

# **FY2010 3Q Financial Results ended December 31, 2010**



**January 31, 2011**

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# FY2010 3Q Consolidated Financial Results (Apr. 1 – Dec. 31, 2010)

## Financial Highlights (year on year)

(+/- indicates profit impact, billion yen)

- Net sales: (+) Gas sales volume grew and higher resource costs led to increase in sales unit price (+81.7)  
(+) Electricity sales grew with Ohgishima Power Station commencement, etc. (+29.4)
- Operating income: (-) Increased gas resource costs (-91.7) reduced gas gross profit (-10.0)  
(+) Personnel expenses decreased on lower amortization of actuarial differences in pension accounting (+38.8)
- Ordinary income: (-) Foreign exchange valuation difference at overseas subsidiaries (-5.9)  
(+) Gains from weather derivatives (+1.5)

(Unit: billion yen)

	FY09 3Q	FY10 3Q	Change	%
Gas sales volume (mil. m3, 45MJ)	9,434	10,392	+958	+10.2
Net sales	965.3	1,068.5	+103.2	+10.7
Operating expenses	921.8	1,000.2	+78.4	+8.5
Operating income	43.5	68.2	+24.7	+57.0
Ordinary income	47.3	68.1	+20.8	+43.8
Net income	31.6	41.2	+9.6	+30.4

Sliding time lag effect(*)	+12.1	-14.8	-26.9	-
Amortization of actuarial differences(*)	-24.0	+14.8	+38.8	-

(\*)non-consolidated basis

Economic conditions	JCC (\$/bbl)	Ex. Rate (¥/\$)	Avg. Temperature (°C)
FY10 1-3Q Average	79.67	86.85	20.0
FY09 1-3Q Average	66.48	93.61	19.5

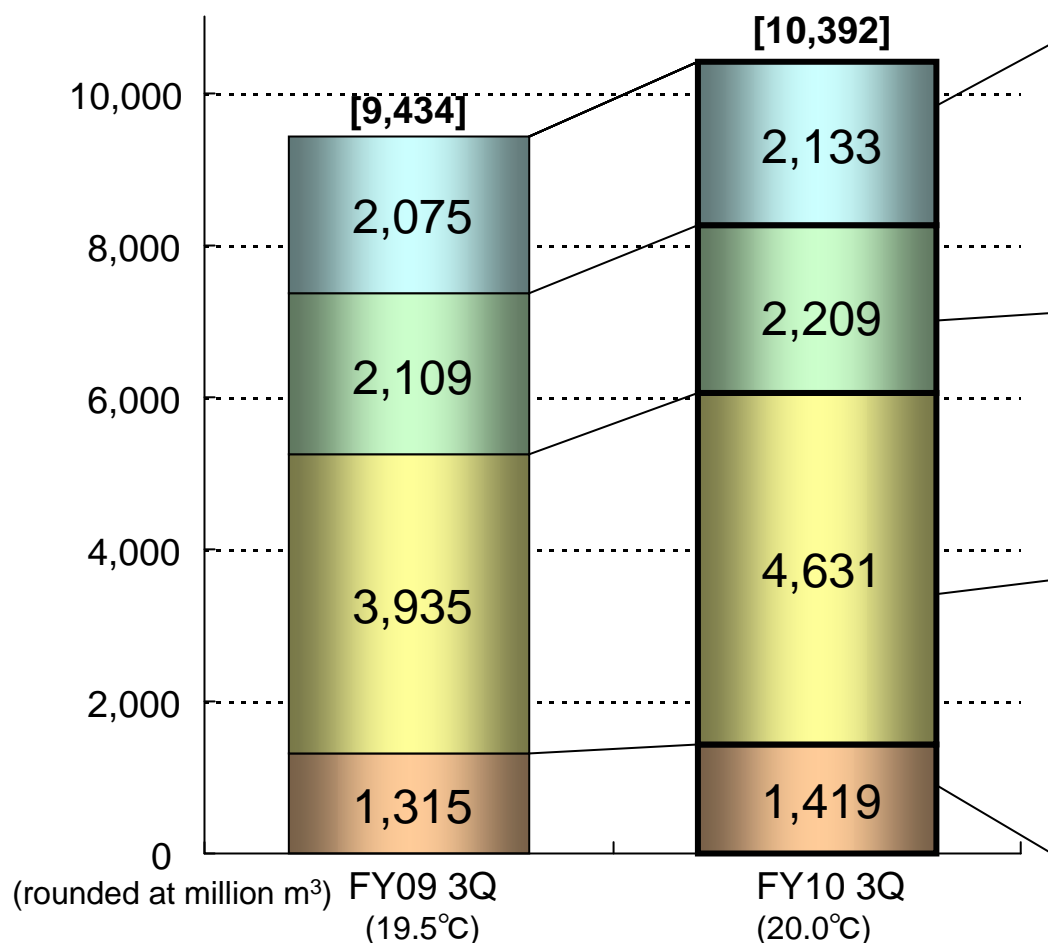
Investment performance of pension assets (management costs deducted)	
End of FY10 3Q	3.1%
End of FY09	7.2%

# Consolidated Gas Sales Volume (Apr. 1 – Dec. 31, 2010)

## FY09 3Q → FY10 3Q

+958 mil. m<sup>3</sup> (+10.2%) year on year  
[incl. large volume + 766mil. m<sup>3</sup> (+15.6%)]

mil. m<sup>3</sup>, 45MJ



### Residential +58 mil. m<sup>3</sup> (+2.8%)

- Temperature-related increase in demand for water-heating(\*) +26 mil. m<sup>3</sup>
- No. of customers +12 mil. m<sup>3</sup>
- No. of days +15 mil. m<sup>3</sup>
- Others +5 mil. m<sup>3</sup>

### Commercial +100 mil. m<sup>3</sup> (+4.7%)

- Temperature-related increase in demand for air conditioning and water-heating +94 mil. m<sup>3</sup>
- No. of customers - 5 mil. m<sup>3</sup>
- No. of days + 6 mil. m<sup>3</sup>
- Others + 5 mil. m<sup>3</sup>

### Industrial +696 mil. m<sup>3</sup> (+17.7%)

- Industrial: +73 mil. m<sup>3</sup>  
Recovery in demand from existing customers, etc.
- Power generation: +623 mil. m<sup>3</sup>  
Commencement of Ohgishima Power Stn. and Increase in electricity demand caused by heat wave

### Wholesale +104 mil. m<sup>3</sup> (+7.9%)

- City gas suppliers: +95 mil. m<sup>3</sup>
- Other gas suppliers: + 9 mil. m<sup>3</sup>

### Number of customers (Unit: 10 thousand)

FY09 3Q-End	FY10 3Q-End	Change
1,059	1,070	+11

(\*) 2Q results are as per the adjusted analysis of temperature-related impact

# Adjustment to Analysis of Temperature-Related Impact on Gas Sales Volume

## Background

- A heat wave during July-September 2010 resulted in extremely large temperature differences relative to the year-earlier period and to plan, making it impossible to accurately analyze the difference in residential sales volume using normal temperature adjustments. The analysis has therefore been adjusted as follows.

<Temperature difference>

(Unit: °C)

	Average Temp. In FY10	Average Temp. in FY09	Difference
July	28.0	26.3	+1.7
August	29.6	26.6	+3.0
September	25.1	23.0	+2.1

## Revisions (in red)

(Unit: mil. m<sup>3</sup>)

July – September, 2010 Residential gas sales volume analysis	Original (A)	Adjusted (B)	(B) - (A)
vs. FY09	<b>Temp.</b> -77 No. of days -6 No. of customers +2 <b>Other</b> +28	<b>Temp.</b> -50 No. of days -6 No. of customers +2 <b>Other</b> +1	<b>+27</b> - - <b>-27</b>
vs. Initial Plan	<b>Temp.</b> -51 No. of days 0 No. of customers 0 <b>Other</b> +24	<b>Temp.</b> -33 No. of days 0 No. of customers 0 <b>Other</b> +6	<b>+18</b> - - <b>-18</b>

# Results by Business Segment <year on year>

(Unit: billion yen)

	Net sales			Operating income			Factor
	FY09 3Q	FY10 3Q	Change	FY09 3Q	FY10 3Q	Change	
City gas	704.2	785.9	+81.7	65.2	77.7	+12.5	Sales: Increased in sales volume and sales unit price Income: Increased in resource cost from higher crude oil prices/ Decrease in personnel expenses
Gas appliances and installation work	118.0	121.8	+3.8	2.3	2.0	-0.3	Sales: Newly consolidated "LIFEVAL" subsidiaries (2)
Other energy	112.7	160.7	+48.0	5.6	8.0	+2.4	Sales: Increased electricity sales from commencement of Ohgishima Power Stn., Increased in LNG sales volume
(Incl. electric power)	(20.7)	(50.1)	(+29.4)	(0.7)	(3.2)	(+2.5)	Income: Increased electric power profit
Real estate	24.6	24.8	+0.2	5.5	5.0	-0.5	
Others	108.5	113.7	+5.2	2.4	5.6	+3.2	Sales: Construction sales growth Income: Construction profit growth Less Tanker expenses
Corporate or eliminations	-102.7	-138.5	-35.8	-37.7	-30.2	+7.5	
<b>Consolidated</b>	<b>965.3</b>	<b>1,068.5</b>	<b>+103.2</b>	<b>43.5</b>	<b>68.2</b>	<b>+24.7</b>	

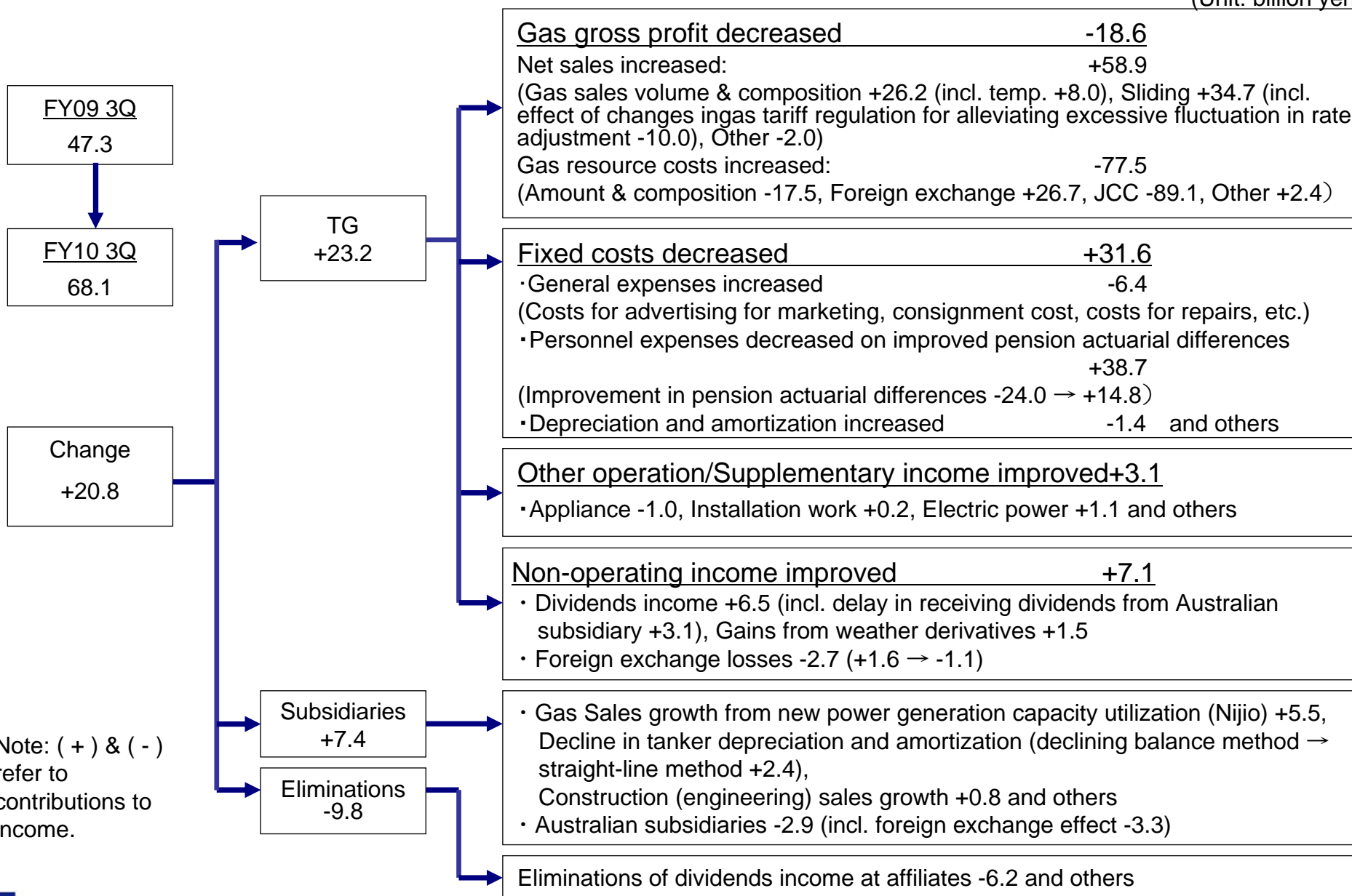
Notes: 1. The Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related information has been applied from 1Q of FY2010. Accordingly, business segments have been reclassified.

2. Net sales by business segment include internal transactions. Operating income does not include operating expenses that cannot be allocated.

3. For reference, 3rd Quarter of FY2009 figures are recalculated using new segments.

# Ordinary Income Analysis <year on year>

(Unit: billion yen)



Note: ( + ) & ( - ) refer to contributions to income.

# **FY2010 Full Year Consolidated Business Forecast**

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# Business Forecast for FY2010 (Apr. 1, 2010 – Mar. 31, 2011)

## Revision Highlights (vs. forecast as of Oct. 29)

(+/- indicates profit impact, billion yen)

- Net sales: (-) Decrease in gas sales on lower gas sales volume  
(+) Increased sales at consolidated subsidiaries
- Operating income: (-) Decline in gas gross profit on lower gas sales volume, higher JCC, etc.  
(-) Increased profit at consolidated subsidiaries
- Ordinary income: (+) Increase in foreign exchange gains, etc.
- Net income: (+) Reversal of decline in valuation of available-for-sale securities (Unit: billion yen)

	FY09 (A)	Projection for FY10					
		Current forecast (B)	Change (B - A)	%	Previous forecast (C)	Change (B - C)	%
Gas Sales Volume (mil. m <sup>3</sup> )	13,666	<b>14,584</b>	+918	+6.7	14,685	-101	-0.7
Net sales	1,415.7	<b>1,524.0</b>	+108.3	+7.6	1,525.0	-1.0	-0.1
Operating expenses	1,330.4	<b>1,410.0</b>	+79.6	+6.0	1,409.0	+1.0	+0.1
Operating income	85.2	<b>114.0</b>	+28.8	+33.8	116.0	-2.0	-1.7
Ordinary income	83.5	<b>113.0</b>	+29.5	+35.3	112.0	+1.0	+0.9
Net income	53.7	<b>71.0</b>	+17.3	+32.0	68.0	+3.0	+4.4

Sliding time lag effect(*)	+5.7	<b>-30.2</b>	-35.9	-	-25.3	-4.9	-
Amortization of actuarial differences(*)	-32.0	<b>+19.8</b>	+51.8	-	+19.8	0.0	-

(\*)non-consolidated basis

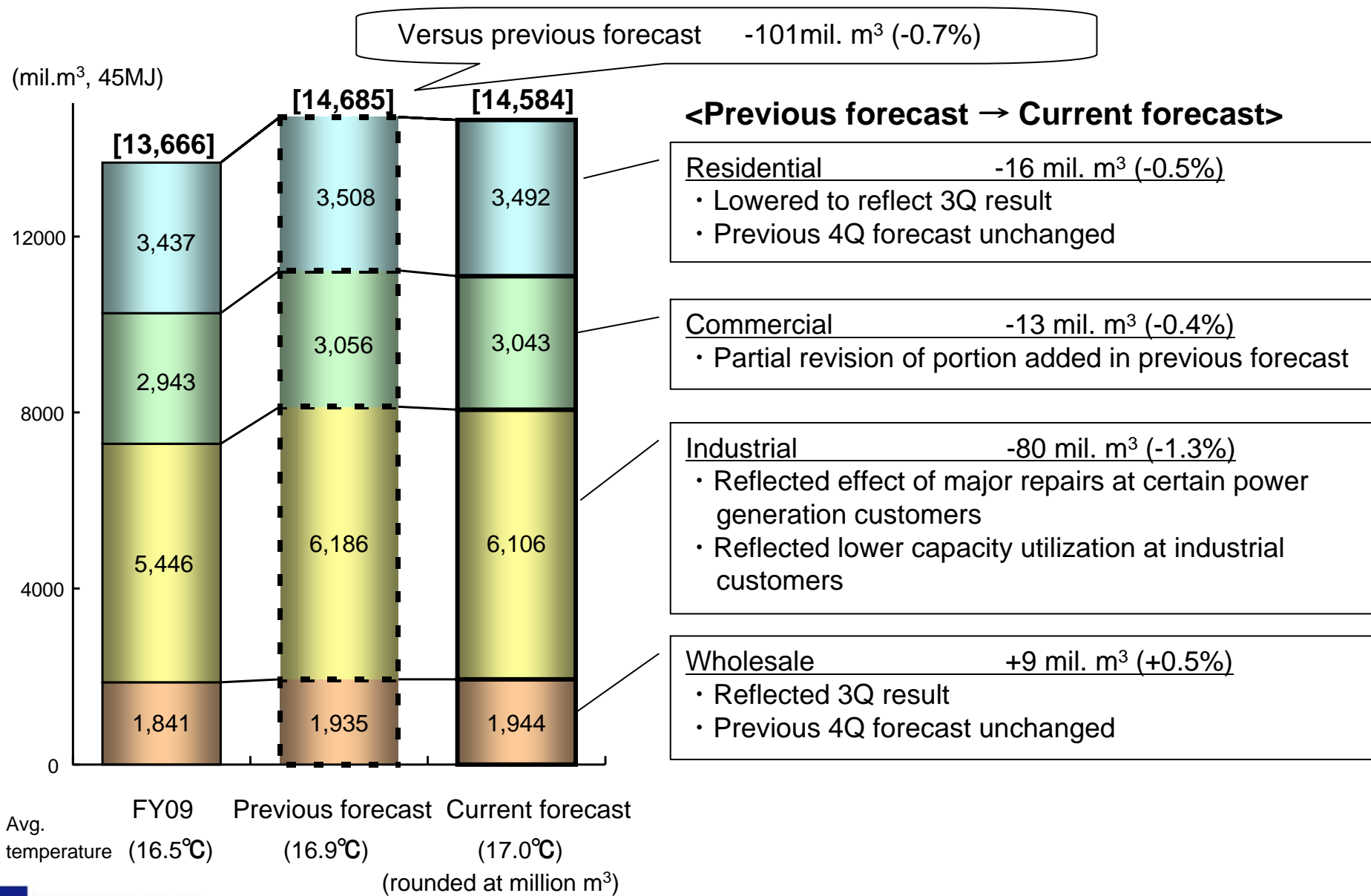
Economic frame \* 1bbl=\$90, \$1=¥85 after Jan. 2011

### Profit sensitivity to changes in oil price and EX rate in 4Q

(billion yen)	Full Year
\$1/bbl Impact on rising JCC	-0.3
¥1/\$ Impact on yen appreciation	+1.0

(Full Year)	JCC (\$/bbl)	Ex. rate (¥/\$)	Temp. (°C)
FY10	<b>82.25</b>	<b>86.39</b>	<b>17.0</b>
Forecast as of Oct 29	<b>79.18</b>	<b>86.96</b>	<b>16.9</b>
FY09	<b>69.40</b>	<b>92.89</b>	<b>16.5</b>

# Gas Sales Volume Full Year Forecast <vs. Previous Forecast>



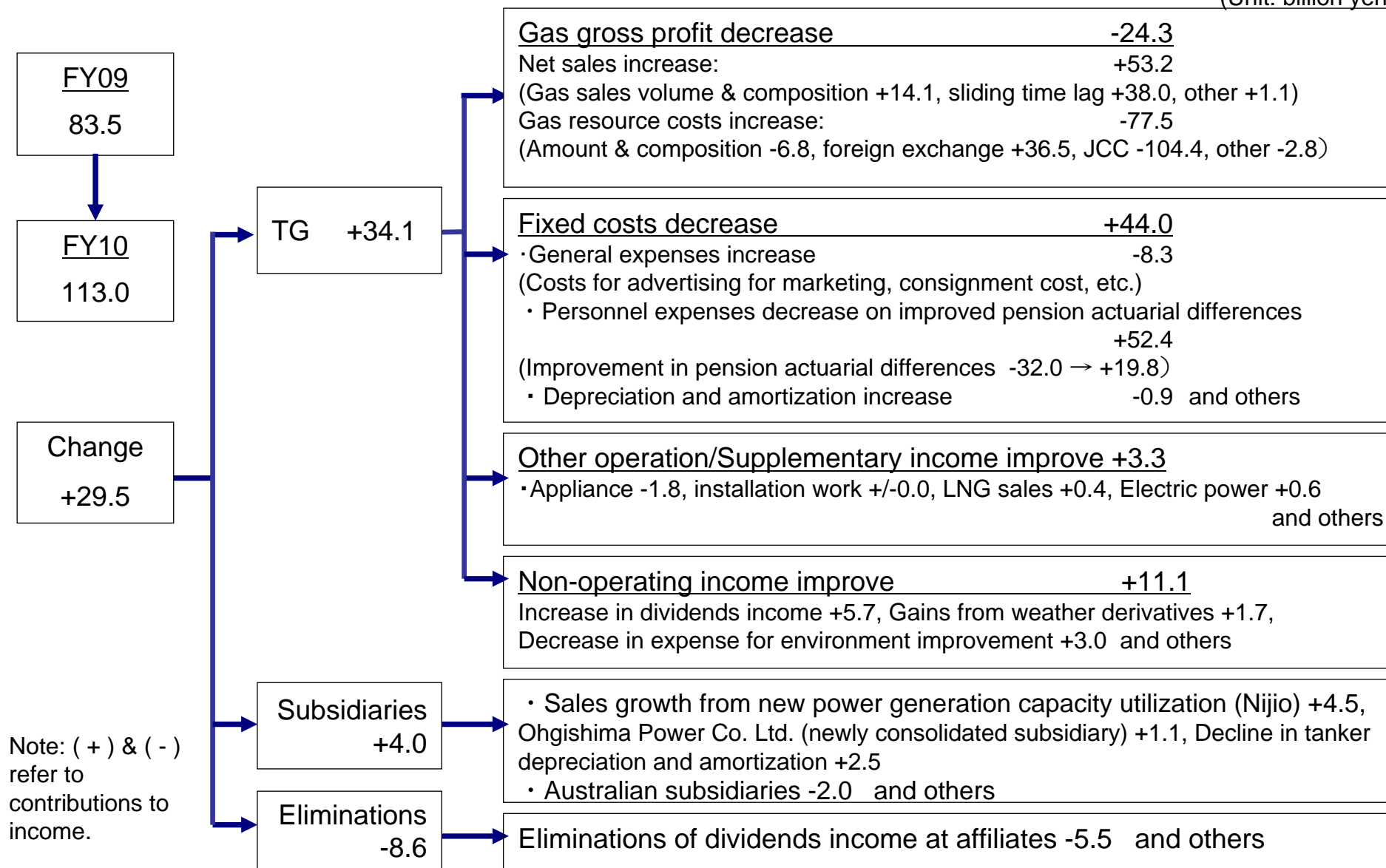
## Full Year Forecast by Business Segment <vs. Previous Forecast>

(Unit: billion yen)

	Net sales			Operating income		
	Previous forecast	Current forecast	Change	Previous forecast	Current forecast	Change
City gas	1,133.3	1,127.7	-5.6	135.8	131.5	-4.3
Gas appliances and installation work	167.7	171.8	+4.1	-0.8	0.2	+1.0
Other energy	217.3	219.3	+2.0	8.8	9.3	+0.5
(incl. electric power)	(66.6)	(67.4)	(+0.8)	(3.6)	(4.0)	(+0.4)
Real estate	32.8	32.7	-0.1	5.9	5.5	-0.4
Others	158.5	162.0	+3.5	8.0	8.9	+0.9
Corporate or eliminations	-184.6	-189.5	-4.9	-41.7	-41.4	+0.3
<b>Consolidated</b>	<b>1,525.0</b>	<b>1,524.0</b>	<b>-1.0</b>	<b>116.0</b>	<b>114.0</b>	<b>-2.0</b>

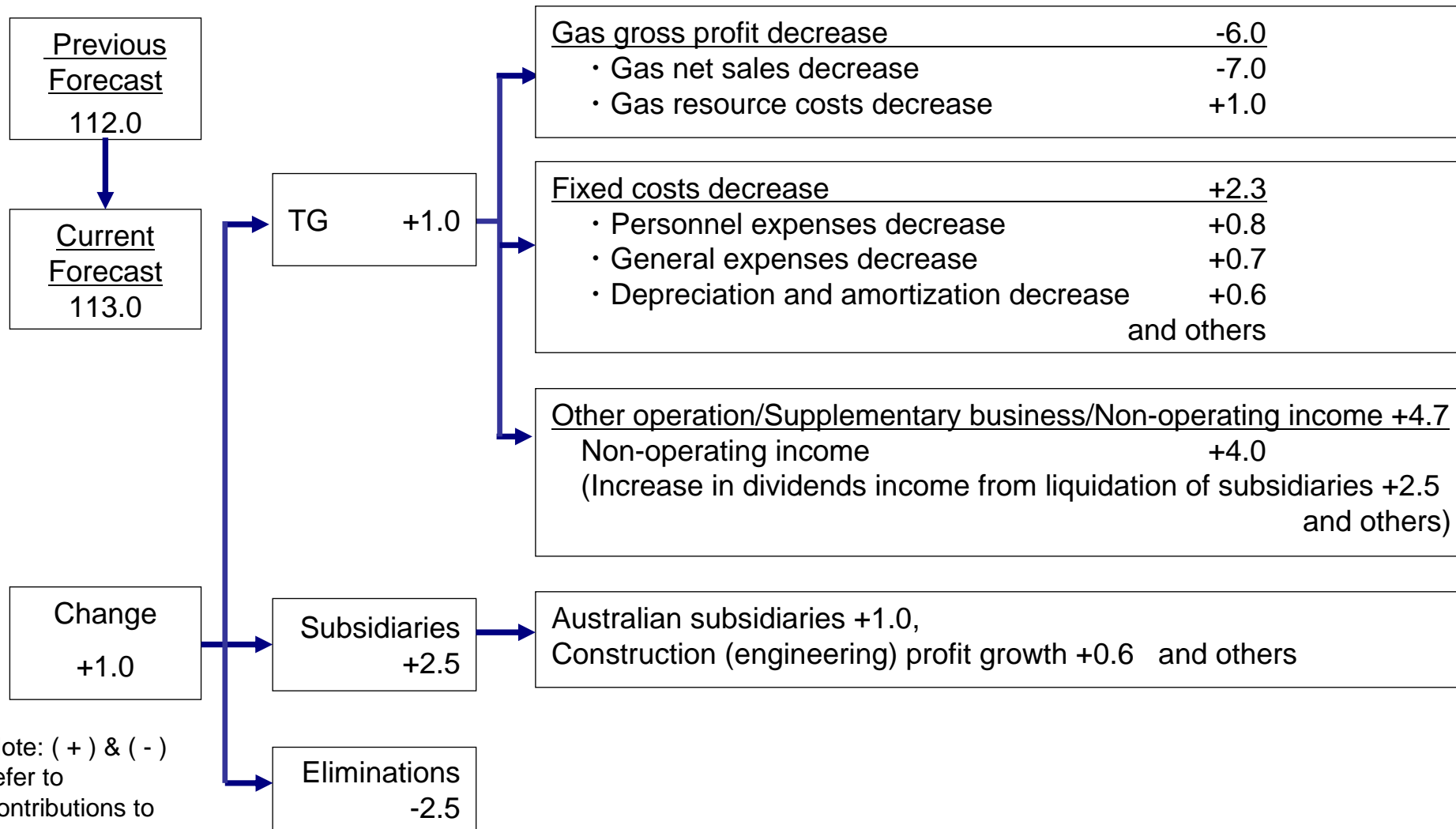
# Full Year Forecast Ordinary Income Analysis <vs. FY09 Results>

(Unit: billion yen)



# Full Year Forecast Ordinary Income Analysis <vs. Previous Forecast>

(Unit: billion yen)



Note: ( + ) & ( - )  
refer to  
contributions to  
income.

# Overview of City Gas Business

## ➤ Transition of industrial-use gas sales volume (excluding power generation)

(mil. m<sup>3</sup>, 45MJ/m<sup>3</sup>)

	1Q	2Q	3Q	4Q	Total	Year on year
<b>FY07</b>	849	912	939	954	3,655	+9.7%
<b>FY08</b>	865	905	823	727	3,320	-9.2%
<b>FY09</b>	677	774	826	886	3,163	-4.7%
<b>FY10</b>	<b>775</b> <b>(Actual)</b>	<b>783</b> <b>(Actual)</b>	<b>793</b> <b>(Actual)</b>	<b>794</b> <b>(Forecast)</b>	<b>3,145</b> <b>(Forecast)</b>	<b>-0.6%</b>

Note: Totals may differ from sums as a result of rounding.

## ➤ Residential Competition Situation

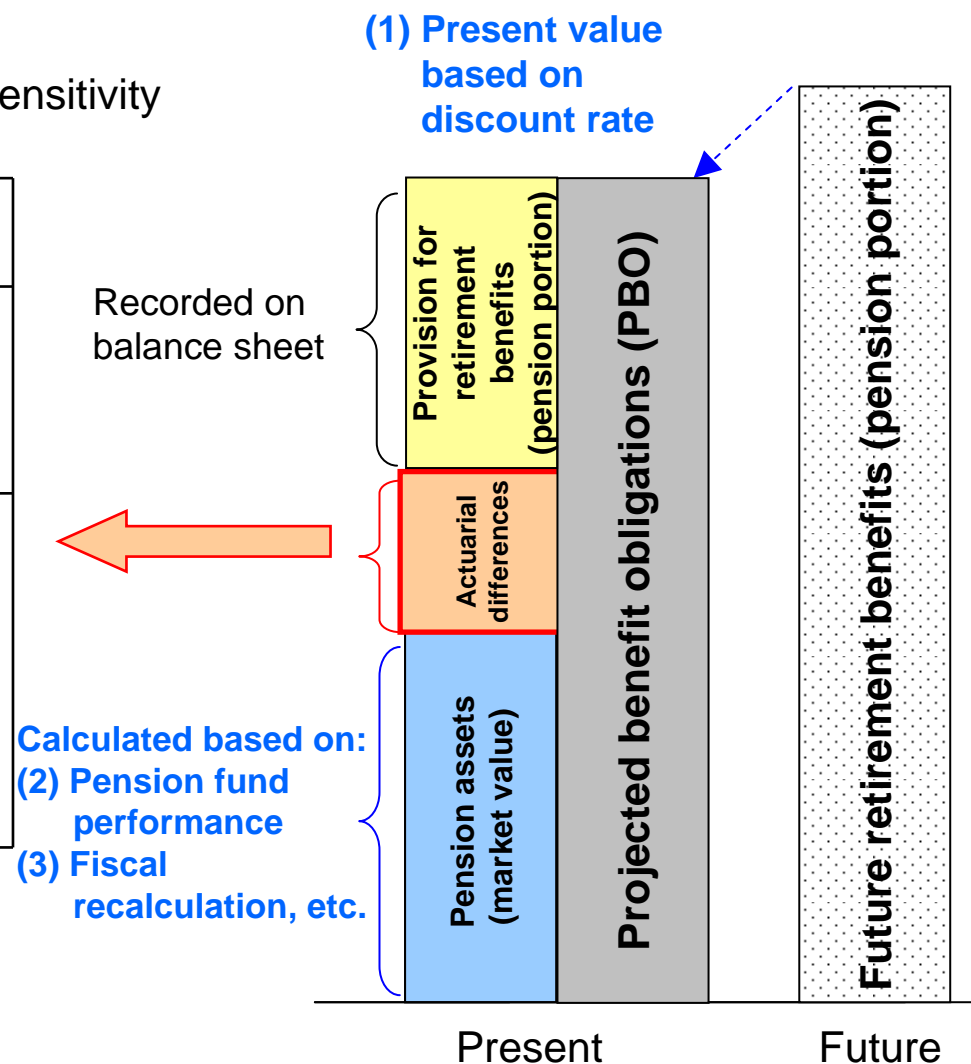
(Non-consolidated)

		FY10 3Q Results	Initial Plan
<b>ENE-FARM sales</b> (completed units)		1,705 units (Reference) Contracts concluded, but not installed yet 804 units	2,500 units
<b>Competition against electrification</b>	All-electric housing rates of newly built houses	-	12%
	No. of existing houses shifted to all-electric	9,576 (FY09 3Q: 10,229)	9,000

# Effect of Actuarial Differences in Pension Accounting

Pension fund performance and discount rate sensitivity

	Pension actuarial differences
Pension fund performance (If fund return at end-FY10 exceeds expected return of 2% by 1 percentage point)	-2.2 billion yen (approximately)
Discount rate (long-term interest rate on last day of fiscal year)  (If 20-year JGB interest rate at end-FY10 rises 0.1% against 2.1% discount rate at end-FY09)	-4.0 to -4.5 billion yen (approximately)

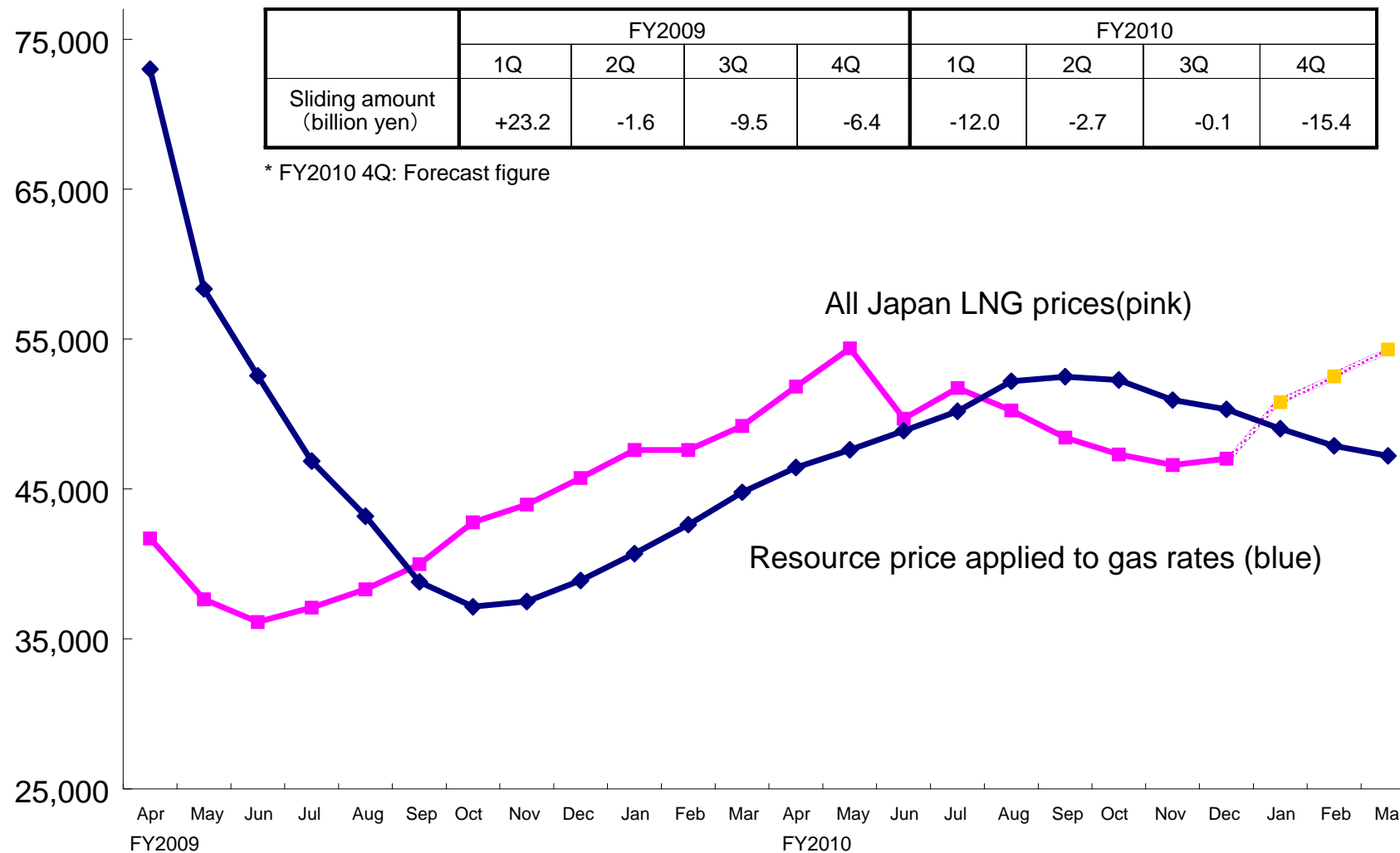


# Sliding Time Lag Effect (conceptual diagram)

(yen/ton)

	FY2009				FY2010			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Sliding amount (billion yen)	+23.2	-1.6	-9.5	-6.4	-12.0	-2.7	-0.1	-15.4

\* FY2010 4Q: Forecast figure



\*Resource price applied to gas rates: Average resource price used in calculation of monthly gas rates

\*All Japan LNG prices (Jan 2011 – Mar 2011) are assumed prices.



# Key Indices

(Unit: billion yen)

	Dec 2009 (Actual)	Dec 2010 (Actual)	FY09 Full year (Actual)	FY10 Full year (Forecast)
<b>Total assets (a)</b>	1,759.9	<b>1,803.3</b>	1,840.9	<b>1,812.0</b>
<b>Shareholders' equity (b)</b>	790.2	<b>807.0</b>	813.8	<b>837.0</b>
<b>Shareholders' equity ratio (b)/(a)</b>	44.9%	<b>44.8%</b>	44.2%	<b>46.2%</b>
<b>Interest-bearing debt</b>	603.5	<b>649.6</b>	555.9	<b>583.0</b>
<b>D/E Ratio</b>	0.76	<b>0.80</b>	0.68	<b>0.70</b>
<b>Net income(c)</b>	31.6	<b>41.2</b>	53.7	<b>71.0</b>
<b>Depreciation and amortization (d)</b>	106.7	<b>109.7</b>	146.1	<b>150.0</b>
<b>Operating cash flow (c) + (d)</b>	138.3	<b>151.0</b>	199.8	<b>221.0</b>
<b>Capex</b>	96.3	<b>97.7</b>	148.1	<b>147.0</b>
<b>ROA: (c) / (a)</b>	-	-	3.0%	<b>3.9%</b>
<b>ROE: (c) / (b)</b>	-	-	6.8%	<b>8.6%</b>
<b>Total Payout Ratio</b>	-	-	60.1%	-

Notes: ROA = Net income/Total assets (average of beginning & end)

ROE = Net income/Shareholders' equity (average of beginning & end)

Balance sheet-related figures are as end of each quarter.

Operating cash flow = Net Income + Depreciation (incl. Amortization of Long-term Prepaid Expenses)

Total Payout Ratio= [Dividends in FY N + Amount of Stock Repurchase in FY (N+1)] / Consolidated Net Income in FY N)

# Tokyo Gas Co., Ltd.

## < Cautionary Statement regarding Forward-looking Statements >

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