TOKYO GAS

FY2006

Outline of supply plans

March 2006

Tokyo Gas Co., Ltd.

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Introduction

The progress of deregulation in the energy market is having the effect of intensifying competition among different types of energy as well as among suppliers of the same type of energy, and making the climate surrounding our company increasingly harsh. Meanwhile, the positioning of natural gas, the core in our business, is rising in light of its environmental features (its effect for mitigating global warming), economic merit (in comparison with crude oil whose prices are soaring), and convenience (its ability to fuel dispersed power sources). It was to make the most of the business opportunities represented by this positioning and emerge victorious in the dawning age of energy mega-competition that we prepared our medium-term management plan for FY2006 - 2010, which was released in January 2006.

We aspire to the establishment of a total energy business built around a multi-energy supply of electrical power as well as gas, and energy services for one-stop provision of all sorts of solutions for our customers. At the same time, we shall strive to heighten the value of our brand for the purpose of remaining trusted and preferred by our customers and society as a whole, and to reform our corporate structure in order to secure our competitive advantage as we pursue sustained growth.

I. Outline of supply plans

1. Plans for penetration

Supported by the start of housing constructions ahead of schedule due to the jump in construction material prices and the influx of funding into the housing market from real estate investment funds, the number of new customers in fiscal 2006 is anticipated to reach 276,000, about the same as in the fiscal 2005 outlook. Beginning in fiscal 2007, we envision a shift in investment funding from housing to office buildings and in condominium development from central urban districts to suburban ones. This is expected to result in a gradual decline in the number of new housing construction starts and in the number of new customers. For the number of customers, we are forecasting an increase averaging 1.4% over the five-year period in question.

(Thousands of customers)

	FY2005 outlook	FY2006	FY2007	FY2008	FY2009	FY2010	AAGR
Number of new customers	277.3	276.0	275.0	270.3	266.7	264.6	-0.9%
Number of customers	9,808.2	9,927.7	10,086.3	10,231.1	10,370.3	10,504.2	1.4%

*Number of customers = number of gas meters installed

*Figures beginning in July 2006 do not include the Nagano Service Branch, which is to be dismembered. This also applies to succeeding figures.

2. Gas sales plans

Over the five-year period in question, we project that the gas sales volume will increase at a rate averaging 3.1% and reach about 14.7 billion cubic meters in fiscal 2010.

【Overall sales volume】 (Unit: millions of cubic meters, 45MJ/m^3)

	FY2005 outlook	FY2006	FY2007	FY2008	FY2009	FY2010	AAGR
Total sales volume	12,656	13,048	13,403	13,963	14,224	14,711	3.1%

*Figures for fiscal 2005 are projections after standardization (compensation for temperature in formulation of the plans for fiscal 2006 and following years). This also applies to the rest of this document.

** Indications are premised on a calorific value of 45MJ/m3 along with the change in calorific value in February 2006. This also applies to succeeding figures.

(1) Residential demand

The number of active customers (the number of meters actually read) and total sales volume may be expected to increase in correspondence with the number of new customers. In contrast, the sales volume per meter is in decline owing to the influence of a variety of factors, including the decrease in the average number of members per household, the rise in the rate of collective housing with high levels of air tightness and insulation performance, the improvement of appliance efficiency, and trend toward consumption of prepared foods as opposed to foods cooked in the home. In response, we shall promote the spread of under floor heating systems and other such products.

【Residential demand and sales volume per customer】 (Unit: millions of cubic meters, cubic meters/customer/year45MJ/m^3)

	FY2005 outlook	FY2006	FY2007	FY2008	FY2009	FY2010	AAGR
Residential sales volume	3,302	3,338	3,362	3,404	3,445	3,481	1.1%
Sales volume per property	401	399	399	399	398	397	-0.2%

【Penetration of floor heating and cumulative number of customers】 (Thousands of units)

	FY2005 outlook	FY2006	FY2007	FY2008	FY2009	FY2010	AAGR
Cumulative number of customers	773	858	945	1,036	1,131	1,228	9.7%
Penetration rate	8.4%	9.2%	10.0%	10.8%	11.6%	12.4%	—

*Penetration rates are calculated on the basis of division of the cumulative number of floor heating customers by the number of residential customers in the company service area at the end of the fiscal year in question.

(2) Industrial demand

In the industrial segment, which accounts for the largest single portion of the total sales, the demand should expand along with increase in large-volume use such as cogeneration.

(Unit: millions of cubic meters, 45MJ/m^3)

	FY2005 outlook	FY2006	FY2007	FY2008	FY2009	FY2010	AAGR
Industrial sales volume	4,899	5,066	5,188	5,574	5,693	6,006	4.2%
Subtotal: large-volume sales volume	4,663	4,816	4,917	5,282	5,389	5,683	4.0%

(3) Commercial and other demand

Amid the trend toward separate air-conditioning of individual rooms, we hope to expand our sales in the air-conditioning field by promoting installation of gas heat pumps (GHPs) and other products.

(Unit: millions of cubic meters, 45MJ/m^3)

	FY2005 outlook	FY2006	FY2007	FY2008	FY2009	FY2010	AAGR
Commercial and other sales volume	2,873	2,918	2,978	3,010	3,034	3,051	1.2%
Subtotal: large-volume sales volume	1,113	1,146	1,164	1,179	1,167	1,153	0.7%

(4) Wholesale supply

Wholesale supply is anticipated to increase due to an expansion of demand among existing buyers and an increase in the number of new buyers.

(Unit: millions of cubic meters, 45MJ/m^3)

	FY2005 outlook	FY2006	FY2007	FY2008	FY2009	FY2010	AAGR
Wholesale supply sales volume	1,583	1,727	1,876	1,975	2,052	2,173	6.5%

(5) Use for power generation

【Sales volume for use in power generation (cogeneration and generation of electrical power only)】(subtotals of figures in parts (2) and (3) above)

The volume of sales for power generation is expected to grow along with the spread of cogeneration and supply to new power producers. The share of the total gas sales volume occupied by these sales is forecast to hover just below 30 percent.

(Unit: millions of cubic meters, 45MJ/m^3)

		FY2005 outlook	FY2006	FY2007	FY2008	FY2009	FY2010	AAGR
	Consumer cogeneration	376	400	398	401	409	413	1.9%
	Industrial cogeneration	1,309	1,369	1,496	1,549	1,678	1,834	7.0%
Cogeneration total		1,685	1,769	1,894	1,950	2,087	2,247	5.9%
	Business-use	1,717	1,821	1,657	1,796	1,707	1,792	0.9%
	Own use	183	161	196	232	232	232	4.9%
Power-only generation total		1,900	1,982	1,853	2,028	1,939	2,024	1.3%
Grand total		3,585	3,751	3,747	3,978	4,026	4,271	3.6%

【Share of the total sales volume occupied by power generation use】

	FY2005 outlook	FY2006	FY2007	FY2008	FY2009	FY2010
Power generation use share(%)	28.3	28.7	28.0	28.5	28.3	29.0

3. Production/purchasing volume and feedstock use plans

While working for stable procurement of feedstock and further reduction of procurement costs based on long-term contracts, we also plan to make our procurement more flexible by measures such as participation in upstream development project, increased offtake of natural gas produced in Japan, and extensive engagement in short-term transactions in correspondence with the change of demand.

【Volume of gas production and purchasing】 (Unit: millions of cubic meters, 45MJ/m^3)

		FY2005 outlook	FY2006	FY2007	FY2008	FY2009	FY2010
Natural gas	LNG	12,065	12,604	12,827	13,318	13,540	13,944
	Domestically produced natural gas	256	237	260	265	290	323
Oil	LPG	496	168	290	357	375	430
	Off gas	107	105	105	105	105	105
Total		12,923	13,114	13,481	14,045	14,310	14,802

*Figures for production and purchasing volume do not include supply from other gas utilities.

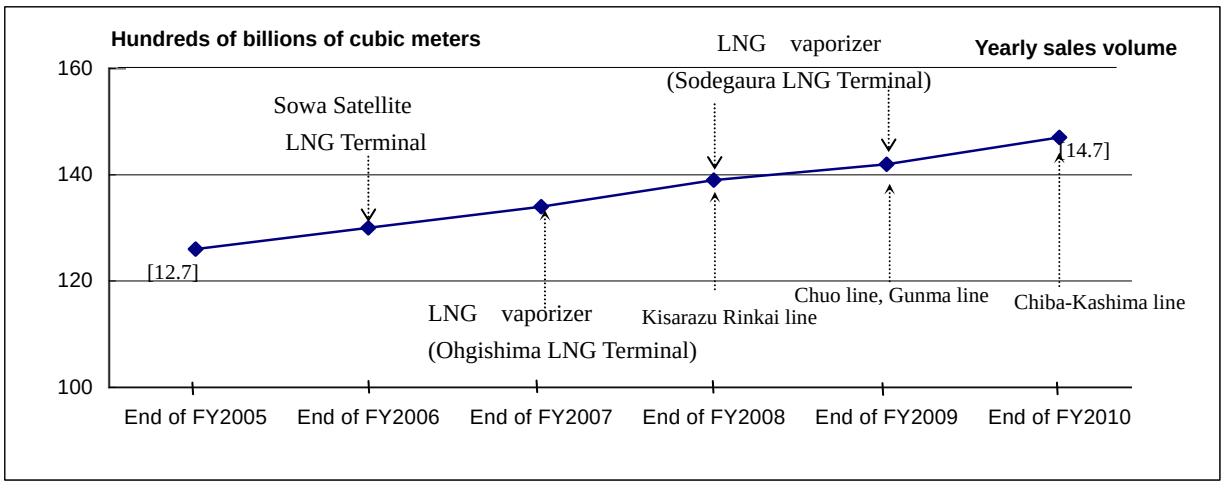
【Volume of feedstock/fuel use】 (Unit：thousand t)

	FY2005 outlook	FY2006	FY2007	FY2008	FY2009	FY2010
LNG	9,839	9,898	10,094	10,476	10,647	10,957
LPG	438	187	249	307	322	368

4. Major facility plans

We intend to expand our facilities and condition our manufacturing and supply infrastructures for properly coping with the forecast demand to assure supply stability while increasing levels of efficiency. Our main projects over the five-year period are the Kisarazu Rinkai Line (between the cities of Sodegaura and Kisarazu in Chiba Prefecture), the Chuo Trunk Line (between Edogawa Ward in Tokyo and the city of Soka), and the Gunma Trunk Line (between the cities of Annaka and Takasaki in Gunma Prefecture). Through the completion of these projects, we shall further secure the stability of our supply and accommodate the demand growth. We shall also aim for completion of the Chiba-Kashima Line (between the city of Chiba in Chiba Prefecture and that of Kamisu in Ibaraki Prefecture) in order to supply gas mainly for industrial demand in the Kashima waterfront industrial zone and along the pipeline route.

【Demand outlook and facility formation plans】



【Major manufacturing facility plans】

Month and year of start of operation	Manufacturing facilities	Installation site
April 2006	LNG tank, LNG vaporizer	Sowa Satellite
October 2007	LNG vaporizer	Ohgishima LNG Terminal
November 2008	LNG vaporizer	Sodegaura LNG Terminal
November 2009	LNG vaporizer	Sodegaura LNG Terminal

【Major pipeline plans】

Month and year of start of operation	Lines	Route	Inner diameter (mm)	Pressure (MPa)	Total extended length (km)
October 2008	1) Kisarazu Rinkai Line	Between the cities of Sodegaura and Kisarazu	300	7.00	8.3
October 2009	2) ChuoTrunk Line	Between Edogawa ward and Soka city	600	7.00	23.2
March 2010	3) Gunma Trunk Line	Between the cities of Annaka and Takasaki	500	7.00	14.7
December 2010	4) Chiba-Kashima Line	Between the cities of Chiba and Kamisu	600	7.00	73.1
October 2013	5) Shin Negishi Trunk Line	Between Isogo ward and Izumi ward in Yokohama city	600	3.00	14.6
October 2013	6) YokohamaTrunk Line (2^{nd} phase)	Between Aoba ward in Yokohama city and Asao ward in Kawasaki city	750	3.00	6.3

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【Year-end total extended length of pipeline】 （Unit：km）

FY2005 outlook	FY2006	FY2007	FY2008	FY2009	FY2010
51,564	51,700	52,341	52,986	53,660	54,389

5. Outline of facility investment plans

The supply plans over the period fiscal 2006 - 2010 have four major components, as follows.

1） Production facilities: we shall make doubly sure of arrangements for stable production by augmenting the LNG facilities at the Ohgishima, Sodegaura, and other terminals while improving the existing facilities.

2） Supply facilities: we shall strive to establish a stable supply setup and assure safety through investment in lines for development of new demand, in formation of the major line network (see the outline map of the supply area), in systematic replacement of the existing lines and prevention of disaster in the event of earthquakes, etc.

3） Business facilities: we shall reinforce our setup for promotion of business by conducting technology development, making IT-related improvements, and constructing and remodeling buildings in response to superannuation.

4） Incidental facilities: we shall endeavor mainly to remodel existing facilities.

Over this five-year period, we plan to make a total investment of 457.4 billion yen (after compression for income from construction cost burdens, i.e., distributions).

【Table of facility investment plans】 (Unit: hundreds of billions of yen)

		FY2005 outlook	FY2006	FY2007	FY2008	FY2009	FY2010	Total; FY2006 - 2010
Gas business facility	LNG facilities	1.2	2.4	2.9	3.3	1.0	0.0	9.6
	Other	4.6	3.6	4.2	4.2	6.5	8.6	27.1
	Production facilities	5.8	6.0	7.1	7.5	7.5	8.6	36.7
	Trunk line investment	4.1	8.0	7.4	7.3	5.6	4.8	33.1
	Other	50.9	60.1	61.6	61.1	58.3	55.3	296.4
	Supply facilities	55.0	68.1	69.0	68.4	63.9	60.1	329.5
	Business facilities	24.3	20.7	22.5	14.6	10.6	17.8	86.2
Sub total		85.1	94.8	98.6	90.5	82.0	86.5	4,52.4
Incidental facilities		2.0	0.1	1.1	1.2	1.2	1.4	5.0
Total*		87.0	94.9	99.6	91.8	83.2	87.9	457.4

*Figures for total investment are amounts after compression for income from construction cost burdens.

Trunk line investment	Kisarazu line (to be completed in fiscal 2008 at a total investment of 2.8 billion yen, including 2.7 billion yen over the five-year period in question) Chuo trunk line (to be completed in fiscal 2009 at a total investment of 16.9 billion yen, including 10.1 billion yen over the five-year period in question) Gunma trunk line (to be completed in fiscal 2009 at a total investment of 5.7 billion yen, including 5.7 billion yen over the five-year period in question) Ciba-Kashima line (to be completed in fiscal 2010 at a total investment of 26.0 billion yen, including 2.58 billion yen over the five-year period in question) Shin Negishi line (to be completed in fiscal 2013 at a total investment of 16.5 billion yen, including 10.2 billion yen over the five-year period in question) Yokohama trunk line[2nd phase] (to be completed in fiscal 2013 at a total investment of 7.7billion yen, including 4.0 billion yen over the five-year period in question)

II. Main Data

(1) Penetration plans

	FY2005 outlook	FY2006	FY2007	FY2008	FY2009	FY2010	Remarks
Number of new customers (thousands)	277.3	276.0	275.0	270.3	266.7	264.6	5-year total: 1,352.6
Number of customers (thousands)	(1.8%) 9,808.2	(1.2%) 9,927.7	(1.6%) 10,086.3	(1.4%) 10,231.1	(1.4%) 10,370.3	(1.3%) 10,504.2	Figures in parentheses indicate the rate of increase relative to the preceding year
Net increase (thousands)	169.5	119.5	158.6	144.8	139.2	133.9	5-year total: 696.0
Rate of penetration (%)	90.6%	91.5%	92.3%	92.8%	93.3%	93.8%	-

*Penetration rates are calculated on the basis of division of the number of Tokyo Gas customers in the company service area by the number of ordinary households in the same area.

(2) Gas demand outlook (Unit: millions of cubic meters, 45MJ/m^3)

			FY2005 outlook	FY2006	FY2007	FY2008	FY2009	FY2010	AAGR
Sales volume	Residential		(401) 3,302	(399) 3,338	(399) 3,362	(399) 3,404	(398) 3,445	(397) 3,481	(-0.2%) 1.1%
	Business	Industrial	4,899	5,066	5,188	5,574	5,693	6,006	4.2%
		Commercial ,etc.	2,873	2,918	2,978	3,010	3,034	3,051	1.2%
		Subtotal	7,772	7,984	8,165	8,585	8,727	9,057	3.1%
Total			11,074	11,321	11,527	11,989	12,172	12,538	2.5%
Wholesale supply			1,583	1,727	1,876	1,975	2,052	2,173	6.5%
Grand total			12,656	13,048	13,403	13,963	14,224	14,711	3.1%
Subtotal: use for power generation			3,585	3,751	3,747	3,978	4,026	4,271	3.6%
Subtotal: excluding use for power generation			9,071	9,297	9,656	9,985	10,198	10,440	2.9%

*Figures for fiscal 2005 are projections after standardization (compensation for temperature in formulation of the plans for fiscal 2006 and following years).

Figures in parentheses indicate the sales volume per household (cubic meters per household per year)

〈Reference〉 (Unit: millions of cubic meters, 45MJ/m^3)

	FY2005 outlook	FY2006	FY2007	FY2008	FY2009	FY2010	AAGR
Large-volume supply (subtotal of industrial use)	5,776	5,962	6,081	6,461	6,556	6,836	3.4%

*Figures for fiscal 2005 are projections after standardization (compensation for temperature in formulation of the plans for fiscal 2006 and following years).

(3) Volume of stock in the air conditioning field by type of system (Unit：thousand kW)

	FY2005 outlook	FY2006	FY2007	FY2008	FY2009	FY2010	AAGR
Absorption	2,921	2,928	2,968	2,977	2,951	2,942	0.1%
GHP	947	998	1,072	1,133	1,194	1,256	5.8%
Total	3,868	3,926	4,040	4,110	4,145	4,198	1.7%

*Figures for the volume of stock are conversions of the installed capacity of air conditioning systems managed by Tokyo Gas in terms of air conditioners with a COP of 3.5.

(4) Volume of stock for power generation (Unit：thousand kW)

		FY2005 outlook	FY2006	FY2007	FY2008	FY2009	FY2010	AAGR
	Consumer cogeneration	351	383	392	398	408	414	3.4%
	Industrial cogeneration	959	1,002	1,085	1,150	1,246	1,439	8.5%
Cogeneration total		1,310	1,384	1,477	1,548	1,654	1,853	7.2%
	Business-use	2,328	2,328	2,446	2,456	2,308	2,308	-0.2%
	Own use	187	187	331	331	331	331	12.1%
Power-only generation total		2,515	2,515	2,777	2,787	2,639	2,639	1.0%
Grand total		3,825	3,899	4,254	4,335	4,293	4,492	3.3%

(5) FY2006 facility investment plans

(Unit: millions of yen)

Item			Amount of investment	As percentage of total	Remarks
Production facilities		New LNG facilities	2,411	2.5%	-Vaporizers at the Ohgishima LNG Terminal
		Other	3,559	3.8%	-Remodeling of existing facilities, construction for replacement
		Total	5,970	6.3%	
Supply facilities	Mains and laterals	For demand development	23,946	25.2%	- 657.9km Demand mains and laterals
		For stable supply	12,572	13.2%	- 38.6km Construction for improvement of supply pressure, trunk line shield construction, etc.
		For pipe safety	12,921	13.6%	- 204.5km Planned replacement of superannuated pipes
		Other construction, etc.	3,279	3.5%	- 77.7km Construction for relocation of gas pipes accompanying road construction, etc.
		Sub total	52,718	55.6%	- 978.7km
	Service pipes and gas meters		13,235	13.9%	
	Other		2,171	2.3%	-Facilities to assure safety in the event of earthquakes, etc.
	Total		68,124	71.8%	
Business facilities			20,681	21.8%	-Technology development, IT, building construction/remodeling, etc.
Gas business facility total (After compression for income from construction cost burdens)			94,775	99.9%	
Incidental facilities			111	0.1%	-Facilities related to natural gas vehicles, etc.
Grand total (After compression for income from construction cost burdens)			94,886	100.0%	

*Figures for extended length in the "Comments" column indicate the extended length completed in the year in question.