



ANNUAL REPORT 2015

For the Year Ended March 31, 2015



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Recent Topics

- Increase of dividend payments and share buy-back 05
- Agreements for diversifying LNG procurement 08
(LNG purchase from Petronas LNG Ltd., The U.S. Cameron Project for LNG purchase)
- Launch of the electric power business 11
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Forward-Looking Statements

In this annual report, statements other than historical facts are forward-looking statements that reflect the plans and expectations of the Company. These forward-looking statements involve risks, uncertainties and other factors that may cause actual results and achievements to differ materially from those anticipated in these statements.

President's Message

The Toho Gas Group, an energy group operating mainly in Aichi, Gifu and Mie Prefectures, focuses on supplying natural gas, a clean, environment-friendly source of energy.

The further expansion of the natural gas which is the environment-friendly energy is expected. Meanwhile, the business environment surrounding us is expected to change significantly as competition is likely to intensify further following full liberalization of the electricity and gas retail markets.

Against that background, we will steadily implement the following measures to achieve the medium-term management plan (target period: FY2014 through 2018), formulated in March 2014.

To procure LNG at a reasonable price, we will diversify our supply sources, types of contracts and the price-index. In addition, we will promote a plan to build Chita-Midorihamma Works No. 3 LNG tank as part of our efforts to promote more flexible and efficient operations at our LNG terminals.

To strengthen our relationship with customers, we will make customer-oriented proposals and work on enhancing service quality in the residential market. We will also redouble our efforts to diffuse ENE FARM. In the industrial/commercial market, we will propose optimal ways of using energy to customers by promoting comprehensive utility services and diffusing distributed energy supply systems.

We will stimulate gas demand by expanding our service areas. Specifically, we will strengthen key trunk line networks and accelerate the building of broad-based pipeline networks, mainly in Mie and Gifu Prefectures. Furthermore, we will develop LNG and LPG demand in broader areas.

As part of our efforts to expand the scope of our business, we will branch out into the power sale business in 2016 to meet various customer needs. We will also promote the "Komei redevelopment project" in Minato Ward, Nagoya City, with an eye toward building smart towns. We will work on expanding the building of hydrogen stations in view of the increasing popularity of fuel cell vehicles.

We will ensure safety and security for customers by strengthening efforts related to disaster prevention and safety, such as maintenance and replacement of production and supply facilities and promotion of measures against earthquakes.



Koichi Yasui / President

We see the scheduled liberalization of the power and gas markets as providing business opportunities and at the same time as intensifying competition. Under these circumstances, we will redouble our efforts to attain the goals envisaged under the medium-term management plan "a robust gas business" and "further growth." In doing so, we aim to grow together with the region and become a company which continues to be chosen by customers.

We truly appreciate the continuing understanding and support of our shareholders and investors.

About Toho Gas

➤ Core businesses

Toho Gas is the third largest city gas provider in Japan following Tokyo Gas and Osaka Gas, supplying city gas mainly in Aichi, Gifu and Mie Prefectures in the Tokai Area. Beside the LPG (liquefied petroleum gas) sales business, its group companies are engaged in the residential energy business that proposes gas appliances for residential use, including bathroom and kitchen refurbishment, and the engineering business that performs design and installation of gas equipment in plants, office buildings and other commercial and industrial facilities.

➤ Toho Gas Service Area

The three prefectures of the Tokai area where Toho Gas supplies (Aichi, Gifu and Mie), which are located in the central portion of the Japanese archipelago, represent 6% of the area of Japan, roughly 9% of the population and 10% of GDP. Nagoya, which has a population of over 2 million, is one of the largest cities in Japan.

A unique feature of the Tokai area is its high concentration of superior manufacturers in a variety of categories,

➤ Trend of Gas Sales Volume

Due to these characteristics of our service area, sales to plants and other industrial customers account for 60% of our total gas sales volume. Including sales to office buildings, stores, and other commercial facilities, sales to “non-residential” customers account for more than 70% of our total gas sales volume. After the Lehman crisis and the East Japan Great Earthquake, gas sales have decreased. However, since we have made efforts in demand development, the sales volumes have gradually recovered recently.

Comparison with Tokyo Gas and Osaka Gas

(Non-Consolidated Results for FY2014)

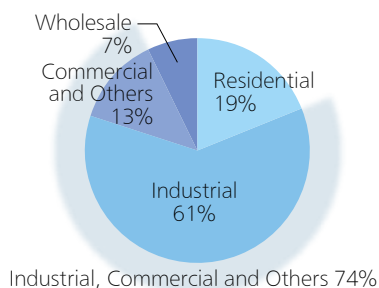
	TOHO GAS	TOKYO GAS	OSAKA GAS
Number of customers (thousand)	2,363 (100)	10,958 (464)	7,196 (305)
Gas Sales Volume (billions of m ³) <46.04655MJ(11,000kcal)/m ³ >	3.9 (100)	15.0 (387)	8.1 (209)

Note: () means multiples of TOHO (=100)

*Converting the calorie about results of Tokyo Gas and Osaka Gas to 46.04655MJ(11,000kcal)/m³

including Toyota Motor Cop. and its affiliated companies, manufacturers of transportation devices, steel, machines, ceramics and other high technology businesses. The share of domestic production of products, including globally competitive automotive-related products, metalworking and machine tools and aircraft-related products, is particularly high in the Tokai area.

Gas Sales Volume by sector (FY2014)



Si Sensor Gas Kitchen Stove for Residential Use



Industrial Furnace for Industrial Use



Air Conditioning System for Commercial Use

Toho Gas Service Area and Pipeline Network (As of April 1, 2015)



About Natural Gas Business in Japan

- **Japan produces very little natural gas**
Japan imports a great deal in the form of liquefied natural gas (LNG)
- **Abundance of mountain ranges in the country and the population disproportionately located in urban areas**
LNG receiving terminals are chiefly built at the port of major cities.
There is no integrated long-distance pipeline connecting major cities
- **There are around 200 city gas companies in Japan**
The three biggest together account for approximately 80% of nationwide city gas sales in volume
- **Gas suppliers are required not only rate or business regulations, but also safety of customer's site**

Financial/Operating Statistics Highlights

Financial Statistics

TOHO GAS CO., LTD. And Consolidated Subsidiaries Years Ended March 31

	Millions of yen, except per share data						Thousands of U.S. dollars ⁽¹⁾ , except per share data
	2010	2011	2012	2013	2014	2015	2015
For the year:							
Net sales	¥411,525	¥436,826	¥482,361	¥518,305	¥560,463	¥580,984	\$4,841,533
Operating income	17,819	23,907	17,504	12,621	15,751	28,761	239,675
Net income	10,977	14,492	8,570	8,526	11,241	19,054	158,783
Capital investment (payment basis)	43,673	33,259	32,547	35,199	33,094	36,570	304,750
Depreciation	61,158	40,573	40,272	36,902	35,781	33,951	282,925
At year-end:							
Total assets	¥506,725	¥495,627	¥492,889	¥504,462	¥509,760	¥543,287	\$4,527,392
Net assets	220,938	221,502	224,365	236,470	245,890	282,827	2,356,892
Interest-bearing debt	171,052	161,401	164,325	162,016	164,518	149,704	1,247,533
Per share data (yen and U.S. dollars):							
Net income	¥19.68	¥26.22	¥15.68	¥15.62	¥20.61	¥34.94	\$0.29
Net assets	399.37	402.25	410.96	433.53	450.92	518.75	\$4.32
Financial Indicators:							
Return on equity (ROE) ⁽²⁾	5.1%	6.6%	3.8%	3.7%	4.7%	7.2%	
Return on assets (ROA) ⁽³⁾	2.1	2.9	1.7	1.7	2.2	3.6	

Notes: 1. U.S. dollar amounts have been translated from Japanese yen, solely for the convenience of readers, using the approximate prevailing exchange rate at March 31, 2015, which was ¥120 to U.S.\$1.00

2. ROE = net income ÷ net assets (average of the beginning and end of the period) × 100

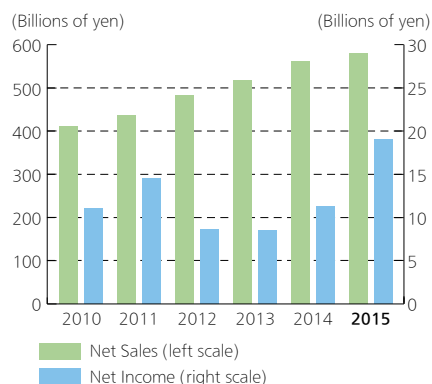
3. ROA = net income ÷ total assets (average of the beginning and end of the period) × 100

Operating Statistics

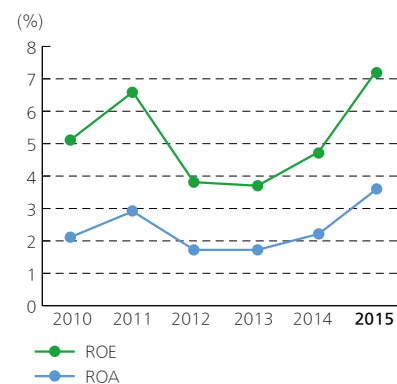
TOHO GAS CO., LTD. And Consolidated Subsidiaries Years Ended March 31

	Number of Customers/ Gas Sales Volume: Thousand m ³					
	2010	2011	2012	2013	2014	2015
Number of Customers:						
Number of Customers	2,295,241	2,306,706	2,322,472	2,344,773	2,363,767	2,387,060
Gas Sales Volume:						
Residential	730,102	753,130	755,730	761,142	743,018	743,361
Industrial	2,129,659	2,332,675	2,353,087	2,367,580	2,407,993	2,403,585
Commercial and Others	514,021	541,168	522,113	525,857	530,711	507,440
Industrial, Commercial and Others	2,643,680	2,873,843	2,875,200	2,893,437	2,938,704	2,911,025
Wholesale	252,936	282,925	312,028	298,208	298,903	285,148
Total Gas Sales Volume	3,626,718	3,909,898	3,942,958	3,952,787	3,980,625	3,939,534

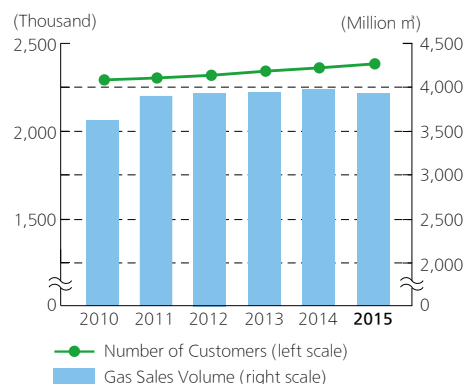
Net Sales and Net Income



ROE and ROA



Number of Customers and Gas Sales Volume



Corporate Data

Corporate Name:
TOHO GAS CO., LTD.

Head Office:
19-18, Sakurada-cho, Atsuta-ku,
Nagoya 456-8511, Japan
Phone: +81-52-872-9341
Fax: +81-52-881-3876
URL: <http://www.tohogas.co.jp/lang-n/en/corporate/>

Date of foundation:
June 1922

Date of establishment:
July 1922

Capital stock:
Authorized: 805,998,157 shares
Issued: 545,966,429 shares

Number of shareholders:
19,467

Stock transaction unit:
1,000 shares

Stock listing:
Capital stock is listed on the
Tokyo Stock Exchange,
and Nagoya Stock Exchange.

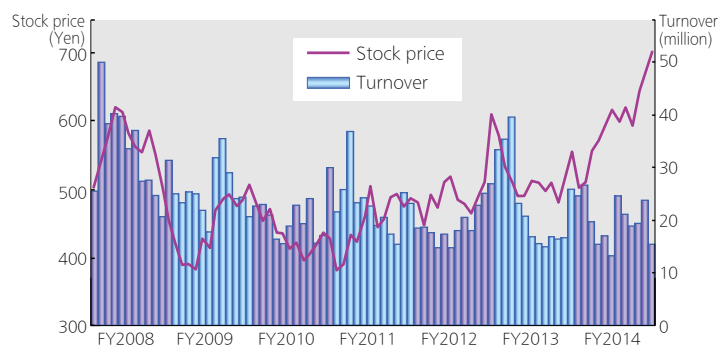
Transfer agent:
Mitsubishi UFJ Trust and Banking Corporation
(Corporate Agency Div.)
4-5, Marunouchi 1-chome,
Chiyoda-ku, Tokyo 100-8212, Japan

Shareholders' meeting:
The ordinary general meeting of shareholders
of the Company is normally held in June of
each year in Nagoya, Japan.

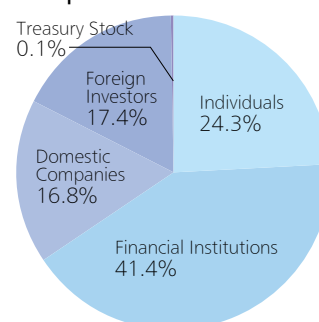
Number of employees:
5,817

Number of customers:
2,387,060

Stock Price and Traded Volume



Composition of Shareholders



Return to Shareholders

Toho Gas has adopted a basic policy of distributing stable dividends. In line with this policy, we have been actively

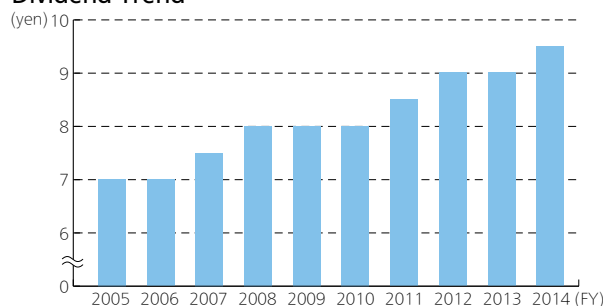
repurchasing our own shares as part of our efforts to pass part of our earnings on to shareholders.

Return to Shareholders

(Billions of yen)

	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
Net income(a)	10.9	14.4	8.5	8.5	11.2	19.0
Cash dividend (per share)	4.4 (¥8)	4.4 (¥8)	4.6 (¥8.5)	4.9 (¥9)	4.9 (¥9)	5.1 (¥9.5)
Share buy-back	2.9	2.7	—	—	—	2.9
Dividend+share buy-back(b)	7.4	7.1	4.6	4.9	4.9	8.1
(b)/(a)	68%	49%	54%	58%	44%	43%

Dividend Trend



Topics

Increase of dividend payments and share buy-back

Toho Gas raised its year-end dividend for FY2014 by ¥0.5 from the year before, bringing its annual dividend for the year to ¥9.5 per share. For FY2015, we plan to pay ¥10 in

annual per-share dividend. In May 2015, we repurchased 3,947,000 shares of our own stock. In June 2015, we retired treasury shares totaling 4,690,000 shares.

Excellent Characteristics of Natural Gas

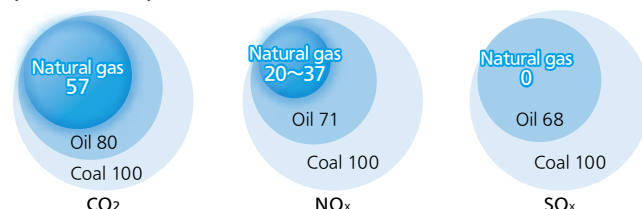
Natural gas, which is the main product of Toho Gas, is environment-friendly. It exists abundantly and can be

supplied stably. Expansion of its use is expected in the future.

Environment friendly

Natural gas, which is primarily composed of methane, when burned, generates only small amounts of carbon dioxide that is the key contributors to global warming and nitrogen oxide emissions that causes photochemical smog, and respectively-and zero sulfur oxide emissions that is the principal cause of air pollution and acid rain. For this reason, natural gas, as a clean environment-friendly energy source, is gaining in popularity around the world.

Emissions of combustion by-products from fossil fuels (Coal = 100)



Source: The Institute of Applied Energy, Report on Evaluation of Effect of Thermoelectric Power Generation on the Atmosphere (1990) for CO₂, OECD/IEA, Natural Gas Prospects to 2010 (1986) for NO_x and SO_x

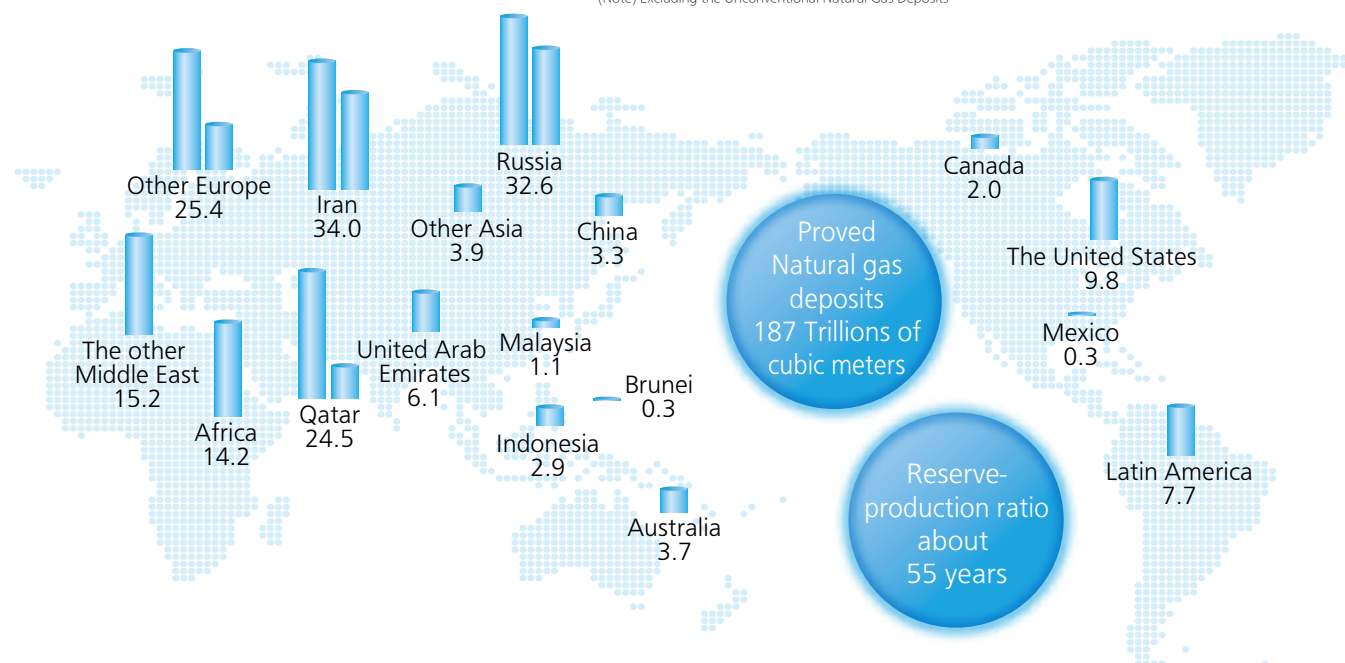
Stable supply

Natural gas exists abundantly around the world. It is imported by LNG tankers to Japan from Australia, Malaysia, Russia and many other countries. Recent advances in extraction technology have enabled natural gas extraction from deeper underground than was feasible using traditional technology, as well as the extraction of unconventional natural gas resources (shale gas, tight sand gas and coal bed methane). These circumstances will support

the stable supply of natural gas.

Moreover, methane hydrate in amounts sufficient to meet Japan's natural gas requirements for about 100 years is embedded under seas close to Japan. A development project is now in progress under the initiative of the Japanese government to achieve commercial use of methane hydrate.

Global Distribution of Natural Gas Deposits



Medium-term Management Plan

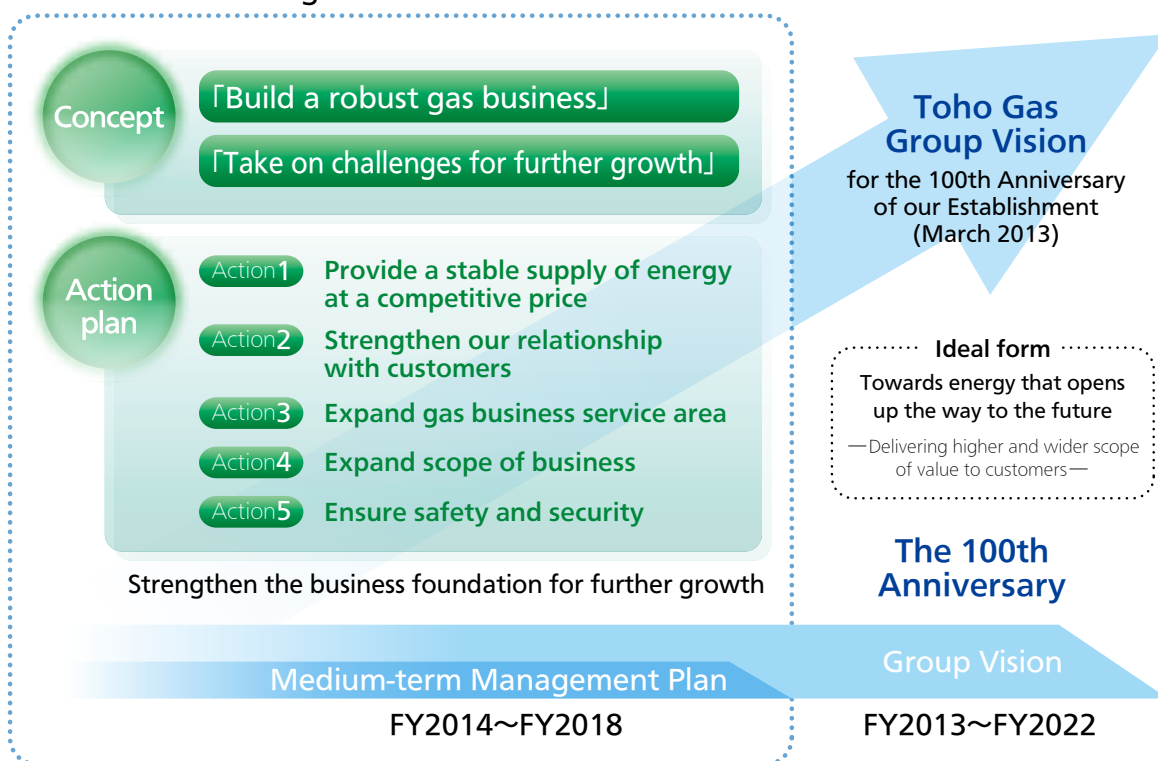
Toho Gas developed a medium-term management plan (FY2014 to FY2018) in March 2014. This Plan creates a path to realize the “Toho Gas Group Vision” for the 100th anniversary of our establishment.

The concepts of this plan are “Build a robust gas business” and “Take on challenges for further growth.” We will thoroughly support households and businesses in local communities by building a robust gas business that is

trusted and will continue to be chosen by customers even in the face of fierce competition. In addition, we will quickly and precisely capture growing business opportunities due to changes in the business environment and create a foundation for further growth.

Based on this concept, we developed five action plans and set targets to strengthen the business foundation to support these action plans.

Medium-term Management Plan



Management goals

		FY2013	FY2014	FY2018 Projection	FY2013 to FY2018 Average Annual Rate of Increase	FY2022 100th Anniversary
Number of Customers	Natural Gas	2.36 million	2.39 million	2.46 million	0.8%	2.5 million
	LPG*1	0.44 million	0.46 million	0.48 million	1.8%	0.5 million
Gas Sales Volume	Natural Gas*2	4.0 billion m ³	4.0 billion m ³	4.5 billion m ³	2.2%	5 billion m ³
	LPG	421 thousand tons	430 thousand tons	470 thousand tons	2.3%	500 thousand tons

*1 Including the number of customers based on commissioned business for delivery

*2 Including the number of gas sales volume of LNG

	FY2009 to 2013 Average	FY2018 Projection	FY2022 100th Anniversary
Operating Cash Flow	48.2 billion yen	58 billion yen	60 billion yen
Debt Equity Ratio	0.7	1.0 and under	1.0 and under
ROA	2.1%	About 3%	3% and over

Medium-term Management Plan

Action 1 Provide a stable supply of energy at a competitive price

Toho Gas moves forward with efforts to optimize its portfolio by diversifying LNG procurement and to create the infrastructure for a stable supply, and provide energy at a competitive price.

➤ Diversifying LNG procurement

We purchase 3 million tons of LNG each year from five countries (Indonesia, Australia, Malaysia, Qatar and Russia (Sakhalin)) under long-term supply contracts.

We will diversify supply sources, types of contracts and the price-index to procure LNG at a more competitive price. To diversify supply sources, we will start procuring LNG from North America and Africa. As part of our efforts to diversify the types of contracts, we will raise the rate of LNG purchases under short-term contracts and spot contracts to about 20% of our total LNG buying. For diversification of the price index, we will adopt various indexes, such as those linked to American and British natural gas prices (Henry hub price and NBP), as well as the

existing price index, linked to crude oil prices.

We strengthen our position in negotiations with suppliers by expanding choices through diversified procurement and joint purchasing and acquire more competitive prices and flexible contract terms.

Supply Sources



Topics LNG purchase from Petronas LNG Ltd.

Toho Gas has entered into a Heads of Agreement with Petronas LNG Ltd. (wholly-owned subsidiary of Petronas in Malaysia, "Seller") for a purchase of LNG by portfolio supply in March 2015. For the first time, we have applied portfolio

supply with the objective of flexibility of quantity and diversification of the price-index and will purchase LNG from the Seller's multiple supply sources.

Topics The U.S. Cameron Project for LNG purchase

The U.S. Cameron Project is a project to liquefy U.S. natural gas, including shale gas, and export as LNG. Toho Gas has entered into a Heads of Agreement with Diamond Gas International Pte. Ltd. in April 2015 and will annually purchase approximately 200,000 tons of LNG for 20 years from the start of production (scheduled in 2018). The

agreement for LNG purchase from the Project is the second one following the sale and purchase agreement with Mitsui & Co., Ltd.

Cameron LNG Terminal



➤ Improving the infrastructure for a stable supply

LNG is transported from other countries by tanker to our works in Chita-Midorihama, Chita LNG Terminal and Yokkaichi, and is stored in LNG tanks. In these three works, LNG is gasified by LNG vaporizers and mixed with LPG (liquefied petroleum gas), to adjust it to the required calories. After Gas Odorizer is added for safety reasons, it is delivered as city gas (13A).

We will make the most effective use of facilities in the Chita and Yokkaichi areas and increase the flexibility of LNG

terminal operations in order to diversify LNG procurement (changes in LNG properties such as lighter LNG, increase purchases on the spot market, introduce large LNG tankers, etc.).

We may have to accept LNG with low calorific value amid the diversification of supply sources. Against this background, we will lower the standard calorific value in September 2015 as part of our efforts to secure high-quality and stable supply of service gas.

Action 2 Strengthen our relationship with customers

Toho Gas strengthens its relationship with customers due to realization and providing services which respond to customer needs.

Residential use

➤ Providing a comfortable life and high-quality services

We will address spreading of cogeneration for residential use (fuel cell system “ENE FARM” and residential gas engine cogeneration system “ECO WILL”).

Cogeneration is efficient system, generates electricity by city gas. The exhaust heat discharged as a by-product can be used for heating and water heating. Especially ENE FARM, which generates electricity by the chemical reaction between hydrogen (retrieved from city gas) and oxygen in the air, has developed the number of installed units because of its environment-friendliness and economic efficiency.

We are striving to achieve stock sales of 35,000 units by the end of FY2018 by promoting greater efficiency and lowering costs of the system and further proposing its combined use with solar energy

systems.

In addition, we will provide a comfortable life by strengthening our ability of solution proposals for residential customers such as conducting energy saving assessments for homes, which include providing advice on behaviors improving energy efficiency. We will also improve the quality of services in the opportunities to contact with customers such as connection/disconnection work services, repairs, etc., and propose additional services.

Goal of installed units of cogeneration for residential use

	End of FY2013	End of FY2014	End of FY2018	End of FY2022
Cogeneration for residential use (Installed units)	20 thousand units	23 thousand units	35 thousand units	50 thousand units

➤ Promoting the introduction of smart technology

We will develop smart gas meters and communication methods, reduce the cost and deal with the introduction of smart technology.

Since FY2014, we have initially introduced smart meters to the

homes of customers using automatic notification service, and evaluated equipment and system performance, and considered monitoring system, examine services, etc.

Industrial/Commercial use

➤ Proposing optimal energy use

We have promoted the use of clean natural gas, encouraging customers to change their industrial furnaces such as thermal treatment furnaces and drying furnaces and boiler fuel from oil to city gas. Industrial furnaces using city gas demonstrate excellent controllability and energy-saving property. City gas is used in the production processes of many industries, including transportation machines, steel and other metals, foods, and glasses, etc.

We will develop thermal energy demands of industrial furnaces

and boilers, and gas air-conditioning demands. In addition, we will expand our “Comprehensive Utility Services Business” including construction of gas facilities, their operation, maintenance and management. By proposing the optimal use of energy for each customer, we will develop new demand equivalent to 100 million m³ annually.



Fuel conversion in an industrial furnace

➤ Further spreading distributed energy systems

Distributed energy system, such as gas cogeneration system, generates electricity at the user site. The exhaust heat discharged as a by-product can be used for air-conditioning and water heating, thereby contributing to efficient energy use.

We will improve the efficiency of the cogeneration system and reduce its cost, aiming to increase the installed capacity from the current 760,000 kW to 800,000 kW by the final year of the medium-term plan.

We will also expand the area-wide use of energy such as district heating and cooling which optimizes the advantage of cogeneration system mainly in Nagoya station area where redevelopment plans have been taking shape.

Goal of installed capacity of distributed energy system

	End of FY2013	End of FY2014	End of FY2018	End of FY2022
Distributed energy system (Installed capacity)	748 thousand kW	758 thousand kW	800 thousand kW	1,000 thousand kW

Medium-term Management Plan

Action 3 Expand gas business service area

Toho Gas provides gas energy to a wider area through optimal supply form which responds to customer needs.

➤ Expanding the city-gas service area

To stimulate gas demand through our expansion of supply areas, we will strengthen transportation ability to enable city gas to reach the entire service area, while accelerating the building of wide-area pipeline networks.

As for trunk line networks, we have begun constructing Meinan trunk line and Mie trunk line. To expand supply areas, we are working on extending pipeline networks to the northern Ise regions of Mie Prefecture and the middle

and eastern Mino regions of Gifu Prefecture.

The length of the Toho Gas Group pipelines and branch lines totals about 29,000 km, almost three-fourth the circumference of the earth.

We will improve and expand our gas pipeline network from medium- and long-term perspectives, including sites for future works and land development plans.

➤ Expanding the service area for LNG and LPG

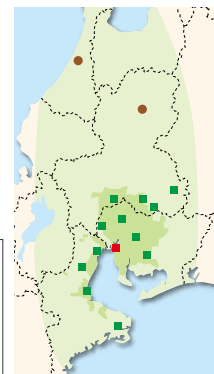
We sell LNG, in particular to industrial customers in areas near those supplied with city gas, with a goal of switching them over to the LNG pipeline network in the future.

The Meiko LPG Terminal, the largest secondary terminal in Japan, is a core terminal of Toho Gas. It covers the supply of LPG in the Tokai Area, through the network of company-owned gas storage stations. We will further strengthen the LPG business as another pillar of the

“robust gas business,” following the city gas business, to expand demand in a wider area.

LPG service area

- LPG service area
- LPG filling station
- LPG wide area sales office
- Meiko LPG terminal
- City gas service area



Action 4 Expand scope of business

Toho Gas expands its business scope, particularly for the comprehensive energy business and in fields peripheral to energy, and realize further growth for the Toho Gas Group.

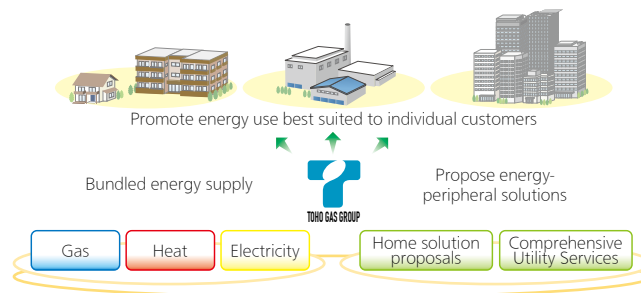
➤ Developing the comprehensive energy business

Full liberalization of the energy business is approaching, led by the government's initiative to reform the electric power and the gas businesses. Under these circumstances, Toho Gas puts emphasis on a “Comprehensive Energy Business” to realize optimal energy use for customers. The Comprehensive Energy Business provides not only a system that collectively supplies gas, heat, and electricity but also solution proposals for a broad range of energy-related businesses.

We are also strengthening our efforts in the power generation field, mainly by installing cogeneration system and other distributed power sources. For example, we will install a large-scale cogeneration (power cogeneration)

system in an industrial park where a huge volume of heat is consumed. Excess power that is generated may be supplied to consumers outside the industrial park.

Conceptual diagram of the comprehensive energy business



Topics

Launch of the electric power business

Toho Gas will branch out into the power business in 2016 when its market is set to be fully liberalized. In response to the needs of our customers, we will sell gas and power in a

package. We promote the new business, including securing power sources and establishing marketing networks under the organization set up in April 2015.

➤ Expanding upstream business

In January 2012, we concluded an LNG sales and purchase agreement with the Ichthys LNG Project, in which we also acquired our first upstream equity interest. The Project is

scheduled to begin production in FY2016. We also plan to participate in another upstream project.

➤ Strengthening Group business

Our group companies are engaged in the residential energy business that proposes gas appliances for residential use, including bathroom and kitchen refurbishment, and the engineering business that performs design and installation

of gas equipment in plants, office buildings and other commercial and industrial facilities. We will strengthen our group business and generate synergies with the gas business.

➤ Developing smart towns

We revitalize of local communities through superior urban planning in terms of the environment and disaster prevention, and strive to develop smart towns, which will create business opportunities. Currently, the construction of a former plant site of Toho Gas is in progress to build a

smart town on it, aiming to start and gradually introduce services from 2015 to 2018.

By building and operating new hydrogen refueling stations, we will also promote the diffusion of fuel cell vehicles with the aim of realizing a hydrogen society.

Topics

Construction of commercially-operated hydrogen refueling stations

In May 2015, Toho Gas began operating Nisshin Hydrogen Refueling Station, marking the first commercial operation by our company of a hydrogen station. In addition, we plan to build another hydrogen station, tentatively called "Shin Komei

Hydrogen Refueling Station," in Minato Ward, Nagoya City. Operation of the station is set for the first half of 2016.



Action 5 Ensure safety and security

Toho Gas ensures safety and security for customers by strengthening efforts related to disaster prevention and safety.

➤ Promoting disaster prevention measures

Based on the large-scale earthquake scenarios published by the national and local governments, we take necessary anti-quake, anti-tsunami and anti-liquefaction measures. We also strive to strengthen our disaster control organizations. For example, we also have a system that can quickly stop city gas supply by remote control in accordance with the damage conditions at each respective location, so as to prevent secondary disaster. Moreover, to minimize inconvenience to

gas consumers and ensure no interruption of the city gas supply to less-damaged areas, we have divided our gas pipeline network into 72 small blocks, which we will further divide into much smaller blocks.



Automatic supply management system

Medium-term Management Plan

➤ Promoting security measures

We conduct maintenance and replacement of production and supply facilities. For example, to further increase the safety of our gas facilities, we are now replacing gas pipes with quake-resistant and anti-corrosive gas piping materials (such as polyethylene pipes), in accordance with our plan.

We also continue security activities concerning gas appliances in customers' homes and sites, including

encouraging customers to replace their current appliances that are not equipped with flame-failure devices with safer appliances.



Replace aging gas pipes with polyethylene pipes

Strengthen the business foundation for further growth

➤ Realize growth cycle

We work to improve the efficiency of management and maintain fixed expenses at the current level, by creating efficient equipment, pursuing efficient operation and cost reduction, while increasing the sales volumes and sales amounts. In addition, we will generate operating cash flows of at least 260 billion yen by the end of FY2018 by achieving steady growth in the gas business, our core business, and reinforcing group businesses. While maintain-

ing a sound and stable financial position, we will invest the cash flows on expanding gas business service area and expanding the scope of business. Then as the return to shareholders from the cash flows, we will flexibly conduct share buybacks while having a basic policy of paying stable dividends.

We expand the profit base and create a sustainable growth cycle by implementing these measures.

➤ Strengthen human resources and “Genba-Ryoku*”

We will recruit and develop human resources who possess a broad perspective. We will also strengthen our ability to

efficiently and steadily execute core operations.

* Capabilities needed at the front of business

➤ Strengthen technical capabilities

We will work to develop technology to precisely meet more diverse customer needs. For example, we will strive to improve the efficiency and reduce costs of residential use equipment such as ENE FARM and industrial equipment including cogeneration system, gas heat pumps (GHP) and

industrial furnaces. We will also develop optimal energy-network controlling technologies of smart town.

Additionally we will reinforce the Group's engineering capability by constructing, maintaining and managing gas production and supply facilities and customer facilities.

➤ Thoroughly implement CSR management

We will strive to improve corporate governance and thoroughly implement compliance. As an environmentally advanced company, we will also contribute to local

communities through our various activities such as next-generation education.

Transparency and Integrity of Management

The Toho Gas Group is striving to ensure transparency and soundness of its management by strengthening corporate governance and compliance. The move is part of the

Group's efforts to fulfill its corporate social responsibility and to become a company that is always trusted while operating its business activities in a sincere and fair manner.

Corporate Governance

➤ Organizations for Corporate Governance

(1) Management Structure

The board of directors of the Company comprises 9 directors, including two outside directors. In accordance with regulations for the board of directors, the board makes important decisions relating to the Group and supervises execution of duties by directors and executive officers. To strengthen the function of executive operations and clarify responsibilities, the Company uses the Executive Officer System. The Management Committee has

also been established to deliberate on important management issues in accordance with the basic policy established by the Board of Directors and to strengthen coordination and cross-checking between business divisions. Important individual matters are deliberated in relevant committees chaired by the president or officers in charge, before they are escalated to the Management Committee.

(2) Audit Structure

The board of corporate auditors comprises five corporate auditors, including three outside corporate auditors. Each corporate auditor monitors the management activities of directors through surveys conducted in accordance with an auditing plan drafted by the Board of Corporate Auditors and attendance of important meetings of the Board of Directors, etc. There is also a Corporate Auditors' Office that supports the corporate auditors, thereby strengthening auditing functions.

Auditing Department that acts as an internal auditing organization conducts periodic audits as outlined in its auditing plan to assess the propriety and efficiency of operational activities within the Group, including affiliates. The results of the audits, which include advisement, are promptly issued to the Chairman, President, Managing Directors, who are in charge of the division under audit, and auditors, as well as the division under audit.

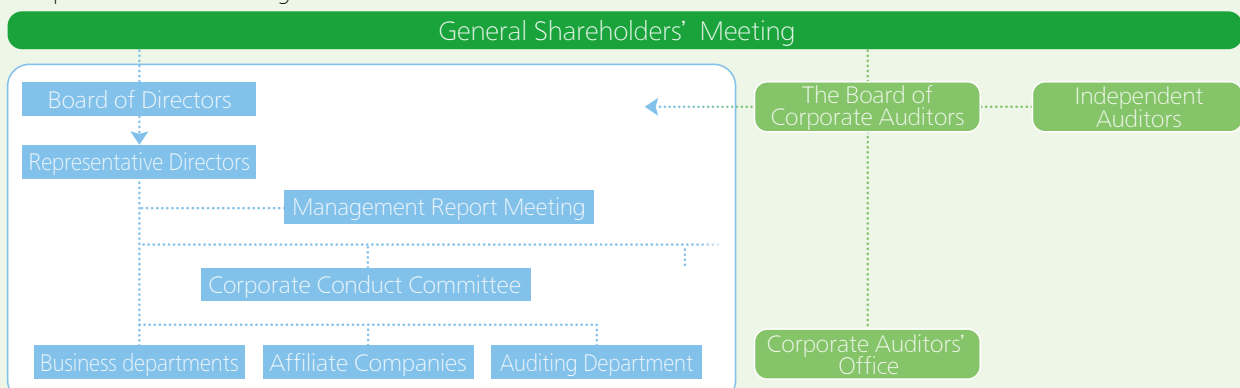
(3) Outside Directors and Outside Corporate Auditors

Outside directors and outside corporate auditors are appointed for the purpose of strengthening the supervising and auditing functions of these boards and ensuring the transparency and fairness of company management. Since the two outside directors and the three outside corporate auditors have no special relation with the Company, the Company deems them "independent officers," as defined by securities exchanges, since it has been

determined that no conflict of interest exists or will arise between shareholders and these outside directors and corporate auditors.

Outside directors and outside corporate auditors of the Company provide advice and proposals relating to overall management of the Company based on their abundant experience and knowledge from independent perspectives. They also supervise and audit directors' execution of duties.

【Corporate Governance Organizational Chart】



Transparency and Integrity of Management

➤ Status of Internal Control System

To ensure appropriate and efficient business operations within the Toho Gas Group, the Board of Directors of Toho Gas has determined a basic policy for internal control systems to “establish a system that ensures the appropriateness of operations (internal control system).” In accordance with this policy, we manage our activities to ensure strict compliance and risk reduction.

To comply with the requirement of “Report of Internal Controls Relating to Financial Report” under the Financial

Instruments and Exchange Act, the relevant departments conduct self-checking concerning whether they have in place and operate properly internal rules and a checking system, which is further confirmed by the Auditing Department before undergoing auditing by an independent auditing firm. When the effectiveness of the internal control related to financial reporting of Toho Gas is confirmed by the above-mentioned internal steps, an internal control report is submitted to the Financial Services Agency.

➤ Risk management

To reduce business-related risks, we have Risk Management Regulations in place. Under the responsibility of the officer in charge of risk management, the main controlling department identifies, assesses and takes necessary actions against business-related risks, in cooperation with related departments. The identified risks and their status across the corporate group are reported to the Management Committee and the Board of Directors of Toho Gas.

Serious risks related to business environment, material procurement, financial condition, operations, disaster or compliance are deliberated at meetings of the Management

Committee. Basic policies regarding how to respond to these risks have been adopted through cooperation and cross-checking between the headquarters and departments. For important cross-departmental issues, a dedicated committee is formed to discuss the matters. The results are reported to the Management Committee where response measures are formulated for implementation.

The progress regarding implementation of these response measures is reported to the Board of Directors of Toho Gas in a timely manner. If necessary, these measures are strengthened or improved.

Board of Directors and Corporate Auditors



Takashi Saeki, Chairman (left) and Koichi Yasui, President

Chairman
Takashi Saeki

President
Koichi Yasui

Representative Director
Yoshiharu Sago

Directors
Hiromu Ohji
Osamu Nakamura
Yoshiro Tominari
Shinji Niwa

Outside Managing
Executive Officer
Koji Miyahara
Tetsuo Hattori

Corporate Auditors
Nobuaki Matsushima
Hiroshi Yamazaki

Outside Auditors
Yoshihiro Yasui
Michiyo Hamada
Tamotsu Kokado

Compliance

The Toho Gas Group recognizes compliance not only as observing laws and in-house rules but also as meeting expectations of customers and society by behaving and acting based on social common sense and ethics. The Group has set a code of conduct regarding compliance — a set of action standards and business rules involving the company and its employees. By working on spreading and fully implementing the code, each employee aims to win customers' confidence and contribute to the development of the local community.

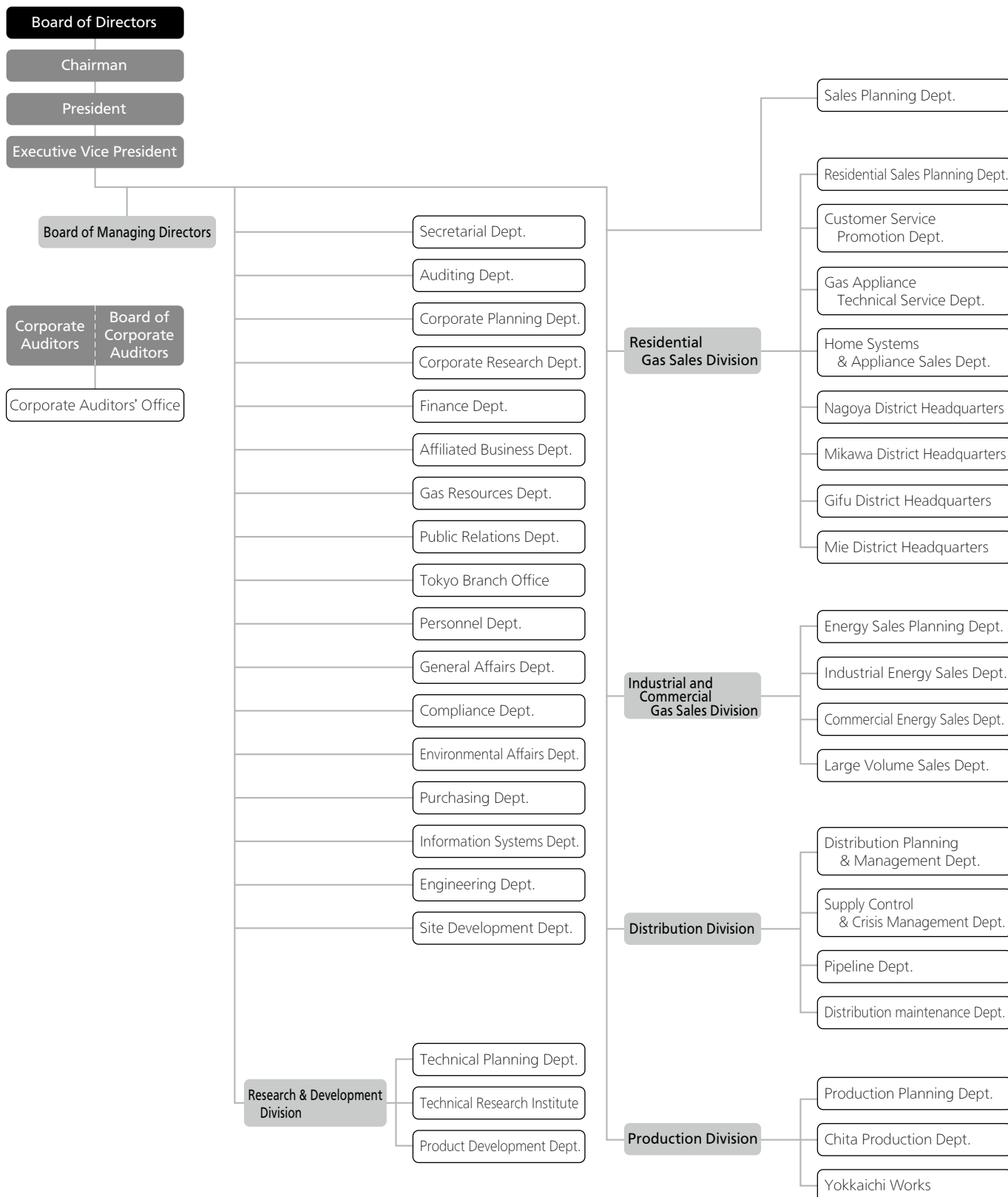
Toho Gas has set up a Compliance Committee, chaired by the President of Toho Gas and composed of managers from business divisions and representative of the labor union, to ensure fair

corporate behavior. The committee is convened twice a year to discuss compliance policies, activity plans, and their implementation. Each affiliated company appoints an executive officer in charge of compliance and has set up a compliance committee as part of its efforts to promote compliance.

Toho Gas has set up compliance desks both inside and outside the company where Group companies can receive advice and consultation regarding compliance. A fact-finding investigation will be swiftly launched following Group companies' contact with the desks, in line with rules set for dealing with questions raised at compliance desks. By setting up such desks, Toho Gas aims to detect compliance-related problems early and take remedial measures.

Organization Chart

TOHO GAS CO., LTD. And Consolidated Subsidiaries
As of June 22, 2015



Financial Section

Management's Discussion and Analysis of Results of Operations and Financial Condition

Consolidated Business Results

The economic condition in our service area recovered moderately during FY2014. However, the economic recovery lacked vigor with manufacturing activities and housing starts showing weakness.

Against that background, as a result of diligent efforts to expand city gas use, supply stably and ensure security, the number of customers increased by 1.0% from the previous year. The consolidated sales volume of city gas decreased by 1.0% from the previous year and LPG sales volume increased by 2.0%.

Consolidated net sales increased by 3.7% from the previous year to ¥580,984 million due to the fuel cost adjustment system amid the yen's depreciation. Costs of sales fell by 0.9% to ¥410,431 million due to a decrease in raw material costs, which started at the end of 2014, following a plunge in crude oil prices. Selling, general and administrative expenses increased by 8.7% to ¥141,792 million. Consequently, ordinary income increased by 73.1% to ¥29,516 million. Net income increased by 69.5% from the previous year to ¥19,054 million.

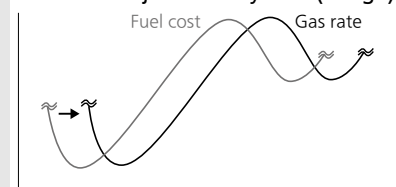
Reference Characteristics of the Gas Rate System

City gas is made from liquefied natural gas (LNG), whose price changes depending on the crude oil price and exchange rates. In Japan, this fluctuation in fuel costs is reflected several months later in the gas fee rates, in accordance with the Fuel Cost Adjustment System.

Accordingly, the impact of fuel cost fluctuations is offset in the long term, but they do affect the operational results of the short term. Specifically, if the LNG price increases, the fuel cost to the Company will increase, negatively affecting

the Company's profit/loss, until the fee charged to customers is adjusted (increased). If the LNG price decreases, fuel costs to the Company will decrease, positively affecting profit/loss status until the fee is adjusted (decreased).

Fuel Cost Adjustment System (Image)



Segment Information

Gas Sales

The number of customers increased by 23 thousand to 2,387 thousand during the year.

The total gas sales volume decreased 1.0% to 3,940 million m³. In the residential market, sales volume remained the same level as the previous year (743 million m³). In the non-residential segment, although we promoted the marketing efforts to develop new gas demand, sales volume was 2,912 million m³, a decrease of 0.9% from the

previous year, due to decrease in customer facilities' operation rates and lower temperatures in summer which caused decrease of air-conditioning demand, etc. The volume of wholesale sales to other gas utilities decreased 4.6% to 285 million m³.

Gas sales revenues increased 5.3% from the previous year to ¥443,080 million. Operating income increased 99.0% to ¥25,452 million.

Gas Appliance Sales and Related Construction

Sales revenues of this segment decreased by 2.7% from the previous year to ¥36,144 million due to decrease in sales of

residential appliances. Operating income decreased by ¥732 million and operating loss was ¥381 million.

LPG and other energy Sales

Sales of LPG and thermal energy supply businesses decreased by 3.0% from the previous year to ¥82,000 million. Operating income

increased by 105.4%, to ¥1,270 million. LPG sales volume increased 2.0% from the previous year to 430 thousand tons.

Other

Sales of other businesses, including plant design and construction, and real estate leasing, etc., increased by 2.3% to

¥36,575 million. Operating income increased by 26.3% to ¥1,173 million.

➤ Financial Position

Assets, Liabilities and Net Assets

Total assets increased by ¥33,527 million from the end of the previous year. This was mainly due to an increase in the market value of stock investments as a result of an upward trend in the stock market.

Liabilities decreased by ¥3,410 million. This was mainly due to

a decrease of short-term loans payable.

Net assets increased by ¥36,937 million. This was mainly due to recording of net income of ¥19,054 million yen.

As a result, the equity ratio increased from 48.2% in the previous year to 52.1%.

Cash Flows

Net cash provided by operating activities was ¥62,320 million, mainly due to recording of income before income taxes and depreciation.

Net cash used in investing activities was ¥37,840 million, which was mainly used for facilities investments.

As a result, free cash flow for the year was ¥24,480 million.

Net cash used in financing activities was ¥20,157 million, which was mainly used for repayment short-term loans payable.

As a result, net cash and cash equivalents as of the end of March 31, 2015 increased by ¥5,182 million from the same date of the previous year to ¥19,423 million.

Risks

The major risks that have the potential to impact the Group's results of operations and financial condition are described below. Forward-looking statements are based on information available to management as of March 31, 2015.

(a) Impact of change in demand

The sales volumes and revenues of the city gas and LPG gas businesses may be positively or negatively affected by changes in temperature, such as extreme heat and warm winter, or by economic conditions.

(b) Impact of Fluctuating Gas Resource Costs

LNG is the primary resource for gas production. The supply-demand balance as well as fluctuating crude oil prices and exchange rates can impact the cost of LNG and other resources. Fluctuations in the LNG price are offset by adjustments in the gas sales price made in accordance with the fuel cost adjustment system. However, since there is a time lag until the adjustment is made, the operating results for a given year may be affected by such fluctuations in LNG price. Operating results and financial conditions may be affected by the development of the negotiation of LNG prices.

(c) Impact of changing Interest Rates and Other Market Conditions

Trends in market interest rates will cause the cost of debt to fluctuate, which may affect income and expenses. However, most of Toho Gas' interest-bearing debt comprises long-term loans and corporate bonds acquired at fixed interest rates. By steadily reducing interest-bearing debt, the Company limits the risks inherent in changing interest rates.

Varying stock market conditions may cause the value of investment securities in the Company's portfolio to fluctuate.

(d) Impact of revisions in governmental policies, laws and statutory systems

Any revision in the government's energy policy, environmental policy, law or statutory system may have impact on the operating results of the Toho Gas Group.

(e) Impact of Natural Disasters

Earthquakes and other major natural disasters may have impact on the operating results of the Toho Gas Group, as such disasters may cause damages to the production/supply facilities of the Group and customers' business sites. Unexpected large-scale power failure may also have negative impact on the

operating results of the Toho Gas Group.

To prepare for large-scale natural disaster and to minimize resulting damage, the Company has installed in-house power generation facilities, fire-fighting equipment and other disaster control facilities and systems. The earthquake resistance of gas pipes and supply and production facilities has also been improved.

(f) Impact of serious difficulty in procuring gas resources, production or supply process

Serious difficulty in procuring gas resources, production or supply process may have negative impact on the operating results of the Toho Gas Group.

(g) Impact of mission-critical information system

Mission-critical information system may have negative impact on the operating results of the Toho Gas Group.

(h) Impact of serious problems involving customers' gas equipment and appliances

Serious problems involving customers' gas equipment and appliances may result in tangible or intangible damages, including social liabilities, being incurred by the Company.

(i) Impact of irrecoverable investments in upstream businesses

Part or all of investments in overseas gas field development projects may not be recovered properly as a result of changes in the economic conditions and other factors and such irrecoverability may affect the operating results of the Toho Gas Group.

(j) Impact of non-compliance

If the Company or any related party to the Company breaches any law, agreement or conducts any act against corporate ethics or social norms, this may result in tangible or intangible damages, including social liabilities, being incurred by the Company.

(k) Impact of information leak

If customers' personal information kept and managed by the Toho Gas Group leaks outside the Group, this may result in tangible or intangible damages, including social liabilities, being incurred by the Company.

(l) Impact of pandemic of new-type influenza or other infectious disease

Pandemic of new-type influenza or other infectious disease may have negative impact on the operating results of the Toho Gas Group.

Consolidated Balance Sheets

TOHO GAS CO., LTD. and Consolidated Subsidiaries
March 31, 2015 and 2014

Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Property, plant and equipment (Notes 7 and 15):			
Production facilities	¥237,410	¥234,819	\$1,978,417
Distribution facilities	856,145	839,604	\$7,134,542
Service and maintenance facilities	69,426	70,338	\$578,550
Other facilities	95,790	94,546	\$798,250
Construction in progress	31,592	20,635	\$263,266
	1,290,363	1,259,942	10,753,025
Accumulated depreciation	(986,803)	(957,529)	(8,223,358)
Total property, plant and equipment	303,560	302,413	2,529,667
Intangible assets (Note 7):	5,936	4,541	49,467
Investments and other assets:			
Investment securities (Notes 3, 4 and 7)	79,024	66,220	658,533
Deferred tax assets (Note 8)	7,139	12,267	59,492
Other	6,065	6,207	50,542
Allowance for doubtful accounts	(80)	(110)	(667)
Total investments and other assets	92,148	84,584	767,900
Current assets:			
Cash and cash equivalents (Notes 3 and 7)	19,423	14,241	161,858
Receivables:			
Trade notes and accounts receivable (Note 3)	61,031	61,792	508,592
Allowance for doubtful accounts	(272)	(310)	(2,267)
Lease receivables and investment assets	7,122	6,255	59,350
Inventories (Note 5)	28,298	22,560	235,817
Deferred tax assets (Note 8)	730	1,529	6,083
Other (Note 3)	25,311	12,155	210,925
Total current assets	141,643	118,222	1,180,358
Deferred charges	—	—	—
Total assets	¥543,287	¥509,760	\$4,527,392

See accompanying Notes to Consolidated Financial Statements.

Liabilities and Net Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Noncurrent liabilities:			
Long-term debt (Notes 3 and 7)	¥119,670	¥117,234	\$997,250
Provision for gas holder repairs	1,319	1,212	10,992
Reserve for safety measures	16,180	8,895	134,833
Deferred tax liabilities (Note 8)	979	887	8,158
Net defined benefit liability (Note 6)	21,782	29,720	181,517
Provision for gas appliance warranties	939	—	7,825
Other (Note 7)	7,246	7,260	60,383
Total noncurrent liabilities	168,115	165,208	1,400,958
Current liabilities:			
Short-term loans payable (Notes 3 and 7)	12,022	24,070	100,183
Current portion of noncurrent liabilities (Notes 3 and 7)	17,133	22,276	142,775
Trade notes and accounts payable (Note 3)	15,960	19,837	133,000
Income taxes payable	11,492	5,466	95,767
Deferred tax liabilities (Note 8)	1,855	—	15,458
Other	33,883	27,013	282,359
Total current liabilities	92,345	98,662	769,542
Net assets (Notes 9 and 16):			
Shareholders' equity:			
Capital stock:			
Authorized - 805,998,157 shares			
Issued - 545,966,429 shares in 2015 and 2014	33,073	33,073	275,608
Capital surplus	8,388	8,387	69,900
Retained earnings	188,522	175,387	1,571,017
Less treasury stock -			
755,433 shares in 2015 and 654,004 shares in 2014	(387)	(324)	(3,225)
Total shareholders' equity	229,596	216,523	1,913,300
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	39,473	29,579	328,942
Deferred gains (losses) on hedges	11,497	4,773	95,808
Foreign currency translation adjustments	2,786	1,530	23,217
Remeasurements of defined benefit plans	(525)	(6,515)	(4,375)
Total accumulated other comprehensive income	53,231	29,367	443,592
Total net assets	282,827	245,890	2,356,892
Total liabilities and net assets	¥543,287	¥509,760	\$4,527,392

Consolidated Statements of Income

TOHO GAS CO., LTD. and Consolidated Subsidiaries
Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Net sales (Note 11)	¥580,984	¥560,463	\$4,841,533
Operating costs and expenses:			
Cost of sales	410,431	414,265	3,420,258
Selling, general and administrative expenses	141,792	130,447	1,181,600
	552,223	544,712	4,601,858
Operating income (Note 11)	28,761	15,751	239,675
Other income (expenses):			
Interest and dividend income	1,362	1,294	11,350
Interest expense	(1,691)	(1,740)	(14,092)
Other, net	1,084	1,749	9,033
	755	1,303	6,291
Income before income taxes and minority interests	29,516	17,054	245,966
Income taxes (Note 8):			
Current	10,033	3,263	83,608
Deferred	429	2,550	3,575
Total income taxes	10,462	5,813	87,183
Income before minority interests	19,054	11,241	158,783
Net income	¥19,054	¥11,241	\$158,783
Per share:		Yen	U.S. dollars
Net income	¥34.94	¥20.61	\$0.29
Cash dividends applicable to the year (Notes 2 and 16)	9.50	9.00	0.08

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

TOHO GAS CO., LTD. and Consolidated Subsidiaries
Year ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Income before minority interests	¥19,054	¥11,241	\$158,783
Other comprehensive income (Note 10):			
Valuation difference on available-for-sale securities	9,894	4,913	82,450
Deferred gains on hedges	6,724	3,876	56,033
Foreign currency translation adjustments	1,256	1,209	10,467
Remeasurements of defined benefit plans	5,990	—	49,917
Total other comprehensive income	23,864	9,998	198,867
Comprehensive income	¥42,918	¥21,239	\$357,650
Comprehensive income attributable to:			
Owners of the parent	¥42,918	¥21,239	\$357,650
Minority interests	—	—	—

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

TOHO GAS CO., LTD. and Consolidated Subsidiaries
Years ended March 31, 2015 and 2014

	Number of shares of common stock	Millions of yen				
		Shareholders' equity				
		Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2013	545,966,429	¥33,073	¥8,387	¥169,375	(¥249)	¥210,586
Cumulative effects of changes in accounting policies (Note 2)						
Restated balance at March 31, 2013	545,966,429	33,073	8,387	169,375	(249)	210,586
Dividends from surplus				(4,909)		(4,909)
Net income				11,241		11,241
Purchase of treasury stock					(79)	(79)
Disposal of treasury stock			0		4	4
Change in scope of consolidation				(320)		(320)
Net changes in items other than shareholders' equity						
Total changes in items during the period		—	0	6,012	(75)	5,937
Balance at March 31, 2014	545,966,429	¥33,073	¥8,387	¥175,387	(¥324)	¥216,523
Cumulative effects of changes in accounting policies (Note 2)				(1,011)		(1,011)
Restated balance at March 31, 2014		33,073	8,387	174,376	(324)	215,512
Dividends from surplus				(4,908)		(4,908)
Net income				19,054		19,054
Purchase of treasury stock					(65)	(65)
Disposal of treasury stock			1		2	3
Change in scope of consolidation						
Net changes in items other than shareholders' equity						
Total changes in items during the period		—	1	14,146	(63)	14,084
Balance at March 31, 2015	545,966,429	¥33,073	¥8,388	¥188,522	(¥387)	¥229,596

	Thousands of U.S. dollars (Note 1)				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2014	\$275,608	\$69,892	\$1,461,559	(\$2,700)	\$1,804,359
Cumulative effects of changes in accounting policies (Note 2)			(8,425)		(8,425)
Restated balance at March 31, 2014	275,608	69,892	1,453,134	(2,700)	1,795,934
Dividends from surplus			(40,900)		(40,900)
Net income			158,783		158,783
Purchase of treasury stock				(542)	(542)
Disposal of treasury stock		8		17	25
Change in scope of consolidation					
Net changes in items other than shareholders' equity					
Total changes in items during the period	—	8	117,883	(525)	117,366
Balance at March 31, 2015	\$275,608	\$69,900	\$1,571,017	(\$3,225)	\$1,913,300

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen					
	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit pension plan	Total accumulated other comprehensive income	
Balance at March 31, 2013	¥24,666	¥897	¥321	—	¥25,884	¥236,470
Cumulative effects of changes in accounting policies (Note 2)··						
Restated balance at March 31, 2013	24,666	897	321	—	25,884	236,470
Dividends from surplus						(4,909)
Net income.....						11,241
Purchase of treasury stock						(79)
Disposal of treasury stock						4
Change in scope of consolidation						(320)
Net changes in items other than shareholders' equity··	4,913	3,876	1,209	(6,515)	3,483	3,483
Total changes in items during the period	4,913	3,876	1,209	(6,515)	3,483	9,420
Balance at March 31, 2014	¥29,579	¥4,773	¥1,530	(¥6,515)	¥29,367	¥245,890
Cumulative effects of changes in accounting policies (Note 2)··				3,182	3,182	2,171
Restated balance at March 31, 2014	29,579	4,773	1,530	(3,333)	32,549	248,061
Dividends from surplus.....						(4,908)
Net income						19,054
Purchase of treasury stock						(65)
Disposal of treasury stock						3
Change in scope of consolidation						
Net changes in items other than shareholders' equity··	9,894	6,724	1,256	2,808	20,682	20,682
Total changes in items during the period	9,894	6,724	1,256	2,808	20,682	34,766
Balance at March 31, 2015	¥39,473	¥11,497	¥2,786	(¥525)	¥53,231	¥282,827

	Thousands of U.S. dollars (Note 1)					
	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit pension plan	Total accumulated other comprehensive income	
Balance at March 31, 2014	\$246,492	\$39,775	\$12,750	(\$54,292)	\$244,725	\$2,049,084
Cumulative effects of changes in accounting policies (Note 2)··				26,517	26,517	18,092
Restated balance at March 31, 2014	246,492	39,775	12,750	(27,775)	271,242	2,067,176
Dividends from surplus.....						(40,900)
Net income.....						158,783
Purchase of treasury stock						(542)
Disposal of treasury stock						25
Change in scope of consolidation						
Net changes in items other than shareholders' equity··	82,450	56,033	10,467	23,400	172,350	172,350
Total changes in items during the period.....	82,450	56,033	10,467	23,400	172,350	289,716
Balance at March 31, 2015	\$328,942	\$95,808	\$23,217	(\$4,375)	\$443,592	\$2,356,892

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

TOHO GAS CO., LTD. and Consolidated Subsidiaries
Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Cash flows from operating activities:			
Income before income taxes and minority interests.....	¥29,516	¥17,054	\$245,966
Adjustments for:			
Depreciation and amortization	33,951	35,781	282,925
Increase (decrease) in net defined benefit liability and other allowances	8,263	(2,813)	68,858
Interest and dividend income.....	(1,362)	(1,294)	(11,350)
Interest expense	1,691	1,740	14,092
Decrease (increase) in trade notes and accounts receivable	761	(7,180)	6,342
(Increase) decrease in inventories	(5,530)	8,734	(46,083)
(Decrease) in trade notes and accounts payable.....	(3,866)	(6,921)	(32,217)
Other	3,270	(1,955)	27,250
	66,694	43,146	555,783
Interests and dividends received	1,361	1,294	11,342
Interests paid	(1,709)	(1,739)	(14,242)
Income taxes paid	(4,026)	(4,892)	(33,550)
Net cash provided by operating activities	62,320	37,809	519,333
Cash flows from investment activities:			
Purchases of investment securities	(5)	(88)	(42)
Proceeds from sale of investment securities	2	757	17
Purchases of noncurrent assets	(36,570)	(33,094)	(304,750)
Proceeds from sale of noncurrent assets	156	106	1,300
Other	(1,423)	(697)	(11,858)
Net cash used in investment activities	(37,840)	(33,016)	(315,333)
Cash flows from financing activities:			
Net (decrease) increase in short-term bank loans	(12,048)	1,940	(100,400)
Proceeds from long-term loans payable	9,258	12,914	77,150
Repayment of long-term loans payable.....	(12,272)	(12,335)	(102,267)
Purchase of treasury stock	(65)	(79)	(542)
Cash dividends paid	(4,912)	(4,909)	(40,933)
Other	(118)	(368)	(983)
Net cash used in financing activities	(20,157)	(2,837)	(167,975)
Effect of exchange rate change on cash and cash equivalents	859	541	7,158
Net increase in cash and cash equivalents	5,182	2,497	43,183
Cash and cash equivalents at beginning of year	14,241	11,597	118,675
Increase in cash and cash equivalents from newly consolidated subsidiary.....	—	147	—
Cash and cash equivalents at end of year	¥19,423	¥14,241	161,858

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

TOHO GAS CO., LTD. and Consolidated Subsidiaries

1 Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of TOHO GAS CO., LTD. (the "Company") and its consolidated subsidiaries (together with the Company, the "TOHO GAS Group") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards. The Company, as a regulated company, also complies with the GAS Business Law and its related accounting regulations for preparing the financial statements.

The accompanying consolidated financial statements have been restructured and translated into English from the consolidated

financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing approximate exchange rate at March 31, 2015, which was ¥120 to U.S. \$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2 Summary of significant accounting policies

Consolidation

The consolidated financial statements include the accounts of the Company and its consolidated subsidiaries (22 in 2015 and 22 in 2014). All significant intercompany transactions and accounts are eliminated in consolidation. The difference between the cost of investments in consolidated subsidiaries and the underlying equity in the net assets adjusted based on the fair value at the time of acquisition is charged to income as incurred.

Though the fiscal year-end of certain consolidated subsidiaries differ from the consolidated fiscal year-end of the Company, the Company has consolidated the subsidiaries' financial statements as of their respective year-end. Significant transactions for the period between a subsidiary's year-end and the Company's year-end are adjusted for on consolidation.

Property, plant and equipment

Depreciation of property, plant and equipment is computed mainly by the declining balance method over the estimated useful life of the asset. However, buildings acquired after March 31, 1998 are depreciated by the straight-line method.

Property, plant, and equipment that are capitalized under finance lease arrangements and that do not transfer ownership of the leased asset to the lessee are depreciated using the straight-line method over the term of the lease with the assumption of no residual value.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, readily-available deposits and short-term highly liquid debt investments with original maturities of three months or less.

Investments

The TOHO GAS Group classifies certain investments in debt and equity securities as "held-to-maturity," "trading" or "available-for-sale." The classification determines the respective accounting method as stipulated by the accounting standard for financial instruments. Investments in debt securities that are classified as held-to-maturity are carried at amortized cost. Available-for-sale securities with available market quotations are stated at fair value, and net unrealized gain or loss on these securities is reported as a separate component of net assets or shareholders' equity, net of applicable income taxes. Available-for-sale securities without available market quotations are

carried at cost determined by the moving average method. Adjustments in carrying values from write-downs are charged to income when a decline in value is deemed other than temporary.

Derivatives

Derivatives are valued at fair value when hedge accounting is not appropriate or when there is no hedging designation, and the gains and losses on the derivatives are recognized in current earnings. Certain transactions classified as hedging transactions such as commodity swaps, foreign exchange forward contracts and interest rate swaps are accounted for under a deferral method in which unrealized gains and losses on the hedging instruments are carried as net assets on the balance sheets until the gain or loss on the related hedged item is realized. According to the special treatment permitted by the accounting standards for financial instruments, hedging interest rate swaps are accounted for on an accrual basis and recorded net of interest expense generated from the hedged borrowings if certain conditions are met.

Inventories

Inventories are mostly stated at the moving average cost (balance sheet prices are calculated using the book value reduction method based on any reduction in profitability.)

Allowance for doubtful accounts

An allowance for doubtful accounts has been provided for at the aggregate amount of estimated credit loss based on an individual financial review of certain doubtful or troubled receivables and a general reserve for other receivables based on the historical loss experience of a certain past period.

Deferred charges

Bond issuance costs are charged to income as incurred.

Employees' retirement benefits

In the calculation of retirement benefit obligations, the expected retirement benefits are attributed to the period up to the end of the current fiscal year based on a benefit formula basis. Unrecognized actuarial differences from those which were assumed and from changes in the assumptions themselves are amortized on a straight-line basis over ten years, which is within the average remaining service years of employees, from the year following the year in which they arise.

Provision for gas holder repairs

The TOHO GAS Group provides for future repairs of gas holders by estimating future expenditures and charging them to income in equal annual amounts over the period to the next repair.

Provision for safety measures

The TOHO GAS Group provides an allowance for replacement of gas appliances and pipelines by estimating future expenditures, and charging them to income to promote the replacement of old gas appliances with new ones that have safety devices and to replace the aged white galvanized branch pipes and pipes of important buildings for security reasons.

(Additional information)

The TOHO GAS Group decided to revise the replacement plan of gas pipelines according to the latest disaster prevention plan that Aichi Prefecture and Mie Prefecture published based on new earthquake prediction models and provided an additional allowance for replacement of pipelines by estimating future expenditures of ¥9,735 million (\$81,125 thousand). As a result, operating income and income before income taxes and minority interests declined by ¥9,735 million (\$81,125 thousand).

Provision for gas appliance warranties

The TOHO GAS Group provides an allowance for gas appliance warranties by estimating future expenditures and charging them to income to provide related service expenditure during the warranty period.

(Additional information)

For the year ended March 31, 2015, The TOHO GAS Group decided to include the expenses for gas appliance warranties during the warranty periods according to rational estimates based on the past warranty results and provided an allowance for gas appliance warranties by estimating future expenditures of ¥939 million (\$7,825 thousand). As a result, operating income and income before income taxes and minority interests declined by ¥939 million (\$7,825 thousand).

Income taxes

Income taxes are accounted for by the asset-liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carryforwards. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

Research and development expenses

Research and development expenses are charged to income as incurred. In the accompanying consolidated statements of income, research and development expenses included in cost of sales and selling, general and administrative expenses amounted to ¥2,083 million (\$17,358 thousand) and ¥1,959 million for the years ended March 31, 2015 and 2014, respectively.

Translation of foreign currency accounts

Receivables, payables and securities, other than stocks of subsidiaries and certain other securities, are translated into Japanese yen at the exchange rates prevailing at the fiscal year-end. Transactions in foreign currencies are recorded based on the prevailing exchange rates on the transaction date.

Resulting translation gains and losses are included in current earnings.

Appropriation of retained earnings

Cash dividends are recorded in the fiscal year when the proposed appropriation of retained earnings is approved by the Board of Directors and/or shareholders.

Amounts per share

Net income per share is computed by dividing income available to shareholders by the weighted average number of shares of common stock outstanding during the respective year. Diluted net income per share is not disclosed as the TOHO GAS had no dilutive common shares for the years ended March 31, 2015 or 2014.

Cash dividends per share applicable to the year are dividends declared by the Company applicable to the respective year and include dividends approved or to be approved after the balance sheet date.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year's presentation.

Change in accounting policy

Effective from the year ended March 31, 2014, The TOHO GAS Group companies have applied the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012 (hereinafter, "Statement No. 26")) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012 (hereinafter, "Guidance No. 25")), except Article 35 of Statement No. 26 and Article 67 of Guidance No. 25, and actuarial gains and losses and past service costs that had yet to be recognized have been recognized and the difference between retirement benefit obligations and plan assets has been recognized as a liability for retirement benefits.

In accordance with Article 37 of Statement No. 26, the effect of the change in accounting policies arising from the initial application has been recognized in accumulated adjustments for retirement benefit in accumulated other comprehensive income. As a result of the application, a liability for retirement benefits in the amount of 29,720 million yen (\$288,544 thousand) has been recognized, and accumulated other comprehensive income was 6,515 million yen (\$63,252 thousand) less at the end of the current fiscal year than the amount that would have been reported without the application. The effects of this change on earnings per share are described in the related note.

Effective from the year ended March 31, 2015, The TOHO GAS Group companies have applied the "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan (ASBJ) Statement No. 26, issued on May 17, 2012, hereinafter, the "Accounting Standard for Retirement Benefits") and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, issued on March 26, 2015, hereinafter, the "Retirement Benefits Guidance") with regard to the provisions stipulated in the text from Article 35 of the Accounting Standard for Retirement Benefits and the text from Article 67 of the Retirement Benefits Guidance. Accordingly, the Company reviewed the method used to calculate retirement benefit obligation and service cost, changed the method used to attribute expected retirement benefits to periods of service from a straight-line basis to a benefit formula basis and the method used to determine the discount rate from a method based on the expected average remaining years of service of eligible employees to a method using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment.

In accordance with Article 37 of Statement No. 26, this accounting change has not been retroactively applied to the consolidated financial statements of prior years. In addition the effect of the change in the method used to attribute expected retirement benefits to periods of service has been recognized as an adjustment to the beginning balance of retained earnings as of April 1, 2014, and the effect of the change in the method used to determine the discount rate has been recognized as a remeasurement of defined benefit plans in other

comprehensive income.

As a result of the application, liability for retirement benefits was ¥3,119 million (\$25,992 thousand) less, retained earnings were ¥1,011 million (\$8,425 thousand) less and other comprehensive income were ¥3,182 million (\$26,517 thousand) more than the amounts that would have been reported without the change at the beginning of the current fiscal year. This change has minimal impact on operating income and income before income taxes and minority interests.

3 Fair values of financial instruments

1. Qualitative information on financial instruments

① Policies for using financial instruments

The TOHO GAS Group invests its excess cash in bank deposits and other safe financial instruments. Cash needed for operations and other business activities is acquired through the issuance of corporate bonds and commercial paper through financing from banks and other financial institutions.

② Details of financial instruments used and exposure to risks and how they arise

Trade notes and accounts receivable, which are operational credit, are exposed to customers' credit risk. Investment securities comprise mainly equity securities of corporations with which the Company has business relations. These securities are exposed to the risk of market price fluctuations.

The due dates for most trade notes and accounts payable, which are operational debt, are within one year. Corporate bonds and loans payable are used to procure working capital and cash for capital investments. The longest redemption date is 13 years after the end of the current fiscal year. Long-term loans payable with variable interest rates are exposed to the risk of interest rate fluctuations. Variable interest rates on some of these liabilities mainly interest rate swap contracts, are hedged by derivative contracts.

The TOHO GAS Group uses commodity swaps, foreign exchange forward contracts and interest rate swaps only for the purpose of mitigating the risk of fluctuations in market prices of raw materials and interest rates. The TOHO GAS Group does not use derivatives for speculative trading purposes. The derivatives are executed with creditworthy financial institutions, and the Company's management believes there is little risk of default by the counterparties.

③ Policies and processes for managing risk

1) Management of credit risk

As for trade receivables, the TOHO GAS Group monitors the status of major customers in accordance with its risk management rules by monitoring the due dates and balances of receivables of individual customers, quickly identifying any deterioration in the financial position of customers and reducing the uncollectability of receivables. When derivative contracts are used, the TOHO GAS Group enters into derivative contracts only with highly rated financial institutions in order to reduce the credit risk of counterparty default.

2) Management of market risk

To hedge the risk of fluctuation in the purchase price of raw materials and interest rates, the Company uses commodity swap contracts, foreign exchange forward contracts and interest swap contracts to stabilize the cash flow of the hedged transactions and avoid or mitigate the impact of market price

fluctuations. Market prices of investment securities are monitored on a quarterly basis.

Derivative transactions are executed and managed by the Company in accordance with its in-house regulations stipulating approval authority, management and reporting methods and other matters regarding derivative transactions. To ensure an effective cross-checking function, derivative transactions are administered and risk managed by a department separate from the department responsible for the execution of the relevant transactions.

3) Management of liquidity risk in funding

The liquidity risk of the TOHO GAS Group is managed by preparing and updating a cash management plan.

④ Supplemental information on fair values

The current price of a financial product is based on its market price or a price calculated using an alternative method if the product does not have an available market price. Since the calculation of the current price reflects variable factors, the current price may vary if different factors and assumptions are used for the calculation. Contract prices of derivative contracts or other amounts indicated in the table below, do not necessarily reflect the market risk of the derivative contracts themselves.

Carrying values and fair values of the financial instruments included in the consolidated balance sheets at March 31, 2015 and 2014 were as follows:

	Millions of yen		
	Carrying value	Fair value	Difference
For 2015:			
Assets:			
Cash and time deposits	¥20,722	¥20,722	¥ —
Trade notes and accounts receivable	61,031	61,031	—
Investment securities	72,923	72,923	—
Total	154,676	154,676	—
Liabilities:			
Trade notes and accounts payable	15,960	15,960	—
Short-term loans payable	12,022	12,022	—
Bonds payable, including current portion	99,995	105,317	5,322
Long-term loans payable, including current portion	36,731	37,266	535
Total	164,708	170,565	5,857
Derivative transactions	16,079	16,079	—
For 2014:			
Assets:			
Cash and time deposits	¥15,329	¥15,329	¥ —
Trade notes and accounts receivable	61,792	61,792	—
Investment securities	60,233	60,233	—
Total	137,354	137,354	—
Liabilities:			
Trade notes and accounts payable	19,837	19,837	—
Short-term loans payable	24,070	24,070	—
Bonds payable, including current portion	99,994	104,982	4,988
Long-term loans payable, including current portion	39,467	39,900	433
Total	183,368	188,789	5,421
Derivative transactions	6,857	6,857	—
	Thousands of U.S. dollars		
	Carrying value	Fair value	Difference
For 2015:			
Assets:			
Cash and time deposits	\$172,683	\$172,683	\$ —
Trade notes and accounts receivable	508,592	508,592	—
Investment securities	607,692	607,692	—
Total	1,288,967	1,288,967	—
Liabilities:			
Trade notes and accounts payable	133,000	133,000	—
Short-term loans payable	100,183	100,183	—
Bonds payable, including current portion	833,292	877,642	44,350
Long-term loans payable, including current portion	306,092	310,550	4,458
Total	1,372,567	1,421,375	48,808
Derivative transactions	133,992	133,992	—

Note: The calculation methods for fair value of financial instruments

1. Assets

(1) Cash and time deposits, trade notes and accounts receivable
Since these items are settled in a short period of time, their fair value is approximate to the carrying value. Accordingly, the carrying value is used as the fair value.

(2) Investment securities

The fair value of the Company's equity securities is based on the prices quoted on the stock exchange. The fair value of other investment securities is based on the price quoted by financial institutions or the published reference price.

2. Liabilities

(1) Trade notes and accounts payable and short-term loans payable
Since these items are settled in a short period of time, their fair value is approximate to the carrying value. Accordingly, the carrying value is used as the fair value.

(2) Bonds payable

The fair value of corporate bonds issued by the Company is calculated by the market price.

(3) Long-term debt

The fair value of these accounts is calculated by the sum of the principal and interest discounted by the interest rate applicable to a similar new loan or transaction. "Special accounting treatment for interest rate swap contracts" applies to some long-term loans with variable interest rates. Current prices of such loans are calculated by the sum of the principal and interest treated as a unit together with the relevant interest rate swap contract and discounted by the interest rate reasonably estimated to apply to a similar loan.

Financial instruments whose fair value cannot be reliably determined were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Nonmarketable securities			
Unlisted equity securities	¥4,615	¥4,500	\$38,458
Investments in affiliates	1,486	1,486	12,383
Other	—	1	—

A maturity analysis for cash and time deposits and trade notes and accounts receivable is as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
	Due within one year	Due within one year	Due within one year
Cash and time deposits	¥20,722	¥15,329	\$172,683
Trade notes and accounts receivable	61,031	61,792	508,592
	¥81,753	¥77,121	\$681,275

A maturity analysis for bonds payable and long-term bank loans payable is as follows:

	Millions of yen					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
For 2015:						
Short-term bank loans payable.....	¥12,022	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds payable	10,000	10,000	10,000	10,000	10,000	50,000
Long-term bank loans payable	7,056	17,037	2,142	4,012	824	5,660
	¥29,078	¥27,037	¥12,142	¥14,012	¥10,824	¥55,660
For 2014:						
Short-term bank loans payable.....	¥24,070	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds payable.....	10,000	10,000	10,000	10,000	10,000	50,000
Long-term bank loans payable	12,227	6,710	13,195	1,792	2,755	2,788
	¥46,297	¥16,710	¥23,195	¥11,792	¥12,755	¥52,788
	Thousands of U.S. dollars					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
For 2015:						
Short-term bank loans payable.....	\$100,183	\$ —	\$ —	\$ —	\$ —	\$ —
Bonds payable	83,334	83,333	83,333	83,333	83,333	416,667
Long-term bank loans payable	58,800	141,975	17,850	33,434	6,867	47,166
	\$242,317	\$225,308	\$101,183	116,767	\$90,200	\$463,833

4 Investments

In accordance with the accounting standard for financial instruments, investment securities include equity securities, bonds and other of which the aggregate cost, gross unrealized gains/losses and fair value pertaining to available-for-sale securities at March 31, 2015 and 2014 were as follows.

Available-for-sale securities

Securities with fair and carrying value exceeding cost:

	Millions of yen			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
March 31, 2015				
Equity securities	¥18,526	¥54,182	¥—	¥72,708
Other	5	7	—	12
	¥18,531	¥54,189	¥—	¥72,720
March 31, 2014				
Equity securities	¥17,365	¥41,550	¥—	¥58,915
Other	5	4	—	9
	¥17,370	¥41,554	¥—	¥58,924
	Thousands of U.S. dollars			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
March 31, 2015				
Equity securities	\$154,383	\$451,517	\$—	\$605,900
Other	42	58	—	100
	\$154,425	\$451,575	\$—	\$606,000

Securities with fair and carrying value not exceeding cost:

	Millions of yen			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
March 31, 2015				
Equity securities	¥238	¥—	¥(35)	¥203
	¥238	¥—	¥(35)	¥203
March 31, 2014				
Equity securities	¥1,393	¥—	¥(84)	¥1,309
	¥1,393	¥—	¥(84)	¥1,309
	Thousands of U.S. dollars			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
March 31, 2015				
Equity securities	\$1,983	\$—	\$(291)	\$1,692
	\$1,983	\$—	\$(291)	\$1,692

Total sales of available-for-sale securities for the years ended March 31, 2015 and 2014 amounted to ¥1 million (\$8 thousand) and ¥757 million, respectively. The related gains for the years ended March 31, 2015 and 2014 amounted to ¥1 million (\$8 thousand) and ¥237 million, respectively.

5 Inventories

Inventories at March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Finished products	¥4,911	¥5,565	\$40,925
Work-in-process	475	619	3,958
Raw materials and supplies	22,912	16,376	190,934
	¥28,298	¥22,560	\$235,817

6 Employees' retirement benefits liability

The TOHO GAS Group principally has a defined benefit pension plan and a lump-sum retirement benefit plan which substantially cover all employees. Projected benefit obligation of certain subsidiaries was calculated using the simplified calculation method as permitted by the accounting standard for employee retirement benefits.

Reconciliation of the beginning and ending balances for retirement benefit obligations at March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Beginning balance of the retirement benefit obligation	¥108,499	¥108,173	\$904,158
Cumulative effects of changes in accounting policies	(3,118)	—	(25,983)
Restated balance at March 31, 2015	105,381	108,173	878,175
Service cost	2,821	3,110	23,508
Interest cost	1,344	1,062	11,200
Accruals of actuarial gains and losses	2,674	56	22,284
Payment of retirement benefits	(3,912)	(3,902)	(32,600)
Ending balance of the retirement benefit obligation	¥108,308	¥108,499	\$902,567

Note: Including a system for the application of the simplified method

Reconciliation of the beginning and ending balances for pension plan assets was as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Fair value of pension plan assets at beginning of year	¥78,779	¥72,652	\$656,492
Expected return on pension plan assets	1,576	1,453	13,133
Recognized actuarial differences	5,695	4,085	47,458
Contributions from the employer	3,513	3,596	29,275
Payment of retirement benefits	(3,037)	(3,007)	(25,308)
Fair value of pension plan assets at ending of year	¥86,526	¥78,779	\$721,050

Reconciliation of the retirement benefit obligation and fair value of pension plan assets at the end of year, net defined benefit liability and the fair valued pension plan assets were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Projected benefit obligation of funded plans	¥94,582	¥94,644	\$788,183
Fair value of pension plan assets	(86,526)	(78,779)	(721,050)
	8,056	15,865	67,133
Projected benefit obligation of unfunded obligation	13,726	13,855	114,384
Net of assets and liabilities	21,782	29,720	181,517
Net defined benefit liability	21,782	29,720	181,517
Net defined benefit assets	—	—	—
Net of assets and liabilities	¥21,782	¥29,720	\$181,517

Note: Including a system for the application of the simplified method

Retirement benefit expense and amount of the detailed items

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Components of net periodic retirement benefit expense:			
Service cost	¥ 2,821	¥ 3,110	\$ 23,508
Interest cost	1,344	1,062	11,200
Expected return on pension plan assets	(1,576)	(1,453)	(13,133)
Recognized actuarial differences	1,033	1,439	8,608
Net periodic retirement benefit expense related to defined benefit pension plan	¥ 3,622	¥ 4,158	\$ 30,183

Remeasurements of defined benefit plans included in other comprehensive income (before tax effects) at March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Actuarial differences	(¥8,626)	¥ —	(\$71,883)

Total remeasurement of defined benefit pension plan included in other comprehensive income (before tax effects) at March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Actuarial differences	(¥734)	(¥9,360)	(\$6,117)

Plan assets

	2015	2014
Bond	54%	60%
Equity securities	28%	24%
General account	18%	16%
Other	0%	0%
Total	100%	100%

To determine the expected long-term rate of return on pension plan assets, we considered the composition of plan assets and the expected current return, and the rate of return on long-term expected current and future assets from a variety of assets that make up the plan assets.

Major assumptions used in the calculations above for the years ended March 31, 2015 and 2014 were as follows:

	2015	2014
Discount rate	0.9%	1.0%
Expected long-term rate of return on pension plan assets	2.0%	2.0%

7 Bank loans and long-term debt

Short-term bank loans consisted of short-term notes payable bearing interest at an annual average rate of 0.6% at March 31, 2015.

Long-term debt and other interest-bearing liabilities at March 31, 2015 and 2014 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Domestic unsecured notes due 2018 at a rate of 3.175%	¥10,000	¥10,000	\$83,333
Domestic unsecured notes due 2023 at a rate of 1.12%	10,000	10,000	83,333
Domestic unsecured notes due 2015 at a rate of 1.63%	10,000	10,000	83,334
Domestic unsecured notes due 2016 at a rate of 2.07%	10,000	10,000	83,333
Domestic unsecured notes due 2022 at a rate of 2.06%	9,995	9,994	83,292
Domestic unsecured notes due 2018 at a rate of 1.658%	10,000	10,000	83,333
Domestic unsecured notes due 2014 at a rate of 0.3%	—	10,000	—
Domestic unsecured notes due 2027 at a rate of 1.628%	10,000	10,000	83,334
Domestic unsecured notes due 2022 at a rate of 0.792%	10,000	10,000	83,333
Domestic unsecured notes due 2023 at a rate of 0.933%	10,000	10,000	83,334
Domestic unsecured notes due 2019 at a rate of 0.28%	10,000	—	83,333
Loans from banks, insurance companies and government agencies due through 2025 at interest rates ranging from 0.274% to 3.07% per annum at March 31, 2015	36,731	39,467	306,092
Capitalized lease obligations	437	205	3,641
Others	—	0	—
	137,163	139,666	1,143,025
Less amounts due within one year	(17,131)	(22,273)	(142,758)
	¥120,032	¥117,393	\$1,000,267

Assets pledged as collateral mainly for trade accounts payable and long-term debt in the aggregate amounts of ¥25 million (\$208thousand) and ¥25 million at March 31, 2015 and 2014, respectively, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Other facilities	¥16	¥16	\$133
Construction in progress	3,855	1,801	32,125
Intangible assets	2,446	2,139	20,383
Investment securities	1,054	927	8,783
Cash and deposits	628	196	5,233
Other	690	285	5,751
	¥8,689	¥5,364	\$72,408

The annual maturities of long-term debt and other interest bearing liabilities at March 31, 2015 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2016	¥17,131	\$142,758
2017	27,079	225,658
2018	12,180	101,500
2019	14,042	117,017
2020	10,851	90,425
2021 and thereafter	55,880	465,667
	¥137,163	\$1,143,025

8 Income tax

Income taxes of the TOHO GAS Group consist of corporate income taxes, inhabitants taxes and enterprise taxes. Enterprise taxes for the gas business are included in selling, general and administrative expenses in the accompanying consolidated statements of income.

Components of deferred tax assets and liabilities at March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax assets:			
Depreciation	¥6,565	¥8,187	\$54,708
Net defined benefit liability	6,432	9,258	53,600
Reserve for safety measures	4,879	2,704	40,658
Deferred charges	1,055	1,185	8,792
Other	8,215	8,230	68,459
Less valuation allowance	(2,073)	(2,126)	(17,275)
	25,073	27,438	208,942
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	(14,681)	(11,891)	(122,342)
Deferred gains on hedges	(4,583)	(2,085)	(38,192)
Reserve for overseas investment loss	(635)	(380)	(5,291)
Deferred capital gains	(139)	(149)	(1,158)
Other	—	(24)	—
	(20,038)	(14,529)	(166,983)
Net deferred tax assets	¥ 5,035	¥ 12,909	\$ 41,959

The reconciliation for the year ended March 31, 2015 was as follows:

	Percentage of pretax income
Combined statutory tax rate	30.4%
Effect of tax rate change	5.2%
Permanently nondeductible expenses	0.5%
Tax exempt income	(1.1%)
Other, net	0.4%
Effective tax rate	35.4%

For the fiscal year ended March 31, 2014, the disclosure was omitted because the difference between the tax rate after application of tax effect accounting and the statutory tax rate was below 5% of the statutory tax rate.

After promulgation of the “Act for Partial Revision of the Income Tax Act, etc.” (No. 9, March 31, 2015), the TOHO GAS Group changed the statutory tax rate used in the calculation of deferred tax liabilities and deferred tax assets (excepted to be settled or realized on or after April 1, 2015) at the end of the current fiscal year. As a result, the carrying value of deferred tax assets was ¥279 million (\$2,325 thousand) less, the amount of income tax deferred ¥1,544 million (\$12,867 thousand) more, and the amount of accumulated other comprehensive income ¥1,265 million (\$10,542 thousand) more at March 31, 2015 than the amounts that would have been reported without the change.

9 Net assets

Under the Japanese Corporate Law (“the Law”), the entire amount paid for new shares is required to be designated as capital stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases in which a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of capital stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets. Under the Law, legal earnings reserve and additional paid-in capital can be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. All additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends. At March 31, 2015 and 2014, respectively, capital surplus consisted principally of additional paid-in capital. In addition, retained earnings included legal earnings reserve in the amount of ¥8,780 million (\$73,167 thousand) at both March 31, 2015 and 2014.

The maximum amount that the Company can distribute as dividends is calculated based on the nonconsolidated financial statements of the Company in accordance with Japanese laws.

For the year ended March 31, 2015, the number of issued shares of common stock was 545,966,429 shares, unchanged from fiscal 2011.

In November 2014, the Company paid interim dividends of ¥2,454 million (\$20,450 thousand), ¥4.5 per share. For year-end dividends, see Note 16.

10 Statements of comprehensive income

The amount of reclassification adjustments and the tax effects concerning other comprehensive income.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Net changes in valuation difference on available-for-sale securities			
Increase (decrease) during the year	¥12,685	¥7,243	\$105,708
Reclassification adjustments	—	(158)	—
Subtotal before tax	12,685	7,085	105,708
Tax (expense) or benefit	(2,791)	(2,172)	(23,258)
Subtotal net of tax	9,894	4,913	82,450
Net changes in deferred (losses) gains on hedges			
Increase (decrease) during the year	18,335	11,359	152,792
Reclassification adjustments	(8,595)	(5,168)	(71,625)
Adjustments for amounts transferred to initial carrying amount of hedged items	(518)	(664)	(4,317)
Subtotal before tax	9,222	5,527	76,850
Tax (expense) or benefit	(2,498)	(1,651)	(20,817)
Subtotal net of tax	6,724	3,876	56,033
Net changes in foreign currency translation adjustments			
Increase (decrease) during the year	1,256	1,209	10,467
Subtotal net of tax	1,256	1,209	10,467
Net changes in remeasurements of defined benefit plans			
Increase (decrease) during the year	7,593	—	63,275
Reclassification adjustments	1,033	—	8,608
Subtotal before tax	8,626	—	71,883
Tax (expense) or benefit	(2,636)	—	(21,966)
Subtotal net of tax	5,990	—	49,917
Total other comprehensive income	23,864	9,998	198,867

11 Segment information

1. General information about reportable segments

The TOHO GAS Group defines reportable segments as constituent business units of the TOHO GAS Group for which discrete financial information is available and reviewed regularly by the Board of Directors to determine the best allocation of managerial resources and to evaluate business performance. The three reportable segments of the TOHO GAS Group are "Gas Sales", "Gas Appliance Sales and Related Construction" and "LPG and Other Energies." They are determined based on the GAS Business Law and its related accounting regulations.

The main products and services of each reporting segment are as follows:

Gas Sales: Products, supplies and sales of gas

Gas Appliance Sales and Related Construction: Gas appliance sales and related construction

LPG and Other Energies: LPG sales, LPG appliance sales, LNG sales, district heating and cooling and sales of cokes and petroleum products.

2. Basis of measurement for reported segment income or loss, segment assets and other material items

The accounting methods for the reporting segments are consistent with the accounting methods described in Note 2, "Summary of significant accounting policies". Intersegment sales and transfers are attributable to transactions among group companies and calculated based on market value.

As disclosed under Note 2, "Change in accounting policy", the Company and its domestic consolidated subsidiaries have changed the method for calculating retirement benefit obligation and service cost. The impact of this change on segment income (loss) has been immaterial.

3. Information for reported segment income or loss, segment assets and other material items

Information for reported segments as of and for the years ended March 31, 2015 and 2014 was as follows:

	Millions of yen							
	Reported segments				Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Gas Sales	Gas Appliance Sales and Related Construction	LPG and Other Energies	Total				
For 2015:								
Net sales:								
External customers	¥442,979	¥33,229	¥81,316	¥557,524	¥23,460	¥580,984	¥—	¥580,984
Intersegment	101	2,915	684	3,700	13,115	16,815	(16,815)	—
Total net sales	443,080	36,144	82,000	561,224	36,575	597,799	(16,815)	580,984
Segment income (loss)	¥25,452	(¥381)	¥1,270	¥26,341	¥1,173	¥27,514	¥1,247	¥28,761
Segment assets	¥372,040	¥12,782	¥41,523	¥426,345	¥61,379	¥487,724	¥55,563	¥543,287
Other itmes:								
Depreciation expenses	30,348	108	2,097	32,553	1,478	34,031	(80)	33,951
Capital expenditures	31,329	108	2,895	34,332	2,933	37,265	(17)	37,248
For 2014:								
Net sales:								
External customers	¥420,798	¥34,337	¥83,639	¥538,774	¥21,689	¥560,463	¥—	¥560,463
Intersegment	99	2,802	930	3,831	14,064	17,895	(17,895)	—
Total net sales	420,897	37,139	84,569	542,605	35,753	578,358	(17,895)	560,463
Segment income (loss)	¥12,788	¥351	¥618	¥13,757	¥929	¥14,686	¥1,065	¥15,751
Segment assets	¥355,620	¥12,955	¥44,471	¥413,046	¥53,916	¥466,962	¥42,798	¥509,760
Other itmes:								
Depreciation expenses	31,967	125	2,482	34,574	1,297	35,871	(90)	35,781
Capital expenditures	28,100	131	2,111	30,342	2,406	32,748	(174)	32,574

	Thousands of U.S. dollars							
	Reported segments				Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Gas Sales	Gas Appliance Sales and Related Construction	LPG and Other Energies	Total				
For 2015:								
Net sales:								
External customers	\$3,691,492	\$276,908	\$677,633	\$4,646,033	\$195,500	\$4,841,533	\$—	\$4,841,533
Intersegment	841	24,292	5,700	30,833	109,292	140,125	(140,125)	—
Total net sales	3,692,333	301,200	683,333	4,676,866	304,792	4,981,658	(140,125)	4,841,533
Segment income (loss)	\$212,100	(\$3,175)	\$10,583	\$219,508	\$9,775	\$229,283	\$10,392	\$239,675
Segment assets	\$3,100,333	\$106,517	\$346,025	\$3,552,875	\$511,492	\$4,064,367	\$463,025	\$4,527,392
Other itmes:								
Depreciation expenses	252,900	900	17,475	271,275	12,317	283,592	(667)	282,925
Capital expenditures	261,075	900	24,125	286,100	24,442	310,542	(142)	310,400

Notes: 1. The "Other" segment incorporates operations not included in reported segment, including LNG processing under contract, leasing of buildings, engineering of gas production plants, comprehensive utility service business, sales of housing equipment, data processing services, and other leasing and other business.
2. The "Adjustments" column in "Segment income" denotes eliminations of intersegment transactions. "Segment assets" in the "Adjustments" column denotes unallocated general corporate items which were not assigned to specific segments, such as long-term investments in securities.
3. Segment income in the table above is reconciled to operating income on the accompanying consolidated statements of income.

Enterprise-wide information for the year ended March 31, 2015 and 2014

(1) Information about products and services:

	Millions of yen		
	Gas Sales	Other	Total
For 2015:			
Net sales to external customers	¥442,979	¥138,005	¥580,984

	Millions of yen		
	Gas Sales	LPG	Other
For 2014:			
Net sales to external customers	¥420,798	¥59,939	¥79,726

	Thousands of U.S. dollars		
	Gas Sales	Other	Total
For 2015:			
Net sales to external customers	\$3,691,492	\$1,150,041	\$4,841,533

(2) Information about geographic areas:

• Operating revenues
Not applicable
• Property, plant and equipment
The Company has omitted the disclosure of property, plant and equipment because property, plant and equipment in Japan account for more than 90% of the amount of property, plant and equipment reported in the consolidated balance sheets.

(3) Information about major customers:

Not applicable
Information about impairment losses on fixed assets in reportable segments
Not applicable
Information about goodwill in reportable segments
Not applicable

12 Certain lease transactions

Finance lease transactions that do not transfer the ownership of the leased property, commenced before April 1, 2008, the beginning date of the application of the accounting standard for lease transactions, and were accounted for with accounting treatment similar to that used for operating leases are summarized as follows:

As lessor:

Some of the consolidated subsidiaries have entered into finance lease contracts as lessor. A summary of the contracts under finance leases on a pro forma basis were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Lease income	¥120	¥120	\$1,000
Future lease commitments to be received (inclusive of imputed interests):			
Due within one year	120	120	1,000
Due after one year	1,560	1,680	13,000
	¥1,680	¥1,800	\$14,000
	Millions of yen		Thousands of U.S. dollars
	Acquisition cost	Accumulated depreciation	Net value
For 2015:			
Other facilities	¥1,900	¥724	¥1,176
For 2014:			
Other facilities	¥1,900	¥652	¥1,248
	Thousands of U.S. dollars		
	Acquisition cost	Accumulated depreciation	Net value
For 2015:			
Other facilities	\$15,833	\$6,033	\$9,800
	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Lease depreciation	¥72	¥72	\$600

13 Contingent liabilities

The TOHO GAS Group was contingently liable for bank loans with respect to guarantees for joint and several liability upon the default of others and for bank loans with respect to guarantees for housing loans of employees. At March 31, 2015 and 2014, these contingent liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Guarantees for housing loans of employees	¥400	¥501	\$3,333
Guarantees for bank loans of Ichthys LNG Pty Ltd	8,281	5,197	69,008

14 Derivative transactions

The TOHO GAS Group has adopted policies restricting the use of derivatives and requiring the reporting of such transactions to the responsible officials of the Company. All derivative transactions outstanding at March 31, 2015 and 2014 were accounted for by hedge accounting in accordance with the accounting standard for financial instruments. The effectiveness of a hedge is evaluated by confirming the relationship between the hedge contract and the transaction hedged by that contract.

Hedge contract	Object of hedged transaction
Commodity swap	Purchase price of raw materials
Exchange forward contract	Purchase price of raw materials
Interest rate swap	Corporate bonds and bank loans

Derivative transactions to which hedge accounting was applied that were outstanding as of March 31, 2015 and 2014 are summarized as follows:

Hedge contract	Notional principal or contract amounts		Fair value
	Total	Over 1 year	
	Millions of yen		
For 2015:			
Commodity swap contracts			
(fixed rate payment, floating rate receipt)	¥—	¥—	¥—
Exchange forward contracts	90,742	53,757	15,940
Interest rate swap contracts			
(floating rate payment, fixed rate receipt)	5,000	5,000	139
Interest rate swap contracts			
(fixed rate payment, floating rate receipt)	10,368	5,368	(*2)
For 2014:			
Commodity swap contracts			
(fixed rate payment, floating rate receipt)	¥39,979	¥—	¥3,485
Exchange forward contracts	40,392	15,523	3,201
Interest rate swap contracts			
(floating rate payment, fixed rate receipt)	5,000	5,000	172
Interest rate swap contracts			
(fixed rate payment, floating rate receipt)	14,647	7,000	(*2)
	Thousands of U.S. dollars		
Commodity swap contracts	\$—	\$—	\$—
Exchange forward contracts	756,183	447,975	132,833
Interest rate swap contracts	41,667	41,667	1,159
Interest rate swap contracts	86,400	44,733	(*2)

Notes:*1. Fair value was based principally on prices provided by the corresponding financial institutions.

*2. Derivative transactions such as interest rate swap contracts are accounted for by special hedge accounting such that the derivatives are not separated from the hedged bank loans. Therefore, the fair value of such derivative instruments is reflected in the calculation of the related bank loan.

15 Fair value of investment and rental property

The Company and some of its subsidiaries own land and office buildings for rent in Aichi and other prefectures. For the years ended March 2015 and 2014, in connection with those rental properties, the Company recorded rent revenues of ¥1,263 million (\$10,525 thousand) and ¥1,238 million, respectively. Rent revenues were included in the net sales account and the non-operating income account in the accompanying consolidated statements of income. Major rent expenses were included in the selling, general and administrative expenses account.

Information about fair value of rental property as of and for the years ended March 31, 2015 and 2014 was as follows;

	Millions of yen			
	Carrying value at the beginning of year	Net changes during the year	Carrying value at the end of year	Fair value at the end of year ※
March 31, 2015	¥8,676	(¥92)	¥8,584	¥27,036
March 31, 2014	¥8,813	(¥137)	¥8,676	¥28,913
	Thousands of U.S. dollars			
	Carrying value at the beginning of year	Net changes during the year	Carrying value at the end of year	Fair value at the end of year ※
March 31, 2015	\$72,300	(\$767)	\$71,533	\$225,300

Fair value was based principally on real estate appraisal standards.

16 Subsequent events

(a) Appropriation of retained earnings

On June 22, 2015, at the annual general meeting of shareholders of the Company, the following appropriations of retained earnings were approved:

	Millions of yen	Thousands of U.S. dollars
Cash dividends ¥5.00 (\$0.04) per share	¥ 2,726	\$ 22,717

(b) Share buy-back

On April 30, 2015, the Board of Directors of the Company resolved to repurchase its shares pursuant to Article 156 of the Corporation Law as applied pursuant to Article 165, paragraph 3 as follows.

- (1) Types of shares to be repurchased: Common stock
- (2) Number of shares to be repurchased: Up to 4,000,000 shares
- (3) Value of shares to be repurchased: Up to ¥3,000,000,000
- (4) Acquisition Period: From May 1, 2015 to August 31, 2015

Based on the resolution, the Company repurchased its shares as follows.

- (1) Acquisition Period: From May 1, 2015 to August 31, 2015
- (2) Number of shares repurchased: 3,947,000 shares
- (3) Total value of shares repurchased: ¥2,999,581,000
- (4) Method of repurchase: Market purchase on Tokyo Stock Exchange

(c) Retirement of treasury stock

On June 22, 2015, the Board of Directors of the Company resolved to retire its treasury stock pursuant to Article 178 of the Corporation Law as follows.

- (1) Types of shares to be retired: Common stock
- (2) Number of shares to be retired: 4,690,000 shares
- (3) Scheduled date of retirement: June 30, 2015

Independent Auditors' Report

TOHO GAS CO., LTD. and Consolidated Subsidiaries

To the Board of Directors of TOHO GAS Co., Ltd.:

We have audited the accompanying consolidated financial statements of TOHO GAS Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2015 and 2014, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of TOHO GAS Co., Ltd. and its consolidated subsidiaries as at March 31, 2015 and 2014, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2015 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 of the Notes to the Consolidated Financial Statements.

KPMG AZSA LLC

KPMG AZSA LLC

August 11, 2015

Nagoya, Japan

Toho Gas Group

Toho Gas Co., LTD. And Consolidated Subsidiaries
As of June 22, 2015

Gas Business

Toho Gas Customer Service Co., Ltd.

Trustee business of reading gas meter and collecting charges in gas business

Mizushima Gas Co., Ltd.

Gas and LPG business in Okayama prefecture

Gas Appliance Sales and Related Construction

Toho Gas Techno Co., Ltd.

Construction of gas pipes, paving and road repair
Sales and installation of gas equipment etc.

LPG and other Energies

Toho Liquefied Gas Co., Ltd.

LPG business/Sale of coke and petroleum products

Others

Toho Real Estate Co., Ltd.

Leasing and management of real estate
Management of sports facilities etc.

Toho Gas Engineering Co., Ltd.

Engineering of gas production plants
Comprehensive utility service business

Toho Gas Living Co., Ltd.

Sales of housing equipment/Design and construction of residential buildings expansion and renovation

Toho Gas Information System Co., Ltd.

Data processing services/System engineering

Toho Service Co., Ltd.

Car sales, lease and maintenance/Leasing of equipment item
Insurance agency/Travel agency

Toho LNG Shipping Co., Ltd.

Lending of LNG ship

Corporate Directory

Toho Gas Co., LTD. And Consolidated Subsidiaries
As of June 22, 2015

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