

(TRANSLATION ONLY)  
June 7, 2002

To Those Shareholders with Voting Rights

Hideharu Uehara  
President  
Tokyo Gas Co., Ltd.  
5-20, Kaigan 1-chome,  
Minato-ku,  
Tokyo 105-8527, Japan

**NOTICE OF THE 202nd ORDINARY GENERAL MEETING  
OF SHAREHOLDERS**

Dear Shareholders:

We hereby inform you of the 202nd Ordinary General Meeting of Shareholders of Tokyo Gas Co., Ltd. (hereinafter, "We" or "the Company"), to be held as described below:

1. **Date:** 10 a.m., Thursday, June 27, 2002
2. **Place:** Large Conference Room (2F), Tokyo Gas Building,  
5-20, Kaigan 1-chome, Minato-ku, Tokyo

**If you are unable to attend the meeting, please read the attached documents and return the Exercise Voting Rights Form with your selection marked and registered seal affixed.**

For those attending, please present the enclosed Exercise of Voting Rights Form at the reception desk upon arrival at the meeting.

**3. Agenda of the Meeting:**

Matters to report:

Balance Sheet as of March 31, 2002 and Statement of Income and Unappropriated Retained Earnings and the Business Report for the 202nd Fiscal Term (from April 1, 2001 to March 31, 2002)

Matters to resolve:

Proposal No. 1: Approval of the Proposed Appropriation of Unappropriated Retained Earnings for the 202nd Fiscal Term

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

A summary of this proposal is described in the attached **“REFERENCE DOCUMENT FOR THE EXERCISE OF VOTING RIGHTS”** (Pages 29–38).

- Proposal No. 3: Acquisition of the Company’s Own Stock  
A summary of this proposal is described in the attached **“REFERENCE DOCUMENT FOR THE EXERCISE OF VOTING RIGHTS”** (Page 38).
- Proposal No. 4: Election of Eleven (11) new Directors
- Proposal No. 5: Election of Two (2) new Corporate Auditors
- Proposal No. 6: Presentation of Retirement Bonuses to Retiring Directors and a Corporate Auditor
- Proposal No. 7: Revision to the Remuneration Amounts of Directors

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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.

(English Translation of Business Report Originally Issued in Japanese)

**Business Report**

(From April 1, 2001 to March 31, 2002)

**I. REVIEW OF OPERATIONS**

**1. Circumstances and Results of Operations**

(1) Operating Activities

During fiscal 2001, the year ended March 31, 2002, the overall business environment surrounding Japanese corporations continued to be difficult, largely reflecting the sluggishness of consumer spending and increased deflationary concerns against the backdrop of aggravated employment conditions. Under these circumstances, the Company has continued to make its best efforts to expand and familiarize the use of city gas.

A review of operating results by business sector is as follows:

Gas Sales

The number of customers increased by 172,000 during the year to 9,044,000 as of March 31, 2002. Gas sales volume rose 3.9 % over the previous year to 9,218,978 thousand m<sup>3</sup>.

Gas sales volume for residential use decreased 1.5 % to 3,072,583 thousand m<sup>3</sup>, mainly affected by an unusually warm winter with record high temperatures. Gas sales volume for business use (commercial, public and medical) expanded 0.2 % over the previous fiscal year to 2,283,839 thousand m<sup>3</sup>, through our efforts to encourage demand for gas-fired air-conditioning systems as mainstay products, thereby contributing to the preservation of the global environment and the equalization of the electricity load. Gas sales volume for industrial use increased 14.7 % to 2,911,602 thousand m<sup>3</sup>, through emphasizing promotional points such as the environmental friendliness of natural gas and our engineering capacity. Wholesale gas sales volume advanced 1.9 % to 950,953 thousand m<sup>3</sup>, due to the increased demand at other gas companies.

Net sales in the Gas Sales sector increased ¥9,228 million, or 1.3% compare to the previous year, to ¥743,347 million, mainly due to the increase of gas sales volume despite the negative effect of sales price reductions in February 2001.

Related Construction

In the Related Construction sector, we established 278 thousand new installations and 81 thousand additional works. These installations resulted in the sector's net sales of ¥66,521 million, down 1.1% over the previous year.

### Gas Appliances Sales

To ensure on-going high standards of safety, the Company has developed and marketed cooking appliances, hot-water supply equipment and air-conditioning systems that excel in environmental impact, comfort, convenience and economic benefits. Total net sales in the Gas Appliances Sales sector rose 1.0% over the previous year to ¥128,875 million.

### Other

The Company has developed 18 district heating-and-cooling systems projects, including the Shinjuku New Metropolis, Makuhari New Metropolis and Saitama New Metropolis projects. The incidental revenue from this sector, centering on the sales revenue of these district projects, stood at ¥36,536 million, a decline of 2.7 %.

### (2) Sales and Income

Net sales for the fiscal year (consisting of gas sales, miscellaneous operating revenue from Related Construction, Gas Appliance Sales and Other) and incidental revenue, were ¥974,566 million, up 0.9% over the previous year. Net income for the year amounted to ¥48,451 million, reflecting a reduction in depreciation expense and company-wide cost-reduction efforts, which were partly offset by an increase in feedstock costs adversely affected by the depreciated yen.

### (3) Capital Expenditures

Total capital expenditures for the year amounted to ¥92,555 million. Among the major production facilities under construction during the year was an underground LNG storage tank at the Ohgishima LNG Terminal. The total length of the district mains and branches, including the Saihoku Main and Second Chiba Main completed during the year, was extended by 738 km during the year to 48,646 km as of March 31, 2002. The Kumagaya-Sano Main, Tochigi Line and several other distribution facilities are under construction.

### (4) Financing Activity

During the fiscal year, the Company issued straight bonds for ¥30 billion. Conversely, the Company's debt assumption contract with the banks to assign its obligations resulted in a decline of ¥10 billion of straight bonds. As a result, the amount of straight bonds outstanding increased by ¥20 billion compared with that at the previous fiscal year-end. Convertible bonds decreased by ¥105,488 million as a result of redemptions totaling ¥95,736 million, the purchase and cancellation of treasury stock totaling ¥9.7 billion and conversion to the Company's common stocks totaling ¥52 million. Although the total of long-term debt and short-term loans payable decreased

by ¥6,419 million, the Company raised funds of ¥12 billion with its commercial paper. Total interest-bearing liabilities decreased by ¥79,907 million to ¥605,616 million compared with those at the previous fiscal year-end.

(5) Our Tasks Ahead

Along with the progress of substantial deregulation, the competition in the Japanese energy market has intensified considerably due to the entry of other market players in the electricity and gas fields and new entrants from other types of business. In addition, the industry must precisely and quickly address recent social changes, including the increasing requirements of the further globalization of capital markets and disclosed management, environmental issues such as global warming accelerated by increasing CO<sub>2</sub> emissions, and the changing demand structure owing mainly to fewer family members per household in Japan.

To survive the intensifying energy competition, the Company continues to make companywide efforts to achieve maximum improvement of its business efficiency. Management considers these changing trends as presenting big business opportunities for steady growth in the future. Particularly in the electric power business, we have established new affiliated companies and subsidiaries such as Tokyo Gas Bay Power Co., Ltd., and Kawasaki Natural Gas Power Generation Co., Ltd., to emphasize business deployment in this promising field. Significant advances have been made in the application of micro gas turbines and compact fuel cells for residential cogeneration systems, with further developments and popularization being actively promoted.

In the upstream gas domain, the Company intends to participate in the offshore natural gas development project in the State of Victoria, Australia, and the BAYU UNDAK offshore gas field development project on the borders of Australia and East Timor. In addition it has commissioned the construction of two of its own LNG tankers. Furthermore, the Company actively strives to expand its business domain for further extension of the energy service solution business, including the scheduled establishment of Energy Advanced Co., Ltd., in July 2002.

In line with the Medium-Term Management Plan (fiscal 2000–fiscal 2004) formulated in 1999, the Company ultimately seeks to serve customers as a “new public utility” that aims to “be an innovative, reliable company whose existence is consistently worthy of appreciation by customers, shareholders and society.” The Company will newly formulate a five-year Medium-Term Group Management Plan (fiscal 2003–fiscal 2007) by this autumn to maximize group value by thoroughly increasing the efficiency of group management and enhancing the competitiveness of the Group.

In this Medium-Term Group Management Plan, we intend to develop ourselves as a leading player in the “Energy frontier industry” by not only supplying natural gas, heat and electricity, but also positively showing our presence in new energy-peripheral fields, through the innovations of gas business models that anticipate the forthcoming energy deregulation and those of management and business with newly planned group management strategies.

To cope with the increasingly intense competition with other energy suppliers, the Company will continue to improve safety and services, enhance customer satisfaction, pursue new business models and increase its corporate value to meet the expectations of the shareholders.

We look forward to the continued support and understanding of our shareholders in our aforementioned proactive commitments.

## **2. Changes in Operating Results and Assets**

(Millions of yen)

Fiscal year ended March 31	1999 (199th fiscal term)	2000 (200th fiscal term)	2001 (201st fiscal term)	2002 (202nd fiscal term)
Net Sales	870,838	869,939	965,619	974,566
Ordinary Income	36,405	34,929	58,542	72,249
Net Income	16,915	22,395	27,400	48,451
Earnings per Share (Yen)	6.02	7.97	9.75	17.24
Total Assets	1,399,820	1,493,699	1,490,157	1,411,444
Stockholders' Equity	391,295	443,363	508,185	517,070

Note: Tax-effect accounting has been applied effective from the 200th fiscal term and is the new accounting standard for financial instruments effective from the 201st fiscal term.

### **199th Fiscal Term Ended March 31, 1999**

Despite a 2.0% increase in gas sales volume, an adjustment in unit charges based on the cost adjustment system had an unfavorable impact, reducing gas net sales by 1.7%. Ordinary income, however, increased by ¥6,220 million, or 20.6%, from the previous year owing to a reduction in feedstock costs due to a decline in crude oil prices and through overall cost-reduction measures carried out by management.

#### 200th Fiscal Term Ended March 31, 2000

Despite a 3.2% increase in gas sales volume, an adjustment of unit charges based on the cost adjustment system had an unfavorable impact, reducing gas net sales by 0.4%. Despite overall management efforts to cut diverse costs, ordinary income decreased by ¥1,476 million, or 4.1%, from the previous year mainly due to a 10.8% rise in feedstock costs reflecting the higher prices of crude oil.

#### 201st Fiscal Term Ended March 31, 2001

Despite the negative effect of the gas rate reduction, a 5.4% increase in gas net sales and an adjustment in unit charges based on the cost adjustment system had a favorable impact, increasing gas net sales by 10.3%. Despite the rise in feedstock costs reflecting the higher prices of crude oil, ordinary income increased by ¥23,613 million, or 67.6%, from the previous year through overall cost-cutting measures executed by management.

#### 202nd Fiscal Term Ended March 31, 2002

Operating results for the 202nd fiscal term are shown in the aforementioned I.1. "Circumstances and Results of Operations."

## II. CURRENT STATUS OF THE COMPANY (As of March 31, 2002)

### 1. Principal Business Activities

- (1) Production, supply and sale of city gas
- (2) Manufacture and sale of gas appliances and related construction
- (3) Supply of district heating and cooling systems for cold and hot water and vapor

### 2. Shares

- (1) Number of shares authorized to be issued 6,500,000,000
- (2) Number of shares issued 2,810,165,397

Note: The Company issued 153,391 shares during the fiscal year through the conversion of convertible bonds to the Company's common shares.

- (3) Number of shareholders 202,670
- (4) Major shareholders

Name	Investment in the Company		Investment by the Company in these shareholders	
	Number of shares held (Thousand)	Shareholding percentage (%)	Number of shares held (Thousand)	Shareholding percentage (%)
Nippon Life Insurance Company	154,773	5.51	0	0
The Dai-Ichi Mutual Life Insurance Company	135,964	4.84	0	0
The Mitsubishi Trust & Banking Corp. (Trust Account)	113,004	4.02	0	0
Fukoku Mutual Life Insurance Company	78,504	2.79	0	0
Japan Trustee Services Bank, Ltd. (Trust Account)	72,124	2.57	0	0
UFJ Trust Bank Ltd. (Trust Account A)	65,344	2.33	0	0
The Dai-Ichi Kangyo Bank, Ltd.	50,472	1.80	0	0



Name	Investment in the Company		Investment by the Company in these shareholders	
	Number of shares held (Thousand)	Shareholding percentage (%)	Number of shares held (Thousand)	Shareholding percentage (%)
State Street Bank and Trust Company	47,105	1.68	0	0
Mitsubishi Corporation	42,959	1.53	4,756	0.30
Employees Shareholding Association	42,686	1.52	0	0

Notes:

1. UFJ Trust Bank Limited was renamed from Toyo Trust & Banking Co., Ltd., as of January 15, 2002.
  2. The Company owns 35,037 common stocks of Mizuho Holdings Inc., the holding company of The Dai-Ichi Kangyo Bank, Ltd., or 0.37% of total shareholdings. This percentage of investment by the Company in Mizuho Holdings has been calculated after excluding preferred shares without voting rights, which have been issued by Mizuho Holdings.
- (5) Acquisition or disposition and holding of treasury stock
- 1) Acquisition of shares  
Acquisition of shares through purchases of the shares less than a unit (*tangen*) (including shares less than a unit of shares)  
Common stock: 648,468 shares  
Total value of acquisition: ¥240,283,391
  - 2) Disposition of shares  
Common stock: 391,000 shares  
Total value of disposition: ¥146,159,315
  - 3) Shares owned by the Company as of the balance sheet date  
Common stock: 266,208 shares

### **3. Status of Important Business Combinations**

Major subsidiaries

Company	Capital (¥Million)	Shareholding percentage (%)	Business
Tokyo Gas Urban Development Co., Ltd.	8,779	100.00	Real estate leasing, management and brokerage
Gaster Co., Ltd.	2,450	66.67	Manufacture and sale of gas appliances
KANPAI Co., Ltd.	1,300	93.24 (12.16)	Design and construction of gas pipelines, water supply and sewage pipes, air-conditioning systems, new buildings and additional works, as well as 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 and coke
Tokyo Gas Chemicals Co., Ltd.	1,000	100.00 (17.70)	Sale of industrial gas and tar products
Park Tower Hotel Co., Ltd.	1,000	100.00 (100.00)	Hotel operation
Tokyo Oxygen and Nitrogen Co., Ltd.	800	54.00 (54.00)	Manufacture and sale of liquefied oxygen/nitrogen
Chiba Gas Co., Ltd.	480	99.94	Supply of gas
TG Credit Service Co., Ltd.	450	100.00	Leasing and credit administration connected with gas appliances and construction
TG Information Network Co., Ltd.	450	100.00	Development and sale of computer software, and installation, maintenance and sale of computer equipment, etc.

Company	Capital (¥Million)	Shareholding percentage (%)	Business
Tsukuba Gakuen Gas Co., Ltd.	280	100.00	Supply of gas
TG Enterprise Co., Ltd.	200	100.00	Intragroup financing services
Tokyo Gas Engineering Co., Ltd.	100	100.00	Comprehensive engineering services with a focus on energy -related works

Tokyo LNG Tanker Co., Ltd., Park Tower Hotel Co., Ltd., Tokyo Oxygen and Nitrogen Co., Ltd., Tsukuba Gakuen Gas Co., Ltd., and TG Enterprise Co., Ltd., have been included in the list as major subsidiaries, effective from the fiscal year ended March 31, 2002.

Total net sales of the above 14 major subsidiaries were ¥253,105 million, and their total net income was ¥3,716 million.

Note: The “Shareholding percentage” figures shown in parentheses indicate the ratio of shares owned by the Company’s subsidiaries included within the shareholding percentage of the Company.

#### 4. Major Creditors

Creditor	Balance of Borrowings (¥Million)	Stockholding by Creditors	
		Number of shares held (Thousand)	Shareholding percentage (%)
Japan Policy Investment Bank	72,219	0	0
Government Pension Investment Fund	4,584	0	0
The Mitsubishi Trust & Banking Corp.	3,100	16,698	0.59
The Chuo Mitsui Trust and Banking Company, Ltd.	2,514	0	0
Shinsei Bank, Ltd.	2,364	10,903	0.39
Industrial Bank of Japan, Ltd.	1,590	4,138	0.15
Nippon Life Insurance Co.	1,300	154,773	5.51
The Dai-Ichi Kangyo Bank, Ltd.	1,274	50,472	1.80
Bank of Tokyo Mitsubishi, Ltd.	1,274	21,931	0.78
Sumitomo Mitsui Banking Corporation	1,274	11,953	0.43

Notes:

1. The Pension Welfare Service Public Corporation was dissolved as of April 1, 2001, and The Government Pension Investment Fund has succeeded it.
2. The Mitsubishi Trust & Banking Corp. merged with Nippon Trust Bank Ltd. and Tokyo Trust & Bank, Ltd., on October 1, 2001.
3. Sumitomo Mitsui Banking Corporation was established by the merger of Sakura Bank, Ltd., and Sumitomo Bank, Ltd., on April 1, 2001.

## 5. Employees

Number of employees (Change from previous year)	Average age (years)	Average service years
11,967 (-372)	44.2	20.0

Note: “Employees” refers to permanent full-time staff and does not include workers on loan and part-time staff.

## 6. Principal Establishments

Head office (Minato-ku, Tokyo)

Service branches (*Shiten*)

Name	Location
Southern Service Branch	Minato-ku, Tokyo
Central Service Branch	Meguro-ku, Tokyo
Eastern Service Branch	Koto-ku, Tokyo
Chiba Service Branch	Chiba city, Chiba
Western Service Branch	Suginami-ku, Tokyo
Tama Service Branch	Tachikawa, Tokyo

Name	Location
Northern Service Branch	Nerima-ku, Tokyo
Saitama Service Branch	Saitama city, Saitama
Kanagawa Service Branch	Yokohama, Kanagawa
Kawasaki Service Branch	Kawasaki, Kanagawa
Western Kanagawa Service Branch	Fujisawa, Kanagawa

Service branches (*Shisha*)

Name	Location
Hitachi Service Branch	Hitachi, Ibaraki
Johsoh Service Branch	Ryugasaki, Ibaraki
Kohfu Service Branch	Kohfu, Yamanashi
Gunma Service Branch	Takasaki, Gunma

Name	Location
Kumagaya Service Branch	Kumagaya, Saitama
Utsunomiya Service Branch	Utsunomiya, Tochigi
Nagano Service Branch	Nagano city, Nagano

Pipeline Dept.

Name	Location
Southern Pipeline Regional Office	Minato-ku, Tokyo
Eastern Pipeline Regional Office	Arakawa-ku, Tokyo
Western Pipeline Regional Office	Setagaya-ku, Tokyo

Name	Location
Northern Pipeline Regional Office	Kita-ku, Tokyo
Kanagawa Pipeline Regional Office	Yokohama, Kanagawa

Terminals

Name	Location
Negishi LNG Terminal	Yokohama, Kanagawa
Sodegaura LNG Terminal	Sodegaura, Chiba

Name	Location
Ohgishima LNG Terminal	Yokohama, Kanagawa

Others

Name	Location
Residential Sales and Service Division	Shinjuku-ku, Tokyo
Energy Sales and Service Division	Shinjuku-ku, Tokyo

Name	Location
Business Development Division	Shinjuku-ku, Tokyo

**7. Executive Management**

Chairman		Kunio Anzai
President		Hideharu Uehara
Executive Vice President	Mainly controls line divisions (excluding Business Development Division); and in charge of Center for Supply Control and Disaster Management	Yasuyuki Yamaguchi
Executive Vice President	Mainly controls staff divisions (excluding Center for Supply Control and Disaster Management) and Business Development Division; and in charge of Land Renewal Dept.	Haruno Ito

Senior Managing Director	Chief Executive of Pipeline and Safety Management Division	Toshiyuki Takasuna
Senior Managing Director	Chief Executive of Residential Sales and Service Division	Soichiro Akimoto
Senior Managing Director	In charge of General Administration Dept. and Personnel Dept.	Norio Ichino
Senior Managing Director	Chief Executive of Production Division	Fumio Ohori
Managing Director	Chief Executive of Secretary Dept. and Corporate Communications Dept.	Norihiro Takuma
Managing Director	Chief Executive of Customer Service Promotion Division	Tohru Itoh
Managing Director	Chief Executive of Large-Area Operation Division	Hideo Nishiwaki
Managing Director	Chief Executive of Business Development Division	Shouzou Ohno
Managing Director	Chief Executive of Corporate R&D Division	Kouya Kobayashi
Managing Director	In charge of Environmental Affairs Dept. and International Affairs Dept.	Masahiro Ishiguro
Managing Director	In charge of Accounting and Finance Dept., Purchasing Dept. and Gas Resources Dept.	Mitsunori Torihara
Managing Director	In charge of Audit and Operational Enhancement Dept., Corporate Planning Dept. and Information and Communication Systems Dept.	Shigero Kusano
Managing Director	Chief Executive of Energy Sales and Service Division; General Manager of Volume Sales Dept., Energy Sales and Service Division	Minoru Yokouchi
Director	Assistant to the Director in charge of General Administration Dept.; Standing Executive Manager, Japan Gas Association	Yoshihito Imura

Director	Assistant to the Director in charge of International Affairs Dept.; Standing Executive Manager, Japan Gas Association	Hiroshi Urano
Director	General Manager of Kanagawa Service Branch, Customer Service Promotion Division	Takeo Kuno
Director	General Manager of Accounting and Finance Dept.	Takeo Ishikawa
Director	General Manager of Pipeline and Safety Management Dept.	Tadashi Sakurai
Director	General Manager of Land Renewal Dept.	Tadashi Zemba
Director	General Manager of Energy Sales and Service Planning Dept., Energy Sales and Service Division	Tadaaki Maeda
Director	General Manager of R&D Planning Dept., Corporate R&D Division	Ieaki Uemura
Director	General Manager of Corporate Planning Dept.	Takashi Kunitomi
Director	General Manager of Appliances and Pipeline R&D Dept., Corporate R&D Division	Tsunenori Tokumoto
Director	Coordinator, Energy Sales and Service Division	Tokio Imazawa
Standing Corporate Auditor		Akira Ogawa
Standing Corporate Auditor		Shigeru Ogasawara
Standing Corporate Auditor		Kenshiro Koto
Corporate Auditor	Councilor of Tokyo Electric Power Co., Inc.	Shoh Nasu
Corporate Auditor		Masayuki Sato

Notes:

1. The Chairman, the President, the Executive Vice Presidents and the Senior



Managing Directors are representative directors of the Company.

2. Fumio Ohori assumed the position of Senior Managing Director as of June 28, 2001, from that of Managing Director.
3. Minoru Yokouchi assumed the position of Managing Director as of June 28, 2001, from that of Director.
4. Tokio Imazawa assumed the position of Director as of June 28, 2001.
5. Takeki Hirooka resigned the position of Director as of June 28, 2001.
6. Shoh Nasu assumed the position of Corporate Auditor as of June 28, 2001.
7. Gaishi Hiraiwa resigned the position of Corporate Auditor as of June 28, 2001, due to maturity of tenure.
8. Corporate Auditors Shoh Nasu and Masayuki Sato are the outside auditors stipulated in Article 18, Paragraph 1, of the “Law Concerning Special Exceptions to the Commercial Code with Respect to Auditing, etc. of Corporations (Kabushiki-Kaisha).”

(English Translation of Financial Statements Originally Issued in Japanese)

**Non-consolidated Balance Sheet**

(As of March 31, 2002)

(Millions of yen)

ASSETS	
Fixed Assets	1,224,869
Property, plant and equipment	974,169
Production facilities	262,343
Distribution facilities	542,492
Service and maintenance facilities	73,889
Incidental business facilities	41,048
Shutdown facilities	5
Construction in progress	54,389
Intangible assets	15,238
Leaseholds	1,260
Other intangible assets	13,977
Investments and other assets	235,462
Investment securities	67,393
Investments in affiliated companies	87,013
Long-term loans	172
Long-term loans receivable from employees	4,622
Long-term loans to affiliated companies	3,595
Investments	5
Long-term prepaid expenses	43,517
Deferred income taxes	23,202
Other investments	7,076
Allowance for doubtful accounts	(1,136)
Current Assets	186,575
Cash and bank deposits	7,039
Notes receivable—trade	1,917
Notes receivable from affiliated companies—trade	100
Accounts receivable—trade	86,361
Accounts receivable from affiliated companies—trade	8,398
Other receivables	13,705
Marketable securities	1
Finished goods	78
Raw materials	17,931
Supplies	5,803
Prepaid expenses	459
Short-term receivables due from affiliated companies	5,748
Deferred income taxes	8,080
Other current assets	31,612
Allowance for doubtful accounts	(661)
<b>Total Assets</b>	<b>1,411,444</b>

(Millions of yen)

LIABILITIES	
Non-current Liabilities	695,703
Bonds	246,233
Convertible bonds	235,693
Long-term debt	88,394
Long-term debt due to affiliated companies	661
Reserve for retirement benefits	116,554
Reserve for gas holder repairs	3,394
Other non-current liabilities	4,771
Current Liabilities	198,670
Non-current liabilities due within one year	22,884
Accounts payable-trade	18,208
Short-term loans payable	466
Other payables	33,069
Accrued expenses	41,216
Income taxes payable	31,372
Advances from customers	7,671
Deposits payable	2,587
Short-term payables to affiliated companies	15,429
Other current liabilities	25,762
Total Liabilities	894,373
CAPITAL	
Capital	141,843
Common stock	141,843
Statutory reserve	37,518
Additional paid-in capital	2,064
Legal earnings reserve	35,454
Retained earnings	307,428
Reserve for advanced depreciation due to expropriation, etc.	992
Reserve for loss on overseas investments	21
Reserve for depreciation of special gas pipeline construction	4,418
Reserve for cost variations adjustment	141,000
General reserve	89,000
Unappropriated retained earnings (Net income therein)	71,995 (48,451)
Difference in valuation	30,375
Net unrealized gains on securities	30,375
Treasury stock	(95)
Treasury stock	(95)
Total Stockholders' Equity	517,070
Total Liabilities and Stockholders' Equity	1,411,444

## Notes to the Balance Sheet

### 1. Accumulated depreciation for property, plant and equipment

¥1,952,749 million

### 2. Significant accounting policies

(1) Depreciation of property, plant and equipment is computed by the declining-balance method using the applicable rates based on the estimated useful lives of the assets. However, the straight-line method is adopted for buildings (excluding building fixtures) acquired on or after April 1, 1998.

(2) Valuation basis and method for securities are as follows:

Held-to-maturity debt securities are stated by the amortized cost method.

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

Available-for-sale securities for which market value is readily determinable are reported at market value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of stockholders' equity. The cost of securities sold is determined based on the moving-average method. Available-for-sale securities with no available fair market value are stated at cost by the moving-average method.

(3) Inventories (finished goods, raw materials and supplies) are stated at cost determined by the moving-average method.

(4) The Company provided a reserve for employees' retirement benefits at March 31, 2002, based on the estimated amounts of projected benefit obligation and the fair value of the pension plan assets at that date.

(5) To prepare for regular repairs of spherical gas holders, the Company provided a reserve for gas holder repairs by allocating the estimated repair cost over the period between regular repairs.

(6) Consumption taxes are accounted for using the tax exclusion method.

3. "Treasury stock" which was included in assets (¥2 million in Other current assets) in the previous fiscal year, is recorded in Stockholders' equity, pursuant to an amendment to the Accounting Regulations for Gas Business Companies.

4. Receivables and payables due from/to subsidiaries included in those due from/to affiliated companies are as follows:

Long-term receivables due from subsidiaries ¥65,662 million

Long-term payables due to subsidiaries ¥641 million

Short-term receivables due from subsidiaries ¥14,119 million

Short-term payables due to subsidiaries ¥14,879 million

5. Investments in subsidiaries included in Investments in affiliated companies

¥21,265 million

6. Other receivables denominated in foreign currencies  
¥5,413 million (US\$40,935 thousand)  
Accounts payable-trade denominated in foreign currencies  
¥5,936 million (US\$44,216 thousand)
7. Assets pledged as collateral  
Property, plant and equipment ¥72 million
8. Contingent liabilities for guarantee ¥14,903 million (of which to be borne  
by the Company: ¥11,362 million)  
Contingent liability related to the debt assumption contract on corporate bonds  
¥75,000 million
9. Reserve for gas holder repairs is provided based on Article 287-2 of the  
Japanese Commercial Code.
10. Earnings per share ¥17.24
11. The increase in stockholders' equity stipulated by Article 290, paragraph 1,  
Item 6, in of the Japanese Commercial Code is ¥30,375 million.

**Non-consolidated Statement of Income and Unappropriated Retained Earnings**

(From April 1 2001 to March 31, 2002)

(Millions of yen)

COSTS AND EXPENSES		INCOME	
Ordinary profit and loss			
Operating profit and loss			
Cost of sales	264,651	Product sales	743,347
Beginning inventory	94	Gas sales	743,347
Cost of goods manufactured	253,685		
Cost of goods purchased	14,878		
Costs of goods internally used	3,929		
Ending inventory	78		
(Gross profit)	(478,696)		
Selling expenses	325,989		
General and administrative expenses	74,222		
(Income from operation)	(78,484)		
Miscellaneous operating expenses	186,363	Miscellaneous operating revenue	194,681
Expense for related construction	62,987	Revenue from related construction	65,521
Expense for gas appliance sales	123,375	Revenue from gas appliance sales	128,875
Incidental expenses	31,040	Other operating revenue	284
(Operating profit)	(92,299)	Incidental revenue	36,536
Non-operating profit and loss			
Non-operating expenses	32,238	Non-operating income	12,188
Interest expenses	3,032	Interest income	422
Bond interest expenses	11,963	Dividend income	1,709
Bond issue cost amortization	135	Rental income	4,729
Settlement adjustment charges for other construction contracts	6,960	Miscellaneous income	5,326
Loss on redemption of bonds	4,618		
Miscellaneous expenditure	5,527		
(Ordinary income)	(72,249)		

Extraordinary profit and loss			
Extraordinary expenses	665	Extraordinary income	4,200
Loss on sales of fixed assets	241	Gain on sales of fixed assets	744
Loss on reduction entries of fixed assets	424	Gain on sales of investment securities	3,455
(Income before income taxes)	(75,784)		
Income taxes—current	27,230		
Income taxes—deferred	102		
Net income	48,451		
Total	990,955	Total	990,955
Net income			48,451
Retained earnings brought forward			31,973
Interim dividends			8,430
Unappropriated retained earnings			71,995

Note:

Sales to subsidiaries	¥22,790 million
Purchase from subsidiaries	¥119,231 million
Transactions with subsidiaries other than operating transactions	¥5,605 million

**Proposed Appropriation of Unappropriated Retained Earnings**

(Yen)

Unappropriated retained earnings	71,995,732,731
Reversal of reserve for loss on overseas investments	1,553,924
Reversal of reserve for depreciation of special gas pipeline construction	394,688,534
Total	72,391,975,189
To be appropriated as follows:	
Dividends (¥3 per share)	8,429,697,567
Bonuses to directors	79,000,000
Reserve for depreciation of special gas pipeline construction	43,703,947
General reserve	30,000,000,000
Retained earnings carried forward	33,839,573,675

Note:

The Company distributed an interim dividend in the amount of ¥8,430,005,748 (¥3 per share) on December 10, 2001.



(English Translation of the Original Auditors' Report Issued in the Japanese Language)

## **Report of Independent Certified Public Accountants**

### **AUDIT REPORT**

May 14, 2002

Mr. Hideharu Uehara, President  
Tokyo Gas Co., Ltd.

Asahi & Co.  
Representative Partner  
Engagement Partner CPA  
Toshiaki Yamaguchi

Representative Partner  
Engagement Partner CPA  
Hikoe Konishi

Engagement Partner CPA  
Kiyotaka Suzuki

We have audited the balance sheet as of March 31, 2002, the statement of income and unappropriated retained earnings, the business report (limited to accounting matters), the proposed appropriation of unappropriated retained earnings and the related supporting schedules (limited to accounting matters) of Tokyo Gas Co., Ltd., for the 202nd business year ended March 31, 2002, for the purpose of reporting under the provisions of Article 2 of the "Law Concerning Special Exceptions to the Commercial Code with Respect to Auditing, etc. of Corporations (Kabushiki-Kaisha)." The accounting matters in the business report and the supporting schedules that are subject to audit are derived from the accounting books and records of the Company.

Our audit was made in accordance with auditing standards, accepted in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The auditing procedures also included those considered necessary for the subsidiaries.

In our opinion,

- (1) the balance sheet and the statement of income and unappropriated retained earnings present properly the financial position and the result of operations of the Company in conformity with the provisions of the applicable laws, regulations and the Articles of Incorporation of the Company.

- (2) the business report (limited to accounting matters) presents properly the status of the Company in conformity with the provisions of the applicable laws, regulations and the Articles of Incorporation of the Company.
- (3) the proposed appropriation of unappropriated retained earnings has been prepared in conformity with the provisions of the applicable laws, regulations and the Articles of Incorporation of the Company.
- (4) the supporting schedules (limited to accounting matters) have been prepared in conformity with the provisions of the Commercial Code, and there is no particular matter to be mentioned.

We, Asahi & Co. and the three Engagement Partners, have no interest in the Company that should be disclosed pursuant to the provisions of the Certified Public Accountants Law.

(English Translation of the Original Corporate Auditors' Report Issued in the Japanese Language)

## **Report of the Board of Corporate Auditors**

### **AUDIT REPORT**

Regarding the execution of duties by the Directors for the 202nd business year beginning April 1, 2001 and ending March 31, 2002, the Board of Corporate Auditors hereby submits its audit report, which has been prepared through discussions based on reports from the respective corporate auditors concerning the methods and results of audits performed.

#### 1. Overview of Auditing Methods Employed by Corporate Auditors

Based on the auditing policies and other guidelines specified by the Board of Corporate Auditors, each corporate auditor has attended the meetings of the Board of Directors and other important meetings, received reports on business conditions from the directors and other relevant personnel, examined important approval documents and associated information, studied the operations and financial positions at headquarters and principal offices, and also requested reports from subsidiaries regarding their business conditions and, when necessary, studied their operations and financial positions at their offices. Moreover, the corporate auditors have received reports and explanations regarding the audits performed by independent auditors, and have examined the financial documents and supporting schedules.

Regarding competitive trade by any of the directors, trade implying conflict of interest involving the Company and any of its directors, the Company's gratis allocation of benefits, actions of trade counter to general practices between any subsidiary and any shareholder, and the acquisition and disposal of the Company's treasury stock, we studied in detail, when necessary, the conditions of such trade, if any, and requested reports from the directors and other relevant personnel, in addition to our auditing efforts using the aforementioned methods.

#### 2. Audit Results

- (1) In our opinion, the methods and results employed and rendered by independent auditors, Asahi & Co. are fair and reasonable.
- (2) In our opinion, the business report fairly represents the Company's condition in accordance with the related laws and regulations and the Articles of Incorporation.

- (3) With regard to the proposed appropriation of unappropriated retained earnings, we have found no items of exception regarding the Company's financial status or other circumstances.
- (4) In our opinion, the supporting schedules fairly represent the items for which documentation should be expected. We have found no items of exception in that regard.
- (5) With regard to the execution of duties by the Company's directors, we have found no evidence of wrongful action or material violation of related laws and regulations, nor of any violation with respect to the Articles of Incorporation.

We have moreover found no breach of duty by the directors with regard to competitive trade by any of the directors, trade implying conflict of interest involving the Company and any of its directors, the Company's gratis allocation of benefits, actions of trade counter to general practices between any subsidiary and any shareholder, and the acquisition and disposal of the Company's treasury stock.

May 16, 2002

Board of Corporate Auditors of Tokyo Gas Co., Ltd.  
Akira Ogawa, Standing Corporate Auditor  
Shigeru Ogasawara, Standing Corporate Auditor  
Kenshiro Koto, Standing Corporate Auditor  
Shoh Nasu, Corporate Auditor  
Masayuki Sato, Corporate Auditor

The corporate auditors, Shoh Nasu and Masayuki Sato, are external auditors under Article 18, Paragraph 1 of the "Law Concerning Special Exceptions to the Commercial Code with Respect to Auditing, etc. of Corporations (Kabushiki-Kaisha)."

## REFERENCE DOCUMENT FOR THE EXERCISE OF VOTING RIGHTS

1. Total number of voting rights held by all shareholders: 2,783,017
2. Proposals and references

### **Proposal No. 1: Approval of the Proposed Appropriation of Unappropriated Retained Earnings for the 202nd Fiscal Term**

This proposal is summarized in the attached “Proposed Appropriation of Unappropriated Retained Earnings” (Page 24).

We hereby propose a year-end dividend of ¥3 per share, unchanged from the interim dividend paid during the year under review.

We also hereby propose to provision a general reserve of ¥30 billion in view of further enforcing the financial position of the Company.

Moreover, we hereby propose that directors’ bonuses of ¥79 million be provided for, considering the Company’s general operating conditions.

Additionally, we hereby propose that a portion of the Company’s reserve for loss on overseas investment and its reserve for the depreciation of special gas pipeline construction be moved to reversals under the provisions of the Special Taxation Measures Law and further that its reserve for the depreciation of special gas pipeline construction be newly reserved for up to its upper limit.

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

We hereby propose to partially amend the existing Articles of Incorporation.

#### 1. Reasons for the amendments

(1) To prepare for future business development and clarify our business objectives in line with the current status of the Company’s activities, we would like to add several items to the Purposes of Incorporation.

#### (2) Amendments due to revisions to the Japanese Commercial Code

- We would like to delete and newly establish several provisions and amend the relevant wording in the current Articles of Incorporation of the Company, as required, because the par value stock system was abolished and the unit (*tangen*) stock system was newly adopted pursuant to its implementation on October 1, 2001, of the “Law Concerning Partial Revision to the Japanese Commercial Code, etc.” (Law No. 79, 2001) and the abolition of the “Law Concerning Special Measures under

the Commercial Code with Respect to the Procedure for Cancellation of Stock.”

- We would like to amend certain expressions, including the addition of related wording, in the current Articles of Incorporation of the Company, as required, because the concept of new stock reservation rights has been introduced and the preparation of stock-related corporate documents in electromagnetic recording methods has been authorized pursuant to its implementation on April 1, 2002, of the “Law Concerning Partial Revision to the Japanese Commercial Code, etc.” (Law No. 128, 2001).
- We would like to newly establish several provisions that provide for the exclusion of responsibilities of directors and corporate auditors within the statutory limit so that directors and corporate auditors can fully perform the roles expected of their posts, pursuant to the enforcement on May 1, 2002, of the “Law for Partial Revision to the Law Concerning Special Exceptions to the Commercial Code with Respect to Auditing, etc. of Corporations (Kabushiki-Kaisha)” (Law No. 149, 2001). All the current members of the Board of Corporate Auditors of the Company have already given their unanimous consent on this matter.

(3) Change to the fixed number and term of office of directors

To build up a flexible and streamlined management system with quicker decision making to accommodate changes in the management environment, we would like to amend relevant provisions with regard to a considerable reduction in the fixed number and the term of office of directors, as well as the provisions on representative directors, etc.. Moreover, we intend to implement an executive officer system during 2002 to clarify the responsibilities for executing business and affairs and strengthen functions undertaken by the management of the Company.

2. Summary of the amendments

A summary of the proposed amendments is as follows:

(Amendments shown as underlined.)

Current Articles of Incorporation	Proposed Amendments to the Articles of Incorporation
<p>ARTICLE 2: Purposes of Incorporation                      The Company shall be organized for the purpose of operating the following businesses:                      1. to 15. (The related provisions omitted)                      · (New establishment)</p> <p><u>16.</u> (The related provision omitted)  <u>17.</u> (The related provision omitted)</p>	<p>ARTICLE 2: Purposes of Incorporation                      The Company shall be organized for the purpose of operating the following businesses:                      1. to 15. (Unchanged)</p> <p><u>16. “To operate as agency for non-life insurance business, conduct insurance soliciting for life insurance, operate as agency for bill collection, supply operations of housekeeping, house repair and other outsourced jobs, and engage in credit card, advertising, publishing and worker dispatch services;</u>  <u>17. To operate ship leasing delivery and marine transport businesses ;</u>  <u>18.</u> (The current Item 16 to be brought down.)  <u>19.</u> (The current Item 17 to be brought down.)</p>
<p>ARTICLE 5: Total Number of Shares to be Issued by the Company <u>and Par Value of Each Share</u>                      The total number of shares authorized to be issued by the Company shall be 6,500,000,000, <u>and the par value of each share of the Company shall be fifty (50) yen.</u></p>	<p>ARTICLE 5: Total Number of Shares to be Issued by the Company                      The total number of shares authorized to be issued by the Company shall be 6,500,000,000</p>

<p><u>ARTICLE 6: Acquisition of Treasury Stock by a Resolution of the Board of Directors</u>  <u>On and after June 27, 1998, the Company may, under a resolution of the Board of Directors, purchase and cancel its treasury stock with net profit within a limit of 280,000,000 shares.</u></p>	<p>(To be deleted.)</p>
<p>ARTICLE 7: The Number of Shares in a <u>Unit</u> of Shares  The number of shares that will constitute one <u>unit</u> of the shares of the Company shall be one thousand (1,000).</p>	<p>ARTICLE 6: <u>The Number of Shares in a Unit (<i>tangen</i>) of Shares</u>  The number of shares that will constitute one <u>unit (<i>tangen</i>) of shares</u> of the Company shall be one thousand (1,000).</p>
<p>· (New establishment)</p>	<p>ARTICLE 7: <u>Non-issuance of Stock Certificates Stating the Numbers Less than One Unit (<i>tangen</i>) of Shares</u>  <u>The Company shall not issue stock certificates stating numbers less than one unit (<i>tangen</i>) of shares (hereinafter referred to as “Less-than-unit (<i>tangen</i>) shares”).</u> <u>Provided, however, this provision shall not apply to the cases provided for by Share Handling Regulations.</u></p>
<p>ARTICLE 8: Transfer Agent  The Company shall appoint a transfer agent to handle the transfer of shares. The transfer agent and its place of business for handling shares of the Company shall be determined by a resolution of the Board of Directors of the Company and public notice thereof shall be given.  The register of shareholders (including the register of beneficial shareholders, hereinafter the same is applicable) of the Company shall be kept at the transfer agent’s place of business, and the transfer agent shall handle the transfer of titles of shares and other related businesses, including the</p>	<p>ARTICLE 8: Transfer Agent  The Company shall appoint a transfer agent to handle the transfer of shares <u>and new stock subscription rights.</u> The transfer agent and its place of business for handling shares of the Company shall be determined by a resolution of the Board of Directors of the Company and public notice thereof shall be given.  The register of shareholders (including the register of beneficial shareholders, hereinafter the same is applicable) <u>and the register of new stock subscription rights</u> of the Company shall be kept at the transfer agent’s place of business, and the transfer agent shall handle</p>



<p>recording in the register of beneficial shareholders and the handling of applications for the purchase of shares of less than one (1) <u>unit</u>. The Company shall not handle such matters.</p>	<p>transfers of title of shares <u>and new stock subscription rights</u> and other related businesses, including the recording in the register of beneficial shareholders <u>and in the register of new stock subscription rights</u> and the handling of applications for the purchase of shares of less than one (1) <u>unit (tangen)</u>. The Company shall not handle such matters.</p>
<p>ARTICLE 9: <u>Share Handling Regulations</u>  Transfer of titles of shares and other related procedures, including the recording in the register of beneficial shareholders and the handling of applications for the purchase of shares of less than one (1) <u>unit</u>, as well as any change of the classes of shares and fees therefore as to the shares of the Company, shall be subject to the Share Handling Regulations stipulated by the Board of Directors.</p>	<p>ARTICLE 9: <u>Handling of Shares and New Stock subscription Rights</u>  Transfer of titles of shares <u>and new stock subscription rights</u> and other related procedures, including the recording in the register of beneficial shareholders <u>and the register of new stock subscription rights</u>, and the handling of applications for the purchase of shares of less than one (1) <u>unit (tangen)</u>, as well as any change in the classes of shares and fees therefore as to the shares <u>and new stock subscription rights</u> of the Company, shall be subject to the Share Handling Regulations, <u>etc</u>. stipulated by the Board of Directors.</p>

<p>ARTICLE 10: Record Date The Company shall regard the shareholders (including beneficial shareholders, hereinafter for which the same is applicable) written in the latest register of shareholders as of the closing date of accounts as the shareholders entitled to exercise their rights as shareholders at the ordinary general meeting of shareholders for the relevant fiscal year. In addition to the preceding paragraph, whenever necessary, the Company may, by a resolution of the Board of Directors and with prior public notice, regard the shareholders or pledgees written in the register of shareholders as of a certain date to be the shareholders or the pledgees who are entitled to exercise their rights.</p>	<p>ARTICLE 10: Record Date The Comp any shall regard the shareholders (including beneficial shareholders, hereinafter for which the same is applicable) written <u>or registered</u> in the latest register of shareholders as of the closing date of accounts as the shareholders entitled to exercise their rights as shareholders at the ordinary general meeting of shareholders for the relevant fiscal year. In addition to the preceding paragraph, whenever necessary, the Company may, by a resolution of the Board of Directors and with prior public notice, regard the shareholders or pledgees written <u>or registered</u> in the register of shareholders as of a certain date to be the shareholders or the pledgees who are entitled to exercise their rights.</p>
<p>ARTICLE 17: Number of Directors The number of directors of the Company shall <u>not exceed thirty (30)</u>. In case of a vacancy in the Board of Directors, the Company may postpone electing a replacing director to fill his/her vacancy unless the number of current directors is less than the statutory fixed number.</p>	<p>ARTICLE 17: Number of Directors The number of directors of the Company shall <u>not exceed fifteen (15)</u>. In case of a vacancy in the Board of Directors, the Company may postpone electing a replacing director to fill his/her vacancy unless the number of current directors is less than the statutory fixed number.</p>
<p>ARTICLE 18: Election of Directors For adoption of a resolution to elect directors, not less than one-third (1/3) of <u>all issued shares with voting rights</u> should be represented by the shareholders present at a general meeting of shareholders. No cumulative voting shall be used for adoption of a resolution to elect directors.</p>	<p>ARTICLE 18: Election of Directors For adoption of a resolution to elect directors, not less than one-third (1/3) of <u>the voting rights held by all shareholders</u> should be represented by the shareholders present at a general meeting of shareholders. No cumulative voting shall be used for adoption of a resolution to elect directors.</p>

<p>ARTICLE 19: Term of Office of Directors</p> <p>The term of office of directors shall expire at the conclusion of the ordinary general meeting of shareholders pertaining to the last fiscal year <u>within two (2) years</u> following their assumption of office. The term of office of directors who are elected to fill vacancies or increase the number of directors shall expire at the end of the remaining term of other directors already in office.</p>	<p>ARTICLE 19: Term of Office of Directors</p> <p>The term of office of directors shall expire at the conclusion of the ordinary general meeting of shareholders pertaining to the last fiscal year <u>within one (1) year</u> following their assumption of office. The term of office of directors who are elected to fill vacancies or increase the number of directors shall expire at the end of the remaining term of other directors already in office.</p>
<p>ARTICLE 20: Representative Director, <u>and Managing Directors</u></p> <p>The Company may, by a resolution of the Board of Directors, appoint one Chairman and one President, as well as several <u>Executive Vice Presidents, Senior Managing Directors and Managing Directors.</u> <u>Chairman, President, Executive Vice Presidents and Senior Managing Directors shall be Representative Directors of the Company, individually.</u></p> <p>Each Representative Director shall conduct his/her duties pursuant to a resolution of <del>the</del> Board of Directors.</p>	<p>ARTICLE 20: Representative Director, <u>and Directors with Specific Titles</u></p> <p>The Company may, by a resolution of the Board of Directors, appoint one Chairman and one President, <u>as well as several directors with specific titles, as the need arises Representative Directors shall be elected by a resolution of the Board of Directors.</u> Each Representative Director shall conduct his/her duties pursuant to a resolution of the Board of Directors.</p>
<p>· (New establishment)</p>	<p>ARTICLE <u>26. Exculpation of Director's Liabilities</u></p> <p><u>In case a director has been acting in good faith and has committed no gross negligence in the course of performing his/her duties with regard to the responsibilities of directors (including former directors), as set forth in Article 266, Paragraph 1, Item 5 of the Japanese Commercial Code, the Company may, by a resolution of the Board of Directors, relieve the Liabilities thereof within the limit of</u></p>

	<u>Article 266 Paragraph 12, Paragraph 17, and Paragraph 18 of the Japanese Commercial Code.</u>
ARTICLE <u>26</u> . to ARTICLE <u>27</u> .	ARTICLE <u>27</u> . to ARTICLE <u>28</u> . (The current Articles 26 and 27 to be brought down, respectively.)
ARTICLE <u>28</u> : Election of Corporate Auditors For adoption of a resolution to elect corporate auditors, not less than one-third (1/3) of <u>all issued shares with voting rights</u> should be represented by the shareholders present at a general meeting of shareholders.	ARTICLE <u>29</u> : Election of Corporate Auditors For adoption of a resolution to elect corporate auditors, not less than one-third (1/3) of <u>the voting rights held by all shareholders</u> should be represented by the shareholders present at a general meeting of shareholders.
ARTICLE <u>29</u> . to ARTICLE <u>35</u> .	ARTICLE <u>30</u> . to ARTICLE <u>36</u> . (The current Articles 29 to 35 to be brought down, respectively.)
· (New establishment)	<u>ARTICLE 37. Exculpation of Corporate Auditor's Responsibilities</u> <u>In case a corporate auditor has been acting in good faith and has committed no gross negligence in the course of performing his/her duties with regard to the responsibilities of corporate auditors (including former auditors), the Company may, by a resolution of the Board of Directors, relieve the liabilities thereof within the limit of Article 266 Paragraph 12 of the Japanese Commercial Code (applicable by analog), according to the provisions of Article 266 Paragraph 18 to which Article 280, Paragraph 1, applies accordingly.</u>
ARTICLE <u>36</u> . (The related provision omitted)	ARTICLE <u>38</u> . (The current Article 36 to be brought down.)

<p>ARTICLE <u>37</u>: Distribution of Profits Profit distribution of the Company shall be paid to the shareholders or the pledgees who are written in the latest register of shareholders of the Company as of the end of each business year.</p>	<p>ARTICLE <u>39</u>: Distribution of Profits Profit distribution of the Company shall be paid to the shareholders or the pledgees who are written <u>or registered</u> in the latest register of shareholders of the Company as of the end of each business year.</p>
<p>ARTICLE <u>38</u>: Cash Distribution The Company may, by a resolution of the Board of Directors, distribute cash as interim dividends to the shareholders or the pledgees who are written in the latest register of shareholders as of September 30 of each business year, in accordance with Article 293-5 of the Japanese Commercial Code. Payment of cash, cash amount and other necessary matters shall be determined by the Board of Directors within three (3) months from the date in the preceding paragraph.</p>	<p>ARTICLE <u>40</u>: Cash Distribution The Company may, by a resolution of the Board of Directors, distribute cash as interim dividends to the shareholders or the pledgees who are written <u>or registered</u> in the latest register of shareholders as of September 30 of each business year, in accordance with Article 293-5 of the Japanese Commercial Code. Payment of cash, cash amount and other necessary matters shall be determined by the Board of Directors within three (3) months from the date in the preceding paragraph.</p>
<p>ARTICLE 39. (The related provision omitted)</p>	<p>ARTICLE <u>41</u>. (The current Article 39 to be brought down.)</p>
<p>ARTICLE <u>40</u>: Conversion Date of Convertible Bonds As for the dividends first payable to shares issued due to the conversion from convertible bonds and the cash distribution paid as interim dividends under the provision of Article 38 above, such conversion shall be regarded to have been effected on the first day of the business year if the claim is made during the period from April 1 to September 30 or on October 1 if the claim is made during the period from October 1 to March 31 of the next business year.</p>	<p>ARTICLE <u>42</u>: Conversion Date of Convertible Bonds <u>and Exercise Date of Bonds with New Stock subscription Rights</u> As for the dividends first payable to shares issued due to the conversion from convertible bonds <u>and the exercise of the right for bonds with new stock subscription rights</u> and the cash distribution paid as interim dividends under the provision of Article 38 above, such conversion <u>and exercise of right</u> shall be regarded to have been effected on the first day of the business year if the claim is made during the period from April 1 to September 30 or on October 1 if the claim is made during the period from</p>

	October 1 to March 31 of the next business year.
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**Proposal No. 3: Acquisition of the Company's Own Stock**

We hereby propose that you approve the Company's intention of acquiring 60 million common shares of its own stock with a limit of total acquisition costs of ¥20 billion during the period from the conclusion of this Ordinary General Meeting of Shareholders until the conclusion of the next Ordinary General Meeting of Shareholders in conformity with the provision of Article 210 of the Commercial Code, for the purpose of securing greater flexibility in performing its management measures such as financial policies in response to changes in economic conditions.

**Proposal No. 4: Election of Eleven (11) New Directors**

The term of office of all the current directors ends at the conclusion of this Ordinary General Meeting of Shareholders. Accordingly, we hereby propose that you elect Eleven (11) new directors.

The nominees for the new directors are as follows:

No.	Name (Date of birth)	Brief personal history and representative positions in other companies		Number of the Company's shares held
1	Kunio Anzai (October 25, 1933)	April 1956 Sept. 1979  June 1982  June 1983 June 1986  June 1988  April 1989 June 1999	Joined the Company General Manager of Gas Resources Dept. Director, General Manager of Gas Resources Dept. Managing Director Senior Managing Director Director Executive Vice President President Chairman of the Board of Directors (Current position)	288,752
		Other company: President, Ohtone Country Club		

2	Hideharu Uehara (February 9, 1936)	April 1959 July 1986  July 1987  June 1988  July 1991  June 1992  June 1993  June 1994 June 1995  June 1996  June 1998  June 1999	Joined the Company Assistant to Director in charge of Documents Depts. Deputy General Manager of Facility Service Dept. General Manager of Planning Dept. General Manager of Accounting and Finance Dept. Executive General Manager of Corporate Planning Dept. Managing Director of Corporate Planning Dept. Managing Director Senior Managing Director Senior Managing Director, General Manager of Business Developments Dept. Executive Vice President President (Current position)	163,831
3	Norio Ichino (January 1, 1941)	April 1964 June 1990  June 1991  June 1993  June 1996	Joined the Company Chief Manager of Service Administration Group Deputy Chief Executive of North District Assistant to Director in charge of Documents Dept. Executive General Manager of Corporate Planning Dept.	86,617

		June 1998	Managing Director, Chief Executive of Business Developments Dept.	
		June 2000	Senior Managing Director, Chief Executive of Business Developments Dept.	
		June 2001	Senior Managing Director (Current position)	
4	Fumio Ohori (January 27, 1940)	April 1962	Joined the Company	69,000
		June 1989	General Manager of Chiba Branch	
		July 1991	General Manager of Chiba Dept, Toubu District	
		June 1992	General Manager of Market Planning Dept.	
		July 1994	General Manager of Inter-Regional Planning Dept. Shutoken Sales Div.	
		June 1995	General Manager of Inter-Regional Planning Dept. Energy Div.	
		June 1996	Director, General Manager of Energy Div.	
		June 1997	Director, General manager of North District	
		June 1998	Managing Director, General Manager of Kanagawa District	
		June 1999	Managing Director, General Manager of Pipeline and Safety Management Div.	
		June 2000	Managing Director, General Manager of Production Div.	



		June 2001	Senior Managing Director, General Manager of Production Div. (Current position)	
5	Kouya Kobayashi (March 23, 1942)	April 1965 July 1991  March 1994  June 1995  June 1998  June 2000 June 2001	Joined the Company Assistant to Chief General Manager of Sales and Service Div. General manager of Information System Dept. General Manager of Living Planning Dept. Director, General Manager of Living Planning Dept. Managing Director Managing Director, General Manager of R&D Div. (Current position)	59,171
6	Masahiro Ishiguro (May 8, 1942)	April 1966 June 1991  June 1992  Aug. 1994  July 1996  July 1997 July 1997  Oct. 1999  March 2000 April 2000	Entered MITI Manager of Small and medium Enterprise Dept. Councilor in charge of Industrial Policy bureau Manager of Lower House Research Commission Committee Director-General of the Small and Medium Enterprise Agency Retirement Senior General Manager of Japan Development Bank Senior General Manager of Development Bank of Japan Retirement Adviser of the Company	50,000

		June 2000	Managing Director (Current position)	
7	Mitsunori Torihara (March 12, 1942)	April 1967 July 1992  May 1993  June 1994  June 1996  June 1998  June 2000	Joined the Company Manager of Management Planning Group General Manager of Kanagawa Sales Planning Dept. Deputy Chief Executive of Kanagawa Sales Dept. General Manager of Gas Resources Dept. Director, General Manager of Gas Resources Dept. Managing Director (Current position)	58,000
8	Shigero Kusano (March 25, 1944)	April 1967 July 1992  Oct. 1992  Jan.1993  July 1993  June 1995  June 1996  June 1997	Joined the Company Manager of Heating and Cooling No. 1 Group, Metropolitan Dept. Manager of Sales Promotion Group, Metropolitan Dept. Manager of Sales Promotion Group, Manager of Customer Sales Group, Metropolitan Dept. Manager of Sales Promotion Group, Metropolitan Dept. Manager of Sales Promotion Group, Energy Sales Dept. General manager of Sales Planning Dept. General Manager of General Sales Dept.	57,000

		June 1998	Director, General Manager of General Planning Dept.	
		June 2000	Managing Director (Current position)	
9	Minoru Yokouchi (Sept. 18, 1942)	April 1964 July 1991  July 1994  June 1995  June 1998  June 2000  June 2001	Joined the Company Group Manager of Government Relations and Documents Dept. Deputy General Manager of Government Relations and Documents Dept. General Manager of Government Relations and Documents Dept. General Manager of Energy Planning Dept. Director, Chief Executive of Energy Sales Dept. Managing Director, Chief Executive of Energy Sales Dept. (Current position)	55,000
10	Yuzaburo Mogi (Feb.13, 1935)	April 1958  March 1979 March 1982 March 1989  March 1994  Feb. 1995	Joined the Kikkoman Co. Ltd. Director Managing director Senior Managing Director Executive Vice President Representative Director and President (Current position)	0

		Other company: Chairman of the Board of Directors, Taiheiyo Trading Co., Ltd. Chairman of the Board of Directors, Tone Coca-cola Bottling Co. President of Shouyu Kaikan K.K Chairman of the Board of Directors, Chiba Zerox Corporation		
11	Yukihiko Inoue  (Nov. 4, 1937)	April 1962  Feb. 1988  June 1989  Jan. 1991  Sept. 1992  July 1994  Sept. 1994  Dec. 1996 July 1997	Joined National Police Agency Manager of Security, MPD Executive Manager of Chiba Police Agency Deputy Chief of National Police Agency Director of National Police Agency Deputy Director General of National Police Agency Tokyo Metropolitan Police Commissioner Retirement Special Advisor of the Company (Current position)	0

Notes:

1. There is no special interest between the nominees above and the Company.
2. The nominees above, Yuzaburo Mogi and Yukihiko Inoue are the candidates for outside directors stipulated in Article 188, Paragraph 2, Item 7-2, of the Japanese Commercial Code.

**Proposal No. 5: Election of Two (2) New Corporate Auditors**

The term of office of the current corporate auditor, Akira Ogawa, expires at the conclusion of this Ordinary General Meeting of Shareholders and that of Masayuki Sato is to resign at the conclusion of the Ordinary General Meeting of Shareholders. Accordingly, we hereby propose that you elect Two (2) new corporate auditors.

The nominees for the new corporate auditors are as follows:

The Board of Corporate Auditors has already given its prior accord to the

submission of this proposal.

No	Name (Date of birth)	Brief personal history and representative positions in other companies		Number of the Company's shares held
1	Soichiro Akimoto (July 26, 1939)	April 1962 June 1989  July 1990  July 1991 June 1994  June 1997 June 1999  June 2000	Joined the Company Chief of Sale No. 2 Group, Sales and Services Dept. Chief of Deputy General Manager Human Affaires Group, Human Affaires Dept. General Manager of Human Affaires Dept. Director, Government Relations and Document Dept. Managing Director Managing Director, Chief Executive of Customer service Dept. Senior Managing Director, Chief Executive of Residential Sales and Service Div. (Current position)	89,300
2	Kazuo Nemoto (Nov. 17, 1933)	Sept. 1956  April 1987  May 1989  June 1990  June 1991 June 1992 May 1995 June 1995  May 2002	Joined the Yokohama Municipal Government Chief of Environmental Pollution Control Chief of Citizen Affaires Dept. Chief of General Affairs Dept. Chamberlain Deputy Mayor Retirement President of Yokohama Land Development Corp. Retirement (Current position)	0

Note:

- 1) There is no special interest between the above nominee and the Company.
- 2) Mr. Kazuo Nemoto is a nominee for an external auditor under Article 18, Paragraph 1 of the “Law Concerning Special Exceptions to the Commercial Code with Respect to Auditing, etc. of Corporations (Kabushiki-Kaisha).”

**Proposal No. 6: Presentation of Retirement Bonuses to Retiring Directors and Corporate Auditors**

We will be presenting retirement bonuses to Yasuyuki Yamaguchi, Haruno Ito, Toshiyuki Takasuna, Soichiro Akimoto, Norihiro Takuma, Tohru Itoh, Hideo Nishiwaki, Shouzou Ohno, Yoshihito Imura, Hiroshi Urano, Takeo Kuno, Takeo Ishikawa, Tadashi Sakurai, Tadashi Zemba, Tadaaki Maeda, Ieaki Umemura, Takashi Kunitomi, Tsunenori Tokumoto, and Tokio Imazawa, who are retiring due to the expiration of their terms as directors, Akira Ogawa, who is retiring due to the expiration of his term as corporate auditor, and Masayuki Sato, who is resigning as corporate auditor at the conclusion of this Ordinary General Meeting of Shareholders, we hereby propose to present retirement bonuses within the reasonable range in accordance with the Company’s standards as a reward for the services rendered during their respective tenures. We propose that the actual amounts, timing and method of presentation be left to the discretion of the Board of Directors for the retiring directors and to the Board of Corporate Auditors for the retiring corporate auditors.

The brief histories of the retiring directors and corporate auditors in the Company are as follows:

Name	Brief personal history	
Yasuyuki Yamaguchi	June 1994	Director and General Manager of Purchasing Dept.
	June 1995	Director and General Manager of Facilities and Engineering Dept.
	June 1996	Managing Director
	June 1998	Senior Managing Director and Chief Executive of Facilities and Engineering Dept.
	June 1999	Senior Managing Director
	June 2000	Executive Vice President (Current position)

Haruno Ito	June 1994 June 1996 June 1998 June 2000	Director and General Manager of Corporate Planning Dept. Managing Director Senior Managing Director Executive Vice President (Current position)
Toshiyuki Takasuna	June 1994 June 1997 June 2000 June 2000	Director and General Manager of Production Dept. Managing Director and Chief Executive of Facilities and Engineering Dept. Managing Director and Chief Executive of Facilities and Engineering Dept. Senior Managing Director and Chief Executive of Pipeline and Safety Management Division (Current position)
Soichiro Akimoto	June 1994 June 1997 June 1999 June 2000	Director and Assistant to Director in charge of Documents Div. Managing Director Managing Director and Chief Executive of Customer Service Division Senior Managing Director and Chief Executive of Residential Sales and Service Division (Current position)
Norihiro Takuma	June 1996 June 1997 June 1998 June 2000 June 2001	Director and General Manager of Residential Sales Promotion Dept. Director and General Manager of Residential Marker Development Dept. Managing Director and Chief Executive of Residential Sales and Service Division Managing Director and Chief Executive of Customer Service Division Managing Director (Current position)

Tohru Itoh	June 1997	Director and General Manager of Corporate Communications Dept.
	June 1998	Director and Chief Executive of Central Business Dept.
	June 1999	Director and General Manager of CS Promotion Dept.
	June 2000	Managing Director
	June 2001	Managing Director and Chief Executive of Customer Service Division (Current position)
Hideo Nishiwaki	June 1998	Director and General Manager of General Sales Dept.
	June 2000	Managing Director
	January 2001	Managing Director and General Manager of General Sales Dept.
	June 2001	Managing Director and Chief Executive of Inter-Regional Sales and Service Division (Current position)
Shouzou Ohno	June 1998	Director and General Manager of General Administration Dept.
	June 2000	Managing Director
	June 2001	Managing Director and Chief Executive of Business Development Division
Yoshihito Imura	June 1998	Director and General Manager of Production Dept.
	June 2000	Assistant to the Director in charge of General Administration Dept
Hiroshi Urano	June 1999	Assistant to the Director in charge of International Affairs Dept.
Takeo Kuno	June 2000	Director and General Manager of Customer Service Promotion Division
	June 2001	General Manager of Kanagawa Service Branch, Customer Service Promotion Division (Current position)
Takeo Ishikawa	June 2000	Director and General Manager of Accounting and Finance Dept. (Current position)



Tadashi Sakurai	June 2000	Director and General Manager of Pipeline and Safety Management Dept. (Current position)
Tadashi Zemba	June 2000 January 2001	Director and General Manager of General Sales Dept. Director and General Manager of Land Renewal Dept. (Current position)
Tadaaki Maeda	June 2000	Director and General Manager of Energy Sales and Service Planning Dept., Energy Sales and Service Division (Current position)
Ieaki Uemura	June 2000 June 2001	Director and General Manager of R&D Dept. Director and General Manager of R&D Planning Dept., Corporate R&D Division (Current position)
Takashi Kunitomi	June 2000	Director and General Manager of Corporate Planning Dept. (Current position)
Tsunenori Tokumoto	June 2000 June 2001	Director and General Manager of Products Technology Development Dept Director and General Manager of Technology Development Dept., R&D Division (Current position)
Tokio Imazawa	June 2001	Director and Coordinator, Energy Sales and Service Division (Current position)
Akira Ogawa	June 1999	Standing Corporate Auditor (Current position)
Masayuki Sato	June 2000	Standing Corporate Auditor (Current position)

**Proposal No. 7: Revision to the Remuneration Amounts of Directors**

The monthly remuneration amounts of directors of the Company were determined to be a maximum of ¥65 million for directors by the 190th Ordinary General Meeting of Shareholders held on June 28, 1990, and these amounts have been applied previously. Considering the fact that the fixed number of

directors would not exceed fifteen (15) if Proposal No. 2 is approved and passed in its original form, and given subsequent circumstances, including changes in economic conditions, we hereby propose to revise their monthly remuneration to a maximum of ¥40 million for directors.

If Proposal No. 4 is approved and passed in its original form, the number of directors of the Company will be eleven (11).