



A

Multifaceted Energy Growth Strategy



Profile

Tokyo Gas, Japan's largest gas company, is the dominant player in the greater Tokyo/Kanto Plain marketplace, a market where demand potential is enormous. Capital investments we have made have positioned us to capitalize on this potential as well as business opportunities being spawned by deregulation in Japan's energy sector. Technology will also drive growth. We intend to actively propose new technologies for using gas to spur demand. An even more ambitious goal we have set is to turn Tokyo Gas into a diversified energy services company, supplying heat and electricity as well as gas by taking maximum advantage of our powerful infrastructure. Achievement of these goals will translate into higher profits, which we intend to return to customers and shareholders.

Contents

[1]	Financial Highlights
[2]	Our Position in the Market
[4]	Message From Management
[8]	A Multifaceted Energy Growth Strategy Toward an Increasingly Diversified Energy Services Company
[10]	Spurring Residential Gas Demand
[12]	A Focus on Technological Innovation
[14]	Powerful Supply Infrastructure— the Foundation of Our Competitiveness
[16]	Environmental Conservation
[18]	Safety
[19]	Corporate Citizenship
[20]	International Operations
[22]	Diversification
[24]	Board of Directors
[25]	Financial Statements
[48]	Energy Statistics
[50]	Organization
[51]	Corporate Information/Investor Information

Forward-Looking Statements

Statements made in this annual report with respect to Tokyo Gas' plans, strategies and beliefs, and other statements that are not expressions of fact are forward-looking statements about the future performance of the company. As such, they are based on management's assumptions and opinions stemming from currently available information, and therefore involve risks and uncertainties. These risks and uncertainties include, without limitation, general economic conditions in Japan, the exchange rate between the yen and the U.S. dollar, and Tokyo Gas' ability to continue to adapt to rapid technological developments and deregulation.

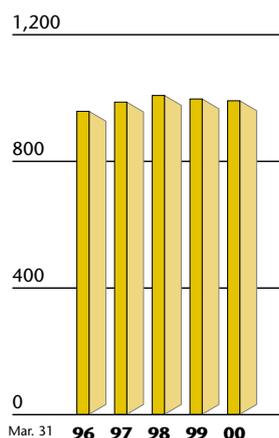
Financial Highlights

Tokyo Gas Co., Ltd. and Consolidated Subsidiaries
Years ended March 31

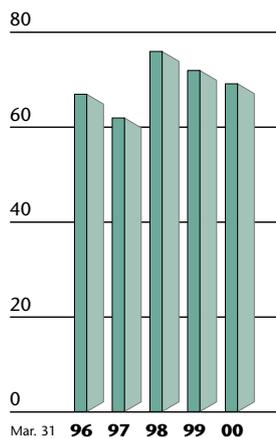
	Millions of yen except per share amounts			Thousands of U.S. dollars except per share amounts
	2000	1999	1998	2000
For the Year				
Net sales	¥ 992,255	¥ 997,767	¥1,009,155	\$ 9,360,896
Operating income	69,233	72,303	76,485	653,142
Net income	26,698	17,764	17,241	251,868
Depreciation	136,214	132,568	114,893	1,285,038
Capital expenditures	121,806	142,030	159,433	1,149,113
Amounts per share of common stock (Yen and U.S. dollars):				
Net income (Basic)	9.50	6.32	6.14	0.09
Net income (Diluted)	8.84	5.94	5.76	0.08
Net income and depreciation	58.0	53.5	47.0	0.55
At Year-end				
Total assets	¥1,805,086	¥1,707,446	¥1,720,684	\$17,029,113
Long-term debt due after one year	843,634	820,753	765,304	7,958,811
Total stockholders' equity	484,239	421,442	417,755	4,568,292
Ratios				
Net income/Net sales	2.7%	1.8%	1.7%	
ROE	5.9%	4.2%	4.1%	
ROA	1.5%	1.0%	1.0%	
Equity ratio	26.8%	24.7%	24.3%	

Note: U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥106=U.S.\$1, the approximate Tokyo foreign exchange market rate as of March 31, 2000.

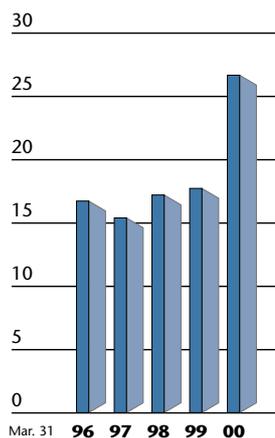
Net Sales
(Billion ¥)



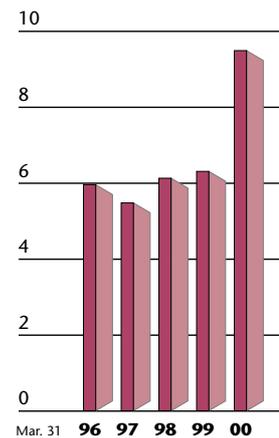
Operating Income
(Billion ¥)



Net Income
(Billion ¥)



Net Income per Share (Basic)
(¥)



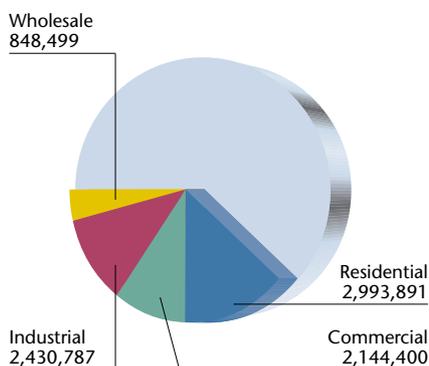
Our Position in the Market

Tokyo Gas is Japan's largest gas company both in terms of the number of customers—over 8.7 million in total—and gas sales volume. Our service area covers approximately 3,200 square kilometers in Tokyo and neighboring prefectures. It is located in the heart of the Kanto region, the largest and most densely populated region in Japan with a total of some 40 million people. Tokyo's position as the locus of Japanese commerce—many companies are headquartered here—makes our service area even more vibrant. What's more, the Kanto region is Japan's most industrialized area, accounting for 38% of Japan's GDP. This enormous and economically diverse service area is thus unquestionably a key strength.



Gas Sales Volume in Japan and Tokyo Gas by Sector

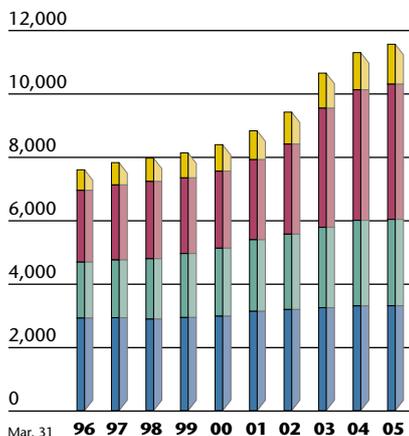
(Year ended March 31, 2000)
Unit: thousands of m³ (46.047 MJ/m³)



Japan 21,773,667
Tokyo Gas 8,417,577

Growth in Tokyo Gas Gas Sales Volume by Sector

Unit: million m³ (46.047 MJ/m³)

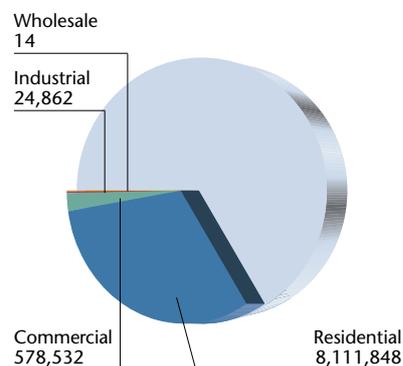


Residential Commercial Industrial Wholesale

Note: 2001–2005 are projected figures.

Number of Gas Customers in Japan and Tokyo Gas Customers

(As of March 31, 2000)



Japan 25,614,006
Tokyo Gas 8,715,256

* The above three graphs represent non-consolidated data.

Natural Gas—Energy of the Future

Natural gas has emerged as a main source of energy because it is both environmentally friendly and reserves are spread throughout the world. Compared to oil reserves, roughly 60% of which are concentrated in the Middle East, natural gas is found worldwide, including North America, Southeast Asia, Australia and Russia. Natural gas reserves are also expected to last longer than those of oil. Demand for natural gas is projected to grow by 18%, as compared to 1996, by 2010 according to the Ministry of International Trade and Industry (MITI) report entitled *Long-term Energy Demand and Supply Outlook for Japan (1998)*. Overall energy demand, by comparison, is predicted to increase 3%. Presently, MITI is revising this outlook due to a forecast decrease in supply of nuclear power following a recent accident at a nuclear facility in Japan and growing opposition to the construction of nuclear power plants. This trend spells a likely increase in demand for natural gas.

Tokyo Gas' Role in the Market

Ensuring a stable, diverse and long-term energy supply centered on natural gas is our main corporate mission. We are presently importing LNG based on long-term contracts from six major natural gas exporting areas: Alaska, Brunei,

Malaysia, Australia, Indonesia and Qatar. Tokyo Gas has considerable expertise and knowledge concerning LNG, having been the first Japanese company to import this energy resource from Alaska in 1969. Moving forward, Tokyo Gas intends to continue to supply competitively priced natural gas in response to diversifying market needs.

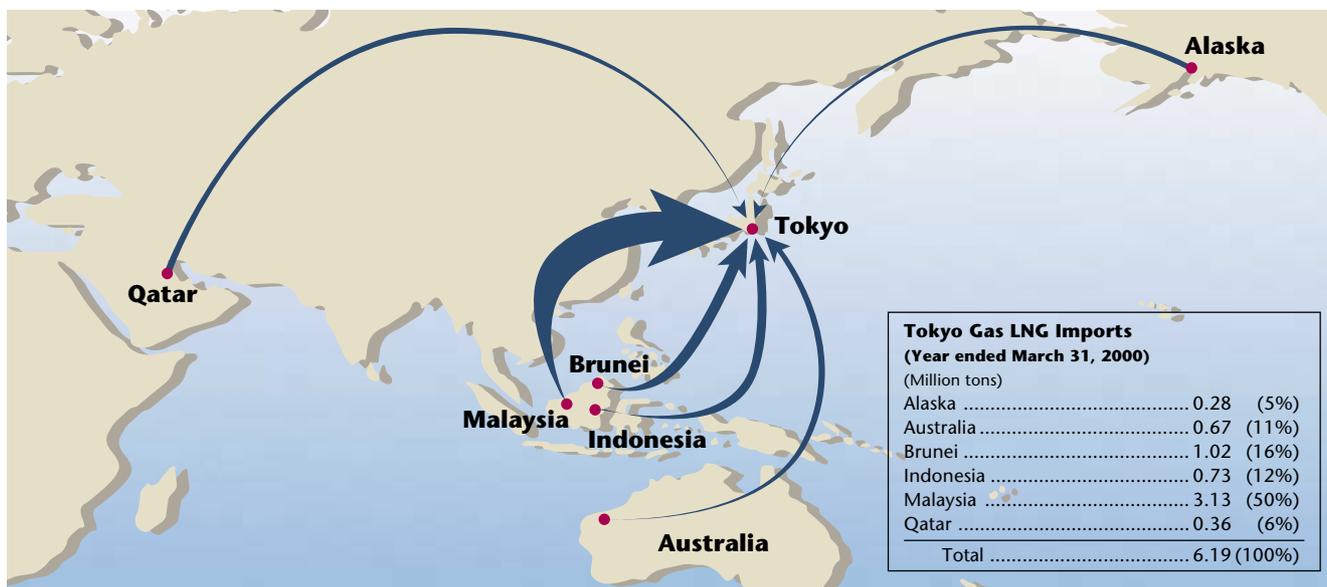
Complementing this procurement capability are our production systems—centering on the world's largest and most technologically advanced LNG receiving terminals—and transmission and distribution network.

By leveraging the sum of these parts, we aim to carve out an even stronger position in Japan's energy sector. Prospects are bright. Average growth in demand of 6.6% per annum is forecast for Tokyo Gas' gas sales volume until the year ending in March 2005. This represents a high growth rate in comparison to growth forecasts for other energy sources and the Japanese economy as a whole.

At Tokyo Gas, natural gas is positioned as the cornerstone of the company's energy and energy-related operations. Building on this strong foundation, Tokyo Gas is aiming to power steady growth by evolving into a diversified energy services company, supplying heat and electricity as well as gas.

Global Natural Gas Procurement

Japan imported approximately 52 million tons of LNG in the year ended March 31, 2000. Tokyo Gas accounted for roughly 6.2 million tons of those imports.



Message From Management



RIGHT: Kunio Anzai
Chairman

LEFT: Hideharu Uehara
President

Mega-competition is knocking at the door of Japan's energy sector. And deregulation is unlocking it. This movement is being further accelerated by the worldwide information technology revolution. Gas and electricity companies are entering each other's fields. Even companies from other industries are announcing their arrival. We welcome this new era. With "deregulation" and "change" comes "opportunity." Bring it on. We believe we have what it takes to seize the opportunities and grow. That was our message last year—and it hasn't changed. If anything, we're more convinced than ever that we have what it takes to drive growth. In November 1999, we released a new medium-term management plan covering fiscal 2000, the year ending March 31, 2001, through fiscal 2004. In this message, and throughout this report, we will explain how we aim to accomplish our goals over the next five years and beyond.

The Year in Review

Consolidated net income for fiscal 1999, the year ended March 31, 2000, increased 50.3% year on year to ¥26.6 billion. As a result, return on assets (ROA) improved from 1.0% to 1.5%.

Gas sales volume in the Tokyo Gas Group increased 3.2% from a year ago. Gas sales in monetary terms, however, were

down ¥2.9 billion at ¥672.0 billion due to two main factors: reduction in gas rates based on the gas cost adjustment rate system, and implementation of a downward rate revision in December 1999. Consequently, consolidated net sales declined 0.6% to ¥992.2 billion. Operating income also decreased, down 4.2% to ¥69.2 billion. An improvement in other income (expenses) and the effect of a reduction in Japan's statutory tax rate, however, led to growth of net income.

Deregulation

Major strides were made in energy sector deregulation in fiscal 1999.

In the Japanese gas industry, revisions to the Gas Utility Industry Law were enacted in November 1999. Those revisions lowered the threshold at which regulations on gas supply areas and rate-setting were removed for large-volume customers—from those consuming 2 million cubic meters or more per year to 1 million or more. In addition, the process for reducing gas rates was simplified. Companies can now lower rates simply by filing a report with the Ministry of International Trade and Industry (MITI). Previously, it was necessary to navigate a complex system to obtain permission. Furthermore, we gained more management independence. Gas companies are now

free to use part of their profits from business activities to strengthen their balance sheets and return profits to shareholders, rather than solely for the reduction of gas rates as in the past.

In the electricity industry, revisions to the Electricity Utility Industry Law in March 2000 opened the door to liberalized electricity sales to large-volume customers, defined as users with a capacity of over 2,000 kW and using a 20 kV supply or more.

We view the advancing deregulation in both the gas and electric utility industries positively. As mentioned in the opening of this letter, deregulation is creating new and exciting business opportunities. Natural gas, which is environmentally friendly and for which there are stable supply sources, is the cornerstone of our strategy to seize these opportunities. By promoting its advantages, we will fortify our position in the greater Tokyo market and transform Tokyo Gas into a diversified energy services company. That means we will supply heat and electricity, as well as gas. Gas-fired cogeneration systems, which provide electricity and thermal energy, will be a core driver of growth.

What Are Tokyo Gas' Competitive Advantages?

We believe the following core strengths will give us a competitive edge amid intensifying competition in the energy sector.

1. Natural gas, our core product, beats other energy sources

hands down in terms of its minimal environmental impact and energy efficiency.

2. A powerful and reliable network—connecting a broad base of customers exceeding 8.7 million in total—with an enhanced supply capability ready to meet growing future demand with minimum additional investment.
3. Strong marketing capabilities backed up by engineering expertise and price competitiveness.
4. The technological competency to meet market needs.

By leveraging these strengths to the maximum, we will expand existing business domains and advance into new ones, including electricity retailing.

Medium-Term Management Plan Offers Blueprint for Success

The medium-term management plan we formulated in November last year is grounded on these strengths. This plan aims to maximize corporate value and thereby earn us high marks from customers, shareholders and other stakeholders. To this effect, we will increase free cash flows—net income plus depreciation expenses less capital expenditures—and improve asset efficiency.

Maximizing Free Cash Flows to Maximize Corporate Value

We have set increasing free cash flows as a yardstick by which we will measure our success at creating corporate value. By implementing measures to streamline management and increase gas sales volume by enhancing our competitiveness,

Profitability and Financial Position Improvement Targets

[Non-Consolidated]	March 31, 2000	March 31, 2005
Net sales	¥869.9 billion	¥1,020 billion (Average growth rate of 3.2%)
Total assets	¥1,493.6 billion	¥1,440 billion
Interest-bearing debt	¥761.9 billion	¥610 billion
Equity ratio	29.7%	39.0%
	March 31, 2000	5-Year Average (Year ending March 31, 2001 through year ending March 31, 2005)
Free cash flows	¥26.0 billion	¥50 billion (5-year total: ¥250 billion)
ROA	1.5%	1.9%
Total asset turnover	0.60 times	0.65 times
[Consolidated]	March 31, 2000	March 31, 2005
Net sales	¥992.2 billion	¥1,170 billion (Average growth rate of 3.3%)
	March 31, 2000	5-Year Average (Year ending March 31, 2001 through year ending March 31, 2005)
Free cash flows	¥42.0 billion	¥61.5 billion (5-year total: ¥307.5 billion)
ROA	1.5%	1.7%
Consolidated net income to non-consolidated net income	1.19 times	1.13 times

we aim to achieve non-consolidated free cash flows totaling ¥250 billion, an average of ¥50 billion per year, over the 5-year period from fiscal 2000 through fiscal 2004. Free cash flows in fiscal 1999, by comparison, were ¥26 billion.

These free cash flows are to be earmarked for reducing interest-bearing debt, returning value to shareholders either by repurchasing and retiring treasury stock and/or increasing dividends and investing in new businesses.

Regarding interest-bearing debt, we increased debt over a number of years to finance the construction of core facilities to meet predicted expansion in demand. As of March 31, 2000, this debt stood at just over ¥760 billion, representing approximately 50% of total assets. Tapping the additional free cash flows we expect to generate, we plan to bring interest-bearing debt down to ¥610 billion by the year ending March 31, 2005.

Improving Asset Efficiency

A little under 10% of our total assets of roughly ¥1.5 trillion as of March 31, 2000, will be accounted for by production and supply facilities that are presently under construction and will help us to meet higher demand in the future. When these facilities come on line and demand increases, we will start recovering these investments. By working to improve our top line and earnings at the same time as reducing total assets and using existing assets more effectively, we intend to raise ROA and total asset turnover. Specifically, our goal is to raise ROA to an average of 1.9% from 1.5% in fiscal 1999 over the 5-year period from fiscal 2000 through fiscal 2004; total asset turnover will be raised from 0.60 times in fiscal 1999 to 0.65 times over the same period.

Achievement of these goals will call for greater management efficiency to strengthen operations, and rate reductions and organizational reforms to bolster our competitiveness. Here's what we intend to do in this regard.

Driving Efficiency

Personnel Reductions

We plan to lower our head count at the parent company to 10,000 people by the end of fiscal 2005. We will accomplish this personnel reduction through organizational reforms, systematization, retooling of administrative processes and fostering staff potential to reduce personnel. Putting limitations on new recruitment is also part of our strategy.

Controlling Operating Expenses

We plan to hold operating expenses to the fiscal 1998 level of ¥224.2 billion for the next 3 years. While higher than the

¥215.3 billion in operating expenses recorded in fiscal 1999, reflecting our expectation that fixed expenses will increase in line with steady expansion of our customer base, we aim to keep a lid on operating expenses by implementing streamlining measures.

Internal Financing of Capital Investment

Tokyo Gas is close to putting the finishing touches on several large-scale infrastructure projects. While using existing assets effectively, we aim to keep future capital expenditures on production and supply facilities within the limits of free cash flows in the 5-year period through fiscal 2004. This will be achieved by reviewing construction methods and specifications as well as rationalizing purchasing to find ways to slash costs.

Introduction of a Strategic Management Structure

In July 1999, we reduced the number of divisions and departments by approximately 30%. At the same time, we carried out reforms to put in place a strategic divisional system comprising six divisions aligned in terms of functions and markets. These changes are intended to drive administrative efficiencies. They are also designed to strengthen our marketing capabilities and enhance customer services and safety. Augmenting this new strategic framework is an innovative business management system introduced in April 2000. The new system, in a sense, entails each division and department working like an independent company, and clearly spells out the responsibilities of each section as well as the targets and results that are expected of them.

First of Two Rate Reductions Implemented

Tokyo Gas had announced plans to reduce rates by a total of 4-5% through two reductions. In December 1999, we carried through on that promise, reducing rates by an average of 2%. The second rate reduction, planned for the current fiscal year, will be in the order of 2-3%. The rate reductions are intended to make gas an even more attractive energy alternative.

Expanding Demand by Strengthening Competitiveness

Based on these strategies to bolster our competitiveness, we plan to expand gas sales volume. The most promising area is the gas market for electricity generation, including gas-fired cogeneration, whose share in our gas sales volume is expected to increase from 15% at present to 27% by the year ending in March 2005.

One major supply contract will contribute to the achievement of this target. Starting in fiscal 2001, we plan to supply upwards of 1.0 billion cubic meters of gas per year

to The Tokyo Electric Power Company's Shinagawa thermal power station. That equates to about one-tenth of all the gas we supply.

Recent trends are working in our favor. We are seeing a shift from large-scale power generation to distributed power generation and on-site electricity generation. This promises to lead to higher demand for gas from IPPs (independent power producers) and electricity supply in specific areas such as redevelopment zones. Micro turbines will also likely spur gas demand. They have attracted attention in recent times as a major step toward the introduction of cogeneration systems for small-scale, private-sector users. This market has been difficult for gas companies to penetrate until now because of the lack of suitable products. Moreover, recognizing the importance of alliances in this changing business environment, we are conducting feasibility studies with a view to entering the electricity retailing sector ourselves with NTT Facilities and Osaka Gas.

Contributing to Local Communities

One of our greatest assets is our broad base of 8.7 million customers. To enlarge this base we are upgrading customer services and stressing maintenance and improvement of the stability of supply and safety. Furthermore, research and development is being emphasized to respond to diverse customer needs in an aging society which is being fundamentally altered by advances in IT. Information technology is an important area of focus. We are planning to establish, for example, two-way communication with customers via the Internet. Tokyo Gas is also actively involved in environmental issues. Expanding the use of clean-burning natural gas is one example. Moving forward, we intend to promote the use of energy-efficient equipment and systems as well as the reduction of industrial waste volumes and greater recycling. By doing so, we will play our part in contributing to the realization of a sustainable society.

Stepping up Overseas Activities

Overseas activities are taking on greater importance for the Tokyo Gas Group. Heretofore, our four representative offices overseas in New York, Paris, Kuala Lumpur and Beijing have been used mainly for gathering information and for management and technological exchange with foreign energy-related companies and institutions. While continuing these activities, we also intend to use these offices as conduits for disseminating information to investors abroad.

Leveraging our experience and successes in overseas projects, we intend to develop overseas operations. We can point to our joint venture projects in Malaysia in particular to demonstrate our capabilities. These included the construction and operation of a natural gas distribution system. This was the first such overseas project undertaken by a Japanese energy utility company. Gas Malaysia Sdn. Bhd., the joint venture company, started paying dividends in 1999.

Focusing on Consolidated Management

Japanese companies were required to start reporting consolidated financial information starting in the fiscal year ended March 31, 2000. Tokyo Gas, however, has been practicing consolidated management for some time now. In 1993, for example, we reorganized the Tokyo Gas group into 10 business fields, including energy sales, cryogenic energy use and chemicals businesses. One company was established in each field to take the leading role. Their goals were to drive management efficiencies within their fields and grow earnings. In fiscal 1999, we undertook a review of each of our businesses. At the same time, we formulated guidelines for when to withdraw from unprofitable businesses and for when to reduce and consolidate group companies. We intend to clearly delineate the strategic position of each group company to raise the value of the Tokyo Gas Group.

In Conclusion

As deregulation takes hold, we are likely to see more and more entrants into Japan's gas and electricity businesses from both within Japan and overseas as well as from other industries. We are determined, however, to grow as a leading company in this climate of change. We are committed to executing the plan we have formulated to produce the results you expect of us, and to continue to be a major player in the "natural gas era" of the twenty-first century.

July 2000



Kunio Anzai

Chairman



Hideharu Uehara

President



The Saitama New City Center district heating and cooling system covers an area of 27.3 hectares that is home to 10 government departments and 17 government offices. The system supplies heat in an energy-efficient and environmentally friendly manner using gas-fired cogeneration.

Toward an Increasingly **Diversified** Energy Services Company

Japan's energy sector stands on the threshold of an era of mega-competition. Regulations are being torn down, gas and electric utilities are entering one another's fields and major overseas energy companies have signaled their intention to enter the electricity industry in Japan. Tokyo Gas regards this industry realignment as an opportunity to expand its sphere of business. And natural gas will be the core energy source propelling our growth. Tokyo Gas has set its sights on growing into a diversified energy services company, supplying heat and electricity as well as gas.

The Superiority of Cogeneration

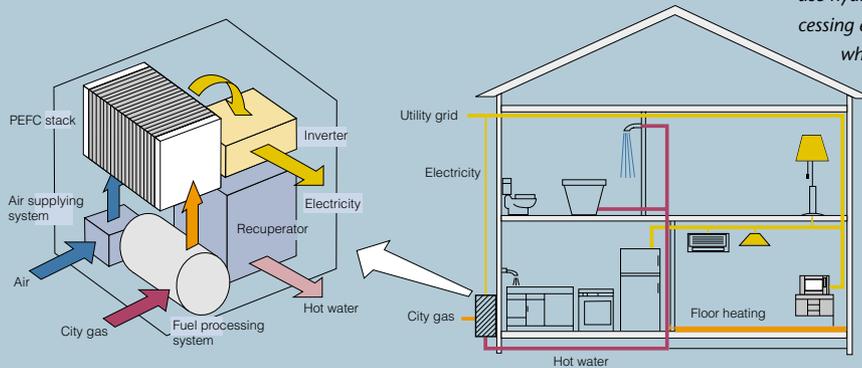
Society is demanding energy that is both environmentally friendly and for which there is a stable supply. Natural gas meets these demands. As such, its importance to society is increasing. Furthermore, in recent times, small and medium users, as well as large-volume customers, have grown more conscious of reducing energy costs. Gas cogeneration systems that supply both electricity and thermal energy are coming into their own both as an answer to environmental issues and to raise energy efficiency. Tokyo Gas plans to leverage its competitive edge in gas cogeneration systems to aggressively develop these operations and capitalize on an expected increase in demand for natural gas for power generation and cogeneration in the greater Tokyo/Kanto Plain area.

Expanding Existing Businesses

As a result of revisions to the Japanese Gas Utility Industry Law in 1999, Tokyo Gas can now supply customers outside its service area who consume 1 million or more cubic meters of gas per year. Previously, the threshold was twice that. This legislative change is

Configuration of Residential Fuel Cell Cogeneration System

This energy-efficient household cogeneration system generates electricity through fuel cells, which use hydrogen produced by innovative fuel processing equipment. The thermal energy emitted when electricity is generated is captured by a recuperator and used for water heating and floor heating.



Tokyo Gas intends to couple its proprietary recuperator technology with micro turbines developed by Capstone Turbine Corporation to offer cogeneration solutions.

expected to spark fierce competition. Heretofore, Tokyo Gas has devoted itself to introducing and popularizing gas cogeneration systems, mainly to large-volume users. In April 2000, the Saitama New City Center district heating and cooling system started operations in Saitama Prefecture, as Tokyo Gas' 15th district heating and cooling operation. We intend to take full advantage of the expertise, technological capabilities and engineering skills we have acquired from such operations to power growth in gas demand.

Entering New Businesses

In March 2000, revisions were enacted to the Electricity Utility Industry Law, opening the door to unrestricted electricity sales to large-volume customers. The enactment of these revisions is expected to have a profound effect on the energy sector and spark further deregulation of the generation and sale of electricity. In response, Tokyo Gas is considering entering the electricity retailing field with NTT Facilities and Osaka Gas. Furthermore, with demand expected to increase for natural gas as a fuel for electricity generation, Tokyo Gas sees a new business opportunity to transport gas to power producers, leveraging its gas pipeline network.

Small Distributed Power Generators—A Technology for the Future

Amid the accelerating shift from large-scale power generation to small distributed power generators, the spotlight is falling on small-scale, on-site electricity generation. Micro turbines, in particular, are stealing the limelight. Leading the market at present are two U.S.-based manufacturers of micro turbines. Tokyo Gas is looking to package their leading-edge technology with its energy-efficient cogeneration systems for commercialization in Japan. We are targeting commercial demand such as small and medium-size hospitals, hotels, shops and other establishments, as well as small and medium-size industrial demand, where the diffusion rate of gas cogeneration systems is relatively low. In April 2000, Tokyo Gas formed the Micro Cogeneration Section to formulate a strategy and carry out feasibility studies.

A fuel cell cogeneration system for residential use is another in which we project success. This system generates electricity as well as hot water through Polymer Electrolyte Fuel Cells (PEFC), using hydrogen reformed from gas.

PEFCs are attracting attention for their potential contribution to environmental preservation and energy conservation. Compactness and simplicity of operation are among their outstanding features. Tokyo Gas estimates that the introduction of these cells will lead to the consumption of about 50% more gas for home electricity and hot water than a typical household currently requires for hot water alone. That spells growth for Tokyo Gas. To tap this potential, we are working toward commercializing these systems.

In the year ending March 31, 2001, a large-scale national project for the development of these fuel cells will be initiated. Manufacturers and gas suppliers are expected to team up to develop this technology. Joining this project as a member of the Japan Gas Association, Tokyo Gas will work to bring PEFCs to market as soon as possible.



The residential sector accounts for over 90% of Tokyo Gas' gas customers. As such, this sector will be an important source of stable demand in the future.

Spurring **Residential** Gas Demand

In terms of absolute numbers, residential customers account for over 90% of Tokyo Gas' customers. This makes the residential market an important pillar of the company's business. To expand demand here, Tokyo Gas has adopted a two-pronged strategy. One strategy focuses on marketing activities, in particular the expansion of heating demand. The other aims to raise customer satisfaction.

Marketing Initiatives to Spur Residential Gas Consumption

Already, we are the preferred energy supplier for water heating and cooking in our service area with market shares of 96% and 76%, respectively. We aim to maintain this preferred status by developing highly efficient, high-quality products. In the extremely competitive heating sector, where gas heating accounts for only 30% of the market, we are aiming to spur demand by popularizing gas floor heating and gas fan heaters. Floor heating has many strong selling points. For one, it is ideally suited to the Japanese custom of sitting on the floor at home. Floor heating is also a clean and comfortable heating alternative and helps control house dust and mold that can cause allergies. These advantages suggest that floor heating could become established as the *de facto* standard for heating in Japanese homes. Newly constructed houses are an obvious target, but we are also marketing products for existing homes. To cater to customers with homes where floor heating is not an option, we are promoting the virtues of fan heaters, which are highly efficient, environmentally friendly and inexpensive.



Demand for gas floor heating is expanding. Not only is floor heating clean and comfortable, but it boasts superior energy efficiency and cost advantages.



Through 370 Enesta and Enefit service outlets nationwide, Tokyo Gas is providing a broad range of services to make gas even more user friendly.

A Customer-Based Approach

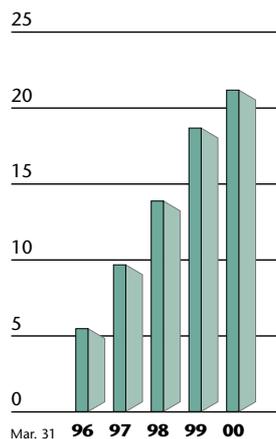
Customer satisfaction is an important key to becoming the preferred energy supplier. That's why we are stepping up our efforts to offer better services from various angles. Improved safety, more attractive rates, low-maintenance appliances and lifestyle ideas are just some of the ways we are working to spur residential gas consumption—and build stronger bonds of trust with our customers.

Playing a significant role here is our customer service network. Our 18 branches offer total consulting solutions, including inspections of appliances in homes once every 3 years and meter reading. To further deepen relationships with residential customers, we have established 12 call centers to handle inquiries from customers.

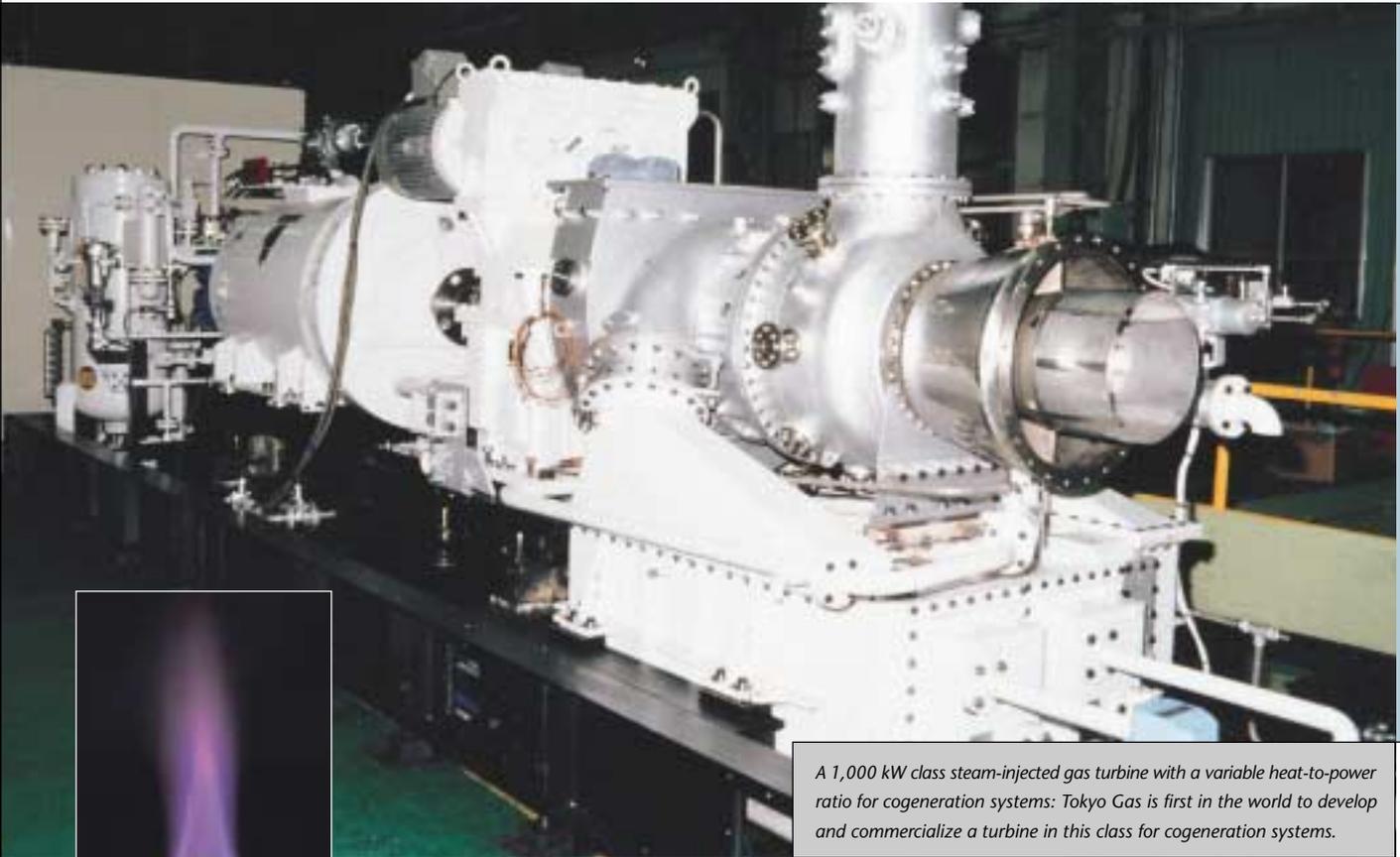
Augmenting our customer service network are roughly 370 Tokyo Gas franchise-based service outlets. Operating under the names Enesta and Enefit, these outlets provide a broad range of services ranging from gas pipeline works to installation and repair of gas appliances and household renovations.

Percentage of New Housing With Gas Floor Heating Systems in the Tokyo Gas Service Area

(%)



Tokyo Gas visits customers' homes once every three years to carry out inspections of gas appliances.



A 1,000 kW class steam-injected gas turbine with a variable heat-to-power ratio for cogeneration systems: Tokyo Gas is first in the world to develop and commercialize a turbine in this class for cogeneration systems.

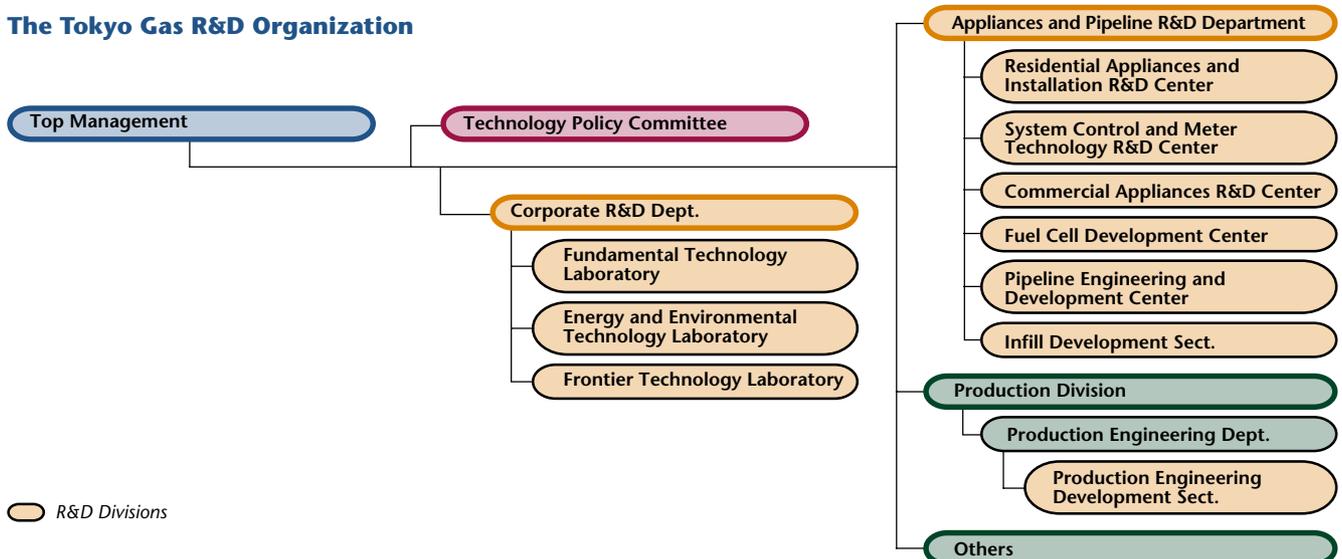


Methane hydrate combustion: Tokyo Gas is pushing ahead with research into technologies for using methane hydrate, which is expected to become a major source of energy in the 21st century.

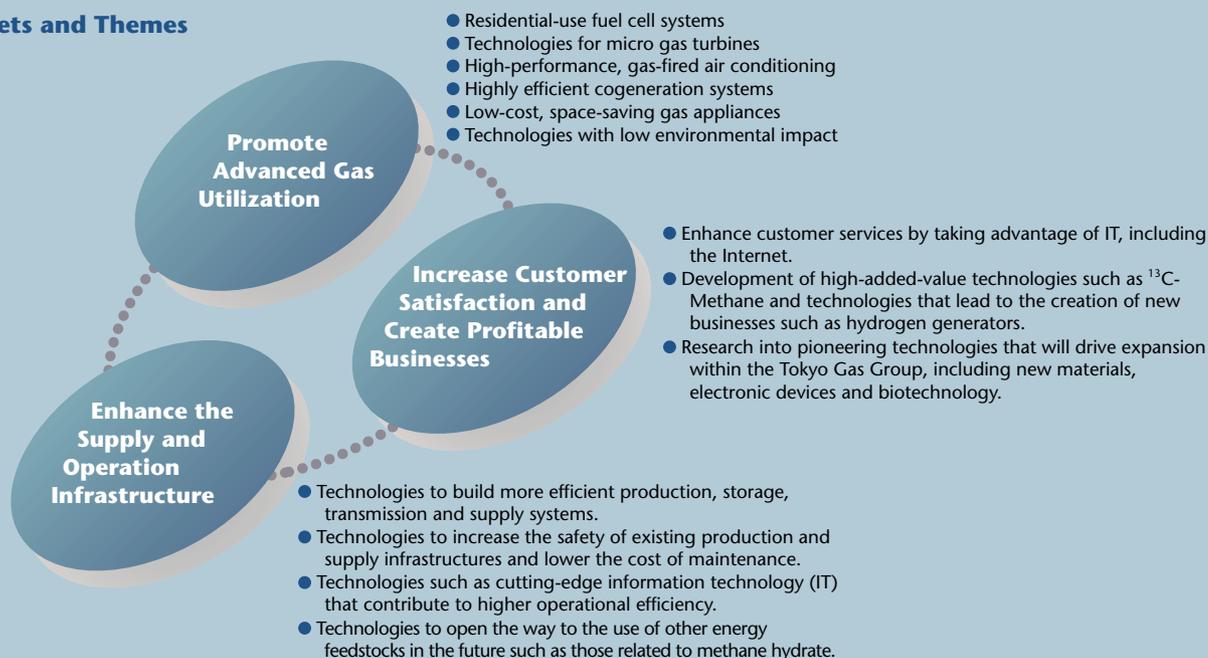
A Focus on Technological Innovation

Research and development is positioned as a major corporate theme at Tokyo Gas as a means of driving growth in existing businesses and creating business opportunities. Our main goal is to make gas the preferred form of energy by ensuring a stable supply of low-cost, safe natural gas. To this effect, we are emphasizing speed and profitability and allocating resources selectively. Three areas have been singled out for research and development in line with this policy.

The Tokyo Gas R&D Organization



R&D Targets and Themes



Promote Advanced Gas Utilization

We are developing products that enable customers to use environmentally friendly gas more efficiently, cheaply and easily. These products include residential gas appliances, commercial kitchen equipment, gas-fired air conditioners, cogeneration systems and equipment for industrial use.

Enhance the Supply and Operation Infrastructure

We are conducting research to supply gas to even more customers at attractive rates and with long-term reliability. This will allow us to meet society's demand for the increased use of natural gas, an environmentally benign fuel, as a primary source of energy. At the same time, this research will drive growth in our customer base.

Increase Customer Satisfaction and Create Profitable Businesses

To meet our customers' diverse needs, Tokyo Gas is carrying out R&D that will broaden customer services by using the latest information and communications technologies, including the Internet. Furthermore, we are working on research that will lead to new businesses rooted in unique Tokyo Gas technical expertise.



Tokyo Gas Makes Breakthrough With Diamond Ultraviolet Light-Emitting Device

Tokyo Gas has developed the world's first diamond ultraviolet light-emitting device capable of operating at room temperature. The device uses a high-quality semiconductor diamond made from carbon powder. Significantly, the carbon powder is extracted from LNG. This technology has the potential to increase the recording density and capacity of optical disks. What's more, it doesn't use harmful substances like mercury making it an environmentally friendly lighting alternative.



December 1999 saw the completion of the Keihin and Yokohama transmission pipelines. Tokyo Gas now boasts a 300km-long supply loop encircling the greater Tokyo area. Pictured is the Tsurumi River Bridge, which was built for the Keihin Transmission Pipeline.

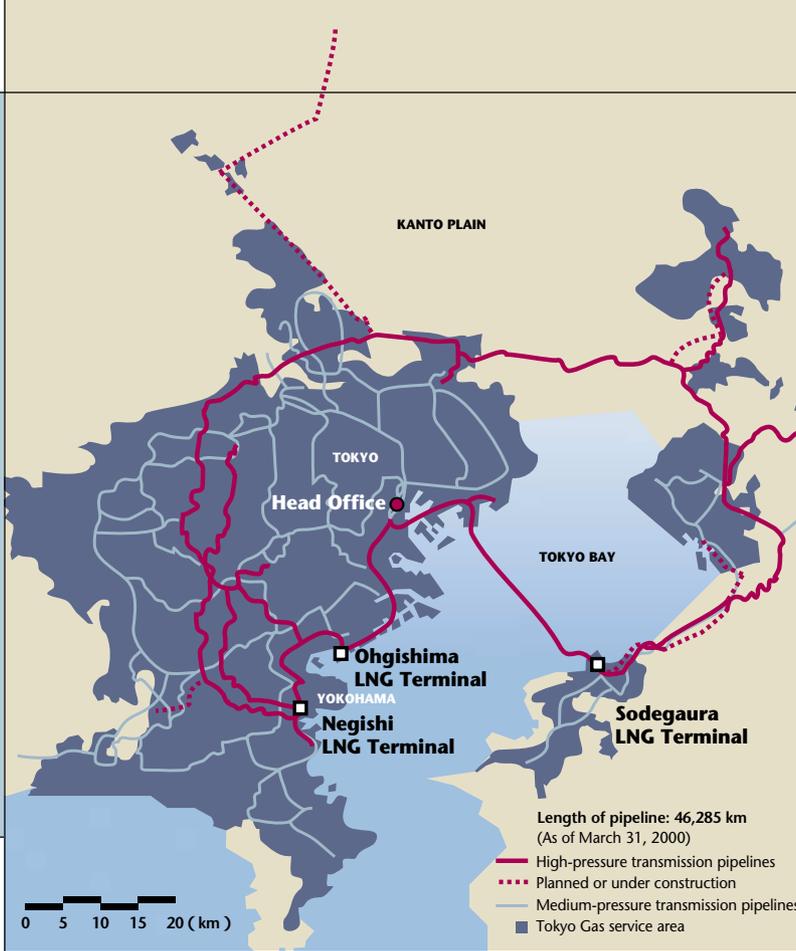
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Powerful Supply **Infrastructure**— the Foundation of Our Competitiveness

Demand for natural gas has risen as alternative energy sources other than petroleum are sought and the government looks for solutions to environmental problems. Tokyo Gas was quick to recognize this trend. We reacted by constructing the Ohgishima LNG Terminal, the Keihin Transmission Pipeline and other facilities to bolster our supply capacity. With these major projects having largely been completed by the end of March 2000, we will start recovering our investment in the year ending March 2001. Leveraging this powerful supply infrastructure, Tokyo Gas hopes to expand demand and increase profits. We also expect to generate higher free cash flows.

Unrivaled Natural Gas Supply Capacity

Just how powerful is Tokyo Gas' supply infrastructure? Tokyo Gas has Japan's largest natural gas supply capability and is progressively increasing capacity. Three LNG terminals—each of which plays a prominent role in Japan's gas industry—are at the heart of this strength. Our Negishi LNG Terminal received Japan's first shipment of LNG in 1969. Our Sodegaura facility is the world's largest LNG receiving terminal. And then there is the new Ohgishima LNG Terminal, the first phase of which came on stream in October 1998. Boasting the most sophisticated technologies, Ohgishima is of particular strategic importance. The terminal's location in the high-demand Keihin district near Yokohama means lower costs because a new long-distance pipeline was not required. Ohgishima will eventually have a production capacity of approximately 4 billion m³ per annum to respond to increasing demand.



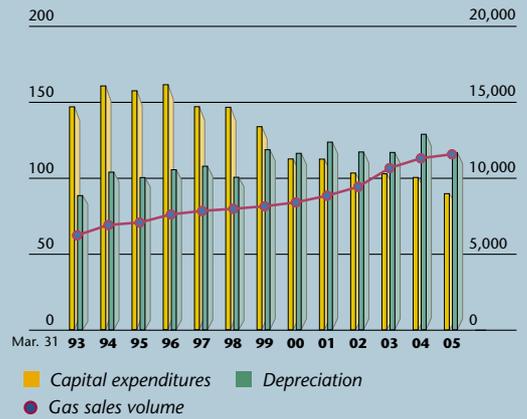
The Negishi, Sodegaura and Ohgishima LNG terminals are now connected by a loop of high-pressure pipes following the December 1999 completion of the Keihin and Yokohama transmission pipelines. This means Tokyo Gas can start responding to rising industrial demand in the Keihin district near Yokohama, provide a more reliable supply of gas in the greater Tokyo area and meet rising demand in the future.

Capital Expenditures and Depreciation in Relation to Gas Sales Volume

(1993~2005)

(Left scale: billion ¥)

(Right scale: million m³, 46.047 MJ/m³)



Note: 2001~2005 are projected figures. The above graph represents non-consolidated data.



The Sodegaura LNG Terminal is the world's largest LNG receiving terminal.

Extensive Transmission and Distribution Network

Investments to bolster our transmission capacity are allowing us to take maximum advantage of our competitive edge in production. With the completion of the Keihin Transmission Pipeline and the Yokohama Transmission Pipeline in December 1999, Tokyo Gas now has in place a 300km-long supply loop encircling the greater Tokyo area that is connected by high-pressure pipes to the Negishi, Sodegaura and Ohgishima LNG terminals. Why is this significant? Because it means we can now cater to rising industrial demand in the Keihin district near Yokohama where industrial demand is expected to increase markedly. It also means we have built a mutual backup system for our three LNG receiving terminals. In short, we have bolstered our ability to provide customers with a reliable supply of gas. And we will continue to extend our pipeline network to meet potential demand outside of our existing service area.

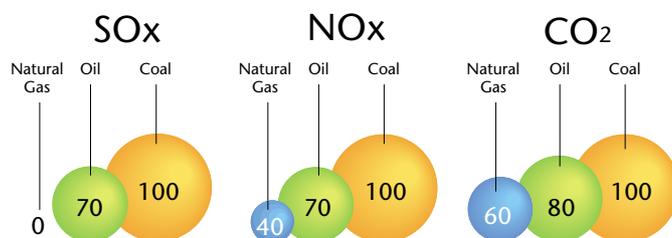
With these enhanced infrastructures we will be able to meet growing demand during the next few decades with minimum additional investment.

Environmental Conservation

At COP3 held in Kyoto in December 1997, targets were set by industrialized countries for the reduction of greenhouse gas emissions. The Japanese government has embraced Japan's goal of a 6% average cut in emissions between 2008 and 2012, compared with 1990 levels. Natural gas—one of the cleanest burning of all fossil fuels—is seen in many quarters as an important energy source for achieving this. As part of its ongoing environmental stewardship, Tokyo Gas formulated a new environmental policy in June 2000. And in July, Tokyo Gas made public its environmental accounting results. Our basic aim is continuous reduction of the environmental impact of energy use by our customers as well as by our own business activities.

The Inherent Advantages of Natural Gas

The environmental advantages of natural gas are clear. Facts bear this out. In terms of carbon dioxide (CO₂) emissions, the leading cause of the greenhouse effect, natural gas produces fewer emissions than oil or coal to generate the same amount of energy (see diagram). Furthermore, unlike oil and especially coal, natural gas does not produce any sulfur oxides (SO_x), which cause acid rain. Nitrous oxide (NO_x) emissions, another cause of acid rain, are lower with natural gas than



Source: IEA, *Natural gas prospects to 2010*, 1986.

with oil or coal. This makes natural gas the cleanest burning fossil fuel currently available.

Tokyo Gas Group Environmental Policy

(Formulated in June 2000)

PHILOSOPHY

The Tokyo Gas Group will promote the harmonious use of energy to contribute to the preservation of regional and global environments as well as to the sustainable development of society.

POLICIES

Reduce the environmental impact of customers' energy use

Tokyo Gas will actively and on an ongoing basis attempt to reduce the environmental impact of customers' energy use. We will do this by promoting the use of environmentally friendly natural gas and providing highly efficient products and systems with minimal environmental impact

Reduce the total environmental impact of Tokyo Gas' business activities

Tokyo Gas will continuously reduce per unit energy and resource use in its business activities through the development of increasingly efficient and effective environmental management activities to contribute to the realization of a sustainable society. At the same time, Tokyo Gas will reduce overall environmental impact by aggressively promoting "green" purchasing and the reduction, reuse and recycling of industrial waste.

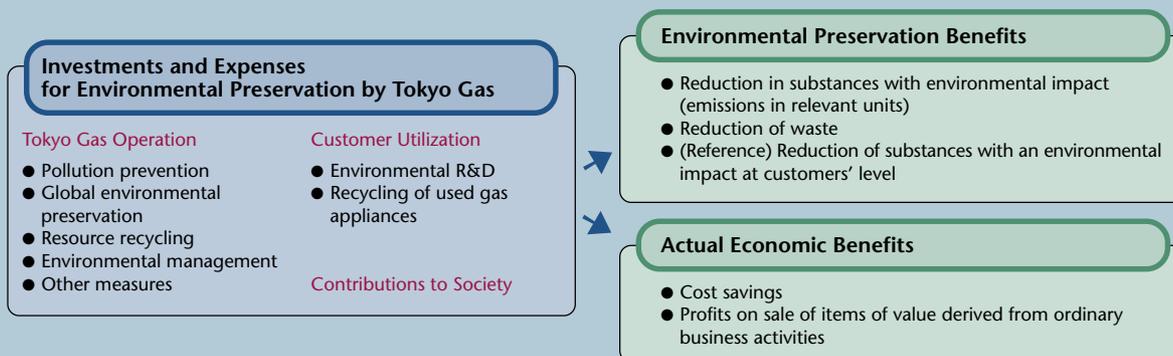
Strengthen environmental partnerships with local areas and the international community

Tokyo Gas will strengthen its environmental partnerships with both the local areas in which it operates and the international community by engaging in a wide variety of activities. These activities will range from participation in regional environmental activities to international sharing of technological developments, starting with strategies to prevent global warming.

Promote environment-related technology R&D

Tokyo Gas will proactively research and develop environmental technologies, including renewable energy, to preserve regional and global environments.

Overview of Tokyo Gas Environmental Accounting



Tokyo Gas has compiled parent-company environmental accounting results for the year ended March 31, 2000, based on Environmental Accounting Guidelines for Three Gas Companies issued in May this year. The figures show that the parent company invested approximately ¥0.8 billion and incurred expenses of roughly ¥3.7 billion for environmental preservation. There are two central features of Tokyo Gas' environmental accounting. One is the extremely low environmental impact of gas production, supply and other activities due to the completion of a switch to natural gas. The other is emphasis on research into methods to reduce the environmental impact of gas utilization by customers, mainly through the development of highly efficient gas appliances and systems such as micro cogeneration systems. More detailed information concerning Tokyo Gas' environmental accounting is contained in its Environmental Report 2000.

ISO Certification

Obtaining ISO certification has been positioned as a high management priority. In 1997, both the Negishi and Sodegaura LNG terminals obtained ISO 14001 certification; these facilities were the first in Japan's gas industry to obtain this international certification, which attests to the high quality of our environmental management systems. The Ohgishima LNG Terminal obtained ISO 14001 certification in January 2000. And in March 2000, the Shinjuku District Heating and Cooling Center became the first supplier of heat in Japan to attain ISO 14001 certification.

Recycling Initiatives

Recycling and decreasing waste volumes are other ways we reduce the environmental impact of our activities. SRIMS (Saving Recycling Innovative Model System) is at the heart of these efforts. This system facilitates the efficient collection, separation, management and disposal of used gas equipment, pipes and other industrial waste. In a similar vein, we are radically reducing the amount of earth removed from pipeline construction sites.

Technologies to Reduce Environmental Impact

Tokyo Gas feels that it has the responsibility to further reduce the environmental impact of natural gas. That's why we are

developing new ways to increase energy efficiency. Gas cogeneration systems and gas-fired air conditioning are just a few of the many technologies that are being widely adopted. In the fuel cell field, Tokyo Gas is developing an on-site generation system that boasts high generation and energy efficiency and emits almost no atmospheric pollutants. High hopes are held for the use of fuel cells in future residential cogeneration systems. Concern over dioxin emissions has also been increasing. To address this issue, Tokyo Gas has developed natural gas "reburning technology" for municipal solid waste incinerators.

Natural gas vehicles (NGVs) are also playing an integral role in reducing environmental impact. The Japanese government has set a target of having 1 million NGVs on Japan's roads by 2010. In addition, with an eye on the future, we are also seeking new, environmentally friendly forms of energy, such as methane hydrate.



The Earth & Energy Exploratorium was opened in November 1998 to promote greater understanding of the environmental issues associated with energy use. In the year ended March 31, 2000, the exploratorium was visited by approximately 100,000 people.

Safety

Since commencing operations in 1885, we have been steadfast in our commitment to safety. We believe that safety is an important element in increasing the convenience of gas and in winning over customers. Safety is not an issue that one can take for granted, especially in Japan, where earthquakes are common. Consequently, we are striving to raise safety levels even further.

A Total Commitment to Safety

Most gas-related accidents occur not during production or supply, but when gas is being used—often as the result of carelessness. To lower the accident rate to zero, we have implemented a multi-faceted approach. First, we are developing



Micon Meter

technologies such as Micon Meters. These are safety systems comprising gas meters with embedded microcomputers. Micon Meters enable 24-hour monitoring of gas use and can automatically shut off gas when they detect leaks, earthquakes or irregularities in use.

Tokyo Gas is also educating customers about the correct use of gas and carrying out regular inspections. Moreover, an emergency response system to prevent accidents has been set up.

Intelligent Service System

We also have an intelligent service system that links customers' gas meters with Tokyo Gas' monitoring station by telephone lines to monitor gas usage. The system is triggered when sensors detect irregularities, sending a message to Station 24, a 24-hour control center. This network facilitates 24-hour monitoring of gas use.

Gaslight 24—Responding to the Unexpected

Gaslight 24 is a 24-hour emergency response system capable of responding to gas leaks and other situations affecting main gas pipelines and service pipes as well as customers' gas equipment. Using EAGLE24, a mobile computer-based emergency operations support system, emergency vehicles and personnel can be mobilized quickly and accurately in accordance with the type and scale of the problem, as well as other circumstances.

Three-Stage Earthquake Safety System

Tokyo Gas has a three-stage safety system to ensure stable supply in the event of an earthquake. The first stage is prevention to minimize damage. Our production and supply facilities are designed to the latest earthquake-proofing standards. The second stage is our emergency response. The aim here is to prevent secondary damage such as fires and explosions. Finally, we are prepared to move quickly to restore service should it be interrupted and to continue supply to areas largely unaffected. To take our system up to the next level, we will install 3,700 state-of-the-art seismic intensity sensors at locations throughout our 3,200km² service area. These sensors will be monitored by SUPREME, the world's most advanced disaster prevention system.



LEFT

Center for Supply Control and Disaster Management



RIGHT

A state-of-the-art seismic intensity sensor

Corporate Citizenship

Tokyo Gas touches the lives of just about everyone living in the greater Tokyo area on a daily basis. Our growth is dependent on deepening this symbiotic relationship with our customers. Based on this fact, we are taking an active—and visible—role in the communities we serve.

Our disparate activities fall into three categories: environmental protection, philanthropic, and cultural and sports. Programs are deeply rooted in our service areas. Activities range from tree planting, recycling programs and seminars to raise environmental awareness to sponsorship of soccer clinics. In this section, some of the major activities undertaken during the year under review are profiled.

Earth Vision Film Festival

Tokyo Gas has been a special sponsor of the Earth Vision Film Festival since 1992. The event aims to raise environmental awareness through films. Submissions are solicited in Japan, Asia and Oceania. The best films are selected for public showing at the festival. The 8th Earth Vision Film Festival was held over two days in Tokyo in March 2000 and was attended by nearly 1,200 people. The festival was also held for the second time in Paris, attracting over 300 people.

Leave System Encourages Volunteerism

To encourage volunteerism, we have a Volunteer Leave System. Employees are given up to 5 days a year of paid leave to participate in volunteer activities. In the year ended March 31, 2000, 38 employees took advantage of the system.

Promoting Tokyo's First Professional Soccer Team

In November 1999, FC Tokyo, Tokyo's first J League professional soccer team, gained promotion to Japan's "premiership" league. Tokyo Gas is one of the team's main sponsors. FC Tokyo was established in 1998 as the successor to the Tokyo Gas Football Club. Indeed, Tokyo Gas' involvement in supporting soccer in the Tokyo area dates back a number of years. By supporting FC Tokyo and running soccer clinics, Tokyo Gas will continue to encourage regional sports.



© FC Tokyo



LEFT
The FC Tokyo eleven

CENTER
The Tokyo Gas "Gas Science Center" was visited by about 100,000 people in the year ended March 31, 2000.

RIGHT
Poster for the 8th Earth Vision Film Festival



International Operations

Tokyo Gas is tapping its wealth of knowledge in natural gas and the supply of gas to contribute to the development of gas infrastructures and economic growth in other countries, particularly those in Asia. Additionally, we have forged partnerships with companies similar to our own and various institutions overseas for the purposes of technological and managerial information exchanges. Coordinating these efforts are our four representative offices in New York, Paris, Kuala Lumpur and Beijing. They are also our contact points for overseas investors.

Tokyo Gas' Overseas Activities

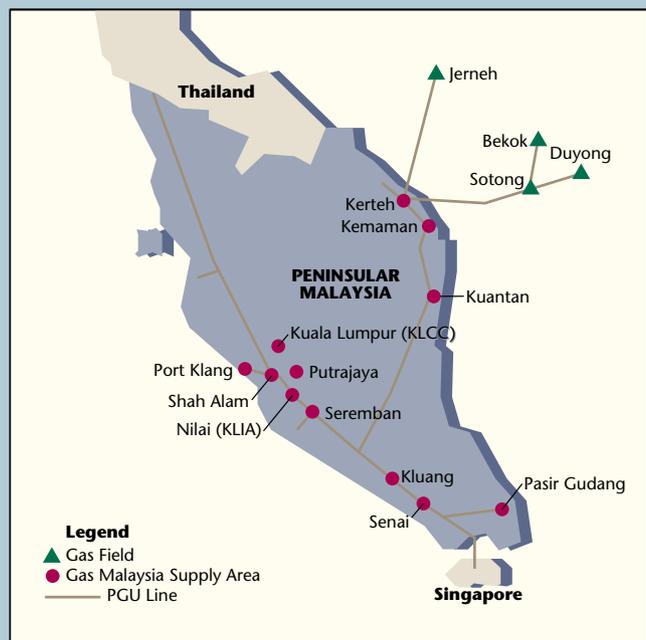
Tokyo Gas has a proud track record of helping other countries to build gas supply infrastructures. Recently, Tokyo Gas and its group companies have been instrumental in a number of successful projects. In Malaysia, we have been active in a natural gas distribution system project and a gas-fired cogeneration district cooling project—both firsts in that country. The former was conducted through a joint venture company, Gas Malaysia Sdn. Bhd., with Petronas, Malaysia's state-owned oil company, and other local partners. Tokyo Gas won the international contract in 1991, its management

and technical expertise being highly rated by the project tender committee. The project—the first full-fledged overseas project by a Japanese energy utility company—is now regarded as a model for other Asian countries hoping to build a similar infrastructure. In 1999, Gas Malaysia started paying dividends. The gas-fired cogeneration district cooling project was another joint venture with Petronas through Gas District Cooling (M) Sdn. Bhd. Thanks to this project, Malaysia's Kuala Lumpur International Airport (KLIA), which opened in June 1998, boasts the world's largest class of gas district cooling supply based on gas absorption chillers. Office

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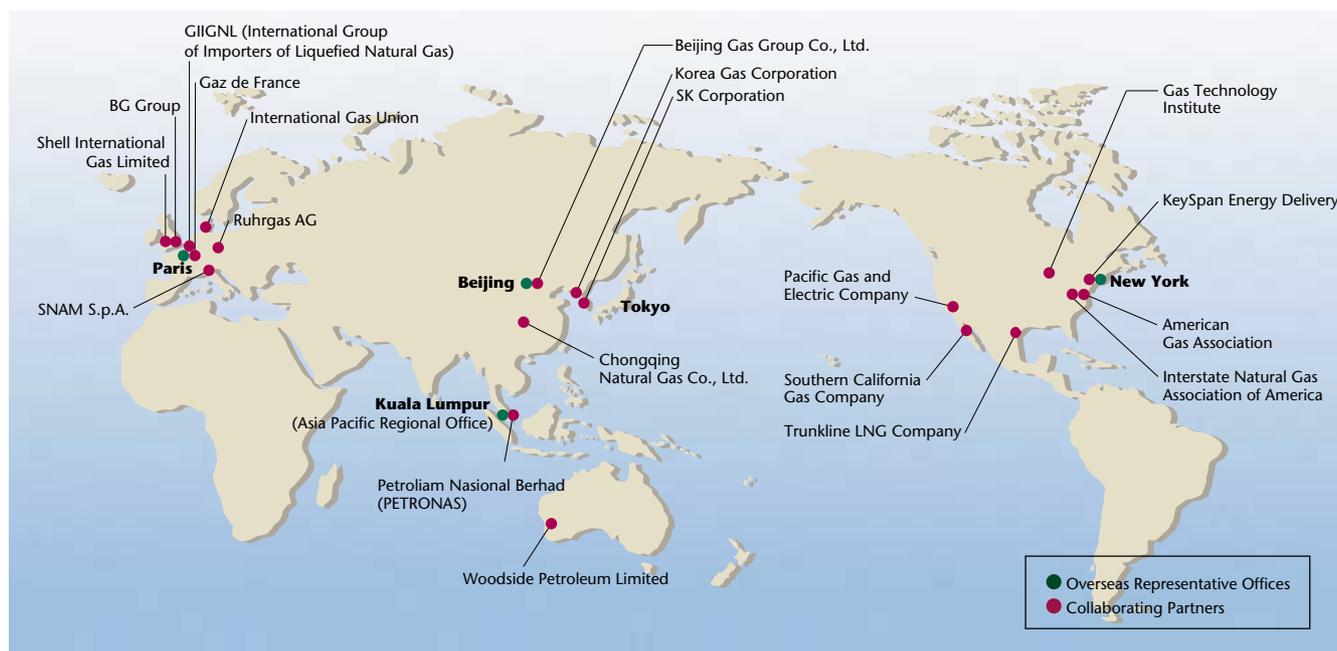


Natural Gas Distribution System in Malaysia



The Petronas Twin Towers, the tallest buildings in the world, are supplied with chilled water by a gas district cooling (GDC) system.

Tokyo Gas' Overseas Representative Offices and Collaborating Partners



buildings, hotels and other facilities in central Kuala Lumpur have benefited as well from the company's cooling systems. Meanwhile, Tokyo Gas Engineering Co., Ltd. has been providing technical consultation, for example, for the establishment of LNG receiving facilities in Korea, Taiwan, Thailand, and Portugal. Tokyo Gas is leveraging experience and technology from its three LNG terminals, including the recently completed Ohgishima facility. Moving forward, Tokyo Gas intends to identify and develop business opportunities in which it can capitalize on technological expertise built up in Japan.

Information Exchanges Lead to Better Operations

We have four representative offices overseas: New York, Paris, Kuala Lumpur and Beijing. Through these offices we are

forging closer ties with energy-related companies and institutions—some we have been associated with for over 20 years—around the globe. Collaboration involves joint research and the exchange of information on managerial and technical issues, as well as staff. Drawing on this information, we are working to improve our operations, including our gas supply facilities and services. As deregulation sweeps through the Japanese energy industry, such tie-ups will take on added meaning. The offices also play a vital role in communicating information to shareholders and in gathering information from the capital markets, which is reflected in management policy.



Malaysian trainees



Mr. Gerald Doucet, Secretary General of the World Energy Council, on a visit to Tokyo Gas.

Diversification

The Tokyo Gas Group is aiming to increase earnings as a diversified energy services company by carrying out core gas operations as well as operating energy-related businesses that complement and add value to those operations. Furthermore, to respond to the IT revolution and Japan's "graying" society as well as contribute to environmental protection, Tokyo Gas is actively promoting various new businesses that transcend the bounds of the energy sector. Two examples of these are urban development and information-related businesses. In respect of our 47 subsidiaries, we are working to raise their profitability and foster autonomy with a view to taking them public in the future. These actions are being taken in line with our Medium-Term Management Plan. This plan also calls for the streamlining of unprofitable businesses to maximize consolidated earnings.

Subsidiaries and Affiliate

Company	Equity Interest (%)	Business
Tokyo Gas Energy Co., Ltd.	100	Sales of liquefied petroleum gas (LPG) and coke
Tokyo Gas Chemicals Co., Ltd.	100	Sales of gas for industry and chemicals
Tokyo Oxygen and Nitrogen Co., Ltd.	54	Production and wholesale of liquefied oxygen and nitrogen
Tokyo Gas Urban Development Co., Ltd.	100	Real estate leasing, management and brokerage, etc.
Park Tower Hotel Co., Ltd.	100	Hotel management
KANPAI CO., LTD.	93.3	Gas facilities construction and gas appliance sales
Gastar Co., Ltd.	66.7	Production and wholesale of gas appliances
TG Credit Service Co., Ltd.	100	Leasing of information equipment, gas appliances and office equipment, and credit administration connected with gas appliances and installations
Chiba Gas Co., Ltd.	99.9	Supply of gas to Chiba City and surrounding cities
Tsukuba Gakuen Gas Co., Ltd.	100	Supply of gas in Tsukuba City
Tokyo Gas Engineering Co., Ltd.	100	Comprehensive engineering services with a particular focus on energy-related work
TG Information Network Co., Ltd.	100	Information processing services, software development and sales of computer equipment, etc.
TG Enterprise Co., Ltd.	100	Financial administration and building leasing for Tokyo Gas and related companies
Tokyo LNG Tanker Co., Ltd.	100	LNG and LPG transportation and chartering of carriers
Gas Malaysia Sdn. Bhd.*	20	Supply of gas in Malaysia

* Equity-method affiliate



LEFT

A room at the Park Hyatt Tokyo, managed by Park Tower Hotel Co., Ltd. The modern interior and superb view of the Shinjuku district make a stay a truly memorable experience.

RIGHT

This ultra-low-temperature, deep-freeze warehouse for tuna is one example of the cryogenic utilization of LNG.

Topics

Increasing Focus on LNG and LPG Transportation Business

In July 2000, Tokyo Gas announced its intention to build and operate two LNG carriers. The first vessel is slated for completion in 2003, while delivery of the second is expected in either 2005 or 2006. Tokyo Gas already owns shares of LNG and LPG carriers through our subsidiary Tokyo LNG Tanker Co., Ltd. This subsidiary was established in 1991 with two goals in mind: reducing the import price of LNG and LPG feedstocks; and securing a stable energy supply.

The two proposed new vessels will allow Tokyo Gas to take advantage of new procurement methods such as short-term contracts and spot tradings, as well as to transport LNG procured under long-term contracts. The result will be a further reduction in LNG import prices and greater purchasing flexibility. Moreover, Tokyo Gas is seeking to further develop its LNG transportation business in areas such as supplying LNG to third parties.



Key Ingredient For Breakthrough Diagnostic Method

Since 1989, Tokyo Gas has been working on a process to separate and condense ¹³C-Methane from natural gas. The first shipments were made in May 2000, following completion of a plant to produce ¹³C-Methane for commercial use—the first of its type in the world. The ¹³C-Methane will be processed into ¹³CO₂ by Tokyo Gas Chemicals and sold to Otsuka Pharmaceutical Co., Ltd. for use in a breakthrough drug that we developed with them. The drug diagnoses the existence of Helicobacter pylori, a common cause of gastritis and gastric ulcers, and will make for more patient-friendly diagnoses of these ailments.

Looking ahead, Tokyo Gas intends to develop diagnostic drug applications using ¹³C-Methane to detect, for example, diabetes and cerebral disease. By aggressively promoting ¹³C-Methane in the pharmaceutical raw materials field, Tokyo Gas will develop new value-added businesses for LNG.



Tokyo Gas Looks to Enter Electricity Retailing and Telecommunications Fields

In July 2000, Tokyo Gas, together with NTT Facilities Inc. and Osaka Gas Co., Ltd., established a planning company to examine the feasibility of entering the electricity retailing field. The new company, ENNET Corporation, will draw on the expertise and in-depth knowledge of these three partners in the energy field to develop high-value-added electricity operations, taking full advantage of IT to optimize the distribution of energy.

Tokyo Gas has also teamed up with Marubeni Corporation and Global Bandwidth Solutions, Inc., a wholly owned Marubeni subsidiary, to deliver next-generation, high-speed broadband communications services to end users over the “last mile” in Japan. The “last mile” refers to the crucial final leg of service distribution from the broadband infrastructure to end users. In this IT age, development of new business models beyond the realm of energy supply that harness the power of IT will be essential growth drivers. By participating in this endeavor, Tokyo Gas has taken an important first step in its new information and telecommunications strategy. We expect to build up invaluable experience in the IT field from this venture.



Board of Directors



Soichiro Akimoto
Senior Managing Director

Haruno Ito
Executive Vice President

Yasuyuki Yamaguchi
Executive Vice President

Toshiyuki Takasuna
Senior Managing Director

Norio Ichino
Senior Managing Director

Kunio Anzai
Chairman

Hideharu Uehara
President

Managing Directors

Fumio Ohori
Norihiro Takuma
Tohru Itoh
Hideo Nishiwaki
Shouzou Ohno
Kouya Kobayashi
Masahiro Ishiguro
Mitsunori Torihara
Shigero Kusano

Directors

Yoshihito Imura
Takeki Hirooka
Yasuyuki Makiuchi
Hiroshi Urano
Minoru Yokouchi
Takeo Kuno
Takeo Ishikawa
Tadashi Sakurai
Tadashi Zemba

Tadaaki Maeda

leaki Uemura
Takashi Kunitomi
Tsunenori Tokumoto

Corporate Auditors

Akira Ogawa
Shigeru Ogasawara
Kenshiro Koto
Gaishi Hiraiwa
Masayuki Sato

(As of June 29, 2000)

Financial Statements

Contents

- [26] Six-Year Summary
- [27] Management's Discussion and Analysis of Operations
- [31] Frequently Asked Questions
- [34] Consolidated Balance Sheets
- [36] Consolidated Statements of Income
- [37] Consolidated Statements of Stockholders' Equity
- [38] Consolidated Statements of Cash Flows
- [39] Notes to Consolidated Financial Statements
- [47] Report of Independent Public Accountants

Six-Year Summary

Tokyo Gas Co., Ltd. and Consolidated Subsidiaries
Years ended March 31

	Millions of yen						Thousands of U.S. dollars
	2000	1999	1998	1997	1996	1995	2000
Net sales	¥ 992,255	¥ 997,767	¥1,009,155	¥ 988,077	¥ 958,662	¥ 915,862	\$ 9,360,896
Gas sales	672,070	674,997	686,649	663,066	633,253	601,990	6,340,283
Gas appliance sales	126,747	132,749	126,840	134,174	135,669	137,209	1,195,726
Related construction	63,949	63,630	66,695	69,966	68,825	70,034	603,292
Real estate rental business	14,959	15,617	16,495	18,423	18,468	–	141,123
Other	114,530	110,774	112,476	102,448	102,447	106,629	1,080,472
Operating income	69,233	72,303	76,485	62,163	67,109	60,105	653,142
Income before income taxes	43,738	40,964	36,261	32,601	39,473	32,858	412,623
Net income	26,698	17,764	17,241	15,432	16,762	11,072	251,868
Depreciation	136,214	132,568	114,893	123,569	120,569	–	1,285,038
Capital expenditures	121,806	142,030	159,433	162,282	180,080	–	1,149,113
Per share (Yen and U.S. dollars):							
Net income (Basic)	¥9.50	¥6.32	¥6.14	¥5.49	¥5.97	¥3.94	\$0.09
Net income (Diluted)	8.84	5.94	5.76	5.37	–	–	0.08
Cash dividends applicable to the year	5.00	5.00	5.00	5.00	5.00	5.00	0.05

At Year-end

Total assets	¥1,805,086	¥1,707,446	¥1,720,684	¥1,772,132	¥1,657,176	¥1,608,244	\$17,029,113
Long-term debt due after one year	843,634	820,753	765,304	878,674	743,177	724,523	7,958,811
Total stockholders' equity	484,239	421,442	417,755	414,906	413,725	411,164	4,568,292

- Notes: 1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥106.00=U.S.\$1, the approximate Tokyo foreign exchange market rate as of March 31, 2000.
2. Net sales for gas included by-products up to the year ended March 31, 1997. By-products are included in "other" beginning in the year ended March 31, 1998.
3. Net sales for "real estate rental business" were included in "other" up to the year ended March 31, 1995.
4. Capital expenditures and depreciation figures disclosed up to the year ended March 31, 1995 are not based on the same figures disclosed from the year ended March 31, 1996.

Management's Discussion and Analysis of Operations

The business activities of Tokyo Gas Co., Ltd. and its 14 consolidated subsidiaries are broken down into 5 categories: gas sales, gas appliance sales, related construction, real estate rental business, and other. Please refer to Notes 1 and 2 of the Notes to Consolidated Financial Statements for an explanation of the main accounting policies.

OVERVIEW OF CONSOLIDATED BUSINESS RESULTS

Gas Sales Volume

The volume of gas sold by Tokyo Gas in fiscal 1999, the year ended March 31, 2000, rose 3.2% to 8,424 million m³. Despite record high temperatures, which rose by 0.2°C over the past year to an average of 17.0°C in the Tokyo area, residential gas volume increased 1.4% due to efforts to win new customers and to popularize gas appliances. Industrial use also rose, increasing 2.0% from the previous year due to higher demand from large-volume users. Furthermore, gas sales volumes to commercial and other business users climbed 6.2% due to efforts to expand demand for gas-fired air conditioning.

Net Sales

Consolidated net sales decreased 0.6% over the past year to ¥992.2 billion. Higher overall gas sales volumes could not offset a reduction in gas rates based on the "sliding rate" system and a downward rate revision implemented during the fiscal year.

Operating Expenses and Operating Income

The cost of sales increased 1.4% to ¥483.8 billion due to the higher cost of raw materials (mainly LNG). However, efforts to pare expenses such as operating and personnel expenses yielded a 2.0% decrease in selling, general and administrative expenses to ¥439.2 billion. Thus, total costs and expenses declined 0.3% to ¥923.0 billion. Operating income decreased 4.2% to ¥69.2 billion due to the above factors.

Other Income (Expense)

Other expense improved ¥5.8 billion to ¥25.4 billion. The main factors were inclusion of equity in the net income of an affiliated company, higher exchange gains in line with the yen's appreciation and the absence of losses on the sale of marketable securities that were recorded in the previous fiscal year.

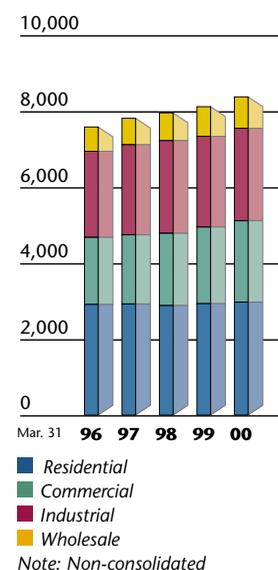
Income Before Income Taxes and Income Taxes

Income before income taxes increased 6.8% to ¥43.7 billion. Income taxes decreased to ¥16.0 billion due to a reduction in Japan's statutory tax rate.

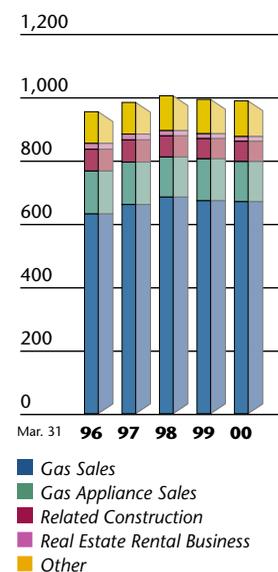
Net Income

Net income climbed 50.3% to ¥26.6 billion over the previous year due to the above factors as well as a tax adjustment resulting from the adoption of tax-effect accounting. Basic net income per share consequently increased 50.3% to ¥9.50 and diluted net income per share rose 48.8% to ¥8.84. Average ROE for fiscal 1999 was 5.9%, a substantial increase from 4.2% in fiscal 1998.

Gas Sales Volume by Sector
(Million m³, 46.047 MJ/m³)



Net Sales by Segment
(Billion ¥)



SEGMENT INFORMATION

Gas Sales

Gas sales decreased 0.4%, or ¥2.9 billion, to ¥672.0 billion due to a reduction in gas rates based on the "sliding rate" system and implementation of a downward rate revision during the fiscal year. Gas sales accounted for 67.7% of total net sales. On the cost front, costs and expenses increased 2.3%, or ¥11.7 billion, due to higher raw materials (mainly LNG) costs. The net result was that segment operating income decreased 9.4%, or ¥14.7 billion, to ¥141.3 billion.

Gas Appliance Sales

Segment sales decreased 4.5%, or ¥6.0 billion, to ¥126.7 billion due to actions taken to strengthen the segment's sales system. Gas appliance sales accounted for 12.8% of total net sales. Costs and expenses, meanwhile, decreased 7.0%, or ¥9.4 billion, as a result of improvements to the distribution and sales systems. Segment operating income increased ¥3.4 billion to ¥2.7 billion.

Related Construction

Segment sales increased 0.5%, or ¥0.3 billion, to ¥63.9 billion, representing 6.4% of total net sales. Costs and expenses decreased 2.2%, or ¥1.5 billion. The result was a ¥1.3 billion increase in net income to ¥1.9 billion.

Real Estate Rental Business

Sales decreased 4.2%, or ¥0.6 billion, to ¥14.9 billion, mainly due to a reduction in leasing fees at Park Tower Hotel. Sales here accounted for 1.5% of total net sales. Costs and expenses increased 2.6%, or ¥0.7 billion, meaning that operating income fell 6.1%, or ¥0.5 billion, to ¥8.2 billion.

Other

Segment sales increased 3.4%, or ¥3.7 billion, to ¥114.5 billion on the back of continued strong demand for district heating and cooling (DHC) systems. Other sales represented 11.5% of total net sales. Costs and expenses in this segment increased 0.9%, or ¥1.3 billion. But operating income climbed 27.4%, or ¥2.4 billion, to ¥11.4 billion.

FINANCIAL POSITION

Total assets as of March 31, 2000 stood at ¥1,805.0 billion, up 5.7%, or ¥97.6 billion, from a year ago.

Fixed Assets

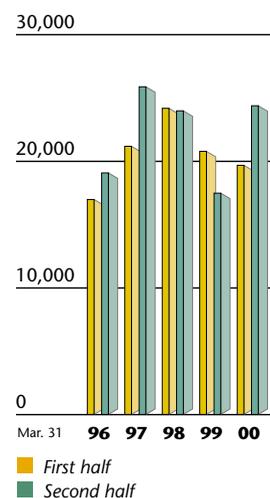
Fixed assets increased 2.0% to ¥1,491.0 billion. Property, plant and equipment decreased 0.7% to ¥1,333.5 billion due to depreciation exceeding capital expenditures. Intangibles increased due to the inclusion of software, which was previously shown under other investments and non-current assets. Investments and other non-current assets, meanwhile, increased due to the inclusion of deferred income taxes of ¥41.5 billion.

Current Assets

Current assets stood at ¥314.0 billion, an increase of 27.9%, as of March 31, 2000. This was primarily due to an increase in cash and cash equivalents resulting from the issue of domestic unsecured bonds during the fiscal year. The increase also reflected a deferred income taxes asset due to the adoption of tax-effect accounting and higher trade notes and accounts receivable.

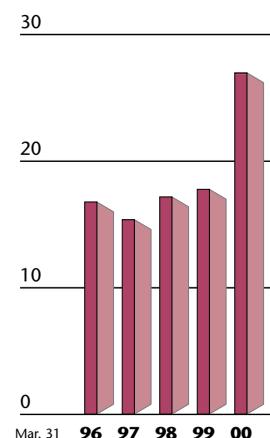
Average LNG Procurement Cost

(¥ per ton)



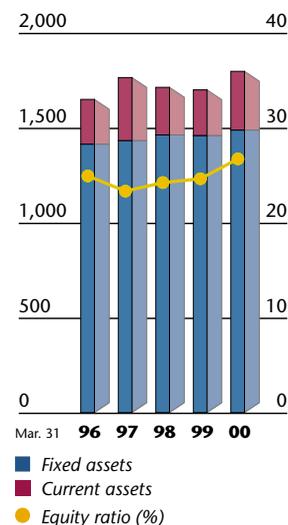
Net Income

(Billion ¥)



Total Assets and Equity Ratio

(Billion ¥) (%)



Long-Term Liabilities

As of March 31, 2000, long-term liabilities had increased 1.7% from ¥985.4 billion a year earlier to ¥1,002.5 billion. This represented the transfer of ¥39.8 billion in domestic unsecured convertible bonds to current liabilities offset by the issue of ¥60.0 billion in domestic unsecured bonds.

Current Liabilities

Current liabilities increased 5.8% to ¥314.6 billion due mainly to growth in long-term debt due within the current fiscal year, which outweighed decreases in bank loans and notes and accounts payable.

Interest-bearing Debt

As of March 31, 2000, interest-bearing debt was ¥957.0 billion, up 4.9% from a year ago. The rate of dependence on interest-bearing debt, which is defined as interest-bearing debt as a percentage of total assets, decreased from 53.4% to 53.0%.

Stockholders' Equity

Total stockholders' equity increased 14.9% to ¥484.2 billion and the equity ratio rose from 24.7% to 26.8%.

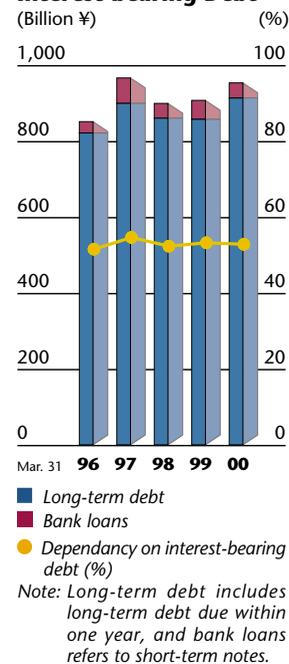
CAPITAL EXPENDITURES

Tokyo Gas has expanded facilities to put in place a more stable supply system for gas. In respect to production facilities, Tokyo Gas built the Ohgishima LNG Terminal as well as other facilities. The Ohgishima LNG Terminal came on line in the year ended in March 1999. In regard to supply facilities, the stability of supply was bolstered in fiscal 1999 by the completion of the Keihin Transmission Pipeline and the Yokohama Transmission Pipeline. In addition, capital expenditures focused on new pipelines for creating demand, the planned replacement of existing pipelines and measures to prevent earthquake damage. In respect of facilities for auxiliary businesses, Tokyo Gas is constructing DHC facilities in a new city center presently under development in Ohmiya, Saitama Prefecture. Capital expenditures in fiscal 1999 decreased 14.2% to ¥121.8 billion.

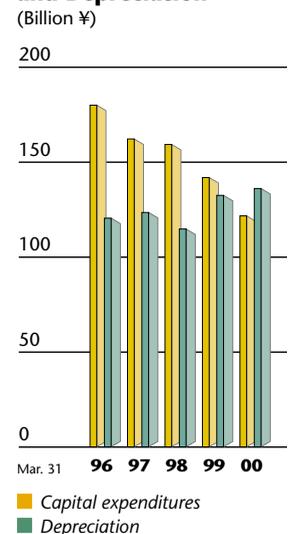
CASH FLOWS

Net cash provided by operating activities decreased ¥7.0 billion to ¥154.6 billion. This reflected an increase in notes and accounts receivable, which offset increases in net income and depreciation. Net cash used in investing activities decreased ¥34.5 billion to ¥124.3 billion, due mainly to lower capital expenditures which have passed their peak following the completion of the Ohgishima LNG Terminal and other facilities. Financing activities provided net cash of ¥22.8 billion, a ¥28.1 billion increase from the previous year. The increase reflected the repayment of interest-bearing debt, namely payments for short-term bank loans of ¥10.2 billion and payments for notes and long-term debt of ¥47.5 billion, offset by cash from long-term debt of ¥34.7 billion and the issue of ¥60.0 billion in domestic unsecured notes. Cash dividends paid were ¥14.0 billion. As a result of the foregoing items, cash and cash equivalents at end of year was ¥97.3 billion.

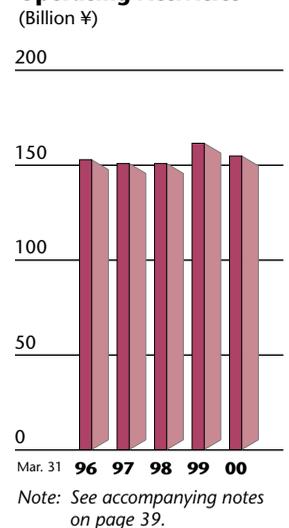
Interest-bearing Debt



Capital Expenditures and Depreciation



Net Cash Provided by Operating Activities



FINANCIAL POLICY

Tokyo Gas has made capital expenditures in excess of the total of net income and depreciation over the past 10 years to build a comprehensive production and supply infrastructure to respond to an escalation in demand for gas. As a result of those expenditures, interest-bearing debt has increased.

However, Tokyo Gas is now poised to recover those investments through the sales and earnings they are generating. From fiscal 2000 onward, Tokyo Gas expects that it will be able to conduct capital expenditures within the bounds of depreciation. By using the resulting free cash flows to reduce interest-bearing debt, Tokyo Gas will create a slimmer balance sheet thereby improving its financial position (see table below).

At the same time as reducing interest-bearing debt, Tokyo Gas is placing emphasis on improving the efficiency of its asset deployment. This will include thoroughly examining the profitability of new capital expenditures as well as reviewing the profitability of existing facilities and investments to raise ROA.

Key Financial Objectives

Fiscal 2000—Fiscal 2004	
Free cash flows	Average of ¥61.5 billion a year for 5 years (Total of ¥307.5 billion over 5 years)
ROA	1.7% (5-year average)
Interest-bearing debt (Non-consolidated)	¥610.0 billion as of March 31, 2005

MARKET RISK EXPOSURE

Stock Price Risk

Equities held by Tokyo Gas are for the most part held to maintain corporate relationships needed to conduct business operations. Stock price risk relates to stock of listed companies. Tokyo Gas has formulated a management policy and rules for the handling of such stock.

Foreign Exchange Risk

LNG, the main raw material used by Tokyo Gas for the supply of gas, is purchased based on U.S. dollar-denominated agreements. As such, these agreements are subject to fluctuations in the yen-dollar exchange rate. Furthermore, because the U.S. dollar-denominated LNG price is determined by the "sliding rate" system with reference to crude oil prices, fluctuations in the market price of crude oil are another risk factor. The hypothetical effect of these fluctuations on annual raw materials costs is as follows:

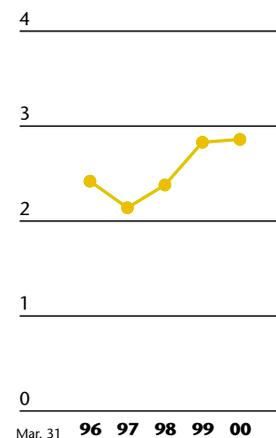
Fluctuation of ¥1 to U.S.\$1	¥1 billion
Fluctuation of U.S.\$1 per barrel in crude oil price	¥4 billion

However, the above fluctuations are automatically passed on to the gas user in the form of revisions in gas purchase prices after six months under the "sliding rate" system. Consequently, while this time lag may have a short-term effect on operating income, there is no effect over the medium to long term.

Interest Rate Risk

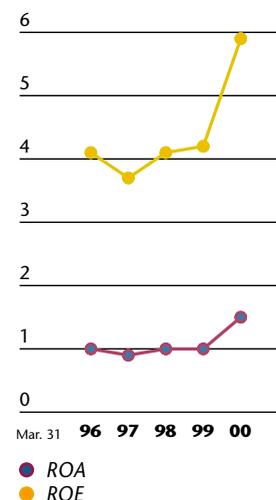
Tokyo Gas has only fixed-rate short- and long-term interest-bearing debt. Therefore, there is no risk from fluctuations in interest rates during the borrowing term. However, Tokyo Gas does become subject to interest rate risk when refinancing.

Interest Coverage Ratio (times)



Note: Interest coverage ratio =
(net income + income taxes + interest expense) / interest expense

ROE and ROA (%)



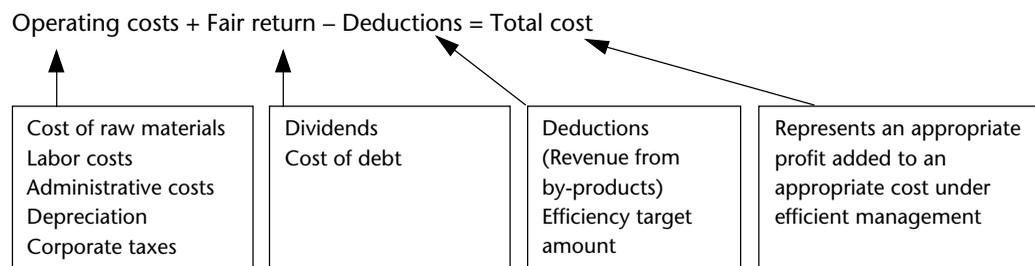
Frequently Asked Questions

1. Please explain Tokyo Gas' rate system.

Tokyo Gas' gas rates fall into three categories: two regulated agreements and non-regulated large-volume supply.

- *Service agreement:* Tokyo Gas uses "regulated" rates approved by the Ministry of International Trade and Industry (MITI) to bill customers for gas supplied through pipelines to meet general demand. In May 1999, revisions were made to the Japanese Gas Utility Industry Law allowing Tokyo Gas to lower these rates simply by filing a notice with MITI as long as this does not adversely affect any customers.
- *Optional agreements:* Tokyo Gas is permitted to offer rates and service terms other than those outlined in the above service agreement. These agreements have to be reported to MITI. They enable Tokyo Gas to make efficient use of its gas supply facilities—and contribute to our business efficiency.
- *Large-volume supply:* In June 1994, revisions to the Japanese Gas Utility Industry Law eased regulations governing the setting of rates and area of supply to large-volume customers, allowing the gas supplier and customers to decide on supply terms, including rates, between themselves. As a result of revisions to the Japanese Gas Utility Industry Law in May 1999, the threshold for large-volume customers was lowered to encompass customers consuming 1 million m³ or more of gas per year.

"Regulated" rates are calculated using the basic "total cost" formula as shown in the following simplified equation:



In January 1996, the raw materials cost "sliding rate" system was introduced. This system adjusts the gas rate every three months in line with fluctuations in raw material costs, which are mainly affected by foreign exchange rates and crude oil prices.

2. What is Tokyo Gas' gas rate strategy?

Tokyo Gas announced that it would reduce rates twice, once in the year ended March 31, 2000 and once in the year ending March 31, 2001, to make gas more competitive relative to other forms of energy, including electricity, and to respond to customer demands. The first of those cuts was implemented in December 1999, when Tokyo Gas reduced rates by an average of 2%. The second rate reduction, of 2-3% on average, is planned for the current fiscal year. Tokyo Gas intends to use the increased competitiveness of its gas rates to propel gas demand.

3. What recent deregulatory developments have taken place in Japan's energy sector and what is Tokyo Gas' stance toward them?

In the gas industry, revisions were enacted to the Japanese Gas Utility Industry Law in November 1999. The major changes brought about by these revisions are as follows:

- (1) The threshold defining large-volume customers was lowered from those consuming two million m³ or more per year to one million m³. Rates for these customers can be freely set and there are no regulations limiting the service area.

- (2) Gas companies are now allowed to reduce rates by simply filing a report with MITI. Previously, they had to first obtain MITI's permission.
- (3) Gas companies were handed greater management independence, allowing them to freely use a portion of profits from business activities to strengthen their financial position and pass profits on to shareholders, as well as to reduce gas rates as in the past.

In the electricity industry, revisions were enacted to the Electricity Utility Industry Law in March 2000. These revisions opened the way to unrestricted electricity sales to large-volume customers, defined as users with a capacity of over 2,000 kW and using a 20 kV supply.

These developments have removed many barriers to the energy sector and are expected to stimulate intense competition, including from new entrants.

Tokyo Gas regards deregulation-driven expansion of the energy marketplace in Japan as a major business opportunity and intends to aggressively advance into highly profitable new fields such as electricity retailing.

4. What yardstick of performance is Tokyo Gas placing most emphasis on in its medium-term management plan?

Free cash flows has been positioned as the most important yardstick of performance. Free cash flows, defined as net income plus depreciation expenses less capital expenditures, shows the actual change in available cash for the year and is used as a measure of profitability. And, importantly, free cash flows represent a major source of funds to drive future growth and improve a company's financial position. Free cash flows are thus a measure of a company's growth potential.

5. How does Tokyo Gas intend to use the free cash flows it expects to generate in its medium-term management plan?

Tokyo Gas' medium-term management plan has set a goal of generating a total of ¥250 billion in free cash flows over the 5-year period from the year ending March 31, 2001 through the year ending March 31, 2005, excluding funds for gas rate reductions. These cash flows will be used for:

- (1) Reducing interest-bearing debt, which stood at around ¥760 billion as of March 31, 2000, to ¥610 billion by March 31, 2005, thereby improving the company's financial position.
- (2) Passing on profits to shareholders either by repurchasing and retiring treasury stock and/or increasing dividends.
- (3) Investing in new businesses, including electricity retailing and construction of company-owned LNG carriers.

6. Please outline Tokyo Gas' plans for capital expenditures.

Over the last several years Tokyo Gas has invested more than ¥130 billion annually for the construction of the Ohgishima LNG Terminal, Keihin trunk line and other facilities to meet future expansion in gas demand. As these projects had largely been completed by the year ended in March 2000, it will be possible to reduce capital expenditures on plant and equipment in the future.

Facility Investment Plans	(Years ended March 31, Unit: billions of yen)							2001-2005
	2000 (Actual)	2001	2002	2003	2004	2005		
Gas business facilities								
Production facilities	15.7	13.9	11.7	14.0	11.3	8.5	(11.6%)	59.4
Distribution facilities	80.9	85.9	76.5	72.5	75.1	69.3	(74.3%)	379.3
Service and maintenance facilities	10.4	10.7	10.8	12.4	12.5	10.7	(11.2%)	57.1
Total	107.0	110.5	99.0	98.9	98.9	88.5	(97.1%)	495.8
Facilities for auxiliary businesses	6.0	2.4	4.7	4.3	1.9	1.6	(2.9%)	14.9
Total	113.0	112.9	103.7	103.2	100.8	90.1	(100.0%)	510.7

Note: Figures in parentheses indicate percentage shares of totals.

7. How will the introduction of new accounting standards for calculating retirement benefits affect Tokyo Gas' financial position?

Tokyo Gas calculated the shortfall in its corporate pension funds (referred to as Past Service Liabilities) arising from the adoption of new accounting standards at ¥23 billion as of the end of March 2000, assuming a 3% applicable discount rate. This shortfall will be cleared in the year ending March 31, 2001. Regarding the treatment of this amount, Tokyo Gas is considering taking a one-off charge of ¥17 billion as an extraordinary loss and putting the remaining ¥6 billion in trust.

8. What are Tokyo Gas' arrangements for procuring LNG in terms of pricing, contracts and sources?

The price of LNG is determined largely by crude oil prices, since petroleum is the world's main energy source and LNG's primary competitor. Furthermore, most of the LNG that Tokyo Gas purchases is closely linked to the price of oil imported by Japan. Payment methods fall into two categories: Ex-Ship contracts and FOB contracts. Under Ex-Ship contracts, payment is made when LNG is unloaded in Japan at LNG receiving terminals. Under FOB contracts, settlement takes place when LNG is loaded at the source-country port. At present, Tokyo Gas imports approximately 6.2 million tons of LNG per year from 6 countries: Malaysia, Brunei, Indonesia, Australia, the U.S. (Alaska) and Qatar.

When seeking sources of LNG, Tokyo Gas makes its selections based on conditions such as stability of supply, economic feasibility and flexibility of terms. Looking ahead, Tokyo Gas will, in principle, follow its existing policy of relying on long-term supply contracts. But to respond to deregulation and liberalization in Japan's energy sector, Tokyo Gas will consider new procurement methods such as short-term contracts.

In the event that any particular source of supply is interrupted, Tokyo Gas has a number of options to fall back on. Those include the company's reserves of LNG, substitute natural gas (SNG), purchasing excess production from other LNG producers and assistance from other LNG importers.

9. What effect has the adoption of consolidated tax-effect accounting had?

In fiscal 1999, the year ended March 31, 2000, Tokyo Gas adopted tax-effect accounting. Its introduction had the following effects on the company's balance sheets and statements of income.

(1) Balance Sheet

Deferred tax assets: investments: ¥41.5 billion; current assets ¥7.5 billion
Deferred tax liabilities: long-term liability: ¥0.2 billion; current liability ¥45 million
Prior-year tax-effect adjustment in consolidated retained earnings: ¥49.2 billion
Decrease in consolidated retained earnings after tax adjustment : ¥ 0.7 billion

(2) Statements of Income

Tax adjustment: ¥0.7 billion

Net income decreased by ¥0.7 billion as a consequence of the application of tax-effect accounting.

Regarding the Tokyo Gas Group, total deferred tax liabilities were ¥0.3 billion and total deferred tax assets were ¥49.1 billion. The large difference between the two figures largely represents prepayments of tax.

Major components of deferred tax assets:

Excess provision for retirement allowances: ¥25.9 billion
Prior-year qualified pension plan expenses: ¥ 7.7 billion
Excess amortization of deferred assets : ¥ 3.5 billion

Consolidated Balance Sheets

Tokyo Gas Co., Ltd. and Consolidated Subsidiaries
March 31, 2000 and 1999

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2000	1999	2000
Property, plant and equipment (Notes 3 and 6):			
Production facilities	¥ 669,151	¥ 669,814	\$ 6,312,745
Distribution facilities	1,696,315	1,595,849	16,002,972
Service and maintenance facilities	207,957	214,167	1,961,858
Other	583,642	562,735	5,506,057
Construction in progress	123,954	144,853	1,169,377
	3,281,019	3,187,418	30,953,009
Accumulated depreciation	(1,947,467)	(1,844,624)	(18,372,330)
	1,333,552	1,342,794	12,580,679
Intangibles	19,820	4,171	186,981
Investments and other non-current assets:			
Investments in unconsolidated subsidiaries and affiliated companies	11,661	11,715	110,009
Investment securities (Notes 4 and 6)	20,521	20,753	193,594
Deferred income taxes	41,560	–	392,075
Other investments and non-current assets	65,289	84,023	615,935
Allowance for doubtful accounts	(1,382)	(1,486)	(13,038)
	137,649	115,005	1,298,575
Current assets:			
Cash and cash equivalents	97,328	44,211	918,189
Marketable securities (Note 4)	2,310	3,396	21,792
Receivables:			
Trade notes and accounts	125,512	114,804	1,184,075
Allowance for doubtful accounts	(1,505)	(1,501)	(14,198)
Inventories (Note 5)	27,060	27,687	255,283
Deferred income taxes	7,560	–	71,321
Other current assets	55,800	56,879	526,416
Total current assets	314,065	245,476	2,962,878
	¥1,805,086	¥1,707,446	\$17,029,113

See accompanying notes.

LIABILITIES AND STOCKHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 1)
	2000	1999	2000
Long-term debt due after one year (Note 6)	¥ 843,634	¥ 820,753	\$ 7,958,811
Retirement benefits (Note 7)	106,393	105,723	1,003,708
Allowance for repairs of gas holders	3,341	3,330	31,519
Other non-current liabilities	49,162	55,633	463,792
Current liabilities:			
Bank loans (Note 6)	41,642	52,868	392,849
Long-term debt due within one year (Note 6)	71,810	38,455	677,453
Notes and accounts payable:			
Trade	39,285	54,003	370,613
Other	54,416	44,540	513,358
Income taxes payable (Note 8)	14,733	18,821	138,990
Accrued expenses	45,085	59,906	425,330
Other current liabilities	47,727	28,852	450,256
Total current liabilities	314,698	297,445	2,968,849
Commitment and contingent liabilities (Note 12)			
Minority interest	3,619	3,120	34,142
Stockholders' equity (Note 9):			
Common stock par value ¥50 per share:			
Authorized — 6,500,000,000 shares			
Issued — 2,810,012,006 shares	141,817	141,817	1,337,896
Additional paid-in capital	2,038	2,038	19,226
Retained earnings	340,387	277,589	3,211,198
	484,242	421,444	4,568,320
Treasury stock, at cost	(3)	(2)	(28)
Total stockholders' equity	484,239	421,442	4,568,292
	¥1,805,086	¥1,707,446	\$17,029,113

Consolidated Statements of Income

Tokyo Gas Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2000 and 1999

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2000	1999	2000
Net sales (Note 10)	¥992,255	¥997,767	\$9,360,896
Costs and expenses (Notes 7 and 10):			
Cost of sales	483,814	477,284	4,564,283
Selling, general and administrative	439,208	448,180	4,143,471
	923,022	925,464	8,707,754
Operating income (Note 10)	69,233	72,303	653,142
Other income (expenses):			
Interest and dividend income	1,283	1,365	12,104
Interest expense	(23,366)	(22,393)	(220,434)
Adjustments of charges for construction of distribution facilities	(7,838)	(8,546)	(73,943)
Exchange gains	2,637	1,382	24,877
Loss on restructuring of business of a consolidated subsidiary	–	(1,556)	–
Equity in net income of an affiliated company	393	–	3,708
Other, net	1,396	(1,591)	13,169
	(25,495)	(31,339)	(240,519)
Income before income taxes	43,738	40,964	412,623
Income taxes (Note 8)			
Current	16,064	23,499	151,547
Deferred	714	–	6,736
	26,960	17,465	254,340
Minority interest in net income of consolidated subsidiaries	(262)	299	(2,472)
Net income	¥ 26,698	¥ 17,764	\$ 251,868

	Yen		U.S. dollars (Note 1)
	2000	1999	2000
Amounts per share of common stock:			
Net income (Note 2)	¥9.50	¥6.32	\$0.09
Diluted net income	8.84	5.94	0.08
Cash dividends applicable to the year	5.00	5.00	0.05

See accompanying notes.

Consolidated Statements of Stockholders' Equity

Tokyo Gas Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2000 and 1999

	Shares of common stock (Thousands)	Millions of yen		
		Common stock	Additional paid-in capital	Retained earnings
Balance at March 31, 1998	2,810,009	¥141,817	¥2,038	¥273,904
Net income				17,764
Cash dividends paid (¥5.00 per share)				(14,050)
Bonuses to directors				(148)
Shares issued upon conversion of convertible bonds	3			
Increase due to additions of consolidated subsidiaries				119
Balance at March 31, 1999	2,810,012	141,817	2,038	277,589
Cumulative effect of adopting deferred income tax accounting				49,233
Net income				26,698
Cash dividends paid (¥5.00 per share)				(14,050)
Bonuses to directors				(151)
Increase due to addition of consolidated subsidiaries				494
Increase due to addition of company on equity method				574
Balance at March 31, 2000	2,810,012	¥141,817	¥2,038	¥340,387

	Thousands of U.S. dollars (Note 1)		
	Common stock	Additional paid-in capital	Retained earnings
Balance at March 31, 1999	\$1,337,896	\$19,226	\$2,618,764
Cumulative effect of adopting deferred income tax accounting			464,462
Net income			251,868
Cash dividends paid (\$0.05 per share)			(132,547)
Bonuses to directors			(1,425)
Increase due to addition of consolidated subsidiaries			4,660
Increase due to addition of company on equity method			5,416
Balance at March 31, 2000	\$1,337,896	\$19,226	\$3,211,198

See accompanying notes.

Consolidated Statements of Cash Flows

Tokyo Gas Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2000 and 1999

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2000	1999	2000
Cash flows from operating activities:			
Income before income taxes	¥ 43,738	¥ 40,964	\$ 412,623
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation (Note 10)	136,214	132,568	1,285,038
Amortization of long-term prepayments	4,092	10,698	38,604
Loss on disposals of property, plant and equipment	4,331	3,539	40,858
Increase (Decrease) in retirement allowance and accrued pension cost	(3,748)	6,452	(35,358)
Interest and dividend income	(1,283)	(1,365)	(12,104)
Interest expense	23,366	22,393	220,434
Changes in operating assets and liabilities:			
Decrease (Increase) in notes and accounts receivable	(10,591)	3,872	(99,915)
Decrease in inventories	657	2,296	6,198
Decrease in notes and accounts payable	(10,639)	(12,582)	(100,368)
Increase (Decrease) in consumption taxes payable	7,397	(5,822)	69,783
Bonuses paid to directors	(154)	(152)	(1,453)
Other	3,287	5,257	31,009
	196,667	208,118	1,855,349
Cash received for interest and dividend	1,310	1,365	12,358
Cash paid for interest	(23,149)	(24,102)	(218,387)
Cash paid for income taxes	(20,187)	(23,662)	(190,443)
Net cash provided by operating activities	154,641	161,719	1,458,877
Cash flows from investing activities:			
Purchases of marketable and investment securities	(965)	(676)	(9,104)
Purchases of property, plant and equipment	(115,325)	(149,436)	(1,087,972)
Purchases of intangible fixed assets	(5,176)	(766)	(48,830)
Expenditure of long-term prepayments	(3,170)	(8,840)	(29,905)
Proceeds from sale of tangible and intangible fixed assets	227	667	2,142
Increase in other investments and other non-current assets — net	76	152	717
Net cash used in investing activities	(124,333)	(158,899)	(1,172,952)
Cash flows from financing activities:			
Proceeds from (Payments for) short-term bank loans	(10,280)	11,445	(96,981)
Proceeds from long-term debt	94,699	101,144	893,386
Payments for long-term debt	(47,525)	(103,853)	(448,349)
Cash dividends paid	(14,092)	(14,050)	(132,943)
Net cash provided by (used in) financing activities	22,802	(5,314)	215,113
Net increase (decrease) in cash and cash equivalents	53,110	(2,494)	501,038
Increase due to addition of consolidated subsidiaries	7	—	66
Cash and cash equivalents at beginning of year	44,211	46,705	417,085
Cash and cash equivalents at end of year	¥ 97,328	¥ 44,211	\$ 918,189

See accompanying notes.

Notes to Consolidated Financial Statements

Tokyo Gas Co., Ltd. and Consolidated Subsidiaries

1. Basis of consolidated financial statements

Tokyo Gas Co., Ltd. (the Company) and its consolidated domestic subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Japanese Commercial Code and the Securities and Exchange Law and in conformity with accounting principles and practices generally accepted in Japan, which are different from the accounting and disclosure requirements of International Accounting Standards.

The accompanying consolidated financial statements are a translation of the audited consolidated financial statements of the Company which were prepared in accordance with accounting principles and practices generally accepted in Japan from the accounts and records maintained by the Company and its consolidated subsidiaries and were filed with the Minister of Finance ("MOF") as required by the Securities and Exchange Law.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. The consolidated cash flow statements for 1999 has been prepared for the purpose of inclusion in the consolidated financial statements, although such statement was not customarily prepared in Japan and not required to be filed with MOF prior to 2000.

The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of the reader, using the prevailing exchange rate at March 31, 2000, which was ¥106 to U.S. \$1.00. The convenience translations 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.

2. Significant accounting policies

Consolidation — The consolidated financial statements include the accounts of the Company and substantially all of its significant subsidiaries. All significant intercompany transactions and account balances are eliminated in consolidation.

Effective for the year ended March 31, 2000, all companies are required to consolidate all significant investees

which are controlled through substantial ownership of majority voting rights or existence of certain conditions. Previously, only majority-owned companies were consolidated. The prior years' consolidated financial statements have not been restated.

There was no effect of applying this rule to the Company's consolidated financial statements.

Equity method — Investments in unconsolidated subsidiaries and affiliates over which the Company has the ability to exercise significant influence over operating and financial policies of the investees, are accounted for on the equity method. The effect of adopting the new accounting standard is immaterial.

Consolidated Statements of Cash Flows — In accordance with the "Standards for Preparation of Consolidated Cash Flow Statements, etc." (the "New Standards"), effective from the year ended March 31, 2000, the Company is required to prepare consolidated cash flow statements. The prior year's consolidated cash flow statement, which was prepared for readers outside Japan although such statement was not required, has been restated to conform to the 2000 presentation.

Property, plant and equipment — Property, plant and equipment is generally stated at cost. Depreciation is determined mainly by the declining-balance method based on the estimated useful lives. But buildings acquired after March 31, 1998 are depreciated using the straight-line method.

Software costs — In accordance with the provisional rule of the JICPA's Accounting Committee Report No.12 "Practical Guidance for Accounting for Research and Development Costs, etc." (the "Report"), the Company and its consolidated subsidiaries accounts for software which was included in long-term prepaid expenses in investments and other in the same manner in 2000 as in 1999. Pursuant to the Report, however, the Company included software in intangible assets in 2000 and depreciated it using the straight-line method over the estimated useful lives. The amount for 1999 has been reclassified to conform to the 2000 presentation.

Cash and cash equivalents — Cash and cash equivalents include cash on hand, readily-available deposits and short-term highly liquid investments with maturities of not exceeding three months at the time of purchase.

Securities — Listed equity securities included in current assets and non-current assets are carried at the lower of moving-average cost or market value. Other securities are stated at moving-average cost.

Inventories — Inventories are stated at cost, cost being determined by the moving-average method.

Allowance for doubtful accounts — The Company and its consolidated subsidiaries provide for doubtful accounts at estimated amount of probable bad debt plus the maximum amount deductible under Japanese tax regulations.

Retirement benefits — Under the terms of the Company's retirement plan, eligible employees are entitled, under most circumstances, upon mandatory retirement or earlier voluntary severance, to severance payment based on compensation at the time of severance and years of service.

Employees' retirement benefits covering substantially all employees are provided through two arrangements: an unfunded lump-sum benefit plan and a funded pension plan.

The liabilities under the unfunded benefit plan are stated at the amount which would be required had all eligible employees retired voluntarily at the balance sheet date.

In addition, employees, who are age 30 or more with 5 years or more of service, are covered by the funded pension plan, and receive lifetime pension payments from the age of 60 from the plan when they leave the Company at age 50 or more with 15 years or more of service. They may alternatively elect to receive the current value of their vested benefits in a lump-sum distribution.

Employees of consolidated subsidiaries are entitled, under most circumstances, to lump-sum severance payments upon reaching mandatory retirement age, or earlier in the case of voluntary or involuntary termination, based on the compensation at the time of severance and years of service. Liabilities for retirement benefits are recognized at 100% of the amount required had all employees retired at the balance sheet date. Certain consolidated subsidiaries have qualified pension plans.

With regard to retirement benefits to directors and statutory corporate auditors, certain consolidated subsidiaries have separate unfunded lump-sum benefit plans based on established guidelines subject to stockholders' approval. Liabilities under these plans are provided on an accrual

basis and included in "Retirement benefits" in the accompanying balance sheets.

Allowance for repairs of gas holders — The Company and its certain consolidated subsidiaries provides for future repairs of gas holders almost every ten years by estimating future expenditures and charging them to income in equal annual amounts. The difference between the actual expenditure and the amount provided is charged to income in the year repair is completed.

Accounting for certain lease transactions — Finance leases which do not transfer ownership to lessees are accounted for in the same manner as operating leases under accounting principles generally accepted in Japan.

Income taxes — Income taxes comprise corporation tax and inhabitants taxes. The Company provided income taxes at the amounts currently payable for the years ended March 31, 1999. Effective April 1, 1999, the Company adopted the new accounting standard, which recognizes tax effects of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Under the new accounting standard, the provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

The amount of deferred income taxes attributable to the net tax effects of the temporary differences at April 1, 1999 is reflected as an adjustment to the retained earnings brought forward from the previous year. Prior years' financial statements have not been restated.

The cumulative effect of adopting the new accounting standard is ¥49,233 million (\$464,462 thousand), which is directly added to the retained earnings brought forward from March 31, 1999. The effect for the year ended March 31, 2000 was to decrease net income by ¥714 million (\$6,736 thousand) and to increase retained earnings by ¥48,518 million (\$457,717 thousand).

Enterprise tax — Enterprise tax normally constitutes income taxes. However, in the case of companies engaged in gas and certain other businesses, enterprise tax is levied not on income but on net sales. In the accompanying statements

of income, enterprise tax levied on net sales is accounted for in "Selling, general and administrative" expenses in the amount of ¥9,006 million (\$84,962 thousand) and ¥11,257 million for the years ended March 31, 2000 and 1999, respectively. Enterprise taxes calculated based on profit are included in income taxes.

Foreign currency translation — Current monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rate prevailing at the balance sheet date.

Amounts per share of common stock — The computations of net income per share are made based on the weighted average number of shares outstanding during each fiscal year.

Cash dividends per share have been presented on an accrual basis and include dividends approved or to be approved after the balance sheet dates, but applicable to the year then ended.

3. Property, plant and equipment

Property, plant and equipment is generally recorded at cost. However, in cases where the Company receives contributions towards the cost of construction from customers, such contributed amount is offset against the acquisition cost of the subjected asset. Such offset amount accumulated to March 31, 2000 was ¥222,968 million (\$2,103,472 thousand).

4. Market value information for securities

Book value, market value and net unrealized gains of quoted securities included in current assets and investments at March 31, 2000 and 1999 were as follows:

March 31, 2000	Millions of yen	Thousands of U.S. dollars
Book value	¥ 13,726	\$ 129,490
Market value	131,196	1,237,698
Net unrealized gains	¥117,470	\$1,108,208
March 31, 1999 – parent only		
	Millions of yen	
Book value	¥11,670	
Market value	94,339	
Net unrealized gains	¥82,669	

Disclosure of market value information for securities was required only on an un-consolidated basis for the year ended March 31, 1999.

5. Inventories

Inventories at March 31, 2000 and 1999 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Finished products	¥ 2,434	¥ 2,342	\$ 22,962
Raw materials	16,322	10,995	153,981
Supplies	8,245	7,764	77,783
Work in process	59	6,586	557
	¥27,060	¥27,687	\$255,283

6. Bank loans and long-term debt

At March 31, 2000 and 1999, bank loans consisted of short-term notes, bearing interest at an annual average rate of 0.5% and 0.72%, respectively.

Long-term debt at March 31, 2000 and 1999 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Domestic unsecured notes due 2002 at a rate of 5.6%	¥ 35,000	¥ 35,000	\$ 330,189
Domestic unsecured notes due 2014 at a rate of 5.1%	30,000	30,000	283,019
Domestic unsecured notes due 2015 at a rate of 4.1%	30,000	30,000	283,019
Domestic unsecured notes due 2016 at a rate of 4.0%	30,000	30,000	283,019
Domestic unsecured notes due 2018 at a rate of 2.625%	40,000	40,000	377,358
Domestic unsecured notes due 2009 at a rate of 1.68%	30,000	–	283,019
Domestic unsecured notes due 2009 at a rate of 1.73%	30,000	–	283,019
Domestic unsecured convertible bonds:			
1st issue due 2003 at a rate of 1.5%	58,791	58,791	554,632
2nd issue due 2000 at a rate of 1.5%	39,808	39,808	375,547
3rd issue due 2005 at a rate of 1.5%	97,594	99,583	920,698
4th issue due 2002 at a rate of 1.5%	98,958	98,958	933,566
5th issue due 2009 at a rate of 1.2%	49,998	49,998	471,679
6th issue due 2007 at a rate of 1.1%	49,993	49,993	471,632
Swiss franc notes due 2002 at a rate of 4.5%	14,810	14,810	139,718
DM bearer bonds due 2005 at a rate of 7.0%	18,333	18,333	172,953
Domestic secured notes due 2003 at a rate of 2.0%	800	800	7,547
Loans from banks, insurance companies and government agencies due through 2028 at rates of 1.04% to 7.50%:			
Secured	15,201	6,623	143,406
Unsecured	246,158	256,511	2,322,244
	915,444	859,208	8,636,264
Less amounts due within one year	71,810	38,455	677,453
	¥843,634	¥820,753	\$7,958,811

The indentures covering the first through sixth domestic convertible bonds provide, among other conditions, for (1) conversion into shares of common stock at the current conversion prices per share of ¥1,267.90 (\$11.96), ¥1,267.90 (\$11.96), ¥1,105.70 (\$10.43), ¥1,105.70 (\$10.43), ¥339.00 (\$3.20) and ¥339.00 (\$3.20), respectively (subject to adjustment in certain circumstances), (2) conversion periods through September 2003, September 2000, March 2005, March 2002, March 2009 and March 2007, respectively, and (3) redemption at the option of the Company, commencing in October 1996, October 1994, April 1998 and April 1996, respectively, at prices ranging from 106% to 100% of the principal amount except for the fifth and

sixth issue convertible bonds.

At March 31, 2000, investment securities and property, and equipment at book value amounting to ¥12,533 million (\$118,236 thousand) were pledged as collateral for secured loans and notes issued by consolidated subsidiaries.

As is customary in Japan, a lending bank has the right to offset cash deposited with it against any debt or obligation that becomes due and, in the case of default or certain other specified events, against all debt payable to the bank. To date no such request has been made to the Company and its consolidated subsidiaries.

Certain of the loan agreements provide, among other things, that, upon request, the Company and domestic

subsidiaries submit to the lenders for approval of its proposed appropriation of income (including dividends) before such appropriation is submitted to the stockholders.

Neither the Company nor any of its consolidated subsidiaries has ever received any such request.

The annual maturities of long-term debt at March 31, 2000 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2001	¥ 71,810	\$ 677,453
2002	126,383	1,192,292
2003	74,836	706,000
2004	99,758	941,113
2005	124,274	1,172,396
2006 and thereafter	418,383	3,947,010
	<u>¥915,444</u>	<u>\$8,636,264</u>

7. Retirement benefits

Charges with respect to employees' and retirement benefits covering employees and directors and statutory corporate auditors of the Company and consolidated subsidiaries included in "Costs and expenses" were ¥31,484 million (\$297,019 thousand) and ¥25,270 million for the years ended March 31, 2000 and 1999, respectively.

8. Income taxes

The Company is subject to a number of taxes based on income, which, in the aggregate, indicate statutory rates in Japan of approximately 36% and 42% for the years ended March 31, 2000 and 1999, respectively.

The following table summarizes the significant differences between the statutory tax rate and the Company's effective tax rate for financial statement purposes for the year ended March 31, 2000:

Statutory tax rate	36%
Tax rate difference between gas business (36%) and others (42%)	1
Other - net	1
Effective tax rate	<u>38%</u>

Significant components of deferred tax assets and liabilities as of March 31, 2000 are as follows:

	Millions of yen	Thousands of U.S. dollars
Liabilities for retirement benefits . . .	¥33,637	\$317,330
Reserve for tax-purpose cost reduction of certain pipelines	(235)	(2,217)
Other -net	15,396	145,245
Total	<u>¥48,798</u>	<u>\$460,358</u>

9. Stockholders' equity

At the current conversion prices, 550,487 thousand shares of common stock were issuable at March 31, 2000 upon full conversion of the outstanding convertible bonds (see Note 6).

Under the Commercial Code of Japan, the Company is required to appropriate as legal reserve an amount equal to at least 10% of cash dividends and bonuses to directors until the reserve equals 25% of common stock. This reserve is not available for dividends but may be used to reduce a deficit by resolution of the stockholders' meeting or transferred to the common stock by resolution of the Board of Directors. The amount of retained earnings on a non-consolidated basis less the amount required for legal reserve is available for cash dividends. Legal reserve is included in retained earnings in the accompanying consolidated balance sheets.

The maximum amount that the Company can distribute as dividends is calculated based on the unconsolidated financial statements of the Company in accordance with the Commercial Code of Japan.

10. Segment information

The Company's primary business activities include (1) gas sales, (2) gas appliance sales, (3) related construction, (4) real estate rental business and (5) other business.

A summary of net sales, cost and expenses, operating income, identifiable assets, depreciation and capital expenditures is as follows:

	Millions of yen						
	Gas sales	Gas appliance sales	Related construction	Real estate rental business	Other	Elimination or corporate	Consolidated
For 2000:							
Sales:							
Outside customers	¥ 672,070	¥126,747	¥63,949	¥ 14,959	¥114,530	¥ -	¥ 992,255
Inside group	-	1,169	4,703	22,883	44,290	(73,045)	-
	672,070	127,916	68,652	37,842	158,820	(73,045)	992,255
Costs and expenses	530,686	125,139	66,700	29,588	147,323	23,586	923,022
Operating income	¥ 141,384	¥ 2,777	¥ 1,952	¥ 8,254	¥ 11,497	¥ (96,631)	¥ 69,233
Identifiable assets	¥1,148,758	¥ 53,311	¥22,451	¥252,016	¥224,176	¥ 104,374	¥1,805,086
Depreciation	109,108	754	169	12,991	14,160	(968)	136,214
Capital expenditures	107,388	482	115	2,283	12,741	(1,203)	121,806
For 1999:							
Sales:							
Outside customers	¥ 674,997	¥132,749	¥63,630	¥ 15,617	¥110,774	¥ -	¥ 997,767
Inside group	-	1,177	5,188	21,999	44,270	(72,634)	-
	674,997	133,926	68,818	37,616	155,044	(72,634)	997,767
Costs and expenses	518,899	134,625	68,235	28,826	146,021	28,858	925,464
Operating income	¥ 156,098	¥ (699)	¥ 583	¥ 8,790	¥ 9,023	¥(101,492)	¥ 72,303
Identifiable assets	¥1,145,642	¥ 52,906	¥22,301	¥257,963	¥216,631	¥ 12,003	¥1,707,446
Depreciation	106,481	704	57	13,331	12,006	(11)	132,568
Capital expenditures	121,695	631	295	2,112	18,808	(1,511)	142,030
	Thousands of U.S. dollars						
	Gas sales	Gas appliance sales	Related construction	Real estate rental business	Other	Elimination or corporate	Consolidated
For 2000:							
Sales:							
Outside customers	\$ 6,340,283	\$1,195,726	\$603,292	\$ 141,123	\$1,080,472	\$ -	\$ 9,360,896
Inside group	-	11,029	44,368	215,877	417,830	(689,104)	-
	6,340,283	1,206,755	647,660	357,000	1,498,302	(689,104)	9,360,896
Costs and expenses	5,006,471	1,180,557	629,245	279,132	1,389,840	222,509	8,707,754
Operating income	\$ 1,333,812	\$ 26,198	\$ 18,415	\$ 77,868	\$ 108,462	\$(911,613)	\$ 653,142
Identifiable assets	\$10,837,340	\$ 502,934	\$211,802	\$2,377,509	\$2,114,868	\$ 984,660	\$17,029,113
Depreciation	1,029,321	7,113	1,594	122,557	133,585	(9,132)	1,285,038
Capital expenditures	1,013,094	4,547	1,085	21,538	120,198	(11,349)	1,149,113

Assets in the corporate column mainly comprise current and non-current securities of the Company.

Geographic segment information is not shown due to the

Company having no overseas consolidated subsidiaries. Information for overseas sales is not disclosed due to overseas sales being not material compared to consolidated net sales.

11. Information for certain leases

Finance leases which do not transfer ownership to lessees are accounted for in the same manner as operating leases.

Information as lessee:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Lease payments	¥1,053	¥1,267	\$ 9,934
Future minimum lease payments inclusive of interest			
Current	¥ 776	¥ 943	\$ 7,321
Non-current	1,032	1,282	9,736
	¥1,808	¥2,225	\$17,057

The company uses certain production facilities, distribution facilities, service and maintenance facilities and other assets under lease arrangement. An analysis of equivalent amounts of leased assets under finance leases is as follows:

	Millions of yen		
	Acquisition cost	Accumulated depreciation	Net book value
For 2000:			
Production facilities	¥ 110	¥ 55	¥ 55
Distribution facilities	758	377	381
Service and maintenance facilities	425	261	164
Other	4,415	3,207	1,208
	¥5,708	¥3,900	¥1,808

For 1999:			
Production facilities	¥ 124	¥ 30	¥ 94
Distribution facilities	651	312	339
Service and maintenance facilities	306	205	101
Other	4,900	3,208	1,692
	¥5,981	¥3,755	¥2,226

	Thousands of U.S. dollars		
	Acquisition cost	Accumulated depreciation	Net book value
For 2000:			
Production facilities	\$ 1,038	\$ 519	\$ 519
Distribution facilities	7,151	3,557	3,594
Service and maintenance facilities	4,009	2,462	1,547
Other	41,651	30,254	11,397
	\$53,849	\$36,792	\$17,057

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Amount representing lease depreciation	¥1,053	¥1,267	\$9,934

Information as lessor:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Lease income	¥ 4,359	¥ 4,840	\$ 41,123
Future lease payments to be received			
Current	¥ 4,243	¥ 3,776	\$ 40,028
Non-current	10,107	8,733	95,349
	¥14,350	¥12,509	\$135,377

Some of consolidated subsidiaries have direct finance lease of other assets. An analysis of leased assets under direct finance lease is as follow:

	Millions of yen		Net book value
	Acquisition cost	Accumulated depreciation	
For 2000:			
Other	¥24,532	¥16,081	¥8,451
For 1999:			
Other	¥24,641	¥16,614	¥8,027

	Thousands of U.S. dollars		Net book value
	Acquisition cost	Accumulated depreciation	
For 2000:			
Other	\$231,434	\$151,708	\$79,726

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Lease depreciation	¥2,684	¥2,676	\$25,321

12. Commitment and contingent liabilities

The Company and its consolidated subsidiaries were contingently liable (1) to banks in the amount of ¥5,282 million (\$49,830 thousand) at March 31, 2000 with respect to joint and several liabilities upon default of debtors and (2) as guarantors for the in-substance defeasance of domestic unsecured notes in the amount of ¥30,000 million (\$283,019 thousand) issued by the Company, which were assigned to certain banks under the debt assumption agreements made through the years ended March 31, 1999. At the same date, some consolidated subsidiaries were contingently liable with respect to trade notes receivable discounted with banks in the amount of ¥220 million (\$2,075 thousand).

At March 31, 2000, the Company had several long-term purchase contracts for the supply of LNG. The purchase price determinable under such contracts is contingent upon fluctuations in the market price of crude oil.

13. Subsequent events

At the annual meeting held on June 29, 2000, the Company's stockholders approved (1) payment of year-end cash dividends of ¥2.5 (\$0.02) per share aggregating ¥7,025 million (\$66,274 thousand) to the stockholders of record as of March 31, 2000, and (2) payment of bonuses to directors totaling ¥83 million (\$783 thousand).

ASAHI & CO

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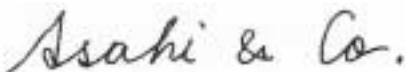
To the Stockholders and the Board of Directors of TOKYO GAS CO., LTD. :

We have audited the accompanying consolidated balance sheets of TOKYO GAS CO., LTD. (a Japanese corporation) and subsidiaries as of March 31, 2000 and 1999, and the related consolidated statements of income, stockholders' equity and cash flows for the years then ended, expressed in Japanese yen. Our audits were made in accordance with generally accepted auditing standards in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of TOKYO GAS CO., LTD. and subsidiaries as of March 31, 2000 and 1999, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan applied on a consistent basis during the periods, except as noted in the following paragraph.

As explained in Note 2, in the year ended March 31, 2000, TOKYO GAS CO., LTD. and subsidiaries adopted new Japanese accounting standards for consolidation and equity method accounting, income taxes and research and development costs.

Also, in our opinion, the U.S. dollar amounts in the accompanying consolidated financial statements have been translated from Japanese yen on the basis set forth in Note 1.

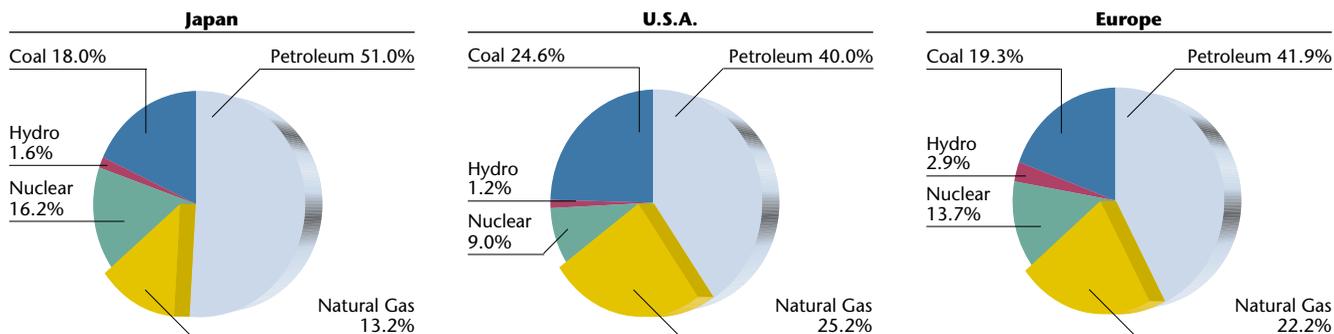


Tokyo, Japan
June 29, 2000

Statement on Accounting Principles and Auditing Standards

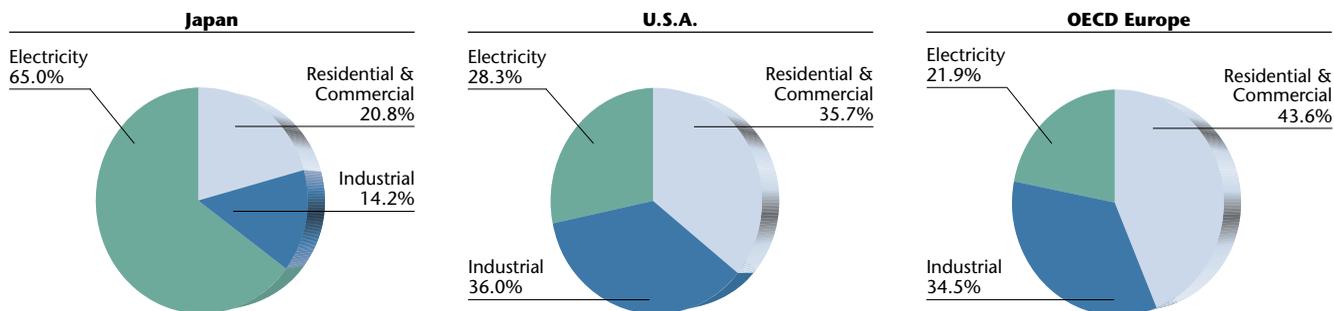
This statement is to remind users that accounting principles and auditing standards and their application in practice may vary among nations and therefore could affect, possibly materially, the reported financial position and results of operations. The accompanying financial statements are prepared based on accounting principles generally accepted in Japan, and the auditing standards and their application in practice are those generally accepted in Japan. Accordingly, the accompanying financial statements and the auditors' report presented above are for users familiar with Japanese accounting principles, auditing standards and their application in practice.

Share of Natural Gas in Total Primary Energy Supply (1999)



Source: BP Amoco Statistical Review of World Energy 1999

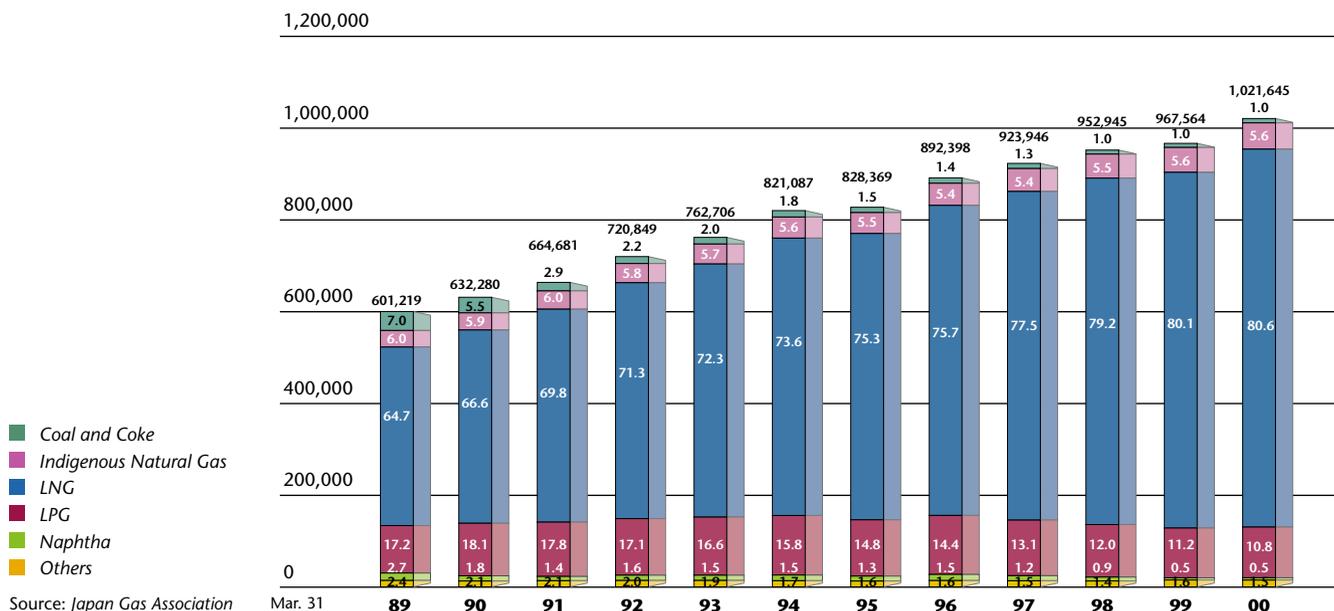
Use of Gas* by Sector (1998)



* Includes manufactured gas
Source: IEA, Energy Balances of OECD Countries, 1997-1998

Japan's City Gas Supply by Feedstock Type

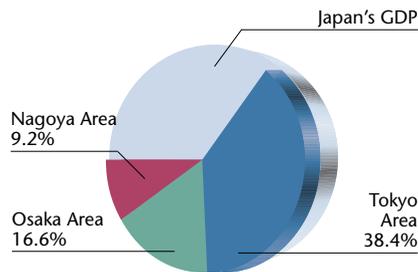
Units: million MJ
Figures in vertical bars: % of total



Source: Japan Gas Association

Share of Japan's GDP by Area

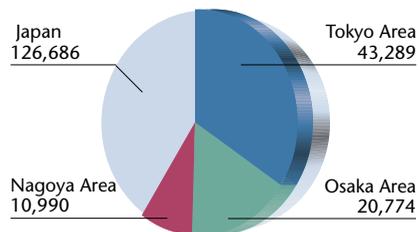
(For year ended March 31, 1998)



Source: Economic Planning Agency

Population of the Tokyo, Osaka, and Nagoya Areas

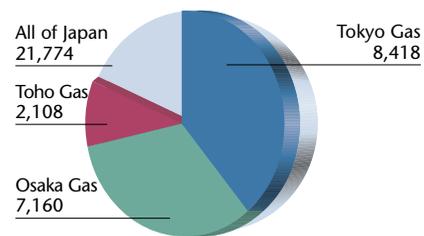
(As of October 1, 1999)
(in thousands)



Source: Management and Coordination Agency

Comparison of Tokyo Gas, Osaka Gas, and Toho Gas Sales Volumes

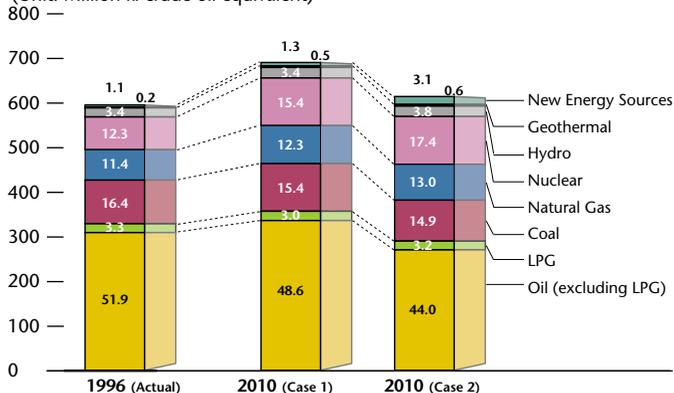
(For year ended March 31, 2000)
(Millions of m³, 46.047 MJ/m³)



Notes: 1. The Tokyo Area includes Tokyo, Kanagawa, Saitama, Chiba, Ibaraki, Tochigi, Gunma, Yamanashi and Nagano prefectures.
The Osaka Area includes Osaka, Hyogo, Kyoto, Shiga, Nara and Wakayama prefectures.
The Nagoya Area includes Aichi, Gifu and Mie prefectures.
2. The GDP for each of the above areas is the sum of the GDP of the prefectures listed.

MITI's Long-term Energy Supply Outlook for Japan (1998)

(Unit: Million kl crude oil equivalent)

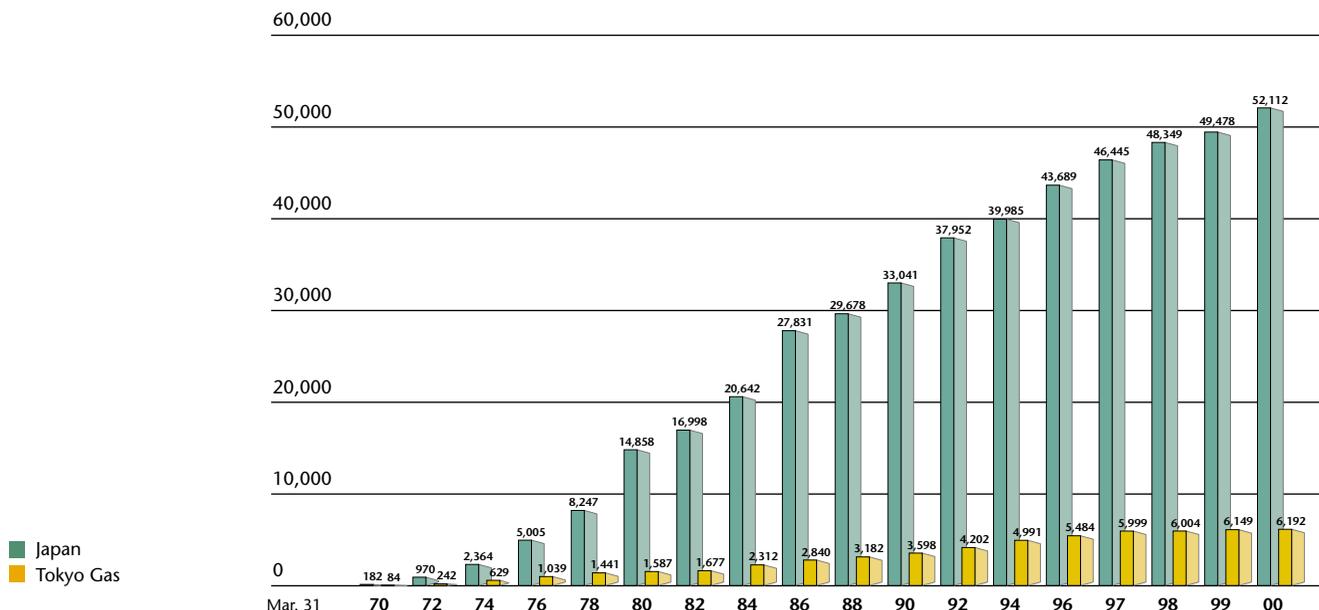


	1996 (Actual)	2010 (Case 1)	2010 (Case 2)
Primary Energy Supply	597 million kl	693 million kl	616 million kl
New Energy Sources	6.9 million kl	9.4 million kl	19.1 million kl
Geothermal	1.2 million kl	3.8 million kl	3.8 million kl
Hydro	82 billion kWh	105 billion kWh	105 billion kWh
Nuclear	302 billion kWh	480 billion kWh	480 billion kWh
Natural Gas	48.2 million t	60.9 million t	57.1 million t
Coal	131.6 million t	145 million t	124 million t
Oil (including LPG)	329 million kl	358 million kl	291 million kl
LPG only	15.2 million t	16.1 million t	15.1 million t
Oil (excluding LPG)	310 million kl	337 million kl	271 million kl
Total	597 million kl	693 million kl	616 million kl

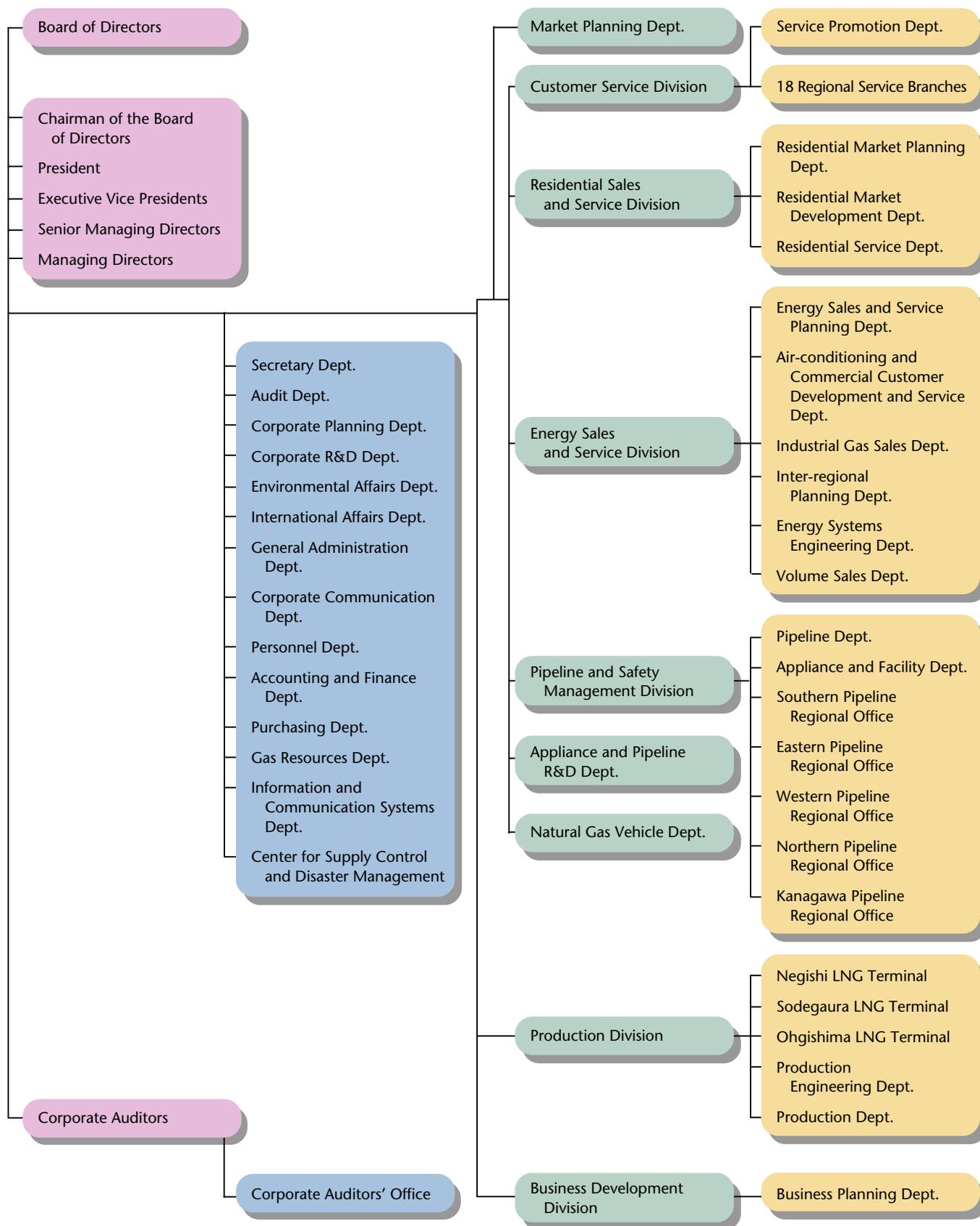
Notes: 1. Case 1 represents a business as usual scenario (no additional energy conservation measures are implemented).
2. Case 2 represents a scenario in which additional energy conservation measures are implemented and new sources of energy are developed.
3. The indicated years are fiscal years (April 1 of the indicated year through March 31 of the following year).

Imports of LNG: Japan and Tokyo Gas

(Units: thousands of tons)



Organization



(As of June 29, 2000)

Corporate Information

Tokyo Gas Co., Ltd.

Head Office

5-20, Kaigan 1-chome, Minato-ku, Tokyo 105-8527, Japan
Tel: +81-3-3433-2111 Fax: +81-3-5472-5385

Overseas Representative Offices

New York Representative Office

280 Park Avenue, New York, NY 10017, U.S.A.
Tel: +1-212-818-1210 Fax: +1-212-818-1218

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Tel: +33-1-45-62-00-59 Fax: +33-1-42-25-96-85

Asia Pacific Regional Office

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No. 30 Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia
Tel: +60-3-244-2928 Fax: +60-3-244-2930

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No. 5 DongSanHuanBei-Lu, Chao Yang-Qu
Beijing 100004, People's Republic of China
Tel: +86-10-6590-8450/8451 Fax: +86-10-6590-8452

Investor Information

Date of Establishment

October 1, 1885

Authorized Number of Shares

6,500,000,000 shares

Number of Stockholders

211,705

Cash Dividends Applicable to the Year

¥5.00

Securities Traded

Common stock: Tokyo, Osaka, Nagoya and Kyoto stock exchanges

Independent Auditors

Asahi & Co. (A Member Firm of Andersen Worldwide SC)

Transfer Agent

Japan Securities Agents, Ltd.
2-4, Nihonbashi Kayabacho 1-chome, Chuo-ku
Tokyo 103-8202, Japan

Publications

The following English-language publications are available on written request:

- Annual Review 1998
- Annual Report 1999
- TG Minutes
- Environmental Report 2000

Internet Address

<http://www.tokyo-gas.co.jp>

Further Information

For further information and additional copies of this report and other publications, please contact:

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Units

1 metric ton = 2,204.62 lb.
1 kilocalorie (kcal) = 4.187 kJ = 3.968 Btu
1 megajoule (MJ) = 239 kcal = 948 Btu
1 British thermal unit (Btu) = 0.252 kcal = 1.055 kJ
1 kilowatt-hour (kWh) = 860 kcal = 3.6 MJ = 3,412 Btu

(As of June 29, 2000)



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