29 July 2008

Tokyo Gas Co., Ltd.

Major Questions and Answers
concerning the Financial Results for the First Quarter of FY 2008

Q1. Is it correct to assume that the main factor behind the recent revision of the outlook for fiscal 2008 is the influence of time lag in the sliding system deriving from modification of the forecast crude oil price?

A1. The revised outlook rests on modification of the projections for sales revenue and gas resource costs based on the crude oil price projection used as a premise. There are no other major factors of modification. In the revised outlook, the yearly crude oil price was changed from 95 dollars per barrel in the initial plan to 135 dollars per barrel for July and succeeding months. As a result, the amount of influence associated with the sliding system was revised from minus 39.8 billion yen to minus 130.1 billion yen.

Q2. Aside from temporary factors such as the influence of the sliding system, will there be any significant change in the earnings structure of Tokyo Gas?

A2. Apart from the influence of the sliding system, one other factor reducing earnings is the differential cost in mathematical calculation of retirement allowances. This factor, however, has already been figured into the initial plan, and will not exert an additional influence on our earnings structure.

Our gas sales volume is proceeding basically in line with the initial plan. For the volume for the whole year, the actual sales in the first quarter and amount of increase in operation by industrial customers are reflected in the initial plan. We are projecting a continued trend of firm expansion.

Q3. In response to previous performance downturns, Tokyo Gas made efforts to reduce fixed costs, for example. At present, what specific measures do you have in mind for response in light of the harsh outlook for the balance of payments?

A3. The projected deficit derives from the sliding system based on the projected crude oil price serving as the premise of the outlook. We expect profits to recover once the crude oil price spiral subsides. We are nevertheless taking the projected deficit very seriously. In response, we are going to steadily execute the cost reduction measures already contained in the initial plan, and intend to consider additional measures as necessary while closely monitoring the trend of crude oil prices over the coming months.

Q4. Given the forecast for deficit in the balance of payments, what are your thoughts on the implications for return to shareholders in fiscal 2008? Is there a possibility of lower dividends?

A4. We regard the outlook for deficit in the balance of payments this year as a passing phenomenon caused by time lag in the sliding system. We therefore plan to adhere to our normal line of a total payout ratio of 60 percent and no dividend reduction.