Annual Report 2011

Tokyo Gas Co., Ltd.

Increasing Shared Value

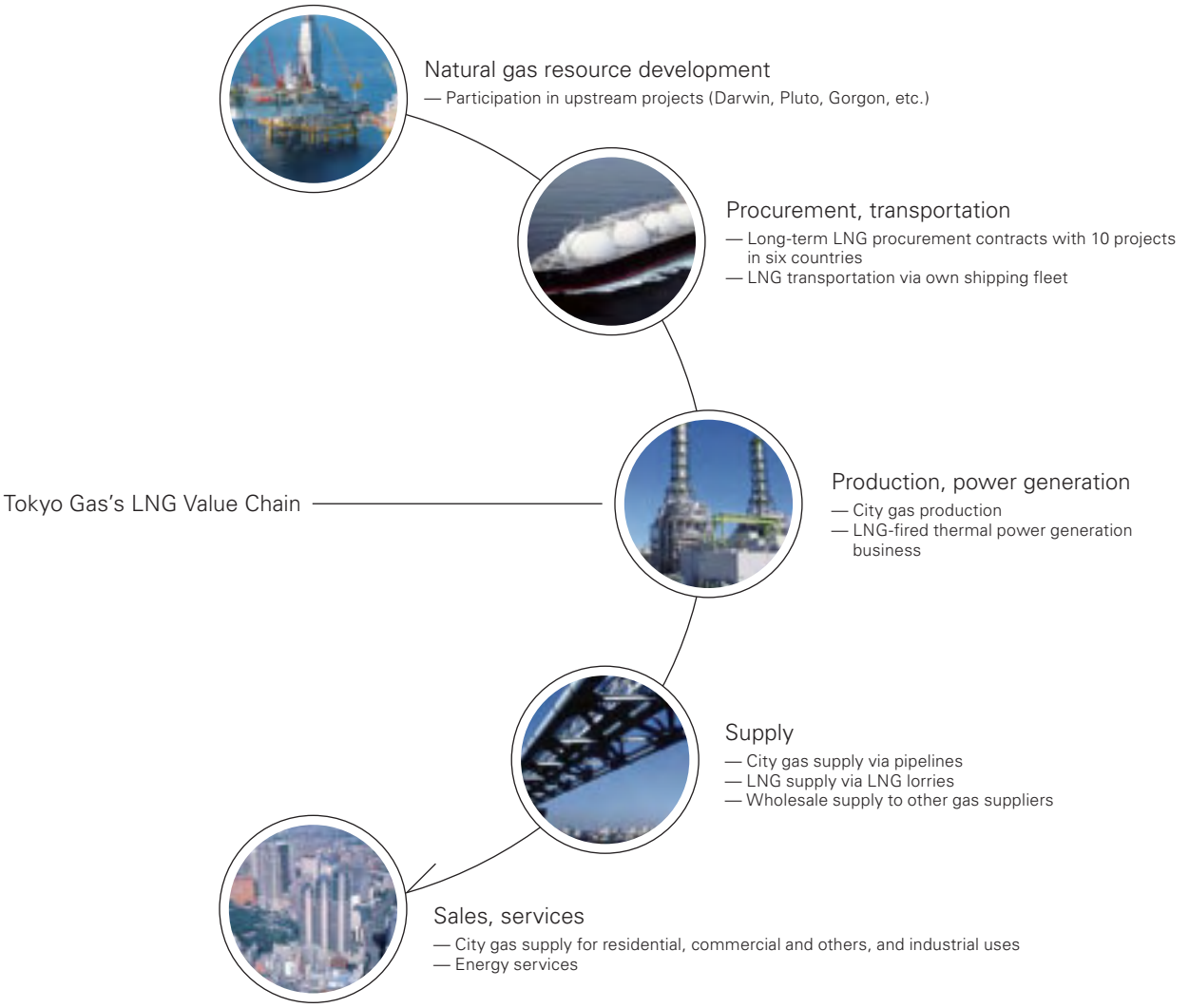
TOKYO GAS

Profile

Tokyo Gas Co., Ltd. is Japan's largest provider of city gas, serving more than 10 million customers, primarily in the Tokyo metropolitan area and surrounding Kanto region, an economic zone that accounts for around 40% of the nation's GDP.

Since energy resources are scarce in the Japanese archipelago, Tokyo Gas converts LNG to city gas at its LNG terminals, and supplies the city gas through a pipeline network. We also sell gas appliances and conduct repairs and inspections. In addition to sales and services at customer sites, we participate in resource development projects and are advancing our LNG transport business using our own shipping fleet.

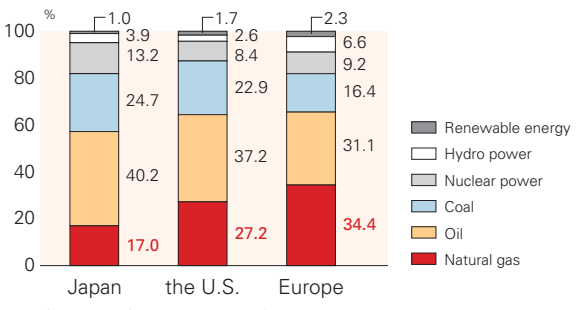
A key strength is our "LNG value chain," which extends from upstream through to end-users. Deploying this strength, we not only supply natural gas in a safe and reliable manner, but also operate an "integrated energy business, with natural gas at its core," which delivers solutions for diverse energy needs on a one-stop basis, including electric power, heating, and renewable energy.



Features of Gas Business in Japan

Unlike in Europe and the U.S., where gas production and gas consumption locations are connected via pipelines, in Japan, liquefied natural gas (LNG) is brought in by ship, converted to city gas, and delivered to end-users mostly via pipelines. Because this entails significant costs, the share of total primary energy supply by natural gas is relatively low in Japan compared with Europe and the U.S. However, natural gas is winning growing acclaim for its environmental benefits, as it gives off lower CO_2 and NOx emissions than other fossil fuels. In addition, demand for natural gas in Japan is growing year by year as pipelines are extended.

Breakdown of Primary Energy Consumption
(Japan, the U.S., Europe)



Source: BP Statistical Review of World Energy, June 2011

Tokyo Gas's Two Growth Drivers

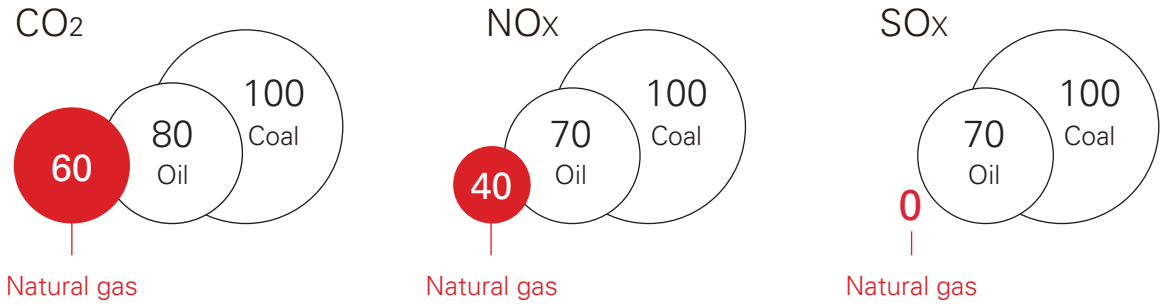
1 Environmental Benefits of Natural Gas

Environmental advantage: Natural gas is the cleanest of all fossil fuels

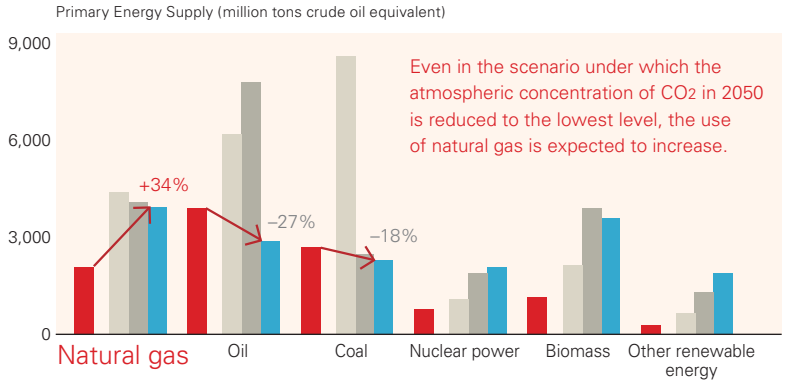
Compared with other fossil fuels, natural gas emits lower volumes of carbon dioxide (CO_2) and nitrogen oxides (NOx) when burned and emits no sulfur oxides (SOx). Accordingly, it has an extremely low environmental impact. Moreover, the International Energy Agency (IEA) estimates that natural gas usage will increase in its "BLUE scenarios" for reducing CO_2 emissions by 50% (from 2008 levels) by 2050.

In addition, city gas can be used for power generation in necessary places, and heat thus emitted can be used to heat water and power air-conditioning systems. Thanks to the technological progress of such "gas cogeneration" and other dispersed power sources, the role of natural gas continues to grow.

Comparison of Emissions (Coal = 100)



Forecast for Global Energy Supply under Various IEA Scenarios



- 2005 Actual
- Baseline scenario: Current conditions continue
- ACT Map 2050 scenario: Atmospheric concentration of CO_2 in 2050 is reduced to 550 ppm or lower
- Blue Map 2050 scenario: Atmospheric concentration of CO_2 in 2050 is reduced to 450 ppm or lower

According to the Intergovernmental Panel on Climate Change (IPCC), to prevent a variety of adverse factors leading to climate change on a global scale, the atmospheric CO_2 concentration needs to be reduced to less than 450 ppm (IPCC Fourth Assessment Report).

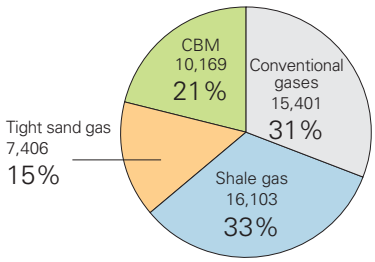
Stable supply: Development of unconventional gases greatly extends reserves-to-production ratio

Compared with "conventional gases" extracted from oil and gas fields, "unconventional gases" can be extracted from solid rock. In the past, technological limitations have prevented development of such gases at the extraction and production stages. Thanks to recent technological innovations, however, unconventional natural gases, such as coal-bed methane (CBM), shale gas, and tight sand gas, have started to enter full-scale use. In addition to CBM, Tokyo Gas also participates in a shale gas development project.

Unconventional gases can be found all around the world and clearly exceed conventional gases in terms of resource volume. Accordingly, the reserves-to-production ratio for natural gas will greatly surpass the current ratio of around 63 years.

Reserves of Conventional and Unconventional Gases

Unit: Trillion cubic feet (TCF)



Source: Tri-zen, USGS, SPE

2 Advantageous Service Area

One of the world's largest economic zones

While the population of Japan is declining, there is a net inflow trend in the Tokyo metropolitan area, one of the world's largest economic zones. The Kanto region, which extends for a 200-kilometer radius around Tokyo, accounts for around 40% of Japan's GDP. Thanks to an abundance of flat terrain and extension of pipelines, the Kanto region is expected to see an increased demand for fuel conversion in main areas of industrial concentration. This highlights a major strength for Tokyo Gas, whose business base is the Kanto region, Japan's largest source of energy demand.

Breakdown of GDP of Japan by Major Area

(Year ended March 31, 2009)

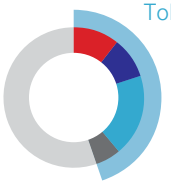
Total ¥505 trillion

- 39.4% Tokyo area: Tokyo, Kanagawa, Saitama, Chiba, Ibaraki, Tochigi, Gunma, Yamanashi, and Nagano prefectures
- 15.8% Osaka area: Osaka, Hyogo, Kyoto, Shiga, Nara, and Wakayama prefectures
- 9.6% Nagoya area: Aichi, Gifu, and Mie prefectures

Source: Cabinet Office, Government of Japan, National Accounts of Japan

Share of Tokyo Gas of Total City Gas Sales Nationwide

(Year ended March 31, 2011)



- 44.9% Tokyo Gas total 14,745 million m³
- 10.7% Residential
- 9.3% Commercial and others
- 19.0% Industrial
- 5.9% Wholesale

Japan total 32,805 million m³

Source: The Japan Gas Association web site, (Gas Sales Volume JGA Newsletter) The figures are calculated on the basis of 45 MJ/m³.

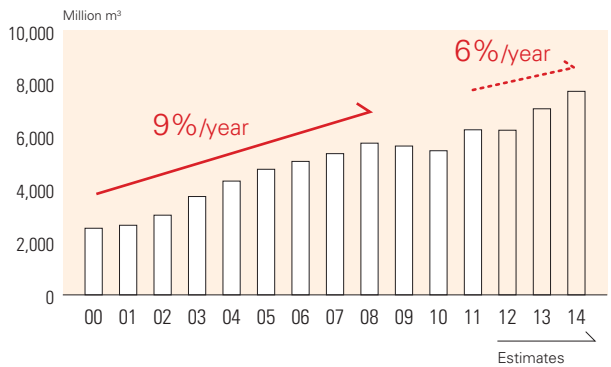
Note: The above figures do not include the sales volume of eight city gas companies in the Tohoku Region affected by the Great East Japan Earthquake.

Sales of industrial-use gas as a growth driver

Japan's three major city gas providers—Tokyo Gas, Osaka Gas, and Toho Gas—together account for 80% of the nation's gas supply. Of this total, the sales volume of Tokyo Gas has reached 45% of the nationwide total. Amid growing environmental awareness among corporations, industrial-use gas sales volumes have exceeded residential-use volumes since fiscal 2000, providing a driving force for overall sales growth.

Industrial-use Gas Sales Volume

(Years ended March 31)



Increasing Shared Value

As a public utility, Tokyo Gas delivers "social value" as demanded by the community. In our role as a private-sector company, meanwhile, we also provide increasing "economic value" via the capital and competitive markets. Bringing these values together, we seek to share our values with all stakeholders and achieve sustained growth.

CONTENTS

Growth through the Creation of Shared Value

The Great East Japan Earthquake and tsunami caused damage to a number of nuclear power plants on the Pacific Coast. This has created concerns that the supply-demand balance for power generation may tighten, highlighting the nation's energy security problem.

In the Special Feature 1 section of this report, the President of Tokyo Gas discusses future growth strategies, investment plans, and the profit appropriation policy. Here, he adopts the standpoint of maximizing value for both society and shareholders, in other words, "shared value," through the stable supply of energy amid changing business conditions sparked by the disaster.

In Special Feature 2, we discuss natural disaster preparedness, a major element of our social value and a matter of immediate and growing concern for everyone. Specifically, we describe the three pillars of natural disaster preparedness: prevention, emergency, and restoration.

About This Annual Report

This annual report was prepared as a communications tool that helps to foster a better understanding of the Company and to build good relationships with shareholders, investors, and a wide range of other people. In addition to the Company's operating results and business strategies, it also provides information about matters that are not as readily visible from outside the Company, such as the Company's philosophy, its approach to the environment and safety, and the features of its operations and markets.

Other Tools

Tokyo Gas Group CSR Report

The CSR Report introduces the corporate social responsibilities (CSR) that the Group is fulfilling through its business activities as well as specific initiatives.

http://www.tokyo-gas.co.jp/csr/index_e.html

Tokyo Gas Environmental Activities

This report introduces the Company's activities in the area of the environment, which is an important element in all of the Group's business activities, and introduces the superior characteristics of natural gas and the Company's initiatives.

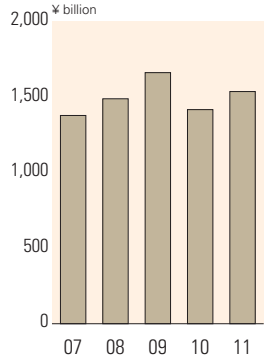
FINANCIAL HIGHLIGHTS

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

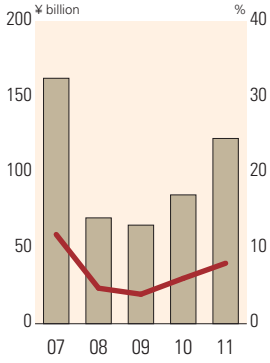
	Millions of yen (except otherwise stated)					Thousands of U.S. dollars*1 (except otherwise stated)
For the years	2007	2008	2009	2010	**2011**	**2011**
Net sales	¥1,376,958	¥1,487,496	¥1,660,162	¥1,415,718	**¥1,535,242**	**$18,496,892**
Operating income	162,315	70,048	65,204	85,229	**122,451**	**1,475,313**
Net income	100,699	42,487	41,708	53,781	**95,467**	**1,150,205**
Depreciation	133,142	142,421	141,083	146,117	**149,336**	**1,799,229**
Capital expenditures	124,556	138,006	145,929	148,186	**150,202**	**1,809,663**
Amounts per share of common stock (¥/$)						
Net income	37.50	15.94	15.63	19.86	**35.63**	**0.43**
Diluted net income*2	35.69	15.50	15.37	—	**—**	**—**
Net assets	293.11	289.49	284.72	301.58	**320.70**	**3.86**
Cash dividends applicable to the year	8.00	8.00	8.00	9.00	**9.00**	**0.11**
Total payout ratio*3 (%)	60.14	73.56	63.35	60.11	**60.86**	**—**
Payout ratio (%)	21.33	50.19	51.18	45.32	**25.26**	**—**
At year-end						
Total assets	¥1,692,635	¥1,703,651	¥1,764,185	¥1,840,972	**¥1,829,661**	**$22,044,108**
Interest-bearing debt	525,467	558,716	593,230	555,919	**584,169**	**7,038,181**
Total net assets	806,045	780,455	784,616	826,291	**874,094**	**10,531,253**
Ratios						
Operating cash flow*4	¥ 233,841	¥ 184,908	¥ 182,791	¥ 199,898	**¥ 244,802**	**$ 2,949,422**
Operating income to net sales (%)	11.8	4.7	3.9	6.0	**8.0**	**—**
Net income to net sales (%)	7.3	2.9	2.5	3.8	**6.2**	**—**
TEP*5 (Billions of yen/ Millions of U.S. dollars)	538	17	–48	186	**640**	**771**
ROE*6 (%)	13.2	5.4	5.4	6.8	**11.4**	**—**
ROA*7 (%)	5.9	2.5	2.4	3.0	**5.2**	**—**
Equity ratio (%)	47.0	45.1	43.8	44.2	**46.9**	**—**
D/E ratio*8 (times)	0.66	0.73	0.77	0.68	**0.68**	**—**
Operational data						
Gas sales volume (million m^3)	13,315	14,215	13,942	13,666	**14,745**	**—**
Number of customers (thousands)	10,207	10,380	10,513	10,637	**10,739**	**—**
LNG imports (thousand tons) (non-consolidated)	10,191	10,874	11,162	10,052	**10,692**	**—**

*1 U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥83 = US$1, the prevailing exchange rate on March 31, 2011.
*2 From the fiscal 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.
*3 Total payout ratio for fiscal year n = ((income distributed as dividends funded by net income in FY n) + (share repurchasing in FY n+1)) / (net income in FY n).
*4 Operating cash flow = net income + depreciation (including amortization of long-term prepayments)
*5 TEP (Tokyo Gas Economic Profit) = net operating profit after tax prior to interest payments - cost of capital (invested capital x WACC)
WACC: Fiscal 2009 results: 3.2% / Fiscal 2010 results: 3.2% / Fiscal 2013 outlook: 3.8%
The fiscal 2010 figure includes the gain on sales of noncurrent assets through the sale of land in Toyosu.
*6 ROE = net income / total equity (average of positions at start and end of fiscal year)
*7 ROA = net income / total assets (average of positions at start and end of fiscal year)
*8 D/E ratio = interest-bearing debt (year-end) / total shareholders' equity (year-end)

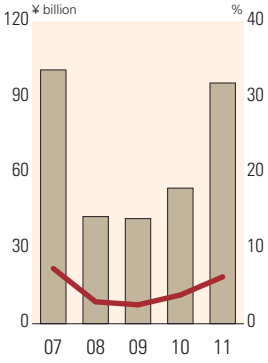
Net Sales



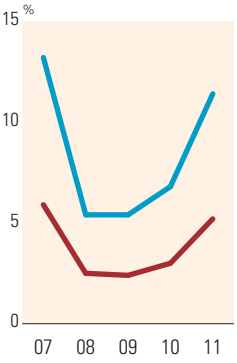
Operating Income / Operating Income to Net Sales



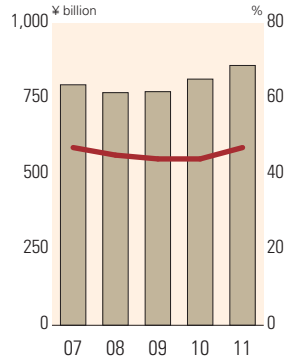
Net Income / Net Income to Net Sales



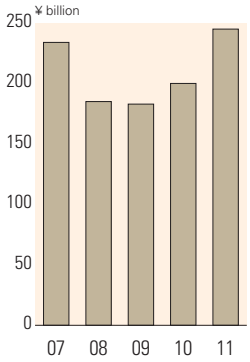
ROE / ROA



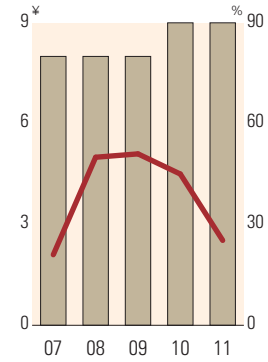
Total Equity / Equity Ratio



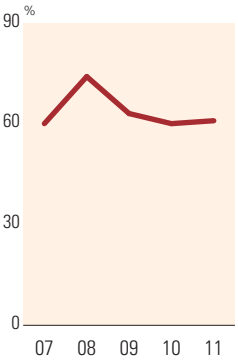
Operating Cash Flow



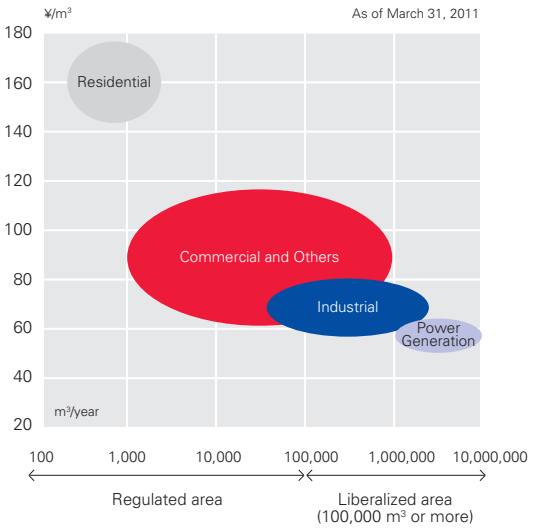
Cash Dividends Per Share / Payout Ratio



Total Payout Ratio

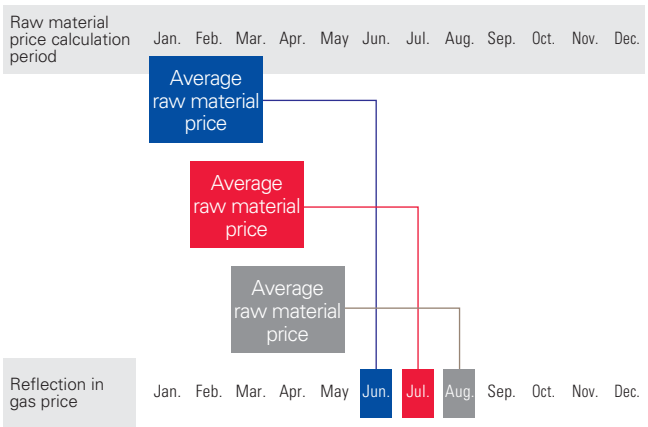


Average Gas Rates (Approximation)



Raw Material Price Calculation Period; Gas Price Reflection Period

The average raw material price of the past three months is calculated every month, then reflected in the gas price three months later.



President and Representative Director Tsuyoshi Okamoto

With our nation engaged in a process of restoration in the aftermath of the Great East Japan Earthquake, the Tokyo Gas Group's social mission—the supply of energy to the Tokyo metropolitan area—has assumed extreme importance. The need for natural gas, which is in stable supply and environmentally friendly, is now greater than ever. In this context, we will place heightened emphasis on our "integrated energy business, with natural gas at its core," which we have been promoting for some time. By so doing, we will meet the expectations of society, our customers, shareholders, and all other stakeholders to the maximum extent.

Fiscal 2010 in Review

Increased gas sales volume boosts revenue; earnings significantly higher, buoyed by lower depreciation of pension actuarial differences

The Great East Japan Earthquake, which struck on March 11, 2011, caused no major damage to the Group's equipment and facilities. Although supply was temporarily suspended to around 30,000 customers in part of our city gas supply area (around Hitachi City, Ibaraki Prefecture), for the most part, the situation was restored to normal within a week.

In fiscal 2010, consolidated net sales amounted to ¥1,535.2 billion, up 8.4% from the previous fiscal year, and the gas sales volume rose 7.9%, to 14,745 million m^3. The main factors contributing to these increases were growth in demand for hot water and heating due to a cool springtime, higher demand for air conditioning during an extremely hot summer, and additional demand for power generation at our newly operational Ohgishima Power Station. Also contributing to revenue growth was an

increase in gas unit prices under the gas rate adjustment system triggered by rising raw materials prices.

Operating income increased 43.7%, to ¥122.4 billion. A key factor boosting earnings was a ¥51.9 billion year-on-year improvement in depreciation of pension actuarial differences. By contrast, there was a ¥34.9 billion decline in net inflows by the parent company, stemming from the slide time lag, the time taken to translate increased raw materials costs into gas unit prices.

Although incurring extraordinary losses of ¥3.2 billion due to the Great East Japan Earthquake, the Group benefited from a ¥39.7 billion gain on the sale of land in Toyosu. Consequently, after deducting income taxes, net income surged 77.5%, to ¥95.4 billion.

Our shareholder return policy is to maintain a total payout ratio of 60%, meaning that the sum of dividends paid and share buybacks should equal at least 60% of net income. Under this policy and in light of our performance, we declared annual cash dividends of ¥9.00 per share, unchanged from the previous fiscal year. During the period under review, we decided to make share repurchases totaling ¥34.0 billion.

Outlook for Fiscal 2011

Income forecast to decline due to rising raw materials costs

In the year ahead, we do not expect seasonal temperature-related factors to boost revenue, as happened in the year under review. On a consolidated basis, therefore, the Group forecasts a 0.8% year-on-year dip in gas sales volume, to 14,626 million m^3. Nevertheless, we forecast a 11.1% increase in net sales, to ¥1,705.0 billion, owing to increases in gas unit prices stemming from an expected year-on-year jump in crude oil prices, which determine LNG prices, of around US$30 per barrel.

We forecast a 49.5% fall in operating income, to ¥61.0 billion. There are two main factors behind this estimate: a projected ¥18.1 billion decline due to a worsening slide time lag by the parent company accompanying rising raw materials costs; and a ¥7.5 billion decrease in net inflows from incidental income, such as sales of LNG and electric power. These factors are based on a projected average crude oil price of US$111.2 per barrel and an average exchange rate for the year of ¥80.4 per U.S. dollar. Our forecast also assumes a ¥22.6 billion increase in personnel expenses on higher costs from pension actuarial differences. Due also to the absence of income generated in the previous fiscal year—the gain on the sale of land in Toyosu—we forecast a 61.2% decline in net income, to ¥37.0 billion.

FY2011 Forecast (Years ended March 31)	Billions of yen (except otherwise stated)	
	FY2010	**FY2011**
Gas sales volume (million m^3, 45MJ)	14,745	**14,626**
Net sales	1,535.2	**1,705.0**
Operating expenses	1,412.7	**1,644.0**
Operating income	122.4	**61.0**
Ordinary income	121.5	**58.0**
Net income	95.4	**37.0**
Slide time lag effect (non-consolidated basis)	–29.2	**–47.3**
Amortization of actuarial differences (non-consolidated basis)	+19.9	**–2.7**
JCC ($/bbl)	84.14	**111.24**
Exchange rate (¥/$)	85.74	**80.43**

The forecast figures for fiscal 2011 are as of June 30, 2011.

With respect to our outlook for fiscal 2011, we remain uncertain about the full impact of the earthquake. On one hand, for example, demand for city gas will decline due to lower utilization of capacity at factories and offices forced to reduce electricity use as a result of tightening power supply-demand pressures. On the other hand, demand for natural gas should rise on the back of increased use of natural gas for power generation and greater deployment of cogeneration systems. Accordingly, we will revise our forecasts in a flexible manner as soon as we are able to make quantitative evaluations.

* The forecast figures for fiscal 2011 are as of June 30, 2011.

Progress Report on Medium-Term Management Plan

Steady progress in establishing a multi-energy supply system and upgrading core infrastructure

The Tokyo Gas Group is making good progress with several strategies outlined in its Medium-Term Management Plan FY2009–2013. In power generation, the Group's central strategic business, we commenced operations at the Ohgishima Power Station in July 2010 and increased our total power generation capacity to 1,300 MW. We also made steady progress with the Chiba-Kashima Line, the gas pipeline we are building with the aim of tapping new demand in the Kanto region, which covers a 200-kilometer radius around Tokyo. Our plan to supply gas through the pipeline is on track to start in March 2012. Turning to our "ENE-FARM" residential-use cogeneration systems, which are now in their third year of sales, we planned further cost reductions and space savings in introducing a new model in April 2011. We are working to expand sales via Tokyo Gas LIFEVAL, a community-based marketing system introduced in September 2009.

In the aftermath of the Great East Japan Earthquake, two Tokyo Gas commitments—the stable and safe supply of energy, and our rigorous, customer-driven approach to highlighting the benefits of natural gas—are gaining in importance. Emphasizing these core themes, we will strengthen our LNG procurement capability, upgrade our infrastructural foundations, address the energy-saving needs of customers, promote the introduction of dispersed energy systems, and build smart energy networks.

"Shared Value" and "Shareholder Value"

Raising shareholder value by maximizing the Group's value to society

Revised in June 2010, the Japanese government's Basic Energy Plan will need to be reviewed once again due to the Great East Japan Earthquake. Given that a reassessment of nuclear power generation is inevitable, the need for natural gas—which excels in terms of environmental friendliness, economy, stability of supply, and convenience—will certainly rise. For some time, the Tokyo Gas Group has been promoting itself as an integrated energy business with natural gas at its core. Continuing along this path will take on increasing relevance.

The stable supply of energy forms the basis for customer living standards and social progress. As a supplier of energy to the Tokyo metropolitan area, our vital mission remains that of supplying energy in a safe and stable manner and thereby contributing to society's advancement. In this regard, progress made in regional communities and society is inextricably linked with that made by the Group; they are one and the same. Accordingly, I am convinced that sharing and maximizing the Group's value to society will ultimately lead to increased shareholder value.

July 2011
President and Representative Director　Tsuyoshi Okamoto

GROWTH THROUGH THE CREATION OF SHARED VALUE

SPECIAL FEATURE 1: INTERVIEW WITH THE PRESIDENT

As a provider of energy in the Tokyo metropolitan area, today more than ever Tokyo Gas is required to do all it possibly can to ensure the stable supply of energy. The Tokyo Gas Group strives to increase shareholder value by fulfilling its social mandate, which is to spread and expand the use of natural gas.

Q.1 The Great East Japan Earthquake has turned the spotlight on Japan's energy security. Do you think Tokyo Gas needs to be better prepared for earthquakes?

Existing Infrastructure Displayed Excellent Earthquake Resistance

Tokyo Gas has measures in place that cover the three stages of "prevention," "emergency," and "recovery" in the event of a major earthquake. The three LNG terminals and the trunk pipelines around Tokyo Bay were designed to withstand earthquakes of the size of the Great Hanshin-Awaji Earthquake (M7.3) in 1995 and the Great Kanto Earthquake (M7.9) in 1923. They stood up well in the March 2011 earthquake, as evidenced by the minimal amount of damage sustained by our production and supply facilities. In the Tohoku region too, which is near the epicenter of the M9.0 earthquake—the largest ever recorded in Japan—our LNG tanks and high-pressure pipelines survived virtually intact, even though the tsunami damaged electrical equipment at an LNG terminal.

In addition, we have an earthquake damage prevention system called "SUPREME" (Super-dense Real-time Monitoring of Earthquakes), which automatically shuts off the gas supply when it detects a quake with a magnitude over a certain level. On March 11, the system worked properly, which meant that we were able to prevent secondary damage caused by fire.

Tsunami and Power Outage Planning

In response to the recent tsunami that devastated areas in the Tohoku region, we have specified a height for coastal revetments at LNG terminals. This height is based on the assumed height of a tsunami that would result when a record magnitude epicentral earthquake occurs, or when linked earthquakes occur in the Tokai, East Nankai, and Nankai regions. In addition to re-examining existing assumptions, we will keep a close watch on the Central Disaster Management Council and academic conferences where discussions on earthquake-resistant design standards and tsunami theories take place, and will determine the need for additional measures accordingly.

As for power outage planning, our systems allow for back-up production and supply using the two remaining terminals, enabling us to meet virtually all demand when electricity supply to one terminal is stopped. In the unlikely event of a simultaneous power outage at all three terminals, we can continue supplying a certain quantity of gas using emergency power generators. Going forward, we will evaluate the risk of a total power outage while taking into account demand estimates for such an event.

Q.2 Given changing business conditions following the great earthquake, has Tokyo Gas altered its sales strategy, which focuses on combating the push to all-electric houses?

No Change in Basic Strategy

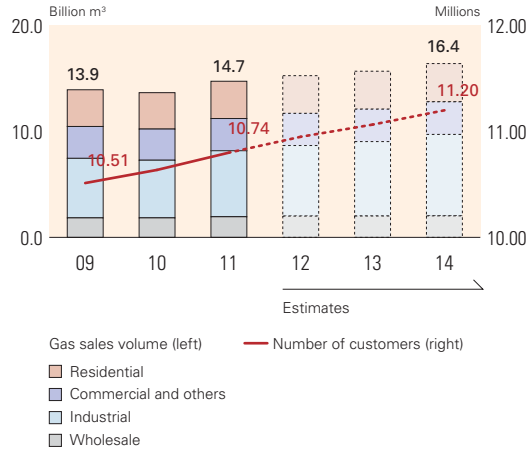
The operating environment has seen various changes since the earthquake, including a sharp rise in demand for gas for thermal power plants, a shift from large-scale system-based power systems to dispersed energy systems, and review and reassessment of the shift to all-electric houses. Nonetheless, it is precisely at a time like this that we need to "develop the integrated energy business," with natural gas at its core, which is being promoted by the Group. Therefore, we will continue efforts to spread and expand the use of natural gas by highlighting the advantages of natural gas over other energy forms such as environmental friendliness, stable supply, and convenience.

Greater Focus on Energy Diversification, Centering on Natural Gas

In June 2010, the Japanese Cabinet approved the government's Basic Energy Plan, which is based on the spread and expansion of nuclear power. We at Tokyo Gas recognize that a review of this Plan is inevitable and that there will be discussions on a new energy strategy in the near future.

Amid this environment, and from the perspectives of security and stable supply as well, the goal of achieving the best mix of energy sources will become increasingly important. This entails meeting the demand for energy through the proliferation of dispersed energy systems that use a variety of energy sources, including natural gas and renewable energy. Tokyo Gas will also play its part by promoting energy diversification centering on natural gas, which combines renewable energy and cogeneration with a shift to natural gas and the advanced use of natural gas.

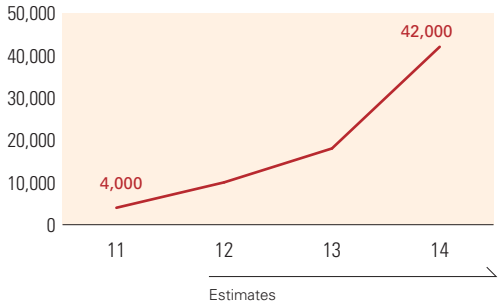
Gas Sales Volume and Number of Customers
(Years ended March 31)



Emphasizing the High Added Value of Natural Gas

In order to increase the adoption of dispersed energy systems by households, Tokyo Gas is working to spread and expand the use of its "ENE-FARM" residential-use cogeneration system. In Japan, the number of members per household is expected to decrease, and the diffusion of energy-efficient appliances is expected to increase. "ENE-FARM," which supplies electricity as well as hot water, not only enhances the added value of natural gas, but also contributes to a low-carbon society through its energy efficiency and low carbon dioxide emissions. In April 2011, we released a new model of the "ENE-FARM" system, which is about half the size of its predecessor, is easier to install, and costs considerably less. By making further cost reductions, we plan to generate momentum for increased use of "ENE-FARM." Going forward, we will also promote the use of renewable energy, including double power generation, which combines "ENE-FARM" fuel cell and solar power generation, and "SOLAMO," a gas hot water system that also uses solar heat. By enhancing the added value of natural gas in these ways, we will work to increase demand for residential systems.

Number of Installed "ENE-FARM" (units)
(Non-consolidated)
(Years ended March 31)

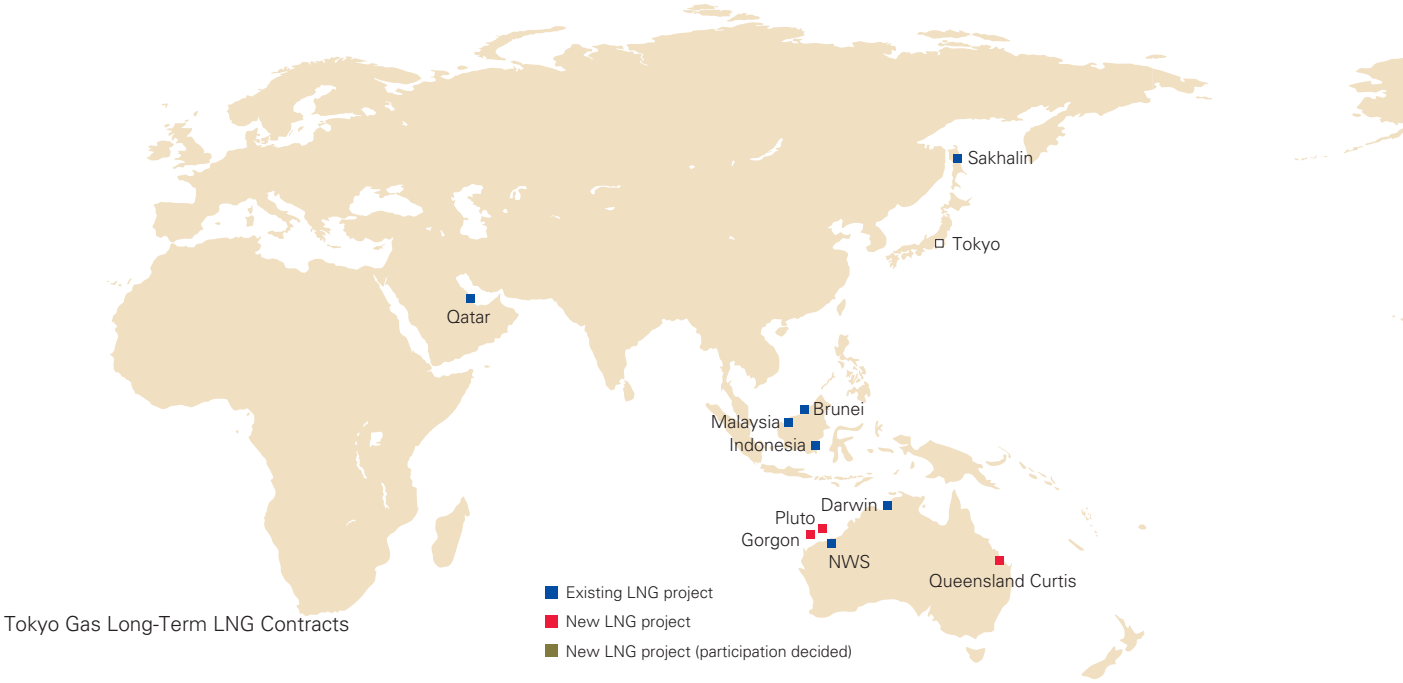


"ENE-FARM" Sales (Annual Basis) (units)
(Non-consolidated)
(Years ended March 31)

	2010	**2011**	Estimate 2012
Newly built houses	700	**1,200**	2,500
Existing houses	800	**1,200**	2,500
Total	1,500	**2,400**	5,000

New "ENE-FARM" product launch
(left: Fumio Ohtsubo, President of Panasonic Corporation; right: Tsuyoshi Okamoto, President of Tokyo Gas Co., Ltd.)

"SOLAMO" gas hot water system that also uses solar heat



Tokyo Gas Long-Term LNG Contracts

Q.3 The Great East Japan Earthquake has led to a sharp increase in domestic LNG demand. How do you view the demand-supply situation for LNG, and what measures are you taking to ensure stable LNG procurement?

LNG Demand-Supply Balance Anticipated in the Long Term

The damage incurred to Tokyo Electric Power Company's Fukushima Daiichi Nuclear Power Plant has led to delays in restarting other nuclear reactors throughout the country that were undergoing regular inspections. In this context, we expect to see construction of new gas thermal power generation facilities that are alternative power sources, as well as the expansion and increased capacity utilization of existing facilities, which will lead to an increase in LNG imports. Nevertheless, we can look forward to a number of new LNG projects and an increase in the supply of shale gas and other unconventional forms of natural gas. We expect this will permit sufficient LNG supply capacity and a better demand-supply balance in the long term.

Stable Procurement that Meets Requirements

Amid concerns about tight gas supply in the short term and our dependence on imports for nearly 100% of LNG, the raw material used to produce natural gas, we are focusing on how to diversify LNG procurement. We are targeting stable, competitive LNG procurement by diversifying the methods of procurement while basically adopting a strategy of long-term agreements with politically stable regions.

At present, Tokyo Gas procures LNG through long-term agreements with 10 projects in six countries. Recently, we have been diversifying our resource procurement portfolio by actively pursuing procurement of unconventional forms of natural gas. In addition to the new Pluto and Gorgon Projects for conventional forms of natural gas, in March 2011 we signed an agreement to purchase LNG from the Queensland Curtis LNG Project, the world's first coal-bed methane (CBM) LNG project. By obtaining some upstream interests through projects such as these, we are assuring the stable procurement of resources. In May 2011, we decided to participate in a shale gas development project in Canada. Our ultimate aim is to ensure competitive LNG procurement by converting shale gas produced in North America to LNG and then importing it into Japan.

Bayu-Undan Gas Field in the Timor Sea
Gas produced at this gas field is transported to the Darwin LNG Plant, liquefied, and sold. This is the Company's first upstream project.

Q.4 What criteria do you apply for acquiring upstream interests? Also, please outline the Company's policy going forward.

Stable Procurement of Gas Resources is the Primary Objective

When acquiring upstream interests, we look for LNG procurement candidates that enable us to (1) strengthen our relationship with the vendor and thus achieve stable, long-term LNG procurement; (2) obtain the latest important data, including data about short- and long-term LNG supply capacities; and (3) reduce to a certain extent the risks associated with fluctuations in crude oil prices and exchange rates. We also seek projects from which we can expect to receive solid returns.

At present, Tokyo Gas has a 3.07% interest in the Darwin Project, a 5.0% interest in the Pluto Project, a 1.0% interest in the Gorgon Project, and a 1.25% interest in the Queensland Curtis LNG Project, all of which are in Australia.

As for the risks associated with acquiring upstream interests, when looking at the estimated profitability of a project, we set fairly conservative standards for crude oil prices and other criteria. A project must also be able to meet the investment benchmark of delivering a certain internal rate of return (IRR). I should also mention that we are already receiving dividends from the Darwin Project, our first upstream project. In the overseas independent power producer (IPP) wholesale electricity business, meanwhile, in December 2009, we acquired a thermal power generation operation in Mexico together with Mitsui & Co., Ltd. through our holding company. Although this is not an upstream interest, it has enabled us to strengthen our global LNG value chain.

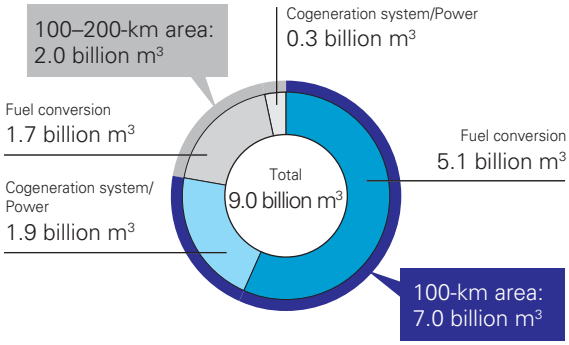
Today, there are few projects that can fulfill such stringent investment criteria. If a promising project comes along, however, we will not hesitate to invest in it while maintaining a sound financial position that gives us financial leverage whenever needed.

Q.5 Please tell us about the Company's infrastructure plans for the future. Also, hasn't the recent earthquake been a major impediment to infrastructure development?

Chiba-Kashima Line Progressing Steadily

We estimate that within the Tokyo Gas supply area, which covers a 200-kilometer radius around Tokyo, there is latent demand for around 9.0 billion m^3 of gas, especially in the industrial sector. This includes demand for conversion from other fuels and cogeneration. In order to meet this growing demand for natural gas, we are endeavoring to expand our manufacturing and supply infrastructures.

Potential Demand of the Kanto Market
(200-km area around Tokyo)



In May 2010, we completed construction of a central line that runs north to south through the trunk line that loops the Tokyo area. In addition to strengthening the supply stability of the loop trunk line, the line's completion also raises supply capacity to the northern Kanto region, where demand is projected to increase. Construction of a high-pressure pipeline connecting Chiba and Kashima, which is scheduled to begin service in March 2012, is also proceeding smoothly. This too will enable Tokyo Gas to meet expansion in demand for fuel conversion and power generation.

No Change in Completion Date of the Hitachi Project

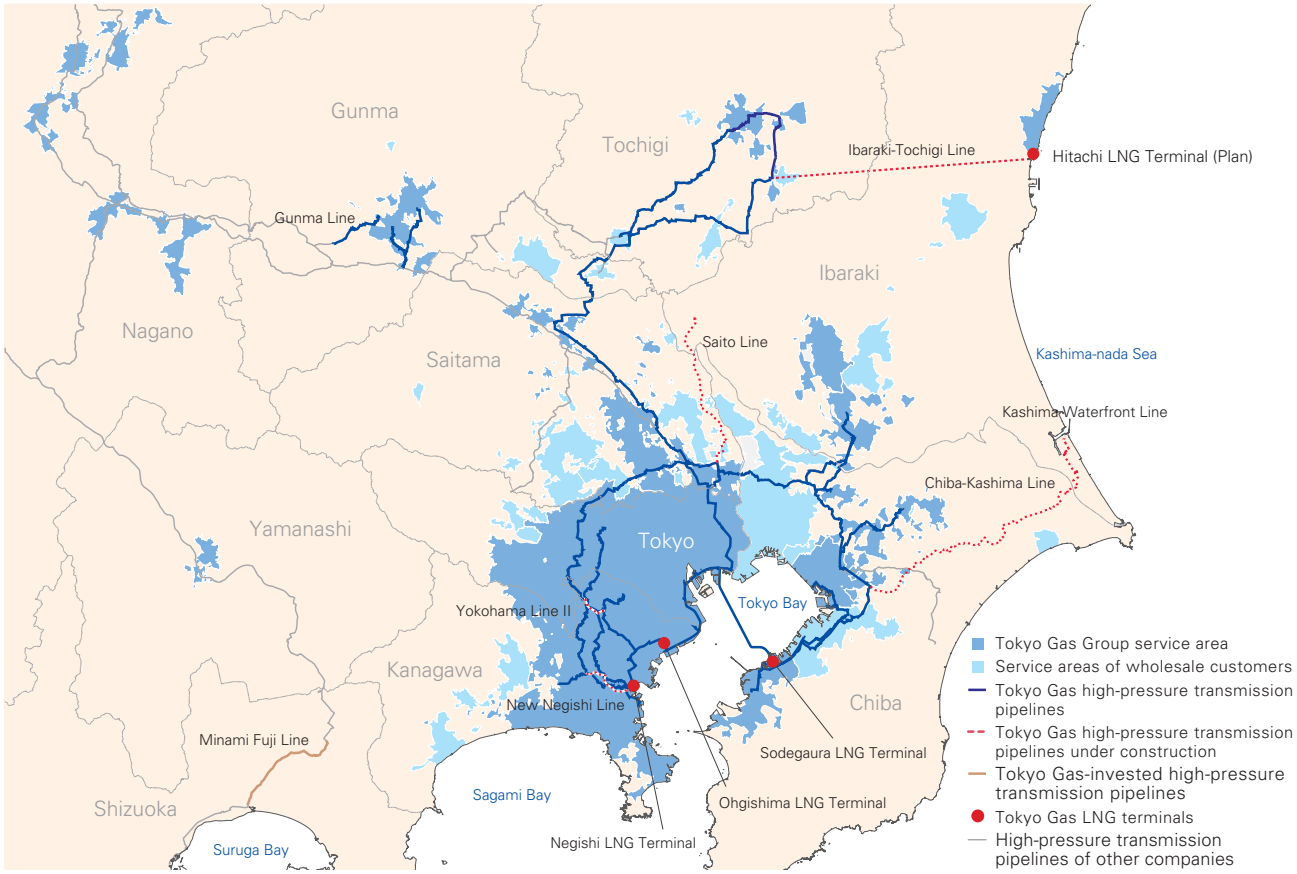
We estimate that between 2016 and 2020, the Company's gas sales volume will reach the upper limit of its current supply capacity of 18.0 billion m^3 per year. Consequently, we are implementing the Hitachi Project, which will see the construction of a fourth LNG terminal, "the Hitachi LNG Terminal," in the Ibaraki Port Hitachi District in Ibaraki Prefecture, as well as a high-pressure pipeline from the terminal to Moka City, Tochigi Prefecture. We brought forward the original scheduled completion date by two years,

Facility Investment Plans (Non-consolidated)
(Years ended March 31)

Billions of yen

	2011 (Forecast)	2012	2013	2014	2015	2016	**2012–2016 (Total)**
LNG facilities	¥ 4.4	¥ 20.5	¥ 35.4	¥ 23.8	¥ 15.9	¥ 7.6	**¥ 103.2**
Other	5.7	4.6	10.2	3.2	1.7	2.5	**22.3**
Production facilities	10.2	25.1	45.6	27.1	17.5	10.1	**125.5**
Trunk line investment	12.8	9.6	18.8	16.0	11.9	7.7	**64.0**
Other	62.2	60.4	56.5	57.0	55.1	54.5	**283.5**
Supply facilities	75.0	69.9	75.3	73.1	67.0	62.1	**347.5**
Business facilities	19.6	25.0	18.1	26.2	34.3	29.2	**132.7**
Subtotal gas business facilities (Reduction entry of land contribution for construction)	104.9	120.0	139.1	126.3	118.8	101.5	**605.7**
Incidental facilities	0.9	0.8	0.6	0.5	0.5	0.5	**2.9**
Total (Reduction entry of land contribution for construction)	¥ 105.7	¥ 120.9	¥ 139.7	¥ 126.8	¥ 119.3	¥ 102.0	**¥ 608.5**

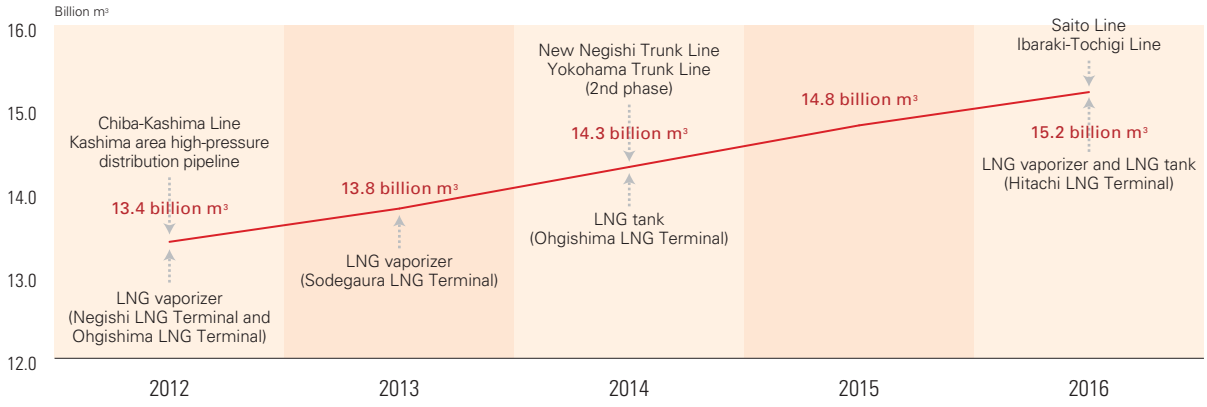
Major Plans for Infrastructure Development



and plan to start operations in fiscal 2015. The new terminal will add another Pacific Coast location to the Company's existing LNG terminals, which are concentrated around Tokyo Bay. The extension of the pipeline from northern Kanto will dramatically improve the stability of our supply network.

It is possible that the recent earthquake will necessitate a review of some of the design specifications, including aspects that address liquefaction and tsunami planning. Nevertheless, with the need for the stable supply of energy greater than ever, we have not changed the scheduled completion date.

Demand Outlook and Facility Formation Plans (Non-consolidated)
(Years ending March 31)



No.1 and No.2 units at the Ohgishima Power Station (Each has an output capacity of 407.1 MW)

Q.6 At a time when there are concerns of insufficient electricity supply in the Tokyo metropolitan area, what sort of measures is Tokyo Gas taking?

Full Cooperation to Ensure Stable Electricity Supply

This summer and next summer, the Japanese government, society, and companies face the same problem of adjusting electricity usage to meet supply capacity, especially in the Tokyo metropolitan area. As one of the energy providers serving that area, the Tokyo Gas Group will do whatever it can to help alleviate this problem.

In addition to the stable supply of gas for power generation, we will offer our cooperation by raising output of our own power stations based on requests from the Tokyo Electric Power Company. At the same time, we will step up the promotion of onsite power generation and gas air conditioning.

At present, the Tokyo Gas Group has four power stations, which has increased our total power generation capacity to 1,300 MW. In 2010, we commissioned the No.1 and No.2 units at the Ohgishima Power Station in March and July, respectively. This station, which contributes 610 MW to our power generation capacity, uses cutting-edge combined cycle gas turbines that boast a 58% power generation efficiency. Immediately after the earthquake when electricity supply was tight, we helped stabilize electricity supply by putting these Group power stations into full operation.

Tokyo Gas Group's Large-scale Power Stations

Company	Capacity	Tokyo Gas interest	Our ownership share	Operating status
Tokyo Gas Baypower	100 MW	100%	100 MW	Startup in October 2003
Tokyo Gas Yokosuka Power	240 MW	75%	180 MW	Startup in June 2006
Kawasaki Natural Gas Power Generation	840 MW	49%	410 MW	Startup in April 2008
No.1 and No.2 units at the Ohgishima Power	810 MW	75%	610 MW	Startup in March and July 2010*

⇒ Our ownership share to 1,300 MW

* The timing for the construction of No. 3 unit (output capacity of around 400 MW) has not yet been determined.

Q.7 Since the earthquake, there has been more demand for in-house power generation systems. Have you had many inquiries for cogeneration systems? Also, please update us on the use of renewable energy sources.

Higher Demand from Factories and Hospitals for Cogeneration Systems

Due to concerns of tight electricity supply during this summer, we have received more and more inquiries about dispersed energy systems, such as cogeneration systems, as a means of securing an emergency power source. These include a large number of inquiries from factories and hospitals. Depending on the size of the system and how it operates, some systems can be installed relatively quickly, while others require more time. We would like customers to make use of schemes such as the subsidies offered by the Japanese government so that we can meet their needs for stable electricity as soon as possible.

Looking further ahead than this summer, we are focusing on promoting increased adoption of cogeneration systems. Our solutions are not confined to emergency power supplies, but extend to systems that use waste heat, as well as highly energy-efficient systems that have minimal transmission loss because the power is generated where it is used.

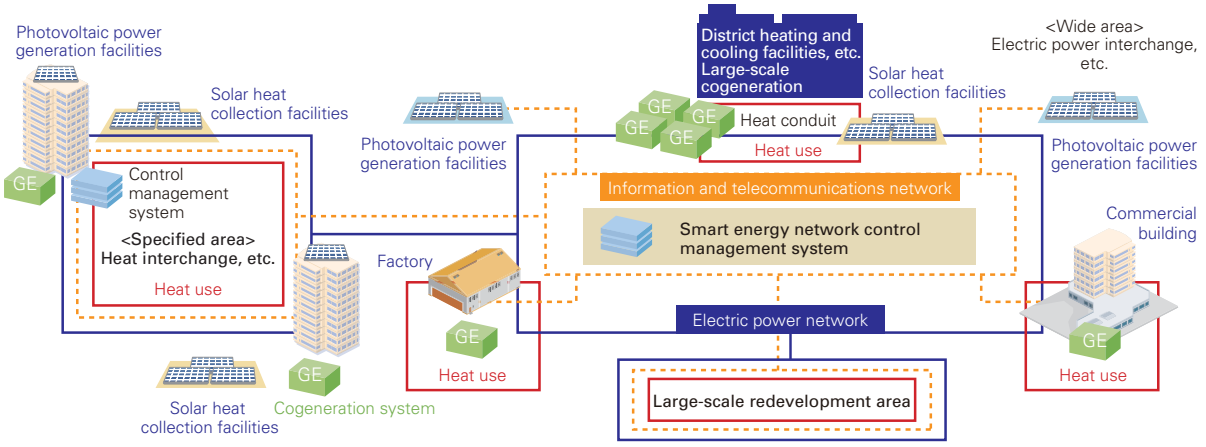
Proposals for Smart Energy Networks

Tokyo Gas offers a variety of options for using renewable energy sources. They include double power generation, which combines solar power generation and "ENE-FARM" fuel cells, and "SOLAMO," a gas hot water system using solar heat. We are also branching out into the wind power generation business, as reflected by our investment in Shonai Wind-Power Generation Co., Ltd. in April 2011.

We also offer cutting-edge "smart energy networks." They are similar to the "smart grid" concept, which supplies electricity through efficient supply-side and demand-side control. A smart grid uses a "smart meter," which is a networked electricity meter, to measure the amount of power consumed and the amount of power generated by solar, wind, biomass, and other renewable energy sources. A "smart energy network" takes this concept one step further because it combines electricity and heat generated by gas cogeneration systems to provide an optimal mixture of different energy forms at a local community level. A smart energy network, independent of a large-scale system-based electricity network, acts as a dispersed power source that can supply emergency power when a disaster occurs.

Currently in the demonstration stage, we are trialing smart energy networks in Yokohama and other locations. Going forward, we would like to present proposals for smart energy networks at the town planning stage of regional redevelopment projects.

Smart Energy Network



Q.8 Has the change in earnings affected the Company's basic policy on shareholder returns? Please tell us about your investment policies and plans.

Stable Dividends a Top Priority

Our basic policy under the medium-term management plan, which ends in fiscal 2013, is to maintain a 60% total payout ratio, including dividends and share buybacks. While remaining committed to paying stable dividends, we also plan to steadily increase dividend payments.

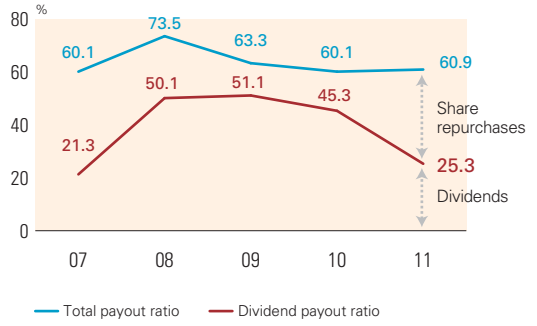
In the year under review, we declared an annual dividend of ¥9.00 per share for the second consecutive year after raising the annual dividend by ¥1.00 in fiscal 2009. In addition to total dividend payments of ¥24.1 billion, we will allocate ¥34.0 billion to repurchasing Company shares, which will be retired swiftly thereafter during fiscal 2011. These actions will bring the total payout ratio to 60.9%.

For fiscal 2011, we forecast a net income of ¥37.0 billion. This forecast is based on losses caused by a slide time lag effect coupled with expected increases in crude oil prices. Even so, we intend to maintain annual dividends at ¥9.00 per share.

Pursue Aggressive Investment while Maintaining Financial Soundness

In fiscal 2011, we forecast a decline in income due to higher raw material costs and the absence of one-time gains recorded in fiscal 2010. We also expect the D/E ratio for fiscal 2011 to increase from 0.68 to 0.73. One main factor behind this increase will be the start of full-scale capital investment in the Hitachi Project of more than ¥100 billion due to the need to expand our manufacturing and supply infrastructures to keep up with the rising demand for natural gas. However, we expect to continue generating stable operating cash flows and plan to make steady investments while maintaining a sound financial position.

Change in Total Payout Ratio
(Years ended March 31)



Use of FY2011 Cash Flow

Capital expenditure		Major projects	
Tokyo Gas Co., Ltd.:	¥122.3 billion (+¥20.0 billion, +19.6%)	Production facilities:	¥25.1 billion (+¥16.0 billion) Construction of Hitachi LNG terminal, Ohgishima LNG tank, etc.
		Distribution facilities:	¥70.2 billion (–¥4.0 billion) New trunk & service line, maintenance (existing lines, etc.)
		Service and maintenance facilities:	¥26.9 billion (+¥7.9 billion) System-related cost, renovation of aging facilities, etc.
Consolidated subsidiaries total:	¥47.4 billion (–¥2.5 billion, –5.1%)	Overseas business (Total ¥21.3 billion for Australian subsidiary) Renovation of district heating and cooling system, etc. ¥8.7 billion (ENERGY ADVANCE Co., Ltd.)	
Total	**¥167.0 billion (+¥16.8 billion, +11.2% after eliminations)**		

* Figures in parentheses refer to comparisons with FY2010.

SPECIAL FEATURE 2: THREE INITIATIVES FOR SECURITY, SAFETY, AND RELIABILITY

Supply Control Center

Sitting on top of four colliding tectonic plates, Japan is known as an earthquake-prone nation. As a provider of public services to the nation's economic center, it is our duty to enhance our social value by continuing to ensure a stable supply of energy, while making safety the foremost priority.

Natural disasters pose a serious threat to Tokyo Gas. Constantly aware that a disaster could occur tomorrow, the Company's crisis management system is based on the three pillars of "prevention," "emergency," and "restoration." Preventive measures help minimize damage when a major earthquake occurs; emergency measures prevent secondary damage, such as fires and explosions; and restoration measures target the resumption of gas supplies as soon as possible. Ensuring that these three disaster preparedness pillars are firmly in place is intricately linked to raising our social value and enhancing the Tokyo Gas brand, which centers on "security, safety, and reliability."

1 PREVENTIVE MEASURES

We Have Built Production and Supply Facilities Using Advanced Seismic Design Standards and We Have Doubled and Tripled Safety Precautions.

City gas produced at our three LNG terminals on the shores of Tokyo Bay is supplied to households, office buildings, commercial facilities, and factories via an extensive pipeline network. Gas is sent from the terminals through a high-pressure trunk pipeline that loops the Tokyo area, then through a network of medium-pressure pipelines, which branch into many low-pressure pipelines.

These city gas production facilities have been built so that they are capable of withstanding earthquakes on a scale similar to the Great Hanshin-Awaji Earthquake (M7-class earthquakes).

The surface level of the liquid stored in some of the largest underground tanks in the world is always below ground level. Consequently, even in the unlikely event of a crack or break in a tank, the LNG could not seep outside.

Tokyo Gas is able to provide stable supplies of city gas using its safe production and supply system, which has been constructed to withstand major earthquakes and other natural disasters. Nonetheless, we have had to face the reality that the recent Great East Japan Earthquake triggered unexpected developments that caused serious accidents. Therefore, we are currently investigating measures needed to ensure an even higher safety threshold, which we will implement in due course.

Tokyo Gas Uses Strong Pipelines Capable of Withstanding Movements in the Earth's Crust.

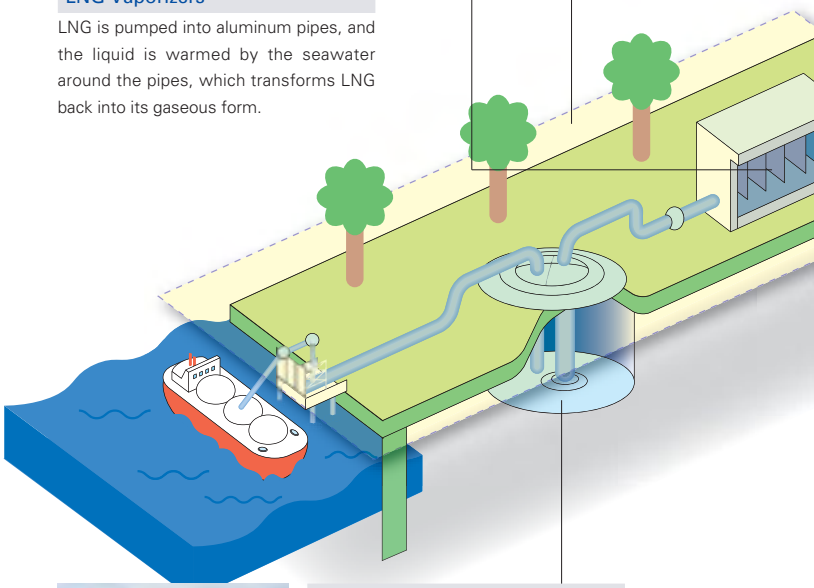
Because almost all of our pipelines are underground, ground movement during an earthquake can have a direct impact on them. This is why Tokyo Gas uses high-pressure and medium-pressure pipelines made from welded steel pipes that provide exceptional strength and flexibility. In both the Great Hanshin-Awaji Earthquake and the recent Great East Japan Earthquake, the pipes exhibited excellent earthquake resistance.

City Gas Production Terminals

LNG transported by LNG vessels is stored in underground tanks at three terminals on the shores of Tokyo Bay. There, the LNG is vaporized and odorized before being sent out as city gas.

LNG Vaporizers

LNG is pumped into aluminum pipes, and the liquid is warmed by the seawater around the pipes, which transforms LNG back into its gaseous form.

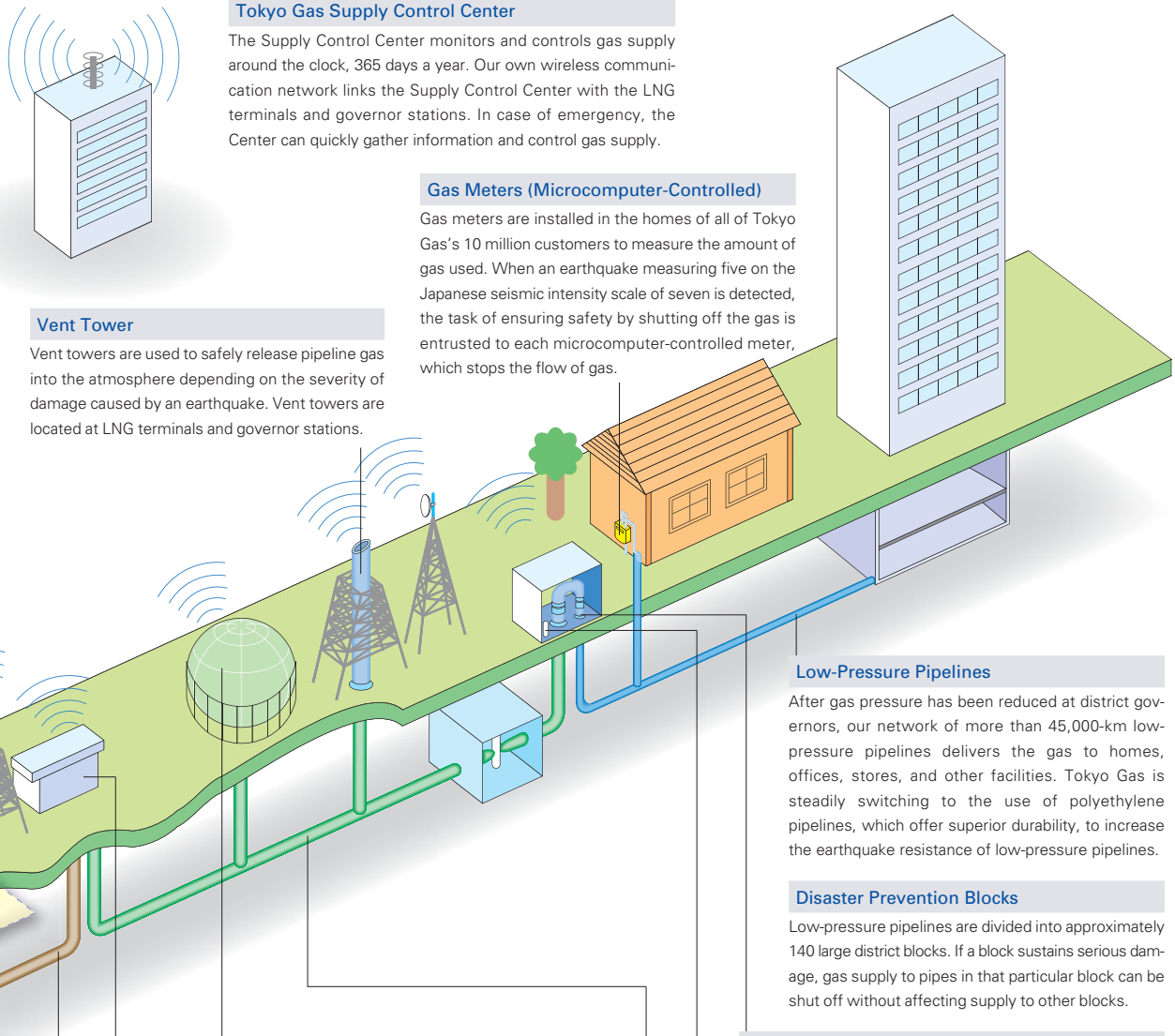


Underground Tanks

LNG is stored in underground tanks that are made to withstand M7-class earthquakes. Even in the unlikely event of damage to a tank, the LNG cannot leak because the surface level of the liquid is always below ground level.

High-Pressure Pipelines

The high-pressure pipelines that connect one terminal with another and terminals with governor stations are made of strong steel pipes that are welded together. Tokyo Gas patrols the ground above the pipelines on a routine basis. Our high-pressure pipelines withstand the force similar to the Great Hanshin-Awaji Earthquake, with no interruption to gas supplies.



Tokyo Gas Supply Control Center

The Supply Control Center monitors and controls gas supply around the clock, 365 days a year. Our own wireless communication network links the Supply Control Center with the LNG terminals and governor stations. In case of emergency, the Center can quickly gather information and control gas supply.

Gas Meters (Microcomputer-Controlled)

Gas meters are installed in the homes of all of Tokyo Gas's 10 million customers to measure the amount of gas used. When an earthquake measuring five on the Japanese seismic intensity scale of seven is detected, the task of ensuring safety by shutting off the gas is entrusted to each microcomputer-controlled meter, which stops the flow of gas.

Vent Tower

Vent towers are used to safely release pipeline gas into the atmosphere depending on the severity of damage caused by an earthquake. Vent towers are located at LNG terminals and governor stations.

Low-Pressure Pipelines

After gas pressure has been reduced at district governors, our network of more than 45,000-km low-pressure pipelines delivers the gas to homes, offices, stores, and other facilities. Tokyo Gas is steadily switching to the use of polyethylene pipelines, which offer superior durability, to increase the earthquake resistance of low-pressure pipelines.

Disaster Prevention Blocks

Low-pressure pipelines are divided into approximately 140 large district blocks. If a block sustains serious damage, gas supply to pipes in that particular block can be shut off without affecting supply to other blocks.

District Governors (Pressure Regulators)

District governors reduce the pressure of gas transferred through medium-pressure pipelines, then sends it on through low-pressure pipelines. All district governors are equipped with earthquake sensors. When a sensor detects an earthquake measuring lower six on the Japanese seismic intensity scale of seven, the district governor automatically shuts off gas supply.

Gas Holder

A gas holder is a spherical container made from high-strength steel plates. It stores gas during the day to meet the demand fluctuation between day and night. A gas holder can withstand a strong earthquake such as the Great Hanshin-Awaji Earthquake. An ignition source will not ignite or explode when placed in a gas holder that contains no air.

Earthquake Sensors (Seismometers)

A seismometer detects the seismic intensity felt by a building during an earthquake. Seismometers are linked to the automatic shut-off system at the nearest district governor so that supply can be immediately shut off when seismic intensity reaches a predetermined level.

Governor Stations

Governor stations are facilities that adjust gas pressure. The pressure of gas sent from a terminal is reduced at a governor station before it is delivered to a medium-pressure pipeline.

Medium-Pressure Pipelines

After gas pressure has been reduced at governor stations, it is sent to district governors located in each area via medium-pressure pipelines. As is the case with high-pressure pipelines, most of these pipelines are buried below ground. They are made by welding strong steel pipes together and are designed to withstand earthquakes on a scale similar to the Great Hanshin-Awaji Earthquake.

2 EMERGENCY MEASURES

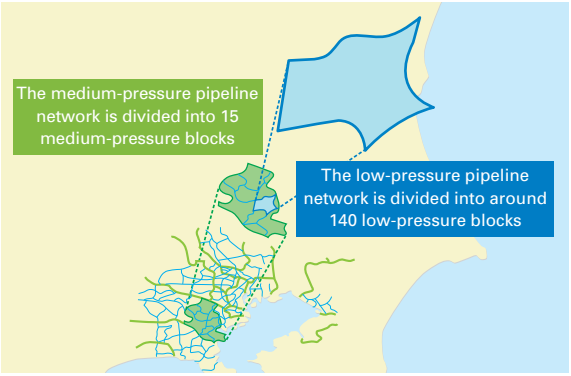
All Major Facilities Have Emergency Shutoff Systems.

The delivery of gas must be stopped immediately in the unlikely event of a break in a gas pipeline. Therefore, all supply facilities, such as terminals and gas holders, as well as large buildings and facilities, including underground malls and high-rise buildings, are equipped with an emergency shutoff system. There are two types of emergency shutoff systems. There is the emergency shutoff valve, which can be operated remotely, and the automatic shutoff system, which is connected to seismometers. These systems are used to ensure safety in a number of other situations besides an earthquake. They also safely release gas inside pipelines into the atmosphere via vent towers installed in major facilities if required due to the severity of damage.

Our System Prevents Secondary Damage and Minimizes the Area in Which Supply Is Interrupted.

In a major earthquake, in order to prevent secondary damage, it is necessary to stop the supply of gas to areas where gas facilities and equipment have sustained damage. However, even in the event of an emergency, Tokyo Gas considers it important to continue supplying gas wherever possible so as not to cause inconvenience to customers, although of course it first ensures that it can do so safely. In such situations, medium-pressure and low-pressure pipeline networks are divided into a number of "blocks." Supply is shut off to blocks that have sustained considerable damage, while blocks with no damage or relatively minor damage continue to receive gas supplies.

Because the system is configured so that gas is not supplied from one block to another, gas supply can be stopped quickly without affecting other blocks by shutting down the supply sources, such as district governors and governor stations, within a particular block. Even during the recent earthquake, Tokyo Gas's earthquake damage prevention system functioned properly.



Disaster Prevention Blocks

Our SUPREME* System Controls Low-pressure Gas Supply

Under the SUPREME system, we have installed earthquake sensors in all of our nearly 4,000 district governors, which supply low-pressure gas. With approximately one sensor per square kilometer, this level of installation density is unparalleled on a global scale. The system quickly and effectively helps prevent secondary damage by estimating damage from the distribution of the size of tremors. The system then collects fire warnings information and remotely shuts off supply to blocks assumed to have sustained considerable damage.

* Super-dense Real-time Monitoring of Earthquakes

Distribution of Earthquake Sensors
(Red dots: Tokyo Gas seismometers
Blue frameworks: Disaster prevention blocks)

Earthquake Sensor
(Seismometers)

3 RESTORATION MEASURES

Meticulous Preparedness Ensures Resumption of Supply as soon as Possible.

In areas where the supply of gas has been shut down, we must resume service as quickly as possible to minimize the inconvenience to our customers. We have equipment, materials, and systems ready for deployment at a moment's notice in the event of a disaster. This enables Tokyo Gas to draw on the combined strengths of the Group to begin repairs and restoring services.

Mobile Gas Generation Equipment Temporarily Enables Supply to Hospitals and Evacuation Centers.

Tokyo Gas has portable gas generation equipment that it uses to provide temporary gas supplies until normal supplies in the area are resumed. Using this equipment, we can supply gas continuously to high-priority customers, such as hospitals, welfare facilities, and evacuation centers.

Gas Companies Nationwide Join Forces in Times of Disaster.

There are as many as 200 companies supplying city gas throughout Japan. When an earthquake or other kind of disaster causing serious damage occurs, these companies come together under the auspices of the Japan Gas Association to help efforts to resume gas supply as soon as possible. In the recent disaster, teams from Tokyo Gas and other companies swung into action to provide assistance primarily in the Tohoku region.

On March 11, 2011, the Great East Japan Earthquake occurred. The earthquake's epicenter was located in the Pacific Ocean off the Sanriku area of northeastern Honshu. Here, we explain this earthquake's impact on our customers, and our response and other initiatives.

Although the Great East Japan Earthquake was the greatest earthquake ever recorded in Japan, Tokyo Gas was fortunate in that none of its terminals, pipelines, or other facilities sustained major damage. However, we shut off gas supplies to 30,596 customers, including the entire area of Hitachi City, in order to ensure their safety.

Directly after the earthquake, the Company established an Emergency Response Organization, with President Tsuyoshi Okamoto as its leader, and immediately launched its response.

When restoring services to areas where gas supply has been stopped, it is important to prevent secondary damage from occurring once service is resumed. Consequently, Tokyo Gas has to check pipes supplying each customer and gas appliances one by one to ascertain whether or not there has been any damage. Up to 711 employees, including those from Tokyo Gas, installation companies, Tokyo Gas LIFEVAL, and other Group members, took part in the restoration of services in order to minimize the inconvenience to our customers as quickly as possible and reduce their anxiety. On the first day, March 13, gas supply was restored to hospitals, which had top priority. In the end, gas services had been reinstated to all customers in about one week.

One reason we were able to restore services ahead of schedule was that we had begun using methods for rapid restoration that had been provisionally implemented from October 2010. We developed these methods by applying past experiences in restoring gas supplies following earthquakes. We first devised a number of restoration methods suitable for a variety of damage scenarios. We then selected the most practical of these for implementation.

Going forward, even if a major earthquake should occur, we will work hard to secure the safety of customers and minimize inconvenience. By adopting this approach, we will endeavor to establish and maintain trust in gas as a form of energy, as well as in Tokyo Gas itself.

Inspecting a Customer's Gas Meter

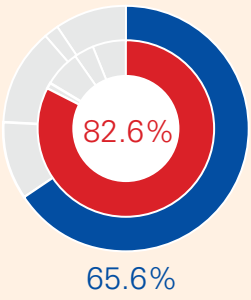
Repairing a Low-pressure Supply Pipe

TOKYO GAS AT A GLANCE

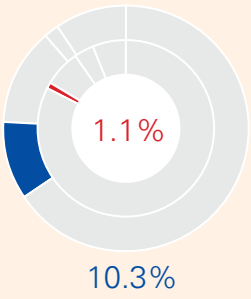
Years ended March 31

Sales Ratio / Operating Income Ratio
Year ended March 31, 2011

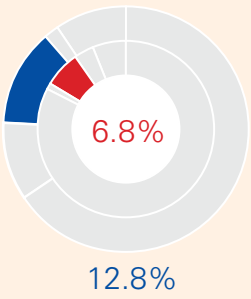
City Gas Sales



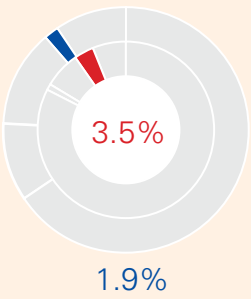
Gas Appliances and Installation Work



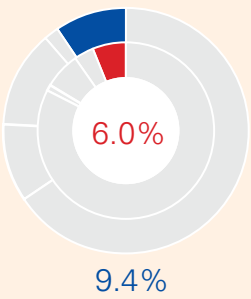
Other Energies



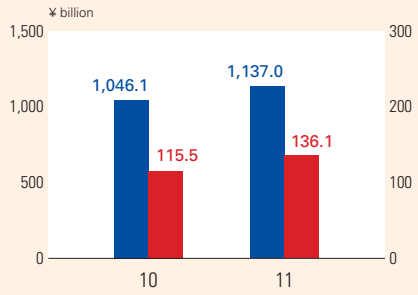
Real Estate



Other

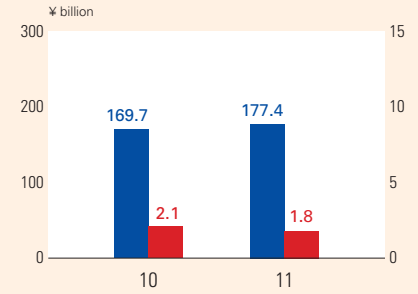


Sales (left) / Operating Income (right)



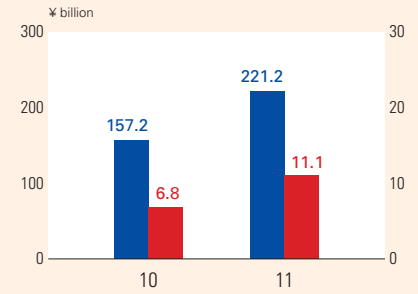
Tokyo Gas uses its three LNG terminals along the shores of Tokyo Bay to vaporize LNG, its main gas resource. We sell city gas to more than 10 million customers, primarily in the Kanto region, through a pipeline network of around 57,000 kilometers. (External sales ratio: 94.7%)

- The gas sales volume rose 7.9% year-on-year, to 14,745 million m^3.
- Due to an increase in gas unit prices under the gas rate adjustment system and a rise in sales volume, sales climbed 8.7%, to ¥1,137.0 billion.
- Operating income grew 17.9%, to ¥136.1 billion, due to a reduction in costs from actuarial differences in retirement benefit accounting, which more than offset rising raw materials prices.



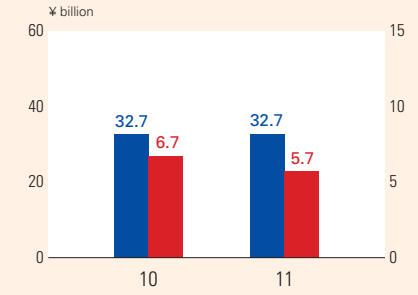
We sell gas cooktops, water heaters, gas air conditioning systems that use hot water, "ENE-FARM" residential fuel cells, gas heat pump air conditioning systems, and other products. These sales are mainly handled by Tokyo Gas LIFEVAL, Enesta, and Enefit, which represent the core of Tokyo Gas's community-based marketing system. We also install gas pipes and valves in properties owned by customers in our service area. (External sales ratio: 92.9%)

- The year under review saw the addition of two newly consolidated Tokyo Gas LIFEVAL companies, resulting in a 4.5% increase in sales, to ¥177.4 billion. However, operating income declined 14.3%, to ¥1.8 billion, due to a fall in gas appliance sales amid stagnation of new housing starts.



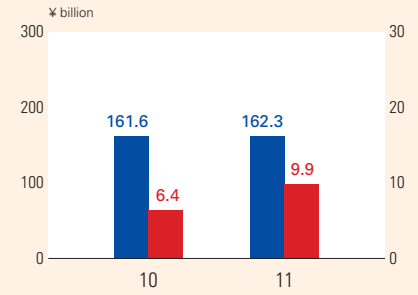
This segment includes energy services, LPG, electric power, and industrial gas. (External sales ratio: 94.1%)

- In addition to growth in our energy services business, we achieved an expansion of our electric power business thanks to the start up of operations at the Ohgishima Power Station. Segment sales jumped 40.7%, to ¥221.2 billion, and operating income surged 62.4%, to ¥11.1 billion.



This segment is mainly involved in leasing, management, and related activities for the Shinjuku Park Tower and other office buildings. The Group's real estate management activities are principally conducted by Tokyo Gas Urban Development Co., Ltd., which accounts for over 90% of the segment's sales. In addition, this subsidiary leases land in such areas as Ginza and Gofukubashi. (External sales ratio: 35.7%)

- Owing to healthy steady trends in building leasing fees, sales remained mostly unchanged, at ¥32.7 billion. However, operating income declined 15.1%, to ¥5.7 billion, due to an increase in the loss on retirement of noncurrent assets.



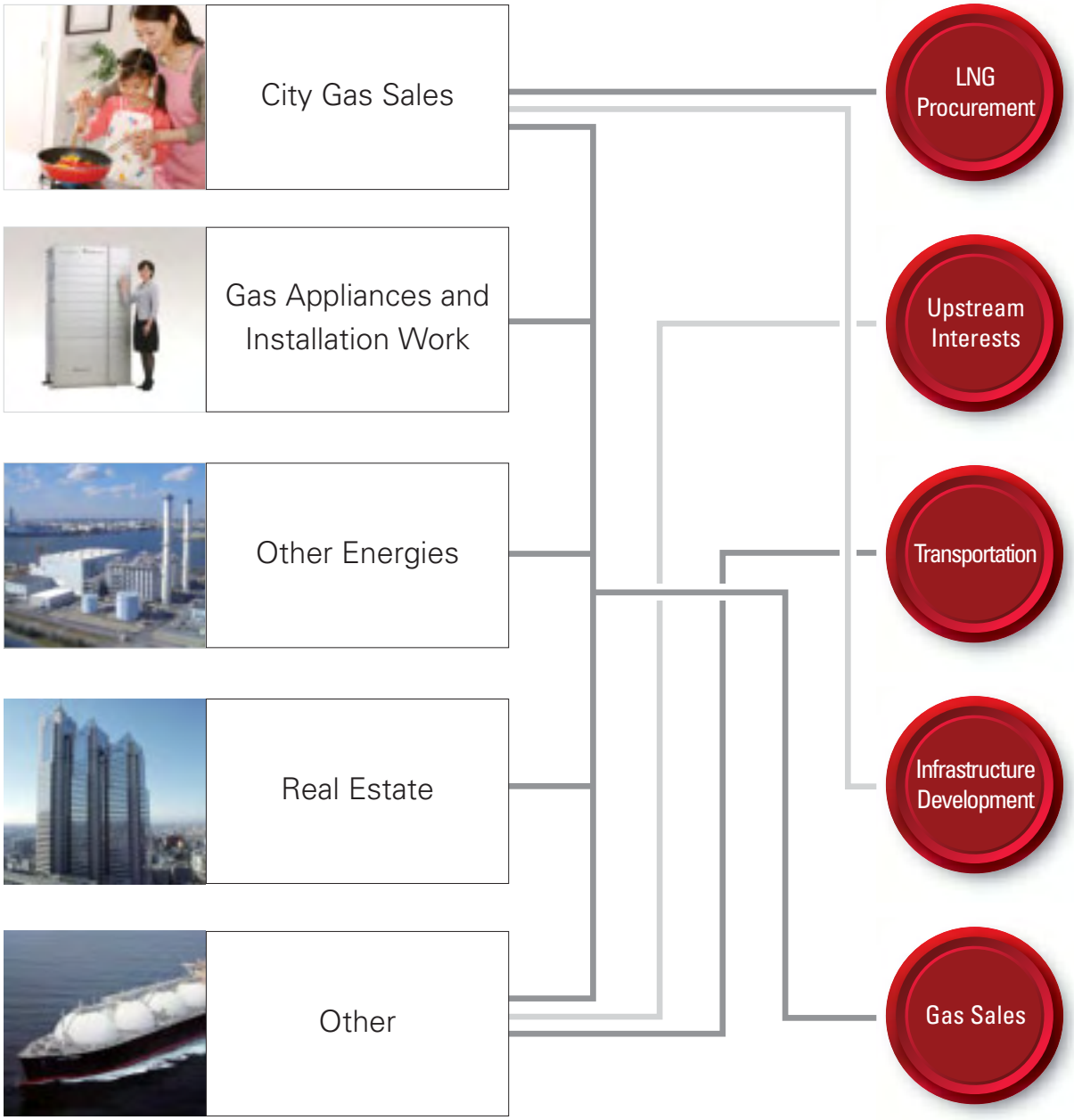
This segment includes information processing, shipping, credit and leasing, and construction. (External sales ratio: 45.1%)

- Segment sales remained mostly unchanged, edging up 0.4%, to ¥162.3 billion. However, operating income jumped 52.5%, to ¥9.9 billion, due to a shift from the declining balance method to the straight-line method for the depreciation of tankers.

LNG Value Chain of Tokyo Gas

Tokyo Gas directly serves its 10.74 million customers through its integrated "LNG value chain," which covers everything from gas field development and raw materials procurement to transportation via LNG tankers, city gas production, and gas delivery via pipelines. By pursuing new levels of value for each link in the value chain, we strive to maximize both social value and economic value.

Segment and LNG Value Chain



LNG Procurement

Position in the LNG value chain
Flexible, competitive resource procurement in line with demand

Principal operating company
Tokyo Gas Co., Ltd.

Segment
City Gas Sales

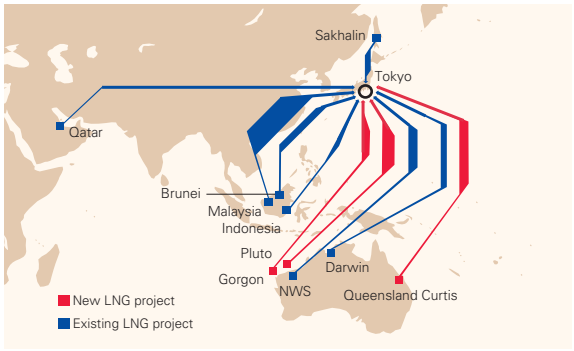
Targeting Diversified Procurement

Centered on supply sources located in regions that are politically stable, Tokyo Gas has concluded long-term LNG contracts for 10 projects in six countries and imports more than 10.0 million tons of LNG a year.

Amid stiff worldwide competition for procurement, LNG, the main resource for city gas, is subject to major price fluctuations because it is linked to crude oil prices. Following the Great East Japan Earthquake, moreover, LNG-fired thermal power generation is receiving growing attention. Under these circumstances, we place top priority on stable, long-term supply source procurement, flexible responses to changing demand, and the ability to procure resources at low prices.

In addition to geographic diversification of procurement sources, we are broadening the scope of procurement options by complementing conventional natural gas with the procurement of unconventional forms of natural gas. In these ways, we are targeting reliable, flexible responses to demand, which is expected to grow in the future. In March 2011, we signed an agreement covering coal-bed methane (CBM), an unconventional form of natural gas located in coal seams in the Surat Basin of Queensland, Australia. Under the agreement, CBM will be liquefied on Curtis Island and purchased by Tokyo Gas as LNG.

Tokyo Gas Long-Term LNG Contracts



Tokyo Gas LNG Imports by Country of Origin

Thousand tons — Years ended March 31

Country	2009	2010	**2011**	
Malaysia	4,482	4,274	**4,479**	**(41.9%)**
Australia	2,847	2,416	**2,297**	**(21.5%)**
Brunei	1,257	1,166	**1,155**	**(10.8%)**
Indonesia	742	730	**843**	**(7.9%)**
Russia	—	505	**983**	**(9.2%)**
Qatar	631	297	**358**	**(3.3%)**
Alaska	176	141	**139**	**(1.3%)**
Others	1,027	523	**440**	**(4.1%)**
Total	**11,162**	**10,052**	**10,692**	**(100.0%)**

Upstream Interests

Position in the LNG value chain
Competitive resource procurement through the acquisition of upstream interests

Principal operating companies
TOKYO GAS AUSTRALIA PTY LTD,
Tokyo Gas Darwin LNG Pty Ltd

Segment
Other

Outline of Project Participation

Project	Annual contracted quantity (Thousand tons)	Inception of contract	Duration	Contract type	Project participation (%)
Darwin	1,000	2006	17 years (–2022)	FOB	3.07
Pluto	1,500–1,750	2011	15 years	Ex-Ship, FOB	5.0
Gorgon	1,100	(2014)	25 years	FOB	1.0
Queensland Curtis LNG	1,200	(2015)	20 years	Ex-Ship	1.25 (Upstream) 2.5 (Midstream)

Acquiring Interests over Broad Geographic Areas

With respect to upstream interests, the Company participates in projects where exploration has ended and there is a high potential for going forward, to the extent that it can limit the candidate projects for the Company's LNG procurement operations and otherwise minimize risk. We have also adopted internal rate of return (IRR) as a minimum investment benchmark, and we receive dividends from the Darwin Project.

As of March 31, 2011, Tokyo Gas held interests of 1–5% in the Darwin Project, Pluto, and Gorgon in Australia, and had concluded long-term LNG procurement contracts with all of these projects. In unconventional LNG, in May 2011, we decided to participate in the Cordova Embayment Project in Canada, thus complementing our involvement in the Surat Basin project in Queensland, Australia. In acquiring upstream interests, we emphasize promising projects across broad geographic areas while paying attention to transportation costs.

Transportation

Position in the LNG value chain
Decreasing cost
by increasing FOB

Principal operating company
Tokyo LNG Tanker Co., Ltd.

Segment
Other

Expanding Our Business to Include Transport of LNG to Other Companies

The Tokyo Gas Group operates one of the largest fleets among domestic electric power and gas companies. Our own fleet now has eight LNG tankers, including one scheduled for commissioning in August 2011.

Tokyo Gas possesses the largest-class shipping fleet in Japan. In addition to transporting LNG under long-term contracts, we will leverage this fleet to target procurement based on short- and medium-term agreements, as well as achieve further reductions in LNG import costs and flexible resource procurement. Moreover, we will seek to expand our business to include transport of LNG to third parties and the leasing of vessels to other companies.

LNG Carrier with Onboard Regasification Equipment

Equity Stake in LNG Carrier with Onboard Regasification Equipment

Consolidated subsidiary Tokyo LNG Tanker Co., Ltd. has acquired a 1.5% equity stake in a joint venture related to an LNG carrier owned by Mitsui O.S.K. Lines, Ltd. with onboard gasification equipment. Here, our aim is to build a flexible LNG transportation system. LNG is vaporized on board, and the natural gas is then sent via pipeline laid on the seabed. This represents a new LNG procurement technology that does not require conventional, land-based LNG terminals.

Infrastructure Development

Position in the LNG value chain
Ensuring both stable supply and safety

Principal operating company
Tokyo Gas Co., Ltd.

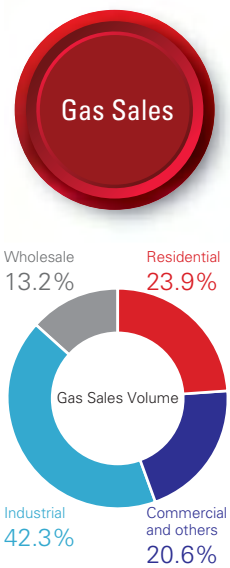
Segment
City Gas Sales

Hitachi Project Fast-Tracked due to Growing Demand

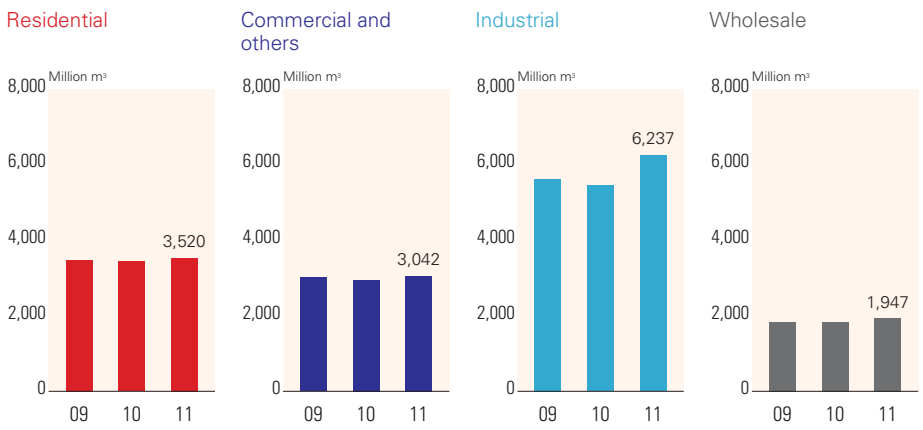
The Company's LNG terminals are among the largest in the world. We continue to invest in our facilities in order to enhance our ability to address growth in demand for natural gas and further stabilize supply. In fiscal 2011, we plan to start supplying gas via a pipeline linking Chiba and Kashima. In light of increasing demand for city gas since 2010, meanwhile, we will fast-track the construction of our fourth LNG terminal, the Hitachi LNG Terminal, and a high-pressure gas pipeline, the Ibaraki-Tochigi Line, linking the terminal and Moka City, Tochigi Prefecture. Both are planned to start operation in fiscal 2015—two years ahead of schedule.

Chuo Trunk Line Completed

In May 2010, Tokyo Gas completed the Chuo Trunk Line, which runs north-south through the center of the circular trunk line looping the Tokyo metropolitan area. The new line, running 32.9 kilometers from Edogawa-ku in Tokyo to Kawaguchi City in Saitama Prefecture, links the Company's city gas production facilities in Tokyo Bay with customers in the northern Kanto area. We now have 818 kilometers of high-pressure gas pipelines, centering on the Tokyo metropolitan area. Seeking further growth and proliferation of natural gas in the future, we will actively expand, upgrade, and maintain our pipeline network with top priority on safety.



Gas Sales Volume by Sector
(Years ended March 31)



Residential Sector

Position in the LNG value chain
Maintaining and expanding the number of customers through community-based marketing

Principal operating companies
LIFEVAL companies

Segments
City Gas Sales, Gas Appliances and Installation Work

In the residential sector, the average sales volume per customer has shown a continuous decline. This is due to structural factors, such as a decreasing population, an aging population and the low number of childbirths, as well as the proliferation of energy-saving appliances and increases in multiple dwelling units with exceptional air-tightness. Spearheaded by Tokyo Gas LIFEVAL community-based marketing systems, we are strengthening relationships with customers by proposing lifestyle values based on gas. At the same time, we will seek to generate new demand related to both new houses and renovations while establishing a market for our "ENE-FARM" residential fuel cells.

New "ENE-FARM" Model Unveiled

In April 2011, we introduced a new model in the "ENE-FARM" series of residential fuel cells. "ENE-FARM" is a fuel cell cogeneration system that generates electricity from a chemical reaction between hydrogen, which is separated from city gas, and atmospheric oxygen. The waste heat from this process is used for hot water and indoor heating. Since electricity is generated in the home, there is no transmission loss, and heat thus generated can be used without being wasted. Accordingly, it is a very environmentally friendly system.

In addition to improvements in electricity generation efficiency, the new model features lower prices thanks to a simplified power generation system and a more compact design of the core components. In fiscal 2011, we hope to sell 5,000 "ENE-FARM" units (having sold 2,400 in fiscal 2010).

Commercial and Others, Industrial, and Wholesale Sectors

Position in the LNG value chain
Proposing tailor-made solutions that match diversified customer needs

Principal operating companies
Tokyo Gas Co., Ltd., ENERGY ADVANCE Co., Ltd.

Segments
City Gas Sales, Other Energies

In response to the increasingly diversified and sophisticated needs of clients in the commercial and others, and industrial sectors, Tokyo Gas is focusing on establishing an integrated energy business. Here, we coordinate a comprehensive range of services covering various energy sources, including gas, electric power, and heat. We also propose tailor-made, optimal combinations of products and services on a one-stop basis.

Amid growing demand for reduced electricity consumption, we are accelerating the introduction of natural gas cogeneration, a dispersed energy system that uses waste heat, as well as cooling systems. In addition, we will continue encouraging clients to switch from other fuels to natural gas, which has lower environmental impact. Furthermore, we are aggressively working to capture demand, including through wholesale operations targeting peripheral gas suppliers. Here, our focus is on the region extending for a 200-kilometer radius around Tokyo, where latent demand is expanding.

Solar Air Conditioning System Launched

The Tokyo Gas Group has commenced sales of its Solar Cooling System, which uses heat from the sun. The system uses solar heat as the first priority, and also deploys gas as a highly efficient backup during rainy days and other times when heat supply is inadequate. Therefore, it is environmentally friendly while offering comfort and convenience. We will promote the system's use in office buildings, schools, hospitals, factories, and other facilities.

The Tokyo Gas Group has always maintained a focus on technical development, and the Company has developed its operations while repeatedly taking on the challenge of new technologies. As we strive to respond rapidly and accurately to changes in the operating environment, we are working to develop technologies that will open up new energy frontiers.

Strategic Direction of Technology Development

In technology development, we focus on three areas: (1) the creation of heart-reverberating concepts and the development of products that give concrete form to the value created by those concepts, (2) the development of innovative environmental technologies that will contribute to the realization of a low-carbon society, and (3) technologies that support the operational platforms for stable administration of gas operations and for realization of higher-level usage and cost reductions. In the fiscal year ended March 31, 2011, the Company allocated about ¥9.9 billion to technology development.

The Technology Development Strategy of Tokyo Gas

Major Outputs and Initiatives in Recent Years

Environmental Technologies	• Started general sales in May 2009 of residential polymer electrolyte fuel cell (PEFC) (sales name: "ENE-FARM"), and in April 2011, released a new model with improved generation efficiency. Moving ahead with development to further improve the product, targeting its use in multiple dwelling units. • Development and demonstration testing of solid oxide fuel cell (SOFC) technologies. • Ongoing demonstration testing of CO_2 separation and collection during the production of hydrogen. • Started sales in February 2010 of the "SOLAMO" gas hot water system that also uses solar heat and is installed on the railings of multiple dwelling units, and in July 2011, released a model for detached housing remodelling.
Platform Technologies	• Ongoing deepening, succession, and utilization of infrastructure construction technologies, maintenance management technologies, combustion engineering-related technologies, and gas quality management technologies, etc.

In-depth Report

Creating Tomorrow's Low-carbon Society

Tokyo Gas advocates the use of "smart energy networks" for achieving a next-generation low-carbon society. A smart energy network combines large-scale electricity and gas networks with dispersed energy supply sources, such as gas cogeneration systems and renewable energy sources. Optimal network control using information and communications technology realizes stable energy supply while reducing energy consumption and CO_2 emissions.

Gas Cogeneration Systems Support Future Urban Planning

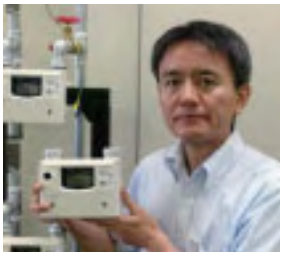
Kazuhisa Okamoto, Group Manager of the Solution Technology Department, who is working to create a smart energy network

In a smart energy network, the installation of local gas cogeneration systems and other dispersed energy systems reduces energy consumption and CO_2 emissions through optimized area-wide control of generated heat and electricity. In addition, independently operated gas cogeneration systems, a dispersed power source, continue to supply electricity to essential loads within the network in the event of a power outage. This highly reliable electricity supply system promotes safe urban planning, achieved by establishing disaster prevention bases at hospitals, schools, and other central locations. In the future, information and communications technology will be used to control the output of gas cogeneration systems and electricity demand within an energy network in coordination with large-scale centralized power sources, such as thermal power plants. By taking on part of the function of adjusting system-based power generation, the stabilization of this main power source will help facilitate the introduction of large volumes of unstable renewable energy sources, such as solar and wind power.

Tokyo Gas began the demonstration of a gas cogeneration project at its Senju site in fiscal 2010 and at a multiple dwelling unit in Yokohama in fiscal 2011.

Smart Meter Systems Create New Shared Value

In a smart energy network, the key to optimizing the efficient use of energy lies in the precise measurement of the amount of energy created and consumed, and the supply of that information via a communications network. Tokyo Gas is working jointly with two other gas companies, as well as other partner manufacturers, on the development of a next-generation smart meter system. The proliferation of smart meter systems will reduce CO_2 emissions in the residential and commercial and others sectors. Furthermore, the digitization of energy-related data has the potential for creating new shared value through the establishment of new businesses. Our efforts targeting future utilization of such systems extend beyond the development of next-generation ultrasonic gas meters, and next-generation metering systems with high-speed communications and advanced functions. Tokyo Gas is collaborating with other subsidiaries and affiliates to promote the development and assessment of an optimal communications infrastructure. We are also working to establish common specifications and acquire an international standard for a wireless system, which is the top candidate.



Hajime Furusawa, Group Manager of the Product Development Department, who is currently developing a next-generation smart meter

As an "energy frontier corporate group" that focuses on natural gas, Tokyo Gas has a management philosophy that aims at the realization of comfortable lifestyles and environmentally friendly cities. We work to ensure continued development while consistently earning the trust of customers, shareholders, and society. Based on this philosophy, our fundamental concept of enhancing corporate governance is intended to achieve a continuous increase in our corporate value by maximizing the value provided to all of our stakeholders. We are also endeavoring to develop systems and measures to further augment corporate governance, and are implementing them with a commitment to management legality, soundness, and transparency. Tokyo Gas continues to emphasize the importance of accurate and prompt decision making, efficient business operations, strengthening of auditing and monitoring functions, and clarification of management and executive responsibilities.

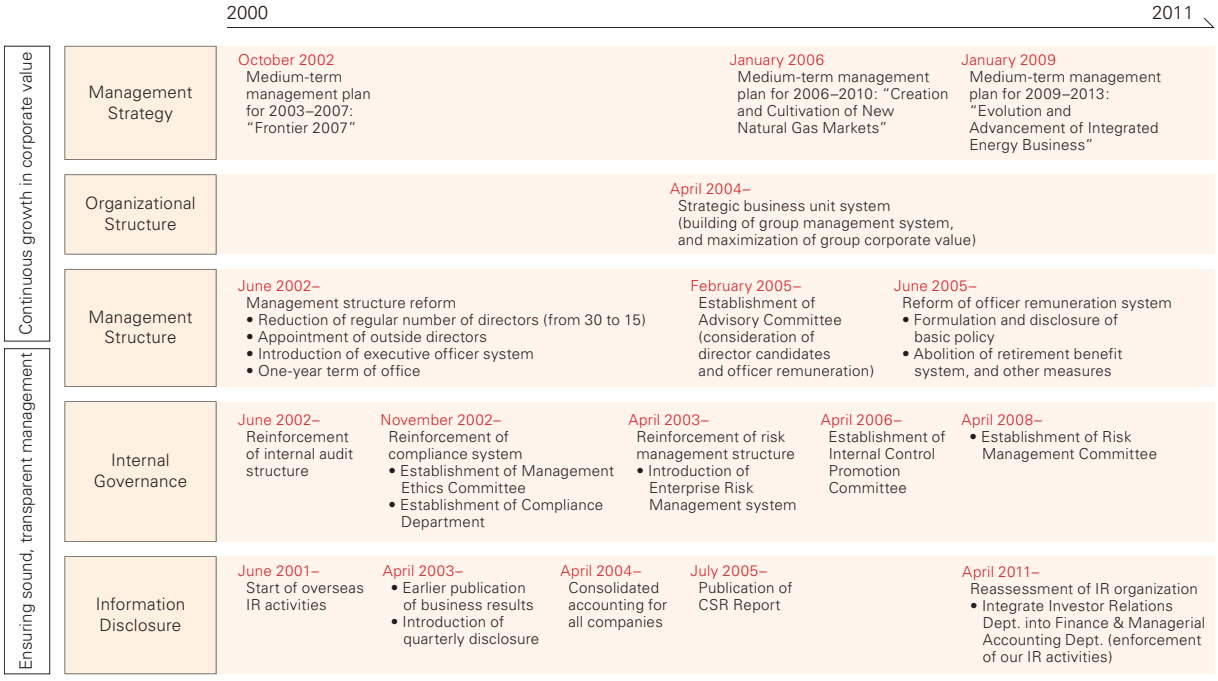
Management Structure

Management Structure Designed for Objectivity and Swiftness

Tokyo Gas takes a proactive stance in employing outside officers. The Company has created a system featuring multiple auditing and supervisory layers in its aim to achieve highly objective and transparent governance. In 2002, we reduced the maximum number of directors to raise the speed and effectiveness of management decision-making. At the same time, we reinforced and clarified the function for supervising business execution by employing independent outside directors (As of June 30, 2011, the Board of Directors comprised three outside directors and eight internal directors). The Advisory Committee, established in 2005, is made up of three internal directors and three representatives from outside directors and outside auditors. This structure aims to ensure that the selection of director candidates is fair and appropriate. The committee also deliberates officer compensation in accordance with the Company's basic policy (described below).The five corporate auditors, three of whom are outside auditors, proactively communicate with the Board of Directors and strictly audit the legality of the performance of duties of the directors.

The Corporate Executive Committee meets once a week, in principle, to deliberate and make decisions on matters of management importance, ensuring accurate and speedy decision-making and the effective execution of operations. The Company employs an executive officer system (with 24 executive officers as of June 30, 2011), to execute operations in accordance with Board of Directors' resolutions. The system is designed to devolve authority and responsibility and foster the rapid execution of operations. Executive officers report on the status of execution to directors and the Board of Directors, and these bodies supervise executive officers' activities on this basis. To clarify the job responsibilities of directors and executive officers, their

Initiatives to Strengthen Corporate Governance



terms of office have been fixed at one year.

To promote transparent management and a flexible and open organization, in fiscal 2002, the Company established a Management Ethics Committee. We also formed in-house committees to address issues that are important from a management perspective, such as compliance, risk management, customer satisfaction, and safety. This structure facilitates the sharing of information within the Group, as well as deliberation of and adjustments to the Group's overall direction.

Toward an Effective Internal Control System

Under our internal control system, the Board of Directors, which includes three independent outside directors, determines the basic policies for the development of the important business operations plans and the internal control systems and monitors the performance of the directors. In accordance with resolutions by the Board of Directors, the executive officers act to carry out business operations as well as to develop and operate the internal control system. In addition, we have established the Corporate Executive Committee as a deliberative body to assist the Board of Directors. The committee deliberates provisions stemming from Board of Directors resolutions and important management-related issues.

With regard to auditing, in addition to corporate auditors, the Company has established the Internal Audit Department as an internal audit organization. The department monitors the business activities in each segment of Tokyo Gas and its consolidated subsidiaries, as well as the state of the development and operation of internal control and risk management. To implement specialized audits efficiently, the Internal Audit Department has developed a structure of four groups, specializing in financial, operational, information system, and compliance audits. In April 2009, an internal control group was established to evaluate the effectiveness of internal control regarding financial reporting.

Objective and Transparent Officer Remuneration

In fiscal 2005, Tokyo Gas restructured its officer remuneration system and published details of the new system with the aim of further enhancing management objectivity and transparency as well as clarifying the management responsibility for business performance.

1. Role of executive and remuneration

The role demanded of executives is to seek to enhance short-, medium-, and long-term corporate value, and executive remuneration shall serve as an effective incentive for them to perform that role.

2. Level of remuneration

The level of executive compensation shall be suitable for the role, responsibility, and performance of the executive.

3. Performance-linked remuneration scheme

The performance-linked remuneration scheme is meant to firmly motivate the executives to execute management strategies, and is also meant to reflect their performance clearly on their remuneration.

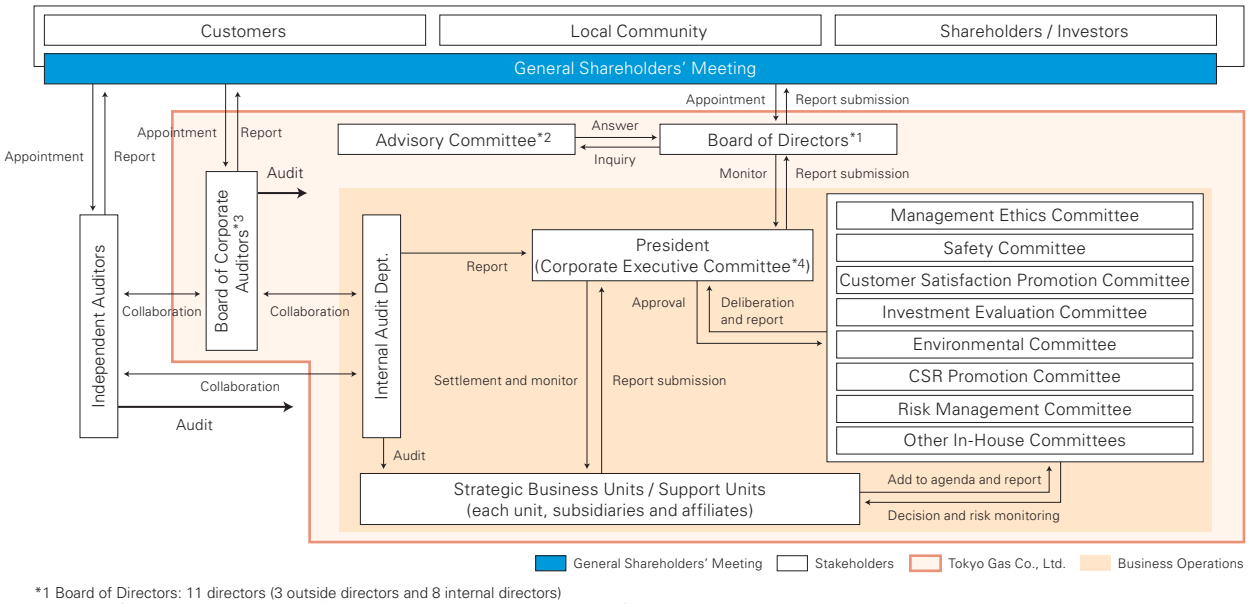
4. Share-purchase guideline

The establishment of the share-purchase guideline is meant to firmly motivate the executives to reflect the perspective of a shareholder in management and improve shareholder value over the long term.

5. Assurance of objectivity and transparency

The Company shall assure objectivity and transparency of remuneration by establishing the "Advisory Committee" comprising outside directors, outside corporate auditors, and the Company's directors to govern the system of remuneration.

Corporate Governance Structure



*1 Board of Directors: 11 directors (3 outside directors and 8 internal directors)
*2 Advisory Committee: 3 representatives from outside directors and outside auditors, Chairman, and President
*3 Board of Corporate Auditors: 5 corporate auditors (3 outside auditors and 2 internal auditors)
*4 Corporate Executive Committee: President, 3 Executive Vice Presidents, 9 senior executive officers
(3 of the representative directors also serve as President and Executive Vice Presidents)

Total Remuneration for Directors and Corporate Auditors (Fiscal 2010)

	Millions of yen Type of remuneration			Thousands of U.S. dollars Type of remuneration		
	Total remuneration	Base	Bonuses	Total remuneration	Base	Bonuses
Remuneration for nine directors (excluding outside directors)	¥ 463	¥ 411	¥ 52	$ 5,578	$ 4,952	$ 627
Remuneration for two corporate auditors (excluding outside auditors)	74	74	—	892	892	—
Remuneration for seven outside officers (outside directors and outside auditors)	64	58	6	771	699	72

Compensation for Independent Auditors (Fiscal 2010)

	Millions of yen	Thousands of U.S. dollars
Remuneration for auditing services	¥ 273	$ 3,289
Remuneration for non-auditing services	41	494
Total	¥ 314	$ 3,783

Concentrating Group Effort to Survive in the Face of Competition

With the deregulation of the energy industry, Tokyo Gas now faces escalating competition from both inside and outside the industry. In April 2004, we introduced the "Strategic Business Unit" (SBU) system, which is designed to focus all of the resources of the Tokyo Gas Group on the task of surviving and succeeding in an increasingly competitive environment. Under this structure, Tokyo Gas corporate divisions are linked with Group companies to form business units in each business area. The divisions and companies work closely together on tasks ranging from the formulation of business strategies to the allocation of management resources and the management of operations, all under the responsibility of unit managers. The aim of this cooperative approach is to maximize our Group potential and further strengthen our competitiveness.

Risk Management

Enterprise Risk Management System Responds to and Discloses Information on Growing Risks

In fiscal 2003, the Company established a Group-wide Enterprise Risk Management (ERM) system, which includes risk management regulations and documented rules concerning major risks that require management intervention.

The Risk Management Committee was established in fiscal 2008 with the aim of identifying and evaluating progress regarding the establishment and the operational status of the ERM system, as well as improving the level of Group-wide ERM. The committee periodically undertakes risk assessments and checks on progress regarding the establishment and the operational status of the ERM system. It also reports to the Corporate Executive Committee and obtains the necessary approvals. Since the start of fiscal 2011, the risk management function was transferred to the Corporate Planning Dept., thus creating a framework for implementing unified ERM together with operational management.

Under the new framework, around 120 Risk Management Promotion Officers have been deployed in the business departments of Tokyo Gas and its consolidated subsidiaries in order to promote Group-wide ERM. Each year, we assess risks and the implementation and improvement status of countermeasures. This system facilitates the steady implementation of the ERM-PDCA (Plan-Do-Check-Act) cycle.

Building an ERM system enables us to identify and clarify the latest major risks arising from changes to the operating environment. It also facilitates appropriate information disclosure to capital markets and other stakeholders. Regular monitoring by the Corporate Executive Committee and the Board of Directors also allows the best responses to risks, which are becoming more diversified, complex, and sophisticated.

Major Risks Requiring Management Intervention

Accidents and disasters	Resource procurement supply interruption risk; Natural disaster risk; City gas and electricity production/supply disruption; Unprecedented major power outages; Ensuring the safety of city gas and quality problems affecting gas equipment; Damage due to reputation resulting from city gas accidents caused by other gas companies
Market risks	Market price and interest rate fluctuation risks
Risks accompanying business execution	Risks faced by existing business (Change in procurement costs; Decline in gas sales volume due to weather fluctuations; Decline in demand due to intensified competition; Demand risk; Interruption of communication with call centers; Delay in the development of new technology; and Changes in laws, regulatory systems, or energy policies of the national governments and local governments); Delayed cultivation of new markets; Inability to recover investments
Risks related to information management and system operation	Outflows of personal information; Failure or malfunction of IT backbone systems
Risks related to corporate social responsibility	Response to new environmental regulations; Compliance violations; Inadequate customer satisfaction or responses to customer needs

Crisis Management Responsibility as a Public Company

Because the Company provides public services that comprise a lifeline, for many years, we have also had a crisis management system that serves as a response system in case a risk-related event actually occurs. Specifically, we have formulated Emergency Response Organization Regulations. In case of any type of crisis, the Emergency Response Organization responds to the situation immediately in accordance with the Emergency Response Organization Regulations. Possible crises include major natural disasters, such as earthquakes, or production or supply disruptions arising from major accidents at pipelines or terminals, as well as influenza, terrorism, failures in mission-critical IT systems, and compliance problems. Periodic training is conducted in relation to major risk response measures. The Company has also formulated a Business Continuity Plan (BCP), outlining its responses in the event of a major earthquake of the magnitude assumed by Japan's Cabinet Office, as well as a major accident disrupting power supply and an outbreak of influenza. This plan is in place to reinforce the Company's risk management system.

Compliance

Promoting Compliance

Our stance is reflected in three basic policies calling for the fostering of compliance awareness, the cooperation of each workplace with compliance efforts based on the Group policy, and the establishment of compliance PDCA cycles.

We have established the Management Ethics Committee, chaired by the President. This committee discusses at the management level basic compliance policies and all aspects of compliance initiatives by the Group, monitors the implementation of compliance-related measures, and confirms activity programs from the following year and thereafter. We have also established the Compliance Department to lead compliance-related activities for each unit. These include development of compliance promotion systems, encouraging awareness and educational campaigns about the code of conduct, compliance risk reduction measures, maintenance of advisory systems, and the broad-based distribution of information within and beyond the Tokyo Gas Group companies.

To cultivate an understanding of compliance, we promote a thorough awareness of ongoing activities related to our code of conduct that was revised in 2004. We are also moving forward with a compliance casebook designed for applying the code of conduct to various problems in the workplace, so as to achieve the permeation of compliance.

Compliance risk countermeasures include internal and external advisory systems. By operating these systems effectively, we are endeavoring to ensure that compliance-related problems are discovered and resolved quickly so that our corporate self-regulatory processes will continue to function effectively. The Compliance Audit Group also works steadily to mitigate risks by implementing follow-up audits to verify progress in tackling concerns identified at first auditing.

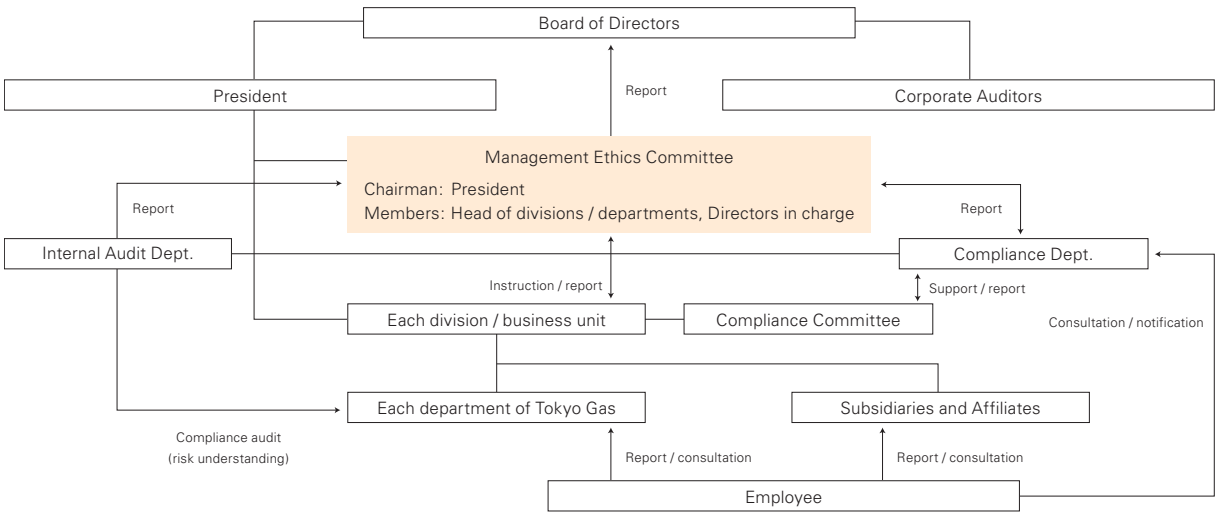
We monitor the effectiveness of Group compliance promotion activities by conducting regular compliance awareness surveys of all employees. The results of these surveys are reflected in initiatives for the following years.

Disclosure

Enhancement of IR Activities

Top management takes an active role in Tokyo Gas IR activities, disclosing such broad-ranging information as management strategies, progress, and performance and engaging in interactive communication with investors. We believe that discussing management's thoughts with investors in this way can help close the gap between our real corporate value and the market assessment of the Company. In particular, during the period following the announcement of our financial results, we engage in IR activities, including visits by top management to institutional investors in Japan and overseas. Briefings and individual meetings are also used as opportunities for wide-ranging discussions.

Compliance Structure



BOARD OF DIRECTORS AND CORPORATE AUDITORS

As of June 29, 2011

Director, Chairman **Mitsunori Torihara**

April 1967 Joined the Company
April 2004 Representative Director, Executive Vice President, Chief Executive of Corporate Communication Div. and in charge of Compliance Dept.
April 2006 President, Representative Director, and Executive President
April 2010 Director and Chairman of the Board

Representative Director, President **Tsuyoshi Okamoto**

April 1970 Joined the Company
April 2007 Representative Director, Executive Vice President, and in charge of Personnel Dept., Secretary Dept., General Administration Dept., Compliance Dept., and Internal Audit Dept.
April 2009 Representative Director, Executive Vice President, and in charge of Personnel Dept., Secretary Dept., General Administration Dept., and Compliance Dept.
April 2010 President, Representative Director, and Executive President

Representative Director **Shigeru Muraki**

July 1972 Joined the Company
April 2007 Senior Executive Officer, Chief Executive of Energy Solutions Div. and General Manager of Volume Sales Dept. of Energy Solutions Div.
June 2007 Director, Senior Executive Officer and Chief Executive of Energy Solutions Div. and General Manager of Volume Sales Dept. of Energy Solution Div.
April 2010 Representative Director, Executive Vice President, Chief Executive of Energy Solutions Div. and General Manager of Volume Sales Dept. of Energy Solution Div.

Representative Director **Toshiyuki Kanisawa**

April 1972 Joined the Company
June 2007 Director, Senior Executive Officer, and Chief Executive of Residential Sales Promotion Div.
April 2009 Director, Senior Executive Officer, and Chief Executive of Housing Development Div.
April 2010 Representative Director, Executive Vice President, in charge of Personnel Dept., Secretary Dept., General Administration Dept., and Compliance Dept.

Director **Tsutomu Oya**

April 1975 Joined the Company
April 2006 Senior Executive Officer and Chief Executive of Energy Resources Div.
June 2009 Director, Senior Executive Officer and Chief Executive of Energy Resources Div.
April 2010 Director and Chief Executive of Energy Production Div., and in charge of Environmental Affairs Dept.

Director **Michiaki Hirose**

April 1974 Joined the Company
April 2009 Senior Executive Officer and in charge of Corporate Planning Dept. and Affiliated Companies Dept.
June 2009 Director, Senior Executive Officer and in charge of Corporate Planning Dept., Corporate Communications Dept., and Affiliated Companies Dept.
April 2010 Director, in charge of Corporate Planning Dept., Project Management Dept., Corporate Communication Dept., and Affiliated Companies Dept.

Director **Mikio Itazawa**

April 1974 Joined the Company
June 2003 General Manager of West Pipeline Business Dept. of Pipeline and Maintenance Div.
April 2004 Executive Officer and General Manager of Pipeline Dept. of Pipeline Network Div.
April 2007 Senior Executive Officer and Division Manager of Pipeline Network Div.
June 2010 Director, Senior Executive Officer and Division Manager of Pipeline Network Div.

Director **Kazuo Yoshino**

April 1975 Joined the Company
April 2009 Executive Officer and General Manager of Investor Relations Dept.
April 2010 Senior Executive Officer and General Manager of Investor Relations Dept., and in charge of Finance & Managerial Accounting Dept., and Accounting Dept.
April 2011 Senior Executive Officer and Division Manager of Information Technology Div., and in charge of Finance & Managerial Accounting Dept. and Accounting Dept.
June 2011 Director, Senior Executive Officer and Division Manager of Information Technology Div., and in charge of Finance & Managerial Accounting Dept. and Accounting Dept.

Auditors

Kunihiro Mori
Manabu Fukumoto

Outside Auditors

Shoji Mori (Director Executive Advisor, Shinkin Central Bank)
Yukio Masuda (Standing Consultant, Mitsubishi Corporation)
Masayuki Osawa (Outside Auditor, PACIFIC CONVENTION PLAZA YOKOHAMA)

Message from Outside Directors

Outside Director **Katsuhiko Honda**
Current position
Advisor, Japan Tobacco Inc.
June 2007 Director of the Company

After the earthquake and tsunami in March 2011, Tokyo Gas was able to resume gas supply in its service area within a week. Working with other gas companies from throughout Japan, we also assisted with the restoration of gas services in Sendai and other places outside our service area. Once again, I realized that Tokyo Gas has strong capabilities in the field and a high level of integrity. I believe that our prompt action and decisions when confronted with such an unprecedented event are valuable intangible assets.

Tokyo Gas will likely be called upon to bear an even greater responsibility with respect to the nation's energy policies. I hope that our precious human resources will become the driving force for spontaneous reform—reform that is not driven by outside forces. I also hope that all Group employees will stand united as they strive to deliver more in-depth services, thereby enhancing our corporate value.

As we work to overcome today's harsh operating environment while anticipating future changes, I will do my best to help Tokyo Gas achieve sustainable growth.

Outside Director **Yukio Sato**
Current position
Vice Chairman, The Japan Institute of International Affairs
June 2010 Director of the Company

A public utility such as Tokyo Gas must work hard to meet the expectations of customers and all citizens by having an accurate understanding of their needs. All the members of Tokyo Gas are always working with a sense of urgency, making the stable delivery of safe gas to customers their top priority. I believe this contributed to the speedy restoration of gas services after the Great East Japan Earthquake. I think we should continue emphasizing this readiness to be closely involved with the lives of ordinary people. At the same time, I think it has become increasingly important that we draw on the know-how and experience amassed so far to broaden our activities overseas and thus ensure the stable supply of resources. From this standpoint, it is essential for Tokyo Gas to build more overseas links and relationships.

Outside Director **Ryuichi Tomizawa**
Current position
Chairman of the Board, Mitsubishi Chemical Holdings Corporation
June 2011 Director of the Company

I believe that I can make a useful contribution to the operations of Tokyo Gas by drawing on my experience in the chemical industry, which is not dissimilar to the energy sector. Today, the Japanese industry faces a period of dramatic restructuring. From my perspective as a member of the chemical industry, I am able to advise the Company not only on the future direction of production activities, but also on diverse energy needs, including compatibility with the environment and renewable energy.

In my opinion, Tokyo Gas was able to respond successfully, even in the face of the Great East Japan Earthquake, because it stood united, backed by a sound risk management strategy that was already prepared for such an emergency. It is essential that companies throughout Japan reflect on their own recent experiences and review their crisis management strategies. Tokyo Gas needs to reduce "unanticipated" events, and plan and prepare so that when an "unanticipated" event happens, it can respond calmly and appropriately. In this sense, I recognize that I have a major role to play in supplementing the Company's internal wisdom with outside eyes, ears, and insights.

Executive Officers

President	Tsuyoshi Okamoto	
Executive Vice Presidents	Shigeru Muraki	Division Manager of Energy Solution Div., and General Manager of Volume Sales Div.
	Toshiyuki Kanisawa	In charge of Personnel Dept., Secretary Dept., Compliance Dept., and Internal Audit Dept.
	Hirokazu Hayashi	Division Manager of Regional Development Marketing Div.
Senior Executive Officers	Tsutomu Oya	Division Manager of Energy Production Div., and in charge of Environment Dept.
	Michiaki Hirose	In charge of Corporate Planning Dept., Project Management Dept., Corporate Communication Dept., and Affiliated Companies Dept.
	Mikio Itazawa	Division Manager of Pipeline Network Div.
	Kazuo Yoshino	Division Manager of Information Technology Div., and in charge of Finance & Managerial Accounting Dept. and Accounting Dept.
	Norikazu Hoshino	Dispatched to the Japan Gas Association
	Hisao Watanabe	Division Manager of Technology Development Div.
	Matsuhiko Hataba	Division Manager of Residential Sales Promotion Div.
	Koichi Aonuma	Division Manager of Housing Development Div.
	Yutaka Kunigo	Division Manager of Energy Resources Div.
	Masahiro Mikami	In charge of Purchasing Dept., Real Estate Management Dept., Major Site Development Dept., and General Administration Dept.
Executive Officers	Hiroaki Kubota	General Manager of Information Technology Application Dept., Information Technology Div.
	Hidefumi Takahashi	General Manager of Kanagawa service branch, Residential Sales Promotion Div.
	Hideaki Obana	General Manager of Corporate Communications Dept.
	Hiroaki Kobayashi	General Manager of Customer Safety Dept., Residential Sales Promotion Div.
	Yoshihiro Tanabe	Deputy Chief Executive of Energy Solution Div. and General Manager of Energy Sales & Service Planning Dept.
	Fumio Murazeki	General Manager of Residential Sales Planning Dept., Residential Sales Promotion Div.
	Takashi Uchida	General Manager of Corporate Planning Dept.
	Hideaki Arai	General Manager of Pipeline Dept., Pipeline Network Div.
	Satoru Yasuoka	General Manager of Sales Marketing I Dept., Housing Development Div.
	Masaru Takamatsu	General Manager of LIFEVAL Project Management Dept., Residential Sales Promotion Div.

Promoting CSR Management through Our Core Business Activities

The Tokyo Gas Group promotes business activities that create "shared value" and has declared its commitment to CSR management, which underpins its business activities. We will continue to work earnestly in such areas as corporate governance, compliance, and risk management, while focusing on the priorities of "safety and disaster prevention," "environmental initiatives," and "building partnerships." As a public institution, we will strive to be a corporate group that is continually trusted and preferred by our stakeholders.

Management Philosophy and Corporate Code of Conduct

Management Philosophy

As an integrated energy company, the Tokyo Gas Group shall make an active contribution to pleasant living and the development of environmentally friendly society, and also pursue ongoing advancement together with the rest of society, as a corporate group that earns and maintains the trust of its customers, shareholders and communities through its various activities.

Corporate Code of Conduct

1. We will continue to grow while maintaining awareness of our company's public mission and social responsibilities.
2. We shall provide quality products and services, and endeavor always to improve customer satisfaction.
3. We will hold ourselves to high ethical standards, and fairly and transparently conduct corporate activities while observing both the letter and the spirit of related laws and ordinances.
4. We will contribute to alleviating global environmental problems as a top runner in environmental management.
5. We will remain keenly aware of our obligations to be a good corporate citizen and work towards the betterment of society by contributing to community activities.
6. We will pursue continual innovation to promote a cost-effective business approach that is both flexible and resilient.
7. We will aspire to build organizations that are based upon the full exercise of, and respect for the talents, desires, and creativity of each and every employee.

Safety and Disaster Prevention

Our Responsibility

Our customers have provided valuable feedback with regard to the use of gas, such as "I would like you to develop safe gas appliances," "I want you to figure out a way to prevent careless mistakes in using gas appliances," and "After your work is done, I would like you to explain what you did." At the Tokyo Gas Group, we have three key themes in promoting the safe use of gas. The first is promoting the utilization of facilities that decrease the likelihood of accidents, gas leaks, or damage and of functions to control such incidents (tangible countermeasures). The second is fostering knowledge of correct usage and implementing periodic inspections (intangible countermeasures). The third is establishing an emergency response system for use in the unlikely event of a gas leak (emergency response countermeasures). To foster prompt gas supply in the event of an earthquake or other natural disaster, we are implementing "prevention," "emergency," and "restoration" initiatives. We continue working to minimize the influence of such an event on the lives of our customers.

Initiatives

To promote the early replacement of water heaters and bathtub water heaters that have not been equipped with incomplete combustion avoidance devices, since January 2007, we have instituted a "replacement promotion campaign," which incorporates special visits, free inspections, and replacement support. As of the end of March 2010, we had invested about ¥5.5 billion and replaced about 180,000 devices out of a total of 300,000 that need replacement. In particular, we have replaced about 74% of small water heaters that lack incomplete combustion avoidance devices and about 62% of CF devices*. The campaign has ended, but we continue to provide support for replacement. Through such opportunities as "periodic gas facility safety checks" and "gas valve opening," we will continue working toward the reduction of these appliances. At the same time, we will endeavor to provide accurate information about the safety, environmental friendliness, and convenience of gas, and to implement enhanced communications so that we can best meet the needs of our customers.

In gas supply, in January 2007, there was an accident in the city of Kitami in Hokkaido. We continue moving forward aggressively with the necessary measures, aiming to replace about 1,200 kilometers of gray cast-iron pipes and galvanized gas pipes. In fiscal 2010, we invested ¥10.8 billion and replaced 155 kilometers of pipe. There are still about 667 kilometers of these gray cast-iron pipes and galvanized gas pipes that need to be replaced, and we plan to complete the replacement work by fiscal 2015. Moreover, the replacement of aged galvanized gas pipes in buildings that is important in terms of public safety is a key safety initiative. We are aiming to finish this task by fiscal 2015, and with the understanding of customers, we are striving to advance this deadline as much as possible. In fiscal 2010, we spent about ¥1.4 billion on these measures.

* CF devices: Gas appliances that use indoor air for combustion and emit exhaust through an exhaust duct with the aid of natural ventilation.

TOPICS

Gaslight 24

The role of Gaslight 24 is to ensure the safety of our customers 24 hours a day, 365 days a year. In the unlikely event of a gas leak or other emergency situation, Gaslight 24 ensures an immediate response by dispatching emergency teams to the scene.

Tokyo Gas has around 600 specialist staff stationed at 47 bases, along with emergency vehicles and general vehicles equipped with various machinery and equipment.

When the Security Command Center receives notification of a gas leak, emergency personnel at Gaslight 24 bases are mobilized immediately.

These teams use in-vehicle terminals to confirm the necessary information, including the details received by the Center, site maps and other information, while rushing to the reported scene. Once there, they make repairs and take any other action required to prevent a city gas accident.

The Great East Japan Earthquake on March 11, 2011, demonstrated the safety of gas. The rapid and accurate response of our Gaslight 24 teams stopped gas leaks from causing fires or more serious incidents.

The steadfast activities of Gaslight 24 protect the safety of the Group's customers while supporting the Tokyo Gas corporate brand of security, safety, and reliability.

Emergency Repair Work on Gas Pipes


Gaslight 24 Emergency Vehicle

Environmental Initiatives

Our Responsibility

Our environmental philosophy is as follows. The Tokyo Gas Group will promote more positive ways of energy use to contribute to the protection of regional and global environments as well as to the sustainable development of society. Our environmental policies are to (1) reduce the environmental impact of customers' energy use, (2) reduce the total environmental impact of Tokyo Gas' business activities, (3) strengthen environmental partnerships with local and international communities, and (4) promote environment-related technology R&D programs.

Initiatives

Targeting the realization of a low-carbon and resource-recycling society and the conservation of biodiversity, the Tokyo Gas Group has formulated environmental protection guidelines for six areas, such as global warming prevention. On that basis, the Group is moving forward with the implementation of specific initiatives.

For example, we will continue working in an active and sustained manner to prevent global warming by promoting the use of environmentally friendly natural gas and by providing equipment and systems with high efficiency and low environmental impact. In comparison with the 2005 levels, we will strive to reduce CO_2 emissions at customer sites by 3 million tons by fiscal 2015 and by 4.5 million tons by fiscal 2020.

In the development of a recycling-oriented society, the Tokyo Gas Group will take a comprehensive approach to reducing environmental burden by implementing efficient, effective environmental management activities; by reducing, reusing, and recycling waste in our operational activities; and by aggressively promoting green purchasing. In addition, targeting the establishment of a society that coexists with nature, we recognize the importance of the benefits of biodiversity, and we are working to track and analyze the influence of our operating activities on biodiversity. Moreover, from a CSR perspective, we are also promoting activities that contribute to the conservation of biodiversity in ways that are unrelated to our business activities.

TOPICS

Sustainable Energy Initiatives

Tokyo Gas is stepping up its contribution to global warming abatement by promoting the use of renewable energy. To this end, we are conducting R&D on methane fermentation technologies and developing technologies to allow biogas emitted from foodstuff factories and other facilities to be used for cogeneration. In April 2008, we announced our "Biogas Purchasing Key Points," and we have since been preparing to purchase biogas with a view to including it in the city gas delivery network. In January 2011, we were the first in Japan to start accepting food-waste-derived biogas for delivery as city gas under the Super Eco Town Project of the Tokyo Metropolitan Government. Under this project, we will procure biogas in a quantity equivalent to the amount of city gas used by around 2,000 general households each year. Moreover, this translates to about 800,000 m^3N of gas annually and will reduce carbon dioxide emissions by approximately 1,360 tons per year.

We are also active in the area of power generation using renewable energy. Specifically, we have an equity stake in Agatsuma Bio Power Co., Ltd. and are participating in its business, which centers on wood chip biomass power generation. This method of power generation offers exceptional economic benefits and permits stable output without being affected by weather conditions. For fuel, this method uses 100% wood chips, created by crushing tree clippings and wood scraps and turning them into chip form. Accordingly, it produces clean, carbon neutral electric power. By the end of 2011, Agatsuma Bio Power is scheduled to commence operations, with a plan to produce 85 GWh of electricity—equivalent to the amount used by around 23,000 households per year.

In April 2011, Tokyo Gas invested in Shonai Wind-Power Generation Co., Ltd., which operates wind-power plants, including the Yuza Wind-Power Plant, in Yamagata Prefecture. By also participating in the wind power generation business, we will target proactive use of renewable energy in the future.

Yuza Wind-Power Plant

Agatsuma Bio Power (conceptual drawing)

Building Partnerships

Our Responsibility

Tokyo Gas conducts business operations that have a strong public welfare element, and the Group has a social mission. Tokyo Gas endeavors to move forward in tandem with its stakeholders, including not only shareholders but also customers, employees, suppliers and partners, and local communities. Contributing to the development of society is one of our most important tasks. Accordingly, we continue our sincere efforts to build, sustain, and develop relationships with all of our stakeholders.

Initiatives

By enhancing communications in capital markets through our IR activities, we are working to secure management soundness and transparency, to reflect the expectations of capital markets in our management, and to improve the understanding of and the trust in the Tokyo Gas Group.

In our relationships with customers, in order to ensure that All Tokyo Gas continues to be the preferred choice, we emphasize "whether the customer is satisfied" rather than "what we provide to the customer." In accordance with this approach, we have identified the customer satisfaction (CS) mindset as the fundamental stance of All Tokyo Gas and have documented it in our code of conduct. Moving forward, we will continue working to be a customer-focused Group by thoroughly communicating this fundamental stance to everyone involved with All Tokyo Gas.

For our employees, we are striving to enhance their motivation and to create "workplaces that are easy to work in" and in which employees can exercise their abilities to the fullest extent. Accordingly, we have established a variety of systems and are devoting resources to education so that the systems are used effectively. Furthermore, we are moving ahead with initiatives in the area of healthy, safe work environments.

In our relationships with suppliers and partners, we are taking steps to fulfill our public welfare and social missions, such as formulating action guidelines for purchasing activities and working to build relationships of trust.

In addition, our relationships with local communities involve working toward the realization of a society that is pleasant and comfortable to live in and striving to resolve issues related to our daily lives. In these ways, we are implementing activities that make the most of our strengths.

TOPICS

Helping Restore Gas Supplies Suspended due to the Great East Japan Earthquake

The Great East Japan Earthquake, which struck on March 11, 2011, has left a deep mark across Northeastern Japan, especially the Tohoku District. In the city gas sector, 16 gas providers serving more than 400,000 households were forced to suspend supplies. For some time, a mutual support system has been in place among city gas providers to address such natural disasters. Due to the magnitude of the recent event, however, many providers suffered more damage than ever in their history. To address this unprecedented disaster, the nation's 59 city gas providers, including Tokyo Gas, joined forces at the request of The Japan Gas Association, dispatching support teams to various disaster-stricken areas. At the peak of the effort, the support teams together totaled around 4,000 people per day. In addition to repairing and restoring gas delivery infrastructure, providing safety inspections services to customers, and performing work on open-shut plugs, the initiative included provision of temporary supply through mobile gas generation equipment and reopening of supplies using provisional equipment. By deploying personnel with the combined know-how and intellectual assets of gas providers nationwide, we managed to restart gas supplies by mid-May, around two months after the disaster. The role of gas providers is to conduct business with close regional ties even if there are major differences in supply areas. During these two months we worked day and night reconfirming our social mission as gas providers to deliver gas to our customers safely and restore supply as quickly as possible.

Restoration Work at a Customer's Home

Pipeline Restoration Work

This section provides responses to questions from investors and explains policies that are important in the conduct of management.

Q1 How does Tokyo Gas structure its RATES?

The Company's gas rate system is divided into the following three categories.

Service agreement

In cases in which Tokyo Gas supplies gas through the pipelines to meet general demand, the rate schedule is "regulated" under the service agreement used to require the approval of the Minister of Economy, Trade and Industry (METI). Under the amendments to the Gas Utility Industry Law in 1999, however, it became possible to change these rates simply by notifying the Minister, provided that these changes do not adversely affect any customers.

Optional agreement

Tokyo Gas is permitted to offer rates and service terms other than those outlined in the above service agreement. This enables the Company to make efficient use of its gas production and supply facilities and to improve its management efficiency. These agreements must be reported to the Minister, and the selection of this option is up to the customer.

Large-volume supply

Under the Gas Utility Industry Law, the conditions for gas rate setting and market entry for service providers in the large-volume market are being gradually deregulated. Effective from April 2004, customers who used 500,000 m^3 or more qualified as large-volume customers. Moreover, from April 2007, the designation point for large-volume customers shifted to 100,000 m^3 or more.

"Regulated" rates are calculated using a total cost principle*1. A simplified version of this calculation is given below.

Operating cost, etc.	+	Fair return	−	Deductions, etc.	=	Total fair cost
Cost of gas resources*2 Depreciation Personnel expenses Non-operating expenses Overhead Income taxes		Calculated using the ratebase system, which involves multiplying fixed-asset investments, etc., by the appropriate ratio of fair return		Profit from gas appliance sales, etc. Profit from real estate business, etc.		Represents an appropriate profit added to an appropriate cost under efficient management

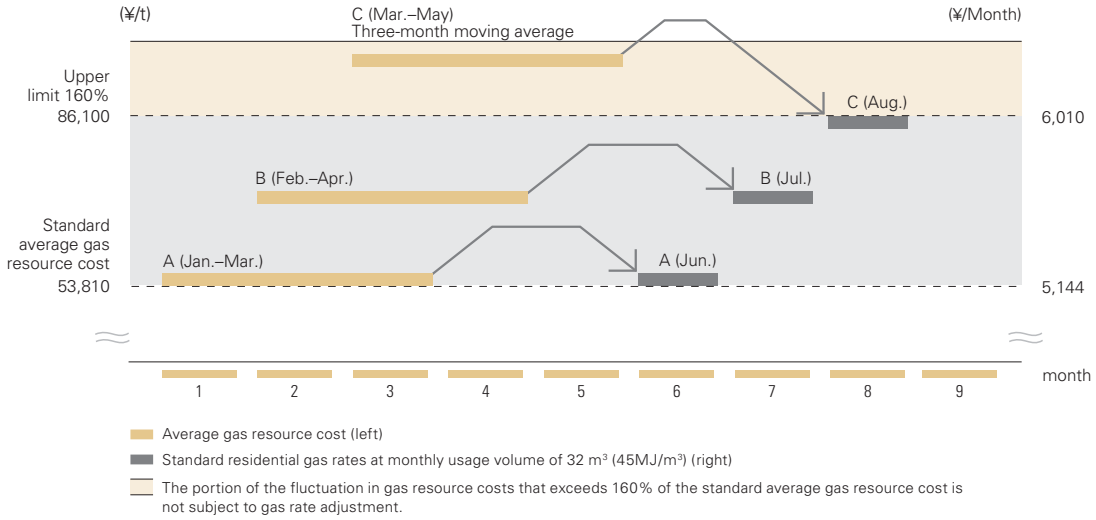
*1 Total cost principle: For a specific period (1 to 3 years), a fair return is added to the necessary and appropriate costs for the relevant period and gas rates are set on that basis (total cost). In this way, rates are calculated in accordance with METI rules.
*2 Fluctuations in foreign exchange rates or crude oil prices are reflected in the meter rate every month in accordance with the gas resource cost adjustment system. Consequently, the impacts of such fluctuations on revenue and expenditure will be neutral in the medium to long term.

Q2 What is the GAS RATE ADJUSTMENT SYSTEM?

The price of LNG is significantly influenced by crude oil prices and exchange rate fluctuations. Consequently, the gas resource costs borne by city gas suppliers are substantially influenced by changes in these areas. The gas rate adjustment system was introduced to promptly adjust gas rates*1 to reflect such exogenous factors (gas resource cost fluctuations). The system is intended to increase rate transparency and to clarify the efforts of suppliers to increase management efficiency.

Under this system, the impact of fluctuations in gas resource procurement costs on the revenues and expenditures of gas companies is neutral over the medium to long term*2.

*1 In general, gas rates comprise the base rate + specific unit price (unit rate x gas usage volume), and under the gas rate adjustment system, fluctuations in resource costs are reflected in the unit rate component of gas rates by adjustment amount.
*2 There is a time lag between the payment for gas resources and the reflection of the gas resource costs in gas rates. Consequently, in a single fiscal year, there can be under-recovery or over-recovery in relation to gas resource costs stemming from fluctuations in crude oil prices and exchange rates.



Q3 What processes are used by Tokyo Gas when making INVESTMENT DECISIONS?

Since fiscal 2003, Tokyo Gas has made decisions on new businesses, the continuation of businesses, and exits from businesses through Tokyo Gas Economic Profit (TEP), and decisions on investments through Net Present Value (NPV) and Internal Rate of Return (IRR). These three indicators are used as common standards throughout the Tokyo Gas Group. TEP is an original evaluation method for ensuring that the amount of profit exceeds the cost of capital.

The Investment Evaluation Committee assesses plans that involve investment, equity participation, or debt guarantees on the basis of risks and returns. The results of these deliberations are reflected in decisions at the Corporate Executive Committee or the Board of Directors. Derivative transactions are subject to market risk management rules.

Corporate Executive Committee meetings are held each week and are attended by executives at the senior executive officer level and above. Final decisions on important management issues are made after in-depth discussion, including deliberations by the Investment Evaluation Committee in the case of investment decisions. To follow the results and monitor projects in which investments have been made, Tokyo Gas evaluates the situation regularly in the Investment Evaluation Committee and reports findings at the Corporate Executive Committee.

Q4 What is Tokyo Gas doing to REDUCE ELECTRICITY CONSUMPTION?

As of July 1, 2011, in accordance with Japan's Electricity Business Act, electricity users who consume 500 kW or more are obliged to reduce their usage by 15% from the previous year. Members of the Tokyo Gas Group, including factories, offices, and affiliated companies, are making efforts to reach this target. Moreover, even small and medium-sized offices that consume less than 500 kW and have no obligation to reduce energy consumption are formulating their own power conservation plans. In these ways, we are implementing electricity reduction measures aimed at achieving the 15% target across the entire Tokyo Gas Group. In order to lower electricity consumption at the residential level, we created a website for an electricity reduction campaign available for a limited period (from July 1 to September 30, 2011). During this period, we are offering accessible power saving ideas and specific ways to conserve electricity as part of a Group-wide effort to raise awareness regarding energy conservation.

For consumers, we have been promoting the "best mix" concept of dividing energy usage according to the attributes of the energy source. In this way, we will step up efforts to highlight the advantages of gas. In addition to the energy-saving measures that are made possible through the use of gas appliances, we are aiming to promote cogeneration systems that reduce the burden of system-based energy sources. Over the medium and long terms, moreover, Tokyo Gas plans to build a "smart energy network," which combines gas with solar power and other renewable energy forms.

With the commissioning in 2010 of the Ohgishima

Power Station (total power generation capacity of 810 MW, which includes Tokyo Gas' power generation capacity of 610 MW), our total electricity capacity has risen to 1,300 MW. As we strive to secure sufficient electric power capacity to meet future needs, we will raise the utilization rate of our own power generation equipment to enable a comprehensive response that includes system-based energy, IPPs, and the supply of natural gas for in-house power generation. In these ways, we will do our utmost to help ensure stable supplies of electric power.

Q5 What is the definition of the "ENERGY SERVICE BUSINESS"?

In the energy service business, energy service providers build and own facilities, such as cogeneration systems, and provide one-stop energy services, such as electricity and heat. This type of service is drawing attention on account of its major advantages for customers. These include ease of implementation stemming from lack of need for a large initial investment, a high level of environmental performance, and reduced energy costs. Also, this is a field with growing appeal as a business due to improvements in system efficiency.

In 2002, Tokyo Gas moved to expand its involvement in the energy service business by establishing a wholly owned subsidiary, ENERGY ADVANCE Co., Ltd. The company operates very efficiently by capitalizing on the LNG procurement systems and advanced engineering capabilities of the Tokyo Gas Group, making the most of the high value added that can be achieved with cogeneration systems. It targets environmentally concerned customers, especially in the Kanto region, where demand is high. This company's energy services, which were introduced in 2003, have achieved the leading position in the industry, with 347 contracts at the end of March 2011.

Q6 What do you see as the ROLE OF THE POWER GENERATION business within the integrated energy business?

Tokyo Gas has established its power generation business as a multi-energy supply measure to provide all forms of energy that customers require in a one-stop manner. We intend to achieve an optimal mix with facilities such as cogeneration systems.

Furthermore, we believe our power generation business has a number of strengths.

1 It allows for competitive fuel procurement backed by our bargaining power.
2 Power plants are located close to demand areas utilizing existing infrastructure such as LNG terminals.
3 Synergy effects with the gas business are possible, such as improved terminal utilization rates and one-stop services.

Currently, we have four power plants in operation, or planned (refer to the table below), with our share of generating capacity being 1,300 MW.

Tokyo Gas is also active in renewable energy. By the end of 2011, for example, we plan to start operation of a wood chip biomass power plant with a capacity of 13,600 kW in Agatsuma-gun, Gunma Prefecture. In wind power generation, meanwhile, we installed a wind farm with a capacity of 1,990 kW inside our Sodegaura LNG Terminal in October 2005. And in April 2011, we took an equity stake in Shonai Wind-Power Generation Co., Ltd., which operates wind power plants in Yamagata Prefecture.

Tokyo Gas Baypower Co., Ltd.	100 MW	In operation since October 2003
Tokyo Gas Yokosuka Power Co., Ltd.	240 MW	In operation since June 2006
Kawasaki Natural Gas Power Generation Co., Ltd.	840 MW (420 MW x 2 units)	In operation since April 2008
Ohgishima Power Co., Ltd.	1,220 MW (407 MW x 3 units)	No.1 unit in operation since March 2010 No.2 unit in operation since July 2010 The timing for the commencement of No.3 unit commercial operation has not been determined.

FINANCIAL SECTION

CONTENTS

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

	2011	2010	2009	2008	2007
For the Years					
Net sales (Notes) 1, 5	**¥ 1,535,242**	¥ 1,415,718	¥ 1,660,162	¥ 1,487,496	¥ 1,376,958
City gas sales	**1,137,077**	1,046,166			
Gas appliances and installation work	**177,472**	169,784			
Other energies	**221,292**	157,297			
Real estate	**32,797**	32,784			
Other	**162,302**	161,690			
Gas sales			1,257,574	1,087,044	999,521
Gas appliance sales			122,363	132,236	135,407
Installation work			49,094	57,325	59,229
Real estate rental			35,637	35,169	34,034
Other business			363,783	320,361	285,407
Operating income	**122,451**	85,229	65,204	70,048	162,315
Net income	**95,467**	53,781	41,708	42,487	100,699
Comprehensive income	**80,440**	—	—	—	—
Depreciation*	**149,336**	146,117	141,083	142,421	133,142
Capital expenditures**	**150,202**	148,186	145,929	138,006	124,556
Free cash flow (Note) 2	**94,601**	51,712	36,862	46,902	109,285
Amounts per share of common stock (Yen)					
Net income	**¥ 35.63**	¥ 19.86	¥ 15.63	¥ 15.94	¥ 37.50
Diluted net income (Note) 4	**—**	—	15.37	15.50	35.69
Net assets (Note) 3	**320.70**	301.58	284.72	289.49	293.11
Cash dividends applicable to the year	**9.00**	9.00	8.00	8.00	8.00
At Year-End					
Total assets	**¥ 1,829,661**	¥ 1,840,972	¥ 1,764,185	¥ 1,703,651	¥ 1,692,635
Interest-bearing debt	**584,169**	555,919	593,230	558,716	525,467
Total net assets	**874,094**	826,291	784,616	780,455	806,045
Total shareholders' equity	**—**	—	—	—	—
Ratios					
Operating income to net sales	**8.0%**	6.0%	3.9%	4.7%	11.8%
Net income to net sales	**6.2%**	3.8%	2.5%	2.9%	7.3%
ROE	**11.4%**	6.8%	5.4%	5.4%	13.2%
ROA	**5.2%**	3.0%	2.4%	2.5%	5.9%
Equity ratio	**46.9%**	44.2%	43.8%	45.1%	47.0%

Notes:

1 Segment sales include intersegment transactions.

2 Free cash flow = net income + depreciation* – capital expenditures**
* including amortization of long-term prepayments
** purchases of property, plant and equipment + purchases of intangible assets + long-term prepayments

3 Effective from the year ended March 31, 2007, the Company and its consolidated subsidiaries have adopted the "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan (ASBJ) Statement No.5; December 9, 2005) and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Guidance No.8; 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.

5 Effective from the year ended March 31, 2011, the Company and its consolidated subsidiaries have adopted the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No.17; March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No.20; March 21, 2008). Segment sales for the year ended March 31, 2010, are reference values reclassified to conform to the current segment classification.

	2006	2005	2004	2003	2002	2001	2000
	¥ 1,266,501	¥ 1,190,783	¥ 1,151,824	¥ 1,127,633	¥ 1,097,589	¥ 1,086,770	¥ 992,255
	910,320	834,658	831,114	792,453	750,438	740,731	672,069
	130,825	135,108	133,873	142,635	149,203	146,516	127,916
	59,746	64,794	68,033	70,568	71,337	71,907	68,651
	34,187	34,701	35,443	36,346	37,551	37,601	37,841
	252,595	234,720	172,160	158,326	156,011	159,577	158,819
	112,345	145,349	152,287	123,294	110,607	103,659	69,233
	62,114	84,047	44,787	59,201	51,911	27,595	26,698
	—	—	—	—	—	—	—
	136,376	140,271	146,895	141,027	145,564	150,374	140,306
	119,435	107,529	107,441	111,988	105,296	111,397	124,975
	79,057	116,789	84,241	88,240	92,178	66,572	42,029
	¥ 23.48	¥ 31.47	¥ 16.44	¥ 21.18	¥ 18.47	¥ 9.82	¥ 9.50
	21.70	28.24	14.98	19.11	16.66	9.13	8.84
	270.46	244.73	221.53	208.65	200.75	196.72	172.33
	7.00	7.00	7.00	6.00	6.00	6.00	5.00
	¥ 1,693,898	¥ 1,668,734	¥ 1,666,828	¥ 1,676,064	¥ 1,702,712	¥ 1,797,669	¥ 1,805,086
	559,911	624,105	682,744	731,301	775,894	870,347	957,085
	—	—	—	—	—	—	—
	728,231	648,766	598,453	579,706	564,077	552,790	484,239
	8.9%	12.2%	13.2%	10.9%	10.1%	9.5%	7.0%
	4.9%	7.1%	3.9%	5.3%	4.7%	2.5%	2.7%
	9.0%	13.5%	7.6%	10.4%	9.3%	5.3%	5.9%
	3.7%	5.0%	2.7%	3.5%	3.0%	1.5%	1.5%
	43.0%	38.9%	35.9%	34.6%	33.1%	30.8%	26.8%

Summary

In the fiscal year ended March 31, 2011, gas sales volume increased 7.9% year-on-year, to 14,745 million m^3, owing to the commissioning of new power generation facilities and other factors.

The rise in gas sales volume, together with an increase in gas unit prices under the gas rate adjustment system, pushed up sales of city gas. In addition, there was an increase in electric power sales stemming from the commencement of operations at the Ohgishima Power Station. Consequently, net sales climbed 8.4%, to ¥1,535.2 billion. Operating expenses grew 6.2%, to ¥1,412.7 billion, as increases in city gas raw materials costs were partly offset by a decline in depreciation of pension actuarial difference. As a result, operating income jumped 43.7%, to ¥122.4 billion, and ordinary income rose 45.5%, to ¥121.5 billion. Net income for the year surged 77.5%, to ¥95.4 billion, boosted by ¥39.7 billion in extraordinary income from the sale of land in Toyosu.

With respect to appropriations to shareholders, the Company maintained its existing policy of a total payout ratio of 60%. This means the sum of cash dividends and share repurchases will be at least 60% of net income for the year.

Operating Environment in the Year Under Review

Macroeconomic Conditions

In the fiscal year ended March 31, 2011, the Japanese economy, despite showing signs of a turnaround on the back of economic recovery trends worldwide, remained in a difficult-to-predict state due to several factors. These included ongoing stagnation in personal consumption, the rapid appreciation of the yen, and rising crude oil prices. Reflecting this situation, demand for energy languished amid consumption restraint and contraction in corporate activities. Due to moderate economic recovery, however, the gas sales volume for general industry bottomed out after a period of decline following the collapse of Lehman Brothers, and recovered to around 90% of pre-collapse levels. The gas sales volume for power generation use also rose significantly, owing to commencement of operations at the Ohgishima Power Station and increased utilization of power generation facilities following the Great East Japan Earthquake.

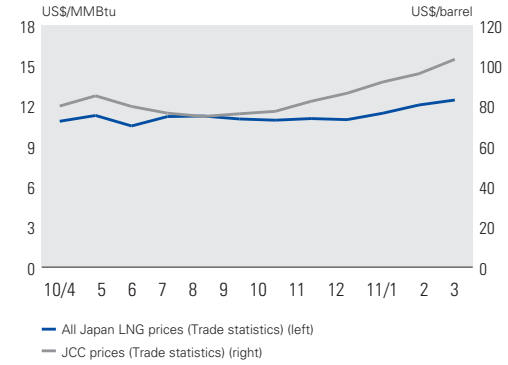
Influence of Fluctuating Oil Prices and Foreign Exchange Rates on the Company's Operations

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 gas resource costs for the city gas business are reflected in sales, and the Company's revenues and operating expenses are significantly influenced by fluctuations in crude oil prices.

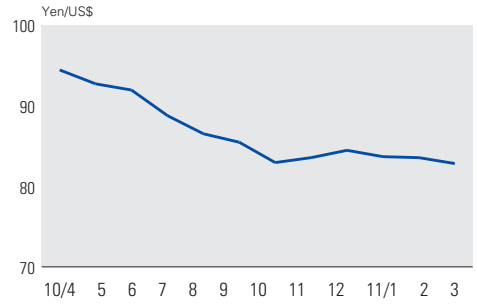
In the first half of the year under review, the JCC remained in the US$75 to US$79 per barrel range. In the second half, however, it rose to above US$90 in January 2011 and above US$100 in March. For the full fiscal year, the average was US$84.14 per barrel, up US$14.76 from the previous year. In foreign exchange rates, the yen remained at a high level, and the average yen-dollar exchange rate was ¥85.74 for the full fiscal year, reflecting the yen's appreciation of ¥7.15 compared with a year earlier.

As a result, the year's trends in crude oil prices had the effect of pushing up the Company's LNG purchase price and contributing to increases in sales and gas resource costs.

Prices of Crude Oil and LNG



Yen–Dollar Exchange Rate



Analysis of the City Gas Business

Sales increased year-on-year across all sectors (residential, commercial and others, industrial, and wholesale).

Residential Sector

There was a decline in sales volume per customer due to a decrease in the number of household occupants and a focus on saving energy and economizing. By contrast, there was increase in the number of customers, while cool temperatures at the beginning and end of the fiscal year helped boost demand for hot water and indoor heating. Accordingly, residential demand grew 2.4%, to 3,520 million m^3.

Commercial and Others Sector

For the year, our commercial business was affected by customers' focus on saving energy and economizing, as well as ongoing stiff competition from electricity. However, high temperatures in the summer helped boost demand for air conditioning. As a result, commercial demand climbed 3.4%, to 3,042 million m^3.

Industrial Sector

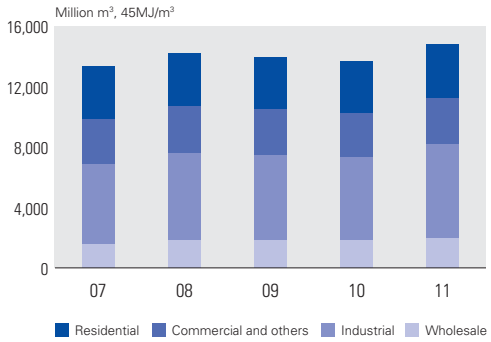
In addition to increased demand for power generation at the Ohgishima Power Station, demand from general industry was buoyed by moderate economic recovery, while the Great East Japan Earthquake also pushed up power generation demand. Consequently, industrial demand rose 14.5%, to 6,237 million m^3.

Wholesale Sector

Thanks to increased demand from other gas utilities, wholesale supplies grew 5.8%, to 1,947 million m^3.

As a result, the overall gas sales volume increased 7.9%, or 1,079 million m^3, to 14,745 million m^3.

Gas Sales Volume by Sector (Years ended March 31)



Analysis of Income and Expenses

Sales increased for the first time in two years, while income rose for the second consecutive year.

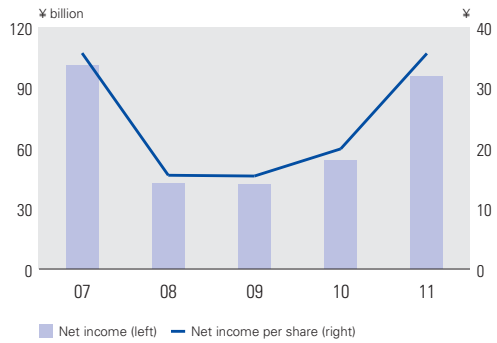
In the fiscal year under review, gas sales increased 8.7%, or ¥90.9 billion, to ¥1,137.0 billion, due to higher gas unit prices under the gas rate adjustment system and a 7.9% rise in gas sales volume. As a result, total net sales rose 8.4%, or ¥119.5 billion, from the previous year, to ¥1,535.2 billion.

Despite a ¥19.5 billion decline in the retirement benefits accounting actuarial difference burden, which was deducted from miscellaneous salaries, there was a ¥103.6 billion increase in gas resource costs due to high crude oil prices. Accordingly, operating expenses increased 6.2%, or ¥82.3 billion, to ¥1,412.7 billion. As a result, operating income jumped 43.7%, or ¥37.2 billion, to ¥122.4 billion.

Ordinary income climbed 45.5%, or ¥38.0 billion, to ¥121.5 billion, as income from weather derivatives compensated for a ¥4.7 billion decline in foreign exchange gains of overseas subsidiaries.

Among extraordinary items, a ¥39.7 billion gain on the sale of land in Toyosu to the Tokyo Metropolitan Government was included as extraordinary income. We also reported extraordinary losses in the form of a ¥2.1 billion loss on valuation of available-for-sale securities and a ¥3.2 billion loss on disaster associated with damage from the Great East Japan Earthquake that occurred on March 11. Accordingly, net income surged 77.5%, or ¥41.7 billion, to ¥95.4 billion.

Net Income and Net Income per Share
(Years ended March 31)



Analysis of Segments

City Gas Sales

Gas sales increased 8.7%, or ¥90.9 billion, year on year, to ¥1,137.0 billion, due to higher gas sales volume and a rise in gas unit prices under the gas rate adjustment system. At the same time, there were increases in LNG prices and resource costs associated with the higher gas sales volume. As a result, operating income in this segment rose 17.9%, or ¥20.6 billion, to ¥136.1 billion.

Gas Appliances and Installation Work

Sales in this segment grew 4.5%, or ¥7.7 billion, year on year, to ¥177.4 billion, while operating income declined 14.3%, or ¥0.3 billion, to ¥1.8 billion.

Other Energies

This segment consists of energy services, LPG, electric power, industrial gas, and other products and services. In the year under review, segment sales increased 40.7%, or ¥64.0 billion, year on year, to ¥221.2 billion, and operating income jumped 62.4%, or ¥4.3 billion, to ¥11.1 billion. Within this segment, the electric power sales posted a 150.3%, or ¥42.2 billion, to ¥70.2 billion, owing to the commencement of operations at the Ohgishima Power Station. Operating income surged 271.4%, or ¥4.4 billion, to ¥6.0 billion.

Real Estate

Sales in this segment remained mostly unchanged, at ¥32.7 billion. Operating income declined 15.1%, or ¥1.0 billion, to ¥5.7 billion.

Other

This segment includes facility construction and engineering, information processing, shipping, and credit and leasing. In the year under review, sales edged up 0.4%, or ¥0.7 billion, to ¥162.3 billion, and operating income jumped 52.5%, or ¥3.5 billion, to ¥9.9 billion.

Business Results by Segment (¥ million)
Sales

Years ended March 31	2010	2011
City gas sales	1,046,166	**1,137,077**
Gas appliances and installation work	169,784	**177,472**
Other energies	157,297	**221,292**
Real estate	32,784	**32,797**
Other	161,690	**162,302**
Total	1,567,722	**1,730,942**
Adjustments	(152,004)	**(195,699)**
Consolidated	1,415,718	**1,535,242**

Sales figures for each segment include intersegment transactions.

Operating Income

Years ended March 31	2010	2011
City gas sales	115,539	**136,181**
Gas appliances and installation work	2,184	**1,872**
Other energies	6,874	**11,166**
Real estate	6,732	**5,713**
Other	6,497	**9,907**
Total	137,828	**164,841**
Adjustments	(52,598)	**(42,389)**
Consolidated	85,229	**122,451**

Operating income figures for each segment include intersegment transactions.

Contribution to Net Sales by Segment

Years ended March 31	2010	2011	Change
City gas sales	66.7%	**65.6%**	–0.9 point
Gas appliances and installation work	10.8%	**10.3%**	–0.5 point
Other energies	10.0%	**12.8%**	+2.8 points
Real estate	2.1%	**1.9%**	–0.2 point
Other	10.3%	**9.4%**	–0.9 point

Financial Position

Assets

At fiscal year-end, total assets amounted to ¥1,829.6 billion, down 0.6%, or ¥11.3 billion, from a year earlier. Total property, plant and equipment rose 1.0%, or ¥11.4 billion, to ¥1,120.2 billion, due mainly to an increase in power generation equipment associated with the inclusion of Ohgishima Power Co., Ltd. into the scope of consolidation. Total intangible assets jumped 47.1%, or ¥13.2 billion, to ¥41.1 billion, due mainly to investments in software. Total investments and other assets declined 14.7%, or ¥39.4 billion, to ¥228.9 billion, due mainly to a decrease in the balance of long-term loans receivable.

Total current assets edged up 0.8%, or ¥3.6 billion, to ¥439.3 billion. Within this amount, other current assets increased ¥25.0 billion, to ¥98.0 billion, and cash and deposits fell ¥17.0 billion, to ¥90.3 billion.

Liabilities

Total liabilities declined 5.8%, or ¥59.1 billion, to ¥955.5 billion. Total noncurrent liabilities were down 1.2%, or ¥7.6 billion, to ¥646.7 billion. Within this amount, bonds payable increased ¥10.0 billion, but provision for retirement benefits decreased ¥34.1 billion. Total current liabilities fell 14.3%, or ¥51.5 billion, to ¥308.8 billion. Within this amount, notes and accounts payable — trade fell ¥58.8 billion, to ¥76.1 billion, and other current liabilities rose ¥7.6 billion, to ¥133.2 billion.

Net Assets

Total net assets increased 5.8%, or ¥47.8 billion, to ¥874.0 billion. This was due mainly to ¥95.4 billion in net income, as well as a 7.6%, or ¥60.6 billion, rise in total shareholders' equity, to ¥859.9 billion, which outweighed ¥25.5 billion in cash dividends paid and a ¥15.6 billion decline in total accumulated other comprehensive income.

Changes in Treasury Stock

In the fiscal year ended March 31, 2011, the Company purchased 14.03 million shares of treasury stock due to a request by shareholders opposed to merger by absorption of consolidated subsidiaries. Despite the cancellation of 19,568 thousand shares during the year, total treasury stock rose 18.6%, or ¥0.4 billion, to ¥2.3 billion.

Equity Ratio

Total equity increased 5.5%, or ¥45.1 billion, to ¥858.9 billion. This was due primarily to an increase in retained earning stemming from net income, which outweighed ¥25.5 billion in cash dividend payments. Because total assets edged down 0.6%, or ¥11.3 billion, to ¥1,829.6 billion, the equity ratio rose 2.7 percentage points, to 46.9%.

Interest-Bearing Debt

In the year under review, total interest-bearing debt increased 5.1%, or ¥28.2 billion, to ¥584.1 billion, due primarily to an increase in capital investments. As a result, the D/E ratio remained unchanged, at 0.68.

Credit Ratings

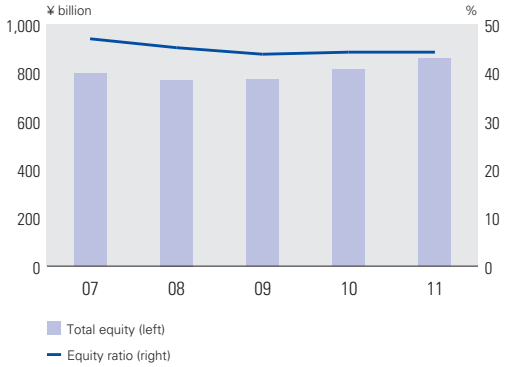
To secure financial flexibility in regard to liquidity on hand and capital policy, and to secure access to financial resources through the capital markets, the Company believes that it is necessary to maintain its credit rating at a certain level. Tokyo Gas has acquired ratings from Moody's, Standard & Poor's (S&P), Rating and Investment Information, Inc. (R&I), and Japan Credit Rating Agency, Ltd. (JCR). As of March 31, 2011, the ratings were as follows.

Moody's	Aa2	High creditworthiness and very low credit risk to meet long-term obligations.
S&P	AA–	Very strong capacity to meet obligations. Difference from the highest rating, AAA, is small. (Plus and minus signs indicate relative standing within each rating category.)
R&I	AA+	Very high creditworthiness supported by some excellent factors.
JCR	AAA	The highest level of capacity of the obligor to honor its financial commitment on the obligation.

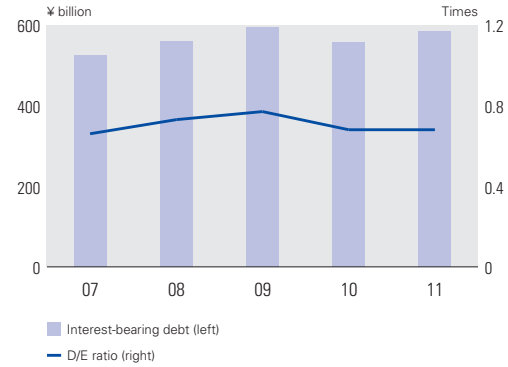
Capital Expenditures and Depreciation

Capital expenditures rose 1.4%, or ¥2.1 billion, to ¥150.2 billion. This was principally attributable to investments in the Ohgishima Power Station, which commenced operations during the period. Similarly, depreciation was up 2.2%, or ¥3.2 billion, to ¥149.3 billion.

Total Equity and Equity Ratio (At March 31)



Interest-bearing Debt and D/E Ratio (At March 31)



Cash Flows

Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥162.3 billion, down ¥131.8 billion from the previous year. Main factors were a ¥52.5 billion decrease in notes and accounts payable — trade (down ¥81.9 billion from the previous year), a ¥34.1 billion decrease in provision for retirement benefits (down ¥64.2 billion), and a ¥39.8 billion gain on sales of noncurrent assets (down ¥39.5 billion). Main contrasting factors were ¥155.4 billion in income before income taxes (up ¥71.9 billion) and a ¥24.2 billion decrease in accounts receivable — other (up ¥31.0 billion).

Cash Flows from Investment Activities

Net cash used in investment activities totaled ¥172.3 billion, compared with ¥177.2 billion used in the previous year. Main components were ¥150.8 billion in the purchase of property, plant and equipment and intangible assets (up ¥5.3 billion from the previous year), ¥21.7 billion in the purchase of investment securities (up ¥8.3 billion), and ¥3.1 billion in payments of long-term loans receivable (down ¥14.7 billion).

Cash Flows from Financing Activities

Net cash used in financing activities was ¥7.2 billion, compared with ¥69.3 billion used in the previous year. Main factors included ¥40.0 billion in proceeds from issuance of bonds (up ¥10.0 billion), ¥20.0 billion in the redemption of bonds (down ¥40.2 billion), and a ¥15.0 billion increase in commercial papers.

Operating Cash Flow

Aiming to aggressively invest in the gas business to prepare for future growth in demand, 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, 2011 amounted to ¥244.8 billion, a year-on-year increase of ¥45.0 billion. The higher figure reflects a ¥41.7 billion increase in net income and a ¥3.2 billion increase in depreciation.

Total Payout Ratio

Tokyo Gas has set an objective of a 60% total payout ratio, which means to return 60% of net income to shareholders, as an indicator of its commitment to shareholder returns. Specifically, 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.

In the fiscal year ended March 31, 2011, the Company posted extraordinary income of ¥39.9 billion, due primarily to a gain on sales of noncurrent assets from the sale of land in Toyosu. Including this amount, the Company maintained its existing policy of returning 60% of net income to shareholders.

The Company plans dividends of ¥9.00 per share for the fiscal year ended March 31, 2011, unchanged from the previous year, and share repurchases of ¥34.0 billion in the fiscal year ending March 31, 2012. As a result, the total payout ratio for the fiscal year ended March 31, 2011 was 60.9%.

In regard to dividends, we maintained dividends at ¥9.00 per share. In the future, our priority is to ensure stable dividends, with consideration for gradual increases over the long term and without reducing dividends.

With respect to share repurchases, our basic principle is to cancel the shares. In the fiscal year ended March 31, 2011, we purchased treasury stock totaling ¥34.0 billion, and we plan to cancel those shares at an early stage.

Millions of yen

Years ended March 31	2009	2010	2011
Net cash provided by operating activities	159,561	294,110	**162,345**
Net cash used in investment activities	(163,575)	(177,290)	**(172,305)**
Net cash provided by (used in) financing activities	30,932	(69,375)	**(7,212)**

Key Management Indicators

ROA and ROE improve due to higher net income.

ROA

The average balance of total assets decreased, and net income jumped 77.5% year-on-year, to ¥95.4 billion. Accordingly, ROA improved 2.2 percentage points, to 5.2%.

ROE

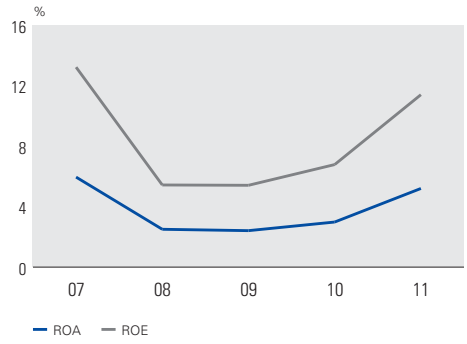
The average balance of total equity increased, and net income jumped 77.5% year-on-year, to ¥95.4 billion. As a result, ROE improved 4.6 percentage points, to 11.4%—the first double-digit result in four years.

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.

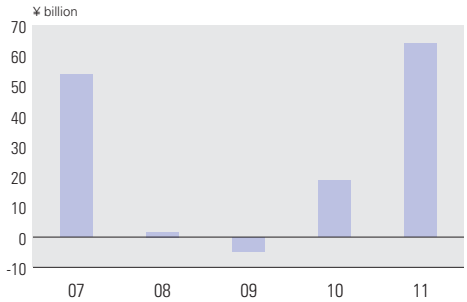
In the fiscal year ended March 31, 2011, Net Operating Profit After Tax Prior to Interest Payments (NOPAT) increased ¥46.1 billion year-on-year, to ¥108.8 billion. The Weighted Average Cost of Capital (WACC) remained unchanged, at 3.2%, and the cost of capital increased ¥0.7 billion, to ¥44.8 billion. Consequently, TEP improved ¥45.4 billion, to ¥64.0 billion.

ROA and ROE (Years ended March 31)



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 (Years ended March 31)



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

Forecast

We forecast an increase in sales, but a decline in income in the fiscal year ending March 31, 2012.

In the fiscal year ending March 31, 2012, we expect consolidated net sales to increase 14.1%, or ¥216.8 billion, to ¥1,752.0 billion; operating income to decline 53.5%, or ¥65.4 billion, to ¥57.0 billion; and net income to fall 65.4%, or ¥62.4 billion, to ¥33.0 billion.

In the fiscal year ended March 2011, ordinary income was ¥121.5 billion, but in the year ahead we forecast a decline of 57.2%, or ¥69.5 billion, to ¥52.0 billion. Principal factors include a ¥61.1 billion year-on-year decline in non-consolidated ordinary income of Tokyo Gas, a ¥12.2 billion fall in ordinary income of consolidated subsidiaries, and a ¥3.8 billion increase due to consolidated adjustments.

On a non-consolidated basis, Tokyo Gas is expected to record a ¥61.1 billion year-on-year decline in ordinary income compared with the year under review. Despite an expected increase in sales stemming from high gas unit prices under the gas rate adjustment system, this will be surpassed by gas resource costs, leading to a ¥27.5 billion decrease in gross profits on gas. The under-recovery of gas resource costs due to the slide time lag under the gas rate adjustment system is expected to push down profits by ¥26.7 billion. Although a decrease in miscellaneous expenses is expected, we also forecast a ¥20.0 billion increase in operating expenses, due mainly to higher miscellaneous salaries stemming from amortization of the retirement benefit accounting actuarial differences.

Ordinary income of consolidated subsidiaries is projected to decline ¥12.2 billion, due primarily to the lower foreign exchange gains of overseas subsidiaries.

* The above forecasts are valid as of the date of the Company's consolidated financial results announcement for the fiscal year ended March 31, 2011.

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.

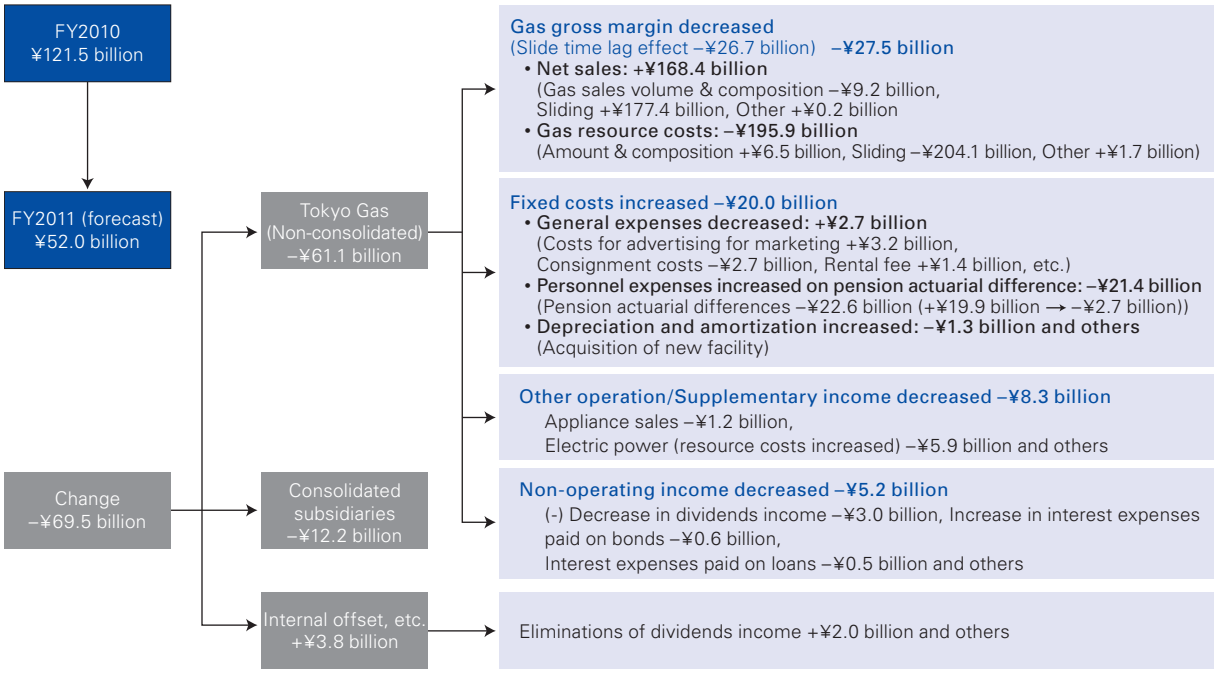
Fluctuations in the cost of gas resources are passed on to gas rates after at most five months under the "gas rate adjustment system." Accordingly, in a single fiscal year there can be under-recovery or over-recovery. However, over the medium to long term, the effect on income is minimal.

The extent to which fluctuations in exchange rates and crude oil prices will affect gross profit in the fiscal year ending March 31, 2012 is as follows.

Exchange rate: Approximately ¥1.5 billion down (up) with depreciation (appreciation) of ¥1/dollar
Crude oil price: Approximately ¥1.2 billion down (up) with an increase (decrease) in crude oil price of US$1/barrel

In the fiscal year ended March 31, 2011, the average exchange rate was ¥85.74 to one dollar, and the crude oil price averaged US$84.14 per barrel. Forecasts for the fiscal year ending March 31, 2012 are based on an exchange rate of ¥85.00 to one dollar and an average crude oil price of US$116.25 per

Ordinary Income Plan for Fiscal Year Ending March 31, 2012: Analysis of Factors (Year on Year)



barrel (as of the announcement date of the consolidated financial results for the fiscal year ended March 31, 2011.)

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 and others sector, gas is mainly used for air conditioning systems, so if temperatures are low in the summer or high in the winter, such temperature fluctuations can erode revenues and income by reducing the volume of gas sold.

The average temperatures in the fiscal year ended March 31, 2011 were 23.0˚C in the first half of the year, 10.4˚C in the second half, and 16.7˚C for the whole year. Forecasts for the fiscal year ending March 31, 2012 are based on an average of 16.7˚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 1ºC Temperature Rise on Overall Gas Sales Volume

	Rate of change
Summer (June–September)	0.1%
Winter (December–March)	–2.3%
Intervening months (April, May, October, November)	–2.1%
Annual	–2.1%

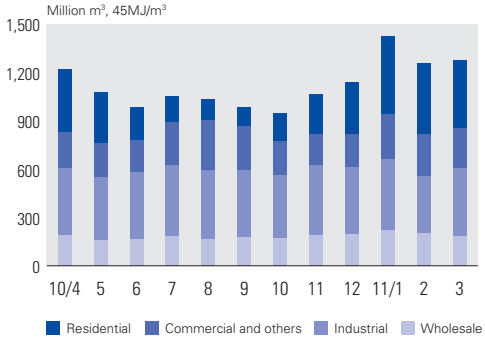
Interest Rate Fluctuation Risk

The Company's interest-bearing liabilities, both long- and short-term, mostly carry 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, 2011 (Non-consolidated)



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, 2011).

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, restrictions on port entry into Tokyo Bay, 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 making facilities earthquake-proof to permit uninterrupted production and supply of city gas even in the event of large-scale earthquakes of a magnitude equivalent to the Great Hanshin-Awaji Earthquake; taking emergency measures to prevent secondary disasters; 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, typhoons, and tsunami. 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 the core of 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—including the formulation of business continuity plans to prepare for major interruptions or accidents affecting gas supply—as well as the preparation of emergency response plans and the execution of regular drills. However, large-scale leakages, 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 cause fluctuations in residential sales of gas used to supply hot water and heating, as well as commercial and others sales 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 the 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, the 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. Internal audits help ensure a full understanding of the Group's compliance with laws and regulations, corporate ethics, and social norms, and confirm the status of such compliance. Any violations of laws, rules, and regulations or inappropriate responses to information disclosure or any action which contravenes corporate ethics or social norms 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, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
Assets	2010	**2011**	**2011**
Noncurrent assets			
Property, plant and equipment (Note 11)			
Production facilities	¥ 186,467	**¥ 180,446**	**$ 2,174,048**
Distribution facilities (Note 3)	475,932	**461,109**	**5,555,530**
Service and maintenance facilities (Note 3)	59,169	**62,149**	**748,783**
Other facilities (Notes 3 and 15)	295,494	**318,239**	**3,834,205**
Inactive facilities	742	**447**	**5,386**
Construction in progress	91,037	**97,850**	**1,178,916**
Total property, plant and equipment	1,108,843	**1,120,243**	**13,496,904**
Intangible assets			
Goodwill	1,460	**1,198**	**14,434**
Other (Note 15)	26,517	**39,944**	**481,253**
Total intangible assets	27,977	**41,143**	**495,699**
Investments and other assets			
Investment securities (Notes 3, 5 and 6)	139,052	**137,456**	**1,656,096**
Long-term loans receivable (Note 3)	40,996	**21,340**	**257,108**
Deferred tax assets (Note 10)	53,087	**39,085**	**470,904**
Other	36,350	**31,928**	**384,675**
Allowance for doubtful accounts	(1,130)	**(909)**	**(10,952)**
Total investments and other assets	268,357	**228,900**	**2,757,831**
Total noncurrent assets	1,405,178	**1,390,286**	**16,750,434**
Current assets			
Cash and deposits (Notes 3 and 13)	107,391	**90,302**	**1,087,976**
Notes and accounts receivable — trade	156,398	**160,128**	**1,929,253**
Lease receivables and lease investment assets (Note 15)	25,888	**26,789**	**322,759**
Merchandise and finished goods	3,291	**3,591**	**43,265**
Work in process	16,388	**8,937**	**107,675**
Raw materials and supplies	37,412	**36,451**	**439,169**
Deferred tax assets (Note 10)	16,606	**15,624**	**188,241**
Other (Note 3)	73,034	**98,096**	**1,181,880**
Allowance for doubtful accounts	(619)	**(546)**	**(6,578)**
Total current assets	435,794	**439,374**	**5,293,663**
Total assets	¥1,840,972	**¥1,829,661**	**$ 22,044,108**

Accompanying notes are an integral part of these financial statements.

Liabilities and net assets	Millions of yen 2010	Millions of yen 2011	Thousands of U.S. dollars (Note 1) 2011
Noncurrent liabilities			
Bonds payable (Notes 5 and 7)	¥ 301,491	**¥ 311,492**	**$ 3,752,916**
Long-term loans payable (Notes 3, 5 and 7)	186,681	**188,239**	**2,267,940**
Deferred tax liabilities (Note 10)	4,448	**17,330**	**208,795**
Provision for retirement benefits (Note 9)	130,903	**96,870**	**1,167,108**
Provision for gas holder repairs	3,597	**3,565**	**42,952**
Provision for safety measures	184	**—**	**—**
Asset retirement obligations	—	**3,679**	**44,325**
Other	27,012	**25,535**	**307,651**
Total noncurrent liabilities	654,319	**646,713**	**7,791,723**
Current liabilities			
Current portion of noncurrent liabilities (Notes 3, 5 and 7)	53,456	**48,765**	**587,530**
Notes and accounts payable — trade	134,946	**76,180**	**917,831**
Short-term loans payable (Note 7)	11,348	**17,825**	**214,759**
Income taxes payable	34,945	**32,795**	**395,120**
Deferred tax liabilities (Note 10)	8	**6**	**72**
Asset retirement obligations	—	**77**	**928**
Other (Note 3)	125,656	**133,203**	**1,604,855**
Total current liabilities	360,362	**308,853**	**3,721,120**
Total liabilities	1,014,681	**955,567**	**11,512,855**
Net assets (Note 12)			
Shareholders' equity			
Capital stock*	141,844	**141,844**	**1,708,964**
Legal capital surplus	2,065	**2,065**	**24,880**
Retained earnings	657,387	**718,439**	**8,655,892**
Treasury stock**	(1,986)	**(2,355)**	**(28,373)**
Total shareholders' equity	799,310	**859,994**	**10,361,373**
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	20,175	**14,788**	**178,169**
Deferred gains or losses on hedges	1,690	**1,145**	**13,795**
Foreign currency translation adjustment	(7,290)	**(17,008)**	**(204,916)**
Total accumulated other comprehensive income	14,575	**(1,073)**	**(12,928)**
Minority interests	12,404	**15,174**	**182,819**
Total net assets	826,291	**874,094**	**10,531,253**
Total liabilities and net assets	¥1,840,972	**¥1,829,661**	**$ 22,044,108**

* Capital stock
Common stock
Authorized: 6,500,000,000 shares
Issued: 2,684,193,295 shares as of March 31, 2011 / 2,703,761,295 shares as of March 31, 2010

** Treasury stock: 5,899,491 shares as of March 31, 2011 / 5,062,893 shares as of March 31, 2010

CONSOLIDATED STATEMENTS OF INCOME

Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2011	2011
Net sales (Note 14)	¥1,415,718	**¥1,535,242**	**$ 18,496,892**
Cost of sales	854,231	**974,781**	**11,744,349**
Gross profit	561,487	**560,460**	**6,752,530**
Selling, general and administrative expenses			
Supply and sales expenses	403,671	**374,919**	**4,517,096**
General and administrative expenses	72,586	**63,090**	**760,120**
Total selling, general and administrative expenses	476,257	**438,009**	**5,277,217**
Operating income	85,229	**122,451**	**1,475,313**
Non-operating income			
Interest income	1,112	**1,215**	**14,639**
Dividends income	1,091	**1,541**	**18,566**
Equity in earnings of affiliates	3,796	**3,605**	**43,434**
Foreign exchange gains	6,175	**2,421**	**29,169**
Miscellaneous income	8,450	**8,111**	**97,723**
Total non-operating income	20,626	**16,895**	**203,554**
Non-operating expenses			
Interest expenses	10,303	**9,689**	**116,735**
Adjustments of charges for construction of distribution facilities	3,186	**2,361**	**28,446**
Miscellaneous expenses	8,845	**5,747**	**69,241**
Total non-operating expenses	22,336	**17,798**	**214,434**
Ordinary income	83,519	**121,548**	**1,464,434**
Extraordinary income			
Gain on sales of noncurrent assets	—	**39,927**	**481,048**
Gain on sales of investment securities	—	**726**	**8,747**
Total extraordinary income	—	**40,653**	**489,795**
Extraordinary losses			
Impairment loss	—	**834**	**10,048**
Loss on disaster	—	**3,268**	**39,373**
Loss on valuation of investment securities	—	**2,100**	**25,301**
Product compensation extraordinary expenses	—	**503**	**6,060**
Total extraordinary losses	—	**6,707**	**80,807**
Income before income taxes	83,519	**155,494**	**1,873,422**
Income taxes — current	43,419	**27,522**	**331,590**
Income taxes — deferred	(14,552)	**31,901**	**384,349**
Total income taxes	28,866	**59,424**	**715,952**
Income before minority interests	54,652	**96,070**	**1,157,470**
Minority interests in income	871	**603**	**7,265**
Net income	¥ 53,781	**¥ 95,467**	**$ 1,150,205**

	Yen		U.S. dollars (Note 1)
	2010	2011	2011
Amounts per share of common stock			
Net income	¥ 19.86	**¥ 35.63**	**$ 0.43**
Cash dividends applicable to the year	9.00	**9.00**	**0.11**

Accompanying notes are an integral part of these financial statements.

From the fiscal year ended March 31, 2011, the Company and its consolidated subsidiaries have applied the "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No.25; June 30, 2010). The said Accounting Standard was not applicable for the previous fiscal year ended March 31, 2010. However, income before minority interests is shown for the sake of reference.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2011	2011
Income before minority interests	¥ 54,652	**¥ 96,070**	**$ 1,157,470**
Other comprehensive income			
Valuation difference on available-for-sale securities	8,769	**(5,375)**	**(64,759)**
Deferred gains or losses on hedges	771	**(604)**	**(7,277)**
Foreign currency translation adjustment	5,065	**(7,095)**	**(85,482)**
Share of other comprehensive income of associates accounted for using equity method	258	**(2,554)**	**(30,771)**
Total other comprehensive income	14,865	**(15,630)**	**(188,313)**
Comprehensive income	69,517	**80,440**	**969,157**
Comprehensive income attributable to:			
Shareholders	68,584	**79,818**	**961,663**
Minority interests	¥ 932	**¥ 622**	**$ 7,494**

Accompanying notes are an integral part of these financial statements.

From the fiscal year ended March 31, 2011, the Company and its consolidated subsidiaries have applied the "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No.25; June 30, 2010).
The said Accounting Standard was not applicable for the previous fiscal year ended March 31, 2010.
However, figures for the previous fiscal year have been restated to conform to the presentation of the fiscal year ended March 31, 2011 for the sake of reference.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2011	2011
Shareholders' equity			
Capital stock			
Balance at the end of previous period	¥ 141,844	**¥ 141,844**	**$ 1,708,964**
Changes of items during the period			
Total changes of items during the period	—	**—**	**—**
Balance at the end of period	141,844	**141,844**	**1,708,964**
Legal capital surplus			
Balance at the end of previous period	2,065	**2,065**	**24,880**
Changes of items during the period			
Changes of items during the period	—	**—**	**—**
Balance at the end of period	2,065	**2,065**	**24,880**
Retained earnings			
Balance at the end of previous period	631,045	**657,387**	**7,920,325**
Changes of items during the period			
Dividends from surplus	(21,701)	**(25,549)**	**(307,819)**
Net income	53,781	**95,467**	**1,150,205**
Disposal of treasury stock	(21)	**(1)**	**(12)**
Retirement of treasury stock	(5,418)	**(7,919)**	**(95,410)**
Change of scope of consolidation	(298)	**(943)**	**(11,361)**
Total changes of items during the period	26,342	**61,052**	**735,566**
Balance at the end of period	657,387	**718,439**	**8,655,892**
Treasury stock			
Balance at the end of previous period	(2,361)	**(1,986)**	**(23,928)**
Changes of items during the period			
Purchase of treasury stock	(5,149)	**(8,314)**	**(100,169)**
Disposal of treasury stock	105	**25**	**301**
Retirement of treasury stock	5,418	**7,919**	**95,410**
Total changes of items during the period	374	**(369)**	**(4,446)**
Balance at the end of period	(1,986)	**(2,355)**	**(28,373)**
Total shareholders' equity			
Balance at the end of previous period	772,594	**799,310**	**9,630,241**
Changes of items during the period			
Dividends from surplus	(21,701)	**(25,549)**	**(307,819)**
Net income	53,781	**95,467**	**1,150,205**
Purchase of treasury stock	(5,149)	**(8,314)**	**(100,169)**
Disposal of treasury stock	84	**23**	**277**
Change of scope of consolidation	(298)	**(943)**	**(11,361)**
Total changes of items during the period	26,716	**60,683**	**731,120**
Balance at the end of period	799,310	**859,994**	**10,361,373**
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities			
Balance at the end of previous period	11,466	**20,175**	**243,072**
Changes of items during the period			
Net changes of items other than shareholders' equity	8,709	**(5,386)**	**(64,892)**
Total changes of items during the period	8,709	**(5,386)**	**(64,892)**
Balance at the end of period	20,175	**14,788**	**178,169**
Deferred gains or losses on hedges			
Balance at the end of previous period	920	**1,690**	**20,361**
Changes of items during the period			
Net changes of items other than shareholders' equity	769	**(544)**	**(6,554)**
Total changes of items during the period	769	**(544)**	**(6,554)**
Balance at the end of period	1,690	**1,145**	**13,795**
Foreign currency translation adjustment			
Balance at the end of previous period	(12,615)	**(7,290)**	**(87,831)**
Changes of items during the period			
Net changes of items other than shareholders' equity	5,324	**(9,717)**	**(117,072)**
Total changes of items during the period	5,324	**(9,717)**	**(117,072)**
Balance at the end of period	(7,290)	**(17,008)**	**(204,916)**
Total accumulated other comprehensive income			
Balance at the end of previous period	(228)	**14,575**	**175,602**
Changes of items during the period			
Net changes of items other than shareholders' equity	14,803	**(15,649)**	**(188,542)**
Total changes of items during the period	14,803	**(15,649)**	**(188,542)**
Balance at the end of period	14,575	**(1,073)**	**(12,928)**
Minority interests			
Balance at the end of previous period	12,250	**12,404**	**149,446**
Changes of items during the period			
Net changes of items other than shareholders' equity	154	**2,769**	**33,361**
Total changes of items during the period	154	**2,769**	**33,361**
Balance at the end of period	12,404	**15,174**	**182,819**
Total net assets			
Balance at the end of previous period	784,616	**826,291**	**9,955,313**
Changes of items during the period			
Dividends from surplus	(21,701)	**(25,549)**	**(307,819)**
Net income	53,781	**95,467**	**1,150,205**
Purchase of treasury stock	(5,149)	**(8,314)**	**(100,169)**
Disposal of treasury stock	84	**23**	**277**
Change of scope of consolidation	(298)	**(943)**	**(11,361)**
Net changes of items other than shareholders' equity	14,957	**(12,879)**	**(155,169)**
Total changes of items during the period	41,674	**47,803**	**575,940**
Balance at the end of period	¥ 826,291	**¥ 874,094**	**$ 10,531,253**

Accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2011	2011
Net cash provided by (used in) operating activities			
Income before income taxes	¥ 83,519	¥ 155,494	$ 1,873,422
Depreciation and amortization	142,110	145,389	1,751,675
Impairment loss	—	834	10,048
Amortization of long-term prepaid expenses	4,007	3,946	47,542
Loss on retirement of property, plant and equipment	3,239	3,248	39,133
Loss (gain) on sales of noncurrent assets	(382)	(39,849)	(480,108)
Loss (gain) on sales of investment securities	(52)	(725)	(8,735)
Loss (gain) on valuation of investment securities	147	2,100	25,301
Increase (decrease) in provision for retirement benefits	30,168	(34,104)	(410,892)
Interest and dividends income	(2,204)	(2,757)	(33,217)
Interest expenses	10,303	9,689	116,735
Equity in (earnings) losses of affiliates	(3,796)	(3,605)	(43,434)
Decrease (increase) in notes and accounts receivable — trade	15,419	(7,095)	(85,482)
Decrease (increase) in inventories	19,740	8,181	98,566
Increase (decrease) in notes and accounts payable — trade	29,482	(52,523)	(632,807)
Increase (decrease) in accrued consumption taxes	5,106	(5,260)	(63,373)
Decrease (increase) in accounts receivable — other	(6,830)	24,227	291,892
Decrease (increase) in lease receivables and lease investment assets	(294)	(871)	(10,494)
Other, net	9,695	(9,071)	(109,289)
Subtotal	339,380	197,248	2,376,482
Interest and dividends income received	6,249	6,900	83,133
Interest expenses paid	(10,755)	(9,840)	(118,554)
Income taxes paid	(40,763)	(31,963)	(385,096)
Net cash provided by (used in) operating activities	294,110	162,345	1,955,964
Net cash provided by (used in) investment activities			
Payments into time deposits	(8,181)	(5,847)	(70,446)
Proceeds from withdrawal of time deposits	6,625	7,115	85,723
Purchase of investment securities	(13,462)	(21,737)	(261,892)
Proceeds from sales and redemption of securities	794	2,331	28,084
Purchase of property, plant and equipment	(136,511)	(137,624)	(1,658,120)
Purchase of intangible assets	(8,964)	(13,191)	(158,928)
Purchase of long-term prepaid expenses	(1,599)	(2,814)	(33,904)
Proceeds from sales of noncurrent assets	735	653	7,867
Payments of long-term loans receivable	(17,814)	(3,188)	(38,410)
Collection of long-term loans receivable	1,712	1,719	20,711
Other, net	(623)	277	3,337
Net cash provided by (used in) investment activities	(177,290)	(172,305)	(2,075,964)
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	4,931	8,915	107,410
Increase (decrease) in commercial papers	—	15,000	180,723
Repayments of lease obligations	(640)	(659)	(7,940)
Proceeds from long-term loans payable	13,066	17,339	208,904
Repayment of long-term loans payable	(29,279)	(33,541)	(404,108)
Proceeds from issuance of bonds	30,000	40,000	481,928
Redemption of bonds	(60,200)	(20,000)	(240,964)
Proceeds from stock issuance to minority shareholders	758	—	—
Repayments to minority shareholders	(907)	—	—
Proceeds from sales of treasury stock	84	23	277
Purchase of treasury stock	(5,149)	(8,314)	(100,169)
Cash dividends paid	(21,695)	(25,524)	(307,518)
Cash dividends paid to minority shareholders	(345)	(451)	(5,434)
Net cash provided by (used in) financing activities	(69,375)	(7,212)	(86,892)
Effect of exchange rate change on cash and cash equivalents	1,064	(3,716)	(44,771)
Net increase (decrease) in cash and cash equivalents	48,509	(20,889)	(251,675)
Cash and cash equivalents at beginning of year	64,009	112,868	1,359,855
Increase in cash and cash equivalents from newly consolidated subsidiary	349	68	819
Cash and cash equivalents at end of year (Note 13)	¥ 112,868	¥ 92,048	$ 1,109,012

Accompanying notes are an integral part of these financial statements.

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 ¥83 per U.S. dollar, the prevailing exchange rate on March 31, 2011. 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, 2011 and 2010, 63 and 61 subsidiaries, respectively, were consolidated. All significant inter-company transactions and account balances are eliminated in consolidation.

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

Ohgishima Power Co., Ltd.
Tokyo Gas QCLNG Pty Ltd.
Tokyo Gas Lifeval Sagamihara Co., Ltd.
Tokyo Gas Lifeval Minami-tama Co., Ltd.

In addition, TG Enterprise Co., Ltd. was removed from the scope of consolidation, owing to its absorption merger into the Company, and Capty Customer Service Co., Ltd. was also removed as a result of its liquidation.

The Company's major unconsolidated subsidiaries include TG e PRTEC Corporation.

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. For the years ended March 31, 2011 and 2010, 5 and 4 affiliated companies, respectively, were accounted for by the equity method. MT Falcon Holdings Company, S.A.P.I. de C.V. newly became an affiliated company accounted for by the equity method from the current fiscal year.

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 QCLNG Pty Ltd
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). Previously, the declining balance method was used for the depreciation of ships owned by consolidated subsidiary Tokyo LNG Tanker Co., Ltd., but from this fiscal year the straight-line method is being applied to more rationally reflect the relationship between revenue and expenses, because the long-term stable revenues achieved through freight contracts with shippers are expected to constitute a major part of the total revenues of Tokyo LNG Tanker Co., Ltd. from this fiscal year. As a result of this change, the cost of sales for this fiscal year was ¥2,954 million less than would have been the case under the previous method, and gross profit, operating income, ordinary income, and income before income taxes were greater by the same amount.

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 ¥3,141,760 million (US$37,852,530 thousand) and ¥3,028,281 million as of March 31, 2011 and 2010, respectively.

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

(5) Intangible 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 lease transactions that do not transfer ownership use the same accounting method as is applied for ordinary sales 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 is amortized on a straight-line basis within 20 years (mainly 10 years), with the duration determined by the reasons for accrual.

(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 yearend, 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, are subject to credit risks 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 apply hedge accounting, using the deferral hedge accounting, provided that all criteria are met for hedge accounting.

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 (Designation method). 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 (Exceptional accounting).

(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) 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.

(14) 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. Prior 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.

(15) 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.

(16) 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.

(17) Adoption of accounting standards for asset retirement obligations — Effective from the year ended March 31, 2011, the Company and its consolidated domestic subsidiaries have adopted the "Accounting Standards for Asset Retirement Obligations" (ASBJ Statement No.18; March 31, 2008) and "Guidance on Accounting Standards for Asset Retirement Obligations" (ASBJ Guidance No.21; March 31, 2008). The asset retirement obligation in question is mainly the obligation to restore the land to pre-contract status in connection with the real estate rental contract of the land for power generation facilities. The amount of such obligation is calculated using a discount rate of 2.3%, based on the assumption that the land will be used for 30 years from the acquisition date. The impact of this change on profit and loss was negligible.

(18) 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.

(19) 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 ¥15,613 million (US$188,108 thousand) and ¥14,539 million for the years ended March 31, 2011 and 2010, respectively.

(20) 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 ¥9,913 million (US$119,434 thousand) and ¥9,232 million for the years ended March 31, 2011 and 2010, respectively.

(21) 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 is omitted because the Company does not have any residual securities.

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.

(22) Comprehensive Income — Effective from the year ended March 31, 2011, the Company and its consolidated subsidiaries have adopted the "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No.25; June 30, 2010). The amounts corresponding to "Valuation and translation adjustments" and "Total valuation and translation adjustments" in the previous term are shown as "Accumulated other comprehensive income" and "Total accumulated other comprehensive income."

(23) Reclassifications — Certain prior year amounts have been reclassified to conform to the fiscal year ended March 31, 2011 presentation. These changes had no impact on previously reported results of operations.

3. Pledged Assets

Pledged assets at March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Distribution facilities	¥ 6,535	¥ —	$ —
Service and maintenance facilities	13	—	—
Other facilities	10,370	8,319	100,229
Investment securities	350	13,198	159,012
Long-term loans receivable	35	2,824	34,024
Cash and deposits	1,760	1,487	17,916
Other current assets	5	5	60
	¥ 19,071	¥ 25,835	$ 311,265

Liabilities secured by the above assets at March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Long-term loans payable (including current portion of noncurrent liabilities)	¥ 8,071	¥ 6,616	$ 79,711
Other current liabilities	56	54	651
	¥ 8,127	¥ 6,670	$ 80,361

4. Extraordinary Income and Losses

In the fiscal year ended March 31, 2011, the Company and its consolidated subsidiaries recorded extraordinary income of ¥39,927 million (US$481,048 thousand) mainly due to gains from the transfer of land resulting from the sale of real estate, and disaster-related extraordinary losses of ¥3,268 million (US$39,373 thousand) associated with damage from the Great East Japan Earthquake.

5. Financial Instruments

Book values and fair values of the financial instruments as of March 31, 2011 and 2010 were as follows:

	Millions of yen		
At March 31, 2011	Book value	Fair value	Difference
(1) Bonds payable	¥341,492	¥352,811	¥ (11,318)
(2) Long-term loans payable	206,928	211,075	(4,147)

	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, 2011	Book value	Fair value	Difference
(1) Bonds payable	$4,114,361	$4,250,735	$(136,361)
(2) Long-term loans payable	2,493,108	2,543,072	(49,964)

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 notes and accounts receivable-trade (with a book value of ¥160,128 million (US$1,929,253 thousand)) are settled within a short time, their fair values and book values are nearly identical. For information about investment securities (with a book value of ¥62,566 million (US$753,807 thousand)) and derivative transactions (with a book value of ¥175 million (US$2,108 thousand) (receivables)), please refer to Note 6. Securities and Note 8. 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 payable and other interest-bearing debt maturating after the balance sheet date are indicated in Note 7. Short-Term Loans Payable, Bonds Payable and Long-Term Loans Payable.

6. Securities

Acquisition costs, book values and fair values of securities with available fair values at March 31, 2011 and 2010 were as follows:

(A) Held-to-maturity debt securities

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Securities with fair value exceeding book value:			
Book value	¥ 45	¥ 40	$ 482
Fair value	46	41	494
Difference	¥ 1	¥ 1	$ 12

(B) Available-for-sale securities

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Securities with book value exceeding acquisition cost:			
Acquisition cost	¥ 23,571	¥ 12,478	$ 150,337
Book value	57,438	38,154	459,687
Difference	¥ 33,867	¥ 25,675	$ 309,337

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Securities with book value not exceeding acquisition cost:			
Acquisition cost	¥ 12,218	¥ 26,669	$ 321,313
Book value	11,939	24,372	293,639
Difference	¥ (278)	¥ (2,296)	$ (27,663)

Available-for-sale securities not included in the above table amounted to ¥34,416 million (US$414,651 thousand) and ¥35,368 million at March 31, 2011 and 2010, respectively. Investments in unconsolidated subsidiaries and affiliated companies amounted to ¥45,478 million (US$547,928 thousand) and ¥44,267 million for the years ended March 31, 2011 and 2010, 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.

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

The average annual interest rates for short-term loans payable at March 31, 2011 and 2010 were 0.3% and 0.6%, respectively.

Bonds payable and long-term loans payable at March 31, 2011 and 2010 were as follows:

		Millions of yen		Thousands of U.S. dollars
		2010	2011	2011
Domestic unsecured bonds	Due in 2016 at a rate of 4.0%	¥ 27,700	¥ 27,700	$ 333,735
	Due in 2018 at a rate of 2.625%	40,000	40,000	481,928
	Due in 2010 at a rate of 2.01%	20,000	—	—
	Due in 2011 at a rate of 1.39%	30,000	30,000	361,446
	Due in 2012 at a rate of 1.35%	20,000	20,000	240,964
	Due in 2023 at a rate of 1.01%	20,000	20,000	240,964
	Due in 2013 at a rate of 1.41%	30,000	30,000	361,446
	Due in 2014 at a rate of 1.59%	20,000	20,000	240,964
	Due in 2024 at a rate of 2.29%	10,000	10,000	120,482
	Due in 2025 at a rate of 2.14%	10,000	10,000	120,482
	Due in 2015 at a rate of 4.1%	13,800	13,800	166,265
	Due in 2027 at a rate of 2.29%	19,996	19,996	240,916
	Due in 2015 at a rate of 1.4%	9,995	9,995	120,422
	Due in 2015 at a rate of 1.658%	20,000	20,000	240,964
	Due in 2019 at a rate of 1.405%	30,000	30,000	361,446
	Due in 2040 at a rate of 2.135%	—	20,000	240,964
	Due in 2020 at a rate of 1.203%	—	20,000	240,964
Loans from banks, insurance companies and government agencies at rates of 0.43% to 5.28%:				
Secured		8,071	6,616	79,711
Unsecured		211,989	200,311	2,413,386
		541,552	548,420	6,607,470
Less: amounts due within one year		53,379	48,688	586,602
		¥ 488,173	¥ 499,732	$ 6,020,867

The annual maturities of bonds payable and long-term loans payable at March 31, 2011 were as follows:

	Millions of yen	Thousands of U.S. dollars
2012	¥ 48,688	$ 586,602
2013	43,397	522,855
2014	45,631	549,771
2015	47,453	571,723
2016	53,486	644,410
2017 and thereafter	309,762	3,732,072
	¥548,420	$ 6,607,470

Note: The Company has a specific commitment line contract with the main correspondent financial institution of ¥30,000 million (US$361,446 thousand) in total.

8. Derivative Transactions

Contract amounts, fair values and recognized gains on interest rate swaps and the commodity derivatives not accounted for using hedge accounting and weather derivatives at March 31, 2011 and 2010 were as follows:

	Millions of yen			
	Contract amounts			
At March 31, 2011	Total	Of which, longer than one year	Fair value	Recognized gains (losses)
Interest rate swaps	**¥23,208**	**¥23,208**	**¥ (1,352)**	**¥ (1,352)**
Weather derivatives	**300**	**—**	**—**	**—**
	¥23,508	**¥23,208**	**¥ (1,352)**	**¥ (1,352)**

	Thousands of U.S. dollars			
	Contract amounts			
At March 31, 2011	Total	Of which, longer than one year	Fair value	Recognized gains (losses)
Interest rate swaps	**$ 279,614**	**$ 279,614**	**$ (16,289)**	**$ (16,289)**
Weather derivatives	**3,614**	**—**	**—**	**—**
	$ 283,229	**$ 279,614**	**$ (16,289)**	**$ (16,289)**

	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

The table below indicates hedge accounting methods, main items hedged, contract amounts and fair values as of March 31, 2011 and 2010, on derivatives transactions to which hedge accounting is applied.

At March 31, 2011

			Millions of yen		
			Contract amounts		
Hedge accounting method	Type of contracts	Main items hedged	Total	Of which, longer than one year	Fair value
Currency related					
Deferral hedge accounting	Forward foreign exchange contracts	Accounts payable-trade	**¥ 921**	**¥ 831**	**¥ (135)**
Deferral hedge accounting	Foreign currency swap contracts	Accounts payable-trade	**1,026**	**—**	**—**
Designation method for forward foreign exchange contracts, others	Forward foreign exchange contracts	Accounts payable-trade	**10,715**	**—**	(Note 2)
			¥ 12,664	**¥ 831**	**¥ —**
Commodity related					
Deferral hedge accounting	Price swap contracts	Accounts payable-trade	**¥ 13,996**	**¥ —**	**¥ 246**
			¥ 13,996	**¥ —**	**¥ 246**
Interest related					
Deferral hedge accounting	Interest rate swap contracts	Bonds and long-term loans payable	**¥ 25,441**	**¥ 25,441**	**¥ 1,432**
Exceptional accounting	Interest rate swap contracts	Long-term loans payable	**8,414**	**414**	(Note 2)
			¥ 33,856	**¥ 25,856**	**¥ —**

At March 31, 2010

Millions of yen

Hedge accounting method	Type of contracts	Main items hedged	Contract amounts		Fair value
			Total	Of which, longer than one year	
Currency related					
Deferral hedge accounting	Forward foreign exchange contracts	Accounts payable-trade	¥ 1,007	¥ 921	¥ (67)
Designation method for forward foreign exchange contracts, others	Forward foreign exchange contracts	Accounts payable-trade	15,790	—	(Note 2)
			¥ 16,798	¥ 921	¥ —
Commodity related					
Deferral hedge accounting	Price swap contracts	Accounts payable-trade	¥ 23,643	¥ —	¥ 1,651
			¥ 23,643	¥ —	¥ 1,651
Interest related					
Deferral hedge accounting	Interest rate swap contracts	Bonds and long-term loans payable	¥ 10,512	¥ 10,512	¥ 959
Exceptional accounting	Interest rate swap contracts	Long-term loans payable	10,472	8,414	(Note 2)
			¥ 20,984	¥ 18,926	¥ —

At March 31, 2011

Thousands of U.S. dollars

Hedge accounting method	Type of contracts	Main items hedged	Contract amounts		Fair value
			Total	Of which, longer than one year	
Currency related					
Deferral hedge accounting	Forward foreign exchange contracts	Accounts payable-trade	**$ 11,096**	**$ 10,012**	**$ (1,627)**
Deferral hedge accounting	Foreign currency swap contracts	Accounts payable-trade	**12,361**	**—**	**—**
Designation method for forward foreign exchange contracts, others	Forward foreign exchange contracts	Accounts payable-trade	**129,096**	**—**	(Note 2)
			$ 152,578	**$ 10,012**	**$ —**
Commodity related					
Deferral hedge accounting	Price swap contracts	Accounts payable-trade	**$ 168,627**	**$ —**	**$ 2,964**
			$ 168,627	**$ —**	**$ 2,964**
Interest related					
Deferral hedge accounting	Interest rate swap contracts	Bonds and long-term loans payable	**$ 306,518**	**$ 306,518**	**$ 17,253**
Exceptional accounting	Interest rate swap contracts	Long-term loans payable	**101,373**	**4,988**	(Note 2)
			$ 407,904	**$ 311,518**	**$ —**

Note1: 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.

Note2: The accounting for exchange forward contracts employing designation method 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).

9. Provision for Retirement Benefits

Provision for retirement benefits included in the liabilities section of the consolidated balance sheets as of March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Projected benefit obligation	¥ 340,792	**¥ 343,085**	**$4,133,554**
Unrecognized prior service costs	1,723	**1,531**	**18,446**
Unrecognized actuarial differences	16,832	**(5,847)**	**(70,446)**
Less: Fair value of pension assets	(228,447)	**(241,898)**	**(2,914,434)**
Provision for retirement benefits	¥ 130,903	**¥ 96,870**	**$1,167,108**

Net periodic retirement benefit expenses for the years ended March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Service costs — benefits earned during the year	¥ 9,199	**¥ 8,634**	**$ 104,024**
Interest cost on projected benefit obligation	6,405	**7,045**	**84,880**
Expected return on plan assets	(4,359)	**(4,555)**	**(54,880)**
Amortization of actuarial differences	32,284	**(19,599)**	**(236,133)**
Amortization of prior service costs	(192)	**(192)**	**(2,313)**
Other	4,313	**4,105**	**49,458**
Net periodic retirement benefit expenses	¥ 47,651	**¥ (4,561)**	**$ (54,952)**

The discount rate and the rate of expected return on plan assets used by the Company and its consolidated subsidiaries are mainly 2.0% and 2.0% for the year ended March 31, 2011, and 2.1% and 2.0% for the year ended March 31, 2010.

10. Income Taxes

The Company is subject to multiple taxes based on taxable income, which, in the aggregate, indicate a statutory effective tax rate in the Company of approximately 36.2% for the years ended March 31, 2011 and 2010.

	2011
Statutory effective tax rate	**36.2%**
(Adjustments)	
Valuation allowance	**1.5**
Other	**0.5**
Actual effective tax rate after the adoption of tax-effect accounting	**38.2**

Note is omitted for the year ended March 31, 2010, as the difference between the statutory effective tax rate and the actual effective tax rate after the adoption of tax-effect accounting is less than 5% of the statutory effective tax rate.

Significant components of deferred tax assets and liabilities as of March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Deferred tax assets:			
Provision for retirement benefits	¥ 47,778	**¥ 35,440**	**$ 426,988**
Other	50,889	**51,979**	**626,253**
Less: Valuation allowance	(8,469)	**(10,653)**	**(128,349)**
Subtotal	90,198	**76,766**	**924,892**
Deferred tax liabilities:			
Reserve for advanced depreciation of noncurrent assets	—	**16,249**	**195,771**
Valuation difference on available-for-sale securities	11,748	**—**	**—**
Other	13,213	**23,143**	**278,831**
Subtotal	24,961	**39,393**	**474,614**
Deferred tax assets-net	¥ 65,236	**¥ 37,373**	**$ 450,277**

11. Investment and Rental Properties

Book values 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 values as of March 31, 2011 and 2010 are 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, 2011**
2010	Change during the year	**2011**	
¥ 94,233	¥ (8,680)	**¥ 85,553**	**¥ 326,869**

Millions of yen

Book value			Fair value as of March 31, 2010
2009	Change during the year	2010	
¥ 98,150	¥ (3,916)	¥ 94,223	¥ 378,103

Thousands of U.S. dollars

Book value			**Fair value as of March 31, 2011**
2010	Change during the year	**2011**	
$ 1,135,337	$(104,578)	**$ 1,030,759**	**$ 3,938,181**

12. 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 Board of Directors 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. Under the Act, the balance of net assets after distribution of dividends must amount to no less than ¥3 million.

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, 2011, the Company's shareholders approved payment of year-end cash dividends of ¥4.5 (US$0.05) per share aggregating ¥12,052 million (US$145,205 thousand) to the shareholders of record as of March 31, 2011.

Such appropriations have not been accrued in the consolidated financial statements for the year ended March 31, 2011. 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 from 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 a 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.

13. 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, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Cash and deposits	¥ 107,391	**¥ 90,302**	**$ 1,087,976**
Less: Time deposits with maturities over three months, etc.	(4,522)	**(3,254)**	**(39,205)**
Negotiable certificates of deposit included in other current assets	10,000	**5,000**	**60,241**
Cash and cash equivalents	¥ 112,868	**¥ 92,048**	**$ 1,109,012**

14. Segment Information

Effective from the year ended March 31, 2011, the Company and its consolidated subsidiaries have adopted the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No.17; March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No.20; March 21, 2008). The Group's reported segments are regularly reviewed by the Board of Directors using the segregated financial information available within each segment to determine the allocation of management resources and evaluate business results.

The Group uses the four reported segments of (1) city gas sales, (2) gas appliances and installation work, (3) other energies, and (4) real estate.

The same accounting method which is applied to the consolidated financial statements is applied to segment accounting. Income of a reported segment is calculated based on operating income. Intersegment sales and transfers are attributable to transactions within group companies, and are calculated based on the market value.

The amount of net sales, income and loss, assets, and other items by reported segment is as follows:

For 2011	Millions of yen						
	City gas sales	Gas appliances and installation work	Other energies	Real estate	Other	Adjustments	Consolidated
Net sales:							
External sales	**¥1,077,221**	**¥ 164,814**	**¥ 208,329**	**¥ 11,715**	**¥ 73,161**	**¥ —**	**¥1,535,242**
Intersegment sales & transfers	**59,856**	**12,658**	**12,962**	**21,081**	**89,140**	**(195,699)**	**—**
Total	**1,137,077**	**177,472**	**221,292**	**32,797**	**162,302**	**(195,699)**	**1,535,242**
Segment income	**¥ 136,181**	**¥ 1,872**	**¥ 11,166**	**¥ 5,713**	**¥ 9,907**	**¥ (42,389)**	**¥ 122,451**
Segment assets	**¥ 981,747**	**¥ 57,125**	**¥ 163,400**	**¥ 196,567**	**¥ 161,588**	**¥ 269,232**	**¥1,829,661**
Depreciation expenses	**114,435**	**1,048**	**16,454**	**8,716**	**7,167**	**(2,432)**	**145,389**
Increase in property, plant, equipment, and intangible assets	**105,880**	**1,111**	**21,054**	**2,940**	**19,485**	**(3,084)**	**147,388**

For 2010	Millions of yen						
	City gas sales	Gas appliances and installation work	Other energies	Real estate	Other	Adjustments	Consolidated
Net sales:							
External sales	¥1,017,692	¥ 160,150	¥ 151,524	¥ 11,472	¥ 74,878	¥ —	¥1,415,718
Intersegment sales & transfers	28,473	9,633	5,772	21,312	86,812	(152,004)	—
Total	1,046,166	169,784	157,297	32,784	161,690	(152,004)	1,415,718
Segment income	¥ 115,539	¥ 2,184	¥ 6,874	¥ 6,732	¥ 6,497	¥ (52,598)	¥ 85,229
Segment assets	¥1,009,021	¥ 63,458	¥ 111,913	¥ 163,523	¥ 162,471	¥ 330,584	¥1,840,972
Depreciation expenses	113,217	947	9,846	9,136	11,208	(2,246)	142,110
Increase in property, plant, equipment, and intangible assets	113,697	774	6,110	3,019	25,697	(2,712)	146,586

The amounts by segment have been reclassified to conform to the newly adopted segment classification from the year ended March 31, 2011.

For 2011	Thousands of U.S. dollars						
	City gas sales	Gas appliances and installation work	Other energies	Real estate	Other	Adjustments	Consolidated
Net sales:							
External sales	$12,978,566	$ 1,985,711	$ 2,509,988	$ 141,145	$ 881,458	$ —	$18,496,892
Intersegment sales & transfers	721,157	152,506	156,169	253,988	1,073,976	(2,357,819)	—
Total	13,699,723	2,138,217	2,666,169	395,145	1,955,446	(2,357,819)	18,496,892
Segment income	$ 1,640,735	$ 22,554	$ 134,530	$ 68,831	$ 119,361	$ (510,711)	$ 1,475,313
Segment assets	$11,828,277	$ 688,253	$ 1,968,675	$ 2,368,277	$ 1,946,843	$ 3,243,759	$22,044,108
Depreciation expenses	1,378,735	12,627	198,241	105,012	86,349	(29,301)	1,751,675
Increase in property, plant, equipment, and intangible assets	1,275,663	13,386	253,663	35,422	234,759	(37,157)	1,775,759

Segment income adjustments for the years ended March 31, 2011 and 2010 are –¥42,389 million (–$510,711 thousand) and –¥52,598 million respectively. The segment income adjustment includes corporate expenses not allocated to the respective reported segments. Corporate expenses are primarily general and administrative expenses that are not assignable to a reported segment.

Segment asset adjustments for the years ended March 31, 2011 and 2010 are ¥269,232 million ($3,243,759 thousand) and ¥330,584 million respectively. The segment asset adjustment includes corporate assets not allocated to the respective reported segments. Corporate assets are primarily financial assets that are not assignable to a reported segment.

Segment income is adjusted to reflect operating income as recorded on the Consolidated Statements of Income.

15. 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 that do not transfer ownership and commenced on or before March 31, 2008 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, 2011 and 2010, and future lease payments including interest as of March 31, 2011 and 2010, are shown below.

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Lease payments	¥ 441	¥ 422	$ 5,084
Depreciation expenses	441	422	5,084
Future lease payments inclusive of interest:			
Within 1 year	421	380	4,578
Over 1 year	2,157	1,776	21,398
	¥ 2,578	¥ 2,157	$ 25,988

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, 2011 and 2010 were as follows:

	Millions of yen		
For 2011	Acquisition cost	Accumulated depreciation	Net book value
Other facilities	¥ 3,955	¥ 1,805	¥ 2,150
Other intangible assets	58	51	7
	¥ 4,014	¥ 1,856	¥ 2,157
For 2010			
Other facilities	¥ 4,080	¥ 1,534	¥ 2,546
Other intangible assets	163	131	32
	¥ 4,244	¥ 1,665	¥ 2,578

	Thousands of U.S. dollars		
For 2011	Acquisition cost	Accumulated depreciation	Net book value
Other facilities	$47,651	$21,747	$25,904
Other intangible assets	699	614	84
	$48,361	$22,361	$25,988

Information as lessor

The breakdown of lease investment assets as of March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Claims for lease fees	¥ 21,797	¥ 23,433	$ 282,325
Estimated residual value	116	131	1,578
Equivalent interest received	(3,545)	(3,877)	(46,711)
	¥ 18,368	¥ 19,686	$ 237,181

Scheduled recovery amounts of claims for lease fees related to lease receivables and investment assets as of March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Lease receivables			
Within 1 year	¥ 1,177	¥ 1,243	$ 14,976
More than 1 year but within 2 years	1,178	1,206	14,530
More than 2 years but within 3 years	1,134	1,093	13,169
More than 3 years but within 4 years	1,029	1,020	12,289
More than 4 years but within 5 years	959	953	11,482
More than 5 years	3,007	2,396	28,867

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Lease investment assets			
Within 1 year	¥ 4,933	¥ 5,137	$ 61,892
More than 1 year but within 2 years	4,246	4,481	53,988
More than 2 years but within 3 years	3,568	3,814	45,952
More than 3 years but within 4 years	2,882	3,167	38,157
More than 4 years but within 5 years	2,266	2,472	29,783
More than 5 years	3,899	4,360	52,530

Operating leases

Information as lessee

Future lease payments under noncancelable operating leases as of March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Future lease payments:			
Within 1 year	¥ 238	¥ 326	$ 3,928
Over 1 year	720	864	10,410
	¥ 959	¥ 1,190	$ 14,337

Information as lessor

Future lease payments under noncancelable operating leases as of March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Future lease payments:			
Within 1 year	¥ 1,622	¥ 1,611	$ 19,410
Over 1 year	10,380	9,426	113,566
	¥ 12,003	¥ 11,037	$ 132,976

16. Commitment and Contingent Liabilities

At March 31, 2011, the Company and its consolidated subsidiaries were contingently liable for (1) debt guarantees in the amount of ¥13,148 million (US$158,410 thousand) for financial institution loans to companies other than consolidated subsidiaries and (2) ¥38,700 million (US$466,265 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.

17. Subsequent Events

(1) Resolution on acquisition of treasury stock

At a meeting on April 28, 2011, the Board of Directors resolved for the Company to acquire treasury stock, as follows.

No. of shares to be acquired: Limited to 110 million shares
Total value of shares to be acquired:
Limited to ¥34,000 million (US$409,639 thousand)
Period of acquisition:
From May 2, 2011 to March 31, 2012

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, 2011 and 2010, and the related consolidated statements of income, consolidated statements of comprehensive 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, 2011 and 2010, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 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 LLC

Tokyo, Japan
June 29, 2011

CONSOLIDATED SUBSIDIARIES AND EQUITY-METHOD AFFILIATES

As of March 31, 2011

Main Consolidated Subsidiaries

Company	Business	Capital (¥ million)	Equity owned by Tokyo Gas (%)	FY2010 Net sales (¥ million) [% of outside sales]		Operating income (¥ million)
Tokyo Gas Urban Development Co., Ltd.	Real estate leasing	11,530	100.0	32,289	[34.7]	5,693
Ohgishima Power Co., Ltd.	Generation and supply of electricity	5,350	75.0	39,028	[25.6]	1,777
Tokyo Gas Toyosu Development Co., Ltd.	Real estate leasing	5,000	100.0	507	[100.0]	19
Nagano Toshi Gas Co., Ltd.	City gas business in Nagano Prefecture	3,800	89.2	12,783	[100.0]	1,073
ENERGY ADVANCE Co., Ltd.	Energy service, district heating and cooling, cogeneration orders, and maintenance	3,000	100.0	61,464	[94.9]	1,613
Gastar Co., Ltd.	Production, sales, and maintenance of gas appliances	2,450	66.7	28,103	[39.7]	1,684
Tokyo LNG Tanker Co., Ltd.	LNG and LPG transportation and chartering of carriers	1,200	100.0	16,813	[22.8]	4,142
Tokyo Gas Energy Co., Ltd.	Sales of liquefied petroleum gas (LPG)	1,000	100.0	33,076	[77.0]	491
Capty Co., Ltd.	Installation of gas supply lines, water supply and drainage lines, air conditioning systems, new construction, and construction of gas mains and service lines	1,000	100.0	50,565	[31.1]	871
Tokyo Gas Chemicals Co., Ltd.	Sales of gas for industry and chemicals and development of LNG cryogenic utilization technology	1,000	100.0	15,151	[68.6]	496
Park Tower Hotel Co., Ltd.	Management of "Park Hyatt Tokyo" hotel and restaurants	1,000	100.0	7,097	[96.0]	–995
Tokyo Gas Yokosuka Power Co., Ltd.	Independent Power Producer for TEPCO	980	75.0	7,585	[96.6]	610
Chiba Gas Co., Ltd.	Supply of city gas to Yachiyo City, Narita City, and surrounding cities	480	100.0	16,499	[96.5]	1,060
Tokyo Gas Lease Co., Ltd.	Leasing of information equipment, gas appliances and office equipment, and credit administration connected with installations	450	100.0	8,392	[74.0]	482
TG Information Network Co., Ltd.	Information processing services, software development, and sales of computer equipment, etc.	400	100.0	18,648	[4.4]	73
Tsukuba Gakuen Gas Co., Ltd.	Supply of city gas in Tsukuba City and Tsukuba Mirai City	280	100.0	7,816	[99.8]	394
Tokyo Gas Engineering Co., Ltd.	Comprehensive engineering services with a particular focus on energy-related work	100	100.0	42,054	[74.1]	2,415
Capty-Livelic Co., Ltd.	Gas facility construction, gas appliance sales, and maintenance	50	100.0	8,620	[60.8]	193
Nijio Co., Ltd.	Procurement and sales of natural gas and electricity	47	100.0	40,603	[24.0]	4,775

Number of consolidated subsidiaries: 63

Other Subsidiaries

TOKYO GAS AUSTRALIA PTY LTD,
Tokyo Gas International Holdings B.V.,
Tokyo Gas Bajio B.V., Tokyo Gas Darwin LNG Pty Ltd,
Tachikawa Urban Center Co., Ltd.,
Living Design Center Co., Ltd., Tokyo Gas Baypower Co., Ltd.,
TOKYO GAS–MITSUI & CO. HOLDINGS SDN. BHD.,
Tokyo Oxygen and Nitrogen Co., Ltd.,
Tokyo Carbonic Co., Ltd., Tokyo Gas Pluto Pty Ltd,
Japan Super Freeze Co., Ltd.,
Miho Gas Co., Ltd., Shoei Gas Co., Ltd.,
Tokyo Gas Auto Service Co., Ltd.,
Tokyo Gas Telemarketing Co., Ltd.,
Tokyo Gas LPG Terminal Co., Ltd.,
Kawasaki Gas Pipeline Co., Ltd.,
Tokyo Gas Remodeling Co., Ltd., Washinomiya Gas Co., Ltd.,
Urban Communications, Inc., Tochigi Gas Co., Ltd.,
TGI Financial Solutions Co., Ltd.,
Tosetz Co., Ltd., Tokyo Kiko Co., Ltd.,
Capty Customer Service Co., Ltd.,
Enelife Carrier Co., Ltd., Showa Unyu Co., Ltd.,
Tokyo Rare Gases Co., Ltd., Tokyo Auto Gas Co., Ltd.,
Tokyo Gas Lifeval Kazusa Co., Ltd., Capty Tech Co., Ltd.,
Tokyo Gas Lifeval Higashi-Ohta Co., Ltd.,
Tokyo Gas Lifeval Minami-Setagaya Co., Ltd.,
Tokyo Gas Lifeval Chiba Co., Ltd.,
Tokyo Gas Gorgon Pty Ltd,
TGE (SHANGHAI) LNG ENGINEERING CO., LTD.,
Tokyo Gas Yamanashi Co., Ltd.,
Tokyo Gas Pipeline Co., Ltd.,
Tokyo Gas Chemicals Sales, Inc.,
Tokyo Gas Facility Service Co., Ltd.,
Tokyo Gas Lifeval Sagamihara Co., Ltd.,
Tokyo Gas Lifeval Minami-Tama Co., Ltd.,
Tokyo Gas QCLNG Pty Ltd.

Equity-Method Affiliates

TOKYO TIMOR SEA RESOURCES INC.
GAS MALAYSIA SDN. BHD.
East Japan Housing Evaluation Center Co., Ltd.
Bajio Generating VOF
MT Falcon Holdings Company, S.A.P.I. de C.V.

INVESTOR INFORMATION

As of March 31, 2011

TOKYO GAS CO., LTD .

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Fax: +1-646-865-0592

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75008 Paris, France
Tel: +33-1-45-62-00-59
Fax: +33-1-42-25-96-85

Kuala Lumpur Representative Office

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Kuala Lumpur, Malaysia
Tel: +60-3-2144-2928
Fax: +60-3-2144-2930

Date of Establishment

October 1, 1885

Paid-in Capital

¥141,844,398,888

Aggregate Number of Shares Issuable

6,500,000,000 shares

Issued Number of Shares

2,684,193,295 shares

Number of Shareholders

150,978

Stock Listings

Tokyo Stock Exchange,
Osaka Securities Exchange, and
Nagoya Stock Exchange
(Trade code: 9531)

Independent Auditors

KPMG AZSA LLC

Agent to Manage Shareholders' Registry

The Chuo Mitsui Trust and Banking Company, Limited
3-33-1 Shiba, Minato-ku,
Tokyo 105-8574, Japan

Number of Employees

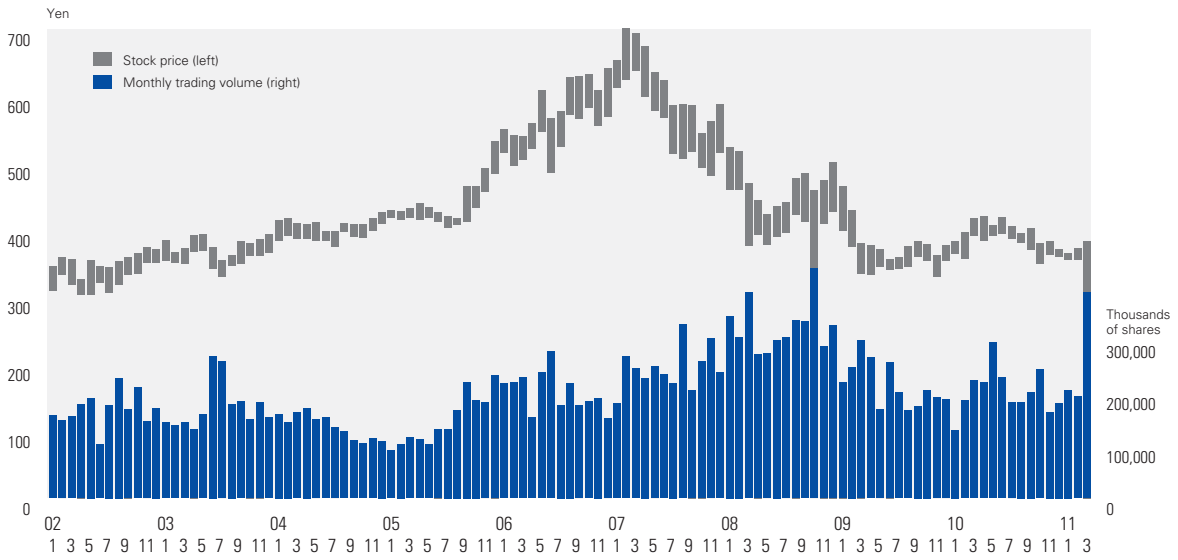
16,134
(Consolidated basis, excluding workers on loan and part-time workers)

Principal Shareholders

Name	Number of shares held (Thousands)	Percentage of share ownership (%)
Nippon Life Insurance Company	163,000	6.09
Japan Trustee Services Bank, Ltd. (Trust a/c)	140,840	5.26
The Dai-ichi Life Insurance Company, Limited (Standing Proxy, Trust & Custody Services Bank, Ltd.)	120,472	4.50
The Master Trust Bank of Japan, Ltd. (Trust a/c)	116,365	4.34
Fukoku Mutual Life Insurance Company (Standing Proxy, Trust & Custody Services Bank, Ltd.)	49,874	1.86
SSBT OD05 OMNIBUS ACCOUNT—TREATY CLIENTS (Standing Proxy, The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch Office)	46,822	1.75
Tokyo Gas Group Employees Shareholding Association	44,571	1.66
Japan Trustee Services Bank, Ltd. (Trust a/c 9)	35,868	1.34
Mizuho Trust & Banking Co., Ltd. Employee Pension Trust Dai-ichi Mutual Life Insurance Company Account Standby Trustee Trust & Custody Services Bank, Ltd.	35,490	1.33
State Street Bank and Trust Company (505103) (Standing Proxy, Mizuho Corporate Bank, Ltd. Settlement & Clearing Services Division)	29,451	1.10

Note: Percentage of share ownership is calculated by the number of shares excluding treasury stock (5,899 thousand shares).

Monthly Stock Price Range (Tokyo Stock Exchange)



Further Information

Please direct comments regarding the content of this report or requests for other publications to:
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Finance & Managerial Accounting Dept.
Tel: +81-3-5400-3888
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E-mail: tgir@tokyo-gas.co.jp

Forward-Looking Statements

Statements made in this annual report with respect to Tokyo Gas plans, strategies, and beliefs, and other statements that are not expressions of fact are forward-looking statements about the future performance of the Company. As such, they are based on management's assumptions and opinions stemming from currently available information, and therefore involve risks and uncertainties. These risks and uncertainties include, without limitation, general economic conditions in Japan, the exchange rate between the yen and the U.S. dollar, and the ability of Tokyo Gas to continue to adapt to rapid technological developments and deregulation.

Financial Data and Graphs

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.

TOKYO GAS
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http://www.tokyo-gas.co.jp/index_e.html

VEGETABLE OIL INK

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