TOKYO GAS ANNUAL REPORT 2018

Supporting you Always and bettering every day.

TOKYO GAS

The Tokyo Gas Group aims to be a true power source for people's lives, and for society.
Over 130 years, our work kept us in a kind of face-to-face relation with our customers.
Based on the accumulated experience and trust derived from that history,
we want to help create a bright, safe, and pleasant tomorrow.
We will continue to be very close to our customers and be deliberate in taking action on their behalf.
Our efforts will be group-wide as will be our bold, confident approach to the challenges ahead.

Introduction

Message

GPS2020

Overall image after full deregulation

Business overview

Corporate governance

Invisible assets

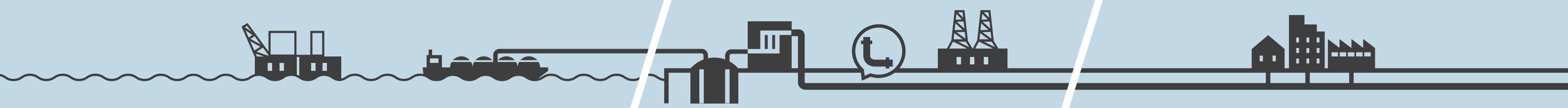
Financial data

Forward-Looking Statements This annual report includes various management goals and other forecasts relating to the "GPS 2020" announced in October 2017 and other strategies. This information is based on forecasts, assumptions, and available information when preparing the "GPS 2020" and other strategies and does not guarantee the achievement of goals and forecasts or future business results. Further, this information may change due to changes in business conditions. Therefore, placing undue reliance on this information is not advised. In addition, the target figures for fiscal 2018 are based on the judgment of management and the information available when the figures were published (April 27, 2018). The company will disclose the latest information to the Tokyo Stock Exchange in a timely manner and at the same time publish it in the investor relations section of its website (www.tokyo-gas. co.jp/IR/english/index.html).

LNG Value Chain for Value Creation

The Tokyo Gas Group contributes to the sustainable development of society by advancing its LNG Value Chain.

Procurement and transportation	Gas production and supply/ power generation	Sales and energy solutions
Material procurement (LNG); Material transportation	Production and supply of city gas; Power generation	Sale of city gas and electric power; Offering solutions



Continual reduction in environmental burden during material procurement, transportation, and production

Increased use of natural gas to help reduce customers' environmental burden

	Procurement and transportation	Gas production and supply/ power generation	Sales and energy solutions
SDGs	9 Industry, innovation and infrastructure; 17 Partnerships for the goals	7 Affordable and clean energy; 9 Industry, innovation and infrastructure; 17 Partnerships for the goals	7 Affordable and clean energy; 9 Industry, innovation and infrastructure; 11 Sustainable cities and communities; 12 Responsible consumption and production; 13 Climate action; 17 Partnerships for the goals
Strengths	Stable and affordable LNG procurement capacity	Reliable solid infrastructure	Community-based sales network Capability to propose total energy solutions that combine gas, electricity, and services
Invisible assets	Track record of almost half a century supplying LNG; Natural gas technology and maintenance know-how; Human resources; Business partners in Japan and overseas		Relationships of trust with over 11 million customers
Managerial assets to realize and support strengths	LNG procurement volume 14.24 million tons (equal to approx. 20% of Japan's total) Diversified resource suppliers, contracts and network	4 LNG terminals Approx. 64,000 km gas pipelines in total 4 highly-efficient power stations (approx. 1.6 million kW in equity stake)	Sales outlet network Tokyo Gas Lifeval, Enesta, and Enefit (185 outlets; approx. 14,000 staff)
	Enhancing of overseas business (13 overseas bases)		

Tokyo Gas and the advantages of natural gas

Tokyo Gas was the first company in Japan to adopt LNG. For almost half a century since, we have built and operated an integrated value chain encompassing all aspects of LNG business; from procurement and transportation to supply and retail. By developing this track record and our accumulated expertise to even higher levels of sophistication, we are contributing to the sustainable development of society through the efficient use of natural gas.

Benefits of fuel conversion

Eco-friendly; No need for storage; Improved operability (no cleanup); Labor saving; Stable supply

CO_2 emission reduction by fuel conversion

Comparison of CO_2 Emissions (Coal=100)

Natural gas	Oil	Coal
60	80	100

OUTPUT Products and services

Gas

Electricity

Engineering solutions

Customers

Individual and corporate customers

Over **11** million

Households	Public facilities
Stores	Plants
Offices	Power generations

Gas operators
(wholesale customers of Tokyo Gas)

19 companies

City gas wholesale customers of Tokyo Gas (via pipeline connections)

9 companies

LNG wholesale customers of Tokyo Gas (by use of ocean going ships, and trucks)

OUTCOME

Economic value

FY2020 targets

See “GPS2020” on page 15.

Operating cash flow
¥280 billion

ROE
around 8%

Total payout ratio
60%

Social value outcome

1
Energy security improvement

2
Environmental contribution

3
People’s safe and reliable lives and community development

Our history

Gas usage

Gas lamp

Gas Kamado oven

Gas heater

Automatic gas rice cooker

Raw materials

Coal

Coal is heated in the coke oven and dry distilled to produce gas

Oil

Crude oil is thermal cracked to generate gas

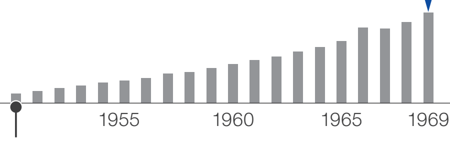
Natural Gas

1972-1988
Operations to change the calorific value of gas

Tokyo Gas continues to grow as “Energy Frontier”

For over 130 years, the Tokyo Gas Group has provided a stable and reliable supply of gas for industries and households to support economic development for all, and to ensure comfortable home environments and desirable lifestyles. At the same time, we have succeeded in creating and raising the corporate value of our Group companies. The electric power and gas retail markets have now been fully deregulated. We regard this deregulation as an opportunity to propose and supply optimal energy systems as a set, including both electric power and gas. By continuing to implement our process of non-linear reforms (business transformation unprecedented in its boldness and fundamental reform of our organizational structure), and by advancing our unique “GPS×G” (Gas & Power + Service × Global) management plan for creating new value by specifying concrete initiatives with regard to what we can do as a company, we will continue working to ensure further advancements and breakthroughs for the Tokyo Gas Group into the 2020s.

Tokyo Gas begins importing LNG to Japan for the first time



* The numbers of gas customers and gas sales volumes are parent-based up to fiscal 2002 and consolidated-based from fiscal 2003.

1885
Tokyo Gas established

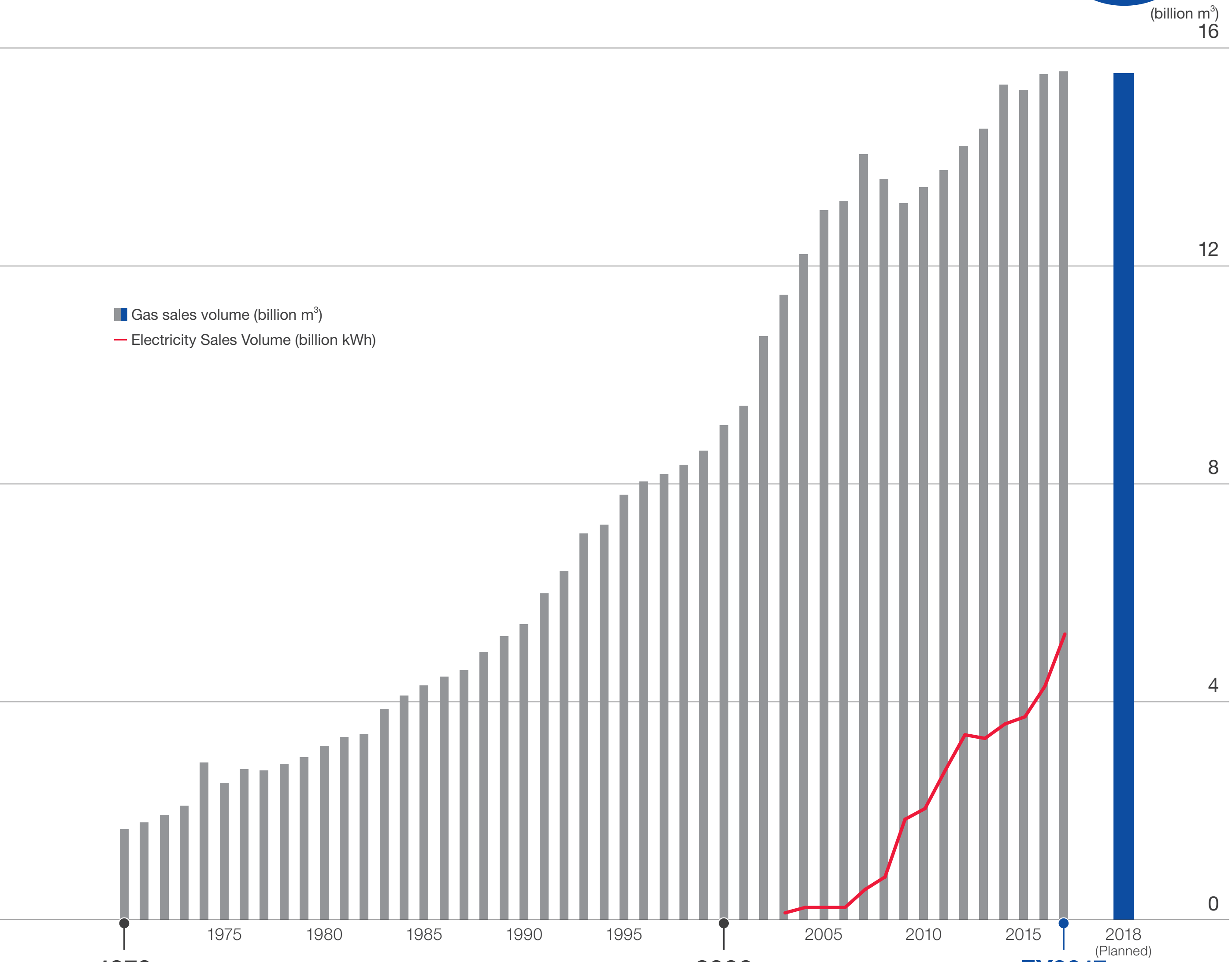
1950

Number of customers		591 thousand*1
Gas sales volume		0.15 billion m³ *1
Electric power sales volume		0 kWh
Number of employees*2	Consolidated	—
	Parent-based	5,837*3
LNG suppliers (projects)		0
Length of pipeline network*1		10,756 km
Power stations (Tokyo Gas power generation capacity)		0 kW

*1 Parent-based
*2 Employees include full-time employees and excludes seconded or temporary employees
*3 Regular employees

Kuramae Kokugikan First gas heating and cooling system	The old Shinjuku District Heating and Cooling Center	First natural gas cogeneration system	Gas built-in cook stove	Residential fuel cell “ENE-FARM”	Toyosu Smart Energy Center
					

LNG 50th Anniversary (2019)



1970	2000	FY2017 Actual
4,004 thousand*1	8,872 thousand*1	**11,678 thousand**
1.66 billion m³ *1	9.08 billion m³ *1	**15.57 billion m³**
0 kWh	0 kWh	**14.66 billion kWh**
–	16,307	**17,138**
10,258*3	12,339	**7,862**
1	7	**12**
23,194 km	47,908 km	**63,557 km**
0 kW	0 kW	**1.6 million kW**

CEO's message

Carving out Energy Frontiers with Innovation

Having taken up the baton and responsibility of managing Tokyo Gas, it is my role to achieve the goals of The Tokyo Gas Group FY2018-2020 Management Plan (GPS2020) as far ahead of schedule as possible, and to ensure further advancement and breakthroughs for the Tokyo Gas Group into the 2020s.
By making innovations based primarily around natural gas, which is superior in terms of stability of supply, economic value and environmental friendliness, we will move forward in improving our corporate value, by evolving from the top city gas supplier in the Greater Tokyo Area into a truly global “energy frontier” company.

Representative Director, President and CEO
Takashi Uchida

Achieving the goals of GPS2020 as far ahead of schedule as possible

I was appointed President and CEO of Tokyo Gas this April (2018). My appointment comes at a time when not only the city gas industry but the energy industry as a whole is experiencing major changes, and I feel tense to take on the role of managing the Tokyo Gas Group. Since joining the company in 1979, I have experienced working in both field and management positions in a wide range of areas, including gas transportation (pipelines), human resources, corporate planning, raw materials procurement, overseas business operations and household (consumer-oriented) services. Going forward, I will seek to make effective use of my past experiences in improving the corporate value of the Tokyo Gas Group.
In November 2011, in the aftermath of the Great East Japan Earthquake, we developed the Challenge 2020 Vision; a roadmap for achieving our vision of what kind of company we want to become in the long-term. I was involved in developing the plan in my position as General Manager of the Corporate Planning Department.
The vision outlines our corporate stance of contributing to society—specifically the energy industry, which is a key element of basic infrastructure supporting the lives of the public and all industrial activities—by advancing our LNG value chain. Following on from our previous “Hop” (FY2012-2014) and “Step” (FY2015-2017) management plans implemented over the past six years, the greatest role that has been entrusted to me in taking up the management baton is to ensure the sure and steady implementation of the policies raised in our GPS2020 medium-term management plan, which represents the final three-year “Jump” stage of our Challenge 2020 Vision; and to solidify our foundation for future advancements and breakthroughs in the 2020s by achieving the plan’s targets as far ahead of schedule as possible.
What we aspire to achieve is not only to be the top city gas supplier in the Greater Tokyo Area, but to remain a company that carves out new energy frontiers globally, as a total energy corporation. Achieving the goals of GPS2020 represents achieving the realization of our corporate philosophy of becoming an “energy frontier” company. Now that the full

deregulation of the electric power and city gas retail markets has begun, securing electric power supply agreements with as many customers as possible will also play a role in protecting the foundations of our core gas business.
Promoting and expanding the use of natural city gas through our electric power and gas operations will contribute to improving convenience for customers and to achieving a low-carbon society overall. I therefore want us to achieve these targets as far ahead of schedule as we possibly can.

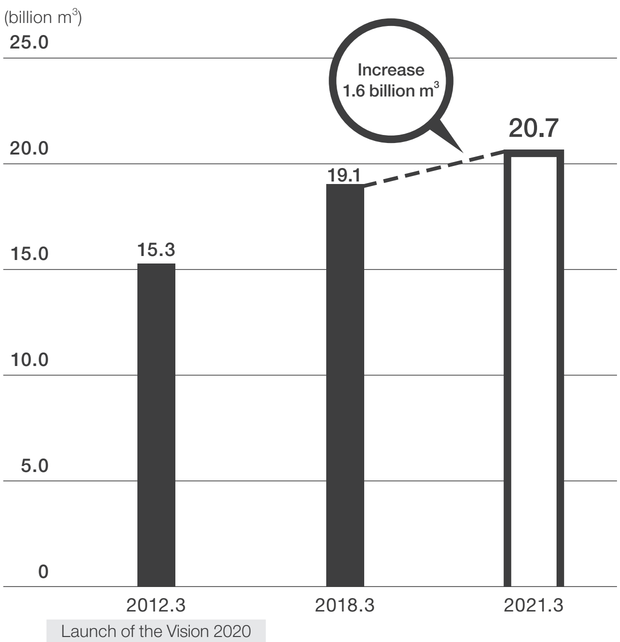
We recorded an increase in sales and profits for the previous fiscal year, and achieved targets for securing electric power contracts ahead of schedule

In fiscal 2017 (the year ended March 31, 2018), which was the final year of the "Step" stage of our Challenge 2020 Vision, we posted operating profit of ¥116.3 billion. With this figure we greatly exceeded the original planned figure of ¥82 billion, and achieved a 99.3% increase in comparison with the previous year. We also achieved increases in profits for our city gas, electric power and overseas business operations. Although the alleviation of temporary factors that caused a decrease in profits for the previous year (which included sliding time lag effects and actuarial differences) contributed partly to the increase in profits for the year, we recognize the fact that we were able to achieve an increase in sales and profits despite the loss of some major wholesale gas supply contracts as the result of great efforts on the part of all our employees.
For fiscal 2018 (the year ending March 31, 2019), assuming an exchange rate of ¥110 per U.S. dollar and an oil price of $65/bbl, we plan to achieve operating profit of ¥93 billion (a decrease of 20% y-o-y). The main factors behind this decreased profit plan are time lags in the reflection of crude oil prices and gas rates, and transient cost increases such as those associated with data transfers due to the startup of new core mission-critical systems. We ask that shareholders understand that it does not indicate a decline in our basic earning capacity. (Please refer to page 55.)
Naturally, this does not mean that we are satisfied with this profit level, and we will endeavor to enable the addition of extra profits, and work to improve this profit level in the medium-term.
With regard to the retail sale of electric power, at the end of March 2017 we set the target of receiving applications from 1 million customers during fiscal 2017. This target was achieved ahead of schedule in October 2017, and as the end of March 2018 this figure had reached 1.25 million customers and is still rising.
In our overseas business operation, too, we are steadily making investments midstream and downstream business, such as power plants and city gas distribution businesses.

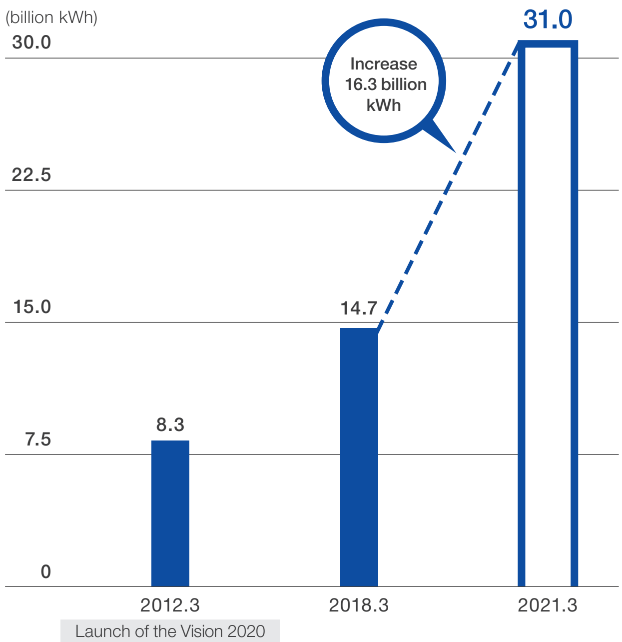
Evolving into a global total energy corporation with our GPS2020 medium-term management plan

Tokyo Gas Group currently stands at a turning point, an age of change unlike any that is has experienced before during its history of over 130 years. Although the city gas business was originally a regulated industry, since the time of our founding we have competed intensely with the electric power industry in areas such as lighting, hot water, heating and kitchen utilities. With the progression of the full deregulation of the electric power and gas retail markets, competition with electric power companies has become more directly, and we believe that market participation by other major energy companies and competitors from other non-energy industries is likely to increase in the future.
Tokyo Gas has summarized its awareness of the coming new era in terms of the following three perspectives—which also constitute prerequisites for the GPS2020 management plan—

Gas Handling Volume (based on the Vision)



Electric Power Sales Volume



In order to carve out energy frontiers with innovation, we will create a Silicon Valley location, and advance a program of digital innovation

as "The Era of Natural Gas," "The Era of Single-Source Providers of Electricity and Gas," and "The Era of Next-Dimensional Innovation Fueled by the Rapid Digital Evolution."
GPS2020 is a plan that aims to deliver gas (G), electric power (P), and services (S) to customers as a total package. We plan to deploy this system not only in the Greater Tokyo Area, but on a nationwide and—ultimately—global scale. What we are aiming for is to evolve from being "the Greater Tokyo city gas company" or "Japan's leading city gas company" to being "a global total energy corporation." In terms of financial aspects, in fiscal 2020 (the year ending March 31, 2021), we aim to achieve a total of ¥130 billion in operating profit and equity income of subsidiaries , operating cash flow of ¥280 billion—an upward adjustment from the original figure of ¥250 billion set in the Challenge 2020 Vision—and ROE of approximately 8%.

GPS×G: Strengthening our gas (G), electric power (P) and services (S) operations globally (G)

The most significant background difference between the new management plan and past medium-term management plans is that we are now able to deliver not only gas but also electric power to our customers in a set package, due to the full deregulation of the electric power and city gas retail markets. This allows us to propose optimal energy solutions to our 11 million customers to match their actual state of energy usage.
By 2020, we aim to deliver Tokyo Gas Group electric power to 2.2 million customers (equivalent to approximately 10% of the Greater Tokyo Area), and will be investing in power stations to match this target. Through these investments, we will aim to expand our current power generation capacity of 1.6 million kW to 3.0 million kW by fiscal 2020, and to a scale of around 5.0 million kW during the 2020s. With regard to renewable energy sources, too, we will aim to develop 0.4 million kW during the early half of the 2020s. In terms of promoting and expanding widespread use of natural gas, we have completed our Ibaraki Line for developing demand in the Northern Kanto area, and are strengthening our partnerships with nearby city gas and LP gas suppliers, who are our wholesale customers. We will also be building alliances with energy suppliers and other partners across our entire LNG value chain, and engaging in activities such as LNG financing and trading of raw materials with these partners, in order to create an optimal energy supply structure.
One service that we will be offering to residential customers, as a priority business, is the provision of support services for various problems faced around the home—including plumbing, house cleaning and other such services—in combination with gas and electric power.
For commercial customers, we will offer support with regard to optimal supply of gas and electric power, such as in the installation of commercial-use fuel cells aimed at convenience stores, family-oriented restaurant chains and other such customers.
For industrial customers, we will aim to supply not only gas and electric power, but batch supply of all necessary utilities, including heat and water for industrial use.
In North America and other such markets, where there is great demand for energy, and where deregulation and energy market transactions are progressing ahead of Japan, we will continue to participate in upstream business operations, with a primary focus on shale gas, and midstream and downstream operations such as power stations; seeking to acquire and utilize expertise that will contribute to future operations both in Japan and overseas, while at the same time strengthening our revenue base. In the Southeast Asia region, where rising demand for natural gas and growth of LNG imports are expected as a result of rapid economic growth, we will seek to contribute to the construction of LNG value chains in local regions by building energy infrastructure and introducing natural gas, while working in partnership with national governments and local companies.

Creating a Silicon Valley location and advancing a program of digital innovation

As we head towards the era of next-dimensional innovation, we have established a Digital Innovation Division, for the two key purposes of (1) improving operational efficiency and labor saving and (2) creating new businesses.
Firstly, in terms of efficiency and labor saving, there are several areas in which there is significant room for improving efficiency, saving labor and reducing costs through the effective use of ICT. For example, these include improvements that will enable regular maintenance patrol visits when customers are at home (improving work rates for maintenance inspections with approximately 1,000 personnel), improving work efficiency for telephone-based contract-acquisitions (efficient operation with approximately 1,000 operators), and improving capacity utilization rates for thermal power stations.
We believe that this will also have major benefits in terms of passing on skills—which until now have depended on individual experience and intuition—and improving work quality.
With regard to creating new business operations, we will work to link new technologies on to achieving the realization of new possibilities; such as by improving the performance of ENEFARM residential fuel cells by leveraging the power of IoT, achieving efficient operation of heating appliances by integration of floor heating and air-conditioning systems, selling electricity generated using photovoltaic (solar) power generation to other households, and payment settlement using blockchains.
Currently, we are investing in venture capital and engaging in information gathering and open innovation through the activities

CEO's message

of seven to eight overseas representatives based in Silicon Valley. Through these activities, we seek to deepen the level of collaboration between our head office technical division and other business divisions, in areas such as the development of IoT sensors.

Our strength is in our invisible assets

I believe that Tokyo Gas's strength lies in the fact that we possess a wide range of tangible and intangible assets, from top-level upstream natural gas assets (i.e. gas fields) to the downstream assets (installation and maintenance of household equipment). In particular, I think that our greatest strength is the trust of our customers and business partners, who believe that "if Tokyo Gas says so then it must be right." This trusting relationship was developed by our predecessors over the course of our approximately over 130-year history, through a track record of safe and stable supply. This relationship, along with the human resources and technologies that support it, are a major advantage for Tokyo Gas.
One thing that is important in order to prevent our GPS2020 strategy from ending as a "pie in the sky" vision is the power of the workplace. For our business operations, which constitute a lifeline supporting people's everyday lives and vital infrastructure for industrial activities, achieving a safe and stable supply is something that is taken for granted, but the day-to-day activities in the field that support this supply are not visible to our end users.
With my experiences of gas transportation (pipelines), both in the field and in management, I truly understand and appreciate the importance of on-site capabilities.
When I was involved with reconstruction and recovery work in the aftermath of the 2004 Niigata Chuetsu Earthquake, I saw gas providers come together and join forces to achieve the recovery of city gas supplies in the region within the short space of around one month. Seeing that made me feel and appreciate strongly the importance of capabilities in the field. I am particularly struck by, and proud of, the strength of Tokyo Gas's on-site capabilities, and our ability to come together when it is necessary.
This is the kind of strength that does not appear in our financial statements. By continuing to refine this strength, we will create a more robust foundation for sustainable growth, and utilize it in improving our corporate value.

ESG: We believe that developing energy frontiers is a form of social contribution

In his book *Rongo to Soroban (The Analects of Confucius and the Abacus*), the Meiji-period industrialist Eiichi Shibusawa—who built the foundation of our business—advocated the importance of achieving a balance between both moral philosophy and profit. LNG is the cleanest source of energy amongst fossil fuels. Tokyo Gas is driving an energy shift away from fuels such as petroleum and coal, and contributing to society through the stable supply of clean energy that is essential to everyday life. At the same time, we are achieving sustainable growth of our own profits. This sentiment, which is instilled in all of our employees, is the starting point for our ESG activities, and the source of our corporate value. Moving forward, we will continue to contribute to the creation of a low-carbon society through our business operations, by not only supplying city gas, but utilizing LNG thermal power generation, heat-recycling cogeneration systems, district heating and cooling, fuel cells and renewable energy.
Working on the basis that active and energetic work by each and every employee increases corporate value, we are promoting diversity and advancing a program of workflow and workstyle reforms leveraging the power of IT. In the past, our gas business operations have involved extensive on-site maintenance work, and our workforce has consisted primarily of male employees. However, through revisions to our work

What we are aiming for is to evolve from being "the Greater Tokyo city gas company" or "Japan's leading city gas company" to being "a global total energy corporation."

What I want to tell you

- We will aim to achieve the goals of our GPS2020 medium-term management plan as far ahead of schedule as possible.
- We are already achieving our targets for numbers of electric power contracts after deregulation of the electric power retail market ahead of schedule.
- GPS×G: We will strengthen our gas (G), electric power (P) and services (S) operations globally (G) and evolve from being "the Greater Tokyo city gas company" or "Japan's leading city gas company" to being "a global total energy corporation."
- We will carve out energy frontiers with innovation. We will create a Silicon Valley location, and advance a program of digital innovation.
- Our strength lies in our invisible assets, such as the trust of our customers and business partners, and the human resources and technologies that support it.
- ESG: We believe that developing energy frontiers is a form of social contribution.

practices and our proactive promotion of female employees, for two consecutive years we have been selected as a Nadeshiko Brand—an enterprise that actively promotes and encourages the empowerment for women—in a joint scheme run by Ministry of Economy Trade and Industry (METI) and the Tokyo Stock Exchange (TSE).
With regard to corporate governance, we have modified the balance between executive and monitoring functions by increasing our ratio of outside to internal directors, with 5 internal directors—one of whom does not have executive authority— and three outside directors (compared with eight internal and three outside directors up until last year.) Although Tokyo Gas is not a "Company with Committees" (as provided for under the Companies Act), we do have an Advisory Committee which deliberates on personnel and remuneration for company officers. The Advisory Committee consists of five members: two outside directors, one outside Audit and Supervisory Board member, the Chairman (executive director with no additional role) and myself (executive director with additional role). In this way, we maintain a balance by having the majority of members as outsiders, and everyone besides myself as non-executive officers.

Riding out the waves of deregulation and aiming to achieve breakthroughs as a total energy corporation

One historical figure that I am particularly drawn to is Toshiakira Kawaji, kanjo-bugyo (the Commissioner of Finance in the Edo period), who played an active role in the signing of the Treaty of Commerce and Navigation between Japan and Russia during the Bakumatsu period, which marked the final days of the Tokugawa Shogunate.
Despite being part of the historical organization that was the Shogunate, and in the face of demands from foreign powers for opening up Japan to foreign trade and the signing of treaties with harsh terms and conditions, Kawaji made valid and justifiable arguments from the perspective of ensuring the survival of his country that earned him the respect of his negotiation partners, and built new relationships by diplomatic means. I think that there are many things that we can learn from him.
For my part, even in the face of the massive surging waves of deregulation, I want us to push through without losing sight of our pride and mission as a public utility company, developed over our 130+ year history, and to build a foundation for future development and advancement as a total energy corporation.
Finally, I want to say that I regard the run-up to 2020 as a period for preparing for future breakthroughs in the coming decade. We are still in the investment stage, but we will still continue to generate solid profit and maintain a total payout ratio of at least 60%. Through dialogues with our stakeholders, we will aim to achieve further improvements in our corporate value.
I ask that our stakeholders will continue to support the Tokyo Gas Group, as we continue in our challenge to become a total energy corporation.

CFO's message

Tokyo Gas is committed to maintaining competitive shareholder returns and making necessary investments required for sustainable growth, with the awareness of achieving an 8% ROE

Senior Managing Executive Officer, CFO
Isao Nakajima

Achieving a balanced operating cash flow distribution based on our business strategy

As Senior Managing Executive Officer, I participate in the process of determining company-wide management strategy. At the same time, as CFO, I am in charge of financial and capital policy. Tokyo Gas's basic policy for its financial strategy is to achieve a balanced distribution of operating cash flow between (1) full and stable shareholder payouts, (2) growth investments, and (3) maintaining sound financial health. We will continue to review and adjust this balance as needed, based on factors such as our medium to long-term business strategy and capital market trends at the time.

With regard to shareholder returns, we have announced our commitment to maintaining a total payout ratio of 60% until fiscal 2020. If you look at our track record over the past 12 years since fiscal 2006, when we set the target of a 60% total payout ratio, you can see that we have consistently maintained that payout ratio by steadily increasing dividends in combination with appropriate share repurchases. We are confident that this 60% total payout level remains competitive, not only amongst companies in the Japanese electric power and gas sectors, but in capital markets overall.

In terms of growth investments for the future, we will continue to focus our investments into the expansion of our natural gas and LNG value chain, which will continue to play an important role into the 2020s, and in other areas that will contribute to the advancement of the Greater Tokyo Area, which continues to exhibit high growth potential.

In addition to expanding its electric power business by building its own high-efficiency gas-fired thermal power plants, Tokyo Gas will also continue to take a proactive approach to challenges in new fields; for example, such as by increasing added value by combining those conventional power sources with renewable energy sources.

Meanwhile, with regard to financial health, which is our basis for minimizing financing costs, ensuring stable management and securing the trust and confidence of customers, we have already secured a certain level.

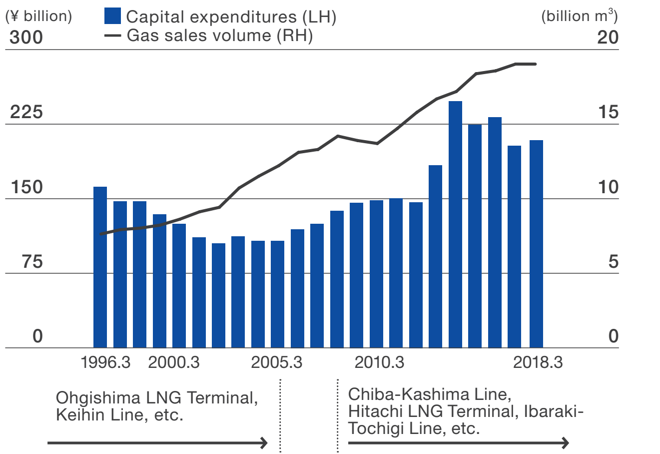
Based on the assumption of consistent shareholder payouts and proactive growth investments for the future, by fiscal 2020, our D/E ratio is expected to rise from the current level of 0.64 to around 0.9, which we consider to be within acceptable levels.

Seizing opportunities for growth through appropriate investments

Adding a few words about growth investments, natural gas is an excellent source of energy in terms of the global environment and other such perspectives, and significant

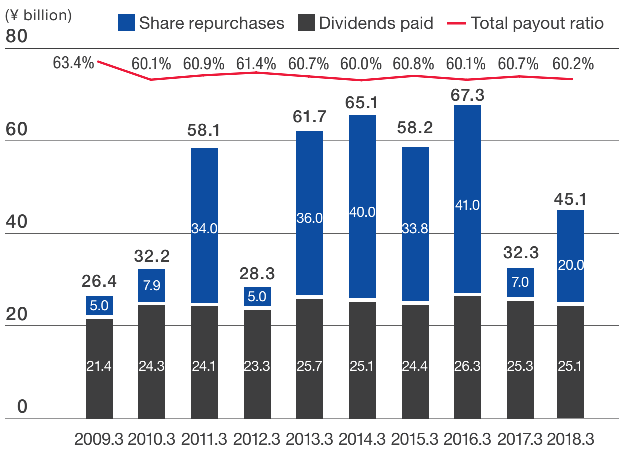
growth in demand is still expected to continue in the Greater Tokyo Area, which is our main business area.
With the completion of the Hitachi LNG Terminal expansion and the Ibaraki Line (currently under construction), we will achieve a complete loop in our Greater Tokyo high-pressure pipeline network, thereby further increasing the stability of our natural gas supply infrastructure. Based on this, we want to unleash the maximum potential of natural gas. As one technology development initiative to help achieve this, we will actively incorporate methods such as open innovation, with our sights also set on the arrival of “Society 5.0.”
When making decisions with regard to significant investments, in addition to making multi-faceted evaluations and analyses of the profitability and risks involved in the preliminary stages of each project, we also hold Investment Evaluation Committee meetings to verify the strategic significance of the investment. After the decision has been made to proceed with an investment, the Committee periodically validates the performance and future outlook of each project. In this way, we are making efforts to ensure appropriate and timely judgments with regard to the future of each investment project.

Capital Expenditures and Gas Sales Volume



*1 Non-consolidated basis up to fiscal 1998; consolidated-basis from fiscal 1999
*2 Gas sales volumes from fiscal 2011 are on a 2020 Vision basis.
(Including the gas volume used in-house under tolling arrangement and the LNG sales volume.)

Shareholder Returns



Basic Financial Strategy Policy

1. Continue to maintain competitive shareholder returns (total payout ratio of 60%)
2. Steadily implement growth investments, with consideration given to investment efficiency and awareness of achieving an 8% ROE
3. Maintain sound financial health, as a basis for stable management and securing the trust and confidence of customers

As CFO I act as chairman of the Investment Evaluation Committee. We have set a hurdle rate (a standard for judging profitability) that reflects a conscious awareness of our capital costs, and are striving to ensure disciplined investments, with a view to achieving our FY2020 ROE target of 8%. However, we also believe that achieving sustainable growth amidst the uncertainty of the future business environment will require strategic thinking from a medium to long-term perspective and carefully-considered risk taking. For this reason, recently, we are investing particular energies into identifying issues that will contribute to overall management decisions and fundamental debates.

Paying thorough attention to corporate governance in management

In addition to multi-faceted and comprehensive overall debates, I believe that making our business strategies more fruitful and rewarding will also demand logical judgement, without denial of inconvenient facts. Achieving this will require a mechanism for supervising and checking its appropriateness of how our business is operated, and I believe that is exactly what corporate governance represents.
I place particular importance on constructive dialogues (or “engagement”) with shareholders and investors. Shareholders and investors each have their own various ways of thinking, and their own decision-making criteria, and are by no means one unified group. But we endeavor to listen constantly and humbly to their opinions. Together with the CEO and our investor relations (IR) representative, I work to create numerous opportunities for such engagement, totaling around 250 times per year, covering main themes that include the background and future outlook of our investment strategy, and the impact of the deregulation of the electric power and gas markets.
Tokyo Gas has been selected in three ESG assessment indexes used by Japan’s GPIF (Government Pension Investment Fund: the FTSE Blossom Japan Index, the MSCI Japan ESG Select Leaders Index, and the MSCI Japan Empowering Women Index (WIN). I also regard our inclusion in these indexes as an achievement of these initiatives.
Next year, it will be 50 years since Tokyo Gas became the first company to import LNG to Japan. Moving forward, we will continue working to increase our corporate value by drawing out the maximum value of natural gas. We ask for the continued understanding and support of our shareholders.

Tokyo Gas Group FY2018-2020 Medium-Term Management Plan

GPS2020

In November 2011, the Tokyo Gas Group released its Group Management Vision: "Challenge 2020 Vision - Initiatives by the Tokyo Gas Group for Energy and for the Future".
In our previous management plans, "Hop" (FY2012-2014) and "Step" (FY2015-2017), our goals were to realize a total energy and global corporate group. In addition to widely expanding our business domains and areas, and forming seven business domains, we also built a new group formation.
During the "Jump" period, we will deploy the Tokyo Gas Group's "GPSxG" system to generate real new value in "the things we can do" while pressing forward with ongoing a comprehensive vision of non-continuous reform (business transformation unprecedented in its boldness and fundamental reform of our organizational structure).
The 2020s will be a period of solid growth and forward movement.

2011

Operating cash flow
¥194.5 billion

Formulation of the Challenge 2020 Vision

The Great East Japan Earthquake and the subsequent nuclear power plant accident and the issue of demand and supply of electricity forced the country to examine the state of our energy, the foundation of the lives of the public and industrial activities.
Amid such an environment, we aim to make contributions through the advancement of the LNG value chain.

FY2012~FY2014 HOP stage

Operating cash flow
¥237.6 billion

A step in the right direction

FY2015~FY2017 STEP stage

Operating cash flow
¥240.3 billion

Major advancements toward the realization of our vision

Significantly expand our business domains and areas, establish seven business domains and construct a new group formation, with the aim of becoming a global, total energy corporate group

Main initiatives (HOP stage)

- Diversification of raw materials Procurement and expansion of overseas business
- Upgrading and expanding infrastructure to contribute to safe and stable supply
- Proposing energy solutions aligned with customer needs

Main initiatives (STEP stage)

- Evolving into a total energy business
- Accelerating global business development
- Construct a new group formation
- Drafting and releasing our corporate message, "Supporting you Always and bettering every day"

Tokyo Gas's Concept of the Coming Era

**In formulating our management plan, Tokyo Gas has summarized its awareness of the coming new era in terms of three specific perspectives.
The three perspectives are: "The Era of Natural Gas," "The Era of Single-Source Providers of Electricity and Gas," and "The Era of Next-Dimensional Innovation Fueled by the Rapid Digital Evolution."**

1

The Era of Natural Gas

With its excellent stability, economics, and environmentally friendly characteristics, natural gas is becoming an increasingly important energy source, both in Japan and around the world.
Going forward, natural gas is expected to become more widely used, in a greater range of fields and areas, as it expands dynamically on a global scale.

2

The Era of Single-Source Providers of Electricity and Gas

Until now, customers in Japan were only able to buy electricity from electric power companies, and gas from gas companies. But now, with the full deregulation of the electric power and gas retail markets, consumers in Japan can now purchase both electricity and gas from a single supplier.
Moving forward, it will now be possible for us to propose and introduce optimal energy systems combining both gas and electric power.

3

The Era of Next-Dimensional Innovation Fueled by the Rapid Digital Evolution

The rapid evolution of digital technologies such as IoT and AI is having an enormous impact on daily life and industry. These technologies are expected to spur new kinds of innovation that differ from anything seen before.
We will pay close attention to such changes as we move forward.

FY2018~FY2020

JUMP stage

Operating cash flow

¥280 billion

Transition from "Goals" to "Capabilities"

Through a variety of means, we will deliver global gas and power along with services that meet our domestic and overseas customers' needs

During the "Jump" period, we will deploy the Tokyo Gas Group's "GPSxG" system to generate real new value in "the things we can do" while pressing forward with ongoing a comprehensive vision of non-continuous reform (business transformation unprecedented in its boldness and fundamental reform of our organizational structure). The 2020s will be a period of solid growth and forward movement.

GPS×G

GAS & POWER + SERVICE × GLOBAL

GPS – Total energy

- Provide optimal energy, featuring gas and electricity as a packaged service.
- Provide a one-stop offer for a full range of services designed to meet life stages and needs of residential customers.
- We will provide energy services and engineering for our commercial and industrial customers to reduce their energy usage and costs.

×

G – Global

- Establish offices in strategic areas and concentrate management resources to engage in proposal planning.
- Contribute to building energy infrastructure in coordination with the governments and enterprises in the fast-growing countries of Southeast Asia and other regions as the energy supply and demand structure of these regions continues to evolve.
- Build a firm foundation for profitability in North America and other regions where deregulation and market trading of energy is advancing, while acquiring and using the know-how that will contribute to our other businesses in Japan and overseas.

GPS×G Initiatives

GAS & POWER + SERVICE × GLOBAL

Proposing services to meet the needs of customers with GPS

Gas and electricity packages → **Meeting customer needs with various service combinations** → **Using various means** → **To reach a greater number of customers**

GPS

G&P
Gas & Power
- Work to achieve more widespread use of city gas and LPG
- Provide gas and electricity services as a set by proposing optimal energy plans that combine gas and electricity as only Tokyo Gas can
- Increase numbers of customers

+

S
Services
- Optimal proposals, implementation and maintenance for energy facility and equipment
- Smart management utilizing smart meters, IoT and AI
- Lifestyle and business support
- New value-added proposals to address low-carbon, digitalization and new technologies

▶

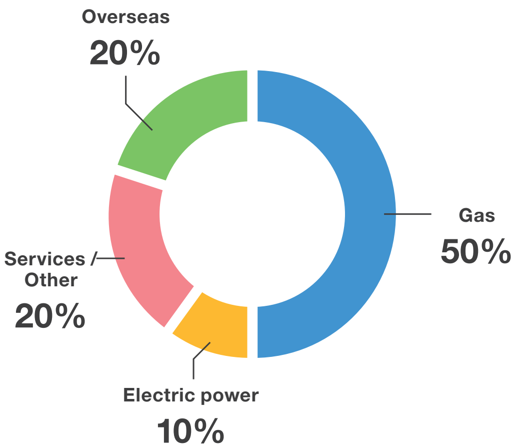
Visits, stores (Lifeval, etc.)
Call center (Customer center)
PCs, smartphones, IoT
Digital marketing
Energy management

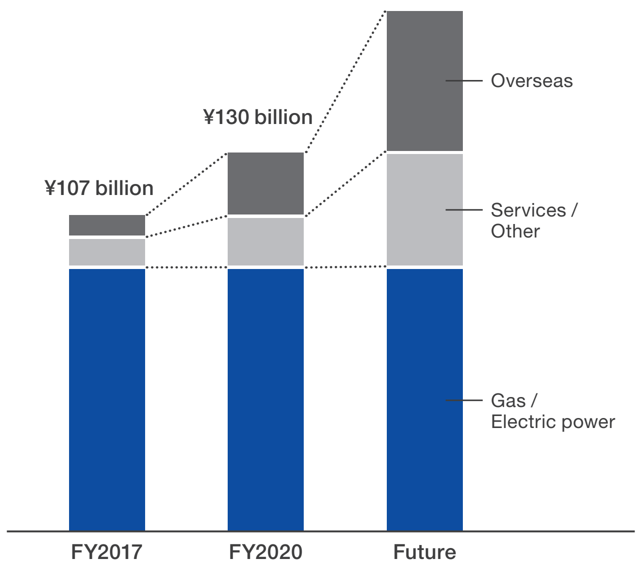
▶

Residential customers

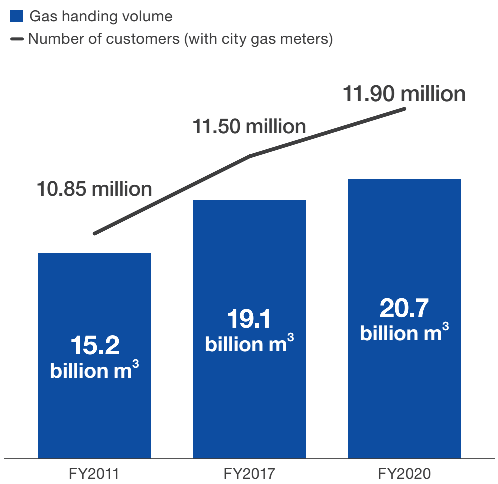
Commercial and Industrial customers

FY2020 profit breakdown	Operating profit + equity income

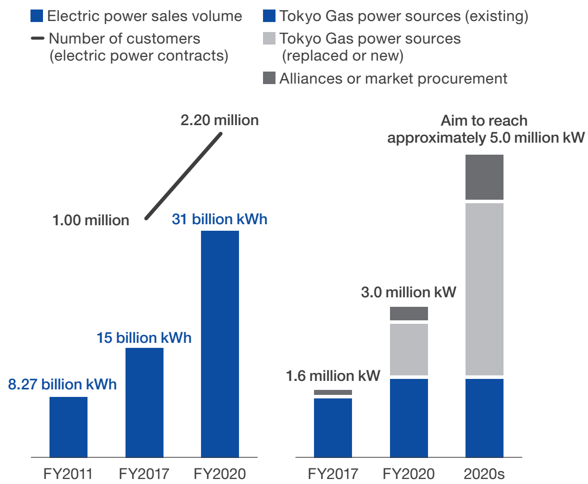




Gas



Electric Power



Service

In addition to gas and electric power as a package, we will propose and deliver optimal service combinations to match customers' lifestyle and business needs.

Lifestyle services including gas devices and equipment

Engineering services

Regional development services (Real estate)

Global

Utilizing our experience in the LNG value chain management, we will deepen and expand our business operations according to the regional characteristics of each area.

North America	We will participate in upstream, midstream and downstream business operations to acquire know-how and enhance our revenue base.
Southeast Asia	This area is expected to see further growth. We will continue to drive initiatives in midstream and downstream business operations.
Australia	We will seek to maximize the value of existing projects, with a primary focus on upstream interests.

Cash flow distribution method for FY2018-2020

	FY2017	FY2020
Consolidated operating cash flow	244 billion yen	280 billion yen
Profitability (ROE)	5.5%	Approx. 8%
Shareholder returns (Total payout ratio)	60%	60%
Stability (Debt-to-equity ratio)	0.71	Approx. 0.9

Cash provided by cash flows

1,180 billion yen (3-year total)

- Consolidated operating cash flow 810 billion yen (69%)
- External loans, etc. 370 billion yen (31%)

Cash out

1,180 billion yen (3-year total)

- Capital investment 730 billion yen (62%)
  - Investment and financing 290 billion yen (25%)
- Shareholder returns (dividends, treasury stock) 160 billion yen (13%)*

*Equivalent to 60% of consolidated net profit in FY2018 to FY2020

Investments for infrastructure development, future advancements, and breakthroughs

Business	Total amount of investment over 3 years (¥ billion)
Gas	500 (49%)
Electric power	30 (3%)
Services / Other	230 (23%)
includeing Real estate	100
Overseas	260 (25%)
FY2018-2020	1,020 (Avg. 340 billion yen / year)

*Figures for FY2017 are values forecast at the time of plan formulation.

Overall image after full deregulation

City Gas and Electric Power Businesses
After Full Deregulation

After the phased and subsequent full deregulation of **the electric power retail market in April 2016 and of the retail gas market in April 2017,** Japan's energy market has become fully deregulated.

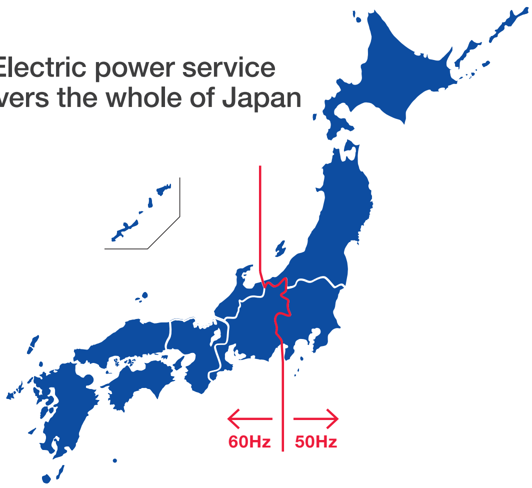
Progress of deregulation

Deregulation has progressed in phases, shifting from large-lot to small-lot sales.

Deregulation progress	Electricity		City gas	Deregulation progress
26%	1999	Deregulation begins	1995	49%
100%	2016	Full deregulation of the retail market	2017 (The present)	100%
	2020	Legal separation of power transmission and gas pipeline	2022	

Electric power service area

Electric power service covers the whole of Japan



All electric power grids across the whole of Japan, from Hokkaido in the northeast to Kyushu in the southwest, are connected by power distribution lines. This infrastructure enables power exchange (lending) across the conventional barriers between individual power companies, and supports the stable supply of electricity and efficient operation of power generation facilities.
Although in Japan electricity is distributed at frequencies of either 50Hz (East Japan) or 60Hz (West Japan) depending on the region, the installation of specialized transformer equipment in Nagano and Shizuoka prefectures has enabled the transformation and mutual exchange (lending) of certain volumes of electric power even between east and west.

Electricity

Meaning and Objectives of Electricity System Reforms

Securing a stable supply of electricity

Lowering electricity rates

Expanding choices for customers

Deregulated

Power generation

Our strengths and achievements

- Tokyo Gas owns four high-efficiency LNG-fueled power plants (1.6 million kW equivalent power generation capacity).
- Kobelco Power Moka Inc. is currently constructing power station at Moka, in Tochigi prefecture. Tokyo Gas plans to begin phased acceptance of supply of electric power from the plant as of 2019, and expand the generation capacity of its own power sources to around 3.0 million kW by 2020.

Regulated business

Transmission and distribution

Responsibility for supply
(power transmission and distribution operator)
(Providing final guarantee service, maintaining balance of supply and demand, etc.)

Our operation

- Tokyo gas transmits and distributes electric power using transmission and distribution grids owned and operated by power transmission and distribution operator.

Deregulated

Retail

Our strengths and achievements

- Utilizing our sales network, which is closely linked to local communities, we supply electric power as a retail service to 1.13 million customers (as of march, 2018).
- We also maintain alliances with other companies.

City gas

Meaning and Objectives of Gas System Reforms

Securing a stable supply of city gas and **increasing its use**

Lowering city gas rates and **increasing customer satisfaction**

Expanding choices for customers and **enhancing safety at customer sites**

Production

Deregulated

Our strengths and achievements

- Tokyo Gas owns four LNG terminals in the Kanto region. Utilizing these four terminals (the Negishi, Ohgishima and Sodegaura LNG terminals in Tokyo Bay, and Hitachi LNG terminal in Ibaraki Prefecture), we are driving stable and efficient terminal operations.

Supply

Regulated business

Obligations of fair operation and guarantee of final (last resort) supply to all retail operators

Our achievements

- Tokyo Gas's pipeline network covers a total distance of over 60,000 km in the Kanto region. We are also expanding and enhancing our network with new infrastructure to improve our supply capabilities.
- We operate a safe and stable pipeline network.

Retail

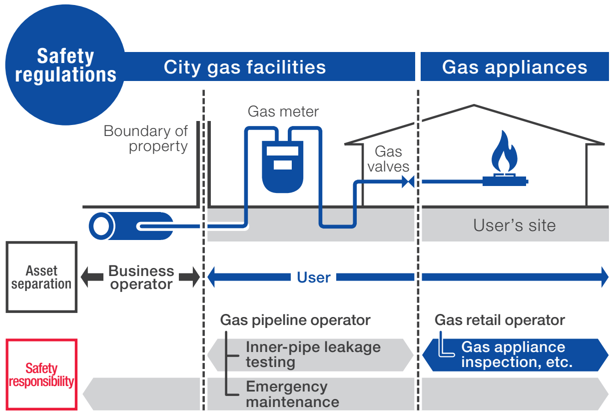
Deregulated

Our strengths and achievements

- Our sales organization is closely linked to local communities.
- We also have the capability to propose a variety of energy solutions.

Division of safety responsibility

Gas retail operators, including new market entrants, are obligated to perform gas appliance inspections and engage in risk prevention publicity. However, as the existing gas operators have know-how regarding these obligations, the market environment has been prepared to make it easy for new entrants to outsource these duties to existing operators.



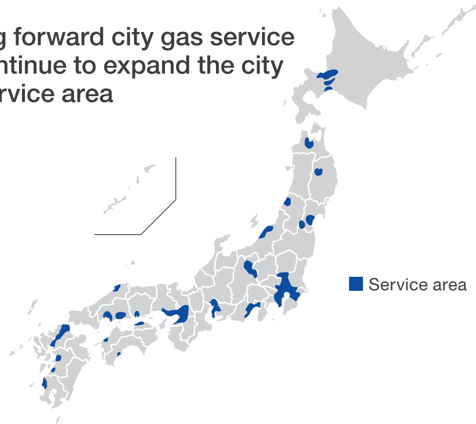
Full Deregulated Market of the Electricity and Gas

		Number of companies*	Approximate potential customers (Million)	Approximate market size (¥ trillion)
Electricity		10	85	8.0
	Within TEPCO's domain		29	2.8
City gas		203	26	2.4

*Former general electric power operators, former general gas operators
*From materials officially announced by the Ministry of Economy, Trade and Industry

Expansion of city gas service area

Moving forward city gas service will continue to expand the city gas service area



Because city gas business developed through efficient pipeline network construction, utilizing economies of scale, the supply areas are centered primarily around urban areas, and city gas business do not currently operate in regions with low population densities or low industrial concentrations.
In Japan, city gas business rely on LNG imports from overseas for the majority of our raw materials, and have established a supply infrastructure, within the scope of reason, by constructing LNG terminals in proximity to major consumer areas. Because of this history, the development of a nationwide gas pipeline network has not progressed in the same way as the electric power business.
In the Japanese government's gas system reforms, too, experts have pointed out the necessity for developing an overall optimal pipeline network, and considerations are currently underway with regard to this.

Business overview

Gas business

GAS BUSINESS

City Gas and LNG sales

Outline

Applications of gas from the Tokyo Gas Group span a wide range, from household cooking, heating, and hot water, to commercial air conditioning, industrial use, power generation, and other uses. The Tokyo Gas Group has also extended its coverage from the Kanto region encompassing Tokyo and its adjacent three prefectures (Kanagawa, Chiba, and Saitama) to North Kanto (Ibaraki and Tochigi), by lengthening its pipeline network to serve more customers and cater to more demand.

Number of customers	Gas sales volume	Segment profits
11,678 thousand	15.57 billion m^3	¥116.6 billion
FY2017	FY2017 Equivalent to approximately 45% of total nationwide gas sales volume in Japan	FY2017

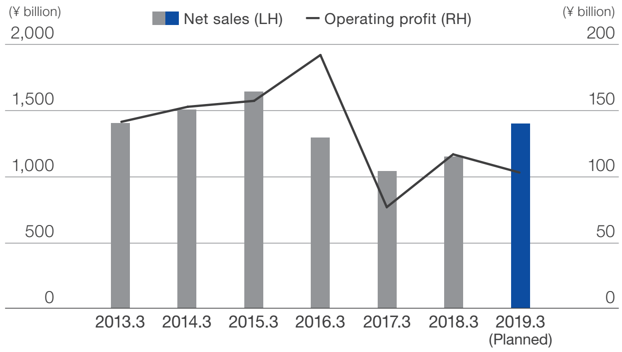
Strengths

- Customer base of over 11 million customers and the trust relationship with customers who have close ties with local communities
- Delivery of safety and reliability to customers for many years
- The Kanto region centered around Tokyo, with its high concentration of production and consumption, as our primary sales area (the Kanto region accounts for around 40% of Japan's total GDP)
- Safety-related know-how and energy solution technology capabilities

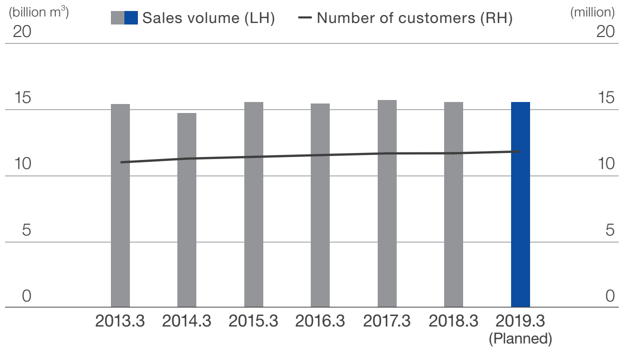
Risks

- Difficulties in raw materials procurement due to the impact of geopolitical risks, etc., with regard to raw materials imports
- Supply issues due to damage to production and supply facilities stemming from a large-scale disaster
- Intensified competition driven by market deregulation; decline in demand caused by changing lifestyle

Net sales and Operating Profit



Gas Sales Volume and Number of Customers



Factors affecting revenues and expenses P59

Case Study (Materials Procurement)

Cove Point LNG Project

In May 2018, Tokyo Gas began receiving its first shipments of LNG in Negishi LNG Terminal from the Cove Point LNG Project, our first project procuring LNG from a gas-rich shale source in the United States.
Based on the memorandum of understanding on a strategic alliance signed with Centrica (Centrica LNG Company Limited, a subsidiary of leading UK-based energy and services company Centrica plc) — one of the UK's leading energy companies—in November 2016, Tokyo Gas will aim to create a framework to exchange its LNG with LNG procured by Centrica in the Asia-Pacific region, and enable cost reductions by improving efficiency in the transportation of LNG.

Project Benefits

1 Diversify resource suppliers
The Cove Point project is our first project to procure LNG from a gas-rich shale source in the United States

2 Diversify contract terms and conditions
Linked to the U.S. natural gas prices, no restrictions on shipping destinations

3 Diversify our LNG network
We are developing an LNG value chain linking Asia, North America and Europe (aiming to achieve the concrete realization of the memorandum of understanding on a strategic alliance signed with Centrica (UK))

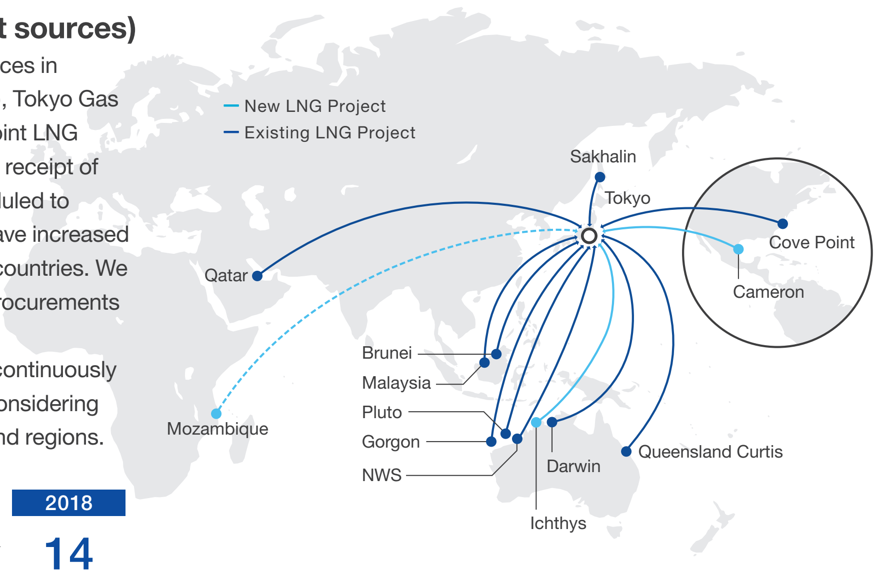
Japan relies heavily on imports for procuring natural gas. LNG import prices are generally determined by a mechanism linked to the price of crude oil. With the aim of achieving stable and affordable LNG procurement under these conditions, the Tokyo Gas Group is driving three types of diversification: diversification of resource suppliers (procurement sources), diversification of contract terms and conditions, and diversification of its LNG network.

Diversification 1

Resource suppliers (procurement sources)

In addition to its conventional procurement sources in Southeast Asia, Australia, and Sakhalin (Russia), Tokyo Gas has also begun receiving LNG from the Cove Point LNG Project in the United States. Upon commencing receipt of LNG from the Ichthys Project in Australia (scheduled to commence during fiscal 2018), the Group will have increased its number of LNG suppliers to 14 projects in 6 countries. We have also reached a basic agreement on joint procurements with Centrica (UK) in Mozambique, Africa.

Through efforts such as these, we are working continuously to enhance the stability of our LNG supply, by considering LNG procurement from a wide range of areas and regions.



Number of LNG procurement projects	2002	2017	2018
	7 projects	12 projects	14 projects

Diversification 2

Contract terms and conditions

By adding contracts linked to US natural gas prices and other benchmark indicators, in addition to conventional crude oil price-linked contracts, we aim to stabilize our procurement costs. We also plan to increase the number of contracts with no restrictions on shipping destinations and other matters, and increase our ratio of short-term "spot" procurements, in order to enhance our flexibility.

Conventionally

Linked to crude oil prices, long-term contract periods, restrictions on shipping destinations

In the future

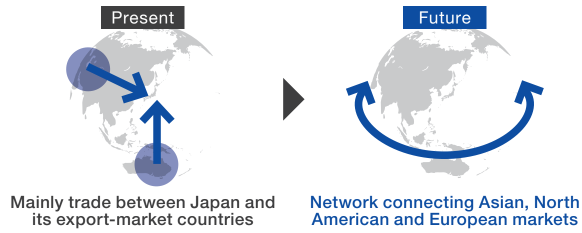
Diversification of price indexes
Diversified contract periods, destination free clause

Stable prices

Diversification 3

LNG Network

By establishing an LNG network that connects the markets in Asia, North America and Europe, we aim to improve LNG transportation efficiency, reduce cost differentials in market prices among regions, and increase our flexibility; which will contribute to making supply and demand adjustments.



Message

Materials Department
Trading Group

Nobuyuki Fujimori

With the full deregulation of the electric power and gas markets, uncertainty with regard to demand for city gas is increasing, and there is a growing need for more flexible handling of demand fluctuations and more competitive LNG procurement. In order to tackle issues such as these, Tokyo Gas is expanding the scale of its LNG trading activities.

As a concrete example, we are engaged in initiatives to increase options for making flexible adjustments to supply and demand, such as by aiming to reduce raw material costs (such as by reducing shipping distances and Panama Canal transit tolls) by exchanging cargo-unit volumes of LNG procured by Tokyo Gas in the United States with LNG procured by the Centrica Group (UK) in the Asia-Pacific Region.

Moving forward, we will aim to further improve our competitiveness and flexibility by continuing to increase trading with alliance partners both in Japan and overseas.

Sustainable Development Goals

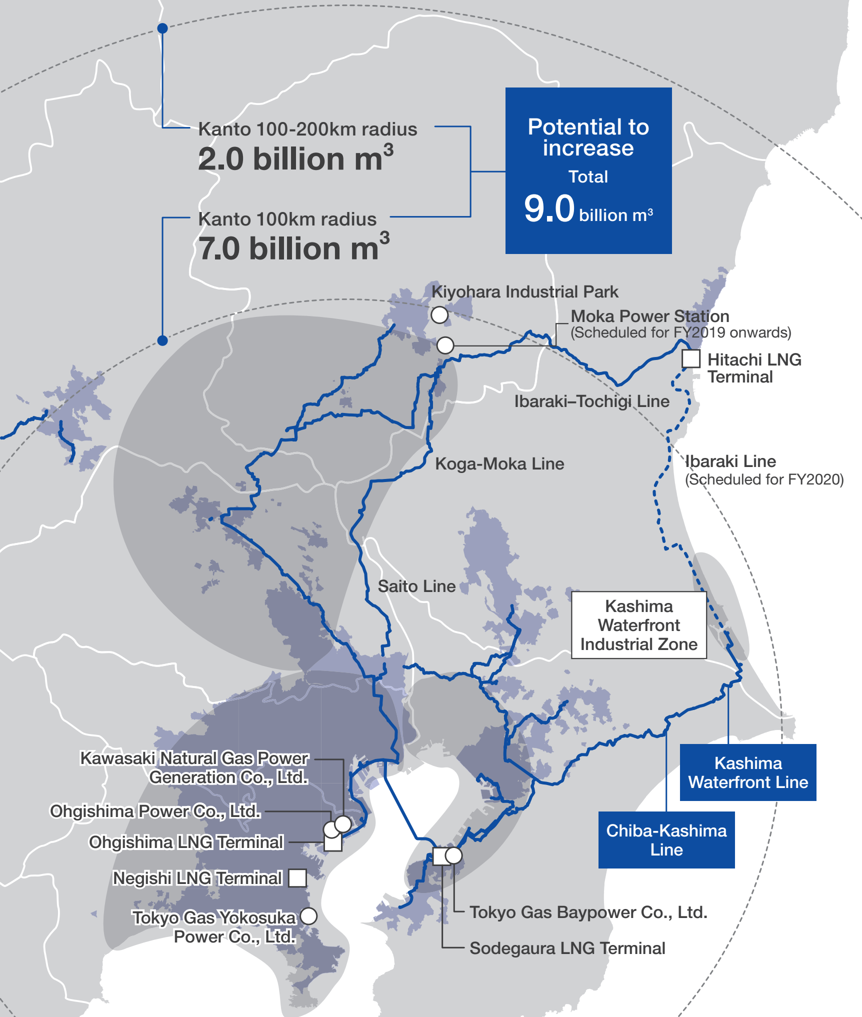
Initiatives Towards Achieving the Sustainable Development Goals (SDGs)

Further diversification of our LNG network beginning with the Cove Point Project

- In May 2018, Tokyo Gas began receiving shipments of LNG produced at Cove Point, Maryland, United States.
- During fiscal 2018, Tokyo Gas plans to begin procuring LNG from the Ichthys Project in Australia, and has also reached a basic agreement on joint procurements with Centrica (UK) in Mozambique, Africa. With the inclusion of these and various other projects, Tokyo Gas is advancing the diversification of its procurement sources.
- In addition, by driving three types of diversification in procurement, such as in its initiative to exchange LNG in cargo-unit volumes based on the memorandum of understanding on a strategic alliance signed with Centrica, Tokyo Gas is accelerating the construction of an LNG network connecting Japan to the rest of the world.

Business overview

Gas business



Expansion of Natural Gas Usage through Infrastructure Development

Plans to invest ¥500 billion in gas business over a three-year period (FY2018-2020)

Under the GPS2020 management plan, Over a period of three years (FY2018-2020), Tokyo Gas plans to invest ¥500 billion, equivalent to approximately half of the total amount of investments for the overall plan, to enable the safe and stable delivery of city gas to customers.
In addition to investments for security, stable supply, and promotion and expansion of city gas usage (maintenance and improvement of pipeline facilities, etc.), we will also carry out large-scale improvements to equipment and facilities, including the completion of the Ibaraki Line, expansion of the Hitachi LNG Terminal, and the construction of a customer information management system.

Significant potential demand in the Northern Kanto area

Tokyo Gas puts particular strategic emphasis on the Northern Kanto area, which has strong potential demand for natural gas owing to its numerous large-scale industrial districts. We aim to expand gas sales volume from 19.1 billion m^3 in fiscal 2017 (forecast at the time of formulation of GPS2020) to 20.7 billion m^3 by promoting and expanding the widespread use of natural gas by extending the length of our pipeline network and lorry supply; and providing energy solutions including energy conservation, CO_2 reductions and cost reductions via the use of natural gas and gas appliances.

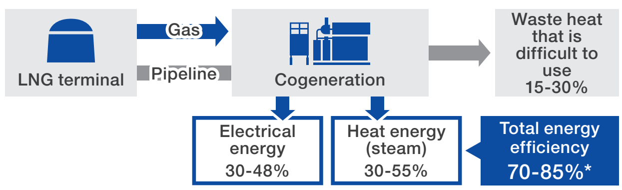
Promoting the widespread use and expansion of distributed energy systems

Cogeneration systems supply electricity and heat by using city gas as fuel. In addition to the installation of facilities at the point of demand, cogeneration systems help enhance energy efficiency, reduce the amount of CO_2 emissions, and improve economic efficiency through the conservation of energy by effectively utilizing both electricity and waste heat. Having identified cogeneration system as a strategic product, Tokyo Gas is promoting adoption of the residential fuel cell system ENE-FARM and, for commercial and industrial customers, optimal cogeneration systems matching their demand.

Installation Results (March 2018)

ENE-FARM	Cogeneration System
Reached 100,000 units in cumulative sales of ENE-FARM	2.07 million kW (equivalent to the capacity of about 2 nuclear power stations)

Cogeneration System (Commercial, Industrial)



*Energy efficiency stated above is calculated based on certain assumptions made by Tokyo Gas.

Wider Energy Supply Business
Area-wide Energy supply to Kiyohara Industrial Park

We are proceeding with construction of an energy center, mainly consisting of a 30 thousand kW-class cogeneration system, to supply electricity and heat to multiple facilities (three companies and seven facilities) in the Kiyohara Industrial Park in Utsunomiya City, Tochigi Prefecture. The Tokyo Gas Group, to achieve maximum efficiency in serving these customers,will monitor the fluctuating load of each facility and engage in optimally balanced operation to supply energy. This will be one of the largest area-wide energy supply undertakings in an inland industrial park in Japan. We are promoting widespread use and expansion of distributed energy systems and tapping industrial demand.

Promoting and expanding the widespread use of gas in the Northern Kanto area

Achievements of the Chiba-Kashima Line

The Chiba-Kashima Line commenced operation in March 2012, and has succeeded in dramatically increasing our gas sales volume in Kashima waterfront industrial zone.
As a result, our gas sales volume in that area has grown to such an extent that it now accounts for approximately 10% of our total consolidated gas sales volume.

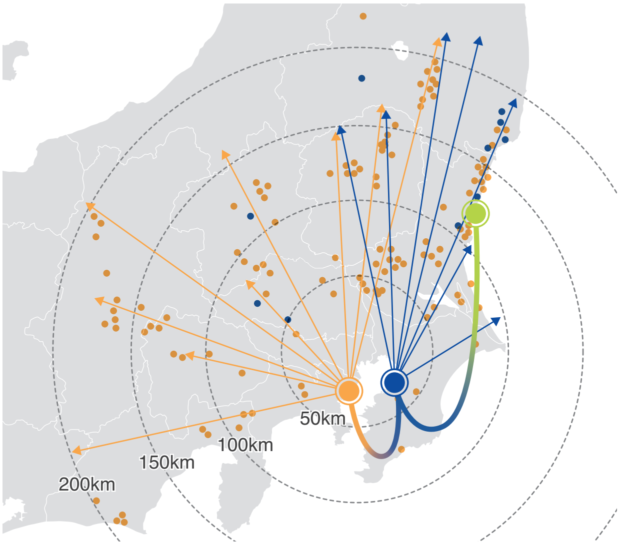
Securing Potential Demand in the Kanto Area

In October 2015, Tokyo Gas commenced operation of its Saito Line (connecting Soka, Saitama and Koga, Ibaraki). This was followed by the opening of our Hitachi LNG Terminal and the Ibaraki-Tochigi Line (between Hitachi, Ibaraki and Moka, Tochigi) in March 2016; and the Koga-Moka Line (between Koga, Ibaraki and Moka, Tochigi Prefecture) in October 2017. By linking our three LNG terminals in Tokyo Bay and our existing trunk line network, we have completed a loop of high-pressure trunk lines in our primary supply area, and improved the stability of our supply infrastructure.
Capitalizing on our infrastructure development efforts, Kobelco Power Moka is constructing a natural gas-fueled thermal power plant in Moka City, Tochigi Prefecture. In addition to an expected increase in gas sales volume by supplying gas to this power plant, we are also working to further develop potential demand.
Additionally, we are constructing a new Ibaraki Line that will connect the cities of Hitachi and Kamisu in Ibaraki Prefecture, aiming to commence operation in fiscal 2020. The completion of this line will enable even greater widespread promotion and expansion of natural gas usage in the Kanto region.

Lorry-based LNG sales

Even in regions where gas pipelines have not been laid, Tokyo Gas is enabling the use of natural gas by transporting LNG using lorries. We have a track record of over 40 years transporting LNG in this way since 1969, and have the largest scale lorry-based supply business in Japan, with over 190 vehicles.

Lorry supply area map



Liquid gas business

Outline

Tokyo Gas operates a liquid gas business, in which it sells LPG to customers in locations outside its city gas supply area and/or those who otherwise do not use Tokyo Gas gas, and utilizes LNG cold energy to manufacture and sell industrial gases.

Number of customers		Segment profits
Direct sales	Distributors	
60 thousand	240 thousand	¥1.7 billion
FY2017	FY2017	FY2017

Expanding business operations through alliances with other LPG business operators, etc.

By forming alliances and collaborating with various LPG industry players, Tokyo Gas will seek to achieve highly-efficient delivery and improve maintenance and customer service levels, to achieve a business scale of around 1 million customers by fiscal 2020.

Utilizing LNG cold energy to manufacture and supply industrial gases

We make effective use of LNG cold energy, to manufacture and supply affordable high-grade industrial gas. We are also seeking to enhance our sales capabilities by offering one-stop solutions to large-account customers by combining LNG, engineering, and other Tokyo Gas services.

Structure of Tokyo Gas Liquid Holdings

Tokyo Gas Liquid Holdings

- Tokyo Gas Energy
  Sales of LPG
- Tokyo Gas Chemical
  Manufacturing and sales of industrial gas, utilizing LNG cold energy

Examples of alliances with LPG business operators

Established Gas Crew Co., Ltd. logistics management company (July 2018)
Astomos Energy Corporation, ENEOS Globe Corporation

Comprehensive alliances
Astomos Energy Corporation (October 2016)
Saisan Co., Ltd. (February 2017)

Test project to validate IoT-based remote meter-reading/telemetry (June 2017)
Azbil Corporation, Azbil Kimmon Co., Ltd.

Business overview

Electric power business

ELECTRIC POWER BUSINESS

Outline

Since 2000, when the Tokyo Gas Group began to generate and supply electric power, it has engaged in a comprehensive range of business activities that extend from fuel procurement to power generation and sales. Among the new entrants to the sector following the start of deregulation, we own one of the largest power stations in the Greater Tokyo region, and sell generated power to wholesale and large-lot customers. With the full deregulation of the electric power retail sector in April 2016, we also began selling electricity to residential and commercial customers.
By providing customers with value such as value for money, peace of mind, simplicity and convenience, we will continue to expand our electric power business operations and thereby increase our corporate value.

Number of Retail Customers	Electricity Sales Volume	Segment profits
1,130 thousand	14.66 billion kWh	¥9.6 billion
FY2017	FY2017	FY2017

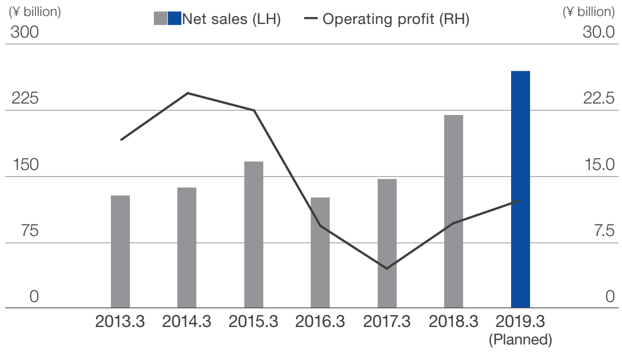
Strengths

- Some of the largest-scale, most highly-efficient power sources among the new power suppliers in the Greater Tokyo region
- Community-based sales network (operated by Tokyo Gas Lifeval, Enesta, etc.) and over 11 million customers as a base
- Power source infrastructure, operational know-how and systems aligned with both wholesale and retail sales

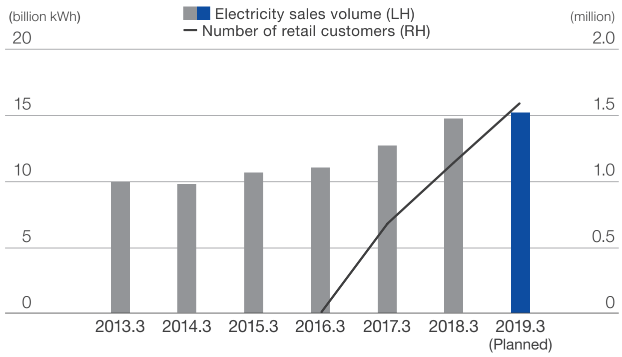
Risks

- Decline in price competitiveness of LNG thermal power generation, associated with changes in prices of raw materials and fuels
- Potential damage to power generation facilities and supply issues of raw materials and fuels, stemming from a large-scale disaster

Net sales and Operating Profit



Electricity Sales Volume and Number of Retail Costomers



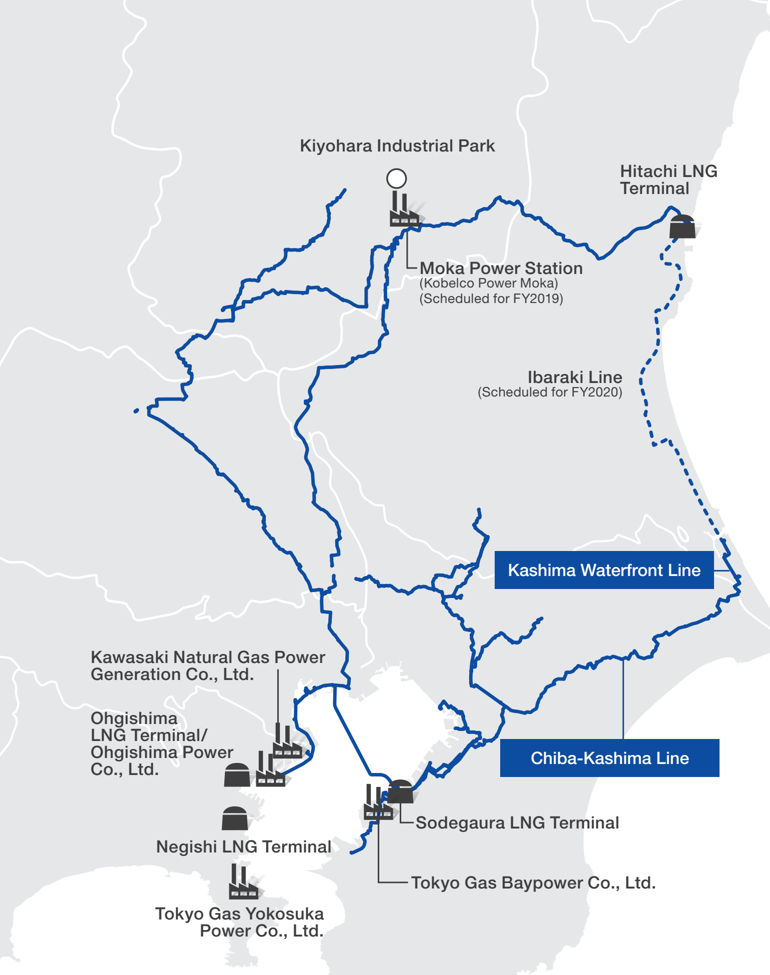
The era of single-source providers of electricity and gas

For many years, customers in Japan were only able to buy electricity from electric power companies, and gas from gas companies. With the full deregulation of the electric power and gas retail markets, consumers in Japan can now purchase both electricity and gas from a single supplier, just as in the EU and the US.
Based on this, the Tokyo Gas Group will aim to expand its energy business through the proposal and deployment of optimal energy systems.

Full Deregulated Market of the Electricity and gas

	Number of companies*	Approximate potential customers (Million)	Approximate market size (¥ trillion)
Electricity	10	85	8.0
	Within TEPCO's domain	29	2.8
City gas	203	26	2.4

*Former general electric power operators and former general city gas operators
*From materials officially announced by the Ministry of Economy, Trade and Industry



Achievements over the past two years since the full deregulation of the electric power retail market

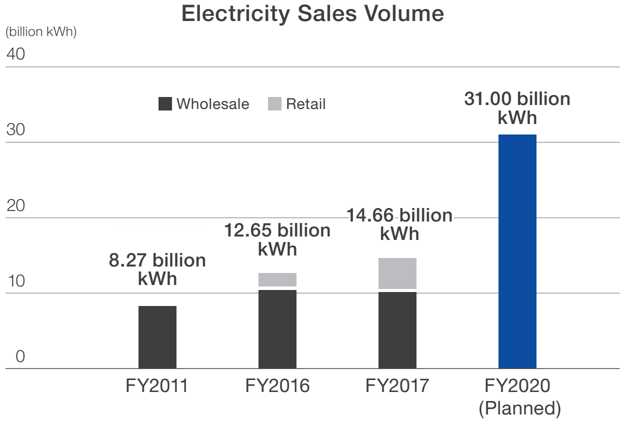
We have marketed and provided the “Always Plan,” a one-stop package that delivers gas, electric power, and various other services, to support our expansion into the electric power retail market. As of March 31, 2018, we are now supplying electric power to 1.13 million customers. In fiscal 2017, following on from 2016, we again secured the No. 1 market share position among new entrants in the low-voltage market.

Moving forward, we will establish new payment rate plans and develop our range of services so that more customers may continue to feel that they are receiving a service that represents good value, with the aim of delivering Tokyo Gas Group electric power services to 2.2 million customers by fiscal 2020; and continue to increase the number of customers to whom we provide gas, electricity and other services as a one-stop package.

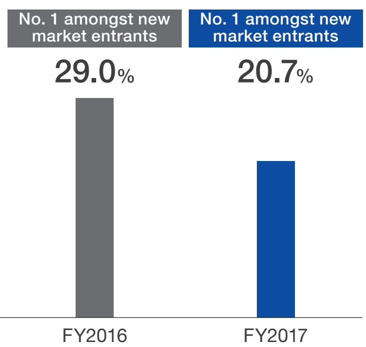
Selling approximately 5% of electricity demand in the Greater Tokyo Area

The Tokyo Gas Group launched its electric power business in the year 2000. Seizing the opportunity of the full deregulation of the electric power retail market in 2016, the Group expanded its sales to residential and commercial customers, in addition to the existing wholesale segment, selling an electricity volume of around 14.7 billion kWh in fiscal 2017. This volume is equivalent to around 5% of total demand in the Greater Tokyo Area. By 2020 we plan to expand this volume to 31.0 billion kWh, equivalent to around 10% of total demand in the Greater Tokyo Area.

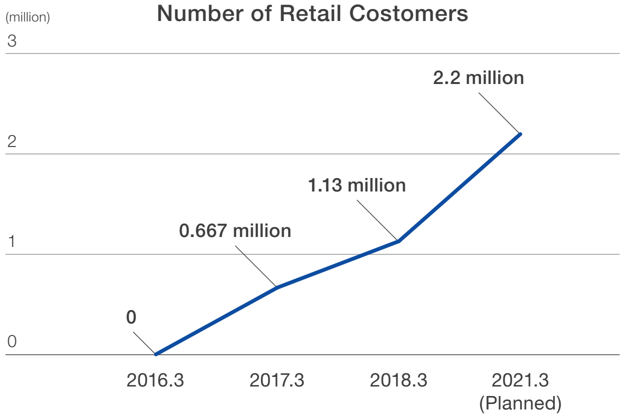
Electricity Sales Volume



Market Share Amongst New Electric Power Market Entrants (Low-Voltage Market)



Number of Retail Costomers



Sustainable Development Goals

Initiatives Towards Achieving the Sustainable Development Goals (SDGs)

Helping to prevent global warming through power generation

- With its high-efficiency gas-fired thermal power stations, adopting the latest cutting-edge gas turbine combined cycle technology, and wind power generation facilities, Tokyo Gas is contributing to the prevention of global warming.
- We have also decided to accept supply of electric power from Moka Power Station, which is currently under construction by Kobelco Power Moka Inc., and are driving the development of renewable energy power sources such as photovoltaic and wind power generation, such as through the signing of a capital partnership agreement with Shizen Energy Inc.

*Scale of output from Tokyo Gas owned power sources: 1.6 million kW

7 AFFORDABLE AND CLEAN ENERGY
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
13 CLIMATE ACTION
17 PARTNERSHIPS FOR THE GOALS

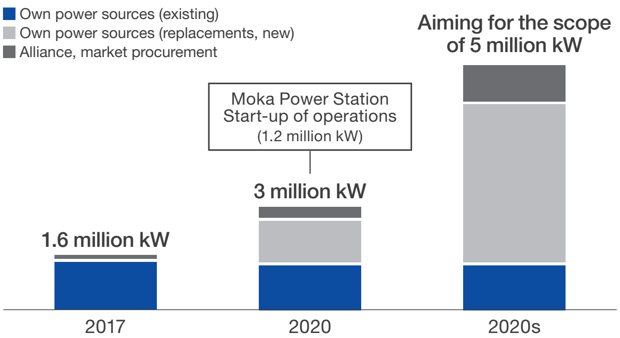
Business overview

Electric power business

Expand power sources

Prompted by the full deregulation of the electric power retail market in 2016, Tokyo Gas began delivering electricity to low-voltage residential and commercial customers, in addition to serving the wholesale market.
To do so, and to match the growth of our sales stock with the aim of delivering electric power to 2.2 million retail customers by fiscal 2020, we will continue to increase and expand our network of Tokyo Gas owned power sources.
In line with our targets of achieving approximate total power output of 3.0 million kW by fiscal 2020 and 5.0 million kW during the coming decade, we are developing our own power sources while at the same time making effective use of alliance power sources (electric power purchasing agreements with power companies, etc.) and market sources.
In addition to the Tokyo Gas Group's own power stations, it has been agreed that electric power generated at Moka Power Station, which is under construction by KOBELCO, one of Japan's largest Independent Power Producers (IPPs), will be supplied to Tokyo Gas.

Electric Power Expansion Plan



In addition to our competitive natural gas-fired thermal power sources and base load supply sources, we will also promote initiatives aimed at expanding renewable power sources, in order to address the issue of preventing climate change.

The Group's Natural Gas-Fired Thermal Power Plants

Tokyo Gas Baypower Co., Ltd.	
Generation capacity	Owned power
0.10 millon kW 0.1 million×1unit	0.10 millon kW
Start of operations **2003**	Tokyo Gas interest **100%**

Tokyo Gas Yokosuka Power Co., Ltd.	
Generation capacity	Owned power
0.24 millon kW 0.24 million×1unit	0.18 million kW
Start of operations **2006**	Tokyo Gas interest **75%**

Kawasaki Natural Gas Power Generation Co., Ltd.	
Generation capacity	Owned power
0.84 millon kW 0.42 million×2unit	0.40 million kW
Start of operations **2008**	Tokyo Gas interest **49%**

Ohgishima Power Co., Ltd.	
Generation capacity	Owned power
1.221 millon kW 0.407 million×3unit	0.90 million kW
Start of operations **2010**	Tokyo Gas interest **75%**

Procurement of Group-owned power sources and alliance power sources

Construction of the Moka Power Station (gas-fired power generation, approximately 1.2 million kW, all to be purchased by the Tokyo Gas Group) is progressing smoothly towards starting operations in fiscal 2019.
To further expand our range of power sources, we are continuing our evaluations for the Chiba-Sodegaura Energy (joint investment with Kyushu Electric Power and Idemitsu Kosan), and a thermal power plant project in Ibaraki Prefecture, among others.

Moka Power Station (image)

Development of renewable energy sources

By developing renewable energy technologies (such as photovoltaic and wind power generation) with a sense of urgency, and utilizing alliances with relevant companies, Tokyo Gas will seek to bolster its renewable energy source initiatives.
We will also engage in proactive investment and development projects with the aim of achieving a power generation capacity of 0.4 million kW from renewable energy sources by the early 2020s.

Renewable Energy Projects

Feb. 2017	Formed a business alliance with Shizen Energy Inc., with the objective of acquiring around 60 thousand kW of photovoltaic solar power generation sources
May 2018	Acquired a partial stake in SFK Power LLC., which has a total power generation capacity of 9.7 thousand kW
Jun. 2018	Signed an agreement with Photon Japan LLC., with the aim of jointly developing photovoltaic power stations with a power generation capacity of 30 thousand kW

Expand electricity sales to low-voltage customers

Through its city gas business, the Tokyo Gas Group has built up an extensive network and customer base of 11 million customers. Together with our key values of value for money, peace of mind, simplicity and convenience, we supply optimal energy services to match the the actual usage needs of customers, in combination with a range of lifestyle services.

Community-based sales network

The Tokyo Gas Group has established a community-based sales network with around 200 outlets in the Kanto region (including Tokyo Gas Lifeval, Enesta and Enefit), enabling us to tailor our services to fit the needs of individual customers.
Through its 10,000 employees, Lifeval has built strong relationships of trust with over 11 million customers. As the "face" of Tokyo Gas Group, Lifeval employees interact directly with customers and engage in a wide array of services ranging from the sale and maintenance of gas appliances and opening/closing of gas fixtures when customers move house, to gas appliance safety checks and gas meter reading.
In retail sales of electricity, too, through push-type marketing making effective use of such opportunities for direct contact with customers, we will continue to steadily accumulate more contracts to enhance our customer base.

Alliances with various industry partners

Tokyo Gas has formed business partnerships with a total of 48 companies (including wholesale customers such as gas business operators and LPG vendors) regarding the sale of low-voltage electric power. Through this network, we will continue to sell electricity to customers in the Greater Tokyo Area.

Expand electricity sales to high-voltage and extra-high-voltage customers

Through the establishment of Ennet in 2000, as a joint venture with NTT Facilities and Osaka Gas, we have worked to expand our electricity sales.
In October 2015, we established Synergia Power Co., Ltd., as a joint venture with Tohoku Electric Power Co., Ltd.
As of April 2016, Synergia began selling electricity to high-voltage and extra-high-voltage customers in the Kanto region, primarily in the Northern Kanto area.

Ennet

Corporate name	ENNET Corporation
Established	July 7, 2000
Main business	Electricity trading and electricity generation
Shareholders	NTT Facilities 40%; Tokyo Gas 30%, Osaka Gas 30%

SYNERGIA POWER

Corporate name	Synergia Power Co., Ltd.
Established	October 1, 2015
Main business	Electricity retail supply to high-voltage and extra-high-voltage customers in the Kanto region, mainly in its northern area
Shareholders	Tohoku Electric Power 50%; Tokyo Gas 50%

Expanding our services towards our goal of securing 2.2 million electric power retail customers

Tokyo Gas Electricity – Electric Power Retail Division

Customer Satisfaction

No.1

FY2017 JCSI Survey of Electric Power Retail Divisions
(JCSI: Japanese Customer Satisfaction Index)
Companies surveyed: five new electric power retail market entrants

Always Plan

Provide value for money, peace of mind, simplicity and convenience

Gas
- General Tariff
- Always Gas
- Tariffs for the specific gas equipments ("Danran Plan"etc.)

Power (Electricity)
- Always Electricity 1S
- Always Electricity 1
- Always Electricity 2
- Always Electricity 3

Services

Always Reliable Services
- Gas Fixture Troubleshooting Support
- Gas Fixture Special Support
- Electricity Fixture Troubleshooting Support
- Emergency Home Assist Service
- Residential Monitoring Services

Always Home Support
- Plumbing trouble response
- Minor home improvements, repairs and renovations
- Home safety measures
- House cleaning and delivery cleaning

"my TOKYOGAS" (the service for Web members)

Tokyo Gas Triple Discount Plan for gas, electricity and internet

Message

Living Service Division
Energy Proposal Promotion Department
Hideo Horikoshi

The entire Tokyo Gas Group is currently working together as a team, engaging in various initiatives, with the goal of delivering Tokyo Gas Group electric power to 2.2 million customers by fiscal 2020. Specifically, we are securing new customers by proposing the key values—value for money, peace of mind, simplicity and convenience—offered by our electric power services, through a combination of TV commercials, direct mail promotions and other PR techniques, and individual home sales visits.
We also negotiate and form business partnerships (alliances) with real estate management companies (which are responsible for the management of high rise condominiums and apartment buildings, etc.), as well as various business partners and companies in other business sectors with which the Group has formed relationships. Through these alliances, these companies introduce our electric power services to their customers, in some cases leading to us securing new electric power contracts with those customers.
One thing that I feel keenly in my day-to-day duties as a sales representative is the power of the Tokyo Gas brand. We are trusted by customers as a company that has extensive experience and expertise in the field of energy, and I feel that this is a major advantage when it comes to selling electricity.
Moving forward, I will continue striving to propose our services and solutions to customers in a sincere, detailed and easily-understandable manner, so as not to betray that trust.

Business overview

Service business

SERVICE BUSINESS

Engineering Service

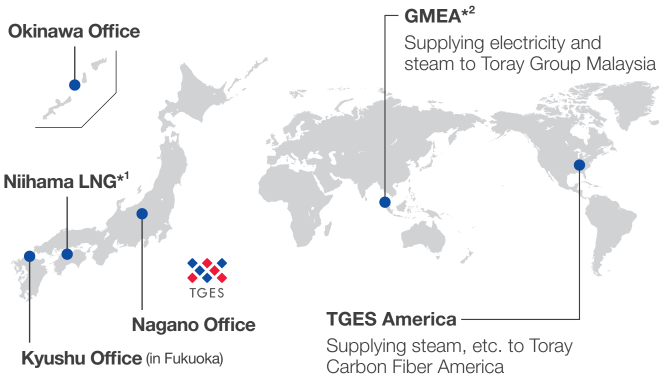
Outline

For almost half a century, since introducing LNG to Japan for the first time in 1969, Tokyo Gas has consistently handled processes across the entire LNG value chain, including both upstream and downstream processes, from procurement and transportation to manufacturing and supply, sales and energy solutions.
Utilizing the technological capabilities and know-how developed through these processes, Tokyo Gas provides one-stop solutions to match the needs of customers both in Japan and overseas, including LNG terminals, pipelines, district heating and cooling, and energy services.

Net sales	Operating profit
¥118.1 billion FY2017	¥3.5 billion FY2017

From Kanto to the whole of Japan, and to the world

Tokyo Gas Engineering Solutions Corporation (TGES) was established in April 2015, by integrating the Group's capabilities in engineering and energy solutions. In April 2017, TGES opened new offices in Nagano and Fukuoka. Following on from this, in April 2018 we also opened a new office in Okinawa, while in Ehime Prefecture we established Niihama LNG Co., Ltd., as a joint venture with four other companies, including local companies, that will engage in engineering service business operations together with TGES.
By partnering with energy suppliers in various regions and utilizing its technological capabilities and know-how, TGES provides engineering solutions to customers both in Japan and overseas.



*1 Niihama LNG Co., Ltd. (TGES: 50.1%, YONDEN Shikoku Electric Power Co., Inc.: 30.0%, Sumitomo Chemical Co., Ltd.: 9.9%, Sumitomo Joint Electric Power Co., Ltd.: 5.0%, Shikoku-Gas Co., Ltd.: 5.0%)
*2 GAS MALAYSIA ENERGY ADVANCE Sdn. Bhd. (Gas Malaysia Co.:66%, TGES:34%)

Providing individual solutions as a bundle

By bundling TGES' various engineering solutions to cater to the specific needs of customers, we provide an optimal engineering service.

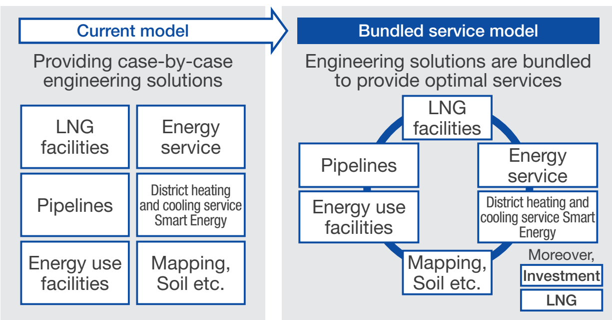
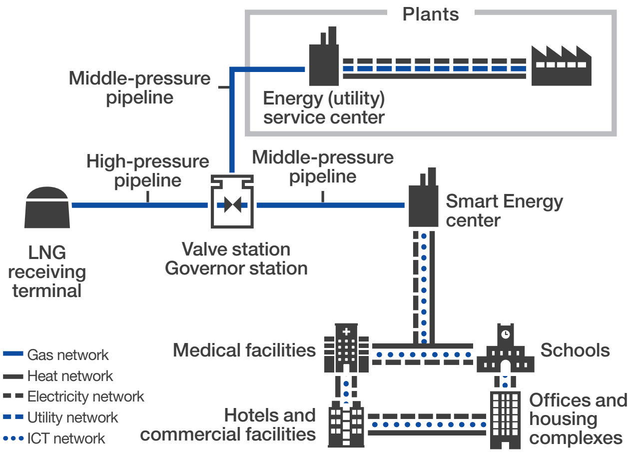


Diagram of Engineering Solution Supply



Niihama LNG Project

Bundling engineering and energy services

Niihama LNG Project: Constructing an LNG terminal in collaboration with YONDEN (Shikoku Electric Power) and the Sumitomo Group

In this joint project together with YONDEN Shikoku Electric Power Co., Inc., Sumitomo Chemical Co., Ltd., Sumitomo Joint Electric Power Co., Ltd. and Shikoku-Gas Co., Ltd., we will construct a new LNG receiving terminal at the site of Sumitomo Chemical's Ehime Works, and supply gas both to Ehime Works itself and to a new natural gas-fired thermal power station that is to be constructed by Sumitomo Joint Electric Power.
The LNG terminal, which will be the largest in the Shikoku region, is scheduled to commence operation in FY2021, with TGES participating in its design and construction, as well as LNG demand development.

Providing engineering solutions leveraging technological capabilities and know-how developed almost half a century

The Tokyo Gas Group has handled processes across the entire LNG value chain for almost half a century, including both upstream and downstream processes.
We offer the knowledge and expertise that we have accumulated through actually using the LNG terminals, pipelines, district heating and cooling centers and various other facilities and equipment that we have designed and built during that time as engineering solutions based on user's know-how, to clients both in Japan and overseas.

Engineering business

Based on accumulated user's know-how, the Tokyo Gas Group provides total, optimal engineering solutions, including those for after facilities commence operation. Since the 1980s, the Group has built up a track record of achievements both in Japan and overseas, and is involved in numerous projects in regions such as Asia, where growth in demand is becoming increasingly evident.

Case1 Thailand: LNG receiving terminal construction PMC (January 2018)

In 2014, TGES was awarded an order for assignment as a project management contractor (PMC) for the capacity expansion construction project at PPT LNG Map Ta Phut LNG Receiving Terminals, Thailand. TGES was subsequently awarded another PMC contract by PTT LNG to manage its Nong Fab LNG Receiving Terminal construction project, and is currently engaged in associated project management duties.
These projects involve the construction of new terminal facilities as part of a plan to increase LNG receiving capacity, in order to cater to the growth in energy demand in Thailand due to the nation's economic development.

PPT LNG Map Ta Phut Receiving Terminals

Case2 Bangladesh: LNG terminal feasibility study, etc. (July 2017)

TGES was awarded a joint feasibility studies and engineering contract (together with Nippon Koei Co., Ltd.,) by Petrobangla (Bangladesh Oil, Gas and Mineral Corporation) regarding the feasibility of land-based LNG receiving terminals. The project represents the first order to be received by the Tokyo Gas Group in Bangladesh.
Although Bangladesh does produce natural gas itself, it currently faces a situation in which voracious demand is exceeding the country's existing supply capabilities, and the project aims to tackle this situation.

Energy service business

Through its energy service business, TGES supplies heat, electricity, water and air by building systems—which focus primarily around gas cogeneration, but also incorporate renewable and unharnessed energy sources—to meet customer needs that include energy-saving, CO_2-reducing, cost and labor saving, and BCP (Business Continuity Planning) solutions.
We also continue to evolve and adapt by engaging in new initiatives such as smart energy networks and regional lending.

Case1 Utility services at Osaki Citizen Hospital (Osaki, Miyagi Prefecture)

TGES has constructed a multiplex energy system at Osaki Citizen Hospital that combines a city gas fueled cogeneration system and boilers with heavy fuel oil and pellet boilers.
In addition to enhancing the client's energy-saving and BCP characteristics, the system has also created an environment in which the client can concentrate on hospital administration, by taking over the role of energy-related equipment management, which was a significant burden to the client in the past.
The installation of this system is also contributing to an increase in gas sales volume for Furukawa Gas Co., Ltd., which supplies city gas to the client, making this project a triple win for the client, gas operator and service provider.

Osaki Citizen Hospital

Case2 Energy services for Toray Group (Malaysia and United States)

TGES has been commissioned to deliver energy services to overseas plants owned by the Toray Group (a Japanese corporate group). The services include the construction of energy plants with gas cogeneration systems, boilers, and other equipment (such as for air-conditioning and water treatment), and the efficient all-inclusive supply of electricity, steam, water and other resources generated using those plants.
Through efficient plant design and maintenance based on our extensive past construction and operational record, we will seek to achieve energy-saving benefits and long-term cost reductions through the delivery of optimal energy systems.

In the Niihama LNG Project, companies from industries with different backgrounds and different values are coming together to build and operate a single LNG terminal. We consider this to be an ideal project format for creating new energy infrastructure, where companies concentrate their various individual strengths and expertise to contribute to the advancement of the local economy and reducing environmental impacts, in addition to furthering their own mutual interests.
In FY2016, I was responsible for sales to the Sumitomo Chemical Group, and since FY2017 I have handled discussions with each partner company regarding the conversion to joint business operations. Because the negotiations involved multiple companies with different backgrounds and values, there were some difficult situations, but each of the companies brought their own strengths to the table, and with our passionate enthusiasm we were able to overcome numerous hurdles and eventually achieve the establishment of the joint venture company in April 2018.
Currently, all project members are running around Niihama City, working hard to get the blood of this newly born company pumping as it should. Moving forward, too, I will continue to make my very best efforts, together with the assembled members from other firms who have come together for this project, as we work towards beginning the construction this October, commencing operation in FY2021, and achieving the subsequent advancement of the entire local area and the reduction of our environmental impact.

Business overview

Service business

SERVICE BUSINESS

Urban Development Service (Real Estate)

Outline

Over the course of 130 years in business, the Tokyo Gas Group has acquired large-scale and medium-scale properties (areas of land) with high utilization value, in high-profile areas such as Shinjuku, Ginza, Tamachi and Toyosu. Utilizing sites which it owns but which are no longer required for business purposes, and with a primary focus on city center areas, the Group operates an office and residential real estate leasing business, working around the basic concept of securing stable revenues and improving asset value.

Net sales	Operating profit
¥42.3 billion FY2017	¥7.9 billion FY2017

msb Tamachi (musubu Tamachi)

Sustainable Development Goals

Initiatives Towards Achieving the Sustainable Development Goals (SDGs)

Urban Development in Tamachi Station East Exit area (North Zone)

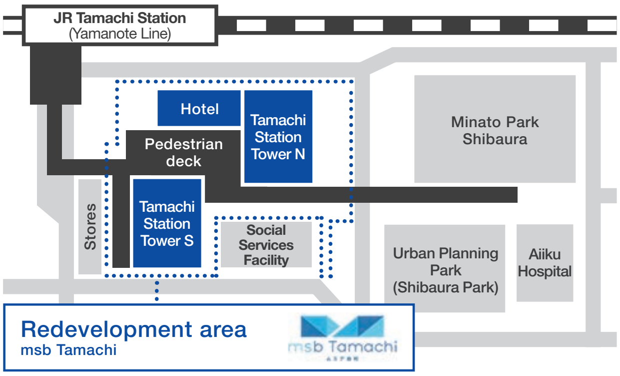
In the Tamachi Station district, Tokyo Gas is engaged in an attractive urban development project, in which offices, public facilities, hotels, hospitals and other buildings coexist with the surrounding environment. Through the implementation of a smart energy network that utilizes gas cogeneration systems, renewable energy and other smart energy features, we are helping to improve the area's energy-saving, environmental and disaster-readiness characteristics.

Office leasing business

msb Tamachi (musubu Tamachi)

At our property which connects directly to the East Exit of Tamachi Station on the JR Yamanote Line, we are engaged in the development of a smart energy network and enhanced Business Continuity Planning (BCP) functionality (such as by installing dual-fuel emergency generators that can run on both heavy fuel oil and city gas). Through this project, we aim to contribute to the local community by creating an advanced and appealing urban development and real estate leasing business. Phase I of the development (Tamachi Station Tower S and Pullman Tokyo Tamachi) was completed in May 2018, and we are currently working with the aim of completing construction of Phase II (Tamachi Station Tower N) in FY2020.

Note: Phase I: Land leasing business, Phase II: Office leasing business (based on Tokyo Gas capital investment)

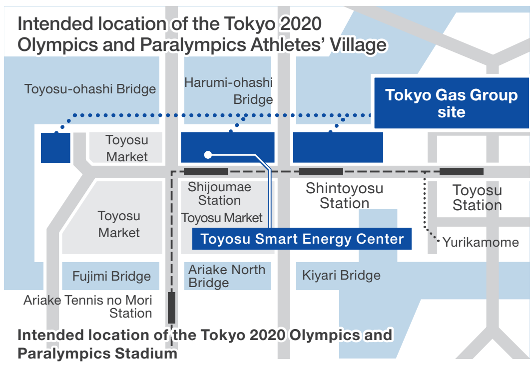


Residential leasing business

We are also engaged in proactive leasing business operations on small to medium-sized properties (as of March 2018, 9 buildings w/ 204 residential units). As we head towards the 2020s, we will aim to achieve further business growth and expansion, as we acquire more real estate properties in order to create good quality assets that are well-suited to leasing. In May 2018, we commenced construction of a rental housing complex (provisionally named Toyotama Rental Housing Complex) in Nerima-ku, Tokyo.

Toyosu mixed land area property development

The Toyosu area is situated in a prime location, approximately 4km away from Tokyo Station. With significant events ahead such as the opening of the new Toyosu Fish Market in October 2018 and the hosting of the Olympic and Paralympic Games in 2020, the area is now attracting even greater attention. The Tokyo Gas Group aims to create a new mixed land area development in Toyosu that will include both residential and commercial properties, in a development area covering approximately 17ha.



Optimal proposals with
GAS & POWER + SERVICE × GLOBAL

With GPS×G, Tokyo Gas is delivering not only gas, but gas and electricity as a set package to all customers.
In addition to proposing optimal gas and electricity plans, we will combine them with other services that meet customers' lifestyle and business needs, and use various means to deliver them to a greater number of customers.

Gas & Electric Power

Work to achieve more widespread use of city gas and LPG

Increase numbers of customers for whom we provide gas and electricity services as a set by proposing optimal energy plans that combine gas and electricity as only Tokyo Gas can

Services

Optimal proposals, implementation and maintenance for energy facility and equipment

Smart management utilizing smart meters, IoT and AI

Lifestyle and business support

New value-added proposals to address low-carbon, digitalization and new technologies

Residential Customers

Always Plan (total energy service plan)

The Always Plan is a total energy service plan that combines a gas and electricity packaged discount with various services, which customers can choose freely. Through the plan, Tokyo Gas aims for customers to enjoy value for money, peace of mind, simplicity and convenience.

Tokyo Gas's Always Plan

Gas	& Electric Power	+ Services
Always Gas +Points linked to gas rates Tariffs for the specific gas equipments ("Danran Plan", etc.)	Always Electricity +Points linked to electricity rates +Gas and electricity package discount	Always Reliable Services Simple, convenient web services Fiber-optic communications services

Provide optimal energy supplies that are aligned with customers' actual energy use

Combine services to support daily life and deliver value for money, peace of mind, simplicity and convenience

When you have any troubles in your life, think of Tokyo Gas

Tokyo Gas has prepared an extensive menu of lifestyle services to cater to the life stages and requests of individual customers, and has developed a platform that will offer one-stop services in combination with gas and electricity.

Customer

Can I make my monthly utility bill lower?	I want to talk to someone about a plumbing problem.	As working cupple we are busy and want to shorten the amount of time we spend on housework.
Customers can call us right away at our customer call center with any questions about rates or appliances.	A nearby Lifeval or Enesta representative will visit you at your home.	Using our website or myTOKYOGAS, customers can complete any necessary procedures or make use of our services at their convenience.
Energy	**Facilities / equipment**	**Services**
Gas LPG Electricity	Gas fixtures and appliances Housing fixtures and appliances Electrical fixtures and appliances Remodeling	Trouble with water equipment and facilities Residential monitoring Housework support Maintenance Energy conservation consulting New areas...
Gas and electricity usage data	Condition of customer equipment/appliances Past visit history	Data for devices using IoT

The Tokyo Gas Group

Commercial and Industrial Customers

Energy Solutions Business

Through the promotion and expansion of widespread natural gas usage by extending its pipeline network and increasing lorry-based supply, and by providing a competitive supply of electric power to large-scale customers in cooperation with partners such as ENNET and Synergia Power, Tokyo Gas is providing energy solutions that achieve benefits such as energy conservation, CO_2 reductions and cost reductions for customers.

Case Study **Saku Central Hospital** (Nagano Prefecture)

At Saku Central Hospital in Nagano, we are achieving energy conservation and cost reductions through regional energy use between multiple buildings. We are also utilizing renewable energy, through the installation of a woodchip-fueled biomass boiler. From a BCP perspective of ensuring operational continuity, we introduced a cogeneration system that restarts operation automatically in the event of a power outage, and adopted medium-pressure gas supply pipes offering a high level of resistance to seismic activity.

A biomass boiler and woodchips

Smart Menu Development

With a view toward the low-carbon society of the future, we are also working to develop a "smart menu" of services, which will introduce and utilize features such as demand response, renewable energy and storage cells (accumulators).

Supplementary Information **What is Demand Response Service?**

Demand response is a mechanism whereby electricity users adjust their volume of demand in order to match the balance of supply and demand of electric power. The Tokyo Gas Group provides this demand response service as a response to open calls from general transmission and distribution operators for load adjustment capabilities.

Business overview

Overseas business

Outline

We have expanded and increased overseas bases and staff, and have participated in LNG or natural gas related business projects in Australia, North America, and Southeast Asia, all in order to make overseas business another major source of growth for the Tokyo Gas Group, as indicated in the Challenge 2020 Vision. Looking ahead, in addition to conducting discussions with a view to further business development, we will also work to ensure efficient distribution of management resources as we advance our overseas business operations.

Strengths

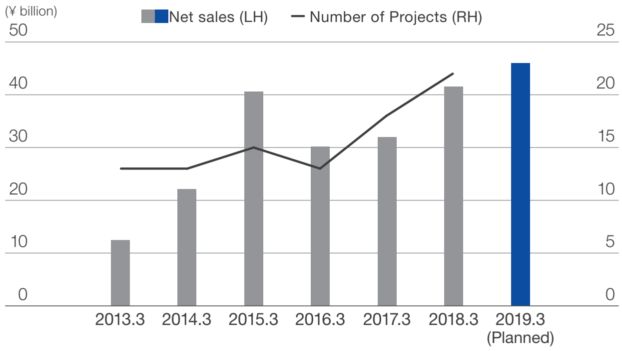
- Know-how in the midstream and downstream businesses accumulated in Japan
- Global network established through activities such as material procurement and business participation

Risks

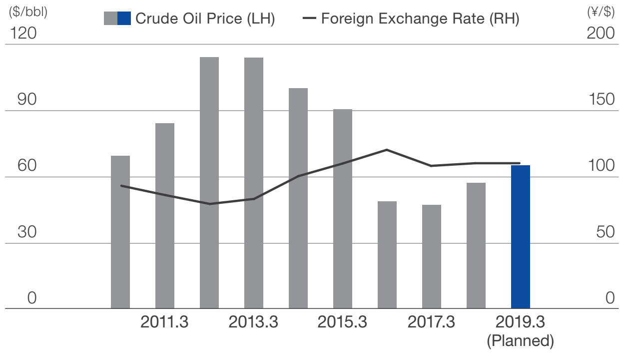
- Business operations may be stalled, or the burden of expenses may increase, as a result of country-specific laws, regulations and/or business practices
- Fluctuations in crude oil/gas prices and foreign exchange rates may impact the revenues and expenditures of all overseas business operations

Net sales	Segment profits
¥41.5 billion FY2017	¥7.7 billion FY2017

Net Sales and Number of Projects

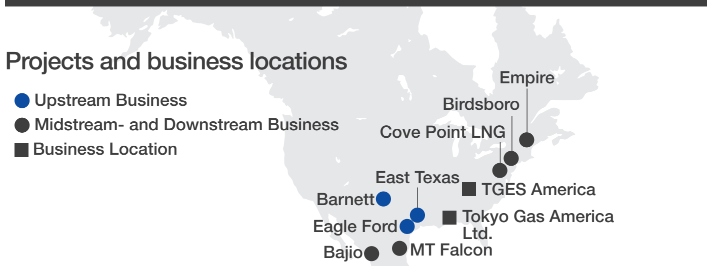


Oil Price and Foreign Exchange Rate



Building an LNG value chain

Projects and business locations



Message

Tokyo Gas America Ltd.

Nozomu Nagai

I came to work at Tokyo Gas America—which has its primary business location in Houston, Texas—in 2015. Until recently I had been responsible for new investment projects in the shale gas business, but as of 2017 I have been working on secondment at Castleton Resources LLC. ("CR"), a shale gas business company in which Tokyo Gas recently acquired shares, and have gained six months of field experience in shale gas development.

Shale gas development demands high-difficulty technological capabilities, in achieving the efficient excavation of 5,000-meter-long gas wells. This is an area in which Tokyo Gas had only limited expertise, and we are working amongst professionals with decades of experience in the business. Despite this, I worked diligently and to the very best of my abilities, and was able to identify the cause of digging difficulties occurring deep underground—where we cannot physically see—by making effective use of data. As a result, I was able to contribute to increasing our digging efficiency, which was a source of great joy and satisfaction.

I am currently working at CR headquarters, making assessments of the size of underground reserves and analyzing development costs. I am also learning about American corporate culture, organizational structure, and cost-cutting initiatives.

In the future, I will continue contributing to the further advancement of our US business operations and our overseas business operations overall, based on the experience gained during my secondment.

Aiming to develop and advance our overseas business operations as a global total energy business operator

We plan to expand the breadth and depth of our overseas business operations, in accordance with the characteristics of each region we operate in, by leveraging the global LNG value chain experience that we have developed both domestically and overseas. We will also strengthen our position in the LNG market, as the company that people associate most with LNG (i.e. “Think LNG, think Tokyo Gas.”)
Additionally, we will continue to invest in projects that contribute to the construction of energy infrastructure, with a primary focus on midstream to downstream businesses, for which we can expect to see low-volatility and stable returns. We will aim to build a portfolio that is less influenced by fluctuations in energy prices, and continue working to increase the added value of our existing projects.
We are also setting our sights on expansion into new fields of business which are expected to see a growth in demand in the future, including floating storage and regasification unit (FSRU) and renewable energy; and entry into new overseas regions where we can expect to see market growth, and where we can leverage our strengths.
The Tokyo Gas Group’s overseas operations currently span 13 business locations in nine countries. Over the past year, our participation in five new projects has been decided. These include projects in North America, which offers extensive opportunities for market entry, and in Southeast Asia, where there is growing use of natural gas.

	North America	Southeast Asia	Australia
Upstream Business	■ Operation and management of existing projects ■ Exploration of new projects	—	■ Operation and management of existing projects
Midstream- and Downstream Business	■ Gas-fired thermal power generation ■ Exploration of new projects	■ LNG terminal business ■ Gas-fired thermal power generation ■ Gas supply ■ Energy service ■ Exploration of new projects	—
Business Location	Tokyo Gas America Ltd. **Houston, Texas** TGES America Ltd. **South Carolina** Acario Ventures **Silicon Valley**	Tokyo Gas Asia Pte. Ltd. **Singapore** Bangkok Representative Office **Thailand** Jakarta Representative Office **Indonesia** Ho Chi Minh & Hanoi Representative Offices **Vietnam** Manila Representative Office **Philippines** Kuala Lumpur Representative Office **Malaysia**	Tokyo Gas Australia Pty Ltd. **Perth & Brisbane** **Others** Paris Representative Office **France**

North America

In North America, there is a substantial demand for energy. Deregulation and market trading of energy are advancing, and we can expect to see long-term growth in the natural gas market. In this market, we will continue to participate in upstream, midstream and downstream businesses. In the future, we will aim to increase synergies between individual business operations, and to acquire and use knowhow that will contribute to our other businesses both in Japan and abroad, while at the same time establishing a stable revenue base.

Birdsboro Power Plant (under construction)

Upstream Business Monitoring commodity price trends and carefully estimating the productivity and reserves of gas fields we are proceeding to form appropriate alliances with experienced operators and invest in prime assets. Tokyo Gas has so far participated in three gas development projects in the United States.

Project Name	Start of Participation	Investment ratio
U.S.A. Barnett shale gas development	**Mar. 2013**	**25%**
U.S.A. Eagle Ford shale gas development	**Jun. 2016**	**25%**
U.S.A. East Texas gas development business	**May 2017**	**30%**

Midstream- and Downstream Business When planning gas-fired power generation we will continue to use well-defined criteria to select projects in which to participate, giving due consideration to demand and supply of electricity, competition with other power sources, regulations and business environments on a state-by-state basis. We have recently participated in two gas power generation businesses in the East Coast region, where there is large-scale demand.

Project Name		Start of Participation	Investment ratio
Mexico	Natural gas-fired thermal power plant business (Bajio Power Plant)	**Oct. 2004**	**49%**
Mexico	Natural gas-fired thermal power plant business (MT Falcon Power Plant)	**Jun. 2010**	**30%**
U.S.A.	Industry-oriented energy services business (TGES America)	**Feb. 2015** (Foundation)	**100%**
U.S.A.	Natural gas-fired thermal power plant business (Empire Power Plant)	**Oct. 2016**	**25%**
U.S.A.	Natural gas-fired thermal power plant business (Birdsboro Power Plant)	**Apr. 2017**	**33.33%**

Business overview

Overseas business

Southeast Asia

Amid rapid economic growth, Southeast Asia is expected to see a rise in demand for natural gas and an increase in imports of LNG. Tokyo Gas aims to work with the respective governments of and companies in these countries in order to contribute to the building of energy infrastructure, and the introduction of natural gas in these regions.
Specifically, we will be engaging in midstream and downstream business operations including LNG terminal, gas-fired thermal power generation, gas supply and energy service businesses.
In addition to opening offices in Indonesia, Thailand, and Vietnam in 2015, we established a representative office in the Philippines in April 2017. Our ultimate goal for the future is to form an LNG value chain in Southeast Asia.

Tokyo Gas Group's Bases in Southeast Asia

Midstream- and Downstream Business In Asian countries, where LNG imports and natural gas usage are expected to increase, the Tokyo Gas Group will utilize its knowledge and experience regarding the use of LNG and natural gas in order to provide wide-ranging value to customers, from natural gas engineering to operational know-how and energy-saving services, with the aim of contributing to the development of natural gas infrastructure.
Specifically, we will seek to contribute by participating not only in tangible aspects (such as in the construction of LNG terminals, power stations and other energy infrastructure that will occur in various countries in the near future), but also intangible aspects such as demand creation, LNG terminal operation and LNG procurement. In this way, we will seek to increase our involvement and presence across the entire LNG value chain.
In 2017, we invested in gas distribution businesses in Vietnam and Indonesia, while in 2018 we have made the decision to invest in the gas business company in Thailand.
In the field of engineering, in 2017 we were awarded an order of feasibility studies and engineering work concerning the construction of LNG receiving terminals in Bangladesh, while in 2018 we were awarded an order to provide project management consultant (PMC) services for the construction of LNG terminals in Thailand.

Jakarta Representative Office

Project Name		Start of Participation
Philippines	Submitted declaration of interest regarding formation of an LNG value chain	**Oct. 2017**
Vietnam	Invested/acquired a stake in a gas supply business company and formed a strategic alliance	**Jul. 2017**
Thailand	Secured an order to provide PMC services in the construction of the Nong Fab LNG receiving terminal	**Jan. 2018**
Thailand	Invested/acquired a stake in a gas supply business company	**Jan. 2018**
Indonesia	Invested/acquired a joint stake in a gas supply business company	**Oct. 2017**
Bangladesh	Secured an order for work relating to LNG receiving terminals	**Jul. 2017**

Message

Bangkok Representative Office

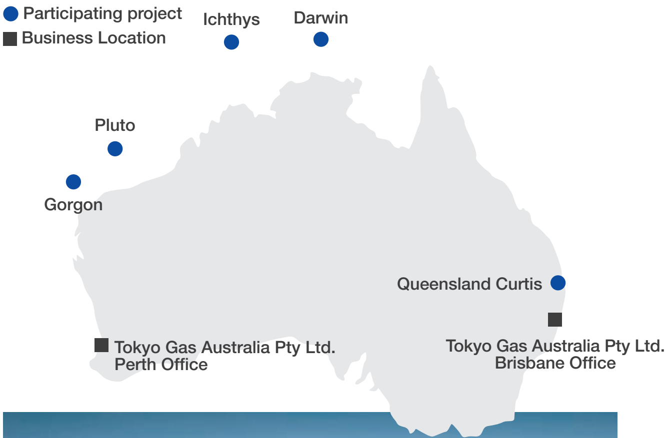
Manakan Lertsamattiyakul

The Thai government is currently advancing the deregulation and promotion of third-party entry to the natural gas market, and private-sector companies—including overseas-based corporations—are expected to enter the market.
In view of this, one of my roles is to gather energy-related information by holding meetings and conducting interviews with government agencies and other private-sector companies on matters such as government policy, regulatory trends, and the state of other companies' activities; and to report that information to our Tokyo head office, and to Tokyo Gas Asia Pte. Ltd. in Singapore (which is responsible for the management of the Asia region).
In January 2018, we participated in the gas supply business, which was a first for a private-sector company in Thailand. We have received many inquiries from outside parties, indicating a high level of interest in the gas retail business.
In 2011, Thailand became the first country in Southeast Asia to introduce LNG. Due to the depletion of domestically-produced gas reserves, LNG imports are expected to continue growing further in the future. We are receiving numerous inquiries for details and requests to visit our LNG terminals, primarily from government personnel.
I myself have many years of experience in the field of power generation, but this was actually my first post in the world of LNG. Through opportunities such as this, I want to learn more about a wide-range of topics concerning the LNG value chain, and to continue to act as a bridge between Thailand and Japan in the future.

Investing our energies into the operation and management of existing projects

Australia

Participating projects and business locations




Gorgon LNG Project

Upstream Business We have invested in five projects in Australia, which has grown as a major LNG supply base to the East Asia. Four of these LNG projects are already in operation today. We will continue to focus on the operation and management of these projects, as well as the Ichthys Project (which is scheduled to commence operation in the near future), with a view to maximizing their value as Group assets.


Tokyo Gas Australia Pty Ltd. (Perth)

Project Name	LNG Production Capacity (Million tons / year)	Start of Participation	Tokyo Gas Interest	Start of Production (Operation)
Darwin	3.0	2003	**3.07%**	**Jan. 2006**
Pluto	4.7	2008	**5.00%**	**Apr. 2012**
Gorgon	15.6	2009	**1.00%**	**Mar. 2016**
Queensland Curtis	8.5	2011	**1.25% (Gas Field) / 2.50% (No. 2 Liquefaction Plant)**	**Dec. 2014**
Ichthys	8.9	2012	**1.575%**	**2018 (Planned)**

Sustainable Development Goals

Initiatives Towards Achieving the Sustainable Development Goals (SDGs)

Taking up the challenge of creating an LNG value chain in Southeast Asia

- In 2017, we invested and acquired stakes in gas supply businesses in Vietnam (July) and Indonesia (October). In January 2018, we acquired a stake in a similar business in Thailand. In October 2017, we also submitted a declaration to the government of the Philippines regarding our interest in constructing an LNG value chain.
- By leveraging our Group's technological capabilities and know-how to provide energy solutions and construct infrastructure, we are seeking to promote the widespread adoption of clean, environmentally-friendly natural gas. We also hope that contributing to the creation of jobs and economic development through our local business operations will lead to an increase in educational opportunities and help to eliminate disparities in wealth and living standards in those countries.

7 AFFORDABLE AND CLEAN ENERGY
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
13 CLIMATE ACTION
15 LIFE ON LAND

Corporate Governance

**Tokyo Gas works to ensure continued development while consistently earning the trust of customers,shareholders, and society.
Based on this philosophy, we aim to achieve a continuous increase in our corporate value through enhancing corporate governance systems. We are endeavoring to develop systems with a commitment to management legality, soundness, and transparency. Tokyo Gas continues to emphasize the importance of accurate and prompt decision making, efficient business operations, strengthening of auditing and monitoring functions, and clarification of management and executive responsibilities.**

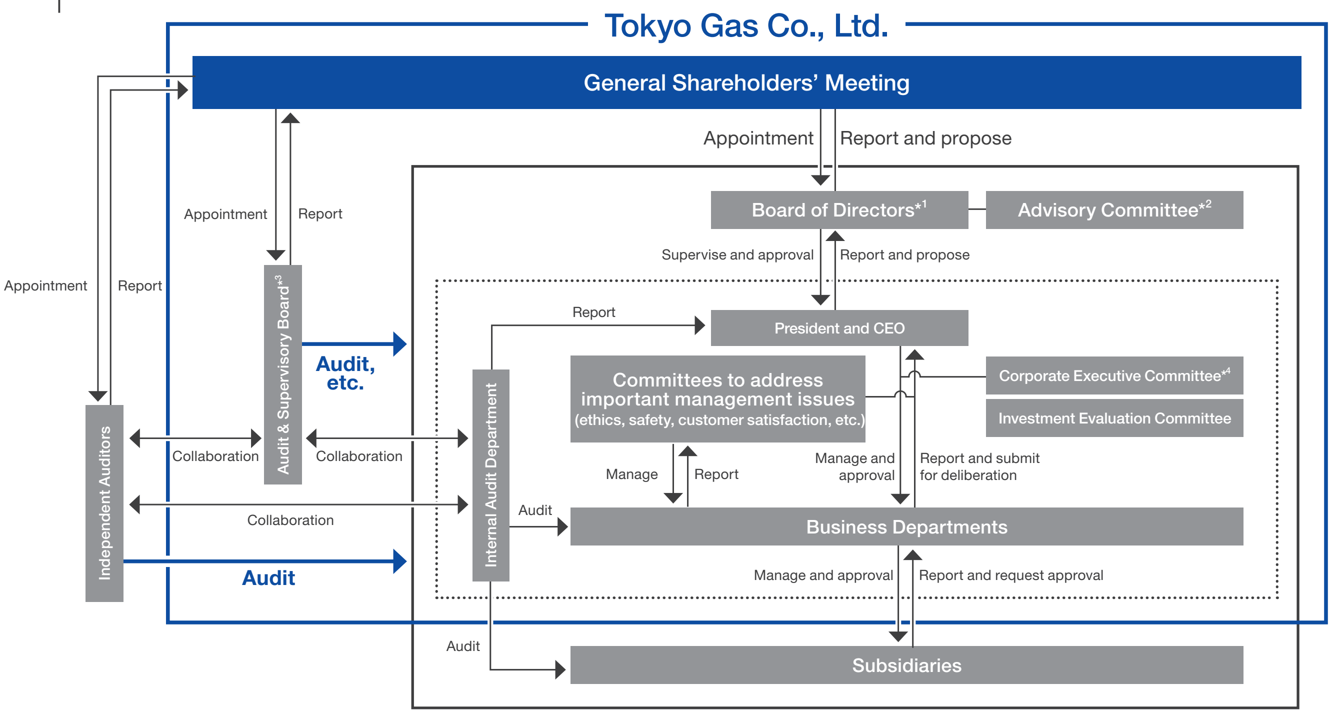
Board of Directors

In principle, the Board of Directors meets once a month to discuss and decide important matters regarding business operations. Directors must submit reports to the Board of Directors regarding the status of execution of their duties periodically and when deemed necessary, allowing the Board to monitor the performance of directors.
The Board of Directors comprises 8 directors, 3 of whom are outside directors. In addition, the term of directors is set at one year with the goal of further clarifying managerial responsibility.

Outside Directors

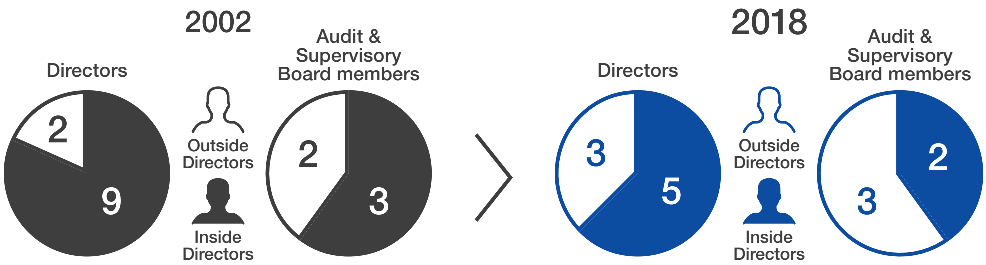
In accordance with their individual experience and knowledge,the outside directors strive to secure the soundness and appropriateness of deliberations and decisions regarding business execution. From an independent viewpoint, the outside directors monitor the performance of duties by the directors and exercise their authority at meetings of the Board of Directors. In this way, the outside directors contribute to the improvement of the rationality and objectivity of the company's business execution and of the deliberations and decisions of the Board of Directors.
In making judgments about matters related to the independence of outside officers, such as capital, transactions, and relationships, we comprehensively verify that they are unlikely to have conflicts of interest with general shareholders and they are in a position that enables them to be objective and neutral, and on that basis we make a judgment on their independence. (The company discloses the Independence Standards for Outside Directors on its website: www.tokyo-gas.co.jp/IR/english/gvnnc/pdf/independence.pdf) The Advisory Committee has confirmed that none of the outside officers has a material conflict of interest with the company—in regard to capital, transactions,or relationships—and has confirmed their independence in accordance with the above standards. The committee's decision has been reported to the Board of Directors, which has designated them as independent officers and reported that designation to the stock exchanges on which the company is listed.

Corporate Governance System



*1 Board of Directors: 8 directors (3 outside directors and 5 inside directors), 5 Audit & Supervisory Board members (3 outside auditors and 2 inside auditors)
*2 Advisory Committee: 2 outside directors, 1 outside Audit & Supervisory Board member, Chairman(1), President and Representative Director and CEO(1)
*3 Audit & Supervisory Board: 5 Audit & Supervisory Board members (3 outside auditors and 2 inside auditors)
*4 Corporate Executive Committee: President and CEO(1), 2 Executive Vice Presidents, 2 Senior Managing Executive Officer, and 6 Senior Executive Officers (3 of the representative directors also serve as President and CEO and Executive Vice Presidents)

Progress in Governance Composition of the Board of Directors



Realizing Accurate and Rapid Decision Making, and Efficient Business Execution

The Corporate Executive Committee, which meets weekly as a general rule, deliberates on provisions stemming from Board of Directors' resolutions and important management-related issues. The company has introduced an executive officer system for business execution in accordance with decisions of the Board of Directors. Substantial authority has been delegated to executive officers in their designated areas of responsibility, while directors, as appropriate, receive reports on the status of execution from executive officers and monitor the executive officers. In addition, executive officers report to the Board of Directors as needed. (To clarify management responsibility and executive responsibility, the terms of office of directors and executive officers have been fixed at one year.)

FY2017 Analysis and Evaluation of Effectiveness of the Board of Directors

To maintain and enhance effectiveness of the Board of Directors, the Board analyzed and evaluated its effectiveness by having each of its directors complete a questionnaire-based self-evaluation. The Board then held discussions and exchanged opinions based on the outcome of those self-evaluations.

The results of the questionnaire and subsequent discussions were as follows. It was found that that Board's decision-making and supervisory functions are being sufficiently guaranteed. In particular, it was recognized by all that the Board's effectiveness had improved significantly as a result of improvements made in terms of operational aspects, owing to the April 2017 revision of the Board of Directors Regulations. At the same time, it was also agreed that ceaseless efforts are required in order to further increase the Board's effectiveness in the future, such as by seeking to improve and enhance discussions by reviewing the times at which Board meetings are held, and to enhance the Board's relationship with executive officers (for example, by expanding the list of attendees at Board meetings to include executive officers, and increasing supervisory patrols by directors to inspect the state of execution of duties.)

Overview of Corporate Governance System (As of June 28, 2018)

Number of directors	8	Participation of outside directors and outside audit & supervisory board members in selecting director candidates	Yes
Average age of directors	62.5	Number of meetings of Board of Directors*	13
Number of outside directors	3	Attendance rate of outside directors at meetings of Board of Directors*	97.4%
Number of Audit & Supervisory Board members	5	Term of office of directors	One year
Number of outside Audit & Supervisory Board members	3	Performance-linked remuneration	Yes
Number of independent officers	6	Share purchase system to reflect the perspective of shareholders in management	Yes
Participation of outside directors / outside Audit & Supervisory Board members in determination of remuneration	Yes		

* Total for the period from April 2017 to March 2018

Working to Promote Transparent Management and Create a Flexible and Open Corporate Culture

We have established in-house committees—such as the Management Ethics Committee, chaired by the President and CEO—to address issues that are important from a management perspective, such as compliance, safety, customer satisfaction, and risk management. This structure facilitates the sharing of information within the group, as well as deliberations and adjustments regarding the group's overall direction.

Audit & Supervisory Board Members

The Audit & Supervisory Board members meet once a month as a general rule and otherwise as needed. The 5 members of the board, which include 3 outside Audit & Supervisory Board members, conduct deliberations and make reports.
In line with the Corporate Auditor's Audit Standards, each Audit & Supervisory Board member conducts effective audits through the following principal initiatives.

The Audit & Supervisory Board members attend meetings of the Board of Directors, the Corporate Executive Committee, and other important meetings. They state their opinions relating to legality and other perspectives when necessary.

The Audit & Supervisory Board members conduct research into the state of operations at the head office, business offices, and subsidiaries and hold discussions with representative directors to exchange opinions, both on a regular basis and otherwise as needed.

In regard to the internal control system for financial reporting, the Audit & Supervisory Board members receive evaluations of internal control and reports on the status of audits from the Board of Directors, etc., and KPMG AZSA LLC.

Outside Audit & Supervisory Board Members

The outside Audit & Supervisory Board members conduct audits monitoring from an independent viewpoint and contribute to improving the rationality and objectivity of the company's business execution and of the deliberations of the Board of Directors through their statements at meetings of the Board of Directors. In addition, through their statements and the exercise of their majority voting rights at meetings of the Audit & Supervisory Board, the outside Audit & Supervisory Board members contribute to assuring and improving the legality, appropriateness, rationality, and objectivity of the audits by the Audit & Supervisory Board members. In addition, with the objective of assuring the effectiveness of audits by the Audit & Supervisory Board members, the company invites outside Audit & Supervisory Board members who have a substantial degree of knowledge about finance and accounting.
In making judgments about matters related to the independence of outside officers, such as capital, transactions, and relationships, we comprehensively verify that they are unlikely to have conflicts of interest with general shareholders and they are in a position that enables them to be objective and neutral, and on that basis we make a judgment on their independence. The Advisory Committee has confirmed that none of the outside officers has a material interest with the company—in regard to capital, transactions,or relationships—and has confirmed their independence in accordance with the above standards. The committee's decision has been reported to the Board of Directors, which has designated them as independent officers and reported that designation to the stock exchanges on which the company is listed.

Officer Remuneration

In 2005, the company formulated the basic policy on officer remuneration, which outlines the method of remuneration for directors, etc. At a meeting of the Board of Directors in February 2012, the policy was revised as follows.

1 Role of Officers and Remuneration

The role demanded of officers is to seek to enhance short-, medium-, and long-term corporate value, and officer remuneration shall serve as an effective incentive for them to perform that role.

2 Level of Remuneration

The level of officer remuneration shall be suitable for the role, responsibility, and performance of the officer.

3 Composition and Other Details of Remuneration Paid to Directors

(1) Remuneration of directors shall be paid within the scope of the remuneration limit approved at the General Shareholders' Meeting.
(2) Remuneration of inside directors shall comprise monthly remuneration and bonus. Monthly remuneration shall comprise fixed remuneration paid in accordance with the post of each individual and performance-linked remuneration.
A portion of fixed remuneration shall be allocated to the purchase of shares based on a share-purchase guideline and from the standpoints of reflecting the perspectives of shareholders on management and improving shareholder value over the long term. The amount of performance-linked remuneration shall be determined after evaluating companywide performance and performance of operating units from the standpoints of motivating inside directors to execute management strategies and reflecting their performance clearly in their remuneration. The amount of bonus to be paid shall be determined in accordance with the post of each inside director after performance evaluation.
(3) Remuneration of outside directors shall comprise monthly remuneration and bonus. Monthly remuneration shall comprise only fixed remuneration, while bonus shall be the same as that of inside directors.

4 Composition and Other Details of Remuneration Paid to Audit & Supervisory Board Members

(1) Remuneration of Audit & Supervisory Board members shall be paid within the scope of the remuneration limit approved at the General Shareholders' Meeting and determined through discussions among Audit & Supervisory Board members.
(2) Remuneration of Audit & Supervisory Board members shall comprise only fixed monthly remuneration.

5 Assurance of Objectivity and Transparency of the Remuneration System

The company shall assure the objectivity and transparency of the system of officer remuneration by establishing and operating the Advisory Committee comprising a number of outside directors, outside Audit & Supervisory Board members, and inside directors to govern the system of personnel affairs and remuneration of officers.

Composition of Remuneration for Directors

Fixed remuneration

+

Performance-linked remuneration

* Monthly remuneration of outside directors are fixed remuneration only.

Total Remuneration for Directors and Audit & Supervisory Board Members (Fiscal 2017)

	Number of officers*1	Total value of remuneration	Base	Bonuses
Remuneration for directors (excluding outside directors)	10	¥464 million	¥386 million	¥78 million
Remuneration for Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	3	¥74 million	¥74 million	—
Remuneration for outside officers (outside directors and outside Audit & Supervisory Board members)	7	¥66 million	¥58 million	¥8 million

*The number of officers included in the total value of remuneration for directors, Audit & Supervisory Board members, and outside officers includes two directors and two Audit & Supervisory Board members (of whom one was an outside auditor) who retired upon the conclusion of the 217th Annual Shareholders' Meeting.

Corporate Governance

Advisory Committee

In February 2005, we established the Advisory Committee to assure objectiveness and transparency in management. The committee has up to five members, consisting of the Chairman, the President and CEO, and up to three directors selected by the Board of Directors; with over half of its membership consisting of outside directors, and the committee chairman also being an outside director.

Advisory Committee Membership (as of June 28, 2018)	
Committee chairman	Akihiko Ide (Outside Director)
Committee members	Yoshinori Katori (Outside Director)
	Yoshihiko Morita (Outside Audit & Supervisory Board Member)
	Michiaki Hirose (Director, Chairman)
	Takashi Uchida (Representative Director, President and CEO)

In accordance with inquiries from the Board of Directors, the Advisory Committee deliberates on officer candidates and officer remuneration in a fair and appropriate manner and makes reports to the Board of Directors. The committee also deliberates on the independence of outside officer candidates.

Internal Control System

To secure management soundness and transparency, and to realize its management philosophy, the company has formulated the "Basic Policy on Development of Corporate Structures and Systems for Internal Control System," and is applying this policy in an appropriate manner.
Specifically, the company has established systems to ensure that directors and their assistants perform their duties in a manner that is compliant to relevant laws and regulations, the articles of incorporation, and other rules. In addition, crisis management provisions have been formulated to limit losses from risks related to investments and natural disasters. The company also defines guidelines for ensuring the independence of Audit & Supervisory Board members and guaranteeing the effectiveness of the Audit & Supervisory Board.

Independent Auditors

The company has concluded an auditing contract with KPMG AZSA LLC for auditing services based on the Companies Act and auditing services based on the Financial Instruments and Exchange Act, as well as internal control audits based on the Financial Instruments and Exchange Act, and the company is being audited on that basis. The company's audits are handled by 3 certified public accountants: Yoshihide Takehisa, Toshiyuki Tamura and Yoshihiro Uehara. For each of these auditors, the number of consecutive years of auditing service is seven years or less (as of June 28, 2018).

Compensation for Independent Auditors (Fiscal 2017)

Compensation for auditing services	¥262 million
Compensation for non-auditing services	¥14 million
Total	**¥276 million**

Compliance

Compliance Structure

The company has identified the following three points as its basic policy and is promoting compliance on that basis.

Fostering of a compliance oriented mentality

Compliance efforts through coordination among divisions based on the fundamental policy

Promotion of the compliance PDCA cycle

We have established the Management Ethics Committee, chaired by the President and CEO. This committee discusses at the executive level basic compliance policies and all aspects of compliance initiatives by the company, monitors the implementation of compliance-related measures, and confirms activity programs from the following year and thereafter. The Compliance Department operates counseling service counters, distributes information within and beyond the Tokyo Gas Group companies, and promotes a thorough awareness of ongoing activities related to our Code of Conduct, which represents a compliance standard of the Tokyo Gas Group and was revised in April 2017, so as to further meet the expectations of society. The Compliance Department also supports a wide range of compliance-related activities for each department. These include development of compliance promotion systems, encouragement awareness and educational campaigns about the Code of Conduct, and compliance risk reduction measures.

Compliance Risk Management

Through the effective operation of internal and external advisory systems, we are endeavoring to ensure that compliance-related problems are discovered and resolved quickly so that our corporate self-regulatory processes will continue to function effectively. We monitor the effectiveness of Group compliance promotion activities by conducting regular compliance awareness surveys of all employees. The results of these surveys are reflected in initiatives for the following years. The Compliance Audit Sect. of the Internal Audit Dept. conducts audits of the company and its subsidiaries focusing on the probability that risks will materialize and their degree of importance from the viewpoint of strict compliance with laws, corporate ethics, and social norms. When concerns are identified, the group conducts follow-up audits in the following year to verify progress in tackling those concerns.

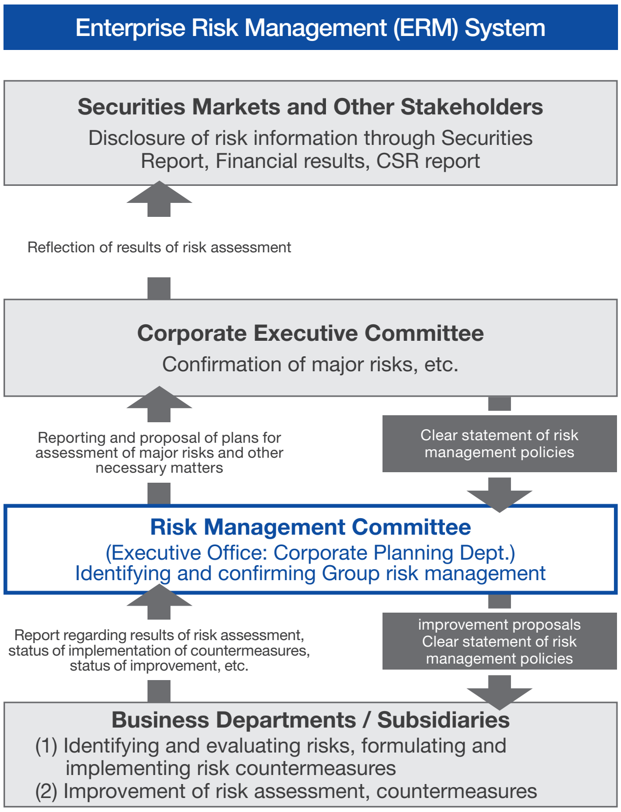
Risk Management System

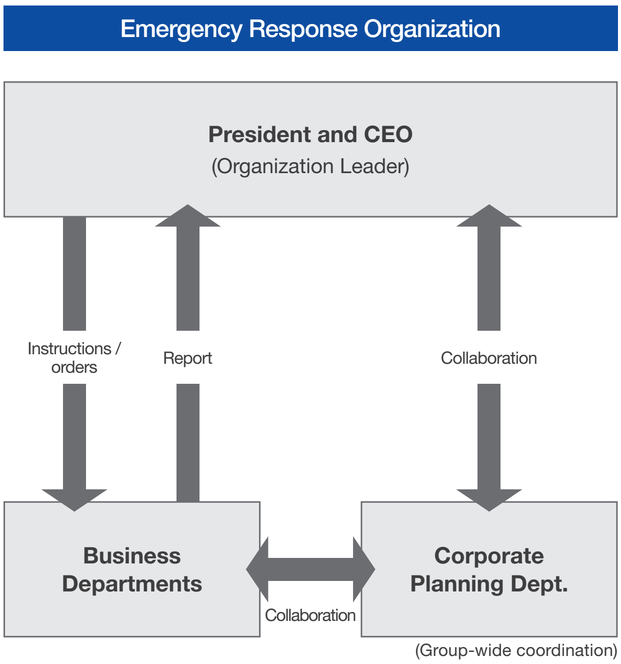
Enterprise Risk Management System

The company has established an enterprise risk management (ERM) system, and drawn up risk management regulations that include documented rules concerning major risks faced by the group.
The Risk Management Committee was established with the aim of improving the management level of the ERM system. The Committee checks progress regarding the establishment and operational status of the ERM system, including periodic risk assessments. It also reports to the Corporate Executive Committee and obtains the necessary approvals.
Under the framework, around 150 Risk Management Promotion Officers are deployed in the business departments of Tokyo Gas and its subsidiaries in order to promote ERM. Each year, we assess risks and the implementation and improvement status of countermeasures. This system facilitates the steady implementation of the ERM-PDCA (Plan-Do-Check-Act) cycle.

Crisis Management System

Because the company provides public services that comprise a lifeline, for many years it has also had a crisis management system that serves as a response system in case an accident or other risk-related event actually occurs. Specifically, we have formulated Emergency Response Organization Regulations. In case of major crises, including major natural disasters, such as earthquakes, or production or supply disruptions arising from major accidents at pipelines or LNG terminals, as well as new strains of influenza, terrorism, failures in mission-critical IT systems, and compliance problems, the Emergency Response Organization is established to respond to the situation immediately in accordance with the Emergency Response Organization Regulations. Periodic training is conducted in relation to major risk response measures.
Moreover, the company has also formulated a business continuity plan (BCP) outlining its responses in the event of a major earthquake of the magnitude assumed by Japan's Cabinet Office, a major accident disrupting gas supply, a widespread blackout, an outbreak of a new strain of influenza, etc. This plan is in place to reinforce the company's risk management system.





Corporate Governance

Board of Directors (As of June 28, 2018)

Director, Chairman

Michiaki Hirose

April	1974	Joined the Company
April	2004	Executive Officer and Assistant to Chief Executive of Corporate Communication Div.
April	2006	Executive Officer and General Manager of Corporate Planning Dept. of Strategic Planning Div.
April	2007	Senior Executive Officer and in charge of Corporate Planning Dept., Infrastructure Project Dept., Finance Dept., Accounting Dept. and Affiliated Companies Dept.
April	2008	Senior Executive Officer and in charge of Corporate Planning Dept., Investor Relations Dept., Finance Dept., Accounting Dept., Affiliated Companies Dept. and Gas Industry Privatization Research Project Dept.
April	2009	Senior Executive Officer and in charge of Corporate Planning Dept. and Affiliated Companies Dept.
June	2009	Director, Senior Executive Officer and in charge of Corporate Planning Dept., Corporate Communications Dept. and Affiliated Companies Dept.
January	2010	Director, Senior Executive Officer and in charge of Corporate Planning Dept., Project Management Dept., Corporate Communications Dept. and Affiliated Companies Dept.
April	2012	Representative Director, Executive Vice President and Chief Executive of Living Energy Div.
April	2013	Representative Director, Executive Vice President and Chief Executive of Residential Sales and Service Div.
April	2014	Representative Director, President
April	2018	Director and Chairman of the Board

Reason for appointment

Over the course of his career, Michiaki Hirose has engaged mainly in planning and living-related work duties. For four years, from April 2014 until March 2018, he served as President. Since April 2018, as Director and Chairman, he has served as chairman of the Board of Directors. He is highly knowledgeable, and has extensive work experience with the company.

Representative Director, President and CEO

Takashi Uchida

April	1979	Joined the Company
June	2006	General Manager of Pipeline Planning Dept. of Pipeline Network Div.
April	2009	General Manager of Corporate Planning Dept.
April	2010	Executive Officer and General Manager of Corporate Planning Dept.
April	2012	Senior Executive Officer and in charge of Personnel Dept., Secretary Dept., Compliance Dept. and Internal Audit Dept.
April	2013	Senior Executive Officer and Chief Executive of Energy Resources business Div.
June	2015	Director, Senior Executive Officer and Chief Executive of Energy Resources Div.
April	2016	Representative Director, Executive Vice President and Chief Executive of Residential Sales and Service Div.
April	2017	Representative Director, Executive Vice President and Chief Executive of Residential Service Div.
April	2018	Representative Director, President and CEO

In his career, Takashi Uchida has engaged mainly in pipeline, resources and overseas business-related work duties. Since April 2018, he has served as President and CEO, with ultimate responsibility for the execution of duties within the company. He is highly knowledgeable, and has extensive work experience with the company.

Director

Kunio Nohata

April	1984	Joined the Company
November	2006	General Manager of Infrastructure Project Dept.
April	2008	Acting General Manager of Energy Sales & Service Planning Dept. of Energy Solution Div.
April	2009	General Manager of Total Energy Business Dept. of Energy Solution Div.
April	2011	General Manager of Gas Resources Dept. of Energy Resources Business Div.
April	2013	Executive Officer and General Manager of Gas Resources Dept. of Energy Resources Business Div.
April	2015	Senior Executive Officer, President, Representative Director of Tokyo Gas Engineering Solutions Corporation
April	2017	Senior Executive Officer of the Company, Chief Executive of Power Business Div., In charge of Environmental Affairs Dept.
June	2017	Director, Senior Executive Officer of the Company, Chief Executive of Power Business Div., In charge of Environmental Affairs Dept.
April	2018	Director, Senior Managing Executive Officer, Chief Executive of Global Business Div.

Reason for appointment

Over the course of his career, Kunio Nohata has engaged mainly in energy sales, resources and overseas business-related work duties. He currently serves as Senior Managing Executive Officer, and is responsible for the company's Global Business Division. He is highly knowledgeable, and has extensive work experience with the company.

Outside Director

Akihiko Ide

April	1965	Joined Mitsubishi Metal Mining Company Ltd.(Current Mitsubishi Materials Corporation)
June	1994	General Manager of General Affairs & Administration Dept. at Mitsubishi Materials Corporation
June	1997	Director of Mitsubishi Materials Corporation
June	2000	Managing Director of Mitsubishi Materials Corporation
June	2002	Executive Vice President of Mitsubishi Materials Corporation
June	2004	President of Mitsubishi Materials Corporation
June	2010	Chairman of Mitsubishi Materials Corporation Director of Sakai Chemical Industry Co., Ltd.
April	2015	Senior Advisor of Mitsubishi Materials Corporation
June	2015	Advisor of Mitsubishi Materials Corporation Outside Director of the Company
June	2017	Retired as Advisor of Mitsubishi Materials Corporation

Akihiko Ide has an international outlook, developed through his experiences in overseas business operations, primarily in the general materials industry in Asia. He is also highly knowledgeable, and possesses management capabilities and a broad-minded perspective, acquired through his involvement in a wide range of business operations, including the resources (commodities) business. We hope that he will make use of these qualities in helping to manage Tokyo Gas.

Representative Director

Masaru Takamatsu

April	1980	Joined the Company
April	2005	General Manager of Home Service Planning Dept. of Home Service Div.
April	2006	General Manager of Business Partnership Support Dept. of Home Service Div.
April	2010	General Manager of LIFEVAL Project Management Dept. of Living Energy Div.
April	2011	Executive Officer and General Manager of LIFEVAL Project Management Dept. of Living Energy Div.
April	2012	Executive Officer and General Manager of Corporate Planning Dept.
April	2014	Senior Executive Officer and in charge of Corporate Planning Dept. and Affiliated Companies Dept.
April	2015	Senior Executive Officer and in charge of Corporate Planning Dept., Personnel Dept., Chiba-Ibaraki Project Dept., Group Management Project Dept., and Group Personnel System Project Dept.
April	2016	Senior Executive Officer and in charge of Personnel Dept., Secretary Dept., General Administration Dept., Compliance Dept., and Internal Audit Dept.
June	2016	Director, Senior Executive Officer and in charge of Personnel Dept., Secretary Dept., General Administration Dept., Compliance Dept., and Internal Audit Dept.
April	2017	Director, Senior Executive Officer and in charge of Purchasing Dept., Secretary Dept., General Administration Dept., Compliance Dept., and Internal Audit Dept.
April	2018	Representative Director, Executive Vice President and Chief Executive of Residential Sales and Service Div.

During his career, Masaru Takamatsu has engaged mainly in living and planning-related work duties. He currently serves as Executive Vice President. He is highly knowledgeable, and has extensive work experience with the company.

Representative Director

Takashi Anamizu

April	1985	Joined the Company
January	2010	General Manager of Project Management Dept.
April	2012	General Manager of Residential Fuel Cell Business Development Dept. of Living Energy Div.
April	2015	Executive Officer and General Manager of Sales Innovation Planning Dept.
April	2016	Senior Executive Officer, Chief Executive of Energy Resources & Global Business Division.
April	2017	Senior Executive Officer, Chief Executive of Global Business Div.
June	2017	Director, Senior Executive Officer, Chief Executive of Global Business Div.
April	2018	Representative Director, Executive Vice President and Chief Executive of Energy Solution Div. and Power Business Div.

In his career, Takashi Anamizu has engaged mainly in living, resources and overseas business-related work duties. He currently serves as Executive Vice President. He is highly knowledgeable, and has extensive work experience with the company.

Outside Director

Yoshinori Katori

April	1973	Joined Ministry of Foreign Affairs
August	2004	Director-General of Consular Affairs Bureau
August	2005	Press Secretary/Director-General for Press and Public Diplomacy of Minister's Secretariat
August	2006	Ambassador Extraordinary and Plenipotentiary to the State of Israel
October	2008	Ambassador for ASEAN, and Science and Technology Cooperation, Ministry of Foreign Affairs
April	2010	Director-General of Foreign Service Training Institute, Ministry of Foreign Affairs
March	2011	Ambassador Extraordinary and Plenipotentiary to the State of Indonesia
October	2014	Retired from Ministry of Foreign Affairs
June	2015	Outside Director of the Company

Yoshinori Katori is highly knowledgeable, and has an international outlook and broad-minded perspective developed through his many years in international diplomacy. We hope that he will make use of these qualities in helping to manage Tokyo Gas.

Outside Director

Chika Igarashi

April	1997	Registered as an attorney at law
April	1997	Joined a law firm in Tokyo Metropolitan area
July	2006	Joined Asahi Law Office (Currently Nishimura & Asahi Law Office)
June	2007	Registered as an attorney at law in New York State, USA
June	2016	Outside Director of the Company

Chika Igarashi is highly knowledgeable, and possesses high-level legal expertise and a broad-minded perspective, developed through her many years of involvement in corporate legal affairs. We hope that she will make use of these qualities in helping to manage Tokyo Gas.

Corporate Governance

Audit & Supervisory Board Members (As of June 28, 2018)

Audit & Supervisory Board Member

Hideaki Obana

April	1978	Joined the Company
July	2003	General Manager of Marketing Dept., Living Planning Div.
April	2004	General Manager of Home Service Planning Dept., Home Service Div.
April	2005	General Manager of Kanagawa Branch, Corporate Communication Div.
April	2007	General Manager of Corporate Communications Dept.
April	2009	Executive Officer and General Manager of Corporate Communications Dept.
April	2012	Senior Executive Officer and in charge of Purchasing Dept., Real Estate Management Dept., and Major Site Development Dept.
April	2013	Senior Executive Officer and in charge of Purchasing Dept., Real Estate Management Dept., Personnel Dept., and Internal Audit Dept.
March	2015	Retired as Senior Executive Officer
June	2015	Audit & Supervisory Board Member of the Company

Reason for appointment

Hideaki Obana is highly knowledgeable, and has extensive work experience with the company. He has engaged mainly in living and PR-related work duties, and has also served as a Senior Executive Officer.

Audit & Supervisory Board Member

Hideaki Arai

April	1979	Joined the Company
April	2007	General Manager of Pipeline Network Div.
April	2010	Executive Officer, General Manager of Pipeline Dept., Pipeline Network Div.
April	2013	Senior Executive Officer, Chief Executive of Pipeline Network Div.
April	2015	Senior Executive Officer, Chief Executive of Regional Development Marketing Div.
April	2016	Senior Executive Officer, Chief Executive of Region Div.
March	2017	Retired as Senior Executive Officer
June	2017	Audit & Supervisory Board Member of the Company

Hideaki Arai is highly knowledgeable, and has extensive work experience with the company. He has engaged mainly in pipeline and wide-area sales-related work duties, and has also served as a Senior Executive Officer.

Outside Audit & Supervisory Board Member

Yoshihiko Morita

April	1969	Joined Export-Import Bank of Japan
October	1999	Full-time Auditor of Japan Bank for International Cooperation
October	2000	Director of Japan Bank for International Cooperation
October	2004	Vice Governor of Japan Bank for International Cooperation
October	2008	Representative Director and Senior Managing Executive Officer of Japan Finance Corporation Deputy CEO of Japan Bank for International Cooperation
June	2011	Retired as Deputy CEO of Japan Bank for International Cooperation
December	2011	Advisor of Sumitomo Mitsui Banking Corporation
June	2012	President (Chief Executive Officer) of Japan Institute for Overseas Investment Outside Audit & Supervisory Board Member of the Company
June	2013	Outside Director of Kawasaki Heavy Industries, Ltd. Retired as Advisor of Sumitomo Mitsui Banking Corporation
December	2014	Retired as President (Chief Executive Officer) of Japan Institute for Overseas Investment
June	2018	Retired as Outside Director of Kawasaki Heavy Industries, Ltd.

Reason for appointment

Yoshihiko Morita is highly knowledgeable and has a broad international outlook, developed through his experience in fields such as international finance and overseas economic cooperation. We hope that he will make use of these qualities in his role as an Audit & Supervisory Board member for Tokyo Gas.

Outside Audit & Supervisory Board Member

Masato Nobutoki

April	1981	Joined Mitsubishi Corporation
September	2002	Head of the secretariat of Government Exhibition Projects for EXPO 2005 Aichi, Japan, Producer Associates Co. Ltd.
April	2004	General Manager of Planning & Event Office of Government Exhibition Projects Dept., Japan Association for the 2005 World Exposition
April	2007	Joined City of Yokohama Director General of City Growth Strategy Promotion Department, Economic Affairs Bureau, City of Yokohama
April	2009	General Manager of Climate Change Policy Project, City of Yokohama
May	2011	General Manager of Climate Change Policy Headquarters, City of Yokohama
April	2012	Executive Director of Future City Promotion, Climate Change Policy Headquarters, City of Yokohama
April	2016	Consultant of Future City Promotion, Climate Change Policy Headquarters, City of Yokohama
June	2017	Outside Audit & Supervisory Board Member of the Company Retired as Advisor to the city of Yokohama

Masato Nobutoki is highly knowledgeable and has extensive experience, both as a company employee and as a member of staff at regional public bodies. We hope that he will make use of these qualities in his role as an Audit & Supervisory Board member for Tokyo Gas.

Outside Audit & Supervisory Board Member

Sawako Nohara

December	1988	Joined LIFE SCIENCE LABORATORIES, LTD.
May	1995	Retired from LIFE SCIENCE LABORATORIES, LTD.
July	1995	Joined InfoCom Research, Inc.
December	2000	Retired from InfoCom Research, Inc. Director of IPSe Marketing. Inc.
December	2001	President and Representative Director of IPSe Marketing. Inc.
June	2006	Outside Director of NEC Corporation
November	2009	Project Professor, Graduate School of Media and Governance of Keio University
June	2012	Retired from Outside Director of NEC Corporation, Outside Audit & Supervisory Board Member of Sompo Japan Insurance Inc.
June	2013	Retired from Outside Audit & Supervisory Board Member of Sompo Japan Insurance Inc. Outside Director of NKSJ Holdings, Inc. (Current Sompo Holdings, Inc.)
June	2014	Outside Director of JAPAN POST BANK Co., Ltd. Independent Outside Director of the Board of Nissha Printing Co., Ltd. (Current Nissha Co., Ltd.)
June	2018	Outside Audit & Supervisory Board Member of the Company

Sawako Nohara is highly knowledgeable, and possesses corporate management experience and high-level IT-related expertise. We hope that she will make use of these qualities in her role as an Audit & Supervisory Board member for Tokyo Gas.

Significant joint responsibilities

President and Representative Director of IPSe Marketing. Inc.
Outside Director of Sompo Holdings, Inc.
Outside Director of JAPAN POST BANK Co., Ltd.
Outside Director of Nissha Co., Ltd.

Message from an Outside Audit & Supervisory Board Member

I aim to utilize my experiences in corporate management and the world of IT while contributing to increasing the corporate value of Tokyo Gas, from a consumer viewpoint.

Outside Audit &
Supervisory Board Member

Sawako Nohara

After stretches working in the research laboratory of a major chemical manufacturer, and at a think-tank that investigates consumer behavior, I became involved in Internet business-related investigative research at the NTT Group's general research center on information and telecommunications (InfoCom Research, Inc.)

At that time, the Internet was still in its early days, and Windows95 hadn't even been released yet. Even so, I felt that there were huge possibilities for the future of the Internet, and completely immersed and dedicated myself to my work. That experience gained me recognition, and I currently serve as an external director for several companies, while at the same time offering my opinions on industrial policies and at IT-related strategy meetings organized by the government and various ministries and agencies, and working to help develop the next generation of human resources, as a project professor at Keio University.

As a social infrastructure company providing a stable supply of energy, Tokyo Gas is a company that is crucial to society. However, with the deregulation of electric power, followed by the deregulation of the city gas market in 2017, the entire energy industry is beginning to change dramatically. Being appointed as an outside director during this period of transformation makes me feel a good sense of tension, a strong sense of purpose, and even greater feelings of excitement and anticipation.

Over the past few years, the number of companies investing efforts into corporate governance is increasing. As one such company, Tokyo Gas is currently making effective and proactive use of excellent and highly-experienced human resources, such as be ensuring that outside personnel account for nearly half of its directors and Audit & Supervisory Board members.

However, the important thing is not the number or ratio of outside personnel, but the question of whether or not the company's senior management are listening seriously to the fruitful discussions being held amongst the directors, and working to adequately reflect those opinions in the actual workplace. I believe that it is this management stance that is the true essence of corporate governance. Outside Audit & Supervisory Board members must have broad perspective that enables them to take a step away and survey the entire company overall, from an elevated position.

There will surely be some things that are taken for granted internally, but which seem strange when viewed through the eyes of an outsider. Although small in size, the company that I myself started has now marked the 18th anniversary of its founding. I would like to utilize my experiences thus far, as an IT specialist, as a business manager, and as a consumer, and to engage in the lively exchange of honest and unrestrained opinions, in order to help further increase the corporate value of Tokyo Gas.

Executive Officers

President and CEO	Takashi Uchida	
Executive Vice Presidents	Masaru Takamatsu	Chief Executive of Residential Sales and Service Div.
	Takashi Anamizu	Chief Executive of Energy Solution Div. and Power Business Div.
Senior Managing Executive Officer	Kunio Nohata	Chief Executive of Global Business Div.
	Isao Nakajima	CFO, in charge of Finance Dept., Accounting Dept., Personnel Dept. and Purchasing Dept.
	Satoru Sawada	The Japan Gas Association

Managing Executive Officer	Tadashi Komiyama	Chief Executive of Pipeline Network Div.
	Koki Hayakawa	Chief Executive of Region Div.
	Kentaro Kimoto	Chief Executive of Gas Resources & Energy Production Div.
	Hiroshi Kishino	In charge of Secretary Dept., General Administration Dept., Corporate Communications Dept., Environmental Affairs Dept., Compliance Dept. and Internal Audit Dept.
	Shinichi Sasayama	Chief Executive of Digital Innovation Div. In charge of Corporate Planning Dept.
	Ayumi Shigitani	President, Representative Director of TOKYO GAS i NET CORP. and General Manager of CIRIUS Project Dept. of Digital Innovation Div.

Executive Officers	Shinichi Takagi Yohei Nitta Yoshiharu Kikuyama Isao Hosoya Masayuki Kado	Toshiyasu Ishii Tomoyuki Yoshioka Akihiko Matsuda Hiroshi Hanada Satoshi Tanazawa	Nobuhisa Kobayashi Minoru Sanari Takashi Higo Akihiro Saito Shinsuke Ogawa

Tokyo Gas Group's Invisible Assets

Achieving sustainable growth by refining the invisible assets that underpin our GPS×G (Gas & Power + Service × Global) strategy

Safe and stable energy supply infrastructure

Relationships of trust with business partners

Relationships of trust with 11 million customers

Digitalization and technology development (innovation) capabilities

Human resources

ESG Initiatives

(Environmental, Social, Governance)

Initiatives for achieving the realization of a low-carbon society

The Tokyo Gas Group contributes to the creation of a low-carbon society both in Japan and around the world by promoting and expanding the widespread use of natural gas, which is the cleanest of all fossil fuels.
As the Paris Treaty and other factors drive environmental policy, we will continue to enhance our low-carbon initiatives, such as by increasing investments in renewable energy-based power generation and future technologies.

Reduce CO_2 emissions on the customer side	■ Promote introduction of natural gas and/or change of fuel type for customers in areas without access to city gas ■ Develop and promote widespread use of high-efficiency equipment (ENE-FARM fuel cell and cogeneration systems, etc.), and provide solutions that make use of them ■ Expand the way of use for natural gas (LNG bunkering: fuel supplies for ships)
Promote "smart" energy	■ Promote optimization of energy supply and demand (gas, electricity, heat etc.) using regional energy networks ■ Contribute to furthering the development of a low-carbon society by creating smart energy networks (including demand response utilizing distributed power sources and storage cells, etc.)
Development of renewable energy sources	■ Approach renewable energy sources (such as photovoltaic and wind power generation) with a sense of urgency, including alliances with relevant companies ■ Aim to achieve a power generation capacity of 0.4 million kW from renewable energy sources by the early 2020s ■ Operate a business model that also includes the use of renewable energy sources
Global expansion	■ Expand natural gas infrastructure and utilization technologies cultivated in Japan to overseas markets, to contribute to low-carbon society and sustainable growth on a global scale
Future technologies (hydrogen, etc.)	■ Promote development of technologies using hydrogen (ultra-efficient fuel cells with power generation efficiency of 65%, etc.) ■ Promote the introduction and use of technologies using hydrogen (e.g. introduce fuel cell vehicles (FCV) for corporate fleets) ■ Consider hydrogen production and transportation-related technologies

CSR priority issues (materialities) and contributing to the achievement of Sustainable Development Goals (SDGs)

The Tokyo Gas Group conducts a full range of business activities in the LNG value chain (from procurement, transportation, city gas production and supply, to power generation and energy solutions) to ensure the safe and stable supply of energy to our customers; the majority of whom reside in the Greater Tokyo Area. We also apply our domestic and global experience and know-how to efforts such as constructing energy infrastructure in Southeast Asia. Through our business activities, we aim to contribute to the achievement of the Sustainable Development Goals (SDGs).

Priority issues (materialities) according to their importance to stakeholders and the business

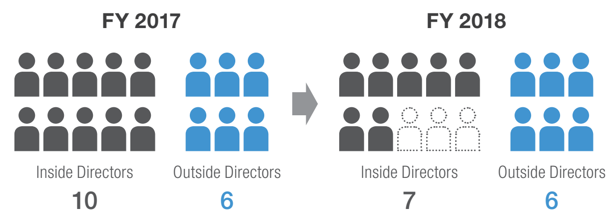
	Priority area	Priority issue (materiality)	Relationship with SDGs
Strategy	Stable supply of energy both in Japan and overseas	Stable supply of gas and electricity Stable procurement of raw materials Construction of energy infrastructure in developing countries	7 AFFORDABLE AND CLEAN ENERGY 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 11 SUSTAINABLE CITIES AND COMMUNITIES 13 CLIMATE ACTION
	Robust energy platform	Safety and disaster prevention/ readiness Sustainable urban development and comfortable lifestyles	
	Conversion of society overall to a low-carbon society through the supply of energy	Measures against global warming Promoting recycling of resources Promoting conservation of biodiversity	
Infrastructure		Creating an organization full of energy and vitality Building good relationships with stakeholders Fulfilling our public duty as an energy company	5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES 16 PEACE, JUSTICE AND STRONG INSTITUTIONS 17 PARTNERSHIPS FOR THE GOALS

Governance

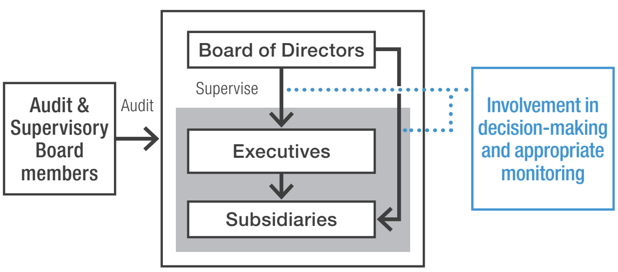
To ensure sustainable growth, our Board of Directors involves itself in the decision-making processes for business strategies under GPS×G in order to promote the independent growth and development of each business, and also conducts appropriate monitoring.
In fiscal 2018, we reduced the number of inside members in our Board of Directors and Audit & Supervisory Board by three in comparison with the previous year (from 10 to 7), and made changes to further increase the proportion of outside members.
Moving forward, we will continue to implement reforms with the aim of building a better, more appropriate governance system, based on external trends and other factors.

Corporate governance ▶ P37

Changes to the makeup of our Board of Directors and Audit & Supervisory Board



Perspectives for considering governance



Invisible assets

Safe and stable energy supply infrastructure

Contributing to the achievement of Sustainable Development Goals (SDGs)

Diversifying LNG procurement and achieving efficient and stable transportation of LNG

Natural gas reserves are abundant in various parts of the world. The Tokyo Gas Group was among the first to notice the potential of natural gas, and in 1969 we became the first in Japan to import LNG from Alaska.
To achieve stable procurement of LNG, by seeking to diversify our procurement sources (resource suppliers), we are working to ensure that interferences to LNG procurement do not arise, even in cases where there are evident geopolitical risks such as disasters or human conflicts. We also operate stable transportation of LNG through the efficient deployment of ships (including ships owned and managed by Tokyo Gas).

Diversifying procurement sources
We procure LNG from 14 projects in 6 countries, including the United States as well as Southeast Asia and Australia

Ensuring stable transportation of LNG
We utilize our own fleet of 11 ships, owned and managed by Tokyo Gas

Safe and secure production and supply facilities

We import LNG by tankers and store it in tanks at LNG terminals. It is then reconverted into gas and adjusted in calorific value to produce city gas, and supplied to 11 million customers via our pipeline network. We endeavor to operate our LNG terminals safely, based on almost half a century of experience and knowledge accumulated since we introduced LNG to Japan for the first time in 1969.
Our LNG terminals and pipeline network are a crystallization of our latest knowledge and technologies, and have a high level of resistance to earthquakes. Since city gas is made by conversion from LNG to natural gas at an LNG terminal and then distributed via pipeline, there is no energy conversion loss or transport loss to the point of consumption.

Four LNG terminals
(Three in Tokyo Bay, one in Northern Kanto)

Pipeline network with total length of over 60,000km

High and medium-pressure gas pipelines with a high level of resistance to seismic activity, even in the case of major earthquakes such as the Great Hanshin-Awaji (Kobe) Earthquake, or the Great East Japan Earthquake

Relationships of trust with business partners

In this period of transformation of the energy industry, namely, the full deregulation of the electricity and gas retail markets, we are exchanging information broadly with not only electricity and gas companies but also players in various industries. Moreover, we are promoting cooperation in areas where we foresee mutual synergies such as gas resource procurement and the electricity business (power plant construction and electricity sales).

LNG Value Chain

Using technology and know-how concerning the total energy business, we provide energy solutions to customers who are expanding business in Southeast Asia and North America, and contribute to infrastructure-building.

PetroVietnam Gas
Signing of a Memorandum of Understanding to conduct a feasibility study on energy solution businesses

PT Pertamina
Signing of a Memorandum of Understanding with Pertamina towards Forming a Strategic Alliance -Cooperation for Development of LNG Value Chain in Indonesia-

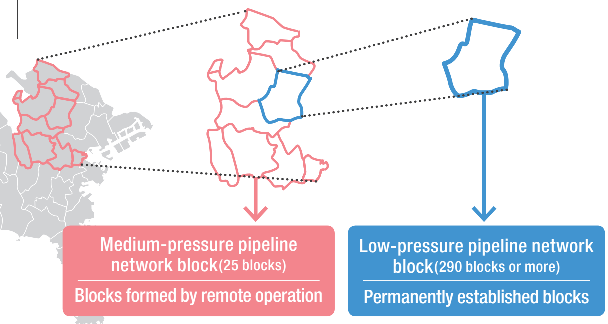
Petronas LNG Ltd.
Signing of a Memorandum of Collaboration

PT Miura Indonesia
Signing of a Memorandum of Understanding on Mutual Cooperation in Indonesia

Safety know-how and measures to prevent earthquake disasters

In order to constantly deliver natural gas safely and steadily to 11 million customers, we are continually developing human resources involved in safety.
It is indispensable to have human resources that are equipped with advanced specialized skills in facility design, construction, and maintenance, as well as decision-making capabilities that enable the reliable execution of gas supply and safety responsibilities even in times of emergency. The trust of customers that has been earned as a result of safety-related expertise developed over the course of our long history, and its continuation, is one of our greatest strengths.
We have also developed a disaster-readiness system, which protects entire local areas by automatically cutting off the supply of gas when it detects an earthquake that poses the possibility of affecting our pipeline network and/or other structures. In order to minimize the impact of supply stoppages, we subdivide our supply areas, enabling us to stop the supply of gas remotely, in block units, depending on the extent of the damage.

- **130 years of accumulated safety know-how**
- **Supply area monitoring using around 4,000 seismometers (Si sensors)**
- **Subdivision of units for supply stoppage in the event of an earthquake or other disasters (25 large blocks, further subdivided into 290 smaller blocks)**



Facilitating safe use of gas

Periodic Safety inspections We conduct periodic safety inspections of gas-related equipment and facilities for all customers, as frequently as required by law. We visit customers to conduct inspections for gas leaks on customer premises (as a general gas pipeline operator), and to examine gas appliances and supply and exhaust equipment (as a gas retailer).

Safety Command Center When we receive a report of a gas leak from a customer, it is immediately forwarded to our dedicated Safety Command Center. The center asks questions to confirm the details of the situation, provides safety advice to the customer, and requests Gaslight 24 dispatch in response. The center is also able to contact the fire service, police and other emergency services via a hotline.

Gaslight 24 Gaslight 24 are emergency dispatch bases for responding to gas leaks and other incidents in our gas pipeline network and customer gas equipment.
When a report is received, Gaslight 24 personnel respond swiftly with an emergency dispatch, even on holidays or at night.
Our emergency vehicles are also equipped with mapping systems that can instantly display the necessary sections of our massive pipeline diagrams, enabling them to respond swiftly and effectively to any incident.

- **24-hour emergency dispatch to respond to gas leaks and other incidents**
- **49 bases manned by approximately 600 professional gas leak responders**

Raw materials procurement

Ensure flexibility and realize cost-competitive LNG procurement by enhancing and expanding alliance with LNG players in Japan and overseas.

- Kansai Electric Power
- Kyushu Electric Power
- Korea Gas Corporation
- CPC Corporation, Taiwan
- Centrica, U.K.

Power Generation

Expand competitive power sources.

- JXTG Energy (Kawasaki Natural Gas Power Station)
- Showa Shell Sekiyua (Ohgishima Power)
- Kobe Steel (KOBELCO) (Moka Power Station)
- Idemitsu Kosan and Kyushu Electric Power (Chiba-Sodegaura Energy)
- Shizen Energy (Development of photovoltaic power generation)

Electricity Sales

Expanding electricity sales to high-voltage and extra-high-voltage customers

Tohoku Electric Power (Synergia Power)
NTT Facilities (Ennet)
Osaka Gas (Ennet)

Expanding electricity sales to low-voltage customers

Business alliances with 21 companies including gas operators which are our city gas wholesale customers
(approx. 630,000 city gas customers)

Business alliances with 27 LP gas sales companies
(approx. 310,000 LP gas customers)

Making progress with talks regarding the possibility of sales through partnerships with companies in housing, construction, equipment, telecommunications, information services and other industries.

Contributing to the achievement of Sustainable Development Goals (SDGs)

Relationship of trust with 11 million customers

Our bonds and relationships of trust with our 11 million customers, developed over the course of the past 130 years, are our greatest strength. Tokyo Gas Lifeval, Enesta, and Enefit have 185 outlets and over 10,000 employees who act as "the face of Tokyo Gas" in each local region, providing one-stop services and support to ensure comfortable daily lifestyles for customers in local communities.

The face of Tokyo Gas, across the entire Kanto area

We believe strong relationships of trust with customers based on this community-based sales organization is the driving force that has enabled us to maintain our position as No. 1 new electric power market entrant in 2017, the second year after entry. In the retail gas business, too, which marks its second year since full deregulation, we are determined to augment and strengthen our relationships of trust with customers.

Interface with the community

Customers ⇔ **Lifeval / Enesta / Enefit**

- Help in gas and electricity planning
- Gas tap opening and shutoff at the time of moving
- Meter reading
- Safety inspection and repair of gas appliances and equipment
- Sales and installation of gas appliances and housing appliances
- Gas plumbing
- Design and installation of plumbing equipment and air conditioners
- Home improvement etc.

Contributing to the achievement of Sustainable Development Goals (SDGs)

Digitalization and technology development (innovation) capabilities

Moving forward, we will shift from our previous R&D focused on gas energy to an open innovation style of R&D focused on a broad range of innovative energy technologies.
In order to improve efficiency and save labor in our existing business operations, develop new products and services, and create new business, we will gather information on a broad range of innovative energy technologies while also collaborating with progressive universities and venture companies both in Japan and overseas, to absorb new technologies and create innovation.

The history and future of our innovation

2017: Launched new technology development initiatives

Tokyo Gas history of innovation

- 1885 Tokyo Gas established
- 1902 First gas equipment to receive a patent in Japan
- 1969 First LNG Cargo came to Japan
- 1981 First natural gas cogeneration system introduced to Japan
- 2001 Commenced operation of SUPREME earthquake disaster prevention system
- 2009 Launched sales of world's first residential fuel cell system

Future innovation

AI	Electric power	Renewable energy	VPP
Blockchains	Storage cells (rechargeable batteries)	Robotics	IoT

Digital innovation

Digital innovation domain 1
Open innovation

×

Technological development

| Low-carbon society |
| Hydrogen-oriented society | Smart society |
| Earthquake disaster prevention and stable supply |
| Comfortable, convenient and secure living |

Digitalization initiatives

We are effectively introducing digital technologies such as IoT, AI, mobile devices, and technologies utilizing big data, while at the same time drawing on advantages such as our technical capabilities and sales network that is closely linked to local communities.

Production, Generation & Distribusion

- Predict and detect failures at LNG terminals and power generation plants, and increase efficiency of operation and maintenance work
- Stop and restart gas supply to zone pressure regulators, etc., by remote operation using an earthquake disaster prevention system
- Optimize efficiency of distribution utilizing LP gas usage data gathered using frequent remote metering technology

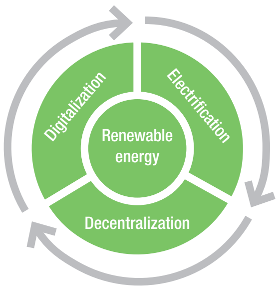
Sales & Services

- Provide optimal services for our customers based on the results of digital marketing 2
- Increase the sophistication of our energy management system (to achieve automatic optimized operation of energy equipment by remote control)
- Improve quality of service and achieve labor-saving benefits for operators by the introduction of voice-recognition systems, etc., in our call centers

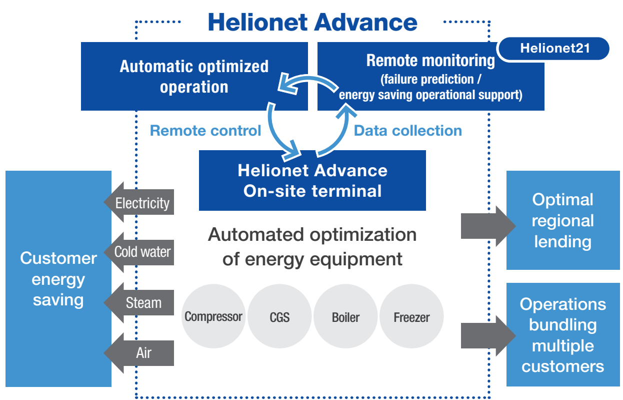
Creating innovation through our Silicon Valley location 1

In December 2017, we established Acario Ventures in Silicon Valley, and launched a program of activities to assimilate innovative technologies and business models from around the world.

Tokyo Gas
Acario Ventures (100% ownership)
Acario Investment One LLC | Acario Innovation LLC
Investment in Japan and overseas
Venture capital | Venture companies



Digitalization for energy management 2



Invisible assets

Contributing to the achievement of Sustainable Development Goals (SDGs)

5 GENDER EQUALITY · 8 DECENT WORK AND ECONOMIC GROWTH · 10 REDUCED INEQUALITIES

Human resources

Because we see human resources as the underlying source of creation of corporate value, the Tokyo Gas Group is striving to develop employees who have high-level expertise and integrity, and respond flexibly to changes in society and the business environment.
In line with this policy, we are working to implement workstyle reforms and promote diversity, to ensure maximum effective utilization of the knowledge, skills and experience of personnel working in the Tokyo Gas Group.

Strengthening personnel to support growth

Creating an environment conducive to maximizing the effective use of knowledge, skills and experience

Driving

GPS×G
GAS & POWER + SERVICE × GLOBAL

Personnel hiring and development

We are engaged in the hiring and development of human resources with a strong sense of duty and responsibility, who can take the initiative to think and act for themselves, and who can grow while cooperating with their fellow colleagues; who can become core personnel and act as a strong driving force for business operations in a diverse range of fields.

Hiring personnel with high levels of expertise	Strategic shift to growth domains	Developing business leaders
In addition to hiring new graduates for specific job types (in humanities, sciences and the professional domain), we also engage in flexible hiring of experienced and highly-specialized mid-career personnel.	In addition to our gas business, we also prioritize assignment of personal to strategically-important fields such as our electric power and overseas business operations (we have increased numbers of personnel assigned to these businesses by approximately 50% in comparison with FY2015.) In this way, we are promoting growth and expansion in a diverse range of fields.	We train business leaders who will lead the Tokyo Gas Group in the future, with a training program that focuses primarily on development through a wide range of on-the-job training (OJT) experiences gained by means of transfers and rotations, combined with additional off-the-job education and training (OFF-JT).

Hiring, fostering and placing of personnel who support promotion of "GPS x G"

Workstyle reform (Improving productivity and achieving a healthy work-life balance)

In order to enable each and every one of our employees to work energetically and make maximum effective use of their abilities, we are working proactively to rectify and reduce long working hours, and to implement workstyle reforms with awareness of "the value of time," which we regard as important issues for management involvement.

Multi-purpose space in the new office of Tokyo Gas Engineering Solutions

Specific initiatives

■ Promoting workstyles with awareness of the value of time

Prohibiting overtime work after 20:00 (as a general rule) and encouraging employees to declare in advance what time they will be leaving work, etc.

■ Promoting workstyle reform project "Work with Enthusiasm"

- Eliminating restrictions on working location with "Work Anywhere" (including at home, or on the move, etc.)
- Working to create workplaces that enable innovation to occur
- "Work in a Free-form Animated Manner" (Online video conferencing, office reforms, etc.)
- Promoting automation / mechanization using ICT, and more sophisticated use of data (utilizing RPA, etc.) with "Work to Be Entrusted"

Promoting diversity (Promoting active roles for diverse personnel)

Top Management Commitment

The Tokyo Gas Group is working to promote diversity (promoting active roles for diverse human resources), with a view to future growth and advancement. Even in the midst of this great competitive age of energy, the Group aims to grow and advance as a global total energy corporation by coming to terms with every one of its customers, having them choose Tokyo Gas products and services, and contributing to creation of a better society and secure and comfortable lifestyles.

One important issue for the entire Group to tackle in order to achieve this, is the promotion of diversity. In order to satisfy the continually diversifying needs of each and every customer, it is essential for us to create an environment in which every Group employee can take an active role and work as part of a team, making maximum effective use of his or her knowledge, skills and experience.

Moving forward, we will continue working proactively to develop and enhance more schemes for supporting this ideal, to foster greater employee awareness and create a better corporate culture within our organization, and aim to create a corporate group in which all employees can take an active role, regardless of their gender, age, presence or absence of disabilities, employment type, nationality, sexuality, gender identity, or any other such attributes.

Basic Policy Regarding Promotion of Diversity

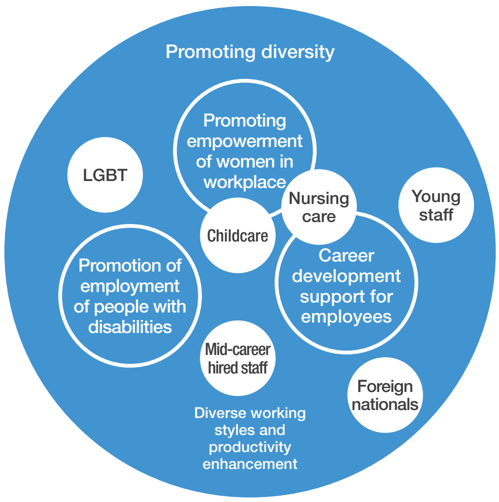
1 Realize diversity in working styles, and productivity enhancement
We aim to achieve the realization of an organization (with diverse working styles and increased productivity) in which every person accepts each other's working style while enhancing productivity.

2 Promoting empowerment of women in workplace
We regard promoting the success of women as the beginning of the promotion of diversity, and will continue to undertake this proactively.

3 Diversity Promotion Team
We will establish a "Group Diversity Promotion Team" and promote diversity throughout the entire group, in an integrated manner together with management.

Specific Initiatives

Promoting empowerment of women in workplace	■ **2016: First female executive officer appointed** **2018: First female senior executive officer appointed** ■ **Almost 100% return-to-work rate for female employees returning from childcare leave** ■ Almost no difference in gender in terms of average years in service of the company
Employment of people with disabilities	■ Employment rate of 2.35%, exceeding the mandatory rate (as of June 2018) ■ Established a liaison committee to promote employment of disabled people as a group ■ Working to create safe and comfortable working environments
Career development support for employees in their 50s and over	■ Established the "Grand Career System" to support career development for employees in their 50s and over, through training sessions and interviews with career consultants, etc.



Occupational safety and health

Health and safety is the essential basis for the existence of any company, in protecting the lives and health of their employees. The Tokyo Gas Group is working to reduce risks with a view to eliminating work-related accidents, and to maintain and improve the health of its employees through mental health initiatives and measures to prevent lifestyle-related illnesses. In terms of health management, we work to ensure that 100% of our employees take regular health checkups, and make effective use of early-stage detection of disease outbreaks and external healthcare institutions.

External Evaluation

Selected as a Nadeshiko Brand
Tokyo Gas was selected as a corporate brand that is appealing in terms of its proactive efforts to encourage and empower women.

NADESHIKO BRAND 2018

Granted Kurumin certification
Tokyo Gas was certified by the ministry of health, Labour and Welfare (MHLW) as a company that has formulated an action plan, achieved targets and met certain criteria in accordance with the Act on Advancement of Measures to Support Raising the Next Generation of Children.

くるみん

Selected as a Health & Productivity Stock
Tokyo Gas was selected as a Health & Productivity Stock, as a company that considers and strategically approaches employee health management from a corporate management perspective.

2018 健康経営優良法人 Health and productivity ホワイト500

Financial data

11-Year Consolidated Financial Highlights

As of March 31, 2018

	2008.3	2009.3	2010.3	2011.3
Net Sales (¥ million)	1,487,496	1,660,162	1,415,718	1,535,242
Operating Profit (¥ million)	70,048	65,204	85,229	122,451
Operating Profit Margin (%)	4.71	3.93	6.02	7.98
Ordinary Profit (¥ million)	66,832	58,337	83,519	121,548
Profit attributable to owners of parent (¥ million)	42,487	41,708	53,781	95,467
Equity (¥ million)	769,072	772,365	813,886	858,920
Total Assets (¥ million)	1,703,651	1,764,185	1,840,972	1,829,661
Interest-bearing Debt (¥ million)	558,716	593,230	555,919	584,169
Operating Cash Flow (¥ million)	184,908	182,791	199,898	244,803
Free Cash Flow (¥ million)	46,902	36,862	51,712	94,600
EBITDA (¥ million)	212,469	206,287	231,346	271,788
Capital Expenditure (¥ million)	138,006	145,929	148,186	150,202
Depreciation (¥ million)	142,421	141,083	146,117	149,336
EPS (Earnings per Share, fully diluted) (¥)	15.50	15.37	19.86	35.63
BPS (Book Value per Share) (¥)	289.49	284.72	301.58	320.70
Number of Issued Shares (Common Stock) (thousands of shares)	2,741,571	2,717,571	2,703,761	2,684,193
Dividend per Share (¥)	8	8	9	9
DOE (Dividends on Equity) (%)	2.72	2.78	3.07	2.88
Payout Ratio (%)	50.19	51.18	45.32	25.26
Total Payout Ratio (%)	73.56	63.35	60.11	60.87
Current Ratio (%)	106.76	118.99	120.93	142.26
D/E (Debt-Equity) Ratio (times)	0.73	0.77	0.68	0.68
Equity Ratio(%)	45.14	43.78	44.21	46.94
ROE (Return on Equity) (%)	5.43	5.41	6.78	11.41
ROA (Return on Assets) (%)	2.50	2.41	2.98	5.20
Total Asset Turnover (times)	0.88	0.96	0.79	0.84
TEP (¥100 million)	17	-48	186	640
WACC (%)	3.6	3.4	3.2	3.3

Number of Customers (thousands, meter)	10,380	10,513	10,637	10,739
Gas Sales Volume (million m^3)	14,215	13,942	13,666	14,745
2020 vision basis*2	—	—	—	—

Notes Depreciation includes amortization of long-term prepaid expenses.
The financial information contained in this annual report is based on annual securities report. However, it has not been audited by certified public accountants.
*1 The Company carried out a share consolidation at a ratio of 5 common shares to 1 on October 1, 2017.
The dividend per share of 55.0 yen is calculated on the post-consolidation basis (the interim dividend of 5.50 yen per share before the share consolidation and the year-end dividend of 27.50 yen per share after the share consolidation).
*2 2020 Vision basis … The figures represent baseline values for sales volume targets set forth in our management vision, Challenge 2020 Vision. They are obtained by adding volume for in-house use and LNG sales volume (excluding volume for Nijio) to consolidated gas sales volume.

2012.3	2013.3	2014.3	2015.3	2016.3	2017.3	2018.3
1,754,257	1,915,639	2,112,117	2,292,548	1,884,656	1,587,085	**1,777,344**
77,075	145,633	166,044	171,753	192,008	58,365	**116,302**
4.39	7.60	7.86	7.49	10.19	3.68	**6.54**
75,620	147,453	159,613	168,169	188,809	55,688	**111,546**
46,060	101,678	108,451	95,828	111,936	53,134	**74,987**
839,166	927,634	1,011,787	1,069,515	1,100,271	1,101,498	**1,136,027**
1,863,885	1,992,403	2,176,816	2,257,662	2,251,518	2,230,269	**2,334,721**
625,830	642,550	713,823	730,739	715,769	713,596	**724,940**
194,565	240,448	248,831	237,680	257,122	217,439	**240,328**
48,152	56,651	827	13,084	25,089	14,081	**31,583**
225,580	284,403	306,424	313,605	337,194	222,670	**281,643**
146,413	183,797	248,004	224,596	232,033	203,358	**208,745**
148,505	138,770	140,380	141,852	145,187	164,305	**165,341**
17.70	39.52	43.10	39.15	46.68	23.02	**164.12*[1]**
324.67	360.70	402.91	438.28	460.35	479.74	**2,487.58*[1]**
2,590,715	2,577,919	2,517,551	2,446,778	2,396,778	2,302,856	**458,073*[1]**
9	10	10	10	11	11	**55*[1]**
2.74	2.91	2.59	2.34	2.58	2.29	**2.25**
50.85	25.30	23.20	25.55	23.57	47.79	**33.51**
61.36	60.70	60.00	60.80	60.10	60.71	**60.20**
156.89	162.16	156.67	150.63	155.48	142.69	**138.51**
0.75	0.69	0.71	0.68	0.65	0.65	**0.64**
45.02	46.56	46.48	47.37	48.87	49.39	**48.66**
5.42	11.51	11.18	9.21	10.32	4.83	**6.70**
2.49	5.27	5.20	4.32	4.96	2.37	**3.29**
0.95	0.99	1.01	1.03	0.84	0.71	**0.78**
91	598	507	434	676	-62	**244**
3.1	3.2	3.2	3.6	3.4	3.0	**3.1**
10,855	10,978	11,111	11,263	11,398	11,536	**11,678**
15,190	15,390	14,735	15,541	15,436	15,720	**15,568**
15,833	16,741	17,225	18,360	18,587	19,053	**19,052**

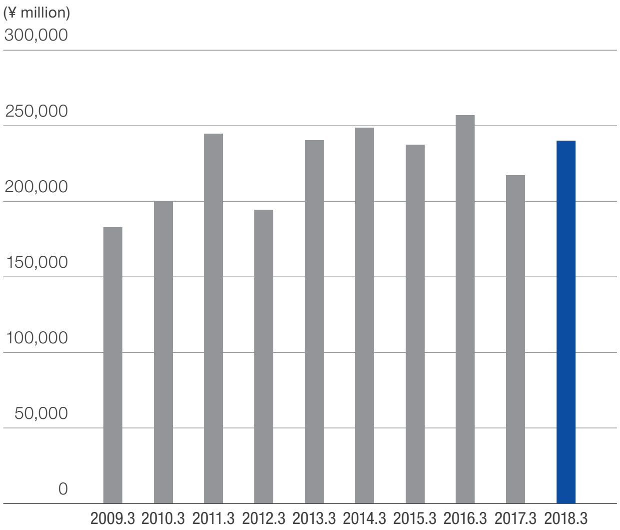
Computations

Operating Cash Flow = Profit attributable to owners of parent + Amortization of Long-term Prepaid Expenses + Depreciation
Free Cash Flow = Profit attributable to owners of parent + Amortization of Long-term Prepaid Expenses + Depreciation – Capital Expenditure
Current Ratio = Current Assets (year-end) / Current Liabilities (year-end) x 100
Debt-Equity Ratio = Interest-bearing Debt (year-end) / Equity (year-end)
Equity Ratio = Equity (year-end) / Total Assets (year-end) x 100
Total Asset Turnover = Net Sales / Total Assets (average)
TEP (Tokyo Gas Economic Profit) = Profit after taxes and before interest payments – Cost of capital (invested capital x WACC)

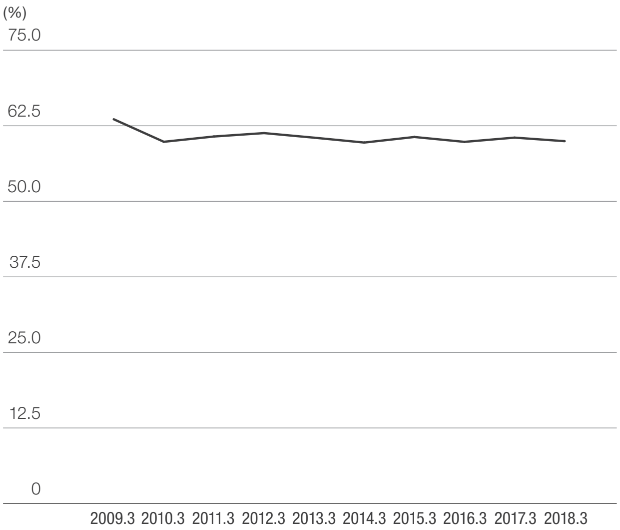
WACC calculation data (fiscal 2017 actual)
· Interest-bearing debt cost: Real interest rate of 1.04% (after tax)
· Cost of shareholders' equity
  · Risk-free rate: 10-year JGB yield of 0.05%
  · Risk premium: 5.5%, Beta coefficient of 0.75

Financial data

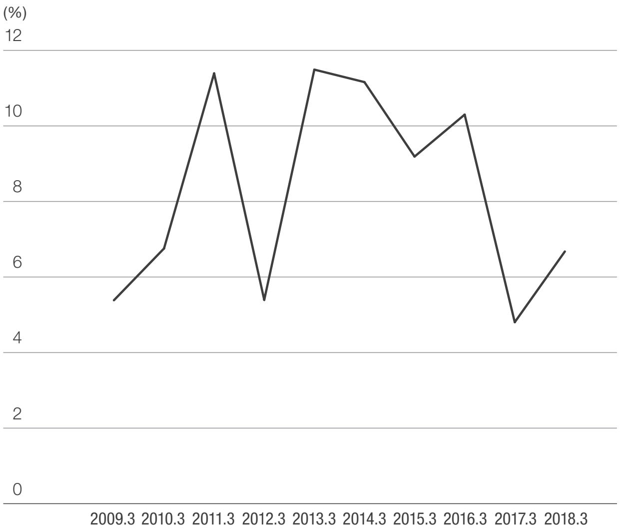
Operating cash flow



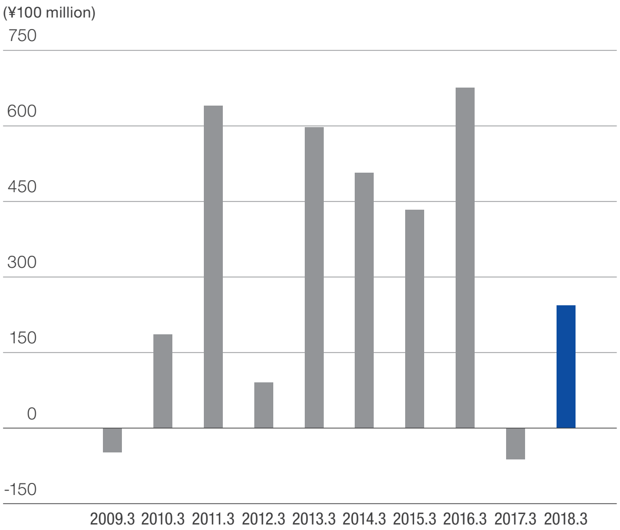
Total payout ratio



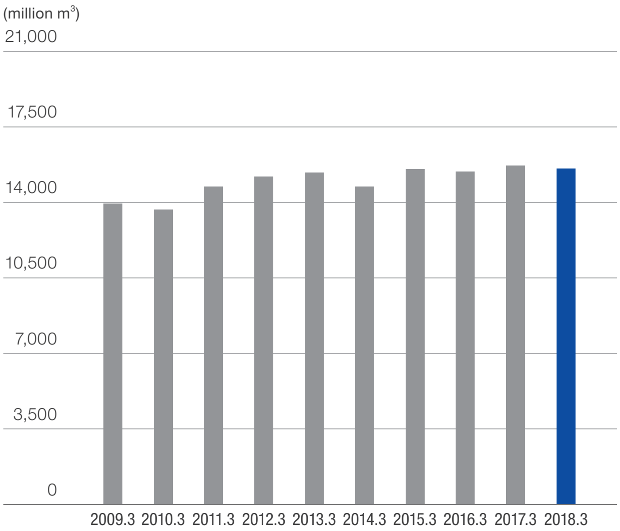
Return on equity (ROE)



TEP



Gas sales volume



Consolidated Balance Sheet

(¥ million)

	2017.3.31	2018.3.31
Assets		
Non-current assets		
Property, plant and equipment		
Production facilities	235,152	236,334
Distribution facilities	539,840	560,216
Service and maintenance facilities	53,623	52,244
Other facilities	416,142	406,221
Inactive facilities	316	316
Construction in progress	147,074	157,913
Total property, plant and equipment	1,392,149	1,413,246
Intangible assets		
Goodwill	1,600	1,254
Other intangible assets	77,615	92,167
Total intangible assets	79,215	93,422
Investments and other assets		
Investment securities	182,443	239,379
Long-term loans receivable	28,128	27,929
Net defined benefit asset	24	17
Deferred tax assets	40,127	30,864
Other investments and other assets	39,100	36,693
Allowance for doubtful accounts	(367)	(378)
Total investments and other assets	289,456	334,505
Total non-current assets	1,760,821	1,841,174
Current assets		
Cash and deposits	132,626	128,331
Notes and accounts receivable - trade	194,240	216,234
Lease receivables and investment assets	24,097	22,188
Securities	-	15
Merchandise and finished goods	2,317	2,494
Work in process	12,466	12,417
Raw materials and supplies	40,763	45,454
Deferred tax assets	9,050	10,396
Other current assets	54,259	56,897
Allowance for doubtful accounts	(374)	(884)
Total current assets	469,447	493,547
Total assets	2,230,269	2,334,721
Liabilities		
Non-current liabilities		
Bonds payable	314,997	294,998
Long-term loans payable	326,752	358,680
Deferred tax liabilities	11,299	11,303
Net defined benefit liability	73,524	73,161
Provision for gas holder repairs	3,262	3,107
Provision for safety measures	4,711	3,115
Provision for appliance warranties	10,298	9,984
Provision for point card certificates	-	835
Asset retirement obligations	11,975	13,200
Other non current liabilities	31,650	61,572
Total non-current liabilities	788,474	829,959
Current liabilities		
Current portion of non-current liabilities	56,395	58,094
Notes and accounts payable - trade	96,413	80,819
Short-term loans payable	10,333	7,800
Income taxes payable	20,000	30,237
Other current liabilities	145,843	179,376
Total current liabilities	328,987	356,328
Total liabilities	1,117,461	1,186,288
Net assets		
Shareholders' equity		
Capital stock	141,844	141,844
Capital surplus	1,883	1,898
Retained earnings	893,436	936,635
Treasury shares	(3,087)	(3,642)
Total shareholders' equity	1,034,076	1,076,736
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	27,166	30,282
Deferred gains or losses on hedges	(990)	(251)
Foreign currency translation adjustment	36,399	33,206
Remeasurements of defined benefit plans	4,845	(3,945)
Total accumulated other comprehensive income	67,422	59,291
Non-controlling interests	11,309	12,405
Total net assets	1,112,807	1,148,433
Total liabilities and net assets	2,230,269	2,334,721

Consolidated Statement of Income

(¥ million)

	2016.4.1 - 2017.3.31	2017.4.1 - 2018.3.31
Net sales	1,587,085	1,777,344
Cost of sales	1,051,885	1,203,991
Gross profit	535,200	573,353
Selling, general and administrative expenses		
Supply and sales expenses	410,125	392,680
General and administrative expenses	66,708	64,370
Total selling, general and administrative expenses	476,834	457,050
Operating profit	58,365	116,302
Non-operating income		
Interest income	901	1,158
Dividend income	2,178	2,967
Rent income	1,740	1,637
Share of profit of entities accounted for using equity method	3,583	2,493
Miscellaneous income	5,889	4,800
Total non-operating income	14,293	13,057
Non-operating expenses		
Interest expenses	11,514	11,619
Balance on commissioned construction	2,564	1,829
Miscellaneous expenses	2,893	4,364
Total non-operating expenses	16,971	17,813
Ordinary profit	55,688	111,546
Extraordinary income		
Gain on sales of non-current assets	6,610	3,403
Gain on sales of investment securities	9,120	3,049
Total extraordinary income	15,730	6,452
Extraordinary losses		
Impairment loss	2,408	3,213
Total extraordinary losses	2,408	3,213
Profit before income taxes	69,010	114,784
Income taxes - current	25,271	31,527
Income taxes - deferred	(10,305)	7,957
Total income taxes	14,966	39,484
Profit	54,044	75,300
Profit attributable to non-controlling interests	910	312
Profit attributable to owners of parent	53,134	74,987

Consolidated Statements of Comprehensive Income

(¥ million)

	2016.4.1 - 2017.3.31	2017.4.1 - 2018.3.31
Profit before minority interests	54,044	75,300
Other comprehensive income		
Valuation difference on available-for-sale securities	870	3,145
Deferred gains or losses on hedges	1,360	666
Foreign currency translation adjustment	(6,470)	(3,537)
Remeasurements of defined benefit plans, net of tax	22,875	(8,784)
Share of other comprehensive income of entities accounted for using equity method	(1,844)	407
Total other comprehensive income	16,791	(8,101)
Comprehensive income	70,835	67,198
Breakdown of comprehensive income		
Comprehensive income attributable to owners of parent	69,919	66,856
Comprehensive income attributable to non-controlling interests	915	341

Consolidated Statements of Cash Flows

(¥ million)

	2016.4.1- 2017.3.31	2017.4.1 - 2018.3.31
Cash flows from operating activities		
Profit before income taxes	69,010	114,784
Depreciation	160,871	161,093
Impairment loss	2,408	3,213
Amortization of long-term prepaid expenses	3,433	4,248
Loss on retirement of property, plant and equipment	2,047	1,845
Loss (gain) on sales of non-current assets	(6,555)	(3,397)
Loss (gain) on sales of investment securities	(9,120)	(3,042)
Increase (decrease) in net defined benefit liability	(3,374)	(12,461)
Increase (decrease) in provision for safety measures	4,245	(1,596)
Interest and dividend income	(3,080)	(4,125)
Interest expenses	11,514	11,619
Share of loss (profit) of entities accounted for using equity method	(3,583)	(2,493)
Decrease (increase) in notes and accounts receivable - trade	4,286	(20,602)
Decrease (increase) in inventories	3,700	(4,948)
Increase (decrease) in notes and accounts payable - trade	17,567	(631)
Increase (decrease) in accrued consumption taxes	(4,326)	3,000
Decrease (increase) in accounts receivable - other	1,997	1,265
Net decrease (increase) in lease receivables	(12)	1,959
Other, net	18,229	31,525
Subtotal	269,261	281,258
Interest and dividend income received	14,593	12,295
Interest expenses paid	(11,509)	(11,502)
Income taxes paid	(33,610)	(22,312)
Net cash provided by (used in) operating activities	238,734	259,738
Cash flows from investing activities		
Purchase of investment securities	(9,922)	(47,898)
Proceeds from sales and redemption of investment securities	9,489	5,021
Purchase of property, plant and equipment	(165,918)	(177,671)
Purchase of intangible assets	(29,542)	(27,638)
Purchase of long-term prepaid expenses	(8,322)	(1,653)
Proceeds from sale of non-current assets	7,124	3,799
Payments of long-term loans receivable	(6,073)	(3,101)
Collection of long-term loans receivable	1,675	2,801
Other, net	(3,383)	(821)
Net cash provided by (used in) investing activities	(204,873)	(247,162)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(6,260)	(2,645)
Repayments of lease obligations	(1,399)	(1,526)
Proceeds from long-term loans payable	22,670	60,471
Repayments of long-term loans payable	(19,982)	(62,065)
Proceeds from issuance of bonds	30,000	20,000
Proceeds from share issuance to non-controlling shareholders	-	2,034
Purchase of treasury shares	(41,065)	(7,082)
Cash dividends paid	(26,969)	(25,187)
Other, net	(27,892)	(648)
Net cash provided by (used in) financing activities	(70,899)	(16,651)
Effect of exchange rate change on cash and cash equivalents	(498)	(220)
Net increase (decrease) in cash and cash equivalents	(37,536)	(4,294)
Cash and cash equivalents at beginning of period	170,102	132,566
Cash and cash equivalents at end of period	132,566	128,271

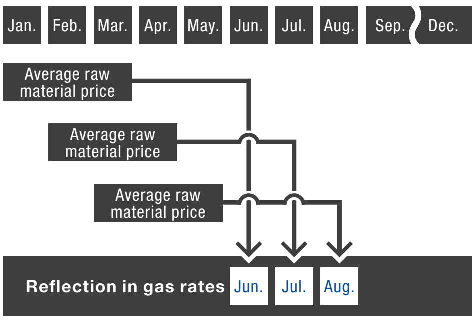
Factors Affecting Revenues and Expenses

Gas Rate Adjustment System's Medium- to Long-Term Neutralizing Effect on Crude Oil Price and Exchange Rate Fluctuations

Gas prices are determined using the gas rate adjustment system. Through this system, average raw material prices over a three-month period according to trade statistics are compared with the raw material cost that is used as the standard (standard average raw material cost), and the gas rates are adjusted using a defined calculation method based on the differences. A time lag of four months on average (called a sliding time lag) exists between the payment of raw material costs and the reflection of such changes in gas rates. Consequently, fluctuations in crude oil prices and exchange rates may result in the under-recovery or over-recovery of raw material costs if this lag cuts across a fiscal year, thereby affecting income. Looking at the medium- to long-term, however, the gas rate adjustment system has a neutralizing effect on the income impacts of fluctuations in raw material costs.

Timing of the Standard Average Raw Material Cost Calculation and Reflection in Gas Rates

Timing of standard average raw material cost calculation

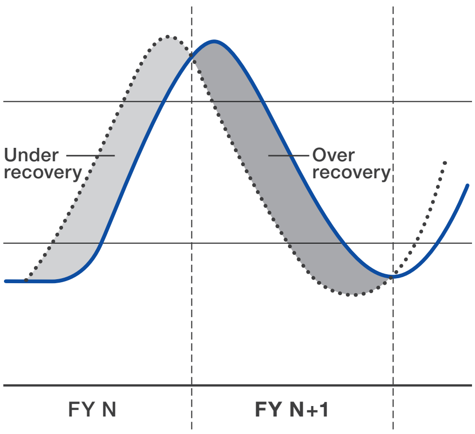


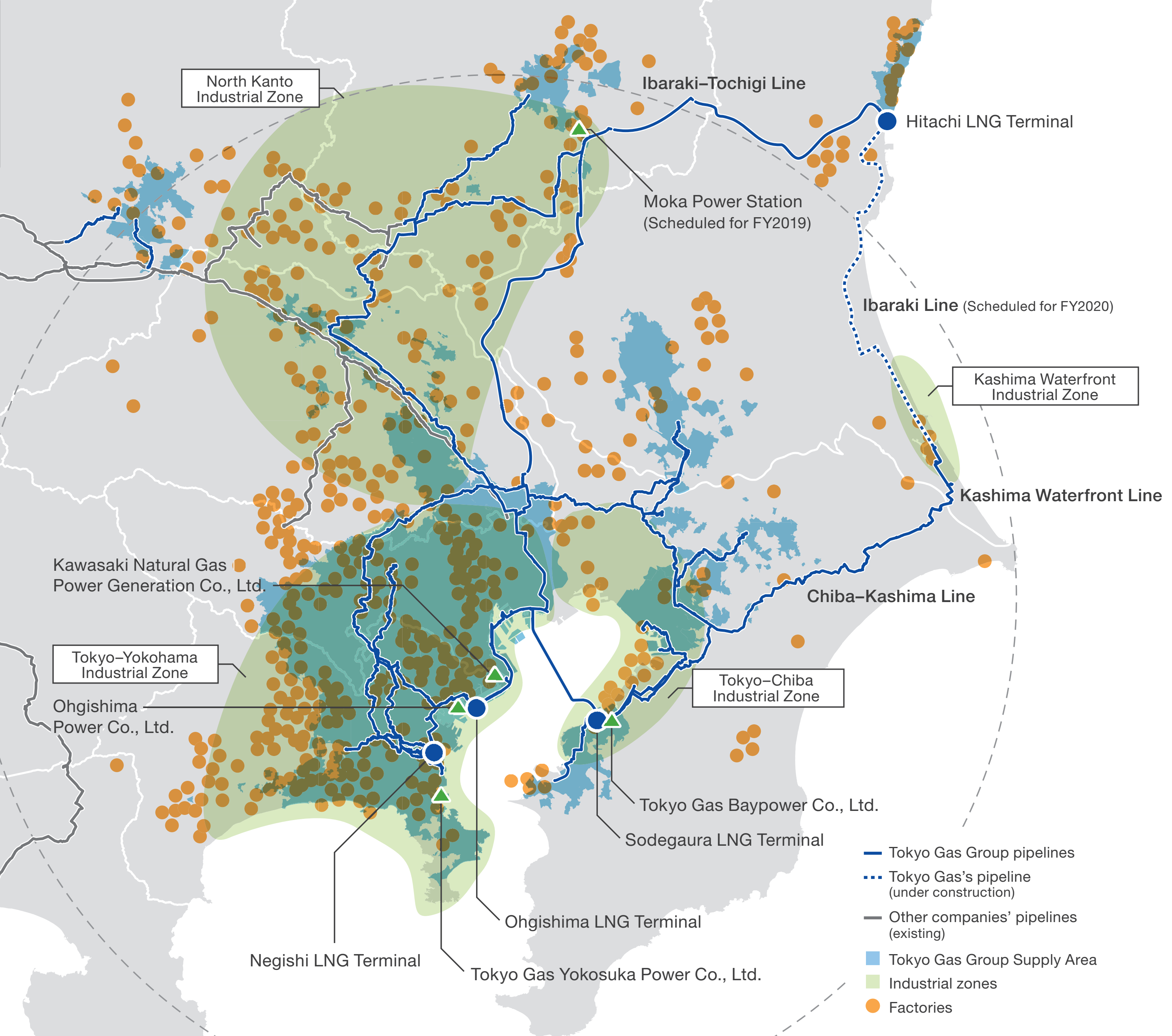
The average raw material price over the past three months is calculated every month and then reflected in the gas rate three months later.

How the Sliding Time Lag in Rates Works

···· All Japan LNG price

— Average raw material price reflected in gas rate



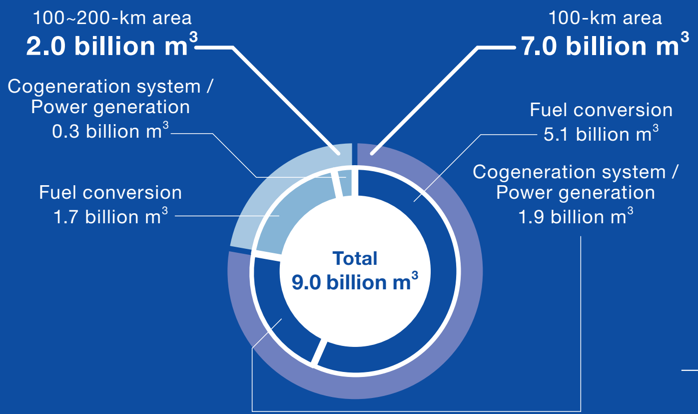


Our Potential

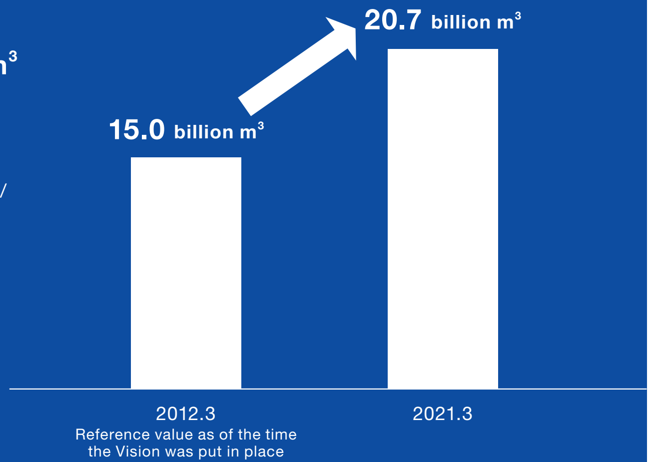
Energy demand concentration in the Kanto Region

We are extending our pipelines across the Kanto region, our market area, to meet the huge potential demand for natural gas mainly from industrial districts where many plants using heavy oil are located.

Potential for Industrial and Commercial Demand in the Kanto Region (200-kilometer radius around Tokyo)



Gas handling volume target revised upward



Financial and Industry Data (EXCEL Spreadsheet Data Available)

Investors' Guide

www.tokyo-gas.co.jp/IR/english/library/invguid_e.html

Quarterly Financial Results

Earnings Announcements

www.tokyo-gas.co.jp/IR/english/event/earn_e.html

Consolidated Financial Results Bulletin

www.tokyo-gas.co.jp/IR/english/library/earn_e.html

Details of The Tokyo Gas Group FY2018-2020 Management Plan (GPS2020)

Tokyo Gas Group – Initiatives for Energy and for the Future –

(Released in October 2017)

www.tokyo-gas.co.jp/Press_e/20171005-02e.pdf

Details of Corporate Governance

Corporate Governance Report

www.tokyo-gas.co.jp/IR/english/gvnnc/index_e.html

CSR Activities

Tokyo Gas Group CSR Report

www.tokyo-gas.co.jp/csr/index_e.html

Supporting you Always and bettering every day.

TOKYO GAS

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