

March 17, 2005

Tokyo Gas Acquires Interest in Malhas Project in Brazil

-- Natural Gas Pipeline Construction & Operation Business in Brazil --

Tokyo Gas Co., Ltd.

Tokyo Gas Co., Ltd. (President: Mr. Norio Ichino) has acquired an interest in "Malhas Project", which constructs and operates natural gas transmission pipelines in the southeast and northeast of Brazil.

The project calls for construction and operation of a 440-km pipeline between Campinas near São Paulo and Rio de Janeiro and an 820-km one along the northeast coast of the country, which is promoted by the state oil company Petrobras as part of social infrastructure initiatives to alleviate chronic power shortage.

1. Brief History of Participation by Tokyo Gas

The promoter of Malhas Project, Petrobras, chose an operating company structure proposed by a trading company consortium of Mitsui & Co., Ltd., Mitsubishi Corporation, and Itochu Corporation through a competitive bidding process for financing the project. As a result, Mitsui & Co., Ltd. acquired 40% equity stakes, Mitsubishi Corporation acquired 30%, and Itochu Corporation acquired 30% of the project companies, respectively, who construct and operate the project (The southeast pipeline NTS: Nova Transportadora do Sudeste; and the northeast pipeline NTN: Nova Transportadora do Nordeste) in December, 2003.

Tokyo Gas has been approached by the project promoters as a potential partner with expertise of natural gas business and has decided to invest in the project. Tokyo Gas has now a 15% equity stake of the entire project, acquiring 5% equities of the project companies each from the three existing shareholders. Tokyo Gas also intends to dispatch its employees to provide engineering supports to the project, according to progress of the construction. The investment is made through Tokyo Gas International Holdings B.V., an investment vehicle for overseas projects.

2. Purpose of Project Participation

Tokyo Gas expects not only to utilize its expertise in pipeline construction and operation to a great extent, but also to earn stable revenues in the project. Tokyo Gas also would like to contribute to expanded and efficient utilization of natural gas in Brazil, where energy demand is expected to continue growing, in collaboration with Petrobras, Mitsui & Co., Ltd. and other companies.

Tokyo Gas places its overseas business opportunities as part of business expansion to energy-related areas in the company's mid-term business plan. The company is determined to consider opportunities carefully, taking account of profitability and stability.

3. Outline of Malhas Project

(1) Business and Operation

- Construction of natural gas transmission pipelines
- Operation and maintenance (O&M) of the pipelines
(The O&M is contracted to TransPetro (100% subsidiary of Petrobras))
- Providing gas transmission services to Petrobras, based on the agreement with Petrobras

(2) Pipelines

The southeast line of 440 km and the northeast one of 820 km (See Project Map)

(3) Project Cost

US\$ 1 billion

(4) Project Operating Companies

- Nova Transportadora do Sudeste (The southeast transmission company)
- Nova Transportadora do Nordeste (The northeast transmission company)

(5) Project Partners (After participation by Tokyo Gas)

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|---|-----|
| - Mitsui & Co., Ltd. | 35% |
| - Mitsubishi Corporation | 25% |
| - Itochu Corporatio | 25% |
| - Tokyo Gas International Holdings B.V. | 15% |

(6) Chronicle of the Project

- Start of project December 2003
(Investment in the project companies by the Japanese three trading companies)
- Completion of pipeline construction June 2005 (Scheduled)
- Commencement of pipeline operation July 2005 (Scheduled)
- After providing services for 10 years, the assets are to be transferred to Petrobras.

<Reference 1: Outline of Petrobras>

Petrobras, established in 1953 as Brazil's national oil company, enjoys dominant shares in oil production, refining, and transportation, as well as product sales, while it has a leading engineering expertise in the world in deep-sea drilling. The company not only has a lot of upstream oil and gas interests but also has invested in several natural gas distribution businesses and in initiatives to expand natural gas transmission networks in Brazil, making itself as a leader in the company's hugely promising natural gas market.

< Reference 2: Project Map >



<Reference 3: Project Structure>

