Highlights of Key Activities

Enhancement of Energy Security

Stable Supply

With more now expected of natural gas following the 2011 Great East Japan Earthquake and Japan’s energy industry undergoing major changes due to the full liberalization of the gas and electricity retail sectors, Tokyo Gas Group recognizes that providing society with inexpensive, stable supplies of energy stands high on the list of the public’s concerns, and is committed to pursuing a range of measures to meet society’s expectations.

Raw Materials Procurement to Ensure Stable and Affordable Supply

The Group is pursuing stable, low-cost procurement of raw materials through a range of strategies, including diversification of sources and contract conditions, and entering partnerships with buyers in Japan and abroad.

Diversification and Expansion of Overseas Business

We are developing LNG value chains overseas that will contribute to ensuring energy supply continuity in Japan and other countries.

Signed a basic agreement on first energy service plant in the U.S.

In December 2015, TGES America Ltd. (established jointly by Tokyo Gas Engineering Solutions Corp. (TGES) and Tokyo Gas America) signed a basic agreement with the Toray Group regarding the provision of steam and other energy services to a new plant to be built in the state of South Carolina by Toray Industries Inc. This is the first energy service project undertaken by TGES America, and it is also the Tokyo Gas Group’s first energy service project in North America. We will continue to leverage the Group’s technologies and expertise in the total energy business to develop local energy infrastructure and energy solutions for customers who are establishing operations in Southeast Asia and North America.

Signed a basic agreement on LNG sale and purchase from the Cameron LNG Project in the U.S.

In March 2016, we signed a heads of agreement with Diamond Gas International Pte. Ltd. (DGI), a wholly owned subsidiary of Mitsubishi Corporation, for the sale and purchase of LNG from the Cameron LNG Project in the state of Louisiana. This project will see construction of a new natural gas liquefaction plant at the Cameron LNG Terminal to refine and liquify shale gas and other U.S.-produced natural gas, and will export about 12 million tons per year. DGI will handle some 4 million tons of this per year, of which approximately 200,000 tons will be purchased by Tokyo Gas from DGI at a price linked to the Henry Hub price. With this agreement, Tokyo Gas purchases at prices linked to the Henry Hub price will reach a total of some 212 million tons per year from 2020 onwards. The effect will be to further diversify our LNG sources, price indices, and destinations.

Strategic alliances on LNG procurements

Following on from our agreement with Korea Gas Corporation in 2014, in August 2015 we signed a memorandum of understanding on strategic collaboration with Taiwan’s largest oil and gas company, CPC Corporation. This is expected to lead to cooperation in a wide range of fields, including collaboration on LNG-related engineering and technologies and use of energy services, as well as LNG procurement and supply sharing. In April 2016, we reached an agreement with Kansai Electric Power Co., Inc. to collaborate on fuel procurements and technologies relating to the operation and maintenance of power plants. Looking ahead, we will continue to bolster our partnerships with buyers in Japan and abroad to bring down raw material costs and achieve more reasonable prices in the Asian market.

Contracts for LNG value chain expansion in the U.S.

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Technological Expertise and Extensive Experience Clinch the Deal

TGES was contracted from the design stage for Phase II work at Thailand’s Map Ta Phut LNG Receiving Terminal. Four or five companies were considered and compared when the basic design and other work were put out for tender. TGES was chosen not only because of its advanced engineering capabilities, but also because of its own experience in operating terminals.

After we chose TGES, trusted Tokyo Gas’s Nagoishi LNG Terminal and was impressed by its location next to a built-up area. I learned a lot about how good relations are built with local residents regarding safety and environmental matters.

Concern for the environment is of tremendous importance at Map Ta Phut, too. The terminal is distinguished by the shallowness of the surrounding sea, making it necessary to avoid dredging as much as possible due to the serious impact it would have on the environment. TGES was able to bring its advanced engineering skills to bear on this challenge as well, delivering support from the basic planning stage on. We were delighted with TGES’ extensive expertise and the attentiveness and appropriateness of their consulting services and suggestions for improvements.
Infrastructure Development to Accommodate Wider Use of Natural Gas

We will expand our supply capacity to meet latent natural gas demand in and around the northern Kanto region, and further increase supply stability by creating a pipeline loop.

- **Supply infrastructure stability improved by Hitachi LNG Terminal and new trunk lines**
  In March 2016, the Hitachi LNG Terminal in the Hitachi district of Ibaraki Prefecture was put into operation. The terminal will provide gas to customers in northern Kanto and Ibaraki Prefecture, and it is also the main LNG storage center for eastern Japan. In addition, the terminal will also continue to supply gas to existing customers in the central Japanese Kanto region. The capacity of the terminal will be expanded in line with the demand for gas in the northern Kanto region.

- **Infrastructure Development to Accommodate Wider Use of Natural Gas**
  - **Expansion of Competitive Generating Capacity and Electricity Sales**
    We will expand our supply capacity to meet latent natural gas demand in the northern Kanto region, and further increase supply stability by creating a pipeline loop.
    - **In order to further expand stable and competitive power sources**, we will continue to expand generating capacity with the goal of increasing the capacity in which we have a stake to approximately 8,000 MW by 2020.
    - **We will also expand our supply capacity to meet latent natural gas demand in and around the northern Kanto region, and further increase supply stability by creating a pipeline loop.**

- **Stable generation of electricity**
  The Group’s thermal-fired power generation uses natural gas produced at our LNG terminals. These generations are operated, monitored, and undergo daily checks and periodic inspections to ensure continued supply stability.

- **New power retailer Synergy Power Co., Ltd., established**
  In October 2015, Tokyo Gas and Tohoku Electric Power Co., Inc. established Synergy Power Co., Ltd., which commenced retail sale of electricity in northern Japan in April 2016. The company will continue to leverage our expertise in the gas business to meet society’s demands and expectations as an energy company, and to deliver safer, more stable, and more affordable electricity while doing our best to protect the environment.

- **Unit 3 at the Ohgishima Power Station enters commercial operation**
  In February 2016, Ohgishima Power Co., Ltd. commenced commercial operations at Unit 3 of the Ohgishima Power Station. This is the first time we have built and run our own satellite terminal to supply natural gas in the Kanto region. Satellite terminals are gas production plants that supply natural gas to regions that cannot feasibly be reached by extending existing gas pipelines. Gas is delivered to the terminal by LNG tankers to be stored locally before being vaporized and supplied by gas pipelines. LNG for Ohkama is shipped and transported from the Hitachi LNG Terminal, and the natural gas vaporized at Ohkama is fed to the Ohkama medium-pressure line.

- **Expansion of Competitive Generating Capacity and Electricity Sales**
  In order to further expand stable and competitive power sources and increase electricity sales amid the major changes in the energy environment (including reforms to the electric power and gas system), we will further expand generating capacity with the goal of increasing the capacity in which we have a stake to approximately 3,000 MW by 2020.

  - **We believe in the importance of delivering total solutions combining gas and electricity to supply energy in a manner that matches customer needs better than ever before. In order to secure stable access to competitive power sources, we will develop a "power source portfolio" combining base-load power sources with natural gas-fired power generation.**

  - **The Group is expanding its presence in the electric power business by making effective use of the LNG value chains we have developed to date in the gas business, and currently owns power generating capacity of approximately 5,000 MW (on a volume basis).**

  - **We aim to expand this capacity in which we have a stake to around 8,000 MW by 2020. In addition to expanding our own power plants, therefore, we have signed an agreement on electricity supply with Kobe Steel Power Minka Inc. (a wholly owned subsidiary of Kobe Steel, Ltd.) and have committed to receiving 1,200 MW of electric power generation capacity of approximately 400 MW.**

  - **We aim to expand this capacity in which we have a stake to around 8,000 MW by 2020. In addition to expanding our own power plants, therefore, we have signed an agreement on electricity supply with Kobe Steel Power Minka Inc. (a wholly owned subsidiary of Kobe Steel, Ltd.) and have committed to receiving 1,200 MW of electric power generation in the beginning of 2019.**

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Enhancement of Energy Security

The Pursuit of Safety

Earthquake Disaster Prevention Measures
Tokyo Gas prepares for a major earthquake through a combination of three types of measures: preventive measures, emergency measures, and recovery measures.

### Preventive measures
- **Critical facilities** are designed to be more resistant to earthquakes and tsunamis in order to minimize potential damage. Note: Additional seismic evaluations are being performed reflecting issues and events identified following the Great East Japan Earthquake. These evaluations are essential for addressing the risk of potential damage to urban gas distribution facilities as a result of a major earthquake. We continue to develop gas appliances/equipment with even more advanced safety features.

### Emergency measures
- **Gasholders** store smaller amounts of gas to send out according to demand. They are constructed of multiple steel plates joined together to form a robust structure.

### Recovery measures
- **Supply Control Center** comprehensively monitors gas production and supply and previously controls them around the clock, 365 days a year. The Center gathers information through the earthquake disaster prevention system and remotely stops gas supply when necessary.

Safety Measures at Customer Sites
We engage in various services and activities to ensure that gas appliances and equipment are safe and easy for customers to use. These include inspections, emergency dispatch services, and the development of safer appliances and equipment.

### Safety measures for gas appliances/equipment
- **Periodic safety inspections** of gas equipment every three years.
  - To ensure customers’ safe use of gas, specialized service personnel conduct onsite safety inspections to check for gas leaks from pipes and examine the customer’s own gas appliances and air supply and exhaust systems, as required by the Gas Business Act.

### Gas Cooking Stove
- **“Pointing and checking” for workability**

We are working to prevent human error and enhance safety by ensuring that our staff always follow “point and check” procedures when performing periodic safety inspections, starting gas service, maintaining gas appliances, and other tasks.

- **“Gaslight 24” : 24-hour emergency dispatch system**

Some 600 experts are on call at 49 locations throughout our service area to resume gas supplies following a major disaster. We make maximum use of IT systems in order to work more efficiently and reduce the time it takes to resume gas supply to areas where service has been suspended.

### Mutual support structure
Arrangements are in place to enable more than 200 city gas companies across Japan to assist one another via the Japan Gas Association with restoring supplies following a major disaster.
Highlights of Key Activities

Enhancement of Energy Security

To ensure that our customers can use energy safely, securely, and comfortably, we actively provide information and community-based support, and incorporate customer feedback into delivering better services.

Basic Policy

Tokyo Gas believes that the key to remaining in the customer's choice is not what we provide, but whether what we provide delivers high value-added products and services with the goal of enhancing customer satisfaction, we use customer feedback to improve the Group's business.

How We Use Customer Feedback in Management

We believe it is crucial to improve the quality of management by incorporating customer feedback into our products and services. The opinions and requests expressed by customers via calls to our Customer Center, the Internet, and our service quality surveys are shared within the company, all the way up to top management. This feedback is actively utilized in our daily improvement activities and to enhance the quality of our products and services.

In fiscal 2015 we received 20,784 comments and requests. Of these, 9.2% of these were thanks and appreciation, 11.6% were complaints, and 79.2% were system requests. Customer feedback like this is utilized by individual departments in their various improvement activities. Some are reported to customers via our website.

Service quality surveys

To help us meet diversifying customer needs, we monitor satisfaction and work accuracy by conducting "service quality surveys" of key services that bring us into contact with our customers.

Service Quality Surveys Conducted in FY2015 (Satisfaction with Service Personnel)

<table>
<thead>
<tr>
<th>Percentage responding &quot;satisfied&quot; or &quot;somewhat satisfied&quot; (5-step scale)</th>
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</thead>
<tbody>
<tr>
<td>Periodic safety inspections of gas equipment</td>
</tr>
<tr>
<td>Commencement of gas service</td>
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<tr>
<td>Paid-for TES inspections</td>
</tr>
<tr>
<td>Explanation of TES use</td>
</tr>
<tr>
<td>Appliance repair</td>
</tr>
</tbody>
</table>

Giving form to customer feedback

Customer feedback collection

Customer Center

Service quality surveys

Information sharing

Customer feedback system

“End of contract notification” postcard with free onsite service coupon

Improvement activities

| Chair of Customer Satisfaction Promotion Committee (President) |
| CS meetings in each department |
| CS meetings with business partners |

VOICE

Yoshitaka Omura  
Team Leader  
Maintenance Group  
Appliance Servicing Section  
Tokyo Gas LIFEVAL Mirats

Actively Informing the Customer

Proper information provision in accordance with the law and voluntary standards

To ensure that our customers can make properly informed decisions when considering whether to purchase Tokyo Gas Group’s products or services, we comply with the Act against Unjustifiable Premiums and Misleading Representations and work with legal affairs personnel when producing leaflets, catalogs, and pamphlets to ensure that they provide correct information. We also have arrangements in place for training personnel involved with legal affairs and improving their skills.

To ensure safe use of the Group’s products and services, we provide appropriate information and labeling in accordance with Japan Industrial Standards (JIS) and Japan Gas Appliances Inspection voluntary standards.

The Tokyo Gas Group’s locally based service network

Tokyo Gas LIFEVAL network was set up by Tokyo Gas to deliver individualized service and develop close ties with customers in order to better meet their specific needs. It functions as one-stop shop for products and services that will improve quality of life. As of July 1, 2016, the network consisted of 35 corporations in 62 blocks.

Our Tokyo Gas LIFEVAL showrooms handle the arrangements for a range of city gas-related tasks, including periodic safety inspections, meter readings, commencement and termination of gas service, the sale, repair, and installation of gas appliances, and applications for gas and electricity services. They also handle legal affairs service related to gas appliances not normally covered during the maintenance service contract. Note 1: Gas appliances must be connected to the same gas meter as that covered by the customer’s TES maintenance service contract. Note 2: If repairs are required, the customer is still charged an engineering fee and the cost of replacement parts.

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VOICE

Yoshitaka Omura  
Team Leader  
Maintenance Group  
Appliance Servicing Section  
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Reassuring the Customer with Clear Explanations

My job is to repair gas appliances and equipment, and I am constantly on the lookout for ways to shorten the time that customers are without their gas appliances to reduce the inconvenience that causes. When customers contact us, we listen carefully to what they want and the details of their problems, and when we visit them at home, we do our best to perform repairs swiftly and appropriately. Once the repairs have been made, we make a point of explaining what had been the fault or problem in an easy-to-understand way to set their minds at rest. We are also constantly working to improve the quality of our repairs by, for example, sharing feedback from the customer once we get back to the office, feeding it into improving our services, and actively undergoing training and taking part in contests to improve our repair knowledge and skills.

We will continue to work to get the basics right and value our contacts with the customer to meet their needs as well as possible, performing repairs so well that they will be glad to see us again whenever they need help.

Event at a Tokyo Gas LIFEVAL showroom