

About Toho Gas Group

◆ Core Businesses

Toho Gas is the third largest city gas provider in Japan following Tokyo Gas and Osaka Gas, supplying city gas mainly in Aichi, Gifu and Mie Prefectures in the Tokai Area. In addition, we started sales of electricity in April 2016. Beside the LPG sales business, our group companies are engaged in the residential energy business that proposes gas appliances for residential use, including bathroom and kitchen refurbishment, and the engineering business that performs design and installation of gas equipment in plants, office buildings and other commercial and industrial facilities.

◆ Toho Gas Service Area

The three prefectures of the Tokai area where Toho Gas supplies (Aichi, Gifu and Mie), which are located in the central portion of the Japanese archipelago, represent 6% of the area of Japan, roughly 9% of the population and 10% of GDP. Nagoya, which has a population of over 2 million, is one of the largest cities in Japan.

A unique feature of the Tokai area is its high concentration of superior manufacturers in a variety of categories,

Comparison with Tokyo Gas and Osaka Gas

(Non-Consolidated Results for FY2016)

	TOHO GAS	TOKYO GAS	OSAKA GAS
Number of gas meters (thousands)	2,411 (100)	11,389 (472)	7,310 (303)
Gas sales volume (billions of m ³) <45MJ/m ³ >	3.9 (100)	15.5 (397)	8.7 (222)

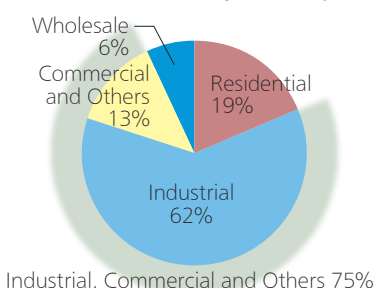
Note: () means multiples of TOHO (=100)

including Toyota Motor Corp. and its affiliated companies, manufacturers of transportation devices, steel, machines, ceramics and other high technology businesses. 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.

◆ Trend of Gas Sales Volume

Due to these characteristics of our service area, sales to plants and other industrial customers account for 60% of our total gas sales volume. Including sales to office buildings, stores, and other commercial facilities, sales to “non-residential” customers account for more than 70% of our total gas sales volume. After the Lehman crisis and the East Japan Great Earthquake, gas sales have decreased. However, since we have made efforts in demand development, the annual sales volume has recovered to the pre-Lehman crisis level and stayed at about 4 billion m³.

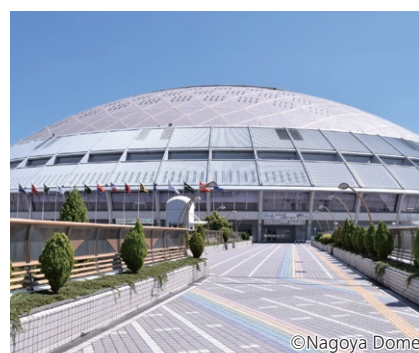
Gas sales volume by sector (FY2016)



Si sensor gas kitchen stove for residential use



Industrial furnace for industrial use



Air conditioning system for commercial use

Toho Gas Service Area and Pipeline Network (As of March 31, 2017)



About Natural Gas Business in Japan

- **Japan produces very little natural gas**
Japan imports a great deal in the form of liquefied natural gas (LNG)
- **Abundance of mountain ranges in the country and the population disproportionately located in urban areas**
LNG receiving terminals are chiefly built at the port of major cities.
There is no integrated long-distance pipeline connecting major cities
- **There are around 200 city gas companies in Japan**
The three biggest together account for approximately 80% of nationwide city gas sales in volume
- **Retail sales of city gas were fully liberalized in April 2017. However, gas supply has continued to be subject to government control. For example, gas suppliers are obligated to ensure safety regarding pipeline operations.**