October 29, 2010
Tokyo Gas Co., Ltd.

Main Q&A from FY2010 2Q Earnings Briefing

Q1: Is industrial-use gas sales volume recovering? What is your forecast for the full year?

A1: Industrial-use gas sales volume was higher year-on-year from April through July, but lower in August and September.

Numerous discussions with customers indicate that individual customers are uncertain regarding the direction of the economy and are taking a somewhat cautious view toward the second half, and this is reflected in our full-year forecast.

Over the short term, industrial-use gas sales volume will rise or fall in response to foreign exchange and economic trends, but over the medium to long term we anticipate a shift to natural gas for fuel as a means of achieving a low-carbon society.

Q2: What is the status of all-electric systems, primarily in the residential sector?

A2: We are concerned about electric power companies' increasingly offensive promotion of all-electric, and are endeavoring to prevent existing gas customers from switching to all-electric, and to contain the all-electric housing rate of newly built houses. In response to competition with all-electric homes, we are focusing on LIFEVAL, which was completed in October 2009 as a marketing structure that is closely tied to local communities. Top managers are personally visiting LIFEVAL locations and confirming their effectiveness, and results are gradually being seen.

Q3: Will you be investing further in upstream interests to secure resources?

A3: With regard to resources, CBM procurement at the Queensland Curtis Project is a recent project and negotiations are proceeding. We are carefully studying new projects to determine whether they have the appropriate conditions for Tokyo Gas, and will not hesitate to invest in attractive projects. In connection with financial targets, the Medium-Term Management Plan targets a final-year (fiscal 2013) debt-equity ratio of 0.69, but we will flexibly consider attractive investments without being bound by this target.

Q4: What is your position concerning returns to shareholders and capital policies?

A4: Our stance is to maintain our current policy of a 60% total payout ratio, and we are improving ROE and raising capital efficiency through the repurchase and cancellation of treasury stock. Under the current Medium-Term Management Plan (covering fiscal 2009-2013), we intend to procure the funds required for capital investment, investments and financing, and bond redemptions with operating cash flow and other funds on hand, and through bond issues and other external borrowing. We have no plans at this time to procure funds via a capital increase.