

Business Plan for Year Ending March 31, 2014

1. Introduction

The economy of our service area is on a recovery track thanks to positive effects being generated through the government's economic policies. However, uncertain factors remain, including unclear outlooks over the foreign exchange market and the energy market. Therefore, it is expected to be a long time until the regional economy achieves full-fledged recovery.

Discussion aimed at reviewing Japan's basic energy policy resumed under the new government. We are convinced that expectations for natural gas as energy sources are projected to grow even stronger if the energy policy is reviewed, as natural gas is stable and environmentally-friendly energy sources.

Toward the 100th anniversary of its founding, our company formulated 'Toho Gas Group Vision'. We are determined to make maximum efforts for the diffusion of natural gas and its optimal use while ensuring safety and stability in providing service. By doing so, we will try to contribute to the development of the region.

Our fiscal 2013 business plan has been devised based on the current business climate. Implementing measures envisaged under the business plan, we will respond to possible changes in the business climate expeditiously and appropriately.

2. Gas Sales Plan

(1) Number of Customers

At a time when housing starts are expected to post moderate recovery, we will expand service areas and the share of city gas sales against our overall sales. The number of customers is projected to increase by 18 thousand (0.8%) from the previous year to 2,338 thousand in fiscal 2013.

(2) Gas Sales Volume

The gas sales volume is projected to edge up by 11 million m³ (0.3%) from the previous year to 3,901 million m³ in fiscal 2013 thanks to our efforts to create new demand for industrial/commercial use, which are expected to more than offset negative effects stemming from an expected decline in factory utilization rates. In addition, figures after having standardized temperature influence of fiscal 2012 will increase by 1.2%.

This projection includes: 741 million m³ (down by 1.8%) in the residential market, 2,880 million m³ (up by 1.3%) in the industrial/commercial use, and 280 million m³ (down by 3.9%) in the wholesale market, supply to other gas utilities.

The number of customers is expected to fall slightly short of the figure set under our medium-term management plan (fiscal 2009 to fiscal 2013) due to reduced housing starts expected during the five-year period. The gas sales volume is also projected to fall slightly below the figure set under the plan, affected by slowing recovery in demand from existing customers.

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

	Unit	FY 2012 (Estimated results)	FY 2013 (Projection)	Change from the previous year	Rate of Change
Number of Customers	thousand	2,320	2,338	18	0.8%
Residential	million m ³	[734] 754	741	-13	[1.0%] -1.8%
Industrial/Commercial	million m ³	[2,831] 2,845	2,880	35	[1.7%] 1.3%
Wholesale	million m ³	291	280	-11	-3.9%
Total Gas Sales Volume	million m ³	[3,856] 3,890	3,901	11	[1.2%] 0.3%

(Medium-term management plan)

FY 2013 (Projection)	FY2009 to FY2013 Average growth rate
2,380	1.1%
761	1.2%
2,924	1.9%
315	3.1%
4,000	1.8%

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

(3) Sales Plan for Each Market

In the residential use, we are expanding marketing networks. Specifically, we will strengthen sales of "a cogeneration system for residential use" while promoting the diffusion of a double power generation system that combines solar and gas power generation systems. Regarding "ENE FARM," a fuel cell system for residential use, we will expand our product lineup to include a solid oxide fuel cell (SOFC), which will enable customers to choose service according to their life style. We will also strive to cut cost in "ENE FARM." In addition, we will begin checking each household's energy-saving efforts and propose a city gas use system that reflects each customer's situation. We will respond to requests being filed at each household for a gas system renovation. We will also focus on promoting the Si Sensor gas kitchen stoves, "ECO Jozu," an energy-saving water heater, and a home floor heating system.

In the industrial/commercial use, we will step up our efforts to stimulate new demand, mainly heating demand for industrial furnaces and boilers, in the neighborhood of our service areas. By taking advantage of our strength in the engineering field, we will provide 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. By promoting distributed energy supply systems and high-efficiency gas heat pumps (GHP) through the use of a gas cogeneration system, we will respond to various customer needs including energy saving, reductions of CO₂ emissions, curbing of peak demand and enhancement of service security.

(4) LPG Business

It is projected that customer number will increase by 1.5% to 341 thousand and that sales volume will increase by 2.4% to 433 thousand tons, compared with the previous year.

The number of customers and the gas sales volume are expected to fall slightly short of the figure set under our medium-term management plan.

<Table 2. Number of Customers and Gas Sales Volume in LPG business >

	Unit	FY 2012 (Estimated results)	FY 2013 (Projection)	Change from previous year	Change %
Number of Customers	Thousand	335	341	6	1.5%
Gas Sales Volume	thousand tons	423	433	10	2.4%

(Medium-term management plan)

FY 2013 (Projection)	FY2009 to FY2013 Average growth rate
359	3.2%
440	1.5%

3. LNG Use Plan

A total of 2,998 thousand tons of LNG is planned for use in fiscal 2013.

We have secured LNG procurement for several years, mainly through long-term supply contracts. In the future, we will secure stable LNG supply at a competitive price by diversifying supply sources, type of contracts and price-index.

4. Facility Investment Plan

We plan to invest a total of 32.9 billion yen. We will promote building of facilities to ensure stable supply, security and disaster prevention measures, and to satisfy increased demand.

Major investments include: construction of production facilities including Chita-Midorihamma Works No. 3 LNG Tank (8.4 billion yen), construction of supply facilities, including improvement of trunk lines such as Cross Ise Bay gas pipeline and replacement of aging gas pipes (21.0 billion yen) and other service facilities (3.5 billion yen).

Cross Ise Bay gas pipeline will begin operating in October this year. This will help increase efficiency and security of operations covering areas between LNG bases in Chita, Aichi Prefecture, and Yokkaichi, Mie Prefecture, and strengthen capacity of LNG supply bound for Mie Prefecture. We will commence building Chita-Midorihamma Works No. 3 LNG Tank in Chita City (underground type with capacity of 220,000 kl) for completion in fiscal 2016.

Our efforts under the mid-term management plan are going as smoothly as initially envisaged. We will make further efforts to increase the efficiency of our business operations.

<Table 3. Facility Investment Plan>

(Unit: billions of yen)

(Medium-term management plan)

	Facility	FY 2012 (Estimated results)	FY 2013 (Projection)
Production Facilities	Production facilities	4.6	8.4
Supply Facilities	Main lines	Trunks	2.5
		General pipelines	16.3
	Total	18.8	
	Service lines/meters	1.4	
	Other facilities	1.0	
	Supply facilities total	21.2	21.0
Other		2.6	3.5
Total		28.4	32.9

Five years total (FY2009 to FY2013)
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 make continued efforts to encourage households to change to safety-type gas equipment while guiding industrial users to adopt ventilation systems at commercial kitchens and work out measures to replace outmoded production and supply facilities within a fixed time frame.

In the area of disaster prevention, we will implement measures against tsunami, soil liquefaction and long-running power outage, as planned initially. These measures were newly worked out based on the lesson learned from the devastating quake-tsunami disaster that hit eastern Japan in March 2011. In addition, we will continue with our plan to divide gas pipeline networks into smaller blocks, planning to establish 72 blocks by the end of this fiscal year.

In the area of customer service, we will promote a new customer information service called “CusTo-net,” which will be launched in this fiscal year, as a means of responding expeditiously to customer needs. We will also try to improve service quality in security inspection and facility repair work in order to further enhance customer satisfaction.

6. Research & Development

In the residential use, we will continue to conduct demonstrative tests on Smart Energy House and a joint gas supply system at rented apartment houses that combines three types of batteries (*¹), both of which began last year. We will also promote development of a gas equipment system called HEMS (*²).

In the industrial/commercial use, we will strive to make cogeneration systems more efficient, reduce their operational costs, increase efficiency of gas heat pumps (GHP) and burners and boilers in industrial furnaces, and promote development of solid oxide fuel cells (SOFC) used for industrial/commercial purposes.

In order to build a smart community such as Komei Redevelopment Project, we will begin development of optimal energy-network controlling technologies. With the aim of diffusing fuel-cell vehicles, we will conduct a demonstrative test on quick-charging technologies at a hydrogen station which will be installed in Toyota City for operation starting in May this year.

(*¹) fuel cell, solar cell, storage cell

(*²) HEMS stands for Home Energy Management System. It is a system aimed at promoting power and other energy saving by displaying operational status of energy equipment and devices installed at residential use and automatically controlling their operations.

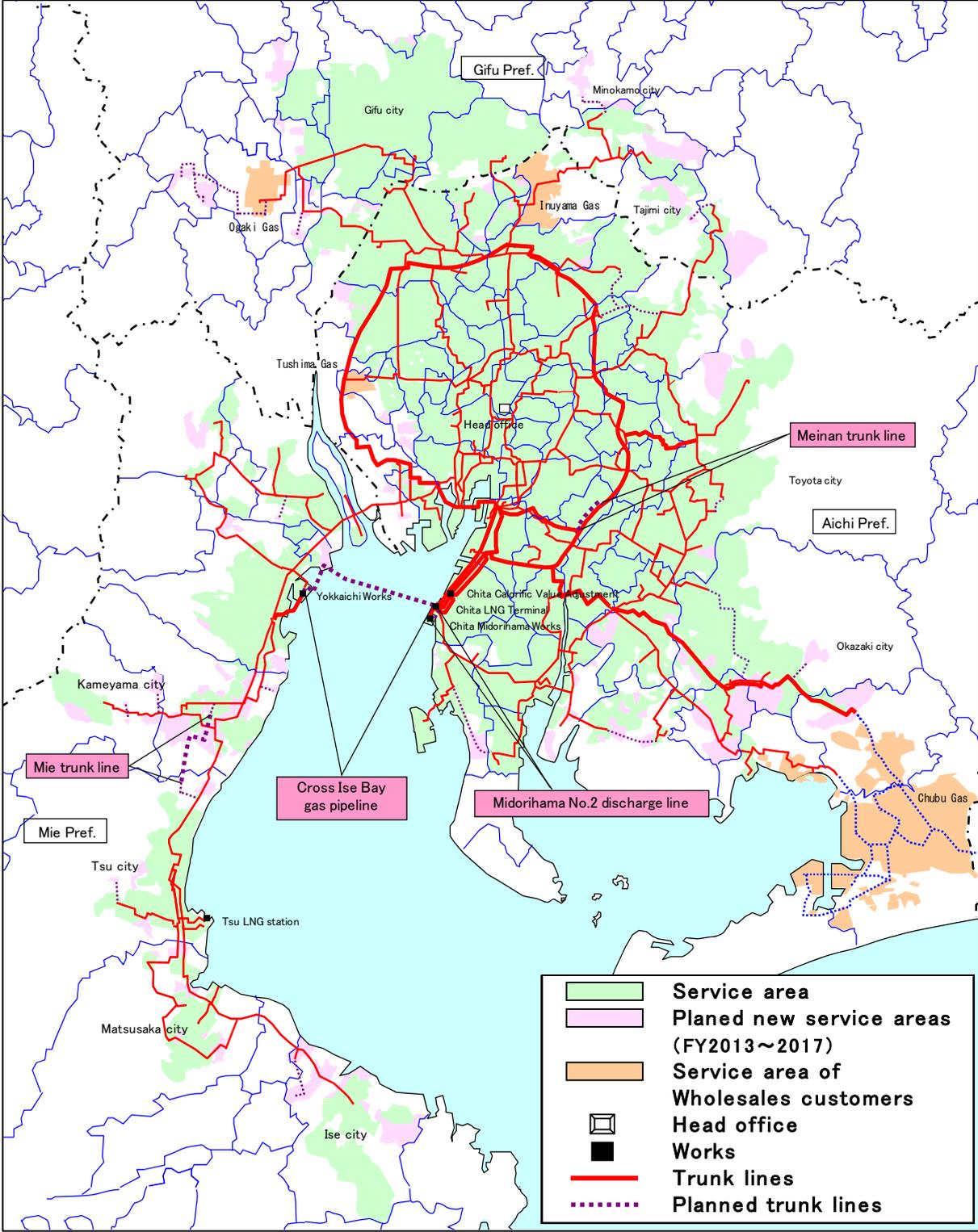
7. Efforts toward environmental conservation in local society

We will join hands with customers and local communities in promoting group-wide environmental activities.

In the area of energy/environmental education, we will sponsor various next-generation educational events at the Gas Energy Exhibition Hall, including disaster-prevention sessions and teaching seminars for children and their parents aimed at teaching them the importance of environment and energy.

As for activities undertaken jointly with local communities, we will host an “ECO Action Month” event in June, a photo exhibition aimed at promoting preservation of biodiversity and a nature-viewing event while participating in an eco-cooking event sponsored by a local municipality.

Figure of Trunk lines plan



【Trunk lines plan】

Route name	Extended length	Construction period
Meinan trunk line (from Shin-obu to Toyoake)	5.3km	FY2010~2015
Cross Ise Bay gas pipeline	19.5km	FY2008~2013
Midoriyama No.2 discharge line	0.8km	FY2013~2014
Mie trunk line (from Suzuka to Tsu)	10.0km	FY2013~2015