TOKYO GAS

FY2007

Outline of supply plans

March 2007

Tokyo Gas Co., Ltd.

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Introduction

The energy market is the scene of intensifying competition among different types of energy as well as among suppliers of the same type. The relaxation of regulations is progressing, as indicated by the April 2007 expansion of the scope of supply liberalization to include customers contracting for an annual supply at least 100,000 cubic meters. At the same time, customer energy needs are becoming increasingly diverse and sophisticated. Meanwhile, the positioning of natural gas, the core of our business, is rising in light of its environmental features (its effect for mitigating global warming as needed for plans for attainment of Kyoto Protocol targets), economic merit (in comparison with crude oil, whose prices are soaring), and convenience (its ability to handle dispersed power sources and various other types of demand).

As we develop business around natural gas endowed with these advantages, we are striving to raise levels of trust in gas even higher by fulfilling our basic mission as a gas supplier and bolstering safety measures in customer maintenance work, which is also sought by society as a whole. More specifically, we are promoting a switch to safe appliances that prevent carbon monoxide poisoning and replacement of superannuated pipelines requiring such action.

In addition, we are striving for a deep penetration of the market through construction of close relations with customers. To this end, we revised our organizational setup in April 2007 and are making arrangements for speedy, accurate, and complete response to the wants and needs of all customers and communities in all aspects, including maintenance, services, sales, public hearings, and public relations. Furthermore, we intend to establish new regional energy companies offering one-stop accommodation of various needs, and have initiated full preparations to this end.

Through these approaches, we aspire to continued evolution while keeping the trust of our customers and society as the leading total energy supplier whose business is based on natural gas.

I. Outline of supply plans

1. Plans for penetration

In fiscal 2007, we foresee an increase of about 262,000 in our number of customers, or about 9,000 less than in the fiscal 2006 outlook, owing to the growing trend toward siting outside Tokyo due to the jump in land prices and the accompanying decline in our rate of acquisition of such customers. In fiscal 2008 and succeeding years, we envision a gradual decrease in the number of new customers due to a decline in the number of housing construction starts as investment funding shifts from housing to office buildings, and a continued suburban shift in housing driven by high land costs and a relative rise in suburban siting of new condominiums, with an attendant decline in our customer acquisition rate. As for our total number of customers, we anticipate an increase at an annual average rate of 1.4 % over the next five years.

(Thousands of customers)

	FY2006 outlook	FY2007	FY2008	FY2009	FY2010	FY2011	AAGR
Number of new customers	271.2	262.3	262.9	257.7	250.0	244.3	-2.1%
Number of customers	9,934.4	10,084.4	10,232.4	10,373.9	10,505.0	10,629.3	1.4%

*Number of customers = number of gas meters installed

2. Gas sales plans

Over the five-year period in question, we project that the gas sales volume will increase at a rate averaging 2.5% and reach about 15.1 billion cubic meters in fiscal 2011.

【Overall sales volume】 (Unit: millions of cubic meters, 45MJ/m^3)

	FY2006 outlook	FY2007	FY2008	FY2009	FY2010	FY2011	AAGR
Total sales volume	13,315	13,730	14,040	14,299	14,782	15,079	2.5%

*Figures for fiscal 2006 are projections after standardization (compensation for temperature in formulation of the plans for fiscal 2007 and following years). This also applies to the rest of this document.

*The figure of first quarter of 2006 includes Nagano area which transferred to Nagano Toshi Gas Inc. in July 2006.

(1) Residential demand

The number of active customers (the number of meters actually read) and total sales volume may be expected to increase in correspondence with the number of new customers. In contrast, the sales volume per meter is in decline owing to the influence of a variety of factors, including the decrease in the average number of members per household, the rise in the rate of collective housing with high levels of air tightness and insulation performance, the improvement of appliance efficiency, and trend toward consumption of prepared foods as opposed to foods cooked in the home. In response, we shall promote the spread of under floor heating systems and other such products.

【Residential demand and sales volume per customer】 (Unit: millions of cubic meters, cubic meters/customer/year45MJ/m^3)

	FY2006 outlook	FY2007	FY2008	FY2009	FY2010	FY2011	AAGR
Residential sales volume	3,393	3,425	3,455	3,491	3,521	3,546	0.9%
Sales volume per property	405	403	401	400	399	397	-0.4%

【Penetration of floor heating and cumulative number of customers】 (Thousands of units)

	FY2006 outlook	FY2007	FY2008	FY2009	FY2010	FY2011	AAGR
Cumulative number of customers	855	935	1,025	1,117	1,213	1,309	8.9%
Penetration rate	9.2%	9.9%	10.7%	11.5%	12.3%	13.1%	—

*Penetration rates are calculated on the basis of division of the cumulative number of floor heating customers by the number of residential customers in the company service area at the end of the fiscal year in question.

(2) Industrial demand

In the industrial segment, which accounts for the largest single portion of the total sales, the demand should expand along with increase in large-volume use such as cogeneration.

(Unit: millions of cubic meters, 45MJ/m^3)

	FY2006 outlook	FY2007	FY2008	FY2009	FY2010	FY2011	AAGR
Industrial sales volume	5,239	5,418	5,635	5,753	6,065	6,311	3.8%
Subtotal: large-volume sales volume	4,995	5,230	5,433	5,539	5,833	6,077	4.0%

(3) Commercial and other demand

Amid the trend toward separate air-conditioning of individual rooms, we hope to expand our sales in the air-conditioning field by promoting installation of gas heat pumps (GHP) and other products.

(Unit: millions of cubic meters, 45MJ/m^3)

	FY2006 outlook	FY2007	FY2008	FY2009	FY2010	FY2011	AAGR
Commercial and other sales volume	2,919	2,927	2,961	2,989	3,009	3,031	0.8%
Subtotal: large-volume sales volume	1,149	1,265	1,411	1,503	1,505	1,510	5.6%

(4) Wholesale supply

Wholesale supply is anticipated to increase due to an expansion of demand among existing buyers and an increase in the number of new buyers.

(Unit: millions of cubic meters, 45MJ/m^3)

	FY2006 outlook	FY2007	FY2008	FY2009	FY2010	FY2011	AAGR
Wholesale supply sales volume	1,764	1,960	1,989	2,067	2,187	2,191	4.4%

3. Production/purchasing volume and feedstock use plans

While working for stable procurement of feedstock and further reduction of procurement costs based on long-term contracts, we also plan to make our procurement more flexible by measures such as participation in upstream development project, increased offtake of natural gas produced in Japan, and extensive engagement in short-term transactions in correspondence with the change of demand.

【Volume of gas production and purchasing】 (Unit: millions of cubic meters, 45MJ/m^3)

		FY2006 outlook	FY2007	FY2008	FY2009	FY2010	FY2011
Natural gas	LNG	12,812	13,097	13,339	13,544	13,944	14,211
	Domestically produced natural gas	258	262	286	316	335	346
Oil	LPG	204	334	381	409	478	502
	Off gas	108	105	105	105	105	105
Total		13,383	13,798	14,112	14,374	14,862	15,164

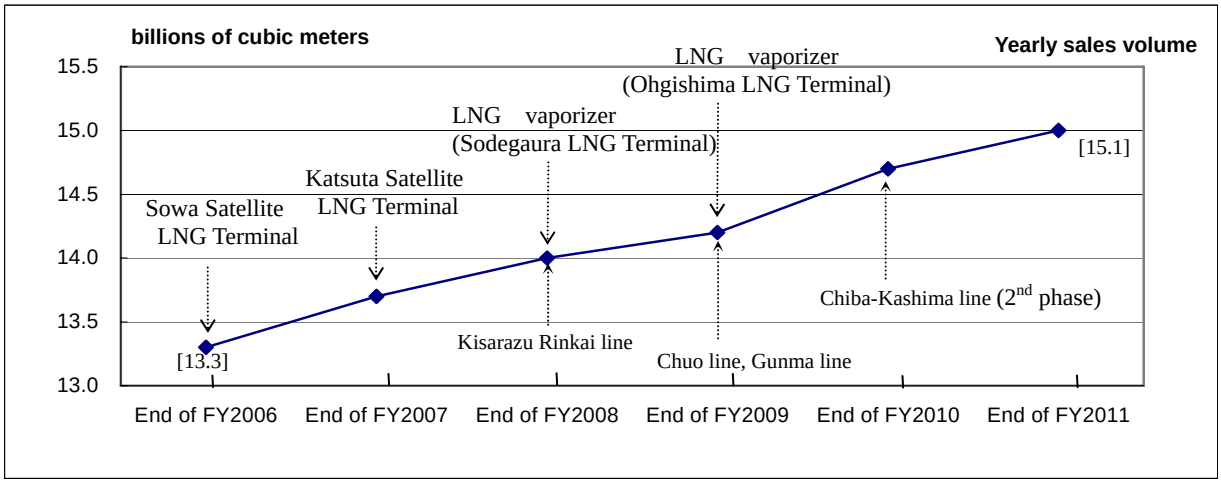
【Volume of feedstock/fuel use】 (Unit：thousand t)

	FY2006 outlook	FY2007	FY2008	FY2009	FY2010	FY2011
LNG	10,278	10,306	10,495	10,657	10,969	11,177
LPG	197	287	327	349	408	428

4. Major facility plans

We are going to condition and bolster our production and supply infrastructure for sure response to the projected demand. Over the coming five years, we plan to complete the Kisarazu Rinkai Line (between the cities of Sodegaura and Kisarazu in Chiba Prefecture), Chuo Trunk Line (between Edogawa Ward in Tokyo and the city of Soka in Saitama Prefecture), Chuo Trunk Line II (between the cities of Soka and Kawaguchi in Saitama Prefecture), and Gunma Trunk Line (between the cities of Annaka and Takasaki in Gunma Prefecture). This will further solidify our preparations for stable supply even with future demand increase. We shall also aim for completion of the Chiba-Kashima Line (between the city of Chiba in Chiba Prefecture and that of Kamisu in Ibaraki Prefecture) in order to supply gas mainly for industrial demand in the Kashima waterfront industrial zone and along the pipeline route.

【Demand outlook and facility formation plans】



【Major manufacturing facility plans】

Month and year of starting operation	Manufacturing facilities	Installation site
December 2008	LNG vaporizer	Sodegaura LNG Terminal
April 2009	LNG vaporizer	Ohgishima LNG Terminal

【Major pipeline plans】

Month and year of start of operation	Lines	Route	Inner diameter (mm)	Pressure (MPa)	Total extended length (km)
October 2008	1) Kisarazu Rinkai Line	Between the cities of Sodegaura and Kisarazu	300	7.00	8.4
October 2009	2) ChuoTrunk Line	Between Edogawa ward and Soka city	600	7.00	23.2
March 2010	3) Gunma Trunk Line	Between the cities of Annaka and Takasaki	500	7.00	15.7
October 2010	4) ChuoTrunk Line(2nd phase)	Between Soka city and Kawaguchi city	600	7.00	10.4
December 2010	5) Chiba-Kashima Line	Between the cities of Chiba and Kamisu	600	7.00	73.1
October 2013	6) Shin Negishi Trunk Line	Between Isogo ward and Izumi ward in Yokohama city	600	3.00	14.1
October 2013	7) YokohamaTrunk Line (2nd phase)	Between Aoba ward in Yokohama city and Asao ward in Kawasaki city	750	3.00	6.3

【Year-end total extended length of pipeline】 (Unit : km)

FY2006 outlook	FY2007	FY2008	FY2009	FY2010	FY2011
51,649	52,348	53,053	53,754	54,494	55,133

5. Outline of facility investment plans

The supply plans over the period fiscal 2007 - 2011 have four major components, as follows.

1) Production facilities: we shall make doubly sure of arrangements for stable production by augmenting the LNG facilities at the Ohgishima, Sodegaura, and other terminals while improving the existing facilities.

2) Supply facilities: we shall strive to establish a stable supply setup and assure safety through investment in lines for development of new demand, in formation of the major line network in systematic replacement of the existing lines and prevention of disaster in the event of earthquakes, etc.

3) Business facilities: we shall reinforce our setup for promotion of business by conducting technology development, making IT-related improvements, and constructing and remodeling buildings in response to decrepitude.

4) Incidental facilities: we shall endeavor mainly to remodel existing facilities. Over this five-year period, we plan to make a total investment of 448.8 billion yen (after compression for income from construction cost burdens, i.e., distributions).

【Table of facility investment plans】 (Unit: hundreds of billions of yen)

		FY2006 outlook	FY2007	FY2008	FY2009	FY2010	FY2011	Total; FY2007 - 2011
Gas business facility	LNG facilities	2.7	4.6	3.7	0.2	0	0.1	8.6
	Other	3.6	4.2	4.5	7.5	7.6	6.0	29.9
	Production facilities	6.2	8.8	8.2	7.7	7.6	6.2	38.5
	Trunk line investment	9.1	14.4	19.4	15.0	6.5	4.1	59.4
	Other	56.4	57.4	54.1	54.0	54.1	51.8	271.4
	Supply facilities	65.5	71.9	73.5	69.0	60.6	55.8	330.8
	Business facilities	18.2	14.0	20.5	10.6	17.8	10.4	73.3
Subtotal		89.9	94.6	102.1	87.3	86.0	72.4	442.5
Incidental facilities		0	1.1	1.2	1.2	1.4	1.4	6.2
Total*		89.9	95.7	103.3	88.6	87.4	73.8	448.8

*Figures for total investment are amounts after compression for income from construction cost burdens.
*Due to rounding, totals may not equal the sum of their parts.

Trunk line investment	Kisarazu Rinkai line (to be completed in fiscal 2008 at a total investment of 2.8 billion yen, including 2.5 billion yen over the five-year period in question) Chuo trunk line (to be completed in fiscal 2009 at a total investment of 16.9 billion yen, including 5.0 billion yen over the five-year period in question) Gunma trunk line (to be completed in fiscal 2009 at a total investment of 5.7 billion yen, including 5.4 billion yen over the five-year period in question) Chuo trunk line[2nd phase] (to be completed in fiscal 2010 at a total investment of 4.5 billion yen, including 4.4 billion yen over the five-year period in question) Ciba-Kashima line (to be completed in fiscal 2010 at a total investment of 25.7 billion yen, including 23.6 billion yen over the five-year period in question) Shin Negishi line (to be completed in fiscal 2013 at a total investment of 15.5 billion yen, including 12.5 billion yen over the five-year period in question) Yokohama trunk line[2nd phase] (to be completed in fiscal 2013 at a total investment of 7.7billion yen, including 4.9 billion yen over the five-year period in question)

II. Main Data

(1) Penetration plans

	FY2006 outlook	FY2007	FY2008	FY2009	FY2010	FY2011	Remarks
Number of new customers (thousands)	271.2	262.3	262.9	257.7	250.0	244.3	5-year total: 1,277.2
Number of customers (thousands)	(1.6%) 9,934.4	(1.5%) 10,084.4	(1.5%) 10,232.4	(1.4%) 10,373.9	(1.3%) 10,505.0	(1.2%) 10,629.3	Figures in parentheses indicate the rate of increase relative to the preceding year
Net increase (thousands)	160.3	150.1	148.0	141.4	131.1	124.3	5-year total: 694.9
Rate of penetration (%)	91.6%	92.2%	92.8%	93.3%	93.7%	94.0%	-

*Penetration rates are calculated on the basis of division of the number of Tokyo Gas customers in the company service area by the number of ordinary households in the same area.

(2) Gas demand outlook (Unit: millions of cubic meters, 45MJ/m^3)

			FY2006 outlook	FY2007	FY2008	FY2009	FY2010	FY2011	AAGR
Sales volume	Residential		(405) 3,393	(403) 3,425	(401) 3,455	(400) 3,491	(399) 3,521	(397) 3,546	0.9%
	Business	5,239	5,239	5,418	5,635	5,753	6,065	6,311	3.8%
		2,919	2,919	2,927	2,961	2,989	3,009	3,031	0.8%
		8,158	8,158	8,346	8,596	8,742	9,074	9,342	2.7%
Total			11,550	11,771	12,051	12,233	12,595	12,888	2.2%
Wholesale supply			1,764	1,960	1,989	2,067	2,187	2,191	4.4%
Grand total			13,315	13,730	14,040	14,299	14,782	15,079	2.5%
Large-volume supply			6,143	6,497	6,847	7,045	7,341	7,590	4.3%

*Figures for fiscal 2006 are projections after standardization (compensation for temperature in formulation of the plans for fiscal 2007 and following years).
*Figures in parentheses indicate the sales volume per household (cubic meters per household per year)
* Due to rounding, totals may not equal the sum of their parts

(3) Volume of stock in the air conditioning field by type of system (Unit：thousand kW)

	FY2006 outlook	FY2007	FY2008	FY2009	FY2010	FY2011	AAGR
Absorption	2,977	3,014	2,977	2,951	2,942	2,933	-0.3%
GHP	1,010	1,074	1,133	1,194	1,256	1,317	5.5%
Total	3,987	4,088	4,110	4,145	4,198	4,250	1.3%

*Figures for the volume of stock are conversions of the installed capacity of air conditioning systems managed by Tokyo Gas in terms of air conditioners with a COP of 3.5.

(4) Volume of stock for power generation (Unit：thousand kW)

		FY2006 outlook	FY2007	FY2008	FY2009	FY2010	FY2011	AAGR
	Consumer cogeneration	392	407	413	422	428	434	2.1%
	Industrial cogeneration	1,120	1,179	1,269	1,359	1,454	1,537	6.5%
Cogeneration total		1,512	1,586	1,682	1,781	1,882	1,971	5.4%
Power-only generation total		2,515	2,621	2,793	2,645	2,645	2,645	1.0%
Grand total		4,027	4,207	4,475	4,426	4,527	4,616	2.8%

(5) FY2007 facility investment plans

(Unit: millions of yen)

Item			Amount of investment	As percentage of total	Remarks
Production facilities		New LNG facilities	4,621	4.8%	-Vaporizers at Ohgishima and Sodegaura LNG Terminal
		Other	4,169	4.4%	-Remodeling of existing facilities, construction for replacement
		Total	8,790	9.2%	
Supply facilities	Mains and laterals	For demand development	28,994	30.3%	- 709.7km Demand mains and laterals
		For stable supply	13,727	14.3%	-66.2km Construction for improvement of supply pressure, trunk line shield construction, etc.
		For pipe safety	11,894	12.4%	-211.8km Planned replacement of decrepit pipes
		Other construction, etc.	1,328	1.4%	-65.9km Construction for relocation of gas pipes accompanying road construction, etc.
		Total	55,943	58.5%	-1,053.6km
	Service pipes and gas meters		12,156	12,156	
	Other		3,784	3,784	-Facilities to assure safety in the event of earthquakes, etc.
	Total		71,883	75.1%	
Business facilities			13,974	14.6%	-Technology development, IT, building construction/remodeling, etc.
Gas business facility total (After compression for income from construction cost burdens)			94,647	98.9%	
Incidental facilities			1,060	1.1%	
Grand total (After compression for income from construction cost burdens)			95,707	100.0%	