Consolidated Balance Sheets

Tokyo Gas Co., Ltd. and Consolidated Subsidiaries
March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2002**	2001	**2002**
Property, plant and equipment (Notes 3 and 6):			
Production facilities	**¥ 686,997**	¥ 702,146	**$ 5,165,391**
Distribution facilities	**1,889,145**	1,772,491	**14,204,097**
Service and maintenance facilities	**197,532**	203,473	**1,485,202**
Other	**588,071**	587,183	**4,421,590**
Construction in progress	**59,200**	96,121	**445,114**
	3,420,945	3,361,414	**25,721,394**
Accumulated depreciation	**(2,171,009)**	(2,069,235)	**(16,323,376)**
	1,249,936	1,292,179	**9,398,018**
Intangibles	**19,197**	19,252	**144,336**
Investments and other non-current assets:			
Investments in unconsolidated subsidiaries and affiliated companies	**17,867**	14,009	**134,337**
Investment securities (Notes 4 and 6)	**74,846**	111,632	**562,751**
Deferred income taxes (Note 9)	**30,083**	19,359	**226,190**
Other investments and non-current assets	**60,546**	62,068	**455,233**
Allowance for doubtful accounts	**(1,660)**	(1,145)	**(12,484)**
	181,682	205,923	**1,366,027**
Current assets:			
Cash and cash equivalents	**27,261**	64,575	**204,968**
Marketable securities (Note 4)	**21**	332	**160**
Receivables:			
Trade notes and accounts	**128,550**	127,037	**966,540**
Allowance for doubtful accounts	**(932)**	(1,098)	**(7,010)**
Inventories (Note 5)	**28,759**	27,419	**216,232**
Deferred income taxes (Note 9)	**10,049**	8,260	**75,560**
Other current assets	**58,190**	53,790	**437,519**
Total current assets	**251,898**	280,315	**1,893,969**
	¥ 1,702,713	¥ 1,797,669	**$ 12,802,350**

See accompanying notes.

LIABILITIES AND STOCKHOLDERS' EQUITY	Millions of yen 2002	2001	Thousands of U.S. dollars (Note 1) 2002
Long-term debt due after one year (Note 6)	**¥ 680,887**	¥ 708,329	**$ 5,119,453**
Employees' severance and retirement benefits (Note 8)	**125,554**	134,216	**944,016**
Allowance for repairs of gas holders	**3,520**	3,324	**26,464**
Other non-current liabilities	**27,016**	28,363	**203,126**
Current liabilities:			
Bank loans (Note 6)	**42,709**	39,921	**321,121**
Long-term debt due within one year (Note 6)	**40,298**	121,874	**302,993**
Notes and accounts payable:			
Trade	**38,055**	43,286	**286,131**
Other	**40,216**	44,290	**302,373**
Income taxes payable (Note 9)	**27,941**	22,009	**210,085**
Accrued expenses	**45,276**	45,034	**340,424**
Other current liabilities	**63,366**	50,576	**476,433**
Total current liabilities	**297,861**	366,990	**2,239,560**
Commitment and contingent liabilities (Note 13)			
Minority interest	**3,797**	3,657	**28,546**
Stockholders' equity (Note 10):			
Common stock:			
Authorized – 6,500,000,000 shares			
Issued – 2,810,165,397 shares in 2002			
– 2,810,012,006 shares in 2001	**141,843**	141,817	**1,066,492**
Additional paid-in capital	**2,064**	2,038	**15,520**
Retained earnings	**387,315**	353,794	**2,912,144**
Net unrealized holding gains on securities	**32,836**	55,140	**246,884**
Foreign currency translation adjustments	**115**	4	**861**
	564,173	552,793	**4,241,901**
Treasury stock, at cost	**(95)**	(3)	**(716)**
Total stockholders' equity	**564,078**	552,790	**4,241,185**
	¥1,702,713	¥1,797,669	**$12,802,350**

Consolidated Statements of Income

Tokyo Gas Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	**2002**
Net sales (Note 11)	**¥1,097,589**	¥1,086,771	**$8,252,549**
Costs and expenses (Notes 8 and 11):			
Cost of sales	**561,989**	561,006	**4,225,478**
Selling, general and administrative	**424,992**	422,106	**3,195,432**
	986,981	983,112	**7,420,910**
Operating income (Note 11)	**110,608**	103,659	**831,639**
Other income (expenses):			
Interest and dividend income	**1,021**	1,396	**7,676**
Interest expense	**(19,275)**	(22,867)	**(144,922)**
Adjustments of charges for construction of distribution facilities	**(6,827)**	(6,272)	**(51,332)**
Losses on bond redemption	**(4,618)**	(3,369)	**(34,720)**
Gains from disposal of securities	**3,455**	–	**25,977**
Exchange losses	**(615)**	(1,265)	**(4,624)**
Equity in net income of an affiliated company	**311**	349	**2,337**
Losses on compensation for malfunctioned finished goods	**(1,300)**	–	**(9,774)**
Amortization of net transition obligation	**–**	(21,777)	**–**
Other, net	**101**	(4,769)	**761**
	(27,747)	(58,574)	**(208,621)**
Income before income taxes and minority interest in net income of consolidated subsidiaries	**82,861**	45,085	**623,018**
Income taxes (Note 9):			
Current	**31,507**	25,436	**236,897**
Deferred	**(742)**	(8,027)	**(5,576)**
	52,096	27,676	**391,697**
Minority interest in net income of consolidated subsidiaries	**(184)**	(81)	**(1,384)**
Net income	**¥ 51,912**	¥ 27,595	**$ 390,313**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	**2002**
Amounts per share of common stock (Note 2):			
Net income	**¥18.47**	¥9.82	**$0.14**
Diluted net income	**16.66**	9.13	**0.13**
Cash dividends applicable to the year	**6.00**	6.00	**0.05**

See accompanying notes.

Consolidated Statements of Stockholders' Equity

Tokyo Gas Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2002 and 2001

		Millions of yen					
	Number of shares of common stock (Thousands)	Common stock	Additional paid-in capital	Retained earnings	Net unrealized holding gains on securities	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2000	2,810,012	¥141,817	¥2,038	¥340,387	¥ –	¥ –	¥ (3)
Net income				27,595			
Adoption of new accounting standard for financial instruments					55,140		
Adjustments from translation of foreign currency financial statements						4	
Treasury stock							0
Cash dividends paid (¥5.00 per share)				(14,050)			
Bonuses to directors				(138)			
Balance at March 31, 2001	2,810,012	141,817	2,038	353,794	55,140	4	(3)
Net income				51,912			
Net unrealized holding losses on securities					(22,304)		
Foreign currency translation adjustments						111	
Treasury stock							(92)
Cash dividends paid (¥6.50 per share)				(18,265)			
Bonuses to directors				(126)			
Shares issued upon conversion of convertible bonds	153	26	26				
Balance at March 31, 2002	**2,810,165**	**¥141,843**	**¥2,064**	**¥387,315**	**¥ 32,836**	**¥115**	**¥(95)**

	Thousands of U.S. dollars (Note 1)					
	Common stock	Additional paid-in capital	Retained earnings	Net unrealized holding gains on securities	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2001	$1,066,296	$15,325	$2,660,106	$ 414,586	$ 30	$ (21)
Net income			390,313			
Net unrealized holding losses on securities				(167,702)		
Foreign currency translation adjustments					831	
Treasury stock						(695)
Cash dividends paid ($0.05 per share)			(137,331)			
Bonuses to directors			(944)			
Shares issued upon conversion of convertible bonds	196	195				
Balance at March 31, 2002	**$1,066,492**	**$15,520**	**$2,912,144**	**$ 246,884**	**$861**	**$(716)**

See accompanying notes.

Consolidated Statements of Cash Flows

Tokyo Gas Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	**2002**
Cash flows from operating activities:			
Income before income taxes and minority interest in net income of consolidated subsidiaries	**¥ 82,861**	¥ 45,085	**$ 623,018**
Adjustments to reconcile income before income taxes and minority interest in net income of consolidated subsidiaries to net cash provided by operating activities:			
Depreciation (Note 11)	**141,646**	146,420	**1,065,009**
Amortization of long-term prepayments	**3,918**	3,955	**29,458**
Loss on disposals of property, plant and equipment	**3,577**	3,348	**26,893**
Gains from disposal of securities	**(3,457)**	(2)	**(25,994)**
Loss on bond redemption	**4,618**	3,369	**34,725**
Increase (Decrease) in employees' severance and retirement benefits	**(8,661)**	6,463	**(65,123)**
Interest and dividend income	**(1,021)**	(1,396)	**(7,676)**
Interest expense	**19,275**	22,867	**144,922**
Changes in operating assets and liabilities:			
Increase in notes and accounts receivable	**(217)**	(149)	**(1,633)**
Increase in inventories	**(1,340)**	(360)	**(10,073)**
Decrease in notes and accounts payable	**(3,674)**	(1,673)	**(27,625)**
Increase (Decrease) in consumption taxes payable	**2,748**	(4,562)	**20,664**
Bonuses paid to directors	**(127)**	(141)	**(958)**
Other	**(4,659)**	4,247	**(35,031)**
	235,487	227,471	**1,770,576**
Cash received for interest and dividends	**1,089**	1,465	**8,189**
Cash paid for interest	**(19,325)**	(23,232)	**(145,303)**
Cash paid for income taxes	**(25,575)**	(18,191)	**(192,291)**
Net cash provided by operating activities	**191,676**	187,513	**1,441,171**
Cash flows from investing activities:			
Purchases of marketable and investment securities	**(3,712)**	(4,580)	**(27,909)**
Proceeds from sale of securities	**5,005**	277	**37,628**
Purchases of property, plant and equipment	**(104,884)**	(103,609)	**(788,599)**
Purchases of intangible fixed assets	**(7,791)**	(7,599)	**(58,581)**
Expenditure of long-term prepayment	**(1,006)**	(1,499)	**(7,565)**
Proceeds from sale of tangible and intangible fixed assets	**2,528**	926	**19,006**
Expenditure of long-term loans	**(1,694)**	(806)	**(12,734)**
Decrease (Increase) in other investments and other non-current assets — net	**(267)**	1,044	**(2,004)**
Net cash used in investing activities	**(111,821)**	(115,846)	**(840,758)**
Cash flows from financing activities:			
Proceeds from (Repayments of) short-term bank loans	**2,788**	(1,721)	**20,962**
Proceeds from commercial paper	**12,000**	–	**90,226**
Proceeds from long-term debt	**45,486**	59,359	**341,998**
Repayments of long-term debt	**(159,070)**	(147,969)	**(1,196,015)**
Cash dividends paid	**(18,288)**	(14,096)	**(137,500)**
Other	**(92)**	–	**(695)**
Net cash used in financing activities	**(117,176)**	(104,427)	**(881,024)**
Effect of exchange rate changes on cash and cash equivalents	**7**	7	**51**
Net decrease in cash and cash equivalents	**(37,314)**	(32,753)	**(280,560)**
Cash and cash equivalents at beginning of year	**64,575**	97,328	**485,528**
Cash and cash equivalents at end of year	**¥ 27,261**	¥ 64,575	**$ 204,968**

See accompanying notes.

Notes to Consolidated Financial Statements

Tokyo Gas Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2002 and 2001

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 ("Japanese GAAP"). Certain accounting principles and practices generally accepted in Japan are different from International Accounting Standards and standards in other countries in certain respects as to application and disclosure requirements. Accordingly, the accompanying financial statements are intended for use by those who are informed about Japanese accounting principles and practices.

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 appropriate Local Finance Bureau of the Ministry of Finance 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 statements of stockholder's equity have been prepared for the purpose of inclusion in the accompanying consolidated financial statements, although such statements are not customarily prepared in Japan and are not required to be filed with the regulatory authorities.

The financial statements are stated in Japanese yen. 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, 2002, which was ¥133 to U.S.$1. 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.

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 by the equity method.

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

Prior to April 1, 2001, Shinjuku Park Tower which was held by a consolidated subsidiary, Tokyo Gas Urban Development Co., Ltd., was depreciated using the straight-line method. Effective April 1, 2001, the declining balance method was used for depreciation of this building. This change of the method of accounting was made in order to unify the accounting method of the Company and subsidiaries, considering the maintenance expenses in future expected to increase due to "the long-term preservation plan of Shinjuku Park Tower" which was implemented to take countermeasures against physical and functional deterioration of the building and decline of its value.

As a result of this change, in the year ended March 31, 2002, depreciation increased by ¥3,721 million ($27,977 thousand), and operating income and income before income taxes decreased by the same amount compared with what would have been reported under the previous accounting method. The influence of this change to Segment Information is disclosed in Note 11.

Software costs – The Company included software in intangible assets and depreciated it using the straight-line method over the estimated useful lives.

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

Securities – Prior to April 1, 2000 listed equity securities included in current assets and non-current assets were carried at the lower of moving-average cost or market value. Other securities were stated at moving-average cost. Effective April 1, 2000, the Company and its consolidated subsidiaries adopted the new Japanese accounting standard for financial instruments.

Under the new accounting standard, (a) debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities") are stated at amortized cost. (b) Equity securities issued by unconsolidated subsidiaries and affiliated companies which are not accounted for using the equity method are stated at moving-average cost. (c) Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of stockholders' equity. Available-for-sale securities with no available fair market values are stated at moving-average cost.

The effect on the consolidated statement of income for the year ended March 31, 2001 of adopting the new accounting standard for financial instruments was immaterial. At April 1, 2000, securities in current assets decreased by ¥1,999 million and investment securities increased by the same amount due to the adoption of the new accounting standard.

Derivative financial instruments – The Company and its consolidated subsidiaries use interest rate swap and foreign exchange forward contracts, accommodating to hedge accounting, only for the purpose of mitigating the risk of fluctuations in interest rates and foreign exchange rates. The Company and its consolidated subsidiaries do not use derivative financial instruments for speculative trading purposes. The derivative financial instruments are executed with creditworthy financial institutions, and the Company's management believes there is little risk of default by counterparties.

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 an estimated amount of probable bad debts.

Employees' severance and retirement benefits – The Company and its consolidated subsidiaries provide two post-employment benefit plans, an unfunded lump-sum payment plan and a funded non-contributory pension plan, under which all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or termination, length of service and certain other factors.

At March 31, 2000, the Company and its consolidated subsidiaries accrued a liability for lump-sum severance payments equal to 100% of the amount required had all eligible employees voluntarily terminated their employment at the balance sheet date. The Companies recognized pension expense when, and to the extent, payments were made to the pension fund.

Effective April 1, 2000, the Companies adopted the new accounting standard, "Opinion on Setting Accounting Standard for Employees' Severance and Pension Benefits," issued by the Business Accounting Deliberation Council on June 16, 1998.

Under the new accounting standard, allowance and expenses for employees' severance and retirement benefits are determined based on the amounts actuarially calculated using certain assumptions.

The Company and its consolidated subsidiaries provide allowance for employees' severance and retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of the plan assets.

The excess of the projected benefit obligation over the fair value of pension assets as of April 1, 2000 and the liabilities for severance and retirement benefits recorded as of April 1, 2000 (the "net transition obligation") amounted to ¥21,777 million, all of which was recognized as expense in the year ended March 31, 2001.

As a result of the adoption of the new accounting standard, in the year ended March 31, 2001, income before income taxes decreased by ¥8,430 million compared with what would have been recorded under the previous accounting standard.

Allowance for repairs of gas holders – The Company and certain of its consolidated subsidiaries provide for future repairs of gas holders, which occur once approximately 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, inhabitants' taxes and enterprise tax. The Company has adopted the accounting standard, which recognizes tax effects of temporary differences between the financial statement basis and the tax basis of assets and liabilities.

Enterprise tax – Enterprise tax normally constitutes income taxes. However, in the case of companies engaged in gas businesses, enterprise tax is levied not only on income but also 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 ¥10,070 million ($75,711 thousand) and ¥9,923 million for the years ended March 31, 2002 and 2001, respectively. Enterprise taxes calculated based on profit of the certain consolidated subsidiaries are included in income taxes.

Foreign currency translation – Short-term receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rates. Prior to April 1, 2000, long-term receivables and payables denominated in foreign currencies were translated at historical rates.

Effective April 1, 2000, the Company and its consolidated subsidiaries adopted the revised accounting standard for foreign currency translation. Due to the adoption of the revised accounting standard, the Company reports foreign currency translation adjustments in stockholders' equity. The effect on the consolidated income statement of adopting the revised accounting standard was immaterial in the year ended March 31, 2001.

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 toward the cost of construction from customers, such contributed amount is offset against the acquisition cost of the subject asset. Such offset amounts accumulated to March 31, 2002 and 2001 were ¥228,023 million ($1,714,459 thousand) and ¥222,972 million, respectively.

4. Securities

The following tables summarize acquisition costs, book values and fair values of securities with fair value as of March 31, 2002 and 2001:

(a) Held-to-maturity debt securities:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Securities with fair value exceeding book value:			
Book value	**¥29**	¥29	**$221**
Fair value	**31**	31	**236**
Difference	**¥ 2**	¥ 2	**$ 15**

(b) Available-for-sale securities:

For 2002:	Millions of yen		
	Acquisition cost	Book value	Difference
Securities with fair value exceeding book value:			
Equity securities	**¥12,706**	**¥64,868**	**¥52,162**
Bonds	**5**	**6**	**1**
Subtotal	**12,711**	**64,874**	**52,163**
Other securities:			
Equity securities	**1,376**	**1,107**	**(269)**
Total	**¥14,087**	**¥65,981**	**¥51,894**

For 2001:	Millions of yen		
	Acquisition cost	Book value	Difference
Securities with fair value exceeding book value:			
Equity securities	¥13,405	¥100,475	¥87,070
Bonds	4	6	2
Subtotal	13,409	100,481	87,072
Other securities:			
Equity securities	1,302	1,251	(51)
Total	¥14,711	¥101,732	¥87,021

For 2002:	Thousands of U.S. dollars		
	Acquisition cost	Book value	Difference
Securities with fair value exceeding book value:			
Equity securities	**$ 95,537**	**$487,729**	**$392,192**
Bonds	**37**	**46**	**9**
Subtotal	**95,574**	**487,775**	**392,201**
Other securities:			
Equity securities	**10,343**	**8,321**	**(2,022)**
Total	**$105,917**	**$496,096**	**$390,179**

Available-for-sale securities with no available fair values, which were stated at moving-average costs, amounted to ¥8,503 million ($63,935 thousand) and ¥9,271 million at March 31, 2002 and 2001, respectively.

5. Inventories

Inventories at March 31, 2002 and 2001 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Finished products	**¥ 2,584**	¥ 3,127	**$ 19,425**
Raw materials	**18,513**	16,991	**139,199**
Supplies	**7,489**	7,198	**56,309**
Work in process	**173**	103	**1,299**
	¥28,759	¥27,419	**$216,232**

6. Bank loans and long-term debt

At March 31, 2002 and 2001, bank loans consisted of short-term notes, bearing interest at an average annual rate of 0.36% and 0.64%, respectively.

Long-term debt at March 31, 2002 and 2001 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Domestic unsecured notes due 2014 at a rate of 5.1%	**¥ 20,000**	¥ 30,000	**$ 150,376**
Domestic unsecured notes due 2015 at a rate of 4.1%	**27,900**	27,900	**209,774**
Domestic unsecured notes due 2016 at a rate of 4.0%	**30,000**	30,000	**225,564**
Domestic unsecured notes due 2018 at a rate of 2.625%	**40,000**	40,000	**300,752**
Domestic unsecured notes due 2009 at a rate of 1.68%	**30,000**	30,000	**225,564**
Domestic unsecured notes due 2009 at a rate of 1.73%	**30,000**	30,000	**225,564**
Domestic unsecured notes due 2010 at a rate of 2.01%	**20,000**	20,000	**150,376**
Domestic unsecured notes due 2011 at a rate of 1.39%	**30,000**	–	**225,564**
Domestic unsecured notes due 2004 at a rate of 1.03%	**3,000**	3,000	**22,556**
Domestic unsecured notes due 2009 at a rate of 1.18%	**4,000**	4,000	**30,075**
Domestic unsecured convertible bonds:			
1st issue due 2003 at a rate of 1.5%	**51,439**	55,247	**386,759**
3rd issue due 2005 at a rate of 1.5%	**84,315**	90,207	**633,947**
4th issue due 2002 at a rate of 1.5%	**–**	95,736	**–**
5th issue due 2009 at a rate of 1.2%	**49,971**	49,998	**375,722**
6th issue due 2007 at a rate of 1.1%	**49,968**	49,993	**375,699**
Swiss franc notes due 2002 at a rate of 4.5%	**14,810**	14,810	**111,353**
DM bearer bonds due 2005 at a rate of 7.0%	**18,333**	18,333	**137,842**
Domestic secured notes due 2003 at a rate of 2.0%	**800**	800	**6,015**
Loans from banks, insurance companies and government agencies due through 2028 at rates of 0.77% to 7.80%:			
Secured	**6,884**	14,695	**51,761**
Unsecured	**209,765**	225,484	**1,577,183**
	721,185	830,203	**5,422,446**
Less – Amounts due within one year	**40,298**	121,874	**302,993**
	¥680,887	¥708,329	**$5,119,453**

The indentures covering the first through sixth (except the second and fourth) 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 ($9.53), ¥1,105.70 ($8.31), ¥339.00 ($2.55) and ¥339.00 ($2.55), respectively (subject to adjustment in certain circumstances), (2) conversion periods through September 2003, March 2005, March 2009 and March 2007, respectively, and (3) redemption at the option of the Company, commencing in October 1996 for the 1st issue and April 1998 for the 3rd issue, at prices ranging from 106% to 100% of the principal amount.

At March 31, 2002, investment securities and property, plant and equipment at book value amounting to ¥18,406 million ($138,389 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 offset 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 their 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, 2002 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2003	¥ 40,298	$ 302,993
2004	91,963	691,449
2005	105,881	796,098
2006	46,124	346,800
2007	69,107	519,599
2008 and thereafter	367,812	2,765,507
	¥721,185	$5,422,446

7. Derivative transactions

The Company and its consolidated subsidiaries use interest rate swap and foreign exchange forward contracts only for the purpose of mitigating the risk of fluctuations in interest rates and foreign exchange rates.

Contract amounts, market values and recognized gains on the interest rate swap contracts, except those accounted for using hedge accounting, at March 31, 2002 were as follows:

	Millions of yen			
	Contract amounts	Beyond one year	Market value	Recognized gains
Currency option contracts:				
Purchased cap option	**¥3,000**	**¥3,000**	**¥0**	**¥0**
Interest rate swap contracts:				
Receive fixed, pay variable	**3,000**	**3,000**	**0**	**0**

	Thousands of U.S. dollars			
	Contract amounts	Beyond one year	Market value	Recognized gains
Currency option contracts:				
Purchased cap option	**$22,556**	**$22,556**	**$0**	**$0**
Interest rate swap contracts:				
Receive fixed, pay variable	**22,556**	**22,556**	**0**	**0**

Contract amounts, market values and unrealized gains on the interest rate swap contracts, except those accounted for using hedge accounting, at March 31, 2001 were as follows:

	Millions of yen			
	Contract amounts	Beyond one year	Market value	Unrealized gains
Currency option contracts:				
Purchased cap option	¥3,000	¥3,000	¥10	¥10
Interest rate swap contracts:				
Receive fixed, pay variable	3,000	3,000	11	11

8. Employees' severance and retirement benefits

Allowance for severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2002 and 2001 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Projected benefit obligation	**¥ 306,912**	¥ 302,989	**$ 2,307,609**
Unrecognized prior service cost	**193**	–	**1,452**
Unrecognized actuarial differences	**(27,503)**	(16,595)	**(206,789)**
Less fair value of pension assets	**(154,048)**	(152,178)	**(1,158,256)**
Employees' severance and retirement benefits	**¥ 125,554**	¥ 134,216	**$ 944,016**

Included in the consolidated statements of income for the years ended March 31, 2002 and 2001 were severance and retirement benefit expenses comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Service costs – benefits earned during the year	**¥ 9,292**	¥ 9,939	**$ 69,868**
Interest cost on projected benefit obligation	**9,049**	8,967	**68,035**
Expected return on plan assets	**(4,612)**	(4,557)	**(34,678)**
Amortization of prior service costs	**–**	(3,950)	**–**
Amortization of actuarial differences	**1,628**	24	**12,241**
One-time amortization of the entire of net transition obligation	**–**	21,777	**–**
Severance and retirement benefit expenses	**¥15,357**	¥32,200	**$115,466**

The discount rate and the rate of expected return on plan assets used by the Company are approximately 3%. The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years. Past service costs are charged to income when incurred, and actuarial gains and losses are recognized as income and expense using the straight-line method over approximately 10 years commencing with the next year.

9. Income taxes

The Company is subject to a number of taxes based on income, which, in the aggregate, indicate statutory rate in Japan of approximately 36.2% for the years ended March 31, 2002 and 2001, respectively.

The differences between the statutory tax rate and the Company's effective tax rate for financial statement purposes for the year ended March 31, 2002 was not significant.

Significant components of deferred tax assets and liabilities as of March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Deferred tax assets:			
Liabilities for retirement benefits	**¥35,151**	¥36,842	**$264,293**
Other – net	**28,512**	26,093	**214,376**
Subtotal	**63,663**	62,935	**478,669**
Deferred tax liabilities:			
Net unrealized holding gains on securities	**19,040**	31,872	**143,158**
Reserve for tax-purpose cost reduction of certain pipelines	**2,309**	2,508	**17,361**
Other – net	**3,852**	3,604	**28,962**
Subtotal	**25,201**	37,984	**189,481**
Net-total	**¥38,462**	¥24,951	**$289,188**

10. Stockholders' equity

At the current conversion prices, 504,589 thousand shares of common stock were issuable at March 31, 2002 upon full conversion of the outstanding convertible bonds (see Note 6).

Under the Commercial Code of Japan, excess of total of additional paid-in capital and legal reserve over 25% of common stock is available for dividends by resolution of the general meeting of stockholders. 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.

11. 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, costs and expenses, operating income, identifiable assets, depreciation and capital expenditures by business segments is as follows:

	Millions of yen						
	Gas sales	Gas appliance sales	Related construction	Real estate rental business	Other	Elimination or corporate	Consolidated
For 2002:							
Sales:							
Outside customers	**¥ 750,439**	**¥148,271**	**¥67,633**	**¥ 15,685**	**¥115,561**	**¥ –**	**¥1,097,589**
Inside group	**–**	**932**	**3,705**	**21,866**	**40,450**	**(66,953)**	**–**
	750,439	**149,203**	**71,338**	**37,551**	**156,011**	**(66,953)**	**1,097,589**
Costs and expenses	**601,229**	**141,960**	**67,688**	**31,460**	**145,212**	**(568)**	**986,981**
Operating income	**¥ 149,210**	**¥ 7,243**	**¥ 3,650**	**¥ 6,091**	**¥ 10,799**	**¥(66,385)**	**¥ 110,608**
Identifiable assets	**¥1,105,280**	**¥ 56,547**	**¥22,932**	**¥226,981**	**¥184,473**	**¥106,500**	**¥1,702,713**
Depreciation	**113,158**	**608**	**127**	**16,000**	**13,214**	**(1,461)**	**141,646**
Capital expenditures	**91,501**	**314**	**204**	**2,190**	**11,940**	**(1,858)**	**104,291**
For 2001:							
Sales:							
Outside customers	¥ 740,731	¥145,435	¥67,611	¥ 15,602	¥117,392	¥ –	¥1,086,771
Inside group	–	1,082	4,297	21,999	42,186	(69,564)	–
	740,731	146,517	71,908	37,601	159,578	(69,564)	1,086771
Costs and expenses	590,785	139,889	67,952	29,515	149,451	5,520	983,112
Operating income	¥ 149,946	¥ 6,628	¥ 3,956	¥ 8,086	¥ 10,127	¥(75,084)	¥ 103,659
Identifiable assets	¥1,125,541	¥ 58,026	¥22,713	¥240,975	¥224,972	¥125,442	¥1,797,669
Depreciation	119,704	651	138	12,727	14,320	(1,120)	146,420
Capital expenditures	98,101	548	104	2,049	10,181	(1,084)	109,899

	Thousands of U.S. dollars						
	Gas sales	Gas appliance sales	Related construction	Real estate rental business	Other	Elimination or corporate	Consolidated
For 2002:							
Sales:							
Outside customers	**$5,642,396**	**$1,114,819**	**$508,516**	**$ 117,935**	**$ 868,883**	**$ –**	**$ 8,252,549**
Inside group	**–**	**7,009**	**27,857**	**164,407**	**304,133**	**(503,406)**	**–**
	5,642,396	**1,121,828**	**536,373**	**282,342**	**1,173,016**	**(503,406)**	**8,252,549**
Costs and expenses	**4,520,520**	**1,067,366**	**508,933**	**236,542**	**1,091,818**	**(4,269)**	**7,420,910**
Operating income	**$1,121,876**	**$ 54,462**	**$ 27,440**	**$ 45,800**	**$ 81,198**	**$(499,137)**	**$831,639**
Identifiable assets	**$8,310,373**	**$ 425,166**	**$172,419**	**$1,706,622**	**$1,387,017**	**$ 800,753**	**$12,802,350**
Depreciation	**850,811**	**4,575**	**957**	**120,297**	**99,357**	**(10,988)**	**1,065,009**
Capital expenditures	**687,979**	**2,358**	**1,531**	**16,466**	**89,774**	**(13,967)**	**784,141**

Assets in the corporate column mainly comprise current and non-current securities and deferred tax assets 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 immaterial compared to consolidated net sales.

The Company changed the depreciation method of Shinjuku Park Tower from the straight-line method to the declining balance method as explained in Note 2. Due to this change, costs and expenses and depreciation of the real estate rental business segment increased by ¥3,721 million ($27,977 thousand), and its operating income and identifiable assets decreased by the same amount compared with what would have been reported under the previous accounting method.

12. Information for certain leases

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

	Millions of yen		Thousands of U.S. dollars
Information as lessee:	**2002**	2001	**2002**
Lease payments	**¥ 816**	¥ 858	**$ 6,137**
Future minimum lease payments inclusive of interest:			
Current	**¥ 752**	¥ 709	**$ 5,653**
Non-current	**1,674**	1,539	**12,590**
	¥2,426	¥2,248	**$18,243**

The Company uses certain production facilities, distribution facilities, service and maintenance facilities and other assets under lease arrangements. An analysis of equivalent amounts of leased assets under non-capitalized finance leases is as follows:

	Millions of yen		
	Acquisition cost	Accumulated depreciation	Net book value
For 2002:			
Production facilities	**¥ 72**	**¥ 50**	**¥ 22**
Distribution facilities	**698**	**321**	**377**
Service and maintenance facilities	**212**	**127**	**85**
Other	**3,592**	**1,650**	**1,942**
	¥4,574	**¥2,148**	**¥2,426**
For 2001:			
Production facilities	¥ 105	¥ 75	¥ 30
Distribution facilities	692	370	322
Service and maintenance facilities	371	273	98
Other	3,488	1,690	1,798
	¥4,656	¥2,408	¥2,248

	Thousands of U.S. dollars		
	Acquisition cost	Accumulated depreciation	Net book value
For 2002:			
Production facilities	**$ 538**	**$ 374**	**$ 164**
Distribution facilities	**5,251**	**2,414**	**2,837**
Service and maintenance facilities	**1,593**	**956**	**637**
Other	**27,008**	**12,403**	**14,605**
	$34,390	**$16,147**	**$18,243**

	Millions of yen		Thousands of U.S. dollars
Information as lessor:	**2002**	2001	**2002**
Lease income	**¥ 4,400**	¥ 4,326	**$ 33,086**
Future lease payments to be received:			
Current	**¥ 4,035**	¥ 3,847	**$ 30,338**
Non-current	**12,306**	11,422	**92,526**
	¥16,341	¥15,269	**$122,864**

Some of the consolidated subsidiaries use other assets under direct financing leases. An analysis of leased assets under direct finance lease is as follows:

	Millions of yen		
	Acquisition cost	Accumulated depreciation	Net book value
For 2002:			
Other assets	**¥23,654**	**¥13,993**	**¥9,661**
For 2001:			
Other assets	¥23,961	¥14,571	¥9,390

	Thousands of U.S. dollars		
	Acquisition cost	Accumulated depreciation	Net book value
For 2002:			
Other assets	**$177,850**	**$105,213**	**$72,637**

13. Commitment and contingent liabilities

The Company and its consolidated subsidiaries were contingently liable (1) to banks in the amount of ¥3,541 million ($26,622 thousand) at March 31, 2002 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 ¥75,000 million ($563,910 thousand) issued by the Company, which were assigned to certain banks under the debt assumption agreements made through the years ended March 31, 2002, 2001 and 1999. At the same date, some consolidated subsidiaries were contingently liable with respect to trade notes receivable discounted with banks in the amount of ¥48 million ($361 thousand).

At March 31, 2002, 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.

14. Subsequent events

At the annual meeting held on June 27, 2002, the Company's stockholders approved (1) payment of year-end cash dividends of ¥3.0 ($0.02) per share aggregating ¥8,430 million ($63,381 thousand) to the stockholders of record as of March 31, 2002, and (2) payment of bonuses to directors totaling ¥79 million ($594 thousand).

Report of Independent Public Accountants

Tokyo Gas Co., Ltd. and Consolidated Subsidiaries

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 consolidated subsidiaries as of March 31, 2002 and 2001, 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 consolidated subsidiaries as of March 31, 2002 and 2001, 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 (Note 1) 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, 2001, TOKYO GAS CO., LTD. and consolidated subsidiaries adopted new Japanese accounting standards for financial instruments and employees' severance and retirement benefits and the revised accounting standard for foreign currency translation. Also, TOKYO GAS CO., LTD. and consolidated subsidiaries changed the method of accounting for depreciation of a building, effective April 1, 2001, as referred to in Notes 2 and 11, with which we concur.

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 27, 2002

Asahi & Co.