TSE:9531

FY2017 1Q Financial Results ended Jun. 30, 2018

TOKYO GAS

July 28, 2017

1. FY2017 1Q Consolidated Financial Results
ended Jun. 30, 2018

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FY2017 1Q Consolidated Financial Results (Apr. 1, 2017 – Jun. 30, 2017) <vs. FY2016 1Q>

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Highlights: Sales Up, Profit Down

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

Net sales +28.4 :
- + Electricity (+17.9: Increase in electricity sales volume, etc.)
- + City gas (+14.9: Increase in unit price due to resource cost adjustment +6.5, increase in sales volume, etc.+8.4)
- - Energy-related (-3.2: Appliances -3.0 (decrease in number of sales of commercial appliances, etc.), LNG sales -1.6 (decrease in unit sales price due to fall of crude oil price), LPG sales +0.5(increase in unit price, etc.), etc.)

Operating expenses -40.8 :
- - City gas (-29.2: Increase in unit price arising from economic framework assumptions, etc. -30.8, increase in sales volume, etc. -4.0)
- - Electricity (-15.3: Increase in fuel costs due to increase in electricity sales volume, etc.)

Operating profit -12.5 :
- - City gas (-14.3: Gross margin -19.9 (including sliding time lag effect -24.3), decrease in fixed costs due to decrease in actuarial differences, etc.)
- - Energy-related (-3.5: LNG sales -4.1 (including sliding time lag effect -4.0), appliances +1.3)
- + Electricity (+2.7: Increase in gross margin due to increase in retail sales volume)

Extraordinary income/loss +0.3 :
- + FY2017 1Q 3.2: Gain on sale of non-current assets FY2016 1Q 2.9: Gain on sale of investment securities

(billion yen)

		FY2017 1Q	FY2016 1Q	Change	%
Gas sales volume (million m^3, 45MJ)		3,710	3,604	+106	+3.0%
Electricity sales volume (million kWh)		3,372	2,680	+692	+25.8%
(Breakdown)	Retail sales (million kWh, receiving end)	785	157	+628	+399.9%
	Other sales (million kWh)	2,587	2,523	+64	+2.6%
Net sales		404.1	375.7	+28.4	+7.6%
Operating expenses		369.4	328.6	+40.8	+12.4%
Operating profit		34.6	47.1	-12.5	-26.4%
Segment profit (operating profit + equity income of subsidiaries)		35.1	47.7	-12.6	-26.5%
Ordinary profit(1)		35.8	47.2	-11.4	-24..0%
Extraordinary income/loss		3.2	2.9	+0.3	—
Profit attributable to owners of parent		27.8	39.1	-11.3	-28.9%
Temperature effect(2)		*-1.7*	*-4.2*	*+2.5*	—
Sliding time lag effect (city gas, LNG sales)(3)		*-12.2*	*16.1*	*-28.3*	—
Amortization of actuarial differences(4)		*1.9*	*-6.0*	*+7.9*	—
Adjusted ordinary profit(1)-((2)+(3)+(4))		*47.8*	*41.3*	*+6.5*	*+15.7%*

Economic framework	Exchange rate (¥/$)	Crude oil price ($/bbl)	Avg. air temp. (°C)
FY2017 1Q	111.09	53.36	16.7
FY2016 1Q	108.16(+2.93)	41.12(+12.24)	17.3(-0.6)

Figures in parentheses () indicate year-on-year increase/decrease.

Pension assets	Investment yield (costs deducted)	Year-end assets (billion yen)
FY2017 1Q cumulative total	1.03%	278.0

Expected annual rate of return: 2%

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During the first quarter of FY2017, net sales increased due to a rise in gas sales volume and an increase in the city gas segment on the back of rising unit prices due to resource cost adjustment, as well as an increase in the electricity segment owing to larger electricity sales volume. On the other hand, operating profit, ordinary profit and profit attributable to owners of parent all decreased on the back of a rise in operating expenses due to an increase in city gas resource costs owing to rising crude oil prices and to rising fuel costs due to the increase in electricity sales volume, etc.

The main causes of a rise in net sales by ¥28.4 billion (+7.6%) include an increase in net sales of the electricity segment by ¥17.9 billion due to a rise in electricity sales volume, an increase in net sales of the city gas segment by 14.9 billion owing to a rise in gas sales volume and rising unit prices due to resource cost adjustment, and a decrease in net sales of the energy-related segment by ¥3.2 billion due to a drop in the number of sales of commercial appliances, etc.

Meanwhile, the main causes of a rise in operating expenses by ¥40.8 billion (+12.4%) include an increase in operating expenses of the city gas segment on the back of rising crude oil prices as well as a rise in fuel costs due to the increase in electricity sales volume.

The increase in net sales was surpassed by the rise in operating expenses, which led operating profit to drop by ¥12.5 billion (-26.4%) to ¥34.6 billion.

As a result, ordinary profit decreased by ¥11.4 billion (-24.0%) to ¥35.8 billion.

In addition, extraordinary income of ¥3.2 billion (+¥0.3 billion from the previous term) was posted, which was due to gain on sale of non-current assets.

These resulted in a ¥11.3 billion drop (-28.9%) in profit attributable to owners of parent to ¥27.8 billion.

The slide time lag effect due to fluctuations of resource prices as indicated in the lower part of the above table was a negative factor of ¥28.3 billion year-on-year, as it represented an under-collection of ¥12.2 billion this term while it was an over-collection of ¥16.1 billion in the same period of the previous year.

The amortization of actuarial differences, which were one of the factors that put pressure on earnings of the previous term, improved by ¥7.9 billion.

FY2017 1Q Consolidated Gas Sales Volume<vs. FY2016 1Q>

+106 mil.m³ (+3.0%)
[including temperature effect +42mil.m³, +1.2%]

■ Residential + 33mil.m³(+ 4.1%)
- Temperature effect +33 mil.m³
- Number of days -8 mil.m³
- Number of customers +10 mil.m³
- Others -2 mil.m³

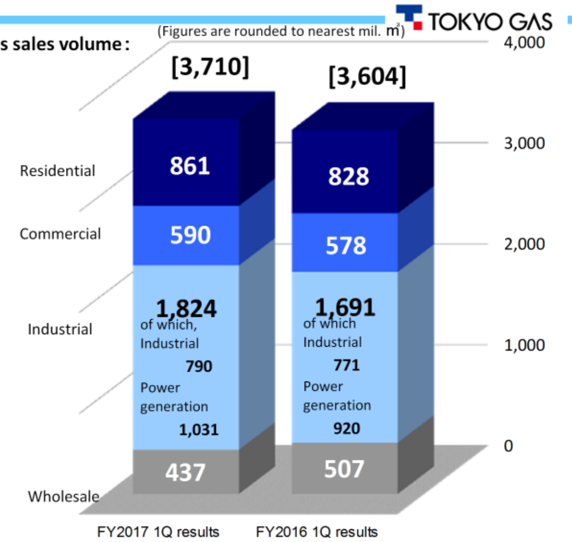
■ Commercial + 12mil.m³(+ 2.1%)
- Temperature effect +7 mil.m³
- Number of days - 1 mil.m³
- Number of customers +2 mil.m³
- Others +4 mil.m³

■ Industrial +130 mil.m³ (+7.7%)
- Industrial +19 mil.m³
- Power generation +111 mil.m³

■ Wholesale -70 mil.m³ (-13.7%)
- Temperature effect +2 mil.m³
- Others -72 mil.m³

Decrease in the number of wholesale customers, etc.

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



Number of customers(Gas), LNG sales volume, Average temperature

	FY2017 1Q Results	FY2016 1Q Results	Change
Gas: Number of customers(meters) (10 thousands, meter)	1,155.3	1,141.8	+13.5 (+1.2%)
LNG sales volume (thousands t)	235	273	−38
Average temperature (℃)	16.7	17.3	−0.6

3

Consolidated gas sales volume during the first quarter of FY2017 increased by 106 million m³ (+3.0%) year-on-year to ¥3,710 million m³.
Industrial gas sales increased by ¥130 million m³ (+7.7%) due to increased demand for power generation, while residential demand also increased by 33 million m³ (+4.1%) due to a rise in hot water demand on the back of lower temperatures between April and June compared to the same period of the previous year. However, wholesale decreased by 70 million m³ (-13.7%) due to a decrease in the number of wholesale customers.

FY2017 1Q Gas Sales Volume (Vision Basis) <vs. FY2016 1Q>

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■ **Gas sales volume (Vision Basis)** (Unit: million m^3)

	FY2017 1Q Results	FY2016 1Q Results	Change
Gas sales volume (financial accounting basis)	3,710	3,604	+106 +3.0%
Gas volume used in-house under tolling arrangement	486	431	+55 +12.9%
LNG sales volume (m3 basis)	294	342	-48 -13.9%
Total	4,491	4,376	+115 +2.6%

Slide 4 indicates gas sales volume (vision basis) which represents the total of gas sales volume (financial accounting basis), gas volume used in-house under tolling arrangement and LNG sales gas volume.

FY2017 1Q Results : Sales and Operating Profit/Loss by Business Segments ＜vs. FY2016 1Q＞

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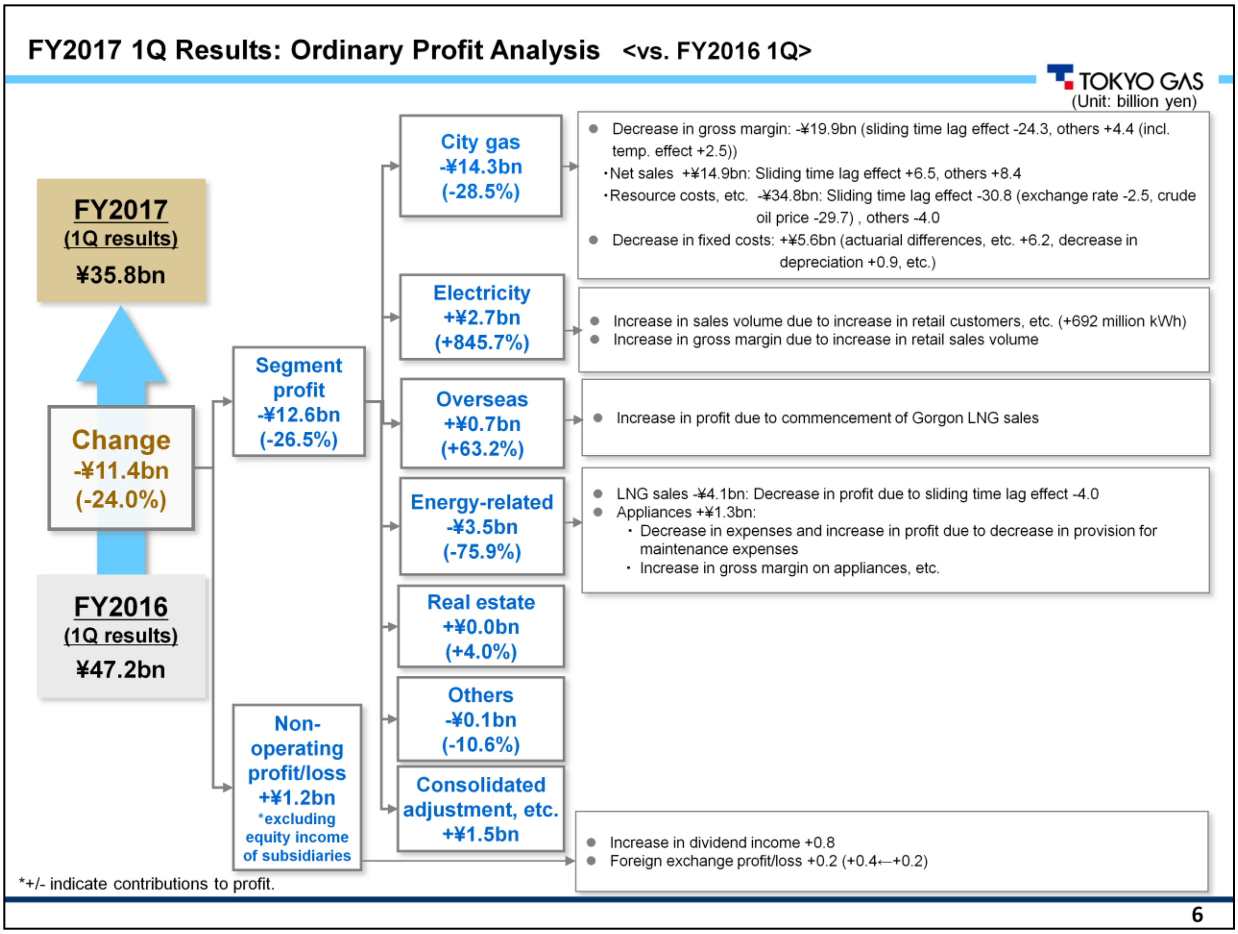
(unit : billion yen)

	Net Sales				Segment Profit (Operating profit ＋ Equity income/loss of subsidiary)			
	FY2017 1Q Results	FY2016 1Q Results	Change	%	FY2017 1Q Results	FY2016 1Q Results	Change	%
City Gas	271.7	256.8	14.9	5.8	35.8	50.1	-14.3	-28.5
Electric Power	45.2	27.3	17.9	65.9	3.0	0.3	2.7	845.7
Overseas business	11.7	7.3	4.4	58.8	1.9	1.2	0.7	63.2
Energy-related	97.5	100.7	-3.2	-3.1	1.1	4.6	-3.5	-75.9
(Engineering Solutions)	24.0	23.8	0.2	1.1	0.0	0.3	-0.3	-100.8
(LNG sales)	21.5	23.1	-1.6	-6.9	-0.1	4.0	-4.1	-104.8
Real estate	10.4	10.0	0.4	3.8	2.2	2.2	0.0	4.0
Others	19.6	18.8	0.8	4.2	0.1	0.2	-0.1	-10.6
Adjustment	-52.3	-45.4	-6.9	—	-9.4	-10.9	1.5	—
Consolidated	404.1	375.7	28.4	7.6	35.1	47.7	-12.6	-26.5

Notes:
- Net sales by business segments include internal transactions.
- “Energy-related” includes businesses in engineering construction, appliances sales, gas pipe installation, construction, and LNG sales, liquefied petroleum gas and industrial gas, etc.
- “Others” includes businesses in shipping, information processing service, credit and leasing, etc.
- The “Adjustment” to operating profit is primarily companywide expenses not allocated to individual segments.

Slides 5 and 6 indicate net sales by segment, and segment income (operating income + equity earnings of subsidiary). Main changes in segment income will be explained in the following page. Let me explain briefly.



Slide 6 illustrates the change in operating profit of each segment.

Profit of the city gas segment decreased by ¥14.3 billion. This is mainly due to a drop in gross margin by ¥19.9 billion on the back of falling sales unit prices owing to lower crude oil prices. Of this drop, ¥24.3 billion was due to a sliding time lag effect. Fixed costs including actuarial differences and depreciation decreased by ¥5.6 billion.

Profit of the electricity segment increased by ¥2.7 billion. Sales volume increased by 692 million kWh (+25.8%), the majority, or 628 million kWh of which was an increase in retail customers to whom sales started following the deregulation of electricity in April last year. This indicates that the increase in sales volume has led to an increase in profit.

Profit of the overseas segment increased by ¥0.7 billion overall, due to the commencement of sales of Gorgon LNG, an overseas upstream project.

Profit of the energy-related segment decreased by ¥3.5 billion. The main cause was the drop in profit due to the sliding time lag effect in the LNG sales business.

2. FY2017 Full Year Forecast

FY2017 Forecast (Apr. 1, 2017 – Mar. 31, 2018) <vs. Initial Forecast>

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Highlights: Sales Down, Profit Up on Initial Forecast

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

・The economic framework reflects final figures for 1Q and assumes an exchange rate of ¥115.0 to the dollar and crude oil price of $55/bbl from 2Q per the initial forecast.
・Gas sales volume reflects the 1Q increase on the initial forecast and is as originally forecast from 2Q onward.

Net sales -5.0 :
- − City gas (-2.5: Decrease in unit price due to resource cost adjustment, etc.)
- − Electricity (-1.1: Decrease in unit sales price due to fall of crude oil price, etc.)
- − Others (-4.6: Shipping -2.1 (deferred timing of recognition), etc.)

Operating profit +2.0 :
- + City gas (+1.2: Increase in profit due to increase in sales volume)
- + Electricity (+1.1: Increase in gross margin due to increase in retail sales volume, etc.)
- + Other (+1.2: Shipping +0.6, etc.)

Extraordinary income/loss +3.2 :
- + FY2017 3.2: Gain on sale of non-current assets

(billion yen)

	Current Forecast	Initial Forecast (Apr. 28)	Change	%	FY2016 Results	Change	%
Gas sales volume (million m^3, 45 MJ)	15,326	15,148	+178	+1.2%	15,720	-394	-2.5%
Electricity sales volume (million kWh)	14,615	14,696	-81	-0.5%	12,654	+1,961	+15.5%
Net sales	1,808.0	1,813.0	-5.0	-0.3%	1,587.0	+221.0	+13.9%
Operating expenses	1,724.0	1,731.0	-7.0	-0.4%	1,528.7	+195.3	+12.8%
Operating profit	84.0	82.0	+2.0	+2.4%	58.3	+25.7	+43.9%
Segment profit (operating profit + equity income/loss of subsidiary)	86.3	83.6	+2.7	+3.2%	61.9	+24.4	+39.3%
Ordinary profit(1)	80.0	75.0	+5.0	+6.7%	55.6	+24.4	+43.7%
Extraordinary income/loss	3.2	0.0	+3.2	—	13.3	-10.1	—
Profit attributable to owners of parent	61.0	55.0	+6.0	+10.9%	53.1	+7.9	+14.8%
Temperature effect(2)	-1.7	0	-1.7	—	-7.4	+5.7	—
Sliding time lag effect (city gas, LNG sales)(3)	-28.8	-28.8	0	—	-19.9	-8.9	—
Amortization of actuarial differences(4)	7.7	7.7	0	—	-24.0	+31.7	—
Adjusted ordinary profit(1)-((2)+(3)+(4))	102.8	96.1	-6.7	+7.0%	106.9	-4.1	-3.8%

Economic framework	Exchange rate (¥/$)	Crude oil price ($/bbl)	Avg. air temp. (°C)
Current forecast*	114.02	54.59	16.0
Initial forecast	115.00(-0.98)	55.00 (-0.41)	15.9(+0.1)
FY2016 result	108.38(+5.64)	47.51(+7.08)	16.3(-0.3)

*2Q～: ¥115.00/$、 $55.00/bbl
Figures in parentheses indicate change from current forecast.

Pension assets	Investment yield (costs deducted)	Discount rate: Annuity portion	Discount rate: Lump-sum portion	Year-end assets (billion yen)
FY2016	1.57%	0.389%	0.055%	277.0
FY2015	2.92%	0.236%	0.000%	281.0
FY2014	5.57%	0.829%	0.358%	281.0

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Let me now describe the full-year income and expenditure forecast as compared with the initial plan indicated in April 2017. The economic framework for the second quarter and onward assumes crude oil price of $55 and exchange rate of ¥115 to the dollar, unchanged from the initial plan.

Gas sales volume is revised up by 178 million m^3 (+1.2%) from the level indicated in the initial plan. This reflects the difference between the first quarter's actual performance and the figures of the initial plan. We expect that the sales volume will remain unchanged from the initial plan in the second quarter and onward. Please refer to page 9 for details.

With regard to the earnings outlook, although net sales have been revised down by ¥5.0 billion from the initial plan due in part to a drop in unit price on the back of resource cost adjustment, we expect operating expenses to decrease due to a drop in unit resource cost of city gas and a decline in unit fuel cost of electricity, leading to increases in operating profit, ordinary profit and profit attributable to owners of parent.

FY2017 Full Year Forecast ; Consolidated Gas Sales Volume / Electricity Sales Volume

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Consolidated Gas Sales Volume

VS. Initial Forecast

+178 mil m³ (+1.2%)

[Including temperature effect -24mil. m³,-0.2%]

- Residential -23mil. m³(-0.6%)
- Others +201 mil. m³(+1.7%)

VS. FY2016 1Q Results

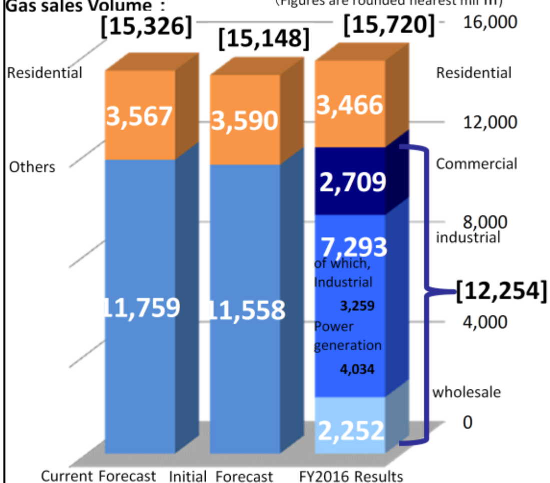
-394 mil m³ (-2.5%)

[Including temperature effect +91mil. m³,+0.6%]

- Residential +101 mil. m³(+2.9%)
- Others -495 mil. m³ (-4.0%)

Gas sales Volume :

(Figures are rounded nearest mil m³)

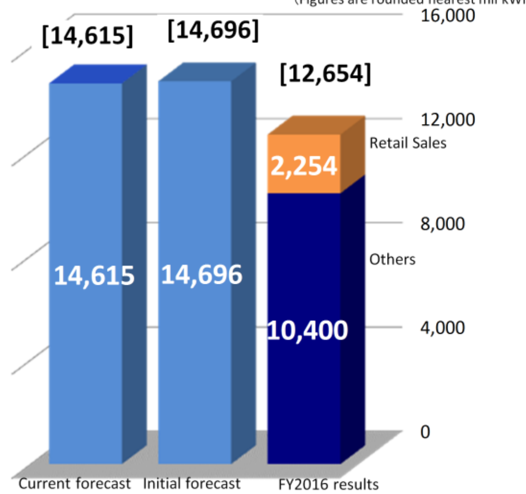


Electricity Sales Volume

VS. Initial Forecast -81 mil kWh (-0.5%)

VS. FY2016 Results +1,961 mil kWh (+15.5%)

(Figures are rounded nearest mil kWh)



Number of customers(Gas/Electricity), LNG sales volume, Average temperature

	Current Forecast	Initial Forecast	Change
Gas: Number of customers (meters) (10 thousands)	1,166.8	1,166.8	+0.0 (+0.0%)
Electricity: Number of Retail customers (10 thousands)	100.0	100.0	-
LNG sales volume (thousands t)	1,123	1,120	+3
Average temperature (℃)	16.0	15.9	+0.1

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I would now like to explain about the outlook of consolidated gas sales volume.

The forecast of residential gas sales volume is revised down by 23 million m³ (-0.6%), as temperatures in the first quarter were higher than those of the initial plan. The breakdown of other increases of 201 million m³ (+1.7%) is not indicated, but the main reasons include the growth of demand in the first quarter from existing customers, especially in power generation.

FY2017 Full Year Forecast : Gas Sales Volume (Vision Basis) <vs FY 2017 Initial Forecast, FY2016 Results>

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●Gas Sales Volume (Vision Basis)

(Unit : mil. m3)

	FY2017 Current Forecast	FY2017 Initial Forecast	Change	FY2016 Results	Change
Gas Sales Volume (financial accounting basis)	15,326	15,148	+178	15,720	-394
			+1.2%		-2.5%
Gas volume used in-house under tolling agreement	2,025	2,015	+10	1,996	+29
			+0.5%		+1.4%
LNG sales (m3 basis)	1,404	1,400	+4	1,337	+67
			+0.2%		+5.0%
Total	18,754	18,563	+191	19,053	-299
			+1.0%		-1.6%

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Slide 10 indicates gas sales volume (vision basis) which represents the total of gas sales volume (financial accounting basis), gas volume used in-house under tolling arrangement and LNG sales gas volume.

FY2017 Full Year Forecast : Sales and Profit/Loss by Business Segments

<vs. Initial Forecast>

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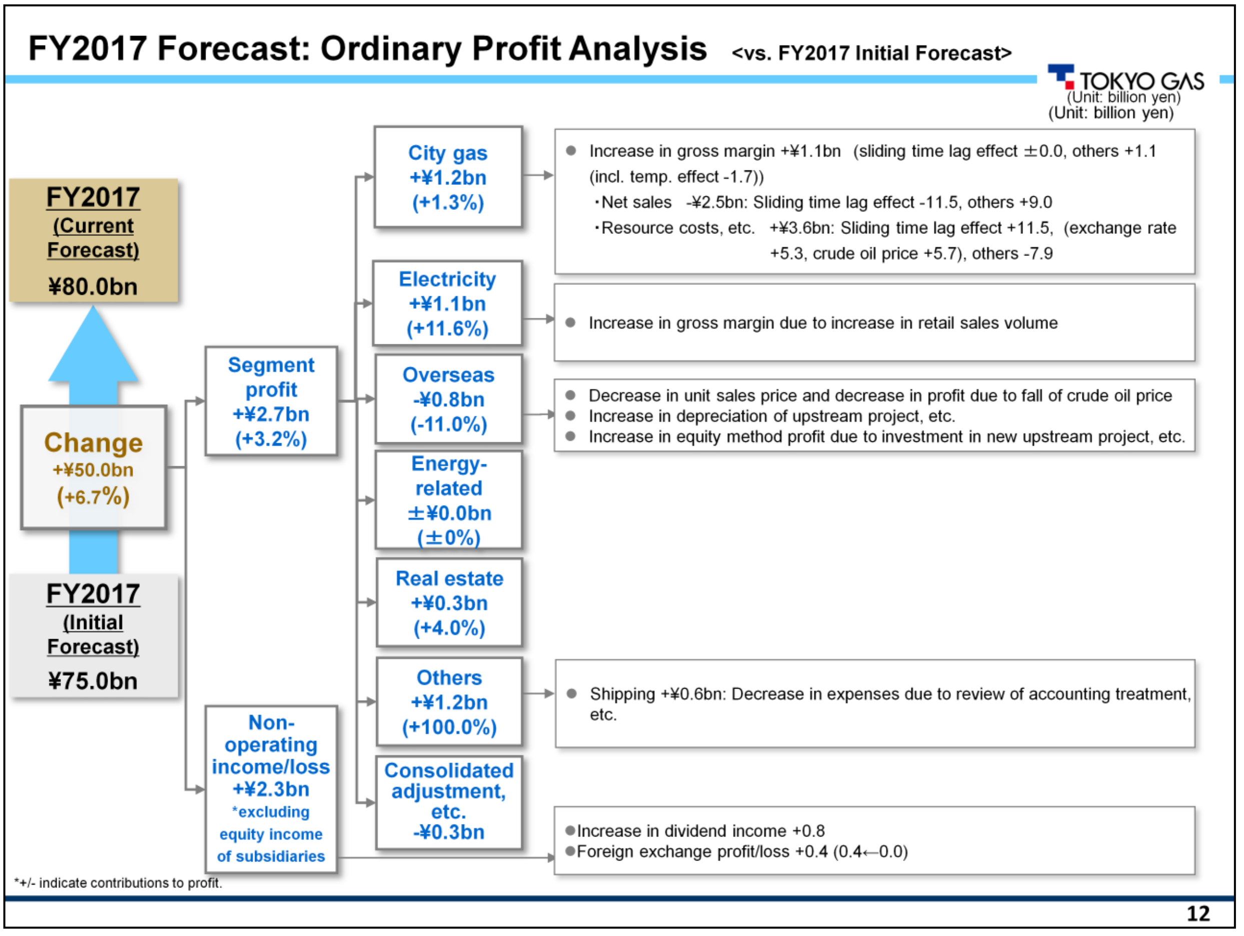
(unit : billion yen)

	Net Sales				Segment Profit (Operating profit ＋ Equity income/loss of subsidiary)			
	Current Forecast	Initial Forecast	Change	%	Current Forecast	Initial Forecast	Change	%
City Gas	1,150.8	1,153.3	-2.5	-0.2	92.9	91.7	1.2	1.3
Electric Power	213.6	214.7	-1.1	-0.5	10.1	9.0	1.1	11.6
Overseas business	44.5	44.4	0.1	0.2	6.5	7.3	-0.8	-11.0
Energy-related	505.5	505.1	0.4	0.1	7.4	7.4	0.0	0.0
(Engineering solutions)	122.1	122.6	-0.5	-0.4	3.6	3.6	0.0	0.2
(LNG sales)	125.9	127.3	-1.4	-1.1	0.5	0.5	0.0	-14.1
Real estate	42.8	42.5	0.3	0.7	7.8	7.5	0.3	4.0
Others	94.0	98.6	-4.6	-4.7	2.4	1.2	1.2	100.0
Adjustment	-243.2	-245.6	2.4	—	-40.8	-40.5	-0.3	—
Total	1,808.0	1,813.0	-5.0	-0.3	86.3	83.6	2.7	3.2

Notes:
- Net sales by business segments include internal transactions.
- “Energy-related” includes businesses in engineering construction, appliances sales, gas pipe installation, construction, and LNG sales, liquefied petroleum gas and industrial gas, etc.
- “Others” includes businesses in shipping, information processing service, credit and leasing, etc.
- The “Adjustment” to operating profit is primarily companywide expenses not allocated to individual segments.

Slides 11 and 12 indicate the main factors causing differences between forecast by segment and the initial plan.



We expect the profit of the city gas segment to increase by ¥1.2 billion due to an increase in gas sales volume as I explained earlier.
Profit of the electricity segment is expected to increase by ¥1.1 billion due to an increase in retail sales volume during the first quarter.
Profit of the overseas segment is forecast to decrease by ¥0.8 billion due in part to a decline in unit sales price on the back of a fall in crude oil price and an increase in depreciation of an upstream project, despite an increase in equity method profit due to investment in a new upstream project, which was decided after the initial plan was formulated.

FY2017 Full Year Forecast : Sales and Profit/Loss by Business Segments

<vs. FY2016 Results>

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(unit : billion yen)

	Net Sales				Segment Income (Operating profit ＋ Equity income/loss of subsidiary)			
	Current Forecast	FY2016 Results	Change	%	Current Forecast	FY2016 Results	Change	%
City Gas	1,150.8	1,040.0	110.8	10.6	92.9	76.5	16.4	21.4
Electric Power	213.6	145.7	67.9	46.6	10.1	4.4	5.7	127.0
Overseas business	44.5	31.9	12.6	39.3	6.5	4.4	2.1	47.6
Energy-related	505.5	459.5	46.0	10.0	7.4	13.7	-6.3	-46.3
(Engineering solutions)	122.1	111.6	10.5	9.4	3.6	4.9	-1.3	-26.2
(LNG sales)	125.9	91.2	34.7	38.1	0.5	3.3	-2.8	-84.9
Real estate	42.8	41.4	1.4	3.4	7.8	7.8	0.0	-0.7
Others	94.0	89.0	5.0	5.5	2.4	3.2	-0.8	-25.2
Adjustment	-243.2	-220.7	-22.5	—	-40.8	-48.2	7.4	—
Total	1,808.0	1,587.0	221.0	13.9	86.3	61.9	24.4	39.3

Notes:
- Net sales by business segments include internal transactions.
- “Energy-related” includes businesses in engineering construction, appliances sales, gas pipe installation, construction, and LNG sales, liquefied petroleum gas and industrial gas, etc.
- “Others” includes businesses in shipping, information processing service, credit and leasing, etc.
- The “Adjustment” to operating profit is primarily companywide expenses not allocated to individual segments.

Slides 13 and 14 show segment forecasts as compared with the previous year’s results.

FY2017 Forecast: Ordinary Profit Analysis <vs. FY2016 Results>

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(Unit: billion yen)

FY2017 (Current Forecast) ¥80.0bn

Change +¥24.4bn (+43.7%)

FY2016 (Results) ¥55.6bn

Segment profit +¥24.4bn (+39.3%)

City gas +¥16.4bn (+21.4%)

- Decrease in gas gross margin -¥0.5bn (sliding time lag effect -6.1, others +5.6 (incl. temp. effect +5.7))
  - ･Net sales +¥110.8bn: Sliding time lag effect +125.2, others -14.4
  - ･Resource costs, etc. -¥111.3bn: Sliding time lag effect -131.3 (exchange rate -24.7, crude oil price -91.5), others +20.0
- Decrease in fixed costs +¥16.8bn (decrease in actuarial differences, increase in costs arising from response to gas market liberalization, etc.)

Electricity +¥5.7bn (+127.0%)

- Increase in sales volume due to increase in number of retail customers (+1,962 million kWh)
- Increase in retail sales expenses

Overseas +¥2.1bn (+47.6%)

- Increase in profit due to commencement of sale of Gorgon LNG

Energy-related -¥6.3bn (-46.3%)

- LNG sales -¥2.8bn: Sliding time lag effect -¥2.8bn
- Engineering solutions -¥1.3bn: Increase in fixed costs with increase in personnel, etc.
- Decrease in gross margin on appliances, etc.

Real estate ±¥0.0bn (-0.7%)

Others -¥0.8bn (-25.2%)

- Information services -¥0.4bn: Decrease in profit due to increase in crude oil price

Consolidated adjustment, etc. +¥7.4bn

Non-operating income/loss ±¥0bn *excluding equity income of subsidiaries

*+/- indicate contributions to profit.

Key Indicators (Consolidated)

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(unit: billion yen)

	FY2017 Forecast	FY2016 Results	FY2015 Results
Total assets (a)	2,340.0	2,230.2	2,251.5
Shareholders' equity (b)	1,128.0	1,101.4	1,100.2
Shareholders' equity ratio (b)/(a)	48.2%	49.4%	48.9%
Interest-bearing debt (c)	801.0	713.5	715.7
D/E ratio (c)/(b)	0.71	0.65	0.65
Profit attributable to owners of parents (d)	61.0	53.1	111.9
Depreciation (e)	168.0	164.3	145.1
Operating cash flow (d) + (e)	229.0	217.4	257.1
Capex	265.0	203.3	232.0
ROA: (d) / (a)	2.7%	2.4%	5.0%
ROE: (d) / (b)	5.5%	4.8%	10.3%
TEP	6.2	-6.2	67.6
WACC	2.9%	3.0%	3.4%
Total payout ratio	Approx. 60%	60.7%	60.1%

Note: Shareholders' equity = Net assets – minority interests
ROA = Net profit / Total assets (average of the amounts as of the end of the previous period and end of the current period)
ROE = Net profit / 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 profit + Depreciation (including depreciation of long-term prepaid expenses)
Total payout ration= [FY-N dividends + FY-(N+1) treasury stock purchased] / FY-N consolidated net profit

TEP (Tokyo Gas Economic Profit) : Profit after taxes and before interest payments – Cost of capital (invested capital × WACC))
Items for WACC calculation (FY2017 forecast)
・Cost of interest-beating debt : forecast interest rate (1.11%, after tax)
・Cost rate for shareholders' equity
・Risk free rate : 10-year JGB yield 0.11%
・Market Risk premium : 5.5% β: 0.75

Slide 15 indicates consolidated key indicators, which remain unchanged from the initial plan.

3. Reference Materials

Gas Gross Margin Sensitivity to Change in Crude Oil Price and Exchange Rate

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Impact of rising JCC by $1/bbl

(Unit: billion yen)

		Impact on earnings			
		2Q	3Q	4Q	Full year
Period	2Q	-0.2	-1.1	+1.4	+0.1
	3Q	—	-0.3	-1.3	-1.6
	4Q	—	—	-0.4	-0.4
	Full year	-0.2	-1.4	-0.3	-1.9

Impact of depreciation by ¥1/$

(Unit: billion yen)

		Impact on earnings			
		2Q	3Q	4Q	Full year
Period	2Q	-0.6	+0.6	+0.2	+0.2
	3Q	—	-0.8	+0.9	+0.1
	4Q	—	—	-1.1	-1.1
	Full year	-0.6	-0.2	0.0	-0.8

Key Topics in FY2017 (Excerpted from Press Releases up to 28th July)

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Management Strategy	• FY2017 initiatives by Tokyo Gas Group (Apr. 13) • Strategic alliance in LNG procurement between Kyushu Electric Power and Tokyo Gas (Apr. 12)
City gas Electric power	• Total number of ENE-FARM residential fuel cells sold hits 80,000 (May 8) • Development of technology to improve the power generating efficiency of fuel cells : the first case of 65% equivalent efficiency with using a low output (5kW) fuel cell in the world (May 23) • 11 Companies Agree to Collaborate on Large-scale Construction of Hydrogen Stations : New Company to Be Considered for Supporting Strategic Construction and for Achieving Wider Use of FCVs and Independence of Hydrogen Station Business (May 19) • Application to alter registered particulars concerning gas retail business (May 29) • Offer of the service, "Total Energy Service Plan (Zuttomo) by Tokyo Gas Group in Tosai Gas and Higashinihon Gas supply areas (Jun. 27) • Discontinuation of feasibility study into the business of units 3 and 4 at Kawasaki Gas Power Plant (Jul. 14)
Overseas	• Opening of Manila Office (Apr. 21) • Participation in a natural gas-fired power plant in Pennsylvania (Apr. 18) • Investment in natural gas development project in East Texas, U.S.A. (May 8)
Liquid gas	• Launch of pilot IoT project utilizing a low power wide area (LPWA) network to streamline LPG distribution (Jun. 5)
Living services	• Launch of service to access information regarding home gas and electric appliances of customers by linking myTOKYOGAS and the smartphone app "TORISETSU" (Jul. 21)
Engineering services	• Opening of offices in Kyushu and Nagano (Apr. 3)* • Jointly feasibility study of LNG terminal business at Sumitomo Chemical's Ehime Works (May 31)* • Business of consulting for construction of LNG receiving terminal in Bangladesh (Jul. 27)*
Urban development Services	• District developed by the tentatively named TGMM Shibaura Project to be called "msb Tamachi": mixed-use complex with direct access to JR Tamachi Station to be developed by Tokyo Gas, Mitsui Fudosan, and Mitsubishi Estate (May 16)
Finance and shareholder returns	• Announcement of issue of 42nd and 43rd domestic unsecured notes (Jun. 2) • Notification of resolution to acquire treasury shares (Apr. 28), notice of share buyback (May 23), notice of retirement of treasury stock (Jun. 29)

Dates of press releases are shown in parentheses. *Press releases issued by Tokyo Gas Engineering Solutions.

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< 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.

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