

October 10, 2002
Shizuoka Gas Co., Ltd.
Teikoku Oil Co., Ltd.
Tokyo Gas Co., Ltd.

Joint construction of the Three-company Cooperative Pipeline
(tentative name)

Shizuoka Gas Co., Ltd., Teikoku Oil Co., Ltd., and Tokyo Gas Co., Ltd. (hereinafter referred to as "Shizuoka Gas", "Teikoku Oil", and "Tokyo Gas", respectively) have reached a collaboration agreement for the construction of a natural gas pipeline. The pipeline (hereinafter referred to, by its tentative name, as the "Three-company Cooperative Pipeline") will run between the cities of Fuji and Gotemba in Shizuoka Prefecture and will be completed by the end of 2006. In addition, by the end of next year the three companies intend to make equal capital outlays for the establishment of a business firm to oversee the collaborative construction work and then operate the Three-company Cooperative Pipeline upon its completion

Teikoku Oil, which is currently constructing the Kofu Line, has decided to extend it and construct the Shizuoka Line (tentative name) between the town of Showa in the vicinity of the city of Kofu in Yamanashi Prefecture and the city of Gotemba in Shizuoka Prefecture. This construction is scheduled to be completed by the end of 2006. To reinforce its ability to supply the eastern part of Shizuoka Prefecture, Shizuoka Gas is now constructing the No. 2 Suruga Trunk Line between the Sodeshi terminal of Shimizu LNG Co., Ltd. and the city of Fuji, to be completed by the middle of 2004. Tokyo Gas, in turn, is planning to extend a pipeline from the Three-company Cooperative Pipeline to its existing network in step with demand growth in the western part of Kanagawa Prefecture. The construction of the Three-company Cooperative Pipeline connected with these other pipelines represents an organized linkage of their respective natural gas infrastructures (e.g., LNG terminals, domestic gas fields, and natural gas transmission pipelines), and will form a network for wide-area supply of natural gas.

The objective of this project lies in the establishment, through three-way collaboration, of a stable and economical natural gas supply setup to meet natural gas demand, which is anticipated to expand well into the future, owing to factors such as the need to alleviate global environmental problems. The specific benefits for each of the companies are outlined below.

Shizuoka Gas

The linkage with Teikoku Oil's network for domestically produced natural gas will afford Shizuoka Gas with better response capabilities, in the event of a LNG Terminal emergency, as

well as higher operational flexibility, while improving supply stability. In addition, the ability to supply gas, vaporized from LNG, to Teikoku Oil and Tokyo Gas will raise the working rates at its LNG terminals and therefore increase the economic merit of the pipeline project.

Teikoku Oil

For several years after their completion of the Three-company Cooperative Pipeline, Teikoku Oil will have a surplus supply capacity that will permit the supply of domestically produced natural gas to Shizuoka Gas. Thereafter, Teikoku Oil plans to use them to receive gas, vaporized from LNG, from Shizuoka Gas. This will give it two sources of gas supply; one consisting of domestically produced natural gas from the Sea of Japan side, and one of LNG-vaporized gas from the Pacific Coast side. The organized coordination of these sources will induce a substantial improvement in supply stability and assure supply even in the face of future demand expansion.

Tokyo Gas

Tokyo Gas is going to extend pipelines from the Three-company Cooperative Pipeline to keep pace with demand expansion in western Kanagawa Prefecture. In addition, future connections to its existing network will bring a further improvement in supply capacity and stability. The line will also greatly improve supply stability in Tokyo Gas' Kofu Branch service area.

Shizuoka Gas, Teikoku Oil, and Tokyo Gas are determined to continue living up to the expectations of local communities, customers, and shareholders through spreading and expanding the use of natural gas, which is assuming increasing importance for its environmental friendliness and characteristics as an energy resource.

Profile of the Three-company Cooperative Pipeline (tentative name)

1. Leg: Fuji City - Gotemba City, Shizuoka Prefecture
2. Specifications: Design pressure: about 7 MPa
Diameter: 20 inches (500 mm)
3. Extended length: about 33 km
4. Construction term (scheduled): start in 2004, completion in 2006

Outline of the Shizuoka Line (tentative name) of Teikoku Oil

1. Leg: Showa-cho, Nakakoma-gun, Yamanashi Prefecture - Gotemba City, Shizuoka Prefecture

2. Specifications: Design pressure: about 7 MPa
Diameter: 16 inches (400 mm)
3. Extended length: about 83 km
4. Construction term (scheduled): start in 2004, completion in 2006

Plan for the Three-company Cooperative Pipeline (tentative name)

