

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 Swiftens

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, 2011, the Board of Directors comprised 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, proactively communicate with the Board of Directors and strictly audit the legality of the performance of duties of the directors.

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 24 executive officers as of June 30, 2011), to execute operations in accordance with Board of Directors’ resolutions. The system is designed to devolve 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

Initiatives to Strengthen Corporate Governance

	2000			2011		
Continuous growth in corporate value	Management Strategy	October 2002 Medium-term management plan for 2003–2007: “Frontier 2007”	January 2006 Medium-term management plan for 2006–2010: “Creation and Cultivation of New Natural Gas Markets”	January 2009 Medium-term management plan for 2009–2013: “Evolution and Advancement of Integrated Energy Business”		
	Organizational Structure		April 2004– Strategic business unit system (building of group management system, and maximization of group corporate value)			
Ensuring sound, transparent management	Management Structure	June 2002– Management structure reform • Reduction of regular number of directors (from 30 to 15) • Appointment of outside directors • Introduction of executive officer system • One-year term of office	February 2005– Establishment of Advisory Committee (consideration of director candidates and officer remuneration)	June 2005– Reform of officer remuneration system • Formulation and disclosure of basic policy • Abolition of retirement benefit system, and other measures		
	Internal Governance	June 2002– Reinforcement of internal audit structure	November 2002– Reinforcement of compliance system • Establishment of Management Ethics Committee • Establishment of Compliance Department	April 2003– Reinforcement of risk management structure • Introduction of Enterprise Risk Management system	April 2006– Establishment of Internal Control Promotion Committee	April 2008– • Establishment of Risk Management Committee
	Information Disclosure	June 2001– Start of overseas IR activities	April 2003– • Earlier publication of business results • Introduction of quarterly disclosure	April 2004– Consolidated accounting for all companies	July 2005– Publication of CSR Report	April 2011– Reassessment of IR organization • Integrate Investor Relations Dept. into Finance & Managerial Accounting Dept. (enforcement of our IR activities)

terms of office have been fixed at one 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 executives 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 firmly motivate the executives to execute management strategies, and is also meant to reflect their performance clearly on their remuneration.

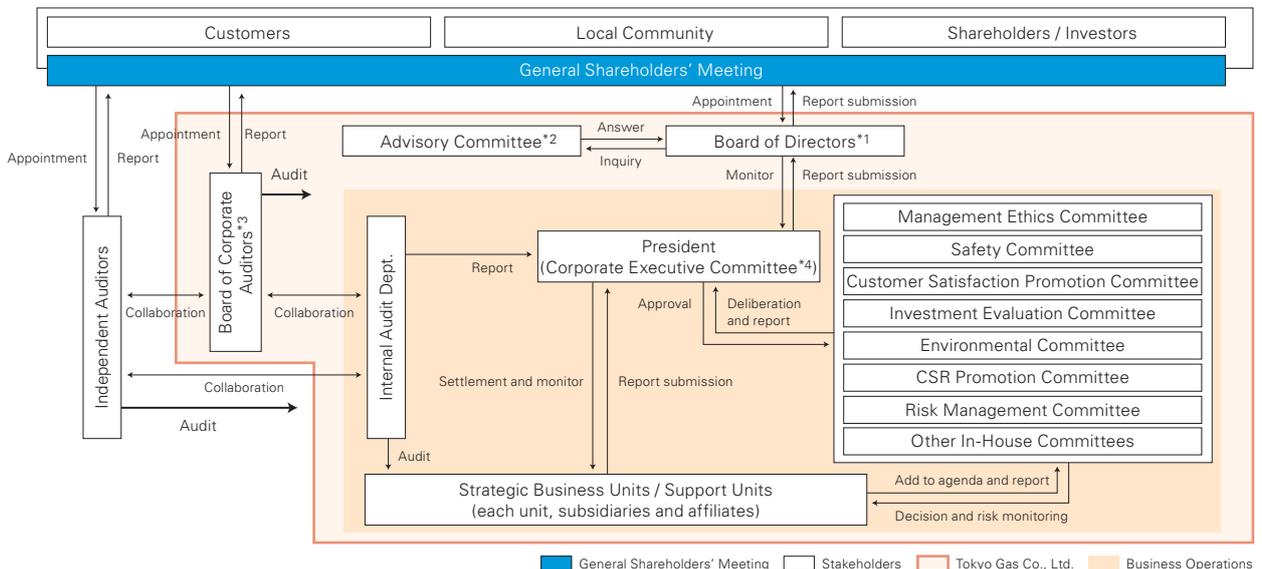
4. Share-purchase guideline

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 of 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.

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, 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 2010)

	Millions of yen			Thousands of U.S. dollars		
	Total remuneration	Base	Bonuses	Total remuneration	Base	Bonuses
Remuneration for nine directors (excluding outside directors)	¥ 463	¥ 411	¥ 52	\$ 5,578	\$ 4,952	\$ 627
Remuneration for two corporate auditors (excluding outside auditors)	74	74	—	892	892	—
Remuneration for seven outside officers (outside directors and outside auditors)	64	58	6	771	699	72

Compensation for Independent Auditors (Fiscal 2010)

	Millions of yen	Thousands of U.S. dollars
	Remuneration for auditing services	¥ 273
Remuneration for non-auditing services	41	494
Total	¥ 314	\$ 3,783

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 Group-wide Enterprise Risk Management (ERM) system, which includes risk management regulations and documented rules concerning major risks that require management intervention.

The Risk Management Committee was established in

fiscal 2008 with the aim of identifying and evaluating progress regarding the establishment and the operational status of the ERM system, as well as improving the level of Group-wide ERM. The committee periodically undertakes risk assessments and checks on progress regarding the establishment and the operational status of the ERM system. It also reports to the Corporate Executive Committee and obtains the necessary approvals. Since the start of fiscal 2011, the risk management function was transferred to the Corporate Planning Dept., thus creating a framework for implementing unified ERM together with operational management.

Under the new framework, around 120 Risk Management Promotion Officers have been deployed in the business departments of Tokyo Gas and its consolidated subsidiaries in order to promote Group-wide ERM. Each year, we assess risks and the implementation and improvement status of countermeasures. This system facilitates the steady implementation of the ERM-PDCA (Plan-Do-Check-Act) cycle.

Building an ERM system enables us to identify and clarify the latest major risks arising from changes to the operating environment. It also facilitates appropriate information disclosure to capital markets and other stakeholders. Regular monitoring by the Corporate Executive Committee and the Board of Directors also allows the best responses to risks, which are becoming more diversified, complex, and sophisticated.

Major Risks Requiring Management Intervention

Accidents and disasters	Resource procurement supply interruption risk; Natural disaster risk; City gas and electricity production/supply disruption; Unprecedented major power outages; 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; Interruption of communication with call centers; 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
Risks related to corporate social responsibility	Response to new environmental regulations; Compliance violations; Inadequate customer satisfaction or responses to customer needs

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 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 a major accident disrupting power supply and 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, encourag-

ing 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 are also 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.

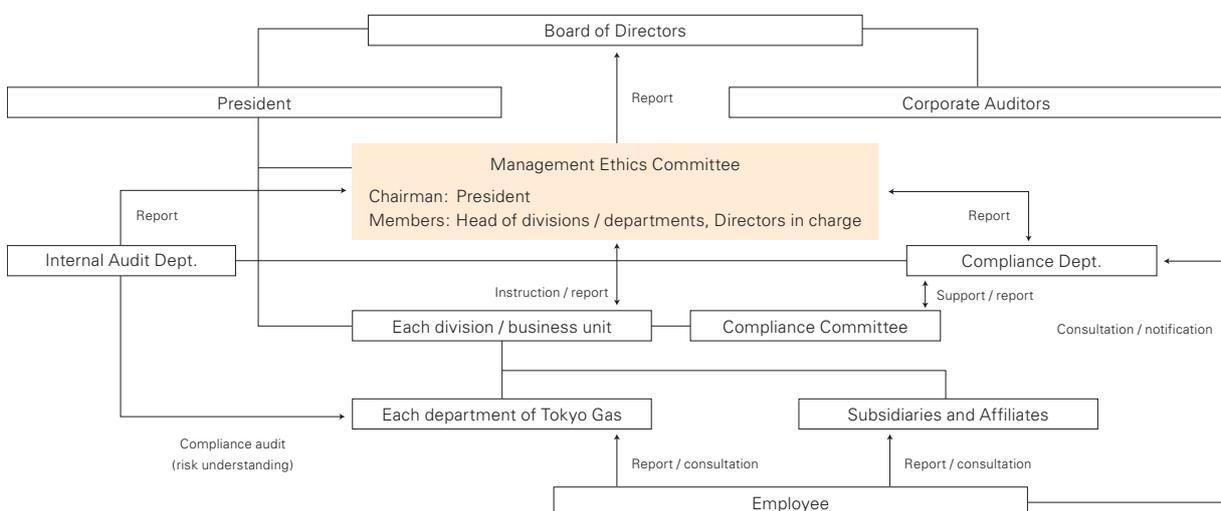
We monitor the effectiveness of Group compliance promotion activities by conducting regular compliance awareness surveys of all employees. The results of these surveys are reflected in initiatives for the following years.

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

As of June 29, 2011



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



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.



Director Kazuo Yoshino

April 1975 Joined the Company
 April 2009 Executive Officer and General Manager of Investor Relations Dept.
 April 2010 Senior Executive Officer and General Manager of Investor Relations Dept., and in charge of Finance & Managerial Accounting Dept., and Accounting Dept.
 April 2011 Senior Executive Officer and Division Manager of Information Technology Div., and in charge of Finance & Managerial Accounting Dept. and Accounting Dept.
 June 2011 Director, Senior Executive Officer and Division Manager of Information Technology Div., and in charge of Finance & Managerial Accounting Dept. and Accounting Dept.

Auditors

Kunihiro Mori
Manabu Fukumoto

Outside Auditors

Shoji Mori (Director Executive Advisor, Shinkin Central Bank)
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

After the earthquake and tsunami in March 2011, Tokyo Gas was able to resume gas supply in its service area within a week. Working with other gas companies from throughout Japan, we also assisted with the restoration of gas services in Sendai and other places outside our service area. Once again, I realized that Tokyo Gas has strong capabilities in the field and a high level of integrity. I believe that our prompt action and decisions when confronted with such an unprecedented event are valuable intangible assets.

Tokyo Gas will likely be called upon to bear an even greater responsibility with respect to the nation's energy policies. I hope that our precious human resources will become the driving force for spontaneous reform—reform that is not driven by outside forces. I also hope that all Group employees will stand united as they strive to deliver more in-depth services, thereby enhancing our corporate value.

As we work to overcome today's harsh operating environment while anticipating future changes, I will do my best to help Tokyo Gas achieve sustainable growth.



Outside Director Yukio Sato
Current position
Vice Chairman, The Japan Institute of International Affairs
June 2010 Director of the Company

A public utility such as Tokyo Gas must work hard to meet the expectations of customers and all citizens by having an accurate understanding of their needs. All the members of Tokyo Gas are always working with a sense of urgency, making the stable delivery of safe gas to customers their top priority. I believe this contributed to the speedy restoration of gas services after the Great East Japan Earthquake. I think we should continue emphasizing this readiness to be closely involved with the lives of ordinary people. At the same time, I think it has become increasingly important that we draw on the know-how and experience amassed so far to broaden our activities overseas and thus ensure the stable supply of resources. From this standpoint, it is essential for Tokyo Gas to build more overseas links and relationships.



Outside Director Ryuichi Tomizawa
Current position
Chairman of the Board, Mitsubishi Chemical Holdings Corporation
June 2011 Director of the Company

I believe that I can make a useful contribution to the operations of Tokyo Gas by drawing on my experience in the chemical industry, which is not dissimilar to the energy sector. Today, the Japanese industry faces a period of dramatic restructuring. From my perspective as a member of the chemical industry, I am able to advise the Company not only on the future direction of production activities, but also on diverse energy needs, including compatibility with the environment and renewable energy.

In my opinion, Tokyo Gas was able to respond successfully, even in the face of the Great East Japan Earthquake, because it stood united, backed by a sound risk management strategy that was already prepared for such an emergency. It is essential that companies throughout Japan reflect on their own recent experiences and review their crisis management strategies. Tokyo Gas needs to reduce "unanticipated" events, and plan and prepare so that when an "unanticipated" event happens, it can respond calmly and appropriately. In this sense, I recognize that I have a major role to play in supplementing the Company's internal wisdom with outside eyes, ears, and insights.

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., Compliance Dept., and Internal Audit Dept.
	Hirokazu Hayashi	Division Manager of Regional Development Marketing Div.
Senior Executive Officers	Tsutomu Oya	Division Manager of Energy Production Div., and 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.
	Kazuo Yoshino	Division Manager of Information Technology Div., and in charge of Finance & Managerial Accounting Dept. and Accounting Dept.
	Norikazu Hoshino	Dispatched to the Japan Gas Association
	Hisao Watanabe	Division Manager of Technology Development Div.
	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.
	Masahiro Mikami	In charge of Purchasing Dept., Real Estate Management Dept., Major Site Development Dept., and General Administration Dept.
Executive Officers	Hiroaki Kubota	General Manager of Information Technology Application Dept., Information Technology 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 Sales Marketing I Dept., Housing Development Div.
	Masaru Takamatsu	General Manager of LIFEVAL Project Management Dept., Residential Sales Promotion Div.