My commitment to the Second Foundation of Tokyo Gas

My mission is to create corporate value within the Tokyo Gas Group. For over 130 years since 1885, Tokyo Gas has provided a stable and reliable supply of gas to industries and households in the Greater Tokyo Area and has supported its economic development and quality of life of its people.

Following the full deregulation of the electric power retail market in 2016, the gas retail market was fully deregulated in April 2017. This thrust us into a new era of competition.

While it is not widely known, in 1872 during the civilization and enlightenment period, it was the gas lamp which brightened the streets at night in Japan. A few years later, Tokyo Gas was born. Since then, we were the first in Japan to adopt liquefied natural gas (LNG), gas-fired air cooling, and a large-scale cogeneration system, leading to widespread use of natural gas, clean energy, and exploration at the energy frontier.

I regard the deregulation of the energy market as a great opportunity for the Tokyo Gas Group to go beyond the regulatory frameworks of the gas business in the Greater Tokyo Area and to provide electric power retail and various other businesses and services nationwide and overseas. I am thrilled and excited to be at the helm during this momentous time.

I believe Tokyo Gas is in the midst of an era I call the Second Foundation of the company to create new value, since its first foundation during the civilization and enlightenment age. I am fully committed to managing Tokyo Gas at this important juncture.

Shifting management from the Mt. Fuji type to the Yatsugatake Mountains type

We have been taking up the challenge of the full deregulation of the electric power and gas markets as a management challenge not passively but proactively. The Great East Japan Earthquake of March 2011 prompted us to significantly review our management as an energy company. Within the same

In front of gas lamps of the Tokyo Gas Headquarters

year we drew up the Challenge 2020 Vision, a nine-year plan, in which we have targeted business portfolio reform, in anticipation of a full-scale deregulation.

We aim to shift away from management focused on one dominant business in city gas, corresponding to Mt. Fuji, to management of several large businesses, including the electric power business, overseas activity, and various other businesses, corresponding to the Yatsugatake Mountains, an entire mountain range, for achieving sustainable growth.

I personally like the Yatsugatake Mountains and often visit there. While each of the eight (yatsu) mountains has distinctive and individualistic features, the range of the mountains collectively looks attractive with a variety of different views, depending on the time and the place from which to view them. I envision the renovation of our business portfolio in a similar way.

Prioritizing investment that will contribute to raising corporate value

In fiscal 2016, ended March 31, 2017, our operating profit decreased 70% year-on-year to ¥58.3 billion. This was mainly due to the absence of the sliding time lag benefits that occurred in the previous year, an increase in depreciation burden following the start-up of large domestic infrastructure projects, and actuarial gain or loss. The results, however, were better than initially expected, thanks to a reduction in expenditures and to better sales efforts.

For fiscal 2017, ending March 31, 2018, assuming the exchange rate of ¥115 per U.S. dollar and an oil price of $55/bbl, operating profit is expected to be ¥82 billion (up 41% y-o-y), mainly due to the absence of one-off accounting factors.

Despite expecting a significant profit increase from fiscal 2016, I do not think that the current level of profit indicates our true earnings power. Let me emphasize that current substandard profits resulted from our forward-looking investment and implementation of measures, targeted to raise future corporate value, during the Second Foundation phase of the company, in addition to one-off accounting factors.

Challenge 2020 Vision, prompted by the Great East Japan Earthquake of 2011, is steadily be implemented to realign the business portfolio

Robust securing of user contracts in the first year of the deregulated electricity market

The electricity market in the Kanto Region alone is as large as ¥3 trillion. Its deregulation is certainly posing a great opportunity to Tokyo Gas. We are targeting acquisition of about 10% of demand in the Greater Tokyo Area by 2020, by expanding sales to the deregulated residential and small-commercial customer sectors, in addition to our existing wholesale business.

As the development of power supply (power generation) required for electricity sale is proceeding smoothly, our focus is to acquire customers. As a result of our concerted group-wide efforts, we have acquired 730,000 customers, far exceeding our plan (400,000) for fiscal 2016, the first year in the electric power retail business. We were able to start this new chapter in our industry's history as the No. 1 new entrant. This was supported by our customers' trust extended to Tokyo Gas and efforts by our Group companies, including Tokyo Gas Lifeval, which has a community-based sales network. We are targeting one million customers, cumulative, in fiscal 2017.

Entering the second year since deregulation, we are anticipating consolidation or other moves among the electric power new entrants. Keeping an eye on various possibilities, we are aiming at non-linear expansion. In this year again, we will not hesitate to invest the management resources required in this business.

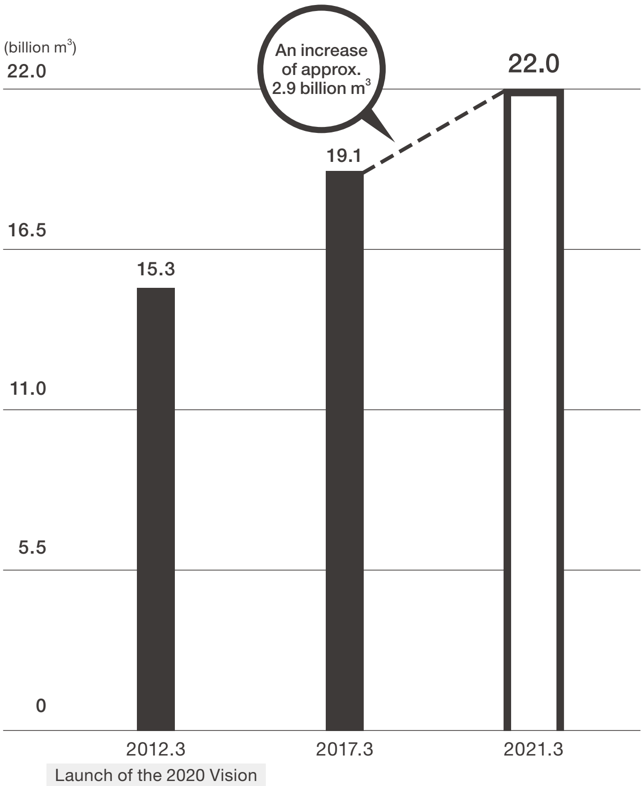
Taking an offensive stance toward the full deregulation of gas retail sales

The retail gas market has also been fully deregulated since April 2017. We are taking an offensive, not defensive stance, by considering deregulation as a great opportunity for the Tokyo Gas Group to go beyond the regulatory frameworks of the city gas business.

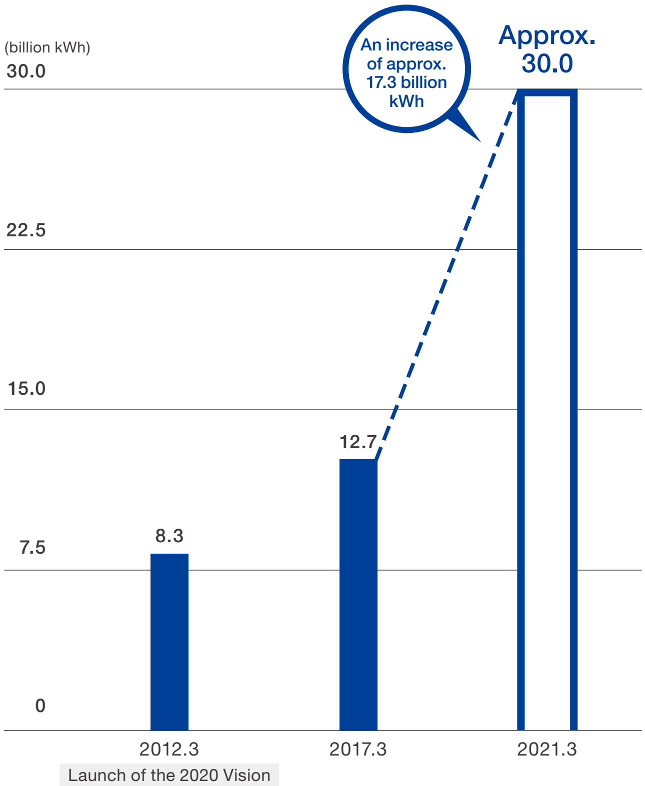
Following our strategy to be a one-stop provider of gas, electricity, and services, according to customer needs, we will strive to be chosen by customers based on the overall energy cost and added value.

As a general gas operator, we are coordinating smoothly with each gas retailer to ensure transparency, neutrality, and fairness and to enable safe and reliable usage of gas even

Gas Sales Volume (based on the Vision)



Electric Power Sales Volume



after the deregulation. With the objective of ensuring a stable supply and expansion of services, we are strengthening our natural gas infrastructure. Construction of the Koga-Moka Line will be completed around the fall of 2017, ahead of the schedule, and construction of the Ibaraki Line will be launched after the selection of its final route.

Demand for gas, from LNG, a relatively clean energy, has grown through conversion from reliance on other energy and is expected to continue to expand. Maintenance know-how is indispensable for safe use of gas. We are in advantageous position in this regard, as we have strong relationships of trust, accumulated over many years, with customers.

Making steady progress toward realization of our long-term vision

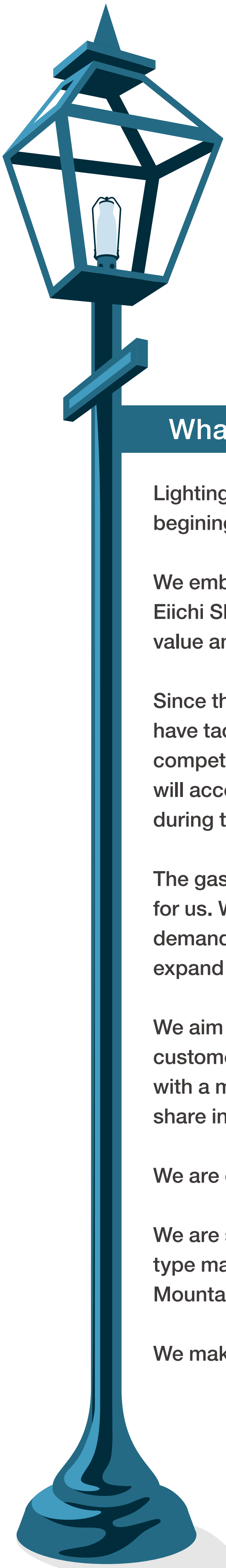
Fiscal 2017 is a final year of the second "Step" stage of the Challenge 2020 Vision. We are making steady progress in its three main measures: to evolve into the total energy business; to accelerate global business development; and to reconstruct our corporate group. We will continue our progress in fiscal 2017.

To evolve into the total energy business, we have made a good start in the electricity retail business. Development of electricity supply capacity is also proceeding as planned. In the city gas business, we began operation of our Northern Kanto Area infrastructure, including the Hitachi LNG Terminal, our first receiving terminal located outside of the Tokyo Bay area, as well as the Ibaraki-Tochigi Line. In addition, we have decided to build the Ibaraki Line between the Hitachi Terminal and the Kashima Industrial zone. Upon completion of the Ibaraki Line and pipeline loops, we can confidently accommodate future additional gas demand in the Kanto.

In the context of accelerating global business development, we have established new business operation sites and increased our workforces. We have established ourselves mainly in North America and Southeast Asia and have specific projects in hand. Specifically, in 2017, we purchased a 30% equity share in Castleton Resources, a company which has 660km^2 of leasehold in eastern Texas in May. While we acquired equity stakes in the U.S. gas development business in the past, this is the first equity investment in an upstream company.

Concerning the realignment of our corporate group, in April, we defined seven business domains: City gas business, Electric power business, Liquid gas business, Living service business, Engineering service, Urban development service, and Overseas business. These are seven businesses, not eight as Yatsugatake (literally eight peaks) may indicate, but retain the potential for us to add other new businesses, as long as they can contribute to raise corporate value.

In the area of corporate governance, since April, we have made clearer separation of supervision and execution and have enhanced a monitoring function of the Board of Directors. Meanwhile, the Board is becoming a place to draw up important strategies for the entire Tokyo Gas Group, not merely a place to deal with details of each execution. We have also strengthened our risk management system, foreseeing an increase in business volatility as the once-regulated industry has become deregulated.



What I want to tell you

Lighting street lamps, it was the begining of Tokyo Gas' history.

We embrace the spirit of our founder, Eiichi Shibusawa, to balance social value and economic value.

Since the Company was founded, we have tackled continuous challenges of competition and need for reform. We will accelerate self-generated change during this Second Foundation.

The gas industry is a growth industry for us. We are based in the high-demand Great Tokyo Area and will expand into the Northern Kanto Area.

We aim at acquiring one million customers for electricity within 2017, with a medium-term target of a 10% share in the Kanto Region.

We are developing overseas activities.

We are shifting away from the Mt. Fuji type management to the Yatsugatake Mountains type management.

We make use of our invisible assets.

Shaping up the management plan for 3-year "JUMP" stage

From fiscal 2018, we will enter the next 3-year "JUMP" stage, to complete our Challenge 2020 Vision. We will plan specific strategies and launch them by the fall.
We intend to draw up management strategies, heeding implications and requirements of the Basic Energy Plan of the Japanese Government and keeping an eye on moves by JERA (a joint venture of Tokyo Electric Power and Chubu Electric Power), our competitor in the energy market. Major issues to focus include how far we shall expand in the electric power business, how much we shall invest overseas, and whether we need to scrap and build businesses.
For example, the Challenge 2020 Vision targets expansion of our electric power generation capacity from 1.6 million kW at present to about 3 million kW by 2020. Aiming to increase the capacity to 5 million kW by 2025, we will plan measures of the three years.
Looking ahead, we are likely to need alliances with other companies more than ever for the promotion of the total energy business and for global development. We have already established Synergia Power with Tohoku Electric Power in high-voltage power sales. We will be flexible in considering other options in the context of a wider framework.

Continuing to enhance “invisible assets”

Since the company was founded in 1885, we have accumulated “invisible value” which does not appear on financial statements. Our sources of competence include our customers’ trust, accumulated knowledge, richly experienced human resources, a track record in stable supply, LNG procurement capacity, a network in the Greater Tokyo Area of Lifeval and other service Companies, and various business partners. In addition, we have infrastructure facilities such as pipelines, which appear on the financial statements but are installed underground and cannot be seen. When we launched retail electricity sales, we recognized anew the brand value of Tokyo Gas as trustworthy by customers. We consider that underground pipes and trust are also invisible assets. We intend to treasure and use such advantages in dealing with the gas retail market after deregulation.

Balancing social contribution and creation of corporate value

Eiichi Shibusawa, the first president of Tokyo Gas and a formidable industrialist and financier in the 19th century, wrote in his book “Rongo to Soroban (The Analects and the Abacus)” the importance of balancing social value and economic value. Not common good OR profit. Rather, common good AND profit, which is needed for sustainable growth. Shibusawa started the company with that prescient concept present in today’s CSV or Creating Shared Value. For 130 years, we have kept this concept foremost in our management and have consistently endeavored to contribute to society by safely and stably supplying energy, which is indispensable to people’s lives, and have achieved sustainable profit growth of the company. This dedication is shared by all of our employees and is the origin of our corporate social responsibility (CSR) and the ultimate source of corporate value. This underlying principle will remain unchanged when we handle not only gas but also electric power and services to engage in the total energy business and when we do business not only in the Greater Tokyo Area but also across Japan and abroad.

Employees are the driver for business promotion. Under the view that business cannot be sustained unless each one of them works enthusiastically, we are establishing various programs and working on raising awareness of various subjects. Establishing an environment where our people are motivated to work is resulting in orienting our corporate culture to respect diversity and human rights.

I believe our “corporate value” is the sum of value we offer to customers, shareholders, business partners, communities, and all other stakeholders. Concerning shareholder return, we intend to maintain our basic policy of targeting a total payout ratio of approximately 60% by combining dividends with share repurchase (assuming subsequent cancellation) up to 2020. In fiscal 2016 we recorded a significant decrease in earnings but did not cut dividends. We intend to gradually increase dividends in line with growth in earnings.

We will keep growing

Lastly, I will manage the Tokyo Gas Group so as to keep it a growth company. While gas demand in Japan is expected to increase, due to a shift into clean and competitive LNG, Tokyo Gas is aiming at increasing sales in the Northern Kanto Area where we are establishing infrastructure. Moreover, we also have growth opportunities, including electric power business and overseas markets.

We will embrace the values incorporated in our corporate message, “Supporting you Always and bettering every day.” We will continue dialogues with many stakeholders and raise long-term corporate value through our new system in this new era. The Tokyo Gas Group is taking up challenges for the Second Foundation. I ask for the continued understanding and support of our stakeholders.

Representative Director, President 広瀬 道明
Michiaki Hirose