



Consolidated Financial Statements

TOHO GAS Co., Ltd.

For the Years ended March 31,
2022 and 2023
Together with Independent
Auditors' Report

KPMG AZSA LLC
July 2023



Independent auditor's report

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

Opinion

We have audited the accompanying consolidated financial statements of TOHO GAS Co., Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2023 and 2022, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accuracy of the reported gas revenue and electricity revenue

The key audit matter	How the matter was addressed in our audit
As described in Note 15. Segment information to the consolidated financial statements, Toho Gas Co., Ltd. (the "Company") and its consolidated subsidiaries reported revenues of the Gas Sales and the Electricity segments amounting to ¥455,696 million (\$3,400,716 thousand) and ¥107,890 million (\$805,150 thousand), respectively,	<p>The primary procedures we performed to assess the accuracy of the reported gas revenue and electricity revenue included the following:</p> <p>(1) Internal control testing</p> <p>We tested the design and operating effectiveness of certain of the Company's internal controls relevant to</p>

which in aggregate represented 79.8% of total revenue in the consolidated financial statements. Of these amounts, revenues from gas and electricity sales excluding those from wholesale customers (“gas revenue and electricity revenue”) were particularly material in terms of the number of transactions and the amount reported.

The amounts of gas revenue and electricity revenue are calculated using relevant data, such as the contract terms based on contracts with customers and sales volume based on metered data. Reporting gas revenue and electricity revenue involves risks of material misstatement in terms of the accuracy of the reported amount, mainly for the following reasons:

- while the values of individual transactions are small, the numbers of customers and contracts with them are significant and there are an enormous number of transactions to be processed;
- the reporting process, where the reported amounts are automatically calculated/aggregated in the application system and interfaced to the accounting system, is highly dependent on automated controls within the application systems; and
- any error in contract terms data, sales volume data or automatic calculation logic may have pervasive impact and cause a significant effect on financial reporting, due to the high dependency on automated controls.

We, therefore, determined that our assessment of the accuracy of the reported gas revenue and electricity revenue was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

the process for reporting gas revenue and electricity revenue. In this assessment, which was performed based on our understanding of the reporting system and with the assistance of our IT specialists, we focused our testing on the following:

- procedures to approve the execution of contracts;
- automated controls in which error reports are generated showing abnormal metered data that has deviated from a certain range calculated with the values from the previous metering;
- procedures to review the error reports showing abnormal metered data;
- automated controls over billing amount calculations based on the relevant data such as the contract terms and sales volume;
- procedures to approve manual corrections of the results of automatic calculations; and
- automated controls over the accuracy and completeness of data interfaced from the application system to the accounting system.

In understanding the process for reporting gas revenue and electricity revenue, we developed and analyzed a process flow chart, in order to clearly identify where in the reporting process the risks of material misstatement existed and whether any controls were in place to address them.

(2) Performance of substantive procedures

We performed the following procedures, among others:

- developed our own estimates of gas revenue to be reported by disaggregating the population into each use and compared the estimates with the actual gas revenue;
- developed our own estimates of electricity revenue by disaggregating the population into each billing menu category and compared the estimates with the actual electricity revenue;
- identified commercial-scale gas customers who showed statistical outliers in the relationship between the sales volume and the unit prices, inquired of personnel in the relevant departments about such customers, and inspected contracts with such customers; and
- obtained responses to the account balance confirmations directly from customers selected

	based on the materiality of the amount from a population of receivable balances related to gas revenue and electricity revenue and agreed the balances in the responses to the book balances.
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Reasonableness of the estimates of the additional provision for safety measures recognized in the current fiscal year	
The key audit matter	How the matter was addressed in our audit
<p>Toho Gas Co., Ltd. (the “Company”) and its consolidated subsidiaries recognized a provision for safety measures of ¥21,629 million (\$161,410 thousand) in the consolidated balance sheet as of March 31, 2023. This is mainly attributed to Toho Gas Network Co., Ltd., a consolidated subsidiary of the Company.</p> <p>As described in Note 3. “Significant accounting estimates” to the consolidated financial statements, the provision for safety measures is recognized to prepare for expenditures required to replace the white-galvanized branch pipes, pipes buried under the main roads that are important in terms of disaster prevention, white-galvanized supply pipes and other aged pipes (collectively, “gas pipes”). The amount of the provision is estimated based on the length of such gas pipes, as well as the replacement cost calculated according to past results.</p> <p>While Toho Gas Network Co., Ltd. had been proceeding with the work to replace aged pipes with new pipes as previously planned, in response to a new safety report published by the government authority, Toho Gas Network Co., Ltd. decided to further enhance these measures, aiming to ensure a higher level of safety. Following the decision, the Company increased the provision for safety measures by ¥5,480 million (\$40,896 thousand) in the current fiscal year. The estimated amount of the provision was based on the length of such gas pipes, as well as the replacement cost calculated according to past results. Accordingly, management’s</p>	<p>The primary procedures we performed to assess whether the Company’s estimate of the additional provision for safety measures recognized in the current fiscal year was reasonable included the following:</p> <p>(1) Internal control testing</p> <p>We tested the design and operating effectiveness of certain of the Company’s internal controls relevant to the estimates of the provision for safety measures. In this testing, we focused on the controls related to the length of gas pipes requiring safety measures and the replacement cost, which were key assumptions used to estimate the amount of the provision for safety measures.</p> <p>(2) Assessment of the reasonableness of the provision for safety measures</p> <p>We performed the following procedures, among others:</p> <ul style="list-style-type: none"> assessed whether the enhanced safety its safety measures were determined considering the Gas Safety Enhancement Plan 2030 (released by the Ministry of Economy, Trade and Industry) and were reflected in the provision of safety measures, by inspecting the documents regarding the approval of the new plan of safety measures; assessed whether all the length of gas pipes requiring safety measures were included in the calculation of the provision for safety measures by comparing the length with system data; assessed the appropriateness of the method used to estimate the length of gas pipes requiring safety measures and examined the consistency of the supporting data used for the estimation with data prepared by external parties and the past results; and assessed the appropriateness of the replacement cost by comparing the past replacement costs,

judgment thereon had a significant effect on the estimated amount of the provision.

We, therefore, determined that our assessment of the reasonableness of the estimates of the additional provision for safety measures recognized in the current fiscal year was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

used as the basis of estimating the replacement cost, with documents prepared by external parties.

Other Information

The other information comprises the information included in the Annual Report but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon. The other information is expected to be made available to us after the date of this auditor's report.

Management is responsible for the preparation and presentation of the other information. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's

report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

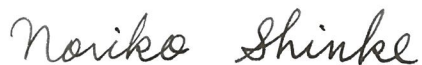
From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2023 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 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.



Noriko Shinke

Designated Engagement Partner

Certified Public Accountant



Takaya Nakano

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Nagoya Office, Japan

July 26, 2023

Consolidated Balance Sheets

TOHO GAS CO., LTD. and Consolidated Subsidiaries
March 31, 2023 and 2022

Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Property, plant and equipment (Notes 11 and 19):			
Production facilities -----	¥268,544	¥267,795	\$2,004,060
Distribution facilities -----	1,015,664	1,008,105	7,579,582
Service and maintenance facilities -----	78,953	73,029	589,201
Other facilities -----	133,840	131,342	998,806
Construction in progress -----	29,864	20,989	222,866
	1,526,865	1,501,260	11,394,515
Accumulated depreciation -----	(1,222,465)	(1,195,640)	(9,122,873)
Total property, plant and equipment -----	304,400	305,620	2,271,642
Intangible assets (Note 11): -----	12,937	10,894	96,545
Investments and other assets:			
Investment securities (Notes 7,8 and 11) -----	129,425	112,445	965,858
Long-term loans receivable -----	12,351	14,042	92,172
Net defined benefit assets (Note 10)-----	26,346	23,207	196,612
Deferred tax assets (Note 12) -----	2,567	4,015	19,157
Other (Note 18) -----	16,489	14,900	123,052
Allowance for doubtful accounts -----	(76)	(85)	(567)
Total investments and other assets -----	187,102	168,524	1,396,284
Current assets:			
Cash and cash equivalents (Notes 7 and 11) -----	33,825	32,110	252,425
Receivables:			
Trade notes and accounts receivable and contract assets (Note 7) ----	87,750	73,094	654,851
Allowance for doubtful accounts -----	(857)	(421)	(6,396)
Lease receivables and investment assets -----	15,093	13,675	112,634
Inventories (Note 9) -----	37,550	21,943	280,224
Other (Notes 7 and 18) -----	15,719	30,154	117,306
Total current assets -----	189,080	170,555	1,411,044
Deferred charges -----	-	-	-
Total assets -----	¥693,519	¥655,593	\$5,175,515

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
Liabilities and Net Assets	2023	2022	2023
Noncurrent liabilities:			
Long-term debt (Notes 7 and 11) -----	¥115,463	¥98,716	\$861,663
Provision for gas holder repairs -----	1,000	1,292	7,463
Reserve for safety measures -----	21,629	19,045	161,410
Deferred tax liabilities (Note 12) -----	2,305	9,750	17,201
Net defined benefit liability (Note 10) -----	5,943	5,919	44,351
Provision for gas appliance warranties -----	1,964	620	14,657
Other -----	10,564	10,580	78,837
Total noncurrent liabilities -----	158,868	145,922	1,185,582
Current liabilities:			
Short-term loans payable (Notes 7 and 11) -----	2,680	2,935	20,000
Current portion of noncurrent liabilities (Notes 7 and 11) ---	24,306	35,664	181,388
Trade notes and accounts payable (Note 7) -----	40,401	36,822	301,500
Income taxes payable -----	15,016	5,949	112,060
Other -----	49,745	45,550	371,231
Total current liabilities -----	132,148	126,920	986,179
Net assets (Notes 13 and 23):			
Shareholders' equity:			
Capital stock:			
Authorized - 160,000,000 shares			
Issued - 105,256,285 shares in 2023 and			
105,256,285 shares in 2022 -----	33,073	33,073	246,813
Capital surplus -----	8,387	8,387	62,590
Retained earnings -----	295,429	268,374	2,204,694
Less treasury stock -			
135,913 shares in 2023 and 155,339 shares in 2022 -----	(436)	(499)	(3,253)
Total shareholders' equity -----	336,453	309,335	2,510,844
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities -----	44,072	43,732	328,896
Deferred gains on hedges -----	3,185	15,512	23,769
Foreign currency translation adjustments -----	7,582	3,252	56,581
Remeasurements of defined benefit plans -----	11,211	10,920	83,664
Total accumulated other comprehensive income -----	66,050	73,416	492,910
Total net assets -----	402,503	382,751	3,003,754
Total liabilities and net assets -----	¥693,519	¥655,593	\$5,175,515

Consolidated Statements of Income

TOHO GAS CO., LTD. and Consolidated Subsidiaries

Years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Net sales (Note 15 and 22) -----	¥706,074	¥515,314	\$5,269,209
Operating costs and expenses:			
Cost of sales -----	525,883	361,612	3,924,500
Selling, general and administrative expenses -----	136,448	135,843	1,018,269
	662,331	497,455	4,942,769
Operating income (Note 15) -----	43,743	17,859	326,440
Other income (expenses):			
Interest and dividend income -----	2,831	2,439	21,127
Interest expense -----	(955)	(726)	(7,127)
Loan modification loss -----	(642)	-	(4,791)
Impairment loss on fixed assets (Note 2) -----	(768)	(583)	(5,731)
Equity in earnings of affiliates (Note 6) -----	818	247	6,104
Other, net -----	2,377	2,094	17,739
	3,661	3,471	27,321
Net income before income taxes -----	47,404	21,330	353,761
Income taxes (Note 12):			
Current -----	14,865	4,896	110,933
Deferred -----	(1,182)	975	(8,821)
Total income taxes -----	13,683	5,871	102,112
Net income -----	33,721	15,459	251,649
Net income attributable to owners of the parent -----	¥33,721	¥15,459	\$251,649
	Yen		U.S. dollars
Per share:			
Net income attributable to owners of the parent -----	¥320.80	¥146.66	\$2.39
Cash dividends applicable to the year (Notes 2 and 23) -----	60.00	57.50	0.45

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

TOHO GAS CO., LTD. and Consolidated Subsidiaries

Years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Net income -----	¥33,721	¥15,459	\$251,649
Other comprehensive income (Note 14):			
Valuation difference on available-for-sale securities -----	341	(1,448)	2,545
Deferred gains on hedges -----	(12,458)	9,275	(92,970)
Foreign currency translation adjustments -----	3,810	1,681	28,432
Remeasurements of defined benefit plans -----	301	4,091	2,246
Share of other comprehensive income of entities accounted for using equity method -----	640	595	4,776
Total other comprehensive income -----	(7,366)	14,194	(54,971)
Comprehensive income -----	¥26,355	¥29,653	\$196,678
Comprehensive income attributable to:			
Owners of the parent -----	¥26,355	¥29,653	\$196,678
Noncontrolling 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, 2023 and 2022

	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, 2021 -----	105,606,285	¥33,073	¥8,388	¥258,850	(¥41)	¥300,270
Cumulative effects of changes in accounting policies (Note 2) -----				996		996
Restated balance at March 31, 2021 -----		33,073	8,388	259,846	(41)	301,266
Dividends from surplus -----				(5,807)		(5,807)
Net income attributable to owners of the parent -----				15,459		15,459
Purchase of treasury stock -----					(1,608)	(1,608)
Disposal of treasury stock -----	(350,000)		0		25	25
Cancellation of treasury stock -----			(1)	(1,124)	1,125	-
Net changes in items other than shareholders' equity -----						
Total changes in items during the period -----	(350,000)	-	(1)	8,528	(458)	8,069
Balance at March 31, 2022 -----	105,256,285	¥33,073	¥8,387	¥268,374	(¥499)	¥309,335
Dividends from surplus -----				(6,307)		(6,307)
Net income attributable to owners of the parent -----				33,721		33,721
Purchase of treasury stock -----					(8)	(8)
Disposal of treasury stock -----				(5)	71	66
Change in scope of equity method -----				(354)		(354)
Net changes in items other than shareholders' equity -----						-
Total changes in items during the period -----		-	-	27,055	63	27,118
Balance at March 31, 2023 -----	105,256,285	¥33,073	¥8,387	¥295,429	(¥436)	¥336,453

	Thousands of U.S. dollars (Note 1)				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2022 -----	\$246,813	\$62,590	\$2,002,791	(\$3,724)	\$2,308,470
Dividends from surplus -----			(47,067)		(47,067)
Net income attributable to owners of the parent -----			251,649		251,649
Purchase of treasury stock -----				(60)	(60)
Disposal of treasury stock -----			(37)	531	494
Change in scope of equity method -----			(2,642)		(2,642)
Net changes in items other than shareholders' equity -----					
Total changes in items during the period -----	-	-	201,903	471	202,374
Balance at March 31, 2023 -----	\$246,813	\$62,590	\$2,204,694	(\$3,253)	\$2,510,844

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, 2021 -----	¥45,180	¥6,198	¥1,006	¥6,838	¥59,222	¥359,492
Cumulative effects of changes in accounting policies (Note 2)						996
Restated balance at March 31, 2021-----	45,180	6,198	1,006	6,838	59,222	360,488
Dividends from surplus -----						(5,807)
Net income attributable to owners of the parent -----						15,459
Purchase of treasury stock -----						(1,608)
Disposal of treasury stock -----						25
Cancellation of treasury stock -----						-
Net changes in items other than shareholders' equity -----	(1,448)	9,314	2,246	4,082	14,194	14,194
Total changes in items during the period -----	(1,448)	9,314	2,246	4,082	14,194	22,263
Balance at March 31, 2022 -----	43,732	15,512	3,252	10,920	73,416	382,751
Dividends from surplus -----						(6,307)
Net income attributable to owners of the parent -----						33,721
Purchase of treasury stock -----						(8)
Disposal of treasury stock -----						66
Change in scope of equity method-----						(354)
Net changes in items other than shareholders' equity -----	340	(12,327)	4,330	291	(7,366)	(7,366)
Total changes in items during the period -----	340	(12,327)	4,330	291	(7,366)	19,752
Balance at March 31, 2023 -----	¥44,072	¥3,185	¥7,582	¥11,211	¥66,050	¥402,503

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, 2022 -----	\$326,359	\$115,762	\$24,268	\$81,492	\$547,881	\$2,856,351
Dividends from surplus -----						(47,067)
Net income attributable to owners of the parent -----						251,649
Purchase of treasury stock -----						(60)
Disposal of treasury stock -----						494
Change in scope of equity method-----						(2,642)
Net changes in items other than shareholders' equity -----	2,537	(91,993)	32,313	2,172	(54,971)	(54,971)
Total changes in items during the period -----	2,537	(91,993)	32,313	2,172	(54,971)	147,403
Balance at March 31, 2023 -----	\$328,896	\$23,769	\$56,581	\$83,664	\$492,910	\$3,003,754

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

TOHO GAS CO., LTD. and Consolidated Subsidiaries

Years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Cash flows from operating activities:			
Net income before income taxes -----	¥47,404	¥21,330	\$353,761
Adjustments for:			
Depreciation and amortization -----	36,269	36,510	270,664
Impairment loss -----	768	583	5,731
Increase in other allowances -----	4,063	501	30,321
Interest and dividend income -----	(2,831)	(2,439)	(21,127)
Interest expense -----	955	726	7,127
Increase in trade notes and accounts receivable -----	(14,637)	(21,710)	(109,231)
Increase in inventories -----	(15,585)	(3,584)	(116,305)
Increase in trade notes and accounts payable -----	3,543	6,697	26,440
Other -----	1,002	(1,739)	7,478
	60,951	36,875	454,859
Interests and dividends received -----	2,829	2,439	21,111
Interests paid -----	(894)	(720)	(6,672)
Income taxes paid -----	(6,472)	(3,157)	(48,299)
Net cash provided by operating activities -----	56,414	35,437	420,999
Cash flows from investment activities:			
Purchases of investment securities -----	(13,717)	(4,486)	(102,365)
Proceeds from sale of investment securities -----	42	321	313
Purchases of noncurrent assets -----	(39,729)	(39,032)	(296,485)
Proceeds from sale of noncurrent assets -----	228	25	1,701
Purchase of shares of subsidiaries (Note 20) -----	(655)	(5,920)	(4,888)
Loan advances -----	-	(5,715)	-
Other -----	1,396	(69)	10,419
Net cash used in investment activities -----	(52,435)	(54,876)	(391,305)
Cash flows from financing activities:			
Net decrease in short-term bank loans -----	(435)	(1,774)	(3,246)
Proceeds from long-term loans payable -----	12,512	2,782	93,373
Repayment of long-term loans payable -----	(5,605)	(2,889)	(41,828)
Proceeds from issuance from bonds -----	27,379	9,948	204,321
Redemption of bonds -----	(30,000)	-	(223,881)
Purchase of treasury stock -----	(8)	(1,608)	(60)
Cash dividends paid -----	(6,305)	(5,810)	(47,052)
Other -----	(476)	(13)	(3,552)
Net cash provided by (used in) financing activities -----	(2,938)	636	(21,925)
Effect of exchange rate change on cash and cash equivalents -----	674	370	5,030
Net increase (decrease) in cash and cash equivalents -----	1,715	(18,433)	12,799
Cash and cash equivalents at beginning of year -----	32,110	50,543	239,626
Cash and cash equivalents at end of year -----	¥33,825	¥32,110	\$252,425

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, 2023, which was ¥134 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

(1) Scope of Consolidation

- (i) The consolidated financial statements include the accounts of the Company and its consolidated subsidiaries (26 in March 31, 2023). Inuyama Gas Service Co., Ltd. is included in the scope of consolidation from this consolidated fiscal year due to the acquisition of new shares. Also, Yamasa Co., Ltd., Yamasa Kyowa Life Co., Ltd. and Yamasa Service Co., Ltd., which were previously consolidated subsidiaries, are excluded from the scope of consolidation from this consolidated fiscal year due to their merger with Toho Liquefied Gas Co., Ltd.
- (ii) There are 3 non-consolidated subsidiaries including Toho Flower Co., Ltd., etc. The reason for excluding them from the scope of consolidation is that the non-consolidated subsidiaries are small companies, and their total assets, sales, net income, and retained earnings do not have a significant effect on the consolidated financial statements.

(2) Application of Equity Method

- (i) There are 5 affiliates in the scope of equity method application including MEET Europe Natural Gas, Lda., etc. Kanazawa Energy Co., Ltd., is included in the scope of equity method application from the current consolidated fiscal year due to its increased importance. Formosa Seagull Power Investment Co., Ltd. is included in the scope of equity method application from the current consolidated fiscal year due to newly acquired shares.
- (ii) Non-consolidated subsidiaries (Toho flower Co., Ltd., etc.) and affiliates (Chita Tansan Co., Ltd., etc.) are not accounted for by the equity method because they do not have a material impact on net income or retained earnings, and are not significant as a whole.

3. Fiscal Year of Consolidated Subsidiaries

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. In the current consolidated fiscal year, Gas Living MIE KK and Toho Gas Living Co., Ltd. changed their closing date to March 31, which is the same as the consolidated closing date. As a result, the accounting period of Gas Living MIE KK and Toho Gas Living Co., Ltd. for the current consolidated fiscal year is 15 months and 13 months, respectively.

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 (excluding facilities attached to buildings), which were acquired since April 1, 1998 and facilities attached to buildings and structures, which were acquired since April 1, 2016 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.

Impairment loss

(1) Grouping

For its calculation of impairment loss, the Group categorizes assets into the smallest units that generate independent cash flow effectively separate from the cash flow of other assets or asset groups. Idle assets are grouped individually in their respective asset groups.

(2) Details of impairment loss

In accordance with the grouping described in (1) above, an impairment loss of ¥768 million (\$5,731 thousand) and ¥583 million was recognized in the year ended March 31, 2023 and 2022. Significant properties included in this loss are listed in the table below.

For 2023 (ended March 2023)

Asset	Location	Type	Impairment loss	
			Millions of yen	Thousands of U.S. dollars
Facilities for incidental businesses	Nagoya-city, Aichi Prefecture, etc.	Property, plant and equipment (Machinery)	¥465	\$3,470

As for facilities for incidental businesses, profitability is expected to deteriorate due to changes in the business environment, so the book value was reduced to the memorandum value, and the reduced amount was recorded as an impairment loss as other expenses. The recoverable amount of the asset group is measured based on the value in use, but no discount is calculated because future cash flows cannot be expected.

For 2022 (ended March 2022)

Asset	Location	Type	Impairment loss
			Millions of yen
Facilities for incidental businesses	Nagoya-city, Aichi Prefecture	Property, plant and equipment (Machinery)	¥289

As for facilities for incidental businesses, profitability is expected to deteriorate due to changes in the business environment, so the book value was reduced to the memorandum value, and the reduced amount was recorded as an impairment loss as other expenses. The recoverable amount of the asset group is measured based on the value in use, but no discount is calculated because future cash flows cannot be expected.

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.

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).

Deferred charges

Bond issue costs are charged to income as incurred.

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.

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 pipelines by estimating future expenditures and charging them to income to replace the aged white galvanized branch pipes, pipes buried under the roads that are important in terms of disaster prevention, white gas supply pipes, and other aged pipes.

(Additional information)

We have been taking measures to replace old pipes with new ones in an organized way, but we will further strengthen our measures to ensure a higher level of safety in response to the release of a new safety report from the government. Along with this, a provision for safety measures of ¥ 5,480 million (\$40,896 thousand) was recorded, and operating income, ordinary income and income before income taxes and minority interests decreased by the same amount.

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 the warranty service, etc.

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.

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 net asset.

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, interest rate swaps and foreign currency borrowings 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.

Method and period for amortization of goodwill

Goodwill is evenly amortized within 20 years according to the causes.

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.

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 ¥1,578million (\$11,776 thousand) and ¥1,498 million for the years ended March 31, 2023 and 2022, respectively.

Appropriation of surplus

Cash dividends are recorded in the fiscal year when the proposed appropriation of surplus 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 Company had no dilutive common shares for the years ended March 31, 2023 or 2022.

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.

Basis of material revenue and expenses

In the Group's major businesses related to revenue from contracts with customers, the details of major performance obligations, as well as the normal point in time when such performance obligations are satisfied (i.e., the normal point in time when revenue is recognized) are as follows:

(1) Gas Segment

The Gas Segment is primarily engaged in sales of city gas. Revenues associated with sales of city gas have been recognized on the basis of the date of meter reading in accordance with accounting rules for gas businesses.

(2) LPG and Other Energies Segment

The LPG and Other Energies Segment is primarily engaged in sales of LPG. Revenues associated with sales of LPG have been recognized on the basis of delivery by reasonably estimating the performance obligation that is fulfilled at the end of the term.

(3) Electricity Segment

The Electricity Segment is primarily engaged in sales of electricity. Revenues associated with sales of electricity have been recognized on the basis of the delivery date.

3. Significant accounting estimates

(1) Assessment of investments related to the overseas subsidiaries and affiliates

(i) Carrying amounts in the current year's consolidated financial statements

Total fixed assets: For 2023 ¥12,567 million yen (\$93,784 thousand)

For 2022 ¥10,331 million yen

(ii) Information on the nature of significant accounting estimates for identified items

• Calculation method

If there is an indication of impairment of an asset, the necessity of impairment is determined based on the future cash flow of the asset. Regarding the cash flow generation unit, which is the unit for determining the necessity of impairment, assets are grouped by the smallest unit that generates cash flows that are almost independent of the cash flows of other assets or asset groups.

• Key assumptions

In determining the necessity of impairment of noncurrent assets, future cash flows are estimated based on certain assumptions such as the unit sales price and discount rate based on crude oil prices.

• Effect on the next year's consolidated financial statements

Changes in assumptions, such as when crude oil prices fall due to changes in economic conditions, may result in changes in estimates, which may lead to lower future cash flows and recoverable amounts, resulting in impairment losses.

(2) Accounting for retirement benefits

(i) Carrying amounts in the current year's consolidated financial statements

Assets related to retirement benefits: For 2023 ¥26,346 million (\$196,612 thousand)

For 2022 ¥23,207 million

Debt related to retirement benefits: For 2023 ¥5,943 million (\$44,351 thousand)

For 2022 ¥5,919 million

(ii) Information on the nature of significant accounting estimates for identified items

• Calculation method

In order to prepare for employee retirement benefits, the amount is recorded based on the estimated retirement benefit obligations and pension assets at the end of the current consolidated fiscal year.

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 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.

• Key assumptions

The calculation of retirement benefit obligations and expenses is based on the preconditions set in actuarial calculations such as the discount rate and the expected rate of return on pension assets.

• Effect on the next year's consolidated financial statements

If the actual actuarial calculation results differ from the preconditions, or if the preconditions are changed, future retirement benefit obligations and expenses may be affected.

(3) Provision for safety measures

(i) Carrying amounts in the current year's consolidated financial statements

Provision for safety measures: For 2023 ¥21,629 million (\$161,410 thousand)

For 2022 ¥19,045 million

(ii) Information on the nature of significant accounting estimates for identified items

- Calculation method

The TOHO GAS Group provides an allowance for the replacement of pipelines by estimating future expenditures and charging them to income to replace the aged white galvanized branch pipes, pipes buried under the roads that are important in terms of disaster prevention, and white gas supply pipes, and other aged pipes.

- Key assumptions

Based on preconditions such as extension of target gas vessel and construction cost based on past results

- Effect on the next year's consolidated financial statements

Future costs may be affected if the actual construction cost differs from the premise due to the expansion of construction targets, fluctuations in construction methods and prices, etc.

4. Change in accounting policies

(Application of Accounting Standard for Fair Value Measurement)

The TOHO GAS Group Companies have applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 31, June 17, 2021) and others effective from the start of the fiscal year under review, and have decided to apply the new accounting policy set forth by the Accounting Standard for Fair Value Measurement, etc. into the future in accordance with the paragraph 27-2 of the Accounting Standard for Fair Value Measurement. This will have no impact on consolidated financial statements.

5. Standards and guidance not yet adopted

Following accounting standards and guidance are those issued but not yet adopted.

- “Accounting Standard for Corporate, Inhabitant and Enterprise Taxes” (ASBJ Statement No. 27, October 28, 2022)
- “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25, October 28, 2022)
- “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022)

(1) Overview

The tax treatment of income taxes on sales of shares of subsidiaries and other securities in the case where other comprehensive income is subject to taxation and group corporate taxation is applied.

(2) Effective date

The standards and guidance will be effective from the beginning of the fiscal year ending March 31, 2025.

(3) Effects of application of the standards and guidance

The effects of application of Accounting Standard for Current Income Taxes, etc. on the consolidated financial statements are currently under evaluation.

6. Changes in presentation method

Equity in earnings of affiliates, which was included in "Other, net" under "Other income (expenses)" in the previous consolidated fiscal year, is separately presented in the current consolidated fiscal year due to its increased importance in terms of amount. To reflect this change in presentation, the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

As a result, ¥2,119 million (\$15,813 thousand) included in "Other, net" under "Other income (expenses)" in the consolidated statement of income for the previous fiscal year has been reclassified as "Equity in earnings of affiliates" of ¥247 million (\$1,843 thousand) and "Other, net" of ¥1,872 million (\$13,970 thousand) .

7. 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. Securities and 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 36 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

(i) 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.

(ii) 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.

(iii) 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.

2. Carrying values and fair values of the financial instruments included in the consolidated balance sheets at March 31, 2023 and 2022 were as follows:

	Millions of yen		
	Carrying value	Fair value	Difference
For 2023:			
Assets:			
Securities and investment securities-----	¥83,977	¥83,977	¥-
Total -----	¥83,977	¥83,977	¥-
Liabilities:			
Bonds payable, including current portion -----	¥77,500	¥69,841	(¥7,659)
Long-term loans payable -----	61,864	60,893	(971)
Total -----	¥139,364	¥130,734	(¥8,630)
Derivative transactions -----	¥3,855	¥3,855	¥-
For 2022:			
Assets:			
Securities and investment securities -----	¥83,294	¥83,294	¥-
Total -----	¥83,294	¥83,294	¥-
Liabilities:			
Bonds payable, including current portion -----	¥80,000	¥78,183	(1,817)
Long-term loans payable -----	54,056	53,456	(600)
Total -----	¥134,056	¥131,639	(2,417)
Derivative transactions -----	¥21,505	¥21,505	¥-

	Thousands of U.S. dollars		
	Carrying value	Fair value	Difference
For 2023:			
Assets:			
Securities and investment securities -----	\$626,694	\$626,694	\$-
Total -----	\$626,694	\$626,694	\$-
Liabilities:			
Bonds payable, including current portion -----	\$578,358	\$521,201	(\$57,157)
Long-term loans payable -----	461,672	454,426	(7,246)
Total -----	\$1,040,030	\$975,627	(\$64,403)
Derivative transactions -----	\$28,769	\$28,769	\$-

*1. The current portion of long-term loans payable is included in Long-term loans payable.

*2. Net debts and credits arising from derivative transactions are presented in each net value, and a value of a net debt after totaling of credit and debt is shown in parentheses.

*3. Investments in partnerships and other similar entities that are recorded on the consolidated balance sheets at a net amount equivalent to the Company's ownership interest are not included in investment securities. The amount of this investment in the consolidated balance sheet is 2,074 million yen (\$15,478 thousand).

*4. Stocks and other securities that have no market price are not included in "Securities and investment securities". The financial instruments whose fair value cannot be reliably determined were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Nonmarketable securities			
Unlisted equity securities -----	¥17,648	¥13,039	\$131,701
Investments in affiliates -----	25,726	14,675	191,985

Note 1 : A maturity analysis for cash and time deposits, trade notes and accounts receivable and investment securities is as follows:

Millions of yen					
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years	
For 2023:					
Cash and time deposits -----	¥34,014	¥-	¥-	¥-	
Trade notes and accounts receivable -----	87,692	-	-	-	
Investment securities					
Available-for-sale securities with maturities(bonds)-----	-	420	100	-	
	¥121,706	¥420	¥100	¥-	
For 2022:					
Cash and time deposits -----	¥32,299	¥-	¥-	¥-	
Trade notes and accounts receivable -----	73,094	-	-	-	
Investment securities					
Available-for-sale securities with maturities(bonds)-----	20	420	100	-	
	¥105,413	¥420	¥100	¥-	
Thousands of U.S. dollars					
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years	
For 2023:					
Cash and time deposits -----	\$253,836	\$-	\$-	\$-	
Trade notes and accounts receivable -----	654,418	-	-	-	
Investment securities					
Available-for-sale securities with maturities(bonds)-----	0	3,134	746	-	
	\$908,254	\$3,134	\$746	\$-	

Note 2 : A maturity analysis for short-term bank loans payable, 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 2023:							
Short-term bank loans payable -----	¥2,680	¥-	¥-	¥-	¥-	¥-	
Bonds payable -----	10,000	-	-	-	-	67,500	
Long-term bank loans payable -----	13,901	4,589	5,351	3,988	2,935	31,100	
	¥26,581	¥4,589	¥5,351	¥3,988	¥2,935	¥98,600	
For 2022:							
Short-term bank loans payable -----	¥2,935	¥-	¥-	¥-	¥-	¥-	
Bonds payable -----	30,000	10,000	-	-	-	40,000	
Long-term bank loans payable -----	5,340	13,630	4,389	680	6,782	23,235	
	¥38,275	¥23,630	¥4,389	¥680	¥6,782	¥63,235	
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 2023:							
Short-term bank loans payable -----	\$20,000	\$-	\$-	\$-	\$-	\$-	
Bonds payable -----	74,627	-	-	-	-	503,731	
Long-term bank loans payable -----	103,739	34,246	39,933	29,761	21,903	232,090	
	\$198,366	\$34,246	\$39,933	\$29,761	\$21,903	\$735,821	

3: Breakdown of the fair value of financial instruments by the level of the fair value hierarchy and other items are as follows:

The Company and its subsidiaries classify and prioritize inputs used in valuation techniques to measure fair value into the following three levels:

Level 1 — Inputs of quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3 — Unobservable inputs for the assets or liabilities.

When multiple inputs that have a significant influence on the market value calculation are used, the market value is classified into the lowest priority level in the market value calculation among the levels to which those inputs belong.

(1) The following tables present recorded amounts of major financial assets and liabilities measured at fair value as of March 31, 2023 and 2022

Millions of yen				
	Level 1	Level 2	Level 3	Total
For 2023:				
Investment securities				
Other securities				
Equity Securities----- x	¥83,439	¥-	¥-	¥83,439
Bonds----- x	-	527	-	527
Other----- x	11	-	-	11
Derivative transactions ----- x	-	3,855	-	3,855
	¥83,450	¥4,382	¥-	¥87,832

Millions of yen				
	Level 1	Level 2	Level 3	Total
For 2022:				
Investment securities				
Other securities				
Equity Securities----- x	¥82,728	¥-	¥-	¥82,728
Bonds----- x	-	555	-	555
Other----- x	11	-	-	11
Derivative transactions ----- x	-	21,505	-	21,505
	¥82,739	¥22,060	¥-	¥104,799

Thousands of U.S. dollars				
	Level 1	Level 2	Level 3	Total
For 2023:				
Investment securities				
Other securities				
Equity Securities----- x	\$622,679	\$-	\$-	\$622,679
Bonds----- x	-	3,934	-	3,934
Other----- x	82	-	-	82
Derivative transactions ----- x	-	28,769	-	28,769
	\$622,761	\$32,703	\$-	\$655,464

(2) The following tables present recorded amounts of major financial assets and liabilities other than (1) as of March 31, 2023 and 2022

Millions of yen				
	Level 1	Level 2	Level 3	Total
For 2023:				
Bonds ----- x	¥-	¥69,841	¥-	¥69,841
Long-term loans payable ----- x	-	60,893	-	60,893
	¥-	¥130,734	¥-	¥130,734

Millions of yen				
	Level 1	Level 2	Level 3	Total
For 2022:				
Bonds ----- x	¥-	¥78,183	¥-	¥78,183
Long-term loans payable ----- x	-	53,456	-	53,456
	¥-	¥131,639	¥-	¥131,639

Thousands of U.S. dollars				
	Level 1	Level 2	Level 3	Total
For 2023:				
Bonds ----- x	\$-	\$521,201	\$-	\$521,201
Long-term loans payable ----- x	-	454,425	-	454,425
	\$-	\$975,626	\$-	\$975,626

(Note) Explanation of valuation techniques used and inputs related to the calculation of fair value.

Investment securities

Listed equity securities and bonds are measured using quoted prices. Since listed equity securities are measured in active markets, their fair value is classified as level 1.

Bonds held by the group are classified as level 2 because the transaction volume in the market is low and not active.

Derivative transactions

Derivative transactions are measured using quoted prices obtained by the financial institutions, so classified as level 2.

Items given special treatment as interest rate swaps are treated together with long-term loans payable that are subject to hedging; therefore, their market values are presented together with the market value of the related long-term loans payable.

Bonds

Corporate bonds issued by the company are valued using quoted market prices and classified as level 2 because the transaction volume in the market is low and not active.

Long-term loans payable

The fair values of long-term loans are measured based upon the present values obtained by discounting the total amount of principal and interest at a rate with term to maturity applicable to new borrowings under the same conditions, and are terms and classified as level 2.

With respect to long-term loans payable with floating interest, exceptional handling of interest swap shall be adopted. The present value of the long-term loans payable is calculated from principal and interest, which is handled together with the interest swap, with interest rates reasonably estimated to be applied for similar borrowings.

8. Securities and 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, 2023 and 2022 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, 2023				
Equity securities -----	¥21,161	¥61,263	¥-	¥82,424
Other -----	5	6	-	11
	¥21,166	¥61,269	¥-	¥82,435
March 31, 2022				
Equity securities -----	¥20,430	¥60,641	¥-	¥81,071
Other -----	5	6	-	11
	¥20,435	¥60,647	¥-	¥81,082
	Thousands of U.S. dollars			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
March 31, 2023				
Equity securities -----	\$157,918	\$457,187	\$-	\$615,105
Other -----	37	45	-	82
	\$157,955	\$457,232	\$-	\$615,187

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, 2023				
Equity securities -----	¥1,230	¥-	(¥215)	¥1,015
Bonds -----	567	-	(40)	527
	¥1,797	¥-	(¥255)	¥1,542
March 31, 2022				
Equity securities -----	¥1,981	¥-	(¥324)	¥1,657
Bonds -----	588	-	(33)	555
	¥2,569	¥-	(¥357)	¥2,212
	Thousands of U.S. dollars			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
March 31, 2023				
Equity securities -----	\$9,179	\$-	(\$1,604)	\$7,575
Bonds -----	4,231	-	(299)	3,932
	\$13,410	\$-	(\$1,903)	\$11,507

Available-for-sale securities sold

	Millions of yen		
	Total sales	Total gain on sales	Total loss on sales
March 31, 2023			
Stocks-----	¥43	¥14	¥0
	¥43	¥14	¥0
March 31, 2022			
Stocks-----	¥321	¥249	¥-
	¥321	¥249	¥-
	Thousands of U.S. dollars		
	Total sales	Total gain on sales	Total loss on sales
March 31, 2023			
Stocks-----	\$321	\$104	\$0
	\$321	\$104	\$0

9. Inventories

Inventories at March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Finished products -----	¥7,481	¥6,915	\$55,828
Work-in-process -----	1,122	1,087	8,373
Raw materials and supplies -----	28,947	13,941	216,023
	¥37,550	¥21,943	\$280,224

10. 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. The projected benefit obligation of certain subsidiaries was calculated using the simplified method as permitted by the accounting standard for employee retirement benefits. The Company has established a retirement benefit trust for its lump-sum retirement benefit plan and corporate pension plan.

Reconciliation of the beginning and ending balances for retirement benefit obligations at March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Beginning balance of the retirement benefit obligation -----	¥97,887	¥105,029	\$730,500
Service cost -----	2,893	3,233	21,590
Interest cost -----	552	306	4,119
Accruals of actuarial gains and losses -----	(4,753)	(5,188)	(35,470)
Payment of retirement benefits -----	(5,456)	(5,493)	(40,716)
Ending balance of the retirement benefit obligation -----	¥91,123	¥97,887	\$680,023

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
	2023	2022	2023
Fair value of pension plan assets at beginning of year -----	¥115,175	¥112,990	\$859,515
Expected return on pension plan assets -----	2,304	2,260	17,194
Accruals of actuarial gains and losses -----	(3,191)	986	(23,813)
Contributions from the employer -----	1,468	2,969	10,955
Payment of retirement benefits -----	(4,230)	(4,030)	(31,567)
Fair value of pension plan assets at ending of year -----	¥111,526	¥115,175	\$832,284

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 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Projected benefit obligation of funded plans -----	¥85,180	¥92,026	\$635,672
Fair value of pension plan assets -----	(111,526)	(115,175)	(832,284)
	(26,346)	(23,149)	(196,612)
Projected benefit obligation of unfunded obligation -----	5,943	5,861	44,351
Net of assets and liabilities -----	(20,403)	(17,288)	(152,261)
Net defined benefit liability -----	5,943	5,919	44,351
Net defined benefit assets -----	(26,346)	(23,207)	(196,612)
Net of assets and liabilities -----	(¥20,403)	(¥17,287)	(\$152,261)

Note 1: Including a system for the application of the simplified method

Note 2: Because a retirement benefit trust was established for the lump-sum retirement benefit plans, the projected benefit obligation of funded plans include lump-sum payment plans. Similarly, pension assets include a retirement benefit trust.

Retirement benefit expense and amount of the detailed items

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Components of net periodic retirement benefit expense:			
Service cost -----	¥2,893	¥3,233	\$21,590
Interest cost -----	552	306	4,119
Expected return on pension plan assets -----	(2,304)	(2,260)	(17,194)
Recognized actuarial differences -----	(1,145)	(509)	(8,545)
Net periodic retirement benefit expense related to defined benefit pension plan -----	(¥4)	¥770	(\$30)

Remeasurements of defined benefit plans included in other comprehensive income (before tax effects) at March 31, 2023 and 2022 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Actuarial differences -----	¥417	¥5,665	\$3,112

Total remeasurement of defined benefit pension plan included in other comprehensive income (before tax effects) at March 31, 2023 and 2022 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Actuarial differences -----	¥15,771	¥15,354	\$117,694

Plan assets

	2023	2022
Bond -----	54%	51%
Equity securities -----	24%	27%
General account -----	14%	14%
Other -----	8%	8%
Total -----	100%	100%

For the fiscal year ended March 31, 2023 and 2022, assets in the retirement benefit trust, which was established for the lump-sum payment plans accounted for 12% and 12% of the total pension plan assets.

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, 2023 and 2022 were as follows:

	2023	2022
Discount rate -----	0.9%	0.6%
Expected long-term rate of return on pension plan assets -----	2.0%	2.0%

11. Bank loans and long-term debt

Short-term bank loans consisted of short-term notes payable bearing interest at an annual average rate of 0.5% at March 31, 2023.

Long-term debt and other interest-bearing liabilities at March 31, 2023 and 2022 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Domestic unsecured notes due 2023 at a rate of 1.12% -----	¥-	¥10,000	\$-
Domestic unsecured notes due 2027 at a rate of 1.628% -----	-	-	-
Domestic unsecured notes due 2022 at a rate of 0.792% -----	-	10,000	-
Domestic unsecured notes due 2023 at a rate of 0.933% -----	10,000	10,000	74,627
Domestic unsecured notes due 2046 at a rate of 0.804% -----	10,000	10,000	74,627
Domestic unsecured notes due 2048 at a rate of 1.026% -----	10,000	10,000	74,627
Domestic unsecured notes due 2059 at a rate of 0.861% -----	10,000	10,000	74,627
Domestic unsecured notes due 2022 at a rate of 0.13% -----	-	10,000	-
Domestic unsecured notes due 2042 at a rate of 0.835% -----	10,000	10,000	74,627
Domestic unsecured notes due 2032 at a rate of 0.394% -----	9,000	-	67,164
Domestic unsecured notes due 2042 at a rate of 0.967% -----	8,500	-	63,432
Domestic unsecured notes due 2032 at a rate of 0.639% -----	10,000	-	74,627
Loans from banks, insurance companies and government agencies due through 2047 at interest rates ranging from 0.14% to 6.20% per annum at March 31, 2023 -----	61,864	54,056	461,672
Capitalized lease obligations -----	4,325	3,529	32,277
Others -----	-	-	-
	143,689	137,585	1,072,307
Less amounts due within one year -----	(24,306)	(35,660)	(181,388)
	¥119,383	¥101,925	\$890,919

The Company entered into debt assumption agreements for 1.628% notes payable due in 2027 in the amount of ¥10,000 million (\$74,627 thousand), and treated the bonds as having been redeemed. The Company remains contingently liable on the bond redemption obligation.

Assets pledged as collateral were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Other facilities -----	¥6,979	¥6,504	\$52,082
Construction in progress -----	725	629	5,410
Intangible assets-----	1,803	1,630	13,455
Investment securities-----	5,213	3,609	38,903
Cash and deposits-----	4,246	1,898	31,687
Other -----	8,705	8,885	64,963
	¥27,671	¥23,155	\$206,500

Liabilities pledged as collateral in the aggregate amounts of ¥75 million (\$560 thousand) and ¥50 million at March 31, 2023 and 2022, respectively, were as follows:

The annual maturities of long-term debt and other interest bearing liabilities at March 31, 2023 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2023 -----	¥24,306	\$181,388
2024 -----	4,987	37,216
2025 -----	5,697	42,515
2026 -----	4,340	32,388
2027 -----	3,288	24,538
2028 and thereafter -----	101,071	754,262
	¥143,689	\$1,072,307

12. 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, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Deferred tax assets:			
Net defined benefit liability -----	¥2,486	¥2,988	\$18,552
Reserve for safety measures -----	6,515	5,296	48,619
Depreciation -----	1,535	2,120	11,455
Accrued expense-----	3,698	4,216	27,597
Other -----	11,200	9,796	83,582
Less valuation allowance -----	(2,271)	(2,396)	(16,947)
	23,163	22,020	172,858
Deferred tax liabilities:			
Unrealized gains on			
Available-for-sale securities -----	(16,310)	(16,273)	(121,716)
Deferred gains on hedges -----	(1,072)	(5,979)	(8,000)
Net defined benefit assets -----	(4,384)	(4,268)	(32,716)
Other -----	(1,135)	(1,235)	(8,470)
	(22,901)	(27,755)	(170,902)
Net deferred tax liabilities -----	¥262	(¥5,735)	\$1,956

For the fiscal year ended March 31, 2023 and 2022, 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.

The Company and its domestic subsidiaries applied for approval of the group tax sharing system during the current fiscal year, and the group tax sharing system will be applied from the next fiscal year. Therefore, corporation tax and local corporation tax, as well as their tax effects, are accounted for and disclosed under Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System (PITF No. 42, August 12, 2021) from the current fiscal year.

13. 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, 2023 and 2022, 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 (\$65,522thousand) at both March 31, 2023 and 2022.

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.

The number of issued shares of common stock is 105,256,285 shares for the year ended March 31, 2023. In November 2022, the Company paid interim dividends of ¥3,153 million (\$23,530thousand), ¥30 per share. For year-end dividends, see Note 23.

14. Statements of comprehensive income

The amount of reclassification adjustments and the tax effects concerning other comprehensive income at March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Net changes in valuation difference on available-for-sale securities:			
Increase (decrease) during the year -----	¥411	(¥1,939)	\$3,067
Reclassification adjustments -----	(13)	(239)	(97)
Subtotal before tax -----	398	(2,178)	2,970
Tax benefit or (expense) -----	(57)	730	(425)
Subtotal net of tax -----	341	(1,448)	2,545
Net changes in deferred gains on hedges:			
Increase during the year -----	4,090	21,414	30,522
Reclassification adjustments -----	(18,782)	(7,786)	(140,164)
Adjustments for amounts transferred to initial carrying amount of hedged items -----	(2,672)	(840)	(19,940)
Subtotal before tax -----	(17,364)	12,788	(129,582)
Tax expense -----	4,906	(3,513)	36,612
Subtotal net of tax -----	(12,458)	9,275	(92,970)
Net changes in foreign currency translation adjustments			
Increase during the year -----	3,810	1,681	28,432
Subtotal net of tax -----	3,810	1,681	28,432
Net changes in remeasurements of defined benefit plans			
Increase during the year -----	1,562	6,175	11,657
Reclassification adjustments -----	(1,145)	(509)	(8,545)
Subtotal before tax -----	417	5,666	3,112
Tax expense -----	(116)	(1,575)	(866)
Subtotal net of tax -----	301	4,091	2,246
Net changes in share of other comprehensive income of entities accounted for using equity method			
Increase during the year -----	638	597	4,761
Reclassification adjustments -----	2	(2)	15
Subtotal net of tax -----	640	595	4,776
Total other comprehensive income -----	(7,366)	14,194	(54,971)

15. 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,” “LPG and Other Energies” and “Electricity.” 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: Products, supplies and sales of gas, gas appliance sales and related construction

LPG and Other Energies: LPG sales, LPG appliance sales, LNG sales, District heating and cooling, and sales of coke and petroleum products

Electricity: Sales of electricity

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

The accounting methods for the reporting segments are consistent with the accounting methods described in Note 2, “Summary of significant accounting policies”

Income for reportable segments are based on operating income.

Intersegment sales and transfers are attributable to transactions among group companies and calculated based on the market value.

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

Information for reported segments as of and for the years ended March 31, 2023 and 2022 was as follows

	Millions of yen							
	Reported segments							
	Gas	LPG and Other Energies	Electricity	Segment Total	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
For 2023:								
Net sales:								
External customers -----	¥455,696	¥108,854	¥107,890	¥672,440	¥33,634	¥706,074	¥-	¥706,074
Intersegment -----	4,684	1,657	394	6,735	20,966	27,701	(27,701)	-
Total net sales -----	460,380	110,511	108,284	679,175	54,600	733,775	(27,701)	706,074
Segment income -----	¥46,123	¥2,380	(¥10,583)	¥37,920	¥4,255	¥42,175	¥1,568	¥43,743
Segment assets -----	¥429,970	¥67,189	¥28,116	¥525,275	¥96,102	¥621,377	¥72,142	¥693,519
Other items:								
Depreciation expense -----	31,710	2,079	780	34,569	1,753	36,322	(53)	36,269
Investment in entities accounted for using equity method -----	-	-	-	-	-	-	17,794	17,794
Capital expenditures -----	31,059	3,230	2,482	36,771	1,043	37,814	-	37,814
For 2022:								
Net sales:								
External customers -----	¥322,327	¥93,895	¥71,203	¥487,425	¥27,889	¥515,314	¥-	¥515,314
Intersegment -----	2,136	1,665	275	4,076	19,752	23,828	(23,828)	-
Total net sales -----	324,463	95,560	71,478	491,501	47,641	539,142	(23,828)	515,314
Segment income -----	¥9,008	¥2,023	¥2,403	¥13,434	¥3,107	¥16,541	¥1,318	¥17,859
Segment assets -----	¥414,132	¥59,215	¥23,875	¥497,222	¥92,832	¥590,054	¥65,539	¥655,593
Other items:								
Depreciation expense -----	32,014	2,084	679	34,777	1,772	36,549	(39)	36,510
Investment in entities accounted for using equity method -----	-	-	-	-	-	-	8,362	8,362
Capital expenditures -----	33,274	2,140	1,747	37,161	3,319	40,480	(105)	40,375
	Thousands of U.S. dollars							
	Reported segments							
	Gas	LPG and Other Energies	Electricity	Segment Total	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
For 2023:								
Net sales:								
External customers -----	\$3,400,716	\$812,343	\$805,150	\$5,018,209	\$251,000	\$5,269,209	\$-	\$5,269,209
Intersegment -----	34,955	12,366	2,940	50,261	156,463	206,724	(206,724)	-
Total net sales -----	3,435,671	824,709	808,090	5,068,470	407,463	5,475,933	(206,724)	5,269,209
Segment income -----	\$344,201	\$17,761	(\$78,977)	\$282,985	\$31,754	\$314,739	\$11,701	\$326,440
Segment assets -----	\$3,208,731	\$501,410	\$209,821	\$3,919,962	\$717,180	\$4,637,142	\$538,373	\$5,175,515
Other items:								
Depreciation expense -----	236,642	15,515	5,821	257,978	13,082	271,060	(396)	270,664
Investment in entities accounted for using equity method -----	-	-	-	-	-	-	132,791	132,791
Capital expenditures -----	231,784	24,104	18,522	274,410	7,784	282,194	-	282,194

Notes:

1. The “Other” segment incorporates operations not included in reported segments, including LNG processing under contract, leasing of buildings, engineering of gas production plants, comprehensive utility service business, sales of housing equipment, data processing services, leasing, development and investment of Natural Gas 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, 2023 and 2022

(1) Information about products and services:

	Millions of yen				
	Gas	LPG	Electricity	Other	Total
For 2023:					
Net sales to external customers -----	¥424,941	¥76,632	¥107,890	¥96,611	¥706,074
	Millions of yen				
	Gas	LPG	Electricity	Other	Total
For 2022:					
Net sales to external customers -----	¥293,110	¥67,431	¥71,203	¥83,570	¥515,314
	Thousands of U.S. dollars				
	Gas	LPG	Electricity	Other	Total
For 2023:					
Net sales to external customers -----	\$3,171,201	\$571,881	\$805,149	\$720,978	\$5,269,209

(2) Information about geographic areas:

•Operating revenues

The Company has omitted the disclosure of operating revenues by geographic area because sales in Japan account for more than 90% of the sales reported in the consolidated statements of income.

•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

(4) Information about impairment losses on fixed assets in reportable segments

	Millions of yen							
	Reported segments							Consolidated
	Gas	LPG and Other Energies	Electricity	Segment Total	Other	Total	Adjustments (Note)	
For 2023:								
Impairment loss -----	¥-	¥465	¥-	¥465	¥65	¥530	¥238	¥768
	Millions of yen							
	Reported segments							Consolidated
	Gas	LPG and Other Energies	Electricity	Segment Total	Other	Total	Adjustments (Note)	
For 2022:								
Impairment loss -----	¥43	¥289	¥-	¥332	¥69	¥401	¥182	¥583
	Thousands of U.S. dollars							
	Reported segments							Consolidated
	Gas	LPG and Other Energies	Electricity	Segment Total	Other	Total	Adjustments (Note)	
For 2023:								
Impairment loss -----	¥-	\$3,470	¥-	\$3,470	\$485	\$3,955	\$1,776	\$5,731

Notes: The "Adjustments" column denotes impairment loss related to companywide assets that do not belong to the reportable segments

(5) Information about the amortized amount and unamortized balance of goodwill by reportable segmen

	Millions of yen							
	Reported segments							Consolidated
	Gas	LPG and Other Energies	Electricity	Segment Total	Other	Total	Adjustments (Note)	
For 2023:								
Amortized amount during year-----	¥-	¥715	¥-	¥715	¥60	¥775	¥-	¥775
Unamortized balance at end of year--	-	-	-	-	1,123	1,123	-	1,123
	Millions of yen							
	Reported segments							Consolidated
	Gas	LPG and Other Energies	Electricity	Segment Total	Other	Total	Adjustments (Note)	
For 2022:								
Amortized amount during year-----	¥-	¥-	¥0	¥0	¥13	¥13	¥-	¥13
Unamortized balance at end of year--	-	-	-	-	1,025	1,025	-	1,025
	Thousands of U.S. dollars							
	Reported segments							Consolidated
	Gas	LPG and Other Energies	Electricity	Segment Total	Other	Total	Adjustments (Note)	
For 2023:								
Amortized amount during year-----	\$-	\$5,336	\$-	\$5,336	\$448	\$5,784	\$-	\$5,784
Unamortized balance at end of year--	-	-	-	-	8,381	8,381	-	8,381

16. Certain lease transactions

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:

1. Finance lease

(1) Lease investment assets (current assets)

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Lease receivables -----	¥11,738	¥10,431	\$87,597
Estimated residual value -----	1,479	1,237	11,037
Interest income -----	(2,034)	(1,839)	(15,179)
Lease investment assets -----	¥11,183	¥9,829	83,455

(2) Recovery plans amount of lease receivables related to lease receivables and investment assets after the end of current fiscal year (current assets)

	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 2023:						
Lease receivables -----	¥788	¥727	¥657	¥551	¥396	¥1,660
Lease investment assets -----	1,899	1,682	1,475	1,275	1,059	4,348
	¥2,687	¥2,409	¥2,132	¥1,826	¥1,455	¥6,008
For 2022:						
Lease receivables -----	¥742	¥677	¥616	¥546	¥439	¥1,727
Lease investment assets -----	1,728	1,533	1,322	1,134	966	3,748
	¥2,470	¥2,210	¥1,938	¥1,680	¥1,405	¥5,475

	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 2023:						
Lease receivables -----	\$5,881	\$5,425	\$4,903	\$4,112	\$2,955	\$12,388
Lease investment assets -----	14,172	12,552	11,007	9,515	7,903	32,448
	\$20,053	\$17,977	\$15,910	\$13,627	\$10,858	\$44,836

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:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Lease income -----	¥120	¥120	\$896
Future lease commitments to be received (inclusive of imputed interests):			
Due within one year -----	120	120	896
Due after one year -----	600	720	4,478
	¥720	¥840	\$5,374

	Millions of yen		Net value
	Acquisition cost	Accumulated depreciation	
For 2023:			
Other facilities -----	¥1,900	¥1,299	¥601
For 2022:			
Other facilities -----	¥1,900	¥1,227	¥673

	Thousands of U.S. dollars		Net value
	Acquisition cost	Accumulated depreciation	
For 2023:			
Other facilities -----	\$14,179	\$9,694	\$4,485

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Lease depreciation -----	¥72	¥72	\$537

17. Contingent liabilities

The TOHO GAS Group was contingently liable for bank loans with respect to guarantees for joint and several liabilities upon the default of others, for bank loans with respect to guarantees for housing loans of employees and for fulfillment of contracts. At March 31, 2023 and 2022, these contingent liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Guarantees for bank loans of Ichthys LNG Pty Ltd.	¥645	¥643	\$4,813
Guarantees for bank loans of MEET Europe Natural Gas, Lda.	3,497	3,282	26,097
Guarantees for bank loans of Thai ST Energy Investment Company, Ltd.	274	-	2,045
Guarantees for housing loans of employees	30	47	224
Domestic unsecured notes due 2027 at a rate of 1.628%	10,000	10,000	74,627
Guarantees for fulfillment of contract with Mitsubishi Corporation.	8,085	7,097	60,336
Guarantees for fulfillment of contract with DIAMOND LNG CANADA Ltd.	32	32	239

18. 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, 2023 and 2022 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.

<u>Hedge contract</u>	<u>Object of hedged transaction</u>
Commodity swap	Purchase price of raw materials
Foreign exchange forward contract	Foreign currency denominated transactions
Interest rate swap	Bank loans
Foreign currency borrowing	Equity of foreign subsidiary

Derivative transactions to which hedge accounting was applied that were outstanding as of March 31, 2023 and 2022 are summarized as follows:

<u>Hedge contract</u>	<u>Notional principal or contract amounts</u>		<u>Fair value (*1)</u>
	<u>Total</u>	<u>Over 1 year</u>	
	<u>Millions of yen</u>		
For 2023:			
Commodity swap contracts			
(fixed rate payment, floating rate receipt)	¥21,355	¥1,843	¥3,855
Interest rate swap contracts			
(fixed rate payment, floating rate receipt)	4,000	4,000	(*2) -
For 2022:			
Commodity swap contracts			
(fixed rate payment, floating rate receipt)	¥25,668	¥4,248	¥21,505
Interest rate swap contracts			
(fixed rate payment, floating rate receipt)	7,183	4,000	(*2) -
	<u>Thousands of U.S. dollars</u>		
For 2023:			
Commodity swap contracts	159,366	13,754	28,769
(fixed rate payment, floating rate receipt)			
Interest rate swap contracts	29,851	29,851	(*2) -
(fixed rate payment, floating rate receipt)			

*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.

19. 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 2023 and 2022, in connection with those rental properties, the Company recorded rent revenues of ¥1,955 million (\$14,590 thousand) and ¥1,698 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 cost of sales and selling, general and administrative expenses account.

Information about fair value of rental property as of and for the years ended March 31, 2023 and 2022 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, 2023 -----	¥15,357	¥34	¥15,391	¥41,267
March 31, 2022 -----	¥12,907	¥2,450	¥15,357	¥39,426

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, 2023 -----	\$114,604	\$254	\$114,858	\$307,963

*Fair value was based principally on real estate appraisal standards.

20.Cash flow statements

Assets and liabilities of newly consolidated subsidiaries through acquisition of shares for the year ended March 2023 are omitted due to immateriality.

21. Business Combination

(1) Summary of the combination

(i) Name of the target business and details of the relevant business

General gas pipeline business and related businesses

(ii) Date of the combination

April 1, 2022

(iii) Legal form of the business combination

In this absorption-type split, the Company is the splitting company, and the Company's wholly-owned subsidiary, Toho Gas Network Co., Ltd. is the successor company.

(iv) Name of the company after the combination

Toho Gas Network Co., Ltd.

(v) Other matters related to the outline of the transaction

Under the Gas Business Act revised in June 2015, in order to further ensure the neutrality of the pipeline sector, the production and retail businesses shall be legally separated from the pipeline business by April 2022. In order to meet the requirements of this law, the Company split off its general gas pipeline business, etc.

(2) Outline of accounting treatment applied

Following the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019), etc., this business combination has been accounted for as a business combination of entities under common control.

22. Revenue recognition

1. Disaggregation information of revenue recognized from contracts with customers

Information about revenue recognition as of and for the years ended March 31, 2023 and 2022 was as follows

	Millions of yen					Other	Total
	Reported segments						
	LPG and						
	Other						
	Gas	Energies	Electricity	Segment Total			
For 2023:							
GAS -----	¥424,941	¥-	¥-	¥424,941	¥-	¥424,941	
LPG -----	-	76,632	-	76,632	-	76,632	
Electricity -----	-	-	107,890	107,890	-	107,890	
Others -----	30,755	32,222	-	62,977	29,029	92,006	
Revenue recognized from contracts with customers	455,696	108,854	107,890	672,440	29,029	701,469	
Revenue recognized from other sources -----	-	-	-	-	4,605	4,605	
Net sales to external customers	¥455,696	¥108,854	¥107,890	¥672,440	¥33,634	¥706,074	

(Note) The "Other" segment incorporates operations not included in reported segments, including LNG processing under contract, leasing of buildings, engineering of gas production plants, comprehensive utility service business, sales of housing equipment, data processing services, leasing, development & investment of Natural Gas and other business.

In addition, in the Gas, LPG, Other Energy, and Electricity reporting segments, subsidies received from the "Electricity and Gas Price Alleviation Program," which is a measure implemented by the Japanese government, are included in revenues from contracts with customers.

	Millions of yen					Other	Total
	Reported segments						
	LPG and						
	Other						
	Gas	Energies	Electricity	Segment Total			
For 2022:							
GAS -----	¥293,110	¥-	¥-	¥293,110	¥-	¥293,110	
LPG -----	-	67,431	-	67,431	-	67,431	
Electricity -----	-	-	71,203	71,203	-	71,203	
Others -----	29,217	26,464	-	55,681	23,633	79,314	
Revenue recognized from contracts with customer	322,327	93,895	71,203	487,425	23,633	511,058	
Revenue recognized from other sources -----	-	-	-	-	4,256	4,256	
Net sales to external customers	¥322,327	¥93,895	¥71,203	¥487,425	¥27,889	¥515,314	

(Note) The "Other" segment incorporates operations not included in reported segments, including LNG processing under contract, leasing of buildings, engineering of gas production plants, comprehensive utility service business, sales of housing equipment, data processing services, leasing, development & investment of Natural Gas and other businesses.

	Thousands of U.S. dollars					Other	Total
	Reported segments						
	LPG and						
	Other						
	Gas	Energies	Electricity	Segment Total			
For 2023:							
GAS -----	\$3,171,201	\$-	\$-	\$3,171,201	\$-	\$3,171,201	
LPG -----	-	571,881	-	571,881	-	571,881	
Electricity -----	-	-	805,150	805,150	-	805,150	
Others -----	229,515	240,462	-	469,977	216,634	686,611	
Revenue recognized from contracts with customer	3,400,716	812,343	805,150	5,018,209	216,634	5,234,843	
Revenue recognized from other sources -----	-	-	-	-	\$34,366	\$34,366	
Net sales to external customers	\$3,400,716	\$812,343	\$805,150	\$5,018,209	\$251,000	\$5,269,209	

2. Basic information for understanding the recognition of revenue from contracts with customers

Basic information for understanding the recognition of revenue from contracts with customers is described in "2. Summary of significant accounting policies".

3. Information regarding the relationship with the satisfaction of performance obligation and cash flows arising from the obligation based on contracts with customers, and the amount and the timing of revenue deemed to be recognized after the following consolidated fiscal year arising from contracts with customers at the end of this consolidated fiscal year

(1) Balance of Assets and Liabilities from contracts with customers

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2023	2022	2023
Assets from contracts with customers (Beginning Balance)			
Trade Notes	¥3,404	¥3,268	\$25,403
Accounts receivable	69,545	49,529	518,993
	72,949	52,797	544,396
Assets from contracts with customers Ending Balance)			
Trade Notes	4,354	3,404	32,493
Accounts receivable	83,185	69,545	620,784
	87,539	72,949	653,277
Contract Assets (Beginning Balance)	-	-	-
Contract Assets (Ending Balance)	57	-	425
Contract liabilities (Beginning Balance)	2,758	3,066	20,582
Contract liabilities (Ending Balance)	¥3,929	¥2,758	\$29,321

Contract assets relate to consideration for services that have been recognized by the consolidated subsidiaries based on the percentage of completion of performance obligations, mainly for construction contracts, but not yet invoiced as of the balance sheet date. The contract asset is reclassified to a receivable arising from a contract with a customer when the right to consideration becomes unconditional.

Contractual liabilities are primarily related to advances received from customers under gas equipment maintenance contracts at the Company and its consolidated subsidiaries. The contract liabilities are reversed when the performance obligations are satisfied upon completion of gas appliance

The amount of revenue recognized in the current fiscal year that was included in the contract liability balance at the beginning of the period was 1,978 million yen (\$14,761 thousand). There were no significant changes in the balances of contract assets and contract liabilities during the period. The amount of revenue recognized in the current period from performance obligations that were satisfied (or partially satisfied) in prior periods was not material.

(2) Balance of Assets and Liabilities from contracts with customers

The Company and its consolidated subsidiaries apply the practical expedient method and omit the transaction price allocated to the remaining performance obligations because there are no material contracts with an initially expected contract term of more than one year. In addition, there are no material amounts of consideration arising from contracts with customers that are not included in the transaction price.

23. Subsequent events

Appropriation of surplus

On June 28, 2023 at the annual general meeting of shareholders of the company, the following appropriation of surplus were approved:

		Millions of yen	Thousands of U.S. dollars
Cash dividends	¥30.00 (\$0.22) per share	¥3,153	\$23,530