

FY2006 ending March 2007
Interim Non-Consolidated Financial Statements
(Half-Year Ended September 30, 2006)
Tokyo Gas Co., Ltd

October 30, 2006

Code No.: 9531

(URL: <http://www.tokyo-gas.co.jp>)

Representative: Mr. Mitsunori Torihara, President

Contact: Mr. Kazuo Nameki, Chief Manager, Accounting Dept.

Tel: +81-3-5400-7545

Meeting of board of directors to approve half-year financial results: October 30, 2006

Commencement date of interim dividends: November 28, 2006

The company has an interim dividend scheme. Adoption of the unit stock system : Yes (unit: 1,000 shares)

Stocks listed on:

Tokyo Stock Exchange, Osaka Securities Exchange,

Nagoya Stock Exchange

Location of head office (prefecture): Tokyo

1. Results for half-year ended September 2006 (April 1, 2006 to September 30, 2006)

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

| | Sales | | Operating income | | Ordinary income | |
|----------------------------|---------------------|------|---------------------|-------|---------------------|-------|
| | (Unit: million yen) | (%) | (Unit: million yen) | (%) | (Unit: million yen) | (%) |
| Half-year ended Sept. 2006 | 517,311 | 13.8 | 52,291 | 96.0 | 49,690 | 83.0 |
| Half-year ended Sept. 2005 | 454,610 | 3.8 | 26,683 | -25.8 | 27,160 | -28.0 |
| Year ended Mar. 2006 | 1,078,109 | | 90,990 | | 85,089 | |

| | Net income | | Net income per share |
|----------------------------|---------------------|-------|----------------------|
| | (Unit: million yen) | (%) | (Unit: yen) |
| Half-year ended Sept. 2006 | 32,960 | 65.1 | 12.26 |
| Half-year ended Sept. 2005 | 19,969 | -18.9 | 7.57 |
| Year ended Mar. 2005 | 55,299 | | 20.90 |

Notes: 1. Average number of outstanding shares during the term:

FY2006 Interim: 2,688,596,024shares

FY2005 Interim: 2,639,710,091shares

FY2005: 2,642,313,954shares

2. Changes in accounting methods: None

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

(2) Financial position

| | Total assets | Shareholders' equity | Equity ratio | Shareholders' equity per share |
|----------------------------|---------------------|----------------------|--------------|--------------------------------|
| | (Unit: million yen) | (Unit: million yen) | (%) | (Unit: yen) |
| Half-year ended Sept. 2006 | 1,364,388 | 637,220 | 46.7 | 238.54 |
| Half-year ended Sept. 2005 | 1,339,163 | 587,463 | 43.9 | 223.04 |
| Year ended Mar. 2006 | 1,396,728 | 642,953 | 46.0 | 238.78 |

Notes: 1. Number of outstanding shares as of (treasury stocks are not included):

FY2006 Interim (Sep 30, 2006): 2,671,347,138shares

FY2005 Interim (Sep 30, 2005): 2,633,869,485shares

FY2005 (Mar 31, 2006) : 2,692,345,949shares

2. Treasury stocks held as of:

FY2006 Interim (Sep 30, 2006): 138,824,157shares

FY2005 Interim (Sep 30, 2005): 176,301,810shares

FY2005 (Mar 31, 2006) : 117,825,346shares

2. Results forecast for the year ending in March 2007 (April 1, 2006- March 31, 2007)

| | Sales | Ordinary income | Net income |
|-----------|---------------------|---------------------|---------------------|
| | (Unit: million yen) | (Unit: million yen) | (Unit: million yen) |
| Full year | 1,178,000 | 117,000 | 80,000 |

Reference: 1. Forecast net earnings per share (full year): ¥29.95

2. Breakdown of sales (full year):
 - Gas: ¥987,000 million
 - Others ¥191,000 million
3. Forecast ordinary income (full year): ¥120,000 million

3. Dividends

| ·Cash dividend | Dividend per share | | |
|--------------------------------------|--------------------|-------------------|-------------------------|
| | Interim dividend | Year-end dividend | Total dividend (annual) |
| FY2005 ended March 2006 | 3.50 yen | 3.50 yen | 7.00yen |
| FY2006 ended March 2007 (Result) | 3.50 yen | - | 7.00yen |
| FY2006 ended March 2007 (Projection) | - | 3.50 yen | |

* Breakdown of interim dividend in September 2006 Commemorative dividend - yen - sen Extra dividend - yen - sen

* The above forecast was based on information available at the time of the release of this document. Due to various factors, the actual result may vary from the forecast data. Refer to supporting data , page 35 “2. FY2006 projections”.

1. Business performance

(1) Gas sales volume

Gas sales volume for the year under review was 6,115 million m³, rising 4.1% compared with the same period in the previous year. Residential demand increased 3.3% compared with the same period in the previous year because demand for hot water was strong as a result of low temperatures, in addition acquiring new customers.

On the other hand, in commercial and other business sector, demand for air conditioning decreased because of low temperature. As a result, commercial and other business demand was down 1.1% and down 2.2% respectively, compared with the same period in the previous year.

Industrial demand was up 5.3% compared with the same period in the previous year due to strong demand by new and existing customers.

In addition, supplies to other gas utilities rose 12.9% compared with the previous year due to increase in demand by customers of those utilities.

<Gas sales for FY2006 Interim>

| | | | FY2006 Interim (actual) | FY2005 Interim (actual) | Change | % change | |
|------------------|-------------------------------------|---------------------|----------------------------|----------------------------|--------|----------|------|
| No. of costumers | | Thousand | 9,830 | 9,698 | 132 | 1.4 | |
| Gas sales volume | Residential | | m ³ | 26.61 | 26.19 | 0.42 | 1.6 |
| | | | Mil. m ³ | 1,336 | 1,294 | 42 | 3.3 |
| | Business | Commercial | Mil. m ³ | 1,015 | 1,027 | -12 | -1.1 |
| | | Other | Mil. m ³ | 433 | 443 | -10 | -2.2 |
| | Industrial | | Mil. m ³ | 2,527 | 2,399 | 128 | 5.3 |
| | Sub total | | Mil. m ³ | 3,975 | 3,869 | 106 | 2.7 |
| | Wholesale supply to other utilities | | Mil. m ³ | 804 | 712 | 92 | 12.9 |
| Total | | Mil. m ³ | 6,115 | 5,875 | 240 | 4.1 | |
| Ave. temperature | | °C | 22.0 | 22.4 | -0.4 | - | |

- Notes: 1. The upper row of figures for residential demand indicates monthly gas sales per meter read (m³/household)
 2. "Other" for business demand indicates sales to public and medical use.

* Gas sales are shown in 45Megajoules (MJ) notation, Tokyo Gas changed the standard calorific value on 21st February 2006, from 46.047MJ/ m³ to 45MJ/ m³.

(2) Summary of income

Sales

Gas sales was ¥437.0 billion, an increase of ¥59.7 billion or 15.8% compared with the previous year due to rate increase by raw material cost adjustment system and other factors in addition to volume increase by 4.1%.

Total sales, which include construction orders, gas appliance sales, and sales from associated business, was ¥517.3 billion, an increase of ¥62.7 billion or 13.8% compared with the same period in the previous year. The main reasons for increase in sales other than gas are growth in sales volume of LNG.

Expenses

Due to the increase in gas sales volume and rise in crude oil price, raw material expenses rose by 28.2% compared with the same period in the previous year. Meanwhile, the company worked to reduce expenses, but operating expenses overall was by 32.7 billion or 9.2% to ¥387.2 billion compared to the same period in the previous year.

Total expenses, which also include other expenses for construction orders, gas appliance sales and associated businesses, increased by ¥37.1 billion or 8.7% compared with the same period in the previous year to ¥465.0 billion.

Income

As a result of the foregoing factors, operating income rose up to ¥25.6 billion or 96.0% compared with the same period in the previous year to ¥52.2 billion.

Ordinary income, which includes non-operating income, decreased by ¥22.5 billion or 83.0% compared with the same period in the previous year to ¥49.6 billion.

Extraordinary income of ¥3.7 billion was added up due to sales of investment securities. As a result, net income increased by ¥13.0 billion or 65.1% compared with the same period in the previous year to ¥32.9 billion.

<FY2006 interim Summary by segment>

(Unit: billion yen)

| Income | | | Change from FY2005 interim | Rate (%) | Expenses | | | Change from previous year | Rate (%) |
|----------------------|--------------------------|-------|-------------------------------|----------|------------------------|--------------------------------------|-------|------------------------------|----------|
| Product | Gas sales | 437.0 | 59.7 | 15.8 | Operating expenses | Cost of sales | 211.1 | 42.4 | 25.1 |
| | | | | | | Sales and administrative expenses | 176.0 | -9.8 | -5.2 |
| | | | | | | Sub total | 387.2 | 32.7 | 9.2 |
| Other sales | Construction orders | 19.6 | -1.4 | -6.3 | Other expenses | Construction orders | 19.8 | -1.1 | -5.2 |
| | Gas appliances, etc. | 48.0 | 0 | 0.0 | | Gas appliances | 45.9 | 1.4 | 3.1 |
| | Associated businesses | 12.5 | 4.4 | 52.7 | | Subsidiary businesses | 11.9 | 4.1 | 52.2 |
| | Sub total | 80.3 | 3.1 | 3.9 | | Sub total | 77.7 | 4.4 | 6.0 |
| Total sales | | 517.3 | 62.7 | 13.8 | Total expenses | | 465.0 | 37.1 | 8.7 |
| | | | | | Operating income | | 52.2 | 25.6 | 96.0 |
| Non-operating income | | 6.6 | -1.3 | -16.0 | Non-operating expenses | | 9.2 | 1.8 | 24.1 |
| | | | | | Ordinary income | | 49.6 | 22.5 | 83.0 |
| Extraordinary income | | 3.7 | 1.0 | 39.0 | Extraordinary loss | | 0 | 0 | - |
| | | | | | Net Income | | 32.9 | 13.0 | 65.1 |

(Rounded down to nearest ¥100 million)

Notes: [1] Cost of sales includes cost of raw materials of ¥199.4 billion (increase by ¥43.9 billion, or +28.2%, from FY2005 interim).

[2] Non-operating expenses include interest expenses of ¥3.8 billion (decrease by -¥0.5 billion, or -10.2%, from FY2005 interim).

| | FY2006 interim | FY2005 interim | Change | | FY2006 interim | FY2005 interim | Change |
|-----------------------------|----------------|----------------|--------|----------------------------------|----------------|----------------|--------|
| Crude-oil price (\$/bbl) | 67.81 | 53.09 | 14.72 | Exchange rate (Yen/US dollar) | 115.38 | 109.52 | 5.86 |

2. Outlook for FY2006 full year (non-consolidated)

(Unit: billion yen)

| | Sales | Operating income | Ordinary income | Current net income |
|-------------------------------|---------|------------------|-----------------|--------------------|
| FY2006 (forecast) | 1,178.0 | 120.0 | 117.0 | 80.0 |
| FY2005 (actual) | 1,078.1 | 90.9 | 85.0 | 55.2 |
| Change (increase/decrease) | 99.9 | 29.1 | 32.0 | 24.8 |
| Rate of change | 9.3% | 31.9% | 37.5% | 44.7% |

We estimate that gas sales volume in FY2006 will grow by 1.1% compared with FY2005 to 13.172 billion m³ due to our efforts to acquire new customers and to popularize and expand gas appliances. We forecast that gas sales in response to this will increase by ¥90.4 billion or 10.1% to ¥987.0 billion.

Meanwhile, in expenses, forecasting the price of crude oil to rise by \$13.14/bbl to \$ 68.95/bbl (US\$70/bbl in the second half of FY2006), and the exchange rate to see an depreciation in yen by ¥4.37 to ¥117.69 / US\$ (US\$ 120/US\$ in the second half of FY2006), we expect that raw material expenses will rise by ¥70.4 billion or 17.8% compared with FY2005 to ¥465.5 billion.

Moreover, the company will contain increase in expenses by working for greater efficiency in management including greater reductions in miscellaneous expenses than hitherto.

As a result, in our full year forecasts for FY2006 including construction orders, gas appliance sales and associated businesses, we expect total sales to rise by ¥99.9 billion or 9.3% compared with FY2005 to ¥1,178 billion and operating income to rise by ¥29.1 billion or 31.9% compared with FY2005 to ¥120.0 billion, ordinary income to rise by ¥32 billion or 37.5% to ¥117 billion. In addition, we expect full year net income to rise by ¥24.8 billion or 44.7% to ¥80 billion.

<Gas sales forecast for FY2006>

| | | | FY2006 (projection) | FY2005 (actual) | Change | Rate of change (%) | |
|----------------------|-----------------------------|---------------------|------------------------|--------------------|--------|-----------------------|------|
| No. of gas customers | | Thousand | 9,928 | 9,818 | 110 | 1.1 | |
| Gas sales volume | Residential | Mil. m ³ | 3,428 | 3,468 | -40 | -1.2 | |
| | Business | Commercial | Mil. m ³ | 2,009 | 2,036 | -27 | -1.3 |
| | | Other | Mil. m ³ | 880 | 927 | -47 | -5.1 |
| | | Industrial | Mil. m ³ | 5,112 | 4,965 | 147 | 3.0 |
| | Sub total | | Mil. m ³ | 8,001 | 7,928 | 73 | 0.9 |
| | Supplies to other utilities | | Mil. m ³ | 1,743 | 1,628 | 115 | 7.1 |
| Total | | Mil. m ³ | 13,172 | 13,024 | 148 | 1.1 | |
| Crude oil price | | \$/bbl | 68.95 | 55.81 | 13.14 | 23.5 | |
| Exchange rate | | ¥/\$ | 117.69 | 113.32 | 4.37 | 3.9 | |

<Non-consolidated Statements>

1. Balance Sheet

(Unit: million yen)

| Account | FY2006 Interim (Sept. 30, 2006) | FY2005 (Mar. 31, 2006) | Change | FY2005 Interim (Sept. 30, 2005) |
|---------------------------------------|------------------------------------|---------------------------|----------------|------------------------------------|
| (Assets) | | | | |
| Fixed assets | 1,136,770 | 1,161,187 | -24,417 | 1,139,933 |
| Tangible fixed assets | 794,239 | 811,322 | -17,083 | 815,902 |
| Production facilities | 211,374 | 216,309 | -4,935 | 223,230 |
| Distribution facilities | 485,734 | 499,633 | -13,899 | 490,816 |
| Business facilities | 65,777 | 56,075 | 9,702 | 56,526 |
| Associated business facilities | 4,715 | 4,984 | -269 | 4,335 |
| Suspended facilities | 929 | 984 | -55 | - |
| Construction in progress | 25,708 | 33,336 | -7,628 | 40,994 |
| Intangible fixed assets | 16,373 | 16,453 | -80 | 16,652 |
| Leaseholds | 1,188 | 1,187 | 1 | 1,166 |
| Software | 14,502 | 14,569 | -67 | 14,783 |
| Other intangible fixed assets | 681 | 696 | -15 | 702 |
| Investments, etc. | 326,157 | 333,411 | -7,254 | 307,378 |
| Investment securities | 89,317 | 101,021 | -11,704 | 84,948 |
| Investments in affiliates | 107,537 | 101,215 | 6,322 | 93,782 |
| Long-term loans receivable | 185 | 185 | - | 194 |
| Long-term loans to affiliates | 70,900 | 68,880 | 2,020 | 59,181 |
| Investments in partnership | 3 | 3 | - | 3 |
| Long-term prepaid expenses | 30,177 | 31,706 | -1,529 | 32,514 |
| Deferred tax assets | 25,631 | 27,505 | -1,874 | 33,842 |
| Miscellaneous investments | 2,983 | 3,500 | -517 | 3,465 |
| Allowances for doubtful accounts | -580 | -608 | 28 | -554 |
| Current assets | 227,618 | 235,540 | -7,922 | 199,230 |
| Cash and deposits | 11,510 | 31,688 | -20,178 | 12,190 |
| Trade notes receivable | 885 | 1,199 | -314 | 1,048 |
| Accounts receivable | 84,285 | 93,882 | -9,597 | 69,335 |
| Accounts receivable from affiliates | 12,072 | 12,242 | -170 | 8,753 |
| Uncollected accounts | 4,695 | 11,066 | -6,371 | 3,878 |
| Negotiable securities | 1 | 1 | - | 1 |
| Finished products | 74 | 89 | -15 | 71 |
| Raw materials | 37,571 | 21,777 | 15,794 | 21,031 |
| Supplies | 7,435 | 6,595 | 840 | 6,578 |
| Prepaid expenses | 8,734 | 214 | 8,520 | 8,432 |
| Short-term loans to affiliates | 14,509 | - | 14,509 | 16,313 |
| Short-term credits against affiliates | 2,087 | 15,855 | -13,768 | 1,978 |
| Deferred tax assets | 5,584 | 9,660 | -4,076 | 6,149 |
| Commissioned construction expense | - | - | - | 15,592 |
| Other current assets | 39,009 | 32,178 | 6,831 | 28,686 |
| Allowances for doubtful accounts | -839 | -911 | 72 | -812 |
| Total assets | 1,364,388 | 1,396,728 | -32,340 | 1,339,163 |

(Unit: million yen)

| Account | FY2006 Interim (Sept. 30, 2006) | FY2005 (Mar. 31, 2006) | Change | FY2005 Interim (Sept. 30,2005) |
|------------------------------------------------------------------------|-------------------------------------|---------------------------|-----------|-----------------------------------|
| (Liabilities) | | | | |
| Fixed liabilities | 478,240 | 514,148 | -35,908 | 562,327 |
| Straight bonds | 287,700 | 287,700 | - | 287,700 |
| Convertible bonds | 39,143 | 39,700 | -557 | 78,973 |
| Long-term bank loans payable | 37,522 | 56,749 | -19,227 | 59,603 |
| Long-term obligations to affiliates | 337 | 337 | - | 358 |
| Retirement benefit reserve | 100,516 | 119,024 | -18,508 | 125,041 |
| Allowances for repairs of gas holders | 3,012 | 3,069 | -57 | 3,298 |
| Reserve for safety measures | 2,355 | - | 2,355 | - |
| Other fixed liabilities | 7,654 | 7,568 | 86 | 7,353 |
| Current liabilities | 248,927 | 239,626 | 9,301 | 189,372 |
| Fixed liabilities due within one year | 30,869 | 27,029 | 3,840 | 7,633 |
| Accounts payable | 25,839 | 42,360 | -16,521 | 23,282 |
| Other accounts payable | 21,657 | 28,611 | -6,954 | 17,029 |
| Accrued expenses | 26,321 | 40,412 | -14,091 | 25,137 |
| Corporation tax payable, etc. | 16,318 | 29,353 | -13,035 | 11,797 |
| Advances received | 7,574 | 4,733 | 2,841 | 7,572 |
| Deposits received | 2,202 | 1,714 | 488 | 1,491 |
| CMS short-term borrowings from affiliates | 28,533 | 33,029 | -4,496 | 27,577 |
| Short-term obligations to affiliates | 11,347 | 19,024 | -7,677 | 10,707 |
| Commercial paper | 63,000 | - | 63,000 | 40,000 |
| Other current liabilities | 15,262 | 13,358 | 1,904 | 17,142 |
| Total liabilities | 727,167 | 753,775 | -26,608 | 751,699 |
| (Net assets) | | | | |
| Shareholders' Equity | 595,531 | - | -595,531 | - |
| Paid in Capital | 141,844 | - | -141,844 | - |
| Paid in Capital | 141,844 | - | -141,844 | - |
| Capital Surplus | 2,065 | - | -2,065 | - |
| Capital reserve | 2,065 | - | -2,065 | - |
| Retained earnings | 514,902 | - | -514,902 | - |
| Earned surplus reserve | 35,454 | - | -35,454 | - |
| Other retained earnings | 479,448 | - | -479,448 | - |
| Expropriation etc., compression reserve | 910 | - | -910 | - |
| Reserve against depreciation of construction of specified gas pipes | 1,022 | - | -1,022 | - |
| Returned earnings Raw material cost fluctuation adjustment reserve | 141,000 | - | -141,000 | - |
| General reserves | 249,000 | - | -249,000 | - |
| Deferred retained earnings | 87,515 | - | -87,515 | - |
| Treasury Stock | -63,281 | - | 63,281 | - |
| Treasury Stock | -63,281 | - | 63,281 | - |
| Value Adjustments of Securities | 41,689 | - | -41,689 | - |
| Unrealized gains on other securities | 40,287 | - | -40,287 | - |
| Unrealized gains on other securities | 40,287 | - | -40,287 | - |
| Deferred loss on hedging instruments | 1,401 | - | -1,401 | - |
| Deferred loss on hedging instruments | 1,401 | - | -1,401 | - |
| Total net assets | 637,220 | - | -637,220 | - |
| Total liabilities and net assets | 1,364,388 | - | 1,364,388 | - |
| (Shareholders' equity) | | | | |
| Common stock | - | 141,844 | -141,844 | 141,844 |
| Common stock | - | 141,844 | -141,844 | 141,844 |
| Capital surplus | - | 2,065 | -2,065 | 2,065 |
| Capital reserve | - | 2,065 | -2,065 | 2,065 |
| Retained earnings | - | 494,930 | -494,930 | 471,262 |
| Earned surplus reserve | - | 35,454 | -35,454 | 35,454 |

| | | | | |
|------------------------------------------------------------------------|---|-----------|------------|-----------|
| Expropriation etc., compression reserve | - | 954 | -954 | 965 |
| Reserve against depreciation of construction of specified gas pipes | - | 1,954 | -1,954 | 1,954 |
| Raw material cost fluctuation adjustment reserve | - | 141,000 | -141,000 | 141,000 |
| General reserves | - | 219,000 | -219,000 | 219,000 |
| Unappropriated Earned surplus of half/full year | - | 96,567 | -96,567 | 72,887 |
| Unrealized gains on shares, etc. available for sale | - | 48,952 | -48,952 | 39,337 |
| Unrealized gains on other securities | - | 48,952 | -48,952 | 39,337 |
| Treasury stock | - | -44,840 | 44,840 | -67,045 |
| Treasury stock | - | -44,840 | 44,840 | -67,045 |
| Total shareholders' equity | - | 642,953 | -642,953 | 587,463 |
| Total liabilities and shareholders' equity | - | 1,396,728 | -1,396,728 | 1,339,163 |

2. Statement of income

(Unit: million yen)

| Account | | FY2006 interim (Apr. - Sept. 2006) | FY2005 interim (Apr. - Sept. 2005) | Change | FY2005 (Apr. 2005 - Mar. 2006) | |
|--------------------------------------------------------|---------------------------------|------------------------------------------|---------------------------------------|------------|-----------------------------------|------------|
| Ordinary income or loss | Operating income or loss | Product sales | 437,007 | 377,316 | 59,691 | 896,613 |
| | | Gas sales | 437,007 | 377,316 | 59,691 | 896,613 |
| | | Cost of sales | 211,137 | 168,714 | 42,423 | 422,158 |
| | | (Gross income) | (225,870) | (208,602) | (17,268) | (474,455) |
| | | Supply and sales expenses | 140,392 | 147,149 | -6,757 | 309,710 |
| | | General and administrative expenses | 35,691 | 38,671 | -2,980 | 80,575 |
| | | (Income on core business) | (49,785) | (22,780) | (27,005) | (84,169) |
| | | Miscellaneous operating revenues | 67,791 | 69,101 | -1,310 | 162,086 |
| | | Revenues from construction work | 19,699 | 21,020 | -1,321 | 52,287 |
| | | Revenues from sales of appliances | 47,699 | 47,871 | -172 | 109,291 |
| | | Other miscellaneous operating revenues | 392 | 209 | 183 | 507 |
| | | Miscellaneous operating expenses | 65,855 | 65,542 | 313 | 155,786 |
| | | Cost of construction work | 19,888 | 20,973 | -1,085 | 50,025 |
| | | Cost of sales of appliances | 45,967 | 44,569 | 1,398 | 105,760 |
| | | Revenues from associated businesses | 12,513 | 8,192 | 4,321 | 19,408 |
| | | Revenues from LNG sales | 3,397 | 1,027 | 2,370 | 3,521 |
| | | Revenues from remote control services | - | 1,164 | -1,164 | 2,316 |
| | | Revenues from power sales | 2,711 | 1,877 | 834 | 4,202 |
| | | Revenue from other associated businesses | 6,403 | 4,122 | 2,281 | 9,367 |
| | | Expenses for associated businesses | 11,942 | 7,848 | 4,094 | 18,888 |
| Expenses for LNG sales | 3,188 | 1,016 | 2,172 | 3,441 | | |
| Expense for remote control services | - | 733 | -733 | 1,419 | | |
| Expense for power sales | 2,676 | 1,899 | 777 | 4,325 | | |
| Expenses for other associated businesses | 6,077 | 4,198 | 1,879 | 9,701 | | |
| (Operating income) | (52,291) | (26,683) | (25,608) | (90,990) | | |
| Ordinary income or loss | Non-operating income or loss | Non-operating income | 6,679 | 7,955 | -1,276 | 13,831 |
| | | Interest income | 613 | 508 | 105 | 1,076 |
| | | Divided income | 802 | 1,413 | -611 | 1,836 |
| | | Affiliates' dividends earned | 727 | - | 727 | - |
| | | Rental income | 2,233 | 1,976 | 257 | 3,969 |
| | | Balance on commodity derivative | - | 1,947 | -1,947 | 2,458 |
| | | Miscellaneous revenues | 2,302 | 2,109 | 193 | 4,490 |
| | | Non-operating expenses | 9,280 | 7,478 | 1,802 | 19,732 |
| | | Interest paid | 731 | 833 | -102 | 1,595 |
| | | Interest on bonds | 3,130 | 3,469 | -339 | 6,635 |
| | | Balance on commissioned construction | 1,214 | 1,492 | -278 | 3,122 |
| | | Loss on weather derivatives | 1,551 | - | 1,551 | 5,660 |
| | | Miscellaneous expenditures | 2,652 | 1,683 | 969 | 2,718 |
| (Ordinary income) | (49,690) | (27,160) | (22,530) | (85,089) | | |
| Extraordinary income or loss | Extraordinary income or loss | Extraordinary income | 3,774 | 2,715 | 1,059 | 5,671 |
| | | Gain on sales of fixed assets | 290 | 14 | 276 | 867 |
| | | Gain on sales of investment securities | 3,484 | 2,700 | 784 | 4,804 |
| | | Extraordinary losses | - | - | - | 5,887 |
| | | Losses on sales of fixed assets | - | - | - | 13 |
| | | Losses on compression of fixed assets | - | - | - | 298 |
| | | Loss on abandonment of a system project | - | - | - | 5,576 |
| (Net income before income tax) | (53,464) | (29,875) | (23,589) | (84,873) | | |
| Corporate taxes etc. | 10,430 | 6,670 | 3,760 | 28,970 | | |
| Adjustment for corporate tax, etc. | 10,073 | 3,236 | 6,837 | 603 | | |
| Half-year net income | 32,960 | 19,969 | 12,991 | 55,299 | | |
| Retained earnings brought forward | - | 54,231 | -54,231 | 54,231 | | |
| Disposition of expropriation, etc. compression reserve | - | 10 | -10 | 22 | | |
| Net loss on disposal of treasury stock | - | 1,324 | -1,324 | 3,768 | | |
| Mid-term dividend | - | - | - | 9,218 | | |
| Unappropriated profit | - | 72,887 | -72,887 | 96,567 | | |

Note: In page 1, the figures in the sales column for "Results for half-year ended September 2006: (1) Business results" are the total of product sales, miscellaneous operating revenues, and revenues from associated businesses.

3. Interim non-consolidated Statements of Changes in Net Assets

(Unit: million yen)

Current interim period (From April 1st, 2006 to September 30th, 2006)

| | Shareholders' Equity | | | | | | | | | | | Total Shareholders' Equity |
|---------------------------------------------------------------------------------|----------------------|-----------------|----------------------|------------------------|-----------------------------------------|---------------------------------------------------------------------|--------------------------------------------------------------------|------------------|----------------------------|----------------|-------------------------|----------------------------|
| | Paid-in capital | Capital Surplus | | Earned surplus reserve | Retained earnings | | | | | Treasury Stock | | |
| | | Capital reserve | Total earned surplus | | Other retained earnings | | | | | | | |
| | | | | | Expropriation etc., compression reserve | Reserve against depreciation of construction of specified gas pipes | Returned earnings Raw material cost fluctuation adjustment reserve | General reserves | Deferred retained earnings | | Total retained earnings | |
| Balance at March. 31, 2006 | 141,844 | 2,065 | 2,065 | 35,454 | 954 | 1,954 | 141,000 | 219,000 | 96,567 | 494,930 | -44,840 | 594,000 |
| Changes of items during the interim period | | | | | | | | | | | | |
| Reversal of Expropriation etc., compression reserve | | | | | -43 | | | | 43 | - | | - |
| Reversal of reserve against depreciation of construction of specified gas pipes | | | | | | -931 | | | 931 | - | | - |
| General reserves | | | | | | | | 30,000 | -30,000 | - | | - |
| Dividends from surplus | | | | | | | | | -9,423 | -9,423 | | -9,423 |
| Directors' and corporate auditors bonuses | | | | | | | | | -67 | -67 | | -67 |
| Net income | | | | | | | | | 32,960 | 32,960 | | 32,960 |
| Repurchase of treasury stock | | | | | | | | | | | -34,109 | -34,109 |
| Disposal of treasury stock | | | | | | | | | -3,497 | -3,497 | 15,668 | 12,170 |
| Net changes of items other than owners' equity | | | | | | | | | | | | |
| Total changes of items during the interim period | | | | | -43 | -931 | | 30,000 | -9,051 | 19,972 | -18,441 | 1,531 |
| Balance at Sept.30, 2006 | 141,844 | 2,065 | 2,065 | 35,454 | 910 | 1,022 | 141,000 | 249,000 | 87,515 | 514,902 | -63,281 | 595,531 |

| | Valuation and translation of Adjustments | | | Total net asset |
|---------------------------------------------------------------------------------|------------------------------------------|--------------------------------------|---------------------------------------|-----------------|
| | Value Adjustments of Securities | Deferred loss on hedging instruments | Total value Adjustments of Securities | |
| Balance at March.31, 2006 | 48,952 | - | 48,952 | 642,953 |
| Changes of items during the interim period | | | | |
| Reversal of Expropriation etc., compression reserve | | | | - |
| Reversal of reserve against depreciation of construction of specified gas pipes | | | | - |
| General reserves | | | | - |
| Dividends from surplus | | | | -9,423 |
| Directors' and corporate auditors bonuses | | | | -67 |
| Net income | | | | 32,960 |
| Repurchase of treasury stock | | | | -34,109 |
| Disposal of treasury stock | | | | 12,170 |
| Net changes of items other than owners' equity | -8,665 | 1,401 | -7,263 | -7,263 |
| Total changes of items during the interim period | -8,665 | 1,401 | -7,263 | -5,732 |
| Balance at September.30, 2006 | 141,844 | 1,401 | 41,689 | 637,220 |

1. Criteria and methods of valuation of assets

(1) Securities

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

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

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

Other securities (whose current value can be estimated):

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

Other securities (whose current value cannot be estimated):

Valued on a cost basis using the moving average method

(2) Derivatives

Valued by the market value method

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

Valued on a cost basis using the moving average method

2. Method of depreciation of fixed assets

(1) Tangible fixed assets

Tangible fixed assets are depreciated by the declining balance method. The calculation of durable periods and salvage value is based on the same standards as in the procedure stipulated in the Corporate Tax Law. However, the straight line method is applied for certain buildings (excluding ancillary equipment).

(2) Intangible fixed assets

Intangible fixed assets are depreciated by the straight line method. Software used by the Company is depreciated using the straight line method based on the usable life of the software in the company.

3. Standards for declaration of reserves

(1) Allowances for doubtful accounts

In order to provide for losses due to credit losses such as accounts receivable and loans, the reserve for bad debts calculates the forecast irrecoverable amount based on the credit loss rate for general claims and taking into account the possibility of recovery for specific claims, including claims against bankrupt debtors.

2) Retirement benefit reserve

In order to provide for employees' retirement benefits, the retirement benefit reserve is calculated on the basis of retirement benefit liabilities and forecast pension assets at the end of the year under review. Unrecognized actuarial differences are written off in the following fiscal year at one time.

(3) Allowances for repairs of gas holders

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

(4) Reserve for safety measures

In order to provide the payment for safety in the place where natural gas is used, we estimated the amount of cost for inspection.

4. Treatment of leases

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

5. Significant method of hedge accounting

(1) Method of hedge accounting

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

(2) Hedge means and subjects

a. Hedge means: currency swap transactions

Hedge subjects: corporate bonds denominated in foreign currency

b. Hedge means: interest-rate swap transactions

Hedge subjects: corporate bonds

c. Hedge means: commodity swap transactions

Hedge subjects: fees for purchase of feedstock

d. Hedging method: exchange contract transactions

Object of hedging: foreign currency denominated purchases of affiliated company shares, raw material purchases

(3) Hedge policy

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

(4) Method of assessing hedge efficacy

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

6. Treatment of consumption tax, etc.

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

<Notes>

1. Collateral assets
Investments, etc.: ¥2,703 million (FY2005:¥40 million)
2. Cumulative depreciation of tangible fixed assets totaled ¥2,259,209 million (FY2005: ¥2,235,974 million).
3. Contingent liabilities
Liabilities for guarantee: ¥16,099 million (FY2005: ¥16,816 million)
(Of which Tokyo Gas: ¥16,018 million (FY2005: ¥16,695 million)
Joint and several liabilities: ¥14,035 million (FY2005: ¥14,072 million)
(Bonds, etc approved by Energy Advance Co., Ltd., due to company split)
Contingent liabilities relating to bond obligation performance underwriting contracts: ¥38,700 million (FY2005: ¥38,700 million)