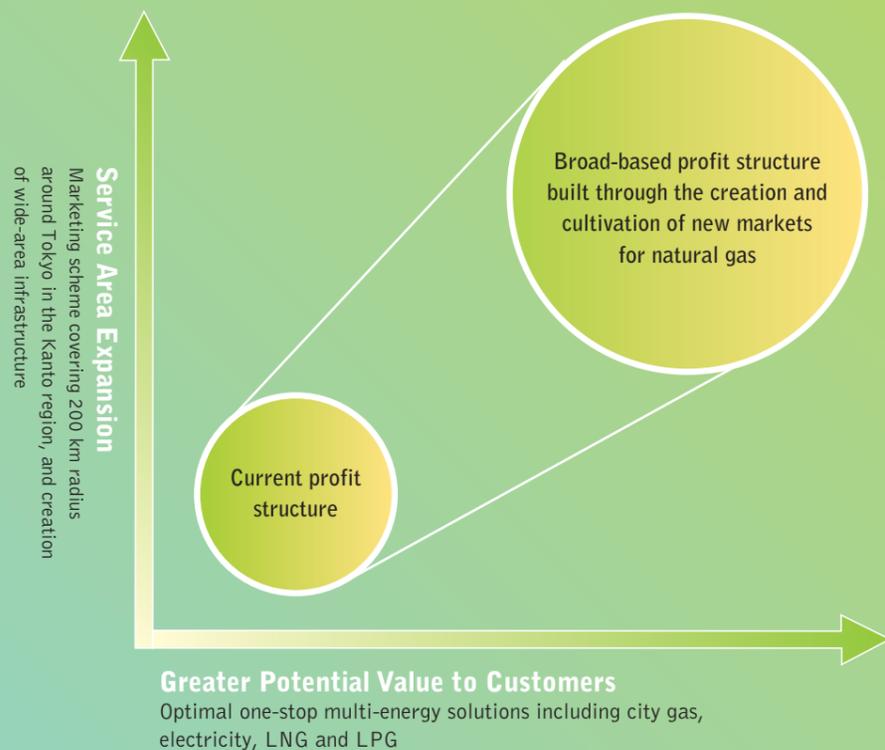


Tokyo Gas is establishing a broad-based profitable structure by creating and cultivating new markets for natural gas.

Business Strategy Tokyo Gas is extending its strategic focus on the Kanto region, an area of continuous economic growth, to capture the huge potential demand for environmentally friendly and economical natural gas through expanding its service area within a 200 km radius in the region. Another priority is to provide a one-stop solution to the changing and increasingly diversified and sophisticated needs of our customers. While procuring competitive feedstock and expanding our profit structure, we will achieve this by establishing multi-energy supply systems that include both gas and power, and by developing a diverse range of energy services based on the best mix of appliances and systems.



The business environment in which Tokyo Gas operates has changed dramatically in the past decade. In addition to the deregulation of the gas and power sector, shifts in demand patterns, and the emergence of increasingly diversified and sophisticated customer needs, there has also been a rise in public expectations regarding corporate social responsibility. These changes have been reflected in our medium-term management plans. The plan launched in 2000 focused on our evolution as a "new utility company," while our goal under the plan that began in 2003 was to develop Tokyo Gas as a corporate group on the energy frontier. We have extended the horizon for our latest medium-term management plan, which was launched in April 2006. It will cover the period from fiscal 2006 to fiscal 2010 and reflects our vision for the Tokyo Gas Group in the second decade of this century. Over the next five years we will focus our efforts on the "creation and cultivation of new markets for natural gas."

Financial Strategy In our new medium-term management plan, financial strategy is positioned alongside business strategy in terms of its importance to growth. In the five years between fiscal 2006 and fiscal 2010, we aim to generate operating cash flows* of ¥1,120 billion. We will work to optimize asset efficiency, capital and shareholder allocations, while maintaining a balance with a more aggressive business strategy focusing on 2010 and beyond. Our goal is to maximize shareholder value while achieving financial soundness and minimizing capital costs.

*Operating cash flow = Net income + depreciation

Assuring Financial Soundness	Focusing on Asset Efficiency
<p>D/E ratio of around 0.6</p> <p>Aim to have 0.6 D/E ratio to facilitate fundraising ability</p>	<p>ROA 5.5%</p> <p>Enhance ROA and target a fiscal 2010 ROA of 5.5%, while actively investing for growth</p>
Maximizing Shareholder Value	
<p>■ Total dividend payout ratio 60%</p> <p>Establish a total payout ratio target of 60% (dividends + stock repurchases divided by current net income)</p> <p>Total payout ratio of year n = [(dividends from unappropriated profit in year n) + (amount of treasury stocks acquired in year n + 1)] / (consolidated net income in year n)</p>	<p>■ Aim to achieve a continuous ROE of over 10%</p> <p>■ Implement TEP* of around ¥50 billion by fiscal 2010</p> <p>* TEP (Tokyo Gas Economic Profit) = net operating profit after tax prior to interest payments – cost of capital (cost of interest-bearing debt + cost of shareholders' equity)</p>