



# Financial Results Presentation Meeting

## Interim results for FY2007 (Apr.-Sep. 2007)

Oct. 29, 2007

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Tokyo Gas Co., Ltd.**

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 or 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, changes in the foreign exchange rate of the yen, crude oil prices, and the weather.



# Summary of Interim Results

(Apr.-Sep. 2007)

# Key Points of Interim Financial Results

(Change from Projections)

## [vs. FY06 Interim Results :

### Increase in sales and decrease in income]

- Increase in gas unit price due to gas rate adjustment system (+)
- Increase in gas sales volume mainly in industrial sector (+)
- Increase in gas resource cost (-)
- Increase in labor cost by one-off expense in actuarial differences (-)
- Increase in depreciation by tax revisions (-)

## [vs. projection as of 7/28 :Decrease in sales and decrease in income]

- Decrease in expenses by cost reduction effort (+)
- Decrease both in gas sales and gas volume (-)

### ■ Factors of change from FY06 1H (non consolidated)

- [1] Decrease gas sales margin **-11.4¥billion**
  - [2] Cost by one-off expense in actuarial differences **-11.5¥billion**
  - [3] Invest on new policies (strengthen competitiveness against electricity and for safety measure) **-3.7¥billion**
  - [4] Increase other operating cost, etc. **-1.8 ¥billion**
  - [5] Improve in non-operating profit and loss **+3.7 ¥billion**
- 
- Ordinary Income** **-24.7 ¥billion**  
**( 49.6 ¥billion →24.9¥billion)**

(billion yen)

	FY06 Interim Results	Projection as of 7/27	<b>FY07 Interim Results</b>	Change from FY06 Interim Results	Change from projection as of 7/28
Sales	603.5	643.0	<b>636.9</b>	+33.4 (+5.5%)	-6.1 (-0.9%)
Operating Income	62.7	32.0	<b>33.1</b>	-29.6 (-47.1%)	+1.1 (+3.7%)
Ordinary Income	55.5	28.0	<b>31.7</b>	-23.8 (-43.0%)	+3.7 (+13.3%)
Net Income	36.0	20.0	<b>19.8</b>	-16.2 (45.0%)	-0.2 (-0.9%)
Crude oil price(\$/bbl)	67.83	67.30	<b>67.83</b>	0.00	+0.53
Exchange rate(¥/US\$)	115.38	120.39	<b>119.40</b>	+4.02	-0.99

Note: Figures are rounded down to nearest ¥0.1 billion.

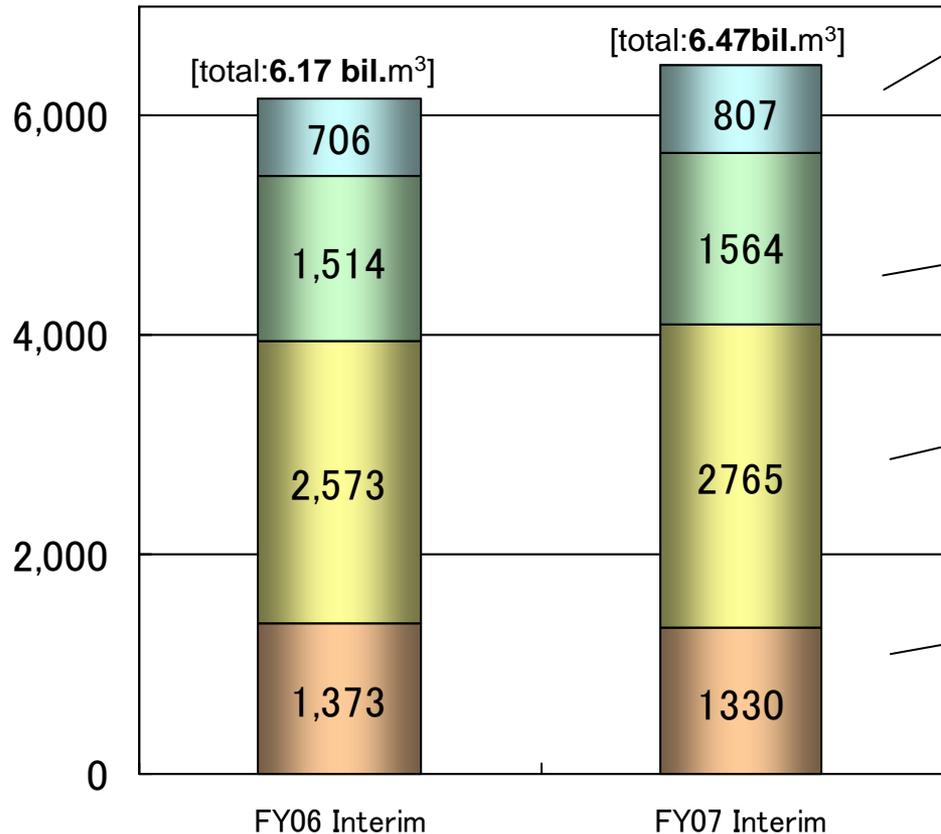
# Gas Sales Volume Projections

(Change from previous year and projections)

4.8% increase from FY06 1H  
(+299million m<sup>3</sup>)

million m

(45MJ/m<sup>3</sup>)



## <Reasons for Changes in Gas Sales Volume from FY06 1H>

### Wholesale Supply: +14.3% (+101mil. m<sup>3</sup>)

-Increase in sales to other gas utilities through developing new demand for those utilities and increasing demand of existing customers

### Commercial & Other Use: +3.3 % (+50mil. m<sup>3</sup>)

-Increased demand for air conditioning due to high temperatures

### Industrial Use: +7.5 % (+192mil. m<sup>3</sup>)

-Developed new demand  
-Increased demand by existing customers

### Residential Use: -3.2% (-44mil.m<sup>3</sup>)

-Increase in number of customers  
-Decrease in hot water demand due to high temperatures

FY06 Interim

FY07 Interim

(Rounded off to nearest million m<sup>3</sup>)

# Reasons for Changes in Operating Income

(billion yen)

**-29.6 billion yen**

Operating income without internal transactions: 62.7

Operating income without internal transactions: 33.1

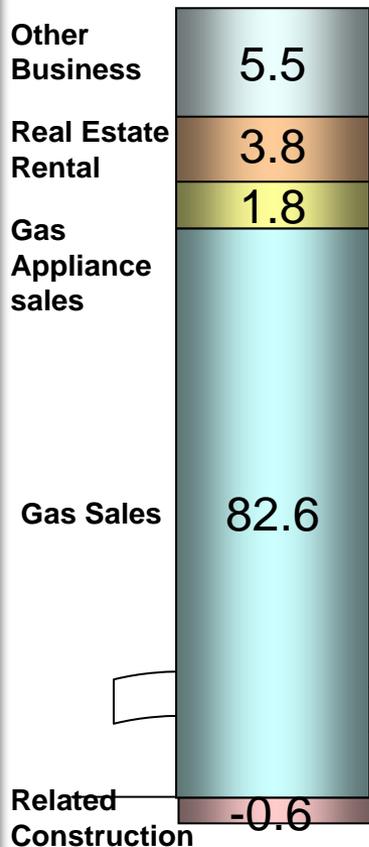
**Gas Sales -28.1**

**Gas Appliance sales 0**

**Related Construction -0.2**

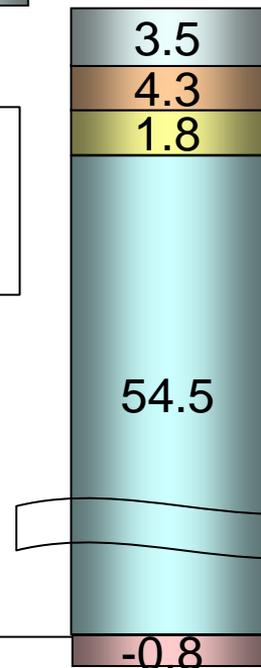
**Real Estate Rental +0.5**

**Other Business -2.0**



-Increase gas sales (+)  
 -Rise in the unit price from rate adjustment system(+)  
 -Increase in gas resource cost (-)  
 -Increase in operating cost such as labor cost, etc. (-)

[Energy Advance]  
 - Increase in initial depreciation by increasing orders of on-site energy service



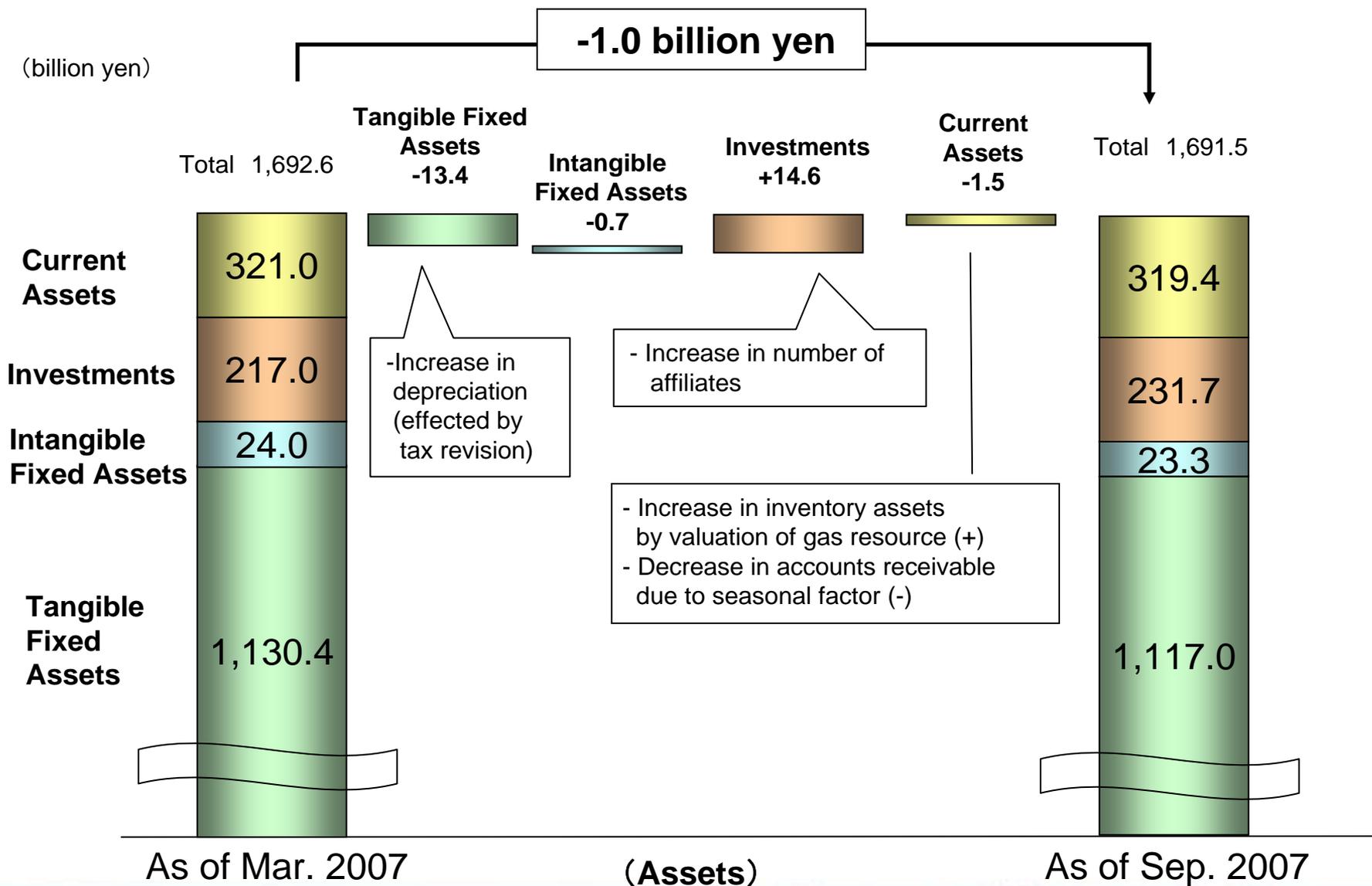
\*These figures do not include operating expenses that cannot be allocated to a specific segment.

**FY06 Interim**  
 (\*)Total 93.3

**FY07 Interim**  
 (\*)Total 63.4

**-29.9 billion**

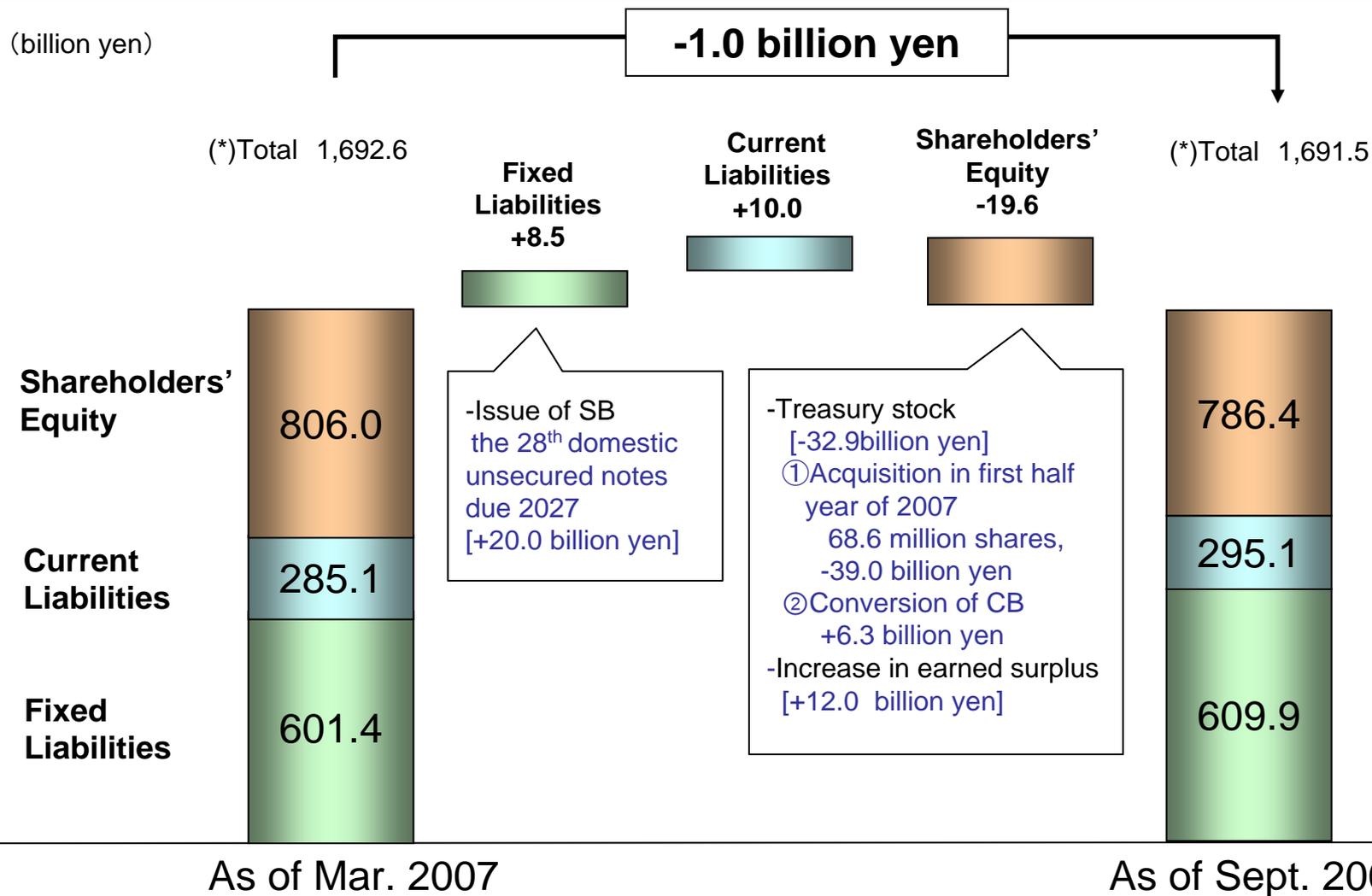
# Reasons for Changes in Balance Sheet (Assets)



# Reasons for Changes in Balance Sheet

## (Liabilities & Net assets)

(billion yen)



### [Cancellation of treasury stock]

The board of directors approved the cancellation of treasury stock on Sep 25<sup>th</sup>, 2007.

68.6 million shares (about 2.44% of issued shares before the cancellation) were cancelled on October 9<sup>th</sup>, 2007.

The number of issued shares after the cancellation is 2,741,571,295 shares.



# **Outlook for FY07 projection**

## **(April 2007 – March 2008)**

# Key points for FY07 projection (change from projection)

## ◆ Increase in sales , Decrease in income (compared with projection as of FY2007 1Q)

- Increase in gas unit price due to gas rate adjustment system(+)
- Decrease in fixed cost by cost reduction effort (+)
- Decrease in gas unit price due to further soaring of crude oil price (-)

### ■ Factors of change in projection as of FY07 1Q(non consolidated)

- [1] Decrease gas sales margin **-19.5 ¥billion**
- [2] Operating expenses (except gas resource cost) **-4.8 ¥billion**
- [3] Increase in profit of related business **+0.3 ¥billion**
- [4] Improve in non-operating profit and loss **+2.0 ¥billion**

Ordinary Income **-22.0 ¥billion**  
( 80.0 ¥billion → 58.0 ¥billion)

	FY07 projection as of Apr. 26	FY07 projection as of Jul. 27	FY07 projection as of Oct. 29	Change from projection as of Apr.26	Change from projection as of Jul.27
Sales	1,419.0	1,454.0	<b>1,463.0</b>	+44.0 (+3.1%)	+9.0 (+0.6%)
Operating Income	113.0	105.0	<b>81.0</b>	-32.0 (-28.3%)	-24.0 (-22.9%)
Ordinary Income	105.0	97.0	<b>76.0</b>	-29.0 (-27.6%)	-21.0 (-21.6%)
Net Income	73.0	68.0	<b>54.0</b>	-19.0 (26.0%)	-14.0 (-20.6%)
Crude oil price(\$/bbl)	55.00	66.15	<b>71.42</b>	+16.42	+5.27
Exchange rate(¥/US\$)	120.00	120.20	<b>118.16</b>	-1.84	-2.04

(billion yen)

Note: Projection of second half of FY2007 crude oil price = \$75/bbl , exchange rate = ¥117/\$

# Gas Sales Volume Projections

(Change from previous year and past projections)

0.1% decrease from projection  
as of Jul.27  
(-18 million m<sup>3</sup>)

(45MJ/m<sup>3</sup>)

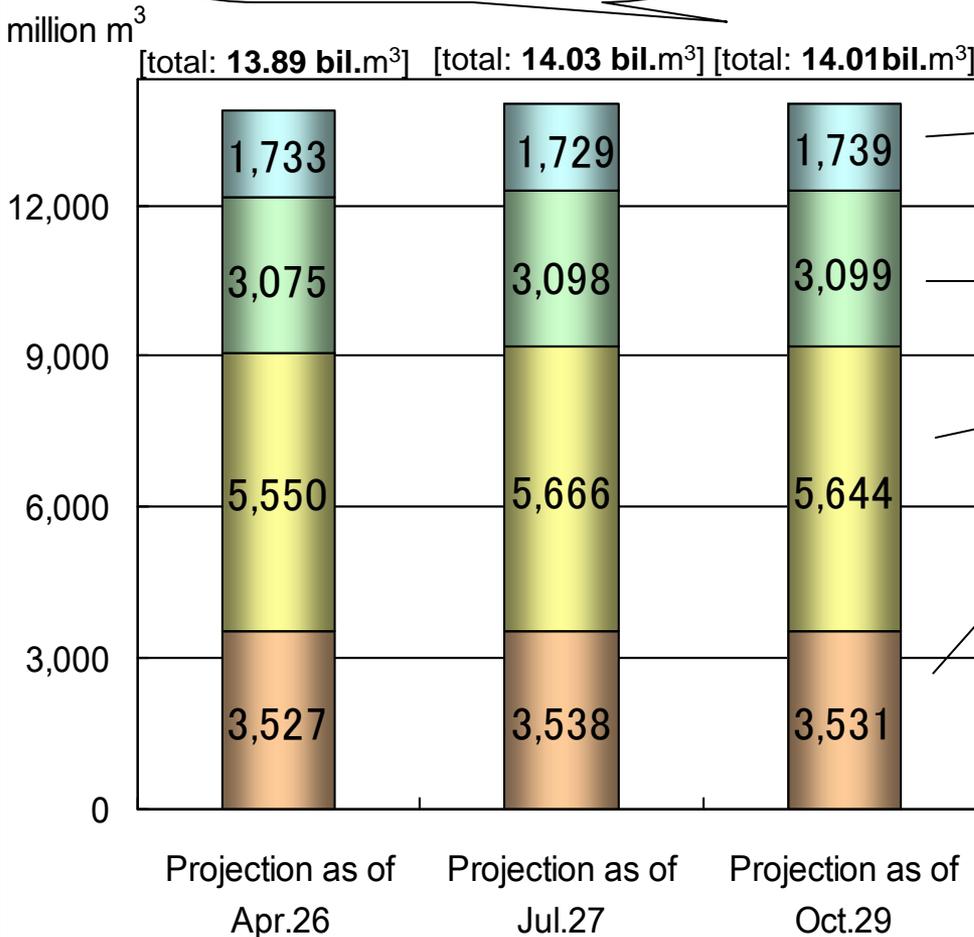
## <Reasons for Changes in Gas Sales Volume Projection from projection as of Jul.27>

**Wholesale Supply: +0.5% (+9 mil. m<sup>3</sup>)**

**Commercial & Other Use: 0.0% (+2 mil. m<sup>3</sup>)**

**Industrial Use: -0.4% (-22 mil. m<sup>3</sup>)**

**Residential Use: -0.2% (-7 mil. m<sup>3</sup>)**



(Reference)	Projection as of 4/26	projection as of 10/29	Change from projection as of 4/26	
Residential	3,527	3,531	+4	+0.1%
Industrial	5,550	5,644	+94	+1.7%
Commercial & Other	3,075	3,099	+24	+0.8%
Wholesale	1,733	1,739	+6	+0.3%
<b>Total</b>	<b>13,885</b>	<b>14,013</b>	<b>+128</b>	<b>+0.9%</b>

(Rounded off to nearest million m<sup>3</sup>)

# Key points for FY2007 projection ( change from FY06)

## ◆ Increase in sales and decrease in income from FY2006

- Rising the gas unit price due to rate adjustment system (+)
- Increase in gas sales volume in all segments (+)
- Increase in gas resource cost due to crude oil price soaring (-)
- Increase in labor cost by one-off expense in actuarial differences (-)
- Increase in depreciation by tax revisions (-)

### ■ Factors of change from FY06 (non consolidated)

- [1] Decrease gas sales margin **-44.3 ¥billion**
  - [2] Increase labor cost (cost by one-off expense in actuarial differences, etc.) **-23.1 ¥billion**
  - [3] Increase in depreciation (tax revision effect, etc.) **-9.4 ¥billion**
  - [4] Increase other operating cost, etc. **-3.0 ¥billion**
  - [5] Deteriorate in non-operating profit and loss **-2.0 ¥billion**
- 
- Ordinary Income **-81.8 ¥billion**  
( 139.8 ¥billion → 58.0 ¥billion)**

(billion yen)

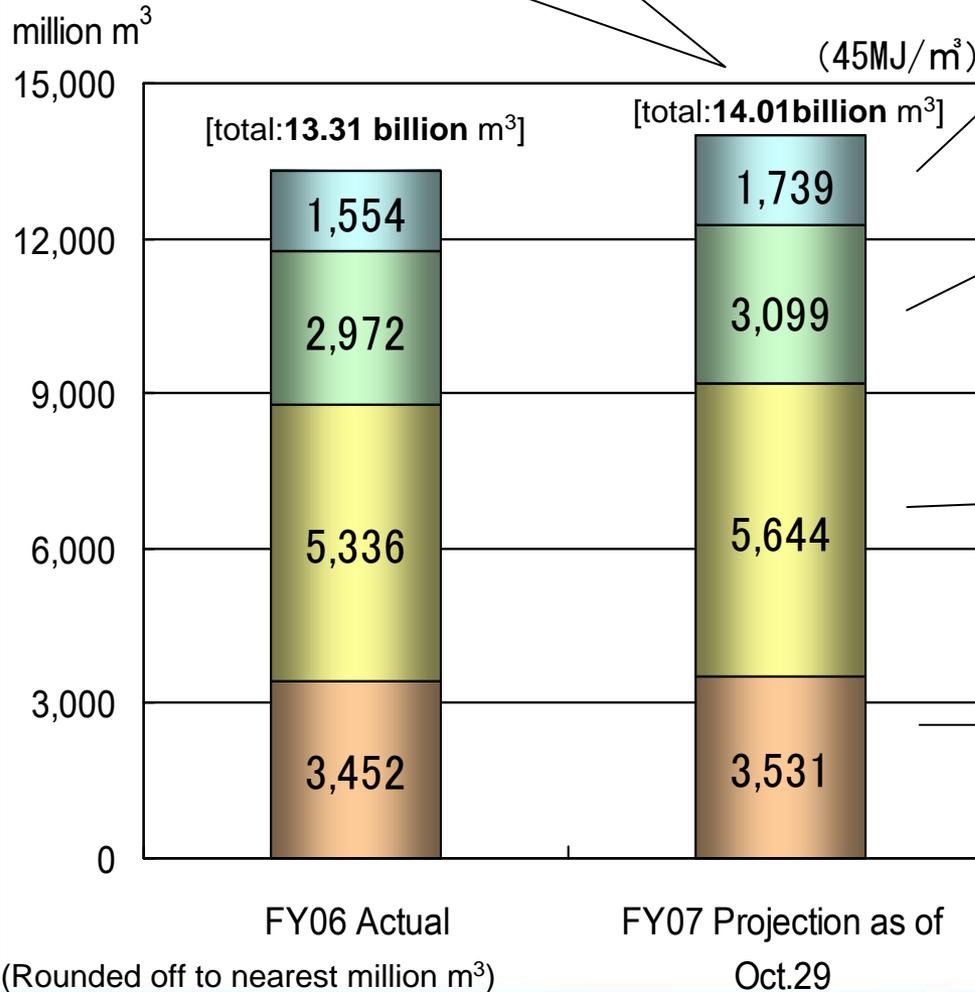
	FY 06 Actual	FY06 Projection	Change from FY06
Sales	1,376.9	<b>1,463.0</b>	+86.1 (+6.2%)
Operating Income	162.3	<b>81.0</b>	-81.3 (-50.1%)
Ordinary Income	156.0	<b>76.0</b>	-80.0 (-51.3%)
Net Income	100.6	<b>54.0</b>	-46.6 (-46.4%)
Crude Oil Price (\$/bbl)	63.46	<b>71.42</b>	+7.96
Exchange Rate (¥/US\$)	116.97	<b>118.16</b>	+1.19

Note: Figures are rounded down to nearest ¥0.1 billion.

# Gas Sales Volume Projections

(Change from previous year)

5.2% Increase from FY2006  
(+0.7billion m<sup>3</sup>)



## <Reasons for Changes in Gas Sales Volume Projection from FY2007 Actual>

### Wholesale Supply: +11.9% (+184mil. m<sup>3</sup>)

-Increase in sales to other gas utilities by acquiring new demands and existing customers

### Commercial & Other Use: +4.3% (+12.7mil. m<sup>3</sup>)

-Regain decrease of air conditioning demand caused by FY2006 temperature  
-Increased air conditioning demand due to high temperature in summer

### Industrial Use: +5.8% (+308mil. m<sup>3</sup>)

-Developed new demand  
-Increased demand of existing customers

### Residential Use: +2.3% (+79mil. m<sup>3</sup>)

-Increase number of customers  
-Regain decrease of hot water demand caused by FY2006 temperature  
-Decreased hot water demand due to high temperature in summer

# Reasons for Changes in Operating Income

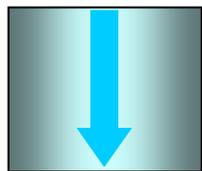
(billion yen)

**-81.3 billion yen**

Operating income without internal transactions:  
Total 162.3

Total Operating Income without internal transactions  
Total 81.0

**Gas  
-72.5**



**Gas Appliances  
+0.1**

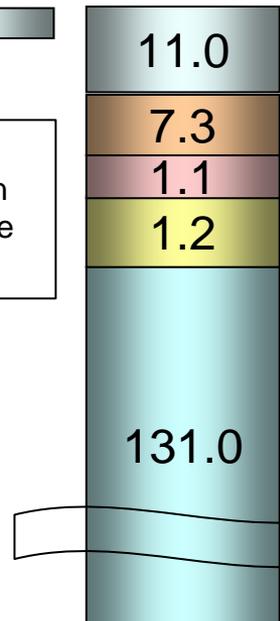
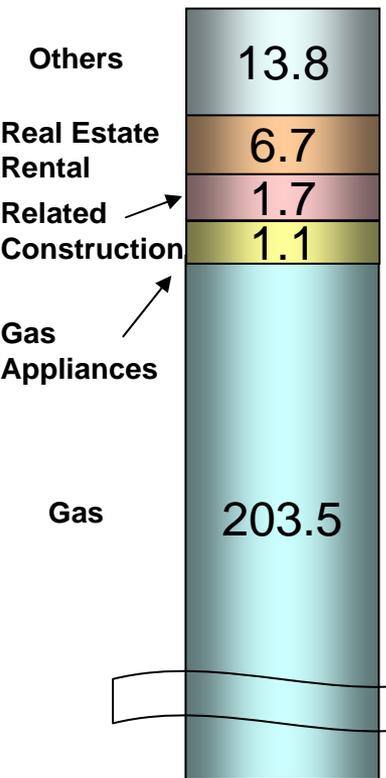
**Related Construction  
-0.6**

**Real Estate Rental  
+0.6**

**Others  
-2.8**

- Increase gas sales(+)
- Rising the gas unit price due to rate adjustment system(+)
- Increase in raw material cost due to crude oil price soaring(-)
- Increase in operating cost such as labor cost, etc.(-)

- [Energy Advance]
- Increase in initial depreciation by increasing orders of on-site energy service



**FY06**

**FY07 projection**

\*These figures do not include operating expenses that cannot be allocated to a specific segment.

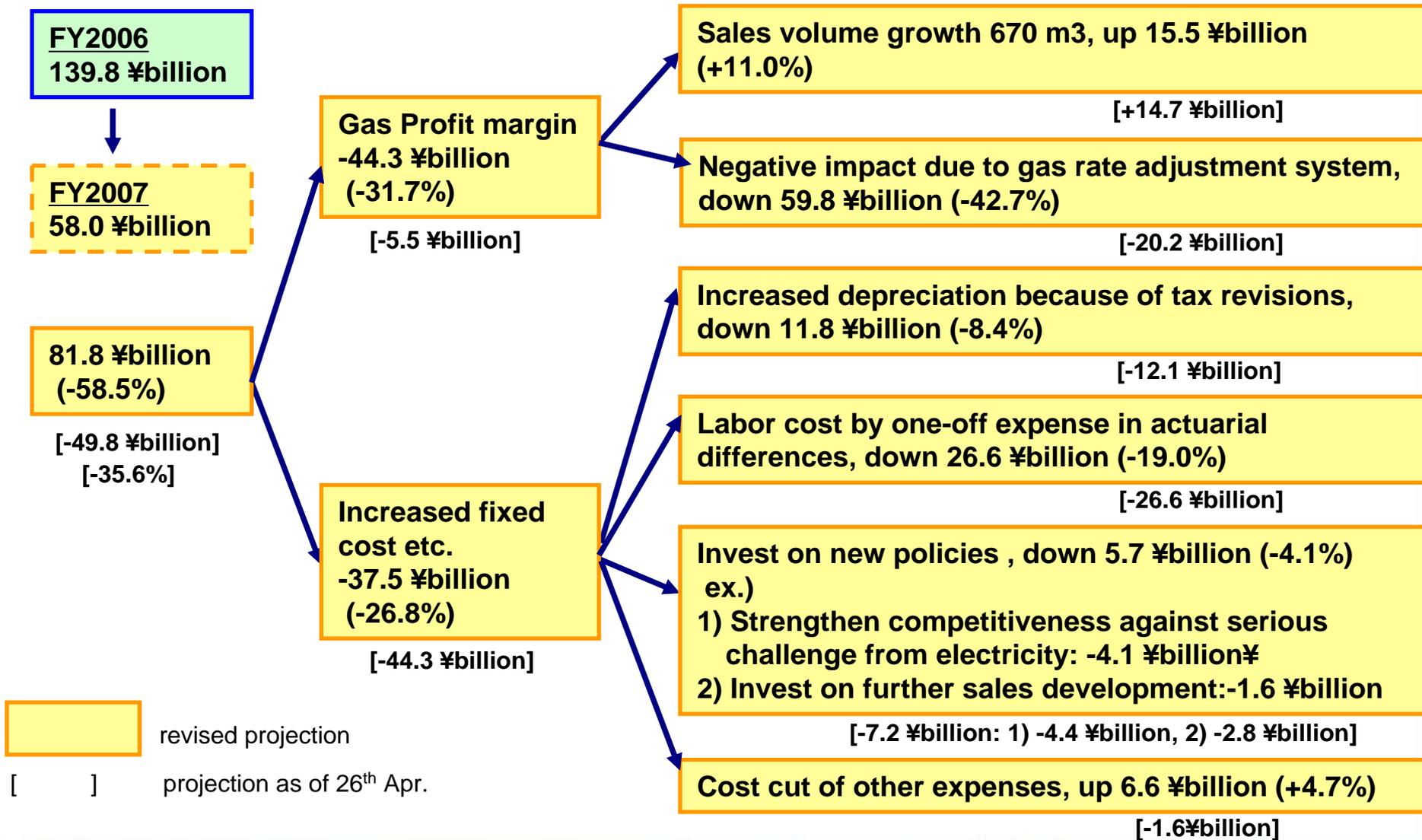
(\*)Total 227.0

**-75.4 billion yen**

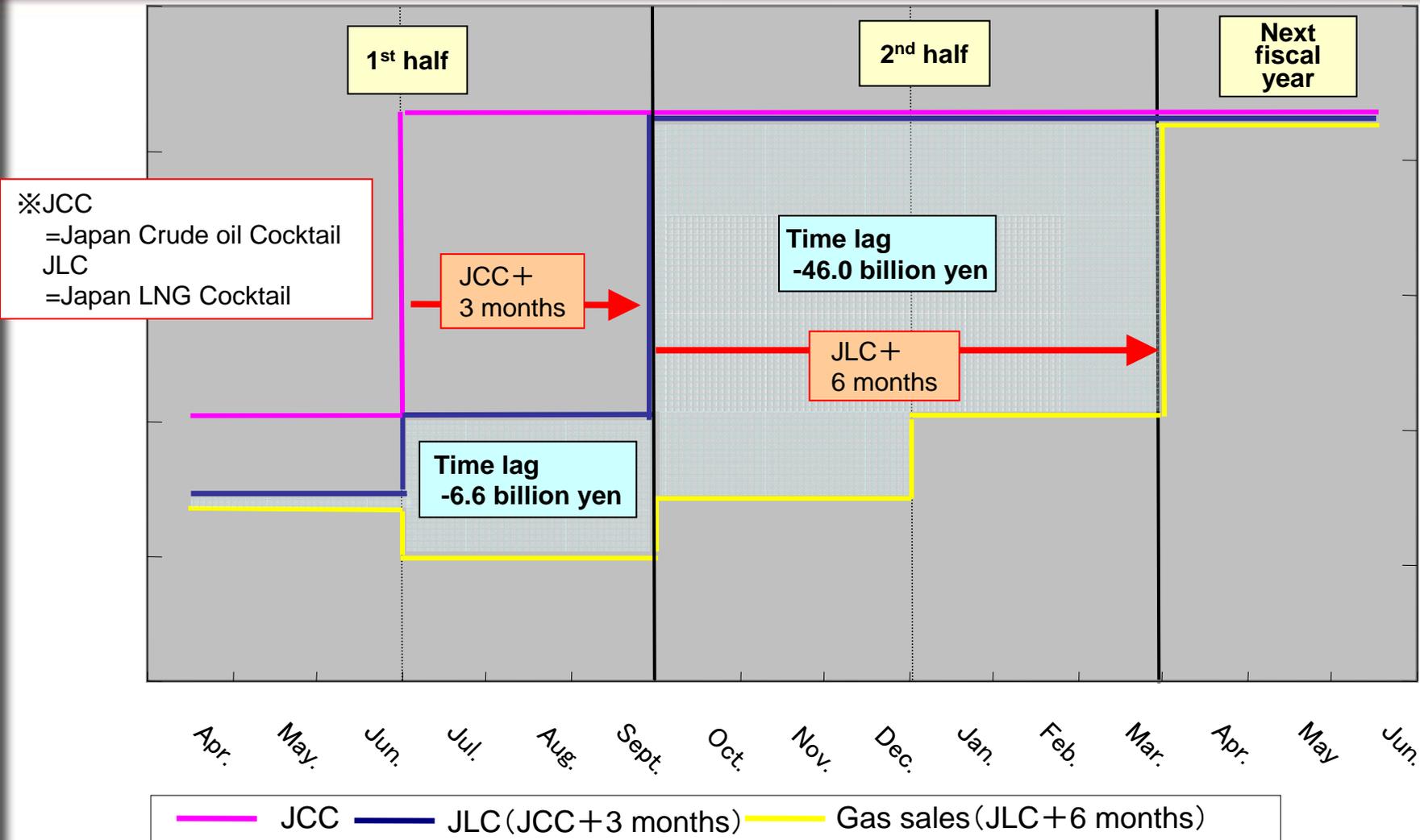
(\*)Total 151.6

# Reasons for changes in ordinary profit from FY06 to FY07

(non consolidated basis)



# Image of gas rate adjustment system



JCC reflects on JLC 3 months later, and gas rate( regulated rate) is reflected JLC price 6 months later.  
[Economic flame] \$75/bbl, ¥117/US\$ after Oct.

# References

# Performance Indicators (Interim Results-1)

(billion yen)

	FY06 Interim Results	Projection as of Apr.26	Projection as of Jul.27	<b>FY07 Interim Results</b>	Change from FY06	Change from projection as of Apr.26	Change from projection as of Jul.27
Sales	603.5	636.0	643.0	<b>636.9</b>	+33.4 (+5.5%)	+0.9 (+0.1%)	-6.1 (-0.9%)
Operating Income	62.7	30.0	32.0	<b>33.1</b>	-29.6 (-47.2%)	+3.1 (+10.3%)	+1.1 (+3.7%)
Ordinary Income	55.5	26.0	28.0	<b>31.7</b>	-23.8 (-43.0%)	+5.7 (+21.9%)	+3.7 (+13.3%)
Net Income	36.0	20.0	20.0	<b>19.8</b>	-16.2 (-45.0%)	-0.2 (-1.0%)	-0.2 (-0.9%)
EPS(¥)	13.41	-	-	<b>7.41</b>	-6.00	-	-
TEP	12.7	-	-	<b>-0.1</b>	-12.8	-	-
Gas sales volume (million m3)	616.7	-	-	<b>646.6</b>	+29.9	-	-
Oil price (\$/bbl)	67.83	55.00	67.30	<b>67.83</b>	0.00	+12.83	+0.53
FX rate (yen/US\$)	115.38	120.00	120.39	<b>119.40</b>	+4.02	-0.60	-0.99

# Performance Indicators (Interim Results-2)

(billion yen)

	FY06 Interim Results	Projection as of Apr.26	Projection as of Jul.27	<b>FY07 Interim Results</b>	Change from FY06	Change from projection as of Apr.26	Change from projection as of Jul.27
Total Assets(a)	1,692.6	-	-	<b>1,691.5</b>	-1.1 (-0.1%)	-	-
Shareholders' Equity (b)	795.1	-	-	<b>775.1</b>	-20.0 (-2.5%)	-	-
Equity Ratio: (b)/(a)	47.0%	-	-	<b>45.8%</b>	-1.2%	-	-
Interest Bearing Debt	525.4	-	-	<b>616.2</b>	+90.8	-	-
Operating Cash Flow (c) + (d)	101.2	90.0	90.0	<b>89.9</b>	-11.3 (-11.2%)	-0.1 (-0.0%)	-0.1 (-0.0%)
Net Income (c)	36.0	20.0	20.0	<b>19.8</b>	-16.2 (-45.0%)	-0.2 (-0.9%)	-0.2 (-0.9%)
Depreciation (d)	65.2	70.0	70.0	<b>70.1</b>	+4.9 (+7.5%)	+0.1 (+0.2%)	+0.1 (+0.2%)
CAPEX	58.6	65.0	64.0	<b>56.0</b>	-2.6 (-4.4%)	-9.0 (-13.8%)	-8.0 (-12.4%)
ROA: (c) / (a)	2.1%	-	-	<b>1.2%</b>	-0.9%	-	-
ROE: (c) / (b)	5.0%	-	-	<b>2.5%</b>	-2.5%	-	-

Note: Total Assets and Shareholders' Equity and Equity ratio and Interest Bearing Debt in FY06 is shown as of Mar.2007

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

Operating Cash Flow = Net Income + Depreciation

# Performance Indicators (FY2007 projection-1)

(billion yen)

	FY06 Interim Results	Projection as of Apr.26	Projection as of Jul.27	<b>FY07 Interim Results</b>	Change from FY06	Change from projection as of Apr.26	Change from projection as of Jul.27
Sales	1,376.9	1,419.0	1,454.0	<b>1,463.0</b>	+86.1 (+6.2%)	+44.0 (+3.1%)	+9.0 (+0.6%)
Operating Income	162.3	113.0	105.0	<b>81.0</b>	-81.3 (-50.1%)	-32.0 (-28.3%)	-24.0 (-22.9%)
Ordinary Income	156.0	105.0	97.0	<b>76.0</b>	-80.0 (-51.3%)	-29.0 (-27.6%)	-21.0 (-21.6%)
Net Income	100.6	73.0	68.0	<b>54.0</b>	-46.6 (-46.4%)	-19.0 (-26.0%)	-14.0 (-20.6%)
EPS(¥)	37.50	26.91	25.35	<b>20.33</b>	-17.17	-6.58	-5.02
TEP	53.8	22.0	18.4	<b>6.2</b>	-47.6 (-90.9%)	-15.8 (-71.8%)	-12.2 (-73.4%)
Gas sales volume (million m3)	13,315	13,885	14,031	<b>14,013</b>	+698 (+5.2%)	+128 (+0.9%)	-1.8 (-0.1%)
Crude oil price (\$/bbl)	63.45	55.00	66.15	<b>71.42</b>	+7.96	+16.42	+5.27
FX rate (yen/US\$)	116.97	120.00	120.20	<b>118.16</b>	+1.19	-1.84	-2.04

Note: EPS=earnings per number of shares as of half year ended

# Performance Indicators (FY2007 projection-2)

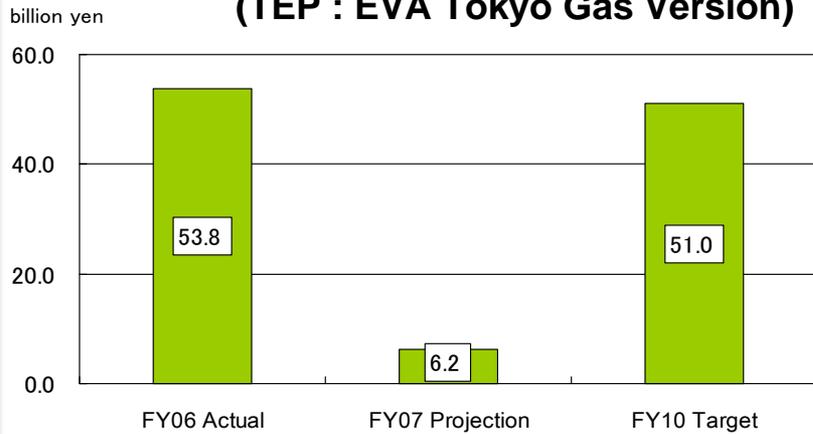
(billion yen)

	FY06 Interim Results	Projection as of Apr.26	Projection as of Jul.27	<b>FY07 Interim Results</b>	Change from FY06	Change from projection as of Apr.26	Change from projection as of Jul.27
Total Assets(a)	1,692.6	1,747.2	1,747.2	<b>1,761.0</b>	+68.4 (+4.0%)	+13.8 (+0.8%)	+13.8 (+0.8%)
Shareholders' Equity (b)	795.1	810.1	805.1	<b>794.0</b>	-1.1 (-0.1%)	-16.1 (-2.0%)	-11.1 (-1.4%)
Equity Ratio: (b)/(a)	47.0%	46.4%	46.1%	<b>45.1%</b>	-1.9%	-1.3%	-1.0%
Interest Bearing Debt	525.4	585.3	585.3	<b>615.0</b>	+89.6	+29.7	+29.7
Cash Flow from Operating Activities (c) + (d)	233.8	217.9	212.5	<b>198.0</b>	-35.8 (15.3%)	-19.9 (-9.1%)	-14.5 (-6.8%)
Net Income (c)	100.6	73.0	68.0	<b>54.0</b>	-46.6 (-46.4%)	-19.0 (-26.0%)	-14.0 (-20.6%)
Depreciation (d)	133.1	144.9	144.5	<b>144.0</b>	+10.9 (+8.2%)	-0.9 (-0.6%)	-0.5 (-0.3%)
CAPEX	124.5	139.0	139.0	<b>134.0</b>	+9.5 (+7.6%)	-5.0 (-3.6%)	-5.0 (-3.6%)
ROA: (c) / (a)	5.9%	4.3%	4.0%	<b>3.1%</b>	-2.8%	-1.2%	-0.9%
ROE: (c) / (b)	13.2%	9.1%	8.5%	<b>6.8%</b>	-6.4%	-2.3%	-1.7%

(\*) ROA=Net Income/Average Total Assets, ROE=Net Income/Average Shareholders' Equity  
EPS: earnings per average number of shares issued and outstanding

# Major management targets

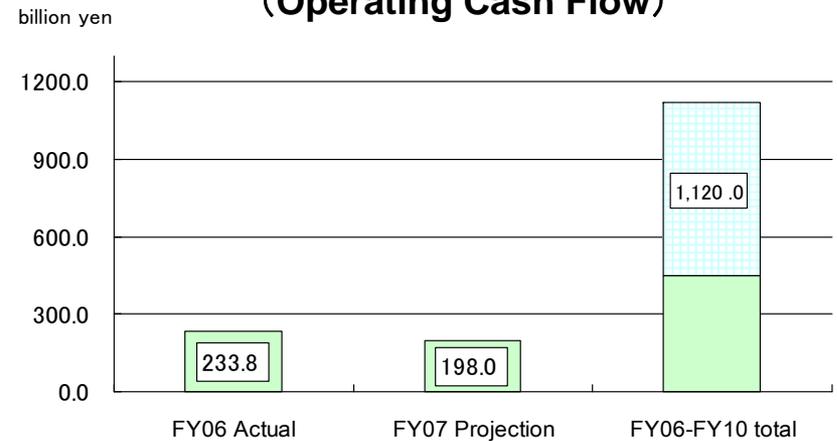
**(TEP : EVA Tokyo Gas Version)**



■ **TEP = After-tax, pre-interest-payment profit - capital cost (capital invested x WACC)**

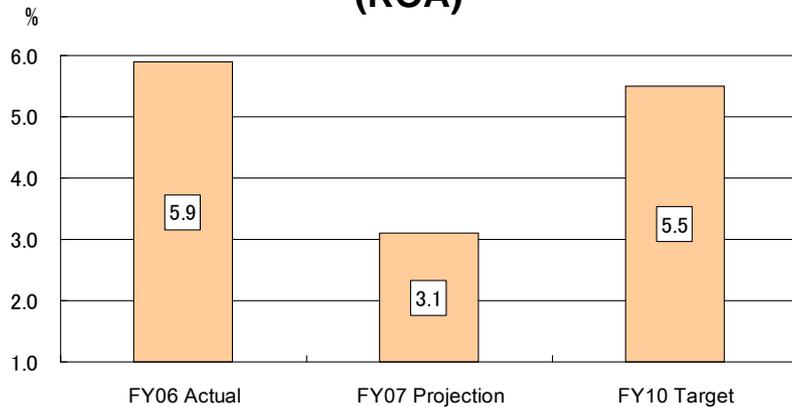
WACC: FY06 Actual 3.8%, FY06 Projection 3.8%, FY10 target 3.8%

**(Operating Cash Flow)**



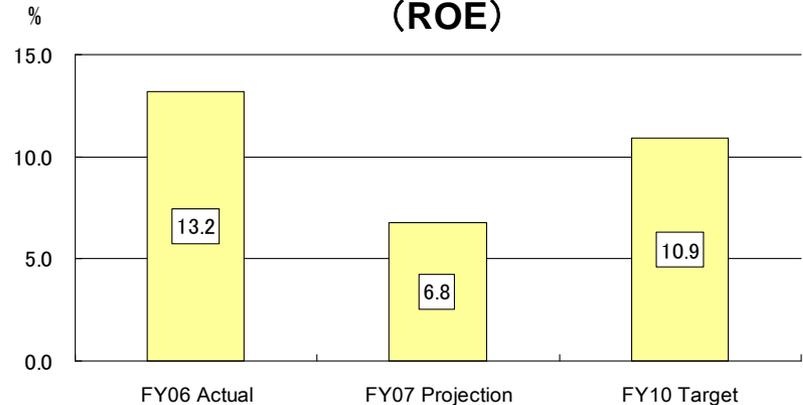
■ **OCF=Net profit + depreciation (including amortization of long-term expenses)**

**(ROA)**



■ **ROA=Net income/Average Total Asset**

**(ROE)**



■ **ROE=Net income/Average Shareholders' Equity**