LNG50th

For the next 50 years

TOKYO GAS

INTEGRATED REPORT 2019

For the next 50 years

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For the next 50 years

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On November 4, 1969, Tokyo Gas became Japan's first company to introduce liquefied natural gas (LNG).
It was a big project that was launched with the strong aspiration to stably supply energy that would support Japan's industry and people's lives for a long time as a clean, eco-friendly energy source.

This year marks the 50th anniversary of the introduction of LNG.

The Tokyo Gas Group has been supplying and will continue to supply reassuring energy to everyone.

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Social background behind LNG introduction

The ceremony for signing a long-term contract with the Alaska LNG Project

Tokyo Gas was Japan's first company to discover the outstanding value of natural gas and to overcome the challenges to achieve the introduction of LNG and help resolve social issues.

Our predecessors' sophisticated business judgment and courage motivated the next generation. Today, natural gas is a basic source of energy that supports the Japanese society and economy.

In the 1960s, Japan experienced a sharp rise in energy demand following its population growth and remarkable postwar reconstruction. However, urban air and other pollution had emerged as social issues and Japan faced an urgent need to shift from conventional coal- and oil-based materials to environmentally friendly and reliable energy sources for the future that would not impair economic efficiency.

Tokyo Gas found liquefied natural gas (LNG) to be an optimal solution to those social problems, because it was expected to attain both environmental friendliness and economic efficiency. The company decided to introduce it.

LNG has changed society

Fifty years ago, natural gas, which was a third alternative in fossil fuels beyond coal and oil, was introduced to bring about dramatic changes to Japan's energy situation.

There were a number of unknown challenges behind its introduction.

Actions towards LNG introduction

Actions with an eye towards the widespread use of LNG

1960s 1969

1964

Gas pipeline construction

The main loop natural gas pipeline was completed at 220 km in length, surrounding the entire Kanto region.

- A high-pressure pipe with a diameter of 750 mm was introduced. It was the first introduction of this type of pipeline in the Japanese city gas industry.

1966

1971

Terminal construction

Construction of Japan's first LNG terminal was completed

- The construction was so large in scale that it took three years and involved a cumulative total of 230,000 workers.
- Cutting-edge technologies in those days were incorporated to withstand ultra-low temperatures.

Major energy shift: Attempted 50 years ago

The Polar Alaska

1969 1972

Procurement

Japan's first LNG procurement

- Joint purchase with Tokyo Electric Power (currently JERA)
  (A pioneering case of a joint purchase between a city gas company and an electric power company)
- Attempt at mass transport by ship
  (with equipment that withstands -162°C)

The introduction of LNG required extensive efforts, including those for securing consent from the public and cooperation from customers as well as actions to meet growing demand. Tokyo Gas carried out these actions to accomplish a major energy shift.

Social and environmental issues facing Japan

1 Response to soaring energy demand following economic development and population growth

2 Combating pollution problems

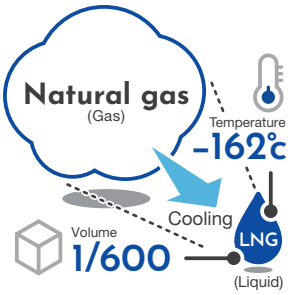
3 Ensuring a stable energy supply

Withdraw from dependency on oil and the Middle East

Ensuring stable supply in the future

A solution to social and environmental issues

LNG introduction



COLUMN

Characteristics of natural gas led to higher transport efficiency

Natural gas transforms from gas into liquid, namely LNG, when it is chilled to -162°C. In the liquid state, it is 1/600 of its volume in a gaseous state, which means higher efficiency in terms of transport. LNG is imported efficiently from different places around the world with special LNG tankers that can withstand ultra-low temperatures.

1975

Chiba main pipeline work

Full completion of the calorific value change in the area served by the Tokyo Higashi Branch Office

1977

Underwater main pipeline construction

Globally unprecedented underwater main pipeline crossing Tokyo Bay was completed

- After three years of consideration, the massive construction project took extra four years.The work was done 24 hours a day, under a two-shift system.

1988

Calorific value change

The change in calorific value for the then 5.5 million consumers in the Greater Tokyo area took 17 years before it was completed.

Tokyo Gas staff visited customers one by one to change the calorific value of gas appliances. Later, as a pioneering firm, Tokyo Gas helped at least 200 operators across the country with calorific value changes.

Appliance adjustment work for calorific value change at a customer's residence

COLUMN

Calorific value change served social development

The calorific value change refers to an initiative for uniformly supplying natural gas 13A with a high calorific value. It was a large project joined by at least 200 operators nationwide to build a foundation for today's city gas operations. Tokyo Gas embarked on the change for all of its then 5.5 million customers in the Greater Tokyo area in 1972. Over 17 years, and involving 7.8 million employees, it was decisive for the future of the company. The shift to the universal supply of high-calorie natural gas 13A doubled the supply volume using the pipeline with the same diameter and length. This led to higher supply efficiency and eventually to social development.

The introduction of LNG and the universal supply of high-calorie natural gas 13A improved the city gas supply capacity and facilitated the widespread use of natural gas. They also paved the way for the advanced use of city gas. The application was expanded from conventional household consumption to business and industrial use. City gas acted as a driving force during the period of rapid economic growth. Today, Southeast Asian countries, who are exporters of natural gas, are experiencing a soaring energy demand amid their high-speed economic growth and the introduction of LNG is spreading. Tokyo Gas will contribute to social and economic development in Southeast Asia by offering its technologies and expertise in natural gas, LNG and city gas, which has nurtured over the past 50 years.

2000 2010

Kashima Offshore Wind Power Generation (conceptual drawing)

Natural gas is a basic energy source that supports society and the economy. It will play an increasingly significant role in building a low-carbon society.

A combination of renewable energy with natural gas

Natural gas is defined by the Japanese government as an effective low-carbon measure towards 2050 in its fifth Energy Basic Plan. It is expected to play a key role around the world as well. When renewable energy, which is susceptible to weather conditions, is positioned as a core power source, natural gas power generation will become significant for two reasons. First, it can be flexibly operated. Second, it has a limited environmental impact. Expanded use of renewable energy will help expand the effective use of natural gas.

COLUMN

Serving as an official partner in the category of gas and gas utility services for the Tokyo 2020 Olympic and Paralympic Games

Tokyo Gas is an official partner in the category of gas and gas utility services for the Tokyo 2020 Olympic and Paralympic Games. It will work for successful sporting events by stably supplying energy, taking security and other actions. It will also take part in model projects for advanced environmental cities in the Harumi district and elsewhere to move forward with progressive efforts in terms of energy.

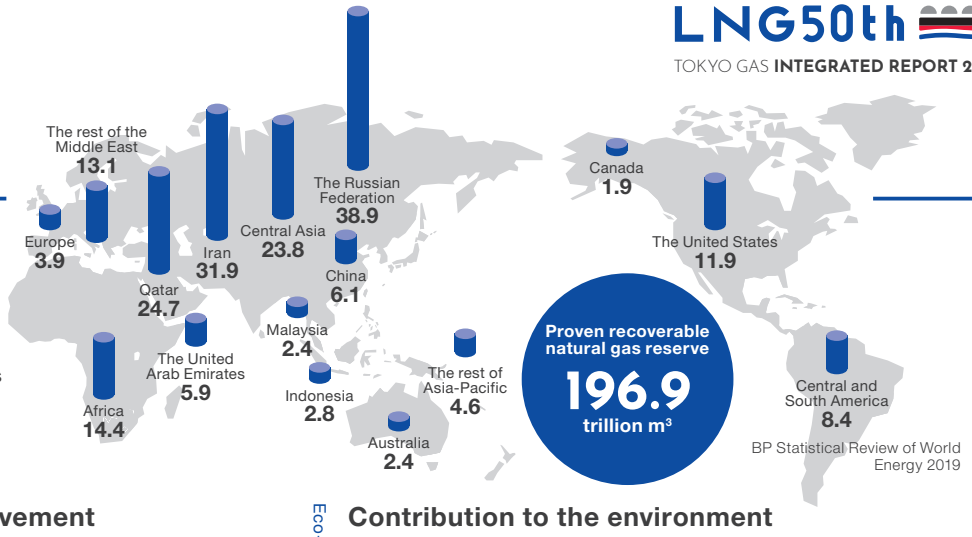
TOKYO 2020 TOKYO GAS TOKYO 2020 PARALYMPIC GAMES

Tokyo 2020 Official Gas & Gas Utility Services Partner

COLUMN

LNG's superiority

As a result of introducing and spreading the use of LNG, Tokyo Gas attained both a stable supply of energy and contribution to the environment.



BP Statistical Review of World Energy 2019

Stability of supply

Energy security improvement

There are natural gas reserves from which LNG is produced in many different locations around the world that offer stable production and supply regardless of circumstances. In addition, technological progress has paved the way for the development of shale gas. Today, it is said that natural gas reserves will be sufficient to meet global energy demand for at least 200 years.

High transport efficiency

When natural gas is cooled to -162°C to form liquefied natural gas (LNG), its volume is around 1/600 of its usual size, facilitating efficient mass transport.

Higher supply capacity

High in calorific value, LNG ensures a large supply capacity. It will thus meet future increases in demand and ensure stable supply.

Eco-friendliness

Contribution to the environment

Natural gas is clean and does not contain hazardous substances. Carbon dioxide emissions from its combustion are lower than those from coal and oil. It is an effective energy source for carbon reduction.

Hiroshi Anzai, the then president of Tokyo Gas shakes hands with the then Governor of Tokyo Ryokichi Minobe after the announcement of the cooperation on anti-pollution initiatives of the Tokyo Metropolitan Government.

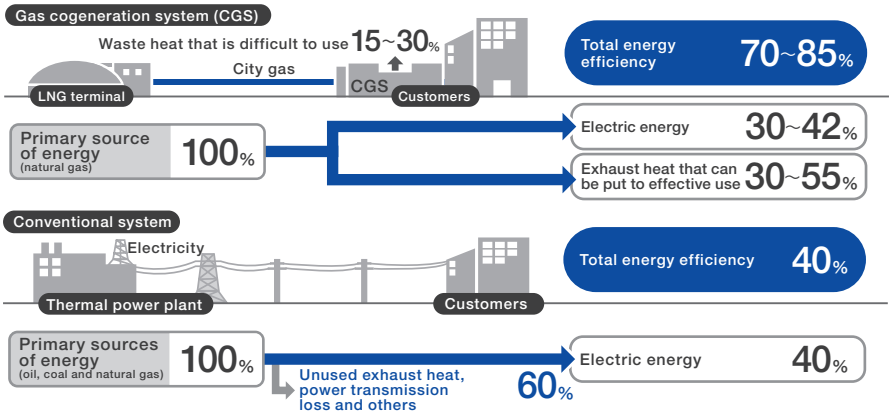
Comparison of emissions from combustion,
(in which a value of 100 indicates emissions from coal combustion)

	CO_2	NOx (nitrogen oxide)	SOx (sulfur oxide)
Coal	100	100	100
Oil	80	70	70
Natural gas	60	40	0

2020

Gas cogeneration system

A gas cogeneration system is a system under which city gas is burned to produce electric power where it is used, while the heat generated from combustion is used for cooling, heating, hot water supply, steam generation and other purposes. It uses energy without being wasteful to exhibit high total energy efficiency, achieving energy conservation and CO_2 reduction. When combined with renewable energy with unstable output, it helps disperse energy systems and makes significant contributions to the construction of a low-carbon society.

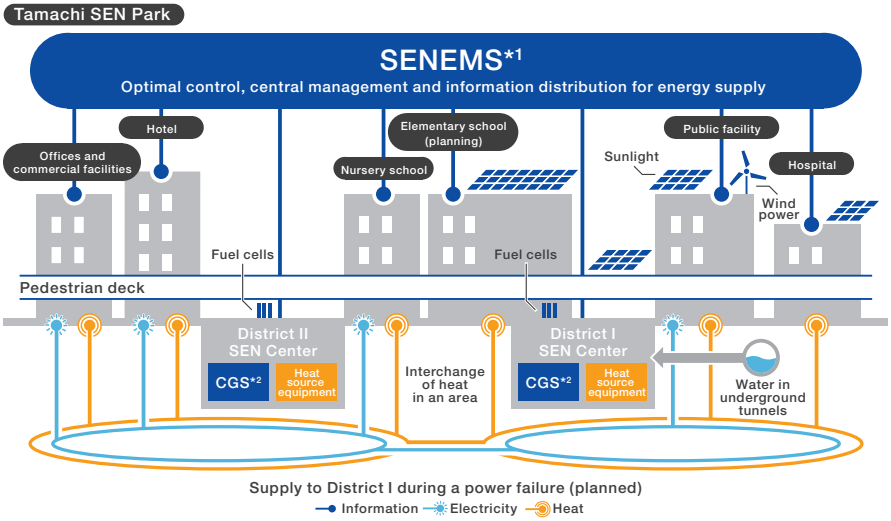


* Calculated under the preconditions determined by Tokyo Gas

Smart energy network (SEN)

A smart energy network (SEN) is a regional energy network centered on a large, high-efficiency gas cogeneration system that uses ICT technology for providing and receiving heat and electric power to and from different positions in an area according to the supply and demand. Surplus heat and electricity are supplied to places where they are needed to optimize the demand-supply balance in the area and to achieve energy conservation and CO_2 reduction. It also ensures the stable procurement of energy in emergency situations. Solutions to local environmental, disaster control and other issues will increase real estate value.

*1 Smart Energy Network Energy Management System
*2 Gas cogeneration system



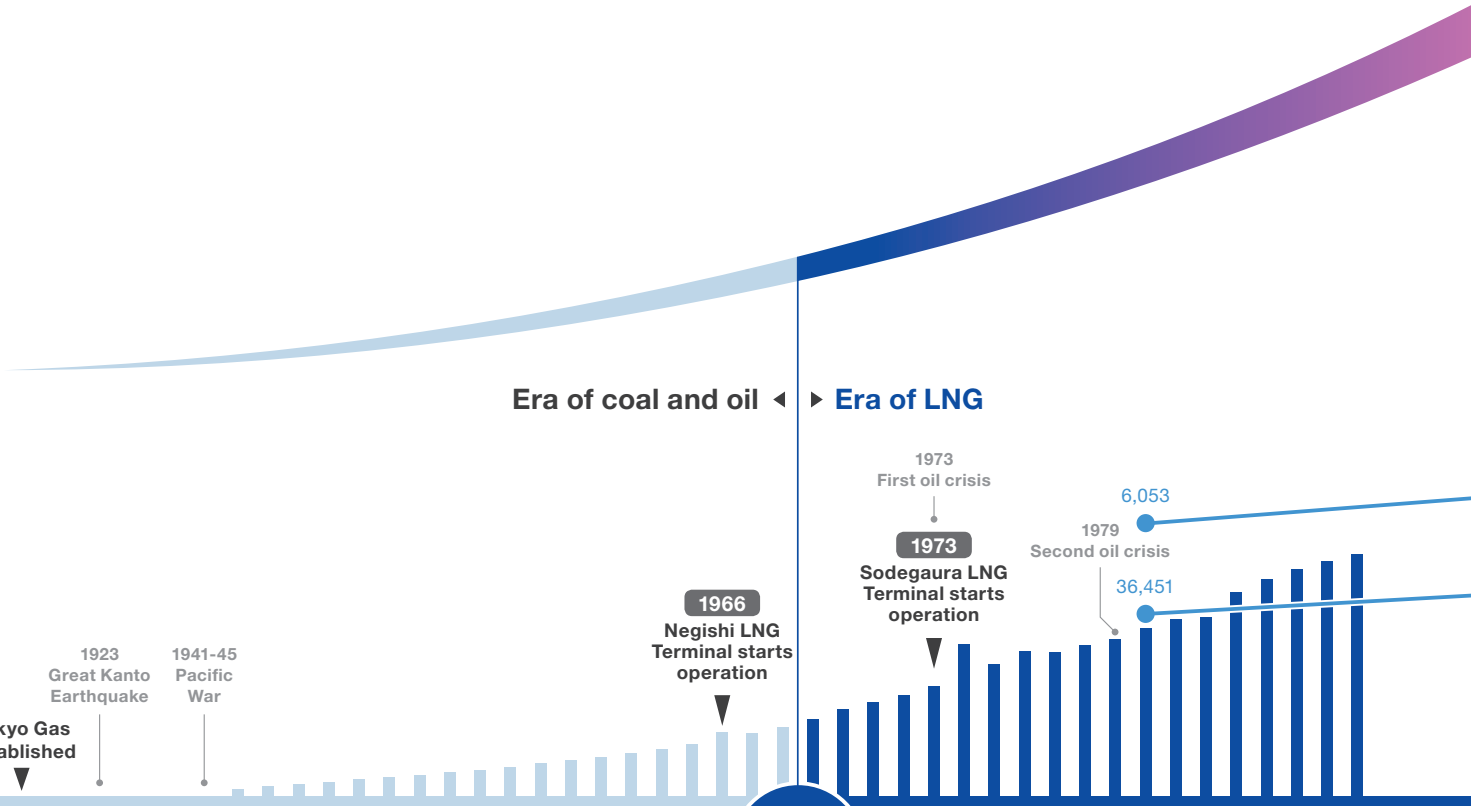
Tokyo Gas continues to grow as "Energy Frontier"

The Tokyo Gas Group has been constantly supplying gas and pursuing exhaustive initiatives for about 130 years to support economic development and customers' fulfilling lifestyles and to create its corporate value.

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 changes 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.

Gas sales volume (billion m³) —Electric power sales volume (billion kWh)

* The numbers of gas customers and gas sales volumes are non-consolidated-based up to fiscal 2002 and consolidated-based from fiscal 2003.
* The gas sales volume for fiscal 2011 and later includes the volume used in-house under tolling arrangement and the LNG sales volume.



1885~ Chapter 1
Period of establishment of the city gas business

- Business commenced with gas lamps
- Spread of city gas for households

1945~ Chapter 2
Period of reconstruction from war devastation

- Business reconstruction after catastrophic damage in the Pacific War
- Expanded use of city gas for households in line with post-war reconstruction and economic growth

1969~ Chapter 1
Period of domestic business growth

- Construction of LNG terminals and pipeline networks contributed to Japan's rapid economic growth.
- Seventeen years of efforts to change the calorific value finished for 5.5 million customers in the Greater Tokyo area.

See page 04

Gas usage


Gas lamp


Gas Kamado oven


Gas heater


Automatic gas rice cooker

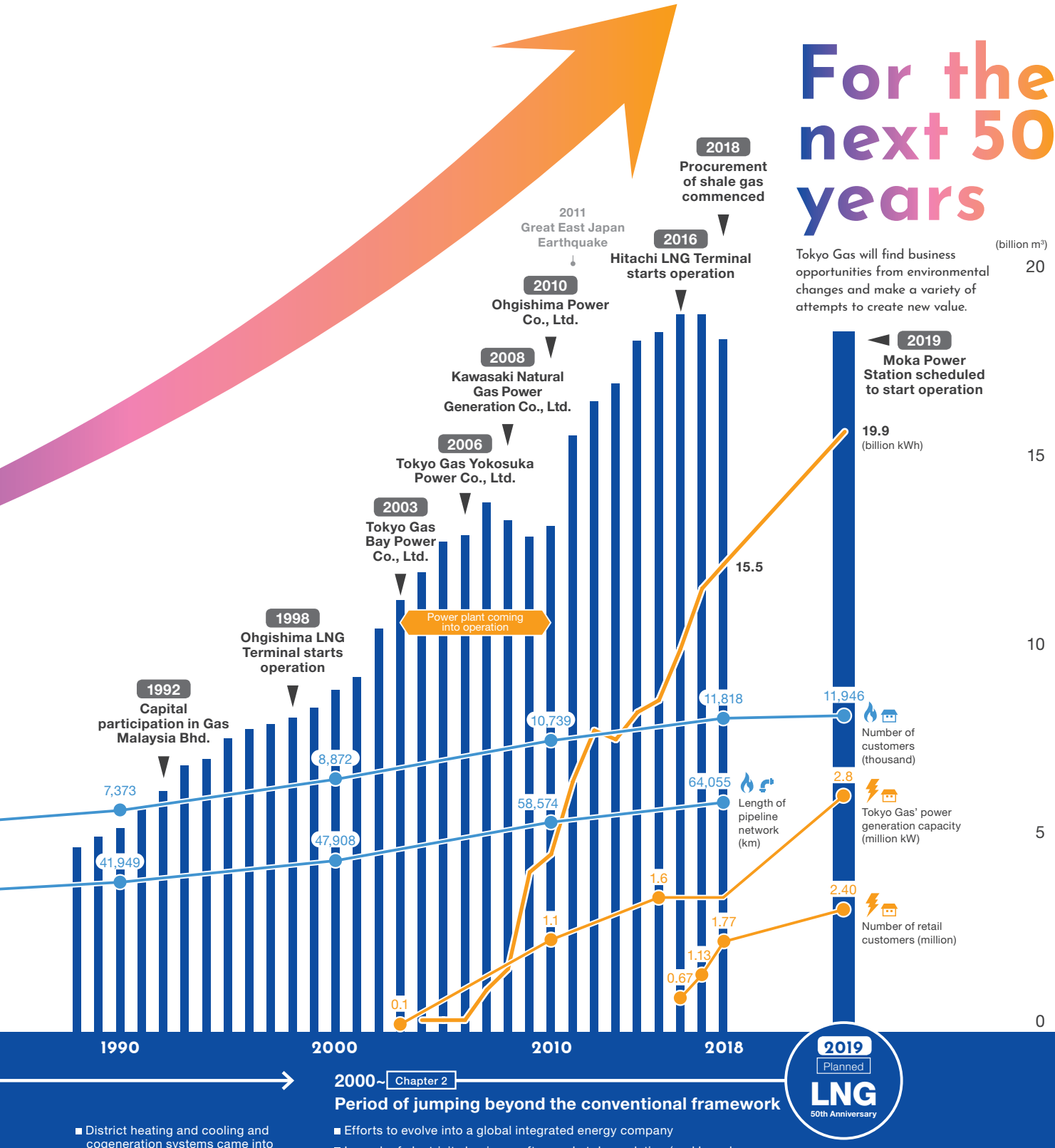

1970
Kuramae Kokugikan First gas heating and cooling system


1971
The old Shinjuku District Heating and Cooling Center


1981
First natural gas cogeneration system

For the next 50 years

Tokyo Gas will find business opportunities from environmental changes and make a variety of attempts to create new value.



2000~ Chapter 2

Period of jumping beyond the conventional framework

- District heating and cooling and cogeneration systems came into being. Gas applications expanded from households to business and industrial purposes.

- Efforts to evolve into a global integrated energy company
- Launch of electricity business after market deregulation (and launch of electricity retail business in 2016)
- Advance utilization of natural gas with an eye towards a future low-carbon society

Gas built-in cook stove

Power plant

Hydrogen filling station

Residential fuel cell "ENE-FARM"

Toyosu Smart Energy Center

LNG value chain for value creation

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

Procurement	Transportation	Production and supply of city gas Natural gas-fired power generation	Sales / Energy solutions
Stable procurement at a low cost	Prompt transport	Safety, constant high-efficiency and cleanliness	Energy conservation, CO_2 reductions and cost reductions

Principal social demand — Related SDGs — Advantage

Procurement

Diversity of procurement sources (long-term contracts)

6 countries
14 projects

Diversifying procurement sources *P22*

Procurement volume

13.95 million tons
Approx. **17**% of Japan's total procurement volume, namely **80** million tons

Alliance with LNG players in Japan and overseas

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

Relationships of trust with business partners *P52*

Transportation

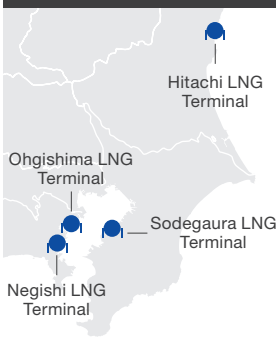
Fleet owned and managed by Tokyo Gas

13 ships

Energy Liberty **features high fuel efficiency and a low environmental impact**

Production and supply of city gas / Natural gas-fired power generation

Four LNG terminals



Pipeline network

over **60,000** km

Storage capacity

3.47 million tons

Natural gas fired power plants

2.8 million kW associated with Tokyo Gas

Including that of the Moka Power Station, which is scheduled to start operation in 2019 or 2020

Sales / Energy solutions

Community-based sales organization *Lifeval*, *Enesta* and *Enefit*

180 outlets

14,000 employees

Relationships of trust with customers *P31*

Business operation in the Greater Tokyo area

Tokyo Gas operates its business in the Greater Tokyo area, which contributes to 40% of Japan's GDP and foresees a continued influx in population.

For the next 50 years

OUTPUT

Customers

One-stop energy solutions suited to customers' needs

Support for business continuity

Competitive prices

Contribution to fulfillment of SDGs P57

Gas Sales Volume

18.4
billion m³
* Including the volume used in-house under tolling arrangements and the LNG sales volume

Reduction in CO_2 Emissions from Customers

4.52
million tons-CO_2

Electric Power Sales Volume

15.5
billion kWh

Engineering

Smart energy network
14
projects
Participation in the construction of LNG terminals in Japan and overseas

City Gas

Domestic market share of sales volume
Approx. **40**%
9.8 million subscriptions and
11 million supply destinations

Electricity

Electricity retail costomers
Approx. **1.77** million
Taking the lead among the new power suppliers **No.1**

Wholesale Customers

19 companies

Global Expansion

Tokyo Gas capitalizes on its knowledge on natural gas infrastructure and the utilization of technologies cultivated in Japan for overseas expansion.

OUTCOME

Social value outcome

1
Energy security improvement

2
Environmental contribution

3
People's safe and reliable lives and community development

Economic value

FY2020 targets

P20 See "GPS2020"

Operating cash flow
¥**280** billion

ROE
around **8**%

Total payout ratio
60%

We will develop into a genuine, integrated energy company with a pioneering spirit that has been passed on from generation to generation.

Representative Director, President and CEO
Takashi Uchida

Getting the blue sky back in Tokyo

This year marks the 50th anniversary of the Tokyo Gas Group's first import of liquefied natural gas (LNG), when we became the first Japanese company to import LNG. When deciding to implement a large project that could shape the future of the company, the management team at that time devised the slogan: *Getting the blue sky back in Tokyo*. As it suggested, the introduction of LNG eliminated sulfur oxide (SOx) emissions, reduced nitrogen oxide (NOx) emissions from the levels of conventional coal- and oil-based fuel, and curbed photochemical smog, a social issue. It also cut carbon dioxide (CO_2) emissions.

The spirit of carving out new energy frontiers with innovation is an intangible asset of Tokyo Gas that should be passed on to the next generation. During the period of rapid economic growth in the Showa era, natural gas gained attention as a source of clean energy with high calorific value to replace oil-based energy sources amid mounting energy demand and environmental deterioration. Our Group subsequently attempted to liquefy overseas natural gas and import it by ship. At that time, natural gas rarely used on a practical level and this attempt was considered technically challenging. We cleared a number of difficult hurdles, one after another, including refrigerated liquefaction technology. In November 1969, we welcomed the first ship from Alaska, *Polar Alaska*, to our Negishi LNG terminal, ushering in the era of LNG.

The introduction of LNG followed a change in calorific value, which took 17 years. We replaced the gas supplied with one that had a higher calorific value. This low-profile effort of visiting individual customers one by one to adjust their gas appliances involved 7.8 million employees. As a result, today natural gas is widely used and it supports Japan's development as a major energy source. This process helped to build close relationships of trust with customers. Now they are another invisible asset that provides an advantage over our competitors in today's deregulated energy market.

The shift to LNG coincided with our management stance of contributing to society through our core business. The change in calorific value was helpful in our subsequent growth. It is largely unknown that natural gas is so high in calorific value and supply efficiency that our Group's investment in pipeline construction was minimized. Before the change, the calorific value of the gas varied from region to region and from operator to operator. At least 10 different kinds of gas were supplied. Since the change, a single type of gas is supplied, which is beneficial for both customers and gas appliance manufacturers.

The spirit of carving out energy frontiers with innovation is an invisible asset of Tokyo Gas that should be passed on to the next generation.

We will continue to supply energy in a safe and reassuring manner to enhance consumer confidence.

Almost a year has passed since I became Representative Director and President in April 2018. Looking back on the past 12 months, I feel that the circumstances surrounding the energy industry became increasingly tougher.

Especially following the deregulation of the electricity and gas utility markets, competition among energy companies has intensified. The Tokyo Gas Group saw more of its city gas customers than expected switch to other operators while gaining electricity customers at a higher than expected pace. Overall, we have managed to benefit from deregulation. Some of our gas customers who had switched to other suppliers are slowly returning.

Pricing is not the only factor that draws consumers to a particular energy company. It is important to build trust by constantly supplying energy in a safe and reassuring manner. In 2018, Japan experienced a series of natural disasters in different locations, including earthquakes to the north of Osaka and in eastern Hokkaido as well as typhoons and heavy rain in Western Japan. These incidents renewed our awareness of our responsibility toward the stable supply of energy and disaster control, compelling us to reconfirm that we would work on them as high priority matters.

In addition, the call for carbon reduction is growing in Japan and around the world. Last year, I realized this through direct experience. Our Group considered building a coal-fired power plant in Sodegaura, Chiba Prefecture, with Idemitsu Kosan Co., Ltd. and Kyushu Electric Power Co., Inc.; however, we decided to withdraw from the joint development, because it was not feasible from the perspective of additional environmental measures. Local communities and investors in Japan and abroad praised us for that decision from an ESG perspective.

We were also greatly admired for our leadership in the joint procurement of LNG from Mozambique with UK-based Centrica plc in the world's first innovative action between Japanese and European businesses. This also applies to our expansion of LNG import sources to Canada, Mexico and other countries as well as the joint introduction with Shell Eastern Trading Pte Ltd of a revolutionary pricing system based on coal prices to ensure the long-term, stable procurement of more competitive LNG. We are delighted that our Group's sincere actions for LNG, which have continued since we started importing it in 1969, are recognized globally.

We will carve out new market as energy frontiers with our continued long-term mindset.

The general public may think that the city gas industry is protected by regulation. However, it is often exposed to fierce competition, for example, when gas lamps and rice cookers were replaced with electric versions. Our Group started to hold cooking classes more than 100 years ago to help participants use gas with ease of mind and learn how to make full use of gas appliances along with cooking techniques. To survive that tough competition, our Group has created new markets by addressing people's lifestyles and fulfilling its social responsibility to attain continued growth.

ENE-FARM consists of residential fuel cells and is the result of our low-profile research and development efforts over more than 20 years. Despite the common belief that the commercialization of ENE-FARM was difficult, our Group managed to release it in 2009, with 110,000 units sold by last year. While LNG transport traditionally depended on trading companies, as an energy firm, we acquired LNG tankers to acquire more freedom in transactions. Our Group started to supply energy at low prices before our competitors. We are also proud that our Group made floor heating common as we see it today.

In the second year of the Jump stage in GPS2020, we will continue to achieve steady development.

In November 2011, the Tokyo Gas Group announced its long-term management vision ending in fiscal 2020, *The Tokyo Gas Group's Vision for Energy and*

the Future: Challenge 2020 Vision. It was aimed at achieving continued growth of the Group.

In the Hop stage (fiscal 2012-2014) and the Step stage (fiscal 2015-2017), we worked to significantly expand our business domains and areas, establish seven business domains and construct a new group formation, with the aim of becoming a global, integrated energy corporate group.

Taking over the managerial leadership, it is my duty to steadily implement the GPS2020 medium-term management plan for fiscal 2018-2020, which coincides with the final Jump stage of the vision, achieving targets ahead of schedule if possible, and pushing ahead with considerations for the next long-term management vision.

For fiscal 2018, which was the first year in the Jump stage, we successfully increased both net sales and profit and saw remarkable results in the electric power segment. We worked towards the goal of supplying the Tokyo Gas Group's electricity to 2.2 million customers by the end of fiscal 2020, and consequently attained a steady hike in electricity customers in the first fiscal year. We therefore revised the target upwards from 2.2 million to 2.4 million, and revised the target date to the end of fiscal 2019, one year ahead of the initial schedule, which has boosted the confidence of our employees.

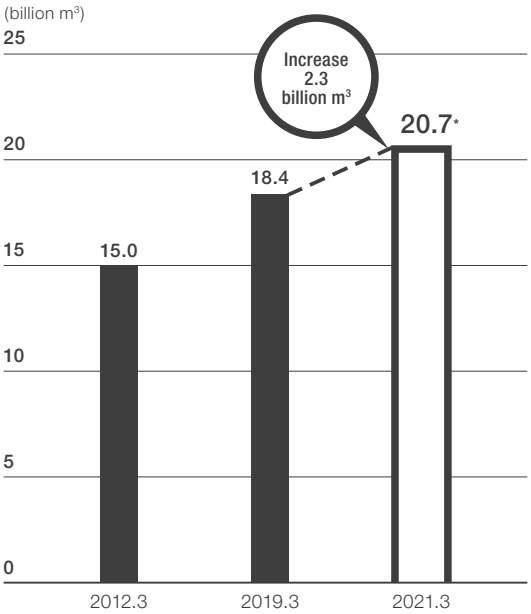
We also made healthy progress in the energy-related segment. Tokyo Gas Engineering Solutions Corporation (TGES), a subsidiary of Tokyo Gas, and other companies expanded their service areas and now serve the entire country, from Hokkaido to Okinawa. They engage in the construction and operation of LNG terminals, energy supply, fuel shifts, energy-saving services and offer wide-ranging value. In addition, they are expanding operations to Thailand, Bangladesh, the US and other countries.

In the real estate segment, we also made good progress, including redevelopment of the land that we own, which is directly linked to the east gate of JR Tamachi Station, acquisition of a new property in Toranomon in Minato-ku, and leasing operations at medium- and small-sized land lots. In addition, we integrated our three related subsidiaries into one to create a structure for more active operations.

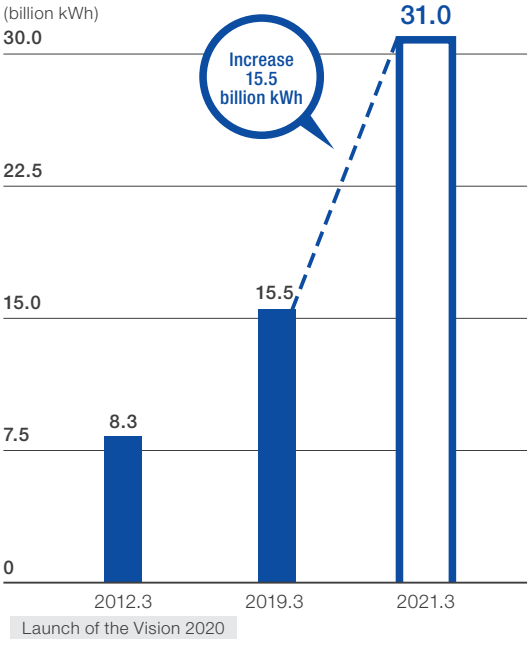
We will overcome harsh business circumstances by taking a long-term perspective.

Meanwhile, our overseas expansion is lagging. Regrettably, no massive growth in energy supply volume is likely in Japan, because of the aging and shrinking population with the decline in the birth rate, the decrease in households and improvement in heat insulation and draft-free characteristics of buildings. However, it is possible to expand business mainly to countries in Southeast Asia, where natural gas is becoming widely used. While striving to obtain a larger market share in the mature domestic market, we will focus on the expansion of overseas business.

Gas Sales Volume (based on the Vision)



Electric Power Sales Volume



The next long-term management vision will target 2030.

Towards a target of achieving an environmentally-friendly energy supply, mainly for natural gas, in overseas markets, we will enter new markets and contribute to the enhancement of customers' lifestyles and industrial development.

Our most important target is to stop the decrease in gas retail customers from surpassing the preset limit. New market entrants include not only TEPCO Energy Partner, Inc., but also CD Energy Direct Co., Ltd., in which CHUBU Electric Power Co., Inc. and Osaka Gas Co., Ltd. are stakeholders, in addition to JXTG Nippon Oil & Energy Corporation, the largest oil distributor in Japan. Today, we are competing with at least 20 companies, making it difficult to maintain our market share in the gas retail market. We think we need a long-term perspective with an eye toward the future of energy to restore the business.

We will address EaaS with a focus on the four Ds.

In our next long-term management vision that will serve as the guidelines for our actions, we will define 2030 as a target and emphasize how the business structure may change in the future, paying attention to the four Ds for gaining insights into changes in the surrounding business circumstances.

The first D stands for deregulation. We will study how to respond and establish unbeatable operations. The second D refers to decarbonization. We must consider how to respond to the demand and prepare. The third D pertains to the decentralization of energy. This trend is already gathering momentum in society. We will explore how to combine gas cogeneration systems, storage batteries, photovoltaic and wind power generation and suchlike in addition to the traditional one-way energy transmission from large power plants. The fourth and final D means digitalization. It offers a perspective on what business should be created by using the latest digital technologies and how conventional business and work can change through digitalization.

We are planning to consider the balance of energy supplied in view of the four Ds and to create and develop Energy as a Service (EaaS) for the domestic market, where demand growth will be limited.

The smart energy network is an example of EaaS. It has already been implemented in projects in Tamachi and Nihombashi Muromachi. Using clean city gas as fuel, its cogeneration system produces electricity, and at the same time the heat generated is supplied for cooling, heating, hot water supply and steam supply. The network also features ICT-based energy management. It is not only helpful for energy conservation and environmental preservation, but also delivers reassurance in the sense that electricity is available even in the event of a disaster.

We will take steady steps towards evolving into a genuine, integrated energy company.

We are increasingly asked by investors about our actions towards complete freedom from carbon, transcending low-carbon society. I do not think that a society only built on unstable renewable energy sources, such as photovoltaic and wind power, can be built in a day, because a low-carbon society has yet to be achieved. The fastest path to building a low-carbon society will be to make effective and intensive use of natural gas, which will also pave the way for meeting the target set by the government for cutting greenhouse gas emissions by 26% (from the fiscal 2013 level) by fiscal 2030. This explains why we are focusing on natural gas and constructing a system for supplying it in combination with renewable energy.

Subsequently, we may see a carbon-free society created with the use of hydrogen or other means. Meanwhile, we will carry on with our research and development efforts.

Our Group has an entrepreneurial spirit, and more importantly, we are supported by more than 11 million customers. We will overcome the challenges that arise from deregulation and liberalization and steadily take steps toward evolving into a genuine, integrated energy company. We will thus work to construct foundations for supplying energy to the world.

We define the period until 2020 as an investment stage. However, we will firmly boost profit in a bid to maintain a total payout ratio of 60%. For the fiscal year ended March 31, 2019, we increased dividends per share by 5 yen to 60 yen. I hope that our stakeholders will look forward to the Tokyo Gas Group's future developments and continue to support it for years to come.

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 will evolve from a gas company serving the greater Tokyo area into a global, integrated energy company.

We will formulate the next long-term management vision towards 2030.

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.

Use of renewable energy and LNG is the best path towards the creation of a low-carbon society. We will contribute to society through our core business.

While making growth investments, we increased dividends per share by 5 yen.

Tokyo Gas is committed to following its basic financial policy and maintaining continuous growth.

Senior Managing Executive Officer, CFO
Koki Hayakawa

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 base, as a basis for stable management and securing the trust and confidence of stakeholders

Capitalizing on experience to support continuous growth from a financial perspective

My name is Koki Hayakawa. I was just appointed chief financial officer (CFO). I have worked in energy production, sales planning, personnel affairs and other sections before acting as a manager on the frontline of obtaining gas and electricity customers over the past three years since the full deregulation of the electricity and gas retail markets. Under harsh competitive circumstances, I always considered how to boost our competitiveness and sow the seeds for future growth by investing in promising areas while streamlining operations and cutting costs.

Tokyo Gas's basic policy for its financial strategy is to achieve a balanced distribution of operating cash flow between full and stable shareholder payouts, growth investments, and maintaining sound financial base. This will continue when I am CFO. I believe that my duty is to steadily carry out the three tasks mentioned above.

Because energy markets are increasingly deregulated, competition will become fiercer and the industrial structure will face substantial changes. I therefore believe that it is important to return profits to

shareholders while maintaining an appropriate financial balance to beat the competition and make steady investments in supplying energy safely and securely to achieve continued growth.

Actively investing overseas and in Japan while retaining stable financial foundations

We plan to make investments, including capital investment and financing, worth around 1 trillion yen during the three-year period from fiscal 2018 to fiscal 2020 under the GPS2020 medium-term management plan. This is about 1.5 times the amount under the previous medium-term plan. To meet the soaring demand for natural gas, we are constructing LNG tank No. 2 in the Hitachi LNG Terminal. Meanwhile, construction of a high-pressure gas pipeline called the Ibaraki Line is in progress towards its inauguration in fiscal 2020. It will connect two existing lines, the Kashima Waterfront Line and the Ibaraki-Tochigi Line, to advance construction of a loop of high-pressure gas pipelines. This will ultimately strengthen the supply stability in the Greater Tokyo area and boost the transport capacity of the entire supply network.

In addition, we will invest in mission-critical systems that link with customers. We will study the feasibility of constructing new, independent power plants and examine our overseas investments and financing for further growth in terms of the significance, economic efficiency and risks before implementation.

This investment is expected to bring about a temporary rise in the D/E ratio, to 0.9 in fiscal 2020, and I think it is within the allowable limit. With a remarkably low interest rate, corporate bonds may be issued under favorable conditions. We are promptly procuring funds at low interest rates under long-term conditions (10-40 years).

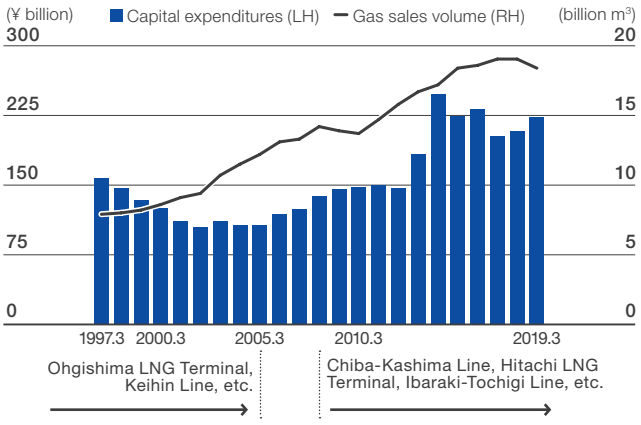
Bolstering profit rate to maintain stable returns for shareholders

Improvement in profitability is the most significant issue from the financial perspective. Currently, Kobelco Power Moka Inc. is constructing a cutting-edge natural gas thermal power plant in Moka City, Tochigi Prefecture. After its completion, we will have more competitive procurement of power sources. Three years since the full deregulation of the electricity retail market, our pace of gaining electricity customers remains solid. I hope that the electricity business will drive our profit growth.

The GPS2020 medium-term management plan sets the ROE target at around 8%, while the actual ROE figure was 7.4% for the last fiscal year. ROE fluctuates depending on the temporary injection of money. While always paying attention to this target, we will work hard to develop a predisposition for seeking an approximate ROE level of 8% in the long run.

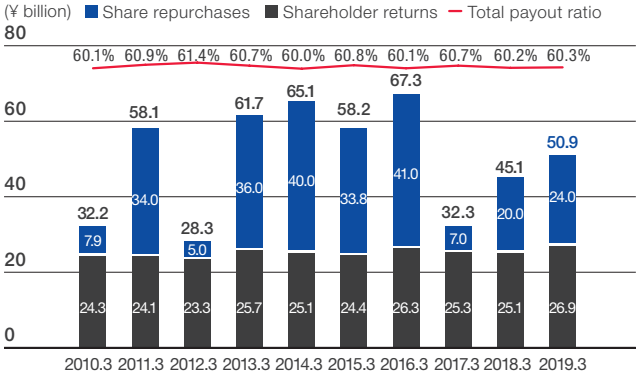
With respect to returns to shareholders, we have announced that we will maintain a total payout ratio of 60% until fiscal 2020. We have firmly fulfilled our commitment by properly combining dividends and the acquisition of treasury shares. Three years have passed since the last dividend increase. While steadily carrying out the GSP2020, our management team is becoming confident in the future. We have constructed a financial base that is resilient to an increase in dividends. We recently decided to raise dividends from 55 yen per share to 60 yen per share. In parallel with steady investments in promising areas, we will mildly increase dividends to return profits to shareholders. The company and I, as CFO, will continue to listen to shareholders and investors and strive for greater corporate value through constructive communication. We respectfully ask for your continued support and understanding.

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



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 integrated 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 (FY2018-2020), 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 the integrated 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.

Tokyo Gas's Concept of the Coming Era

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.

Transition from "Goals" to "Capabilities"

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 the 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 Integrated 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.

×

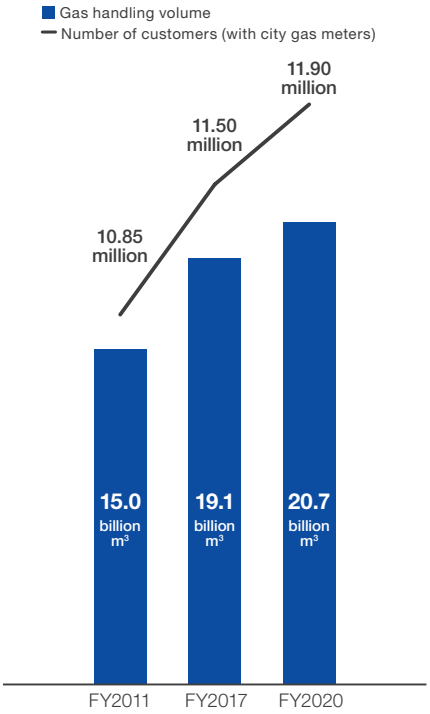
G Global

- 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.

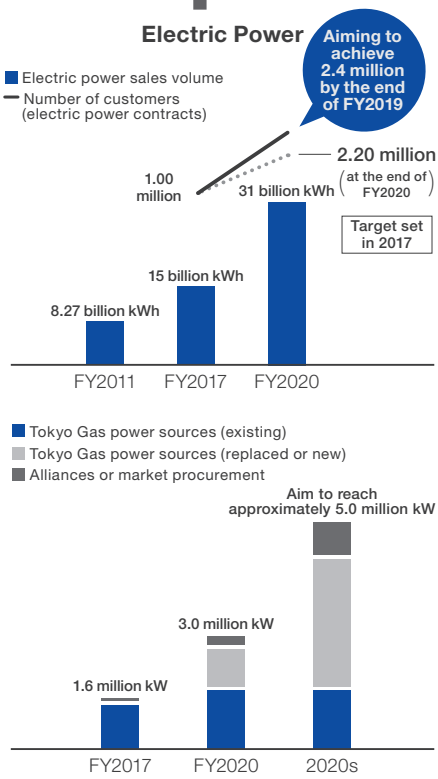
Vision

In fiscal 2019, we will formulate a future long-term management vision for the Tokyo Gas Group.
To shape the next fifty years, we will see the changes in the surrounding business circumstance as an opportunity and strive to create new value by pursuing innovation.

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 upstream projects.

Cash flow distribution method for FY2018-2020

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%)

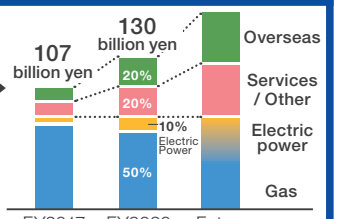
Cash out

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

Profit breakdown Operating profit + equity income



Investments for infrastructure development, future advancements, and breakthroughs

FY2018-2020
1,020 billion yen
(Avg. 340 billion yen / year)

Total investment in individual segments over three years (¥ billion)

Gas	500 (49%)
Electric power	30 (3%)
Services / Other	230 (23%)
Real estate investment amount included in the above	100
Overseas	260 (25%)

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

*Figures for FY2017 and the gas handling volume figure for FY2011 are values estimated at the time of plan formulation.

GAS BUSINESS

City Gas and LNG sales

Outline

Applications of gas from the Tokyo Gas Group span a wide range, from household use such as cooking, heating and hot water supplies, to commercial use including 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 (with city gas meters)	**11.818** million	FY2018
City gas sales volume	**15.19** billion m^3	FY2018 Equivalent to approximately 40% of total nationwide gas sales volume in Japan
Segment profits	**¥92.2** billion	FY2018

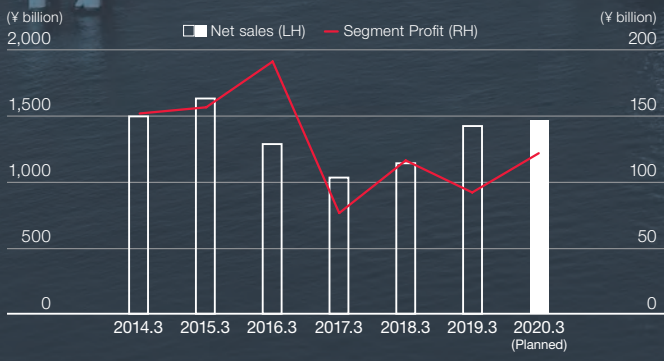
Strengths

- Customer base of over 11 million customers and a relationship of trust with customers through close ties with local communities
- Established history of providing a safe and reliable supply of gas amongst our customers
- 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 capabilities

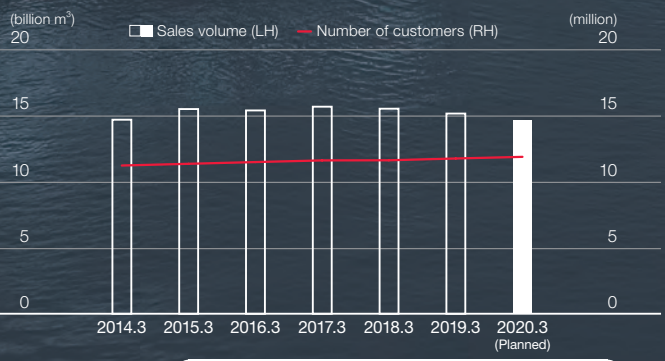
Risks

- Difficulties in LNG procurement due to the impact of geopolitical risks, etc., regarding imports
- Potential supply issues due to damage to production and supply facilities caused by a large-scale disaster
- Intensified competition driven by market deregulation; decline in demand caused by changing lifestyle

Net sales and Segment Profit



City gas sales volume and Number of customers (with city gas meters)



Factors affecting revenues and expenses ▶ P65

New Procurement

Mozambique LNG Project

In February 2019, Tokyo Gas and Centrica LNG Company Limited in the UK concluded a sale and purchase agreement with Mozambique LNG1 Company Pte. Ltd. for the offtake of liquefied natural gas (LNG) from the Mozambique LNG Project. This agreement paves the way for the revolutionary and innovative joint procurement of LNG between Japanese and European companies. Tokyo Gas and Centrica will, as foundation buyers, continue to support to the early launch of the project with abundant reserves, and proactively manage demand fluctuations across regions in Japan and Europe by taking advantage of different market circumstances.

Project Benefits

1 Diversify resource suppliers	Tokyo Gas' first procurement from Africa based on a long-term contract
2 Diversify contract terms and conditions	Introducing multiple price indices and destination free clauses
3 Diversify our LNG network	Constructing an LNG network that links between Asia and Europe, aiming to proactively manage demand fluctuations based on different market circumstances and to improve the liquidity in the LNG market

Japan relies heavily on LNG imports for procuring natural gas, and LNG import prices are generally determined by a mechanism linked to crude oil prices. With the aim of achieving stable and affordable LNG procurement under these conditions, the Tokyo Gas Group strives to achieve three types of diversification: diversification of supply sources, contact terms and conditions, and its LNG network.

Diversification 1

Supply sources

In 2018, we started to procure LNG from the US, while continuing to acquire supplies from existing sources, including Southeast Asia, Australia and Sakhalin (Russia). Now we have long-term offtake contracts with 14 projects in 6 countries, including the Ichthys Project in Australia, which we began receiving LNG shipments from in 2018. In addition to the sale and purchase agreement with the Mozambique LNG Project, we signed heads of agreements with the LNG Canada Project and the Energia Costa Azul LNG Project in Mexico in continuous pursuit of diversification of procurement supply sources. Through efforts such as these, we are working to enhance the stability of our LNG supply.

2002	2017	2019
7 projects	12 projects	14 projects

Diversification 2

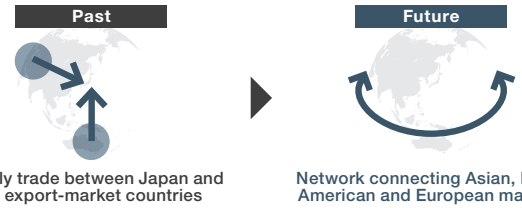
Contract terms and conditions

In addition to conventional crude oil price-linked contracts, we will conclude contracts under which the prices are based on natural gas prices in the US and coal prices in a bid to increase price stability. 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.

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 and reduce regional price differonces, which will increase our flexibility to proactively manage demand fluctuations.



For innovative LNG procurement

We have had continued success procuring a stable supply of LNG over the past half century, however, following full deregulation of the electricity and gas markets, it is also necessary to take flexible action in response to the fluctuation and uncertainty of demand and for more competitive LNG procurement. To address these issues, it is vital to capitalize on our experience, past achievements and alliances we have formed with Japanese and non-Japanese companies to take the lead in changing this LNG industry without being constrained by past norms.

One specific example comes from our revolutionary joint procurement between a Japanese and European company from the Mozambique LNG Project. The joint procurement came about from our long-term collaboration and a strong relationship with Centrica. This procurement is intended to secure high competitiveness and an ability to respond to demand fluctuations through flexible LNG transactions that combine two different markets in Asia and Europe.

Subsequently, we have continued talks for procurement from Canada and Mexico. We will continue to exhibit our strengths in LNG procurement including transport and trading globally, and will continue to further implement innovative procurement aiming to increase our competitiveness and flexibility. With our efforts we will contribute to the further development of the LNG industry.

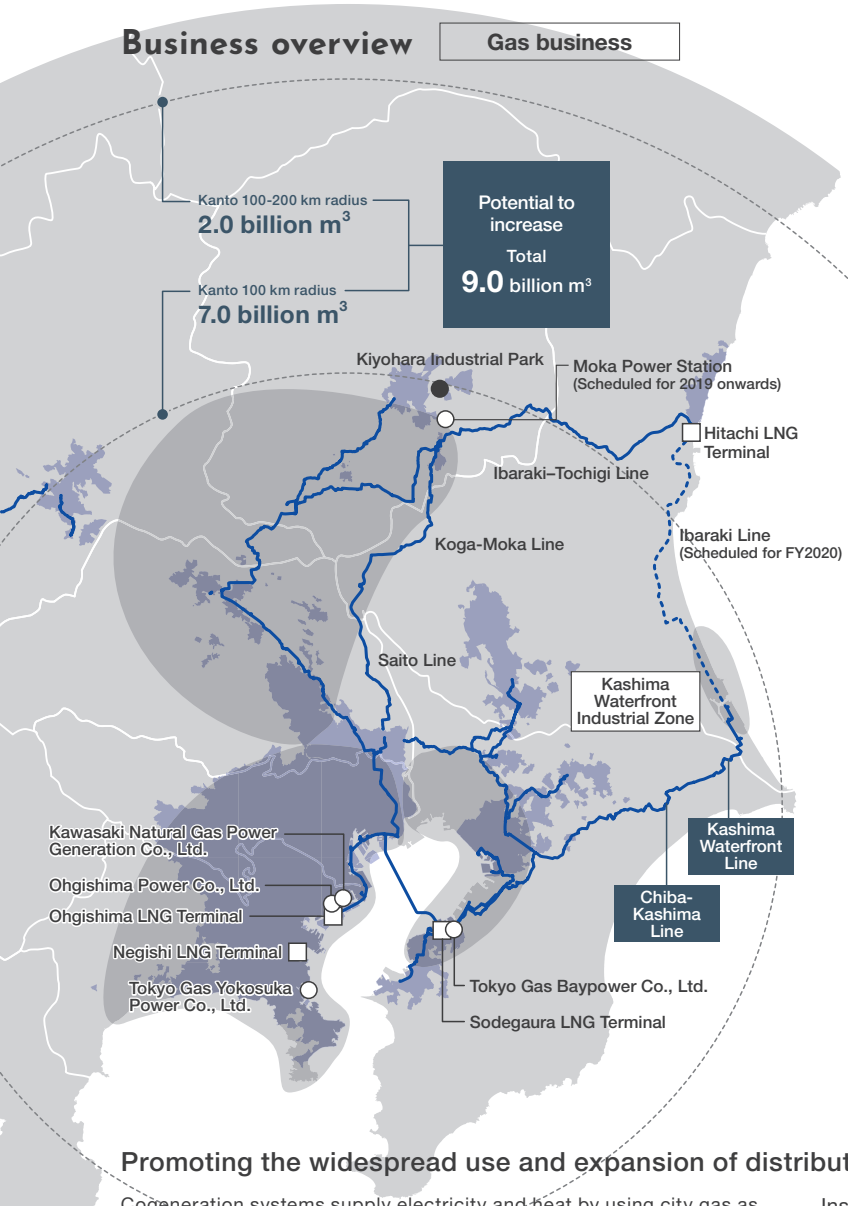
Initiatives Towards Achieving the Sustainable Development Goals (SDGs)

Diversification of supply sources leading to the expansion of the LNG network

- In May 2018, Tokyo Gas began receiving shipments of LNG produced at Cove Point, Maryland, United States.
- During FY 2018, Tokyo Gas began receiving LNG shipments from the Ichthys Project in Australia, and jointly signed a sale and purchase agreement regarding the Mozambique LNG Project with Centrica. With the addition of these and various other projects, Tokyo Gas Is advancing the diversification of its supply 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



Promotion and 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

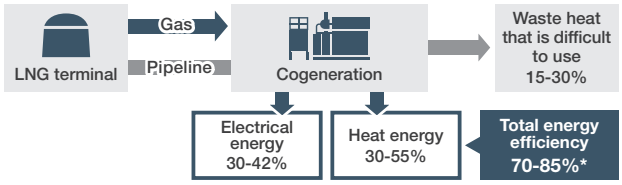
Cogeneration systems supply electricity and heat by using city gas as fuel. In addition to the installation of facilities at the point of demand, cogeneration systems help enhance energy efficiency, reduce the amount of CO_2 emissions, and improve economic efficiency through the conservation of energy 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 2019)

ENE-FARM	Cogeneration System
Reached 110,000 units in cumulative sales of ENE-FARM in December 2018	2.29 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

An energy center mainly consisting of a 30 MW-class cogeneration system will come into operation in fiscal 2019 to supply electricity and heat to 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 pipelines in our primary supply area, and improved the stability of our supply infrastructure. Capitalizing on our infrastructure development efforts, Kobelco Power Moka Inc. 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.

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

In July 2018, we set up Gas Crew Co., Ltd. It operates LPG filling and distribution services in the Kanto region. In collaboration with various LPG industry players, we will work to enhance efficient delivery and improve safety and customer services. We will thus aim to deliver LPG to one 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	Tokyo Gas Chemical
Sales of LPG	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)

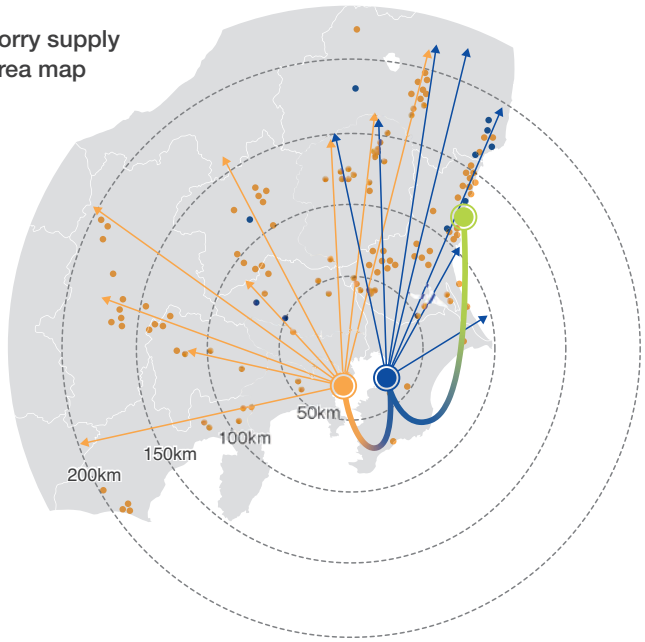
Test project to validate IoT-based remote meter-reading/ telemetry (June 2017)
Azbil Corporation, Azbil Kimmon Co., Ltd.

Release of an LPG container delivery plan optimization system using AI (April 2019)
Azbil Kimmon Co., Ltd., Lyna Logics, Inc.

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 50 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 (LPG)

Direct sales **60** thousand FY2018

Distributors **230** thousand FY2018

Segment profits

¥0.3 billion FY2018

INVISIBLE ASSETS

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Safe and stable energy supply infrastructure

Contributing to the achievement of Sustainable Development Goals (SDGs)

We are working to secure diversity in our LNG procurement and stable transport, serving as the safe and stable energy supply infrastructure for more than 11 million customers in the greater Tokyo area. We boast city gas production and supply facilities with sufficient quake resistance to withstand tremors comparable with those in the 2011 Great East Japan Earthquake. We also engage in a wide variety of actions that include segmentation of the pipeline network for minimizing the impact of supply stoppages in the event of disasters, monitoring at normal times for ensuring safety in gas utilization, and the establishment of a system for staff deployment in case of an emergency.

Diversifying LNG procurement and achieving efficient and stable transportation of LNG

- **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 13 ships, owned and managed by Tokyo Gas

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).

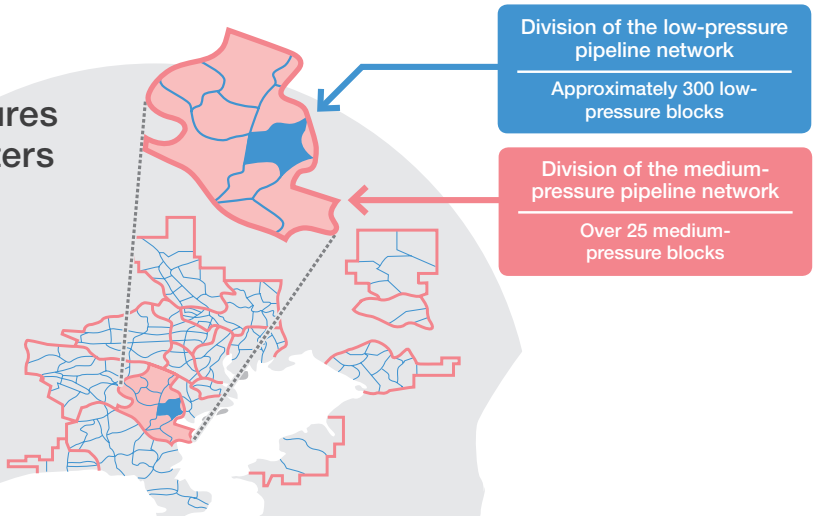
Safe and secure production and supply facilities

- **Four LNG terminals**
  (Three in Tokyo Bay, one in Northern Kanto)
- **Pipeline network with total length of over 60,000 km**
- **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**
  (High- and medium-pressure gas pipelines)

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. Based on almost 50 years of experience and knowledge since our introduction of LNG to Japan in 1969, we adopted structural designs with superior anti-seismic properties for LNG terminals, and introduced materials that are resilient to ground deformation to our pipeline network. This ensures a high level of quake resistance for the infrastructure. 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.

Safety know-how and measures to prevent earthquake disasters

- **130 years of accumulated safety know-how**
- **Monitoring using around 4,000 seismometers (Si sensors) in supply area**
- **Subdivision of units for supply stoppage in the event of an earthquake or other disasters**
  (Over 25 large blocks, further subdivided into approx. 300 smaller blocks)



In order to constantly deliver natural gas safely and steadily to over 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.

Facilitating safe use of gas

- **Safety inspections of gas facilities**
- **Monitoring and control of the status of operation of city gas production and supply facilities**
- **Readiness for swift emergency dispatch in response to gas leak reports**

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).

Supply Command Center
(Monitoring and control at normal times)

The Supply Command Center performs 24/7 monitoring and control on the status of operation of city gas production and supply facilities. It facilitates the analysis of damage, remote operation to stop gas supply and other initial actions for preventing secondary damage following an earthquake. It conducts around 100 initial action drills per year.

Gaslight 24
(Emergency response actions)

The Safety Command Center receives gas leak reports from customers. It receives information about their situations without omission to give safety advice and to ask Gaslight 24 to send personnel. Gaslight 24 operates emergency dispatch bases for prevention of accidents such as arising from gas leaks. Upon receipt of a report, its personnel will immediately visit the reporting customer to take swift action even on holidays or at night.

ELECTRIC POWER BUSINESS

Outline

Since 2000, when the Tokyo Gas Group began to generate and supply electricity, 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.

Number of Retail Customers	**1.774** million	As of the end of March 2019
Electricity Sales Volume	**15.48** billion kWh	FY2018
Segment Profits	**¥10.1** billion	FY2018

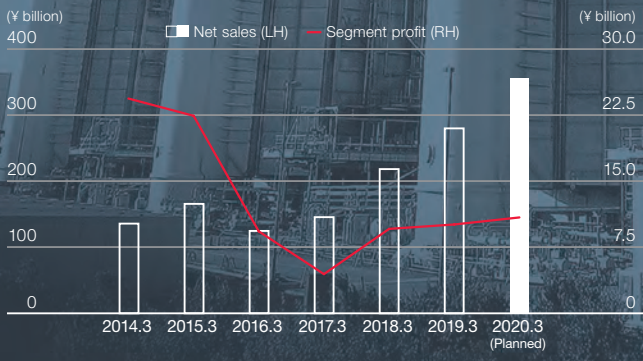
Strengths

- 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

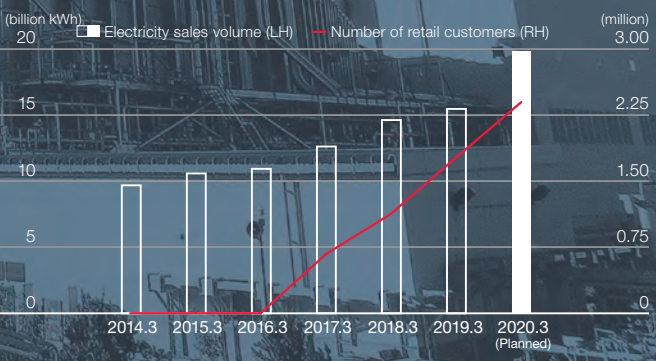
Risks

- Decline in price competitiveness of natural gas 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 Segment Profit



Electricity Sales Volume and Number of Retail Customers



The era of single-source providers of electricity and gas

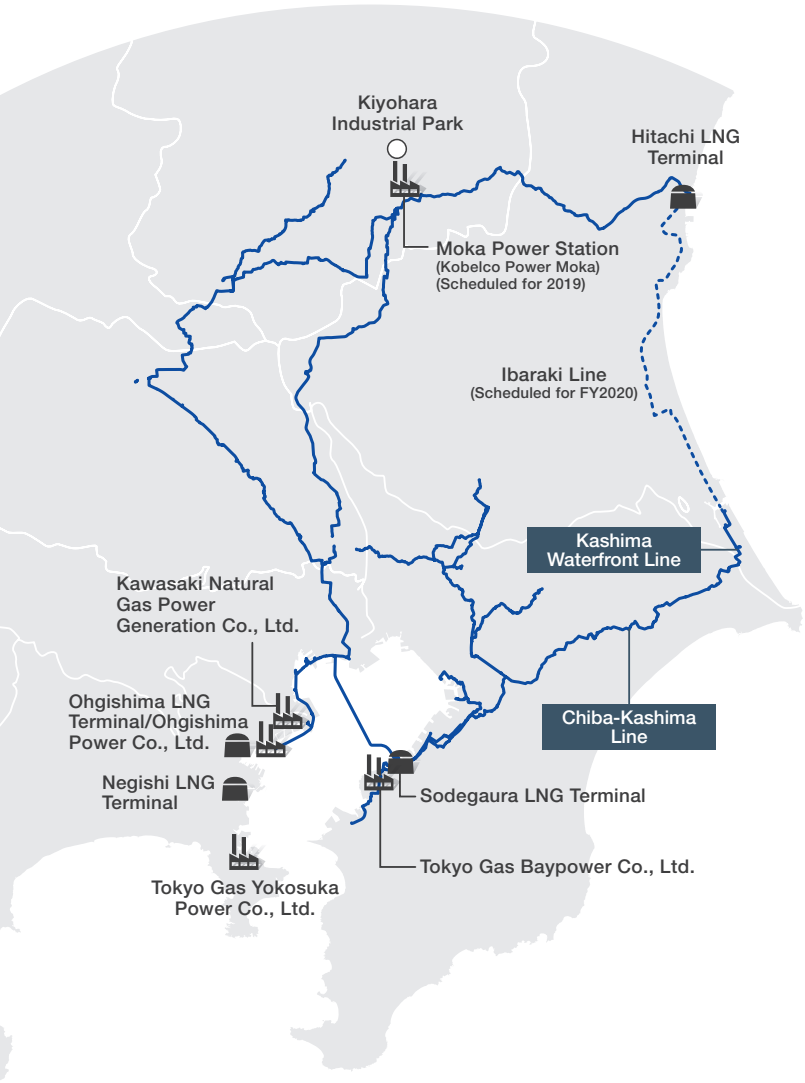
For many years, customers in Japan were only able to buy electricity from electric power companies, and gas from gas companies. With the full deregulation of the electric power and gas retail markets, consumers in Japan can now purchase both electricity and gas from a single supplier, just as in the 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



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

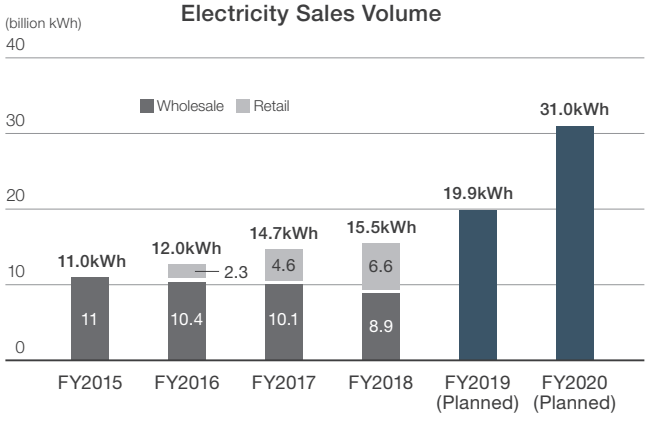
The Tokyo Gas Group launched its electric power business in the year 2000. Seizing the opportunity of the full deregulation of the electric power retail market in 2016, the Group expanded its sales to residential and commercial customers, in addition to the existing wholesale segment, selling an electricity volume of around 15.5 billion kWh in fiscal 2018. 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.

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

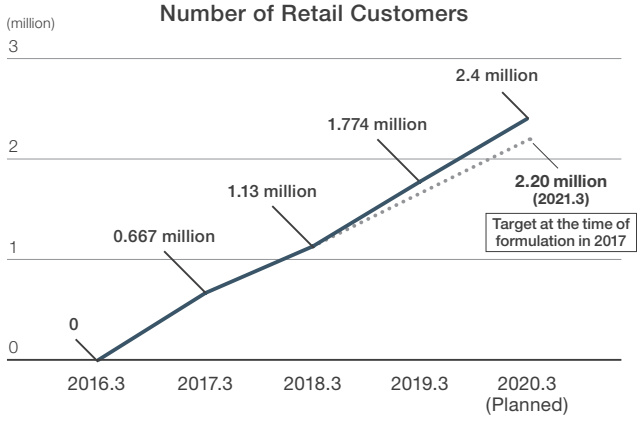
We have marketed and provided the “Always Plan,” a one-stop package that delivers gas, electricity, and various other services, to support our expansion into the electricity retail market. As of March 31, 2019, we are now supplying electricity to 1.77 million customers. For fiscal 2018, we held the largest market share in low-voltage services among new electric power market entrants for the third consecutive fiscal year. Announced in October 2017, our management plan for fiscal 2018-2020, GPS2020, envisioned that the Tokyo Gas Group would deliver its electricity to 2.2 million customers by the end of fiscal 2020. However, in April 2019 we announced that we would increase the number of our electricity customers to 2.4 million by the end of fiscal 2019. We are working to attain the target one year earlier.

We will continue to develop service options that many people will find beneficial in an effort to gain more customers for our one-stop service of supplying gas, electricity and other services.

Electricity Sales Volume



Number of Retail Customers



Initiatives Towards Achieving the Sustainable Development Goals (SDGs)

Sustainable Development Goals
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.

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 accomplish this and match the growth of our sales stock with the aim of delivering electric power to 2.4 million retail customers by the end of fiscal 2019, we will continue to increase and expand our network of Tokyo Gas-owned power sources. To meet our targets of achieving an approximate total power output of 3.0 million kW by fiscal 2020 and 5.0 million kW in the next decade, we are developing our own power sources while purchasing electricity from other companies through direct negotiations and from Japan Electric Power Exchange.

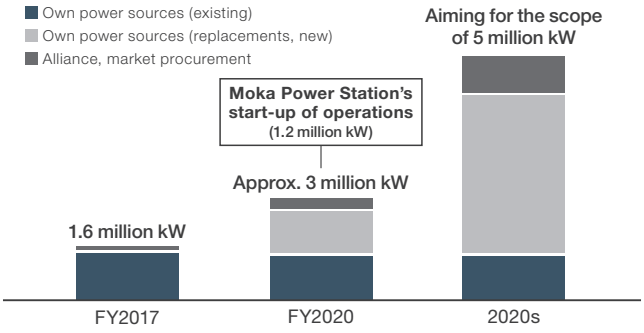
It has already been determined that we will receive power from the Moka Power Station constructed by Kobelco Power Moka Inc. as well as from the Tokyo Gas Group's power stations.

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.

Expansion of Tokyo Gas-owned 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. For the further expansion of power sources, we are considering the construction of natural gas thermal power plants in Sodegaura City and in Ibaraki Prefecture.

Electric Power Expansion Plan



Tokyo Gas Baypower Co., Ltd.

Generation capacity	Owned power
0.10 million kW 0.1 million×1 unit	**0.10 million kW**

Start of operations **2003**
Tokyo Gas interest **100%**

Tokyo Gas Yokosuka Power Co., Ltd.

Generation capacity	Owned power
0.24 million kW 0.24 million×1 unit	**0.18 million kW**

Start of operations **2006**
Tokyo Gas interest **75%**

Expand electricity sales to low-voltage customers

The Tokyo Gas Group has constructed a network with 11 million customers through its city gas business. We will offer the most suitable energy for the actual use of customers and combine lifestyle-related services to improve value for economy, peace of mind, simplicity and convenience.

Community-based sales network

The Tokyo Gas Group has established a community-based sales network with around 180 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 14,000 employees, Lifeval has built strong relationships of trust with 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.

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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.

Development of renewable energy sources

The Tokyo Gas Group has been working to secure renewable energy power sources mainly for onshore wind power generation. In fiscal 2017, we embarked on our activities for photovoltaic and offshore wind power generation. We will accelerate joint project participation with business partners in Japan and around the world in a bid to initially obtain renewable energy power sources with an approximate output of 1 million kW (of which 400 MW is in Japan and 600 MW is overseas).

Kashima Offshore Wind Power Generation (Conceptual drawing)

Renewable Energy Projects

Feb. 2017	**Formed a business alliance with Shizen Energy Inc.** (with the objective of acquiring around 60 MW of photovoltaic solar power generation sources)	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 MW)
Apr. 2018	**Invested in a large-scale project of the Kashima Port offshore wind power generation plant.**	Jan. 2019	**Acquired Kyoto Ayabe Solar Power LLC (4.872 MW)**
May 2018	**Acquired a partial stake in SFK Power LLC.** (SFK Power has a total power generation capacity of 9.7 MW.)	Apr. 2019	**Joint renewable energy development project in Mexico 899 MW (including 450 MW owned by Tokyo Gas)**

Kawasaki Natural Gas Power Generation Co., Ltd.

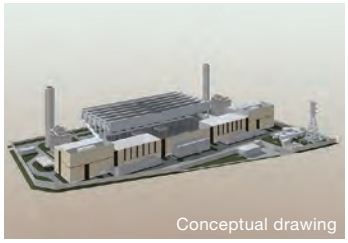
Generation capacity	Owned power
0.84 million kW 0.42 million×2 units	**0.42 million kW**

Start of operations **2008**
Tokyo Gas interest **49%**

Ohgishima Power Co., Ltd.

Generation capacity	Owned power
1.22 million kW 0.407 million×3 units	**0.90 million kW**

Start of operations **2010**
Tokyo Gas interest **75%**



Moka Power Station

Generation capacity	Owned power
1.20 million kW 0.6 million×2 units	**1.20 million kW** (All the power generated will be purchased by the Tokyo Gas Group.)

Start of operation: **2019 or later** (scheduled)
Tokyo Gas interest: **0%**
Unit 1: H2 of 2019 (scheduled)
Unit 2: H1 of 2020 (scheduled)

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., Inc. 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.

	Corporate name	Established	Main business	Shareholders
Ennet	ENNET Corporation	July 7, 2000	Electricity trading and electricity generation	NTT FACILITIES, INC. 32.7%, Nippon Telegraph and Telephone Corporation 18.3% Tokyo Gas Co., Ltd. 24.5%, Osaka Gas Co., Ltd. 24.5%
SYNERGIA POWER	Synergia Power Co., Ltd.	October 1, 2015	Electricity retail supply to high-voltage and extra-high-voltage customers in the Kanto region, mainly in its northern area	Tohoku Electric Power Co., Inc. 50% Tokyo Gas Co.,Ltd. 50%

INVISIBLE ASSETS

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Relationship of trust with 11 million customers

Contributing to the achievement of Sustainable Development Goals (SDGs)

Lifeval, Enesta and Enefit act as the faces of Tokyo Gas in local communities

Our bonds and relationships of trust with our 11 million customers, developed over the past 130 years, are our greatest strength. Tokyo Gas Lifeval, Enesta and Enefit have 180 outlets and over 10,000 employees to act as the faces of Tokyo Gas in different communities. They offer close services matched with customers' needs and serve as one-stop providers of products and services that help increase the quality of life for building close ties with individual customers.

* As of April 2019

Outlets **180**

Employees **14,000**

TOKYO GAS LIFEVAL

Enesta

Enefit

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.

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 fiscal 2018, the third year after entry. In the retail gas business, too, which marks its third year since full deregulation, we are determined to augment and strengthen our relationships of trust with customers.

Wide-ranging services that cement bonds with customers

We offer optimal lifestyle suggestions that are uniquely available from the Tokyo Gas Group, gained from paying close attention to customers' lifestyles and delivering gas and electricity to them. In a bid to ensure that customers think of Tokyo Gas when facing lifestyle-related difficulties, we will offer reassuring lifestyle-related services that match each life stage and the requests of individual customers in addition to gas and electricity on a one-stop basis to strengthen bonds.

Always Reliable Services

Our Always Reliable Services provide reassurance in terms of gas appliances and others concerning the overall aspects of customers' lives.

Gas Fixture Special Support

The payment of a monthly subscription fee offers unlimited access to repair services for city gas appliances and hot water terminal appliances made by Japanese manufacturers. This service also covers a predetermined portion of the purchase expenses for replacement. It thus provides accommodating services to support life with gas.

Gas Fixture Troubleshooting Support

Tokyo Gas' gas customers are entitled to the visiting repair service with no visiting charge. That allows them to call for a visit without hesitation in the event of failure of their city gas water heater or stove.

Emergency Home Assist Service

This service responds to unexpected issues with plumbing products, entrance keys and others on a 24/7 basis to reduce customers' anxiety.

Electricity Fixture Troubleshooting Support

Tokyo Gas also deals with electricity-related issues. This support service is provided for customers that subscribe to Tokyo Gas' electricity services. We offer reassurance in the event of unexpected issues not only for gas, but also for the electricity that supports everyday lives.

Residential Monitoring Services

These services enable customers to remotely check whether the gas is used, the door and windows are locked, and if any family member is at home. They are for monitoring the children in double-income families and elderly family members that live separately.

Always Home Support

It is a package with a variety of services aimed at solving overall issues related to customers' residences. It provides customers with comfort and safety at home.

Minor home improvements, repairs and renovations

We offer a wide variety of services ranging from minor repairs including the replacement of wallpaper and screen doors and the adjustment and replacement of door knobs to the renovation of bathrooms, kitchens, lavatories and other household equipment.

Plumbing trouble response

Our staff will visit customers to address issues with plumbing products, such as water leakage and clogging of drainage conduits.

Repair of gas appliances

We will deal with abrupt failures and other issues with gas appliances. We receive requests 24/7.

Home safety measures

We will propose safety measures at home, including the installation of fire alarms and handrails and the sales of fire extinguishers and other disaster management items.

Housekeeping service

Our customers can enjoy house cleaning, delivery cleaning and home services from Kajitaku Co., Ltd., an AEON Group company providing these services, at beneficial prices by applying for services via the Tokyo Gas Group.

SERVICE BUSINESS

Engineering Solutions

Outline

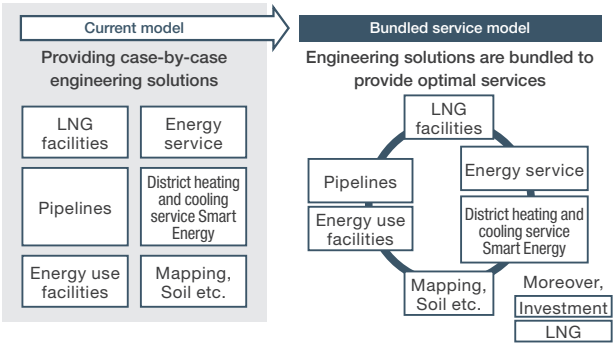
For almost half a century, since introducing LNG to Japan for the first time in 1969, Tokyo Gas has consistently handled processes across the entire LNG value chain, including both upstream and downstream processes, from procurement and transportation to manufacturing and supply, sales and energy solutions.

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	¥146.9 billion	FY2018
Segment profits	¥6.2 billion	FY2018

Providing individual solutions as a bundle

We offer optimal services by bundling a selection of engineering solutions that meet the needs of customers based on those owned by Tokyo Gas Engineering Solutions Corporation (hereinafter “TGES”).

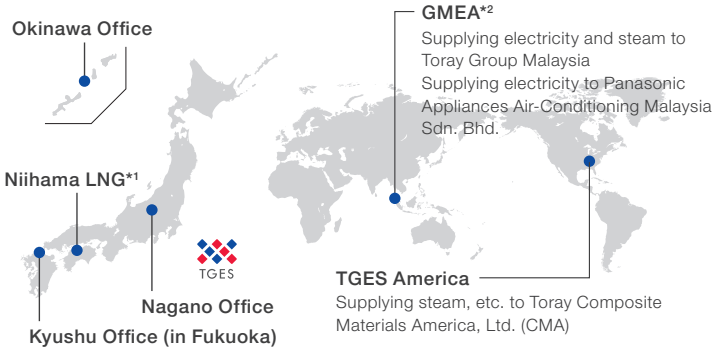


From Kanto to the whole of Japan, and to the world

TGES was established in April 2015 to integrate the Tokyo Gas Group’s capabilities in engineering and energy solutions. It has branches in Nagano, Fukuoka and Okinawa. In Ehime, it jointly established Niihama LNG Co., Ltd. with four companies that are engaged in business with local firms and other organizations.

Overseas, it operates an energy service business through Gas Malaysia Energy Advance Sdn. Bhd. (GMEA) in Malaysia and through TGES America Ltd. in the U.S. An LNG terminal construction project is in progress in Thailand.

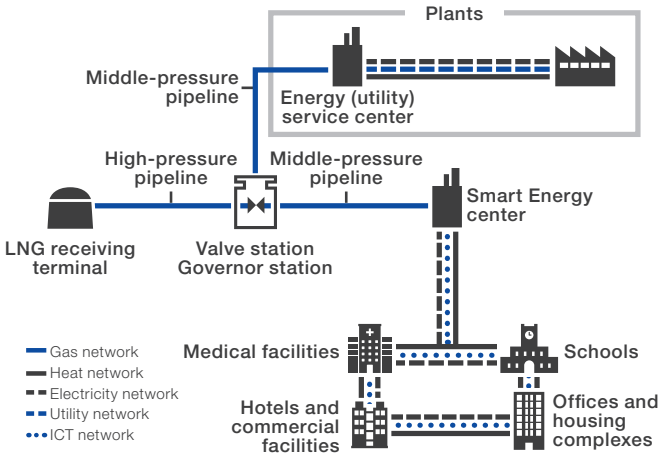
By partnering with energy suppliers in various regions and utilizing its technological capabilities and know-how, TGES provides engineering solutions to customers both in Japan and overseas.



*1 Niihama LNG Co., Ltd. (TGES: 50.1%, Shikoku Electric Power Co., Inc.: 30.0%, SUMITOMO CHEMICAL COMPANY, LIMITED: 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 ENERGY ADVANCE Sdn. Bhd. (Gas Malaysia Co.:66%, TGES:34%)

Diagram of Engineering Solution Supply



Providing engineering solutions leveraging technological capabilities and know-how developed over 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.

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.

Case 1

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.

In recognition of its technological strengths and abundant experience accumulated through the construction, operation and maintenance management at LNG receiving terminals in Japan and overseas, TGES won this order. It will carry out the overall management of the project, including the technological and contractual aspects, to ensure the design, procurement, construction (safety, quality and process) and trial operation performed by the construction contractor will be implemented as planned.

Nong Fab LNG Receiving Terminal

Case 2

Utility services at the Iwaki City Medical Center

(Iwaki City, Fukushima Prefecture)

Reconstructed at a new location in winter 2018 and designated as a core disaster hospital, Iwaki City Medical Center has introduced gas cogeneration to enhance its business continuity and reduce the environmental impact. TGES carried out one-stop management of gas cogeneration and other energy equipment and built facilities through stationed personnel to provide an environment that allows the client to concentrate on hospital management. During the introduction, it collaborated with Jobankyodogas Co., Ltd. on gas supply and energy services. The client, the gas operators and service operators respectively contribute to local medical care in their own roles.

Iwaki City Medical Center

Example of bundled services

Implementation of the Niihama LNG Project

It is a joint project with four other companies: Shikoku Electric Power Co., Inc., Sumitomo Chemical Co., Ltd., Sumitomo Joint Electric Power Co., Ltd., and Shikoku-Gas Co., Ltd. The five companies made joint investments to establish Niihama LNG. Currently, a new LNG terminal is being constructed on the premises of the Ehime Works of Sumitomo Chemical. Niihama LNG will accept LNG at the terminal and operate the terminal, including gasification. Natural gas and LNG will be supplied to the Ehime Works, the natural gas thermal power plant built by Sumitomo Joint Electric Power and the neighboring district. This project will spread the use of natural gas.

TGES will capitalize on its engineering abilities in design, construction and operation for the construction of the terminal and the pipeline. It will push ahead with demand cultivation using its diverse know-how gained by engaging in energy solutions.

Niihama LNG Terminal

New business development in Southeast Asia

My duties are to develop the district heating and cooling business outside Japan. In Southeast Asia, economic growth is accelerating urban development. The introduction of district heating and cooling systems is predicted to quicken. TGES has around 50 years of experience as Japan's largest district heating and cooling operator, although it is a new entrant overseas, where it lacks a track record. In the tough competitive environment, we are careful to respond swiftly and sincerely in business talks and involve concerned parties to persistently advertise the Tokyo Gas Group's latest technologies, proven track record and reliability. Now it is vital to win a first project that will serve regional development using the technologies cultivated in Japan. We will continue to work with an eye towards developing peripheral businesses, such as energy services and the expansion of the smart energy network.

Message

Masahiro Suzuki

Overseas Business Division
Tokyo Gas Engineering Solutions Corporation

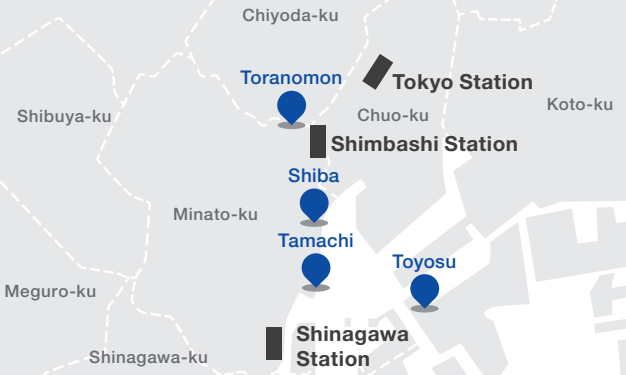
SERVICE BUSINESS

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. It will work on joint projects with business partners in an effort to expand the regional development services business.

Net sales	¥44.6 billion	FY2018
Segment profits	¥9.1 billion	FY2018



Office leasing business

msb Tamachi (musubu Tamachi)

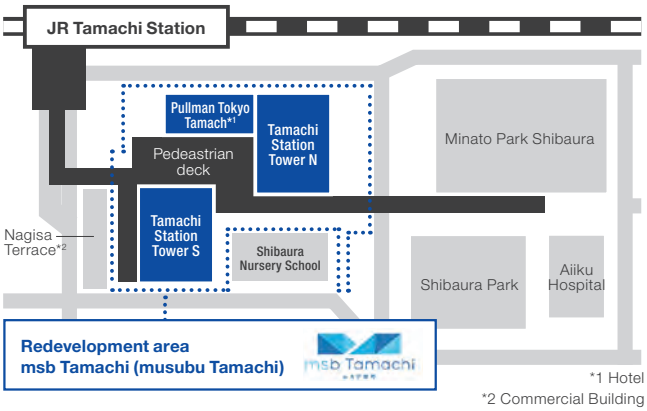
At our property which connects directly to the East Exit of Tamachi Station on the JR Yamanote Line, we are engaged in the development of a smart energy network and enhanced Business Continuity Planning (BCP) functionality (such as by installing dual-fuel emergency generators that can run on both heavy 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 it is now followed by Phase II (Tamachi Station Tower N). We are striving to finish it in fiscal 2020.

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

msb Tamachi (musubu Tamachi)

Type 1 Urban Redevelopment Project in the Toranomon 2-Chome District

Shiba Park Building



*1 Hotel
*2 Commercial Building

Type 1 Urban Redevelopment Project in the Toranomon 2-Chome District

The Tokyo Gas Group takes part in the consortium for the construction of a large complex that will mainly accommodate offices (scheduled to be completed in November 2023) and for the acquisition of its reserve floor area in the redevelopment project at the former site of the Toranomon Hospital, near Toranomon Station on the Tokyo Metro Ginza Line and Tameike-Sanno Station on the Ginza Line and on the Namboku Line.

Around the project site, there are a number of other ongoing redevelopment projects. The district is gaining significant attention, because it will undergo a dramatic change in the next couple of years. We will be committed to the project to contribute to energization of the entire area.

Shiba Park Building

It is a rare, large office building in Tokyo, with a single floor area of approximately 6,000m² and located within walking distance from JR Hamamatsucho Station, and Daimon Station and Shiba-Koen Station on the Toei Subway. We have acquired it and now jointly operate it with five companies, including Kanden Realty & Development Co., Ltd.

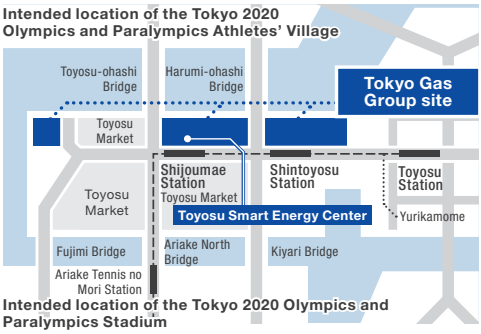
We and Kansai Electric Power Co., Inc., a parent company of Kanden Realty & Development, Co., Ltd. have concluded a strategic partnership in the real estate business. Acquisition of this property is the first achievement of the partnership between the two companies. We will continue to share know-how, consider joint projects and take other actions that enrich the partnership.

Residential leasing business

We are also engaged in proactive leasing business operations on small to medium-sized properties (as of March 2019, 13 buildings with 326 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 October 2019, construction of a rental housing complex in Nerima-ku, Tokyo, provisionally named Toyotama Rental Housing Complex, is scheduled for completion.

Toyosu mixed land area property development

The Toyosu area is situated in a prime location, approximately 4km away from Tokyo Station. With significant events such as the opening of the new Toyosu Fish Market in October 2018 and the coming 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.



Initiatives Towards Achieving the Sustainable Development Goals (SDGs)

We are conducting urban development to construct urban districts where communities are in harmony with the environment. Using gas cogeneration systems, renewable energy and suchlike, the smart energy network improves energy conservation, eco-friendliness and disaster control qualities.

GPS×G
GAS & POWER +SERVICE × GLOBAL

Promotion of GPS for households

Broadening the array of Service items through co-creation

The Tokyo Gas Group will combine services matched with customers' lifestyles through its proposal of gas and electricity supply to provide greater economic value, peace of mind, simplicity and convenience for customers. To further satisfy their requests, we are expanding the co-creation of services developed with business partners, including business ventures. We will consider investing in partner companies if a higher level of synergy is expected.

Gas — Tariff for gas; General Tariff, Always Gas, Specified Gas

Power (Electricity) — Tariff for electricity; Always Electricity 1S, Always Electricity 1~3

Services — Lifestyle-related services

Overall facilities

	Existing	Extended
Delivering vitality		Food and health - Broadening the array of products and services against heat shock response - Home services (meal preparation) and others 1 Utilization of IoT and digital technologies 2 - Sleep and fatigue relief support services - Voice content services 3
Delivering reassurance	Safety and reassurance - Always Reliable Services including Gas Fixture Special Support and Residential Monitoring Services Housing fixtures - Always Home Support including minor home improvements and renovations, home services such as cleaning, tidying up and storage A wide variety of services that build closer ties with customers P32 Utilization of IoT and digital technologies - Service content to be expanded in Residential Monitoring Services and others - Service offering all manuals for housing fixtures	
Existing	Gas and electric appliances, housing fixtures and equipment, renovations, leasing and credit	

Expansion of co-creation and consideration of investment

We will integrate our knowledge and expertise with business partners to provide vitality in addition to reassurance.

1 (Co-creation) Home services

We offer home services to customers in collaboration with Kajitaku Co., Ltd., which operates meal preparation, cleaning and tidying and storage services. Especially for the meal preparation service, Tokyo Gas offers premade recipes to KAJITAKU CO., Ltd based on its know-how cultivated by running cooking classes since 1913 and giving food preparation guidance to its employees.

2 (Co-creation and investment) Sleep and fatigue relief support services

We have formed a capital and business partnership with EcoNaviSta Co., Ltd. to jointly develop services that will support customers' health.

3 (Co-creation and investment) Voice content services

We have formed a capital and business alliance with OTOBANK Inc. to jointly develop voice content that is helpful for putting young children to sleep, meal preparation and other daily situations.

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.

Net sales	¥50.9 billion	FY2018
Segment profits	¥15.3 billion	FY2018

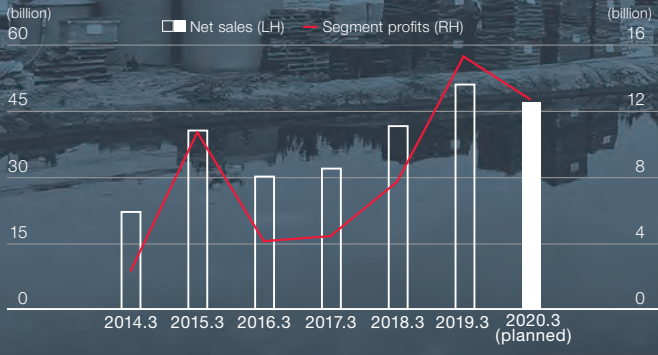
Strengths

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

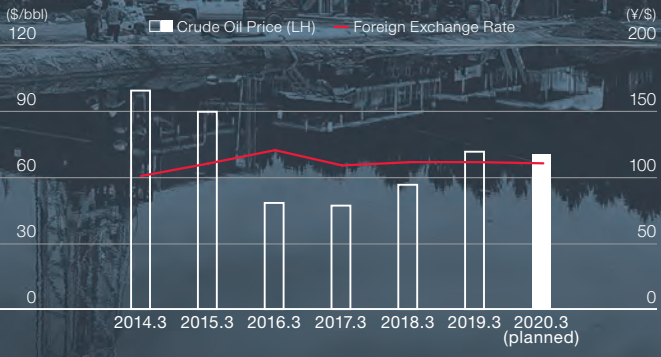
Risks

- 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 and Segment profits



Crude Oil Price and Foreign Exchange Rate



Aiming to develop and advance our overseas business operations as a global integrated energy corporation

Leveraging our experience related to the global LNG value chain, we will enhance and expand businesses in accordance with the characteristics of each region where we operate in an attempt to increase recognition of Tokyo Gas as an LNG specialist.

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 stable returns. We will aim to build a portfolio with the least impact from fluctuations in energy prices, and continue working to increase the added value of our existing projects. In addition, we will consider renewable energy and other future business fields with growth potential, entry into regions where we can expect to see market growth and where we can leverage our strengths.

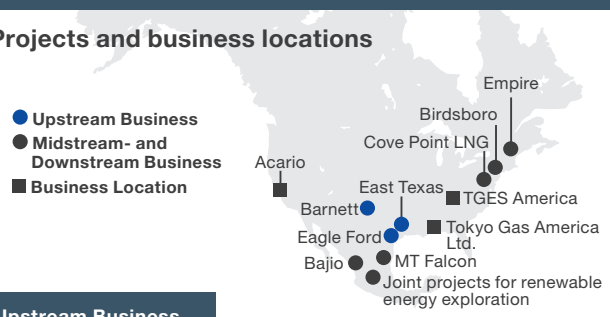
The Tokyo Gas Group's operations currently span 13 business locations in nine countries (including North America, Southeast Asia and Australia).

	Upstream Business	Midstream- and Downstream Business	Business Location		
North America	■Operation and management of shale projects	■Natural gas-fired power generation ■Renewable energy	Tokyo Gas America Ltd. Houston, Texas	TGES America Ltd. South Carolina	Acario Ventures Silicon Valley
Southeast Asia	—	■LNG terminal business ■Natural gas-fired power generation ■Gas supply ■Energy service	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
Australia	■Operation and management of LNG projects	—		Tokyo Gas Australia Pty Ltd. Perth & Brisbane	
Other regions	—	—		Paris Representative Office France	

Aiming to construct LNG value chains and expand renewable energy

North America

Projects and business locations



In North America, energy is in high demand and the natural gas market is expected to rise for a long time. The energy market is deregulated with active transactions. In this region, we will accelerate our participation in upstream, midstream and downstream businesses and renewable energy business. We will strive to acquire know-how that will be useful for future businesses worldwide while working to establish a revenue base.

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 natural 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%

Birdsboro Power Plant

Midstream- and Downstream Business / Renewable energy

When planning natural 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 natural gas fired power generation businesses in the East Coast region, where there is large-scale demand.

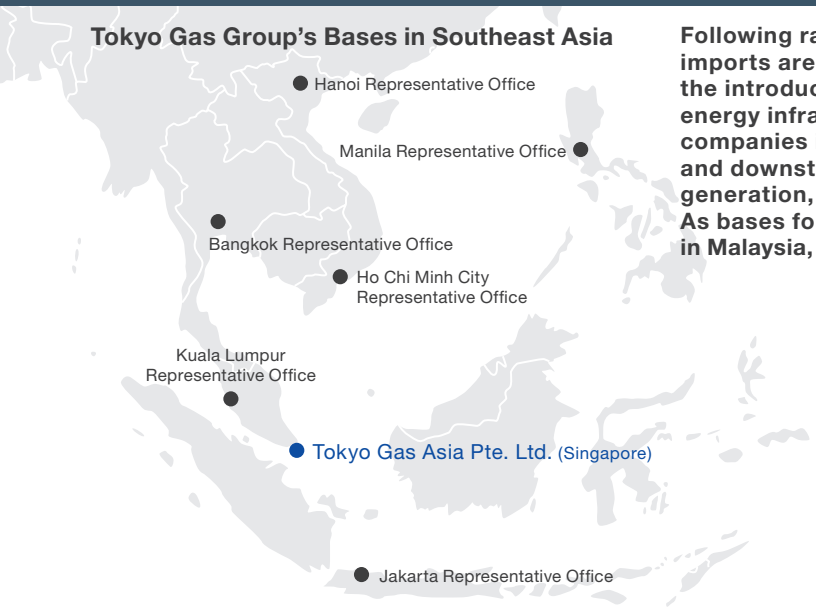
In April 2019, we announced our intention to secure a 50% stake in a renewable energy exploration and operation company based in Mexico, established by Engie S.A., which is a company headquartered in France. We will work on the renewable energy business in Mexico using the company as a platform with Engie.

Project Name		Start of Participation	Investment ratio
Mexico	Natural gas-fired power plant business (Bajio Power Plant)	Oct. 2004	49%
Mexico	Natural gas-fired 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 power plant business (Empire Power Plant)	Oct. 2016	25%
U.S.A.	Natural gas-fired power plant business (Birdsboro Power Plant)	Apr. 2017	33.33%
Mexico	Joint project for renewable energy exploration	2019 (scheduled)	50% (scheduled)

Business overview Overseas business

Southeast Asia

Tokyo Gas Group's Bases in Southeast Asia



Following rapid economic growth, natural gas demand and LNG imports are forecasted to rise in Southeast Asia. We will contribute to the introduction of LNG and natural gas and the construction of an energy infrastructure in collaboration with governments and companies in each country. Specifically, we will work on midstream and downstream businesses, such as LNG terminals, gas-fired power generation, gas distribution and energy services.
As bases for implementing these actions, we launched branch offices in Malaysia, Singapore, Indonesia, Thailand, Vietnam and the Philippines.

Jakarta Representative Office

Midstream- and Downstream Business

The Tokyo Gas Group will provide a wide range of value, from natural gas engineering to expertise to operational know-how and energy-saving services, to contribute to the development of natural gas infrastructure by capitalizing on its knowledge and experience in the utilization of LNG and natural gas. We will take part not only in tangible aspects such as the construction of LNG terminals, power stations and other energy infrastructure expected in various countries, but also in intangible aspects such as LNG demand cultivation, LNG terminal operation, and LNG procurement. In this way, we will 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 commenced the first independent gas supply as a private business to industrial consumers in Thailand through a local gas distribution operator in which we had invested. In addition, we concluded a joint development agreement concerning the construction and operation of an LNG receiving terminal in the Philippines.

In the field of engineering, in 2017 we were awarded an order for 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 services for the construction of LNG receiving terminals in Thailand.

Project Name		Start of Participation
Philippines	Submitted declaration of interest regarding formation of an LNG value chain	Oct. 2017
Philippines	Concluded a joint development agreement for construction and operation of an LNG receiving terminal in the Philippines	Dec. 2018
Vietnam	Invested/acquired a stake in a gas supply business company and formed a strategic alliance	Jul. 2017
Thailand	Invested/acquired a stake in a natural gas-fired thermal power generation project	Oct. 2016
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
	Started gas distribution business	Dec. 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

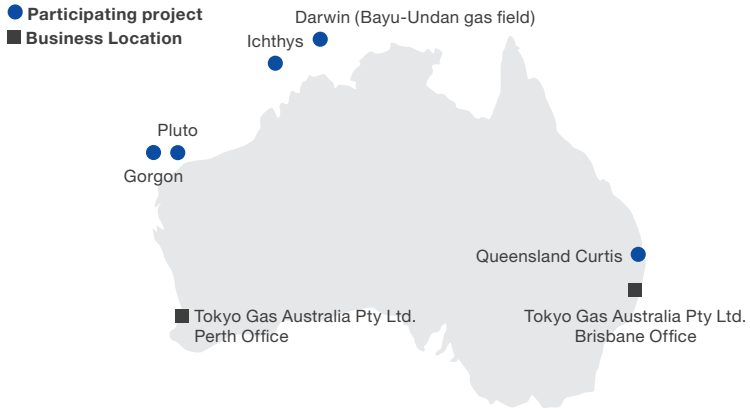
Lady Trishia Gonzales
Manila Representative Office

In the Philippines, the country's introduction of LNG amid the future exhaustion of domestically produced gas is predicted, and its government is working to attract domestic and overseas businesses for the construction of LNG receiving terminals. My duty is to collect information on trends in energy policies and LNG-related regulations that are being dramatically changed as well as stakeholders' activities though everyday communication with government bodies and private energy-related firms, and participation in energy-related seminars and forums. I ensure that the information is up-to-date and accurate, which will be broadly shared among those concerned in the company. The Philippines has never used LNG, which is why government officials among others are highly motivated to learn about the LNG industry. Every day, we receive inquiries on the business of LNG receiving terminals and LNG import and procurement, as well as requests for visits of our terminals. I hope to gain knowledge and expertise in the overall LNG value chain through this experience and contribute to building close relationships of cooperation between the Philippines and Japan.

Investing our energies into the operation and management of existing projects

Australia

Participating projects and business locations




Ichthys LNG Project


Tokyo Gas Australia Pty Ltd. (Perth)

Upstream Business

We have invested in five LNG projects in Australia, which has grown into a major LNG supply base to East Asia. One of these is the Ichthys Project that recently came into operation. We will continue to operate and manage these projects with a view towards maximizing their value.

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	4.9	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%	Oct. 2018

Message

Wataru Nakayama
Tokyo Gas Australia Pty Ltd.

Aiming to achieve stable LNG supply and revenue expansion, Tokyo Gas Australia participates in five large-scale LNG projects and engages in project management.

In October 2018, the Ichthys LNG Project started shipment, which meant that all our projects in Australia were in operation. The Ichthys project is the first in history to be operated by a Japanese business and joined by major Japanese gas and electric power companies, including Tokyo Gas. We contributed to increasing the project value by offering advice on project operation when shifting from the construction phase to the operation phase, as well as offering suggestions on a gas production well drilling plan for higher efficiency and lower risks based on our experience gained through participation in the four projects in Australia that were already in operation.

Tokyo Gas Australia has participated in the joint operation of projects with a number of major oil companies. It also works intensively to train personnel for overseas businesses. We actively engage in education activities based on the work experience of personnel to quickly develop people who will contribute to the maximization of value for overseas business.

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 December 2018, we signed a joint development agreement regarding construction and operation of an LNG receiving terminal in the Philippines.
- 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.

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.

Basic Policy on Corporate Governance www.tokyo-gas.co.jp/IR/english/gvnnc/pdf/policy.pdf

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 9 directors, 4 of whom are outside directors. In addition, the term of directors is set at one year with the goal of further clarifying managerial responsibility.

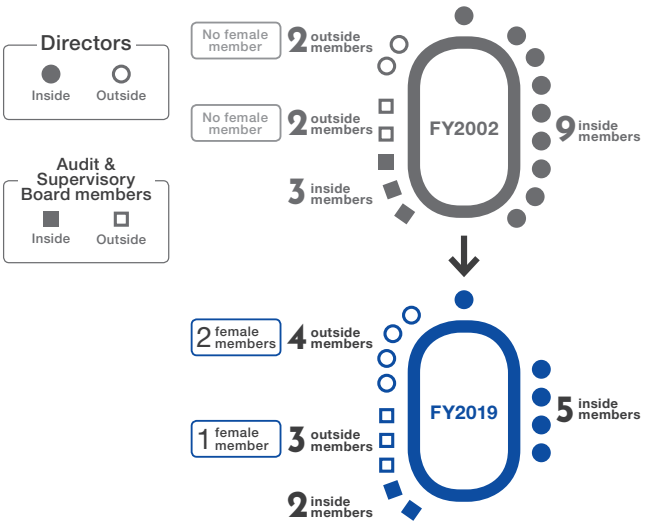
Outside Directors

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.

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.)

Analysis and Evaluation of Effectiveness of the Board of Directors

Starting in Fiscal 2018, the Board of Directors has 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, to maintain and enhance the Board's effectiveness.

Based on the results of the questionnaire and the exchange of opinions at the Board of Directors' meetings, it was determined that measures for improving the Board's effectiveness are functioning effectively through efforts to improve and enhance site inspection visits and to increase opportunities for Executive Officers to attend Board meetings.

On the other hand, ceaseless efforts are required to further increase the Board's effectiveness. Accordingly, initiatives to contribute to the strengthening of the supervisory functions of the Board, including further enhancement of site inspection visits by the Directors, will be examined and implemented in the future.

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.

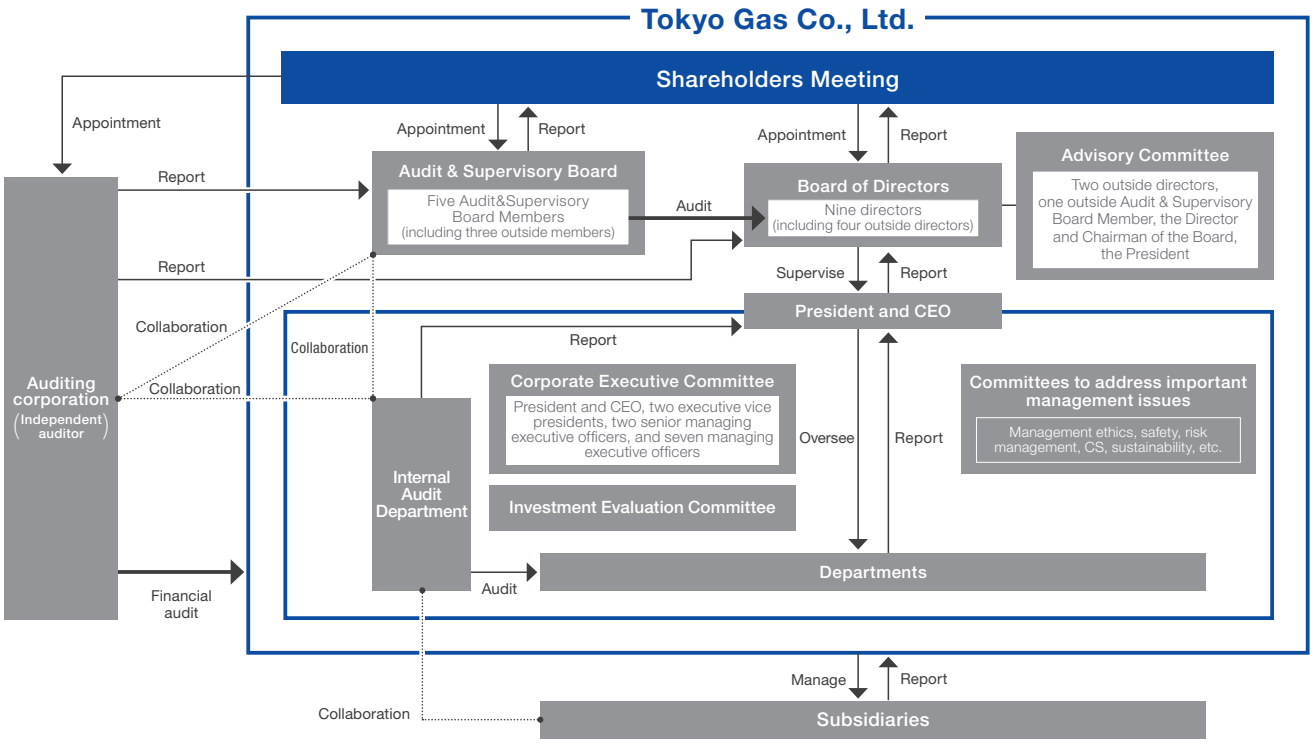
Outside Audit & Supervisory Boad Members

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.

Corporate governance

Corporate Governance System



Overview of Corporate Governance System (As of June 27, 2019)			
Number of directors	9	Participation of outside directors and outside Audit & Supervisory Board members in selecting director candidates	Yes
Average age of directors	61	Number of meetings of Board of Directors*	12
Number of outside directors	4	Attendance rate of outside directors at meetings of Board of Directors*	100%
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	7	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 2018 to March 2019

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.

Investment Evaluation Committee

Of the matters to be discussed at the Corporate Executive Committee, the Investment Evaluation Committee chaired by the Executive Officer in charge of financial affairs evaluates matters that require the evaluation of the significance, economy and risks related to investment and post-investment follow-up and reports to the Corporate Executive Committee.

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

* Monthly remuneration of outside directors are fixed remuneration only.

Total Remuneration for Directors and Audit & Supervisory Board Members (Fiscal 2018)

Classification of officers	Total value of remuneration (¥ million)	Total value of remuneration by type (¥ million)				Number of eligible officers
		Fixed remuneration (Monthly remuneration)	Performance-linked remuneration		Retirement benefits	
			Monthly remuneration	Bonuses		
Directors (excluding outside directors)	368	253	59	56	-	8
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	74	74	-	-	-	2
Outside Directors	34	27	-	6	-	3
Outside Audit & Supervisory Board Members	33	33	-	-	-	4

*The number of officers includes 3 Directors and 1 Audit & Supervisory Board member who retired upon the conclusion of the 218th Annual General Meeting of Shareholders.
*It was resolved that the amount of monthly remuneration of all Directors (including Outside Directors) should be under ¥50 million at the 205th Annual General Meeting of Shareholders and that the amount of annual bonus for all Directors should be under ¥90 million at the 206th Annual General Meeting of Shareholders.
*It was resolved that the amount of monthly remuneration of all Audit & Supervisory Board members (including outside members of the Audit & Supervisory Board) should be under ¥12 million at the 190th Annual General Meeting of Shareholders.

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 27, 2019)

Committee chairman	Hitoshi Saito (Outside Director)
Committee members	Kazunori Takami (Outside Director) Yoshihiko Morita (Outside Audit & Supervisory Board Member) Michiaki Hirose (Director, Chairman of the Board) Takashi Uchida (Representative Director, President)

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.

Corporate governance

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 these auditors, the number of consecutive years of auditing service is 3 years, 2 years and 4 years, respectively (as of June 27, 2019).

Compensation for Independent Auditors (Fiscal 2018)	
Compensation for auditing services	¥264 million
Compensation for non-auditing services	¥31 million
Total	¥295 million

Compliance

Compliance Structure

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. 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. Furthermore, the Internal Audit Department conducts internal 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 and regulations, corporate ethics and social norms. The status of improvement concerning any recommendations made as a result of the internal audits is checked in a follow-up audit in the following year to ensure stable improvement in risk management.

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.

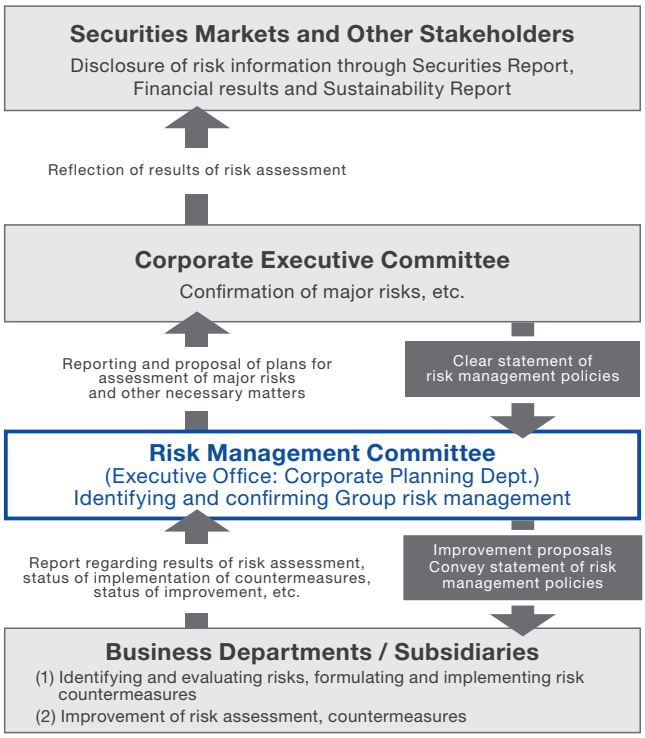
The Risk Management Committee was established with the aim of improving the management level of the ERM system. The Committee checks progress regarding the establishment and operational status of the ERM system, including periodic risk assessments. It also reports to the Corporate Executive Committee 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.

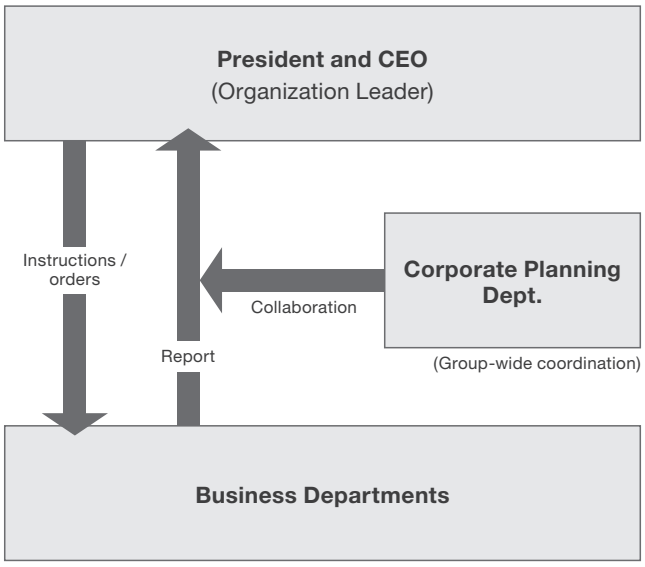
Crisis Management System

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.

Enterprise Risk Management (ERM) System



Emergency Response Organization



Corporate governance

Board of Directors

(As of June 27, 2019)

Director, Chairman of the Board

Michiaki Hirose

April 1974	Joined the Company
June 2009	Director, Senior Executive Officer and in charge of Corporate Planning Dept., Corporate Communications Dept. and Affiliated Companies Dept.
April 2012	Representative Director, Executive Vice President and Chief Executive of Living Energy 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 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 2018	Representative Director, President and CEO

Reason for appointment 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 Outside

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)
June 2007	Registered as an attorney at law in New York State, USA
June 2016	Director of the Company

Reason for appointment 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.

Significant joint responsibilities

Lawyer at Nishimura & Asahi Law Office

Director Outside

Hitoshi Saito

April 1976	Joined Mitsui Fudosan Co., Ltd.
June 2011	Executive Managing Director and Executive Managing Officer of Mitsui Fudosan Co., Ltd.
April 2013	Managing Director and Senior Executive Managing Officer of Mitsui Fudosan Co., Ltd.
April 2015	Managing Director, Senior Executive Managing Officer and Chief Executive of International Div. of Mitsui Fudosan Co., Ltd.
June 2017	Advisor of Mitsui Fudosan Co., Ltd.
June 2019	Director of the Company

Reason for appointment Mr. Hitoshi Saito is expected to use his international perspective acquired from overseas businesses in the real estate industry, as well as his management capabilities, broad outlook and in-depth knowledge gained through a wide range of business development for the Company's management.

Director Outside

Kazunori Takami

April 1978	Joined Matsushita Electric Industrial Co., Ltd. (Current Panasonic Corporation)
June 2009	Managing Director of Panasonic Corporation
April 2012	Representative Director, Senior Managing Executive Director and President of Appliances Company of Panasonic Corporation
April 2015	Representative Director, Executive Vice President and in charge of Japan, Customer Satisfaction, and Design of Panasonic Corporation
June 2017	Corporate Advisor of Panasonic Corporation
March 2018	Retired from Corporate Advisor of Panasonic Corporation
June 2019	Director of the Company

Reason for appointment Mr. Kazunori Takami is expected to use his management capabilities, broad outlook and in-depth knowledge acquired through a wide range of business development in the electrical industry for the Company's management.

Significant joint responsibilities

Outside Director of Tokyo FM Broadcasting Co., Ltd.
Outside Director of Nojima Corporation
Outside Director of FUJITA KANKO INC.

Representative Director

Masaru Takamatsu

April 1980 Joined the Company
June 2016 Director, Senior Executive Officer and in charge of Personnel 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.

Reason for appointment 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
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.

Reason for appointment 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.

Director

Kunio Nohata

April 1984 Joined the Company
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.

Director Outside

Junko Edahiro

April 2003 Representative Director of Edahiroba Inc. (Current e's Inc.)
May 2006 Director and Chairperson of Change Agent Inc.
August 2018 Professor, Graduate School of Leadership and Innovation, Shizenkan University
June 2019 Director of the Company

Reason for appointment Ms. Junko Edahiro is expected to use her experience as a corporate manager, advanced specialization related to the environment and in-depth knowledge as an environmental journalist for the Company's management.

Significant joint responsibilities

Representative Director of e's Inc.
Director and Chairperson of Change Agent Inc.
Professor of Shizenkan University Graduate School of Leadership & Innovation

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.
	Satoru Sawada	The Japan Gas Association
	Koki Hayakawa	CFO, in charge of Financial Management Dept., Accounting Dept., Purchasing Dept., Compliance Dept. and Internal Audit Dept.
Managing Executive Officer	Tadashi Komiyama	Chief Executive of Region Div.
	Kentaro Kimoto	Chief Executive of Gas Resources & Energy Production Div.
	Hiroshi Kishino	In charge of Personnel Dept., Secretary Dept., General Administration Dept., Corporate Communications Dept. and Sustainability Dept.
	Shinichi Sasayama	Chief Executive of Digital Innovation Div., in charge of Corporate Planning Dept. and Business Transformation Dept.
	Ayumi Shigitani	General Manager of CIRIUS Project Dept., Digital Innovation Div. and President, Representative Director of TOKYO GAS i NET CORP.
	Takashi Higo	President, Representative Director of Tokyo Gas Engineering Solutions Corporation
	Isao Hosoya	Chief Executive of Pipeline Network Div.
Executive Officers	Toshiyasu Ishii Yohei Nitta Tomoyuki Yoshioka Yoshiharu Kikuyama Akihiko Matsuda Hiroshi Hanada Akihiro Saito Masayuki Kado Satoshi Tanazawa Shinsuke Ogawa Yasuhiro Konishi Hirofumi Sato Yo Endo Nobuhiro Sugesawa Eito Tsuji	

Audit & Supervisory Board Members

(As of June 27, 2019)

Audit & Supervisory Board Member

Hideaki Arai

April 1979	Joined the Company
April 2013	Senior Executive Officer, Chief Executive of Pipeline Network Div.
March 2017	Retired as Senior Executive Officer
June 2017	Audit & Supervisory Board Member of the Company

Reason for appointment 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.

Audit & Supervisory Board Member

Isao Nakajima

April 1982	Joined the Company
April 2015	Senior Executive Officer, CFO and in charge of Finance Dept., Accounting Dept., Purchasing Dept. and Real Estate Management Dept.
April 2018	Senior Managing Executive Officer, CFO and in charge of Finance Dept., Accounting Dept., Personnel Dept. and Purchasing Dept.
March 2019	Retired as Senior Managing Executive Officer
June 2019	Audit & Supervisory Board Member of the Company

Reason for appointment Isao Nakajima is highly knowledgeable in financial affairs and accounting, and has extensive work experience with the Company. He has carried out financial and accounting operations and has served as Senior Managing Executive Officer.

Audit & Supervisory Board Member Outside

Yoshihiko Morita

April 1969	Joined Export-Import Bank of Japan
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
June 2012	Audit & Supervisory Board Member of the Company

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.

Audit & Supervisory Board Member Outside

Masato Nobutoki

April 1981	Joined Mitsubishi Corporation
April 2007	Joined City of Yokohama Director General of City Growth Strategy Promotion Department, Economic Affairs Bureau, City of Yokohama
April 2016	Consultant of Future City Promotion, Climate Change Policy Headquarters, City of Yokohama
June 2017	Audit & Supervisory Board Member of the Company Retired from Yokohama Ciy as a consultant

Reason for appointment 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.

Audit & Supervisory Board Member Outside

Sawako Nohara

December 1988	Joined Life Science Institute Co., Ltd.
July 1995	Joined InfoCom Research, Inc.
December 2001	President and Representative Director of IPSe Marketing. Inc.
November 2009	Project Professor, Graduate School of Media and Governance, Keio University
June 2018	Audit & Supervisory Board Member of the Company

Reason for appointment 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 DAIICHI SANKYO COMPANY, LIMITED

Messages from Outside Directors

Director Outside
Hitoshi Saito

Utilizing my experience in corporate management and overseas business, I will monitor business growth and corporate governance impartially and present my opinions.

Since I joined Mitsui Fudosan Co., Ltd., I have gained experience in overseas business, financial affairs, residential business, commercial facilities, building development and other areas. During that period, I was posted to overseas offices twice, Los Angeles and New York.

At Mitsui Fudosan Co., Ltd., I worked primarily to expand its overseas business as the person responsible for promoting globalization while serving as Managing Officer and Director. I also focused on enhancing corporate governance and compliance on the back of rapid business expansion supported by proactive investment.

I look forward to working as Outside Director for Tokyo Gas, a company with a strong commitment to public service. The major role of Outside Director is corporate governance, in other words management supervision and advice. However, overly strong supervision can hinder the seeds of growth. I believe that my role will be to properly monitor the offense-defense balance from an independent standpoint and present my opinions to the management.

In the GPS2020 medium-term management plan, Tokyo Gas aims to evolve from being the leading city gas company in Japan to being a global integrated energy corporation, and make overseas business into another major source of growth for the future. I would like to find opportunities where I can help to achieve this goal as much as possible by applying my work experience and knowledge.

Highly regarding ties with customers, I shall be committed to helping the Company continue to be the closest infrastructure that protects customers' lives.

Director Outside
Kazunori Takami

Since joining Matsushita Electric Industrial Co., Ltd. (currently Panasonic Corporation), I was exclusively engaged in sales activities for 20 years. Later, I served as General Manager of the Corporate Planning Office and General Manager of a business department and assumed other posts, and then as Executive Vice President of Panasonic Corporation. What has remained constant throughout my career is the idea of putting customers and employees first. I have been making resolute decisions based on discussions with many people, which is essential for achieving sustainable corporate growth.

In 1969, Tokyo Gas decided to introduce LNG to Japan for the first time. At that time, it was impractical to import LNG because it entailed sophisticated import technologies and high costs. However, this decision supported the energy demand during the high economic growth period and became a catalyst for improving air pollution, which was recognized as a social problem.

Tokyo Gas spent several decades adjusting the gas appliances of all customers to help them use LNG safely and with peace of mind. The core idea is the same as that of Panasonic, who connected with customers as the electrical appliance center in each local community, earning their trust and confidence. I shall present my opinions by using my past experience.

Social problems, including the falling birth rates and aging population, are becoming increasingly serious. By constantly questioning: "Is the present state sufficient?" I hope to focus on helping the Company continue to be the closest infrastructure that protects customers' lives and I will make proposals for smarter lifestyles.

Director Outside
Junko Edahiro

Energy lies at the foundation for achieving the SDGs. I shall contribute to this by applying my knowledge and experience accumulated from my commitment to environmental issues over many years.

For more than 20 years, I have been involved in environmental issues. Believing that solving environmental concerns requires a focus on the concepts of happiness, economy and society, I have established the Institute for Studies in Happiness, Economy and Society and have been engaged in a variety of activities.

Global warming is an energy issue. Energy also lies at the foundation for achieving the SDGs. Among the global trend of reducing the use of coal, the gas industry has the key to increasing renewable energy and will simultaneously need to make a significant change in its business model. I am very honored and humbled to have been appointed as an Outside Director in this phase of major change. I hope to present my opinions by using my knowledge and global network fostered through a variety of initiatives over a long period.

In addition, believing that leadership development is important for organizations, I am teaching systems thinking and challenges in sustainability to adult students from 22 countries at Shizenkan University Graduate School of Leadership & Innovation. Strengthening the abilities to look to the future, understand the structure of reality and enlist people, which are necessary skills to survive in an age of instability and uncertainty, will lead to solving social issues. I wish to apply my knowledge and experience to help Tokyo Gas strengthen these three abilities and contribute to solving social issues.

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

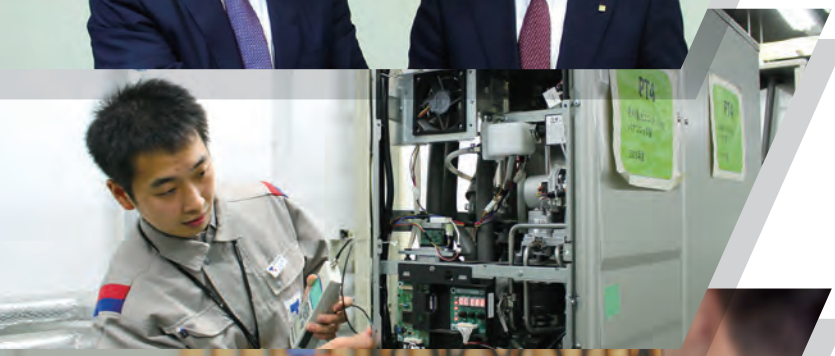
P25 See details in the “Business overview.”

Relationships of trust with 11 million customers

P31 See details in the “Business overview.”

Relationships of trust with business partners

P52



Digitalization and technology development capabilities (Innovation)

P53

Human resources

P55

ESG Initiatives

Environmental, Social, Governance

P57

Relationships of trust with business partners

In the present stage 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 integrated 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 for Coopration on the Development of the LNG Value Chain in Vietnam
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
First Gen	Signing of a Joint Development Agreement on the construction and operation of the LNG receiving terminal in the Philippines

LNG procurement

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

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

Power generation

Expand competitive power sources.

- JXTG Nippon Oil & Energy Corporation (Kawasaki Natural Gas Power Station)
- Kobe Steel, Ltd. (KOBELCO) (Moka Power Station)
- Idemitsu Kosan Co., Ltd. (Ohgishima Power)
- Idemitsu Kosan Co., Ltd. and KYUSHU ELECTRIC POWER CO., INC. (Chiba-Sodegaura Energy)
- ENGIE, France (Renewables joint-venture company in Mexico)

Service fields

Expand synergetic alliance with business partners to accelerate initiatives to provide gas, electricity and services as a packaged service.

OTOBANK Inc.	Audio book services
KAJITAKU CO., Ltd.	Cooking services
ENECHANGE Ltd.	Use of the basis for new services

Electricity sales

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

Tohoku-Electric Power Co, Inc. (Synergia Power Co., Ltd.)	NTT Group (ENNET Corporation)	OSAKA GAS CO., LTD. (ENNET Corporation)

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)

Enhance the electricity sales structure through cross-industrial alliance with partners, including real estate companies who have contact points and relationships with customers.

Examples of companies in alliance

Cable TV	Real estate agency	Housekeeping service
Energy saving service	Management company	Moving

City Gas Retail Services

Jupiter Telecommunications (J:COM) and 19 J:COM Group companies (42 channels)
(Plan to accept orders from the first half of fiscal 2019)

Digitalization and technology development capabilities (Innovation)

Contributing to the achievement of Sustainable Development Goals (SDGs)

In light of the recent rapid advance in technology innovation in the distributed energy system fields, including solar power, storage battery, and electric vehicles (EVs), we are shifting 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. We will acquire distributed energy systems, AI, IoT and other digital technologies, and business models that make use of them to accelerate initiatives to create new energy businesses and new services. We will also use digital technologies to enhance convenience to our customers, promote efficiency and sophistication in operations and solve management issues.

The history and future of our innovation

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

2017 Established Acario Ventures

2017 Commenced initiatives to develop new technologies

Applying and deploying advanced examples around the world in the Japanese market

Through information gathering on U.S. venture firms, and investment in and collaboration with energy-related venture capitals by Acario Ventures, which we established in Silicon Valley, we absorb new technologies and business models in the energy service business areas around the world to apply and deploy them in the Japanese market, while making smart use of our advantages.

Creating new businesses and services

Creating new energy businesses

By combining energy-saving and eco-friendly gas cogeneration systems and storage cells, we will create new value, such as advanced energy management for customers and providing load adjustment capabilities required with the widespread use of renewable energy (participated in the verification tests in the UK).

Creating new services

We will combine our service and energy capabilities in a specific market, such as sales and maintenance of gas equipment and energy, to create business and provide high added value to customers and society. We will create business on a broad front, eyeing possibilities, such as development of sub-brands.

The New Business Creation Project Department was established

↓

To be spun off into a separate company within fiscal 2019

Future innovation

Blockchains | Storage cells | Robotics | IoT | AI | Electric power | Renewable energy | VPP (Virtual Power Plant)

Society in the future

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

Use of data in solving management issues

Through unified management of operation status data concerning equipment for gas production and power generation equipment, and information on demand, prices, and ship deployment, and by AI-enabled forecasting of equipment operation and sales planning, we work on solving management challenges, including optimization of equipment management and the entire value chain.

Procurement → **Transportation and production** (LNG terminals and power generation plants) → **Sales**

- Demand forecasting
- Optimizing deployment of ships and operation of terminals and power generation plants
- Price forecasting of crude oil, LNG and electricity
- Optimizing market trade

Improving productivity through Business Process Reform (BPR), etc.

Use of the cloud, etc. and organizational re-engineering
- Corporate operations
- Contact points with customers

Promoting efficiency and sophistication in operations and enhancing convenience to customers

Use of SNS, chats, and other digital channels
- Accepting inquiries from customers

Use of VR, tablets, etc.
- On-site patrol and inspections
- Proposals to customers

Use of digital technologies

Review and decluttering of operations
Thorough benchmarking

Establishment of the Corporate Innovation Project Department

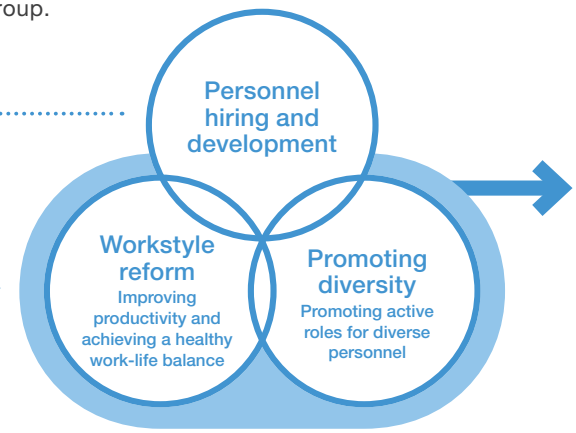
Human resources

Contributing to the achievement of Sustainable Development Goals (SDGs)

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 personnel to strategically-important fields such as our electric power and overseas business operations. 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 × 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.

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.

Collaborative work space of a new office of the Digital Innovation Division

■ Environmental improvement to allow diverse personnel to display their full potential

- Introducing a "Work Anywhere" program which eliminates restrictions on working location (Work at home, mobile work)
- Building satellite shared offices
- Improving the office environment toward further improvement in productivity
- 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, audio AI, etc.)

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 integrated 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.

Takashi Uchida
Representative Director, President and CEO
Tokyo Gas Co., Ltd.

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 2.46%, exceeding the mandatory rate (as of June 2019) ■ 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.

People differ from each other. We believe this makes them great assets.

We have established a Concept Message as a tool to more simply communicate our vision that "each and every employee makes use of his or her diverse strength and helps grow the Group" as described in the Top Management Commitment. In order to raise awareness and actions by more group employees, we set November 2018 as a "Month of Diversity" and held various seminars concerning diversity, which was attended by around 800 people.

Occupational safety and health

Health and safety are 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.

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.

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.

ESG initiatives

Environmental, Social, Governance

Tokyo Gas Sustainability Report 2019
tokyo-gas.disclosure.site/en

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

CSR priority issues (materialities)		Materiality	
Strategy	Stable supply of energy both in Japan and overseas	☐ Stable supply of gas and electricity ☐ Stable procurement of raw materials	P25
		☐ Construction of energy infrastructure in developing countries	P39
	Robust energy platform	☐ Safety and disaster prevention / readiness ☐ Sustainable urban development and comfortable lifestyles	P25
	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	P05
Infrastructure	—	■ Creating an organization full of energy and vitality	P55
		■ Building good relationships with stakeholders	P31 P52
		■ Fulfilling our public duty as an energy company	P25
Governance and compliance			

Under the Basic Policy on CSR to tackle social challenges through our business activities, we seek to maintain the security and safety of people's lives by providing a stable supply of energy, which is the foundation of daily life and industry, and to play our part in building a sustainable society by supplying energy that excels in environmental consideration. As for promoting activities, we make assessment and improvement of targets that have been identified for each materiality, while making clear the relationship between materialities and SDGs to help achieve the SDGs through CSR management.

ESG Highlights

E Environmental

By developing and promoting widespread use of high-efficiency equipment, and expanding use of distributed power generation systems, we reduced the amount of CO_2 emissions by 4.52 million tons in fiscal 2018 in comparison with fiscal 2011.

Cumulative sales of ENE-FARM

110,000 units

Concerning the residential fuel cell system ENE-FARM that helps enhance energy efficiency and reduce the amount of CO_2 emissions, we as vendors reached 110,000 units in cumulative sales of ENE-FARM in December 2018.

Reduction in CO_2 emissions during consumption of city gas by customers

4.52 million tons

Gas cogeneration system's power generation efficiency

52%

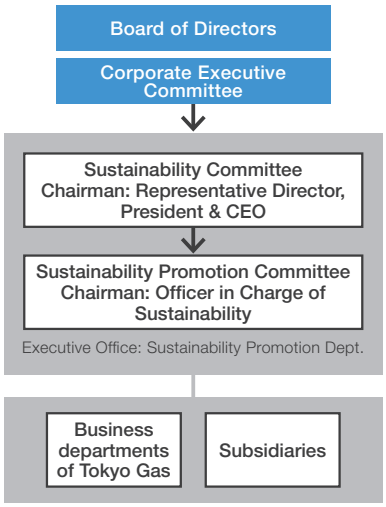
By promoting development of high-efficiency gas cogeneration systems, we developed commercial-use fuel cells with power generation efficiency of 52% and total efficiency of 90%.

Leveraging our insights and technologies accumulated in from over 130 years of operations in the energy business, we focus on Sustainable Development Goals (SDGs) 7, 9, 11, and 13 and promote initiatives that contribute to solve social issues by engaging with our stakeholders.

Further promoting CSR management

Given heightened expectations and requests nowadays to companies to help realize sustainable society, we unified the Environmental Affairs Department and the CSR Room of the Corporate Communications Department and established the Sustainability Promotion Department in April 2019. In addition, we have reorganized the CSR Promotion Committee chaired by an officer in charge to a Sustainability Committee chaired by President, with the aim of further promoting CSR management.

CSR promotion organizational chart



S Social

As a general gas pipeline operator, we provide clean city gas to over 11 million customers via a gas pipeline network of over 60,000 km. We had no supply disruption arising from major accidents in fiscal 2018.

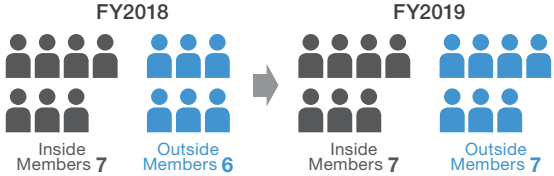
Number of customers	Supply disruption arising from major accidents
11 million	0

G Governance

We made changes to further increase the proportion of outside members in our Board of Directors and Audit & Supervisory Board by reducing the number of inside members by three in comparison with the previous year (from 10 to 7) in fiscal 2018, and increasing the number of outside members by one (from 6 to 7) in fiscal 2019.

Corporate governance ▶ P41

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



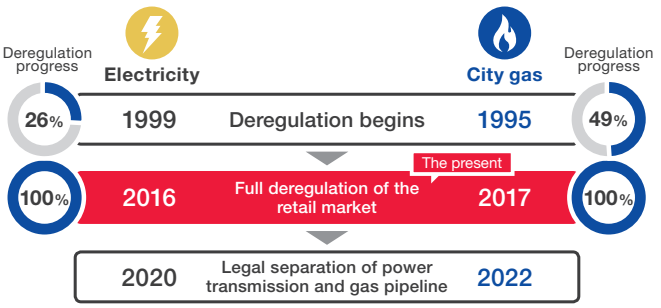
City Gas and Electric Power Businesses

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.

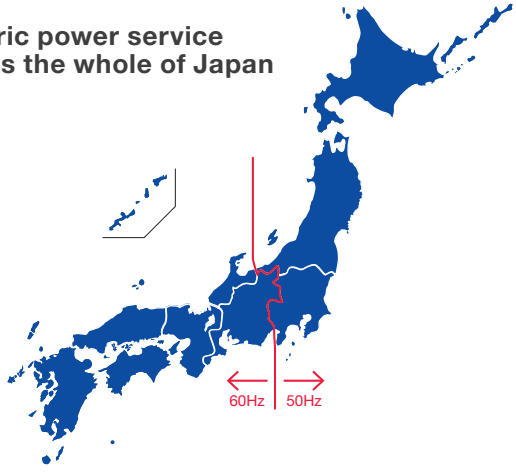
Progress of deregulation

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



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

Power generation

Deregulated

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.

Transmission and distribution

Regulated business

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.

Retail

Deregulated

Our strengths and achievements

- Utilizing our sales network, which is closely linked to local communities, we supply electric power as a retail service to 1.77 million customers (as of march, 2019).
  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**

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 promoting stable, efficient terminal operations.

Production

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.

Supply

Deregulated

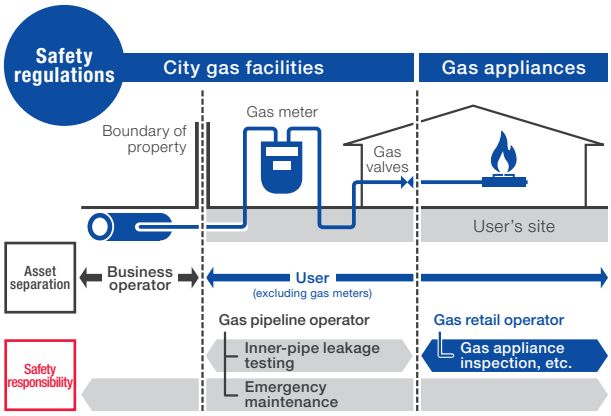
Our strengths and achievements

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

Retail

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.



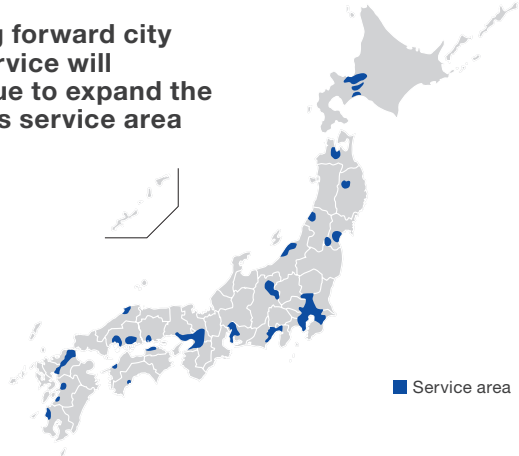
Full Deregulated Market of the Electricity and Gas

	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.

Financial data

11-Year Consolidated Financial Highlights As of March 31, 2019

	2009.3	2010.3	2011.3	2012.3
Net Sales (¥ million)	1,660,162	1,415,718	1,535,242	1,754,257
Operating Profit (¥ million)	65,204	85,229	122,451	77,075
Operating Profit Margin (%)	3.93	6.02	7.98	4.39
Ordinary Profit (¥ million)	58,337	83,519	121,548	75,620
Profit attributable to owners of parent (¥ million)	41,708	53,781	95,467	46,060
Equity (¥ million)	772,365	813,886	858,920	839,166
Total Assets (¥ million)	1,764,185	1,840,972	1,829,661	1,863,885
Interest-bearing Debt (¥ million)	593,230	555,919	584,169	625,830
Operating Cash Flow (¥ million)	182,791	199,898	244,803	194,565
Free Cash Flow (¥ million)	36,862	51,712	94,600	48,152
EBITDA (¥ million)	206,287	231,346	271,788	225,580
Capital Expenditure (¥ million)	145,929	148,186	150,202	146,413
Depreciation (¥ million)	141,083	146,117	149,336	148,505
EPS (Earnings per Share, fully diluted) (¥)	15.37	19.86	35.63	17.70
BPS (Book Value per Share) (¥)	284.72	301.58	320.70	324.67
Number of Issued Shares (Common Stock) (thousands of shares)	2,717,571	2,703,761	2,684,193	2,590,715
Dividend per Share (¥)	8	9	9	9
DOE (Dividends on Equity) (%)	2.78	3.07	2.88	2.74
Payout Ratio (%)	51.18	45.32	25.26	50.85
Total Payout Ratio (%)	63.35	60.11	60.87	61.36
Current Ratio (%)	118.99	120.93	142.26	156.89
D/E (Debt-Equity) Ratio (times)	0.77	0.68	0.68	0.75
Equity Ratio(%)	43.78	44.21	46.94	45.02
ROE (Return on Equity) (%)	5.41	6.78	11.41	5.42
ROA (Return on Assets) (%)	2.41	2.98	5.20	2.49
Total Asset Turnover (times)	0.96	0.79	0.84	0.95
TEP (¥100 million)	-48	186	640	91
WACC (%)	3.4	3.2	3.3	3.1
Number of city gas customers (thousand)	10,513	10,637	10,739	10,855
Gas Sales Volume (million m^3)	13,942	13,666	14,745	15,190
2020 vision basis*	—	—	—	15,833
Number of electricity retail customers (thousand)	—	—	—	—
Electric power sales volume (billion kWh)	—	—	—	8.27

Notes: * 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.
* Depreciation includes amortization of long-term prepaid expenses.
* The financial information contained in this integrated report is based on annual securities report. However, it has not been audited by certified public accountants.
* 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).

2013.3	2014.3	2015.3	2016.3	2017.3	2018.3	**2019.3**
1,915,639	2,112,117	2,292,548	1,884,656	1,587,085	1,777,344	**1,962,308**
145,633	166,044	171,753	192,008	58,365	116,302	**93,704**
7.60	7.86	7.49	10.19	3.68	6.54	**4.78**
147,453	159,613	168,169	188,809	55,688	111,546	**89,386**
101,678	108,451	95,828	111,936	53,134	74,987	**84,555**
927,634	1,011,787	1,069,515	1,100,271	1,101,498	1,136,027	**1,159,055**
1,992,403	2,176,816	2,257,662	2,251,518	2,230,269	2,334,316	**2,428,149**
642,550	713,823	730,739	715,769	713,596	724,940	**803,216**
240,448	248,831	237,680	257,122	217,439	240,328	**246,436**
56,651	827	13,084	25,089	14,081	31,583	**22,655**
284,403	306,424	313,605	337,194	222,670	281,643	**255,585**
183,797	248,004	224,596	232,033	203,358	208,745	**223,781**
138,770	140,380	141,852	145,187	164,305	165,342	**161,881**
39.52	43.10	39.15	46.68	23.02	164.12*	**187.60**
360.70	402.91	438.28	460.35	479.74	2,487.58*	**2,575.99**
2,577,919	2,517,551	2,446,778	2,396,778	2,302,856	458,073*	**451,356**
10	10	10	11	11	55*	**60**
2.91	2.59	2.34	2.42	2.29	2.25	**2.35**
25.30	23.20	25.55	23.57	47.79	33.51	**31.98**
60.70	60.00	60.80	60.10	60.71	60.17	**60.31**
162.16	156.67	150.63	155.48	142.69	135.59	**156.01**
0.69	0.71	0.68	0.65	0.65	0.64	**0.69**
46.56	46.48	47.37	48.87	49.39	48.67	**47.73**
11.51	11.18	9.21	10.32	4.83	6.70	**7.37**
5.27	5.20	4.32	4.96	2.37	3.29	**3.55**
0.99	1.01	1.03	0.84	0.71	0.78	**0.82**
598	507	434	676	-62	244	**68**
3.2	3.2	3.6	3.4	3.0	3.1	**3.0**
10,978	11,111	11,263	11,398	11,536	11,678	**11,818**
15,390	14,735	15,541	15,436	15,720	15,568	**15,198**
16,741	17,225	18,360	18,587	19,053	19,052	**18,397**
—	—	—	—	667	1,130	**1,774**
9.98	9.71	10.61	10.96	12.65	14.66	**15.48**

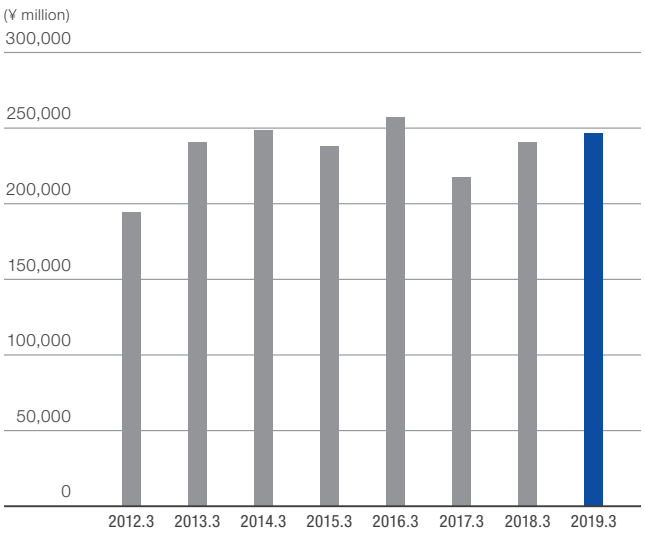
Computations

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)

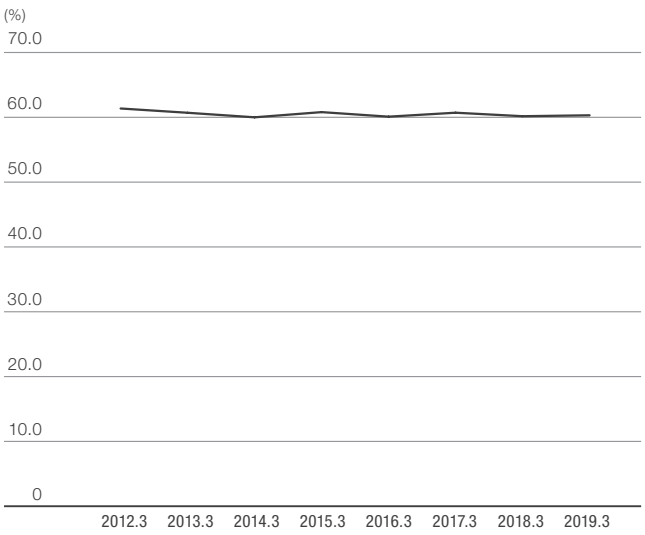
WACC calculation data (fiscal 2018 actual)
· Interest-bearing debt cost: Real interest rate of 0.85% (after tax)
· Cost of shareholders' equity
· Risk-free rate: 10-year JGB yield of 0.06%
· Risk premium: 5.5%, Beta coefficient of 0.75

Financial data

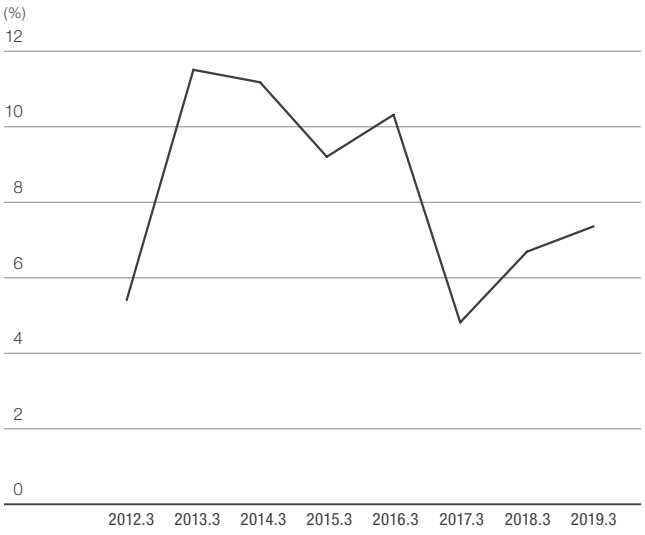
Operating cash flow



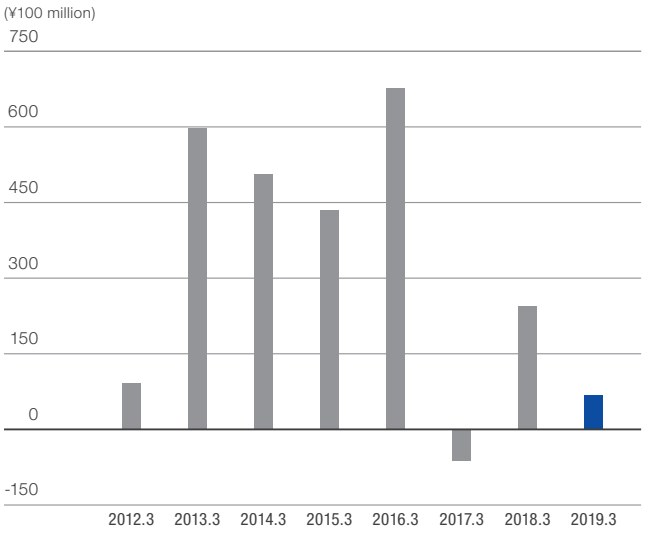
Total payout ratio



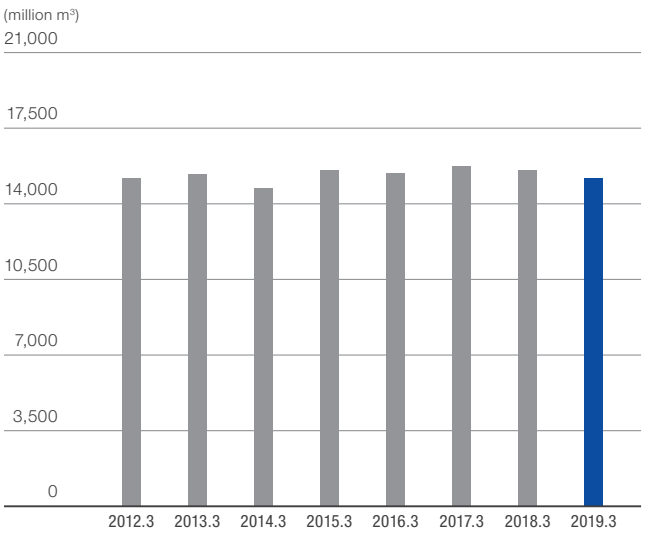
Return on equity (ROE)



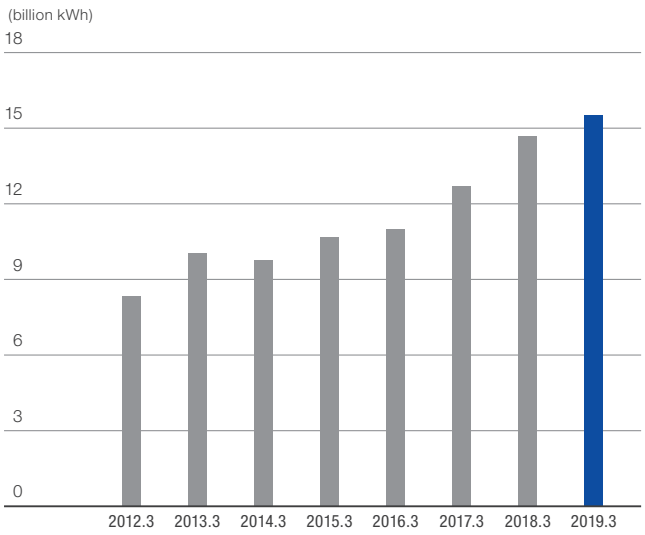
TEP



Gas sales volume



Electric power sales volume



Consolidated Balance Sheet

(¥ million)

	2018.3.31	2019.3.31
Assets		
Non-current assets		
Property, plant and equipment		
Production facilities	236,334	234,433
Distribution facilities	560,216	548,529
Service and maintenance facilities	52,244	49,586
Other facilities	406,221	447,608
Inactive facilities	316	316
Construction in progress	157,913	145,160
Total property, plant and equipment	1,413,246	1,425,634
Intangible assets		
Goodwill	1,254	1,306
Other intangible assets	92,167	119,052
Total intangible assets	93,422	120,359
Investments and other assets		
Investment securities	239,379	225,212
Long-term loans receivable	27,929	40,158
Retirement benefit asset	17	24
Deferred tax assets	40,856	42,425
Other investments and other assets	36,693	47,950
Allowance for doubtful accounts	(378)	(362)
Total investments and other assets	344,497	335,409
Total non-current assets	1,851,165	1,901,403
Current assets		
Cash and deposits	128,331	93,092
Notes and accounts receivable - trade	216,234	265,225
Lease receivables and investment assets	22,188	19,647
Securities	15	—
Merchandise and finished goods	2,494	2,194
Work in process	12,417	12,730
Raw materials and supplies	45,454	63,735
Other current assets	56,897	71,306
Allowance for doubtful accounts	(884)	(1,186)
Total current assets	483,150	526,745
Total assets	2,334,316	2,428,149
Liabilities		
Non-current liabilities		
Bonds payable	294,998	334,998
Long-term loans payable	358,680	394,542
Deferred tax liabilities	10,898	17,517
Retirement benefit liability	73,161	75,262
Provision for gas holder repairs	3,107	2,990
Provision for safety measures	3,115	1,776
Provision for appliance warranties	9,984	14,057
Provision for point card certificates	835	1,450
Asset retirement obligations	13,200	11,940
Other non current liabilities	61,572	64,640
Total non-current liabilities	829,554	919,176
Current liabilities		
Current portion of non-current liabilities	58,094	51,566
Notes and accounts payable - trade	80,819	69,605
Short-term loans payable	7,800	5,133
Income taxes payable	30,237	31,283
Other current liabilities	179,376	180,037
Total current liabilities	356,328	337,626
Total liabilities	1,185,882	1,256,803
Net assets		
Shareholders' equity		
Capital stock	141,844	141,844
Capital surplus	1,898	1,634
Retained earnings	936,635	976,550
Treasury shares	(3,642)	(4,111)
Total shareholders' equity	1,076,736	1,115,918
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	30,282	22,756
Deferred gains or losses on hedges	(251)	1,604
Foreign currency translation adjustment	33,206	24,770
Remeasurements of defined benefit plans	(3,945)	(5,994)
Total accumulated other comprehensive income	59,291	43,137
Non-controlling interests	12,405	12,289
Total net assets	1,148,433	1,171,345
Total liabilities and net assets	2,334,316	2,428,149

Consolidated Statement of Income

(¥ million)

	2017.4.1-2018.3.31	2018.4.1-2019.3.31
Net sales	1,777,344	1,962,308
Cost of sales	1,203,991	1,407,345
Gross profit	573,353	554,963
Selling, general and administrative expenses		
Supply and sales expenses	392,680	392,466
General and administrative expenses	64,370	68,791
Total selling, general and administrative expenses	457,050	461,258
Operating profit	116,302	93,704
Non-operating income		
Interest income	1,158	1,612
Dividend income	2,967	2,812
Rent income	1,637	1,668
Share of profit of entities accounted for using equity method	2,493	2,794
Miscellaneous income	4,800	4,883
Total non-operating income	13,057	13,771
Non-operating expenses		
Interest expenses	11,619	11,091
Miscellaneous expenses	6,193	6,997
Total non-operating expenses	17,813	18,089
Ordinary profit	111,546	89,386
Extraordinary income		
Gain on sales of non-current assets	3,403	29,306
Gain on sales of investment securities	3,049	6,420
Total extraordinary income	6,452	35,727
Extraordinary losses		
Impairment loss	3,213	—
Loss on valuation of investment securities	—	7,865
Total extraordinary losses	3,213	7,865
Profit before income taxes	114,784	117,248
Income taxes - current	31,527	26,113
Income taxes - deferred	7,957	6,823
Total income taxes	39,484	32,936
Profit	75,300	84,311
Profit (loss) attributable to non-controlling interests	312	(244)
Profit attributable to owners of parent	74,987	84,555

Consolidated Statement of Comprehensive Income

(¥ million)

	2017.4.1-2018.3.31	2018.4.1-2019.3.31
Profit before minority interests	75,300	84,311
Other comprehensive income		
Valuation difference on available-for-sale securities	3,145	(7,528)
Deferred gains or losses on hedges	666	221
Foreign currency translation adjustment	(3,537)	(6,735)
Remeasurements of defined benefit plans, net of tax	(8,784)	(2,073)
Share of other comprehensive income of entities accounted for using equity method	407	(78)
Total other comprehensive income	(8,101)	(16,193)
Comprehensive income	67,198	68,118
Breakdown of comprehensive income		
Comprehensive income attributable to owners of parent	66,856	68,401
Comprehensive income attributable to non-controlling interests	341	(283)

Financial data

Consolidated Statement of Cash Flows

(¥ million)

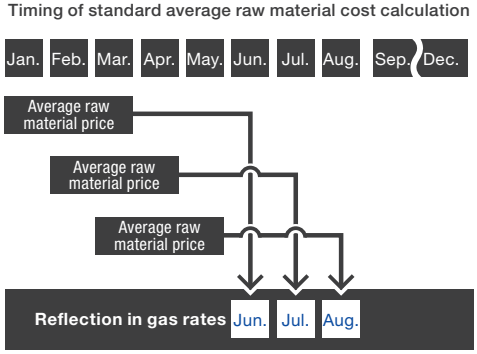
	2017.4.1-2018.3.31	2018.4.1-2019.3.31
Cash flows from operating activities		
Profit before income taxes	114,784	117,248
Depreciation	161,093	157,574
Amortization of long-term prepaid expenses	4,248	4,306
Loss on retirement of property, plant and equipment	1,845	2,248
Loss (gain) on sales of non-current assets	(3,397)	(29,283)
Loss (gain) on sales of investment securities	(3,042)	(6,385)
Loss (gain) on valuation of investment securities	435	7,865
Increase (decrease) in retirement benefit liability	(12,461)	1,039
Increase (decrease) in reserve for safety measures	(1,596)	(1,338)
Increase (decrease) in reserve for fixtures assurance	(314)	4,073
Interest and dividend income	(4,125)	(4,425)
Interest expenses	11,619	11,091
Share of loss (profit) of entities accounted for using equity method	(2,493)	(2,794)
Decrease (increase) in notes and accounts receivable - trade	(20,602)	(46,191)
Decrease (increase) in inventories	(4,948)	(18,336)
Increase (decrease) in notes and accounts payable - trade	(631)	(5,321)
Increase (decrease) in accrued consumption taxes	3,000	(3,002)
Decrease (increase) in accounts receivable - other	1,265	(2,541)
Other, net	36,578	(16,526)
Subtotal	281,258	169,300
Interest and dividend income received	12,295	9,387
Interest expenses paid	(11,502)	(10,809)
Income taxes paid	(22,312)	(26,571)
Net cash provided by (used in) operating activities	259,738	141,306
Cash flows from investing activities		
Purchase of investment securities	(47,898)	(17,603)
Proceeds from sales and redemption of investment securities	5,021	12,082
Purchase of property, plant and equipment	(177,671)	(168,144)
Purchase of intangible assets	(27,638)	(39,491)
Purchase of long-term prepaid expenses	(1,653)	(8,561)
Proceeds from sale of non-current assets	3,799	25,050
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(1,054)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	99	1,768
Payments of long-term loans receivable	(3,101)	(12,238)
Collection of long-term loans receivable	2,801	4,074
Net decrease (increase) in short-term loans receivable	(580)	3,686
Other, net	(340)	(3,030)
Net cash provided by (used in) investing activities	(247,162)	(203,462)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(2,645)	(1,466)
Net increase (decrease) in commercial papers	-	10,000
Repayments of lease obligations	(1,526)	(1,613)
Proceeds from long-term loans payable	60,471	59,354
Repayments of long-term loans payable	(62,065)	(23,726)
Proceeds from issuance of bonds	20,000	70,000
Redemption of bonds	-	(40,000)
Purchase of treasury shares	(7,082)	(20,051)
Cash dividends paid	(25,187)	(24,936)
Other, net	1,385	68
Net cash provided by (used in) financing activities	(16,651)	27,628
Effect of exchange rate change on cash and cash equivalents	(220)	(710)
Net increase (decrease) in cash and cash equivalents	(4,294)	(35,238)
Cash and cash equivalents at beginning of period	132,566	128,271
Cash and cash equivalents at end of period	128,271	93,032

Factors Affecting Revenues and Expenses

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

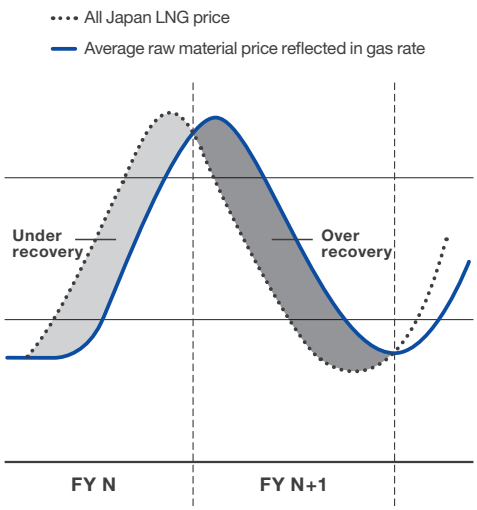
Gas prices are determined using the gas rate adjustment system. Through this system, average raw material prices over a three-month period according to trade statistics are compared with the raw material cost that is used as the standard (standard average raw material cost), and the gas rates are adjusted 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



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

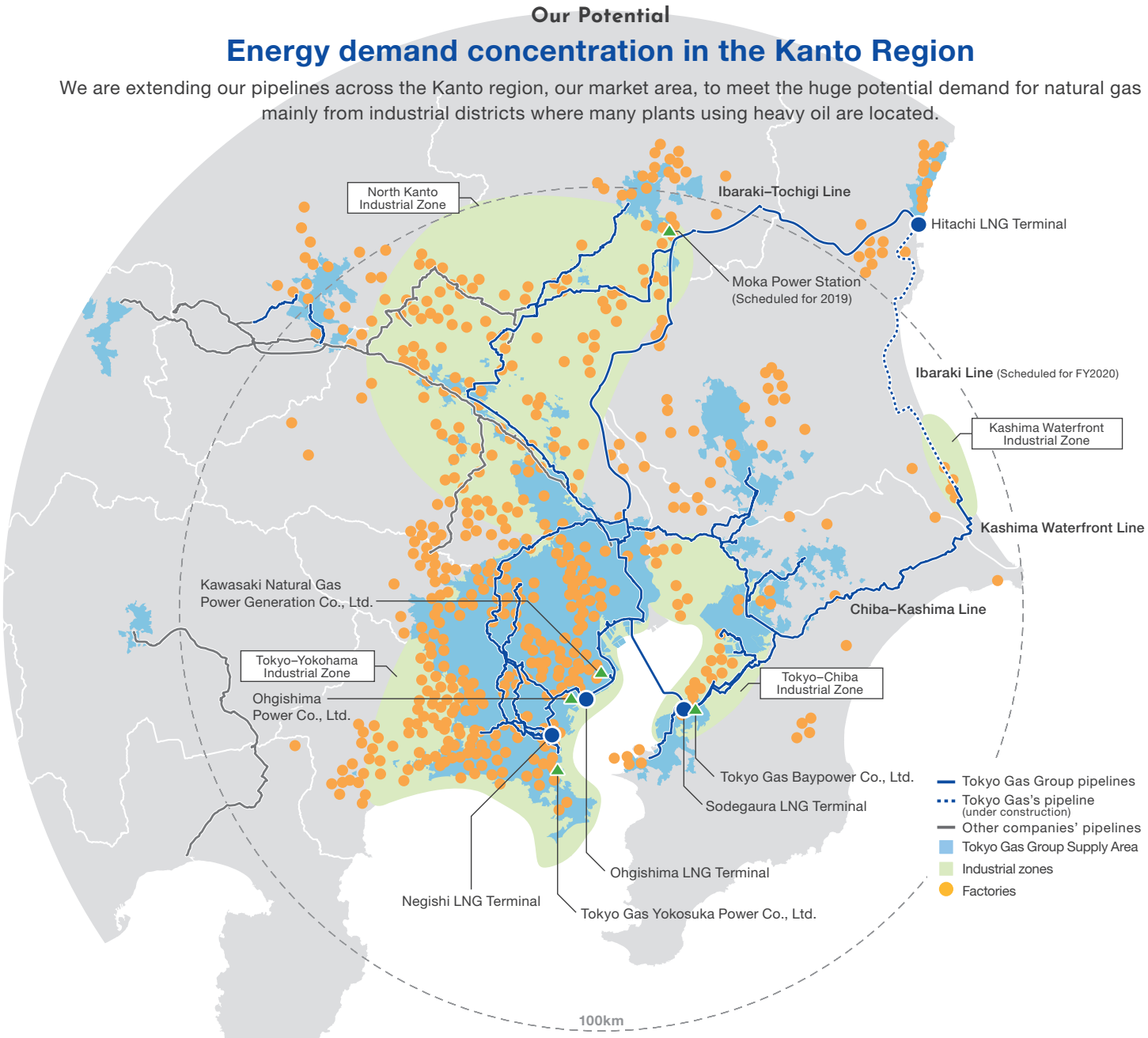
How the Sliding Time Lag in Rates Works



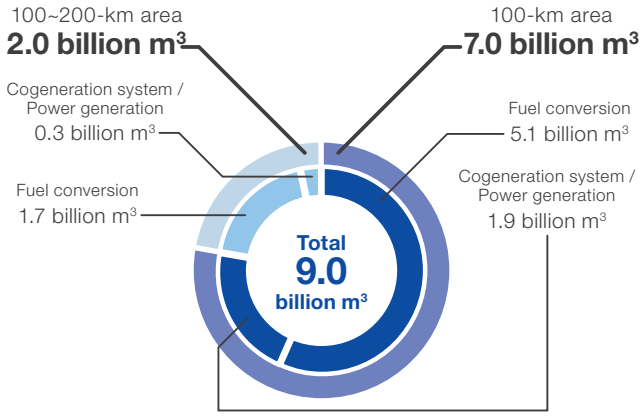
Our Potential

Energy demand concentration in the Kanto Region

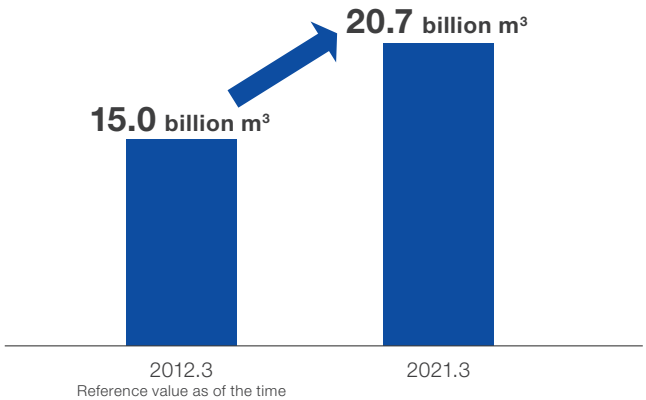
We are extending our pipelines across the Kanto region, our market area, to meet the huge potential demand for natural gas mainly from industrial districts where many plants using heavy oil are located.



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

Sustainability activities

Tokyo Gas Group
Sustainability Report 2019

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Supporting you Always and bettering every day.

TOKYO GAS

Tokyo Gas Co., Ltd. INTEGRATED REPORT 2019
1-5-20 Kaigan, Minato-ku, Tokyo 105-8527, Japan

www.tokyo-gas.co.jp/en/index.html

Stock Code 9531
IR Contact E-mail:tgir@tokyo-gas.co.jp

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