

May 29, 2009

Dear Shareholders:

## NOTICE OF THE 209<sup>th</sup> ORDINARY GENERAL MEETING OF SHAREHOLDERS

We hereby inform you of the 209<sup>th</sup> Ordinary General Meeting of Shareholders of Tokyo Gas Co., Ltd. (hereinafter, 'We' or 'the Company') to be held as described below.

If you are unable to attend the meeting, you may exercise your voting rights through either of the methods described in the next page. In that case, we respectfully ask you to exercise your voting rights after reading the REFERENCE MATERIALS FOR THE GENERAL MEETING OF SHAREHOLDERS starting from page 38.

Sincerely yours,

Mitsunori Torihara  
President, Representative Director  
**Tokyo Gas Co., Ltd.**  
5-20, Kaigan 1-chome, Minato-ku, Tokyo

1. Date and Hour:

10 a.m., Friday, June 26, 2009

2. Place:

Tokyo Gas Building 2F  
5-20, Kaigan 1-chome, Minato-ku, Tokyo

3. Agenda:

(1) Matters to report:

'Business Report', 'Consolidated Financial Statements', 'Non-Consolidated Financial Statements', 'Independent Auditors' Report' and 'Audit Report' by the Board of Corporate Auditors on the Consolidated Financial Statements for the 209<sup>th</sup> FY (from April 1, 2008 to March 31, 2009)

(2) Matters to resolve:

Proposal No. 1: Approval of the Appropriation of Surplus  
Proposal No. 2: Partial Amendment to the Articles of Incorporation  
Proposal No. 3: Election of Eleven (11) Directors  
Proposal No. 4: Election of Two (2) Corporate Auditors

#### 4. Exercise of Voting Rights in Writing or via the Internet and other methods

##### (1) Exercise of voting rights in Writing

Please indicate your approval or disapproval for each proposal by placing a circle in the designated space in the enclosed CARD FOR EXERCISE OF VOTING RIGHTS, and return it by postal mail to us so that it arrives by 17:30 on Thursday, June 25, 2009.

##### (2) Voting via the Internet and other methods

Please access the WEB-SITE FOR EXERCISE OF VOTING RIGHTS

(<http://www.web54.net>) through a personal computer or a cell-phone and enter your voting code and password shown in the enclosed CARD FOR EXERCISE OF VOTING RIGHTS.

Then, following the instructions on screen, please enter your approval or disapproval for each proposal and submit them by 17:30 on Thursday, June 25, 2009.

If you exercise your voting rights via the Internet, please read the enclosed 'Instruction for Exercise of Voting Rights via the Internet and other methods.'

#### 5. Other Matters Determined by the Board of Directors Regarding the Convocation of the Ordinary General Meeting of Shareholders

If duplicated votes are exercised by both postal mail and by the Internet, the vote that arrives later shall be deemed valid.

If both of the duplicated votes arrive on the same date, the vote exercised via the Internet shall be deemed valid.

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*Note 1: For shareholders attending the Ordinary General Meeting of Shareholders, please do not mail the enclosed CARD FOR EXERCISE OF VOTING RIGHTS, but instead bring it to the meeting and present it at the reception desk upon arrival.*

*Note 2: Based on the Company's Articles of Incorporation, you can delegate voting rights to only one proxy who is one of the shareholders holding voting rights. If a proxy will attend the meeting, please present the document certifying authority of such proxy, and your and the proxy's CARD FOR EXERCISE OF VOTING RIGHTS at the reception desk.*

*Note 3: Please note that in the event there are any revisions to the REFERENCE MATERIALS FOR THE GENERAL MEETING OF SHAREHOLDERS, Business Report, Consolidated Financial Statements or Non-Consolidated Financial Statements, the notice for such revisions will be posted on the company's website (<http://www.tokyo-gas.co.jp>).*

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*Special Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.*

## **Business Report**

(From April 1, 2008 to March 31, 2009)

### **1. Matters Concerning Current State of Group Operations**

#### **(1) Business Conditions and Results**

The economy of our country in this FY under review deteriorated rapidly due to the financial crisis triggered by the sub prime loan fiasco in the United States, which caused appreciation of the yen and declining share prices. This global economic slowdown had a serious impact on the real economy with many companies scaling down their production and capital investment after the second half of the last year.

With these conditions, the energy market of our country saw changes in the resource procurement environment due to fluctuating crude oil prices as well as sluggish demand resulting from falling corporate earnings. In addition, the prospect of the market is increasingly uncertain amid mounting calls for the environment's protection from the society and intensifying competition not only between different energy categories but also among the same category.

Under these economic and business conditions, as a result of the full-scale implementation of the 'Medium-Term Management Plan for the Tokyo Gas Group, FY2006-2010', the Tokyo Gas Group sought actively to create and cultivate a new market for natural gas by developing its comprehensive energy business within the 200-kilometer radius around Tokyo in the Kanto region.

Despite these efforts, gas sales volume declined from the previous year with the sharp drop in demand from the warm winter combined with worsening economic conditions. However, gas sales revenues rose as a result of an adjustment of gas unit prices under the raw material cost adjustment system. As a result, consolidated sales rose 11.6% from the previous year to ¥1,660,162 million.

Although the Group made its maximum effort to further enhance its operating efficiency and curtail costs, operating expenses increased as raw material costs for gas rose in step with LNG price hikes.

Consequently, operating income fell by 6.9%, year on year, to ¥65,204 million and ordinary income was down 12.7%, year on year, to ¥58,337 million. Meanwhile, net income in this FY under review dropped by 1.8% from a year earlier to ¥41,708 million as a result of the posting of extraordinary gains of ¥10,775 million, which was associated with gain on adjustment for changes of 'Accounting Standard for Lease Transactions' and others, and extraordinary losses of ¥1,076 million, which were loss on valuation of investment securities.

A review of results by operating segment follows.

#### **1) Gas Sales**

Total customer numbers rose by 133 thousand during this FY, to 10,513 thousand as of March 31, 2009. Gas-sales-volume decreased by 1.9% year on year to 13,941,664 thousand cubic meters.

Of this aggregate volume, the volume of household-bound gas sold decreased by 1.8%, year on year, to 3,467,528 thousand cubic meters as the household demand for air-heating and hot water decreased during the second half-year, the period of higher demand for gas, due to a rise in air temperature (on average, by 0.5 degree Celsius) even though demand for hot water increased somewhat during the first half-year when the air temperature decreased (on average, by -0.5 degree Celsius) than that of the corresponding half-years of the previous FY. The volume of business-bound gas sold (for commercial, public and medical uses) stood at 3,011,053 thousand cubic meters, down 3.7% year on year, as the air temperature dropped during the first half-year but increased during the second half-year than that of the respective corresponding half-years of the previous FY resulting in a decrease in air conditioning demand. The volume of industry-bound gas sold decreased by 1.9%, year on year, to 5,622,591 thousand cubic meters because of decreased demand from existing customers. The Group's wholesale supply to other gas suppliers increased by 0.7%, year on year, to 1,840,492 thousand cubic meters thanks to their development of new demands.

The overall gas sales increased by 15.7%, year on year, to ¥1,257,574 million as a result of adjustments of unit prices implemented under the raw material cost adjustment system, etc.

## 2) Gas Appliances

In the Gas Appliances segment, despite efforts to develop and market gas cooking, water-heating and air-conditioning appliances that boast a high level of safety and also excel in terms of their environmental friendliness, comfort, convenience and economic benefits; net sales decreased by 7.5% year on year to ¥122,363 million, due to stringent competition with other energy categories.

## 3) Installation Work

In the Installation Work segment, net sales decreased by 14.4% year on year to ¥49,094 million, due to the decline in the number of new installations by 44 thousand over the previous year to 217 thousand.

## 4) Real Estate

In the Real Estate segment, net sales increased by 1.3% year on year to ¥35,637 million, due to an increase in new rental contracts.

## 5) Other

Other sales increased by 13.6% year on year to ¥363,783 million. This was due to factors such as an increase in sales related to the energy service business.

## (2) Group Capital Expenditures

Total capital expenditures for this FY amounted to ¥145,929 million. The total length of the pipeline network was extended by 810 kilometers during this FY, to 57,158 kilometers as of March 31, 2009. Currently, Chiba-Kashima Line, New Negishi Line and Gunma Line etc. are under construction.

## (3) Group Financing Activities

Our outstanding bond balance increased by ¥16,001 million due to the issuance of the 30<sup>th</sup> unsecured bonds despite a ¥28,195 million decreases resulting from the conversion and redemption of convertible bonds. Loans increased by ¥46,708 million. As a result, consolidated interest-bearing liabilities rose by ¥34,514 million compared with the previous year-end, to ¥593,230 million.

## (4) Prospective Challenges

Natural gas, from which the city gas we supply is manufactured, offers environmental merits for action against global warming, a high level of economic efficiency and supply stability as compared to crude oil, and a convenient ability to cope with demand of various types. Backed by these benefits, we foresee no change in its superiority and importance as a type of energy, and expect needs for it to continue expanding among communities and customers.

Meanwhile, we are seeing the emergence of changes in the climate of our business that could exert a major impact on the Group's execution of the 'Integrated Energy Business Strategy'. These include the further rise in expectations for the environment's protection from society as a whole, changes in the energy demand structure, intensified competition with different types of energy and different suppliers of the same type, and changes in the circumstances of gas resource procurement.

With a view to responding to these changes in the business environment both promptly and accurately, we prepared the 'Tokyo Gas Group Medium-term management plan FY2009-2013' in January 2009.

It targets 'The Evolution and Advancement of our Integrated Energy Business' through business development with an emphasis on the 'Three Es', i.e., 'Eco-friendly' (creation of value keyed by environment), 'Excellent service' (improvement of value for customers), and 'Expansion' (in-depth cultivation and widening of markets) while adhering to the basic strategy for integrated energy business centered on natural gas thus far. It also calls for steps to strengthen the LNG value chain and reinforce the synergy of 'All Tokyo Gas' (a collective term for the Group and its cooperating companies) to support achievement of the Three Es. In the field of strategy deployment, we are planning for aggressive input of fund resources and reinforcement of the business foundation from the medium- and long-term perspectives while looking ahead to the second half of the 2010s.

Through action on these agendas, we hope to constantly remain trusted by our customers, shareholders, and society as a whole as a resilient corporate group that is able to cope flexibly with future changes in the business climate and achieve sustained growth.

[Development of business with an emphasis on the Three Es]

**(1) Eco-friendly – creation of value keyed by the environment**

In the residential sector, we shall promote the diffusion of ‘ENE FARM’ fuel cells, systems that apply new energy and incorporate solar light and heat, and other equipment, in order to offer solutions for customer needs for saving energy without sacrificing lifestyle comfort.

In the industrial and commercial sectors, we shall develop energy service business that incorporates new-energy and energy-saving services, and therefore has added environmental value. We shall also construct optimal energy systems based on area-wise/networked energy use on the community level.

In addition, we shall examine approaches to promotion of use of new energy applying biogas, provisions for green certificate and schemes for buying and selling emission rights, and prospects for creating business related to new energy in ways that make the most of our strengths.

**(2) Excellent service – improvement of value for customers**

We shall establish a sales setup rooted in the community through ‘Tokyo Gas LIFEVAL’ to raise the service level even higher. We shall also deliver satisfaction to customers by making value proposals of a higher quality tailored to the needs of each and every one.

In the industrial and commercial sectors, we shall take full advantage of the technical, engineering, and sales capabilities nurtured thus far in comprehensively meeting the expectations of each customer through proposals for facility optimization, consultation regarding the ‘best mix’ of energy forms including city gas and electricity, and services in financing and risk management drawing on credit power and hedge transactions.

So customers can use gas with complete peace of mind, we shall work for replacement of gas appliances lacking devices to prevent incomplete combustion and reinforcement of safety checks.

To the same end, we shall execute measures for aging gas pipes requiring action to prevent leaks and pipes that are customer property on their lots ahead of schedule. Besides taking continued action to heighten the quake resistance of gas facilities, we shall also establish approaches for swifter resumption of services after earthquake disasters and otherwise bolster disaster-prevention provisions.

**(3) Expansion – in-depth cultivation and widening markets**

Besides aggressively developing the immense latent demand, mainly in connection with industrial use, in the area within a 200-kilometer radius around Tokyo, we shall meet needs for natural gas among customers to whom supplying gas with gas pipes is difficult through means such as LNG lorries, reinforce the sales setup of ‘All Tokyo Gas’, install effective gas pipe networks, and take other initiatives to expand the number of customers and rigorously develop demand. We shall also steadily build up our electricity business while pursuing the ultimate synergy with our gas business.

In addition, we shall build an effective setup for sales that encompasses schemes of partnership with peripheral gas businesses revolving around our wide-area branches and related city gas companies. We shall consider initiatives for partnership with other businesses linked to an increase in corporate value on both sides, strengthen partnership with city gas and LP gas companies which we supply on a wholesale basis, and thereby work for the further diffusion of gaseous energy.

[Strengthening of the LNG value chain]

In addition to the existing long-term contracts, we shall launch new projects and also conclude short- and medium-term contracts for sure response to the demand as it expands over the coming years. Meanwhile, through approaches to overseas projects for acquisition of upstream rights or otherwise related to the LNG value chain, we shall steadily procure competitive LNG. We shall increase the fleet of LNG carriers whose operation we manage from the current six to eight by FY 2011, reduce our transportation costs, and actively develop business in LNG transportation for other companies.

Furthermore, for response to the expanding demand, we shall construct the fourth LNG tank at the Ohgishima LNG Terminal, construct the Saitama-Tokyo Line for connection to the existing network, and take other steps to bolster our infrastructure for stable supply.

[Reinforcement of the synergy of 'All Tokyo Gas']

To reinforce the synergy of 'All Tokyo Gas', we shall reconstruct the business execution structure based on examination of the advisable configuration of roles and partnership by the newly established 'Tokyo Gas LIFEVAL' as well as affiliated companies, cooperating companies, and Tokyo Gas itself, from the perspective of the overall optimum. At the same time, we shall continue to put resources into the business of affiliated companies deploying our integrated energy business strategy. We shall achieve growth and increase profitability in the Group as a whole. We shall reconstruct the system of human resource development in 'All Tokyo Gas' and vigorously promote agendas such as the development of technology for the coming generation.

It is our basic policy to fulfill our corporate social responsibility (CSR) and public service mission through our routine business activities. In this spirit, we shall make efforts to see that this basic perspective on CSR for response to the trust placed in us as a public-minded enterprise by our stakeholders spreads and takes root among the other members of 'All Tokyo Gas' as well.

In addition, at its meeting held on April 28, 2009, the Board of Directors, pursuant to the 'Policy on Determination of Dividends from Surplus, etc.' (for details, please refer to '7. Policy on Determination of Dividends from Surplus and Others' described later in this document), resolved to set the ceiling on acquisition of own shares for FY 2009 at ¥5,000 million (or 15 million shares) and the acquisition period from April 30, 2009 to October 30, 2009.

The Group will continue working to increase its corporate value and shareholder value and meet the expectations of both shareholders and customers. Toward that end, we will greatly appreciate your ongoing understanding and support.

#### (5) Changes in Status of Assets and Income, and Loss

Categories (FY ended March 31)	205 <sup>th</sup> fiscal term (2005)	206 <sup>th</sup> fiscal term (2006)	207 <sup>th</sup> fiscal term (2007)	208 <sup>th</sup> fiscal term (2008)	209 <sup>th</sup> fiscal term (2009)
Net sales (Millions of yen)	1,190,783	1,266,501	1,376,958	1,487,496	1,660,162
Ordinary income (Millions of yen)	132,856	98,689	156,039	66,832	58,337
Net income (Millions of yen)	84,047	62,114	100,699	42,487	41,708
Net income per share (Yen)	31.47	23.48	37.50	15.94	15.63
Total assets (Millions of yen)	1,668,734	1,693,898	1,692,635	1,703,651	1,764,185
Net assets (Millions of yen)	648,766	728,231	806,045	780,455	784,616
Net assets per share (Yen)	244.73	270.46	293.11	289.49	284.72

(6) Status of Principal Subsidiaries

Name of the company	The stated capital (Million of yen)	Percentage of contribution of the Company (%)	Main business activities
Tokyo Gas Urban Development Co., Ltd.	11,530	100.00	Real estate leasing, management and brokerage
Tokyo Gas Toyosu Development Co., Ltd.	5,000	100.00	Management of the Toyosu site
Nagano Toshi Gas Inc.	3,800	89.22	Gas distribution
ENERGY ADVANCE Co., Ltd.	3,000	100.00	Energy service business
Gaster Co., Ltd.	2,450	66.67	Manufacture and sale of gas appliances
Tokyo LNG Tanker Co., Ltd.	1,200	100.00	Leasing of tankers, delivery of LNG/LPG
Tokyo Gas Energy Co., Ltd.	1,000	100.00 (11.50)	Sale of LPG
Capty Co., Ltd.	1,000	100.00 (12.38)	Design and construction of gas pipelines, water supply and sewage pipes, air-conditioning systems
Tokyo Gas Chemicals Co., Ltd.	1,000	100.00 (17.70)	Sale of industrial gases and tar products
Park Tower Hotel Co., Ltd.	1,000	100.00 (100.00)	Hotel operation
Tokyo Gas Yokosuka Power Co., Ltd.	980	75.00	Electric power distribution
Chiba Gas Co., Ltd.	480	100.00	Gas distribution
TG Credit Services Co., Ltd.	450	100.00	Credit administration and leasing in connection with gas appliances and construction
TG Information Network Co., Ltd.	400	100.00	System integration services
Tsukuba Gakuen Gas Co., Ltd.	280	100.00	Gas distribution
Tokyo Gas Engineering Co., Ltd.	100	100.00	Comprehensive engineering services with a focus on energy-related works
Tokyo Gas Customer Service Co., Ltd.	50	100.00	Periodic safety check, billing and meter reading operations
Capty-Livelic Co., Ltd.	50	100.00 (100.00)	Sale of gas appliances

- Notes:
1. Figures shown in parentheses in the 'Percentage of contribution of the Company' column indicate portions of the Company's contribution owned by subsidiaries of the Company.
  2. Nagano Toshi Gas Inc. absorbed Nagano Houmu Sahbisu Kabushiki Kaisha, its wholly-owned subsidiary, on April 1, 2009, by merger.
  3. Tokyo Gas Engineering Co., Ltd. absorbed Tokyo Gas Plant Tech Co. Ltd., its wholly-owned subsidiary, on April 1, 2009, by merger.
  4. The number of consolidated subsidiaries and equity-method affiliates including the above 18 principal subsidiaries were 61 companies.

**(7) Status of Business Assignment, Corporate Separation by Absorption or Corporate Separation by Incorporation**

On September 30, 2008, the Board of Directors resolved an absorption-type split during its meeting to have Showa Bussan Co., Ltd. (the company name changed into Tokyo Gas Yamanashi Co., Ltd. on May 1, 2009), the Company's subsidiary, and take over operations of Tokyo Gas Kofu Service Branch as of October 1, 2009. The Board of Directors also resolved an absorption-type split during its meeting on March 25, 2009, to have its subsidiary Nijio Co., Ltd. take over part of the Company's operations related to LNG procurement. The operations were transferred to Nijio Co., Ltd. on May 20, 2009.

**(8) Main Business Activities (As of March 31, 2009)**

Business segment	Main business activities
Gas Sales	Production, supply and sale of gas
Gas Appliances	Manufacture and sale of gas appliances and related to accompanying work
Installation Work	Gas installation work
Real Estate	Leasing and management of land and buildings
Other	Energy services, construction of facilities, engineering work, industrial gases, LPG, system integration, electric power, credit/lease financial services, etc.

**(9) Main Business Offices and Factories (As of March 31, 2009)**

1) The Company

Head Office	(Minato-ku, Tokyo)	
Service Branches ( <i>Shisha</i> and <i>Shiten</i> )	Middle Branch (Meguro-ku, Tokyo)	Southern Service Branch (Minato-ku, Tokyo) Central Service Branch (Meguro-ku, Tokyo)
	West Branch (Suginami-ku, Tokyo)	Western Service Branch (Suginami-ku, Tokyo) Tama Service Branch (Tachikawa, Tokyo)
	East Branch (Arakawa-ku, Tokyo)	Eastern Service Branch (Koto-ku, Tokyo) Chiba Service Branch (Chiba, Chiba)
	North Branch (Kita-ku, Tokyo)	Northern Service Branch (Kita-ku, Tokyo) Saitama Service Branch (Saitama, Saitama)
	Kanagawa Branch (Yokohama, Kanagawa)	Yokohama Service Branch (Yokohama, Kanagawa) Kawasaki Service Branch (Kawasaki, Kanagawa) Western Kanagawa Service Branch (Fujisawa, Kanagawa)
	Hitachi Service Branch (Hitachi, Ibaraki), Johsoh Service Branch (Ryugasaki, Ibaraki), Kofu Service Branch (Kofu, Yamanashi), Gunma Service Branch (Takasaki, Gunma), Kumagaya Service Branch (Kumagaya, Saitama), Utsunomiya Service Branch (Utsunomiya, Tochigi)	
Pipeline Dept.	West Metropolitan Pipeline Regional Office (Shinjuku-ku, Tokyo), East Metropolitan Pipeline Regional Office (Arakawa-ku, Tokyo), Kanagawa Pipeline Regional Office (Yokohama, Kanagawa)	
LNG Terminals	Negishi LNG Terminal (Yokohama, Kanagawa), Sodegaura LNG Terminal (Sodegaura, Chiba), Ohgishima LNG Terminal (Yokohama, Kanagawa)	
Others	Living Energy Division (Minato-ku, Tokyo), Living Corporate Sales and Service Division (Minato-ku, Tokyo), Energy Solution Division (Minato-ku, Tokyo)	

- Notes:
1. Living Energy Division was moved from Shinjuku-ku, Tokyo, as of November 10, 2008.
  2. Living Corporate Sales and Service Division was moved from Shinjuku-ku, Tokyo, as of November 17, 2008.
  3. Energy Solution Division was moved from Shinjuku-ku, Tokyo, as of September 22, 2008.



## 2) Principal subsidiaries

Name	Location of Head Office	Name	Location of Head Office
Tokyo Gas Urban Development Co., Ltd.	Shinjuku-ku, Tokyo	Park Tower Hotel Co., Ltd.	Shinjuku-ku, Tokyo
Tokyo Gas Toyosu Development Co., Ltd.	Minato-ku, Tokyo	Tokyo Gas Yokosuka Power Co., Ltd.	Yokosuka, Kanagawa
Nagano Toshi Gas Inc.	Nagano, Nagano	Chiba Gas Co., Ltd.	Sakura, Chiba
ENERGY ADVANCE Co., Ltd.	Minato-ku, Tokyo	TG Credit Services Co., Ltd.	Shinjuku-ku, Tokyo
Gaster Co., Ltd.	Yamato, Kanagawa	TG Information Network Co., Ltd.	Shinagawa-ku, Tokyo
Tokyo LNG Tanker Co., Ltd.	Minato-ku, Tokyo	Tsukuba Gakuen Gas Co., Ltd.	Tsukuba, Ibaraki
Tokyo Gas Energy Co., Ltd.	Katsushika-ku, Tokyo	Tokyo Gas Engineering Co., Ltd.	Ota-ku, Tokyo
Capty Co., Ltd.	Shinagawa-ku, Tokyo	Tokyo Gas Customer Service Co., Ltd.	Taito-ku, Tokyo
Tokyo Gas Chemicals Co., Ltd.	Minato-ku, Tokyo	Capty-Livelic Co., Ltd.	Setagaya-ku, Tokyo

- Notes:
1. The head office of Capty-Livelic Co., Ltd. was moved from Ota-ku, Tokyo, as of July 28, 2008.
  2. The head office of Tokyo Gas Energy Co., Ltd. was moved from Chuo-ku, Tokyo, as of August 10, 2008.
  3. The head office of ENERGY ADVANCE Co., Ltd. was moved from Shinjuku-ku, Tokyo, as of November 1, 2008.
  4. The head office of Tokyo Gas Customer Service Co., Ltd. was moved from Shinjuku-ku, Tokyo, as of November 10, 2008.

## (10) Status of Employees (As of March 31, 2009)

### 1) Number of employees in the Group

Business segment	Consolidated number of employees (Change from previous year)
Gas Sales	6,498 (-12)
Gas Appliances	1,837 (+63)
Installation Work	902 (-30)
Real Estate	163 (-17)
Other	5,193(-339)
Corporate	917 (-55)
Total	15,510(-390)

Note: 'Employees' refers to permanent full-time staff and does not include temporary staff.

### 2) Number of employees in the Company

Non-Consolidated number of employees (Change from previous year)	Average age (Years)	Average service years
7,579 (-135)	45.9	22.5

Note: 'Employees' refers to permanent full-time staff and does not include workers on loan and temporary staff.

## (11) Major Creditors and Balance of borrowings (As of March 31, 2009)

Creditor	Balance of borrowings (Millions of yen)
Mizuho Corporate Bank, Ltd.	41,301
The Daiichi Mutual Life Insurance Company	25,174
Development Bank of Japan	24,770
Nippon Life Insurance Company	24,450
Sumitomo Mitsui Banking Corporation	23,038
Japan Bank for International Cooperation	22,652
Sumitomo Life Insurance Company	11,300
The Norinchukin Bank	10,000
Mitsubishi UFJ Trust and Banking Corporation	9,130
Saitama Risona Bank, Ltd.	6,681
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	6,212

## 2. Matters Related to Shares of the Company (As of March 31, 2009)

- (1) Aggregate number of authorized shares      common share:      6,500,000,000 shares  
 (2) Aggregate number of shares issued      common share:      2,717,571,295 shares

(A year on year decrease of 24,000,000 shares)

*Note: The aggregate number of shares issued decreased as indicated above from the cancellation of treasury share on July 30, 2008.*

- (3) Share trade unit      1,000 shares  
 (4) Number of shareholders      160,644  
 (5) Major shareholders

Name of shareholders	Number of shares held (Thousand shares)	Percentage of share ownership (%)
Nippon Life Insurance Company	163,000	6.01
Japan Trustee Services Bank, Ltd. (Trust Account 4G)	158,412	5.84
Japan Trustee Services Bank, Ltd. (Trust Account)	154,891	5.71
The Dai-ichi Mutual Life Insurance Company	120,472	4.44
The Master Trust Bank of Japan, Ltd. (Trust Account)	117,071	4.32
The Chase Manhattan Bank N.A. London SL Omnibus Account	77,384	2.85
Fukoku Mutual Life Insurance Company	68,504	2.53
Tokyo Gas Employees Shareholding Association	38,838	1.43
Mizuho Trust & Banking Co., Ltd. Employee Pension Trust Dai-ichi Mutual Life Insurance Company Account Standby Trustee Trust & Custody Services Bank, Ltd.	35,490	1.31
State Street Bank and Trust Company 505225	32,668	1.20

*Note: Percentage of share ownership are calculated by the number of shares excluding Treasury Share (4,884,659 shares).*

## (6) Other principal items regarding shares

- 1) Acquisition of Own Share  
     Common share:      25,062,782 shares  
     Total value of acquisitions:      ¥10,462,218,236
- 2) Disposal of Treasury Share  
     Common share:      81,115,623 shares  
     Total value of disposition:      ¥39,252,771,435
- 3) Cancellation of Treasury Share  
     Common share:      24,000,000 shares  
     Total value of cancellation:      ¥11,622,480,000
- 4) Shares owned by the Company as of the balance sheet date  
     Common share:      4,884,659 shares

## 3. Matters Related to Share Option in Kind (As of March 31, 2009)

### Status of Unsecured Convertible Bonds

Description	Date of issue (Maturity)	Kind of shares to be issued upon conversion	Issue price (Millions of yen)	Outstanding issue (Millions of yen)	Amount to be included in capital (Exercise price) (Yen)
5 <sup>th</sup> Unsecured Convertible Bonds	December 9, 1996 (March 31, 2009)	Common share of the Company	50,000	0	170.00 (339.00)

*Note: There are no unsecured convertible bonds outstanding due to redemption.*

#### 4. Matters Related to Directors and Corporate Auditors of the Company

##### (1) Name, etc. of Directors and Corporate Auditors (As of March 31, 2009)

Name	Position	Business in charge and representative position in other companies, etc.
Norio Ichino	Director and Chairman of the Board	
Mitsunori Torihara	President, Representative Director and Executive President	
Tadaaki Maeda	Representative Director, Executive Vice President	Assistant to the President, Division Manager of Energy Production Div. and in charge of Environment Dept.
Takeshi Okamoto	Representative Director, Executive Vice President	Assistant to the President, In charge of Human Resources Dept., Secretarial Dept., General Administration Dept., Compliance Dept. and Internal Audit Dept.
Masaki Sugiyama	Director, Senior Executive Officer	Division Manager of Technological Development Div., Division Manager of IT Div.
Toshio Tezuka	Director, Senior Executive Officer	Division Manager of Living Corporate Sales and Services Div.
Shigeru Muraki	Director, Senior Executive Officer	Division Manager of Energy Solution Div. and General Manager of Volume Sales Dept. of Energy Solution Div.
Toshiyuki Kanisawa	Director, Senior Executive Officer	Division Manager of Living Energy Div.
Kazumoto Yamamoto	Outside Director	Standing Advisor, Asahi Kasei Corporation
Katsuhiko Honda	Outside Director	Director and Advisor of Japan Tobacco Inc.
Sanae Inada	Outside Director	Attorney-at-law
Tsunenori Tokumoto	Standing Corporate Auditor	
Yasunori Takakuwa	Standing Corporate Auditor	
Toshimitsu Shimizu	Outside Corporate Auditor	Director, IDEC Yokohama
Shoji Mori	Outside Corporate Auditor	Vice-Director, International Economic Research Institute
Yukio Masuda	Outside Corporate Auditor	Advisor, Mitsubishi Corporation

- Notes:
1. Representative Director Takeshi Okamoto, became Assistant to the President, In charge of Human Resources Dept., Secretarial Dept., General Administration Dept. and Compliance Dept. as of April 1, 2009.
  2. Director Masaki Sugiyama, formerly Division Manager of Technological Development Div. and IT Div., was newly appointed to President, Representative Director of Capty Co., Ltd. as of April 1, 2009.
  3. Director Toshio Tezuka, formerly Division Manager of Living Corporate Sales and Services Div., was newly appointed to Representative Director and Chairman of the Board of Tokyo Gas Engineering Co., Ltd. as of April 1, 2009.
  4. Director Toshiyuki Kanisawa, formerly Division Manager of Living Energy Div., took charge of Division Manager of Living Corporate Sales and Services Div. as of April 1, 2009.
  5. Outside Corporate Auditor Shoji Mori has in-depth experience in financial administration and is highly knowledgeable about financial and accounting matters.

##### (2) Total Value of Remuneration of Directors and Corporate Auditors

Directors	(11 people):	¥461 million
Corporate Auditors	(6 people):	¥106 million
<b>Total</b>	<b>(17 people):</b>	<b>¥567 million</b>

- Notes:
1. Of the foregoing amount, the aggregate amount of remuneration paid to seven (7) Outside Officers (Outside Directors and Outside Corporate Auditors) was ¥63 million.
  2. The total number of Corporate Auditors and Outside Officers includes one Outside Corporate Auditor retiring upon the conclusion of the 208<sup>th</sup> Ordinary General Meeting of Shareholders and the aggregate amount of remuneration paid includes the remuneration paid to this Outside Corporate Auditor.
  3. The aggregate monthly remuneration payable to all Directors of up to ¥50 million was approved at the 205<sup>th</sup> Ordinary General Meeting of Shareholders, and the aggregate annual bonus payable to all Directors of up to ¥90 million was approved at the 206<sup>th</sup> Ordinary General Meeting of Shareholders.
  4. The aggregate monthly remuneration payable to all Corporate Auditors of up to ¥12 million was approved at the 190<sup>th</sup> Ordinary General Meeting of Shareholders.



4) Outside Corporate Auditor Toshimitsu Shimizu

- i. Status of concurrent Executive Director or other positions held with other companies:

• IDEC Yokohama Director

- ii. Status of concurrent Outside Officer positions held with other companies:

• Yokohama Stadium, Ltd. Outside Director

- iii. Status of major activities during the business year under review

Mr. Shimizu has attended 10 of 11 Board of Directors meetings and 10 of 11 Board of Corporate Auditors meetings. Given his experiences with local public authorities, Mr. Shimizu offers appropriate opinions both at the Board of Directors and at the Board of Corporate Auditors.

5) Outside Corporate Auditor Shoji Mori

- i. Status of concurrent Executive Director or other positions held with other companies:

• International Economic Research Institute Vice Director

- ii. Status of concurrent Outside Officer positions held with other companies:

• There are no items to report.

- iii. Status of major activities during the business year under review

Mr. Mori has attended 11 of 11 Board of Directors meetings and 11 of 11 the Board of Corporate Auditors. Given his experiences, expert knowledge and deep insight nurtured in financial administration, Mr. Mori offers appropriate opinions both at the Board of Directors and at the Board of Corporate Auditors.

6) Outside Corporate Auditor Yukio Masuda

- i. Status of concurrent Executive Director or other positions held with other companies:

• There are no items to report.

- ii. Status of concurrent Outside Officer positions held with other companies:

• Showa Shell Sekiyu K.K. Outside Director

- iii. Status of major activities during the business year under review

Mr. Masuda has attended 9 of 9 Board of Directors meetings and 9 of 9 Board of Corporate Auditors meetings held after he was appointed at the 208<sup>th</sup> Ordinary General Meeting of Shareholders and assumed the current post. Given his excellent management capability and experiences nurtured at a major trading company and is highly knowledgeable about energy business, Mr. Masuda offers appropriate opinions both at meetings of the Board of Directors and Board of Corporate Auditors.

## 5. Status of Independent Auditor

### (1) Name of Independent Auditor

KPMG AZSA & Co.

### (2) Value of Remuneration of Independent Auditor for this Business Year under Review

- 1) Total payments to Independent Auditor by the Company and its subsidiaries

¥341 million

- 2) Of the total amount listed in 1) above, remuneration and other payments to Independent Auditor by the Company.

¥165 million

- 3) Of the total amount listed in 2) above, for auditing services provided under Article 2, Paragraph 1 of the Certified Public Accountants Act of Japan.

¥134 million

*Note: The auditing contract between the Company and the Independent Auditor make no distinction between auditing services based on the 'Companies Act' and auditing services based on the 'Financial Instruments and Exchange Act'. Since no real distinction can be made in practice, the amount listed in 3) above also includes payments for auditing services based on the 'Financial Instruments and Exchange Act', etc.*

### (3) The contents of Non-Audit Services

The Company commissions the Independent Auditor to perform due diligence concerning bidding from financial aspects as non-audit services.

#### **(4) Policy on Determination to Dismiss or Refrain from Reappointing the Independent Auditor**

The Company appoints the Independent Auditor by comprehensively taking into account their operating scale, track record, business execution structure and other pertinent factors and on condition that they are capable of executing fair and stringent accounting audits.

It is the policy of the Company to decide to dismiss or not reappoint the appointed Independent Auditor in accordance with the provisions of Article 340, Paragraph 1 of the 'Companies Act' or if, in light of the aforementioned appointment criteria, the Independent Auditor is deemed to be incapable of executing fair and stringent accounting audits.

#### **6. Basic Policy on Development of Corporate Structures and Systems for Ensuring Appropriateness of Operations**

With the commencement of the Internal Control System for financial reports described in the 'Financial Instruments and Exchange Act', the Company passed a resolution to revise the 'Basic Policy on Development of Corporate Structures and Systems for Ensuring Appropriateness of Operations (Internal Control System) for the Tokyo Gas Group' at the meeting of its Board of Directors held on February 27, 2008 as follows:

##### **(1) Corporate structure and system for ensuring that Directors will execute their duties in conformity with the relevant acts, the Articles of Incorporation and other rules and regulations.**

- 1) The Company shall establish the 'Corporate Action Philosophy' and 'Our Code of Conduct' as the foundations of the compliance structure/system at the Tokyo Gas Group and its belonging member shall comply with them.
- 2) In order to ensure that its Directors and employees will comply with the 'Relevant Acts', the 'Management Principles', the 'Corporate Action Philosophy' and the 'Our Code of Conduct' the Company shall, pursuant to the provisions of the 'Business Ethics Committee Regulations', establish a Business Ethics Committee as a deliberating/coordinating organ to promote proper development/operation of the compliance structure and system at the Tokyo Gas Group.
- 3) The Company shall appoint an appropriate number of Outside Directors and Executive Officers in order to clarify separation of supervisory functions of management from executive functions of management and strengthen the managerial decision-making and supervisory functions of the Board of Directors.
- 4) The Company, in order to ensure objectivity and transparency of management, shall establish the advisory committee comprising Outside Directors, Outside Corporate Auditors and the Company's Directors as an advisory organ for deliberating on executive remuneration, etc.
- 5) The Board of Directors, pursuant to the provisions of the 'Regulations of the Board of Directors', shall establish the 'Basic policy on Development of Internal Control System for the Tokyo Gas Group'.
- 6) Directors charged with the execution of operations shall fulfill their role and responsibility for developing a system of internal controls in accordance with the basic policy determined by the Board of Directors.
- 7) The Company shall establish 'Regulations Concerning the Formulation, Implementation and Evaluation of Internal Controls Covering Financial Reporting' and, based on these Regulations, evaluate the effectiveness of internal controls relating to financial reporting and ensure the reliability of financial reports.
- 8) The Company shall establish 'Regulations Concerning Insider Trading Prevention and Timely Disclosure' and, based on these Regulations, prevent the practice of insider trading within the Group and ensure the appropriateness and promptness of information disclosure that is demanded of all listed corporations by the 'Securities Listing Regulations'.
- 9) Directors, if they discover any matter that may exert a material influence on management of the Tokyo Gas Group, shall inform the Board of Directors and Corporate Auditors of the said matter without delay.

- 10) The Company shall establish a corporate structure and system where corporate auditors would be empowered to audit the duties executed by Directors in accordance with the 'Corporate Audit Standards' established by the Board of Corporate Auditors.
- (2) Corporate structure and system for preserving and managing information relevant to execution of Directors' duties**
  - 1) The Company shall preserve and manage information relevant to execution of Directors' duties in a proper and secure manner according to preservation media and keep the said information available for inspection as needed, pursuant to the 'Document-handling Regulations' and the 'Information Security Management Regulations'.
- (3) Corporate structure and system for ensuring that Directors' duties will be executed in an efficient manner**
  - 1) The Board of Directors shall pass resolutions on the agendas submitted for deliberation and resolution pursuant to the provisions of the relevant acts, the Articles of Incorporation and the 'Regulations of the Board of Directors'. The Board of Directors, pursuant to the provisions of the said Regulations, shall in principle convene one meeting per month or convene one as needed. Of the agendas submitted to the Board of Directors, those agendas which require prior deliberations or are otherwise critical enough to affect management shall be deliberated on at the Management Committee comprising Executive President, Executive Vice Presidents and Senior Executive Officers.
  - 2) Details of the persons in charge of executing operations based on the decisions of the Board of Directors, their responsibilities, and the relevant executing procedures shall be prescribed in the 'Regulations on Office Organization', 'Regulations on the Mission Statement', and 'Regulations on Official Responsibilities and Authorized Powers'.
  - 3) The Representative Director shall report the status of operational execution to the Board of Directors pursuant to the provisions of the 'Regulations of the Board of Directors'.
  - 4) The Board of Directors shall formulate the 'Medium-Term Group Management Plan' and, based on the said Plan, establish principal management objectives and verify their progress periodically. The Board of Directors shall concurrently ensure that Directors will execute their duties in an efficient and effective manner by setting annual objectives by operating unit and affiliate and by managing operating performances.
- (4) Corporate structure, system and regulations on management of risks of loss**
  - 1) The Board of Directors shall establish 'Risk Management Regulations' to promote the management of risks incurred by the Group as well as a Risk Management Promotion Section, and specify 'material risks that the management should manage' as important risks associated with operational execution by the Group. The Board of Directors shall also review 'Principal Risks that the Management should manage' annually.
  - 2) All the units concerned with projects involving investments, equity participations, loans and debt guarantees shall evaluate their profitability and risks and, based on the said evaluation, submit the relevant agendas to the Management Committee or the Board of Directors for approval. Derivative transactions shall be executed pursuant to the provisions of the 'Regulations on Management of Market Risks'.
  - 3) In the event of any unforeseen circumstance such as a natural disaster, a manufacturing/supply trouble and a state of emergency, all the units concerned shall cope with the said circumstance in a prompt and proper manner by putting predetermined structures and systems in place in accordance with the 'Regulations on Emergency Countermeasures'.
  - 4) The Company shall establish a corporate structure and system that would cause each of its unit and affiliates to grasp risks associated with operational execution on its own, and manage such risks by formulating and implementing necessary countermeasures on its own.

- (5) Corporate structure and system for ensuring that employees will execute their duties in conformity with the relevant acts, the Articles of Incorporation, and other rules and regulations
- 1) In order to facilitate proper development/operation of the compliance structure and system within the Group, the Company shall establish a Compliance Department. In addition, the Company shall establish a ‘Tokyo Gas Group Compliance Consulting Unit’ to offer consulting services for the whole of the Group on contraventions of the acts and the Articles of Incorporation and other questionable compliance-related practices and acts.
  - 2) The Company shall establish a legal affairs unit with the General Administration Department with a view to further bolstering the corporate structure and system in which it’s Directors and employees will fully comply with the Antitrust Act, the Gas Enterprises Act, terms and conditions of gas supply, etc.
  - 3) The Company shall establish a corporate structure and system where Corporate Auditors would be empowered to audit the status of development/operation of its compliance structure and system and, if they detect or discover any problem, they would be entitled to demand that the situation be ameliorated.
  - 4) The Company shall establish an Internal Audit Department which must operate independently of any unit executing operations. The Internal Audit Department shall audit the status/operation of the Group’s accounting, operations, compliance, information system and risk management in accordance with the ‘Internal Audit Regulations’, and shall report its findings to the Management Committee and Corporate Auditors.
- (6) Corporate structure and system for ensuring appropriateness of operations at the corporate group including affiliates
- 1) The Company shall demand that its affiliates establish those rules and regulations which would be necessary for ensuring compliance with the ‘Corporate Action Philosophy’ and the ‘Our Code of Conduct’ and the appropriateness of operations. Each one of the affiliates’ Directors and Corporate Auditors shall assume the duty of due care and diligence of a good manager in ensuring the appropriateness of operations.
  - 2) The Company shall prescribe ‘Regulations on the Management of Affiliates’, and establish a corporate structure and system where its Directors would be empowered to manage its affiliates by approving and receiving reports on important matters including those related to its exercise of shareholder’s rights vis-à-vis the affiliates. The Company shall retain part of its powers over affiliates’ business operations.
  - 3) The Company shall establish a corporate structure and system where, if for purposes of affiliate management any of its affiliates is found to have a compliance-related problem including contravention of the acts or the Articles of Incorporation, the relevant affiliate would be required to report such a problem to Compliance Department or other units of the Company as appropriate. In connection with the said problem, each one of the relevant affiliate’s Director and Corporate Auditors shall assume the duty of due care and diligence of a good manager.
  - 4) If any of the Company’s Directors detects or discovers any principal compliance-related problem at any affiliate including contravention of the acts or the Articles of Incorporation, he/she shall report the said problem to the Management Committee and Corporate Auditors without delay.
  - 5) The Company shall establish a corporate structure and system where its Corporate Auditors would be able to conduct their audits of affiliates in an efficient and effective manner in close coordination with Corporate Auditors of the relevant affiliates and Internal Audit Department. The Company shall also establish a corporate structure and system where, if audit findings reveal the presence of a problem in ensuring the appropriateness of operations of the whole of the Tokyo Gas Group, Corporate Auditors would be empowered to demand that the relevant Director ameliorate the situation.



- 6) The Company shall establish a corporate structure and system where Internal Audit Department would be able to conduct its audits of affiliates in an efficient and effective manner in close coordination with the Corporate Auditors of the Company and affiliates, and report its findings to the Management Committee, corporate auditors, and the Directors and Corporate Auditors of the relevant affiliates.
- (7) Matters related to employees who are assigned to assist in the duties of Corporate Auditors, and matters related to independence of the relevant employees from Directors**
  - 1) With the aim of providing its Corporate Auditors with necessary assistance, the Company shall establish a Corporate Auditors' Office staffed by full-time personnel who would operate independently of any unit executing operations.
  - 2) The Board of Directors shall pass a resolution on appointment or dismissal of the manager of the Corporate Auditors' Office subject to consent of Corporate Auditors. The Board of Directors shall decide on human resources-related matters of the said manager and other employees subject to consent of Corporate Auditors.
- (8) Corporate structures and systems for reporting by Directors and employees to Corporate Auditors, for reporting to other Corporate Auditors, and for ensuring that Corporate Auditors' audits will be executed in an effective manner**
  - 1) The Company shall establish a corporate structure and system where its Corporate Auditors would be able to demand, as needed, that Directors and employees inform them of any matters necessary for execution of their duties.
  - 2) The Company shall guarantee that Corporate Auditors will have an opportunity to exchange views with Directors as needed; that they will be allowed to attend principal meetings and express their views on lawfulness, etc. as needed; and that they will have access to important information.
  - 3) The Company shall establish a corporate structure and system where its Corporate Auditors would be able to ensure the effectiveness of their audits by coordinating with Independent Auditor, Corporate Auditors of its affiliates and Internal Audit Department.

## 7. Policy on Determination of Dividends from Surplus and Others

The Company has clarified the targeted distribution to its shareholders by determining the policy on allocation of its cash flow under the 'Tokyo Gas Group Medium-Term Management Plan FY2009-2013,' as described as follows:

The Company will actively apply the cash flow it has generated through steady execution of the 'Tokyo Gas Group Medium-Term Management Plan FY2009-2013' to investments and loans in strengthening LNG value chain and others which would be the base of the Tokyo Gas Group's sustained growth for the future, and will simultaneously allocate the fruitage of its management to the shareholders in an appropriate manner.

Specifically, Tokyo Gas has continuously positioned acquisition of own share, in addition to dividends, as a form of its return to the shareholders, and has set the targeted gross distribution propensity (\*) at 60% for the length of the medium-term management plan.

$$(*) \text{ n FY gross distribution propensity} = \frac{(\text{n FY total dividends}) + (\text{n+1 FY acquisition of own share})}{\text{n FY consolidated net income}}$$

## 8. Basic Policy on Control of a Joint-Share Corporation

Based on the ‘Tokyo Gas Group Medium-Term Management Plan FY2009-2013,’ the Company passed at the meeting of its Board of Directors held on March 25, 2009, a resolution on amendment of the ‘Basic Policy on the Management Principles and Control of the Tokyo Gas Group’ as follows:

The Tokyo Gas Group supplies city gas in a safe and stable manner to roughly ten million accounts of corporate and individual customers mainly in the greater metropolitan Tokyo region, and conducts businesses of extremely high public interest by offering the best possible mixture of various energies including gas, heat and electricity and by helping customers lead a comfortable life and build environment-friendly cities. The Group makes it one of its fundamental principles to continue to grow while enjoying a constant trust of its customers and shareholders.

Under the ‘Tokyo Gas Group Medium-Term Management Plan FY2009-2013,’ the Group is currently evolving and developing ‘comprehensive energy business with natural gas, a core segment’ and is aiming for its sustained growth by further promoting and expanding a natural gas market. To this end, the Group is making active investments to strengthen the LNG value chain and others, and is enhancing ‘All Tokyo Gas’ comprehensive strength.

It is the basic management policy of the Company to achieve a stable long-term management and a steady enhancement of corporate value on the strength of these management principles and medium- and long-term business strategies, and to simultaneously allocate profits to its customers, shareholders and other stakeholders in a stable and balanced manner. With respect to financial returns to shareholders, the Company aims to set its gross distribution propensity (the ratio of the amount of dividends and acquisition of own share to net income) at 60% for the length of the current medium-term management plan.

The Company, as a Listed Company, expects it could be posed by any party attempting to acquire a massive quantity of its shares or making a buyoff proposal, but whether to accept it should ultimately be determined by the intent of the entire body of the Company’s shareholders. By looking at their purpose, method and others, however, the Company considers some of these massive share-purchasing attempts could damage its corporate value and joint interests of its customers and shareholders, and would find them to be inappropriate. In making this judgment, the Company would carefully examine impacts the relevant act of purchasing or buyoff proposal might have on the Company’s corporate value and joint interests of customers and shareholders on the basis of the relevant purchaser’s actual business operations, future business plans, past investment behavior, etc.

The Company considers ‘increasing corporate value’ is the most effective defensive measure against an act of inappropriate massive share-purchasing and is making an effort to consistently achieve the medium-term management plan to this end. At this particular time, no specific threat to the Company is being posed by buyoff, and the Company does not currently intend to have any specific predetermined measures (the so-called ‘poison pills’) in place. However, the Company does intend to constantly watch the conditions of the trading of its shares and will take immediate countermeasures as deemed appropriate if any party is found to be attempting to acquire a massive quantity of its shares.

[English Translation of Financial Statements Originally Issued in the Japanese Language]

**Consolidated Balance Sheet**

As of March 31, 2009

(Millions of yen)

<b>ASSETS</b>	
Noncurrent Assets.....	1,352,068
Property, plant and equipment.....	1,110,852
Production facilities.....	193,613
Distribution facilities.....	490,809
Service and maintenance facilities.....	60,510
Other facilities.....	297,643
Inactive facilities.....	316
Construction in progress.....	67,957
Intangible assets.....	26,049
Goodwill.....	1,233
Other.....	24,816
Investments and other assets.....	215,166
Investment securities.....	109,173
Long-term loans receivable.....	24,839
Deferred tax assets.....	46,212
Other.....	35,847
Allowance for doubtful accounts.....	(906)
Current Assets.....	412,117
Cash and deposits.....	66,905
Notes and accounts receivable-trade.....	166,542
Lease receivables and lease investment assets.....	25,594
Merchandise and finished goods.....	3,807
Work in process.....	43
Raw materials and supplies.....	56,905
Deferred tax assets.....	13,461
Other.....	79,431
Allowance for doubtful accounts.....	(574)
<b>Total Assets.....</b>	<b>1,764,185</b>

(Millions of yen)

<b>LIABILITIES AND NET ASSETS</b>	
<b>LIABILITIES</b>	
Noncurrent Liabilities.....	633,223
Bonds payable.....	291,490
Long-term loans payable.....	207,741
Deferred tax liabilities.....	3,654
Provision for retirement benefits.....	100,734
Provision for gas holder repairs.....	3,555
Provision for safety measures.....	1,450
Other.....	24,597
Current Liabilities.....	346,345
Current portion of noncurrent liabilities.....	88,169
Notes and accounts payable-trade.....	103,319
Short-term loans payable.....	5,910
Income taxes payable.....	34,894
Deferred tax liabilities.....	2
Other.....	114,048
<b>Total Liabilities.....</b>	<b>979,568</b>
<b>NET ASSETS</b>	
Shareholders' Equity.....	722,594
Capital stock.....	141,844
Legal capital surplus.....	2,065
Retained earnings.....	631,045
Treasury stock.....	(2,361)
Valuation and translation adjustments.....	(228)
Valuation difference on available-for-sale securities.....	11,466
Deferred gains or losses on hedges.....	920
Foreign currency translation adjustment.....	(12,615)
Minority interests.....	12,250
<b>Total Net Assets.....</b>	<b>784,616</b>
<b>Total Liabilities and Net Assets.....</b>	<b>1,764,185</b>

## **Consolidated Statement of Income**

From April 1, 2008 to March 31, 2009

(Millions of yen)

Net sales.....	1,660,162
Cost of sales.....	1,139,791
[Gross profit].....	[520,371]
Supply and sales expenses.....	381,177
General and administrative expenses.....	73,989
[Operating income].....	[65,204]
Non-operating income.....	15,675
Interest income.....	1,089
Dividend income.....	1,675
Equity in earnings of affiliates.....	5,529
Miscellaneous income.....	7,381
Non-operating expenses.....	22,542
Interest expenses.....	10,869
Adjustments of charges for construction of distribution facilities.....	3,257
Miscellaneous expenses.....	8,415
[Ordinary income].....	[58,337]
Extraordinary income.....	10,775
Gain on adjustment for changes of ‘Accounting Standard for Lease Transactions’.....	7,846
Gain on transfer of benefit obligation relating to employees’ pension fund.....	1,570
Gain on transfer of business.....	1,359
Extraordinary losses.....	1,076
Loss on valuation of investment securities.....	1,076
[Income before income taxes].....	[68,037]
Income taxes-current.....	27,630
Income taxes-deferred.....	(2,366)
Minority interests in income.....	1,064
Net income.....	41,708

## Consolidated Statement of Changes in Net Assets

From April 1, 2008 to March 31, 2009

(Millions of yen)

	Shareholders' equity				
	Capital stock	Legal capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2008	141,844	2,065	634,116	(42,774)	735,251
Changes at the beginning of current year due to application of PITF No.18			94		94
Changes of items during the period					
Dividends from surplus			(21,200)		(21,200)
Net income			41,708		41,708
Purchase of treasury stock				(10,462)	(10,462)
Disposal of treasury stock			(11,710)	39,252	27,542
Retirement of treasury stock			(11,622)	11,622	
Change of scope of consolidation			(340)		(340)
Net changes of items other than shareholders' equity	/	/	/	/	/
Total changes of items during the period	—	—	(3,165)	40,413	37,247
Balance as of March 31, 2009	141,844	2,065	631,045	(2,361)	772,594

	Valuation and translation adjustments				Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total valuation and translation adjustments		
Balance as of March 31, 2008	31,917	424	1,479	33,820	11,382	780,455
Changes at the beginning of current year due to application of PITF No.18						94
Changes of items during the period						
Dividends from surplus	/	/	/	/	/	(21,200)
Net income	/	/	/	/	/	41,708
Purchase of treasury stock	/	/	/	/	/	(10,462)
Disposal of treasury stock	/	/	/	/	/	27,542
Retirement of treasury stock	/	/	/	/	/	—
Change of scope of consolidation	/	/	/	/	/	(340)
Net changes of items other than shareholders' equity	(20,451)	496	(14,094)	(34,048)	867	(33,180)
Total changes of items during the period	(20,451)	496	(14,094)	(34,048)	867	4,066
Balance as of March 31, 2009	11,466	920	(12,615)	(228)	12,250	784,616

## Notes to the Consolidated Financial Statements

From April 1, 2008 to March 31, 2009

### **[Basis of Preparing Consolidated Financial Statements]**

#### 1. Scope of consolidation

##### (1) Number of consolidated subsidiaries

Consolidated subsidiaries: 57

Names of principal consolidated subsidiaries

Tokyo Gas Urban Development Co., Ltd., Tokyo Gas Toyosu Development Co., Ltd., Nagano Toshi Gas Inc., ENERGY ADVANCE Co., Ltd., Gaster Co., Ltd., Tokyo LNG Tanker Co., Ltd., Tokyo Gas Energy Co., Ltd., Capty Co., Ltd., Tokyo Gas Chemicals Co., Ltd., Park Tower Hotel Co., Ltd., Tokyo Gas Yokosuka Power Co., Ltd., Chiba Gas Co., Ltd., TG Credit Services Co., Ltd., TG Information Network Co., Ltd., Tsukuba Gakuen Gas Co., Ltd., Tokyo Gas Engineering Co., Ltd., Tokyo Gas Customer Service Co., Ltd. and Capty-Livelic Co., Ltd.

##### (2) Names, etc. of principal unconsolidated subsidiaries

The Company's principal unconsolidated subsidiary is Ohgishima Power Co., Ltd.

Since the total amounts of the Company in the combined assets, sales and net income for FY 2008 and in the retained earnings of unconsolidated subsidiaries were respectively small in value terms and qualitatively of little importance, such companies had a materially insignificant impact on the Consolidated Financial Statements and were therefore excluded from the scope of consolidation.

#### 2. Application of equity method

##### (1) Number of principal equity-method affiliates and unconsolidated subsidiaries

Number of unconsolidated subsidiaries accounted for by the equity method: 0

Number of equity-method affiliates: 4

Name of principal equity-method affiliates: TOKYO TIMOR SEA RESOURCES INC.  
GAS MALAYSIA SDN. BHD.

##### (2) Names, etc. of principal affiliates and unconsolidated subsidiaries not accounted for by the equity method

The Company's principal affiliate or unconsolidated subsidiary not accounted for by the equity method is Ark Hills Heat Supply Co., Ltd.

The unconsolidated subsidiaries and affiliates not accounted for by the equity method were excluded from the scope of application of equity methods, due to the immaterial effect of Company's total interest on their net income and retained earnings to the Consolidated Financial Statements and totally insignificant.

#### 3. Accounting policies

##### (1) Valuation standards and asset valuation methods for significant assets

###### 1) The basis and method of valuation of securities are as follows:

Held-to-maturity debt securities are stated at amortized cost.

Available-for-sale securities for which market value is readily determinable are carried at market value at the year end, with unrealized gains and losses, net of applicable taxes, reported in a separate component of net assets. The cost of securities sold is determined based on the moving-average method.

Available-for-sale securities with no readily determinable fair market value are stated at cost, as determined by the moving-average method.

###### 2) Derivative is valued by market value method.

###### 3) Inventories (finished goods, raw materials and supplies) are stated at cost, as determined by the moving-average method (consolidated balance sheet amounts are calculated using the book value reduction method based on the reduction in profitability).

- (2) The method of depreciation of material noncurrent assets
- 1) Depreciation of property, plant and equipment is computed by the declining-balance method. However, the straight-line method is applied for buildings (excluding building fixtures) acquired on or after April 1, 1998. Durable years are determined based on the 'Corporation Tax Act'.
  - 2) Depreciation of intangible assets is computed by the straight-line method. Software for internal use is amortized by the straight-line method over the internally available period.

(3) Standard for provision

- 1) To reserve for loss on doubtful accounts such as accounts receivable-trade and loans, etc., general allowances are provided using a rate determined by past bad debts experience and also specific allowances are provided for the estimated amounts considered to be uncollectible after reviewing individual collectibles of certain doubtful accounts such as bankruptcy/rehabilitation claims.
- 2) The Company and consolidated subsidiaries provided provision for retirement benefits at March 31, 2009 based on the estimated amounts of projected benefit obligation and the fair value of the pension plan assets at that date.  
Actuarial differences are recorded as expenses in one lump-sum from the following FY.
- 3) The Company and certain consolidated subsidiaries provided provision for gas holder repairs for periodic maintenance and repair of spherical gas holding tanks by accruing the estimated related costs over the period until the next scheduled repair.
- 4) Provision for safety measures is an allowance to provide outlays for expenses required to ensure the safety of gas consumers. We have included the estimated amount for expenses required following the end of the current FY to provide outlays for expenses required for awareness-raising activities related to the safe use of gas appliances unequipped to prevent incomplete combustion, and expenses required to promote conversion to safe appliances.

(4) Important matters for preparing consolidated balance sheet

- 1) All accounting transactions are booked exclusive of consumption taxes.
- 2) Method and period of amortization of goodwill  
Goodwill is amortized over twenty years or less (mainly ten years) under the straight-line method.

4. Assets and liabilities of the Company's subsidiaries

The assets and liabilities of the consolidated subsidiaries, including the portion attributable to minority shareholders, are recorded based on the fair value at the time the Company acquire control of the respective subsidiaries.

5. Changes in basis of preparing Consolidated Financial Statements

(1) Valuation standards and valuation methods for significant assets (inventory assets)

Effective April 1, 2008, the 'Accounting Standard for the Valuation of Inventory Assets' (ASBJ Statement No. 9 of July 5, 2006) has been adopted.

The impact of this change on the Consolidated Statement of Income is minimal.

(2) Accounting Standard for Lease Transactions

Effective April 1, 2008, with the application of the 'Accounting Standard for Lease Transactions' (ASBJ Statement No.13 of June 17, 1993 [1<sup>st</sup> Committee of the Business Accounting Council], revised on March 30, 2007) and of the 'Guidance on Accounting Standard for Lease Transactions' (ASBJ Statement Guidance No. 16 of January 18, 1994 [Japanese Institute of Certified Public Accountants, Accounting Systems Committee], revised on March 30, 2007) have been adopted.

The impact of this change on the Consolidated Statement of Income of lessees is minimal.

The impact of this change on the operating income and ordinary income of lessors is also minimal, but resulted in an increase of ¥7,715 million yen in income before income taxes.



(3) Temporary procedures concerning the accounting treatment of foreign subsidiaries in the preparation of Consolidated Financial Statements

Effective April 1, 2008, the procedures specified by 'Temporary Procedures Concerning the Accounting Treatment of Foreign Subsidiaries in the Preparation of Consolidated Financial Statements' (ASBJ Practical Issues Task Force (PITF) No. 18 of May 17, 2006) have been adopted, and the necessary revisions are made to the Consolidated Financial Statements.

The impact of this change on the Consolidated Statement of Income is minimal.

**[Explanatory notes to the consolidated balance sheet]**

1. Assets pledged as collateral

(1) Breakdown of assets

Distribution facilities	¥6,494 million
Service and maintenance facilities	¥13 million
Other facilities	¥11,794 million
Investment securities	¥355 million
Long-term loans receivable	¥36 million
Cash and deposits	¥1,907 million

(2) Liabilities related to collateral

Long-term loans payable	¥9,584 million
(In above, Current portion of noncurrent liabilities	¥1,513 million)
Other (Current liabilities)	¥56 million

2. Accumulated depreciation for property, plant and equipment ¥2,915,715 million

3. Contingent liabilities for guarantees etc.

(1) Contingent liabilities for guarantee	¥6,050 million
(2) Contingent liabilities related to debt-assumption underwriting contracts on corporate bonds	¥38,700 million

**[Explanatory notes to the consolidated statement of changes in net assets]**

1. Number of shares issued FY2008 ended March 31, 2009 2,717,571,295 shares

2. Dividends

(1) Dividends from surplus of this FY

1) The following was decided by the resolution of the Ordinary General Meeting of Shareholders held on June 27, 2008.

Dividends of common share	
a Total amount of dividends	¥10,626 million
b Dividends per share	¥4.00
c Date of record	March 31, 2008
d Effective date	June 30, 2008

2) The following was decided by the meeting of the Board of Directors held on October 31, 2008.

Dividends of common share	
a Total amount of dividends	¥10,574 million
b Dividends per share	¥4.00
c Date of record	September 30, 2008
d Effective date	November 26, 2008

(2) Dividends from surplus after this FY

The following will be proposed at the Ordinary General Meeting of Shareholders held on June 26, 2009.

Dividends of common share	
a Total amount of dividends	¥10,850 million
b Resource of dividends	Retained earnings
c Dividend per share	¥4.00
d Date of record	March 31, 2009
e Effective date	June 29, 2009

**[Explanatory notes regarding per share information]**

- |                         |         |
|-------------------------|---------|
| 1. Net assets per share | ¥284.72 |
| 2. Net income per share | ¥15.63  |

**[Explanatory notes to material subsequent events]**

The Company has resolved to acquire the own share in accordance with Article 156 of the Companies Act as applied mutatis mutandis to Article 165, Paragraph 3 of the act by the meeting of the Board of Directors held on April 28, 2009.

Details of the acquisition of own share, are as follows:

Number of shares to be acquired

15,000 thousand shares (maximum number)

The grant of money and details in exchange for acquired shares

Cash ¥5,000 million (maximum amount)

Terms for acquiring shares

From April 30, 2009 to October 30, 2009

**[Explanatory notes]**

1. Adjustment of the cost for raw materials is subject to movements on trading contract renewals or price negotiations thereof with gas resource suppliers.
2. All amounts of less than one million yen have been rounded down in the accounts.

Transcript

## **Independent Auditors' Report**

May 15, 2009

The Board of Directors  
Tokyo Gas Co., Ltd.

KPMG AZSA & Co.

Atsuki Kanazuka  
Designated and Engagement Partner  
Certified Public Accountant

Koji Kakinuma  
Designated and Engagement Partner  
Certified Public Accountant

Osamu Nakai  
Designated and Engagement Partner  
Certified Public Accountant

We have audited the consolidated statutory report, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the notes to the consolidated financial statements of Tokyo Gas Co., Ltd. as of March 31, 2009 and for the year from April 1, 2008 to March 31, 2009 in accordance with Article 444(4) of the 'Companies Act'. The consolidated statutory report is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated statutory report based on our audit as independent auditors.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require us to obtain reasonable assurance about whether the consolidated statutory report is free of material misstatement. An audit is performed on a test basis, and includes assessing the accounting principles used, the method of their application and estimates made by management, as well as evaluating the overall presentation of the consolidated statutory report. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated statutory report referred to above presents fairly, in all material respects, the financial position and the results of operations of Tokyo Gas Co., Ltd. and its consolidated subsidiaries for the period, for which the consolidated statutory report was prepared, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following.

1. As described as Basis of Preparing Consolidated Financial Statements in Notes to the Consolidated Financial Statements, effective April 1, 2008, the Company has been applying the "Accounting Standard for Lease Transactions".
2. As described as Explanatory notes to material subsequent events in Notes to the Consolidated Financial Statements, the Company decided to acquire the treasury stock on April 28, 2009.

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the 'Certified Public Accountants Act'.

**Non-Consolidated Balance Sheet**

As of March 31, 2009

(Millions of yen)

<b>ASSETS</b>	
Noncurrent Assets.....	1,169,671
Property, plant and equipment.....	767,856
Production facilities.....	193,833
Distribution facilities.....	471,730
Service and maintenance facilities.....	56,651
Facilities for incidental businesses.....	3,612
Inactive facilities.....	316
Construction in progress.....	41,713
Intangible assets.....	22,042
Lease hold right.....	1,263
Software.....	15,728
Other.....	5,050
Investments and other assets.....	379,771
Investment securities.....	48,938
Investments in subsidiaries and affiliates.....	142,320
Long-term loans receivable.....	171
Long-term loans receivable from subsidiaries and affiliates.....	121,482
Investments in capital.....	13
Long-term prepaid expenses.....	23,586
Deferred tax assets.....	39,576
Other.....	4,176
Allowance for doubtful accounts.....	(494)
Current Assets.....	302,673
Cash and deposits.....	23,114
Notes receivable-trade.....	650
Accounts receivable-trade.....	106,418
Accounts receivable from subsidiaries and affiliates.....	25,059
Accounts receivable-other.....	22,176
Short-term investment securities.....	1
Finished goods.....	107
Raw materials.....	44,899
Supplies.....	7,920
Prepaid expenses.....	653
Short-term loans receivable from subsidiaries and affiliates.....	21,315
Short-term receivables from subsidiaries and affiliates.....	2,169
Deferred tax assets.....	10,286
Other.....	38,429
Allowance for doubtful accounts.....	(527)
<b>Total Assets.....</b>	<b>1,472,344</b>

(Millions of yen)

<b>LIABILITIES AND NET ASSETS</b>	
<b>LIABILITIES</b>	
Noncurrent Liabilities.....	510,575
Bonds payable.....	277,690
Long-term loans payable.....	133,737
Long-term debt to subsidiaries and affiliates.....	324
Provision for retirement benefits.....	90,838
Provision for gas holder repairs.....	3,231
Provision for safety measures.....	1,331
Other.....	3,423
Current Liabilities.....	299,109
Current portion of noncurrent liabilities.....	66,782
Accounts payable-trade.....	77,097
Accounts payable-other.....	31,776
Accrued expenses.....	31,801
Income taxes payable.....	28,615
Advances received.....	5,169
Deposits received.....	1,511
Short-term loans payable to subsidiaries and affiliates.....	28,813
Short-term debt to subsidiaries and affiliates.....	22,156
Other.....	5,386
<b>Total Liabilities.....</b>	<b>809,685</b>
<b>NET ASSETS</b>	
Shareholders' equity.....	652,581
Capital stock.....	141,844
Capital stock.....	141,844
Capital surplus.....	2,065
Legal capital surplus.....	2,065
Retained earnings.....	511,032
Legal retained earnings.....	35,454
Other retained earnings.....	475,578
Reserve for advanced depreciation of noncurrent assets.....	910
Reserve for overseas investment loss.....	2,024
Reserve for adjustment of cost fluctuations.....	141,000
General reserve.....	299,000
Retained earnings brought forward.....	32,644
Treasury stock.....	(2,361)
Treasury stock.....	(2,361)
Valuation and translation adjustments.....	10,077
Valuation difference on available-for-sale securities.....	9,429
Valuation difference on available-for-sale securities.....	9,429
Deferred gains or losses on hedges.....	647
Deferred gains or losses on hedges.....	647
<b>Total Net Assets.....</b>	<b>662,658</b>
<b>Total Liabilities and Net Assets.....</b>	<b>1,472,344</b>

## Non-Consolidated Statement of Income

From April 1, 2008 to March 31, 2009

(Millions of yen)

Product sales.....	1,225,737
Gas sales.....	1,225,737
Cost of sales.....	773,765
Beginning inventories.....	119
Cost of products manufactured.....	763,228
Purchase of finished goods.....	13,651
Costs of gas for own use.....	3,127
Ending inventories.....	107
[Gross profit].....	[451,972]
Supply and sales expenses.....	337,000
General and administrative expenses.....	75,882
[Income on core business].....	[39,089]
Miscellaneous operating revenue.....	139,963
Revenue from installation work.....	41,923
Revenue from gas appliance sales.....	95,870
Third party access revenue.....	212
Other miscellaneous operating revenue.....	1,957
Miscellaneous operating expenses.....	137,273
Expenses of installation work.....	42,755
Expenses of gas appliances sales.....	94,518
Revenue for incidental businesses.....	82,453
Revenue from LNG sales.....	36,660
Revenue from power sales.....	19,284
Revenue from other incidental businesses.....	26,508
Expenses for incidental businesses.....	81,685
Expenses for LNG sales.....	35,901
Expenses for power sales.....	20,099
Expenses for other incidental businesses.....	25,684
[Operating income].....	[42,547]
Non-operating income.....	13,721
Interest income.....	2,042
Dividend income.....	2,117
Rent income.....	4,249
Miscellaneous income.....	5,311
Non-operating expenses.....	16,404
Interest expenses.....	2,304
Interest on bonds.....	6,484
Amortization of bond issuance cost.....	74
Adjustments of charges for construction of distribution facilities.....	3,407
Miscellaneous expenses.....	4,133
[Ordinary income].....	[39,864]
Extraordinary income.....	
Extraordinary loss.....	1,062
Loss on valuation of investment securities.....	1,062
[Income before income taxes].....	[38,801]
Income taxes-current.....	19,210
Income taxes-deferred.....	(5,496)
Net income.....	25,087

## Non-Consolidated Statement of Changes in Net Assets

From April 1, 2008 to March 31, 2009

(Millions of yen)

	Shareholders' equity											
	Capital stock	Capital surplus			Retained earnings							Total retained earnings
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings							
					Reserve for advanced depreciation of noncurrent assets	Reserve for overseas investment loss	Reserve for depreciation of specified gas pipeline construction	Reserve for adjustment of cost fluctuation	General reserve	Retained earnings brought forward		
Balance as of March 31, 2008	141,844	2,065	2,065	35,454	910	1,800	356	141,000	299,000	51,957	530,478	
Changes of items during the period												
Provision of reserve for overseas investment loss						224				(224)		
Reversal of reserve for depreciation of specified gas pipeline construction							(356)			356		
Dividends from surplus										(21,200)	(21,200)	
Net income										25,087	25,087	
Purchase of treasury stock												
Disposal of treasury stock										(11,710)	(11,710)	
Retirement of treasury stock										(11,622)	(11,622)	
Net Changes of items other than shareholders' equity	/	/	/	/	/	/	/	/	/	/	/	
Total changes of items during the period	-	-	-	-	-	224	(356)	-	-	(19,313)	(19,446)	
Balance as of March 31, 2009	141,844	2,065	2,065	35,454	910	2,024	-	141,000	299,000	32,644	511,032	

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total Valuation and translation adjustments	
Balance as of March 31, 2008	(42,774)	631,614	27,727	658	28,385	660,000
Changes of items during the period						
Provision of reserve for overseas investment loss			/	/	/	/
Reversal of reserve for depreciation of specified gas pipeline construction			/	/	/	/
Dividends from surplus		(21,200)	/	/	/	(21,200)
Net income		25,087	/	/	/	25,087
Purchase of treasury stock	(10,462)	(10,462)	/	/	/	(10,462)
Disposal of treasury stock	39,252	27,542	/	/	/	27,542
Retirement of treasury stock	11,622		/	/	/	/
Net Changes of items other than shareholders' equity	/	/	(18,297)	(10)	(18,308)	(18,308)
Total changes of items during the period	40,413	20,966	(18,297)	(10)	(18,308)	2,658
Balance as of March 31, 2009	(2,361)	652,581	9,429	647	10,077	662,658

## Notes to the Non-Consolidated Financial Statements

From April 1, 2008 to March 31, 2009

### 1. Significant accounting policies

#### (1) Asset valuation standards and asset valuation methods

- 1) The basis and method of valuation of securities are as follows:

Held-to-maturity debt securities are stated at amortized cost.

Stocks issued by subsidiaries and affiliated companies are stated at cost, as determined by the moving-average method.

Available-for-sale securities for which market value is readily determinable are carried at market value at the year end, with unrealized gains and losses, net of applicable taxes, reported in a separate component of net assets. The cost of securities sold is determined based on the moving-average method.

Available-for-sale securities with no readily determinable fair market value are stated at cost, as determined by the moving-average method.

- 2) Derivatives are valued by market value method.

- 3) Inventories (finished goods, raw materials and supplies) are stated at cost, as determined by the moving-average method (balance sheet amounts are calculated using the book value reduction method based on the reduction in profitability).

#### (2) The method of depreciation of noncurrent assets

- 1) Depreciation of property, plant and equipment is computed by the declining-balance method. However, the straight-line method is applied for buildings (excluding building fixtures) acquired on or after April 1, 1998. Durable years are determined based on the 'Corporation Tax Act'.

- 2) Depreciation of intangible assets is computed by the straight-line method.

Software for internal use is amortized by the straight-line method over the internally available period.

#### (3) Standard for provision

- 1) To reserve for loss on doubtful accounts such as accounts receivable-trade and loans, etc., general allowances are provided using a rate determined by past bad debts experience and also specific allowances are provided for the estimated amounts considered to be uncollectible after reviewing individual collectibles of certain doubtful accounts such as bankruptcy/rehabilitation claims.

- 2) The Company provided provision for retirement benefits at March 31, 2009 based on the estimated amounts of projected benefit obligation and the fair value of the pension plan assets at that date.

Actuarial differences are recorded as expenses in one lump-sum from the following FY.

- 3) The Company provided provision for gas holder repairs for periodic maintenance and repair of spherical gas holding tanks by accruing the estimated related costs over the period until the next scheduled repair.

- 4) Provision for safety measures is an allowance to provide outlays for expenses required to ensure the safety of gas consumers. We have included the estimated amount for expenses required following the end of the FY to provide outlays for expenses required for awareness-raising activities related to the safe use of gas appliances unequipped to prevent incomplete combustion, and expenses required to promote conversion to safe appliances.

#### (4) All accounting transactions are booked exclusive of consumption taxes.

#### (5) Changes in accounting principles or accounting procedures

- 1) Effective April 1, 2008, the 'Accounting Standard for the Valuation of Inventory Assets' (ASBJ Statement No. 9 of July 5, 2006) has been adopted.

The impact of this change on the Non-consolidated Statement of Income is minimal.



- 2) Accounting Standard for Lease Transactions  
 Effective April 1, 2008, with the application of the ‘Accounting Standard for Lease Transactions’ (ASBJ Statement No.13 of June 17, 1993 [1<sup>st</sup> Committee of the Business Accounting Council], revised on March 30, 2007) and of the ‘Guidance on Accounting Standard for Lease Transactions’ (ASBJ Statement Guidance No. 16 of January 18, 1994 [Japanese Institute of Certified Public Accountants, Accounting Systems Committee], revised on March 30, 2007) have been adopted. The impact of this change on the Non-consolidated Statement of Income is minimal.

(6) Changes in presentation

As a result of the amendment of gas accounting rules, ‘Third party access revenue’ in the Non-consolidated Statement of income defined by the rules is separately indicated from ‘Other miscellaneous operating revenue’ for the FY under review.

2. Explanatory notes to the non-consolidated balance sheet

(1) Assets pledged as collateral

Investment securities	¥320 million
Investments in subsidiaries and affiliates	¥850 million
Long-term loans receivable	¥36 million
Long-term loans receivable from subsidiaries and affiliates	¥1,404 million
(Amount of liabilities secured by the collaterals	— )

(The above assets are pledged as collateral against debts incurred by companies in which the Company has invested.)

(2) Accumulated depreciation

Property, plant and equipment	¥2,457,094 million
Intangible assets	¥18,471 million

(3) Contingent liabilities for guarantees, etc.

Contingent liabilities for guarantee	¥31,302 million
Joint and several liabilities	¥13,836 million
Contingent liabilities related to debt-assumption underwriting contracts on corporate bonds	¥38,700 million

3. Explanatory notes to the non-consolidated statement of income

Trading volume with subsidiaries and affiliates	
Net sales	¥144,737 million
Purchases	¥183,892 million
Trading volume other than net sales and purchases	¥7,116 million

4. Explanatory notes to the non-consolidated statement of changes in net assets

Number of shares of treasury stock as of the end of the FY under review	4,884,659 shares
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5. Explanatory notes regarding deferred tax accounting

Principal sources of deferred tax assets and deferred tax liabilities

Deferred tax assets

Provision for retirement benefits

Deferred tax liabilities

Valuation difference on available-for-sale securities

6. Explanatory notes regarding transactions with related parties

Subsidiaries

Name	Percentage of voting rights holding (or being held) (%)	Relationship with regarding transactions	Contents of transaction	Amount of transaction (millions of yen)	Account name	Amount outstanding as of the end of the FY2008 (millions of yen)
Tokyo Gas Pluto Pty Ltd	Holding Indirect 100.0	Subsidiaries	Loan guarantee	21,688	-	-

Business terms and policies for determination of business terms

A decision is made comprehensively after due consideration of the project plan.

7. Explanatory notes regarding per share information

Net assets per share

¥244.28

Net income per share

¥9.40

8. Explanatory notes to material subsequent events

The Company has resolved to acquire own share in accordance with Article 156 of the 'Companies Act' as applied mutatis mutandis to Article 165, Paragraph 3 of the act by the meeting of the Board of Directors held on April 28, 2009.

Details of the acquisition of own share, are as follows:

Number of shares to be acquired

15,000 thousand shares (maximum number)

The grant of money and details in exchange for acquired shares

Cash ¥5,000 million (maximum amount)

Terms for acquiring shares

From April 30, 2009 to October 30, 2009

9. Other explanatory notes

- (1) 'Accounting Standard for Related Party Disclosures' (ASBJ Statement No. 11, October 17, 2006) and 'Guidance on Accounting Standard for Related Party Disclosures' (ASBJ Statement Guidance No. 13, October 17, 2006) have been adopted from the FY under review.
- (2) Adjustment of the cost for raw materials is subject to movements on trading contract renewals or price negotiations thereof with gas resource suppliers.

10. All amounts of less than one million yen have been rounded down in the accounts.

## **Independent Auditors' Report**

May 15, 2009

The Board of Directors  
Tokyo Gas Co., Ltd.

KPMG AZSA & Co.

Atsuki Kanazuka  
Designated and Engagement Partner  
Certified Public Accountant

Koji Kakinuma  
Designated and Engagement Partner  
Certified Public Accountant

Osamu Nakai  
Designated and Engagement Partner  
Certified Public Accountant

We have audited the statutory report, comprising the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in net assets and the notes to the non-consolidated financial statements, and its supporting schedules of Tokyo Gas Co., Ltd. as of March 31, 2009 and for the 209<sup>th</sup> business year from April 1, 2008 to March 31, 2009 in accordance with Article 436(2) of the 'Companies Act'. The statutory report and supporting schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the statutory report and supporting schedules based on our audit as independent auditors.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require us to obtain reasonable assurance about whether the statutory report and supporting schedules are free of material misstatement. An audit is performed on a test basis, and includes assessing the accounting principles used, the method of their application and estimates made by management, as well as evaluating the overall presentation of the statutory report and supporting schedules. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statutory report and supporting schedules referred to above present fairly, in all material respects, the financial position and the results of operations of Tokyo Gas Co., Ltd. for the period, for which the statutory report and supporting schedules were prepared, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following.

As described as Explanatory notes to material subsequent events in Notes to the Non-Consolidated Financial Statements, the Company decided to acquire the treasury stock on April 28, 2009.

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the 'Certified Public Accountants Act'.

## AUDIT REPORT

The Board of Corporate Auditors (the 'Board'), having deliberated on the audit reports prepared by Corporate Auditors on the execution of the duties of Directors for the 209<sup>th</sup> business year from April 1, 2008 to March 31, 2009, does hereby report on its audit findings as follows:

### 1. Method and Contents of Audit by Corporate Auditors and the Board

- (1) The Board set the audit policy, audit plan, etc., debriefed Corporate Auditors on the status of execution and results of their audits, debriefed Directors and Independent Auditors on the status of execution of their duties, and requested explanations as needed.
- (2) While maintaining proper communication with Directors, internal audit staff and other employees, Corporate Auditors executed their audits in the manner described below in conformity with the corporate auditors' audit standard established by the Board and in accordance with the audit policy, audit plan, etc. established by the Board.

- 1) Corporate Auditors attended the meetings of the Board of Directors and other important meetings of the Company, debriefed Directors and employees on the status of execution of their duties as needed, inspected important documents, and examined the status of business operations and properties at the head office and main business units.

With respect to the subsidiaries, Corporate Auditors examined the status of subsidiaries' operations and properties by maintaining proper communication with subsidiaries' Directors, Corporate Auditors, etc. and physically visiting some of them as necessary.

- 2) Corporate Auditors and the Board examined the contents of the resolutions of the Board of Directors on the development of the corporate structure and system to ensure that execution by Directors of their duties conformed to the provisions of the relevant acts and the Articles of Incorporation and of the corporate structure and system which are prescribed in Article 100, Paragraphs 1 and 3 of the 'Enforcement Regulations of the Companies Act' as being necessary for ensuring the appropriateness of operations of a joint-share corporation, as well as the status of the corporate structure and system (internal control system) put in place by the said resolutions.

With respect to internal control covering financial reporting, the Corporate Auditors debriefed the Directors and KPMG AZSA & Co. on evaluation of the said internal control and status of audit and requested explanations as needed.

- 3) Corporate Auditors further discussed the contents of the Basic Policy on Control of a Joint-Share Corporations stated in the Business Report based on deliberation at meetings of the Board of Directors and other occasions.

- 4) Corporate Auditors and the Board debriefed Independent Auditors on the status of execution of their duties, and requested explanations as needed. In addition, Corporate Auditors and the Board were informed by Independent Auditors that they were developing the 'structure and system to ensure that their duties would be executed in a proper manner' (items prescribed in Article 131 of the 'Company Calculation Regulations') in accordance with 'Quality Control Standard for Auditing' (by Business Accounting Council dated October 28, 2005), and requested explanations as needed.

Based on the aforementioned methods, Corporate Auditors and the Board examined the Company's Business Report, Financial Statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets, and the notes to the non-consolidated financial statements), their supporting schedules, and Consolidated Financial Statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets, and the notes to the consolidated financial statements) for the business year under review.

## 2. Results of Audit

### (1) Results of audit of Business Report and its supporting schedules

- 1) The Business Report and its supporting schedules present fairly the status of the Company in conformity with the relevant acts and the Articles of Incorporation.
- 2) No misconduct or material fact running counter to the relevant acts or the Articles of Incorporation has been found in respect of execution of Directors' duties.
- 3) The contents of the Board of Directors' resolution on the internal control system are fair and reasonable. The execution by Directors of their duties related to the said internal control system, including the internal control covering financial reporting, has no specific problems which have to be pointed out.
- 4) The contents of basic policy for appointed ruler, who decide the Company's policy of Finance and Business described on the Business Report has no specific problems which have to be pointed out.

### (2) Results of audit of financial statements and their supporting schedules

The audit methods adopted and the results of audit rendered by KPMG AZSA & Co., Independent Auditors, are fair and reasonable.

### (3) Results of audit of consolidated financial statements

The audit methods adopted and the results of audit rendered by KPMG AZSA & Co., Independent Auditors, are fair and reasonable.

May 19, 2009

Tokyo Gas Co., Ltd. Board of Corporate Auditors

Tsunenori Tokumoto	Standing Corporate Auditor
Yasunori Takakuwa	Standing Corporate Auditor
Toshimitsu Shimizu	Outside Corporate Auditor
Shoji Mori	Outside Corporate Auditor
Yukio Masuda	Outside Corporate Auditor

## **REFERENCE MATERIALS FOR THE GENERAL MEETING OF SHAREHOLDERS**

### Proposals and References

#### **Proposal No. 1: Approval of the Appropriation of Surplus**

We propose that surplus be appropriated in the manner described below:

Dividends from surplus (year-end dividends)

We propose that the year-end dividend be ¥4 per share in accordance with our ‘Policy on Determination of Dividends from Surplus and Others’ referred to page 17. Accordingly, the annual dividend, comprised of the interim dividend of ¥4 per share and the year-end dividend, is ¥8 per share.

(1) Allocation of dividend property and its aggregate amount:

Cash ¥4 per share                      Aggregate amount of dividends ¥10,850,746,544

(2) Dividend effective date

Monday, June 29, 2009

#### **Proposal No. 2: Partial Amendment to the Articles of Incorporation**

##### **1. Reason for amendment**

Following the enforcement of the ‘Act for Partial Revision of the Act on Transfer of Bonds, etc. for the Streamlining Settlement Concerning Share Trading, etc.’ (Act No. 88, 2004, hereinafter ‘Act for Streamlining Settlement of Shares, etc.’) on January 5, 2009, shares of listed companies were digitized with all these companies switching to the share transfer system for share certificates.

Therefore, the Company will delete unnecessary provisions concerning shares and those concerning beneficial shareholders and the register of beneficial shareholders from the Articles of Incorporation. The Company will newly establish necessary provisions for the register of lost-share-certificates in the supplementary provision section; as such a register must be prepared and kept for one year from the day following the enforcement date of the ‘Act for Streamlining Settlement of Shares, etc.’.

## 2. Contents of amendments

Contents of amendments are shown below.

Current Articles of Incorporation	Amended Articles of Incorporation
<p><b><u>(Issuance of Share Certificate)</u></b>  <u>Article 9</u>            The Company shall issue share certificates for its shares. <u>However, unless otherwise provided for in the Share Handling Regulations, the Company shall not issue any share certificates for less-than-one-unit shares.</u></p> <p><b><u>(Rights of Shareholders Holding Less-Than-One-Unit Shares)</u></b>  <u>Article 10</u>            Shareholders <u>(including beneficial shareholders; hereinafter the same interpretation shall be applied)</u> who hold less-than-one-unit shares shall be unable to exercise any right other than the rights set forth below.            Paragraphs (1) - (3) (Detail was omitted)</p> <p><b><u>(Purchase Less-Than-One-Unit Shares)</u></b>  <u>Article 11</u>            (Detail was omitted)</p> <p><b><u>(Agent to Manage Shareholders Registry)</u></b>  <u>Article 12</u>            (1) (Detail was omitted)            (2) (Detail was omitted)            (3) The preparation and keeping of the Company's register of shareholders <u>(including the register of beneficial shareholders; hereinafter the same interpretation shall apply), the register of lost-share-certificates and the register of share options; and other administrative work related to the register of shareholders, the register of lost-share-certificates and the register of share options shall be entrusted to the agent to manage shareholders registry and shall not be handled by the Company itself.</u></p> <p>Article <u>13-42</u> (Detail was omitted)</p> <p>(Newly established)</p> <p>(Newly established)</p> <p>(Newly established)</p>	<p>(Deleted)</p> <p><b><u>(Rights of Shareholders Holding Less-Than-One-Unit Shares)</u></b>  <u>Article 9</u>            Shareholders who hold less-than-one-unit shares shall be unable to exercise any right other than the rights set forth below.</p> <p>Paragraphs (1) - (3) (Same as at present)</p> <p><b><u>(Purchase Less-Than-One-Unit Shares)</u></b>  <u>Article 10</u>            (Same as at present)</p> <p><b><u>(Agent to Manage Shareholders Registry)</u></b>  <u>Article 11</u>            (1) (Same as at present)            (2) (Same as at present)            (3) The preparation and keeping of the Company's register of shareholders and the register of share options; and other administrative work related to the register of shareholders and the register of share options shall be entrusted to the agent to manage shareholders registry and shall not be handled by the Company itself.</p> <p>Article <u>12-41</u> (Same as at present)</p> <p><b><u>(Supplementary provision)</u></b>  <b><u>(Register of lost-share-certificates)</u></b>  <u>Article 1</u>  <u>The preparation and keeping of the register of lost-share-certificates and other administrative work related to the register of lost-share-certificates shall be entrusted to the agent to manage shareholders registry and shall not be handled by the Company itself.</u></p> <p><b><u>(Transitional Measure)</u></b>  <u>Article 2</u>  <u>This supplementary provision shall be deleted on January 6, 2010.</u></p>

### Proposal No. 3: Election of Eleven (11) Directors

The term of office of all the current eleven (11) Directors ends at the conclusion of this Ordinary General Meeting of Shareholders. Accordingly, we hereby propose that you elect eleven (11) Directors. The nominees for Directors are as follows:

No.	Name (Date of birth)	Career summaries, position and areas of responsibility in the Company, and representation of other corporations		Number of the Company's shares held	
1	Norio Ichino (Date of birth : January 1, 1941)	April	1964	Joined the Company	209,617
		July	1991	Deputy General Manager of Northern Regional Business Div.	
		June	1993	Assistant to Director in charge of Documents Dept.	
		June	1996	Director and General Manager of Corporate Planning Dept.	
		June	1998	Managing Director, Division Manager of Business Developments Div. and in charge of Property Custody Dept. and Public Relations Dept.	
		June	1999	Managing Director, Division Manager of Business Developments Div. and in charge of General Administration Dept. and Public Relations Dept.	
		June	2000	Representative Director, Senior Managing Director, Division Manager of Business Developments Div. and in charge of Human Resource Dept.	
		June	2001	Representative Director, Senior Managing Director and in charge of General Administration Dept. and Human Resource Dept.	
		June	2002	Representative Director, Executive Vice President, Division Manager of Corporate Communication Div. and in charge of Internal Audit Dept.	
		November	2002	Representative Director, Executive Vice President, Division Manager of Corporate Communication Div. and in charge of Internal Audit Dept. and Compliance Dept.	
		June	2003	President, Representative Director and Executive President	
		April	2006	Director and Vice Chairman of the Board	
		April	2007	Director and Chairman of the Board	
				(Current position)	



No.	Name (Date of birth)	Career summaries, position and areas of responsibility in the Company, and representation of other corporations			Number of the Company's shares held
2	Mitsunori Torihara (Date of birth : March 12, 1943)	April	1967	Joined the Company	160,000
		June	1994	Deputy General Manager of Kanagawa Regional Business Div.	
		June	1996	General Manger of Gas Resources Dept.	
		June	1998	Director and General Manger of Gas Resources Dept.	
		June	2000	Managing Director and in charge of Supplies Dept. and Gas Resources Dept.	
		June	2001	Managing Director and in charge of Accounting Dept., Supplies Dept. and Gas Resources Dept.	
		June	2002	Director, Senior Executive Officer and Division Manager of Strategic Planning Div.	
		June	2003	Representative Director, Executive Vice President, Division Manager of Strategic Planning Div. and in charge of Internal Audit Dept. and Compliance Dept.	
		April	2004	Representative Director, Executive Vice President, Division Manager of Corporate Communication Div. and in charge of Compliance Dept.	
		April	2006	President, Representative Director and Executive President (Current position)	
3	Tadaaki Maeda (Date of birth : February 11, 1946)	April	1970	Joined the Company	126,675
		June	1996	Deputy General Manager of Western Regional Business Div.	
		June	1997	General Manager of Commodity Development Div.	
		June	2000	Director and General Manager of Energy Planning Dept. of Energy Sales and Service Div.	
		June	2002	Senior Executive Officer and Division Manager of R&D Div.	
		April	2004	Senior Executive Officer, Division Manager of Energy Resources Business Div. and in charge of Internal Audit Dept.	
		June	2004	Director, Senior Executive Officer, Division Manager of Energy Resources Business Div. and in charge of Internal Audit Dept.	
		April	2006	Representative Director, Executive Vice President and Division Manager of Strategic Planning Div.	
		April	2007	Representative Director, Executive Vice President, Division Manager of Energy Production Div. and in charge of Environment Dept. (Current position)	

No.	Name (Date of birth)	Career summaries, position and areas of responsibility in the Company, and representation of other corporations			Number of the Company's shares held
4	Tsuyoshi Okamoto (Date of birth : September 23, 1947)	April	1970	Joined the Company	104,000
		June	1997	Deputy General Manger of Northern Regional Business Div.	
		June	1998	General Manger of Documents Dept.	
		June	1999	Assistant to Director in charge of General Administration Dept.	
		June	2002	Executive Officer and General Manager of Corporate Planning Dept. of Strategic Planning Div.	
		April	2004	Senior Executive Officer and Division Manager of Strategic Planning Div.	
		June	2004	Director, Senior Executive Officer and Division Manager of Strategic Planning Div.	
		April	2006	Director, Senior Executive Officer, Division Manager of Corporate Communication Div. and in charge of Compliance Dept. and Internal Audit Dept.	
		April	2007	Representative Director, Executive Vice President and in charge of Human Resources Dept., Secretarial Dept., General Administration Dept., Compliance Dept. and Internal Audit Dept.	
		April	2009	Representative Director, Executive Vice President and in charge of Human Resources Dept., Secretarial Dept., General Administration Dept., Compliance Dept. (Current position)	
5	Shigeru Muraki (Date of birth : August 29, 1949)	July	1972	Joined the Company	78,236
		June	2000	General Manger of Gas Resources Dept.	
		June	2002	Executive Officer and General Manager of Gas Resources Dept. of Strategic Planning Div.	
		April	2004	Senior Executive Officer and Division Manager of R&D Div.	
		April	2006	Senior Executive Officer and Division Manager of Technological Development Div.	
		April	2007	Senior Executive Officer, Division Manager of Energy Solution Div. and General Manager of Volume Sales Dept. of Energy Solution Div.	
		June	2007	Director, Senior Executive Officer and Division Manager of Energy Solution Div. and General Manager of Volume Sales Dept. of Energy Solution Div. (Current position)	

No.	Name (Date of birth)	Career summaries, position and areas of responsibility in the Company, and representation of other corporations			Number of the Company's shares held
6	Toshiyuki Kanisawa (Date of birth : November 23, 1948)	April	1972	Joined the Company	48,060
		June	1999	Assigned to Business Planning Dept., Business Developments Div.	
		June	2001	Assigned to Affiliated Business Planning Dept., Affiliated Business Div.	
		June	2003	Executive Officer and General Manager of Service Planning Dept. of Customer Service Div.	
		April	2004	Executive Officer and General Manager of Corporate Planning Dept.	
		April	2006	Senior Executive Officer and Division Manager of Home Service Div.	
		April	2007	Senior Executive Officer and Division Manager of Living Energy Div.	
		June	2007	Director, Senior Executive Officer and Division Manager of Living Energy Div.	
		April	2009	Director, Senior Executive Officer and Division Manager of Living Corporate Sales and Services Div. (Current position)	
7	Tsutomu Oya (Date of birth : December 18, 1949)	April	1975	Joined the Company	37,090
		June	2002	General Manager of International Affairs Dept. of Strategic Planning Div.	
		April	2004	Executive Officer, General Manager of Urban Energy Business Dept. of Energy Sales and Service Div., and Acting General Manager of Volume Sales Dept. of Energy Sales and Service Div.	
		April	2006	Senior Executive Officer and Division Manager of Energy Resources Business Div. (Current position)	
8	Michiaki Hirose (Date of birth : October 2, 1950)	April	1974	Joined the Company	23,000
		June	2003	Assigned to General Administration Dept. of Corporate Communication Div.	
		April	2004	Executive Officer and Assistant to Division Manager of Corporate Communication Div.	
		April	2006	Executive Officer and General Manager of Corporate Planning Dept. of Strategic Planning Div.	
		April	2007	Senior Executive Officer and in charge of Corporate Planning Dept., Infrastructure Project Dept., Finance and Managerial Accounting Dept., Accounting Dept., Affiliated Business Dept.	
		April	2008	Senior Executive Officer and in charge of Corporate Planning Dept., Investor Relations Dept., Finance & Managerial Accounting Dept., Accounting Dept., Affiliated Business Dept. and Gas Industry Privatization Research Project Dept.	
		April	2009	Senior Executive Officer and in charge of Corporate Planning Dept. and Affiliated Business Dept. (Current position)	

No.	Name (Date of birth)	Career summaries, position and areas of responsibility in the Company, and representation of other corporations			Number of the Company's shares held
9	Kazumoto Yamamoto (Date of birth : July 22, 1933)	April 1957	Joined Asahi Chemical Industry Co., Ltd.	20,000	
		June 1983	Director		
		June 1987	Managing Director		
		June 1990	Senior Managing Director		
		June 1993	Representative Director and Senior Managing Director		
		June 1995	Representative Director and Executive Vice President		
		June 1997	Representative Director and President		
		January 2001	Representative Director and President of Asahi Kasei Corporation (Company name changed)		
		April 2003	Vice Chairman of the Board		
		June 2003	Standing Advisor		
		June 2005	Outside Director of the Company (Current position)		
10	Katsuhiko Honda (Date of birth : March 12, 1942)	April 1965	Joined Japan Tobacco and Salt Public Corporation	5,000	
		June 1992	Director of Japan Tobacco Inc. (Company name changed)		
		June 1994	Managing Director		
		June 1996	Senior Managing Director		
		June 1998	Representative Director and Executive Vice President		
		June 2000	Representative Director and President		
		June 2006	Director and Advisor		
		June 2007	Outside Director of the Company (Current position)		
11	Sanae Inada (Date of birth : April 3, 1944)	March 1970	Completed judicial apprenticeship program	14,000	
		April 1970	Registered as attorney-at-law (First Tokyo Bar Association)		
		June 2007	Outside Director of the Company (Current position)		

Notes: 1. There is no special interest between the nominees for Directors and the Company.

2. The nominees for Outside Directors are: Mr. Kazumoto Yamamoto, Mr. Katsuhiko Honda and Ms. Sanae Inada.

3. Reasons for our nomination of these three individuals as Outside Directors and the tenures as the Outside Directors of the Company are as follows:

(1) We propose that Mr. Kazumoto Yamamoto be appointed as an Outside Director to allow the use of his strong management capabilities nurtured in the housing industry and deep insight for technological development in the Company's business operations. Mr. Yamamoto's tenure as an Outside Director of the Company will be four years as of the conclusion of this Ordinary General Meeting of Shareholders.

(2) We propose that Mr. Katsuhiko Honda be appointed as an Outside Director to allow the use of his cosmopolitan outlook nurtured by the aggressive overseas penetration of the tobacco industry and strong management capabilities with which he has implemented reforms in response to changes in the business environment in the Company's business operations. Mr. Honda's tenure as an Outside Director of the Company will be two years as of the conclusion of this Ordinary General Meeting of Shareholders.

(3) Although Ms. Sanae Inada has not been involved with corporate management by means other than being an Outside Director, she is highly familiar with corporate legal affairs as a lawyer and possesses deep legal insight and experiences. We propose that Ms. Inada be appointed as an Outside Director to allow the use of her insight and experience in the Company's business operations as we have judged that she would be able to duly perform the duties of Outside Director. Ms. Inada's tenure as an Outside Director of the Company will be two years as of the conclusion of this Ordinary General Meeting of Shareholders.

#### Proposal No. 4: Election of Two (2) Corporate Auditors

The term of office of the current Corporate Auditors, Mr. Tsunenori Tokumoto and Mr. Toshimitsu Shimizu ends and they retire at the conclusion of this Ordinary General Meeting of Shareholders. Accordingly, we hereby propose that you elect two (2) new Corporate Auditors.

The nominees for the new Corporate Auditor are as follows.

The Board of Corporate Auditors has already given its prior consent to the submission of this proposal.

No.	Name (Date of birth)	Career summaries, position and areas of responsibility in the Company, and representation of other corporations			Number of the Company's shares held
1	Kunihiro Mori (Date of birth : September 25, 1947)	April	1972	Joined the Company	54,000
		June	1999	Assistant to Director in charge of Market Planning Dept.	
		June	2001	Assistant to Director in charge of Corporate Planning Dept.	
		June	2002	General Manager of Ohgishima LNG Terminal of Production Div.	
		April	2004	Executive Officer and General Manager of Energy Production Dept. of Energy Production Div.	
		June	2006	Executive Officer and assistant to Division Manager of Corporate Communication Div.	
		April	2007	Senior Executive officer and assistant to Director of General Administration Dept. (Current position)	
2	Masayuki Osawa (Date of birth : March 26, 1943)	April	1966	Joined the Yokohama City Hall	0
		April	1997	Chief of Public Bureau	
		May	1998	Chief of Public Welfare Bureau	
		April	2000	Chief of Financial Bureau	
		April	2003	Receiver General	
		September	2006	Retired from the Yokohama City Hall	
		October	2006	Senior Director of the Yokohama Chamber of Commerce & Industry	
		March	2009	Retired from the Yokohama Chamber of Commerce & Industry	
		April	2009	Administrative Director of Yokohama City Silver Human Resources Center (Current position)	

Notes 1. There is no special interest between the nominees for Corporate Auditors and the Company.

2. Mr. Masayuki Osawa is a nominee for Outside Corporate Auditor.

3. Reasons for our nomination of this individual as an Outside Corporate Auditor are as follows:

The Company hopes Mr. Osawa will utilize his abundant experiences in his career at a city government and local business organization as well as his advanced knowledge about financial management for the Company's audit.