

September 25, 2009

**Revision of the service agreement for installation of gas resource cost rate adjustment
in Gunma area**

Tokyo Gas Co., Ltd.

Today, Tokyo Gas Co., Ltd. filed an application with the Minister of Economy, Trade and Industry for approval of a new service agreement introducing gas rate adjustment system in the Gunma area to be effected on 1 January 2010 along with a notification of optional agreements.

At present, for supply in the Gunma area, Tokyo Gas is purchasing domestic natural gas as resource for production of city gas from INPEX Corporation (INPEX; Mr. Naoki Kuroda, President). Beginning in January 2010, however, it intends to introduce vaporized liquefied natural gas (LNG) imported from other countries in addition to the domestically produced natural gas. Since the price of LNG fluctuates on a monthly basis under the influence of exchange rates and crude oil prices, Tokyo Gas applied for the aforementioned system in the Gunma area, in accordance with the Gas Utility Industry Law.

This application will not have any effect on the basic tariffs or the unit charges in service agreements and optional agreements. For gas rates in January 2010, however, application of the system will result in adjustment of the unit charge based on the average gas resource price over the months August - October 2009 (to be announced later) relative to the standard average gas resource price over the months May - July 2009.

Tokyo Gas will make notification of the results of the application once approval is received by the Minister of Economy, Trade and Industry.

In addition, effective 1 January 2010, Tokyo Gas will set new fixed standing tariffs for the transportation service agreement in the Gunma area. It also made notification of the transportation service agreement, which contains two different tariff schedules.

[Reference information]

1. Gas resource cost rate adjustment

Gas resource cost rate adjustment is a system aimed at prompt reflection of imported gas resource cost fluctuation in gas rates. It provides for adjustment of gas rates in correspondence with the fluctuation in prices for LNG, the main resource for production of city gas, and was introduced in January 1996. Gas resource prices fluctuate on a monthly basis under the influence of currency exchange rates and crude oil prices. The adjustment is made on the basis of the three-month average gas resource price. The unit charge (commodity unit price) is adjusted in correspondence with the extent to which this average price is above or below a price set as the standard (i.e., the standard average gas resource price). Another purpose of the system is to clarify the management efficiency as well as to swiftly reflect changes in the economic situation in gas rates by externalizing the resource cost, which fluctuates due to external factors such as currency exchange rates and crude oil prices.

2. New Gas rate adjustment system for Gunma area

		New system Jan. 1 st 2010~	Existing system
(1)Structure of the adjusting system	Frequency	Every month	No adjustment
	Calculation of average resource cost	3-month moving average price (3-5 months prior to the accounting month) is reflected to that of the month	---
(2)Upper limit		The upper limit is set at 160% of standard average resource price even when the cost exceeds that price.	---
(3)Exchange coefficient*		0.076	---

* price change per 1 m3 of city gas when average resource cost changes 100 JPY per 1 ton.

<Ref> Gas resource cost and reflection to the gas tariff

2009 May	June	July	August	Sept.	October	Nov.	Dec.	New System 2010 Jan.	Feb.	March	
Standard average gas resource cost											
			Average gas resource cost				→		Reflection		
					Average gas resource cost			→		Reflection	
							Average gas resource cost		→		Reflection

* Standard average gas resource cost (9,970JPY/t) is calculated by average gas resource cost from May to July 2009 (36,910JPY/t) multiplied by 0.27, which is the composition ratio of LNG.

Gas tariff for January 2010 is adjusted, based on the average gas resource cost from August to October 2009 yet to be announced.

3. Service agreement and optional agreement

There will be no change in the basic tariffs and unit charges. Upon introduction of the gas rate adjustment system, the current unit charge will become the standard unit charge.

4. Gas transportation service agreement

Tokyo Gas is going to establish new fixed standing tariffs for transportation service agreements, like that for the Tokyo area and other areas, and offer two different types of tariff schedule (Type 1 and Type 2).

Transportation service agreement tariff schedule (retail transportation)

(43.14 MJ/ m³, tax excluded)

	New tariff		Existing tariff
	Type 1	Type 2	
Fixed standing tariff (yen/customer/month)	141,600	79,600	-
Flow-rate fixed tariff (yen/m ³ /month)	690	690	889
Commodity unit price (yen/ m ³)	2.93	3.30	2.73
Low-pressure surcharge unit rate (yen/ m ³)	0.95		0.95