



# FY2007 Financial Results Presentation Meeting

April 25, 2008  
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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 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, changes in the foreign exchange rate of the yen, crude oil prices, and the weather.



# Summary of FY2007 Financial Results

# Main features of FY2007 Business Results

## ■ Key points in business results of FY2007

### [vs. FY06:

#### Increase in revenue and decrease in Income]

- Increase in gas sales volume in all sectors (+)
- Increase in gas unit price due to gas rate adjustment system (+)
- Substantial increase in gas resource cost (-)
- Increase in reimbursable cost due to sliding system (-)
- Increase in labor cost by one-off expense in actuarial differences (-)
- Increase in depreciation (tax revision effect, etc.) (-)

### [vs. Original projection of FY07:

#### Increase in revenue and decrease in income]

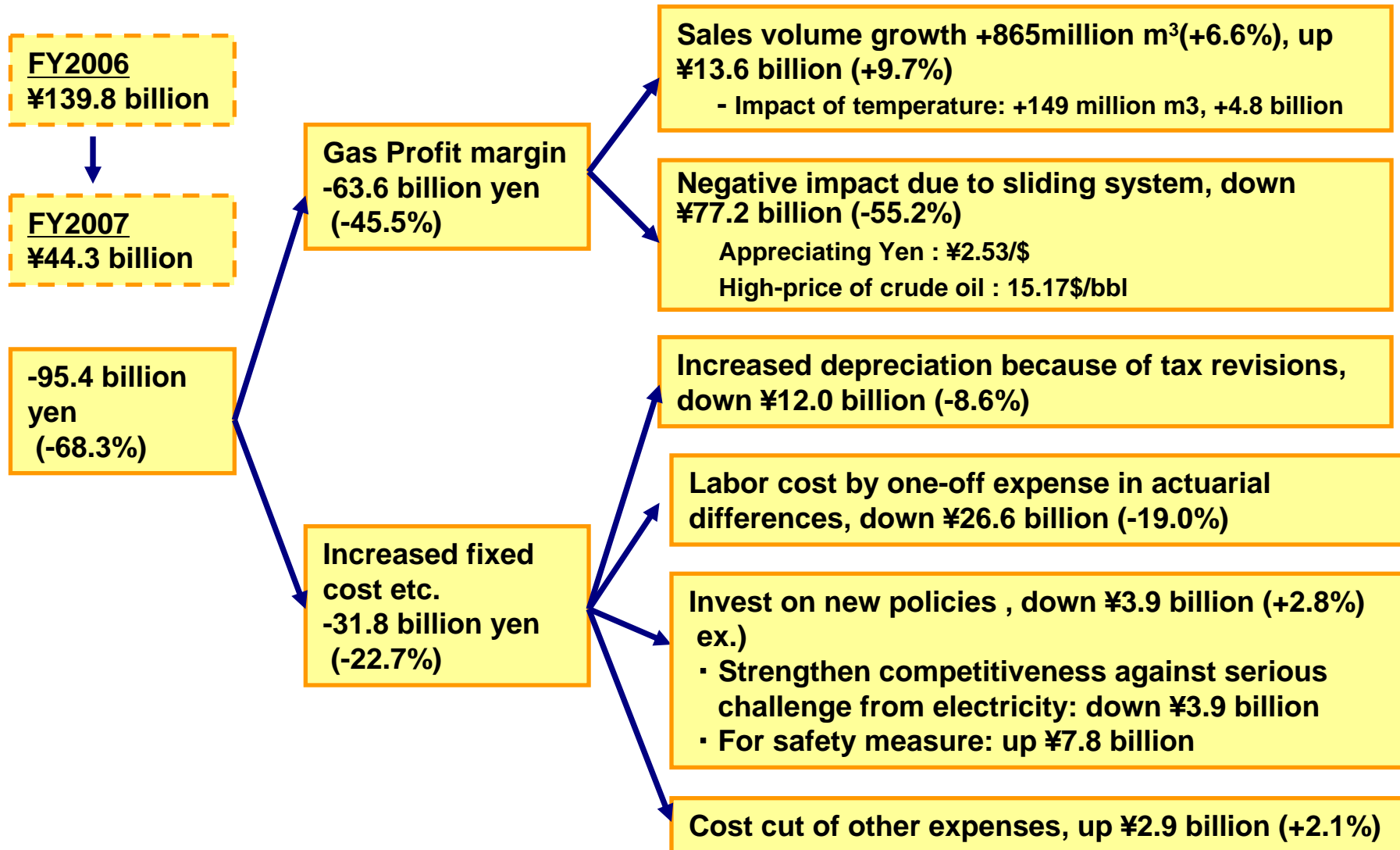
- Increase in gas sale volume due to low temperature and demand for power generation (+)
- Increase in gas unit price due to gas rate adjustment system (+)
- Substantial increase in gas resource cost (-)
- Increase in reimbursable cost due to sliding system (-)
- Cost down in S.G.A
- Increased income in consolidated subsidiaries

(unit: billion yen)

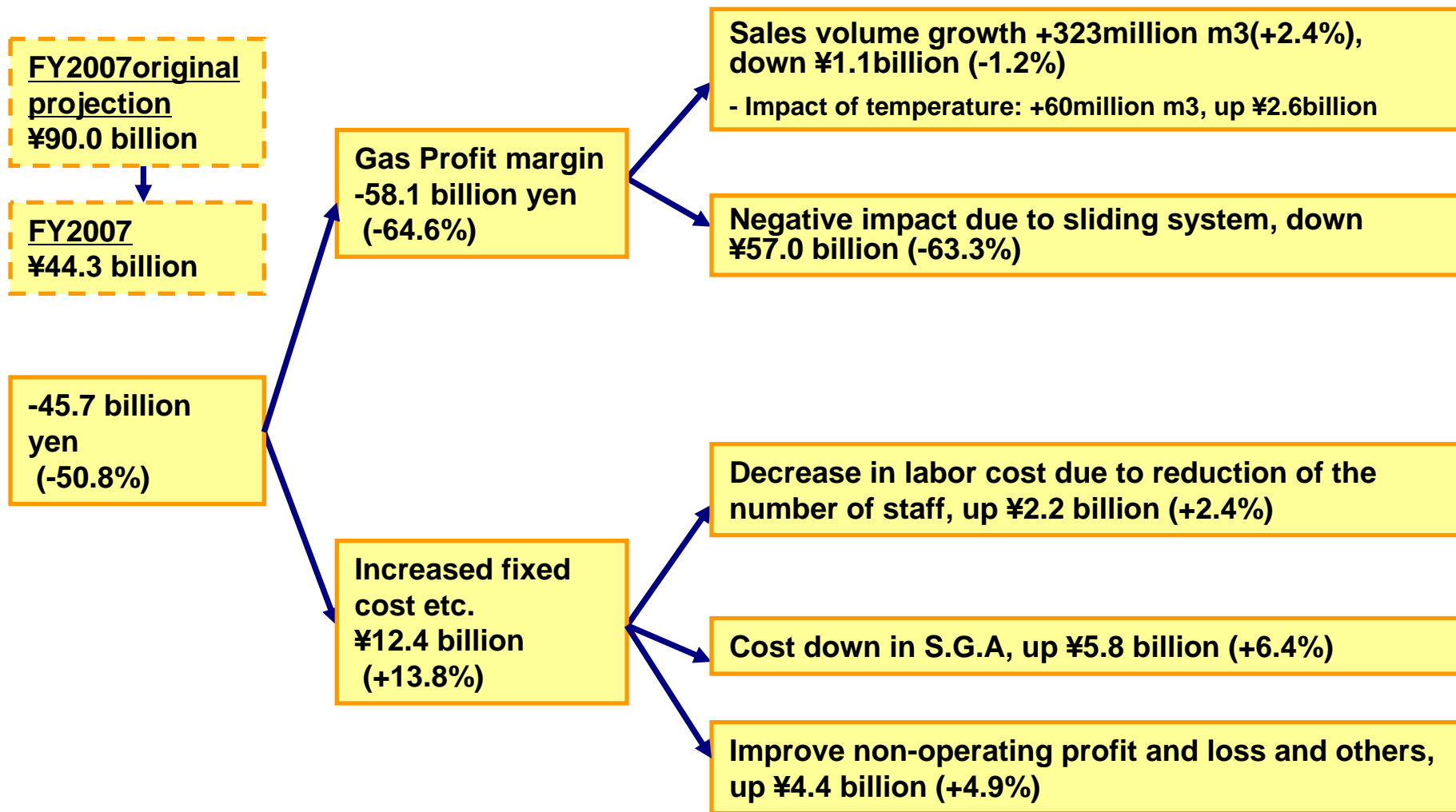
|                         | FY2006 Results | Original Projection as of Apr. 26, 2007 | FY2007 Results | Change from Previous Year | Change from Original Projection |
|-------------------------|----------------|---|----------------|---------------------------|---------------------------------|
| Sales                   | 1,376.9        | 1,419.0                                 | 1,487.4        | +110.5 (+8.0%)            | +68.4 (+4.8%)                   |
| Operating income        | 162.3          | 113.0                                   | 70.0           | -92.3 (-56.8%)            | -43.0 (-38.0%)                  |
| Ordinary income         | 156.0          | 105.0                                   | 66.8           | -89.2 (-57.2%)            | -38.2 (-36.4%)                  |
| Net income              | 100.6          | 73.0                                    | 42.4           | -58.2 (-57.8%)            | -30.6 (-41.8%)                  |
| Crude oil price(\$/bbl) | 63.50          | 55.00                                   | 78.67          | +15.17                    | +23.67                          |
| Exchange rate(¥/US\$)   | 116.97         | 120.00                                  | 114.44         | -2.53                     | -5.56                           |
| Temperature(°C)         | 16.8           | 16.8                                    | 16.6           | -0.2                      | -0.2                            |

\* Changes in operating profit is shown on page 15, Changes in Balance Sheet is shown on page 16.

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

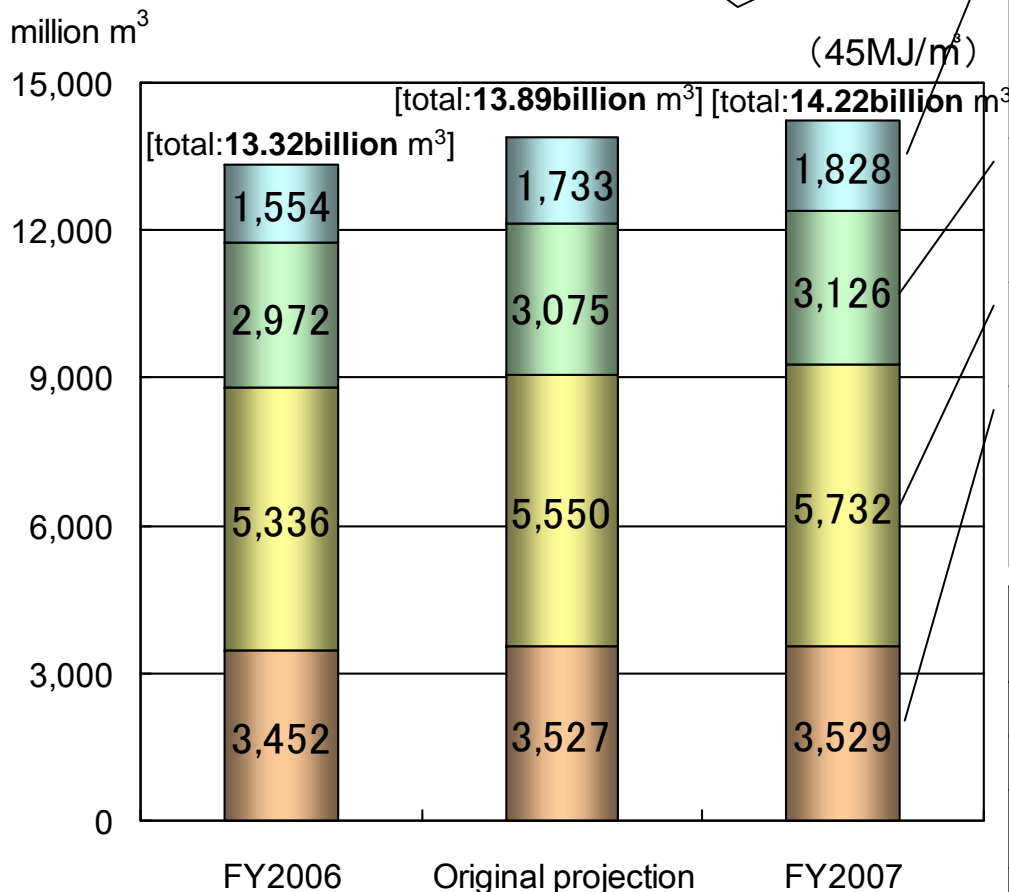


# Reasons for changes in ordinary profit from original projection in FY07 (non consolidated basis)



# Gas Sales Volume (Consolidated)

**6.8% increase from the previous year  
(+ 900 million m<sup>3</sup>)**



## <Reasons for Changes in Gas Sales Volumes from FY2006 to FY2007 >

### Wholesale Supply: + 17.6% (+ 274 mil. m<sup>3</sup>)

- Increase in sales to other gas utilities by acquiring new & existing demands for those utilities
- Increase in hot water & space heating demand due to low temperature in second half

### Commercial & Other Use: +5.2% (+ 154 mil. m<sup>3</sup>)

- Increase in air conditioning demand due to high temperatures in summer and low temperatures in winter

### Industrial Use: +7.4% (+ 396 mil. m<sup>3</sup>)

- Increased demands by new and existing customers

### Residential Use: +2.3% (+ 77 mil. m<sup>3</sup>)

- Increase in hot water & space heating demand due to low temperature in winter
- Increase the number of customers

| (Reference)            | Original projection | FY2007 Results | Change from original projection |              |
|------------------------|---------------------|----------------|---------------------------------|--------------|
| Residential Use        | 3,527               | 3,529          | +2                              | +0.6%        |
| Industrial Use         | 5,550               | 5,732          | +182                            | +3.3%        |
| Commercial & Other Use | 3,075               | 3,126          | +51                             | +1.7%        |
| Wholesale supply       | 1,733               | 1,828          | +95                             | +5.5%        |
| <b>Total</b>           | <b>13,885</b>       | <b>14,215</b>  | <b>+330</b>                     | <b>+2.4%</b> |

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

# Dividend and Share Buy Back in FY07

## [Dividend]

- Maintenance dividend level

¥8.0/share

## [Share buy back]

- Estimated share buy back in FY08

¥ 10.0 billion (25million shares)

## [Total payout ratio]

Total payout ratio in FY 07 is estimated at 74%

$$\begin{array}{l} \text{Total payout} \\ \text{ratio:} \\ 74\% \end{array} = \frac{\begin{array}{l} \text{¥21.2 billion:} \\ \text{Dividend in FY07} \end{array} + \begin{array}{l} \text{¥10.0 billion:} \\ \text{Estimated share buy back in FY08} \end{array}}{\text{¥42.4 billion: Net income in FY07}}$$



# **Projection for FY2008 (April 2008 – March 2009)**



# Significant targets in FY2008

## Significant targets in the third year of medium-term management plan

- Steady implementation of strategies in current medium-term management plan
- Strengthening competitiveness against electricity and demand development
- Start-up of new regional energy service provider “LIFEVAL”
- Cooperation with utilities’ privatization projects
- Establishment of our corporate values as “reassurance, safety, and trust”
- Formulate and release of new medium-term management plan by year end

# Projection for FY2008 (changes from FY2007)

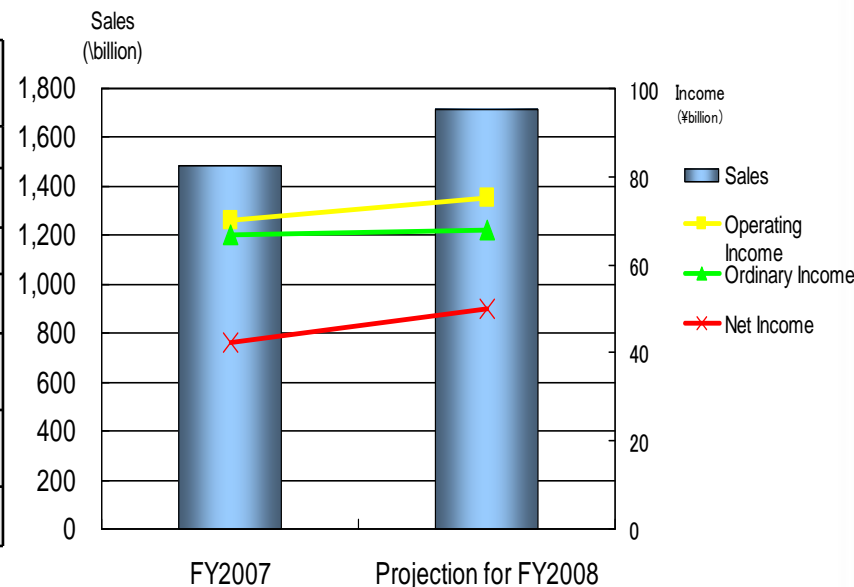
## ■ Key points of FY2008 financial projection

### [vs. FY07: Increase in sales and income]

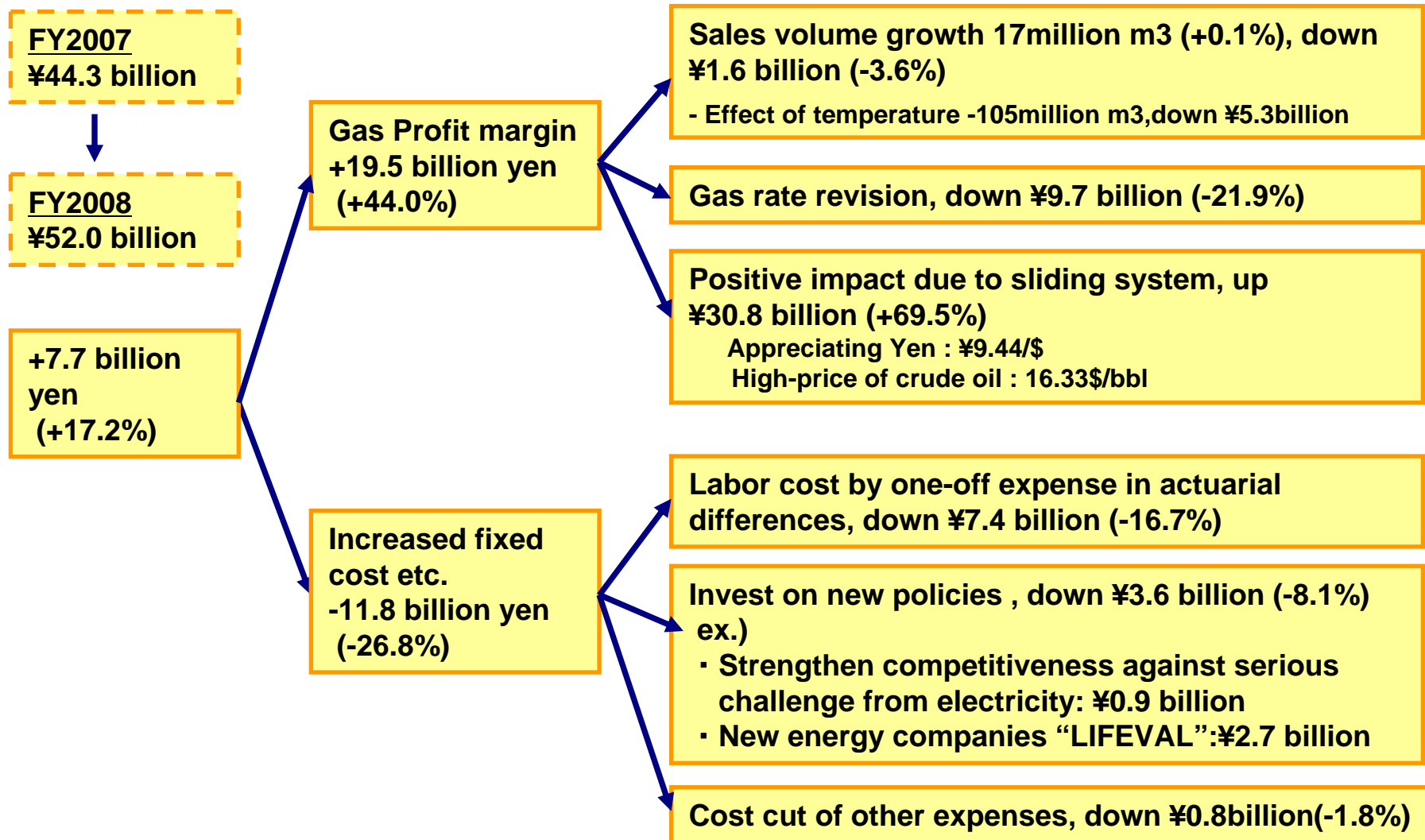
- Rising the gas unit price due to rate adjustment system (+)
  - Increase in gas resource cost due to high rise in crude oil price (-)
  - Cutting down of gas unit price due to gas rate revision (-)
  - Increase in personnel cost due to one-off expense in actuarial differences (-)
  - Additional investment on significant competition against electricity, new regional service provider “LIFEVAL” and demand development (-)
- } Decrease in reimbursable cost due to sliding system (+)

(Unit: billion yen)

|                         | FY2007  | Projection for FY2008 | Change from FY2007 |
|-------------------------|---------|-----------------------|--------------------|
| Sales                   | 1,487.4 | 1,712.0               | +224.6 (+15.1%)    |
| Operating Income        | 70.0    | 75.0                  | +5.0 (+7.1%)       |
| Ordinary Income         | 66.8    | 68.0                  | +1.2 (+1.7%)       |
| Net Income              | 42.4    | 50.0                  | +7.6 (+17.7%)      |
| Crude oil price(\$/bbl) | 78.67   | 95.00                 | +16.33             |
| Exchange rate(¥/US\$)   | 114.44  | 105.00                | -9.44              |
| Temperature(°C)         | 16.6    | 17.0                  | +0.4               |



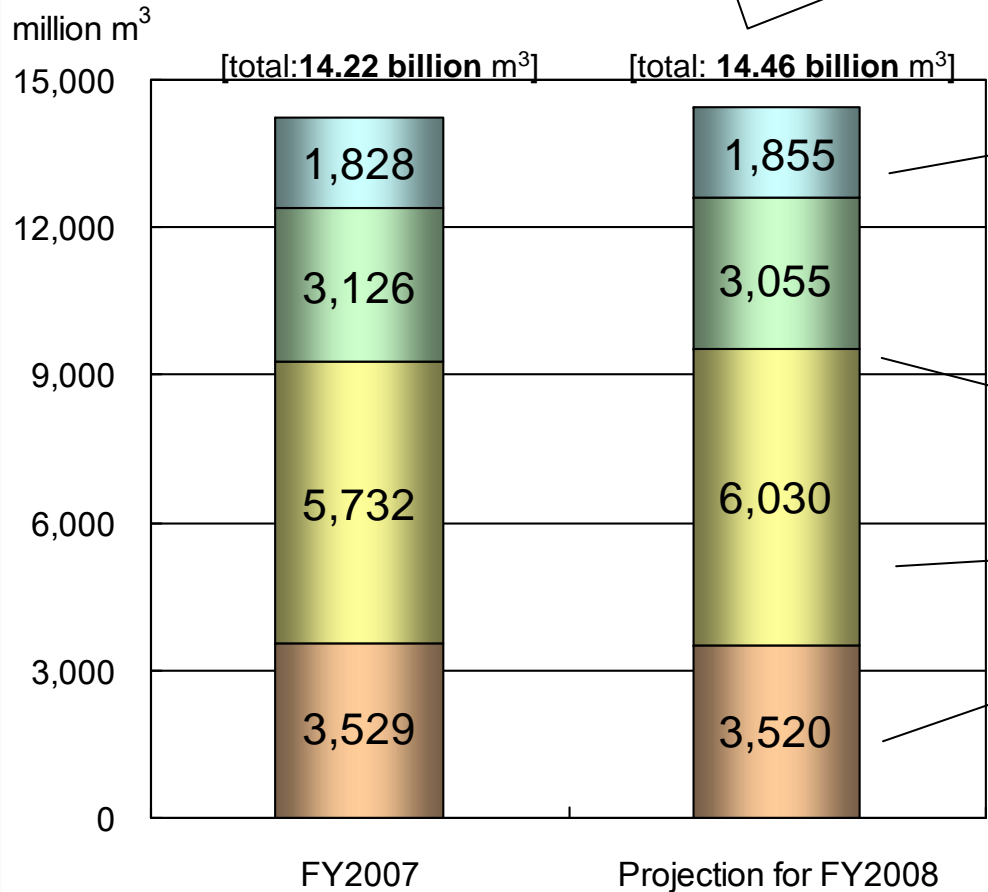
# Reasons for changes in ordinary profit from FY07 to FY08 (non consolidated basis)



# Gas Sales Volume Projections

(Consolidated - Change from FY2007)

**1.7% increase from FY07  
(+245 million m<sup>3</sup>)**



## <Reasons for Changes from FY07 >

**Wholesale Supply: +1.5% (+27 mil. m<sup>3</sup>)**  
 - Increase in sales to other gas utilities acquiring new & existing demands for those utilities  
 - Decreased in gas sales volume by excluding temperatures effect in FY07.

**Commercial & Other Use: -2.3% (-71 mil. m<sup>3</sup>)**  
 - Decreased in gas sales volume by excluding temperatures effect in FY07

**Industrial Use: +5.2% (+298 mil. m<sup>3</sup>)**  
 - Increased demand by new and existing customers

**Residential Use: -0.3% (-9 mil. m<sup>3</sup>)**  
 - Decreased in gas sales volume by excluding temperatures effect in FY07

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



# **Drawing up the new medium-term management plan 2009-2013**

# Business environment surrounding Tokyo Gas Group

## Business environment change

- Crude oil and LNG price increase all over the world.
- Changes in competitive environment of energy market.

### Change of competitive environment due to sky rocketing LNG price

#### <Residential>

- TEPCO's campaign promoting electrified house as sole energy source.

#### <Commercial>

- Deterioration of commercial cogeneration competitiveness.
- TEPCO wage an offensive all electricity commercial kitchen campaign.

#### <Industrial and wholesale>

- The shift from petroleum fuel to natural gas is accelerating because of increased customers' environmental awareness.
- Decline of competitiveness in small industrial cogeneration.

#### <Power generating business>

- Changes in competitive environment of integrated energy service.

- Social needs for global environmental conservation (Reduction of green house effect gas, etc.)
- Social needs for gas appliances' safety improvement

Deepening and expanding of the integrated energy business for future growth,  
Strengthening business platform and infrastructure for driving business strategies

Draw up and release the new medium-term management plan

# References

# Reasons for changes in Operating Income (FY07)

(unit: billion yen)

|                                       | FY06 Results | FY07 Original Projection | FY07 Results | FY08 Projection | ①Change from FY06 to FY07 | ②Change from Original projection | ③Change from FY07 to FY08 |
|---------------------------------------|--------------|--------------------------|--------------|-----------------|---------------------------|----------------------------------|---------------------------|
| Gas sales                             | 203.5        | 166.2                    | 111.6        | 122.7           | -91.9(-45.1%)             | -54.6(-32.8%)                    | 11.1(9.9%)                |
| Gas Appliances                        | 1.1          | 1.1                      | 2.9          | 1.6             | +1.8(+148.8%)             | +1.8(+163.6%)                    | -1.3(-45.0%)              |
| Related Construction                  | 1.7          | 1.3                      | 0.8          | -0.5            | -0.9(-52.7%)              | -0.5(-38.4%)                     | -1.3(-160.4%)             |
| Real Estate Rental                    | 6.7          | 6.6                      | 7.9          | 6.9             | +1.2(+18.3%)              | +1.3(+19.6%)                     | -1.0(-13.3%)              |
| Other business                        | 13.8         | 9.2                      | 12.7         | 8.4             | -1.1(-7.8%)               | +3.5(+38.0%)                     | -4.3(-34.2%)              |
| Total                                 | 227.0        | 184.4                    | 136.1        | 139.1           | -90.9(-40.0%)             | +19.3(+16.5%)                    | +3.0(+2.2%)               |
| Total (without internal transactions) | 162.3        | 113.0                    | 70.0         | 75.0            | -92.2(-56.8%)             | -43.0(-38.0%)                    | +5.0(+7.1%)               |

## ①Change from FY06 to FY07

<Gas Sales> Refer to page 3

<Gas appliances>

- Increase in profit due to growth of sales of hot water system(+)

<Related construction>

- Decrease in sales due to decline of number of constructions(-)

- Decrease in profit due to downsizing(-)

<Real Estate Rental>

- Decrease in sales of operating facilities(-)

- Increase in profit because of decline in depreciation(+)

<Others>

- Increase in depreciation by increasing orders of on-site energy service(-)

## ②Change from Original Projection

<Gas Sales> Refer to page 4

<Gas appliances>

- Increase in profit because of cost cut, decline of unit price of gas appliances

<Related construction>

- Decrease in sales due to decline of number of construction

<Real Estate Rental>

- Increase in profit due to decrease in depreciation

<Others>

- Increase in dividend from overseas business

## ③Change from FY07 to FY08

<Gas Sales> Refer to page10

<Gas appliances>

- Decrease in sales due to decline of volume of sales

<Related construction>

- Decrease in sales due to decline of number of new construction

<Real Estate Rental>

- Increase in repair cost because of head office integration

<Others>

- Increase in depreciation of energy service business



# Reasons for Changes in Balance Sheet (FY2007)

## (Assets)

(billion yen)

|                         | FY2006  | FY2007  | Change from FY2006 | Reasons for Changes   |
|-------------------------|---------|---------|--------------------|---|
| Tangible Fixed Assets   | 1,130.4 | 1,124.1 | -6.3               | Capital expenditure +138, Depreciation -142.4   |
| Intangible Fixed Assets | 24.0    | 23.2    | -0.8               |   |
| Investments             | 217.0   | 229.0   | +11.9              | Long-term loans receivable +14.7, Net unrealized holdings gains on securities -28.2<br>Gain of securities +13.7 |
| Current Assets          | 321.0   | 327.2   | +6.2               | Notes and accounts receivable +6.5  |
| Total                   | 1,692.6 | 1,703.6 | +11.0              |   |

## (Liabilities & Shareholders' Equity)

|                      | FY2006  | FY2007  | Change from FY2006 | Reasons for changes   |
|----------------------|---------|---------|--------------------|---|
| Fixed Liabilities    | 601.4   | 616.6   | +15.1              | Convertible bonds -32.6, Straight bonds +25.9<br>Long-term debt +27.8                 |
| Current Liabilities  | 285.1   | 306.5   | +21.4              | Notes and accounts payable +39.6, Income taxes payable -18.7, Convertible bonds +28.1 |
| Shareholders' Equity | 806.0   | 780.4   | -25.5              | Retained earnings and others -10.5, Net unrealized holdings gains on securities -17.7 |
| Total                | 1,692.6 | 1,703.6 | 11.0               |   |

# Performance Indicators (FY2008 projection-1)

(billion yen)

|   | FY06<br>Results | FY07<br>Original<br>Projection | FY07<br>Results | FY08<br>Projection | Change<br>from FY06<br>to FY07 | Change<br>from<br>Original<br>projection | Change<br>from<br>FY07 to<br>FY08 |
|---|-----------------|--------------------------------|-----------------|--------------------|--------------------------------|--|-----------------------------------|
| Sales   | 1,376.9         | 1,419.0                        | 1,487.4         | 1,712.0            | +110.5<br>(+8.0%)              | +68.4<br>(+4.8%)                         | +224.6<br>(+15.1%)                |
| Operating Income                              | 162.3           | 113.0                          | 70.0            | 75.0               | -92.3<br>(-56.8%)              | -43.0<br>(-38.0%)                        | +5.0<br>(+7.1%)                   |
| Ordinary Income                               | 156.0           | 105.0                          | 66.8            | 68.0               | -89.2<br>(-57.2%)              | -38.2<br>(-36.4%)                        | +1.2<br>(+1.7%)                   |
| Net Income                                    | 100.6           | 73.0                           | 42.4            | 50.0               | -58.2<br>(-57.8%)              | -30.6<br>(-41.8%)                        | +7.6<br>(+17.7%)                  |
| EPS(¥)  | 37.50           | 26.91                          | 15.94           | 18.82              | -21.56                         | -10.97                                   | +2.88                             |
| TEP   | 53.8            | 22.0                           | 1.7             | 3.0                | -52.1                          | -20.3                                    | +1.3                              |
| Gas sales volume<br>(million m <sup>3</sup> ) | 13,315          | 13,885                         | 14,215          | 14,460             | +900<br>(+6.7%)                | +330<br>(+2.3%)                          | +245<br>(+1.7%)                   |
| Crude oil price (\$/bbl)                      | 63.50           | 55.00                          | 78.67           | 95.00              | +15.17                         | +23.67                                   | +16.33                            |
| FX rate (yen/US\$)                            | 116.97          | 120.00                         | 114.44          | 105.00             | -2.53                          | -5.56                                    | -9.44                             |
| Average<br>Temperature(°C)                    | 16.8            | 16.8                           | 16.6            | 17.0               | -0.2                           | -0.2                                     | +0.4                              |

# Performance Indicators (FY2008 projection-2)

(billion yen)

|                                 | FY06 Results | FY07 Original Projection | FY07 Results | FY08 Projection | Change from FY06 to FY07 | Change from Original projection | Change from FY07 to FY08 |
|---------------------------------|--------------|--------------------------|--------------|-----------------|--------------------------|---------------------------------|--------------------------|
| Total Assets(a)                 | 1,692.6      | 1,747.2                  | 1,703.6      | 1,773.0         | +11.0                    | -43.6                           | +69.4                    |
| Shareholders' Equity (b)        | 795.1        | 810.1                    | 769.0        | 825.0           | -26.1                    | -41.1                           | +56.0                    |
| Equity Ratio: (b)/(a)           | 47.0%        | 46.4%                    | 45.1%        | 46.5%           | -1.9%                    | -1.3%                           | -1.4%                    |
| Outstanding Debt                | 525.4        | 585.3                    | 558.7        | 575.1           | +33.3                    | -26.6                           | +16.4                    |
| Operating Cash Flow (c)=(d)+(e) | 233.8        | 217.9                    | 184.9        | 191.0           | -48.9<br>(-20.9%)        | -33.0<br>(-15.1%)               | +6.1<br>(+3.3%)          |
| Net income (d)                  | 100.6        | 73.0                     | 42.4         | 50.0            | -58.2<br>(-57.8%)        | -30.6<br>(-41.8%)               | +7.6<br>(+17.7%)         |
| Depreciation (e)                | 133.1        | 144.9                    | 142.4        | 141.0           | +9.3                     | -2.5                            | -1.4                     |
| CAPEX (f)                       | 124.5        | 139.0                    | 138.0        | 144.0           | +13.5                    | -1.0                            | +6.0                     |
| ROA: (c) / (a)                  | 5.9%         | 4.3%                     | 2.5%         | 2.9%            | -3.4%                    | -1.8%                           | +0.4%                    |
| ROE: (c) / (b)                  | 13.2%        | 9.1%                     | 5.4%         | 6.3%            | -7.8%                    | -3.7%                           | -0.9%                    |
| Total Payout Ratio              | 60%          | 60%                      | 74%          | 60%             | +14%                     | +14%                            | -14%                     |

(\*) 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)