

February 27, 2013

Conclusion of a Confirmation note of Agreement to purchase US LPG

Tokyo Gas Co., Ltd. (President: Mr. Tsuyoshi Okamoto, hereafter “Tokyo Gas”) today concluded a Confirmation note of Agreement with Astomos Energy Corporation (President: Mr. Tatsuhiko Yamasaki, hereafter “Astomos”), stipulating the basic terms regarding the purchase of US LPG. Based on this agreement, Tokyo Gas will receive total amount of approximately 400,000 tons of US LPG for 6 years from 2013.

This is the first time for Tokyo Gas to purchase LPG with the price indexed to US propane linked prices. (*1)

Tokyo Gas, which uses LPG as a portion of raw material of city gas, held discussions with Astomos about the procurement of US LPG, in order to reduce the raw material procurement cost as well as to realize stable procurement through the diversification of supply sources, and today reached a Confirmation note of Agreement with Astomos.

Astomos purchases LPG from Enterprise Product Partners (hereafter “Enterprise”), which operates an LPG exporting terminal in Houston Texas, and a part of LPG shipped to Japan will be sold to Tokyo Gas.

Tokyo Gas’s procurement of LPG will be based on the existing contract between Astomos and Enterprise from 2013 till 2015, and the procurement between 2016 to 2018 will be based on the new contract concluded today between Astomos and Enterprise. Both procurements from Astomos are indexed to US propane linked price, which is different from CP price index for the Far East.(*2)

Especially after 2016, Tokyo Gas’s expectation is that by supporting Astomos to conclude a new purchasing contract as a main buyer of LPG to continue to purchase LPG at a price indexed to the different price index from CP, it will contribute to realizing a LPG pricing structure which more accurately reflect the global supply and demand.

Tokyo Gas will continue to diversify raw material procurement, and to tackle the challenge to enhance the global value chain with a view to reducing procurement cost, and will make an effort to supply more economic-value-added city gas in a stable manner.

*1: The price traded in the market in Mt. Belvieu in Texas, USA

*2: The price index notified by the Saudi Arabia Oil Company, a national oil company of Saudi Arabia, to the clients every month, with reference to the market price. And the gas supplying countries in the Middle East apply this price index to the LPG sales for the Far East.

[Outline of a Confirmation note of Agreement]

Seller: Astomos Energy Corporation
Buyer: Tokyo Gas Co., Ltd.
Contract Period: 6 years from 2013
Contract Volume: 400,000 tons in total through the contract period
Delivery Terms: Ex-ship

[Reference: Astomos]

Company Name: Astomos Energy Corporation
Location: Chiyoda-ku, Tokyo
Company profile: Energy corporation to operate import, purchase and sale of LPG, and ownership, rental and buying and selling of vessels

[Reference: Enterprise]

Company Name: Enterprise Product Partners LP
Location: Houston Texas, USA
Company profile: Energy company to sell natural gas, NGL (natural gas liquid), crude oil, petroleum products and petrochemical products
Main businesses: ① Pipeline transmission and storage of NGL
② On-land pipeline transmission of natural gas
③ On-land pipeline transmission and storage of crude oil
④ Marine pipeline transmission
⑤ Refinery and storage of petroleum products, gas, etc.