

Business Plan for Year Ending March 31, 2013

1. Introduction

The economy in the Company's service area has been recovering steadily from the tremendous impact of the Great East Japan Earthquake. As to the future, however, uncertainties remain, including the influence of the debt crisis in Europe, concerns about transferring production to overseas sites, and the rise in the energy costs. Although the government's plans regarding energy policy review are also uncertain at this time, we believe that needs for natural gas will increase, given its supply stability and environmental friendliness.

Under these circumstances, Toho Gas will steadily implement measures to secure gas supply stability, safety and security, as essential aspects of our gas business. At the same time, we will encourage natural gas use and more efficient and advanced natural gas use, so as to help realize a society in harmony with its environment.

We developed our business plan for fiscal 2012 on the basis of these policies. However, since business conditions are expected to change during the year, it is important that we respond quickly to changes and take proper actions for coping with them.

2. Gas Sales Plan

(1) Number of Customers

It is projected that customer numbers will increase by 17 thousand (0.8%) to 2,315 thousand customers in fiscal 2012 compared with the previous year, by efforts to increase the city gas market share as well as addition of new service areas, though there will be the downturn in the number of housing starts.

(2) Gas Sales Volume

It is projected that total sales volume will increase by 41 million m³ (1.0%) to 3,922 million m³ in fiscal 2012 compared with the previous year, due to increase of number of customers and our efforts to create new demand in the industrial/commercial use. In addition, Figures after having standardized temperature influence of fiscal 2011 will increase by 2.0%.

This projection includes: 726 million m³ (down by 2.6%) in the residential market, 2,902 million m³ (up by 2.4%) in the industrial/commercial market, and 294 million m³ (down by 2.6%) in the wholesale market, supply to other gas utilities.

Compared to figures in our medium-term management plan (fiscal 2009 to fiscal 2013), the gas sales volume has increased in line with the plan, although the increase of customer numbers has been slower.

<Table 1. Number of Customers and Gas Sales Volume>

	Unit					(Medium-term management plan)	
		FY 2011 (Estimated results)	FY 2012 (Projection)	Change from the previous year	Rate of change	FY 2013 (Projection)	FY2009 to FY2013 Average growth rate
Number of Customers	thousand	2,298	2,315	17	0.8%	2,380	1.1%
Residential	million m ³	[723] 745	726	-19	[0.3%] - 2.6%	761	1.2%
Industrial/Commercial	million m ³	[2,818] 2,834	2,902	68	[3.0%] 2.4%	2,924	1.9%
Wholesale	million m ³	302	294	-8	-2.6%	315	3.1%
Total Gas Sales Volume	million m ³	[3,843] 3,881	3,922	41	[2.0%] 1.0%	4,000	1.8%

(Note) [] ; figures after having standardized temperature influence

(3) Sales Plan for Each Market

In the residential market, we will strengthen sales of "ENE FARM," a fuel cell for residential use. We will also propose to customers a double power generation system that combines solar and gas power generation systems. To strengthen our ability to propose advanced city gas use systems, we will expand the sales support organization in April 2012. We will also place more emphasis on promoting the Si Sensor gas kitchen stoves, "ECO Jozu," the energy-saving water heater and home floor heating system. Moreover, to broaden consumer understanding of the advanced features of gas equipment and the benefits of gas use, we will provide many experience-type events in our show room "LIVENAS," and many other places.

In the industrial/commercial markets, needs for natural gas have been increasing. We will strive to cultivate new

demand, mainly by promoting the conversion for heating demand (industrial furnaces and boiler). At the same time, we will actively promote gas demand in the frontier of our service area through gas pipeline extensions, etc. In addition to “XAIR,” a super-efficiency gas engine heat pump, gas co-generation systems, and commercial-use kitchen systems (“Suzuchu”), we will begin sales of “EXCEL PLUS,” a gas heat pump unit that continues to operate in the event of power failure, so as to help reduce peak demand, energy saving and security improvement. Moreover, we will broadly implement a “Comprehensive Utility Service Business”, a one-stop service covering a broad range of energy-related businesses, including construction of gas facilities and related equipment, as well as their operation and maintenance, in addition to the energy supply business.

(4) LPG Business

It is projected that customer number will increase by 0.5% to 327 thousand and that sales volume will increase by 1.5% to 410 thousand tons, compared with the previous year.

We will strengthen our sales force, strive to create new demand and enhance safety by strengthening cooperation between the city gas and LPG businesses.

3. LNG Use Plan

A total of 3,011 thousand tons of LNG is planned for use in fiscal 2012.

We have secured LNG procurement for several years, mainly through long-term supply contracts. We will start purchasing LNG from the Ichthys project from 2017. We will continue to ensure the steady procurement of LNG by adding supply sources and diversifying types of contract.

<Table 2. LNG Use Plan >

	Unit	FY 2011 (Estimated results)	FY 2012 (Projection)	Change from previous year	Change %
Number of Customers	thousand tons	3,010	3,011	1	0.0%

(Medium-term management plan)

FY 2013 (Projection)	FY 2009 to FY 2013 Average growth rate
3,186	2.0%

4. Facility Investment Plan

We plan to invest a total of 30.8 billion yen. We will promote building of facilities to ensure stable supply and security measures and to satisfy increased demand.

Major investments include: construction of production facilities including Chita Midorihama Works No. 3 LNG Tank (5.7 billion yen), construction of supply facilities, including improvement of trunk lines such as Cross Ise Bay gas pipeline and replacement of aging gas pipes (21.7 billion yen) and other service facilities (3.4 billion yen).

The construction of Chita Midorihama Works No. 3 LNG Tank (underground type, 220,000 kl), to commence in fiscal 2012, is scheduled for completion in 2016. The Cross Ise Bay gas pipeline construction has progressed as scheduled; operation will commence in 2013. As for disaster control, we will implement additional measures against tsunami and liquefaction (approx. 7.5 billion yen over five years), in addition to currently implemented measures (approx. 30 billion yen over five years), totaling 37.5 billion yen (6.1 billion yen in fiscal 2012).

Although there are some additional factors, such as disaster prevention measures, we will keep facility investment at the level of the medium-term management plan, by reviewing the construction period and cost reduction efforts. We will continue to invest efficiently in the future.

<Table 3. Facility Investment Plan>

(Unit: billions of yen)

	Facility	FY 2011 (Estimated results)	FY 2012 (Projection)
Production Facilities	Production facilities	0.6	5.7
Supply Facilities	Main lines	Trunks	3.4
		General pipelines	17.8
	Total	21.2	
	Service lines/meters	1.2	
	Other facilities	1.9	
	Supply facilities total	24.3	21.7
Other		3.6	3.4
Total		28.5	30.8

(Medium-term management plan)

Five years total (FY 2009 to FY 2013)
33.0
108.0
17.0
158.0

5. Safety and Services

We will steadily implement measures to secure gas supply stability, safety and security, as essential aspects of our gas business.

In the security and safety area, we will encourage residential customers to change to safety-type gas equipment, and implement ventilation measures for commercial kitchens. Aged production/supply facilities will be also replaced in accordance with a predetermined schedule.

In the disaster control area, we will improve the seismic resistance of gas piping, while promoting division of the gas pipeline network into smaller blocks. On the basis of experience and knowledge gained from the Great East Japan Earthquake, we will complete most of the additional disaster control measures, including measures against tsunami and liquefaction, long-term measures against power outage and strengthening of materials storage, by fiscal 2014. In addition, we will review the business continuity plan (BCP), establish disaster recovery systems in collaboration with group companies and associated companies, strengthen disaster drills and effect other organizational improvements.

In the area of customer service, in January 2013 we will initiate the new Customer Information System (new CIS), to respond quickly to customers' needs. We will also expand the holiday equipment repair service in order to further improve customer satisfaction.

6. Research & Development

To promote highly efficient, intensive use of natural gas, in the residential field we will accelerate product development to satisfy the smart energy society, by developing HEMS (*) for gas equipment and conducting demonstrative energy-sharing experiments in apartment buildings. We will also evaluate the solid oxide fuel cells (SOFCs) before we begin their marketing. In the industrial/commercial area, we will promote the development of industrial/commercial SOFCs and the improved efficiency of GHPs, industrial furnace burners and boilers.

To expand the fuel-cell vehicles (FCVs), we will construct a new demonstration plant in Toyota City where technologies for realizing high-capacity and quick charge will be developed.

(*) Stands for Home Energy Management System. A system for visualizing the energy status of home equipment and automatically controlling such equipment to save electricity and other energy.

7. Efforts toward environmental conservation in local society

We will strengthen our cooperation with local communities and expand our group-wide environmental activities.

In the area of energy/environmental education for the next generation, we will provide experience-type education events, lectures to local elementary and junior high schools, and eco-cooking activities proposing eco-conscious dietary lifestyles.

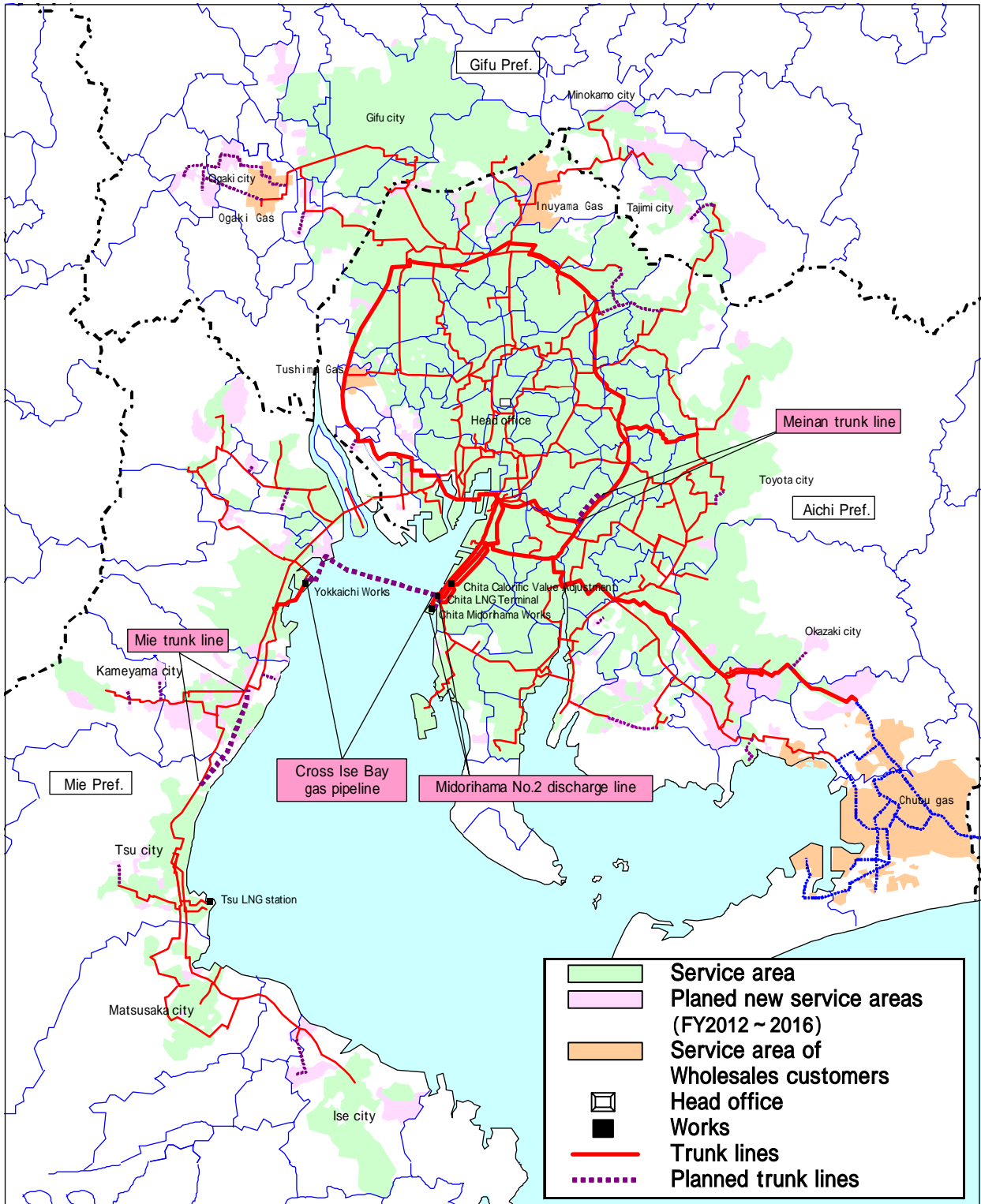
As for collaborative activities with communities, we designated June "ECO Action Month." We will host the "Toho Gas Environmental Photo Exhibition", co-sponsor the "Hana Ippai (Flowerful) Project of the Higashiyama Botanical Garden and conduct corporate-wide community clean-up campaigns.

Fiscal 2012 is the 90th anniversary of Toho Gas.

We are sincerely grateful for the long patronage of customers and communities.

We will grow sustainably with local society, and contributing to actualizing a society in harmony with its environment and grow as a corporate group that is supported by stakeholders.

Figure of Trunk lines plan



【Trunk lines plan】

Route name	Extended length	Construction period
Meinan trunk line	5.3km	FY2010 ~ 2014
Cross Ise Bay gas pipeline	19.5km	FY2008 ~ 2013
Midorihamma No.2 discharge line	0.8km	FY2013 ~ 2014
Mie trunk line (from Suzuka to tsu)	15.0km	FY2013 ~ 2015