

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

**Basic Policy on Development of Internal Control
System and Overview of Operational Status of the
System**

Consolidated Statement of Changes in Equity

Notes to the Consolidated Financial Statements

Non-Consolidated Statement of Changes in Equity

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219th Fiscal Year (April 1, 2018 to March 31, 2019)

TOKYO GAS CO., LTD.

The information relevant to matters that require disclosure in the Business Report "Basic Policy on Development of Internal Control System and Overview of Operational Status of the System", 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 (www.tokyo-gas.co.jp) pursuant to laws and regulations and the Company's Articles of Incorporation.

Basic Policy on Development of Internal Control System and Overview of Operational Status of the System

I. Basic Policy on Development of Internal Control System

The Company passed a resolution to revise the 'Basic Policy on Development of Internal Control System' at the meeting of its Board of Directors held on February 22, 2019 as follows:

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

- 1) The Company shall establish the 'Corporate Action Philosophy' and 'Our Code of Conduct' as the foundations of the compliance structure/system at the Company and its subsidiaries shall comply with them.
- 2) In order to ensure that its Directors and employees will comply with the 'Relevant Acts,' the 'Management Principles,' the 'Corporate Action Philosophy' and the 'Our Code of Conduct' the Company shall, pursuant to the provisions of the 'Business Ethics Committee Regulations,' establish a Business Ethics Committee as a deliberating/coordinating organ to promote proper development/operation of the compliance structure and system at the Company and its subsidiaries.
- 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 Audit & Supervisory Board Members 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.'
- 6) Directors charged with the execution of operations shall fulfill their role and responsibility for developing a system of internal controls in accordance with the basic policy determined by the Board of Directors.
- 7) The Company shall establish 'Regulations Concerning the Formulation, Implementation and Evaluation of Internal Controls Covering Financial Reporting' and, based on these Regulations, evaluate the effectiveness of internal controls relating to financial reporting and ensure the reliability of financial reports.
- 8) The Company shall establish 'Regulations Concerning Insider Trading Prevention and Timely Disclosure' and, based on these Regulations, prevent the practice of insider trading within the Company and its subsidiaries and ensure the appropriateness and promptness of information disclosure that is demanded of all listed corporations by the 'Securities Listing Regulations.'
- 9) Directors, if they discover any matter that may exert a material influence on management of the Company and its subsidiaries, shall inform the Board of Directors and Audit & Supervisory Board Members of the said matter without delay.
- 10) The Company shall establish a corporate structure and system where Audit & Supervisory Board Members would be empowered to audit the duties executed by Directors in accordance with the 'Audit Standards' established by the Audit & Supervisory Board.

(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 and 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 Officers with Titles.
- 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 'Execution Framework Regulations.'
- 3) The Representative Director shall report the status of operational execution to the Board of Directors pursuant to the provisions of the 'Regulations of the Board of Directors.'
- 4) The Board of Directors shall formulate medium- and long-term management plans, single-year management plans, and business strategies, and, based on them, establish principal management objectives and verify progress periodically, thereby ensuring that Directors execute their duties in an efficient and effective manner.

(4) Corporate structure, system and regulations on management of risks of loss

- 1) The Board of Directors shall establish 'Risk Management Policies' to promote the management of risks incurred by the Company and its subsidiaries, as well as a Risk Management Committee and a risk management unit. In addition, the Board of Directors shall specify material risks associated with executing operations by the Company and its subsidiaries, and review them annually.
- 2) All the units concerned with projects involving investments, equity participations, loans and debt guarantees shall evaluate their profitability and risks and, based on the said evaluation, submit the relevant agendas to the Management Committee or the Board of Directors for approval. Derivative transactions shall be executed pursuant to the provisions of the 'Regulations on Management of Market Risks.'
- 3) In the event of any unforeseen circumstance such as a natural disaster, a manufacturing/supply trouble and a state of emergency, all the units concerned shall cope with the said circumstance in a prompt and proper manner by putting predetermined structures and systems in place in accordance with the 'Emergency Response Organization Regulations.'
- 4) The Company shall establish a corporate structure and system that would cause each of its unit and subsidiaries to grasp risks associated with operational execution on its own, and manage such risks by formulating and implementing necessary countermeasures on its own.

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

- 1) In order to facilitate proper development/operation of the compliance structure and system within the Company and its subsidiaries, the Company shall establish a Compliance Department. In addition, the Company shall establish a 'Tokyo Gas Compliance Consulting Unit' to offer consulting services for the whole of the Company and its subsidiaries 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 its Directors and employees will fully comply with the Antitrust Act, industry laws, general supply provision, etc.
- 3) The Company shall establish a corporate structure and system where Audit & Supervisory Board Members would be empowered to audit the status of development/operation of its compliance structure and system and, if they detect or discover any problem, they would be entitled to demand that the situation be ameliorated.
- 4) The Company shall establish an Internal Audit Department which must operate independently of any unit executing operations. The Internal Audit Department shall audit the status/operation of accounting, operations, compliance, information system and risk management in the Company and its subsidiaries in accordance with the 'Internal Audit Regulations,' and shall report its findings to the Management Committee and Audit & Supervisory Board Members.

(6) Corporate structure and system for ensuring appropriateness of operations at the corporate group including subsidiaries

- 1) The Company shall demand that its subsidiaries 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 subsidiaries' Directors and Audit & Supervisory Board Members 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 Subsidiaries,' and establish a corporate structure and system where its Directors would be empowered to manage its subsidiaries by approving and receiving reports on important matters including those related to its exercise of shareholder's rights vis-à-vis the subsidiaries. The Company shall retain part of its powers over subsidiaries' business operations.
- 3) The Company shall establish a corporate structure and system where, if for purposes of subsidiaries management any of its subsidiaries is found to have a compliance-related problem including contravention of the acts or the Articles of Incorporation, the relevant subsidiaries 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 subsidiary's Directors and Audit & Supervisory Board Members 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 subsidiaries including contravention of the acts or the Articles of Incorporation, he/she shall report the said problem to the Management Committee and Audit & Supervisory Board Members without delay.

- 5) The Company shall establish a corporate structure and system where its Audit & Supervisory Board Members would be able to conduct their audits of subsidiaries in an efficient and effective manner in close coordination with Audit & Supervisory Board Members of the relevant subsidiaries and Internal Audit Department. The Company shall also establish a corporate structure and system where, if audit findings reveal the presence of a problem in ensuring the appropriateness of operations of the whole of the Company and its subsidiaries, Audit & Supervisory Board Members 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 subsidiaries in an efficient and effective manner in close coordination with the Audit & Supervisory Board Members of the Company and subsidiaries, and report its findings to the Management Committee, Audit & Supervisory Board Members, and the Directors and Audit & Supervisory Board Members of the relevant subsidiaries.
- (7) Matters related to employees who are assigned to assist in the duties of Audit & Supervisory Board Members, and matters related to independence of the relevant employees from Directors**
- 1) With the aim of providing its Audit & Supervisory Board Members with necessary assistance, the Company shall establish an Audit & Supervisory Board Members' Office staffed by full-time personnel who would operate independently of any unit executing operations.
 - 2) The Board of Directors shall decide on human resources-related matters of the manager of the Audit & Supervisory Board Members' Office and other employees subject to consent of Audit & Supervisory Board Members.
- (8) Corporate structures and systems for reporting by Directors and employees to Audit & Supervisory Board Members, for other reporting to Audit & Supervisory Board Members, and for ensuring that Audit & Supervisory Board Members' audits will be executed in an effective manner**
- 1) The Company shall establish a corporate structure and system where its Audit & Supervisory Board Members 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 Audit & Supervisory Board Members 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 Audit & Supervisory Board Members would be able to ensure the effectiveness of their audits by coordinating with Independent Auditor, Audit & Supervisory Board Members of its subsidiaries and Internal Audit Department.

II. Overview of Operational Status of Internal Control System

(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

During this fiscal year, the Board of Directors meeting was held 12 times, and we discussed and made decisions on important matters. Furthermore, Directors responsible for key policies reported to us on the execution of operations.

The Board of Directors received outside assessment and reports from the Accounting Auditor, and confirmed the reliability of financial reporting in accordance with the 'Regulations Concerning the Formulation, Implementation and Evaluation of Internal Controls Covering Financial Reporting.'

The Audit & Supervisory Board Members audited the above duties executed by Directors in accordance with the 'Audit Standards' established by the Audit & Supervisory Board.

(2) Corporate structure and system for preserving and managing information relevant to execution of Directors' duties

The Company has properly prepared and kept the minutes, etc. of the Board of Directors meeting so that the Directors, etc. can view them at their request.

(3) Corporate structure and system for ensuring that Directors' duties will be executed in an efficient manner

During this fiscal year, the Board of Directors meeting was held 12 times, and we discussed and made decisions on important matters relating to organization, transfer and evaluation of employees, and business results, etc. Furthermore, Directors responsible for key departments reported to us on the execution of operations.

Other important matters concerning our business operations were discussed at the Management Committee, which consists of Executive President, Executive Vice Presidents, Senior Managing Executive Officers and Senior Executive Officers, and the meeting was held 43 times during this fiscal year.

(4) Corporate structure, system and regulations on management of risks of loss

We perform an annual review of the material risks. The Risk Management Committee and the risk management unit ascertain the status of the risk management and consider the countermeasures.

We have established a framework of responding to large-scale disasters, accidents and contingencies in accordance with the 'Emergency Response Organization Regulations.' During this fiscal year, we took response actions on five occasions, which included responding to earthquakes.

(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

We have set up a 'Tokyo Gas Compliance Consulting Unit,' which deals with inquiries from staff in the Company and all of its subsidiaries. We are also using our intranet, etc. to inform everyone that we have a whistleblowing desk, while trying to increase awareness of the rules for preventing whistleblowers from being subject to unfair treatment.

The Internal Audit Department has 38 employees. It performs an audit on each department and subsidiary to examine compliance, effectiveness and efficiency of operations, and information security, then provides recommendations on improvements as needed. It also reports the audit findings, as appropriate, to the Board of Directors, the Management Committee and Audit & Supervisory Board Members.

(6) Corporate structure and system for ensuring appropriateness of operations at the corporate group including subsidiaries

The Directors received reports on important matters such as financial statements related to business results from its subsidiaries and gave prior approval in accordance with the 'Regulations on the Management of Subsidiaries.' In this fiscal year, the Internal Audit Department audited five key subsidiaries.

Each subsidiary is using the 'Tokyo Gas Compliance Consulting Unit,' in accordance with the 'Regulations for the Operation of Compliance Consulting Unit.'

(7) Matters related to employees who are assigned to assist in the duties of Audit & Supervisory Board Members, and matters related to independence of the relevant employees from Directors

The Audit & Supervisory Board Members' Office has five staff members, and has a framework whereby the tasks of Audit & Supervisory Board Members can be performed smoothly.

The Board of Directors has made decisions concerning the human resources-related matters of the manager of the Audit & Supervisory Board Members' Office and other employees after having obtained the consent of the Audit & Supervisory Board Members.

(8) Corporate structures and systems for reporting by Directors and employees to Audit & Supervisory Board Members, for other reporting to Audit & Supervisory Board Members, and for ensuring that Audit & Supervisory Board Members' audits will be executed in an effective manner

The Audit & Supervisory Board Members attend not only the Board of Directors meeting, but also other important meetings including the Management Committee and the Business Ethics Committee, where they check the progress of enhancing and operating the internal control system.

The Audit & Supervisory Board Members are making efforts to increase the effectiveness of audits by regularly organizing opportunities to exchange information and opinions with the Internal Audit Department, the Accounting Auditor, and Audit & Supervisory Board Members of subsidiaries. During this fiscal year, we organized three opportunities with the Internal Audit Department, seven opportunities with the Accounting Auditor, and four opportunities with the Audit & Supervisory Board Members of subsidiaries to exchange information and opinions.

Consolidated Statement of Changes in Equity

From April 1, 2018 to March 31, 2019

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	141,844	1,898	936,635	(3,642)	1,076,736
Changes of items during period					
Dividends of surplus			(24,932)		(24,932)
Profit attributable to owners of parent			84,555		84,555
Purchase of treasury shares				(20,051)	(20,051)
Disposal of treasury shares				2	2
Retirement of treasury shares			(19,580)	19,580	
Decrease in the number of consolidated subsidiaries			(128)		(128)
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(263)			(263)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(263)	39,914	(469)	39,182
Balance at end of current period	141,844	1,634	976,550	(4,111)	1,115,918

	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	30,282	(251)	33,206	(3,945)	59,291	12,405	1,148,433
Changes of items during period							
Dividends of surplus							(24,932)
Profit attributable to owners of parent							84,555
Purchase of treasury shares							(20,051)
Disposal of treasury shares							2
Retirement of treasury shares							-
Decrease in the number of consolidated subsidiaries							(128)
Change in treasury shares of parent arising from transactions with non-controlling shareholders							(263)
Net changes of items other than shareholders' equity	(7,525)	1,856	(8,435)	(2,049)	(16,154)	(115)	(16,269)
Total changes of items during period	(7,525)	1,856	(8,435)	(2,049)	(16,154)	(115)	22,912
Balance at end of current period	22,756	1,604	24,770	(5,994)	43,137	12,289	1,171,345

Notes to the Consolidated Financial Statements

From April 1, 2018 to March 31, 2019

[Basis of Preparing Consolidated Financial Statements]

1. Scope of consolidation

(1) Number of consolidated subsidiaries

Number of consolidated subsidiaries: 78

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., Captly Co., Ltd., Tokyo Gas Chemicals Co., Ltd., Tokyo Gas Lease Co., Ltd., TOKYO GAS i NET CORP., and Nijio Co., Ltd.

(2) Number of unconsolidated subsidiaries

Number of unconsolidated subsidiaries: 5

Names of principal unconsolidated subsidiaries

Niihama LNG Co., Ltd., Harumi Eco Energy Co., Ltd.

Unconsolidated subsidiaries are excluded from the scope of consolidation all due to their small size and the immaterial effect of total assets, net sales, and of profit or loss (amount corresponding to our interest) and of retained earnings and others (amount corresponding to our interest) of each company on the Consolidated Financial Statements.

2. Application of equity method

(1) Number of unconsolidated subsidiaries and associates accounted for using equity method

Number of unconsolidated subsidiaries

accounted for using equity method: 0

Number of associates accounted for using equity method: 14

Names of principal entities accounted for using equity method:

TOKYO TIMOR SEA RESOURCES INC., GAS MALAYSIA BERHAD, Castleton Resources LLC, Birdsboro Power Holdings II, LLC, SHIBA PARK SPECIAL PURPOSE COMPANY

(2) Names, etc. of principal unconsolidated subsidiaries and associates not accounted for using equity method

The Company's principal unconsolidated subsidiaries and associates not accounted for using equity method: Ark Hills Heat Supply Co., Ltd.

The unconsolidated subsidiaries and 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.
 - 5) Provision for point service program is an allowance to provide outlays for expenses arising through the use of point service. 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.

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. Changes in presentation

- (1) Implementation of Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.

The Company has implemented the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018), etc. starting the fiscal year under review. Deferred tax assets are shown under investments and other assets, and deferred tax liabilities are shown under non-current liabilities.

[Explanatory notes regarding the consolidated balance sheet]

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

Other facilities	¥2,292 million
Construction in progress	¥1,691 million
Investment securities	¥34,697 million
Long-term loans receivable	¥26 million
Cash and deposits	¥1,318 million
 - (2) Liabilities secured by the collaterals

Long-term loans payable	¥1,994 million
Current portion of long-term loans payable	¥144 million
Other current liabilities	¥48 million
2. Accumulated depreciation of property, plant and equipment
¥4,009,802 million
3. Guarantee obligation etc.
 - (1) Guarantee obligation
¥33,764 million

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

1. Number of shares issued as of the end of this fiscal year
451,355,759 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 28, 2018.
 - Dividends of common share

(a) Total amount of dividends	¥12,558 million
(b) Dividends per share	¥27.50
(c) Date of record	March 31, 2018
(d) Effective date	June 29, 2018
 - 2) The following was decided by the meeting of the Board of Directors held on October 31, 2018.
 - Dividends of common share

(a) Total amount of dividends	¥12,373 million
(b) Dividends per share	¥27.50
(c) Date of record	September 30, 2018
(d) Effective date	November 29, 2018
 - (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 27, 2019.
 - Dividends of common share

(a) Total amount of dividends	¥14,623 million
(b) Resource of dividends	Retained earnings
(c) Dividends per share	¥32.50
(d) Date of record	March 31, 2019
(e) Effective date	June 28, 2019

[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, 2019.

(Millions of yen)

	Amount on the consolidated balance sheet (*1)	Fair value (*1)	Difference
(1) Investment securities and other securities	68,812	81,013	12,200
(2) Cash and deposits	93,092	93,092	-
(3) Notes and accounts receivable - trade	265,225	265,225	-
(4) Bonds payable (*2)	[364,998]	[391,901]	(26,903)
(5) Long-term loans payable (*2)	[416,093]	[446,238]	(30,145)
(6) Derivatives	21	21	-

(*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 (¥89,085 million on the consolidated balance sheet) as well as unlisted shares and others (¥67,314 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
106,863	422,785

(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	¥2,575.99
2. Basic earnings per share	¥187.60

[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 26, 2019 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: 10,000 thousand shares (maximum: 2.2% of total number of shares issued)
- Type of money to be paid in exchange for shares and aggregate amount thereof:
Cash, a maximum of ¥24,000 million
- Period during which the Company can repurchase shares:
May 7, 2019 - March 31, 2020

[Other Explanatory notes]

1. 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, 2018 to March 31, 2019

(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 non-current assets		Other retained earnings					
						Reserve for overseas investment loss	Reserve for adjustment of cost fluctuations	General reserve	Retained earnings brought forward		
Balance at beginning of current period	141,844	2,065	2,065	35,454	6,236	8,980	141,000	339,000	199,289	729,960	
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					(74)				74		
Reversal of reserve for overseas investment loss						(2,213)			2,213		
Dividends of surplus									(24,932)	(24,932)	
Profit									53,717	53,717	
Purchase of treasury shares											
Disposal of treasury shares											
Retirement of treasury shares									(19,580)	(19,580)	
Net changes of items other than shareholders' equity	/	/	/	/	/	/	/	/	/	/	
Total changes of items during period	-	-	-	-	(74)	(2,213)	-	-	11,492	9,204	
Balance at end of current period	141,844	2,065	2,065	35,454	6,161	6,766	141,000	339,000	210,782	739,165	

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total Valuation and translation adjustments	
Balance at beginning of current period	(3,642)	870,228	29,712	(8,293)	21,419	891,648
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		(24,932)	/	/	/	(24,932)
Profit		53,717	/	/	/	53,717
Purchase of treasury shares	(20,051)	(20,051)	/	/	/	(20,051)
Disposal of treasury shares	2	2	/	/	/	2
Retirement of treasury shares	19,580		/	/	/	-
Net changes of items other than shareholders' equity	/	/	(7,440)	(1,730)	(9,170)	(9,170)
Total changes of items during period	(469)	8,735	(7,440)	(1,730)	(9,170)	(435)
Balance at end of current period	(4,111)	878,964	22,271	(10,023)	12,248	891,212

Notes to the Non-Consolidated Financial Statements

From April 1, 2018 to March 31, 2019

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. 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.
 - 6) Provision for point service program is an allowance to provide outlays for expenses arising through the use of point service. The estimated future expenses required after the consolidated balance sheet date are recorded.
- (4) All accounting transactions are booked exclusive of consumption taxes.

2. Changes in presentation

Changes and others associated with the revision of Ordinance for Accounting of Gas Business

With the enforcement of the Ordinance for Partial Revision of the Ordinance for Accounting of Gas Business and the Ordinance for Partial Revision of the Ordinance for Accounting of Gas Business (Ordinance of the Ministry of Economy, Trade and Industry No.36 of 2018) on June 19, 2018, Ordinance for Accounting of Gas Business was revised.

Non-consolidated balance sheet and others for this fiscal year have adopted the revised Ordinance for Accounting of Gas Business. Deferred tax assets are shown under investments and other assets, and deferred tax liabilities are shown under non-current liabilities.

3. Explanatory notes regarding the non-consolidated balance sheet

(1) Assets pledged as collateral

Investment securities	¥544 million
Investments in subsidiaries and associates	¥8,274 million
Long-term loans receivable	¥26 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	¥3,363,832 million
Intangible assets	¥33,908 million

(3) Guarantee obligation, etc.

Guarantee obligation	¥74,614 million
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4. Explanatory notes regarding the non-consolidated statement of income

Trading volume with subsidiaries and associates

Net sales	¥221,740 million
Purchases	¥411,709 million
Trading volume other than net sales and purchases	¥19,565 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
1,410,673 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)	24,082	—	—

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 ¥1,980.71
Basic earnings per share ¥119.18

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 26, 2019 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 10,000 thousand shares (2.2% of the common shares outstanding)
- Type of money to be paid in exchange for shares and aggregate amount thereof:
Cash, up to ¥24,000 million
- Period during which the Company can repurchase shares:
May 7, 2019 - March 31, 2020

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