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FY2009

Outline of supply plans

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March 2009

**Tokyo Gas Co., Ltd.**

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## Introduction

Natural gas offers environmental merits for action against global warming, a high level of economicality and supply stability as compared to crude oil, and a convenient ability to cope with demand for thermal, electrical, and various other forms of energy. Backed by these benefits, we foresee no change in its superiority and importance as a type of energy, and expect needs for it to continue expanding among societies and customers.

Meanwhile, we are seeing the emergence of changes in the climate of our business that could exert a major impact on the Group's execution of integrated energy business strategy. These include the further rise in expectations for environmental preservation in the market and society as a whole, intensified competition with different types of energy and different suppliers of the same type, and changes in the circumstances of gas resource procurement due to sharp fluctuation of crude oil prices and other such factors. In addition, the both steep and worldwide economic deceleration that set in late last year will presumably have a great influence on the energy demand over the short term.

In January 2009, this medium-term Group management plan for fiscal years 2009 - 2013 was prepared with a view to responding to these changes in the business environment both promptly and accurately, and more vigorously promoting the integrated energy business strategy. It targets the evolution and advancement of our integrated energy business through emphasis on the "Three Es", i.e., "Eco-friendly" (creation of value keyed by environment), "Excellent service" (improvement of value for customers), and "Expansion" (in-depth cultivation and widening of markets) while adhering to the basic strategy for integrated energy business with natural gas at its core thus far. It also calls for steps to strengthen the LNG value chain and reinforce the synergy of "All Tokyo Gas"\* for achievement of these ends.

Through action on these agenda, we hope to simultaneously further the diffusion and expansion of natural gas use based on even higher levels of added value, and both widen and deepen the Group business in the energy field, so that we will be able to cope flexibly with future changes in the business climate and achieve sustained growth.

\* All Tokyo Gas = a collective term for Tokyo Gas Co., its affiliated companies, and its cooperating companies

## I. Outline of supply plans

### 1. Diffusion plans

In fiscal 2009, Tokyo Gas plans an increase of 214,000 in our number of customers, or about the same as in fiscal 2008, when growth was affected by amendment of the Building Standards Law. The main background factor here is the continuing sag in the number of housing construction starts and completions under the influence of the slump in the housing market (extension of construction work and cancellation of schedules, etc.) because of the recent sharp economic decline.

This sagging trend in the number of housing construction starts and completions in response to the housing market slump is projected to turn toward recovery in fiscal 2010 along with the decline in the real estate stock and the gradual surfacing of the effects of tax reductions for housing loans. The number of new our customers is anticipated to undergo a corresponding increase in the plans.

We foresee an average annual increase of 1.3 percent in our number of customers over the coming five years.

(Thousands of customers)

	FY2008 outlook	FY2009	FY2010	FY2011	FY2012	FY2013	AAGR
Number of new customers	213	214	237	238	240	242	2.7%
Number of customers	10,259	10,360	10,509	10,657	10,805	10,953	1.3%

\*Number of customers = number of gas meters installed

## 2. Gas sales plans

The plan foresees total gas sales of Tokyo Gas in fiscal 2009 that are below those in fiscal 2008 under the influence of the sharp economic decline, followed by a gradual increase beginning in fiscal 2010 as the economy embarks on moderate recovery, to reach about 15 billion cubic meters in fiscal 2013. As a result, the average annual growth rate over the five-year period would be 1.9 percent.

(Unit: millions of cubic meters, 45MJ/m<sup>3</sup>)

	FY2008 outlook	FY2009	FY2010	FY2011	FY2012	FY2013	AAGR
Total gas sales volume	13,703	12,941	13,365	13,902	14,283	15,048	1.9%

\*Figures for fiscal 2008 are projections after standardization (compensation for temperature in formulation of the plans for fiscal 2009 and following years). This also applies to the rest of this document.

### (1) Residential demand

In this segment, the amount of sales per customer is in decline as a result of factors such as the reduction in the number of members per household, rise in the share of all collective residential properties occupied by those with high levels of airtightness and insulation, and diffusion of high-efficiency equipment. The net influx of population into the national capital region is expected to remain on a certain level, and the company is committed to efforts for cultivation of additional demand and the diffusion and expansion of the latest equipment and systems. These factors point to an increase in sales in the residential segment.

(Unit: millions of cubic meters, cubic meters/customer/year, 45MJ/m<sup>3</sup>)

	FY2008 outlook	FY2009	FY2010	FY2011	FY2012	FY2013	AAGR
Residential sales volume	3,372	3,388	3,425	3,447	3,469	3,493	0.7%
Gas Sales volume per property	389	386	385	383	380	377	-0.6%

### (2) Industrial demand

This segment has the largest share of the total gas sales. Sales in it may be expected to grow along with expansion of wide-area business and development of large-volume demand by promoting switches away from other fuels, for example.

(Unit: millions of cubic meters, 45MJ/m<sup>3</sup>)

	FY2008 outlook	FY2009	FY2010	FY2011	FY2012	FY2013	AAGR
Industrial gas sales volume	5,382	4,727	4,927	5,328	5,659	6,364	3.4%
Subtotal: large-volume sales volume	(5,240)	(4,601)	(4,789)	(5,184)	(5,507)	(6,203)	(3.4%)

### (3) Commercial and other demand

The sales volume in this segment should grow with efforts to maintain and expand the existing demand and capture additional demand through reinforcement of capabilities for proposal of solutions harnessing the company's engineering expertise and active introduction of high-efficiency gas equipment.

(Unit: millions of cubic meters, 45MJ/m<sup>3</sup>)

	FY2008 outlook	FY2009	FY2010	FY2011	FY2012	FY2013	AAGR
Commercial and other gas sales volume	2,874	2,818	2,874	2,894	2,912	2,932	0.4%
Subtotal: large-volume sales volume	(1,388)	(1,386)	(1,380)	(1,400)	(1,417)	(1,439)	(0.7%)

#### (4) Supply to other gas utility companies

Sales to other gas utility companies should increase due to factors such as increase in industrial demand among wholesale customers.

(Unit: millions of cubic meters, 45MJ/m<sup>3</sup>)

	FY2008 outlook	FY2009	FY2010	FY2011	FY2012	FY2013	AAGR
Wholesale supply sales volume	2,076	2,008	2,140	2,233	2,242	2,260	1.7%

### 3. Production / purchasing volume and gas resource use plans

While working for stable procurement of gas resource 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<sup>3</sup>)

		FY2008 outlook	FY2009	FY2010	FY2011	FY2012	FY2013
Natural gas	LNG	13,109	12,333	12,695	13,107	13,451	14,135
	Domestically produced natural gas	244	212	225	261	270	280
Oil	LPG	353	321	393	482	510	582
	Off gas	107	114	114	114	114	114
Total		13,813	12,979	13,427	13,964	14,345	15,111

#### 【Volume of gas resource/fuel use】

(Unit : thousand t )

	FY2008 outlook	FY2009	FY2010	FY2011	FY2012	FY2013
LNG	10,198	9,693	9,971	10,291	10,564	11,100
LPG	273	266	327	403	426	488

### 4. Major facility plans

Tokyo Gas is going to condition and augment the infrastructure of manufacture and supply for sure response to the projected demand. It plans to complete the Gunma Trunk Line (Annaka - Takasaki), Chuo Trunk Line 2nd Phase (Soka - Kawaguchi), Shin-Negishi Trunk Line (Yokohama), and Yokohama Trunk Line 2nd Phase (Yokohama - Kawasaki) in order to build a setup for even more stable supply to meet the future demand increase. It is also targeting completion of the Chiba - Kashima Line (Chiba - Kamisu) for the purpose of supplying gas to the Kashima waterfront industrial complex and industrial demand along routes.

The plans also call for installation of vaporizers in the three terminals on Tokyo Bay and the Hitachi Branch Terminal, and construction of the No.4 LNG tank in the Ohgishima terminal.

In addition, Tokyo Gas must respond to the natural gas expectations and needs of society and its customers over the medium and long terms, and further solidify the foundation for stable supply. To this end, it is making plans for construction of an LNG terminal in the Hitachi zone of Ibaraki port and a pipeline for its connection to the existing network, as well as pursuing studies for their execution.

#### 【Major pipeline plans】

Month and year of start of operation	Lines	Route	Inner diameter (mm)	Total extended length (km)
March 2010	Gunma Trunk Line	Between Annaka city and Takasaki city	500	16.1
October 2010	Chuo Trunk Line (2 <sup>nd</sup> phase)	Between Soka city and Kawaguchi city	600	9.6
March 2012	Chiba-Kashima Line	Between Chiba city and Kamisu city	600	76.1
October 2013	Shin Negishi Trunk Line	Between Isogo ward and Izumi ward in Yokohama city	600	14.0
October 2013	Yokohama Trunk Line (2 <sup>nd</sup> phase)	Between Aoba ward in Yokohama city and Aso ward in Kawasaki city	750	6.3

October 2015	Saitou Trunk Line	Between Soka city and Goka city	600	34.0
2017	Hitachi-Moka Trunk Line	Between Hitachi city and Moka city	600	—

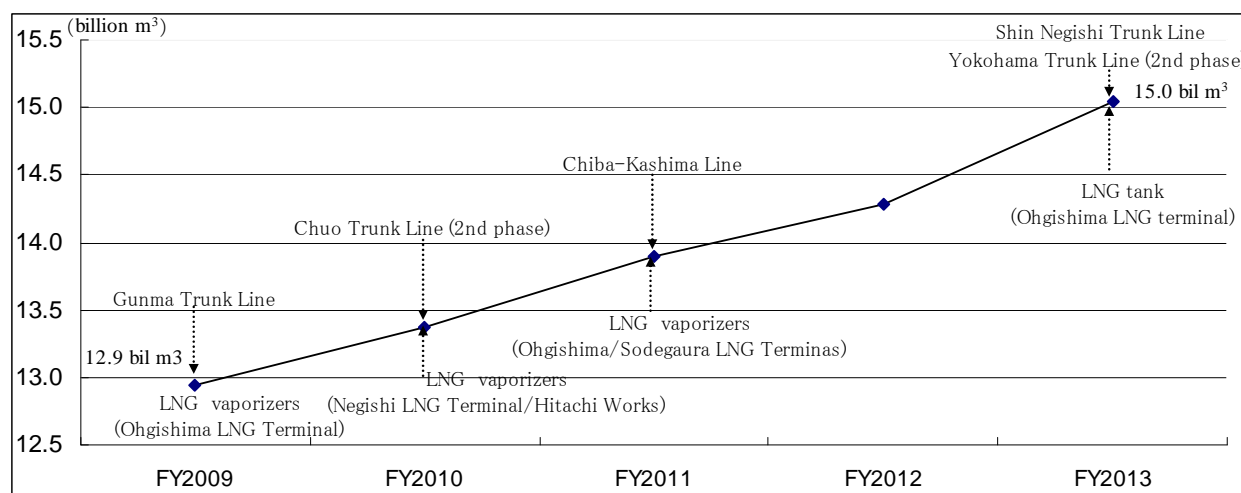
【Year-end total extended length of pipeline】 (Unit : km)

FY2008 outlook	FY2009	FY2010	FY2011	FY2012	FY2013
53,020	53,250	53,960	54,732	55,433	56,189

【Major manufacturing facility plans】

Month and year of starting operation	Manufacturing facilities	Installation site	Number
April 2009	Ohgishima LNG Terminal	LNG vaporizer	3
June 2010	Negishi LNG Terminal	LNG vaporizer	1
November 2010	Negishi LNG Terminal	LPG vaporizer	3
December 2010	Hitachi Works	LNG vaporizer	1
May 2011	Ohgishima LNG Terminal	LNG vaporizer	1
December 2011	Sodegaura LNG Terminal	LNG vaporizer	1
October 2013	Ohgishima LNG Terminal	LNG tank	1
2017	Hitachi LNG Terminal	LNG tank	1

【Demand outlook and facility formation plans】



## 5. Facility investment plans

Tokyo Gas plans to make investments totaling 580.6 billion yen (after compression for income from construction cost burdens, i.e., distributions) over the five-year period fiscal 2009 - 2013 of this supply plan preparation. The following are the main components of these plans.

- (1) Manufacturing facilities: full preparations to assure the setup for stable production by expansion of the LNG-related facilities in the three terminals in Tokyo Bay, construction of the No.4 LNG tank in the Ohgishima terminal, and systematic improvement and replacement of existing facilities
- (2) Supply facilities: establishment of the system for stable supply and assurance of safety by investment in measures to prevent disaster from earthquakes and otherwise preserve safety as well as continued systematic replacement of pipelines in addition to investment in pipelines for new demand development and formation of the major pipeline network (see the outline of the supply area on page 5)
- (3) Business facilities: further reinforcement of arrangements for business development through steps such as conditioning of information systems, renovation of superannuated buildings, and promotion of technology development
- (4) Incidental facilities: mainly improvement of existing facilities

【Table of facility investment plans】

(Unit: billions of yen)

		FY2008 outlook	FY2009	FY2010	FY2011	FY2012	FY2013	Total; FY2009 - 2013
Gas business facility	LNG facilities	5.9	10.9	12.1	10.8	18.7	18.9	71.4
	Other	3.5	6.3	5.4	3.6	3.3	4.8	23.5
	Production facilities	9.4	17.2	17.5	14.4	22.0	23.7	94.8
	Trunk line investment	23.0	18.8	14.5	8.9	12.4	13.1	67.8
	Other	59.4	62.5	60.2	60.6	59.6	60.3	303.1
	Supply facilities	82.4	81.3	74.7	69.6	72.0	73.4	370.9
	Business facilities	14.7	21.9	19.4	19.1	29.6	21.7	111.8
	Subtotal	106.4	120.4	111.6	103.0	123.6	118.8	577.5
	Incidental facilities	0.5	0.8	0.5	0.7	0.6	0.5	3.1
	Total	106.9	121.2	112.1	103.8	124.2	119.3	580.6

## II. Main Data

### (1) Penetration plans

(Unit: thousands of customers)

	FY2008 outlook	FY2009	FY2010	FY2011	FY2012	FY2013	Total; FY2009 - 2013
Number of new customers	213	214	237	238	240	242	1,171
Net increase	135	101	149	148	148	148	694
Number of customers	10,259	10,360	10,509	10,657	10,805	10,953	AAGR: 1.3%
Rate of penetration (%)	90.5%	91.2%	91.5%	92.1%	92.8%	93.6%	—

\*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<sup>3</sup>)

		FY2008 outlook	FY2009	FY2010	FY2011	FY2012	FY2013	AAGR	
Sales volume	Residential	<389> 3,372	<386> 3,388	<385> 3,452	<383> 3,447	<380> 3,469	<377> 3,493	<-0.6%> 0.7%	
	Business	Industrial	5,382	4,727	4,927	5,328	5,659	6,364	3.4%
		Commercial and Others	2,874	2,818	2,874	2,894	2,912	2,932	0.4%
		Total	8,255	7,545	7,800	8,223	8,571	9,296	2.4%
	Wholesale supply	2,076	2,008	2,140	2,233	2,242	2,260	1.7%	
Grand total	13,703	12,941	13,365	13,902	14,283	15,048	1.9%		
Large-volume supply	(6,629)	(5,988)	(6,171)	(6,586)	(6,927)	(7,645)	(2.9%)		

\*Figures for fiscal 2008 are projections after standardization (compensation for temperature in formulation of the plans for fiscal 2009 and following years).

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

\* Due to rounding, totals may not equal the sum of their parts

### (3) Volume of stock in the air conditioning field by type of system

(Unit : MW)

	FY2008 outlook	FY2009	FY2010	FY2011	FY2012	FY2013	AAGR
Absorption type	10,668	10,733	10,797	10,854	10,858	10,885	0.4%
Gas Heat Pump( GHP)	3,726	3,843	3,964	4,089	4,210	4,332	3.1%
Total	14,394	14,575	14,761	14,943	15,067	15,217	1.1%

\*Figures for the volume of stock are based of capacity of air conditioning systems.

### (4) Volume of stock for power generation

(Unit : MW)

		FY2008 outlook	FY2009	FY2010	FY2011	FY2012	FY2013	AAGR
Cogeneration	for commercial use	526	531	536	537	541	543	0.6%
	for industrial use	1,028	980	967	1,000	1,058	1,061	0.6%
Cogeneration total		1,554	1,511	1,503	1,537	1,599	1,604	0.6%
Power-only generation		2,700	2,692	2,692	2,692	2,692	2,692	-0.1%
Grand total		4,254	4,203	4,195	4,229	4,291	4,296	0.2%



## (5) Plans of investment for facility in FY2009

(Unit: millions of yen)

Item		Amount of investment	Percentage of total	Remarks	
Manufacturing facilities	New LNG facilities	10,873	9.0%	- BOG treatment facility in Negishi LNG Terminal - LNG Tank in Ohgishima LNG Terminal - Vaporizers at Sodegaura LNG Terminal	
	Other	6,327	5.2%	-Remodeling of existing facilities, construction for replacement	
	Total	17,200	14.2%		
Supply facilities	Mains and laterals	For demand development	33,881	28.0%	-Laterals for demand development (645.6 km)
		For stable supply	13,187	10.9%	-Construction for improvement of supply pressure, trunk line shield construction, etc. (38.5 km)
		For pipe safety	16,065	13.3%	- Planned replacement of decrepit pipes (254.5 km)
		Other construction, etc.	1,420	1.2%	-Construction for relocation of gas pipes accompanying road construction, etc. (65.9 km)
	Total	64,553	53.3%	1028.3 km	
	Service pipes and gas meters	11,648	9.6%		
	Other	5,099	4.2%	-Facilities to assure safety in the event of earthquakes, etc.	
Total	81,300	67.1%			
Business facilities		21,900	18.1%	-Technology development, IT, building construction/remodeling, etc.	
Gas business facility total (After compression for income from construction cost burdens)		120,400	99.3%		
Incidental facilities		800	0.7%		
Grand total (After compression for income from construction cost burdens)		121,200	100.0%		