

July 27, 2007

Tokyo Gas Co., Ltd.

Major Questions and Answers
concerning the Financial Results for the First Quarter of FY2007

- Q. Please tell us about the key points of the financial results for the first quarter of this fiscal year.
- A. We posted an increase in income from the previous quarter due to the expansion of our gas sales volume in all sectors except the residential one and the rise in unit sales prices under the provisions for adjustment for gas resource costs. Meanwhile, there were also increases in gas resource costs, costs for amortization of allowances for retirement benefits, and depreciation costs due to the tax reform. On the net quarterly profit basis, these combined to push our profit down by 6.5 billion yen, or 21.9 percent, from the previous quarter.
- Q. You revised your profit projection for the year downward. What are the reasons for the profit decrease relative to the initial plan?
- A. We are projecting the gas sales volume to exceed the plan figures, and expect the sales revenue to be 35 billion yen higher than in the initial plan. In response to the latest jump in crude oil prices, however, we raised our price projection for the year from 55 to 66.15 dollars per barrel. We therefore anticipate our gas resource costs to increase and squeeze our profit as a result of a price rise for LNG, the main resource for city gas. Although we are working to reduce costs and otherwise hold the impact on our balance of payments to the minimum, we are projecting that current net profit will be about 5 billion yen (or 6.8 percent) less than in the initial plan.