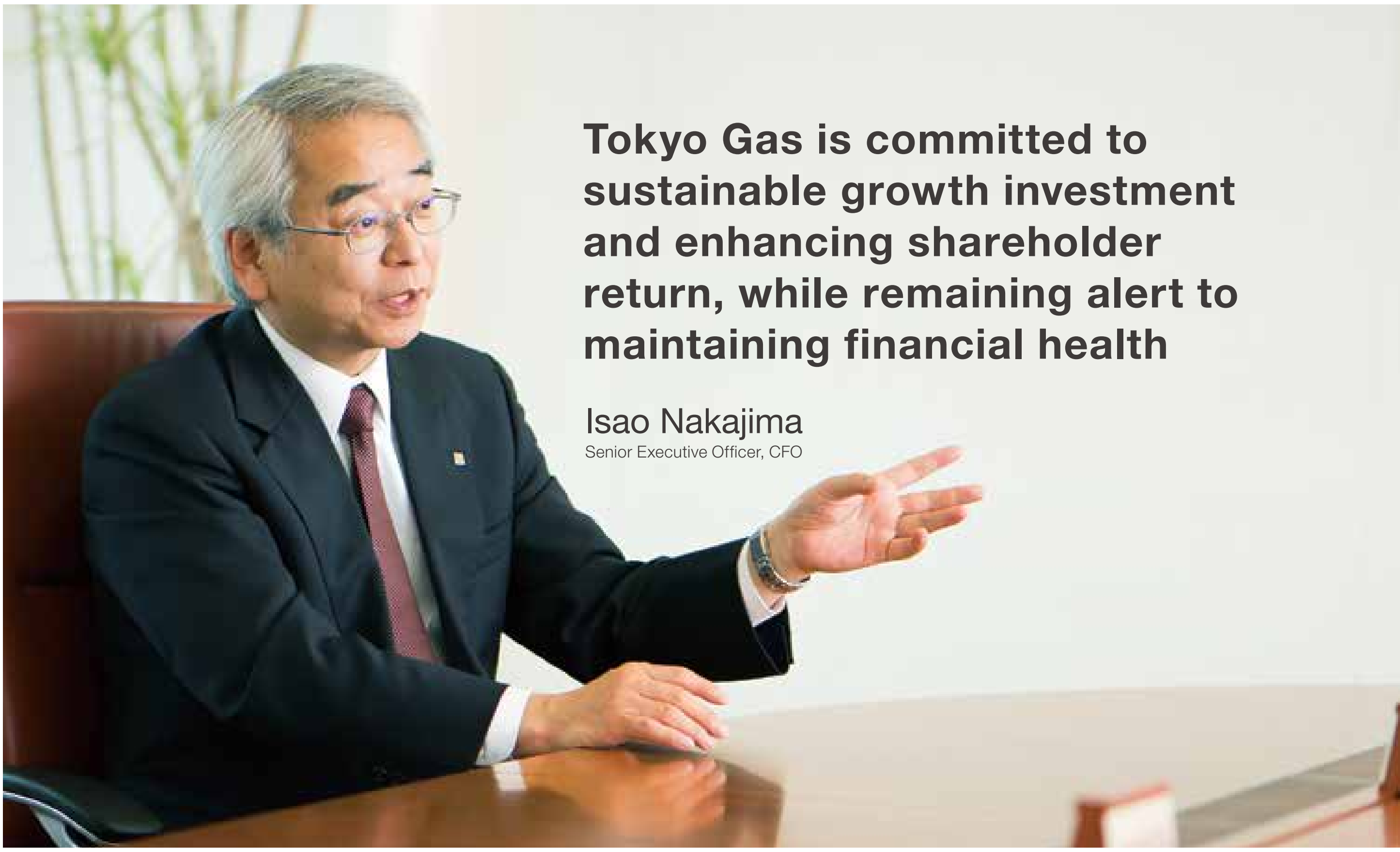


Tokyo Gas is committed to sustainable growth investment and enhancing shareholder return, while remaining alert to maintaining financial health

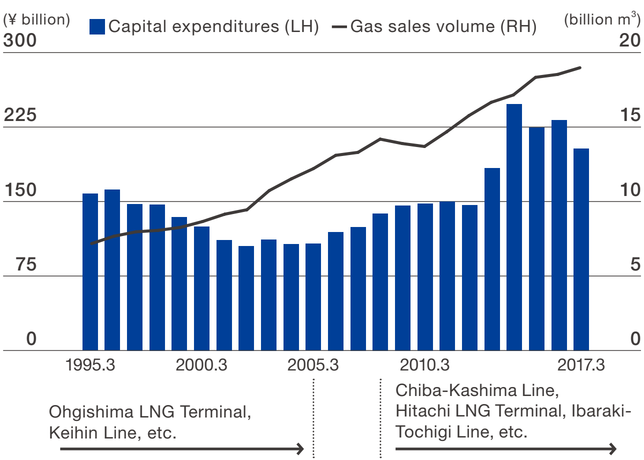
Isao Nakajima
Senior Executive Officer, CFO

We have made investments to enhance earning power

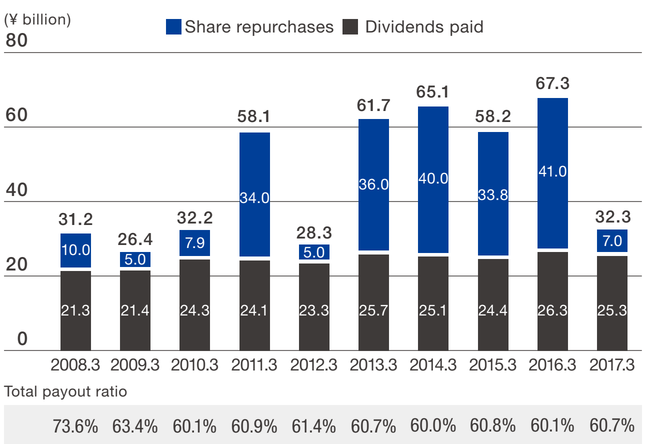
As CFO, I participate in the process of reviewing and deciding on management strategy and am in charge of financial and capital policy. The basic financial and investment policy of Tokyo Gas is to achieve three objectives that are mutually related: (1) to make sustainable investment for growth; (2) to maintain financial health; and (3) to deliver stable and appropriate shareholder return.

Based on a solid financial position as shown by the equity ratio of 49% and debt-to-equity ratio of 0.65 as of March 31, 2017, we are determined to continue active growth investment and maintain our current competitive shareholder return (total payout ratio of 60%) in fiscal 2017. Our ordinary income in fiscal 2016 decreased 70% year-on-year to ¥55.6 billion. This does not necessarily indicate the degree of our earning power. The decline was mainly due to the sliding time lag associated with changes in oil prices and actuarial gain or loss, which wiped out profit by

Capital Expenditures and Gas Sales Volume



Shareholder Returns



*1 Non-consolidated basis up to fiscal 1998; consolidated-basis from fiscal 1999 *2 Gas sales volumes from fiscal 2011 are on a 2020 Vision basis. (Including the portion used in tolling and the LNG sales volume.)

Basic Financial Policy

1	Steadily implement growth investments, with consideration given to investment efficiency and cost of capital	2	Ensure financial health, to support sustainable growth investment and stable shareholder return	3	Sustain specific shareholder return policy (Total payout ratio of 60%)

roughly ¥120 billion. In addition to these one-off factors, upfront investment for newly-entered retail electricity business and depreciation expenses in projects, such as for start-up of the Hitachi LNG Terminal (to greatly improve city gas supply capacity), depressed profit. However, we strongly believe that these are advance investments for future growth, leading to enhance our medium- to long-term earning power.

Shifting into a Yatsugatake Mountains type management to facilitate steady execution of various strategies

Our Challenge 2020 Vision can be summarized as constructing a business portfolio that enables us to firmly make money in city gas, our original core business, as well as in other businesses. Our specific target is to earn in the ratio of 2:1:1 in the city gas, overseas, and other businesses including LNG sales and electric power. We are moving away from management focused on one dominant business, city gas, “Mt. Fuji type”, to management of several large businesses, “Yatsugatake Mountains type”.
Initially, when we launched the Challenge 2020 Vision, we did not have a fully articulate image. Subsequently, through carrying out initiatives, we have organized our vision into seven business domains: City gas business, Electric power business, Liquid gas (LPG and industrial gas) business, Living service business (life support, ideas and hints for living, comprehensive facilities, etc.), Engineering service business (energy service, LNG facilities, etc.), Urban development service business (real estate usage and management), and Overseas business.
In the electric power business, we plan to increase the number of customers from about 730,000 in fiscal 2016 to one million in fiscal 2017. Since April 1, 2017, retailing of city gas has become fully deregulated. We will not merely continue our city gas business as it has been. We think it is important to proactively provide customers with value-added services by combining city gas, electricity, and life-related services.
Overseas, we focus on North America and Southeast Asia, where our initiatives to participate in shale gas or gas-fired power generation businesses in cooperation with local major companies have been making progress. We certainly consider feasibility, risk management, and other factors, and cautiously make investment decisions. At the same time, we want to realize a virtuous cycle, in which each achievement is accumulated and leads us to the next business opportunity.
In the urban development service business, we are collaborating with a major developer for a large-scale project “msb Tamachi” in the East Exit area of JR Tamachi Station in central Tokyo , to be completed by 2020.
As such, each business, representing each peak of a mountain range, independently carries out growth strategies, while the group-wide comprehensive management system covering all businesses is being enhanced to realize the Challenge 2020 Vision.

Alert to the cost of capital in making investment decisions; moving toward achieving 8% ROE

The Challenge 2020 Vision has set the amount of investment and loans at ¥2,060 billion for nine years to fiscal 2020. We have already invested over 50% of this target amount. In fiscal 2017 and after, we plan to enhance maintenance, such as pipeline replacement, and to invest in a high-pressure pipeline network from a longer-term perspective. Particularly in the overseas business, engineering service business, and real estate business, we are mindful of the cost of capital in making investment decisions, in order to improve ROE.
Our ROE target in the Challenge 2020 Vision is 8% by fiscal 2020. While ROE in fiscal 2016 fell short at about 5%, partly due to the effect of the sliding time lag, a one-off negative factor, we will steadily maintain and expand earnings of each business, that comprises our “Yatsugatake Mountains”, so as to achieve our target.

Maintaining a total payout ratio of 60% in dividends and share buyback

We are on record as pledged to return approximately 60% of consolidated net profit in dividends and stock repurchases to shareholders through fiscal 2020. This means we will raise dividends step by step, while returning earnings, or the outcome of business, on a timely basis to shareholders. Our target of 60% reflects balanced consideration given to shareholder return, future growth investment, and financial health, as diligent use of the generated cash flow. We are making our policy on distribution of the surplus as clear as possible, as a part of efforts to ask for continued understanding and support of shareholders.