

April 27, 2012

Current State of Progress toward the Realization of “Challenge 2020 Vision”

Tokyo Gas Co., Ltd.

Tokyo Gas Co., Ltd. (President: Mr. Tsuyoshi Okamoto, hereafter “Tokyo Gas”) announced last November its group’s mid-term management vision toward 2020, “Challenge 2020 Vision” (hereafter “Vision”), with a view to demonstrating the role and responsibility to make a contribution to the improvement of national standard of living and the economic development nationwide as a top runner in the field of natural gas, by increasing the value of natural gas to customers and society at large, under the heightened expectation toward natural gas ever since the Great East Japan Earthquake. In the Vision, Tokyo Gas aims at enhancing the LNG value chain, which covers procurement and transportation of LNG, production and supply of city gas, and provision of energy solutions to a variety of customer needs regarding energy as a whole.

As for the progress in raw materials procurement, Tokyo Gas is making an effort to diversify LNG sources, taking into account the supply stability, price competitiveness, and flexibility of procurement. Under these circumstances, Tokyo Gas began negotiation of U. S. LNG procurement from Cove Point LNG Project, aiming to import LNG derived from U. S. natural gas, including shale gas. In addition, Tokyo Gas has signed an agreement for sale and purchase of LNG from Ichthys LNG Project in December, 2011, and also determined to participate in the Project in January, 2012. As for overseas business development, Tokyo Gas, in order to cooperate for establishing LNG value chain in Vietnam, signed a Memorandum of Understanding for cooperation with Petrovietnam Gas in March, 2012.

As for upgrading the infrastructure of production and supply, Tokyo Gas, aiming at the commencement of Hitachi LNG terminal and Ibaraki-Tochigi line in FY2015, started trunk line construction from the side of Tochigi prefecture in January, 2012, and is following necessary procedures to start terminal construction this summer. Then, Tokyo Gas started last November construction of Saito line to be completed in FY2015, which spans from Soka city, Saitama pref. to Koga city, Ibaraki pref., and started preparations for the construction of Koga-Moka line to be completed in FY2017.

As for energy solutions, with the target in the Vision to expand its power generation capacity to 3 to 5 million kW by 2020 including interests of other companies, Tokyo Gas started the feasibility study with a schedule to make a decision this autumn on the construction of Ohgishima Power Station Unit 3 to be commenced in FY2015. Then, with the spread and expansion of distributed energy systems as cogeneration systems and residential fuel cell systems, “Ene-Farm”, Tokyo Gas implemented smart house demonstration in the company owned apartments in Isogo ward, Yokohama city, and started a part of construction work in smart energy network project in the northern area around the east exit of Tamachi station.

Tokyo Gas is determined to make an effort for the further enhancement of LNG value chain, continuously aiming at the realization of “Challenge 2020 Vision”

*Reference: Current State of Progress of main themes in “Challenge 2020 Vision”

<p>Overseas Business Resource Procurement</p>	<ol style="list-style-type: none"> 1) Commencement of negotiation regarding procurement of U.S. natural gas from Cove Point LNG Project * Commencement of negotiation with project implementation body, conjointly with Sumitomo Corporation, aiming at importing LNG derived from U.S. natural gas, including shale gas. 2) Signing of a contract regarding sale and purchase of LNG from Ichthys LNG Project and resolution to participate in the project * Contact term: 15 years from 2017, Volume: 1.05 million ton/year, Upstream equity: 1.575% 3) Conclusion of heads of agreement regarding the extension of LNG sale and purchase contract from Brunei LNG Project * Contact term: 10 years from FY2013, Volume: 1 million ton/year, Other buyers: Tokyo Electric Power Company, Osaka Gas 4) Conclusion of a Memorandum of Understanding for cooperation with Petrovietnam Gas * With the FEED (Front End Engineering and Design) contract of the first LNG receiving terminal in Vietnam, Tokyo Gas signed a Memorandum of Understanding regarding the establishment of LNG value chain in Vietnam 5) Implementation of feasibility study regarding the power and thermal supply infrastructure installment in the redevelopment plan in Thailand
<p>Production Supply</p>	<ol style="list-style-type: none"> 1) Progress in preparations for the construction of Ibaraki-Tochigi Line and Hitachi LNG Terminal * With the commencement target of FY2015, trunk line construction work started from the side of Tochigi prefecture, following necessary procedures for the construction of LNG terminal 2) Promotion of trunk line construction * Saito line: Construction work started with the commencement target of FY2015 * Koga Moka Line: Listed on our supply plan in FY2012 with the commencement target of FY2017 * Completion of Chiba Kashima Line in March, 2012 * Steady progress of construction work of Kashima Waterfront Line with the commencement target of June, 2012 3) Provision for the natural disasters and security countermeasures * Reinforcement of countermeasures for earthquake and Tsunami, with the examination of countermeasures for urban type flooding
<p>Energy Solution</p>	<ol style="list-style-type: none"> 1) Commencement of feasibility study of Ohgishima Power Station Unit 3 * Commencement of feasibility study of Ohgishima Power Station Unit 3 , already undergone environmental assessment and capable of making prompt contribution for the realization of stable and efficient power supply. Under assumed schedule, Tokyo Gas is to make a construction decision around this autumn, with the commencement target of FY2015 2) Spread and Promotion of distributed energy systems and gas-fueled air conditioning systems, contributing for the electricity peak-cut, energy conservation and CO2 emission reduction * 5,700 units of Ene-farm sold in FY2011 with the introduction of new models, 7,100 units are projected in FY2012 * Responded to more than 200 inquiries of cogeneration systems mainly from the customers in need of emergency power generators, targeting the annual installment of more than 10 % of existing stock as of the end of FY2011, by the end of FY2012 * Promoting the spread of cogeneration systems by introducing GHP equipped for the blackout, called “Excel Plus” 3) Conclusion of LNG sale and purchase contract with Saibu Gas * Contract term: 16 years from FY2014, Volume: Approx. 300 thousand ton/ year 4) Demand development with the commencement of Chiba-Kashima Line * Demand development target in FY2012: Approx. 0.3 billion m3 5) Promotion of smart energy systems * Commencement of demonstration test of condominium-type smart houses in Isogo company house * Partly commencement of construction work of smart energy network in the northern area of east exit of Tamachi Station (The first project of smart energy network in urban development area in Japan) 6) Reinforcement of support for 43 Lifeval companies * Accelerating the establishment of community-based marketing schemes, strengthening the ties with customers, utilizing all the business opportunities to encounter customers