TOKYO GAS

Our Vision and Strategy

Annual Report 2012

Tokyo Gas Co., Ltd.

Editorial Policy

In fiscal 2011, the Company revised its editorial policy for its annual reports. The new policy calls for the stringent selection and concentration of information, such as financial data, business strategy explanations, and information on other areas of importance, to better facilitate investors' efforts to analyze the Company. For additional information, please refer to the following tools and websites.

Details of Challenge Vision 2020

The Tokyo Gas Group's Vision for Energy and the Future ~Challenge 2020 Vision~
(Released November 2011)

http://www.tokyo-gas.co.jp/IR/english/library/pdf/vision/vision2020_01.pdf

CSR Activities

Tokyo Gas Group CSR Report

http://www.tokyo-gas.co.jp/csr/index_e.html

Financial and Industry Data (EXCEL Spreadsheet Data Available)

Investors' Guide

http://www.tokyo-gas.co.jp/IR/english/library/invguid_e.html

Quarterly Financial Results

Consolidated Financial Results Bulletin

http://www.tokyo-gas.co.jp/IR/english/library/earn_e.html

Numerical targets for fiscal 2012 are based on information available when the figures were announced (April 27, 2012) and on the judgment of management. The Company undertakes timely disclosures to Tokyo Stock Exchange of the latest information, which it also releases on the IR page of its web site (http://www.tokyo-gas.co.jp/IR/english/ir_e.html).

Contents

Operating Performance and Impacting Factors P.02

Key Points and Progress of Growth Strategies P.17

Policies of Management P.04

Key Points Regarding Corporate Governance Systems P.29

* The Company's recognition of and countermeasures for risks pertaining to business strategies in response to investor inquiries

Overview and Potential of Tokyo Gas P.09

Management's Analysis of Operating Performance in Fiscal 2011 P.40

Operating Performance in Fiscal 2011 A Three-Minute Overview

Before Analyzing the Figures

[Factors that Affect Our Earnings]

Gross profits in the gas business are determined by the increase in gas sales volume (volume difference) and the gap between the selling and purchase prices (price difference).

Gas Sales Volume

The Company's net sales depend on sales of city gas, which account for 70% of the Company's total. Therefore, changes in selling volume directly impact net sales. Factors that have a major effect on selling volume are temperature and economic and other fluctuations.

Temperature

Demand in the residential sector stems mainly from demand for hot water and indoor heating, so selling volume declines when winters are warm, resulting in lower sales and income. In the commercial sector, gas is used mainly for air conditioning, so cool summers and warm winters cause gas sales volume to decrease, reducing sales and income.

Economic and Other Trends

Economic and other trends affect business in the industrial and commercial sectors. In the industrial sector, plant utilization rates fall when economic conditions are sluggish, reducing sales volumes. In the commercial sector, meanwhile, lackluster economic performance can, for example, lower hotel utilization ratios, and commercial facilities may shorten hours of operation, lowering sales volume.

Resource Costs

Resource costs account for a substantial portion of the Company's operating expenses. These costs tend to fluctuate in line with gas sales volumes and be affected by changes in crude oil prices and exchange rates.

Crude Oil Prices

The price of LNG, which is the source of city gas, is linked to the crude oil price. Therefore, fluctuations in the crude oil price may affect resource prices. Changes in terms of contracts and negotiations with suppliers of LNG may also affect resource costs.

Exchange Rates

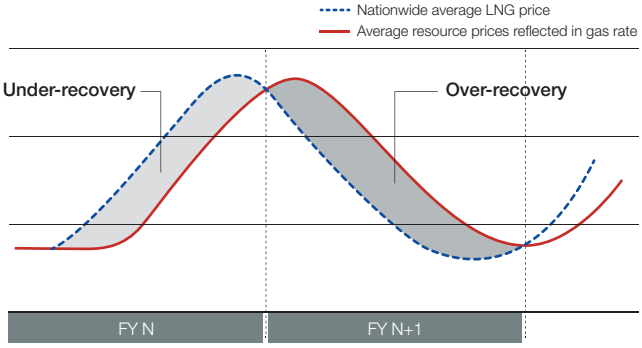
LNG purchase contracts are denominated in U.S. dollars. Accordingly, yen appreciation against the U.S. dollar causes resource costs to decline on a yen basis. Conversely, yen depreciation against the U.S. dollar pushes raw material costs upward.

Gas Rate Adjustment System and Slide Time Lag

To increase the transparency of gas rates and encourage providers to be clear about their efforts to achieve higher business efficiencies, the gas rate adjustment system was introduced.Through this system, average gas resource prices over a three-month period according to trade statistics are compared to the gas resource cost that is used as the standard (standard average resource cost), and the gas rates are adjusted using a defined calculation method based on the differences. Under this system, the impact of changes in resource procurement costs on a gas company's earnings is essentially neutral. However, a time lag of up to five months (called a slide time lag) exists between the payment of resource costs and the reflection of such changes in gas rates. Consequently, fluctuations in crude oil prices and exchange rates may result in the under-recovery or over-recovery of gas resource costs if this lag cuts across a fiscal year, thereby affecting income.

How the Slide Time Lag in Rates Works

The average gas resource price over the past three months is calculated every month, and then reflected in the gas rate three months later.
(Example: The average gas resource cost for January through March is reflected in the June gas rate.)



Pension Actuarial Differences

Actuarial differences arise from differences between expected and actual investment returns on pension assets, as well as on differences between expected and actual retirement benefits. These costs are written off as a lump sum in the fiscal year following the year in which they arise and are posted as operating expenses.

Accordingly, major actuarial differences can have a substantial impact on revenues and expenses in the following fiscal year.

Liquefied natural gas (LNG): LNG is produced by cooling gas (natural gas) composed primarily of methane (CH_4) down to around minus 162°C, thereby liquefying the gas. Liquefaction reduces the volume down to 1/600 that of the gas, allowing large amounts to be transported by tanker.

LNG value chain: This chain refers to the sequence of business activities leveraging the combined strength of the Tokyo Gas Group, spanning the procurement and transportation of LNG, production and supply of city gas and energy solutions, resulting in the provision of high-value-added energy and services.

Summary Analysis of Operating Performance

In fiscal 2011, ended March 31, 2012, gas sales volume increased 445 million m^3, or 3.0%, to 15,190 million m^3. The residential volume was up 11 million m^3 year on year, due to temperature-based influences, and sales volume was up 18 million m^3 for all residential use. Despite the cold winter weather, the rise was relatively small because early spring and winter temperatures in the previous year had also been cold. The commercial volume was down 215 million m^3, owing to energy-saving efforts in the aftermath of the Great East Japan Earthquake. The industrial volume, on the other hand, increased 619 million m^3 because of such factors as a rise in demand for electric power generation following the earthquake.

Although the yen continued to appreciate, the crude oil price remained high, at US$114.16 per barrel, prompting an increase in unit gas selling rates in accordance with the gas rate adjustment system. Reflecting the increase in the gas sales volume, gas sales expanded ¥169.2 billion.

However, gross profit worsened ¥20.1 billion owing to a ¥189.3 billion increase in resource costs caused by a higher volume of resources used and higher unit costs. Of this amount, under-recovery due to the slide time lag expanded from ¥29.2 billion in the previous fiscal year to ¥47.3 billion in the year under review. This factor had a ¥18.1 billion negative effect on gross profit.

In fiscal 2010, the Company shifted its primary pension investments—which impact the depreciation of pension actuarial differences in retirement benefit accounting —from a concentration on relatively variable shares to bonds, in anticipation of stable investment performance. As a result of this move, investment performance in fiscal 2010 was down in comparison with fiscal 2009, when higher stock prices resulted in stronger investment performance. As a result, in fiscal 2011 the expense burden related to depreciation of pension actuarial differences in retirement benefit accounting increased by ¥2.7 billion, whereas this burden decreased by ¥19.9 billion in the previous fiscal year; therefore these differences had a ¥22.7 billion negative impact on operating income.

In fiscal 2011, net income was down ¥49.4 billion from the previous fiscal year, to ¥46.0 billion. This change was due in part to lower extraordinary income, to which the sale of land in Toyosu contributed in fiscal 2010.

For details, please see Management's Discussion and Analysis (page 40).

Summary of Operating Results

Billions of yen

	Fiscal 2011	Fiscal 2010	Change	%
Gas sales volume (Million m^3, 45MJ/m^3)	15,190	14,745	+445	+3.0
Net sales	1,754.2	1,535.2	+219.0	+14.3
Operating expenses	1,677.1	1,412.7	+264.4	+18.7
Operating income	77.0	122.4	–45.4	–37.1
Ordinary income	75.6	121.5	–45.9	–37.8
Net income	46.0	95.4	–49.4	–51.8

Economic Frame

	JCC ($/bbl)	Exchange rate (¥/$)	Average temperature (°C)
Fiscal 2011	114.16	79.08	16.4
Fiscal 2010	84.15	85.74	16.7

Pension Investment

	Investment yield (costs deducted)	Discount rate	Year-end assets (Billions of yen)
Fiscal 2010	2.70%	2.0%	235.0
Fiscal 2009	7.16%	2.1%	222.0

Ordinary Income for Fiscal 2011: Analysis of Factors (Year on Year)

Note: (+) & (–) refer to contributions to income.

FY2010 ¥121.5 billion

FY2011 ¥75.6 billion

Tokyo Gas (Non-consolidated) –¥39.2 billion

Decrease in gas gross margin (slide time lag effect –¥18.1billion) **–¥20.8 billion**
- Net sales: +¥144.9 billion
  (Gas sales volume & composition +¥17.0 billion , Slide time lag +¥131.4 billion , Others –¥3.5 billion)
- Gas resource costs: –¥165.7 billion
  (Amount & composition –¥15.4 billion, Foreign exchange+¥54.7 billion, JCC–¥161.6 billion, Others –¥43.4 billion)

Increase in fixed costs **–¥20.6 billion**
- General expenses decreased: +¥0.9 billion
  (Decrease in advertising and other costs to develop demand +¥4.3 billion,Consignment costs –¥2.1 billion ,etc)
- Personal expenses increased on pension actuarial difference: –¥22.0 billion
  (Pension actuarial differences +¥19.9 billion→ –¥2.7 billion)
- Depreciation and amortization: ±¥0

Increase in other operation/supplementary income **+¥4.0 billion**
Appliance sales +¥0.1 billion, Installation work +¥0.3 billion, Electric power +¥3.7 billion and others

Decrease in non-operating income **–¥1.7 billion**
(+) Premature repayment adjustments +¥2.4 billion,
Foreign exchange gain and loss +¥1.6 billion (–¥1.3 billion→ +¥0.3 billion)
(–) Financial balance –¥3.4 billion (+¥4.8 billion→ + ¥1.3 billion),
Decreased gain on weather derivatives –¥0.9 billion (+¥1.0 billion→ +¥0.1 billion)

Change –¥45.9 billion

Consolidated subsidiaries –¥8.9 billion

(–) Australian subsidiaries –¥4.7 billion〔foreign exchange effect –¥2.8 billion (+¥2.2 billion→ –¥0.6 billion)〕
Tokyo Gas Urban Development –¥1.2 billion〔Profit decline from rent revisions〕
ENERGY ADVANCE –¥0.6 billion (Regional energy services profit decline)
Tokyo LNG Tanker –¥0.6 billion (Profit decline from freight rate revisions)

Internal offset, etc. +¥2.2 billion

Eliminations of dividends income +¥1.0 billion

Discussion with the President

岡本毅

Tsuyoshi Okamoto
President and Representative Director

Through “enhancement of the LNG value chain,” we will achieve sustainable long-term corporate growth.

In the aftermath of the Great East Japan Earthquake, which struck on March 11, 2011, society and the Tokyo Gas Group’s operating environment have changed. Against the backdrop of the nuclear power plant accident, the need to respond to the electrical power supply–demand issue has grown more pressing, and the situation has brought about a reexamination of the country’s energy policies. Under these conditions, natural gas has taken on an even greater role than in the past, and expectations of the Tokyo Gas Group have mounted. To meet these expectations, in November 2011 we formulated and announced “The Tokyo Gas Group’s Vision for Energy and the Future: Challenge 2020 Vision.” This vision describes how the Tokyo Gas Group will pull together to achieve “enhancement of the LNG value chain.” Through achieving this objective, we aim to fulfill our role as a company that meets society’s requirements by contributing to the supply of energy, as well as meeting our customers’ needs. At the same time, we will achieve sustainable long-term growth and satisfy the expectations of our shareholders and investors.

In the following pages (pages 5–8), the president of Tokyo Gas explains the Company’s thoughts concerning items of particular interest to investors. Please refer to the following pages for a report on operations during fiscal 2011 and an overview of the vision, including details on the state of its progress.

Fiscal 2011 in Review

Operating Performance in Fiscal 2011— A Three-Minute Overview (performance highlights) P.02
Management’s Discussion and Analysis (Detailed Analysis) P.40

Overview and Progress on the “Challenge 2020 Vision”

Growth Strategy P.17

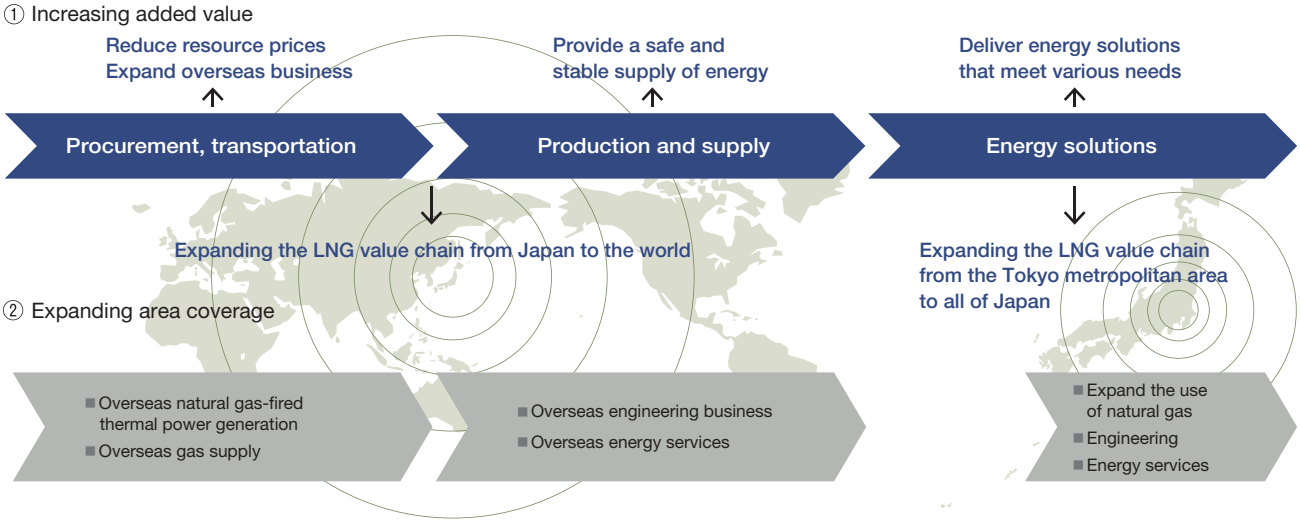
What are some highlights of the “enhancement of the LNG value chain?”

Okamoto: Diversity is the keyword for our initiatives. Let us look first at our diversification of resource procurement. Tokyo Gas imports more than 11 million tons of LNG per year, the majority from such locations as Southeast Asia and Australia. We are planning to expand our sources to include a broader global base, including supply from North America and Africa. Another aspect of diversification involves the way we participate in LNG projects. Going beyond the conventional approach of procuring resources from sellers on the basis of long-term contracts, we are now acquiring upstream interests and participating proactively in liquefaction plants and in transportation aspects. In these ways, we aim to achieve more diverse terms of trade, including pricing.

However, our diversification is not limited to resource procurement and upstream interests. Another thrust of our diversification activities involves stepping up our involvement in overseas electric power generation, energy services, and the expansion of engineering businesses.

Through these efforts, we are deepening our involvement in the commercial distribution of natural gas, spanning upstream to downstream operations. These moves will enable us to increase the value we add to the LNG value chain and expand the areas in which we develop our operations as we work toward “enhancement of the LNG value chain.”

Enhancement of the LNG Value Chain



What is the scenario for reducing resource prices?

Okamoto: Reducing resource prices is one of our top priorities, but there is no simple solution. Achieving each of our diversification initiatives will open up a host of future possibilities. Rather than looking at the measures that we are pursuing as individual cases, we consider them to be interrelated initiatives that will have a major combined effect on lowering resource prices for us in the future. For example, we have commenced negotiations regarding LNG procurement from the U.S. Cove Point LNG Project. This move exemplifies efforts to expand our overseas procurement locations and will pave the way to increase future access to different areas than those from which we have procured resources in the past. Our vision also calls for us to aggressively develop business other than upstream operations. In this category, we have participated in natural gas-fired power generation in Mexico and Belgium. In addition, we are cooperating in the construction of an LNG value chain in Vietnam and taking part in an electricity and heat supply system in Thailand. The common thread running through all of these activities is that they are businesses to which natural gas is core, and we expect to see mutual benefits from these projects in the future. To strengthen our grip on resource procurement, we intend to expand our destinations for the resources we procure—not only extending our operations from the Tokyo metropolitan area to other parts of Japan, but also including the cultivation of global markets.

If prices in the Pacific market continue to be below those in the Atlantic market, for instance, market logic dictates that this difference must be resolved in some way or another. Once exports of inexpensive U.S. shale gas get fully under way, I believe that this should place ample downward pressure on international LNG market prices. Through our involvement in commercial distribution of fuel supplies in the Atlantic to organizations such as T-Power N.V., which operates a natural gas-fired power station in Belgium, we are arbitraging price differentials with the Asia–Pacific market. Such efforts will alleviate the “Asia premium” on LNG and should serve to reduce gaps in international market prices. We aim to become a major, influential player in the global LNG market.

What is your approach toward acquiring upstream interests?

Okamoto: In the future, we will employ new technologies and introduce new approaches even on small and medium-scale LNG projects to improve their economic performance and increase our range of viable options. Using floating LNG for pipeline distribution on projects that previously were not considered economically feasible is one example of this approach. A host of feasibility studies are under way in different parts of the world, which are also helping to attract interest in our company. In the past, we have typically taken upstream interests of around 1–5%. To strengthen our grip on LNG procurement going forward, we aim to take a larger percentage interest in small and medium-scale LNG projects of around 20–30%. If conditions are right, we would even consider taking a majority stake.

Naturally, the larger the position we take, the larger our risk becomes, so we will evaluate such projects on the basis of their internal rate of return (IRR), judging projects carefully from many angles and taking into consideration country risk, interest retention risk, and the reliability of our partners. We will look seriously at such projects after weighing such risks against their return.

What is your policy on unconventional natural gas?

Okamoto: With regard to unconventional natural gas, in addition to the U.S. Cove Point LNG Project, in 2010 we commenced negotiations on participating in the Queensland Curtis LNG Project in Australia, making us the first Japanese energy company to cultivate a procurement channel involving coal bed methane. Such activities are examples of our efforts to take part in upstream businesses. In 2011, we participated in a natural gas development project in British Columbia in Canada centering on shale gas. Whether projects are considered "conventional" or "unconventional," the main point for us is that they provide methane (CH_4). Of primary importance is whether such projects are solid economically and whether they allow a stable supply. On this basis, we will continue to consider projects in the same way we have in the past.

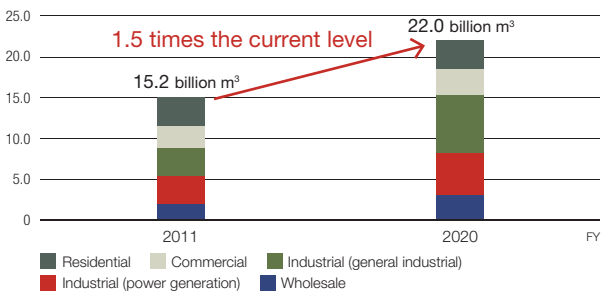
What is the scenario for augmenting your gas sales volume?

Okamoto: We expect residential gas sales volume to remain flat through fiscal 2020. We believe commercial volume will expand due the use of gas in such applications as cogeneration and gas air conditioners, but this demand is expected to increase at a rate of only around 2% per year. What we do anticipate will drive a rise in gas sales volume through fiscal 2020 is industrial demand, including for power generation. By continuing to cultivate general industry demand, centering on fuel conversion and the introduction of cogeneration, we expect demand to rise around 8% per year on average between fiscal 2011 and fiscal 2020, from 3.4 billion m^3 to 7.0 billion m^3. Owing to the completion of the Chiba–Kashima Line in March 2012, we forecast an increase from the Kashima waterfront industrial zone, rising by 0.3 billion m^3 in fiscal 2012, compared with the preceding fiscal year. We estimate potential demand in the Kanto region—the area within a 200-kilometer radius around Tokyo—at 9.0 billion m^3. We are working to meet this potential demand by completing the Hitachi LNG Terminal, which is currently under construction, and augmenting our pipeline network.

To meet the rapid increase in the demand for natural gas for power generation, we expect demand to increase at an average annual rate of around 4%, including supplies to customer generation plants and fuel for our own power generation business. As a result, we forecast demand will expand from 3.5 billion m^3 in fiscal 2011 to 5.2 billion m^3 in fiscal 2020.

Going forward, in addition to focusing on our own supply area we are forging LNG purchase/sale agreements with such companies as Hokkaido Gas and Saibu Gas, thereby promoting the supply of LNG gas providers throughout Japan.

Gas Sales Volume, by Use



What are your conditions for making decisions on infrastructure investments that have not yet been determined?

Okamoto: One major prerequisite to making a decision is to confirm that demand is sufficient to warrant investment. Once this is established, other factors include a project's ability to increase supply stability and its value from a security standpoint. We have resolved to build a new high-pressure trunk line from the Hitachi LNG Terminal in Ibaraki Prefecture, which is scheduled to commence operations in fiscal 2015, to the city of Moka in Tochigi Prefecture, Koga in Ibaraki Prefecture, and Soka in Saitama Prefecture, thereby connecting the loop line around the Tokyo metropolitan area. Our decision to embark on this project followed confirmation of potential demand in northern Kanto and recognition of the need to increase supply stability throughout the Tokyo metropolitan area.

Other projects that we plan to consider include the tentatively named Hitachi–Kashima Line (provisional name)—a major prerequisite being whether central line demand will justify our investment—which would increase energy security through a wide-area loop. On the tentatively named Hitachi–Onahama Line (provisional name), we expect central line demand to be a major factor in our investment decision.

Please explain the background behind the scale of your electric power generation business.

Okamoto: The current scale of our power generation business, including the interests of other companies, is around 2 million kW. In addition, we have already begun considering participation in such projects as Ohgishima Power Station Unit 3, for which a construction decision is expected around autumn 2012 and that would generate 407,000 kW. Including this project, projects in which the likelihood of our participation is high should expand the scale of our business by 1 million kW, to a total of 3 million kW. Investment decisions on increasing our participation even more will involve deliberations on improving the electrical power system and judgments on the economic feasibility of projects.

When will "ENE-FARM" begin contributing to profits?

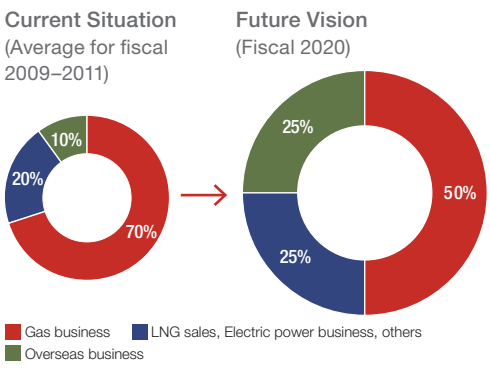
Okamoto: We expect to sell around 7,100 units in fiscal 2012, but because of development costs and upfront investments focused on popularizing the units, we do not anticipate any contribution to profits in the short term. By fiscal 2020, however, the stock of installed units should reach 300,000 units. Assuming that their use continues to steadily gain in popularity, residential gas sales to supply these units should become a major pillar of sales. Please understand that we are looking at this business from a long-term perspective, into the 2020s.

What are the chances of these results surpassing your forecasts?

Okamoto: We recognize that the small-volume segment, a regulated area, is unlikely to contribute to ongoing profit increases, and accordingly, our plans in this area are conservative. Going forward, we expect to derive higher profits from the large-volume segment, where margins are firm.

Looking at our profit structure, we plan to boost profits from the overseas and power generation businesses, but our plans are on the conservative side; they include only projects on which profits and revenues are firm but incorporate expenses that are not yet certain. Specifically on overseas business, at the present we include in our forecasts only those projects on which we have made a decision to participate. Similarly for the power generation business, we expect our business to expand to up to 5 million kW, but our income and expense plans assume that our scale of generation is 3 million kW. Our forecasts presume that expenses will rise, but we are conservative in our revenue forecasts. Consequently, we will do our very best to push performance beyond our planned figures.

	Fiscal 2011	Fiscal 2020
Consolidated operating cash flow	¥194.5 billion	Approx. ¥250.0 billion/year (FY2012–2020 total: ¥2,240.0 billion)
ROE	5.4%	Approx. 8%
ROA	2.5%	Approx. 4%
D/E ratio	0.75	Approx. 0.8 (each fiscal year)
Total payout ratio	61.4%	Approx. 60%



Please outline your projection in cash flow distribution (shareholder returns and capital expenditures), results for fiscal 2011, and your forecast for fiscal 2012.

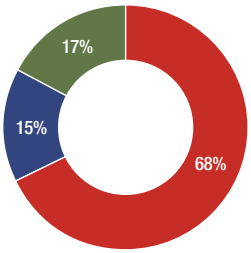
Okamoto: Our "Challenge 2020 Vision" calls for total consolidated operating cash flow of ¥2,240 billion between fiscal 2012 and fiscal 2020. Of this amount, 68%, or ¥1,680 billion, is earmarked for capital expenditures; 15%, or ¥380 billion, for investments and financing; and 17%, or ¥420 billion, for shareholder returns.

Our shareholder return policy calls for a total payout ratio of around 60%, including dividends and repurchases of stock scheduled for retirement. We aim to maintain a stable dividend that increases gradually over the long term. Whereas the vision called investment to increase at a pace of roughly ¥50 billion per year compared with our previous medium-term management plan, our current plan calls for us to examine revenue/expense and funding plans on the basis of our balance sheet structure, forecasts a D/E ratio of approximately 0.8 times, and aims for us to maintain a total payout ratio of roughly 60%.

For fiscal 2011, we maintained dividends at ¥9 per share, as in the preceding fiscal year. We repurchased a maximum number of our own shares, paying ¥5.0 billion for 14 million shares, and these shares have already been retired. In fiscal 2012, we forecast a dividend of ¥9 per share.

Capital Expenditures, Investments and Financing, Shareholder Returns

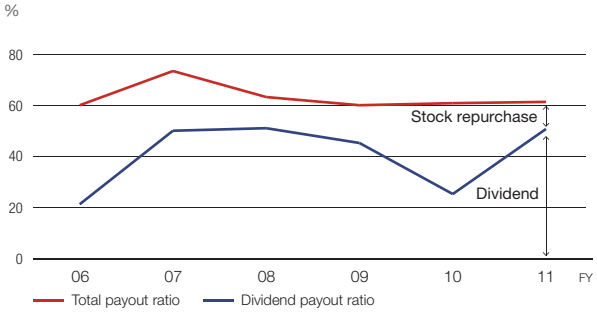
Fiscal 2012–2020: Approximately ¥2,480 billion



Capital expenditures **¥1,680.0 billion**
Investments and financing **¥380.0 billion**
Shareholder returns **¥420.0 billion**

Consolidated operating cash flow	¥2,240.0 billion
External debt (interest bearing debt), etc.	¥240.0 billion
Capex., Investments and financing, Shareholder returns	¥2,480.0 billion

Trends in the Total Payout Ratio



What is your forecast for fiscal 2012?

Okamoto: Owing to a change in our method of selling fuel to subsidiaries in the power generation business, we forecast a 304 million m³, or 2.0%, decrease in our consolidated gas sales volume compared with fiscal 2011, to 14,886 million m³. Measured on the same basis, however, the volume amounts to a 0.6% increase. We expect consolidated net sales to rise 9.1%, to ¥1,914.0 billion, owing to an increase in gas unit prices under the gas rate adjustment system and a rise in sales of "other energy," including higher LNG and other sales.

Although resource costs will increase in line with higher crude oil prices, and income will be affected by the gas tariff revision, we anticipate a ¥31.3 billion improvement resulting from the slide time lag. As a result, we expect operating income to rise 28.4%, to ¥99.0 billion. We also forecast net income of ¥63.0 billion, up 36.8% year on year. Regarding resource prices, which form the basis for our economic framework, we assume a crude oil price of US$120 per barrel, and an exchange rate for the full fiscal year of ¥85 to the U.S. dollar.

Million m³, 45MJ/m³, Billions of yen

	Fiscal 2011	Fiscal 2012 (Forecasts announced on April 27, 2012)	Change	%
Gas sales volume	15,190	14,886	–304	–2.0
Including gas used at electric power business	15,288	15,383	+95	+0.6
Net sales	1,754.2	1,914.0	+159.8	+9.1
Operating expenses	1,677.1	1,815.0	+137.9	+8.2
Operating income	77.0	99.0	+22.0	+28.4
Ordinary income	75.6	96.0	+20.4	+26.9
Net income	46.0	63.0	+17.0	+36.8
Slide time lag effect (non-consolidated)	–47.3	–16.0	+31.3	–
Amortization of actuarial differences (non-consolidated)	–2.7	–4.0	–1.3	–

Overview and Potential of Tokyo Gas

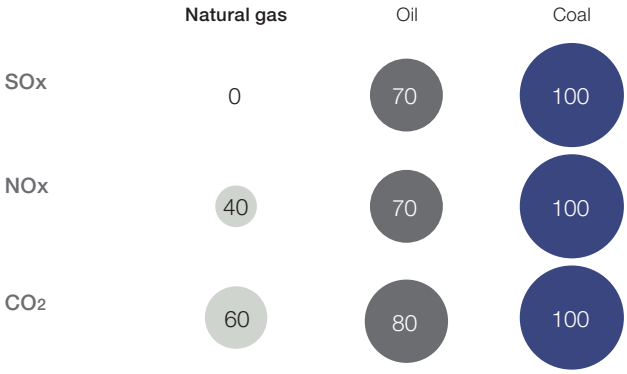
The Potential of Natural Gas

Natural gas produces energy that is much cleaner than other fossil fuels, and thus demand is rising for this resource around the world.

Environmental Benefits of Natural Gas

Natural gas is a combustible gas mixture consisting primarily of hydrocarbon methane (CH_4). Like oil and coal, it is a fossil fuel. However, it is composed of a lower percentage of carbon (C) than these substances. For this reason, it releases relatively small quantities of carbon dioxide (CO_2) during combustion. After being processed to the point that it can be used to generate energy through combustion, natural gas contains almost no nitrogen (N). It is also exceptionally easy to control this fuel. Accordingly, nitrogen oxide (NOx) emissions during burning are incredibly low. In addition, when liquefied, natural gas contains almost no sulfur or other impurities, meaning that no sulfur oxide (SOx) is emitted, thus making natural gas a source of energy with an incredibly low environmental impact.

Comparison of Emissions (Coal=100)

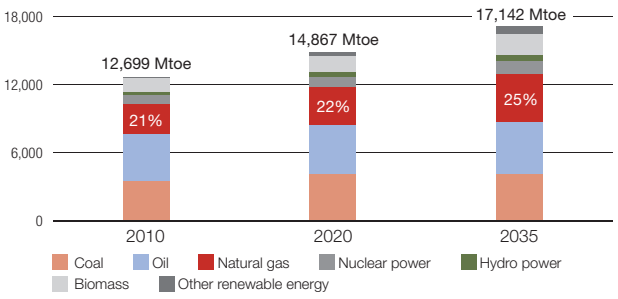


Spreading Use of Natural Gas

Demand for natural gas is rising rapidly on a global scale. This trend can be attributed to such factors as increased affordability, a result of the establishment of international pipeline networks and the spreading usage of unconventional natural gases; strong demand in emerging nations; and attention garnered through the potential for natural gas to be used as an alternative for nuclear power, which has become more significant amidst the acceleration of a global anti-nuclear movement in response to the nuclear accidents in Japan. According to the estimates of an International Energy Agency, demand for natural gas, which is more environmentally sound than oil and coal and more economically feasible than renewable energies, is expected to rise by 50% or more by 2035. Furthermore, the share of natural gas among primary energies is expected to rise from the current 21%, to 25%.

Global Primary Energy Demand Estimates

Million tons crude oil equivalent (Mtoe)



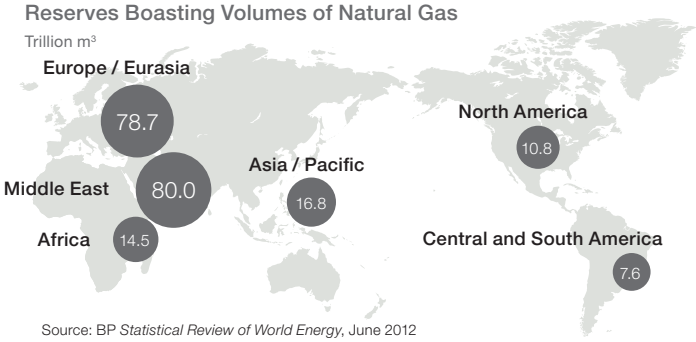
Source: *"Golden Rules Case," Golden Rules for a Golden Age of Gas, World Energy Outlook,* International Energy Agency, May 2012

Availability around the World

Currently, reserves boasting volumes of natural gas in the area of 208 trillion m^3 have been confirmed. These reserves are located around the world, and are particularly concentrated in the Middle East and Eurasia. While approximately half of all oil reserves are located in the Middle East, natural gas reserves are distributed more evenly throughout the world. In 2011, approximately 3.2 trillion m^3 of natural gas was produced. When the volume of gas contained in confirmed reserves is divided by this figure, the result suggests that these reserves will be able to supply enough gas to meet demand for approximately 63 years.

Reserves Boasting Volumes of Natural Gas

Trillion m^3

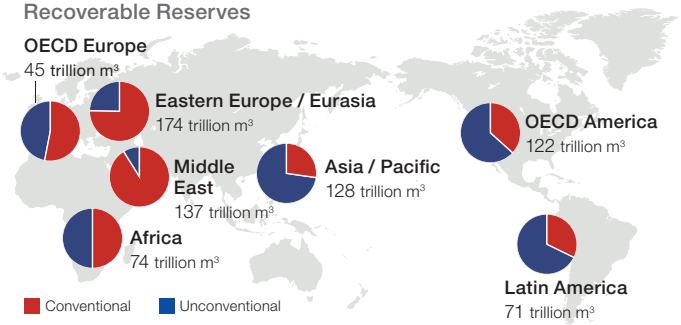


Source: BP *Statistical Review of World Energy*, June 2012

Rising Volume of Reserves

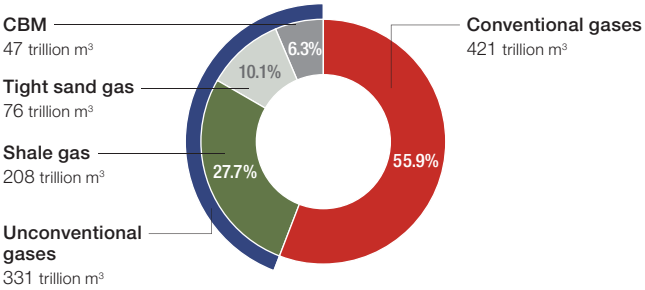
When considering the volumes of reserves that are recoverable with current technologies, which exceeds the current volume in confirmed reserves, it can be estimated that there exists, primarily in Russia and the Middle East, reserves boasting volumes of conventional natural gases in the range of 421 trillion m³. Furthermore, reserves of unconventional natural gases have recently been being discovered at a rapid pace, and volumes of roughly 331 trillion m³ are thought to exist, primarily concentrated along the Pacific Rim. This means that the combined total for the volume of conventional and unconventional gases in the reserves spread across the globe could be as much as 752 trillion m³. Looking at the current production volume of natural gas of 3.2 trillion m³ per year, it is entirely possible that the remaining natural gas resources may be able to sufficiently supply the world for over 200 years.

Recoverable Reserves



Source: *"Golden Rules Case," Golden Rules for a Golden Age of Gas, World Energy Outlook,* International Energy Agency, May 2012

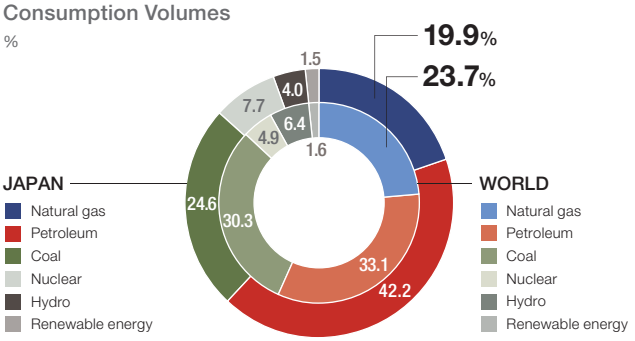
Reserves of Conventional and Unconventional Gases



Growing Demand in the Japanese Market

The ratio of natural gas usage among other primary energies in Japan is notably lower than the global average of 23.7%. However, following the Great East Japan Earthquake, which occurred on March 11, 2011, use of natural gas for thermal power generation has been increasing in an attempt to develop alternatives to nuclear power. Also, dispersed power sources such as cogeneration have been reassessed to be viable sources of power. Consequently, the percent of primary energy consumption attributable to natural gas has risen rapidly from the 17% recorded in 2010 to the present level of approximately 20%, and demand for this resource is expected to rise into the future.

Domestic and Global Primary Energy Consumption Volumes



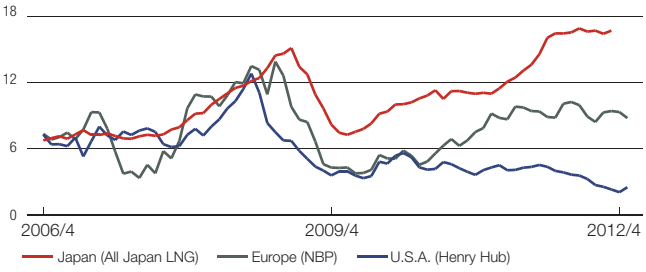
Source: BP *Statistical Review of World Energy*, June 2012

Differing Prices between Regions

Japan suffers from a lack of gas resources. It also is without an international pipeline network, forcing it to rely on LNG imports utilizing tankers. Regardless of these factors, the price of LNG in Japan was nearly the same as the price in Europe or the United States up until a few years ago. The price of LNG in Europe and the United States has remained at approximately the same level since then due to such factors as the global economic recession that followed the Lehman Shock of September 2008 and the increased supply in the United States following the shale gas revolution. In Japan, meanwhile, the rising price of crude oil has caused a subsequent rise in the price of LNG due to the link between the prices of these two resources and demand for natural gas as a replacement for nuclear power has grown. In this manner, the price of LNG in Japan has increased, further widening the gap between prices in Japan and those in Europe and the United States.

Gas Prices by Region

US$/MMBtu



Source: Compiled by Tokyo Gas from various materials

Understanding Tokyo Gas through Comparison

Developing businesses from upstream activities to sales, in areas where major potential demand is expected.

Business Structure

Activities Spanning Resource Development to Sales

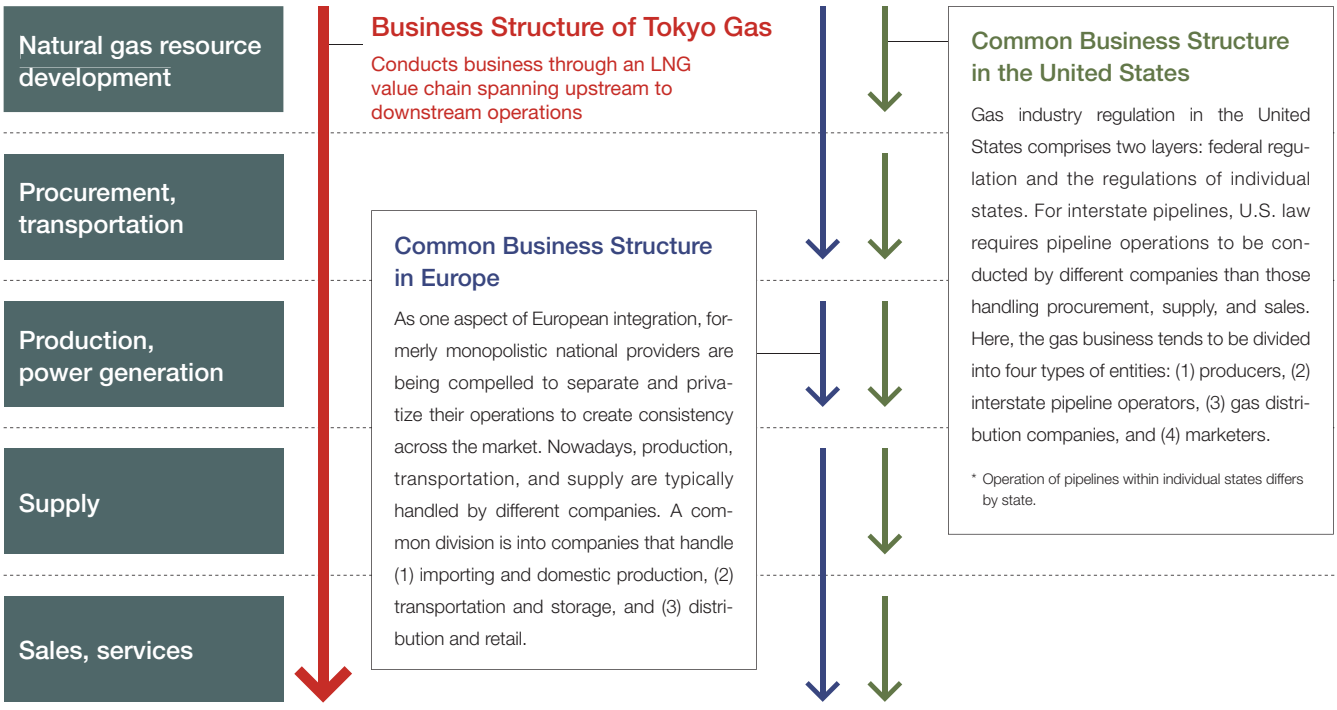
Different from energy companies in Europe and the United States, the Tokyo Gas Group conducts a chain of business operations extending from resource procurement and transportation to customer sales and service.

In Japan, the Gas Utility Industry Law assigns supply districts to providers of city gas. At the same time, the law obliges providers to supply gas safely throughout their districts. Although this arrangement creates a monopoly on supplying users who consume less than 100,000 m^3 of gas per year (46 MJ/m^3), gas rates are regulated.

Meeting our obligation to provide a stable supply in resource-poor Japan requires us to conduct long-term, stable resource procurement based on accurate forecasts of future demand. The situation is similar with regard to pipeline networks and other infrastructure, which are less developed than in Europe and the United States. Tokyo Gas and other major players in Japan must plan investments on the basis of demand assumptions, moving steadily forward in production, supply and sales efforts in an interconnected manner. Furthermore, whereas in Europe and the United States customers are responsible for their own safety, in Japan gas companies are accountable for all aspects of safety, all the way to customers' gas valves. We maintain consistently high levels of safety from supply through to sales.

In addition to these activities, in recent years we have also begun participating actively in resource development projects in order to procure resources more consistently and competitively. By forging stronger links among our business activities, we aim to achieve a better overall balance in our operations, maximizing LNG's value and providing natural gas in a safe and consistent manner. We also endeavor to provide energy solutions that meet customers' needs, including for electricity, heat, and renewable energy.

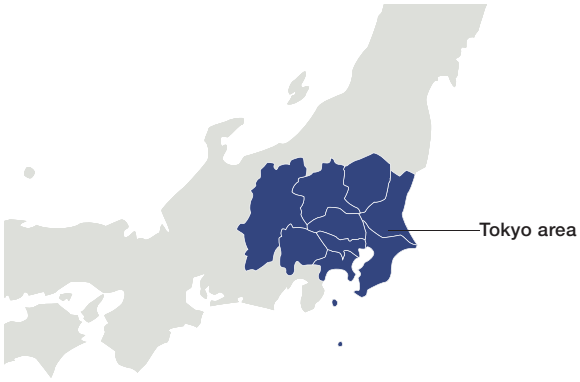
Differences in Business Structure between the Tokyo Gas Group and European and U.S. Energy Companies



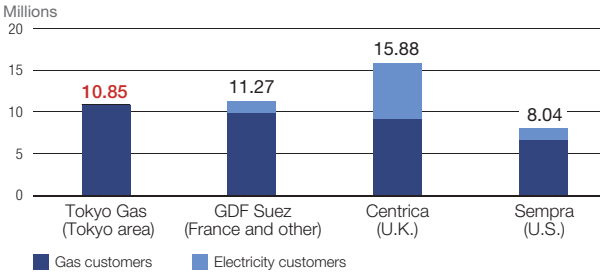
Business Area's Potential

Developing Business in One of the World's Largest Economic Areas

As of September 2007, Tokyo Gas had more than 10 million customers, and the figure is currently around 10.85 million (as of March 31, 2012). This business base is on a par with those of leading public service companies in the gas business in Europe and the United States. Furthermore, although Japan's total population began to decline in 2010, our customer base is expected to continue increasing at a pace of around 1% per year, owing to the ongoing influx of people into the Tokyo metropolitan area.



Customer Comparison among the World's Leading Gas Companies

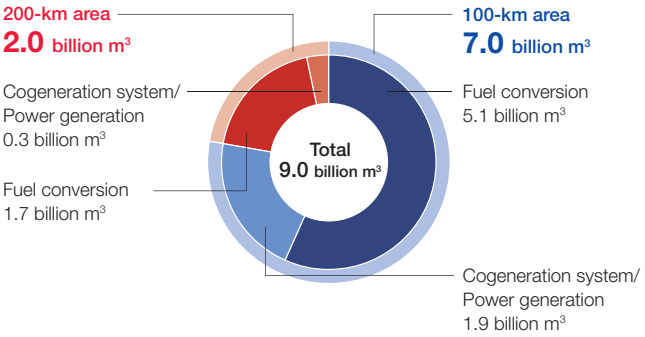


Source: Compiled by Tokyo Gas from individual companies' public documents
(Figures for the three companies other than Tokyo Gas are as of December 31, 2011.)

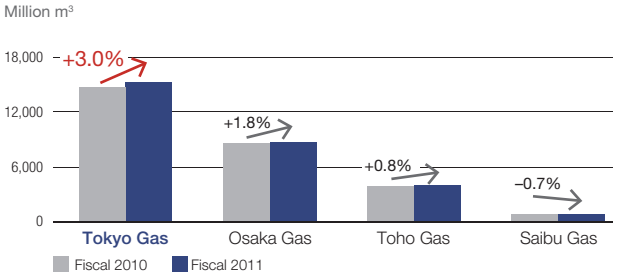
Major Potential Demand Expected in the Tokyo Area

The Kanto region, which extends for a 200-kilometer radius around Tokyo, accounts for around 40% of Japan's GDP and is its largest area of concentrated energy demand. The Chiba–Kashima Line, which opened in March 2012, has begun supplying gas to industrial customers in the Kashima waterfront industrial zone in Ibaraki prefecture. Going forward, we will work to meet industrial demand concentrated in the northern Kanto region by extending necessary pipelines and boosting gas supply capacity through the construction of the Hitachi LNG Terminal. As a result, we expect demand to increase, centering on fuel conversion and cogeneration. We will also encourage the uptake of cogeneration—an effective means of generating electricity and heat on-site—from the perspective of creating dispersed energy systems that will help to reduce the burden on grid electricity and contribute to peak savings.

Potential for Industrial and Commercial Demand in the Kanto Region (200-kilometer radius around Tokyo)

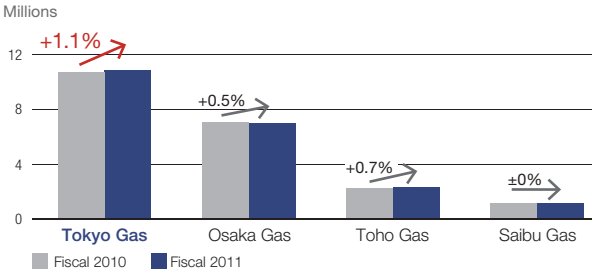


Gas Sales Volumes of the Four Leading Companies (Consolidated)



Source: Compiled by Tokyo Gas from individual companies' public documents

Customers for the Four Leading Companies (Consolidated)



Source: Compiled by Tokyo Gas from individual companies' public documents

Developing Business through the LNG Value Chain

We aim to develop our business throughout the LNG value chain, maximizing value through linked business spanning the procurement and transportation of LNG, the production and supply of city gas, and the provision of energy solutions.

Natural Gas Resource Development

As well as **ensuring the stable procurement of gas resources,** we aim to **lower procurement prices** in a bid to ensure fair prices in the Asian market. To achieve these goals, in addition to conventional large-scale projects we are pursuing unconventional sources of natural gas and actively taking various upstream interests.

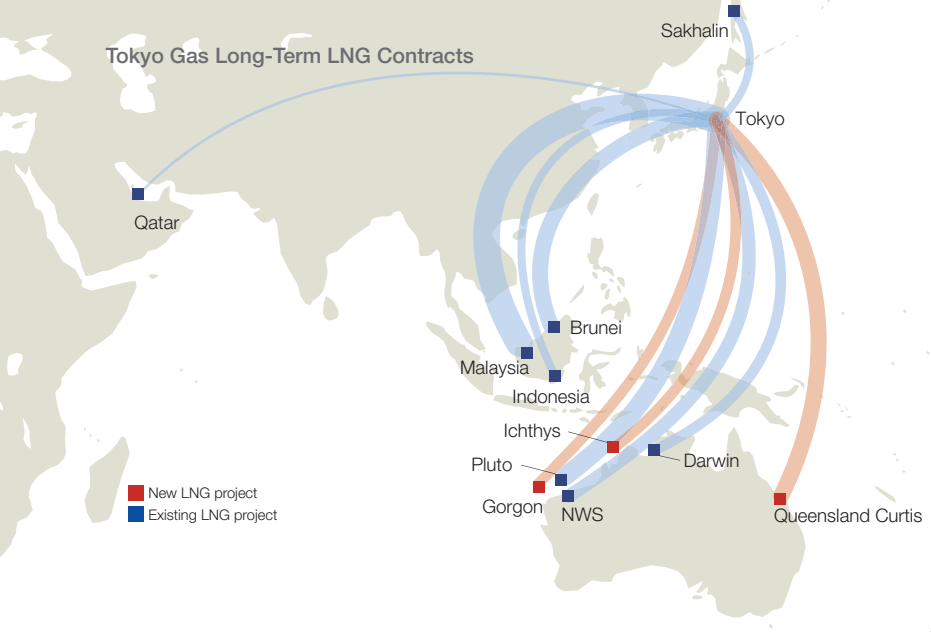
Overview of Major Overseas Upstream Operations

Project	Annual contracted quantity (thousands of tons)	Inception of project	Duration	Contract type	Upstream interest (%)
Darwin	1,000	2006	17 years (–2022)	FOB	3.07
Pluto	1,500–1,750	2012	15 years	Ex-Ship, FOB	5.0
Gorgon	1,100	(2014)	25 years	FOB	1.0
Queensland Curtis	1,200	(2015)	20 years	Ex-Ship	1.25 (Upstream) 2.5 (Midstream)
Ichthys	1,050	(2017)	15 years	FOB	1.575

Darwin LNG Project

Queensland Curtis LNG Project

Tokyo Gas Long-Term LNG Contracts



Procurement and Transportation

We import more than 11 million tons of LNG per year, based on long-term contracts through 11 projects in six countries, centered on politically stable regions.

We strive to **keep transportation costs down** by using our own eight-tanker fleet efficiently to meet our own needs, as well providing transportation for other companies.

Tokyo Gas LNG Imports by Country

Thousands of tons FY

Location	2009	2010	2011	Composition
Malaysia	4,274	4,479	4,479	(39.0%)
Australia	2,416	2,297	2,264	(19.7%)
Brunei	1,166	1,155	1,362	(11.9%)
Indonesia	730	843	1,011	(8.8%)
Russia	505	983	1,243	(10.8%)
Qatar	297	358	290	(2.5%)
Alaska	141	139	–	–
Other	523	440	826	(7.2%)
Total	10,052	10,692	11,476	(100.0%)

LNG Carrier “Energy Advance”

Ohgishima Power Co., Ltd.

Kawasaki Natural Gas Power Generation Co., Ltd.

Tokyo Gas Yokosuka Power Co., Ltd.

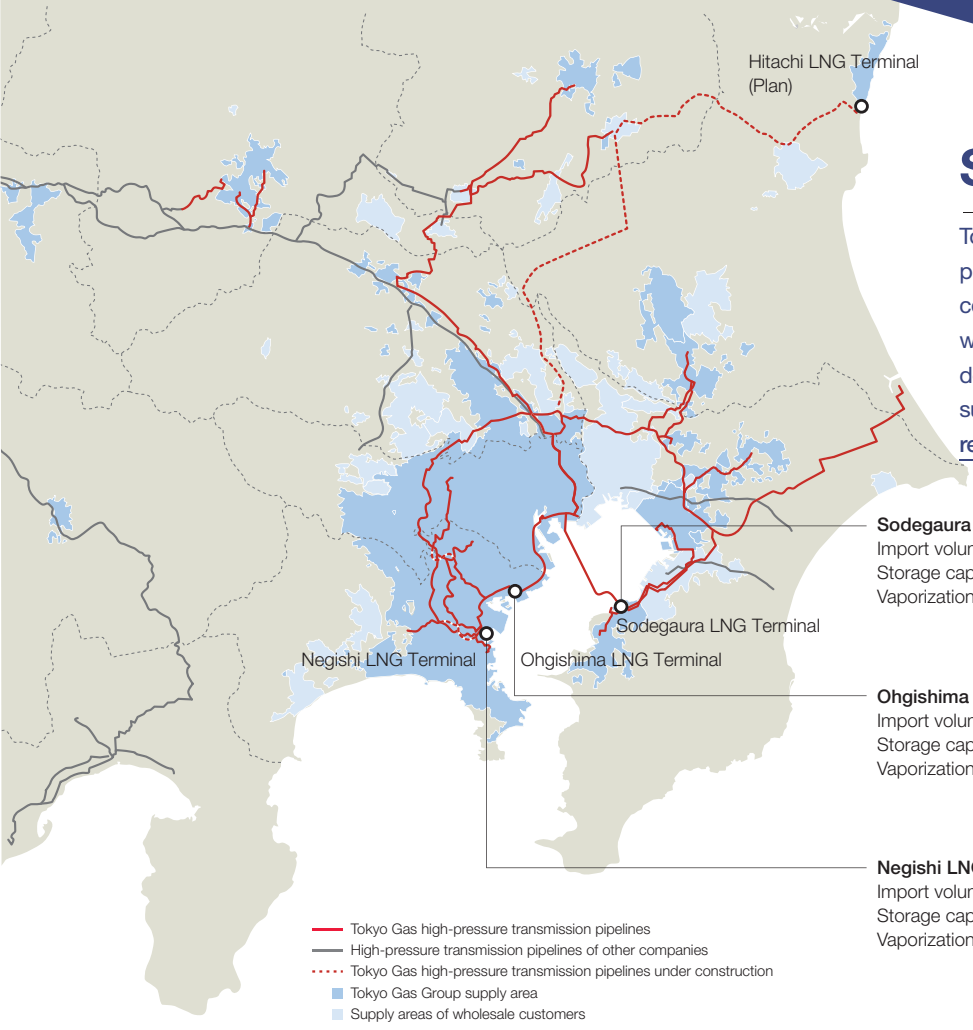
Tokyo Gas Baypower Co., Ltd.

	Ohgishima Power Co., Ltd.	Kawasaki Natural Gas Power Generation Co., Ltd.	Tokyo Gas Yokosuka Power Co., Ltd.	Tokyo Gas Baypower Co., Ltd.
Capacity	407 MW x 3 stations* 1,220 MW	420 MW x 2 stations 840 MW	240 MW x 1 station 240 MW	100 MW x 1 station 100 MW
Generation method	Combined cycle generation	Combined cycle generation	Combined cycle generation	Combined cycle generation
Start of operation	Rollout of operations since commencement in 2010	2008	2006	2003
Tokyo Gas interest	75%	49%	75%	100%

* Reached decision to construct third station in autumn of 2012

Production and Power Generation

With three plants in the Tokyo metropolitan area, our LNG storage and production facilities are some of the largest in the world. We are continuing to **expand our production system to meet growing demand** for city gas. We also operate highly **efficient power generation facilities that employ leading-edge technology and feature reduced environmental impact**. By fiscal 2020, we expect to increase our generation capacity of the current 2,000 MW to between 3,000 MW and 5,000 MW.



Supply

Tokyo Gas provides a **stable supply** of city gas via a pipeline network totaling 59,575 km (consolidated), centered on the Tokyo metropolitan area. Moving forward, we will extend our pipelines into regions of demand, promote earthquake preparedness measures and build **supply networks that are highly resistant to disaster**.

Sodegaura LNG Terminal
Import volume FY2011 4.851 million ton/year
Storage capacity 1,610,000 kl
Vaporization capability 1,100 t/h

Ohgishima LNG Terminal
Import volume FY2011 3.326 million ton/year
Storage capacity 600,000 kl
Vaporization capability 1,115 t/h

Negishi LNG Terminal
Import volume FY2011 3.299 million ton/year
Storage capacity 1,155,000 kl
Vaporization capability 560 t/h

Major Overseas Mid-Downstream Operations (Energy and Engineering Services)

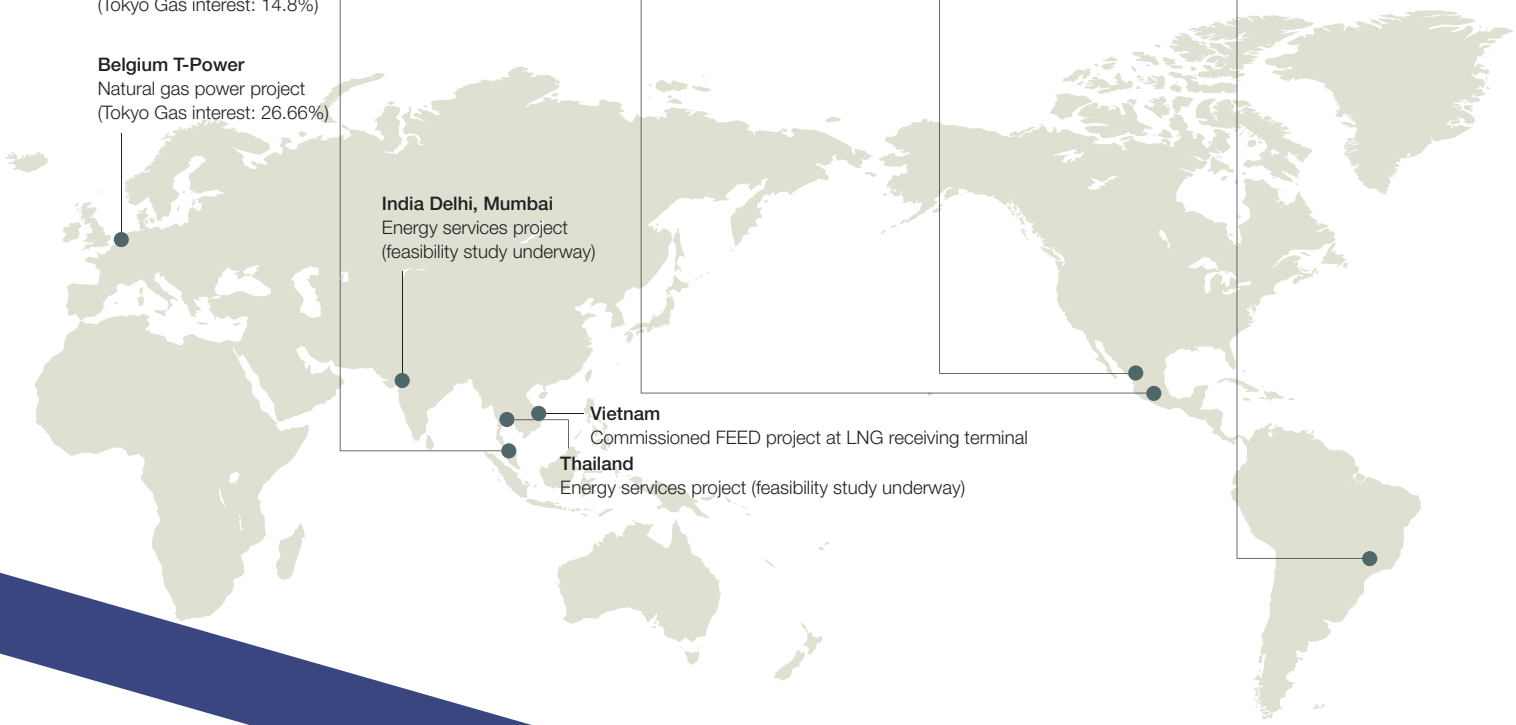
Malaysia
Gas Malaysia Bhd.
City gas supply project
(Tokyo Gas interest: 14.8%)

Belgium T-Power
Natural gas power project
(Tokyo Gas interest: 26.66%)

Mexico Bajio
Natural gas power generation
(Tokyo Gas interest: 49%)

Mexico MT Falcon
Natural gas power generation
(Tokyo Gas interest: 30%)

Brazil Malhas Project
Natural gas pipeline project
(Tokyo Gas interest: 15%)



India Delhi, Mumbai
Energy services project
(feasibility study underway)

Vietnam
Commissioned FEED project at LNG receiving terminal

Thailand
Energy services project (feasibility study underway)

ENE·FARM

"ENE-FARM" residential fuel cells

Gas air conditioner

Solar heat collector

Gas Sales and Service

In the residential sector, spearheaded by Tokyo Gas LIFEVAL community-based marketing systems we are proposing lifestyle values based on gas. We are also working to promote "ENE-FARM" residential fuel cells and are **supplying electricity**. In the commercial and industrial sectors, we introduce cogeneration and air conditioning systems and promote fuel conversion from other sources. In these ways, we help to provide energy and contribute to **reductions in CO_2 emissions**. In addition to selling gas for energy, we are endeavoring to maximize added value by offering **energy services**, including equipment provision and maintenance.

Growth Strategy

This section reports the state of progress on specific points of the "Tokyo Gas Group Challenge 2020 Vision," announced in November 2011. For more information on the basic ideas underlying this vision, please refer to the pamphlet entitled *The Tokyo Gas Group's Vision for Energy and the Future ~Challenge 2020 Vision~*.

http://www.tokyo-gas.co.jp/IR/english/library/pdf/vision/vision2020_01.pdf

Enhancing the LNG Value Chain

“Challenge 2020 Vision,” the Tokyo Gas Group’s Growth Strategy

The Tokyo Gas Group is working together on initiatives to enhance the LNG value chain and realize sustained growth.

Action Plan Reducing Resource Costs and Expanding Overseas Operations

Accelerating Diversification of Upstream Operations to Lower Resource Procurement Costs

The “Challenge 2020 Vision” calls for Tokyo Gas to earmark 16% of its capital expenditures and investments and financing, or around ¥320 billion for overseas business, which includes upstream and downstream businesses, as well as service and engineering businesses. Our objective is to increase net income from overseas business from the current level of around 10% to approximately 25%. Among these investments, the vision prioritizes management strategies for expanding overseas upstream operations.

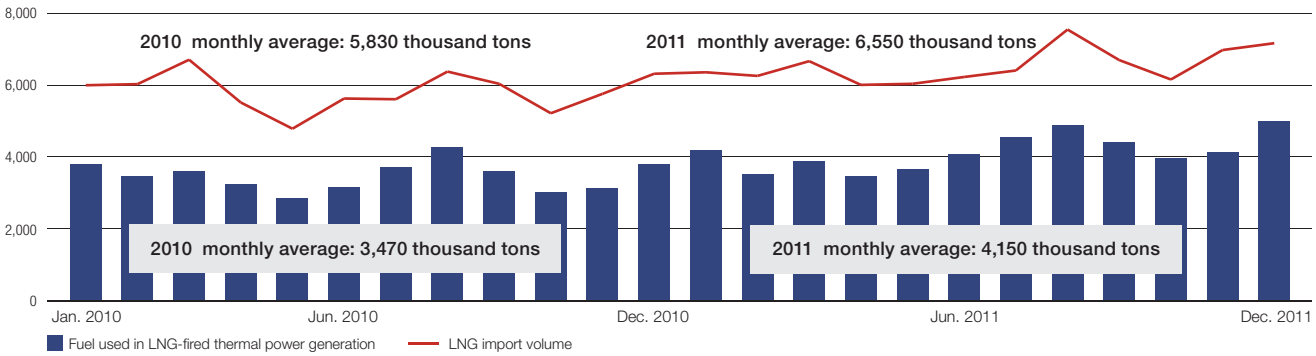
In Japan, LNG imports are generally based on 15- to 20-year long-terms contracts that use a pricing formula linking LNG to crude oil prices. As the country relies on imports for nearly all of its energy resources, Japan’s import costs are higher than countries that have natural resources of their own, such as the United States and European countries. LNG demand has increased since the Great East Japan Earthquake, as power companies shifted to natural gas-fired thermal power generation as an alternative to nuclear power generation. Japan, having only limited sources of procurement, has therefore been compelled to procure resources at relatively high international rates.

Tokyo Gas has in place long-term LNG contracts involving 11 projects in six countries, providing more than 11 million tons of LNG per year. We have upstream interests in some of these projects, but going forward we plan to take more aggressive upstream interests in order to lower resource costs. At the same time, we will expand and accelerate the diversification of our procurement sources. Furthermore, to augment our purchasing power we will procure resources jointly with other energy companies where necessary, and we are considering active participation in LNG liquefaction and other businesses.

We plan to expand our LNG shipping fleet to handle this greater procurement volume. We believe that this approach will give us better flexibility in our procurement and help to reduce resource transportation costs.

Fuel Used throughout Japan in LNG-Fired Thermal Power Generation and LNG Import Volume

Thousands of tons



Source: Compiled by Tokyo Gas from data from the *Federation of Electric Power Companies Preliminary Report on Electricity Distribution and Receipt* and Ministry of Finance trade statistics

Moving Steadily Ahead with New Project in Australia

In April 2012, production began on the Pluto LNG Project for an undersea gas field off the northwest coast of Western Australia, in which we hold a 5% interest. Through this project, we have begun purchasing 1.5–1.75 million tons per year through a long-term contract. Once the project goes fully on stream, LNG production capacity is expected to reach 4.3 million tons per year. Tokyo Gas also has an interest in another project in Australia, the Gorgon LNG Project, which is under development and slated to commence production in 2014. In January 2012, we also took an interest in the Ichthys LNG Project, a gas field, in which INPEX Corporation has become the first Japanese company to take part as an operator. → Action 1

In addition to large-scale LNG projects such as these, Tokyo Gas is examining the possibility of participating in small and medium-scale LNG projects, as well as floating LNG and other projects that employ new concepts. In these efforts, we will take a prudent approach toward balancing profitability with supply stability.

First cargo received from the Pluto LNG Project

Action 1 Participation in the Ichthys LNG Project

Tokyo Gas has acquired a 1.575% interest in blocks WA-37-R and WA-285-P of the Ichthys LNG Project, which is under development offshore from Western Australia, as well as a 1.575% stake in Ichthys LNG Pty Ltd., which handles liquefaction.

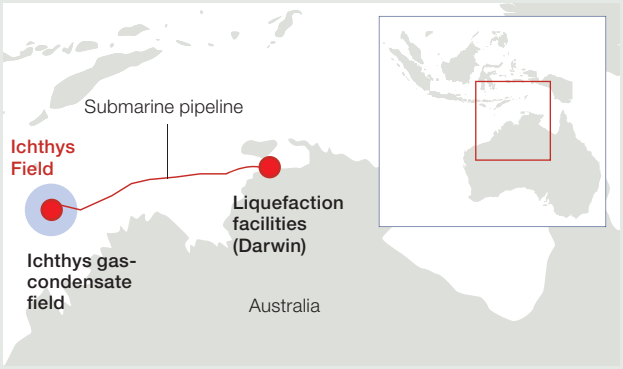
For this project, the natural gas produced at the Ichthys gas-condensate field will be transported to a location near Darwin, in Australia's Northern Territories, for liquefaction and onward transport. The project is expected to have a maximum liquefying capacity of 8.4 million tons per year. Tokyo Gas has entered into a long-term sales and purchase contract with Ichthys LNG Pty Ltd., which is a subsidiary of INPEX Corporation, one of the project's operators. Under this 15-year agreement, we will purchase 1.05 million tons of LNG per year.

To smooth the launch of this project, Tokyo Gas has formed a consortium with the other co-buyers on this project, which should raise Japan's rate of independent development of oil and natural gas and contribute to a stable supply of LNG.

Overview of the Ichthys LNG Project

Gas-condensate field:	Offshore of Western Australia, Block WA-37-R
Liquefying facilities:	Darwin, Northern Territory, Australia
Liquefying capacity:	8.4 million tons/year (LNG) with two 4.2 million ton liquefaction trains
Planned commencement:	October–December 2016
Participating interest:	76% for INPEX Group companies, 24% for TOTAL Group companies (as of December 2011)


Liquefaction plant scheduled for construction in Darwin (conceptual rendering)



Promoting Upstream and Downstream Business Involving Unconventional Natural Gas in North America

As part of its efforts to diversify upstream operations, Tokyo Gas is taking part in unconventional natural gas projects. In Queensland, Australia, we are participating in the Queensland Curtis LNG Project, making ourselves the first Japanese energy company to become involved in a project aimed at acquiring LNG generated through coal bed methane (CBM)*. Based on our purchase agreement for this project, we expect to import 1.2 million tons per year for 20 years, beginning in 2015.

* Natural gas that is absorbed in fissures on the surface of the coal bed.

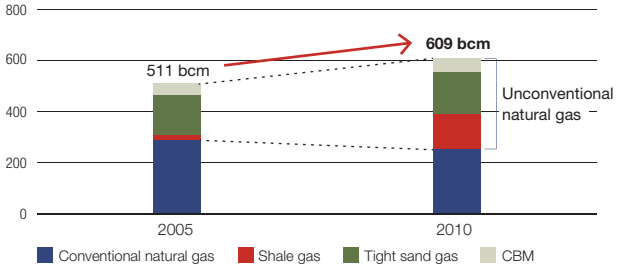
Shale gas* has significantly increased the volume of recoverable natural gas reserves. Our upstream operations in this arena include participation in a shale gas development project in Cordova, in the Canadian province of British Columbia. In April 2012, we also entered an accord to procure LNG from the Cove Point LNG Project, a natural gas liquefaction facility in the U.S. state of Maryland. Through these projects, we are taking part in projects on the east and west coasts of North America, which has some of the world's largest reserves and is a global leader in drilling technologies.→ Action 2

The recent expansion of drilling for shale gas in the United States have led to easing of the supply and demand situation, and within the country the Henry Hub natural gas pricing index remains sluggish. As a result, the gap between U.S. and international market prices has widened. In some cases, the difference between this index and Japanese import prices was as much as nine times. The United States in principal prohibits the export of natural resources themselves, but export is permitted on a per-project basis. In recent years, exports have been allowed from some project to countries that have not yet ratified free trade agreements (FTAs) (for example, the Sabine Pass Project). Tokyo Gas has also begun pursuing initiatives designed to import into Japan LNG derived from U.S. natural gas.

* Shale gas is natural gas found in pockets in shale strata. Shale is a source rock composed of hardened mud deposits.

U.S. Production of Natural Gas

Billions of m^3 (bcm)



Source: Compiled by Tokyo Gas from data in IEA *World Energy Outlook 2012*

Action 2 Initiatives to Pursue Unconventional Natural Gas on the East and West Coasts of North America

Tokyo Gas and Sumitomo Corporation have jointly begun negotiations with Dominion Cove Point LNG, LP (hereinafter, "Dominion"), which is heading the Cove Point LNG Project, toward the procurement of LNG derived from U.S. natural gas, including shale gas. The Cove Point LNG Project comprises the Cove Point LNG Receiving Terminal in the U.S. state of Maryland, which Dominion owns and operates, and the company is building an LNG liquefaction plant with annual capacity of approximately 5 million tons of LNG, which it aims to export. Going forward, Dominion will apply for approval for LNG export to Japan and other countries that have not yet ratified FTAs and seek plant construction approval. Once a final investment decision has been reached, Dominion will begin construction on the LNG liquefaction plant, aiming to commence project operation in 2017. The company plans to procure natural gas for liquefaction from the Marcellus Shale Gas Development Project, in which Sumitomo Corporation is a participant. Assuming that final agreement is reached and that export approval for the project is received, Tokyo Gas will procure LNG derived from U.S. natural gas, including shale gas.

Tokyo Gas is taking an upstream interest in a natural gas development project, centered on shale gas, in the Cordova Embayment in British Columbia, Canada. Through this project, we aim to diversify our holdings and gain expertise in shale gas development.

Cordova Natural Gas Development Project

Exploration zone:	Cordova Embayment, British Columbia, Canada
Reserves:	Approximately 5–8 trillion cubic feet (approximately 100–160 million tons in LNG equivalent)
Production:	Approximately 500 million cubic feet per day (approximately 3.5 million tons in LNG equivalent per year) in 2014
Operation structure:	Penn West Exploration serves as the operator in a joint venture with Cordova Gas Resources

Cove Point LNG Project

Project implementation:	Dominion Cove Point LNG, LP
Location:	Maryland, United States
Liquefaction capacity:	Approximately 5 million tons per year (planned)

Overview of Key Conditions of the Advance Natural Gas Liquefaction Agreement

Contracted quantity:	Approximately 2.3 million tons per year (LNG equivalent)
Contract period:	20 years from the start of operations of the LNG liquefaction plant

Aiming to Build a Global LNG Value Chain

Tokyo Gas is working to expand its overseas gas-fired thermal power generation and gas supply business. At the same time, we aim to also create an LNG value chain overseas, combining these downstream operations with businesses in which we hold upstream interests and transport activities.

We first embarked on the overseas power generation business in 2004 when we invested in the Bajio power plant (600 MW), an independent power producer (IPP) in Mexico. In 2010, we joined five natural gas combined cycle IPP businesses (totaling 2,230 MW) in the country, as well as in a pipeline business to supply natural gas to these stations. Tokyo Gas also acquired a 26.66% stake in Belgium's T-Power N.V. (425 MW) in 2012. This was our first project in Europe and our third involving the overseas power generation business.

The Tokyo Gas Group believes that it can leverage its strengths by accelerating overseas development of energy services and engineering businesses, with natural gas at its core. In line with the principles in the Strategies to Revitalize Japan (overseas infrastructure development), we are moving ahead with participation in the LNG and natural gas infrastructure development business centered on emerging markets.

In 1992, Tokyo Gas, the Malaysian national energy company Petronas, and other entities joined in the establishment of Gas Malaysia Sdn. Bhd., the country's first city gas provider. Over time, our cooperative relationship has deepened through the provision of operational expertise, extending to pipeline planning and construction, maintenance management and the sale of city gas, and fuel conversion technologies.

Attesting to the energy services expertise that Tokyo Gas Group companies possess, we are conducting feasibility studies, which include introduction of an electric power and heat supply system at an urban redevelopment zone in Thailand and energy services in India. In Vietnam, we have signed a memorandum of understanding with Petrovietnam Gas involving the construction of an LNG value chain.

→ Action 3

Bajio (natural gas power project in Mexico)

Gas Malaysia Bhd. employee operating a pipeline valve

Action 3 Agreement on Building an LNG Value Chain in Vietnam

Tokyo Gas has signed a memorandum of understanding with Petrovietnam Gas, Vietnam's nationally operated energy company, to create an LNG value chain in the country. In line with the country's economic growth, demand is increasing for electricity and energy to power industry. The agreement involves the consideration of plans to import LNG and construct an LNG receiving terminal, targeted for 2015. Highly regarded for its technology and expertise in the design, construction, operation and maintenance of LNG facilities, wholly owned subsidiary Tokyo Gas Engineering Co., Ltd., has received an order to provide front-end engineering and design (FEED) for the country's first LNG receiving terminal. Going forward, the agreement is intended to lead to the creation of such infrastructure as an LNG receiving terminal and a pipeline, enabling LNG procurement, cogeneration and fuel conversion.

President Okamoto (third from left) at signing ceremony with Petrovietnam Gas

Action Plan Building a Production and Supply Infrastructure to Cultivate Demand

Augmenting Supply Capacity in the Northern Kanto Area

The "Challenge 2020 Vision" calls for investment of approximately ¥730 billion between fiscal 2012 and fiscal 2020 in the development of infrastructure to cultivate demand.

In the Kanto region, which extends for a 200-kilometer radius around Tokyo, Tokyo Gas estimates potential industrial and commercial demand for fuel conversion, cogeneration and power generation at 9.0 billion m^3. To cultivate this demand, we are extending our transportation pipeline network to augment our supply capabilities and to create pipeline loops that will boost supply stability.

March 2012 marked the completion of the Chiba–Kashima Line, a trunk pipeline having a total length of 79.3 km. Now in operation, this line provides a structure for supplying the Kashima waterfront industrial zone.→ Action 4 By linking this line with the Kashima Waterfront Line, which was completed in May, we have also begun supplying TEPCO's Kashima Thermal Power Station.

Construction is moving ahead with the Saito Line, which is slated for completion in fiscal 2015, linking the city of Soka in Saitama prefecture with Koga in Ibaraki prefecture. We are also planning construction of the Koga–Moka Line. Scheduled for completion in fiscal 2017, this line will connect the city of Koga in Ibaraki prefecture with Moka in Tochigi prefecture.

Action 4 Operations Commence at Chiba–Kashima Line, a Trunk Pipeline

Construction on the Chiba–Kashima Line, which began in July 2006, was completed in March 2012. This high-pressure trunk pipeline extends over 79.3 km, linking the city of Chiba in Chiba prefecture with Kamisu in Ibaraki prefecture. In addition to supplying the Kashima waterfront industrial zone in Ibaraki prefecture, which is one of the Kanto region's most prominent industrial zones, the pipeline should help to cultivate new industrial demand by augmenting a natural gas supply infrastructure that has to date been insufficient. In May 2012, we also completed construction of the Kashima Waterfront Line to supply a new gas turbine generation facility at TEPCO's Kashima Thermal Power Station, which went on line in June 2012. By July 2014, this plant will convert to highly efficient combined cycle generation comprising three turbines. Initially planned to provide backup power for emergency situations, the facility has been repositioned to accommodate regular power generation. Tokyo Gas believes that the completion of these two lines will enable the Company to develop demand of around 300 million m^3 in fiscal 2012, eventually increasing to 2 billion m^3 at maximum.

Overview of the Chiba–Kashima Line

Start/terminus	Goten Branch Station (Chiba, Chiba prefecture) to Kashima Governor Station (Kamisu, Ibaraki prefecture)
Pressure/diameter	7MPa / 600mm
Length	79.3 km
Construction start	July 2006
Construction end	March 2012

Overview of the Kashima Waterfront Line

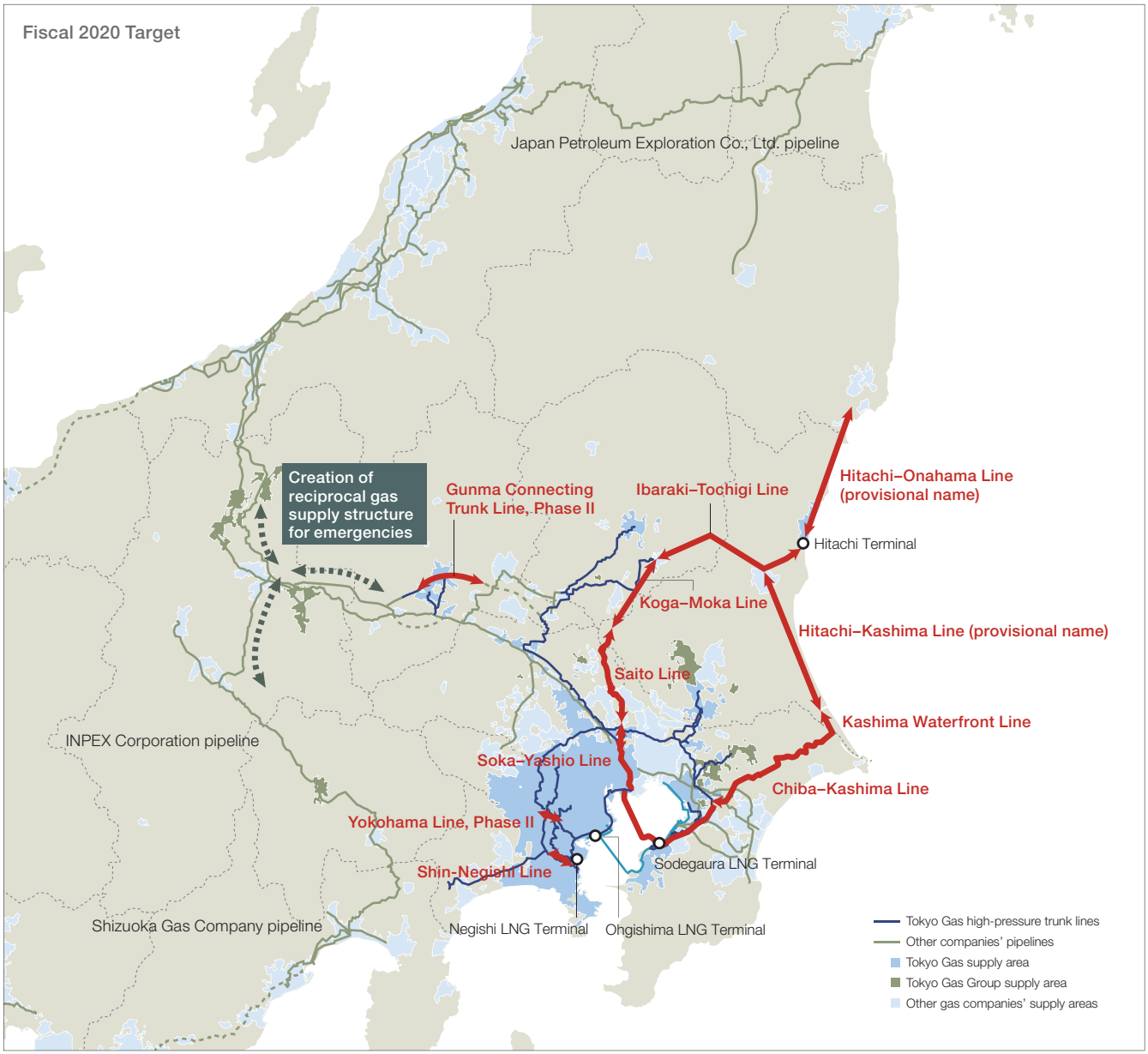
Start/terminus	Towada, Kamisu, Ibaraki prefecture (Tokyo Gas Kashima Governor Station to TEPCO Kashima Thermal Power Station)
Pressure/diameter	7MPa / 600mm
Length	4.4 km
Construction start	August 2011
Construction end	May 2012

Hitachi Project to Significantly Augment Supply Capabilities in the Northern Kanto Area

Estimating that its gas sales volume will outstrip current supply capacity by the late 2010s, Tokyo Gas is moving forward with the Hitachi Project. This project calls for the construction of the Hitachi LNG Terminal in the Ibaraki port Hitachi District of Ibaraki prefecture—our 4th LNG receiving terminal, as well as for building a new high-pressure pipeline. This Ibaraki–Tochigi Line will connect the LNG receiving terminal with the city of Moka in Tochigi prefecture. Accelerating initial plans by two years, in the summer of 2012 Tokyo Gas plans to begin construction on the project, which is now scheduled to be completed and commence operations in fiscal 2015.

Completion of the Ibaraki–Tochigi Line will enhance energy security throughout the Kanto region and dramatically increase supply capacity to northern Kanto. Through this initiative, Tokyo Gas is building infrastructure that will enable it to support gas sales volume of 22 billion m^3 by fiscal 2020.

We are working with other energy companies on the construction of a reciprocal gas supply structure that will strengthen the natural gas supply network in eastern Japan by linking pipelines in the event of disaster. We have already formed reciprocal arrangements with INPEX Corporation and Shizuoka Gas Company.



Action Plan Providing Diverse Energy Solutions

Promoting the Proliferation and Expansion of Dispersed Energy Systems

Tokyo Gas is working to promote dispersed energy systems that use natural gas, as these systems help to reduce CO_2 emissions, enhance energy security in the event of disasters or power outages, and contribute to electricity peak savings. We aim to install some 300,000 "ENE-FARM" residential fuel cell systems, roughly 31 times the fiscal 2011 level, and increase our stock of commercial and industrial cogeneration systems by approximately 2.6 times.

Different from large-scale power plants, "ENE-FARM" residential fuel cell systems and cogeneration generate power in demand locations, which reduces transmission losses and enables the effective use of waste heat. Compared with conventional systems*1, "ENE-FARM" reduces primary energy requirements by 35% and cuts CO_2 emissions by 48%. Compared with conventional generation systems*2, which have overall energy usage efficiencies of around 40%, gas cogeneration systems achieve much higher levels, at 70–85%. Furthermore, these systems have diverse applications, as they can be used to provide electricity and heat energy.

To promote "ENE-FARM," Tokyo Gas is endeavoring to lower their prices through mass production and faster technological innovation. At the same time, we are working to make the units more compact so they can be installed on the verandas of multihome dwellings and to extend their useful life.

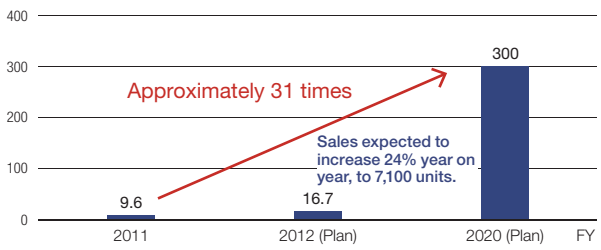
*1 Thermal power generation + conventional city gas water heaters
*2 Thermal power generation

Cogeneration system

"ENE-FARM"

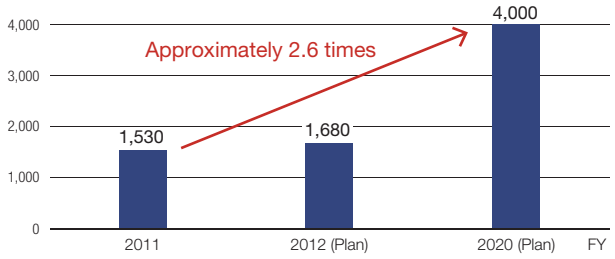
"ENE-FARM" (Residential) Stock Plan

Thousand units



Cogeneration System (Commercial, Industrial) Stock Plan

MW



Promoting Advanced Use of Natural Gas and Fuel Conversion

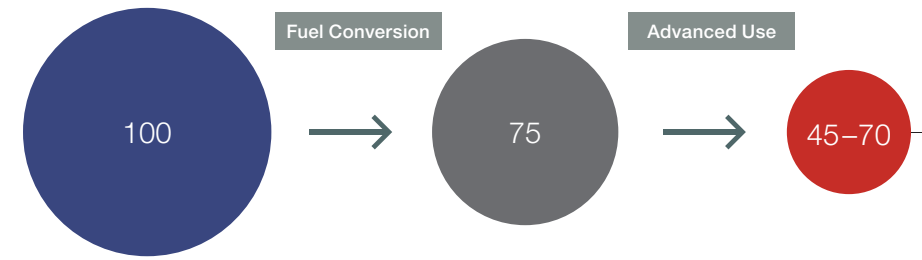
The commercial and industrial applications of natural gas are extensive; it can be used for heating, heat treatment, drying, food processing, and air conditioning, among other things. In the aftermath of the Great East Japan Earthquake, natural gas has attracted increasing attention from the perspectives of supply stability, energy efficiency, CO_2 reductions and operating costs. Tokyo Gas is cultivating new demand by highlighting the benefits of combining fuel conversion from heavy fuel oil and kerosene to natural gas, and introducing highly efficient appliances and advanced uses of natural gas in cogeneration systems. As a result, we expect gas sales volume, centering on industrial use, to increase 7 billion m^3 by fiscal 2020.

→ Action 5

Gas appliance for commercial use

CO_2 Reduction due to Fuel Conversion from Fuel Oil A to Natural Gas

Size of circle indicates amount of CO_2 emitted, with a conventional burner using fuel oil A equivalent to 100



Examples of Advanced Use Measures

- Use of highly efficient burners
- Collection of waste heat
- Insulation, reduction of heat loss at openings
- Improvement of combustion air, others

Action 5 Promoting Fuel Conversion at the Kashima Waterfront Industrial Zone

Completion of the Chiba–Kashima Line Enables Supply to Reach Prominent Kanto Industrial Area

The Kashima Waterfront Industrial Zone, which extends over approximately 24 million m² in the region of Ibaraki prefecture fronting the Kashima-Nada Sea, is home to some 160 companies, making it one of the Kanto region's most prominent industrial complexes. In 2007, Tokyo Gas began cultivating LNG demand in the area by transporting fuel there via tank lorries. Following completion of the Chiba–Kashima Line in March 2012, we have begun supplying the region with city gas. This new supply route opens up possibilities for the full-fledged cultivation of new markets, such as fuel conversion to natural gas.

Here, we introduce a success story of fuel conversion by Kashima South Joint Power Corporation.

Kashima South Joint Power Corporation

Streamlined Operations Management and Cleanliness Deciding Factors

Mr. Takahashi, who was involved in the fuel conversion project, offers the following comments: "At first, many aspects of the project were unclear, and it was subjected to careful internal scrutiny. We studied the project's impact and concerns extensively." As a joint independent power producer, the key decision point was whether the project would enable the company to support the competitiveness of its customers by providing a stable supply of energy at a low cost. Streamlining operations management was a particular focus. With the conventional power generation process using heavy fuel oil, it was necessary to carefully manage the temperature of the fuel oil, from the time it was received to the time it was burned in the boiler, in order to prevent coagulation and control evaporation. Large-scale equipment was also needed to process exhaust gas following incineration. Natural gas, which does not require such processes, offered substantial improvements in controllability and operability. The use of gas also eliminated the need for heavy fuel tanks, heaters, gasification equipment and flue gas processing equipment. In addition, as natural gas is not as corrosive as heavy fuel oil, boiler repair frequency was reduced, allowing more than two years of continuous operation. The company also forecast reduced investment in facility upgrades and maintenance costs. Another important factor from the operational and facility management perspective was cleanliness. The company had made a thorough effort to conserve energy, improving its total thermal efficiency* from around 60% in fiscal 1990 to nearly 80% in fiscal 2010. The key to further improvements is to substantially reduce emissions of soot, SO_2, CO_2 and other substances, and lower them to near zero through the introduction of natural gas.

After taking these factors into consideration, the company decided to convert to the use of natural gas as fuel.

* Amount of heat sold/amount of heat provided by fuel

Providing the Support that Japanese Manufacturing Requires

Boiler No. 3

The project to modify boilers for fuel conversion got underway in October 2010, and in January 2012 construction commenced on Boiler No. 3. Progressing according to schedule, construction was completed by March 2012, when the Chiba–Kashima Line was completed, and the boiler commenced operations in April 2012. Introducing the project from a workplace perspective, Mr. Takahashi explains, "As we had anticipated, achieving a dramatic improvement in operability and controllability was simple." In September 2012, construction is scheduled to begin on Boiler No. 2, followed by Boiler No. 1 in February 2013. By the summer of 2013, fuel conversion is expected to be complete on all boilers. By fiscal 2013, the company expects to reach total thermal efficiency of 80% or higher, contributing significantly to environmental performance and energy savings.

The company's President Kanamori explains, "Low-cost energy is essential to maintaining the competitiveness of Japanese manufacturing. We look forward to the results of efforts by Tokyo Gas to provide stable supplies through links with the Hitachi zone, procure unconventional natural gas, and introduce schemes that will not be affected by the price of heavy fuel oil."

(From left) Yukio Handa, Tokyo Gas; Tadashi Maeda, Managing Director, President Tatsuro Kanamori, Deputy General Manager Shuji Takahashi, Kashima South Joint Power; Toru Ishiguro, Tokyo Gas

Kashima South Joint Power Corporation

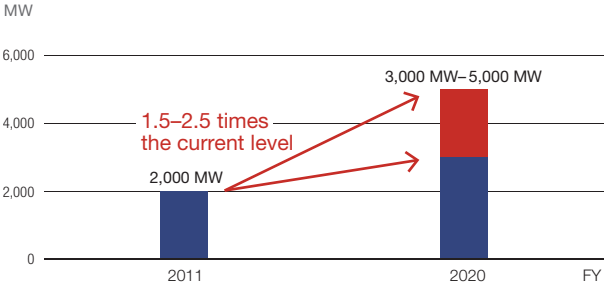
The company, a joint independent power producer, was established in 1968 through joint investment by seven companies on the eastern side of the Kashima industrial complex. Kashima South Joint Power has a total capacity of 210 MW, comprising three steam turbines and two gas turbines. The company provides 16 companies with steam, electricity and pure water. In recognition of its environmental and energy-conservation measures, in 2009 the company won an award from the Minister of Economy, Trade and Industry for "the conservation of energy through the collection of heat from water produced by companies in the complex, as well as gas cogeneration."

Expanding Power Generation (Natural Gas-Fired Thermal Power Generation)

The Tokyo Gas Group currently generates electricity at four gas-fired thermal power generation plants in Japan. These plants employ gas turbine combined cycle generation, which is highly efficient and offers superior energy savings. As of March 31, 2012, we had total generating capacity of approximately 2,000 MW (of which, the Tokyo Gas Group's ownership share is 1,300 MW). We plan to augment generation capacity, eventually raising this level to 3,000–5,000 MW. Our basic policy on developing this business is to minimize risk by monitoring domestic trends for electricity supply and demand, as well as electric power system reforms, keeping a careful eye to the economic viability of our operations as we strive to make effective use of our LNG procurement capacity and LNG terminals, pipelines and other equipment as one of Japan's leading energy companies.

In April 2012, we began considering construction in Ohgishima Power Station Unit 3. → Action 6

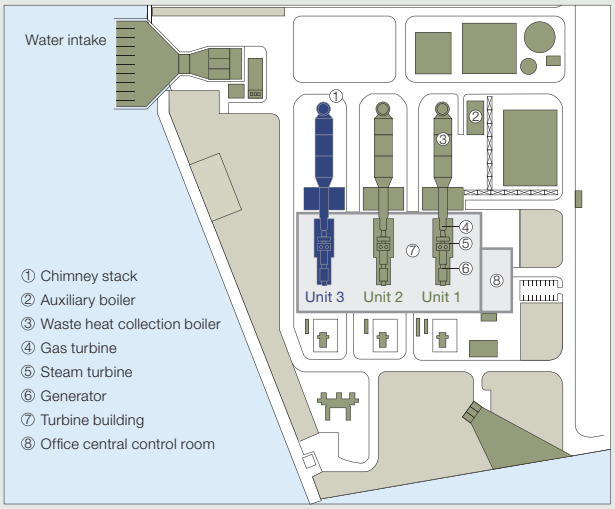
Scale of the Power Generation Business (Including Other Companies' Interests)



Action 6 Beginning to Consider Ohgishima Power Station Unit 3

The Ohgishima Power Station (Yokohama, Kanagawa prefecture) is a cutting-edge power station. The facility employs gas turbine combined cycle generation, which is highly energy efficient, with maximum efficiency reaching 58%. Unit 1 commenced operation in March 2010, followed by Unit 2 in July of the same year. Together, the units have the capacity to generate 814 MW (of which, our ownership share is 610 MW). We have begun considering construction of Unit 3, on which environmental impact assessments have already been completed, believing that this unit will make an early contribution to our ability to provide a stable and efficient supply of electricity. A construction decision is scheduled for autumn of 2012, with the aim of commencing operations in fiscal 2015.

Floor Plan of the Ohgishima Power Station



Source: Ohgishima Power Station Environmental Evaluation Standards Digest

Expanding Energy Services throughout Japan, Centered on Natural Gas

Extending our operations outside our sales base in the Kanto region, we provide the resources that we have procured throughout Japan. We meet the needs of gas companies throughout Japan, supplying them with LNG via tank lorries, large ocean-going vessels and smaller domestic ships. Anticipating an increase in long-term, stable LNG sales volumes, in fiscal 2011 Tokyo Gas formed an accord with other gas companies seeking to secure long-term gas resources, entering into LNG sales agreements with Hokkaido Gas Co., Ltd., and Saibu Gas Co., Ltd. → Action 7

LNG satellite terminal

LNG tank lorries

Action 7 Encouraging Natural Gas Use throughout Japan

In August 2011, Tokyo Gas signed an LNG sales agreement with Hokkaido Gas Co., Ltd., deepening a relationship through which Tokyo Gas Engineering Co., Ltd., is already cooperating on the design and construction of the Ishikari LNG Terminal. Under this agreement, Tokyo Gas will supply the Ishikari LNG Terminal of Hokkaido Gas with around 300,000–400,000 tons of LNG per year during the 11 years from fiscal 2012–2022. This is our first long-term LNG supply agreement for providing a domestic gas company with gas from one of our LNG projects via ocean-going tankers. We also signed a 16-year LNG sales agreement with Saibu Gas Co., Ltd., in March 2012, for fiscal 2014–2029 for the supply of around 300,000 tons of LNG per year to its Hibiki LNG Terminal.

Supplying LNG via Domestic and Overseas Vessels

JX Nippon Oil & Energy Corporation	Hachinohe LNG Terminal	Currently supplying
Hokkaido Gas Co., Ltd.	Hakodate Minato LNG Terminal	Currently supplying
	Ishikari LNG Terminal	From 2012
Saibu Gas Co., Ltd.	Hibiki LNG Terminal	From 2014

Looking to the Future of Energy

Tokyo Gas advocates and is making strides toward the creation of “smart energy networks.” Using optimal configurations of renewable energy, fuel cells, storage batteries and energy management systems, these networks efficiently control electricity supply and demand and harness the heat provided through cogeneration systems and untapped waste heat.

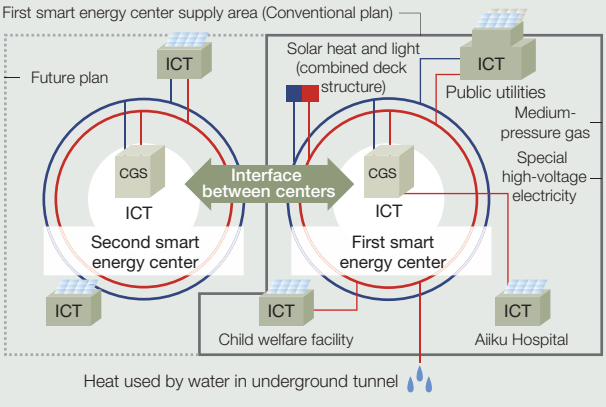
By optimizing energy use on per-community basis, these networks can help save energy and reduce CO_2 emissions. At the same time, they serve as dispersed power sources that are independent from large-scale power grids, making them an effective source of power in the event of disaster. We are currently moving forward with several projects toward verification testing and commercialization.

→ Action 8

Action 8 Commencing the Commercialization of Smart Energy Networks

Applying the technological expertise it has accumulated through verification testing, Tokyo Gas is working toward the commercialization of smart energy networks. We are working with Tokyo’s Minato Ward on the construction of a smart energy network north of the east exit of Tamachi Station. Scheduled to begin supplying energy in April 2014, the project will be Japan’s first in an urban redevelopment area. We are also pursuing a project in Tokyo’s Koto Ward based on the Toyosu Green Eco Island Concept, and have begun considering another in an area centered on the area near the west exit of Shinjuku Station.

Smart Energy Network in Progress (North of the East Exit of Tamachi Station)



CGS: Cogeneration system
ICT: Information and communications technology

Capital Expenditures Plan

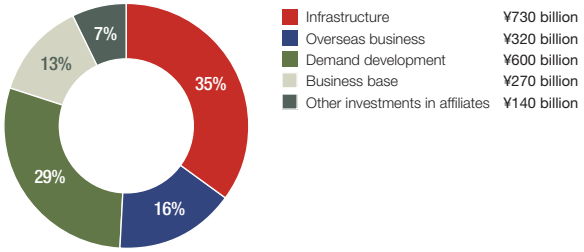
Capital Expenditures, Investment and Financing Plan for "Challenge 2020 Vision"

The "Challenge 2020 Vision" calls for aggressive capital expenditures, investments and financing, including through external funding, to achieve new growth by "enhancing the LNG value chain." Between fiscal 2012 and fiscal 2020, this plan calls for total capital expenditures, investments and financing of ¥2.06 trillion. As an annual average, the vision, compared with the Group medium-term management plan for fiscal 2009–2013 (hereinafter, "FY09–13 Medium-Term Plan") targets an annual increase in spending of around ¥50 billion, from approximately ¥180 billion to around ¥230 billion.

This proactive funding is aimed at optimizing and enhancing our infrastructure so that we can promote and expand the use of natural gas. Much of this investment will go toward production and supply facilities including the Hitachi LNG Terminal. We will also augment our trunk and service lines and electric power generation to develop demand, and continue investing aggressively in overseas business to procure gas resources. During the investment period, we expect operating cash flow (consolidated net income + depreciation) to be around ¥250 billion per year, approximately ¥40 billion per year higher than during the FY09–13 Medium-Term Plan.

Use of Capital Expenditures, Investment and Financing

Total for fiscal 2012–2020: Approximately ¥2,060 billion
(Approx. ¥230 billion per year)



(Reference) Capital expenditures, investments and financing in the medium-term management plan for fiscal 2009–2013: Approximately ¥180 billion per year

Five-Year (Fiscal 2012–2016) Capital Expenditures Plan for Tokyo Gas on a Non-Consolidated Basis

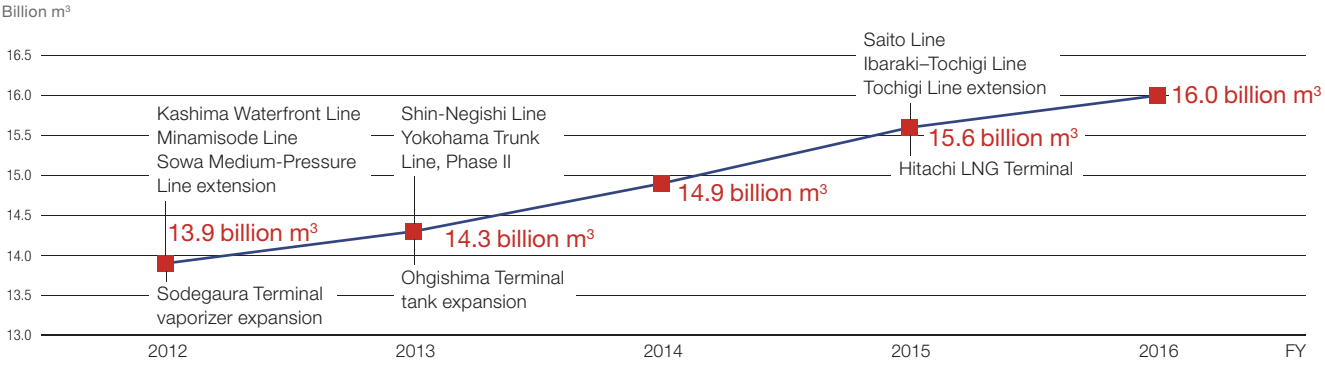
Based on the plan described above, the capital expenditures plan for Tokyo Gas on a non-consolidated basis for the five years from fiscal 2012–2016 is as follows.

With regard to production facilities, we will install additional vaporizers in our three terminals located on Tokyo Bay and complete construction of the No. 4 LNG tank in the Ohgishima LNG Terminal. We will also move forward with measures to strengthen the resistance of our facilities to earthquakes and floods, and repair and upgrade aged equipment. Furthermore, we plan to complete the Hitachi LNG Terminal by fiscal 2015.

In supply facilities, we will invest in pipeline installations toward the development of new demand, completing the Ibaraki–Tochigi Line and planning the new Koga–Moka Line. In addition, we will invest in the formation of a trunk pipeline network, including the Shin-Negishi Line (Yokohama).

As a result of these initiatives, we are planning capital expenditures of ¥709.5 billion over the five-year period.

Gas Sales Volume Plan and Facilities Development Plan



Facility Investment Plans (Non-consolidated)

Billions of yen

	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Total for fiscal 2012–2016
Production facilities	28.6	27.5	33.9	22.7	7.2	120.0
Supply facilities	86.4	90.2	88.2	85.7	78.0	428.6
Business facilities	23.2	21.1	33.1	44.2	36.8	158.4
Subtotal for gas business facilities (reduction entry of land contribution for construction)	138.2	138.9	155.3	152.5	122.1	706.9
Incidental facilities	0.8	0.5	0.5	0.5	0.4	2.6
Total (reduction entry of land contribution for construction)	139.0	139.3	155.8	153.0	122.5	709.5

Corporate Governance

Corporate Governance

Tokyo Gas works to ensure continued development while consistently earning the trust of customers, shareholders, and society. Based on this philosophy, we aim to achieve a continuous increase in our corporate value through enhancing corporate governance systems. We are endeavoring to develop systems 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.

Overview of Corporate Governance System

Tokyo Gas takes a proactive stance in employing outside directors and outside corporate auditors. The Company has created a system featuring multiple auditing and supervisory layers in its aim to achieve highly objective and transparent governance.

Invitation of Outside Directors

In 2002, we reduced the number of directors to raise the speed and effectiveness of management decision-making. In addition, we have invited outside directors to serve on the Board of Directors in order to improve transparency and to reinforce the supervision of business execution. The Board of Directors has 11 members, including 3 outside directors.

Establishment of Advisory Committee

We have established the Advisory Committee, which is made up of three representatives from the outside directors and outside corporate auditors and two inside directors. In accordance with inquiries from the Board of Directors, the Advisory Committee selects officer candidates in a fair and appropriate manner and deliberates on officer remuneration in accordance with the Company's basic policy for officer remuneration.

Corporate Auditors

In the past, the Company had invited 2 outside corporate auditors, and in 2006 the number of outside corporate auditors was increased by one. The five corporate auditors, which now include three outside corporate auditors, conduct strict audits.

Realizing Accurate, Rapid Decision-Making and Efficient Business Execution

The Corporate Executive Committee, which meets weekly as a general rule, deliberates on provisions stemming from Board of Directors' resolutions and important management-related issues. The Company has introduced an executive officer system for business execution in accordance with decisions of the Board of Directors. Substantial authority has been delegated to executive officers in their designated areas of responsibility, while directors, as appropriate, receive reports on the status of execution from executive officers and monitor the executive officers. In addition, executive officers report to the Board of Directors as needed. (To clarify management responsibility and executive responsibility, the terms of office of directors and executive officers have been fixed at one year.)

Working to Promote Transparent Management and Create a Flexible and Open Corporate Culture

In fiscal 2002, the Company established the Management Ethics Committee, chaired by the President. 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 deliberations, adjustments, and decisions regarding the Group's overall direction.

As of June 28, 2012

Overview of Corporate Governance System	
Number of directors	11
Average age of directors	65.7
Number of outside directors	3
Number of independent officers	6
Number of corporate auditors	5
Number of outside corporate officers	3
Participation of outside directors / outside corporate auditors in determination of remuneration	Yes
Participation of outside directors in determination of director candidates	Yes
Number of meetings of Board of Directors*	11
Attendance rate of outside directors at meetings of Board of Directors*	91%
Term of office of directors	One year
Results-linked remuneration	Yes
Share purchase system to reflect the perspective of shareholders in management	Yes

* Total for the period from April 2011 to March 2012

Internal Control System

To secure management soundness and transparency and to realize the management philosophy, the Company has formulated the "Basic Policy on Development of Corporate Structures and Systems for Ensuring Appropriateness of Operations (Internal Control System) for the Tokyo Gas Group," and the Company is applying this policy in an appropriate manner.

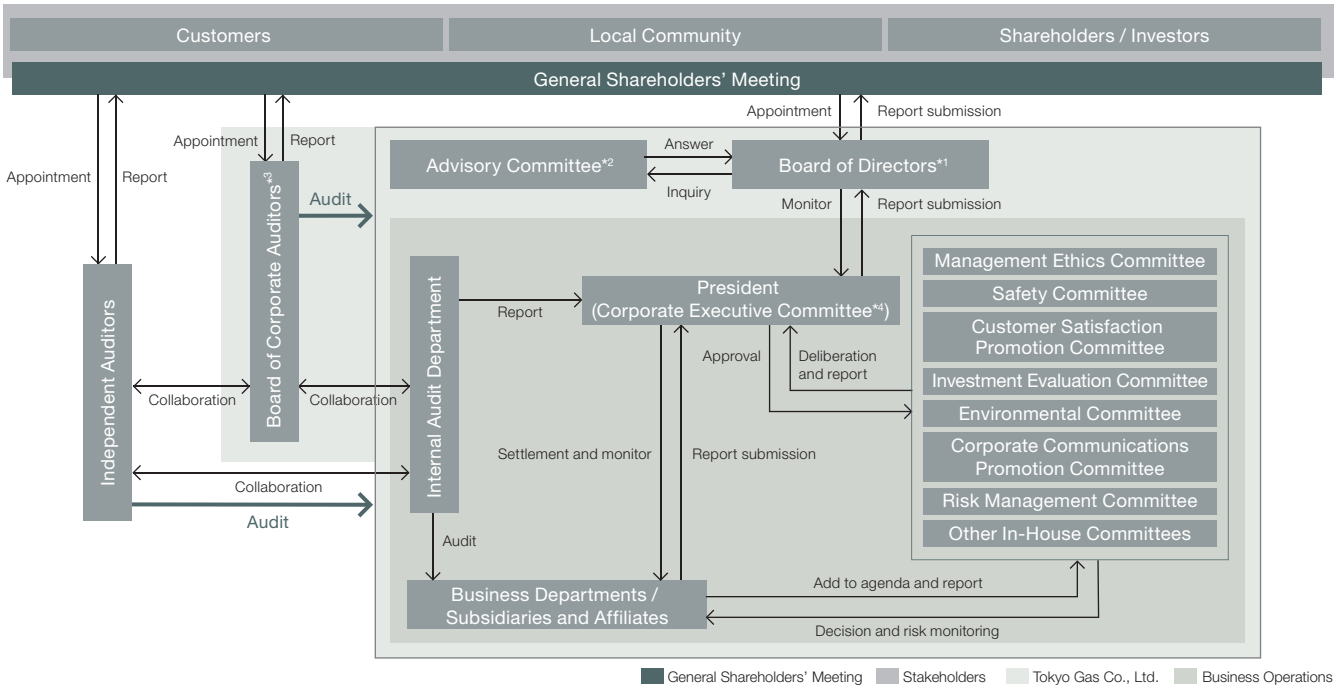
Outside Directors

In accordance with their individual experience and knowledge, the outside directors strive to secure the soundness and appropriateness of deliberations and decisions regarding business execution. From an independent viewpoint, the outside directors monitor the performance of duties by the directors and exercise their authority at meetings of the Board of Directors. In this way, the outside directors contribute to the improvement of the rationality and objectivity of the Company's business execution and of the deliberations and decisions of the Board of Directors.

In making judgments about matters related to the independence of outside officers, such as capital, transactions, and relationships, we comprehensively verify that they are unlikely to have conflicts of interest with general shareholders and they are in a position that enables them to be objective and neutral, and on that basis we make a judgment on their independence. The Advisory Committee has confirmed that none of the outside officers has a material conflict of interest with the Company—in regard to capital, transactions, or relationships—and has confirmed their independence in accordance with the above standards. The Committee's decision has been reported to the Board of Directors, which has designated them as independent officers and reported that designation to the stock exchanges on which the Company is listed.

Name	Current position	Reason for selection
Yukio Sato	Vice Chairman of the Japan Institute of International Affairs	The Company's management will benefit from Yukio Sato's international way of thinking nurtured through diplomacy, wide perspective and in-depth knowledge.
Ryuichi Tomizawa	Senior Corporate Advisor of Mitsubishi Chemical Holdings Corporation	The Company's management will benefit from Ryuichi Tomizawa's international way of thinking nurtured in the aggressive overseas penetration of the chemical industry, wide perspective, and in-depth knowledge.
Yoshihiko Nakagaki	Corporate Advisor of Electric Power Development Co., Ltd.	The Company's management will benefit from Yoshihiko Nakagaki's management way of thinking nurtured at Electric Power Development Co., Ltd., in a wide range of business development activities, including electric power source development and electric power wholesale supply, and his advanced capabilities in management, such as the implementation of reforms reflecting changes in the operating environment.

Corporate Governance System



*1 Board of Directors: 11 directors (3 outside directors and 8 internal directors) 5 Auditors (3 outside auditors and 2 internal auditors)
*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, 2 Executive Vice Presidents, 11 Senior Executive Officers
(3 of the representative directors also serve as President and Executive Vice Presidents)

Officer Remuneration

In 2005, the Company formulated the basic policy on officer remuneration, which outlines the method of remuneration for officers, etc. At a meeting of the Board of Directors in February 2012, the policy was revised as follows.

1. Role of Executive and Remuneration

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

2. Level of Remuneration

The level of officer remuneration shall be suitable for the role, responsibility, and performance of the officer.

3. Remuneration of Directors and Its Composition

(1) Remuneration of directors shall be paid within the scope of the remuneration limit approved at the Shareholders' Meeting.

(2) Remuneration of inside directors shall comprise monthly remuneration and bonus. Monthly remuneration shall comprise fixed remuneration paid in accordance with the post of each individual and performance-linked remuneration. The amount of bonus to be paid shall be determined in accordance with the post of each inside director after performance evaluation.

(3) Remuneration of outside directors shall comprise monthly remuneration and bonus. Monthly remuneration shall comprise only fixed remuneration, while bonus shall be the same as that of inside directors.

4. Remuneration of Corporate Auditors and Its Composition

(1) Remuneration of corporate auditors shall be paid within the scope of the remuneration limit approved at the Shareholders Meeting determined through discussions among corporate auditors.

(2) Remuneration of corporate auditors shall comprise only fixed monthly remuneration.

5. Assurance of Objectivity and Transparency of Remuneration System

The Company shall assure the objectivity and transparency of the system of officer remuneration by establishing and operating the "Advisory Committee" comprising outside directors, outside corporate auditors and a number of inside directors to govern the system of personnel affairs and remuneration of officers.

Total Remuneration for Directors and Corporate Auditors (Fiscal 2011)			Millions of yen Type		Thousands of U.S.dollars*2 Type	
	Number of directors/auditors	Total value of remuneration	Base	Bonuses	Base	Bonuses
Remuneration for directors (excluding outside directors)	9*1	¥447	¥391	¥56	$4,711	$675
Remuneration for corporate auditors (excluding outside corporate auditors)	3*1	74	74	—	892	—
Remuneration for outside officers (outside directors and outside corporate auditors)	7*1	¥ 65	¥ 58	¥ 7	$ 699	$ 84

*1 The number of officers included in the total value of remuneration for directors, corporate auditors, and outside officers includes two directors (of which, one was an outside officer) and one corporate auditor who retired upon the conclusion of the 211th Annual Shareholders' Meeting.

*2 Equivalent U.S. dollar amounts are included for the convenience of readers outside Japan, and are converted at a rate of ¥83 per U.S. dollar, the prevailing exchange rate on March 30, 2012. These conversions should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

Advisory Committee

In February 2005, we established the Advisory Committee, which has five members—three representatives from the outside directors and outside corporate auditors as well as the Chairman and the President. The committee works to assure objectiveness and transparency in management. In accordance with inquiries from the Board of Directors, the Advisory Committee deliberates on officer candidates and officer remuneration in a fair and appropriate manner and makes reports to the Board of Directors. The committee also deliberates on the independence of outside officer candidates.

Audits by Corporate Auditors

Board of Corporate Auditors

The Board of Corporate Auditors meets once a month as a general rule and otherwise as needed. The five members of the board, which include three outside corporate auditors, conduct deliberations and make reports.

In line with the Corporate Auditor's Audit Standards, each corporate auditor conducts effective audits through the following principal initiatives.

- **The corporate auditors attend meetings of the Board of Directors, the Corporate Executive Committee, and other important meetings. They state their opinions relating to legality and other perspectives when necessary.**
- **The corporate auditors conduct research into the state of operations at the head office, major business offices, and subsidiaries, and hold discussions with directors to exchange opinions, both on a regular basis and otherwise as needed.**
- **The corporate auditors cooperate closely with the Audit Department, which is the internal audit organization, and with the independent auditors and strictly audit the execution of duties by the directors, targeting the establishment of a high-quality corporate governance system.**
- **In regard to the internal control system for financial reporting, the corporate auditors receive evaluations of internal control and reports on the status of audits from the Board of Directors and KPMG AZSA LLC.**

Outside Corporate Auditors

The outside corporate auditors conduct audits / monitoring from an independent viewpoint and contribute to improving the rationality and objectivity of the Company's business execution and of the deliberations of the Board of Directors through their statements at meetings of the Board of Directors. In addition, through their statements and the exercise of their majority voting rights at meetings of the Board of Corporate Auditors, the outside corporate auditors contribute to assuring and improving the legality, appropriateness, rationality, and objectivity of the audits by the corporate auditors. In addition, with the objective of assuring the effectiveness of audits by the corporate auditors, the Company invites outside corporate auditors who have a substantial degree of knowledge about finance and accounting.

In making judgments about matters related to the independence of outside officers, such as capital, transactions, and relationships, we comprehensively verify that they are unlikely to have conflicts of interest with general shareholders and they are in a position that enables them to be objective and neutral, and on that basis we make a judgment on their independence. The Advisory Committee has confirmed that none of the outside officers has a material conflict of interest with the Company—in regard to capital, transactions, or relationships—and has confirmed their independence in accordance with the above standards. The Committee's decision has been reported to the Board of Directors, which has designated them as independent officers and reported that designation to the stock exchanges on which the Company is listed.

Name	Current position	Reason for selection
Yukio Masuda	Consultant of Mitsubishi Corporation Outside Director of Showa Shell Sekiyu K.K.	The Company's auditing will benefit from Yukio Masuda's excellent management capability and experiences nurtured at a major trading company and high level of knowledge about the energy business.
Masayuki Osawa	Outside Auditor of PACIFIC CONVENTION PLAZA YOKOHAMA	The Company's auditing will benefit from Masayuki Osawa's abundant experience acquired at a local government and a regional economic grouping as well as in-depth knowledge about financial administration.
Yoshihiko Morita	Advisor of Sumitomo Mitsui Banking Corporation, President of Japan Institute for Overseas Investment	The Company's auditing will benefit from Yoshihiko Morita's wide-ranging international way of thinking and experience nurtured through work in the fields of international finance and overseas economic cooperation.

Independent Auditors

The Company has concluded an auditing contract with KPMG AZSA LLC for auditing services based on the Companies Act and auditing services based on the Financial Instruments and Exchange Act, as well internal control audits based on the Financial Instruments and Exchange Act, and the Company is being audited on that basis. The Company's audits are handled by three certified public accountants—Seiichi Sasa, Koji Kakinuma, and Masaru Miura. For each of these auditors, the number of consecutive years of auditing service is less than seven years (as of June 29, 2012).

Compensation for independent auditors (Fiscal 2011)	Millions of yen	Thousands of U.S.dollars*
Remuneration for auditing services	¥259	$3,120
Remuneration for non-auditing services	30	361
Total	¥289	$3,481

* Equivalent U.S. dollar amounts are included for the convenience of readers outside Japan, and are converted at a rate of ¥83 per U.S. dollar, the prevailing exchange rate on March 30, 2012. These conversions should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

Compliance

The Company has identified the following three points as its basic policy and is promoting compliance on that basis.

- **Fostering of a compliance oriented mentality**
- **Compliance efforts by each workplace based on the group policy**
- **Establishment of the compliance PDCA cycle**

Compliance Structure

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 Company, 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 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.

Addressing Compliance Risk

Through the effective operation of internal and external advisory systems, 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. 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. The Audit Department's Compliance Audit Group conducts audits of the Company, its subsidiaries, and its affiliates from the viewpoint of strict compliance with laws, corporate ethics, and social norms. When concerns are identified, the Group conducts follow-up audits in the following year to verify progress in tackling those concerns.

Risk Management System

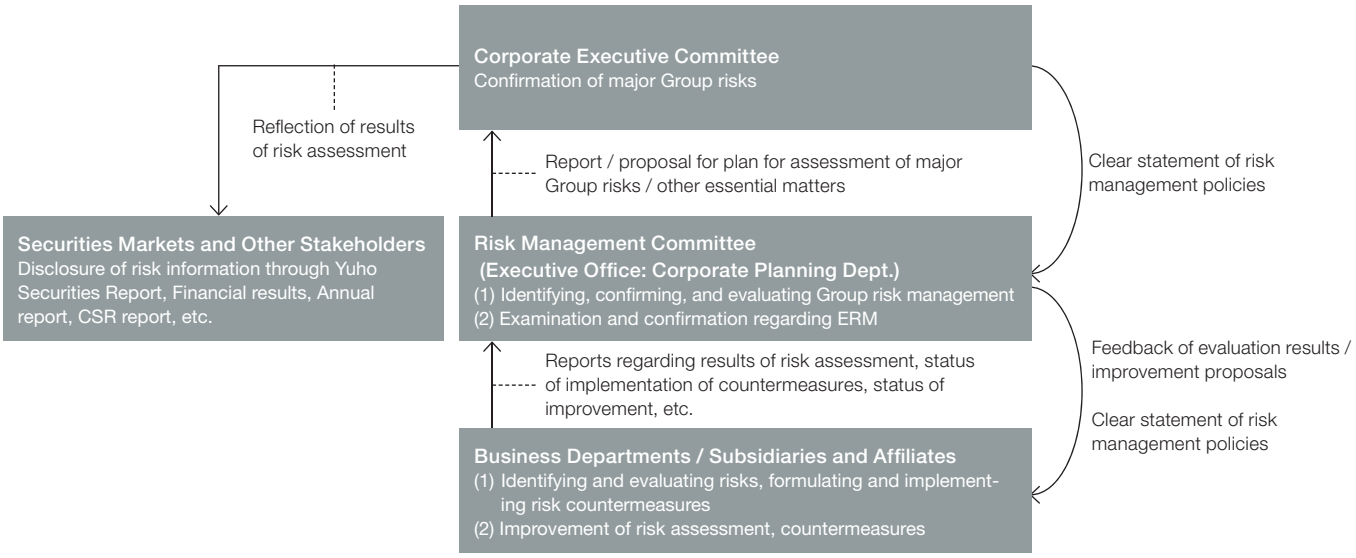
Enterprise Risk Management (ERM)

In fiscal 2003, the Company established an enterprise risk management (ERM) system. The Board of Directors has established risk management regulations, which include documented rules concerning major risks faced by the Group.

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 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. Moreover, since the start of fiscal 2011, the Corporate Planning Dept. has been responsible for the risk management function, 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 subsidiaries and affiliates in order to promote 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.

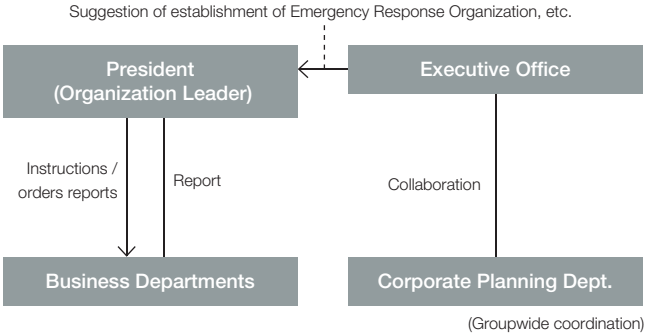
Enterprise Risk Management (ERM)



Risk Management

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 an accident or other risk-related event actually occurs. Specifically, we have formulated Emergency Response Organization Regulations. In case of 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, compliance problems, etc., the Emergency Response Organization responds to the situation immediately in accordance with the Emergency Response Organization Regulations. Periodic training is conducted in relation to major risk response measures. Moreover, 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, a major accident disrupting power supply, an outbreak of influenza, etc. This plan is in place to reinforce the Company's risk management system.

Emergency Response Organization



* The organizational unit in charge of the executive office is determined in advance in accordance with the type of the emergency.

FAQ Regarding Risks Related to Management Strategies

In accordance with the management strategies in the "Challenge 2020 Vision," the Tokyo Gas Group is implementing aggressive initiatives in a wide range of fields, such as diversification and expansion into upstream businesses overseas. Accompanying these initiatives, investors are increasingly concerned with the heightened diversification and intensification of risks. This section explains the Company's approach / response to risks related to management strategies, in regard to which the Company often receives questions from investors.

Q1. The vision outlines plans for gas sales volume to increase to 22.0 billion cubic meters. Following the earthquake demand for LNG in Japan has increased rapidly. In addition, given the trend toward reduced environmental burdens, LNG demand is expected to increase on a global basis. Will a tightening of the demand-supply balance have an adverse affect on raw material procurement?

A1. Following the earthquake, the shift toward natural gas has accelerated, and in the short term it is possible that the demand–supply balance will be tight. However, with multiple new projects as well as an increase in the supply of unconventional natural gas, such as shale gas and CBM, our supply capacity is sufficient. We believe that demand and supply will be balanced, in both the short term and the medium to long term. Moving forward, we will implement an appropriate response as we track changes in energy policy, including the use of nuclear power.

Q2. Isn't the risk of investing in upstream businesses very high? Rather than expanding upstream operations, shouldn't your focus be on stable gas operations?

A2. Upstream operations are said to be high risk because they generally involve exploration. The risk that we incur is limited because we only invest in projects for which reserves have been estimated and for which demand is assured through long-term contracts with purchasers, including the Company. In addition, we closely adhere to in-house investment standards, select projects that will generate a sufficient economic return, and make our participation decision.

Q3. With expansion of electric power generation and preparation of the wide-area pipeline network, isn't it possible that the Company will over-invest?

A3. Our basic approach to investment, including the electric power business and the wide-area pipeline network, is to make decisions based on economic rationality. Our policy is to use our funds effectively, investing only in projects from which we can expect an appropriate return.

Q4. Japan's gas industry will be affected by regulatory reforms that are being advanced, such as complete deregulation and the separation of electric power generation and transmission. Doesn't this situation present a risk to the Company's profitability?

A4. Future policies are currently under deliberation, and it is difficult to foresee the future of the energy framework. However, our vision sets out our intention to expand profits in large-scale, unregulated fields in the future. For example, even if regulatory reform is advanced, we believe that we will be able to sustain our profitability.

Q5. The Company has indicated that it will secure commercial demand in the Tokyo metropolitan region as a source of demand for gas sales volume, but isn't there a risk that demand will decline due to a further shift of plants to overseas locations?

A5. In our vision, we set out a goal of sales of 22.0 billion cubic meters of gas in the fiscal year ending March 2021, and this includes the reduction in demand stemming from the surfacing of the risk of industrial hollowing out.

Q6. Real estate is not the Company's core business. Does the in-house development of real estate holdings, such as Tamachi, pose substantial risks, and is this use of funds not in accordance with the expectations of shareholders?

A6. Real estate is positioned as a business to increase our corporate value, and in regard to large sites with high potential, such as Tamachi, we are focused on development with limited risk following initiatives to increase value, such as rezoning and urban planning. In addition, we will also advance initiatives as an energy enterprise, such as the introduction of advanced energy systems. In regard to other idle real estate, we will make decisions on a case-by-case basis, with options including use within the Group or disposal.

Reference

In regard to major risks related to the Group's operations and items for which there is a possibility of a significant influence on investment decisions of investors, please refer to the Risks of Business section of the Consolidated Financial Results Bulletin for the Fiscal Year Ended March 31, 2012 (J-GAAP)

Earthquake and Disaster Countermeasures

Tokyo Gas is strengthening its earthquake and disaster countermeasures, which are divided into three categories: preventive measures, emergency response measures, and restoration measures.

Preventive Measures

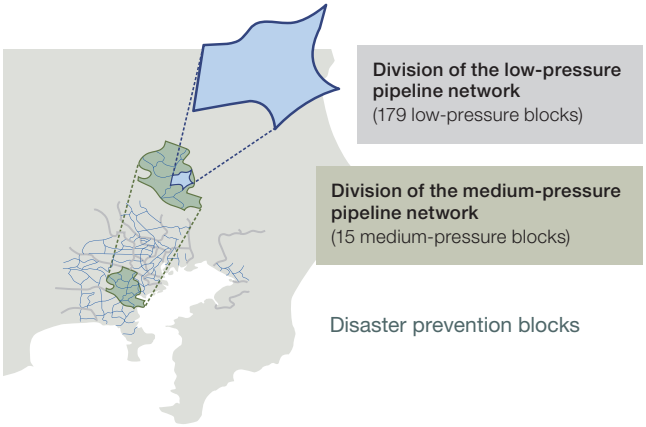
We have built production and supply facilities using advanced seismic design standards and we have doubled and tripled safety precautions. Our city gas production facilities have been built so that they are capable of withstanding earthquakes on a scale similar to the Great Hanshin-Awaji Earthquake (M7-class earthquakes). In our underground tanks, the surface level of the liquid is always below ground level. Consequently, even in the unlikely event of a crack or break in a tank, the LNG could not seep outside. Tokyo Gas uses high-pressure and medium-pressure pipelines made from welded steel pipes that provide exceptional strength and flexibility. In both the Great Hanshin-Awaji Earthquake and the Great East Japan Earthquake, the pipes exhibited excellent earthquake resistance.

Underground tanks

Emergency Response Measures

Safety equipment on gas meters (microcomputer controlled) automatically stops the flow of gas when a gas leak or an earthquake measuring five or more on the Japanese seismic intensity scale is detected. In addition, we have installed emergency shutoff equipment to ensure safety in such locations as underground shopping centers and tall buildings. This equipment makes it possible to shut off the gas supply for an entire underground shopping center or an entire building.

To maintain a stable supply of gas in as extensive an area as possible while also preventing secondary damage, we have divided our medium-pressure and low-pressure pipelines into multiple disaster prevention blocks. In times of emergency, the supply to severely damaged areas is cut off on a local basis, and the influence on other blocks is minimized.



Restoration Measures

We have made thorough preparations to resume service as quickly as possible in areas where the supply of gas has been shut off. In particular, under the auspices of the Japan Gas Association, a system has been established to coordinate the cooperative efforts of gas companies from throughout Japan in the event of a major disaster. Following the Great East Japan Earthquake, the number of people who came from throughout the country to engage in restoration activities under this system reached about 4,100 at one point.

Toward the Realization of a Safe Gas Supply That Is Even More Resistant to Disaster Damage

Following the Great East Japan Earthquake, which caused damage on a scale that exceeded all expectations, we have implemented the following principal countermeasures.

Measures to Prevent Damage from Earthquakes, Tsunami, and Other Disasters.

- As of 2020, we will aim to restore service within 30 days excluding the most heavily damaged areas. (Assuming an earthquake on a scale similar to the Great Hanshin-Awaji Earthquake with an epicenter directly under the Tokyo metropolitan area, for which restoration currently would take 55 days.)
  - We will further enhance the system of disaster prevention blocks into which supply areas are divided when there is an earthquake. Specifically, we will create more blocks and establish blocks with advanced earthquake resistance. In addition, we will establish tsunami and liquefaction blocks. In this way, we will enhance our ability to minimize the areas in which supply is shut off when there is an earthquake. (By June 2012, the sub-division of the low-pressure network had been completed, creating 179 blocks.)
  - We will realize rapid restoration through the development and introduction of a remote restart system for governors (pressure transformers)
- At LNG terminals, we will strengthen countermeasures for earthquake, tsunami, etc., and implement new revetment liquefaction countermeasures.

Power Failure Countermeasures

- We will take steps to strengthen power failure countermeasures at plants, such as strengthening in-house power generation facilities, and prepare for unexpected situations, including earthquakes.

Assuring Security

- We will accelerate the replacement of old cast iron pipes and other old pipes with PE pipes.

PE pipes offer superior durability and earthquake resistance.

Board of Directors and Corporate Auditors

As of June 28, 2012

Directors

Director, Chairman

Mitsunori Torihara

April 1967 Joined the Company
June 2003 Representative Director, Executive Vice President, Division Manager of Strategic Planning Div. and in charge of Internal Audit Dept. and 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
June 2004 Director, Senior Executive Officer and Division Manager of Strategic Planning Div.
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 2010 President, Representative Director, and Executive President

Representative Director

Shigeru Muraki

July 1972 Joined the Company
April 2004 Senior Executive Officer and Division Manager of R&D 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

Michiaki Hirose

April 1974 Joined the Company
April 2007 Senior Executive Officer and in charge of Corporate Planning Dept., Infrastructure Project Dept., Finance and Managerial Accounting Dept., Accounting 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.
January 2010 Director, Senior Executive Officer and in charge of Corporate Planning Dept., Project Management Dept., Corporate Communication Dept. and Affiliated Companies Dept.
April 2012 Representative Director, Executive Vice President, Division Manager of Living Energy Div.

Director

Tsutomu Oya

April 1975 Joined the Company
April 2004 Executive Officer, General Manager of Urban Energy Business Dept. of Energy Sales and Service Div. and Acting General Manager of Volume Sales Dept. of Energy Sales and Service Div.
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 2012 Director, Senior Executive Officer, Division Manager of Energy Production Div.

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 2005 Executive Officer and General Manager of Finance and Managerial Accounting Dept. of Strategic Planning Div.
April 2009 Senior Executive Officer and General Manager of Investor Relations Dept., 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.

Director

Matsuhiko Hataba

April 1976 Joined the Company
April 2006 Executive Officer and General Manager of Human Resources Dept. of Business Support Div.
April 2009 Senior Executive Officer and Division Manager of Living Energy Div.
June 2012 Director, Senior Executive Officer and in charge of Corporate Planning Dept., TG-Group Reorganization Project Dept. and Affiliated Companies Dept.

Outside Directors

Outside Director

Yukio Sato

April	1961	Joined the Ministry of Foreign Affairs
September	1998	Permanent Representative of Japan to the United Nations (Ambassador of Japan to the United Nations)
February	2003	President of The Japan Institute of International Affairs
December	2004	Commissioner of National Public Safety Commission
February	2009	Vice Chairman of The Japan Institute of International Affairs (Current position)
June	2010	Outside Director of the Company

Outside Director

Ryuichi Tomizawa

April	1965	Joined Mitsubishi Kasei Industries Corporation (Current Mitsubishi Chemical Corporation)
April	2000	President of Mitsubishi-Tokyo Pharmaceuticals, Inc. (Current Mitsubishi Tanabe Pharma Corporation)
June	2002	Member of the Board, President and Chief Executive Officer of Mitsubishi Chemical Corporation
October	2005	Member of the Board, President of Mitsubishi Chemical Holdings Corporation
April	2007	Member of the Board, Chairman of Mitsubishi Chemical Holdings Corporation
June	2011	Outside Director of the Company
June	2012	Senior Corporate Advisor of Mitsubishi Chemical Corporation (Current position)

New Outside Director

Outside Director

Yoshihiko Nakagaki

April	1961	Joined Electric Power Development Co., Ltd. (J-POWER)
June	1996	Director and Department Director of Corporate Planning Dept. of Electric Power Development Co., Ltd. (J-POWER)
June	1998	Managing Director of Electric Power Development Co., Ltd. (J-POWER)
June	2000	Vice President and Representative Director of Electric Power Development Co., Ltd. (J-POWER)
June	2001	President and Representative Director of Electric Power Development Co., Ltd. (J-POWER)
June	2009	Corporate Advisor of Electric Power Development Co., Ltd. (J-POWER) (Current position)
June	2012	Outside Director of the Company

Following the Great East Japan Earthquake, which occurred on March 11, 2011, it became painfully clear that Japan suffered from an overdependence on foreign countries for its primary energy resources. This cast light on the importance of developing an optimally balanced portfolio consisting of various different types of energy, and formulating a medium- to long-term vision for the management of this portfolio that considers such concerns as how stable, low-cost procurement will be realized. At the same time, as members of a consuming nation, we need to think about how we will fulfill our responsibility of reducing CO_2 emissions. In Japan, we are faced with the need of addressing these two tasks, neither of which can be put off. A heavy responsibility has thus been handed to electricity and gas companies, which serve as the main vessels through which these issues must be addressed. Amidst this turbulence, Tokyo Gas has become a star of anticipation as it accelerates the expansion of overseas upstream projects in accordance with its “Challenge 2020 Vision” long-term management vision, announced in November 2011. It is my hope that the Company will venture to be an ideal energy company; a company that benefits itself by fulfilling its mission of protecting national interests. In particular, I think it is of the utmost importance for Tokyo Gas to practice management based on a long-term perspective. While investment and other initiatives that involve incurring expense place downward pressure on income over the short term, such efforts also result in long-term improvements in shareholder value. Not only must the Company realize this itself, steps must also be taken to communicate this fact to shareholders. In addition, I feel that Tokyo Gas should avoid developing overseas businesses that only promise short-term returns and are riddled with risks. Rather, the Company should focus on solidifying the ground beneath its feet so that it may steadily accelerate its growth into the future. In other words, I want Tokyo Gas to minimize risks while realizing development over the long term. To aid them in this quest, I will offer all the assistance that I can, based on the experience I have accumulated up until this point.

Auditors

Auditor

Kunihiro Mori

April	1972	Joined the Company
April	2004	Executive Officer and General Manager of Energy Production Dept. of Energy Production Div.
April	2007	Senior Executive Officer and assistant to Director of General Administration Dept.
June	2009	Corporate Auditor of the Company

Auditor

Manabu Fukumoto

April	1975	Joined the Company
April	2006	Executive Officer and General Manager of General Administration Dept. of Corporate Communication Div.
June	2009	Senior Executive Officer and in charge of Purchasing Dept., Real Estate Management Dept., Major Site Development Dept. and Internal Audit Dept.
June	2011	Corporate Auditor of the Company

Outside Auditors

Outside Auditor

Yukio Masuda

April 1964 Joined Mitsubishi Corporation
April 2002 Representative Director and Executive Vice President of Mitsubishi Corporation
June 2008 Consultant of Mitsubishi Corporation (Current position)
Outside Corporate Auditor of the Company
March 2009 Outside Director of Showa Shell Sekiyu K.K. (Current position)

Outside Auditor

Masayuki Osawa

April 1966 Joined the Yokohama City Hall
October 2006 Senior Director of the Yokohama Chamber of Commerce & Industry
April 2009 Administrative Director of Yokohama City Silver Human Resources Center
June 2009 Outside Corporate Auditor of the Company
June 2010 Outside Auditor of PACIFIC CONVENTION PLAZA YOKOHAMA (Current position)

New Outside Auditor

Outside Auditor

Yoshihiko Morita

April 1969 Joined Export-Import Bank of Japan
October 2004 Vice Governor of Japan Bank for International Cooperation
December 2011 Advisor of Sumitomo Mitsui Banking Corporation (Current position)
June 2012 President of Japan Institute for Overseas Investment (Current position)
Outside Corporate Auditor of the Company

We are currently immersed in an era characterized by rapid change. In Japan, one notable change is the rising degree of attention that society is paying toward energy companies. This concern is higher than ever, a trend that can be attributed to the energy-related issues that surfaced last year. As a leading gas company in Japan, Tokyo Gas is in a prime position to spearhead efforts to reduce the importation prices for natural gas, which are high compared to other countries, and return the benefits of these reductions to consumers. It is extremely difficult to realize raw material price reductions in the short term. Regardless, I hope the Company will formulate solid plans for the future, and work toward realizing such price reductions through various overseas initiatives. Also, I feel the role Tokyo Gas must play in the present operating environment is extremely important, as many believe that the future of energy will be centered on natural gas. Still, Tokyo Gas must be prudent in monitoring the rapidly diversifying range of risks as it undertakes the challenges that will allow it to live up to the expectations of its shareholders. Moreover, Tokyo Gas is placed in a unique position as it is both a public utility, which entails assuming a great deal of social responsibility, and a private company that has to pursue profits. Therefore, it must strike a balance between these two differing aspects of its operations if it is to achieve sustainable growth.

Tokyo Gas employs over 16,000 people on a consolidated basis. As an organization grows larger or as its operations spread to different areas, the range of problems that may occur obviously grows wider. For this reason, it is vital to establish a corporate culture of openness that facilitates problem solving both on a small scale and on the larger organizational scale. Furthermore, in the event that a serious issue with the potential of impacting corporate value were to occur, it is of course important for the company to take steps to resolve this issue, but it is also equally important to quickly disclose the issue to the public. In fulfilling my duty as an outside auditor, I will pay particular attention to promoting such levels of transparency, which I believe are necessary in realizing sustainable growth.

Executive Officers

President	Tsuyoshi Okamoto	
Executive Vice Presidents	Shigeru Muraki	Chief Executive of Energy Solution Div., General Manager of Volume Sales Dept. of Energy Solution Div.
	Michiaki Hirose	Chief Executive of Residential Sales Promotion Div.
Senior Executive Officers	Tsutomu Oya	Chief Executive of Energy Production Div
	Mikio Itazawa	Chief Executive of Pipeline Network Div.
	Kazuo Yoshino	Chief Executive of Information Technology Div., in charge of Finance Dept., and Accounting Dept.
	Matsuhiko Hataba	In charge of Corporate Planning Dept., TG-Group Reorganization Project Dept., and Affiliated Companies Dept.
	Koichi Aonuma	Chief Executive of Housing Development Div.
	Yutaka Kunigo	Chief Executive of Energy Resources Div.
	Masahiro Mikami	In charge of General Administration Dept., Corporate Communications Dept., and Environmental Affairs Dept.
	Hideaki Obana	In charge of Purchasing Dept., Real Estate Management Dept., and Major Site Development Dept.
	Hiroaki Kobayashi	Chief Executive of Technology Development Div.
	Takashi Uchida	In charge of Personnel Dept., Secretary Dept., Compliance Dept., and Internal Audit Dept.
	Satoru Yasuoka	Chief Executive of Regional Development Marketing Div.
Executive Officers	Hiroaki Kubota	General Manager of Information Technology Application Dept., Information Technology Div.
	Hidefumi Takahashi	General Manager of Sales Marketing I Dept., Housing Development Div.
	Yoshihiro Tanabe	Dispatched to the Japan Gas Association
	Fumio Murazeki	General Manager of Residential Sales Planning Dept., Residential Sales Promotion Div.
	Hideaki Arai	General Manager of Pipeline Dept., Pipeline Network Div.
	Masaru Takamatsu	General Manager of Corporate Planning Dept.
	Michiharu Takahashi	Coordinator of Energy Solution Div.
	Fumihiko Hara	General Manager of LIFEVAL Project Management Dept., Residential Sales Promotion Div.
	Kiyotada Den	General Manager of Personnel Dept.
	Takahiro Saito	General Manager of Facility Engineering Business Dept.

Management's Discussion and Analysis

Summary

In the fiscal year under review, ended March 31, 2012, gas sales volume increased 3.0% year on year, to 15,190 million m³, owing to high demand for gas for power generation purposes following the Great East Japan Earthquake, which occurred on March 11, 2011.

The rise in gas sales volume, together with an increase in gas unit prices under the gas rate adjustment system, pushed up sales of city gas. Also, full-year operation of the No.2 unit at the Ohgishima Power Station as well as strong demand for power generation following the earthquake contributed to higher electric power sales. Consequently, net sales climbed 14.3% year on year, to ¥1,754.2 billion. Operating expenses rose 18.7%, to ¥1,677.1 billion, as the higher price of LNG and increased gas sales volumes drove up raw material costs. As a result, operating income decreased 37.1%, to ¥77.0 billion, and ordinary income was down 37.8%, to ¥75.6 billion. Net income fell 51.8%, to ¥46.0 billion, largely due to the rebound from last year's recording of ¥39.7 billion in extraordinary income from the sale of land in Toyosu and the reduction in deferred tax assets that accompanied a change in tax systems.

With respect to appropriations to shareholders, the Company maintained its existing policy of a total payout ratio of 60%. This means the sum of cash dividends and share repurchases will be at least 60% of net income for the year.

Operating Environment in the Year under Review

Macroeconomic Conditions

In the fiscal year under review, the Japanese economy experienced harsh conditions due to the lingering impacts of the Great East Japan Earthquake. In this environment, a gradual trend toward recovery was seen centered on domestic demand. Following the earthquake, Japan's energy market is now faced with the tasks of addressing the electricity shortages in the Tokyo metropolitan area in the short term, and reevaluating energy's role in society from a medium- to long-term perspective. Against this backdrop, natural gas, which is known to be easier to supply and more economically sound, convenient, and environmentally friendly, has been gathering a great deal of attention from society. In particular, industrial demand, or in other words sales volumes of natural gas for power generation purposes, increased greatly year on year. This can be attributed to a rise in demand from independent power producers (IPPs), power producer and suppliers (PPSs), and other power providers; higher demand for gas to be used in customers' in-house cogeneration systems; and full-year contributions from the No.2 unit at the Ohgishima Power Station, in which the Company is investing.

Influence of Fluctuating Oil Prices and Foreign Exchange Rates on the Company's Operations

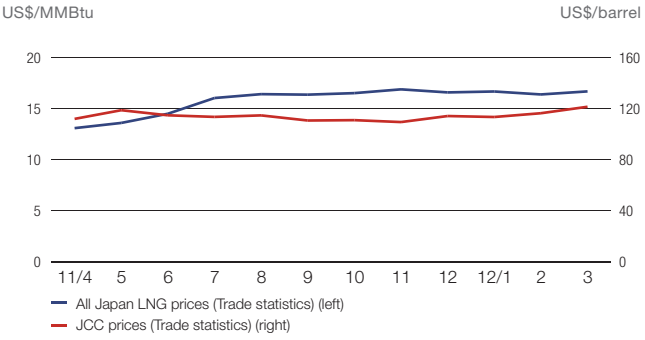
The purchase price of LNG, which accounts for the majority of the resources used in the Group's core city gas business, is linked to the Japan Customs-cleared Crude price (hereafter JCC). It is therefore exposed to risks related to fluctuations in crude oil prices. In addition, since contracts are denominated in U.S. dollars, earnings are at risk from fluctuations in the yen–dollar exchange rate.

Under the gas rate adjustment system, fluctuations in the price of crude oil can take as long as five months before they are reflected in gas rates. For this reason, while fluctuation in crude oil prices can cause short-term fluctuations in the Company's earnings and operating expenses, particularly on an individual fiscal year basis, the long-term percussions are minimal.

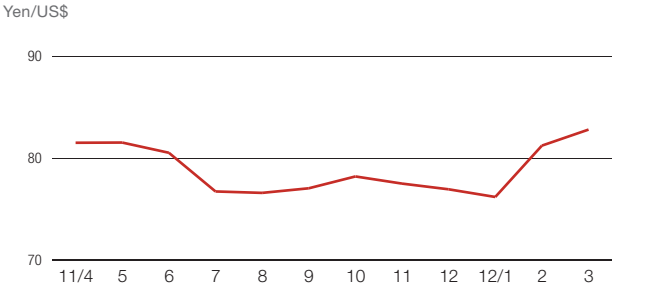
In the fiscal year under review, the JCC was consistently high, initially remaining in the range of US$110–119 per barrel. While the price temporarily fell below US$110 per barrel in November 2011, it later soared to US$120 per barrel in March 2012. For the full fiscal year, the average was US$114.16 per barrel, up US$30.01 from the previous year. In foreign exchange rates, the yen remained at a high level, and the average yen–dollar exchange rate was ¥79.08 for the full fiscal year, reflecting the yen's appreciation of ¥6.66 compared with a year earlier.

As a result, the year's trends in crude oil prices had the effect of pushing up the Company's LNG purchase price and contributing to increases in sales and gas resource costs.

Prices of Crude Oil and LNG



Yen–Dollar Exchange Rate



Analysis of the City Gas Business

Sales increased year on year across three sectors (residential, industrial, and wholesale), while sales in the commercial and others sectors declined due to residual impacts of the earthquake.

Residential Sector

There was a decline in sales volume per customer due to a decrease in the number of household occupants and the accelerated movement toward energy and electricity saving. However, there was a rise in customers' higher demand for hot water and indoor heating that followed the cold winter. Accordingly, residential demand grew 0.5%, to 3,538 million m³.

Commercial and Others Sector

While customer numbers were up, trends such as the shortening of work hours and cancelling of school that followed the earthquake resulted in decreased operating times of facilities. Consequently, commercial demand declined 7.1%, to 2,827 million m^3.

Industrial Sector

Year-long contributions from the No.2 unit at the Ohgishima Power Station, higher usage of cogeneration and in-house generation systems following the earthquake, and demand from general industry that was buoyed by moderate economic recovery resulted in a 9.9% increase in industrial demand, to 6,856 million m^3.

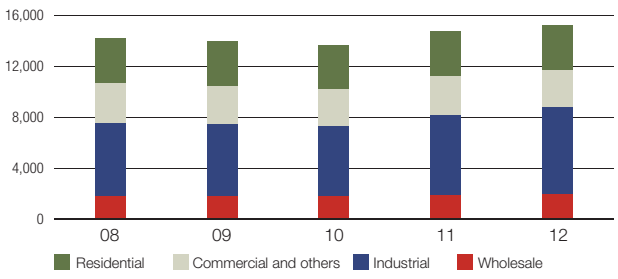
Wholesale Sector

As a result of increased demand from other gas utilities, wholesale supplies grew 1.2%, to 1,970 million m^3.

As a result, the overall gas sales volume increased 3.0%, or 445 million m^3, to 15,190 million m^3.

Gas Sales Volume by Sector (Years ended March 31)

Million m^3, 45MJ/m^3



Analysis of Income and Expenses

Sales and income up

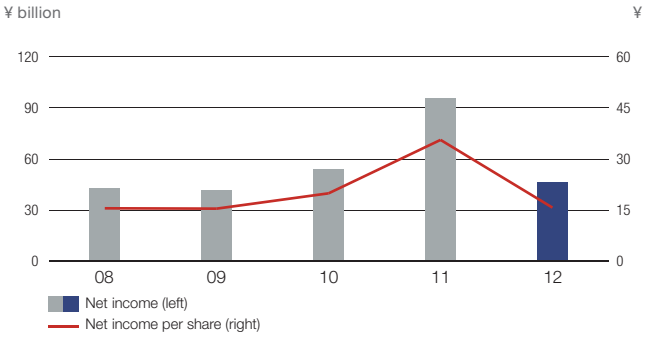
In the fiscal year under review, gas sales increased 14.9%, or ¥169.2 billion, to ¥1,306.2 billion, due to higher gas unit prices under the gas rate adjustment system and a 3.0% rise in gas sales volume. As a result, total net sales rose 14.3%, or ¥219.0 billion, from the previous year, to ¥1,754.2 billion.

Operating expenses increased 18.7%, or ¥264.4 billion, to ¥1,677.1 billion, following a ¥189.3 billion increase in raw material costs due to higher LNG prices and gas sales volumes. As a result, operating income decreased 37.1%, or ¥45.4 billion, to ¥77.0 billion.

Ordinary income decreased 37.8%, or ¥45.9 billion, to ¥75.6 billion, as foreign exchange gains of overseas subsidiaries declined ¥1.0 billion and income from weather derivatives fell ¥0.9 billion.

In the fiscal year under review, we experienced the rebound from last year's recording of ¥39.7 billion in extraordinary income from the sale of land in Toyosu to the Tokyo Metropolitan Goverment and a ¥4.4 billion reduction in deferred tax assets that accompanied a change in tax systems. As a result, net income was down 51.8%, or ¥49.4 billion, to ¥46.0 billion. Further, on a non-consolidated basis, Tokyo Gas recorded slide time lag effect of ¥18.1 billion and amortization of actuarial differences of ¥22.7 billion, which placed downward pressure on operating income.

Net Income and Net Income per Share (Years ended March 31)



(Reference) Comprehensive Income (¥ million)

Years ended March 31	2011	2012
Income before minority interests	96,070	47,329
Other comprehensive income		
Valuation difference on available-for-sale securities	(5,375)	86
Deferred gains or losses on hedges	(604)	(1,783)
Foreign currency translation adjustment	(7,095)	(4,266)
Share of other comprehensive income of associates accounted for using equity method	(2,554)	(2,129)
Total other comprehensive income	(15,630)	(8,092)
Comprehensive income	80,440	39,237

Analysis of Segments

City Gas Sales

Tokyo Gas and certain consolidated subsidiaries conduct sales of city gas. Not only is such gas provided to general customers, it is also sold to the Group's power plants. (External sales ratio: 93.4%)

Gas Appliances and Installation Work

We sell gas cooktops, water heaters, gas air conditioning systems that use hot water, "ENE-FARM" residential fuel cells, gas heat pump air conditioning systems, and other products. These sales are mainly handled by Tokyo Gas LIFEVAL, Enesta, and Enefit, which represent the core of Tokyo Gas' community-based marketing system. We also install gas pipes and valves in properties owned by customers in our service area. (External sales ratio: 92.2%)

Other Energies

This segment's operations consist of business relating to energy services (including LNG sales), LPG, electric power, industrial gas, and others. (External sales ratio: 85.9%)

A large percentage of this segment's sales comes from the electric power business and in the fiscal year under review the No.2 unit at the Ohgishima Power Station contributed to sales throughout the full year. As a result, segment sales were up 45.0% year on year, or ¥31.6 billion, to ¥101.8 billion, and operating income rose 30.7%, or ¥1.9 billion, to ¥7.9 billion.

Real Estate

This segment includes mainly leasing and management of land and buildings. Major properties include the Shinjuku Park Tower and land and buildings in such areas as Ginza and Gofukubashi. (External sales ratio: 35.7%)

Other

This segment includes information processing, shipping, credit and leasing, and construction. (External sales ratio: 49.7%)

Business Results by Segment (¥ million)

Sales

Years ended March 31	2011	2012
City gas sales	1,137,077	1,306,262
Gas appliances and installation work	177,472	187,628
Other energies	221,292	302,593
Real estate	32,797	29,675
Other	162,302	181,880
Total	1,730,942	2,008,040
Adjustments	(195,699)	(253,782)
Consolidated	1,535,242	1,754,257

Sales figures for each segment include intersegment transactions.

Operating Income

Years ended March 31	2011	2012
City gas sales	136,181	97,404
Gas appliances and installation work	1,872	3,129
Other energies	11,166	10,924
Real estate	5,713	3,301
Other	9,907	7,066
Total	164,841	121,826
Adjustments	(42,389)	(44,751)
Consolidated	122,451	77,075

Operating income figures for each segment include intersegment transactions.

Contribution to Net Sales by Segment

Years ended March 31	2011	2012	Change
City gas sales	65.6%	65.0%	–0.6 point
Gas appliances and installation work	10.3%	9.3%	–1.0 point
Other energies	12.8%	15.1%	+2.3 points
Real estate	1.9%	1.5%	–0.4 point
Other	9.4%	9.1%	–0.3 point

Financial Position

Assets

At fiscal year-end, total assets amounted to ¥1,863.8 billion, up 1.9%, or ¥34.2 billion, from a year earlier. Total property, plant and equipment declined 1.3%, or ¥14.7 billion, to ¥1,105.5 billion, due to progressive depreciation. Total intangible assets jumped 18.4%, or ¥7.6 billion, to ¥48.7 billion, due mainly to investments in software. Total investments and other assets declined 4.5%, or ¥10.2 billion, to ¥218.7 billion, following a decrease in investment securities.

Total current assets increased 11.7%, or ¥51.5 billion, to ¥490.8 billion. This is primarily attributable to the fact that notes and accounts receivable–trade rose 32.4%, or ¥51.8 billion, to ¥211.9 billion, which offset the decline in cash and deposits of 11.2%, or ¥10.2 billion, to ¥80.1 billion.

Liabilities

Total liabilities at the end of the fiscal year stood at ¥1,008.7 billion, up 5.6%, or ¥53.2 billion, from the previous fiscal year end. Total noncurrent liabilities increased 7.6%, or ¥49.2 billion, to ¥695.9 billion, due to increases in bonds payable of 6.4%, or ¥20.0 billion, and in long-term loans payable of 23.0%, or ¥43.3 billion. Total current liabilities rose 1.3%, or ¥4.0 billion, to ¥312.8 billion, as a result of an increase in notes and accounts payable–trade of 21.6%, or ¥16.5 billion, to ¥92.6 billion, which offset the declines in current portion of noncurrent liabilities of 10.5%, or ¥5.1 billion, to ¥43.6 billion, and in other current liabilities of 2.9%, or ¥4.0 billion, to ¥129.2 billion.

Net Assets

Total net assets decreased 2.2%, or ¥18.9 billion, to ¥855.1 billion. This was a result of the 1.4%, or ¥11.6 billion, decrease in total shareholders' equity following the recording of purchase of treasury stock of ¥34.0 billion and dividends from surplus of ¥23.6 billion, which offset net income of ¥46.0 billion.

Changes in Treasury Stock

In the fiscal year under review, treasury stock decreased 6.7%, or ¥0.2 billion, to ¥2.1 billion, as the Company cancelled all 93,478 thousands shares of treasury stock acquired through market purchase.

Equity Ratio

Total equity decreased 2.3%, or ¥19.8 billion, to ¥839.1 billion. This was due the recording of purchase of treasury stock of ¥34.0 billion and dividends from surplus of ¥23.6 billion, which offset net income of ¥46.0 billion. As total assets rose 1.9%, or ¥34.2 billion, to ¥1,863.8 billion, the equity ratio declined 1.9 percentage points, to 45.0%.

Interest-Bearing Debt

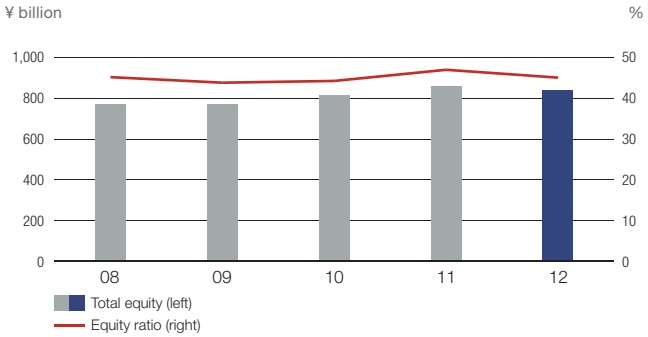
In the year under review, total interest-bearing debt increased 7.1%, or ¥41.7 billion, to ¥625.8 billion As a result, the D/E ratio rose 0.07 point, to 0.75.

Credit Ratings

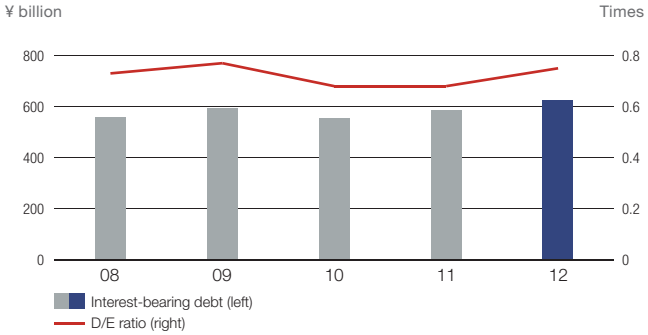
As of March 31, 2012

Moody's	Aa3	High creditworthiness and very low credit risk to meet long-term obligations.
S&P	AA–	Very strong capacity to meet obligations. Difference from the highest rating, AAA, is small. (Plus and minus signs indicate relative standing within each rating category.)
R&I	AA+	Very high creditworthiness supported by some excellent factors.
JCR	AAA	The highest level of capacity of the obligor to honor its financial commitment on the obligation.

Total Equity and Equity Ratio (At March 31)



Interest-bearing Debt and D/E Ratio (At March 31)



Capital Expenditures and Depreciation

Capital expenditures decreased 2.5%, or ¥3.8 billion, to ¥146.4 billion. This was largely due to the absence of the investments recorded last year in the Ohgishima Power Station, which commenced operations during the previous fiscal year. Similarly, depreciation was down 0.6%, or ¥0.8 billion, to ¥148.5 billion.

Cash Flows

Cash Flows from Operating Activities

Net cash provided by operating activities decreased ¥12.5 billion year on year, to ¥149.8 billion. This was primarily due to a decline in income before income taxes of ¥80.8 billion, to ¥74.6 billion, and a rise in increase of notes and accounts receivable–trade of ¥45.3 billion, to ¥52.3 billion. These factors outweighed the recording of increase in notes and account payable–trade of ¥21.8 billion, compared with decrease in notes and account payable–trade of ¥52.5 billion in the previous fiscal year, and a decline in decrease in provision for retirement benefits of ¥22.9 billion, to ¥11.2 billion.

Cash Flows from Investment Activities

Net cash used in investing activities was ¥101.8 billion, compared with ¥172.3 billion in the previous fiscal year. This can mainly be attributed to proceeds from sales of noncurrent assets of ¥46.4 billion, up ¥45.8 billion, and a decrease in purchase of investment securities of ¥20.6 billion, to ¥1.1 billion.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥16.4 billion, compared with ¥7.2 billion in the previous fiscal year. While proceeds from long-term loans payable increased ¥50.9 billion, to ¥68.2 billion, decrease in commercial papers was ¥15.0 billion, compared with increase in commercial papers of ¥15.0 billion in the previous fiscal year; purchase of treasury stock was up ¥25.7 billion, to ¥34.0 billion; and redemption of bonds increased ¥10.0 billion, to ¥30.0 billion.

Operating Cash Flow

Aiming to aggressively invest in the gas business to prepare for future growth in demand, Tokyo Gas has made operating cash flow a key management indicator and has disclosed its allocation policy. Operating cash flow is calculated by adding depreciation to net income.

Operating cash flow for the fiscal year ended March 31, 2012, amounted to ¥194.5 billion, a year-on-year decrease of ¥50.3 billion. The lower figure reflects a ¥49.4 billion decrease in net income and a ¥0.8 billion decrease in depreciation.

Total Payout Ratio

Tokyo Gas has set an objective of a 60% total payout ratio, which means to return 60% of net income to shareholders, as an indicator of its commitment to shareholder returns. Specifically, we define this new indicator as the ratio of the sum of the income distributed as dividends funded by net income in FY n and share repurchasing in FY n+1 to the net income in FY n.

The Company plans dividends of ¥9.00 per share for the fiscal year ended March 31, 2012, unchanged from the previous year, and share repurchases of ¥50.0 billion in the fiscal year ending March 31, 2013. As a result, the total payout ratio for the fiscal year ended March 31, 2012, was 61.4%.

In regard to dividends, we maintained dividends at ¥9.00 per share. In the future, our priority is to ensure stable dividends, with consideration for gradual increases over the long term and without reducing dividends.

With respect to share repurchases, our basic principle is to cancel the shares. In the fiscal year ended March 31, 2012, we purchased treasury stock totaling ¥50.0 billion, and these shares were cancelled in June 2012.

Millions of yen

Years ended March 31	2010	2011	2012
Net cash provided by operating activities	294,110	162,345	149,818
Net cash used in investment activities	(177,290)	(172,305)	(101,810)
Net cash provided by (used in) financing activities	(69,375)	(7,212)	(16,454)

Key Management Indicators

ROA and ROE worsened due to lower net income.

ROA

The average balance of total assets remained relatively unchanged, however net income dropped 51.8% year on year, to ¥46.0 billion. Accordingly, ROA declined 2.7 percentage points, to 2.5%.

ROE

The average balance of total equity increased, while net income dropped 51.8% year on year, to ¥46.0 billion. As a result, ROE declined 6.0 percentage points, to 5.4%.

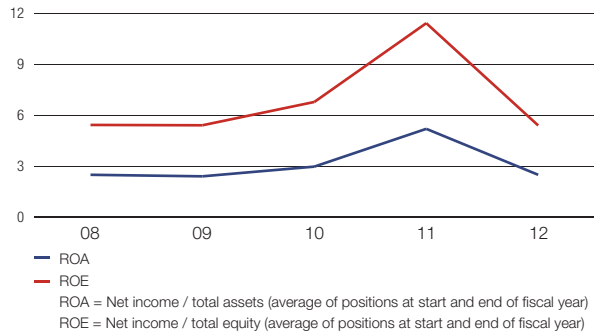
TEP

Our goal is to generate profit in excess of capital costs. This is reflected in our adoption of Tokyo Gas Economic Profit (TEP: Net operating profit after tax prior to interest payments minus the cost of capital) as one of our main management indicators.

In the fiscal year ended March 31, 2012, net operating profit after tax prior to interest payments (NOPAT) was ¥55.3 billion, the weighted average cost of capital (WACC) remained unchanged, at 3.1%, and the cost of capital was ¥46.2 billion. Consequently, TEP was ¥9.1 billion.

ROA and ROE (Years ended March 31)

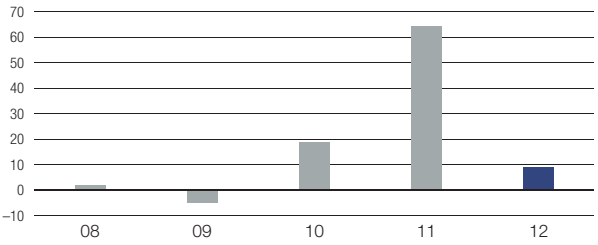
%



ROA = Net income / total assets (average of positions at start and end of fiscal year)
ROE = Net income / total equity (average of positions at start and end of fiscal year)

TEP (Years ended March 31)

¥ billion



TEP = NOPAT – cost of capital (Invested capital x WACC)
NOPAT: Net operating profit after tax prior to interest payments

Forecasts (Announced on April 27, 2012)

Gas Sales Volumes

Following changes in electricity schemes, gas sale volumes in the fiscal year ending March 31, 2013, are forecasted to decrease 2.0% year on year, or 304 million m³, to 14,886 million m³. However, if gas used for the electricity business is included in this calculation, the figure will actually show an increase of 0.6%, or 95 million m³, to 15,383 million m³.

Residential Sector

The rebound from the weather-related benefits experienced in the fiscal year under review will likely result in gas sales volumes to the residential sector declining 2.1%, to 3,464 million m³.

Commercial and Others Sector

Due to the absence of the weather-related benefits seen in the fiscal year under review, gas sales volumes to the commercial and others sector are projected to decrease 2.3%, to 2,763 million m³.

Industrial Sector

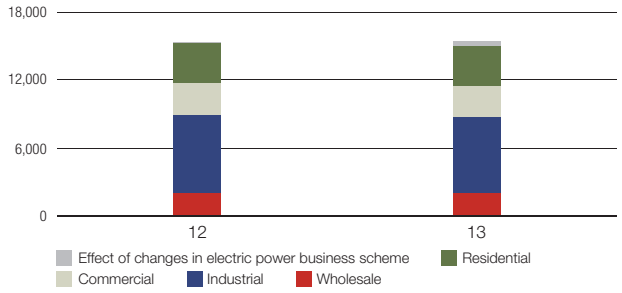
While changes in electricity schemes will result in a decline in sales volumes of 395 million m³, our ability to capture new demand will soften this decline and overall sales volumes of gas to the industrial sector will decrease only 2.4%, or 162 million m³, to 6,694 million m³. If gas used for the electricity business is included in this calculation, the figure will actually show an increase of 3.4%, or 233 million m³.

Wholesale Sector

Sales volumes of gas to the wholesale sector are expected to decrease 0.3%, to 1,965 million m³, following a decline in large-scale wholesale sales.

Consolidated Gas Sales Volume Forecasts

Million m³, 45MJ/m³



We forecast increases in sales and income in the fiscal year ending March 31, 2013.

In the fiscal year ending March 31, 2013, we expect consolidated net sales to increase 9.1%, or ¥159.8 billion, to ¥1,914.0 billion; operating income to rise 28.4%, or ¥22.0 billion, to ¥99.0 billion; and net income to grow 36.8%, or ¥17.0 billion, to ¥63.0 billion.

In the fiscal year ended March 31, 2012, ordinary income was ¥75.6 billion, but in the fiscal year ending March 31, 2013, we forecast an increase of 26.9%, or ¥20.4 billion, to ¥96.0 billion. Principal factors include a ¥15.1 billion year-on-year increase in non-consolidated ordinary income of Tokyo Gas, a ¥0.1 billion rise in ordinary income of consolidated subsidiaries, and a ¥5.2 billion increase due to consolidated adjustments.

On a non-consolidated basis, Tokyo Gas is expected to record a ¥15.1 billion year-on-year increase in ordinary income in the fiscal year ending March 31, 2013. While revenues will be negatively impacted by reduced gas rates, the expected increase in sales stemming from high gas unit prices under the gas rate adjustment system should outweigh the impacts of higher material prices stemming from rising crude oil

prices and the appreciation of the Japanese yen, leading to a ¥18.0 billion increase in gross profit on gas. Contributing to this increase, the slide time lag under the gas rate adjustment system is expected to drive up profits by ¥31.3 billion. In addition, amortization of pension actuarial differences will worsen ¥1.3 billion, but lower depreciation due to tax system revisions will result in a ¥4.7 billion decline in fixed costs.

Ordinary income of consolidated subsidiaries is projected to be almost unchanged, rising only ¥0.1 billion.

External Risks Affecting Business Activities

The following is a list of some of the risks that could impact the Company's business. However, this is only a partial list. For a more complete list of risks, please refer to the Company's *Yuho* securities report (Japanese only).

Gas Resource Purchase Price Fluctuation Risk

The extent to which fluctuations in exchange rates and crude oil prices will affect gross profit in the fiscal year ending March 31, 2013, is as follows.

Exchange rate: Approximately ¥1.6 billion down (up) with depreciation (appreciation) of ¥1/dollar

Crude oil price: Approximately ¥1.1 billion down (up) with an increase (decrease) in crude oil price of US$1/barrel

In the fiscal year ended March 31, 2012, the average exchange rate was ¥79.08 to one dollar, and the crude oil price averaged US$114.16 per barrel. Forecasts for the fiscal year ending March 31, 2013, are based on an exchange rate of ¥85.00 to one dollar and an average crude oil price of US$120.00 per barrel.

Temperature Fluctuation Risk

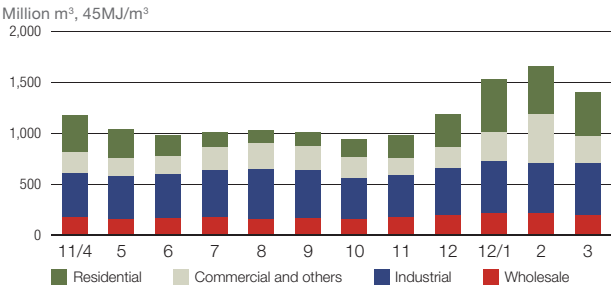
Temperatures affect the volume of city gas sales, which account for around 70% of consolidated sales. In the residential sector, gas is used mainly for water heating and indoor heating. Mild winter weather can erode revenues and income by reducing the volume of gas sold. In the commercial and others sector, gas is mainly used for air conditioning systems, so if temperatures are low in the summer or high in the winter, such temperature fluctuations can erode revenues and income by reducing the volume of gas sold.

The average temperatures in the fiscal year ended March 31, 2012, were 22.6°C in the first half of the year, 10.2°C in the second half, and 16.4°C for the whole year. Forecasts for the fiscal year ending March 31, 2013, are based on an average of 16.7°C for the whole year.

Impact of 1°C Temperature Rise on Overall Gas Sales Volume

	Rate of change
Summer (June–September)	–0.2%
Winter (December–March)	–2.4%
Intervening months (April, May, October, November)	–1.9%
Annual	–1.6%

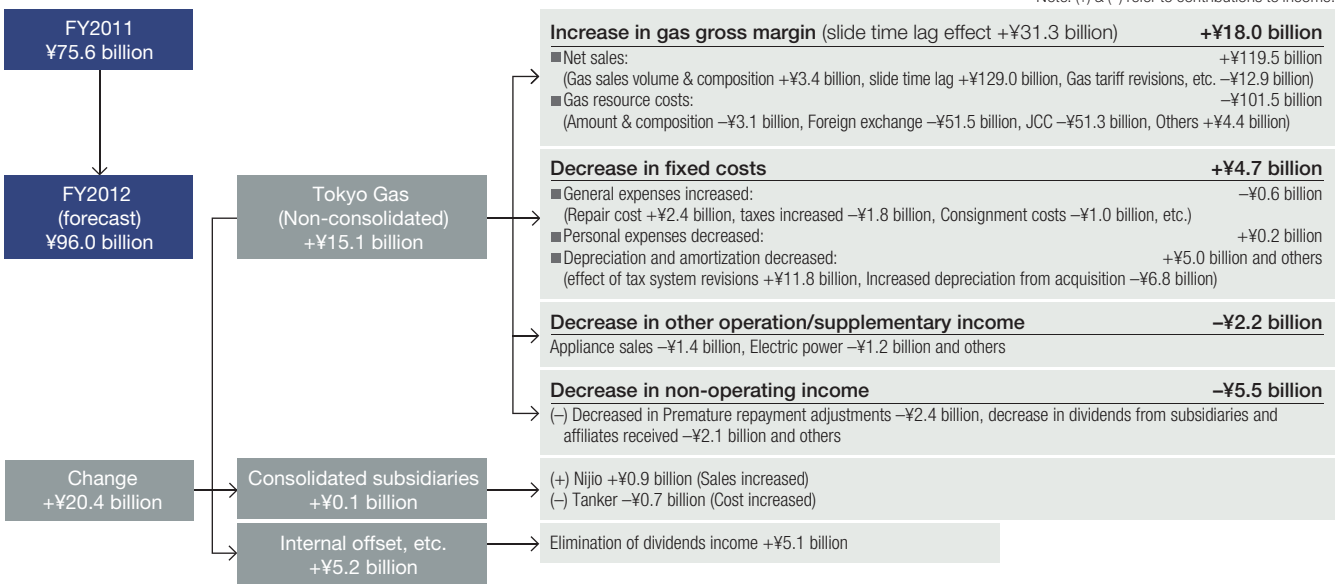
Monthly Gas Sales Volume for the Fiscal Year Ended March 31, 2012 (Non-consolidated)



Ordinary Income Plan for Fiscal Year Ending March 31, 2013: Analysis of Factors (Year on Year)

(Announced on April 27, 2012)

Note: (+) & (–) refer to contributions to income.



Consolidated Financial Statements

Consolidated Balance Sheets

March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars
Assets	2011	2012	2012
Noncurrent assets			
Property, plant and equipment			
Production facilities	¥ 180,446	¥ 171,318	$ 2,064,072
Distribution facilities	461,109	475,262	5,726,048
Service and maintenance facilities	62,149	62,740	755,904
Other facilities	318,239	304,245	3,665,602
Inactive facilities	447	316	3,807
Construction in progress	97,850	91,705	1,104,880
Total property, plant and equipment	1,120,243	1,105,587	13,320,325
Intangible assets			
Goodwill	1,198	741	8,928
Other	39,944	47,987	578,157
Total intangible assets	41,143	48,729	587,096
Investments and other assets			
Investment securities	137,456	131,305	1,581,988
Long-term loans receivable	21,340	24,164	291,133
Deferred tax assets	39,085	35,060	422,410
Other	31,928	28,926	348,506
Allowance for doubtful accounts	(909)	(750)	(9,036)
Total investments and other assets	228,900	218,706	2,635,012
Total noncurrent assets	1,390,286	1,373,023	16,542,446
Current assets			
Cash and deposits	90,302	80,149	965,651
Notes and accounts receivable — trade	160,128	211,969	2,553,843
Lease receivables and lease investment assets	26,789	27,751	334,349
Short-term investment securities	5,006	44,006	530,193
Merchandise and finished goods	3,591	3,538	42,627
Work in process	8,937	10,734	129,325
Raw materials and supplies	36,451	42,700	514,458
Deferred tax assets	15,624	12,499	150,590
Other	93,089	58,161	700,735
Allowance for doubtful accounts	(546)	(649)	(7,819)
Total current assets	439,374	490,861	5,913,988
Total assets	¥1,829,661	¥1,863,885	$22,456,446

* Equivalent U.S. dollar amounts are included for the convenience of readers outside Japan, and are converted at a rate of ¥83 per U.S. dollar, the prevailing exchange rate on March 30, 2012. These conversions should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

	Millions of yen		Thousands of U.S. dollars
Liabilities and net assets	2011	2012	2012
Noncurrent liabilities			
Bonds payable	¥ 311,492	¥ 331,493	$ 3,993,892
Long-term loans payable	188,239	231,520	2,789,398
Deferred tax liabilities	17,330	12,229	147,337
Provision for retirement benefits	96,870	85,578	1,031,060
Provision for gas holder repairs	3,565	3,268	39,373
Provision for safety measures	—	2,217	26,711
Asset retirement obligations	3,679	4,679	56,373
Other	25,535	24,931	300,373
Total noncurrent liabilities	646,713	695,920	8,384,578
Current liabilities			
Current portion of noncurrent liabilities	48,765	43,631	525,675
Notes and accounts payable — trade	76,180	92,660	1,116,386
Short-term loans payable	17,825	16,599	199,988
Income taxes payable	32,795	30,479	367,217
Deferred tax liabilities	6	6	72
Asset retirement obligations	77	199	2,398
Other	133,203	129,288	1,557,687
Total current liabilities	308,853	312,864	3,769,446
Total liabilities	955,567	1,008,785	12,154,036
Net assets			
Shareholders' equity			
Capital stock*	141,844	141,844	1,708,964
Legal capital surplus	2,065	2,065	24,880
Retained earnings	718,439	706,620	8,513,494
Treasury stock**	(2,355)	(2,196)	(26,458)
Total shareholders' equity	859,994	848,333	10,220,880
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	14,788	14,853	178,952
Deferred gains or losses on hedges	1,145	(1,370)	(16,506)
Foreign currency translation adjustment	(17,008)	(22,649)	(272,880)
Total accumulated other comprehensive income	(1,073)	(9,166)	(110,434)
Minority interests	15,174	15,933	191,964
Total net assets	874,094	855,100	10,302,410
Total liabilities and net assets	¥1,829,661	¥1,863,885	$22,456,446

* Capital stock
Common stock
Authorized: 6,500,000,000 shares
Issued: 2,590,715,295 shares as of March 31, 2012 / 2,684,193,295 shares as of March 31, 2011
** Treasury stock: 6,005,359 shares as of March 31, 2012 / 5,899,491 shares as of March 31, 2011

Consolidated Statements of Income

Years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Net sales	¥1,535,242	¥1,754,257	$21,135,627
Cost of sales	974,781	1,215,427	14,643,699
Gross profit	560,460	538,829	6,491,916
Selling, general and administrative expenses			
Supply and sales expenses	374,919	393,689	4,743,241
General and administrative expenses	63,090	68,064	820,048
Total selling, general and administrative expenses	438,009	461,754	5,563,301
Operating income	122,451	77,075	928,614
Non-operating income			
Interest income	1,215	1,368	16,482
Dividends income	1,541	1,798	21,663
Equity in earnings of affiliates	3,605	4,989	60,108
Rent income	1,641	1,628	19,614
Miscellaneous income	8,891	5,783	69,675
Total non-operating income	16,895	15,568	187,566
Non-operating expenses			
Interest expenses	9,689	10,184	122,699
Adjustments of charges for construction of distribution facilities	2,361	2,567	30,928
Miscellaneous expenses	5,747	4,272	51,470
Total non-operating expenses	17,798	17,023	205,096
Ordinary income	121,548	75,620	911,084
Extraordinary income			
Gain on sales of noncurrent assets	39,927	3,010	36,265
Gain on sales of investment securities	726	—	—
Total extraordinary income	40,653	3,010	36,265
Extraordinary losses			
Impairment loss	834	1,143	13,771
Loss on disaster	3,268	—	—
Loss on reduction of noncurrent assets	—	2,833	34,133
Loss on valuation of investment securities	2,100	—	—
Product compensation extraordinary expenses	503	—	—
Total extraordinary losses	6,707	3,977	47,916
Income before income taxes	155,494	74,654	899,446
Income taxes — current	27,522	22,704	273,542
Income taxes — deferred	31,901	4,620	55,663
Total income taxes	59,424	27,324	329,205
Income before minority interests	96,070	47,329	570,229
Minority interests in income	603	1,268	15,277
Net income	¥ 95,467	¥ 46,060	$ 554,940

	Yen		U.S. dollars
	2011	2012	2012
Amounts per share of common stock			
Net income	¥35.63	¥17.70	$0.21
Cash dividends applicable to the year	9.00	9.00	0.11

* Equivalent U.S. dollar amounts are included for the convenience of readers outside Japan, and are converted at a rate of ¥83 per U.S. dollar, the prevailing exchange rate on March 30, 2012. These conversions should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Shareholders' equity			
Capital stock			
Balance at the beginning of current period	¥141,844	¥141,844	$ 1,708,964
Changes of items during the period			
Total changes of items during the period	—	—	—
Balance at the end of current period	141,844	141,844	1,708,964
Legal capital surplus			
Balance at the beginning of current period	2,065	2,065	24,880
Changes of items during the period			
Changes of items during the period	—	—	—
Balance at the end of current period	2,065	2,065	24,880
Retained earnings			
Balance at the beginning of current period	657,387	718,439	8,655,892
Changes of items during the period			
Dividends from surplus	(25,549)	(23,683)	(285,337)
Net income	95,467	46,060	554,940
Disposal of treasury stock	(1)	—	—
Retirement of treasury stock	(7,919)	(34,196)	(412,000)
Change of scope of consolidation	(943)	—	—
Total changes of items during the period	61,052	(11,819)	(142,398)
Balance at the end of current period	718,439	706,620	8,513,494
Treasury stock			
Balance at the beginning of current period	(1,986)	(2,355)	(28,373)
Changes of items during the period			
Purchase of treasury stock	(8,314)	(34,046)	(410,193)
Disposal of treasury stock	25	8	96
Retirement of treasury stock	7,919	34,196	412,000
Total changes of items during the period	(369)	158	1,904
Balance at the end of current period	(2,355)	(2,196)	(26,458)
Total shareholders' equity			
Balance at the beginning of current period	799,310	859,994	10,361,373
Changes of items during the period			
Dividends from surplus	(25,549)	(23,683)	(285,337)
Net income	95,467	46,060	554,940
Purchase of treasury stock	(8,314)	(34,046)	(410,193)
Disposal of treasury stock	23	8	96
Change of scope of consolidation	(943)	—	—
Total changes of items during the period	60,683	(11,661)	(140,494)
Balance at the end of current period	859,994	848,333	10,220,880
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities			
Balance at the beginning of current period	20,175	14,788	178,169
Changes of items during the period			
Net changes of items other than shareholders' equity	(5,386)	64	771
Total changes of items during the period	(5,386)	64	771
Balance at the end of current period	14,788	14,853	178,952
Deferred gains or losses on hedges			
Balance at the beginning of current period	1,690	1,145	13,795
Changes of items during the period			
Net changes of items other than shareholders' equity	(544)	(2,516)	(30,313)
Total changes of items during the period	(544)	(2,516)	(30,313)
Balance at the end of current period	1,145	(1,370)	(16,506)
Foreign currency translation adjustment			
Balance at the beginning of current period	(7,290)	(17,008)	(204,916)
Changes of items during the period			
Net changes of items other than shareholders' equity	(9,717)	(5,640)	(67,952)
Total changes of items during the period	(9,717)	(5,640)	(67,952)
Balance at the end of current period	(17,008)	(22,649)	(272,880)
Total accumulated other comprehensive income			
Balance at the beginning of current period	14,575	(1,073)	(12,928)
Changes of items during the period			
Net changes of items other than shareholders' equity	(15,649)	(8,092)	(97,494)
Total changes of items during the period	(15,649)	(8,092)	(97,494)
Balance at the end of current period	(1,073)	(9,166)	(110,434)
Minority interests			
Balance at the beginning of current period	12,404	15,174	182,819
Changes of items during the period			
Net changes of items other than shareholders' equity	2,769	759	9,145
Total changes of items during the period	2,769	759	9,145
Balance at the end of current period	15,174	15,933	191,964
Total net assets			
Balance at the beginning of current period	826,291	874,094	10,531,253
Changes of items during the period			
Dividends from surplus	(25,549)	(23,683)	(285,337)
Net income	95,467	46,060	554,940
Purchase of treasury stock	(8,314)	(34,046)	(410,193)
Disposal of treasury stock	23	8	96
Change of scope of consolidation	(943)	—	—
Net changes of items other than shareholders' equity	(12,879)	(7,333)	(88,349)
Total changes of items during the period	47,803	(18,994)	(228,843)
Balance at the end of current period	¥874,094	¥855,100	$10,302,410

* Equivalent U.S. dollar amounts are included for the convenience of readers outside Japan, and are converted at a rate of ¥83 per U.S. dollar, the prevailing exchange rate on March 30, 2012. These conversions should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

Consolidated Statements of Cash Flows

Years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Net cash provided by (used in) operating activities			
Income before income taxes	¥ 155,494	¥ 74,654	$ 899,446
Depreciation and amortization	145,389	144,438	1,740,217
Impairment loss	834	1,143	13,771
Amortization of long-term prepaid expenses	3,946	4,067	49,000
Loss on retirement of property, plant and equipment	3,248	2,917	35,145
Loss (gain) on sales of noncurrent assets	(39,849)	(2,920)	(35,181)
Loss on reduction of noncurrent assets	—	2,833	34,133
Increase (decrease) in provision for retirement benefits	(34,104)	(11,291)	(136,036)
Increase (decrease) in provision for safety measures	(184)	2,217	26,711
Interest and dividends income	(2,757)	(3,166)	(38,145)
Interest expenses	9,689	10,184	122,699
Equity in (earnings) losses of affiliates	(3,605)	(4,989)	(60,108)
Decrease (increase) in notes and accounts receivable — trade	(7,095)	(52,333)	(630,518)
Decrease (increase) in inventories	8,181	(7,960)	(95,904)
Increase (decrease) in notes and accounts payable — trade	(52,523)	21,887	263,699
Increase (decrease) in accrued consumption taxes	(5,260)	1,111	13,386
Decrease (increase) in accounts receivable — other	24,227	(7,180)	(86,506)
Decrease (increase) in lease receivables and lease investment assets	(871)	(1,175)	(14,157)
Other, net	(7,512)	5,323	64,133
Subtotal	197,248	179,759	2,165,771
Interest and dividends income received	6,900	10,140	122,169
Interest expenses paid	(9,840)	(10,217)	(123,096)
Income taxes paid	(31,963)	(29,864)	(359,807)
Net cash provided by (used in) operating activities	162,345	149,818	1,805,036
Net cash provided by (used in) investment activities			
Payments into time deposits	(5,847)	(2,247)	(27,072)
Proceeds from withdrawal of time deposits	7,115	3,435	41,386
Purchase of investment securities	(21,737)	(1,133)	(13,651)
Purchase of property, plant and equipment	(137,624)	(124,063)	(1,494,735)
Purchase of intangible assets	(13,191)	(16,323)	(196,663)
Payments for transfer of business	(47)	(1,550)	(18,675)
Purchase of long-term prepaid expenses	(2,814)	(1,354)	(16,313)
Proceeds from sales of noncurrent assets	653	46,488	560,096
Payments of long-term loans receivable	(3,188)	(7,053)	(84,976)
Collection of long-term loans receivable	1,719	1,710	20,602
Other, net	2,656	280	3,373
Net cash provided by (used in) investment activities	(172,305)	(101,810)	(1,226,627)
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	8,915	(1,225)	(14,759)
Increase (decrease) in commercial papers	15,000	(15,000)	(180,723)
Proceeds from long-term loans payable	17,339	68,258	822,386
Repayment of long-term loans payable	(33,541)	(19,555)	(235,602)
Proceeds from issuance of bonds	40,000	40,000	481,928
Redemption of bonds	(20,000)	(30,000)	(361,446)
Purchase of treasury stock	(8,314)	(34,046)	(410,193)
Cash dividends paid	(25,524)	(23,671)	(285,193)
Other, net	(1,087)	(1,213)	(14,614)
Net cash provided by (used in) financing activities	(7,212)	(16,454)	(198,241)
Effect of exchange rate change on cash and cash equivalents	(3,716)	(1,518)	(18,289)
Net increase (decrease) in cash and cash equivalents	(20,889)	30,034	361,855
Cash and cash equivalents at beginning of year	112,868	92,048	1,109,012
Increase in cash and cash equivalents from newly consolidated subsidiary	68	—	—
Cash and cash equivalents at end of year	¥ 92,048	¥ 122,083	$ 1,470,880

* Equivalent U.S. dollar amounts are included for the convenience of readers outside Japan, and are converted at a rate of ¥83 per U.S. dollar, the prevailing exchange rate on March 30, 2012. These conversions should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

Consolidated Subsidiaries and Equity–Method Affiliates

As of March 31, 2012

Main Consolidated Subsidiaries

Company	Business	Capital (¥ million)	Equity owned by Tokyo Gas (%)	FY2011 Net sales (¥ million) [% of outside sales]		Operating income (¥ million)
Tokyo Gas Urban Development Co., Ltd.	Real estate leasing	11,867	100.0	29,224	[34.6]	4,276
Ohgishima Power Co., Ltd.	Generation and supply of electricity	5,350	75.0	59,933	[25.2]	962
Nagano Toshi Gas Co., Ltd.	City gas business in Nagano Prefecture	3,800	89.2	13,263	[100.0]	744
ENERGY ADVANCE Co., Ltd.	Energy service, district heating and cooling, cogeneration orders, and maintenance	3,000	100.0	70,771	[95.6]	744
Gastar Co., Ltd.	Production, sales, and maintenance of gas appliances	2,450	66.7	29,700	[43.7]	1,992
Tokyo LNG Tanker Co., Ltd.	Sea transport of LNG and LNG carrier leasing	1,200	100.0	17,118	[35.1]	3,293
Tokyo Gas Energy Co., Ltd.	Sales of liquefied petroleum gas (LPG)	1,000	100.0	33,694	[76.2]	5
Capty Co., Ltd.	Installation of gas supply lines, water supply and drainage lines, air conditioning systems, new construction, and construction of gas mains and service lines	1,000	100.0	54,649	[33.6]	883
Tokyo Gas Chemicals Co., Ltd.	Sales of gas for industry and chemicals and development of LNG cryogenic utilization technology	1,000	100.0	18,264	[71.9]	580
Chiba Gas Co., Ltd.	Supply of city gas to Yachiyo City, Narita City, and surrounding cities	480	100.0	17,903	[96.4]	799
TG Information Network Co., Ltd.	Information processing services, software development, and sales of computer equipment, etc.	400	100.0	19,608	[2.9]	311
Tokyo Gas Engineering Co., Ltd.	Comprehensive engineering services with a particular focus on energy-related work	100	100.0	53,179	[83.6]	2,965
Nijio Co., Ltd.	Procurement and sales of natural gas and electricity	47	100.0	66,939	[21.1]	3,975

Number of consolidated subsidiaries: 66

Other Subsidiaries

TOKYO GAS AUSTRALIA PTY LTD, Tokyo Gas International Holdings B.V., Tokyo Gas Toyosu Development Co., Ltd., Tokyo Gas Bajio B.V., TOKYO GAS DARWIN LNG PTY LTD, Park Tower Hotel Co., Ltd., Tokyo Gas Shale Investment Ltd., Tokyo Gas Yokosuka Power Co., Ltd., Tachikawa Urban Center Co., Ltd., Tokyo Gas Lease Co., Ltd., Tokyo Gas Baypower Co., Ltd., Tokyo Gas-Mitsui & Co. Holdings Sdn. Bhd., Tokyo Gas Yamanashi Co., Ltd., Tokyo Oxygen and Nitrogen Co., Ltd., Tokyo Gas Lifeval Chiba Co., Ltd., Tsukuba Gakuen Gas Co., Ltd., Tokyo Carbonic Co., Ltd., TOKYO GAS QCLNG PTY LTD., TOKYO GAS PLUTO PTY LTD, Tokyo Gas Lifeval Sagamihara Co., Ltd., TOKYO GAS GORGON PTY LTD, TOKYO GAS ICHTHYS PTY LTD., Japan Super Freeze Co., Ltd., Miho Gas Co., Ltd., Tokyo Gas Telemarketing Co., Ltd., Tokyo Gas LPG Terminal Co., Ltd., Shoei Gas Co., Ltd., Kawasaki Gas Pipeline Co., Ltd., Tokyo Gas Chemicals Sales, Inc., Tokyo Gas Auto Service Co., Ltd., Living Design Center Co., Ltd., Tokyo Gas Remodeling Co., Ltd., Tokyo Gas Lifeval Minami-Tama Co., Ltd., TOKYO GAS WA258P PTY LTD, Washinomiya Gas Co., Ltd., Urban Communications, Inc., Tochigi Gas Co., Ltd., Capty Tech Co., Ltd., Tokyo Gas Pipeline Co., Ltd., Tokyo Gas Facility Service Co., Ltd., TGI Financial Solutions Co., Ltd., Tokyo Gas Lifeval Minami-Setagaya Co., Ltd., Tokyo Gas Lifeval Higashi-Ohta Co., Ltd., Tosetz Co., Ltd., Tokyo Kiko Co., Ltd., Enelife Carrier Co., Ltd., Tokyo Gas Lifeval Kazusa Co., Ltd., Tokyo Auto Gas Co., Ltd., Showa Unyu Co., Ltd., Tokyo Rare Gases Co., Ltd., TGE (Shanghai) LNG Engineering CO., LTD., Capty-Livelic Co., Ltd., TG Europower B.V.

Equity-Method Affiliates

TOKYO TIMOR SEA RESOURCES INC.

GAS MALAYSIA SDN. BHD.

East Japan Housing Evaluation Center Co., Ltd.

Bajio Generating VOF

MT Falcon Holdings Company, S.A.P.I. de C.V.

TOKYO GAS

Person responsible for publication:
Hisashi Nakamura
General Manager, Investor Relations Sect.,
Finance Dept., Tokyo Gas Co., Ltd.

For inquiries regarding planning and editing of this report:
Investor Relations Sect., Finance Dept.,
Tokyo Gas Co., Ltd.
1-5-20 Kaigan, Minato-ku, Tokyo 150-8527, Japan
TEL: +81-3-5400-3888
FAX: +81-3-5472-3849
E-mail: tgir@tokyo-gas.co.jp

VEGETABLE OIL INK

eco-life

This annual report is printed on Tokyo Gas Recycled Paper (made from recycled paper from Tokyo Gas offices, trimmings from afforestation activities, and reused and unused wood materials) using vegetable oil ink that contains low levels of organic solvents.

Printed in Japan