



FY2006 Financial Results Presentation Meeting

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Summary of FY2006 Financial Results



Main features of FY2006 Business Results

[vs. FY05: Increase in Revenue and Income]

- Increase in gas unit price due to gas rate adjustment system
- Increase in gas sales volume mainly in industrial sector
- Decrease In labor cost by one-off expense in actuarial differences

[vs. Original projection: Increase in Revenue and Income]

- Decrease in gas resource cost
- Increase in gas sale volume mainly in industrial sector
- Cost down in SGA
- Investment on safety measures and competition against electricity
- Increased income in consolidated subsidiaries

■ Reasons for changes in ordinary profit (vs. original projection, non consolidated basis)

Increase in gas margin by gas rate adjustment system	+20.8
Decrease in labor cost due to reduction of the number of staff	+3.0
Invest on sales promotion etc.	-2.6
Increase in profit of related business	-1.4
Improve non-operating profit and loss	+3.0

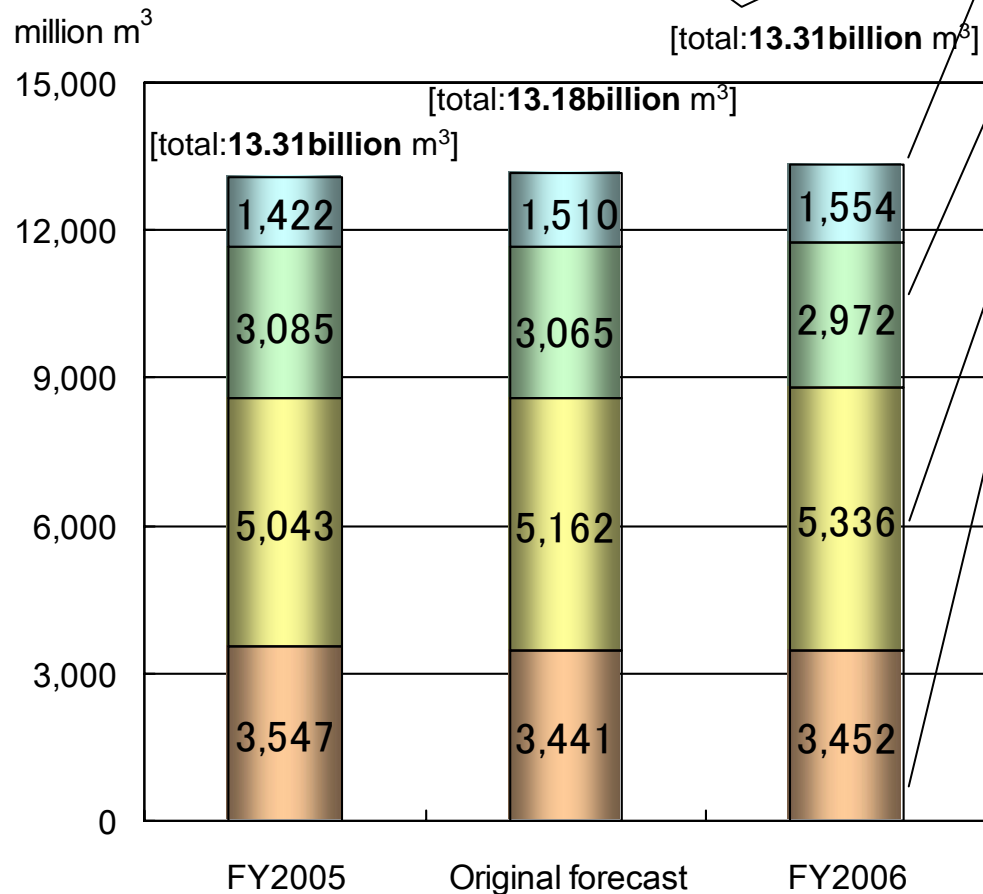
Ordinary profit (non consolidated basis)
 ¥117.0 billion → ¥138.9 billion +¥22.8 billion

(billion yen)

	FY2005 Results	Original Projection (Apr. 27, 2006)	FY2006 Results	Change from Previous Year	Change from Original Projection
Sales	1,266.5	1,370.0	1,376.9	+110.4(+8.7%)	+6.9(+0.5%)
Operating income	112.3	134.0	162.3	+55.0(+44.5%)	+28.3(+21.1%)
Ordinary income	98.6	126.0	156.0	+57.4(+58.1%)	+30.0(+23.8%)
Net income	62.1	82.0	100.6	+38.5(+62.1%)	+18.6(+22.8%)
Crude oil price(\$/bbl)	55.81	62.50	63.45	+7.64	+0.95
Exchange rate(¥/US\$)	113.32	120.00	116.97	+3.65	-3.03
Temperature(°C)	16.2	16.9	16.8	+0.6	-0.1

Gas Sales Volume (Consolidated)

**1.7% increase from the previous year
(+ 217 million m³)**



(Rounded off to nearest million m³)

<Reasons for Changes in Gas Sales Volumes from FY2005 to FY2006 >

Wholesale Supply: + 9.3% (+133 mil. m³)

- Increase in sales to other gas utilities by acquiring new & existing demands for those utilities

Commercial & Other Use: -3.7% (-113mil. m³)

- Decrease in air conditioning demand due to low temperature in 1st half and high temperatures in winter

Industrial Use: +5.8% (+293 mil. m³)

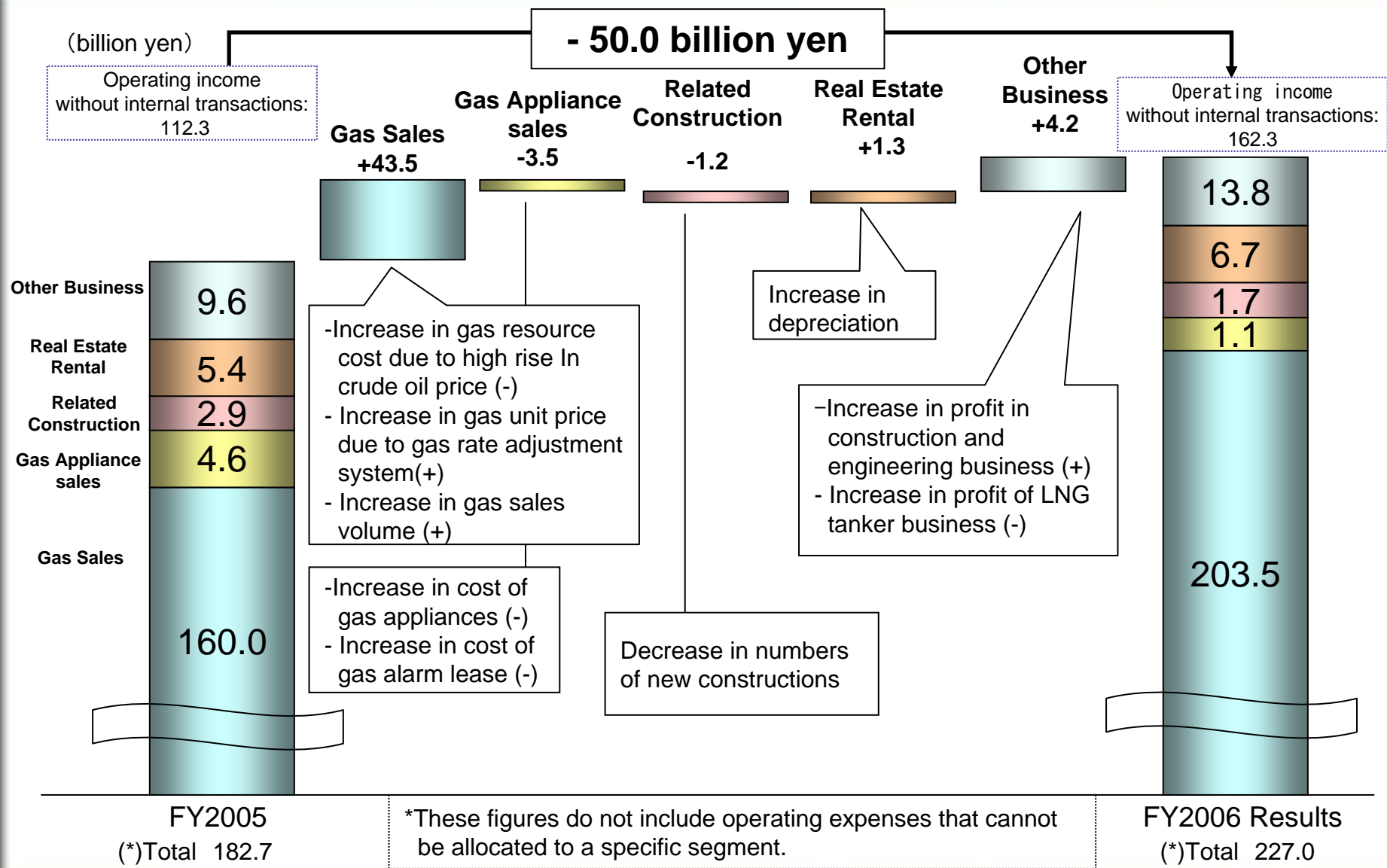
- Increased demand for electricity from new customer
- Increased new & existing demands

Residential Use: -2.7% (-96mil. m³)

- Increase in hot water & space heating demand due to low temperature in 1st half
- Decrease in demand for hot water & space heating due to high temperature in winter

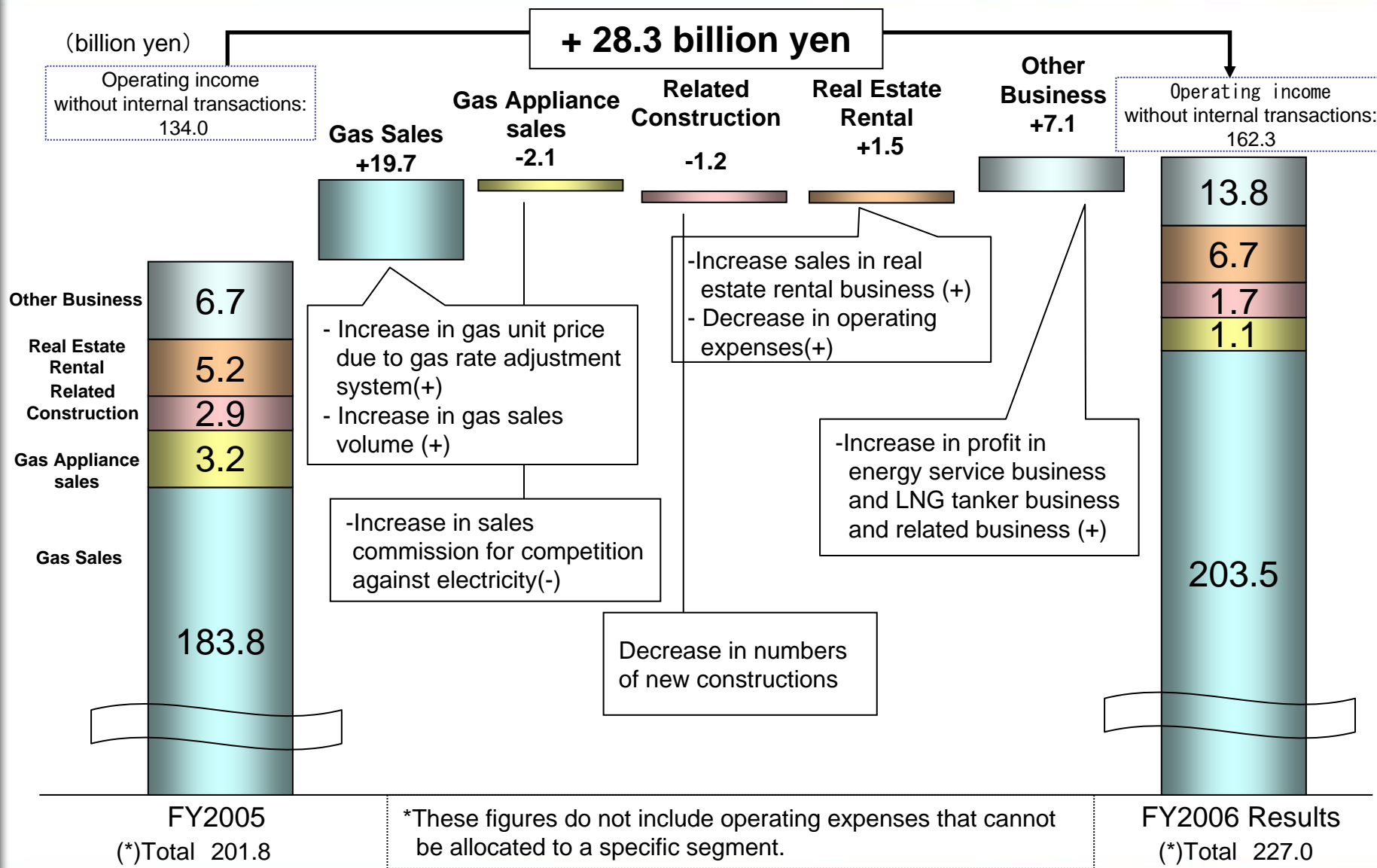
(Reference)	Original projection	FY2006 Results	Change from original projection	
			Change	%
Residential Use	3,441	3,452	+11	+0.3%
Industrial Use	5,162	5,336	+174	+3.4%
Commercial & Other Use	3,065	2,972	-93	-3.0%
Wholesale supply	1,510	1,554	+44	+2.9%
Total	13,178	13,315	+137	+1.0%

Reasons for changes in Operating Income (compared with previous year)

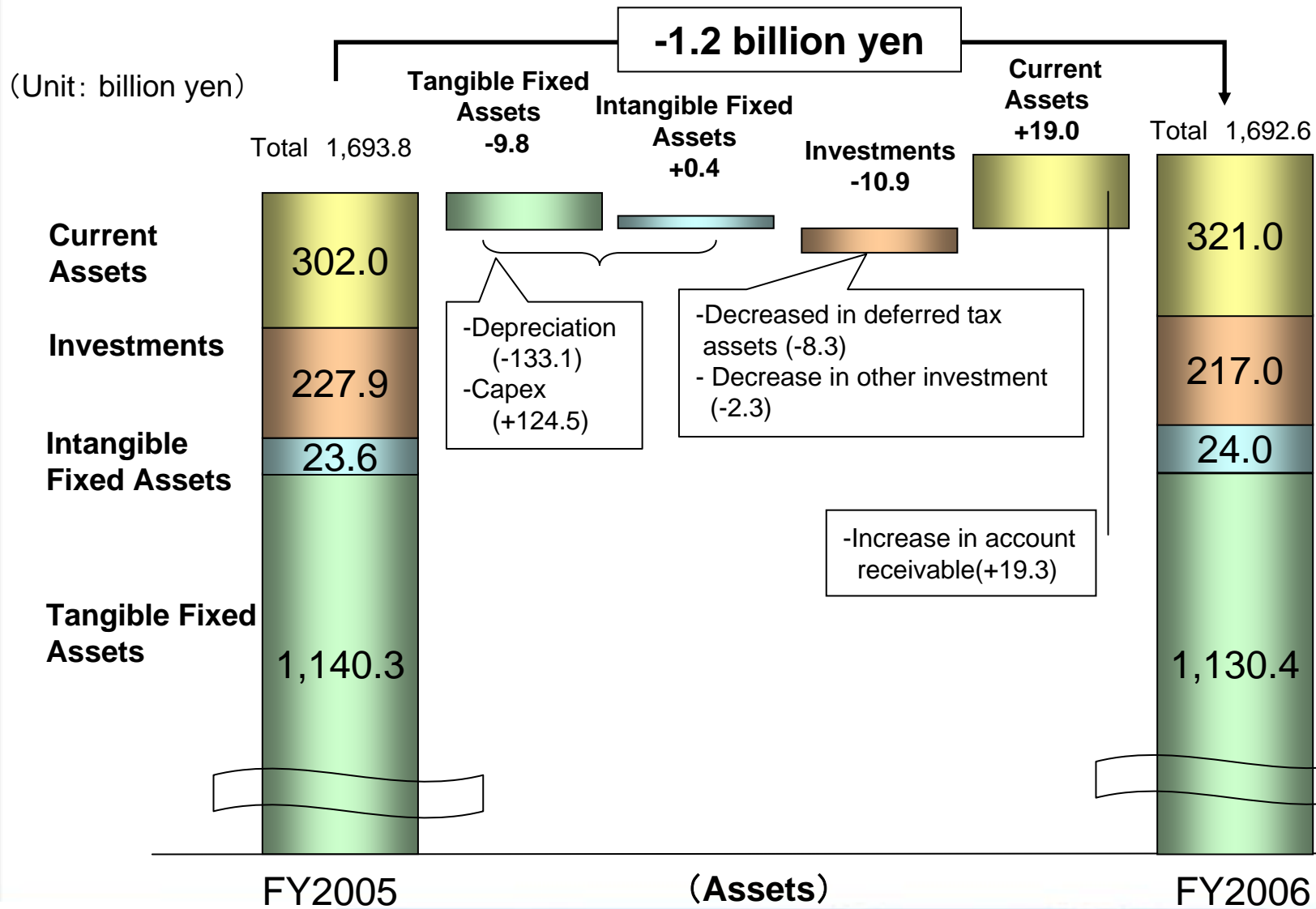


Reasons for changes in Operating Income

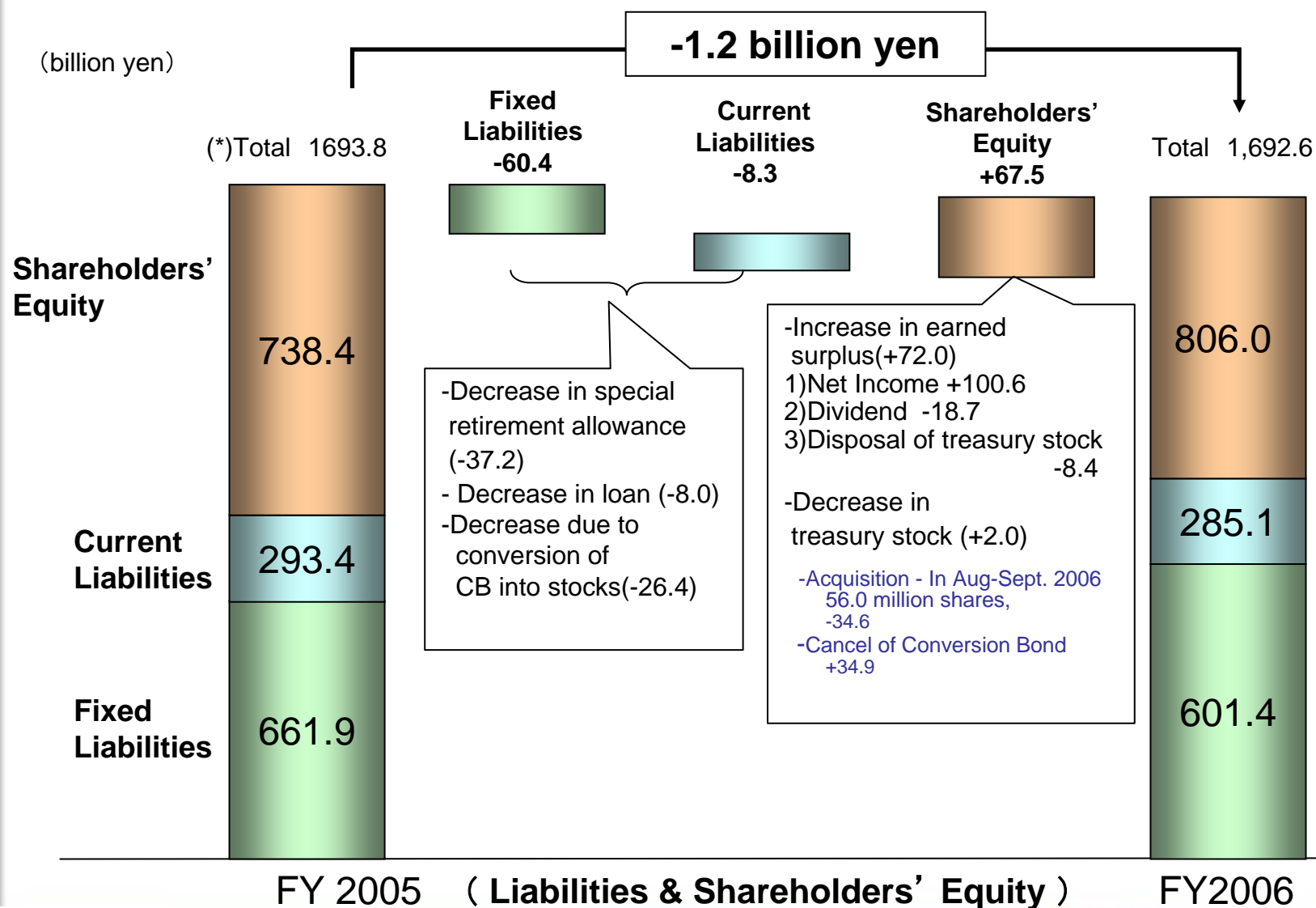
(compared with original projection of 1st year in the Mid-term plan)



Reasons for Changes in Balance Sheet (Assets)



Reasons for Changes in Balance Sheet (Liabilities & Shareholders' Equity)



Dividend and Share Buy Back in FY06

[Dividend]

- Increase dividend in FY06

¥7.0/share → ¥8.0/share

[Share Buy Back]

- Estimated share Buy Back in FY07

[FY07]
¥ 39.0 billion

[Total Payout ratio]

Total payout ratio in FY 06 is estimated at 60.1%

$$\begin{array}{l} \text{Total Payout} \\ \text{ratio:} \\ 60.1\% \end{array} = \frac{\begin{array}{l} \text{¥21.5 billion:} \\ \text{Dividend in FY06} \end{array} + \begin{array}{l} \text{¥39.0 billion:} \\ \text{Estimated share buy back in FY07} \end{array}}{\text{¥100.6 billion: Net income in FY06}}$$



Projection for FY2007 (April 2007 – March 2008)



Significant targets in FY2007

Significant targets as the second year of medium-term management plan

- **Establishment of reliable relationship with customers and competition against promotion of all-electric-houses**
 - Establishment of sales setup with deep local roots and restructure of organization for customer service
 - Realization of new energy companies

- **Urge upstream, transportation, electric business and energy service business, all for the expansion of LNG value chain**

- **Strengthen safety measures at each stage of production, transportation, and consumption**

Projection for FY2007 (changes from FY2006)

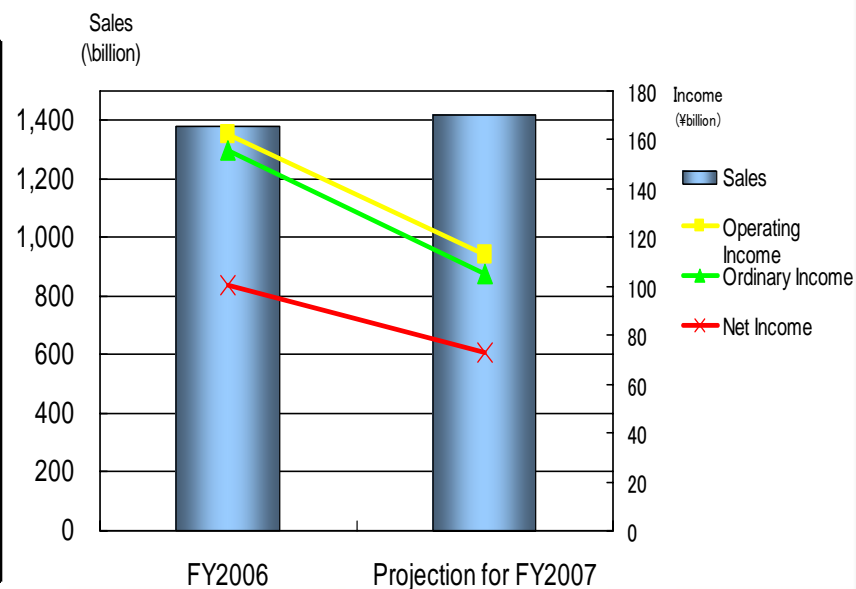
■ Key points in financial projection in FY07

[vs. FY06: Increase Revenue and income]

- Gas sales volume growth (+)
- Increase in gas resource cost due to gas rate adjustment system (-)
- Increase in depreciation by tax revisions (-)
- Increase in labor cost by one-off expense in actuarial differences (-)
- Additional investment on significant competition against electricity and demand development (-)

(Unit: billion yen)

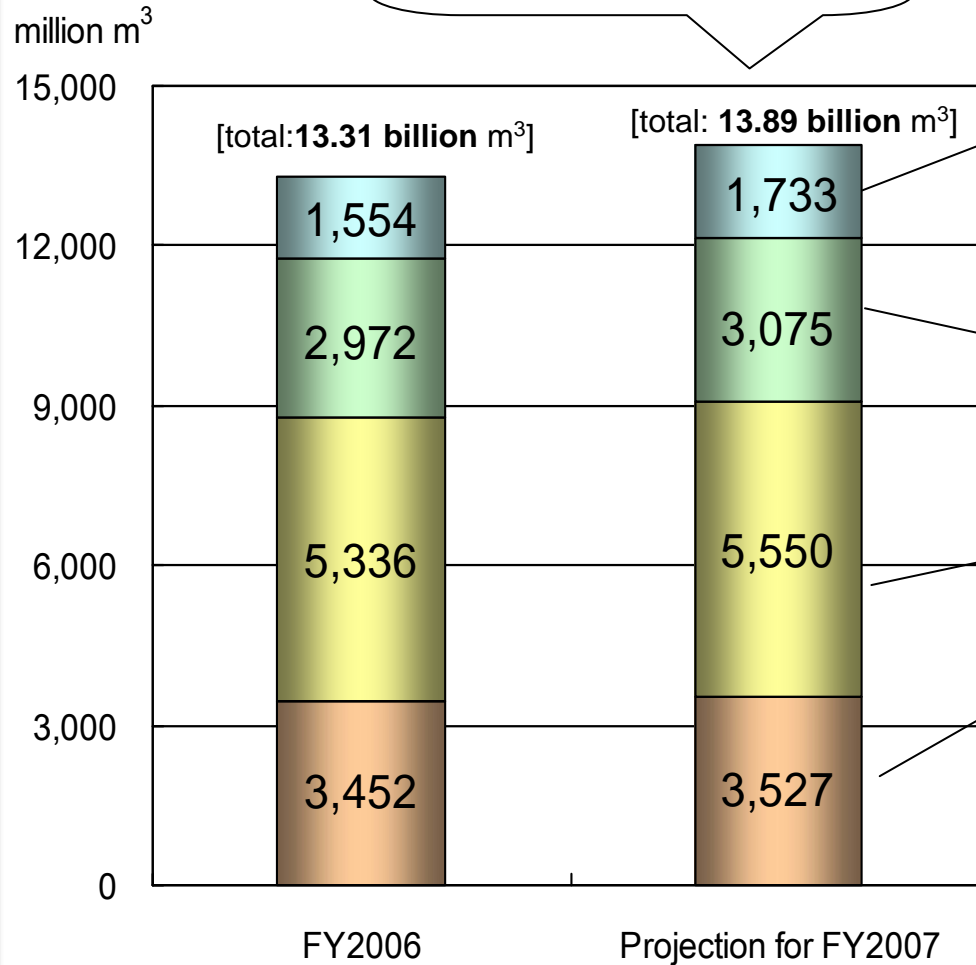
	FY2006	Projection for FY2007	Change from FY2006
Sales	1,376.9	1,419.0	+42.1 (+3.1%)
Operating Income	162.3	113.0	-49.3 (-30.4%)
Ordinary Income	156.0	105.0	-51.0 (-32.7%)
Net Income	100.6	73.0	-27.6 (-27.5%)
Crude oil price(\$/bbl)	63.45	55.00	-8.45
Exchange rate(¥/US\$)	116.97	120.00	+3.03
Temperature(°C)	16.8	16.8	0.0



Gas Sales Volume Projections

(Consolidated - Change from FY2006)

**4.3% increase from FY06
(+570 million m³)**



(Rounded off to nearest million m³)

<Reasons for Changes from FY06 >

Wholesale Supply: +11.5% (+179 mil. m³)

- Increase in sales to other gas utilities acquiring new & existing demands for those utilities

Commercial & Other Use: +3.4% (+102 mil. m³)

- Increase in gas sales volume by excluding temperatures effect
- Increased gas sales volume by sales efforts

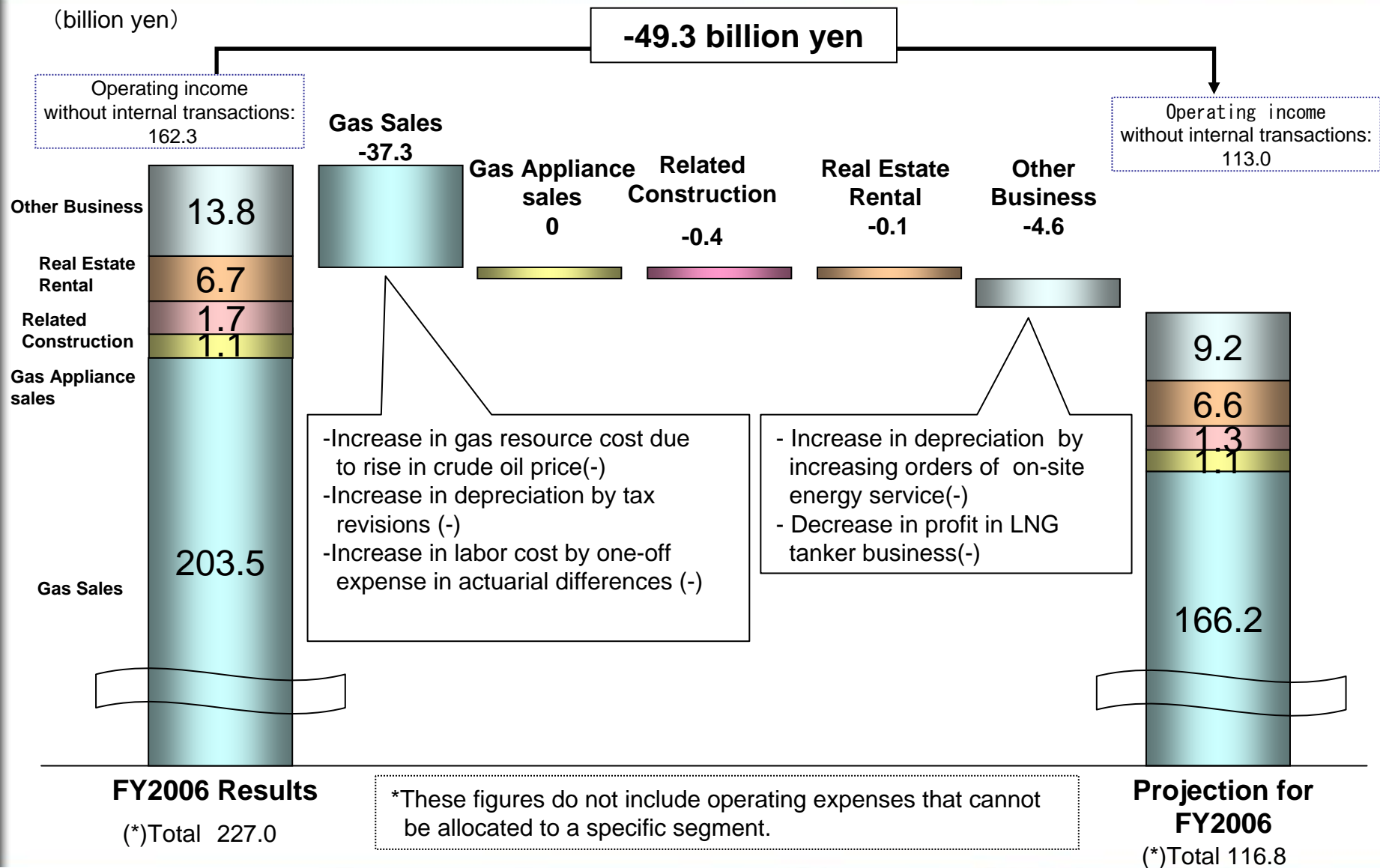
Industrial Use: +4.0% (+213 mil. m³)

- Increased demand by new and existing customer

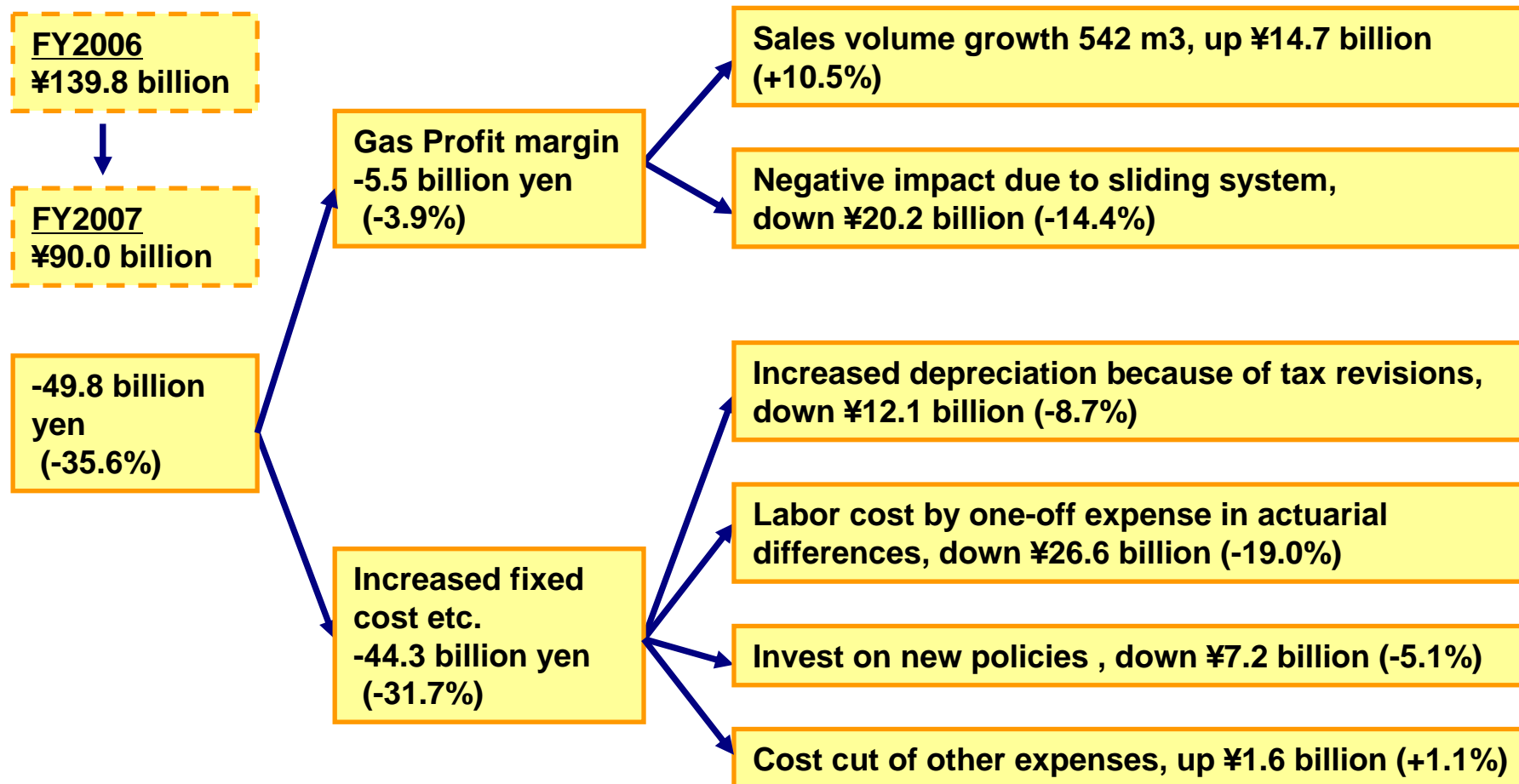
Residential Use: +2.2% (+76 mil. m³)

- Increase the number of customers
- Increase in gas sales volume by excluding temperatures effect

Reasons for Changes in Operating Income



Reasons for changes in ordinary profit from FY06 to FY07 (non consolidated basis)



Reasons for changes in ordinary profit from original projection in FY07

Start!

Ordinary Profit in FY2007: 105.0

(Unit: billion yen)

Adjustment issues

• Negative impact due to gas adjustment system	- 13.0
• Labor cost by one-off expense in actuarial differences	
[1] Pension actuarial review	- 9.7
[2] difference of discount rate	- 4.7
[3] pension asset management yield amount of over 2.5% in expected earning rate	+2.5
	<hr/>
	- 24.9

Adjusted ordinary profit in FY2007: 129.9

FY07 Original projection as 2nd year in management plan: 128.0

Difference 1.9

Effect of depreciation by tax revisions	-13.1
Others	+15.0

Tokyo Gas +9.0
Subsidiaries +6.0

- Improve gas margin +14.6
- Reduction of labor cost +7.8
- Increase in SGA for safety measures etc. -12.2

References



Performance Indicators (FY2007 projection-1)

(billion yen)

	FY05 Results	FY06 Original Projection	FY06 Results	FY07 Projection	Change from FY05 to FY06	Change from Original projection	Change from FY06 to FY07
Sales	1,266.5	1,370.0	1,376.9	1,419.0	+110.4 (+8.7%)	+6.9 (+0.5%)	+42.1 (+3.1%)
Operating Income	112.3	134.0	162.3	113.0	+50.0 (+44.5%)	+28.3 (+21.1%)	-49.3 (-30.4%)
Ordinary Income	98.6	126.0	156.0	105.0	+57.4 (+58.1%)	+30.0 (+23.8%)	-51.0 (-32.7%)
Net Income	62.1	82.0	100.6	73.0	+38.5 (+62.1%)	+18.6 (+22.7%)	-27.6 (-27.5%)
EPS(¥)	23.48	30.46	37.50	26.91	+14.02	+7.04	-10.59
TEP	22.9	37.8	53.8	22.0	+30.9	+16.0	-31.8
Gas sales volume (million m ³)	13,098	13,177	13,315	13,885	+21.7 (+1.7%)	+138 (+1.0%)	+57.0 (+4.3%)
Crude oil price (\$/bbl)	55.81	62.50	65.47	55.00	+7.64	+0.95	-8.45
FX rate (yen/US\$)	113.32	120.00	116.97	120.00	+3.65	-3.03	+3.03
Average Temperature(°C)	16.2	16.9	16.8	16.8	+0.6	+0.1	0.0

Performance Indicators (FY2007 projection-2)

(billion yen)

	FY05 Results	FY06 Original Projection	FY06 Results	FY07 Projection	Change from FY05 to FY06	Change from Original Projection	Change from FY06 to FY07
Total Assets(a)	1,693.8	1,697.0	1,692.6	1,747.2	-1.2	-4.4	+54.6
Shareholders' Equity (b)	728.2	766.0	795.1	810.1	+66.9	+29.1	+15.0
Equity Ratio: (b)/(a)	43.0%	45.1%	47.0%	46.4%	+4.0%	+1.9%	-0.6%
Outstanding Debt	559.9	570.0	525.4	585.3	-34.5	-44.6	+59.9
Operating Cash Flow (c)=(d)+(e)	198.4	218.0	233.8	217.9	+35.4 (+17.8%)	+15.8 (+7.3%)	-15.9 (-6.8%)
Net income (d)	62.1	82.0	100.6	73.0	+38.5 (+62.1%)	+18.6 (+22.8%)	-27.6 (-27.5%)
Depreciation (e)	136.3	136.0	133.1	144.9	-3.2	-2.9	+11.8
CAPEX (f)	119.4	143.0	124.5	139.0	+5.1	-18.5	+14.5
ROA: (c) / (a)	3.7%	4.8%	5.9%	4.3%	+2.2%	+1.1%	-1.6%
ROE: (c) / (b)	9.0%	11.0%	13.2%	9.1%	+4.2%	+2.2%	-4.1%

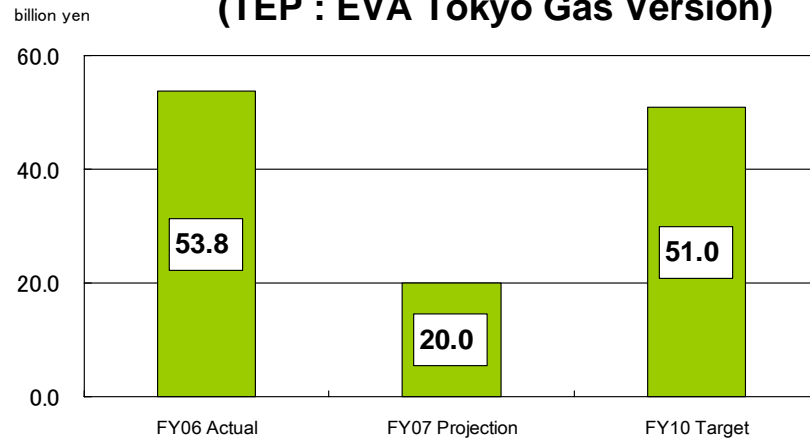
(*) ROA=Net Income / Average Total Assets, ROE=Net Income / Average Shareholders' Equity

EPS: earnings per average number of shares issued and outstanding

Operating Cash Flow =Net income + Depreciation(including amortization of long-term period expenses)

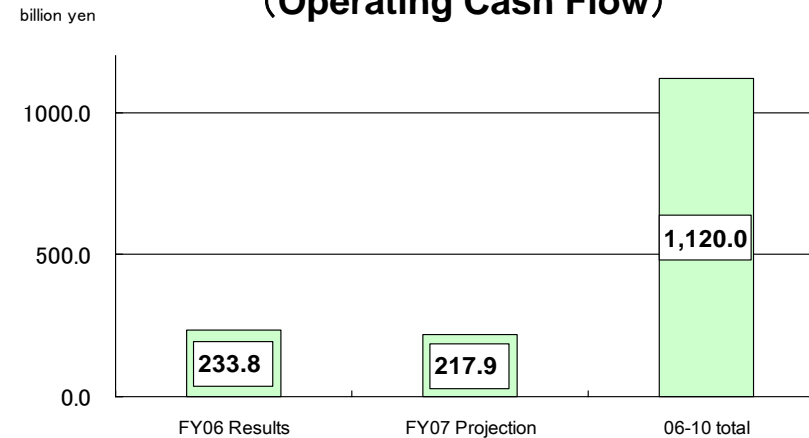
Major management targets

(TEP : EVA Tokyo Gas Version)



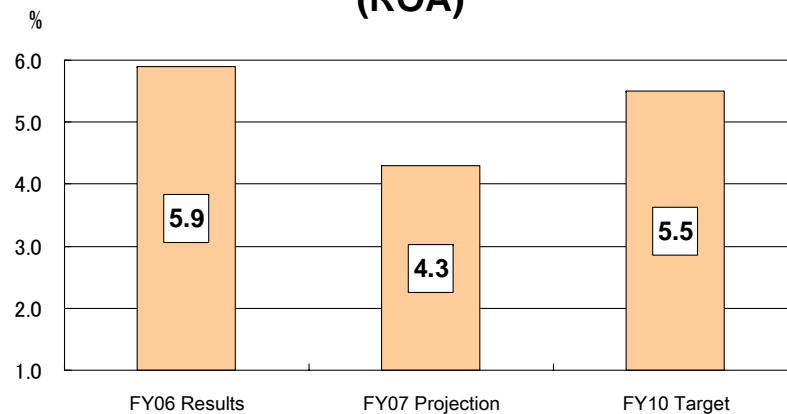
■ TEP = After-tax, pre-interest-payment profit - capital cost
(capital invested x WACC)
WACC: FY06 Actual 3.7%, FY07 Projection 3.8%, FY10 target 3.8%

(Operating Cash Flow)



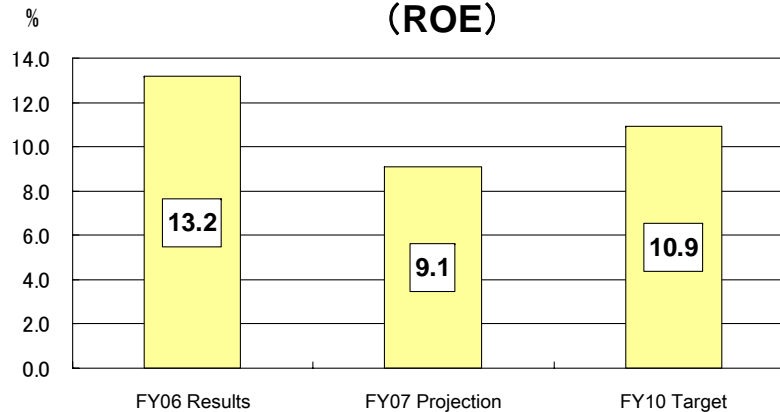
■ OCF=Net profit + depreciation (including amortization of long-term expenses)

(ROA)



■ ROA=Net income/Average Total Asset

(ROE)



■ ROE=Net income/Average Shareholders' Equity