

# To Our Shareholders

## Moving to the Next Stage of Growth

In fiscal 2002, the year ended March 31, 2003, Tokyo Gas put intense emphasis on its marketing efforts to expand the use of natural gas, an environmentally friendly energy source. We also made progress in further improving efficiency and controlling operating expenses under our medium-term plan.

As a result, gas sales increased a solid 5.6 percent year-on-year, supported by factors such as a lower average temperature than in the previous fiscal year. Consolidated net sales increased 2.7 percent year-on-year to a record ¥1,127.6 billion. Operating income increased 11.5 percent to ¥123.3 billion. Supplemented by factors such as gains from the disposal of fixed and intangible assets totaling ¥5.5 billion and gains from the disposal of securities totaling ¥3.1 billion, net income increased 14.0 percent to ¥59.2 billion. Consequently, Tokyo Gas achieved the second highest levels of operating income and net income in its history.

With unstable and uncertain conditions both domestically and overseas, the remainder of 2003 has the potential to be a turning point for Japan's energy industry. The regulatory reforms that will set the framework for future competition in the energy market have been determined, along with the revision of the laws that govern both the electricity and the gas sectors. The scope of liberalization will broaden in stages and competition among the energy sectors will intensify. Thus, a new phase has begun in the Japanese energy markets.

Progress in regulatory reform and expansion in the scope of liberalization will affect every aspect of Tokyo Gas's operations. The Company has therefore initiated Frontier 2007, its latest medium-term management plan, to clarify the necessary strategies and policies for the Tokyo Gas Group. While the feature section of Annual Report 2003 covers Frontier 2007 in greater detail, essentially the plan is designed to allow Tokyo Gas to achieve sustained growth as an Energy Frontier Corporate Group by transforming the Company from a natural gas supplier into an integrated energy company providing value added energy services with natural gas as its core energy source.

Fiscal 2003 is the first year of Frontier 2007, and is the crucial first stage in achieving our objectives. The new president of Tokyo Gas, Norio Ichino, will lead Tokyo Gas's new organization in aggressively implementing Frontier 2007 and will diligently work toward the Company's goal of maximizing corporate value. We will be counting on the continued understanding and support of our shareholders and investors as we work to achieve our objectives.



Seated: Kunio Anzai, Chairman  
Standing, from left: Hideharu Uehara, Vice Chairman; Norio Ichino, President

July 2003

Kunio Anzai  
Chairman

Hideharu Uehara  
Vice Chairman

Norio Ichino  
President