

The mission of Tokyo Gas is to make our customers' lives more comfortable and rewarding by providing a safe and constant supply of environmentally friendly natural gas. Our business is firmly rooted in the communities we serve. The Tokyo Gas Group wholeheartedly engages in environmental preservation, social support and strict compliance with the law, remaining a company that customers, shareholders and local communities choose on the basis of respect.

Our Basis for Solidifying Value



SRI indexes that include Tokyo Gas

- Dow Jones Sustainability Index (DJSI)
- Ethibel Sustainability Index
- FTSE4Good
- MS-SRI

Environmental Initiatives

One way Tokyo Gas contributes to environmental preservation is by encouraging people to use clean, eco-friendly natural gas.

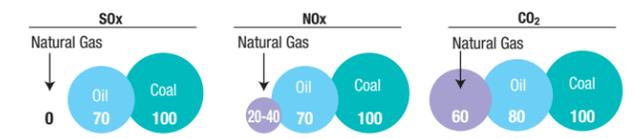
Promoting the Use of Natural Gas Helps Protect the Natural Environment

Natural gas, the main source of city gas, is a clean energy source that has the lowest environmental load of any fossil fuel in widespread use. Natural gas combustion emits no atmosphere-polluting sulfur oxides (SOx). Compared to oil or coal, emissions of nitrogen oxides (NOx), another atmospheric pollutant, and carbon dioxide (CO₂), a cause of global warming, are from 40% to 80% lower.

The core business of the Tokyo Gas Group is to extend the use of natural gas to as many people as possible, and we

are now in an advantageous position that enables us to contribute to the preservation of the global environment by simply expanding our own business activities. To concretely express our commitment to environmental conservation, we have established "global warming prevention guidelines," which set forth targets for reducing CO₂ emissions by city gas customers. Our goal is to reduce CO₂ emissions in fiscal 2005 to a level that is five million tons below the 1990 levels, and seven million tons lower in fiscal 2010, by substituting gas for other energy sources and by achieving greater gas appliance and systems efficiency.

Comparison of Emission Levels (Coal=100)



Source: IEA Natural Gas Prospects (1986), Natural Gas Prospects and Policies (1991)

Environmental Protection Costs and Economic Benefits (Fiscal 2004)

Data scope: Tokyo Gas Co., Ltd., Energy Advance Co., Ltd., Tokyo Gas Customer Service Co., Ltd.

Environmental Protection Cost Items			Investment		Cost	
			FY2003	FY2004	FY2003	FY2004
Company Business	Pollution Prevention	Amount of capital investment, maintenance expenses, depreciation costs, personnel expenses, etc., for prevention of air pollution, water pollution, noise pollution, etc.	8	35	182	155
	Global Environmental Protection	Amount of capital investment, maintenance expenses, depreciation costs, personnel expenses, etc., for energy conservation, effective use of energy, protection of the ozone layer, etc.	551	144	1,019	884
	Resource Recycling	Amount of capital investment, maintenance expenses, depreciation costs, personnel expenses, etc., for reduction/recycling of residual soil, waste control, etc.	306	204	1,827	1,293
	Environmental Management	Costs of green purchasing, environmental education, EMS construction, environmental organizations, etc.	10	15	476	474
	Other	Costs related to greening of plants and remediation of soil in accordance with plant siting laws and ordinances.	160	1,911	1,704	1,064
Customer Locations	Environmental R&D	Costs for R&D of burden-mitigating technology, high-efficiency appliances and systems, etc.	325	585	1,991	1,661
	Recycling of Discarded Gas Appliances	Costs for recovery and recycling of gas appliance, packaging, etc.	—	—	6	7
Community Contribution Activities			61	75	667	808
Total			1,420	2,969	7,872	6,346

*Depreciation costs included in figures for cost of ¥808 million in FY2004 and ¥658 million in FY2003.

*In regards to the R&D figures, since we have extracted the portion related to environmental protection, the data may differ from that disclosed in the financial section.

*Data are extracted from the environmental accounts of the Corporate Social Responsibility Report.

Economic Benefits			FY 2004	
	FY2003	FY2004	Total Capital Investment	Environmental Capital Investment
Cost Reduction due to Operation of Energy-saving Facilities	811	833	¥75,236 million	16%
Cost Reduction due to Reduction of Residual Soil Generation	6,587	6,036		
Sale of Valuables	347	272		
Other	268	0		
Total	8,013	7,141		
			FY2004	
			Total Sales	¥1,013,993 million
			Environmental Costs	0.8%

A Whole New Approach to Food Preparation that Reduces Waste by Conserving Food and Energy and Helps Keep Water Clean

Over the years, Tokyo Gas has proposed to customers a rich and varied diet consisting of delicious dishes prepared using gas. In 1995, we began to advocate and promote the adoption of Eco-cooking®, an environmentally conscious approach to meal preparation that delivers maximum benefit from the close relationship between gas and cooking.

Daily meals are an integral part of people's lives and a topic everyone can relate to, and the Eco-cooking concept is all about considering environmental issues in an experiential and enjoyable way. By promoting Eco-cooking, Tokyo Gas encourages people to develop environmentally friendly dietary habits: that is, to become



aware of the environmental consequences of the choices they make during shopping, cooking and cleanup. In addition to holding Eco-cooking classes at our cooking classrooms and showrooms, we dispatch instructors to elementary and junior high schools and run sessions at various environmental events.

Eco-cooking Classes

	FY2000	FY2001	FY2002	FY2003	FY2004
Sessions	200	251	407	488	616
Participants	3,500	4,750	10,150	15,400	19,100

For details concerning corporate social responsibility at Tokyo Gas, please refer to the Corporate Social Responsibility Report at http://www.tokyo-gas.co.jp/csr/index_e.html/

Social Activities and Safety Measures

Firmly rooted in local communities, the Tokyo Gas Group actively contributes to society, as well as working on safety measures and disaster prevention.

Social Contribution on the Theme of "Life Communication"

Since our establishment, Tokyo Gas has always carried out the gas business in close touch with local communities. Leveraging the unique experience and human resources accumulated through this relationship, we engage in various social initiatives, including offering ideas for enriched lifestyles and education for children, who will develop into tomorrow's leaders. To ensure that these activities reflect the desires of society and the needs of customers, we place deep importance on communication with society.

One of the many actions is the Acorn Project, an environmental education program in collaboration with an NPO. Begun in 1993, the project has attracted many participants, who learn hands-on about nature's growth cycle by gathering acorns, nurturing their growth into seedlings and transplanting them in the countryside, while participating in other nature activities. In July 2005, we began to use the "Tokyo Gas Forest" in Nagano Prefecture, as the main site for the project.



Acorn Project

Contributing to Peace of Mind and the Enrichment of People's Lives Through Business Activities

Our business contributes to society through the conviction that Tokyo Gas can help create a more livable society by carrying out its core business. This includes environmental conservation through the popularization of eco-friendly natural gas, safety and disaster prevention measures to ensure that people can use gas with peace of mind, the development of equipment that promotes healthy, comfortable living and research into living environments.

In addition to visiting customers at least once every three years to conduct safety inspections of gas appliances, our safety initiatives include enhancing the Gaslight 24 system with a round-the-clock emergency dispatch to respond to gas leaks and other problems. Tokyo Gas disaster prevention efforts include honing our capabilities for prevention, emergency response and restoration. When the Niigata Chuetsu Earthquake struck in October 2004, at the request of The Japan Gas Association, we mounted an "all Tokyo Gas" disaster response, dispatching 750 employees from Tokyo Gas, affiliates and business partners to help restore lifelines.

Note: Earthquake measures are a focus of the Japan Gas Association, including emergency repair action in the case of earthquakes. The association established a policy under which emergency repair costs are to be paid by the damaged entity, excluding the personnel expenses of the assisting companies.

Use of Support Programs for Pleasant Work Environment (Fiscal 2004)

Human resources are a source of value at the Tokyo Gas Group. We promote personal freedom and fulfillment by granting employees leave for childrearing and care for aging parents.

Programs	Number of Employees Participating
Leave for parental care	0
Leave for childcare	57
Leave for volunteer work/holidays	43

Compliance

Tokyo Gas continues to foster awareness of the importance of compliance among Group employees to maintain our position as a corporate group that is trusted and chosen by our stakeholders.

Enhancing the Compliance Structure

Tokyo Gas recognizes that compliance with laws and regulations and engaging in corporate activities grounded in a sense of ethics are critical conditions for sustaining safety, reliability and trust—brand values that are the source of our competitive advantage. Accordingly, we are working to establish a comprehensive compliance culture by fostering a spirit of compliance, engaging in compliance as both a group-wide policy and a practice in each workplace and establishing a compliance PDCA cycle.

Specifically, in fiscal 2002 Tokyo Gas put in place a robust compliance structure. We established the Management Ethics Committee, chaired by the president, to determine basic policies and monitor the level of compliance to laws and regulations in regular meetings. Compliance committees installed at each of the ten divisions execute the basic policies, taking actual circumstances into account. We also established the Compliance Department, a specialty organization that promotes group-wide compliance actions, including instituting a compliance promotion system and code of conduct, conducting training and awareness activities, reducing compliance risk, furnishing counseling contacts and disseminating information internally and externally.

Revising Our Code of Conduct and Continuously Raising Awareness

To ensure compliance by each and every employee, it is essential to provide something to serve as a guide to proper behavior. For this reason, in 2004 we reviewed and revised

Our Code of Conduct to include guidelines for compliance-oriented decision making and action, and distributed it to all Group employees. The review involved seeking the opinions of various parties in the Group over a period of about six months and culminated in the formulation of a Code of Conduct based on a framework of "Seven Pledges."

To ensure that Our Code of Conduct continues to serve as a vital guide to conduct, we actively hold briefing sessions for all employees (the participation rate was 91.4% as of the end of fiscal 2004) and continuously engage in awareness activities using the Tokyo Gas Intranet and video programs.

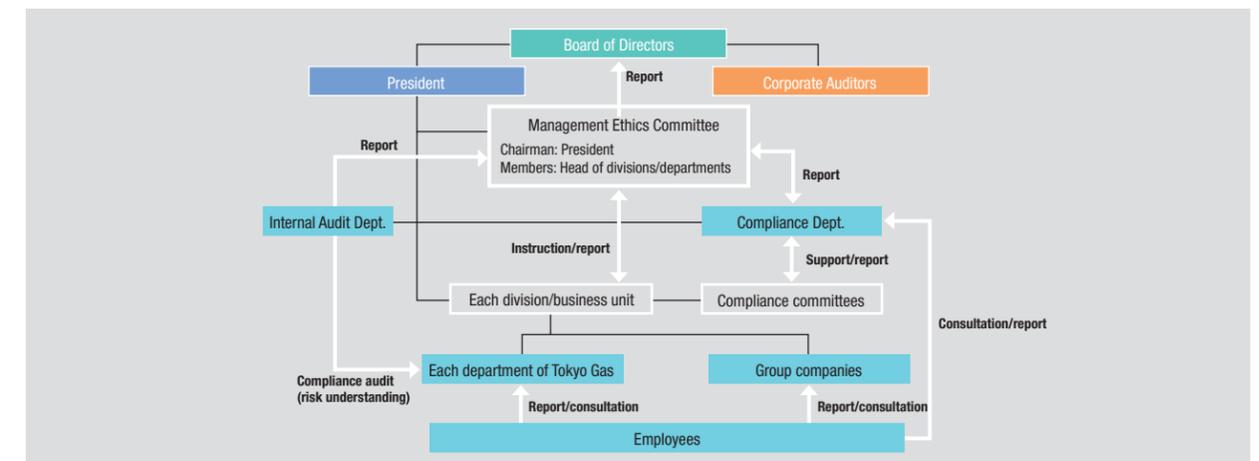
Reducing Compliance Risk

The Compliance Department serves as the secretariat for the handling of compliance issues in the Tokyo Gas Group discovered in compliance audits or by other means. The department deliberates on compliance matters and implements concrete improvement activities by means of working groups comprising representatives from involved departments. For instance, in fiscal 2004 the department established a working group on the Temporary Staffing Services Law to reduce compliance risk by identifying issues, preparing a compliance manual and holding a workshop for about 400 participants who manage temporary workers at Tokyo Gas and its affiliates. The Compliance Department reports to the Management Ethics Committee on risk matters affecting the Tokyo Gas Group.

Compliance Counseling in Fiscal 2004

Topic	Number of sessions
Laws and regulations	14
Internal company rules	15
Human relationships in the workplace	15
Employment/employment management	4
Others	5

Compliance Structure



Support for School Education Teaching about the Environment and Energy

To increase knowledge of the environment and energy among the leaders of tomorrow, Tokyo Gas engages in educational support activities targeting elementary and junior high school students.

Activities include the distribution of textbooks for use in fun learning about environmental and energy issues. In the children's section of the Tokyo Gas website we provide answers to children's simple and natural questions about the environment, energy, city gas, living and other matters. We also post links to related websites.

School Visits

	FY2002	FY2003	FY2004
Classes	915	1,986	3,194
Participants	27,450	59,580	95,820

In addition, we conduct a school-visit program in which Tokyo Gas employees teach classes on topics related to energy, the environment and public welfare using a fun and instructive experiential learning approach.



Corporate Governance

To ensure open and transparent management, Tokyo Gas implements corporate governance that goes beyond merely establishing a governance structure.

Board of Directors: Enhancing Transparency and Ensuring Surveillance as well as Enabling Quick and Rational Decision-making

With the aim of further increasing corporate value, in recent years Tokyo Gas has implemented numerous measures to make the Board of Directors more effective, clarify management responsibility and speed up decision-making. In 2002, Tokyo Gas greatly reduced the maximum number of board directors from thirty to fifteen. The Board currently consists of 12 directors, including three outside directors, and functions as a highly open and transparent management board where opinions are actively exchanged. Outside directors were also introduced in 2002. Tokyo Gas believes that to maximize board functions, it is essential to offer all board members and corporate auditors accurate and sufficient information about subjects under discussion. The outside directors and auditors receive timely information about management measures and market.

In February 2005, an advisory committee, comprised of outside directors and auditors as well as internal directors, was established to discuss the executive compensation system and related matters.

Increasing Maneuverability through Introduction of an Executive Officer System

Another important development in 2002 was the introduction of an executive officer system, a first for the city gas industry in Japan. Tokyo Gas has delegated substantial authority to the executive officers (division chief executives), empowering them to exercise independence and responsibility in decision-making and rapidly execute business.

Previously, we had followed the division system as its organizational structure. To further develop the system and strengthen group-level management, in April 2004 Tokyo Gas

introduced the strategic business unit (SBU) system by which affiliated companies involved with business divisions are integrated into SBUs. On the basis of the management policies decided by the Board of Directors, the executive officers (division chief executives) engage in consolidated unit management with the aim of maximizing Group value.

To clearly define business performance responsibilities, Tokyo Gas has established a one-year term of office for board directors and executive officers.

Strengthening Monitoring by Corporate Auditors and the Internal Audit Department

Tokyo Gas has put in place a system by which four corporate auditors, including two external auditors, attend meetings of the Board of Directors to monitor the performance of the directors. The standing auditors regularly attend management meetings and work to strengthen the audit function across the gamut of business operations.

As well as confirming the effectiveness of internal controls, the Internal Audit Department fairly and objectively reviews and assesses whether the activities of business units and departments are carried out appropriately and efficiently in line with management policies and plans and in compliance with the law.

In fiscal 2003, Tokyo Gas established an integrated risk management system. We clearly stipulate and disclose to stakeholders the risks with which management should be involved (see pp. 38–39).

Compensation for Directors and Corporate Auditors (Fiscal 2004)

	Millions of yen	Thousands of U.S.\$
Compensation for 15 directors (4 resigned during the term)	¥324	\$3,028
Retirement benefits for directors	270	2,523
Compensation for 5 corporate auditors (1 resigned during the term)	75	700
Retirement benefits for corporate auditors	8	74
Total	¥677	\$6,325

Compensation for independent public accountant (Fiscal 2005)

(By Tokyo Gas and its subsidiaries)	Millions of yen	Thousands of U.S.\$
Compensation for auditing services	¥131	\$1,224
Compensation for other services	18	168
Total	¥149	\$1,392

Board of Directors and Auditors (As of June 29, 2005)

(From left) KUNIO ANZAI
Chairman
HIDEHARU UEHARA
Vice Chairman
NORIO ICHINO
President



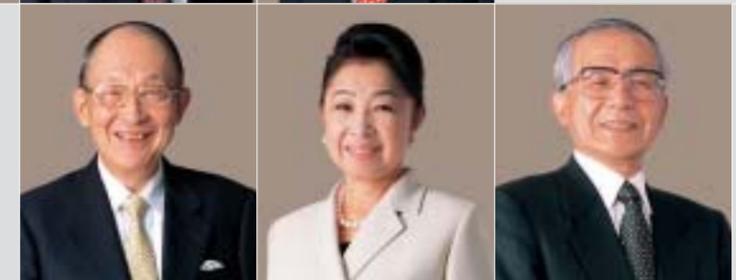
mitsunori TORIHARA
Executive Vice President
shigero KUSANO
Executive Vice President
kouya KOBAYASHI
Executive Vice President



tadaaki MAEDA
Senior Executive Officer
takashi KUNITOMI
Senior Executive Officer
tsuyoshi OKAMOTO
Senior Executive Officer

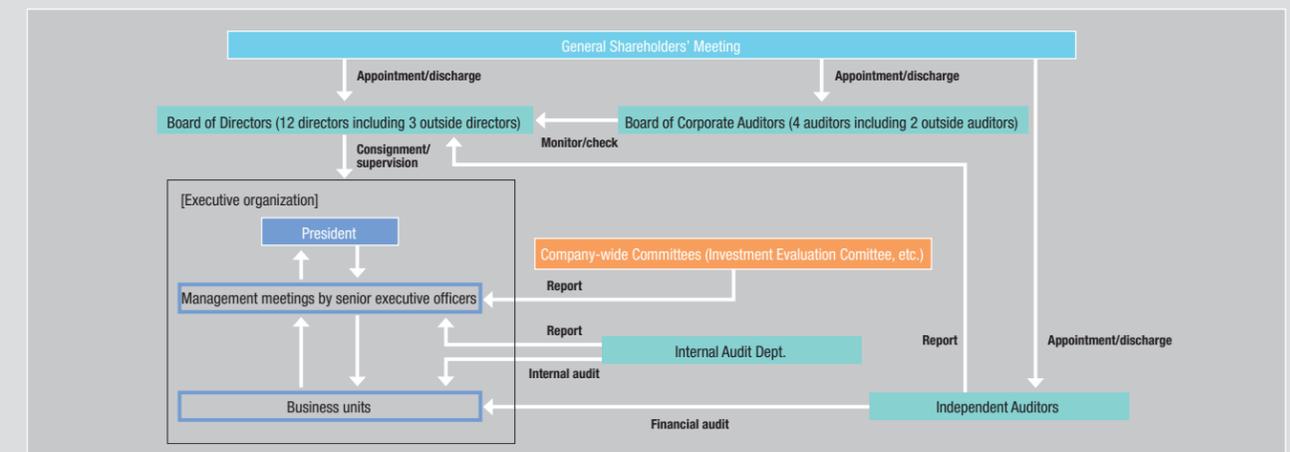


yuzaburo MOGI
Outside Director
yuri KONNO
Outside Director
kazumoto YAMAMOTO
Outside Director



Corporate Auditors HIROSHI HIRAI MASAYOSHI HANABUSA (Outside Auditor)
TSUNENORI TOKUMOTO TOSHIMITSU SHIMIZU (Outside Auditor)

Corporate Governance Structure

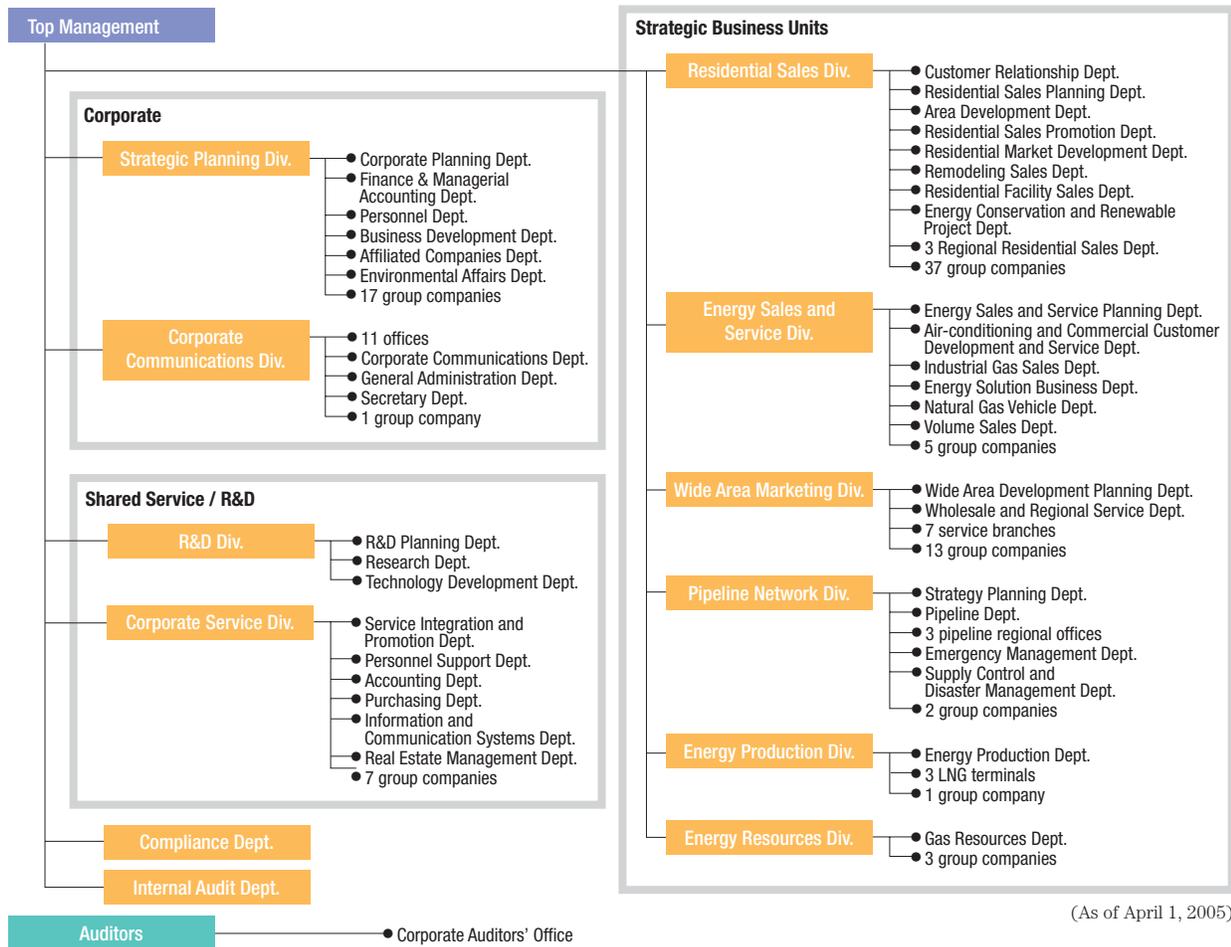


Reforming the Officer Remuneration System to Increase Objectivity and Transparency

Effective in fiscal 2005, Tokyo Gas restructured its officer remuneration system, abolishing retirement benefits and introducing a performance-linked remuneration scheme.

Tokyo Gas believes that the role required of corporate officers is to enhance corporate value over the short, medium and long terms and that executive compensation should effectively function as an incentive to that end. Accordingly, we have abolished the retirement benefit system for directors and corporate auditors and consolidated benefits into monthly compensation. At the same time, in the monthly compensation plan for directors who also serve as executive officers, Tokyo Gas has introduced performance-linked remuneration that reflects the business performance of Tokyo Gas and the individual directors' division in the previous fiscal year. Based on a new guideline, directors, excluding outside directors, are to buy Tokyo Gas shares every month through the Employees Shareholding Association and hold them until their term of office expires.

Management Structure



Executive Officers (As of April 1, 2005)

President

Norio Ichino

Executive Vice Presidents

Mitsunori Torihara

Chief Executive, Corporate Communication Div.; Compliance Dept.

Shigero Kusano

Chief Executive, Energy Sales and Service Div.;
General Manager, Volume Sales Dept.

Kouya Kobayashi

Chief Executive, Energy Production Div.

Masahiro Ishiguro

Chief Executive, Corporate Service Div.

Senior Executive Officers

Tadaaki Maeda

Chief Executive, Energy Resources Div.; Internal Audit Dept.

Takashi Kunitomi

Chief Executive, Residential Sales Div.

Tsuyoshi Okamoto

Chief Executive, Strategic Planning Div.

Toshio Tezuka

Chief Executive, Wide Area Marketing Div.

Masaki Sugiyama

Chief Executive, Pipeline Network Div.

Shigeru Muraki

Chief Executive, R&D Div.

Seichi Nakanishi

Corporate Communication Div.
Dispatched to the Japan Gas Association

Executive Officers

Tokio Imazawa

Coordinator, Energy Sales and Service Div.

Norikazu Hoshino

Deputy Chief Executive, Residential Sales Planning Dept.
General Manager, Customer Relationship Dept.

Tadashi Kaburagi

General Manager, Industrial Gas Sales Dept.

Toshiyuki Kanisawa

General Manager, Corporate Planning Dept.

Kunihiro Mori

General Manager, Energy Production Dept.

Yasuhiro Hiruma

General Manager, Corporate Communications Dept.

Tsutomu Oya

General Manager, Air-conditioning and Commercial Customer Development and Service Dept.

Mikio Itazawa

General Manager, Pipeline Dept.

Michiaki Hirose

Corporate Communication Div.
Dispatched to the Japan Gas Association

Kazuo Yoshino

General Manager, Finance & Managerial Accounting Dept.

Hisao Watanabe

General Manager, Research Dept.