Tokyo Gas is committed to following its basic financial policy and maintaining continuous growth.

Senior Managing Executive Officer, CFO
Koki Hayakawa

Basic Financial Strategy Policy

1. Continue to maintain competitive shareholder returns (total payout ratio of 60%)
2. Steadily implement growth investments, with consideration given to investment efficiency and awareness of achieving an 8% ROE
3. Maintain sound financial base, as a basis for stable management and securing the trust and confidence of stakeholders

Capitalizing on experience to support continuous growth from a financial perspective

My name is Koki Hayakawa. I was just appointed chief financial officer (CFO). I have worked in energy production, sales planning, personnel affairs and other sections before acting as a manager on the frontline of obtaining gas and electricity customers over the past three years since the full deregulation of the electricity and gas retail markets. Under harsh competitive circumstances, I always considered how to boost our competitiveness and sow the seeds for future growth by investing in promising areas while streamlining operations and cutting costs.

Tokyo Gas's basic policy for its financial strategy is to achieve a balanced distribution of operating cash flow between full and stable shareholder payouts, growth investments, and maintaining sound financial base. This will continue when I am CFO. I believe that my duty is to steadily carry out the three tasks mentioned above.

Because energy markets are increasingly deregulated, competition will become fiercer and the industrial structure will face substantial changes. I therefore believe that it is important to return profits to shareholders while maintaining an appropriate financial balance to beat the competition and make steady investments in supplying energy safely and securely to achieve continued growth.

Actively investing overseas and in Japan while retaining stable financial foundations

We plan to make investments, including capital investment and financing, worth around 1 trillion yen during the three-year period from fiscal 2018 to fiscal 2020 under the GPS2020 medium-term management plan. This is about 1.5 times the amount under the previous medium-term plan. To meet the soaring demand for natural gas, we are constructing LNG tank No. 2 in the Hitachi LNG Terminal. Meanwhile, construction of a high-pressure gas pipeline called the Ibaraki Line is in progress towards its inauguration in fiscal 2020. It will connect two existing lines, the Kashima Waterfront Line and the Ibaraki-Tochigi Line, to advance construction of a loop of high-pressure gas pipelines. This will ultimately strengthen the supply stability in the Greater Tokyo area and boost the transport capacity of the entire supply network.

In addition, we will invest in mission-critical systems that link with customers. We will study the feasibility of constructing new, independent power plants and examine our overseas investments and financing for further growth in terms of the significance, economic efficiency and risks before implementation.

This investment is expected to bring about a temporary rise in the D/E ratio, to 0.9 in fiscal 2020, and I think it is within the allowable limit. With a remarkably low interest rate, corporate bonds may be issued under favorable conditions. We are promptly procuring funds at low interest rates under long-term conditions (10-40 years).

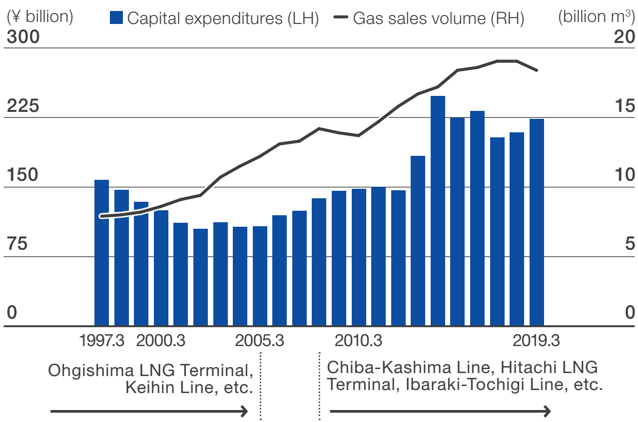
Bolstering profit rate to maintain stable returns for shareholders

Improvement in profitability is the most significant issue from the financial perspective. Currently, Kobelco Power Moka Inc. is constructing a cutting-edge natural gas thermal power plant in Moka City, Tochigi Prefecture. After its completion, we will have more competitive procurement of power sources. Three years since the full deregulation of the electricity retail market, our pace of gaining electricity customers remains solid. I hope that the electricity business will drive our profit growth.

The GPS2020 medium-term management plan sets the ROE target at around 8%, while the actual ROE figure was 7.4% for the last fiscal year. ROE fluctuates depending on the temporary injection of money. While always paying attention to this target, we will work hard to develop a predisposition for seeking an approximate ROE level of 8% in the long run.

With respect to returns to shareholders, we have announced that we will maintain a total payout ratio of 60% until fiscal 2020. We have firmly fulfilled our commitment by properly combining dividends and the acquisition of treasury shares. Three years have passed since the last dividend increase. While steadily carrying out the GSP2020, our management team is becoming confident in the future. We have constructed a financial base that is resilient to an increase in dividends. We recently decided to raise dividends from 55 yen per share to 60 yen per share. In parallel with steady investments in promising areas, we will mildly increase dividends to return profits to shareholders. The company and I, as CFO, will continue to listen to shareholders and investors and strive for greater corporate value through constructive communication. We respectfully ask for your continued support and understanding.

Capital Expenditures and Gas Sales Volume



*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 gas volume used in-house under tolling arrangement and the LNG sales volume.)

Shareholder Returns