

Business Plan for Year Ending March 31, 2019

1. Introduction

The regional economy is moderately expanding with an increase of capital expenditures reflected by the strong world economy. On the other hand, the outlook is difficult to prospect as there are political and economic uncertainties such as the policy trend in the United States and the political situations in the Middle East and on the Korean Peninsula.

After the liberalization of the electricity and gas market, it has been severely competitive as this has enabled electricity companies and gas providers to enter each other's markets. The business environment surrounding the energy industry will be significantly affected by motorization of cars and rapid digital innovation of AI and IoT (Internet of Things) in addition to the advancement of energy savings and the diffusion of renewable energy sources as these developments change the social and industrial structures.

The competition is likely to intensify even further in the second year of the full liberalization of retail gas market. Under these circumstances, as an energy company in the region, the Toho Gas Group will strive to expand its share of the total energy market by strengthening its city gas business and pursuing to be a local customers' choice through providing the best offer for the optimal use of city gas, LPG and electricity. We will enhance the Group businesses and cultivate the new businesses with the aim of sustainable growth.

2. Primary measures

(1) Build a robust city gas business

We will endeavor to strengthen the foundation of the gas supply, and implement gas safety and disaster-prevention measures in order to promote a use of natural gas. Furthermore, we will strive to ensure the safety and security of our customers and reinforce the Group's competitiveness in order to strengthen city gas business.

(i) Expand gas supply foundation, and implement gas safety and disaster-prevention measures

In order to enhance a stable city gas supply and our gas-transportation capabilities, we will build trunk lines including the Stage4 of the Mie trunk line (from Kawage to Tsu), the Stage2 of the Toki-Kani line, the Toki-Tajimi line and the Nanbu trunk line. Construction of the first three lines will be completed in FY2018 while the fourth line will be set to construct in FY2018. We will improve pipeline networks in the surrounded areas of the four trunk lines and expand our city gas service area.

To ensure the gas safety and disaster prevention, we will promote countermeasures on both the "hardware" and "software" perspectives. In terms of hardware, we will steadily implement measures against aged production and supply facilities. In addition, to prevent secondary damage from a disaster, our service area is divided into small blocks to shut off its gas supply separately when a natural disaster occurs. For the software perspective, we will reinforce our disaster-management system based in an anti-disaster center at the headquarter and cooperate with local municipalities in each service area.

(ii) Ensure safety and security of customers

We will ensure the safety and security of customers whenever an emergency occurs with 3,000 highly skilled and reliable gas professionals at 180 outlets, under our call center at any time in 24-hour, 365-day.

To ensure the safety when using gas equipment, we will endeavor to reduce the use of non-safety gas equipment, faulty air supply and exhaust facilities as well as to promote the installation of ventilation sensors for industrial-use.

(iii) Strengthen competitiveness

In order for the stable energy procurement with a reasonable price, we will diversify the types of contracts, price indexes and procurement source areas by utilizing information from our Singapore branch. At the same time, we will enhance flexibility of LNG receiving by promoting the integrated operation of LNG terminals of Yokkaichi and Chita.

We will promote more efficient management for all fields such as cost reduction for the pipeline construction with a trenchless digging method and an enhancement of productivity with a digital technology. We will also promote technical development for energy savings and reduction of carbon dioxide emission including increasing energy efficiency of gas equipment and facilities as well as enhancing diagnostic function for energy savings.

(2) Expand the share of the total energy market

We will propose the optimal use of city gas, LPG and electricity in an integrated manner while continuing to develop new demand of city gas. We will strengthen our relationships with customers by providing various services in response to customer needs. Through these offers, we expect more customers to choose our energy, which results in an expansion of our share of the overall energy market.

(i) City gas business

< Residential use >

Toho Gas, its Group companies and “ENEDO” sales shops will propose optimal energy use and gas equipment such as ENE FARM as one, taking into consideration of customers’ lifestyles. We will respond to various customer needs as much as possible by offering such services as “Raku Raku Maintenance” (a gas equipment maintenance service), “Raku Raku Lease” (a gas equipment lease service) and “Raku Raku Kurashi Support” (a service aimed at making customers’ lives comfortable), and engaging in home renovation proposal.

Moreover, we will endeavor to make customers’ lives more convenient by enhancing the content of “Club TOHOGAS,” a Net-based membership service, and launching a one-stop inquiry service in response to customers’ questions related to gas and electricity services.

< Industrial/Commercial use >

We will tap new energy demand in response to the expansion of our city gas service areas. Specifically, we will promote conversion to city gas from other fuels and introduce energy-efficient gas air-conditioning systems and cogeneration systems. In addition, we will realize an optimal facility and energy use in customers by selling electricity and LNG and providing services to evaluate each client’s energy-saving efforts and comprehensive utility services.

In September this year, we will establish “Pro Chubo OISIS,” one of the biggest experience-oriented showrooms for commercial kitchens in the Tokai region, at “Minato AQUUS,” a smart town in Nagoya in order to promote the attractiveness of gas kitchens.

(ii) LPG business

We will cultivate the LPG demand in a wider area as well as Aichi, Gifu and Mie Prefectures by offering an optimal energy use and high-efficient gas equipment and facilities in order to meet the customers’ needs in collaboration with people in charge of marketing city gas. As a way of expanding our LPG wholesale business, we will further strengthen our relationships with wholesalers by offering various supports for them.

To steadily respond to growing gas demand, we will expand output capacity at the Meiko LPG terminal and gas-filling facilities while making the terminal and these facilities more quake-resistant. Furthermore, we will form partnerships with other companies as a means of strengthening our gas-filling and delivery networks.

(iii) Electricity business

We will strive to increase the number of customers by proposing a package offer for optimal combination of electricity, city gas, LPG and other services in line with their needs through taking a full advantage of meeting potential customers.

We will establish Power Business Promotion Dept. for an electricity procurement and a control of supply and demand in order to achieve a stable electricity supply and a reasonable procurement. For this achievement, we will utilize a power-generation facility at Yokkaichi Works that started its operation last year and make a combination of procurement such as buying from a wide business operators with wholesale transactions or from the power market.

(3) Strengthen Group businesses and develop new businesses

We will strengthen existing businesses undertaken by Group companies in cooperation with the energy business. In addition, we will develop new businesses by taking advantage of the Group's know-how.

(i) Develop smart towns

"Minato AQUUS," a smart town under construction in Minato Ward, Nagoya, will open in September this year. We will contribute to the revitalization of local communities by developing the smart town that has a superiority of environment and disaster prevention. We will achieve a highest level of energy efficiency in Japan by using the community energy management system (CEMS) which is designed to provide energy in an optimal and integrated manner. In terms of disaster prevention, lifeline function of the smart town is expected to be maintained in the event of a disaster.

(ii) Strengthen Group businesses and develop new businesses

We will promote Group businesses growth by expanding renovation business in residential field and comprehensive utility services in industrial/commercial field and disseminating our owned production- and supply-related technologies.

We will establish Business Development Dept. in order to strengthen new business development and strive to create new businesses focusing on such themes as the safety and security, vitalization of regional economies and advanced use of energy. We will also explore business opportunities overseas following the past investments such as Australia's Ichthys LNG project, under which its LNG production is expected to begin in FY2018, and participation of the gas distribution business in Portugal.

(4) Reinforce business infrastructure

In order to be a continuously trusted company by stakeholders such as customers, local communities, shareholders and investors, we will continue to enhance our corporate governance by strengthening internal control such as risk management or assurance of compliance.

We will cultivate human resources and necessary skills at business front by securing and raising a various type of human resources for an expansion of business field or a technical succession from veterans to young employees. We will also strive to enhance a work environment where employees will find their work fulfilling.

As an energy company in the region, we will contribute to a realization of a low carbon society by reducing the environmental load of the customers and promoting the diffusion of hydrogen-related technologies such as building more hydrogen stations.

3. Numerical plan for FY2018

(1) Number of customers

	Unit	FY2017 (Estimated results)	FY2018 (Projection)	Change from the previous year	Rate of change
City gas (Number of gas meters)	thousand	2,459	2,482	+23	+0.9%
LPG *	thousand	490	494	+ 4	+0.9%
Electricity (Number of applications)	thousand	85	140	+55	+64.7%

* Including the number of gas meters based on commissioned business for delivery

(2) Gas sales volume

	Unit	FY2017 (Estimated results)	FY2018 (Projection)	Change from the previous year	Rate of change
City gas	million m ³	4,028	3,944	-84	-2.1%
(including sales of LNG)	(million m ³)	(4,109)	(4,027)	(-82)	(-2.0%)
LPG	thousand tons	463	466	+ 3	+0.7%

(3) Facility investment plan

	Unit	FY2017 (Estimated results)	FY2018 (Projection)
Toho Gas	billions of yen	32.5	27.9
Consolidated subsidiaries	billions of yen	7.2	8.6
Total (Consolidated)	billions of yen	39.7	36.5

Toho Gas Service Area and Pipeline Networks

