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

Consolidated Statement of Changes in Equity

Notes to the Consolidated Financial Statements

Non-Consolidated Statement of Changes in Equity

Notes to the Non-Consolidated Financial Statements

217th Fiscal Year (April 1, 2016 to March 31, 2017)

TOKYO GAS CO., LTD.

The information relevant to matters that require disclosure in the consolidated financial statements "Consolidated Statement of Changes in Equity", "Notes to the Consolidated Financial Statements", and non-consolidated financial statements "Non-Consolidated Statement of Changes in Equity" 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.

Consolidated Statement of Changes in Equity

From April 1, 2016 to March 31, 2017

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	141,844	1,878	910,353	(4,441)	1,049,634
Changes of items during period					
Dividends of surplus			(26,969)		(26,969)
Profit attributable to owners of parent			53,134		53,134
Purchase of treasury shares				(41,065)	(41,065)
Disposal of treasury shares				4	4
Retirement of treasury shares			(42,415)	42,415	
Decrease in the number of consolidated subsidiaries			(666)		(666)
Change in treasury shares of parent arising from transactions with non-controlling shareholders		4			4
Net changes of items other than shareholders' equity					
Total changes of items during period	–	4	(16,916)	1,354	(15,558)
Balance at end of current period	141,844	1,883	893,436	(3,087)	1,034,076

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	26,298	(2,573)	44,945	(18,033)	50,636	14,900	1,115,172
Changes of items during period							
Dividends of surplus							(26,969)
Profit attributable to owners of parent							53,134
Purchase of treasury shares							(41,065)
Disposal of treasury shares							4
Retirement of treasury shares							–
Decrease in the number of consolidated subsidiaries							(666)
Change in treasury shares of parent arising from transactions with non-controlling shareholders							4
Net changes of items other than shareholders' equity	867	1,583	(8,545)	22,879	16,785	(3,591)	13,194
Total changes of items during period	867	1,583	(8,545)	22,879	16,785	(3,591)	(2,364)
Balance at end of current period	27,166	(990)	36,399	4,845	67,422	11,309	1,112,807

Notes to the Consolidated Financial Statements

From April 1, 2016 to March 31, 2017

[Basis of Preparing Consolidated Financial Statements]

1. Scope of consolidation
   (1) Number of consolidated subsidiaries
   Number of consolidated subsidiaries: 68
   Names of principal consolidated subsidiaries
   TOKYO GAS AUSTRALIA PTY LTD, Tokyo Gas America Ltd., Tokyo Gas Urban Development Co., Ltd., Tokyo Gas Engineering Solutions Corporation, Tokyo Gas International Holdings B.V., Ohgishima Power Co., Ltd., Tokyo Gas Site Development Co., Ltd., Nagano Toshi Gas Inc., Tokyo LNG Tanker Co., Ltd., Tokyo Gas Energy Co., Ltd., Capty Co., Ltd., Tokyo Gas Chemicals Co., Ltd., Tokyo Gas Lease Co., Ltd., TOKYO GAS i NET CORP., and Nijio Co., Ltd.
   Gastar Co., Ltd. and Chiba Gas Co., Ltd., which were consolidated subsidiaries until the previous fiscal year, were excluded from the scope of consolidation in the current fiscal year due to the decrease in the share of voting rights following the sale of shares of Gastar Co., Ltd., and due to the absorption-type merger with Tokyo Gas Co., Ltd.

2. Application of equity method
   (1) Number of associates accounted for using equity method
   Number of associates accounted for using equity method: 8
   Name of principal entities accounted for using equity method:
   TOKYO TIMOR SEA RESOURCES INC., GAS MALAYSIA BERHAD
   (2) Names, etc. of principal associates not accounted for using equity method
   The Company's principal associates not accounted for using equity method is Ark Hills Heat Supply Co., Ltd.
   The associates not accounted for using equity method were excluded from the scope of application of equity methods, due to the immaterial effect of profit or loss (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 with readily determinable fair value are carried at fair value based on the market price at the year end, etc., with valuation differences, reported in a separate component of net assets. The cost of securities sold is determined by the moving-average method.
      Available-for-sale securities with no readily determinable fair 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, and facilities attached to buildings and structures acquired on or after April 1, 2016.
Durable years are mainly determined based on the ‘Corporation Tax Act’.

2) The straight-line method is mainly applied for intangible assets. Software for internal use is amortized by the straight-line method over the internally available period.

(3) Basis for significant provisions

1) To reserve for loss on doubtful accounts such as accounts receivable - trade and loans receivable, 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 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.

3) Provision for safety measures is an allowance to provide outlays for expenses required to ensure the safety of gas consumers. We have individually recorded the estimated future expenses that will be required after the consolidated balance sheet date to install cushioning material for gas valves of built-in kitchens with drawer-type cabinets, and expenses required for work on exchanging valve connections for gas appliances with air extractor vents for valve connections without air extractor vents.

4) Provision for appliance warranties is an allowance to provide outlays for expenses required for services during warranty periods of appliances sold. The estimated future expenses required after the consolidated balance sheet date are recorded.

(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 under the straight-line method depending on the reasons for recognition of goodwill.

3) Method for Accounting for Retirement Benefits
To provide for retirement benefits to employees, the Company records the amount of retirement benefit obligations, based on the estimated amount at the end of the current fiscal year, minus pension plan assets as a net defined benefit liability; note, however, that, in the case where the amount of pension assets exceeds that of retirement benefit obligations, it is recorded as a net defined benefit asset.
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 incurs. Also, the prior service costs are amortized using the straight-line method over a period (principally 1 year) set within the average remaining service period of employees as occurred.

Unrecognized actuarial differences and unrecognized prior service costs are posted as remeasurements of defined benefit plans in accumulated other comprehensive income under the net assets section after adjusting for tax effects. In the calculation of retirement benefit obligations, expected benefits are mainly attributed to the period up until the fiscal year under review on the benefit formula basis.

4) As for deferred tax accounting, the Company has applied the 'Revised Implementation Guidance on Recoverability of Deferred Tax Assets' (ASBJ Guidance No. 26) from the fiscal year under review. The adoption has no impact.

4. Changes in basis of preparing consolidated financial statements

(1) Changes in accounting policies

Following the revision to the Corporation Tax Act, the Company has applied the 'Practical Solution on a Change in Depreciation Method due to Tax Reform 2016' (ASBJ PITF No. 32, June 17, 2016) from the fiscal year under review, and changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.

The effect of these changes on profit and loss is immaterial.

[Explanatory notes regarding the consolidated balance sheet]

1. Assets pledged as collateral
   (1) Breakdown of assets

Other facilities	¥7 million
Construction in progress	¥35,635 million
Investment securities	¥20,001 million
Long-term loans receivable	¥28 million
Cash and deposits	¥7,788 million

   (2) Liabilities secured by the collaterals

Other current liabilities	¥50 million

2. Accumulated depreciation of property, plant and equipment
   ¥3,788,783 million
3. Guarantee obligation etc.
   (1) Guarantee obligation ¥39,222 million

[Explanatory notes regarding the consolidated statement of changes in equity]

1. Number of shares issued as of the end of this fiscal year
   2,302,856,295 shares
2. Dividends
   (1) Dividends of surplus of this fiscal year
      1) The following was decided by the resolution of the Annual Shareholders Meeting held on June 29, 2016.
         ・ Dividends of common share

(a) Total amount of dividends	¥14,340 million
(b) Dividends per share	¥6.00
(c) Date of record	March 31, 2016
(d) Effective date	June 30, 2016

      2) The following was decided by the meeting of the Board of Directors held on October 28, 2016.
         ・ Dividends of common share

(a) Total amount of dividends	¥12,628 million
(b) Dividends per share	¥5.50
(c) Date of record	September 30, 2016
(d) Effective date	November 30, 2016

   (2) Dividends of 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, 2017.
         ・ Dividends of common share

(a) Total amount of dividends	¥12,628 million
(b) Resource of dividends	Retained earnings
(c) Dividends per share	¥5.50
(d) Date of record	March 31, 2017
(e) Effective date	June 30, 2017

[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 shares and we check the shares' fair values on a quarterly basis regarding listed shares.

   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, 2017.

(Millions of yen)

	Amount on the consolidated balance sheet (*1)	Fair value (*1)	Difference
(1) Investment securities and other securities	70,409	84,880	14,471
(2) Cash and deposits	132,626	132,626	-
(3) Notes and accounts receivable - trade	194,240	194,240	-
(4) Bonds payable (*2)	[314,997]	[349,855]	(34,858)
(5) Long-term loans payable (*2)	[383,015]	[415,508]	(32,493)
(6) Derivatives	(1,111)	(1,111)	-

(*1) Figures in square brackets are those listed under liabilities. Net receivables and liabilities arising from derivative transactions are shown in net amounts. Figures in parentheses are posted to liabilities.

(*2) (4) Bonds payable and (5) 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) Cash and deposits

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

(3) 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.

(4) 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.

(5) 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 interest rate swap transactions (see (6) below) is measured by using a method in which the aggregate amount of principal and interests treated with the said interest rate swap transactions is discounted at the assumed interest rates for similar new loans payable.

(6) Derivatives

The fair value of derivatives 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 (5) above).

(Note 2) Shares of subsidiaries and associates (¥50,331 million on the consolidated balance sheet) as well as unlisted shares and others (¥61,702 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 the consolidated balance sheet	Fair value
65,330	409,643

(Note 1) The amount on the 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 ¥479.74
2. Basic earnings per share ¥23.02

[Explanatory notes regarding material subsequent events]

1. Acquisition of own shares

The Company decided by resolution at the meeting of the Board of Directors held on April 28, 2017 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: 15,000 thousand shares (maximum: 0.7% of total number of shares issued)
- Type of money to be paid in exchange for shares and aggregate amount thereof:
  Cash, a maximum of ¥7,000 million
- Period during which the Company can repurchase shares:
  May 2, 2017 - March 31, 2018

[Other Explanatory notes]

1. Share consolidation, etc.
   In addition to the resolution at the Board of Directors meeting held on January 31, 2017, regarding the change in the number of shares in a unit of shares (from 1,000 shares to 100 shares) and the partial amendment to the provisions of the Articles of Incorporation, the Company resolved to include the share consolidation (consolidating every 5 shares into 1 share, and changing the total number of shares issuable from 6.5 billion shares to 1.3 billion shares) in the matters to be resolved at the 217th Annual Shareholders Meeting scheduled to be held in June 2017. Subject to the

approval of the proposal related to the share consolidation at this Annual Shareholders Meeting, the aforementioned change in the number of shares in a unit of shares, the share consolidation, and the partial amendment to the provisions of the Articles of Incorporation will take effect on October 1, 2017.

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

Non-Consolidated Statement of Changes in Equity

From April 1, 2016 to March 31, 2017

(Millions of yen)

	Shareholders' equity									
		Capital surplus		Retained earnings						
					Other retained earnings					
	Capital stock	Legal capital surplus	Total capital surplus	Legal retained earnings	Reserve for advanced depreciation of non-current assets	Reserve for overseas investment loss	Reserve for adjustment of cost fluctuations	General reserve	Retained earnings brought forward	Total retained earnings
Balance at beginning of current period	141,844	2,065	2,065	35,454	1,568	12,369	141,000	339,000	156,978	686,371
Changes of items during period										
Provision of reserve for advanced depreciation of non-current assets					3,010				(3,010)	
Reversal of reserve for advanced depreciation of non-current assets					(104)				104	
Reversal of reserve for overseas investment loss						(1,373)			1,373	
Dividends of surplus									(26,969)	(26,969)
Profit									68,777	68,777
Purchase of treasury shares										
Disposal of treasury shares									(0)	(0)
Retirement of treasury shares									(42,415)	(42,415)
Net changes of items other than shareholders' equity										
Total changes of items during period	-	-	-	-	2,906	(1,373)	-	-	(2,139)	(607)
Balance at end of current period	141,844	2,065	2,065	35,454	4,475	10,996	141,000	339,000	154,838	685,764

	Shareholders' equity		Valuation and translation adjustments			
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total Valuation and translation adjustments	Total net assets
Balance at beginning of current period	(4,441)	825,839	25,936	(11,756)	14,180	840,020
Changes of items during period						
Provision of reserve for advanced depreciation of non-current assets						-
Reversal of reserve for advanced depreciation of non-current assets						-
Reversal of reserve for overseas investment loss						-
Dividends of surplus		(26,969)				(26,969)
Profit		68,777				68,777
Purchase of treasury shares	(41,065)	(41,065)				(41,065)
Disposal of treasury shares	4	4				4
Retirement of treasury shares	42,415					-
Net changes of items other than shareholders' equity			790	957	1,747	1,747
Total changes of items during period	1,354	747	790	957	1,747	2,494
Balance at end of current period	(3,087)	826,586	26,727	(10,799)	15,928	842,515

Notes to the Non-Consolidated Financial Statements

From April 1, 2016 to March 31, 2017

1. Significant accounting policies
   (1) Valuation bases and methods of assets
      1) The valuation basis and method of securities are as follows:
         Shares of subsidiaries and associates are stated at cost, as determined by the moving-average method.
         Available-for-sale securities with readily determinable fair value are carried at fair value based on the market price at the year end, etc., with valuation differences, reported in a separate component of net assets. The cost of securities sold is determined by the moving-average method.
         Available-for-sale securities with no readily determinable fair 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 non-current assets
      1) The declining-balance method is 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, and facilities attached to buildings and structures acquired on or after April 1, 2016.
         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. Goodwill is amortized over twenty years under the straight-line method.
   (3) Basis for provisions
      1) To reserve for loss on doubtful accounts such as accounts receivable - trade and loans receivable, 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 amount 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 incurs. Also, the prior service costs are amortized using the straight-line method over a period (1 year) set within the average remaining service period of employees as occurred. In the calculation of retirement benefit obligations, expected benefits are attributed to periods up until the fiscal year under review on the benefit formula basis.
      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) Provision for safety measures is an allowance to provide outlays for expenses required to ensure the safety of gas consumers. We

have individually recorded the estimated future expenses that will be required after the balance sheet date to install cushioning material for gas valves of built-in kitchens with drawer-type cabinets, and expenses required for work on exchanging valve connections for gas appliances with air extractor vents for valve connections without air extractor vents.

5) Provision for appliance warranties is an allowance to provide outlays for expenses required for services during warranty periods of appliances sold. The estimated future expenses required after the balance sheet date are recorded.

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

(5) As for deferred tax accounting, the Company has applied the 'Revised Implementation Guidance on Recoverability of Deferred Tax Assets' (ASBJ Guidance No. 26) from the fiscal year under review. The adoption has no impact.

2. Explanatory notes regarding changes in accounting policies

Following the revision to the Corporation Tax Act, the Company has applied the 'Practical Solution on a Change in Depreciation Method due to Tax Reform 2016' (ASBJ PITF No. 32, June 17, 2016) from the fiscal year under review, and changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.

The effect of these changes on profit and loss is immaterial.

3. Explanatory notes regarding the non-consolidated balance sheet

(1) Assets pledged as collateral

Investment securities	¥541 million
Investments in subsidiaries and associates	¥8,761 million
Long-term loans receivable	¥28 million
Investments in capital	¥3 million
(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	¥3,172,747 million
Intangible assets	¥30,041 million

(3) Guarantee obligation, etc.

Guarantee obligation	¥92,418 million

4. Explanatory notes regarding the non-consolidated statement of income

Trading volume with subsidiaries and associates

Net sales	¥195,668 million
Purchases	¥291,930 million
Trading volume other than net sales and purchases	¥15,057 million

5. Explanatory notes regarding the non-consolidated statement of changes in equity

Number of shares of treasury shares as of the end of this fiscal year
6,826,541 shares

6. 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

7. 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 FY2016 (millions of yen)
TOKYO GAS PLUTO PTY LTD.	Holding Indirect 100.0	Subsidiary	Loan guarantee (Note)	31,826	—	—

Business terms and policies for determination of business terms

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

8. Explanatory notes regarding per share information

Net assets per share	¥366.94
Basic earnings per share	¥29.79

9. Explanatory notes regarding material subsequent events

Acquisition of own shares

The Company decided by resolution at the meeting of the Board of Directors held on April 28, 2017 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:
  Up to 15,000 thousand shares (0.7% of the common shares outstanding)
- Type of money to be paid in exchange for shares and aggregate amount thereof:
  Cash, up to ¥7,000 million
- Period during which the Company can repurchase shares:
  May 2, 2017 – March 31, 2018

10. Other Explanatory notes

Share consolidation, etc.

In addition to the resolution at the Board of Directors meeting held on January 31, 2017, regarding the change in the number of shares in a unit of shares (from 1,000 shares to 100 shares) and the partial amendment to the provisions of the Articles of Incorporation, the Company resolved to include the share consolidation (consolidating every 5 shares into 1 share, and changing the total number of shares issuable from 6.5 billion shares to 1.3 billion shares) in the matters to be resolved at the 217th Annual Shareholders Meeting scheduled to be held in June 2017. Subject to the approval of the proposal related to the share consolidation at this Annual Shareholders Meeting, the aforementioned change in the number of shares in a unit of shares, the share consolidation, and the partial amendment to the provisions of the Articles of Incorporation will take effect on October 1, 2017.

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