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FY2008

Outline of supply plans

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March 2008

**Tokyo Gas Co., Ltd.**

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# Table of contents

<b>Introduction</b> .....	2
<b>I. Outline of supply plans</b> .....	2
1. Plans for penetration .....	2
2. Gas sales plans .....	3
3. Production/purchasing volume and feedstock use plans .....	4
4. Major facility plans .....	5
5. Outline of facility investment plans .....	6
<b>II. Main Data</b> .....	7

## Introduction

In January 2006, Tokyo Gas formulated the FY2006 - 2010 Group Medium-Term Management Plan based on the trends in the business climate, and particularly the intensification of competition along with the progress of deregulation and the mounting expectations of natural gas, with its excellent environmental features, among customers and society at large. We have steadily been implementing initiatives toward our goal of sustained growth through promotion of total energy business. As a result, we attained our targets for fiscal 2006 and 2007, and our gas sales volume in fiscal 2010, the Plan's terminal year, is projected to exceed the initial target. It should be added that, in September 2007, the number of our customers reached the 10-million mark.

As the top runner of total energy business based on natural gas, we at Tokyo Gas Co., Ltd. are contributing to pleasant living and environment-friendly communities.

\* We are striving to create and cultivate new markets for natural gas by developing total energy business in an expansive area in the Kanto region covering all parts within a 200-kilometer radius of Tokyo. Besides working for stable procurement of gas resource grounded in long-term contracts and further reduction of procurement costs, we are making arrangements to cope with demand growth by conditioning and reinforcing our infrastructure of manufacture and supply in sure conformance with demand outlooks.

\* Concern about reduction of greenhouse gas (GHG) emissions and other tasks for preservation of the global environment is steadily rising in society as a whole. By promoting the spread of natural gas with its excellent environmental features, we have long been helping to curtail carbon dioxide (CO<sub>2</sub>) emissions at the stage of energy consumption. Over the coming years as well, we are going to make both aggressive and continuous efforts to mitigate environmental burden associated with customer energy consumption by developing high-efficiency equipment and systems, and promoting their use.

\* We are endeavoring to heighten confidence in gas by constantly going back to our basic mission as a gas supplier and bolstering our measures for security in customer safety operations, which is also being requested by society at large. More specifically, to this end, we are encouraging a shift to safety equipment to prevent carbon monoxide poisoning accidents, and replacing superannuated pipes.

\* We are reorganizing and consolidating our sales and service capabilities, and intend to establish a new regional company (Tokyo Gas LIFEVAL) for one-stop provision of goods and services designed for a higher quality of life. Through this step, we hope to carefully accommodate the diversifying lifestyles and needs of our customers and build close relationships with each and every one of them.

## I. Outline of supply plans

### 1. Plans for penetration

We are planning for acquisition of about 214,000 new customers in fiscal 2008, a decrease of about 27,000 from the fiscal 2007 projection. This is because we expect a deepening of the trend of reduction in the number of construction starts and completions owing to the June 2007 amendment of the Building Standards Law (which tightened building checks and inspections, etc.).

We anticipate a recovery from the decline in the number of construction starts and completions following this amendment to come around the second half of fiscal 2010. We are planning for a gradual increase in our

number of customers in the process.

We foresee an average annual increase of 1.3 percent in our number of customers over the next five years.

(Thousands of customers)

	FY2007 outlook	FY2008	FY2009	FY2010	FY2011	FY2012	AAGR
Number of new customers	241.8	214.4	223.5	234.2	233.6	237.2	-0.4%
Number of customers	10,104.5	10,229.7	10,361.5	10,501.7	10,639.5	10,779.3	1.3%

\*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 2.1% and reach about 15.4 billion cubic meters in fiscal 2012.

### 【Overall sales volume】

(Unit: millions of cubic meters, 45MJ/m<sup>3</sup>)

	FY2007 outlook	FY2008	FY2009	FY2010	FY2011	FY2012	AAGR
Total gas sales volume	13,862	14,070	14,312	14,746	15,054	15,359	2.1%

\*Figures for fiscal 2007 are projections after standardization (compensation for temperature in formulation of the plans for fiscal 2008 and following years). This also applies to the rest of this document.

### (1) Residential demand

The number of active customers (the number of meters actually read) and total sales volume is 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 in order to develop and maintain gas sales volume.

### 【Residential demand and sales volume per customer】

(Unit: millions of cubic meters, cubic meters/customer/year, 45MJ/m<sup>3</sup>)

	FY2007 outlook	FY2008	FY2009	FY2010	FY2011	FY2012	AAGR
Residential sales volume	3,382	3,416	3,455	3,491	3,521	3,548	1.0%
Gas Sales volume per property	396	394	393	392	390	388	-0.4%

### 【Penetration of floor heating and cumulative number of customers】

(Thousands of units)

	FY2007 outlook	FY2008	FY2009	FY2010	FY2011	FY2012	AAGR
Cumulative number of customers	933	999	1,075	1,162	1,250	1,339	7.5%
Penetration rate	9.9%	10.4%	11.1%	11.8%	12.5%	13.2%	-

### (2) Industrial demand

In the segment of industrial use, which accounts for the single-largest share of our sales, we plan to increase our sales by measures such as development of business over a wider area and attraction of new large volume customers by promoting a switch from oil-based fuels.

(Unit: millions of cubic meters, 45MJ/m<sup>3</sup>)

	FY2007 outlook	FY2008	FY2009	FY2010	FY2011	FY2012	AAGR
Industrial gas sales volume	5,540	5,653	5,818	6,187	6,437	6,686	3.8%
Subtotal: large-volume sales volume	5,340	5,524	5,610	5,960	6,190	6,417	3.7%

## (3) Commercial and other demand

While striving to expand sales in the air conditioning field around gas heat pumps, we are working for the maintenance and expansion of existing demand in order to build up our sales volume.

(Unit: millions of cubic meters, 45MJ/m<sup>3</sup>)

	FY2007 outlook	FY2008	FY2009	FY2010	FY2011	FY2012	AAGR
Commercial and other gas sales volume	2,924	2,908	2,930	2,948	2,965	2,983	0.4%
Subtotal: large-volume sales volume	1,299	1,353	1,397	1,433	1,452	1,471	2.5%

## (4) Wholesale supply

Wholesale supply is anticipated to increase due to an expansion of demand among other gas utility companies.

(Unit: millions of cubic meters, 45MJ/m<sup>3</sup>)

	FY2007 outlook	FY2008	FY2009	FY2010	FY2011	FY2012	AAGR
Wholesale supply sales volume	2,016	2,092	2,109	2,120	2,131	2,142	1.2%

## 3. Production/purchasing volume and gas resource use plans

While working for stable procurement of gas resource 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<sup>3</sup>)

		FY2007 outlook	FY2008	FY2009	FY2010	FY2011	FY2012
Natural gas	LNG	13,326	13,255	13,509	13,914	14,151	14,450
	Domestically produced natural gas	277	262	309	336	347	344
Oil	LPG	273	510	456	459	520	530
	Off gas	104	105	105	105	105	105
Total		13,979	14,132	14,378	14,814	15,123	15,429

## 【Volume of gas resource/fuel use】

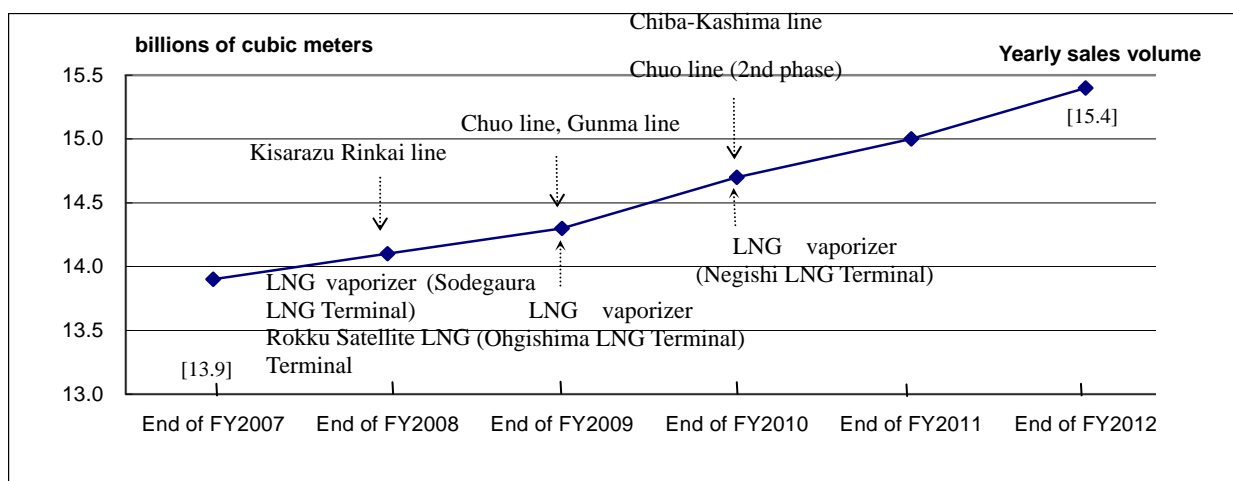
(Unit : thousand t )

	FY2007 outlook	FY2008	FY2009	FY2010	FY2011	FY2012
LNG	10,490	10,423	10,620	10,939	11,117	11,351
LPG	235	434	387	390	442	450

#### 4. Major facility plans

We are going to condition and bolster our production and supply infrastructure for sure response to the projected demand. We plan to complete the Kisarazu Rinkai Line (between the cities of Sodegaura and Kisarazu in Chiba Prefecture), gas pipe line for Rokku satellite (Maebashi city in Gunma 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 complex and along the pipeline route. We also intend to install vaporizers at our three terminals on Tokyo Bay and Rokku satellite station.

#### 【Demand outlook and facility formation plans】



#### 【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 Sodegaura city and Kisarazu city	300	7.00	8.3
December 2008	2) Rokku Satellite LNG Terminal	Maebashi City	400	0.99	0.1
October 2009	3) Chuo Trunk Line	Between Edogawa ward and Soka city	600	7.00	23.2
March 2010	4) Gunma Trunk Line	Between Annaka city and Takasaki city	500	7.00	15.4
October 2010	5) Chuo Trunk Line (2 <sup>nd</sup> phase)	Between Soka city and Kawaguchi city	600	7.00	9.6
December 2010	6) Chiba-Kashima Line	Between Chiba city and Kamisu city	600	7.00	76.4
October 2013	7) Shin Negishi Trunk Line	Between Isogo ward and Izumi ward in Yokohama city	600	3.00	14.1
October 2013	8) Yokohama Trunk Line (2 <sup>nd</sup> phase)	Between Aoba ward in Yokohama city and Aso ward in Kawasaki city	750	3.00	6.3

#### 【Major manufacturing facility plans】

Month and year of starting operation	Manufacturing facilities	Installation site	Number
December 2008	Rokku Satellite LNG Terminal	LNG vaporizer	3
December 2008	Sodegaura LNG Terminal	LNG vaporizer	1
April 2009	Ohgishima LNG Terminal	LNG vaporizer	3
June 2010	Negishi LNG Terminal	LNG vaporizer	1

**【Year-end total extended length of pipeline】**

(Unit : km)

FY2007 outlook	FY2008	FY2009	FY2010	FY2011	FY2012
52,323	53,000	53,692	54,467	55,148	55,838

5. Outline of facility investment plans

The supply plans over the period fiscal 2008 - 2012 have four major components, as follows.

- 1 ) Manufacturing facilities: we shall make arrangements for stable production by augmenting the LNG related facilities at three terminals in Tokyo Bay while improving the existing facilities.
- 2 ) Supply facilities: we shall strive to establish a stable supply setup and assure safety through investment in pipelines for development of new demand, formation of the major pipeline network(refer to P5), systematic replacement of the existing pipelines 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 old buildings.
- 4 ) Incidental facilities: we shall endeavor mainly to remodel existing facilities.

Over this five-year period, we plan to make a total investment of 460.5 billion yen (after compression for income from construction cost burdens, i.e., distributions).

**【Table of facility investment plans】**

(Unit: billions of yen)

		FY2007 outlook	FY2008	FY2009	FY2010	FY2011	FY2012	Total; FY2008 - 2012
Gas business facility	LNG facilities	3.6	7.7	5.8	2.7	3.6	1.5	21.3
	Other	4.6	4.6	6.8	5.7	5.1	4.5	26.8
	Production facilities	8.2	12.3	12.6	8.5	8.7	6.0	48.1
	Trunk line investment	13.9	19.9	14.4	7.5	3.4	2.5	47.7
	Other	57.7	56.1	57.2	57.7	56.9	57.6	285.6
	Supply facilities	71.6	76.0	71.6	65.2	60.3	60.1	333.3
	Business facilities	12.0	18.0	16.5	17.8	10.4	10.4	73.2
	Subtotal	91.8	106.3	100.8	91.5	79.5	76.5	454.6
	Incidental facilities	0.5	0.6	1.2	1.4	1.4	1.4	5.9
	Total*	92.3	106.9	102.0	92.9	80.9	77.9	460.5

**【Amount of investment for gas pipeline】**

(Unit: billion yen)

Name of Trunk line	Timing of completion	Amount of investment	Total amount of investment in five years
Kisarazu Rinkai line	Fiscal 2008	3.02	
Chuo trunk line	Fiscal 2009	16.88	2.47
Gunma trunk lin	Fiscal 2009	5.67	4.02
Chuo trunk line [2 <sup>nd</sup> phase]	Fiscal 2010	4.54	3.25
Ciba-Kashima line	Fiscal 2010	26.08	19.47
Shin Negishi line	Fiscal 2013	15.48	11.26
Yokohama trunk line[2 <sup>nd</sup> phase]	Fiscal 2013	7.7	5.67

## II. Main Data

### (1) Penetration plans

(Unit: thousands of customers)

	FY2007 outlook	FY2008	FY2009	FY2010	FY2011	FY2012	Total of five years
Number of new customers	241.8	214.4	223.5	234.2	233.6	237.2	1,143
Net increase	149.8	125.2	131.8	140.1	137.8	139.8	675
Number of customers	10,104.5	10,229.7	10,361.6	10,501.7	10,639.5	10,779.3	AAGR:1.3%
Rate of penetration (%)	90.7%	91.1%	91.4%	92.0%	92.3%	92.6%	-

\*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<sup>3</sup>)

		FY2007 outlook	FY2008	FY2009	FY2010	FY2011	FY2012	AAGR	
Sales volume	Residential	<396>	<394>	<393>	<392>	<390>	<388>	<-0.4%>	
	Business	Industrial	3,382	3,416	3,455	3,491	3,521	3,548	1.0%
		Commercial and Others	5,540	5,653	5,818	6,187	6,437	6,686	3.8%
		Total	2,924	2,908	2,930	2,948	2,965	2,983	0.4%
Wholesale supply		8,464	8,561	8,747	9,135	9,402	9,669	2.7%	
Grand total		2,016	2,092	2,109	2,120	2,131	2,142	1.2%	
Large-volume supply		13,862	14,070	14,312	14,746	15,054	15,359	2.1%	
Total		(6,639)	(6,878)	(7,010)	(7,396)	(7,645)	(7,892)	(3.5%)	

\*Figures for fiscal 2007 are projections after standardization (compensation for temperature in formulation of the plans for fiscal 2008 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 : MW)

	FY2007 outlook	FY2008	FY2009	FY2010	FY2011	FY2012	AAGR
Absorption type	2,965	3,034	3,007	2,998	2,989	2,980	0.1%
Gas Heat Pump( GHP)	1,011	1,076	1,137	1,199	1,261	1,322	5.5%
Total	3,976	4,110	4,145	4,197	4,250	4,302	1.6%

\*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 : MW)

		FY2007 outlook	FY2008	FY2009	FY2010	FY2011	FY2012	AAGR
Cogeneration	for commercial use	407	453	461	470	477	484	3.5%
	for industrial use	1,119	1,138	1,169	1,180	1,182	1,184	1.1%
Cogeneration total		1,526	1,590	1,629	1,650	1,659	1,668	1.8%
Power-only generation		2,700	2,700	2,552	2,552	2,552	2,552	-1.1%
Grand total		4,226	4,290	4,181	4,202	4,211	4,220	0.0%



## (5) Plans of investment for facility in FY2008

(Unit: millions of yen)

Item		Amount of investment	Percentage of total	Remarks	
Manufacturing facilities	New LNG facilities	7,651	7.2%	- BOG treatment facility in Negishi LNG Terminal - Vaporizers at Ohgishima and Sodegaura LNG Terminal	
	Other	4,649	4.3%	- Remodeling of existing facilities, construction for replacement	
	Total	12,300	11.5%		
Supply facilities	Mains and laterals	For demand development	32,066	30.0%	- 683.3km Mains and laterals for demand development
		For stable supply	15,690	14.7%	- 49.1km Construction for improvement of supply pressure, trunk line shield construction, etc.
		For pipe safety	13,223	12.4%	- 230.0km Planned replacement of decrepit pipes
		Other construction, etc.	1,631	1.5%	- 65.9km Construction for relocation of gas pipes accompanying road construction, etc.
	Total	62,610	58.6%	- 1,028.3km	
	Service pipes and gas meters	11,439	10.7%		
	Other	1,951	1.8%	- Facilities to assure safety in the event of earthquakes, etc.	
Total	76,000	71.1%			
Business facilities		18,000	16.8%	- Technology development, IT, building construction/remodeling, etc.	
Gas business facility total (After compression for income from construction cost burdens)		106,300	99.4%		
Incidental facilities		600	0.6%		
Grand total (After compression for income from construction cost burdens)		106,900	100.0%		