TSE:9531

FY2014 3Q Financial Results

TOKYO GAS

January 30, 2015

1. FY2014 3Q Consolidated Financial Results ended December 31, 2014

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FY2014 3Q Consolidated Financial Results (Apr. 1, 2014 – Dec. 31, 2014) <vs. FY2013 3Q>

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Highlights: Revenue growth for 5th consecutive 1-3Q period, profit declined (net sales at record high for period)

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

Net sales +144.8 (+10.1%):
- + Increase in city gas sales (+104.7 (+10.3%): sales volume +53.3, unit sales price +52.3 (slide +61.2, tariff revision -14.0, etc.)etc.)
- + Increase in electricity sales (+26.8 (+27.8%): sales volume +14.4, unit sales price +12.4)
- + Increase in overseas sales (+13.9 (+103.2%): increase in sales at Pluto, increased sales from full-year Barnett contribution, etc.)

Operating expenses -175.9 (-13.1%):
- - Increase in city gas resource costs (-134.5 (-21.0%): sales volume -48.3, unit sales price -86.2 (exchange rate -45.6, crude oil +3.1, price revision, etc.))
- - Increase in electricity fuel costs (-26.6 (-42.6%): sales volume -9.3, unit sales price -17.2)
- - Recording of allowances (-9.5: Multi-year gas pipeline measures -5.7, Gas appliance maintenance -3.8)

Sliding time lag effect -22.1 (+17.6 → -4.5)

Operating income -31.1 (-35.4%):
- - Decrease in city gas profit (-31.8 (-38.6%): gas gross margin -28.9 (sales volume +5.0 (incl. temp effect +0.9), unit sales price -33.9 (slide -22.1, tariff revision -14.0, etc.))
- + Increase in electricity profit (+0.9 (+6.5%): electric power gross margin +0.2 (sales volume +5.1, unit sales price -4.8))
- + Increase in overseas profit (+6.2 (+344.5%): increase in earnings at Pluto, etc.)

Operating income +10.6 (-1.4→+9.2):
- + Gain on sales of investment securities +4.8, Gain on sales of non-current assets +4.8, etc.

(Unit: billion yen)

	2014 3Q results	2013 3Q results	Change	%
Gas sales volume (mil. m^3, 45MJ)	10,850	10,130	+720	+7.1%
Electricity sales volume (billion kWh)	7.96	6.92	+1.04	+14.9%
Net sales	1,580.1	1,435.3	+144.8	+10.1%
Operating expenses	1,523.3	1,347.4	+175.9	+13.1%
Operating income	56.7	87.8	-31.1	-35.4%
Ordinary income — (a)	51.4	83.1	-31.7	-38.1%
Net income	37.7	55.1	-17.4	-31.5%
Temperature effect — (b)	*-3.3*	*-4.2*	*+0.9*	—
Sliding time lag effect — (c)	*-4.5*	*17.6*	*-22.1*	—
Depreciation of pension actuarial differences — (d)	*2.2*	*-1.6*	*+3.8*	—
Adjusted ordinary income — (a) - ((b)+(c)+(d))	*57.0*	*71.3*	*-14.3**	*-20.1%*
Adjusted net income	*41.6*	*47.3*	*-5.7*	*-12.1%*

* -14.3: Increase in gas sales volume +4.1 (excl. temp. effect +0.9), tariff revision -14.0, electric power +0.9, overseas +6.2, other segment, etc. -11.5

Economic frame (3Q)	Exchange rate (¥/$)	JCC ($/bbl)	Avg. temperature (℃)
FY2014	106.73	102.54	19.3
FY2013	99.36 (+7.37)	109.46 (-6.92)	19.5 (-0.2)

Figures in brackets are year-on-year increase/decrease. Temperature for previous year is adjusted for changes in the Japan Meteorological Agency's observation points.

Expected rate of return: 2%

Pension asset	Investment yield (Cost deducted)	Year-end assets (Billion yen)
FY2014 3Q cumulative	4.88%	281.0

(Billion yen)	FY2014 3Q	FY2013 3Q	Change	%
Capex	140.6	174.6	-34.0	-19.5%

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Let me explain our financial results in 1- 3Q period of fiscal year 2014.

Gas sales volume increased by 720 million cubic meters or 7.1% year-on-year, to 10,850 million cubic meters.

This increase was primarily driven by the expanding demand for industrial-use in Kashima area, especially for power generation.

The next topic is financial performance.

Net sales increased by 144.8 billion yen or 10.1% year-on-year, to 1,580.1 billion yen.

Operating expenses rose by 175.9 billion yen or 13.1% to 1,523.3 billion, due mainly to a 21.0% increase in city gas resource costs (+134.5 billion yen) primarily caused by an increase in sales volume as well as the yen's depreciation against the US dollar. Sliding time lag effect, which was caused by a difference in unit price between the reference resource prices and the adjusted prices arising from the ongoing depreciation of the yen against the US dollar, had a positive impact to improve net sales by 61.2 billion yen, but had a negative impact to reduce gas gross margin by 22.1 billion yen.

As a result, operating income dropped 31.1 billion yen or 35.4% year-on-year, to 56.7 billion, and ordinary income decreased 31.7 billion yen or 38.1%, to ¥51.4 billion.

After adding extraordinary items, including gain on sales of non-current assets etc.of 9.2 billion yen, net income decreased 17.4 billion yen or 31.5 % to 37.7 billion yen.

However, net sales marked the highest record in 1-3Q period of fiscal year.

FY2014 3Q Consolidated Gas Sales Volume

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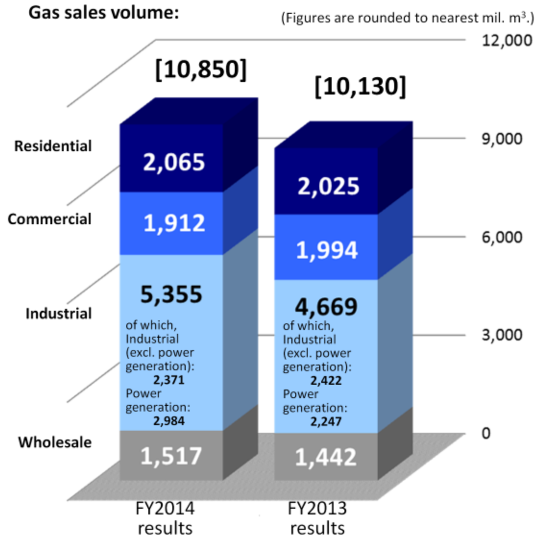
FY13 3Q Results→ FY14 3Q Results

+720 mil. m^3 (+7.1%)

Including temperature effect: -8 mil. m3, -0.1%

■ **Residential**	+40 mil. m^3 (+2.0%)
●Temperature effect	+15 mil. m^3
●Number of days	-12 mil. m^3
●Number of customers	+30 mil. m^3
●Others	+7 mil. m^3
■ **Commercial**	-82 mil. m^3 (-4.1%)
●Temperature effect	-25 mil. m^3
●Number of days	-18 mil. m^3
●Number of customers	+7 mil. m^3 } (-2.0%)
●Others	-46 mil. m^3 } (-2.0%)
■ **Industrial**	+686 mil. m^3 (+14.7%)
●Industrial:	-51 mil. m^3 (-2.1%)
Portion from decrease outside Kashima	-77 mil. m^3
●Power generation:	+737 mil. m^3 (+32.8%)
Portion from increase in Kashima area	+848 mil. m^3
■ **Wholesale**	+75 mil. m^3 (+5.1%)
●Temperature effect	+2 mil. m^3
●Others	+73 mil. m^3
Increase in demand from wholesale suppliers, etc.	



	FY2014 3Q results	FY2013 3Q results	Change
LNG liquid sales volume (thousand t)	619	550	+69
Average temperature (℃)	19.3	19.5	-0.2

(10 thousand)

	FY2014 3Q results	FY2013 3Q results	Change
Number of customer	**1,120.9**	1,105.7	+15.2 (+1.4%)
Net increase during 1Q-3Q	**9.8**	7.9	+1.9 (+24.3%)

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This slide indicates an increase/decrease in gas sales volume by category.

Residential gas sales volume increased 40 million cubic meters, due to a steady increase in the number of household users as well as the effect of lower temperature than the previous year.

Commercial sales volume decreased 82 million cubic meters, due to a decline in demand for air-conditioner resulting from lower temperature, coupled with continuing energy saving initiatives by users.

Industrial gas sales volume increased 686 million cubic meters, driven by power generation mainly in the Kashima area (+737 million cubic meters), while the so-called Abenomics has not taken full effect on general industrial-use (excluding power generation) with a drop of 51 million cubic meters year-on-year.

Wholesale sales volume increased 75 million cubic meters year-on-year, due mainly to a growing demand from wholesale suppliers.

As a result, as I mentioned earlier, total gas sales volume increased by 720 million cubic meters.

Changes in Gas Sales Volume Including Tolling

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FY2014 3Q Results

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

mil. m^3, 45MJ/m^3

	FY2014 3Q	FY2013 3Q	Change
Gas sales volume (financial accounting basis)	10,850	10,130	+720 +7.1%
Gas volume used in-house under tolling arrangement	1,247	1,077	+170 +15.9%
Total	12,097	11,207	+890 +7.9%

- **Gas sales volume for industrial-use**

mil. m^3, 45MJ/m^3

	Kashima area	Other area	Total
Power generation	1,139	1,846	2,984
vs. FY2013 3Q	+848 (+290.8%)	-109 (-5.6%)	+737 (+32.8%)
General industrial	152	2,218	2,371
vs. FY2013 3Q	+25 (+19.7%)	-77 (-3.3%)	-51 (-2.1%)
Total	1,291	4,064	5,355
vs. FY2013 3Q	+872 (+208.4%)	-187 (-4.4%)	+686 (+14.7%)

(Ref.)
Power-generation sales volume included in wholesale sales

(mil. m^3)

Power generation	142
vs. FY2013 3Q	+142 (-)

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This slide contains breakdowns of gas sales volume for industrial-use by area and by category and the pertinent information, for your reference.

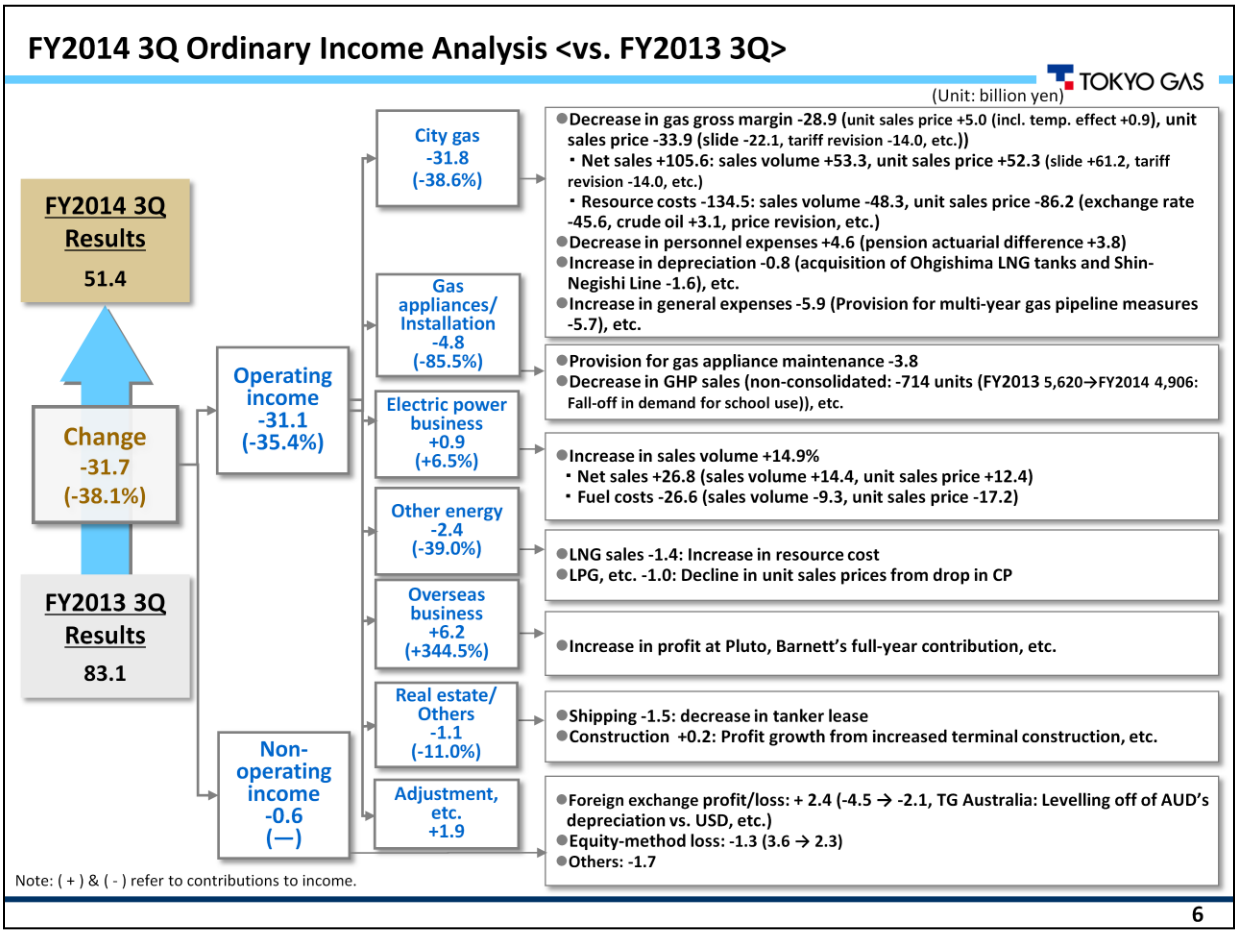
FY2014 3Q Net Sales and Operating Income/Loss by Business Segment <vs. FY2013 3Q>

(Unit: billion yen)

	Net Sales				Segment Income			
	FY2014 3Q	FY2013 3Q	Change	%	FY2014 3Q	FY2013 3Q	Change	%
City gas	1,119.5	1,014.8	104.7	10.3	50.5	82.3	-31.8	-38.6
Gas appliances and installation work	140.4	152.1	-11.7	-7.7	0.7	5.5	-4.8 (Incl. allowances -3.8)	-85.5
Other energy	294.9	252.4	42.5	16.8	18.7	20.2	-1.5	-7.6
(Electric power business)	123.4	96.6	26.8	27.8	14.9	14.0	0.9	6.5
Real estate	19.3	21.3	-2.0	-9.1	3.9	4.5	-0.6	-12.0
Others	154.0	133.2	20.8	15.6	13.2	7.5	5.7	74.7
(Overseas business)	27.4	13.5	13.9	103.2	8.0	1.8	6.2	344.5
Adjustment	-148.2	-138.8	-9.4	—	-30.5	-32.4	1.9	—
Consolidated	1,580.1	1,435.3	144.8	10.1	56.7	87.8	-31.1	-35.4

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).

This slide shows net sales and operating income/loss by business segment in comparison with the corresponding period of the previous fiscal year.
While overseas business and electric power business increased operating income, city gas posted a significant decline due to the negative slide time lag effect.
The reasons for increases and decreases in operating income of each segment are outlined on the following slide.



This slide shows detailed reasons for increases and decreases by segment.
Segment income for city gas segment posted a significant drop of 31.8 billion yen year-on-year, which was mainly due to a negative slide time lag effect (-22.1 billion yen), as well as a full-scale effect of the tariff revision introduced in December 2013 (-14.0 billion yen).

Segment income for gas appliances and installation segment dropped 4.8billion yen year-on-year, due mainly to provision for gas appliance maintenance on ENE-FARM.

Segment income for electric power business segment grew 0.9 billion yen year-on-year, due mainly to an increase in sales volume resulting from a lack of large-scale periodic inspection that was performed in the preceding fiscal year.

Segment income for LNG sales posted a decline of 1.4 billion yen year-on-year, due mainly to an increase in resource cost similar to city gas segment. In addition, segment income for LPG, etc. also posted a drop of 1.0 billion, due mainly to a decline in unit sales prices from drop in CP.

Segment income for overseas business segment saw a significant increase of 6.2 billion yen year-on-year, mainly due to the increased income in upstream interests.

Segment income for shipping segment posted a decrease of 1.5 billion year-on-year, due to a drop in tanker lease against the background of relaxation of supply and demand in the LNG shipping market.

As a result of adding non-operating items to the above operating income by segment, ordinary income decreased 31.7 billion yen.

2. FY2014 Full Year Forecast

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FY2014 Full Year Forecast (Apr. 1, 2014 – Mar. 31, 2015) <vs. Previous forecast announced on Oct. 30>

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Highlights: Sales Growth, Profit Increase

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

Net sales +16.0 (+0.7%)
- + Increase in city gas sales (+15.9 (+1.0%): sales volume and composition +12.4, unit sales price +3.6 (slide +3.6), etc.)
- − Decrease in electricity sales (-1.1 (-0.7%): sales volume -0.3, unit sales price -0.8)
- + Increase in overseas sales (+4.6 (+12.5%): increase in sales at Pluto and Barnett, etc.)

Operating expenses +14.0 (+0.7%)
- + Decrease in city gas resource costs (+12.1 (+1.1%): sales volume -11.7, unit sales price +23.8 (exchange rate -30.0, crude oil +45.7, etc.))
- + Decrease in electricity fuel costs (+3.4 (+2.8%): sales volume +0.2, unit sales price +3.2)
- + Decrease in LNG resource costs (+1.9 (+2.2%): sales volume -0.2, unit sales price +2.1)
- − Recording of allowances (-9.5: Multi-year gas pipeline measures -5.7, Gas appliance maintenance -3.8)

Sliding time lag effect +27.4 (+10.8 → +38.2)

Operating income +30.0 (+20.7%)
- + Increase in city gas profit (+27.1 (+19.8%): gas gross margin +28.1 (sales volume +0.7 ((incl. temp. effect +0.1), unit sales price +27.4 (slide +27.4))
- + Increase in electricity profit (+1.9 (+10.5%): electric power gross margin +2.2 (sales volume -0.1, unit sales price +2.3))
- + Increase in LNG sales profit (+1.9 (+33.2%): sales volume +0.0, unit sales price +1.9)

Extraordinary loss -2.7 (+12.3→+9.6)
- − Gain on sales of investment securities -3.2 (8.0 → 4.8), etc.

(Unit: billion yen)

	Current forecast	Previous forecast	Change	%	FY2013	Change	%
Gas sales volume (mil. m^3, 45MJ)	15,548	15,387	+16.1	+1.0%	1,473.5	+81.3	+5.5%
Net sales	2,307.0	2,291.0	+16.0	+0.7%	2,112.1	+194.9	+9.2%
Operating expenses	2,132.0	2,146.0	-14.0	-0.7%	1,946.0	+186.0	+9.6%
Operating income	175.0	145.0	+30.0	+20.7%	166.0	+9.0	+5.4%
Ordinary income — (a)	167.0	137.0	+30.0	+21.9%	159.6	+7.4	+4.6%
Net income	122.0	103.0	+19.0	+18.4%	108.4	+13.6	+12.5%
Temperature effect — (b)	*-3.3*	*-3.4*	*+0.1*	—	*-2.5*	*-0.8*	—
Sliding time lag effect — (c)	*38.2*	*10.8*	*+27.4*	—	*16.4*	*-21.8*	—
Depreciation of pension actuarial differences — (d)	*3.0*	*3.0*	*0.0*	—	*-2.2*	*+5.2*	—
Adjusted ordinary income — (a) - ((b)+(c)+(d))	*129.1*	*126.6*	*+2.5**	*+2.0%*	*147.9*	*-18.8*	*-12.7%*
Adjusted net income	*95.8*	*95.8*	*0.0*	*0.0%*	*100.7*	*-4.9*	*-4.9%*

* +2.5: Gas sales volume +0.6 (excl. temp. effect +0.1), electricity +1.9, LNG sales +1.9, other segment, etc. -1.9

Economic frame (4Q)	Foreign exchange rate (¥/$)	JCC ($/bbl)	Average temp. (℃)
Current forecast	120.00	60.00	6.3

Gas gross margin sensitivity to changes in oil price and exchange rate	4Q
Impact of rising JCC by $1/bbl	-0.5
Impact of yen depreciation by ¥1/$	-1.7

Economic frame (full year)	Foreign exchange rate (¥/$)	JCC ($/bbl)	Average temp.* (℃)
Current forecast	110.05	91.91	16.0
Previous forecast	106.51 (+3.54)	104.75 (-12.84)	16.0 (0.0)
FY2013	100.17 <+9.88>	110.00 <-18.09>	16.1 <-0.1>

(Figures in parenthesis are increase/decrease vs. previous forecast), <Figures in brackets are year-on-year increase/decrease>
*Temperature for previous year is adjusted for changes in the Japan Meteorological Agency's observation points.

Expected rate of return: 2%

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	232.0	237.0	-5.0	-2.1%

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Then, I will explain full year earnings forecast in comparison with our previous forecast announced in October last year.

This time, given the financial results for 1-3Q period of fiscal year 2014 and effect of the declining crude oil price (JCC), we made an upward revision of our full year earnings forecast that was announced last time.

As shown in reference data in slide 21, the crude oil price (JCC) has been declining, the effect of which will cause LNG price decrease after a delay of three months. Accordingly, the resource costs are expected to decline in 4Q of fiscal year 2014. On the other hand, since the effect will be included in the gas rates after further three months under the gas rate adjustment system, a significant surplus from the sliding time lag effect is likely to be expected in 4Q of fiscal year 2014.

With regard to the economic assumptions framing our consolidated results forecast for FY2014, we revised a crude oil price of $100 to $60 per barrel and a foreign exchange rate of ¥110 to ¥120 per US dollar in January 2014 and later. As a result, we expect that the sliding time lag effect would significantly improve the surplus by 27.4 billion yen. Accordingly, our full year forecast on segment income for city gas segment was revised upward by 27.1 billion yen from the previous forecast, and our full year forecast on operating income was also revised upward by 30 billion yen from the previous forecast.

FY2014 Full Year Forecast: Consolidated Gas Sales Volume <vs. Previous Forecast (Announced on Oct. 30)>

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Previous Forecast → Current Forecast

+161 mil. m³ (+1.0%)

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

Residential +9 mil. m³ (+0.3%)
- Temperature effect +4 mil. m³
- Number of days -1 mil. m³
- Number of customers +3 mil. m³
- Others +3 mil. m³

Commercial -33 mil. m³ (-1.2%)
- Temperature effect -6 mil. m³
- Number of days -0 mil. m³
- Number of customers -6 mil. m³
- Others -21 mil. m³

Industrial +178 mil. m³ (+2.5%)
- Industrial: -17 mil. m³
  Portion from decrease outside Kashima area -15 mil. m³
- Power generation: +196 mil. m³
  Portion from increase in Kashima area +111 mil. m³

Wholesale +7 mil. m³ (+0.3%)
- Temperature effect +0 mil. m³
- Others +7 mil. m³
  Increase in demand from wholesale suppliers, etc.

FY2013 Results → Current Forecast

+813 mil. m3 (+5.5%)

Including temp. effect -37 mil m³, -0.3%

Residential +28 mil. m³ (+0.8%)
- Temperature effect +3 mil. m³
- Number of days -18 mil. m³
- Number of customers +51 mil. m³
- Others -7 mil. m³

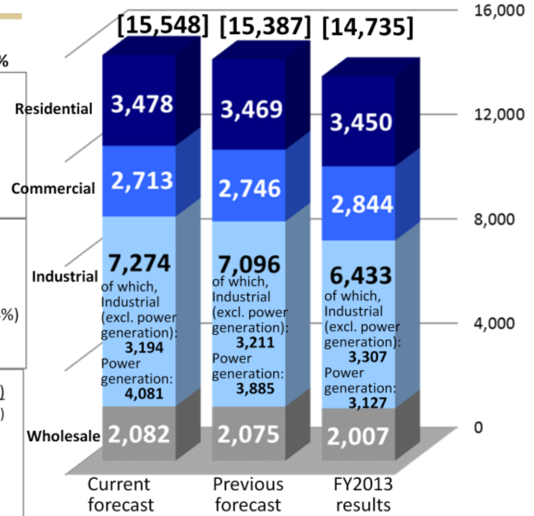
Commercial -131 mil. m³ (-4.6%)
- Temperature effect -40 mil. m³
- Number of days -24 mil. m³
- Number of customers +7 mil. m³
- Others -74 mil. m³

(-2.4%)

Industrial +841 mil. m³ (+13.1%)
- Industrial: -113 mil. m³ (-3.4%)
  Portion from decrease outside Kashima area -129mil. m³
- Power generation: +954 mil. m³ (+30.5%)
  Portion from increase in Kashima area +1,007 mil. m³

Wholesale +75 mil. m³ (+3.7%)
- Temperature effect -0 mil. m³
- Others +75 mil. m³
  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)	948	949	-1
Average temperature (°C)*	16.0	16.0	0.0

*Temperature for previous year is adjusted for changes in the Japan Meteorological Agency's observation points.

Number of customers (Unit: 10 thousand)

Current forecast	Previous forecast	Change
1,125.5	1,124.4	+1.1 (+0.1%)

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This slide indicates gas sales volume by category.

Our full year forecast on consolidated gas sales volume for the full year was revised upward by 161 million cubic meters from the previous forecast. This was attributable an upward revision by 178 million cubic meters for industrial-use in power generation in the Kashima area from the previous revision, which more than offset a downward revision by 33 million cubic meters in commercial use from the previous forecast, in anticipation of stronger energy-saving tendency.

Changes in Gas Sales Volume Including Tolling

TOKYO GAS

FY2014 Forecast

●**Gas sales volume including portion used in-house under tolling arrangement** mil. m^3, 45MJ/m^3

	Current forecast	Previous forecast	Change	FY2013 results	Change
Gas sales volume (financial accounting basis)	15,548	15,387	+161 +1.0%	14,735	+813 +5.5%
Gas volume used in-house under tolling arrangement	1,672	1,676	-4 -0.2%	1,510	+162 +10.7%
Total	17,220	17,063	+157 +0.9%	16,245	+975 +6.0%
Forecast as per Challenge 2020 Vision:	18,409	18,249	+160	17,225	+1,184

●**Gas sales volume for industrial-use** mil. m^3, 45MJ/m^3

	Kashima area	Other	Total
Power generation	1,588	2,492	4,081
vs. Previous forecast	+111 (+7.5%)	+84 (+3.5%)	+196 (+5.0%)
vs. FY2013 results	+1,007 (+173.3%)	-54 (-2.1%)	+954 (+30.5%)
General industrial	206	2,988	3,194
vs. Previous forecast	+3 (+1.3%)	-20 (-0.7%)	-17 (-0.5%)
vs. FY2013 results	+22 (+11.6%)	-134 (-4.3%)	-113 (-3.4%)
Total	1,794	5,480	7,274
vs. Previous forecast	+114 (+6.8%)	+64 (+1.2%)	+178 (+2.5%)
vs. FY2013 results	+1,029 (+134.4%)	-188 (-3.3%)	+841 (+13.1%)

(Ref.)
Power-generation sales volume included in wholesale sales

(mil. m^3)

Power generation	173
vs. FY2013 results	+158 (+1,033.6%)
vs. Previous forecast	+0 (+0.2%)

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This slide contains breakdowns of our full year forecast on gas sales volume for industrial-use by area and by category and the pertinent information, for your reference.

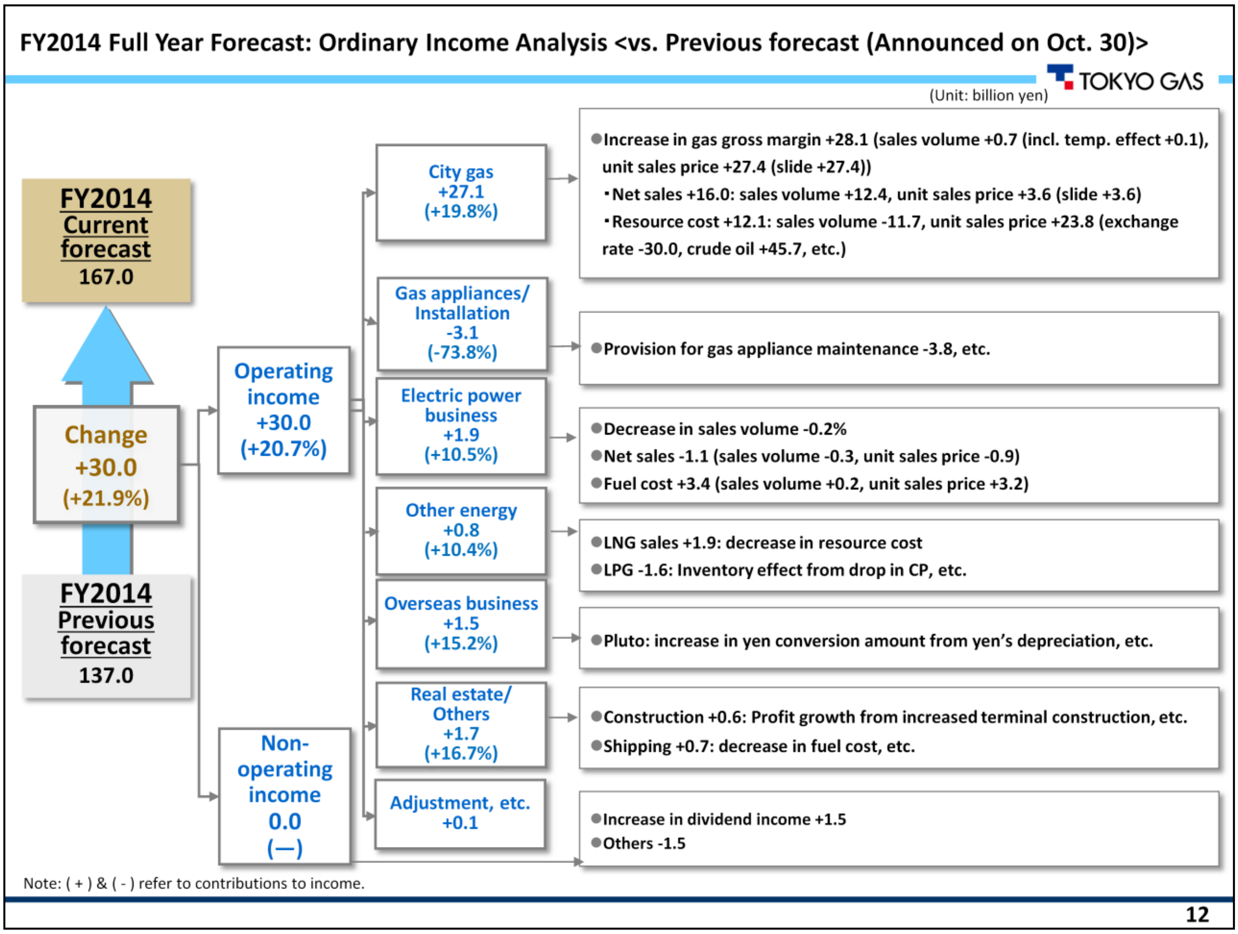
FY2014 Full Year Forecast: Net Sales and Operating Income/Loss by Business Segment <vs. Previous forecast (Announced on Oct. 30)>

(Unit: billion yen)

	Net Sales				Segment Income			
	Current forecast	Previous forecast	Change	%	Current forecast	Previous forecast	Change	%
City gas	1,640.1	1,624.2	15.9	1.0	164.2	137.1	27.1	19.8
Gas appliances and installation work	207.8	210.8	-3.0	-1.4	1.1	4.2	-3.1	-73.8
Other energy	408.9	415.0	-6.1	-1.5	28.5	25.8	2.7	10.5
(Electric power business)	164.4	165.5	-1.1	-0.7	19.7	17.8	1.9	10.5
Real estate	24.3	24.2	0.1	0.4	4.3	4.1	0.2	4.9
Others	224.3	213.5	10.8	5.1	18.9	15.9	3.0	18.9
(Overseas business)	41.2	36.6	4.6	12.5	11.1	9.6	1.5	15.2
Adjustment	-198.4	-196.7	-1.7	—	-42.0	-42.1	0.1	—
Consolidated	2,307.0	2,291.0	16.0	0.7	175.0	145.0	30.0	20.7

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).

This slide gives comparisons of our full-year forecasts for net sales and segment income/loss by segment, with comparisons with our previous forecasts.
Our forecasts on city gas and electric power businesses were revised upward due to a change in the economic framework.



This slide shows our ordinary income analysis on segment income/loss by business segment in comparison with the previous forecast.
As mentioned earlier, our full year forecast on segment income for city gas segment was revised upward by ¥27.1 billion from the previous forecast, due to a change in economic frame as well as a significant increase in sliding time lag effect.

Our full year forecast on segment income for gas appliances and installation segment was revised downward by 3.1 billion yen, due to provision for gas appliance maintenance on ENE-FARM.

While our full year forecast on electricity sales volume by electric power business remains almost the same as the previous forecast, our full year forecast on segment income for electric power business was revised upward by 1.9 billion, due to a change in economic frame, similar to city gas segment.

Our full year forecast on overseas business was revised upward from the previous forecast on a yen value basis, due to the depreciation of the yen against the US dollar.

Given that our forecast on non-operating income remains almost the same as the previous forecast, our full year forecast on ordinary income was revised upward by 30 billion yen, similar to operating income.

FY2014 Full Year Forecast: Net Sales and Operating Income/Loss by Business Segment <vs. FY2013 Results >

TOKYO GAS

(Unit: billion yen)

	Net Sales				Segment Income			
	Current forecast	FY2013 results	Change	%	Current forecast	FY2013 results	Change	%
City gas	1,640.1	1,505.1	135.0	9.0	164.2	152.6	11.6	7.5
Gas appliances and installation work	207.8	221.7	-13.9	-6.3	1.1	7.6	-6.5	-85.6
Other energy	408.9	357.5	51.4	14.4	28.5	32.5	-4.0	-12.4
(Electric power business)	164.4	135.9	28.5	20.9	19.7	24.4	-4.7	-19.0
Real estate	24.3	28.3	-4.0	-14.2	4.3	5.7	-1.4	-24.6
Other	224.3	199.3	25.0	12.5	18.9	11.6	7.3	61.6
(Overseas business)	41.2	22.1	19.1	86.4	11.1	2.8	8.3	284.2
Adjustment	-198.4	-200.0	1.6	—	-42.0	-44.1	2.1	—
Consolidate	2,307.0	2,112.1	194.9	9.2	175.0	166.0	9.0	5.4

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).

These slides 13 and 14 contain our full year forecast on net sales and operating income/loss by business segment in comparison with the previous fiscal year, for your reference.

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

TOKYO GAS

(Unit: billion yen)

FY2014 Current forecast 167.0

Change +7.4 (+4.6%)

FY2013 Results 159.6

Operating income +9.0 (+5.4%)	City gas +11.6 (+7.5%)	●Increase in gas gross margin -12.4 (sales volume +3.2 (incl. temp. effect -0.8), unit sales price +9.2 (slide +21.8, tariff revision -15.5, etc.)) ・Net sales +136.6: sales volume +58.2, unit sales price +78.4 (slide +85.9, tariff revision -15.5, etc.) ・Resource cost -124.2: sales volume -55.0, unit sales price -69.2 (exchange rate -87.5, crude oil +77.5, price revision, etc.)
	Gas appliances/ Installation -6.5 (-85.6%)	●Decrease in gas appliances sold from falloff from increased demand ahead of consumption tax increase ●Provision for gas appliance maintenance -3.8, etc.
	Electric power -4.7 (-19.0%)	●Increase in sales volume +9.2% ●Net sales +28.5 (sales volume +12.5, unit sales price +16.0) ●Fuel cost -34.4 (sales volume -7.7, unit sales price -26.7)
	Other energy +0.7 (+7.7%)	●LNG sales +2.8: increase in sales volume (784 thousand t → 948 thousand t) ●LPG -1.9: Inventory effect from drop in CP, etc.
	Overseas business +8.3 (+284.2%)	●Increase in profit at Pluto, full-year Barnett profit contribution, etc.
	Real estate/ Others -2.5 (-16.7%)	●Shipping -1.6: decrease in tanker lease, etc. ●Real estate -1.4: decrease in rental income, etc.
	Adjustment, etc +2.1	
Non-operating income -1.6 (—)		●Decrease in equity-method P/L -1.8 (4.8 → 3.0) ●Miscellaneous income -1.7 (FY2013: Gain on reversal of environmental costs 1.2, etc.) ●Foreign exchange profit/loss +3.0 ●Others -1.1

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

FY2014 Uses of Cash Flow

TOKYO GAS

Capital expenditure

(Unit: billion yen)

Capex	Main items	Ref: Initial plan
Tokyo Gas: 157.8 (-2.0, -1.3%)	Production facilities: 35.2 (+0.1) Hitachi LNG terminal construction, etc.	Tokyo Gas: 159.8
	Distribution facilities: 99.5 (-1.1) Ibaraki-Tochigi Line and other trunk line installation, new demand-side pipes and pipelines, etc.	
	Service and maintenance facilities, etc.: 23.1 (-0.8) Systems-related investment, Tamachi development-related, etc.	
Total consolidated subsidiaries: 75.5 (-3.0, -3.8%)	Overseas upstream investment: 31.0 On-site energy service: 9.0 (ENAC), etc.	Total consolidated subsidiaries: 78.5
Total 232.0 (-5.0, -2.1%, after eliminations in consolidation)		Total: 237.0 (after eliminations in consolidation)

*Numbers in parentheses refer to comparisons with previous forecast.

Investments and financing

-¥3.9 billion (investment & financing 3.8, collections -7.7, vs. previous forecast -21.1)

Returns to shareholders

¥64.7 billion (TG non-consolidated, on cash flow basis, unchanged from previous forecast)
(Total of FY2013 year-end dividends’ and FY2014 interim dividends’ ¥24.7 billion, and FY2014 treasury stock purchases’ ¥40.0 billion)

Our full year forecast on consolidated capital expenditure was slightly revised downward to 232.0billion yen from the previous forecast.

The main investments in this fiscal year include Hitachi LNG terminal under construction , Ibaraki-Tochigi Line extended from the terminal, overseas upstream business and so on.

FY2014 Funding Plan (Consolidated)

Required funds and procurement of funds

FY2014 forecast (Unit: billion yen)

Required funds		Change (Vs. previous forecast)		Procurement of funds		Change (Vs. previous forecast)
Capex	232.0	-5.0	Internal funding	Depreciation	142.0	0.0
Other investment & financing*	-3.9	-21.1		Ordinary income	167.0	+30.0
Dividends & tax	72.0	+5.6		Others	23.6	-36.6
Share buybacks	40.0	0.0		Total	332.6	-6.6
Repayment (Non-consolidated)	66.4 (41.3)	+3.5 (0.0)		Outside funding (Non-consolidated)	73.9 (43.0)	-10.4 (-7.6)
Total	406.5	-17.0		Total	406.5	-17.0

*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 March 31, 2015 (forecast): ¥739.0 billion (vs. previous forecast -¥3.0 billion (Includes ¥10.9 billion valuation gain on foreign currency-denominated borrowings in addition to ¥13.9 billion reduction of above net decrease in procurement of funds))

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Slide 16 contains our annual funding plan, for your reference.

Returns to Shareholders

TOKYO GAS

- 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:

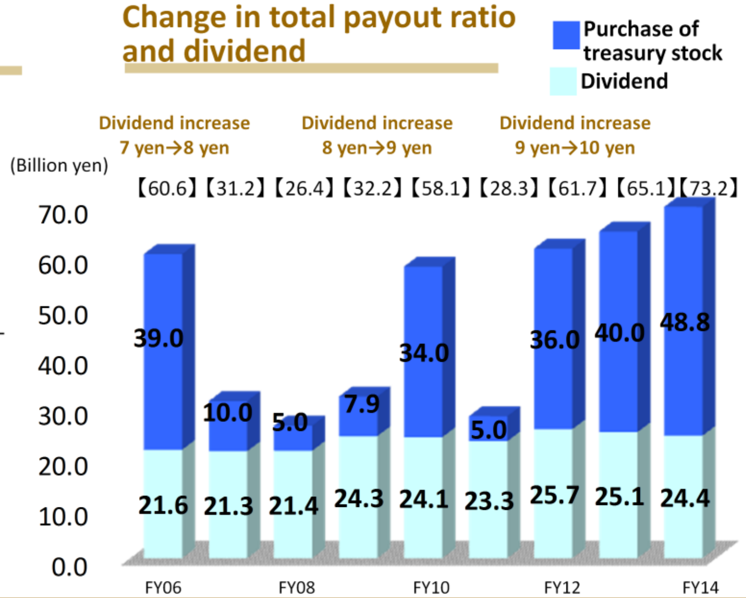
Maintaining 60% total payout ratio

Total payout ratio 60.0%

$$= \frac{\text{FY2014 Dividend ¥24.4 billion} + \text{FY2015 Purchase of treasury stock ¥48.8 billion}}{\text{FY2014 Consolidated net income ¥122.0 billion}}$$

*Total number of shares outstanding 2,446,778,295 (as of December 31, 2014)

Change in total payout ratio and dividend



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

Slide 17 discusses our returns to shareholders, change in total payout ratio and dividend, and other pertinent information.

We declare the target of maintaining a total payout ratio of roughly 60% each year through FY2020. If we achieve consolidated net income in amount of 122 billion that was revised upward this time, we would pay dividends in amount of 24.4 billion yen and purchase treasury stock in the amount of 48.8 billion yen for FY2014, pursuant to our plan to pay a 10 yen per share for FY 2014.

Please note that we have continuously both declared and accomplished this goal of a 60% return to shareholders each year since FY2006.

Key Indicators (Consolidated)

TOKYO GAS

(Unit: billion yen)

	FY2014 Current forecast	FY2014 Previous forecast	FY2013 Results
Total assets (a)	2,262.0	2,222.0	2,176.8
Shareholders' equity (b)	1,093.0	1,051.0	1,011.7
Shareholders' equity ratio (b)/(a)	48.3%	47.3%	46.5%
Interest-bearing debt (c)	739.0	742.0	713.8
D/E ratio (c)/(b)	0.68	0.71	0.71
Net income (d)	122.0	103.0	108.4
Depreciation (e)	142.0	142.0	140.3
Operating cash flow (d) + (e)	264.0	245.0	248.8
Capex	232.0	237.0	248.0
ROA: (d)/(a)	5.5%	4.7%	5.2%
ROE: (d)/(b)	11.6%	10.0%	11.2%
TEP	46.8	27.2	50.7
WACC	3.6%	3.6%	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 December 31, 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 (0.7%)
  - Risk premium: 5.5%, β: 0.75 (Risk premium through FY2013: 4%)
  - Capital: market capitalization

Slide 18 lists key indicators on a consolidated for the current fiscal year.
Our forecast on ROE is 11.6%.

3. Reference Materials

Increase/decrease in FY2014 3Q and 4Q (vs. previous forecast)

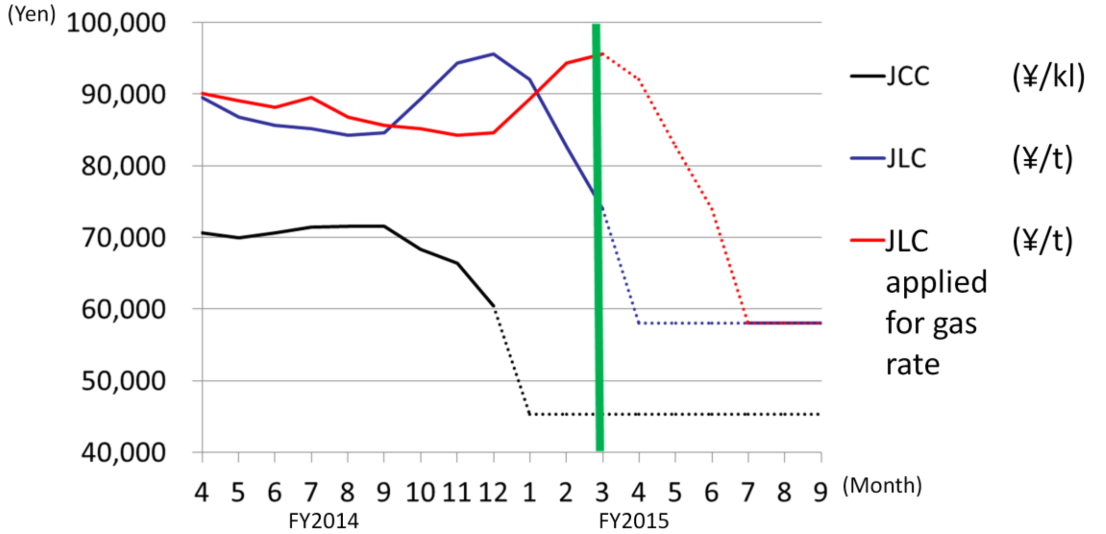
TOKYO GAS

(Unit: billion yen)

	3Q (Oct. – Dec.)	4Q (Jan. – Mar.)	Total (2H)
Gas sales volume	+7.9 mil. m^3	+82 mil. m^3	+161 mil. m^3
Operating income	**-14.1**	**+44.1**	**+30.0**
City gas sales	**+6.6**	**+9.4**	**+16.0**
Resource costs	**+13.4**	**-25.5**	**-12.1**
Gas gross margin	**-6.8**	**+34.9**	**+28.1**
(Including sliding time lag effect)	(-7.3)	(+34.7)	(+27.4)
Recording of allowances	-9.5	—	-9.5
(Including multi-year gas pipeline measures)	(-5.7)	(—)	(-5.7)
(Including gas appliance maintenance)	(-3.8)	(—)	(-3.8)
Gas fixed cost reductions	+1.5	+3.2	+4.7
Operating income from electric power business	+0.4	+1.5	+1.9
Operating income from LNG sales	-0.9	+2.8	+1.9
Operating income from overseas businesses	—	+1.5	+1.5
Others	+1.2	+0.2	+1.4
Non-operating income/loss	**-0.6**	**+0.6**	**±0.0**
Dividend income	+1.5	—	+1.5
Foreign exchange profit/loss	-1.4	-0.3	-1.7
Recording of allowances	-1.7	—	-1.7
Others	+1.0	+0.9	+1.9

Sliding Time Lag Framework

Changes in crude oil price (JCC), LNG price (JLC), and gas rate benchmark LNG price



Assuming $60/bbl from January 2015.

< 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.

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