

FY2015 Financial Results



April 28, 2016

1. FY2015 Consolidated Financial Results



Highlights: Sales Down, Profit Up

(+ - , +/- indicate impact on profit, billion yen)

Net sales	-407.9	:	-	City gas (-346.6: Decrease in unit prices due to resource cost adjustments -331.8, decrease in sales volume -14.8)
			-	Other energy (-61.2: Decrease in electricity sales due to lower unit prices, etc.)
Operating expenses	+428.1	:	+	City gas resource costs, etc. (+381.7: Decrease in unit prices arising from economic framework assumptions, etc. +374.3, decrease in sales volume +7.4)
			+	Other energy (+60.1: Decrease in electricity fuel costs, decrease in resource costs for LNG sales, etc.)
Operating income	+20.3	:	+	City gas (+34.9: Gas gross margin +34.7 (incl. sliding time lag effect +41.4))
			-	Gas appliances/installation work (-2.2: Provision for maintenance expenses of gas appliances, etc.)
			-	Other energy (-1.2: LNG sales +8.0, energy services +2.5, electricity -13.1, etc.)
			-	Others (-7.7: Overseas -8.9, etc.)
Extraordinary income/loss	-12.1	:	-	FY2015: Impairment loss -28.2 (Barnett -12.8, QCLNG -14.8), Loss on valuation of investment securities -4.7 FY2014: Impairment loss -30.9 (Barnett -23.0, QCLNG -6.5), Gain on sale of non-current assets 6.1, Gain on sale of investment securities 5.0

(billion yen)

	FY2015	FY2014	Change	%
Gas sales volume (million m ³ , 45MJ)	1,543.6	1,554.1	-10.5	-0.7%
Net sales	1,884.6	2,292.5	-407.9	-17.8%
Operating expenses	1,692.6	2,120.7	-428.1	-20.2%
Operating income	192.0	171.7	+20.3	+11.8%
Ordinary income ^(a)	188.8	168.1	+20.7	+12.3%
Profit attributable to owners of parent*	111.9	95.8	+16.1	+16.8%

*Changed from "net income" from FY2015

Temperature effect ^(b)	-16.6	-4.3	-12.3	—
Sliding time lag effect (city gas) ^(c)	69.2	27.8	+41.4	—
Amortization of actuarial differences ^(d)	-2.3	3.0	-5.3	—
Adjusted ordinary income ^{(a)-((b)+(c)+(d))}	138.5	141.6	-3.1	-2.2%

Economic framework	Exchange rate (¥/\$)	Crude oil price (\$/bbl)	Avg. air temp. (°C)
FY2015	120.17	48.70	16.6
FY2014	109.76 <+10.41>	90.36 <-41.66>	16.0 <+0.6>

Figures in <> brackets indicate changes from the previous fiscal year.

Pension assets	Investment yield (costs deducted)	Discount rate		Year-end assets (billion yen)
		Annuity portion	Lump-sum portion	
FY2015	2.92%	0.236%	0.000%	281.0
FY2014	5.57%	0.829%	0.358%	281.0

Expected annual rate of return: 2.0%

FY2015 Consolidated Gas Sales Volume

FY2014 Results → FY2015 Results

-105 mil. m³ (-0.7%)

[Including temperature effect: -223 mil. m³, -1.4%]

■ Residential -117 mil. m³ (-3.4%)

- Temperature effect -149 mil. m³
- Number of days + 8 mil. m³
- Number of customers +52 mil. m³
- Others - 28 mil. m³

■ Commercial -72 mil. m³ (-2.6%)

- Temperature effect -60 mil. m³
- Number of days + 10 mil. m³
- Number of customers + 20 mil. m³
- Others -42 mil. m³

■ Industrial -2 mil. m³ (-0.0%)

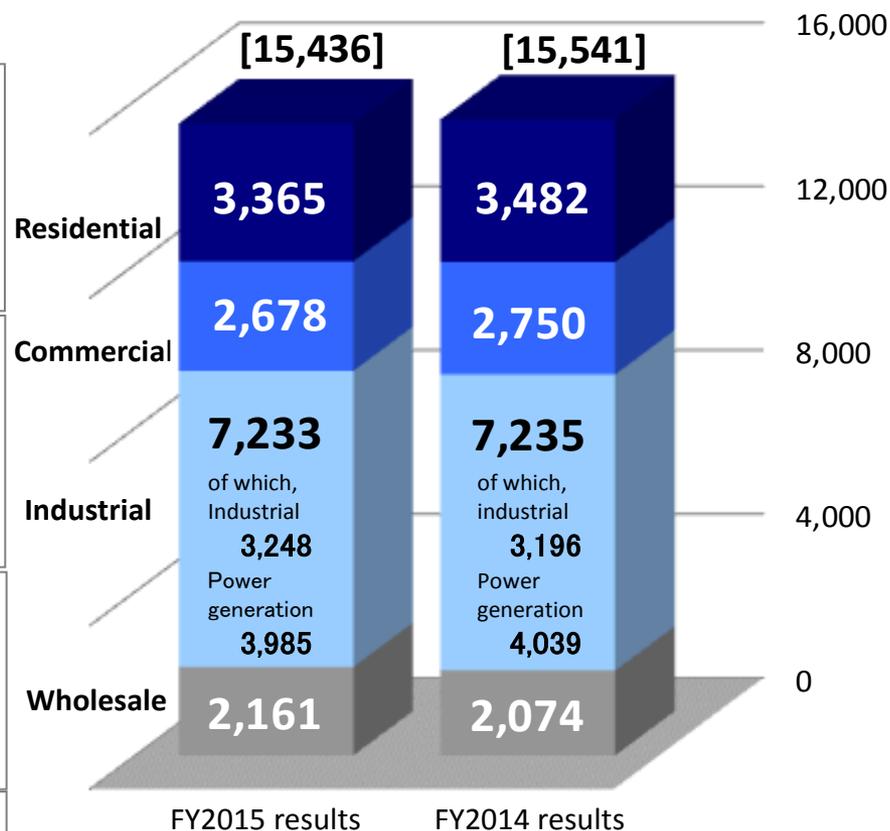
- Industrial +52 mil. m³
- Power generation -54 mil. m³

■ Wholesale +87 mil. m³ (+4.2%)

- Temperature effect -14 mil. m³
 - Others +101mil. m³
- Increase in demand from wholesale suppliers, etc.

Gas Sales Volume :

(Figures are rounded nearest mil. m³)



Number of customers (10 thousand)

FY2015	FY2014	Change
1,139.8	1,126.3	+13.5 (+1.2%)

	FY2015	FY2014	Change
LNG liquid sales volume (thousand t)	1,147	920	+227
Average temperature (°C)	16.6	16.0	+0.6

FY2015 Results

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

	FY2015 Results	FY2014 Results	Change
Gas sales volume (financial accounting basis)	15,436	15,541	-105 -0.7%
Gas volume used in-house under tolling arrangement	1,717	1,669	+48 +2.8%
LNG sales volume (m3 basis)	1,434	1,150	+284 +24.6%
Total	18,587	18,360	+227 +1.2%

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

	Kashima area	Other area	Total
Power generation	1,660	2,325	3,985
vs. FY2014 results	+71(+4.5%)	-125(-5.1%)	-54(-1.3%)
Industrial	209	3,039	3,248
vs. FY2014 results	+3(+1.8%)	+49(+1.6%)	+52(+1.6%)
Total	1,869	5,364	7,233
vs. FY2014 results	+75(+4.2%)	-76(-1.4%)	-2(-0.0%)

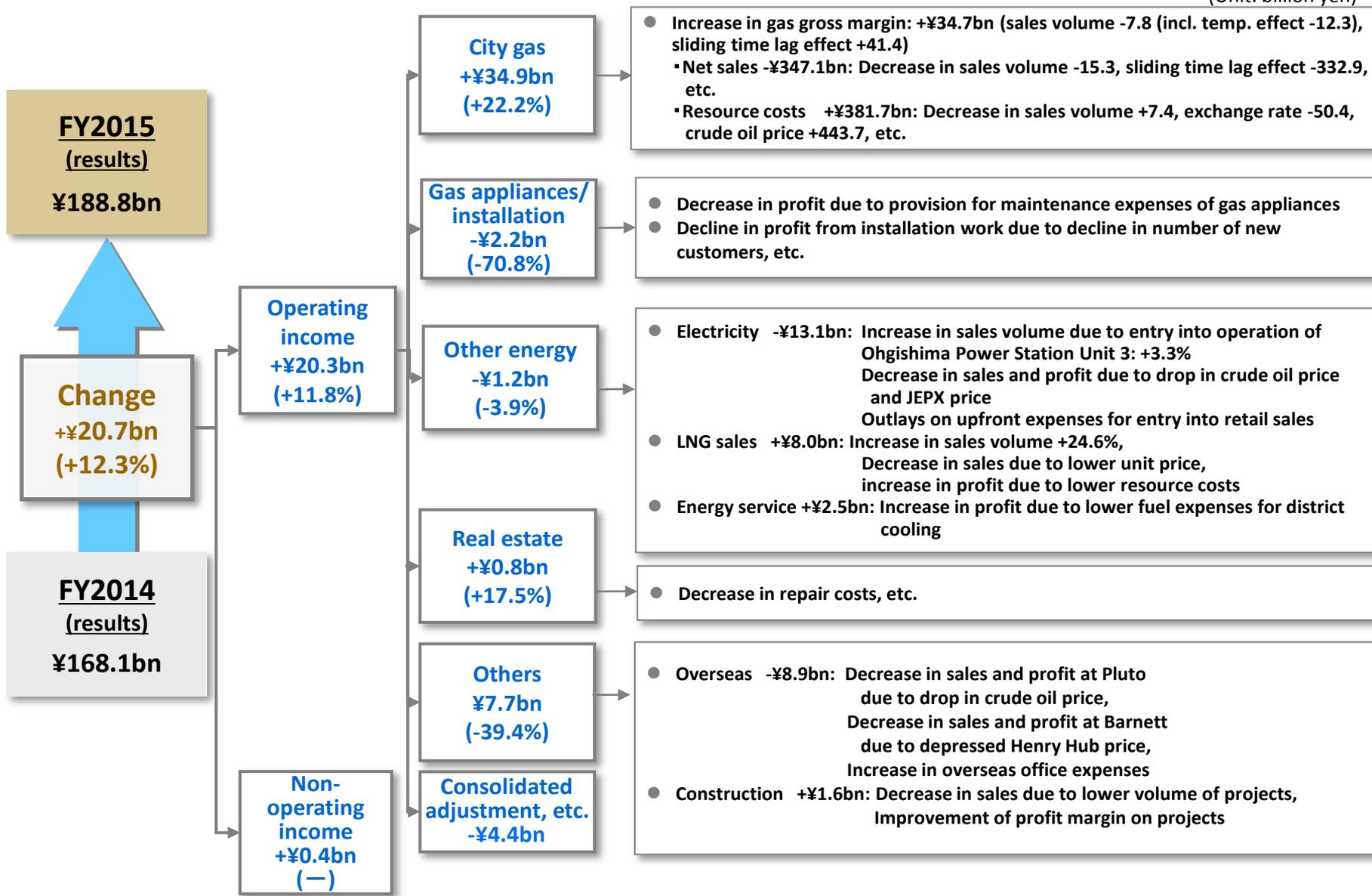
FY2015 Sales and Operating Income/Loss by Business Segment (vs. FY2014)

(Unit: billion yen)

	Net Sales				Segment Income			
	FY2015	FY2014	Change	%	FY2015	FY2014	Change	%
City Gas	1,294.3	1,640.9	-346.6	-21.1	192.0	157.1	34.9	22.2
Gas appliances and installation work	211.5	204.9	6.6	3.2	0.8	3.0	-2.2	-70.8
Other energy	347.0	408.2	-61.2	-15.0	29.3	30.5	-1.2	-3.9
(Electric power business)	124.8	165.8	-41.0	-24.7	9.3	22.4	-13.1	-58.5
Real estate	25.5	25.9	-0.4	-1.6	5.1	4.3	0.8	17.5
Other	204.1	226.2	-22.1	-9.8	11.8	19.5	-7.7	-39.4
(Overseas business)	30.1	40.5	-10.4	-25.6	1.8	10.7	-8.9	-82.4
Adjustment	-197.9	-213.7	15.8	—	-47.2	-42.8	-4.4	—
Consolidated	1,884.6	2,292.5	-407.9	-17.8	192.0	171.7	20.3	11.8

- Notes:
- Net sales by business segment include internal transactions.
 - “Other energy” includes electric power, LNG sales, energy-service, liquefied petroleum gas and industrial gas.
 - “Others” includes businesses in construction, shipping, information processing service, overseas and credit and leasing, 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 Results: Ordinary Income Analysis <vs. FY2014>



*+/- indicate contributions to income.

Capital expenditure

(Unit : billion yen)

Capex	Main items	Ref:FY2014 results
Tokyo Gas : 182.8 (+24.1, +15.2%)	Production facilities : 38.0 (+2.1) Hitachi LNG terminal construction, etc.	Tokyo Gas : 158.7
	Distribution facilities : 107.7 (+6.3) Ibaraki-Tochigi Line installation, New demand development, etc.	
	Service and maintenance facilities : 36.9 (+15.6) System-related investment, Real estate-related investment, etc.	
Total of Consolidated Subsidiaries : 53.9 (-16.5, -23.4%)	<ul style="list-style-type: none"> ▪ Overseas upstream investment 17.4 (-11.5) ▪ Ohgishima Power plant 5.9 (-10.2) ▪ Tokyo Gas Engineering solutions 9.7 (-1.3) 	Total of Consolidated Subsidiaries : 70.4
Total 232.0 (+7.5,+3.3%, after eliminations in consolidation)		Total : 224.5 (after elimination in consolidation)

※ Numbers in parentheses refer to comparisons with FY2014 results

Investment and financing

8.8 (Investment and financing 12.2, collection -3.4, vs FY2014 results +13.3)

Returns to Shareholders

■ 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 approx.60% each year until FY2020

■ Considering the performance trends, we will increase the year-end dividend for FY2015 by ¥1 per share(¥5⇒¥6)

- Annual dividend per share ¥10→¥11 (Total dividend for FY2016: 26.3billion yen)

- repurchase treasury stock shares for liquidation up to the cap of 100 million shares (4.2%) for ¥41.0 billion

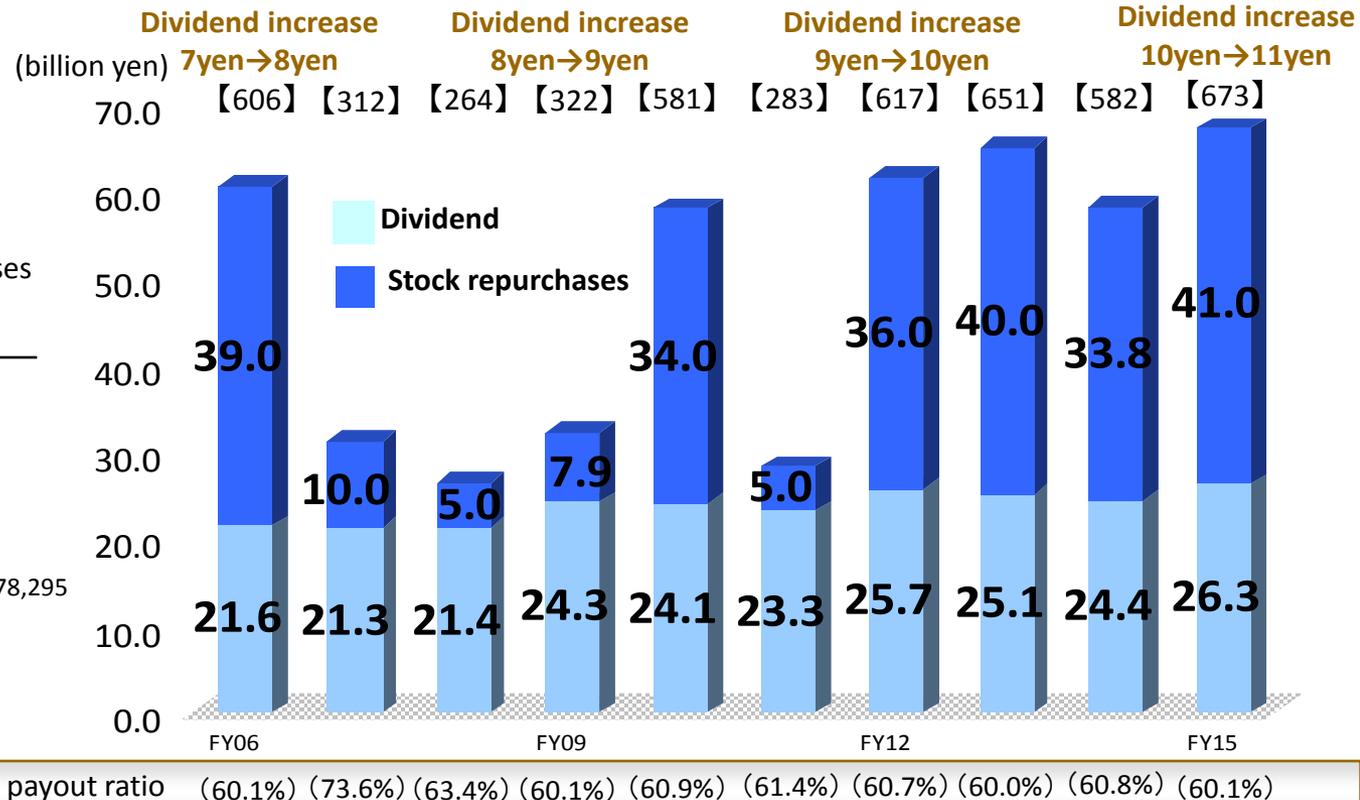
Maintaining 60% total payout ratio

Change in total payout amount and dividend

Total payout ratio
60.1%

$$\begin{array}{r}
 \text{FY2015} \\
 \text{Dividend} \\
 26.3 \\
 + \\
 \text{FY2016} \\
 \text{Stock repurchases} \\
 41.0 \\
 \hline
 = \\
 \text{FY2015} \\
 \text{Profit attributable to} \\
 \text{owners of parent} \\
 111.9
 \end{array}$$

※Total number of shares outstanding : 2,396,778,295 (as of March 31, 2016)



2. FY2016 Full Year Forecast

FY2016 Forecast (Apr. 1, 2016 – Mar. 31, 2017) <vs. FY2015 Results>



Highlights: Sales Down, Profit Down

(+ - , +/- indicate impact on profit, billion yen)

Net sales	-303.6 :	-	City gas (-271.5: Decrease in unit sales price due to resource cost adjustment)
		+	Electricity (+10.0: Increase in sales volume due to entry into retail sales, etc.)
Operating expenses	+159.6 :	+	City gas (+162.1: Decrease in unit resource price due to drop in crude oil price, etc.)
		-	Electricity (-19.0: Increase in depreciation due to entry into operation of Ohgishima Power Station Unit 3, increase in retail sales expenses, etc.)
Operating income	-144.0 :	-	City gas (-109.3: Gas gross margin -69.8 (including sliding time lag effect -77.8), increase in fixed costs -39.5, etc.)
		-	Energy related (-17.4: LNG sales -11.5, decrease in profit -3.6 due to decrease in volume of plant projects, etc.)
		-	Overseas (-4.1: Decrease in profit from drop in crude oil price, etc.)
Extraordinary income/loss	+40.0 :	+	FY2016 ¥7.0bn: Gain on sale of assets FY2015 -¥33.0bn: Impairment loss -28.2 (Barnett -12.8, QCLNG -14.8, etc.), loss on valuation of investment securities -4.7

(billion yen)

	FY2016 forecast	FY2015 results	Change	%
Gas sales volume (million m ³ , 45MJ)	1,559.8	1,543.6	16.2	1.0%
Net sales	1,581.0	1,884.6	-303.6	-16.1%
Operating expenses	1,533.0	1,692.6	-159.6	-9.4%
Operating income	48.0	192.0	-144.0	-75.0%
Segment income (operating income + equity income of subsidiary)	49.1	194.1	-145.0	-74.7%
Ordinary income ^(a)	40.0	188.8	-148.8	-78.8%
Profit attributable to owners of parent	35.0	111.9	-76.9	-68.7%

Temperature effect ^(b)	0.0	-17.3	17.3	—
Sliding time lag effect (city gas, LNG sales) ^(c)	-8.1	80.3	-88.4	—
Amortization of actuarial differences ^(d)	-24.1	-2.3	-21.8	—
Adjusted ordinary income ^{(a)-(b)+(c)+(d)}	72.2	128.1	-55.9	-43.6%

Economic framework	Exchange rate (¥/\$)	Crude oil price (\$/bbl)	Avg. air temp. (°C)	Pension assets	Investment yield (costs deducted)	Discount rate		Year-end assets (billion yen)
						Annuity portion	Lump-sum portion	
FY2016 forecast	115.00	37.50*	15.8					
FY2015 results	120.17 (-5.17)	48.70 (-11.20)	16.6 (-0.8)	FY2015 results	2.92%	0.236%	0.000%	281.0
				FY2014 results	5.57%	0.829%	0.358%	281.0

Figures in () parentheses indicate change from previous fiscal year. *1H: 35.00 2H: 40.00

FY2016 Full Year Forecast: Consolidated Gas Sales Volume

FY2015 Results → FY2016 Forecast

+162 mil. m³ (+1.0%)

[Including temperature effect: +302 mil. m³, +1.9%]

■ **Residential** +202 mil. m³ (+6.0%)

- Temperature effect +216 mil. m³
- Number of days +5 mil. m³
- Number of customers +51 mil. m³
- Others -70 mil. m³

■ **Commercial** +48 mil. m³ (+1.8%)

- Temperature effect +60 mil. m³
- Number of days -2 mil. m³
- Number of customers +22 mil. m³
- Others -32 mil. m³

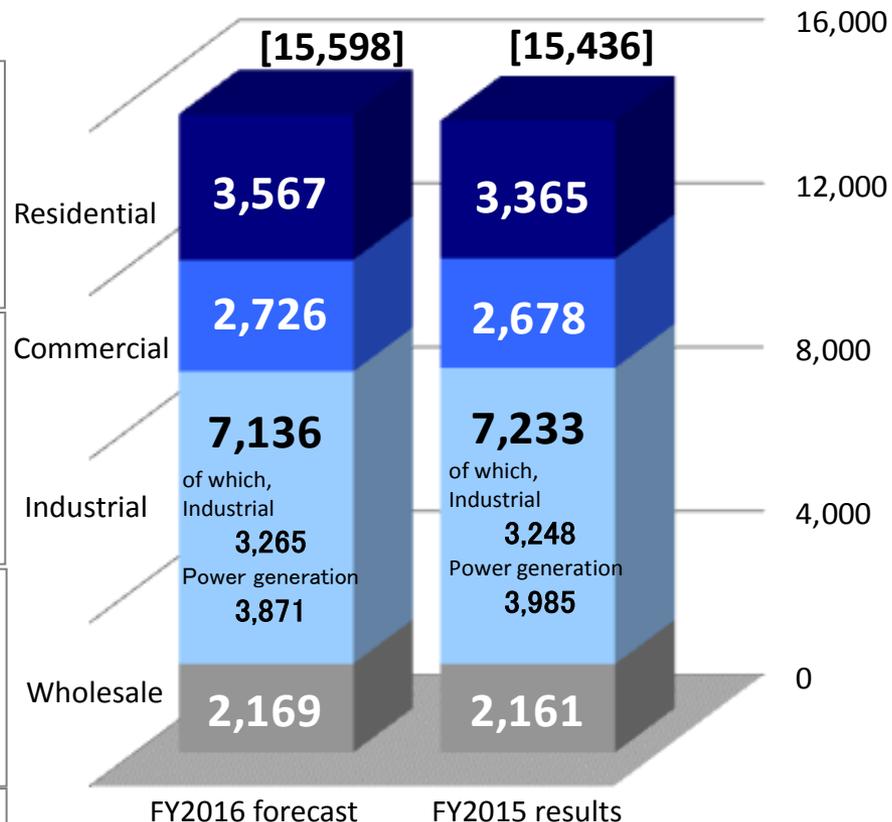
■ **Industrial** -97 mil. m³ (-1.3%)

- Industrial: +17 mil. m³
- Power generation: -114 mil. m³

■ **Wholesale** +8 mil. m³ (+0.4%)

- Temperature effect +26 mil. m³
 - Others -18 mil. m³
- Decrease in demand from wholesale suppliers, etc.

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



Number of customers (10 thousands)

FY2016 Forecast	FY2015 Results	Change
1,153.7	1,139.8	+13.9 (+1.2%)

	FY2016 Forecast	FY2015 Results	Change
LNG liquid sales volume (thousand t)	1,058	1,147	-89
Average temperature (°C)	15.8	16.6	-0.8

FY2016 Forecast

● Gas Sales Volume(Vision Basis)

(Unit: mil. m3)

	FY2016 Forecast	FY2015 Results	Change
Gas sales volume (financial accounting basis)	15,598	15,436	+162
			+1.0%
Gas volume used in-house under tolling arrangement	1,949	1,717	+232
			+13.5%
LNG sales (m3 basis)	1,323	1,434	-111
			-7.7%
Total	18,870	18,587	+283
			+1.5%

FY2016 Full Year Forecast: Sales and Income/Loss by New Business Segment<vs. FY2015>

Main points of modification about segment information

- "electric power " and "overseas business" became independent segments
- "gas appliances and installation work," "other energy" and "others" were reorganized as "energy related" and "other business"
- "Segment income"="Operating income" + " equity in net income (loss) of affiliated companies"

(※please refer to p.19 "Business Segment Comparative Table")

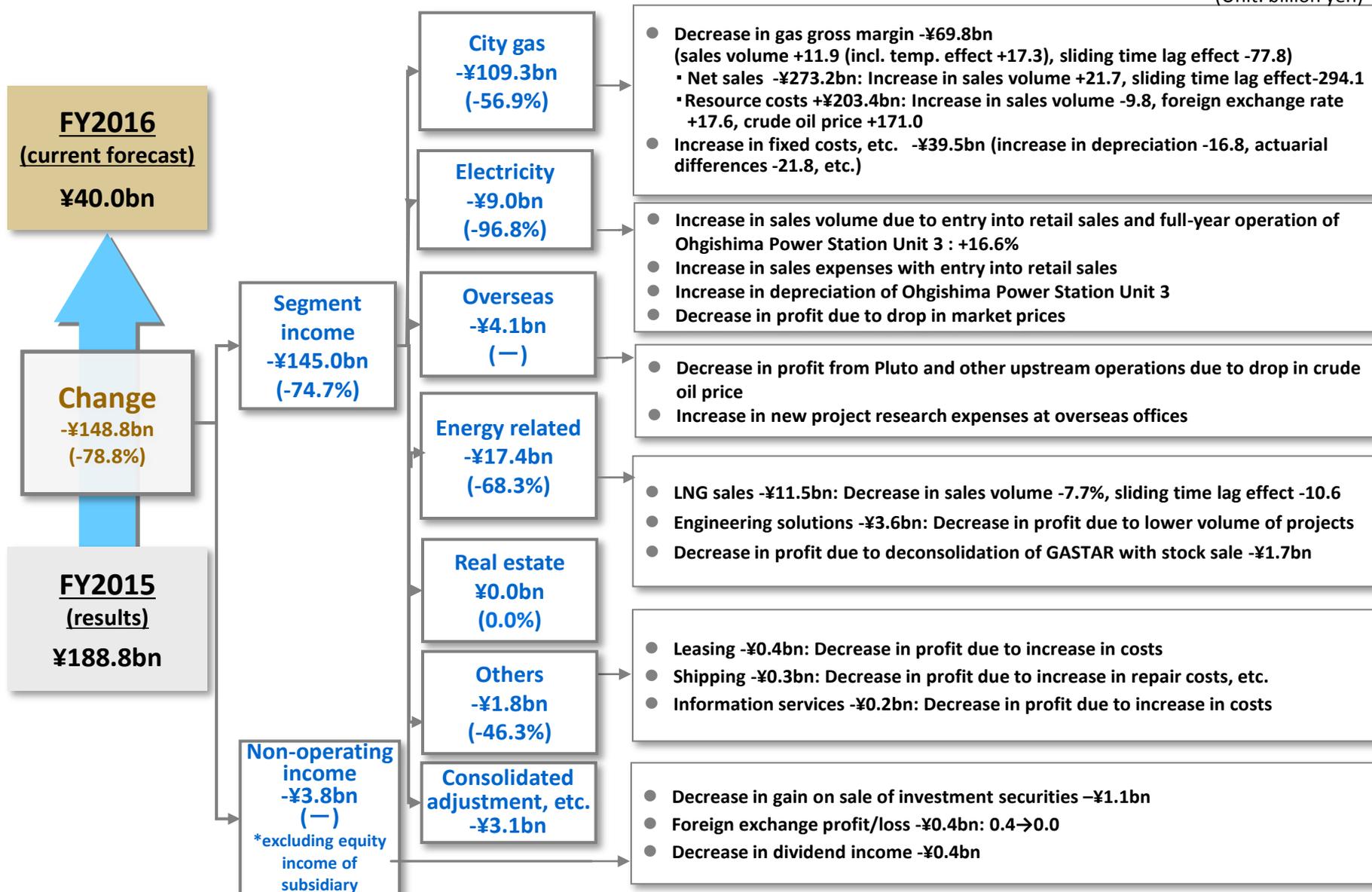
(Unit: billion yen)

	Net Sales				Segment Income (Operating Income + equity income/loss of affiliated companies)			
	FY2016 Forecast	FY2015 Results	Change	%	FY2016 Forecast	FY2015 Results	Change	%
City Gas	1,022.8	1,294.3	-271.5	-21.0	82.7	192.0	-109.3	-56.9
Electric Power	134.8	124.8	10.0	7.9	0.3	9.3	-9.0	-96.8
Overseas business	30.4	30.1	0.3	0.7	0.0	4.1	-4.1	—
Energy-related	471.7	550.3	-78.6	-14.3	8.1	25.5	-17.4	-68.3
Real estate	40.1	39.6	0.5	1.2	6.1	6.1	0.0	0.0
Others	82.8	79.9	2.9	3.6	2.2	4.0	-1.8	-46.3
Adjustment	-201.6	-234.7	33.1	—	-50.3	-47.2	-3.1	—
Consolidated	1,581.0	1,884.6	-303.6	-16.1	49.1	194.1	-145.0	-74.7

- Notes:
- Net sales by business segment include internal transactions.
 - "Energy-related" includes engineering solutions, gas appliances, installation work, LNG sales, liquefied petroleum gas, and industrial gas.
 - "Others" includes businesses in shipping, information processing service, and credit and leasing, etc.
 - The "Adjustment" to operating income is primarily companywide expenses not allocated to individual segments.
 - the new segment results for FY2015 are estimates.

FY2016 Forecast: Ordinary Income Analysis

<vs. FY2015 Results>



*excluding equity income of subsidiary

*+/- indicate contributions to income. As the new segment results for FY2015 are estimates, the figures for increases and decreases are also estimates.

FY2016 Uses of Cash Flow (Capex , Investment and financing)

Capital expenditure

(Unit: billion yen)

Capex	Main items	Ref:FY2015 results
Tokyo Gas: 177.0 (-5.8, -3.2%)	Production facilities : 24.7 (-13.3) Hitachi LNG terminal expansion, etc.	Tokyo Gas: 182.8
	Distribution facilities : 100.2 (-7.5) Koga-Moka Line installation, New demand development, etc.	
	Service and maintenance facilities : 51.9 (+15.0) System-related investment, Real estate-related investment, etc.	
Total of Consolidated Subsidiaries: 74.0 (+20.1, +37.3%)	<ul style="list-style-type: none"> ▪ Oversea upstream investment 21.4 (+4.0) ▪ Real estate related investment 8.9 (+2.2) ▪ Tokyo Gas Engineering Solutions 18.3 (+8.6) 	Total of Consolidated Subsidiaries: 53.9
Total: 248.0 (+16.0, +6.9%, after eliminations in consolidation)		Total: 232.0 (after eliminations in consolidation)

※ Numbers in parentheses refer to comparisons with FY2015 results

Investment and financing

28.3 (Investment and financing 29.9、 collection -1.6、 vs. FY2015 results +19.5)

Key Indicators (Consolidated)

(Unit: billion yen)

	FY2016 Forecast	FY2015 Results	FY2014 Results
Total assets (a)	2,227.0	2,251.5	2,257.6
Shareholders' equity (b)	1,022.0	1,100.2	1,069.5
Shareholders' equity ratio (b)/(a)	45.9%	48.9%	47.4%
Interest-bearing debt (c)	787.0	715.7	730.7
D/E ratio (c)/(b)	0.77	0.65	0.68
Profit attributable to owners of parent (d)	35.0	111.9	95.8
Depreciation (e)	165.0	145.1	141.8
Operating cash flow (d) + (e)	200.0	257.1	237.6
Capex	248.0	232.0	224.5
ROA: (d)/(a)	1.6%	5.0%	4.3%
ROE: (d)/(b)	3.3%	10.3%	9.2%
TEP	-35.9	67.6	43.4
WACC	3.4%	3.4%	3.6%
Total payout ratio	Approx. 60%	60.1%	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 (FY206 5forecast):

- Cost of interest-bearing debt: forecast interest rate (1.12%, after tax)
- Cost rate for shareholders' equity
 - Risk free rate: 10-year JGB yield (0.44%)
 - Risk premium: 5.5%, β: 0.75

3. Reference Materials

Impact of rising JCC by \$1/bbl

(Unit: billion yen)

		Impact on earnings				
		1Q	2Q	3Q	4Q	Full year
Period	1Q	-0.3	-0.8	+0.7	+0.4	0.0
	2Q		-0.2	-0.9	+1.1	0.0
	3Q	—	—	-0.2	-1.2	-1.4
	4Q	—	—	—	-0.3	-0.3
	Full year	-0.3	-1.0	-0.4	0.0	-1.7

Impact of depreciation by ¥1/\$

(Unit: billion yen)

		Impact on earnings				
		1Q	2Q	3Q	4Q	Full year
Period	1Q	-0.5	+0.2	+0.1	0.0	-0.2
	2Q	—	-0.3	+0.3	+0.2	+0.2
	3Q	—	—	-0.5	+0.5	0.0
	4Q	—	—	—	-0.7	-0.7
	Full year	-0.5	-0.1	-0.1	0.0	-0.7

Business Segment Comparative Table

<Previous Segment>		<New Segment>		Main points of modification
Citi Gas		City Gas		
Gas appliances/installation work		Electric Power		Independent from previous "Other energy" segment
Real estate		Overseas business		Independent from previous "Others" segment and add equity income/loss of subsidiary in "Overseas" segment
Other energy	(main items)	Energy-related	(main items)	"TGES"="Energy service" (Other energy) + part of "Engineering • Overseas business" (Others) Reorganized in "Energy-related" segment
	Electric power		Engineering solution	
	LNG sales		Gas appliances	
	Energy service		Installation work	
	LPG, etc.		LNG sales	
	Industrial gas, etc.		LPG, etc.	
Others	(main items)		Industrial gas, etc.	
	Construction (including engineering, TGE Shanghai)		Construction	
	Shipping	Real estate		Add "TGFS", "PTH" in "Others" segment and a part of non-operating income of Tokyo gas(non-consolidated)
	Information services	Others	(main items)	
	Overseas business (including TGES America)		Shipping	TGES=Tokyo Gas Engineering Solutions TGFS=Tokyo Gas Facility service PTH=Park Tower Hotel
	Credit and lease		Information services	
	Hotel		Credit and Lease	
Non-Operating income/loss		Non-Operating income/loss		Add equity income/loss of subsidiary such as "Overseas business", etc. to each segment



< 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.

TSE:9531