FY2012 2Q Financial Results ended September 30, 2012

TOKYO GAS

October 30, 2012

My name is Tsuyoshi Okamoto, president of Tokyo Gas. Thank you for coming today for our second-quarter earnings briefing.

FY2012 2Q Consolidated Financial Results ended September 30, 2012

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FY2012 2Q Consolidated Financial Results <vs. FY2011 2Q>

Sales growth, profit increase (record-high profit)

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

Net sales : + City Gas sales grew (+73.9; higher resources costs led to increase in unit price, gas sales volume)
+ Other energy sales grew (Electric power: +16.3, LNG sales: +15.5)

Operating expenses : - City Gas resources costs increased (-28.0)
- Other energy costs increased(LNG sales: -13.7, Electric power: -9.8)

Operating income : + City Gas income increased, following the improved sliding time lag effect (+44.0)
+ Other energy income increased(Electric power: +6.4, LNG sales: +1.8)

Non-operating income: + Increased income from dedicated equipment (+2.6; 0.1⇒2.7)

Extraordinary Income and loss : + Income on sale of overseas subsidiary stock (+2.9)
- Income tax increased with increased income (-22.1)

(Unit: billion yen)

	FY2012 2Q Results	FY 2011 2Q Results	Change	%	Previous Release (Jul. 31)	Change	%
Gas sales volume (mil. m^3, 45MJ)	**6,998**	6,940	+58	0.8	6,981	+17	0.2
Net sales	**863.7**	748.3	+115.4	15.4	863.0	+0.7	0.1
Operating expenses	**798.6**	746.6	+52.0	7.0	810.0	-11.4	-1.4
Operating income	**65.0**	1.7	+63.3	-	53.0	+12.0	22.6
Ordinary income — (a)	**67.0**	1.9	+65.1	-	54.0	+13.0	24.1
Net income	**39.9**	-4.9	+44.8	-	32.0	+7.9	24.7
Temperature effect — (b)	***1.0***	*2.2*	*-1.2*	-	*1.5*	*-0.5*	-
Sliding time lag effect — (c)	***3.6***	*-40.4*	*+44.0*	-	*-3.3*	*+6.9*	-
Amortization of actuarial differences — (d)	***-2.2***	*-1.6*	*-0.6*	-	*-2.2*	-	-
Adjusted ordinary income :(a)- ((b)+(c)+(d))	***64.6***	*41.7*	*+22.9*	*54.9*	*+58.0*	*+6.6*	*11.4*
Adjusted net income ※	***44.6***	*27.9*	*+16.7*	*59.9*	*+40.0*	*+4.6*	*11.5*

※Effective tax rate: 30.9% for FY2012, 32.9% for FY2011

Economic Frame	JCC ($/bbl)	Ex. Rate (¥/$)	Avg. Temperature (℃)
FY2012 2Q	113.97	79.41	22.9℃
FY2011 2Q	113.93	79.75	22.6℃

	FY2012 2Q Results
Pension Investment Yield (cost deducted)	**3.27%**

2

First, I would like to discuss our operating results. As shown on Slide 2, both sales and profit for the second quarter of fiscal 2012 rose year-on-year. This was the third consecutive quarter period of sales growth, and the first half-year profit growth in three quarter periods, with net sales, operating income, ordinary income, and net income all at record levels for the first half of a fiscal year.

Net sales rose ¥115.4 billion year-on-year, to ¥863.7 billion. Gas sales at the city gas business increased ¥73.9 billion, on higher unit sales prices in line with a rise in crude oil prices and an increase in gas sales volume. In addition, electric power sales grew ¥16.3 billion, on increased capacity utilization and higher unit prices resulting from a tighter supply-demand balance for electric power, and LNG sales rose ¥15.5 billion on increased sales volume.

On the other hand, operating expenses rose ¥52.0 billion, to ¥798.6 billion. This included a ¥28.0 billion increase in city gas resource costs, a ¥13.7 billion increase in LNG sales costs, and a ¥9.8 billion increase in expenses at the electric power business.

As a result, operating income grew ¥63.3 billion year-on-year, to ¥65.0 billion. With non-operating items including a ¥2.6 billion increase in revenue from dedicated equipment, ordinary income rose ¥65.1 billion, to ¥67.0 billion.

After the payment of corporate income taxes, net income increased ¥44.8 billion, to a ¥39.9 billion profit.

The sliding time lag effect, tied to fluctuations in resource costs, improved ¥44.0 billion, to a ¥3.6 billion surplus from a year-earlier ¥40.4 billion shortfall.

The amortization of actuarial differences in pension accounting had a ¥2.2 billion negative impact in the second quarter of fiscal 2012, compared with a ¥1.6 billion negative effect in the year earlier, thereby reducing profit by ¥0.6 billion.

Consolidated Gas Sales Volume <Apr.1 – Sep.30, 2012> <vs. FY2011 2Q>

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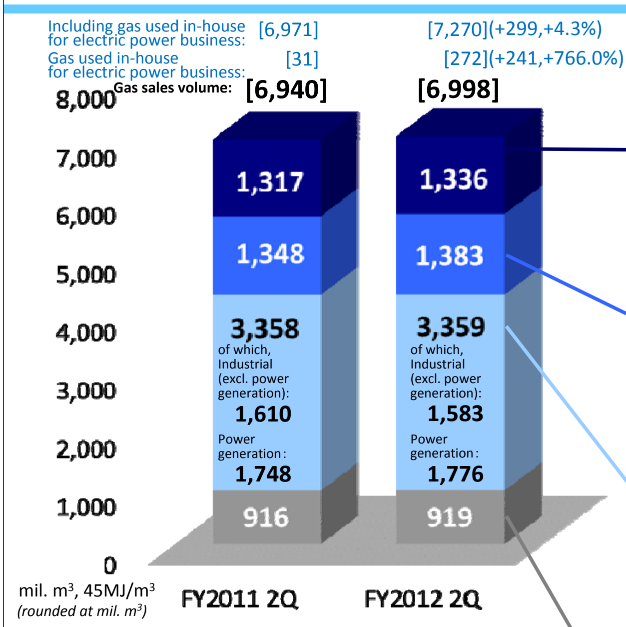

FY2011 2Q → FY2012 2Q

+58 mil. m^3 (+0.8%)

***large-volume gas demand +5 mil. m^3 (+0.1%)**

***temperature effect -18 mil. m^3 (-0.3%)**

Residential +19 mil. m^3 (+1.5%)
- Temperature attributes -13 mil. m^3
- Increase in number of customers +11 mil. m^3
- No. of days -2 mil. m^3
- Others (increase in usage per household after standardization (non-consolidated basis) +1.8%) +23 mil. m^3

Commercial +35 mil. m^3 (+2.6%)
- Temperature attributes -4 mil. m^3
- Increase in number of customers +10 mil. m^3
- No. of days +2 mil. m^3
- Others (rebound from impacts by the earthquake, etc.) +27 mil. m^3

Industrial +1 mil. m^3 (+0.0%)

Impact of Chiba-Kashima Line commencement +130 mil. m^3
- Industrial (excl. Power generation): - 26 mil. m^3
  Lower utilization rates at existing facilities (CGS utilization down, Economic slump) etc.
- Power generation: +27 mil. m^3
  Nijio -118 mil. m^3, Excluding Nijio +145 mil. m^3

(Reference)
Portion of FY2011 result shifted to in-house use -168 mil. m^3

Wholesale +3 mil. m^3 (+0.3%)
- General wholesale demand (Incl. temperature effect -1) +8 mil. m^3
- Large-volume gas demand -5 mil. m^3

	FY2011 2Q	FY2012 2Q
LNG liquid sales volume (thousand t)	193	215
Average temperature	22.6 ℃	22.9 ℃

Number of customers (Unit: 10 thousand)

FY2012 2Q-end	FY2011 2Q-end	Change
1,090.0	1,077.7	+12.3 (+1.1%)

Next, let us turn to gas sales volume.

Fiscal 2012 first-half gas sales volume grew 58 million m3, or 0.8%, to 6,998 million m3. Despite a 168 million m3 reduction from the shift of a portion of gas sales volume to the electric power business to in-house use, the opening of the Chiba-Kashima Line increased sales volume by 130 million m3, and as a result the year-on-year decline as of the end of the first quarter was reversed to year-on-year growth.

Aggregate gas sales volume, including the portion used in-house for the electric power business and not included in gas sales volume, is shown in blue at the top of Slide 3. On this basis, volume grew 299 million m3, or 4.3%, to 7,270 million m3.

The growth in residential-use and commercial-use sales volume seen in the first quarter continued, on a recovery from the year-earlier drop following the Great East Japan Earthquake, with residential-use growing 19 million m3 and commercial-use 35 million m3. Temperature effects reduced gas sales volume, including wholesale sales, by 18 million m3.

Industrial-use sales volume saw a 130 million m3 increase from the development of new demand in the Kashima area, which combined with a 39 million m3 increase in power generation demand in other areas covered the 168 million m3 reduction from the shift in-house for gas sold to the electric power business, resulting in an overall increase of one million m3.

By use, general industrial sales volume decreased 26 million m3, reflecting increased use for cogeneration last year immediately after the earthquake, and a stagnant economy. Power generation sales volume grew 27 million m3, but if the in-house portion is included, the increase was 268 million m3.

FY2012 2Q Net Sales and Operating Income/loss by Business Segment <vs. FY2011 2Q>

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(Unit: billion yen)

	Net Sales				Operating Income/loss			
	FY2012 2Q			FY2011 2Q	FY2012 2Q			FY2011 2Q
	Results	Change	%	Results	Results	Change	%	Results
City gas	628.3	73.9	13.3	554.4	64.6	50.4	353.1	14.2
Gas appliances and installation work	93.3	15.7	20.3	77.6	1.4	0.9	180.3	0.5
Other energy	157.8	23.6	17.6	134.2	11.8	8.6	269.3	3.2
(electric power)	61.7	16.3	35.7	45.4	8.1	6.4	365.5	1.7
Real estate rental	15.0	0.3	1.8	14.7	3.3	0.7	27.5	2.6
Others	88.0	14.6	20.0	73.4	4.7	3.2	213.7	1.5
Adjustment	-119.0	-12.9	-	-106.1	-20.8	-0.5	-	-20.3
Consolidated	**863.7**	**115.4**	**15.4**	**748.3**	**65.0**	**63.3**	**-**	**1.7**

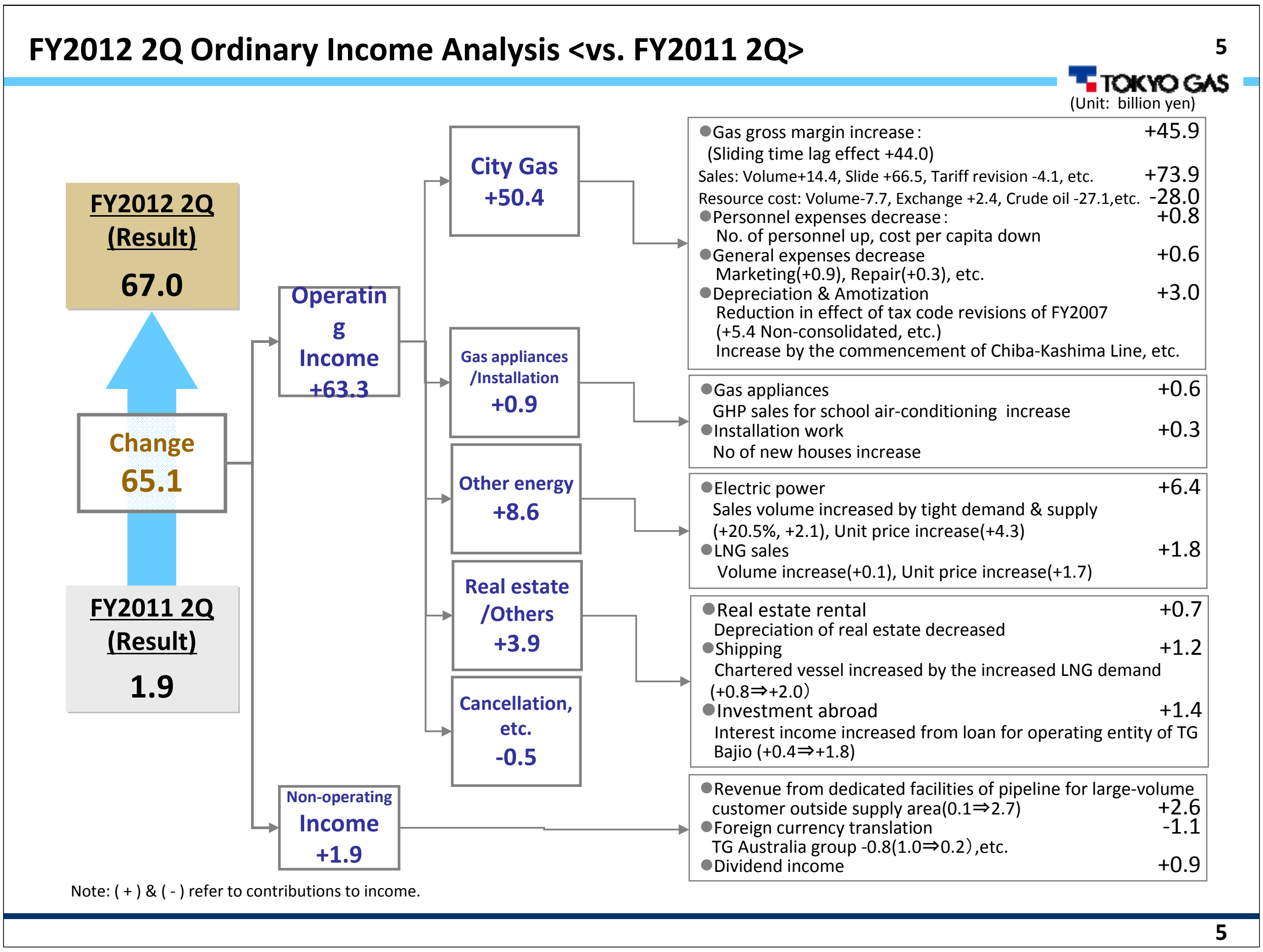
Notes:

- Net sales by business segment include internal transactions.
- “Other energy” includes energy-service, electric power, LPG, etc. and industrial gas, etc.
- “Others” includes construction, information processing, shipping, investment abroad, credit and leasing, etc.
- The “Adjustment” to operating income is primarily companywide expenses not allocated to individual segments.

Next, I would like to discuss first-half results by business segment.

Slide 4 shows net sales and operating income by segment, along with year-on-year increases and decreases.

Operating income increased at all segments, and the reasons for those increases are shown on the following slide.



Ordinary income at the city gas segment rose ¥50.4 billion. In addition to the ¥44.0 billion improvement in the sliding time lag effect and the ¥5.1 billion from the increase in sales volume that I mentioned earlier, depreciation and amortization cost decreased by ¥3.0 billion as disassociated from tax code revisions effect. There was also a ¥4.1 billion decrease, however, from lower revised unit price for small-volume customers.

Profit from gas appliances and installation work grew ¥0.9 billion, primarily because of increased sales of gas heat pumps. Following the earthquake, gas heat pumps were recognized as superior to electric air conditioning equipment in terms of stability of supply, and sales for school air conditioning grew as a result.

At the other energy segment, the electric power business recorded a ¥6.4 billion profit increase. Against a backdrop of increased demand associated with a tighter supply-demand balance for electric power, efforts to operate at nighttime and on holidays resulted in an increase in sales volume, and unit sales prices also rose in line with tighter supply and demand.

The LNG sales business recorded profit growth of ¥1.8 billion. In addition to an increase in sales volume, there was a significant contribution from an improvement in the sliding time lag from resource cost adjustments, similar to that seen at the city gas business.

Profit at the real estate rental and others segments increased ¥3.9 billion, with a ¥0.7 billion increase from lower depreciation cost at the real estate rental segment, a ¥1.2 billion increase from an increase in shipping reflecting higher LNG demand at the shipping business, and a ¥1.4 billion increase from investment abroad, from an increase in interest income for financing provided to the operating company of TG Bajio.

The improvement in non-operating earnings was primarily from the recording of ¥2.7 billion of revenue from dedicated facilities of pipeline for large-volume customer outside supply area.

FY 2012 2Q Consolidated Financial Results Overview (Forecast)

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FY2012 Full Year Forecast (2012.4.1 to 2013.3.31) <vs. Previous forecasts (Jul. 31 Release)>

Highlights of full year forecasts: sales and profit growth

- **Revision of crude oil price assumption**
  - 2H forecast revised to $110/bbl from $100/bbl to reflect recent market prices. Exchange rate remains unchanged (JPY80/$)
  - Deterioration in sliding time-lag effect -¥2.1 billion
- **Upward revision to gas sales volume**
  - Upward revision to "power generation" forecast (+169 million m³), downward revision to "general industrial use" forecast (-63 million m³)
- **Revision to electric power business forecast**
  - Upward revision to profit to reflect higher expected utilization（+¥5.0 billion）

(Unit: mil. M³/45MJ, billion yen)

	Current Release	Previous Forecast (Jul. 31)	Change	%	FY2011	Change	%
Gas sales volume (mil. m³, 45MJ)	15,135	15,018	+117	0.8	15,190	-55	-0.4
Net sales	1,890.0	1,844.0	+46.0	2.5	1,754.2	+135.8	7.7
Operating expenses	1,738.0	1,704.0	+34.0	2.0	1,677.1	+60.9	3.6
Operating income	152.0	140.0	+12.0	8.6	77.0	+75.0	97.2
Ordinary income — (a)	154.0	138.0	+16.0	11.6	75.6	+78.4	103.6
Net income	99.0	88.0	+11.0	12.5	46.0	+53.0	114.9
Temperature effect — (b)	*1.0*	*1.5*	*-0.5*	-	*7.5*	*-6.5*	-
Sliding time lag effect — (c)	*9.0*	*11.1*	*-2.1*	-	*-47.3*	*+56.3*	-
Amortization of actuarial differences — (d)	*-4.4*	*-4.4*	-	-	*-3.1*	*-1.3*	-
Adjusted ordinary income (a)- ((b)+(c)+(d))	*148.4*	*129.8*	*+18.6*	*14.3*	*118.5*	*+29.9*	*25.2*
Adjusted net income※	*102.5*	*89.6*	*+12.9*	*14.4*	*79.5*	*+23.0*	*28.9*

※Effective tax rate: 30.9% for FY2012, 32.9% for FY2011

Gross Margin Sensitivity to Changes in Oil Price and Exchange Rate (Unit: billion yen)

(full year/non-consolidated basis)	3Q	4Q	Full year
Impact of rising JCC by $1/bbl	-0.2	-0.8	-1.0
Impact of yen depreciation by ¥1/$	-1.1	-0.1	-1.2

Economic Frame (Full Year)	Crude Oil Price ($/bbl)	Foreign Exchange Rate (¥/$)	Average Temp. (℃)
FY12	111.99	79.71	16.8
FY11	114.17	79.08	16.4

Pension Asset	Investment Yield (cost deducted)	Discount Rate	Year-end Assets (billion yen)
FY11	5.13%	1.7%	254.0
FY10	2.70%	2.0%	235.0

7

Next, I would like to look at our full-year forecasts for fiscal 2012. This chart also includes a year-on-year comparison, but now I will outline the changes from our previous forecast announced with first-quarter results.

We have raised our previous forecasts for both sales and profit. The four main increases and decreases are a weakening in the sliding time lag effect from an upward revision to our crude oil price outlook, an increase for power generation-use gas sales volume, a reduction for general industrial-use gas sales volume, and higher profit at the electric power business.

As a result, we have raised our forecast for net sales by ¥46.0 billion, or 2.5%, to ¥1,890.0 billion, and our profit forecasts by ¥12.0 billion, or 8.6% for operating income, to ¥152.0 billion, by ¥16.0 billion, or 11.6% for ordinary income, to ¥154.0 billion, and by ¥11.0 billion, or 12.5% for net income, to ¥99.0 billion.

With regard to the assumptions underlying our forecasts, we have revised our forecast for crude oil prices in the second half to $110/bbl from $100/bbl, and left our exchange rate forecast unchanged at ¥80/$.

FY2012 Full Year Forecast: Consolidated Gas Sales Volume

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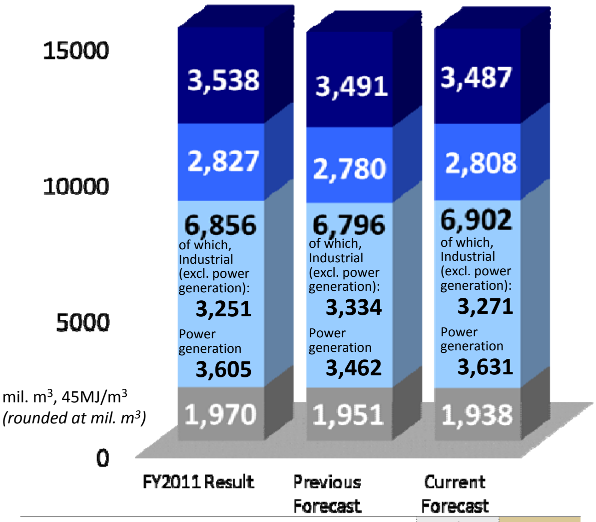
Previous Forecast → Current Forecast

+117 mil. m³ (+0.8%)

	FY2011 Result	Previous Forecast	Current Forecast
Including gas used in-house for electric power business:	[15,288]	[15,552]	[15,711](+159,+1.0%)
Gas used in-house for electric power business:	[98]	[534]	[576](+42,+7.9%)
Gas sales volume:	[15,190]	[15,018]	[15,135](+117,+0.8%)



Gas used in-house for electric power business	Previous Forecast	Current Forecast
LNG liquid sales volume (thousand t)	610	612
Average temperature	16.5 ℃	16.8℃

Number of customers (Unit: 10 thousand)

FY2012 2Q-end	FY2011-end	Change
1,090.0	1,085.5	+4.5 (+0.4%)

Residential -4 mil. m³ (-0.1%)
- Lower demand for water-heating because of high temperatures in Summer -10 mil. m³
- 2H projection almost unchanged +6 mil. m³

Commercial +28 mil. m³ (+1.0%)
- Higher demand for air conditioning because of high temperatures in Summer +16 mil. m³
- Expecting less energy-saving effect in winter than initially anticipated +12 mil. m³

Industrial +106 mil. m³ (+1.6%)
- Industrial (excl. Power generation): -63 mil. m³
  included revision to economic outlook
- Power generation: +169 mil. m³
  higher expected utilization

[Reference] Effect of increase in volume from Chiba-Kashima Line +76 mil. m³

Wholesale -13 mil. m³ (-0.7%)
- To reflect 2Q shortfall from plan
- Almont unchanged for 2H and beyond

Ref: Main differences between FY2011 results and current forecast
- Despite recovery from earthquake in residential and commercial sectors, decline because of large effect from low temperatures in FY2011 (Residential -51 mil. m³, Commercial -19mil. m³)
- In spite of the negative effect from the schematic change of electic power business, etc., increase for industrial sector on contribution from new pipeline opening (Industrial +46 mil. m³)

8

Next I will discuss our full-year forecast for gas sales volume.

In terms of total gas sales volume, we have raised our previous forecast by 117 million m3, or 0.8%, to 15,135 million m3. Including the portion used in-house for the electric power business, we have raised our aggregate forecast by 159 million m3, or 1.0%, to 15,711 million m3.

At the residential sector, we have basically kept our second-half forecast in place, but have lowered our full-year forecast by four million m3, to 3,487 million m3, to reflect lower demand for hot water caused by high temperatures during the summer.

At the commercial sector, high summer temperatures led to increased demand for air conditioning, and we also see an increase from a milder effect than we had previously anticipated from energy conservation during the winter, and have raised our forecast 28 million m3, to 2,808 million m3.

We have raised our industrial-use forecast by 106 million m3. This includes a 63 million m3 further reduction in general industrial use from the effect of a stagnant economy, but also a 169 million m3 increase in power generation-use from a tighter supply-demand balance for electric power nationwide. We have also raised our previous forecast for the increase in industrial demand from the opening of the Chiba-Kashima Line by 76 million m3, to 388 million m3.

FY2012 Net Sales and Operating Income/loss by Business Segment <vs. previous forecasts>

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Highlights

○City gas: In addition to growth in gas sales volume for "power generation," we now see the energy-saving trend in the commercial sector abating. Accordingly, we have raised our sales and profit forecasts based on upward revisions to our gas sales volume projection.

○Electric power: Although we see the trend of conserving electricity becoming permanent, we continue to expect the supply-demand balance for electric power to remain tight through the winter and have raised our 2H utilization estimate with operations in holidays and during the night, and raised our sales and profit forecasts.

(Unit: billion yen)

	Net Sales					Operating Income				
	Current Forecast as of Oct. 30			Previous Forecast as of Jul. 31	FY2011 Result	Current Forecast as of Oct. 30			Previous Forecast as of Jul. 31	FY2011 Result
	Price	Vs. Previous Forecast	%			Price	Vs. Previous Forecast	%		
City gas	1,366.1	25.1	1.9	1,341.0	1,306.2	152.7	2.5	1.7	150.2	97.4
Gas appliances and installation work	199.5	6.5	3.4	193.0	187.6	2.7	1.7	170.0	1.0	3.1
Other energy	328.2	18.3	5.9	309.9	302.5	26.5	5.6	26.8	20.9	10.9
(electric power)	122.8	11.8	10.6	111.0	101.8	19.6	5.0	34.1	14.6	7.9
Real estate rental	30.6	0.1	0.3	30.5	29.6	5.0	0.3	6.4	4.7	3.3
Others	192.7	4.1	2.2	188.6	181.8	9.2	1.9	26.0	7.3	7.0
Adjustment	-227.1	-8.1	-	-219.0	-253.7	-44.1	0.0	-	-44.1	-44.7
Consolidated	**1,890.0**	**46.0**	**2.5**	**1,844.0**	**1,754.2**	**152.0**	**12.0**	**8.6**	**140.0**	**77.0**

Notes:
- Net sales by business segment include internal transactions.
- "Other energy" includes energy-service, electric power, LPG and industrial gas, etc.
- "Others" includes construction, information processing, shipping, investment abroad, credit and leasing, etc.
- The "Adjustment" to operating income is primarily companywide expenses not allocated to individual segments.

9

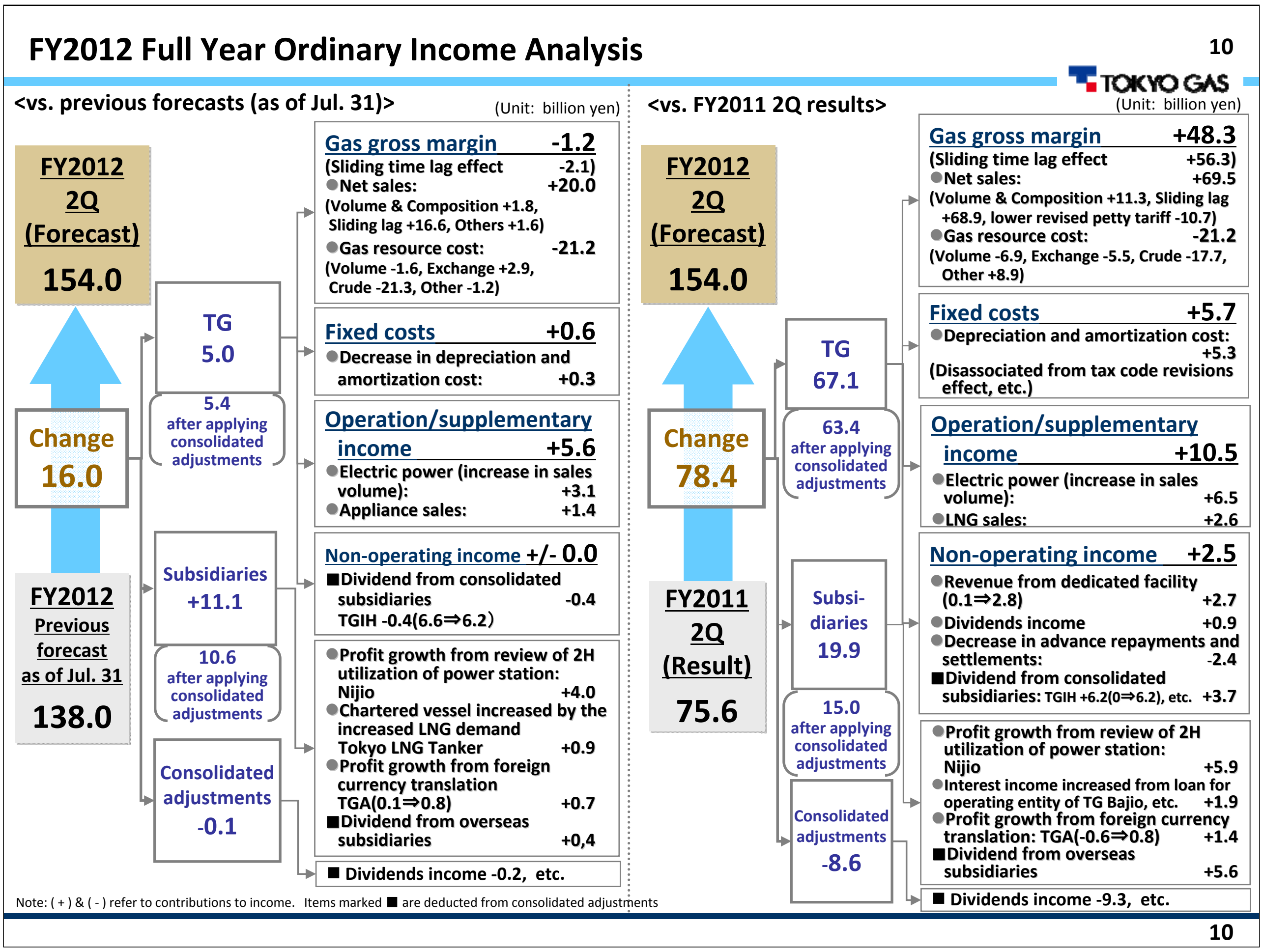
This slide shows the main changes from our full-year forecasts for operating income by segment announced with first-quarter results.

At the city gas segment, we see a weakening in the sliding time lag effect reducing profit by ¥2.1 billion, but with increased sales volume boosting profit by ¥4.6 billion, and have therefore raised our forecast by ¥2.5 billion, or 1.7%, to ¥152.7 billion.

We have raised our forecast for gas appliances and installation work by ¥1.7 billion, mainly to reflect a higher estimate for the number of gas heat pumps sold.

At the electric power business, we see the supply-demand balance for electric power remaining tight through the winter, and expect increased nighttime and holiday utilization along with higher unit sales prices, and have raised our forecast by ¥5.0 billion.

We have raised our forecast for the others segment by ¥1.9 billion, with increases expected in freight profit at the shipping business and higher profit from overseas investments.



Please refer to Slide 10 for comparisons of our full-year forecast for ordinary income with our previous forecast and the fiscal 2011 result, and the main factors behind those changes.

FY2012 Uses of Cash Flow

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Capital expenditure

(Unit: billion yen)

Capex	Main items	Ref: Initial plan
Tokyo Gas: 136.9 (+23.0 , +20.2%)	Production facilities : 26.4 (+7.7) Hitachi LNG terminal construction, etc. Distribution facilities : 89.9 (+15.5) Ibaraki-Tochigi Line installation, New demand-side pipes and pipelines, etc. Service and maintenance facilities, etc. : 20.5 (-0.2) Systems-related investment, Tamachi development-related, etc.	Tokyo Gas: 139.0 (+25.1, +22.0%)
Total of Consolidated Subsidiaries: 53.1 (+20.6 , +63.4%)	Overseas business (Total of Australian subsidiaries 22.3) Renovation of district heating and cooling system, etc. 12.8 (ENAC)	Total of Consolidated Subsidiaries: 52.0 (+19.5 , +60.0%)
Total 190.0 (+43.6, +29.8%)		Total 191.0 (+44.6, +30.5%)

*Numbers in parentheses refer to comparisons with FY2011. Total number is after internal eliminations.

Investments and loans

27.9 (overseas businesses, etc. 33.1, collections on loans -5.2) (vs. FY2011 +21.4)

Returns to shareholders

28.2 (Maintaining 60% total payout ratio) (vs. FY2011 -29.4)
(Total of FY2011 year-end dividends, FY2012 interim dividends, and FY2012 treasury stock purchases)

11

Now I would like to discuss our use of cash flow in fiscal 2012. We have reduced our previous estimate for capital expenditure at Tokyo Gas by ¥2.1 billion, to ¥136.9 billion, but increased our plan for consolidated subsidiaries by ¥1.1 billion, to ¥53.1 billion, for an overall reduction of ¥1.0 billion, to ¥190.0 billion.

We have left our previous estimate for investments and loans unchanged at ¥27.9 billion so our previous estimate for capital expenditure and investments and loans is basically unchanged.

We plan to return ¥28.2 billion to shareholders. Of this amount, ¥11.6 billion has already been paid as a year-end dividend for fiscal 2011 and ¥5.0 billion was used to buy back shares during fiscal 2012, and going forward we intend to pay out ¥11.5 billion as an interim dividend of ¥4.50 per share.

The year-end dividend is not included in this cash flow, but at this time we intend to pay a dividend of ¥4.50 per share. If profit comes in as projected, we intend to return ¥59.4 billion to shareholders, equivalent to 60% of profit, with ¥36.2 billion of share buyback during fiscal 2013.

FY2012 Funding Plan (Consolidated)

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Required Funds and Source of Funds

【2Q Result】

Required Funds			Source of Funds	
Capex	75.5	Internal funding	Depreciation	67.1
Other Investment & financing※	10.3		Ordinary income	67.0
Dividends & Tax	31.0		Others	-25.3
Share buybacks	5.0		Total	108.8
Repayment (Non-consolidated)	40.4 (40.4)	Outside funding (Non-consolidated)		53.4 (51.8)
Total	162.2	Total		162.2

【FY2012 Forecast】 (Unit: billion yen)

Required Funds			Source of Funds	
Capex	190.0	Internal funding	Depreciation	139.0
Other Investment & financing※	27.9		Ordinary income	154.0
Dividends & Tax	51.7		Others	-40.6
Share buybacks	5.0		Total	252.4
Repayment (Non-consolidated)	47.0 (33.0)	Outside funding (Non-consolidated)		69.2 (64.5)
Total	321.6	Total		321.6

Interest-bearing debt

End of FY2011 ： 625.8 billion yen
End of 2Q, FY2012 ： 639.0 billion yen End of FY2012e ： 648.0 billion yen

※Other investment & financing is the net amount of investment outlays and loan repayments.
The above does not include CP to be issued and redeemed within FY2012 as seasonal working capital.

12

Slide 12 shows our funding plan for the year. I will not go into details here, other than to mention that we expect interest-bearing debt as of the fiscal year-end to grow by roughly ¥22.2 billion from the end of fiscal 2011, to ¥648.0 billion.

Progress Under 2020 Vision

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Recent Topics (Activities since first quarter)

1. Production and Procurement

(1) Hitachi – Kashima Line (provisional name), Hitachi – Onahama Line (provisional name)

- Start considering practical issues including pipeline route selection of Hitachi – Kashima Line (provisional name), and implements demand potential survey along the route of Hitachi – Onahama Line (provisional name

2. Energy Solution

(1) Made decision to begin construction of Ohgishima Power Station Unit 3

- Have already completed environmental assessment procedures and determined that Ohgishima Power Station Unit 3 would be able to make the fastest contribution to a stable and efficient supply of electricity
- Construction to start in November 2012, and aiming to commence operations during FY2015
- Maximum efficiency of approximately 58%, gross output of 407MW (tentative)

(2) Supplying LNG nationwide

○ Began supplying LNG to Hokkaido Gas's Ishikari LNG terminal

- Planning to supply approximately 300,000-400,000 tons/year for 11 years from FY2012.
- Invested in Hokkaido LNG, owner of Ishikari LNG terminal (20% stake in October 2012)

(3) Promoting smart energy

a. Decided to develop Gene-Smart control systems for maximum power supply capacity from cogeneration during power outages, and install such system at large building complexes promoting smart energy (October 2012)

b. Installing newest ENE-FARM at Fujisawa Sustainable Smart Town, being developed mainly by Panasonic Corp., installing cogeneration, and promoting area-wide energy use.

c. Verification testing of smart energy network at our Senju site (Arakawa-ku, Tokyo) showed 13.6% energy conservation and 35.8% reduction in CO_2 emissions (FY2011 result)

14

Next, I would like to discuss recent topics since the first quarter, with regard to progress being made toward our Challenge 2020 Vision.

In terms of production and procurement, the Challenge 2020 Vision proposes two main lines. We have begun considering practical issues, including the selection of a route for pipeline construction, for a line from Hitachi to Kashima, and we have surveyed potential demand along a line from Hitachi to Onahama.
In the area of energy solutions, as we have recently announced, a decision has been made to begin construction of a Unit 3 at the Ohgishima Power Station. Construction is to start in November of this year, with the aim of commencing operations during fiscal 2015. Our plan is for the unit to have maximum efficiency of approximately 58% and gross output of 407MW.
With regard to the nationwide rollout of the LNG sales business, we began supplying LNG to Hokkaido Gas's Ishikari LNG facility this month, and we intend to sell roughly 300,000 to 400,000 tons annually for 11 years from this fiscal year. We have also taken a 20% equity stake in Hokkaido LNG, the owner of the Ishikari LNG facility.
The three initiatives we are pursuing to promote smart energy are shown at the bottom of the slide.

This concludes my presentation, but before I finish I would like to make an additional comment regarding the Challenge 2020 Vision.
We need to address a variety of challenges to achieve the Vision's final-year profit target of net income of at least ¥90.0 billion. In this presentation I have discussed increasing industrial-use gas sales volume, including for power generation, expanding the electric power business, and increasing profit from overseas investments. These are all very important elements toward the achievement of this target.
Each of these initiatives will require large investments, and long periods of time to recover profit from those investments. As I have noted, we were able to achieve solid first-half results, and the source of those results – businesses including electric power, overseas investment, and energy services, in addition to city gas infrastructure – is the result of past investments and many years of effort.
Our fundamental strategy is to use the profit generated from these past investments as the source of further investment that will lead to future profit growth.
The entire Tokyo Gas Group is striving to achieve our goal of long-term profit growth, and we ask for the continued support of our investors.

Thank you very much for your kind attention.

Reference Materials

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Gross Margin Sensitivity to Changes in Oil Price and Exchange Rate (Non-consolidated basis)

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Impact on rise in Oil price JCC by $1/bbl

(Unit: billion yen)

		Impact on earnings		
		3Q	4Q	Full Year
Period	3Q	-0.2	-0.6	-0.8
	4Q		-0.2	-0.2
	Total	-0.2	-0.8	-1.0

Impact on yen depreciation by ¥1/$

(Unit: billion yen)

		Impact on earnings		
		3Q	4Q	Full Year
Period	3Q	-1.1	1.2	0.1
	4Q		-1.3	-1.3
	Total	-1.1	-0.1	-1.2

Transition of Industrial-use Gas Sales Volume (Semi-annually)

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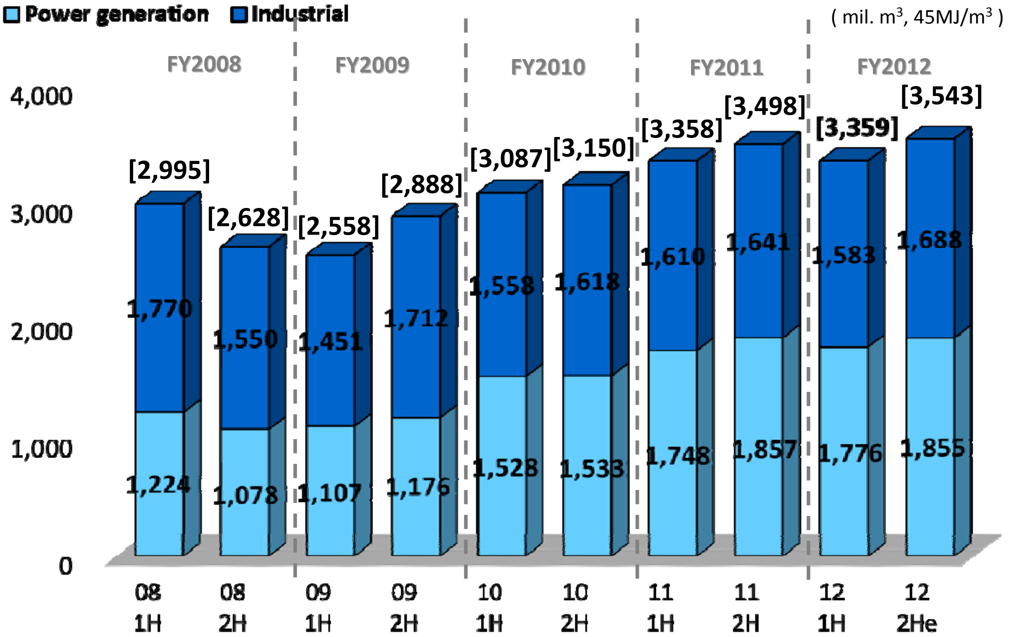
Consolidated

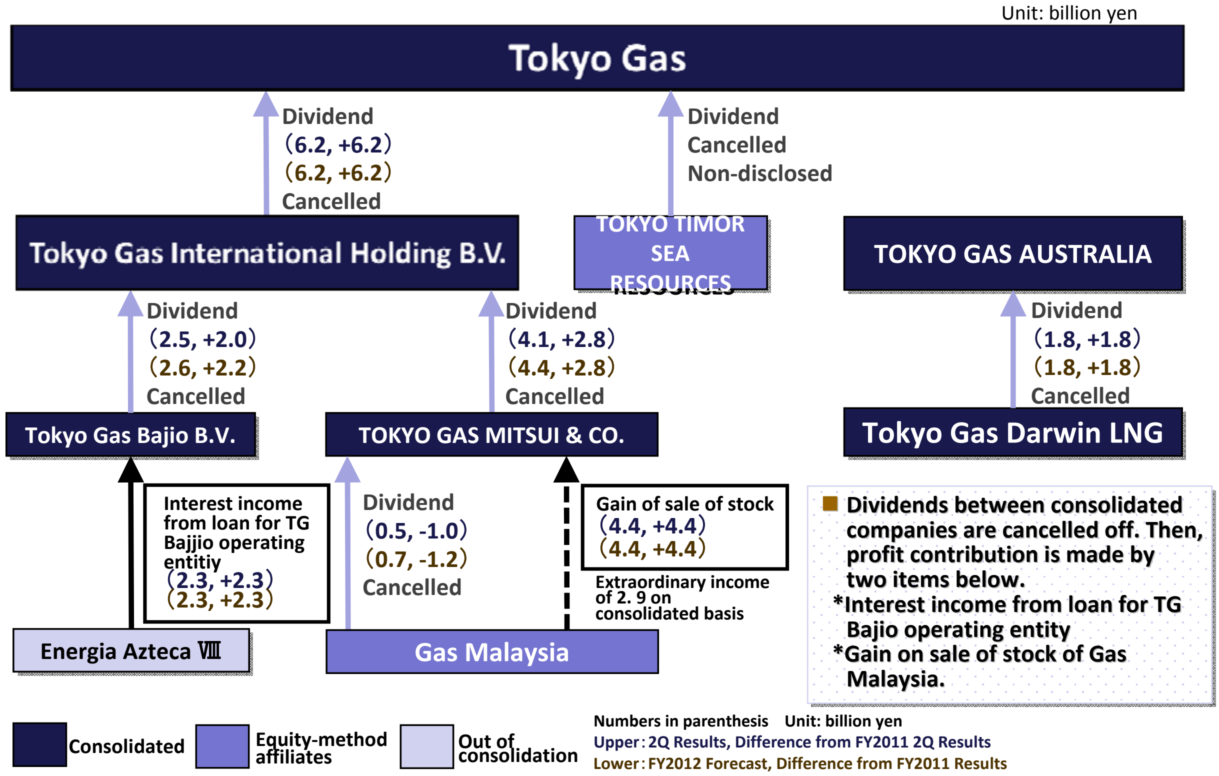
- With contributions from Chiba – Kashima Line (from March 2012) and Kashima Waterfront Line (from June 2012) covering more than the negetive effect of schematic change in elecrtric power busineess(-168 mil.m3), 2Q gas sales volume exceeded the gas sales volume of FY2011 2Q.



Note: A part is incorporated into self-consumption volume, following the schematic change in electric power business in FY2012

Reference: Investment abroad

■ **Flow chart for dividend from overseas subsidiaries**



Key Indicators

(Unit: billion yen)

	FY2010 Results	FY2011 Results	FY2012 Full year forecast
Total assets (a)	1,829.6	1,863.8	1,947.0
Shareholders' equity (b)	858.9	839.1	908.0
Shareholders' equity ratio (b)/(a)	46.9%	45.0 %	46.6%
Interest-bearing debt (c)	584.1	625.8	648.0
D/E ratio (c)/(b)	0.68	0.75	0.71
Net income (d)	95.4	46.0	99.0
Depreciation and amortization (e)	149.3	148.5	139.0
Operating cash flow (d) + (e)	244.8	194.5	238.0
Capex	150.2	146.4	190.0
ROA: (d) / (a)	5.2%	2.5%	5.2%
ROE: (d) / (b)	11.4%	5.4%	11.3%
TEP	64.0	9.1	61.2
WACC	3.2%	3.1%	3.1%
Total payout ratio	60.9%	61.4%	60.0%(plan) *

Notes: Shareholders' equity = Net assets – Minority interests
ROA = Net income / Total assets (average of the amounts as of the end of the previous period and end of the current period)
ROE = Net income / Shareholders' equity (average of the amounts as of the end of the previous period and end of the current period)
Balance sheet figures are as of the corresponding term-end
Operating cash flow = Net income + Depreciation and amortization (including amortization of long-term prepaid expenses)
Total payout ratio = (FYn dividends + (FYn+1) treasury stock purchased) / FYn consolidated net income
Total number of issued stock: 2,577,715,295 (as of September 30, 2012)
*To be maintained at approximately 60% each year to FY2020.

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< Cautionary Statement regarding Forward-looking Statements >

Statements made in this presentation with respect to Tokyo Gas's present plans, forecasts, strategies and beliefs, and other statements herein that are not expressions of historical fact are forward-looking statements about the future performance of the Company. As such, they are based on management's assumptions and opinions stemming from currently available information and therefore involve risks and uncertainties.

The Company's actual performance may greatly differ from these projections, due to these risks and uncertainties which include without limitation general economic conditions in Japan, crude oil prices, the weather, changes in the foreign exchange rate of the yen, rapid technological innovations and the Company's responses to the progress of deregulation.

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