

Initiatives by the Tokyo Gas Group

Supporting you Always and bettering every day.



Thursday, October 6, 2016
Tokyo Gas Co., Ltd.

■The Tokyo Gas Group is now pursuing action in line with three main policies adopted for implementation in FY2015-17 (the “step” phase of the Challenge 2020 Vision). These are (1) evolving into the total energy business, (2) accelerating global business development, and (3) reconstructing our corporate group.

■In addition to city gas business, we are expanding electric power business and liquid gas business focusing on LPG sales to realize “evolving into the total energy business” as an energy company. And we are accelerating efforts to develop value-added services such as engineering service, living service and urban development service.

■2016 was a pivotal year for the energy industry. It ushered in the start of full liberalization of the retail electricity market, which brought many new entrants into the sector. Among them was the Tokyo Gas Group, which has made great strides in aggressively securing its position as the No. 1 new entrant. In 2017, we will leverage the knowledge and experience gained in the first year of liberalization to set ourselves still higher goals and holistically explore and develop the conditions required to put our electric power business on a sound growth trajectory.

■Another major focus for us is to smoothly transition and launch operations in preparation for full liberalization of the gas retail sector in April 2017 with keeping with the objectives of gas system reform. The Group is committed to getting back to basics and working as one to further improve service and safety levels in order to better meet the needs of our long-standing customers.

■Overseas, we will continue to strengthen our operations, especially in Southeast Asia and North America, by developing our human resources, seeking out and doing due diligence on prime projects, and working hand in hand with our partners to ensure that these activities produce solid results.

- 1 . *Reconstructing our corporate group*
- 2 . *Expanding the electric power business*
- 3 . *Enhancement of our value for gas business*
- 4 . *Accelerating global business development*
- 5 . *Other businesses*

1. Reconstructing our corporate group

<Establish our business domain>

- We have been tackling to define our business domain such as expanding electric power business, reorganization and consolidation of subsidiaries toward realizing “Evolving into the total energy business”. We have defined our business domain and are developing our business to offer prosperous, fulfilling way of life for customer as the total energy company.
- We have defined city gas business, electric power business and liquid gas business as energy business. And we will commercialize engineering service business, living service and urban development service as value-added business for customers. Furthermore we will expand overseas business utilizing our know-how gained in the domestic.

Evolving into the total energy business

Accelerating global business development

Energy business

● City gas business ● Electric power business ● Liquid gas business

LNG procurement ·
transportation

City gas production, supply
and sales

Generation, supply and
sales

LPG sales,
industrial gas production
· sales etc.

Value-added business related to energy

● Engineering

service business

Total engineering such as
related to energy service
etc.

● Living service

Customer value solution
to improve of living

● Urban development service

Real estate development
and management,
community-based energy
solution and contribution
to urban development

● Overseas business

Acquisition of gas resource
interests,
Participation in LNG project,
Gas supply,
Participation in Gas-fired power
generation,
Engineering and energy service
etc.

1. Reconstructing our corporate group

<Establish and enforce group management and governance>

- We will establish group management and governance to encourage total energy business and overseas business by the end of FY2016. And we will start them from April 2017.

Changes in environment

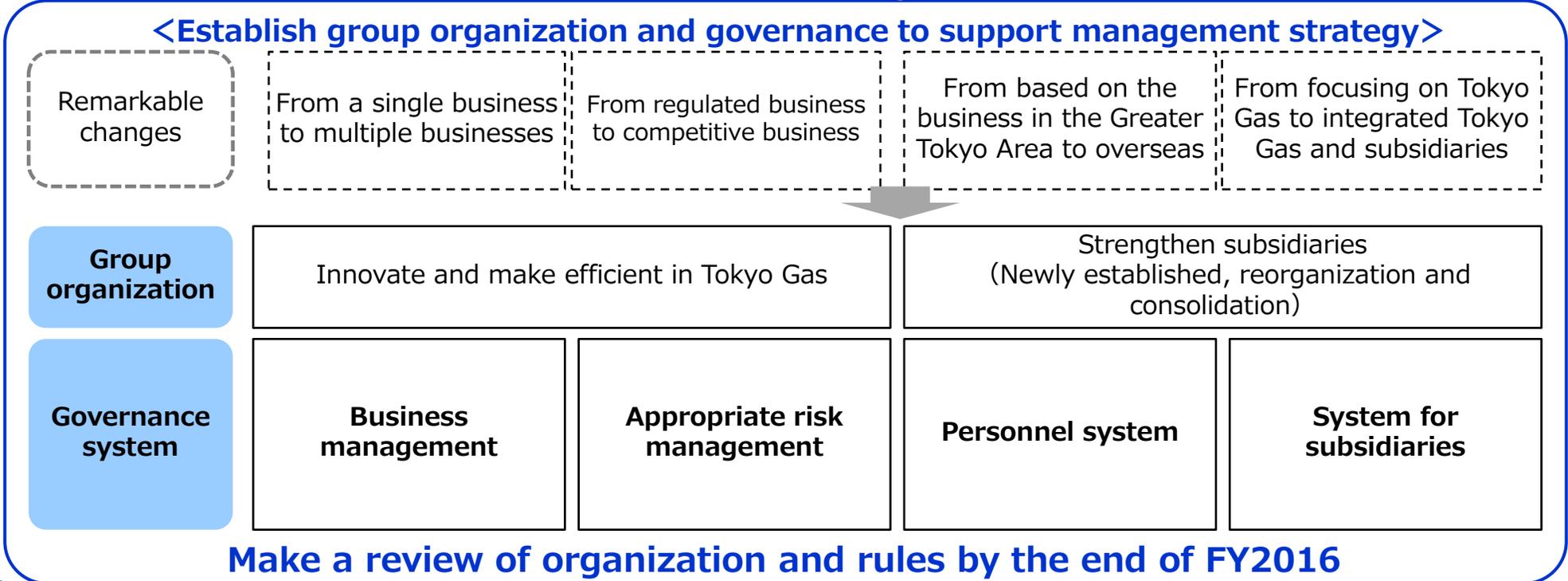
Progress of energy system reforms

Declining birthrate and population aging

Management strategy

Evolving into the total energy business

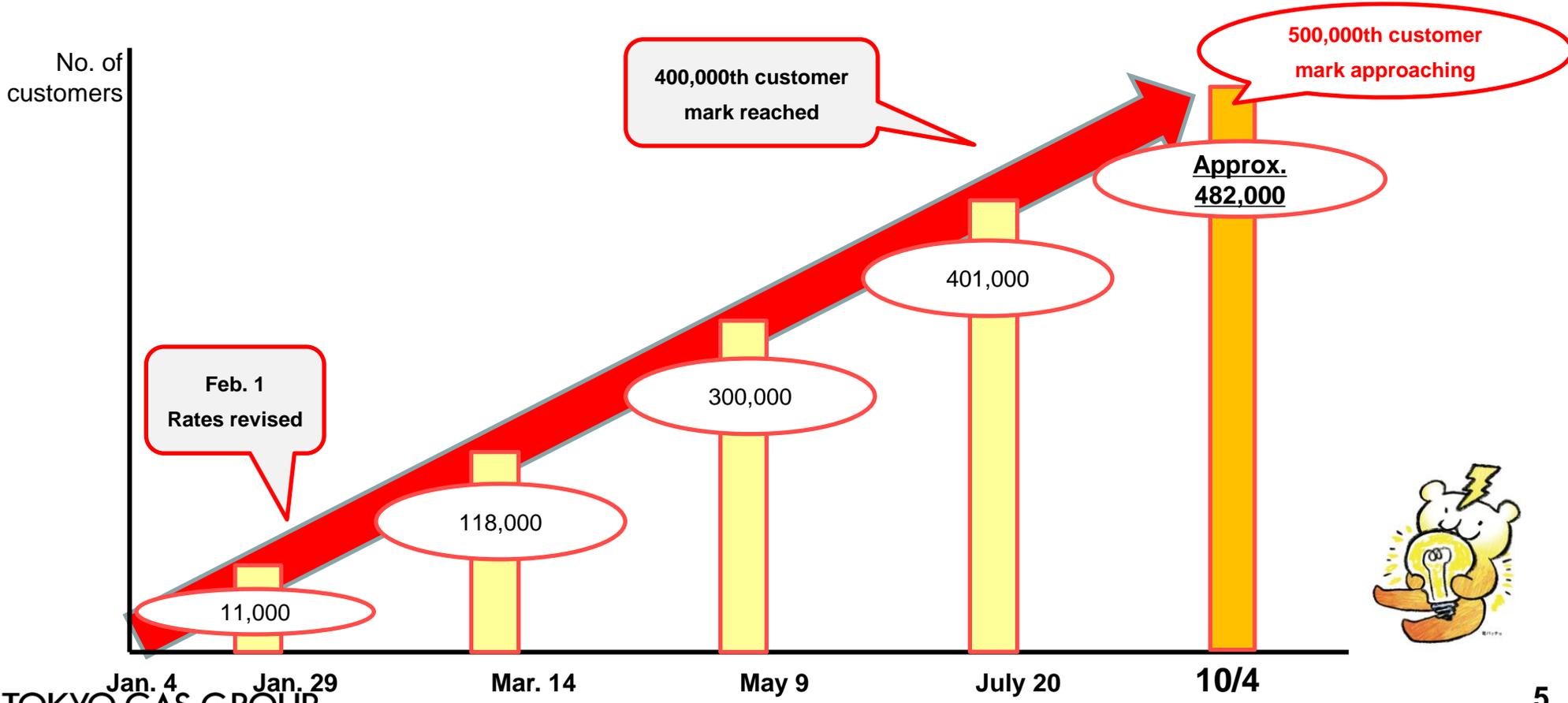
Accelerating global business development



2. EXPANDING THE ELECTRIC POWER BUSINESS: ELECTRICITY SALES

<Sale of electricity to low-voltage customers>

- Since full liberalization of the retail electricity market in April 2016, **about 482,000** customers have chosen Tokyo Gas as their electricity supplier (as of October 4, 2016).
- Customers are attracted not only by the fact that they get more for their yen with us (in terms of lower rates and loyalty points), but also by the peace of mind offered by value-added services such as our Emergency Home Assist Package, which provides support in the event of an emergency in the home.



2. EXPANDING THE ELECTRIC POWER BUSINESS: ELECTRICITY SALES

<Sale of electricity in partnership with wholesale gas suppliers>

- We are expanding electricity sales in the Tokyo metropolitan area by partnering with wholesale gas suppliers to sell electricity to low-voltage customers.

Tokyo Gas has entered tie-ups with 21 city gas wholesale suppliers and 27 LPG suppliers regarding the sale of low-voltage electricity, and about 12,000 applications to switch to service from these partners had been received as of October 4, 2016.

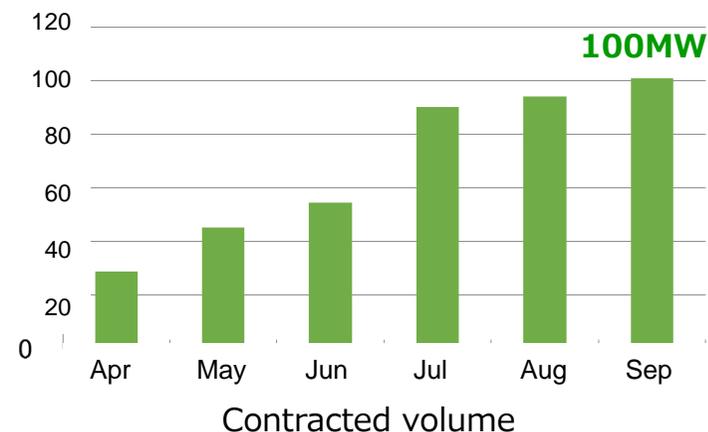
Alongside electricity sales, we will continue to deepen coordination and strengthen business operations to meet wide-ranging customer needs by sharing information on and studying a variety of challenges through Gas Network Consortium 21 ("Gasnet 21").

<Sale of electricity to high-voltage and extra-high-voltage customers>

- We are expanding electricity sales through ENNET Corporation and Synergia Power Co., Ltd. in order to meet high-voltage and extra-high-voltage customers' wide-ranging needs too.

Established in July 2000, ENNET is the No. 1 new entrant in large-volume retail sales of electricity.

Synergia Power, which began selling electricity to large-volume users located mostly in northern Kanto in April 2016, has also contracted to supply 100 MW of electricity (as of September 30).

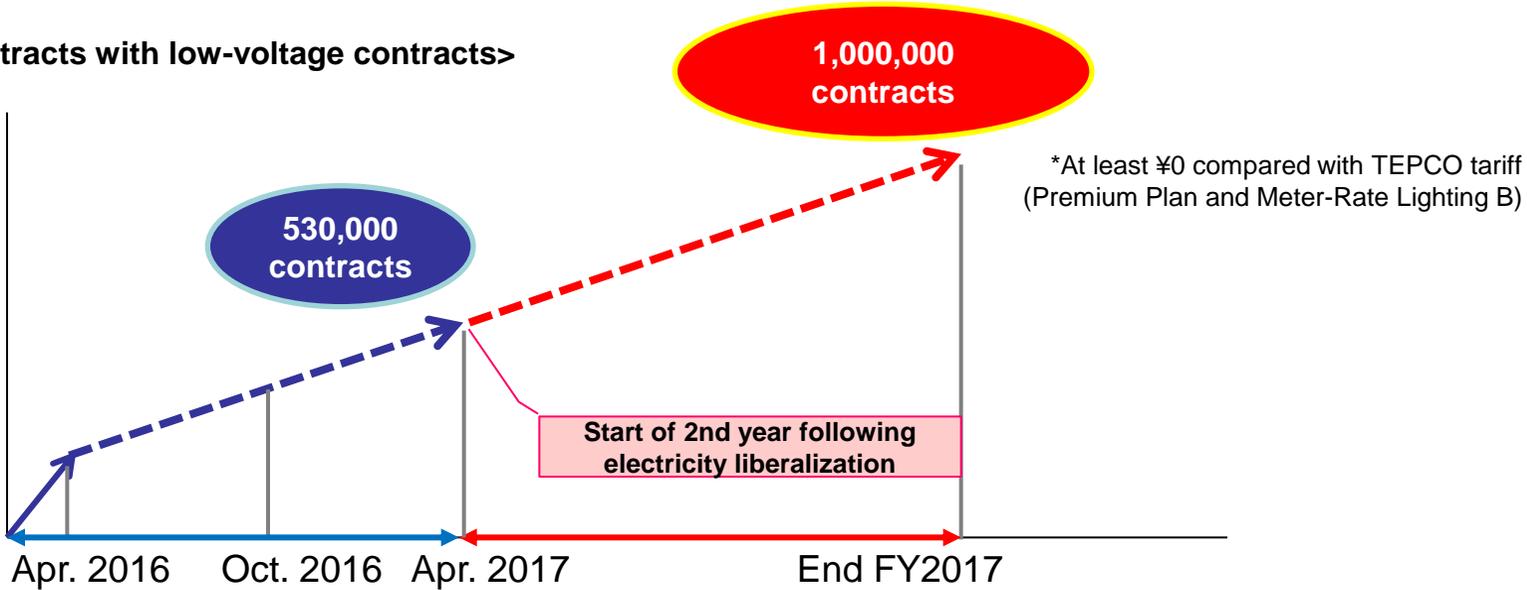


2. EXPANDING THE ELECTRIC POWER BUSINESS: ELECTRICITY SALES

<Preparation for future expansion of electricity sales>

- Estimates indicate that **about 60% of low-voltage customers** who use our gas would save money on their electricity rates* by switching to us, and we will continue to explain to each of our customers how they can save money with us and how easy it is to switch in order to rapidly achieve the **530,000 customers target** set by our FY2016 plan..
- We will also progressively add new services meeting customer needs with the aim of gaining **1,000,000 customers by the end of FY2017.**

<Target number of contracts with low-voltage contracts>



2. EXPANDING THE ELECTRIC POWER BUSINESS: ELECTRICITY SALES

<Roll-out of new services for low-voltage customers>

- The Tokyo Gas Group will continue to develop **three type of value—value for money, peace of mind, and simplicity and convenience**—through its Zuttomo Plan bundling gas, electricity, and other services.
- We are committed to delivering total satisfaction to make Tokyo Gas a name that customers “**can trust to do things right**” and confidently turn to in order to sort out any problems in the home.

Value
for
money

Our gas and electricity bundle has been a hit thanks to its attractive pricing. We will be adding more value-for-money services and benefits.

Peace
of mind

We are progressively rolling out our service to expand customer peace of mind from just gas appliances to the home in general.

Simplicity
and
conven-
ience

Further improvement and expansion of online “myTOKYOGAS/myTOKYOGASBIZ” content to help customers keep track of usage, save energy, and discover useful tips.

2. EXPANDING THE ELECTRIC POWER BUSINESS – ORGANIZATIONAL STRUCTURE –

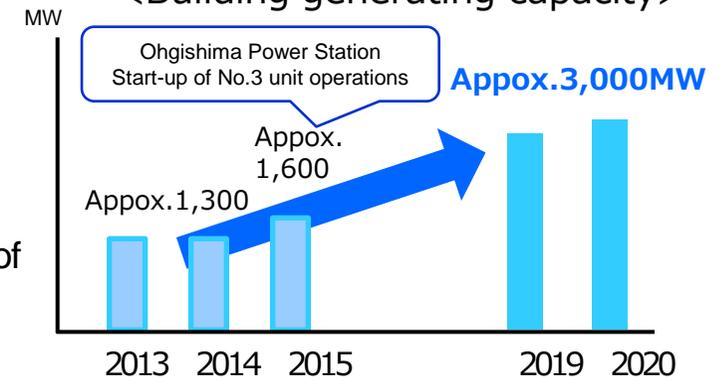
<Preparing our organization to assist expansion of the electric power business>

- Tokyo Gas will step up the new stage to the “Electric Power Company” that has the relationship with more than a million customers. **We are building generating capacity and developing our supporting organization** to enable us to deliver stable, low-priced power to customers.

Building generating capacity

- We are expanding competitive natural gas power plants and base-load capacity to be ready for higher sales.
- At Kobelco Power Moka Co., Ltd. (LNG –fired power plant, Capacity: approx. 1.25GW, full amount purchase by Tokyo Gas), work began in earnest of an construction of a plant in June 2016
- We are pursuing construction of the Hitachi LNG Terminal and Ibaraki Line, and we will investigate the feasibility of developing natural gas power plant.
- As regards renewable generating capacity, we will survey wind conditions for the Fukushima Coastal Wind Power Generation Initiative.
- By promoting our procurement from the power market, we support the national policy to activate the trading in the market.

<Building generating capacity>



Kobelco Power Moka

Artist's impression of Kobelco Power Moka's Moka Power Station when completed

Developing our organizational structure to assist expansion of the electric power business

To assist the stable and affordable power supply to more than a million customers, we are planning to develop our supporting organizations for electric power business.

3. ENHANCEMENT OF OUR VALUE FOR GAS BUSINESS

<Preparing for full gas retail deregulation>

- According to the purposes and objectives of the Gas System Reform; (i) stable supply and expansion of diffusion of gas use; (ii) lower gas prices and higher customer satisfaction; and (iii) more options of suppliers for customers and enhanced customer safety, we are promoting the preparation for the full deregulation of gas retail sector in April 2017.
- Tokyo Gas is promoting the preparation **to shift from the existing business manner to the new one smoothly** for our customers at the beginning of the full deregulation of gas retail market. And, in addition, we are committed to provide customers safety for the usage of natural gas **with securing further safety to use** based the experience of gas company and the solid relationship of trust with customers through our history in the gas business.

- Our new Gas Business Deregulation Project Dept. (established April 2015) is leading preparations for full deregulation of gas retail, including development of a switching scheme to make it easier for customers to change suppliers and get a better deal.
- We are putting in place arrangements to facilitate swift response to inquiries and applications from customers, including changes to the step followed by our call center when providing support.
- In the Pipeline Network Division, we are developing the organization for the transmission service that is provided to the gas companies with using our gas pipeline network. In September 2016, we launched the new office, “Call Center for Transmission Service”, and we are preparing the supporting organizations to shift to the business after the full deregulation of gas market smoothly.

3. ENHANCEMENT OF OUR VALUE FOR GAS BUSINESS

<Safety and Security>

- As an energy pioneer that has been in the gas supply business for 130 years, we are committed to continuing to ensure safety and continuity of supply to our new entrant customers as well as all our existing customers, making their lives ever safer and more secure with getting the basics right by taking voluntary action to ensure all workers following “point and check” procedures and reinforced rigorous implementation of basic tasks.

Independent action on safety

- In the works on gas pipe installation, Tokyo Gas and our ENETRUSTs (Tokyo Gas Group’s partner companies) are launching our own campaign called “Always Safe” to avoid accidents on the pipe installation work with the basic implementations for the safety such as checking the safe precautions in every sites.



Develop the organization for the measurements before and after disasters

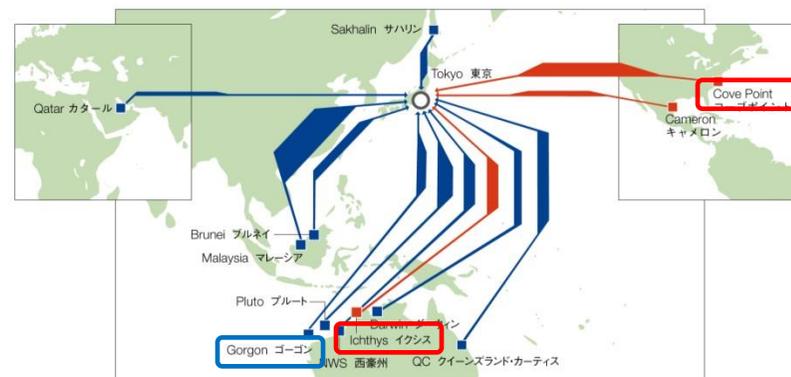
- Regarding the organization for emergency call (Gaslight 24) to avoid the accidents occurred by the gas leaks and others before these happen, we presently have around 600 experts stationed at 49 centers in five blocks covering our service area. They are on call 24 hours a day, 365 days a year, ready to respond immediately when a possible emergency is reported by a customer. Following the full deregulation of gas retail market, we are pushing forward with maintaining and improving safety levels.
- In an expected emergency following the full deregulation of gas retail sector, it will be important for all gas companies including us to work together with each other, so we are making the relationship closer than now to secure the safety in the period of disaster, such as providing the new entrants the opportunities to show the implementation to restart the gas supply.



3. ENHANCEMENT OF OUR VALUE FOR GAS BUSINESS

<Diversification in our strategy of LNG procurement>

- To purchase the competitive priced LNG stably and flexibly, we are pushing forward with our procurement strategy, “3 diversification”. And we are also developing our facilities related to gas production to respond adequately to the increase in demand in years to come.
- Tokyo Gas is promoting the “3 diversifications” in our procurement strategy ; “Diversify resource suppliers”, “Diversify contract terms and conditions” and “Diversify our LNG network”.
- Tokyo Gas began to receive LNG from the Gorgon LNG project in FY2016, which resulted in increasing the number of LNG suppliers to 12 projects in 5 countries, and we will receive LNG from the Cove Point LNG Project in US and Ichthys LNG Project in Australia in years to come. To enhance flexibility for our procurement, we are promoting to rearrange our portfolio to enhance our flexibility regarding the pricing and handling, such as on the terms and conditions of the contracts, such as applying the other indexes than oil to our LNG pricing, changing the terms regarding “receiving places”, introducing more short term contracts into our portfolio and the others. We are also trying to join the LNG trading business for securing the procurement flexibility.
- Regarding our 4 LNG Terminals, Negishi, Sodegaura, Ohgishima and Hitachi, we are operating our facilities based on richly experienced operation over 50 years. To respond to the increase in demand, we are planing to construct the additional LNG tanks in Hitachi (scheduled for FY2020) and in Sodegaura (scheduled for FY2023)

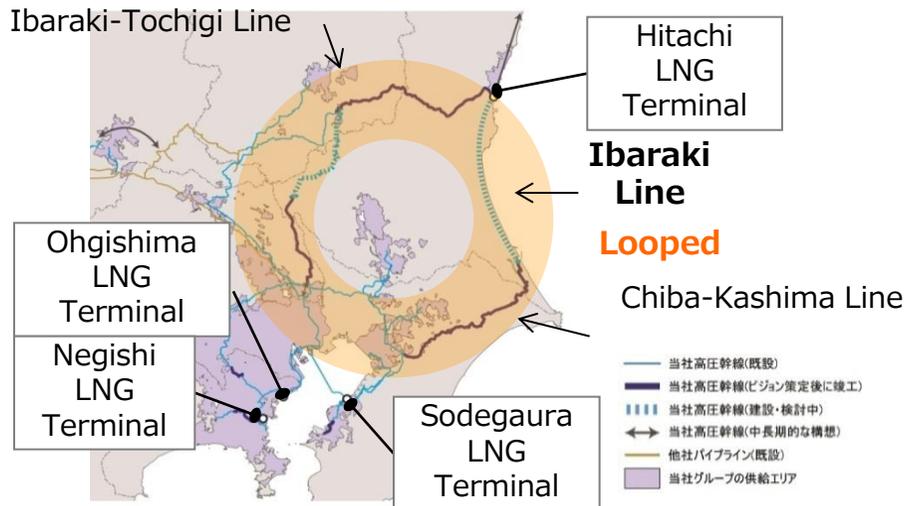


Tokyo Gas LNG Imports (Long-term Contract)

3. ENHANCEMENT OF OUR VALUE FOR GAS BUSINESS

<Expansion of our infrastructure>

- We are expanding and enhancing our infrastructure in order to be able to supply gas more safety and security and to facilitate wider use of natural gas.
- We are preparing to commence construction of the Ibaraki Line, which will connect Hitachi area (Hitachi LNG terminal and Ibaraki-Tochigi Line) and Kashima Area (Chiba-Kashima Line), to increase supply stability and capacity by creating a looped high-pressure trunk line.
- We are committed to facilitate further widen use of natural gas in the Kanto region with the completion of this construction.



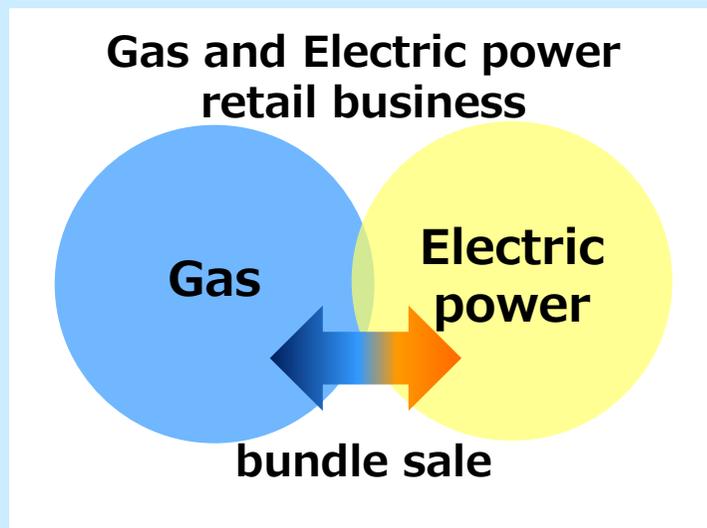
Hitachi LNG terminal

3. ENHANCEMENT OF OUR VALUE FOR GAS BUSINESS

<Proposal of Total Energy in Gas, Electric Power, and Other Services>

- Tokyo Gas Group has been enriching customer's lives through supplying energy. Toward the deregulation of the gas markets, we will provide “Value for money”, “Peace of mind”, and “Simplicity and convenience” , through the “Zuttomo Plan”(P.8) which gas, electric power, and other services are integrated to.
- We will provide not only supply energy but also **new value and service to enrich customer’s lives.**

The total energy business



Living Service Business

【Support of life】

Emergency home assist,
Housekeeping etc.,
Safety and Communication
service

【Total facility】

System installation, Selling
appliance, Maintenance,
Reform

【Proposal of life value】

Food culture,
Contents of “my TOKYOGAS”

【Proposal of new added
value】

3. ENHANCEMENT OF OUR VALUE FOR GAS BUSINESS

<Energy solutions>

- Through the projects such as the development of smart energy networks with distributed energy resources such as cogeneration systems, Tokyo Gas is helping to build towns and cities that produce lower CO₂ emissions and can still be supplied with energy even in a disaster.

Saving Energy at Factories

Area-wide energy supply project in Kiyohara Industrial Park

We are building an energy center to supply heat and power generated by a 30 MW-class cogeneration system to the 7 offices operated by 3 companies in the Kiyohara Industrial Park on the outskirts of Utsunomiya City in Tochigi Prefecture (Scheduled to enter operation in FY 2018). Acting as the hub for a number of companies, the Tokyo Gas Group will supply energy by building their plants' fluctuating loads to optimize operation. This project will be the largest of its kind to serve an inland industrial park.

Saving energy at public facilities

Shibuya's new government building

The Tokyo Gas Group is in consultations with Shibuya City regarding the provision of energy services for its planned new government building to help it achieve its objective (in FY2018) of making its government building safer, greener, and more functional.



Perspective the building
(from Shibuya-ku News, No. 1301,
special issue on rebuilding Shibuya's
government building)

Yokohama Municipal Citizen's Hospital

We have entered a basic agreement with Yokohama City to provide energy services planned as part of the Yokohama Municipal Citizen's Hospital redevelopment project.

As a member of the Yokohama Smart Business Association, we plan to deliver stable and outstandingly cost efficient, environmentally friendly

energy service to enable the hospital to achieve the aim to be able to provide function as a "disaster base hospital" capable of continuing to function in an emergency.



Perspective view of the Hospital

3. ENHANCEMENT OF OUR VALUE FOR GAS BUSINESS

<Improving customer satisfaction>

■ We would like to express our sincere gratitude to the over the year. And we are committed to delivering **total satisfaction to make Tokyo Gas a name that customers "can trust to do things right"** through our services such as supply of gas and electricity and other services for years to come.

- In LIFEVALs, our service companies, the "Professional Gas Service Workers" with the special skills for gas business who have many opportunities to visit the customers' home, are committed to more careful and more speedy work for requests at the customers' home for their convenience.
- For a more comfortable life, we are doing all we can continuously regarding our service for providing energy, gas appliances and household equipment and others.



4. ACCELERATING GLOBAL BUSINESS DEVELOPMENT

<Recent initiatives>

- **We have been participating natural gas-related businesses at upstream and mid-downstream** in which our experience and know-how of the domestic business can be utilized. For example, in southeast Asia and north America where ample entry opportunities tend to be available, we provided our technology and services of consultation for LNG terminal construction which contributes to form infrastructure of there, saving energy for Japanese companies which start overseas operations, and etc..
- We have strengthened structures and human resources at our overseas operations, and have begun participating in new projects using their business and information networks.

● **Upstream projects**

In June 2016, Tokyo Gas America Ltd., a wholly owned subsidiary of Tokyo Gas, acquired participating interests in shale gas development in locations including the Eagle Ford Formation in Webb County and La Salle County in southern Texas.

● **Mid/downstream projects**

- In July 2016, Tokyo Gas Asia Pte. Ltd. established **LNG VIETNAM Joint Stock Company** in partnership with the PetroVietnam Gas Joint Stock Corporation and Bixtexco Group for the purpose of procuring and selling LNG and building and operating an LNG receiving terminal in Vietnam. Preparations are now underway to build the Thi Vai LNG Terminal.
- In October 2016, Tokyo Gas Asia Pte. Ltd. participated in power generation businesses of Bang Bo Power Plant (350 MW) in the suburb of Bangkok, Thailand. This marks the first achievement for Tokyo Gas to participate in power generation businesses in South East Asia.

Bang Bo Power Plant



4. ACCELERATING GLOBAL BUSINESS DEVELOPMENT

<New operations, stronger structures>

- We will establish new offices and strengthen the structures of the existing offices in overseas to explore ways of developing new operations in overseas.
- As the progress of investigating commercialization in Vietnam, we are preparing for opening the Ho Chi Minh Office in April 2017. We are also preparing for opening the Manila Office in Philippines in April 2017, where the demand for energy is estimated to increase. Herewith, we are going to have 11 overseas offices in 9 countries.
- We will move forward our development of structures and systems to pave the way for increasing the number of personnel involved in developing our overseas operations to 200 (from approx. 160 as of this moment)
- We will partner with energy companies and other domestic players to identify and do due diligence on prime properties.
- We will also conduct market surveys in countries such as Myanmar and Bangladesh to explore the potential for doing business there too.



5. OTHER BUSINESSES: LIQUID GAS BUSINESS

<Initiatives of Liquid Gas Business>

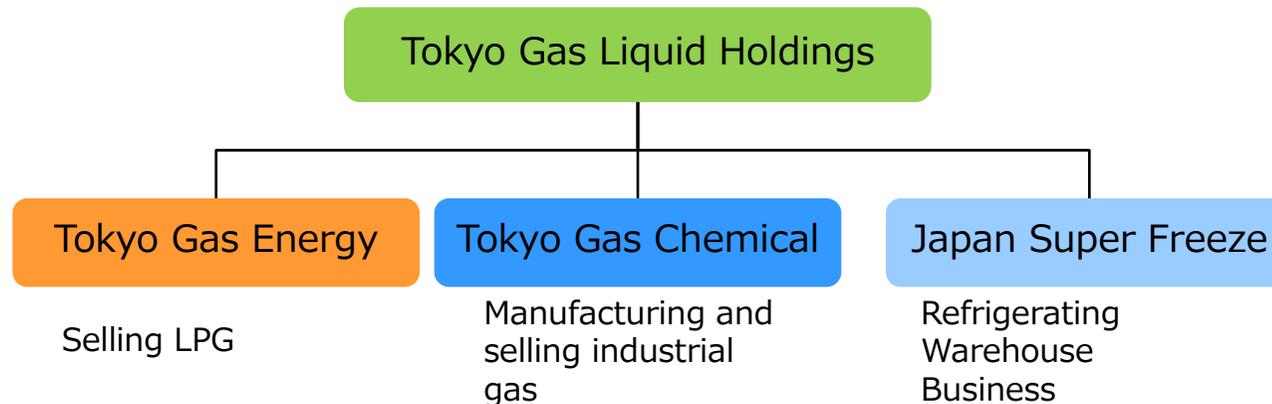
- Establishing Tokyo Gas Liquid Holdings Co., Ltd. in April 2016, we are planning and implementing growth strategy in Liquid Gas Business, which sells LPG, and manufactures and sells industrial gas by utilizing cold and heat of LNG.

- Tokyo Gas Liquid Holdings Co., Ltd. aims to grow LPG selling business as earnings pillars by enhancing our sales capability and encouraging alliance etc..

We aim to build a market of 1 million customers in 2020, expanding alliances with LPG players which have many strengths, for example rational delivery and improved customer services. We will directly sell to 0.3 million customers of those.

- Otherwise, we will enhance our sales capabilities in manufacturing and selling industrial gas, by one-stop selling to large-lot customers, through collaboration with Tokyo Gas's own sales operations.

<Structure of Tokyo Gas Liquid Holdings>



5. OTHER BUSINESSES: ENGINEERING SOLUTION BUSINESS

<Initiatives of Engineering Solution Business>

- Tokyo Gas Engineering Solutions Corporation taking the lead, we are planning and implementing growth strategy in the engineering solutions business.
- **Initiatives in the engineering solutions business**
 - Tokyo Gas Engineering Solutions Corporation (TGES) has tapped into years of experience and technical expertise to build, maintain, and manage LNG terminals in Japan and abroad, and to roll out a wide range of energy-related services.
 - TGES intensified and expanded its existing business in the engineering and energy solutions sectors. It also reorganized itself from being a divisional organization into one organized along functional lines (marketing and engineering), and consolidated its dispersed operations to create a robust business base.
 - In FY2016, TGES will formulate a mid-term business strategy for the coming “jump” phase and pursue further business growth and expansion.



- **Expansion work on PTT LNG Company Limited's Map Ta Phut LNG Terminal in Thailand**

TGES became the first Japanese firm to be contracted to provide management services for an overseas LNG receiving terminal-related project (February 24, 2014 - March 31, 2017).



5. OTHER BUSINESSES: URBAN DEVELOPMENT SERVICE BUSINESS

<Initiatives of Living Service Business>

- . Tokyo Gas Group will also provide new value and service to enrich customer's lives.
 - See the page14 about Living Service Business.

<Initiatives of Urban Development Service Business(Real Estate Business)>

- We contribute to community-based energy proposal and town planning by leveraging and maintaining our real estate.
 - Construction work on the TGMM Shibaura Project (working name) to create a business complex of offices, shops, hotels, and other facilities on a site owned by Tokyo Gas adjacent to JR Tamachi Station's east exit commenced in October 2015 and is now making generally good progress.
 - Being an energy supplier with close local ties, we will continue to pursue initiatives such as this to incorporate advanced energy systems (smart energy networks) into development projects.
 - As well as working on major sites, we will also grow our operations by pursuing commercial development of smaller properties (including on newly purchased land) as we purposefully build up know-how.

Supporting you Always and bettering every day.

