

March 29, 2004

Tokyo Gas Co., Ltd.

Adoption of strategic business unit system and associated organizational changes for April 2004

Tokyo Gas Co., Ltd. (President: Norio Ichino) has announced organizational changes to take effect on April 1, 2004. The changes announced are in line with the policy of adopting a strategic business unit system to enable integrated management of Tokyo Gas' core business and associated businesses as set out in Frontier 2007, the Tokyo Gas Group's mid-term business plan for FY2003 to FY2007.

1. Purposes of organizational changes (adoption of strategic business unit system)

Frontier 2007 calls for a shift from a business model premised on the supply of city gas alone to one where the entire Group supplies energy and energy-related value-added products and services. In order to implement that shift, it was considered necessary for Tokyo Gas and its affiliates to integrate their expertise and products/services, and to integrate the channels for proposing and implementing business strategy. To reform the business model and achieve this goal of a united organization that can maximize the total value provided to our customers and that can deliver service on a Group basis, it was decided to adopt a strategic business unit system starting FY2004.

2. Concept of the "strategic business unit"

A strategic business unit is what formed from a strategic division and affiliated companies that benefit from enhanced competitiveness in closely related business domains by linking together. The organizational changes announced by Tokyo Gas establish six new business units, the Residential Sales Business Unit, the Energy Sales and Service Business Unit, the Regional Development and Marketing Business Unit, the Pipeline Network Business Unit, the Energy Production Business Unit, and the Energy Resources Business Unit.

3. Details of organizational changes

(1) Clarification of functions and roles

The overall corporate organization is divided into three categories, corporate elements, strategic business units, and shared services/R&D elements. The corporate elements consist of two divisions, and are responsible for functions such as formulation of strategy for the whole Group and coordination between strategic business units. There are six strategic business units, responsible for conducting business, and two divisions that make up shared services/R&D elements, responsible for in-group service provision and technical support. All the Tokyo Gas divisions and affiliates fit into this structure in accordance with their functions.

(2) Reorganization at the Division level

The current structure of 11 divisions is being reorganized into a 10-division structure as detailed below.

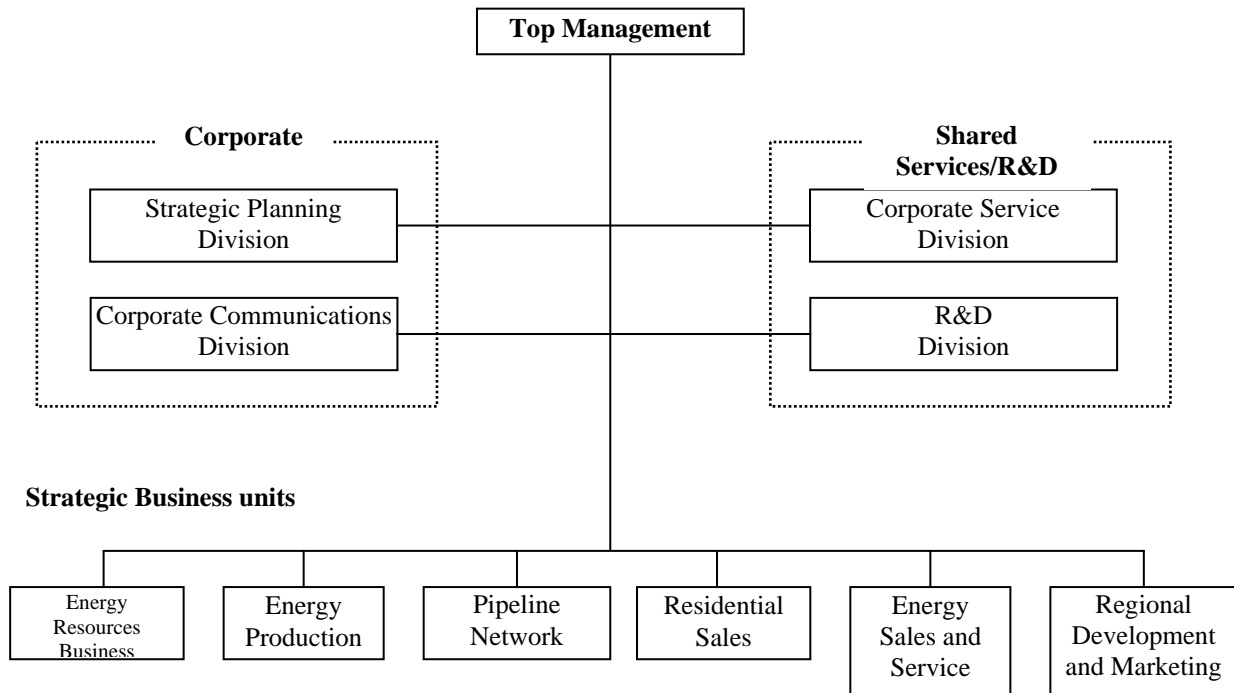
- 1) Eliminate the current Customer Service Division and Residential Sales and Service Division. Combine the functions of these two divisions with the regional planning functions of the Inter-Regional Sales and Service Division to create a new Residential Sales Division.
- 2) Create a new Energy Resources Business Division.
- 3) Re-designate the Pipeline and Safety Management Division as the Pipeline Network Division, and re-designate the Production Division as the Energy Production Division
- 4) Eliminate the Affiliated Companies Division

New corporate structure

Function	Divisions included	Affiliates included
Corporate	Strategic Planning Division	- Tokyo Gas Engineering - Tokyo Gas Chemicals, etc. (19 companies)
	Corporate Communications Division	- Urban Communications (1 company)
Strategic business units	Residential Sales Division	- Kanpai (Sales and Equipment Division) - Gastar (Water Heater Division) - Tokyo Gas Customer Service, etc. (36 companies)
	Energy Sales and Service Division	- Energy Advance - Nijjo - Gastar (Air Conditioning Division) - Tokyo Gas Yokosuka Power (4 companies)
	Regional Development and Marketing Division	- Tokyo Gas Energy - Chiba Gas, etc. (12 companies)
	Pipeline Network Division	- Kanpai (Pipeline Division) - Toyoko Engineering (Pipeline Division) (2 companies)
	Energy Production Division	- Tokyo Gas Bay Power (1 company)
	Energy Resources Business Division	- Tokyo LNG Tanker - TG Australia - TG Darwin (3 companies)
Shared services/R&D	Corporate Service Division	- Tokyo Gas Urban Development - TG Information Network, etc. (6 companies)
	R&D Division	- Nothing

Corporate structure using strategic business units

The corporate structure using strategic business units consists of corporate elements, strategic business units, and shared services/R&D elements.



(3) Reorganization below the Division level

- 1) Establish Business Development Department and Affiliated Companies Department in the Strategic Planning Division
- 2) Move some of the functions of the 11 branches currently affiliated with the Customer Service Division to the Residential Sales Division, and re-establish 11 branches with new roles under the Corporate Communications Division.
- 3) Establish Customer Relationship Department, Residential Sales Planning Department, Customer Service Management Department, and Area Development Department in the new Residential Sales Division, and take over the Residential Market Development Department, Residential Facility Sales Department, the Residential Sales Promotion Department, and the Remodeling Sales Department from the Residential Sales and Service Division.
- 4) Establish Pipeline Network Strategy Planning Department and Emergency Management Department in the Pipeline Network Division (currently the Pipeline and Safety Management Division), and re-designate the current Center for Supply Control and Disaster Management as the Supply Control and Disaster Management Department. Reorganize the five current Pipeline Regional Offices into three.
- 5) Re-designate Service Integration and Promotion Department in the Corporate Service Division as the Corporate Service Planning Department.