

**FY2001 ended March 2002**  
**Interim Non-Consolidated Financial Statements**  
**(Half-Year Ended September 30, 2001)**  
**Tokyo Gas Co., Ltd.**

November 20, 2001

Code No.: 9531

Contact: Mr. Hisashi Matsukura,  
 Manager, Final Accounts Group

Tel: 03-5400-7545

Meeting of board of directors to approve end of half-year accounts: November 20, 2001

Commencement of interim dividends: December 10, 2001

The company has an interim dividend scheme.

**Shares listed on:**

Tokyo Stock Exchange, Osaka Securities Exchange,  
 Nagoya Stock Exchange

Location of head office : Tokyo

**1. Results for half-year ended September 2001 (April 1, 2001 to September 30, 2001)**

(1) Business results (Rounded down to the nearest million yen.)

	Sales		Operating profits		Ordinary profits	
	(Unit: ¥1 million)	%	(Unit: ¥1 million)	%	(Unit: ¥1 million)	%
Half-year ended Sept. 2001	425,915	4.1	19,319	-13.8	8,277	-43.3
Half-year ended Sept. 2000	409,314	9.6	22,405	59.6	14,610	71.9
Year ended Mar. 2001	965,619		85,790		58,542	

	Net profits		Net earnings per share
	(Unit: ¥1 million)	%	(Unit: ¥1)
Half-year ended Sept. 2001	7,777	71.1	2.77
Half-year ended Sept. 2000	4,545	-46.5	1.62
Year ended Mar. 2001	27,400		9.75

Notes: 1. Average number of outstanding shares during the period ended:

Half-year ended September 2001: 2,810,014,956 shares

Half-year ended September 2000: 2,810,012,006 shares

Year ended March 2001: 2,810,012,006 shares

2. Changes in accounting methods: None

3. Percentage figures on sales, operating profits, ordinary profits and net profits indicate the percentage change on the interim results for the previous year.

(2) Dividends

	Interim dividend per share	Annual dividend per share
	(Unit: ¥1)	(Unit: ¥1)
Half-year ended Sept. 2001	3.00	—
Half-year ended Sept. 2000	2.50	—
Year ended Mar. 2001	—	6.00

(3) Financial position

	Total assets	Shareholders' equity	Ratio to shareholders' equity	Shareholders' equity per share
	(Unit: ¥1 million)	(Unit: ¥1 million)	%	(Unit: ¥1)
Half-year ended Sept. 2001	1,398,892	490,076	35.0	174.40
Half-year ended Sept. 2000	1,478,190	500,675	33.9	178.18
Year ended Mar. 2001	1,490,157	508,185	34.1	180.85

Note: Number of outstanding shares as of:

Half-year ended September 2001: 2,810,017,905 shares

Half-year ended September 2000: 2,810,012,006 shares

Year ended March 2001: 2,810,012,006 shares

**2. Results forecast for the year ending March 2002 (April 1, 2001 - March 31, 2002)**

	Sales	Ordinary profits	Current net profits	Annual dividend per share	
				Year-end	
Full term	(Unit: ¥1 million) 972,000	(Unit: ¥1 million) 58,000	(Unit: ¥1 million) 39,000	(Unit: ¥1) 3.00	(Unit: ¥1) 6.00

Reference: 1. Forecast net earnings per share (full year): ¥13.88

2. Breakdown of sales (full year):

Gas: ¥746,000 million

Miscellaneous: ¥226,000 million

## 1. Business performance

### <Summary of results for the half-year ended September 2001>

#### (1) Gas sales

During the term in question (the first half of FY 2001), gas sales amounted to 4,104 million m<sup>3</sup>, an increase of 4.1% from the first half of FY 2000. In spite of efforts to acquire new customers and expand the diffusion of gas appliances, the demand in the residential sector fell by 1.8% due to the influence of the high temperatures in April and at the end of the rainy season.

Thanks to the acquisition of new customers and an increased demand associated with air conditioning due to high summer temperatures, sales in the commercial sector were up 2.8%, and those in other business sector, up 3.1%.

Demand in the industrial sector recorded a significant increase of 12% owing to the acquisition of new customers including the Shinagawa thermal power plant of Tokyo Electric Power Co., Inc.

Supply to other gas utilities expanded by 1.4%.

### <Gas sales for half-year ended September 30, 2001>

		Half-year (Apr.- Sept. 2001) actual	Half-year (Apr.- Sept. 2000) actual	Change	% change		
No. of customers	Thousand	8,933	8,766	167	1.9		
Gas sales volume	Residential	m <sup>3</sup>	25.19	26.30	-1.11	-4.2	
		mil. m <sup>3</sup>	1,154	1,176	-22	-1.8	
	Business	Commercial	mil. m <sup>3</sup>	825	802	23	2.8
		Other	mil. m <sup>3</sup>	336	326	10	3.1
	Industrial	mil. m <sup>3</sup>	1,353	1,208	145	12.0	
	Subtotal	mil. m <sup>3</sup>	2,514	2,336	178	7.6	
	Wholesale	mil. m <sup>3</sup>	436	430	6	1.4	
	Total	mil. m <sup>3</sup>	4,104	3,942	162	4.1	
Ave. temperature	°C	22.7	23.0	-0.3	—		

Notes: 1. The upper row of figures for residential demand indicates gas sales per meter read (m<sup>3</sup>/household/month).

2. "Other" for business demand indicates sales to public and medical institutions.

#### (2) Summary of incomes and expenditures

##### Sales

In spite of the effect of the rate reduction carried out on February 15, 2001, gas sales reached ¥321.0 billion, up ¥10.2 billion or 3.3% from the first half of FY 2000. This was due to the increase in sales volume and adjustment of unit cost in accordance with the provisions for adjustment for feedstock costs.

Total sales including revenue from contracted work, gas appliance sales, and subsidiary business reached ¥425.9 billion, up ¥16.6 billion or 4.1%.

##### Expenses

Although crude oil prices were down 3 from the first half of FY 2000, cost of sales was up by ¥13.7 billion or 13.2% because of the yen's steep depreciation. Sales, supply and general administrative expenses were held to an increase of ¥13.1 billion or 4.4% overall as a result of efforts made to curb them.

Total expenses, including contracted construction work, gas appliance sales, and subsidiary business expenses amounted to ¥406.5 billion, an increase of ¥19.6 billion or 5.1%.

### Profits

As a result of the aforementioned developments, operating profit fell to ¥19.3 billion, down ¥3.1 billion or 13.8% (from the first half of FY 2000).

Ordinary profit (operating profit plus non-operating profit or loss) came to ¥8.2 billion, a decrease of ¥6.4 billion or 43.3%.

Whereas a sum of ¥7.8 billion extraordinary loss resulting from the write-off of unfunded retirement benefit obligations arising from the amendment of accounting standards for retirement benefits was posted in the first half of FY 2000, a sum of ¥3.3 billion in profit on sales of investment securities was posted as extraordinary profit in the current term. As a result, mid-term net profit reached ¥7.7 billion, up ¥3.2 billion or 71.1%.

<FY2001 half-year balance of payments (actual)>

(Unit: ¥100 million)

Income			Change from previous year	Rate (%)	Expenses			Change from previous year	Rate (%)
Product	Gas sales	3,210	102	3.3	Operating expenses	Cost of sales	1,178	137	13.2
						Sales and administrative expenses	1,915	-7	-0.3
						Subtotal	3,094	131	4.4
Other sales	Construction	284	18	6.4	Other expenses	Construction	282	15	5.6
	Gas appliances, etc.	571	51	9.9		Gas appliances	534	56	11.8
	Subsidiary businesses	193	-4	-1.9		Subsidiary businesses	155	-5	-3.1
	Subtotal	1,048	64	6.6		Subtotal	971	66	7.3
Total sales		4,259	166	4.1	Total expenses		4,065	196	5.1
					Operating profit		193	-31	-13.8
Non-operating income		67	7	12.1	Non-operating expenses		177	40	28.8
					Ordinary profit		82	-64	-43.3
Extraordinary profit		33	33	—	Extraordinary loss		0	-78	—
					Half-year net profit		77	32	71.1

(Rounded down to nearest 100 million yen)

- Notes: 1. Cost of sales includes cost of raw materials of ¥97.3 billion (increase of ¥14.1 billion, or 16.8%, from the previous term).  
2. Non-operating expenses include interest expenses of ¥7.5 billion (decrease of ¥150 million, or 16.8%, from the previous term).

	Half-year (ended Sept. 2001)	Half-year (ended Sept. 2000)	Change		Half-year (ended Sept. 2001)	Half-year (ended Sept. 2000)	Change
Crude oil price (\$/bbl)	26.52	27.92	-1.40	Yen/dollar rate	122.24	107.19	15.05

## 2. Outlook for FY 2001 (Tokyo Gas only)

(Unit: ¥100 million)

	Sales	Operating profit	Ordinary profit	Current net profit
FY 2001 (estimate)	9,720	790	580	390
FY 2000	9,656	857	585	274
Change (increase/decrease)	64	-67	-5	116
Rate of change	0.7%	-7.9%	-0.9%	42.3%

In FY 2001 (ending on March 31, 2002), efforts to win new customers and stimulate the diffusion of gas appliances are expected to push gas sales to 9.264 billion m<sup>3</sup>, up 4.4% from FY 2000. The revenue from these sales is anticipated to reach ¥746.0 billion, up ¥11.9 billion or 1.6%, from the previous year.

This outlook applies a crude oil price of US\$24.8 per barrel, (a decrease of US\$3.6 per barrel from the previous year) and a yen-dollar exchange rate of ¥121.1 to the dollar (a corresponding decrease of ¥10.6). On these premises, feedstock costs are anticipated to total ¥223.6 billion, an increase of ¥14.0 billion or 6.7%.

The company is making an even greater effort to reduce costs and rationalize its operations in order to curtail overhead and other costs.

As a result, the above projection envisions an increase in total sales (including revenue from contracted construction work, gas appliance sales, and subsidiary business) of ¥972.0 billion, an increase of ¥6.4 billion or 0.7% (from FY 2000), and ordinary profit of ¥58.0 billion, a decrease of ¥500 million or 0.9%.

Whereas a sum of ¥15.6 billion extraordinary loss resulting from the write-off of unfunded retirement benefit obligations arising from the amendment of accounting standards for retirement benefit was posted in FY 2000, a sum of ¥3.3 billion in gain on sales of investment securities is to be posted as extraordinary profit in the current term. As a result, full year net profit is anticipated to reach ¥39 billion, up ¥11.6 billion or 42.3%.

### <Gas sales for FY2001>

			FY2001 (estimate)	FY2000	Change	Rate of change (%)	
No. of customers		Thousand	9,012	8,872	140	1.6	
Gas sales volume	Residential	mil. m <sup>3</sup>	3,070	3,120	-50	-1.6	
	Business	Commercial	mil. m <sup>3</sup>	1,616	1,593	23	1.4
		Other	mil. m <sup>3</sup>	733	688	45	6.5
		Industrial	mil. m <sup>3</sup>	2,880	2,538	342	13.5
	Subtotal		mil. m <sup>3</sup>	5,229	4,819	410	8.5
	Wholesale		mil. m <sup>3</sup>	965	933	32	3.4
Total		mil. m <sup>3</sup>	9,264	8,872	392	4.4	
Ave. temperature		°C	16.7	16.7	0	—	
Crude oil price		\$/bbl	24.8	28.4	-3.6	-12.7	
Exchange rate		¥/\$	121.1	110.5	10.6	9.6	

**Balance Sheet**

(Unit: ¥1 million)

Account	Half-year (ended Sept. 30, 2001)	Previous year (ended Mar. 31, 2001)	Change	Half-year (ended Sept. 30, 2000)
(Assets)				
Fixed assets	1,236,855	1,276,594	-39,739	1,293,593
Tangible fixed assets	980,510	1,001,844	-21,334	1,015,699
Production facilities	274,358	286,236	-11,878	274,775
Distribution facilities	515,603	498,295	17,308	487,279
Business facilities	75,810	78,049	-2,239	81,033
Associated business facilities	42,609	44,885	-2,276	46,798
Idle facilities	5	5	0	5
Construction in progress	72,123	94,373	-22,250	125,807
Intangible fixed assets	15,674	15,651	23	14,828
Patent rights	0	0	0	1
Leaseholds	1,236	1,210	26	898
Other intangible fixed assets	14,437	14,440	-3	13,929
Investments, etc.	240,670	259,098	-18,428	263,065
Investment securities	76,113	102,252	-26,139	114,023
Investments in affiliates	85,105	86,754	-1,649	86,035
Long-term loans receivable	79	80	-1	80
Long-term loans within company	4,610	4,283	327	4,302
Long-term loans to affiliates	2,595	865	1,730	0
Investments in partnerships	5	5	0	5
Long-term prepaid expenses	44,837	46,387	-1,550	47,443
Deferred tax assets	21,392	12,439	8,953	5,118
Miscellaneous investments	7,158	7,077	81	7,214
Allowances for doubtful accounts	-1,227	-1,047	-180	-1,159
Current assets	162,036	213,562	-51,526	184,596
Cash and deposits	5,818	6,117	-299	4,920
Trade notes receivable	1,558	1,612	-54	1,176
Trade notes receivable from affiliates	300	500	-200	100
Accounts receivable	70,892	86,036	-15,144	61,850
Accounts receivable from affiliates	4,147	5,960	-1,813	5,608
Uncollected accounts	5,897	10,710	-4,813	6,247
Negotiable securities	1	1	0	1
Finished products	79	94	-15	75
Raw materials	15,613	16,395	-782	14,663
Supplies	5,837	5,614	223	5,366
Prepaid expenses	3,977	348	3,629	3,675
Short-term loans to affiliates	7,000	39,000	-32,000	36,000
Short-term credits against affiliates	1,323	1,550	-227	1,466
Deferred tax assets	4,761	6,924	-2,163	3,803
Other current assets	35,425	33,582	1,843	40,099
Allowances for doubtful accounts	-596	-886	290	-459
<b>Total assets</b>	<b>1,398,892</b>	<b>1,490,157</b>	<b>-91,265</b>	<b>1,478,190</b>

(Unit: ¥1 million)

Account	Half-year (ended Sept. 30, 2001)	Previous year (ended Mar. 31, 2001)	Change	Half-year (ended Sept. 30, 2000)
(Liabilities)				
Fixed liabilities	695,270	714,068	-18,798	856,064
Straight bonds	231,043	241,043	-10,000	276,843
Convertible bonds	245,028	245,445	-417	352,313
Long-term bank loans payable	90,796	94,388	-3,592	96,566
Long-term obligations to affiliates	707	719	-12	755
Retirement benefit reserve	119,687	124,891	-5,204	124,212
Allowances for repairs of gas holders	3,242	3,230	12	3,126
Other fixed liabilities	4,765	4,350	415	2,247
Current liabilities	213,545	267,903	-54,358	121,450
Fixed liabilities due within one year	104,256	104,288	-32	7,738
Accounts payable	11,874	18,275	-6,401	13,662
Short-term bank loans payable	466	431	35	431
Other accounts payable	17,823	36,502	-18,679	19,289
Accrued expenses	36,774	43,566	-6,792	34,840
Corporation tax payable, etc.	5,684	24,648	-18,964	5,941
Advances received	8,691	7,059	1,632	10,999
Deposits received	2,540	2,650	-110	4,735
Short-term obligations to affiliates	8,697	17,656	-8,959	9,589
Other current liabilities	16,736	12,824	3,912	14,221
<b>Total liabilities</b>	<b>908,816</b>	<b>981,971</b>	<b>-73,155</b>	<b>977,515</b>
(Shareholders' equity)				
Common stock	141,818	141,817	1	141,817
Common stock	141,818	141,817	1	141,817
Legal reserves	37,493	37,492	1	37,492
Capital reserve	2,039	2,038	1	2,038
Earned surplus reserve	35,454	35,454	0	35,454
Retained earnings	275,184	277,320	-2,136	261,489
Expropriation, etc., compression reserve	992	992	0	993
Reserve against losses on foreign investments, etc.	21	23	-2	23
Reserve against depreciation of construction of specified gas pipes	4,418	4,420	-2	4,420
Raw material cost fluctuation adjustment reserve	141,000	141,000	0	141,000
General reserves	89,000	89,000	0	89,000
Unappropriated earned surplus of half-year/current year	39,751	41,883	-2,132	26,052
(Half-year/current net profit)	(7,777)	(27,400)	(-19,623)	(4,545)
Unrealized gains on securities available for sale	35,579	51,554	-15,975	59,874
Unrealized gains on other securities	35,579	51,554	-15,975	59,874
<b>Total shareholders' equity</b>	<b>490,076</b>	<b>508,185</b>	<b>-18,109</b>	<b>500,675</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,398,892</b>	<b>1,490,157</b>	<b>-91,265</b>	<b>1,478,190</b>

## Statement of income

(Unit: ¥1 million)

Account		Half year (Apr. - Sept. 2001)	Half year (Apr. - Sept. 2000)	Change	Previous year (Apr. 2000 - Mar. 2001)	
Ordinary profit or loss	Operating profit or loss	Product sales	321,018	310,880	10,138	734,119
		Gas sales	321,018	310,880	10,138	734,119
		Cost of sales	117,858	104,151	13,707	263,368
		(Gross profit)	(203,159)	(206,729)	(-3,570)	(470,750)
		Supply and sales expenses	156,224	154,030	2,194	321,441
		General and administrative expenses	35,337	38,180	-2,843	77,231
		(Profits on core business)	(11,597)	(14,518)	(-2,921)	(72,077)
		Miscellaneous operating revenues	85,552	78,716	6,836	193,951
		Income of construction work received	28,404	26,693	1,711	66,217
		Revenues from sales of appliances	57,057	51,945	5,112	127,566
	Other miscellaneous operating revenues	90	77	13	167	
	Miscellaneous operating expenses	81,648	74,520	7,128	185,639	
	Cost of construction work received	28,219	26,718	1,501	63,561	
	Cost of sales of appliances	53,429	47,802	5,627	122,078	
	Revenues from associated businesses	19,344	19,716	-372	37,548	
	Expenses from associated businesses	15,526	16,025	-499	32,147	
	(Operating profit)	(19,319)	(22,405)	(-3,086)	(85,790)	
	Non-operating profit or loss	Non-operating income	6,729	6,000	729	12,363
		Interest income	194	198	-4	438
		Divided income	640	667	-27	1,816
Affiliates' dividends earned		940	679	261	—	
Rental income		2,357	2,339	18	4,662	
Miscellaneous revenues		2,596	2,116	480	5,444	
Non-operating expenses		17,771	13,795	3,976	39,611	
Interest paid		1,558	1,719	-161	3,353	
Interest on bonds		6,004	7,366	-1,362	14,368	
Amortization of bond issue costs		—	91	-91	92	
Balance on commissioned construction	3,098	2,582	516	6,536		
Loss from debenture redemption	4,361	—	4,361	—		
Environmental conditioning costs	—	—	—	5,568		
Miscellaneous expenditures	2,749	2,036	713	9,691		
(Ordinary profit)		(8,277)	(14,610)	(-6,333)	(58,542)	
Extraordinary profit or loss	Extraordinary profits	3,397	—	3,397	163	
	Gain on sales of fixed assets	—	—	—	163	
	Gain on sales of investment securities	3,397	—	3,397	—	
	Extraordinary losses	—	7,810	-7,810	15,798	
	Losses on sales of fixed assets	—	—	—	46	
	Losses on compression of fixed assets	—	—	—	129	
	Unfunded obligations arising from amendment of accounting standards for retirement benefits	—	7,810	-7,810	15,621	
(Half-year/current net profit before income tax)		(11,674)	(6,799)	(4,875)	(42,907)	
Corporate taxes, etc.		1,620	1,960	-340	20,930	
Adjustment for corporation tax, etc.		2,276	294	1,982	-5,423	
Half-year/current net profits		7,777	4,545	3,232	27,400	
Retained earnings brought forward		31,973	21,507	10,466	21,507	
Mid-term dividend		—	—	—	7,024	
Undisposed income of the half-year/current year		39,751	26,052	13,699	41,883	

Notes: 1. The figures in the sales column for “Results for half-year ended September 2001: (1) Business results” are the total of product sales, miscellaneous operating revenues, and revenues from associated businesses.



## <Basis of interim financial statements>

### 1. Criteria and methods of valuation of assets

#### (1) Securities

Bonds intended to be held to maturity:  
Valuated on an amortized cost basis

The valuation of the stock of subsidiaries and affiliates is on a cost basis applying the moving average).

Shares of subsidiaries and affiliates:  
Valued at cost using the moving average method

Other securities (whose current value can be estimated):

Valued by the market value method based on their market price on the interim-closing date (unrealized gains and losses on securities available for sale were determined by the full capital injection method, and the cost of securities sold was calculated by the moving average method)

Other securities (whose current value cannot be estimated):  
Valued on a cost basis using the moving average method

#### (2) Derivatives

Valued by the market value method

#### (3) Inventories (products, feedstock and supplies):

Valued on a cost basis using the moving average method

### 2. Method of depreciation of fixed assets

#### (1) Tangible fixed assets

Depreciated by the declining balance method. However, the straight line method is applied for buildings acquired on or after April 1, 1998 (excluding ancillary equipment).

#### (2) Intangible fixed assets

Intangible fixed assets were depreciated by the straight line method in accordance with the Corporation Tax Law. Software used by the Company was depreciated using the straight line method based on the usable life of the software in the company.

### 3. Standards for declaration of reserves

#### (1) Reserve for loan losses

A reserve for loan losses is provided based on the historical loan loss rate for unsecured claims and the estimated collectibility of specific claims such as bankruptcy reorganization claims.

#### (2) Retirement benefit reserve

A retirement benefit reserve is provided for the payment of employees' retirement benefits expected to be paid at the end of the term based on the estimated amounts of retirement benefit obligations and pension assets at the end of the term.

Differences of mathematical calculation are treated as costs beginning with the next FY year, based on the straight line method for a period of ten years.

#### (3) Allowances for repairs of gas holders

To provide against spending on periodical repairs of spherical gas holders, an allowance for repairs of gas holders is entered equal to the estimated cost of the next round of repairs during the period up to the next round of repairs.

#### **4. Treatment of leases**

For accounting purposes, finance leases which do not transfer ownership of leased assets to lessees are treated as ordinary leases.

#### **5. Significant method of hedge accounting**

##### (1) Method of hedge accounting

Hedge accounting is based on the deferral method. Currency swaps satisfying the conditions of allotment processing, are based on allotment processing.

##### (2) Hedge means and subjects

- a. Hedge means: currency swap transactions  
Hedge subjects: corporate bonds denominated in foreign currency
- b. Hedge means: interest-rate swap transactions  
Hedge subjects: corporate bonds
- c. Hedge means: commodity swap transactions  
Hedge subjects: fees for purchase of feedstock

##### (3) Hedge policy

In accordance with internal rules regarding risks, hedging is performed within a certain scope for risks associated with fluctuation in exchange rates, interest rates, and commodity prices.

##### (4) Method of assessing hedge efficacy

The assessment is made by confirming the relationship of correspondence between hedge means and hedge subjects. However, the assessment is not made for currency swaps satisfying the conditions of allotment processing.

#### **6. Treatment of consumption tax, etc.**

Consumption tax, etc. is accounted for by the net-of-tax method.

#### **<Notes>**

1. Cumulative depreciation of tangible fixed assets totaled ¥1,918,111 million (previous term: ¥1,869,607 million).
2. Treasury stock is included in the ¥6 million of other current assets (16,000 shares).(previous term: ¥2 million/8,000 shares).
3. Of the investments in affiliated companies, investment in the shares of subsidiaries totaled ¥18,623 million (as compared to ¥18,013 million). There were no holdings of subsidiary or affiliate shares whose current value could be estimated.
4. Surety obligations totaled ¥15,749 million (of this total, the company burden came to 11, 772 million). (The corresponding figures for the previous term were ¥16,595 million and ¥12,183 million, respectively).
5. There was an increase in issued shares during the term through conversion of convertible bonds. The amount of conversion into capital stock was ¥1 million (5,000 convertible shares).
6. Reserve for amortization of specific gas pipeline construction provided in accordance with the Special Taxation Measures Law: ¥43 million.

## **Subsequent event**

In accordance with a determination at a meeting of the board of directors on September 27, 2001, Tokyo Gas made its 21st issuance of unsecured bonds, as follows:

- (1) Issuance date: November 15, 2001
- (2) Issuance amount: ¥30,000 million
- (3) Issuance price: ¥100 per face value of ¥100
- (4) Interest rate: 1.39% per annum
- (5) Redemption method: lump-sum redemption at maturity
- (6) Maturity date: November 15, 2011
- (7) Fund use: corporate bond redemption funding