**New LNG Purchase Contract Signed with Malaysia LNG Sdn. Bhd.**

March 17, 2003
Tokyo Gas Co., Ltd.
Tokyo Electric Power Co. Inc.

Tokyo Gas Co., Ltd. ("Tokyo Gas") and Tokyo Electric Power Co. Inc. ("TEPCO") have announced the signing of a new LNG purchase contract with Malaysia LNG Sdn. Bhd. ("Malaysia LNG", a subsidiary of Petronas, the Malaysian national oil company). The new contract is a renewal of the current LNG purchase contract with Malaysia LNG due to expire on March 31, 2003. Terms and conditions for the renewal were finalized in line with a memorandum of agreement signed on March 8, 2002. Today's signing took place after reaching full agreement on contract conditions.

The new contract will run for 15 years, from April 2003 to March 2018, and provides for the purchase of up to 4.8 million tons of LNG a year by TEPCO and up to 2.6 million tons of LNG a year by Tokyo Gas. The purchase conditions are adjustable to meet changes in the Japanese energy industry, including factors such as deregulation of electricity and gas markets. The contract terms and conditions are more economical and flexible than earlier long-term, fixed contracts that gave top priority to the security of energy supplies.

**Outline of new contract**

(1) Seller: Malaysia LNG Sdn. Bhd.
(2) Buyers: Tokyo Gas Co., Ltd., Tokyo Electric Power Co. Inc.
(3) Contract term: April 2003 to March 2018 (15 years)
(4) Scope of contract: As per table below.

Units: 1,000,000 tons/year

| | TEPCO | Tokyo Gas |
|---|---|---|
| Maximum Ex-ship | 3.60 | 2.00 |
| Maximum FOB | 1.20 | 0.60 |
| Maximum Total<br>(short-term adjustment shown in parentheses)<br>Minimum Total | 4.80<br>(0.70)<br><br>4.10 | 2.60<br>(0.50)<br><br>2.10 |

* The amount of short-term adjustment shown in the table is a maximum, and has been set for four years for each of the two companies. The actual amount purchased can be set each year within the range of the short-term adjustment.

(5) Features of the purchase contract
1) The introduction of a short-term adjustment provision greatly improves flexibility for the amount of LNG purchased.
2) Allowing part of the cargo to be shipped FOB improves the flexibility of LNG purchasing in terms of shipping, and enables freight costs to be cut. (LNG tankers owned by affiliates of the buyers will be used when shipments are made on an FOB basis.)
3) Allowing a greater scope for increasing or decreasing amounts enables a more flexible approach to managing amounts of purchases in specific financial years.

* Outline of current contract
Parties to contract:
Seller: Malaysia LNG Sdn. Bhd.
Buyers: Tokyo Gas Co., Ltd., Tokyo Electric Power Co. Inc.
Contract term: April 1983 to March 2003 (20 years)
Scope of contract: TEPCO: 4.8 million tons/year, Tokyo Gas: 2.6 million tons/year.
Delivery: All ex-ship

**(1) Profile of Malaysia LNG**

| | |
|---|---|
| Company: | Malaysia LNG Sdn. Bhd. |
| Head office: | Bintulu, Sarawak, Malaysia |
| Operations: | Natural gas purchasing, LNG liquefaction/sale |
| Capital: | MYR 600 million (approx. JPY 20 billion) |
| Main shareholder: | Petronas (the Malaysian national oil and gas company) |
| Established: | June 14, 1978 |

**(2) Location of the Malaysia LNG project**


**(3) Terminology**

1) Ex-ship basis
   Basis for transactions whereby ownership and responsibility for risk are transferred from seller to buyer at the point where the LNG is offloaded at the buyer's receiving terminal. The seller arranges for shipping and marine insurance, and is responsible for paying the insurance and shipping costs (which are passed on to the buyer by including it in the purchase price for the LNG).

2) FOB (Free on Board) basis
   Basis for transactions whereby ownership and responsibility for risk are transferred from seller to buyer at the point where the LNG is loaded onto a LNG tanker at the seller's terminal. The buyer arranges for shipping and marine

insurance, and is responsible for paying the insurance and shipping costs. The ability to use our own fleet on LNG tankers will allow for lower shipping costs.

3) Short-term Adjustment - Permitted increase, permitted decrease
Generally, the degree to which the amount of LNG purchased may be adjusted upwards or downwards with respect to the annual amount of the contract. The stipulations for size of adjustment permitted and the conditions for its application vary from contract to contract, and are negotiated between the seller and buyer. Since the new contract sets maximum purchase amounts, the short-term adjustment is a "permitted decrease" only.