Financial Statements

Contents

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.

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 m^3. 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.

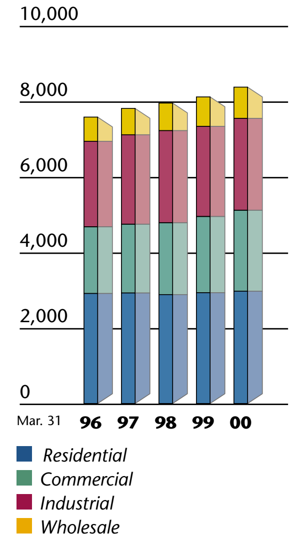
Income Before Income Taxes and Income Taxes

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

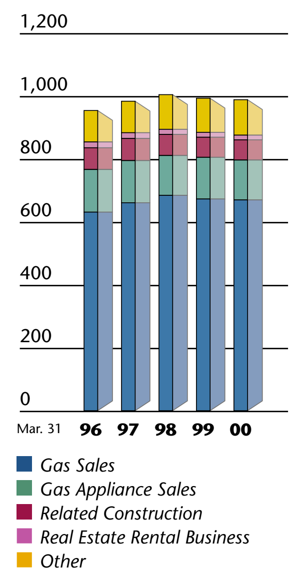
Net income climbed 50.3% to ¥26.6 billion over the previous year due to the above factors as well as a tax adjustment resulting from the adoption of tax-effect accounting. Basic net income per share consequently increased 50.3% to ¥9.50 and diluted net income per share rose 48.8% to ¥8.84. Average ROE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

Gas Sales Volume by Sector
(Million m^3, 46.047 MJ/m^3)



Note: Non-consolidated

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.

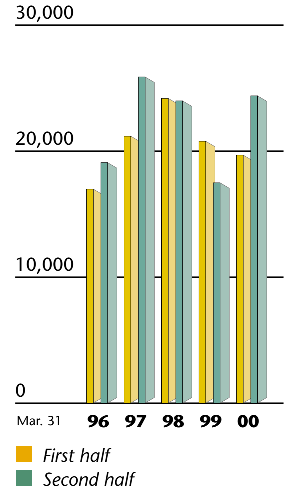
Fixed Assets

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.

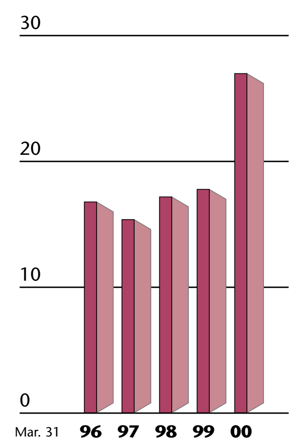
Current Assets

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.

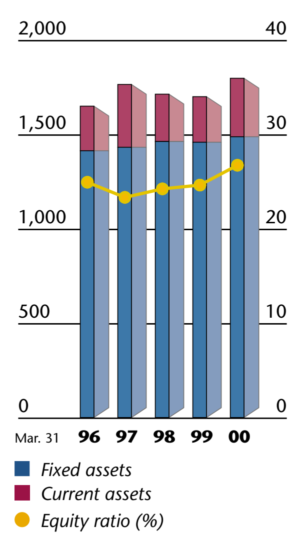
Average LNG Procurement Cost
(¥ per ton)



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%.

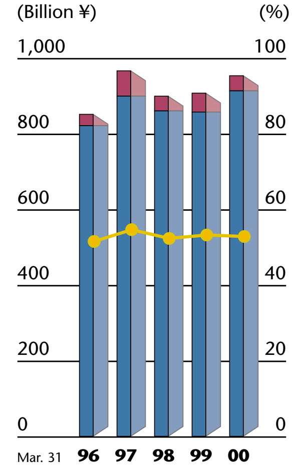
CAPITAL EXPENDITURES

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

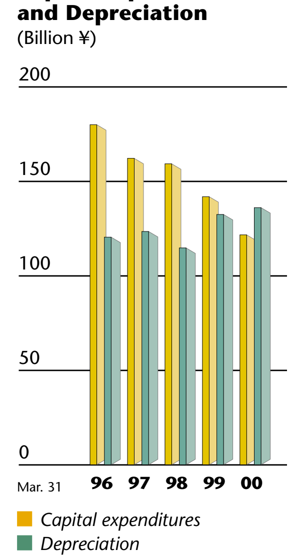
Net cash provided by operating activities decreased ¥7.0 billion to ¥154.6 billion. This reflected an increase in notes and accounts receivable, which offset increases in net income and depreciation. Net cash used in investing activities decreased ¥34.5 billion to ¥124.3 billion, due mainly to lower 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

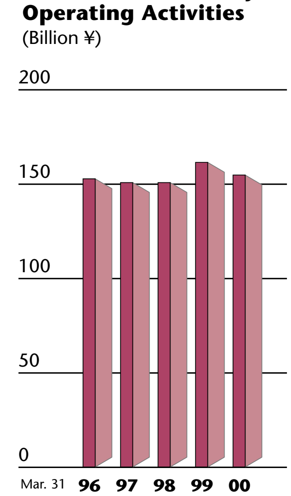


Note: Long-term debt includes long-term debt due within one year, and bank loans refers to short-term notes.

Capital Expenditures and Depreciation



Net Cash Provided by Operating Activities



Note: See accompanying notes on page 39.

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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.

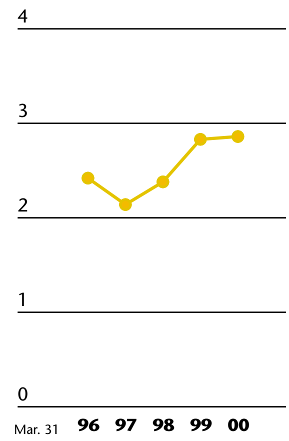
However, Tokyo Gas is now poised to recover those investments through the sales and earnings they are generating. From fiscal 2000 onward, Tokyo Gas expects that it will be able to conduct capital expenditures within the bounds of depreciation By using the resulting free cash flows to reduce interest-bearing 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

Interest Coverage Ratio
(times)



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

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:

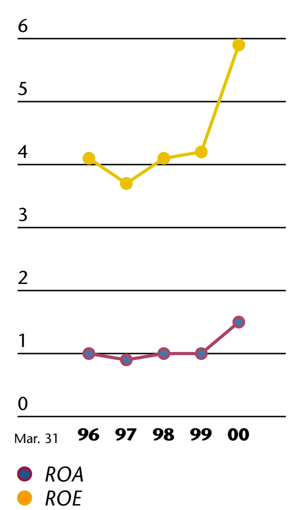
Fluctuation of ¥1 to U.S.$1 . . . . ¥1 billion
Fluctuation of U.S.$1 per barrel in crude oil price . . . . ¥4 billion

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.

ROE and ROA
(%)



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 m^3 or more of gas per year.

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

Operating costs + Fair return – Deductions = Total cost

Cost of raw materials Labor costs Administrative costs Depreciation Corporate taxes	Dividends Cost of debt	Deductions (Revenue from by-products) Efficiency target amount	Represents an appropriate profit added to an appropriate cost under efficient management

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 m^3 or more per year to one million m^3. 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.

(Years ended March 31, Unit: billions of yen)

Facility Investment Plans	2000 (Actual)	2001	2002	2003	2004	2005	2001-2005	
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

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**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 2000	1999	Thousands of U.S. dollars (Note 1) 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

		Millions of yen		
	Shares of common stock (Thousands)	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.

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
	¥915,444	$8,636,264

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	**38%**

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	**¥48,798**	**$460,358**

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

	Thousands of U.S. dollars		
	Acquisition cost	Accumulated depreciation	Net book value
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

ARTHUR ANDERSEN

A Member Firm of
Andersen Worldwide SC

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.

Asahi & Co.

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.