

Mar 14, 2017

**R&I Affirms AA/a-1+, Stable: Toho Gas Co., Ltd.**

Rating and Investment Information, Inc. (R&I) has announced the following:

**ISSUER:** Toho Gas Co., Ltd.  
**Issuer Rating:** AA, Affirmed  
**Rating Outlook:** Stable

**Commercial Paper:** a-1+, Affirmed

**RATIONALE:**

Toho Gas Co., Ltd. is Japan's third largest city gas company by gas sales volume. The company operates in the Chukyo area, where many globally competitive firms locate their plants. The high demand density of the supply area allows for efficient sales and marketing. While industrial gas represents a significant proportion of its gas sales and sales volume is susceptible to capacity utilization levels of plants, there is relatively large potential customer demand, including for fuel conversion to liquefied natural gas (LNG). The purchasing power is among the highest in the industry, as reflected in its LNG procurement from five countries under long-term contracts. Since the company starts to purchase LNG derived from U.S. shale gas in 2018, its supply sources and purchase price determination methods will be diversified further.

Under the full liberalization of the retail electricity and gas markets, Toho Gas and Chubu Electric Power Co., Inc. (Chubu Electric), whose supply areas overlap, participate in each other's market. Chubu Electric has hammered out a plan to expand its gas business, including in the retail gas market which will soon be liberalized. Meanwhile, Toho Gas is somewhat constrained in terms of utilizing electricity sales as a tool to strengthen its city gas sales capabilities because it has no power source of its own. Toho Gas operates part of its LNG terminals with Chubu Electric. R&I will thus keep an eye on developments in the comprehensive alliance in fuel and thermal power generation operations between Chubu Electric and the TEPCO Group and the alliance's indirect impact.

Toho Gas almost specializes in the city gas business. Although profit contributions from other businesses such as liquefied petroleum gas are small, the company ensures certain levels of earning and cash flow generating capacities. Since investments in overseas resource development projects are not large in size, fluctuations in exchange rates and oil prices have little adverse effect on the financial position. The debt-equity structure will likely remain sound, given its prudent financial management.

The primary rating methodologies applied to this rating are provided at "R&I's Basic Methodology for Corporate Credit Ratings" and "City Gas". The methodologies are available at the web site listed below, together with other rating methodologies that are taken into consideration when assigning the rating.

<http://www.r-i.co.jp/eng/cfp/about/methodology/index.html>

**R&I RATINGS:**

**ISSUER:** Toho Gas Co., Ltd. (Sec. Code: 9533)  
**Issuer Rating**  
**RATING:** AA, Affirmed  
**RATING OUTLOOK:** Stable

■Contact : Investors Service Department TEL.+81-(0)3-6273-7471 E-mail. [infodept@r-i.co.jp](mailto:infodept@r-i.co.jp)

■Media Contact : Corporate Planning Division (Public Relations) TEL.+81-(0)3-6273-7273

**Rating and Investment Information, Inc.** TERRACE SQUARE, 3-22 Kanda Nishikicho, Chiyoda-ku, Tokyo 101-0054, Japan <http://www.r-i.co.jp>

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**Shelf Registration (Bonds)**

**ISSUE AMOUNT (mn):** JPY 50,000  
**ISSUE PERIOD:** From Aug 19, 2015 to Aug 18, 2017  
**RATING:** **AA, Affirmed (Preliminary)**

<b>Unsec. Str. Bonds No.17</b>	<b>Issue Date</b>	<b>Maturity Date</b>	<b>Issue Amount (mn)</b>
	Feb 19, 1998	Feb 19, 2018	JPY 10,000
<b>RATING:</b>	<b>AA, Affirmed</b>		

<b>Unsec. Str. Bonds No.27</b>	<b>Issue Date</b>	<b>Maturity Date</b>	<b>Issue Amount (mn)</b>
	May 09, 2003	Mar 20, 2023	JPY 10,000
<b>RATING:</b>	<b>AA, Affirmed</b>		

<b>Unsec. Str. Bonds No.31</b>	<b>Issue Date</b>	<b>Maturity Date</b>	<b>Issue Amount (mn)</b>
	May 24, 2007	Mar 18, 2022	JPY 10,000
<b>RATING:</b>	<b>AA, Affirmed</b>		

<b>Unsec. Str. Bonds No.33</b>	<b>Issue Date</b>	<b>Maturity Date</b>	<b>Issue Amount (mn)</b>
	Sep 12, 2008	Sep 20, 2018	JPY 10,000
<b>RATING:</b>	<b>AA, Affirmed</b>		

<b>Unsec. Str. Bonds No.36</b>	<b>Issue Date</b>	<b>Maturity Date</b>	<b>Issue Amount (mn)</b>
	Mar 06, 2012	Mar 19, 2027	JPY 10,000
<b>RATING:</b>	<b>AA, Affirmed</b>		

<b>Unsec. Str. Bonds No.37</b>	<b>Issue Date</b>	<b>Maturity Date</b>	<b>Issue Amount (mn)</b>
	Dec 04, 2012	Sep 20, 2022	JPY 10,000
<b>RATING:</b>	<b>AA, Affirmed</b>		

<b>Unsec. Str. Bonds No.38</b>	<b>Issue Date</b>	<b>Maturity Date</b>	<b>Issue Amount (mn)</b>
	Jul 12, 2013	Jul 12, 2023	JPY 10,000
<b>RATING:</b>	<b>AA, Affirmed</b>		

<b>Unsec. Str. Bonds No.39</b>	<b>Issue Date</b>	<b>Maturity Date</b>	<b>Issue Amount (mn)</b>
	Sep 09, 2014	Sep 09, 2019	JPY 10,000
<b>RATING:</b>	<b>AA, Affirmed</b>		

■Contact : Investors Service Department TEL.+81-(0)3-6273-7471 E-mail. infodept@r-i.co.jp

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<b>Unsec. Str. Bonds No.40</b>	<b>Issue Date</b>	<b>Maturity Date</b>	<b>Issue Amount (mn)</b>
	Oct 17, 2016	Oct 17, 2046	JPY 10,000
<b>RATING:</b>	<b>AA, Affirmed</b>		
	<b>Commercial Paper</b>		
<b>ISSUE LIMIT (mn):</b>	JPY 50,000		
<b>SUPPORT:</b>	Unsecured		
<b>RATING:</b>	<b>a-1+, Affirmed</b>		

A preliminary rating is assigned when a provisional credit rating is needed for an individual obligation on which final terms have not been determined. A credit rating finally assigned may differ from the preliminary rating depending on, among others, the details of the actual contract of the individual obligation.