

Unique Features of Service Areas

Unique Geographical Features

The three prefectures of the Tokai area that Toho Gas supplies (Aichi, Gifu and Mie), which are located in the central portion of the Japanese archipelago, represent 5.5% of the area of Japan and roughly 8.7% of the population. Nagoya, which has a population of over 2 million, is one of the largest cities in Japan.

As a region known for being a key junction of transportation between regions since ancient times, travel to Tokyo takes roughly 90 minutes by the Tokaido Shinkansen (bullet train) while travel to Osaka takes roughly an hour, making it an ideal location for access to the metropolitan cities of Japan.

Concentration of Excellent Manufacturing Industries

A unique feature of the Tokai area is the high concentration of superior manufacturing companies. There are many manufacturing industries in a wide variety of sectors, including machinery, iron and steel, ceramics and transportation equipment, thereby contributing to the quite robust economy of the region as a whole. Most notable among these are, of course, the automotive products manufactured by members of the Aichi-based Toyota Group. Aichi Prefecture held the No. 1 position among Japan's 47 prefectures in terms of shipments of manufactured goods for 29 consecutive years up to 2005. Accompanied by Mie Prefecture (10th position) and Gifu Prefecture (21st position), the three prefectures accounted for 18.2% of Japan's total shipments of manufactured goods in 2005.

Overall, the share of domestic production of products, including globally competitive automotive-related products,

metalworking and machine tools and aircraft-related products, is particularly high in the Tokai area. With large numbers of new plants being located in the area, Aichi Prefecture was ranked number one in Japan in terms of plant surface area in both 2004 and 2005 and ranked 6th in 2006. More and more plants are also being located in both Mie and Gifu prefectures thanks to extensive efforts to attract companies. Coupled with the opening of the Tokai Loop Expressway, Gifu Prefecture is currently ranked 9th while Mie Prefecture is ranked 16th. The electronic components and devices industries are also expected to continue making capital investment, boding well for the future of the area.

The Tokai area also has several of the best trading ports in Japan. Nagoya Port boasts the highest amount of trade and largest quantity of freight handled, while Mikawa Port boasts the highest amount of car imports.

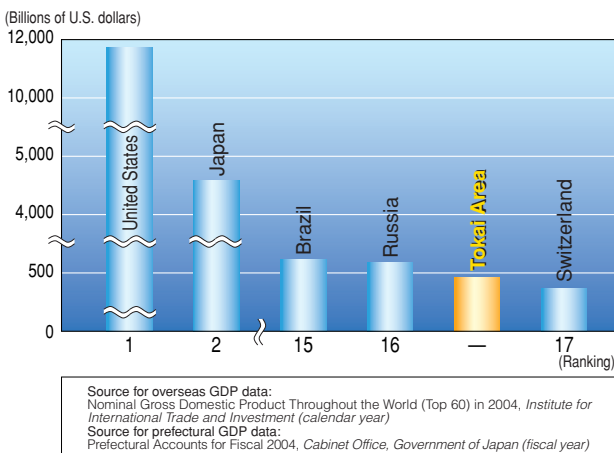
Population Trends

With a brisk economy and relative lower cost of living compared with the larger cities of Tokyo and Osaka, the Tokai area offers excellent living conditions.

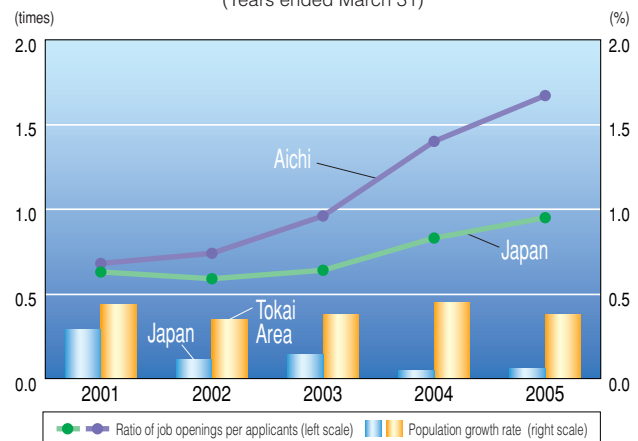
The effective ratio of active job openings per applicants exceeds the national average of 1.06, with Aichi Prefecture at 1.85, Mie Prefecture at 1.42 and Gifu Prefecture at 1.37.

Whereas the population growth rate remained unchanged based on the national average, the population of Aichi Prefecture increased 0.5%, with the combined population of the three prefectures within the Tokai region also increasing 0.3%. In the fiscal year ended March 31, 2007, new housing starts were approximately 124,000, up 9.7% compared to the previous fiscal year.

Comparison of Gross Domestic Product (GDP) in the Tokai Area and Selected Countries



Changes in the Ratio of Active Job Openings per Applicants, and in the Population Growth Rate (Years ended March 31)



Infrastructure Development

The two major projects consecutively undertaken in the region in 2005, namely, the Aichi World Expo and the opening of Central Japan International Airport (CENTRAIR) in February of the same year, both proved immensely successful.

CENTRAIR plays a major role in promoting exchange and distribution between domestic and overseas localities by unifying international and domestic flights and offering 24-hour service. With the region retaining its industrial competitive edge even after the end of the Aichi World Expo, connections to the rest of the world via CENTRAIR have continued to grow steadily stronger, as evidenced by the fact that the volume of international cargo handled has doubled compared with the previous Nagoya Airport.

CENTRAIR and the Aichi World Expo were also integral to the expansion of such transportation networks as highways and railroads. Modes of access include the Tokai Ring Expressway, which encircles mostly Nagoya, the Isewangan Expressway, the CENTRAIR Line, which offers convenient access to CENTRAIR, and the Meitetsu Railway Airport Line. These services are expected to promote an enhanced network and form a crucial foundation for concentrating even more industries within the Tokai area.

Prospects

Corporate activity in the region continues to consist largely of an advanced level of production spanning a wide range of manufacturing industries. The year 2006 saw the opening of "Midland Square", which is adjacent to Nagoya Station and now home to part of Toyota Motor Corporation's headquarter functions. Other developments in the neighboring area include the construction of "Mode Gakuen Spiral Towers", a high-rise building scheduled for completion in 2008. Urban redevelopment is proceeding, including the area around Nagoya Station, which is the center of the regional economy.

Each local government, administrative and economic agency is trying to leverage the development of

CENTRAIR and Aichi World Expo in order to further energize the expansion of industry in the region. The Chubu Bureau of Economy, Trade and Industry, local governments, economic agencies and research institutes are all pursuing their own projects, including the "Greater Nagoya Initiative" for promoting international industrial exchange, the "Sweet Valley Concept" in Gifu Prefecture for concentrating the IT industry, and the "Medical Valley Project" in Mie Prefecture for concentrating the medical, health, welfare and biotechnology industries.

As a local Tokai business, Toho Gas will coordinate and cooperate with these activities to contribute to the economic development of the region.

*Greater Nagoya Initiative: An initiative that leverages the airport completion and world expo to raise global awareness of the industrial economy centered around Nagoya, expand international opportunities through such activities as alliances between companies as well as attract the world's greatest companies, technologies, people and intellectual capital in order to revitalize international industrial exchange.

*Sweet Valley Concept: A concept geared toward turning the region around Kiso Sansen Rivers basin into one of the world's preeminent cutting-edge technology parks.

*Medical Valley Project: A project whose goal is to create an organic network (industrial cluster) of colleges, research institutes, companies and service providers toward promoting a shift to a competitive industrial structure, thereby resulting in a succession of new businesses and venture companies that further cluster industries together.



Development in progress around Nagoya Station