TSE:9531

FY2011 2Q Financial Results ended September 30, 2011

TOKYO GAS

October 31, 2011

My name is Tsuyoshi Okamoto, president of Tokyo Gas. Thank you for coming to our second-quarter results briefing.

FY2011 2Q Consolidated Financial Results ended September 30

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FY2011 2Q Consolidated Financial Results (Apr. 1 – Sep. 30, 2011)

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Financial Highlights (vs. FY10 2Q) Sales growth, profit decline

(+/- indicates profit impact, billion yen)

Net sales : + City gas sales grew (+32.6; Portion from rise in unit sales prices on sliding time lag effect (non-consolidated basis) +32.0)
+ Electricity sales grew with Ohgishima Power Stn. Unit 2 commencement (July 2010) (+13.5)

Operating income : - City gas resource costs rose with increase in resource prices (-62.0)
: - Increase in amortization of actuarial differences in pension accounting (-11.2 (-1.3←+9.9))

Ordinary income : + Foreign exchange gain at overseas subsidiaries (+3.2 (+1.2 ← -2.0))
: - Gains from weather derivatives (-1.2 (+0.1 ← +1.3))

Net income : - Loss on valuation of investment securities (-2.5 (-4.8←-2.3)) *Pretax basis

(Unit: billion yen)

	FY11 2Q	FY10 2Q	Change	%
Gas sales volume (mil. m3 , 45MJ)	**6,940**	6,934	6	+0.1
Net sales	**748.3**	701.3	47.0	+6.7
Operating expenses	**746.6**	653.2	93.4	+14.3
Operating income	**1.7**	48.0	-46.3	-96.4
Ordinary income	**1.9**	45.8	-43.9	-95.8
Net income	**-4.9**	25.5	-30.4	-
Sliding time lag effect (non-consolidated basis)	***-40.4***	*-14.7*	*-25.7*	-
Amortization of actuarial differences (non-consolidated basis)	***-1.3***	*9.9*	*-11.2*	-

Economic conditions	JCC ($/bbl)	Ex. rate (¥/$)	Avg. temperature
FY11 2Q	113.91	79.75	22.6
FY10 2Q	78.37	88.91	23.0
Change	+35.54	-9.16	-0.4

First, I would like to review our first half results for fiscal 2011. Slide 2 compares these results with the first half of fiscal 2010, which shows an increase in sales but a decline in profit.

Net sales rose ¥47.0 billion year-on-year, to ¥748.3 billion. This was primarily the result of a ¥32.6 billion increase in gas sales from an increase in unit sales prices under the gas rate adjustment system in line with higher resource costs, combined with a ¥13.5 billion increase in electricity sales from full operations at Ohgishima Power Station Unit 2, and increased use of gas to generate electricity in the wake of the earthquake.

At the same time, operating expenses grew ¥93.4 billion, to ¥746.6 billion, on a ¥62.0 billion increase in city gas resource costs from higher crude oil prices, combined with a ¥13.7 billion increase in costs for electric power business and an ¥11.2 billion increase in amortization of actuarial differences in pension accounting.

As a result, operating income declined ¥46.3 billion year-on-year, to ¥1.7 billion. Ordinary income declined ¥43.9 billion, to ¥1.9 billion, reflecting a ¥3.2 billion foreign exchange gain at an overseas subsidiaries included in non-operating items.

A loss on valuation of investment securities led to an extraordinary loss of ¥4.8 billion, and after recording income taxes and other items, net income declined ¥30.4 billion year-on-year, to a net loss of ¥4.9 billion.

On non-consolidated basis, with the rise in resource costs, the shortfall at Tokyo Gas from the sliding time-lag effect grew by ¥25.7 billion, to ¥40.4 billion, in the first half of fiscal 2011, compared with a year-earlier ¥14.7 billion shortfall. In addition, the amortization of actuarial differences in pension accounting had a negative effect of ¥1.3 billion, compared with the previous year's positive effect of ¥9.9 billion, increasing personnel expenses by ¥11.2 billion. These and other factors had the effect of reducing operating income by ¥36.9 billion.

As additional reference, the pension fund's performance this year, which will impact next year's personnel expenses, produced a return of 3.29% during the first half, which is 1.29 percentage points higher than the anticipated yield of 2.0%.

Consolidated Gas Sales Volume (Apr. 1 – Sep. 30, 2011) (vs. FY2010 2Q)

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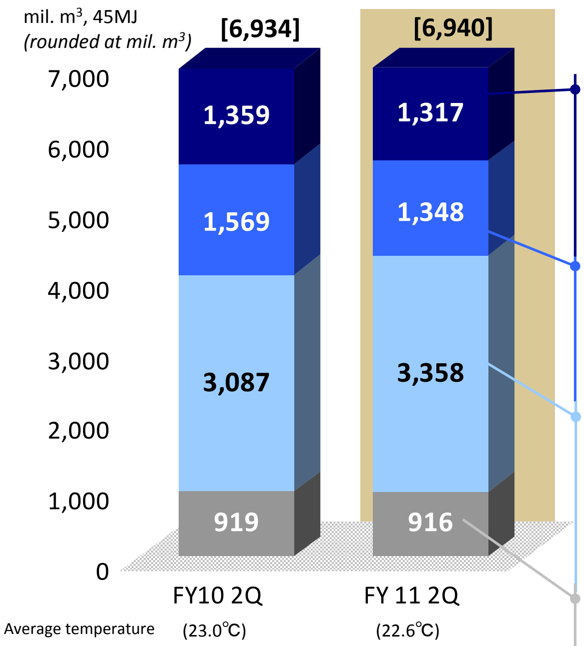

Number of customers (Unit: 10 thousand)

FY11 2Q-end	FY10 2Q-end	Change
1,077.7	1,067.3	+10.4

FY10 2Q → FY11 2Q

+6 mil. m^3 (+0.1%)
[incl. large-volume customers' demand + 166 mil. m^3 (+4.3%)]
[incl. temperature effect -60 mil. m^3 (-0.8%)]

■ **Residential** -42 mil. m^3 (-3.1%)

- Low early-spring temperatures in previous year - 20 mil. m^3
- Increased in number of customers + 10 mil. m^3
- No. of days + 1 mil. m^3
- Others (-2.5% (non-consolidated basis) decrease in usage per household after standardization) -33 mil. m^3

■ **Commercial** -221 mil. m^3 (-14.1%)

- High summer temperatures in previous year -42 mil. m^3
- Increased in number of customers +15 mil. m^3
- Others (Reduced electric consumption following earthquake and energy conservation, etc.) -194 mil. m^3

■ **Industrial** +271 mil. m^3 (+8.8%)

- Industrial: +51 mil. m^3
  Increased utilization of existing demand (In-house power generation equipment)
- Power generation: +220 mil. m^3
  Ohgishima power station unit 2 commencement (July 2010)
  Increased utilization following earthquake

■ **Wholesale** -3 mil. m^3 (-0.3%)

- Increased in general wholesale demand (Incl. temperature effect +2) +1 mil. m^3
- Decreased in large-volume wholesale demand -3 mil. m^3

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Gas sales volume for the first half of fiscal 2011 grew six million m3, or 0.1% year-on-year, to 6,940 million m3. This included a 42 million m3 decrease, to 1,317 million m3, in residential gas sales as a result of higher temperatures in the early spring compared with the previous year.

Commercial gas sales declined 221 million m3 year-on-year, to 1,348 million m3, on a decline in demand from restaurants, schools, and hotels following the earthquake, as well as a decline in demand for office air conditioning in response to electricity shortages during the summer.

On the other hand, industrial gas sales volume increased 271 million m3, to 3,358 million m3, on a full-scale operation of Ohgishima Power Station Unit 2, which commenced operations in July 2010, combined with increased demand for power generation in response to electricity shortages following the earthquake. Gas sales volume to the wholesale sector declined three million m3, to 916 million m3, on lower demand from wholesalers following the earthquake.

Usage Topics (Apr.1 – Sep. 30, 2011)

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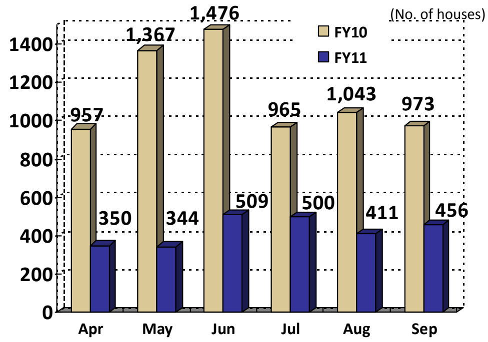
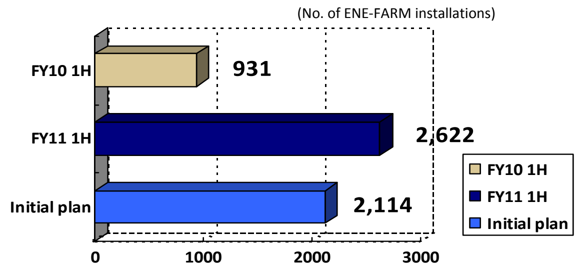
■ Overview

Usage	Specific Details (Figures: Left – FY10; Right – FY11)
Residential	[New houses built] Slightly below previous year's level, but decline stopped in 2Q. (Non-consolidated): 1Q: 35 thousand → 30 thousand (-5 thousand; -15.6%) 2Q: 42 thousand → 42 thousand (+/- 0 thousand; +/- 0%) [Gas sales volume per household after standardization] Gradual decline from decrease in persons/household, spread of energy-saving equipment, energy conservation (FY11 1H (non-consolidated): 149.8 m3 →146.1 m3 (-3.7 m3; -2.5%)) [No. of all-electric housing] No. of existing houses shifting to all-electric decreased (1H: 6,781 → 2,570 (-4,211; -62%)) [ENE-FARM] Increased interest in energy security following earthquake led to large YoY increase in installations (1H: 931 → 2,622)

■ Existing houses shifting to all-electric



■ ENE-FARM installations (1H)



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Next, I would like to discuss usage topics. First-half demand at the residential sector declined 20 million m3, or 1.5% year-on-year, reflecting low early-spring temperatures in the year-earlier period, and there was also a 33 million m3, or 2.5% decline, from "other" factors. These factors are difficult to quantify, but this can be seen as including increased efforts to conserve energy in response to shortages of electricity following the earthquake.

As shown in Slide 4, regarding electrification offensive, the number of existing houses shifting to all-electric systems during the first half was held to roughly 40% of the year-earlier level. For newly built houses, plans for roughly 2,500 units, or 30%, of apartments scheduled to be built as all-electric were changed to gas, on heightened interest in energy security following the earthquake.

Solid progress was seen in ENE-FARM residential fuel cells, with 2,622 units installed, for a 2.8-fold year-on-year increase and a result that was 24% ahead of plan. With the expansion of government subsidy programs, we are confident that we will be able to achieve our full-year target of 5,000 units.

By fully utilizing our "Tokyo Gas Lifeval" marketing structure, which is closely aligned with local communities, we are introducing residential customers to the superior convenience, safety, and economic benefits of gas appliances, and providing optimal, high-value-added solutions.

Usage Topics (Apr.1 – Sep. 30, 2011)

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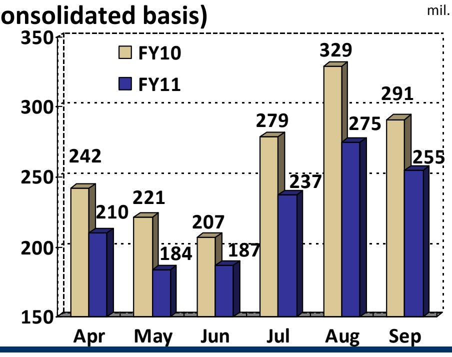
■ Overview

Usage	Specific Details
Commercial	· Weak commercial gas demand (-221 mil. m3 YoY (-14.1%)) Declines by principal industry (non consolidated basis; including temperature effects; unit: mil. m3) Companies, offices: 202 → 161 (-41; -20.6%) Department stores, supermarkets: 122 → 100 (-22; -18.1%) Inns, hotels: 83 → 69 (-14; -16.6%) Schools: 98 → 74 (-24; -24.8%) <Reasons for weak demand> · Decrease from temperature effect including low summer temperatures (-42 mil. m3) · Decrease from energy conservation efforts following earthquake(-194 mil. m3) * Earthquake effects: Tokyo Gas analysis based on sample survey of customers (April-September) Gas sales volume declined on changes in behavior by customers for air conditioning (-21.7%), including: changes in thermostat setting (-5.4%); Reduction in hours used (-5.5%); Cooling load of lighting (-2.7%); Reduction in days used (-0.6%); Others (-7.5%)

■ Transition of commercial-use gas sales volume (consolidated basis)

mil. m³, 45MJ



■ Monthly temperatures

(℃)

	FY11	FY10	Change
Apr	14.5	12.4	+2.1
May	18.5	19.0	-0.5
Jun	22.8	23.6	-0.8
Jul	27.3	28.0	-0.7
Aug	27.5	29.6	-2.1
Sep	25.1	25.1	0.0
Average	22.6	23.0	-0.4

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Turning to the commercial sector on Slide 5, there was a significant decline in demand for gas as restaurants, hotels, schools, and commercial facilities saw drops in utilization immediately following the earthquake. There was also a decline from temperature effects through the summer, and demand continued to decline, primarily for air conditioning, as increased efforts to conserve energy, spurred by electricity shortages, saw customers setting thermostats higher and reducing the hours of use.

Usage Topics (Apr.1 – Sep. 30, 2011)

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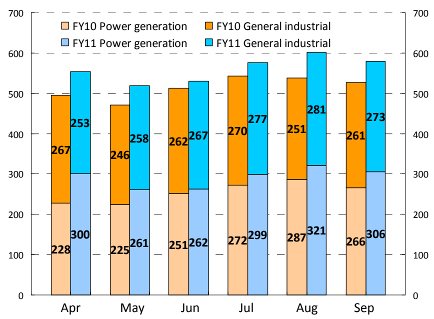
■ Overview

Usage	Specific Details
Industrial	**[General industrial]** Weak demand from earthquake effect and stagnant economy, but increased cogeneration utilization led to year-on-year increase of 51 mil. m3 (1,611←1,560, +3.3%; consolidated). **[Power generation]** Commencement of operations of Ohgishima Power Stn. Unit 2 (July 2010) and increased utilization following earthquake led to increase of 220 mil. m3 (1,748 ← 1,528, +14.3%; consolidated).
Wholesale	Decline in demand from existing wholesale customers.

■ Transition of industrial-use gas sales volume

(Consolidated basis) mil. m^3, 45MJ



(Non-consolidated basis)(Unit: mil. m3)

		FY09			FY10						FY11		
		2nd half	vs. 1st half	(%)	1st half	vs. 2nd half, FY09	(%)	2nd half	vs. 1st half	(%)	1st half	vs. 2nd half, FY10	(%)
General industrial	Food	245	-9	-3.5	242	-3	-1.2	241	-1	-0.4	250	9	3.7
	Textile	19	3	18.8	19	0	0.0	20	1	5.3	18	-2	-10.0
	Paper & pulp	105	0	0.0	90	-15	-14.3	81	-9	-10.0	90	9	10.0
	Chemicals	369	44	13.5	330	-39	-10.6	325	-5	-1.5	333	8	2.5
	Glass & ceramics	86	8	10.3	87	1	1.2	89	2	2.3	93	4	4.5
	Steel	314	136	76.4	226	-88	-28.0	274	48	21.2	262	-12	-4.4
	Non-ferrous metal	76	7	10.1	81	5	6.6	79	-2	-2.5	77	-2	-2.5
	Metal machinery	219	25	12.9	199	-20	-9.1	190	-9	-4.5	175	-15	-7.9
	Others	190	32	20.3	192	2	1.1	221	29	15.1	220	-1	-0.5
Sub-total		1,622	245	17.8	1,465	-157	-9.7	1,521	56	3.8	1,519	-2	-0.1
Power generation		1,001	49	5.1	1,038	37	3.7	939	-99	-9.5	1,165	226	24.1
Total		2,623	294	12.6	2,503	-120	-4.6	2,460	-43	-1.7	2,684	224	9.1

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Slide 6 shows the post-earthquake trend in sales volume to the industrial sector. At the request of Tokyo Electric Power Company, the Tokyo Gas Group increased generation at its power generation facilities after the earthquake, and in addition gas demand from IPP's and other power stations rose. As a result, gas sales volume for power generation grew 14.3% year-on-year, to 1,748 million m3. In addition, gas sales volume for general industrial use, excluding power generation, increased 3.3%, to 1,611 million m3, with growth in sales volume for cogeneration and other in-house power generation more than offsetting a decline in gas demand from the metal machinery and steel industries, from supply chain disruptions following the earthquake.

FY2011 2Q Net Sales and Operating Income/Loss by Business Segment

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<vs. FY2010 2Q>

(Unit: billion yen)

	Net sales				Operating income/loss			
	FY11 2Q			FY10 2Q	FY11 2Q			FY10 2Q
	Result	YoY	%	Result	Result	YoY	%	Result
City gas	554.4	32.6	6.2	521.8	14.2	-40.8	-74.1	55.0
Gas appliances and installation work	77.6	2.8	3.8	74.8	0.5	-0.3	-36.7	0.8
Other energy	134.2	28.8	27.3	105.4	3.2	-1.9	-37.4	5.1
(Electric power)	45.4	13.5	42.3	31.9	1.7	-0.3	-13.6	2.0
Real estate	14.7	-1.8	-10.5	16.5	2.6	-1.3	-33.9	3.9
Others	73.4	2.3	3.3	71.1	1.5	-1.2	-45.9	2.7
Adjustments	-106.1	-17.7	-	-88.4	-20.3	-0.8	-	-19.5
Consolidated	**748.3**	**47.0**	**6.7**	**701.3**	**1.7**	**-46.3**	**-96.4**	**48.0**

Notes:
- Net sales by business segment include internal transactions.
- Other energy includes Energy-service (including LNG sales), Electric power, LPG, Industrial gas, etc.
- "Others" includes Facilities, Information processing, Shipping, Credit & leasing, etc.
- Adjustments under operating income are primarily companywide expenses that cannot be allocated to individual segments.

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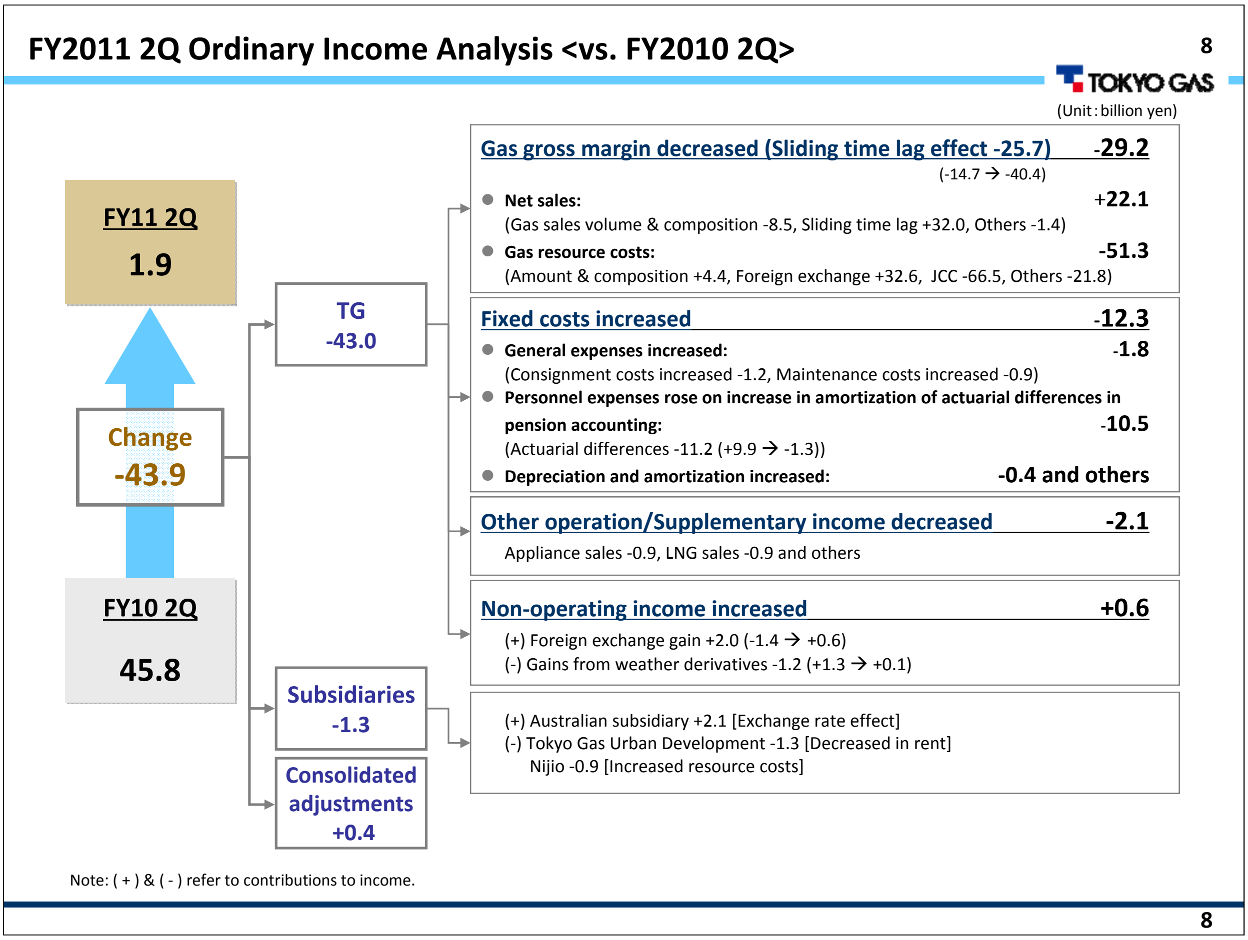
Slide 7 summarizes operating results by business segment. I have already discussed the city gas segment.

At the "other energy" segment, sales grew ¥13.5 billion year-on-year, to ¥45.4 billion, on growth in electricity sales from full-scale operations at Ohgishima Power Station Unit 2 and increased use of gas to generate electricity following the earthquake. On the other hand, the segment's operating income declined ¥0.3 billion, to ¥1.7 billion, from higher resource costs and changes in resource composition.



Next, Slide 8 presents an analysis of year-on-year changes in first-half results. On a consolidated basis, ordinary income declined by ¥43.9 billion, and almost all of this amount – ¥43.0 billion – was at the parent company.

As I mentioned previously, the sliding time lag effect had a negative impact of ¥25.7 billion, and amortization of actuarial differences in pension accounting grew ¥11.2 billion. In addition, changes in the composition of usage for gas sales following the earthquake also had the effect of reducing the gas gross margin.

At consolidated subsidiaries, foreign exchange gains at Australian subsidiaries grew ¥2.1 billion, while profit at real estate affiliated declined ¥1.3 billion on reductions in office rents paid by Tokyo Gas, resulting in an overall decline in ordinary income of ¥1.3 billion.

FY2011 2Q Consolidated Financial Results Forecast

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

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Highlights <vs. Previous Forecast (Jul. 29)> (+/- indicates profit impact, billion yen)

Net sales : + Sales growth at "Other energy" segment (+13.0) including increased electricity sales (+7.5)

Operating income : No change
Gas gross margin declined on higher resource costs (-7.4; non-consolidated)
Expenses increased at Other Energy segment (-7.1; including -2.6 for electric power)

Ordinary income : No change

Net income : – Larger extraordinary loss (loss on valuation of investment securities) (-4.8 pretax basis)

(Unit: billion yen)

	FY11	Previous Forecast (Jul. 29)	Change	%	FY10	Change	%
Gas sales volume (mil. m3 , 45MJ)	14,727	14,626	+101	+0.7	14,745	-18	-0.1
Net sales	1,714.0	1,705.0	+9.0	+0.5	1,535.2	+178.8	+11.6
Operating expenses	1,653.0	1,644.0	+9.0	+0.5	1,412.7	+240.3	+17.0
Operating income	61.0	61.0	0.0	0.0	122.4	-61.4	-50.2
Ordinary income	58.0	58.0	0.0	0.0	121.5	-63.5	-52.3
Net income	32.0	37.0	-5.0	-13.5	95.4	-63.4	-66.5
Sliding time lag effect (non-consolidated basis)	*-47.9*	*-47.3*	*-0.6*	-	*-29.2*	*-18.7*	-
Amortization of actuarial differences (non-consolidated basis)	*-2.7*	*-2.7*	*0.0*	-	*19.9*	*-22.6*	-

(Unit: billion yen)

Gross Margin Sensitivity to Changes in Oil Price and Exchange Rate (Full year/ Non-consolidated basis)

	1Q	2Q	3Q	4Q	Full year
Impact of rising JCC by $1/bbl	-	-	-0.8	-0.3	-1.1
Impact of yen depreciation by ¥1/$	-	-	-0.2	-1.3	-1.5

Economic Conditions (Full year)	JCC ($/bbl) 1-2Q	JCC ($/bbl) 3-4Q	JCC ($/bbl) Avg.	Ex. rate (¥/$)	Avg. temp. (℃)
Current forecast	113.91	110.00	111.96	79.88	16.7
Previous forecast	112.48	110.00	111.24	80.43	16.6

Next, I would like to explain our forecasts for fiscal 2011. Slide 10 also shows the projected changes from fiscal 2010, but now I would like to discuss the changes in our new forecasts relative to those included with the first-quarter results announcement on July 29.

As shown in Slide 10, we are now forecasting net sales of ¥1,714.0 billion, which is ¥9.0 billion higher than our previous projection on growth in electricity sales.

Changes in resource composition at Tokyo Gas are seen leading to higher resource costs, with the effect seen reducing the gas gross margin by ¥7.4 billion. At the same time, we have left our operating income and ordinary income forecasts unchanged at ¥61.0 billion and ¥58.0 billion respectively, on anticipated growth in profit from electricity sales and reductions in fixed costs including depreciation and amortization. A ¥4.8 billion loss on valuation of investment securities was recorded as an extraordinary loss in the second quarter, and as a result we have reduced our forecast for after-tax, net income by ¥5.0 billion, to ¥32.0 billion.

The assumptions for crude oil prices and exchange rate levels used in these forecasts are unchanged from those used in our previous forecast, at $110/barrel and ¥80/dollar respectively.

Gross Margin Sensitivity to Changes in Oil Price and Exchange Rate (Non-consolidated basis)

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Impact of rising JCC by $1/bbl

(unit: billion yen)

	Impact on 3Q earnings	Impact on 4Q earnings	Full Year
Rise in 3Q	**-0.3**	-0.5	-0.8
Rise in 4Q		-0.3	-0.3
Total	**-0.3**	-0.8	-1.1

Impact of yen depreciation by ¥1/$

(unit: billion yen)

	Impact on 3Q earnings	Impact on 4Q earnings	Full Year
Weak in 3Q	**-1.2**	+1.0	-0.2
Weak in 4Q		-1.3	-1.3
Total	**-1.2**	-0.3	-1.5

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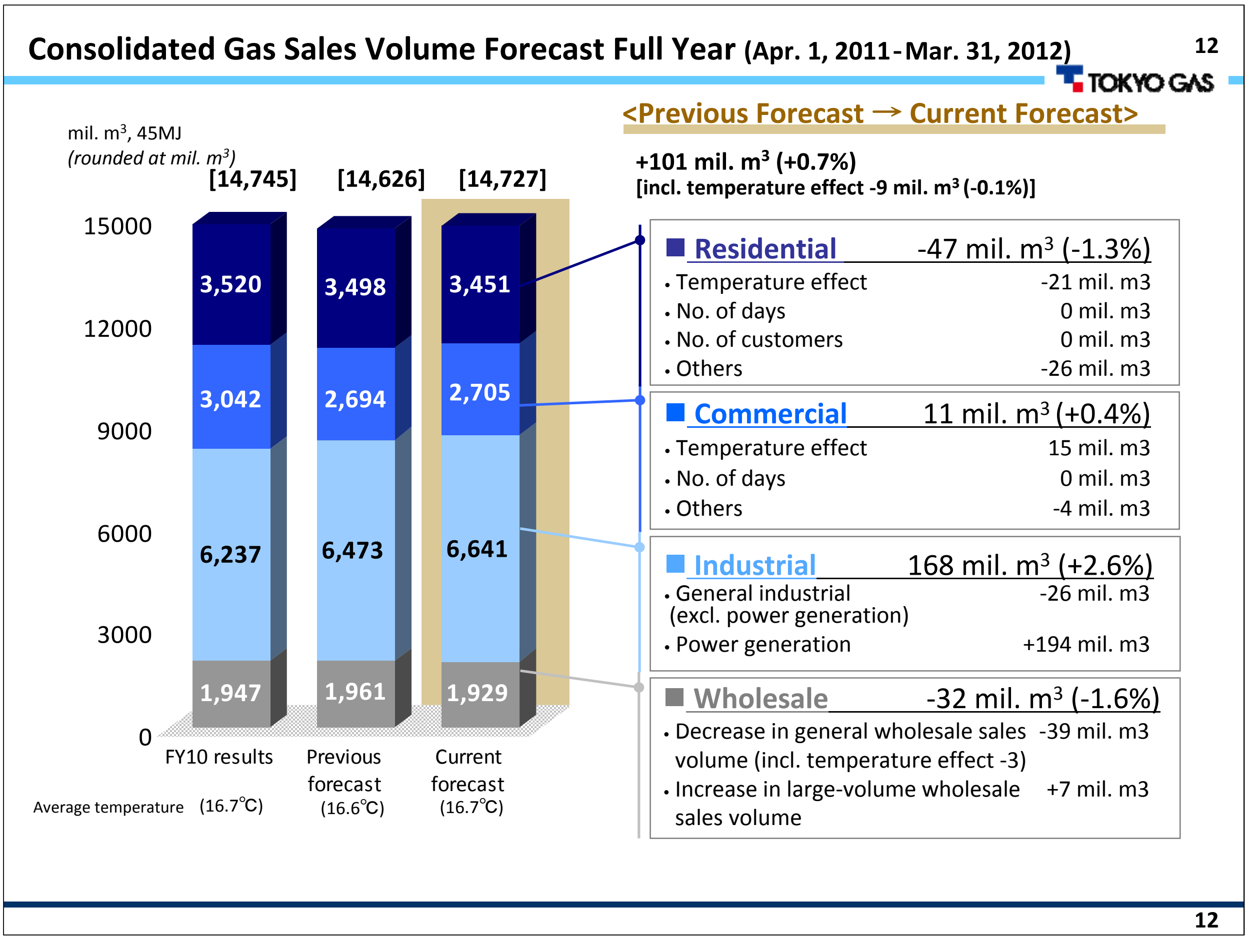
Slide 11 shows the sensitivity of third- and fourth-quarter earnings to a $1 change in the price of crude oil and a ¥1 movement in the exchange rate against the dollar.



As shown on Slide 12, we have raised our forecast for gas sales volume by 101 million m3, or 0.7%, to 14,727 million m3.

At the residential sector, in the wake of the earthquake we saw a trend of decline in gas sales volume per meter during the first half, and we expect this to continue in the second half. We have therefore reduced our sales volume forecast by 47 million m3, or 1.3%, to 3,451 million m3.

Our previous forecast for the commercial sector had already factored in lower thermostat settings for heating during the winter and other energy-saving measures, so adjusting for the fact temperatures during the second quarter was higher than an average year, we have raised our forecast by 11 million m3, or 0.4%, to 2,705 million m3.

We have also raised our forecast for the industrial sector by 168 million m3, or 2.6%, to 6,641 million m3, on growth in demand for power generation. Taking into account a decline in demand from wholesalers, we have lowered our wholesale forecast by 32 million m3, or 1.6%, to 1,929 million m3. In addition, our temperature projections for the second half are unchanged.

FY2011 Forecast: Net Sales and Operating Income/Loss by Business Segment

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<vs. Previous Forecast >

(Unit: billion yen)

	Net sales				Operating income/loss			
	FY11				FY11			
	Forecast	YoY	%	Previous forecast	Forecast	YoY	%	Previous forecast
City gas	1,274.2	-2.7	-0.2	1,276.9	90.2	-9.6	-9.6	99.8
Gas appliances and installation work	183.4	3.1	1.7	180.3	-1.0	-1.0	-	0.0
Other energy	285.9	13.0	4.8	272.9	5.8	5.9	-	-0.1
(Electric power)	91.9	7.5	8.9	84.4	3.2	4.9	-	-1.7
Real estate	29.6	0.0	0.0	29.6	3.8	0.5	15.2	3.3
Others	174.6	5.3	3.1	169.3	6.7	1.7	34.0	5.0
Adjustments	-233.7	-9.7	-	-224.0	-44.5	2.5	-	-47.0
Consolidated	**1,714.0**	**9.0**	**0.5**	**1,705.0**	**61.0**	**0.0**	**0.0**	**61.0**

Notes:
- Net sales by business segment include internal transactions.
- Other energy includes Energy-service (including LNG sales), Electric power, LPG, Industrial gas, etc.
- “Others” includes Construction, Information processing, Shipping, Credit & leasing, etc.
- Adjustments under operating income are primarily companywide expenses that cannot be allocated to individual segments.

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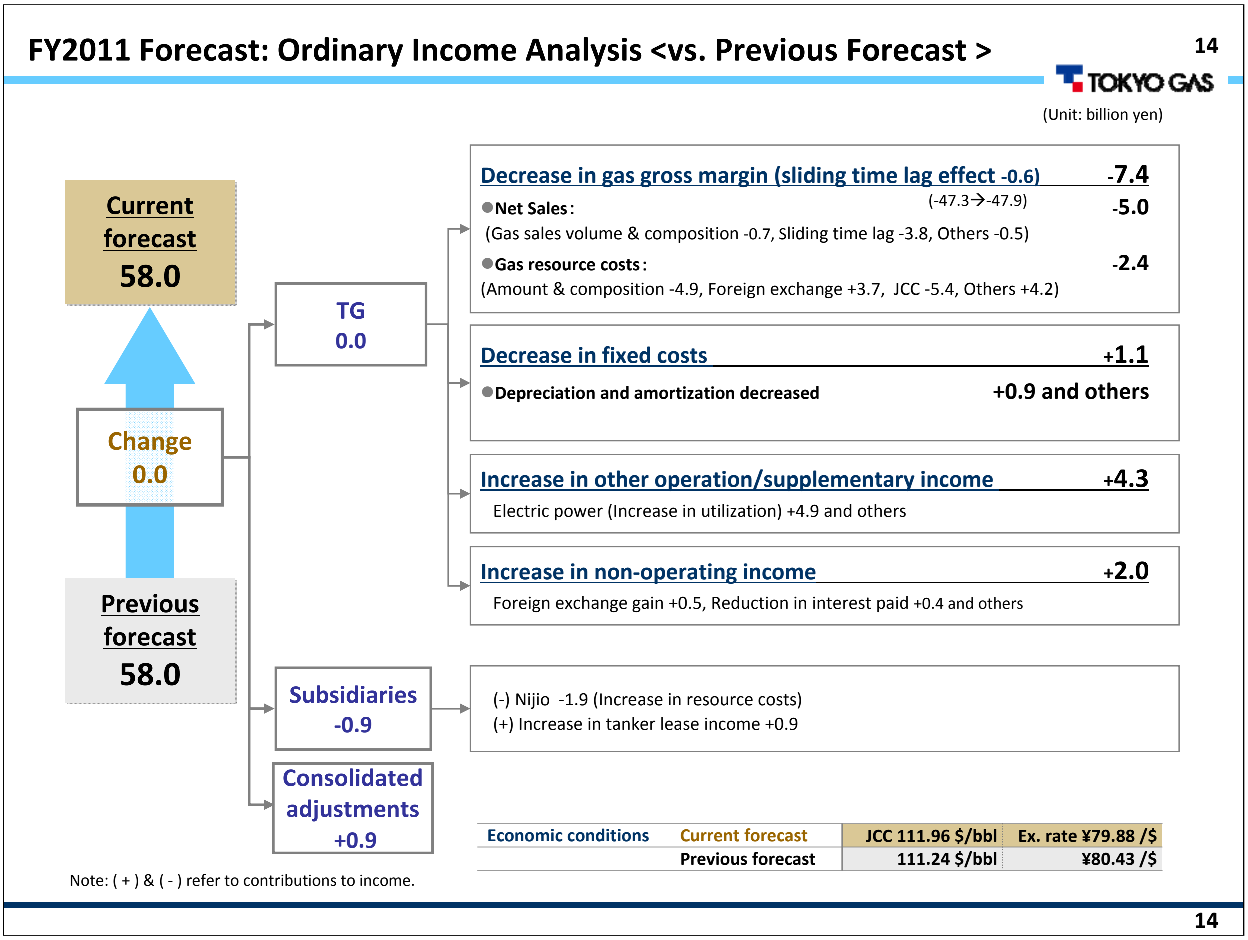
Slide 13 shows net sales and operating income /loss by business segment. We have lowered our forecasts for both net sales and operating income at the city gas segment to reflect the sliding time lag effect, and changes in the composition of gas resources.

Increases to net sales and operating income have been made at the electric power segment of “other energy.” This is because we plan to increase the use of gas to generate electricity at our group power generation facilities this winter, in response to shortages of electricity caused by the decline in utilization at nuclear power plants following the earthquake.



Slide 14 shows an analysis in chart form of the factors underlying increases and decreases in our current forecast compared with the previous forecast. I have already discussed this so I will not repeat it here.

FY2011 Uses of Cash Flow

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Capital expenditure

(Unit: billion yen)

Capex	Main items
Tokyo Gas: 122.3 (+/- 0.0, +/- 0.0%)	Production facilities: 24.2 (-1.2) Hitachi LNG terminal construction, LNG tank at Ohgishima Power Stn., etc.
	Distribution facilities: 74.6 (+2.9) Demand-side pipes and pipelines, New supply-side pipes, Replacement of existing gas pipes, etc.
	Service and maintenance facilities, etc.: 23.5 (-1.7) Systems-related expenses, Replacement of obsolete facilities, etc.
Total of Consolidated Subsidiaries: 38.8 (-0.1, -0.3%)	Overseas business (Total of Australian subsidiary 12.1) Renovation of district heating and cooling system, etc. 8.1 (ENAC)
Total	158.0 (-2.0, -1.3% after internal eliminations)

* Increase/decrease amounts in parentheses are vs. previous forecast

Investments and loans

17.4 (overseas businesses, etc. 19.1, recoveries of loans -1.7) (vs. FY10 -5.8)

Returns to shareholders

57.6 (vs. FY10 +24.1)
(Total of FY10 year-end dividends, FY11 interim dividends, and FY11 treasury stock purchases)

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Slide 15 shows our projected uses of cash flow during the fiscal year. The anticipated ¥122.3 billion of capex at Tokyo Gas includes planned outlays related to the Hitachi terminal, expenditures for the Ohgishima No. 4 tank, and gas production and supply equipment on the Chiba-Kashima Line, etc.

We are also planning to invest ¥38.8 billion at consolidated subsidiaries, including capex at the Australian upstream subsidiaries and renovations of district heating and cooling systems, for projected total capex of ¥158.0 billion.

Investments and loans are projected at ¥17.4 billion, mainly in overseas IPP's and upstream businesses. We also intend to return ¥57.6 billion to shareholders. This consists of ¥23.6 billion in dividend payments, including the ¥4.5 interim dividend per share to be paid in November, and ¥34.0 billion representing treasury stock that has already been retired.

Key Indices

TOKYO GAS

(Unit: billion yen)

	FY10 1st half	FY11 1st half	FY10 Full year	FY11 Full year forecast
Total assets (a)	1,798.5	1,779.0	1,829.6	1,899.0
Shareholders' equity (b)	803.8	804.3	858.9	830.0
Shareholders' equity ratio (b)/(a)	44.7%	45.2%	46.9%	43.7%
Interest-bearing debt (c)	650.0	639.8	584.1	652.0
D/E ratio (c)/(b)	0.81	0.80	0.68	0.79
Net income (d)	25.5	-4.9	95.4	32.0
Depreciation and amortization (e)	71.9	72.2	149.3	149.0
Operating cash flow (d)+(e)	97.4	67.2	244.8	181.0
Capex	66.8	58.5	150.2	158.0
ROA: (d)/(a)	1.4%	-	5.2%	1.7%
ROE: (d)/(b)	3.2%	-	11.4%	3.8%
TEP	-	-	64.0	-4.6
WACC	-	-	3.2%	3.2%
Total payout ratio	-	-	60.9%	*72.9% (planned)

Notes: Shareholders' equity = Net assets – Minority interests
ROA = Net income / Total assets (average of the amounts as of the end of the previous term and end of the current term)
ROE = Net income / Shareholders' equity (average of the amounts as of the end of the previous term and end of the current term)
Balance sheet figures are as of the corresponding term-end
Operating cash flow = Net income + Depreciation and amortization (including amortization of long-term prepaid expenses)
Total payout ratio = (FYn dividends + (FYn+1) treasury stock purchased) / FYn consolidated net income
* Total number of shares issued: 2,590,715,295 (As of September 30, 2011)

[Reference] FY2011 Forecast Ordinary Income Analysis <vs. FY2010>

TOKYO GAS

(Unit: billion yen)

FY11 (forecast) 58.0

Change -63.5

FY10 (actual) 121.5

TG -56.1

Subsidiaries -12.0

Consolidated adjustments +4.6

Decrease in gas gross margin (sliding time lag effect -18.7) **-30.4**
(-29.2 → -47.9)

- **Net sales:** **+116.4**
  (Gas sales volume & composition -15.9, Sliding time lag +132.8, Others+0.5)
- **Gas resource costs:** **-146.8**
  (Amount & composition +3.6, Foreign exchange +46.2, JCC -154.4, Others -42.2)

Increase in fixed costs **-18.8**

- **General expenses decreased:** **+2.7**
  (Decrease in costs for demand development including advertising costs +4.4, Decrease in rents +1.5, Consignment costs increased -2.6)
- **Personnel expenses grew from actuarial differences in pension accounting** **-21.4**
  (Actuarial differences -22.6 (+19.9 → -2.7))
- **Depreciation and amortization increased:** **-0.4 and others**
  (Acquisition of new facility)

Decrease in other operation/supplementary income **-4.6**
Appliance sales -2.4, Electric power -1.2 and others

Decrease in non-operating income **-2.2**
(-) Decrease in dividends received from affiliates -2.9 and others

(-) Australian subsidiary, etc. -4.2 (exchange rate effect, etc),
Decline in real estate-related sales -1.8
Decline in tanker freight rates, increased expenses for 10th LNG carrier -1.5

Economic Conditions		JCC	Ex. rate
	FY11 forecast	JCC 111.96 $/bbl	Ex. rate ¥79.88 /$
	FY10	84.15$/bbl	¥85.74 /$

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

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This concludes my explanation of first-half results.

In addition, I would like to say that we are currently studying and formulating a management direction and vision for the Tokyo Gas Group with a view to 2020, and we plan to announce this on November 15.

Specific details will be presented at that time. The Great East Japan Earthquake presents an opportunity to mark a major turning point in terms of Japan's energy policies for the medium to long term. The Tokyo Gas Group is also taking a new look at its management direction, to determine the appropriate measures to be taken at this time against the backdrop of a long-term view of our business environment.

Thank you for coming today.