




Growth Strategy

This section reports the state of progress on specific points of the “Tokyo Gas Group Challenge 2020 Vision,” announced in November 2011. For more information on the basic ideas underlying this vision, please refer to the pamphlet entitled *The Tokyo Gas Group’s Vision for Energy and the Future ~Challenge 2020 Vision~*.

 http://www.tokyo-gas.co.jp/IR/english/library/pdf/vision/vision2020_01.pdf

Reducing Resource Costs and Expanding Overseas Operations	18
Building a Production and Supply Infrastructure to Cultivate Demand	22
Providing Diverse Energy Solutions	24
Capital Expenditures Plan	28



Enhancing the LNG Value Chain

“Challenge 2020 Vision,” the Tokyo Gas Group’s Growth Strategy

The Tokyo Gas Group is working together on initiatives to enhance the LNG value chain and realize sustained growth.

Action Plan Reducing Resource Costs and Expanding Overseas Operations

Accelerating Diversification of Upstream Operations to Lower Resource Procurement Costs

The “Challenge 2020 Vision” calls for Tokyo Gas to earmark 16% of its capital expenditures and investments and financing, or around ¥320 billion for overseas business, which includes upstream and downstream businesses, as well as service and engineering businesses. Our objective is to increase net income from overseas business from the current level of around 10% to approximately 25%. Among these investments, the vision prioritizes management strategies for expanding overseas upstream operations.

In Japan, LNG imports are generally based on 15- to 20-year long-term contracts that use a pricing formula linking LNG to crude oil prices. As the country relies on imports for nearly all of its energy resources, Japan’s import costs are higher than countries that have natural resources of their own, such as the United States and European countries. LNG demand has increased since the Great East Japan Earthquake, as power companies shifted to natural gas-fired thermal power generation as an alternative to nuclear power generation. Japan,

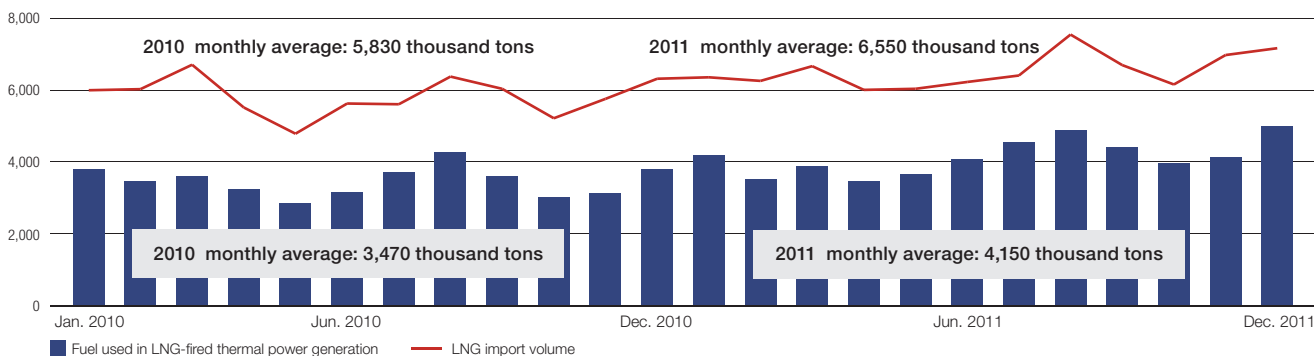
having only limited sources of procurement, has therefore been compelled to procure resources at relatively high international rates.

Tokyo Gas has in place long-term LNG contracts involving 11 projects in six countries, providing more than 11 million tons of LNG per year. We have upstream interests in some of these projects, but going forward we plan to take more aggressive upstream interests in order to lower resource costs. At the same time, we will expand and accelerate the diversification of our procurement sources. Furthermore, to augment our purchasing power we will procure resources jointly with other energy companies where necessary, and we are considering active participation in LNG liquefaction and other businesses.

We plan to expand our LNG shipping fleet to handle this greater procurement volume. We believe that this approach will give us better flexibility in our procurement and help to reduce resource transportation costs.

Fuel Used throughout Japan in LNG-Fired Thermal Power Generation and LNG Import Volume

Thousands of tons



Source: Compiled by Tokyo Gas from data from the Federation of Electric Power Companies Preliminary Report on Electricity Distribution and Receipt and Ministry of Finance trade statistics

■ Moving Steadily Ahead with New Project in Australia

In April 2012, production began on the Pluto LNG Project for an undersea gas field off the northwest coast of Western Australia, in which we hold a 5% interest. Through this project, we have begun purchasing 1.5–1.75 million tons per year through a long-term contract. Once the project goes fully on stream, LNG production capacity is expected to reach 4.3 million tons per year. Tokyo Gas also has an interest in another project in Australia, the Gorgon LNG Project, which is under development and slated to commence production in 2014. In January 2012, we also took an interest in the Ichthys LNG Project, a gas field, in which INPEX Corporation has become the first Japanese company to take part as an operator. → **Action 1**

In addition to large-scale LNG projects such as these, Tokyo Gas is examining the possibility of participating in small and medium-scale

LNG projects, as well as floating LNG and other projects that employ new concepts. In these efforts, we will take a prudent approach toward balancing profitability with supply stability.



First cargo received from the Pluto LNG Project

Action 1 Participation in the Ichthys LNG Project

Tokyo Gas has acquired a 1.575% interest in blocks WA-37-R and WA-285-P of the Ichthys LNG Project, which is under development offshore from Western Australia, as well as a 1.575% stake in Ichthys LNG Pty Ltd., which handles liquefaction.

For this project, the natural gas produced at the Ichthys gas-condensate field will be transported to a location near Darwin, in Australia's Northern Territories, for liquefaction and onward transport. The project is expected to have a maximum liquefying capacity of 8.4 million tons per year. Tokyo Gas has entered into a long-term sales and purchase contract with Ichthys LNG Pty Ltd., which is a subsidiary of INPEX Corporation, one of the project's operators. Under this 15-year agreement, we will purchase 1.05 million tons of LNG per year.

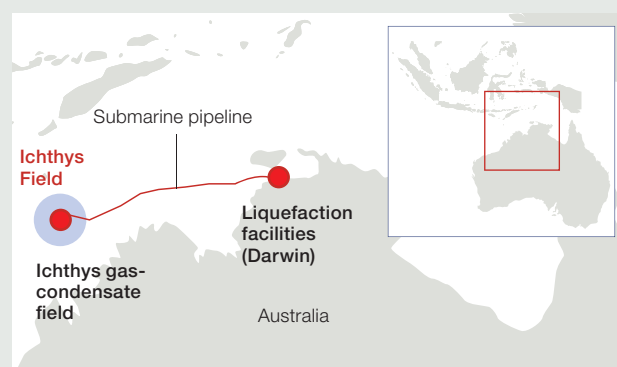


Liquefaction plant scheduled for construction in Darwin (conceptual rendering)

To smooth the launch of this project, Tokyo Gas has formed a consortium with the other co-buyers on this project, which should raise Japan's rate of independent development of oil and natural gas and contribute to a stable supply of LNG.

Overview of the Ichthys LNG Project

Gas-condensate field:	Offshore of Western Australia, Block WA-37-R
Liquefying facilities:	Darwin, Northern Territory, Australia
Liquefying capacity:	8.4 million tons/year (LNG) with two 4.2 million ton liquefaction trains
Planned commencement:	October–December 2016
Participating interest:	76% for INPEX Group companies, 24% for TOTAL Group companies (as of December 2011)



■ Promoting Upstream and Downstream Business Involving Unconventional Natural Gas in North America

As part of its efforts to diversify upstream operations, Tokyo Gas is taking part in unconventional natural gas projects. In Queensland, Australia, we are participating in the Queensland Curtis LNG Project, making ourselves the first Japanese energy company to become in-

involved in a project aimed at acquiring LNG generated through coal bed methane (CBM)*. Based on our purchase agreement for this project, we expect to import 1.2 million tons per year for 20 years, beginning in 2015.

* Natural gas that is absorbed in fissures on the surface of the coal bed.

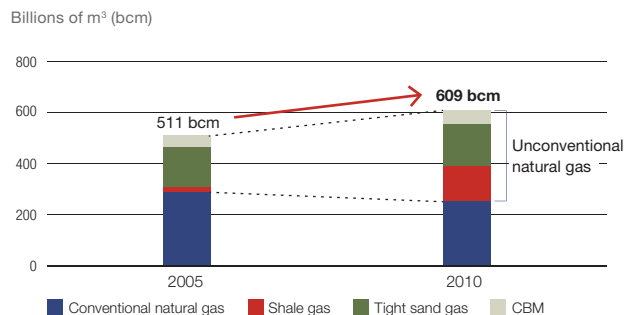
Shale gas* has significantly increased the volume of recoverable natural gas reserves. Our upstream operations in this arena include participation in a shale gas development project in Cordova, in the Canadian province of British Columbia. In April 2012, we also entered an accord to procure LNG from the Cove Point LNG Project, a natural gas liquefaction facility in the U.S. state of Maryland. Through these projects, we are taking part in projects on the east and west coasts of North America, which has some of the world's largest reserves and is a global leader in drilling technologies. → **Action 2**

The recent expansion of drilling for shale gas in the United States have led to easing of the supply and demand situation, and within the country the Henry Hub natural gas pricing index remains sluggish. As a result, the gap between U.S. and international market prices has widened. In some cases, the difference between this index and Japanese import prices was as much as nine times. The United States in principal prohibits the export of natural resources themselves, but export is permitted on a per-project basis. In recent years, exports have been allowed from some project to countries that have not yet

ratified free trade agreements (FTAs) (for example, the Sabine Pass Project). Tokyo Gas has also begun pursuing initiatives designed to import into Japan LNG derived from U.S. natural gas.

* Shale gas is natural gas found in pockets in shale strata. Shale is a source rock composed of hardened mud deposits.

U.S. Production of Natural Gas



Source: Compiled by Tokyo Gas from data in IEA World Energy Outlook 2012

Action 2 Initiatives to Pursue Unconventional Natural Gas on the East and West Coasts of North America

Tokyo Gas and Sumitomo Corporation have jointly begun negotiations with Dominion Cove Point LNG, LP (hereinafter, "Dominion"), which is heading the Cove Point LNG Project, toward the procurement of LNG derived from U.S. natural gas, including shale gas. The Cove Point LNG Project comprises the Cove Point LNG Receiving Terminal in the U.S. state of Maryland, which Dominion owns and operates, and the company is building an LNG liquefaction plant with annual capacity of approximately 5 million tons of LNG, which it aims to export. Going forward, Dominion will apply for approval for LNG export to Japan and other countries that have not yet ratified FTAs and seek plant construction approval. Once a final investment decision has been reached,

Dominion will begin construction on the LNG liquefaction plant, aiming to commence project operation in 2017. The company plans to procure natural gas for liquefaction from the Marcellus Shale Gas Development Project, in which Sumitomo Corporation is a participant. Assuming that final agreement is reached and that export approval for the project is received, Tokyo Gas will procure LNG derived from U.S. natural gas, including shale gas.

Tokyo Gas is taking an upstream interest in a natural gas development project, centered on shale gas, in the Cordova Embayment in British Columbia, Canada. Through this project, we aim to diversify our holdings and gain expertise in shale gas development.

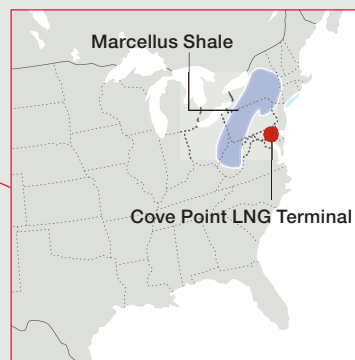
Cordova Natural Gas Development Project

- Exploration zone:** Cordova Embayment, British Columbia, Canada
- Reserves:** Approximately 5–8 trillion cubic feet (approximately 100–160 million tons in LNG equivalent)
- Production:** Approximately 500 million cubic feet per day (approximately 3.5 million tons in LNG equivalent per year) in 2014
- Operation structure:** Penn West Exploration serves as the operator in a joint venture with Cordova Gas Resources

Cove Point LNG Project

- Project implementation:** Dominion Cove Point LNG, LP
- Location:** Maryland, United States
- Liquefaction capacity:** Approximately 5 million tons per year (planned)

- Overview of Key Conditions of the Advance Natural Gas Liquefaction Agreement
- Contracted quantity:** Approximately 2.3 million tons per year (LNG equivalent)
 - Contract period:** 20 years from the start of operations of the LNG liquefaction plant



■ Aiming to Build a Global LNG Value Chain

Tokyo Gas is working to expand its overseas gas-fired thermal power generation and gas supply business. At the same time, we aim to also create an LNG value chain overseas, combining these downstream operations with businesses in which we hold upstream interests and transport activities.

We first embarked on the overseas power generation business in 2004 when we invested in the Bajio power plant (600 MW), an independent power producer (IPP) in Mexico. In 2010, we joined five natural gas combined cycle IPP businesses (totaling 2,230 MW) in the country, as well as in a pipeline business to supply natural gas to these stations. Tokyo Gas also acquired a 26.66% stake in Belgium's T-Power N.V. (425 MW) in 2012. This was our first project in Europe and our third involving the overseas power generation business.

The Tokyo Gas Group believes that it can leverage its strengths by accelerating overseas development of energy services and engineering businesses, with natural gas at its core. In line with the principles in the Strategies to Revitalize Japan (overseas infrastructure

development), we are moving ahead with participation in the LNG and natural gas infrastructure development business centered on emerging markets.

In 1992, Tokyo Gas, the Malaysian national energy company Petronas, and other entities joined in the establishment of Gas Malaysia Sdn. Bhd., the country's first city gas provider. Over time, our cooperative relationship has deepened through the provision of operational expertise, extending to pipeline planning and construction, maintenance management and the sale of city gas, and fuel conversion technologies.

Attesting to the energy services expertise that Tokyo Gas Group companies possess, we are conducting feasibility studies, which include introduction of an electric power and heat supply system at an urban redevelopment zone in Thailand and energy services in India. In Vietnam, we have signed a memorandum of understanding with Petrovietnam Gas involving the construction of an LNG value chain.

→ **Action 3**



Bajio (natural gas power project in Mexico)



Gas Malaysia Bhd. employee operating a pipeline valve

Action 3 Agreement on Building an LNG Value Chain in Vietnam

Tokyo Gas has signed a memorandum of understanding with Petrovietnam Gas, Vietnam's nationally operated energy company, to create an LNG value chain in the country. In line with the country's economic growth, demand is increasing for electricity and energy to power industry. The agreement involves the consideration of plans to import LNG and construct an LNG receiving terminal, targeted for 2015. Highly regarded for its technology and expertise in the design, construction, operation and maintenance of LNG facilities, wholly owned subsidiary Tokyo Gas Engineering Co., Ltd., has received an order to provide front-end engineering and design (FEED) for the country's first LNG receiving terminal. Going forward, the agreement is intended to lead to the creation of such infrastructure as an LNG receiving terminal and a pipeline, enabling LNG procurement, cogeneration and fuel conversion.



President Okamoto (third from left) at signing ceremony with Petrovietnam Gas

Action Plan Building a Production and Supply Infrastructure to Cultivate Demand

Augmenting Supply Capacity in the Northern Kanto Area

The “Challenge 2020 Vision” calls for investment of approximately ¥730 billion between fiscal 2012 and fiscal 2020 in the development of infrastructure to cultivate demand.

In the Kanto region, which extends for a 200-kilometer radius around Tokyo, Tokyo Gas estimates potential industrial and commercial demand for fuel conversion, cogeneration and power generation at 9.0 billion m³. To cultivate this demand, we are extending our transportation pipeline network to augment our supply capabilities and to create pipeline loops that will boost supply stability.

March 2012 marked the completion of the Chiba–Kashima Line, a trunk pipeline having a total length of 79.3 km. Now in operation, this line provides a structure for supplying the Kashima waterfront industrial zone. → **Action 4** By linking this line with the Kashima Waterfront Line, which was completed in May, we have also begun supplying TEPCO’s Kashima Thermal Power Station.

Construction is moving ahead with the Saito Line, which is slated

for completion in fiscal 2015, linking the city of Soka in Saitama prefecture with Koga in Ibaraki prefecture. We are also planning construction of the Koga–Moka Line. Scheduled for completion in fiscal 2017, this line will connect the city of Koga in Ibaraki prefecture with Moka in Tochigi prefecture.



Action 4 Operations Commence at Chiba–Kashima Line, a Trunk Pipeline

Construction on the Chiba–Kashima Line, which began in July 2006, was completed in March 2012. This high-pressure trunk pipeline extends over 79.3 km, linking the city of Chiba in Chiba prefecture with Kamisu in Ibaraki prefecture. In addition to supplying the Kashima waterfront industrial zone in Ibaraki prefecture, which is one of the Kanto region’s most prominent industrial zones, the pipeline should help to cultivate new industrial demand by augmenting a natural gas supply infrastructure that has to date been insufficient. In May 2012, we also completed construction of the

Kashima Waterfront Line to supply a new gas turbine generation facility at TEPCO’s Kashima Thermal Power Station, which went on line in June 2012. By July 2014, this plant will convert to highly efficient combined cycle generation comprising three turbines. Initially planned to provide backup power for emergency situations, the facility has been repositioned to accommodate regular power generation. Tokyo Gas believes that the completion of these two lines will enable the Company to develop demand of around 300 million m³ in fiscal 2012, eventually increasing to 2 billion m³ at maximum.



Overview of the Chiba–Kashima Line

Start/terminus	Goten Branch Station (Chiba, Chiba prefecture) to Kashima Governor Station (Kamisu, Ibaraki prefecture)
Pressure/diameter	7MPa / 600mm
Length	79.3 km
Construction start	July 2006
Construction end	March 2012

Overview of the Kashima Waterfront Line

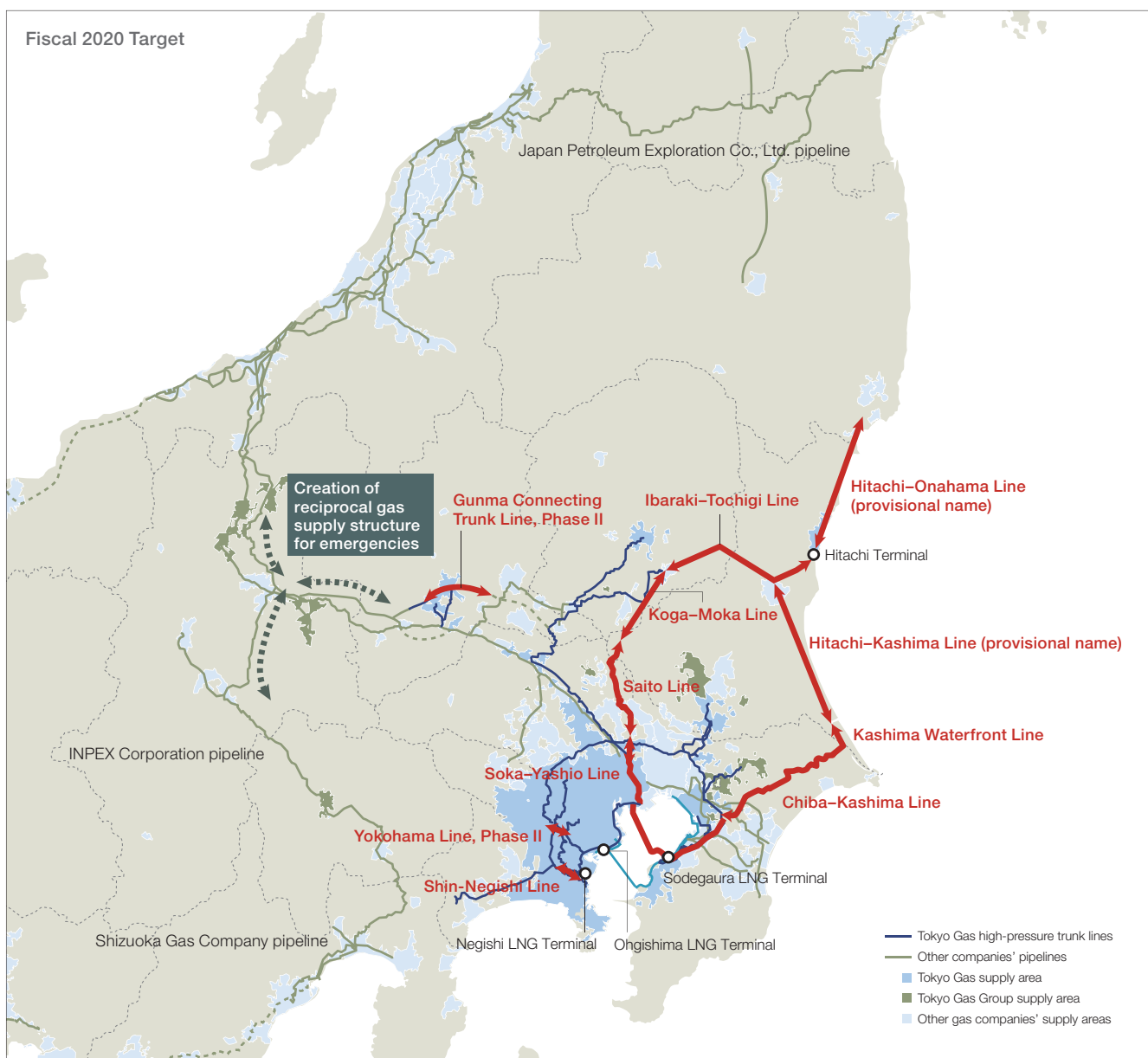
Start/terminus	Towada, Kamisu, Ibaraki prefecture (Tokyo Gas Kashima Governor Station to TEPCO Kashima Thermal Power Station)
Pressure/diameter	7MPa / 600mm
Length	4.4 km
Construction start	August 2011
Construction end	May 2012

■ Hitachi Project to Significantly Augment Supply Capabilities in the Northern Kanto Area

Estimating that its gas sales volume will outstrip current supply capacity by the late 2010s, Tokyo Gas is moving forward with the Hitachi Project. This project calls for the construction of the Hitachi LNG Terminal in the Ibaraki port Hitachi District of Ibaraki prefecture—our 4th LNG receiving terminal, as well as for building a new high-pressure pipeline. This Ibaraki–Tochigi Line will connect the LNG receiving terminal with the city of Moka in Tochigi prefecture. Accelerating initial plans by two years, in the summer of 2012 Tokyo Gas plans to begin construction on the project, which is now scheduled to be completed and commence operations in fiscal 2015.

Completion of the Ibaraki–Tochigi Line will enhance energy security throughout the Kanto region and dramatically increase supply capacity to northern Kanto. Through this initiative, Tokyo Gas is building infrastructure that will enable it to support gas sales volume of 22 billion m³ by fiscal 2020.

We are working with other energy companies on the construction of a reciprocal gas supply structure that will strengthen the natural gas supply network in eastern Japan by linking pipelines in the event of disaster. We have already formed reciprocal arrangements with INPEX Corporation and Shizuoka Gas Company.



Action Plan Providing Diverse Energy Solutions

Promoting the Proliferation and Expansion of Dispersed Energy Systems

Tokyo Gas is working to promote dispersed energy systems that use natural gas, as these systems help to reduce CO₂ emissions, enhance energy security in the event of disasters or power outages, and contribute to electricity peak savings. We aim to install some 300,000 “ENE-FARM” residential fuel cell systems, roughly 31 times the fiscal 2011 level, and increase our stock of commercial and industrial cogeneration systems by approximately 2.6 times.

Different from large-scale power plants, “ENE-FARM” residential fuel cell systems and cogeneration generate power in demand locations, which reduces transmission losses and enables the effective use of waste heat. Compared with conventional systems*¹, “ENE-FARM” reduces primary energy requirements by 35% and cuts CO₂ emissions by 48%. Compared with conventional generation systems*², which have overall energy usage efficiencies of around 40%, gas cogeneration systems achieve much higher levels, at 70–85%.

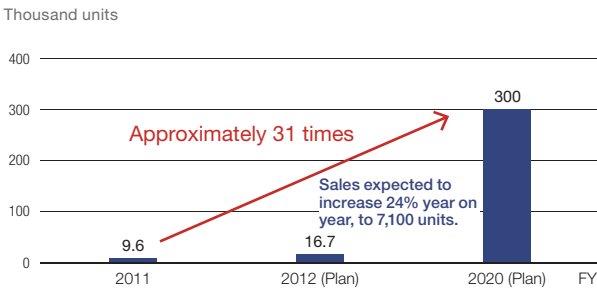
Furthermore, these systems have diverse applications, as they can be used to provide electricity and heat energy.

To promote “ENE-FARM,” Tokyo Gas is endeavoring to lower their prices through mass production and faster technological innovation. At the same time, we are working to make the units more compact so they can be installed on the verandas of multihome dwellings and to extend their useful life.

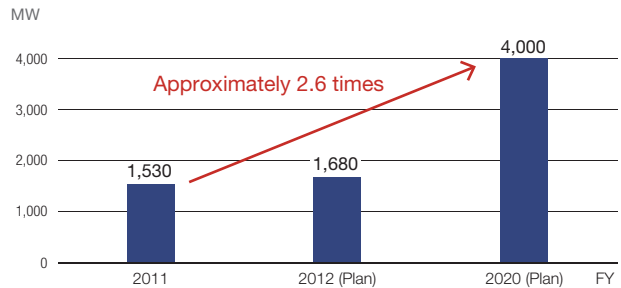
*¹ Thermal power generation + conventional city gas water heaters
*² Thermal power generation



“ENE-FARM” (Residential) Stock Plan



Cogeneration System (Commercial, Industrial) Stock Plan



Promoting Advanced Use of Natural Gas and Fuel Conversion

The commercial and industrial applications of natural gas are extensive; it can be used for heating, heat treatment, drying, food processing, and air conditioning, among other things. In the aftermath of the Great East Japan Earthquake, natural gas has attracted increasing attention from the perspectives of supply stability, energy efficiency, CO₂ reductions and operating costs. Tokyo Gas is cultivating new demand by highlighting the benefits of combining fuel

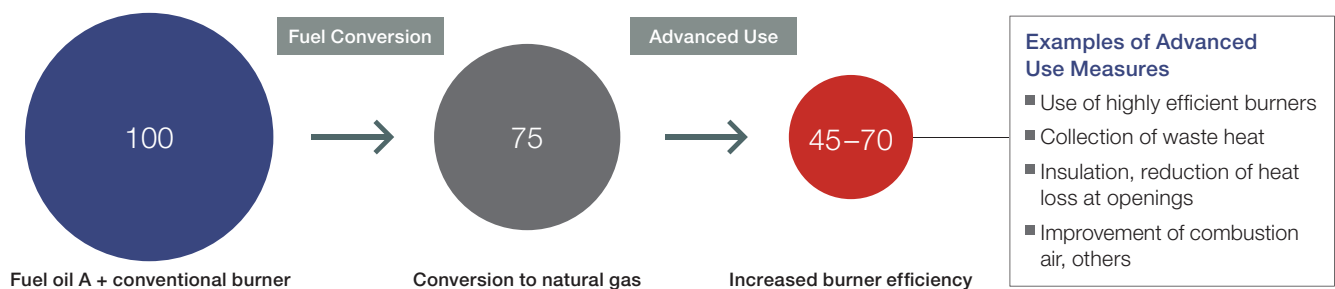
conversion from heavy fuel oil and kerosene to natural gas, and introducing highly efficient appliances and advanced uses of natural gas in cogeneration systems. As a result, we expect gas sales volume, centering on industrial use, to increase 7 billion m³ by fiscal 2020.

→ Action 5



CO₂ Reduction due to Fuel Conversion from Fuel Oil A to Natural Gas

Size of circle indicates amount of CO₂ emitted, with a conventional burner using fuel oil A equivalent to 100



Action 5

Promoting Fuel Conversion at the Kashima Waterfront Industrial Zone



Completion of the Chiba–Kashima Line Enables Supply to Reach Prominent Kanto Industrial Area

The Kashima Waterfront Industrial Zone, which extends over approximately 24 million m² in the region of Ibaraki prefecture fronting the Kashima-Nada Sea, is home to some 160 companies, making it one of the Kanto region's most prominent industrial complexes. In 2007, Tokyo Gas began cultivating LNG demand in the area by transporting fuel there via tank lorries. Following completion of the Chiba–Kashima Line in March 2012, we have begun supplying the region with city gas. This new supply route opens up possibilities for the full-fledged cultivation of new markets, such as fuel conversion to natural gas.

Here, we introduce a success story of fuel conversion by Kashima South Joint Power Corporation.

Kashima South Joint Power Corporation

Streamlined Operations Management and Cleanliness Deciding Factors

Mr. Takahashi, who was involved in the fuel conversion project, offers the following comments: "At first, many aspects of the project were unclear, and it was subjected to careful internal scrutiny. We studied the project's impact and concerns extensively." As a joint independent power producer, the key decision point was whether the project would enable the company to support the competitiveness of its customers by providing a stable supply of energy at a low cost. Streamlining operations management was a particular focus. With the conventional power generation process using heavy fuel oil, it was necessary to carefully manage the temperature of the fuel oil, from the time it was received to the time it was burned in the boiler, in order to prevent coagulation and control evaporation. Large-scale equipment was also needed to process exhaust gas following incineration. Natural gas, which does not require such processes, offered substantial improvements in controllability and operability. The use of gas also eliminated the need for heavy fuel tanks, heaters, gasification equipment and flue gas processing equipment. In addition, as natural gas is not as corrosive as heavy fuel oil, boiler repair frequency was reduced, allowing more than two years of continuous operation. The company also forecast reduced investment in facility upgrades and maintenance costs. Another important factor from the operational and facility management perspective was cleanliness. The company had made a thorough effort to conserve energy, improving its total thermal efficiency* from around 60% in fiscal 1990 to nearly 80% in fiscal 2010. The key to further improvements is to substantially reduce emissions of soot, SO₂, CO₂ and other substances, and lower them to near zero through the introduction of natural gas.

After taking these factors into consideration, the company decided to convert to the use of natural gas as fuel.

* Amount of heat sold/amount of heat provided by fuel

Providing the Support that Japanese Manufacturing Requires

The project to modify boilers for fuel conversion got underway in October 2010, and in January 2012 construction commenced on Boiler No. 3. Progressing according to schedule, construction was completed by March 2012, when the Chiba–Kashima Line was completed, and the boiler commenced operations in April 2012. Introducing the project from a workplace perspective, Mr. Takahashi explains, "As we had anticipated, achieving a dramatic improvement in operability and controllability was simple." In September 2012, construction is scheduled to begin on Boiler No. 2, followed by Boiler No. 1 in February 2013. By the summer of 2013, fuel conversion is expected to be complete on all boilers. By fiscal 2013, the company expects to reach total thermal efficiency of 80% or higher, contributing significantly to environmental performance and energy savings.

The company's President Kanamori explains, "Low-cost energy is essential to maintaining the competitiveness of Japanese manufacturing. We look forward to the results of efforts by Tokyo Gas to provide stable supplies through links with the Hitachi zone, procure unconventional natural gas, and introduce schemes that will not be affected by the price of heavy fuel oil."



Boiler No. 3

(From left) Yukio Handa, Tokyo Gas; Tadashi Maeda, Managing Director, President Tatsuro Kanamori, Deputy General Manager Shuji Takahashi, Kashima South Joint Power; Toru Ishiguro, Tokyo Gas



Kashima South Joint Power Corporation

The company, a joint independent power producer, was established in 1968 through joint investment by seven companies on the eastern side of the Kashima industrial complex. Kashima South Joint Power has a total capacity of 210 MW, comprising three steam turbines and two gas turbines. The company provides 16 companies with steam, electricity and pure water. In recognition of its environmental and energy-conservation measures, in 2009 the company won an award from the Minister of Economy, Trade and Industry for "the conservation of energy through the collection of heat from water produced by companies in the complex, as well as gas cogeneration."

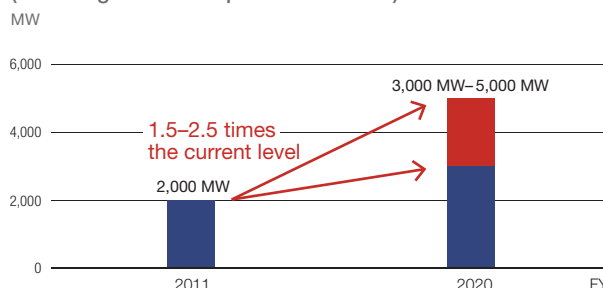


Expanding Power Generation (Natural Gas-Fired Thermal Power Generation)

The Tokyo Gas Group currently generates electricity at four gas-fired thermal power generation plants in Japan. These plants employ gas turbine combined cycle generation, which is highly efficient and offers superior energy savings. As of March 31, 2012, we had total generating capacity of approximately 2,000 MW (of which, the Tokyo Gas Group's ownership share is 1,300 MW). We plan to augment generation capacity, eventually raising this level to 3,000–5,000 MW. Our basic policy on developing this business is to minimize risk by monitoring domestic trends for electricity supply and demand, as well as electric power system reforms, keeping a careful eye to the economic viability of our operations as we strive to make effective use of our LNG procurement capacity and LNG terminals, pipelines and other equipment as one of Japan's leading energy companies.

In April 2012, we began considering construction in Ohgishima Power Station Unit 3. → **Action 6**

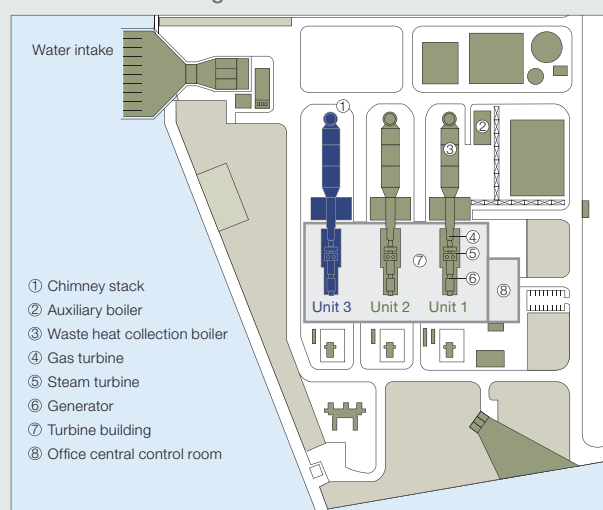
Scale of the Power Generation Business (Including Other Companies' Interests)



Action 6 Beginning to Consider Ohgishima Power Station Unit 3

The Ohgishima Power Station (Yokohama, Kanagawa prefecture) is a cutting-edge power station. The facility employs gas turbine combined cycle generation, which is highly energy efficient, with maximum efficiency reaching 58%. Unit 1 commenced operation in March 2010, followed by Unit 2 in July of the same year. Together, the units have the capacity to generate 814 MW (of which, our ownership share is 610 MW). We have begun considering construction of Unit 3, on which environmental impact assessments have already been completed, believing that this unit will make an early contribution to our ability to provide a stable and efficient supply of electricity. A construction decision is scheduled for autumn of 2012, with the aim of commencing operations in fiscal 2015.

Floor Plan of the Ohgishima Power Station



Source: Ohgishima Power Station Environmental Evaluation Standards Digest

Expanding Energy Services throughout Japan, Centered on Natural Gas

Extending our operations outside our sales base in the Kanto region, we provide the resources that we have procured throughout Japan. We meet the needs of gas companies throughout Japan, supplying them with LNG via tank lorries, large ocean-going vessels and smaller domestic ships. Anticipating an increase in long-term, stable LNG sales volumes, in fiscal 2011 Tokyo Gas formed an accord with other gas companies seeking to secure long-term gas resources, entering into LNG sales agreements with Hokkaido Gas Co., Ltd., and Saibu Gas Co., Ltd. → **Action 7**



LNG satellite terminal



LNG tank lorries

Action 7 Encouraging Natural Gas Use throughout Japan

In August 2011, Tokyo Gas signed an LNG sales agreement with Hokkaido Gas Co., Ltd., deepening a relationship through which Tokyo Gas Engineering Co., Ltd., is already cooperating on the design and construction of the Ishikari LNG Terminal. Under this agreement, Tokyo Gas will supply the Ishikari LNG Terminal of Hokkaido Gas with around 300,000–400,000 tons of LNG per year during the 11 years from fiscal 2012–2022. This is our first long-term LNG supply agreement for providing a domestic gas company with gas from one of our LNG projects via ocean-going tankers. We also signed a 16-year LNG sales agreement with Saibu Gas Co., Ltd., in March 2012, for fiscal 2014–2029 for the supply of around 300,000 tons of LNG per year to its Hibiki LNG Terminal.



Supplying LNG via Domestic and Overseas Vessels

JX Nippon Oil & Energy Corporation	Hachinohe LNG Terminal	Currently supplying
Hokkaido Gas Co., Ltd.	Hakodate Minato LNG Terminal	Currently supplying
	Ishikari LNG Terminal	From 2012
Saibu Gas Co., Ltd.	Hibiki LNG Terminal	From 2014

Looking to the Future of Energy

Tokyo Gas advocates and is making strides toward the creation of “smart energy networks.” Using optimal configurations of renewable energy, fuel cells, storage batteries and energy management systems, these networks efficiently control electricity supply and demand and harness the heat provided through cogeneration systems and untapped waste heat.

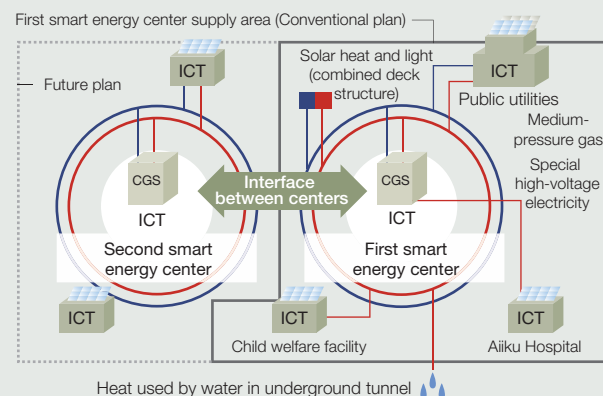
By optimizing energy use on per-community basis, these networks can help save energy and reduce CO₂ emissions. At the same time, they serve as dispersed power sources that are independent from large-scale power grids, making them an effective source of power in the event of disaster. We are currently moving forward with several projects toward verification testing and commercialization.

→ **Action 8**

Action 8 Commencing the Commercialization of Smart Energy Networks

Applying the technological expertise it has accumulated through verification testing, Tokyo Gas is working toward the commercialization of smart energy networks. We are working with Tokyo’s Minato Ward on the construction of a smart energy network north of the east exit of Tamachi Station. Scheduled to begin supplying energy in April 2014, the project will be Japan’s first in an urban redevelopment area. We are also pursuing a project in Tokyo’s Koto Ward based on the Toyosu Green Eco Island Concept, and have begun considering another in an area centered on the area near the west exit of Shinjuku Station.

Smart Energy Network in Progress (North of the East Exit of Tamachi Station)



CGS: Cogeneration system
ICT: Information and communications technology

Capital Expenditures Plan

Capital Expenditures, Investment and Financing Plan for “Challenge 2020 Vision”

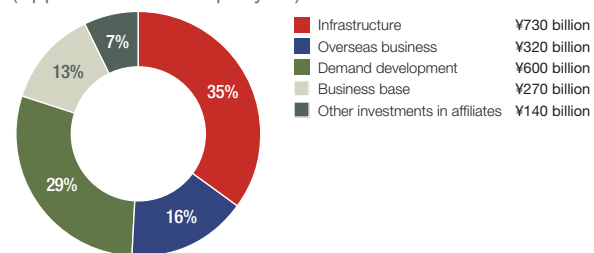
The “Challenge 2020 Vision” calls for aggressive capital expenditures, investments and financing, including through external funding, to achieve new growth by “enhancing the LNG value chain.” Between fiscal 2012 and fiscal 2020, this plan calls for total capital expenditures, investments and financing of ¥2.06 trillion. As an annual average, the vision, compared with the Group medium-term management plan for fiscal 2009–2013 (hereinafter, “FY09–13 Medium-Term Plan”) targets an annual increase in spending of around ¥50 billion, from approximately ¥180 billion to around ¥230 billion.

This proactive funding is aimed at optimizing and enhancing our infrastructure so that we can promote and expand the use of natural gas. Much of this investment will go toward production and supply facilities including the Hitachi LNG Terminal. We will also augment our trunk and service lines and electric power generation to develop demand, and continue investing aggressively in overseas business to procure gas resources. During the investment period, we expect

operating cash flow (consolidated net income + depreciation) to be around ¥250 billion per year, approximately ¥40 billion per year higher than during the FY09–13 Medium-Term Plan.

Use of Capital Expenditures, Investment and Financing

Total for fiscal 2012–2020: Approximately ¥2,060 billion
(Approx. ¥230 billion per year)



(Reference) Capital expenditures, investments and financing in the medium-term management plan for fiscal 2009–2013: Approximately ¥180 billion per year

Five-Year (Fiscal 2012–2016) Capital Expenditures Plan for Tokyo Gas on a Non-Consolidated Basis

Based on the plan described above, the capital expenditures plan for Tokyo Gas on a non-consolidated basis for the five years from fiscal 2012–2016 is as follows.

With regard to production facilities, we will install additional vaporizers in our three terminals located on Tokyo Bay and complete construction of the No. 4 LNG tank in the Ohgishima LNG Terminal. We will also move forward with measures to strengthen the resistance of our facilities to earthquakes and floods, and repair and upgrade aged equipment. Furthermore, we plan to complete the

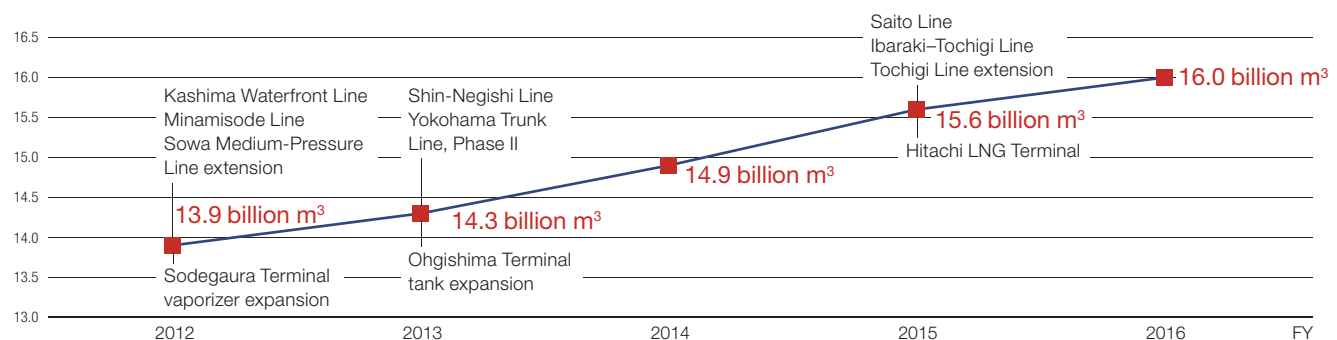
Hitachi LNG Terminal by fiscal 2015.

In supply facilities, we will invest in pipeline installations toward the development of new demand, completing the Ibaraki–Tochigi Line and planning the new Koga–Moka Line. In addition, we will invest in the formation of a trunk pipeline network, including the Shin-Negishi Line (Yokohama).

As a result of these initiatives, we are planning capital expenditures of ¥709.5 billion over the five-year period.

Gas Sales Volume Plan and Facilities Development Plan

Billion m³



Facility Investment Plans (Non-consolidated)

	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Total for fiscal 2012–2016
Production facilities	28.6	27.5	33.9	22.7	7.2	120.0
Supply facilities	86.4	90.2	88.2	85.7	78.0	428.6
Business facilities	23.2	21.1	33.1	44.2	36.8	158.4
Subtotal for gas business facilities (reduction entry of land contribution for construction)	138.2	138.9	155.3	152.5	122.1	706.9
Incidental facilities	0.8	0.5	0.5	0.5	0.4	2.6
Total (reduction entry of land contribution for construction)	139.0	139.3	155.8	153.0	122.5	709.5