

## Network Expansion and New Energy Services are Increasing Demand

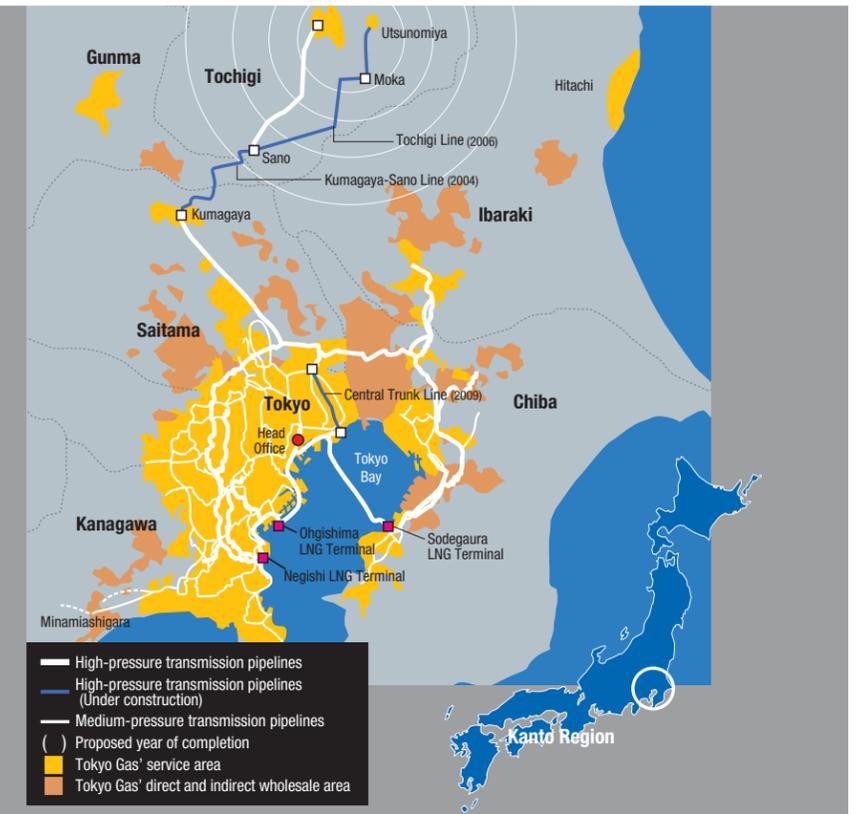
To transform its business advantages into growth in the core gas business, Tokyo Gas recognizes it is necessary to extend its pipeline network to expand its supply services. With deregulation leading to escalating competition as more companies move into the energy sector from other industries, the Company believes that infrastructure development in regions of expanding demand will create business opportunities. Effective pipeline expansion, guided by careful monitoring of demand trends and profitability, is a critical element of business strategy.

Under this strategy, Tokyo Gas has extended its pipeline network to the northern Kanto region, which offers particularly strong potential for

demand growth. The Kumagaya-Sano Line will be completed in October 2004, and the Tochigi Line in March 2006. To attract new users in areas around these new pipelines, it is also actively marketing cogeneration systems, which are increasingly seen as solutions to environmental and cost concerns.

There is growing interest in the concept of energy service providers. By establishing and retaining ownership of the cogeneration systems and other energy facilities they employ, energy service providers can give customers a one-stop solution to their energy needs. Customers can easily adopt these services because they are not required to make large capital investments. Other customer

advantages include reduced energy costs and environmental friendliness. In 2002, Tokyo Gas established a new subsidiary, ENERGY ADVANCE Co., Ltd. The engineering capabilities of the Tokyo Gas Group and its ability to procure LNG reliably and economically allow the new company to maximize the added-value potential of gas cogeneration. ENERGY ADVANCE is employing a highly efficient marketing strategy, targeting customers with substantial heat needs and strong environmental awareness. Its primary focus is the Kanto region, where there is a large latent demand.



# New Ways to Grow, Actively and Proactively

## Strengthening Ties with Customers through Product and Service Innovation

Although anticipating strong competition from electric power companies in the household market, Tokyo Gas is determined to attract new customers and maintain its relationships with existing customers. A key strategic asset in this market is the Tokyo Gas brand, which the public associates with safety, reliability and trust. Tokyo Gas is using this asset to its advantage against the competition by offering a wide range of products and



**New Cooktop**  
Since its launch in 2001, sales have steadily expanded. The number of units sold in fiscal 2003 reached 44,500, a 64% year-on-year increase.

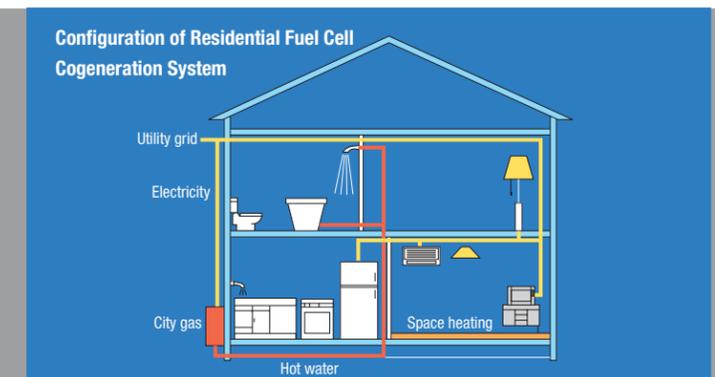
services that meet customer needs and provide appealing lifestyle options.

In 2001, Tokyo Gas launched a new type of gas cooktop. The ease of cleaning and attractive design of this appliance have made it a major success, and it is expected to account for over 40% of gas cooktops sold by Tokyo Gas in 2004. The Company is marketing the new cooktop on the basis of its excellent features to counter competition from induction heating (IH) cooking appliances.

Another popular product of Tokyo Gas is high-efficiency water heaters. As a result of aggressive advertising campaigns, consumers have recognized the energy efficiency, environmental qualities and other appealing features of this range of water heaters, and sales have

far exceeded initial projections. Since the second half of the 1990s, the Company has also actively marketed floor heating, establishing it as the de facto standard. Today floor heating is installed as standard in about 80%\* of new condominiums.

Many other products and services are helping to enhance the added value provided by Tokyo Gas from the perspective of consumers. Examples include a range of billing options for gas floor heating and a remote operation service for gas equipment to control bath or floor heating from outside the home using mobile telephones or computers. A home security service is provided in collaboration with Sohgo Security Services Co., Ltd., a leading security firm. Tokyo Gas also offers insurance for household effects, which was jointly developed with



Sompo Japan Insurance Inc.

There is growing interest in residential fuel cells as economical and environment-friendly energy systems. Tokyo Gas sees the emergence of this market as a major business opportunity and has been developing technology to improve durability and reduce costs with a view to a market launch in the fourth quarter of fiscal 2004. In April 2004, it established a project group within its sales organization to specifically focus on these systems and develop a marketing structure.

\* About 80% of all condominiums developed by the private sector in the Tokyo Gas service area have floor-heating systems.