

FY2007 ended March 2008
Consolidated Financial Results Bulletin
Tokyo Gas Co., Ltd.

Code No.: 9531

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

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Consolidated Tax Group

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

Location of head office: Tokyo

Meeting of board of directors to approve the financial results: April 25, 2008

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

1. Consolidated results for FY2007 ended March 2008 (April 1, 2007 - March 31, 2008)

(1) Consolidated business results

(Rounded down to the nearest million yen)

	Sales		Operating income		Ordinary income		Net income	
	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: million yen)	(%)
FY2007 ended Mar. 2008	1,487,496	8.0	70,048	-56.8	66,832	-57.2	42,487	-57.8
FY2006 ended Mar. 2007	1,376,958	8.7	162,315	44.5	156,039	58.1	100,699	62.1

	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	Operating Income Ratio
	(Unit: yen)	(Unit: yen)	(%)	(%)	(%)
FY2007 ended Mar. 2008	15.94	15.50	5.4	3.9	4.7
FY2006 ended Mar. 2007	37.50	35.69	13.2	9.2	11.8

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

FY2007 ended March 2008 3,775 million yen

FY2006 ended March 2007 1,347 million yen

(2) Consolidated financial position

	Total assets	Shareholders' equity	Ratio to shareholders' equity	Shareholders' equity per share
	(Unit: million yen)	(Unit: million yen)	(%)	(Unit: yen)
FY2007 ended Mar. 2008	1,703,651	780,455	45.1	289.49
FY2006 ended Mar. 2007	1,692,635	806,045	47.0	293.11

Note: Shareholders' equity (Minority interest are excluded)

FY2007 ended March 2008 769,072million yen

FY2006 ended March 2007 795,101million yen

(3) 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)
FY2007 ended Mar. 2008	182,204	-155,365	-25,189	43,706
FY2006 ended Mar. 2007	190,597	-130,922	-65,843	40,231

2. Dividend

	Dividend per share (Unit: yen)			Dividend payment (Full-year)	Payout ratio (Consolidated)	Dividend on equity
	End of 2Q	End of 4Q	Full-year			
FY2006 ended Mar.2007	3.50	4.50	8.00	(Unit: million yen) 21,556	(%) 21.3	(%) 2.8
FY2007 ended Mar.2008	4.00	4.00	8.00	21,251	50.2	2.7
FY2008 ended Mar. 2009 (Forecast)	4.00	4.00	8.00	-	42.5	-

3. Forecast for FY2008 ending March 2009 (April 1, 2008 - March 31, 2009)

	Sales	Operating income	Ordinary income	Net income	Net earnings per share
	(Unit: million yen) (%)	(Unit: million yen) (%)	(Unit: million yen) (%)	(Unit: million yen) (%)	(Unit: yen)
Half-year	754,000	11,000	8,000	10,000	3.76
Full-year	1,712,000	75,000	68,000	50,000	18.82

4. Note

(1) Changes in major consolidated subsidiaries: None

(2) Changes in scope of consolidated subsidiaries and affiliates and application of equity method

Consolidated subsidiaries: 55

-Newly added: 5

-Excluded: 2

By equity method

-Newly added: 3

-Excluded: nil

(3) Any change in the accounting methods used here from those used in preparing consolidated accounts for the previous business year (yes/no): *yes* *Please see page 19, Note in detail.

(4) Number of outstanding shares

- Number of outstanding shares at year end (Treasury stocks are included):

FY2007 ended March 2008 2,741,571,295 shares

FY2006 ended March 2007 2,810,171,295 shares

- Number of treasury stocks at year end:

FY2007 ended March 2008 84,937,500 shares

FY2006 ended March 2007 97,537,522 shares

(Reference)**1. Non-Consolidated results for FY2007 ended March 2008 (April 1, 2007 - March 31, 2008)****(a) Non-Consolidated business results****(Rounded down to the nearest million yen)**

	Sales		Operating income		Ordinary income		Net income	
	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: million yen)	(%)
FY2007 ended Mar. 2008	1,268,048	8.2	42,863	-68.7	44,376	-68.3	29,921	-67.6
FY2006 ended Mar. 2007	1,172,186	8.7	136,778	50.3	139,823	64.3	92,340	67.0

	Net earnings per share	Net earnings per share adjusted for latent shares
	(Unit: yen)	(Unit: yen)
FY2007 ended Mar. 2008	11.22	10.94
FY2006 ended Mar. 2007	34.39	32.74

(b) Non-Consolidated financial position

	Total assets	Shareholders' equity	Ratio to shareholders' equity	Shareholders' equity per share
	(Unit: million yen)	(Unit: million yen)	(%)	(Unit: yen)
FY2007 ended Mar. 2008	1,401,464	660,000	47.1	248.43
FY2006 ended Mar. 2007	1,382,259	703,173	50.9	259.22

Note: Shareholders' equity (Minority interest are excluded)

FY2007 ended March 2008 660,000 million yen

FY2006 ended March 2007 703,173 million yen

2. Non-Consolidated Forecast for FY2008 ending March 2009 (April 1, 2008 - March 31, 2009)**(Unit: million yen)**

	Sales		Operating income		Ordinary income		Net income		Net earnings per share
	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: million yen)	(%)	(Unit: yen)
Half-year	637,000	17.5	4,000	-83.2	4,000	-84.0	3,000	-81.6	1.13
Full-year	1,446,000	14.0	52,000	21.3	52,000	17.2	36,000	20.3	13.55

* 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. Business performance and financial position

(1) Analysis on business performance

The Japanese economy of this term shows some signs of recovery including increased capital investment helped by recovery of corporate performances and healthy export. However, its business environment was still severe, as the high crude oil price tendency and confusion of stock market which caused by problems of “subprime loan” 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 ¥1.487 trillion, up 8.0% 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 of high gas resource cost due to growth in sales volume as well as high rise in crude oil prices, labor cost increased due to actuarial differences and depreciation due to tax revision.

As a result, operating income decreased by 56.8% to ¥70.0 billion, and ordinary income was down 57.2% to ¥66.8 billion and net income was down 57.8% to ¥42.4 billion.

<Situation in each segment during the term>

1) Gas business

In FY2007, the gas sales volume rose 6.8% compared with the previous year to 14.215 billion m³.

Residential demand rose 2.3 % year on year to 3.529 billion m³. It is because of higher temperatures in first half and low temperatures in the second half than previous year when gas demand is strong, which caused more demand in hot water and space heating.

Moreover, commercial and other business demand was up 4.3% to 2.132 billion m³ and 7.1% to 994 million m³ respectively, making a combined total of 3.126 billion m³, up 5.2% year on year. This was result of increase in demand for air-conditioning due to higher temperature in summer and lower temperature in winter.

Industrial demand was up 7.4% year on year to 5.732 billion m³ compared with the previous year due to increased operation of both existing and new customers.

Wholesale supplies to other gas utilities rose 17.6% year on year to 1.828 billion m³ due to increase operation by those utilities.

As a result, gas sales was up to ¥1,087 billion by ¥87.5 billion or 8.8% compared with the previous year due to increase in gas unit price based on gas rate adjustment system.

Operating expenses overall rose by ¥179.4 billion yen or 22.5% because of the increase in gas resource cost that accompanied the growth in gas sales volume.

Operating income was down by ¥ 91.9 billion or 45.1% over the previous year to ¥111.6 billion.

2) Gas appliances business

Sales declined by ¥3.1 billion or 2.3% compared to the previous year to ¥132.3 billion. As a result of ¥4.8 billion or 3.6% decrease in operating expenses, operating income fell ¥1.8 billion or 148.8% year on year to ¥2.9 billion.

3) Related construction

Sales declined by ¥1.9 billion or 3.2% compared with the previous year to ¥57.3 billion. As a result of ¥1.0 billion or 1.7% decrease in operating expenses, operating income fell ¥0.9 billion or 52.7% to ¥0.8 billion.

4) Real estate rental

Sales rose by ¥1.1 billion or 3.3% compared with the previous year to ¥35.1 billion. As a result of ¥0.1 billion or 0.4% decrease in operating expenses, operating income rose ¥1.2 billion or 18.3% to ¥7.9 billion.

5) Other business

Sales in other business rose by ¥34.9 billion or 12.2% compared with the previous year to ¥320.3 billion due to the increase in sales related to energy service business. As a result of ¥36 billion or 13.3% increase in operating expenses, operating income down by ¥1.1 billion or 7.8% to ¥12.7 billion.

<Summary by segment>

(Unit: billion yen)

		Gas	Gas appliances	Related construction	Real estate Rental	Others
Sales	FY2007 (% of total)	1,087.0 (66.6%)	132.3 (8.1%)	57.3 (3.5%)	35.1 (2.2%)	320.3 (19.6%)
	FY2006 (% of total)	999.5 (66.1%)	135.4 (8.9%)	59.2 (3.9%)	34.0 (2.2%)	285.4 (18.9%)
	Amount of change Rate of change	87.5 8.8%	-3.1 -2.3%	-1.9 -3.2%	1.1 3.3%	34.9 12.2%
Operating expenses	FY2007 (% of total)	975.3 (65.1%)	129.4 (8.7%)	56.4 (3.8%)	27.2 (1.8%)	307.5 (20.6%)
	FY2006 (% of total)	795.9 (61.9%)	134.2 (10.4%)	57.4 (4.5%)	27.3 (2.1%)	271.5 (21.1%)
	Amount of change Rate of change	179.4 22.5%	-4.8 -3.6%	-1.0 -1.7%	-0.1 -0.4%	36.0 13.3%
Operating income	FY2007 (% of total)	111.6 (82.1%)	2.9 (2.1%)	0.8 (0.6%)	7.9 (5.8%)	12.7 (9.4%)
	FY2006 (% of total)	203.5 89.6 (%)	1.1 (0.5%)	1.7 (0.8%)	6.7 (3.0%)	13.8 (6.1%)
	Amount of change Rate of change	-91.9 -45.1%	1.8 148.8%	-0.9 -52.7%	1.2 18.3%	-1.1 -7.8%

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 FY2007 and FY2006 was as follows.

	Sales	Operating income	Ordinary income	Net income
FY2007	1.17	1.63	1.51	1.42
FY2006	1.17	1.19	1.12	1.09

<Forecast for FY2008 and results of FY2007 >

(Unit: billion yen)

	Sales		Operating income	Ordinary income	Net income
	Gas sales	Other sales			
FY2008 (forecast)	1,712.0	1,251.2	75.0	68.0	50.0
FY2007 (results)	1,487.4	1,087.0	70.0	66.8	42.4
Change	224.6	164.2	5.0	1.2	7.6
Rate of change	15.1%	15.1%	7.1%	1.7%	17.9%

We forecast that gas sales volume in FY2008 will grow 1.7% compared with FY2007 to 14.46 billion m³ due to our efforts to acquire new customers and to promote and sell gas appliances. We expect gas sales to increase by ¥164.2 billion or 15.1% to ¥1.2512 trillion in response to this, while sales in both gas appliance and contracted construction work will decline, however as we expect sales growth in other business by ¥60.4 billion due to increase mainly in sales of energy service business, so we expect consolidated sales to rise by ¥224.6 billion or 15.1% to ¥1.712 trillion.

Meanwhile, because of factors such as the increase in operating expenses due to increase in gas resource cost, the projection is envisaged as follows:

Operating income: increase ¥5.0 billion (7.1%) to ¥75.0 billion
 Ordinary income: increase ¥1.2 billion (1.7%) to ¥68.0 billion
 Net income: increase ¥7.6 billion (17.9%) to ¥50.0 billion

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

	Sales	Operating income	Ordinary income	Net income
FY2008	1.18	1.44	1.31	1.39

(2) Analysis on financial position

<Analysis on assets, debt, shareholders equity and cash flows>

Assets was increased by ¥11.0 billion to ¥1.7036 trillion compared with the end of March 2007 because of increase of current assets mainly in Accounts Receivable[¥6.2 billion], increase in fixed assets mainly in construction in progress[¥4.8 billion].

Because of increase in current liabilities due to notes and accounts payable, increase in fixed liabilities due to long- term bank loans payable[¥15.2 billion], the liabilities increased by ¥ 36.6 billion to ¥ 923.1 billion.

Also, as a result of decrease in valuation and translation adjustments [-17.3 billion yen] and earned surplus [disposal of treasury stock, -8.7 billion yen], net assets decreased to ¥780.4 billion. Our shareholders' equity ratio fell by 1.9 percentage points to 45.1% from the end of March 2007.

<Situation of cash flow>

(Unit: billion yen)

	FY2007	FY2006	Change
Cash flow from operating activities	182.2	190.5	-8.3
Cash flow from investing activities	-155.3	-130.9	-24.4
Cash flow from financing activities	-25.1	-65.8	40.7
Cash and cash equivalents during FY2006	2.1	-6.1	8.2
Cash and cash equivalents at beginning of year	40.2	45.6	-5.4
Cash and cash equivalents due to expansion of consolidation	1.3	0.7	-0.6
Cash and cash equivalents at end of year	43.7	40.2	3.5

a) Cash flow from operating activities

Cash and cash equivalents obtained as a result of operating activities amounted to ¥182.2 billion. This derived mainly from net income before adjustments for tax and etc. [¥69.6 billion], the progress of depreciation of fixed assets.

b) Cash flow from investing activities

Cash and cash equivalents obtained as a result of investing activities amounted to ¥155.3 billion. This derived mainly from the acquisition of tangible fixed assets such as gas supply facilities [expenditure: ¥128.9 billion].

c) Cash flow from financing activities

Cash and cash equivalents obtained as a result of financing activities amounted to ¥25.1 billion. Despite of proceed of long-term bank loans payable [¥59.5 billion], issue of straight bond [¥29.9 billion], cash and cash equivalents was decreased because of payments for long-term debt [¥43.1 billion], payments for acquiring treasury stock [¥39.5 billion] and payments for dividend for shareholders [¥22.8 billion].

<Cash Flow Indicators>

	FY2003	FY2004	FY2005	FY2006	FY2007
Equity ratio	35.9%	38.9%	43.0%	47.0%	45.1%
Equity ratio based on market value	63.8%	68.6%	81.9%	105.3%	62.8%
Number of years for debt repayment	3.1	2.9	3.1	2.8	3.1
Interest coverage ratio	14.5	16.5	15.9	18.6	17.9

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

[Notice] -All calculation based on consolidated financial figures.

-Total market value of shares is calculated based on the number of shares as of the end of fiscal year (excluding treasury stocks)

-Cash flow means operating cash flow

-Interest bearing debt covers bonds, convertible bonds, long-term bank loan payable (all including debts due within one year), short-term bank loan payable and commercial papers out of the interest bearing debt recorded on the balance sheet.

(3) Basic policy on the corporate profit allocation and dividend

In 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 previous 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)

In accordance with the aforementioned perspective on overall propensity, we are planning to acquire up to 60 million shares of our own stock worth up to 39 billion yen during fiscal 2007, and expect to pay a dividend this term of 8 yen per share, up 1 yen from fiscal 2006. I should add that, in the future as well, we intend to continue paying stable dividends in line with this policy.

(4) Risks of gas business

Of the items related to business results and financial position in the financial results, the following ones could possibly exert a major influence on decisions by investors. It should be noted that statements concerning the future in this document are judgments made by the Group based on information available at the end of the term.

A Risks associated with accidents, disasters, etc.

(a) Impairment of manufacture and supply

The production and supply of city gas is at the foundation of the Group's business activities. For this reason, the occurrence of large-scale leakage, explosions, or supply difficulties in the process of gas production or supply could possibly result in tangible and intangible loss in aspects including social responsibility, in addition to the direct loss.

(b) Problems in the areas of assurance of gas safety and the quality of gas appliances and other products

Besides being responsible for safety in gas supply, the Group sells gas appliances and other products under its own brand through consolidated subsidiaries and cooperating firms. As such, in the event of accidents involving gas supply or caused by gas appliances, it could possibly incur both direct and indirect loss associated with response to such incidents.

(c) Damage due to rumors caused by gas accidents at other firms

Gas accidents at other firms could possibly have an immense impact on the entire city gas industry and breed circumstances in which it would incur tangible and intangible loss.

(d) Natural disasters

The Group is an equipment-intensive industry whose business activities are grounded in facilities for the production and supply of city gas. In the event of large-scale natural disasters such as earthquakes and typhoons, the supply of city gas could possibly be impaired due to damage inflicted on its plants or other production facilities and pipelines or other supply facilities. In addition, the cost required for resumption of normal production and supply could possibly affect the balance of payments.

(e) Gas resource procurement difficulties

The Group depends on import from other countries for most of natural gas and other gas resources used to produce city gas. The supply of city gas therefore could possibly be impaired in the event of inability to procure gas resources smoothly owing to country risks at import sources, troubles affecting gas fields or LNG liquefaction terminals, or difficulties in the process of LNG carrier transport.

B Market risks

(a) Market risks

The Group could possibly incur loss due to fluctuations in the market value of its real estate, financial assets, pension assets, or other holdings, or in gas resource prices, interest rates, and other items.

C Business strategy risks

(a) Risks in established business

- a) Risks accompanying the establishment and start of business by new regional energy companies
Beginning in April of this year, the Group is going to establish a succession of new regional energy companies (Tokyo Gas LIFEVAL) in order to develop the regional demand for gas mainly in the residential use, reorganize and consolidate customer services, and execute the related business in an integrated manner. We have made full preparations for the smooth launch and operation of these firms, but the initiative entails a fundamental review of the regional sales setup, and there may occur unforeseeable changes in situation. Such changes could possibly affect the smooth commencement of business.
- b) Intensification of competition
There is a risk of decline in demand and effect on the balance of payments in the event of intensified competition with electric power companies or other enterprises newly entering the gas business, or a loss of competitiveness on the part of LNG itself relative to other forms of energy due to factors such as a fluctuation in crude oil prices.
- c) Risks associated with insufficient or excessive recovery of gas resource costs
Under the provisions for adjustment for gas resource costs on gas tariffs, changes in gas resource prices are reflected in gas tariffs as a general rule. Because it may take up to six months for the actual fluctuation to be reflected in tariffs, the reflection may take place in the fiscal year after that of the fluctuation. In such cases, the single-year balance of payments may be affected by the deficient or excessive recovery of gas resource costs. In the event of sudden and substantial fluctuation in crude oil prices or exchange rates, the impact on the single-year balance of payments may possibly be particularly great.
- d) Changes in the environment of gas resource procurement
In the event of developments such as a demand increase exceeding the volume of procurement from LNG projects resting on long-term contracts, incidence of trouble in shipment terminals or transport, and delays in the start of supply from new LNG projects, the gas resource costs associated with spot LNG purchasing undertaken in response may possibly affect the balance of payments.
- e) Changes in the weather
Changes in the weather, and particularly the occurrence of abnormal weather such as unusually hot summers or warm winters, could possibly affect the balance of payments due to the resulting reduction of gas sales in the residential use, where gas is used mainly for heating water and space.
- f) Reduction in the existing demand
Part of the existing demand could possibly be reduced by factors such as the progress of energy-conserving activities, changes in lifestyle and the industrial structure, and business slumps.
- g) Risks associated with technology development
If the Group is not able to develop and utilize new products and technologies required for business execution, city gas could possibly lose competitiveness relative to other forms of energy, and this could possibly affect its execution of business.
- h) Changes in laws, regulations, and institutions
The Group executes its business in accordance with the Gas Utility Industry Law, Companies Act, Financial Instruments and Exchange Law, and other laws and regulations as well as related institutions. Changes in such laws, regulations, and institutions consequently could affect its execution of business.

(b) Risks associated with non-recovery of investment

The Group is continuing to make large-scale investments for establishment of total energy business and other agenda set forth in its medium-term management plan. The subjects of these investments include electric power business, energy service business, development of gas fields, and new business in LNG transport and other areas, as well as construction of pipelines for wide-area supply and the conditioning and improvement of infrastructure in established business through IT investment, etc. Subsequent changes in the economic situation could possibly make it impossible to recover this investment sufficiently or induce the intended effect from it, and consequently affect the balance of payments.

D Risks associated with information

(a) Information leaks

For its execution of business as a public utility, the Group collects and manages personal information on its customers. The external leakage of this information could possibly cause tangible and intangible loss in forms such as a loss of credibility among customers that is more serious than in the case of other corporate groups, in addition to the direct cost required for response.

(b) Shutdown or malfunction of trunk IT systems

The Group has installed trunk IT systems for city gas production and supply, and for calculation of gas tariffs. The shutdown or malfunction of these systems could possibly not only impair gas supply and delay accommodation of customer needs but also cause tangible and intangible loss in forms such as detraction from the image of the Group's name.

(c) Interruption of telephone service at call centers

The Group receives most requests from customers by telephone. An interruption of telephone service at call centers therefore could possibly not only delay accommodation of customer needs over large areas but also cause tangible and intangible loss in forms such as detraction from the image of the Group's name.

E Risks associated with social responsibility

(a) Environmental risks

The emergence of additional obligations for compliance with new environmental legislation or environmental improvement could possibly affect the Group's conduct of business and its balance of payments.

(b) Compliance risks

The occurrence of acts that are improper in the context of laws and regulations, or the articles of association; improper acts in information disclosure; or acts in violation of corporate ethics could possibly cause tangible and intangible damage in forms such as the imposition of social sanctions in addition to the direct cost required for response to them.

(c) Risks associated with CS and customer treatment

Insufficient satisfaction or defective treatment of customers could possibly result in tangible and intangible loss in forms such as a decline in corporate competitiveness and detraction from the image of the Group's name.

II. The scope of consolidated subsidiaries and affiliates and application of equity method

[1] The scope of consolidation

- Newly included subsidiaries in scope of consolidation: 5 companies

Tokyo Gas International Holdings B.V., Tokyo Gas Bajio B.V.,
TOKYO GAS-MITSUI&CO. HOLDINGS SDN. BHD., Tokyo Gas Pluto Pty Ltd.,
TK customer service Co., Ltd. [Every company is newly consolidated]

- Excluded: 2 companies

East Japan Housing Evaluation Center Co., Ltd.,
TG IT service Co., Ltd. was merged into TG information Network Co., Ltd.

[2] Equity method affiliates

- Newly included equity method affiliates: 3 companies

TOKYO TIMOR SEA RESOURCES INC., Bajio Generating VOF [Both companies are newly included], East Japan Housing Evaluation Center Co., Ltd.

Information about other consolidated subsidiaries and affiliates are not disclosed because there are not significant changes from articles of "business diagram" and "situation of subsidiaries and affiliates" in the latest annual security report. [reported on 28th June, 2007]

III. Management Policy

(1) Basic policy on corporate management

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. On the other hand, expectations for procurement of LNG, establish of responsibility for gas appliances safety, strengthen competitiveness in energy market increase even further over the coming years.

Taking into account the aforementioned changes of management environment, the Group have 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, 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) Targeted management indicators (consolidated)

Main strategies in 2006-2010 medium term management plan are in execution such as starting operations of Hitachi LNG satellite which is the largest class in Japan, participating on Pluto projects and signing the heads of agreement regarding purchase of LNG. Moreover, the number of customers exceeded over 10 million and gas sales volume also achieved the target.

	2006-2010 medium term management plan	Results in FY07
Operating cash flow (billion yen)	<Five-year total from 2006 to 2010> 1,120	<FY2007 Result> 184.9
Return on Asset (ROA) (%)	<FY 2010 target> 5.5	<FY2007 Result> 2.5
Return on Equity (ROE) (%)	<FY 2010 target> 10.9	<FY2007 Result> 5.4
TEP* (billion yen)	<FY 2010 target> 51	<FY2007 Result> 1.7

*Note: TEP = Tokyo Gas Economic Profit

-Operating cash flow=net income + depreciation

-TEP = after-tax & pre-interest-payment profit – capital cost (interest-bearing debt cost + shareholder capital cost)

(Pre-condition) Capital cost ratio (WACC): 3.8 %

(3) 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”, LIFUEL (fuel cell) and ECOWILL (gas engines), the cogeneration systems positioned them as residential power generation systems.

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 looking on deregulation as opportunities.

In relation to multi-energy supply and wider-area development of energy services, the Group efficiently conditions 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.

For import more competitive LNG, 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 Sakhalin II projects, the Group plans to receive supplies from new projects such as Pluto and Gorgon in Western Australia in fiscal 2008. While striving for more competitive LNG procurement in this way, the Group consider acquiring upstream interests.

<Increase in the brand value>

It is our aspiration to remain a corporate group that continues to be trusted and preferred by customers and society as a whole, through steady approaches to fulfilling our social responsibilities. This is at the foundation of our efforts in terms of communication with customers to elevate the status of the Tokyo Gas brand under the watchwords "Safety, Security, and Reliability." To assure safety in particular, we are not only taking further measures for aged gas pipes and buried house pipes requiring response, but also making vigorous efforts in relation to gas equipment and appliances. For example, we are encouraging customers to switch to safer appliances, making fuller arrangements for safety checks, and developing equipment that is inherently safer.

In its capacity as one of the pillars of the energy industry, the Tokyo Gas Group has always positioned environmental preservation as a key item on the management agenda. In keeping with this outlook, we have helped to curtail CO2 emissions at the stage of energy consumption by promoting the diffusion of natural gas, which offers excellent environmental features. Over the coming years as well, we are going to take positive-minded, continuous action to reduce environmental load in energy utilization by customers through the development and spread of equipment and systems that are highly efficient and have little burden on the environment. We are determined to execute wide-ranging activities of environmental preservation on the Group-wide level to be the "top runner" in respect of environmental management.

<Structural reform>

For the purpose of building closer relations with each and every customer and making our penetration of the market even deeper, in April of this year, we launched a setup for customer services with deep local roots that are provided by All Tokyo Gas (the extended family of the Tokyo Gas Group.)

As a part of these activities, we established Tokyo Gas LIFEVAL by reorganizing and consolidating the work of selling, repairing, and installing gas equipment as well as service commencement and termination upon customer relocation that has thus far been carried out by Enesta, and that of equipment safety checks and meter-reading performed by Tokyo Gas Customer Service. Tokyo Gas LIFEVAL is a new district energy company offering a one-stop provision of goods and services to help enhance life value. Excluding wide-area zones, its service area is divided into about 60 blocks. Serving as an integrated window for gas-related needs and the front line of customer contact with Tokyo Gas on the community level, it initiated operations in 12 blocks this April. Besides furnishing improved services so customers can select city gas with peace of mind, we intend to carefully accommodate diversifying lifestyles and needs, and build close relationships with each and every customer.

<Consolidated Statements>

1. Consolidated balance sheet

(Unit: million yen)

Account	FY2007 (Mar. 31, 2008)	FY2006 (Mar. 31, 2007)	Change
(Assets)			
Fixed assets	1,376,365	1,371,576	4,789
Tangible fixed assets	1,124,122	1,130,480	-6,358
Production facilities	200,585	207,751	-7,166
Distribution facilities	486,845	503,547	-16,702
Business facilities	60,765	64,012	-3,247
Other facilities	303,189	301,503	1,686
Suspended facilities	316	874	-558
Construction in progress	72,419	52,790	19,629
Intangible fixed assets	23,219	24,068	-849
Goodwill	1,833	1,396	437
Other intangible fixed assets	21,385	22,671	-1,286
Investments, etc.	229,022	217,027	11,995
Investment securities	131,443	144,666	-13,223
Long-term loans receivable	18,485	3,778	14,707
Deferred tax assets	31,635	28,043	3,592
Miscellaneous investments	48,072	41,289	6,783
Allowances for doubtful accounts	-614	-750	136
Current assets	327,286	321,058	6,228
Cash and deposits	46,092	42,616	3,476
Notes and accounts receivable	172,889	166,382	6,507
Inventories	38,526	36,132	2,394
Deferred tax assets	13,704	11,989	1,715
Other current assets	56,590	64,868	-8,278
Allowances for doubtful accounts	-516	-929	413
Total assets	1,703,651	1,692,635	11,016

(Unit: million yen)

Account	FY2007 (Mar. 31, 2008)	FY2006 (Mar. 31, 2007)	Change
(Liabilities)			
Fixed liabilities	616,624	601,454	15,170
Straight bonds	331,489	305,500	25,989
Convertible bonds	-	32,618	-32,618
Long-term bank loans payable	155,648	127,778	27,870
Deferred tax liabilities	3,066	4,716	-1,650
Estimated retirement benefits	93,557	92,947	610
Allowances for repairs of gas holders	3,558	3,437	121
Reserve for safety measures	2,957	5,427	-2,470
Other fixed liabilities	26,346	29,029	-2,683
Current liabilities	306,570	285,135	21,435
Fixed liabilities due within one year	63,359	42,742	20,617
Notes and accounts payable	99,352	59,728	39,624
Short-term bank loans payable	8,378	10,954	-2,576
Corporation tax payable, etc.	25,150	43,854	-18,704
Deferred tax liabilities	1	106	-105
Other current liabilities	110,327	127,748	-17,421
Total liabilities	923,195	886,589	36,606
(Net assets)			
Shareholders' Equity	735,251	743,997	-8,746
Paid in Capital	141,844	141,844	-
Capital Surplus	2,065	2,065	-
Returned earnings	634,116	644,652	-10,536
Treasury Stock	-42,774	-44,564	1,790
Valuation and translation adjustments	33,820	51,103	-17,283
Unrealized gains on other securities	31,917	49,706	-17,789
Deferred loss on hedging instruments	424	1,095	-671
Foreign currency translation adjustment	1,479	302	1,177
Shares of Minor Shareholders	11,382	10,944	438
Total net assets	780,455	806,045	-25,590
Total liabilities, minority interest and shareholders' equity	1,703,651	1,692,635	11,016

2. Consolidated statement of income

(Unit: million yen)

Account	FY2007 (Apr. 2007 to Mar. 2008)	FY2006 (Apr. 2006 to Mar. 2007)	Change
Sales	1,487,496	1,376,958	110,538
Cost of sales	974,110	799,468	174,642
(Gross profit)	(513,386)	(577,489)	(-64,103)
Supply and sales expenses	370,795	343,962	26,833
General and administrative expenses	72,541	71,211	1,330
(Operating income)	(70,048)	(162,315)	(-92,267)
Non-operating income	18,898	13,100	5,798
Interest income	446	155	291
Dividend income	1,513	1,895	-382
Return on investment accounted for by equity method	3,775	1,347	2,428
Rental income	-	1,500	-1,500
Balance on weather derivatives	-	1,620	-1,620
Foreign exchanges losses	5,011	-	5,011
Contribution for gas pipeline construction for wholesale supply	-	1,488	-1,488
Miscellaneous revenues	8,151	5,092	3,059
Non-operating expenses	22,114	19,375	2,739
Interest paid	10,460	10,369	91
Balance on commissioned construction	3,723	-	3,723
Miscellaneous expenditures	7,930	9,005	-1,075
(Ordinary income)	(66,832)	(156,039)	(-89,207)
Extraordinary income	5,205	13,750	-8,545
Gain on sales of fixed assets	1,849	7,899	-6,050
Gain on sales of investment securities	3,355	5,851	-2,496
Extraordinary losses	2,356	7,257	-4,960
Loss from sale of fixed assets	-	29	-29
Losses on impairment	567	-	567
Losses on compression of fixed assets	710	7,227	-6,517
Loss on abandonment of a system project	1,078	-	1,078
Net income before adjustment for tax, etc.	69,681	162,533	-92,852
Corporation tax, residence tax and business tax	22,748	49,335	-26,587
Adjustment for corporate taxes, etc.	3,238	11,711	-8,473
Minority shareholder income (loss)	1,207	786	421
Net income	42,487	100,699	-58,212

2. Consolidated Statements of Changes in Net Assets and Statements of consolidated retained earnings

Current interim period (From April 1, 2007 to March 31, 2008)

(Unit: million yen)

	Shareholders' equity				
	Paid-in capital	Capital surplus	Retained surplus	Treasury stock	Total shareholders' equity
Balance at Mar. 31, 2007	141,844	2,065	644,652	-44,564	743,997
Changes of items during the interim period					
Dividends from surplus			-22,831		-22,831
Net income			42,487		42,487
Repurchase of treasury stock				-39,572	-39,572
Disposal of treasury stock			-2,098	6,823	4,725
Cancellation of treasury stock			-34,539	34,539	-
Increase of subsidiaries			113		113
Increase of equity method affiliates			6,332		6,332
Net changes of items other than shareholders' equity					
Total changes of items during the interim period	-		-10,536	1,790	-8,745
Balance at Mar.31, 2008	141,844	2,065	634,116	-42,774	735,251

	Valuation and translation adjustments				Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Translation adjustments	Total valuation and translation adjustment		
Balance at Mar. 31, 2007	49,706	1,095	302	51,103	10,944	806,045
Changes of items during the interim period						
Dividends from surplus						-22,831
Net income						42,487
Repurchase of treasury stock						-39,572
Disposal of treasury stock						4,725
Cancellation of treasury stock						-
Increase of subsidiaries						113
Increase of equity method affiliates						6,332
Net changes of items other than shareholders' equity	-17,789	-671	1,177	-17,283	438	-16,845
Total changes of items during the interim period	-17,789	-671	1,177	-17,283	438	-25,590
Balance at Mar. 31, 2008	31,917	424	1,479	33,820	11,382	780,455

Current interim period (From April 1, 2006 to March 31, 2007)

(Unit: million yen)

	Shareholders' equity				
	Paid-in capital	Capital surplus	Retained surplus	Treasury stock	Total shareholders' equity
Balance at Mar. 31, 2006	141,844	2,065	572,599	-44,840	671,669
Changes of items during the interim period					
*Dividends from surplus			-9,423		-9,423
Dividends from surplus			-9,349		-9,349
Directors' and corporate auditors bonuses			-67		-67
Net income			100,699		100,699
Repurchase of treasury stock				-34,658	-34,658
Disposal of treasury stock			-8,403	34,933	26,529
Increase of subsidiaries			-1,404		-1,404
Net changes of items other than shareholders' equity					
Total changes of items during the interim period	-	-	72,052	275	72,327
Balance at Mar.31, 2007	141,844	2,065	644,652	-44,564	743,997

	Valuation and translation adjustments				Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Translation adjustments	Total valuation and translation adjustment		
Balance at Mar. 31, 2006	56,510	-	51	56,562	10,255	738,487
Changes of items during the interim period						
*Dividends from surplus						-9,423
Dividends from surplus						-9,349
Directors' and corporate auditors bonuses						-67
Net income						100,699
Repurchase of treasury stock						-34,658
Disposal of treasury stock						26,529
Increase of subsidiaries						-1,404
Net changes of items other than shareholders' equity	-6,803	1,095	250	-5,458	689	-4,769
Total changes of items during the interim period	-6,803	1,095	250	-5,458	689	67,558
Balance at Mar. 31, 2007	49,706	1,095	302	51,103	10,944	806,045

4. Consolidated statement of cash flows

(Unit: million yen)

Account	FY2007 (Apr. 2007 to Mar. 2008)	FY2006 (Apr. 2006 to Mar. 2007)	Change
I. Cash flow from operating activities			
Net income before adjustment for tax, etc.	69,681	162,533	-92,852
Depreciation	138,132	128,998	9,134
Losses on impairment	567	-	567
Amortization of goodwill	684	-	684
Amortization of long-term prepayments	4,288	4,144	144
Loss on retirement of tangible fixed assets	1,568	3,156	-1,588
Gain/loss on sale of fixed assets	-1,644	-7,903	6,259
Loss on advanced depreciation deduction	710	7,227	-6,518
Income/loss on sale of investment securities	-3,355	-5,851	2,496
Gain/loss on revaluation of investments in securities	1,078	595	483
Change in allowances for doubtful accounts	-549	-	-549
Change in provision for retirement benefits	621	-37,274	37,895
Changes in prepaid pension cost	-9,015	-	-9,015
Increase or decrease in reserve for safety measure	-2,469	5,427	-7,896
Interest and dividends earned	-1,959	-2,050	91
Interest paid	10,460	10,369	91
Income from a company by equity method	-3,775	-1,347	-2,428
Change in accounts receivable	-3,004	-17,369	14,365
Change in inventories	-2,542	-1,535	-1,007
Change in accounts payable	35,883	-14,075	49,958
Change in consumption tax payable	-4,573	4,450	-9,023
Change in uncollected balance	-560	-	-560
Other	1,884	-1,339	3,223
Sub-total	232,112	238,156	-6,044
Proceeds from interest and dividends	2,784	2,010	774
Payment of interest	-10,196	-10,243	47
Payment of corporation tax, etc.	-42,496	-39,326	-3,170
Cash flow from operating activities	182,204	190,597	-8,393
II. Cash flow from investing activities			
Payments for a fixed deposits	-5,467	-5,517	50
Proceed from drawing fixed deposits	5,466	6,616	-1,150
Purchases of investment securities	-19,111	-12,625	-6,489
Proceeds from sale of investment securities, etc.	9,630	9,911	-281
Purchases of tangible fixed assets	-128,972	-124,173	-4,799
Purchases of intangible fixed assets	-6,786	-8,611	1,825
Spending on long-term prepaid expenses	-3,023	-2,471	-552
Proceeds from sale of fixed assets	1,496	5,985	-4,489
Expenditures based on lending for long-term loans	-9,834	-840	-8,994
Proceed from collecting long-term loan receivable	1,184	-	1,184
Other	51	803	-752
Cash flow from investing activities	-155,365	-130,922	-24,443
III. Cash flow from financing activities			
Net decrease in short-term debt	-3,235	-6,522	3,287
Net change in commercial paper	-6,000	6,000	-12,000
Proceeds from long-term debt	59,590	14,934	44,656
Payments for long-term debt	-43,162	-26,790	-16,372
Proceeds from issue of straight bond	29,989	-	29,989
Payments for redemption of bonds	-	-196	196
Payment to minority shareholders on account of capital reduction	-	9	-9
Payment for share refund to minority shareholders	-	-70	70
Proceeds from sales of treasury stock	302	323	-21
Payments for acquiring treasury stock	-39,572	-34,658	-4,914
Dividend payments	-22,823	-18,780	-4,043
Payment of dividends to minority shareholders	-278	-92	-186
Cash flow from financing activities	-25,189	-65,843	40,654
IV. Difference due to conversion of cash and cash equivalents			
	524	9	515
V. Change in cash and cash equivalents	2,173	-6,159	8,332
VI. Cash and cash equivalents at beginning of year	40,231	45,633	-5,402

VII. Increase in cash and cash equivalents due to new consolidation	1,301	799	502
VIII. Decrease in cash and cash equivalents excluding subsidiaries	-	-42	42
IX. Cash and cash equivalents at end of year	43,706	40,231	3,475

5 Basis of preparation of consolidated financial statements

Method of depreciation of significant depreciable assets
(Tangible fixed assets)

Tangible fixed assets are depreciated primarily by the declining balance method (except for buildings, excluding ancillary facilities, acquired after April 1, 1998, which are depreciated by the straight-line method).

With regard to useful life, the standard applied is identical to the method prescribed by the Corporation Tax Act.

Other than as stated in "Method of depreciation of significant depreciable assets, Tangible fixed assets" above there have been no material changes since those stated in the most recent securities report (issued on June 28, 2007), and in consequence their disclosure here has been omitted.

6 Change in basis of preparation of consolidated financial statements

(Method of depreciation of significant depreciable assets, Tangible fixed assets)

As a result of the revision of the Corporation Tax Act, as of the year under review the company and its domestic consolidated subsidiaries have changed the depreciation method for tangible fixed assets acquired since April 1, 2007, to the depreciation method prescribed by the revised Corporation Tax Act. In consequence, operating income, ordinary income, and net income before adjustment for tax, etc., each declined by ¥1,335 million.

The impact of this on segment information is recorded in the relevant sections of this report.

7 Supplementary information

(Method of depreciation of significant depreciable assets, Tangible fixed assets)

As a result of the revision of the Corporation Tax Act, as of the year under review the company and its domestic consolidated subsidiaries are applying the depreciation method prescribed by the Corporation Tax Act prior to its revision 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, 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.

In consequence, operating income, ordinary income, and net income before adjustment for tax, etc., were each stated at ¥11,651 million lower than under the previous method.

The impact of this change on segment information is recorded in the relevant sections of this report.

8. Notes on consolidated financial statements

(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	1,056,100	129,201	53,569	12,360	236,263	1,487,496	-	1,487,496
	(2) Intersegment sales and transfers	30,943	3,125	3,755	22,808	84,097	144,731	(144,731)	-
	Total	1,087,044	132,326	57,325	35,169	320,361	1,632,228	(144,731)	1,487,496
	Operating expenses	975,381	129,417	56,497	27,206	307,592	1,496,095	(78,646)	1,417,448
	Operating income (loss)	111,663	2,909	828	7,963	12,768	136,133	(66,084)	70,048

	II. Assets, depreciation expenses and capital expenditures								
	Assets	993,802	43,551	18,891	179,857	256,631	1,492,734	210,916	1,703,651
	Depreciation expenses	107,312	605	122	9,907	22,244	140,193	(2,060)	138,132
	Impairment loss	-	-	-	-	567	567	-	567
	Capital expenditures	94,404	648	35	4,300	37,701	137,091	(2,108)	134,983
Previous year	I. Sales and operating income (loss)								
	Sales								
	(1) External sales	976,358	132,741	55,526	11,933	200,397	1,376,958	-	1,376,958
	(2) Intersegment sales and transfers	23,162	2,665	3,702	22,101	85,009	136,641	(136,641)	-
	Total	999,521	135,407	59,229	34,034	285,407	1,513,599	(136,641)	1,376,958
	Operating expenses	795,954	134,237	57,478	27,303	271,559	1,286,534	(71,891)	1,214,643
	Operating income (loss)	203,566	1,169	1,750	6,731	13,847	227,065	(64,750)	162,315
	II. Assets, depreciation expenses, and capital expenditures								
	Assets	1,009,880	46,186	20,618	185,909	248,138	1,510,734	181,901	1,692,635
	Depreciation expenses	97,969	544	164	10,399	21,951	131,029	(2,031)	128,998
	Impairment loss	-	-	-	-	-	-	-	-
	Capital expenditures	83,449	575	64	3,331	37,495	124,916	(2,831)	122,084

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.

FY2007: ¥67,096 million (FY2006: ¥65,391 million)

(3). In the asset category the main company-wide assets included under "corporate and eliminations" include surplus working capital (cash and deposits), deferred tax assets, and assets relating to long-term investment capital (investment securities).

FY2007: ¥243,678 million (FY2006: ¥223,418 million)

(4). Change in method of depreciation of significant depreciable assets

- a) As described in "6. Change in basis of preparation of consolidated financial statements," as a result of the revision of the Corporation Tax Act, as of the year under review the company and its domestic consolidated subsidiaries have changed the depreciation method for tangible fixed assets acquired since April 1, 2007, to the depreciation method prescribed by the revised Corporation Tax Act. As a result of this change, compared with the figures under the previous method, operating expenses in the fiscal year under review were up by ¥1,107 million in gas operations, by ¥22 million in gas appliances operations, by ¥11 million in building leasing operations, and by ¥193 million in

other operations, and operating income declined by an identical amount.

b) As described in "7. Supplementary information," as a result of the revision of the Corporation Tax Act, as of the year under review the company and its domestic consolidated subsidiaries are applying the depreciation method prescribed by the Corporation Tax Act prior to its revision to assets acquired on or before March 31, 2007, and as of the fiscal year following that in which assets reach 5% of their acquisition cost, 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. As a result of this change, compared with the figures under the previous method, operating expenses in the fiscal year under review were up by ¥10,995 million in gas operations, by ¥48 million in gas appliances operations, by ¥4 million in contracted construction work, by ¥238 million in building leasing operations, and by ¥364 million in other operations, and operating income declined by an identical amount.

- (2) Segment information by location
Not applicable due to insignificance of overseas consolidated subsidiaries.
- (3) Overseas sales
Not included due to insignificance of overseas sales as a proportion of consolidated sales.

➤ **Supplementary information of shares**

	FY2007	FY2006
	(Unit: yen)	(Unit: yen)
1. Shareholders' equity per share	289.49	293.11
2. Earnings per share	15.94	37.50
3. Earnings per share adjusted for latent shares	15.50	35.69

-Basis for calculation

	FY2007	FY2006
Earnings per share		
Net income(million yen)	42,487	100,699
Not attributable to common shareholders (million yen)	-	-
Net income attributable to common shareholders	42,487	100,699
Average number of common shares outstanding (thousand of shares)	2,666,026	2,685,453
Net earnings per share adjusted for latent shares		
Net income adjusted for latent shares (million yen)	218	306
-Interest expense after tax(million yen)	216	303
Number of increase in common shares (thousand of shares)	88,469	144,718
-CB (thousand of shares)	88,469	144,718
Latent shares which do not have the dilution effect	-	-

➤ **Subsequent events**

(1) **Acquisitions of treasury stock**

The Directors' meeting held on April 25, 2008 approved the acquisition of treasury stocks.

- Type of shares: Common shares
- Number of shares: Limited to 25,000,000 shares
- Cost of shares acquisitions: Limited to ¥10,000 million
- Period of acquisitions: from April 28, 2008 to October 28, 2008

V. Non-Consolidated results for FY2007 ended March 2008 (April 1, 2007 - March 31, 2008)

1) Balance Sheet

(Unit: million yen)

Account	FY2007 (ended March 31, 2008)	FY2006 (ended March 31, 2007)	Change
(Assets)			
Fixed assets	1,156,657	1,135,534	21,123
Tangible fixed assets	774,608	789,468	-14,860
Production facilities	200,783	207,999	-7,216
Distribution facilities	467,987	483,764	-15,777
Business facilities	57,538	60,348	-2,810
Associated business facilities	4,104	4,511	-407
Suspended facilities	316	874	-558
Construction in progress	43,877	31,970	11,907
Intangible fixed assets	18,079	17,914	165
Leaseholds	1,222	1,197	25
Software	16,239	16,067	172
Other intangible fixed assets	617	649	-32
Investments, etc.	363,969	328,150	35,819
Investment securities	77,726	96,967	-19,241
Investments in affiliates	131,741	107,625	24,116
Long-term loans receivable	180	190	-10
Long-term loans to affiliates	91,979	72,269	19,710
Investments in partnership	3	3	-
Long-term prepaid expenses	26,421	28,981	-2,560
Deferred tax assets	23,415	18,751	4,664
Miscellaneous investments	12,882	3,881	9,001
Allowances for doubtful accounts	-381	-519	138
Current assets	244,807	246,724	-1,917
Cash and deposits	11,830	23,141	-11,311
Trade notes receivable	1,099	1,209	-110
Accounts receivable	114,388	107,223	7,165
Accounts receivable from affiliates	17,345	14,190	3,155
Uncollected accounts	10,716	10,319	397
Negotiable securities	1	1	-
Finished products	119	86	33
Raw materials	24,538	21,933	2,605
Supplies	7,223	6,891	332
Prepaid expenses	397	304	93
Short-term CMS lending to affiliates	19,296	15,452	3,844
Short-term credits against affiliates	1,726	1,972	-246
Deferred tax assets	10,565	8,690	1,875
Other current assets	26,109	36,187	-10,078
Allowances for doubtful accounts	-554	-881	327
Total assets	1,401,464	1,382,259	19,205

(Unit: million yen)

Account	FY2007 (ended March 31, 2008)	FY2006 (ended March 31, 2007)	Change
(Liabilities)			
Fixed liabilities	493,738	452,828	40,910
Straight bonds	317,689	287,700	29,989
Convertible bonds	-	32,618	-32,618
Long-term bank loans payable	82,372	33,704	48,668
Long-term obligations to affiliates	301	333	-32
Retirement benefit reserve	82,143	81,765	378
Allowances for repairs of gas holders	3,275	3,144	131
Reserve for safety measures	2,826	5,315	-2,489
Other fixed liabilities	5,131	8,247	-3,116
Current liabilities	247,725	226,257	21,468
Fixed liabilities due within one year	35,869	22,984	12,885
Accounts payable	69,975	23,988	45,987
Other accounts payable	29,066	35,870	-6,804
Accrued expenses	35,420	37,058	-1,638
Corporation tax payable, etc.	18,941	38,180	-19,239
Advances received	5,085	4,362	723
Deposits received	1,522	2,219	-697
CMS short-term borrowings from affiliates	29,387	31,308	-1,921
Short-term obligations to affiliates	18,510	18,600	-90
Other current liabilities	3,946	11,684	-7,738
Total liabilities	741,464	679,085	62,379
Net Assets			
Shareholders' equity	631,614	659,372	-27,758
Common stock	141,844	141,844	-
Common stock	141,844	141,844	-
Capital surplus	2,065	2,065	-
Capital reserve	2,065	2,065	-
Earned surplus	530,478	560,027	-29,549
Earned surplus reserve	35,454	35,454	-
Other retained earnings	495,024	524,573	-29,549
Expropriation etc. compression reserve	910	910	-
Reserve against loss of investment abroad, etc.	1,800	-	1,800
Reserve against depreciation of construction of specified gas pipes	356	712	-356
Raw material cost fluctuation adjustment reserve	141,000	141,000	-
General reserves	299,000	249,000	50,000
Earned surplus carried forward	51,957	132,950	-80,993
Treasury stock	-42,774	-44,564	1,790
Treasury stock	-42,774	-44,564	1,790
Variance of the estimate and the exchange rate	28,385	43,800	-15,415
Unrealized gains on other securities	27,727	42,597	-14,870
Gain or loss on deferred hedge	658	1,202	-544
Total Net assets	660,000	703,173	-43,173
Total Liabilities, Minority Interest, and Shareholders' Equity	1,401,464	1,382,259	19,205

2) Statement of Income

(Unit: million yen)

Account		FY2007 (Apr. 2007-Mar. 2008)	FY2006 (Apr. 2006-Mar. 2007)	Change	
Ordinary income or loss	Product sales	1,065,839	980,869	84,970	
	Gas sales	1,065,839	980,869	84,970	
	Cost of sales	627,297	474,069	153,228	
	(Gross profit)	(438,541)	(506,800)	(-68,259)	
	Supply and sales expenses	324,464	298,634	25,830	
	General and administrative expenses	74,888	74,607	281	
	(Profit on gas sales)	(39,188)	(133,558)	(-94,370)	
	Miscellaneous operating revenues	155,798	162,587	-6,789	
	Income of construction work received	48,489	51,037	-2,548	
	Revenues from sales of gas appliances	106,296	110,723	-4,427	
	Other revenues	1,011	827	184	
	Miscellaneous operating expenses	152,461	160,597	-8,136	
	Cost of construction work	48,001	49,480	-1,479	
	Cost of sales of gas appliances	104,460	111,117	-6,657	
	Revenues from associated business	46,410	28,729	17,681	
	Revenue from LNG sales	17,427	8,677	8,750	
	Revenue from power sales	5,627	5,020	607	
	Revenue from other associated business	23,355	15,031	8,324	
	Expenses for associated business	46,072	27,499	18,573	
	Expense for LNG sales	17,662	8,036	9,626	
	Expense for power sales	5,653	5,010	643	
	Expenses for other associated business	22,756	14,452	8,304	
	(Operating income)	(42,863)	(136,778)	(-93,915)	
	Non-operating income or loss	Non-operating income	19,396	15,900	3,496
		Interest income	1,614	1,283	331
		Divided income	2,011	2,561	-550
		Rental income	4,344	4,413	-69
Balance on weather derivatives		-	1,610	-1,610	
Foreign exchanges losses		4,934	-	4,934	
Contribution for gas pipeline construction for wholesale supply		-	1,914	-1,914	
Miscellaneous revenues		6,491	4,117	2,374	
Non-operating expenses		17,883	12,855	5,028	
Interest paid		1,532	1,424	108	
Interest on bonds		6,182	5,979	203	
Amortization of bond issue expenses		144	-	144	
Balance on commissioned construction		3,795	-	3,798	
Expense for environmental consideration		2,725	-	2,725	
Miscellaneous expenditures	3,503	5,451	-1,948		
(Ordinary income)		(44,376)	(139,823)	(-95,447)	
Extraordinary income or loss	Extraordinary incomes	4,229	13,604	-9,375	
	Gain on sales of fixed assets	784	7,756	-6,972	
	Gain on sales of investment securities	3,444	5,847	-2,403	
	Extraordinary losses	2,343	7,228	-4,885	
	Impairment loss	557	-	557	
	Losses on compression of fixed assets	710	7,227	-6,517	
Loss on valuation of investment securities	1,075	-	1,075		
(Net income before income tax)		(46,262)	(146,199)	(-99,937)	
Corporate taxes etc.		14,130	41,210	-27,080	
Adjustment for corporate tax, etc.		2,211	12,648	-10,437	
Net income		29,921	92,340	-62,419	

Notes: 1. Figures in the sales column for "Results for FY2007 ended March 2008: (1) Business performance" are the total of product sales, miscellaneous operating revenues, and revenues from associated businesses.

3) Non-consolidated Statements of Changes in Net Assets

(Unit: million yen)

Current interim period (From April 1st, 2007 to March 31, 2008)

	Shareholders' Equity											
	Paid-in capital	Capital Surplus		Retained earnings							Treasury Stock	Total Shareholders' Equity
		Capital reserve	Total earned surplus	Earned surplus reserve	Other retained earnings					Total retained earnings		
					Expropriation etc., compression reserve	Reserve against depreciation of construction of specified gas pipes	Returned earnings Raw material cost fluctuation adjustment reserve	General reserves	Deferred retained earnings			
Balance at March. 31, 2007	141,844	2,065	2,065	35,454	910	712	141,000	249,000	132,950	560,027	-44,564	659,372
Changes of items during the interim period												
Reserve against loss of investment abroad, etc.									-1,800			
Reversal of reserve against depreciation of construction of specified gas pipes						-356			356			
General reserves								50,000	-50,000			
Dividends from surplus									-22,831	-22,831		-22,831
Net income									29,921	29,921		29,921
Repurchase of treasury stock											-39,572	-39,572
Disposal of treasury stock									-2,098	-2,098	6,823	4,725
Cancellation of treasury stock									-34,539	-34,539	34,539	
Net changes of items other than owners' equity												
Total changes of items during the interim period						-356	-	50,000	-80,992	-29,548	1,790	-27,757
Balance at March.31, 2008	141,844	2,065	2,065	35,454	910	356	141,000	299,00	51,957	530,478	-42,774	631,614

	Valuation and translation of Adjustments			Total net asset
	Value Adjustments of Securities	Deferred loss on hedging instruments	Total value Adjustments of Securities	
Balance at March.31, 2007	42,597	1,202	43,800	703,173
Changes of items during the interim period				
Reserve against loss of investment abroad, etc.				-
Reversal of reserve for depreciation of construction of specified gas pipes				-
General reserves				-
Dividends from surplus				-22,831
Net income				29,921
Repurchase of treasury stock				-39,572
Disposal of treasury stock				4,725
Cancellation of treasury stock				-
Net changes of items other than owners' equity	-14,870	-544	-15,414	-15,414
Total changes of items during the interim period	-14,870	-544	-15,414	-43,172
Balance at September.30, 2007	27,727	658	28,385	660,000

Previous period (From April 1st, 2006 to March 31, 2007)

	Shareholders' Equity											
	Paid-in capital	Capital Surplus		Earned surplus reserve	Retained earnings						Treasury Stock	Total Shareholders' Equity
		Capital reserve	Total earned surplus		Other retained earnings					Total retained earnings		
					Expropriation etc., compression reserve	Reserve against depreciation of construction of specified gas pipes	Returned earnings Raw material cost fluctuation adjustment reserve	General reserves	Deferred retained earnings			
Balance at March. 31, 2006	141,844	2,065	2,065	35,454	954	1,954	141,000	219,000	96,567	494,930	-44,840	594,000
Changes of items during the interim period												
Reversal of Expropriation etc., compression reserve					-43				43			-
*Reversal of reserve against depreciation of construction of specified gas pipes						-621			621			
Reversal of reserve against depreciation of construction of specified gas pipes						-621			621			-
*General reserves								30,000	-30,000			-
*Dividends from surplus									-9,423	-9,423		-9,423
Dividends from surplus									-9,349	-9,349		-9,349
*Directors' and corporate auditors bonuses									-67	-67		-67
Net income									92,340	92,340		92,340
Repurchase of treasury stock											-34,658	-34,658
Disposal of treasury stock									-8,403	-8,403	34,933	26,529
Net changes of items other than owners' equity												
Total changes of items during the interim period	-	-	-	-	-43	-1,242	-	30,000	36,383	65,097	275	65,372
Balance at March.31, 2007	141,844	2,065	2,065	35,454	910	712	141,000	249,000	132,950	560,027	-44,564	659,372

Note: * Proposed profit distribution in general meeting in June, 2006.

	Valuation and translation of Adjustments			Total net asset
	Value Adjustments of Securities	Deferred loss on hedging instruments	Total value Adjustments of Securities	
Balance at March.31, 2006	48,952	-	48,952	642,953
Changes of items during the interim period				
Reversal of Expropriation etc., compression reserve				-
*Reversal of reserve against depreciation of construction of specified gas pipes				-
Reversal of reserve against depreciation of construction of specified gas pipes				-
*General reserves				-
*Dividends from surplus				-9,423
Dividends from surplus				-9,349
*Directors' and corporate auditors bonuses				-67
Net income				92,340
Repurchase of treasury stock				-34,658
Disposal of treasury stock				26,529
Net changes of items other than owners' equity	-6,355	1,202	-5,152	-5,152
Total changes of items during the interim period	-6,355	1,202	-5,152	60,220
Balance at September.30, 2006	42,597	1,202	43,800	703,173

Note: * Proposed profit distribution in general meeting in June, 2006.

(Reference)**<Gas sales for FY2007>**

			FY2007 (actual)	FY2006 (actual)	Change	% change	
No. of customers		Thousand	10,124	9,955	169	1.7	
Gas sales volume	Residential		m ³	33.48	33.36	0.12	0.4
			Mil. m ³	3,427	3,356	71	2.1
	Business	Commercial	Mil. m ³	2,047	1,963	84	4.3
		Other	Mil. m ³	928	867	61	7.0
	Industrial		Mil. m ³	5,593	5,232	361	6.9
	Sub total		Mil. m ³	8,568	8,062	506	6.3
	Wholesale to other utilities		Mil. m ³	2,058	1,770	288	16.3
Total		Mil. m ³	14,053	13,188	865	6.6	
Average temperature		°C	16.6	16.8	-0.2	-	

- Notes: 1. The upper row of figures for residential demand indicates gas sales per meter read (m³/household/month)
2. "Other" for business demand indicates sales to public and medical institutions.
3. Gas sales volumes are on the basis of 45MJ/ m³

<FY2007 balance of payments >

(Unit: billion yen)

Income			Change from previous year	Rate (%)	Expenses		Change from previous year	Rate (%)	
Product	Gas sales	1,065.8	85.0	8.7	Operating expenses	Cost of sales	627.2	153.2	32.3
						Sales and administrative expenses	399.3	26.1	7.0
						Subtotal	1,026.6	179.3	21.2
Other sales	Construction orders	48.4	-2.6	-5.0	Other expenses	Construction orders	48.0	-1.4	-3.0
	Gas appliances, etc.	107.3	-4.2	-3.8		Gas appliances	104.4	-6.7	-6.0
	Associated businesses	46.4	17.7	61.5		Subsidiary businesses	46.0	18.6	67.5
	Subtotal	202.2	10.9	5.7		Subtotal	198.5	10.5	5.5
Total sales		1,268.0	95.9	8.2	Total expenses		1,225.1	189.7	18.3
					Operating profit		42.8	-93.9	-68.7
Non-operating income		19.3	3.4	22.0	Non-operating expenses		17.8	5.0	39.1
					Ordinary profit		44.3	-95.5	-68.3
Extraordinary profit		4.2	-9.4	-68.9	Extraordinary loss		2.3	-4.9	-67.6
					Net Income		29.9	-62.4	-67.6

(Rounded down to nearest ¥100 million)

Notes: [1] Cost of sales includes cost of raw materials is ¥598.9 billion (increase by ¥148.5 billion, or 33.0%, from the previous year).
 [2] Non-operating expenses include interest expenses is ¥8.2 billion (decrease by ¥0.6 billion, or 8.0%, from the previous year).

Crude-oil price (\$/bbl)	FY2007	FY2006	Change	¥/\$ rate	FY2007	FY2006	Change
			63.50				114.44

(3) Capital expenses

The tables below present figures for capital investment in FY2006 and FY2007.

(Unit: hundred million yen)

	FY2006 (actual)		FY2007 (actual)		FY2008 (projection)	
		(%)		(%)		(%)
Production facilities	59	6.7	69	7.6	123	11.5
Distribution facilities	653	73.6	732	79.3	760	71.1
Business facilities	175	19.7	116	12.6	180	16.8
Associated business facilities	0	0.0	4	0.5	6	0.6
Total	887	100.0	923	100.0	1,069	100.0

(Unit: hundred million yen)

Terminal-related facilities (production facilities)	FY2006(actual)		FY2007 (actual)		FY2008 (projection)	
Sodegaura Terminal		22		29		28
Negishi Terminal		5		8		57
Ohgishima Terminal		21		20		27
Total		48		57		112
Mains and branches (distribution facilities)	FY2006 (actual)		FY2007(actual)		FY2008 (projection)	
Demand-development mains and branches	(661km)	258	(709km)	307	(683km)	320
Safety measure mains and branches	(210km)	119	(220km)	125	(230km)	134
Planned mains and branches	(39km)	108	(62km)	136	(49km)	156
Urban development mains and branches	(68km)	25	(73km)	15	(67km)	11
Total	(978km)	511	(1,063km)	584	(1,029km)	622

2. Outlook for FY2008 (Non-consolidated)

(Unit: billion yen)

	Sales		Operating Income	Ordinary Income	Net income
	Gas Sales	Others			
FY2008 (projection)	1,446.0	1,218.0	228.0	52.0	36.0
FY2007 (actual)	1,268.0	1,065.8	202.2	42.8	29.9
Change	178.0	152.2	25.8	9.2	6.1
Rate of change	14.0%	14.3%	12.8%	21.3%	17.2%

<Gas sales projection for FY2008>

			FY2008 (projection)	FY2007 (actual)	Change	Rate of change (%)	
No. of gas customers		Thousand	10,230	10,124	106	1.0	
Gas sales volume	Residential	Mil. m ³	3,416	3,427	-11	-0.3	
	Business	Commercial	Mil. m ³	2,007	2,047	-40	-2.0
		Other	Mil. m ³	902	928	-26	-2.8
	Industrial	Mil. m ³	5,653	5,593	60	1.1	
	Sub total	Mil. m ³	8,562	8,568	-6	-0.1	
	Supplies to other utilities	Mil. m ³	2,092	2,058	34	1.7	
	Total	Mil. m ³	14,070	14,053	17	0.1	
Ave. temperature	°C	17.0	16.6	0.4	-		
Crude oil price	\$/bbl	95.00	77.92	95.00	21.9		
Exchange rate	¥/\$	105.00	114.44	-9.44	-8.2		