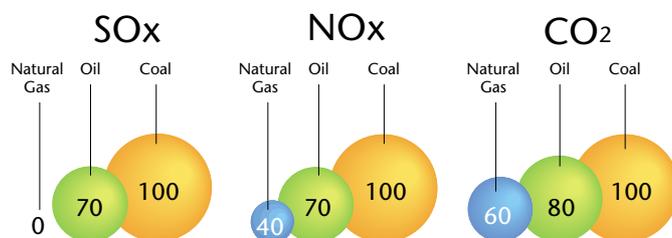


Environmental Conservation

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.

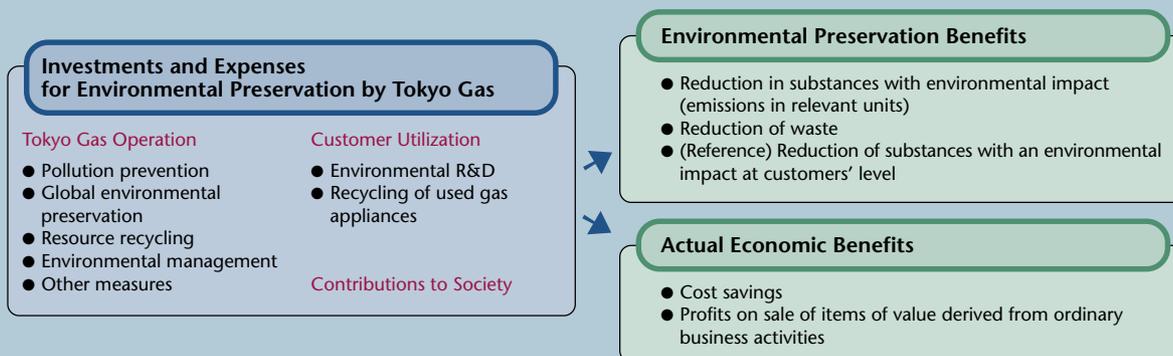
Strengthen environmental partnerships with local areas and the international community

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.