

## Business Plan for Year Ending March 31, 2012

### 1. Introduction

The future of the Japanese economy is uncertain due to delayed economic recovery in the U.S., the progressing appreciation of the yen, and the tense situation in the Middle East. Employment and housing starts remain severe. In addition, it is expected that damage caused by the Great East Japan Earthquake will have various impacts on the economy.

The economy in the region where the Company serves will also be affected significantly, mainly in the area of manufacturing activities. Under these circumstances, however, because the region we serve is one of the world-leading centers of the manufacturing industry, quickest recovery of production is expected and the area has a high potential for medium to long-term business growth. Moreover, expectation is high for natural gas as it is environment friendly and has supply stability.

We will promote diffusion of natural gas use and more efficient and advanced use while focusing on and stable supply and safety and security. We will also strive to grow sustainably with local society and contribute to realize an environment-conscious society.

In these conditions, we have developed a business plan for fiscal 2011 (year ending March 31, 2012). The potential impacts of the earthquake have not been reflected in these projections.

### 2. Gas Sales Plan

#### (1) Number of Customers

It is projected that customer numbers will increase by 13 thousand (0.6%) to 2,297 thousand customers in fiscal 2011 compared with the previous year, by efforts to increase the city gas market share as well as addition of new service areas.

#### (2) Gas Sales Volume

It is projected that total sales volume will increase by 44 million m<sup>3</sup> (1.1%) to 3,892 million m<sup>3</sup> in fiscal 2011 compared with the previous year, due to increase of number of customer and our efforts to create new demand in the industrial/commercial use.

This projection includes: 727 million m<sup>3</sup> (down by 2.7%) in the residential market, 2,880 million m<sup>3</sup> (up by 1.8%) in the industrial/commercial market and 285 million m<sup>3</sup> (up by 4.6%) 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>

(Medium-term management plan)

	Unit	FY2009	FY 2010	FY 2011	Change from the previous year	Change %	FY 2013	FY2009 to FY2013
		(Results)	(Estimated results)	(Projection)			(Projection)	Average growth rate
Number of Customers	thousand	2,270	2,284	2,297	13	0.6%	2,380	1.1%
Residential	million m <sup>3</sup>	[ 720] 724	[ 723] 747	727	- 20	[0.6%] - 2.7%	761	1.2%
Industrial/Commercial	million m <sup>3</sup>	2,614	[2,796] 2,829	2,880	51	[3.0%] 1.8%	2,924	1.9%
Wholesale	million m <sup>3</sup>	250	272	285	13	4.6%	315	3.1%
Total Gas Sales Volume	million m <sup>3</sup>	[3,584] 3,588	[3,791] 3,848	3,892	44	[2.7%] 1.1%	4,000	1.8%

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

#### (3) Sales Plan for Each Market

In the residential market, we will begin sales of new models of “ENE-FARM,” high-efficiency compact fuel cells for residential use. We will also focus on sales of “Eco-Jozu,” an energy-saving water heater and home floor heating system. In addition, we will propose a double power generation system featuring combined use of ENE-FARM and a solar system for further reduction of environmental burdens. We will also conduct activities

promoting advanced features of gas equipment and other “benefits of gas” to more customers, such as Si sensor gas kitchen stoves.

In the industrial/commercial markets, we will strive to cultivate new demand, mainly by promoting the conversion for heating demand (industrial furnaces and boiler) by using our engineering and proposal capabilities. In addition to demand development in existing service areas, we will also actively develop demand in surrounding areas. Our focus will be on sales of gas air-conditioning by commencing sales of “GHP XAIR”, a super-efficiency gas engine heat pump unit, and gas cogeneration systems and commercial-use kitchen systems (“Suzuchu”). We will also promote energy service businesses focusing on city gas, including energy savings and management of peripheral facilities. We will also improve commercial-use kitchen showrooms introducing excellent features of gas kitchen systems.

#### (4) LPG Business

It is projected that customer number will increase by 2.0% to 326 thousand and that sales volume will increase by 0.3% to 411 thousand tons, compared with the previous year.

We will strengthen our sales force, upgrade our services and enhance safety by strengthening cooperation between the city gas and LPG businesses.

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

	Unit	FY 2010 (Estimated results)	FY 2011 (Projection)	Change from previous year	Change %
Number of Customers	thousand	320	326	6	2.0%
Sales Volume	thousand tons	410	411	1	0.3%
Residential	thousand tons	65	66	1	1.2%

(Medium-term management plan)

FY 2013 (Projection)	FY2009 to FY2013 Average growth rate
359	3.2%
440	1.5%
75	3.2%

#### 3. LNG Use Plan

A total of 3,030 thousand tons of LNG is planned for use in fiscal 2011, an increase by 0.2% from the previous year. We have secured LNG procurement until around 2013, mainly through long-term supply contracts.

<Table 3. LNG Use Plan >

	Unit	FY 2010 (Estimated results)	FY 2011 (Projection)	Change from previous year	Change %
Number of Customers	thousand tons	3,024	3,030	6	0.2%

(Medium-term management plan)

FY 2013 (Projection)	FY2009 to FY2013 Average growth rate
3,186	2.0%

#### 4. Facility Investment Plan

We plan to invest a total of 31.2 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 (0.9 billion yen), construction of supply facilities, including improvement of trunk lines such as Meinan trunk line and the Cross Ise Bay gas pipeline; replacement of aging gas pipes (25.6 billion yen) and other service facilities including updating the Customer Information System (4.7 billion yen).

The shield construction of the Cross Ise Bay gas pipeline was completed in fiscal 2010, and the piping construction will begin in fiscal 2011.

Our total facility investment for five years (fiscal 2009 to fiscal 2013) is almost the same as that described in the medium-term management plan. We will continue to invest efficiently.

<Table 4. Facility Investment Plan>

(Unit: billions of yen)

(Medium-term management plan)

		Facility	FY 2010	FY 2011	Five years total (FY2009 to FY2013)
			(Estimated results)	(Projection)	
Production Facilities	Production facilities		0.2	0.9	33.0
Supply Facilities	Main lines	Trunks	4.3	3.3	/
		General pipelines	20.1	17.1	
		Total	24.4	20.4	
	Service lines/meters		1.3	1.2	
	Other facilities		2.6	4.0	
	Supply facilities total		28.3	25.6	
Other			2.5	4.7	17.0
Total			31.0	31.2	158.0

## 5. Safety and Services

In the residential market, we will continue to accelerate replacement with safe-type gas appliances, strengthen face-to-face periodic safety inspections. In the commercial markets, we will promote the installation of ventilation sensors in commercial-use kitchens.

In the production area, operation training simulators will be introduced. In the supply area, we will improve the seismic resistance of gas piping and replace old pipes, while promoting division of the gas pipeline network into smaller blocks. Moreover, based on knowledge collected from the recent earthquake, we will implement necessary preventive measures.

In the customer service area, for quicker response and stronger sales abilities, we will strive to develop a customer information system. We will also introduce services designed for further improvement of customer satisfaction (CS), including “Eneflex”, a GHP remote monitoring service with energy-savings assistance for industrial/commercial customers.

We will continue CSR management and promote stricter compliance in order to maintain transparency and soundness of business management.

## 6. Research & Development

To promote highly efficient, intensive use of natural gas, we will conduct demonstration tests of a solid oxide fuel cell (SOFC) for residential-use. For industrial/commercial use, we will strive to develop SOFC technology, improve efficiency of GHP and industrial furnace burners.

In the environmental technology area, we will conduct technological assessment of a new smart energy house featuring combined use of three types of cells (fuel cells, solar cells, and storage batteries) and biogas production/use plants. We will also strive to realize a smart energy network by participating in next-generation energy demonstration experiments in Toyota City.

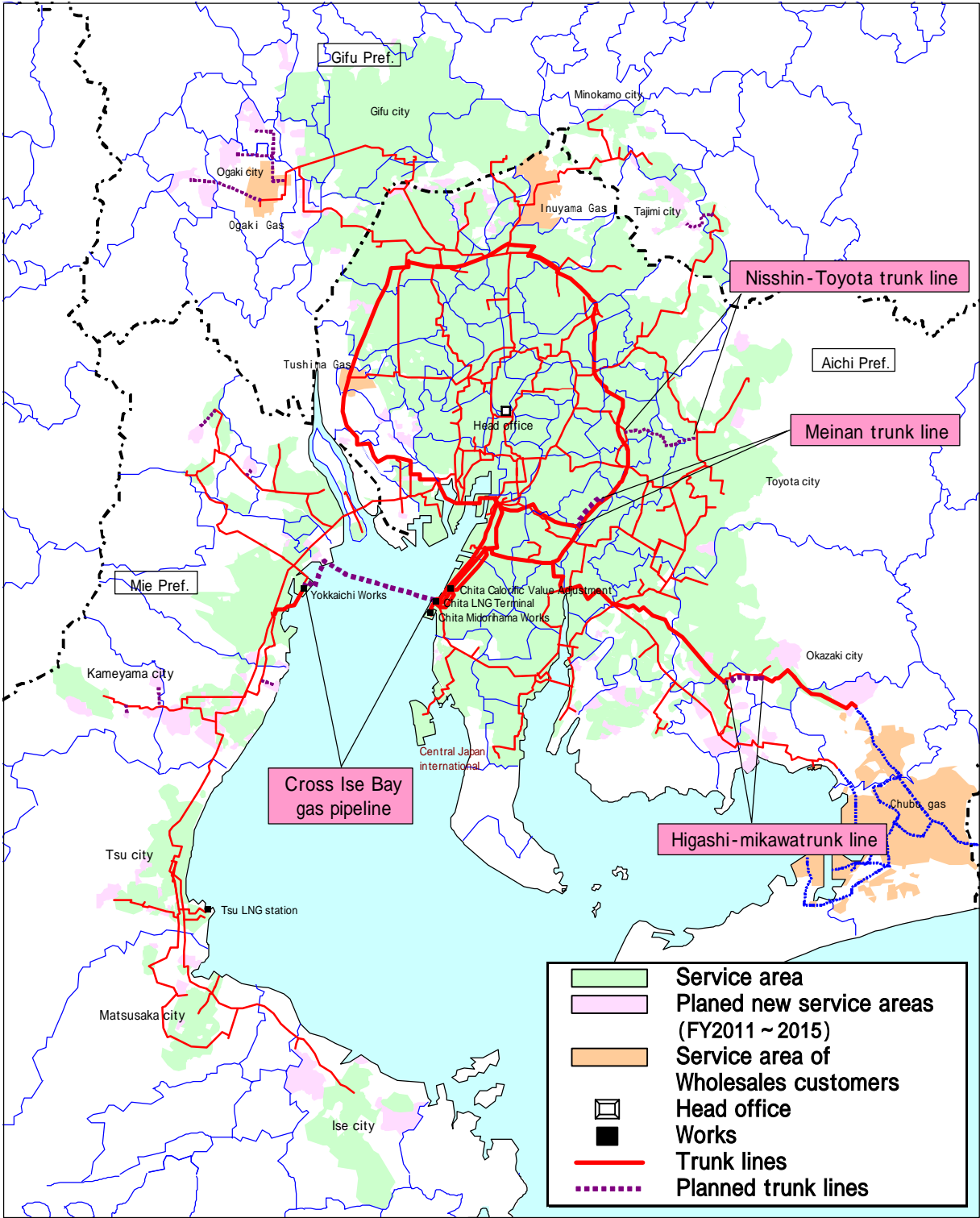
In an effort to realize a future hydrogen energy society, we will continue our hydrogen station endurance tests and demonstration experiments of high-pressure (70 MPa) hydrogen filling technologies.

## 7. Efforts toward environmental conservation in local society

In the area of energy/environmental education for the next generation, we will provide environmental education events in Toho Gas Energy Hall, lectures to local elementary and junior high schools, and eco-cooking activities proposing eco-conscious dietary lifestyles. We will also collaborate with local governments and citizen groups in providing nature tours and “satoyama” volunteer activities.

In June 2011, all Toho Gas employees will participate in environmental activities together with people in local communities, as part of “Toho Gas Group’s Eco Action Month campaign”.

Figure of Trunk lines plan



【 Trunk lines plan 】

Route name	Extended length	Construction period
Nisshin-Toyota trunk line	10.2km	FY2007 ~ 2011
Meinan trunk line	5.3km	FY2010 ~ 2013
Higashi mikawa trunk line	6.1km	FY2009 ~ 2011
Cross Ise Bay gas pipeline	19.5km	FY2008 ~ 2013