FINANCIAL SECTION

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For purposes of presentation, in this annual report, all amounts less than one billion yen or one million yen have been rounded down, and hundredths of a percentage point have been rounded to the nearest whole number.

In addition, all graphs and tables represent fiscal years ended March 31 of the respective years.

TWELVE-YEAR SUMMARY

Years ended March 31

Millions of yen, except per share amounts

	2010	2009	2008	2007	2006
For the Years					
Net sales	**¥1,415,718**	¥1,660,162	¥1,487,496	¥1,376,958	¥1,266,501
Gas sales	**1,045,535**	1,257,574	1,087,044	999,521	910,320
Gas appliance sales	**126,088**	122,363	132,236	135,407	130,825
Installation work	**44,360**	49,094	57,325	59,229	59,746
Real estate rental	**33,710**	35,637	35,169	34,034	34,187
Other business	**317,819**	363,783	320,361	285,407	252,595
Operating income	**85,229**	65,204	70,048	162,315	112,345
Net income	**53,781**	41,708	42,487	100,699	62,114
Depreciation*	**146,117**	141,083	142,421	133,142	136,376
Capital expenditures**	**148,186**	145,929	138,006	124,556	119,435
Free cash flow	**51,712**	36,862	46,902	109,285	79,057
Amounts per share of common stock (Yen)					
Net income	**¥ 19.86**	¥ 15.63	¥ 15.94	¥ 37.50	¥ 23.48
Diluted net income	**—**	15.37	15.50	35.69	21.70
Net assets	**301.58**	284.72	289.49	293.11	270.46
Cash dividends applicable to the year	**9.00**	8.00	8.00	8.00	7.00
At Year-End					
Total assets	**¥1,840,972**	¥1,764,185	¥1,703,651	¥1,692,635	¥1,693,898
Interest-bearing debt	**555,919**	593,230	558,716	525,467	559,911
Total net assets	**826,291**	784,616	780,455	806,045	—
Total shareholders' equity	**—**	—	—	—	728,231
Ratios					
Operating income to net sales	**6.0%**	3.9%	4.7%	11.8%	8.9%
Net income to net sales	**3.8%**	2.5%	2.9%	7.3%	4.9%
ROE	**6.8%**	5.4%	5.4%	13.2%	9.0%
ROA	**3.0%**	2.4%	2.5%	5.9%	3.7%
Equity ratio	**44.2%**	43.8%	45.1%	47.0%	43.0%

Notes: 1 Segment sales include intra-group transactions.
2 Free cash flow = net income + depreciation* – capital expenditures**
* including amortization of long-term prepayments
** purchases of tangible fixed assets + purchases of intangible fixed assets + long-term prepayments
3 Effective from the year ended March 31, 2007, the Company and its consolidated subsidiaries adopted the new accounting standard for presentation of net assets ("Accounting Standard for Presentation of Net Assets in the Balance Sheet and its Implementation Guidance" issued by the Business Accounting Deliberation Council on December 9, 2005).
4 From the year ended March 31, 2010, diluted net income per share is not presented in the above table because there are no residual securities from the beginning of the fiscal year.

2005	2004	2003	2002	2001	2000	1999
¥1,190,783	¥1,151,824	¥1,127,633	¥1,097,589	¥1,086,770	¥ 992,255	¥ 997,766
834,658	831,114	792,453	750,438	740,731	672,069	674,996
135,108	133,873	142,635	149,203	146,516	127,916	133,925
64,794	68,033	70,568	71,337	71,907	68,651	68,817
34,701	35,443	36,346	37,551	37,601	37,841	37,616
234,720	172,160	158,326	156,011	159,577	158,819	155,044
145,349	152,287	123,294	110,607	103,659	69,233	72,302
84,047	44,787	59,201	51,911	27,595	26,698	17,764
140,271	146,895	141,027	145,564	150,374	140,306	143,009
107,529	107,441	111,988	105,296	111,397	124,975	151,126
116,789	84,241	88,240	92,178	66,572	42,029	9,647

¥ 31.47	¥ 16.44	¥ 21.18	¥ 18.47	¥ 9.82	¥ 9.50	¥ 6.32
28.24	14.98	19.11	16.66	9.13	8.84	5.94
244.73	221.53	208.65	200.75	196.72	172.33	149.98
7.00	7.00	6.00	6.00	6.00	5.00	5.00

¥1,668,734	¥1,666,828	¥1,676,064	¥1,702,712	¥1,797,669	¥1,805,086	¥1,707,446
624,105	682,744	731,301	775,894	870,347	957,085	911,901
—	—	—	—	—	—	—
648,766	598,453	579,706	564,077	552,790	484,239	421,443

12.2%	13.2%	10.9%	10.1%	9.5%	7.0%	7.2%
7.1%	3.9%	5.3%	4.7%	2.5%	2.7%	1.8%
13.5%	7.6%	10.4%	9.3%	5.3%	5.9%	4.2%
5.0%	2.7%	3.5%	3.0%	1.5%	1.5%	1.0%
38.9%	35.9%	34.6%	33.1%	30.8%	26.8%	24.7%

MANAGEMENT'S DISCUSSION AND ANALYSIS

SUMMARY

In the fiscal year ended March 31, 2010, gas sales volume was down 2.0%, to 13,666 million m^3, due in part to the extended business recession.

The gas sales volume was down, and as a result of a decline in LNG prices, gas unit prices decreased under the gas rate adjustment system. Consequently, net sales were down 14.7%, to ¥1,415.7 billion. However, operating expenses also decreased, leading to a 30.7% rise in operating income, to ¥85.2 billion. Moreover, due to such factors as foreign exchange gains from overseas subsidiaries, ordinary income rose 43.2%, to ¥83.5 billion. Net income was up 28.9%, to ¥53.7 billion, the first increase in net income in three years.

In regard to the provision of dividends to shareholders, there is no change to our policy of a total payout ratio of 60%. From the fiscal year ended March 31, 2010, we decided to increase the per share dividend by ¥1.00, resulting in dividends of ¥9.00 for the year.

OPERATING ENVIRONMENT IN THE YEAR UNDER REVIEW

Influence of Economic Conditions

In the fiscal year ended March 31, 2010, there were signs that the global economic downturn—which was triggered by the financial market crisis in the United States—was improving. Nonetheless, the Japanese economy was affected by ongoing adverse factors, such as sluggish consumer spending and stagnant capital expenditures, and the future course of business conditions remained difficult to predict. In this setting, energy demand was sluggish under the influence of restrained consumption and contracting corporate activity, and consequently city gas, the Group's core business, was adversely affected. In the second half of the fiscal year, gas sales recovered in nearly all areas of the industrial sector, but sales did not return to the levels seen prior to the financial crisis. Other sectors, such as residential and commercial, were also influenced by the sluggish business environment.

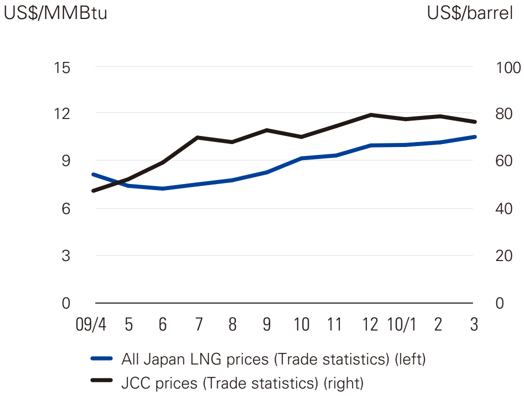
Influence of Fluctuating Oil Prices and Foreign Exchange Rates on the Company's Operations

The purchase price of LNG, which accounts for the majority of the resources used in the Group's core city gas business, is linked to the Japan Customs-cleared Crude price (hereafter JCC). Under the gas rate adjustment system, the Company's gas resource costs are reflected in sales, and the Company's revenues and operating expenses are significantly influenced by fluctuations in crude oil prices.

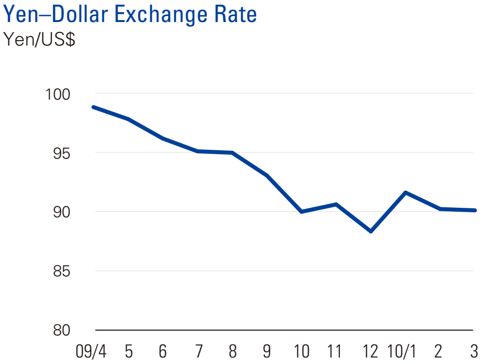
In the second half of the year under review, the JCC was at a high level, in the US$70 to US$80 per barrel range, but for the full fiscal year, it was US$69.38 per barrel, down US$21.13 year on year. In foreign exchange rates, the yen remained at a high level, and for the full fiscal year the average yen–dollar exchange rate was ¥92.89, reflecting yen appreciation of ¥7.82 compared with the previous fiscal year.

As a result, the year's trends in crude oil prices and foreign exchange rates had the effect of reducing the Company's LNG purchase price and contributing to declines in sales and gas resource costs.

Prices of Crude Oil and LNG



Yen–Dollar Exchange Rate



ANALYSIS OF THE CITY GAS BUSINESS

Sales down in residential, commercial, and industrial sectors. Slight increase in wholesale sector.

Residential Sector

Due to the growing use of high-efficiency equipment and to an increase in multiple dwelling units with high levels of air-tightness and heat insulation, demand for hot water and indoor heating declined. In addition, due to an expanding focus on energy saving and economizing, residential demand was down 0.9%, or 31 million m^3, to 3,437 million m^3.

Commercial and Other Sectors

On account of the recession, building occupancy rates were down and customers implemented energy-saving initiatives, leading to lower utilization of existing facilities. As a result, commercial demand declined 4.5%, or 92 million m^3. However, public and medical-related demand was up 2.4%, or 23 million m^3, due to new customers. As a result, commercial demand overall was down 2.3%, or 68 million m^3, to 2,943 million m^3.

Industrial Sector

In the second half of the fiscal year, there were signs of improving business conditions in some industries, but due to decreased utilization of existing facilities in the first half, industrial demand was down 3.1%, or 177 million m^3, year on year, to 5,446 million m^3. Through November 2009, gas sales volume in industrial sector was down year on year for 14 consecutive months, but from December demand once again began to increase.

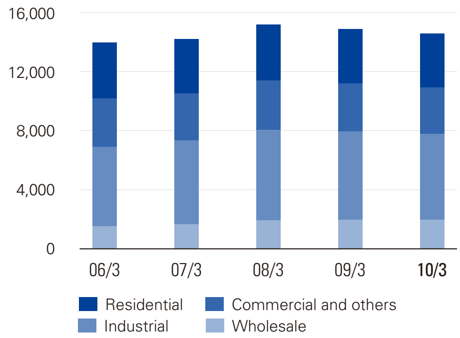
Wholesale Sector

Wholesale supplies to other gas utilities were basically unchanged from the previous year, at 1,841 million m^3, up 1 million m^3.

Consequently, overall gas sales volume was down 2.0%, or 276 million m^3, to 13,666 million m^3.

Gas Sales Volume by Sector

Million m³, 45MJ/m³



ANALYSIS OF INCOME AND EXPENSES

Tokyo Gas recorded lower sales and higher profits for the first time in 10 years.

In the fiscal year ended March 31, 2010, gas sales decreased 16.9%, or ¥212.0 billion, to ¥1,045.5 billion, due to lower gas unit prices under the gas rate adjustment system and to a 2.0% decline in gas sales volume. As a result, total net sales decreased 14.7%, or ¥244.4 billion, from the previous year, to ¥1,415.7 billion.

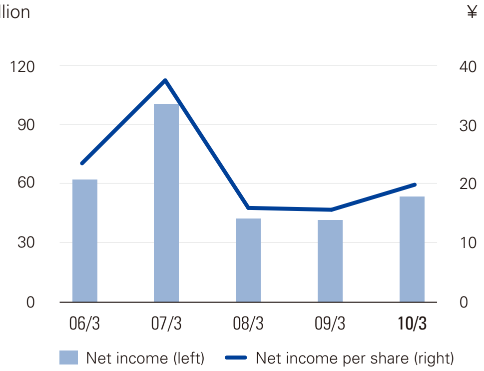
The retirement benefits accounting actuarial difference burden increased in the year under review, and miscellaneous salaries of ¥32.0 billion were recorded. Nonetheless, with contributions from lower crude oil prices and the appreciation of the yen, gas resource costs were down ¥255.0 billion. Consequently, operating expenses declined 16.6%, or ¥264.5 billion, to ¥1,330.4 billion. As a result, operating income increased 30.7%, or ¥20.0 billion, year on year, to ¥85.2 billion.

Ordinary income was up 43.2%, or ¥25.2 billion, to ¥83.5 billion, due in part to foreign exchange gains from overseas subsidiaries.

There were no extraordinary items in the year under review, and net income posted a year-on-year gain of 28.9%, or ¥12.0 billion, to ¥53.7 billion.

Net Income and Net Income per Share

¥ billion ¥



ANALYSIS OF SEGMENTS

Gas Sales Segment

Gas sales declined 16.9%, or ¥212.0 billion, to ¥1,045.5 billion, due to a decline in gas sales volume and to lower gas unit prices under the gas rate adjustment system. However, accompanying lower crude oil prices and the appreciation of the yen, gas resource costs decreased, and consequently operating income rose 14.9%, or ¥16.5 billion, to ¥127.3 billion. As a result, we recorded lower sales and higher profits in this segment.

Gas Appliance Sales Segment

New housing starts were sluggish, and demand for consumer durables was weak. Nonetheless, due to such factors as increased sales from three newly consolidated LIFEVAL companies and the move to mandatory installation of alarms, sales increased 3.0%, or ¥3.7 billion, year on year, to ¥126.0 billion. Operating income was up 12.0%, or ¥0.3 billion, year on year, to ¥2.3 billion.

Installation Work Segment

Sales declined 9.6%, or ¥4.7 billion, year on year, to ¥44.3 billion, due to a decline in the number of new constructions. Operating expenses decreased due to the application of the percentage of completion method to construction works from the fiscal year ended March 31, 2010 and to cost reductions. As a result, operating loss was ¥0.6 billion, an improvement of ¥0.4 billion year on year.

Real Estate Rental Segment

Due in part to a decline in lease income from Shinjuku Park Tower, sales declined 5.4%, or ¥1.9 billion, to ¥33.7 billion. Consequently, operating income was also down 2.0%, or ¥0.2 billion, to ¥7.2 billion.

Other Business Segment

Sales in other business decreased 12.6%, or ¥45.9 billion, to ¥317.8 billion. This decrease was attributable to declines in sales prices accompanying lower fuel expenses and resources costs in energy services, LPG/industry gas sales, and electric power operations. However, due in part to the decline in fuel expenses and resources costs, operating income rose 12.8%, or ¥1.8 billion, to ¥15.2 billion.

Business Results by Segment (¥ million)

Sales

Years ended March 31	**2010**	2009	2008
Gas Sales	**1,045,535**	1,257,574	1,087,044
Gas Appliance Sales	**126,088**	122,363	132,326
Installation Work	**44,360**	49,094	57,325
Real Estate Rental	**33,710**	35,637	35,169
Other Business	**317,819**	363,783	320,361
Total	**1,567,513**	1,828,452	1,632,228
Elimination or Corporate	**(151,795)**	(168,290)	(144,731)
Consolidation	**1,415,718**	1,660,162	1,487,496

Operating Income (Loss)

Years ended March 31	2010	2009	2008
Gas Sales	**127,352**	110,857	111,663
Gas Appliance Sales	**2,335**	2,086	2,909
Installation Work	**(650)**	(1,099)	828
Real Estate Rental	**7,292**	7,442	7,963
Other Business	**15,210**	13,482	12,768
Total	**151,539**	132,768	136,133
Elimination or Corporate	**(66,310)**	(67,563)	(66,084)
Consolidation	**85,229**	65,204	70,048

Note: Segment sales and operating income include intra-group transactions.

Contribution to Net Sales by Segment

	2010	2009	Change
Gas Sales	**66.7%**	68.8%	–2.1 point
Gas Appliance Sales	**8.0%**	6.7%	+1.3 point
Installation Work	**2.8%**	2.7%	+0.1 point
Real Estate Rental	**2.2%**	1.9%	+0.3 point
Other Business	**20.3%**	19.9%	+0.4 point

FINANCIAL POSITION AND LIQUIDITY

Assets

Total assets increased ¥76.8 billion, or 4.4%, year on year, to ¥1,840.9 billion. Total property, plant and equipment declined ¥2.0 billion, to ¥1,108.8 billion. Total intangible assets amounted to ¥27.9 billion, an increase of ¥1.9 billion. In investments and other assets, investment securities increased ¥29.9 billion, to ¥139.0 billion, due to higher stock prices stemming from a rebound in the stock market and from new purchases of securities. Overall, total investments and other assets rose ¥53.2 billion, to ¥268.3 billion.

Total current assets were up ¥23.6 billion, to ¥435.7 billion. Raw materials and supplies decreased ¥19.5 billion, but cash and deposits increased ¥40.4 billion.

Liabilities

Total liabilities rose ¥35.1 billion, to ¥1,014.6 billion. Long-term loans payable declined ¥21.1 billion, but provision for retirement benefits increased ¥30.2 billion. Total non-current liabilities rose ¥21.1 billion, to ¥654.3 billion. Total current liabilities rose ¥14.0 billion, to ¥360.3 billion, due to an increase of ¥31.6 billion in notes and accounts payable–trade.

Net Assets

Total net assets increased ¥41.6 billion, to ¥826.2 billion. Total shareholders' equity was up ¥26.8 billion, to ¥799.3 billion, due to net income of ¥53.7 billion, which exceeded cash dividends paid of ¥21.7 billion. In valuation and translation adjustments, valuation difference on available-for-sale securities was up ¥8.7 billion. Consequently, total valuation and translation adjustments rose ¥14.7 billion, to ¥14.5 billion. Minority interests were up ¥0.2 billion, to ¥12.4 billion.

Changes in Treasury Stock

In the fiscal year ended March 31, 2010, the Company made open market purchases of treasury stock totaling ¥4.9 billion (13.81 million shares), all of which were cancelled during the fiscal year. Consequently, treasury stock declined ¥0.4 billion, to ¥1.9 billion.

Equity Ratio

Retained earnings increased due to the recording of net income, and valuation difference on available-for-sale securities rose. Consequently, total shareholders' equity was up ¥41.5 billion, to ¥813.8 billion. Total assets increased ¥76.8 billion, to ¥1,840.9 billion, and as a result, the equity ratio increased 0.4 point, to 44.2%.

Interest-Bearing Debt

In the fiscal year ended March 31, 2010, due to the redemption of bonds payable at maturity and to the repayment of long-term loans payable, interest-bearing debt declined 6.3%, or ¥37.3 billion, to ¥555.9 billion. As a result, the D/E ratio declined 0.09, to 0.68.

Credit Ratings

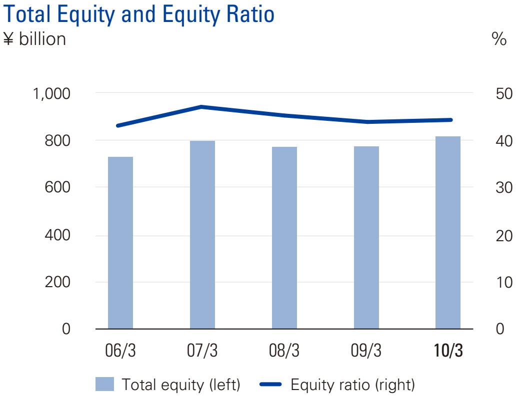
To secure financial flexibility in regard to liquidity on hand and capital policy, and to secure access to financial resources through the capital markets, the Company believes that it is necessary to maintain its credit rating at a certain level. Tokyo Gas has acquired ratings from Standard & Poor's (S&P), Moody's, and Rating and Investment Information Inc. (R&I), a rating agency in Japan. As of March 31, 2010, the ratings were as follows.

S&P	AA	(Very strong capacity to meet obligations. Difference from the highest rating, AAA, is small.)
Moody's	Aa1	(High creditworthiness and very low credit risk. One of the higher rankings for long-term obligations.)
R&I	AA+	(Very high creditworthiness, excellent factors.)

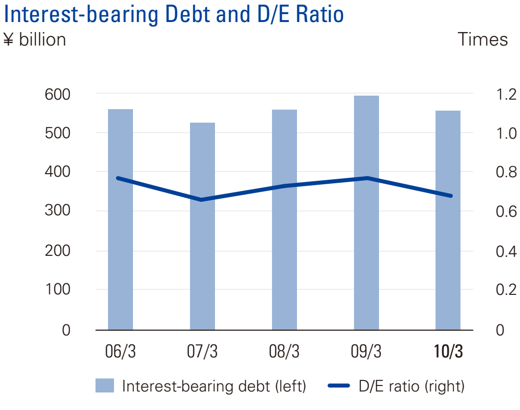
Capital Expenditures and Depreciation

Capital expenditures rose 1.5%, or ¥2.2 billion, to ¥148.1 billion. This increase was principally attributable to higher investment in manufacturing facilities, such as for LNG tanks, and in administrative facilities, such as in IT system development. Depreciation rose 3.6%, or ¥5.1 billion, to ¥146.1 billion.

Total Equity and Equity Ratio



Interest-bearing Debt and D/E Ratio



CASH FLOWS

Cash Flows from Operating Activities

Net cash provided by operating activities increased ¥134.6 billion from the previous year, to ¥294.1 billion. In addition to income before income taxes of ¥83.5 billion, up ¥15.5 billion from the previous fiscal year; increase in provision for retirement benefits was ¥30.1 billion, up ¥23.0 billion; decrease in notes and accounts receivable–trade was ¥15.4 billion, up ¥12.9 billion; and increase in notes and accounts payable–trade was ¥29.4 billion, up ¥23.4 billion. These were the major factors contributing to the increase in cash flows from operating activities.

Cash Flows from Investment Activities

Net cash used in investment activities in the fiscal year under review was ¥177.2 billion, compared with ¥163.5 billion in the previous fiscal year. This change was attributable to the following factors. The total of purchase of property, plant and equipment and purchase of intangible assets rose ¥4.7 billion, to ¥145.4 billion, and payments of long-term loans receivable rose ¥8.9 billion, to ¥17.8 billion.

Cash Flows from Financing Activities

Net cash used in financing activities in the fiscal year under review was ¥69.3 billion, compared with net cash provided by financing activities of ¥30.9 billion in the previous year. Proceeds from issuance of bonds was ¥30.0 billion, and proceeds from long-term loans payable was ¥13.0 billion. However, redemption of bonds was ¥60.2 billion, repayment of long-term loans payable was ¥29.2 billion, and cash dividends paid was ¥21.6 billion.

Operating Cash Flow

Aiming to aggressively invest in the gas business to prepare for future demand growth, Tokyo Gas has made operating cash flow a key management indicator and has disclosed its allocation policy. Operating cash flow is calculated by adding depreciation to net income. Operating cash flow for the fiscal year ended March 31, 2010 amounted to ¥199.8 billion, a year-on-year increase of ¥17.1 billion. The higher figure reflects an increase of ¥12.0 billion in net income, and an increase of ¥5.1 billion in depreciation.

Total Payout Ratio

Tokyo Gas has set an objective of a 60% total payout ratio as an indicator of its commitment to shareholder returns. We define this new indicator as the ratio of the sum of the income distributed as dividends funded by net income in FY n and share repurchasing in FY n+1 to the net income in FY n.

The Company plans dividends of ¥9.0 per share for the fiscal year ended March 31, 2010, and share repurchases of ¥8.0 billion in the fiscal year ending March 31, 2011. As a result, the total payout ratio for the fiscal year ended March 31, 2010 was 60.1%.

In regard to dividends, from the fiscal year ended March 31, 2010, we increased dividends by ¥1.0 per share, to ¥9.0 per share. In the future, our priority is to maintain stable dividends, with consideration for gradual increases over the long term and without reducing dividends.

In regard to share repurchases, our basic principle is to cancel the shares. In the fiscal year ended March 31, 2010, the 13.81 million shares acquired were cancelled in January 2010. The 19,568 thousand shares repurchased in the fiscal year ending March 31, 2011 were cancelled in June 2010, and consequently, the number of shares after the cancellation was 2,684,193,295 shares.

Millions of yen

	2010	2009	2008
Net cash provided by operating activities	**294,110**	159,561	182,204
Net cash used in investment activities	**(177,290)**	(163,575)	(155,365)
Net cash provided by (used in) financing activities	**(69,375)**	30,932	(25,189)

KEY MANAGEMENT INDICATORS

ROA and ROE improve due to higher net income

ROA

The average balance of total assets increased, but net income rose 28.9%, to ¥53.7 billion, and as a result ROA improved 0.6 point, to 3.0%.

ROE

The average balance of total equity increased, but net income rose 28.9%, to ¥53.7 billion, and as a result ROE improved 1.4 point, to 6.8%.

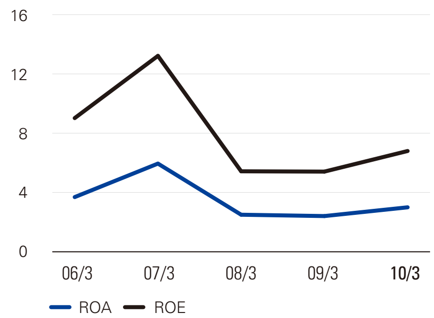
TEP

Our goal is to generate profit in excess of capital costs. This is reflected in our adoption of Tokyo Gas Economic Profit (TEP: Net operating profit after tax prior to interest payments minus the cost of capital) as one of our main management indicators.

In the fiscal year ended March 31, 2010, improvement in gross profits on gas due to the influence of improvement in the slide time lag was higher than the increase in miscellaneous expenses, such as amortization of retirement benefits accounting actuarial differences, and Net Operating Profit After Tax Prior to Interest Payments (NOPAT) increased ¥21.5 billion year on year, to ¥62.7 billion. However, the Weighted Average Cost of Capital (WACC) fell from 3.4% to 3.2%, and as a result the cost of capital declined ¥1.9 billion, to ¥44.1 billion. Consequently, TEP improved ¥23.4 billion, to ¥18.6 billion.

ROA and ROE

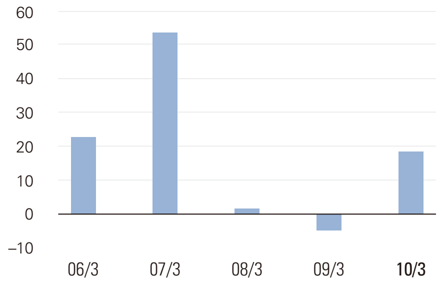
%



ROA = Net income / total assets
(average of positions at start and end of fiscal year)
ROE = Net income / total equity
(average of positions at start and end of fiscal year)

TEP

¥ billion



TEP = NOPAT – cost of capital (Invested capital x WACC)
NOPAT: Net operating profit after tax prior to interest payments

FORECAST

Forecasting higher sales and profits in the fiscal year ending March 31, 2011

In the fiscal year ending March 31, 2011, we expect consolidated sales to increase ¥135.3 billion, or 9.6%, to ¥1,551.0 billion; operating income to increase ¥22.8 billion, or 26.7%, to ¥108.0 billion; and net income to increase ¥11.3 billion, or 20.9%, to ¥65.0 billion.

In the fiscal year ended March 31, 2010, ordinary income amounted to ¥83.5 billion, but in the fiscal year ending March 31, 2011, we are forecasting a year-on-year increase of ¥18.5 billion, or 22.1%, to ¥102.0 billion. Principal factors include the non-consolidated ordinary income of Tokyo Gas (+¥26.1 billion), the ordinary income of consolidated subsidiaries (–¥3.6 billion), and internal offset, etc. (–¥4.0 billion).

On a non-consolidated basis, Tokyo Gas is expected to record an increase of ¥26.1 billion in ordinary income in comparison with the fiscal year ended March 31, 2010.

Gas sales volume and sales revenues are both projected to increase, but we expect the gross profits on gas to decline by ¥23.0 billion because the increase in gas resource costs is expected to exceed the increase in sales revenues. Among the principal factors, we project that the increase in gas sales volume and differences in customer composition will increase profits by ¥5.3 billion, while under-recovery of gas resource costs due to the slide time lag under the gas rate adjustment system is expected to decrease profits by ¥30.4 billion. Investment to steadily implement the Company's key policies under the medium-term management plan will increase operating expenses by ¥9.0 billion, but due to retirement benefits accounting actuarial differences and other salary expenses, fixed expenses are projected to decrease ¥42.2 billion.

The ordinary income for consolidated subsidiaries is projected to decline by ¥3.6 billion due primarily to lower foreign exchange gain of overseas subsidiaries.

EXTERNAL RISKS AFFECTING BUSINESS ACTIVITIES

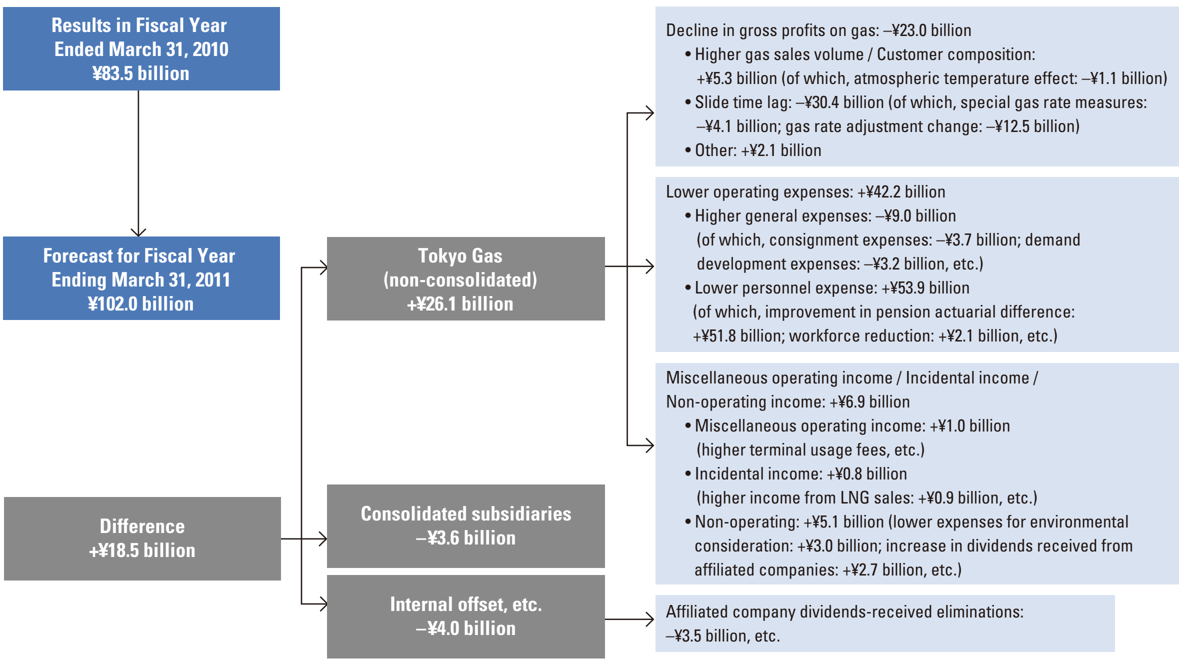
Gas Resource Purchase Price Fluctuation Risk

City gas supplied by Tokyo Gas is produced mainly from imported LNG. Since contracts are denominated in U.S. dollars, earnings are at risk from fluctuations in the yen–dollar exchange rate. Also, the dollar-denominated LNG prices are linked to crude oil prices on a sliding scale, which exposes the Company to risk from changes in the international market price for crude oil.

Fluctuations in the cost of gas resources are passed on to gas rates after at most five months under the "gas rate adjustment system." Accordingly, in a single fiscal year there can be under-recovery or over-recovery. However, over the medium to long term, the effect on income is minimal.

The extent to which fluctuations in exchange rates and crude oil prices will affect gross profit in the fiscal year ending March 31, 2011 is as follows.

Ordinary Income Plan for Fiscal Year Ending March 31, 2011: Analysis of Factors (Year on Year)



Exchange rate	Approximately ¥0.9 billion down (up) with depreciation (appreciation) of ¥1/dollar
Crude oil price	Approximately ¥0.9 billion down (up) with an increase (decrease) in crude oil price of US$1/barrel

In the fiscal year ended March 31, 2010, the average exchange rate was ¥92.89 to one dollar, and the crude oil price averaged US$69.38 per barrel. Forecasts for the fiscal year ending March 31, 2011 are based on an exchange rate of ¥95 to one dollar and an average crude oil price of US$80 per barrel.

In regard to the risk of fluctuations in the gas resource purchase price, although there can be under-recovery or over-recovery in a single fiscal year under the gas rate adjustment system, the Company hedges a certain portion of this risk through LNG swaps. In regard to foreign exchange rate fluctuations, meanwhile, the Company hedges a certain portion of the risk through forward exchange contracts.

Temperature Fluctuation Risk

Temperatures affect the volume of city gas sales, which account for around 70% of consolidated sales. In the residential sector, gas is used mainly for water heating and indoor heating. Mild winter weather can erode revenues and income by reducing the volume of gas sold. In the commercial sector, gas is mainly used for air conditioning systems, so if temperatures are low in the summer or high in the winter, the gas sales volume will likely decrease.

The average temperatures in the fiscal year ended March 31, 2010 were 22.4˚C in the first half of the year, 10.7˚C in the second half, and 16.5˚C for the whole year. Forecasts for the fiscal year ending March 31, 2011 are based on an average of 16.8˚C for the whole year.

To control the risk of temperature-related fluctuations in earnings, the Company hedges a certain portion of that risk through weather derivatives.

Impact of 1°C Temperature Rise on Overall Gas Sales Volume

	Rate of change
Summer (June–September)	0.0%
Winter (December–March)	–2.2%
Intervening months (April, May, October, November)	–1.7%
Annual	–1.4%

Interest Rate Fluctuation Risk

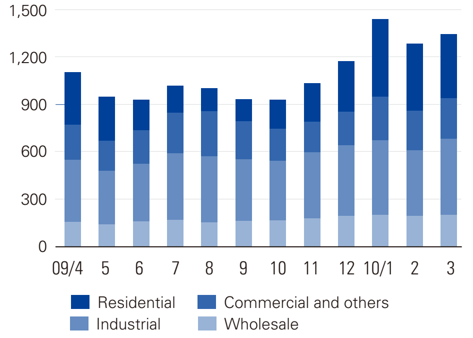
The Company's interest-bearing liabilities mostly carry long-term, fixed interest rates, so there is only a very small interest rate fluctuation risk during the term of an obligation. However, there may be fluctuation risk when loans are refinanced.

Stock Price Fluctuation Risk

The equities held by Tokyo Gas are primarily those of its necessary business partners, which are held with the objective of fostering mutual growth. Among them, equities of publicly listed companies are subject to market risk. Tokyo Gas has established management policies and rules and regularly reviews the necessity of equity holdings and their asset valuations for handling of such equities.

Monthly Gas Sales Volume for the Fiscal Year Ended March 31, 2010 (non-consolidated)

Million m³, 45MJ/m³



BUSINESS RISKS

Described below are items in the annual *Yuho* securities report concerning the Company's business results and financial condition that could have a significant influence on investor decisions. Forward-looking statements are based on the judgments of the Group as of the end of the fiscal year (March 31, 2010).

1. ACCIDENTS AND DISASTERS

(1) Resource procurement supply interruption risk

Because Tokyo Gas relies on imports for the majority of its natural gas and other city gas resources, supplier country risk, accidents at fields or LNG liquefaction plants, accidents involving LNG vessels in transit, or other situations preventing the procurement of gas resources may disrupt the supply of natural gas. The Company strives to disperse procurement risks, thereby ensuring its ability to procure LNG in a stable and flexible manner, through supply diversification. These efforts include importing LNG from six countries and through 10 projects and flexibly allocating its own LNG ships.

(2) Natural disaster risk

Tokyo Gas engages in facility-dependent businesses because city gas production and supply facilities are the foundation of its business. The Company therefore enforces measures to minimize the aftermath of natural disasters. Some such measures include provisions to produce and supply city gas even in the event of large-scale earthquakes of a magnitude equivalent to the Great Hanshin-Awaji Earthquake, preparation of a business continuity plan (BCP) that takes into account large-scale earthquakes such as are assumed by Japan's Cabinet Office, the improvement of contingency plans, and regular drills for natural disasters including earthquakes and typhoons. Despite such measures, major natural disasters may cause damage to LNG terminals and other production facilities or pipelines and other supply facilities and disrupt the supply of city gas. Costs accompanying recovery efforts could affect revenues.

(3) City gas and electricity production / supply accidents or supply disruption

The production and supply of city gas and electricity that is essential to the life of customers and industry is core to the Company's business activities. For this reason, Tokyo Gas is implementing measures to prevent accidents and supply-side impairments through the systematic implementation of various security measures, preparation of a BCP, and execution of regular drills. However, large-scale leakage, explosions, or supply difficulties in the process of city gas production or supply could result not only in direct damages but also in tangible and intangible losses, including social responsibility. Remedying power supply impairments may result in additional losses.

(4) Ensuring the safety of city gas and quality problems affecting gas equipment

Tokyo Gas has a responsibility to ensure the safe supply of city gas. Accordingly, the Company has in place safety measures that include reinforcing periodic customer safety checks, increasing the number of categories included in checks, and encouraging upgrades to safer appliances. Tokyo Gas sells gas appliances and other equipment under the Tokyo Gas brand through consolidated subsidiaries and related companies and promotes the development of gas appliances with enhanced safety features. Nevertheless, costs accompanying responses to accidents caused by city gas supply, appliances, or other equipment could affect future earnings, and other direct and indirect losses could result.

(5) Damage to reputation resulting from city gas accidents caused by other gas companies

Accidents involving city gas supply by other gas companies could have a serious effect on the reputation of the city gas industry as a whole. This could result in tangible and intangible losses.

2. MARKET RISKS

(1) Market price and interest rate fluctuation risks

Tokyo Gas might incur losses in the event of fluctuations in market prices of Company-owned real estate, stocks, pension assets, or other assets. In addition, interest rate fluctuations could raise the Company's interest burden. However, as most of its interest-bearing debts are long-term, fixed-rate debts, Tokyo Gas expects the impact of interest rate fluctuations to be minimal.

3. RISKS ACCOMPANYING BUSINESS EXECUTION

(1) Risks faced by existing business

A. Changes in procurement costs

Changes in terms of contracts and negotiations with suppliers of LNG, from which city gas is produced, may affect profitability. Also, as LNG and crude oil prices are linked, and as crude oil sales contracts are denominated in U.S. dollars, changes in crude oil prices and fluctuations in yen–dollar exchange rates can impact profitability.

Furthermore, if demand increases more than the amount procured through LNG projects based on long-term contracts, or trouble occurs at a shipping terminal or during transportation, or there are delays of LNG supply by new projects, revenues may be affected by the cost of procuring spot LNG.

On the other hand, under the provisions for adjusting gas rates to reflect resource costs, fluctuations in gas resource prices are reflected in rates within five months at maximum. However, if such fluctuations exceed 160% of the standard resource price, the excess amount cannot be collected. In the event that such changes are reflected in gas rates beyond the fiscal term, the bottom line may be affected during the following fiscal term as a result of the under-recovery or over-recovery of gas resource costs.

B. Decline in gas sales volume due to weather fluctuations

As sales of city gas accounts for approximately 70% of Group sales, particularly hot summer and unseasonably warm winter weather can reduce residential sales of gas used to supply hot water and heating, as well as commercial sales of gas to air condition buildings, thereby affecting revenues.

C. Decline in demand due to intensified competition

Tokyo Gas strives aggressively to enhance its sales activities through such measures as introducing gas appliances that are environmentally conscious, efficient and convenient. Nevertheless, the Company may face falling demand owing to increasing competition with electric utilities and major companies entering into the gas business, as well as possible loss of LNG competitiveness against other energy sources due to crude oil price fluctuation. Such factors may affect revenues.

D. Decline in existing demand

Decreased facility utilization due to economic recession, advancement of energy conservation activities, changes in industry structure, or other factors may result in a partial decrease in existing gas demand in the industrial and commercial sectors. Also, smaller families, changes in lifestyles, the penetration of energy-saving appliances, and other factors may reduce demand from the residential sector.

E. Delay in the development of new technology

Although the Group is developing new products and technologies with enhanced environmental designs and a high level of safety, it may not be able to develop and deliver these products and technologies in a timely manner. This situation could cause competitiveness to fall in comparison with other forms of energy, and affect the Group's execution of business.

F. Changes in laws, regulatory systems, or energy policies of the national governments or local governments

Tokyo Gas manages its operations in compliance with the Gas Utility Industry Law, the Companies Act, the Financial Instruments and Exchange Act, and other laws, regulations, and institutions, as well as the energy policies of the national and local governments. Any revisions to these laws, regulations, institutions, or policies that prove detrimental to the Tokyo Gas Group may affect business performance.

(2) Delayed cultivation of new markets

As described in its medium-term management plan, the Company is cultivating new markets by promoting the adoption of the "ENE-FARM" residential fuel cell and new energy systems incorporating solar light and heat. However, subsequent changes in the operating environment, including changes in energy policy by national or local governments, could delay this cultivation, compel a change in business strategy and prevent the recovery of investment.

(3) Inability to recover investments

Tokyo Gas makes large ongoing investments in keeping with the goal of "advancing and developing the integrated energy business strategy" expressed in its medium-term management plan. The Company evaluates profitability and risks of all investments, capital contributions, loans, and debt guarantees at the Investment Evaluation Committee, and makes investment decisions based on a conclusion from the committee while consulting with the management council and the Board of Directors' meeting, if necessary, from a standpoint of comprehensive management judgment. The targets of these investments include construction of pipelines and reinforcement of foundations for stable supply through the construction of LNG terminals and other facilities, the electric power and energy service businesses, development of gas fields overseas, the LNG transport business, and IT and other elements required for ongoing business, as well as investment related to the use of owned real estate. Changes in the economic situation could render it impossible to recover these investments or to benefit from their intended effects, consequently affecting the Company's balance of payments.

4. RISKS RELATED TO INFORMATION MANAGEMENT AND SYSTEM OPERATION

(1) Outflows of personal information

To conduct its business as a public utility, Tokyo Gas collects and manages personal information on its customers. The Company has implemented measures to prevent leakage of personal information by constructing a groupwide information security system, conducting training on information security, and voluntarily monitoring such information. The Group also performs internal audits to ensure proper construction and operational status. Outflows of customers' personal information despite these efforts may result in direct costs to remedy the situation, as well as tangible and intangible losses, including damage to the trust of customers and other parties, with more serious consequences than for other companies.

(2) Failure or malfunctioning of IT backbone systems

Because the Group relies on IT systems for customer service and the calculation of gas rates, it has implemented measures to minimize the impact on operations of unexpected events. Tokyo Gas employs a robust data center with superior fault resilience and disaster tolerance. The Company also prepares and implements various security measures and regular drills to ensure stable operation of the systems. The shutdown or malfunction of these systems could delay customer response, as well as cause tangible and intangible losses, such as reputational loss.

However, such IT system malfunctions are unlikely to have any serious impact on the production and supply of city gas because the IT system for adjusting the production and supply of city gas has its independent security measures in place. These include a backup system and wireless network operated by the Group.

(3) Interruption of communication with call centers

Most communications between Tokyo Gas and its customers take place via call centers. Interruptions to telephone service to call centers would disrupt service to customers over wide areas, and could incur serious tangible and intangible losses, including damage to the Tokyo Gas Group's brand image.

5. RISKS RELATED TO CORPORATE SOCIAL RESPONSIBILITY

(1) Response to new environmental regulations

The need to comply with new environmental laws or additional obligations to improve the environment might affect business operations, and it could affect revenues.

(2) Compliance violations

As compliance is fundamental to its operations, the Group has established the Management Ethics Committee, chaired by the president. This committee sets out the basic policies under which the Group executes actions to improve compliance, and internal audits confirm the Group's compliance with laws and regulations and corporate ethics. Any violations of laws, rules, and regulations or inappropriate responses to information disclosure that contravene corporate ethics that occur despite these efforts may result in direct costs to remedy the situation, as well as in tangible and intangible losses, including social sanctions.

(3) Inadequate customer satisfaction or responses to customer needs

The Group considers customer satisfaction a key management priority. Accordingly, the Group is pursuing a CS improvement program under the basic policies set out by a CS improvement committee chaired by the president. Inadequate customer satisfaction or inappropriate customer service may result in declining corporate competitiveness and in tangible and intangible losses, including damage to the Tokyo Gas Group's brand image.

CONSOLIDATED BALANCE SHEETS

March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2010**	2009	**2010**
Noncurrent assets			
Property, plant and equipment (Note 10)			
Production facilities	**¥ 186,467**	¥ 193,613	**$ 2,005,021**
Distribution facilities (Note 3)	**475,932**	490,809	**5,117,548**
Service and maintenance facilities (Note 3)	**59,169**	60,510	**636,225**
Other facilities (Notes 3 and 14)	**295,494**	297,643	**3,177,354**
Inactive facilities	**742**	316	**7,978**
Construction in progress	**91,037**	67,957	**978,892**
Total property, plant and equipment	**1,108,843**	1,110,852	**11,923,043**
Intangible assets			
Goodwill	**1,460**	1,233	**15,698**
Other (Note 14)	**26,517**	24,816	**285,129**
Total intangible assets	**27,977**	26,049	**300,827**
Investments and other assets			
Investment securities (Notes 3, 4 and 5)	**139,052**	109,173	**1,495,182**
Long-term loans receivable (Note 3)	**40,996**	24,839	**440,817**
Deferred tax assets (Note 9)	**53,087**	46,212	**570,827**
Other	**36,350**	35,847	**390,860**
Allowance for doubtful accounts	**(1,130)**	(906)	**(12,150)**
Total investments and other assets	**268,357**	215,166	**2,885,559**
Total noncurrent assets	**1,405,178**	1,352,068	**15,109,440**
Current assets			
Cash and deposits (Notes 3, 4 and 12)	**107,391**	66,905	**1,154,741**
Notes and accounts receivable – trade (Note 4)	**156,398**	166,542	**1,681,698**
Lease receivables and lease investment assets (Note 14)	**25,888**	25,594	**278,365**
Merchandise and finished goods	**3,291**	3,807	**35,387**
Work in process	**16,388**	43	**176,215**
Raw materials and supplies	**37,412**	56,905	**402,279**
Deferred tax assets (Note 9)	**16,606**	13,461	**178,559**
Other (Note 3)	**73,034**	79,431	**785,311**
Allowance for doubtful accounts	**(619)**	(574)	**(6,655)**
Total current assets	**435,794**	412,117	**4,685,956**
Total assets	**¥1,840,972**	¥1,764,185	**$19,795,397**

Accompanying notes are an integral part of these financial statements.

LIABILITIES AND NET ASSETS	2010	Millions of yen 2009	Thousands of U.S. dollars (Note 1) 2010
Noncurrent liabilities			
Bonds payable (Notes 4 and 6)	¥ 301,491	¥ 291,490	$ 3,241,838
Long-term loans payable (Notes 3, 4 and 6)	186,681	207,741	2,007,322
Deferred tax liabilities (Note 9)	4,448	3,654	47,827
Provision for retirement benefits (Note 8)	130,903	100,734	1,407,559
Provision for gas holder repairs	3,597	3,555	38,677
Provision for safety measures	184	1,450	1,978
Other	27,012	24,597	290,451
Total noncurrent liabilities	654,319	633,223	7,035,688
Current liabilities			
Current portion of noncurrent liabilities (Notes 3, 4 and 6)	53,456	88,169	574,795
Notes and accounts payable – trade (Note 4)	134,946	103,319	1,451,032
Short-term loans payable (Note 6)	11,348	5,910	122,021
Income taxes payable	34,945	34,894	375,752
Deferred tax liabilities (Note 9)	8	2	86
Other (Note 3)	125,656	114,048	1,351,139
Total current liabilities	360,362	346,345	3,874,860
Total liabilities	1,014,681	979,568	10,910,548
Net assets (Note 11)			
Shareholders' equity			
Capital stock*	141,844	141,844	1,525,204
Legal capital surplus	2,065	2,065	22,204
Retained earnings	657,387	631,045	7,068,677
Treasury stock**	(1,986)	(2,361)	(21,354)
Total shareholders' equity	799,310	772,594	8,594,731
Valuation and translation adjustments			
Valuation difference on available-for-sale securities	20,175	11,466	216,935
Deferred gains or losses on hedges	1,690	920	18,172
Foreign currency translation adjustment	(7,290)	(12,615)	(78,387)
Total valuation and translation adjustments	14,575	(228)	156,720
Minority interests	12,404	12,250	133,376
Total net assets	826,291	784,616	8,884,849
Total liabilities and net assets	¥1,840,972	¥1,764,185	$19,795,397

* Capital stock
Common stock
Authorized: 6,500,000,000 shares
Issued: 2,703,761,295 shares as of March 31, 2010 / 2,717,571,295 shares as of March 31, 2009

** Treasury stock: 5,062,893 shares as of March 31, 2010 / 4,884,659 shares as of March 31, 2009

CONSOLIDATED STATEMENTS OF INCOME

Years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	**2010**
Net sales (Note 13)	**¥1,415,718**	¥1,660,162	**$15,222,774**
Cost of sales	**854,231**	1,139,791	**9,185,279**
Gross profit	**561,487**	520,371	**6,037,494**
Selling, general and administrative expenses			
Supply and sales expenses	**403,671**	381,177	**4,340,548**
General and administrative expenses	**72,586**	73,989	**780,494**
Total selling, general and administrative expenses	**476,257**	455,166	**5,121,043**
Operating income	**85,229**	65,204	**916,440**
Non-operating income			
Interest income	**1,112**	1,089	**11,956**
Dividends income	**1,091**	1,675	**11,731**
Equity in earnings of affiliates	**3,796**	5,529	**40,817**
Foreign exchange gains	**6,175**	1,380	**66,397**
Miscellaneous income	**8,450**	6,000	**90,860**
Total non-operating income	**20,626**	15,675	**221,784**
Non-operating expenses			
Interest expenses	**10,303**	10,869	**110,784**
Adjustments of charges for construction of distribution facilities	**3,186**	3,257	**34,258**
Expenses for environmental consideration	**3,097**	991	**33,301**
Miscellaneous expenses	**5,747**	7,423	**61,795**
Total non-operating expenses	**22,336**	22,542	**240,172**
Ordinary income	**83,519**	58,337	**898,053**
Extraordinary income			
Gain on adjustment for changes of "Accounting Standard for Lease Transactions"	**—**	7,846	**—**
Gain on transfer of benefit obligation relating to employees' pension fund	**—**	1,570	**—**
Gain on transfer of business	**—**	1,359	**—**
Total extraordinary income	**—**	10,775	**—**
Extraordinary losses			
Loss on valuation of investment securities	**—**	1,076	**—**
Total extraordinary losses	**—**	1,076	**—**
Income before income taxes	**83,519**	68,037	**898,053**
Income taxes – current	**43,419**	27,630	**466,870**
Income taxes – deferred	**(14,552)**	(2,366)	**(156,473)**
Total income taxes	**28,866**	25,264	**310,387**
Minority interests in income	**871**	1,064	**9,365**
Net income	**¥ 53,781**	¥ 41,708	**$ 578,290**

	Yen		U.S. dollars
	2010	2009	**2010**
Amounts per share of common stock			
Net income	**¥19.86**	¥15.63	**$0.21**
Diluted net income	**—**	15.37	**—**
Cash dividends applicable to the year	**9.00**	8.00	**0.09**

Accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	**2010**
Shareholders' equity			
Capital stock			
Balance at the end of previous period	**¥141,844**	¥141,844	**$1,525,204**
Changes of items during the period			
Total changes of items during the period	**—**	—	**—**
Balance at the end of period	**141,844**	141,844	**1,525,204**
Legal capital surplus			
Balance at the end of previous period	**2,065**	2,065	**22,204**
Changes of items during the period			
Total changes of items during the period	**—**	—	**—**
Balance at the end of period	**2,065**	2,065	**22,204**
Retained earnings			
Balance at the end of previous period	**631,045**	634,116	**6,785,430**
Changes at the beginning of current year due to application of PITF No.18	**—**	94	**—**
Changes of items during the period			
Dividends from surplus	**(21,701)**	(21,200)	**(233,344)**
Net income	**53,781**	41,708	**578,290**
Disposal of treasury stock	**(21)**	(11,710)	**(225)**
Retirement of treasury stock	**(5,418)**	(11,622)	**(58,258)**
Change of scope of consolidation	**(298)**	(340)	**(3,204)**
Total changes of items during the period	**26,342**	(3,165)	**(283,247)**
Balance at the end of period	**657,387**	631,045	**7,068,677**
Treasury stock			
Balance at the end of previous period	**(2,361)**	(42,774)	**(25,387)**
Changes of items during the period			
Purchase of treasury stock	**(5,149)**	(10,462)	**(55,365)**
Disposal of treasury stock	**105**	39,252	**1,129**
Retirement of treasury stock	**5,418**	11,622	**58,258**
Total changes of items during the period	**374**	40,413	**4,021**
Balance at the end of period	**(1,986)**	(2,361)	**(21,354)**
Total shareholders' equity			
Balance at the end of previous period	**772,594**	735,251	**8,307,462**
Changes at the beginning of current year due to application of PITF No.18	**—**	94	**—**
Changes of items during the period			
Dividends from surplus	**(21,701)**	(21,200)	**(233,344)**
Net income	**53,781**	41,708	**578,290**
Purchase of treasury stock	**(5,149)**	(10,462)	**(55,365)**
Disposal of treasury stock	**84**	27,542	**903**
Retirement of treasury stock	**—**	—	**—**
Change of scope of consolidation	**(298)**	(340)	**(3,204)**
Total changes of items during the period	**26,716**	37,247	**287,268**
Balance at the end of period	**799,310**	772,594	**8,594,731**
Valuation and translation adjustments			
Valuation difference on available-for-sale securities			
Balance at the end of previous period	**11,466**	31,917	**123,290**
Changes of items during the period			
Net changes of items other than shareholders' equity	**8,709**	(20,451)	**93,645**
Total changes of items during the period	**8,709**	(20,451)	**93,645**
Balance at the end of period	**20,175**	11,466	**216,935**
Deferred gains or losses on hedges			
Balance at the end of previous period	**920**	424	**9,892**
Changes of items during the period			
Net changes of items other than shareholders' equity	**769**	496	**8,268**
Total changes of items during the period	**769**	496	**8,268**
Balance at the end of period	**1,690**	920	**18,172**
Foreign currency translation adjustment			
Balance at the end of previous period	**(12,615)**	1,479	**(135,645)**
Changes of items during the period			
Net changes of items other than shareholders' equity	**5,324**	(14,094)	**57,247**
Total changes of items during the period	**5,324**	(14,094)	**57,247**
Balance at the end of period	**(7,290)**	(12,615)	**(78,387)**
Total valuation and translation adjustments			
Balance at the end of previous period	**(228)**	33,820	**(2,451)**
Changes of items during the period			
Net changes of items other than shareholders' equity	**14,803**	(34,048)	**159,172**
Total changes of items during the period	**14,803**	(34,048)	**159,172**
Balance at the end of period	**14,575**	(228)	**156,720**
Minority interests			
Balance at the end of previous period	**12,250**	11,382	**131,720**
Changes of items during the period			
Net changes of items other than shareholders' equity	**154**	867	**1,655**
Total changes of items during the period	**154**	867	**1,655**
Balance at the end of period	**12,404**	12,250	**133,376**
Total net assets			
Balance at the end of previous period	**784,616**	780,455	**8,436,731**
Changes at the beginning of current year due to application of PITF No.18	**—**	94	**—**
Changes of items during the period			
Dividends from surplus	**(21,701)**	(21,200)	**(233,344)**
Net income	**53,781**	41,708	**578,290**
Purchase of treasury stock	**(5,149)**	(10,462)	**(55,365)**
Disposal of treasury stock	**84**	27,542	**903**
Change of scope of consolidation	**(298)**	(340)	**(3,204)**
Net changes of items other than shareholders' equity	**14,957**	(33,180)	**160,827**
Total changes of items during the period	**41,674**	4,066	**448,107**
Balance at the end of period	**¥826,291**	¥784,616	**$8,884,849**

Accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	**2010**
Net cash provided by (used in) operating activities			
Income before income taxes	**¥ 83,519**	¥ 68,037	**$ 898,053**
Depreciation and amortization	**142,110**	136,899	**1,528,064**
Amortization of goodwill	**573**	610	**6,161**
Amortization of long-term prepaid expenses	**4,007**	4,184	**43,086**
Loss on retirement of property, plant and equipment	**3,239**	3,561	**34,827**
Increase (decrease) in provision for retirement benefits	**30,168**	7,177	**324,387**
Decrease (increase) in prepaid pension costs	**—**	9,027	**—**
Increase (decrease) in provision for safety measures	**(1,266)**	(1,507)	**(13,612)**
Interest and dividends income	**(2,204)**	(2,764)	**(23,698)**
Interest expenses	**10,303**	10,869	**110,784**
Equity in (earnings) losses of affiliates	**(3,796)**	(5,529)	**(40,817)**
Decrease (increase) in notes and accounts receivable – trade	**15,419**	2,585	**165,795**
Decrease (increase) in inventories	**19,740**	(21,111)	**212,258**
Increase (decrease) in notes and accounts payable – trade	**29,482**	6,005	**317,010**
Increase (decrease) in accrued consumption taxes	**5,106**	233	**54,903**
Decrease (increase) in accounts receivable – other	**(6,830)**	(12,186)	**(73,440)**
Loss (gain) on transfer of business	**—**	(1,359)	**—**
Gain on adjustment for changes of “Accounting Standard for Lease Transactions”	**—**	(7,846)	**—**
Other, net	**9,807**	(10,823)	**105,451**
Subtotal	**339,380**	186,063	**3,649,247**
Interest and dividends income received	**6,249**	3,421	**67,193**
Interest expenses paid	**(10,755)**	(10,850)	**(115,645)**
Income taxes paid	**(40,763)**	(19,073)	**(438,311)**
Net cash provided by (used in) operating activities	**294,110**	159,561	**3,162,473**
Net cash provided by (used in) investment activities			
Payments into time deposits	**(8,181)**	(6,085)	**(87,967)**
Proceeds from withdrawal of time deposits	**6,625**	5,575	**71,236**
Purchase of investment securities	**(13,462)**	(15,091)	**(144,752)**
Proceeds from sales and redemption of securities	**794**	1,388	**8,537**
Purchase of property, plant and equipment	**(136,511)**	(133,629)	**(1,467,860)**
Purchase of intangible assets	**(8,964)**	(7,120)	**(96,387)**
Proceeds from transfer of business	**1,680**	382	**18,064**
Purchase of long-term prepaid expenses	**(1,599)**	(1,479)	**(17,193)**
Proceeds from sales of noncurrent assets	**735**	828	**7,903**
Payments of long-term loans receivable	**(17,814)**	(8,996)	**(191,548)**
Collection of long-term loans receivable	**1,712**	1,505	**18,408**
Net decrease (increase) in short-term loans receivable	**1,168**	(1,031)	**12,559**
Other, net	**(3,471)**	176	**(37,322)**
Net cash provided by (used in) investment activities	**(177,290)**	(163,575)	**(1,906,344)**
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	**4,931**	(2,468)	**53,021**
Repayments of lease obligations	**(640)**	(5)	**(6,881)**
Proceeds from long-term loans payable	**13,066**	81,185	**140,494**
Repayment of long-term loans payable	**(29,279)**	(31,249)	**(314,827)**
Proceeds from issuance of bonds	**30,000**	20,000	**322,580**
Redemption of bonds	**(60,200)**	(4,888)	**(647,311)**
Procceds from stock issuance to minority shareholders	**758**	—	**8,150**
Repayments to minority shareholders	**(907)**	—	**(9,752)**
Proceeds from sales of treasury stock	**84**	235	**903**
Purchase of treasury stock	**(5,149)**	(10,462)	**(55,365)**
Cash dividends paid	**(21,695)**	(21,208)	**(233,279)**
Cash dividends paid to minority shareholders	**(345)**	(205)	**(3,709)**
Net cash provided by (used in) financing activities	**(69,375)**	30,932	**(745,967)**
Effect of exchange rate change on cash and cash equivalents	**1,064**	(6,570)	**11,440**
Net increase (decrease) in cash and cash equivalents	**48,509**	20,347	**521,602**
Cash and cash equivalents at beginning of year	**64,009**	43,706	**688,268**
Increase in cash and cash equivalents from newly consolidated subsidiary	**349**	1	**3,752**
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	**—**	(45)	**—**
Cash and cash equivalents at end of year (Note 12)	**¥ 112,868**	¥ 64,009	**$ 1,213,634**

Accompanying notes are an integral part of these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Tokyo Gas Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2010 and 2009

1. Basis of Presenting Consolidated Financial Statements

Tokyo Gas Co., Ltd. (the "Company") and its consolidated subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act (formerly, the Securities and Exchange Law) and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards. The Company, as a regulated company, also follows the Ordinance for Accounting of Gas Business for preparing such financial statements.

The accompanying consolidated financial statements were prepared in accordance with the above-mentioned principles, and a translation was prepared of these consolidated financial statements as filed with the appropriate Local Finance Bureau of the Ministry of Finance and as required by the Financial Instruments and Exchange Act. However, the financial statements, excluding the notes to consolidated financial statements, are not restructured. Furthermore, the information presented herein does not necessarily constitute all of the information included in the Japanese version of the consolidated financial statements filed as per the Financial Instruments and Exchange Act.

Equivalent U.S. dollar amounts are included for the convenience of readers outside Japan, and are converted at a rate of ¥93 per U.S. dollar, the prevailing exchange rate on March 31, 2010. These conversions should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Significant Accounting Policies

(1) Consolidation — The consolidated financial statements include the accounts of the Company and all of its significant subsidiaries. For the years ended March 31, 2010 and 2009, 61 and 57 subsidiaries, respectively, were consolidated. All significant inter-company transactions and account balances are eliminated in consolidation.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are recorded based on their fair value at the time the Company acquired control of the respective subsidiary.

The following six companies were newly established and added to the scope of consolidation from the current fiscal year:

Tokyo Gas Lifeval Chiba Co., Ltd.
Tokyo Gas Gorgon Pty Ltd
Tokyo Gas Pipeline Co., Ltd.
Tokyo Gas Lifeval Minami-Setagaya Co., Ltd.
Tokyo Gas Lifeval Higashi-Ohta Co., Ltd.
TGE (SHANGHAI) LNG ENGINEERING CO., LTD.

In addition, Tokyo Gas Techno-Service Co., Ltd., and Tokyo Gas Plant Tech Co., Ltd., were removed from the scope of consolidation, owing to their respective absorption mergers into Tokyo Gas Building Service Co., Ltd. (which changed its name to Tokyo Gas Facility Service Co., Ltd., following the merger) and Tokyo Gas Engineering Co., Ltd.

The Company's major unconsolidated subsidiaries include Ohgishima Power Co., Ltd.

Unconsolidated subsidiaries were not included in the scope of the consolidation because total assets, net sales, the amount of net income/loss equivalent to the portion of the Company's interests, and the amount of retained earnings, etc., equivalent to the portion of the Company's interests were small and lacking in qualitative significance, and therefore they do not have a significant impact on the consolidated financial statements.

(2) Equity method — Significant investments in unconsolidated subsidiaries and affiliates over which the Company has the ability to exercise significant influence with regard to operating and financial policies of the investees are accounted for by the equity method. Four affiliated companies were accounted for using the equity method for the two years ended March 31, 2010 and 2009.

The unconsolidated subsidiaries and affiliates not accounted for by the equity method were excluded from the scope of application of equity methods, due to the immaterial effect of the Company's total interest on their net income/loss and retained earnings on the consolidated financial statements and were totally insignificant.

(3) Accounting period of consolidated subsidiaries — Although the Company's fiscal year ends on March 31, the following companies end their year on December 31:

TOKYO GAS AUSTRALIA PTY LTD
Tokyo Gas International Holdings B.V.
Tokyo Gas Bajio B.V.
Tokyo Gas Darwin LNG Pty Ltd
TOKYO GAS–MITSUI & CO. HOLDINGS SDN. BHD.
Tokyo Gas Pluto Pty Ltd
Tokyo Gas Gorgon Pty Ltd
TGE (SHANGHAI) LNG ENGINEERING CO., LTD.

All significant adjustments considered necessary during the period from December 31 to the consolidated fiscal year-end have been made with consolidation.

(4) Property, plant and equipment — For property, plant and equipment, the acquisition cost is shown. However, in the case of acquisition expenses of the Company and its consolidated subsidiaries that have been subsidized by the national government, etc., the amount of such subsidiaries are offset against the acquisition cost of the corresponding asset (reduction entry).

Primarily, the declining-balance method of depreciation is applied, based on the estimated useful life of the asset. However, the straight-line method is applied for certain buildings (excluding ancillary equipment). Accumulated depreciation on property, plant and equipment is deducted directly from the balances of the corresponding assets.

In the accompanying consolidated financial statements, accumulated depreciation on property, plant and equipment amounted to ¥3,028,281 million (US$32,562,161 thousand) and ¥2,915,715 million as of March 31, 2010 and 2009, respectively.

The total amount of impairment loss is directly deducted from the amount shown for the respective asset.

(5) Intangible fixed assets — the straight-line method is applied. For software used by the Company and its consolidated subsidiaries, the straight-line method is applied based on the period of useful life within the Company and its consolidated subsidiaries.

(6) Accounting for certain lease transactions — Finance leases that do not involve transfer of ownership were previously accounted for based on standards for ordinary rental transactions. From the preceding fiscal year, however, the "Accounting Standard for Lease Transactions" is applied, and the accounting method is as per ordinary sale and purchase transactions.

When the Company is the lessee, those finance lease transactions that do not transfer ownership and commenced on or before March 31, 2008 are accounted for based on standards for ordinary rental transactions.

(7) Goodwill — Goodwill and negative goodwill are amortized on a straight-line basis within 20 years (mainly 10 years).

(8) Cash and cash equivalents — Cash and cash equivalents include cash on hand, readily-available deposits and short-term highly-liquid investments with maturities not exceeding three months at the time of purchase, which are readily convertible to known amounts of cash such that they present insignificant risk of change.

(9) Securities — The Company and its consolidated subsidiaries classify their securities under the following three categories, in accordance with the Japanese Accounting Standard for Financial Instruments.

(a) Debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities") are stated at amortized cost.

(b) Equity securities issued by unconsolidated subsidiaries and affiliated companies that are not accounted for using the equity method are stated at moving-average cost.

(c) Other securities with fair value, which are defined as securities other than held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliated companies, and securities held for trading purposes, are stated at fair value at the year-end, if their fair values are readily available. The difference between acquisition costs and book values of these securities are reported, net of applicable taxes, as a separate component of net assets. The cost of securities sold is determined based on the moving average method. Other securities with no fair values are stated at moving-average cost.

If the fair value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliated companies, and other securities declines significantly, and the decline is not considered recoverable, such securities are stated at fair value and the difference between fair value and the carrying amount is recognized as loss in the period of the decline.

(10) Financial instruments — The Company and its consolidated subsidiaries raise funds as necessary, reflecting their plans for facility investment in their mainstay gas business, and invest temporary surpluses in highly stable financial assets. The Company may procure funds through short-term bond issuance and other measures. The Company and its consolidated subsidiaries use derivative financial instruments to hedge the below-mentioned risks, but do not use derivative financial instruments for speculative trading purposes.

Trade notes and accounts receivable, which are operating receivables, entail credit risks on the part of customers. A control system is in place to check periodically the outstanding balances for each transaction partner. Investment securities are subject to market price fluctuation risk, so the Company regularly monitors market prices and issuers' financial conditions. Certain borrowings bear floating rates of interest and are therefore subject to interest rate fluctuation risk. Derivative transactions (interest rate swaps) are used to hedge this risk on a portion of these borrowings.

The Company and its consolidated subsidiaries execute various derivative financial transactions to hedge risks of foreign exchange rate fluctuations, fluctuations in prices of raw materials, interest rate fluctuations and the effects of changes in temperature. The Company and its consolidated subsidiaries manage the credit risk inherent in such transactions by executing them with creditworthy financial institutions. Also, the use of derivative financial instruments is based on internal policies and procedures for risk control. For information on methods of accounting for derivative transactions, please refer to Note 2. (11) Derivatives.

(11) Derivatives — Derivatives are stated at fair value at the year-end. The Company and its consolidated subsidiaries use hedging accounting, provided that the conditions of the accounting were applicable to the rules.

Regarding forward exchange contracts and foreign currency swap contracts that fulfilled certain conditions, the hedged foreign currencies receivable and payable are recorded using the Japanese yen amount of the contracted forward rate or swap rate. Regarding interest rate swap contracts that fulfilled certain conditions, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the liabilities for which the swap contract was executed.

(12) Inventories — Inventory values are based on the moving-average cost method. Balance sheet values are calculated using the book value reduction method based on declining profitability.

(13) Revenue from completed works, cost of completed works and partly finished works — With regard to accounting standards for subcontracted works and partly finished works, effective from the fiscal year under review the Company has adopted the "Accounting Standards Concerning Construction Contracts" and the "Application Guidelines for Accounting Standards Concerning Construction Contracts." Accordingly, beginning with construction contracts initiated during the fiscal year under review, the percentage of completion method is applied to construction works for which substantial progress toward certain results is recognizable by the end of the fiscal year under review. The completed contract method is applied to other construction works. The impact of this change on the income or losses was minimal.

In the past, partly finished works were posted as other current assets in accordance with the provisions of the Ordinance for Accounting of Gas Business. However, as a result of the change in the nature of that accounting, in line with the adoption of the above-mentioned standards, partly finished works are now posted as work in process.

Partly finished works included in other current assets as of the end of the preceding fiscal year was ¥15,984 million.

(14) Allowance for doubtful accounts — For normal receivables, an allowance for doubtful accounts is provided using the historical experienced default ratio. For specific receivables such as bankruptcy/rehabilitation claims, an allowance for doubtful accounts is provided for the estimated amounts considered to be uncollectible after reviewing individual collectability.

(15) Provision for retirement benefits — The Company and its consolidated subsidiaries provide an unfunded lump-sum payment plan and a funded pension plan as retirement benefit schemes. The Company and certain consolidated subsidiaries provide defined benefit plans and defined contribution plans. Retirement benefits under these plans are determined based on the level of wages and salaries, length of service and certain other factors.

The Company and its consolidated subsidiaries determine benefit obligations and expenses for reserve for retirement benefits based on the amounts actuarially calculated using certain assumptions.

Provision for retirement benefits is provided based on the estimated amounts of projected benefit obligations and the fair value of the plan assets.

The estimated amount of all retirement benefits to be paid at the future retirement date is assumed as generating equally to each service year using the estimated number of total service years. Past service costs are mainly charged to income when incurred, and actuarial gains and losses are charged to income mainly in the fiscal year following the year in which they arise.

"Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" is applied from the fiscal year under review. However, this application had no effect on operating income, ordinary income and income before income taxes. The balance of actuarial differences arising from the application of this accounting standard that is to be amortized stands at a negative ¥8,344 million (a decrease in retirement benefit expenses in the following fiscal year).

(16) Provision for gas holder repairs — The Company and certain consolidated subsidiaries provide for periodic repairs of gas holders by estimating future expenditures and charging them to income in equal annual amounts. The difference between the actual expenditure and the amount provided is charged to income in the year repairs are completed.

(17) Provision for safety measures — The Company provides for expenses necessary to secure safety for gas consumers by estimating the total amount of such expenses that are expected to be incurred after the year-end date.

(18) Translation of financial statements denominated in foreign currency — The Company's receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rates, and foreign exchange gains or losses are charged to current income/expense. Assets and liabilities of the foreign subsidiaries are translated into Japanese yen at the exchange rates prevailing at their year-end date. Profit and loss accounts for the year are translated into Japanese yen at the exchange rates prevailing at their year-end date as well. Differences in yen amounts arising from the use of different rates are presented as "Foreign currency translation adjustment" and "Minority interests" in net assets.

(19) Income taxes — Income taxes comprise corporation tax, inhabitants' taxes and enterprise tax (excluding enterprise taxes based on "amount of net sales," "amount of added value" and "amount of capital"). The Company and its consolidated subsidiaries recognize tax effects of temporary differences between the financial statement basis and the tax basis of assets and liabilities. The Company and its consolidated subsidiaries do not recognize deferred tax assets that are not expected to reduce future income taxes.

(20) Enterprise tax — In the case of companies engaged in gas businesses, enterprise tax that is levied, not on taxable income but on net sales, is accounted for in "Selling, general and administrative expenses." Enterprise taxes based on "amount of added value" and "amount of capital" are also included in "Selling, general and administrative expenses."

In the accompanying consolidated statements of income, enterprise tax included in "Selling, general and administrative expenses" amounted to ¥14,539 million (US$156,333 thousand) and ¥17,447 million for the years ended March 31, 2010 and 2009, respectively.

(21) Research and development expenses — Research and development expenses are charged to income as incurred. In the accompanying consolidated statements of income, research and development expenses included in "Selling, general and administrative expenses" and "Cost of sales" amounted to ¥9,232 million (US$99,268 thousand) and ¥9,164 million for the years ended March 31, 2010 and 2009, respectively.

(22) Amounts per share of common stock — Basic net income per share is computed based on the net income available for distribution to common shareholders and the weighted-average number of common shares outstanding for the period. Diluted net income per share reflects the potential dilution that could occur if convertible bonds were converted into common stocks. However, from the year ended March 31, 2010, as the Company has no residual securities, this calculation has been omitted.

Cash dividends per share have been presented on an accrual basis and include dividends approved or to be approved after the balance sheet dates, but they are applicable to the year then ended.

(23) Reclassifications — Certain prior year amounts have been reclassified to conform to the fiscal year ended March 31, 2010 presentation. These changes had no impact on previously reported results of operations.

3. Pledged Assets

Pledged assets at March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Distribution facilities	**¥ 6,535**	¥ 6,494	**$ 70,268**
Service and maintenance facilities	**13**	13	**139**
Other facilities	**10,370**	11,794	**111,505**
Investment securities	**350**	355	**3,763**
Long-term loans receivable	**35**	36	**376**
Cash and deposits	**1,760**	1,907	**18,924**
Other current assets	**5**	—	**53**
	¥19,071	¥20,603	**$205,064**

Liabilities secured by the above assets at March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Long-term loans payable (including current portion of noncurrent liabilities)	**¥8,071**	¥9,584	**$86,784**
Other current liabilities	**56**	56	**602**
	¥8,127	¥9,641	**$87,387**

4. Financial Instruments

Effective from the fiscal year under review, the Company and its consolidated subsidiaries have adopted the "Accounting Standard for Financial Instruments" and the "Guidance on Disclosures about Fair Value of Financial Instruments." The table below shows the book values of financial instruments as listed in the consolidated balance sheets dated March 31, 2010, along with the fair values of these instruments and the differences between their fair values and book values.

	Millions of yen		
At March 31, 2010	Book value	Fair value	Difference
(1) Bonds payable	**¥321,491**	**¥336,354**	**¥(14,862)**
(2) Long-term loans payable	**220,060**	**224,155**	**(4,094)**

	Thousands of U.S. dollars		
At March 31, 2010	Book value	Fair value	Difference
(1) Bonds payable	**$3,456,892**	**$3,616,709**	**$(159,806)**
(2) Long-term loans payable	**2,366,236**	**2,410,268**	**(44,021)**

Note: including items due within one year

Method of calculating the fair value of financial instruments, and items related to securities and derivative transactions

(1) Bonds payable—the fair value is calculated by discounting to their present value the total amount of principal and interest on bonds issued by the Company and consolidated subsidiaries by an interest rate that takes into account the period remaining and credit risk.

(2) Long-term loans payable—the fair value is calculated by discounting to their present value the total amount of principal and interest by the assumed interest rate on new borrowings of the same type.

The items of which estimated fair value was deemed to be extremely difficult are not included in the above table. Also, the items described below are not included in the above table.

As the terms for cash and deposits (consolidated balance sheet book value of ¥107,391 million (US$1,154,741 thousand)), notes and accounts receivable–trade (consolidated balance sheet book value of ¥156,398 million (US$1,681,698 thousand)) and notes and accounts payable–trade (consolidated balance sheet book value of ¥134,946 million (US$1,451,032 thousand)) are settled in a short time, their fair values and book values are nearly identical. For information about investment securities (consolidated balance sheet book value of ¥69,423 million (US$746,483 thousand)) and derivative transactions (consolidated balance sheet book value of ¥3,254 million (US$34,989 thousand) (receivables)), please refer to Note 5. Securities and Note 7. Derivative Transactions, respectively.

Most financial receivables and securities with maturities are redeemed in a short period (within one year).

The maturity amounts of bonds payable, long-term loans and other interest-bearing debt maturating after the balance sheet date are indicated in Note 6. Short-Term Loans Payable, Bonds Payable and Long-Term Loans Payable.

5. Securities

Acquisition costs, book values and fair values of securities with available fair values at March 31, 2010 and 2009 were as follows:

(A) Held-to-maturity debt securities

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Securities with fair value exceeding book value:			
Book value	**¥45**	¥34	**$483**
Fair value	**46**	35	**494**
Difference	**¥ 1**	¥—	**$ 10**

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Securities with fair value not exceeding book value:			
Book value	**¥—**	¥10	**$—**
Fair value	**—**	9	**—**
Difference	**¥—**	¥—	**$—**

(B) Available-for-sale securities with fair value

	Millions of yen
	2009
Securities with book value exceeding acquisition cost:	
Acquisition cost	¥ 9,148
Book value	31,386
Difference	¥22,237

	Millions of yen
	2009
Securities with book value not exceeding acquisition cost:	
Acquisition cost	¥16,581
Book value	12,660
Difference	¥ (3,921)

(C) Available-for-sale securities

	Millions of yen	Thousands of U.S. dollars
	2010	**2010**
Securities with book value exceeding acquisition cost:		
Acquisition cost	**¥23,571**	**$253,451**
Book value	**57,438**	**617,612**
Difference	**¥33,867**	**$364,161**

	Millions of yen	Thousands of U.S. dollars
	2010	**2010**
Securities with book value not exceeding acquisition cost:		
Acquisition cost	**¥12,218**	**$131,376**
Book value	**11,939**	**128,376**
Difference	**¥ (278)**	**$ (2,989)**

Available-for-sale securities not included in the above table amounted to ¥35,368 million (US$380,301 thousand) and ¥24,742 million at March 31, 2010 and 2009, respectively. Investments in unconsolidated subsidiaries and affiliated companies amounted to ¥44,267 million (US$475,989 thousand) and ¥40,324 million for the years ended March 31, 2010 and 2009, respectively. These items do not have market value and determining their estimated fair value was deemed to be extremely difficult and therefore, they are not included in the above table.

6. Short-Term Loans Payable, Bonds Payable and Long-Term Loans Payable

The average annual interest rates for short-term loans payable at March 31, 2010 and 2009 were 0.6% and 0.7%, respectively.

Bonds payable and long-term loans payable at March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Domestic unsecured bonds			
Due in 2016 at a rate of 4.0%	**¥ 27,700**	¥ 27,700	**$ 297,849**
Due in 2018 at a rate of 2.625%	**40,000**	40,000	**430,107**
Due in 2009 at a rate of 1.68%	**—**	30,000	**—**
Due in 2009 at a rate of 1.73%	**—**	30,000	**—**
Due in 2010 at a rate of 2.01%	**20,000**	20,000	**215,053**
Due in 2011 at a rate of 1.39%	**30,000**	30,000	**322,580**
Due in 2012 at a rate of 1.35%	**20,000**	20,000	**215,053**
Due in 2023 at a rate of 1.01%	**20,000**	20,000	**215,053**
Due in 2013 at a rate of 1.41%	**30,000**	30,000	**322,580**
Due in 2014 at a rate of 1.59%	**20,000**	20,000	**215,053**
Due in 2024 at a rate of 2.29%	**10,000**	10,000	**107,526**
Due in 2025 at a rate of 2.14%	**10,000**	10,000	**107,526**
Due in 2015 at a rate of 4.1%	**13,800**	13,800	**148,387**
Due in 2027 at a rate of 2.29%	**19,996**	19,996	**215,010**
Due in 2015 at a rate of 1.4%	**9,995**	9,994	**107,473**
Due in 2015 at a rate of 1.658%	**20,000**	20,000	**215,053**
Due in 2019 at a rate of 1.405%	**30,000**	—	**322,580**
Loans from banks, insurance companies and government agencies due through 2020 at rates of 0.53% to 5.35%:			
Secured	**8,071**	9,584	**86,784**
Unsecured	**211,989**	226,244	**2,279,451**
	541,552	587,320	**5,823,139**
Less: amounts due within one year	**53,379**	88,087	**573,967**
	¥488,173	¥499,232	**$5,249,172**

The annual maturities of bonds payable and long-term loans payable at March 31, 2010 were as follows:

	Millions of yen	Thousands of U.S. dollars
2011	¥ 53,379	$ 573,967
2012	47,964	515,741
2013	42,996	462,322
2014	38,320	412,043
2015	45,938	493,956
2016 and thereafter	312,960	3,365,161
	¥541,560	$5,823,225

Note: The Company has a specific commitment line contract with the main correspondent financial institution of ¥30,000 million (US$322,580 thousand) in total.

7. Derivative Transactions

Contract amounts, fair values and recognized gains on the commodity derivatives except those accounted for using hedge accounting and weather derivatives at March 31, 2010 and 2009 were as follows:

	Millions of yen			
	Contract amounts			
At March 31, 2010	Total	Of which, longer than one year	Fair value	Recognized gains (losses)
Commodity derivatives	**¥4,438**	**¥—**	**¥745**	**¥745**
Weather derivatives	**600**	**—**	**—**	**—**
	¥5,038	**¥—**	**¥745**	**¥745**

	Thousands of U.S. dollars			
	Contract amounts			
At March 31, 2010	Total	Of which, longer than one year	Fair value	Recognized gains (losses)
Commodity derivatives	**$47,720**	**$—**	**$8,010**	**$8,010**
Weather derivatives	**6,451**	**—**	**—**	**—**
	$54,172	**$—**	**$8,010**	**$8,010**

	Millions of yen			
	Contract amounts			
At March 31, 2009	Total	Of which, longer than one year	Fair value	Recognized gains (losses)
Commodity derivatives	¥8,876	¥8,876	¥(1,279)	¥(1,279)
Weather derivatives	600	—	—	—
	¥9,476	¥8,876	¥(1,279)	¥(1,279)

The table below indicates hedge accounting methods, main items hedged, contract amounts and fair values as of March 31, 2010, on derivatives transactions to which hedge accounting is applied.

		Millions of yen		
At March 31, 2010		Contract amounts		
Hedge accounting method	Main items hedged	Total	Of which, longer than one year	Fair value
Exchange forward contracts				
Deferral hedge accounting	Accounts payable–trade	**¥ 1,007**	**¥ 921**	**¥ (67)**
Deferral hedge accounting on exchange forward contracts, others	Accounts payable–trade	**15,790**	**—**	(Note 2)
		¥16,798	**¥ 921**	**¥ —**
Commodity derivatives				
Deferral hedge accounting	Accounts payable–trade	**¥23,643**	**¥ —**	**¥1,651**
		¥23,643	**¥ —**	**¥1,651**
Interest rate swaps				
Deferral hedge accounting	Bonds and long-term loans payable	**¥10,512**	**¥10,512**	**¥ 959**
Exceptional accounting	Long-term loans payable	**10,472**	**8,414**	(Note 2)
		¥20,984	**¥18,926**	**¥ —**

		Thousands of U.S. dollars		
At March 31, 2010		Contract amounts		
Hedge accounting method	Main items hedged	Total	Of which, longer than one year	Fair value
Exchange forward contracts				
Deferral hedge accounting	Accounts payable–trade	**$ 10,827**	**$ 9,903**	**$ (720)**
Deferral hedge accounting on exchange forward contracts, others	Accounts payable–trade	**169,784**	**$ —**	(Note 2)
		$180,623	**$ 9,903**	**$ —**
Commodity derivatives				
Deferral hedge accounting	Accounts payable–trade	**$254,225**	**$ —**	**$17,752**
		$254,225	**$ —**	**$17,752**
Interest rate swaps				
Deferral hedge accounting	Bonds and long-term loans payable	**$113,032**	**$113,032**	**$10,311**
Exceptional accounting	Long-term loans payable	**112,602**	**90,473**	(Note 2)
		$225,634	**$203,505**	**$ —**

(Note 1) Fair values of exchange forward contracts, commodity derivatives and interest rate swaps are calculated at the rates indicated by the financial institutions handling these transactions for the Company. Contract amounts of commodity derivatives are solely nominal values, and are not indicative of the magnitude of market risk or credit risk concerning derivatives transactions. Contract amounts of weather derivatives are stated at the maximum receivable or payable amounts under the contracts. Fair values of weather derivatives are not stated, as their fair values cannot be calculated.

(Note 2) As the accounting for exchange forward contracts employing deferral hedge accounting and interest rate swaps employing exceptional accounting are included in the fair values of the hedged items (accounts payable–trade and long-term loans payable).

8. Provision for Retirement Benefits

Provision for retirement benefits included in the liabilities section of the consolidated balance sheets as of March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Projected benefit obligation	**¥ 340,792**	¥ 352,690	**$ 3,664,430**
Unrecognized prior service costs	**1,723**	1,915	**18,526**
Unrecognized actuarial differences	**16,832**	(35,211)	**180,989**
Less: Fair value of pension assets	**(228,447)**	(218,660)	**(2,456,419)**
Prepaid pension costs	**—**	—	**—**
Provision for retirement benefits	**¥ 130,903**	¥ 100,734	**$ 1,407,559**

Net periodic retirement benefit expenses for the years ended March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Service costs – benefits earned during the year	**¥ 9,199**	¥ 9,402	**$ 98,913**
Interest cost on projected benefit obligation	**6,405**	6,359	**68,870**
Expected return on pension plan assets	**(4,359)**	(5,028)	**(46,870)**
Amortization of actuarial differences	**32,284**	20,735	**347,139**
Amortization of prior service costs	**(192)**	(192)	**(2,064)**
Other	**4,313**	4,608	**46,376**
Net periodic retirement benefit expenses	**47,651**	35,885	**512,376**
Gain on transfer of benefit obligation relating to employees' pension fund	**—**	(1,570)	**—**
Net	**¥47,651**	¥34,315	**$ 512,376**

The discount rate and the rate of expected return on plan assets used by the Company and its consolidated subsidiaries are mainly 2.1% and 2.0% for the year ended March 31, 2010, and 1.8% and 2.0% for the year ended March 31, 2009.

Certain domestic consolidated subsidiaries obtained approval from the Minister of Health, Labour and Welfare on April 1, 2008, for the return of the past services portion of the substitutional portion of the welfare pension fund.

9. Income Taxes

The Company is subject to multiple taxes based on taxable income, which, in the aggregate, indicate a statutory tax rate in the Company of approximately 36.2% for the years ended March 31, 2010 and 2009.

Reconciliation of the difference between the statutory tax rate and the effective tax rate for financial statement purposes for the years ended March 31, 2010 and 2009 are not presented as they are negligible.

Significant components of deferred tax assets and liabilities as of March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Deferred tax assets:			
Provision for retirement benefits	**¥47,778**	¥36,847	**$ 513,741**
Other	**50,889**	44,724	**547,193**
Less: Valuation allowance	**(8,469)**	(8,471)	**(91,064)**
Subtotal	**90,198**	73,101	**969,870**
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	**11,748**	6,793	**126,322**
Other	**13,213**	10,289	**142,075**
Subtotal	**24,961**	17,083	**268,397**
Deferred tax assets–net	**¥65,236**	¥56,017	**$ 701,462**

10. Investment and Rental Properties

From the year under review, the Company and its consolidated subsidiaries have adopted the "Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" and the "Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property." Book values in the consolidated balance sheets and the fair values of investment and rental properties owned by the Company and some of its consolidated subsidiaries are indicated below. Book value is determined by subtracting accumulated depreciation from the acquisition cost. Fair value as of March 31, 2010 is based primarily on the real estate appraisal value determined by a real estate appraiser.

Millions of yen			
Book value			Fair value as of March 31, 2010
2009	Change during the year	**2010**	
¥98,150	¥(3,916)	**¥94,233**	**¥378,103**

Thousands of U.S. dollars			
Book value			Fair value as of March 31, 2010
2009	Change during the year	**2010**	
$1,055,376	$(42,107)	**$1,013,258**	**$4,065,623**

11. Net Assets

(A) Distribution to shareholders
Under the Japanese Companies Act ("the Act"), dividends can be paid at any time during the fiscal year in addition to the year-end dividend upon resolution at a shareholders' meeting. Interim dividends may also be paid upon a resolution of the Directors' meeting provided that the articles of incorporation of the company so stipulate, and that the company meets certain criteria.

The Act provides certain limitations on the amounts available for dividends and/or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, and it is calculated mainly based on other capital surplus, other retained earnings and treasury stock.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

At the general meeting of shareholders held on June 29, 2010, the Company's shareholders approved payment of year-end cash dividends of ¥5.0 (US$0.05) per share aggregating ¥13,493 million (US$145,086 thousand) to the shareholders of record as of March 31, 2010.

Such appropriations have not been accrued in the consolidated financial statements for the year ended March 31, 2010. Such appropriations are recognized in the period in which they are approved by the shareholders.

(B) Increases/decreases and transfer of capital stock, reserve and surplus
Under the Act, the entire amount paid for new shares is required to be designated as capital stock. However, a company may, through a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as legal capital surplus, which is included in capital surplus.

Under the Act, in cases in which a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of capital stock over the total of legal capital surplus and legal retained earnings must be set aside as legal capital surplus or legal retained earnings. Legal retained earnings are included in retained earnings in the accompanying consolidated balance sheets.

Under the Act, legal retained earnings and legal capital surplus could be used to eliminate or reduce a deficit, or could be capitalized generally by a resolution of the shareholders' meeting.

Legal capital surplus and legal retained earnings may not be distributed as dividends. Under the Act, however, all legal capital surplus and all legal retained earnings may be transferred to other capital surplus and other retained earnings, respectively, which are potentially available for dividends.

(C) Treasury stock
The Act provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Directors' meetings. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula.

12. Additional Information for Cash Flows

Reconciliation of cash and deposits shown in the consolidated balance sheets and cash and cash equivalents shown in the consolidated statements of cash flows as of March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Cash and deposits	**¥107,391**	¥66,905	**$1,154,741**
Less: Time deposits with maturities over three months, etc.	**(4,522)**	(2,896)	**(48,623)**
Negotiable certificates of deposit included in other current assets	**10,000**	—	**107,526**
Cash and cash equivalents	**¥112,868**	¥64,009	**$1,213,634**

Significant non-cash transactions for the years ended March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Decrease in treasury stock due to the conversion of convertible bonds	**¥—**	¥ 38,978	**$—**
Losses on disposal of treasury stock due to the conversion of convertible bonds	**—**	(11,671)	**—**
Decrease in convertible bonds	**¥—**	¥ 27,306	**$—**

13. Segment Information

The Company's and its consolidated subsidiaries' primary business activities include (1) gas sales, (2) gas appliance sales, (3) installation work, (4) real estate rental, and (5) other business.

A summary of net sales, operating expenses, operating income, assets, depreciation, impairment losses, and capital expenditures by business segments for the years ended March 31, 2010 and 2009 is as follows:

Millions of yen

For 2010	Gas sales	Gas appliance sales	Installation work	Real estate rental	Other business	Elimination or corporate	Consolidated
Net sales:							
Outside customers	¥1,017,299	¥118,592	¥41,353	¥ 12,397	¥226,073	¥ —	¥1,415,718
Intra group	28,236	7,495	3,006	21,312	91,745	(151,795)	—
Total	1,045,535	126,088	44,360	33,710	317,819	(151,795)	1,415,718
Operating expenses	918,183	123,752	45,011	26,417	302,609	(85,484)	1,330,488
Operating income (loss)	¥ 127,352	¥ 2,335	¥ (650)	¥ 7,292	¥ 15,210	¥ (66,310)	¥ 85,229
Assets	¥1,009,021	¥ 42,187	¥16,121	¥169,034	¥272,050	¥ 332,558	¥1,840,972
Depreciation	113,217	638	93	9,352	21,046	(2,239)	142,110
Impairment losses	—	—	—	—	—	—	—
Capital expenditures	113,697	553	161	3,078	31,807	(2,712)	146,586

Millions of yen

For 2009	Gas sales	Gas appliance sales	Installation work	Real estate rental	Other business	Elimination or corporate	Consolidated
Net sales:							
Outside customers	¥1,220,023	¥117,256	¥45,834	¥ 13,132	¥263,915	¥ —	¥1,660,162
Intra group	37,551	5,106	3,259	22,505	99,867	(168,290)	—
Total	1,257,574	122,363	49,094	35,637	363,783	(168,290)	1,660,162
Operating expenses	1,146,717	120,276	50,194	28,194	350,301	(100,726)	1,594,957
Operating income (loss)	¥ 110,857	¥ 2,086	¥ (1,099)	¥ 7,442	¥ 13,482	¥ (67,563)	¥ 65,204
Assets	¥1,037,149	¥ 40,097	¥17,548	¥175,539	¥267,562	¥ 226,286	¥1,764,185
Depreciation	109,247	733	101	9,637	19,347	(2,168)	136,899
Impairment losses	—	—	—	—	—	—	—
Capital expenditures	110,653	917	54	5,769	29,562	(2,507)	144,450

Thousands of U.S. dollars

For 2010	Gas sales	Gas appliance sales	Installation work	Real estate rental	Other business	Elimination or corporate	Consolidated
Net sales:							
Outside customers	$10,938,698	$1,275,182	$444,655	$ 133,301	$2,430,892	$ —	$15,222,774
Intra group	303,612	80,591	32,322	229,161	986,505	(1,632,204)	—
Total	11,242,311	1,355,784	476,989	362,473	3,417,408	(1,632,204)	15,222,774
Operating expenses	9,872,935	1,330,666	483,989	284,053	3,253,860	(919,182)	14,306,322
Operating income (loss)	$ 1,369,376	$ 25,107	$ (6,989)	$ 78,408	$ 163,548	$ (713,010)	$ 916,440
Assets	$10,849,688	$ 453,623	$173,344	$1,817,569	$2,925,268	$3,575,892	$19,795,397
Depreciation	1,217,387	6,860	1,000	100,559	226,301	(24,075)	1,528,064
Impairment losses	—	—	—	—	—	—	—
Capital expenditures	1,222,548	5,946	1,731	33,096	342,010	(29,161)	1,576,193

Operating expenses under Elimination or corporate that cannot be allocated to business segments are related mainly to general administrative expenses of the Company, amounting to ¥67,302 million (US$723,677 thousand) and ¥68,664 million for the years ended March 31, 2010 and 2009, respectively.

Assets under Elimination or corporate mainly comprise cash and deposits, investment securities and deferred tax assets of the Company and its consolidated subsidiaries, and amounted to ¥368,107 million (US$3,958,139 thousand) and ¥259,494 million at March 31, 2010 and 2009, respectively.

Geographic segment information is not shown since more than 90% of both consolidated net sales and total assets are generated in Japan. Information on overseas sales is not disclosed due to overseas sales being immaterial compared to consolidated net sales.

14. Information for Certain Leases

Finance leases

Information as lessee

The Company and its consolidated subsidiaries use certain other facilities and other intangible assets under lease contracts. Finance lease transactions beginning on or before March 31, 2008 that do not transfer ownership are accounted for based on standards for ordinary rental transactions.

Lease payments and amounts equivalent to depreciation for the finance lease transactions shown above that do not transfer ownership for the years ended March 31, 2010 and 2009, and future lease payments including interest as of March 31, 2010 and 2009, are shown below.

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Lease payments	**¥ 441**	¥ 550	**$ 4,741**
Depreciation expenses	**441**	550	**4,741**
Future lease payments inclusive of interest:			
Current	**421**	472	**4,526**
Noncurrent	**2,157**	2,670	**23,193**
	¥2,578	¥3,142	**$27,720**

Acquisition cost, accumulated depreciation and net book value for property held under the above-mentioned finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis as of March 31, 2010 and 2009 were as follows:

		Millions of yen	
For 2010	Acquisition cost	Accumulated depreciation	Net book value
Other facilities	**¥4,080**	**¥1,534**	**¥2,546**
Other intangible assets	**163**	**131**	**32**
	¥4,244	**¥1,665**	**¥2,578**
For 2009			
Other facilities	¥4,415	¥1,341	¥3,074
Other intangible assets	178	110	68
	¥4,593	¥1,451	¥3,142

		Thousands of U.S. dollars	
For 2010	Acquisition cost	Accumulated depreciation	Net book value
Other facilities	**$43,870**	**$16,494**	**$27,376**
Other intangible assets	**1,752**	**1,408**	**344**
	$45,634	**$17,903**	**$27,720**

Information as lessor

The breakdown of lease investment assets as of March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Claims for lease fees	**¥21,797**	¥22,198	**$234,376**
Estimated residual value	**116**	64	**1,247**
Equivalent interest received	**(3,545)**	(3,724)	**(38,118)**
Lease investment assets	**¥18,368**	¥18,539	**$197,505**

Scheduled recovery amounts of claims for lease fees related to lease receivables and investment assets as of March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Lease receivables			
Within 1 year	**¥1,177**	¥1,050	**$12,655**
More than 1 year but within 2 years	**1,178**	1,044	**12,666**
More than 2 years but within 3 years	**1,134**	1,038	**12,193**
More than 3 years but within 4 years	**1,029**	1,000	**11,064**
More than 4 years but within 5 years	**959**	883	**10,311**
More than 5 years	**3,007**	2,988	**32,333**

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Lease investment assets			
Within 1 year	**¥4,933**	¥4,954	**$ 53,043**
More than 1 year but within 2 years	**4,246**	4,305	**45,655**
More than 2 years but within 3 years	**3,568**	3,605	**38,365**
More than 3 years but within 4 years	**2,882**	2,922	**30,989**
More than 4 years but within 5 years	**2,266**	2,242	**24,365**
More than 5 years	**3,899**	4,167	**41,924**

Operating leases
Information as lessee
Future lease payments at March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Future lease payments:			
Within 1 year	**¥238**	¥110	**$ 2,559**
Over 1 year	**720**	331	**7,741**
	¥959	¥441	**$10,311**

Information as lessor
Future lease payments to be received at March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Future lease payments:			
Within 1 year	**¥ 1,622**	¥ 1,952	**$ 17,440**
Over 1 year	**10,380**	11,087	**111,612**
	¥12,003	¥13,040	**$129,064**

15. Commitment and Contingent Liabilities

At March 31, 2010, the Company and its consolidated subsidiaries were contingently liable for (1) debt guarantees in the amount of ¥5,327 million (US$57,279 thousand) for financial institution loans to companies other than consolidated subsidiaries and (2) ¥38,700 million (US$416,129 thousand) as guarantors for domestic unsecured bonds issued by the Company, and assigned to certain banks under debt assumption agreements made in the years ended March 31, 2002, 2003 and 2004.

At March 31, 2010, the Company held several long-term purchase contracts for the supply of LNG. The purchase price determinable under such contracts is contingent upon fluctuations in the market price of crude oil.

Adjustment of the cost for raw materials is subject to movements on trading contract renewals or price negotiations thereof with gas resource suppliers.

16. Subsequent Events

(1) Repurchase of treasury stock

The Company acquired TG Enterprise Co., Ltd., in an absorption-type merger employing simplified merger procedures, effective April 1, 2010. As there were requests from opposing shareholders that the Company repurchase their holdings in accordance with the provisions of the Companies Act, the Company repurchased treasury stock as described below.

No. of opposing shareholders: 9
Period in which requests to purchase shares were accepted:
From March 29, 2010, to March 31, 2010
No. of shares requested to be repurchased:
16,537 thousand shares
No. of shares repurchased: 14,037 thousand shares

Note: The reason for the 2,500 thousand shares difference between the number of shares requested to be repurchased and the number of shares repurchased is that requests to repurchase shares were withdrawn by the opposing shareholders.

Value of shares repurchased:
¥5,783 million (US$62,182 thousand)
Period of acquisition:
From April 16, 2010, to April 21, 2010
Method of acquisition: Off-market transaction

(2) Resolution on acquisition of treasury stock

At a meeting on April 28, 2010, the Board of Directors resolved for the Company to acquire treasury stock, as follows.

No. of shares to be acquired: Limited to 6 million shares
Total value of shares to be acquired:
Limited to ¥2,200 million (US$23,655 thousand)
Period of acquisition:
From April 30, 2010 to March 31, 2011

In accordance with this resolution, the Company purchased treasury stock, as follows.

Period of acquisition: From May 7, 2010 to May 13, 2010
(commitment basis)
No. of shares acquired: 5,531 thousand shares
Total value of shares acquired:
¥2,199 million (US$23,645 thousand)

Method of acquisition: Market acquisition through a specified fund trust on the Tokyo Stock Exchange

(3) Cancellation of treasury stock

At a meeting on May 21, 2010, the Company's Board of Directors resolved the cancellation of treasury stock, as follows.

Type of shares to be cancelled:
Common stock in the Company
Number of shares to be cancelled: 19,568 thousand shares
Cancellation date: June 7, 2010

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Tokyo Gas Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Tokyo Gas Co., Ltd. (the "Company") and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of income, changes in net assets and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tokyo Gas Co., Ltd. and subsidiaries as of March 31, 2010 and 2009, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following:

As discussed in Note 2(6) to the Consolidated Financial Statements, effective April 1, 2008, Tokyo Gas Co., Ltd. has been applying the "Accounting Standard for Lease Transactions".

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 29, 2010