

22 May 2002
Tokyo Gas Co., Ltd.

Corporate governance reform and organizational reform

In connection with the preparation of its medium-term management plan (FY2003 - 2007) , Tokyo Gas is studying strategy aimed at the construction of new business models. Tokyo Gas has decided to revise its management system to insure prompt and forceful promotion of the plan. We have posted the goals of contribution to customers and communities in our capacity as a new kind of utility and expansion of corporate value in that as a joint-stock company. By promoting reform in the system of corporate governance, we hope to achieve a further increase in shareholder value.

In this reform, we are reorganizing Tokyo Gas to facilitate speedier responses to changes in the business environment while strengthening our plan for business performance by establishing an executive officer system. As a reflection of the international scope of our activities and the circulation of our stock, foreign nationals now hold just under 20% of our shares. This internationalization of our shareholders has been linked to demands for new corporate governance provisions. It should also be noted that the proposed amendment of Japanese Commercial Law has stirred discussion on the fundamentals of corporate governance. In light of these and other developments, we want to make the Board of Directors more active and substantial, and our management more transparent. (The reforms will be initiated on 27 June 2002, after the regular general meeting of stockholders.)

1. Organizational reform

To achieve an organization designed for flexible and prompt policy-making, decision-making, and business execution, we shall add three divisions (Planning, Corporation Communication, and Business Service) to the Head Office Staff Division. The Planning Division shall be in charge of developing strategies for maximizing corporate value, the Corporation Communication Division, will prepare measures to increase the value of the Tokyo Gas' corporate brand through fuller and closer communication with communities, and the Business Service Division, will coordinate services that are shared among members of the Group.

2. Instatement of the executive officer system

1) We shall establish a system of executive officers in charge of business performance. The executive officers shall be delegated extensive authority to empower them to conduct the business based on their own initiative. They will be held responsible for the company's performance.

2) The executive officer posts shall consist of president, executive vice president, senior executive officer, and executive officer.

3) To make their responsibility for performance clear, the executive officers shall be appointed for a term of one year.

3. Reform of the board of directors

1) The Company shall appoint two outside directors: Mr. Yuzaburo Mogi (President, Kikkoman Corp.) and Mr. Yukihiro Inoue (formerly Superintendent-General of the Metropolitan Police.)

2) The number of members of the board shall be decreased from the current 28 to 11 including the two outside directors.

3) The directors shall be appointed for a term of one year (the current term is two years).