

**Financial Results ended March 31, 2011**



**April 28, 2011**

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# **Consolidated Financial Results ended March 31, 2011 and FY2011 Forecast**

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# FY2010 Full Year Financial Results

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## Financial Highlights (sales and profit grew from FY2009)

(+/- indicates profit impact, billion yen)

- Net sales** : + Gas sales grew (+90.9; incl. gas sales volume +54.5, higher resource costs led to increase in unit price (non-consolidated) +36.4)
- + Electricity sales volume grew with Ohgishima Power Station commencement (+42.2)
- + Energy-service sales grew (+19.1)
- Operating income** : + Personnel expenses decreased on lower amortization of actuarial differences in pension accounting (+51.9)
- Gas resource costs increased (-103.6)
- Operating income** : - Decreased foreign exchange gains at overseas subsidiaries, etc. (-4.7)
- + Expense for environmental consideration decreased (+3.0),
- Gains on weather derivatives (+1.4)
- Net income** : + Extraordinary income from sale of land in Toyosu (+39.7)\*
- Extraordinary loss due to Loss on valuation of securities (-2.1)\*
- Extraordinary loss due to Increase in expenses related to earthquake recovery (-3.2)\*

\* Before-tax basis

(Unit: billion yen)

	FY2010	FY2009	Change	%
<b>Gas sales volume (mil. m3 , 45MJ)</b>	1,474.5	1,366.6	107.9	+7.9
<b>Net sales</b>	1,535.2	1,415.7	119.5	+8.4
<b>Operating expenses</b>	1,412.7	1,330.4	82.3	+6.2
<b>Operating income</b>	122.4	85.2	37.2	+43.7
<b>Ordinary income</b>	121.5	83.5	38.0	+45.5
<b>Net income</b>	95.4	53.7	41.7	+77.5
<i>Sliding time lag effect (non-consolidated basis)</i>	-29.2	+5.7	-34.9	-
<i>Amortization of actuarial differences (non-consolidated basis)</i>	+19.9	-32.0	+51.9	-

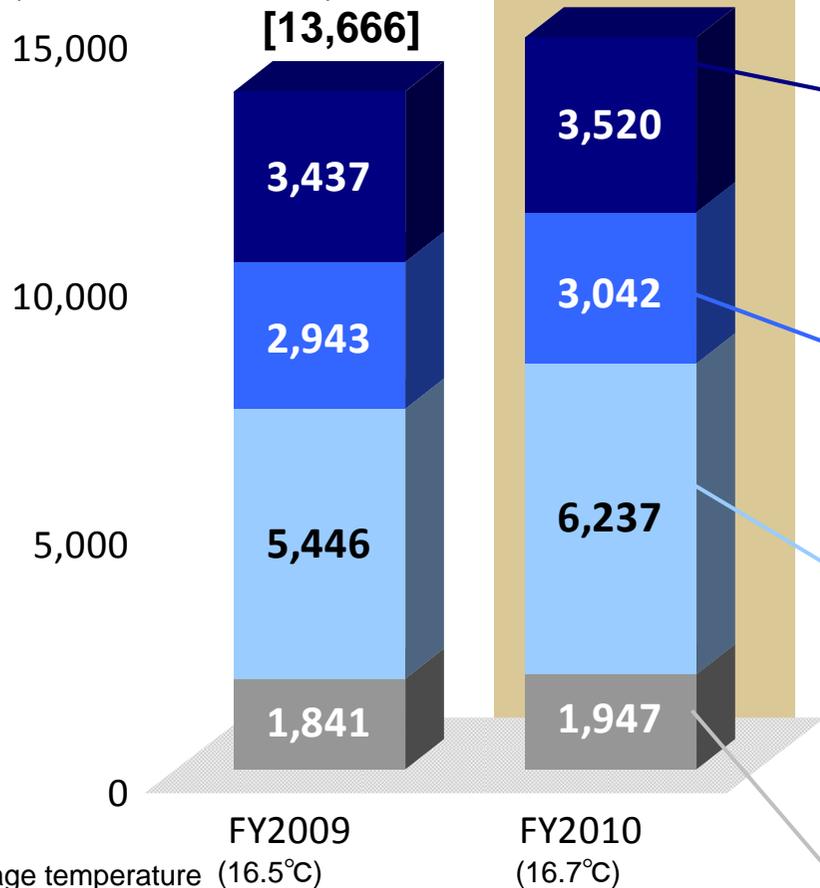
Economic conditions	JCC (\$/bbl)	Ex. rate (¥/\$)	Avg. temperature (°C)	Pension assets	Investment yield (costs deducted)	Discount rate
<b>FY2010</b>	84.14	85.74	16.7	<b>FY2010</b>	2.70 %	2.0 %
<b>FY2009</b>	69.40	92.89	16.5	<b>FY2009</b>	7.16 %	2.1 %

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# Consolidated Gas Sales Volume (Apr. 1, 2010 – Mar. 31, 2011)

## FY2009 → FY2010

mil. m<sup>3</sup>, 45MJ  
(rounded at million m<sup>3</sup>)



**+1,079 mil m<sup>3</sup> (+7.9%) year on year**  
 [incl. large volume +871 mil m<sup>3</sup> (+12.8%)]  
 [incl. temperature effect +219 mil m<sup>3</sup> (+1.6%)]

### ■ Residential +83 mil. m<sup>3</sup> (+2.4%)

- Cool temperatures in winter and early spring +73 mil. m<sup>3</sup>
- Increase in number of customers +25 mil. m<sup>3</sup>
- No. of days +13 mil. m<sup>3</sup>
- Others (8% decrease in usage per household) -28 mil. m<sup>3</sup>

### ■ Commercial +99 mil. m<sup>3</sup> (+3.4%)

- Hot summer, cold winter +136 mil. m<sup>3</sup>
- Increase in number of customers +2 mil. m<sup>3</sup>
- No. of days +6 mil. m<sup>3</sup>
- Others -45 mil. m<sup>3</sup>

### ■ Industrial +791 mil. m<sup>3</sup> (+14.5%)

- Industrial: +13 mil. m<sup>3</sup>  
 Increase in operation of existing demand
- Power generation: +778 mil. m<sup>3</sup>  
 Operations of Ohgishima power station 1&2 units (Newly consolidated)  
 Higher utilization from hot summer, earthquake, etc.

### ■ Wholesale +106 mil. m<sup>3</sup> (+5.8%)

- Increase in general wholesale demand (incl. temperature effect +10) +104 mil. m<sup>3</sup>
- Increase in large-volume gas demand +2 mil. m<sup>3</sup>

Number of customers (Unit: 10 thousand)		
FY2010-end	FY2009-end	Change
1,073.9	1,063.7	+10.2

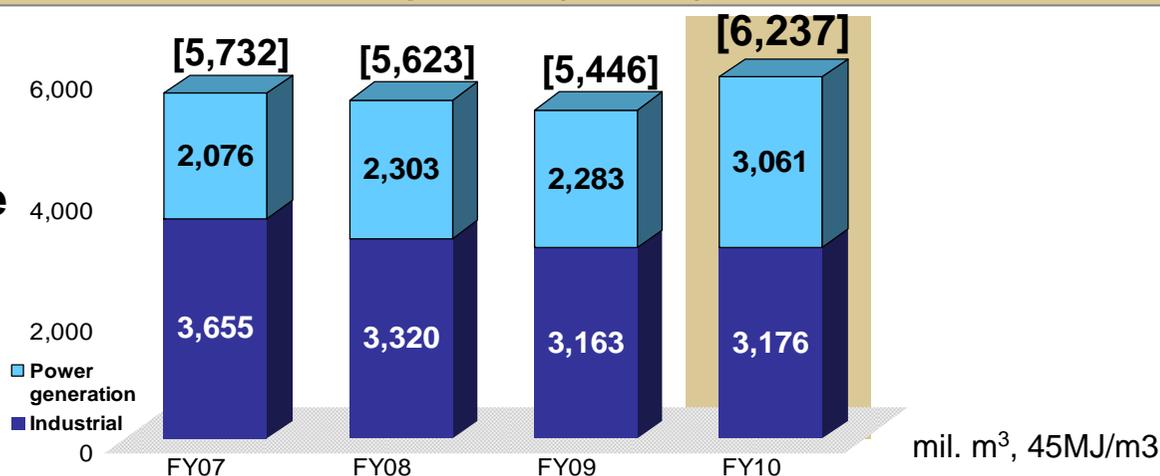
# Consolidated Gas Sales Volume (Apr. 1, 2010 – Mar. 31, 2011)

## Gas Sales Volume by use

### ■ Residential · Commercial · Industrial · Wholesale

	Specific Details
<b>Residential</b>	<p>[No. of new customers] Slightly lower than the previous year's level (Results shifted from 187 thousand (FY2009) to 182 thousand (FY2010): 2.5% lower)</p> <p>[Gas sales volume per household after standardization] No. of people per household declined, Decreased due to prevail of energy conservation devices (381.95m<sup>3</sup>/year -&gt; 378.91m<sup>3</sup>/year -0.8%)</p> <p>[No. of all-electric housing] Newly built houses: approx. 15%; existing houses shifted to all-electric: approx. 11,000 (-2,000 houses year on year)</p>
<b>Commercial</b>	<ul style="list-style-type: none"> <li>- Hot summer increased demand for air conditioning (+4.6% year on year)</li> <li>- Proposed energy service with best combinations of electricity and heat</li> <li>- Opened CHU-BO SHIODOME, a showroom for commercial kitchen (October 2010), promoted "SUZUCHU", a comfortable commercial kitchen with gas appliances</li> </ul>
<b>Industrial</b>	<p>[Industrial] Gradual economic recovery to 90% level compared before Financial Crisis 2008</p> <p>[Power generation] Ohgishima Power Station No. 1 &amp; 2 units commencing operations, Increase in demand triggered by the Great East Japan Earthquake</p>
<b>Wholesale</b>	<ul style="list-style-type: none"> <li>- Increase in the no. of business operators (26 -&gt; 27) , Increase in wholesale demand</li> </ul>

### ■ Transition of industrial-use gas sales volume



- Increasing return to shareholders in line with increase in net income  
FY2009: ¥32.3 billion → FY2010: ¥ 58.1 billion
- Maintaining 60% total payout ratio

## Calculation

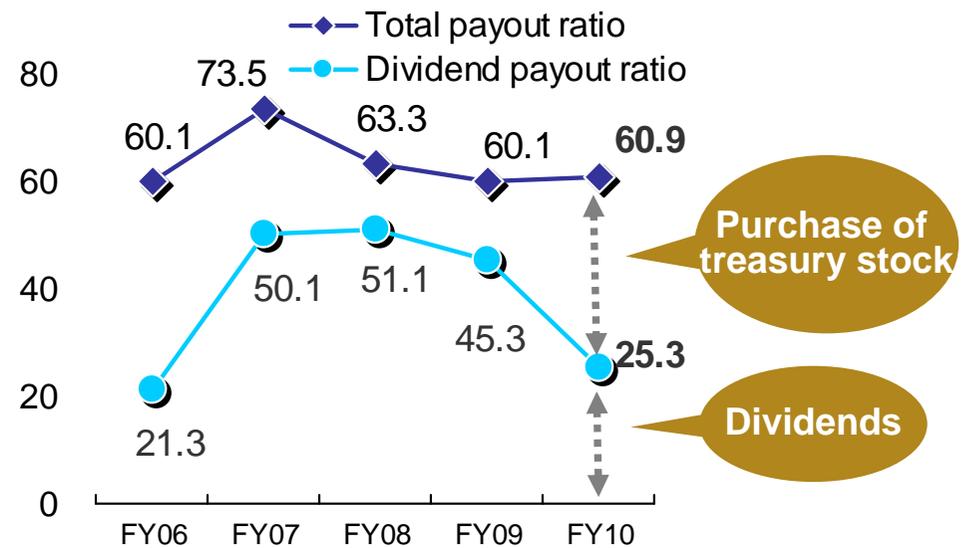
**Total payout ratio**  
**60.9%**

$$\begin{array}{r}
 \text{FY2010 Dividend} \\
 \text{¥24.1 billion}
 \end{array}
 +
 \begin{array}{r}
 \text{FY2011 Purchase of} \\
 \text{treasury stock} \\
 \text{¥ 34.0 billion}
 \end{array}
 = \frac{\quad}{\text{FY2010 Consolidated net income}}$$

¥95.4 billion

\* Number of shares outstanding: 2,684,193,295 (as of March 31, 2011)

## Change in total payout ratio



# FY2011 Forecast (Apr. 1, 2011 – Mar. 31, 2012)

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## Highlights (Excluding impact by the Great East Japan Earthquake) Sales growth, profit decline

- (+/- indicates profit impact, billion yen)
- Net sales** : + City gas sales volume increased by higher unit price ((non-consolidated) +177.4) under the gas rate adjustment system (+185.4)  
 : + Sales volume in “Other energy” segment increased (+45.0) thanks to higher electricity sales (+13.8), LNG sales (+23.1), etc.
- Operating income** : - Increased gas resource costs reduced city gas profit (-41.4)  
 : - Personnel expenses increasing as decline in amortization of actuarial differences in pension accounting dissipates (-22.6)
- Ordinary income** : - Decrease in Australian subsidiary’s foreign exchange gains (-2.1)
- Net income** : - Decrease in extraordinary income caused by dropped gain from sale of land of Toyosu (-39.7 before tax)

(Unit: billion yen)

	FY2011	FY2010	Change	%
<b>Gas sales volume (mil. m<sup>3</sup>, 45MJ)</b>	1,462.4	1,474.5	-12.1	-0.8
<b>Net sales</b>	1,752.0	1,535.2	+216.8	+14.1
<b>Operating expenses</b>	1,695.0	1,412.7	+282.3	+20.0
<b>Operating income</b>	57.0	122.4	-65.4	-53.5
<b>Ordinary income</b>	52.0	121.5	-69.5	-57.2
<b>Net income</b>	33.0	95.4	-62.4	-65.4
<i>Sliding time lag effect (non-consolidated basis)</i>	-55.9	-29.2	-26.7	-
<i>Amortization of actuarial differences (non-consolidated basis)</i>	-2.7	+19.9	-22.6	-

(Unit: billion yen)

Gross margin sensitivity to changes in oil price and EX rate (yearly and quarterly)	1Q	2Q	3Q	4Q	Full year	Economic conditions (Full Year)	JCC (\$/bbl)					Ex. rate (¥/\$)	Avg. temp. (°C)
							1Q	2Q	3Q	4Q	Avg.		
\$1/bbl Impact on rising JCC	0	0	-8	-4	-12	FY2011	110	115	120	120	116.25	85.00	16.7
¥1/\$ Impact on yen depreciation	-3	3	0	-15	-15	FY2010	84.14					85.74	16.7

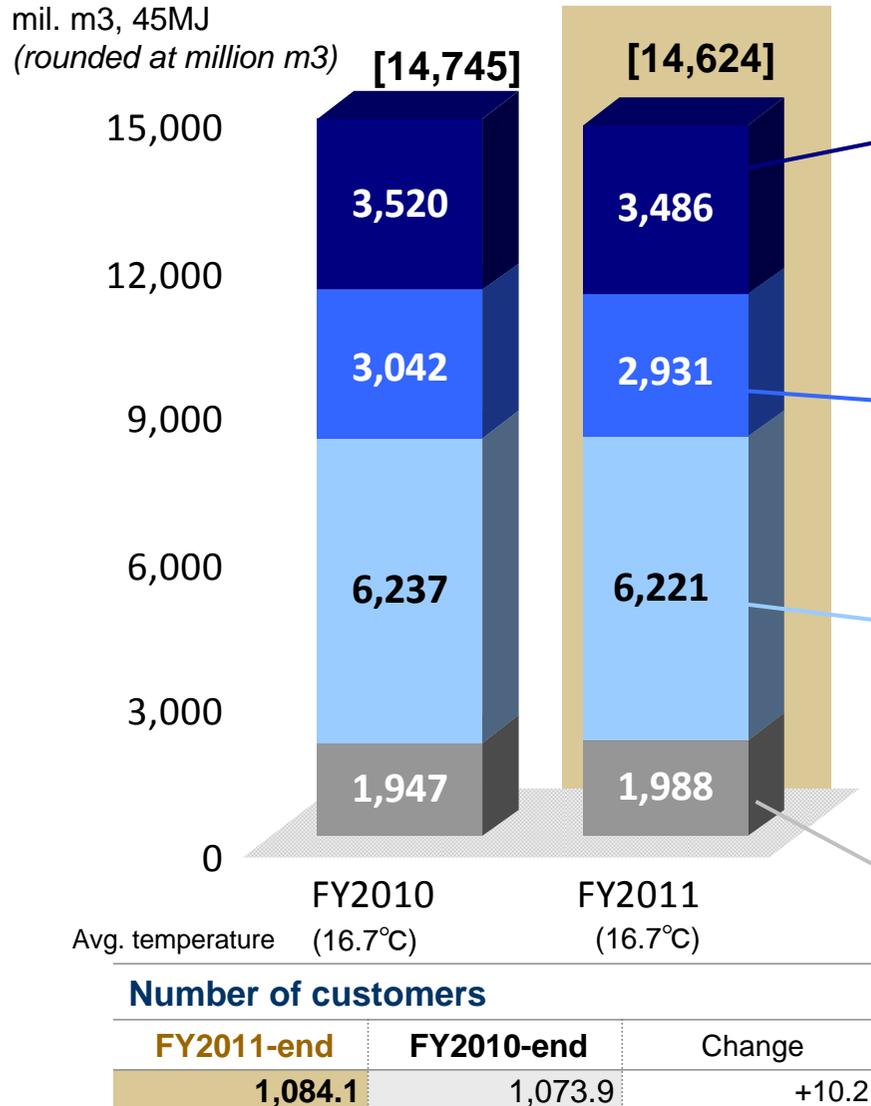
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# Gas Sales Volume Full Year Forecast <vs. FY2010>



<Excluding effects by the Great East Japan Earthquake>

## <FY2010 results → FY2011 forecast>



**-121 mil. m<sup>3</sup> (0.8%)**  
 [incl. large volume -62 mil. m<sup>3</sup> (0.8%) ]  
 [incl. temperature effect -155 mil. m<sup>3</sup> (1.1%)]

### Residential -34 mil. m<sup>3</sup> (-1.0%)

- Temperature -60 mil. m<sup>3</sup>
- No. of days +12 mil. m<sup>3</sup>
- No. of customers +35 mil. m<sup>3</sup>
- Others (0.6% decrease in usage per household) -21 mil. m<sup>3</sup>

### Commercial -111 mil. m<sup>3</sup> (-3.6%)

- Temperature -90 mil. m<sup>3</sup>
- No. of days +7 mil. m<sup>3</sup>
- Others -28 mil. m<sup>3</sup>

### Industrial -16 mil. m<sup>3</sup> (-0.3%)

- Industrial (excl. power generation) +83 mil. m<sup>3</sup>  
(Mild recovery of economic environment)
- Power generation -99 mil. m<sup>3</sup>  
(Drop caused by hot summer)

### Wholesale +41 mil. m<sup>3</sup> (+2.1%)

- Increase in general wholesale demand (incl. temp. -5)  
+49 mil. m<sup>3</sup>
- Decrease in large-volume gas demand -8 mil. m<sup>3</sup>

# Impact on the Company by Great East Japan Earthquake

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(Variable elements that are not reflected in our forecast)

## ■ Increased use for natural gas fired power generation, increased utilization of cogeneration

(+) Increase in industrial-use gas sales volume

(+) Improvement in supplementary income (LNG sales, electric power sales)

## ■ Weak economy from delayed recovery in distribution supply chain, tighter supply-demand for electricity

(-) Decline in industrial, commercial gas sales volume

(-) Decline in appliance sales

## ■ Tighter supply-demand for electricity, electricity-saving effect

(+) Increase in gas sales volume for air conditioning

(-) Decline in gas sales volume for residential and commercial demand for air conditioning

## ■ Curtailment of electrification offensive

(+) Decline in number of existing houses shifted to all-electric

(+) Decline in all-electric housing rates of newly built houses

(+) Increase in residential gas sales volume

(+) Improvement in income from appliances

## ■ Decline in operation of disaster-affected customers' facilities

(-) Decline in industrial use, contracted gas sales volume

(-) Weaker supplementary income (LNG sales)

## ■ Decline in greater Tokyo housing construction from shortages of materials, construction of temporary housing

(-) Delays in Capex for new pipelines

(-) Decline in gas sales volume for new customers

## ■ Additional countermeasures for earthquakes, flooding, fire

(-) Increase in Capex

(-) Increase in general expenses

Note: If a quantitative impact by the above elements becomes apparent, we will immediately revise our forecast.

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# Tokyo Gas Group's Basic Policies for FY 2011

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## 1. Safe, stable supply of energy

	Specific Details
Maintain and enhance infrastructure	<ul style="list-style-type: none"> <li>Hitachi LNG Terminal and Ibaraki-Tochigi Line projects are progressed as planned (the goal of completion is FY2015)</li> </ul>
Disaster planning for infrastructure equipment	<ul style="list-style-type: none"> <li>Address the risks of tsunami at the new plant</li> <li>Address the risks of power outages</li> </ul>
Efforts to provide stable supply of energy to customers	<ul style="list-style-type: none"> <li>Introduction of dispersed energy systems (Cogeneration system, ENE-FARM and home generation of electricity)</li> <li>Develop technologies in dispersed energy systems, smart energy networks, etc.</li> </ul>
Efforts to ensure LNG	<ul style="list-style-type: none"> <li>Stably procure competitive LNG</li> <li>Develop overseas business focusing on upstream business (Pluto, Queensland Curtis, etc.)</li> </ul>

## 2. Increasing customer interest with proposals that emphasize value of natural gas

	Specific Details
Make customers meet our business needs	<ul style="list-style-type: none"> <li> <b>Residential sector</b> <ul style="list-style-type: none"> <li>Strengthen relationship with customers while emphasizing our value with focus on Lifeval</li> <li>Establish ENE-FARM market</li> <li>Seek further demand through sales promotions to sub-users such as those who newly built or reform their houses</li> </ul> </li> <li> <b>Commercial and Industrial Sectors</b> <ul style="list-style-type: none"> <li>Promote installation of dispersed energy systems (cogeneration system) and air conditioning equipment</li> <li>Ensure to respond to demand for fuel shift</li> </ul> </li> </ul>
Meet energy conservation needs	<ul style="list-style-type: none"> <li>Promote energy saving know-how</li> <li>Increase penetration of products using sunlight and solar heat</li> </ul>

## Production facilities

### ■ Earthquake planning

- Quake-resistance standard for epicentral earthquake at the level equivalent to Great Hanshin-Awaji Earthquake, and liquefaction countermeasures
- Immediately inspect production facilities in the event of occurrence of earthquake with intensity of 4.0 and higher

### ■ Electric power failure planning

- 3 LNG terminals (Negishi, Ohgishima and Sodegaura) are connected by network, which mutually backup production and supply
- In an event of power stoppage simultaneously at all 3 terminals, a certain amount of gas would be supplied by emergency power generating facilities

### ■ Tsunami planning

- Assuming record scale of epicentral earthquake with epicenter of Tokyo Bay as well as large earthquakes inducing concurrent earthquakes at Tokai, Higashi-nankai, and Nankai regions, we anticipate the height of tsunami in Tokyo Bay at around 2 meters.
- Revetments higher than the assumed height of tsunami (2m) are placed at the 3 LNG terminals

## Distribution facilities

- Quake-resistance standard for epicentral earthquake at the level equivalent to Great Hanshin-Awaji Earthquake, and liquefaction countermeasures

\* For the above, we will pay attention to disaster prevention trend discussed at the diet and conferences, and determine as energy supplier if the standard and planning needs revision.

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# **FY2010 Business Results (Detail Analysis)**

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# FY2010 Net sales and Operating income/loss by Business Segment

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<year on year>

(Unit: billion yen)

	Net Sales				Operating Income			
	FY2010			FY2009	FY2010			FY2009
	Results	Change	%	Results	Results	Change	%	Results
City gas	1,137.0	90.9	8.7	1,046.1	136.1	20.6	17.9	115.5
Gas appliances and installation work	177.4	7.7	4.5	169.7	1.8	-0.3	-14.3	2.1
Other energy	221.2	64.0	40.7	157.2	11.1	4.3	62.4	6.8
(electric power)	70.2	42.2	150.3	28.0	6.0	4.4	271.4	1.6
Real estate rental	32.7	0.0	0.0	32.7	5.7	-1.0	-15.1	6.7
Others	162.3	0.7	0.4	161.6	9.9	3.5	52.5	6.4
Corporate or eliminations	-195.6	-43.6	-	-152.0	-42.3	10.2	-	-52.5
<b>Consolidated</b>	<b>1,535.2</b>	<b>119.5</b>	<b>8.4</b>	<b>1,415.7</b>	<b>122.4</b>	<b>37.2</b>	<b>43.7</b>	<b>85.2</b>

- Note:
- Net sales by business segment include internal transactions.
  - Other Energy includes Energy-service (including LNG sales), Electric Power, LPG, Industrial gas, etc.
  - Others includes Construction & Engineering, Credit & Lease, Shipping, System Engineering, etc.

# Industrial-use Gas Sales Volume by Industrial Categories

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## (Non-consolidated)

(Unit: mil. m<sup>3</sup>)

		FY2009						FY2010					
		1 <sup>st</sup> half	Change	%	2 <sup>nd</sup> half	Change	%	1 <sup>st</sup> half	Change	%	2 <sup>nd</sup> half	Change	%
Industrial Use	Food	254	-15	-5.6	245	-9	-3.5	242	-3	-1.2	241	-1	-0.4
	Textiles	16	-1	-5.9	19	3	18.8	19	0	0.0	20	1	5.3
	Paper & Pulp	105	-9	-7.9	105	0	0.0	90	-15	-14.3	81	-9	-10.0
	Chemicals	325	7	2.2	369	44	13.5	330	-39	-10.6	325	-5	-1.5
	Ceramics	78	0	0.0	86	8	10.3	87	1	1.2	89	2	2.3
	Steel	178	-37	-17.2	314	136	76.4	226	88	-28.0	274	48	21.2
	Nonferrous Metals	69	1	1.5	76	7	10.1	81	5	6.6	79	-2	-2.5
	Machinery	194	-14	-6.7	219	25	12.9	199	-20	-9.1	190	-9	-4.5
	Other	158	-29	-15.5	190	32	20.3	192	2	1.1	221	29	15.1
	<b>Subtotal</b>	<b>1,377</b>	<b>-97</b>	<b>-6.6</b>	<b>1,622</b>	<b>245</b>	<b>17.8</b>	<b>1,465</b>	<b>-157</b>	<b>-9.7</b>	<b>1,521</b>	<b>56</b>	<b>3.8</b>
	<b>Power Generation</b>	<b>952</b>	<b>-17</b>	<b>-1.8</b>	<b>1,001</b>	<b>49</b>	<b>5.1</b>	<b>1,038</b>	<b>37</b>	<b>3.7</b>	<b>939</b>	<b>-99</b>	<b>-9.5</b>
	<b>Total</b>	<b>2,329</b>	<b>-114</b>	<b>-4.7</b>	<b>2,623</b>	<b>294</b>	<b>12.6</b>	<b>2,503</b>	<b>-120</b>	<b>-4.6</b>	<b>2,460</b>	<b>-43</b>	<b>-1.7</b>

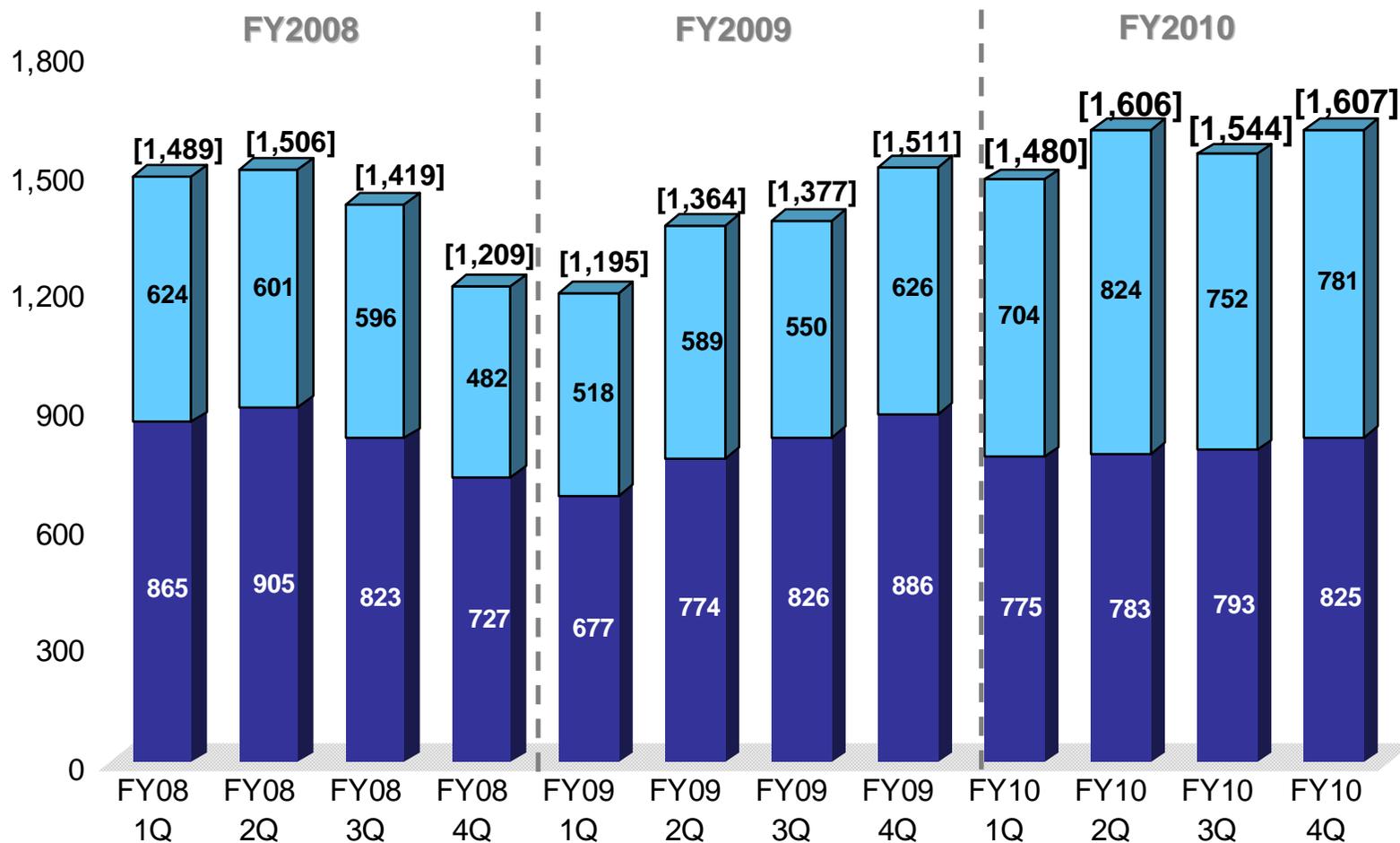
\* Totals may differ from sums as a result of rounding.

# Transition of Industrial-use Gas Sales Volume (quarterly)

## Consolidated

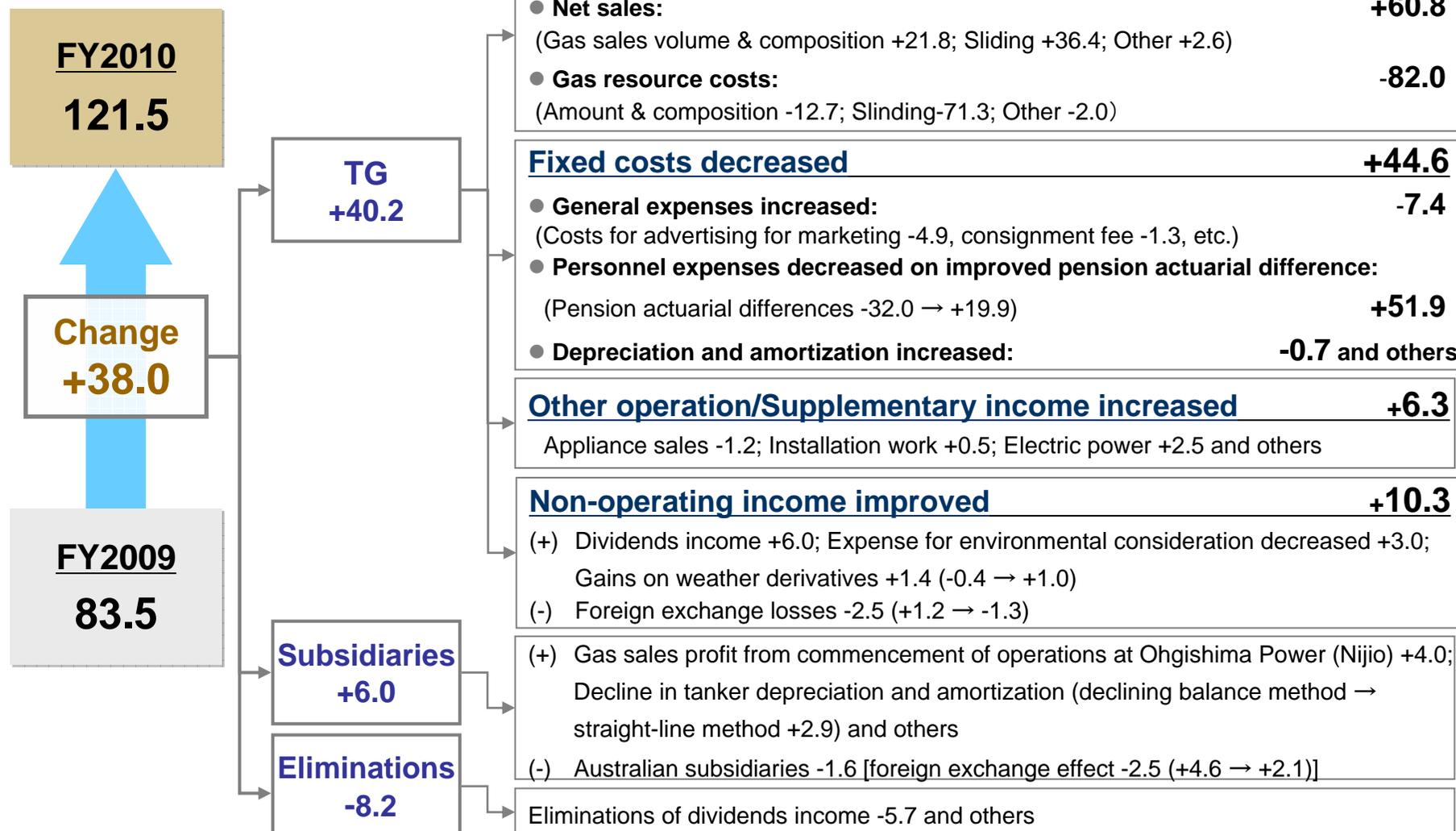
- Power generation
- Industrial

mil. m<sup>3</sup>, 45MJ/m<sup>3</sup>



# FY2010 Ordinary Income Analysis <year on year>

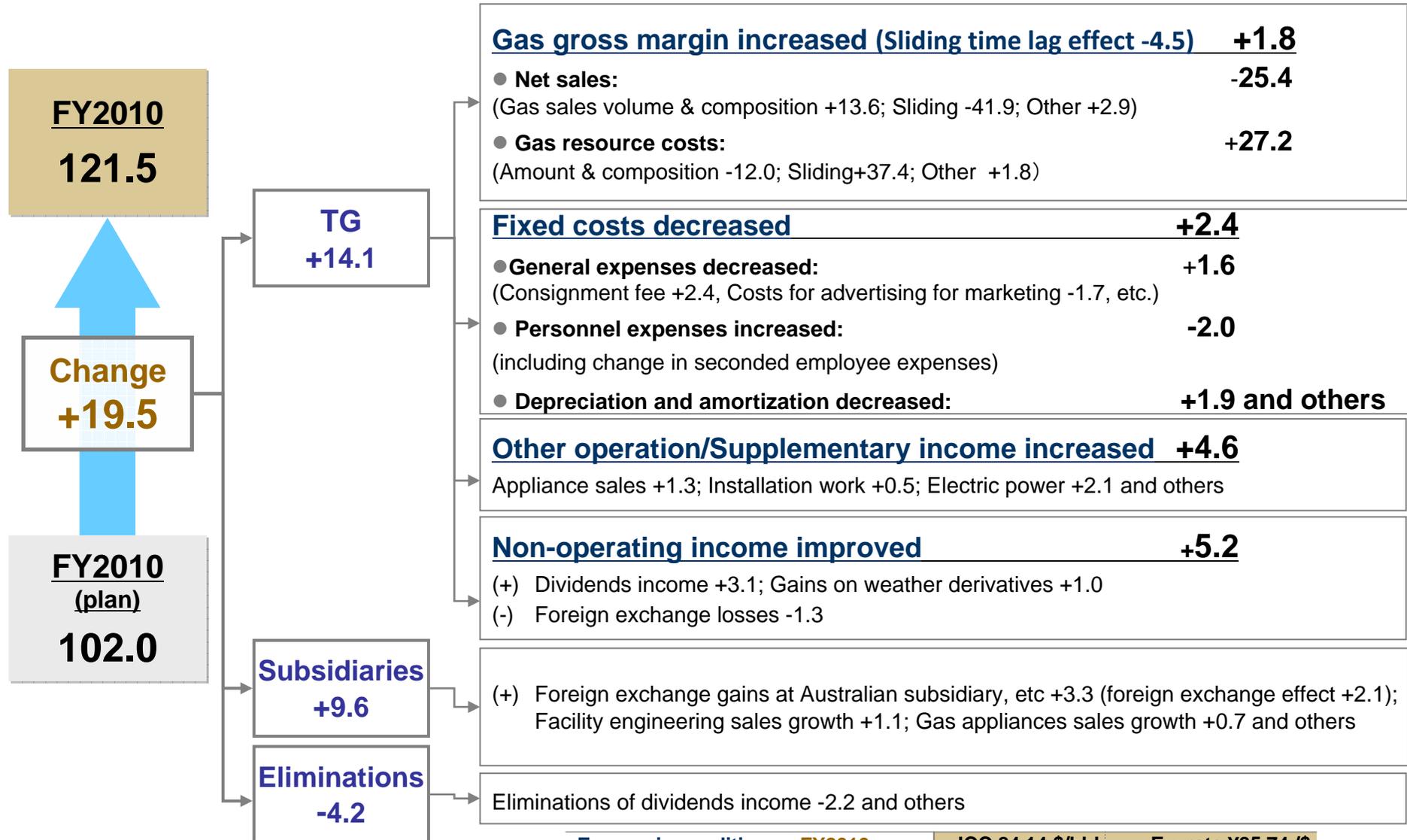
(Unit: billion yen)



Note: ( + ) & ( - ) refer to contributions to income.

Economic conditions	FY2010	JCC 84.14 \$/bbl	Ex. rate ¥85.74 /\$
	FY2009	69.40 \$/bbl	¥92.89 /\$

# FY2010 Ordinary Income Analysis <vs. FY2010 Initial Plan>



Note: ( + ) & ( - ) refer to contributions to income.

Note: Initial plan's extraordinary income and loss include only the income from acquisition of affiliates (¥3.5 billion on non-consolidated basis), and extraordinary income from selling the land of Toyosu is not counted herein.)

<b>Economic conditions</b>	<b>FY2010</b>	<b>JCC 84.14 \$/bbl</b>	<b>Ex. rate ¥85.74 /\$</b>
	<b>FY2010 plan</b>	<b>80.00 \$/bbl</b>	<b>¥95.00 /\$</b>

# FY2011 Forecast: Net Sales & Operating Income/Loss

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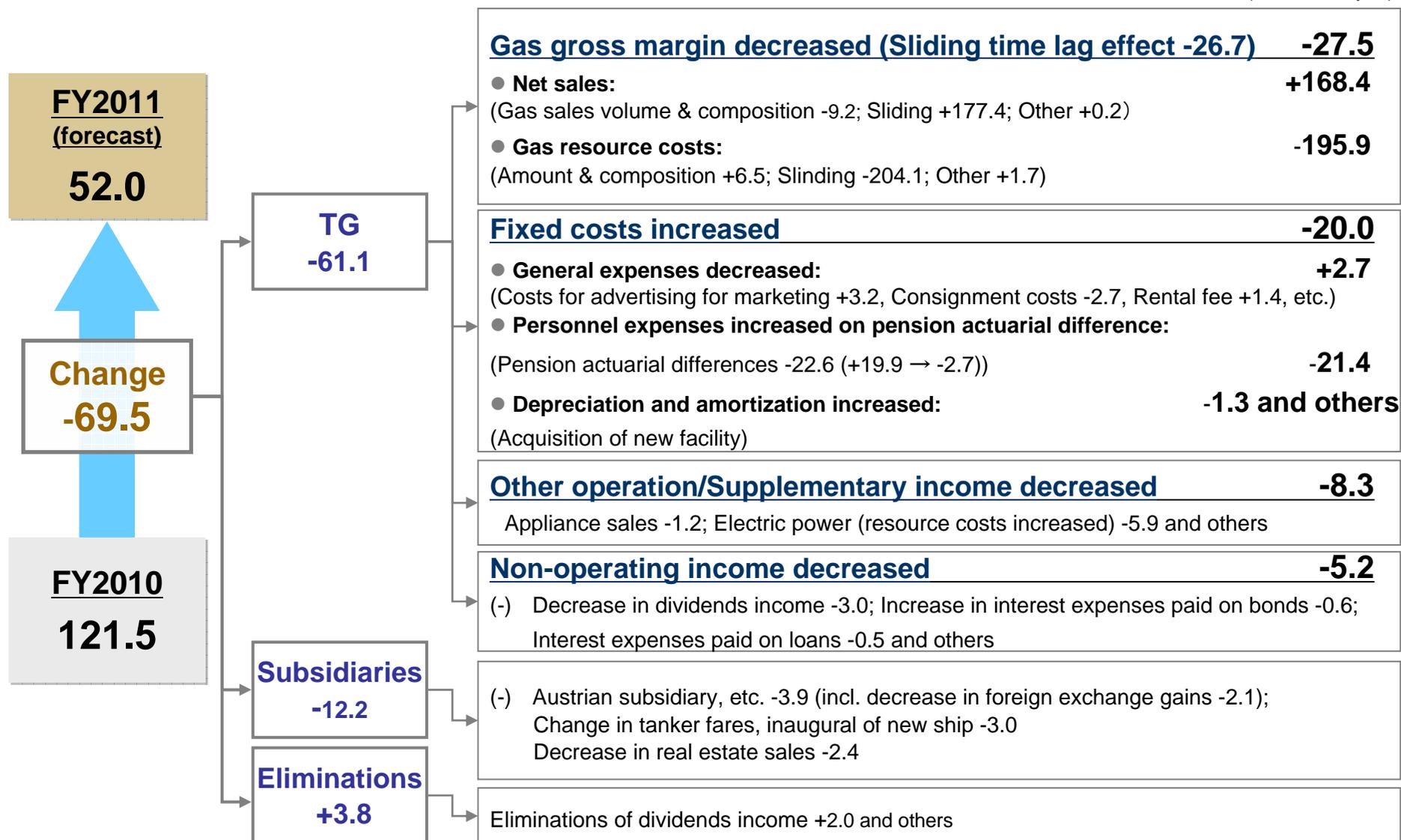
## by Business Segment <vs. FY2010>

(Unit: billion yen)

	Net sales				Operating income/loss			
	FY2011			FY2010	FY2011			FY2010
	Forecast	Change	%	Result	Forecast	Change	%	Result
<b>City gas</b>	1,322.4	185.4	16.3	1,137.0	94.7	-41.4	-30.5	136.1
<b>Gas appliances and installation work</b>	180.3	2.9	1.6	177.4	0.0	-1.8	-100.0	1.8
<b>Other energy</b>	266.2	45.0	20.3	221.2	0.6	-10.5	-94.6	11.1
<b>(electric power)</b>	84.0	13.8	19.7	70.2	-1.2	-7.2	-120.1	6.0
<b>Real estate rental</b>	29.4	-3.3	-10.4	32.7	3.1	-2.6	-45.7	5.7
<b>Others</b>	170.9	8.6	5.3	162.3	5.2	-4.7	-47.5	9.9
<b>Corporate or eliminations</b>	-217.2	-21.6	-	-195.6	-46.6	-4.3	-	-42.3
<b>Consolidated</b>	<b>1,752.0</b>	<b>216.8</b>	<b>14.1</b>	<b>1,535.2</b>	<b>57.0</b>	<b>-65.4</b>	<b>-53.5</b>	<b>122.4</b>

- Notes:
- Net sales by business segment include internal transactions.
  - Other Energy includes Energy-service (including LNG sales), Electric Power, LPG, Industrial gas, etc.
  - Others includes Construction & Engineering, Credit & Lease, Shipping, System Engineering, etc.

# FY2011 Forecast: Ordinary Income Analysis <vs. FY2010>



Note: ( + ) & ( - ) refer to contributions to income.

Economic conditions	FY2010 forecast	JCC 116.25 \$/bbl	Ex. rate ¥85.00 /\$
	<b>FY2010</b>	<b>84.14 \$/bbl</b>	<b>85.74 /\$</b>

## Capex

(Unit: billion yen)

Capex	Major Projects
Tokyo Gas Co., Ltd.: 122.3 (+20.0, +19.6%)	Production facilities: 25.1 (+16.0) Construction of Hitachi LNG terminal, Ohgishima LNG tank, etc.
	Distribution facilities: 70.2 (-4.0) New trunk & service line, maintenance (existing lines, etc.)
	Service and maintenance facilities: 26.9 (+7.9) System-related cost, renovation of decrepit facilities, etc.
Consolidated subsidiaries total: 47.4 (-2.5, -5.1%)	Overseas business (Total 21.3 for Austrian subsidiary) Renovation of district heating and cooling system, etc. 8.7 (ENAC)
<b>Total 167.0 (+16.8, +11.2% after elimination)</b>	

Note: Numbers in parentheses refer to comparisons with FY2010.

## Investment and Loan

25.4 billion yen (Overseas business +27.1 billion yen, repayment -1.7 billion yen, etc.)  
 (+2.2 billion yen year on year)

## Returns to Shareholders

58.1 billion yen (Maintaining 60% total payout ratio) (+24.6 billion yen year on year)  
 (Total of FY10 year-end dividend and FY11 interim dividend, and purchase of treasury stock during FY11)

## Required Funds and Source of Funds

(Unit: billion yen)

Required Funds		Source of Funds		
Capex	167.0	Internal funding	Depreciation	150.0
Other investment & loans*	25.4		Ordinary income	52.0
Dividends & tax	50.0		Others	42.4
Share buybacks	34.0		Total	244.4
Repayment (Non-consolidated)	50.0 (34.4)	Outside funding (Non-consolidated)		82.0 (110.0)
<b>Total</b>	<b>326.4</b>	<b>Total</b>		<b>326.4</b>

## Interest-bearing Debt

End of FY10: 584.1 billion yen    End of FY11: 616.0 billion yen

- \* Other investment & loan is the net amount of invested input and loan repayments.  
The above does not include CP to be issued and redeemed within FY2011 as seasonal working capital.

# Status and Issues with Major Initiatives

## ■ Natural gas infrastructure maintenance & safety measures

● Infrastructure maintenance	Specification	Commencement (Plan)	Current status
Hitachi LNG terminal	(Storage) 200,000kl	FY2015	Detailed FS, Negotiations with municipality
Chuo Trunk Line 2 <sup>nd</sup> phase	(Extended length) 9.6km	May 2010	Already began operating
Chiba-Kashima Line	(Extended length) 114km	Mar. 2012	Steady progress
Ohgishima No. 4 LNG storage tank	(Storage) 250,000kl	Nov. 2013	Steady progress

● Safety measures	FY2008	FY2009	FY2010	FY2011 (Plan)	Rest
Replacement acceleration of old pipelines	Extended length: 130km	166km	140km	137km	534km
Replacement of unsafe gas appliances*	111,870 units (FY07-10, cumulative)			4,000 units	41,130 units

\* Measures to encourage users to replace small water heaters without an incomplete-combustion prevention device or CF gas boilers with safe gas appliances

## ■ Upstream & overseas businesses

● Upstream project	Interest	Commencement (Plan)	Remarks
Pluto	Upstream equity interest 5%	FY2011	Steady progress (95% complete as of Dec. 31, 2010)
Queensland Curtis	Upstream equity interest 1.25% Second liquefaction train 2.5%	FY2015	1st Japanese LNG project using coal-bed methane (CBM) unconventional natural gas

● Overseas project	Details
Mexican IPP	Acquisition (30% stake) completed in June 2010 for \$1.2 billion IPP business comprising 5 natural gas power plants in northeast Mexico

## ■ Development of natural gas demand

● Residential gas sales volume	Details
<b>ENE-FARM</b>	Sales growth from introduction of new models in February 2011 (1,500 units in FY09, 2,400 units in FY10, <b>5,000 units in FY11 (plan)</b> )
<b>Competition against electrification</b>	All-electric housing rates of newly built houses held in check (FY09: 12%, <b>FY10: approx. 15%; FY11: approx.15% (plan)</b> ) No. of existing houses shifted to all-electric held in check (FY09: 13,000 houses; <b>FY10: 11,000 houses; FY11: approx. 10,000 houses (plan)</b> )

● Commercial, industrial gas sales volume	Details
<b>Increase sales of CGS, etc.</b>	Increase sales of gas cogeneration systems (CGS) Promote conversion to natural gas as fuel for industrial uses
<b>Energy services</b>	Acquire natural gas demand through higher value-added proposals like energy conservation diagnosis

## ■ Electric power

● 1.3 million kW power source system	Details
<b>Ohgishima Power</b>	Operations commenced at No. 1 unit (March 2010) and No. 2 unit (July 2010)

# Progress Situation of Mid-term Management Plan (FY2009 – FY2013)

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## <Operating cash flow>

(Unit: billion yen)

FY09-10 total	Current Outlook	Mid-term management plan	Change	FY09-10 total	Current Outlook	Mid term management plan	Change
Net income	182.1	140.8	+41.3	Capex, Investments and loans	545.5	585.5	-40.0
Depreciation	445.4	466.5	-21.1	Return to shareholders (cash basis)	118.3	77.3	+41.0
Total	627.5	607.3	+20.2	Reduction of interest bearing debts, etc.	-36.3	-55.5	+19.2
				Total	627.5	607.3	+20.2

## <Change factors of operating cash flow>

Negative factors	Positive factors
<ul style="list-style-type: none"> <li>Weak macro economy</li> <li>Construction of Hitachi LNG terminal brought forward</li> <li>Sliding time lag effect (FY09-11 total shortfall - ¥79.4 billion)</li> <li>Amortization of actuarial differences (FY09-11 total - ¥14.8 billion)</li> </ul>	<ul style="list-style-type: none"> <li>Resource procurement costs held in check →Solid progress in price revision negotiations</li> <li>Personnel expenses from actuarial differences →Lower risk from investment review (from FY2010)</li> <li>Gain from sale of land in Toyosu (¥39.7 billion in FY2010 (before tax))</li> </ul>

## Financial Highlights (Sales and profit grew from FY10 1<sup>st</sup> half)

(+/- indicates profit impact, billion yen)

- Net Sales** : + City gas sales increased by higher unit price, based on gas rate adjustment system (Non-consolidated +29.7)
- Operating Income** : - City gas profit decreased by higher gas resource cost (Non-consolidated -23.8)
- : - Personnel expenses increased by dropped decline in amortization of actuarial differences in pension fund accounting (Non-consolidated -11.3)
- Ordinary Income** : - Decreased gain from weather derivatives (-1.3)

(Unit: billion yen)

	FY11 1 <sup>st</sup> half	FY10 1 <sup>st</sup> half	Change	%
Gas Sales Volume (mil. m <sup>3</sup> , 45MJ)	679.0	693.4	14.4	-2.1
Net Sales	753.0	701.3	51.7	+7.4
Operating expenses	744.0	653.2	90.8	+13.9
Operating income	9.0	48.0	39.0	-81.3
Ordinary income	6.0	45.8	-39.8	-86.9
Net income	2.0	25.5	-23.5	-92.2
<i>Sliding time lag effect (non-consolidated basis)</i>	-40.6	-14.7	-25.9	-
<i>Amortization of actuarial differences (non-consolidated basis)</i>	-1.3	+9.9	-11.2	-

Economic Frame	JCC (\$/bbl)	Ex. Rate (¥/\$)	Average Temperature(°C)	Pension Asset	Investment yield (Cost deducted)
FY11 1 <sup>st</sup> half	112.50	85.00	22.6	FY11 1 <sup>st</sup> half	2.0 %
FY10 1 <sup>st</sup> half	78.37	88.91	23.0	FY10 1 <sup>st</sup> half	4.8 %

# Key Indices

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(Unit: billion yen)

	Dec 2009 Results	FY2010 Results	FY2011 Forecast
<b>Total assets (a)</b>	<b>1,840.9</b>	<b>1,829.6</b>	<b>1,871.0</b>
<b>Shareholders' equity (b)</b>	<b>813.8</b>	<b>858.9</b>	<b>833.0</b>
<b>Shareholders' equity ratio (b) / (a)</b>	<b>44.2%</b>	<b>46.9%</b>	<b>44.5%</b>
<b>Interest-bearing debt (c)</b>	<b>555.9</b>	<b>584.1</b>	<b>616.0</b>
<b>D/E Ratio (c) / (b)</b>	<b>0.68</b>	<b>0.68</b>	<b>0.74</b>
<b>Net income (d)</b>	<b>53.7</b>	<b>95.4</b>	<b>33.0</b>
<b>Depreciation and amortization (e)</b>	<b>146.1</b>	<b>149.3</b>	<b>150.0</b>
<b>Operating cash flow (d) + (e)</b>	<b>199.8</b>	<b>244.8</b>	<b>183.0</b>
<b>Capex</b>	<b>148.1</b>	<b>150.2</b>	<b>167.0</b>
<b>ROA: (d) / (a)</b>	<b>3.0%</b>	<b>5.2%</b>	<b>1.8%</b>
<b>ROE: (d) / (b)</b>	<b>6.8%</b>	<b>11.4%</b>	<b>3.9%</b>
<b>Total Payout Ratio</b>	<b>60.1%</b>	<b>60.9%</b>	<b>-</b>

Notes:

Shareholders' equity = Net assets - Minority interests

ROA = Net income / Total assets (average of beginning & end)

ROE = Net income / Shareholders' equity (average of beginning & end)

Balance sheet-related figures are as end of each quarter.

Operating cash flow = Net Income + Depreciation (incl. Amortization of Long-term Prepaid Expenses)

Total Payout Ratio= [Dividends in FY N + Amount of Stock Repurchase in FY (N+1)] / Consolidated Net Income in FY N)



**< Cautionary Statement regarding Forward-looking Statements >**

**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, crude oil prices, the weather, changes in the foreign exchange rate of the yen, rapid technological innovations and the Company's responses to the progress of deregulation.**

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