

Initiatives by the Tokyo Gas Group

Main policies for FY2015-17 (“step” period)

- (1) Evolution of the total energy business
- (2) Acceleration of global business development
- (3) Construction of a new group formation



Thursday, October 15, 2015

Tokyo Gas Co., Ltd.

- The Tokyo Gas Group is pursuing three main policies during the “step” period (fiscal 2015-17) of its Challenge 2020 Vision. Announced last October, these are: evolution of the total energy business, acceleration of global business development, and construction of a new group formation.
- We made a solid start to the first year of the step period, undertaking a variety of initiatives in the first half of the fiscal year in areas including gas resource procurement, infrastructure development and enhancement, energy solutions, and organizational structure.
- Regarding the business environment, in Japan, full retail deregulation will commence in the electricity market in April 2016, and in the gas market in 2017. Full deregulation of both these markets will allow electricity and gas utilities to enter one another’s markets regardless of area or sector, and new suppliers to enter both markets, ushering in an age in which all customers will be able to use the electricity and gas retailers of their choice.
- Overseas, there is emerging a growing need for development of natural gas-related infrastructure due to the continuous growth in natural gas demand.
- Seeing these changes and reforms in the energy industry, both at home and abroad, as a golden opportunity for growth, the Tokyo Gas Group is committed to continuing to act “boldly and speedily” in order to contribute widely to society.

Main policies for FY2015-17 (“step” period)

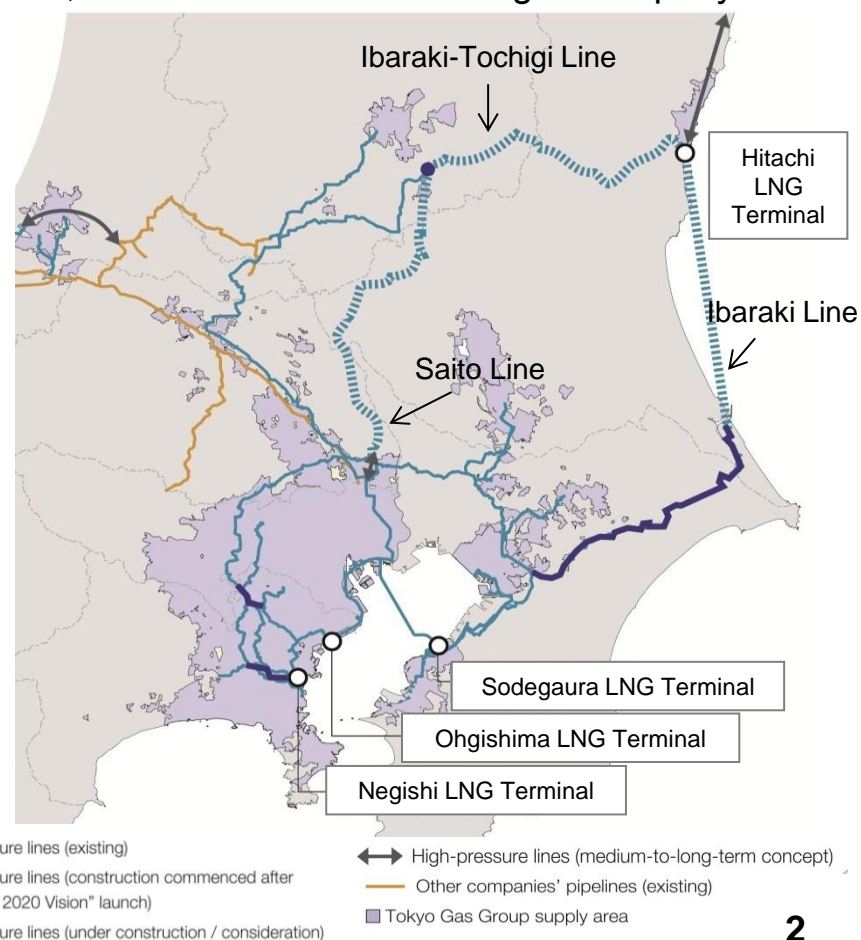
(1) Evolution of the total energy business: ① City Gas Business

<Gas resource procurement>

- In April 2015, we began receiving LNG derived from coal bed methane from the Queensland Curtis LNG Project on the east coast of Australia, the first time this unconventional natural gas resource has been delivered to Japan by long-term contract.
- In August 2015, we signed a memorandum of understanding on strategic collaboration in areas including LNG procurement and supply sharing with CPC Corporation, Taiwan’s foremost oil and gas company.

<Infrastructure development>

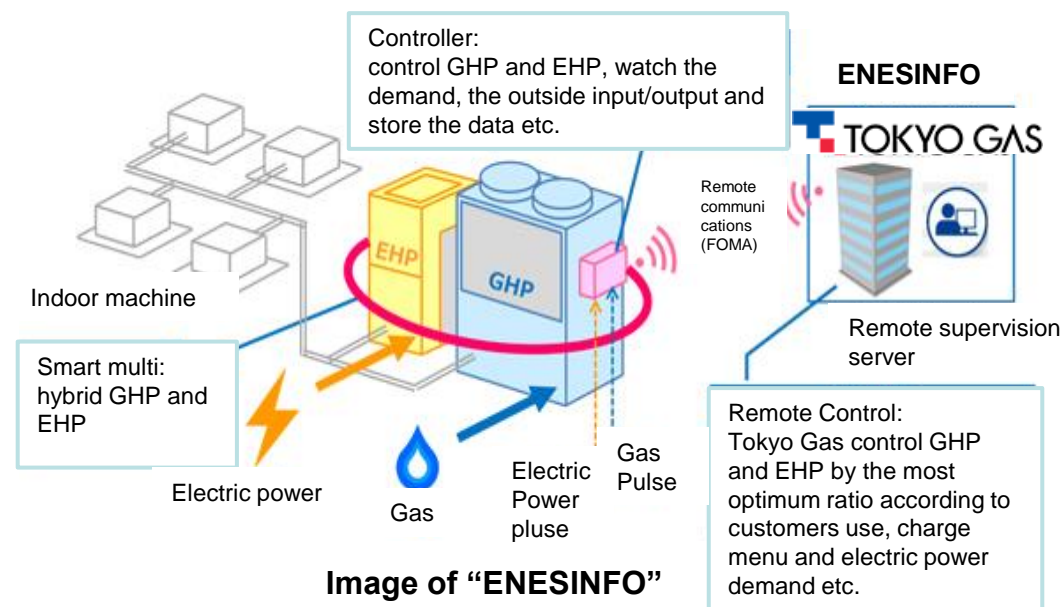
- In September 2015, we conducted a ground survey for the Hitachi LNG Terminal’s No. 2 LNG tank, which we aim to have operational in fiscal 2020.
- In the months up to August 2015, we carried out various surveying works on overland and submarine routes for the Ibaraki Line between Hitachi and Kashima. A specific route will be decided based on the findings.
- The Hitachi LNG Terminal, Ibaraki-Tochigi Line, Saito Line, and other facilities will enter use by March 2016 to meet natural gas demand in the northern Kanto region and enhance the stability of our entire supply infrastructure.



① City Gas Business

<Energy Solution>

- In October 2015, we began business for the sale of service “ENESINFO” which can provide optimum operation control for commercial air-condition system “Smart-multi” combining gas and electric power.
- We are discussing with Mitsui Fudosan Co., Ltd. about the establishment of new company in Nihonbashi-Muromachi District Urban Redevelopment Electric Power and Heat Supply Plan, a smart city project that will be the first in Japan to include a fully developed urban area.



<Action to full retail deregulation in the gas market >

- Regarding full deregulation of the gas market in 2017, we are trying to contribute to improving customers satisfaction and development of gas industry through the expansion of natural gas, stable supply, ensuring the safety of gas and providing a high quality service.

(1) Evolution of the total energy business: ② Electric Power Business

Tokyo Gas has filed an application for a retail electric power business license to Minister of Economy, Trade and Industry today on October 15, in order to enter the electric power business in earnest according to full liberalization in April, 2016.

The Tokyo Gas Group is expanding electric power business to evolve “the total energy business”

<Background and meanings to expansion of electricity power business>

- The Tokyo Gas Group is a long-established presence in the city gas business, and presently delivers energy to over 11 million customers in and around the Tokyo metropolitan area.
- In the electricity sector, we have been using distributed power systems such as cogeneration systems and ENE-FARM fuel cells to provide customers with the optimal gas and electricity solutions for their needs.
- Since entering the electric power business in 2000, we have had the largest power plant of any PPS in the metropolitan area, and have worked to provide stable supplies and sold electricity to heavy users through ENNET Corporation.
- Leveraging the customer ties, assets such as power plants, and operational expertise in areas such as supply and demand management that we have built up through our involvement in supplying city gas and electricity, we will take advantage of the opportunity offered by full deregulation of the electricity retail market to enter the residential and commercial electricity retail business and contribute to achieving the supply security, low electricity rates, and wider customer choices, taking advantage of the reforms to the electric power system.
- The Tokyo Gas Group will make further effort to improve customers' life and value of business by providing gas, electricity and value-added one-stop service to customers in mainly metropolitan area.

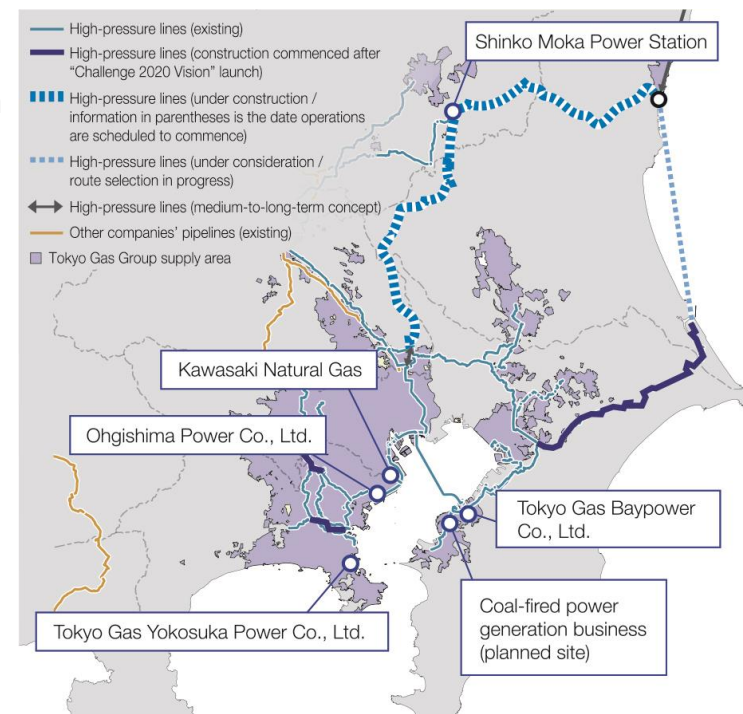
② Electric Power Business

<Increasing power generation capacity>

- In May 2015, we set up [Chiba-Sodegaura Energy Co., Ltd.](#) in partnership with Idemitsu Kosan Co., Ltd. and Kyushu Electric Power Company Inc. to promote [development of coal-fired power plants](#), and environmental impact statements were filed with the Ministry of Economy, Trade and Industry (METI) and the relevant local authorities in June.
- In June 2015, Kawasaki Natural Gas Power Generation Co., Ltd. (51% owned by JX Nippon Oil & Energy Corporation and 49% by Tokyo Gas) filed environmental impact statements with METI and the relevant local authorities for plans to expand capacity at the [Kawasaki Natural Gas Power Plant by building two more units \(Nos. 3 and 4\)](#).
- In February 2016, [Ohgishima Power's Unit 3](#) is scheduled to come on stream. This will expand the Tokyo Gas Group's power generating capacity to approximately 1,600 MW.

<Expansion of electric power sales to high-voltage and extra-high-voltage customers>

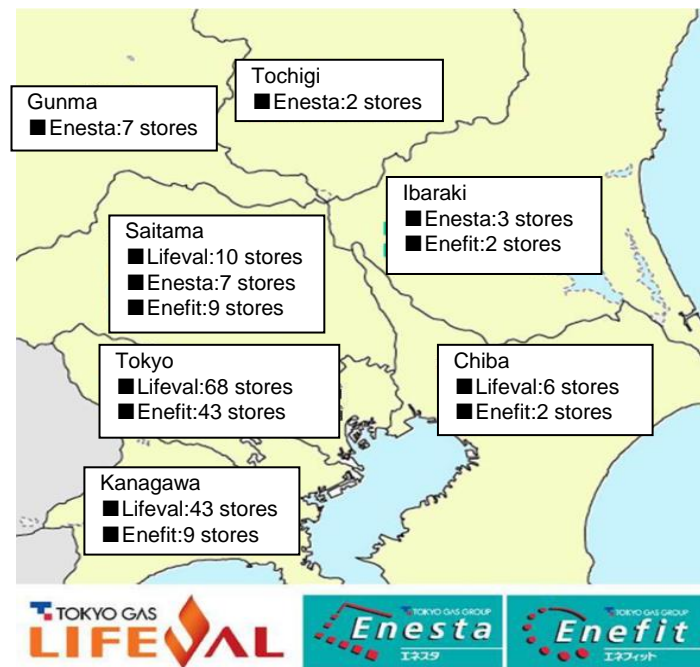
- In October 2015, [Synergia Power Co., Ltd.](#) was established as a joint venture with Tohoku Electric Power Co., Inc. to retail electricity to high-voltage and extra-high-voltage customers in northern Kanto and other parts of the Kanto region.



② Electric Power Business

<Commencement of electricity retailing to low-voltage users>

- The Tokyo Gas Group will begin selling electricity to low-voltage residential and commercial customers in April 2016.
 - We will continue to value our long-standing ties with customers as we enter the retail market, and aim to contribute even more to our customers' lives and raising business value.
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- Retail area: Sales in the Kanto region where mainly Tokyo Gas supplies the city gas
 - Sale structure: Electricity will be sold by members of the Tokyo Gas Group including Tokyo Gas Lifeval, Enesta, and Enefit. Partnerships with nearby city gas and LPG suppliers and businesses in a range of other industries, including housing, construction, equipment, and telecommunications services, will also be considered.
 - Start date: We plan to start taking pre-bookings from residential and commercial customers in January 2016 further to the approval of wheeling charges.



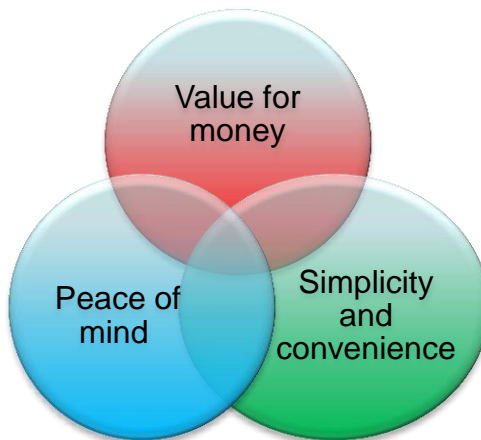
The Tokyo Gas Group has over 200 outlets in the Kanto region (operated by Tokyo Gas Lifeval, Enesta, and Enefit) enabling us to tailor services to individual customers' needs.

② Electric Power Business

<Initiatives for expansion of electric power sales to low-voltage customers>

■ The Tokyo Gas Group will deliver **three forms of value** to customers through the following kinds of services

1. **Value for money:** Value-for-money services tailored to customer needs (rate plans offering gas, electricity, telecommunications, and other services as a set, loyalty program, etc.)
2. **Peace of mind:** Professional services delivering peace of mind to homes and businesses (Emergency Home Assist, etc.)
3. **Simplicity and convenience:** Simple and convenient to apply for services tailored to customer needs (applications accepted and support provided through various channels, including home visits, phone, and Internet)



Tokyo Gas – a name you can trust to do things right! Great value and easy to apply for!

Value-for-money: Value-for-money services tailored to customer needs

- We will develop a **low-priced, value-for-money rate structure** to meet customer demand for lower electricity rates.
- We are considering **to provide a selection of value-for-money packages that add telecommunications and other services to core gas and electricity services**, while at the same time making services more customer friendly through bundled billing for these services.
- We will also look into designing attractive options tailored to customer needs by partnering with businesses in housing, construction, equipment, and other industries.
- The rate structure will be decided and announced once wheeling charges have been approved.

« Value-for-money products and services »

Packaging with fiber optic Internet

- **Working with Internet providers**, we will offer customers a value-for-money Tokyo Gas package that combines fiber optic Internet with the energy services (electricity and gas), to be launched April 2016.

Loyalty program

- **We are launching our own loyalty program**, which will allow myTokyoGas members for the present to earn points for using Tokyo Gas services and exchange them for handy gifts (to be launched April 2016). Partnerships leading to point sharing with other companies' loyalty programs are also going to be considered.

② Electric Power Business

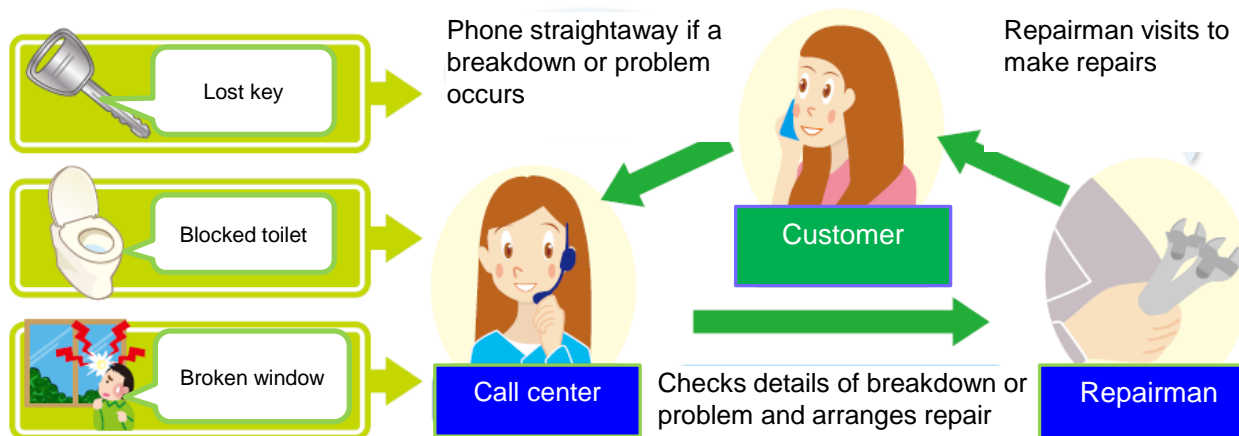
Peace of mind: Professional services delivering peace of mind to homes and businesses

《Products and services for peace of mind》

Peace of mind in the home (Emergency Home Assist, etc.)

- The Tokyo Gas Group ensures safe energy use for customers in a variety of ways, and we presently provide a gas security service called “My Tsuho”^{*} that is specially designed to deliver peace of mind in the home. This is now being expanded into an **Emergency Home Assist package**, which will provide 24/365 onsite support and emergency repair service for dealing with **problems with plumbing, locks, and windows** around the home (to be launched April 2016).

^{*}My Tsuho: This service connects gas meters equipped with communications functionality with Station 24, Tokyo Gas’s 24-hour monitoring center, via a telecommunication link to give customers the reassuring ability to perform remote tasks like check whether they have turned off the gas, and to turn it off if they have forgotten, even while they are out.



- We will be adding further optional services over time, such as a **Basic Child Monitoring** service, which will let users check things such as whether children are back home when they themselves are out.

Simplicity and convenience: Simple, convenient services tailored to customer needs

《Simple and convenient services》

- Customers can easily and conveniently sign up for services, safe in the knowledge that they are the right ones for their needs, because of the care we take to meet with them and carefully and clearly explain the Group's products, services and procedures through our community-based service providers, such as [Tokyo Gas Lifeval](#), [Enesta](#), and [Enefit](#)^{※1}.
- Next January we will be boosting our call center capacity so that we can smoothly handle [customer applications and inquiries made by phone](#).
- Today also sees the launch of a new [website](#) to provide information on Tokyo Gas Group products and services to customers. We additionally plan to [begin accepting electricity service applications online](#) from next January. This will make it easy for customers to apply whenever best suits them, day or night.
- Adding to our existing Remote Plus^{*2} service, we will be expanding our smart home services by progressively rolling out functionality to enable, for example, [remote control of home appliances while out](#).

※1 The target area is mainly where Tokyo Gas supplies city gas.

※2. Remote Plus: Sends customers home security and disaster warnings and other information when they are out, and allows baths and floor heating to be remotely controlled from outside the home as well.

Provision of total “value for money, peace of mind, simple and convenient” service

« “myTokyoGas” members’ site relaunch »

- We will be adding functionality, including online electricity contract applications, simulations, and at-a-glance usage tracking, the amount of consumption comparison with a home where family structure and the housing type (condominiums, detached houses etc.) are similar and delivery on an overused news mail, to make it simpler and more convenient for customers to sign up for and use our services.
- We will also be progressively expanding “value for money, peace of mind, simple and convenient” content arranged around four themes (saving money, cooking, lifestyle, and community) to assist optimal use of gas and electricity.

* <Example for leading to save energy: Energy conservation diagnosis service >

Comparison of gas and electricity use and charges with standard values and other data including past records to analyze individual customers’ energy use and, if their energy use is high, provision of advice on how to save energy.

- We will add services such as “Value for money, peace of mind, simple and convenient” in sequence.

(1) Evolution of the total energy business: ③ Engineering Solution Business, Real Estate Business

- We will strengthen our value-adding **engineering solutions and real estate businesses** to achieve our goal of “evolving the total energy business.”

Engineering solutions business

- In April 2015, **Tokyo Gas Engineering Solutions Corporation** has concentrated engineering capabilities in processes all along the LNG value chain, from facility design and construction to operation and maintenance, acquired through the Tokyo Gas Group’s **years of experience as a user itself**.
- Leveraging this expertise, we aim to serve as a **one-stop shop for solutions** tailored to customer needs.

Real estate business

- Working in partnership with Mitsui Fudosan Co., Ltd. and Mitsubishi Estate Co., Ltd., we have begun construction of **the provisionally named “TGMM Shibaura Project.”** This comprises a mix of offices, shops, hotels, and other facilities, and is sited on land owned by Tokyo Gas next to JR Tamachi Station’s east exit. As part of the project, a **smart energy network is being built** to efficiently supply heat and electricity, contributing to environmentally friendly, disaster resilient urban development.



Artist's impression of the provisionally named “TGMM Shibaura Project”

(2) Acceleration of global business development

<Development of operations overseas>

- In North America, we are considering to participate in new projects ,upstream business, natural gas thermal power generation business, natural gas and electric power distribution business as the core field.
- In Southeast Asia, we are considering to participate in new projects, LNG terminal business, natural gas thermal power generation and natural gas distribution business, energy service business as the core field.
- In Vietnam, we are conducting a feasibility study of gas business, looking mainly at serving industrial demand, based on market analyses conducted previously with Petro Vietnam Gas. And in Indonesia, we are investigating the potential for a joint venture with PT Pertamina with a view to developing LNG and natural gas value chains there.

<Expansion of network of overseas offices>

- Since the second half of fiscal 2014, we have opened offices in Singapore, Indonesia, Thailand, and Vietnam, expanding the number of offices that the Tokvo Gas Group has in Southeast Asia to five.



(3) Construction of a new group formation

<Business structure>

- We are **selectively focusing on operations** that contribute to evolution of the total energy business, and **have clarified** the **business domains** of the Tokyo Gas Group and the **members of the Group that will drive** these areas of business in the future.
- We will cultivate each domain to turn it into a core group revenue stream, and will accelerate globalization of some operations.
- To assist in this process, we will be **reorganizing and consolidating some subsidiaries and affiliates**.

<Management systems>

- In April 2016, we will launch a **business administration system**, efficient and able to exert total power, and also launch a **personnel system** to vitalize human resources to flourish under the new Group formation.

