

CORPORATE GOVERNANCE

As an “energy frontier corporate group” that focuses on natural gas, Tokyo Gas has a management philosophy that aims at the realization of comfortable lifestyles and environmentally friendly cities. We work to ensure continued development while consistently earning the trust of customers, shareholders, and society. Based on this philosophy, our fundamental concept of enhancing corporate governance is intended to achieve a continuous increase in our corporate value by maximizing the value provided to all of our stakeholders. We are also endeavoring to develop systems and measures to further augment corporate governance, and are implementing them with a commitment to management legality, soundness, and transparency. Tokyo Gas continues to emphasize the importance of accurate and prompt decision making, efficient business operations, strengthening of auditing and monitoring functions, and clarification of management and executive responsibilities.

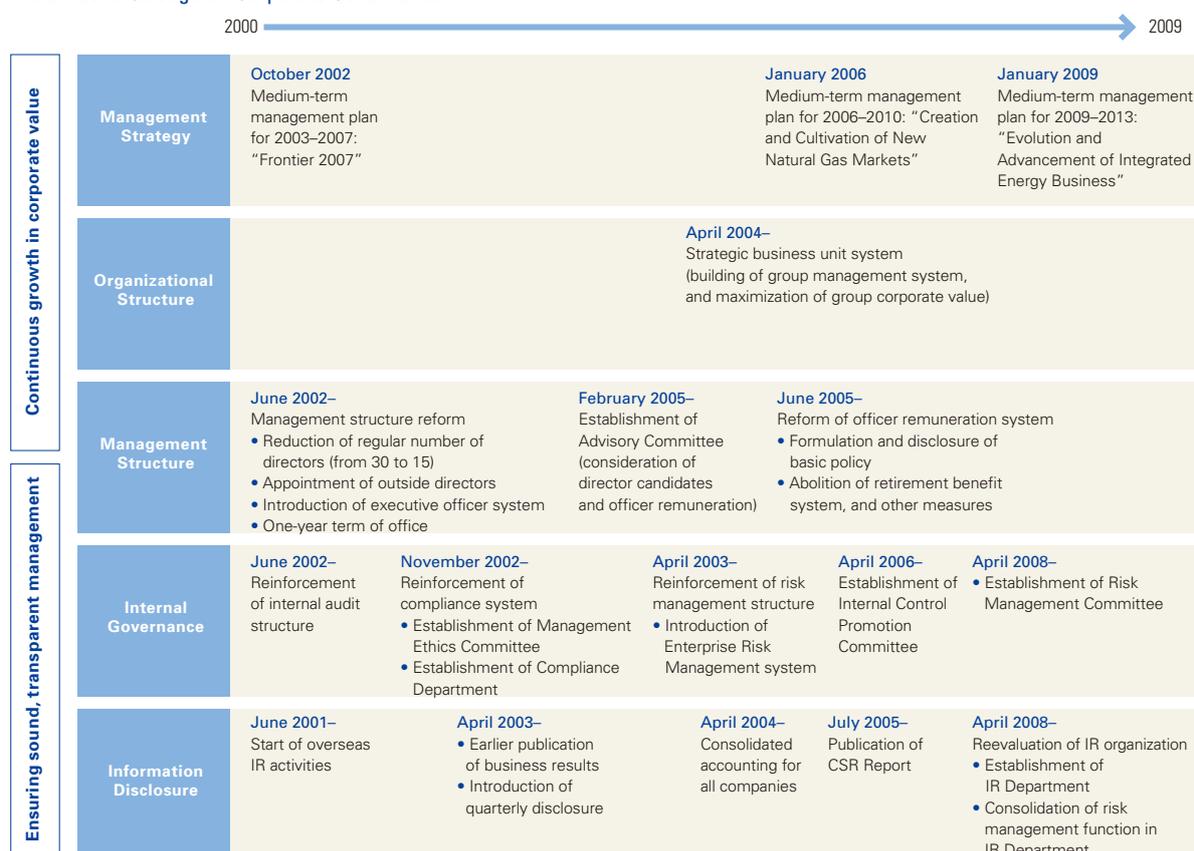
MANAGEMENT STRUCTURE

Management Structure Designed for Objectivity and Swiftiness

Tokyo Gas takes a proactive stance in employing outside officers. The Company has created a system featuring multiple auditing and supervisory layers in its aim to achieve highly objective and transparent governance. In 2002, we reduced the maximum number of directors to raise the speed and effectiveness of management decision-making. At the same time, we reinforced and clarified the function for supervising business execution by employing independent outside directors. (As of June 30, 2010, the Board of Directors comprises three outside directors and eight internal directors.) The Advisory Committee, established in 2005, is made up of three internal directors and three representatives from outside directors and outside auditors. This structure aims to ensure that the selection of director candidates is fair and appropriate. The committee also deliberates officer compensation in accordance with the Company’s basic policy (described below). The five corporate auditors, three of whom are outside auditors, strictly audit the legality and appropriateness of the performance of duties of the directors. Furthermore, they proactively make recommendations at Board of Directors, and Corporate Executive Committee meetings to enhance the effectiveness of monitoring.

The Corporate Executive Committee meets once a week, in principle, to deliberate and make decisions on matters of management importance, ensuring accurate and speedy decision-making and the effective execution of operations. The Company employs an executive officer system (with 25 executive officers as of June 30, 2010), to execute operations in accordance with Board of Directors’ resolutions. The system is designed to devolve

Initiatives to Strengthen Corporate Governance



authority and responsibility and foster the rapid execution of operations. Executive officers report on the status of execution to directors and the Board of Directors, and these bodies supervise executive officers' activities on this basis. To clarify the job responsibilities of directors and executive officers, their terms of office have been fixed at 1 year.

To promote transparent management and a flexible and open organization, in fiscal 2002 the Company established a Management Ethics Committee. We also formed in-house committees to address issues that are important from a management perspective, such as compliance, risk management, customer satisfaction, and safety. This structure facilitates the sharing of information within the Group, as well as deliberation of and adjustments to the Group's overall direction.

Toward an Effective Internal Control System

Under our internal control system, the Board of Directors, which includes three independent outside directors, determines the basic policies for the development of the important business operations plans and the internal control systems and monitors the performance of the directors. In accordance with resolutions by the Board of Directors, the executive officers act to carry out business operations as well as to develop and operate the internal control system. In addition, we have established the Corporate Executive Committee as a deliberative body to assist the Board of Directors. The committee deliberates provisions stemming from Board of Directors resolutions and important management-related issues.

With regard to auditing, in addition to corporate auditors the Company has established the Internal Audit Department as an internal audit organization. The department monitors the business activities in each segment of Tokyo Gas and its consolidated subsidiaries, as well as the state of the development and operation of internal control and risk management. To implement specialized audits efficiently, the Internal Audit Department has developed a structure of four groups, specializing in financial, operational, information system, and compliance audits. In April 2009, an internal control group was established to evaluate the effectiveness of internal control regarding financial reporting.

Objective and Transparent Officer Remuneration

In fiscal 2005, Tokyo Gas restructured its officer remuneration system and published details of the new system with the aim of further enhancing management objectivity and transparency as well as clarifying the management responsibility for business performance.

1. Role of executive and remuneration

The role demanded of executive is to seek to enhance short-, medium-, and long-term corporate value, and executive remuneration shall serve as an effective incentive for them to perform that role.

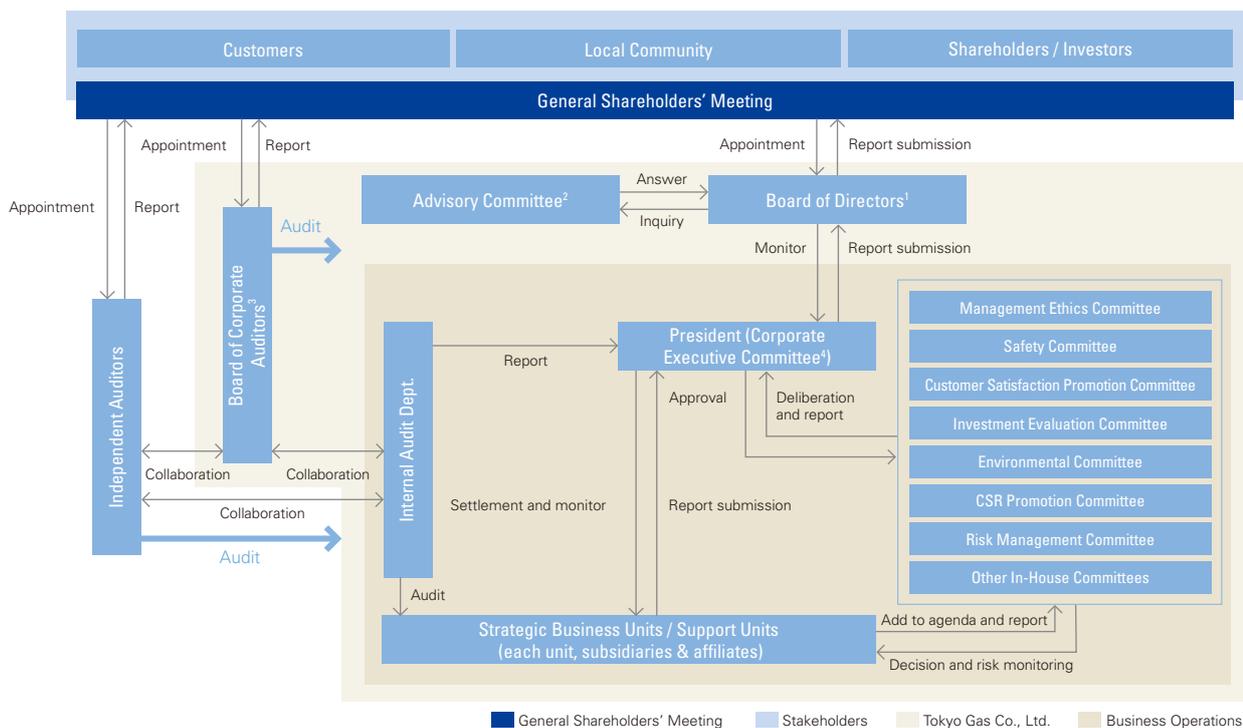
2. Level of remuneration

The level of executive compensation shall be suitable for the role, responsibility, and performance of the executive.

3. Performance-linked remuneration scheme

The performance-linked remuneration scheme is meant to

Corporate Governance Structure



1 Board of Directors: 11 directors (3 outside directors, and 8 internal directors)
 2 Advisory Committee: 3 representatives from outside directors and outside auditors, Chairman, Vice Chairman, and President
 3 Board of Corporate Auditors: 5 corporate auditors (3 outside auditors, and 2 internal auditors)
 4 Corporate Executive Committee: President, 3 Executive Vice Presidents, 9 senior executive officers (3 of the representative directors also serve as President and Executive Vice Presidents.)

Total Remuneration for Directors and Corporate Auditors (Fiscal 2009)

	Millions of yen			Thousands of U.S. dollars		
	Total remuneration	Type of remuneration		Total remuneration	Type of remuneration	
		Base	Bonuses		Base	Bonuses
Remuneration for ten directors (excluding outside directors)	¥430	¥374	¥56	\$4,623	\$4,021	\$602
Remuneration for three corporate auditors (excluding outside auditors)	74	74	—	795	795	—
Remuneration for seven outside officers (outside directors and outside auditors)	64	58	6	688	623	64

Compensation for Independent Auditors (Fiscal 2009)

	Millions of yen	Thousands of U.S. dollars
Remuneration for auditing services	¥326	\$3,505
Remuneration for non-auditing services	7	75
Total	¥333	\$3,580

firmly motivate the executives to execute management strategies, and is also meant to reflect their performance clearly on their remuneration.

4. Share-purchase guideline

The establishment of the share-purchase guideline is meant to firmly motivate the executives to reflect the perspective of a shareholder in management and improve shareholder value over the long term.

5. Assurance objectivity and transparency

The Company shall assure objectivity and transparency of remuneration by establishing the "Advisory Committee" comprising outside directors, outside corporate auditors, and the Company's directors to govern the system of remuneration.

Concentrating Group Effort to Survive in the Face of Competition

With the deregulation of the energy industry, Tokyo Gas now faces escalating competition from both inside and outside the industry. In April 2004, we introduced the "Strategic Business Unit" (SBU) system, which is designed to focus all of the resources of the Tokyo Gas Group on the task of surviving and succeeding in an increasingly competitive environment. Under this structure, Tokyo Gas corporate divisions are linked with Group companies to form business units in each business area. The divisions and companies work closely together on tasks ranging from the formulation of business strategies to the allocation of management resources and the management of

operations, all under the responsibility of unit managers. The aim of this cooperative approach is to maximize our Group potential and further strengthen our competitiveness.

RISK MANAGEMENT

Enterprise Risk Management System Responds to and Discloses Information on Growing Risks

In fiscal 2003, the Company established a groupwide Enterprise Risk Management (ERM) system, which includes risk management regulations and documented rules concerning major risks that require management intervention.

The IR Department's Risk Management Group was established to promote overall risk management, and approximately 110 Risk Management Promotion Officers have been deployed in Tokyo Gas and its consolidated subsidiaries, and in this way ERM is promoted. Under this risk management system, every year, we review risks, evaluate fluctuations in the importance of risks, and assess the implementation and improvement status of countermeasures. This system facilitates the steady implementation of the ERM-PDCA (Plan-Do-Check-Act) cycle.

Furthermore, to improve the level of ERM, in fiscal 2008, the Risk Management Committee was established to review risks, build up the ERM system, and periodically assess and evaluate its operational status. The committee reports to the Corporate Executive Committee and the Board of Directors and secures the necessary approvals.

Major Risks Requiring Management Intervention

Accidents and disasters	Resource procurement supply interruption risk, Natural disaster risk, City gas and electricity production/supply disruption, Ensuring the safety of city gas and quality problems affecting gas equipment, Damage due to reputation resulting from city gas accidents caused by other gas companies
Market risks	Market price and interest rate fluctuation risks
Risks accompanying business execution	Risks faced by existing business (Change in procurement costs, Decline in gas sales volume due to weather fluctuations, Decline in demand due to intensified competition, Demand risk, Delay in the development of new technology, and Changes in laws, regulatory systems, or energy policies of the national governments and local governments), Delayed cultivation of new markets, Inability to recover investments
Risks related to information management and system operation	Outflows of personal information, Failure or malfunction of IT backbone systems, Interruption of communication with call centers
Risks related to corporate social responsibility	Response to new environmental regulations, Compliance violations, Inadequate customer satisfaction or responses to customer needs

As a result of the ERM system, we can identify and clarify the latest major risks that reflect changes in the management environment, and we can provide appropriate disclosure of risk information to the capital markets and other stakeholders. Also, as a result of periodic monitoring through the Corporate Executive Committee and Board of Directors' meetings, we can respond appropriately to risks that are becoming more diverse, complex, and sophisticated.

Crisis Management Responsibility as a Public Company

Because the Company provides public services that comprise a lifeline, for many years we have also had a crisis management system that serves as a response system in case that a risk-related event actually occurs. Specifically, we have formulated Emergency Response Organization Regulations. In case of any type of crisis, the Emergency Response Organization responds to the situation immediately in accordance with the Emergency Response Organization Regulations. Possible crises include major natural disasters, such as earthquakes, or production or supply disruptions arising from major accidents at pipelines or terminals, as well as influenza, terrorism, failures in mission-critical IT systems, and compliance problems. Periodic training is conducted in relation to major risk response measures. The Company has also formulated a Business Continuity Plan (BCP) outlining its responses in the event of a major earthquake of the magnitude assumed by Japan's Cabinet Office, as well as an outbreak of influenza. This plan is in place to reinforce the Company's risk management system.

COMPLIANCE

Promoting Compliance

Our stance is reflected in three basic policies calling for the fostering of compliance awareness, the cooperation of each workplace with compliance efforts based on the Group policy, and the establishment of compliance PDCA cycles.

We have established the Management Ethics Committee, chaired by the President. This committee discusses at the management level basic compliance policies and all aspects of compliance initiatives by the Group, monitors the implementation of compliance-related measures, and confirms activity programs from the following year and thereafter. We have also established the Compliance Department to lead compliance-related

activities for each unit. These include development of compliance promotion systems, encouraging awareness and educational campaigns about the code of conduct, compliance risk reduction measures, maintenance of advisory systems, and the broad-based distribution of information within and beyond the Tokyo Gas Group companies.

To cultivate an understanding of compliance, we promote a thorough awareness of ongoing activities related to our code of conduct that was revised in 2004. We also are moving forward with a compliance casebook designed for applying the code of conduct to various problems in the workplace, so as to achieve the permeation of compliance.

Compliance risk countermeasures include internal and external advisory systems. By operating these systems effectively, we are endeavoring to ensure that compliance-related problems are discovered and resolved quickly so that our corporate self-regulatory processes will continue to function effectively. The Compliance Audit Group also works steadily to mitigate risks by implementing follow-up audits to verify progress in tackling concerns identified at first auditing.

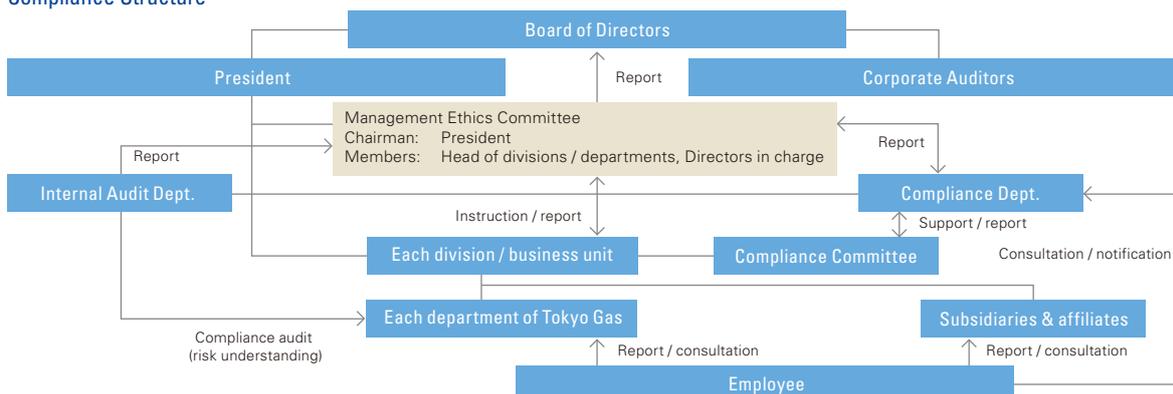
We monitor the effectiveness of Group compliance promotion activities by conducting regular compliance awareness surveys of all employees. The results of these surveys are reflected in initiatives for the following years.

DISCLOSURE

Enhancement of IR Activities

Top management takes an active role in Tokyo Gas IR activities, disclosing such broad-ranging information as management strategies, progress, and performance and engaging in interactive communication with investors. We believe that discussing management's thoughts with investors in this way can help close the gap between our real corporate value and the market assessment of the Company. In particular, during the period following the announcement of our financial results, we engage in IR activities including visits by top management to institutional investors in Japan and overseas. Briefings and individual meetings are also used as opportunities for wide-ranging discussions.

Compliance Structure



BOARD OF DIRECTORS AND CORPORATE AUDITORS



Director, Chairman
Mitsunori Torihara

April 1967 Joined the Company
April 2004 Representative Director, Executive Vice President, Chief Executive of Corporate Communication Div. and in charge of Compliance Dept.
April 2006 President, Representative Director, and Executive President
April 2010 Director and Chairman of the Board



Director, Vice Chairman
Tadaaki Maeda

April 1970 Joined the Company
June 2004 Director, Senior Executive Officer, Chief Executive of Energy Resources Div. and in charge of Internal Audit Dept.
April 2006 Representative Director, Executive Vice President and Chief Executive of Strategic Planning Div.
April 2007 Representative Director, Executive Vice President, Chief Executive of Energy Production Div., and in charge of Environmental Affairs Dept.
April 2010 Director and Vice Chairman



Representative Director, President
Tsuyoshi Okamoto

April 1970 Joined the Company
April 2007 Representative Director, Executive Vice President, and in charge of Personnel Dept., Secretary Dept., General Administration Dept., Compliance Dept., and Internal Audit Dept.
April 2009 Representative Director, Executive Vice President, and in charge of Personnel Dept., Secretary Dept., General Administration Dept., and Compliance Dept.
April 2010 President, Representative Director, and Executive President



Representative Director
Shigeru Muraki

July 1972 Joined the Company
April 2007 Senior Executive Officer, Chief Executive of Energy Solutions Div. and General Manager of Volume Sales Dept. of Energy Solutions Div.
June 2007 Director, Senior Executive Officer and Chief Executive of Energy Solutions Div. and General Manager of Volume Sales Dept. of Energy Solution Div.
April 2010 Representative Director, Executive Vice President, Chief Executive of Energy Solutions Div. and General Manager of Volume Sales Dept. of Energy Solution Div.



Representative Director
Toshiyuki Kanisawa

April 1972 Joined the Company
June 2007 Director, Senior Executive Officer, and Chief Executive of Residential Sales Promotion Div.
April 2009 Director, Senior Executive Officer, and Chief Executive of Housing Development Div.
April 2010 Representative Director, Executive Vice President, in charge of Personnel Dept., Secretary Dept., General Administration Dept., and Compliance Dept.



Director
Tsutomu Oya

April 1975 Joined the Company
April 2006 Senior Executive Officer and Chief Executive of Energy Resources Div.
June 2009 Director, Senior Executive Officer and Chief Executive of Energy Resources Div.
April 2010 Director and Chief Executive of Energy Production Div., and in charge of Environmental Affairs Dept.



Director
Michiaki Hirose

April 1974 Joined the Company
April 2009 Senior Executive Officer and in charge of Corporate Planning Dept. and Affiliated Companies Dept.
June 2009 Director, Senior Executive Officer and in charge of Corporate Planning Dept., Corporate Communications Dept., and Affiliated Companies Dept.
April 2010 Director, In charge of Corporate Planning Dept., Project Management Dept., Corporate Communication Dept., and Affiliated Companies Dept.



Director
Mikio Itazawa

April 1974 Joined the Company
June 2003 General Manager of West Pipeline Business Dept. of Pipeline and Maintenance Div.
April 2004 Executive Officer and General Manager of Pipeline Dept. of Pipeline Network Div.
April 2007 Senior Executive Officer and Division Manager of Pipeline Network Div.
June 2010 Director, Senior Executive Officer and Division Manager of Pipeline Network Div.

Auditors

Yasunori Takakuwa
Kunihiko Mori

Outside Auditors

Shoji Mori (Vice Chairman, Institute for International Socio-Economics Studies)
Yukio Masuda (Standing Consultant, Mitsubishi Corporation)
Masayuki Osawa (Outside Auditor, PACIFIC CONVENTION PLAZA YOKOHAMA)

Message from Outside Directors



Outside Director
Katsuhiko Honda

Current position

Advisor, Japan Tobacco Inc.
June 2007 Director of the Company

As an outside director, I look at management and operational initiatives from an impartial perspective. I am deeply impressed by the straightforward and steady efforts of managers and employees to enhance the Company's enterprise value, as well as by the high ethical and moral standards that are evident in the execution of business activities.

Tokyo Gas is a "public utility" that provides social infrastructure, but I believe that the public interest aspect of a company's operations is not intrinsic to the company itself but rather is granted to the company by the customers who support it. The Company has made customer satisfaction its number one priority, and moving forward I would like to see the Company further enhance service, with all Group employees working together under the leadership of the new president.

As the Company works to move beyond the dramatic changes in the current operating environment while anticipating future changes, I will do my best to make a contribution to sustaining and enhancing the Company's enterprise value.



Outside Director
Sanae Inada

Current position

Attorney
June 2007 Director of the Company

The gas industry faces not only a global economic slowdown but also fierce competition among forms of energy, and Tokyo Gas itself has many challenges in responding to electricity-related campaigns. The Company should strongly emphasize the outstanding environmental friendliness of natural gas, as well as the fact that Tokyo Gas is a very environmentally friendly company. I also think that the Company needs to further enhance the corporate image.

In the midst of today's intense competition, there may be some concerns and disorientation in worksites. It is important for executives to demonstrate strong leadership and clear vision in order to foster a strong feeling of trust among employees.

Further, the Company should implement new operational development, with consideration for global initiatives. I would like to see the Company concentrate the capabilities of All Tokyo Gas, including affiliated companies, without being limited by existing concepts, and aim to be a global, integrated energy enterprise.



Outside Director
Yukio Sato

Current position

Vice Chairman, The Japan Institute of International Affairs
June 2010 Director of the Company

In Japan, the concept of "corporate governance" was originally imported, and Japanese society faces the challenge of how best to systematize and implement corporate governance practices. I think that there are three key points for companies that conduct business operations in society: following rules, self control, and self-awareness regarding the corporate presence in society. For Tokyo Gas, which is a public enterprise that has responsibility for stability and safety in the lives of the public, these are especially important points.

In addition, to respond appropriately to the requests of customers and society as well as those of shareholders and investors, I think it is important not to neglect the enhancement of transparency in business activities. More than anything else, it is important to pay careful attention to outside opinion. Of course, it goes without saying that it is also important to have a solid grasp on international developments that is reflected in decision-making and to maintain a focus on preparedness.

Executive Officers

President	Tsuyoshi Okamoto	
Executive Vice Presidents	Shigeru Muraki	Division Manager of Energy Solution Div., and General Manager of Volume Sales Div.
	Toshiyuki Kanisawa	In charge of Personnel Dept., Secretary Dept., General Administration Dept., and Compliance Dept.
	Hirokazu Hayashi	Division Manager of Regional Development Marketing Div.
Senior Executive Officers	Tsutomu Oya	Division Manager of Energy Production Div., In charge of Environment Dept.
	Michiaki Hirose	In charge of Corporate Planning Dept., Project Management Dept., Corporate Communication Dept., and Affiliated Companies Dept.
	Mikio Itazawa	Division Manager of Pipeline Network Div.
	Norikazu Hoshino	Dispatched to the Japan Gas Association
	Kazuo Yoshino	In charge of Investor Relations Dept., Finance & Managerial Accounting Dept., and Accounting Dept.
	Hisao Watanabe	Division Manager of Technology Development Div. and Information Technology Div.
	Manabu Fukumoto	In charge of Purchasing Dept., Real Estate Management Dept., Major Site Development Dept., and Internal Audit Dept.
Executive Officers	Matsuhiko Hataba	Division Manager of Residential Sales Promotion Div.
	Koichi Aonuma	Division Manager of Housing Development Div.
	Yutaka Kunigo	Division Manager of Energy Resources Div.
	Akio Maekawa	Coordinator, Energy Solution Div.
	Masahiro Mikami	General Manager of General Administration Dept.
	Hiroaki Kubota	General Manager of Energy Production Dept., Energy Production Div.
	Hidefumi Takahashi	General Manager of Kanagawa service branch, Residential Sales Promotion Div.
	Hideaki Obana	General Manager of Corporate Communications Dept.
	Hiroaki Kobayashi	General Manager of Customer Safety Dept., Residential Sales Promotion Div.
Yoshihiro Tanabe	Deputy Chief Executive of Energy Solution Div. and General Manager of Energy Sales & Service Planning Dept.	
Fumio Murazeki	General Manager of Residential Sales Planning Dept., Residential Sales Promotion Div.	
Takashi Uchida	General Manager of Corporate Planning Dept.	
Hideaki Arai	General Manager of Pipeline Dept. Pipeline Network Div.	
Satoru Yasuoka	General Manager of Gas Resources Dept. Energy Resources Div.	