

This document has been translated from the Japanese original for reference purposes only. In the event of discrepancy between this translated document and the Japanese original, the original shall prevail.

Notice Regarding Measures against the Novel Coronavirus Infectious Disease (COVID-19)

To prevent the spread of COVID-19, we would like to ask our shareholders to exercise their voting rights in advance in writing or via the Internet where possible.

Please also take note of the following:

- As the number of seats are limited at the venue to ensure enough space between each attendee, you may be denied entry.
- Any significant operational changes in the Meeting including its date, time or venue in response to changes in the status of COVID-19, etc. will be posted on the Company's website (please see page 4).

We no longer distribute souvenirs to the attending shareholders. We would appreciate your understanding.

(Securities Identification Code: 9532)

Notice of 203rd Annual Meeting of Shareholders

To Our Shareholders:



I would like to express my deepest gratitude to our shareholders for your consistent support to the Daigas Group's business operations.

The Daigas Group ("the Group") aims to be an innovative and preferred energy & service company throughout the ages in line with our 2030 Long-term Management Vision. Aiming to achieve carbon neutrality in the Group's business activities, the Group formulated the Carbon Neutral Vision in January 2021. In addition, under the new Medium-term Management Plan 2023, formulated in March 2021, we have committed to creating "value for a sustainable future" and achieving further growth as a corporate group that provides solutions that contribute to solving social issues in order to realize a sustainable society.

Regarding measures against the novel coronavirus infectious disease, we will remain fully attentive to the health and safety of our customers and employees as we continue to ensure a stable supply of energy.

Under a drastically changing business environment, the Group will aim to maximize the value we provide to our customers and continue to work as one to actively and steadily proceed with our business operations.

Your continued support would be greatly appreciated.

May 2021

Masataka Fujiwara
President

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(Securities Identification Code: 9532)

May 31, 2021

To Shareholders

Masataka Fujiwara, President
OSAKA GAS CO., LTD.
4-1-2 Hiranomachi, Chuo-ku
Osaka, Japan

Notice of 203rd Annual Meeting of Shareholders

Dear Sir or Madam,

We would like to inform you of the 203rd Annual Meeting of Shareholders (the “Meeting”) of OSAKA GAS CO., LTD. (the “Company”) to be held as below.

As detailed on pages 5-6 below, you may exercise your voting rights in writing or electronically such as through the Internet. In either case, please read the attached reference documents for the shareholders meeting and **cast your vote no later than 4 p.m. on Thursday, June 24, 2021.**

Yours faithfully

Details:

1. Date and time: Friday, June 25, 2021, 10:00 a.m.
2. Place: OSAKA GAS CO., LTD., Head Office
4-1-2 Hiranomachi, Chuo-ku, Osaka, Japan
3. Agenda:

Report: Business report, consolidated financial statements, non-consolidated financial statements, report of the accounting auditor and Audit & Supervisory Board’s report on consolidated financial statements for the 203rd term (year from April 1, 2020 to March 31, 2021)

Proposals:

- Proposal 1:** Appropriation of Earnings
- Proposal 2:** Approval of Absorption-type Company Split Agreement
- Proposal 3:** Election of 10 Directors
- Proposal 4:** Determination and Revision of Limit to Directors’ Remuneration, etc. for Granting Stock-based Remuneration

4. Documents to be provided with this notice of convocation:

- (1) From among the information to be provided with this notice of convocation, the consolidated statement of changes in equity and notes to consolidated financial statements, non-consolidated statement of changes in equity and notes to non-consolidated financial statements are provided separately at the Company's website (<https://www.osakagas.co.jp/company/ir/stock/inform/index.html>) in accordance with the laws and regulations and the Company's Articles of Incorporation.

The consolidated financial statements and non-consolidated financial statements audited by the accounting auditor and the Audit & Supervisory Board Members are the documents provided with this notice of convocation and the documents provided separately at the abovementioned website.

- (2) In the event that the reference documents for the shareholders meeting, the business report, the consolidated financial statements and/or the non-consolidated financial statements need to be amended between now and the day prior to the Meeting, the amended item will be provided to shareholders in writing by mail or on the aforementioned Company's website.

5. Matters in connection with this convocation (Matters concerning the exercise of voting rights):

- (1) If you do not specify in the voting form whether you are for or against a proposal, you shall be deemed to have voted for such proposal.
- (2) If you change the content of your vote electronically after already having cast your vote electronically, only your last vote shall be deemed valid.
- (3) If you exercise your voting rights both in writing and electronically, only the vote cast electronically shall be deemed valid.

Any major changes in the operation of the Meeting such as its date, time and/or place as a result of factors including changes in the COVID-19 situation will be announced on the Company's website

(<https://www.osakagas.co.jp/company/ir/stock/inform/index.html>).

[INFORMATION ON THE EXERCISE OF VOTING RIGHTS]

1. Exercising your voting rights in advance:

- Exercise of Voting Rights in Writing

Please specify in the enclosed voting form whether you are for or against a proposal and return the form to the Company by Due Date below.

Due Date: Thursday, June 24, 2021, 4:00 p.m.

- Electronic Exercise of Voting Rights

Exercise of Voting Rights through the Internet

Please exercise your voting rights by Due Date below in accordance with the procedures described below.

We have introduced “Smart Exercise” system, through which you can exercise your voting rights easily by reading the QR Code on the enclosed voting form without entering the access code and password.

Due Date: Thursday, June 24, 2021, 4:00 p.m.

(1) “Smart Exercise” by reading the QR Code

1. Read the QR Code shown in the bottom right of the enclosed voting form with a smartphone or other device capable of reading a barcode.
2. Follow the on-screen instructions to cast your vote.



Note: You can use “Smart Exercise” system only once. Should you wish to change the content of your vote cast via “Smart Exercise” system, please recast your vote by following the voting method described in (2) below.

(2) Voting by entering the access code and password

1. Access the voting website below. Click “次へすすむ (Next)”
2. Enter the access code specified on the enclosed voting form. Enter the access code. Click “ログイン (Log in)”
3. Enter the password specified on the enclosed voting form. Enter the password. Click “登録 (Register)”
4. Follow the on-screen instructions to cast your vote.



Voting Website: <https://www.web54.net>

You can access the voting website by reading the QR Code on the left with a smartphone or other device capable of reading a barcode.

The QR Code on the left is different from the QR Code for “Smart Exercise” on the voting form.

Any inquiries about the above-described exercise of voting rights through the Internet should be directed to:

Stock Transfer Agency Web Support, Sumitomo Mitsui Trust Bank, Limited.

Toll free number: 0120-652-031 (from 9 a.m. to 9 p.m.)

Electronic Voting Platform for Institutional Investors

Institutional investors who preliminarily signed up to use the “Electronic Voting Platform” operated by ICJ Inc. may also exercise their voting rights electronically through that platform.

- Any fees due to provider companies and telecommunications carriers such as Internet connection fees and communication charges arising in connection with accessing the Company’s voting website etc. shall be incurred by the respective shareholders.
- Any notice concerning the diverse exercise of voting rights prescribed in Article 313, Paragraph 2 of the Companies Act shall be in writing in accordance with Article 13, Paragraph 2 of the Company’s Articles of Incorporation.
- “QR Code” is a registered trademark of DENSO WAVE INCORPORATED.

2. Attending the Meeting (Please read the Notice Regarding Measures against the Novel Coronavirus Infectious Disease (COVID-19) on the front cover and the back cover.):

Please hand in the enclosed voting form at the reception desk. (The reception desk opens at 9:00 a.m.)

In accordance with Article 13, Paragraph 1 of the Company’s Articles of Incorporation, a proxy shall be one other shareholder (such shareholders shall have voting rights in the Company) for every shareholder who wishes to exercise his/her voting rights by proxy on the date of the Meeting.

Date of the Meeting: Friday, June 25, 2021, 10:00 a.m.

Reference Documents for the Shareholders Meeting

1. Total number of voting rights

4,143,927

2. Proposals and related information

Proposal 1: Appropriation of Earnings

Taking into consideration the business results, our future management plan and other relevant matters, we propose to pay ¥27.50 per common share of the Company, an increase of ¥2.50 compared to the previous fiscal year, as year-end dividends for the 203rd term as follows.

Combined with the interim dividends already paid, the Company's annual dividends for the 203rd term will be ¥52.50 per common share of the Company.

(1) Type of dividend

Cash

(2) Matters concerning the distribution of dividends to shareholders and the aggregate amount

¥27.50 per common share of the Company

Aggregate amount: ¥11,433,398,213

(3) Commencement date for the payment of dividends (effective date for the distribution of earnings)

June 28, 2021

Proposal 2: Approval of Absorption-type Company Split Agreement

1. Reasons for implementing the absorption-type company split

Pursuant to the Gas Business Act (Act No. 51 of March 31, 1954) after amendment by the Act for Partial Revision of the Electricity Business Act (Act No. 47 of June 24, 2015), the Company, a general gas pipeline service business operator, will be prohibited from engaging also in the retail gas business or the gas production business from April 2022. The purpose of this amendment is to further secure neutrality of the gas pipeline service business.

In order to comply with the regulatory requirement and to establish an organizational structure to increase the value of our Group, we established Osaka Gas Network Co., Ltd. (“Osaka Gas Network” or the “Succeeding Company”), a wholly-owned subsidiary of the Company, on April 1 of this year and executed an absorption-type split agreement (the “Agreement”) with the subsidiary to transfer our general gas pipeline service business to the subsidiary which will become effective on April 1, 2022. This absorption-type company split is subject to approval, etc. at the Shareholders Meeting.

After the absorption-type split, our Group, including Osaka Gas Network, will continue to be a group of companies taking responsibility for the infrastructure sector, including the energy business, and to increase the value of our Group by fulfilling the obligation of the companies in our Group and maximizing the value we provide in our businesses.

2. Outline of the absorption-type company split agreement

The contents of the Agreement are as follows (presented on pages 8 through 12):

Absorption-type Company Split Agreement

OSAKA GAS CO., LTD. (“OSAKA GAS”) and Osaka Gas Network Co., Ltd. (“Osaka Gas Network”) (collectively, the “parties”) enter into this absorption-type company split agreement (the “Agreement”) as set forth below, regarding an absorption-type company split (the “Absorption-type Company Split”) whereby Osaka Gas Network will succeed to the rights and obligations, etc., held by OSAKA GAS with respect to its businesses as defined in Article 1.

Article 1 (Absorption-type company split)

OSAKA GAS shall cause Osaka Gas Network to succeed to, and Osaka Gas Network shall assume, the rights and obligations, etc., described in Article 4, Paragraph 1 pertaining to the general gas pipeline service business and incidental businesses that OSAKA GAS operates (the “Business”) by way of an absorption-type company split in accordance with the provisions of this Agreement.

Article 2 (Trade names and addresses)

The trade names and addresses of the splitting company and the successor company in the Absorption-type Company Split are as follows:

<The splitting company (OSAKA GAS)>

Trade name: OSAKA GAS CO., LTD.

Address: 4-1-2 Hiranomachi, Chuo-ku, Osaka, Japan

<The successor company (Osaka Gas Network)>

Trade name: Osaka Gas Network Co., Ltd.

Address: 4-1-2 Hiranomachi, Chuo-ku, Osaka, Japan

Article 3 (Effective date)

The effective date of the Absorption-type Company Split shall be April 1, 2022 (the “Effective Date”), provided the Effective Date may be changed after mutual consultation between the parties, if required in the course of the Absorption-type Company Split or for other reasons.

Article 4 (Rights and obligations, etc. to be succeeded)

1. The assets, liabilities, contractual status, and other rights and obligations, etc. (the “Rights and Obligations”) split from OSAKA GAS and assumed by Osaka Gas Network on the Effective Date as a result of the Absorption-type Company Split are as stated in the attachment “List of Rights and Obligations.”
2. The transfer of liabilities from OSAKA GAS to Osaka Gas Network based on the preceding Paragraph shall be on a non-cumulative basis.

Article 5 (Consideration for the Absorption-type Company Split)

Upon the Absorption-type Company Split, Osaka Gas Network shall issue 6.7 million common shares and allot and deliver all of them to OSAKA GAS.

Article 6 (Amounts of Osaka Gas Network’s share capital and capital surplus)

The amounts of increases in Osaka Gas Network’s share capital and capital surplus as a result of the Absorption-type Company Split are as follows:

<Share capital>

The amount of share capital to increase as a result of the Absorption-type Company Split is 5.9 billion yen.

<Capital surplus>

The amount of capital surplus to increase as a result of the Absorption-type Company Split is 1.5 billion yen.

<Retained earnings>

Amount of retained earnings will not increase as a result of the Absorption-type Company Split.

Article 7 (Approval by the shareholders meeting)

By the date immediately preceding the Effective Date, the parties shall seek approval from their respective shareholders meeting regarding this Agreement and matters required for the Absorption-type Company Split.

Article 8 (Non-competition)

OSAKA GAS is not obliged to avoid competition related to the Business even on or after the Effective Date.

Article 9 (Amendment and cancellation of this Agreement)

The parties may amend the terms of the Absorption-type Company Split, or cancel this Agreement upon mutual discussion, in the event a material change in the Business or in the assets, liabilities, and other rights and obligations, etc., related to the Business due to a natural disaster or other reason, or situations that greatly hinder the execution of the Absorption-type Company Split or makes it extremely difficult occurs during the period from the date this Agreement was executed to the Effective Date.

Article 10 (Effect of this Agreement)

This Agreement shall lose its effect if the approval stipulated in Article 7 is not obtained by the date immediately preceding the Effective Date, or if the approvals of competent government authorities required under laws and regulations for performing the Absorption-type Company Split are not obtained by the Effective Date.

Article 11 (Matters to be discussed)

Any matter not stipulated in this Agreement or any matter to be discussed regarding the Absorption-type Company Split shall be determined through sincere discussion between the parties in accordance with the intent of this Agreement.

IN WITNESS WHEREOF, this Agreement shall be prepared in duplicate, and the parties shall each retain a copy upon affixing their names and seals.

April 23, 2021

OSAKA GAS:

Masataka Fujiwara (Seal)

Representative Director and President

OSAKA GAS CO., LTD.

4-1-2 Hiranomachi, Chuo-ku, Osaka, Japan

Osaka Gas Network:

Tsuyoshi Nakamura (Seal)

President and Representative Director

Osaka Gas Network Co., Ltd.

4-1-2 Hiranomachi, Chuo-ku, Osaka, Japan

List of Rights and Obligations

Rights and obligations to be succeeded to shall be the following pertaining to the Business as of the Effective Date. “1. Assets” and “2. Liabilities” shall be determined based on the balance sheet as of March 31, 2021, and shall reflect any changes resulting from executing business and managing property related to the Business in the normal course of operations after the same date.

1. Assets

(1) Non-current assets

- Property, plant and equipment as well as intangible assets pertaining to the Business (provided however that intellectual property rights shall be limited to copyrights and expertise pertaining to the Business), and investments and other assets
- Land, buildings and facilities of offices, etc. mainly used for the Business
- Shares of Kinpai Co., Ltd. and Osaka Gas Customer Relations Co., Ltd.

(2) Current assets

- Cash, deposits, accounts receivable - trade, other accounts receivable, supplies, and other current assets pertaining to the Business.

2. Liabilities

(1) Non-current liabilities

- Provision for safety measures, provision for gas holder repairs, and other non-current liabilities pertaining to the Business (except for non-current liabilities related to bonds payable and borrowings)

(2) Current liabilities

- Accounts payable - trade, accounts payable - other, accrued expenses, deposits received, other advances, and other current liabilities pertaining to the Business (except for current liabilities related to bonds payable and borrowings)

3. Contractual status, rights and obligations, etc.

(1) Contracts (excluding employment contracts)

- Contractual statuses and all incidental rights and obligations under rental, outsourcing, subcontracting, leasing and all other agreements pertaining to the Business (including contracts related to assets or liabilities to be succeeded by Osaka Gas Network under 1. and 2. above). However, this excludes contractual statuses and all incidental rights and obligations under contracts related to assets and liabilities that will not be succeeded by Osaka Gas Network under 1. and 2. above.

(2) Permits, licenses, etc.

- Licenses, permits, certifications, approvals, registrations, filings, etc., pertaining to the Business open to succession under the law.

4. Others

Any rights and obligations found to involve difficulty in succession for a statutory or other regulatory reason subsequent to the execution of this Agreement (including those found to cause unexpected loss to OSAKA GAS or Osaka Gas Network upon succession), may be excluded from rights and obligations to be succeeded to upon consultation between the parties as necessary.

End

3. Reasonableness of the number of shares to be delivered to the Company by the Succeeding Company and reasonableness of the amounts of its share capital and capital surplus

(1) Reasonableness of the number of shares

Upon the absorption-type company split, the Succeeding Company shall newly issue 6.7 million common shares and allot and deliver all of them to the Company.

The Succeeding Company is a wholly-owned subsidiary of the Company, and will deliver to the Company all of the shares it will newly issue upon the absorption-type company split. Therefore, it is deemed the number of shares for delivery to the Company is discretionary, and has been determined upon discussion between the parties. Accordingly, the Company believes the number of shares is reasonable.

(2) Reasonableness of the amounts of share capital and capital surplus

The amounts of share capital and capital surplus in the Succeeding Company to be increased by the absorption-type company split are as below. The amounts are considered reasonable in light of the Succeeding Company's business activities following the absorption-type company split and rights and obligations, etc., it is to succeed from the Company.

Share capital:	¥5,900 million
Capital surplus:	¥1,500 million
Retained earnings:	¥0

4. Non-Consolidated balance sheet of the Succeeding Company as of the date of its establishment

Non-Consolidated Balance Sheet

(As of April 1, 2021)

(Millions of Yen)

Assets		Net assets	
Item	Amount	Item	Amount
Current assets	100	Shareholders' equity	100
Cash and deposits	100	Share capital	100
Total assets	100	Net assets	100

5. Disposal of significant assets, assumption of significant liabilities, or other events that significantly affect corporate assets after the date of establishment of the Succeeding Company

Not applicable.

6. Disposal of significant assets, assumption of significant liabilities, or other events that significantly affect corporate assets after the last day of the most recent fiscal year of the Company

Not applicable.


Proposal 3: Election of 10 Directors


At the close of the Meeting, the term of office of all Directors will expire.


The Company therefore proposes the election of 10 Directors.


The nominees for Director are as follows (presented on pages 14-25):


No.	Name		Current Position at the Company
1	Takehiro Honjo	Reappointed	Chairman and Director
2	Masataka Fujiwara	Reappointed	Representative Director and President, Executive President
3	Tadashi Miyagawa	Reappointed	Representative Director, Executive Vice-President
4	Takeshi Matsui	Reappointed	Representative Director, Executive Vice-President
5	Takayuki Tasaka	Reappointed	Representative Director, Executive Vice-President
6	Fumitoshi Takeguchi	Newly appointed	Senior Executive Officer
7	Hideo Miyahara	Reappointed Outside Director Independent Officer	Director
8	Kazutoshi Murao	Reappointed Outside Director Independent Officer	Director
9	Tatsuo Kijima	Reappointed Outside Director Independent Officer	Director
10	Yumiko Sato	Newly appointed Outside Director Independent Officer	


Nominee No.	Name (Date of Birth)	Career and Significant Concurrent Positions	Number of the Company Shares Held
1	 <p>Takehiro Honjo (April 13, 1954)</p> <p>Reappointed</p>	<p>April 1978: Joined the Company</p> <p>June 2007: Executive Officer General Manager of Corporate Strategy Dept.</p> <p>June 2008: Senior Executive Officer Head of Commercial & Industrial Energy Business Unit</p> <p>June 2009: Director, Senior Executive Officer Head of Commercial & Industrial Energy Business Unit</p> <p>June 2010: Director, Senior Executive Officer Head of Customer Services, Head of Residential Energy Business Unit</p> <p>April 2013: Representative Director, Executive Vice-President</p> <p>April 2015: Representative Director and President, Executive President</p> <p>January 2021: Chairman and Director (current position)</p>	46,600
<p>Reason for nomination as Director:</p> <p>After assuming the office of Executive Officer of the Company in June 2007, Mr. Takehiro Honjo has served in various managerial positions including Head of Commercial & Industrial Energy Business Unit and Head of Residential Energy Business Unit. He served as Representative Director from April 2013 and Representative Director and President from April 2015. Having served as Chairman and Director since January 2021, he worked to further strengthen decision-making and supervisory functions of the Board of Directors as Chairman. Through these roles, he has accumulated considerable experience and extensive knowledge in corporate and organizational management, particularly in business strategies, sales and marketing. The Company therefore believes that he is capable of contributing to the improvement of the Group's corporate value and has nominated him again as Director.</p>			


Nominee No.	Name (Date of Birth)	Career and Significant Concurrent Positions	Number of the Company Shares Held
2	 Masataka Fujiwara (February 28, 1958) Reappointed	April 1982: Joined the Company April 2012: Executive Officer, General Manager of Energy Business Development Dept., Commercial & Industrial Energy Business Unit April 2013: Executive Officer Representative Director and President of Osaka Gas Chemicals Co., Ltd. Representative Director and President of Japan EnviroChemicals, Ltd. April 2015: Senior Executive Officer of the Company Representative Director and President of Osaka Gas Chemicals Co., Ltd. April 2016: Executive Vice-President of the Company Head of CSR, President of Corporate Planning Headquarters In charge of: Information Communication Systems Dept., CSR & Environment Dept., Compliance Dept., and Auditing Dept. Responsible for: OGIS-RI Co., Ltd., Osaka Gas Chemicals Co., Ltd., Secretariat, Corporate Communication Dept., Human Resources Dept., General Affairs Dept., and Purchasing Dept. June 2016: Representative Director, Executive Vice-President January 2021: Representative Director and President, Executive President (current position)	18,700
Reason for nomination as Director: After assuming the office of Executive Officer of the Company in April 2012, Mr. Masataka Fujiwara has served in various managerial positions including Representative Director and President of Osaka Gas Chemicals Co., Ltd. and President of Corporate Planning Headquarters. Having served as the Company's Representative Director from June 2016 and Representative Director and President, Executive President from January 2021, he led initiatives such as formulating the medium-term management plan. Through these roles, he has accumulated considerable experience and extensive knowledge in corporate and organizational management, particularly in sales and marketing, business strategies, and technologies. The Company therefore believes that he is capable of contributing to the improvement of the Group's corporate value and has nominated him again as Director.			


Nominee No.	Name (Date of Birth)	Career and Significant Concurrent Positions	Number of the Company Shares Held
3	 <p>Tadashi Miyagawa (October 21, 1958)</p> <p>Reappointed</p>	<p>April 1982: Joined Ministry of International Trade and Industry</p> <p>June 2013: Director-General of Manufacturing Industries Bureau, Ministry of Economy, Trade and Industry</p> <p>January 2015: Joined the Company</p> <p>April 2015: Senior Executive Officer In charge of: Regional Co-creation Division</p> <p>April 2016: Senior Executive Officer In charge of: Regional Co-creation Division, Tokyo Branch, Regional Resident Representative, Overall Regional Resident Representative and Tokyo Representative</p> <p>June 2016: Director, Senior Executive Officer In charge of: Regional Co-creation Division, Tokyo Branch, Regional Resident Representative, Overall Regional Resident Representative and Tokyo Representative</p> <p>April 2018: Representative Director, Executive Vice-President (current position)</p>	9,700
	<p>Reason for nomination as Director:</p> <p>Prior to joining the Company, Mr. Tadashi Miyagawa served as Director-General of Manufacturing Industries Bureau at the Ministry of Economy, Trade and Industry. After assuming the office of Executive Officer of the Company in April 2015, he has been in charge of Regional Co-creation Division and other roles. Since April 2018, he has been serving as Representative Director, and has promoted the expansion of the renewable energy business as Head of LNG, Power & Engineering Business Unit and initiatives including the planning of innovation strategies as President of Innovation Headquarters. Through these roles, he has accumulated considerable experience and extensive knowledge in corporate and organizational management, particularly in social contribution, production of gas and power generation, and technologies. The Company therefore believes that he is capable of contributing to the improvement of the Group's corporate value and has nominated him again as Director.</p>		


Nominee No.	Name (Date of Birth)	Career and Significant Concurrent Positions	Number of the Company Shares Held
4	 Takeshi Matsui (February 18, 1961) Reappointed	April 1983: Joined the Company April 2013: Executive Officer, General Manager of Finance Dept. April 2014: Executive Officer, General Manager of Human Resources Dept. April 2016: Senior Executive Officer, Head of Energy Resources & International Business Unit June 2017: Director, Senior Executive Officer, Head of Energy Resources & International Business Unit April 2019: Representative Director, Executive Vice-President (current position)	15,300
	Reason for nomination as Director: After assuming the office of Executive Officer of the Company in April 2013, Mr. Takeshi Matsui has served in various managerial positions including General Manager of Finance Dept., General Manager of Human Resources Dept., and Head of Energy Resources & International Business Unit. Since April 2019, he has been serving as Representative Director, and has expanded the international energy business. He also promoted initiatives including the planning of business strategies as President of Corporate Planning Headquarters. Through these roles, he has accumulated considerable experience and extensive knowledge in corporate and organizational management, particularly in finance and accounting, the international energy business, and business strategies. The Company therefore believes that he is capable of contributing to the improvement of the Group's corporate value and has nominated him again as Director.		


Nominee No.	Name (Date of Birth)	Career and Significant Concurrent Positions	Number of the Company Shares Held
5	 <p>Takayuki Tasaka (July 21, 1962)</p> <p>Reappointed</p>	<p>April 1985: Joined the Company</p> <p>April 2015: Executive Officer, General Manager of Planning Dept., Residential Energy Business Unit</p> <p>April 2016: Senior Executive Officer Head of Customer Services, Head of Residential Energy Business Unit</p> <p>April 2018: Senior Executive Officer Head of Commercial & Industrial Energy Business Unit</p> <p>June 2018: Director, Senior Executive Officer Head of Commercial & Industrial Energy Business Unit</p> <p>April 2020: Director, Senior Executive Officer President of Corporate Planning Headquarters</p> <p>January 2021: Representative Director, Executive Vice-President (current position)</p>	14,300
<p>Reason for nomination as Director:</p> <p>After assuming the office of Executive Officer of the Company in April 2015, Mr. Takayuki Tasaka has served in various managerial positions including Head of Residential Energy Business Unit, Head of Commercial & Industrial Energy Business Unit, and President of Corporate Planning Headquarters. Since January 2021, he has been serving as Representative Director, and has promoted initiatives including strengthening competitiveness in the sales department. Through these roles, he has accumulated considerable experience and extensive knowledge in corporate and organizational management, particularly in sales, marketing, and business strategies. The Company therefore believes that he is capable of contributing to the improvement of the Group's corporate value and has nominated him again as Director.</p>			

Nominee No.	Name (Date of Birth)	Career and Significant Concurrent Positions	Number of the Company Shares Held
6	 <p>Fumitoshi Takeguchi (November 14, 1961)</p> <p>Newly appointed</p>	<p>April 1985: Joined the Company</p> <p>April 2013: Associate Director, General Manager of Secretariat</p> <p>April 2016: Executive Officer, General Manager of General Affairs Dept.</p> <p>April 2018: Senior Executive Officer In charge of: Secretariat, Corporate Communication Dept., Human Resources Dept., General Affairs Dept. and Purchasing Dept.</p> <p>June 2018: Director, Senior Executive Officer In charge of: Secretariat, Corporate Communication Dept., Human Resources Dept., General Affairs Dept. and Purchasing Dept.</p> <p>June 2020: Senior Executive Officer In charge of: Secretariat, Corporate Communication Dept., Human Resources Dept., General Affairs Dept. and Purchasing Dept. (current position)</p>	19,400
<p>Reason for nomination as Director</p> <p>After assuming the office of Executive Officer of the Company in April 2016, Mr. Fumitoshi Takeguchi has served as General Manager of General Affairs Dept. and Senior Executive Officer mainly in charge of Secretariat, Corporate Communication Dept., Human Resources Dept., and promoted initiatives such as strengthening governance in division/departments of the Group's head office and COVID-19 countermeasures. Through these roles, he has accumulated considerable experience and extensive knowledge in corporate and organizational management, particularly in governance and risk management. The Company believes that he is capable of contributing to the improvement of the Group's corporate value and has therefore nominated him as Director.</p>			

Nominee No.	Name (Date of Birth)	Career and Significant Concurrent Positions	Number of the Company Shares Held
7	 <p>Hideo Miyahara (June 21, 1943)</p> <p>Reappointed Nominated for outside Director Independent Officer</p>	<p>October 1989: Professor, School of Engineering Science, Osaka University</p> <p>April 1998: Dean of Graduate School of Engineering Science and School of Engineering Science, Osaka University</p> <p>April 2002: Dean of Graduate School of Information Science and Technology, Osaka University</p> <p>August 2003: President of Osaka University</p> <p>September 2007: President of National Institute of Information and Communications Technology</p> <p>April 2013: Specially Appointed Professor, Graduate School of Information Science and Technology, Osaka University</p> <p>April 2016: Guest Professor, Graduate School of Information Science and Technology, Osaka University (current position)</p> <p>June 2013: Director of the Company (current position)</p>	0
<p>Reason for nomination as Director</p> <p>Mr. Hideo Miyahara has made considerable research-related achievements in the field of information engineering over many years. In addition, he held positions as Dean of Graduate School of Information Science and Technology, Osaka University, and President of Osaka University, and has deep insight particularly in information science and technology as well as considerable experience and extensive knowledge in organizational management. Since assuming the office of Director of the Company in June 2013, Mr. Miyahara has appropriately performed his duties as an outside Director, and is therefore nominated again for outside Director.</p> <p>The Company has business transactions, such as holding a contract for the supply of gas, with Osaka University or other corporations with which Mr. Miyahara currently works or once worked. However, the amount paid by the Company to said corporations does not reach 2% of its consolidated net sales or revenues, and the amount received by the Company from said corporations does not reach 2% of the Company's consolidated net sales. In addition, although the Company has made donations to Osaka University, the amount is not more than ¥10 million on average over the past three years. Accordingly, Mr. Miyahara satisfies the criteria for determining the independence of independent officers stipulated by the Company (see page 26).</p>			

Nominee No.	Name (Date of Birth)	Career and Significant Concurrent Positions	Number of the Company Shares Held
8	 <p>Kazutoshi Murao (October 21, 1952)</p> <p>Reappointed Nominated for outside Director Independent Officer</p>	<p>April 1976: Joined Nippon Telegraph and Telephone Public Corporation</p> <p>June 2012: Representative Director and President of NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION</p> <p>June 2018: Counselor to the president, NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION (current position)</p> <p>June 2019: Director of the Company (current position)</p>	0
	<p>Reason for nomination as Director</p> <p>Mr. Kazutoshi Murao has the experience of serving as Representative Director and President of NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION and has considerable experience and extensive knowledge particularly in corporate and organizational management. Since assuming the office of Director of the Company in June 2019, Mr. Murao has appropriately performed his duties as an outside Director, and is therefore nominated again for said position.</p> <p>The Company has business transactions, such as holding contracts for the supply of gas and communications services, with NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION or other companies with which Mr. Murao currently works or once worked. However, the amount paid by the Company to said companies does not reach 2% of their consolidated net sales, and the amount received by the Company from said companies does not reach 2% of the Company's consolidated net sales.</p> <p>Accordingly, Mr. Murao satisfies the criteria for determining the independence of independent officers stipulated by the Company (see page 26).</p>		

Nominee No.	Name (Date of Birth)	Career and Significant Concurrent Positions	Number of the Company Shares Held
9	 <p>Tatsuo Kijima (September 22, 1954)</p> <p>Reappointed Nominated for outside Director Independent Officer</p>	<p>April 1978: Joined Japanese National Railways</p> <p>June 2016: President, Representative Director, and Executive Officer of West Japan Railway Company</p> <p>December 2019: Vice Chairman and Director of West Japan Railway Company (current position)</p> <p>June 2020: Director of the Company (current position)</p>	0
<p>Reason for nomination as Director</p> <p>Mr. Tatsuo Kijima has the experience of serving as President, Representative Director and Executive Officer of West Japan Railway Company and has considerable experience and extensive knowledge particularly in corporate and organizational management. Since assuming the office of Director of the Company in June 2020, Mr. Kijima has appropriately performed his duties as an outside Director, and is therefore nominated again for said position.</p> <p>The Company has business transactions, such as holding a contract for the supply of gas, with West Japan Railway Company with which Mr. Kijima currently works. However, the amount paid by the Company to said company does not reach 2% of its consolidated net sales, and the amount received by the Company from said company does not reach 2% of the Company's consolidated net sales. Accordingly, Mr. Kijima satisfies the criteria for determining the independence of independent officers stipulated by the Company (see page 26).</p>			

Nominee No.	Name (Date of Birth)	Career and Significant Concurrent Positions	Number of the Company Shares Held
10	 <p>Yumiko Sato (September 20, 1951)</p> <p>Newly appointed Nominated for outside Director Independent Officer</p>	<p>April 1975: Joined Suntory Co., Ltd.</p> <p>March 1998: General Manager of Research Institute on Continuity and Change in Life of Suntory Co., Ltd.</p> <p>March 2005: General Manager of Next Generation Institute of Suntory Co., Ltd.</p> <p>April 2008: Senior Research Fellow of Suntory Foundation (incorporated foundation)</p> <p>October 2013: Specially-appointed Professor of Otemon Gakuin University Special Professor of Institute for Creating Local Culture of Otemon Gakuin University</p> <p>May 2014: Director of Mature Society Research Institute, Otemon Gakuin Educational Foundation</p> <p>April 2015: Professor of Faculty of Regional Development Studies, Otemon Gakuin University (current position)</p> <p>April 2016: Director of Mature Society Research Institute, Otemon Gakuin University</p> <p>June 2020: Trustee of Otemon Gakuin Educational Foundation (current position)</p> <p>[Significant concurrent position] Professor of Faculty of Regional Development Studies, Otemon Gakuin University Trustee of Otemon Gakuin Educational Foundation</p>	0
<p>Reason for nomination as Director</p> <p>Ms. Yumiko Sato has made considerable achievements in the field of social studies related to life and culture. In addition, she held positions as General Manager of Next Generation Institute of Suntory Co., Ltd. and Trustee of Otemon Gakuin Educational Foundation, and has deep insight particularly in life and culture as well as considerable experience and extensive knowledge in organizational management. The Company believes that she is capable of appropriately performing the duties as an outside Director of the Company and has therefore newly nominated her for said position.</p> <p>The Company has business transactions, such as holding a contract for the supply of gas, with Otemon Gakuin Educational Foundation with which Ms. Sato currently works. However, the amount received by the Company from said foundation does not reach 2% of the Company's consolidated net sales. Accordingly, Ms. Sato satisfies the criteria for determining the independence of independent officers stipulated by the Company (see page 26).</p>			

- Notes:
1. The positions and responsibilities in the Company and other significant concurrent positions of the nominees who are currently Directors of the Company are described in the Business Report below (on pages 42–45) in addition to “Career and Significant Concurrent Positions” above. In the “Career and Significant Concurrent Positions” column, “responsible for” means monitoring and providing advice and suggestions concerning the operations of specific headquarters, organization, position or Core Non-Energy Business Company according to its managerial importance, effect on business management and other factors.
 2. None of the nominees has special interest with the Company.
 3. The Company has concluded an indemnity agreement (see page 46 in the Business Report for a summary of the agreement) with each of the nominees from No. 1 to No. 5 and from No. 7 to No. 9 who are current Directors of the Company. If the election of each of said nominees in this proposal is approved, the Company will continue said agreement with each. If the election of Mr. Fumitoshi Takeguchi and Ms. Yumiko Sato in this proposal is approved, the Company will conclude the same agreement with each of them as well.
 4. The Company has concluded a directors and officers liability insurance contract (see page 46 in the Business Report for a summary of the contract) with an insurance company insuring the Company and its Directors, Audit & Supervisory Board Members, Executive Officers, etc. (including each of the nominees from No. 1 to No. 9). If the election of Ms. Yumiko Sato in this proposal is approved, she will be covered by the said insurance contract as well. The Company plans to conclude a contract with the same terms and conditions upon expiry of the insurance period.
 5. Mr. Hideo Miyahara, Mr. Kazutoshi Murao, Mr. Tatsuo Kijima and Ms. Yumiko Sato are nominees for appointment as outside directors as specified in Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act. The number of years since the nominees for reappointment as outside Directors of the Company assumed the office will be eight, two and one, respectively, for Mr. Hideo Miyahara, Mr. Kazutoshi Murao and Mr. Tatsuo Kijima as of the close of the Meeting.
 6. Pursuant to the regulations of the stock exchanges on which the Company’s stock is listed, the Company will notify said stock exchanges that the nominees for appointment as outside directors are independent officers. (The nominees for reappointment already have been notified as such.)
 7. Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act and the Company’s Articles of Incorporation, the Company has an agreement with Mr. Hideo Miyahara, Mr. Kazutoshi Murao and Mr. Tatsuo Kijima to limit the liability for damages under Article 423, Paragraph 1 of the Companies Act, to the minimum liability amount provided for in laws and regulations. If the election of each of said nominees is approved at the Meeting, the Company will continue said agreement with each. If the election of Ms. Yumiko Sato is approved at the Meeting, the Company will conclude the same agreement with her as well.
 8. Nominees for outside Directors are expected to participate in decision-making as members of the Board of Directors and to monitor and supervise the execution of duties by executive Directors from an independent standpoint based on their experience and insight.

[Reference] Criteria for Determining the Independence of Independent Officers

The criteria for determining the independence of independent officers stipulated by the Company are as follows.

1. The individual may not be an Executive Director, Operating Officer, Executive Officer or employee (“business operator”) of the Company or its affiliates (the “Company Group”) and may not have been a business operator of the Company Group for ten years prior to being appointed.
2. The individual may not be a major vendor of the Company (*1) or a business operator thereof, and may not have been a business operator of the same for past three years.
3. The individual may not be a major client of the Company (*2) or a business operator thereof, and may not have been a business operator of the same for past three years.
4. The individual may not be a major shareholder (an individual or entity which owns 10% or more of the total voting rights, hereafter the same) of the Company or a business operator thereof.
5. The individual may not be a business operator of an entity for which the Company is a major shareholder.
6. The individual may not be receiving substantial donations (*3) from the Company or be a business operator for an entity receiving such donations.
7. In addition to remuneration as an officer, the individual may not receive substantial remuneration (*4) from the Company as a consultant, an accounting specialist such as a Certified Public Accountant, etc. or as a legal specialist such as an attorney, etc. (if the entity receiving the fees concerned is a corporation or a limited liability company, etc., any individual belonging to such an organization). The individual also may not be the accounting auditor of the Company Group.
8. If a business operator of the Company is an outside officer of another company, the individual may not be a business operator at the company concerned, the parent company or subsidiary of the company concerned.
9. The individual may not be a close relative (spouse or a relation in the second degree) of persons listed below:
 - (1) Persons who are currently or was a Director, Audit & Supervisory Board Member, Executive Officer or a key employee with an equivalent position (“important executive”) for the Company Group within the past three years.
 - (2) Of the persons in 2-6 above, those who are important executives.
 - (3) Of the persons listed in 7 above, those who have professional licenses such as Certified Public Accountants, attorneys, etc.
10. In addition to 1-9 above, individuals must not have issues that could cause constant and real conflicts of interest against the Company’s general shareholders.

*1 Payment amount to vendor accounts for 2% of its consolidated sales or more

*2 Received amount from client accounts for 2% of the Company’s consolidated sales or more, or the loan balance outstanding is 2% of the Company’s consolidated gross assets or more

*3 More than 10 million yen on average over the past three years

*4 The larger of more than 10 million yen on average over the past three years or an amount equivalent to 2% of total sales (total revenues) of the organization to which payment is made (three-year average)

Even if the individual does not satisfy any of the criteria listed above in 1-10, if the individual is suitable as an independent officer, the Company may still appoint him/her as an independent officer of the Company by providing an explanation or disclosing the reasons.

Proposal 4: Determination and Revision of Limit to Directors' Remuneration, etc. for Granting Stock-based Remuneration

1. Reason for the proposal

The Company seeks approval with respect to the payment of a new remuneration for granting restricted stock to Directors of the Company (excluding outside Directors; hereinafter the "Eligible Directors"), for the purposes of strengthening the linkage between remuneration and mid- to long-term increase in corporate value and further promoting sharing of value with the shareholders as described below (hereinafter such remuneration plan shall be referred to as the "Plan").

Remuneration under this Plan is separate from the monthly monetary remuneration (hereinafter the "Monthly Monetary Remuneration") paid to Directors (including outside Directors), and together with the introduction of this Plan, the Company also seeks approval to revise the limit for the Monthly Monetary Remuneration.

The Company has established a policy at the meeting of the Board of Directors regarding how to determine the content of remuneration, etc. for each individual Director in the event that this proposal is approved, and an overview of this policy is provided on pages 48-49 in the Business Report. The Company believes that the content of this proposal is in line with said policy and reasonable.

2. Overview of the Plan

(1) Limit for monetary remuneration and number of shares under the Plan

The total amount of monetary remuneration to be paid to the Eligible Directors for granting restricted stock under the Plan will not exceed 72 million yen per year (6 million yen per month), which is an amount deemed reasonable in light of the aforementioned purpose.

Based on a resolution of the meeting of the Board of Directors, the Eligible Directors will make in-kind contribution of all of the rights to receive monetary remuneration under this Plan, and will, in return, receive the issuance or disposal of the common shares of the Company. The total number of common shares of the Company to be issued or disposed of in this way will not exceed 48 thousand shares per year*, which is a number deemed reasonable in light of the aforementioned purpose.

The specific timing and allotment of remuneration for each Eligible Director under the Plan will be determined at the meeting of the Board of Directors.

* If a stock split (including a gratis allotment of common shares of the Company) or stock consolidation of common shares of the Company is executed on or after the day when this proposal is approved, this limit will be adjusted in accordance with the applicable split ratio, allotment ratio, or consolidation ratio. The amount to be paid per share will be the closing price of common shares of the Company on the Tokyo Stock Exchange, on the business day immediately preceding each resolution of the meeting of the Board of Directors (or, in case where no transactions are concluded on that day, the closing price on the trading day immediately preceding that day).

(2) Summary of the restricted stock allotment agreement

When the Company's common shares are issued or disposed of under the Plan, the Company will conclude a restricted stock allotment agreement with each Eligible Director (hereinafter the "Allotment Agreement").

The summary of the Allotment Agreement is as follows:

1) Transfer Restriction Period

The Eligible Directors shall not transfer, pledge or otherwise dispose of the common shares of the Company (hereinafter the “Transfer Restriction”) allotted under the Allotment Agreement (hereinafter the “Allotted Shares”) during the period that is between the date on which allotment is made under the Allotment Agreement and the date of retirement (hereinafter the “Transfer Restriction Period”).

2) Lifting of the Transfer Restriction

The Company shall lift the Transfer Restriction for all (or a portion equivalent to the completed term of office in the case of retirement before the relevant term of office expires) of the Allotted Shares held by Eligible Directors as of the time when the Transfer Restriction Period expires, provided that the Eligible Directors retire for reasons deemed reasonable by the Company or upon their demise. However, in addition to the cases detailed in 4) below, in the event of cases that fall under certain causes specified in the Allotment Agreement, the Transfer Restriction for all or a portion of the Allotted Shares may be lifted prior to the expiration of the Transfer Restriction Period.

3) Acquisition of the Allotted Shares for no consideration

The Company shall naturally acquire for no consideration the Allotted Shares for which the Transfer Restriction have not been lifted in accordance with the provisions of 2) above at the time specified in 2) above. In addition, the Company shall acquire for no consideration all or a portion of the Allotted Shares in the event of illegal conduct by the Eligible Director, the filing of a petition for the commencement of bankruptcy proceedings, or cases that fall under certain causes otherwise specified in the Allotment Agreement.

4) Treatment in the event of organizational restructuring, etc.

In the event matters relating to merger agreements in which the Company becomes the disappearing company or other forms of organizational restructuring, etc. are approved at the Meeting of Shareholders of the Company (or at a meeting of the Board of Directors if the said organizational restructuring, etc. does not require approval by the Meeting of Shareholders) during the Transfer Restriction Period, the Company shall lift the Transfer Restriction before the effective date of the said organizational restructuring, etc. for a number of Allotted Shares reasonably determined by taking into account the period from the starting date of the Transfer Restriction Period to the effective date of said organizational restructuring, etc. Furthermore, in the case provided for above, the Company shall naturally acquire for no consideration the Allotted Shares for which the Transfer Restriction have not been lifted, at the time immediately after the lifting of the Transfer Restriction.

3. Revision of the limit to Monthly Monetary Remuneration

Together with the introduction of this Plan, the Company proposes to revise the amount of Monthly Monetary Remuneration for Directors (including outside Directors) to up to 57 million yen month, which is the amount obtained by deducting the monetary remuneration limit under this Plan of 6 million yen per month from the previously approved limit of up to 63 million yen per month. As a result, the total amount of remuneration under this Plan combined with the Monthly Monetary Remuneration will not exceed 63 million yen per month, the same amount as before.

Note: Should Proposal 3 and this proposal be approved as proposed, the number of Directors who are eligible for this Monthly Monetary Remuneration will be 10 (including four outside Directors, within 5 million yen per month) and the number of Directors who are eligible for stock-based remuneration will be six (outside Directors are not included).

Business Report (April 1, 2020 to March 31, 2021)

I. Current Situation of the Business Group

1. Business Operations and Results

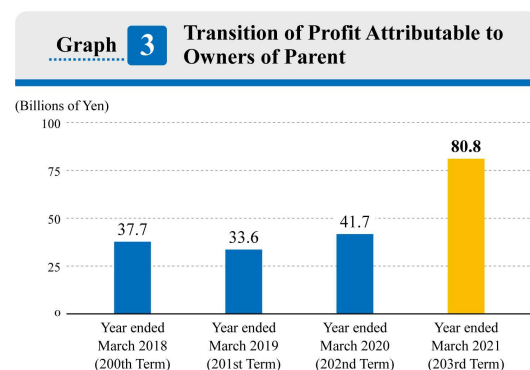
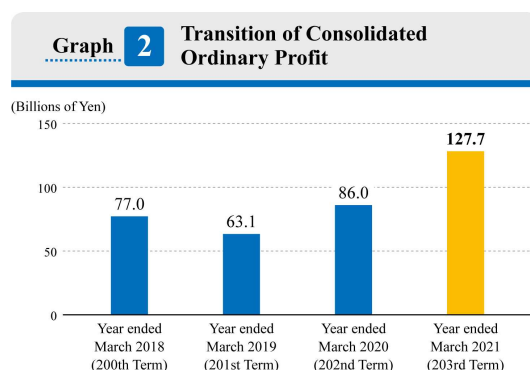
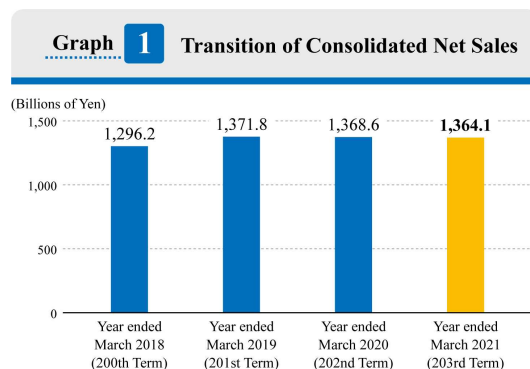
During the fiscal year under review, despite a substantial slump resulting from the spread of COVID-19, our country's economy showed some signs of improvement in the second half, including growth in exports and production mainly in the manufacturing sector, as the global economy started to recover.

In such a business environment, the Daigas Group (hereinafter referred to as the "Group") has proactively conducted its businesses with the aim of becoming a corporate group that "powers continuous advancement in consumer life and business."

Consolidated net sales of the Group for the fiscal year under review decreased by 0.3% from the previous year to ¥1,364.1 billion, mainly due to the lower sales unit price under the fuel cost adjustment system in the gas business despite an increase in electricity sales volume in the electricity business (see Graph 1).

Consolidated ordinary profit increased by 48.5% from the previous year to ¥127.7 billion mainly due to an increase in profit in the international energy business from the Freeport LNG project and the upstream project in the United States, in addition to an increase in profit in the gas business and the electricity business (see Graph 2).

Profit attributable to owners of parent increased by 93.5% from the previous year to ¥80.8 billion (see Graph 3).



An overview of the Group's operations by business segment was as follows.

(1) Domestic Energy/Gas

Net sales decreased by 6.2% from the previous year to ¥916.0 billion.

The city gas sales volume for residential use increased by 3.4% from the previous year to 1,904 million cubic meters, mainly due to lower air and water temperatures in winter.

The city gas sales volume for business use decreased by 4.9% from the previous year to 5,253 million cubic meters primarily due to decline in the operation of facilities for customers affected by COVID-19.

As a result, total city gas sales volume decreased by 2.8% from the previous year to 7,157 million cubic meters.

City gas was supplied to 5,144 thousand accounts as of March 31, 2021.

Regarding gas appliances and services for residential customers, we endeavored to develop and expand sales of products, such as the residential fuel cell cogeneration system "ENE-FARM," as well as devices and equipment for hot water supply, air heating and cooking. In addition, we have provided a range of services, including the "Sumikata Service" which involves repairing gas appliances and plumbing as well as disaster/crime prevention.

In April 2020, we put a new model of "ENE-FARM type S" on the market. Compared to previous models, the new model has realized higher power generation efficiency and downsizing, while offering enhanced functions utilizing IoT available in conjunction with a smartphone application. In December 2020, this model was awarded the Prize of the Chairman of the Energy Conservation Center, Japan, in the 2020 Energy Conservation Grand Prize Awards (Best Products and Business Models). A model equipped with an autonomous operation function that supplies electricity and heat during a power outage, is also available.

Furthermore, in March 2021, we remodeled our membership website My Osaka Gas* and endeavored to enhance posted contents through efforts such as revising the loyalty point system and expanding the service for providing e-mail alerts on information on disaster prevention.

* A membership website that offers various services, including a loyalty point system and function to check gas and electricity usage and fees.



Publicizing the Daigas Group brand



Gas stove "Class S Premiere"



"ENE-FARM type S"

Regarding gas appliances and services for business use, we engaged in efforts at product development and sales promotion for such products as cogeneration systems, air-conditioning systems, kitchen instruments, boilers, industrial furnaces and burners, while endeavoring to offer high-value-added solutions by utilizing our engineering capabilities to satisfy customer's needs.

In April 2020, we put GHP XAIR III, a new product of air-conditioning system, on the market. Compared to previous models, the new product has improved annual energy efficiency by approximately 10% and has achieved reduction in installation space and weight. In December 2020, this model was awarded the Prize of Director General of Agency for Natural Resources and Energy of the 2020 Energy Conservation Grand Prize Awards (Best Products and Business Models).

We made the decision to sell carbon neutral city gas¹ to corporate customers using CO₂ credits to achieve a decarbonized society, and started accepting applications in April 2021.

In addition, we have been conducting basic research on high-efficiency methanation technology², a promising technology for the decarbonization of city gas, and have succeeded for the first time in Japan in prototyping a practical-sized cell (substrate) for a new type of SOEC, which is the key to realizing this technology. We will continue to promote research and development with the goal of establishing this technology around 2030.

*1 Carbon neutral city gas uses LNG that offsets CO₂ emissions in the process of drilling, transport, production, and combustion of natural gas by CO₂ credits.

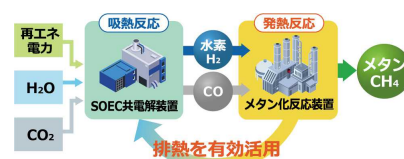
*2 Technology using Solid Oxide Electrolysis Cell (SOEC) to generate hydrogen and CO through the electrolysis of steam and CO₂ with power from renewable energy, and then synthesizing methane with a catalytic reaction.

To ensure stable supply and security, continuous efforts were made throughout the year to diversify natural gas procurement sources, ensure good maintenance and well-planned renovations of gas production and supply facilities including utilization of AI technology, promote the spread of gas appliances equipped with safety functions, and implement measures for COVID-19.

We have also made continued efforts to prepare for earthquakes and tsunamis by conducting measures including a company-wide disaster-prevention drill in September 2020, in which the Company confirmed



"GHP XAIR III"



Conceptual image of methanation technology with high efficiency



Company-wide disaster-prevention drill

our disaster response while maintaining measures for infectious diseases, assuming an earthquake occurred during the spread of an infectious disease.

(2) Domestic Energy/Electricity

Net sales increased by 22.7% from the previous year to ¥247.2 billion.

The electricity sales volume increased by 22.3% from the previous year to 16,133 million kWh.

The number of electricity subscribers under low-voltage electricity contracts reached 1.51 million as of March 31, 2021.

In March 2021, the Company added new plans to “Style Plan E-ZERO,” an electricity rate plan for customers who wish to use environmentally friendly electricity, and started accepting applications. The Company also offered the “D-Green” series, a new electricity rate plan for corporate customers who promote decarbonization, and started accepting applications from April 2021. Through these efforts, the Company endeavored to expand rate plans and sales of electricity.

A natural gas-fired power plant (with generating capacity of 1.18 million kW) of Fukushima Gas Power Co., Ltd. (20% ownership) in Shinchi-machi, Soma-gun, Fukushima Prefecture and a biomass power plant (with generating capacity of about 50,000 kW) of Ichihara Biomass Power Co., Ltd. (39% ownership) in Ichihara, Chiba Prefecture, both started commercial operation.

In addition, the Company has participated in other projects, including onshore wind power generation (with generating capacity of about 40,000 kW, construction scheduled for completion in March 2022; 39% ownership by silent partnership) in Noheji-cho, Kamikita-gun, Aomori Prefecture and biomass power generation (with generating capacity of about 70,000 kW, construction scheduled for completion in October 2024; 25% ownership) in Tahara, Aichi Prefecture.

In addition to these projects, the Company concluded a long-term contract with West Holdings Corporation to procure 200,000 kW of renewable energy bundling with zero-carbon credits from small-scale photovoltaic power facilities they developed. Through these efforts, the Company strived to expand its power sources from natural gas-fired power generation and renewable energy power generation.

As a result, the total contribution to the spread of renewable energy



Advertisement for electricity retail business



Ichihara Biomass Power Plant
(Chiba Prefecture)



Small-scale photovoltaic power generation facilities developed by West Holdings Corporation

sources, including contributions from overseas included in the International Energy segment, reached about 1.05 million kW as of March 31, 2021.

(3) International Energy

Net sales increased by 13.0% from the previous year to ¥69.1 billion.

Sabine Oil & Gas Corporation (100% ownership), operating a shale gas production and development business in Texas, the United States, showed favorable performance, with gas production surpassing planned results.

In August 2020, we acquired a 15% equity interest of the company operating CPV Three Rivers Energy Center, a natural gas-fired power plant (with a generating capacity of 1.25 million kW, commercial operation scheduled to start in May 2023) under development in Illinois, the United States, to participate in power generation.

In March 2021, Sojitz Osaka Gas Energy Company Ltd. (49% ownership), a joint venture company with Sojitz Corporation located in Vietnam, concluded a supply agreement with a local subsidiary of ACECOOK CO., LTD. to provide natural gas to two food plants, switching their fuel source from coal to natural gas.

(4) Life & Business Solutions

Net sales decreased by 1.3% from the previous year to ¥216.5 billion.

Osaka Gas Urban Development Co., Ltd., a group company engaged in the urban development business, expanded its assets by acquiring three rental apartment buildings, including “Urbanex Akihabara East III” and completing the construction of a large rental apartment building “KRP Building No. 10.” The company also completed the construction of three condominium buildings, including “SCENES Otemae” during the fiscal year under review.

OGIS-RI Co., Ltd., a group company engaged in the information solutions business, strove to provide comprehensive IT services, including consultation, design, development and operation of corporate information systems, as well as data centers and cloud services.

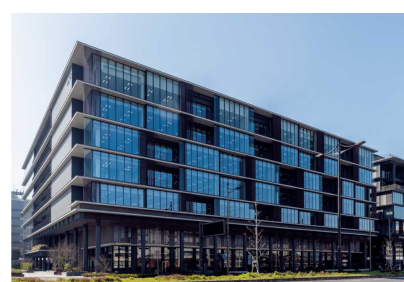
Osaka Gas Chemicals Co., Ltd., a group company engaged in the material solutions business, strove to develop and expand sales of high-value-added materials, including fine materials, carbon products and preservatives based on its coal chemistry technology and other technologies.



Shale gas mining area of Sabine Oil & Gas Corporation (Texas, US)



Three Rivers natural gas-fueled thermal electric generation center (Illinois, US)



KRP Bldg#10 (Kyoto Prefecture)

[Net Sales and Segment Profit for Each Business Segment]

	Domestic Energy/Gas	Domestic Energy/Electr icity	International Energy	Life & Business Solutions
Net sales (Billions of Yen)	916.0	247.2	69.1	216.5
Percentage change from previous year (%)	(6.2)	+22.7	+13.0	(1.3)
Percentage of net sales (%)	63.2	17.1	4.8	14.9
Segment profit (Billions of Yen)	65.3	15.0	22.1	19.2
Percentage change from previous year (%)	+22.8	+91.4	+170.9	(2.2)
Percentage of segment profit (%)	53.7	12.3	18.2	15.8

Note: The net sales and segment profit for each business segment include amounts relating to inter-segment transactions. Segment profit includes the share of profit (loss) of entities accounted for using equity method.

Due to the reorganization as of April 1, 2020, one consolidated subsidiary, has been transferred to the Domestic Energy/Gas segment from the Domestic Energy/Electricity segment from the fiscal year under review. Percentage change from previous year in this Business Report are calculated upon reflecting this change.

2. Principal Activities of the Group (as of March 31, 2021)

Business Segment	Major Businesses
Domestic Energy/Gas	Production, supply and sale of city gas, sale of gas appliances, gas piping work, and sale of LNG, LPG and industrial gases
Domestic Energy/Electricity	Power generation and sale of electricity
International Energy	Development and investment relating to natural gas and oil, supply of energy and transportation of LNG
Life & Business Solutions	Development and leasing of real estate, information processing service and sale of fine materials and carbon products

3. Capital Investment Activities

The amount of capital investments by the Group was ¥189.4 billion.

We lengthened the Company's gas trunk and branch lines by 186 kilometers, bringing the total length to 51,383 kilometers as of the end of the fiscal year under review.

Other capital investment activities included works for ensuring stable supply and security at gas production and supply facilities, equipment works related to natural gas development and production businesses in our subsidiaries and construction of power plants.

4. Financing Activities

During the fiscal year under review, the Group borrowed ¥35.9 billion and repaid ¥44.5 billion of long-term loans. With respect to corporate bonds*, the Group issued ¥75.0 billion of subordinated bonds and redeemed ¥30.0 billion during the fiscal year under review.

*Short-term bonds are not included.

5. Outstanding Issues

(1) Management Policies

As a corporate group that “powers continuous advancement in consumer life and business,” the Group aims to create “Value for Customers,” “Value for Society,” “Value for Shareholders” and “Value for Employees” by providing various products and services relating to not only the energy business, including natural gas, electricity and LPG, but also its peripheral services and non-energy businesses, such as urban development, materials and information businesses. With the recognition that achieving sustainable growth is the Group’s biggest managerial issue in pursuing the above aim, the Group formulated the 2030 Long-term Management Vision “Going Forward Beyond Borders” in 2017 and the new Medium-term Management Plan 2023 “Creating Value for a Sustainable Future” in March 2021.

In line with said vision and plan, the Group will contribute to the realization of a sustainable society and proactively promote its business operations with the aim of becoming an innovative and preferred energy & service company through the ages, while appropriately responding to governmental policy changes, such as the full deregulation of the retail electricity and gas markets.

Furthermore, in line with the Carbon Neutral Vision formulated in January 2021, we will promote initiatives to achieve carbon neutrality in the Group’s business activities by decarbonizing city gas through the development of methanation and other technologies, and by decarbonizing power sources mainly through renewable energy. In the process of realizing this goal, we will continue to make steady efforts to reduce CO₂ emissions and contribute to the realization of a low-carbon society.

(2) Priority Issues

In the Medium-term Management Plan 2023, we set forth “co-create value for a sustainable future” and “evolve our corporate group” as our key strategies. Through value creation that contributes to solving social issues through each initiative and setting out Domestic Energy Business, International Energy Business, and Life & Business Solutions Business as our three pillars, the Group aims to practice portfolio management that accommodates changes in the future business environment. To achieve this, the Group will address the following issues.

(a) Domestic and International Energy Business

(i) Ensuring stable and economical procurement and promoting the upstream (exploration and production) and liquefaction businesses

We endeavor to ensure the stable procurement of fuels and raw materials such as natural gas by diversifying sources, by way of procuring from many producers. Through the diversification of price indices and other efforts, we aim to procure fuels and raw materials so as to increase our market competitiveness.

To ensure the stable procurement of natural gas, etc. and corporate earnings, we will steadily promote the existing liquefaction and gas field projects.

(ii) Ensuring competitive power sources and expansion of renewable energies

Through such efforts as the development of new power sources at home and abroad and procurement of electricity through the wholesale power market, we will seek to construct a competitive portfolio of power sources. For renewable energy in particular, we will promote development in Japan and expand our procurement sources while strengthening our participation in business overseas.

(iii) Stable and safe energy supply

We will continue to address such issues as the maintenance, reinforcement and renovation of gas production, supply and power generating facilities and the implementation of countermeasures against natural disasters including earthquakes and tsunamis and other events including the outbreak of infectious diseases such as COVID-19 for stable supply and improvement of resilience. We also continue to provide responses to emergencies such as gas leakages to secure safety at customer locations.

(iv) Expanding the marketer businesses in Japan and abroad

By encouraging wider use of gas cogeneration systems such as fuel cell systems, as well as gas air-conditioning systems, expanding the sales of electricity and LPG, and building an energy network that combines decentralized power sources with renewable energy, we will contribute to the solution of social issues, including the shift to a low-carbon/decarbonized society and improvement of resilience. Pivoting on digital technologies, we will also enhance and broaden the range of life support services, such as the “Sumikata Service,” and services peripheral to the energy business, including the management and maintenance of buildings and facilities, air conditioning and ventilation, water treatment, and energy saving and the visualization of operational status of facilities. In addition, we will offer a range of energy rate menus according to customers’ lifestyles and business requirements so that we can contribute to the enhancement of customers’ living environment as well as their business growth. Furthermore, we will promote alliances with various business partners, including energy business operators in various locations, thereby expanding the marketer business in a wider geographic area in Japan.

Outside of Japan, we will promote steady management of the electric power, gas and energy service businesses in which we are involved, while seeking the chance for participating in new projects.

(v) Developing energy infrastructure and expanding the engineering business

We will expand efforts to develop new energy infrastructure, such as LNG terminals, in and outside Japan. Toward the customers who are considering the use of LNG, we will propose solutions that meet the customers’ needs based on the expertise accumulated through our business experience, thereby broadening the scope of our engineering business.

(vi) Promoting a fair and efficient gas pipeline service business

We are committed to making continuous efforts to maintain and expand the demand for city gas, while ensuring neutrality and transparency and enhancing the convenience of the transportation service, and meeting the needs of communities and consumers.

(b) Life & Business Solutions Business

Based on the expertise and knowledge accumulated through our energy businesses, we will offer products and services that capitalize our unique strengths in our non-energy businesses relating to urban development, materials and information, thereby helping our customers at home and abroad to achieve comfort, convenience and good health and contributing to the advancement of the life and business of our customers.

(c) Operating Foundations

(i) Practice of management with attention to ESG (Environment, Society and Governance)

In accordance with the “Daigas Group Charter of Business Conduct,” we will ensure corporate management paying attention to ESG. In tandem with the parties involved with the supply chain of the Group at home and abroad, we will make continued efforts to gain greater trust from our customers and society.

Specifically, we will expand efforts to cut CO₂ emissions from customers’ and our own business activities by promoting a fuel shift to natural gas and the introduction of highly efficient facilities and renewable energy, as well as enhance information disclosure regarding our initiatives for decarbonization based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In addition, we will promote efforts to ensure human rights and industrial safety and health in compliance with international norms and launch measures to ensure diversity and inclusion, information security, and the establishment of a governance system.

(ii) Promoting innovation, technological development and digital transformation

We will seek to create new value by offering services utilizing the latest digital technologies and internal and external ideas, such as IoT and AI, and improving productivity through operation reforms and system renovations inside the Company.

We will also promote efforts to achieve higher efficiency and lower costs for gas appliances and facilities, including fuel cell systems, and to develop technologies relating to new materials, information processing, and the prevention of global warming, etc.

(iii) Reinforcing human resources and organization

To achieve sustainable growth, we will advance efforts to increase the diversity of human resources, hire and develop human talent who can create new value, and nurture a corporate climate that encourages employees to take on challenges. We will also step up efforts in working style reforms to promote highly productive and creative ways of working so that the Group will stay healthy and resilient.

(3) Conclusion

The Group will continue to implement highly effective internal controls by monitoring and assessing its internal control system and providing necessary measures. With such a system effectively in place, the Group tackles the issues described above and exerts ceaseless efforts to achieve sustainable growth by implementing the “Daigas Group Corporate Principles.”

The Group looks forward to the continued support and encouragement from all shareholders.

6. Financial Position and Profits and Losses

Division	Year ended March 2018 (200th Term)	Year ended March 2019 (201st Term)	Year ended March 2020 (202nd Term)	Year ended March 2021 (203rd Term)
Net sales (Millions of Yen)	1,296,238	1,371,863	1,368,689	1,364,106
Ordinary profit (Millions of Yen)	77,087	63,103	86,018	127,752
Profit attributable to owners of parent (Millions of Yen)	37,724	33,601	41,788	80,857
Basic earnings per share (Yen) ¹	90.71	80.80	100.50	194.48
Total assets ² (Millions of Yen)	1,897,230	2,029,722	2,140,482	2,313,357
Net assets (Millions of Yen)	1,028,799	1,035,044	1,027,667	1,114,597

Notes: 1. Basic earnings per share from the year ended March 2018 (200th term) to the year ended March 2021 (203rd term) were calculated on the assumption that the reverse stock split as of October 1, 2017, had been conducted at the beginning of the year ended March 2018 (200th term).

2. “Partial Amendments to Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) have been applied from the 201st term and are retrospectively applied to the 200th term in the above calculation.

7. Major Offices, Plants and Employees (as of March 31, 2021)

(1) Major Offices, etc.

The Company	Head Office	Head Office (Osaka Prefecture)
	Offices ¹	Osaka Office (Osaka Prefecture) Nambu Office (Osaka Prefecture) Hokubu Office (Osaka Prefecture) Tobu Office (Osaka Prefecture) Hyogo Office (Hyogo Prefecture) Keiji Office (Kyoto Prefecture)
	LNG Terminals	Semboku LNG Terminals (Osaka Prefecture) Himeji LNG Terminal (Hyogo Prefecture)
	Research Center	Energy Technology Laboratories (Osaka Prefecture)
Subsidiaries ²		Osaka Gas Urban Development Co., Ltd. (Osaka Prefecture) OGIS-RI Co., Ltd. (Osaka Prefecture) Osaka Gas Chemicals Co., Ltd. (Osaka Prefecture) Osaka Gas Marketing Co., Ltd. (Osaka Prefecture) Daigas Energy Co., Ltd. (Osaka Prefecture) Daigas Gas and Power Solution Co., Ltd. (Osaka Prefecture)

(2) Employees

Business Segment	Number of Employees ³
Domestic Energy/Gas	11,146
Domestic Energy/Electricity	268
International Energy	292
Life & Business Solutions	9,235
Total	20,941

Notes:

1. Network Company has a regional pipeline department in each of the Company's offices. The Energy Solution Business Unit conducts its business activities by departments organized by type of business.
2. The head office locations of the principal subsidiaries are shown as major offices.
3. The above number of employees indicates the number of employees currently on duty.

8. Outline of Principal Subsidiaries (as of March 31, 2021)

The Group treats the following affiliated companies that play a central role in energy business and other businesses and that are positioned as elementary units for the management of the Group as Core Non-Energy Business Companies and Core Energy Business Companies, which the Group recognizes as principal subsidiaries.

Category	Company	Capital (Millions of Yen)	Holding (%)	Main Activities
Core Non-Energy Business Companies	Osaka Gas Urban Development Co., Ltd.	1,570	100	Development, leasing, management, and sale of real estate
	OGIS-RI Co., Ltd.	440	100	Development of software and information processing services via computers
	Osaka Gas Chemicals Co., Ltd.	14,231	100	Manufacture and sale of fine materials, carbon products, etc.
Core Energy Business Companies	Osaka Gas Marketing Co., Ltd.	100	100	Sales of gas and electricity for residential use; sales and maintenance of gas appliances; and home renovation
	Daigas Energy Co., Ltd.	310	100	Sales of gas and electricity for business use; sales and maintenance of gas appliances; energy service business; sales of LNG and LPG; and heat supply business
	Daigas Gas and Power Solution Co., Ltd.	100	100	Operation and maintenance of LNG terminals and power plants; power generation and sales of electricity; and engineering service business

Note. The Group has 154 consolidated subsidiaries, including the above six principal subsidiaries.

Effective April 1, 2021, the following affiliated company that plays a central role in the resources and international energy fields and positioned as an elementary unit for the management of the Group was newly established as an overseas regional headquarters. In addition to the Core Non-Energy Business Companies and Core Energy Business Companies, the said overseas regional headquarter company—headquartered in Texas, the United States—is also recognized as a principal subsidiary.

Company	Capital (US Dollar)	Holding (%)	Main Activities
Osaka Gas USA Corporation	1	100	Investment, etc. relating to oil, natural gas and energy supply businesses in North America

9. Major Lenders (as of March 31, 2021)

Lenders	Loans Outstanding (Millions of Yen)
Resona Bank, Limited	76,827
MUFG Bank, Ltd.	38,326
Development Bank of Japan Inc.	27,959
Japan Bank for International Cooperation	24,622
The Bank of Kyoto, Ltd.	17,035

II. Officers

1. Details of Directors and Audit & Supervisory Board Members (as of March 31, 2021)

Position	Name	Business in Charge	Significant Concurrent Positions
Chairman and Director	Takehiro Honjo		Member of the Osaka Prefectural Public Safety Commission Director of Osaka Gas Urban Development Co., Ltd.
Representative Director and President Executive President	Masataka Fujiwara		Director of OGIS-RI Co., Ltd. Director of Osaka Gas Chemicals Co., Ltd.
Representative Director Executive Vice-President	Tadashi Miyagawa	Head of Technology Head of LNG, Power & Engineering Business Unit President of Innovation Headquarters In charge of: Regional Co-Creation Division, Tokyo Branch, Auditing Dept., Regional Resident Representative and Overall Regional Resident Representative Responsible for: OGIS-RI Co., Ltd. Osaka Gas Chemicals Co., Ltd.	Director of OGIS-RI Co., Ltd. Director of Osaka Gas Chemicals Co., Ltd.
Representative Director Executive Vice-President	Takeshi Matsui	Head of ESG Promotion President of Corporate Planning Headquarters Responsible for: Energy Resources & International Business Unit Network Company Secretariat, Corporate Communication Dept., Human Resources Dept., General Affairs Dept. and Purchasing Dept.	
Representative Director Executive Vice-President	Takayuki Tasaka	Head of Customer Services Head of Energy Solution Business Unit Responsible for: Osaka Gas Urban Development Co., Ltd.	Director of Osaka Gas Urban Development Co., Ltd.
Director	Hiroshi Ozaki	Senior Advisor	Chairman of Osaka Chamber of Commerce and Industry Member of the Board of Governors of Japan Broadcasting Corporation Director of Shionogi & Co., Ltd.
Director	Hideo Miyahara		Guest Professor, Graduate School of Information Science and Technology of Osaka University Representative Director of KNOWLEDGE CAPITAL Director of West Japan Railway Company

Position	Name	Business in Charge	Significant Concurrent Positions
Director	Kazutoshi Murao		Counselor to the president of NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION Vice Chairman of Kansai Economic Federation Director of Keihan Holdings Co., Ltd.
Director	Tatsuo Kijima		Vice Chairman and Director of West Japan Railway Company
Audit & Supervisory Board Member (full-time)	Toshimasa Fujiwara		
Audit & Supervisory Board Member (full-time)	Hisaichi Yoneyama		
Audit & Supervisory Board Member	Yoko Kimura		Director of Nara Prefectural University
Audit & Supervisory Board Member	Eiji Hatta		Chancellor and Chairperson of the Board of Trustees of The Doshisha Chairman of Japan Student Baseball Association President of Japan High School Baseball Federation Vice Chairman of Japan University Auditors Association
Audit & Supervisory Board Member	Shigemi Sasaki		Governor, Kinki Branch of Japan Bar Association

Notes:

- 1) “Responsible for” in the “Business in Charge” column means monitoring and providing advice and suggestions concerning the operations of specific headquarters, division/department, organization, position, Core Non-Energy Business Company or person in a designated position according to its managerial importance, effect on business management and other factors.
- 2) Directors Hideo Miyahara, Kazutoshi Murao and Tatsuo Kijima are outside directors as specified in Article 2, Item 15 of the Companies Act.
- 3) Audit & Supervisory Board Members Yoko Kimura, Eiji Hatta and Shigemi Sasaki are outside audit & supervisory board members as specified in Article 2, Item 16 of the Companies Act.
- 4) All of the outside Directors and outside Audit & Supervisory Board Members have been notified as independent officers pursuant to the provisions prescribed by each stock exchange where the shares of the Company are listed.
- 5) There are no special relationships between the entities set out in the column “Significant Concurrent Positions” for each outside Director/outside Audit & Supervisory Board Member and the Company.
- 6) Director Tatsuo Kijima and Audit & Supervisory Board Member Hisaichi Yoneyama were newly appointed at the 202nd Annual Meeting of Shareholders held on June 26, 2020, and assumed their respective offices on the same day.
- 7) In the column of “Significant Concurrent Positions,” “Director of Shionogi & Co., Ltd.” for Director Hiroshi Ozaki, “Director of West Japan Railway Company” for Director Hideo Miyahara, and “Director of Keihan Holdings Co., Ltd.” for Director Kazutoshi Murao, are all outside director positions.

Note 8) Changes in the “Position” and “Business in Charge” of Directors during the fiscal year under review:

On January 1, 2021, there was a partial change in the positions of Directors (excluding outside Directors) and businesses they are in charge of. Their positions and businesses before the change were as follows, while those after the change are the same as the status as of March 31, 2021 presented above.

Position	Name	Business in Charge
Representative Director and Chairman	Hiroshi Ozaki	
Representative Director and President Executive President	Takehiro Honjo	
Representative Director Executive Vice-President	Masataka Fujiwara	Head of Customer Services, Head of Technology, Head of Energy Solution Business Unit, President of Innovation Headquarters Responsible for: Osaka Gas Urban Development Co., Ltd., OGIS-RI Co., Ltd., and Osaka Gas Chemicals Co., Ltd.
Representative Director Executive Vice-President	Tadashi Miyagawa	Head of LNG, Power & Engineering Business Unit In charge of: Regional Co-Creation Division, Tokyo Branch, Auditing Dept., Regional Resident Representative and Overall Regional Resident Representative
Representative Director Executive Vice-President	Takeshi Matsui	Head of ESG Promotion Responsible for: Energy Resources & International Business Unit, Network Company, Corporate Planning Headquarters, Secretariat, Corporate Communication Dept., Human Resources Dept., General Affairs Dept. and Purchasing Dept.
Director Senior Executive Officer	Takayuki Tasaka	President of Corporate Planning Headquarters

Note 9) Changes in the “Significant Concurrent Positions” during the fiscal year under review:

Director Masataka Fujiwara retired as Director of Osaka Gas Urban Development Co., Ltd. as of December 31, 2020.

Director Tadashi Miyagawa assumed the office of Director of OGIS-RI Co., Ltd. and Director of Osaka Gas Chemicals Co., Ltd. as of January 5, 2021.

Director Takayuki Tasaka retired as Representative Director and President of Osaka Rinkai Energy Service Corporation as of April 1, 2020.

Director Takayuki Tasaka assumed the office of Director of Osaka Gas Urban Development Co., Ltd. as of January 5, 2021.

Director Hiroshi Ozaki retired as Director of OGIS-RI Co., Ltd. and Director of Osaka Gas Chemicals Co., Ltd. as of December 31, 2020.

Director Hiroshi Ozaki retired as Director of Asahi Broadcasting Group Holdings Corporation as of February 28, 2021.

Director Hiroshi Ozaki assumed the office of Member of the Board of Governors of Japan Broadcasting Corporation as of March 1, 2021.

Director Kazutoshi Murao retired as Director of Mitsubishi Tanabe Pharma Corporation as of June 19, 2020.

Note 10) Changes in the “Business in Charge” of Directors after the end of the fiscal year under review:

As of April 1, 2021, Directors’ businesses they are in charge of were as follows.

Position	Name	Business in Charge
Chairman and Director	Takehiro Honjo	
Representative Director and President Executive President	Masataka Fujiwara	
Representative Director Executive Vice-President	Tadashi Miyagawa	Head of Technology President of Innovation Headquarters In charge of: Tokyo Branch, Auditing Dept. and Overall Representative Responsible for: LNG, Power & Engineering Business Unit OGIS-RI Co., Ltd. and Osaka Gas Chemicals Co., Ltd.
Representative Director Executive Vice-President	Takeshi Matsui	Head of Safety Head of ESG Promotion President of Corporate Planning Headquarters Responsible for: Energy Resources & International Business Unit, Network Company, Secretariat, Corporate Communication Dept., Human Resources Dept., General Affairs Dept. and Purchasing Dept.
Representative Director Executive Vice-President	Takayuki Tasaka	Head of Customer Services Head of Energy Solution Business Unit Responsible for: Osaka Gas Urban Development Co., Ltd.
Director	Hiroshi Ozaki	Senior Advisor
Director	Hideo Miyahara	
Director	Kazutoshi Murao	
Director	Tatsuo Kijima	

Note 11) Changes in the “Significant Concurrent Positions” after the end of the fiscal year under review:

Director Takehiro Honjo assumed the office of Chairperson of The Japan Gas Association as of April 1, 2021.
Audit & Supervisory Board Member Shigemi Sasaki assumed the office of Head of Kinki Branch of Japan Bar Association as of May 1, 2021.

2. Indemnity Agreement

The Company has concluded indemnity agreements with the Directors and Audit & Supervisory Board Members listed in “II. 1. Details of Directors and Audit & Supervisory Board Members” above for the purpose of indemnifying them for the costs set forth in Article 430-2, Paragraph 1, Item 1 of the Companies Act and the losses set forth in Item 2 of the same Paragraph to the extent permitted by laws and regulations.

In order to ensure that the said indemnity agreement does not impair the appropriateness of the execution of duties by officers, the Company mainly stipulates the following matters in the said indemnity agreement.

- The maximum amount of indemnification per event
- Indemnification will not apply to costs or losses incurred as a result of duties executed while being aware that they violate laws and regulations
- A portion of the losses shall be borne by the officer himself/herself

3. Directors and Officers Liability Insurance Contract

In January 2021, the Company concluded an insurance contract with an insurance company to cover damages, etc. (compensation for statutory damages, litigation costs, etc.) incurred by the insured as a result of claims for damages against them, with the Company and its Directors, Audit & Supervisory Board Members, executive officers, employees in middle management¹ and officers dispatched to external entities² as the insured³.

*1 Important employees such as managers of basic organizations who are appointed by the resolution of the Board of Directors.

*2 Persons who hold the position of Director, executive officer, Audit & Supervisory Board Member, or accounting advisor under the Companies Act (including positions that are considered equivalent to these positions) at an external corporation as per the Company’s instructions, etc.

*3 Includes persons who resigned or retired from the insured position on or after January 25, 1992, and persons who were newly appointed to the insured position during the insurance period.

In order to ensure that the said insurance contract does not impair the appropriateness of the execution of duties by the insured, the Company mainly stipulates the following matters in the said insurance contract.

- The total limit of insurance claims during the insurance period
- Insurance claims will not cover damages caused for personal benefits, receiving provision of convenience illegally, criminal acts, etc.
- A portion of the damage shall be borne by the insured himself/herself

Insurance premiums under the insurance contract are fully borne by the Company.

4. Outside Officers

(1) Principal Activities

The principal activities of outside officers are shown in the table below.

The Company expects outside Directors to participate in decision-making as members of the Board of Directors, and to monitor and supervise the execution of duties by executive Directors from an independent position based on their experience, knowledge and other assets. They appropriately fulfill their roles by attending and making comments at meetings of the Board of Directors and the voluntarily appointed advisory committee.

Position	Name	Attendance and Comments
Director	Hideo Miyahara	Hideo Miyahara attended 12 out of 12 meetings of the Board of Directors. He made comments as appropriate based on his considerable experience and extensive knowledge in organizational management and from his independent position as an outside Director.
Director	Kazutoshi Murao	Kazutoshi Murao attended 12 out of the 12 meetings of the Board of Directors. He made comments as appropriate based on his considerable experience and extensive knowledge in corporate and organizational management and from his independent position as an outside Director.
Director	Tatsuo Kijima	Tatsuo Kijima attended 10 out of the 10 meetings of the Board of Directors held after he assumed the office of Director of the Company on June 26, 2020. He made comments as appropriate based on his considerable experience and extensive knowledge in corporate and organizational management and from his independent position as an outside Director.
Audit & Supervisory Board Member	Yoko Kimura	Yoko Kimura attended 12 out of 12 meetings of the Board of Directors and attended 13 out of 13 meetings of the Audit & Supervisory Board. She made comments as appropriate based on her considerable experience and extensive knowledge in organizational management and from her independent position as an outside Audit & Supervisory Board Member.
Audit & Supervisory Board Member	Eiji Hatta	Eiji Hatta attended 12 out of 12 meetings of the Board of Directors and attended 13 out of 13 meetings of the Audit & Supervisory Board. He made comments as appropriate based on his considerable experience and extensive knowledge in organizational management and from his independent position as an outside Audit & Supervisory Board Member.
Audit & Supervisory Board Member	Shigemi Sasaki	Shigemi Sasaki attended 12 out of 12 meetings of the Board of Directors and 13 out of 13 meetings of the Audit & Supervisory Board. He made comments as appropriate based on his considerable experience and specialized knowledge as a legal professional and from his independent position as an outside Audit & Supervisory Board Member.

(2) Summary of Agreement Limiting Liability

Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act and the Company's Articles of Incorporation, the Company has an agreement with each of the outside Directors and outside Audit & Supervisory Board Members to limit the liability for damages under Article 423, Paragraph 1 of the Companies Act to the minimum liability amount provided for in laws and regulations.

5. Remuneration for Directors and Audit & Supervisory Board Members

(1) Decision Policies on Content of Remuneration, etc. for Each Individual Director

The Company has established a policy on determining the content of remuneration, etc. for each individual Director (hereinafter the “Policy on Determining Remuneration”) as prescribed by the resolution of the Board of Directors after deliberation at a voluntarily appointed advisory committee made up of a majority of the outside Directors. This policy is summarized in the table* below.

* This table presents the Policy on Determining Remuneration after the introduction of stock-based remuneration, which will be established on the condition that Proposal 4 “Determination and Revision of Limit to Directors’ Remuneration, etc. for Granting Stock-based Remuneration” is approved as proposed at the 203rd Annual Meeting of Shareholders held in June 2021, and the differences from the current Policy on Determining Remuneration before the introduction of stock-based remuneration are as described in the subsequent notes below.

The system of paying retirement benefits to Directors and Audit & Supervisory Board Members has been abolished.

Policy on Determining Remuneration (after the introduction of stock-based remuneration)
<p>Basic Approach</p> <p>Remuneration for Directors shall be provided in a remuneration system designed to raise motivation for Directors to achieve sustainable growth and mid- to long-term increase in corporate value. Remuneration for Directors other than outside Directors shall consist of basic remuneration as fixed remuneration, performance-linked remuneration <u>and stock-based remuneration</u>¹, and remuneration for outside Directors shall only consist of basic remuneration as fixed remuneration, as they have a standpoint independent of business execution.</p> <p>Remuneration for Directors shall be determined within the total amount of remuneration approved at the Annual Meeting of Shareholders, after deliberation at a voluntarily appointed advisory committee made up of a majority of the outside Directors, from the perspective of ensuring objectivity and seeking transparency in the decision-making process.</p> <p>Basic Remuneration</p> <p>Basic remuneration shall be monetary remuneration paid on a monthly basis. The amount shall be determined in accordance with the rules prescribed by the resolution of the Board of Directors, while considering such factors as each Director’s position and responsibilities, public standards, and other factors.</p> <p>Performance-linked Remuneration</p> <p>Performance-linked remuneration shall be monetary remuneration paid on a monthly basis. The amount shall be determined using the profit attributable to owners of parent for the past three years as the main indicator to encourage contribution to short-term and mid- to long-term increases in corporate value.</p> <p>Stock-based Remuneration</p> <p><u>Restricted stock shall be granted at a certain time every year for the purpose of strengthening the linkage between remuneration and mid- to long-term increase in corporate value and further promoting sharing of value with the shareholders. The number of shares to be granted shall be determined with consideration for the positions and responsibilities of each Director and stock prices, etc.</u>¹</p> <p>Ratio by Type of Remuneration</p> <p>For Directors other than outside Directors, the standard ratio of basic remuneration, performance-linked remuneration, <u>and stock-based remuneration</u>¹ should be <u>5:4:1</u>.² Remuneration for outside Directors shall</p>

fully consist of basic remuneration.

Procedures for Determining Remuneration

The content of remuneration for each individual Director shall be made in accordance with the rules prescribed by the resolution of the Board of Directors, and, after deliberation at the voluntarily appointed advisory committee, shall be determined by the resolution of the Board of Directors. However, the content of monetary remuneration may be determined by the Representative Director and President based on delegation of authority by the resolution of the Board of Directors.³

*1 The current Policy on Determining Remuneration does not include the underlined section.

*2 The current Policy on Determining Remuneration states “6:4” instead of the underlined section.

*3 The current Policy on Determining Remuneration states “is determined by the Representative Director and President based on delegation of authority by a resolution of the Board of Directors” instead of the underlined section.

(2) Resolution of the Annual Meeting of Shareholders on Remuneration, etc. of Directors

The amount of remuneration for Directors was approved at the 172nd Annual Meeting of Shareholders held on June 28, 1990 to be up to 63 million yen per month (not including the employee salaries paid to employees-directors). The number of Directors at the end of said Annual Meeting of Shareholders was 27.

(3) Delegation, etc. of Decision of Content of Remuneration, etc. for Each Individual Director

The amount, timing and method of remuneration payment for each Director for the fiscal year under review is determined by Representative Director and President Takehiro Honjo based on delegation of authority by a resolution of the Board of Directors. The Company has delegated the above authority to the Representative Director and President, as the position is considered to be the best suited to determine the contents of remuneration, taking into account the status of the execution of duties by each executive Director while maintaining a comprehensive view of the Company's performance.

In addition, to ensure that the authority of the Representative Director and President is exercised appropriately, the delegation of authority is conducted so that the remuneration amount, etc. for each individual Director is determined in accordance with the Policy on Determining Remuneration and the rules prescribed by the resolution of the Board of Directors, while considering such factors as each Director's position and responsibilities, public standards, and the Company's business performance, after deliberation at a voluntarily appointed advisory committee made up of a majority of the outside Directors. As the amount of remuneration, etc. for each individual Director is determined through such a procedure, the Board of Directors has judged that the content of remuneration, etc. for each individual Director for the fiscal year under review is in line with the Policy on Determining Remuneration.

(4) Resolution of the Annual Meeting of Shareholders and Decision on Remuneration, etc. for Audit & Supervisory Board Members

The amount of remuneration for Audit & Supervisory Board Members was approved at the 176th Annual Meeting of Shareholders held on June 29, 1994 to be up to 14 million yen per month. The number of Audit & Supervisory Board Members at the end of said Annual Meeting of Shareholders was five.

The amount of remuneration for each Audit & Supervisory Board Member shall be determined through discussions among Audit & Supervisory Board Members within this amount, and consisting only of fixed remuneration because they are assigned the role of auditing the execution of duties by Directors from a standpoint independent of the performance of the Company's businesses, and taking into consideration the position, etc. of each Audit & Supervisory Board Member.

(5) Remuneration Paid to Directors and Audit & Supervisory Board Members

	Total amount of remuneration (¥Million)			Number of eligible officers
		Fixed	Performance-linked	
Directors (excluding outside Directors)	386	235	150	10
Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board Members)	69	69	—	3
Outside Directors	29	29	—	3
Outside Audit & Supervisory Board Members	32	32	—	3

Notes:

1. The total amounts of remuneration paid to Directors, Audit & Supervisory Board Members and outside officers were ¥415 million, ¥102 million and ¥62 million, respectively.
2. The amount of remuneration and the number of Directors (excluding outside Directors) and Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board Members) include the amounts for four Directors and one Audit & Supervisory Board Member who retired at the end of the 202nd Annual Meeting of Shareholders held on June 26, 2020.
3. The amount of performance-linked remuneration is calculated mainly by multiplying the fixed remuneration by a coefficient calculated using the profit attributable to owners of parent for the past three years as the primary indicator. Results for profit attributable to owners of parent are as detailed in “I. 6. Financial Position and Profits and Losses” above. This performance indicator has been selected because the Company has judged that it will contribute to raising motivation for Directors to achieve short-term and mid- to long-term increases in corporate value.

III. Shares (as of March 31, 2021)

1. Number of Shares Issued and Number of Shareholders

Number of Authorized Shares	700,000,000 shares
Number of Shares Issued and Outstanding*	416,680,000 shares
Number of Shareholders	100,326

*920,065 treasury shares are included.

2. Principal Shareholders

Shareholders	Number of shares held (1,000 shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	33,787	8.13
Custody Bank of Japan, Ltd. (trust account)	20,631	4.96
Nippon Life Insurance Company	19,242	4.63
Custody Bank of Japan, Ltd. (trust account 7)	11,561	2.78
MUFG Bank, Ltd.	11,188	2.69
Resona Bank, Limited	10,555	2.54
STATE STREET BANK WEST CLIENT-TREATY 505234	6,320	1.52
Aioi Nissay Dowa Insurance Co., Ltd.	5,973	1.44
Meiji Yasuda Life Insurance Company	5,838	1.40
JPMorgan Securities Japan Co., Ltd.	5,569	1.34

Note: The number of treasury shares is excluded from the “Number of Shares Issued and Outstanding” in calculating the shareholding ratios.

IV. Accounting Auditor

1. Name of Accounting Auditor

KPMG AZSA LLC

2. Remuneration, etc., for Accounting Auditor

(1) Amount of Fees and Other Charges Payable to the Accounting Auditor for the Fiscal Year under Review

	Fees for audit and attestation services (¥Million)	Fees for non-audit services (¥Million)
The Company	98*	98
The Company's subsidiaries	144	19
Total	243	117

*As the audit fees under the Companies Act and those under the Financial Instruments and Exchange Act are not separated for the purpose of the audit contract executed between the Company and the accounting auditor and are impractical to separate, the amount specified above is the total amount of audit fees payable under both Acts.

(2) Reason for the Audit & Supervisory Board's Consent for Remuneration, etc., for the Accounting Auditor

The Audit & Supervisory Board considered such items as the accounting auditor's audit plans, the status of the accounting auditor pursuing its duties and the basis of estimates for remuneration. As a result, the Audit & Supervisory Board judged that the remuneration, etc., for the accounting auditor was appropriate and provided consent as stipulated in Article 399, Paragraph 1 of the Companies Act.

3. Non-Audit Services

The Company entrusted duties such as the provision of professional advice on accounting and tax affairs relating to reorganization (absorption-type company split) to the accounting auditor and paid consideration therefor.

4. Policy on Decision of Dismissal or Non-Reappointment of Accounting Auditor

In the event that the accounting auditor falls under any of the items of Article 340, Paragraph 1 of the Companies Act, the Company's Audit & Supervisory Board will dismiss the accounting auditor upon the unanimous agreement of all Audit & Supervisory Board Members. In addition, in the event that the accounting auditor's proper performance of its duties is found to be difficult based on the Audit & Supervisory Board's comprehensive evaluation of the accounting auditor in terms of qualifications, expertise and independence, the Audit & Supervisory Board will determine the content of a proposal regarding the dismissal or non-reappointment of the accounting auditor to be submitted to the shareholders' meeting.

V. Systems to Ensure the Properness of Operations

I. Description of Internal Control Systems

The Company establishes systems (internal control systems) to ensure that Directors of the Company execute the duties in compliance with the laws and regulations and the Articles of Incorporation and other systems necessary to ensure the properness of the Group's operations at meeting of the Board of Directors, and such systems are briefly described below.

1. Systems to ensure that the execution of the duties complies with the laws and regulations and the Articles of Incorporation

- (1) Directors and employees of the Group shall sufficiently acquire and investigate information as the basis to execute the duties and through accurate understanding of the facts, make reasonable decisions in accordance with regulations on responsibilities and authorities.
- (2) For the Board of Directors to make appropriate decisions and enhance its supervisory role, executive Directors shall retain independent outside officers. In addition, the executive officer system shall be adopted to enhance the Board of Directors' supervisory role and ensure efficiency in the execution of duties.
- (3) Executive Directors shall hold management meetings to provide information to the President and the Board of Directors to assist in the decision-making process and discuss strategies and important matters concerning its management of the business.
- (4) Executive Directors shall establish the "Daigas Group Code of Business Conduct"* based on "Daigas Group CSR Charter." By familiarizing the Directors and employees with the Code, executive Directors shall not only ensure the performance of duties in compliance with applicable laws and regulations and the Articles of Incorporation within the Group but also promote business activities in a fair and appropriate manner, which includes contributing to the preservation of the environment, promoting social contribution activities and dissociating from antisocial forces.

*Effective April 1, 2021, the "Daigas Group CSR Charter" became the "Daigas Group Charter of Business Conduct."

- (5) Executive Directors shall make efforts to understand the status concerning compliance within the Group and promote compliance practices by establishing a consulting and reporting system as an internal reporting system and an ESG committee.
- (6) If any problems are discovered regarding compliance, Directors and employees of the Group are required to consult with or report to an executive Director or other superior, or report the matter via the consulting and reporting system depending on the level of seriousness or urgency. Executive Directors, General Manager of the General Affairs Dept. or other superiors shall investigate details of such matter and take necessary remedial measures.

2. System concerning the maintenance and the management of information on execution of duties

- (1) Executive Directors and employees of the Group shall prepare minutes of the meetings of the Board of Directors, approval documents or other similar documents specifying matters including matters affecting

decisions and the process by which a decision was reached, in accordance with regulations on responsibilities and authorities.

- (2) Executive Directors and employees of the Group shall properly store and manage the minutes of the meetings of the Board of Directors, approval documents or other information on execution of duties according to the nature thereof.

3. Regulations and other systems to manage the risk of losses

- (1) Executive Directors shall take all possible steps to ensure the safety and stability of gas supplies in gas businesses by establishing safety regulations on matters concerning the construction, maintenance and operation of production and supply facilities, and by promoting the improvement of the production and supply systems.
- (2) Executive Directors of the Group and organizational heads of the Company (managers of basic organizations of the Company) shall take measures to prevent the occurrence of risks and minimize losses in the case of occurrence, and manage the risk of losses for each category of risk (risks due to external factors, internal factors, transactions with outside parties or other factors).
- (3) The risk of losses shall be managed at the level of each basic organization and each affiliated company, and the managers of the basic organizations shall promote the management of the risk of losses and regularly confirm its effectiveness.
- (4) The emergencies that might have a material impact on the management of the Group shall be addressed according to the regulations on disaster countermeasures and business contingency plans.

4. Systems to ensure the efficient execution of duties

- (1) Executive Directors of the Group and organizational heads of the Company shall determine matters concerning the division of duties and decision-making within the Company and the Group in accordance with regulations on responsibilities and authorities. They shall also provide regulations regarding details of organizations and general matters to be observed during the execution of duties. By familiarizing employees with such regulations, they shall ensure the smooth management of organizations and the improvement of quality and efficiency of operations.
- (2) With the aim of maximizing corporate value, executive Directors of the Group and organizational heads of the Company shall establish medium-term business plans and annual plans for the Company and the Group, monitor its attainment by means of performance indicators and focus on achieving these plans.

5. Other systems to ensure the properness of business operations

In addition to the above, executive Directors shall take the following measures and make efforts to ensure proper operations.

- (1) Companies to play a central role in each business area of the Group (Core Non-Energy Business Companies) or basic organizations to supervise affiliated companies (management support organizations) shall be designated to be responsible for day-to-day management of affiliated companies.
- (2) Compliance with applicable laws and regulations and the Articles of Incorporation, the efficiency and other similar matters of the Group as a whole shall be audited internally by the head of the Auditing Department of the Company. If necessary in light of the results of such audit, remedial measures shall be taken promptly.
- (3) Internal control procedures shall be maintained, operated and evaluated in relation to financial reporting to ensure its credibility.

6. Matters concerning employees assisting Audit & Supervisory Board Members in the performance of their duties

- (1) Executive Directors, if requested by the Audit & Supervisory Board Members, shall appoint employees to assist the Audit & Supervisory Board Members in the performance of their duties and establish an Audit & Supervisory Board Members' office staffed by these Audit & Supervisory Board Members' assistants.
- (2) Audit & Supervisory Board Members' assistants shall be engaged solely in assisting the Audit & Supervisory Board Members in the performance of their duties.

7. Matters concerning independence of Audit & Supervisory Board Members' assistants from Directors

- (1) Executive Directors cannot direct or give orders to Audit & Supervisory Board Members' assistants except where such directions or orders apply equally to all employees.
- (2) The opinions of the Audit & Supervisory Board Members regarding the evaluation, transfer, etc., of Audit & Supervisory Board Members' assistants shall be sought in advance and respected.

8. Systems for reporting to the Audit & Supervisory Board Members

- (1) Directors shall report immediately to the Audit & Supervisory Board Members if a matter that is significantly detrimental to the Company is discovered.
- (2) Directors and employees of the Group or auditors of the affiliated companies shall report without delay matters that have a material impact on the business of the Group, the results of internal audits, the situation regarding the main reports under the consulting and reporting system and other important matters to the Audit & Supervisory Board Members.
- (3) Directors of the Group and employees of the Company shall report without delay when requested by the Audit & Supervisory Board Members to report on matters concerning the execution of duties.
- (4) Executive Directors and other supervisors of the Group shall not disadvantageously treat any person who reports to the Audit & Supervisory Board Members according to the preceding items for the reason that such report was made.

9. Other systems to ensure effective auditing by the Audit & Supervisory Board Members

- (1) The Audit & Supervisory Board Members may exchange opinions periodically with the Representative Directors and the accounting auditor.
- (2) The Audit & Supervisory Board Members may attend management meetings and all company committee meetings. They may investigate as appropriate material information concerning the execution of duties, such as approval documents.
- (3) Executive Directors shall ensure the Company provides the expenses or liabilities necessary for the execution of the duties of the Audit & Supervisory Board Members.

10. Confirmation of operation status, etc.

- (1) Executive Directors shall periodically confirm and assess the status of the operation of the internal control system and report the results to the Board of Directors.
- (2) Executive Directors shall take necessary measures by taking into consideration the assessment results of internal control system and other situations.

II. Operating Status of the Internal Control Systems

The Company confirms the operating status of the internal control systems on a periodic basis by identifying items to confirm for various matters and receiving reports from the organizational heads and other persons concerned. At the meeting of the Board of Directors held on April 23, 2021, it was reported that the internal control systems were operating in a proper manner.

The operating status of the internal control systems during the fiscal year under review is described in the following.

(1) Matters concerning compliance

The ESG Committee promotes initiatives in each sector through the “Compliance and Risk Management Subcommittee,” “Environment Subcommittee,” and “Social Contribution Subcommittee.”

The “Daigas Group Code of Business Conduct” has been revised to reflect recent changes in the external environment such as climate change measures and corruption prevention, in addition to expanding business domains, etc.

Moreover, educational materials, including a guide to the “Daigas Group Code of Business Conduct,” are posted on the intranet at all times to familiarize Directors and employees of the Group with said Code to promote and ensure its understanding thereof.

In addition, to promote further understanding and effective use of the consulting and reporting system for employees, a poster presentation is made to publicize the reporting system and detailed explanations on the system and the concept of compliance are provided via the intranet or other means.

(2) Matters concerning risk management

Organizational heads of the Company and presidents of the affiliated companies promote the management

of the risk of losses and periodically conduct risk management assessments. Each basic organization or affiliated company identifies risk items, checks the status of management concerning the risk items and conducts follow-ups or other measures by using such means as the “G-RIMS (Gas Group Risk Management System),” which systematizes the self-assessment of risk management practices.

In light of the spread of COVID-19 at home and abroad, we set up a task force and confirm the status of the Group’s responses, while taking measures to prevent infections, as necessary.

Regarding the management of risks concerning security and disaster prevention which are common to the Group, the organization in charge is clearly specified, and the organization supports each basic organization and affiliated company to ensure risk management on a Group-wide basis.

To prepare for emergencies, regulations for disaster countermeasure and business continuity plans are prepared. We carried out company-wide disaster-prevention drills, which consist of earthquake drills and BCP exercises, and during the fiscal year under review, in addition to drills assuming disasters occurred amid a pandemic, we carried out collaboration training and exercises on a remote basis to ensure collaboration between gas pipeline operators and gas retailers in case of disaster.

The Cyber Security Committee is working to further strengthen countermeasures against cyberattacks from outside the Group network.

(3) Matters concerning the management of businesses in the Group

The affiliated companies to be managed by the Core Non-Energy Business Companies or the management support organizations are designated, and their managerial tasks are monitored by receiving regular reports and reports on important issues from the affiliated companies. In addition, day-to-day management of those affiliated companies is performed by using the G-RIMS and/or conducting audits.

The Company’s Auditing Department, which conducts internal audits, implements planned internal audits of the Company’s organizations and the affiliated companies and provides follow-up after a certain period of time.

(4) Matters concerning the effectiveness of audits by Audit & Supervisory Board Members

Full-time Audit & Supervisory Board Members have periodic exchanges of opinion with the Representative Director and Chairman, the Representative Director and President and the accounting auditor, in which Outside Audit & Supervisory Board Members also participate as necessary. Partly through the opportunity to exchange opinions with the accounting auditor, Audit & Supervisory Board Members evaluate the qualifications, expertise and independence of the accounting auditor.

Full-time Audit & Supervisory Board Members attend important meetings such as the Management Meeting, the ESG Promotion Meeting, the Investment Evaluation Committee, etc., and read approval documents and other important documents. Through a Board of Directors’ resolution on the internal control systems, they also clarify important matters to be reported to Audit & Supervisory Board Members and disseminate information thereof.

Four assistants to Audit & Supervisory Board Members are in place to engage solely in assisting Audit & Supervisory Board Members in the performance of their duties.

Consolidated Balance Sheet (As of March 31, 2021)

(Millions of Yen)

Assets		Liabilities	
Non-current assets	1,730,009	Non-current liabilities	875,975
Property, plant and equipment	1,070,610	Bonds payable	354,995
Production facilities	89,701	Long-term borrowings	333,263
Distribution facilities	268,755	Deferred tax liabilities	41,845
Service and maintenance facilities	53,481	Provision for gas holder repairs	1,138
Other facilities	546,456	Provision for safety measures	8,892
Construction in progress	112,215	Provision for gas appliance warranties	12,195
Intangible assets	97,912	Retirement benefit liability	18,758
Investments and other assets	561,487	Other	104,886
Investment securities	377,074	Current liabilities	322,784
Long-term loans receivable	25,686	Current portion of non-current liabilities	71,981
Retirement benefit asset	83,494	Notes and accounts payable - trade	60,453
Deferred tax assets	25,933	Income taxes payable	27,514
Other	50,099	Other	162,834
Allowance for doubtful accounts	(800)	Total liabilities	1,198,759
		Net assets	
Current assets	583,347	Shareholders' equity	1,011,530
Cash and deposits	167,083	Share capital	132,166
Notes and accounts receivable - trade	211,696	Capital surplus	19,469
Lease receivables and investment in leases	54,634	Retained earnings	861,746
Inventories	94,187	Treasury shares	(1,852)
Other	56,349	Accumulated other comprehensive income	70,350
Allowance for doubtful accounts	(602)	Valuation difference on available-for-sale securities	69,811
		Deferred gains or losses on hedges	(30,365)
		Revaluation reserve for land	(737)
		Foreign currency translation adjustment	(2,383)
		Remeasurements of defined benefit plans	34,025
		Non-controlling interests	32,716
		Total net assets	1,114,597
Total assets	2,313,357	Total liabilities and net assets	2,313,357

Consolidated Statement of Income (April 1, 2020 to March 31, 2021)

(Millions of Yen)

Account	Amount
Net sales	1,364,106
Cost of sales	921,777
[Gross profit]	[442,328]
Selling, general and administrative expenses	329,836
[Operating profit]	[112,491]
Non-operating income	32,941
Interest income	2,348
Dividend income	3,378
Share of profit of entities accounted for using equity method	13,618
Gain on sales of investment securities in subsidiaries and associates	3,694
Miscellaneous income	9,901
Non-operating expenses	17,680
Interest expenses	11,087
Miscellaneous expenses	6,593
[Ordinary profit]	[127,752]
Extraordinary losses	19,016
Impairment losses	19,016
[Profit before income taxes]	[108,735]
Income taxes - current	33,302
Income taxes - deferred	(8,410)
[Profit]	[83,844]
Profit attributable to non-controlling interests	2,986
Profit attributable to owners of parent	80,857

Non-Consolidated Balance Sheet (As of March 31, 2021)

(Millions of Yen)

Assets		Liabilities	
Non-current assets	1,345,329	Non-current liabilities	593,198
Property, plant and equipment	428,061	Bonds payable	354,995
Production facilities	88,768	Long-term borrowings	189,132
Distribution facilities	268,913	Long-term debt to subsidiaries and associates	6,505
Service and maintenance facilities	52,644	Deferred tax liabilities	8,674
Facilities for incidental businesses	3,471	Provision for retirement benefits	2,520
Construction in progress	14,263	Provision for gas holder repairs	1,045
Intangible assets	31,987	Provision for safety measures	8,892
Patent right	2	Provision for gas appliance warranties	12,195
Leasehold interests in land	3,024	Other non-current liabilities	9,236
Other intangible assets	28,960	Current liabilities	294,717
Investments and other assets	885,280	Current portion of non-current liabilities	56,391
Investment securities	89,026	Accounts payable - trade	25,775
Investments in subsidiaries and associates	545,079	Accounts payable - other	22,688
Long-term loans receivable from subsidiaries and associates	199,390	Accrued expenses	41,307
Investments in capital	21	Income taxes payable	16,801
Long-term prepaid expenses	5,446	Advances received	9,354
Prepaid pension costs	35,253	Deposits received	1,791
Other investments and other assets	11,372	Short-term debt to subsidiaries and associates	118,181
Allowance for doubtful accounts	(310)	Other current liabilities	2,425
		Total liabilities	887,916
Current assets	375,029	Net assets	
Cash and deposits	130,170	Shareholders' equity	788,047
Notes receivable - trade	196	Share capital	132,166
Accounts receivable - trade	95,899	Capital surplus	19,494
Accounts receivable from subsidiaries and associates - trade	12,281	Legal capital surplus	19,482
Accounts receivable - other	7,827	Other capital surplus	11
Finished goods	56	Retained earnings	638,238
Raw materials	17,108	Legal retained earnings	33,041
Supplies	11,486	Other retained earnings	
Advance payments	6,685	Reserve for reduction entry of specified replaced properties	241
Short-term receivables from subsidiaries and associates	79,939	Reserve for overseas investment loss	12,607
Other current assets	13,634	Reserve for investment promotion taxation	299
Allowance for doubtful accounts	(257)	Reserve for adjustment of cost fluctuations	89,000
		General reserve	62,000
		Retained earnings brought forward	441,048
		Treasury shares	(1,852)
		Treasury shares	(1,852)
		Valuation and translation adjustments	44,394
		Valuation difference on available-for-sale securities	47,263
		Deferred gains or losses on hedges	(2,868)
		Total net assets	832,442
Total assets	1,720,358	Total liabilities and net assets	1,720,358

Non-Consolidated Statement of Income (April 1, 2020 to March 31, 2021)

(Millions of Yen)

Costs and Expenses		Revenue	
Cost of sales	259,278	Sales from gas business	551,187
Beginning inventories	77	Gas sales	514,051
Cost of products manufactured	265,772	Gas transportation service revenue	35,143
Costs of gas for own use	6,515	Revenue from interoperator settlement	959
Ending inventories	56	Revenue from contract manufacturing	1,032
[Gross profit]	[291,909]		
Supply and sales expenses	208,703		
General and administrative expenses	51,929		
[Profit on core business]	[31,276]		
Miscellaneous operating expenses	107,251	Miscellaneous operating revenue	123,438
Installation work expenses	21,328	Revenue from installation work	22,109
Other miscellaneous operating expenses	85,923	Other miscellaneous operating revenue	101,329
Expenses for incidental businesses	365,924	Revenue from incidental businesses	378,958
[Operating profit]	[60,496]		
Non-operating expenses	8,865	Non-operating income	21,404
Interest expenses	3,818	Interest income	1,867
Interest on bonds	3,187	Interest on securities	23
Amortization of bond issuance costs	398	Dividend income	1,637
Miscellaneous expenses	1,460	Dividends from subsidiaries and associates	5,647
[Ordinary profit]	[73,035]	Gain on sales of investment securities in subsidiaries and associates	3,055
[Profit before income taxes]	[73,035]	Rental income	2,432
Income taxes - current	17,700	Miscellaneous income	6,740
Income taxes - deferred	694		
[Profit]	[54,641]		
Total	1,074,989	Total	1,074,989

Independent Auditor's Report

May 14, 2021

To the Board of Directors of Osaka Gas Co., Ltd.:

KPMG AZSA LLC

Osaka Office, Japan

Daisuke Harada (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kenta Tsujii (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Shoichiro Shigeta (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Opinion

We have audited the consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity and the related notes of Osaka Gas Co., Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), as at March 31, 2021 and for the year from April 1, 2020 to March 31, 2021 in accordance with Article 444-4 of the Companies Act.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position and the results of operations of the Group for the period, for which the consolidated financial statements were prepared, 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.

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.

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.

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

Our firm and its designated engagement partners do not have any interest in the Company and its subsidiaries which are required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Reader of Independent Auditor's Report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act for the conveniences of the reader.

Independent Auditor's Report

May 14, 2021

To the Board of Directors of Osaka Gas Co., Ltd.:

KPMG AZSA LLC

Osaka Office, Japan

Daisuke Harada (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kenta Tsujii (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Shoichiro Shigeta (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Opinion

We have audited the financial statements, which comprise the balance sheet, the statement of income, the statement of changes in equity and the related notes, and the supplementary schedules (“the financial statements and the supplementary schedules”) of Osaka Gas Co., Ltd. (“the Company”) as at March 31, 2021 and for the year from April 1, 2020 to March 31, 2021 in accordance with Article 436-2-1 of the Companies Act.

In our opinion, the financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of the Company for the period, for which the financial statements and the supplementary schedules were prepared, 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 Financial Statements and the supplementary schedules* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the 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.

Emphasis of Matter

As discussed in Notes to Significant Subsequent Events, by resolution of the Board of Directors' meeting held on April 23, 2021, the Company executed an absorption-type split agreement with Osaka Gas Network Co., Ltd. on the same day.

Our opinion is not modified in respect of this matter.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Financial Statements and the Supplementary Schedules

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

In preparing the financial statements and the supplementary schedules, management is responsible for assessing the Company'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.

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 Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements and the Supplementary Schedules

Our objectives are to obtain reasonable assurance about whether the financial statements and the supplementary schedules 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 financial statements and the supplementary schedules.

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 financial statements and the supplementary schedules, 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 Company'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 Company'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 financial statements and the supplementary schedules 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 Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the financial statements and the supplementary schedules are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the financial statements and the supplementary schedules, including the disclosures, and whether the financial statements and the supplementary schedules represent the underlying transactions and events in a manner that achieves fair presentation.

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.

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

Our firm and its designated engagement partners do not have any interest in the Company which are required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Reader of Independent Auditor's Report:

This is an English translation of the Independent Auditor's Report as required by the Companies Act of Japan for the conveniences of the reader.

Audit Report

The Audit & Supervisory Board prepared this Audit & Supervisory Board's Report upon deliberation based on reports by each Audit & Supervisory Board Member regarding the execution by the Directors of their duties for the 203rd fiscal year from April 1, 2020 to March 31, 2021. We report as follows:

1. Method and details of the audit by the Audit & Supervisory Board Members and the Audit & Supervisory Board

- (1) The Audit & Supervisory Board has established an audit policy, an audit plan and other matters and has received reports from each Audit & Supervisory Board Member on the status of implementation and the results of the audit.

In addition, the Audit & Supervisory Board has received reports from Directors and the accounting auditor on the execution of their duties and requested explanations as necessary.

- (2) Each Audit & Supervisory Board Member has communicated with Directors, the internal auditing division and other employees in conformity with the auditing standards established by the Audit & Supervisory Board and pursuant to the audit policy, the audit plan and other matters. The audit has been implemented based on the following method.

(i) We have attended meetings of the Board of Directors and other important meetings and have interviewed Directors, employees and others as needed in respect of the status of execution of their duties. Furthermore, we have inspected important documents in respect of the authorization of corporate actions and inspected the operations and the assets of the Company at its head office and principal business offices. With regard to subsidiaries, we have communicated with Directors, Audit & Supervisory Board Members and others of the subsidiaries, and visited them as necessary in order to inspect their operations and assets.

(ii) Regarding the content as outlined in the business report of a resolution of the Board of Directors concerning the establishment of systems to ensure that Directors execute their duties in compliance with the laws and regulations and the Articles of Incorporation and other systems necessary to ensure the properness of operations of the group of enterprises consisting of stock company and its subsidiaries as provided for in Article 100, paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act and the system (internal control system) established based on such resolution, we have received regular reports from Directors, employees and others on the status of the development and operation of such system, requested explanations as necessary and expressed our opinion thereon.

(iii) We have investigated whether the accounting auditor maintains its independency and conducts appropriate audits and received reports from the accounting auditor on the performance of its duties and requested explanations as necessary. Furthermore, we have received a notice from the accounting auditor that the "system to ensure that duties are properly performed" (stipulated in each item of Article 131 of the Corporate Accounting Ordinance) is established in accordance with the "Quality Management Standards concerning the Audit" (Financial Services Agency, Business Accounting Council) and other standards and requested explanations as necessary.

Based on the above method, we have examined the business report, the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated income statement, non-consolidated statement of changes in equity and notes to non-consolidated financial statements) and their supporting schedules and the consolidated financial statements (consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and notes to consolidated financial statements) for the fiscal year ended March 31, 2021.

2. Results of the audit

(1) Results of the audit of the business report, etc.

- (i) The business report and its supporting schedules give a fair and proper account of the Company's business in accordance with applicable laws and regulations and the Articles of Incorporation.
- (ii) No misconduct or material facts that are in breach of applicable laws and regulations or the Articles of Incorporation have been detected in respect of the execution by Directors of their duties.
- (iii) The content of the resolution of the Board of Directors concerning the internal control system is fair and proper. In addition, there is no matter of concern regarding the contents of the business report and the execution by Directors of their duties in respect of the internal control system.

(2) Results of the audit of the non-consolidated financial statements and their supporting schedules

Methods used by KPMG AZSA LLC as the accounting auditor for this audit, and the results thereof, are fair and proper.

(3) Results of the audit of the consolidated financial statements

Methods used by KPMG AZSA LLC as the accounting auditor for this audit, and the results thereof, are fair and proper.

May 20, 2021

OSAKA GAS CO., LTD., Audit & Supervisory Board

Toshimasa Fujiwara	Full-Time Audit & Supervisory Board Member [seal]
Hisaichi Yoneyama	Full-Time Audit & Supervisory Board Member [seal]
Yoko Kimura	Outside Audit & Supervisory Board Member [seal]
Eiji Hatta	Outside Audit & Supervisory Board Member [seal]
Shigemi Sasaki	Outside Audit & Supervisory Board Member [seal]

(References)

Overview of Daigas Group Medium-term Management Plan 2023 “Creating Value for a Sustainable Future”

(1) Medium-Term Management Plan 2023 as a Momentum Builder

Under the Medium-Term Management Plan 2023 (FY2022.3-FY2024.3), we strive to build up momentum for a further growth of our business as a corporate group that provides solutions to achieving a sustainable society, focusing on creating value for a sustainable future with our stakeholders.

(2) Key Strategy

I. Co-create value for a sustainable future Pursuing the creation of value for solving social issues alongside stakeholders.	II. Evolve our corporate group Building a robust business portfolio and strengthening the management foundation to support the enhancement of our business portfolio management.
1. Achieving a low carbon/carbon neutral society	1. Enhancing Business Portfolio Management
2. Establishing lifestyles and businesses adjusted to the new normal	2. Promoting business transformation with digital transformation (DX)
3. Enhancing resilience of customers and society	3. Maximizing value for each employee

Key points	Achieving approx. 5% In ROIC	Increasing cash flows from operating activities by 50%*	Distributing shareholder returns when we achieve profit growth
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*Total amount from FY2022.3-FY2024.3 divided by Total forecasts from 2019.3-2021.3

(3) Management Indicators

		FY2024.3 Plan
Profitability indicators	ROIC* ¹	Approximately 5%
Shareholder returns	Payout ratio	30% or higher* ²
Financial soundness indicators	D/E ratio* ³	Approximately 0.7
	Shareholders' equity ratio* ³	Around 50%

*1 ROIC = (Ordinary profit + Interest expenses - Interest income - Income taxes)
/ (Interest-bearing debts + Shareholders' equity)
Interest-bearing debts excludes risk-free Leased liabilities to us.
Excluding temporary impact on domestic energy business.
(Time-lag effect of Gas Business and Electricity Business)

*2 Excluding short-time fluctuation factors that affect profits






*3 Calculated with 50% of issued hybrid bonds as equity

(4) Key Initiatives

Co-create value for a sustainable future

1. Achieving a low carbon/carbon neutral society	<p>As our contribution to achieving a low carbon/carbon neutral society, we strive to become carbon neutral by 2050 through decarbonization of our gas and electricity and through contribution to the reduction of CO2 emissions.*</p> <p>FY2031.3 Targets</p> <p>Renewables development contribution on a global basis 5 GW</p> <p>Renewables in our power portfolio in Japan Nearly 50%</p> <p>CO2 emissions reduction contribution 10 million tons/year</p> <ul style="list-style-type: none"> ● Renewables development contribution on a global basis ● Innovative methanation technology development and collaboration with various partners
2. Establishing lifestyles and businesses adjusted to the new normal	<p>We globally provide services as optimal solutions to each customer's adjustment of their lifestyles and businesses to the new normal.</p> <ul style="list-style-type: none"> ● Offer optimal customer experience for each customer through DX (offer a Life Service Platform) ● Expand service solutions that adapt to changes in lifestyles and business
3. Enhancing resilience of customers and society	<p>We aim to enhance energy resilience for customers and society by reinforcing gas supply chain infrastructure for stable supply and expanding energy network combined with distributed power sources.</p> <ul style="list-style-type: none"> ● Enhance productivity in LNG terminals and network operations ● Contribute to grid stabilization through optimal combination of renewable energy and distributed power sources

Evolve our corporate group

1. Enhancing Business Portfolio Management	<p>We strive to improve our business portfolio management and governance while enhancing profit earning capabilities of each business unit by introducing ROIC.</p>
2. Promoting business transformation with digital transformation (DX)	<p>We aim to achieve corporate evolution through business reform and innovation by increasing both quality and speed in customer interaction, digitization, and reform of all operations.</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  <p>Full utilization of data assets</p> </div> <div style="text-align: center;">  <p>Group's collective strengths and alliances</p> </div> <div style="text-align: center;">  <p>Top-down* DX promotion system</p> </div> <div style="text-align: center;">  <p>Development and recruitment of digital talent</p> </div> <div style="text-align: center;">  <p>System renovation, security enhancement</p> </div> </div>
3. Maximizing value for each employee	<p>We intend to build an organization with diverse talent and ways of work where employees can achieve personal growth through challenging tasks and feel a sense of fulfillment through social issue resolution.</p>

*The Group has been striving to achieve carbon neutral status by 2050 through efforts to expand the use of natural gas to date as well as decarbonization of city gas through methanation, which uses renewable energy and hydrogen, and decarbonization of power sources pivoting on the introduction of renewable energy. We have formulated the Daigas Group Carbon Neutral Vision presenting our initiatives for the cause. For details, please see the Company's website (https://www.osakagas.co.jp/csr_e/beginning/carbon_neutral_vision.html).

This document has been translated from the Japanese original for reference purposes only. In the event of discrepancy between this translated document and the Japanese original, the original shall prevail.

Consolidated Statement of Changes in Equity

Notes to Consolidated Financial Statements

Non-Consolidated Statement of Changes in Equity

Notes to Non-Consolidated Financial Statements

The 203rd Fiscal Year (From April 1, 2020 to March 31, 2021)

OSAKA GAS CO., LTD.

Consolidated Statement of Changes in Equity (April 1, 2020 to March 31, 2021)

(Millions of Yen)

	Shareholders' equity					Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	132,166	19,483	802,313	(1,802)	952,160	41,336	(14,161)	(737)	10,085	8,809	45,332	30,174	1,027,667
Changes during period													
Dividends of surplus			(20,788)		(20,788)								(20,788)
Profit attributable to owners of parent			80,857		80,857								80,857
Purchase of treasury shares				(52)	(52)								(52)
Disposal of treasury shares		0		2	2								2
Change in scope of equity method			(635)		(635)								(635)
Change in ownership interest of parent due to transactions with non-controlling interests		(13)			(13)								(13)
Net changes in items other than shareholders' equity						28,474	(16,203)		(12,468)	25,215	25,018	2,541	27,560
Total changes during period	—	(13)	59,433	(49)	59,369	28,474	(16,203)	—	(12,468)	25,215	25,018	2,541	86,930
Balance at end of period	132,166	19,469	861,746	(1,852)	1,011,530	69,811	(30,365)	(737)	(2,383)	34,025	70,350	32,716	1,114,597

Notes to Consolidated Financial Statements (April 1, 2020 to March 31, 2021)

1. Notes to Significant Matters Forming the Basis of Preparation of the Consolidated Financial Statements

(1) Scope of consolidation

Number of consolidated subsidiaries: 154

(Names of principal consolidated subsidiaries)

Osaka Gas Chemicals Co., Ltd., Osaka Gas Urban Development Co., Ltd., OGIS-RI Co., Ltd., Osaka Gas Marketing Co., Ltd., Daigas Energy Co., Ltd. and Daigas Gas and Power Solution Co., Ltd.

(2) Application of the equity method

Number of equity method associates: 27

(Names of principal equity method associates)

Idemitsu Snorre Oil Development Co., Ltd. and Sumisho Osaka Gas Water UK, Ltd.

(Names of principal associates not subject to the equity method)

The principal associate not subject to the equity method is ENNET Corporation.

The equity method is not applied to those associates which do not have a material impact on profit or loss, retained earnings, etc., and are not material as a whole.

(3) Accounting policies

(i) Basis and methodology for the valuation of significant assets

a. Investment securities:

Bonds held to maturity:	Stated at amortized cost
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Available-for-sale securities:

Securities for which it is practical to determine fair value:	Stated at fair value based on the market price, etc., on the closing day. (Unrealized valuation gains and losses are accounted for as a component of net assets; cost of sales is determined primarily using the moving-average method.)
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Securities for which it is not practical to determine fair value:	Primarily stated at cost based on the moving-average method
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b. Inventories:

Primarily stated at cost based on the moving-average method; inventories held for trading recorded on the balance sheet are depreciated to write down the carrying amount based on depreciation of profitability.

c. Derivatives:

Stated at fair value

(ii) Depreciation and amortization method of significant depreciable assets

- a. Property, plant and equipment (excluding leased assets) are depreciated primarily using the declining-balance method. However, the straight-line method has been used for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and for facilities attached to buildings and structures acquired on or after April 1, 2016.
- b. Intangible assets (excluding leased assets) are amortized primarily using the straight-line method. For internal-use software, the straight-line method based on the term available for use within Osaka Gas Co., Ltd. (“the Company”) and each subsidiary has been applied.
- c. Leased assets resulting from non-ownership-transfer finance leases are depreciated or amortized using the straight-line method over the useful life equal to the lease terms assuming no residual value.

(iii) Basis for recording significant allowances

- a. Allowance for doubtful accounts

To provide for the bad debts loss of accounts receivable, loans receivable, etc., an estimated uncollectible amount is provided which is based on an amount calculated based on the default ratio in the past for general receivables and the individual collectability for certain receivables including receivables with default possibility.

- b. Provision for gas holder repairs

To provide for the necessary expenditure for periodical repairs of spherical gas holders, an estimated amount for the next scheduled repair is provided based on the actual expenditure for the previous repair, which is proportionally allotted for the period up to such next scheduled repair.

- c. Provision for safety measures

To provide for the necessary expenditure to ensure the safety of gas business, an estimated amount of the expenditure necessary for promoting the widespread use of safety-enhanced models, for strengthening inspections and ensuring wide awareness as well as for countermeasure works on aged gas pipelines is provided.

- d. Provision for gas appliance warranties

To provide for the payment of any service costs under warranty after the sale of appliances, an estimated amount of such costs is provided.

(iv) Other significant matters for the preparation of the consolidated financial statements

a. Accounting for retirement benefits

For the purposes of employee retirement benefits, based on the estimate of the retirement benefit obligations at the end of this consolidated fiscal year, an amount obtained by deducting plan assets from retirement benefit obligations is provided.

i Method of attributing projected retirement benefits to periods of service

In calculating retirement benefit obligations, the benefit formula basis is mainly applied to attribute projected retirement benefits to periods of service until the end of this consolidated fiscal year.

ii Amortization of actuarial gains and losses and past service costs

Past service costs are expensed mainly in the consolidated fiscal year when such costs are incurred.

Actuarial gains and losses are amortized on a straight-line basis mainly over a period of 10 years beginning from the next consolidated fiscal year after occurrence.

b. Accounting for consumption taxes and other taxes

The net-of-tax method is used.

c. Accounting policies and procedures adopted in the absence of requirements in relevant accounting standards, etc. that specifically apply to events or transactions that are accounted for

Basis for recording revenue and expenses

Revenue from gas and electricity sales is recorded based on the meter reading date, in which gas or electricity usage is measured in a monthly meter reading and the calculated fees are recognized as revenue for that month.

(Additional information)

The Company and its subsidiaries adopted “Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections” (ASBJ Statement No. 24, March 31, 2020) to the consolidated financial statements for the current consolidated fiscal year, and therefore “accounting policies and procedures adopted in the absence of requirements in relevant accounting standards, etc. that specifically apply to events or transactions that are accounted for” are disclosed.

2. Notes to Changes in Presentation Method

Changes for adopting “Accounting Standard for Disclosure of Accounting Estimates”

The Company and its subsidiaries adopted ASBJ Statement No. 31 “Accounting Standard for Disclosure of Accounting Estimates” (March 31, 2020) to the consolidated financial statements for the current consolidated fiscal year, and therefore accounting estimates are disclosed in the note to the consolidated financial statements.

3. Notes to Accounting Estimates

Items for which the amount was recorded in the consolidated financial statements for this consolidated fiscal year based on accounting estimates and which may have a significant impact on the consolidated financial statements for the next consolidated fiscal year are as follows.

- (1) Impairment of property, plant and equipment, intangible assets, and investment in entities accounted for using equity method

Amounts recorded on the consolidated balance sheet for this consolidated fiscal year

Property, plant and equipment	¥1,070,610 million
Intangible assets	¥97,912 million
Investment in entities accounted for using equity method	¥210,091 million

- (2) Collectability of deferred tax assets

Amounts recorded on the consolidated balance sheet for this consolidated fiscal year

Deferred tax assets	¥25,933 million
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- (3) Calculation of retirement benefit obligations

Amounts recorded on the consolidated balance sheet for this consolidated fiscal year

Retirement benefit asset	¥83,494 million
Retirement benefit liability	¥18,758 million
Remeasurements of defined benefit plans	¥34,025 million

4. Notes to the Consolidated Balance Sheet

- (1) Assets pledged as collateral and secured liabilities

- (i) Assets pledged as collateral

Property, plant and equipment	¥108,136 million
Investments and other assets	¥123,166 million
Others	¥65,525 million
Total	¥296,828 million

- (ii) Secured liabilities ¥97,339 million

In addition to above, shares of subsidiaries and associates, etc. of ¥25,044 million offset as a result of consolidation are pledged as collateral.

- (2) Accumulated depreciation of property, plant and equipment: ¥2,754,029 million

- (3) Guarantee liabilities, etc.
Guarantee liabilities: ¥4,624 million

5. Notes to Revaluation Reserve for Land

Commercial land of certain consolidated subsidiaries has been revaluated in accordance with the Act on Revaluation of Land (Law No. 34 of March 31, 1998) and the Amendment to Act on Revaluation of Land (Law No. 19 of March 31, 2001). Any difference (excluding any amount associated with tax

effect accounting) resulting from the revaluation is included in net assets as revaluation reserve for land. The revaluation is made by making reasonable adjustments to the valuation by road rating which is provided for in Article 2, Item 4 of the Enforcement Order of the Law Concerning the Revaluation of Land (Cabinet Order No. 119 of March 31, 1998).

6. Notes to Financial Instruments

(1) Matters concerning the status of financial instruments

It is the Group's policy to raise its operating funds through borrowings from financial institutions and the issuance of bonds and to conduct fund management through a conservative financial portfolio. Also we comply with our accounting manual, etc., to diminish risks on counterpart credit risk against the note and trade accounts receivable. In derivative transactions, we use interest swap for adjusting the ratio between fixed and floating interest rates and fixing the interest level for bonds and borrowings, exchange forward contracts and currency option contracts for reducing fluctuation of cash flow due to exchange fluctuation, swap and option of energy prices, etc., for reducing fluctuation of cash flow due to change in energy prices, etc., and weather derivatives for reducing fluctuation of cash flow due to temperature variability. We do not invest in speculative transactions.

(2) Matters concerning fair value, etc., of financial instruments

Amounts recorded in the consolidated balance sheet, fair values and the difference between such amounts at the end of this consolidated fiscal year are as follows. Financial instruments for which it is extremely difficult to determine the fair value are not included in the table below (see Note 2).

(Millions of Yen)

	Amount recorded on the consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	167,083	167,083	—
(2) Notes and accounts receivable - trade	211,696	211,696	—
(3) Securities and investment securities	127,620	127,620	—
Total Assets	506,399	506,399	—
(1) Notes and accounts payable - trade	60,453	60,453	—
(2) Short-term borrowings	13,546	13,546	—
(3) Bonds payable ¹	364,995	366,069	1,073
(4) Long-term borrowings ¹	392,244	407,656	15,412
Total Liabilities	831,240	847,726	16,486
Derivative transactions ²	(2,980)	(2,980)	—

¹ Includes those due within one year.

² Receivables and payables incurred by derivative transactions are shown in net amount.

Notes: 1. Matters concerning calculation method for fair value of financial instruments, and matters concerning securities and derivatives

Assets

(1) Cash and deposits, and (2) Notes and accounts receivable - trade

As these items are settled within a short term, the fair value is approximately equal to the book value. Therefore, the book value is listed as the fair value for these items.

(3) Securities and investment securities

Fair values of shares are prices quoted by stock exchanges.

The fair values of bonds are prices quoted by securities exchanges or prices presented by counterpart financial institutions.

Liabilities

(1) Notes and accounts payable - trade and (2) Short-term borrowings

As these items are settled within a short term, the fair value is approximately equal to the book value. Therefore, the book value is listed as the fair value for these items.

(3) Bonds payable

The fair value of bonds payable issued by the Company is based on their market prices.

(4) Long-term borrowings

The fair value of long-term borrowings with fixed interest rate is calculated by discounting the sum of the principal and interest with the interest rate of new borrowings for the same amount. The fair value of long-term borrowings with floating interest rate is its book value because the fair value is considered to be approximately equal to the book value.

Derivative transactions

The fair value of derivative transactions is primarily based on the price quoted by the counterpart financial institutions. The fair value of derivative transactions for which special exception for interest swap is applied is included in the fair value of long-term borrowings as it is treated as part of such long-term borrowings which are hedged.

2. Shares of associates and unlisted shares (amount recorded on the consolidated balance sheet: ¥249,454 million) are not included in “(3) Securities and investment securities” because they are recognized as being very difficult to obtain fair value as they have no market price and their future cash flows cannot be estimated.

7. Notes to Properties, etc. for Lease

(1) Matters concerning the status of properties for lease

The Company and some of its consolidated subsidiaries own office buildings for lease (including land) in Osaka Prefecture and other areas.

(2) Matters concerning fair value of properties for lease

(Millions of Yen)

Amount recorded on the consolidated balance sheet	Fair value
161,763	241,772

Notes: 1. The amount recorded on the consolidated balance sheet is the amount which deducts the accumulated depreciation amount and accumulated impairment losses amount from the acquisition cost.

2. The fair value at the end of this consolidated fiscal year is the amount (including the amount adjusted by using the index, etc.) based mainly on the method prescribed by the “Real Estate Appraisal Standard” and other similar methods.

3. Properties in development (amount recorded on the consolidated balance sheet: ¥3,763 million) are not included in the table above as development is currently underway and therefore it is difficult to determine fair value.

8. Notes to the Consolidated Statement of Changes in Equity

(1) Number of shares issued and outstanding as of the end of this consolidated fiscal year

416,680,000 common shares

(2) Dividends

(i) Amount of payment of dividends

- a. At the Annual Meeting of Shareholders held on June 26, 2020, the following were resolved with March 31, 2020, as a record date.

Dividends of common shares

- | | |
|----------------------------------|-----------------|
| (a) Total amount of dividends | ¥10,394 million |
| (b) Dividend per share | ¥25.00 |
| (c) Effective date for dividends | June 29, 2020 |

- b. At the meeting of the Board of Directors held on October 29, 2020, the following were resolved with September 30, 2020, as a record date.

Dividends of common shares

- | | |
|----------------------------------|-------------------|
| (a) Total amount of dividends | ¥10,394 million |
| (b) Dividend per share | ¥25.00 |
| (c) Effective date for dividends | November 30, 2020 |

- (ii) Dividends of which the record date falls within this consolidated fiscal year and of which the effective date falls within the next consolidated fiscal year

At the Annual Meeting of Shareholders to be held on June 25, 2021, the following will be proposed with March 31, 2021, as a record date. Dividends are to be appropriated from retained earnings.

Dividends of common shares

(a) Total amount of dividends	¥11,433 million
(b) Dividend per share	¥27.50
(c) Effective date for dividends	June 28, 2021

9. Notes to Per Share Information

(1) Net assets per share:	¥2,602.18
(2) Earnings per share:	¥194.48

10. Notes to Significant Subsequent Events

Conclusion of an Absorption-type Split Agreement for Spin-off of the Gas Pipeline Service Business

By resolution of the Board of Directors' meeting held on April 23, 2021, it was decided that on April 1, 2022, as a tentative date, the Company will transfer the general gas pipeline service business through a company split to Osaka Gas Network Co., Ltd. (hereinafter referred to as "Osaka Gas Network" or the "succeeding company"). On the same date, we executed an absorption-type split agreement with the succeeding company (this company split shall be hereinafter referred to as the "Split").

The Split is subject to the approval for the absorption-type split agreement at the Annual Meeting of Shareholders scheduled in June of this year and the competent authorities' approvals necessary for the Split.

(1) Background and purpose of the Split

Pursuant to the June 2015 amendment of the Gas Business Act, the Company, a general gas pipeline service business operator, will be prohibited from engaging also in the retail gas business or the gas production business from April 2022. The purpose of this amendment is to further secure neutrality of the gas pipeline service business.

In order to comply with the regulatory requirement and to establish an organizational structure to increase the value of our Group, we established Osaka Gas Network, a wholly-owned subsidiary of the Company, on April 1 of this year and executed an absorption-type split agreement with the subsidiary to transfer our general gas pipeline service business to the subsidiary which will become effective on April 1, 2022.

After the absorption-type split, our Group, including Osaka Gas Network, will continue to be a group of companies taking responsibility for the infrastructure sector, including the energy business, and to increase the value of our Group by fulfilling the obligation of the companies in our Group and maximizing the value we provide in our businesses.

(2) Outline of the Split

(i) Schedule of the Split

Board of Directors' meeting to approve the absorption-type split agreement (the Company)	April 23, 2021
Determination by directors to approve the absorption-type split agreement (succeeding company)	April 23, 2021
Execution of the absorption-type split agreement	April 23, 2021
General shareholders meeting to approve the absorption-type split agreement (the Company)	June 2021 (tentative)
Extraordinary general shareholders meeting to approve the absorption-type split agreement (succeeding company)	June 2021 (tentative)
Effective date of the absorption-type split	April 1, 2022 (tentative)

(ii) Type of Split

This is an absorption-type split in which the Company is a splitting company, and Osaka Gas Network, our wholly-owned subsidiary, is a succeeding company.

(iii) Particulars of allotment due to the Split

As part of the company split, Osaka Gas Network, the succeeding company, will issue 6,700,000 common shares and allot all of them to the Company.

(iv) Treatment of the Company's share options and corporate bonds with share options

The Company has not issued any share options or corporate bonds with share options.

(v) Increase or decrease in share capital due to the Split

There will be no change in share capital due to the Split.

(vi) Rights and obligations transferred to the succeeding company

In accordance with the absorption-type split agreement, which was executed between the Company and the succeeding company on April 23, 2021, the rights and obligations of the Company in relation to the general gas pipeline service business and its incidental businesses will be transferred to Osaka Gas Network on the effective date of the agreement. With respect to the assumption of obligations by Osaka Gas Network through the Split, Osaka Gas Network will assume the obligations on a non-cumulative basis. In addition, the succeeding company will not assume the obligations associated with the existing bonds we have offered publicly.

(vii) Expectation of performance of obligations

It is expected that the Company and the succeeding company will continue to have assets in excess of liabilities after the Split, and presently, we do not expect the occurrence of any events that would cause an impediment to the performance of obligations arising after the Split. For these reasons, we have determined that there will be no concerns with respect to the ability of the Company and the succeeding company to perform the obligations after the Split.

(3) Outline of parties to the Split

	Splitting company (As of March 31, 2021)	Succeeding company (As of April 1, 2021)
(i) Company name	Osaka Gas Co., Ltd.	Osaka Gas Network Co., Ltd.
(ii) Location	4-1-2, Hiranomachi, Chuo-ku, Osaka, Japan	4-1-2, Hiranomachi, Chuo-ku, Osaka, Japan
(iii) Title and name of authorized representative	Masataka Fujiwara, President and Representative Director	Tsuyoshi Nakamura, President and Representative Director
(iv) Description of business	Manufacturing, supply, and sale of city gas, sale of LPG, and generation and sale of electricity, etc.	Does not conduct business
(v) Share capital	132,166 million yen	100 million yen
(vi) Date of establishment	April 10, 1897	April 1, 2021
(vii) Total number of issued shares	416,680,000 shares	2,000 shares
(viii) End of accounting period	March 31	March 31
(ix) Major shareholders and ratio of shareholding	The Master Trust Bank of Japan, Ltd. (Trust Account) 8.13% Custody Bank of Japan, Ltd. (Trust Account) 4.96% Nippon Life Insurance Company (Standing Proxy: The Master Trust Bank of Japan, Ltd.) 4.63% Custody Bank of Japan, Ltd. (Trust Account 7) 2.78% MUFG Bank, Ltd. 2.69%	Osaka Gas Co., Ltd. 100%

	Splitting company (As of March 31, 2021)	Succeeding company (As of April 1, 2021)
(x) Operating results and financial position for the most recent fiscal year		
Fiscal year	Fiscal year ended March 31, 2021, consolidated	—
Net assets	1,114,597 million yen	100 million yen
Total assets	2,313,357 million yen	100 million yen
Net assets per share	2,602.18 yen	50,000 yen
Net sales	1,364,106 million yen	—
Operating profit	112,491 million yen	—
Ordinary profit	127,752 million yen	—
Profit attributable to owners of parent	80,857 million yen	—
Earnings per share	194.48 yen	—

Note:

Since the succeeding company was incorporated on April 1, 2021 and has no preceding fiscal year, (x) Operating results and financial position for the most recent fiscal year show the Net assets, Total assets and Net assets per share as of the date of incorporation.

(4) Outline of business unit to be split

(i) Description of business unit to be split

General gas pipeline service business and incidental businesses

(ii) Operating results of business unit to be split (Fiscal year ended March 31, 2021)

Description of business unit to be split	Net sales of business subject to split (a)	Non-consolidated net sales of the Company (b)	Ratio (a/b)
General gas pipeline service business and its incidental businesses	58,983 million yen	1,053,584 million yen	5.6%

Note: External net sales are stated.

(iii) Items and amounts of assets and liabilities to be split (As of March 31, 2021)

Assets		Liabilities	
Item	Book value	Item	Book value
Current assets	49,149 million yen	Current liabilities	32,116 million yen
Non-current assets	327,898 million yen	Non-current liabilities	10,105 million yen
Total	377,048 million yen	Total	42,222 million yen

Note:

The amounts shown above are estimates pursuant to the current status as of March 31, 2021. The amounts that will actually be transferred will reflect any increase or decrease that may occur up to the day immediately preceding the effective date of the Split.

(5) Status after the Split (As of April 1, 2022 (Scheduled))

	Splitting company	Succeeding company
(i) Company name	Osaka Gas Co., Ltd.	Osaka Gas Network Co., Ltd.
(ii) Location	4-1-2, Hiranomachi, Chuo-ku, Osaka, Japan	4-1-2, Hiranomachi, Chuo-ku, Osaka, Japan
(iii) Title and name of authorized representative	Masataka Fujiwara, President and Representative Director	Tsuyoshi Nakamura, President and Representative Director
(iv) Description of business	Manufacturing and sale of city gas, sale of LPG, and generation and sale of electricity, etc.	General gas pipeline service business, etc.
(v) Share capital	132,166 million yen	6,000 million yen
(vi) End of accounting period	March 31	March 31

Non-Consolidated Statement of Changes in Equity (April 1, 2020 to March 31, 2021)

(Millions of Yen)

	Shareholders' equity														Valuation and translation adjustments			Total net assets
	Share capital	Capital surplus			Retained earnings								Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings						Total retained earnings						
						Reserve for reduction entry of specified replaced properties	Reserve for overseas investment loss	Reserve for investment promotion taxation	Reserve for adjustment of cost fluctuations	General reserve	Retained earnings brought forward							
Balance at beginning of period	132,166	19,482	11	19,494	33,041	241	14,763	—	89,000	62,000	405,339	604,386	(1,802)	754,244	30,398	(4,996)	25,402	779,646
Changes during period																		
Reversal of reserve for overseas investment loss							(2,155)				2,155	—		—				—
Provision of reserve for investment promotion taxation								299			(299)	—		—				—
Dividends of surplus											(20,788)	(20,788)		(20,788)				(20,788)
Profit											54,641	54,641		54,641				54,641
Purchase of treasury shares													(52)	(52)				(52)
Disposal of treasury shares			0	0									2	2				2
Net changes in items other than shareholders' equity															16,864	2,127	18,992	18,992
Total changes during period	—	—	0	0	—	—	(2,155)	299	—	—	35,708	33,852	(49)	33,802	16,864	2,127	18,992	52,795
Balance at end of period	132,166	19,482	11	19,494	33,041	241	12,607	299	89,000	62,000	441,048	638,238	(1,852)	788,047	47,263	(2,868)	44,394	832,442

Notes to Non-Consolidated Financial Statements (April 1, 2020 to March 31, 2021)

1. Notes to Matters in respect of Significant Accounting Policies

(1) Basis and methodology for the valuation of assets

(i) Valuation of securities:

Bonds held to maturity:	Stated at amortized cost
Shares of subsidiaries and associates:	Stated at cost based on the moving-average method
Available-for-sale securities:	
Securities for which it is practical to determine fair value:	Stated at fair value based on the market price, etc., on the closing day (Unrealized valuation gains and losses are accounted for as a component of net assets; cost of sales is determined using the moving-average method.)
Securities for which it is not practical to determine fair value:	Stated at cost based on the moving-average method

(ii) Inventories are valued as follows; provided, however that inventories held for trading recorded on the balance sheet are depreciated to write down the carrying amount based on depreciation of profitability:

Finished goods:	Stated at cost based on the total-average method
Raw materials:	Stated at cost based on the moving-average method
Supplies:	Stated at cost based on the moving-average method

(iii) Derivatives are stated at fair value.

(2) Depreciation and amortization method of non-current assets

- (i) Property, plant and equipment (excluding leased assets) are depreciated using the declining-balance method. However, the straight-line method has been used for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998 and for facilities attached to buildings and structures acquired on or after April 1, 2016.
- (ii) Intangible assets (excluding leased assets) are amortized using the straight-line method. For internal-use software, the straight-line method based on the term available for use within OSAKA GAS CO., LTD. ("the Company") has been applied.

- (iii) Leased assets resulting from non-ownership-transfer finance leases are depreciated or amortized using the straight-line method over the useful life equal to the lease terms assuming no residual value.
- (3) Basis for recording allowances
- (i) As for the allowance for doubtful accounts, to provide for the bad debts loss of accounts receivable, loans receivable, etc., an estimated uncollectible amount is provided which is based on an amount calculated based on the default ratio in the past for general receivables and the individual collectability for certain receivables including receivables with default possibility.
 - (ii) As for the provision for retirement benefits, for the purposes of employee retirement benefits, an amount is provided based on the estimate of the retirement benefits obligation and pension assets at the end of the fiscal year.
 - a. Method of attributing projected retirement benefits to periods of service
In calculating retirement benefit obligations, the benefit formula basis is applied to attribute projected retirement benefits to periods of service until the end of this non-consolidated fiscal year.
 - b. Amortization of actuarial gains and losses and past service costs
Past service costs are expensed in the period when such costs are incurred.
Actuarial gains and losses are amortized on a straight-line basis over a period of 10 years beginning from the next non-consolidated fiscal year of occurrence.
 - (iii) As for the provision for gas holder repairs, to provide for the necessary expenditure for periodical repairs of spherical gas holders, an estimated amount for the next scheduled repair is provided based on the actual expenditure for the previous repair, which is proportionally allotted for the period up to such next scheduled repair.
 - (iv) As for the provision for safety measures, to provide for the necessary expenditure to ensure the safety of gas business, an estimated amount of the expenditure necessary for promoting the widespread use of safety-enhanced models, for strengthening inspections and ensuring wide awareness as well as for countermeasure works on aged gas pipelines is provided.
 - (v) As for the provision for gas appliance warranties, to provide for the payment of any service costs under warranty after the sale of appliances, an estimated amount of such costs is provided.
- (4) Other significant matters for the preparation of these non-consolidated financial statements
- (i) The method of accounting for unrecognized actuarial differences and unrecognized past service costs concerning retirement benefits on a non-consolidated basis is different from that on a consolidated basis.
 - (ii) Consumption taxes and other taxes are calculated using the net-of-tax method.
 - (iii) Accounting policies and procedures adopted in the absence of requirements in relevant accounting standards, etc. that specifically apply to events or transactions

that are accounted for

Revenue from gas and electricity sales is recorded based on the meter reading date, in which gas or electricity usage is measured in a monthly meter reading and the calculated fees are recognized as revenue for that month.

(Additional information)

The Company and its subsidiaries adopted “Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections” (ASBJ Statement No.24, March 31, 2020) to the non-consolidated financial statements for the current fiscal year, and therefore “accounting policies and procedures adopted in the absence of requirements in relevant accounting standards, etc. that specifically apply to events or transactions that are accounted for” are disclosed.

2. Notes to Changes in Presentation Method

Changes for adopting “Accounting Standard for Disclosure of Accounting Estimates”

The Company adopted ASBJ Statement No. 31 “Accounting Standard for Disclosure of Accounting Estimates” (March 31, 2020) to the non-consolidated financial statements for the current non-consolidated fiscal year, and therefore accounting estimates are disclosed in the note to the non-consolidated financial statements.

3. Notes to Accounting Estimates

Items for which the amount was recorded in the non-consolidated financial statements for this non-consolidated fiscal year based on accounting estimates and which may have a significant impact on the non-consolidated financial statements for the next non-consolidated fiscal year are as follows.

Calculation of retirement benefit obligations

Provision for retirement benefits	¥2,520 million
Prepaid pension costs	¥35,253 million

4. Notes to the Non-Consolidated Balance Sheet

(1) Assets pledged as collateral

Investments and other assets:	¥9,793 million
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(2) Accumulated depreciation of property, plant and equipment and accumulated amortization of intangible assets

Accumulated depreciation of property, plant and equipment:	¥2,322,102 million
Accumulated amortization of intangible assets:	¥13,631 million

(3) Guarantee liabilities, etc.

Guarantee liabilities:	¥50,244 million
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5. Notes to the Non-Consolidated Statement of Income

Amount of business from operational transactions with subsidiaries and associates:

Sales to subsidiaries and associates: ¥94,013 million

Amount of purchases from subsidiaries and associates: ¥224,796 million

Amount of business from non-operational transactions with subsidiaries and associates:

¥29,927 million

6. Notes to the Non-Consolidated Statement of Changes in Equity

Number of treasury stock at the end of the fiscal year: 920,065 common shares

7. Notes to Tax Effect Accounting

- (1) The main factors for the deferred tax assets are loss on valuation of securities, provision for gas appliance warranties and over-depreciation of depreciable assets.
- (2) The main factors for the deferred tax liabilities are valuation difference on available-for-sale securities, prepaid severance and retirement benefit expenses and reserves required under the Special Taxation Measures Law.

8. Notes to Transactions with Related Parties

Company name	Holding ratio of voting rights	Relationship	Substance of transaction	Transaction amount (Millions of Yen)	Item	Outstanding amount as at the year-end (Millions of Yen)
Osaka Gas Gorgon Pty. Ltd.	100% indirect holding	Subsidiary	Debt guarantee (Note)	26,246	—	—

Conditions of transaction and decision policy for conditions of transaction, etc.

Note:

The Company provided a guarantee for the long-term borrowings of Osaka Gas Gorgon Pty. Ltd. to Japan Bank for International Cooperation, etc.

9. Notes to Per Share Information

(1) Net assets per share: ¥2,002.22

(2) Earnings per share: ¥131.42

10. Notes to Significant Subsequent Events

Conclusion of an Absorption-type Split Agreement for Spin-off of the Gas Pipeline Service Business

By resolution of the Board of Directors' meeting held on April 23, 2021, it was decided that on April 1, 2022, as a tentative date, the Company will transfer the general gas pipeline service business through a

company split to Osaka Gas Network Co., Ltd. (hereinafter referred to as “Osaka Gas Network” or the “succeeding company”). On the same date, we executed an absorption-type split agreement with the succeeding company (this company split shall be hereinafter referred to as the “Split”).

The Split is subject to the approval for the absorption-type split agreement at the Annual Meeting of Shareholders scheduled in June of this year and the competent authorities’ approvals necessary for the Split.

(1) Background and purpose of the Split

Pursuant to the June 2015 amendment of the Gas Business Act, the Company, a general gas pipeline service business operator, will be prohibited from engaging also in the retail gas business or the gas production business from April 2022. The purpose of this amendment is to further secure neutrality of the gas pipeline service business.

In order to comply with the regulatory requirement and to establish an organizational structure to increase the value of our Group, we established Osaka Gas Network, a wholly-owned subsidiary of the Company, on April 1 of this year and executed an absorption-type split agreement with the subsidiary to transfer our general gas pipeline service business to the subsidiary which will become effective on April 1, 2022.

After the absorption-type split, our Group, including Osaka Gas Network, will continue to be a group of companies taking responsibility for the infrastructure sector, including the energy business, and to increase the value of our Group by fulfilling the obligation of the companies in our Group and maximizing the value we provide in our businesses.

(2) Outline of the Split

(i) Schedule of the Split

Board of Directors’ meeting to approve the absorption-type split agreement (the Company)	April 23, 2021
Determination by directors to approve the absorption-type split agreement (succeeding company)	April 23, 2021
Execution of the absorption-type split agreement	April 23, 2021
General shareholders meeting to approve the absorption-type split agreement (the Company)	June 2021 (tentative)
Extraordinary general shareholders meeting to approve the absorption-type split agreement (succeeding company)	June 2021 (tentative)
Effective date of the absorption-type split	April 1, 2022 (tentative)

(ii) Type of Split

This is an absorption-type split in which the Company is a splitting company, and Osaka Gas Network, our wholly-owned subsidiary, is a succeeding company.

(iii) Particulars of allotment due to the Split

As part of the company split, Osaka Gas Network, the succeeding company, will issue 6,700,000 common shares and allot all of them to the Company.

(iv) Treatment of the Company's share options and corporate bonds with share options

The Company has not issued any share options or corporate bonds with share options.

(v) Increase or decrease in share capital due to the Split

There will be no change in share capital due to the Split.

(vi) Rights and obligations transferred to the succeeding company

In accordance with the absorption-type split agreement, which was executed between the Company and the succeeding company on April 23, 2021, the rights and obligations of the Company in relation to the general gas pipeline service business and its incidental businesses will be transferred to Osaka Gas Network on the effective date of the agreement. With respect to the assumption of obligations by Osaka Gas Network through the Split, Osaka Gas Network will assume the obligations on a non-cumulative basis. In addition, the succeeding company will not assume the obligations associated with the existing bonds we have offered publicly.

(vii) Expectation of performance of obligations

It is expected that the Company and the succeeding company will continue to have assets in excess of liabilities after the Split, and presently, we do not expect the occurrence of any events that would cause an impediment to the performance of obligations arising after the Split. For these reasons, we have determined that there will be no concerns with respect to the ability of the Company and the succeeding company to perform the obligations after the Split.

(3) Outline of parties to the Split

	Splitting company (As of March 31, 2021)	Succeeding company (As of April 1, 2021)
(i) Company name	Osaka Gas Co., Ltd.	Osaka Gas Network Co., Ltd.
(ii) Location	4-1-2, Hiranomachi, Chuo-ku, Osaka, Japan	4-1-2, Hiranomachi, Chuo-ku, Osaka, Japan
(iii) Title and name of authorized representative	Masataka Fujiwara, President and Representative Director	Tsuyoshi Nakamura, President and Representative Director

	Splitting company (As of March 31, 2021)	Succeeding company (As of April 1, 2021)
(iv) Description of business	Manufacturing, supply, and sale of city gas, sale of LPG, and generation and sale of electricity, etc.	Does not conduct business
(v) Share capital	132,166 million yen	100 million yen
(vi) Date of establishment	April 10, 1897	April 1, 2021
(vii) Total number of issued shares	416,680,000 shares	2,000 shares
(viii) End of accounting period	March 31	March 31
(ix) Major shareholders and ratio of shareholding	The Master Trust Bank of Japan, Ltd. (Trust Account) 8.13% Custody Bank of Japan, Ltd. (Trust Account) 4.96% Nippon Life Insurance Company (Standing Proxy: The Master Trust Bank of Japan, Ltd.) 4.63% Custody Bank of Japan, Ltd. (Trust Account 7) 2.78% MUFG Bank, Ltd. 2.69%	Osaka Gas Co., Ltd. 100%
(x) Operating results and financial position for the most recent fiscal year		
Fiscal year	Fiscal year ended March 31, 2021, consolidated	—
Net assets	1,114,597 million yen	100 million yen
Total assets	2,313,357 million yen	100 million yen
Net assets per share	2,602.18 yen	50,000 yen
Net sales	1,364,106 million yen	—
Operating profit	112,491 million yen	—
Ordinary profit	127,752 million yen	—
Profit attributable to owners of parent	80,857 million yen	—
Earnings per share	194.48 yen	—

Note:

Since the succeeding company was incorporated on April 1, 2021 and has no preceding fiscal year, (x) Operating results and financial position for the most recent fiscal year show the Net assets, Total assets and Net assets per share as of the date of incorporation.

(4) Outline of business unit to be split

(i) Description of business unit to be split

General gas pipeline service business and incidental businesses

(ii) Operating results of business unit to be split (Fiscal year ended March 31, 2021)

Description of business unit to be split	Net sales of business subject to split (a)	Non-consolidated net sales of the Company (b)	Ratio (a/b)
General gas pipeline service business and its incidental businesses	58,983 million yen	1,053,584 million yen	5.6%

Note: External net sales are stated.

(iii) Items and amounts of assets and liabilities to be split (As of March 31, 2021)

Assets		Liabilities	
Item	Book value	Item	Book value
Current assets	49,149 million yen	Current liabilities	32,116 million yen
Non-current assets	327,898 million yen	Non-current liabilities	10,105 million yen
Total	377,048 million yen	Total	42,222 million yen

Note:

The amounts shown above are estimates pursuant to the current status as of March 31, 2021. The amounts that will actually be transferred will reflect any increase or decrease that may occur up to the day immediately preceding the effective date of the Split.

(5) Status after the Split (As of April 1, 2022 (Scheduled))

	Splitting company	Succeeding company
(i) Company name	Osaka Gas Co., Ltd.	Osaka Gas Network Co., Ltd.
(ii) Location	4-1-2, Hiranomachi, Chuo-ku, Osaka, Japan	4-1-2, Hiranomachi, Chuo-ku, Osaka, Japan
(iii) Title and name of authorized representative	Masataka Fujiwara, President and Representative Director	Tsuyoshi Nakamura, President and Representative Director
(iv) Description of business	Manufacturing and sale of city gas, sale of LPG, and generation and sale of electricity, etc.	General gas pipeline service business, etc.
(v) Share capital	132,166 million yen	6,000 million yen
(vi) End of accounting period	March 31	March 31