

Business Plan for Year Ending March 31, 2015



March 28, 2014

TOHO GAS CO.,LTD.

※Non-Consolidated data

(1) Introduction



- The economy of our service area
 - In FY2013, corporate earnings, particularly those for exporters, improved due to the weaker yen and economic recovery in the U.S. and Europe. Production activities of companies in our service area also gradually recovered.
 - In FY2014, the economy is expected to continue to recover, but the outlook is uncertain. Both production and consumption level are expected to fall off due to the consumption tax increase and slowdown economic growth in emerging countries and geopolitical risks may weigh down Japan's economy.
- The energy policy
 - As for Japan's energy policy, natural gas has been positioned as an important energy source that will play a larger role in the future, and the natural gas market is expanding.
 - In FY2014, debates regarding reforms to the gas system will move forward, and progress will be made in designing the system for liberalization.
- Business Plan
 - First year of the new medium-term management plan.
 - We will respond to possible changes in the business climate expeditiously and appropriately.

(2) Gas Sales Plan



- The number of customers is projected to increase by 0.9% from the previous year by expanding service areas and increasing of city gas share.
- The gas sales volume is projected to increase by 0.8% from the previous year due to our efforts to develop new demand for residential and industrial/commercial use. (Figures after having removed the effect of temperature will increase by 1.1%)

	Unit	FY 2013 (Estimated results)		FY 2014 (Projection)	Change from the previous year	Rate of Change	
Number of Customers	thousand	2,342		2,362	20	0.9%	
Residential	million m ³	[742]	738	748	10	[0.8%]	1.4%
Industrial/Commercial	million m ³	[2,866]	2,879	2,909	30	[1.5%]	1.0%
Wholesale	million m ³	290		281	- 9	- 3.2%	
Total Gas Sales Volume	million m ³	[3,897]	3,907	3,938	31	[1.1%]	0.8%

(Note) [] ; figures after having removed the effect of temperature

《Reference》 LNG Use Plan

	Unit	FY 2013 (Estimated results)		FY 2014 (Projection)	Change from the previous year	Rate of Change	
LNG Use	thousand tons	3,020		3,033	13	0.4%	

(2) Gas Sales Plan



- Strengthen sales of “a cogeneration system for residential use”
 - Set ENE-FARM cogeneration system sales target of 2,300 units (+10% compared to FY2013 plans)
 - Expand “ENE FARM”, a fuel cell system lineup for residential use
 - ⇒ Launch new model, the first one priced below 2 million yen, in April
 - ⇒ Plan to launch sales for apartment/condominium complexes by the end of this fiscal year
- Strengthen remodeling sales
 - Start conducting energy saving assessments for homes and strengthen our ability of solution proposals which responds customer needs
- Introduce smart gas meters
 - Initially introduce to the homes of customers using Station 24 (automatic notification service)
 - ⇒ Evaluate equipment and system performance, build monitoring system, examine services, etc.
- Work to develop commercial demand in a broader area
 - Strengthen sales activities of one stop service covering proposal as well as engineering
- Strengthen sales activities toward medical and welfare facilities, government offices, restaurants, schools, merchandise dealers, and so on
 - Expand sales of devices such as high efficiency gas heat pump and “Suzuchu” (commercial kitchen appliances) for customer needs

(3) Capital Expenditures Plan



- We plan to invest a total of 34.2 billion yen. +5.0 billion yen (compared to FY2013)
- Production Facilities: +0.9 billion yen (compared to FY2013) due to construction of LNG tank, strengthening disaster prevention measures, etc.
- Supply Facilities: +2.9 billion yen (compared to FY2013) due to construction of trunk pipelines, wide-area pipelines, etc.
- Other Facilities: +1.2 billion yen (compared to FY2013) due to commencement of construction of hydrogen stations, etc.

(Unit: billions of yen)

	Facility	FY 2013 (Estimated results)	FY 2014 (Projection)
Production Facilities	Production Facilities	8.0	8.9
Supply Facilities	Trunks	1.0	2.2
	General Pipelines	15.7	17.8
	Main lines total	16.7	20.0
	Service Lines/Meters	1.6	1.4
	Other Facilities	1.1	0.9
	Supply Facilities total	19.4	22.3
Other Facilities		1.8	3.0
Total		29.2	34.2

(3) Facility Investment Plan



- Production facilities
 - Construct No. 3 LNG tank at the Chita Midorihama Works (FY2016)
 - Improve gas transportation capacity from LNG terminal
 - ⇒ Improve transportation pressure to 4 MPa at Chita and Meinan trunk line and build the second delivery line at the Chita Midorihama Works
- Supply facilities
 - Construct trunk lines such as Mie trunk line
 - Construct wide-area pipelines
 - ⇒ Start to construct wide-area pipelines and improve network in the middle and eastern Mino regions of Gifu
 - ⇒ Start to improve the network in Gifu city
- Disaster prevention measures
 - Complete measures to increase the ability of three terminals and high-pressure valve stations to withstand tsunamis
 - Install additional emergency LNG vaporizers and in-house power generation equipments at the Chita Midorihama Works
- Others
 - Develop hydrogen stations (Build two new stations till FY2015 and conduct five station totally)

(4) Safety, Services and Research & Development



- **Security measures**
 - Residential use: Encourage households to change to safety-type gas equipment, etc.
 - Industrial use: Guide users to adopt ventilation systems at commercial kitchens
 - Measures to replace outmoded production and supply facilities
 - ⇒Complete efforts to handle white gas pipes for buildings that are important in terms of security by FY2015
- **Services**
 - Launch dedicated phone number for gas equipment repairs
 - Improve employee training and quality of operations by expanding education and certification systems
 - Supply greater support for front-line operations and speed up operations related to handling customers making use of the customer information system CusTo-net
- **Research & Development**
 - Continue to conduct demonstrative tests on three types of batteries (fuel cell, solar cell, and storage cell) at detached houses and rented apartment houses
 - ⇒ Improve the system in order to increase energy efficiency
 - Strive to make cogeneration systems, gas heat pumps (GHP) and industrial furnaces more efficient and convenient
 - ⇒ Improve efficiency of medium-size gas engines and develop GHP XAIR successor
 - Develop new uses for commercial SOFC, high-temperature-heat technology, etc.
 - Develop optimal energy-network controlling technologies of Komei Redevelopment Project

(5) LPG Sales Plan



- Work to improve security and service and strengthen efforts to develop demand through cooperation between city gas and LPG

	Unit	FY 2013 (Estimated results)	FY 2014 (Projection)	Change from the previous year	Rate of Change
Number of Customers	thousand	439	453	14	3.1%
Gas Sales Volume	thousand tons	425	438	13	3.2%

* Including the number of customers based on commissioned business for delivery