

# Building a More Powerful Supply Infrastructure and Strengthening Procurement

**Our gas operations are supported by Japan's largest gas supply infrastructure. Terminal and pipeline construction over many years has given us the capability of meeting increases in demand over the next decade. To clinch demand in areas in the Kanto region where demand is expected to increase, we will construct two new pipelines: the Tochigi Pipeline and the Minamiashigara Pipeline. Moreover, the ownership of LNG carriers will facilitate the efficient transportation of feedstock. All our actions are focused on the achievement of the dual goals of ensuring a stable supply and efficient management.**

## Backed by a Powerful Production and Supply Base

Tokyo Gas' 48,000km pipeline system supplies a customer base of 8.9 million. Our service area, metropolitan Tokyo and neighboring prefectures, has the highest gas demand in Japan.

Tokyo Gas has made strategic investments to bolster its supply capability to cater to this demand. In 1998, the Ohgishima LNG Terminal came on stream, and this was followed in 1999 with the completion of the Keihin Transmission Pipeline and the Yokohama Transmission Pipeline. Today, Tokyo Gas has in place a 300km-long supply loop encircling the greater Tokyo area that is connected by high-pressure pipes to our three LNG terminals: Negishi, Sodegaura and Ohgishima. This loop-system has bolstered our ability to provide customers with a reliable supply of gas.

Our pipeline infrastructure will also underpin our expansion beyond our traditional service area, as deregulation opens windows of opportunity. We intend to take maximum advantage of our strengths as a leading presence in the industry to expand our customer base.

## New Pipelines to Cater to New Demand

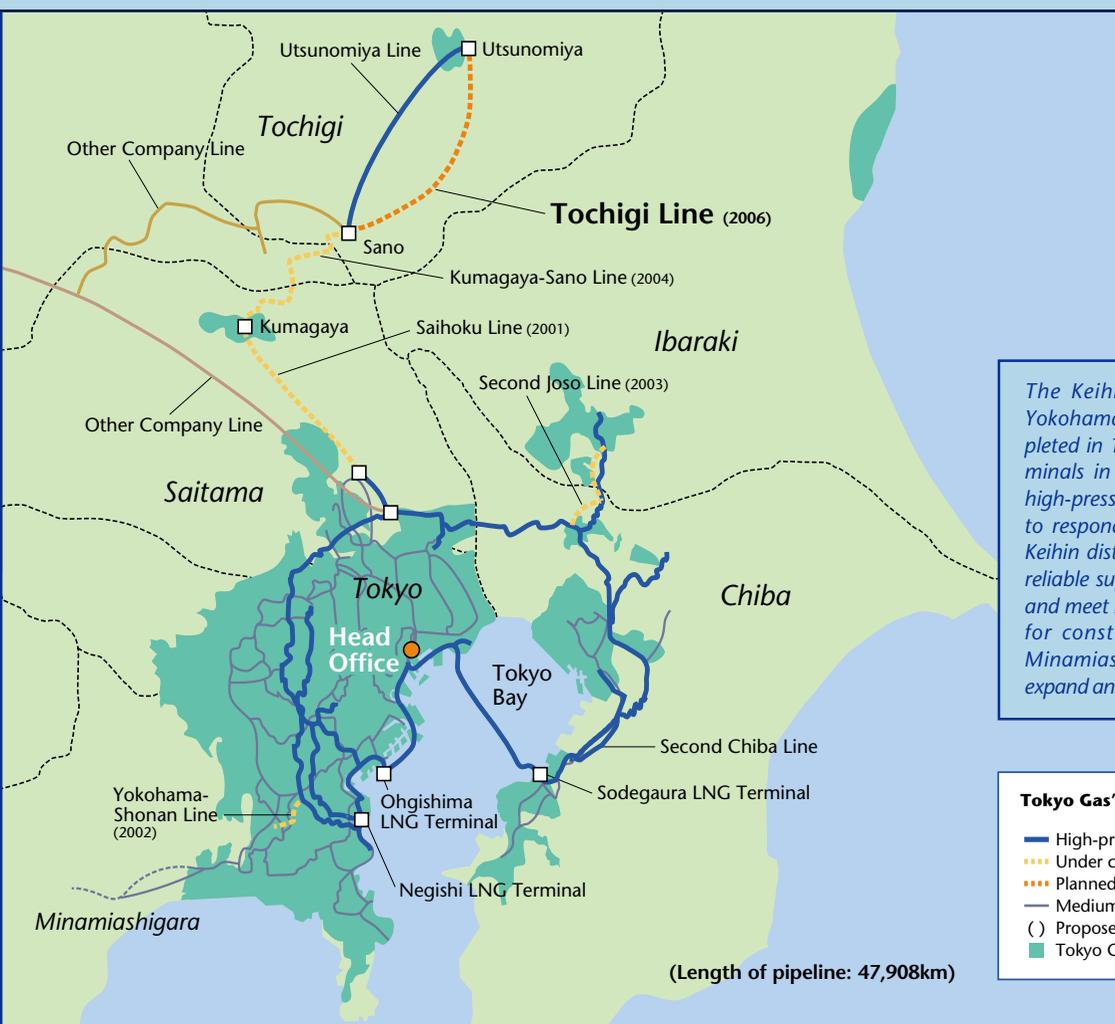
Having evaluated the potential returns on its investment, Tokyo Gas intends to aggressively enter regions where gas demand is expected to increase and to build and extend its supply infrastructure in this vein. Tokyo Gas has been building pipelines to service the northern part of the Kanto region. In the Utsunomiya area of Tochigi Prefecture, a rising population is predicted to spur a further increase in gas demand. Our new Tochigi Pipeline will ensure a stable supply to this area. Currently, domestically



*The Sodegaura LNG Terminal is the world's largest LNG receiving terminal.*



*Tokyo Gas will become the first utility company in Japan's power and gas industry to independently own an LNG carrier.*



The Keihin Transmission Pipeline and the Yokohama Transmission Pipeline, both completed in 1999, link Tokyo Gas' three LNG terminals in the Tokyo Bay area with a loop of high-pressure pipes. This has enabled Tokyo Gas to respond to rising industrial demand in the Keihin district near Yokohama, provide a more reliable supply of gas in the greater Tokyo area and meet rising demand in the future. Plans call for constructing new pipelines in Tochigi, Minamiashigara and other areas to further expand and strengthen Tokyo Gas' supply system.

**Tokyo Gas' Pipelines**

- High-pressure transmission pipelines
- Under construction
- Planned
- Medium-pressure transmission pipelines
- ( ) Proposed year of completion
- Tokyo Gas service area

produced natural gas is used as a feedstock in the Utsunomiya service area. When complete, the new Tochigi Pipeline will sharply increase our transportation capacity to this area, enabling the supply of gas derived using LNG from terminals in Tokyo Bay. Our objective is to also capture large-volume demand from industrial areas neighboring the new pipeline. About 70 km in length, the new pipeline is slated for completion in 2006.

The Minamiashigara area in Kanagawa Prefecture is another service area we will extend our reach to with the new Minamiashigara Pipeline that is scheduled for completion in 2003. Deregulation has opened the way to the start of supplies to large-volume customers in this area. The development of demand through advancement into deregulated areas outside our service area will be a key corporate theme moving forward. We thus intend to continue extending the reach of our pipelines.

On the sales front, July 2001 saw the establishment of the Inter-Regional Sales and Service Division to promote wider-ranging supply and development of demand. An integrated structure will allow us to grasp customer needs and present best-fit proposals for using gas in an expanding service area.

### Constructing an Efficient Procurement System Centered on Company-Owned LNG Carriers

As part of our efforts to strengthen procurement, a Tokyo Gas subsidiary, Tokyo LNG Tanker Co., Ltd., is building two LNG carriers. Up to now, Tokyo Gas has jointly owned two LNG carriers with shipping companies and other gas companies. Tokyo Gas will have full ownership of the two new carriers which will lower freight charges and consequently lower feedstock costs. Thus procurement efficiency will be raised and Tokyo Gas' competitiveness bolstered. Tokyo Gas will also be able to take advantage of short-term contracts and spot trading, as well as long-term contracts with the two new LNG carriers. In the future, we plan to expand our scope of operations by offering transportation services to third parties.