FINANCIAL SECTION

Contents

For purposes of presentation, from this annual report, all amounts less than one billion yen or one million yen have been rounded down, and hundredths of a percentage point have been rounded to the nearest whole number. Therefore, the figures presented in this report may differ from those presented in the annual reports in past years. In addition, all graphs and tables represent fiscal years ended March 31 of the respective years.

TWELVE-YEAR SUMMARY

Years ended March 31

	Millions of yen, except per share amounts				
	2009	2008	2007	2006	2005
For the Years					
Net sales	¥1,660,162	¥1,487,496	¥1,376,958	¥1,266,501	¥1,190,783
Gas sales	1,257,574	1,087,044	999,521	910,320	834,658
Gas appliance sales	122,363	132,236	135,407	130,825	135,108
Installation work	49,094	57,325	59,229	59,746	64,794
Real estate rental	35,637	35,169	34,034	34,187	34,701
Other business	363,783	320,361	285,407	252,595	234,720
Operating income	65,204	70,048	162,315	112,345	145,349
Net income	41,708	42,487	100,699	62,114	84,047
Depreciation*	141,083	142,421	133,142	136,376	140,271
Capital expenditures**	145,929	138,006	124,556	119,435	107,529
Free cash flow	36,862	46,902	109,285	79,057	116,789
Amounts per share of common stock (Yen)					
Net income	¥ 15.63	¥ 15.94	¥ 37.50	¥ 23.48	¥ 31.47
Diluted net income	15.37	15.50	35.69	21.70	28.24
Net assets	284.72	289.49	293.11	270.46	244.73
Cash dividends applicable to the year	8.00	8.00	8.00	7.00	7.00
At Year-End					
Total assets	¥1,764,185	¥1,703,651	¥1,692,635	¥1,693,898	¥1,668,734
Interest-bearing debt	593,230	558,716	525,467	559,911	624,105
Total net assets	784,616	780,455	806,045	—	—
Total shareholders' equity	—	—	—	728,231	648,766
Ratios					
Operating income to net sales	3.9%	4.7%	11.8%	8.9%	12.2%
Net income to net sales	2.5%	2.9%	7.3%	4.9%	7.1%
ROE	5.4%	5.4%	13.2%	9.0%	13.5%
ROA	2.4%	2.5%	5.9%	3.7%	5.0%
Equity ratio	43.8%	45.1%	47.0%	43.0%	38.9%

Notes: 1 Segment sales include intra-group transactions.
2 Free cash flow = net income + depreciation* – capital expenditures**
* including amortization of long-term prepayments
** purchases of tangible fixed assets + purchases of intangible fixed assets + long-term prepayments
3 Effective from the year ended March 31, 2007, the Company and its consolidated subsidiaries adopted the new accounting standard for presentation of net assets ("Accounting Standard for Presentation of Net Assets in the Balance Sheet and its Implementation Guidance" issued by the Business Accounting Deliberation Council on December 9, 2005.)

2004	2003	2002	2001	2000	1999	1998
¥1,151,824	¥1,127,633	¥1,097,589	¥1,086,770	¥ 992,255	¥ 997,766	¥1,009,154
831,114	792,453	750,438	740,731	672,069	674,996	686,648
133,873	142,635	149,203	146,516	127,916	133,925	127,880
68,033	70,568	71,337	71,907	68,651	68,817	71,060
35,443	36,346	37,551	37,601	37,841	37,616	38,978
172,160	158,326	156,011	159,577	158,819	155,044	154,601
152,287	123,294	110,607	103,659	69,233	72,302	76,484
44,787	59,201	51,911	27,595	26,698	17,764	17,240
146,895	141,027	145,564	150,374	140,306	143,009	—
107,441	111,988	105,296	111,397	124,975	151,126	—
84,241	88,240	92,178	66,572	42,029	9,647	—
¥ 16.44	¥ 21.18	¥ 18.47	¥ 9.82	¥ 9.50	¥ 6.32	¥ 6.14
14.98	19.11	16.66	9.13	8.84	5.94	5.76
221.53	208.65	200.75	196.72	172.33	149.98	148.67
7.00	6.00	6.00	6.00	5.00	5.00	5.00
¥1,666,828	¥1,676,064	¥1,702,712	¥1,797,669	¥1,805,086	¥1,707,446	¥1,720,683
682,744	731,301	775,894	870,347	957,085	911,901	911,000
—	—	—	—	—	—	—
598,453	579,706	564,077	552,790	484,239	421,443	417,755
13.2%	10.9%	10.1%	9.5%	7.0%	7.2%	7.6%
3.9%	5.3%	4.7%	2.5%	2.7%	1.8%	1.7%
7.6%	10.4%	9.3%	5.3%	5.9%	4.2%	4.1%
2.7%	3.5%	3.0%	1.5%	1.5%	1.0%	1.0%
35.9%	34.6%	33.1%	30.8%	26.8%	24.7%	24.3%

MANAGEMENT'S DISCUSSION AND ANALYSIS

Summary

Due to such factors as a decline in demand due to a warm winter and an economic slowdown, gas sales volume was down 1.9%, to 13,942 million m^3.

With higher unit prices under the gas rate adjustment system, gas sales increased, and net sales were up 11.6%, to ¥1,660.1 billion. On the other hand, operating expenses increased due to such factors as higher gas resource costs accompanying higher LNG prices and an increase in amortization of the actuarial differential on retirement benefits. Operating income was down 6.9% year on year, to ¥65.2 billion, and net income declined 1.8%, to ¥41.7 billion.

The Company's Operating Environment in the Year Under Review

In the fiscal year ended March 31, 2009, the following three factors had a major influence on the operations of Tokyo Gas (hereafter "the Company").

Economic Slowdown Resulting from the Global Recession that Began with the U.S. Financial Crisis

Through the first half of the fiscal year, conditions were favorable worldwide. Japan's manufacturing industry enjoyed good operating conditions, and in terms of industrial gas sales volume, existing customers increased their utilization and we made progress with new customer development. Overall, gas sales volume was on a growth track. However, the global financial crisis stemming from the subprime loan problem in the United States marked a turning point, and from September, the global economic recession became serious, resulting in a sharp downturn for the Japanese economy. Consequently, there was a major slowdown in Japanese industrial activity, centered on export industries, and our gas sales volume for industrial use began to decline from October.

Dramatic Fluctuations in the Prices of LNG Due to Changes in the Price of Crude Oil and Exchange Rates

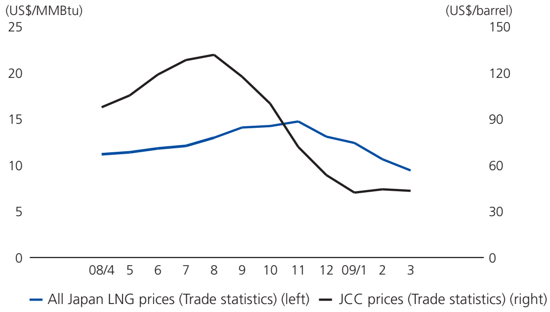
In the first half of the fiscal year, due to strong demand and an influx of speculative funds, the price of WTI crude oil posted a record high of $147.27 per barrel in July. Nevertheless, due to the global economic recession following the subprime shock, crude oil demand rapidly declined, and the price fell to $49.66 at the end of March, after reaching the $30 dollar level at one point during the year. LNG, which accounts for the majority of our resources, is linked to the Japan Customs-cleared Crude (JCC) price, so dramatic fluctuations in the crude oil price have a major effect on the Company's revenues and expenditures.

The yen–dollar exchange rate moved in the ¥100 range through October, and subsequently the yen appreciated from November, reaching the ¥90 level in January and February. The trend toward yen appreciation in the second half of the fiscal year reduced LNG import prices, and worked to lower gas resource costs.

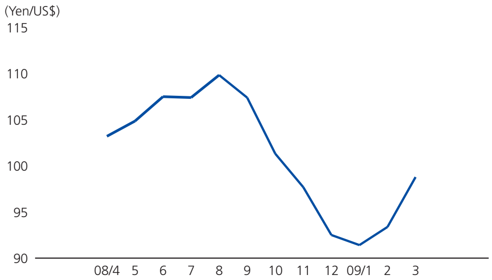
Influence of Temperature Changes on Gas Sales Volume

For residential heating and hot water demand and for commercial air conditioning demand, the volume of gas sales is significantly affected by temperature. In the first half of the fiscal year, the average temperature was 0.5°C lower than in the previous fiscal year, and the lower temperature resulted in increased demand for hot water in the residential sector but lower demand for air conditioning in the commercial sector. In the second half, the average temperature was 0.5°C higher than in the previous year, and the higher temperature resulted in decreased demand for heating and hot water in the residential sector and for air conditioning in the commercial sector.

Prices of Crude Oil and LNG



Yen–Dollar Exchange Rate



Sales Trends in the Core Gas Business

Down 1.9% year on year

Residential Sector

In the first half of the fiscal year, low temperatures resulted in increased demand for hot water. In the second half, however, when gas demand is seasonally higher, high temperatures resulted in decreased demand for hot water and heating. As a result, sales volume decreased by 61 million m^3, or 1.8%, to 3,468 million m^3.

Commercial and Other Sectors

Gas sales volume was down 115 million m³, or 3.7%, to 3,011 million m³. Temperatures were lower year on year in the first half of the fiscal year and higher in the second half. Consequently, air conditioning demand declined. In addition, the economic recession had a partial effect.

Industrial Sector

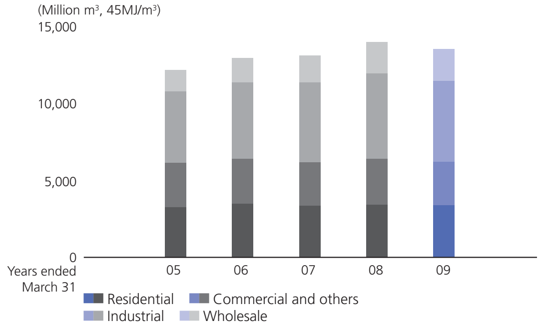
In the first half of the fiscal year, existing customers increased their utilization and we made progress with new customer development. As a result, sales volume recorded favorable growth. However, from October, under the influence of the economic recession stemming from the subprime loan problem, there was an increase in customers who reduced their plant utilization rates, with a focus on the steel, machinery, and chemical industries. Consequently, for power generation use, gas sales volume rose 227 million m³, or 10.9%, to 2,303 million m³. However, for general industrial use, gas sales volume was down 335 million m³, or 9.1%, to 3,320 million m³. Overall, gas sales volume in the industrial sector was down 109 million m³, or 1.9% year on year, to 5,623 million m³.

Wholesale Sector

Starting from the fiscal year ended March 31, 2009, two wholesale gas suppliers made a contribution to gas sales volume for the full fiscal year. (Supply to Noda Gas was started in August 2007, and to Tatebayashi Gas in November 2007.) As a result, on a consolidated basis, there were a total of 26 wholesale gas suppliers. In addition, new demand by wholesale gas suppliers was developed, and the utilization by existing customers was increased. As a result, gas sales increased by 12 million m³, or 0.7%, to 1,840 million m³.

Consequently, overall gas sales volume was down 273 million m³, or 1.9%, to 13,942 million m³.

Gas Sales Volume by Sector



Analysis of Income

Income continued to decline under the influence of higher gas resource costs, lower gas sales volumes, and an increase in amortization of the actuarial differential on retirement benefits.

Gas sales increased by 15.7% in the fiscal year ended March 31, 2009, due to higher unit prices under the gas rate adjustment system. Results from other segments included an increase in sales in the energy services business. Total net sales increased by ¥172.7 billion, or 11.6%, from the previous year, to ¥1,660.1 billion.

Operating income fell by ¥4.8 billion, or 6.9% year on year, to ¥65.2 billion. Reasons for the decline included increased gas resource costs resulting from higher gas sales volumes and a steep rise in the price of LNG as well as an increase in amortization of the actuarial differential on retirement benefits.

Gas Sales Segment

Higher sales and lower income resulting from increase in gas resource costs partially canceled out higher unit prices under the gas rate adjustment system

The gas sales volume in the fiscal year under review was down 1.9%. However unit prices were increased under the gas rate adjustment system, and gas sales were up ¥170.5 billion, or 15.7%, to ¥1,257.5 billion. Factors such as a steep rise in prices for LNG and higher gas sales volumes led to an increase in gas resource costs. As a result, operating expenses increased by ¥171.3 billion, or 17.6%, despite our efforts to reduce overhead expenses. Operating income decreased by ¥0.8 billion, or 0.7%, to ¥110.8 billion.

Gas Appliance Sales Segment

Sales and expenses down, lower sales and profits

Due to a decline in the number of new installations in our service area and to the reluctance of existing customers to purchase gas appliances, sales declined by ¥9.9 billion, or 7.5%, year on year, to ¥122.3 billion. Operating expenses were down ¥9.1 billion, or 7.1%, and operating income fell ¥0.8 billion, or 28.3%, to ¥2.0 billion.

Installation Work Segment

Decline in number of projects, lower sales and profits

The number of new construction projects declined due to sluggish conditions in construction and to a decrease in starts and building permits, and sales were down by ¥8.2 billion, or 14.4% year on year, to ¥49.0 billion. Operating expenses decreased by ¥6.3 billion, or 11.2%, to ¥50.1 billion, and operating income declined by ¥1.8 billion, or 232.7%, to –¥1.0 billion.

Real Estate Rental Segment

Decline in profit due to higher operating expenses

Sales increased by ¥0.4 billion, or 1.3%, to ¥35.6 billion. A particular factor here was the contribution made by increased lease income due in part to the GINZA gCUBE building, which was opened in September. Operating expenses rose ¥0.9 billion, or 3.6%, to ¥28.1 billion. As a result, operating income decreased ¥0.5 billion, or 6.5%, to ¥7.4 billion.

Other Business Segment

Energy service and shipping businesses expanding

Sales of other business segment increased by ¥43.4 billion, or 13.6%, to ¥363.7 billion, due to the expansion of the energy service business, to higher sales in the power generation business accompanying the operational start of the Kawasaki Natural Gas Power Generation Co., Ltd., and to a rise in shipping revenue as a result of an increase in the number of vessels. Operating expenses rose by ¥42.8 billion, or 13.9%, due to such factors as higher fuel prices in the power generation business. As a result, operating income was up ¥0.7 billion, or 5.6%, to ¥13.4 billion.

Non-Operating Income and Expenses, Extraordinary Income and Losses, and Net Income

Total non-operating income was down ¥3.2 billion, to ¥15.6 billion. Accompanying higher crude oil prices, overseas LNG development operations recorded increased profits, and as a result equity in earnings of affiliates increased. Nonetheless, other income declined due to the influence of the appreciation of the yen and to lower miscellaneous income. Total non-operating expenses were up ¥0.4 billion, to ¥22.5 billion.

In terms of extraordinary income, we recorded gain on adjustment for changes of "Accounting Standard for Lease Transactions," gain on transfer of benefit obligation relating to employees' pension fund, and gain on transfer of business, due in part to the dissolution of a joint venture in the industrial gas business. As a result, total extraordinary income was up ¥5.5 billion, to ¥10.7 billion.

Total extraordinary losses were down ¥1.2 billion, to ¥1.0 billion, due in part to a decline in loss on reduction of noncurrent assets.

As a result, net income was down ¥0.7 billion, or 1.8%, to ¥41.7 billion.

Business Results by Segment (¥ million)

Sales

Years ended March 31	2009	2008	2007
Gas Sales	1,257,574	1,087,044	999,521
Gas Appliance Sales	122,363	132,326	135,407
Installation Work	49,094	57,325	59,229
Real Estate Rental	35,637	35,169	34,034
Other Businesses	363,783	320,361	285,407
Total	1,828,452	1,632,228	1,513,599
Elimination or Corporate	(168,290)	(144,731)	(136,641)
Consolidation	1,660,162	1,487,496	1,376,958

Operating income

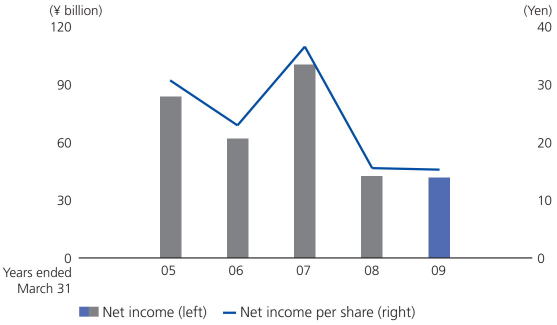
Years ended March 31	2009	2008	2007
Gas Sales	110,857	111,663	203,566
Gas Appliance Sales	2,086	2,909	1,169
Installation Work	(1,099)	828	1,750
Real Estate Rental	7,442	7,963	6,731
Other Businesses	13,482	12,768	13,847
Total	132,768	136,133	227,065
Elimination or Corporate	(67,563)	(66,084)	(64,750)
Consolidation	65,204	70,048	162,315

Note: Segment sales and operating income include intra-group transactions.

Contribution to Net Sales by Segment

Years ended March 31	2009	2008	Change
Gas Sales	68.8%	66.6%	+2.2 point
Gas Appliance Sales	6.7%	8.1%	-1.4 point
Installation Work	2.7%	3.5%	-0.8 point
Real Estate Rental	1.9%	2.2%	-0.3 point
Other Businesses	19.9%	19.6%	+0.3 point

Net Income and Net Income Per Share



Financial Position and Liquidity

Assets

Total assets increased by ¥60.5 billion, or 3.6% year on year, to ¥1,764.1 billion. Total property, plant and equipment declined ¥13.2 billion, to ¥1,110.8 billion. Due to an increase in other intangible assets, total intangible assets amounted to ¥26.0 billion. Investments and other assets decreased by ¥13.8 billion, to ¥215.1 billion. A major factor in this decline was a decrease of ¥22.2 billion in investment securities, to ¥109.1 billion, due to the sluggish stock market.

Total current assets were up ¥84.8 billion, to ¥412.1 billion. This was attributable to the following factors. In response to global financial uncertainty, cash and deposits were up ¥20.8 billion from a year earlier. Due to the influence of the economic slump from October, gas sales volume declined rapidly, and consequently, the LNG inventories that had been prepared for the winter season, when gas demand generally increases, did not decline in line with expectations. As a result, raw materials and supplies increased ¥22.1 billion. Moreover, other current assets rose ¥22.8 billion.

Liabilities

Total liabilities rose ¥56.3 billion, to ¥979.5 billion. Total noncurrent liabilities rose ¥16.5 billion, to ¥633.2 billion due to an increase in long-term loans payable caused by new funding needs, such as for overseas investment, offset by a decrease in bonds payable. Total current liabilities rose ¥39.7 billion, to ¥346.3 billion. Principal factors in this increase included a rise of ¥24.8 billion in current portion of noncurrent liabilities, due in part to the shift of the status of bonds from the category of noncurrent liabilities to that of current liabilities.

Net Assets

Total net assets rose ¥4.1 billion, to ¥784.6 billion. Treasury stock declined ¥40.4 billion, from ¥42.7 billion to ¥2.3 billion. As a result, total shareholders' equity was up ¥37.3 billion, to ¥772.5 billion. In valuation and translation adjustments, valuation difference on available-for-sale securities was down due to sluggish stock market conditions, and foreign currency translation adjustment was down due to a decline in assets of overseas consolidated subsidiaries and equity-method affiliates due to the appreciation of the yen. Consequently, total valuation and translation adjustments were down ¥34.0 billion, to –¥0.2 billion. Minority interests were up ¥0.8 billion, to ¥12.2 billion.

Changes in Treasury Stock

The policy for shareholder return highlighted in the medium-term management plan entailed the following: To achieve a "60% total payout ratio," in conjunction with dividends, we will acquire treasury stock, and the acquired stock will subsequently be canceled.

Treasury stock declined ¥40.4 billion, to ¥2.3 billion. Open market purchases of treasury stock of ¥9.9 billion (23.98 million shares) were offset by the cancellation of treasury stock totaling ¥11.6 billion (24.00 million shares). The fifth unsecured convertible bonds (conversion price: ¥339) were scheduled for redemption at the end of March 2009, and requests for conversion to shares of common stock reduced treasury stock by ¥38.9 billion (80.55 million shares).

Equity Ratio

Minority interests did not change significantly, and as a result, in the same way as net assets, total shareholders' equity* was up slightly, rising ¥3.2 billion, or 0.4%, to ¥772.3 billion. On the other hand, total assets increased 3.6%, and as a result, the equity ratio declined 1.3 percentage points, to 43.8%.

* Total shareholders' equity = Net assets – Minority interests

Interest-Bearing Debt

In the fiscal year ended March 31, 2009, interest-bearing debt increased by ¥34.5 billion, or 6.2%, to ¥593.2 billion, because of the increase in the demand for funds, particularly for new capital investments and for gas resource costs. As a result, the D/E ratio rose 0.04 point, to 0.77.

Credit Ratings

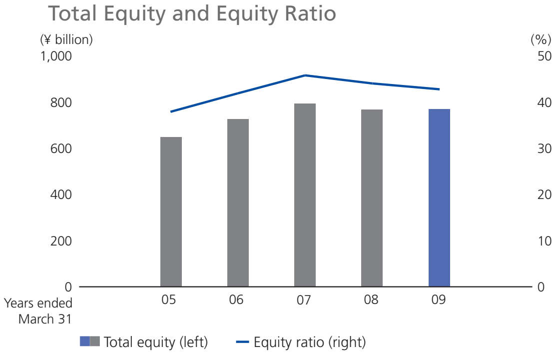
To secure financial flexibility in regard to liquidity on hand and capital policy, and to secure access to financial resources through the capital markets, the Company believes that it is necessary to maintain its credit rating at a certain level. In order to smoothly raise funds from capital markets, Tokyo Gas Co., Ltd. has acquired ratings from Standard & Poor's, Moody's, and Rating and Investment Information Inc. (R&I), a rating agency in Japan. As of July 2008, the ratings were as follows.

S&P	AA (stable)
Moody's	Aa1 (stable)
R&I	AA+ (stable)

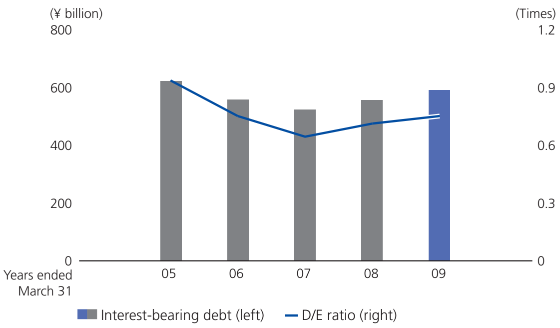
Capital Expenditures and Depreciation

Capital expenditures rose ¥7.9 billion, or 5.7%, to ¥145.9 billion. This increase was principally attributable to higher investment in new trunk lines for the purpose of stable supply and to an increase in pipeline investment for the purpose of demand development. Depreciation declined ¥1.3 billion, or 0.9%, to ¥141.0 billion. In the future, the Company will continue to make capital expenditures, in a systematic manner, for the purposes of supply stability and demand development.

Total Equity and Equity Ratio



Interest-Bearing Debt and D/E Ratio



Cash Flows

Cash Flows from Operating Activities

Cash flows from operating activities decreased by ¥22.6 billion from the previous year, to ¥159.5 billion. In addition to income before income taxes of ¥68.0 billion, decrease (increase) in prepaid pension costs amounted to ¥9.0 billion, an increase of ¥18.0 billion from the previous fiscal year. However, increase (decrease) in notes and accounts payable–trade was ¥6.0 billion, a decline of ¥29.8 billion from the previous fiscal year, and decrease (increase) in inventories was –¥21.1 billion, a decline of ¥18.5 billion from the previous fiscal year. These were the major factors contributing to the decline in cash flows.

Cash Flows from Investment Activities

Cash flows from investment activities in the fiscal year under review were –¥163.5 billion, compared with –¥155.3 billion in the previous year. Proceeds from sales and redemption of securities were down by ¥8.2 billion, to ¥1.3 billion. The total of purchase of property, plant and equipment and purchase of intangible assets was up by ¥4.9 billion from the previous year, to ¥140.7 billion. Major outflows in the fiscal year under review were related to gas pipeline construction. Purchase of investment securities was down by ¥4.0 billion from the previous year, to ¥15.0 billion.

Cash Flows from Financing Activities

Cash flows from financing activities in the fiscal year under review were ¥30.9 billion, compared with –¥25.1 billion in the previous year. Purchase of treasury stock declined ¥29.1 billion from the previous year, to ¥10.4 billion. In addition, proceeds from long-term loans payable were ¥81.1 billion, compared with ¥59.5 billion in the previous year.

As a result, the balance of cash and cash equivalents at the end of the fiscal year was up ¥20.3 billion from the end of the previous year, to ¥64.0 billion.

Operating Cash Flow

In both the previous and current medium-term management plans, Tokyo Gas, aiming to aggressively invest in the gas business, made operating cash flow a key management indicator. Operating cash flow is calculated by adding depreciation to net income.

Operating cash flow for the fiscal year ended March 31, 2009 amounted to ¥182.7 billion, a year-on-year decrease of ¥2.1 billion. The lower figure reflects a decrease of ¥0.7 billion in net income, and a decrease of ¥1.3 billion in depreciation.

Total Payout Ratio to be 63%

In both previous and current medium-term management plans, Tokyo Gas has included the concept of a "60% total payout ratio" as an indicator of its commitment to shareholder returns. We define this new indicator as the ratio of the sum of the income distributed as dividends funded by net income in FY n and share repurchasing in FY n+1 to the net income in FY n. We aim to maintain a total payout ratio of 60% while preserving a balance between dividends and stock repurchases.

In accordance with this "total payout ratio" concept, the Company plans dividends of ¥8.0 per share for the fiscal year ended March 31, 2009 and share repurchases of ¥5.0 billion (15 million shares) in the fiscal year ending March 31, 2010. As a result, the total payout ratio for the fiscal year ended March 31, 2009 is expected to be 63%.

In regard to dividends, our priority is to maintain stable dividends, as well as gradual increases over the long term, without reducing dividends based on income level.

In regard to share repurchases, our basic principle is to cancel the shares. In July 2008, we cancelled 24 million shares, more than the number of shares repurchased during the fiscal year ended March 31, 2009. Consequently, the number of shares issued declined by the same number, to 2,717,571,295 shares.

	Millions of yen		
Years ended March 31	**2009**	2008	2007
Net cash provided by operating activities	159,561	182,204	190,597
Net cash used in investing activities	(163,575)	(155,365)	(130,922)
Net cash provided by (used in) financing activities	30,932	(25,189)	(65,843)

Key Management Indicators

ROA and ROE about the same as those of the previous fiscal year

ROA

Net income decreased ¥0.7 billion, to ¥41.7 billion, and average total assets increased. As a result, ROA fell to 2.4% from 2.5% in the previous fiscal year.

ROE

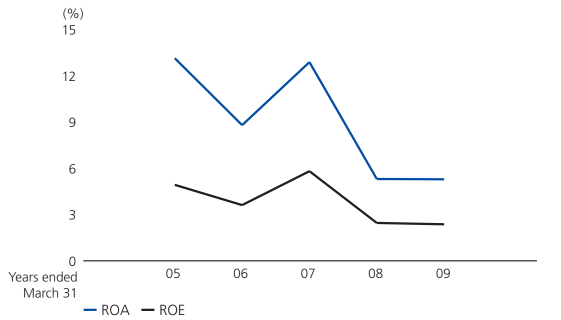
Average shareholders' equity declined, but net income decreased 1.8%, to ¥41.7 billion, and as a result, ROE was 5.4%, or the same as that of the previous fiscal year.

TEP

Our goal is to generate profit in excess of capital costs. This is reflected in our adoption of Tokyo Gas Economic Profit (TEP: Net ordinary income after tax prior to interest payments minus the cost of capital) as our main management indicator. TEP is also being used as a management indicator for group companies and as a benchmark for business restructuring and integration.

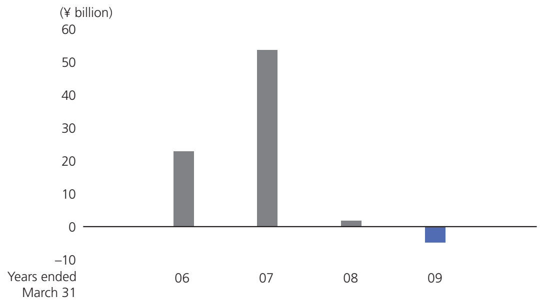
In the fiscal year ended March 2009, Net Ordinary Profit After Tax Prior to Interest Payments (NOPAT) declined ¥8.6 billion year-on-year, to ¥41.2 billion, due in part to an increase in amortization of the actuarial differential on retirement benefits and higher overhead expenses. On the other hand, the Weighted Average Cost of Capital (WACC) fell from 3.6% to 3.4%, with the result that the cost of capital declined by ¥2.1 billion, to ¥46.0 billion. As a result, TEP declined by ¥6.5 billion, to –¥4.8 billion.

ROA and ROE



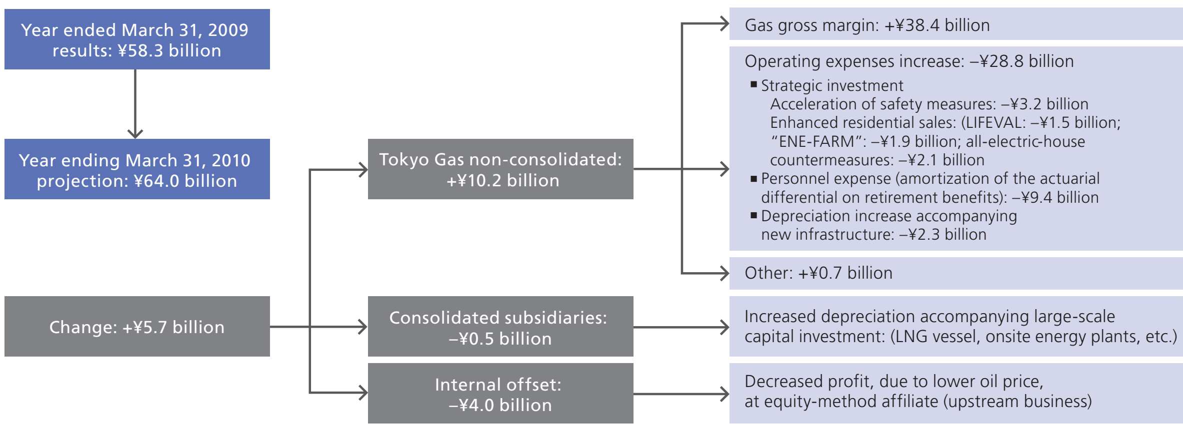
ROE = Net income/Equity (average of positions at start and end of fiscal year)

TEP



TEP = NOPAT – cost of capital (Invested capital x WACC)
NOPAT: Net ordinary income after tax prior to interest payments

Analysis of Ordinary Income in the Fiscal Year Ending March 31, 2010 (vs. the Fiscal Year Ended March 31, 2009)



Forecast (as of April 28, 2009)

Forecasting higher sales and profits in the year ending March 2010

In the fiscal year ending March 31, 2010, we expect consolidated sales to decline ¥279.1 billion, or 16.8%, to ¥1,381.0 billion; operating income to increase ¥7.8 billion, or 12.0%, to ¥73.0 billion; and net income to increase ¥0.3 billion, or 0.7%, to ¥42.0 billion.

In the fiscal year ended March 31, 2009, ordinary income amounted to ¥58.3 billion, but in the fiscal year ending March 31, 2010, we are forecasting a year-on-year increase of ¥5.7 billion, or 9.7%, to ¥64.0 billion. Principal factors include the non-consolidated ordinary income of Tokyo Gas (+¥10.2 billion), the ordinary income of consolidated subsidiaries (–¥0.5 billion), and internal offset (–¥4.0 billion).

On a non-consolidated basis, Tokyo Gas is expected to record an increase of ¥10.2 billion in ordinary income in comparison with the fiscal year ended March 31, 2009. Gas sales volume and sales revenues are both projected to decrease, but we expect the gross profits on gas to improve by ¥38.4 billion because declines in gas resource costs are expected to exceed declines in sales revenues. Among the principal factors, we project that the drop in gas sales volume will reduce profits by ¥12.4 billion, while improvement in under-recovery of gas resource costs due to the time lag under the gas rate adjustment system should increase profits by ¥37.0 billion. Due to investment to steadily implement the key policies under the new medium-term management plan and to increases in retirement benefits accounting actuarial differences and other salary expenses, fixed expenses are projected to increase ¥28.8 billion.

The ordinary income for consolidated subsidiaries is projected to basically remain at the previous year's level, with a slight decline of ¥0.5 billion due to increased depreciation stemming from large-scale capital investment.

For further information, please refer to the previous page.

External Risks Affecting Business Activities

Gas Resource Purchase Price Fluctuation Risk

City gas supplied by Tokyo Gas is produced mainly from imported LNG. Since contracts are denominated in U.S. dollars, earnings are at risk from fluctuations in the yen–dollar exchange rate. Also, the dollar-denominated LNG prices are linked to crude oil prices on a sliding scale, which exposes the Company to risk from changes in the international market price for crude oil.

The provisional calculation of the extent to which these fluctuations will affect gas resource costs in the year ending March 31, 2010 is as follows.

Approximately ¥3.7 billion with an exchange rate fluctuation of ¥1/dollar

Approximately ¥4.4 billion with a fluctuation in crude oil price of $1/barrel

Fluctuations in the cost of gas resources are passed on to gas rates after at most five months under the "gas rate adjustment" system. Accordingly, in a single fiscal year, there can be under-recovery or over-recovery. Under this system, although earnings may be subject to temporary increases and decreases in a given fiscal year, the effect on operating income in the year ending March 2010, after consideration of the time lag in the gas rate adjustment system, will be as follows.

Approximately ¥0.8 billion with an exchange rate fluctuation of ¥1/dollar

Approximately ¥1.1 billion with a fluctuation in crude oil price of $1/barrel

In fiscal year ended March 2009, the crude oil price averaged $90.51 per barrel, and the average exchange rate was ¥100.71 to one dollar. Forecasts for fiscal year ending March 2010 are based on an average crude oil price of $50 per barrel and an exchange rate of ¥100 to one dollar.

Temperature Fluctuation Risk

Temperatures affect the volume of city gas sales, which account for around 70% of consolidated sales. In the residential sector, gas is used mainly for water heating and space heating. Mild winter weather can erode revenues and income by reducing the volume of gas sold. On the other hand, in the commercial sector gas is mainly used for air conditioning systems, so if temperatures are high in the summer or low in the winter the gas sales volume increases.

The average temperatures in fiscal year ended March 2009 were 22.1°C in the first half of the year, 11.1°C in the second half, and 16.6°C over the whole year. Forecasts for fiscal year ending March 2010 are based on an average of 16.9°C over the whole year.

Impact of 1°C Temperature Rise on Overall Gas Sales Volume

	Rate of change
Summer (June–September)	–0.6%
Winter (December–March)	–2.5%
Intervening months (April, May, October, November)	–2.2%
Annual	–1.9%

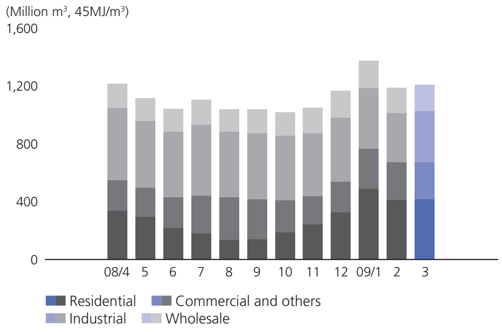
Interest Rate Fluctuation Risk

Tokyo Gas mostly procures both short-term and long-term interest-bearing debt at fixed interest rates so there is only a very small interest rate fluctuation risk during the term of an obligation. However, there may be fluctuation risk when loans are refinanced.

Stock Price Fluctuation Risk

The equities held by Tokyo Gas are primarily those of its good business partners, which are held with the objective of fostering mutual growth. Equities of publicly listed companies are subject to market risk. Tokyo Gas has established management policies and rules and regularly reviews the necessity of equity holdings and their asset valuations for handling of such equities.

Monthly Gas Sales Volumes for the Fiscal Year Ended March 31, 2009 (Non-Consolidated)



BUSINESS RISKS

Described below are items in the annual *Yuho* securities report concerning the Company's business and financial situation that could have a significant influence on investor decisions. Forward-looking statements are based on the judgments of the Group as of the end of the fiscal year (March 31, 2009).

1. Accidents and Disasters

(1) Resource procurement supply interruption risk

Because Tokyo Gas relies on imports for the majority of its natural gas and other city gas resources, supplier country risk, accidents at gas fields or LNG liquefaction plants, accidents to LNG vessels in transit, or other situations preventing the procurement of gas resources may disrupt the supply of natural gas.

(2) Natural disaster risk

Tokyo Gas engages in facility-dependent businesses because city gas production and supply facilities are the foundation of its business. Accordingly, earthquakes, typhoons, or other major natural disasters may cause damage to LNG terminals and other production facilities or pipelines and other supply facilities and disrupt the supply of city gas. Costs accompanying recovery efforts could affect revenues.

(3) Gas production / supply accidents or supply disruption

The business operations of Tokyo Gas are based on the production and supply of city gas. A major gas leak or explosion relating to the production or supply of gas, or a disruption of supply, could result not only in direct damages but also in tangible and intangible losses, including social liability.

(4) Ensuring the safety of gas and quality problems affecting gas equipment

Tokyo Gas has a responsibility to ensure the safe supply of gas. Tokyo Gas sells gas appliances and other equipment under the Tokyo Gas brand through consolidated subsidiaries and related companies, etc. Costs accompanying responses to accidents caused by supply, gas appliances, and other equipment could affect future earnings, and there could also be other direct and indirect losses.

(5) Damage to reputation resulting from gas accidents caused by other gas companies

Accidents involving gas supply by other gas companies could have a serious effect on the reputation of the city gas industry as a whole. This could result in tangible and intangible losses.

2. Market Fluctuation Risks

Tokyo Gas might incur losses in the event of changes in the market price of Company-owned real estate, stocks, pension assets, or other assets and fluctuation of interest rates.

3. Risks Accompanying Business Execution

(1) Risks faced by existing business

A. Changes to the gas resource procurement environment

If demand increases more than the amount procured through LNG projects based on long-term contracts, or trouble occurs at a shipping terminal or during transportation, or there are delays of LNG supply by new projects, etc., revenues may be affected by increases in gas resource costs due to our procurement of spot LNG.

B. Under-recovery or over-recovery of gas resource costs

Under the gas rate adjustment system, changes in the gas resource costs are in principle reflected in gas rates, but the fluctuation is reflected in the rates as much as five months later. If this occurs over the accounting year, revenues for a single fiscal year may be affected due to under-recovery or over-recovery of gas resource costs. In particular, if crude oil prices or the exchange rate fluctuate suddenly or to an extreme degree, the effect on revenues for a single fiscal year may be large.

C. Decline in gas sales volume due to weather fluctuations

Abnormal weather conditions, particularly summer heat waves and warm winters, reduce gas sales volume in the residential sector, where gas is mainly used to supply hot water and heating, thereby affecting revenues.

D. Demand risk

Decreased facility utilization due to economic recession, advancement of energy conservation activities, changes in industry structure, or other factors may result in a partial decrease in existing gas demand in the industrial and commercial sectors. Also, changes in lifestyles, the penetration of energy-saving appliances, or other factors may result in a partial decrease in existing demand in the residential sector.

E. Decline in demand due to intensified competition

Increasing competition with electric utilities and companies entering into the gas business, as well as possible loss of LNG competitiveness against other energy sources due to crude oil price fluctuation, may result in lower demand and may affect revenues.

F. Delay in the establishment and commencement of operations of the new regional energy company

For April 2008 to October 2009, the Tokyo Gas Group will gradually restructure and integrate its residential sector service operations to establish a new regional energy company, Tokyo Gas LIFEVAL, which will execute all these operations in an integrated manner. The new company will develop regional demand for gas, primarily among residential customers. We have made careful preparations to ensure that the Company has a smooth launch and does not have operational errors. However, this initiative constitutes a fundamental revision of our regional marketing structure, and if unforeseen changes to the situation were to occur, they could affect the smooth commencement of the business.

G. Technology development failure

If we are unable to develop or commercialize in a timely manner the new products and new technologies necessary for the performance of our business, we may lose competitiveness with other forms of energy and this may affect business performance.

H. Changes in laws, regulatory systems, or energy policies of the national governments or local governments

Tokyo Gas manages its operations in compliance with the Gas Utility Industry Law, the Japanese Corporate Law, the Financial Instruments and Exchange Act, and other laws, regulations and institutions, as well as the energy policies of the national government and local governments. Any revisions to these laws, regulations, institutions, or policies that prove detrimental to the Tokyo Gas Group may affect business performance.

(2) Delays in opening up new markets

As stated in the medium-term management plan, the Company is working to develop new markets by promoting the adoption of the "ENE-FARM" residential-use fuel cell and new energy systems incorporating solar light and heat. Subsequent changes in the Group's internal or external environment could lead to delays in the development of new markets, changes in business strategies, and failure to recover investment.

(3) ROI

Tokyo Gas continues to make large investments in keeping with the goal of "advancing and developing the total energy business strategy" as expressed in the medium-term management plan. Doing so involves investments in strengthening the foundation for stable supply, including the expansion of wide-area infrastructure, such as pipeline construction over a wide area, and LNG tank construction. It also involves investments channeled into the electric power business, energy service business, gas field and other development projects, the LNG transportation business, and investments in enhancing the foundation in existing businesses such as IT, as well as the utilization of Company-owned real estate. Such investments run the risk of not bringing in appropriate returns or not producing the expected results due to changes in the economic situation, which could affect revenues.

4. Risks Related to Information Management and System Operation

(1) Personal information leaks

Improper disclosure of customers' personal information gathered and managed in the conduct of business as a public utility may result not only in direct costs required to remedy the situation, but also in tangible and intangible loss, including damage to the trust of customers and others, with more serious consequences than for other companies.

(2) Risk of failure or malfunctioning of IT backbone systems

The failure or malfunctioning of IT backbone systems related to the manufacture and supply of gas, to customer contact operations, or to the calculation of gas rates may result not only in a disruption in gas supply and delays in customer service, but also in tangible and intangible loss, including damage to the Tokyo Gas Group's brand image.

(3) Interruption of communication with call centers

Most communication with customers takes place via call centers. Interruptions to telephone service to call centers would not only disrupt service to customers over wide areas, but may also incur serious tangible and intangible loss, including damage to the Tokyo Gas Group's brand image.

5. Risks Related to Corporate Social Responsibility

(1) Response to new environmental regulations, etc.

The need to comply with new environmental laws or additional obligations to improve the environment might have an effect on the business operation of the Tokyo Gas Group, and it could affect revenues.

(2) Compliance violations

Any violations of laws, rules, and regulations or inappropriate responses to information disclosure that contravene corporate ethics may result not only in direct costs required to remedy the situation, but also in tangible and intangible loss, including receiving social sanctions.

(3) Inadequate customer satisfaction or responses to customer needs

Inadequate customer satisfaction or inappropriate customer service may result in declining corporate competitiveness and in tangible and intangible loss, including damage to the Tokyo Gas Group's brand image.

CONSOLIDATED BALANCE SHEETS

March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2009**	2008	**2009**
Noncurrent assets			
Property, plant and equipment			
Production facilities	¥ 193,613	¥ 200,585	$ 1,975,642
Distribution facilities (Note 3)	490,809	486,845	5,008,255
Service and maintenance facilities (Note 3)	60,510	60,765	617,448
Other facilities (Note 3 and 12)	297,643	303,189	3,037,173
Inactive facilities	316	316	3,224
Construction in progress	67,957	72,419	693,438
Total property, plant and equipment	1,110,852	1,124,122	11,335,224
Intangible assets			
Goodwill	1,233	1,833	12,581
Other (Note 12)	24,816	21,385	253,224
Total intangible assets	26,049	23,219	265,806
Investments and other assets			
Investment securities (Note 3 and 4)	109,173	131,443	1,114,010
Long-term loans receivable (Note 3)	24,839	18,485	253,459
Deferred tax assets (Note 8)	46,212	31,635	471,551
Other	35,847	48,072	365,785
Allowance for doubtful accounts	(906)	(614)	(9,244)
Total investments and other assets	215,166	229,022	2,195,571
Total noncurrent assets	1,352,068	1,376,365	13,796,612
Current assets			
Cash and deposits (Note 3)	66,905	46,092	682,704
Notes and accounts receivable – trade	166,542	172,889	1,699,408
Lease receivables and lease investment assets	25,594	—	261,163
Merchandise and finished goods	3,807	3,742	38,846
Work in process	43	64	438
Raw materials and supplies	56,905	34,718	580,663
Deferred tax assets (Note 8)	13,461	13,704	137,357
Other (Note 3)	79,431	56,590	810,520
Allowance for doubtful accounts	(574)	(516)	(5,857)
Total current assets	412,117	327,286	4,205,275
Total assets	¥1,764,185	¥1,703,651	$18,001,887

Accompanying notes are an integral part of these financial statements.

LIABILITIES AND NET ASSETS	Millions of yen 2009	2008	Thousands of U.S. dollars (Note 1) 2009
Noncurrent liabilities			
Bonds payable (Note 5)	¥ 291,490	¥ 331,489	$ 2,974,387
Long-term loans payable (Note 3 and 5)	207,741	155,648	2,119,806
Deferred tax liabilities (Note 8)	3,654	3,066	37,285
Provision for retirement benefits (Note 7)	100,734	93,557	1,027,897
Provision for gas holder repairs	3,555	3,558	36,275
Provision for safety measures	1,450	2,957	14,795
Other	24,597	26,346	250,989
Total noncurrent liabilities	633,223	616,624	6,461,459
Current liabilities			
Current portion of noncurrent liabilities (Note 3 and 5)	88,169	63,359	899,683
Notes and accounts payable – trade	103,319	99,352	1,054,275
Short-term loans payable (Note 5)	5,910	8,378	60,306
Income taxes payable	34,894	25,150	356,061
Deferred tax liabilities (Note 8)	2	1	20
Other (Note 3)	114,048	110,327	1,163,755
Total current liabilities	346,345	306,570	3,534,132
Total liabilities	979,568	923,195	9,995,591
Net assets (Note 9)			
Shareholders' equity			
Capital stock*	141,844	141,844	1,447,387
Legal capital surplus	2,065	2,065	21,071
Retained earnings	631,045	634,116	6,439,234
Treasury stock**	(2,361)	(42,774)	(24,091)
Total shareholders' equity	772,594	735,251	7,883,612
Valuation and translation adjustments			
Valuation difference on available-for-sale securities	11,466	31,917	117,000
Deferred gains or losses on hedges	920	424	9,387
Foreign currency translation adjustment	(12,615)	1,479	(128,724)
Total valuation and translation adjustments	(228)	33,820	(2,326)
Minority interests	12,250	11,382	125,000
Total net assets	784,616	780,455	8,006,285
Total liabilities and net assets	¥1,764,185	¥1,703,651	$18,001,887

* Capital stock
Common stock
Authorized: 6,500,000,000 shares
Issued: 2,717,571,295 shares as of March 31, 2009 / 2,741,571,295 shares as of March 31, 2008

** Treasury stock: 4,884,659 shares as of March 31, 2009 / 84,937,500 shares as of March 31, 2008

CONSOLIDATED STATEMENTS OF INCOME

Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Net sales (Note 11)	¥1,660,162	¥1,487,496	$16,940,428
Cost of sales	1,139,791	974,110	11,630,520
Gross profit	520,371	513,386	5,309,908
Selling, general and administrative expenses			
Supply and sales expenses	381,177	370,795	3,889,561
General and administrative expenses	73,989	72,541	754,989
Total selling, general and administrative expenses	455,166	443,337	4,644,551
Operating income	65,204	70,048	665,346
Non-operating income			
Interest income	1,089	446	11,112
Dividends income	1,675	1,513	17,091
Equity in earnings of affiliates	5,529	3,775	56,418
Miscellaneous income	7,381	13,162	75,316
Total non-operating income	15,675	18,898	159,948
Non-operating expenses			
Interest expenses	10,869	10,460	110,908
Adjustments of charges for construction of distribution facilities	3,257	3,723	33,234
Miscellaneous expenses	8,415	7,930	85,867
Total non-operating expenses	22,542	22,114	230,020
Ordinary income	58,337	66,832	595,275
Extraordinary income			
Gain on sales of noncurrent assets	—	1,849	—
Gain on sales of investment securities	—	3,355	—
Gain on adjustment for changes of "Accounting Standard for Lease Transactions"	7,846	—	80,061
Gain on transfer of benefit obligation relating to employees' pension fund	1,570	—	16,020
Gain on transfer of business	1,359	—	13,867
Total extraordinary income	10,775	5,205	109,948
Extraordinary losses			
Impairment loss	—	567	—
Loss on reduction of noncurrent assets	—	710	—
Loss on valuation of investment securities	1,076	1,078	10,979
Total extraordinary losses	1,076	2,356	10,979
Income before income taxes	68,037	69,681	694,255
Income taxes – current	27,630	22,748	281,938
Income taxes – deferred	(2,366)	3,238	(24,142)
Total income taxes	25,264	25,986	257,795
Minority interests in income	1,064	1,207	10,857
Net income	¥ 41,708	¥ 42,487	$ 425,591

	Yen		U.S. dollars
	2009	2008	2009
Amounts per share of common stock			
Net income	¥15.63	¥15.94	$0.15
Diluted net income	15.37	15.50	0.15
Cash dividends applicable to the year	8.00	8.00	0.08

Accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Shareholders' equity			
Capital stock			
Balance at the end of previous period	¥141,844	¥141,844	$1,447,387
Changes of items during the period			
Total changes of items during the period	—	—	—
Balance at the end of period	141,844	141,844	1,447,387
Legal capital surplus			
Balance at the end of previous period	2,065	2,065	21,071
Changes of items during the period			
Total changes of items during the period	—	—	—
Balance at the end of period	2,065	2,065	21,071
Retained earnings			
Balance at the end of previous period	634,116	644,652	6,470,571
Changes at the beginning of current year due to application of PITF No.18	94	—	959
Changes of items during the period			
Dividends from surplus	(21,200)	(22,831)	(216,326)
Net income	41,708	42,487	425,591
Disposal of treasury stock	(11,710)	(2,098)	(119,489)
Retirement of treasury stock	(11,622)	(34,539)	(118,591)
Change of scope of consolidation	(340)	113	(3,469)
Change of scope of equity method	—	6,332	—
Total changes of items during the period	(3,165)	(10,536)	(32,295)
Balance at the end of period	631,045	634,116	6,439,234
Treasury stock			
Balance at the end of previous period	(42,774)	(44,564)	(436,469)
Changes of items during the period			
Purchase of treasury stock	(10,462)	(39,572)	(106,755)
Disposal of treasury stock	39,252	6,823	400,530
Retirement of treasury stock	11,622	34,539	118,591
Total changes of items during the period	40,413	1,790	412,377
Balance at the end of period	(2,361)	(42,774)	(24,091)
Total shareholders' equity			
Balance at the end of previous period	735,251	743,997	7,502,561
Changes at the beginning of current year due to application of PITF No.18	94	—	959
Changes of items during the period			
Dividends from surplus	(21,200)	(22,831)	(216,326)
Net income	41,708	42,487	425,591
Purchase of treasury stock	(10,462)	(39,572)	(106,755)
Disposal of treasury stock	27,542	4,725	281,040
Retirement of treasury stock	—	—	—
Change of scope of consolidation	(340)	113	(3,469)
Change of scope of equity method	—	6,332	—
Total changes of items during the period	37,247	(8,745)	380,071
Balance at the end of period	772,594	735,251	7,883,612
Valuation and translation adjustments			
Valuation difference on available-for-sale securities			
Balance at the end of previous period	31,917	49,706	325,683
Changes of items during the period			
Net changes of items other than shareholders' equity	(20,451)	(17,789)	(208,683)
Total changes of items during the period	(20,451)	(17,789)	(208,683)
Balance at the end of period	11,466	31,917	117,000
Deferred gains or losses on hedges			
Balance at the end of previous period	424	1,095	4,326
Changes of items during the period			
Net changes of items other than shareholders' equity	496	(671)	5,061
Total changes of items during the period	496	(671)	5,061
Balance at the end of period	920	424	9,387
Foreign currency translation adjustment			
Balance at the end of previous period	1,479	302	15,091
Changes of items during the period			
Net changes of items other than shareholders' equity	(14,094)	1,177	(143,816)
Total changes of items during the period	(14,094)	1,177	(143,816)
Balance at the end of period	(12,615)	1,479	(128,724)
Total valuation and translation adjustments			
Balance at the end of previous period	33,820	51,103	345,102
Changes of items during the period			
Net changes of items other than shareholders' equity	(34,048)	(17,283)	(347,428)
Total changes of items during the period	(34,048)	(17,283)	(347,428)
Balance at the end of period	(228)	33,820	(2,326)
Minority interests			
Balance at the end of previous period	11,382	10,944	116,142
Changes of items during the period			
Net changes of items other than shareholders' equity	867	438	8,846
Total changes of items during the period	867	438	8,846
Balance at the end of period	12,250	11,382	125,000
Total net assets			
Balance at the end of previous period	780,455	806,045	7,963,826
Changes at the beginning of current year due to application of PITF No.18	94	—	959
Changes of items during the period			
Dividends from surplus	(21,200)	(22,831)	(216,326)
Net income	41,708	42,487	425,591
Purchase of treasury stock	(10,462)	(39,572)	(106,755)
Disposal of treasury stock	27,542	4,725	281,040
Change of scope of consolidation	(340)	113	(3,469)
Change of scope of equity method	—	6,332	—
Net changes of items other than shareholders' equity	(33,180)	(16,845)	(338,571)
Total changes of items during the period	4,066	(25,590)	41,489
Balance at the end of period	¥784,616	¥780,455	$8,006,285

Accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Net cash provided by (used in) operating activities			
Income before income taxes	¥ 68,037	¥ 69,681	$ 694,255
Depreciation and amortization	136,899	138,132	1,396,928
Impairment loss	—	567	—
Amortization of goodwill	610	684	6,224
Amortization of long-term prepaid expenses	4,184	4,288	42,693
Loss on retirement of property, plant and equipment	3,561	1,568	36,336
Loss on reduction of noncurrent assets	—	710	—
Loss (gain) on valuation of investment securities	1,076	1,078	10,979
Increase (decrease) in provision for retirement benefits	7,177	621	73,234
Decrease (increase) in prepaid pension costs	9,027	(9,015)	92,112
Increase (decrease) in provision for safety measures	(1,507)	(2,469)	(15,377)
Interest and dividends income	(2,764)	(1,959)	(28,204)
Interest expenses	10,869	10,460	110,908
Equity in (earnings) losses of affiliates	(5,529)	(3,775)	(56,418)
Decrease (increase) in notes and accounts receivable – trade	2,585	(3,004)	26,377
Decrease (increase) in inventories	(21,111)	(2,542)	(215,418)
Increase (decrease) in notes and accounts payable – trade	6,005	35,883	61,275
Decrease (increase) in accounts receivable – other	(12,186)	(560)	(124,346)
Decrease (increase) in lease receivables and investment assets	(4,042)	—	(41,244)
Loss (gain) on transfer of business	(1,359)	—	(13,867)
Gain on adjustment for changes of "Accounting Standard for Lease Transactions"	(7,846)	—	(80,061)
Other, net	(7,623)	(8,237)	(77,785)
Subtotal	186,063	232,112	1,898,602
Interest and dividends income received	3,421	2,784	34,908
Interest expenses paid	(10,850)	(10,196)	(110,714)
Income taxes paid	(19,073)	(42,496)	(194,622)
Net cash provided by (used in) operating activities	159,561	182,204	1,628,173
Net cash provided by (used in) investment activities			
Payments into time deposits	(6,085)	(5,467)	(62,091)
Proceeds from withdrawal of time deposits	5,575	5,466	56,887
Purchase of investment securities	(15,091)	(19,111)	(153,989)
Proceeds from sales and redemption of securities	1,388	9,630	14,163
Purchase of property, plant and equipment	(133,629)	(128,972)	(1,363,561)
Purchase of intangible assets	(7,120)	(6,786)	(72,653)
Purchase of long-term prepaid expenses	(1,479)	(3,023)	(15,091)
Proceeds from sales of noncurrent assets	828	1,496	8,448
Payments of long-term loans receivable	(8,996)	(9,834)	(91,795)
Collection of long-term loans receivable	1,505	1,184	15,357
Net decrease (increase) in short-term loans receivable	(1,031)	—	(10,520)
Other, net	558	51	5,693
Net cash provided by (used in) investment activities	(163,575)	(155,365)	(1,669,132)
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	(2,468)	(3,235)	(25,183)
Increase (decrease) in commercial papers	—	(6,000)	—
Repayments of lease obligations	(5)	—	(51)
Proceeds from long-term loans payable	81,185	59,590	828,418
Repayment of long-term loans payable	(31,249)	(43,162)	(318,867)
Proceeds from issuance of bonds	20,000	29,989	204,081
Redemption of bonds	(4,888)	—	(49,877)
Proceeds from sales of treasury stock	235	302	2,397
Purchase of treasury stock	(10,462)	(39,572)	(106,755)
Cash dividends paid	(21,208)	(22,823)	(216,408)
Cash dividends paid to minority shareholders	(205)	(278)	(2,091)
Net cash provided by (used in) financing activities	30,932	(25,189)	315,632
Effect of exchange rate change on cash and cash equivalents	(6,570)	524	(67,040)
Net increase (decrease) in cash and cash equivalents	20,347	2,173	207,622
Cash and cash equivalents at beginning of year	43,706	40,231	445,979
Increase in cash and cash equivalents from newly consolidated subsidiary	1	1,301	10
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(45)	—	(459)
Cash and cash equivalents at end of year	¥ 64,009	¥ 43,706	$ 653,153

Accompanying notes are an integral part of these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Tokyo Gas Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2009 and 2008

1. Basis of Presenting Consolidated Financial Statements

Tokyo Gas Co., Ltd. (the "Company") and its consolidated subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law (formerly Securities and Exchange Law) and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards. The Company, as a regulated company, also follows the Gas Business Law related accounting regulations for preparing such financial statements.

Previously, the accompanying consolidated financial statements were produced by restructuring (reorganizing, changing notes) and translating into English the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. From the fiscal year ended March 31, 2009, however, the financial statements, including the financial statements for previous years but excluding notes to consolidated financial statements, are not being restructured. In addition, the accompanying consolidated financial statements do not necessarily include all of the information included in the Japanese version of the consolidated financial statements filed as per the Financial Instruments and Exchange Act.

Equivalent U.S. dollar amounts are included for the convenience of readers outside Japan, and are converted at a rate of ¥98 per U.S. dollar, the prevailing exchange rate on March 31, 2009. These conversions should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Significant Accounting Policies

(1) Consolidation — The consolidated financial statements include the accounts of the Company and all of its significant subsidiaries. For the years ended March 31, 2009 and 2008, 57 and 55 subsidiaries, respectively, were consolidated. All significant inter-company transactions and account balances are eliminated in consolidation.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are recorded based on their fair value at the time the Company acquired control of the respective subsidiary.

The following two companies were newly established and added to the scope of consolidation from the current fiscal year:

Tokyo Gas Lifeval Kazusa Co., Ltd.
TGI Financial Solutions Co., Ltd.

The following company was added to the scope of consolidation from the current fiscal year to reflect the increased significance of the subsidiary:

Nijio Co.,Ltd.

In addition, TK Customer Service Co., Ltd. was liquidated and removed from the scope of consolidation from the current fiscal year.

The Company's major unconsolidated subsidiaries include Ohgishima Power Co., Ltd.

Unconsolidated subsidiaries were not included in the scope of the consolidation because total assets, net sales and the amount of net income/loss equivalent to the portion of the Company's interests, or the amount of retained earnings, etc., equivalent to the portion of the Company's interests was small and lacking in qualitative significance, and therefore they do not have a significant impact on the consolidated financial statements.

(2) Equity method — Significant investments in unconsolidated subsidiaries and affiliates over which the Company has the ability to exercise significant influence with regard to operating and financial policies of the investees are accounted for by the equity method. Four affiliated companies were accounted for using the equity method for the two years ended March 31, 2009 and 2008.

The unconsolidated subsidiaries and affiliates not accounted for by the equity method were excluded from the scope of application of equity methods, due to the immaterial effect of the Company's total interest on their net income/loss and retained earnings to the consolidated financial statements and totally insignificance.

(3) Accounting period of consolidated subsidiaries — Although the Company's fiscal year ends on March 31, the following companies end their year on December 31:

TOKYO GAS AUSTRALIA PTY LTD
Tokyo Gas International Holdings B.V.
Tokyo Gas Bajio B.V.
Tokyo Gas Darwin LNG Pty Ltd
TOKYO GAS–MITSUI & CO. HOLDINGS SDN. BHD.
Tokyo Gas Pluto Pty Ltd

All significant adjustments considered necessary during the period from December 31 to the consolidated fiscal year-end have been made with consolidation.

(4) Property, plant and equipment — For property, plant and equipment, the acquisition cost is shown. However, in the case of acquisition expenses of the Company and its consolidated subsidiaries that have been subsidized by the national government, etc., the amount of such subsidiaries are offset against the acquisition cost of the corresponding asset (reduction entry).

Primarily, the declining-balance method of depreciation is applied, based on the estimated useful life of the asset. However, the straight-line method is applied for certain buildings (excluding ancillary equipment). Accumulated depreciation on property, plant and equipment is deducted directly from the balances of the corresponding assets.

In the accompanying consolidated financial statements, accumulated depreciation on property, plant and equipment amounted to ¥2,915,715 million (US$29,752,193 thousand) and

¥2,825,986 million for the years ended March 31, 2009 and 2008, respectively.

As a result of the revision of the Corporation Tax Law, as of the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries have changed the depreciation method for property, plant and equipment acquired on or after April 1, 2007, to the depreciation method prescribed by the revised Corporation Tax Law.

In addition, as of the fiscal year ended March 31, 2008, as to property, plant and equipment acquired on or before March 31, 2007, as of the fiscal year following that in which assets reach 5% of their acquisition cost pursuant to the depreciation method prescribed by the Corporation Tax Law prior to its revision, the difference between an amount equal to 5% of the acquisition cost and the memorandum value is depreciated uniformly over five years and included in depreciation expenses.

The effect of these accounting changes on segment information is shown in Note 11. Segment Information.

The total amount of impairment loss is directly deducted from the amount shown for the respective asset.

(5) Intangible fixed assets — the straight-line method is applied. For software used by the Company, the straight-line method is applied based on the period of useful life within the Company.

(6) Accounting for certain lease transactions — Finance leases that do not involve transfer of ownership were previously accounted for based on standards for ordinary rental transactions. From the current fiscal year, however, the Accounting Standard for Lease Transactions is applied, and the accounting method is as per ordinary sale and purchase transactions.

When the Company is the lessee, those finance lease transactions that do not transfer ownership and commenced on or before March 31, 2008, are accounted for based on standards for ordinary rental transactions.

The effects from the change on profit and loss when the Company is the lessee are negligible. When the Company is the lessor, the effects of the change on operating income and recurring income are negligible, but income before income taxes is increased by ¥7,715 million (US$78,724 thousand).

(7) Goodwill — Goodwill and negative goodwill are amortized on a straight-line basis within 20 years (mainly 10 years).

(8) Cash and cash equivalents — Cash and cash equivalents include cash on hand, readily-available deposits and short-term highly-liquid investments with maturities not exceeding three months at the time of purchase, which are readily convertible to known amounts of cash such that they present insignificant risk of change.

(9) Securities — The Company and its consolidated subsidiaries classify their securities under the following three categories, in accordance with the Japanese Accounting Standard for Financial Instruments.

(a) Debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities") are stated at amortized cost.
(b) Equity securities issued by unconsolidated subsidiaries and affiliated companies that are not accounted for using the equity method are stated at moving-average cost.
(c) Other securities with fair value, which are defined as securities other than held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliated companies, and securities held for trading purposes, are stated at fair value at the year-end, if their fair values are readily available. The difference between acquisition costs and book values of these securities are reported, net of applicable taxes, as a separate component of net assets. Other securities with no fair values are stated at moving-average cost.

If the fair value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliated companies, and other securities, declines significantly, and the decline is not considered recoverable, such securities are stated at fair value and the difference between fair value and the carrying amount is recognized as loss in the period of the decline.

(10) Derivative financial instruments — The Company and its consolidated subsidiaries use currency swap contracts, interest rate swap contracts, foreign exchange forward contracts, commodity swap contracts, and weather derivatives only for the purpose of mitigating the risk of fluctuations in foreign exchange rates, interest rates, market prices of raw materials and finished products, and affects of changes in temperature.

The Company and its consolidated subsidiaries do not use derivative financial instruments for speculative trading purposes. The derivative financial instruments are executed with creditworthy financial institutions, and the Company's and its consolidated subsidiaries' management believes there is little risk of default by counterparties. The derivative financial instruments are used based on internal policies and procedures for risk control.

Derivatives are stated at fair market value at the year-end. The Company and its consolidated subsidiaries use hedging accounting, provided that the conditions of the accounting were applicable to the rules. Regarding forward exchange contracts and foreign currency swap contracts that fulfilled certain conditions, the hedged foreign currencies receivable and payable are recorded using the Japanese yen amount of the contracted forward rate or swap rate. Regarding interest rate swap contracts that fulfilled certain conditions, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the liabilities for which the swap contract was executed.

(11) Inventories — Inventory values are based on the moving-average cost method. Balance sheet values are calculated using the book value reduction method based on declining profitability.

(12) Allowance for doubtful accounts — For normal receivables, an allowance for doubtful accounts is provided using the historical experienced default ratio. For specific receivables such as bankruptcy/rehabilitation claims, an allowance for doubtful accounts is provided for the estimated amounts considered to be uncollectible after reviewing individual collectability.

(13) Provision for retirement benefits — The Company and its consolidated subsidiaries provide an unfunded lump-sum payment plan and a funded pension plan as retirement benefit schemes. The Company and certain consolidated subsidiaries provide defined benefit plans and defined contribution plans. Retirement benefits under these plans are determined based on the level of wages and salaries, length of service, and certain other factors.

The Company and its consolidated subsidiaries determine benefit obligations and expenses for reserve for retirement benefits based on the amounts actuarially calculated using certain assumptions.

Provision for retirement benefits is provided based on the estimated amounts of projected benefit obligations and the fair value of the plan assets.

The estimated amount of all retirement benefits to be paid at the future retirement date is assumed as generating equally to each service year using the estimated number of total service years. Past service costs are mainly charged to income when incurred, and actuarial gains and losses are charged to income mainly in the fiscal year following the year in which they arise.

(14) Provision for gas holder repairs — The Company and certain consolidated subsidiaries provide for periodic repairs of gas holders by estimating future expenditures and charging them to income in equal annual amounts. The difference between the actual expenditure and the amount provided is charged to income in the year repairs are completed.

(15) Provision for safety measures — The Company provides for expenses necessary to secure safety for gas consumers by estimating the total amount of such expenses that are expected to be incurred after the year-end date.

(16) Translation of financial statements denominated in foreign currency — Receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rates, and foreign exchange gains or losses are charged to current income/expense. Assets and liabilities of the foreign subsidiaries are translated into Japanese yen at the exchange rates prevailing at the consolidated year-end date. Profit and loss accounts for the year are translated into Japanese yen at the exchange rates prevailing at the consolidated year-end date as well. Differences in yen amounts arising from the use of different rates are presented as "Foreign currency translation adjustment" and "Minority interests" in net assets.

(17) Income taxes — Income taxes comprise corporation tax, inhabitants' taxes and enterprise tax (excluding enterprise taxes based on "amount of added value" and "amount of capital"). The Company and its consolidated subsidiaries recognize tax effects of temporary differences between the financial statement basis and the tax basis of assets and liabilities. The Company and its consolidated subsidiaries do not recognize deferred tax assets that are not expected to reduce future income taxes.

(18) Enterprise tax — In the case of companies engaged in gas businesses, enterprise tax that is levied, not on taxable income but on net sales, is accounted for in "Selling, general and administrative expenses." Enterprise taxes based on "amount of added value" and "amount of capital" are also included in "Selling, general and administrative expenses."

In the accompanying consolidated statements of income, enterprise tax included in "Selling, general and administrative expenses" amounted to ¥17,447 million (US$178,030 thousand) and ¥15,226 million for the years ended March 31, 2009 and 2008, respectively.

(19) Research and development expenses — Research and development expenses are charged to income as incurred. In the accompanying consolidated statements of income, research and development expenses included in "Selling, general and administrative expenses" and "Cost of sales" amounted to ¥9,164 million (US$93,510 thousand) and ¥9,950 million for the years ended March 31, 2009 and 2008, respectively.

(20) Amounts per share of common stock — Basic net income per share is computed based on the net income available for distribution to common shareholders and the weighted-average number of common shares outstanding for the period. Diluted net income per share reflects the potential dilution that could occur if convertible bonds were converted into common stocks.

Convertible bonds had reached redemption by March 31, 2009, and there are no convertible bonds outstanding.

Cash dividends per share have been presented on an accrual basis and include dividends approved or to be approved after the balance sheet dates, but they are applicable to the year then ended.

(21) Reclassifications — Certain prior year amounts have been reclassified to conform to the fiscal year ended March 31, 2009 presentation. These changes had no impact on previously reported results of operations.

3. Pledged Assets

Pledged assets at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Distribution facilities	¥ 6,494	¥ 6,779	$ 66,265
Service and maintenance facilities	13	93	132
Other facilities	11,794	13,791	120,346
Investment securities	355	30	3,622
Long-term loans receivable	36	37	367
Cash and deposits	1,907	1,736	19,459
Other current assets	—	4	—
	¥20,603	¥22,474	$210,234

Liabilities secured by the above assets at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Long-term loans payable (including current portion of noncurrent liabilities)	¥9,584	¥11,325	$97,795
Other current liabilities	¥ 56	¥ 59	$ 571

4. Securities

Acquisition costs, book values and fair values of securities with available fair values at March 31, 2009 and 2008 were as follows:

(a) Held-to-maturity debt securities

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Securities with fair value exceeding book value:			
Book value	¥34	¥44	$346
Fair value	35	45	357
Difference	¥ 0	¥ 1	$ 0

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Securities with fair value not exceeding book value:			
Book value	¥10	¥199	$102
Fair value	9	199	91
Difference	¥ 0	¥ 0	$ 0

(b) Other securities with fair value

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Securities with fair values exceeding acquisition cost:			
Equity securities			
Acquisition cost	¥ 9,148	¥22,142	$ 93,346
Fair value	31,386	73,250	320,265
Difference	¥22,237	¥51,108	$226,908

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Securities with fair values not exceeding acquisition cost:			
Equity securities			
Acquisition cost	¥16,581	¥3,473	$169,193
Fair value	12,660	2,959	129,183
Difference	¥ (3,921)	¥ (513)	$ (40,010)

Other securities sold amounted to ¥40 million (US$408 thousand) and ¥3,714 million for the years ended March 31, 2009 and 2008, respectively. Gain on sales of other securities amounted to ¥33 million (US$336 thousand) and ¥3,355 million for the years ended March 31, 2009 and 2008, respectively.

Other securities with no available fair value, which were stated at moving-average cost, amounted to ¥24,742 million (US$252,469 thousand) and ¥20,964 million at March 31, 2009 and 2008, respectively. Investments in unconsolidated subsidiaries and affiliated companies amounted to ¥40,324 million (US$411,469 thousand) and ¥33,959 million for the years ended March 31, 2009 and 2008, respectively.

5. Short-Term Loans Payable, Bonds Payable and Long-Term Loans Payable

The average annual interest rates for short-term loans payable at March 31, 2009 and 2008 were 0.7% and 0.9%, respectively.

Bonds payable and long-term loans payable at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Domestic unsecured bonds			
Due in 2016 at a rate of 4.0%	¥ 27,700	¥ 27,700	$ 282,653
Due in 2018 at a rate of 2.625%	40,000	40,000	408,163
Due in 2009 at a rate of 1.68%	30,000	30,000	306,122
Due in 2009 at a rate of 1.73%	30,000	30,000	306,122
Due in 2010 at a rate of 2.01%	20,000	20,000	204,081
Due in 2011 at a rate of 1.39%	30,000	30,000	306,122
Due in 2012 at a rate of 1.35%	20,000	20,000	204,081
Due in 2023 at a rate of 1.01%	20,000	20,000	204,081
Due in 2013 at a rate of 1.41%	30,000	30,000	306,122
Due in 2014 at a rate of 1.59%	20,000	20,000	204,081
Due in 2024 at a rate of 2.29%	10,000	10,000	102,040
Due in 2025 at a rate of 2.14%	10,000	10,000	102,040
Due in 2015 at a rate of 4.1%	13,800	13,800	140,816
Due in 2009 at a rate of 1.18%	—	4,000	—
Due in 2027 at a rate of 2.29%	19,996	19,996	204,040
Due in 2015 at a rate of 1.4%	9,994	9,993	101,979
Due in 2015 at a rate of 1.658%	20,000	—	204,081
Domestic unsecured convertible bonds 5th issue due in 2009 at a rate of 1.2%	—	28,195	—
Loans from banks, insurance companies and government agencies due through 2020 at rates of 0.53% to 5.35%:			
Secured	9,584	11,325	97,795
Unsecured	226,244	175,328	2,308,612
	587,320	550,338	5,993,061
Less: amounts due within one year	88,087	63,200	898,846
	¥499,232	¥487,138	$5,094,204

The annual maturities of bonds payable and long-term loans payable at March 31, 2009 were as follows:

	Millions of yen	Thousands of U.S. dollars
2010	¥ 88,087	$ 898,846
2011	53,767	548,642
2012	48,353	493,397
2013	43,569	444,581
2014	36,681	374,295
2015 and thereafter	316,860	3,233,265
	¥587,320	$5,993,061

Note: The Company has a specific commitment line contract with the main correspondent financial institution of ¥30,000 million ($306,122 thousand) in total.

6. Derivative Transactions

Contract amounts, fair values and recognized gains on the commodity derivatives except those accounted for using hedge accounting and weather derivatives at March 31, 2009 and 2008 were as follows:

	Millions of yen			
	At March 31, 2009			
	Contract amounts			
	Total	Beyond one year	Fair value	Recognized gains (losses)
Commodity derivatives	¥8,876	¥8,876	¥(1,279)	¥(1,279)
Weather derivatives	600	—	—	—
	—	—	—	¥(1,279)

	Millions of yen			
	At March 31, 2008			
	Contract amounts			
	Total	Beyond one year	Fair value	Recognized gains (losses)
Commodity derivatives	¥ 764	¥—	¥815	¥815
Weather derivatives	1,100	—	—	—
	—	—	—	¥815

	Thousands of U.S. dollars			
	At March 31, 2009			
	Contract amounts			
	Total	Beyond one year	Fair value	Recognized gains (losses)
Commodity derivatives	$90,571	$90,571	$(13,051)	$(13,051)
Weather derivatives	6,122	—	—	—
	—	—	—	$(13,051)

Fair value of commodity derivatives contracts was calculated based on the information presented by financial institutions. Contract amounts of commodity derivatives are solely nominal values, and not indicative of the magnitude of market risk or credit risk concerning derivatives transactions. Contract amounts of weather derivatives were stated at the maximum receivable or payable amounts under the contracts. Fair values of weather derivatives were not stated because the calculation of the fair values was impossible.

7. Provision for Retirement Benefits

Provision for retirement benefits included in the liabilities section of the consolidated balance sheets as of March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Projected benefit obligation	¥352,690	¥ 363,728	$3,598,877
Unrecognized prior service costs	1,915	2,220	19,540
Unrecognized actuarial differences	(35,211)	(25,243)	(359,295)
Less: Fair value of pension assets	(218,660)	(256,174)	(2,231,224)
Prepaid pension costs	—	9,027	—
Provision for retirement benefits	¥100,734	¥ 93,557	$1,027,897

Net periodic retirement benefit expenses for the years ended March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Service costs – benefits earned during the year	¥ 9,402	¥ 9,847	$95,938
Interest cost on projected benefit obligation	6,359	6,500	64,887
Expected return on plan assets	(5,028)	(5,168)	(51,306)
Amortization of actuarial differences	20,735	13,393	211,581
Amortization of prior service costs	(192)	(165)	(1,959)
Other	4,608	4,828	47,020
Net periodic retirement benefit expenses	35,885	29,235	366,173
Gain on transfer of benefit obligation relating to employees' pension fund	(1,570)	—	(16,020)
Net	¥34,315	¥29,235	$350,153

The discount rate and the rate of expected return on plan assets used by the Company and its consolidated subsidiaries are mainly 1.8% and 2.0% for the years ended March 31, 2009 and 2008, respectively.

Certain domestic consolidated subsidiaries obtained approval from the Minister of Health, Labour and Welfare on April 1, 2008 for the return of the past services portion of the substitutional portion of the welfare pension fund.

8. Income Taxes

The Company is subject to multiple taxes based on taxable income, which, in the aggregate, indicate a statutory rate in the Company of approximately 36.2% for the years ended March 31, 2009 and 2008.

Reconciliation of the difference between the statutory tax rate and the effective tax rate for financial statement purposes for the years ended March 31, 2009 and 2008 are not presented as they are negligible.

Significant components of deferred tax assets and liabilities as of March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Deferred tax assets:			
Provision for retirement benefits	¥36,847	¥34,277	$375,989
Other	44,724	42,581	456,367
Less: Valuation allowance	(8,471)	(7,094)	(86,438)
Subtotal	73,101	69,764	745,928
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	6,793	18,641	69,316
Other	10,289	8,851	104,989
Subtotal	17,083	27,492	174,316
Deferred tax assets – net	¥56,017	¥42,272	$571,602

9. Net Assets

(a) Distribution to the shareholders

Under the Japanese Corporate Law ("the Law"), dividends can be paid at any time during the fiscal year in addition to the year-end dividend upon resolution at a shareholders' meeting. Interim dividends may also be paid upon a resolution of the Directors' meeting provided that the articles of incorporation of the company so stipulate, and that the company meets certain criteria.

The Law provides certain limitations on the amounts available for dividends and/or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, and it is calculated mainly based on other capital surplus, other retained earnings and treasury stock, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

At the general meeting of shareholders held on June 26, 2009, the Company's shareholders approved payment of year-end cash dividends of ¥4.0 (US$0.04) per share aggregating ¥10,850 million (US$110,714 thousand) to the shareholders of record as of March 31, 2009.

Such appropriations have not been accrued in the consolidated financial statements for the year ended March 31, 2009. Such appropriations are recognized in the period in which they are approved by the shareholders.

(b) Increases/decreases and transfer of capital stock, reserve, and surplus

Under the Law, the entire amount paid for new shares is required to be designated as capital stock. However, a company may, through a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as legal capital surplus, which is included in capital surplus.

Under the Law, in cases in which a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of capital stock over the total of legal capital surplus and legal retained earnings must be set aside as legal capital surplus or legal retained earnings. Legal retained earnings are included in retained earnings in the accompanying consolidated balance sheets.

Under the Law, legal retained earnings and legal capital surplus could be used to eliminate or reduce a deficit, or could be capitalized generally by a resolution of the shareholders' meeting.

Legal capital surplus and legal retained earnings may not be distributed as dividends. Under the Law, however, all legal capital surplus and all legal retained earnings may be transferred to other capital surplus and other retained earnings, respectively, which are potentially available for dividends.

(c) Treasury stock

The Law provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Directors' meetings. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula.

10. Additional Information for Cash Flows

Reconciliation of cash and deposits shown in the consolidated balance sheets and cash and cash equivalents shown in the consolidated statements of cash flows as of March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Cash and deposits	¥66,905	¥46,092	$682,704
Less: Time deposits with maturities over three months, etc.	(2,896)	(2,385)	(29,551)
Cash and cash equivalents	¥64,009	¥43,706	$653,153

Significant non-cash transactions for the years ended March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Decrease in treasury stock due to the conversion of convertible bonds	¥ 38,978	¥ 6,542	$ 397,734
Losses on disposal of treasury stock due to the conversion of convertible bonds	(11,671)	(2,119)	(119,091)
Decrease in convertible bonds	¥ 27,306	¥ 4,422	$ 278,632

11. Segment Information

The Company's and its consolidated subsidiaries' primary business activities include (1) gas sales, (2) gas appliance sales, (3) installation work, (4) real estate rental, and (5) other business.

A summary of net sales, operating expenses, operating income, assets, depreciation, impairment losses, and capital expenditures by business segments for the years ended March 31, 2009 and 2008 is as follows:

	Millions of yen						
For 2009	Gas sales	Gas appliance sales	Installation work	Real estate rental	Other business	Elimination or corporate	Consolidated
Net sales:							
Outside customers	¥1,220,023	¥117,256	¥45,834	¥ 13,132	¥263,915	¥ —	¥1,660,162
Intra group	37,551	5,106	3,259	22,505	99,867	(168,290)	—
Total	1,257,574	122,363	49,094	35,637	363,783	(168,290)	1,660,162
Operating expenses	1,146,717	120,276	50,194	28,194	350,301	(100,726)	1,594,957
Operating income (loss)	¥ 110,857	¥ 2,086	¥ (1,099)	¥ 7,442	¥ 13,482	¥ (67,563)	¥ 65,204
Assets	¥1,037,149	¥ 40,097	¥17,548	¥175,539	¥267,562	¥ 226,286	¥1,764,185
Depreciation	109,247	733	101	9,637	19,347	(2,168)	136,899
Impairment losses	—	—	—	—	—	—	—
Capital expenditures	110,653	917	54	5,769	29,562	(2,507)	144,450

	Millions of yen						
For 2008	Gas sales	Gas appliance sales	Installation work	Real estate rental	Other business	Elimination or corporate	Consolidated
Net sales:							
Outside customers	¥1,056,100	¥129,201	¥ 53,569	¥ 12,360	¥236,263	¥ —	¥1,487,496
Intra group	30,943	3,125	3,755	22,808	84,097	(144,731)	—
Total	1,087,044	132,326	57,325	35,169	320,361	(144,731)	1,487,496
Operating expenses	975,381	129,417	56,497	27,206	307,592	(78,646)	1,417,448
Operating income (loss)	¥ 111,663	¥ 2,909	¥ 828	¥ 7,963	¥ 12,768	¥ (66,084)	¥ 70,048
Assets	¥ 993,802	¥ 43,551	¥ 18,891	¥179,857	¥256,631	¥210,917	¥1,703,651
Depreciation	107,312	605	122	9,907	22,244	(2,060)	138,132
Impairment losses	—	—	—	—	567	—	567
Capital expenditures	94,404	648	35	4,300	37,701	(2,108)	134,983

	Thousands of U.S. dollars						
For 2009	Gas sales	Gas appliance sales	Installation work	Real estate rental	Other business	Elimination or corporate	Consolidated
Net sales:							
Outside customers	$12,449,214	$1,196,489	$467,693	$ 134,000	$2,693,010	$ —	$16,940,428
Intra group	383,173	52,102	33,255	229,642	1,019,051	(1,717,244)	—
Total	12,832,387	1,248,602	500,959	363,642	3,712,071	(1,717,244)	16,940,428
Operating expenses	11,701,193	1,277,306	512,183	287,693	3,574,500	(1,027,816)	16,275,071
Operating income (loss)	$ 1,131,193	$21,285	$ (11,214)	$ 75,938	$ 137,571	$ (689,418)	$ 665,346
Assets	$10,583,153	$409,153	$179,061	$1,791,214	$2,730,224	$ 2,309,040	$18,001,887
Depreciation	1,114,765	7,479	1,030	98,336	197,418	(22,122)	1,396,928
Impairment losses	—	—	—	—	—	—	—
Capital expenditures	1,129,112	9,357	551	58,867	301,653	(25,581)	1,473,979

Operating expenses under Elimination or Corporate that cannot be allocated to business segments are related mainly to general administrative expenses of the Company, amounting to ¥68,664 million (US$700,653 thousand) and ¥67,096 million for the years ended March 31, 2009 and 2008, respectively.

Assets under Elimination or Corporate mainly comprise cash and deposits, investment securities, and deferred tax assets of the Company and its consolidated subsidiaries, and they amounted to ¥259,494 million (US$2,647,897 thousand) and ¥243,678 million at March 31, 2009 and 2008, respectively.

As described in Note 2. Significant accounting policies (4) Property, plant and equipment, as a result of the revision of the Corporation Tax Law, from the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries have changed the depreciation method for property, plant and equipment acquired on or after April 1, 2007, to the depreciation method prescribed by the revised Corporation Tax Law.

In addition, from the year ended March 31, 2008, as to property, plant and equipment acquired on or before March 31, 2007, as of the fiscal year following that in which assets reach 5% of their acquisition cost pursuant to the depreciation method prescribed by the Corporate Tax Law prior to its revision, the difference between an amount equal to 5% of the acquisition cost and the memorandum value is depreciated uniformly over five years and included in depreciation expenses.

Geographic segment information is not shown since more than 90% of both consolidated net sales and total assets are generated in Japan. Information on overseas sales is not disclosed due to overseas sales being immaterial compared to consolidated net sales.

12. Information for Certain Leases

Finance leases

Information as lessee

The Company and its consolidated subsidiaries use certain other facilities and other intangible assets under lease contracts. Finance lease transactions beginning on or before March 31, 2008 that do not transfer ownership are accounted for based on standards for ordinary rental transactions.

Lease payments and amounts equivalent to depreciation for the finance lease transactions shown above that do not transfer ownership for the years ended March 31, 2009 and 2008, and future lease payments including interest as of March 31, 2009 and 2008, are shown below.

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Lease payments	¥ 550	¥ 547	$ 5,612
Depreciation expenses	550	547	5,612
Future lease payments inclusive of interest:			
Current	472	555	4,816
Noncurrent	2,670	3,146	27,244
	¥3,142	¥3,702	$32,061

Acquisition cost, accumulated depreciation and net book value for property held under finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis as of March 31, 2009 and 2008 were as follows:

	Millions of yen		
For 2009	Acquisition cost	Accumulated depreciation	Net book value
Other facilities	¥4,415	¥1,341	¥3,074
Other intangible assets	178	110	68
	¥4,593	¥1,451	¥3,142
For 2008			
Other facilities	¥5,311	¥1,715	¥3,596
Other intangible assets	200	94	105
	¥5,512	¥1,810	¥3,702

	Thousands of U.S. dollars		
For 2009	Acquisition cost	Accumulated depreciation	Net book value
Other facilities	$45,051	$13,683	$31,367
Other intangible assets	1,816	1,122	693
	$46,867	$14,806	$32,061

Information as lessor

In the fiscal year ended March 31, 2008, finance lease transactions that do not transfer ownership were accounted for based on standards for ordinary rental transactions. Lease income, depreciation expenses and the amount corresponding to interest income in the year ended March 31, 2008, and the future lease payments to be received at March 31, 2008, were as follows.

For 2008	Millions of yen
Lease income	¥ 4,719
Depreciation expenses	1,636
Interest income	1,407
Future lease payments to be received:	
Current	¥ 5,517
Noncurrent	19,880
	¥25,397

Acquisition cost, accumulated depreciation and net book value for property held under finance leases which do not transfer ownership of the leased property to the lessee for the year ended March 31, 2008 were as follows:

	Millions of yen		
For 2008	Acquisition cost	Accumulated depreciation	Net book value
Other facilities	¥26,241	¥14,375	$11,866
Other intangible assets	1,090	754	335
	¥27,332	¥15,130	$12,202

The breakdown of lease investment assets as of March 31, 2009, is as follows:

For 2009	Millions of yen	Thousands of U.S. dollars
Claims for lease fees	¥22,198	$226,510
Estimated residual value	64	653
Equivalent interest received	(3,724)	(38,000)
Lease investment assets	¥18,539	$189,173

Scheduled recovery amounts of claims for lease fees related to lease receivables and investment assets as of March 31, 2009, are as follows:

	Millions of yen		Thousands of U.S. dollars	
For 2009	Lease obligations	Lease investment assets	Lease receivables	Lease investment assets
Within 1 year	¥1,050	¥4,954	$10,714	$50,551
More than 1 year but within 2 years	1,044	4,305	10,653	43,928
More than 2 years but within 3 years	1,038	3,605	10,591	36,785
More than 3 years but within 4 years	1,000	2,922	10,204	29,816
More than 4 years but within 5 years	883	2,242	9,010	22,877
More than 5 years	¥2,988	¥4,167	$30,489	$42,520

Operating leases

Information as lessee

Future lease payments at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Future lease payments:			
Current	¥110	¥ 32	$1,122
Non-current	331	125	3,377
	¥441	¥158	$4,500

Information as lessor

Future lease payments to be received at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Future lease payments:			
Current	¥ 1,952	¥326	$ 19,918
Non-current	11,087	457	113,132
	¥13,040	¥783	$133,061

13. Commitment and Contingent Liabilities

At March 31, 2009, the Company and its consolidated subsidiaries were contingently liable for (1) debt guarantees in the amount of ¥6,050 million (US$61,734 thousand) for financial institution loans to companies other than consolidated subsidiaries and (2) ¥38,700 million (US$394,897 thousand) as guarantors for domestic unsecured bonds issued by the Company, and assigned to certain banks under debt assumption agreements made in the years ended March 31, 2002, 2003, and 2004.

At March 31, 2009, the Company held several long-term purchase contracts for the supply of LNG. The purchase price determinable under such contracts is contingent upon fluctuations in the market price of crude oil.

Adjustment of the cost for raw materials is subject to movements on trading contract renewals or price negotiations thereof with gas resource suppliers.

14. Subsequent Events

Resolution on acquisition of treasury stock

The Directors' meeting held on April 28, 2009 resolved to acquire treasury stock.

Number of shares: Limited to 15,000 thousand shares

Cost of shares acquisitions: Limited to ¥5,000 million (US$51,020 thousand)

Period of acquisitions: From April 30, 2009 to October 30, 2009

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Tokyo Gas Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Tokyo Gas Co., Ltd. (the "Company") and consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of income, changes in net assets and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tokyo Gas Co., Ltd. and subsidiaries as of March 31, 2009 and 2008, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following:

(1) As discussed in Note 2(4) to the consolidated financial statements, as a result of the revision of the Corporation Tax Law, effective April 1, 2007, Tokyo Gas Co., Ltd. has changed the depreciation method for property, plant and equipment acquired on or after April 1, 2007, to the depreciation method prescribed by the revised Corporation Tax Law.

(2) As discussed in Note 2(4) to the consolidated financial statements, as a result of the revision of the Corporation Tax Law, effective April 1, 2007, as to assets acquired on or before March 31, 2007, as of the fiscal year following that in which assets reach 5% of their acquisition cost pursuant to the depreciation method prescribed by the Corporation Tax Law prior to its revision, Tokyo Gas Co., Ltd. writes off the difference between an amount equal to 5% of the acquisition cost and the memorandum value uniformly over five years and records as depreciation expenses.

(3) As discussed in Note 2(6) to the Consolidated Financial Statements, effective April 1, 2008, Tokyo Gas Co., Ltd. has been applying the "Accounting Standard for Lease Transactions".

(4) As described in Note 14 to the consolidated financial statements, Tokyo Gas Co., Ltd. decided to acquire the treasury stock on April 28, 2009.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 26, 2009