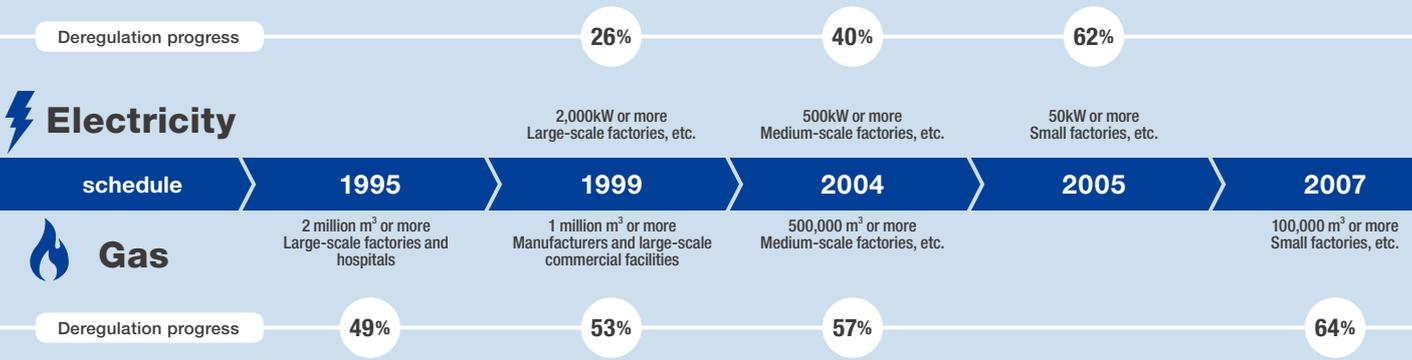


# Deregulation of the Electric Power and Gas Markets

## Meaning and Objectives of Electricity and Gas System Reforms and Schedule Milestones

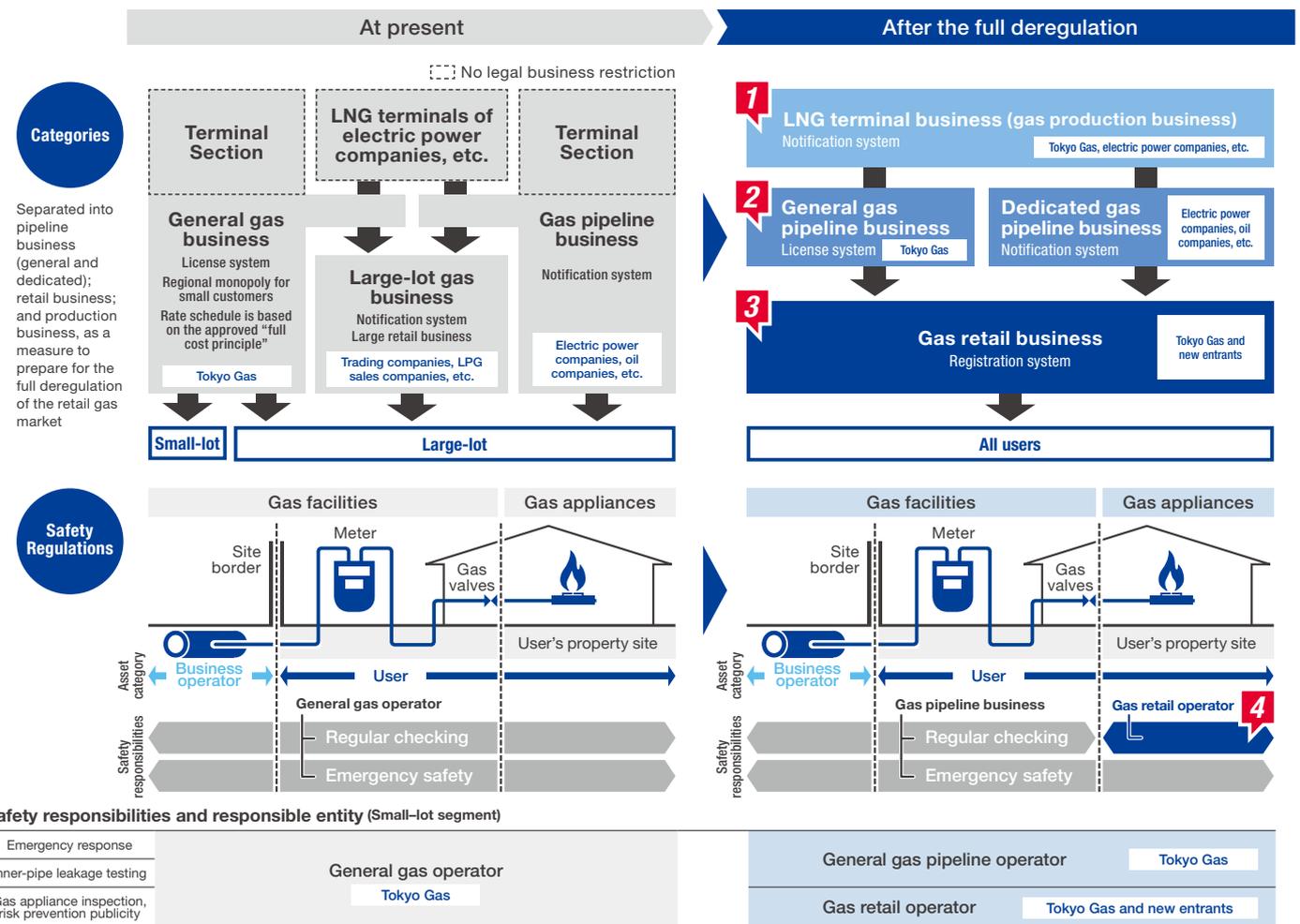


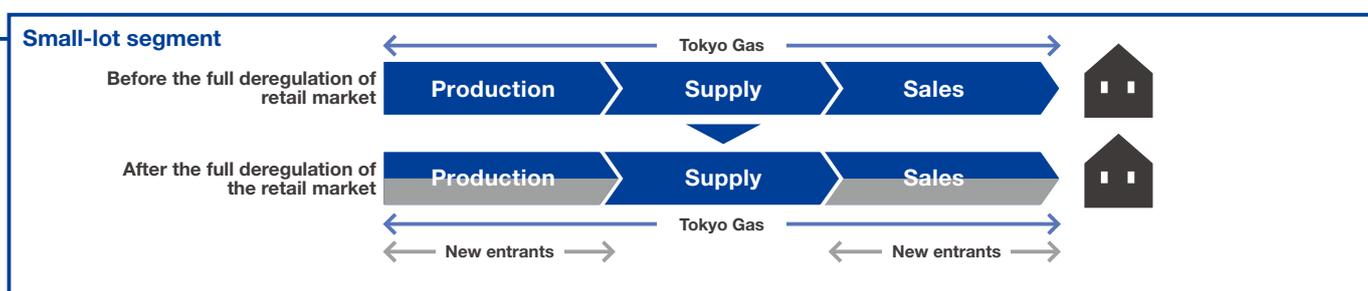
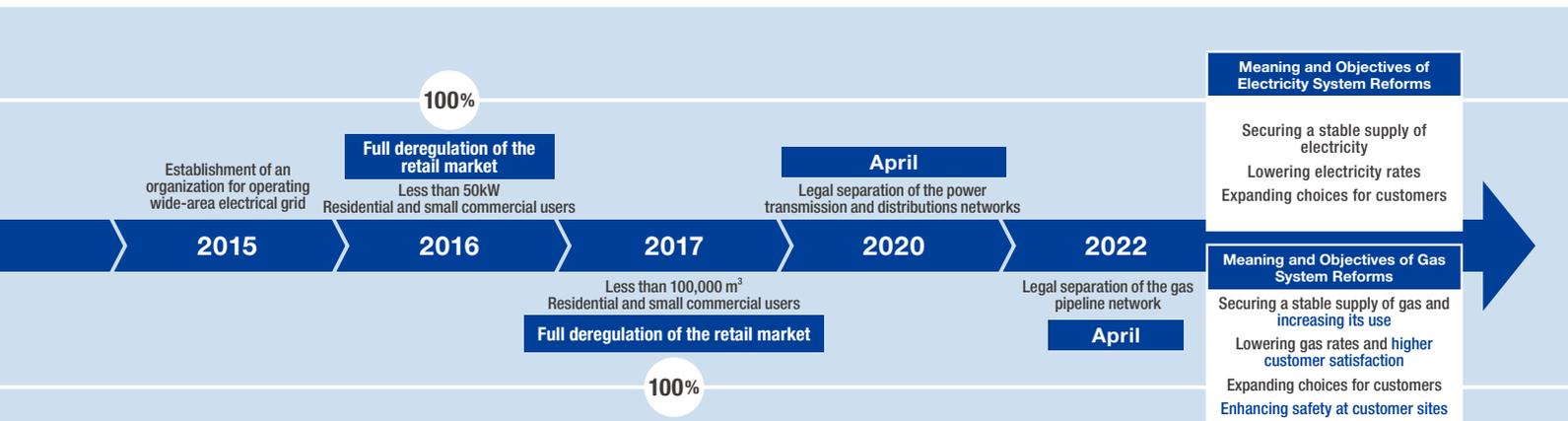
### Major issues in Gas System Reform

As a preparatory measure for full deregulation of the retail gas market, the regulatory authorities defined the gas industry as consisting of three types: pipeline business (general and dedicated); retail business; and production business. As a general gas business in the Greater Tokyo Area, Tokyo Gas has provided a one-stop

service from production to supply and sales. However, after the full market deregulation, retail operators (new entrants) will be able to use the pipelines of Tokyo Gas, upon payment of usage rates, and to sell gas to small-scale users.

The Tokyo Gas Group is preparing to address the full deregulation as a priority issue and to ensure that it remains the preferred choice of customers, by harnessing its unique strengths.





	Business Operators' Major Roles	Tokyo Gas Group's Strengths
<b>1</b> LNG terminal business (gas production business)	Ensure maintenance of LNG terminals and operate stable gas production	<b>Stable and efficient terminal operation</b> The Tokyo Gas Group manages 4 LNG terminals in a stable and efficient manner, based on its abundant experience in managing LNG terminals and high-level LNG technology.
	<b>2</b> General gas pipeline operators Tokyo Gas	
<b>3</b> Gas retail operators Tokyo Gas and new entrants	Maintain conveyance rate structure based on the full cost principle and ensure sufficient investment for safety	<b>Stable and reliable management of gas pipeline network</b> By accelerating to take measures such as for aged gas pipes, the group aims at zero significant accidents and promotes more disaster-resilient safe supply of gas.
	From the perspective of expanding the use of natural gas, general gas operators are encouraged to further extend a pipeline network. From a perspective to increase benefits of users (i.e., to lower conveyance service rates) through enhanced efficiency, the regulation providing for rates to be based on the full cost principle will be maintained for conveyance by general gas operators (such as Tokyo Gas).	
	Responsible for emergency safety of gas facilities and gas appliances	
	Responsible for regular inspection of gas facilities	<b>Expand optimal new infrastructure to improve supply capacity</b> The Group decided to construct the Ibaraki Trunk Line that connects the Ibaraki-Tochigi Trunk Line and Hitachi LNG Terminal with the Chiba-Kashima Line. Supply stability will be enhanced by having multiple pipeline networks.
	Accountability to customers with regard to various conditions for retail sales, such as rates; cost burden; measurement method of consumption volume; calorific value, components, and pressure of gas; and maintenance responsibility.	<b>Emergency safety measures</b> Around 600 safety experts are assigned in 49 bases to ensure safe, stable, affordable delivery of natural gas to approximately 11 million customers around the clock for 365 days.
	Safety responsibility such as gas appliance inspection and publicity to make known prevention of risk occurrence	<b>Community-based sales structure</b> The Tokyo Gas Group has more than 200 outlets (owned by Tokyo Gas Lifeval, Enesta, and Enefit) in the Kanto Region and provide scrupulous services to respond to needs of customers.
	Gas supply capacity to sufficiently satisfy demand	<b>Capacity to propose energy solutions</b> Optimal energy solutions that combine gas, electricity, and added-value are proposed to customers.
		<b>LNG procurement capability of 14 million tons per year (equivalent to approximately 15% of Japan's procurement volume)</b> The Group is promoting more diversification in material suppliers, pricing benchmarks, sales destinations, and other areas and will continue to flexibly collaborate with domestic and overseas players in LNG joint procurement, accommodation, and sales.

Relationship of trust with customers for 130 years since foundation and know-how in gas business