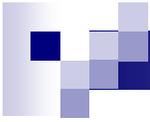
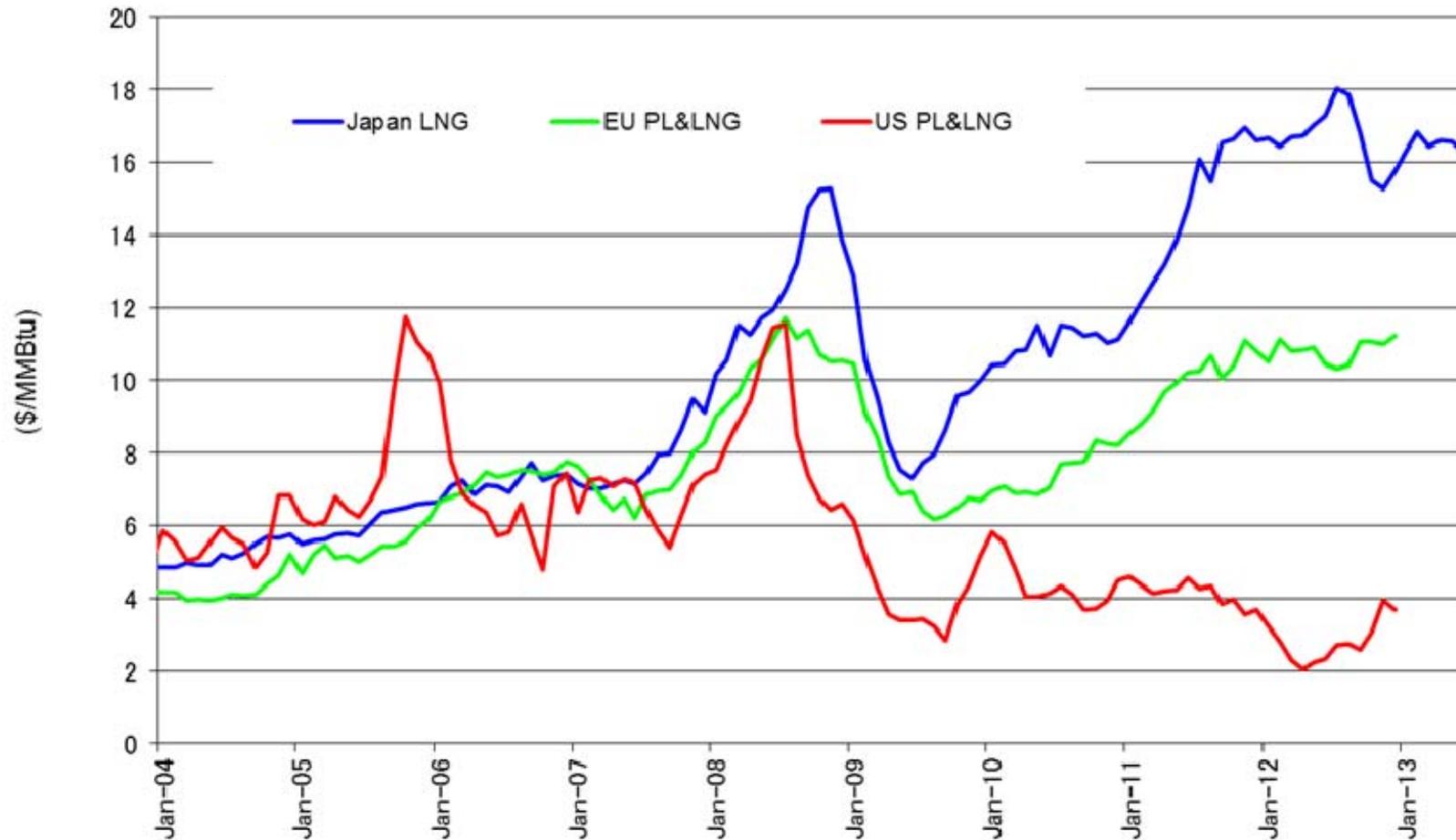


The LNG Price Issue: Tokyo Gas Response and Proposals

Tsuyoshi Okamoto
Representative Director, President
TOKYO GAS Co., Ltd.
Sept. 10, 2013



Natural Gas Import Price Trends in Japan, US, and Europe



Note: EU and US prices are weighted averages of LNG and pipeline natural gas prices calculated by annual import volume.

Source: IEA Natural Gas Information 2013, Trade Statistics of Japan

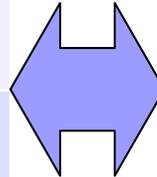
Initiatives for Expanding Natural Gas Demand



Japan Gas Association, Gas Vision 2030

Targets for 2030

- (1) CHP
4,600MW → 30,000MW
- (2) Gas air conditioning
13,000,000 RT → 26,000,000 RT
- (3) Percent of industrial heating demand met by natural gas
10.7% → 25.0%
- (4) Home-use fuel cells (including LPG)
20,000 → 5,000,000
- (5) Natural gas vehicles
40,000 vehicles → 500,000 vehicles



Expanding Natural Gas Demand in Japan

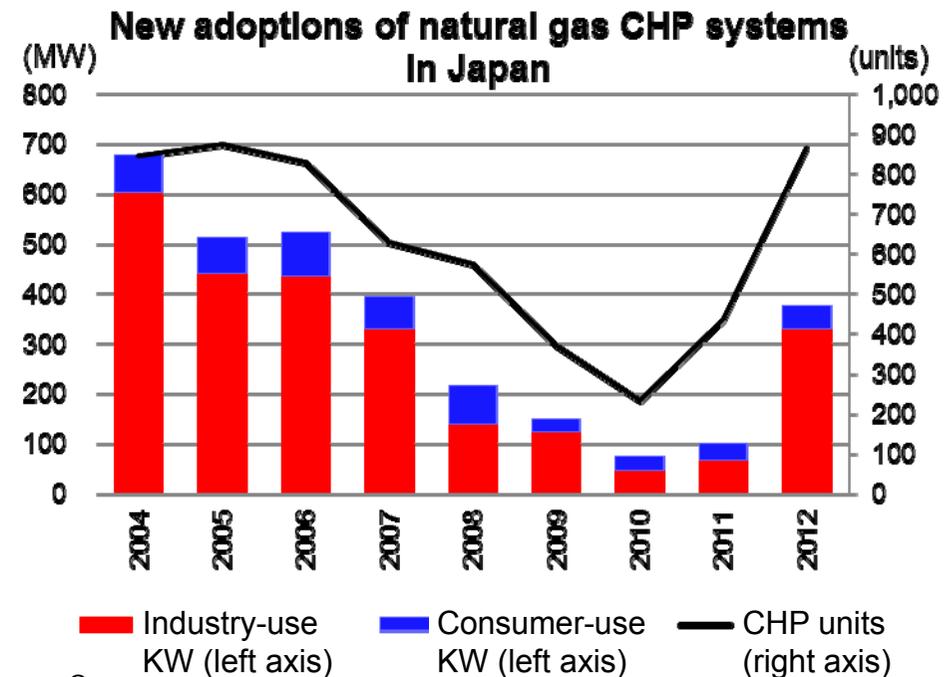
- We are working to expand demand, but the high price of natural gas is an obstacle.
- In Japan as a whole, annual rate of increase in natural gas sales volume is declining.

FY2010 +4.3% YoY
FY2011 +1.8% YoY
FY2012 +1.1% YoY

Tokyo Gas, Challenge 2020 Vision

Targets for 2020

- (1) Natural gas-fired power generation
Approx. 2,000MW→3,000 to 5,000MW



Natural Gas Procurement Initiatives

Three Kinds of Diversification Aimed for by Tokyo Gas

1. Diversification of supply sources

- North America, Africa, Russia, etc. in addition to Asia-Pacific and Mideast
- Pipeline use also being considered

2. Diversification of contract conditions

- Adoption of Hub price linked formula in addition to crude oil price linked formula
- Destination flexibility, etc., for greater market liquidity

3. Globalization and diversification of LNG network

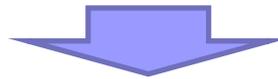
- Considering entry in Atlantic market and inter-market trading, toward three-market integration



HOA executed for procurement of 1.4 million tons/year of LNG from **Cove Point LNG in US** (April 1, 2013)

- Procurement from new regions and players (diversification of supply sources)
- Henry Hub pricing and full destination flexibility (diversification of contract conditions)
- Ease of investment in US upstream and access to Atlantic LNG market (diversification of LNG network)

→Acquisition of 25% share of shale gas development project of Quicksilver Resources Inc. in Barnett Shale assets (Texas) (equivalent to 350,000 tons LNG/year)



Open the door widely to projects throughout the world, and pursue competitive contracts with other new and existing projects as well.

Summary of Our Proposals

Rising expectations for LNG

Satisfying both conditions is essential.

Supply stability

Price competitiveness

- Elimination of S curve, high crude oil price sensitivity
 - High crude oil prices
- Globally, Asian LNG prices are highest.

The following efforts are necessary from a long-term perspective in order for LNG to continually be selected by end users as the fuel, for the sustained growth of the LNG industry.

1. Efforts by Tokyo Gas as buyer

(1) Efforts to promote development of gas demand (including technology development and capital investment)

(2) Competitive LNG procurement through diversification

2. Seller cooperation

(1) Efforts by sellers to achieve Asian LNG price levels that are reasonably fair in comparison with the global LNG market