



# FY2005 Financial Results Presentation Meeting

April. 27, 2006  
Mitsunori Torihara, President  
**Tokyo Gas Co., Ltd.**

Statements made in this presentation with respect to Tokyo Gas's present plans, projections, strategies and beliefs, and other statements herein that are not expressions of historical fact are forward-looking statements about the future performance of the company. As such, they are based on management's assumptions and opinions stemming from currently available information, and therefore involve risks and uncertainties. The company's actual performance may greatly differ from these projections due to these risks and uncertainties which include, without limitation, general economic conditions in Japan, changes in the foreign exchange rate of the yen, crude oil prices, and the weather.

# Summary of FY2005 Financial Results

Since Feb. 21, 2006, we at Tokyo Gas Co., Ltd. lowered standard value of the gas we supply to customers in the "Tokyo district, etc." category from 46.04655MJ/m<sup>3</sup> to 45MJ/m<sup>3</sup>. So Gas Sales Volume, both results and prospects, is shown by 45MJ/m<sup>3</sup> in this paper.

# Main features of FY2005 Business Results

## ◆Key Points of FY2005

### [vs. FY04: Increase in Revenue & Decrease in Income]

- Increase in gas sales volume in all sectors
- Increase in gas unit price due to sliding system
- Decrease In revenue because of rate reduction since Jan. 2005 (April-December)
- Increase in raw material cost due to high rise in crude oil price

### [vs. Original projection:

### Increase in Revenue and Decrease in Income]

- Increase in gas sales volume mainly in industrial sector.
- Increase in raw material cost due to high rise in oil price
- Cost cut

### ■Reasons for change of FY2005 ordinary income (non-consolidated) from original projection

Decrease in revenue		
by sliding system		-38.9 billion yen
Increase in revenue		
of gas sales volume		+19.3 billion yen
Increase in profit of gas appliances		
sales and related construction		+1.6 billion yen
Decrease in fixed costs		-10.9 billion yen
Decrease in non-operating profit		-3.9 billion yen
<hr/>		
Ordinary income		-11.0 billion yen
		(96.0 billion yen → 85.0 billion yen)

(billion yen)

	FY2004	Original Projection (Apr. 28, 2005)	FY2005 actual	Change from Previous Year	Change from Original Projection
Sales	1,190.7	1,204.0	1,266.5	+75.8(+6.4%)	+62.5(+5.2%)
Operating income	145.3	114.0	112.3	-33.0(-22.7%)	-1.7(-1.5%)
Ordinary income	132.8	104.0	98.6	-34.2(-25.7%)	-5.4(-5.2%)
Net income	84.0	68.0	62.1	-21.9(26.1%)	-5.9(-8.7%)
Crude oil price(\$/bbl)	38.77	38.00	55.79	+17.02	+17.79
Exchange rate(¥/US\$)	107.55	105.00	113.32	+5.77	+8.32
Temperature(°C)	17.1	17.0	16.2	-0.9	-0.8

# Gas Sales Volume

## (Consolidated)

**7.1% increase from the previous year  
(+ 868 million m<sup>3</sup>)**

### <Reasons for Changes in Gas Sales Volumes from FY2004 to FY2005 >

#### **Wholesale Supply: + 18.6%** (+223 mil. m<sup>3</sup>)

- Increase in sales to other gas utilities by acquiring new demands for those utilities

#### **Commercial & Other Use: +3.9%** (+116mil. m<sup>3</sup>)

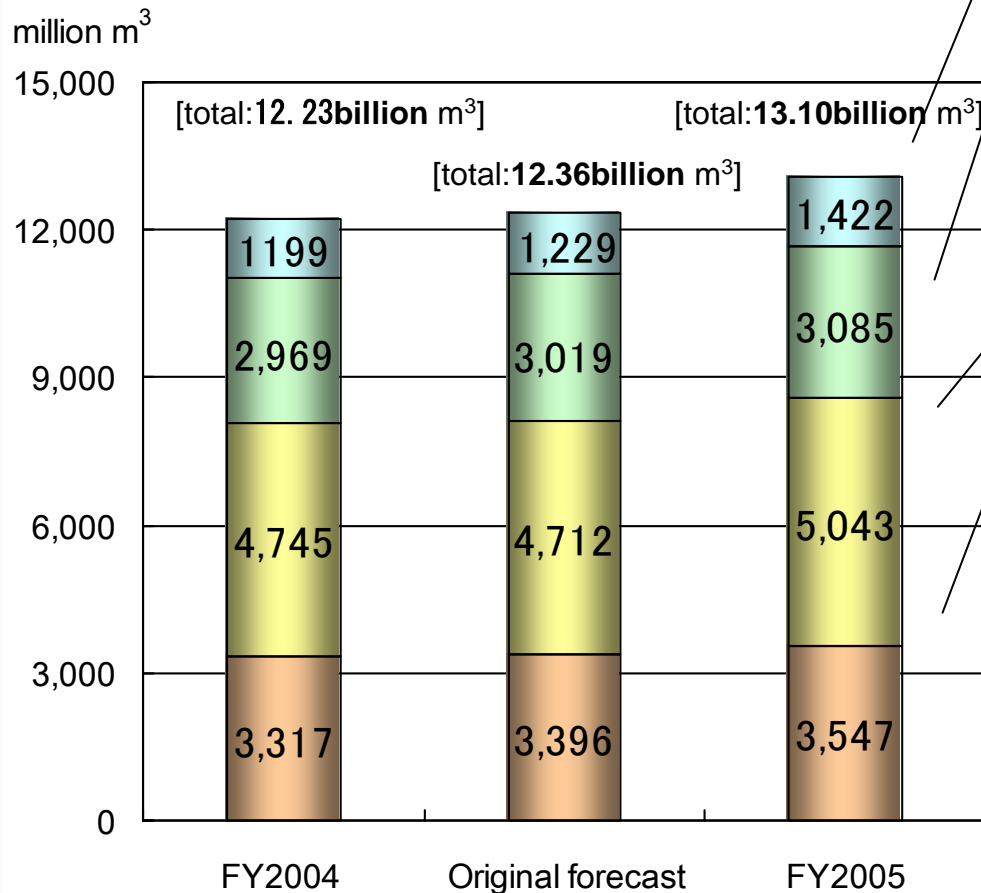
- Decrease in air conditioning demand in comparison with high temperatures in FY04 summer
- Increase in space heating demand due to low temperatures in FY05 winter
- Increased demand by acquiring new customers

#### **Industrial Use: +6.3%** (+299 mil. m<sup>3</sup>)

- Increased demand from new & existing customer

#### **Residential Use: +6.9%** (+230mil. m<sup>3</sup>)

- Increase in hot water & space heating demand due to low temperature (year average: -0.9°C)
- Increase in the number of customers

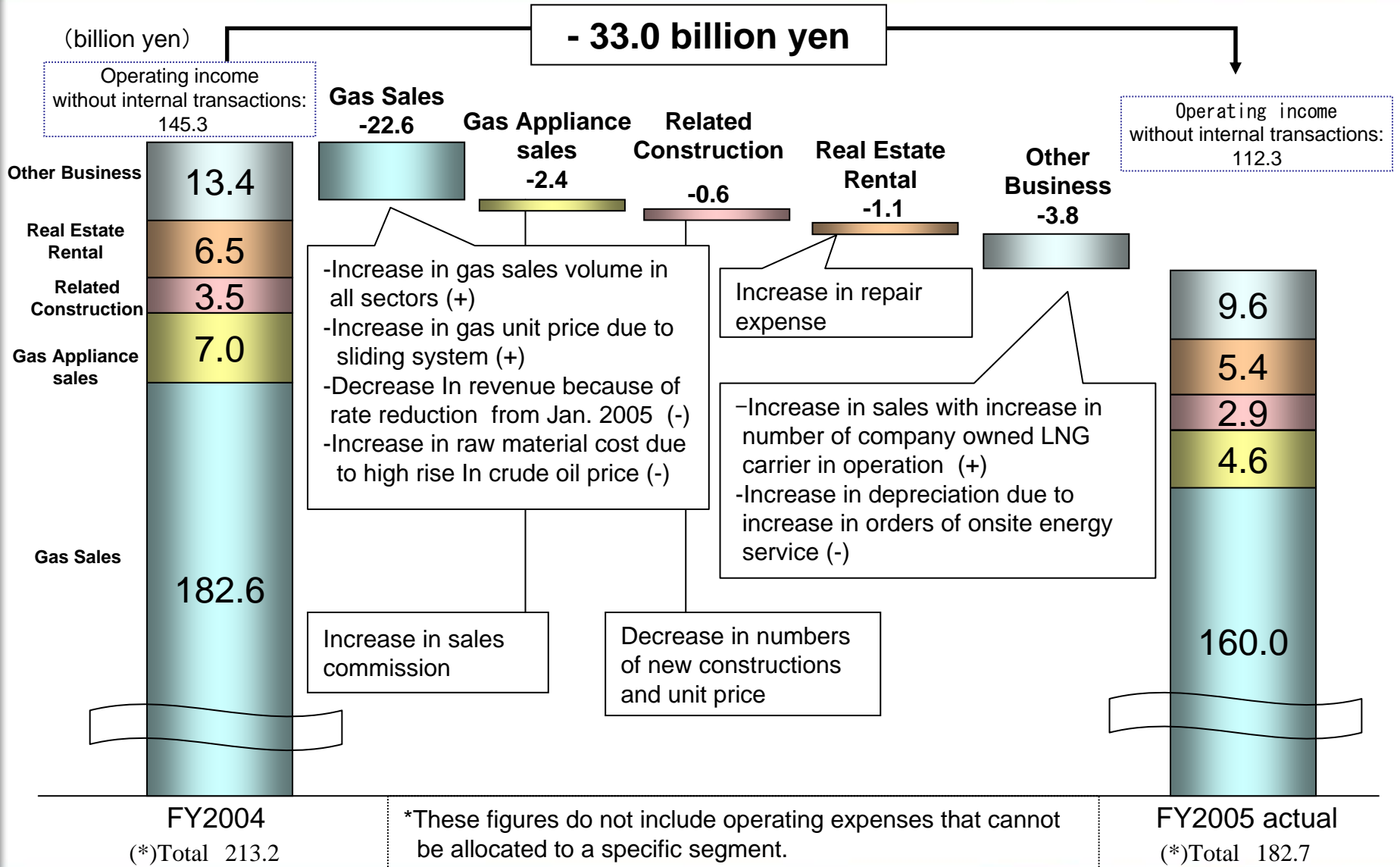


(Reference)	Original projection	FY2005 actual	Change from original projection	
Residential Use	3,396	3,547	+151	+4.4%
Industrial Use	4,712	5,043	+331	+7.0%
Commercial & Other Use	3,019	3,085	+66	+2.2%
Wholesale supply	1,229	1,422	+193	+15.7%
<b>Total</b>	<b>12,357</b>	<b>13,098</b>	<b>+741</b>	<b>+6.0%</b>

(Rounded off to nearest million m<sup>3</sup>)

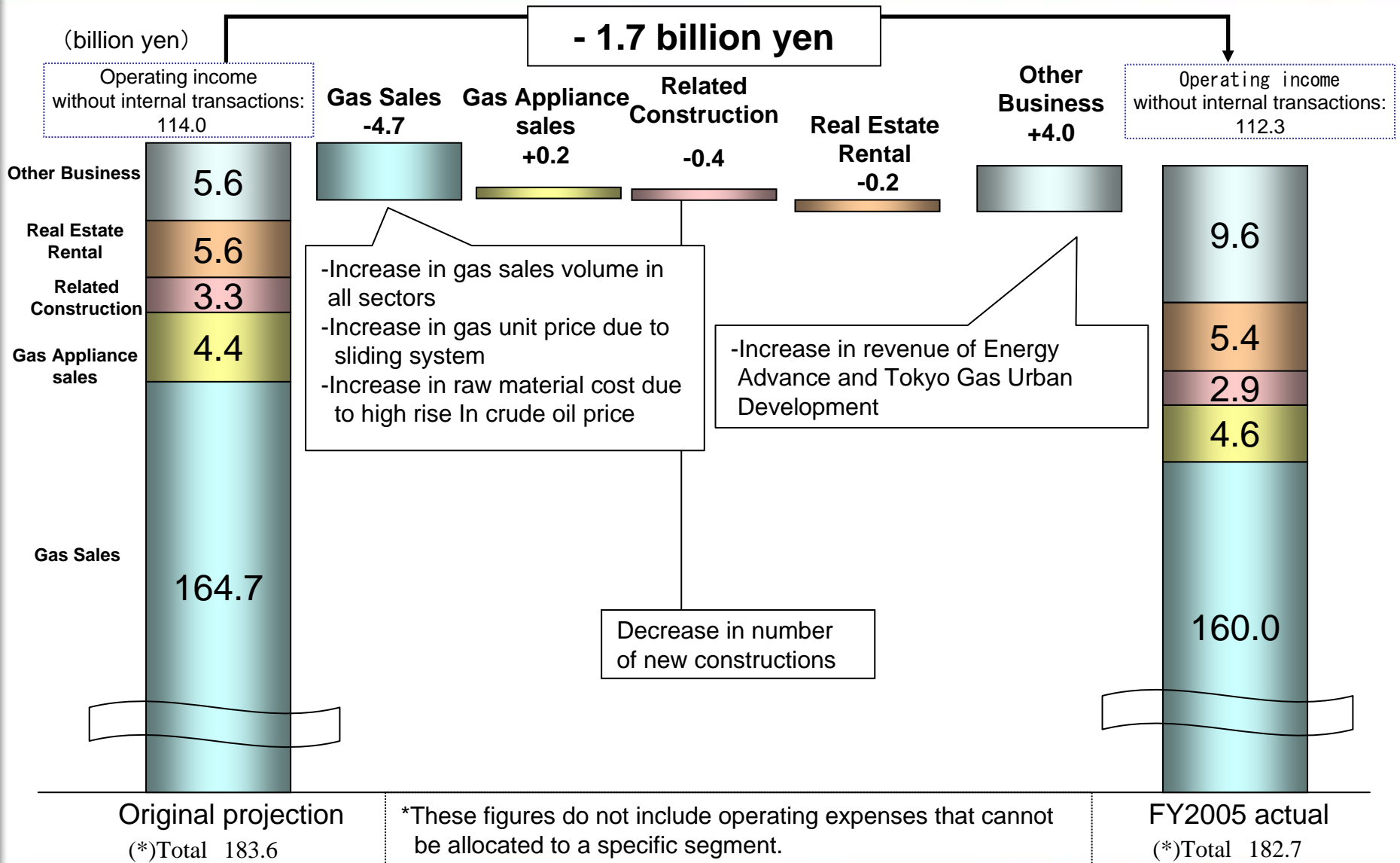
# Reasons for changes in Operating Income

(compared with previous year)



# Reasons for changes in Operating Income

(compared with original projection)

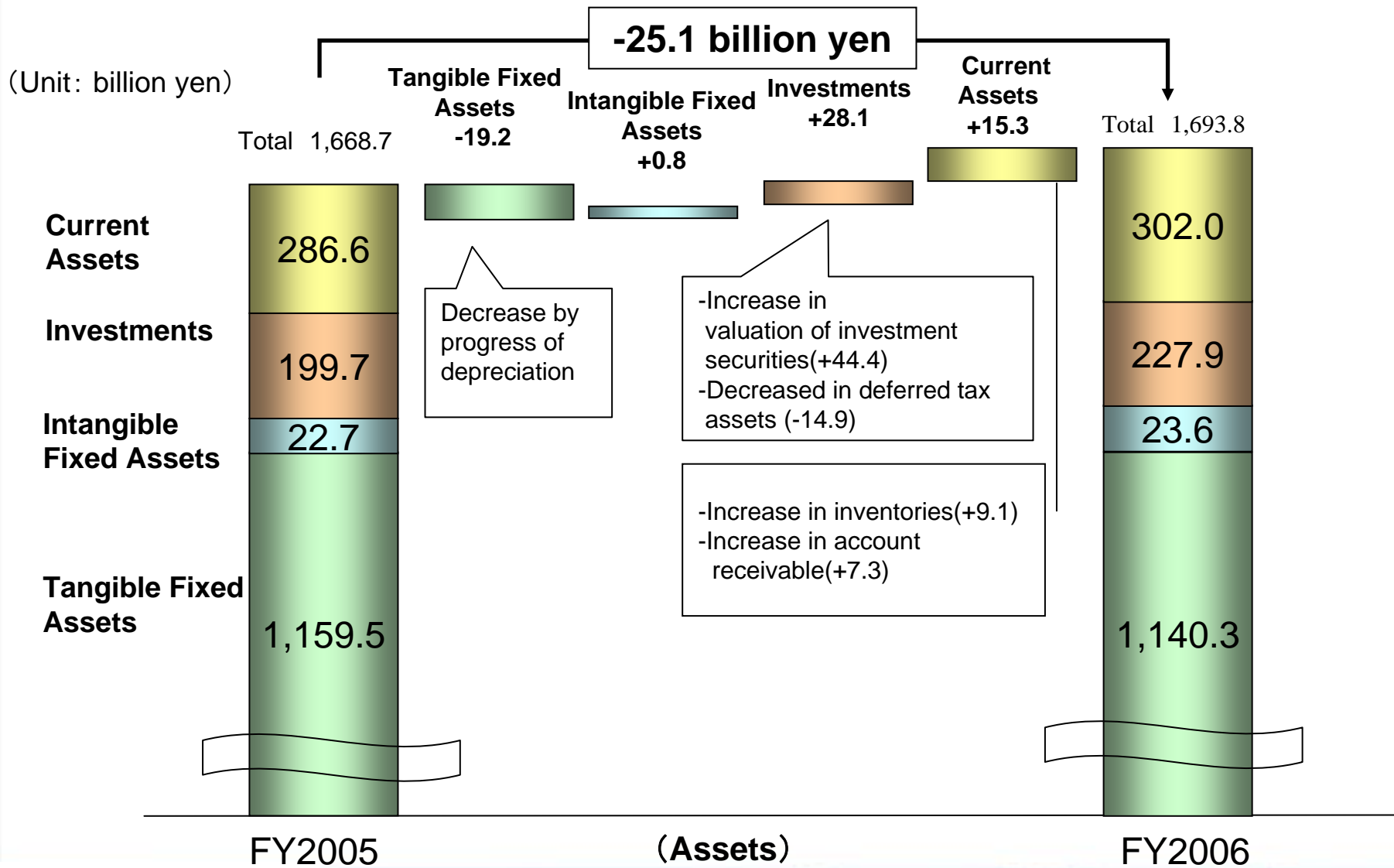


# Non-operating Income & Extraordinary Income

Note: Figures are rounded down to nearest billion yen

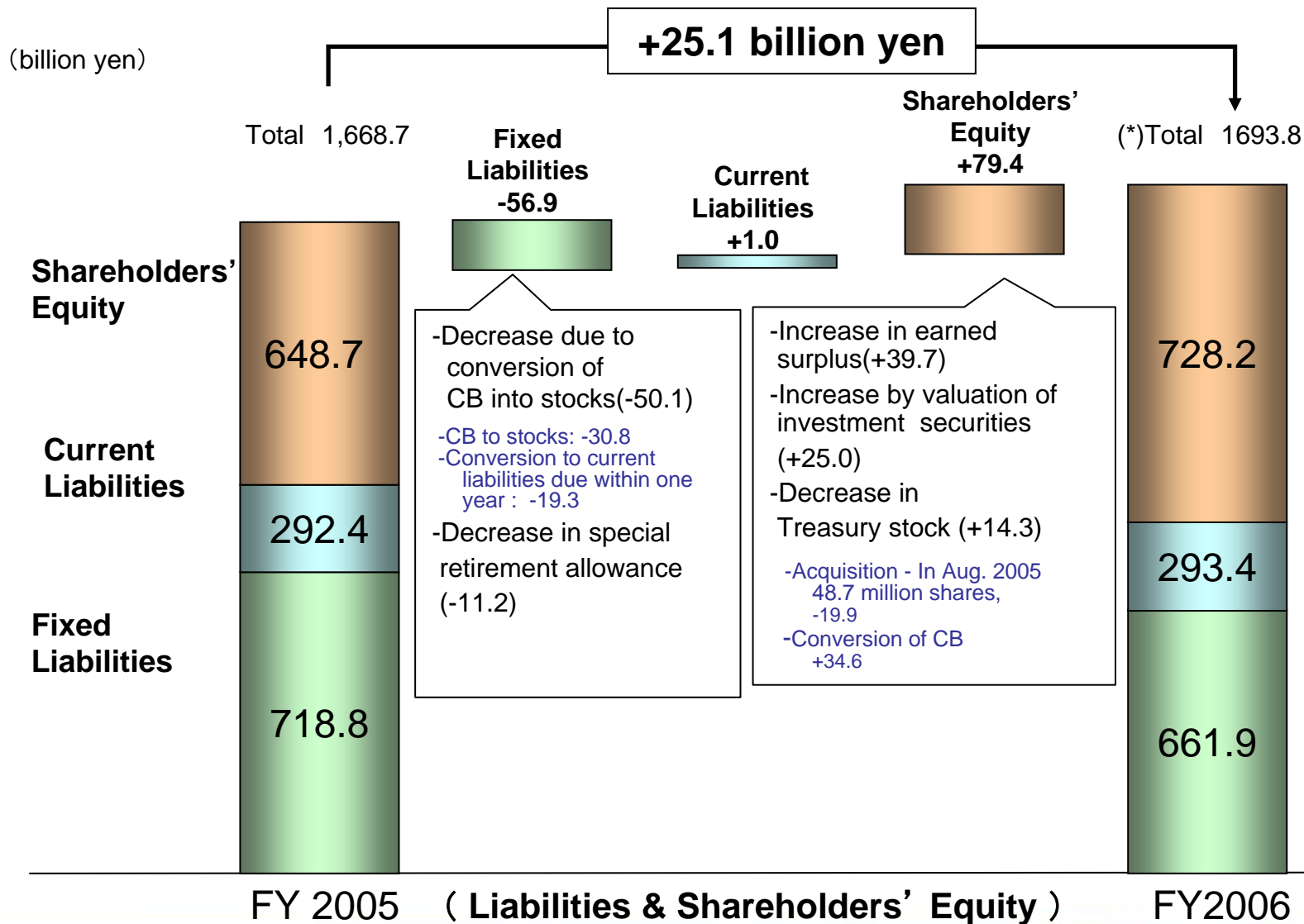
	FY2004	FY2005	Change from FY04	Main reasons for changes
<b>Operating income</b>	145.3	112.3	-33.0	
Non-operating income & loss	-12.4	-13.6	-1.1	
Non-operating Income	12.1	10.8	-1.2	- Increase in Balance on weather derivatives(+2.7) -Increase in Balance on commodities derivatives (+2.4)
Non-operating loss	24.6	24.5	-0.1	-Increase in Loss on weather derivatives(+5.6) -Decrease in Loss on bond redemption(-2.8) -Decrease in interest payment(-2.1)
<b>Ordinary income</b>	132.8	98.6	-34.2	
Extraordinary Income & loss	0.4	2.1	+1.6	
Extraordinary income	5.7	7.6	+1.8	-Increase in Gain on sales of fixed assets(+1.7)
Extraordinary loss	5.2	5.4	+0.1	-Loss on abandonment of system development(+5.1) -Loss on impairment of fixed assets (-1.1) -Special retirement allowance (+3.4)
Corporation taxes, etc.	49.2	38.7	-10.5	
<b>Net income</b>	84.0	62.1	-21.9	

# Reasons for Changes in Balance Sheet (Assets)





# Reasons for Changes in Balance Sheet (Liabilities & Shareholders' Equity)



# Projection for FY2006 (April 2006 – March 2007)

Since Feb. 21, 2006, we at Tokyo Gas Co., Ltd. lowered standard value of the gas we supply to customers in the "Tokyo district, etc." category from 46.04655MJ/m<sup>3</sup> to 45MJ/m<sup>3</sup>. So Gas Sales Volume, both results and prospects, is shown by 45MJ/m<sup>3</sup> in this paper.

# FY2006 Principal targets & Key points of projection

## Principal targets as the first year of medium-term management plan

1. Establishment of a marketing setup with deep local roots
2. Compete against a serious challenge from electricity in residential and commercial sectors
3. Aggressive demand development by making the most of relatively economical advantage of LNG due to high rise in crude oil price
4. Further development of electricity business and energy service for one-stop services

## Key points of financial projection for FY2006

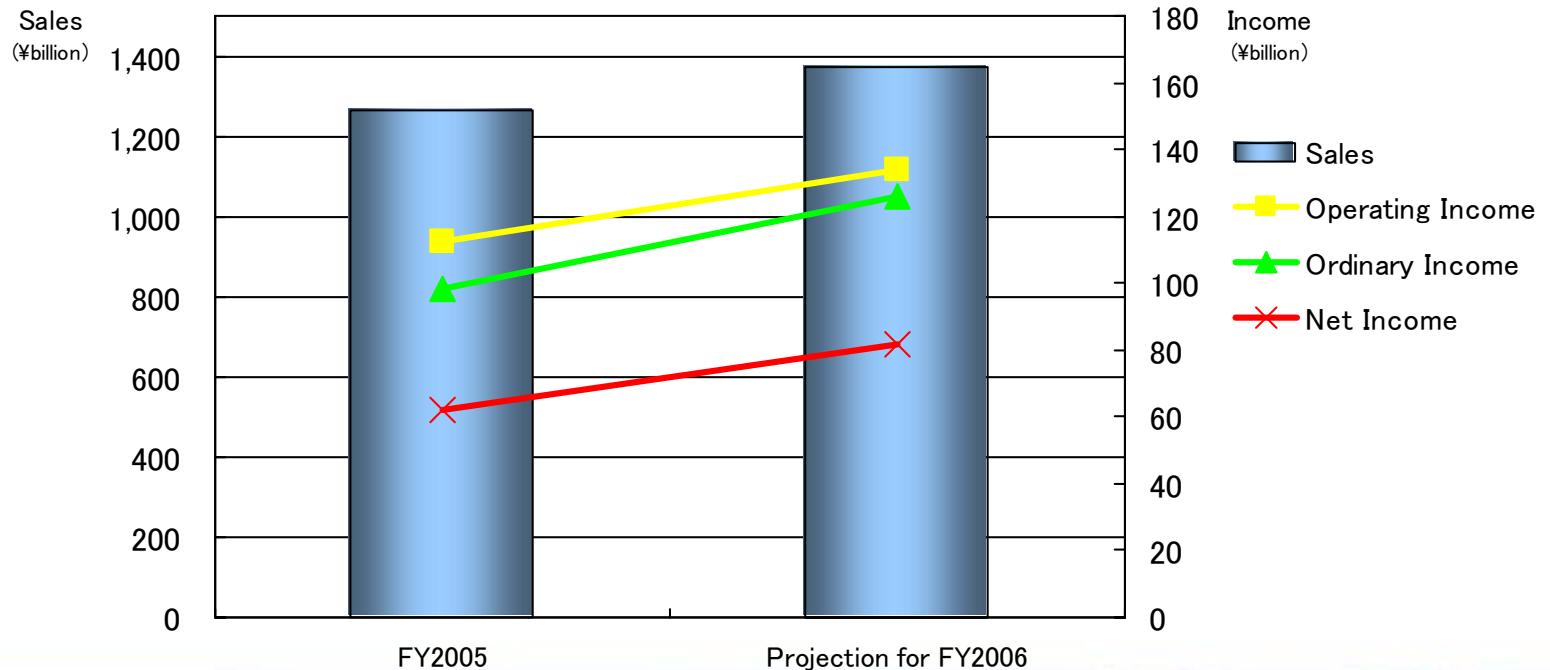
### Increase in both sales & income from FY2005

- Increase in gas unit price due to sliding system
- Decrease in fixed expense by effort for cost cut and decreasing labor cost by one-off expense in actuarial differences
- Increase in raw material cost due to high rise in crude oil price

# Projection for FY2006 (changes from FY2005)

	FY2005	Projection for FY2006	Change from FY2005
Sales	1266.5	1370.0	+103.5 (+8.2%)
Operating Income	112.3	134.0	+21.7 (+19.3%)
Ordinary Income	98.6	126.0	+27.4 (+27.7%)
Net Income	62.1	82.0	+19.9 (+32.0%)
Crude oil price(\$/bbl)	55.79	62.50	+6.71
Exchange rate(¥/US\$)	113.32	120.00	+6.68
Temperature(°C)	16.2	16.9	+0.7

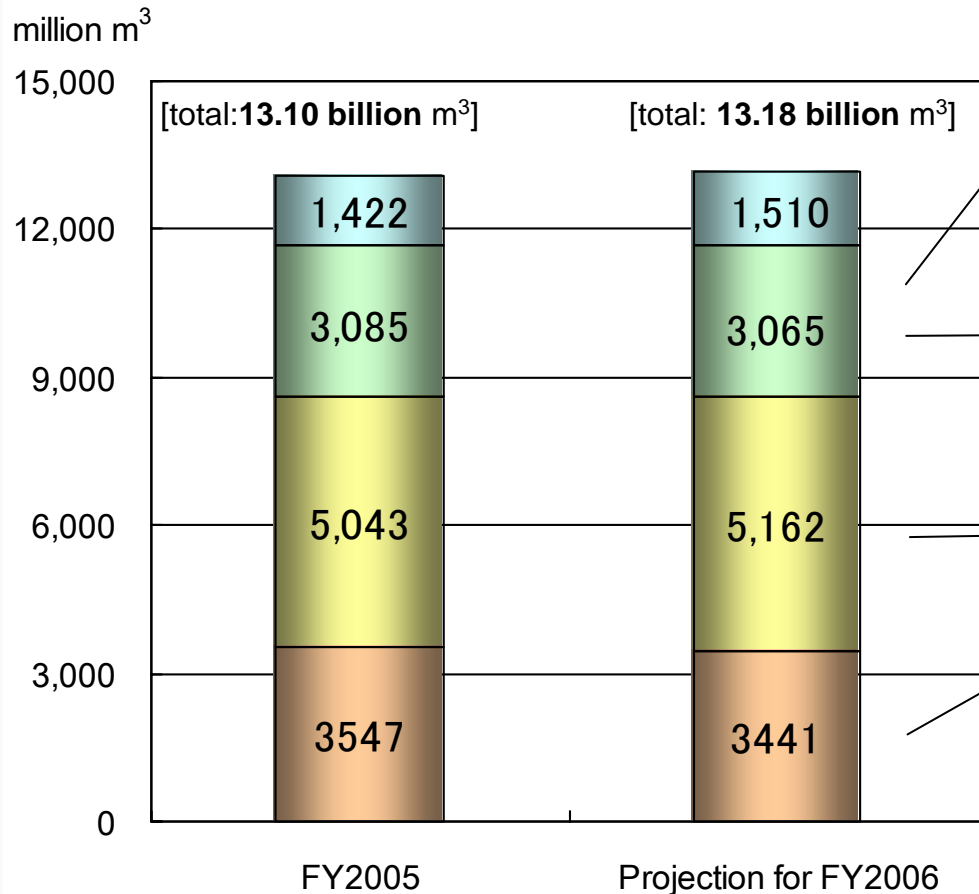
(Unit: billion yen)



# Gas Sales Volume Projections

(Consolidated - Change from FY2005)

0.6% increase from FY2005  
(+79 million m<sup>3</sup>)



## <Reasons for Changes from FY2005 >

### **Wholesale Supply: +6.2%** (+88 mil. m<sup>3</sup>)

- Increase in sales to other gas utilities acquiring new demands for those utilities

### **Commercial & Other Use: -0.7%** (-21 mil. m<sup>3</sup>)

- Decrease in gas sales volume by excluding temperatures effect
- Increased demand by new customers acquisition

### **Industrial Use: +2.3%** (+118 mil. m<sup>3</sup>)

- Increased demand by new and existing customer

### **Residential Use: -3.0%** (-106 mil. m<sup>3</sup>)

- Decrease in gas sales volume by excluding temperatures effect
- Increase the number of customers

(Rounded off to nearest million m<sup>3</sup>)

# Reasons for Changes in Operating Income

(billion yen)

**+21.7 billion yen**

Operating income without internal transactions: 112.3

Operating income without internal transactions: 134.0

**Gas Sales +23.8**

**Gas Appliance sales -1.4**

**Related Construction 0**

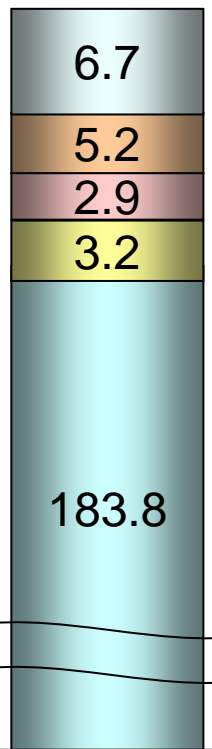
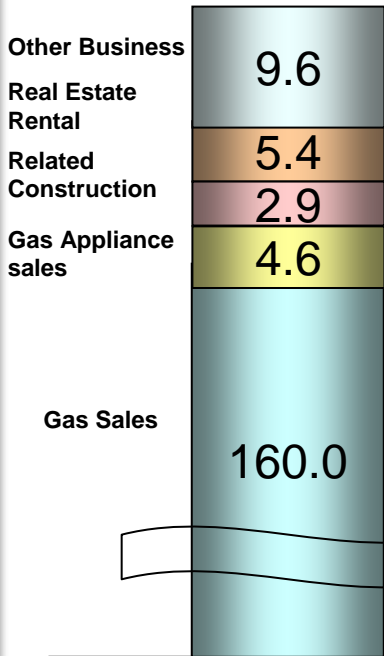
**Real Estate Rental -0.2**

**Other Business -2.9**

Increase in expenses due to introduction of gas alarm lease

-Increase in depreciation by increasing orders of on-site energy service

-Increase in gas sales volume  
 -Decrease in gas sales volume by excluding temperatures effect  
 -Increase in gas unit price due to sliding system  
 -Increase in raw material cost due to further rise in crude oil price



**FY2005 actual**

(\*)Total 182.7

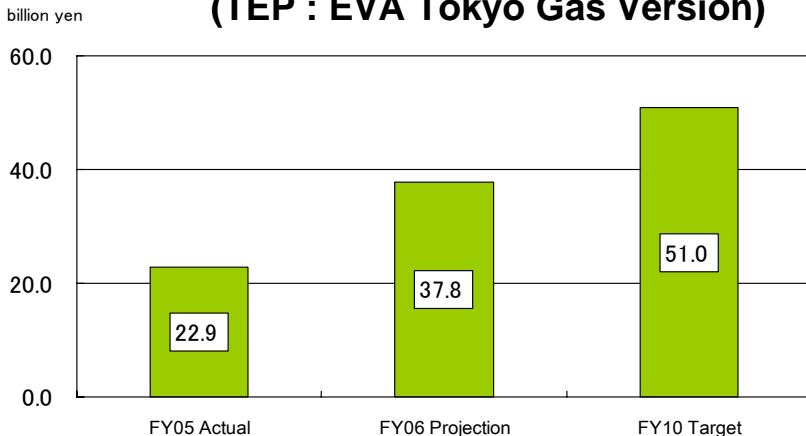
**Projection for FY2006**

(\*)Total 201.8

\*These figures do not include operating expenses that cannot be allocated to a specific segment.

# Major management target

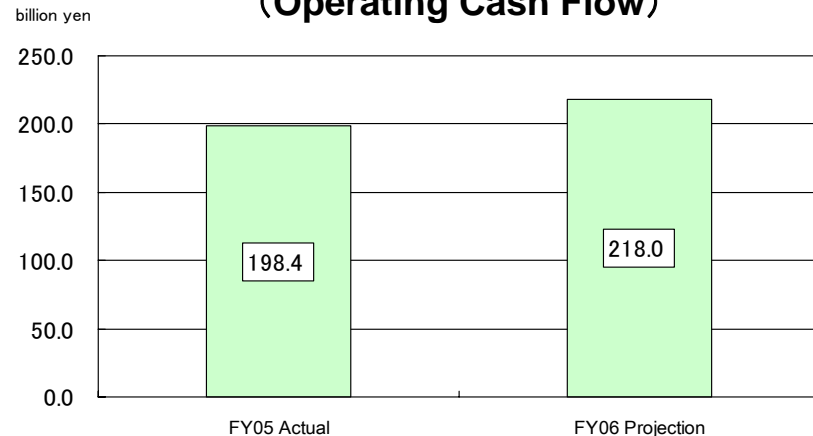
**(TEP : EVA Tokyo Gas Version)**



■ TEP = After-tax, pre-interest-payment profit - capital cost  
(capital invested x WACC)

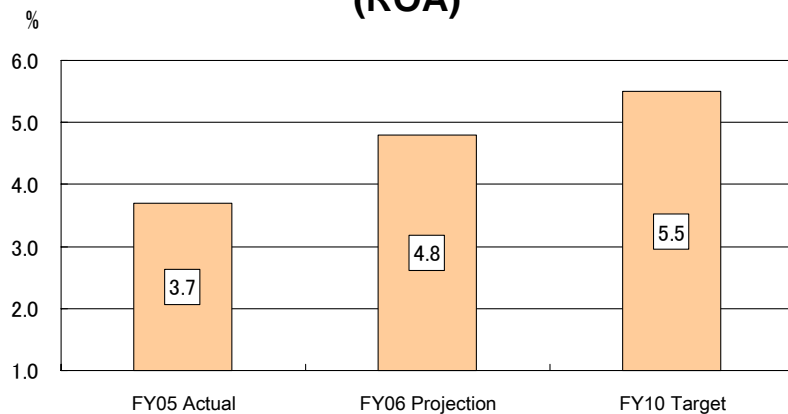
WACC: FY05 Actual 3.7%, FY06 Projection 3.8%, FY10 target 3.8%

**(Operating Cash Flow)**



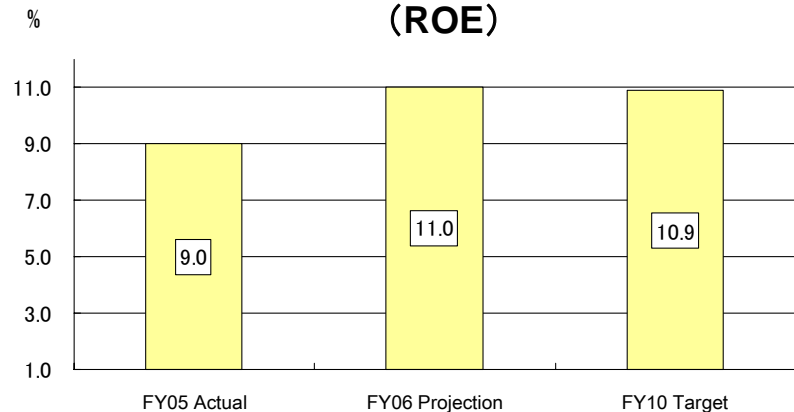
■ OCF=Net profit + depreciation (including amortization of long-term expenses)

**(ROA)**



■ ROA=Net income/Average Total Asset

**(ROE)**



■ ROE=Net income/Average Shareholders' Equity

# References





# Performance Indicators

(FY2006 projection-1)

(billion yen)

	FY04 Results	FY05 Results	FY06 Projection	Change from FY04 to FY05	Change from FY05 to FY06
Sales	1,190.7	1,266.5	1,370.0	+75.8 (+6.4%)	+1,03.5 (+8.2%)
Operating Income	145.3	112.3	134.0	-33.0 (-22.7%)	+21.7 (+19.3%)
Ordinary Income	132.8	98.6	126.0	-34.2 (-25.7%)	+27.4 (+27.7%)
Net Income	84.0	62.1	82.0	-21.9 (-26.1%)	+19.9 (+32.0%)
EPS(¥)	31.47	23.48	30.46	-7.99	+6.98
TEP	45.0	22.9	37.8	-22.1	+14.9
Gas sales volume (million m <sup>3</sup> )	12,230	13,098	13,177	+868 (+7.1%)	+79 (+0.6%)
Crude oil price (\$/bbl)	38.77	55.79	62.50	+17.02	+6.71
FX rate (yen/US\$)	107.55	113.32	120.00	+5.77	+6.68
Average Temperature(°C)	17.1	16.2	16.9	-0.9	+0.7

# Performance Indicators

## (FY2006 projection-2)

(billion yen)

	FY04 Results	FY05 Results	FY06 Projection	Change from FY04 to FY05	Change from FY05 to FY06
Total Assets(a)	1,668.7	1,693.8	1,697.0	+25.1	+3.2
Shareholders' Equity (b)	648.7	728.2	766.6	+79.5	+37.8
Equity Ratio: (b)/(a)	38.9%	43.0%	45.1%	+4.1%	+2.1%
Outstanding Debt	624.1	559.9	570.0	-64.2	-10.1
Operating Cash Flow (c)=(d)+(e)	224.3	198.4	218.0	-25.9 (-11.5%)	+19.6 (+9.8%)
Net income (d)	84.0	62.1	82.0	-21.9 (-26.1%)	+19.9 (32.0%)
Depreciation (e)	140.2	136.3	136.0	-3.9	-0.3
CAPEX (f)	107.5	119.4	143.0	+11.9	+23.6
ROA: (c) / (a)	5.0%	3.7%	4.8%	-1.3%	+1.1%
ROE: (c) / (b)	13.5%	9.0%	11.0%	-4.5%	+2.0%

(\*) ROA=Net Income/Average Total Assets, ROE=Net Income/Average Shareholders' Equity

EPS: earnings per average number of shares issued and outstanding

Operating Cash Flow =Net income+Depreciation( including amortization of long-term period expenses)