

FY2000 ending March 2000
Interim Non-Consolidated Financial Statements
(Half-Year Ending September 30, 2000)

November 22, 2000

Tokyo Gas Co., Ltd

Code No.: 9531

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 Final Accounts Group

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Shares listed on:

Tokyo Stock Exchange, Osaka Securities Exchange,
 Nagoya Stock Exchange, Kyoto Stock Exchange
 Location of head office (prefecture): Tokyo

Meeting of board of directors to approve end of half-year accounts: November 22, 2000

Commencement of interim dividends: December 8, 2000

The company has an interim dividend scheme.

1. Results for half-year ending September 2000 (April 1, 2000 to September 30, 2000)

(1) Business results (Rounded down to the nearest million yen.)

	Sales		Operating profits		Ordinary profits	
	(Unit: ¥1 million)	%	(Unit: ¥1 million)	%	(Unit: ¥1 million)	%
Half-year ending Sept. 2000	409,314	9.6	22,405	59.6	14,610	71.9
Half-year ending Sept. 1999	373,583	-3.2	14,034	-30.5	8,501	-13.2
Year ending Mar. 2000	869,939		51,296		34,929	

	Half-year/current net profits		Half-year/current net earnings per share
	(Unit: ¥1 million)	%	(Unit: ¥1)
Half-year ending Sept. 2000	4,545	-46.5	1.62
Half-year ending Sept. 1999	8,501	29.0	3.03
Year ending Mar. 2000	22,395		7.97

Notes: 1. Average number of outstanding shares during the period ended:

Half-year ending September 2000: 2,810,012,006 shares

Half-year ending September 1999: 2,810,012,006 shares

Year ending March 2000: 2,810,012,006 shares

2. Changes in accounting methods: None

3. Percentage figures on sales, operating profits, ordinary profits and half-year/current net profits indicate the percentage change on the interim results for the previous year.

(2) Dividends

	Interim dividend per share	Annual dividend per share
	(Unit: ¥1)	(Unit: ¥1)
Half-year ending Sept. 2000	2.50	—
Half-year ending Sept. 1999	2.50	—
Year ending Mar. 2000	—	5.00

(3) Financial position

	Total assets	Shareholders' equity	Ratio to shareholders' equity	Shareholders' equity per share
	(Unit: ¥1 million)	(Unit: ¥1 million)	%	(Unit: ¥1)
Half-year ending Sept. 2000	1,478,190	500,675	33.9	178.18
Half-year ending Sept. 1999	1,403,388	392,689	28.0	139.75
Year ending Mar. 2000	1,493,699	443,363	29.7	157.78

Note: Number of outstanding shares as of:

Half-year ending September 2000: 2,810,012,006 shares

Half-year ending September 1999: 2,810,012,006 shares

Year ending March 2000: 2,810,012,006 shares

2. Results forecast for the year ending March 2001 (April 1, 2000 - March 31, 2001)

	Sales	Ordinary profits	Net current profits	Annual dividend per share	
				Year-end	
Full term	(Unit: ¥1 million) 941,000	(Unit: ¥1 million) 48,000	(Unit: ¥1 million) 20,000	(Unit: ¥1) 2.50	(Unit: ¥1) 5.00

Reference: 1. Forecast net earnings per share (full year): ¥7.12

2. Breakdown of sales (full year):

Gas: ¥727,500 million

Miscellaneous: ¥213,500 million

Non-consolidated results for Tokyo Gas

1. Business policy

(1) Business policy

Our announcement of rates cuts in November 1999 was also accompanied by the announcement of our medium-term management plan, which describes our aim of becoming a new type of public utility that contributes to the customer and community as a public utility while at the same time increasing its corporate value as a joint-stock company.

The three main priorities of our medium-term management plan are (1) to strengthen our corporate structure by achieving sweeping improvements in operating efficiency, (2) to increase competitiveness to survive in an era of mega-competition in the energy market, and (3) to increase our corporate value through more effective allocation of business resources.

Focusing on our core LNG business operations, we will continue in our efforts to position ourselves as a total energy provider of gas, electric power, and thermal energy, and to further improve our levels of safety and services in order to meet the high expectations of society and our customers and shareholders alike.

Targets for improvements in profits and financial structure

Free cash flow	(¥ 1 billion)	<FY 2000-2004 5-year ave.>	50.0
ROA	(%)	<FY 2000-2004 5-year ave.>	1.9
Turnover of total capital	(Times)	<FY 2000-2004 5-year ave.>	0.65
Interest-bearing debt	(¥ 1 billion)	<FY 2004>	610.0

(2) Basic policy on allocation of earnings

We will aggressively push ahead with moves to develop new sources of demand and drastically improve business efficiency in order to increase cash flow. Earnings thus generated will naturally be allocated to our shareholders as well as being used to expand new field of business and strengthen our financial structure.

2. Business performance

<Summary of results for the half-year ending September 2000>

(1) Gas sales

Overall gas sales increased 3.9% on a year earlier to 3.942 billion cubic meters. Residential gas sales rose 0.6% as a result of an increase in households served due, among other factors, to expansion of the customer base.

Commercial and other forms of business demand enjoyed healthy growth of 5.0% and 11.5% respectively, due in the main to strong demand for air conditioners because of the warm summer.

Industrial demand grew 2.1% due to the increase in capacity utilization by existing users and acquisition of new users.

Sales to other gas utilities also grew 10.9% due to an increase in the volume of gas contracted by utilities' own customers.

Gas sales for half-year ending September 30, 2000

		Apr.-Sept. 2000	Apr.-Sept. 1999	Change	% change		
No. of gas users	Thousand	8,766	8,618	148	1.7		
Gas sales volume	Household	m ³	26.30	26.71	-0.41	-1.5	
		Mil. m ³	1,176	1,169	7	0.6	
	Business	Commercial	Mil. m ³	802	764	38	5.0
		Other	Mil. m ³	326	292	34	11.5
	Industrial	Mil. m ³	1,208	1,183	25	2.1	
	Sub total	Mil. m ³	2,336	2,239	97	4.3	
	Supplies to other utilities	Mil. m ³	430	387	43	10.9	
	Total	Mil. m ³	3,942	3,795	147	3.9	
Ave. temperature	°C	23.0	23.1	-0.1			

- 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.

(2) Summary of incomes and expenditures

Sales

Despite the effects of a reduction in rates, gas sales grew ¥24.2 billion (8.5%) on a year earlier to ¥310.8 billion thanks to an increase in gas sales and rates revision under the feedstock cost adjustment system.

Total sales including contracted work, gas appliance sales and sales from subsidiary business rose ¥35.7 billion (9.6%) to ¥409.3 billion.

Expenses

Cost of sales grew ¥19.3 billion (22.9%) on a year earlier due to a dramatic increase in feedstock costs caused by soaring oil prices. As a result of efforts to curb sales, supply and general administrative expenses, however, operating expenses rose only ¥19.7 billion (7.1%) overall.

Total expenses including contracted construction work, gas appliance sales and subsidiary business expenses increased ¥27.3 billion (7.6%) to ¥386.9 billion.

Profits

As a consequence, operating profit rose ¥8.3 billion (59.6%) on a year earlier to ¥22.4 billion. Adding in non-operating profit, ordinary profit thus rose ¥6.1 billion (71.9%) to ¥14.6 billion.

Due to a ¥7.8 billion extraordinary loss resulting from the write-off of unfunded retirement benefit obligations arising from the amendment of accounting standards for retirement benefits, interim net profit fell ¥3.9 billion (46.5%) to ¥4.5 billion.

Incomes and expenditures for half-year ending September 30, 2000

(Unit: ¥100 million)

Income			Change from previous year	Rate (%)	Expenses			Change from previous year	Rate (%)
Product	Gas sales	3,108	242	8.5	Operating expenses	Cost of sales	1,041	193	22.9
						Sales and administrative expenses	1,922	3	0.2
						Sub total	2,963	197	7.1
Other sales	Construction orders	266	20	8.2	Other expenses	Construction orders	267	12	4.8
	Gas appliances	520	84	19.5		Gas appliances	478	51	11.9
	Subsidiary businesses	197	9	5.0		Subsidiary businesses	160	12	8.8
	Sub total	984	114	13.2		Sub total	905	76	9.2
Total sales		4,093	357	9.6	Total expenses		3,869	273	7.6
					Operating profit		224	83	59.6
Non-operating income		60	-22	-27.1	Non-operating expenses		137	0	—
					Ordinary profit		146	61	71.9
					Extraordinary loss		78	78	—
					Current net profit		45	-39	-46.5

(Rounded down to nearest 100 million yen)

- Notes: [1] Cost of sales includes cost of raw materials of ¥83.7 billion (increase by ¥21.7 billion, or 35.0%, from the previous term).
 [2] Non-operating expenses include interest expenses of ¥9 billion (increase by ¥60 million, or 0.6%, from the previous term).
 [3] Sales, supply and general administrative expenses of ¥4.5 billion are deferred in the previous term based on the unamended regulations concerning interim consolidated financial statements.

	Half-year ending Sept. 2000	Half-year ending Sept. 1999	Change		Half-year ending Sept. 2000	Half-year ending Sept. 1999	Change
Crude-oil price (\$/bbl)	27.91	16.65	11.26	Yen/dollar rate	107.19	117.31	-10.12

Outlook for the year

Gas sales for the year ending March 31, 2001 are expected to increase 3.5% on the previous year to 8.711 billion cubic meters due to strong growth in the second half of the year, during which the bulk of demand is concentrated. Taking into consideration an expected adjustment of rates under the feedstock cost adjustment system on account of soaring oil prices, gas sales are consequently projected to grow ¥61.6 billion on the previous year to ¥727.5 billion.

Although high oil prices in the second half of the year are expected to cause feedstock costs to rise dramatically, action will continue to be taken in the latter half of the year to curb expenses by further cutting costs and improving business efficiency.

Including contracted construction work, gas appliance sales and subsidiary business, the projections for the year ending March 31, 2001 are as follows: a rise on the previous year of ¥71.0 billion (8.2%) to ¥941.0 billion in total sales, and a rise of ¥13.0 billion (37.4%) to ¥48.0 billion in ordinary profit

Net profit is projected to fall by ¥2.4 billion (10.7%) to ¥20 billion due to a ¥15.6 billion extraordinary loss resulting from the write-off of unfunded retirement benefit obligations arising from the amendment of accounting standards for retirement benefits.

Gas sales for FY2000

			Year ending Mar. 2001 (Estimate)	Year ending Mar. 2000 (Actual)	Change	Rate of change (%)	
No. of gas users		Thousand	8,853	8,715	138	1.6	
Gas sales volume	Household		Mil. m ³	3,071	2,994	77	2.6
	Business	Commercial	Mil. m ³	1,596	1,517	79	5.2
		Other	Mil. m ³	671	627	44	7.0
	Industrial		Mil. m ³	2,456	2,431	25	1.0
	Sub total		Mil. m ³	4,723	4,575	148	3.2
	Supplies to other utilities		Mil. m ³	917	849	68	8.0
	Total		Mil. m ³	8,711	8,418	293	3.5
	Ave. temperature		°C	16.9	17.0	-0.1	

Balance Sheet

(Unit: ¥1 million)

Account	Half-year (ending Sept. 30, 2000)	Previous year (ended Mar. 31, 2000)	Change	Half-year (ended Sept. 30, 1999)
(Assets)				
Fixed assets	1,293,593	1,250,442	43,151	1,215,776
Tangible fixed assets	1,015,699	1,029,954	-14,255	1,028,950
Production facilities	274,775	287,383	-12,608	300,652
Distribution facilities	487,279	489,415	-2,136	443,426
Business facilities	81,033	82,930	-1,897	85,889
Associated business facilities	46,798	48,528	-1,730	35,864
Idle facilities	5	5	0	203
Construction in progress	125,807	121,690	4,117	162,914
Intangible fixed assets	14,828	16,598	-1,770	16,408
Patent rights	1	1	0	2
Leaseholds	898	895	3	814
Other intangible fixed assets	13,929	15,700	-1,771	15,591
Investments etc.	263,065	203,889	59,176	170,417
Investment securities	114,023	19,622	94,401	19,800
Investments in affiliates	86,035	88,547	-2,512	89,531
Long-term loans receivable	80	0	80	0
Long-term loans within company	4,302	4,049	253	4,364
Investments in partnership	5	5	0	25
Long-term prepaid expenses	47,443	48,813	-1,370	50,057
Deferred tax assets	5,118	36,751	-31,633	—
Miscellaneous investments	7,214	7,254	-40	7,859
Allowances for doubtful accounts	-1,159	-1,155	-4	-1,222
Current assets	184,596	243,257	-58,661	187,611
Cash and deposits	4,920	46,990	-42,070	7,916
Trade notes receivable	1,176	610	566	297
Trade notes receivable from affiliates	100	100	0	100
Accounts receivable	61,850	78,091	-16,241	55,513
Accounts receivable from affiliates	5,608	5,759	-151	3,870
Uncollected accounts	6,247	9,409	-3,162	6,586
Negotiable securities	1	3	-2	3
Finished products	75	91	-16	79
Raw materials	14,663	15,501	-838	15,130
Supplies	5,366	6,472	-1,106	6,876
Prepaid expenses	3,675	160	3,515	3,780
Short-term loans to affiliates	36,000	30,000	6,000	39,000
Short-term credits against affiliates	1,466	1,597	-131	1,446
Deferred tax assets	3,803	6,454	-2,651	—
Other current assets	40,099	42,944	-2,845	47,796
Allowances for doubtful accounts	-459	-929	470	-786
Total assets	1,478,190	1,493,699	-15,509	1,403,388

(Unit: ¥1 million)

Account	Half-year (ending Sept. 30, 2000)	Previous year (ended Mar. 31, 2000)	Change	Half-year (ended Sept. 30, 1999)
(Liabilities)				
Fixed liabilities	856,064	839,158	16,906	809,385
Straight bonds	276,843	258,143	18,700	228,143
Convertible bonds	352,313	355,334	-3,021	355,363
Long-term bank loans payable	96,566	96,139	427	96,485
Long-term obligations to affiliates	755	794	-39	885
Retirement benefit reserve	124,212	—	124,212	—
Estimated retirement allowances	—	102,451	-102,451	102,216
Allowances for repairs of gas holders	3,126	3,264	-138	3,242
Past years of serve expenses for tax qualified pension program	—	21,360	-21,360	21,257
Other fixed liabilities	2,247	1,669	578	1,792
Current liabilities	121,450	211,177	-89,727	201,313
Fixed liabilities due within one year	7,738	51,999	-44,261	52,448
Accounts payable	13,662	18,397	-4,735	31,761
Short-term bank loans payable	431	403	28	19,094
Other accounts payable	19,289	45,022	-25,733	26,768
Accrued expenses	34,840	39,777	-4,937	33,215
Corporation tax payable, etc.	5,941	17,080	-11,139	4,193
Advances received	10,999	6,419	4,580	8,435
Deposits received	4,735	1,596	3,139	1,357
Short-term obligations to affiliates	9,589	16,576	-6,987	8,915
Other current liabilities	14,221	13,904	317	15,122
Total liabilities	977,515	1,050,336	-72,821	1,010,699
(Shareholders' equity)				
Common stock	141,817	141,817	0	141,817
Common stock	141,817	141,817	0	141,817
Legal reserves	37,492	37,492	0	37,492
Capital reserve	2,038	2,038	0	2,038
Earned surplus reserve	35,454	35,454	0	35,454
Retained earnings	261,489	264,052	-2,563	213,378
Expropriation etc. compression reserve	993	993	0	1,556
Reserve against losses on foreign investments etc.	23	27	-4	42
Reserve against depreciation of construction of specified gas pipes	4,420	3,937	483	6,171
Raw material cost fluctuation adjustment reserve	141,000	141,000	0	141,000
General reserves	89,000	44,000	45,000	44,000
Unappropriated earned surplus of the current half-year	26,052	74,095	-48,043	20,607
(Interim net profit)	(4,545)	(22,395)	(-17,850)	(8,501)
Unrealized gains on securities available for sale	59,874	—	59,874	—
Unrealized gains on other securities	59,874	—	59,874	—
Total shareholders' equity	500,675	443,363	57,312	392,689
Total liabilities and shareholders' equity	1,478,190	1,493,699	-15,509	1,403,388

Statement of income

(Unit: ¥1 million)

Account		Half year (Apr. - Sept. 2000)	Half year (Apr. - Sept. 1999)	Change	Previous year (Apr. 1999 - Mar. 2000)	
Ordinary profit or loss	Operating profit or loss	Product sales	310,880	286,590	24,290	665,834
		Gas sales	310,880	286,590	24,290	665,834
		Cost of sales	104,151	84,773	19,378	207,393
		(Gross profit)	(206,729)	(201,817)	(4,912)	(458,440)
		Supply and sales expenses	154,030	146,021	8,009	317,696
		General and administrative expenses	38,180	45,817	-7,637	98,372
		(Profits on core business)	(14,518)	(9,978)	(4,540)	(42,370)
		Miscellaneous operating revenues	78,716	68,213	10,503	168,680
		Income of construction work received	26,693	24,679	2,014	61,441
		Revenues from sales of appliances	51,945	43,482	8,463	105,926
		Other miscellaneous operating revenues	77	51	26	1,313
		Miscellaneous operating expenses	74,520	68,207	6,313	164,826
		Cost of construction work received	26,718	25,506	1,212	60,476
		Cost of sales of appliances	47,802	42,700	5,102	104,350
		Revenues from associated businesses	19,716	18,778	938	35,424
	Expenses from associated businesses	16,025	14,728	1,297	30,352	
	(Operating profit)	(22,405)	(14,034)	(8,371)	(51,296)	
	Non-operating profit or loss	Non-operating income	6,000	8,233	-2,233	14,317
		Interest income	198	168	30	352
		Divided income	667	1,143	-476	1,528
Affiliates' dividends earned		679	—	679	—	
Foreign exchange gains or losses		—	2,493	-2,493	2,636	
Rental income		2,339	2,429	-90	4,770	
Miscellaneous revenues		2,116	1,997	119	5,028	
Non-operating expenses		13,795	13,766	29	30,685	
Interest paid		1,719	1,979	-260	3,885	
Interest on bonds		7,366	7,048	318	14,390	
Amortization of bond issue costs		91	139	-48	277	
Balance on commissioned construction		2,582	3,341	-759	8,009	
Miscellaneous expenditures		2,036	1,258	778	4,123	
(Ordinary profit)		(14,610)	(8,501)	(6,109)	(34,929)	
Extraordinary profit or loss	Extraordinary profits	—	—	—	512	
	Gain on sales of fixed assets	—	—	—	512	
	Extraordinary losses	—	—	—	496	
	Losses on sales of fixed assets	—	—	—	10	
	Losses on compression of fixed assets	—	—	—	485	
	Unfunded obligations arising from amendment of accounting standards for retirement benefits	7,810	—	7,810	—	
(Half-year/current net profit before income tax)		(6,799)	(8,501)	(-1,702)	(34,945)	
Corporate taxes etc.		1,960	—	1,960	11,950	
Adjustment for corporation tax, etc.		294	—	294	600	
Half-year/current net profits		4,545	8,501	-3,956	22,395	
Retained earnings brought forward		21,507	12,106	9,401	12,106	
Prior year tax-effect adjustment		—	—	—	43,805	
Decrease of reserves, etc. due to tax-effect accounting		—	—	—	2,813	
Mid-term dividend		—	—	—	7,025	
Undisposed income of the half-year/current year		26,052	20,607	5,445	74,095	

Notes:1. The figures in the sales column for “Results for half-year ending September 2000: (1) Business results” are the total of product sales, miscellaneous operating revenues, and revenues from associated businesses.

Basis of interim financial statements

1. Accounting principles and procedures used in preparation of interim financial statements

- (1) Since the Company's business is by nature subject to seasonal variation, items entered under operating expenses (sales, supply and general administrative expenses) such as provision for addition to the retirement allowance reserve, depreciation expenses, fixed asset tax and salaries for the half-year ended September 30, 1999 were determined based on the estimated annual amounts allocated according to the ratio of sales in the past. There are no particular matters to record concerning the half-year ended September 30, 2000.
- (2) For corporation tax, etc., the amount of tax payable for the fiscal half-year is booked (the amount of tax calculated by adjusting interim net profit under tax law and multiplying by the tax rate).

2. Criteria and methods of valuation of assets

- (1) Securities
Shares of subsidiaries and affiliates:
Valued at cost using the moving average method
Other securities (whose current value can be estimated):
Valued by the market value method based on their market price on the interim-closing date (unrealized gains and losses on securities available for sale were determined by the full capital injection method, and the cost of securities sold was calculated by the moving average method)
Other securities (whose current value cannot be estimated):
Valued on a cost basis using the moving average method
- (2) Inventories (products, feedstock and supplies):
Valued on a cost basis using the moving average method

3. Method of depreciation of fixed assets

- (1) Tangible fixed assets
Tangible fixed assets were depreciated by the declining balance method in accordance with the Corporation Tax Law. Buildings acquired on or after April 1, 1998, however, were depreciated by the straight line method (excluding ancillary equipment).
- (2) Intangible fixed assets
Intangible fixed assets were depreciated by the straight line method in accordance with the Corporation Tax Law. Software used by the Company was depreciated using the straight line method based on the usable life of the software in the company.

4. Standards for declaration of reserves

- (1) Reserve for loan losses
A reserve for loan losses is provided based on the historical loan loss rate for unsecured claims and the estimated collectibility of specific claims such as bankruptcy reorganization claims.
- (2) Retirement benefit reserve
A retirement benefit reserve is provided for the payment of employees' retirement benefits expected to be paid at the end of the current interim fiscal year based on the estimated amounts of retirement benefit obligations and pension assets at the end of the current fiscal year.
The unfunded retirement benefit obligations arising from the amendment of accounting standards for retirement benefits (¥15.621 billion) are being amortized over the period of one year, and half has been booked to expenses this half-year ended September 30, 2000.

(3) Allowances for repairs of gas holders

To provide against spending on periodical repairs of spherical gas holders, an allowance for repairs of gas holders is entered equal to the estimated cost of the next round of repairs during the period up to the next round of repairs.

5. Treatment of leases

For accounting purposes, finance leases which do not transfer ownership of leased assets to lessees are treated as ordinary leases.

6. Treatment of consumption tax, etc.

Consumption tax, etc. is accounted for by the net-of-tax method.

<Supplementary information>

1. Accounting standards for employees' retirement benefits

The amended accounting standards on employees' retirement benefits are used from the half-year ended September 30, 2000.

2. Accounting standards for financial instruments

The accounting standards for financial instruments are used from the half-year ended September 30, 2000. As a consequence of the estimation of the current value of other securities, therefore, the value of investment securities is increased by ¥93.862 billion.

3. Accounting standards for foreign currency transactions

The amended accounting standards for foreign currency transactions are used from the half-year ended September 30, 2000.

<Notes>

1. Cumulative depreciation of tangible fixed assets: ¥1,812.471 billion (half-year ended September 1999: ¥1,719.524 billion)

2. Treasury stock is included in the ¥4 million of other current assets (15,000 shares). In the previous year, treasury stock was included under securities. (half-year ended September 1999: ¥3 million/12,000 shares)

3. Liabilities for guarantee: ¥13.441 billion (of which company liabilities: ¥8.593 billion) (half-year ended September 1999: ¥12.133 (of which company liabilities: ¥6.414 billion))

Contingent liabilities under undertakings to meet obligations: ¥30.0 billion (half-year ending September 1999: ¥30.0 billion)

4. Reserve for amortization of specific gas pipeline construction provided in accordance with the Special Taxation Measures Law: ¥266 million (half-year ended September 1999: ¥295 million)