

Notice of modification of service agreements accompanying decrease
in the standard calorific value of service gas (Tokyo district, etc.)

February 2, 2006
Tokyo Gas Co., Ltd.

Effective February 21, we at Tokyo Gas Co., Ltd. shall lower the standard calorific value of the gas we supply to customers in the "Tokyo district, etc." category from the current 46.04655 megajoules (MJ)/m³ to 45 MJ/m³. On February 2, we therefore notified the Minister of Economy, Trade and Industry of the service agreement revision concerning mainly modification of gas tariffs that is also to go into effect on February 21.

Thus far, before supplying gas to our customers, we have adjusted its calorific value to the standard level of 46.04655 MJ /m³ by adding liquefied petroleum gas (LPG), which has a high calorific value, to liquefied natural gas (LNG), the main feedstock. In recent years, LPG prices have risen against LNG prices, and we therefore decided to reduce our feedstock costs by lowering the standard calorific value of our gas to 45 MJ /m³ and thereby reducing our rate of LPG addition, and to return the benefit of this step to our customers. We shall also lower the calorific value of the gas we supply to city gas companies receiving a bulk supply from us through pipelines to 45 MJ /m³.

Even after this lowering of calorific value, our gas will remain 13A, the same type as at present. For this reason, household customers will not have to make any modifications in the gas appliances they now use. Although some industrial and commercial customers will have to adjust their equipment along with the decrease in calorific value, we have already contacted them separately and are assisting the work of adjustment.

The progress of deregulation in Japan's energy market is intensifying competition among different energies and even among firms supplying the same energy. In this atmosphere, we are committed to continued streamlining of our business and assuring the stability and security of our supply while further improving our customer services. This is in keeping with our goal of evolution as a corporate group that always retains the trust of its customers, shareholders, and society as a whole and is capable of sustained growth and advancement. We ask for your continued understanding and support in our endeavors to this end.

(Attachment)

Major particulars of the modification of service agreements (Tokyo district, etc.)

Along with the lowering of the standard calorific value of our gas from 46.04655 to 45 MJ/m³, we shall convert the tariff schedule for equivalence with the new value. To return the benefit of the reduction in feedstock cost resulting from the lower calorific value to our customers, we shall reduce tariffs in the small-volume segment (in both service agreements and optional agreements) by an average of 0.28 % relative to the current levels (upon conversion in terms of equivalent calorific value).

The aforementioned modification will be based on the total cost method allowing adjustment for prime gas tariff cost, and will go into effect on 21 February 2006.

1. Service agreement tariffs

Along with the reduction of standard calorific value, we shall convert the service agreement tariff schedules for equivalence with the new value. To return the benefit of the reduction in feedstock cost to our customers, we shall reduce tariffs by an average of 0.24 % relative to the current levels.

(1) Average unit tariff in the notification (45MJ/m³, tax-exclusive)

	New tariffs	Existing tariffs	Rate of revision
Service agreement average (yen/m ³)	¥131.54	¥131.85	-0.24%

Note: The current tariffs are calculated by means of the service agreement schedules upon conversion to the equivalent in terms of 45 MJ /m³ following the reduction of calorific value.

(2) Post-revision service agreement tariff schedules

	Monthly volume of use	Basic tariff (tax included) (Yen/month)	Unit tariffs(tax included) (Yen/ m ³)
Tariff schedule A	0 m ³ –20 m ³	¥724.50	¥132.18
Tariff schedule B	21 m ³ –81 m ³	¥1,083.60	¥114.63
Tariff schedule C	82 m ³ –204 m ³	¥1,365.00	¥111.20
Tariff schedule D	205 m ³ –512 m ³	¥2,499.00	¥105.66
Tariff schedule E	513 m ³ –818 m ³	¥5,806.50	¥99.20
Tariff schedule F	819 m ³ –	¥13,786.50	¥89.44

Note: * Along with the aforementioned modification, we shall review the amounts of use in the application categories for tariff schedules A - F.

* In calculating gas tariffs, we shall automatically apply the appropriate schedule of schedules A - F in correspondence with the monthly amount of use.

* The unit tariff (yen per cubic meter) will be adjusted on a quarterly basis in accordance with the provisions for adjustment for feedstock costs.

Reference: Current service agreement tariff schedules
(conversion in terms of 45 MJ/m³ upon reduction of standard calorific value)

	Basic tariff (tax included) (Yen/month)	Unit tariffs(tax included) (Yen/ m ³)
Tariff schedule A	¥724.50	¥132.51
Tariff schedule B	¥1,083.60	¥114.96
Tariff schedule C	¥1,365.00	¥111.53
Tariff schedule D	¥2,499.00	¥105.98
Tariff schedule E	¥5,806.50	¥99.52
Tariff schedule F	¥13,786.50	¥89.77

Note: Figures for unit tariffs (yen per cubic meter) were adjusted on the basis of the average feedstock price over the months July - September 2005.

(3) Amount of reduction in model homes (tax-inclusive)

Monthly volume of use	New tariffs	Existing tariffs	Amount of reduction (rate shown in parenthesis)
50 m ³	¥6,815	¥6,831	-¥16 (-0.23%)

Note: The current tariffs are calculated by means of the service agreement schedules upon conversion to the equivalent in terms of 45 MJ /m³ following the reduction of calorific value.

2. Optional agreement tariffs

Along with the reduction of standard calorific value, we shall convert the optional agreement tariff schedules for equivalence with the new value. To return the benefit of the reduction in feedstock cost to our customers, we shall reduce tariffs by an average of 0.42 % relative to the current levels.

3. Increase in the Tokyo Gas burden of main and lateral installation costs

We shall raise the company share of the cost burden per cubic meter per hour of gas meter capacity from the current ¥63,300 to ¥70,000.

Gas meter capacity	After modification (not including tax)	Current (not including tax)	Amount of increase (not including tax)
4 cubic meters per hour	¥280,000	¥253,200	¥26,800
6 cubic meters per hour	¥420,000	¥379,800	¥40,200

4. Revision of the standard average feedstock price etc. in the provisions for adjustment for feedstock costs

As shown below, we shall revise three elements in the provisions for adjustment for feedstock costs: 1) the standard average feedstock price, 2) the LNG and LPG conversion coefficients applied to obtain the average feedstock cost calculated on a quarterly basis, and 3) the amount of adjustment per cubic meter of gas for every ¥100 of fluctuation in feedstock price.

(1)

Standard average feedstock price	¥35,910/t
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Note: The new standard average feedstock price is calculated on the basis of feedstock prices as contained in trade statistics for the months July - September 2006.

(2)

LNG conversion coefficient	0.9820
LPG conversion coefficient	0.0160

(3)

Adjusted amount per cubic meter of gas for every ¥100 of fluctuation in feedstock price	¥0.08505 the product of multiplication of ¥0.081 by 1.05 (to reflect the consumption tax)
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5. Transmission service agreement tariffs

Along with the reduction of standard calorific value, we shall revise these tariffs as shown below, effective 21 February 2006.

(1) Post-revision transmission service agreement tariffs (not including tax)

1) Retail transmission service tariff

	Type 1	Type 2
Fixed standing tariff (Yen/contract)	¥179,700	¥119,700
Fixed flow-rate tariff (Yen/ m ³)	¥786.70	¥786.70
Commodity tariff(Yen/ m ³)	¥2.82	¥3.18

2) Seasonal retail transmission service tariffs

	Type 1	Type 2
Fixed standing tariff (Yen/contract)	¥179,700	¥119,700
Fixed flow-rate tariff (Yen/ m ³)	¥786.70	¥786.70
Commodity tariff(Yen/ m ³) From April to November	¥2.73	¥3.08
Commodity tariff(Yen/ m ³) From December to March	¥3.12	¥3.47

3) Connection transmission service tariffs

Fixed flow-rate charge (Yen/ m ³)	¥1,475.68
Commodity charge (Yen/ m ³)	¥3.05

(2) Gas cost settlement unit costs (tax-exclusive)

Unit costs applied in sale and purchase for settlement of gas surpluses or deficits on a quarterly basis

Selling Price (Yen/ m ³)	¥69.81
Buying Price (Yen/ m ³)	Average feedstock price (Yen/t) ÷ 100 × 0.081

Note: The unit cost applied in sale is covered by the provisions for adjustments for feedstock costs. There is a ceiling on the volume of purchase.