

To Our Shareholders



Hideharu Uehara Kunio Anzai Norio Ichino
Vice Chairman Chairman President

In fiscal 2004, a number of factors combined to suppress earnings, including the impact of rate reductions implemented in January 2005 and higher gas resource costs caused by a sharp rise in crude oil prices. However, expansion of gas sales and group-wide cost reductions mitigated the impact of these factors. As a result of these developments, operating income decreased 4.6% from the previous term to ¥145.3 billion. Net income increased 87.7% to ¥84.0 billion in the absence of the one-time loss, which was booked in the previous period to alleviate the future cost burden from the retirement benefit obligations.

In October 2002, the Tokyo Gas Group formulated Frontier 2007, a medium-term management plan for Group growth and development in energy-related areas, our core business. During the course of the plan we have steadily implemented various measures to achieve business model innovation, business expansion into energy-related fields and enhancement of the Group's corporate value. Through the success of these measures, we expect management targets to be mostly

achieved in fiscal 2005—two years ahead of the schedule laid out in Frontier 2007.

At the same time, the business environment is changing on a daily basis. For instance, competition among energy sources is more intense than when Frontier 2007 was established. We are now preparing the next medium-term management plan scheduled to be announced in January 2006. This plan will define policy issues that need to be addressed in order to realize sustainable growth for the Tokyo Gas Group in this business environment.

As we move forward into the next plan, the Tokyo Gas Group remains committed to increasing corporate value and meeting the expectations of all stakeholders, including our shareholders and investors.

Kunio Anzai, Chairman

Hideharu Uehara, Vice Chairman

Norio Ichino, President