

[English Translation Originally Issued in the Japanese Language]

Security Identification Code: 9531

May 31, 2012

Dear Shareholders:

## NOTICE OF CONVOCATION OF THE 212th ANNUAL SHAREHOLDERS MEETING

We hereby would like to inform you of the 212th Annual Shareholders Meeting of Tokyo Gas Co., Ltd. (hereinafter, 'We' or 'the Company'), to be held as described below.

If you are unable to attend the meeting, you may exercise your voting rights through either of the methods described in the next page. In that case, we respectfully ask you to exercise your voting rights after reading the REFERENCE MATERIALS FOR THE SHAREHOLDERS MEETING starting from page 38.

Sincerely yours,

**Tsuyoshi Okamoto**

President, Representative Director

**TOKYO GAS CO., LTD.**

5-20, Kaigan 1-chome, Minato-ku, Tokyo

1. Date and Hour: 10 a.m., Thursday, June 28, 2012
2. Place: Tokyo Gas Building 2F  
5-20, Kaigan 1-chome, Minato-ku, Tokyo
3. Agenda:
  - (1) Matters to report:

'Business Report', 'Consolidated Financial Statements', 'Non-Consolidated Financial Statements', 'Independent Auditors' Report' and 'Audit Report' by the Board of Corporate Auditors on the Consolidated Financial Statements for the 212th fiscal year (from April 1, 2011 to March 31, 2012)
  - (2) Matters to resolve:

Proposal No. 1: Approval of the Appropriation of Surplus  
Proposal No. 2: Election of Eleven (11) Directors  
Proposal No. 3: Election of Two (2) Corporate Auditors

**4. Exercise of Voting Rights in Writing or via the Internet and other methods:**

**(1) Exercise of voting rights in Writing**

Please indicate your approval or disapproval for each proposal by placing a circle in the designated space in the enclosed CARD FOR EXERCISE OF VOTING RIGHTS, and return it by postal mail to us so that it arrives by 17:30 on Wednesday, June 27, 2012.

**(2) Exercise of voting rights via the Internet and other methods**

Please access the WEB-SITE FOR EXERCISE OF VOTING RIGHTS (<http://www.web54.net>) through a personal computer or a cell-phone and enter your voting code and password shown in the enclosed CARD FOR EXERCISE OF VOTING RIGHTS. Then, following the instructions on screen, please enter your approval or disapproval for each proposal and submit them by 17:30 on Wednesday, June 27, 2012.

If you exercise your voting rights via the Internet, please read 'Instruction for Exercise of Voting Rights via the Internet and other methods' starting from page 50.

**5. Other Matters Determined by the Board of Directors Regarding the Convocation of the Annual Shareholders Meeting:**

If duplicated votes are exercised both in Writing and via the Internet, the vote that arrives later shall be deemed valid.

If both of the duplicated votes arrive on the same date, the vote exercised via the Internet shall be deemed valid.

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- Note 1: For shareholders attending the Annual Shareholders Meeting, please do not mail the enclosed CARD FOR EXERCISE OF VOTING RIGHTS, but instead bring it to the meeting and present it at the reception desk upon arrival.
- Note 2: Based on the Company's Articles of Incorporation, you can delegate voting rights to only one proxy who is one of the shareholders holding voting rights. If a proxy will attend the meeting, please present the document certifying authority of such proxy, and your and the proxy's CARD FOR EXERCISE OF VOTING RIGHTS at the reception desk.
- Note 3: Please note that 'Notes to the Consolidated Financial Statements' and 'Notes to the Non-Consolidated Financial Statements,' which are parts of the Company's Consolidated Financial Statements, are posted on the Company's website given below, pursuant to laws and regulations and the provisions of the Company's Articles of Incorporation. Consolidated Financial Statements and Non-Consolidated Financial Statements provided in the ACCOMPANYING DOCUMENTS to this NOTICE OF CONVOCATION are a portion of the materials audited when the accounting auditor prepared the independent auditors' report.
- Note 4: Please note that in the event there are any revisions to the REFERENCE MATERIALS FOR THE SHAREHOLDERS MEETING, Business Report, Consolidated Financial Statements or Non-Consolidated Financial Statements, the notice for such revisions will be posted on the Company's website as below.

[Company's website <http://www.tokyo-gas.co.jp>]

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Special Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

<ACCOMPANYING DOCUMENTS>

Business Report

(From April 1, 2011 to March 31, 2012)

1. Matters Concerning Current State of Group Operations

(1) Business Conditions and Results

Although the Japanese economy was severely affected by the Great East Japan Earthquake, which struck on March 11, 2011, it has sustained a moderate recovery driven primarily by domestic demand.

Since the earthquake, while Japan's energy market has sought to address shortages of electrical power in the Tokyo metropolitan area as a short term challenges and the question to the nature of Japan's energy supply from a medium- to long-term perspective, society's expectations for natural gas have increased, because of the economic efficiency, stability of supplies, convenience, and environmentally friendly nature of natural gas. Against the backdrop of this economic situation and operating environment, the Tokyo Gas Group formulated 'The Tokyo Gas Group's Vision for Energy and the Future-Challenge 2020 Vision-' (the 'Challenge 2020 Vision'), under which the Group is implementing 'Enhancing the LNG Value Chain' by enhancement of added value and expansion of the areas covered.

Through these efforts, the sales volume of gas increased from the previous year. In addition, sales revenue from gas grew as a result of an adjustment to gas unit prices under the raw material cost adjustment system. As a result, consolidated sales rose by 14.3% from the previous year to ¥1,754,257 million.

On the other hand, operating expenses rose by 18.7% year on year to ¥1,677,181 million, because of high costs of gas as a raw material due to a rise in crude oil prices and the increased costs resulting from actuarial differences for retirement benefits, despite the Group's utmost efforts to restrict expenses and realize even better efficiency.

Consequently, operating income decreased by 37.1% year on year to ¥77,075 million and ordinary income decreased by 37.8% year on year to ¥75,620 million. Meanwhile, net income in this fiscal year under review declined by 51.8% year on year to ¥46,060 million after posting an extraordinary income, including a gain on sales of noncurrent assets of ¥3,010 million; extraordinary losses, such as a loss on reduction of noncurrent assets of ¥3,977 million; and income taxes-current.

We would like to report the review of results by operating segment, as follows.

1) City Gas Sales

Total customer numbers rose by 116 thousand during this fiscal year, to 10,855 thousand as of March 31, 2012. Gas sales volume increased by 3.0% year on year to 15,190,158 thousand cubic meters.

Of this aggregate volume, the volume of household-bound gas sold increased by 0.5% year on year to 3,537,509 thousand cubic meters as the household demand increased mainly for hot water and air-heating as a result of low temperatures in the winter. However, the household demand for hot water decreased in the spring because of high temperatures. The volume of business-bound gas sold (for commercial, public and medical uses) stood at 2,826,567 thousand cubic meters, down 7.1% year on year, because of decreased demand for air conditioning during a relatively cool summer and reduced operation of existing facilities from the effects of the earthquake and energy-conservation activities. The volume of industry-bound gas sold increased by 9.9% year on year to 6,855,861 thousand cubic meters due to higher utilization rates at existing facilities, combined with increased demand for power

generation associated with the effects of the earthquake and the full-year operations at Ohgishima Power Station Unit 2. The Group's wholesale supplies to other gas suppliers stood at 1,970,221 thousand cubic meters, up 1.2% year on year, due to increased wholesale customers demand driven by a relatively cold winter.

Net sales of the City Gas Sales segment increased by 14.9% year on year to ¥1,306,262 million as a result of an adjustment to unit prices under the raw material cost adjustment system in addition to an increase in the gas sales volume.

## 2) Gas Appliances and Installation Work

Sales of installation work increased due to an impact from an increase in the number of new installations, while sales of gas appliances rose as a result of efforts to develop and market gas cooking, water-heating, and air-conditioning appliances that offer high levels of safety and excel in terms of their environmental friendliness, comfort, convenience, and economic benefits. As a result, overall net sales of the Gas Appliances and Installation Work segment increased by 5.7% year on year to ¥187,628 million.

## 3) Other Energies

In the Other Energy segment, net sales increased by 36.7% year on year to ¥302,593 million, as sales related to the electricity business rose due to the effects of the earthquake and the full-year operations at the Ohgishima Power Station Unit 2.

## 4) Real Estate

In the Real Estate segment, net sales decreased by 9.5% year on year to ¥29,675 million due to a decrease in income from building rents.

## 5) Other

In the Other segment, net sales increased by 12.1% year on year to ¥181,880 million due to an increase in sales related to the construction business.

## (2) Group Capital Expenditures

Total capital expenditures for this fiscal year amounted to ¥146,413 million.

The total length of the pipeline network was extended by 1,001 kilometers during this fiscal year, to 59,575 kilometers as of March 31, 2012. Currently, New Negishi Line etc. are under construction.

## (3) Group Financing Activities

Our outstanding bond balance increased by ¥10,001 million due to the issuance of the 34th and 35th unsecured bonds despite the redemption of the 21st unsecured bonds. Loans increased by ¥31,660 million. As a result, consolidated interest-bearing liabilities increased by ¥41,661 million compared with the previous year-end, to ¥625,830 million.

#### (4) Prospective Challenges

The Great East Japan Earthquake, which occurred on March 11, 2011, has brought sweeping social and economic changes in Japan and given rise to a number of issues. In particular, the resulting nuclear power plant issue and power supply shortages have once again called into question the nature of Japan's energy supply, 1) Enhancement of the energy security that supports safe and secure living; 2) Energy cost reduction to support the rapid reconstruction and sustained growth of Japan; and 3) Energy system innovation to support energy conservation and CO<sub>2</sub> emissions reduction are the prioritized issues.

Against this backdrop, the Tokyo Gas Group formulated 'Challenge 2020 Vision' in November 2011, and has implemented initiatives under the sincere wishes to seek contribute to solving the above issues through the spread and expansion of natural gas through the 'Enhancing the LNG Value Chain.'

##### <Reduce Raw Materials Prices and Expand Overseas Operations>

While taking into consideration the balance between supply stability, price, and flexibility, we seek further diversification and expansion of supply sources and overseas upstream projects and lower raw materials prices through involvement in unconventional gas, such as CBM (coal bed methane) and shale gas, and small- and medium-scale LNG projects. Combined with it, we construct an overseas LNG value chain through expanding the overseas Natural Gas-fired thermal power generation business and other businesses, pursuing overseas expansion of the energy services and engineering businesses, which leverage the Tokyo Gas Group's strengths.

##### <Safe and Stable Supply of Energy>

We contribute to the enhancement of the energy security for the entire Kanto region through increasing the stability of the overall supply infrastructure by the construction of the Hitachi LNG Terminal while constructing production and supply infrastructure to cope with increases in gas demand. In addition, we make efforts to minimize areas subject to supply disruption when an earthquake occurs, and shorten the time for recovery. Moreover, we implement earthquake and tsunami countermeasures at LNG terminals and urban flood damage (such as localized torrential rain) countermeasures and others.

##### <Provide Energy Solutions Adapted to a Variety of Needs>

We spread and expand the use of distributed energy systems, such as ENE-FARM and cogeneration systems, and gas equipment including gas air conditioning, which contributes to peak saving, energy conservation, and CO<sub>2</sub> emissions reduction. We also promote to bring smart energy for home, office buildings and plants, which enables an area-wide optimal use of energy through the construction of a Smart Energy Network and utilization of smart meters. Furthermore, we implement renewable energy initiatives and promotion for advanced utilization of natural gas and fuel conversion as well as expansion of Natural Gas-fired thermal power generation.

##### <Pursue Technical Development and IT Utilization with a Focus on the Future>

With a view to the 2020s and beyond, we engage in developments of technologies relating to hydrogen and CO<sub>2</sub>, and research and development relating to methane hydrate, and make efforts to enable closer communication with customers by using IT.

Through the above initiatives, the Tokyo Gas Group will satisfy the needs of customers, society, and the times and strive to realize 'a prosperous, fulfilling way of life,' 'competitive domestic industries,' and 'an environment-friendly society where people can live in peace of mind.' We will remain keenly aware of our corporate social responsibility and pursue

sustained growth for the Group by engaging in transparent, fair management while aiming for harmonious coexistence with local communities.

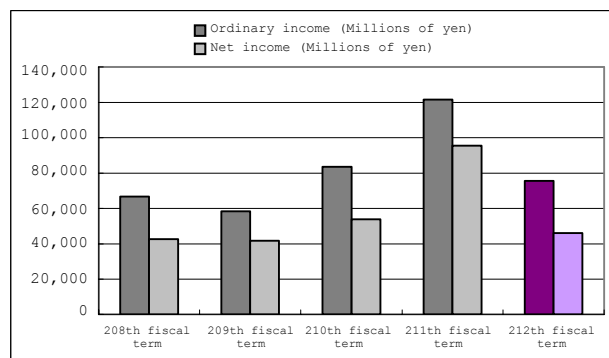
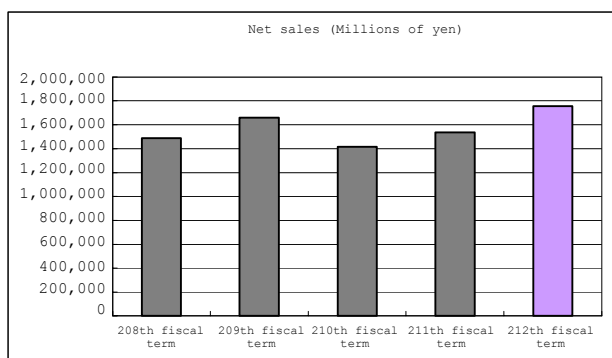
In addition, the Board of Directors resolved, at its meeting held on April 27, 2012, pursuant to the 'Policy on Determination of Dividends from Surplus and Others,' (for details, please refer to '7. Policy on Determination of Dividends from Surplus and Others' described later in this document), to set the ceiling on acquisition of own shares for FY2012 at ¥5,000 million (or 14 million shares), and the Company acquired 12,796 thousand shares for ¥4,999 million during the period from May 2 to May 15, 2012 by market transaction.

The Group will continue working to increase its corporate value and shareholder value and meet the expectations of both shareholders and customers. Toward that end, we will greatly appreciate your ongoing understanding and support.

#### (5) Changes in Status of Assets and Income and Loss

Categories (FY ended March 31)	208th fiscal term (2008)	209th fiscal term (2009)	210th fiscal term (2010)	211th fiscal term (2011)	212th fiscal term (2012)
Net sales (Millions of yen)	1,487,496	1,660,162	1,415,718	1,535,242	1,754,257
Ordinary income (Millions of yen)	66,832	58,337	83,519	121,548	75,620
Net income (Millions of yen)	42,487	41,708	53,781	95,467	46,060
Net income per share (Yen)	15.94	15.63	19.86	35.63	17.70
Total assets (Millions of yen)	1,703,651	1,764,185	1,840,972	1,829,661	1,863,885
Net assets (Millions of yen)	780,455	784,616	826,291	874,094	855,100
Net assets per share (Yen)	289.49	284.72	301.58	320.70	324.67

[Reference: Status of Assets and Income and Loss]



(6) Status of Principal Subsidiaries

Name of the company	The stated capital	Percentage of contribution of the Company (%)	Main business activities
TOKYO GAS AUSTRALIA PTY LTD	\$869,400 thousand	100.00	LNG upstream businesses in Australia
Tokyo Gas Urban Development Co., Ltd.	¥11,867 million	100.00	Real estate management, leasing and brokerage
Tokyo Gas International Holdings B.V.	EURO 54,734 thousand	100.00	Overseas investment project
Ohgishima Power Co., Ltd.	¥5,350 million	75.00	Generation, supply and sale of electricity
Tokyo Gas Toyosu Development Co., Ltd.	¥5,000 million	100.00	Management of the Toyosu site, etc.
Nagano Toshi Gas Inc.	¥3,800 million	89.22	City gas distribution
ENERGY ADVANCE Co., Ltd.	¥3,000 million	100.00	Energy service business
Gaster Co., Ltd.	¥2,450 million	66.67	Manufacture and sale of gas appliances
Tokyo LNG Tanker Co., Ltd.	¥1,200 million	100.00	Leasing of tankers delivering LNG/LPG and overseas shipping business
Tokyo Gas Energy Co., Ltd.	¥1,000 million	100.00	Sale of LPG
Capty Co., Ltd.	¥1,000 million	100.00	Design and construction of gas pipelines, water supply and sewage pipes, air-conditioning systems
Tokyo Gas Chemicals Co., Ltd.	¥1,000 million	100.00	Sale of industrial gases and tar products
Chiba Gas Co., Ltd.	¥480 million	100.00	City Gas distribution
Tokyo Gas Lease Co., Ltd.	¥450 million	100.00	Credit administration and leasing in connection with gas appliances and construction
TG Information Network Co., Ltd.	¥400 million	100.00	Information processing service business
Tokyo Gas Engineering Co., Ltd.	¥100 million	100.00	Comprehensive engineering services with a focus on energy-related works
Nijio Co., Ltd.	¥47 million	100.00	City gas distribution for electricity business

Note: The number of consolidated subsidiaries and equity-method affiliates including the above 17 principal subsidiaries were 71 companies.

(7) Status of Business Assignment, Corporate Separation by Absorption or Corporate Separation by Incorporation

The Board or Directors, at its meeting held on January 31, 2012, resolved to carry out an absorption-type split to have Nijio Co., Ltd., the Company's subsidiary, take over part of the operations related to the Company's LNG procurement, and executed it as of April 19, 2012.



## (8) Main Business Activities (As of March 31, 2012)

Business segment	Main business activities
City Gas Sales	Production, supply and sale of City gas
Gas Appliances and Installation Work	Manufacture and sale of gas appliances and accompanying work and gas installation work
Other Energies	Energy services, LPG, electric power, industrial gas, etc.
Real Estate	Leasing and management of land and buildings
Other	Construction business, information processing service, shipping business, credit/lease financial services, etc.

## (9) Main Business Offices and Factories (As of March 31, 2012)

## 1) The Company

Head Office	(Minato-ku, Tokyo)	
Service Branches ( <i>Shisha</i> and <i>Shiten</i> )	Middle Branch (Meguro-ku, Tokyo)	Southern Service Branch (Meguro-ku, Tokyo) Central Service Branch (Meguro-ku, Tokyo)
	West Branch (Suginami-ku, Tokyo)	Western Service Branch (Suginami-ku, Tokyo) Tama Service Branch (Tachikawa, Tokyo)
	East Branch (Arakawa-ku, Tokyo)	Eastern Service Branch (Koto-ku, Tokyo) Chiba Service Branch (Chiba, Chiba)
	North Branch (Kita-ku, Tokyo)	Northern Service Branch (Kita-ku, Tokyo) Saitama Service Branch (Saitama, Saitama)
	Kanagawa Branch (Yokohama, Kanagawa)	Yokohama Service Branch (Yokohama, Kanagawa) Kawasaki Service Branch (Kawasaki, Kanagawa) Western Kanagawa Service Branch (Fujisawa, Kanagawa)
	Hitachi Service Branch (Hitachi, Ibaraki), Johsoh Service Branch (Ryugasaki, Ibaraki), Gunma Service Branch (Takasaki, Gunma), Kumagaya Service Branch (Kumagaya, Saitama), Utsunomiya Service Branch (Utsunomiya, Tochigi)	
Pipeline Dept.	West Metropolitan Pipeline Regional Office (Shinjuku-ku, Tokyo), East Metropolitan Pipeline Regional Office (Arakawa-ku, Tokyo), Kanagawa Pipeline Regional Office (Yokohama, Kanagawa)	
LNG Terminals	Negishi LNG Terminal (Yokohama, Kanagawa), Sodegaura LNG Terminal (Sodegaura, Chiba), Ohgishima LNG Terminal (Yokohama, Kanagawa)	

Note: The Company abolished Middle Branch, West Branch, East Branch, North Branch, Chiba Service Branch, and Saitama Service Branch and established Chiba Branch and Saitama Branch as of April 1, 2012.

2) Principal subsidiaries

Name	Location of Head Office	Name	Location of Head Office
TOKYO GAS AUSTRALIA PTY LTD	Australia	Tokyo Gas Energy Co., Ltd.	Katsushika-ku, Tokyo
Tokyo Gas Urban Development Co., Ltd.	Shinjuku-ku, Tokyo	Capty Co., Ltd.	Shinagawa-ku, Tokyo
Tokyo Gas International Holdings B.V.	Netherlands	Tokyo Gas Chemicals Co., Ltd.	Minato-ku, Tokyo
Ohgishima Power Co., Ltd	Yokohama, Kanagawa	Chiba Gas Co., Ltd.	Sakura, Chiba
Tokyo Gas Toyosu Development Co., Ltd.	Minato-ku, Tokyo	Tokyo Gas Lease Co., Ltd.	Shinjuku-ku, Tokyo
Nagano Toshi Gas Inc.	Nagano, Nagano	TG Information Network Co., Ltd.	Minato-ku, Tokyo
ENERGY ADVANCE Co., Ltd.	Minato-ku, Tokyo	Tokyo Gas Engineering Co., Ltd.	Ota-ku, Tokyo
Gaster Co., Ltd.	Yamato, Kanagawa	Nijio Co., Ltd.	Minato-ku, Tokyo
Tokyo LNG Tanker Co., Ltd.	Minato-ku, Tokyo		

Note: The head office of TG Information Network Co., Ltd. was relocated from Shinagawa-ku, Tokyo as of August 29, 2011.

(10) Status of Employees (As of March 31, 2012)

1) Number of employees in the Group

Business segment	Number of employees (Change from previous year)	
City Gas Sales	6,898	(+123)
Gas Appliances and Installation Work	3,641	(-46)
Other Energies	978	(+44)
Real Estate	173	(±0)
Other	3,951	(+281)
Corporate	887	(-8)
Total	16,528	(+394)

Note: 'Number of employees' refers to permanent full-time staff and does not include temporary staff.

2) Number of employees in the Company

Number of employees (Change from previous year)	Average age (Years)	Average service years
7,774 (+74)	45.5	20.6

Notes: 1. 'Number of employees' refers to permanent full-time employees and employees seconded to the Company, and does not include employees seconded to other companies and temporary staff.  
2. 'Average age' and 'Average service years' do not include those of employees seconded to the Company.

(11) Major Creditors and Balance of Borrowings (As of March 31, 2012)

Creditor	Balance of borrowings (Millions of yen)
Japan Bank for International Cooperation	64,132
Mizuho Corporate Bank, Ltd.	31,876
Nippon Life Insurance Company	19,988
The Dai-ichi Life Insurance Company, Ltd.	18,300
Sumitomo Mitsui Banking Corporation	16,794
Syndicated Loan	15,000
Sumitomo Life Insurance Company	12,000
Mitsubishi UFJ Trust and Banking Corporation	10,600
The Norinchukin Bank	10,200
Development Bank of Japan Inc.	9,245

- Notes: 1. Japan Bank for International Cooperation was divested from Japan Finance Corporation and became a stock company which is wholly owned by the Japanese government, as of April 1, 2012.
2. Syndicated loan is a joint-financing instrument with Development Bank of Japan Inc. as the manager.

2. Matters Related to Shares of the Company (As of March 31, 2012)

(1) Aggregate number of authorized shares

Common share: 6,500,000,000 shares

(2) Aggregate number of shares issued

Common share: 2,590,715,295 shares  
(A year-on-year decrease of 93,478,000 shares)

Note: The aggregate number of shares issued decreased as indicated above from the cancellation of treasury share on August 12, 2011.

(3) Share trade unit

1,000 shares

(4) Number of shareholders

139,465

(5) Major shareholders

Name of shareholders	Number of shares held (Thousand shares)	Percentage of share ownership (%)
Nippon Life Insurance Company	163,000	6.31
Japan Trustee Services Bank, Ltd. (Trust Account)	135,537	5.24
The Dai-ichi Life Insurance Company, Ltd.	120,472	4.66
The Master Trust Bank of Japan, Ltd. (Trust Account)	96,948	3.75
SSBT ODO5 OMNIBUS ACCOUNT-TREATY CLIENTS	58,992	2.28
Tokyo Gas Group Employees Shareholding Association	46,927	1.82
Fukoku Mutual Life Insurance Company	41,103	1.59
Japan Trustee Services Bank, Ltd. (Trust Account 9)	40,493	1.57
Mizuho Trust & Banking Co., Ltd. Employee Pension Trust Dai-ichi Mutual Life Insurance Company Account Standby Trustee Trust & Custody Services Bank, Ltd.	35,490	1.37
Mitsubishi Corporation	27,959	1.08

Note: Percentage of share ownership is calculated by the number of shares excluding treasury share (6,005,359 shares).

(6) Other principal items regarding shares

1) Acquisition of own share

Common share: 93,608,142 shares

Total value of acquisitions: ¥ 34,046,573,899

2) Disposal of treasury share

Common share: 24,274 shares

Total value of disposition: ¥8,989,674

3) Cancellation of treasury share

Common share: 93,478,000 shares

Total value of cancellation: ¥34,196,121,960

4) Shares owned by the Company as of the balance sheet date

Common share: 6,005,359 shares

3. Matters Related to Share Option in Kind (As of March 31, 2012)

There are no items to report.

#### 4. Matters Related to Directors and Corporate Auditors of the Company

##### (1) Name, etc. of Directors and Corporate Auditors (As of March 31, 2012)

Name	Position	Areas of responsibility in the Company and 'Important concurrent posts'
Mitsunori Torihara	Director and Chairman of the Board	
Tsuyoshi Okamoto	President, Representative Director and Executive President	
Shigeru Muraki	Representative Director, Executive Vice President	Assistant to the President, Division Manager of Energy Solution Div. and General Manager of Volume Sales Dept. of Energy Solution Div.
Toshiyuki Kanisawa	Representative Director, Executive Vice President	Assistant to the President, in charge of Human Resources Dept., Secretarial Dept., Compliance Dept. and Internal Audit Dept.
Tsutomu Oya	Director, Senior Executive Officer	Division Manager of Energy Production Div. and in charge of Environment Dept.
Michiaki Hirose	Director, Senior Executive Officer	In charge of Corporate Planning Dept., Project Management Dept., Corporate Communication Dept., and Affiliated Companies Dept.
Mikio Itazawa	Director, Senior Executive Officer	Division Manager of Pipeline Network Div.
Kazuo Yoshino	Director, Senior Executive Officer	Division Manager of Information Technology Div., in charge of Finance and Managerial Accounting Dept. and Accounting Dept.
Katsuhiko Honda	Outside Director	Executive Advisor of Japan Tobacco Inc., Outside Director of Tokyo Stock Exchange Group, Inc., Outside Director of Tokyo Stock Exchange, Inc.
Yukio Sato	Outside Director	Vice Chairman of The Japan Institute of International Affairs
Ryuichi Tomizawa	Outside Director	Member of the Board and Chairman of Mitsubishi Chemical Holdings Corporation, Member of the Board of Mitsubishi Chemical Corporation, Outside Director of TAIYO NIPPON SANSO CORPORATION.
Kunihiro Mori	Standing Corporate Auditor	
Manabu Fukumoto	Standing Corporate Auditor	
Shoji Mori	Outside Corporate Auditor	Director Executive Adviser of Shinkin Central Bank
Yukio Masuda	Outside Corporate Auditor	Executive Consultant of Mitsubishi Corporation, Outside Director of Showa Shell Sekiyu K.K.
Masayuki Osawa	Outside Corporate Auditor	Outside Auditor of PACIFIC CONVENTION PLAZA YOKOHAMA

Notes: 1. Representative Director Toshiyuki Kanisawa was newly appointed Director and Executive Consultant as of April 1, 2012.

2. Director Tsutomu Oya, formerly Division Manager of Energy Production Div. and in charge of Environment Dept., assumed the post of Division Manager of Energy Production Div. as of April 1, 2012.
3. Director Michiaki Hirose, formerly in charge of Corporate Planning Dept., Project Management Dept., Corporate Communication Dept. and Affiliated Companies Dept., was newly appointed Representative Director and Executive Vice President as of April 1, 2012, and assumed the post of Assistant to the President and Division Manager of Living Energy Div.
4. Outside Corporate Auditor Shoji Mori has in-depth experiences in financial administration and is highly knowledgeable about financial and accounting matters.
5. Outside Corporate Auditor Masayuki Osawa has in-depth experiences in financial administration at a local government over many years and is highly knowledgeable about financial accounting matters.

## (2) Total Value of Remuneration of Directors and Corporate Auditors

Directors	(13 people):	¥480 million
Corporate Auditors	(6 people):	¥106 million
<b>Total</b>	<b>(19 people):</b>	<b>¥586 million</b>

- Notes:
1. The total number of Directors and Corporate Auditors includes two (2) Directors and one (1) Corporate Auditor retiring upon the conclusion of the 211th Annual Shareholders Meeting and the aggregate amount of remuneration paid includes the remuneration paid to these two Directors and one Corporate Auditor.
  2. Of the foregoing amount, the aggregate amount of remuneration paid to seven (7) Outside Officers (Outside Directors and Outside Corporate Auditors) was ¥64 million, which includes the remuneration paid to one (1) Outside Corporate Auditor retiring upon the conclusion of the 211th Annual Shareholders Meeting.
  3. The aggregate monthly remuneration payable to all Directors of up to ¥50 million was approved at the 205th Annual Shareholders Meeting, and the aggregate annual bonus payable to all Directors of up to ¥90 million was approved at the 206th Annual Shareholders Meeting.
  4. The aggregate monthly remuneration payable to all Corporate Auditors of up to ¥12 million was approved at the 190th Annual Shareholders Meeting.

## (3) Policy on Determination of Remuneration in Kind for Officer of the Company

As a means of enhancing its corporate governance, the Company sets forth its 'Basic Policy on Remuneration' and the Board or Directors, at its meeting held on February 23, 2012, resolved to revise it as follows:

- 1) Role of executive and remuneration
 

The role demanded of the executive is to seek to enhance short-term, medium- and long-term corporate value, and executive remuneration shall serve as an effective incentive for them to perform that role.
- 2) Level of remuneration
 

The level of executive compensation shall be suitable for the role, responsibility and performance of the executive.
- 3) Remuneration of Directors and its composition
  - i. Remuneration of Directors shall be paid within the scope of the remuneration limit approved at Shareholders Meeting.
  - ii. Remuneration of Inside Directors shall comprise monthly remuneration and bonus.
    - Monthly remuneration shall comprise fixed remuneration paid in accordance with the post of each individual and performance-linked remuneration. A portion of fixed remuneration shall be allocated to the purchase of shares based on a share-purchase guideline and from the standpoints of reflecting the perspectives of shareholders on management and improving shareholder value over the long term. The amount of performance-linked remuneration shall be determined after evaluating company-wide performance and performance of operating units from the standpoints of motivating Inside Directors to execute management strategies and reflecting their performance clearly in their remuneration.

- The amount of bonus to be paid shall be determined in accordance with the post of each Inside Directors after performance evaluation.
- iii. Remuneration of Outside Directors shall comprise monthly remuneration and bonus. Monthly remuneration shall comprise only fixed remuneration, while bonus shall be the same as that of Inside Directors.
- 4) Remuneration of Corporate Auditors and its composition
  - i. Remuneration of Corporate Auditors shall be paid within the scope of the remuneration limit approved at Shareholders Meeting and determined through discussions among Corporate Auditors.
  - ii. Remuneration of Corporate Auditors shall comprise only fixed monthly remuneration.
- 5) Assurance of objectivity and transparency of remuneration system
 

The Company shall assure the objectivity and transparency of the system of remuneration by establishing and operating the 'Advisory Committee' comprising Outside Directors, Outside Corporate Auditors and a number of Inside Directors (at least half of committee members shall be Outside Directors or Outside Corporate Auditors, and an Outside Director or an Outside Corporate Auditor shall be chairman) to govern the system of personnel affairs and remunerations of executives.

#### (4) Matters Related to Outside Officers

- 1) Outside Director Katsuhiko Honda
  - i. The relationship between the other legal person in kind, in which outside officer having the 'Important concurrent posts', with the Company:
 

There is no special relationship between the Company and the legal person in kind.
  - ii. Status of major activities during the business year under review
 

Mr. Honda has attended 10 of 11 Board of Directors meetings. Given his international career and managerial skills, Mr. Honda provides the Company with a wide variety of opinions on its management operations.

The Company designates Mr. Honda as the 'Independent Officer' (Independent Director), who will not have conflicting interests with general shareholders, and notified him to the listing stock exchanges (Tokyo Stock Exchange, Osaka Securities Exchange and Nagoya Stock Exchange).
- 2) Outside Director Yukio Sato
  - i. The relationship between the other legal person in kind, in which outside officer having the 'Important concurrent posts', with the Company:
 

There is no special relationship between the Company and the legal person in kind.
  - ii. Status of major activities during the business year under review
 

Mr. Sato has attended 9 of 11 Board of Directors meetings. Given his international way of thinking nurtured through diplomacy, wide perspective and in-depth knowledge, Mr. Sato provides the Company with a wide variety of opinions on its management operations.

The Company designates Mr. Sato as the 'Independent Officer' (Independent Director), who will not have conflicting interests with general shareholders, and notified him to the listing stock exchanges (Tokyo Stock Exchange, Osaka Securities Exchange and Nagoya Stock Exchange).

- 3) Outside Director Ryuichi Tomizawa
- i. The relationship between the other legal person in kind, in which outside officer having the 'Important concurrent posts', with the Company:  
There is no special relationship between the Company and the legal person in kind.
  - ii. Status of major activities during the business year under review  
Mr. Tomizawa has attended 9 of 9 Board of Directors meetings held after he was appointed at the 211th Annual Shareholders Meeting. Given his international way of thinking nurtured in the aggressive overseas penetration of the chemical industry, wide perspective and in-depth knowledge, Mr. Tomizawa provides the Company with a wide variety of opinions on its management operations.  
The Company designates Mr. Tomizawa as the 'Independent Officer' (Independent Director), who will not have conflicting interests with general shareholders, and notified him to the listing stock exchanges (Tokyo Stock Exchange, Osaka Securities Exchange and Nagoya Stock Exchange).
- 4) Outside Corporate Auditor Shoji Mori
- i. The relationship between the other legal person in kind, in which outside officer having the 'Important concurrent posts', with the Company:  
There is no special relationship between the Company and the legal person in kind.
  - ii. Status of major activities during the business year under review  
Mr. Mori has attended 10 of 11 Board of Directors meetings and 11 of 11 Board of Corporate Auditors meetings. Given his experiences, expert knowledge and deep insight nurtured in financial administration, Mr. Mori offers appropriate opinions both at meetings of the Board of Directors and the Board of Corporate Auditors.  
The Company designates Mr. Mori as the 'Independent Officer' (Independent Corporate Auditor), who will not have conflicting interests with general shareholders, and notified him to the listing stock exchanges (Tokyo Stock Exchange, Osaka Securities Exchange and Nagoya Stock Exchange).
- 5) Outside Corporate Auditor Yukio Masuda
- i. The relationship between the other legal person in kind, in which outside officer having the 'Important concurrent posts', with the Company:  
There is no special relationship between the Company and the legal person in kind.
  - ii. Status of major activities during the business year under review  
Mr. Masuda has attended 11 of 11 Board of Directors meetings and 11 of 11 Board of Corporate Auditors meeting. Given his excellent management capability and experiences nurtured at a major trading company and highly knowledgeable about energy business, Mr. Masuda offers appropriate opinions both at meetings of the Board of Directors and the Board of Corporate Auditors.  
The Company designates Mr. Masuda as the 'Independent Officer' (Independent Corporate Auditor), who will not have conflicting interests with general shareholders, and notified him to the listing stock exchanges (Tokyo Stock Exchange, Osaka Securities Exchange and Nagoya Stock Exchange).



- 6) Outside Corporate Auditor Masayuki Osawa
- i. The relationship between the other legal person in kind, in which outside officer having the 'Important concurrent posts', with the Company:  
There is no special relationship between the Company and the legal person in kind.
  - ii. Status of major activities during the business year under review  
Mr. Osawa has attended 11 of 11 Board of Directors meetings and 11 of 11 Board of Corporate Auditors meetings. Given the abundant experiences acquired at a local government and in-depth knowledge about financial administration, Mr. Osawa offers appropriate opinions both at meetings of the Board of Directors and the Board of Corporate Auditors.  
The Company designates Mr. Osawa as the 'Independent Officer' (Independent Corporate Auditor), who will not have conflicting interests with general shareholders, and notified him to the listing stock exchanges (Tokyo Stock Exchange, Osaka Securities Exchange and Nagoya Stock Exchange).

## 5. Status of Accounting Auditor (Independent Auditor)

### (1) Name of Accounting Auditor

KPMG AZSA LLC

### (2) Value of Remuneration of Accounting Auditor for this Business Year under Review

1) Total payments to Independent Auditor by the Company and its subsidiaries

¥289 million

2) Of the total amount listed in 1) above, remuneration and other payments to Independent Auditor by the Company

¥141 million

3) Of the total amount listed in 2) above, for auditing services provided under Article 2, Paragraph 1 of the Certified Public Accountants Act of Japan

¥117 million

Notes: 1. The auditing contract between the Company and the Accounting Auditor makes no distinction between auditing services based on the Companies Act and auditing services based on the Financial Instruments and Exchange Act. Since no real distinction can be made in practice, the amount listed in 3) above also includes payments for auditing services based on the Financial Instruments and Exchange Act, etc.

2. Of the principal subsidiaries of the Company, TOKYO GAS AUSTRALIA PTY LTD and Tokyo Gas International Holdings B.V. are audited by auditing firms other than the Accounting Auditor of the Company.

### (3) The Contents of Non-Audit Services

The Company commissions the Accounting Auditor to provide advisory services relating to IFRS, to prepare comfort letters at the time of bond issuance and to issue certificates pursuant to regulations on calculation of income and expenditures by gas business segment as non-audit services.

### (4) Policy on Determination to Dismiss or Refrain from Reappointing the Accounting Auditor

The Company appoints the Accounting Auditor by comprehensively taking into account their operating scale, track record, business execution structure and other pertinent factors and on condition that they are capable of executing fair and stringent accounting audits.

It is the policy of the Company to decide to dismiss or not reappoint the appointed Accounting Auditor in accordance with the provisions of Article 340, Paragraph 1 of the Companies Act or if, in light of the aforementioned appointment criteria, the Accounting Auditor is deemed to be incapable of executing fair and stringent accounting audits.

## 6. Basic Policy on Development of Corporate Structures and Systems for Ensuring Appropriateness of Operations

The Company passed a resolution to revise the 'Basic Policy on Development of Corporate Structures and Systems for Ensuring Appropriateness of Operations (Internal Control System) for the Tokyo Gas Group' at the meeting of its Board of Directors held on April 27, 2012 as follows:

### (1) Corporate structure and system for ensuring that Directors will execute their duties in conformity with the relevant acts, the Articles of Incorporation and other rules and regulations

1) The Company shall establish the 'Corporate Action Philosophy' and 'Our Code of Conduct' as the foundations of the compliance structure/system at the Company and its associated companies shall comply with them.

- 2) In order to ensure that its Directors and employees will comply with the 'Relevant Acts', the 'Management Principles', the 'Corporate Action Philosophy' and the 'Our Code of Conduct' the Company shall, pursuant to the provisions of the 'Business Ethics Committee Regulations', establish a Business Ethics Committee as a deliberating/coordinating organ to promote proper development/operation of the compliance structure and system at the Company and its associated companies.
  - 3) The Company shall appoint an appropriate number of Outside Directors and Executive Officers in order to clarify separation of supervisory functions of management from executive functions of management and strengthen the managerial decision-making and supervisory functions of the Board of Directors.
  - 4) The Company, in order to ensure objectivity and transparency of management, shall establish the advisory committee comprising Outside Directors, Outside Corporate Auditors and the Company's Directors as an advisory organ for deliberating on executive remuneration, etc.
  - 5) The Board of Directors, pursuant to the provisions of the 'Regulations of the Board of Directors', shall establish the 'Basic policy on Development of Internal Control System for the Company and its associated companies'.
  - 6) Directors charged with the execution of operations shall fulfill their role and responsibility for developing a system of internal controls in accordance with the basic policy determined by the Board of Directors.
  - 7) The Company shall establish 'Regulations Concerning the Formulation, Implementation and Evaluation of Internal Controls Covering Financial Reporting' and, based on these Regulations, evaluate the effectiveness of internal controls relating to financial reporting and ensure the reliability of financial reports.
  - 8) The Company shall establish 'Regulations Concerning Insider Trading Prevention and Timely Disclosure' and, based on these Regulations, prevent the practice of insider trading within the Company and its associated companies and ensure the appropriateness and promptness of information disclosure that is demanded of all listed corporations by the 'Securities Listing Regulations'.
  - 9) Directors, if they discover any matter that may exert a material influence on management of the Company and its associated companies, shall inform the Board of Directors and Corporate Auditors of the said matter without delay.
  - 10) The Company shall establish a corporate structure and system where Corporate Auditors would be empowered to audit the duties executed by Directors in accordance with the 'Corporate Audit Standards' established by the Board of Corporate Auditors.
- (2) **Corporate structure and system for preserving and managing information relevant to execution of Directors' duties**
- 1) The Company shall preserve and manage information relevant to execution of Directors' duties in a proper and secure manner according to preservation media and keep the said information available for inspection as needed, pursuant to the 'Document-handling Regulations' and the 'Information Security Management Regulations'.
- (3) **Corporate structure and system for ensuring that Directors' duties will be executed in an efficient manner**
- 1) The Board of Directors shall pass resolutions on the agendas submitted for deliberation and resolution pursuant to the provisions of the relevant acts, the Articles of Incorporation and the 'Regulations of the Board of Directors'. The Board of Directors, pursuant to the provisions of the said Regulations, shall in principle convene one meeting per month or convene one as needed. Of the agendas submitted to the Board of Directors, those agendas which require prior deliberations or are otherwise critical enough to affect management

- shall be deliberated on at the Management Committee comprising Executive President, Executive Vice Presidents and Senior Executive Officers.
- 2) Details of the persons in charge of executing operations based on the decisions of the Board of Directors, their responsibilities, and the relevant executing procedures shall be prescribed in the 'Regulations on Office Organization', 'Regulations on the Mission Statement', and 'Regulations on Official Responsibilities and Authorized Powers'.
  - 3) The Representative Director shall report the status of operational execution to the Board of Directors pursuant to the provisions of the 'Regulations of the Board of Directors'.
  - 4) The Board of Directors shall formulate medium- and long-term management strategies, etc., and, based on them, establish principal management objectives and verify progress periodically. The Board of Directors shall concurrently ensure that Directors execute their duties in an efficient and effective manner by setting annual objectives by operating unit and associated company and by managing operating performance.
- (4) Corporate structure, system and regulations on management of risks of loss**
- 1) The Board of Directors shall establish "Risk Management Regulations" to promote the management of risks incurred by the Company and its associated companies, as well as a Risk Management Committee and a risk management unit. In addition, the Board of Directors shall specify Group material risks as important risks associated with executing operations by the Company and its associated companies, and review them annually.
  - 2) All the units concerned with projects involving investments, equity participations, loans and debt guarantees shall evaluate their profitability and risks and, based on the said evaluation, submit the relevant agendas to the Management Committee or the Board of Directors for approval. Derivative transactions shall be executed pursuant to the provisions of the 'Regulations on Management of Market Risks'.
  - 3) In the event of any unforeseen circumstance such as a natural disaster, a manufacturing/supply trouble and a state of emergency, all the units concerned shall cope with the said circumstance in a prompt and proper manner by putting predetermined structures and systems in place in accordance with the 'Regulations on Emergency Countermeasures'.
  - 4) The Company shall establish a corporate structure and system that would cause each of its unit and associated companies to grasp risks associated with operational execution on its own, and manage such risks by formulating and implementing necessary countermeasures on its own.
- (5) Corporate structure and system for ensuring that employees will execute their duties in conformity with the relevant acts, the Articles of Incorporation, and other rules and regulations**
- 1) In order to facilitate proper development/operation of the compliance structure and system within the Company and its associated companies, the Company shall establish a Compliance Department. In addition, the Company shall establish a 'Tokyo Gas Group Compliance Consulting Unit' to offer consulting services for the whole of the Company and its associated companies on contraventions of the acts and the Articles of Incorporation and other questionable compliance-related practices and acts.
  - 2) The Company shall establish a legal affairs unit with the General Administration Department with a view to further bolstering the corporate structure and system in which it's Directors and employees will fully comply with the Antitrust Act, the Gas Enterprises Act, terms and conditions of gas supply, etc.
  - 3) The Company shall establish a corporate structure and system where Corporate Auditors would be empowered to audit the status of development/operation of its compliance structure and system and, if they detect or discover any problem, they would be entitled to demand that the situation be ameliorated.

- 4) The Company shall establish an Internal Audit Department which must operate independently of any unit executing operations. The Internal Audit Department shall audit the status/operation of accounting, operations, compliance, information system and risk management in the Company and its associated companies in accordance with the 'Internal Audit Regulations', and shall report its findings to the Management Committee and Corporate Auditors.
- (6) Corporate structure and system for ensuring appropriateness of operations at the corporate group including associated companies**
- 1) The Company shall demand that its associated companies establish those rules and regulations which would be necessary for ensuring compliance with the 'Corporate Action Philosophy' and the 'Our Code of Conduct' and the appropriateness of operations. Each one of the associated companies' Directors and Corporate Auditors shall assume the duty of due care and diligence of a good manager in ensuring the appropriateness of operations.
  - 2) The Company shall prescribe 'Regulations on the Management of Associated Companies', and establish a corporate structure and system where its Directors would be empowered to manage its associated companies by approving and receiving reports on important matters including those related to its exercise of shareholder's rights vis-à-vis the associated companies. The Company shall retain part of its powers over associated companies' business operations.
  - 3) The Company shall establish a corporate structure and system where, if for purposes of associated company management any of its associated companies is found to have a compliance-related problem including contravention of the acts or the Articles of Incorporation, the relevant associated company would be required to report such a problem to Compliance Department or other units of the Company as appropriate. In connection with the said problem, each one of the relevant associated company's Director and Corporate Auditors shall assume the duty of due care and diligence of a good manager.
  - 4) If any of the Company's Directors detects or discovers any principal compliance-related problem at any associated company including contravention of the acts or the Articles of Incorporation, he/she shall report the said problem to the Management Committee and Corporate Auditors without delay.
  - 5) The Company shall establish a corporate structure and system where its Corporate Auditors would be able to conduct their audits of associated companies in an efficient and effective manner in close coordination with Corporate Auditors of the relevant associated companies and Internal Audit Department. The Company shall also establish a corporate structure and system where, if audit findings reveal the presence of a problem in ensuring the appropriateness of operations of the whole of the Company and its associated companies, Corporate Auditors would be empowered to demand that the relevant Director ameliorate the situation.
  - 6) The Company shall establish a corporate structure and system where Internal Audit Department would be able to conduct its audits of associated companies in an efficient and effective manner in close coordination with the Corporate Auditors of the Company and associated companies, and report its findings to the Management Committee, Corporate Auditors, and the Directors and Corporate Auditors of the relevant associated companies.
- (7) Matters related to employees who are assigned to assist in the duties of Corporate Auditors, and matters related to independence of the relevant employees from Directors**
- 1) With the aim of providing its Corporate Auditors with necessary assistance, the Company shall establish a Corporate Auditors' Office

- staffed by full-time personnel who would operate independently of any unit executing operations.
- 2) The Board of Directors shall pass a resolution on appointment or dismissal of the manager of the Corporate Auditors' Office subject to consent of Corporate Auditors. The Board of Directors shall decide on human resources-related matters of the said manager and other employees subject to consent of Corporate Auditors.
- (8) Corporate structures and systems for reporting by Directors and employees to Corporate Auditors, for reporting to other Corporate Auditors, and for ensuring that Corporate Auditors' audits will be executed in an effective manner**
- 1) The Company shall establish a corporate structure and system where its Corporate Auditors would be able to demand, as needed, that Directors and employees inform them of any matters necessary for execution of their duties.
  - 2) The Company shall guarantee that Corporate Auditors will have an opportunity to exchange views with Directors as needed; that they will be allowed to attend principal meetings and express their views on lawfulness, etc. as needed; and that they will have access to important information.
  - 3) The Company shall establish a corporate structure and system where its Corporate Auditors would be able to ensure the effectiveness of their audits by coordinating with Independent Auditor, Corporate Auditors of its associated companies and Internal Audit Department.

**7. Policy on Determination of Dividends from Surplus and Others**

Based on "Challenge 2020 Vision" formulated by the Company, the Board of Directors resolved, at its meeting held on January 31, 2012, the following policy on dividends from surplus and others.

The Company will apply the cash flow it has generated based on "Challenge 2020 Vision" to investments in 'enhancing the LNG value chain,' which is aimed at new growth, and will simultaneously allocate the results of its management to the shareholders in an appropriate and timely manner.

Specifically, the Company has positioned acquisition of its own shares based on assumption of retirement, in addition to dividends, as a form of its return to the shareholders, and has set the targeted gross distribution propensity (the ratio of the amount of dividends and acquisition of its own shares to consolidated net income) at about 60% for each year until FY2020.

Moreover, by maintaining stable dividends, and comprehensively considering medium- and long-term profit levels, the Company will gently increase its dividends in line with growth.

(*) n FY gross distribution propensity	=	$\frac{(n \text{ FY total dividends}) + (n+1 \text{ FY acquisition of own shares})}{n \text{ FY consolidated net income}}$
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## 8. Basic Policy on Control of a Joint-Stock Corporation

Based on 'Challenge 2020 Vision,' the Company passed at the meeting of its Board of Directors held on January 31, 2012, a resolution on amendment of the 'Basic Policy on the Management Principles and Control of the Tokyo Gas Group' as follows:

The Tokyo Gas Group supplies city gas in a safe and stable manner to roughly ten million accounts of corporate and individual customers mainly in the greater metropolitan Tokyo region, and conducts businesses of extremely high public interest by offering the best possible mixture of various energies including gas, heat and electricity and their added values, and by helping customers lead a comfortable life and build environment-friendly cities. The Group makes it one of its fundamental principles to continue to grow while enjoying a constant trust of its customers and shareholders.

On the strength of this management principle and medium- and long-term business strategy, it is the basic management policy of the Company to achieve stable long-term management and steady enhancement of corporate value by simultaneously allocating profits to its customers, shareholders and other stakeholders in a stable and balanced manner. The Company will distribute the financial returns to shareholders based on the 'Policy on Determination of Dividends from Surplus and Others' prescribed separately.

The Company, as a listed company, expects it could be posed by any party attempting to acquire a massive quantity of its shares or making a buyoff proposal, but whether to accept it should ultimately be determined by the intent of the entire body of the Company's shareholders. By looking at their purpose, method and others, however, the Company considers some of these massive share-purchasing attempts could damage its corporate value and joint interests of its customers and shareholders, and would find them to be inappropriate. In making this judgment, the Company would carefully examine impacts the relevant act of purchasing or buyoff proposal might have on the Company's corporate value and joint interests of customers and shareholders on the basis of the relevant purchaser's actual business operations, future business plans, past investment behavior, etc.

The Company considers 'increasing corporate value' is the most effective defensive measure against an act of inappropriate massive share-purchasing. At this particular time, no specific threat to the Company is being posed by buyoff, and the Company does not currently intend to have any specific predetermined measures (the so-called 'poison pills') in place. However, the Company does intend to constantly watch the conditions of the trading of its shares and will take immediate countermeasures as deemed appropriate if any party is found to be attempting to acquire a massive quantity of its shares.

[English Translation of Financial Statements Originally Issued in the Japanese Language]

Consolidated Balance Sheet

As of March 31, 2012

(Millions of yen)

<b>ASSETS</b>	
<b>Noncurrent Assets</b> .....	1,373,023
Property, plant and equipment .....	1,105,587
Production facilities .....	171,318
Distribution facilities .....	475,262
Service and maintenance facilities .....	62,740
Other facilities .....	304,245
Inactive facilities .....	316
Construction in progress .....	91,705
Intangible assets .....	48,729
Goodwill .....	741
Other .....	47,987
Investments and other assets .....	218,706
Investment securities .....	131,305
Long-term loans receivable .....	24,164
Deferred tax assets .....	35,060
Other .....	28,926
Allowance for doubtful accounts .....	(750)
<b>Current Assets</b> .....	490,861
Cash and deposits .....	80,149
Notes and accounts receivable-trade .....	211,969
Lease receivables and lease investment assets .....	27,751
Short-term investment securities .....	44,006
Merchandise and finished goods .....	3,538
Work in process .....	10,734
Raw materials and supplies .....	42,700
Deferred tax assets .....	12,499
Other .....	58,161
Allowance for doubtful accounts .....	(649)
<b>Total Assets</b> .....	<b>1,863,885</b>



(Millions of yen)

<b>LIABILITIES AND NET ASSETS</b>	
<b>LIABILITIES</b>	
<b>Noncurrent Liabilities</b> .....	695,920
Bonds payable .....	331,493
Long-term loans payable .....	231,520
Deferred tax liabilities .....	12,229
Provision for retirement benefits .....	85,578
Provision for gas holder repairs .....	3,268
Provision for safety measures .....	2,217
Asset retirement obligations .....	4,679
Other .....	24,931
<b>Current Liabilities</b> .....	312,864
Current portion of noncurrent liabilities .....	43,631
Notes and accounts payable-trade .....	92,660
Short-term loans payable .....	16,599
Income taxes payable .....	30,479
Deferred tax liabilities .....	6
Asset retirement obligations .....	199
Other .....	129,288
<b>Total Liabilities</b> .....	<b>1,008,785</b>
<b>NET ASSETS</b>	
<b>Shareholders' Equity</b> .....	848,333
Capital stock .....	141,844
Capital surplus .....	2,065
Retained earnings .....	706,620
Treasury stock .....	(2,196)
<b>Accumulated Other Comprehensive Income</b> .....	(9,166)
Valuation difference on available-for-sale securities .....	14,853
Deferred gains or losses on hedges .....	(1,370)
Foreign currency translation adjustment .....	(22,649)
<b>Minority Interests</b> .....	15,933
<b>Total Net Assets</b> .....	<b>855,100</b>
<b>Total Liabilities and Net Assets</b> .....	<b>1,863,885</b>

Consolidated Statement of Income  
From April 1, 2011 to March 31, 2012

	(Millions of yen)
Net sales.....	1,754,257
Cost of sales.....	1,215,427
<b>[Gross profit].....</b>	<b>[538,829]</b>
Supply and sales expenses.....	393,689
General and administrative expenses.....	68,064
<b>[Operating income].....</b>	<b>[77,075]</b>
Non-operating income.....	15,568
Interest income.....	1,368
Dividends income.....	1,798
Equity in earnings of affiliates.....	4,989
Rent income.....	1,628
Miscellaneous income.....	5,783
Non-operating expenses.....	17,023
Interest expenses.....	10,184
Adjustments of charges for construction of distribution facilities.....	2,567
Miscellaneous expenses.....	4,272
<b>[Ordinary income].....</b>	<b>[75,620]</b>
Extraordinary income.....	3,010
Gain on sales of noncurrent assets.....	3,010
Extraordinary losses.....	3,977
Impairment loss.....	1,143
Loss on reduction of noncurrent assets.....	2,833
<b>[Income before income taxes].....</b>	<b>[74,654]</b>
Income taxes-current.....	22,704
Income taxes-deferred.....	4,620
Income before minority interests.....	47,329
Minority interests in income.....	1,268
<b>Net income.....</b>	<b>46,060</b>

## Consolidated Statement of Changes in Net Assets

From April 1, 2011 to March 31, 2012

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
<b>Balance as of April 1, 2011</b>	141,844	2,065	718,439	(2,355)	859,994
<b>Changes of items during the period</b>					
Dividends from surplus			(23,683)		(23,683)
Net income			46,060		46,060
Purchase of treasury stock				(34,046)	(34,046)
Disposal of treasury stock				8	8
Retirement of treasury stock			(34,196)	34,196	
Net changes of items other than shareholders' equity	/	/	/	/	/
<b>Total changes of items during the period</b>	-	-	(11,819)	158	(11,661)
<b>Balance as of March 31, 2012</b>	141,844	2,065	706,620	(2,196)	848,333

	Accumulated other comprehensive income				Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income		
<b>Balance as of April 1, 2011</b>	14,788	1,145	(17,008)	(1,073)	15,174	874,094
<b>Changes of items during the period</b>						
Dividends from surplus	/	/	/	/	/	(23,683)
Net income	/	/	/	/	/	46,060
Purchase of treasury stock	/	/	/	/	/	(34,046)
Disposal of treasury stock	/	/	/	/	/	8
Retirement of treasury stock	/	/	/	/	/	-
Net changes of items other than shareholders' equity	64	(2,516)	(5,640)	(8,092)	759	(7,333)
<b>Total changes of items during the period</b>	64	(2,516)	(5,640)	(8,092)	759	(18,994)
<b>Balance as of March 31, 2012</b>	14,853	(1,370)	(22,649)	(9,166)	15,933	855,100

**Independent Auditor's Report**

May 14, 2012

The Board of Directors  
Tokyo Gas Co., Ltd.

KPMG AZSA LLC

Seiichi Sasa (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Koji Kakinuma (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Masaru Miura (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the related notes of Tokyo Gas Co., Ltd. as at March 31, 2012 and for the year from April 1, 2011 to March 31, 2012 in accordance with Article 444-4 of the Companies Act.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the consolidated financial statements based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the

effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and the results of operations of Tokyo Gas Co., Ltd. and its consolidated subsidiaries for the period, for which the consolidated financial statements were prepared, in accordance with accounting principles generally accepted in Japan.

**Other Matter**

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

**Notes to the Reader of Independent Auditor's Report:**

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

[English Translation of Financial Statements Originally Issued in the Japanese Language]

Non-Consolidated Balance Sheet

As of March 31, 2012

(Millions of yen)

<b>ASSETS</b>	
<b>Noncurrent Assets</b> .....	1,188,573
Property, plant and equipment .....	745,989
Production facilities .....	172,382
Distribution facilities .....	454,569
Service and maintenance facilities .....	57,584
Facilities for incidental businesses .....	2,920
Inactive facilities .....	316
Construction in progress .....	58,216
Intangible assets .....	26,389
Leasehold right .....	1,519
Software .....	17,857
Other .....	7,013
Investments and other assets .....	416,194
Investment securities .....	60,596
Investments in subsidiaries and affiliates .....	217,010
Long-term loans receivable .....	90
Long-term loans receivable from subsidiaries and affiliates ....	92,360
Investments in capital .....	13
Long-term prepaid expenses .....	15,908
Deferred tax assets .....	27,016
Other .....	4,125
Allowance for doubtful accounts .....	(928)
<b>Current Assets</b> .....	355,025
Cash and deposits .....	16,005
Notes receivable-trade .....	1,520
Accounts receivable-trade .....	136,363
Accounts receivable from subsidiaries and affiliates-trade ....	44,900
Accounts receivable-other .....	11,284
Short-term investment securities .....	44,001
Finished goods .....	132
Raw materials .....	26,363
Supplies .....	8,024
Advance payments .....	1,848
Prepaid expenses .....	969
Short-term loans receivable from subsidiaries and affiliates ...	20,515
Short-term receivables from subsidiaries and affiliates .....	2,549
Deferred tax assets .....	8,704
Other .....	32,620
Allowance for doubtful accounts .....	(778)
<b>Total Assets</b> .....	1,543,598

(Millions of yen)

<b>LIABILITIES AND NET ASSETS</b>	
<b>LIABILITIES</b>	
<b>Noncurrent Liabilities</b> .....	569,003
Bonds payable .....	317,693
Long-term loans payable .....	165,553
Long-term debt to subsidiaries and affiliates .....	366
Provision for retirement benefits .....	75,023
Provision for gas holder repairs .....	2,933
Provision for safety measures .....	2,217
Other .....	5,215
<b>Current Liabilities</b> .....	283,862
Current portion of noncurrent liabilities .....	30,599
Accounts payable-trade .....	48,434
Accounts payable-other .....	35,999
Accrued expenses .....	32,883
Income taxes payable .....	23,502
Advances received .....	5,242
Deposits received .....	3,476
Short-term loans payable to subsidiaries and affiliates .....	60,654
Accounts payable to subsidiaries and affiliates .....	18,059
Accrued expenses of subsidiaries and affiliates .....	19,960
Short-term debt to subsidiaries and affiliates .....	1,188
Other .....	3,864
<b>Total Liabilities</b> .....	<b>852,866</b>
<b>NET ASSETS</b>	
<b>Shareholders' Equity</b> .....	676,329
Capital stock .....	141,844
Capital stock .....	141,844
Capital surplus .....	2,065
Legal capital surplus .....	2,065
Retained Earnings .....	534,616
Legal retained earnings .....	35,454
Other retained earnings .....	499,161
Reserve for advanced depreciation of noncurrent assets .....	856
Reserve for overseas investment loss .....	9,693
Reserve for adjustment of cost fluctuations .....	141,000
General reserve .....	299,000
Retained earnings brought forward .....	48,611
Treasury stock .....	(2,196)
Treasury stock .....	(2,196)
<b>Valuation and Translation Adjustments</b> .....	14,402
Valuation difference on available-for-sale securities .....	14,412
Valuation difference on available-for-sale securities .....	14,412
Deferred gains or losses on hedges .....	(9)
Deferred gains or losses on hedges .....	(9)
<b>Total Net Assets</b> .....	<b>690,732</b>
<b>Total Liabilities and Net Assets</b> .....	<b>1,543,598</b>

## Non-Consolidated Statement of Income

From April 1, 2011 to March 31, 2012

(Millions of yen)

Product sales .....	1,216,536
Gas sales .....	1,216,536
Cost of sales .....	766,874
Beginning inventories .....	106
Cost of products manufactured .....	756,566
Purchase of finished goods .....	13,249
Costs of gas for own use .....	2,916
Ending inventories .....	132
<b>[Gross profit] .....</b>	<b>[449,662]</b>
Supply and sales expenses .....	345,060
General and administrative expenses .....	69,557
<b>[Income on core business] .....</b>	<b>[35,044]</b>
Miscellaneous operating revenue .....	153,949
Revenue from installation work .....	37,528
Revenue from gas appliance sales .....	108,426
Third party access revenue .....	261
Other miscellaneous operating revenue .....	7,732
Miscellaneous operating expenses .....	145,734
Expenses of installation work .....	37,532
Expenses of gas appliances sales .....	108,201
Revenue for incidental businesses .....	179,857
Revenue from LNG sales .....	75,904
Revenue from power sales .....	79,108
Revenue from other incidental businesses .....	24,843
Expenses for incidental businesses .....	171,712
Expenses for LNG sales .....	74,501
Expenses for power sales .....	72,095
Expenses for other incidental businesses .....	25,115
<b>[Operating income] .....</b>	<b>[51,403]</b>
Non-operating income .....	22,490
Interest income .....	1,760
Interest on securities .....	6
Dividends income .....	1,498
Dividends from subsidiaries and affiliates .....	6,827
Rent income .....	4,412
Premature repayment adjustments .....	2,480
Miscellaneous income .....	5,503
Non-operating expenses .....	13,949
Interest expenses .....	2,790
Interest on bonds .....	5,936
Amortization of bond issuance cost .....	178
Adjustments of charges for construction of distribution facilities .....	2,639
Miscellaneous expenses .....	2,405
<b>[Ordinary income] .....</b>	<b>[59,943]</b>
Extraordinary income .....	2,974
Gain on sales of noncurrent assets .....	2,974
Extraordinary losses .....	3,038
Impairment loss .....	204
Loss on reduction of noncurrent assets .....	2,833
<b>[Income before income taxes] .....</b>	<b>[59,880]</b>
Income taxes-current .....	14,670
Income taxes-deferred .....	9,510
<b>Net income .....</b>	<b>35,700</b>



Non-Consolidated Statement of Changes in Net Assets  
From April 1, 2011 to March 31, 2012

(Millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings					
		Legal capital surplus	Total capital surplus		Reserve for advanced depreciation of noncurrent assets	Reserve for overseas investment loss	Reserve for adjustment of cost fluctuations	General reserve	Retained earnings brought forward	Total retained earnings
Balance as of April 1, 2011	141,844	2,065	2,065	35,454	909	6,104	141,000	299,000	74,327	556,795
Changes of items during the period										
Provision of reserve for advanced depreciation of noncurrent assets					77				(77)	
Reversal of reserve for advanced depreciation of noncurrent assets					(130)				130	
Provision of reserve for overseas investment loss						3,588			(3,588)	
Dividends from surplus									(23,683)	(23,683)
Net income									35,700	35,700
Purchase of treasury stock										
Disposal of treasury stock										
Retirement of treasury stock									(34,196)	(34,196)
Net changes of items other than shareholders' equity										
Total changes of items during the period	-	-	-	-	(53)	3,588	-	-	(25,715)	(22,179)
Balance as of March 31, 2012	141,844	2,065	2,065	35,454	856	9,693	141,000	299,000	48,611	534,616

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total Valuation and translation adjustments	
Balance as of April 1, 2011	(2,355)	698,350	14,388	1,242	15,630	713,980
Changes of items during the period						
Provision of reserve for advanced depreciation of noncurrent assets						-
Reversal of reserve for advanced depreciation of noncurrent assets						-
Provision of reserve for overseas investment loss						-
Dividends from surplus		(23,683)				(23,683)
Net income		35,700				35,700
Purchase of treasury stock	(34,046)	(34,046)				(34,046)
Disposal of treasury stock	8	8				8
Retirement of treasury stock	34,196					-
Net changes of items other than shareholders' equity			24	(1,251)	(1,227)	(1,227)
Total changes of items during the period	158	(22,021)	24	(1,251)	(1,227)	(23,248)
Balance as of March 31, 2012	(2,196)	676,329	14,412	(9)	14,402	690,732

**Independent Auditor's Report**

May 14, 2012

The Board of Directors  
Tokyo Gas Co., Ltd.

KPMG AZSA LLC

Seiichi Sasa (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Koji Kakinuma (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Masaru Miura (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

We have audited the financial statements, comprising the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the supplementary schedules of Tokyo Gas Co., Ltd. as at March 31, 2012 and for the year from April 1, 2011 to March 31, 2012 in accordance with Article 436-2-1 of the Companies Act.

**Management's Responsibility for the Financial Statements and Others**

Management is responsible for the preparation and fair presentation of the financial statements and the supplementary schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements and the supplementary schedules that are free from material misstatements, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statements and the supplementary schedules based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the supplementary schedules. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements and the supplementary schedules, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements and the supplementary schedules in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's

internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of Tokyo Gas Co., Ltd. for the period, for which the financial statements and the supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

**Other Matter**

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

**Notes to the Reader of Independent Auditor's Report:**

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

## AUDIT REPORT

The Board of Corporate Auditors (the 'Board'), having deliberated on the audit reports prepared by Corporate Auditors on the execution of the duties of Directors for the 212th business year from April 1, 2011 to March 31, 2012, does hereby report on its audit findings as follows:

### 1. Method and Contents of Audit by Corporate Auditors and the Board

- (1) The Board set the audit policy, audit plan, etc., debriefed Corporate Auditors on the status of execution and results of their audits, debriefed Directors and Independent Auditors on the status of execution of their duties, and requested explanations as needed.
- (2) While maintaining proper communication with Directors, internal audit staff and other employees, Corporate Auditors executed their audits in the manner described below in conformity with the corporate auditors' audit standard established by the Board and in accordance with the audit policy, audit plan, etc. established by the Board.
  - 1) Corporate Auditors attended the meetings of the Board of Directors, the Management Committee and other important meetings of the Company, debriefed Directors and employees on the status of execution of their duties as needed, inspected important documents, and examined the status of business operations and properties at the head office and main business units.  
With respect to the subsidiaries, Corporate Auditors examined the status of subsidiaries' operations and properties by maintaining proper communication with subsidiaries' Directors, Corporate Auditors, etc. and physically visiting some of them as necessary.
  - 2) Corporate Auditors and the Board examined the contents of the resolutions of the Board of Directors on the development of the corporate structure and system to ensure that execution by Directors of their duties conformed to the provisions of the relevant acts and the Articles of Incorporation and of the corporate structure and system which are prescribed in Article 100, Paragraphs 1 and 3 of the 'Enforcement Regulations of the Companies Act' as being necessary for ensuring the appropriateness of operations of a joint-stock corporation, as well as the status of the corporate structure and system (internal control system) put in place by the said resolutions.  
With respect to internal control covering financial reporting, the Corporate Auditors debriefed the Directors and KPMG AZSA LLC on evaluation of the said internal control and status of audit and requested explanations as needed.
  - 3) Corporate Auditors further discussed the contents of the Basic Policy, prescribed in Article 118, Item 3 of the 'Enforcement Regulations of the Companies Act', stated in the Business Report based on deliberation at meetings of the Board of Directors and other occasions.
  - 4) Corporate Auditors and the Board debriefed Independent Auditors on the status of execution of their duties, and requested explanations as needed. In addition, Corporate Auditors and the Board were informed by Independent Auditors that they were developing the 'structure and system to ensure that their duties would be executed in a proper manner' (items prescribed in Article 131 of the 'Company Calculation Regulations') in accordance with 'Quality Control Standard for Auditing' (by Business Accounting Council dated October 28, 2005), and requested explanations as needed.

Based on the aforementioned methods, Corporate Auditors and the Board examined the Company's Business Report, Financial Statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets, and the notes to the non-consolidated financial statements), their supporting schedules, and Consolidated Financial Statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets, and the notes to the consolidated financial statements) for the business year under review.

2. Results of Audit

(1) Results of audit of Business Report and its supporting schedules

- 1) The Business Report and its supporting schedules present fairly the status of the Company in conformity with the relevant acts and the Articles of Incorporation.
- 2) No misconduct or material fact running counter to the relevant acts or the Articles of Incorporation has been found in respect of execution of Directors' duties.
- 3) The contents of the Board of Directors' resolution on the internal control system are fair and reasonable. The execution by Directors of their duties related to the said internal control system, including the internal control covering financial reporting, has no specific problems which have to be pointed out.
- 4) The contents of basic policy for appointed ruler, who decide the Company's policy of Finance and Business described on the Business Report has no specific problems which have to be pointed out.

(2) Results of audit of financial statements and their supporting schedules

The audit methods adopted and the results of audit rendered by KPMG AZSA LLC, Independent Auditors, are fair and reasonable.

(3) Results of audit of consolidated financial statements

The audit methods adopted and the results of audit rendered by KPMG AZSA LLC, Independent Auditors, are fair and reasonable.

May 17, 2012

Tokyo Gas Co., Ltd. Board of Corporate Auditors	
Kunihiro Mori	Standing Corporate Auditor
Manabu Fukumoto	Standing Corporate Auditor
Shoji Mori	Outside Corporate Auditor
Yukio Masuda	Outside Corporate Auditor
Masayuki Osawa	Outside Corporate Auditor

[English Translation Originally Issued in the Japanese Language]

REFERENCE MATERIALS FOR THE SHAREHOLDERS MEETING

**Proposals and References**

**Proposal No. 1: Approval of the Appropriation of Surplus**

We hereby would like to propose that surplus be appropriated in the manner described below:

**Dividends from surplus (year-end dividends)**

Based on the Company's 'Policy on Determination of Dividends from Surplus and Others' (see Page 22) and the Company will pay a year-end dividend of ¥4.5 per share.

Together with the midterm dividend of ¥4.5 per share, the total dividend to be paid during the year is ¥9 per share.

**(1) Allocation of dividend property and its aggregate amount:**

Cash ¥4.5 per share

Aggregate amount of dividends ¥11,631,194,712

**(2) Dividend effective date**

Friday, June 29, 2012

**Proposal No. 2: Election of Eleven (11) Directors**

The term of office of all the current eleven (11) Directors ends at the conclusion of this Annual Shareholders Meeting. Accordingly, we hereby would like to propose that you elect eleven (11) Directors.

The nominees for Directors are as follows:

No.	Name (Date of birth)	Career summaries, position and areas of responsibility in the Company [Important concurrent posts]	Number of the Company's shares held
1	Mitsunori Torihara (March 12,1943)	<p>April 1967 Joined the Company</p> <p>June 1994 Deputy General Manager of Kanagawa Regional Business Div.</p> <p>June 1996 General Manager of Gas Resources Dept.</p> <p>June 1998 Director and General Manager of Gas Resources Dept.</p> <p>June 2000 Managing Director and in charge of Supplies Dept. and Gas Resources Dept.</p> <p>June 2001 Managing Director and in charge of Accounting Dept., Supplies Dept. and Gas Resources Dept.</p> <p>June 2002 Director, Senior Executive Officer and Division Manager of Strategic Planning Div.</p> <p>June 2003 Representative Director, Executive Vice President, Division Manager of Strategic Planning Div. and in charge of Internal Audit Dept. and Compliance Dept.</p> <p>April 2004 Representative Director, Executive Vice President, Division Manager of Corporate Communication Div. and in charge of Compliance Dept.</p> <p>April 2006 President, Representative Director and Executive President</p> <p>April 2010 Director and Chairman of the Board (Current position)</p>	248,000

No.	Name (Date of birth)	Career summaries, position and areas of responsibility in the Company [Important concurrent posts]		Number of the Company's shares held
2	Tsuyoshi Okamoto (September 23, 1947)	April 1970	Joined the Company	173,000
		June 1997	Deputy General Manager of Northern Regional Business Div.	
		June 1998	General Manager of Documents Dept.	
		June 1999	Assistant to Director in charge of General Administration Dept.	
		June 2002	Executive Officer and General Manager of Corporate Planning Dept. of Strategic Planning Div.	
		April 2004	Senior Executive Officer and Division Manager of Strategic Planning Div.	
		June 2004	Director, Senior Executive Officer and Division Manager of Strategic Planning Div.	
		April 2006	Director, Senior Executive Officer, Division Manager of Corporate Communication Div. and in charge of Compliance Dept. and Internal Audit Dept.	
		April 2007	Representative Director, Executive Vice President and in charge of Human Resources Dept., Secretarial Dept., General Administration Dept., Compliance Dept. and Internal Audit Dept.	
		April 2009	Representative Director, Executive Vice President and in charge of Human Resources Dept., Secretarial Dept., General Administration Dept. and Compliance Dept.	
		April 2010	President, Representative Director and Executive President (Current position)	
3	Shigeru Muraki (August 29, 1949)	July 1972	Joined the Company	147,236
		June 2000	General Manager of Gas Resources Dept.	
		June 2002	Executive Officer and General Manager of Gas Resources Dept. of Strategic Planning Div.	
		April 2004	Senior Executive Officer and Division Manager of R&D Div.	
		April 2006	Senior Executive Officer and Division Manager of Technological Development Div.	
		April 2007	Senior Executive Officer, Division Manager of Energy Solution Div. and General Manager of Volume Sales Dept. of Energy Solution Div.	
		June 2007	Director, Senior Executive Officer, Division Manager of Energy Solution Div. and General Manager of Volume Sales Dept. of Energy Solution Div.	
		April 2010	Representative Director, Executive Vice President, Division Manager of Energy Solution Div. and General Manager of Volume Sales Dept. of Energy Solution Div. (Current position)	



No.	Name (Date of birth)	Career summaries, position and areas of responsibility in the Company [Important concurrent posts]	Number of the Company's shares held
4	Michiaki Hirose (October 2, 1950)	<p>April 1974 Joined the Company</p> <p>June 2003 Assigned to General Administration Dept. of Corporate Communication Div.</p> <p>April 2004 Executive Officer and Assistant to Division Manager of Corporate Communication Div.</p> <p>April 2006 Executive Officer and General Manager of Corporate Planning Dept. of Strategic Planning Div.</p> <p>April 2007 Senior Executive Officer and in charge of Corporate Planning Dept., Infrastructure Project Dept., Finance and Managerial Accounting Dept., Accounting Dept. and Affiliated Companies Dept.</p> <p>April 2008 Senior Executive Officer and in charge of Corporate Planning Dept., Investor Relations Dept., Finance &amp; Managerial Accounting Dept., Accounting Dept., Affiliated Companies Dept. and Gas Industry Privatization Research Project Dept.</p> <p>April 2009 Senior Executive Officer and in charge of Corporate Planning Dept. and Affiliated Companies Dept.</p> <p>June 2009 Director, Senior Executive Officer and in charge of Corporate Planning Dept., Corporate Communication Dept. and Affiliated Companies Dept.</p> <p>January 2010 Director, Senior Executive Officer and in charge of Corporate Planning Dept., Project Management Dept., Corporate Communication Dept. and Affiliated Companies Dept.</p> <p>April 2012 Representative Director, Executive Vice President, Division Manager of Living Energy Div. (Current position)</p>	71,000

No.	Name (Date of birth)	Career summaries, position and areas of responsibility in the Company [Important concurrent posts]		Number of the Company's shares held	
5	Tsutomu Oya (December 18, 1949)	April June	1975 2002	Joined the Company General Manager of International Affairs Dept. of Strategic Planning Div.	88,335
		April	2004	Executive Officer, General Manager of Urban Energy Business Dept. of Energy Sales and Service Div. and Acting General Manager of Volume Sales Dept. of Energy Sales and Service Div.	
		April	2006	Senior Executive Officer and Division Manager of Energy Resources Business Div.	
		June	2009	Director, Senior Executive Officer and Division Manager of Energy Resources Business Div.	
		April	2010	Director, Senior Executive Officer, Division Manager of Energy Production Div. and in charge of Environment Dept.	
		April	2012	Director, Senior Executive Officer, Division Manager of Energy Production Div. (Current position)	
6	Mikio Itazawa (February 28, 1950)	April June	1974 2000	Joined the Company Assigned to Business Planning Dept. of Business Developments Div.	74,000
		June	2001	Assigned to Affiliated Companies Planning Dept. of Affiliated Business Div.	
		June	2003	General Manager of West Pipeline Business Dept. of Pipeline and Maintenance Div.	
		April	2004	Executive Officer and General Manager of Pipeline Dept. of Pipeline Network Div.	
		April	2007	Senior Executive Officer and Division Manager of Pipeline Network Div.	
		June	2010	Director, Senior Executive Officer and Division Manager of Pipeline Network Div. (Current position)	

No.	Name (Date of birth)	Career summaries, position and areas of responsibility in the Company [Important concurrent posts]	Number of the Company's shares held
7	Kazuo Yoshino (November 22, 1950)	<p>April 1975 Joined the Company</p> <p>June 2002 General Manager of Finance and Managerial Accounting Dept. of Strategic Planning Div.</p> <p>April 2005 Executive Officer and General Manager of Finance and Managerial Accounting Dept. of Strategic Planning Div.</p> <p>April 2007 Executive Officer and General Manager of Finance and Managerial Accounting Dept.</p> <p>April 2008 Executive Officer and General Manager of Investor Relations Dept.</p> <p>April 2009 Senior Executive Officer and in charge of Investor Relations Dept., Finance and Managerial Accounting Dept. and Accounting Dept.</p> <p>April 2011 Senior Executive Officer, Division Manager of Information Technology Div. and in charge of Finance and Managerial Accounting Dept. and Accounting Dept.</p> <p>June 2011 Director, Senior Executive Officer, Division Manager of Information Technology Div. and in charge of Finance and Managerial Accounting Dept. and Accounting Dept. (Current position)</p>	110,000
8	* Matsuhiko Hataba (September 7, 1952)	<p>April 1976 Joined the Company</p> <p>April 2004 General Manager of Human Resources Planning Dept. of Strategic Planning Div.</p> <p>April 2006 Executive Officer and General Manager of Human Resources Dept. of Business Support Div.</p> <p>April 2007 Executive Officer and General Manager of Corporate Planning Dept.</p> <p>April 2009 Senior Executive Officer and Division Manager of Living Energy Div.</p> <p>April 2012 Senior Executive Officer and in charge of Corporate Planning Dept., TG-Group Reorganization Project Dept. and Affiliated Companies Dept. (Current position)</p>	32,000

No.	Name (Date of birth)	Career summaries, position and areas of responsibility in the Company [Important concurrent posts]	Number of the Company's shares held
9	Yukio Sato (October 6, 1939)	<p>April 1961 Joined the Ministry of Foreign Affairs</p> <p>January 1990 Director-General of Intelligence and Research Bureau</p> <p>January 1992 Director-General of North American Affairs Bureau</p> <p>May 1994 Ambassador of Japan to the Netherlands</p> <p>January 1996 Ambassador of Japan to Australia</p> <p>September 1998 Permanent Representative of Japan to the United Nations (Ambassador of Japan to the United Nations)</p> <p>August 2002 Retired as Ambassador to the United Nations</p> <p>September 2002 Retired from the Ministry of Foreign Affairs</p> <p>February 2003 President of The Japan Institute of International Affairs</p> <p>June 2003 Outside Director of the Company</p> <p>December 2004 Resigned as Outside Director of the Company</p> <p>December 2004 Commissioner of National Public Safety Commission</p> <p>February 2009 Vice Chairman of The Japan Institute of International Affairs</p> <p>December 2009 Retired as Commissioner of National Public Safety Commission</p> <p>June 2010 Outside Director of the Company (Current position)</p> <p>[Important concurrent posts]</p> <p>Vice Chairman of The Japan Institute of International Affairs</p>	4,000

No.	Name (Date of birth)	Career summaries, position and areas of responsibility in the Company [Important concurrent posts]	Number of the Company's shares held
10	Ryuichi Tomizawa (August 21, 1941)	<p>April 1965 Joined Mitsubishi Kasei Industries Corporation (Current Mitsubishi Chemical Corporation)</p> <p>January 1992 President of Director of Mitsubishi Kasei Europe GmbH</p> <p>June 1996 Member of the Board of Mitsubishi Chemical Corporation</p> <p>June 1999 Managing Executive Officer of Mitsubishi Chemical Corporation</p> <p>October 1999 Managing Director of Mitsubishi-Tokyo Pharmaceuticals, Inc. (Current Mitsubishi Tanabe Pharma Corporation)</p> <p>April 2000 President of Mitsubishi-Tokyo Pharmaceuticals, Inc.</p> <p>October 2001 Member of the Board, Executive Vice President of Mitsubishi Pharma Corporation (Current Mitsubishi Tanabe Pharma Corporation)</p> <p>April 2002 Member of the Board, Deputy Chief Executive Officer of Mitsubishi Chemical Corporation</p> <p>June 2002 Member of the Board, President and Chief Executive Officer of Mitsubishi Chemical Corporation</p> <p>June 2004 Member of the Board, President and Chief Executive Officer of Mitsubishi Chemical Corporation Member of the Board, Chairman of Mitsubishi Pharma Corporation</p> <p>October 2005 Member of the Board, President of Mitsubishi Chemical Holdings Corporation Member of the Board, President and Chief Executive Officer of Mitsubishi Chemical Corporation</p> <p>April 2007 Member of the Board, Chairman of Mitsubishi Chemical Holdings Corporation Member of the Board of Mitsubishi Chemical Corporation</p> <p>April 2009 Member of the Board, Chairman of Mitsubishi Chemical Holdings Corporation Member of the Board of Mitsubishi Chemical Corporation</p> <p>June 2011 Outside Director of the Company</p> <p>April 2012 Member of the Board of Mitsubishi Chemical Holdings Corporation Retired as Member of the Board of Mitsubishi Chemical Corporation (Current position)</p>	3,000

No.	Name (Date of birth)	Career summaries, position and areas of responsibility in the Company [Important concurrent posts]		Number of the Company's shares held	
11	* Yoshihiko Nakagaki (March 10, 1938)	April	1961	Joined Electric Power Development Co., Ltd. (J-POWER)	0
		June	1996	Director and Department Director of Corporate Planning Dept. of Electric Power Development Co., Ltd. (J-POWER)	
		June	1998	Managing Director of Electric Power Development Co., Ltd. (J-POWER)	
		June	2000	Vice President and Representative Director of Electric Power Development Co., Ltd. (J-POWER)	
		June	2001	President and Representative Director of Electric Power Development Co., Ltd. (J-POWER)	
		June	2009	Corporate Advisor of Electric Power Development Co., Ltd. (J-POWER) (Current position)	

- Notes:
- There is no special interest between the nominees for Directors and the Company.
  - The nominees with an asterisk are nominees for Directors to be newly appointed.
  - The nominees for Outside Directors are: Mr. Yukio Sato, Mr. Ryuichi Tomizawa and Mr. Yoshihiko Nakagaki.
  - Mr. Ryuichi Tomizawa plans to retire from the positions of Member of the Board of Mitsubishi Chemical Holdings Corporation and Outside Director of TAIYO NIPPON SANJO CORPORATION on June 26, 2012 and June 28, 2012, respectively.
  - Reasons for our nomination of these three individuals as Outside Directors and the tenures as the Outside Directors of the Company are as follows:
    - Although Mr. Yukio Sato has not been involved in corporate management in ways other than being an Outside Officer, we propose that he be appointed as an Outside Director so that the Company can continue to make use of his cosmopolitan and broad outlook and deep insight nurtured in his career as a diplomat for years. Mr. Sato's tenure as an Outside Director of the Company will be two years as of the conclusion of this Annual Shareholders Meeting. The Company designates Mr. Sato as the 'Independent Officer' (Independent Director), who will not have conflicting interests with general shareholders, and notified him to the listing stock exchanges (Tokyo Stock Exchange, Osaka Securities Exchange and Nagoya Stock Exchange).
    - We propose that Mr. Ryuichi Tomizawa be appointed as an Outside Director so that the Company can continue to make use of his cosmopolitan and broad outlook and deep insight nurtured by the aggressive overseas penetration of the chemical industry. Mr. Tomizawa's tenure as an Outside Director of the Company will be one year as of the conclusion of this Annual Shareholders Meeting. The Company designates Mr. Sato as the 'Independent Officer' (Independent Director), who will not have conflicting interests with general shareholders, and notified him to the listing stock exchanges (Tokyo Stock Exchange, Osaka Securities Exchange and Nagoya Stock Exchange).
    - We propose that Mr. Yoshihiko Nakagaki be appointed as an Outside Director to allow the Company to make use of his business management outlook nurtured by the various business development conducted at Electric Power Development Co., Ltd. (J-POWER), particularly with respect to electric power development and electricity wholesale supply, as well as his strong management capabilities with which he has implemented reforms in response to changes in the business environment in the Company's business operations. The Company will designate Mr. Nakagaki as the 'Independent Officer' (Independent Director), who will have no conflicting interests with general shareholders, and notify him to the listing stock exchanges (Tokyo Stock Exchange, Osaka Securities Exchange and Nagoya Stock Exchange).
  - While Mr. Ryuichi Tomizawa was a Member of the Board of Mitsubishi Chemical Holdings Corporation, Mitsubishi Tanabe Pharma Corporation, a consolidated subsidiary of Mitsubishi Chemical Holdings, and BIPHA CORPORATION, a consolidated subsidiary of Mitsubishi Tanabe Pharma, received administrative penalties (order for business suspension and order for business improvement), concerning violation of the Pharmaceutical Affairs Act, by the Ministry of Health, Labour and Welfare on April, 2010. He properly responded to the administrative penalties, aimed at ensuring compliance with the law and preventing recurrence of similar incidents. In addition, while Mr. Tomizawa was a Outside Director of TAIYO NIPPON SANJO CORPORATION, the company received administrative penalties (cease and desist order and surcharge payment order)

from the Japan Fair Trade Commission in May 2011, concerning violation of the Antimonopoly Act. Mr. Tomizawa had supervised the status of compliance with the law through attendance to the Board of Directors meetings of the company. Since the company was suspected of violating the said Act, he has fulfilled his duties as an Outside Director, giving instructions that initiatives should be taken to prevent recurrence of similar incidents, including enhancement of the compliance system.

**Proposal No. 3: Election of Two (2) Corporate Auditors**

The term of office of the current Corporate Auditor Yukio Masuda ends and the current Corporate Auditor Shoji Mori retires from office at the conclusion of this Annual Shareholders Meeting. Accordingly, we hereby propose the election of two (2) Corporate Auditors.

The nominees for the Corporate Auditors are as follows.

The Board of Corporate Auditors has already given its prior consent to the submission of this proposal.

No.	Name (Date of birth)	Career summaries and position in the Company [Important concurrent posts]	Number of the Company's shares held
1	Yukio Masuda (March 22, 1941)	<p>April 1964 Joined Mitsubishi Corporation</p> <p>April 1996 Director of Mitsubishi Corporation</p> <p>April 1999 Managing Director of Mitsubishi Corporation</p> <p>June 2001 Representative Director and Senior Executive Officer of Mitsubishi Corporation</p> <p>April 2002 Representative Director and Executive Vice President of Mitsubishi Corporation</p> <p>June 2006 Standing Consultant of Mitsubishi Corporation</p> <p>June 2008 Consultant of Mitsubishi Corporation Outside Corporate Auditor of the Company (Current position)</p> <p>[Important concurrent posts] Consultant of Mitsubishi Corporation Outside Director of Showa Shell Sekiyu K.K.</p>	0
2	* Yoshihiko Morita (March 7, 1947)	<p>April 1969 Joined Export-Import Bank of Japan</p> <p>October 1999 Full-time Auditor of Japan Bank for International Cooperation</p> <p>October 2000 Director of Japan Bank for International Cooperation</p> <p>October 2004 Vice Governor of Japan Bank for International Cooperation</p> <p>October 2008 Representative Director and Senior Managing Executive Officer of Japan Finance Corporation Deputy CEO of Japan Bank for International Cooperation</p> <p>June 2011 Retired as Deputy CEO of Japan Bank for International Cooperation</p> <p>December 2011 Advisor of Sumitomo Mitsui Banking Corporation (Current position)</p> <p>[Important concurrent posts] Advisor of Sumitomo Mitsui Banking Corporation</p>	0


- Notes: 1. There is no special interest between the nominees for Corporate Auditors and the Company.  
2. The nominees with an asterisk are nominees for Corporate Auditors to be newly appointed.  
3. The nominees for Outside Corporate Auditors are: Mr. Yukio Masuda and Mr. Yoshihiko Morita.  
4. Reasons for our nomination of these two individuals as Outside Corporate Auditors and the tenures as the Outside Corporate Auditors of the Company are as follows:



(1) Since Mr. Masuda became an Outside Corporate Auditor, he has been offering appropriate opinions both at meetings of the Board of Directors and the Board of Corporate Auditors. Although he will serve out his four-year tenure as an Outside Corporate Auditor as of the conclusion of this Annual Shareholders Meeting, we propose that he be reappointed as an Outside Corporate Auditor so that the Group can continue to make use of his management capabilities nurtured at a major trading company, his experience at the company, and his deep insights into the energy business for the Company's audit. The Company designates Mr. Sato as the 'Independent Officer' (Independent Corporate Auditor), who will not have conflicting interests with general shareholders, and notified him to the listing stock exchanges (Tokyo Stock Exchange, Osaka Securities Exchange and Nagoya Stock Exchange).

(2) We propose that Mr. Yoshihiko Morita be appointed as an Outside Corporate Auditor to allow the Company to make use of his broad cosmopolitan outlook and experience nurtured in the fields of international finance and overseas economic cooperation in the Company's auditing. The Company will designate Mr. Morita as the 'Independent Officer' (Independent Corporate Auditor), who will have no conflicting interests with general shareholders, and notify him to the listing stock exchanges (Tokyo Stock Exchange, Osaka Securities Exchange and Nagoya Stock Exchange).

## **Instruction for Exercise of Voting Rights via the Internet and other methods**

- If you prefer to exercise your voting rights via the Internet, please confirm the following before exercising your rights.
  1. You can exercise your voting rights by accessing the dedicated voting website (<http://www.web54.net>) through a personal computer or a cell phone (i-mode, EZweb or Yahoo! Keitai). If you use a cell phone with a function to read barcodes, you can access by having your cell phone read the QR Code on the right.
  2. Please exercise your voting rights via the Internet by **5:30 p.m. on Wednesday, June 27, 2012**, the day before the Annual Shareholders Meeting. If you exercise your voting rights more than once, the vote exercised last shall be deemed valid; if you exercise your voting rights twice, once via the Internet and once by mail, the vote that arrives later shall be deemed valid; and if the vote via the Internet and the vote by mail arrive on the same date, the vote exercised via the Internet shall be deemed valid.
  3. Please keep your password carefully. Inquiries via the telephone or other means will not be accepted. If your password is input erroneously more than a certain number of times the voting section of the website will be automatically locked and it will not be possible to use it after that.
  4. Telecommunication charges (telephone fees) may be required in some cases. Please note that such charges will be borne by the shareholders.
- System environment
  1. When you use a PC, the following specifications should be satisfied.
    - (1) Screen resolution: 800×600 or higher
    - (2) Software:
      - 1) Microsoft® Internet Explorer Ver. 5.01 SP2 or higher (essential)
      - 2) Adobe® Acrobat® Reader™ Ver. 4.0 or later version, or Adobe® Reader® Ver. 6.0 or later version
  2. When you use a cell phone, the handset should be equipped with an SSL function that enables encrypted communication

- Inquiries

1. If you are not sure how to operate your PC or other device to exercise your voting rights:

Dedicated telephone line of the Stock Transfer Agency Department 'Web Support',  
Sumitomo Mitsui Trust Bank, Limited  
Telephone number in Japan: 0120-652-031 (9 a.m. to 9 p.m. every day except Saturdays, Sundays and national holidays)

2. Cases other than the above:

Stock Transfer Agency Department 'Clerical Center',  
Sumitomo Mitsui Trust Bank, Limited  
Telephone number in Japan: 0120-782-031 (9 a.m. to 5 p.m. every day except Saturdays, Sundays and national holidays)

\* i-mode is a registered trademark of NTT Docomo, Inc.; EZweb is a registered trademark of KDDI Corporation; Yahoo! is a registered trademark of Yahoo! Inc. of the U.S.; QR Code is a registered trademark of Denso Wave Incorporated; Microsoft is a registered trademark and Internet Explorer is a trademark of Microsoft Corporation of the U.S.; and Adobe, Acrobat and Reader are registered trademarks of Adobe Systems Incorporated.

**To institutional investors:**

In addition to exercising voting rights via the Internet as mentioned above, institutional investors may use the Electronic Voting Platform for Institutional Investors operated by ICJ Inc., in which Tokyo Stock Exchange, Inc. and other companies invest, only if they apply for the use of the platform in advance.