

## Major Questions and Answers on the Announcement of FY2006 Financial Results

Q: What are the major reasons for the decline in profit in FY2007 from FY2006?

A:

- In fiscal 2006, non-consolidated ordinary income was 139.8 billion yen, but for fiscal 2007 we are projecting ordinary income of 90.0 billion yen, a year-on-year decline of 49.8 billion yen, which represents a substantial 35.6% decrease. The factors behind that decline are shown on this slide, and can be categorized into 5.5 billion yen deterioration in gas profit margin, and a 44.3 billion yen decline due to increased fixed costs, etc.
- We are projecting 4.1% year-on-year growth in gas sales volume, but at the same time, the time lag introduced by the gas rate adjustment system for gas resource cost adjustment will delay the recovery of materials costs, producing a 20.2 billion yen decline in gross profit. Furthermore, tax system changes in fiscal 2007 will produce increased depreciation. There will be an increased one-off expense for actuarial differences in the discount rate and operating differences for retirement reserves, principally due to external influences such as changes in the tax system and fluctuations in government bond interest rates and in the capital markets, all of which will produce a large increase in fixed costs.

Q: You have announced that the increase of dividend is ¥7 /share to ¥8 /share, please tell us the reason, and also about the principal strategy of return to shareholders.

A:

- Under its current Medium-Term Management Plan, Tokyo Gas set the total payout ratio during the term of the Plan at 60%, taking the investor's viewpoint and proceeding with both dividends and treasury stock acquisition. Based on this "total payout ratio" approach, dividends from fiscal 2006 onwards are being raised by 1 yen per share to 8.0 yen a year. In fiscal 2007, we are also planning to buy back some 60 million shares for about 39.0 billion yen. As a result, the fiscal 2006 total payout ratio is expected to be 60.1%.

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.

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)

Q: How do you compete with serious challenge of electricity in residential market?

A:

- Competition between different types of energy is increasingly fierce, and there were several points during the last fiscal year where it was reasonable for investors to feel concerned. Tokyo Gas is keen that its customers keep selecting Tokyo Gas, and to that end, we know that in fiscal 2007 we have to keep giving top priority to safety initiatives and improvements in customer service level, reinforcing the importance we place on these gas utility basics. Keeping this determination foremost in mind, we will be putting our effort into initiatives that will produce solid progress under our Medium-Term Management Plan.