FY2010 3Q Financial Results ended December 31, 2010

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January 31, 2011

FY2010 3Q Financial Results ended December 31, 2010

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FY2010 3Q Consolidated Financial Results (Apr. 1 – Dec. 31, 2010)

Financial Highlights (year on year)

(+/- indicates profit impact, billion yen)

- **Net sales:** (+) Gas sales volume grew and higher resource costs led to increase in sales unit price (+81.7)
  (+) Electricity sales grew with Ohgishima Power Station commencement, etc. (+29.4)
- **Operating income:** (-) Increased gas resource costs (-91.7) reduced gas gross profit (-10.0)
  (+) Personnel expenses decreased on lower amortization of actuarial differences in pension accounting (+38.8)
- **Ordinary income:** (-) Foreign exchange valuation difference at overseas subsidiaries (-5.9)
  (+) Gains from weather derivatives (+1.5)

(Unit: billion yen)

	FY09 3Q	FY10 3Q	Change	%
Gas sales volume (mil. m3, 45MJ)	9,434	**10,392**	+958	+10.2
Net sales	965.3	**1,068.5**	+103.2	+10.7
Operating expenses	921.8	**1,000.2**	+78.4	+8.5
Operating income	43.5	**68.2**	+24.7	+57.0
Ordinary income	47.3	**68.1**	+20.8	+43.8
Net income	31.6	**41.2**	+9.6	+30.4
Sliding time lag effect(*)	+12.1	**-14.8**	-26.9	-
Amortization of actuarial differences(*)	-24.0	**+14.8**	+38.8	-

(*)non-consolidated basis

Economic conditions	JCC ($/bbl)	Ex. Rate (¥/$)	Avg. Temperature (℃)
FY10 1-3Q Average	79.67	86.85	20.0
FY09 1-3Q Average	66.48	93.61	19.5

Investment performance of pension assets (management costs deducted)	
End of FY10 3Q	3.1%
End of FY09	7.2%

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Beginning with an overview of results, as shown on Page 2, sales profit both grew in the third-quarter period.

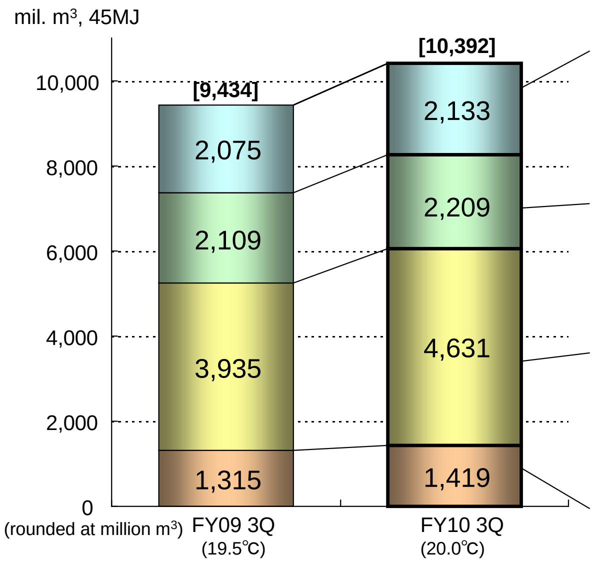
Net sales rose ¥103.2 billion year-on-year, to ¥1,068.5 billion, on an increase in gas sales on increased gas sales volume combined with a higher sales unit price associated with higher resource costs (¥81.7 billion), and an increase in electricity sales from the commencement of operations at the Ohgishima Power Station (¥29.4 billion).

A ¥91.7 billion increase in city gas resource costs caused by higher crude oil prices led to a ¥10.0 billion decline in gas gross profit, but this was more than offset by a ¥38.8 billion decrease in amortization of actuarial differences in pension accounting, and as a result operating income grew ¥24.7 billion, to ¥68.2 billion. In the non-operating account, a ¥5.9 billion decrease in foreign exchange valuation losses at overseas subsidiaries contributed to a ¥20.8 billion increase in ordinary income, to ¥68.1 billion.

Stock prices recovered after recording a ¥2.3 billion extraordinary loss from a decline in the market value of securities held in the second quarter, and as a result net income rose ¥9.6 billion, to ¥41.2 billion.

On a non-consolidated basis, the sliding time lag effect shifted from a ¥12.1 billion surplus in the year-earlier period to a ¥14.8 billion shortfall this year, for a ¥26.9 billion negative impact on operating income. Of this amount, ¥10.0 billion reflected the absence this year of measures to alleviate excessive fluctuation related to changes to the system for adjusting resource costs carried out in the year-earlier period.

Consolidated Gas Sales Volume (Apr. 1 – Dec. 31, 2010)



FY09 3Q → FY10 3Q
+958 mil. m^3 (+10.2%) year on year
[incl. large volume + 766mil. m^3 (+15.6%)]

Residential +58 mil. m^3 (+2.8%)
- Temperature-related increase in demand for water-heating(*) +26 mil. m^3
- No. of customers +12 mil. m^3
- No. of days +15 mil. m^3
- Others +5 mil. m^3

Commercial +100 mil. m^3 (+4.7%)
- Temperature-related increase in demand for air conditioning and water-heating +94 mil. m^3
- No. of customers - 5 mil. m^3
- No. of days + 6 mil. m^3
- Others + 5 mil. m^3

Industrial +696 mil. m^3 (+17.7%)
- Industrial: +73 mil. m^3
  Recovery in demand from existing customers, etc.
- Power generation: +623 mil. m^3
  Commencement of Ohgishima Power Stn. and Increase in electricity demand caused by heat wave

Wholesale +104 mil. m^3 (+7.9%)
- City gas suppliers: +95 mil. m^3
- Other gas suppliers: + 9 mil. m^3

(*) 2Q results are as per the adjusted analysis of temperature-related impact

Number of customers (Unit: 10 thousand)

FY09 3Q-End	FY10 3Q-End	Change
1,059	1,070	+11

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Turning to Page 3, gas sales volume in the residential sector rose 58 million m3, or 2.8%, to 2,133 million m3, as demand for water-heating increased because of cooler temperatures in early spring even when it was partially offset by the summer heat wave. In addition to the cool early-spring temperatures, record high summer temperatures led to an increase in demand for air conditioning at the commercial sector, where gas sales volume grew 100 million m3, or 4.7%, to 2,209 million m3. The industrial sector recorded a 696 million m3, or 17.7%, increase in gas sales volume, to 4,631 million m3, from increased demand for electricity associated with the commencement of operations at the Ohgishima Power Station and high temperatures. The wholesale sector recorded 104 million m3, or 7.9% growth, to 1,419 million m3, on an increase in demand from wholesale customers.

As a result, total gas sales volume grew 958 million m3, or 10.2%, to 10,392 million m3 year-on-year. Of this increase, we estimate that 123 million m3 was the result of temperature-related factors.

Adjustment to Analysis of Temperature-Related Impact on Gas Sales Volume

Background

- **A heat wave during July-September 2010 resulted in extremely large temperature differences relative to the year-earlier period and to plan, making it impossible to accurately analyze the difference in residential sales volume using normal temperature adjustments. The analysis has therefore been adjusted as follows.**

<Temperature difference>

(Unit: ℃)

	Average Temp. In FY10	Average Temp. in FY09	Difference
July	28.0	26.3	+1.7
August	29.6	26.6	+3.0
September	25.1	23.0	+2.1

Revisions (in red)

(Unit: mil. m³)

July – September, 2010 Residential gas sales volume analysis	Original (A)		Adjusted (B)		(B) - (A)
vs. FY09	**Temp.** No. of days No. of customers **Other**	-77 -6 +2 +28	**Temp.** No. of days No. of customers **Other**	-50 -6 +2 +1	+27 - - -27
vs. Initial Plan	**Temp.** No. of days No. of customers **Other**	-51 0 0 +24	**Temp.** No. of days No. of customers **Other**	-33 0 0 +6	+18 - - -18

Extremely high temperatures from July through September made it difficult to apply our usual analysis for estimating the temperature-related impact on residential gas sales volume, and we therefore adjusted our analysis for the second quarter. The results of the analysis for July-September based on this new method are shown on Page 4. The temperature effect on the water-heating demand in residential sector becomes dull once a temperature surpasses a certain degree, and we overestimated the temperature effect according to our usual analysis method. Then we adjusted the temperature effect and reallocated the difference to the “other” effect.

Results by Business Segment <year on year>

(Unit: billion yen)

	Net sales			Operating income			Factor
	FY09 3Q	FY10 3Q	Change	FY09 3Q	FY10 3Q	Change	
City gas	704.2	785.9	+81.7	65.2	77.7	+12.5	Sales: Increased in sales volume and sales unit price Income: Increased in resource cost from higher crude oil prices/ Decrease in personnel expenses
Gas appliances and installation work	118.0	121.8	+3.8	2.3	2.0	-0.3	Sales: Newly consolidated "LIFEVAL" subsidiaries (2)
Other energy	112.7	160.7	+48.0	5.6	8.0	+2.4	Sales: Increased electricity sales from commencement of Ohgishima Power Stn., Increased in LNG sales volume Income: Increased electric power profit
(Incl. electric power)	(20.7)	(50.1)	(+29.4)	(0.7)	(3.2)	(+2.5)	
Real estate	24.6	24.8	+0.2	5.5	5.0	-0.5	
Others	108.5	113.7	+5.2	2.4	5.6	+3.2	Sales: Construction sales growth Income: Construction profit growth Less Tanker expenses
Corporate or eliminations	-102.7	-138.5	-35.8	-37.7	-30.2	+7.5	
Consolidated	**965.3**	**1,068.5**	**+103.2**	**43.5**	**68.2**	**+24.7**	

Notes: 1. The Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related information has been applied from 1Q of FY2010. Accordingly, business segments have been reclassified.
2. Net sales by business segment include internal transactions. Operating income does not include operating expenses that cannot be allocated.
3. For reference, 3rd Quarter of FY2009 figures are recalculated using new segments.

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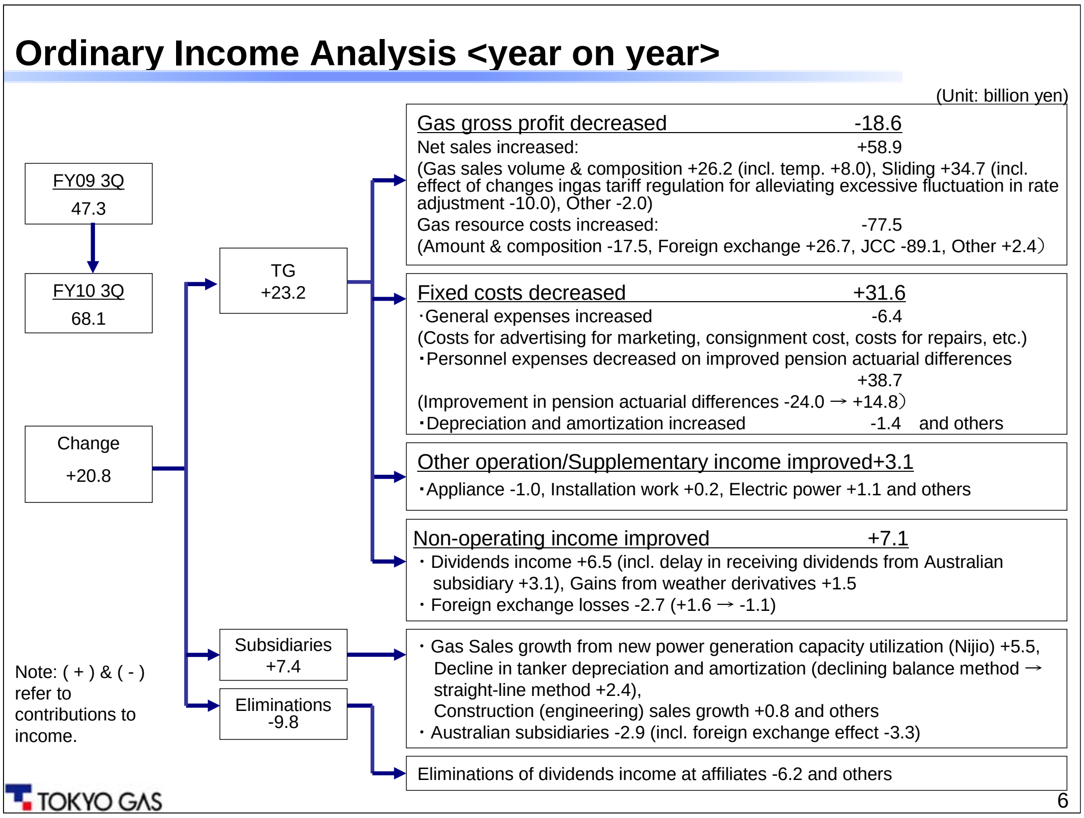
Page 5 gives an overview of results by business segment. Looking at segments other than the city gas segment, the "Other energy" segment, which includes the electric power business, recorded increases of ¥29.4 billion in net sales, to ¥50.1 billion, and ¥2.5 billion in operating income, to ¥3.2 billion, from the effective commencement of operations at the Ohgishima Power Station at the beginning of the current fiscal year.

At the "Others" segment, progress in construction on major projects at the engineering business contributed to increases in net sales and operating income.



Page 6 shows a quantitative analysis of the factors underlying the differences between results through the third quarter and those of the year-earlier period (please refer to these later).

FY2010 Full Year
Consolidated Business Forecast

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Business Forecast for FY2010 (Apr. 1, 2010 – Mar. 31, 2011)

Revision Highlights (vs. forecast as of Oct. 29) (+/- indicates profit impact, billion yen)

- **Net sales:** (-) Decrease in gas sales on lower gas sales volume; (+) Increased sales at consolidated subsidiaries
- **Operating income:** (-) Decline in gas gross profit on lower gas sales volume, higher JCC, etc.; (-) Increased profit at consolidated subsidiaries
- **Ordinary income:** (+) Increase in foreign exchange gains, etc.
- **Net income:** (+) Reversal of decline in valuation of available-for-sale securities

(Unit: billion yen)

	FY09 (A)	Projection for FY10					
		Current forecast (B)	Change (B - A)	%	Previous forecast (C)	Change (B - C)	%
Gas Sales Volume (mil. m^3)	13,666	**14,584**	+918	+6.7	14,685	-101	-0.7
Net sales	1,415.7	**1,524.0**	+108.3	+7.6	1,525.0	-1.0	-0.1
Operating expenses	1,330.4	**1,410.0**	+79.6	+6.0	1,409.0	+1.0	+0.1
Operating income	85.2	**114.0**	+28.8	+33.8	116.0	-2.0	-1.7
Ordinary income	83.5	**113.0**	+29.5	+35.3	112.0	+1.0	+0.9
Net income	53.7	**71.0**	+17.3	+32.0	68.0	+3.0	+4.4
Sliding time lag effect(*)	+5.7	**-30.2**	-35.9	-	-25.3	-4.9	-
Amortization of actuarial differences(*)	-32.0	**+19.8**	+51.8	-	+19.8	0.0	-

(*)non-consolidated basis

Profit sensitivity to changes in oil price and EX rate in 4Q

(billion yen)	Full Year
$1/bbl Impact on rising JCC	-0.3
¥1/$ Impact on yen appreciation	+1.0

Economic frame * 1bbl=$90, $1=¥85 after Jan. 2011

(Full Year)	JCC ($/bbl)	Ex. rate (¥/$)	Temp. (℃)
FY10	82.25	86.39	17.0
Forecast as of Oct 29	79.18	86.96	16.9
FY09	69.40	92.89	16.5

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Next, let me explain the full-year forecast for fiscal 2010, which is outlined on Pages 8-10.

With regard to economic framework assumptions, for resource costs we have raised our fourth-quarter crude oil price estimate to $90/bbl, from $80/bbl. We have left our exchange-rate assumption of ¥85/dollar unchanged. In addition to these adjustments, we have revised our business forecast based on results through the third quarter and fourth-quarter projections including gas sales volume, as shown on Page 8.

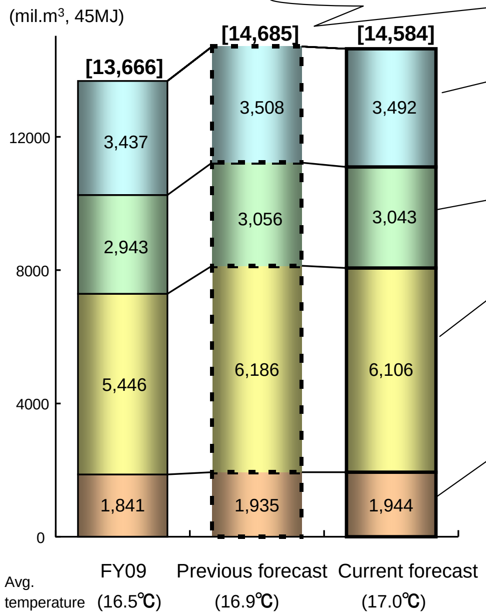
We have lowered our forecast for gas sales volume by 101 million m3 from the previous forecast, to 14,584 million m3, on expectations of weak demand for electrical power from certain industrial customers and a decline in general industrial demand.

We expect this to depress gas sales by ¥5.6 billion, but with higher sales at consolidated subsidiaries we have lowered our net sales forecast by ¥1.0 billion, to ¥1,524.0 billion.

Gas gross profit also decreased due to the increased gas resource unit cost associated with higher crude oil prices, partially offset by the decreased gas resource cost caused by the gas sales volume decline, which consequently lowered our forecast for operating income by ¥2.0 billion, to ¥114.0 billion. In the non-operating account, based on exchange rates as of the end of December 2010, we see foreign exchange valuations at overseas subsidiaries improving, and have raised our ordinary income forecast by ¥1.0 billion, to ¥113.0 billion. We have also raised our net income forecast by ¥3.0 billion, to ¥71.0 billion, on factors including a ¥2.3 billion reversal of the decline in valuation of available-for-sale securities.

Gas Sales Volume Full Year Forecast <vs. Previous Forecast>

Versus previous forecast -101mil. m^3 (-0.7%)



(rounded at million m^3)

<Previous forecast → Current forecast>

Residential -16 mil. m^3 (-0.5%)
- Lowered to reflect 3Q result
- Previous 4Q forecast unchanged

Commercial -13 mil. m^3 (-0.4%)
- Partial revision of portion added in previous forecast

Industrial -80 mil. m^3 (-1.3%)
- Reflected effect of major repairs at certain power generation customers
- Reflected lower capacity utilization at industrial customers

Wholesale +9 mil. m^3 (+0.5%)
- Reflected 3Q result
- Previous 4Q forecast unchanged

Full Year Forecast by Business Segment <vs. Previous Forecast>

(Unit: billion yen)

	Net sales			Operating income		
	Previous forecast	Current forecast	Change	Previous forecast	Current forecast	Change
City gas	1,133.3	1,127.7	-5.6	135.8	131.5	-4.3
Gas appliances and installation work	167.7	171.8	+4.1	-0.8	0.2	+1.0
Other energy	217.3	219.3	+2.0	8.8	9.3	+0.5
(incl. electric power)	(66.6)	(67.4)	(+0.8)	(3.6)	(4.0)	(+0.4)
Real estate	32.8	32.7	-0.1	5.9	5.5	-0.4
Others	158.5	162.0	+3.5	8.0	8.9	+0.9
Corporate or eliminations	-184.6	-189.5	-4.9	-41.7	-41.4	+0.3
Consolidated	**1,525.0**	**1,524.0**	**-1.0**	**116.0**	**114.0**	**-2.0**

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Full Year Forecast Ordinary Income Analysis <vs. FY09 Results>

(Unit: billion yen)

FY09
83.5

FY10
113.0

Change
+29.5

TG +34.1

Gas gross profit decrease -24.3
Net sales increase: +53.2
(Gas sales volume & composition +14.1, sliding time lag +38.0, other +1.1)
Gas resource costs increase: -77.5
(Amount & composition -6.8, foreign exchange +36.5, JCC -104.4, other -2.8)

Fixed costs decrease +44.0
・General expenses increase -8.3
(Costs for advertising for marketing, consignment cost, etc.)
・Personnel expenses decrease on improved pension actuarial differences +52.4
(Improvement in pension actuarial differences -32.0 → +19.8)
・Depreciation and amortization increase -0.9 and others

Other operation/Supplementary income improve +3.3
・Appliance -1.8, installation work +/-0.0, LNG sales +0.4, Electric power +0.6 and others

Non-operating income improve +11.1
Increase in dividends income +5.7, Gains from weather derivatives +1.7,
Decrease in expense for environment improvement +3.0 and others

Subsidiaries +4.0

・Sales growth from new power generation capacity utilization (Nijio) +4.5, Ohgishima Power Co. Ltd. (newly consolidated subsidiary) +1.1, Decline in tanker depreciation and amortization +2.5
・Australian subsidiaries -2.0 and others

Eliminations -8.6

Eliminations of dividends income at affiliates -5.5 and others

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

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Pages 11-12 show an analysis of the factors underlying the differences between our current forecast and fiscal 2009 results, and between our current and previous forecasts. (Please refer to these later.)

Full Year Forecast Ordinary Income Analysis <vs. Previous Forecast>

(Unit: billion yen)

- Previous Forecast 112.0
- Current Forecast 113.0
- Change +1.0
  - TG +1.0
    - Gas gross profit decrease -6.0
      - ・Gas net sales decrease -7.0
      - ・Gas resource costs decrease +1.0
    - Fixed costs decrease +2.3
      - ・Personnel expenses decrease +0.8
      - ・General expenses decrease +0.7
      - ・Depreciation and amortization decrease +0.6
      - and others
    - Other operation/Supplementary business/Non-operating income +4.7
      - Non-operating income +4.0
      - (Increase in dividends income from liquidation of subsidiaries +2.5 and others)
  - Subsidiaries +2.5
    - Australian subsidiaries +1.0,
    - Construction (engineering) profit growth +0.6 and others
  - Eliminations -2.5

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

Overview of City Gas Business

➢ **Transition of industrial-use gas sales volume (excluding power generation)**

(mil. m^3, 45MJ/m^3)

	1Q	2Q	3Q	4Q	Total	Year on year
FY07	849	912	939	954	3,655	+9.7%
FY08	865	905	823	727	3,320	-9.2%
FY09	677	774	826	886	3,163	-4.7%
FY10	**775 (Actual)**	**783 (Actual)**	**793 (Actual)**	**794 (Forecast)**	**3,145 (Forecast)**	**-0.6%**

Note: Totals may differ from sums as a result of rounding.

➢ **Residential Competition Situation**

(Non-consolidated)

		FY10 3Q Results	Initial Plan
ENE-FARM sales (completed units)		1,705 units (Reference) Contracts concluded, but not installed yet 804 units	2,500 units
Competition against electrification	All-electric housing rates of newly built houses	-	12%
	No. of existing houses shifted to all-electric	9,576 (FY09 3Q: 10,229)	9,000

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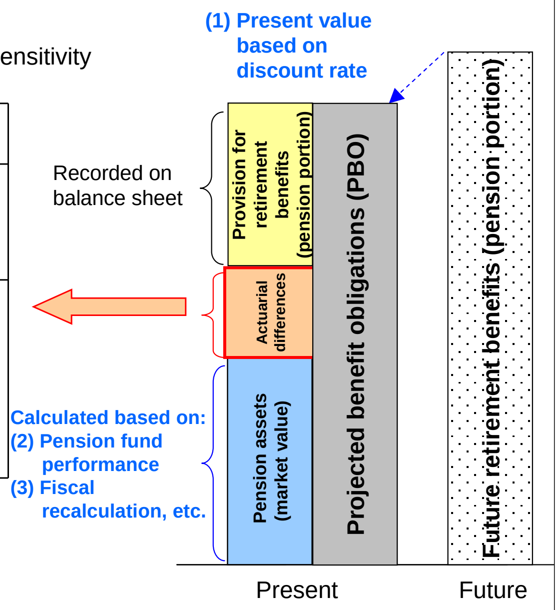
Page 13 shows quarterly trends in general industrial demand, excluding power generation. We anticipate a delayed recovery in production activities at some industries, contrary to the 2nd half of the year-earlier period when inventory adjustment was properly carried out and various subsidies boosted up production activities in general, and we are therefore forecasting a year-on-year decline for two consecutive quarters since the third quarter.

With regard to ENE-FARM (residential fuel cells) sales, 1,705 units had been sold through the third quarter on a completed unit basis, compared with our initial full-year plan of 2,500 units. In addition, contracts have been concluded but installations have not yet been completed for 804 units, so with the addition of this portion we expect to be able to achieve our target by the end of the fiscal year.

Effect of Actuarial Differences in Pension Accounting

Pension fund performance and discount rate sensitivity

	Pension actuarial differences
Pension fund performance (If fund return at end-FY10 exceeds expected return of 2% by 1 percentage point)	-2.2 billion yen (approximately)
Discount rate (long-term interest rate on last day of fiscal year) (If 20-year JGB interest rate at end-FY10 rises 0.1% against 2.1% discount rate at end-FY09)	-4.0 to -4.5 billion yen (approximately)



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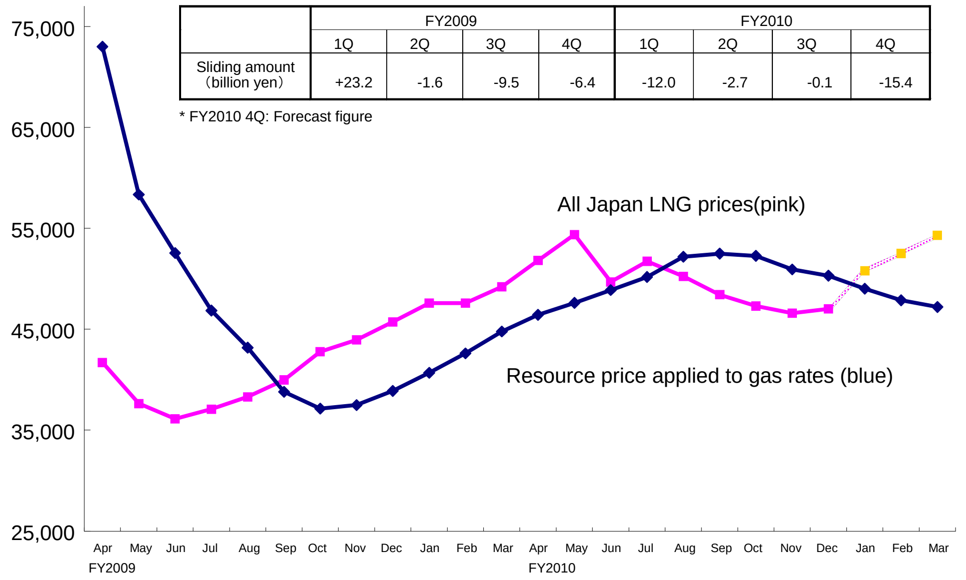
Page 14 analyzes the impact on personnel expenses of actuarial difference, pension fund performance and discount rate sensitivity when discounting the present value of future pension obligations. Pension assets generated an annualized yield of 3.1% during the first three quarters, but the full-year result of the actuarial difference will be subject to change with the sensitivity shown based on the yield for the remainder of the year and the 20-year JGB interest rate at the end of March.

Sliding Time Lag Effect (conceptual diagram)

	FY2009				FY2010			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Sliding amount (billion yen)	+23.2	-1.6	-9.5	-6.4	-12.0	-2.7	-0.1	-15.4

* FY2010 4Q: Forecast figure



*Resource price applied to gas rates: Average resource price used in calculation of monthly gas rates
*All Japan LNG prices (Jan 2011 – Mar 2011) are assumed prices.

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Page 15 shows a conceptual diagram of the sliding time lag effect, and visually demonstrates how the rise in resource prices is causing a turnaround in the sliding amount, from a surplus in the previous fiscal year to a shortfall this year.

Key Indices

(Unit: billion yen)

	Dec 2009 (Actual)	Dec 2010 (Actual)	FY09 Full year (Actual)	FY10 Full year (Forecast)
Total assets (a)	1,759.9	**1,803.3**	1,840.9	**1,812.0**
Shareholders' equity (b)	790.2	**807.0**	813.8	**837.0**
Shareholders' equity ratio (b)/(a)	44.9%	**44.8%**	44.2%	**46.2%**
Interest-bearing debt	603.5	**649.6**	555.9	**583.0**
D/E Ratio	0.76	**0.80**	0.68	**0.70**
Net income(c)	31.6	**41.2**	53.7	**71.0**
Depreciation and amortization (d)	106.7	**109.7**	146.1	**150.0**
Operating cash flow (c) + (d)	138.3	**151.0**	199.8	**221.0**
Capex	96.3	**97.7**	148.1	**147.0**
ROA: (c) / (a)	-	**-**	3.0%	**3.9%**
ROE: (c) / (b)	-	**-**	6.8%	**8.6%**
Total Payout Ratio	-	**-**	60.1%	**-**

Notes: ROA = Net income/Total assets (average of beginning & end)
ROE = Net income/Shareholders' equity (average of beginning & end)
Balance sheet-related figures are as end of each quarter.
Operating cash flow = Net Income + Depreciation (incl. Amortization of Long-term Prepaid Expenses)
Total Payout Ratio= [Dividends in FY N + Amount of Stock Repurchase in FY (N+1)] / Consolidated Net Income in FY N)

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This concludes my presentation on third-quarter results. Thank you.

Tokyo Gas Co., Ltd.