

Interview with President

Toho Gas will support customers' lives and manufacturing activities, and develop sustainably together with local communities.



President
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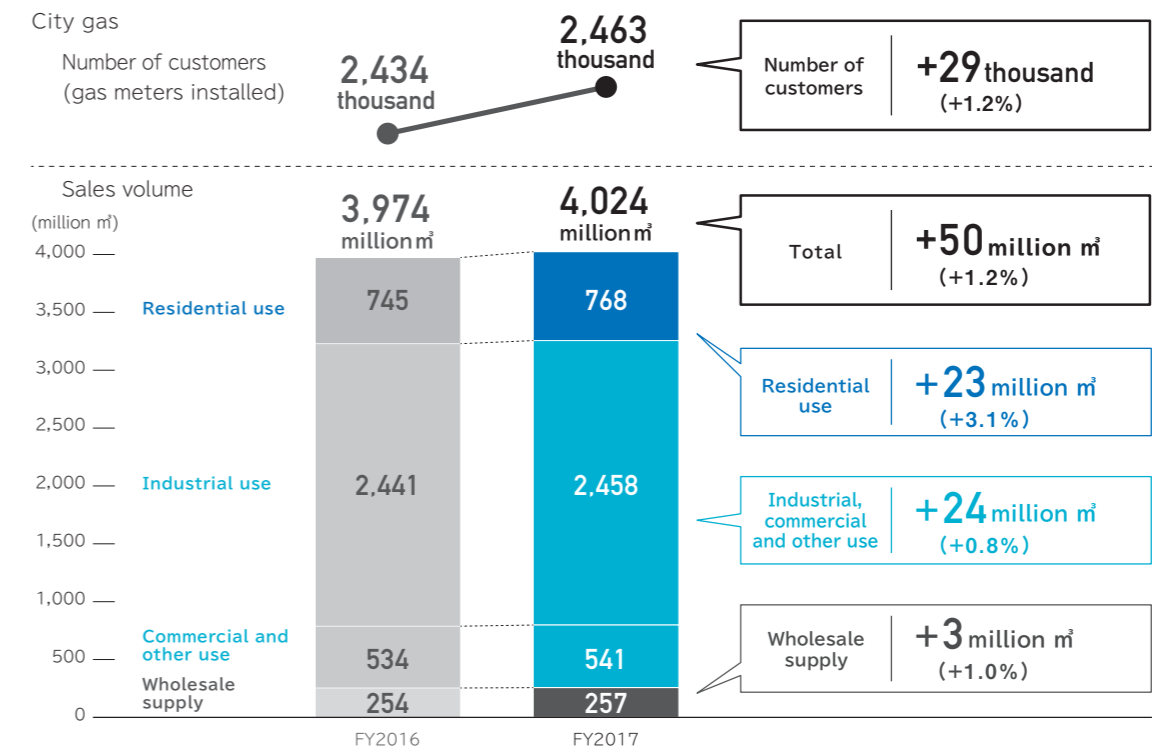
Q1

What is your assessment of FY2017?

A

In FY2017, through promotion of demand development, we steadily increased both the number of customers and sales volume for city gas despite the impact of full liberalization of the gas market. Consequently, we were able to secure increased year-on-year net sales and profit as planned. Thanks to our customers' high evaluation for our efforts to ensure safety and security for gas supply and ability to make proposals that suit customer needs, I believe we were able to deliver satisfactory results in the first year of liberalization.

FY2018, the second year of liberalization, is also the final year of our current medium-term management plan. We will strive to achieve our goals set out in the plan by appropriately responding to fierce competition and the diversification of customer needs. With a view to changes in the management environment going forward, we are positioning this year as an important year for making a strong start to the Group's next stage of growth.



	FY2016	FY2017	Difference	Difference (rate)
Net sales	390.4	428.8	+38.4	+9.8%
Cost of sales	230.4	271.6	+41.1	+17.9%
Selling, general and administrative expenses	136.7	133.1	-3.5	-2.6%
Ordinary income	24.4	25.2	+0.7	+2.9%
Net income attributable to owners of the parent	17.7	18.0	+0.2	+1.5%

Q2 What is the situation of gas and electricity full liberalization and your strategy to handle it?

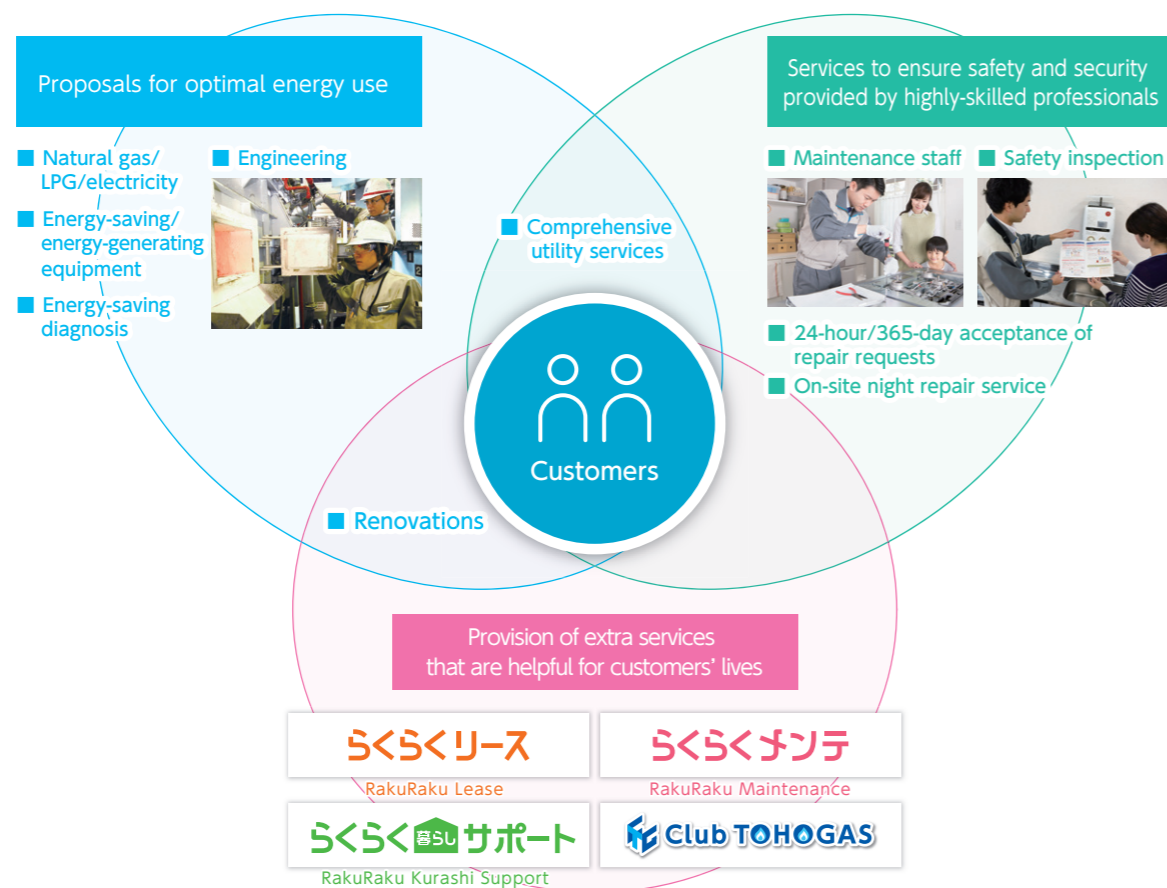
A With the start of full liberalization for gas and electricity, in addition to the existing competition with other fuel providers, the competition environment surrounding Toho Gas Group has changed dramatically. In these circumstances, approximately 120,000 customers have switched to other companies during the first year of full liberalization of gas market, and we recognize this fact very seriously.

Meanwhile, we have received applications from a total of around 600,000 customers as of the end of FY2017 for the new gas tariff and services that we launched with the liberalization. Furthermore, the electricity business, which we launched from April 2016, has gained about 90,000 customers, and was able to reach the five year target of 100,000 kW (equivalent to 80,000 homes) ahead of schedule. We are very grateful that there are so many who selected our company, and we believe that our measures are working well.

We will continue to provide higher total values for our customers by enhancing comprehensive

strengths with deeper relations with customers and stronger competitiveness, in addition to ensured safety and security and stable supply, which are the foundation of gas business.

Our strength is "proximity to customers," with some 180 service outlets in our service areas and approximately 3,000 highly-skilled professionals available to promptly respond to any problems. We believe that the key to remaining the choice of customers in the era of liberalization is to continue living up to their trust and expectation by making proposals for optimal energy use, including LPG and electricity, and providing extra services that are helpful for customers' lives while leveraging this strength. We believe that flexible and bold reforms are necessary to achieve further growth going forward. Therefore, we will pursue thorough streamlining, utilization of diverse human resources, and reforms of awareness and organization, using the changes to the competitive environment as an impetus.



Q3 What is your assessment and progress of the medium-term management plan?

A We achieved our five year natural gas customer target one year ahead of schedule, in FY2017, by promoting new demand development. The growth in sales volume is behind our plans, which is due to changes in the circumstances exceeding our assumptions at the time of developing our plans, in addition to the effects of liberalization. These include a reduction in operating rates and relocation, and consolidation of plants at customers, as well as progress of energy saving, despite our active efforts for promoting demand development.

We have achieved our targets both for the number of customers and sales volume for LPG, and we believe that we have succeeded in further enhancing our presence in the region.

Regarding the financial targets, although we have had some variation in results from one fiscal year to another, we believe that we have made progress that is close to our plans through the course of the entire period. Operating cash flow,

for example, totaled 57 billion yen in FY2017 and a cumulative total of 270 billion yen in the four years from FY2014. This means that we have exceeded our amount initially forecast for the five year planning period (260 billion yen). We have used the cash created for investment into further growth and to return to shareholders.

FY2018 is the final year of our current medium-term management plan, and we plan to lay down our next medium-term management plan by the end of the fiscal year. In the new plan, we will draw up a vision of the path that the Group should take, with a focus on further strengthening our city gas business, expanding our share of the total energy market, including LPG and electricity, and promoting the growth of the Group's businesses, including new businesses, with an eye on achieving sustainable growth while contributing to regional development.

Management Targets

		FY2013	FY2017	Medium-term management plan targets	
				FY2018	FY2013-18 average growth rate
Number of customers	Natural gas*1	2.36 million	2.46 million	2.46 million	+0.8%
	LPG*2	440 thousand	490 thousand	480 thousand	+1.8%
Sales volume	Natural gas*3	4.0 billion m ³	4.1 billion m ³	4.5 billion m ³	+2.2%
	LPG	420 thousand tons	465 thousand tons	470 thousand tons	+2.3%

*1 Number of gas meters installed *2 Includes subcontracted deliveries
*3 Includes LNG sales

	Average for previous medium-term management plan (FY2009-13)	FY2017	Medium-term management plan targets FY2018
Operating cash flow	48.2 billion yen	57.0 billion yen (271.5 billion yen)*1	58.0 billion yen (260.0 billion yen)*2
D/E ratio	0.7	0.3	1.0 or less
ROA	2.1%	3.4%	Approx. 3%

*1 Cumulative total FY2014 - 17 *2 Cumulative total FY2014 - 18

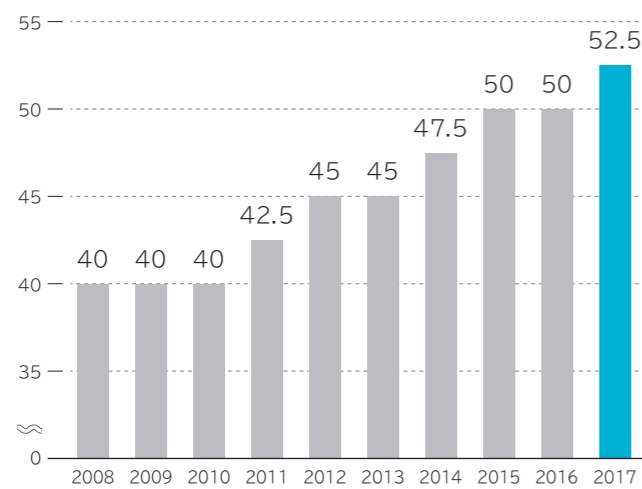
Q4 What is your approach to investment and return to shareholders?

A We are engaging in investments to promote the diffusion of natural gas and ensure its safety and security and stable supply. We are also promoting growth investment for expansion of our business fields not only in Japan but also overseas if there is any good opportunity that is financially manageable for us, taking into account our financial position.

Regarding return to shareholders, our basis is stable dividends, implementing share buy-

backs depending on the situation. We increased our dividend for FY2017 for the first time in three years by 2.5 yen per share from the year-end dividend. This is based on our projections that we will be able to secure a certain level of profit in FY2018, following on from FY2017. We will continue to strive to achieve steady earnings growth in the era of liberalization.

Annual dividend per share (yen)



*Toho Gas consolidated its shares at the ratio of 5 shares to 1 share of common stock effective October 1, 2017. Accordingly, dividend per share reflects the impact of the said consolidation of shares.

Share buy-backs (million yen)

Period	Purchase value
Feb.-May 2001	2,499
Nov. 2001-Mar. 2002	2,999
Nov. 2002-Jun. 2003	5,581
Aug. 2003	344
Nov. 2003-Jun. 2004	4,150
Dec. 2004-Mar. 2005	2,507
Feb.-Jun. 2006	1,746
Feb. 2007	2,668
Feb.-Mar. 2008	2,784
Dec. 2009-Mar. 2010	2,996
Mar.-Jun. 2011	2,751
May-Jun. 2015	2,999
May-Jun. 2016	2,381
Mar. 2017	2,199
May-Jul. 2017	2,994
Total	41,607

Q5 What is your future growth strategy?

A The three prefectures in the Tokai region where Toho Gas operates have a concentration of manufacturing industries, and the region is expected to continue to offer potential demand, thanks to redevelopment projects in the Nagoya Station and Sakae areas and the scheduled launch of the Linear Chuo Shinkansen maglev line. As a company based in the Tokai region, Toho Gas will strive to meet the energy demands in that region as well as various needs of customers, including reducing carbon emissions, through the expanded use of environmentally-friendly natural gas and provision of energy-saving and energy-generating

technologies.

The Toho Gas Group will strive to achieve steady growth in the city gas business based on our principles of being committed to supporting the lives of our customers and manufacturing activities as we grow together with the region, and expanding our share of the total energy market including LPG and electricity. In addition, we will work to strengthen the Group's businesses, including new businesses, with an eye on expanding our scope of business and revenue-earning sources.

Q5-1 What specific measures do you have?

A There is much potential demand for liquid fuel and other energy in our service area. We believe that making efforts to expand demand by promoting conversion to natural gas and stimulate the spread of cogeneration and GHP systems, while extending our gas pipeline network to expand our service area will drive the growth of our city gas business. In addition to taking these initiatives, we will work to establish a more robust business structure by stepping up our efforts to ensure the safety and security of services for gas equipment and appliances, promoting disaster-prevention measures to protect against disasters, such as a possible Nankai Trough earthquake, and boosting our competitiveness through the promotion of resource procurement diversification and operational efficiency improvement.

We will endeavor to expand our share of the total energy market by proposing the optimal use of energy, including LPG and electricity, to meet customer needs, as well as energy-saving diagnosis and solutions, and providing services including RakuRaku Kurashi Support (a service aimed at making customers' lives comfortable). To this end, we are working to strengthen our gas-filling and distribution network for our LPG

business and to secure stable and reasonably-priced electricity source in our electricity business.

To strengthen our Group's business, we will strive to expand existing Group businesses, such as the renovation and the comprehensive utility businesses, and leverage the expertise of the Group in our efforts to roll out new businesses, centering on energy and related businesses. We plan to revitalize the region through initiatives that embody our new model for energy supply and usage in the region, including the development of an environmentally-friendly smart town named Minato AQUUS, and establishment of Matsusaka Shin-denryoku, working in unity with the administrative authorities and promoting locally produced energy for local consumption, and hydrogen stations.

For overseas, we have advanced our gas distribution business in Portugal and are participating in the Ichthys LNG Project in Australia. In the future, we will continue to explore new business opportunities by assessing projects from the perspective of benefits derived to our businesses and leveraging our expertise.

Q5-2 What are your initiatives for ESG?

A Our initiatives for ESG are the essence of our business activities. For many years now, we have endeavored to realize a society in harmony with the environment (E) through the supply and high-degree application of natural gas. Also, to support these efforts, we have bolstered communication with stakeholders including customers, local communities, shareholders, investors, and employees (S), and strengthened corporate governance (G).

Recently, interest in the sustainability of companies among all stakeholders has grown, with the adoption of Sustainable Development Goals (SDGs) by the United Nations, and global expansion of ESG investment. In this context, we will appropriately respond to new issues related to each of Environmental, Social and Governance criteria by taking measures, such as promoting

the further reduction of carbon emissions and work-style reforms and accommodating revisions to the Corporate Governance Code, with an eye to managing operations of the Group to gain the trust and support of our stakeholders.

We believe that it is important to more clearly communicate the approach and initiatives of Toho Gas Group for improving our corporate value, including providing ESG and other non-financial information for our stakeholders. Consequently, we decided to upgrade the Environmental and Social Report and newly publish the Integrated Report. We hope that this report will be a useful tool for communication with all stakeholders, enabling them to gain a deeper understanding of Toho Gas Group, and we also welcome their feedback.