, the outside audit & supervisory board members contribute to assuring and improving the legality, appropriateness, rationality, and objectivity of the audits by the audit & supervisory board members. In addition, with the objective of assuring the effectiveness of audits by the audit & supervisory board members, the Company invites outside audit & supervisory board members who have a substantial degree of

knowledge about finance and accounting.

In making judgments about matters related to the independence of outside officers, such as capital, transactions, and relationships, we comprehensively verify that they are unlikely to have conflicts of interest with general shareholders and they are in a position that enables them to be objective and neutral, and on that basis we make a judgment on their independence. The Advisory Committee has confirmed that none of the outside officers has a material interest with the Company—in regard to capital, transactions, or relationships—and has confirmed their independence in accordance with the above standards. The committee's decision has been reported to the Board of Directors, which has designated them as independent officers and reported that designation to the stock exchanges on which the Company is listed.

Reasons for Selecting Outside Audit & Supervisor Board Members

Name	Major concurrent positions	Reason for selecting
Yoshihiko Morita	Outside Director of Kawasaki Heavy Industries, Ltd.	The Company's auditing will benefit from Yoshihiko Morita's expansive international way of thinking and deep insight nurtured through work in the fields of international finance and overseas economic cooperation.
Kojiro Otani	—	The Company's auditing will benefit from Kojiro Otani's abundant experience of organizational management acquired in local government as well as his deep insight.
Wako Tojima	—	The Company's auditing will benefit from Wako Tojima's wealth of expertise and deep insight as a science journalist.

Officer Remuneration

In 2005, the Company formulated the basic policy on officer remuneration, which outlines the method of remuneration for directors, etc. At a meeting of the Board of Directors in February 2012, the policy was revised as follows.

1 Role of Officers and Remuneration

The role demanded of officers is to seek to enhance short-, medium-, and long-term corporate value, and officer remuneration shall serve as an effective incentive for them to perform that role.

2 Level of Remuneration

The level of officer remuneration shall be suitable for the role, responsibility, and performance of the officer.

3 Composition and Other Details of Remuneration Paid to Directors

- Remuneration of directors shall be paid within the scope of the remuneration limit approved at the General Shareholders' Meeting.
- Remuneration of inside directors shall comprise monthly remuneration and bonus. Monthly remuneration shall comprise fixed remuneration paid in accordance with the post of each individual and performance-linked remuneration. The amount of bonus to be paid shall be determined in accordance with the post of each inside director after performance evaluation.

- Remuneration of outside directors shall comprise monthly remuneration and bonus. Monthly remuneration shall comprise only fixed remuneration, while bonus shall be the same as that of inside directors.

A portion of fixed remuneration shall be allocated to the purchase of shares based on a share-purchase guideline and from the standpoints of reflecting the perspectives of shareholders on management and improving shareholder value over the long term.

4 Composition and Other Details of Remuneration Paid to Audit & Supervisory Board Members

- Remuneration of audit & supervisory board members shall be paid within the scope of the remuneration limit approved at the General Shareholders' Meeting determined through discussions among audit & supervisory board members.
- Remuneration of audit & supervisory board members shall comprise only fixed monthly remuneration.

5 Assurance of Objectivity and Transparency of the Remuneration System

The Company shall assure the objectivity and transparency of the system of officer remuneration by establishing and operating the Advisory Committee comprising a number of outside directors, outside audit & supervisory board members, and inside directors to govern the system of personnel affairs and remuneration of officers.

Total Remuneration for Directors and Audit & Supervisory Board Members (Fiscal 2014)

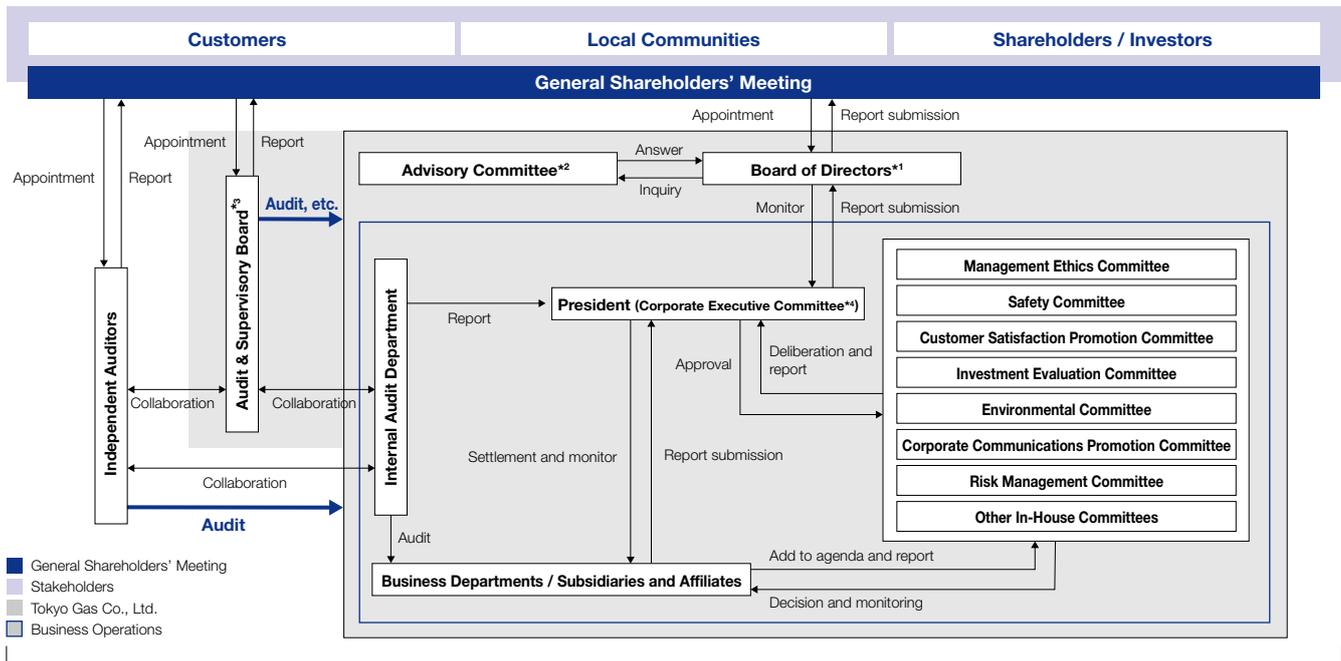
	Millions of yen Type			Thousands of U.S. dollars ² Type			
	Total value of remuneration	Base	Bonuses	Total value of remuneration	Base	Bonuses	
Remuneration for directors (excluding outside directors)	9 ¹	¥460	¥408	¥52	\$3,833	\$3,400	\$433
Remuneration for audit & supervisory board members (excluding outside audit & supervisory board members)	2 ¹	¥ 74	¥ 74	—	\$ 617	\$ 617	—
Remuneration for outside officers (outside directors and outside audit & supervisory board members)	7 ¹	¥ 64	¥ 58	¥6	\$ 533	\$ 483	\$ 50

¹ The number of officers included in the total value of remuneration for directors, audit & supervisory board members, and outside officers includes one director and one audit & supervisory board member (of which one was outside officer) who retired upon the conclusion of the 214th Annual Shareholders' Meeting.

² Equivalent U.S. dollar amounts are included for the convenience of readers outside Japan and are converted at a rate of ¥120 per U.S. dollar, the prevailing exchange rate at the end of March 2015. These conversions should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

Corporate Governance

Corporate Governance System



- *1 Board of Directors : 11 directors (3 outside directors and 8 internal directors)
- *2 Advisory Committee : 3 representatives from outside directors and outside audit & supervisory board members, Chairman (1), and President (1)
- *3 Audit & Supervisory Board : 5 audit & supervisory board members (3 outside auditors and 2 internal auditors)
- *4 Corporate Executive Committee : President, 2 Executive Vice Presidents, and 10 Senior Executive Officers (3 of the representative directors also serve as President and Executive Vice Presidents)

Overview of Corporate Governance System

As of June 26, 2015

Number of directors	11
Average age of directors	64.4
Number of outside directors	3
Number of independent officers	6
Number of audit & supervisory board members	5
Number of outside audit & supervisory board members	3
Participation of outside directors / outside audit & supervisory board members in determination of remuneration	Yes
Participation of outside directors in determination of director candidates	Yes
Number of meetings of Board of Directors*	11
Attendance rate of outside directors at meetings of Board of Directors*	100%
Term of office of directors	One year
Results-linked remuneration	Yes
Share purchase system to reflect the perspective of shareholders in management	Yes

* Total for the period from April 2014 to March 2015

Working to Promote Transparent Management and Create a Flexible and Open Corporate Culture

In fiscal 2002, the Company established the Management Ethics Committee, chaired by the President. We also formed in-house committees to address issues that are important from a management perspective, such as compliance, safety, customer satisfaction, and risk management. This structure facilitates the sharing of information within the Group as well as deliberations and adjustments regarding the Group's overall direction.

Advisory Committee

In February 2005, we established the Advisory Committee to assure objectiveness and transparency in management. It has been defined that this committee will have no more than six members consisting of no more than three representatives from outside of the Company and no more than three internal representatives, and that one of the outside representatives will serve as the committee's chairman. Today, the Advisory Committee has five members—three representa-

tives from the outside directors and outside audit & supervisory board members as well as the Chairman and the President. In accordance with inquiries from the Board of Directors, the Advisory Committee deliberates on officer candidates and officer remuneration in a fair and appropriate manner and makes reports to the Board of Directors. The committee also deliberates on the independence of outside officer candidates.

Independent Auditors

The Company has concluded an auditing contract with KPMG AZSA LLC for auditing services based on the Companies Act and auditing services based on the Financial Instruments and Exchange Act, as well as internal control audits based on the Financial Instruments and Exchange Act, and the Company is being audited on that basis. The Company's audits are handled by three certified public accountants—Teruhiko Tanaka, Shuichi Ikeya, and Masaru Miura. For each of these auditors, the number of consecutive years of auditing service is seven years or less (as of June 26, 2015).

Compensation for Independent Auditors (Fiscal 2014)

	Millions of yen	Thousands of U.S. dollars*
Compensation for auditing services	¥261	\$2,175
Compensation for non-auditing services	¥ 22	\$ 183
Total	¥283	\$2,358

* Equivalent U.S. dollar amounts are included for the convenience of readers outside Japan, and are converted at a rate of ¥120 per U.S. dollar, the prevailing exchange rate at the end of March 2015. These conversions should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

Internal Control System

To secure management legality soundness and transparency and to realize its management philosophy, the Company has formulated the "Basic Policy on Development of Corporate Structures and Systems for Ensuring Appropriateness of Operations (Internal Control System) for the Tokyo Gas Group," and the Company is applying this policy in an appropriate manner.

Specifically, the Company has established systems to ensure that

directors and their assistants perform their duties in a manner that is compliant to relevant laws and regulations, the articles of incorporation, and other rules. In addition, crisis management provisions have been formulated to limit losses from risks related to investments and natural disasters. The Company also defines guidelines for ensuring the independence of audit & supervisory board members and guaranteeing the effectiveness of the Audit & Supervisory Board.

Compliance

The Company has identified the following three points as its basic policy and is promoting compliance on that basis.

- Fostering of a compliance oriented mentality
- Compliance efforts by each workplace based on the fundamental policy
- Establishment of the compliance PDCA cycle

Compliance Structure

We have established the Management Ethics Committee, chaired by the President. This committee discusses at the management level basic compliance policies and all aspects of compliance initiatives by the Company, monitors the implementation of compliance-related measures, and confirms activity programs from the following year and thereafter. We have also established the Compliance Department to support compliance-related activities for each unit. These include development of compliance promotion systems, encouragement awareness and educational campaigns about the code of conduct, compliance risk reduction measures, maintenance of advisory systems, and broad-based distribution of information within and beyond the Tokyo Gas Group companies. To cultivate an understanding of compliance, we promote a thorough awareness of ongoing

activities related to our code of conduct that was revised in 2004. We are also moving forward with a compliance casebook designed for applying the code of conduct to various problems in the workplace, so as to achieve the permeation of compliance.

Compliance Risk Management

Through the effective operation of internal and external advisory systems, we are endeavoring to ensure that compliance-related problems are discovered and resolved quickly so that our corporate self-regulatory processes will continue to function effectively. We monitor the effectiveness of Group compliance promotion activities by conducting regular compliance awareness surveys of all employees. The results of these surveys are reflected in initiatives for the following years. The Compliance Audit Sect. of the Internal Audit Department conducts audits of the Company, its subsidiaries, and its affiliates focusing on the probability that risks will materialize and their degree of importance from the viewpoint of strict compliance with laws, corporate ethics, and social norms. When concerns are identified, the Group conducts follow-up audits in the following year to verify progress in tackling those concerns.

Risk Management System

Enterprise Risk Management System

In fiscal 2003, the Company established an enterprise risk management (ERM) system and drew up risk management regulations, which include documented rules concerning major risks faced by the Group.

The Risk Management Committee was established in fiscal 2008 with the aim of tracking progress regarding the establishment and the operational status of the ERM system as well as improving the level of ERM. The committee periodically undertakes risk assessments and checks on the status of the ERM system. It also reports to the Corporate Executive Committee and obtains the necessary

approvals. Moreover, in fiscal 2011, the risk management function was made the responsibility of the Corporate Planning Department, and there has been a framework in place for implementing unified ERM in conjunction with operational management.

Under the framework, around 120 Risk Management Promotion Officers are deployed in the business departments of Tokyo Gas and its subsidiaries and affiliates in order to promote ERM. Each year, we assess risks and the implementation and improvement status of countermeasures. This system facilitates the steady implementation of the ERM-PDCA (Plan-Do-Check-Act) cycle.

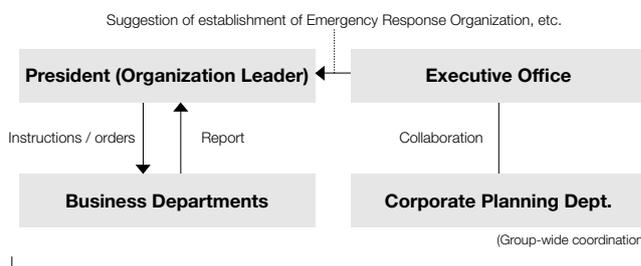
Enterprise Risk Management (ERM) System



Crisis Management System

Because the Company provides public services that comprise a lifeline, for many years it has also had a crisis management system that serves as a response system in case an accident or other risk-related event actually occurs. Specifically, we have formulated Emergency Response Organization Regulations. In case of crises, including major natural disasters, such as earthquakes, or production or supply disruptions arising from major accidents at pipelines or terminals, as well as influenza, terrorism, failures in mission-critical IT systems, and compliance problems, the Emergency Response Organization responds to the situation immediately in accordance with the Emergency Response Organization Regulations. Periodic training is conducted in relation to major risk response measures. Moreover, the Company has also formulated a business continuity plan (BCP), outlining its responses in the event of a major earthquake of the magnitude assumed by Japan's Cabinet Office, a major accident disrupting gas supply, a widespread blackout, an outbreak of influenza, etc. This plan is in place to reinforce the Company's risk management system.

Emergency Response Organization



* The organizational unit in charge of the executive office is determined in advance in accordance with the type of the emergency.

Efforts toward Diversity

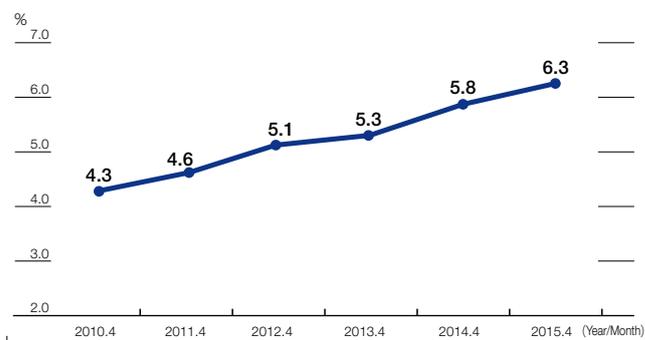
1. Active Promotion and Development of Women

Tokyo Gas recognizes the critical need to promote the success of a diverse pool of human resources and to create a workplace environment that allows each and every employee to maximize his or her various capabilities and strengths in order for it to secure growth as a company. Guided by this understanding, we actively recruit and promote women, while at the same time creating opportunities for our female employees to excel across a wide range of occupational fields. This in turn is helping to steadily increase the ratio of women in management positions. In addition to upgrading and expanding our child-rearing and nursing care systems, Tokyo Gas places considerable weight on fostering employee awareness and creating an organizational culture that is conducive to developing the careers of the Company's female employees by promoting a variety of initiatives including seminars. Looking ahead, we will continue to actively promote measures that will broaden the fields in which women can excel.

2. Employment of People with Disabilities

At Tokyo Gas, people with disabilities work alongside our other employees and are performing a variety of duties. In order to further

Ratio of Women in Management



our efforts to employ people with disabilities, we are improving our facilities in accordance with the type and level of disability, creating a work environment that is safe and comfortable, while also expanding the locations and scope of work opportunities for people with disabilities.

As of April 2015, 138 people with disabilities were in our employment, which is 2.02% of total employees, achieving the statutory rate.

Promoting Work-Life Balance

1. Creating a workplace environment that allows for balance between work and child as well as nursing care

Tokyo Gas makes every effort to create a pleasant workplace environment for both men and women. In order to provide employees with increased flexibility in choosing their style of work and to better balance work with family concerns, the Company has created systems for child-rearing and nursing care leave as well as shorter working hours that exceed the levels mandated by law. We also offer systems that allow employees to take a leave of absence for fertility treatment, to attend the school events of their children and grandchildren, and to provide nursing care to family members. These systems are being widely used by our employees.

2. Day for Leaving Work on Time

At Tokyo Gas, one or more days are designated for employees to leave work on time each month. These days provide an opportunity for employees to take another look at their methods of working so that they can achieve maximum results within a limited period of time.

3. Encouraging employees to take summer vacation

Tokyo Gas implements various measures aimed at encouraging employees to take seven or more days of annual paid leave between July and September each year. In addition to allowing employees to refresh their minds and bodies, these efforts are aimed at promoting variation in work styles.

Major Systems and the Number of Users

System	Details	Category	Number of Users (Fiscal Year)											
			2009		2010		2011		2012		2013		2014	
			M	F	M	F	M	F	M	F	M	F	M	F
Child-rearing leave	Until the end of April immediately following the child's 3rd birthday	Number of users (persons)	1	118	1	100	0	89	0	79	1	71	0	58
		Rate of return to work (%)	100	100	100	97.5	—	100	—	100	100	100	—	96
Child-rearing work	During pregnancy and until the child completes his/her sixth year of elementary school *; Flex-time system for childcare is available		207		202		235		219		226		221	
Nursing care leave	Up to three years for one relative within the second degree of kinship requiring nursing care		4		5		3		1		1		2	
Nursing care work	Up to two years for one relative with the second degree of kinship requiring nursing care ; Flex-time system for nursing care is available	Number of users (persons)	4		3		3		2		1		0	
Community service leave	Special leave (paid leave) of a maximum of five days within a year		21		20		149		134		77		42	
Refreshment system	Provided to employees who reach the age of 30, 35, 40, and 50 ; Provided with commemorative gifts and special leave (paid leave)		637		685		657		651		631		668	
Leave for spouse's childbirth	Special leave (paid leave) totaling five days is provided when a spouse gives birth													
Leave system to attend to spouse	When an employee's spouse is transferred overseas, he/she can receive up to three years of leave with the caveat that the employee live at the overseas location with the spouse (New system: Introduced from April 2014)													

Note: Until March 31, 2013, the system was available up to the time when the child completed his/her 3rd year of elementary school. Data is for Tokyo Gas on a non-consolidated basis.

Board of Directors and Audit & Supervisory Board Members As of June 26, 2015

Directors

Director, Chairman

Tsuyoshi Okamoto



April	1970	Joined the Company
June	1997	Deputy Chief Executive of Northern Regional Business Div.
June	1998	General Manager of Documents Dept.
June	1999	Assistant to Director in charge of General Administration Dept.
June	2002	Executive Officer and General Manager of Corporate Planning Dept. of Strategic Planning Div.
April	2004	Senior Executive Officer and Chief Executive of Strategic Planning Div.
June	2004	Director, Senior Executive Officer and Chief Executive of Strategic Planning Div.
April	2006	Director, Senior Executive Officer, Chief Executive of Corporate Communication Div. and in charge of Compliance Dept. and Internal Audit Dept.
April	2007	Representative Director, Executive Vice President and in charge of Personnel Dept., Secretary Dept., General Administration Dept., Compliance Dept. and Internal Audit Dept.
April	2009	Representative Director, Executive Vice President and in charge of Personnel Dept., Secretary Dept., General Administration Dept. and Compliance Dept.
April	2010	Representative Director, President
April	2014	Director and Chairman of the Board

Representative Director, President

Michiaki Hirose



April	1974	Joined the Company
April	2004	Executive Officer and Assistant to Chief Executive of Corporate Communication Div.
April	2006	Executive Officer and General Manager of Corporate Planning Dept. of Strategic Planning Div.
April	2007	Senior Executive Officer and in charge of Corporate Planning Dept., Infrastructure Project Dept., Finance Dept., Accounting Dept., and Affiliated Companies Dept.
April	2008	Senior Executive Officer and in charge of Corporate Planning Dept., Investor Relations Dept., Finance Dept., Accounting Dept., Affiliated Companies Dept. and Gas Industry Privatization Research Project Dept.
April	2009	Senior Executive Officer and in charge of Corporate Planning Dept. and Affiliated Companies Dept.
June	2009	Director, Senior Executive Officer, and in charge of Corporate Planning Dept., Corporate Communications Dept., and Affiliated Companies Dept.
January	2010	Director, Senior Executive Officer and in charge of Corporate Planning Dept., Project Management Dept., Corporate Communications Dept. and Affiliated Companies Dept.
April	2012	Representative Director, Executive Vice President and Chief Executive of Living Energy Div.
April	2013	Representative Director, Executive Vice President and Chief Executive of Residential Sales and Service Div.
April	2014	Representative Director, President

Representative Director

Matsuhiko Hataba



April	1976	Joined the Company
April	2004	General Manager of Human Resources Planning Dept. of Strategic Planning Div.
April	2006	Executive Officer and General Manager of Human Resources Dept. of Business Support Div.
April	2007	Executive Officer and General Manager of Corporate Planning Dept.
April	2009	Senior Executive Officer and Chief Executive of Living Energy Div.
April	2012	Senior Executive Officer and in charge of Corporate Planning Dept., TG-Group Reorganization Project Dept. and Affiliated Companies Dept.
June	2012	Director, Senior Executive Officer and in charge of Corporate Planning Dept., TG-Group Reorganization Project Dept. and Affiliated Companies Dept.
April	2013	Director, Senior Executive Officer, and in charge of Corporate Planning Dept. and Affiliated Companies Dept.
April	2014	Representative Director, Executive Vice President and Chief Executive of Residential Sales and Service Div.

Representative Director

Yutaka Kunigo



April	1977	Joined the Company
April	2004	General Manager of Gas Resources Dept. of Energy Resources Business Div.
April	2007	Executive Officer and General Manager of Gas Resources Dept. of Energy Resources Business Div.
April	2008	Executive Officer and General Manager of Industrial Gas Sales Dept. of Energy Solution Div.
April	2010	Senior Executive Officer and Chief Executive of Energy Resources Business Div.
April	2013	Senior Executive Officer and Chief Executive of Energy Production Div.
June	2013	Director, Senior Executive Officer and Chief Executive of Energy Production Div.
April	2014	Representative Director, Executive Vice President, Chief Executive of Energy Solution Div. and General Manager of Volume Sales Dept. of Energy Solution Div.
April	2015	Representative Director, Executive Vice President and in charge of Power Business Planning Dept., Business Restructuring Project Dept., Gas Business Deregulation Project Dept., and Sales Innovation Planning Dept.

Director

Masahiro Mikami



April	1975	Joined the Company
June	2003	General Manager of Saitama Branch of Customer Service Div.
April	2004	General Manager of Saitama Branch of Corporate Communication Div.
April	2005	General Manager of Secretary Dept. of Corporate Communication Div.
April	2007	General Manager of Secretary Dept.
April	2008	Executive Officer and General Manager of General Administration Dept.
April	2011	Senior Executive Officer and in charge of Purchasing Dept., Real Estate Management Dept., Major Site Development Dept., and General Administration Dept.
April	2012	Senior Executive Officer and in charge of Secretary Dept., General Administration Dept., Corporate Communications Dept. and Environmental Affairs Dept.
April	2013	Senior Executive Officer and in charge of Secretary Dept., General Administration Dept., Corporate Communications Dept., Environmental Affairs Dept. and Compliance Dept.
June	2013	Director, Senior Executive Officer and in charge of Secretary Dept., General Administration Dept., Corporate Communications Dept., Environmental Affairs Dept. and Compliance Dept.
April	2015	Director, Senior Executive Officer and in charge of Secretary Dept., General Administration Dept., Corporate Communications Dept., Compliance Dept. and Internal Audit Dept.

Director

Hiroaki Kobayashi



April	1980	Joined the Company
April	2005	General Manager of Technology Development Dept.
April	2006	General Manager of Product Development Dept.
April	2007	Assistant to Chief Executive of Living Energy Div.
October	2007	General Manager of Area Development Planning Dept.
April	2008	General Manager of Customer Safety Dept.
April	2009	Executive Officer and General Manager of Customer Safety Dept.
April	2010	Executive Officer and General Manager of Residential Fuel Cell Business Development Dept.
April	2012	Senior Executive Officer, and Chief Executive of Technology Development Div.
April	2013	Senior Executive Officer, Chief Executive of Technology Development Div. and in charge of Smart Energy Business Development Dept.
June	2014	Director, Senior Executive Officer, Chief Executive of Technology Development Div., and in charge of Smart Energy Business Development Dept.
April	2015	Director, Senior Executive Officer, Chief Executive of Pipeline Network Div.

Directors



Director

Takashi Uchida

April	1979	Joined the Company
June	2006	General Manager of Pipeline Planning Dept. of Pipeline Network Div.
April	2009	General Manager of Corporate Planning Dept.
April	2010	Executive Officer and General Manager of Corporate Planning Dept.
April	2012	Senior Executive Officer and in charge of Personnel Dept., Secretary Dept., Compliance Dept. and Internal Audit Dept.
April	2013	Senior Executive Officer and Chief Executive of Energy Resources Business Div.
June	2015	Director, Senior Executive Officer, Chief Executive of Energy Resources Div.



Director

Satoru Yasuoka

April	1979	Joined the Company
April	2006	General Manager of Industrial Gas Sales Dept. of Energy Sales and Service Div.
April	2008	General Manager of Gas Resources Dept. of Energy Resources Business Div.
April	2010	Executive Officer and General Manager of Gas Resources Dept. of Energy Resources Business Div.
April	2011	Executive Officer and General Manager of Sales Marketing 1 Dept. of Living Corporate Sales and Services Div.
April	2012	Senior Executive Officer and Chief Executive of Regional Development Marketing Div.
April	2015	Senior Executive Officer and Chief Executive of IT Div. and in charge of Environmental Affairs Dept. and Fundamental Technology Dept.
June	2015	Director, Senior Executive Officer, Chief Executive of IT Div. and in charge of Environmental Affairs Dept. and Fundamental Technology Dept.

Outside Directors



Outside Director

Yoshihiko Nakagaki

April	1961	Joined Electric Power Development Co., Ltd. (J-POWER)
June	1996	Director and Department Director of Corporate Planning Dept. of Electric Power Development Co., Ltd. (J-POWER)
June	1998	Managing Director of Electric Power Development Co., Ltd. (J-POWER)
June	2000	Vice President and Representative Director of Electric Power Development Co., Ltd. (J-POWER)
June	2001	President and Representative Director of Electric Power Development Co., Ltd. (J-POWER)
June	2009	Corporate Advisor of Electric Power Development Co., Ltd. (J-POWER)
June	2012	Outside Director of the Company
June	2014	Honorary Counselor of Electric Power Development Co., Ltd. (J-POWER)(Current position)

Outside Director

Akihiko Ide

April	1965	Joined Mitsubishi Metal Mining Co., Ltd. (Current Mitsubishi Materials Corporation)
June	1994	General Manager of General Administration Dept. of Mitsubishi Materials Corporation
June	1997	Director of Mitsubishi Materials Corporation
June	2000	Managing Director of Mitsubishi Materials Corporation
June	2002	Executive Vice President of Mitsubishi Materials Corporation
June	2004	President of Mitsubishi Materials Corporation
June	2010	Chairman of Mitsubishi Materials Corporation
April	2015	Senior Advisor of Mitsubishi Materials Corporation
June	2015	Corporate Advisor of Mitsubishi Materials Corporation
June	2015	Outside Director of the Company

Outside Director

Yoshinori Katori

April	1973	Joined Japan's Ministry of Foreign Affairs
August	2004	Director-General of the Consumer Affairs Bureau
August	2005	Press Secretary/Director-General for Press and Public Diplomacy of Minister's Secretariat
August	2006	Ambassador Extraordinary and Plenipotentiary to the State of Israel
October	2008	Ambassador for ASEAN, and Science and Technology Cooperation, Ministry of Foreign Affairs
April	2010	Director-General of Foreign Service Training Institute, the Ministry of Foreign Affairs
March	2011	Ambassador Extraordinary and Plenipotentiary to the State of Indonesia
October	2014	Retired from the Ministry of Foreign Affairs
June	2015	Outside Director of the Company

Audit & Supervisory Board Members



Audit & Supervisory Board Member

Tsutomu Oya

April	1975	Joined the Company
June	2002	General Manager of the International Affairs Dept. of the Strategic Planning Div.
April	2004	Executive Officer, General Manager of Urban Energy Business Dept. of Energy Sales and Service Div., and Acting General Manager of Volume Sales Dept. of Energy Sales and Service Div.
April	2006	Senior Executive Officer and Division Manager of Energy Resources Div.
June	2009	Director, Senior Executive Officer, and Division Manager of Energy Resources Div.
April	2010	Director, Senior Executive Officer, and Division Manager of Energy Production Div. and in charge of the Environmental Affairs Dept.
April	2012	Director, Senior Executive Officer, and Division Manager of Energy Production Div.
April	2013	Director
June	2013	Audit & Supervisory Board Member



Audit & Supervisory Board Member

Hideaki Obana

April	1978	Joined the Company
July	2003	General Manager of Marketing Dept., Living Planning Div.
April	2004	General Manager of Home Service Planning Dept., Home Service Div.
April	2005	General Manager of Kanagawa Branch, Corporate Communication Div.
April	2007	General Manager of Corporate Communications Dept.
April	2009	Executive Officer and General Manager of Corporate Communications Dept.
April	2012	Senior Executive Officer and in charge of Purchasing Dept., Real Estate Management Dept., Major Site Development Dept.
April	2013	Senior Executive Officer and in charge of Purchasing Dept., Real Estate Management Dept., Personnel Dept., Internal Audit Dept.
March	2015	Retired as Senior Executive Officer
June	2015	Audit & Supervisory Board Member

Outside Audit & Supervisory Board Members

Outside Audit & Supervisory Board Member

Yoshihiko Morita



April 1969 Joined Export-Import Bank of Japan
October 2004 Deputy Governor and Managing Director of Japan Bank for International Cooperation
June 2012 President of Japan Institute for Overseas Investment
Outside Audit & Supervisory Board Member of the Company
June 2013 Outside Director of Kawasaki Heavy Industries, Ltd. (Current position)

Outside Audit & Supervisory Board Member

Kojiro Otani



March 1971 Joined Yokohama City Hall
April 2003 Director General of General Affairs Bureau of Yokohama City Hall
April 2006 Director General of Waterworks Bureau of Yokohama City Hall
July 2008 Vice President of Kanagawa Water Supply Authority
June 2013 Outside Audit & Supervisory Board Member of the Company

Outside Audit & Supervisory Board Member

Wako Tojima



July 1983 Participated in Student Exchange Program of Japan's Ministry of Education at Department of Political Science of University of Kansas, United States
March 1985 Graduated from College of Comparative Culture of University of Tsukuba
April 1985 Joined The Yomiuri Shimbun,
March 1991 Retired from The Yomiuri Shimbun, Freelance journalist
April 2007 Part-time lecturer at School of Social and International Studies of University of Tsukuba
June 2014 Outside Audit & Supervisory Board Member of the Company

Executive Officers

President Michiaki Hirose

Executive Vice Presidents Matsuhiko Hataba Division Manager of Residential Sales and Service Div
Yutaka Kunigo In charge of Power Business Planning Dept., Business Restructuring Project Dept., Gas Business Deregulation Project Dept., and Sales Innovation Project Dept.

Senior Executive Officers Masahiro Mikami In charge of Secretary Dept., General Administration Dept., Corporate Communications Dept. Compliance Dept., and Internal Audit Dept.

Hiroaki Kobayashi Division Manager of Pipeline Network Div.

Takashi Uchida Division Manager of Energy Resources Div.

Satoru Yasuoka Division Manager of Information Technology Div., In charge of Environmental Affairs Dept., and Fundamental Technology Dept.

Fumio Murazeki Division Manager of Energy Solution Div., General Manager of Volume Sales Dept. of Energy Solution Div.

Hideaki Arai Division Manager of Regional Development Marketing Div.

Shin Yamagami Division Manager of Energy Production Div.

Masaru Takamatsu In charge of Corporate Planning Dept., Personnel Dept. Chiba-Ibaraki Project Dept., Group Management Project Dept., and Group Personnel System Project Dept.

Isao Nakajima CFO, in charge of Finance Dept., Accounting Dept., Purchasing Dept., and Real Estate Planning Dept.

Kunio Nohata Tokyo Gas Engineering Solutions Corporation Representative Director and President

Executive Officers Fumihiko Hara General Manager of Pipeline Planning Dept., Pipeline Network Div.

Kiyotada Den General Manager of Corporate Communications Dept.

Takahiro Saito General Manager of Supply Control & Disaster Management Dept., Pipeline Network Div.

Shinichi Takagi General Manager of Industrial Gas Sales Dept., Energy Solution Div.

Toshiyasu Ishi General Manager of Power Business Planning Dept.

Satoru Sawada General Manager of Corporate Planning Dept.

Nobuhisa Kobayashi Attached to the Division Manager of Energy Resources Div., President, Representative Director of Tokyo Gas Asia Pte, Ltd.

Tadashi Komiyama General Manager of Gas Business Deregulation Project Dept.

Koki Hayakawa General Manager of Group Personnel System Project Dept.

Takashi Anamizu General Manager of Sales Innovation Project Dept.

Kentarō Kimoto General Manager of Gas Resources Dept., Energy Resources Div.

Executive Specialists Yoshiaki Tajima Attached to the Officer in charge of Corporate Planning Dept. President, Representative Director of Tokyo Gas Chemical Co., Ltd.

Hiroyuki Yamakawa Attached to the Chief Executive of Regional Development Marketing Div. President, Representative Director of Nagano Toshi Gas Co., Ltd.

Masami Takayanagi Senior Executive Officer, Representative Director of Tokyo Gas Engineering Solutions Corporation President of Energy Solution Company

Minoru Sanari Chief Manager of Legal Sect., General Administration Dept.

From the Perspectives of Outside Officers

Here, we seek the comments from newly appointed outside directors Akihiko Ide and Yoshinori Katori as well as outside audit & supervisory board member Yoshihiko Morita.

Message from Outside Director



Outside Director
Akihiko Ide

To date, my thoughts toward corporate governance have been influenced by experiences gained through my position at Mitsubishi Materials Corporation. In taking up the post of outside director at Tokyo Gas, I believe that my role is to monitor the Company's management to ensure that the interests of shareholders are protected. In order to fulfill this role, I plan to make what I believe are important and necessary comments, and to oversee senior executive in the execution of their duties.

As a manufacturer of non-ferrous metals, Mitsubishi Materials is closely linked to the resource and energy industries. Looking ahead, I would hope to utilize my many years of experience at Mitsubishi Materials to support the management of Tokyo Gas in efforts to ensure sustainable development and growth.

In the lead-up to a fully deregulated electric power and gas market from 2016, I believe that considerable potential exists for substantial reorganization within the industry. In this regard, Tokyo Gas can be expected to confront an unprecedented harsh operating environment. Against this backdrop, the ability of the Company to transform adversity into positive opportunities will hold the key to continued growth.

It would appear that the government is looking to promote the creation of total energy companies through its pursuit of system reform in the energy sector. This will inevitably entail considerable reorganization by the Company as well as the industry as a whole.

One strategic initiative would of course be to confront the challenge of gas and electric power market reform head-on. From a personal perspective, I see merit in further developing business by harnessing the Company's inherent strengths in such areas as community-based services and urban development. Turning to overseas business development activities, Tokyo Gas must also be well aware of the associated risks. In its efforts to pursue growth, the Company must recognize the need at this time for management to take the helm with a greater sense of urgency, and to steer Tokyo Gas toward a transformation that can adapt to the new era that lies ahead. Moving forward, I am committed to supporting management as it strives to overcome a difficult business environment.

Message from Outside Director



Outside Director
Yoshinori Katori

Without exception, all countries place considerable importance on the energy industry when setting national policies. On the domestic front, and with various issues including vigorous debate on whether or not to resume operations at nuclear power stations, Japan's electric power sector is entering a difficult and challenging period. Against this backdrop, gas, as an environmentally friendly and economic source of energy, is attracting increased attention. Looking at the global market as a whole, the demand for gas and other energy sources is projected to enjoy a period of prolonged growth particularly in Asia, which is noticeably expanding. Taking each of these factors into consideration, competition to secure stable supplies of energy can be expected to become increasingly fierce.

Working at the Ministry of Foreign Affairs, I was engaged in a variety of activities including the adjustment and coordination of policies with foreign countries, and the promotion of cooperation. From this experience, I became acutely aware that Japan is not only recognized throughout the world as a major consumer of energy, but is also held in high esteem for its developed energy infrastructure and capabilities in energy conservation and efficient use. Over the years, I have witnessed many countries in Asia seeking assistance in learning more about Japan's energy infrastructure and support in adopting many of Japan's energy conservation technologies and techniques.

It is with a deep sense of honor that I take up the position of outside director of Tokyo Gas. First and foremost, I recognize the need to quickly acquire a complete understanding of the Company, its business activities, and issues faced. Only then can I provide any comments and advice from an independent perspective and fulfill the role that is expected of an outside director. As the electric power and gas industry heralds a fully deregulated era, Tokyo Gas will in turn be required to undergo a drastic transformation. It would please me if my input from an outside perspective including a grasp on international affairs, knowledge of external relations, and broad network were of some assistance to the Company in its transformation and efforts to secure a stable supply of gas.

Message from Outside Audit & Supervisory Board Member



Outside Audit &
Supervisory Board Member
Yoshihiko Morita

I have now served as an outside audit & supervisory board member of Tokyo Gas for three years. Over this time, I have gained an acute understanding of the Company's seven identified strengths, which include a safe and reliable brand that has been nurtured over 130 years, a solid track record focusing on its gas business as well as in the electric power field, outstanding performance in upstream businesses encompassing the continuous and stable supply of fuels, robust infrastructure and a maintenance platform centered on the Tokyo metropolitan area, accumulated technologies and the ability to create synergies with other forms of energy, a sound pipeline network and direct contact with 11 million customers, and a workforce that is distinguished by its strong sense of mission and responsibility that effectively serves a public utility role. Each of these strengths is a vital asset in the efforts of Tokyo Gas to remain a leading player in the industry as a total energy company, and to address the challenges imposed by a fully deregulated electric power and gas retail market.

Recently, corporate governance has attracted significant attention from society. For its part, Tokyo Gas was quick to appoint outside officers and to adopt an advisory committee structure to determine officer remuneration. In addition to fostering a Board of Directors that engages in vigorous and constructive debate, the Company has initiated various innovative measures to ensure that important agenda items are given careful and comprehensive consideration.

In essence, proper corporate governance ensures that a company's activities are conducted in a sound and transparent manner, which in turn facilitates continuous improvement in corporate value. From my perspective, I believe that improvements in the corporate value of Tokyo Gas are best achieved by the Company fulfilling its obligations both as a public entity that provides a stable supply of energy to society and a corporate entity that secures an appropriate level of profit. In addition to balancing these dual obligations, it is equally important for Tokyo Gas to pay close attention to risk management against the backdrop of an environment that requires prompt decision-making and further striking a balance between its domestic and overseas businesses. As I have mentioned, these steps are critical to the Company fully harnessing its inherent strengths and to taking up the challenge of promoting growth amid a new era. Looking ahead, I would like to play a role in further enhancing corporate value while offering my opinions from an outside and independent perspective.

Consolidated Subsidiaries and Equity-Method Affiliates As of March 31, 2015

Main Consolidated Subsidiaries

Company	Business	Capital (¥ million)	Equity owned by Tokyo Gas (%)	Net sales (¥ million)	Operating Income (¥ million)
1 Gastar Co., Ltd.	Manufacturing and sales of gas appliances, sales and maintenance of air-conditioners (gas heat pump)	2,450	66.7	35,653	2,577
2 Capty Co., Ltd.	Installation of gas supply lines, water supply and drainage lines, air conditioning systems, new construction, and construction of gas mains and branch lines	1,000	100.0	56,889	1,569
3 ENERGY ADVANCE Co., Ltd.	Energy service, district heating and cooling, cogeneration orders, and maintenance businesses	3,000	100.0	91,017	1,337
4 Nijio Co., Ltd.	Wholesale of electricity	47	100.0	140,449	10,119
5 Ohgishima Power Co., Ltd.	Generation, supply and sales of electricity	5,350	75.0	8,679	558
6 Tokyo Gas Yokosuka Power Co., Ltd.	Independent Power Producer for TEPCO (IPP businesses)	980	75.0	10,772	608
7 Chiba Gas Co., Ltd.	Supply of city gas to Yachiyo city, Narita city, and surrounding cities	480	100.0	20,858	1,137
8 Nagano Toshi Gas Co., Ltd.	Supply of city gas in Nagano Pref.	3,800	89.2	14,946	1,060
9 Tokyo Gas Energy Co., Ltd.	Sales of liquefied petroleum gas (LPG) and coke	1,000	66.6	38,585	-1,157
10 TOKYO GAS PLUTO PTY LTD	Participation in Pluto LNG project	202	100.0	27,797	11,112
11 Tokyo LNG Tanker Co., Ltd.	LNG transportation and chartering carriers	1,200	100.0	22,871	2,627
12 Tokyo Gas Chemicals Co., Ltd.	Sales of gas for industry and chemical products, and development of LNG cryogenic utilization technology	1,000	100.0	23,874	396
13 Tokyo Gas Engineering Co., Ltd.	Total engineering services with a particular focus on the energy-related field	100	100.0	62,557	2,629
14 Tokyo Gas Urban Development Co., Ltd.	Real estate leasing, management, brokerage and non-life insurance agents, etc.	11,867	100.0	24,219	3,996
15 Tokyo Gas Site Development Co., Ltd.	Real estate development and administration management	5,000	100.0	2,184	387
16 TG Information Network Co., Ltd.	Information processing services, software development, and sales of computer equipment, etc.	400	100.0	22,335	581

Number of consolidated subsidiaries: 69 (As of March 31, 2015)

Figures are rounded off to the nearest million yen.

Other Subsidiaries

Tosetz Co., Ltd., Tokyo Kiko Co., Ltd., Tokyo Gas Remodeling Co., Ltd., Tokyo Gas Lease Co., Ltd., Tokyo Gas Telemarketing Co., Ltd., Living Design Center Co., Ltd., Tokyo Gas Living Line Co., Ltd., Tokyo Gas Lifeval Minami-Setagaya Co., Ltd., Tokyo Gas Lifeval Chiba Co., Ltd., Tokyo Gas Lifeval Kazusa Co., Ltd., Tachikawa Toshi-Center Co., Ltd., Tokyo Gas Baypower Co., Ltd., Tsukuba Gakuen Gas Co., Ltd., Tokyo Gas Yamanashi Co., Ltd., Showa Unyu Co., Ltd., Washinomiya Gas Co., Ltd., Shoei Gas Co., Ltd., Tochigi Gas Co., Ltd., Miho Gas Co., Ltd., Enelife Carrier Co., Ltd., Tokyo Auto Gas Co., Ltd., Tokyo Gas LPG Terminal Co., Ltd., Capty Tech Co., Ltd., Kawasaki Gas Pipeline Co., Ltd., Tokyo Gas Pipeline Co., Ltd., Tokyo Gas International Holdings B.V., Tokyo Gas-Mitsui&Co.Holdings Sdn. Bhd., Tokyo Gas Bajio B.V., Tokyo Gas Shale Investment Ltd., TG Europower B.V., TOKYO GAS AUSTRALIA PTY LTD, TOKYO GAS DARWIN LNG PTY LTD, TOKYO GAS GORGON PTY LTD, TOKYO GAS QCLNG PTY LTD, TOKYO GAS ICHTHYS F&E PTY LTD, TOKYO GAS ICHTHYS PTY LTD, Tokyo Gas America Ltd., TGBI 1.LL.C, TGBI 2. LL.C, TG Barnett Resources LP, Tokyo Gas Asia Pte. Ltd., TG PLUS Co., Ltd., Tokyo Oxygen and Nitrogen Co., Ltd., Tokyo Carbonic Co., Ltd., Tokyo Rare Gases Co., Ltd., TGE (SHANGHAI) LNG ENGINEERING CO., LTD., Japan Super Freeze Co., Ltd., NICCHO OPERATION CO., LTD., Park Tower Hotel Co., Ltd., Urban Communications, Inc., Tokyo Gas Auto Service Co., Ltd., Tokyo Gas Facility Service Co., Ltd., TGES America Ltd.

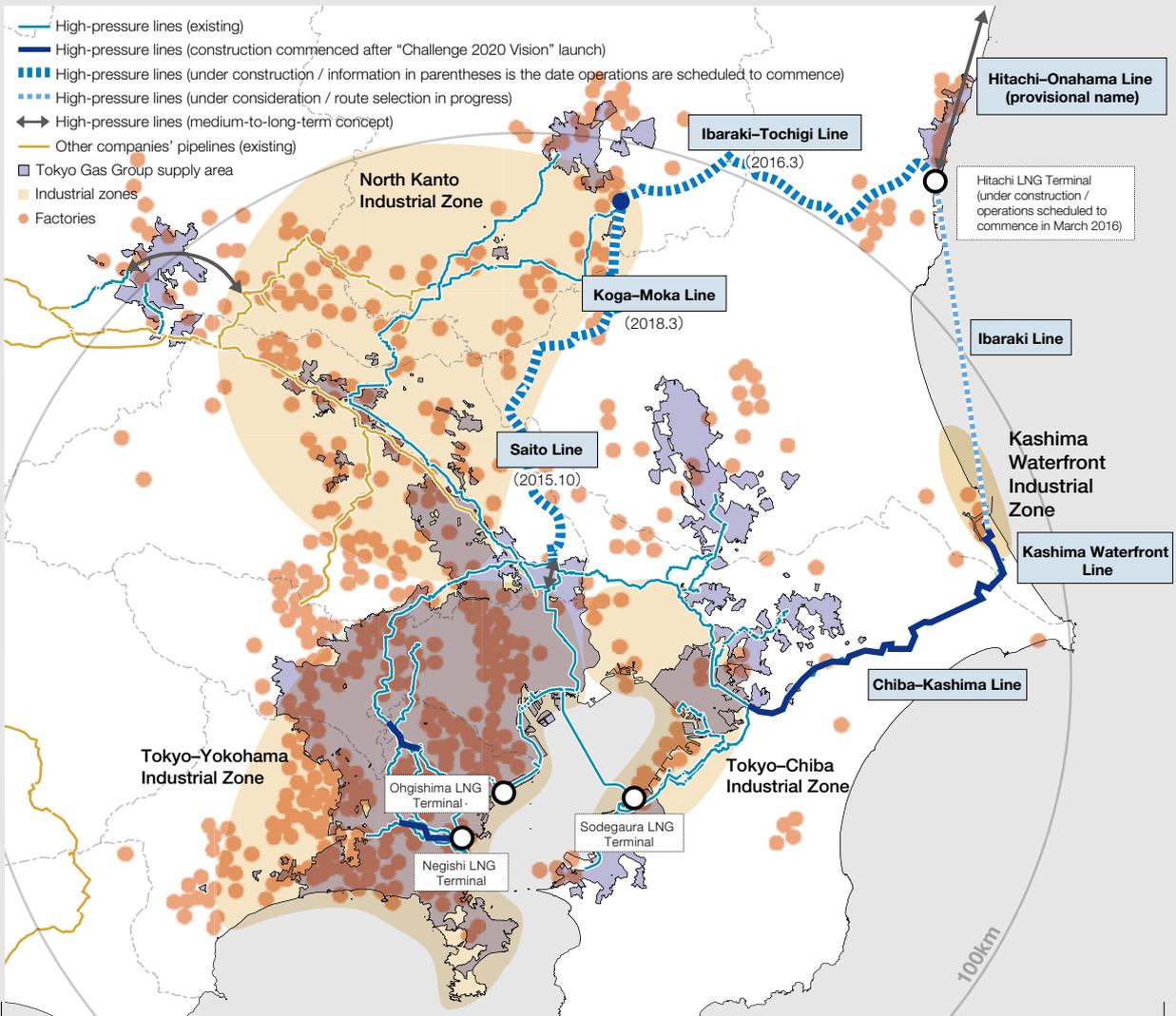
Equity-Method Affiliates

TOKYO TIMOR SEA RESOURCES INC.
GAS MALAYSIA BERHAD
East Japan Housing Evaluation Center Co., Ltd.
Bajio Generating VOF
MT Falcon Holdings Company, S.A.P.I. de C.V.
T-Power NV

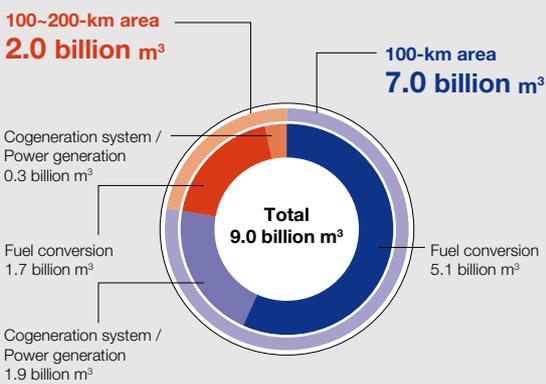
Our Potential

The Kanto region, the Company's service area, is ripe with latent demand for natural gas present in such areas as industrial zones populated by factories using heavy fuel oil. By extending our pipeline network into these areas, we will be well placed to capture this latent demand.

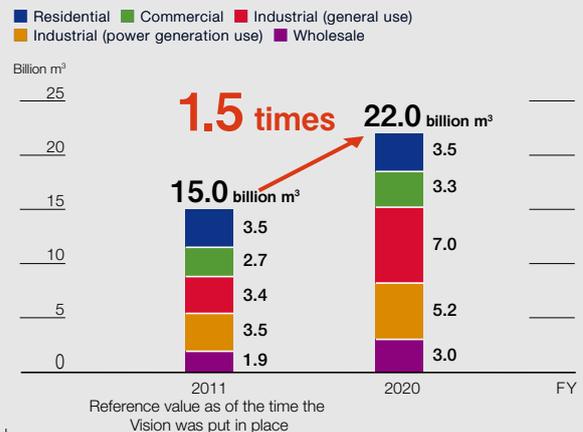
Energy demand concentration in the Kanto Region



Potential for Industrial and Commercial Demand in the Kanto Region (200-kilometer radius around Tokyo)



"Challenge 2020 Vision" Targets: Gas Supply Volumes by Application



Financial and Industry Data

(EXCEL Spreadsheet Data Available)

Investors' Guide

 http://www.tokyo-gas.co.jp/IR/english/library/invguid_e.html



Quarterly Financial Results

Earnings Announcements

 http://www.tokyo-gas.co.jp/IR/english/event/earn_e.html

Consolidated Financial Results Bulletin

 http://www.tokyo-gas.co.jp/IR/english/library/earn_e.html

Details of Challenge 2020 Vision

The Tokyo Gas Group's Vision for Energy and the Future

~Challenge 2020 Vision~

(Released November 2011)

 http://www.tokyo-gas.co.jp/IR/english/manage/vision_e.html

CSR Activities

Tokyo Gas Group CSR Report

 http://www.tokyo-gas.co.jp/csr/index_e.html

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