

FY2015 2Q Financial Results



October 30, 2015

1. Gas Tariff Revisions



Tokyo Gas will implement the following tariff revisions as a means of returning to customers the results of increased gas sales volume from successful marketing efforts and fixed cost reductions achieved through ongoing efforts to enhance management efficiency.

(1) Small-volume segment (in both service and optional agreements)

- Amount of Reduction
 - An average reduction of 0.71% from current tariff levels for small-volume customers (Tokyo District etc.) (Average unit tariff in notification: Service agreement: -0.73%; Optional agreement: -0.68%)
- Date of Implementation
 - To be implemented on December 10, 2015.
- Standard average gas resource cost
 - ¥57,250/t (Reference: ¥82,470/t at time of previous revision)

Reference: Past tariff revisions

Revision date	Avg. revision for small-volume customers
December 10, 1999	-2.00%
February 15, 2001	-3.20%
January 1, 2005	-5.18%
February 21, 2006	-0.28%
April 15, 2008	-1.51%
March 8, 2012	-1.57%
December 10, 2013	-2.09%
December 10, 2015 (outlined above)	-0.71%

(2) Transmission service agreement tariffs

- An average reduction of 10.75% from current tariff levels in transmission service agreement tariffs (Tokyo District etc.)

First, let me discuss the “revision of gas tariffs” listed on Slide 2 of the handout.

As the President explained earlier, today we submitted to the Minister of Economy, Trade and Industry of the notification for change in both service and optional agreements to the key effect that the Company will revise tariffs in the small-volume segment downward from existing levels by an average of 0.71 % in Tokyo District etc., effective on December 10, 2015.

This revision of gas tariff will be implemented with the aim of passing on to consumers the results of increased gas sales volume from successful marketing efforts and fixed cost reductions achieved through ongoing efforts to enhance management efficiency.

Given the fact that a full liberalization of the gas retail market is scheduled, we will strive even more competitive through this reduction in gas tariffs.

First, we will make an average reduction of 0.71% from current tariff levels for small-volume customers.

Of which, we will reduce the existing service agreement tariffs by an average of 0.73 %.

In the case of standard customer in residential sector using gas consumption of 32 m3 per month, 38 yen per month or 0.73% will be dropped.

For optional agreement tariffs, we will make reductions averaging 0.68%.

In addition, we will reduce the transmission service agreement by average of 10.75%.

**2. FY2015 2Q Consolidated Financial Results
ended September 30, 2015**



FY2015 2Q Consolidated Financial Results (Apr. 1, 2015 – Sep. 30, 2015) <vs. FY2014 2Q>



Highlights: Sales decreased, profit increased (1H net income basis)

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

Net sales	-129.6 :	-	City gas (-113.6: Decrease in unit prices from resource cost adjustments -112.9, decrease in sales volume -0.6) Other energy (-26.6: Decrease in electricity sales from decreased sales volume and lower unit prices, etc.)
Operating expenses	+165.1 :	+	City gas resource costs (+145.1: Decrease in unit prices from economic framework assumptions, etc. +144.2, decrease in sales volume +0.9) Other energy (+28.6: Decrease in cost of fuel for electricity, etc. from decreased sales volume and lower unit prices)
Operating income	+35.5 :	+	City gas (+35.4: Gas gross margin +31.6 (incl. slide +30.0)etc.) Other energy (+2.0: Increase in LNG sales +5.9, decrease in electricity -5.1, etc.) Others (-1.8: Overseas -1.7, etc.)
Extraordinary Income/loss	-12.4 :	+	(FY2015) Loss on valuation of investment securities -2.6, (FY2014) Gain on sales of non-current assets +5.4, Gain on sales of investment securities +4.8

(Unit: billion yen)

	2015 2Q results	2014 2Q results	Change	%	Previous forecast (July 30)	Change	%
Gas sales volume (mil. m ³ , 45MJ)	7,184	7,192	-8	-0.1%	7,062	+122	+1.7%
Net sales	901.4	1,031.0	-129.6	-12.6%	882.0	+19.4	+2.2%
Operating expenses	791.3	956.4	-165.1	-17.3%	786.0	+5.3	+0.7%
Operating income	110.0	74.5	+35.5	+47.6%	96.0	+14.0	+14.6%
Ordinary income — (a)	107.0	72.6	+34.4	+47.4%	92.0	+15.0	+16.3%
Profit attributable to owners of parent*	80.6	57.0	+23.6	+41.3%	70.0	+10.6	+15.1%
* Changed from "Net income" from FY2015							
Temperature effect — (b)	-4.9	-3.4	-1.5	—	-5.1	+0.2	—
Sliding time lag effect — (c)	43.9	13.9	+30.0	—	43.9	0.0	—
Depreciation of pension actuarial differences — (d)	-1.1	1.5	-2.6	—	-1.1	0.0	—
Adjusted ordinary income — (a) - ((b)+(c)+(d))	69.1	60.6	+8.5	+14.0%	54.3	+14.8	+27.3%

Economic frame (2Q)	Exchange rate (¥/\$)	JCC (\$/bbl)	Avg. temperature (°C)	Expected rate of return: 2%	
FY2015	121.87	58.85	21.4	Pension asset	Investment yield (cost deducted)
FY2014	103.01 (+18.86)	109.51 (-50.66)	21.2 (+0.2)	FY2015 2Q cumulative	Year-end assets (billion yen)
Previous forecast	120.72 <+1.15>	62.25 <-3.40>	21.6 <-0.2>		275.0

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

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Next, let me make a brief explanation on our financial results for the first half of fiscal year 2015 on Slide 4.

As shown on Slide 4, we recorded year-on-year decline in sales but income growth for the first half.

Net sales decreased by 12.6% or 129.6 billion yen year-on-year, to 901.4 billion yen, which was mainly attributable to a decrease in unit prices from resource cost adjustments.

On the other hand, operating expenses dropped by 165.1 billion yen or 17.3% to 791.3 billion, due mainly to a decrease in city gas resource cost associated with a decline in crude oil prices.

As a result, operating income rose 47.6% year-on-year or 35.5 billion yen, to 110.0 billion yen, ordinary income increased 47.4% or 34.4 billion yen, to 107.0 billion, and Profit attributable to owners of parent increased 41.3% or 23.6 billion yen, to 80.6 billion yen.

The sliding time lag effect improved by 30.0 billion yen year on year due mainly to a drop in oil prices, and served as a key driver to an increase in operating income.

FY2015 2Q Consolidated Gas Sales Volume

FY14 2Q Results → FY15 2Q Results

-8 mil m³ (-0.1%)

Including temperature effect:
-27 mil. m³, -0.4%

■ Residential -8 mil. m³ (-0.7%)

- Temperature effect -18 mil. m³
- Number of days +4 mil. m³
- Number of customers +20 mil. m³
- Others -14 mil. m³

■ Commercial -7 mil. m³ (-0.5%)

- Temperature effect -6 mil. m³
- Number of days +6 mil. m³
- Number of customers +11 mil. m³
- Others -18 mil. m³

■ Industrial -19 mil. m³ (-0.5%)

- Industrial: +19 mil. m³
- Power generation: -38 mil. m³

■ Wholesale +26 mil. m³ (+2.7%)

- Temperature effect -3 mil. m³
 - Others +29 mil. m³
- Increase in demand from wholesale suppliers, etc.

Previous forecast → FY15 2Q Results

+122 mil m³ (+1.7%)

Including temperature effect:
-3 mil. m³, -0.0%

■ Residential +10 mil. m³ (+0.8%)

- Temperature effect +5 mil. m³
- Number of days -0 mil. m³
- Number of customers +1 mil. m³
- Others +4 mil. m³

■ Commercial -11 mil. m³ (-0.8%)

- Temperature effect -9 mil. m³
- Number of days 0 mil. m³
- Number of customers +5 mil. m³
- Others -7 mil. m³

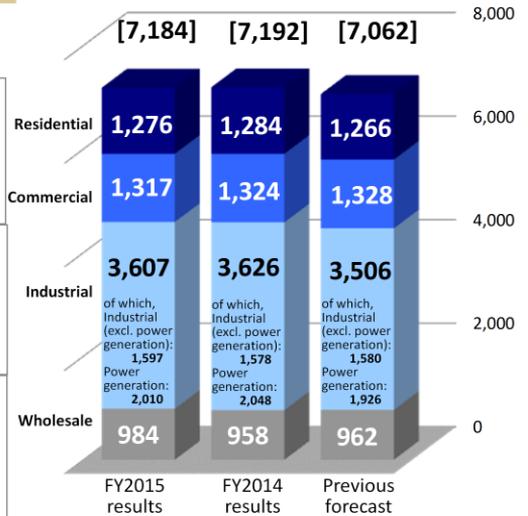
■ Industrial +101 mil. m³ (+2.9%)

- Industrial: +17 mil. m³
- Power generation: +84 mil. m³

■ Wholesale +22 mil. m³ (+2.3%)

- Temperature effect +1 mil. m³
 - Others +21 mil. m³
- Increase in demand from wholesale suppliers, etc.

Gas sales volume: (Figures are rounded to nearest mil. m³.)



	FY2015 2Q	FY2014 2Q	Change
LNG liquid sales volume (thousand t)	490	378	+112
Average temperature (°C)	21.4	21.2	+0.2

(10 thousand)

	FY2015 2Q	FY2014 2Q	Change
Number of customer	1,131.5	1,116.8	+14.7 (+1.3%)

Next, let us look at sales volume of gas, our core product, on Slide 5, which served as a basis for the earnings results.

Gas sales volume for the first half remained almost unchanged year-on-year, to 7,184 million cubic meters.

Despite an increase in the number of users and an strong growth in new industrial demand, which were mostly offset by a decline in hot water demand affected by higher temperature than the previous year as well as a decrease in power generation demand, all of sectors, except wholesale, recorded a slight decrease year on year; residential gas sales volume decreased by 0.7% to 1,276 million cubic meters; commercial gas sales volume decreased by 0.5% to 1,317 million cubic meters; and industrial gas sales volume decreased by 0.5% to 3,607 million cubic meters.

On the other hand, wholesale sales volume increased by 2.7% to 984 million cubic meters, due to increase in demand from wholesale suppliers, etc.

Gas Sales Volume (Vision Basis) and Gas Sales Volume for Industrial Use

FY2015 2Q Results

● Gas sales volume (Vision Basis) (Unit: million m³)

	FY2015 2Q	FY2014 2Q	Change	Previous forecast	Change
Gas sales volume (financial accounting basis)	7,184	7,192	-8 -0.1%	7,062	+122 +1.7%
Gas volume used in-house under tolling arrangement	775	831	-56 -6.7%	750	+25 +3.3%
LNG sales volume (m ³ basis)	613	473	+140 +29.7%	603	+10 +1.8%
Total	8,572	8,496	+76 +0.9%	8,415	+147 +1.9%

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

	Kashima area	Other area	Total
Power generation	813	1,196	2,010
vs. FY2014 2Q	+30(+3.9%)	-69(-5.4%)	-38(-1.9%)
vs. Previous forecast	+30(+3.9%)	+53(+4.7%)	+84(+4.3%)
General industrial	91	1,506	1,597
vs. FY2014 2Q	-11(-11.4%)	+31(+2.1%)	+19(+1.2%)
vs. Previous forecast	-3(-3.6%)	+20(+1.3%)	+17(+1.1%)
Total	904	2,703	3,607
vs. FY2014 2Q	+19(+2.1%)	-38(-1.4%)	-19(-0.5%)
vs. Previous forecast	+27(+3.1%)	+74(+2.8%)	+101(+2.9%)

FY2015 2Q Net Sales and Operating Income/Loss by Business Segment <vs. FY2014 2Q>

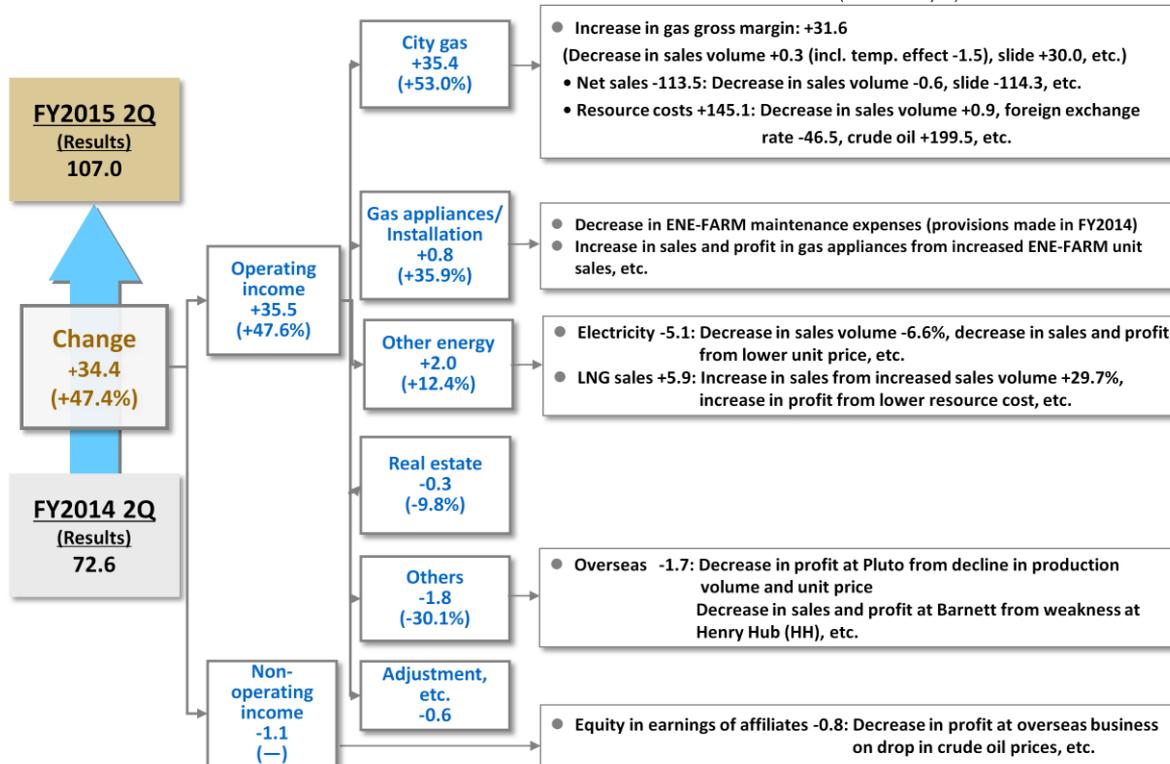
(Unit: 100 million yen)

	Net Sales				Segment Income			
	FY2015 2Q	FY2014 2Q	Change	%	FY2015 2Q	FY2014 2Q	Change	%
City gas	6,242	7,378	-1,136	-15.4	1,021	667	354	53.0
Gas appliances and installation work	965	866	99	11.5	31	23	8	35.9
Other energy	1,671	1,937	-266	-13.7	183	163	20	12.4
(Electric power business)	617	832	-215	-25.9	69	120	-51	-41.7
Real estate	126	130	-4	-3.4	28	31	-3	-9.8
Others	883	961	-78	-8.2	42	60	-18	-30.1
(Overseas business)	138	151	-13	-8.8	19	36	-17	-47.9
Adjustment	-874	-964	90	—	-206	-200	-6	—
Consolidated	9,014	10,310	-1,296	-12.6	1,100	745	355	47.6

- 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).

FY2015 2Q Ordinary Income Analysis <vs. FY2014 2Q>

(Unit: billion yen)



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

For the brief operating results by segment, please see Slide 8 of the handout.

An increase in ordinary income was largely attributable for a growth in operating income for city gas segment in amount of 35.4 billion yen that was greatly driven by the sliding time lag effect.

In addition, while LNG sales business also achieved a significant growth for the same reason as city gas segment, electricity power business suffered a large decrease in operating income, due mainly to maintenance of power generating stations and a lower unit price, etc.

3. FY2015 Full Year Forecast



FY2015 Forecast (Apr. 1, 2015 – Mar. 31, 2016) <vs. Previous forecast announced on Jul. 30>

Highlights: Sales Decrease, Profit Increase

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

- Gas sales volume reflects 2Q increase/decrease vs. previous forecast; 2H seen in line with previous forecast
- Economic framework reflects actual 1H figures, 2H crude oil price assumption changed to \$55/bbl from \$65/bbl
- As a result, previously forecast 2H sliding time lag shortfall reverses to surplus, raising previous operating income forecast

Net sales	-36.0	-	City gas (-19.3: With revision to crude oil price assumption, lower unit sales price, etc.)
		-	Other energy (-8.8: With revision to crude oil price assumption, lower unit price of LNG sales, etc.)
Operating expenses	+64.0	+	City gas resource costs (+41.1: With revision to crude oil price assumption, lower unit price of resource costs, etc.)
		+	Other energy (+12.8: With revision to crude oil price assumption, lower unit price of resource costs for electricity and LNG sales, etc.)
Operating income	+28.0	+	City gas (+21.6: gas gross margin +21.8 (slide +22.2), etc.)
		+	Other energy (+4.0: Electricity +2.0, LNG sales +2.2, etc.)

(Unit: billion yen)

	Current forecast	Previous forecast	Change	%	FY2014	Change	%
Gas sales volume (mil. m ³ , 45MJ)	15,614	15,496	+118	+0.8%	15,541	+73	+0.5%
Net sales	1,896.0	1,932.0	-36.0	-1.9%	2,292.5	-396.5	-17.3%
Operating expenses	1,728.0	1,792.0	-64.0	-3.6%	2,120.7	-392.7	-18.5%
Operating income	168.0	140.0	+28.0	+20.0%	171.7	-3.7	-2.2%
Ordinary income — (a)	162.0	134.0	+28.0	+20.9%	168.1	-6.1	-3.7%
Profit attributable to owners of parent*	122.0	101.0	+21.0	+20.8%	95.8	+26.2	+27.3%
* Changed from "Net income" from FY2015							
Temperature effect — (b)	-5.4	-5.6	+0.2	—	-4.1	-1.3	—
Sliding time lag effect — (c)	47.8	25.6	+22.2	—	27.8	+20.0	—
Depreciation of pension actuarial differences — (d)	-2.3	-2.3	0.0	—	3.0	-5.3	—
Adjusted ordinary income — (a) - ((b)+(c)+(d))	121.9	116.3	+5.6	+4.8%	141.4	-19.5	-13.8%

Economic frame (Full year)	Exchange rate (¥/\$)	JCC (\$/bbl)	Avg. temperature (°C)	Pension asset	Investment yield (cost deducted)	Discount rate		Year-end assets (billion yen)
						Annuity portion	Lump-sum portion	
Current forecast	120.94	56.93 ¹	16.1					
Previous forecast	120.36 (+0.58)	63.62 (-6.69)	16.2 (-0.1)	FY2014	5.57%	0.829%	0.358%	281.0
FY2014	109.76 <+11.18>	90.36 <-33.43>	16.0 <+0.1>	FY2013	1.61%	1.168%	0.571%	273.0

(Figures in parenthesis are increase/decrease vs. previous forecast) ¹ 2Q only: \$65.00 (previous forecast) → \$58.21 (actual)
 <Figures in brackets are year-on-year increase/decrease> 2H forecast: \$65.00 (previous) → \$55.00 (current)

Next, on Slide 10, I will discuss our latest full-year forecast for the fiscal year 2015.

We have revised our full year earnings forecast announced in July 2015. We made downward revision on net sales but upward revision on income items.

With regard to the economic assumptions framing our consolidated results forecast in October 2015 and later for the fiscal year 2015, reflecting the latest trends in the markets, we have remained unchanged for a foreign exchange rate of ¥120/\$ for the second half of the fiscal year, but revised a crude oil price to \$55 per barrel from the previous forecast of \$65 per barrel.

As a result, we made upward revision on operating income in anticipation of a reversal of sliding time lag shortfall to surplus in the second half of the fiscal year 2015.

We expect that net sales would decrease 1.9% or 36.0 billion yen to 1,896.0 billion yen from the previous forecast, due mainly to a decline in sales unit price in city gas and other energy, of which the effect from a revision of gas tariffs as discussed earlier would be a decrease of 1.8 billion yen.

We have reduced our forecast for operating expenses by 3.6% or 64.0 billion yen from the previous forecast, due mainly to lower unit price of resource costs in city gas and other energy.

As a result, operating income for the full year was revised upward by 20.0% or 28.0 billion yen to 168.0 billion yen from the previous forecast, and ordinary income was revised upward by 20.9% or 28.0 billion yen to 162.0 billion yen.

Profit attributable to owners of parent was revised upward by 20.8% or 21.0 billion yen to 122.0 billion yen from the previous forecast.

As shown in the handout, the sliding time lag effect accounts for 22.2 billion yen of the upward revision in operating income (28.0 billion yen).

FY2015 Full Year Forecast: Consolidated Gas Sales Volume <vs. Previous Forecast (Announced on July 30)>



**Previous Forecast
→ Current Forecast**

+118 mil. m³ (+0.8%)

Including temp. effect -3 mil m³, -0.0%

Residential	+10 mil. m³ (+0.3%)
● Temperature effect	+5 mil. m ³
● Number of days	-0 mil. m ³
● Number of customers	+1 mil. m ³
● Others	+4 mil. m ³

Commercial	-11 mil. m³ (-0.4%)
● Temperature effect	-9 mil. m ³
● Number of days	0 mil. m ³
● Number of customers	+5 mil. m ³
● Others	-7 mil. m ³

Industrial	+98 mil. m³ (+1.4%)
● Industrial:	+14 mil. m ³
● Power generation:	+84 mil. m ³

Wholesale	+21 mil. m³ (+1.0%)
● Temperature effect	+1 mil. m ³
● Others	+20 mil. m ³
Increase in demand from wholesale suppliers, etc.	

**FY2014 Results
→ Current Forecast**

+73 mil. m³ (+0.5%)

Including temp. effect -19 mil m³, -0.1%

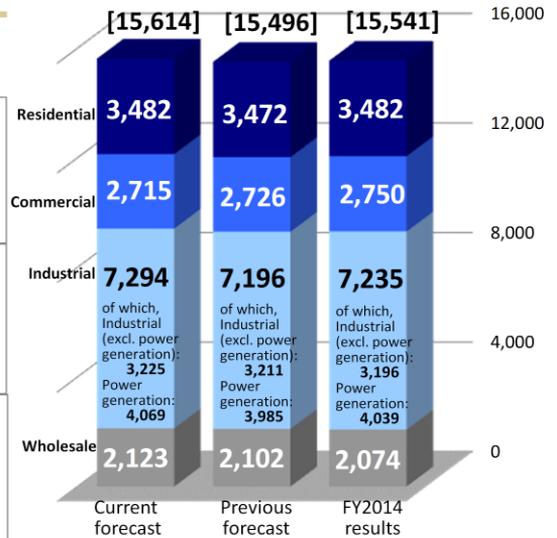
Residential	+0 mil. m³ (+0.0%)
● Temperature effect	-11 mil. m ³
● Number of days	+6 mil. m ³
● Number of customers	+47 mil. m ³
● Others	-42 mil. m ³

Commercial	-35 mil. m³ (-1.3%)
● Temperature effect	-6 mil. m ³
● Number of days	+12 mil. m ³
● Number of customers	+19 mil. m ³
● Others	-60 mil. m ³

Industrial	+59 mil. m³ (+0.8%)
● Industrial:	+29 mil. m ³
● Power generation:	+30 mil. m ³

Wholesale	+49 mil. m³ (+2.4%)
● Temperature effect	-2 mil. m ³
● Others	+51 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	FY2014 results
LNG liquid sales volume (thousand t)	1,185	1,204	-19	920
Average temperature (°C)	16.1	16.2	-0.1	16.0
Number of customers (Unit: 10 thousand)				
	Current forecast	Previous forecast	Change	End of FY2014
	1,138.9	1,138.8	+0.1(+0.0%)	1,126.3

With regard to gas sales volume, please refer to Slide 11.

We expect that full year net sales would increase by 0.8% from the previous forecast, or 15,614 million cubic meters. This upward revision reflects a difference between the forecast and the actual results for the first half of the fiscal year 2015, in particular for an increase in sales volume in industrial segment due mainly to a growth in power generation demand in summer.

FY2015 Forecast

● Gas sales volume (Vision Basis) (Unit: million m³)

	Current forecast	Previous forecast	Change	FY2014	Change
Gas sales volume (financial accounting basis)	15,614	15,496	+118 +0.8%	15,541	+73 +0.5%
Gas volume used in-house under tolling arrangement	1,705	1,684	+21 +1.3%	1,669	+36 +2.1%
LNG sales volume (m3 basis)	1,481	1,506	-25 -1.6%	1,150	+331 +28.8%
Total	18,801	18,686	+115 +0.6%	18,360	+441 +2.4%

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

	Kashima area	Other	Total
Power generation	1,630	2,438	4,069
vs. Previous forecast	+30(+1.9%)	+53(+2.2%)	+84(+2.1%)
vs. FY2014 results	+41(+2.6%)	-12(-0.5%)	+30(+0.7%)
General industrial	191	3,034	3,225
vs. Previous forecast	-3(-1.7%)	+18(+0.6%)	+14(+0.5%)
vs. FY2014 results	-15(-7.1%)	+44(+1.5%)	+29(+0.9%)
Total	1,822	5,472	7,294
vs. Previous forecast	+28(+1.5%)	+71(+1.3%)	+98(+1.4%)
vs. FY2014 results	+28(+1.5%)	+32(+0.6%)	+59(+0.8%)

**FY2015 Full Year Forecast: Net Sales and Operating Income/Loss by Business Segment
<vs. Previous forecast (Announced on July 30)>**

(Unit: 100 million yen)

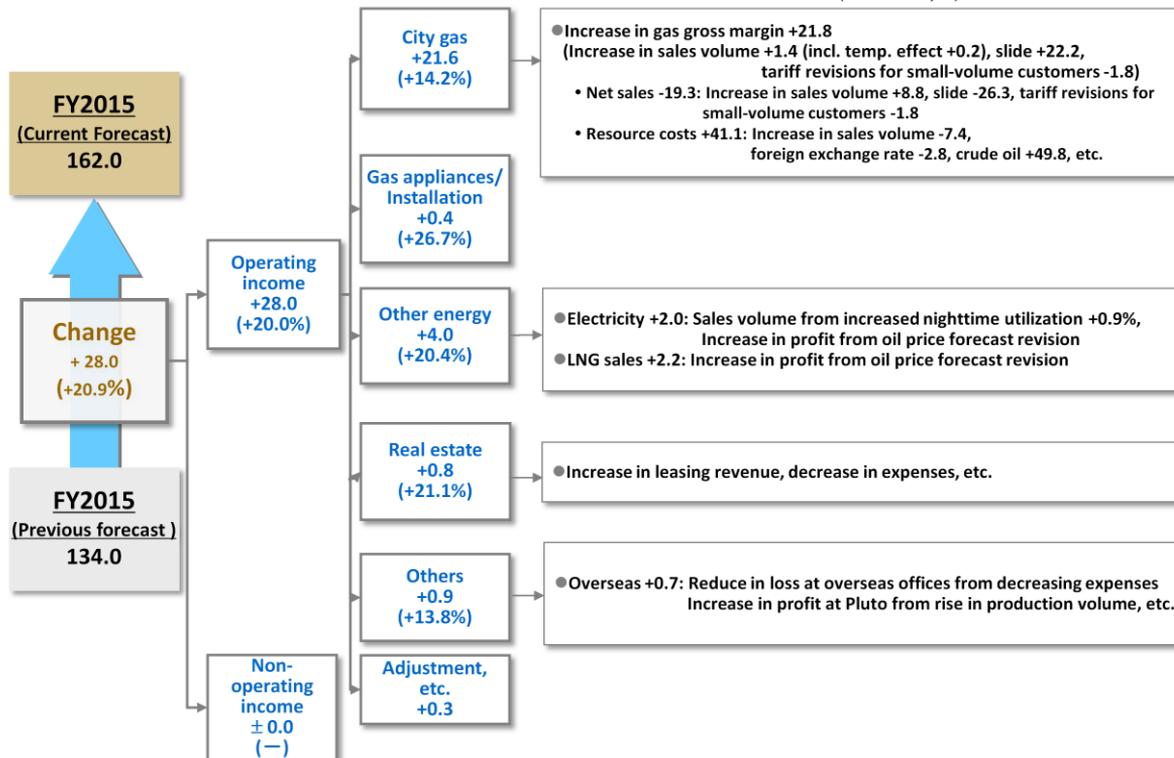
	Net Sales				Segment Income			
	Current forecast	Previous forecast	Change	%	Current forecast	Previous forecast	Change	%
City gas	13,133	13,326	-193	-1.4	1,739	1,523	216	14.2
Gas appliances and installation work	2,114	2,142	-28	-1.3	19	15	4	26.7
Other energy	3,437	3,525	-88	-2.5	236	196	40	20.4
(Electric power business)	1,251	1,269	-18	-1.4	79	59	20	33.9
Real estate	250	247	3	1.2	46	38	8	21.1
Others	1,924	1,924	0	0.0	74	65	9	13.8
(Overseas business)	333	335	-2	-0.6	11	4	7	175.0
Adjustment	-1,898	-1,844	-54	—	-434	-437	3	—
Consolidated	18,960	19,320	-360	-1.9	1,680	1,400	280	20.0

- 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).

FY2015 Forecast: Ordinary Income Analysis

<vs. Previous forecast announced on Jul. 30 >

(Unit: billion yen)



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

Slide 14 shows segment breakdown.

An increase in profit of 21.6 billion yen in the city gas segment driven by the improved sliding time lag effect served as a key driver for an increase in operating income.

We made upper revision on operating income of electricity business by 2.0 billion yen from the previous forecast in anticipation of an increase in sales volume from nighttime utilization as well as effects of change in unit price.

We also made upper revision on operating income of LNG sales by 2.2 billion yen from the previous forecast, due to the same reason for city gas segment.

This is the end of our report on our second quarter financial results for the fiscal year 2015.

**FY2015 Full Year Forecast: Net Sales and Operating Income/Loss by Business Segment
<vs. FY2014 Results >**

(Unit: 100 million yen)

	Net Sales				Segment Income			
	Current forecast	FY2014	Change	%	Current forecast	FY2014	Change	%
City gas	13,133	16,409	-3,276	-20.0	1,739	1,571	168	10.7
Gas appliances and installation work	2,114	2,049	65	3.1	19	30	-11	-37.3
Other energy	3,437	4,082	-645	-15.8	236	305	-69	-22.7
(Electric power business)	1,251	1,658	-407	-24.5	79	224	-145	-64.8
Real estate	250	259	-9	-3.6	46	43	3	5.0
Other	1,924	2,262	-338	-15.0	74	195	-121	-62.1
(Overseas business)	333	405	-72	-17.8	11	107	-96	-89.8
Adjustment	-1,898	-2,137	239	—	-434	-428	-6	—
Consolidate	18,960	22,925	-3,965	-17.3	1,680	1,717	-37	-2.2

- 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).

FY2015 Forecast: Ordinary Income Analysis

<vs. FY2014 Results>



(Unit: billion yen)

FY2015
(Current forecast)
162.0



Change
-6.1
(-3.7%)

FY2014
(Results)
168.1

Operating income
-3.7
(-2.2%)

Non-operating income
-2.4
(-)

City gas
+16.8
(+10.7%)

Gas appliances/ Installation
-1.1
(-37.3%)

Other energy
-6.9
(-22.7%)

Real estate
+0.3
(+5.0%)

Others
-12.1
(-62.1%)

Adjustment, etc.
-0.6

- Increase in gas gross margin +20.1 (Increase in sales volume -1.0 (incl. temp. effect -1.3), slide +20.0, tariff revisions for small-volume customers -1.8, etc.)
 - Net sales -327.3: Increase in sales volume +5.9, slide -334.3, tariff revisions for small-volume customers -1.8, etc.
 - Resource cost +347.4: Increase in sales volume -6.9, foreign exchange rate -53.7, crude oil +428.7, etc.
- Increase in fixed costs, etc. -3.3

- Decrease in installation work profit from decline in number of new customers, etc.

- Electricity -14.5: Sales volume +2.3%, drop in market prices, outlays for upfront expenses for entry into retail sales, etc.
- Energy-service +2.2: Decrease in unit sales prices for district heating and cooling, increase in on-site ES profit, etc.
- LNG sales +4.2: Increase in sales volume +28.8%, decrease in resource cost, etc.

- Decrease in repair costs, etc.

- Overseas -9.6: Decrease in profit at Pluto from drop in crude oil prices
Decrease in profit at Barnett from lower prices at Henry Hub (HH)
Increase in overseas office expenses, etc.
- Construction -1.3: Decline in profit on lower LNG plant sales, etc.
- Shipping -0.8: Decrease in number of vessels, decline in leasing earnings, etc.

- Revenue from dedicated equipment -2.6: 2.9 → 0.3
- Dividend income -2.1: 3.8 → 1.7
- Foreign exchange profit/loss +2.0: -2.4 → -0.4

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

Key Indicators (Consolidated)

	FY2015 Current forecast	FY2015 Previous forecast	FY2014 Results
Total assets (a)	2,308.0	2,330.0	2,257.6
Shareholders' equity (b)	1,129.0	1,117.0	1,069.5
Shareholders' equity ratio (b)/(a)	48.9%	47.9%	47.4%
Interest-bearing debt (c)	739.0	766.0	730.7
D/E ratio (c)/(b)	0.65	0.69	0.68
Net income (d)	122.0	101.0	95.8
Depreciation (e)	143.0	143.0	141.8
Operating cash flow (d) + (e)	265.0	244.0	237.6
Capex	270.0	270.0	224.5
ROA: (d)/(a)	5.3%	4.4%	4.3%
ROE: (d)/(b)	11.1%	9.2%	9.2%
TEP	39.8	15.6	43.4
WACC	3.6%	3.6%	3.6%
Total payout ratio	Approx. 60%	Approx. 60%	60.8%

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

TEP: (Tokyo Gas Economic Profit): Profit after taxes and before interest payments – Cost of capital (invested capital × WACC)
 Items for WACC calculation (FY2015 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 (0.55%)
 • Risk premium: 5.5%, β: 0.75

Impact of rising JCC by \$1/bbl

(Unit: billion yen)

		Impact on earnings		
		3Q	4Q	2H
Period	3Q	-0.2	-1.6	-1.8
	4Q	—	-0.4	-0.4
	2H	-0.2	-2.0	-2.2

Impact of yen depreciation by ¥1/\$

(Unit: billion yen)

		Impact on earnings		
		3Q	4Q	2H
Period	3Q	-0.7	+0.8	+0.1
	4Q	—	-1.0	-1.0
	2H	-0.7	-0.2	-0.9



< 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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