

**FY2005 ended March 2006**  
**Consolidated Financial Results Bulletin**  
**Tokyo Gas Co., Ltd.**

Code No.: 9531

(URL <http://www.tokyo-gas.co.jp>)

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Meeting of board of directors to approve the financial results: April 26, 2006

Application of U.S. accounting standards (yes/no): No

**Shares listed on:**Tokyo Stock Exchange, Osaka Securities Exchange, Nagoya  
Stock Exchange

Location of head office: Tokyo

**1. Consolidated results for FY2005 ended March 2006 (April 1, 2005 - March 31, 2006)**

## (a) Consolidated business results

(Rounded down to the nearest million yen)

	Sales		Operating income		Ordinary income	
	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: million yen)	(%)
FY2005 ended Mar. 2006	1,266,501	6.4	112,345	-22.7	98,689	-25.7
FY2004 ended Mar. 2005	1,190,783	3.4	145,349	-4.6	132,856	1.3

	Net income		Net earnings per share	Net earnings per share adjusted for latent shares	Net rate of return on shareholders' equity	Ratio of current income to total capital	Ratio of current income to sales
	(million yen)	(%)	(Unit: yen)	(Unit: yen)	(%)	(%)	(%)
FY2005 ended Mar. 2006	62,114	-26.1	23.48	21.70	9.0	5.9	7.8
FY2004 ended Mar. 2005	84,047	87.7	31.47	28.24	13.5	8.0	11.2

Note: 1. Income or loss on investment accounted for by equity method:

FY2005 ended March 2006 693 million yen

FY2004 ended March 2005 258 million yen

2. Average number of shares outstanding during the term

FY2005 ended March 2006 2,642,313,954 shares

FY2004 ended March 2005 2,668,495,540 shares

3. Changes in accounting methods: Yes

4. Percentage figures on sales, operating income, ordinary income, and net income indicate the percentage change on the previous year.

## (b) Consolidated financial position

	Total assets	Shareholders' equity	Ratio to shareholders' equity	Shareholders' equity per share
	(Unit: million yen)	(Unit: million yen)	(%)	(Unit: yen)
FY2005 ended Mar. 2006	1,693,898	728,231	43.0	270.46
FY2004 ended Mar. 2005	1,668,734	648,766	38.9	244.73

Note: Number of outstanding shares (consolidated basis) at year end:

FY2005 ended March 2006 2,692,345,949 shares

FY2004 ended March 2005 2,650,734,212 shares

## (c) Consolidated cash flow

	Cash flow from operating activities	Cash flow from investment activities	Cash flow from financing activities	Balance of cash and cash equivalents at year end
	(Unit: million yen)	(Unit: million yen)	(Unit: million yen)	(Unit: million yen)
FY2005 ended Mar. 2006	181,529	-116,071	-83,041	45,633
FY2004 ended Mar. 2005	215,037	-107,375	-108,160	50,664

- (d) Scope of subsidiaries and affiliates and application of equity method  
 Consolidated subsidiaries: 54  
 Non-consolidated subsidiaries accounted for by equity method: nil  
 Affiliates accounted for by equity method: 1
- (e) Changes in scope of consolidated subsidiaries and affiliates and application of equity method  
 Consolidated subsidiaries  
 -Newly added: 3  
 -Excluded: 1  
 By equity method  
 -Newly added: nil  
 -Excluded: nil

**2. Forecast for FY2006 ending March 2007 (April 1, 2006 - March 31, 2007)**

(Unit: million yen)

	Sales	Ordinary income	Net income
Mid-term	589,000	35,000	21,000
Full term	1,370,000	126,000	82,000

- (Reference) 1. Forecast net income per share (full year): 30.46 yen  
 2. Forecast operating income (full year): 134,000 million yen

\* The forecast above was prepared on the basis of information available at the time of the release of this document. Due to various factors, the actual result may vary from these forecast data.

## **I. Profile of the Tokyo Gas Group**

Tokyo Gas group is composed of Tokyo Gas Co., Ltd., and 108 affiliated companies (64 subsidiaries and 44 affiliates). 54(increase:3, decrease:1) of these companies are consolidated subsidiaries and 1 is an equity method affiliate. The Group is engaged in business in the segments of gas, gas appliances, contracted construction work, real estate rental, and other business.

The following is the main fields of business of Tokyo Gas and the consolidated companies, and their position in the business in question, in each segment.

### **Gas business**

Tokyo Gas Co., Ltd. manufactures, supplies, and sells gas, and also engages in the wholesale supply of gas and sale of LNG to city gas suppliers such as Chiba Gas Co., Ltd. and Tsukuba Gakuen Gas Co., Ltd.

Gas Malaysia Sdn. Bhd. (an affiliate accounted for by the equity method) supplies and sells gas in Malaysia.

### **Gas appliances business**

Tokyo Gas Co., Ltd. sells gas appliances through companies such as Kanpai Co., Ltd., Kanpai Living Service Co., Ltd., Toyoko Engineering Co., Ltd, Enesta and Enefit. Gastar Co., Ltd. sells gas appliances to Tokyo Gas Co., Ltd on wholesale basis.

### **Contracted construction work business**

Gas-related construction work is performed by Tokyo Gas Co., Ltd. Kanpai Co., Ltd. and Toyoko Engineering Co., Ltd perform gas pipe laying work ordered by Tokyo Gas Co., Ltd.

### **Real Estate rental business**

Tokyo Gas Urban Development Co., Ltd. and Tokyo Gas Toyosu Development Co., Ltd. lease buildings to Tokyo Gas Co., Ltd. and others.

### **Other business**

-Tokyo Gas Co., Ltd. sells LPG through Tokyo Gas Energy Co., Ltd., as an associated business.

-Energy Advance Co., Ltd. receives gas supplies from Tokyo Gas Co., Ltd. and other companies and carries out district supply of cold and hot water and vapor.

-Using LNG cryogenic energy sold by Tokyo Gas Co., Ltd., Tokyo Oxygen and Nitrogen Co., Ltd. manufactures and sells products such as liquefied nitrogen.

-Tokyo Gas Engineering Co. Ltd. builds gas-related facilities, etc. ordered by Tokyo Gas Co., Ltd.

-TG IT Service Co., Ltd., supplies data processing services using computers to Tokyo Gas Co., Ltd. and other companies.

-TG Information Network Co., Ltd. operates system integration business.

-Tokyo LNG Tanker Co., Ltd. hires out LNG tankers and LPG tankers and operates an ocean freight business.

-Tokyo Gas Customer Service Co., Ltd. is commissioned by Tokyo Gas Co., Ltd. for regular safety inspections, meter reading and rate collecting operations.

-Tokyo Gas Chemicals Co., Ltd. sells industrial gas, etc.

-TG Credit Service Co., Ltd. provides various lease and credit services for payment for gas appliances sold by companies such as Enesta and Enefit.

-TG Enterprise Co., Ltd. provides financial services for affiliates.

-Park Tower Hotel Co., Ltd. is a hotel operator.

Notes:

1. Kanpai Co., Ltd. merged Toyoko Engineering Co., Ltd. and changed its name to Capty Co.,Ltd. on April 1, 2006.

2. Kanpai Living Service Co., Ltd. merged Toyoko Living Co., Ltd. and changed its name to Capty Livlic Co.,Ltd. on April 1, 2006.

## List of consolidated companies

Segment by business category	Previously consolidated companies
Gas	Tokyo Gas Co., Ltd., Chiba Gas Co., Ltd., Tsukuba Gakuen Gas Co., Ltd., Nagano Toshi Gas Co., Ltd., Miho Gas Co., Ltd., Shoei Gas Co., Ltd., Washimiya Gas Co., Ltd., Tochigi Gas Co., Ltd.
Gas appliances	Tokyo Gas Co., Ltd., Gastar Co., Ltd., Kanpai Living Service Co., Ltd., Nagano Toshi Gas Co., Ltd., Tsukuba Gakuen Gas Co., Ltd., Miho Gas Co., Ltd., Shoei Gas Co., Ltd., Washimiya Gas Co., Ltd., Tochigi Gas Co., Ltd., Toyoko Engineering Co., Ltd., Tokyo Gas Energy Co., Ltd., Kanpai Co., Ltd., Toyoko Living Co., Ltd., Tokyo Kiko Co., Ltd.
Contracted construction work	Tokyo Gas Co., Ltd., Toyoko Engineering Co., Ltd., Kanpai Co., Ltd., Nagano Toshi Gas Co., Ltd., Chiba Gas Co., Ltd., Tsukuba Gakuen Gas Co., Ltd., Miho Gas Co., Ltd., Shoei Gas Co., Ltd., Washimiya Gas Co., Ltd., Tochigi Gas Co., Ltd.
Real estate rental	Tokyo Gas Urban Development Co., Ltd., Tokyo Gas Toyosu Development Co., Ltd., Kanpai Co., Ltd., TG Enterprise Co., Ltd.
Other businesses	Tokyo Gas Co., Ltd., Energy Advance Co., Ltd., Tokyo LNG Tanker Co., Ltd., Tokyo Gas Energy Co., Ltd., Tokyo Gas Chemicals Co., Ltd., Park Tower Hotel Co., Ltd., TG Credit Service Co., Ltd., Tokyo Oxygen and Nitrogen Co., Ltd., TG Information Network Co., Ltd., TG Enterprise Co., Ltd., Tokyo Gas Engineering Co., Ltd., Tokyo Gas Customer Service Co., Ltd., TG IT Service Co., Ltd., Toyoko Engineering Co., Ltd., Tokyo Gas Yokosuka Power Co., Ltd., Kanpai Co., Ltd., Tachikawa Toshi Center Co., Ltd., Dining Art Systems Co., Ltd., Living Design Center Co., Ltd., Chiba Gas Co., Ltd., Tokyo Gas Bay power Co., Ltd., TG Showa Co., Ltd., East Japan Housing Evaluation Center Co., Ltd., Tsukuba Gakuen Gas Co., Ltd., Tokyo Carbonic Co., Ltd., Japan Super Freeze Co., Ltd., Green Tech Tokyo Co., Ltd., Miho Gas Co., Ltd., TG Auto Service Co., Ltd., TG Telemarketing Co., Ltd., Tokyo Gas LPG Terminal Co., Ltd., Tokyo Gas Remodeling Co., Ltd., Urban Communications, Inc., Tochigi Gas Co., Ltd., Tokyo Gas Techno-Service Co., Ltd., Tokyo Gas Building Service Co., Ltd., Toeki Service Center Co., Ltd., Showa Bussan Co., Ltd., Tosez Co., Ltd., Toyoko Customer Service Co., Ltd., Showa Unyu Co., Ltd., Tokyo Plant Service Co., Ltd., Tokyo Rare Gases Company Limited, Tokyo Auto Gas Co., Ltd., Kanpai Tech Co., Ltd.

### Notes:

1. Some companies belong to more than one segment.
2. Increase and decrease of subsidiaries in FY2005 are as follows:  
 Increase: 3 (Nagano Toshi Gas Co., Ltd., Tachikawa Toshi Center Co., Ltd., Tokyo Gas LPG Terminal Co., Ltd.)  
 Decrease: 1 (Tokyo Gas Sports Co., Ltd.)

## II. Management Policy

### (1) Basic policy on corporate management

These days, the status of natural gas is rapidly rising in light of its environmentally-friendly features that mitigate global warming, its economic merit relative to oil as crude oil prices stay on high levels, and the convenience exemplified by its ability to accommodate demand in such forms as distributed power sources.. Expectations and demands from communities and customers are anticipated to increase even further over the coming years.

In the energy market, meanwhile, the progress of deregulation is being accompanied by intensified competition among energy sources. Even different companies compete to supply the same forms of energy. To explore business opportunities revolving around natural gas, the Group needs undertake structural reform to increase competitiveness. While the Group has steadily implemented the policies stated on the previous FY2003 - 2007 medium-term management plan called “Frontier 2007” announced in October 2002, taking into account the aforementioned changes of management environment, the Group has formulated its new FY2006 - 2010 medium-term management plan, stating its new goal of establishing a total energy business. The new plan represents a further progression from Frontier 2007, and paves the way for the creation and cultivation of new natural gas markets.

The Group aims to improve the value offered to the customers as well as contributing to development of local communities and improvement of global environment to become a corporate group which continuously grow and develop while always gaining trust from customers, shareholders, and society.

### (2) Issues to be addressed by the company

With three key factors in operations: “establishment of total energy business with natural gas at the core”; “increase in the brand value”; and “structural reform” in order to achieve sustainable growth and development in the 2010s as a leading player of total energy business with natural gas at its core, the Group deals with following activities.

<Establishment of total energy business with natural gas at the core >

The Group plans to promote a total energy business through wider-area development of multi-energy supply with a competitive strength grounded in the LNG value chain and energy services one-stop supply of solutions that are backed by excellent technical and sales capabilities and truly satisfy customers.

In the residential sector, the Group offers customers a more comfortable and better life through TES/floor heating systems, the energy-saving highly efficient water heater “Eco-JOES”, the mist sauna “MiSTY”, the advanced gas cook top “Pipitto Konro”, and the home automation system “Remote PLUS.” In addition, LIFUEL (fuel cell) and ECOWILL (gas engines), the cogeneration systems positioned them as residential power generation systems. The Group strives for the further diffusion of the system. For condominiums, besides cogeneration systems for supply of power to each unit, the Group supply one-stop solutions through combinations with HEATS, TES, Security, Remote PLUS, and Home Energy Management System..

In the energy sales field, the Group provides a diversity of value to its customers through one-stop multi-energy supply of LNG, LPG, electric power, and other energy grounded in the Group's city gas network. In terms of electric power business, in addition to Tokyo Gas Bay Power which is already in operation, Tokyo Gas Yokosuka Power is expected to start its operation in fiscal 2006. The Group proceeds the plan of construction of Kawasaki Natural Gas Power Plant and Ohgishima Power while forming alliances with other corporate groups. The Group also actively promotes various energy services including on-site energy services, which is best-mix on-site combinations of energy and systems as well as facility management service, solutions covering the entire life cycle of facilities, from system selection to operation and maintenance for the customer.

In relation to multi-energy supply and wider-area development of energy services, the Group efficiently condition the pipeline network including the new construction of Chiba-Kashima Line as well as deepening its coordination with its wholesale buyers (surrounding city gas distributors) and LPG companies. Furthermore, for customers located far from gas pipelines, the Group proposes a switch to natural gas supplied by means such as LNG trucks as well as delivering LNG by utilizing coastal LNG carriers for the markets outside the 200-km radius of Kanto region to meet the needs of natural gas.

From the perspective of achieving more competitive LNG procurement, the Group shall achieve an effective LNG business linkage encompassing upstream gas fields, transportation, receiving terminals, and end-use gas supply (including businesses outside Japan) toward the goal of enhancing the LNG value chain. In addition to the commencement of purchasing of LNG from the Darwin and Sakhalin II projects, the Group plans to receive supplies from new projects such as the Gorgon and Pluto in Western Australia. While striving for more competitive LNG procurement in this way, the Group consider acquiring upstream interests. The Group plans to expand its own fleet of LNG carriers from four ships at present to seven by the end of fiscal 2010, and raise the FOB purchasing ratio to about 50 %. Thereafter, the Group contemplates further investment to expand its fleet to nine carriers and promote their extensive use to lower transportation cost and increase the Group's LNG trading business.

<Increase in the brand value>

The Group shall strive to remain preferred by its customers and society as a whole by surely fulfilling its corporate social responsibility (CSR). In contact with our customers, the Group shall constantly make efforts to improve the value of the Tokyo Gas brand symbolized by the words “Security, Safety, and Reliability.” In relation to the environment, the Group will cope with various environmental issues including global warming through promoting use of environmentally-friendly natural gas, improving the level of continuous environmental conservation including Environmental Management System (EMS) and Green Purchasing. As an energy enterprise with a service area in the Tokyo Metropolitan region, the Group realizes that stable supply, assurance of safety and security, and disaster prevention are an important part of the Group's mission, and shall improve the level of safety of gas as well as maintaining the earthquake prevention system at the highest level.

<Structural reform>

The Group plans to establish its competitive advantage by reforming its corporate structure, establishing on optimal setup for development of a total energy business, and concentrating management resources. With regard to a wide-area business development, the Group intends a both powerful and efficient development of demand grounded in the situation in the market and the Group's locations. To closely accommodate diversifying customer lifestyles and preferences, the Group plans to reorganize the sales and service capabilities of Tokyo Gas locations, Enesta/Enefit, and the Tokyo Gas Customer Service Company into a unified setup with deep local roots, for one-stop supply of products and services offering consumers more value.

For efficient use of business resources, the Group plans to establish an efficient setup for business execution, by reorganization into a setup with deep local roots and rationalization of the head office organization. The Group plans to reduce the number of employees from current 16,700 (Estimate as of the end of fiscal 2005 on the consolidated basis) to 15,700 in fiscal 2010, as well as proceeding to increase the assets value through the development of real estate as well as compressing its assets, and increase their efficiency by the sales of unutilized lands.

(3) Basic policy on the corporate profit allocation

Over the five-year period of new medium-term plan (fiscal 2006 - 2010), the Group plans to use the cash flow resulting from steady execution of the plan for aggressive investment and financing in the total energy business, which is to empower the Group's sustained growth into the future, as well as for proper allocation of the fruits of the Group's business to its shareholders. More specifically, the Group has posted a 60-percent target for the ratio of total payout to shareholders (dividends plus treasury stock acquisition divided by current net income).

Total payout ratio of year n = [(dividends from unappropriated profit in year n) + (amount of treasury stocks acquired in year n + 1)] / (consolidated net income in year n)

For a while, the Group has no plan to implement the amendment of articles of association and the provision of quarterly dividends in accordance with the execution of the new Corporate Law.

(4) Targeted management indicators (consolidated)

Operating cash flow (100 million yen)	<Five-year total from 2006 to 2010>	11,200
Return on Asset (ROA) (%)	<FY 2010 target>	5.5
Return on Equity (ROE) (%)	<FY 2010 target>	10.9
TEP* (100 million yen)	<FY 2010 target>	510

\*Note: TEP (Tokyo Gas Economic Profit)

TEP = after-tax & pre-interest-payment profit – capital cost (interest-bearing debt cost + shareholder capital cost)  
(Pre-condition) Capital cost ratio (WACC): 3.8 %

(5) Items regarding parent company

No relevant item is available.

### III. Business performance and financial position

#### (1) Business performance

The Japanese economy of this term shows some signs of recovery including increased capital investment helped by recovery of corporate performances and improvement of employment situation. However, its business environment was still severe, as the high crude oil price tendency looks to stay long.

Under these economic circumstances, the Tokyo Gas group has made strenuous efforts in marketing to popularize and expand city gas. As a result, consolidated sales were ¥1.2665 trillion, up 6.4% year on year due to the expansion in the scope of consolidation mainly due to steady growth in gas sales.

On the other hand, Tokyo Gas made utmost efforts to hold down expenses, achieving further advances in the promotion of management efficiency. However, operational expenses increased because raw material expenses increased due to growth in sales volume as well as high rise in crude oil prices.

As a result, operating income fell 22.7% to ¥112.3 billion, and ordinary income was down 25.7% to ¥98.6 billion. Moreover, during the period under review, we recorded extraordinary income of both ¥4.9 billion in gain on sales of investment securities and ¥2.2 billion gain on sale of fixed assets and extraordinary losses of ¥5.1 billion in abandonment of a system development project. As a result, net income fell 26.1% to ¥62.1 billion.

<Situation in each segment during the term>

##### 1) Gas business

In FY2004, the gas sales volume rose 7.1% compared with the previous year to 13.098 billion m<sup>3</sup>. Residential demand rose 7.0% year on year to 3.547 billion m<sup>3</sup> because demand for hot water and space heating increased as a result of lower temperature throughout the year (-0.9 degrees Celsius[year average] ) compared with the previous period.

Moreover, commercial and other business demand was up 3.8% to 2.102 billion m<sup>3</sup> and 4.1% to 0.983 billion m<sup>3</sup> respectively, making a combined total of 3.085 billion m<sup>3</sup>, up 3.9% year on year. This was result of increase in space heating demand because of lower temperature in winter and increased demand by new customers although air conditioning demand was sluggish compared with the previous period because the summer in FY2004 was extremely hot.

Industrial demand was up 6.3% year on year to 5.043 billion m<sup>3</sup> compared with the previous year due to increased operation of both existing and new customers.

Wholesale Supplies to other gas utilities rose 18.7% year on year to 1.422 billion m<sup>3</sup> mainly due to acquisition of new customers by those utilities.

As a result, gas sales was up to ¥910.3 billion by ¥75.7 billion or 9.1% compared with the previous year due to increase in gas sales volume and rate increase based on feedstock cost adjustment scheme although gas rate reduction was executed starting from Jan. 1, 2005.

Operating expenses overall rose by ¥10.2 billion yen or 1.6% because of the increase in raw material expenses that accompanied the growth in gas sales volume.

Operating income was down by ¥6.7 billion or 3.5% over the previous year to ¥182.6 billion.

Note: Tokyo Gas changed calorific value of city gas from 46.04655 MJ (mega joule) /m<sup>3</sup> to 45 MJ/ m<sup>3</sup> on February 21, 2006. Gas sales volume is indicated based on 45 MJ/ m<sup>3</sup>.

##### 2) Gas appliances business

Sales fell by ¥4.3 billion or 3.2% compared to the previous year to ¥130.8 billion. As a result of a ¥1.8 billion or 1.4% decrease in operating expenses, operating income fell ¥2.4 billion or 34.5% year on year to ¥4.6 billion.



- 3) Contracted construction work business  
Sales declined by ¥5.0 billion or 7.8% compared with the previous year to ¥59.7 billion. As a result of a ¥4.5 billion or 7.3% decline in operating expenses, operating income fell ¥0.6 billion or 16.8% to ¥2.9 billion.
- 4) Real estate lease business  
Sales declined by ¥0.6 billion or 1.5% compared with the previous year to ¥34.1 billion. As a result of a ¥0.6 billion or 1.9% increase in operating expenses, operating income fell ¥1.1 billion or 16.1% to ¥5.4 billion.
- 5) Other business  
Sales in other business rose by ¥17.8 billion or 7.6% compared with the previous year to ¥252.5 billion due to the increase in ship lease as a result of increase in company owned LNG vessels. As a result of a ¥21.6 billion or 9.8% increase in operating expenses, operating income fell ¥3.8 billion or 28.1% to ¥9.6 billion.

<Summary by segment>

(Unit: billion yen)

		Gas	Gas appliances	Contracted construction work	Real estate lease	Others
Sales	FY2005 (% of total)	910.3 (65.6%)	130.8 (9.4%)	59.7 (4.3%)	34.1 (2.5%)	252.5 (18.2%)
	FY2004 (% of total)	834.6 (63.9%)	135.1 (10.4%)	64.7 (5.0%)	34.7 (2.7%)	234.7 (18.0%)
	Amount of change	75.7	-4.3	-5.0	-0.6	17.8
	Rate of change	9.1%	-3.2%	-7.8%	-1.5%	7.6%
Operating expenses	FY2005 (% of total)	750.3 (62.2%)	126.2 (10.5%)	56.7 (4.7%)	28.7 (2.4%)	242.9 (20.2%)
	FY2004 (% of total)	651.9 (59.8%)	128.0 (11.7%)	61.2 (5.6%)	28.1 (2.6%)	221.3 (20.3%)
	Amount of change	98.4	-1.8	-4.5	0.6	21.6
	Rate of change	15.1%	-1.4%	-7.3%	1.9%	9.8%
Operating income	FY2005 (% of total)	160.0 (87.6%)	4.6 (2.5%)	2.9 (1.6%)	5.4 (3.0%)	9.6 (5.3%)
	FY2004 (% of total)	182.6 (85.7%)	7.0 (3.3%)	3.5 (1.7%)	6.5 (3.0%)	13.4 (6.3%)
	Amount of change	-22.6	-2.4	-0.6	-1.1	-3.8
	Rate of change	-12.4%	-34.5%	-16.8%	-16.1%	-28.1%

Note: Figures for sales include internal transactions. Figures for operating expenses do not include expenses that cannot be allocated to specific segments.

<Ratio of consolidated income to parent's income>

The ratio of consolidated income to parent company's income for FY2005 and FY2004 was as follows.

	Sales	Operating income	Ordinary income	Net income
FY2005	1.17	1.23	1.16	1.12
FY2004	1.17	1.21	1.13	1.07

<Comparison of forecast for FY2006 and results of FY2005 >

(Unit: billion yen)

	Sales	Operating income	Ordinary income	Net income
FY2005 (forecast)	1,370.0	134.0	126.0	82.0
FY2004 (actual)	1,266.5	112.3	98.6	62.1
Change	103.5	21.7	27.4	19.9
Rate of change	8.2%	19.3%	27.7%	32.0%

We forecast that gas sales volume in FY2006 will grow 0.6% compared with FY2004 to 13.177 billion m<sup>3</sup> due to our efforts to acquire new customers and to promote and sell gas appliances. We expect gas sales to increase

by ¥76.6 billion or 8.4% to ¥986.9 billion in response to this while sales in both gas appliance and contracted construction work will decline, However as we expect sales in other business to increase, we expect consolidated sales to rise by ¥103.5 billion or 8.2% to ¥1.37 trillion.

Meanwhile, we expect operating income to rise 21.6% to 114.0 billion yen, ordinary income to decline 21.7% to 104.0 billion yen and net income to fall 19.1% to JPY 68.0 billion due to decrease in operating expenses such as labor cost.

Because of factors such as the increase in operating expenses, the projection envisions as follows:

Operating income:	up ¥21.7 billion (19.3%) to ¥134 billion
Ordinary income:	up ¥27.4 billion (27.7%) to ¥126 billion
Net income:	up ¥19.9 billion (32.0%) to ¥82 billion

The ratios of consolidated income to parent company's income are shown below.

	Sales	Operating income	Ordinary income	Net income
FY2006	1.18	1.15	1.08	1.03

## (2) Financial position

### 1) Cash flow

(Unit: billion yen)

	FY2005	FY2004	Change
Cash flow from operating activities	177.0	215.0	-38.0
Cash flow from investing activities	-111.5	-107.3	-4.2
Cash flow from financing activities	-83.0	-108.1	25.1
Cash and cash equivalents during FY2005	-17.5	-0.5	-17.0
Cash and cash equivalents at beginning of year	50.6	43.9	6.7
Cash and cash equivalents due to expansion of consolidation	12.5	7.2	5.3
Cash and cash equivalents at end of year	45.6	50.6	-5.0

#### a) Cash flow from operating activities

Cash and cash equivalents obtained as a result of operating activities amounted to ¥177.0 billion. This derived mainly from the progress of depreciation of fixed assets (amortization in FY2005 came to ¥132.3 billion).

#### b) Cash flow from investing activities

Cash and cash equivalents obtained as a result of investing activities amounted to ¥111.5 billion. This derived mainly from the acquisition of tangible fixed assets such as gas supply facilities (expenditure: ¥106.4 billion).

#### c) Cash flow from financing activities

Cash and cash equivalents obtained as a result of financing activities amounted to ¥83.0 billion. A total of ¥40 billion was raised through bond issuance, but the overall cash flow decreased due to the outflow of funds for the redemption of bonds (¥98.7 billion), expenditure for the acquisition of treasury stock (¥20.3 billion), payment of dividend (¥18.4 billion), and decrease in long-term debt (¥18.3 billion).

## 2) Indicators

	FY2001	FY2002	FY2003	FY2004	FY2005
Equity ratio	33.1%	34.6%	35.9%	38.9%	43.0%
Equity ratio based on market value	52.5%	61.0%	63.8%	68.6%	81.9%
Number of years for debt repayment	4.0	3.4	3.1	2.9	3.1
Interest coverage ratio	9.9	12.2	14.5	16.5	15.9

Equity ratio: Equity capital / total assets

Equity ratio based on market value: total market price of shares / total assets

Number of years for debt repayment: Interest bearing debt / operating cash flow

Interest coverage ratio: operating cash flow / interest payments

-All calculation based on consolidated financial figures.

-Operating cash flow used for cash flow. Interest bearing debt covers bonds, convertible bonds, long-term borrowings (all including debts due within one year), short term borrowings and commercial papers out of the interest bearing debt recorded on the balance sheet.

<Consolidated Statements>

1. Consolidated balance sheet

(Unit: million yen)

Account	FY2005 (Mar. 31, 2006)	FY2004 (Mar. 31, 2005)	Change
(Assets)			
Fixed assets	1,391,882	1,382,066	9,816
Tangible fixed assets	1,140,302	1,159,517	-19,215
Production facilities	216,123	228,886	-12,763
Distribution facilities	514,713	510,727	3,986
Business facilities	59,461	59,733	-272
Other facilities	298,951	311,857	-12,906
Suspended facilities	984	-	984
Construction in progress	50,068	48,311	1,757
Intangible fixed assets	23,649	22,779	870
Consolidation Adjust Account	2,504	2,902	-398
Other intangible fixed assets	21,144	19,877	1,267
Investments, etc.	227,931	199,769	28,162
Investment securities	145,047	100,601	44,446
Long-term loans receivable	3,553	4,047	-494
Deferred tax assets	36,385	51,329	-14,944
Miscellaneous investments	43,668	45,503	-1,835
Allowances for doubtful accounts	-724	-1,711	987
Current assets	302,016	286,667	15,349
Cash and deposits	49,116	53,246	-4,130
Notes and accounts receivable	147,059	139,722	7,337
Inventories	34,597	25,436	9,161
Deferred tax assets	12,765	12,075	690
Other current assets	59,326	57,149	2,177
Allowances for doubtful accounts	-848	-962	114
<b>Total assets</b>	<b>1,693,898</b>	<b>1,668,734</b>	<b>25,164</b>

(Unit: million yen)

Account	FY2005 (Mar. 31, 2006)	FY2004 (Mar. 31, 2005)	Change
(Liabilities)			
Fixed liabilities	661,945	718,878	-56,933
Straight bonds	305,500	305,500	-
Convertible bonds	39,700	89,885	-50,185
Long-term bank loans payable	151,539	151,753	-214
Deferred tax liabilities	5,329	2,599	2,730
Estimated retirement benefits	130,222	141,480	-11,258
Allowances for repairs of gas holders	3,229	3,463	-234
Other fixed liabilities	26,424	24,196	2,228
Current liabilities	293,466	292,458	1,008
Fixed liabilities due within one year	45,597	51,969	-6,372
Notes and accounts payable	76,925	60,563	16,362
Short-term bank loans payable	17,670	25,123	-7,453
Corporation tax payable, etc.	33,527	41,690	-8,163
Deferred tax liabilities	178	167	11
Other current liabilities	119,566	112,944	6,622
Total liabilities	955,411	1,011,337	-55,926
Minority interest	10,255	8,630	1,625
(Shareholders' equity)			
Common stock	141,844	141,844	-
Capital reserve	2,065	2,067	-2
Consolidated retained earnings	572,599	532,810	39,789
Mark-up from revaluation of securities	56,510	31,500	25,010
Translation adjustment account	51	-311	362
Treasury stock	-44,840	-59,145	14,305
Total shareholders' equity	728,231	648,766	79,465
Total liabilities, minority interest and shareholders' equity	1,693,898	1,668,734	25,164

## 2. Consolidated statement of income

(Unit: million yen)

Account	FY2005 (Apr. 2005 to Mar. 2006)	FY2004 (Apr. 2004 to Mar. 2005)	Change
Sales	1,266,501	1,190,783	75,718
Cost of sales	724,503	624,722	102,125
(Gross profit)	(541,998)	(566,060)	(-26,406)
Supply and sales expenses	352,388	346,617	3,513
General and administrative expenses	77,263	74,094	3,083
(Operating income)	(112,345)	(145,349)	(-33,004)
Non-operating income	10,863	12,114	-1,251
Interest income	58	144	-86
Dividend income	1,391	941	450
Return on investment accounted for by equity method	693	258	435
Balance on commodity derivatives	2,458	-	2,458
Balance on weather derivatives	-	2,740	-2,740
Contribution for gas pipeline construction for wholesale supply	-	1,507	-1,507
Miscellaneous revenues	6,261	6,522	-261
Non-operating expenses	24,520	24,607	-87
Interest paid	11,014	13,134	-2,120
Balance on commissioned construction	3,016	4,042	-1,026
Loss on weather derivatives	5,666	-	5,666
Loss from debenture redemption	-	2,879	-2,879
Miscellaneous expenditures	4,823	4,551	272
(Ordinary income)	(98,689)	(132,856)	(-34,167)
Extraordinary income	7,601	5,734	1,867
Gain on sales of fixed assets	2,257	472	1,785
Gain on sales of investment securities	4,929	5,262	-333
Gain on breakdown of retirement benefit reserve accompanying changes to corporate pension system	414	-	414
Extraordinary losses	5,443	5,268	175
Loss from sale of fixed assets	17	500	-483
Losses on compression of fixed assets	298	82	216
Losses on impairment of fixed assets	-	1,198	-1,198
Special retirement pay	-	3,486	-3,486
Loss on abandonment of a system project	5,127	-	5,127
Net income before adjustment for tax, etc.	100,846	133,322	-32,476
Corporation tax, residence tax and business tax	35,703	45,073	-9,370
Adjustment for corporate taxes, etc.	2,497	3,534	-1,037
Minority shareholder income (loss)	530	667	-137
Net income	62,114	84,047	-21,933

### 3. Statement of consolidated retained earnings

(Unit: million yen)

Account	FY2005 (Apr. 2005 - Mar.2006)		FY2004 (Apr. 2004 - Mar.2005)		Change	
(Capital surplus)						
Initial balance of capital surplus		2,067		2,065		2
Increase in capital surplus						
Net gain on disposal of treasury stock	-	-	1	1	-1	-1
Decrease in capital surplus						
Net loss on disposal of treasury stock	1	1	-	-	1	1
Balance of capital surplus at end of period		2,065		2,067		-2
(Retained earnings)						
Initial balance of retained earnings		532,810		457,924		74,886
Increase in retained earnings						
Net Income	62,114		84,047		-21,933	
Increase due to expansion in the scope of consolidation	4	62,119	10,988	95,035	-10,984	-32,916
Decrease in retained earnings						
Dividends	18,496		20,084		-1,588	
Directors' bonuses	65		65		-	
Net loss on disposal of treasury stock	3,768	22,329	-	20,149	3,768	2,180
Balance of consolidated retained earnings at end of period		572,599		532,810		39,789

#### 4. Consolidated statement of cash flows

(Unit: million yen)

Account	FY2005 (Apr. 2005 to Mar. 2006)	FY2004 (Apr. 2004 to Mar. 2005)	Change
<b>I. Cash flow from operating activities</b>			
Net income before adjustment for tax, etc.	100,846	133,322	-32,476
Depreciation	132,300	136,420	-4,120
Impairment losses	4,076	3,850	226
Amortization of long-term prepaid expenses	-	1,198	-1,198
Loss on retirement of tangible fixed assets	3,251	3,388	-137
Gain/loss on sale of fixed assets	-2,220	-	-2,220
Income/loss on sale of investment securities	-4,929	-5,262	333
Loss from debenture redemption	-	2,879	-2,879
Change in allowances for doubtful accounts	-1,100	-1,292	192
Change in provision for retirement benefits	-11,189	-17,455	6,266
Interest and dividends earned	-1,449	-1,085	-364
Interest paid	11,014	13,134	-2,120
Income from a company by equity method	-693	-	-693
Change in accounts receivable	-7,101	-7,596	495
Change in inventories	-9,170	-778	-8,392
Change in accounts payable	23,122	6,057	17,065
Change in consumption tax payable	-2,080	-1,139	-941
Change in prepaid expenses	-528	-	-528
Change in uncollected balance	-1,551	-	-1,551
Loss from abandonment of a system project	4,517	-	4,517
Other	-1,076	4,945	-6,021
Sub-total	236,036	270,585	-34,549
Proceeds from interest and dividends	1,445	1,057	388
Payment of interest	-11,409	-13,003	1,594
Payment of corporation tax, etc.	-44,542	-43,601	-941
Cash flow from operating activities	181,529	215,037	-33,508
<b>II. Cash flow from investing activities</b>			
Purchases of investment securities	-7,564	-14,118	6,554
Proceeds from sale of investment securities, etc.	5,219	6,263	-1,044
Purchases of tangible fixed assets	-110,993	-94,083	-16,910
Purchases of intangible fixed assets	-4,950	-12,786	7,836
Spending on long-term prepaid expenses	-2,502	-2,332	-170
Proceeds from sale of fixed assets	6,598	4,028	2,570
Proceeds from sale of consolidated subsidiary	678	-	678
Expenditures based on lending for long-term loans	-1,572	-1,610	38
Proceeds from recovery of long-term loans receivable	-	4,427	-4,427
Other	-984	2,836	-3,820
Cash flow from investing activities	-116,071	-107,375	-8,696
<b>III. Cash flow from financing activities</b>			
Net decrease in short-term debt	-8,684	-2,690	-5,994
Proceeds from long-term debt	16,997	20,565	-3,568
Payments for long-term debt	-34,100	-26,946	-7,154
Proceeds from bond issues	-	40,000	-40,000
Payments for redemption of bonds	-18,333	-98,756	80,423
Dividend payments	-18,497	-20,068	1,571
Payment of dividends to minority shareholders	-93	-75	-18
Payment to minority shareholders on account of capital reduction	-	190	-190
Proceeds from sale of treasury stock	26	63	-37
Payments for acquiring treasury stock	-20,355	-20,441	86
Cash flow from financing activities	-83,041	-108,160	25,119
<b>IV. Difference due to conversion of cash and cash equivalents</b>	4	-2	6
<b>V. Change in cash and cash equivalents</b>	-17,578	-500	-17,078
<b>VI. Cash and cash equivalents at beginning of year</b>	50,664	43,960	6,704
<b>VII. Increase in cash and cash equivalents due to new consolidation</b>	12,547	7,204	5,343
<b>VIII. Cash and cash equivalents at end of year</b>	45,633	50,664	-5,031



## 5. Segment information

### (1) Segment information by category of business

(Unit: million yen)

	Gas	Gas appliances	Contracted construction work	Building lease	Other business	Total	Corporate and eliminations	Consolidated	
Current year	I. Sales and operating income (loss)								
	Sales								
	(1) External sales	898,553	128,376	55,771	11,054	172,745	1,266,501	-	
	(2) Intersegment sales and transfers	11,767	2,449	3,975	23,132	79,850	121,175	(121,175)	
	Total	910,320	130,825	59,746	34,187	252,595	1,387,676	(121,175)	1,266,501
	Operating expenses	750,300	126,208	56,771	28,728	242,948	1,204,957	(50,801)	1,154,155
	Operating income (loss)	160,020	4,617	2,975	5,459	9,647	182,719	(70,373)	112,345
	II. Assets, depreciation expenses and capital expenditures								
	Assets	1,013,053	43,075	19,718	193,712	228,085	1,497,645	196,253	1,693,898
	Depreciation expenses	100,788	485	184	11,339	21,420	134,218	(1,917)	132,300
Capital expenditures	-	-	-	-	-	-	-	-	
	88,216	804	36	2,850	26,596	118,503	(1,571)	116,932	
Previous year	I. Sales and operating income (loss)								
	Sales								
	(1) External sales	826,583	132,373	60,830	14,004	156,990	1,190,783	-	1,190,783
	(2) Intersegment sales and transfers	8,074	2,734	3,964	20,696	77,729	113,200	(113,200)	-
	Total	834,658	135,108	64,794	34,701	234,720	1,303,983	(113,200)	1,190,783
	Operating expenses	651,973	128,054	61,220	28,197	221,305	1,090,751	(45,318)	1,045,433
	Operating income (loss)	182,684	7,053	3,574	6,503	13,415	213,231	(67,882)	145,349
	II. Assets, depreciation expenses, and capital expenditures								
	Assets	1,006,672	42,681	21,425	205,078	222,241	1,498,099	170,634	1,668,734
	Depreciation expenses	107,081	514	184	12,358	18,142	138,281	(1,861)	136,420
Capital expenditures	-	-	-	-	1,198	1,198	-	1,198	
	74,979	534	297	3,217	29,621	108,650	(3,452)	105,197	

#### Notes

##### 1. Classification of business categories and main products in each category of business

Business categories are classified by aggregate sale category in accordance with the Gas Business Accounting Regulations.

Business categories	Main products
Gas	Gas
Gas appliances	Gas appliances
Contracted construction work	Gas construction work
Building lease	Lease and management of buildings, etc.
Other businesses	District heating and cooling, coke, LPG, petroleum products, credit leases, system integration, general engineering

2. The main unapportionable operating expenses included under "corporate and eliminations" are general expenses relating to the administration department of the company submitting the consolidated financial statements.

FY2005: ¥71,569 million (FY2004: ¥66,944 million)

3. In the category of assets, the main company-wide assets included under "corporate and eliminations" are surplus operating funds (cash and cash equivalents), deferred tax assets, and long-term investment capital (investment securities).

FY2005: ¥239,031 million (FY2004: ¥218,385 million)

(2) Segment information by location

Not applicable due to absence of overseas consolidated subsidiaries.

(3) Overseas sales

Not included due to insignificance of overseas sales as a proportion of consolidated sales.

## 6. Market value of securities

(1) Marketable debt securities being held to maturity

(Unit: million yen)

Category	FY2005 (Mar. 31, 2006)			FY2004 (Mar. 31, 2005)		
	Book value	Market value	Net unrealized gain (loss)	Book value	Market value	Net unrealized gain (loss)
Market value in excess of the book value						
Government and municipal bonds, etc.	10	11	-	44	46	1
Total	10	11	-	44	46	1
Market value not in excess of the book value						
Government and municipal bonds, etc.	236	235	-1	-	-	-
Total	236	235	-1	-	-	-
Grand total	247	246	-	44	46	1

## (2) Other marketable securities

(Unit: million yen)

Category	FY2005 (Mar. 31, 2004)			FY2004 (Mar. 31, 2005)		
	Acquisition cost	Book value	Net unrealized gain (loss)	Acquisition cost	Book value	Net unrealized gain (loss)
Book value in excess of the acquisition cost						
Stocks	14,442	104,118	89,675	12,454	62,578	50,124
Total	14,442	104,118	89,675	12,454	62,578	50,124
Book value not in excess of the acquisition cost						
Stocks	1,059	974	-85	2,323	2,125	-198
Total	1,059	974	-85	2,323	2,125	-198
Grand total	15,502	105,092	89,590	14,777	64,703	49,926

## (3) Book values of main non-marketable securities

(Unit: million yen)

Category	FY2005 (Mar. 31, 2006)	FY2004 (Mar. 31, 2005)
	Book value	Book value
Stocks in subsidiaries and affiliates	27,639	23,831
Other securities		
Unlisted stocks (excluding over-the-counter stocks)	12,050	12,007

## 10. Derivative transactions

[FY2005]

(Unit: million yen)

Object		Contract amount	Market value	Recognized gains/losses
Commodity	Currency/price swap contracts*2	700	482	482
Weather	Weather derivatives*3	8,000	-	-
Total		-	-	482

1. Market value is calculated based on the information presented by the financial institution.
2. The contract amounts are nominal and the amounts do not indicate the degree of market risk or credit risk regarding the derivative transactions.
3. Contract amounts are stated at the maximum receivable amount under the contracts. Market value of weather derivatives are not stated because the calculation of the fair value is impossible.
4. Derivative transactions accounted for hedge accounting is applied are excluded.

[FY2004]

(Unit: million yen)

Object		Contract amounts	Market value	Recognized gains/losses
Currency	Currency swap contracts*2	105	32	32
Weather	Weather derivatives*3	5,625	-	-
Total		-	-	32

1. Market value is calculated based on the information presented by the financial institution.
2. The contract amounts are nominal and the amounts do not indicate the degree of market risk or credit risk regarding the derivative transactions.
3. Contract amounts are stated at the maximum receivable amount under the contracts. Market value of weather derivatives are not stated because the calculation of the fair value is impossible.
4. Derivative transactions accounted for hedge accounting is applied are excluded.

## 11. Retirement benefits

### (1) Outline of the retirement benefit program

For the most part, defined benefit type systems consist of the tax qualified pension system, the welfare pension system and the lump sum retirement benefit system. With the establishment of the Defined-Benefit Corporate Pension Law, Tokyo Gas has carried out reforms to its pension system, shifting from a tax qualified pension system to a contract type corporate pension system and introducing a cash balance plan. Therefore, retirement benefit liabilities for the year under review are calculated assuming the new system..

- (2) Retirement benefit reserve: (as of the end of FY2005) ¥130,222 million  
(as of the end of FY2004) ¥141,480 million

### (3) Items related to retirement benefit expenses (FY2005)

(Unit: million yen)

Item	FY2005 (Apr. 1, 2005 to Mar. 31, 2006)	FY2004 (Apr. 1, 2004 to Mar. 31, 2005)
1) Service expenses	9,585	9,711
2) Interest expenses	7,180	7,475
3) Expected earning from fund management	-3,807	-3,402
4) Disposal of expenses associated with difference due to mathematical calculation	10,568	3,049
5) Disposal of expenses associated with past service debt	-91	-154
6) Others	3,008	1,037
7) Retirement benefit expenses ( 1)+2)+3)+4)+5)+6)+7))	26,443	17,715

Note: Retirement benefit expenses of consolidated subsidiaries applying the simplified method are posted under Item 1) "Service expenses".

### (4) Items related to the basis of calculation of retirement benefit debt, etc.

(Unit: million yen)

Item	FY2005 (Apr. 1, 2005 to Mar. 31, 2006)	FY2004 (Apr. 1, 2004 to Mar. 31, 2005)
Method of term allocation of projected retirement benefit payments	Term fixed-amount standard	Term fixed-amount standard
Discount rate	Mainly 2.0%	Mainly 2.1%
Rate of expected earning from fund management	Mainly 2.0%	Mainly 2.0%
Number of years for disposal of the amount of past service debt	Mainly 1 year	Mainly 1 year
Number of years for disposal of the difference due to mathematical calculation	Mainly 1 year	Mainly 1 year