

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 ^{13}C -Methane from natural gas. The first shipments were made in May 2000, following completion of a plant to produce ^{13}C -Methane for commercial use—the first of its type in the world. The ^{13}C -Methane will be processed into $^{13}\text{CO}_2$ 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 ^{13}C -Methane to detect, for example, diabetes and cerebral disease. By aggressively promoting ^{13}C -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.

