

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 30 consecutive years up to 2006. Accompanied by Mie Prefecture (9th position) and Gifu Prefecture (21st position), the three prefectures accounted for 19.2% of Japan's total

shipments of manufactured goods in 2006.

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 new plant surface area in 2004, 2005 and 2007. 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 15th while Mie Prefecture is ranked 21th.

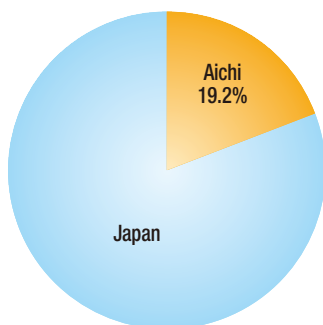
The Tokai area also has several of the best trading ports in Japan. Nagoya Port boasts the highest amount of trade and largest quantity of freight handled, while Mikawa Port boasts the highest amount of car imports.

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.

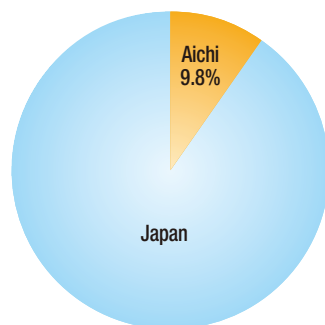
The ratio of active job openings per applicants in the Tokai area is high, standing at 1.95 in Aichi Prefecture, 1.40 in Mie Prefecture, and 1.35 in Gifu Prefecture, far exceeding the national average (1.04). The population growth rates in the Tokai area are 0.8% in Aichi, 0.1% in Mie, and -0.1% in Gifu, compared to the national average of 0.0%. While housing starts in fiscal 2007 in Japan decreased significantly by 19.4% from the previous year

Percentage of Shipment of Goods in Japan Manufactured by the Three Tokai Prefectures



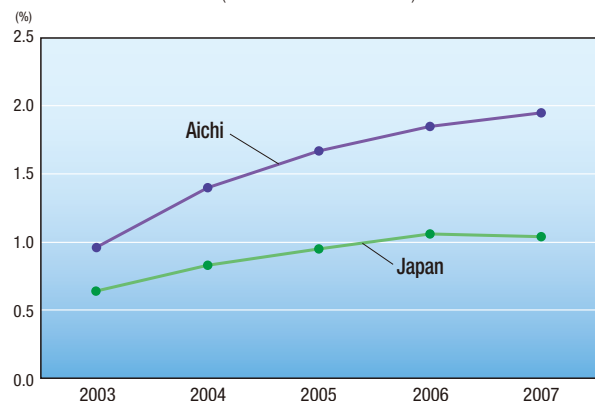
Source: Industrial Statistics for 2006, Ministry of Economy, Trade and Industry, Government of Japan

Percentage of Japanese GDP Accounted For by the Three Tokai Prefectures in Japan



Source: Prefectural Accounts for Fiscal 2005, Cabinet Office, Government of Japan (Fiscal year)

Changes in the Ratio of Active Job Openings per Applicants (Years ended March 31)



due to the impact of the revision of the Building Standard Law, the ratios of decrease were relatively low in the Tokai area, being 14.8% in Aichi, 14.4% in Mie and 3.9% in Gifu.

Infrastructure Development

In 2005, the Central Japan International Airport, CENTRAIR, was opened. The airport operates 24-hours and the floors for international flights and domestic flights are seamlessly connected to maximize passenger convenience. The airport plays a vital role in enhancing personal exchange and trade with other areas in Japan and abroad.

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. Moreover, access to major cities in the Kansai and Hokuriku areas has also been significantly enhanced by the opening of the Shin-Meishin Highway and the Tokai-Hokuriku Expressway.

Prospects

Companies in the Tokai area have continued high operating ratios, mainly in the automobile-related industry but also in a wide range of other manufacturing industries. The redevelopment of downtowns in Nagoya City has been promoted, mainly in the areas surrounding Nagoya Station, which serves as the center of commercial activities in the Tokai area. In 2006, "Midland Square" was opened in front of Nagoya Station. Some head office departments of Toyota Motor Corporation have moved to this building. In 2008, "Mode Gakuen Spiral Towers" were completed near "Midland Square". Many other projects to construct high-rise buildings have been planned, including the "Nagoya Prime Central Project" and the "Nayabashi Renaissance Towers project".

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