

November 4, 2008
Tokyo Gas Co., Ltd.

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

- Q1. Will the worsening of the economic climate have an impact on the trend of the demand for city gas?
- A1. Our consolidated sales volume of gas in the second quarter of fiscal 2008 was up by 4.1 percent from the same quarter of fiscal 2007. This increase was due to the favorable trend of demand in the industrial and wholesale fields as city gas became more competitive with other fuels. For projections of fiscal 2008 gas sales, on the other hand, we have revised the projection we announced in the first quarter downward to 14,497 million cubic meters, an increase of 2.0 percent from fiscal 2007. This downward revision was made in response to the plans for production cuts and changes in operating plans announced by some customers in the industrial sector. The effects of the recent worsening of economic conditions could presumably surface and adversely affect the future gas sales volume, and we are therefore going to continue keeping a close eye on the trend over the coming period.
- Q2. What kind of impact do crude oil prices and exchange rate fluctuation have on income and expenditure?
- A2. We revised the crude oil price and exchange rate premises of the economic framework in the projections for fiscal 2008 to 112.32 dollars per barrel and 105.55 yen to the dollar, respectively. These figures represent corresponding decreases of 16.46 dollars and 0.66 yen from those in the projections announced in the first quarter. As a result of this revision, we estimate that the unrecovered costs due to the time lag under the sliding rate adjustment system for gas resource costs this fiscal year will decrease from 130.1 billion yen in the first quarter projection to 103.5 billion yen, for an improvement of 26.6 billion yen in gross profit. I should add that these projections assume an economic framework from October to the end of the fiscal year with crude oil prices of 105 dollars per barrel and exchange rate of 105 yen to the dollar, in line with JCC estimates. Over this period, we are projecting a revenue increase of 1.1 billion yen for every decrease of 1 dollar per barrel in crude oil prices,

and 2.1 billion yen for every increase of 1 yen per dollar in the exchange rate, relative to these assumed figures.

Q3. What about the impact of the special measure to alleviate excessive fluctuation in the rate adjustment for gas resource costs?

A3. We received a request from the Ministry of Economy, Trade and Industry aimed at assuring the stability of the national life by alleviating excessive fluctuation in gas rates that could otherwise result from sharp increases in crude oil prices. In response, it was decided to take the special measure of curtailing the extent of gas rate increase based on adjustment for gas resource costs to 75 percent of the amount provided for under the system. This applies to the regulated segments and the months January - March 2009. The revenue decrease of 4.2 billion yen deriving from this special measure will be leveled by spreading it out over the one-year period beginning in April 2009.

Q4. We understand that Tokyo Gas is formulating a new medium-term management plan this fiscal year. Please tell us about the progress of this planning.

A4. We are making studies with a view to announcing the next medium-term management plan, whose initial fiscal year will be 2009, early next year. We intend to deepen and expand our integrated energy business to achieve sustained growth, and solidify our corporate foundation to execute our business strategy, without changing the basic strategy we are currently deploying toward the goal of emergence as an integrated energy business centered around natural gas.