

[English Translation Originally Issued in the Japanese Language]

Security Identification Code: 9531

May 31, 2011

Dear Shareholders:

## NOTICE OF CONVOCATION OF THE 211th ANNUAL SHAREHOLDERS MEETING

We express our deepest sympathy to all the people affected by the Great East Japan Earthquake, and sincerely hope for the earliest possible recovery of all affected areas.

We hereby would like to inform you of the 211th 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 33.

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., Wednesday, June 29, 2011
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 211th fiscal year (from April 1, 2010 to March 31, 2011)
  - (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 One (1) Corporate Auditor

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 Tuesday, June 28, 2011.

(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 Tuesday, June 28, 2011.

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 43.

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

If duplicated votes are exercised both by postal mail 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.

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, 2010 to March 31, 2011)

**1. Matters Concerning Current State of Group Operations**

**(1) Business Conditions and Results**

Although there were signs of improvement following a global trend of economic recovery, during this term the Japanese economy was unable to overcome problems, with consumer spending continuing to be stagnant, the yen rapidly appreciating and crude oil prices rising.

With these conditions, demand remained sluggish in the energy market of Japan due to such factors as constraining consumption and diminishing corporate activities, while calls for environmental protection from society are mounting.

Under these economic and business conditions, the Tokyo Gas Group has been steadily promoting 'Evolution and Advancement of the Integrated Energy Business' toward even wider and more expanded use of natural gas by adding high-value, and broader and more solid business in the energy field, by steadily carrying out various measures of the 'Tokyo Gas Group Medium-term Management Plan FY2009-2013'.

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 8.4% from the previous year to ¥1,535,242 million.

On the other hand, despite the Group's utmost efforts to restrict expenses and realize even better efficiency and the decreased costs resulting from actuarial differences for retirement benefits, operating expenses increased because of higher costs of gas as a raw material due to a rise in crude oil prices.

Consequently, operating income rose by 43.7% year on year to ¥122,451 million and ordinary income increased by 45.5% year on year to ¥121,548 million. Meanwhile, net income in this fiscal year under review rose by 77.5% year on year to ¥95,467 million, after posting an extraordinary income, including a gain on sales of noncurrent assets of ¥39,927 million from the sale of Toyosu District site; extraordinary losses, such as a loss on disaster of ¥3,268 million resulting from the Great East Japan Earthquake; and income taxes-current.

With regard to the Great East Japan Earthquake, though we posted a loss on disaster under extraordinary losses, as mentioned above, facilities and equipment of the Tokyo Gas Group suffered no major damage, and suspension of supply, gas leakages and other problems that occurred in some of our city gas supply areas were resolved within one week of the earthquake.

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

**1) City Gas Sales**

Total customer numbers rose by 102 thousand during this fiscal year, to 10,739 thousand as of March 31, 2011. Gas sales volume increased by 7.9% year on year to 14,745,436 thousand cubic meters.

Of this aggregate volume, the volume of household-bound gas sold increased by 2.4% year on year to 3,520,382 thousand cubic meters as the household demand for hot water and air-heating increased as a result of low temperatures at the beginning and the end of the fiscal year. However, the household demand for hot water decreased in the summer because of high temperatures. The volume of business-bound gas sold

(for commercial, public and medical uses) stood at 3,041,560 thousand cubic meters, up 3.4% year on year, due to increased demand for air conditioning resulting from high temperatures in the summer. The volume of industry-bound gas sold rose by 14.5% year on year to 6,236,736 thousand cubic meters because of increased demand for use in power generation. The Group's wholesale supply to other gas suppliers stood at 1,946,759 thousand cubic meters, up 5.8% year on year, as demand from wholesale customers increased mainly due to the impact of low temperatures at the beginning of the fiscal year and high temperatures in the summer.

Net sales of the Gas segment increased by 8.7% year on year to ¥1,137,077 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

While net sales of installation work decreased due to the decline in the number of new installations by 4 thousand from the previous year to 191 thousand, net sales of gas appliances increased as a result of efforts to develop and market gas cooking, water-heating and air-conditioning appliances that boast a high level of safety and excel in terms of their environmental friendliness, comfort, convenience and economic benefits, in addition to putting two Tokyo Gas LIFEVALs into the Group's accounting on a consolidated basis. As a result, overall net sales of gas appliances and installation work increased by 4.5% year on year to ¥177,472 million.

## 3) Other Energies

In the Other Energies segment, net sales rose by 40.7% year on year to ¥221,292 million due to an increase in sales related to the electricity business following the start-up of Ohgishima Power Station.

## 4) Real Estate

In the Real Estate segment, net sales were almost unchanged from the previous year at ¥32,797 million.

## 5) Other

In the Other segment, net sales increased by 0.4% year on year to ¥162,302 million due to an increase in sales related to the shipping business.

## (2) Group Capital Expenditures

Total capital expenditures for this fiscal year amounted to ¥150,202 million.

The total length of the pipeline network was extended by 735 kilometers during this fiscal year, to 58,574 kilometers as of March 31, 2011.

Currently, Chiba-Kashima Line and New Negishi Line etc. are under construction.

## (3) Group Financing Activities

Our outstanding bond balance increased by ¥20,001 million due to the issuance of the 32nd and 33rd unsecured bonds despite the redemption of the 20th unsecured bonds. Loans increased by ¥8,249 million. As a result, consolidated interest-bearing liabilities increased by ¥28,250 million compared with the previous year-end, to ¥584,169 million.

#### (4) Prospective Challenges

The natural gas that is a raw material of the city gas we provide is highly advantageous and very important as an energy source, having great economic efficiency and stable supply compared with crude oil, and it has user-friendliness to accommodate various forms of demand and excellent friendliness with the environment, helping to prevent global warming. As a result, demand for natural gas from society and customers is continuing to expand.

Since the nuclear power plant in Fukushima Prefecture was affected by the tsunami caused by the Great East Japan Earthquake, the issue of energy security – power shortages – is now attracting much attention mainly in the greater metropolitan Tokyo region. Japan has placed the basis of its energy policy on building a low-carbon society by focusing on nuclear power and combining it with petroleum, coal, natural gas and renewable energy sources. With the latest accident at the nuclear power plant as a turning point, the importance of having a stable energy supply will increase and the role played by natural gas, with its excellent supply stability and environmental compatibility, is expected to become greater than ever.

Under such circumstances, as a company engaged in supplying energy in the greater metropolitan Tokyo region, we are enhancing initiatives for stable energy supply from short-, medium- and long-term perspectives. In the short term, we are taking measures to reinforce our power supply capability and save power to cope with power shortages in the greater metropolitan Tokyo region. Specifically, we are steadily supplying natural gas to the thermal power plants of Tokyo Electric Power Company, incorporated at its request, and reinforcing our electricity supply capability by boosting the capacity utilization rate of the natural gas power generation plants of the Group, including Ohgishima Power Station and Tokyo Gas Yokosuka Power Co., Ltd. We are also enhancing and implementing power-saving measures at our office buildings and other facilities. Thus, we are taking measures in terms of both power supply and demand. As for medium- and long-term initiatives, we will help to stably supply energy in the greater metropolitan Tokyo region by establishing key infrastructure, including liquefied natural gas (LNG) bases and gas pipelines, for even wider and more expanded use of natural gas and by encouraging advanced use of natural gas such as by promoting the introduction of highly efficient equipment and co-generation systems.

On the other hand, the Company has established safe manufacturing and supply systems against such natural disasters as earthquakes and steadily supplied city gas. Taking the Great East Japan Earthquake into consideration, we will study and implement the necessary measures to further enhance safety, while considering environmental changes, technological progress and other factors.

We have developed our "Integrated Energy Business with Emphasis on Natural Gas" so far. We believe that we should continue to protect our corporate brand of "security, safety and trust" by steadily coping with changes in the situation and maintaining a stable and safe supply of natural gas. We will do this from the position of a company that plays the role of supplying energy in the greater metropolitan Tokyo region.

In addition, the Board of Directors resolved, at its meeting held on April 28, 2011, pursuant to the 'Policy on Determination of Dividends from Surplus, etc.' (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 FY2011 at ¥34,000 million (or 110 million shares) and set the acquisition period from May 2, 2011 to March 31, 2012.

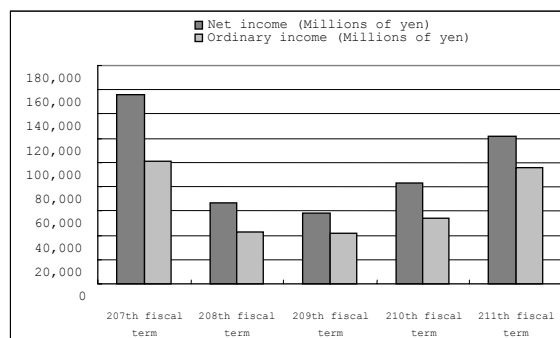
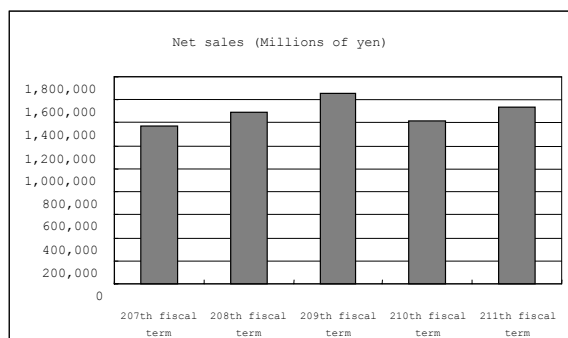
The Group will continue working to increase its corporate value and shareholder value and meet the expectations of both shareholders and

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)	207th fiscal term (2007)	208th fiscal term (2008)	209th fiscal term (2009)	210th fiscal term (2010)	211th fiscal term (2011)
Net sales (Millions of yen)	1,376,958	1,487,496	1,660,162	1,415,718	1,535,242
Ordinary income (Millions of yen)	156,039	66,832	58,337	83,519	121,548
Net income (Millions of yen)	100,699	42,487	41,708	53,781	95,467
Net income per share (Yen)	37.50	15.94	15.63	19.86	35.63
Total assets (Millions of yen)	1,692,635	1,703,651	1,764,185	1,840,972	1,829,661
Net assets (Millions of yen)	806,045	780,455	784,616	826,291	874,094
Net assets per share (Yen)	293.11	289.49	284.72	301.58	320.70

[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	\$595,142 thousand	100.00	LNG upstream businesses in Australia
Tokyo Gas Urban Development Co., Ltd.	¥11,530 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
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

- Notes: 1. TG Credit Services Co., Ltd. changed its corporate name to Tokyo Gas Lease Co., Ltd. on October 1, 2010.
2. The number of consolidated subsidiaries and equity-method affiliates including the above 17 principal subsidiaries were 68 companies.

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

The Company carried out an absorption-type merger on April 1, 2010, with the Company as the surviving company and TG Enterprise Co., Ltd., its subsidiary, as the extinct company. The Board of Directors also resolved, at its meeting held on November 30, 2010, to transfer the whole gas business of Fujioka-shi & Takasaki-shi Gas public enterprise, and carried out the transfer on April 1, 2011.

## (8) Main Business Activities (As of March 31, 2011)

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 related to 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.

Note: Business activities had been divided into the five business segments of 'Gas Sales,' 'Gas Appliances,' 'Installation Work,' 'Real Estate' and 'Other' until the previous fiscal year. These segments are changed into above five business segments from the current fiscal year.

## (9) Main Business Offices and Factories (As of March 31, 2011)

## 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 (Minato-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: Note: Southern Service Branch was relocated to Meguro-ku, Tokyo as of April 1, 2011.



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.	Shinagawa-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		

(10) Status of Employees (As of March 31, 2011)

1) Number of employees in the Group

Business segment	Number of employees (Change from previous year)	
City Gas Sales	6,775	(+186)
Gas Appliances and Installation Work	3,687	(+244)
Other Energies	934	(+78)
Real Estate	173	(+5)
Other	3,670	(+98)
Corporate	895	(-16)
Total	16,134	(+595)

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
7,700 (+160)	45.9	21.2

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

(11) Major Creditors and Balance of borrowings (As of March 31, 2011)

Creditor	Balance of borrowings (Millions of yen)
Japan Bank for International Cooperation	35,483
Mizuho Corporate Bank, Ltd.	34,187
Sumitomo Mitsui Banking Corporation	21,400
The Dai-ichi Life Insurance Company, Ltd.	14,744
Nippon Life Insurance Company	13,015
Development Bank of Japan Inc.	12,992
Sumitomo Life Insurance Company	12,000
The Norinchukin Bank	10,200
Mitsubishi UFJ Trust and Banking Corporation	9,300

## 2. Matters Related to Shares of the Company (As of March 31, 2011)

### (1) Aggregate number of authorized shares

Common share: 6,500,000,000 shares

### (2) Aggregate number of shares issued

Common share: 2,684,193,295 shares  
(A year-on-year decrease of 19,568,000 shares)

Note: The aggregate number of shares issued decreased as indicated above from the cancellation of treasury share on June 7, 2010.

### (3) Share trade unit

1,000 shares

### (4) Number of shareholders

150,978

### (5) Major shareholders

Name of shareholders	Number of shares held (Thousand shares)	Percentage of share ownership (%)
Nippon Life Insurance Company	163,000	6.09
Japan Trustee Services Bank, Ltd. (Trust Account)	140,840	5.26
The Dai-ichi Life Insurance Company, Ltd.	120,472	4.50
The Master Trust Bank of Japan, Ltd. (Trust Account)	116,365	4.34
Fukoku Mutual Life Insurance Company	49,874	1.86
SSBT ODO5 OMNIBUS ACCOUNT-TREATY CLIENTS	46,822	1.75
Tokyo Gas Group Employees Shareholding Association	44,571	1.66
Japan Trustee Services Bank, Ltd. (Trust Account 9)	35,868	1.34
Mizuho Trust & Banking Co., Ltd. Employee Pension Trust Dai-ichi Mutual Life Insurance Company Account Standby Trustee Trust & Custody Services Bank, Ltd.	35,490	1.33
State Street Bank and Trust Company 505103	29,451	1.10

Note: Percentage of share ownership is calculated by the number of shares excluding treasury share (5,899,491shares).

### (6) Other principal items regarding shares

#### 1) Acquisition of own share

Common share: 20,466,958 shares

Total value of acquisitions: ¥ 8,314,119,253

#### 2) Disposal of treasury share

Common share: 62,360 shares

Total value of disposition: ¥25,032,384

#### 3) Cancellation of treasury share

Common share: 19,568,000 shares

Total value of cancellation: ¥7,919,952,320

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

Common share: 5,899,491 shares

## 3. Matters Related to Share Option in Kind (As of March 31, 2011)

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, 2011)

Name	Position	Areas of responsibility in the Company and 'Important concurrent posts'
Mitsunori Torihara	Director and Chairman of the Board	
Tadaaki Maeda	Director and Vice 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., General Administration Dept. and Compliance 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.
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.
Sanae Inada	Outside Director	Attorney-at-law, Outside Corporate Auditor of Chiyoda Corporation
Yukio Sato	Outside Director	Vice Chairman of The Japan Institute of International Affairs
Yasunori Takakuwa	Standing Corporate Auditor	
Kunihiro Mori	Standing Corporate Auditor	
Shoji Mori	Outside Corporate Auditor	Vice-Director of International Economic Research Institute, 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. Director and Vice Chairman of the Board Tadaaki Maeda retired as Vice Chairman of the Board as of March 31, 2011.
2. Representative Director Toshiyuki Kanisawa, formerly Assistant to the President and was also in charge of Human Resources Dept., Secretarial Dept., General Administration Dept. and Compliance Dept., assumed the post of Assistant to the President and is also in charge of Human Resources Dept., Secretarial Dept., Compliance Dept. and Internal Audit Dept. as of April 1, 2011.

3. Outside Corporate Auditor Shoji Mori has in-depth experiences in financial administration and is highly knowledgeable about financial and accounting matters. He retired as Vice-Director of International Economic Research Institute as of March 31, 2011.
4. 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.

Special Note: 'Corporate Auditor' is an officer that the Companies Act of Japan defines as 'KANSAYAKU'.

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

Directors	(13 people):	¥495 million
Corporate Auditors	(5 people):	¥106 million
Total	(18 people):	¥601 million

- Notes:
1. The total number of Directors and Corporate Auditors includes two (2) Directors retiring upon the conclusion of the 210th Annual Shareholders Meeting and the aggregate amount of remuneration paid includes the remuneration paid to these two Directors.
  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 210th 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' 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) Performance-linked remuneration system  
The performance-linked remuneration system is meant to firmly motivate the executives to execute management strategies, and is also meant to reflect their performance clearly on their remuneration.
- 4) Share-purchase guideline  
The establishment of a share-purchase guideline is meant to firmly motivate the executives to reflect the perspective of a shareholder in management and improve shareholder value over the long term.
- 5) Assurance of objectivity and transparency  
The Company shall assure objectivity and transparency of remuneration by establishing the 'Advisory Committee' comprising Outside Directors, Outside Corporate Auditors and the Company's Directors to govern the system of remunerations.

## (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 12 of 12 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 exchange (Tokyo Stock Exchange, Osaka Securities Exchange and Nagoya Stock Exchange).

2) Outside Director Sanae Inada

- 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  
Ms. Inada has attended 12 of 12 Board of Directors meetings. Given her in-depth legal knowledge and experiences honed in corporate legal affairs as an attorney, Ms. Inada provides the Company with a wide variety of opinions on its management operations.

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

3) 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 10 of 10 Board of Directors meetings held after he was appointed at the 210th Annual Shareholders Meeting. 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 her to the listing stock exchange (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 12 of 12 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 exchange (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 12 of 12 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 exchange (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 12 of 12 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 exchange (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

Note: KPMG AZSA & Co. shifted to a limited liability auditing firm as of July 1, 2010 and has become 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

¥316 million

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

¥163 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

¥124 million

Note: 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.

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

The Company commissions the Accounting Auditor to provide a financial due diligence service and 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

With the commencement of the Internal Control System for financial reports described in the Financial Instruments and Exchange Act, 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 February 27, 2008 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 Tokyo Gas Group and its belonging member 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 Tokyo Gas Group.
  - 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 Tokyo Gas Group'.
  - 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 Group 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 Tokyo Gas Group, 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 the 'Medium-Term Group Management Plan' and, based on the said Plan, establish principal management objectives and verify their progress periodically. The Board of Directors shall concurrently ensure that Directors will execute their duties in an efficient and effective manner by setting annual objectives by operating unit and affiliate and by managing operating performances.
- (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 Group as well as a Risk Management Promotion Section, and specify 'material risks that the management should manage' as important risks associated with operational execution by the Group. The Board of Directors shall also review 'Principal Risks that the Management should manage' 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 affiliates 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 Group, 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 Group 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 the Group's accounting, operations, compliance, information system and risk management 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 affiliates**
- 1) The Company shall demand that its affiliates 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 affiliates' 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 Affiliates', and establish a corporate structure and system where its Directors would be empowered to manage its affiliates by approving and receiving reports on important matters including those related to its exercise of shareholder's rights vis-à-vis the affiliates. The Company shall retain part of its powers over affiliates' business operations.
  - 3) The Company shall establish a corporate structure and system where, if for purposes of affiliate management any of its affiliates is found to have a compliance-related problem including contravention of the acts or the Articles of Incorporation, the relevant affiliate 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 affiliate'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 affiliate 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 affiliates in an efficient and effective manner in close coordination with Corporate Auditors of the relevant affiliates 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 Tokyo Gas Group, 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 affiliates in an efficient and effective manner in close coordination with the Corporate Auditors of the Company and affiliates, and report its findings to the Management Committee, Corporate Auditors, and the Directors and Corporate Auditors of the relevant affiliates.
- (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 affiliates and Internal Audit Department.

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

The Company has clarified the targeted distribution to its shareholders by determining the policy on allocation of its cash flow under the 'Tokyo Gas Group Medium-term Management Plan FY2009-2013', as described as follows:

The Company will actively apply the cash flow it has generated through steady execution of the 'Tokyo Gas Group Medium-term Management Plan FY2009-2013' to investments and loans in strengthening LNG value chain and others which would be the base of the Tokyo Gas Group's sustained growth for the future, and will simultaneously allocate the fruitage of its management to the shareholders in an appropriate manner.

Specifically, Tokyo Gas has continuously positioned acquisition of own share, in addition to dividends, as a form of its return to the shareholders, and has set the targeted gross distribution propensity (\*) at 60% for the length of the medium-term management plan.

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

Based on the 'Tokyo Gas Group Medium-term Management Plan FY2009-2013', the Company passed at the meeting of its Board of Directors held on March 25, 2009, 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.

Under the 'Tokyo Gas Group Medium-term Management Plan FY2009-2013', the Group is currently evolving and developing 'comprehensive energy business with natural gas, a core segment' and is aiming for its sustained growth by further promoting and expanding a natural gas market and establishing a broad revenue base. To this end, the Group is making active investments to strengthen the LNG value chain and others, and is enhancing 'All Tokyo Gas' comprehensive strength.

It is the basic management policy of the Company to achieve a stable long-term management and a steady enhancement of corporate value on the strength of these management principles and medium- and long-term business strategies, and to simultaneously allocate profits to its customers, shareholders and other stakeholders in a stable and balanced manner. With respect to financial returns to shareholders, the Company aims to set its gross distribution propensity (the ratio of the amount of dividends and acquisition of own share to net income) at 60% for the length of the current medium-term management plan.

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 and is making an effort to consistently achieve the medium-term management plan to this end. 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, 2011

(Millions of yen)

<b>ASSETS</b>	
<b>Noncurrent Assets</b> .....	1,390,286
Property, plant and equipment .....	1,120,243
Production facilities .....	180,446
Distribution facilities .....	461,109
Service and maintenance facilities .....	62,149
Other facilities .....	318,239
Inactive facilities .....	447
Construction in progress .....	97,850
Intangible assets .....	41,143
Goodwill .....	1,198
Other .....	39,944
Investments and other assets .....	228,900
Investment securities .....	137,456
Long-term loans receivable .....	21,340
Deferred tax assets .....	39,085
Other .....	31,928
Allowance for doubtful accounts .....	(909)
<b>Current Assets</b> .....	439,374
Cash and deposits .....	90,302
Notes and accounts receivable-trade .....	160,128
Lease receivables and lease investment assets .....	26,789
Merchandise and finished goods .....	3,591
Work in process .....	8,937
Raw materials and supplies .....	36,451
Deferred tax assets .....	15,624
Other .....	98,096
Allowance for doubtful accounts .....	(546)
<b>Total Assets</b> .....	<b>1,829,661</b>

(Millions of yen)

<b>LIABILITIES AND NET ASSETS</b>	
<b>LIABILITIES</b>	
<b>Noncurrent Liabilities</b> .....	646,713
Bonds payable .....	311,492
Long-term loans payable .....	188,239
Deferred tax liabilities .....	17,330
Provision for retirement benefits .....	96,870
Provision for gas holder repairs .....	3,565
Asset retirement obligations .....	3,679
Other .....	25,535
<b>Current Liabilities</b> .....	308,853
Current portion of noncurrent liabilities .....	48,765
Notes and accounts payable-trade .....	76,180
Short-term loans payable .....	17,825
Income taxes payable .....	32,795
Deferred tax liabilities .....	6
Asset retirement obligations .....	77
Other .....	133,203
<b>Total Liabilities</b> .....	<b>955,567</b>
<b>NET ASSETS</b>	
<b>Shareholders' Equity</b> .....	859,994
Capital stock .....	141,844
Capital surplus .....	2,065
Retained earnings .....	718,439
Treasury stock .....	(2,355)
<b>Accumulated Other Comprehensive Income</b> .....	(1,073)
Valuation difference on available-for-sale securities .....	14,788
Deferred gains or losses on hedges .....	1,145
Foreign currency translation adjustment .....	(17,008)
<b>Minority Interests</b> .....	15,174
<b>Total Net Assets</b> .....	<b>874,094</b>
<b>Total Liabilities and Net Assets</b> .....	<b>1,829,661</b>

## Consolidated Statement of Income

From April 1, 2010 to March 31, 2011

(Millions of yen)

Net sales.....	1,535,242
Cost of sales.....	974,781
[Gross profit].....	[560,460]
Supply and sales expenses.....	374,919
General and administrative expenses.....	63,090
[Operating income].....	[122,451]
Non-operating income.....	16,895
Interest income.....	1,215
Dividends income.....	1,541
Equity in earnings of affiliates.....	3,605
Foreign exchange gains.....	2,421
Miscellaneous income.....	8,111
Non-operating expenses.....	17,798
Interest expenses.....	9,689
Adjustments of charges for construction of distribution facilities.....	2,361
Miscellaneous expenses.....	5,747
[Ordinary income].....	[121,548]
Extraordinary income.....	40,653
Gain on sales of noncurrent assets.....	39,927
Gain on sales of investment securities.....	726
Extraordinary losses.....	6,707
Impairment loss.....	834
Loss on disaster.....	3,268
Loss on valuation of investment securities.....	2,100
Product compensation extraordinary expenses.....	503
[Income before income taxes].....	[155,494]
Income taxes-current.....	27,522
Income taxes-deferred.....	31,901
Income before minority interests.....	96,070
Minority interests in income.....	603
Net income.....	95,467

## Consolidated Statement of Changes in Net Assets

From April 1, 2010 to March 31, 2011

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2010	141,844	2,065	657,387	(1,986)	799,310
Changes of items during the period					
Dividends from surplus			(25,549)		(25,549)
Net income			95,467		95,467
Purchase of treasury stock				(8,314)	(8,314)
Disposal of treasury stock			(1)	25	23
Retirement of treasury stock			(7,919)	7,919	
Change of scope of consolidation			(943)		(943)
Net changes of items other than shareholders' equity	/	/	/	/	/
Total changes of items during the period	-	-	61,052	(369)	60,683
Balance as of March 31, 2011	141,844	2,065	718,439	(2,355)	859,994

	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		
Balance as of March 31, 2010	20,175	1,690	(7,290)	14,575	12,404	826,291
Changes of items during the period						
Dividends from surplus	/	/	/	/	/	(25,549)
Net income	/	/	/	/	/	95,467
Purchase of treasury stock	/	/	/	/	/	(8,314)
Disposal of treasury stock	/	/	/	/	/	23
Retirement of treasury stock	/	/	/	/	/	-
Change of scope of consolidation	/	/	/	/	/	(943)
Net changes of items other than shareholders' equity	(5,386)	(544)	(9,717)	(15,649)	2,769	(12,879)
Total changes of items during the period	(5,386)	(544)	(9,717)	(15,649)	2,769	47,803
Balance as of March 31, 2011	14,788	1,145	(17,008)	(1,073)	15,174	874,094



Transcript

**Independent Auditors' Report**

May 13, 2011

The Board of Directors  
Tokyo Gas Co., Ltd.

KPMG AZSA LLC

Seiichi Sasa (seal)  
Designated Limited Liability Partner  
Certified Public Accountant

Koji Kakinuma (seal)  
Designated Limited Liability Partner  
Certified Public Accountant

Masaru Miura (seal)  
Designated Limited Liability Partner  
Certified Public Accountant

We have audited the consolidated statutory report, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the notes to the consolidated financial statements of Tokyo Gas Co., Ltd. as of March 31, 2011 and for the year from April 1, 2010 to March 31, 2011 in accordance with Article 444-4 of the Companies Act. The consolidated statutory report is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated statutory report based on our audit as independent auditors.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require us to obtain reasonable assurance about whether the consolidated statutory report is free of material misstatement. An audit is performed on a test basis, and includes assessing the accounting principles used, the method of their application and estimates made by management, as well as evaluating the overall presentation of the consolidated statutory report. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated statutory report referred to above presents 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 statutory report was prepared, in conformity with accounting principles generally accepted in Japan.

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.

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

Non-Consolidated Balance Sheet

As of March 31, 2011

(Millions of yen)

<b>ASSETS</b>	
<b>Noncurrent Assets</b> .....	1,222,673
Property, plant and equipment .....	748,391
Production facilities .....	180,967
Distribution facilities .....	439,887
Service and maintenance facilities .....	56,986
Facilities for incidental businesses .....	2,881
Inactive facilities .....	447
Construction in progress .....	67,221
Intangible assets .....	24,029
Leasehold right .....	1,500
Software .....	17,911
Other .....	4,617
Investments and other assets .....	450,251
Investment securities .....	62,694
Investments in subsidiaries and affiliates .....	194,655
Long-term loans receivable .....	100
Long-term loans receivable from subsidiaries and affiliates ...	136,952
Investments in capital .....	13
Long-term prepaid expenses .....	18,445
Deferred tax assets .....	34,137
Other .....	4,005
Allowance for doubtful accounts .....	(753)
<b>Current Assets</b> .....	278,491
Cash and deposits .....	40,290
Notes receivable-trade .....	900
Accounts receivable-trade .....	99,026
Accounts receivable from subsidiaries and affiliates-trade ....	30,380
Accounts receivable-other .....	9,507
Short-term investment securities .....	5,001
Finished goods .....	106
Raw materials .....	22,215
Supplies .....	8,710
Advance payments .....	4,912
Prepaid expenses .....	1,044
Short-term loans receivable from subsidiaries and affiliates ...	19,528
Short-term receivables from subsidiaries and affiliates .....	2,503
Deferred tax assets .....	8,594
Other .....	26,485
Allowance for doubtful accounts .....	(716)
<b>Total Assets</b> .....	1,501,164

(Millions of yen)

<b>LIABILITIES AND NET ASSETS</b>	
<b>LIABILITIES</b>	
<b>Noncurrent Liabilities</b> .....	512,724
Bonds payable .....	297,692
Long-term loans payable .....	120,531
Long-term debt to subsidiaries and affiliates .....	373
Provision for retirement benefits .....	86,677
Provision for gas holder repairs .....	3,072
Other .....	4,377
<b>Current Liabilities</b> .....	274,459
Current portion of noncurrent liabilities .....	34,480
Accounts payable-trade .....	50,163
Short-term loans payable .....	5,000
Accounts payable-other .....	27,771
Accrued expenses .....	33,117
Income taxes payable .....	19,429
Advances received .....	3,605
Deposits received .....	2,620
Short-term loans payable to subsidiaries and affiliates .....	45,816
Accrued expenses of subsidiaries and affiliates .....	20,344
Short-term debt to subsidiaries and affiliates .....	11,989
Other .....	20,121
<b>Total Liabilities</b> .....	<b>787,183</b>
<b>NET ASSETS</b>	
<b>Shareholders' Equity</b> .....	698,350
Capital stock .....	141,844
Capital stock .....	141,844
Capital surplus .....	2,065
Legal capital surplus .....	2,065
Retained Earnings .....	556,795
Legal retained earnings .....	35,454
Other retained earnings .....	521,341
Reserve for advanced depreciation of noncurrent assets .....	909
Reserve for overseas investment loss .....	6,104
Reserve for adjustment of cost fluctuations .....	141,000
General reserve .....	299,000
Retained earnings brought forward .....	74,327
Treasury stock .....	(2,355)
Treasury stock .....	(2,355)
<b>Valuation and Translation Adjustments</b> .....	15,630
Valuation difference on available-for-sale securities .....	14,388
Valuation difference on available-for-sale securities .....	14,388
Deferred gains or losses on hedges .....	1,242
Deferred gains or losses on hedges .....	1,242
<b>Total Net Assets</b> .....	<b>713,980</b>
<b>Total Liabilities and Net Assets</b> .....	<b>1,501,164</b>

## Non-Consolidated Statement of Income

From April 1, 2010 to March 31, 2011

(Millions of yen)

<b>Product sales</b> .....	1,071,635
Gas sales .....	1,071,635
Cost of sales .....	600,665
Beginning inventories .....	102
Cost of products manufactured .....	591,889
Purchase of finished goods .....	11,213
Costs of gas for own use .....	2,433
Ending inventories .....	106
<b>[Gross profit]</b> .....	<b>[470,969]</b>
<b>Supply and sales expenses</b> .....	329,525
<b>General and administrative expenses</b> .....	64,995
<b>[Income on core business]</b> .....	<b>[76,448]</b>
<b>Miscellaneous operating revenue</b> .....	144,914
Revenue from installation work .....	37,283
Revenue from gas appliance sales .....	100,449
Third party access revenue .....	257
Other miscellaneous operating revenue .....	6,924
<b>Miscellaneous operating expenses</b> .....	137,900
Expenses of installation work .....	37,625
Expenses of gas appliances sales .....	100,275
<b>Revenue for incidental businesses</b> .....	113,284
Revenue from LNG sales .....	35,604
Revenue from power sales .....	52,928
Revenue from other incidental businesses .....	24,751
<b>Expenses for incidental businesses</b> .....	107,901
Expenses for LNG sales .....	33,888
Expenses for power sales .....	49,641
Expenses for other incidental businesses .....	24,371
<b>[Operating income]</b> .....	<b>[88,845]</b>
<b>Non-operating income</b> .....	24,157
Interest income .....	2,146
Interest on securities .....	4
Dividends income .....	1,254
Dividends from subsidiaries and affiliates .....	9,621
Rent income .....	4,554
Miscellaneous income .....	6,576
<b>Non-operating expenses</b> .....	13,895
Interest expenses .....	2,364
Interest on bonds .....	5,770
Amortization of bond issuance cost .....	190
Adjustments of charges for construction of distribution facilities .....	2,458
Miscellaneous expenses .....	3,111
<b>[Ordinary income]</b> .....	<b>[99,107]</b>
<b>Extraordinary income</b> .....	5,205
Gain on sales of noncurrent assets .....	826
Gain on sales of investment securities .....	726
Gain on extinguishment of tie-in shares .....	3,653
<b>Extraordinary losses</b> .....	5,651
Impairment loss .....	385
Loss on disaster .....	3,168
Loss on valuation of investment securities .....	2,098
<b>[Income before income taxes]</b> .....	<b>[98,661]</b>
<b>Income taxes-current</b> .....	12,630
<b>Income taxes-deferred</b> .....	18,540
<b>Net income</b> .....	<b>67,491</b>

## Non-Consolidated Statement of Changes in Net Assets

From April 1, 2010 to March 31, 2011

(Millions of yen)

	Shareholders' equity										
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings					Total retained earnings
		Legal capital surplus	Total capital surplus	Reserve for advanced depreciation of noncurrent assets		Other retained earnings					
						Reserve for overseas investment loss	Reserve for adjustment of cost fluctuations	General reserve	Retained earnings brought forward		
<b>Balance as of March 31, 2010</b>	141,844	2,065	2,065	35,454	909	4,011	141,000	299,000	42,399	522,775	
<b>Changes of items during the period</b>											
Provision of reserve for overseas investment loss						2,092			(2,092)		
Dividends from surplus									(25,549)	(25,549)	
Net income									67,491	67,491	
Purchase of treasury stock											
Disposal of treasury stock									(1)	(1)	
Retirement of treasury stock									(7,919)	(7,919)	
Net changes of items other than shareholders' equity	/	/	/	/	/	/	/	/	/	/	
Total changes of items during the period	-	-	-	-	-	2,092	-	-	31,927	34,020	
<b>Balance as of March 31, 2011</b>	141,844	2,065	2,065	35,454	909	6,104	141,000	299,000	74,327	556,795	

	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	
<b>Balance as of March 31, 2010</b>	(1,986)	664,699	16,791	2,505	19,296	683,995
<b>Changes of items during the period</b>						
Provision of reserve for overseas investment loss			/	/	/	-
Dividends from surplus		(25,549)	/	/	/	(25,549)
Net income		67,491	/	/	/	67,491
Purchase of treasury stock	(8,314)	(8,314)	/	/	/	(8,314)
Disposal of treasury stock	25	23	/	/	/	23
Retirement of treasury stock	7,919		/	/	/	-
Net changes of items other than shareholders' equity	/	/	(2,402)	(1,263)	(3,666)	(3,666)
Total changes of items during the period	(369)	33,651	(2,402)	(1,263)	(3,666)	29,985
<b>Balance as of March 31, 2011</b>	(2,355)	698,350	14,388	1,242	15,630	713,980

Transcript

**Independent Auditors' Report**

May 13, 2011

The Board of Directors  
Tokyo Gas Co., Ltd.

KPMG AZSA LLC

Seiichi Sasa (seal)  
Designated Limited Liability Partner  
Certified Public Accountant

Koji Kakinuma (seal)  
Designated Limited Liability Partner  
Certified Public Accountant

Masaru Miura (seal)  
Designated Limited Liability Partner  
Certified Public Accountant

We have audited the statutory report, comprising the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in net assets and the notes to the non-consolidated financial statements, and its supporting schedules of Tokyo Gas Co., Ltd. as of March 31, 2011 and for the 211th business year from April 1, 2010 to March 31, 2011 in accordance with Article 436-2-1 of the Companies Act. The statutory report and supporting schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the statutory report and supporting schedules based on our audit as independent auditors.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require us to obtain reasonable assurance about whether the statutory report and supporting schedules are free of material misstatement. An audit is performed on a test basis, and includes assessing the accounting principles used, the method of their application and estimates made by management, as well as evaluating the overall presentation of the statutory report and supporting schedules. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statutory report and supporting 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 statutory report and supporting schedules were prepared, in conformity with accounting principles generally accepted in Japan.

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.

Transcript

## 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 211th business year from April 1, 2010 to March 31, 2011, 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 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-share 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 18, 2011

Tokyo Gas Co., Ltd. Board of Corporate Auditors

Yasunori Takakuwa	Standing Corporate Auditor
Kunihiro Mori	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 19) 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 ¥12,052,322,118

**(2) Dividend effective date**

Thursday, June 30, 2011

**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>	218,000

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)	<p>April 1970 Joined the Company</p> <p>June 1997 Deputy General Manager of Northern Regional Business Div.</p> <p>June 1998 General Manager of Documents Dept.</p> <p>June 1999 Assistant to Director in charge of General Administration Dept.</p> <p>June 2002 Executive Officer and General Manager of Corporate Planning Dept. of Strategic Planning Div.</p> <p>April 2004 Senior Executive Officer and Division Manager of Strategic Planning Div.</p> <p>June 2004 Director, Senior Executive Officer and Division Manager of Strategic Planning Div.</p> <p>April 2006 Director, Senior Executive Officer, Division Manager of Corporate Communication Div. and in charge of Compliance Dept. and Internal Audit Dept.</p> <p>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.</p> <p>April 2009 Representative Director, Executive Vice President and in charge of Human Resources Dept., Secretarial Dept., General Administration Dept. and Compliance Dept.</p> <p>April 2010 President, Representative Director and Executive President (Current position)</p>	149,000
3	Shigeru Muraki (August 29, 1949)	<p>July 1972 Joined the Company</p> <p>June 2000 General Manager of Gas Resources Dept.</p> <p>June 2002 Executive Officer and General Manager of Gas Resources Dept. of Strategic Planning Div.</p> <p>April 2004 Senior Executive Officer and Division Manager of R&amp;D Div.</p> <p>April 2006 Senior Executive Officer and Division Manager of Technological Development Div.</p> <p>April 2007 Senior Executive Officer, Division Manager of Energy Solution Div. and General Manager of Volume Sales Dept. of Energy Solution Div.</p> <p>June 2007 Director, Senior Executive Officer, Division Manager of Energy Solution Div. and General Manager of Volume Sales Dept. of Energy Solution Div.</p> <p>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)</p>	125,236

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	Toshiyuki Kanisawa (November 23, 1948)	<p>April 1972 Joined the Company</p> <p>June 1999 Assigned to Business Planning Dept. of Business Developments Div.</p> <p>June 2001 Assigned to Affiliated Business Planning Dept. of Affiliated Business Div.</p> <p>June 2003 Executive Officer and General Manager of Service Planning Dept. of Customer Service Div.</p> <p>April 2004 Executive Officer and General Manager of Corporate Planning Dept. of Strategic Planning Div.</p> <p>April 2006 Senior Executive Officer and Division Manager of Home Service Div.</p> <p>April 2007 Senior Executive Officer and Division Manager of Living Energy Div.</p> <p>June 2007 Director, Senior Executive Officer and Division Manager of Living Energy Div.</p> <p>April 2009 Director, Senior Executive Officer and Division Manager of Living Corporate Sales and Services Div.</p> <p>April 2010 Representative Director, Executive Vice President and in charge of Human Resources Dept., Secretarial Dept., General Administration Dept. and Compliance Dept.</p> <p>April 2011 Representative Director, Executive Vice President and in charge of Human Resources Dept., Secretarial Dept., Compliance Dept. and Internal Audit Dept. (Current position)</p>	79,000
5	Tsutomu Oya (December 18, 1949)	<p>April 1975 Joined the Company</p> <p>June 2002 General Manager of International Affairs Dept. of Strategic Planning Div.</p> <p>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.</p> <p>April 2006 Senior Executive Officer and Division Manager of Energy Resources Business Div.</p> <p>June 2009 Director, Senior Executive Officer and Division Manager of Energy Resources Business Div.</p> <p>April 2010 Director, Senior Executive Officer, Division Manager of Energy Production Div. and in charge of Environment Dept. (Current position)</p>	71,335

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
6	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. (Current position)</p>	54,000
7	Mikio Itazawa (February 28, 1950)	<p>April 1974 Joined the Company</p> <p>June 2000 Assigned to Business Planning Dept. of Business Developments Div.</p> <p>June 2001 Assigned to Affiliated Companies Planning Dept. of Affiliated Business Div.</p> <p>June 2003 General Manager of West Pipeline Business Dept. of Pipeline and Maintenance Div.</p> <p>April 2004 Executive Officer and General Manager of Pipeline Dept. of Pipeline Network Div.</p> <p>April 2007 Senior Executive Officer and Division Manager of Pipeline Network Div.</p> <p>June 2010 Director, Senior Executive Officer and Division Manager of Pipeline Network Div. (Current position)</p>	63,000

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
8	* 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. (Current position)</p>	98,000
9	Katsuhiko Honda (March 12, 1942)	<p>April 1965 Joined Japan Tobacco and Salt Public Corporation</p> <p>June 1992 Director of Japan Tobacco Inc. (Company name changed)</p> <p>June 1994 Managing Director</p> <p>June 1996 Senior Managing Director</p> <p>June 1998 Representative Director and Executive Vice President</p> <p>June 2000 Representative Director and President</p> <p>June 2006 Director and Advisor</p> <p>June 2007 Outside Director of the Company</p> <p>June 2009 Executive Advisor of Japan Tobacco Inc. (Current position)</p> <p>[Important concurrent posts] Corporate Advisor of Japan Tobacco Inc. Outside Director of Tokyo Stock Exchange Group, Inc. Outside Director of Tokyo Stock Exchange, Inc.</p>	5,000

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	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] Vice Chairman of The Japan Institute of International Affairs</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	* 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 (Current position)</p> <p>[Important concurrent posts] Member of the Board, Chairman of Mitsubishi Chemical Holdings Corporation Member of the Board of Mitsubishi Chemical Corporation Member of the Board of Taiyo Nippon Sanso Corporation</p>	0

- Notes:
1. There is no special interest between the nominees for Directors and the Company.
  2. The nominees with an asterisk are nominees for Directors to be newly appointed.
  3. The nominees for Outside Directors are: Mr. Katsuhiko Honda, Mr. Yukio Sato and Ryuichi Tomizawa.
  4. Reasons for our nomination of these three individuals as Outside Directors and the tenures as the Outside Directors of the Company are as follows:
    - (1) We propose that Mr. Katsuhiko Honda be appointed as an Outside Director to allow the Company to continue to use his cosmopolitan outlook nurtured by the aggressive overseas penetration of the tobacco industry and strong management capabilities with which he has implemented reforms in response to changes in the business environment in the Company's business operations. Mr. Honda's tenure as an Outside Director of the Company will be four years as of the conclusion of this Annual Shareholders Meeting. 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 exchange (Tokyo Stock Exchange, Osaka Securities Exchange and Nagoya Stock Exchange).
- (2) 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 use 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 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 exchange (Tokyo Stock Exchange, Osaka Securities Exchange and Nagoya Stock Exchange).
- (3) We propose that Mr. Ryuichi Tomizawa be appointed as an Outside Director to allow the Company to use of his cosmopolitan outlook nurtured by the aggressive overseas penetration of the chemical industry and 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. Tomizawa 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).
5. While Mr. Ryuichi Tomizawa was 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 Member of the Board of TAIYO NIPPON SANSO CORPORATION, the company was suspected of violating the Antimonopoly Act in January, 2010, and is expected to be given administrative penalties (cease and desist order and surcharge payment order) by the Japan Fair Trade Commission concerning the said case. 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 law, he has fulfilled his duties as a Member of the Board, giving instructions that initiatives should be taken to prevent recurrence of similar incidents, including enhancement of the compliance system.

**Proposal No. 3: Election of One (1) Corporate Auditor**

The term of office of the current Corporate Auditor Yasunori Takakuwa ends at the conclusion of this Annual Shareholders Meeting. Accordingly, we hereby would like to propose that you elect one (1) Corporate Auditor.


The nominee for the Corporate Auditor is as follows.

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

Name (Date of birth)	Career summaries and position in the Company [Important concurrent posts]			Number of the Company's shares held
Manabu Fukumoto (January 24, 1952)	April	1975	Joined the Company	38,000
	April	2004	General Manager of General Administration Dept. of Corporate Communication Div.	
	April	2006	Executive Officer and General Manager of General Administration Dept. of Corporate Communication Div.	
	April	2007	Executive Officer and General Manager of General Administration Dept.	
	April	2008	Executive Officer and General Manager of Regional Development Planning Dept.	
	April	2009	Senior Executive Officer and in charge of Purchasing Dept., Real Estate Management Dept., and Internal Audit Dept.	
	June	2009	Senior Executive Officer and in charge of Purchasing Dept., Real Estate Management Dept., Major Site Development Dept. and Internal Audit Dept.	
	March	2011	Retired as Senior Executive Officer (Current position)	

Note: There is no special interest between the nominee for Corporate Auditor and the Company.

## 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 Tuesday, June 28, 2011**, 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',  
The Chuo Mitsui Trust and Banking Company, Limited  
Telephone number in Japan: 0120-65-2031 (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',  
The Chuo Mitsui Trust and Banking Company, Limited  
Telephone number in Japan: 0120-78-2031 (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.

Matters Disclosed via the Internet  
Pursuant to Laws and Regulations and the Articles of Incorporation

## **Notes to the Consolidated Financial Statements**

## **Notes to the Non-Consolidated Financial Statements**

211th Fiscal Year (April 1, 2010 to March 31, 2011)

**TOKYO GAS CO., LTD.**

The information relevant to matters that require disclosure in the "Notes to the Consolidated Financial Statements" and "Notes to the Non-Consolidated Financial Statements" are provided via the Internet by posting them on the Company's website (<http://www.tokyo-gas.co.jp>) pursuant to laws and regulations and the Company's Articles of Incorporation.

## Notes to the Consolidated Financial Statements

From April 1, 2010 to March 31, 2011

[Basis of Preparing Consolidated Financial Statements]

### 1. Scope of consolidation

(1) Number of consolidated subsidiaries

Number of consolidated subsidiaries: 63

Names of principal consolidated subsidiaries

TOKYO GAS AUSTRALIA PTY LTD, Tokyo Gas Urban Development Co., Ltd., Tokyo Gas International Holdings B.V., Ohgishima Power Co., Ltd., Tokyo Gas Toyosu Development Co., Ltd., Nagano Toshi Gas Inc., ENERGY ADVANCE Co., Ltd., Gaster Co., Ltd., Tokyo LNG Tanker Co., Ltd., Tokyo Gas Energy Co., Ltd., Captly Co., Ltd., Tokyo Gas Chemicals Co., Ltd., Chiba Gas Co., Ltd., Tokyo Gas Lease Co., Ltd., TG Information Network Co., Ltd., Tokyo Gas Engineering Co., Ltd., and Nijio Co., Ltd.

(2) Names, etc. of principal unconsolidated subsidiaries

The Company's principal unconsolidated subsidiary is TG e PRTEC Corporation

Since the amounts of accounts of each unconsolidated subsidiary, such as total assets, net sales, net income or loss (amount corresponding to our interest) and the total of retained earnings and others (amount corresponding to our interest) are all small in value terms and qualitatively of little importance, such companies have a materially insignificant impact on the Consolidated Financial Statements and were therefore excluded from the scope of consolidation.

### 2. Application of equity method

(1) Number of principal unconsolidated subsidiaries and affiliates accounted for by the equity method

Number of unconsolidated subsidiaries accounted for by the equity method: 0

Number of equity-method affiliates: 5

Name of principal equity-method affiliates:

TOKYO TIMOR SEA RESOURCES INC., GAS MALAYSIA SDN. BHD.

(2) Names, etc. of principal unconsolidated subsidiaries and affiliates not accounted for by the equity method

The Company's principal affiliate or unconsolidated subsidiary not accounted for by the equity method is Ark Hills Heat Supply Co., Ltd. The unconsolidated subsidiaries and affiliates not accounted for by the equity method were excluded from the scope of application of equity methods, due to the immaterial effect of net income (amount corresponding to our interest) and the total of retained earnings and others (amount corresponding to our interest) on the Consolidated Financial Statements and, as a whole, their insignificance.

### 3. Accounting policies

(1) Valuation bases and methods of significant assets

1) The valuation basis and method of securities are as follows:

Held-to-maturity debt securities are stated at amortized cost. Available-for-sale securities for which market value is readily determinable are carried at market value at the year end, with unrealized gains and losses, net of applicable taxes, reported in a separate component of net assets. The cost of securities sold is determined based on the moving-average method.

Available-for-sale securities with no readily determinable fair market value are stated at cost, as determined by the moving-average method.

2) Derivatives are valued by the fair value method.

3) Inventories (finished goods, raw materials and supplies) are stated at cost, as determined by the moving-average method (consolidated

balance sheet values are calculated using the book value reduction method based on declining profitability).

- (2) Methods of depreciation and amortization of significant depreciable assets
    - 1) The declining-balance method is mainly applied for property, plant and equipment. However, the straight-line method is applied for buildings (excluding building fixtures) acquired on or after April 1, 1998. Durable years are determined based on the 'Corporation Tax Act'.
    - 2) The straight-line method is applied for intangible assets. Software for internal use is amortized by the straight-line method over the internally available period.
  - (3) Standard for significant provisions
    - 1) To reserve for loss on doubtful accounts such as accounts receivable-trade and loans, etc., general allowances are provided using a rate determined by past bad debts experience and also specific allowances are provided for the estimated amounts considered to be uncollectible after reviewing individual collectibles of certain doubtful accounts such as bankruptcy/rehabilitation claims.
    - 2) The Company and consolidated subsidiaries provide provision for retirement benefits in the amount of the deemed obligations as of the balance sheet date based on the estimated amount of projected benefit obligation and the estimated fair value of the pension plan assets at that date.

Actuarial differences are mainly recorded as expenses in one lump-sum in the fiscal year following the fiscal year in which the actuarial gain or loss is recognized.
    - 3) The Company and certain consolidated subsidiaries provide provision for gas holder repairs for periodic maintenance and repair of spherical gas holding tanks by distributing the estimated related costs to each fiscal term during the period until the next scheduled repair.
  - (4) Other significant matters for preparing Consolidated Financial Statements
    - 1) All accounting transactions are booked exclusive of consumption taxes.
    - 2) Method and period of amortization of goodwill  
Goodwill is amortized over twenty years or less (mainly ten years) under the straight-line method.
4. Changes in basis of preparing Consolidated Financial Statements
- (1) Application of the 'Accounting Standard for Equity Method of Accounting for Investments' and the 'Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method'  
Effective April 1, 2010, the Company has applied the 'Accounting Standard for Equity Method of Accounting for Investments' (ASBJ Statement No. 16, March 10, 2008) and the 'Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method' (ASBJ PITF No. 24, March 10, 2008), and made necessary adjustments for preparing Consolidated Financial Statements. There is no impact of this change on the business performance of the Tokyo Gas group.

- (2) Application of the Accounting Standard for Asset Retirement Obligations Effective April 1, 2010, the Company has applied the 'Accounting Standard for Asset Retirement Obligations' (ASBJ Statement No. 18, March 31, 2008) and the 'Guidance on Accounting Standard for Asset Retirement Obligations' (ASBJ Guidance No. 21, March 31, 2008).

The impact of the application of the standard and guidance on income and loss on the business performance of the Tokyo Gas group is minimal. The change in the amount of asset retirement obligations as a result of the application of the said accounting standard and guidance stands at ¥3,091 million.

- (3) Application of the Accounting Standard for Business Combinations and related regulations

Effective April 1, 2010, the Company has applied the 'Accounting Standard for Business Combinations' (ASBJ Statement No. 21, December 26, 2008), 'Accounting Standard for Consolidated Financial Statements' (ASBJ Statement No. 22, December 26, 2008), 'Partial Amendments to Accounting Standard for Research and Development Costs' (ASBJ Statement No. 23, December 26, 2008), revised 'Accounting Standard for Business Divestitures' (ASBJ Statement No. 7, December 26, 2008), revised 'Accounting Standard for Equity Method of Accounting for Investments' (ASBJ Statement No. 16, December 26, 2008), and revised 'Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures' (ASBJ Guidance No. 10, December 26, 2008).

- (4) Change in methods of depreciation and amortization of significant depreciable assets

Though the declining-balance method was applied for ships owned by Tokyo LNG Tanker Co., Ltd., a consolidated subsidiary of the Company, the straight-line method has been applied effective April 1, 2010.

This change to the straight-line method of depreciation, which corresponds to a long-term, stable earnings structure, is aimed at making the corresponding relationship between earnings and expenses more rational, since long-term, stable earnings, backed by transportation agreements concluded with consignors, are projected to account for most of the earnings at Tokyo LNG Tanker in and after the current fiscal year.

As a result of this change, cost of sales for the current fiscal year decreased by ¥2,954 million, while gross profit, operating income, ordinary income and income before income taxes respectively increased by the same amount compared with figures under the previously adopted method.

[Explanatory notes regarding the consolidated balance sheet]

1. Assets pledged as collateral

- (1) Breakdown of assets

Other facilities	¥8,319 million
Investment securities	¥13,198 million
Long-term loans receivable	¥2,824 million
Cash and deposits	¥1,487 million
Other current assets	¥5 million

- (2) Liabilities related to collateral

Long-term loans payable	¥6,616 million
(In above, Current portion of noncurrent liabilities	¥1,279 million)
Other current liabilities	¥54 million

2. Accumulated depreciation of property, plant and equipment

¥3,141,760 million

3. Contingent liabilities for guarantee etc.

- |   |                 |
|---|-----------------|
| (1) Contingent liabilities for guarantee  | ¥13,148 million |
| (2) Contingent liabilities related to debt-assumption underwriting contracts on corporate bonds | ¥38,700 million |



[Explanatory notes regarding the consolidated statement of changes in net assets]

1. Number of shares issued      FY2010 ended March 31, 2011  
2,684,193,295 shares

2. Dividends

(1) Dividends from surplus of this fiscal year

1) The following was decided by the resolution of the Annual Shareholders Meeting held on June 29, 2010.

▪ Dividends of common share

(a) Total amount of dividends	¥13,493 million
(b) Dividends per share	¥5.00
(c) Date of record	March 31, 2010
(d) Effective date	June 30, 2010

2) The following was decided by the meeting of the Board of Directors held on October 29, 2010.

▪ Dividends of common share

(a) Total amount of dividends	¥12,055 million
(b) Dividends per share	¥4.50
(c) Date of record	September 30, 2010
(d) Effective date	November 24, 2010

(2) Dividends from surplus to be carried out after the end of this fiscal year

The following will be proposed at the Annual Shareholders Meeting to be held on June 29, 2011.

▪ Dividends of common share

(a) Total amount of dividends	¥12,052 million
(b) Resource of dividends	Retained earnings
(c) Dividend per share	¥4.50
(d) Date of record	March 31, 2011
(e) Effective date	June 30, 2011

[Explanatory notes regarding financial instruments]

1. Matters related to the status of financial instruments

The Tokyo Gas Group invests funds in highly safe financial assets such as bank deposits and procures funds through bond issuance and loans from banks and other financial institutions.

We mitigate customers' credit risks related to notes and accounts receivable - trade in accordance with each group company's credit control policy. In addition, investment securities are mainly stocks and we check the stocks' fair values on a quarterly basis regarding listed stocks.

Bonds payable and loans payable are mainly for capital investment (long-term) and for working capital (short-term), and we fix interest expenses by using interest rate swap transactions against the interest volatility risk involved in part of our long-term loans payable. In addition, when performing derivatives trading, we will draw up a plan therefor in accordance with our internal management rules and conduct the derivatives trading after receiving official approval.

2. Matters related to the fair value of financial instruments

The following are the amounts on the consolidated balance sheet, their fair values and differences as of March 31, 2011.

(Millions of yen)

	Amount on the consolidated balance sheet (*1)	Fair value (*1)	Difference
(1) Investment securities and other securities	62,566	62,567	1
(2) Notes and accounts receivable - trade	160,128	160,128	-
(3) Bonds payable (*2)	(341,492)	(352,811)	(11,318)
(4) Long-term loans payable (*2)	(206,928)	(211,075)	(4,147)
(5) Derivatives trading	175	175	-

(\*1) Figures in parentheses are those listed under liabilities.

(\*2) (3) Bonds payable and (4) Long-term loans payable include items due within one year.

(Note 1) Matters related to the method of measuring the fair value of financial instruments

(1) Investment securities and other securities

The fair value of stocks refers to quotes on their respective stock exchanges.

(2) Notes and accounts receivable - trade

These items are listed at book value because they are settled in a short time and their fair value approximates the book values.

(3) Bonds payable

The fair value of the Group's bonds payable is measured at the present value of the aggregate amount of principal and interest discounted using the rate for the period until their maturity where credit risk is inclusive.

(4) Long-term loans payable

The fair value of long-term loans payable is measured by using a method in which the aggregate amount of principal and interest is discounted at the assumed interest rates for similar new loans payable. Of the Group's long-term loans payable with variable interest rates, the fair value of those subject to special accounting treatment for fixed interest rate swap transactions (see (5) below) is measured by using a method in which the aggregate amount of principal and interests treated with the said fixed interest rate swap transactions is discounted at the assumed interest rates for similar new loans payable.

(5) Derivatives trading

The fair value of derivatives trading is measured based on the prices presented by financial institutions with which we have transactions. Their fair value is included in the fair value of the said long-term loans payable, because interest rate swap transactions given the special accounting treatment are treated together with hedged long-term loans payable. (see (4) above).

(Note 2) Stocks of subsidiaries and affiliates (¥45,478 million on the consolidated balance sheet) as well as unlisted stocks and others (¥34,416 million on the consolidated balance sheet) are not included in '(1) Investment securities and other securities' because they do not have market prices and therefore it is extremely difficult to determine their fair value.

[Explanatory notes regarding investment and rental properties]

1. Matters related to status of investment and rental properties

The Company and some subsidiaries have office buildings for rent and other properties (including land under development) in Tokyo and other regions.

2. Matters related to the fair value of investment and rental properties

(Millions of yen)

Amount on consolidated balance sheet	Fair value
85,553	326,869

(Note 1) The amount on consolidated balance sheet is the amount of acquisition cost less accumulated depreciation.

(Note 2) The fair value at the end of this fiscal year is mainly based on real-estate appraisal documents prepared by real-estate appraisers.

[Explanatory notes regarding per share information]

1. Net assets per share	¥320.70
2. Net income per share	¥35.63

[Explanatory notes regarding material subsequent events]

The Company decided by resolution at a meeting of the Board of Directors held on April 28, 2011 to acquire own shares pursuant to the provisions of Article 156 of the Companies Act as applied by replacing the relevant terms pursuant to the provision of Article 165, paragraph (3) of the said Act.

Details of the acquisition of own shares are as follows:

- Number of shares to be repurchased: A maximum of 110,000 thousand shares
- Type of money to be paid in exchange for shares and aggregate amount thereof:  
Cash, a maximum of ¥34,000 million
- Period during which the Company can repurchase shares:  
May 2, 2011 - March 31, 2012

[Explanatory notes]

All amounts of less than one million yen have been rounded down in the accounts.

## Notes to the Non-Consolidated Financial Statements

From April 1, 2010 to March 31, 2011

### 1. Significant accounting policies

#### (1) Valuation bases and methods of assets

- 1) The valuation basis and method of securities are as follows:  
Held-to-maturity debt securities are stated at amortized cost. Stocks issued by subsidiaries and affiliated companies are stated at cost, as determined by the moving-average method. Available-for-sale securities for which market value is readily determinable are carried at market value at the year end, with unrealized gains and losses, net of applicable taxes, reported in a separate component of net assets. The cost of securities sold is determined based on the moving-average method. Available-for-sale securities with no readily determinable fair market value are stated at cost, as determined by the moving-average method.
- 2) Derivatives are valued by the fair value method.
- 3) Inventories (finished goods, raw materials and supplies) are stated at cost, as determined by the moving-average method (balance sheet values are calculated using the book value reduction method based on declining profitability).

#### (2) Methods of depreciation and amortization of noncurrent assets

- 1) The declining-balance method is mainly applied for property, plant and equipment. However, the straight-line method is applied for buildings (excluding building fixtures) acquired on or after April 1, 1998. Durable years are determined based on the 'Corporation Tax Act'.
- 2) The straight-line method is applied for intangible assets. Software for internal use is amortized by the straight-line method over the internally available period.

#### (3) Standard for provisions

- 1) To reserve for loss on doubtful accounts such as accounts receivable-trade and loans, etc., general allowances are provided using a rate determined by past bad debts experience and also specific allowances are provided for the estimated amounts considered to be uncollectible after reviewing individual collectibles of certain doubtful accounts such as bankruptcy/rehabilitation claims.
- 2) The Company provides provision for retirement benefits in the amount of the deemed obligations as of the balance sheet date based on the estimated amounts of projected benefit obligation and the estimated fair value of the pension plan assets at that date. Actuarial differences are recorded as expenses in one lump-sum in the fiscal year following the fiscal year in which the actuarial gain or loss is recognized.
- 3) The Company provides provision for gas holder repairs for periodic maintenance and repair of spherical gas holding tanks by distributing the estimated related costs to each fiscal term during the period until the next scheduled repair.

#### (4) All accounting transactions are booked exclusive of consumption taxes.

- (5) Changes in accounting principles or accounting procedures
- 1) Effective April 1, 2010, the Company has applied the 'Accounting Standard for Asset Retirement Obligations' (ASBJ Statement No. 18, March 31, 2008) and the 'Guidance on Accounting Standard for Asset Retirement Obligations' (ASBJ Guidance No. 21, March 31, 2008). There is no impact of this change on the business performance of the Company.
  - 2) Effective April 1, 2010, the Company has applied the 'Accounting Standard for Business Combinations' (ASBJ Statement No. 21, December 26, 2008), 'Partial Amendments to Accounting Standard for Research and Development Costs' (ASBJ Statement No. 23, December 26, 2008), revised 'Accounting Standard for Business Divestitures' (ASBJ Statement No. 7, December 26, 2008), and revised 'Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures' (ASBJ Guidance No. 10, December 26, 2008).
2. Explanatory notes regarding the non-consolidated balance sheet
- (1) Assets pledged as collateral
 

Investment securities	¥320 million
Investments in subsidiaries and affiliates	¥13,700 million
Long-term loans receivable	¥35 million
Long-term loans receivable from subsidiaries and affiliates	¥1,184 million
(Amount of liabilities secured by the collaterals	- )

 (The above assets are pledged as collateral against debts incurred by companies in which the Company has invested.)
  - (2) Accumulated depreciation
 

Property, plant and equipment	¥2,618,288 million
Intangible assets	¥24,173 million
  - (3) Contingent liabilities for guarantees, etc.
 

Contingent liabilities for guarantee	¥51,496 million
Joint and several liabilities	¥13,820 million
Contingent liabilities related to debt-assumption underwriting contracts on corporate bonds	¥38,700 million
3. Explanatory notes regarding the non-consolidated statement of income
- |   |                  |
|---|------------------|
| Trading volume with subsidiaries and affiliates   |                  |
| Net sales   | ¥172,607 million |
| Purchases   | ¥239,602 million |
| Trading volume other than net sales and purchases | ¥18,960 million  |
4. Explanatory notes regarding the non-consolidated statement of changes in net assets
- |  |                  |
|--|------------------|
| Number of shares of treasury stock as of the end of the fiscal year under review | 5,899,491 shares |
|--|------------------|
5. Explanatory notes regarding deferred tax accounting
- |   |   |
|---|---|
| Principal sources of deferred tax assets and deferred tax liabilities |   |
| Deferred tax assets   | Provision for retirement benefits                     |
| Deferred tax liabilities  | Valuation difference on available-for-sale securities |

6. Explanatory notes regarding transactions with related parties  
Subsidiaries

Name	Percentage of voting rights holding (or being held) (%)	Relationship with related party	Contents of transaction	Amount of transaction (millions of yen)	Account name	Amount outstanding as of the end of FY2010 (millions of yen)
Tokyo Gas Pluto Pty Ltd	Holding Indirect 100.0	Subsidiary	Loan guarantee	34,089	—	—

Business terms and policies for determination of business terms

A decision is made comprehensively after due consideration of the project plan.

7. Explanatory notes regarding per share information

Net assets per share	¥266.58
Net income per share	¥25.19

8. Explanatory notes regarding material subsequent events

The Company decided by resolution at a meeting of the Board of Directors held on April 28, 2011 to acquire own shares pursuant to the provisions of Article 156 of the Companies Act as applied by replacing the relevant terms pursuant to the provision of Article 165, paragraph (3) of the said Act. Details of the acquisition of own shares are as follows:

- Number of shares to be repurchased: A maximum of 110,000 thousand shares
- Type of money to be paid in exchange for shares and aggregate amount thereof:
  - Cash, a maximum of ¥34,000 million
- Period during which the Company can repurchase shares:
  - May 2, 2011 - March 31, 2012

9. All amounts of less than one million yen have been rounded down in the accounts.