# FY2001 ending March 2002
# Interim Consolidated Results Bulletin
# (Half-year Ended September 30, 2001)

November 20, 2001

## Tokyo Gas Co., Ltd.


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**Shares listed on:**
Tokyo Stock Exchange, Osaka Securities Exchange,
Nagoya Stock Exchange
Location of head office : Tokyo

Meeting of board of directors to approve half-year accounts: November 20, 2001
Application of U.S. accounting standards (yes/no): No

### 1. Interim consolidated results (April 1, 2001 - September 30, 2001)

(1) Consolidated business results (Rounded down to the nearest million yen)

| | Sales | | Operating profits | | Ordinary profits | |
|---|---|---|---|---|---|---|
| | (Unit: ¥1 million) | (%) | (Unit: ¥1 million) | (%) | (Unit: ¥1 million) | (%) |
| Half-year ended Sept. 2001 | 480,755 | 4.2 | 26,767 | -8.4 | 11,092 | -34.5 |
| Half-year ended Sept. 2000 | 461,165 | - | 29,211 | - | 16,938 | - |
| Year ended Mar. 2001 | 1,086,770 | | 103,659 | | 66,875 | |

| | Net profit | | Net earnings per share | Net earnings per share adjusted for latent shares |
|---|---|---|---|---|
| | (Unit: ¥1 million) | (%) | (Unit: ¥1) | (Unit: ¥1) |
| Half-year ended Sept. 2001 | 8,744 | 145.8 | 3.11 | 2.94 |
| Half-year ended Sept. 2000 | 3,557 | - | 1.27 | 1.26 |
| Year ended Mar. 2001 | 27,595 | | 9.82 | 9.13 |

Notes:
1. Profit or loss on investment accounted for by equity method: Half-year ended September 2001: ¥262 million
   Half-year ended September 2000: ¥176 million Year ended March 2001: ¥348 million
2. Average number of outstanding shares (consolidated basis) during the term:
   Half-year ended September 2001: 2,809,985,284 shares Half-year ended September 2000: 2,809,995,493 shares
   Year ended March 2001: 2,809,994,019 shares
3. Changes in accounting methods: Yes
4. Percentage figures on sales, operating profits, ordinary profits and net profits indicate the percentage change on the interim results for the previous year.

(2) Consolidated financial position

| | Total assets | Shareholders' equity | Ratio to shareholders' equity | Shareholders' equity per share |
|---|---|---|---|---|
| | (Unit: ¥1 million) | (Unit: ¥1 million) | (%) | (Unit: ¥1) |
| Half-year ended Sept. 2001 | 1,691,070 | 534,826 | 31.6 | 190.33 |
| Half-year ended Sept. 2000 | 1,794,293 | 544,568 | 30.4 | 193.80 |
| Year ended Mar. 2001 | 1,797,669 | 552,790 | 30.8 | 196.72 |

Note: Number of outstanding shares (consolidated basis) as of: Half-year ended September 2001: 2,810,001,916 shares
Half-year ended September 2000: 2,809,996,643 shares Year ended March 2001: 2,810,003,266 shares

(3) Consolidated cash flow

| | Cash flow from operating activities | Cash flow from investment activities | Cash flow from financing activities | Balance of cash and cash equivalents at year end |
|---|---|---|---|---|
| | (Unit: ¥1 million) | (Unit: ¥1 million) | (Unit: ¥1 million) | (Unit: ¥1 million) |
| Half-year ended Sept. 2001 | 47,748 | -52,107 | -34,548 | 25,665 |
| Half-year ended Sept. 2000 | 53,787 | -57,594 | -42,966 | 50,554 |
| Year ended Mar. 2001 | 187,512 | -115,846 | -104,426 | 64,575 |

(4) Scope of subsidiaries and affiliates and application of equity method
Consolidated subsidiaries: 14
Non-consolidated subsidiaries accounted for by equity method: non
Affiliates accounted for by equity method: 1

(5) Changes in scope of consolidated subsidiaries and affiliates and application of equity method
Consolidated subsidiaries
- Newly added: —
- Excluded: —

By equity method
- Newly added: —
- Excluded: —

## 2. Results forecast for the year ending March 2002 (April 1, 2001 - March 31, 2002)

| | Sales | Ordinary profits | Current net profits |
|---|---|---|---|
| Annual results | (Unit: ¥1 million)<br>1,094,000 | (Unit: ¥1 million)<br>66,000 | (Unit: ¥1 million)<br>43,000 |

Reference: Forecast annual net earnings per share: ¥15.30

## 1. The Tokyo Gas Group

The main fields of business of the Tokyo Gas Group (consisting of the 14 consolidated subsidiaries and one affiliate accounted for by the equity method) and the group members' positions in relation to these fields are described below by segment.

**Gas**
Tokyo Gas Co., Ltd. (the company submitting the attached consolidated financial statements) manufactures, supplies and sells gas, and also engages in the wholesale supply of gas and sale of LNG to city gas suppliers such as Chiba Gas Co., Ltd.* and Tsukuba Gakuen Gas Co., Ltd.*
Gas Malaysia Sdn. Bhd. (an affiliate accounted for by the equity method) supplies and sells gas in Malaysia.

**Gas appliances**
Tokyo Gas Co., Ltd. sells gas appliances through companies such as Kanpai Co., Ltd.*, Enestar Co., Ltd. and Enefit Co., Ltd. Gasstar Co., Ltd.* and others sell gas appliances on a wholesale basis to Tokyo Gas Co., Ltd.

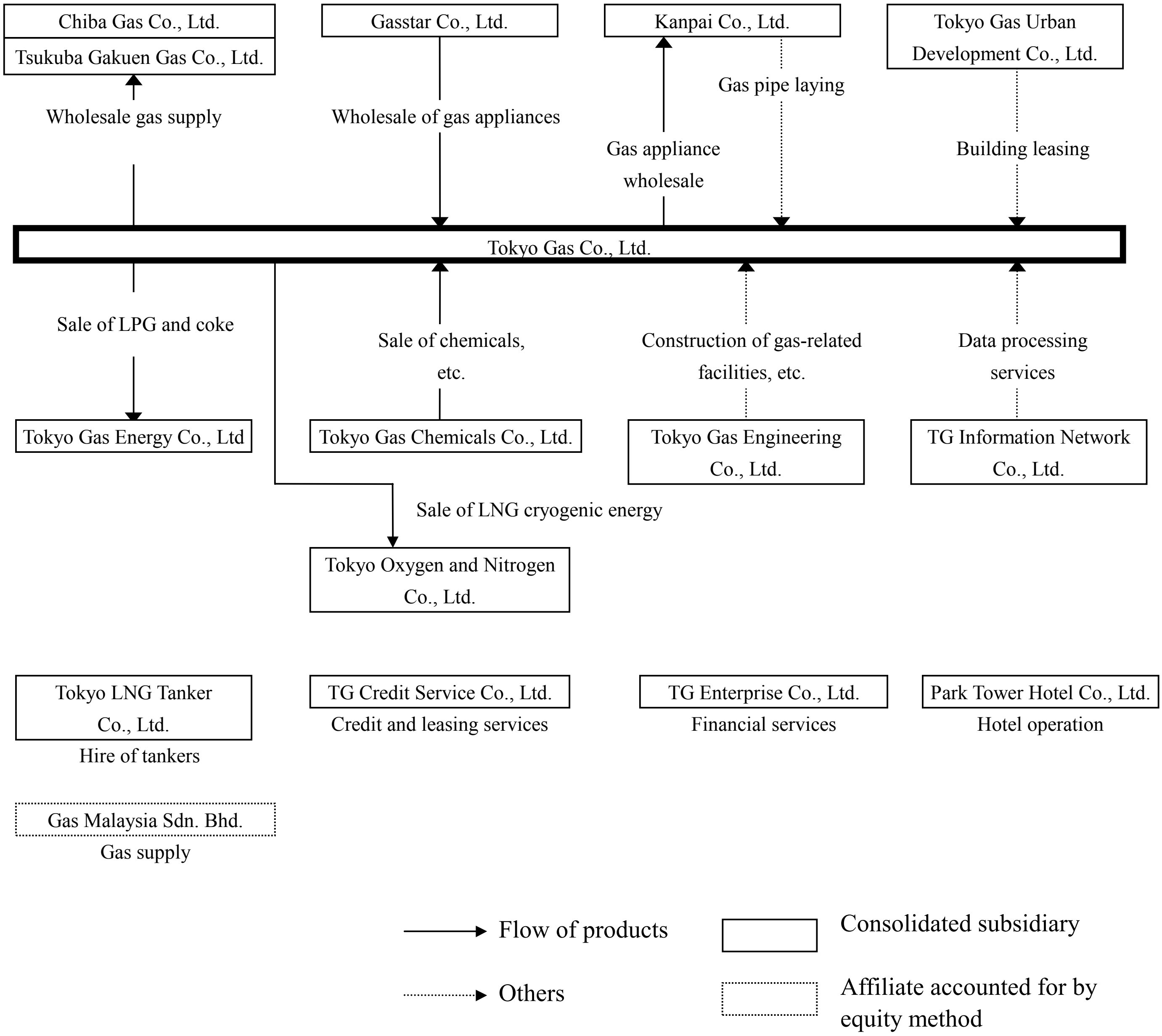
**Contracted construction work**
Gas-related construction work is performed by Tokyo Gas Co., Ltd. Kanpai Co., Ltd.* performs gas pipe laying work contracted by Tokyo Gas Co., Ltd.

**Building leasing**
Tokyo Gas Urban Development Co., Ltd.* leases buildings to Tokyo Gas Co., Ltd. and others.

**Other business**
As a subsidiary business, Tokyo Gas Co., Ltd. supplies hot and cold water and steam locally, and also sells LPG and coke through Tokyo Gas Energy Co., Ltd.*
Using LNG cryogenic energy purchased from Tokyo Gas Co., Ltd., Tokyo Oxygen and Nitrogen Co., Ltd.* manufactures and sells products such as liquefied nitrogen.
Tokyo Gas Chemicals Co., Ltd.* sells chemicals, etc. to Tokyo Gas Co., Ltd.
Tokyo Gas Engineering Co. Ltd.* builds gas-related facilities, etc. as contracted by Tokyo Gas Co., Ltd.
TG Information Network Co., Ltd.* provides computerized data processing services, etc. to Tokyo Gas Co., Ltd.
Tokyo LNG Tanker Co., Ltd.* hires out LNG tankers and LPG tankers.
TG Credit Service Co., Ltd.* provides various lease and credit services for financing of gas appliances sold by companies such as Enestar and Enefit.
TG Enterprise Co., Ltd.* provides financial services for affiliates.
Park Tower Hotel Co., Ltd.* is a hotel operator.

*Consolidated subsidiary

**Diagram of group business relations**



## 2. Business Policy

(1) Business policy

As deregulation trends proceed, the age of megacompetition has arrived in the energy market along with the participation by electric and gas utilities in each other's fields and entry by newcomers. In January 2001, an ad-hoc group was established for the study of basic issues in the conditioning of the gas market in Japan. It is the group's mission to pursue discussions aimed at portraying the kind of regulatory framework that will be required about ten years in the future if Japan's gas industry is to be up to international standards and competitive, and at identifying the steps required to facilitate this framework.

Tokyo Gas views these changes in the business environment as an opportunity for a widening and deepening of its business domain. To take full advantage of them and achieve steady advancement on the group-wide level, it prepared a medium-term management plan (FY2000 - 2004) in November 1999. The plan depicts the desired format of the Tokyo Gas Group as a "new public entity" simultaneously satisfying the two prerequisites of contributing to customers and communities as a public service enterprise and increasing its corporate value as a joint-stock firm.

To attain this group-level objective, the company has placed the development of business on the periphery of natural gas at the core of its group management, and posted the expansion of earnings (both its own and those of the other group members) as a fundamental agenda item alongside the fullest use of human resources. To these ends, it reorganized the member companies into ten business fields, including energy sales, application of cryogenic energy, and chemicals. In each field, it is carrying out an extensive revision of arrangements and designating a key company to play a leading role in it. At present, it is therefore deploying policy for increased income and profit on a consolidated basis as well as growth driven by its own gas business.

We will be stepping up our efforts to set up new fields of business and consolidate or close down companies by, for example, withdrawing from unprofitable operations, in accordance with a cool and objective ranking of growth potential with the objective of listing these new companies on the stock exchange.

(2) Basic policy on allocation of earnings

Tokyo Gas is working to increase its free cash flow through rigorous programs for higher management efficiency and aggressive development of demand. Besides being directed to the benefit of our customers and shareholders, the earnings represented by this increased free cash flow will be reinvested into new business domains and applied to make the company's financial disposition even more resilient.

(3) Consolidated management targets

| | | | |
|---|---|---|---|
| Free cash flow | (¥ 100 million) | <FY 2000-2004 5-year ave.> | 615 |
| Return on total assets (ROA) | (%) | <FY 2000-2004 5-year ave.> | 1.7 |
| Ratio of consolidated profit to parent company's profit | | <FY 2000-2004 5-year ave.> | 1.13 |

## 3. Business performance

During the term (i.e., the first half of FY 2001), the Japanese economy showed no signs of recovery as personal consumption remained sluggish and capital investment in plants and equipment fell. As such, circumstances surrounding corporate enterprises continued to be very harsh.

In this economic situation, Tokyo Gas made a tremendous effort to boost sales, mainly through the increased diffusion of city gas. As a result, its gas sales were able to maintain a trend of firm growth. In spite of the influence of rate reductions and other such factors, gas sales showed an increase, partly due to the revision of unit charges in accordance with provisions for adjustment for feedstock costs.

Although feedstock costs increased due to the jump in crude oil prices under the influence of the weak yen and other developments, Tokyo Gas promoted further rationalization and continued to do its utmost to curtail overhead, personnel expenses, and other costs.

As a result, the company posted consolidated sales of ¥480.7 billion, up 4.2% (from the same term in FY 2000). Operating profit at ¥26.7 billion, was down 8.4%, however, and ordinary profit at ¥11.0 billion, was down 34.5%. Whereas it posted a sum of ¥10.8 billion in extraordinary losses associated with unfunded obligations arising from the amendment of accounting standards for retirement benefits in the first half of FY 2000, the company posted a sum of ¥3.3 billion in extraordinary profits associated with gain on sales of investment securities in the current term. This brought its interim net profit to ¥8.7 billion, up 145.8%.

(1) Situations in each division during the term

1) Gas

During the term in question, gas sales amounted to 4.11 billion $m^3$, up 4.1% (from the first half of FY 2000). Of this total, residential demand accounted for 1.173 billion $m^3$, down 1.8%, owing to the effects of high temperatures in April and around the end of the rainy season.

Commercial and other forms of business demand reached 1.2 billion million $m^3$, up 3.2%, due to factors such as an increase in the number of new air conditioning installations placed into operation.

Industrial demand reached 1.369 billion $m^3$, up 11.9%, due to the acquisition of new customers including Tokyo Electric Power Co.'s thermal power plant in Shinagawa.

In spite of the influence of rate reductions, gas sales managed to increase to ¥324.1 billion, up ¥10.3 billion (3.3%), thanks to increased sales and a rate revision under the system for making adjustments for changes in feedstock costs.

Operating expenses went up by ¥12.3 billion (4.6%) due to increases in feedstock costs and other items. As a result, operating profit fell by ¥2.0 billion (4.3%) to ¥45.1 billion.

2) Gas appliances

Products such as TES and underfloor heating systems drove an increase in gas appliance sales to ¥67.0 billion, up ¥7.2 billion (12.1%).

Meanwhile, operating expenses also increased by ¥7.2 billion (13.0%), and the operating profit consequently tallied ¥4.0 billion, on a par with that in the first half of FY 2000.

3) Contracted construction work

Sales from contracted construction work came to ¥30.5 billion, up ¥0.5 billion (1.8%) (from the first half of FY 2000), thanks largely to an increase in the number of new projects. Operating expenses stayed on roughly the same level, and operating profit therefore jumped by ¥0.4 billion (126.8%) to ¥0.7 billion.

4) Building leasing

Sales from building leasing reached ¥18.8 billion, up ¥0.2 billion (1.4%) (from the first half of FY 2000). Operating expenses increased by ¥0.9 billion (6.3%) as a result of a modification in the method of depreciation for the Shinjuku Park Tower building. Operating profit therefore declined by ¥0.6 billion (-

17.4%) to ¥3.1 billion.

5) Other business
In other business, sales totaled ¥71.6 billion, a decrease of ¥0.5 billion (-0.8%) (from the first half of FY 2000). However, operating expenses also decreased by ¥0.9 billion (-1.3%), and this enabled operating profit to rise by ¥0.3 billion (7.1%) to ¥5 billion.

<Summary by segment>

(Unit: ¥ 100 million)

| | | Gas | Gas appliances | Contracted construction work | Building leasing | Others |
|---|---|---|---|---|---|---|
| Sales | Half-year of FY2001 (% of total) | 3,241 (63.3%) | 670 (13.1%) | 305 (6.0%) | 188 (3.7%) | 716 (13.9%) |
| | Half-year of FY2000 (% of total) | 3,138 (63.5%) | 598 (12.1%) | 299 (6.1%) | 186 (3.8%) | 722 (14.5%) |
| | Amount of change Rate of change | 103 3.3% | 72 12.1% | 5 1.8% | 2 1.4% | -5 -0.8% |
| Operating expenses | Half-year of FY2001 (% of total) | 2,790 (61.5%) | 629 (13.9%) | 297 (6.6%) | 156 (3.5%) | 665 (14.5%) |
| | Half-year of FY2000 (% of total) | 2,666 (61.4%) | 557 (12.8%) | 296 (6.8%) | 147 (3.4%) | 674 (15.6%) |
| | Amount of change Rate of change | 123 4.6% | 72 13.0% | 1 0.4% | 9 6.3% | -9 -1.3% |
| Operating profit | Half-year of FY2001 (% of total) | 451 (77.6%) | 40 (7.0%) | 7 (1.2%) | 31 (5.5%) | 50 (8.7%) |
| | Half-year of FY2000 (% of total) | 471 (78.4%) | 40 (6.8%) | 3 (0.5%) | 38 (6.4%) | 47 (7.9%) |
| | Amount of change Rate of change | -20 -4.3% | 0 -0.8% | 4 126.8% | -6 -17.4% | 3 7.1% |

Note: Figures for sales include internal interdepartmental transactions. Figures for operating expenses do not include unapportionable expenses.

(2) Cash flow for the half-year ended September 2001
Changes in cash and cash equivalents and balances were as follows:

| | |
|---|---|
| Cash flow from business activities | ¥47.7 billion |
| Cash flow from investment activities | -¥52.1 billion |
| Cash flow from financing activities | -¥34.5 billion |
| Change in cash and cash equivalents during period | -¥38.9 billion |
| Balance of cash and cash equivalents at start of period | ¥64.5 billion |
| Balance of cash and cash equivalents at end of period | ¥25.6 billion |

(3) Ratio of consolidated profits to parent company’s profit
The ratio of consolidated profits to parent company's profits for the half-year ended September 2001 was as follows:

| | Sales | Operating profits | Ordinary profits | Half-year net profit |
|---|---|---|---|---|
| Half-year ended September 2001 | 1.13 | 1.39 | 1.34 | 1.12 |
| Half-year ended September 2000 | 1.13 | 1.30 | 1.16 | 0.78 |

**Outlook for FY 2001**

(¥100 million)

| | Sales | Operating profits | Ordinary profits | Current net profit |
|---|---|---|---|---|
| FY2001 (estimate) | 10,940 | 960 | 660 | 430 |
| FY2000 (actual) | 10,867 | 1,036 | 668 | 275 |
| Change | 73 | -76 | -8 | 155 |
| Rate of change | 0.7% | -7.4% | -1.3% | 55.8% |

In FY 2001 (ending on March 31, 2002), efforts to win new customers and stimulate the diffusion of gas appliances are expected to push gas sales volume to 9.271 billion $m^3$, up 4.4% from FY 2000. Sales are anticipated to reach ¥751.0 billion, up ¥10.3 billion or 1.4%, from the previous year.

Other sales are forecast to decrease by 0.9% to ¥343.0 billion. As a result, consolidated sales are projected to reach ¥1,094.0 billion, up 0.7% from FY 2000.

Because of factors such as the increase in feedstock costs, the projection envisions a decline in operating profit by 7.4% to ¥96.0 billion and in ordinary profit by 1.3% to ¥66.0 billion. On-term net profit is forecast at ¥43.0 billion, up 55.8%, due to the extraordinary losses of ¥21.7 billion posted in FY 2000 (due to unfunded retirement benefit obligations arising from the amendment of accounting standards for retirement benefits) and extraordinary profits of 3.3 billion yen posted in current term for gains on sales of investment securities.

The ratio of consolidated profit to parent company's profit are shown below.

| | Sales | Operating profits | Ordinary profits | Current net profit |
|---|---|---|---|---|
| FY2001 | 1.13 | 1.22 | 1.14 | 1.10 |

<**Consolidated Statements**>

## 1. Interim consolidated balance sheet

(Unit: ¥1 million)

| Account | Half-year (ended Sept. 30, 2001) | Previous year (ended Mar. 31, 2001) | Change | Half-year (ended Sept. 30, 2000) |
|---|---|---|---|---|
| (Assets) | | | | |
| Fixed assets | 1,469,609 | 1,517,353 | -47,744 | 1,539,120 |
| Tangible fixed assets | 1,263,557 | 1,292,178 | -28,621 | 1,311,830 |
| Production facilities | 274,022 | 285,889 | -11,867 | 274,376 |
| Distribution facilities | 522,524 | 505,477 | 17,047 | 495,035 |
| Business facilities | 78,323 | 80,601 | -2,278 | 83,615 |
| Other facilities | 313,521 | 324,084 | -10,563 | 332,521 |
| Idle facilities | 5 | 5 | — | 5 |
| Construction in progress | 75,160 | 96,121 | -20,961 | 126,275 |
| Intangible fixed assets | 19,450 | 19,251 | 199 | 18,137 |
| Other intangible fixed assets | 19,450 | 19,251 | 199 | 18,137 |
| Investments, etc. | 186,601 | 205,923 | -19,322 | 209,152 |
| Investment securities | 99,205 | 125,641 | -26,436 | 136,425 |
| Long-term loans receivable | 5,253 | 4,945 | 308 | 5,081 |
| Deferred tax assets | 28,065 | 19,359 | 8,706 | 10,791 |
| Miscellaneous investments | 55,410 | 57,122 | -1,712 | 58,263 |
| Allowances for doubtful accounts | -1,333 | -1,144 | -189 | -1,408 |
| Current assets | 221,461 | 280,315 | -58,854 | 255,172 |
| Cash and deposits | 17,444 | 21,509 | -4,065 | 14,735 |
| Notes and accounts receivable | 104,398 | 127,036 | -22,638 | 106,374 |
| Inventories | 27,031 | 27,419 | -388 | 25,038 |
| Deferred tax assets | 6,405 | 8,260 | -1,855 | 5,615 |
| Other current assets | 67,030 | 97,188 | -30,158 | 104,401 |
| Allowances for doubtful accounts | -848 | -1,098 | 250 | -993 |
| Total assets | 1,691,070 | 1,797,669 | -106,599 | 1,794,293 |

(Unit: ¥1 million)

| Account | Half-year (ended Sept. 30, 2001) | Previous year (ended Mar. 31, 2001) | Change | Half-year (ended Sept. 30, 2000) |
|---|---|---|---|---|
| (Liabilities) | | | | |
| Fixed liabilities | 853,331 | 874,231 | -20,900 | 1,025,754 |
| Straight bonds | 238,843 | 248,843 | -10,000 | 280,643 |
| Convertible bonds | 245,028 | 245,445 | -417 | 352,313 |
| Long-term bank loans payable | 209,664 | 214,040 | -4,376 | 226,829 |
| Deferred tax liabilities | 2,002 | 2,662 | -660 | 3,007 |
| Estimated retirement benefits | 128,811 | 134,215 | -5,404 | 130,700 |
| Allowances for repairs of gas holders | 3,352 | 3,324 | 28 | 3,211 |
| Other fixed liabilities | 25,629 | 25,700 | -71 | 29,049 |
| Current liabilities | 299,091 | 366,990 | -67,899 | 220,427 |
| Fixed liabilities due within one year | 119,340 | 122,032 | -2,692 | 19,485 |
| Notes and accounts payable | 28,250 | 43,285 | -15,035 | 32,079 |
| Short-term bank loans payable | 37,091 | 39,921 | -2,830 | 42,394 |
| Corporation tax payable, etc. | 7,575 | 27,721 | -20,146 | 8,132 |
| Deferred tax liabilities | 23 | 5 | 18 | 32 |
| Other current liabilities | 106,810 | 134,023 | -27,213 | 118,303 |
| Total liabilities | 1,152,422 | 1,241,222 | -88,800 | 1,246,182 |
| Minority interest | 3,821 | 3,656 | 165 | 3,542 |
| (Shareholders' equity) | | | | |
| Common stock | 141,818 | 141,817 | 1 | 141,817 |
| Capital reserve | 2,039 | 2,038 | 1 | 2,038 |
| Consolidated retained earnings | 352,578 | 353,793 | -1,215 | 336,781 |
| Mark-up from revaluation of securities | 38,332 | 55,139 | -16,807 | 63,961 |
| Translation adjustment account | 64 | 3 | 61 | -26 |
| | 534,833 | 552,793 | -17,960 | 544,572 |
| Treasury stock | -6 | -2 | -4 | -4 |
| Total shareholders' equity | 534,826 | 552,790 | -17,964 | 544,568 |
| Total liabilities, minority interest and shareholders' equity | 1,691,070 | 1,797,669 | -106,599 | 1,794,293 |

## 2. Interim consolidated statement of income

(Unit: ¥1 million)

| Account | Half-year (Apr. - Sept. 2001) | Half-year (Apr. - Sept. 2000) | Change | Previous year (Apr. 2000 - Mar. 2001) |
|---|---|---|---|---|
| Sales | 480,755 | 461,165 | 19,590 | 1,086,770 |
| Cost of sales | 250,305 | 228,243 | 22,062 | 561,006 |
| (Gross profit) | (230,450) | (232,921) | (-2,471) | (525,764) |
| Supply and sales expenses | 169,962 | 167,364 | 2,598 | 348,624 |
| General and administrative expenses | 33,720 | 36,344 | -2,624 | 73,480 |
| (Operating profit) | (26,767) | (29,211) | (-2,444) | (103,659) |
| Non-operating income | 4,156 | 3,857 | 299 | 8,372 |
| Interest income | 81 | 107 | -26 | 205 |
| Dividend income | 741 | 753 | -12 | 1,190 |
| Return on investment accounted for by equity method | 262 | 176 | 86 | 348 |
| Amount equivalent to amortization for construction cost burdens | — | — | — | 1,026 |
| Income from rents | 490 | 432 | 58 | 881 |
| Revenue from special-purpose facility fees | 528 | — | 528 | — |
| Miscellaneous revenues | 2,052 | 2,387 | -335 | 4,721 |
| Non-operating expenses | 19,830 | 16,130 | 3,700 | 45,156 |
| Interest paid | 9,582 | 11,308 | -1,726 | 22,866 |
| Balance on commissioned construction | 3,029 | 2,491 | 538 | 6,271 |
| Loss from debenture redemption | 4,361 | — | 4,361 | — |
| Environmental conditioning costs | — | — | — | 5,568 |
| Miscellaneous expenditures | 2,857 | 2,330 | 527 | 10,449 |
| (Ordinary profit) | (11,092) | (16,938) | -5,846 | (66,875) |
| Extraordinary profits | 3,397 | — | 3,397 | 163 |
| Gain on sales of fixed assets | — | — | — | 163 |
| Gain on sales of investment securities | 3,397 | — | 3,397 | — |
| Extraordinary losses | — | 10,888 | -10,888 | 21,953 |
| Loss from sale of fixed assets | — | — | — | 46 |
| Losses on compression of fixed assets | — | — | — | 129 |
| Unfunded obligations arising from amendment of retirement benefit accounting standards | — | 10,888 | -10,888 | 21,776 |
| Net profit before adjustment for tax, etc. | 14,490 | 6,050 | 8,440 | 45,084 |
| Corporation tax, residence tax and business tax | 2,980 | 3,528 | -548 | 25,436 |
| Adjustment for corporate taxes, etc. | 2,557 | -994 | 3,551 | -8,026 |
| Minority shareholder profit (loss) | 207 | -41 | 248 | 80 |
| Net profit | 8,744 | 3,557 | 5,187 | 27,595 |

## 3. Interim statement of consolidated retained earnings

(Unit: ¥1 million)

| Account | Half-year (Apr. - Sept. 2001) | | Previous year (Apr. 2000 - Mar. 2001) | | Half-year (Apr. -Sept. 2000) | |
|---|---|---|---|---|---|---|
| Initial balance of consolidated retained earnings | | 353,793 | | 340,386 | | 340,386 |
| Increase in consolidated retained earnings | | — | | — | | — |
| Decrease in consolidated retained earnings | | | | | | |
| Dividends | 9,835 | | 14,050 | | 7,025 | |
| Directors' bonuses | 125 | 9,960 | 137 | 14,187 | 137 | 7,162 |
| Net profit | | 8,744 | | 27,595 | | 3,557 |
| End of year/half-year balance of consolidated retained earnings | | 352,578 | | 353,793 | | 336,781 |

## 4. Interim consolidated statement of cash flows

(Unit: ¥1 million)

| Account | Half-year (Apr. - Sept. 2001) | Half-year (Apr. - Sept. 2000) | Previous year (Apr. 2000 - Mar. 2001) |
|---|---|---|---|
| I. Cash flow from operating activities | | | |
| Net profit before adjustment for tax, etc. | 14,490 | 6,050 | 45,084 |
| Depreciation | 67,889 | 65,302 | 146,419 |
| Amortization of long-term prepaid expenses | 1,931 | 1,979 | 3,955 |
| Loss on retirement of tangible fixed assets | 1,958 | 943 | 3,348 |
| Profit/loss on sale of investment securities | -3,397 | — | — |
| Loss from debenture redemption | 4,361 | — | 3,368 |
| Change in allowances for doubtful accounts | — | — | -643 |
| Change in provision for retirement benefits | -5,404 | 2,947 | 6,462 |
| Interest and dividends earned | -823 | -861 | -1,395 |
| Interest paid | 9,582 | 11,308 | 22,866 |
| Increase in accounts receivable | 25,707 | 26,028 | — |
| Change in inventories | — | 2,020 | — |
| Change in accounts payable | -34,285 | -19,723 | -1,673 |
| Change in consumption tax payable | — | -5,358 | -4,561 |
| Other | -3,309 | -11,426 | 4,239 |
| Sub-total | 78,701 | 79,211 | 227,471 |
| Proceeds from interest and dividends | 809 | 859 | 1,465 |
| Payment of interest | -9,580 | -11,391 | -23,232 |
| Payment of corporation tax, etc. | -22,181 | -14,891 | -18,191 |
| Cash flow from operating activities | 47,748 | 53,787 | 187,512 |
| II. Cash flow from investing activities | | | |
| Purchases of investment securities | -677 | -1,134 | -4,580 |
| Proceeds from sale of investment securities, etc. | 4,322 | — | — |
| Purchases of tangible fixed assets | -53,033 | -55,498 | -103,609 |
| Purchases of intangible fixed assets | -2,724 | -1,686 | -7,599 |
| Spending on long-term prepaid expenses | — | -569 | -1,499 |
| Proceeds from sale of fixed assets | — | 539 | 926 |
| Expenditures based on lending for long-term loans | — | — | -806 |
| Proceeds from recovery of long-term loans receivable | — | 745 | 1,227 |
| Other | 4 | 9 | 94 |
| Cash flow from investing activities | -52,107 | -57,594 | -115,846 |
| III. Cash flow from financing activities | | | |
| Net decrease in short-term debt | -2,830 | 752 | -1,720 |
| Proceeds from long-term debt | 5,535 | 9,643 | 32,359 |
| Payments for long-term debt | -12,608 | -24,843 | -53,539 |
| Proceeds from bond issues | — | 23,000 | 27,000 |
| Payments for redemption of bonds | -14,776 | -44,449 | -94,429 |
| Dividend payments | -9,818 | -7,019 | -14,047 |
| Payment of dividends to minority shareholders | -50 | -49 | -49 |
| Cash flow from financing activities | -34,548 | -42,966 | -104,426 |
| IV. Difference due to conversion of cash and cash equivalents | -1 | — | 7 |
| V. Change in cash and cash equivalents | -38,910 | -46,773 | -32,752 |
| VI. Cash and cash equivalents at beginning of year | 64,575 | 97,327 | 97,327 |
| VII. Cash and cash equivalents at end of year/half-year | 25,665 | 50,554 | 64,575 |

## 5. Basis of interim consolidated financial statements

(1) Scope of consolidation

In preparing the accompanying interim consolidated financial statements, the following 14 principal subsidiaries of the Company were treated as consolidated subsidiaries: Tokyo Gas Urban Development Co., Ltd., Gasstar Co., Ltd., Kanpai Co., Ltd., Tokyo LNG Tankers Co., Ltd., Tokyo Gas Energy Co., Ltd., Tokyo Gas Chemicals Co., Ltd., Park Tower Hotel Co., Ltd., Tokyo Oxygen & Nitrogen Co., Ltd., Chiba Gas Co., Ltd., TG Credit Service Co., Ltd., TG Information Network Co., Ltd., Tsukuba Gakuen Gas Co., Ltd., TG Enterprise Co., Ltd., and Tokyo Gas Engineering Co., Ltd.

The Company's principal non-consolidated subsidiary is Tokyo Gas Housing Co., Ltd.

As the Company's total interests in the combined assets, sales and interim net profit and in the retained earnings of non-consolidated subsidiaries are respectively small in terms of value and qualitatively of little importance, therefore having an insignificant impact on the interim consolidated financial statements, these companies were not treated as being consolidated subsidiaries.

(2) Application of equity method

In preparing the accompanying interim consolidated financial statements, one principal affiliate of the Company, Gas Malaysia Sdn. Bhd., was accounted for by the equity method.

Non-consolidated subsidiaries and affiliates not accounted for by the equity method were excluded, as the Company's total interests in their interim net profits and retained earnings are small and qualitatively of little importance, therefore having only a very slight impact on interim consolidated net income and retained earnings.

As the interim book-closing date used by Gas Malaysia Sdn. Bhd. does not coincide with that of the Company, interim financial statements for its business year were used.

(3) Items related to the business year of consolidated subsidiaries

The interim book-closing dates of consolidated subsidiaries are the same as that of the Company.

(4) Significant accounting policies

1) Criteria and methods of valuation of principal assets

Bonds intended to be held to maturity were valued on an amortized cost basis, other securities with a market price were valued by the market value method based on their market price on the last day of the half-year (the variance of estimates was determined by the full capital injection method, and the cost of securities sold was calculated by the moving average method), and other securities without market prices were valued on a cost basis using the moving average method.

Derivatives were valued by the market value method.

Inventories (products, feedstock and stores) were valued on a cost basis using the moving average method.

2) Method of depreciation of principal depreciable assets

Tangible fixed assets were mainly depreciated using the declining balance method. In addition, for the length of the service life and residual value, the standards are the same as in the procedure stipulated in the Corporation Tax Law. Depreciation of some buildings (excluding ancillary equipment), however, was calculated by the straight line method.

Depreciation of intangible fixed assets was calculated by the straight line method. Software used by the company was depreciated using the straight line method based on the usable life of the software in the company.

3) <u>Standards for declaration of principal reserves</u>

To hedge the risk of loss because of losses on accounts receivable, loans, etc., allowances for doubtful accounts are provided based on the historical loan loss rate for unsecured claims and the estimated collectibility of specific claims such as bankruptcy reorganization claims.

A retirement benefit reserve is provided for the payment of employees' retirement benefits expected to be paid at the end of the first half of the current year based on the estimated amounts of retirement benefit obligations and pension assets at year end. For differences of mathematical calculation, proportionate distributions based on a certain number of years (generally ten) that are not more than the average remaining service years of employees at the time of occurrence of retirement are treated as a loss beginning in the term after that of occurrence.

The gas holder repairs reserve is the amount provided for the periodical repair of spherical gas holders, and is equal to the estimated cost of the next round of repairs allocated during the period up to the next round of repairs.

4) <u>Treatment of principal leases</u>

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

5) <u>Method of hedge accounting</u>

(A) Method of hedge accounting

Hedge accounting is based on the deferral method. Currency swaps satisfying the conditions of allotment processing are based on allotment processing, and interest-rate swaps meeting the conditions of exceptional processing, on exceptional processing.

(B) Hedge means and subjects

a. Hedge means: currency swap transactions
   Hedge subjects: corporate bonds and borrowings denominated in foreign currency

b. Hedge means: interest-rate swap transactions
   Hedge subjects: corporate bonds and borrowings

c. Hedge means: commodity swap transactions
   Hedge subjects: fees for purchase of feedstock

(C) 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 commodity prices.

(D) 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 and interest swaps satisfying the conditions of exceptional processing.

6) <u>Treatment of consumption tax, etc.</u>

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

(5) Scope of funds included in interim consolidated statements of cash flow

Funds included in interim consolidated statements of cash flow (cash and cash equivalents) are cash on hand, deposits withdrawable at any time, and short-term investments that are readily convertible to cash, redeemable within three months of date of acquisition, and unlikely to fluctuate in value.

## 6. Changes in the basis of interim consolidated statements

(4) Account standards

2) <u>Method of depreciation for major depreciation assets</u>
Previously, the straight line method was applied for depreciation of the Shinjuku Park Tower building owned by Tokyo Gas Urban Development Co., Ltd. For the purpose of unifying accounting policies of the parent company and subsidiaries, it was decided to switch to the declining balance method from the first half of FY2001.

As compared to the result in the case of application of the former method, this change resulted in an increase of ¥1,859 million in the cost of sales during the term, and a corresponding decrease in gross profit on sales, operating profit, ordinary profit, and net profit before adjustment for tax, etc.

The impact on segment information is presented in Note 3 of Section (1), "Segment information by category of business," under Section 9, "Segment information."

## 7. Significant subsequent event

In accordance with a determination at a meeting of the board of directors on September 27, 2001, Tokyo Gas made its 21st issuance of unsecured bonds, as follows:

(1) Issuance date: November 15, 2001
(2) Issuance amount: ¥30,000 million
(3) Issuance price: ¥100 per face value of ¥100
(4) Interest rate: 1.39% per annum
(5) Redemption method: lump-sum redemption at maturity
(6) Maturity date: November 15, 2011
(7) Fund use: corporate bond redemption funding

## 8. Notes

(1) Cumulative amount of depreciation: ¥2,126,705 million (previous year: ¥2,069,235 million)
(2) Notes receivable discounted: ¥251 million (previous year: ¥223 million)
(3) Contingent liabilities:
Joint liabilities borne by other joint debtors: ¥3,976 million (previous year: ¥4,411 million)
Contingent liabilities under undertakings to meet obligations: ¥75,000 million (previous year: ¥65,000 million)
(4) No. of treasury stocks and interim balance sheet value: 16,000 shares, ¥6 million (previous year: 8,000 shares, ¥2 million)
(5) Relation between cash and cash equivalents at end of half-year and amounts of items entered in interim consolidated financial statements

| | Half year ended Sept. 2001 | Previous year |
|---|---|---|
| Cash and deposits | ¥17,444 million | ¥21,509 million |
| Time deposits deposited over three months | -¥910 million | -¥1,200 million |
| Other current assets (short-term loans) | ¥9,130 million | ¥44,266 million |
| Cash and cash equivalents | ¥25,665 million | ¥64,575 million |

## 9. Segment information

(1) Segment information by category of business

(Unit: ¥1 million)

| | | Gas | Gas appliances | Gas Construction work | Building leasing | Other business | Total | Corporate and eliminations | Consolidated |
|---|---|---|---|---|---|---|---|---|---|
| Half year ended Sept. 2001 | Sales<br>(1) External sales<br>(2) Intersegment sales and transfers | <br>324,146<br>— | <br>66,420<br>610 | <br>28,754<br>1,758 | <br>7,912<br>10,948 | <br>53,521<br>18,166 | <br>480,755<br>31,484 | <br>—<br>(31,484) | <br>480,755<br>— |
| | Total | 324,146 | 67,031 | 30,513 | 18,860 | 71,687 | 512,239 | (31,484) | 480,755 |
| | Operating expenses | 279,036 | 62,976 | 29,786 | 15,687 | 66,589 | 454,077 | (89) | 453,988 |
| | Operating profit (loss) | 45,109 | 4,054 | 726 | 3,173 | 5,098 | 58,162 | (31,395) | 26,767 |
| Half-year ended Sept. 2000 | Sales<br>(1) External sales<br>(2) Intersegment sales and transfers | <br>313,812<br>— | <br>59,201<br>617 | <br>27,151<br>2,832 | <br>7,525<br>11,080 | <br>53,474<br>18,786 | <br>461,165<br>33,317 | <br>—<br>(33,317) | <br>461,165<br>— |
| | Total | 313,812 | 59,818 | 29,984 | 18,606 | 72,260 | 494,482 | (33,317) | 461,165 |
| | Operating expenses | 266,679 | 55,732 | 29,663 | 14,762 | 67,498 | 434,336 | (2,383) | 431,953 |
| | Operating profit (loss) | 47,133 | 4,086 | 320 | 3,843 | 4,762 | 60,146 | (30,934) | 29,211 |
| Previous year | Sales<br>(1) External sales<br>(2) Intersegment sales and transfers | <br>740,731<br>— | <br>145,434<br>1,081 | <br>67,610<br>4,296 | <br>15,602<br>21,998 | <br>117,391<br>42,185 | <br>1,086,770<br>69,563 | <br>—<br>(69,563) | <br>1,086,770<br>— |
| | Total | 740,731 | 146,516 | 71,907 | 37,601 | 159,577 | 1,156,333 | (69,563) | 1,086,770 |
| | Operating expenses | 590,784 | 139,888 | 67,951 | 29,515 | 149,450 | 977,591 | 5,520 | 983,111 |
| | Operating profit (loss) | 149,946 | 6,627 | 3,955 | 8,085 | 10,127 | 178,742 | (75,083) | 103,659 |

Note: 1. Classification of business categories and main products in each category of business
Business categories are classified by aggregate sale category in accordance with the Gas Business Accounting Regulations.

| Business categories | Main products |
|---|---|
| Gas | Gas |
| Gas appliances | Gas appliances |
| Gas construction work | Gas construction work |
| Building leasing | Lease and management of buildings, etc. |
| Other businesses | District heating and cooling, coke, LPG, petroleum products, credit leases, information processing services, general engineering |

Note: 2. The main unapportionable operating expenses included under "corporate and eliminations" are general expenses relating to the administration department of the company submitting the interim consolidated financial statements.
Half-year ended Sept. 2001: ¥31,446 million (Half-year ended Sept. 2000: ¥30,665 million)

Note: 3. As noted in Section 6. "Changes in the basis of the preparation of interim consolidated statements," beginning with this term, the declining balance method is being applied instead of the straight line method for depreciation of the tangible fixed assets (i.e., the Shinjuku Park Tower building) of Tokyo Gas Urban Development Co., Ltd. As compared to when the former method was applied, this change resulted in an increase of ¥1,859 million in the operating expenses during the term, and a corresponding decrease in operating profit.

(2) Segment information by location
Not applicable due to the absence of overseas consolidated subsidiaries.

(3) Overseas sales
Not included due to the insignificance of overseas sales as a proportion of consolidated sales.

## 10. Market value of securities

1. Marketable debt securities being held to maturity

(¥ 1 million)

| Category | Half-year (ended Sept. 30, 2001) | | | Previous year (ended Mar. 31, 2001) | | | Half-year (ended Sept. 30, 2000) | | |
|---|---|---|---|---|---|---|---|---|---|
| | Book value | Market value | Net unrealized gain (loss) | Book value | Market value | Net unrealized gain (loss) | Book value | Market value | Net unrealized gain (loss) |
| (1) Government and municipal bonds, etc. | 29 | 31 | 2 | 29 | 31 | 2 | 29 | 30 | 0 |
| (2) Corporate bonds | — | — | — | — | — | — | — | — | — |
| (3) Others | — | — | — | — | — | — | — | — | — |
| Total | 29 | 31 | 2 | 29 | 31 | 2 | 29 | 30 | 0 |

2. Other marketable securities

(¥ 1 million)

| Category | Half-year (ended Sept. 30, 2001) | | | Previous year (ended Mar. 31, 2001) | | | Half-year (ended Sept. 30, 2000) | | |
|---|---|---|---|---|---|---|---|---|---|
| | Acquisition cost | Book value | Net unrealized gain (loss) | Acquisition cost | Book value | Net unrealized gain (loss) | Acquisition cost | Book value | Net unrealized gain (loss) |
| (1) Shares | 14,000 | 74,563 | 60,562 | 14,706 | 101,725 | 87,019 | 14,179 | 115,119 | 100,940 |
| (2) Bonds | 4 | 6 | 1 | 4 | 6 | 1 | 4 | 6 | 2 |
| (3) Others | — | — | — | — | — | — | — | — | — |
| Total | 14,005 | 74,569 | 60,564 | 14,711 | 101,732 | 87,021 | 14,183 | 115,126 | 100,942 |

3. Book values of main non-marketable securities

(¥ 1 million)

| Category | Half-year (ended Sept. 30, 2001) | Previous year (ended Mar. 31, 2001) | Half-year (ended Sept. 30, 2000) |
|---|---|---|---|
| | Book value | Book value | Book value |
| Stocks in subsidiaries and affiliates | 15,121 | 14,009 | 12,324 |
| Other securities | | | |
| Unlisted stocks (excluding over-the-counter stocks) | 9,130 | 9,271 | 8,464 |

**Derivative transactions, market values and appraised profit (loss)**

**<Half-year ended Sept. 2001>**

(1) Interest-rate swaps
As the profit (loss) from valuation of assets, etc. underlying derivatives transactions was small and insignificant in the half-year ended September 30, 2001, market values of such assets, etc. and profit (loss) from valuation are omitted.
Contract values and notional amounts are also insignificant and have therefore been omitted.

(2) Currency swaps
All currency swaps are accounted for by hedge accounting and so are excluded.

(3) Others
No other derivative instruments were used.

**<Previous year>**

(1) Interest-rate swaps
As the profit (loss) from valuation of assets, etc. underlying derivatives transactions was small and insignificant in the year ended March 31, 2001, market values of such assets, etc. and profit (loss) from valuation are omitted.
Contract values and notional amounts are also insignificant and have therefore been omitted.

(2) Currency swaps
Because hedge accounting is applied for all currency swap transactions, they are excluded from disclosure.

(3) Others
No other derivative instruments were used.