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

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221st Fiscal Year (April 1, 2020 to March 31, 2021)

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 in charge of major corporate 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 in charge of major 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 53 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 nine occasions.

(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 'Tokyo Gas Compliance Consulting Units,' which deal 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 39 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 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 seven 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 receive reports from Directors and employees as appropriate, on the matters necessary for executing their duties.

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

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

Consolidated Statement of Changes in Equity

From April 1, 2020 to March 31, 2021

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	141,844	2,067	967,718	(3,875)	1,107,754
Changes of items during period					
Dividends of surplus			(26,460)		(26,460)
Profit attributable to owners of parent			49,505		49,505
Purchase of treasury shares				(32)	(32)
Disposal of treasury shares				1	1
Retirement of treasury shares					-
Increase in the number of consolidated subsidiaries					-
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(921)			(921)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(921)	23,044	(31)	22,091
Balance at end of current period	141,844	1,145	990,762	(3,907)	1,129,845

	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	15,843	1,444	22,412	292	39,992	11,391	1,159,138
Changes of items during period							
Dividends of surplus							(26,460)
Profit attributable to owners of parent							49,505
Purchase of treasury shares							(32)
Disposal of treasury shares							1
Retirement of treasury shares							-
Increase in the number of consolidated subsidiaries							-
Change in treasury shares of parent arising from transactions with non-controlling shareholders							(921)
Net changes of items other than shareholders' equity	7,146	(12,684)	(18,089)	7,602	(16,024)	13,065	(2,958)
Total changes of items during period	7,146	(12,684)	(18,089)	7,602	(16,024)	13,065	19,132
Balance at end of current period	22,990	(11,240)	4,322	7,895	23,968	24,457	1,178,271

Notes to the Consolidated Financial Statements

From April 1, 2020 to March 31, 2021

[Basis of Preparing Consolidated Financial Statements]

1. Scope of consolidation

(1) Number of consolidated subsidiaries

Number of consolidated subsidiaries: 107

Names of principal consolidated subsidiaries

TOKYO GAS AUSTRALIA PTY LTD, Tokyo Gas America Ltd., Tokyo Gas Asia Pte. Ltd., Tokyo Gas Real Estate Co., Ltd., Tokyo Gas Engineering Solutions Corporation, Tokyo Gas International Holdings B.V., Ohgishima Power 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., TG PLUS Co., Ltd., and Nijio Co., Ltd.

(2) Number of unconsolidated subsidiaries

Number of unconsolidated subsidiaries: 8

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: 15

Names of principal entities accounted for using equity method:

TOKYO TIMOR SEA RESOURCES INC., GAS MALAYSIA BERHAD, 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 the total amount of profit or loss (amount corresponding to our interest) and the 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 mainly 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 (five to ten years).
The units of production method is mainly applied for outlays recognized as assets in exploration and development.

(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, such as 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) Principles and procedures of accounting treatments applied, in the case where specific provisions of relevant accounting standards, etc. are not clarified

1) Basis for recognizing revenues associated with gas sales and third party access revenue
Gas sales and third party access revenue included in net sales are recognized based on the gas consumption by customers as measured by regular meter reading.

2) Basis for recognizing revenues associated with electricity sales revenue
Electricity sales revenue included in net sales is recognized based on the electricity consumption by customers as measured by regular meter reading.

(5) 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 retirement 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 retirement 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. Explanatory notes regarding accounting estimates
(1) Impairment of non-current assets and valuation of investment securities at overseas subsidiaries
1) The amount posted in the Consolidated Financial Statements for the fiscal year under review
¥299,640 million (book value after deducting impairment loss of non-current assets and investment securities)
2) Other information
(a) Calculation method
Grouping of assets shall be carried out on the basis of the smallest unit that generates cash flows largely independent from cash flows of other assets or asset groups. Grouping of assets at overseas subsidiaries is carried out on the basis of a project (hereinafter, 'PJ') unit in consideration of classifications in terms of management accounting and a unit, etc. for making investment decisions. Assets or asset groups showing indications of impairment shall be subject to review of their recoverability, and then to impairment treatment to a recoverable amount based on estimated future cash flows.
Investment securities held by overseas subsidiaries are involved in business through investment in associates. Investment securities are mostly shares without market price, and are accounted for using equity method. In the case of shares showing indications of impairment, such as a case where results are underperforming compared to future plans at the time of investment, investment securities are measured at fair value according to the

corporate value based on estimated future cash flows. The book value of such investment securities is written down to the net asset value, excluding those determined to be recoverable.

(b) Key assumptions

Future cash flows used to determine whether to recognize impairment loss and calculate net realizable value, value in use, and fair value at the overseas business, shall be estimated by using information regarding external factors such as business environment of each PJ and internal information used by each PJ (business plans, budgets, etc.), in consideration of the current usage and reasonable usage plans, etc. of asset groups. In making such estimates, we use forward-looking factors that affect net sales including sales volume, crude oil prices, gas prices, foreign exchange rates, and expected reserves, market trends based on demand and supply forecast, and various cost forecasts reflecting the most recent track record (including upstream resource development, production plans, and various capital expenditures).

Each PJ assesses the future value by using an individual discount rate in consideration of factors including a risk-free rate of each country and region, risk coefficient (β) of shares of comparable companies, and market risk. Long-term future cash flows are estimated on the basis of the aforementioned values, using assumptions such as an estimated inflation rate of each country and region.

Key assumptions of particular importance are the forward-looking information regarding crude oil prices, gas prices, and foreign exchange rates, as well as discount rates.

(c) Impact on the Consolidated Financial Statements for the following fiscal year

The Company posts impairment loss for the fiscal year under review based on the forward-looking information such as the latest crude oil prices, etc. as of the end of the fiscal year. However, additional impairment loss may be posted if estimates are changed due to changes in assumptions such as further deterioration in the outlook caused by changing economic situations giving rise to a decrease in the recoverable amount based on future cash flows.

(2) Valuation of inventories (raw materials)

1) The amount posted in the Consolidated Financial Statements for the fiscal year under review: ¥30,673 million

2) Other information

(a) Calculation method

Raw materials included in raw materials and supplies are recognized at acquisition value. Some raw material procurement contracts stipulate that prices are to be revised periodically. In certain cases, however, acquisition value is based on prices agreed upon provisionally with sellers because of the failure to reach a formal agreement at the timing for price revision.

(b) Key assumptions

As for the raw materials procured based on the provisionally agreed prices as described above, such provisionally agreed prices are used as estimated latest prices due to difficulty in estimating formally agreed prices.

(c) Impact on the Consolidated Financial Statements for the following fiscal year

When formal price agreement is reached under raw material procurement contracts hitherto based on provisionally agreed prices, a difference between the formally agreed price and the provisionally agreed price may arise. In such case, there may be an impact on the amounts of cost of sales and inventories (raw materials and supplies) based on the terms of agreement.

(3) Calculation of retirement benefits liability

1) The amount posted in the Consolidated Financial Statements for the fiscal year under review: ¥58,416 million

2) Other information

(a) Calculation method

Certain Group companies adopt defined benefit plans. With respect to retirement benefits liability under defined benefit plans and associated service costs are calculated by discounting expected benefits estimated based on actuarial assumptions.

(b) Key assumptions

Actuarial assumptions used for calculating retirement benefit obligations involve various calculation bases including a discount rate and expected rate of return. Key actuarial assumptions used for calculating retirement benefits liability as of the end of the fiscal year under review comprise a discount rate mainly at 0.3% and an expected rate of return mainly at 2.0%.

(c) Impact on the Consolidated Financial Statements for the following fiscal year

If, as a result of changes in unpredictable future economic conditions, it becomes necessary to review the aforementioned estimates and assumptions, this may have significant impact on retirement benefit liability and retirement benefit expenses to be recognized in the Consolidated Financial Statements for the following fiscal year and thereafter.

In the calculation of retirement benefits liability, changes in key assumptions have the following impact sensitivity on retirement benefits liability as of the end of the fiscal year under review. A negative value represents a decrease in retirement benefits liability, while a positive value represents an increase in retirement benefits liability. Sensitivity analysis assumes all actuarial assumptions concerning provision for retirement benefits at Tokyo Gas Co., Ltd., the primary recording entity, except actuarial assumptions subject to analysis remaining constant.

As of the end of the fiscal year under review (March 31, 2021)

	Changes in actuarial assumptions	The amount of impact on retirement benefits liability
Discount rate	A decrease of 0.1%	+¥3,683 million
	An increase of 0.1%	¥(3,598) million
Expected rate of return	A decrease of 0.1%	+¥264 million
	An increase of 0.1%	¥(264) million

5. Explanatory notes regarding changes in presentation

Application of accounting standard for disclosure of accounting estimates

'Accounting Standard for Disclosure of Accounting Estimates' (Accounting Standards Board of Japan (ASBJ) Statement No. 31) was announced on March 31, 2020.

The Company has applied the accounting standard for the Consolidated Financial Statements as of the end of the fiscal year under review, thereby presenting explanatory notes regarding significant accounting estimates in its Consolidated Financial Statements.

[Explanatory notes regarding the consolidated balance sheet]

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

Other facilities	¥53,156 million
Construction in progress	¥40,832 million
Other intangible assets	¥128,349 million
Investment securities	¥13,761 million
Long-term loans receivable	¥23,404 million
Deferred tax assets	¥2,429 million
Other investments and other assets	¥13,850 million
Cash and deposits	¥9,663 million
Notes and accounts receivable-trade	¥336 million
Securities	¥10 million
Raw materials and supplies	¥358 million
Other current assets	¥9,843 million

   (2) Liabilities secured by the collaterals

Long-term borrowings	¥64,618 million
Current portion of long-term borrowings	¥44,477 million
Other current liabilities	¥48 million

2. Accumulated depreciation of property, plant and equipment
   ¥4,243,794 million
3. Guarantee obligation etc.
   (1) Guarantee obligation ¥21,895 million

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

1. Number of shares issued as of the end of this fiscal year
   442,436,059 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 26, 2020.
         ・ Dividends of common share

(a) Total amount of dividends	¥13,230 million
(b) Dividends per share	¥30.00
(c) Date of record	March 31, 2020
(d) Effective date	June 29, 2020

      2) The following was decided by the meeting of the Board of Directors held on October 29, 2020.
         ・ Dividends of common share

(a) Total amount of dividends	¥13,230 million
(b) Dividends per share	¥30.00
(c) Date of record	September 30, 2020
(d) Effective date	November 27, 2020

   (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, 2021.
         ・ Dividends of common share

(a) Total amount of dividends	¥13,229 million
(b) Resource of dividends	Retained earnings
(c) Dividends per share	¥30.00
(d) Date of record	March 31, 2021
(e) Effective date	June 30, 2021

[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 borrowings are mainly for capital investment (long-term) and for working capital (short-term).

As for derivative transactions, the Company is engaged in interest rate swap transactions against the interest rate volatility risk associated with borrowings, and forward exchange contracts against the foreign exchange risks associated with foreign currency denominated claims and obligations as well as foreign currency denominated forecasted transactions. 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, 2021. Financial instruments with extreme difficulty in determining their fair value are not included in the following table (see (Note 2)).

(Millions of yen)

	Amount on the consolidated balance sheet (*1)	Fair value (*1)	Difference
(1) Investment securities and other securities	64,901	80,378	15,477
(2) Cash and deposits	157,881	157,881	-
(3) Notes and accounts receivable - trade	218,985	218,985	-
(4) Bonds payable (*2)	[494,998]	[520,681]	(25,683)
(5) Long-term borrowings (*2)	[547,562]	[571,926]	(24,364)
(6) Derivatives	(13,595)	(13,595)	-

(*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 borrowings 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 borrowings

The fair value of long-term borrowings 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 borrowings. Of the Group's long-term borrowings 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 borrowings.

(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 borrowings, because interest rate swap transactions given the special accounting treatment are treated together with hedged long-term borrowings (see (5) above).

(Note 2) Shares of subsidiaries and associates (¥86,886 million on the consolidated balance sheet) as well as unlisted shares and others (¥80,204 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
166,078	577,386

(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 ¥2,616.37
2. Basic earnings per share ¥112.26

[Explanatory notes regarding material subsequent events]

1. Acquisition of treasury shares
   At the Board of Directors meeting held on April 28, 2021, the Company resolved to acquire treasury shares pursuant to Article 156 of the Companies Act as applied mutatis mutandis to Article 165, paragraph 3 of the law.
   The details of the purchase of treasury shares are as follows.
   - Type of stock to be acquired: The Company's common shares
   - Total number of shares to be acquired: 1.7 million (upper limit)
     (Rate to total number of shares outstanding: 0.4%)
   - Total value of shares to be acquired: ¥3.3 billion (upper limit)
   - Term of acquisition: May 6, 2021 to September 30, 2021

2. Spin-off into Tokyo Gas Network Co., Ltd. (absorption-type company split)
   Based on a resolution passed by the Board of Directors on April 28, 2021, the Company will succeed its gas pipeline business to Tokyo Gas Network Co., Ltd. by means of a spin-off on April 1, 2022 (planned), with whom it signed an absorption-type company split agreement (hereinafter, the 'Spin-off'). The effectuation of the Spin-off will be subject to the approval of related proposals at the Annual Shareholders Meeting to be held on June 29, 2021 and the acquisition of approvals necessary for the execution of business by the relevant government agencies.

(1) Background and purpose of Spin-off

Pursuant to the Gas Business Act revised in June 2015, the Company, which is a special general gas pipeline service provider, will be prohibited from engaging in the gas production business or gas retail business and the gas pipeline business concurrently starting from April 2022 to ensure further neutrality of the gas pipeline business.

To meet the requirement of the Act, the Company established Tokyo Gas Network Co., Ltd., a wholly owned subsidiary, as a Spin-off Preparatory Company on April 1, 2021 and signed an absorption-type company split agreement with Tokyo Gas Network Co., Ltd. in which the Company’s gas pipeline business, etc. is assumed by Tokyo Gas Network Co., Ltd., effective April 1, 2022.

(2) Outline of Spin-off

1) Spin-off schedule

Board of Directors resolution for signing of absorption-type company split agreement (the Company)	April 28, 2021
Directors’ decision for signing of absorption-type company split agreement (the successor company)	April 28, 2021
Signing of absorption-type company split agreement	April 28, 2021
Annual Shareholders Meeting approval of absorption-type company split agreement (the Company)	June 29, 2021 (planned)
Extraordinary Shareholders Meeting approval of absorption-type company split agreement (the successor company)	June 29, 2021 (planned)
Effective date of absorption-type company split agreement	April 1, 2022 (planned)

2) Spin-off method

An absorption-type company split with the Company as the spin-off company and Tokyo Gas Network Co., Ltd., a wholly owned subsidiary, as the successor company.

3) Allotment pertaining to Spin-off

In the Spin-off, Tokyo Gas Network Co., Ltd., which is the successor company, will issue 12.63 million shares of common shares and allocate all of the shares to the Company.

4) Treatment of share acquisition rights and bonds with share acquisition rights following Spin-off

The Company issues neither share acquisition rights nor bonds with share acquisition rights.

5) Changes in capital stock due to Spin-off

There will be no changes in the capital stock of the Company.

6) Rights and obligations assumed by the successor company

Pursuant to the provision of the absorption-type company split agreement dated April 28, 2021 that was entered into with the Company, the successor company will assume the Company’s rights and obligations related to the Company’s gas pipeline business and ancillary businesses on the effective date.

The successor company’s assumption of debt due to the Spin-off shall be done without recourse to the Company.

Any debt pertaining to the Company’s existing bonds sold through public offerings will not be assumed by the successor company.

7) Prospect of fulfillment of obligations

No problems are foreseen in the fulfillment of obligations by the Company and the successor company after the Spin-off since the assets of both the Company and the successor company are expected to exceed liabilities after the Spin-off and no circumstance that could impede the fulfillment of obligations to be borne after the Spin-off is anticipated at present.

(3) Outline of operating units to be spun off

1) Description of operations to be spun off

Gas pipeline business and ancillary businesses

2) Operating results of units to be spun off (Results for the fiscal year ended March 31, 2021)

Description of operations to be spun off	Net sales of operations to be spun off (a)	Net sales of the Company (Non-consolidated) (b)	Ratio (a/b)
Gas pipeline business and ancillary businesses	¥83,678 million	¥1,612,911 million	5.2%

Note: Net sales are sales to external customers.

3) Category and amount of assets and liabilities to be spun off (As of March 31, 2021)

Assets		Liabilities	
Category	Amount	Category	Amount
Non-current assets	¥641,808 million	Non-current liabilities	¥3,132 million
Current assets	¥41,477 million	Current liabilities	¥48,625 million
Total	¥683,285 million	Total	¥51,757 million

Note: The above amounts are based on the balance sheet values as of March 31, 2021. The actual amounts that are succeeded will reflect the addition or deduction of any changes that occur before the effective date.

(4) Status of the Company after Spin-off (As of April 1, 2022 (anticipated))

(1) Company name	Tokyo Gas Co., Ltd.
(2) Address	5-20, Kaigan 1-chome, Minato-ku, Tokyo
(3) Name and title of representative	Takashi Uchida, Representative Director, President
(4) Business	Gas production business, gas retail business, etc.
(5) Capital	¥141,844 million
(6) Closing date	March 31

(5) Status of the successor company after Spin-off (As of April 1, 2022 (anticipated))

(1) Company name	Tokyo Gas Network Co., Ltd.
(2) Address	5-20, Kaigan 1-chome, Minato-ku, Tokyo
(3) Name and title of representative	Kunio Nohata, Representative Director, President
(4) Business	Gas pipeline business, etc.
(5) Capital	¥10,000 million
(6) Closing date	March 31

[Other explanatory notes]

1. Extraordinary income

Gain on bargain purchase was mainly derived when TG East Texas Resources LLC, a subsidiary of the Company, acquired shares in TG Natural Resources LLC for a cash consideration, because the consideration for the acquisition was less than the net amount of the assets acquired and liabilities assumed. Thus, the balance was posted as gain on bargain purchase.

2. Extraordinary losses

In the fiscal year under review, the Group recognized impairment loss and loss on valuation of investment securities primarily on the following asset groups.

(Millions of yen)

Place	Use	Type	Amount
Surat Basin/ Queensland, Australia, etc.	Unconventional natural gas project	Property, plant and equipment (Other facilities and construction in progress)	8,169
East Texas/ Texas, U.S.	Shale gas development project Tight sand development project	Investments and other assets (Investment securities)	4,454
The Barnett Basin/ Texas, U.S.	Shale gas development	Intangible assets (Other intangible assets)	1,257

For its calculation of impairment loss, the Group performs grouping of assets into smallest units generating cash flows that are largely independent of the cash flows from other assets or asset groups.
As for the production and liquefaction facilities at the Surat Basin in Queensland of Australia, etc., after the business value was revalued due to the impact of a decline in crude oil prices, the book value was written down to its value in use. This reduction has been recorded as impairment loss under extraordinary losses.
As for the investment in tight sand and shale gas development project in East Texas of the U.S., after the business value was revalued due to the impact of a slump in North American gas prices and a decline in crude oil prices, the book value was written down to its fair value. This reduction has been recorded as loss on valuation of investment securities under extraordinary losses.
The value in use and fair value are measured by discounting the total amount of future cash flows by using a discount rate primarily within a range of 6.8% to 10.5%.
As for the mining area at Barnett Basin in Texas of the U.S., after the business value was revalued due to changes in the environment surrounding this business, the book value was written down to its net realizable value. This reduction has been recorded as impairment loss under extraordinary losses. The net realizable value is measured based on an estimated selling price.

3. Depreciation and amortization
   The Group built a new large-scale mission critical system during the fiscal year under review for ¥55,035 million as an intangible asset. Durable years of the system have been determined at ten years based on the estimation of its useful life.

4. The Company has applied the ‘Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections’ (ASBJ Statement No. 24, March 31, 2020) from the end of the fiscal year under review. Accordingly, ‘Principles and procedures of accounting treatments applied, in the case where specific provisions of relevant accounting standards, etc. are not clarified’ are disclosed.

5. 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, 2020 to March 31, 2021

(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	6,013	4,393	141,000	339,000	146,578	672,439
Changes of items during period										
Reversal of reserve for advanced depreciation of non-current assets					(396)				396	
Reversal of reserve for overseas investment loss						(1,924)			1,924	
Dividends of surplus									(26,460)	(26,460)
Profit									42,516	42,516
Purchase of treasury shares										
Disposal of treasury shares										
Retirement of treasury shares										
Decrease due to company split									(36,129)	(36,129)
Net changes of items other than shareholders' equity										
Total changes of items during period	-	-	-	-	(396)	(1,924)	-	-	(17,752)	(20,073)
Balance at end of current period	141,844	2,065	2,065	35,454	5,616	2,469	141,000	339,000	128,825	652,365

	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	(3,875)	812,473	15,287	(9,327)	5,959	818,433
Changes of items during period						
Reversal of reserve for advanced depreciation of non-current assets						-
Reversal of reserve for overseas investment loss						-
Dividends of surplus		(26,460)				(26,460)
Profit		42,516				42,516
Purchase of treasury shares	(32)	(32)				(32)
Disposal of treasury shares	1	1				1
Retirement of treasury shares						-
Decrease due to company split		(36,129)				(36,129)
Net changes of items other than shareholders' equity			7,121	(449)	6,672	6,672
Total changes of items during period	(31)	(20,105)	7,121	(449)	6,672	(13,433)
Balance at end of current period	(3,907)	792,368	22,408	(9,777)	12,631	805,000

Notes to the Non-Consolidated Financial Statements

From April 1, 2020 to March 31, 2021

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 (five to ten years). 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, such as 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) Principles and procedures of accounting treatments applied, in the case where specific provisions of relevant accounting standards, etc. are not clarified

1) Basis for recognizing revenues associated with gas sales and third party access revenue

Gas sales and third party access revenue are recognized based on the gas consumption by customers as measured by regular meter reading.

2) Basis for recognizing revenues associated with electricity sales revenue

Electricity sales revenue included in revenue for incidental businesses is recognized based on the electricity consumption by customers as measured by regular meter reading.

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

2. Explanatory notes regarding accounting estimates

(1) Valuation of investments in (shares of) subsidiaries and associates

1) The amount posted in the Non-Consolidated Financial Statements for the fiscal year under review

Investments in (shares of) subsidiaries and associates: ¥458,849 million

Miscellaneous expenses (loss on valuation of shares of subsidiaries and associates): ¥199 million

2) Other information

(a) Calculation method

Of the above, for the assets registering a significant decline in the net asset value compared to the investment value, a loss on valuation is posted. The book value of such assets is written down to the net asset value, excluding those assets determined to be recoverable.

(b) Key assumptions

With respect to investments in (shares of) subsidiaries and associates registering a significant decline in the net asset value compared to the investment value, whether they are recoverable or not is determined based on information on external factors such as business environment of each subsidiary and associate and internal information used by each subsidiary and associate (business plans, budgets, etc.). In making such determination, we use forward-looking factors that affect net sales including sales volume and market prices, market trends based on demand and supply forecast, and various cost forecasts reflecting the most recent track record.

(c) Impact on the Non-Consolidated Financial Statements for the following fiscal year

The above determination is believed to be reasonable. However, a loss on valuation may arise if forecasts change due to unpredictable changes in assumptions.

(2) Valuation of inventories (raw materials)

1) The amount posted in the Non-Consolidated Financial Statements for the fiscal year under review: ¥27,670 million
2) Other information
(a) Calculation method, (b) Key assumptions, and (c) Impact on the Non-Consolidated Financial Statements for the following fiscal year are as stated in the Consolidated Financial Statements.

(3) Calculation of provision for retirement benefits
1) The amount posted in the Non-Consolidated Financial Statements for the fiscal year under review: ¥61,576 million
2) Other information
(a) Calculation method, (b) Key assumptions, and (c) Impact on the Non-Consolidated Financial Statements for the following fiscal year are as stated in the Consolidated Financial Statements.

3. Explanatory notes regarding changes in presentation

Application of accounting standard for disclosure of accounting estimates

'Accounting Standard for Disclosure of Accounting Estimates' (ASBJ Statement No. 31) was announced on March 31, 2020.

The Company has applied the accounting standard for the Non-Consolidated Financial Statements as of the end of the fiscal year under review, thereby presenting explanatory notes regarding significant accounting estimates in its Non-Consolidated Financial Statements.

4. 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	¥23 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	¥3,467,733 million
Intangible assets	¥47,835 million

(3) Guarantee obligation, etc.

Guarantee obligation	¥70,899 million

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

Trading volume with subsidiaries and associates

Net sales	¥254,039 million
Purchases	¥466,026 million
Trading volume other than net sales and purchases	¥8,417 million

6. 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
1,437,924 shares

7. 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

8. 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 FY2020 (millions of yen)
Tokyo Gas America Ltd.	Holding Direct 100.0	Subsidiary	Subscription for new shares (Note 1)	48,620	—	—
TOKYO GAS PLUTO PTY LTD.	Holding Indirect 100.0	Subsidiary	Loan guarantee (Note 2)	16,629	—	—

Business terms and policies for determination of business terms

(Note 1) The Company subscribed for Tokyo Gas America Ltd.'s shares at USD 1,000 per share.

(Note 2) A decision is made comprehensively after due consideration of the project plan.

9. Explanatory notes regarding per share information

Net assets per share	¥1,825.41
Basic earnings per share	¥96.41

10. Explanatory notes regarding material subsequent events

(1) Acquisition of treasury shares

At the Board of Directors meeting held on April 28, 2021, the Company resolved to acquire treasury shares pursuant to Article 156 of the Companies Act as applied mutatis mutandis to Article 165, paragraph 3 of the law.

The details of the purchase of treasury shares are as follows.

- Type of stock to be acquired: The Company's common shares
- Total number of shares to be acquired: 1.7 million (upper limit) (Rate to total number of shares outstanding: 0.4%)
- Total value of shares to be acquired: ¥3.3 billion (upper limit)
- Term of acquisition: May 6, 2021 to September 30, 2021

(2) Spin-off into Tokyo Gas Network Co., Ltd. (absorption-type company split)

Based on a resolution passed by the Board of Directors on April 28, 2021, the Company will succeed its gas pipeline business to Tokyo Gas Network Co., Ltd. by means of a spin-off on April 1, 2022 (planned), with whom it signed an absorption-type company split agreement (hereinafter, the 'Spin-off'). The effectuation of the Spin-off will be subject to the approval of related proposals at the Annual Shareholders Meeting to be held on June 29, 2021 and the acquisition of approvals necessary for the execution of business by the relevant government agencies.

1) Background and purpose of Spin-off

Pursuant to the Gas Business Act revised in June 2015, the Company, which is a special general gas pipeline service provider, will be prohibited from engaging in the gas production business or gas retail business and the gas pipeline business concurrently starting from April 2022 to ensure further neutrality of the gas pipeline business.

To meet the requirement of the Act, the Company established Tokyo Gas Network Co., Ltd., a wholly owned subsidiary, as a Spin-off Preparatory Company on April 1, 2021 and signed an absorption-type company split agreement with Tokyo Gas Network Co., Ltd. in which the Company's gas pipeline business, etc. is assumed by Tokyo Gas Network Co., Ltd., effective April 1, 2022.

2) Outline of Spin-off

・ Spin-off schedule

Board of Directors resolution for signing of absorption-type company split agreement (the Company)	April 28, 2021
Directors’ decision for signing of absorption-type company split agreement (the successor company)	April 28, 2021
Signing of absorption-type company split agreement	April 28, 2021
Annual Shareholders Meeting approval of absorption-type company split agreement (the Company)	June 29, 2021 (planned)
Extraordinary Shareholders Meeting approval of absorption-type company split agreement (the successor company)	June 29, 2021 (planned)
Effective date of absorption-type company split agreement	April 1, 2022 (planned)

・ Spin-off method
An absorption-type company split with the Company as the spin-off company and Tokyo Gas Network Co., Ltd., a wholly owned subsidiary, as the successor company.

・ Allotment pertaining to Spin-off
In the Spin-off, Tokyo Gas Network Co., Ltd., which is the successor company, will issue 12.63 million shares of common shares and allocate all of the shares to the Company.

・ Treatment of share acquisition rights and bonds with share acquisition rights following Spin-off
The Company issues neither share acquisition rights nor bonds with share acquisition rights.

・ Changes in capital stock due to Spin-off
There will be no changes in the capital stock of the Company.

・ Rights and obligations assumed by the successor company
Pursuant to the provision of the absorption-type company split agreement dated April 28, 2021 that was entered into with the Company, the successor company will assume the Company’s rights and obligations related to the Company’s gas pipeline business and ancillary businesses on the effective date.
The successor company’s assumption of debt due to the Spin-off shall be done without recourse to the Company.
Any debt pertaining to the Company’s existing bonds sold through public offerings will not be assumed by the successor company.

・ Prospect of fulfillment of obligations
No problems are foreseen in the fulfillment of obligations by the Company and the successor company after the Spin-off since the assets of both the Company and the successor company are expected to exceed liabilities after the Spin-off and no circumstance that could impede the fulfillment of obligations to be borne after the Spin-off is anticipated at present.

3) Outline of operating units to be spun off

・ Description of operations to be spun off
Gas pipeline business and ancillary businesses

・ Operating results of units to be spun off (Results for the fiscal year ended March 31, 2021)

Description of operations to be spun off	Net sales of operations to be spun off (a)	Net sales of the Company (Non-consolidated) (b)	Ratio (a/b)
Gas pipeline business and ancillary	¥83,678 million	¥1,612,911 million	5.2%

businesses			

Note: Net sales are sales to external customers.

・ Category and amount of assets and liabilities to be spun off (As of March 31, 2021)

Assets		Liabilities	
Category	Amount	Category	Amount
Non-current assets	¥641,808 million	Non-current liabilities	¥3,132 million
Current assets	¥41,477 million	Current liabilities	¥48,625 million
Total	¥683,285 million	Total	¥51,757 million

Note: The above amounts are based on the balance sheet values as of March 31, 2021. The actual amounts that are succeeded will reflect the addition or deduction of any changes that occur before the effective date.

4) Status of the Company after Spin-off (As of April 1, 2022 (anticipated))

(1) Company name	Tokyo Gas Co., Ltd.
(2) Address	5-20, Kaigan 1-chome, Minato-ku, Tokyo
(3) Name and title of representative	Takashi Uchida, Representative Director, President
(4) Business	Gas production business, gas retail business, etc.
(5) Capital	¥141,844 million
(6) Closing date	March 31

5) Status of the successor company after Spin-off (As of April 1, 2022 (anticipated))

(1) Company name	Tokyo Gas Network Co., Ltd.
(2) Address	5-20, Kaigan 1-chome, Minato-ku, Tokyo
(3) Name and title of representative	Kunio Nohata, Representative Director, President
(4) Business	Gas pipeline business, etc.
(5) Capital	¥10,000 million
(6) Closing date	March 31

11. Other explanatory notes

(1) Depreciation and amortization

The Company built a new large-scale mission critical system during the fiscal year under review for ¥57,578 million as an intangible asset. Durable years of the system has been determined at ten years based on the estimation of its useful life.

(2) The Company has applied the 'Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections' (ASBJ Statement No. 24, March 31, 2020) from the end of the fiscal year under review. Accordingly, 'Principles and procedures of accounting treatments applied, in the case where specific provisions of relevant accounting standards, etc. are not clarified' are disclosed.

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