

FY2014 2Q Financial Results



October 30, 2014

1. FY2014 2Q Consolidated Financial Results ended September 30, 2014



FY2014 2Q Consolidated Financial Results (Apr. 1, 2014 – Sep. 30, 2014) <vs. FY2013 2Q>



Highlights: 5th consecutive first half-year period of revenue growth, 3rd of profit growth (record sales and profit at all 3 levels)

(+ - , +/- indicates profit impact, billion yen)

Net sales	+97.5 : +	Increase in city gas sales (+73.2 (+11.0%): sales volume +38.9, unit sales price +35.1 (slide +41.1, tariff revision -9.4, etc.))	
	(+10.4%)	+ Increase in electricity sales (+16.6 (+24.8%): sales volume +7.7, unit sales price +8.8)	Sliding time lag effect +3.0 (+10.9→+13.9)
		+ Increase in overseas sales (+6.4 (+73.7%): increase in sales at Pluto, increased sales from full-year Barnett contribution, etc.)	
Operating expenses	-91.5 : -	Increase in city gas resource costs (-72.9 (-17.8%): sales volume -33.7, unit sales price -39.2 (exchange rate -15.3, crude oil -0.3, price revision, etc.))	
	(-10.6%)	- Increase in electricity fuel costs (-15.2 (-35.0%): sales volume -5.0, unit sales price -10.1)	
Operating income	+6.0 : +	Increase in city gas profit (+0.8 (+1.3%): gas gross margin +1.1 (sales volume +5.2 (incl. temp effect +0.7), unit sales price -4.1 (slide +3.0, tariff revision -9.4, etc.))	
	(+8.9%)	+ Increase in electricity profit (+2.1 (+20.7%): electric power gross profit +1.4 (sales volume +2.7, unit sales price -1.3))	
		+ Increase in overseas profit (+2.0 (+119.0%): increase in earnings at Pluto, etc.)	
Extraordinary income	+11.8 : +	Gain on sales of non-current assets +5.4, Gain on sales of investment securities +4.8, etc.	
	(-2.0 →+9.8)		

(Unit: billion yen)

	2014 2Q results	2013 2Q results	Change	%	Previous forecast (July 31)	Change	%
Gas sales volume (mil. m ³ , 45MJ)	7,192	6,673	+519	+7.8%	7,136	+56	+0.8%
Electricity sales volume (billion kWh)	5.31	4.76	+0.55	+11.6%	5.37	-0.06	-1.1%
Net sales	1,031.0	933.5	+97.5	+10.4%	1,033.0	-2.0	-0.2%
Operating expenses	956.4	864.9	+91.5	+10.6%	970.0	-13.6	-1.4%
Operating income	74.5	68.5	+6.0	+8.9%	63.0	+11.5	+18.3%
Ordinary income — (a)	72.6	64.9	+7.7	+11.8%	62.0	+10.6	+17.1%
Net income	57.0	42.7	+14.3	+33.3%	53.0	+4.0	+7.5%
Temperature effect — (b)	-3.4	-4.1	+0.7	—	-3.8	+0.4	—
Sliding time lag effect — (c)	13.9	10.9	+3.0	—	10.5	+3.4	—
Depreciation of pension actuarial differences — (d)	1.5	-1.1	+2.6	—	1.5	0.0	—
Adjusted ordinary income — (a) - ((b)+(c)+(d))	60.6	59.2	+1.4*	+2.4%	53.8	+6.8	+12.6%
Adjusted net income	48.8	38.9	+9.9	+25.4%	47.3	+1.5	+3.2%

* +1.4: Increase in gas sales volume +4.5 (excl. temp. effect +0.7), tariff revision -9.4, electric power +2.1, overseas +2.0, other segment, etc. +2.2

Expected rate of return: 2%

Economic frame (2Q)	Exchange rate (¥/\$)	JCC (\$/bbl)	Avg. temperature (°C)
FY2014	103.01	109.50	21.9
FY2013	98.86 (+4.15)	107.69 (+1.81)	22.3 (-0.4)
Previous forecast	103.59 <-0.58>	109.76 <-0.26>	22.0 <-0.1>

Pension asset	Investment yield (Cost deducted)	Year-end assets (Billion yen)		
FY2014 2Q cumulative	2.54%	276.0		
(Billion yen)	FY2014 2Q	FY2013 2Q	Change	%
Capex	86.4	121.9	-35.5	-29.1%

(Figures in brackets are year-on-year increase/decrease), <Figures in parenthesis are increase/decrease vs. previous forecast>

FY2014 2Q Consolidated Gas Sales Volume

FY13 2Q Results → FY14 2Q Results Previous forecast → FY14 2Q Results Gas sales volume:

(Figures are rounded to nearest mil. m³.)

+519 mil m³ (+7.8%)
Including temperature effect:
-9 mil. m³, -0.1%

■ **Residential** +34 mil. m³ (+2.7%)

- Temperature effect +10 mil. m³
- Number of days -6 mil. m³
- Number of customers +19 mil. m³
- Others +11 mil. m³

■ **Commercial** -53 mil. m³ (-3.8%)

- Temperature effect -21 mil. m³
- Number of days -15 mil. m³
- Number of customers +3 mil. m³
- Others -20 mil. m³

■ **Industrial** +503 mil. m³ (+16.1%)

- Industrial: -11 mil. m³
Portion from decrease outside Kashima area -42 mil. m³
- Power generation: +513 mil. m³
Portion from increase in Kashima area +586 mil. m³

■ **Wholesale** +35 mil. m³ (+3.9%)

- Temperature effect +2 mil. m³
- Others +33 mil. m³

Increase in demand from wholesale suppliers, etc.

+56 mil m³ (+0.8%)
Including temperature effect:
+3 mil. m³, +0.0%

■ **Residential** +14 mil. m³ (+1.1%)

- Temperature effect +5 mil. m³
- Number of days -0 mil. m³
- Number of customers +1 mil. m³
- Others +8 mil. m³

■ **Commercial** -17 mil. m³ (-1.3%)

- Temperature effect -3 mil. m³
- Number of days 0 mil. m³
- Number of customers -7 mil. m³
- Others -8 mil. m³

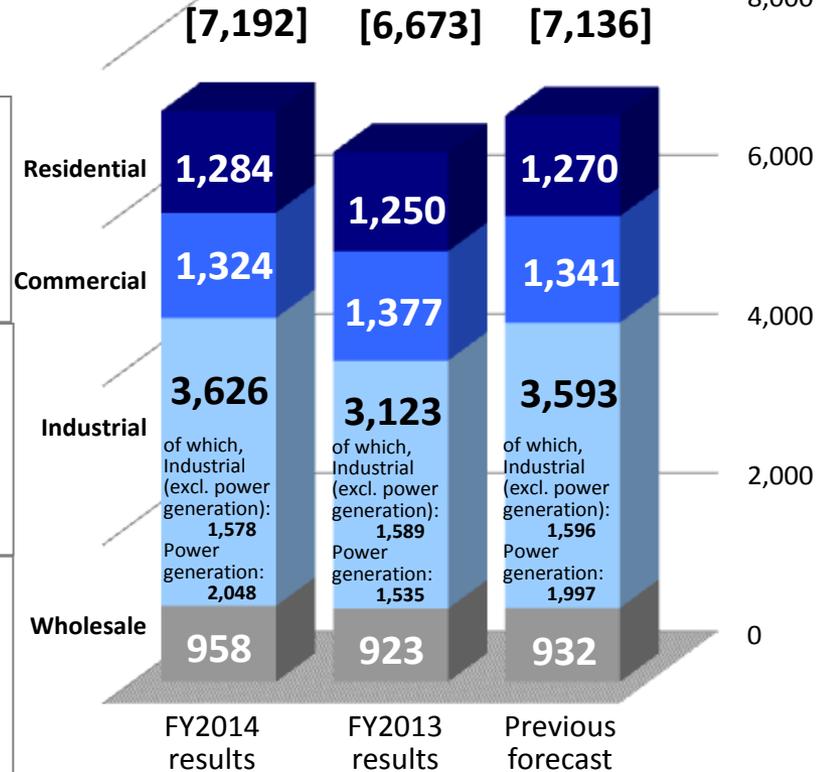
■ **Industrial** +33 mil. m³ (+0.9%)

- Industrial: -18 mil. m³
Portion from decrease outside Kashima area -19 mil. m³
- Power generation: +51 mil. m³
Portion from increase in Kashima area +70 mil. m³

■ **Wholesale** +26 mil. m³ (+2.8%)

- Temperature effect +1 mil. m³
- Others +25 mil. m³

Increase in demand from wholesale suppliers, etc.



	FY2014 2Q	FY2013 2Q	Change
LNG liquid sales volume (thousand t)	378	343	+35
Average temperature (°C)	21.9	22.3	-0.4

(10 thousand)

	FY2014 2Q	FY2013 2Q	Change
Number of customer	1,116.8	1,102.5	+14.3 (+1.3%)
Net increase during the 1st half	5.7	4.7	+1.0 (+21.7%)

FY2014 2Q Results

● Gas sales volume including portion used in-house under tolling arrangement

mil. m³, 45MJ/m³

	FY2014 2Q	FY2013 2Q	Change	Previous forecast	Change
Gas sales volume (financial accounting basis)	7,192	6,673	+519 +7.8%	7,136	+56 +0.8%
Gas volume used in-house under tolling arrangement	831	743	+88 +11.7%	845	-14 -1.7%
Total	8,023	7,416	+607 +8.2%	7,981	+42 +0.5%

● Gas sales volume for industrial-use (Unit: million m³)

	Kashima area	Other area	Total
Power generation	783	1,265	2,048
vs. FY2013 2Q	+586 (+298.8%)	-74 (-5.5%)	+513 (+33.4%)
vs. Previous forecast	+70 (+9.8%)	-19 (-1.5%)	+51 (+2.5%)
General industrial	102	1,475	1,578
vs. FY2013 2Q	+31 (+43.8%)	-42 (-2.8%)	-11 (-0.7%)
vs. Previous forecast	+1 (+1.4%)	-19 (-1.3%)	-18 (-1.1%)
Total	885	2,741	3,626
vs. FY2013 2Q	+618 (+230.9%)	-115 (-4.0%)	+503 (+16.1%)
vs. Previous forecast	+71 (+8.8%)	-38 (-1.4%)	+33 (+0.9%)

(Ref.)

Power-generation sales volume
included in wholesale sales

(mil. m³)

Power generation	84
vs. FY2013 2Q	+84 (-)
vs. Previous forecast	+21 (+32.8%)

FY2014 2Q Net Sales and Operating Income/Loss by Business Segment <vs. FY2013 2Q>

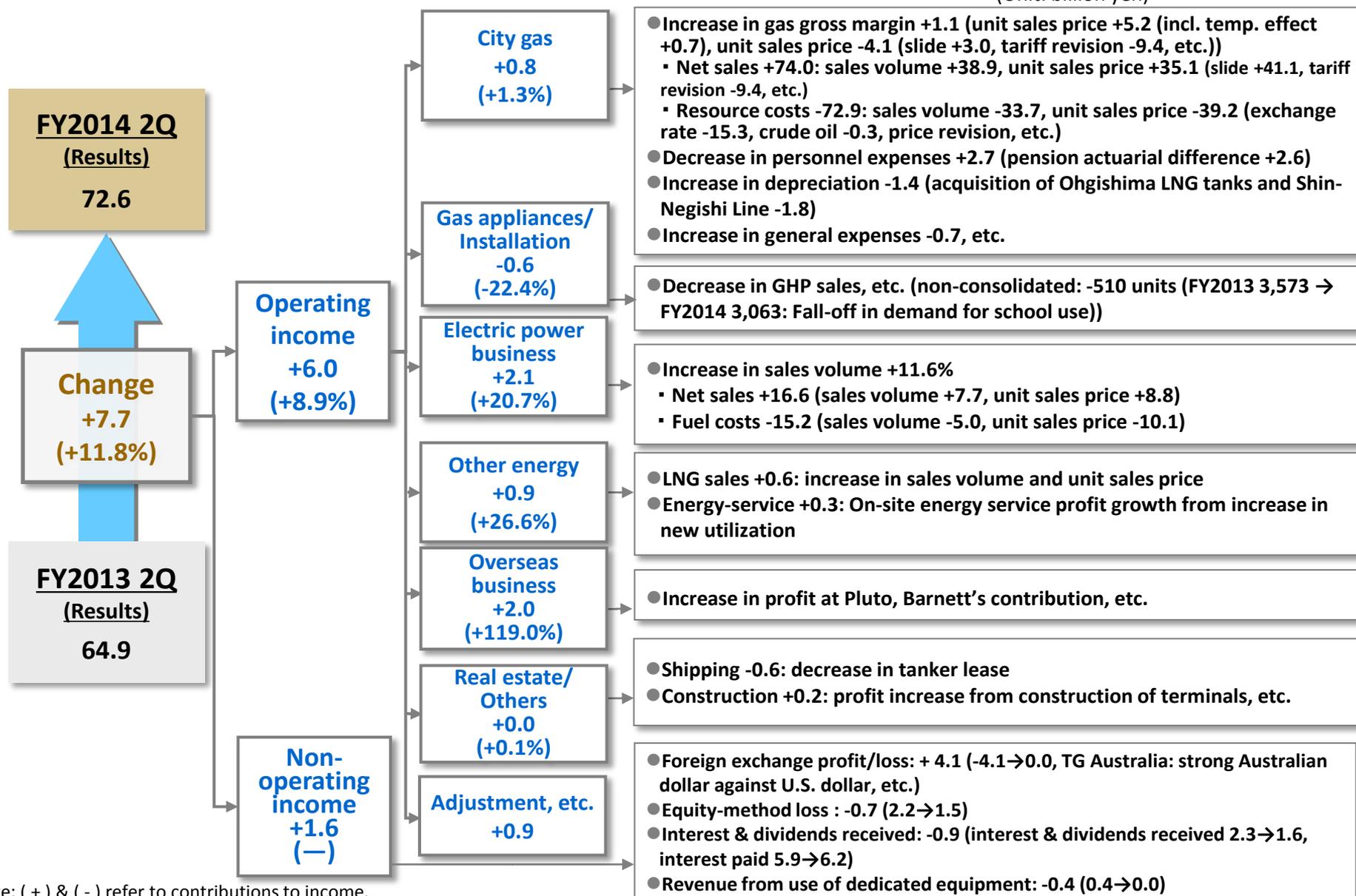
(Unit: billion yen)

	Net Sales				Segment Income			
	FY2014 2Q	FY2013 2Q	Change	%	FY2014 2Q	FY2013 2Q	Change	%
City gas	737.8	664.6	73.2	11.0	66.7	65.9	0.8	1.3
Gas appliances and installation work	86.6	93.3	-6.7	-7.2	2.3	2.9	-0.6	-22.4
Other energy	193.7	165.8	27.9	16.8	16.3	13.3	3.0	22.2
(Electric power business)	83.2	66.6	16.6	24.8	12.0	9.9	2.1	20.7
Real estate	13.0	14.5	-1.5	-10.2	3.1	3.1	-0.0	-0.3
Others	96.1	83.6	12.5	14.9	6.0	4.0	2.0	49.9
(Overseas business)	15.1	8.7	6.4	73.7	3.6	1.6	2.0	119.0
Adjustment	-96.4	-88.5	-7.9	—	-20.0	-20.9	0.9	—
Consolidated	1,031.0	933.5	97.5	10.4	74.5	68.5	6.0	8.9

- Notes:
- Net sales by business segment include internal transactions.
 - “Other energy” includes energy-service, liquefied petroleum gas, electric power and industrial gas, LNG sales.
 - “Others” includes businesses in construction, information processing service, shipping, credit and leasing, and overseas, etc.
 - The “Adjustment” to operating income is primarily companywide expenses not allocated to individual segments.
 - Parentheses indicate sub-segment (figures included in segment total).

FY2014 2Q Ordinary Income Analysis <vs. FY2013 2Q>

(Unit: billion yen)



Note: (+) & (-) refer to contributions to income.

2. FY2014 Full Year Forecast

FY2014 Full Year Forecast (Apr. 1, 2014 – Mar. 31, 2015) <vs. Previous forecast announced on Jul. 31>

Highlights: Sales Growth, Profit Increase

(+ - , +/- indicates profit impact, billion yen)

Net sales	+3.0 : -	Increase in city gas sales (-1.7 (-0.1%): sales volume and composition +5.8, unit sales price -8.0 (slide -8.0) etc.)	- - 7
	(+0.1%) +	Increase in electricity sales(+1.9 (+1.1%): sales volume +1.5, unit sales price +0.4)	Sliding time lag effect +7.3 (+3.5 → +10.8)
	+ +	Increase in overseas sales (+1.8 (+5.1%): increase in sales at Pluto and Barnett, etc.)	
Operating expenses	+9.0 : +	Decrease in city gas resource costs (+10.7 (+1.0%): sales volume -4.6, unit sales price +15.3 (exchange rate -19.7, crude oil +31.4, etc.))	- - 4
	(+0.4%) +	Decrease in electricity fuel costs (+0.4 (+0.3%): sales volume -1.1, unit sales price +1.5)	
	+ +	Decrease in LNG resource costs (+1.8 (+2.0%): sales volume: +0.6, unit sales price +1.2)	
Operating income	+12.0 : +	Increase in city gas profit (+8.3 (+6.4%): gas gross margin +8.5 (sales volume +1.2 (incl. temp. effect +0.4), unit sales price +7.3 (slide +7.3))	
	(+9.0%) +	Increase in electricity profit (+1.9 (+12.8%): sales volume +0.1, unit sales price +1.8)	
	+ +	Increase in LNG sales profit (+1.6 (+37.5%): sales volume +0.0, unit sales price +1.6)	

(Unit: billion yen)

	Current forecast	Previous forecast	Change	%	FY2013	Change	%
Gas sales volume (mil. m ³ , 45MJ)	15,387	15,326	+61	+0.4%	14,735	+652	+4.4%
Net sales	2,291.0	2,288.0	+3.0	+0.1%	2,112.1	+178.9	+8.5%
Operating expenses	2,146.0	2,155.0	-9.0	-0.4%	1,946.0	+200.0	+10.3%
Operating income	145.0	133.0	+12.0	+9.0%	166.0	-21.0	-12.7%
Ordinary income — (a)	137.0	126.0	+11.0	+8.7%	159.6	-22.6	-14.2%
Net income	103.0	97.0	+6.0	+6.2%	108.4	-5.4	-5.0%
<i>Temperature effect — (b)</i>	-3.4	-3.8	+0.4	—	-2.5	-0.9	—
<i>Sliding time lag effect — (c)</i>	10.8	3.5	+7.3	—	16.4	-5.6	—
<i>Depreciation of pension actuarial differences — (d)</i>	3.0	3.0	0.0	—	-2.2	+5.2	—
<i>Adjusted ordinary income — (a) - ((b)+ (c)+ (d))</i>	126.6	123.3	+3.3*	+2.7%	147.9	-21.3	-14.4%
<i>Adjusted net income</i>	95.8	95.1	+0.7	+0.7%	100.7	-4.9	-4.9%

* +3.3: Gas sales volume +0.8 (excl. temp. effect +0.4), electricity +1.9, LNG sales +1.6, other segment, etc. -1.0

Expected rate of return: 2%

Economic frame	Foreign exchange rate (¥/\$)	JCC (\$/bbl)	Average temp. (°C)
Current forecast	106.51	104.75	16.9
Previous forecast	104.29 (+2.22)	109.88 (-5.13)	16.9 (0.0)
FY2013	100.17 <+6.34>	110.00 <-5.25>	17.0 <-0.1>

Pension asset	Investment yield *cost deducted	Discount rate	Year-end assets (billion yen)
FY2013	1.61%	1.5%	273.0
FY2012	6.10%	1.4%	276.0

(Unit: billion yen)

Capex	Current forecast	Previous forecast	Change	%
FY2014	237.0	237.0	0.0	0.0%

(Figures in parenthesis are increase/decrease vs. previous forecast),

<Figures in brackets are year-on-year increase/decrease>

FY2014 Full Year Forecast: Consolidated Gas Sales Volume <vs. Previous Forecast (Announced on July 31)>

Previous Forecast → Current Forecast

+61 mil. m³ (+0.4%)

Including temp. effect +2 mil m³, +0.0%

Residential	+14 mil. m ³ (+0.4%)
● Temperature effect	+5 mil. m ³
● Number of days	-0 mil. m ³
● Number of customers	+1 mil. m ³
● Others	+9 mil. m ³

Commercial -28 mil. m³ (-1.0%)

● Temperature effect	-3 mil. m ³
● Number of days	0 mil. m ³
● Number of customers	-7 mil. m ³
● Others	-18 mil. m ³

Industrial +25 mil. m³ (+0.4%)

● Industrial:	-19 mil. m ³
Portion from decrease outside Kashima area	-14 mil. m ³
● Power generation:	+44 mil. m ³
Portion from increase in Kashima area	+78 mil. m ³

Wholesale +49 mil. m³ (+2.5%)

● Temperature effect	+1 mil. m ³
● Others	+48 mil. m ³
Increase in demand from wholesale suppliers, etc.	

FY2013 Results → Current Forecast

+652 mil. m³ (+4.4%)

Including temp. effect -39 mil m³, -0.3%

Residential	+19 mil. m ³ (+0.6%)
● Temperature effect	+1 mil. m ³
● Number of days	-12 mil. m ³
● Number of customers	+49 mil. m ³
● Others	-18 mil. m ³

Commercial -98 mil. m³ (-3.5%)

● Temperature effect	-39 mil. m ³
● Number of days	-21 mil. m ³
● Number of customers	+3 mil. m ³
● Others	-41 mil. m ³

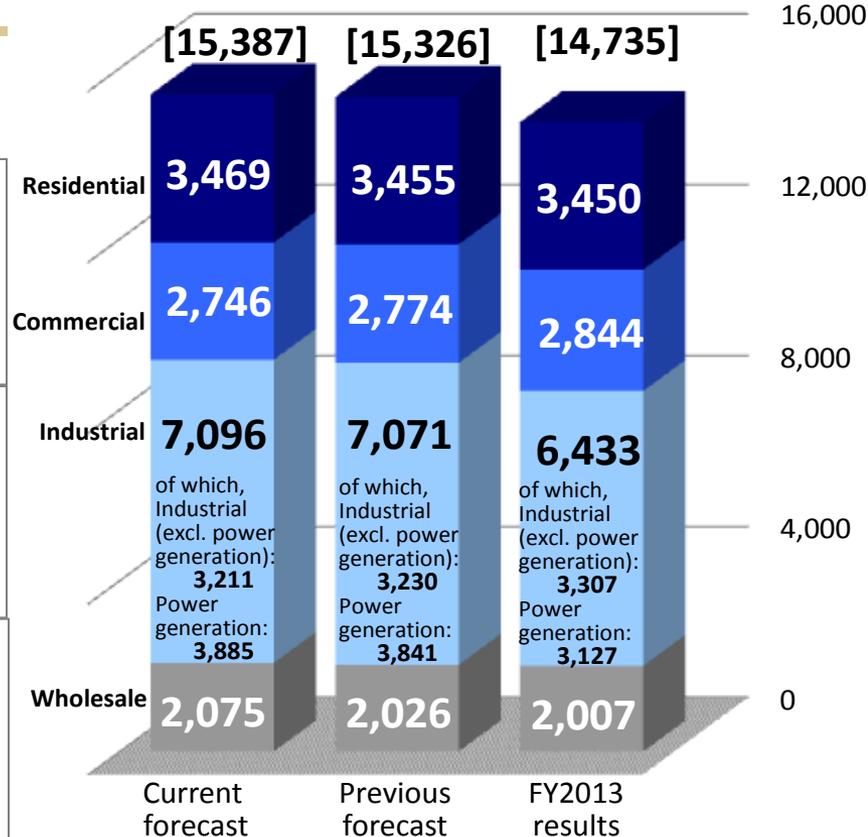
Industrial +663 mil. m³ (+10.3%)

● Industrial:	-96 mil. m ³
Portion from decrease outside Kashima area	-114 mil. m ³
● Power generation:	+758 mil. m ³
Portion from increase in Kashima area	+896 mil. m ³

Wholesale +68 mil. m³ (+3.4%)

● Temperature effect	-0 mil. m ³
● Others	+68 mil. m ³
Increase in demand from wholesale suppliers, etc.	

Gas Sales Volume: (Figures are rounded to nearest mil. m³.)



	Current forecast	Previous forecast	Change
LNG liquid sales volume (thousand t)	949	955	-6
Average temperature (°C)	16.9	16.9	0.0

Number of customers

(Unit: 10 thousand)

Current forecast	Previous forecast	Change
1,124.4	1,123.8	+0.6 (+0.1%)

FY2014 Forecast

● Gas sales volume including portion used in-house under tolling arrangement mil. m³, 45MJ/m³

	Current forecast	Previous forecast	Change	FY2013	Change
Gas sales volume (financial accounting basis)	15,387	15,326	+61 +0.4%	14,735	+652 +4.4%
Gas volume used in-house under tolling arrangement	1,676	1,664	+12 +0.7%	1,510	+166 +11.0%
Total	17,063	16,990	+73 +0.4%	16,245	+818 +5.0%

Forecast as per Challenge 2020 Vision: 18,249 18,184 +65 17,225 +1,024

● Gas sales volume for industrial-use (Unit: million m³)

	Kashima area	Other	Total
Power generation	1,477	2,408	3,885
vs. Previous forecast	+78 (+5.5%)	-33 (-1.4%)	+44 (+1.1%)
vs. FY2013 results	+896 (+154.2%)	-138 (-5.4%)	+758 (+24.3%)
General industrial	203	3,008	3,211
vs. Previous forecast	-5 (-2.4%)	-14 (-0.5%)	-19 (-0.6%)
vs. FY2013 results	+19 (+10.1%)	-114 (-3.7%)	-96 (-2.9%)
Total	1,680	5,416	7,096
vs. Previous forecast	+73 (+4.5%)	-48 (-0.9%)	+25 (+0.4%)
vs. FY2013 results	+915 (+119.5%)	-252 (-4.4%)	+663 (+10.3%)

(Ref.)

Power-generation sales volume included in wholesale sales

(mil. m³)

Power generation	173
vs. FY2013 results	+157 (+1,031.4%)
vs. Previous forecast	+43 (+33.3%)

FY2014 Full Year Forecast: Net Sales and Operating Income/Loss by Business Segment <vs. Previous forecast (Announced on July 31)>

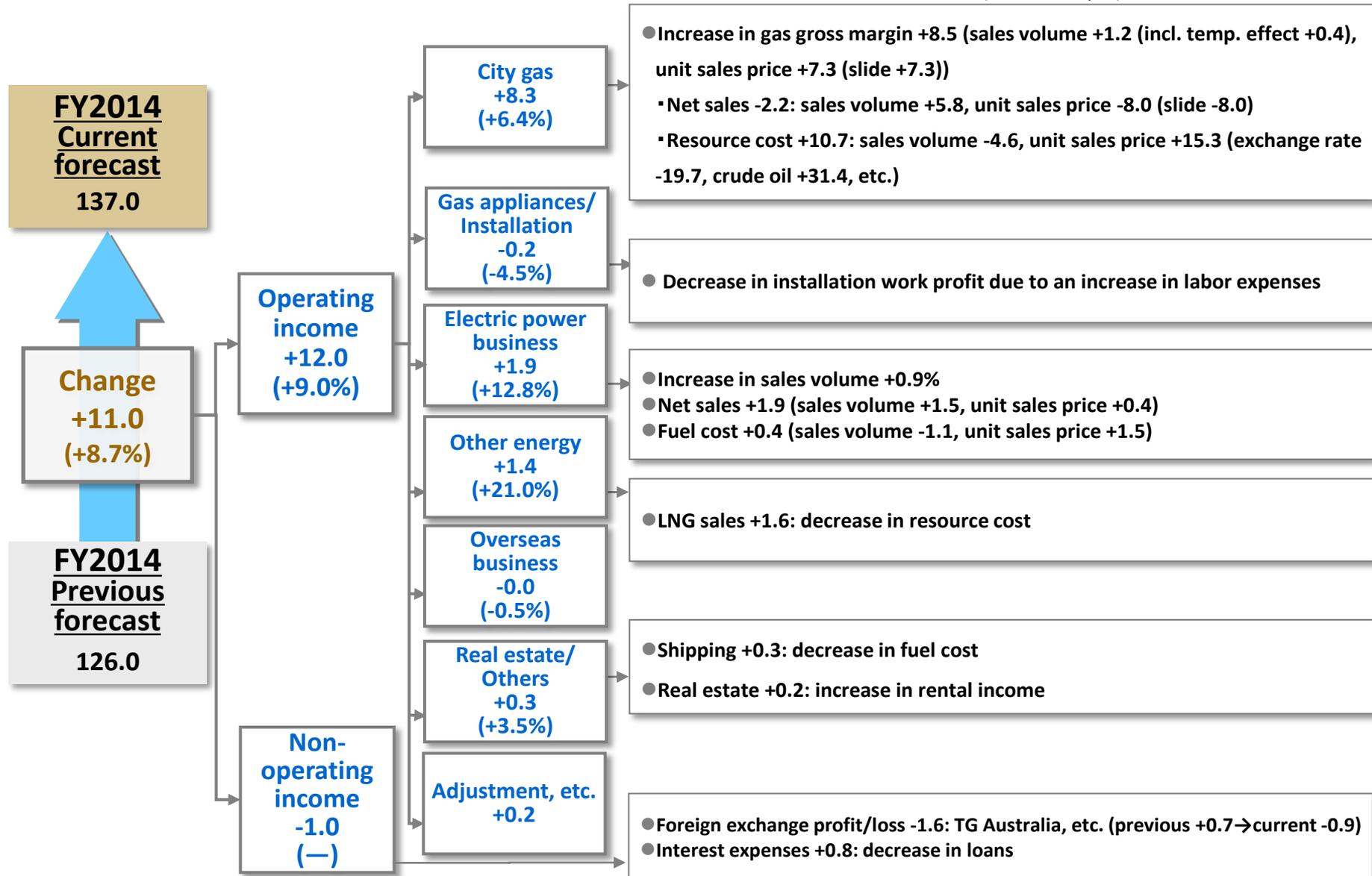
(Unit: billion yen)

	Net Sales				Segment Income			
	Current forecast	Previous forecast	Change	%	Current forecast	Previous forecast	Change	%
City gas	1,624.2	1,625.9	-1.7	-0.1	137.1	128.8	8.3	6.4
Gas appliances and installation work	210.8	209.9	0.9	0.4	4.2	4.4	-0.2	-4.5
Other energy	415.0	414.6	0.4	0.1	25.8	22.4	3.4	15.2
(Electric power business)	165.5	163.6	1.9	1.1	17.8	15.9	1.9	12.8
Real estate	24.2	24.1	0.1	0.4	4.1	3.9	0.2	5.1
Others	213.5	209.3	4.2	2.0	15.9	15.8	0.1	0.6
(Overseas business)	36.6	34.8	1.8	5.1	9.6	9.6	-0.0	-0.5
Adjustment	-196.7	-195.8	-0.9	—	-42.1	-42.3	0.2	—
Consolidated	2,291.0	2,288.0	3.0	0.1	145.0	133.0	12.0	9.0

- Notes:
- Net sales by business segment include internal transactions.
 - “Other energy” includes energy-service, liquefied petroleum gas, electric power and industrial gas, LNG sales.
 - “Others” includes businesses in construction, information processing service, shipping, credit and leasing, and overseas, etc.
 - The “Adjustment” to operating income is primarily companywide expenses not allocated to individual segments.
 - Parentheses indicate sub-segment (figures included in segment total).

FY2014 Full Year Forecast: Ordinary Income Analysis <vs. Previous forecast (Announced on July 31)>

(Unit: billion yen)



Note: (+) & (-) refer to contributions to income.

FY2014 Full Year Forecast: Net Sales and Operating Income/Loss by Business Segment

<vs. FY2013 Results >



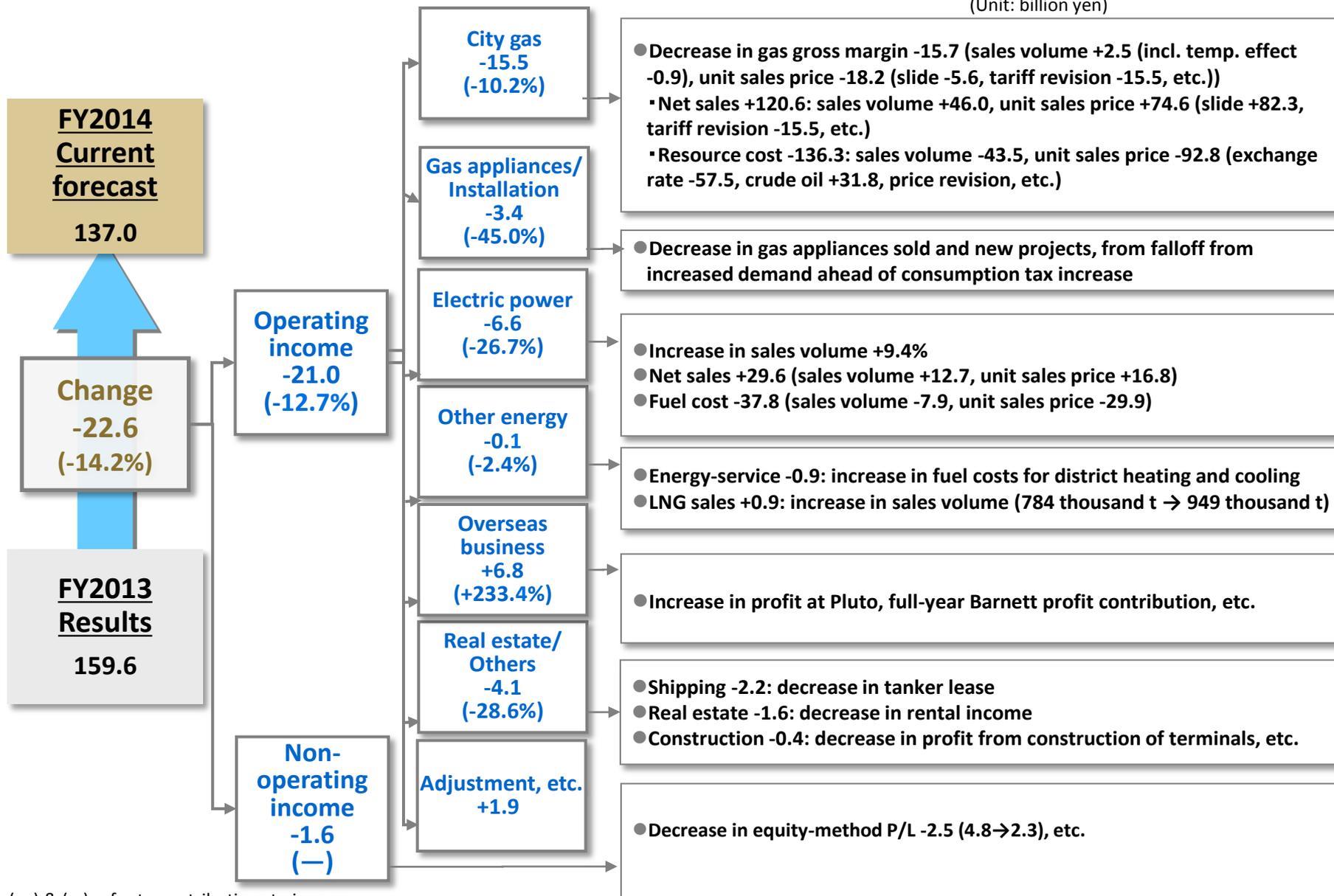
(Unit: billion yen)

	Net Sales				Segment Income			
	Current forecast	FY2013	Change	%	Current forecast	FY2013	Change	%
City gas	1,624.2	1,505.1	119.1	7.9	137.1	152.6	-15.5	-10.2
Gas appliances and installation work	210.8	221.7	-10.9	-4.9	4.2	7.6	-3.4	-45.0
Other energy	415.0	357.5	57.5	16.1	25.8	32.5	-6.7	-20.7
(Electric power business)	165.5	135.9	29.6	21.7	17.8	24.4	-6.6	-26.7
Real estate	24.2	28.3	-4.1	-14.5	4.1	5.7	-1.6	-28.1
Other	213.5	199.3	14.2	7.1	15.9	11.6	4.3	36.0
(Overseas business)	36.6	22.1	14.5	65.6	9.6	2.8	6.8	233.4
Adjustment	-196.7	-200.0	3.3	—	-42.1	-44.1	1.9	—
Consolidate	2,291.0	2,112.1	178.9	8.5	145.0	166.0	-21.0	-12.7

- Notes:
- Net sales by business segment include internal transactions.
 - “Other energy” includes energy-service, liquefied petroleum gas, electric power and industrial gas, LNG sales.
 - “Others” includes businesses in construction, information processing service, shipping, credit and leasing, and overseas, etc.
 - The “Adjustment” to operating income is primarily companywide expenses not allocated to individual segments.
 - Parentheses indicate sub-segment (figures included in segment total).

FY2014 Full Year Forecast: Ordinary Income Analysis <vs. FY2013 Results>

(Unit: billion yen)



Note: (+) & (-) refer to contributions to income.

Capital expenditure

(Unit: billion yen)

Capex	Main items	Ref: Initial plan
Tokyo Gas: 159.8 (-0.6, -0.4%)	Production facilities: 35.1 (-0.2) Hitachi LNG terminal construction, etc.	Tokyo Gas: 160.4
	Distribution facilities: 100.6 (+0.6) Ibaraki-Tochigi Line and other trunk line installation, new demand-side pipes and pipelines, etc.	
	Service and maintenance facilities, etc.: 23.9 (-1.1) Systems-related investment, Tamachi development-related, etc.	
Total consolidated subsidiaries: 78.5 (+0.2, +0.3%)	Overseas upstream investment: 30.5 On-site energy service: 8.0 (ENAC), etc.	Total consolidated subsidiaries: 78.3
Total 237.0 (0.0, 0.0%, after eliminations in consolidation)		Total: 237.0 (after eliminations in consolidation)

*Numbers in parentheses refer to comparisons with initial plan for FY2014.

Investments and financing

¥17.2 billion (investment & financing 24.4, collections -7.2, vs. initial plan for FY2014 -2.2)

Returns to shareholders

¥64.7 billion (TG non-consolidated, on cash flow basis, unchanged from initial plan)

(Total of FY2013 year-end dividends' and FY2014 interim dividends' ¥24.7 billion, and FY2014 treasury stock purchases' ¥40.0 billion)

Required funds and source of funds

FY2014 2Q results				FY2014 forecast				(Unit: billion yen)							
Required funds		Source of funds		Required funds		Source of funds		Required funds		Source of funds					
Capex	86.4	Internal funding	Depreciation	68.1	Capex	237.0	Internal funding	Depreciation	142.0	Capex	237.0	Internal funding	Depreciation	142.0	
Other investment & financing*	-5.9		Ordinary income	72.6	Other investment & financing*	17.2		Ordinary income	137.0	Other investment & financing*	17.2		Ordinary income	137.0	
Dividends & tax	42.8		Others	28.9	Dividends & tax	66.4		Others	60.2	Dividends & tax	66.4		Others	60.2	
Share buybacks	40.0		Total	169.6	Share buybacks	40.0		Total	339.2	Share buybacks	40.0		Total	339.2	
Repayment (Non-consolidated)	58.1 (40.7)	Outside funding (Non-consolidated)	51.8 (33.0)	Repayment (Non-consolidated)	62.9 (41.3)	Outside funding (Non-consolidated)	84.3 (50.6)	Repayment (Non-consolidated)	62.9 (41.3)	Outside funding (Non-consolidated)	84.3 (50.6)	Repayment (Non-consolidated)	62.9 (41.3)	Outside funding (Non-consolidated)	84.3 (50.6)
Total	221.4	Total	221.4	Total	423.5	Total	423.5	Total	423.5	Total	423.5	Total	423.5	Total	423.5

*Other investment & financing is the net amount of investment outlays and loan collection.
The above does not include CP to be issued and redeemed within FY2014 as seasonal working capital.

Interest-bearing debt

As of March 31, 2014: ¥713.8 billion

As of September 30, 2014: ¥757.4 billion

As of March 31, 2015 (forecast): ¥742.0 billion (vs. initial plan -¥31.0 billion)

- Our financial policy is to provide returns to shareholders through dividends and stock repurchases, with a target total payout ratio (dividends and stock repurchases as percentage of consolidated net income) of approximately 60% each year through FY2020.
- Based on current FY2014 consolidated net income forecast, a 60% return to shareholders while maintaining ¥10 dividend would break down as follows:

Maintaining 60% total payout ratio

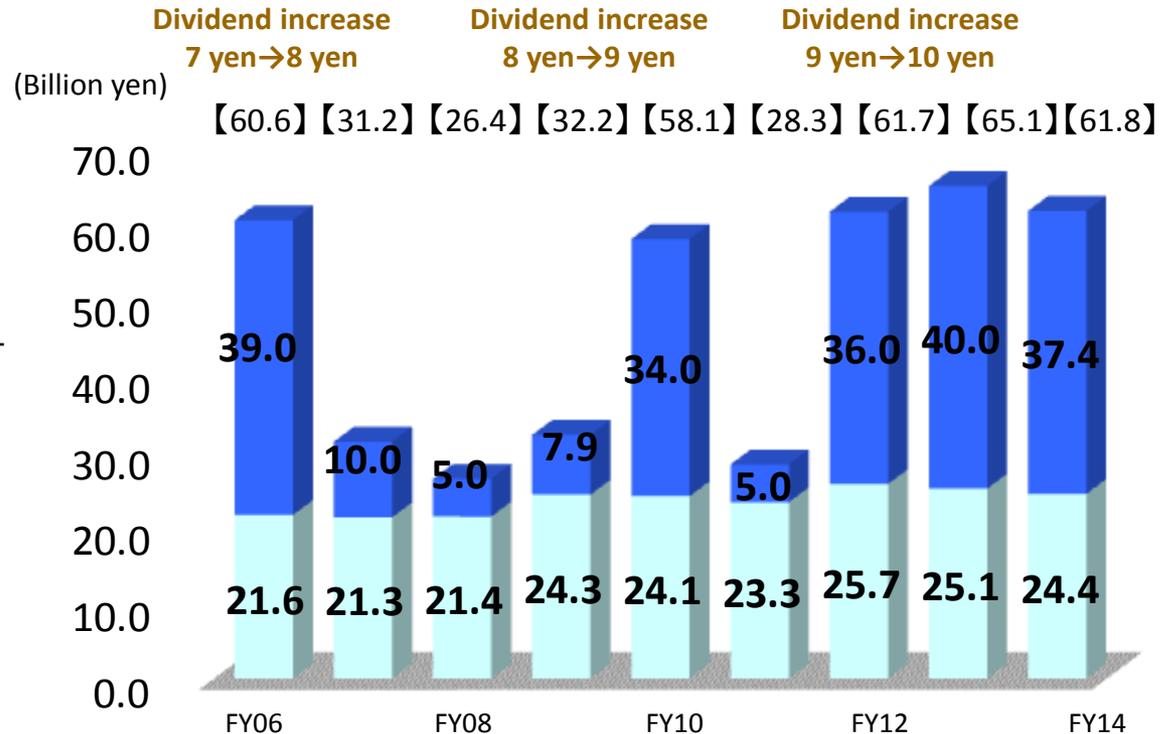
Change in total payout ratio and dividend

■ Purchase of treasury stock
■ Dividend

Total payout ratio
60.0%

$$\begin{array}{r}
 \text{FY2014 Dividend} \\
 \text{¥24.4 billion}
 \end{array}
 +
 \begin{array}{r}
 \text{FY2015 Purchase of} \\
 \text{treasury stock} \\
 \text{¥37.4 billion}
 \end{array}
 =
 \frac{\text{FY2014 Consolidated net income}}{\text{¥103.0 billion}}$$

*Total number of shares outstanding 2,446,778,295 (as of September 30, 2014)



Total payout ratio	(60.1%)	(73.6%)	(63.4%)	(60.1%)	(60.9%)	(61.4%)	(60.7%)	(60.0%)	(60.0%)
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Key Indicators (Consolidated)

(Unit: billion yen)

	FY2014 Current forecast	FY2014 Previous forecast	FY2013 Results
Total assets (a)	2,222.0	2,232.0	2,176.8
Shareholders' equity (b)	1,051.0	1,036.0	1,011.7
Shareholders' equity ratio (b)/(a)	47.3%	46.4%	46.5%
Interest-bearing debt (c)	742.0	771.0	713.8
D/E ratio (c)/(b)	0.71	0.74	0.71
Net income (d)	103.0	97.0	108.4
Depreciation (e)	142.0	142.0	140.3
Operating cash flow (d) + (e)	245.0	239.0	248.8
Capex	237.0	237.0	248.0
ROA: (d)/(a)	4.7%	4.4%	5.2%
ROE: (d)/(b)	10.0%	9.5%	11.2%
TEP	27.2	24.4	50.7
WACC	3.6%	3.5%	3.2%*
Total payout ratio	Approx. 60%	Approx. 60%	60.0%

Notes: Shareholders' equity = Net assets – Minority interests
 ROA = Net income / Total assets (average of the amounts as of the end of the previous period and end of the current period)
 ROE = Net income / Shareholders' equity (average of the amounts as of the end of the previous period and end of the current period)
 Balance sheet figures are as of the corresponding term-end
 Operating cash flow = Net income + Depreciation (including depreciation of long-term prepaid expenses)
 Total payout ratio = (FYn dividends + (FYn+1) treasury stock purchased) / FYn consolidated net income

*Total number of issued stock: 2,446,778,295 (as of September 30, 2014)

TEP: (Tokyo Gas Economic Profit): Profit after taxes and before interest payments – Cost of capital (invested capital × WACC)

Items for WACC calculation (FY2014 forecast):

- Cost of interest-bearing debt: forecast interest rate (1.1%, after tax)
- Cost rate for shareholders' equity
 - Risk free rate: 10-year JGB yield (0.8%)
 - Risk premium: 5.5%, β : 0.75 (Risk premium through FY2013: 4%)
- Capital: market capitalization

3. Reference Materials

Impact of rising JCC by \$1/bbl

(Unit: billion yen)

		Impact on earnings		
		3Q	4Q	2H
Period	3Q	-0.4	-1.1	-1.5
	4Q	—	-0.6	-0.6
	2H	-0.4	-1.7	-2.1

Impact of yen depreciation by ¥1/\$

(Unit: billion yen)

		Impact on earnings		
		3Q	4Q	2H
Period	3Q	-1.2	+1.3	+0.1
	4Q	—	-1.7	-1.7
	2H	-1.2	-0.4	-1.6

Sliding time lag effect in 1H and 2H

(Unit: billion yen)

	1H	2H	Full year
Initial plan	4.7	-5.9	-1.2
Previous forecast	10.5	-7.0	3.5
Current forecast	13.9	-3.1	10.8



< Cautionary Statement regarding Forward-looking Statements >

Statements made in this presentation with respect to Tokyo Gas's present plans, forecasts, strategies and beliefs, and other statements herein that are not expressions of historical fact are forward-looking statements about the future performance of the Company. As such, they are based on management's assumptions and opinions stemming from currently available information and therefore involve risks and uncertainties.

The Company's actual performance may greatly differ from these projections, due to these risks and uncertainties which include without limitation general economic conditions in Japan, crude oil prices, the weather, changes in the foreign exchange rate of the yen, rapid technological innovations and the Company's responses to the progress of deregulation.

< Calculation method >

Numerical amounts in these materials are shown with fractional portions disregarded or rounded, while percentage changes are calculated based on the actual figures. This may result in discrepancies between the amounts and percentages as shown.

TSE:9531