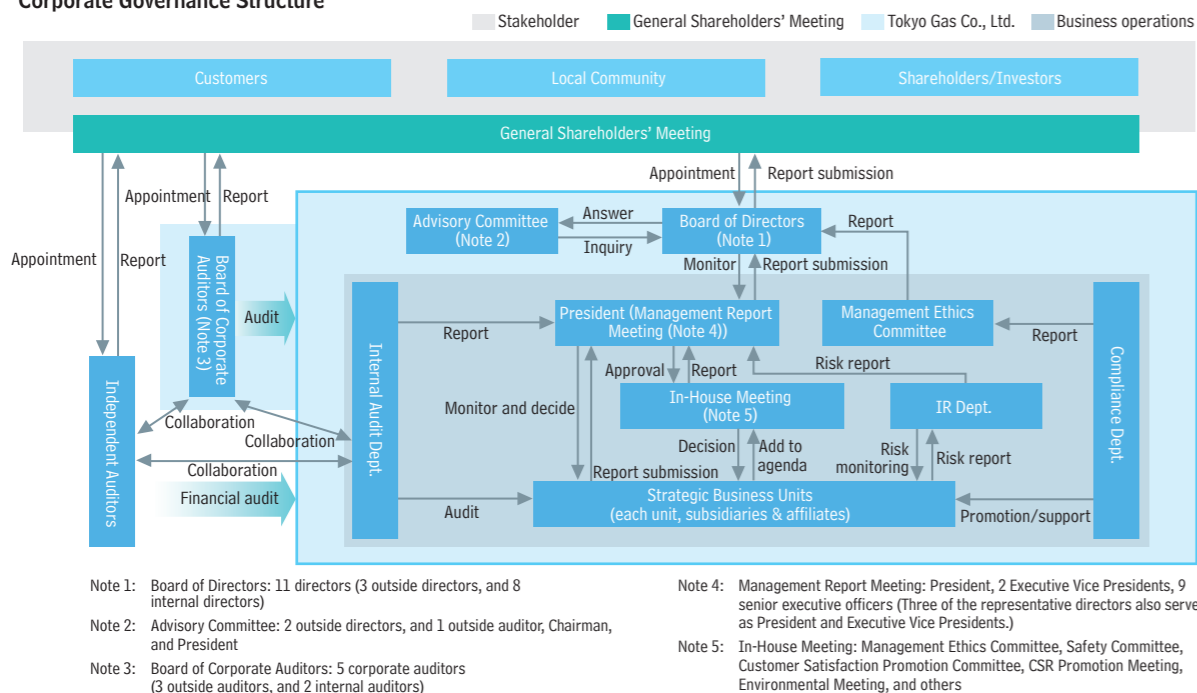


## Our Fundamental Concept of Corporate Governance

As an “energy frontier corporate group” centered on natural gas, Tokyo Gas has a management philosophy that aims at the realization of comfortable lifestyles and environmentally friendly cities. We work to ensure continued development while consistently earning the trust of customers, shareholders and society. Based on this philosophy, our fundamental concept of enhancing corporate governance is intended to achieve a continuous increase in our corporate value by maximizing the value provided to all of our stakeholders.

We are also endeavoring to develop systems and measures to further augment corporate governance, and we are implementing them with a commitment to management legality, soundness and transparency. Tokyo Gas continues to emphasize the importance of accurate decision-making, clear separation of management functions and executive functions, efficient business operations, strengthening of auditing and monitoring functions, clarification of management and executive responsibilities.

## Corporate Governance Structure



## Enhancement of IR Activities

IR activities rank alongside internal control, risk management and the promotion of compliance as some of the most important ways to ensure management soundness and transparency and earn the understanding and confidence of all stakeholders, including shareholders and investors. As distinctive characteristics of the IR activities of Tokyo Gas, our top management diligently participates in our IR activities, and we not only disclose a wide range of information, but also engage in interactive communication with investors. We believe that through these activities, we can put the expectations and the opinions of the stock markets to good use in the management of the company and enhance discussion of the thinking of our management with all of our investors. In so doing, we eliminate the gap between our true corporate value and the market assessment of the company. Based on this belief, in Japan, we launched a specialist IR unit in 1998 and it has maintained ongoing dialogue with investors and analysts since then. Currently, primarily in the period after the announcement of our financial results, we are engaged in IR activities including visits by top

management to institutional investors in Japan and overseas. They also use briefings and individual meetings as opportunities for wide-ranging discussions.

Tokyo Gas has always disclosed its short-, medium- and long-term management targets as well as the specific management strategies and action plans adopted to achieve these targets. We have also actively shared information about our business performance and progress towards goals. As part of our disclosure activities, we will continue to improve and expand the content of our annual report, investors' guide, IR website and Japanese Business Report.

In April 2008, we newly launched an IR Department, comprising the Investor Relations Section split off from the Corporate Planning Department. As a result, our IR activities have been greatly strengthened. The IR Department has combined and enhanced risk management functions that had been dispersed throughout various departments. We intend to continue increasing corporate value while also considering risk management.

## Internal Governance System

Under our internal control system, the Board of Directors, which includes three independent outside directors, determines the basic policies for the development of the important business operations plans and the internal control systems and monitors the performance of the directors. In accordance with the basic policies determined by the Board, the executive officers act to carry out business operations as well as to develop and operate the internal control system. We have established the Management Report Meeting as a deliberative body to assist the Board. This body undertakes prior discussions on the agenda for upcoming meetings of the Board and deliberates on important matters related to management.

The five corporate auditors, three of which are outside auditors, monitor the performance of the directors' duties. In addition, the Internal Audit Department, which reports directly to the President, monitors the business activities in each segment of Tokyo Gas and its consolidated subsidiaries, as well as the state of the development and operation of internal control and risk management. To implement specialized audits efficiently, the Internal Audit Department, with its 43 staff members (as of April 1, 2008), has developed a structure of four groups, specializing in financial, operational, information system and compliance audits.

In order to meet the requirements of the Internal Control Reporting System based on the Financial Instruments and Exchange Law, we established the Internal Control Promotion Committee and a project team, which takes charge of actual operations in April 2006. Documentation and evaluation of the state

of development and operation were completed in March 2008, and Tokyo Gas is ready for the initiation of the Internal Control Reporting System.

## Establishment of the Enterprise Risk Management System

In fiscal 2003, we established the Enterprise Risk Management (ERM) system, which includes risk management regulations and documented rules concerning major risks that require management intervention. To promote ERM, the IR Department's Risk Management Group runs the Risk Management Promotion Section, and approximately 100 Risk Management Promotion Officers have been deployed in Tokyo Gas and all of its consolidated subsidiaries. The Risk Management Group and its Promotion Section exchange information regularly to promote ERM. The Promotion Section, which reviews risks, evaluates fluctuations of the risk importance, assesses the implementation status of the countermeasures and the like and reports to the Management Report Meeting every year. Moreover, the results of the risk revisions are reported to the Board of Directors for approval.

The Risk Management Group is also in charge of development of the internal control system. We have built a system under which ERM and internal control are executed together in an integrated manner.

In the case that a disaster, an accident or another such incident actually occurs, the Emergency Response Organization immediately deals with the situation in accordance with the Emergency Response Organization Regulations.

## Major Risks Requiring Management Intervention

Disaster and accident risks	Disruption of production and supply, maintenance problems of gas safety, product quality problems of gas appliances, etc., reputation damage resulting from other companies' gas-related accidents, natural disasters, disruptions to gas resource procurement
Market risks	Market price fluctuations affecting real estate and financial assets, etc.
Business strategy risks	Risks to existing businesses (risks arising from the establishment and commencement of operation of new regional energy companies, increased competition, risks of under- or over-recovery of gas resource costs, changes in the gas resource procurement environment, weather changes, declines in existing demand, technology development risks, changes of laws/regulations and regimes), ROI risks
Information risks	Information leaks, failures or malfunctions in mission-critical IT systems, loss of telephone services to call centers
Social responsibility risks and other risks	Environmental risks, compliance risks, customer satisfaction and customer service risks