

## Business Plan for Year Ending March 31, 2018

### 1. Introduction

The regional economy is following a moderate recovery track, including increasing capital expenditures by businesses attributed to the recovery of the U.S. economy. However, the outlook for the regional economy remains uncertain, amid concerns over the rising protectionist movements in Europe and the U.S.

In April this year, the gas market is set to be fully liberalized, following the complete liberalization of the power market in April 2016. Fiscal 2017 is likely to be a year during which the business environment surrounding our company will change dramatically. By precisely and flexibly responding to the changes in the business environment, the Toho Gas Group aims to achieve its goals—“building a robust gas business” and “taking on challenges for further growth”—even in the face of the scheduled liberalization of the gas market. Accordingly, the Group will strive to attain sustainable growth.

### 2. Primary measures

We have reviewed business flow and established related systems to respond to the full liberalization of the gas retail market in order to secure neutrality and transparency in the gas pipeline business. We will continue to make efforts to ensure fair competition.

We will enhance the Group’s comprehensive business capability through “ensuring stable energy supply, safety and security,” “strengthening our relationship with customers” and “reinforcing Group’s competitiveness.” Accordingly, we will work toward achieving a liberalization of the gas market which is truly beneficial to customers, and aim to become a company that continues to be trusted and chosen by customers as their gas suppliers. In order Toho Gas Group achieve further growth, we will expand our gas business service area and scope of business.

#### (1) Ensure stable energy supply, safety and security

After the gas market is set to be liberalized completely, we will make sure of stable energy supply by promoting security and disaster-prevention measures. In addition, we will strengthen our efforts to ensure the safety of our customers so that they choose us as we provide sense of security.

##### <Measures to ensure the safety and security of customers>

Whenever an emergency occurs, our staff will be immediately dispatched to the site. This is our way of doing business, which we have inherited over generations. We will ensure the safety and security of our customers through about 180 service outlets set up in the service areas, including sales offices and “ENEDO” sales shops, and the approximately 3,000 security staff deployed in these areas.

We are working on reducing the use of gas equipment with no safety devices, and faulty gas supply and exhaust facilities. In addition, highly skilled staff of the Toho Gas Group respond expeditiously and appropriately to any emergencies, under our call center at any time in 24-hour, 365-day.

##### <Promotion of security and disaster-prevention measures>

A building that serves as an anti-disaster center was completed on the premises of the head office building in February 2017. We will use the building to respond expeditiously and appropriately to the occurrence of a disaster, as well as an existing anti-disaster facility. Inside the new building is a second customer center, which we will use as a call center in charge of receiving phone calls from customers affected by natural disasters as part of our efforts to strengthen our disaster response. Furthermore, we will steadily establish disaster-prevention and anti-tsunami measures at gas-producing and supplying facilities to respond to the expected occurrence of a powerful earthquake in the Nankai

Trough off central and western Japan. To prevent secondary damage from earthquakes, our service area will be divided further into blocks, each of which can have its gas supply shut off separately. This is part of our efforts to shorten the reconstruction period following a major disaster. Other daily-based security-enhancement measures include the replacement of old gas pipes with new ones, and stepped-up efforts to address security issues arising from other construction work on the same premises.

## (2) Strengthen our relationships with customers

We will help customers lead a comfortable life and support their product manufacturing activities by providing various services to them and meeting their needs and demands in energy use.

### <Residential use>

We will work together with ENEDO sales shops in providing highly energy-efficient gas equipment and various services in response to customer needs.

In April 2017, we will launch a new ENE FARM that can be installed in water heaters already in use as a means of accelerating the diffusion of residential cogeneration systems. The scheduled launch is part of our strategy of proposing ENE FARM not only for newly built houses but also for existing houses.

“Club TOHOGAS” is a membership website service that enables customers to earn points, called “Gasuteki Point.” In April 2017, we will launch a new service linked to the current point service, which will enable customers to pay gas and electricity fees using the points earned. Moreover, we will make efforts to enlarge our service providing range, including “Raku Raku Maintenance” (a gas equipment maintenance service), “Raku Raku Kurashi Support” (a service aimed at making customers’ lives comfortable), proposal for the optimal use of energy through sales of electricity and an energy-saving software system, and proposal for house renovation.

### <Industrial/commercial use>

We will propose the optimal use of energy to customers while meeting their business needs. Specifically, we will recommend conversion to city gas from other fuels, an energy-efficient gas air-conditioning system, more energy-efficient cogeneration systems, and highly convenient commercial kitchen appliances. We will also promote sales of electricity. Furthermore, we will provide high-quality energy-related engineering services, including comprehensive utility services and evaluation of each client’s energy-saving efforts using simulation technologies.

## (3) Strengthen competitiveness

We will ensure a stable energy supply at a competitive price by diversifying our LNG procurement and enhancing the flexibility of LNG terminal operations. We will also work incessantly to achieve more efficient business operations.

### <Provide a stable supply of energy at a competitive price>

We are to purchase LNG from Petronas LNG Ltd. under a portfolio contract in 2017. In procuring LNG, we endeavor to diversify types of contract, the price index and supply sources. We will also invest in operations of LNG tankers, a step aimed at procuring LNG both stably and at a competitive price. We will strive for LNG procurement diversification and operate our LNG terminals more efficiently by effectively using a Chita-Midorihama Works No.3 LNG tank, which was completed in 2016.

### <Promote business efficiency>

We will strive to establish an efficient business operation system by streamlining the operations of each business segment and redistributing business resources across the Group. Specifically, we will set up business facilities in an efficient manner, carry out business duties efficiently, promote efficient manpower deployment in nonmanufacturing sections, and implement cost-cutting measures in each business segment.

#### (4) Expand gas business service area

We will continue to reinforce and extend our gas pipeline network to diffuse city gas and strengthen our sales of LPG and LNG in areas surrounding our city gas supply area.

##### <Diffuse city gas and ensure stable energy supply>

By continuing to reinforce and extend our gas pipeline network, we will enhance our supply stability in the entire service area while expanding our supply areas of city gas. As a way of stimulating gas demand from industrial customers, we will expand our network of gas pipelines. Specifically, we will continue to work on the Mie trunk line (from Yokkaichi to Tsu), already under construction. In the eastern Mino region of Gifu Prefecture, we will also extend our pipeline networks by building new gas lines between Toki and Kani and between Ginan and Kakamigahara.

##### <Provide energy to customers in broader areas>

We will strengthen our sales of LNG to customers across broader areas. As for the LPG business, regarded as a major pillar of the Toho Gas Group's business operations, we will expand our service to broader areas by taking advantage of the region's biggest gas-filling and delivery networks.

#### (5) Expand scope of business

Seeing changes in the business environment as providing business opportunities, we will expand the scope of our business, while taking advantage of the Group's strength, which has been fostered through the gas business, and evaluating the feasibility of the new business, its risks, and possible synergy effects.

##### <Expansion of the Group business and peripheral businesses>

We will strive to expand our services for customers in the service area by mobilizing the Group's entire business resources covering the LPG business, the house renovation business, comprehensive utility services and property holdings, while ensuring to increase the Group's overall business efficiency.

Our overseas projects include an investment in Australia's Ichthys project, under which LNG production will begin in 2017, and an investment in October last year in a natural gas distribution company in Portugal. By taking advantage of the knowledge and business resources the Group has built up through its past business operations, we will expand the scope of the business both in Japan and abroad.

##### <Strengthen sales of electricity>

Regarding the sales of electricity, a business we launched in April last year, subscriptions have grown smoothly. We aim to achieve 100,000 kW of electricity sales at the end of fiscal 2020 by continuing to step up our marketing in the power business through contact with customers.

In power procurement, a power source adjustment facility with an output capacity of 16.5 MW being constructed at the Yokkaichi Works will begin operating in the autumn of 2017. In the future, we will continue to diversify our procurement sources to secure electricity stably and at reasonable prices.

##### <Develop smart towns>

A smart town named "Minato AQUUS" is under development in Minato ward, Nagoya city. The smart town will feature an Energy Center, whose construction was completed in March 2017. By the scheduled official opening of the smart town in the autumn of 2018 when a shopping mall called LaLaport is constructed, we will realize a smart town as a model of comprehensive energy business by developing supply system in which we supply gas, electricity and heat throughout the area in an integrated manner.

(6) Establish the business foundation of the Group

We will strengthen the Group's business planning functions, governance, technological foundation and human resource development to expeditiously and flexibly respond to the expected changes in the business environment.

<Strengthen business planning functions and governance>

In April 2017, we will formulate the Toho Gas Group's overall business planning functions. We will also strengthen governance-related systems, including internal control and compliance. (Establishment of Corporate Planning Dept., Corporate Research Dept. and Internal Control Dept.)

<Enhancement of technological capability/ development of human resources>

We will integrate Technical Research Institute and Product Development Dept. to spur technological development and enhance our engineering abilities. The integration will lead to the concentration of business resources related to technological development, helping establish an effective development system. We will continue to review our business systems in response to possible changes in the business environment. We will also promote the development of human resources and their effective use.

3. Numerical plan for FY2017

Shown below are numerical goals set for fiscal 2017—the number of gas meters to be installed, gas sales volume and capital spending plans.

(1) Number of gas meters

		Unit	FY2016 (Estimated results)	FY2017 (Projection)	Change from the previous year	Rate of change
City Gas	Toho Gas	thousand	2,409	2,432	+23	+1.0%
	Mizushima Gas	thousand	24	24	—0	—0.3%
	Total	thousand	2,432	2,455	+23	+0.9%
LPG *		thousand	479	485	+6	+1.3%

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

(2) Gas sales volume

		Unit	FY2016 (Estimated results)	FY2017 (Projection)	Change from the previous year	Rate of change	
City Gas	Toho Gas	Residential	million m <sup>3</sup>	742	743	+1	+0.1%
		Industrial/Commercial	million m <sup>3</sup>	2,919	2,946	+27	+0.9%
		Wholesale	million m <sup>3</sup>	243	259	+16	+6.7%
		Total gas sales volume	million m <sup>3</sup>	3,904	3,948	+44	+1.1%
	Mizushima Gas	million m <sup>3</sup>	63	63	—0	—0.7%	
	Total	million m <sup>3</sup>	3,968	4,011	+44	+1.1%	
Total (Natural Gas)		million m <sup>3</sup>	4,043	4,086	+44	+1.1%	
LPG		thousand tons	449	454	+5	+1.2%	

(3) Facility investment plan

	Unit	FY2016 (Estimated results)	FY2017 (Projection)
Toho Gas	billions of yen	447	363
Consolidated Subsidiaries	billions of yen	79	101
Total (Consolidated)	billions of yen	526	464

### Toho Gas Service Area and Pipeline Networks

