

(Securities Identification Code: 9532)

Notice of 199th Annual Meeting of Shareholders

To Our Shareholders:



I would like to express my deepest gratitude to our shareholders for their consistent support of the Osaka Gas Group's business operations.

Following the full-scale deregulation of the electricity retail market in April 2016 and the gas retail market in April 2017, the Osaka Gas Group ("the Group") is now facing substantial changes in the business environment. However, we view these changes as a significant opportunity for further growth and will promote our operations in an aggressive manner in line with the 2030 Long-term Management Vision and 2020 Medium-term Management Plan "Going Forward Beyond Borders," that we formulated in March 2017.

Your continued support would be greatly appreciated.

May 2017

Takehiro Honjo
President

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May 31, 2017

To Shareholders

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

Notice of 199th Annual Meeting of Shareholders

Dear Sir or Madam,

We would like to invite you to the 199th Annual Meeting of Shareholders (the “Meeting”) of OSAKA GAS CO., LTD. (the “Company”) to be held as below.

Should you be unable to attend the Meeting, **you may exercise your voting rights in writing or electronically such as through the Internet, as detailed on page 4 below.** In either case, please read the attached reference documents for the shareholders meeting and **cast your vote no later than Wednesday, June 28, 2017, at 4 p.m. Japan time.**

Yours faithfully

Details:

1. Date and time: Thursday, June 29, 2017, 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 199th term (year from April 1, 2016 to March 31, 2017)
 - Proposals:**
 - Proposal 1:** Appropriation of Earnings
 - Proposal 2:** Reverse Stock Split
 - Proposal 3:** Election of Thirteen Directors

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 (<http://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 include the documents provided with this notice of convocation as well as 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 description 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 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.

[INFORMATION ON THE EXERCISE OF VOTING RIGHTS]

1. When you attend the Meeting:

Please hand in the enclosed voting form at the reception desk. (The reception desk opens at 8:30 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.

2. When you do not attend the Meeting:

(1) 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: Wednesday, June 28, 2017, 4:00 p.m. Japan Time

(2) Electronic Exercise of Voting Rights

(i) Exercise of Voting Rights through the Internet

Please access the Company's voting website below and exercise your voting rights by Due Date below in accordance with the website's guidance. To exercise your voting rights, you need the access code and the password specified in the enclosed voting form.

■ Voting Website*: <http://www.web54.net>



* You can access the voting website by reading "QR Code" on the left with smartphones capable of reading a barcode.

Note: QR Code is a registered trademark of Denso Wave Inc.

Due Date: Wednesday, June 28, 2017, 4:00 p.m.

Any inquiries about systems such as the use of the voting website should be directed to the following:

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

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

(ii) 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.

Reference Documents for the Shareholders Meeting

1. Total number of voting rights

2,065,854

2. Proposals and related information

Proposal 1: Appropriation of Earnings

Taking into consideration the business results, our future management plan and other relevant matters, the details of the year-end dividends for the 199th term are as follows:

(1) Type of dividend

Cash

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

¥5.00 per common share of the Company

Aggregate amount: ¥10,398,179,670

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

Thursday, June 30, 2017

Proposal 2: Reverse Stock Split

(1) Reason for the reverse stock split

In line with the “Action Plan for Consolidating Trading Units,” all stock exchanges in Japan have promoted efforts to reduce the size of the trading unit of common stock to 100 shares for domestic listed companies.

Responding to this initiative as a listed company, the Company resolved at a meeting of the Board of Directors held on April 26, 2017, pursuant to Article 195, Paragraph 1 of the Companies Act, to partially amend its Articles of Incorporation as of October 1, 2017, so that the Company’s stock trading unit will be changed from 1,000 shares to 100 shares, subject to the approval of this proposal as originally proposed.

To achieve that change, the Company proposes to conduct a reverse stock split as follows, taking into account that the stock exchanges recommend the prices per trading unit to be ¥50,000 or more but less than ¥500,000.

(2) Ratio of the reverse stock split

Five shares of the Company’s common stock will be consolidated into one share.

Fractional shares resulting from the reverse stock split will be disposed of by the Company as prescribed in the Companies Act, and the amount of money in exchange for the disposal of such fractional shares will be delivered to the respective shareholders according to the ratio of the fractional shares they hold.

(3) Effective date of the reverse stock split

October 1, 2017

(4) Total number of authorized shares as of the effective date

Seven hundred million (700,000,000) shares

Pursuant to the provisions of Article 182, Paragraph 2, of the Companies Act, an amendment to the Articles of Incorporation relating to the total number of authorized shares to be issued by the Company will be deemed to have been made at the effective date of the reverse stock split.

(Reference)

If this proposal is approved as originally proposed, a partial amendment will be made as of October 1, 2017, to the Company’s Articles of Incorporation as follows.

(Underlined portions indicate the amendments)

Current Articles of Incorporation	Proposed Amendments
(Total Number of Authorized Shares) Article 6 The total number of authorized shares to be issued by the Company shall be <u>three billion seven hundred seven million five hundred six thousand nine hundred and nine (3,707,506,909) shares.</u>	(Total Number of Authorized Shares) Article 6 The total number of authorized shares to be issued by the Company shall be <u>seven hundred million (700,000,000) shares.</u>

<p>(Number of Shares Constituting a Full Unit, etc.)</p> <p>Article 8</p> <p>1. The number of shares of the Company constituting a full unit shall be <u>one thousand (1,000) shares</u>.</p> <p>2. A shareholder of the Company may request, pursuant to the provisions of the Share Handling Regulations, the Company to sell to the relevant shareholder the number of shares which, together with the shares constituting less than a full unit, will constitute a full unit.</p>	<p>(Number of Shares Constituting a Full Unit, etc.)</p> <p>Article 8</p> <p>1. The number of shares of the Company constituting a full unit shall be <u>one hundred (100) shares</u>.</p> <p>2. (provision unchanged)</p>
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Proposal 3: Election of Thirteen Directors

At the close of the Meeting, the term of office of all Directors will expire. The Company therefore proposes the election of thirteen Directors.

The nominees for Director are as follows (to be described on pages 8 through 20):

Nominee No.	Name (Date of Birth)	Career and Significant Concurrent Positions	Number of the Company Shares Held
1	Hiroshi Ozaki (March 11, 1950) Reappointed	<p>May 1972: Joined the Company</p> <p>June 2002: Director, Tokyo Representative</p> <p>July 2002: Director, Tokyo Representative Managing Director of the Japan Gas Association</p> <p>June 2005: Managing Director Head of LNG Terminal & Power Generation Business Unit</p> <p>June 2007: Managing Director Head of Commercial & Industrial Energy Business Unit</p> <p>April 2008: Representative Director and President</p> <p>June 2009: Representative Director and President, Executive President</p> <p>April 2015: Representative Director and Chairman (to date)</p>	260,065
<p>Reason for nomination as Director:</p> <p>After assuming the office of Director of the Company in June 2002, Mr. Hiroshi Ozaki went on to hold managerial positions including Head of LNG Terminal & Power Generation Business Unit and Head of Commercial & Industrial Energy Business Unit. He then served as Representative Director and President from April 2008 through March 2015, and has been serving as Representative Director and Chairman since April 2015. Through these roles, he has accumulated considerable experience and extensive knowledge in corporate and organizational management, and is therefore nominated again for Director.</p>			

Nominee No.	Name (Date of Birth)	Career and Significant Concurrent Positions	Number of the Company Shares Held
2	Takehiro Honjo (April 13, 1954) Reappointed	<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 (to date)</p>	153,000
<p>Reason for nomination as Director:</p> <p>After assuming the office of Executive Officer of the Company in June 2007, Mr. Takehiro Honjo went on to hold managerial positions including Head of Commercial & Industrial Energy Business Unit and Head of Residential Energy Business Unit. Since April 2013, he served as Representative Director and has been serving as Representative Director and President since April 2015. Through these roles, he has accumulated considerable experience and extensive knowledge in corporate and organizational management, and is therefore nominated again for Director.</p>			

Nominee No.	Name (Date of Birth)	Career and Significant Concurrent Positions	Number of the Company Shares Held
3	Hidetaka Matsuzaka (February 22, 1958) Reappointed	<p>April 1980: Joined the Company</p> <p>June 2009: Executive Officer, General Manager of Corporate Strategy Dept.</p> <p>April 2011: Senior Executive Officer Head of Energy Resources & International Business Unit</p> <p>June 2011: Director, Senior Executive Officer Head of Energy Resources & International Business Unit</p> <p>April 2014: Director, Senior Executive Officer President of Corporate Planning Headquarters</p> <p>April 2015: Representative Director, Executive Vice-President (to date)</p>	124,100
	<p>Reason for nomination as Director:</p> <p>After assuming the office of Executive Officer of the Company in June 2009, Mr. Hidetaka Matsuzaka went on to hold managerial positions including Head of Energy Resources & International Business Unit and President of Corporate Planning Headquarters. Since April 2015, he has been serving as Representative Director. Through these roles, he has accumulated considerable experience and extensive knowledge in corporate and organizational management, and is therefore nominated again for Director.</p>		

Nominee No.	Name (Date of Birth)	Career and Significant Concurrent Positions	Number of the Company Shares Held
4	Tetsuo Setoguchi (February 17, 1957) Reappointed	<p>April 1981: Joined the Company</p> <p>June 2010: Executive Officer General Manager of Toshiken Commercial & Industrial Energy Sales Dept., Commercial & Industrial Energy Business Unit</p> <p>April 2013: Senior Executive Officer Head of Customer Services, Head of Residential Energy Business Unit</p> <p>June 2013: Director, Senior Executive Officer Head of Customer Services, Head of Residential Energy Business Unit</p> <p>April 2015: Representative Director, Executive Vice-President (to date)</p>	86,000
<p>Reason for nomination as Director:</p> <p>After assuming the office of Executive Officer of the Company in June 2010, Mr. Tetsuo Setoguchi went on to hold managerial positions including General Manager of Toshiken Commercial & Industrial Energy Sales Dept., Commercial & Industrial Energy Business Unit and Head of Residential Energy Business Unit. Since April 2015, he has been serving as Representative Director of the Company. Through these roles, he has accumulated considerable experience and extensive knowledge in corporate and organizational management, and is therefore nominated again for Director.</p>			

Nominee No.	Name (Date of Birth)	Career and Significant Concurrent Positions	Number of the Company Shares Held
5	Masataka Fujiwara (February 28, 1958) Reappointed	<p>April 1982: Joined the Company</p> <p>April 2012: Executive Officer, General Manager of Energy Business Development Dept., Commercial & Industrial Energy Business Unit</p> <p>April 2013: Executive Officer of the Company Representative Director and President of Osaka Gas Chemicals Co., Ltd. Representative Director and President of Japan EnviroChemicals, Ltd.</p> <p>April 2015: Senior Executive Officer of the Company Representative Director and President of Osaka Gas Chemicals Co., Ltd.</p> <p>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.</p> <p>June 2016: Representative Director, Executive Vice-President (to date)</p>	52,000
<p>Reason for nomination as Director:</p> <p>After assuming the office of Executive Officer of the Company in April 2012, Mr. Masataka Fujiwara went on to hold managerial positions including General Manager of Energy Business Development Dept., Commercial & Industrial Energy Business Unit, and Representative Director and President of Osaka Gas Chemicals Co., Ltd. Since June 2016, he has been serving as Representative Director of the Company. Through these roles, he has accumulated considerable experience and extensive knowledge in corporate and organizational management, and is therefore nominated again for Director.</p>			

Nominee No.	Name (Date of Birth)	Career and Significant Concurrent Positions	Number of the Company Shares Held
6	<p>Kazuhisa Yano (November 24, 1958)</p> <p>Reappointed</p>	<p>April 1981: Joined the Company</p> <p>June 2008: Associate Director, General Manager of Corporate Communication Dept.</p> <p>June 2009: Associate Director, General Manager of Osaka Commercial & Industrial Energy Sales Dept., Commercial & Industrial Energy Business Unit</p> <p>April 2011: Executive Officer, Hyogo/Himeji Overall Regional Resident Representative and Hyogo Regional Resident Representative</p> <p>April 2014: Senior Executive Officer, Head of Energy Resources & International Business Unit</p> <p>June 2014: Director, Senior Executive Officer Head of Energy Resources & International Business Unit</p> <p>April 2016: Director, Senior Executive Officer Head of Commercial & Industrial Energy Business Unit (to date)</p>	102,102
	<p>Reason for nomination as Director:</p> <p>After assuming the office of Executive Officer of the Company in April 2011, Mr. Kazuhisa Yano went on to hold managerial positions including Head of Energy Resources & International Business Unit and Head of Commercial & Industrial Energy Business Unit. Through these roles, he has accumulated considerable experience and extensive knowledge in corporate and organizational management, and is therefore nominated again for Director.</p>		

Nominee No.	Name (Date of Birth)	Career and Significant Concurrent Positions	Number of the Company Shares Held
7	Toshimasa Fujiwara (July 1, 1957) Reappointed	<p>April 1981: Joined the Company</p> <p>June 2009: Associate Director, General Manager of Investment Risk Management Dept.</p> <p>June 2010: Associate Director, General Manager of Human Resources Dept.</p> <p>April 2012: Executive Officer, General Manager of Human Resources Dept.</p> <p>April 2014: Executive Officer of the Company Representative Director and President of Osaka Gas Customer Relations Co., Ltd.</p> <p>April 2015: Senior Executive Officer, Head of Customer Services, Head of Residential Energy Business Unit of the Company</p> <p>June 2015: Director, Senior Executive Officer Head of Customer Services, Head of Residential Energy Business Unit</p> <p>April 2016: Director, Senior Executive Officer In charge of: Secretariat, Corporate Communication Dept., Human Resources Dept., General Affairs Dept. and Purchasing Dept. (to date)</p>	51,966
<p>Reason for nomination as Director:</p> <p>After assuming the office of Executive Officer of the Company in April 2012, Mr. Toshimasa Fujiwara went on to hold managerial positions including Representative Director and President of Osaka Gas Customer Relations Co., Ltd. and Head of Residential Energy Business Unit. Through these roles, he has accumulated considerable experience and extensive knowledge in corporate and organizational management, and is therefore nominated again for Director.</p>			

Nominee No.	Name (Date of Birth)	Career and Significant Concurrent Positions	Number of the Company Shares Held
8	Tadashi Miyagawa (October 21, 1958) Reappointed	<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>July 2014: Resigned as 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 (to date)</p>	14,000
<p>Reason for nomination as Director:</p> <p>Since he assumed the office of Executive Officer of the Company in April 2015, Mr. Tadashi Miyagawa has been in charge of Regional Co-creation Division and other roles. Prior to joining the Company, he had served as Director-General of Manufacturing Industries Bureau at the Ministry of Economy, Trade and Industry. He has therefore accumulated considerable experience and extensive knowledge in corporate and organizational management, and is therefore nominated again for Director.</p>			

Nominee No.	Name (Date of Birth)	Career and Significant Concurrent Positions		Number of the Company Shares Held
9	Hideaki Nishikawa (January 1, 1958) Reappointed	April 1983:	Joined the Company	50,205
		June 2009:	Associate Director, General Manager of Osaka Pipelines Dept., Pipelines Business Unit	
		June 2010:	Associate Director, General Manager of Purchasing Dept.	
		April 2012:	Associate Director, General Manager of Pipelines Dept., Pipelines Business Unit	
		April 2013:	Executive Officer, General Manager of Pipelines Dept., Pipelines Business Unit	
		April 2016:	Senior Executive Officer, Head of Pipelines Business Unit	
		June 2016:	Director, Senior Executive Officer, Head of Pipelines Business Unit (to date)	
Reason for nomination as Director: After assuming the office of Executive Officer of the Company in April 2013, Mr. Hideaki Nishikawa went on to hold managerial positions including General Manager of Pipelines Dept., Pipelines Business Unit and Head of Pipelines Business Unit. Through these roles, he has accumulated considerable experience and extensive knowledge in corporate and organizational management, and is therefore nominated again for Director.				
10	Takeshi Matsui (February 18, 1961) Newly nominated	April 1983:	Joined the Company	42,000
		June 2010:	Associate Director, General Manager of Finance Dept.	
		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 (to date)	
Reason for nomination as Director: After assuming the office of Executive Officer of the Company in April 2013, Mr. Takeshi Matsui went on to hold managerial positions including General Manager of Human Resources Dept. and Head of Energy Resources & International Business Unit. Through these roles, he has accumulated considerable experience and extensive knowledge in corporate and organizational management, and is therefore newly nominated for Director.				

Nominee No.	Name (Date of Birth)	Career and Significant Concurrent Positions	Number of the Company Shares Held
11	<p>Shunzo Morishita (April 8, 1945)</p> <p>Nominated for outside Director Reappointed</p>	<p>April 1970: Joined Nippon Telegraph and Telephone Public Corporation</p> <p>March 2004: Representative Director and President of NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION</p> <p>June 2008: Director, Executive Adviser of NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION</p> <p>June 2010: Executive Adviser of NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION</p> <p>July 2014: Senior Adviser of NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION</p> <p>June 2016: Resigned as Senior Adviser of NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION</p> <p>June 2009: Director of the Company (to date)</p>	30,000
<p>Reason for nomination as Director</p> <p>Mr. Shunzo Morishita has the experience of serving as Representative Director and President of NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION and has considerable experience and extensive knowledge in corporate and organizational management. Since assuming the office of Director of the Company in June 2009, Mr. Morishita has appropriately performed his duties as an outside Director, and is therefore nominated again for outside Director.</p>			

Nominee No.	Name (Date of Birth)	Career and Significant Concurrent Positions	Number of the Company Shares Held
12	Hideo Miyahara (June 21, 1943) Nominated for outside Director Reappointed	<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>August 2007: Resigned as President of Osaka University</p> <p>September 2007: President of National Institute of Information and Communications Technology</p> <p>March 2013: Resigned as 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 (to date)</p> <p>June 2013: Director of the Company (to date)</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 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>			

Nominee No.	Name (Date of Birth)	Career and Significant Concurrent Positions	Number of the Company Shares Held
13	Takayuki Sasaki (August 24, 1946) Nominated for outside Director Reappointed	<p>April 1970: Joined the Japanese National Railways</p> <p>June 2002: Representative Director and President of WEST JAPAN RAILWAY DAILY SERVICE NET COMPANY Co., Ltd.</p> <p>June 2007: Vice President, Representative Director, and Executive Officer of West Japan Railway Company</p> <p>June 2009: Vice Chairman and Representative Director of West Japan Railway Company</p> <p>August 2009: President, Representative Director, and Executive Officer of West Japan Railway Company</p> <p>May 2012: Chairman of the Board of Directors of West Japan Railway Company</p> <p>June 2016: Director and Advisor of West Japan Railway Company (to date)</p> <p>June 2016: Director of the Company (to date)</p>	0
Mr. Takayuki Sasaki has the experience of serving as President and Representative Director, and also as Chairman of the Board of Directors of West Japan Railway Company and has considerable experience and extensive knowledge in corporate and organizational management. Since assuming the office of Director of the Company in June 2016, Mr. Sasaki has appropriately performed his duties as an outside Director, and is therefore nominated again for outside Director.			

- 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 following Business Report (on pages 35 through 39) 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 any headquarters, division/department, organization, core company or person in a designated position according to its managerial importance, effect on business management and other factors.
 2. There are no significant conflicts of interest between any of the nominees and the Company.
 3. Mr. Shunzo Morishita, Mr. Hideo Miyahara and Mr. Takayuki Sasaki 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.
 4. The number of years since the nominees for appointment as outside directors of the Company assumed the office will be eight, four and one, respectively, for Mr. Shunzo Morishita, Mr. Hideo Miyahara and Mr. Takayuki Sasaki, as of the close of the Meeting.
 5. All nominees for appointment as outside directors meet the standards for determining the independence

of independent officers specified by the Company (see page 21). Therefore, pursuant to the regulations of the stock exchanges on which the Company's stock is listed, the Company has already and will again notify said stock exchanges that these nominees are independent officers.

6. 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 Mr. Shunzo Morishita, Mr. Hideo Miyahara and Mr. Takayuki Sasaki 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 appointment of each of said nominees is approved at the Meeting, the Company will continue said agreement with each.

[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 three years prior.
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 three years prior.
4. The individual may not be a major shareholder (an individual or entity which owns 10% or more of the total voting rights of the Company, hereafter the same) 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 have been 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 consolidated sales or more

*2 Received amount from client accounts for 2% of the Company Group’s consolidated sales or more, or the loan balance outstanding is 2% of the Company Group’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 one of the criteria listed above in 1-10, if the individual otherwise qualifies as an independent officer, he/she may still become an independent officer of the Company by providing an explanation or disclosing the reasons for such qualification.

End

Business Report (April 1, 2016 to March 31, 2017)

I. Current Situation of the Business Group

1. Business Operations and Results

During the fiscal year under review, the Japanese economy continued to be on a recovery path chiefly because corporate capital investments, exports and production proceeded favorably as the global economy showed signs of picking up against a backdrop of a gradual rise in oil prices.

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

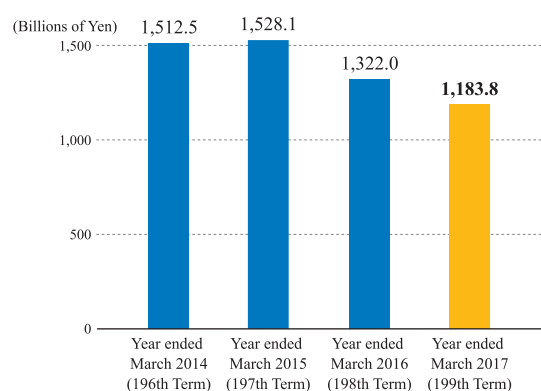
Consolidated net sales of the Group for the fiscal year under review decreased 10.5% from the previous year to ¥1,183.8 billion mainly due to the lower unit prices of city gas under the fuel cost adjustment system. (see Graph 1).

Consolidated ordinary income decreased 28.7% to ¥96.2 billion mainly because the influence caused by a time lag* until fluctuations of raw material costs are reflected in city gas selling prices was smaller than that in the previous fiscal year. (see Graph 2).

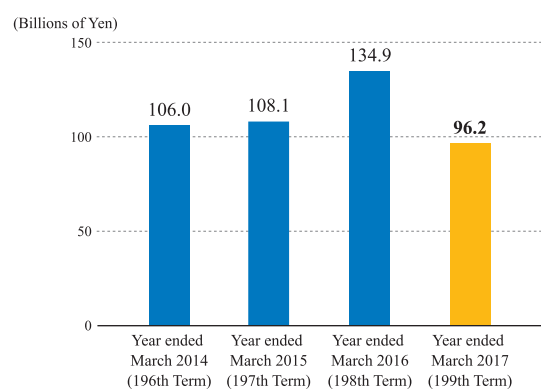
Profit attributable to owners of parent decreased 27.3% from the previous year to ¥61.2 billion (see Graph 3).

*There is a certain time lag between the occurrence of changes in raw material costs and the effect of the fuel cost adjustment system being reflected in gas sales unit prices, and this results in a temporary increase or decrease in income. For the fiscal year under review and the previous year, this has caused a temporary income increase.

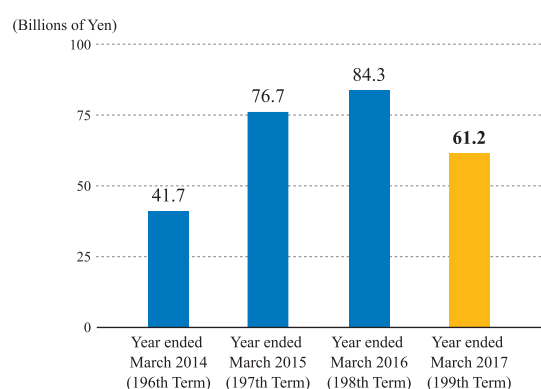
Graph 1: Transition of Consolidated Net Sales



Graph 2: Transition of Consolidated Ordinary Income



Graph 3: Transition of Profit Attributable to Owners of Parent



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

(1) Gas

Net sales decreased 15.4% from the previous year to ¥802.3 billion.

Number of Customers (Meters Installed)

The number of customers (by number of meters installed) increased by 58 thousand from the previous year-end and reached 7,338 thousand as of March 31, 2017.

Gas Sales Volume

The residential gas sales volume increased 0.9% to 2,111 million cubic meters, as a result of lower air and water temperatures in winter compared with the previous year, which in turn increased the demand for hot water supply and air heating.

The business gas sales volume increased 11.0% to 6,094 million cubic meters mainly due to the development of gas demand for industrial use and increased gas demand for air conditioning for commercial, public and medical purposes.

Wholesale gas volume increased 4.3% from the previous year to 489 million cubic meters.

As a result, total gas sales volume rose 8.0% to 8,694 million cubic meters (see Graph 4).

New Tariffs

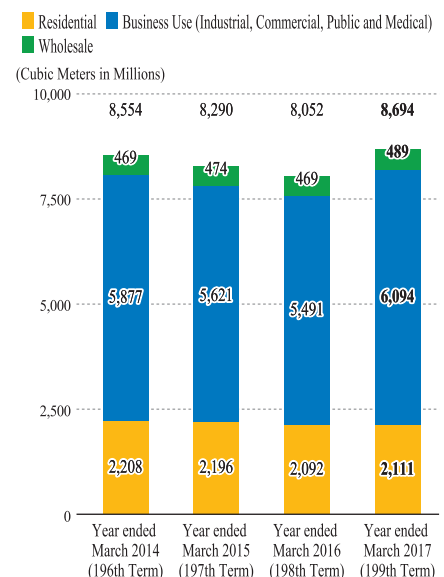
In January 2017, we announced the addition of two new options to our gas tariff effective from April 2017: the "Gastokuplanmottowari" mainly for residential customers and the "Gas-toku-plan akinai -wari" mainly for business customers (restaurants, retail shops and offices, etc.). We will continue to improve our gas tariff to meet a diverse range of customer's needs.

Sales of Gas Appliances

Regarding residential gas appliances, 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 April 2016, the Company launched a new model of the "ENE-FARM TYPE S" (solid oxide fuel cell), which is more compact and attains higher power generating

Graph 4: Transition of Gas Sales Volume by Use



Advertisements for new tariffs

efficiency than previous models. We started to buy electricity that was generated using fuel calls but not used in customer's home (surplus electricity) from the customers who installed this model.* This model was awarded the Director-General's Prize, the Agency for Natural Resources and Energy of the FY 2016 ENERGY CONSERVATION GRAND PRIZE (Products/Business Models Category).

*Excludes the customers using the national system for purchasing surplus electricity relating to solar power generation.

In preparation for the full deregulation of the retail gas market, the Company started a scheme called "Sumikata Services" in May 2016, which provides one-stop services for customers with problems concerning their living facilities with the aim of strengthening ties and connections with customers. In April 2017, the Company started another scheme called "Sumikata Plus,"* which provides an unlimited number of onsite services to address issues with living facilities.

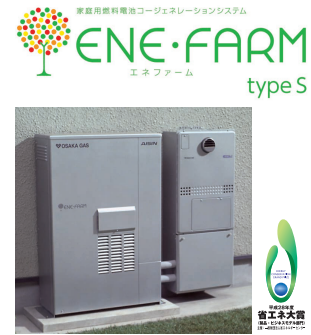
*The "Sumikata Plus" services are available at a fixed rate for customers using the Gas-toku-plan.

Regarding gas appliances for business use, we engaged in efforts at product development and sales promotion for such products as cogeneration systems, air-conditioning systems including "GHP XAIR II," 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.

Ensuring Stable Supply and Security

Continuous efforts were made throughout the year to diversify natural gas procurement sources and price indices, ensure good maintenance and well-planned renovations of gas production and supply facilities and promote the spread of gas appliances equipped with safety functions.

To prepare for emergencies, we continued to improve our response to emergencies, maintained coastal disaster prevention blocks against tsunami, and introduced highly earthquake-resistant gas production and supply facilities.



Operational training on gas supply equipment

(2) LPG, Electricity and Other Energy

Net sales increased 1.3% from the previous year to ¥209 billion.

Regarding the LPG and other energy business, the Group conducted the reorganization of Liquid Gas Co., Ltd., and its group companies' businesses, which include the sales of industrial gas, LNG and LPG, through a company split and other means in April 2016.

Regarding the electric power business, thermal, wind and solar power generating plants continued to operate favorably.

In April 2016, the Company entered the retail electricity sales market upon the full deregulation of the electricity retail market and commenced the supply of electricity under low-voltage electricity contracts. As of March 31, 2017, the number of subscriptions for the service reached 305,000.

In October 2016, the Company acquired a 20% equity interest in Fukushima Gas Power Co., Ltd., enabling it to join the natural gas-fired thermal power generation business at the Soma Port in Fukushima Prefecture. The Soma Port Natural Gas-fired Electric Power Generation Plant (tentative name), which is to be owned and operated by said company, will consist of two power generation Gas Turbine Combined-Cycle units which can generate 0.59 million kW (50 Hz in frequency) and is scheduled to start commercial operations in the spring of 2020.

(3) International Energy

Net sales increased 21.0% from the previous year to ¥22.6 billion.

In February 2017, the St. Charles Energy Center Natural Gas-Fired Power Plant (which has a generating capacity of 0.725 million kW and for which the Company has a 25% equity interest in the company operating the plant) was completed and commenced commercial operations in Maryland, the United States.

In March 2017, the Company acquired a 20% equity interest in the Shore Power Plant, a natural gas-fired power generation plant that has a generating capacity of 0.725 million kW and is in operation in New Jersey, the United States, to participate in the plant's power generation business.

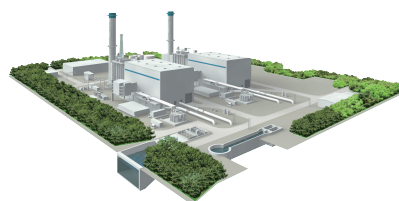
The Company also acquired a 50% equity interest in the Fairview Power Plant, a natural gas-fired power generation plant that is under construction in Pennsylvania, the United States, to participate in the



Advertisement for retail electricity sales



Hirogawa Myojin-yama Wind Power Plant
(Wakayama Prefecture)



Soma Port Natural Gas-Fired Electric
Power Generation Plant (tentative name)
(Image of completed plant)



St. Charles Energy Center
Natural Gas-Fired Power Plant



Fairview Natural Gas-Fired Power Plant
(Image of completed plant)

plant's power generation business. This plant, which will have a generating capacity of 1.05 million kW, is scheduled to start commercial operations in the spring of 2020.

(4) Life & Business Solutions

Net sales decreased 1.9% from the previous year to ¥217.6 billion.

Osaka Gas Urban Development Co., Ltd., a group company engaged in the urban development business, expanded its assets by acquiring eight rental apartment buildings, including “Urbanex Honmachi,” and completed the construction of four condominium buildings, including “The Urbanex Ashiya Owners,” during the fiscal year under review.

OGIS-RI Co., Ltd., a group company engaged in the information solutions business, offered comprehensive IT services, including consulting, designing, development and operation services for 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 and carbon products, based on its coal chemistry technology and other technologies.



Urbanex Honmachi
(Osaka Prefecture)



OGIS-RI Co., Ltd. (Osaka Prefecture)

[Net Sales and Segment Income for Each Business Segment]

	Gas	LPG, Electricity and Other Energy	International Energy	Life & Business Solutions
Net sales (Billions of Yen)	802.3	209.0	22.6	217.6
Percentage change from previous year (%)	(15.4)	+1.3	+21.0	(1.9)
Percentage of net sales (%)	64.1	16.7	1.8	17.4
Segment income (Billions of Yen)	48.1	22.0	7.4	20.4
Percentage change from previous year (%)	(49.7)	(23.5)	—*	+8.4
Percentage of segment income (%)	49.1	22.5	7.6	20.8

*Segment loss of ¥0.2 billion was recorded for the previous year.

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

2. Principal Activities of the Group (as of March 31, 2017)

Business Segment	Major Businesses
Gas	Sale of gas and gas appliances, gas piping work, supply of heat
LPG, Electricity and Other Energy	Sale of LPG, supply of electricity, sale of LNG and industrial gas
International Energy	Overseas supply of energy, leasing of LNG tankers, development and investment relating to oil and natural gas
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 ¥88.6 billion.

We lengthened the Company's gas trunk and branch lines by 210 kilometers, bringing the total length to 50,590 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 generating plants.

4. Financing Activities

During the fiscal year under review, the Group borrowed ¥19.2 billion and repaid ¥18.7 billion of long-term loans. With respect to corporate bonds*, the Group issued straight corporate bonds of ¥10.0 billion at face value and redeemed existing corporate bonds in the aggregate amount of ¥35.7 billion.

*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. The Group will promote aggressive investments for further growth and continuous enhancement of management efficiency, while appropriately responding to governmental policy changes, such as the full deregulation of the retail electricity and gas markets. In March 2017, the Group formulated the 2030 Long-term Management Vision and 2020 Medium-term Management Plan “Going Forward Beyond Borders” with the recognition that the Group’s biggest managerial issue is achieving sustainable growth.

In line with said vision and plan, the Group will contribute to the advancement of society, regions and customers and aggressively promote its business operations with the aim of becoming an innovative and preferred energy & service company through the ages.

(2) Priority Issues

Toward the achievement of the goals set out in the 2030 Long-Term Management Vision and the 2020 Medium-Term Management Plan, 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 raw materials such as natural gas by diversifying sources, by way of procuring from many producers. We also aim for the material procurement that enhances our market competitiveness through the diversification of price indices.

To ensure the stable procurement of natural gas and corporate earnings, we will steadily promote the upstream businesses including the implementation of the existing liquefaction and gas field projects and the acquisition of new interests.

- (ii) Ensuring competitive power sources

Through such efforts as the development of new power sources at home and abroad, including natural gas-fired power generation, coal-fired power generation and renewable energy power generation and procurement of electricity through the wholesale power market, we will seek to construct a competitive portfolio of power sources while reinforcing our IPP (wholesale power) 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 earthquake and tsunami. We also continue to provide responses to emergencies such as gas leakages to secure safety at customer locations.

- (iv) Expanding the marketer businesses at home and abroad

In addition to expanding natural gas applications by encouraging wider use of gas cogeneration systems such as fuel cell systems, etc. and gas air-conditioning systems, we will work to expand electricity and LPG sales.

Meanwhile, we will enhance and broaden the range of life support services, such as the “Sumikata Service” and services peripheral to the energy business which include the management and maintenance of buildings and equipment. By offering these services in a comprehensive manner, we will contribute to the enhancement of the living environment for customers as well as further business growth. Through our alliances with energy business operators, we will expand 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) Promoting a fair and efficient gas pipeline service business

Upon the start of a new system for operating the gas pipeline service business in April 2017, we are committed to making continuous efforts to maintain and expand the demand for city gas, while ensuring the neutrality and transparency and enhancing the convenience of the transportation service.

(b) Expansion of the 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) Engagement in CSR efforts

In accordance with the “Osaka Gas Group CSR Charter,” we will ensure corporate management with attention to ESG (Environment, Society and Governance) by enhancing the awareness of CSR throughout the Group. 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 slash 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. 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 information security.

(ii) Promoting technological development

We will promote efforts to achieve higher efficiency and lower costs for gas appliances and facilities, including fuel cell systems, to develop new materials and information technologies such as those relating to the application of the IoT and to better utilize our engineering technologies in such fields as global warming countermeasures in terms of resource development, power generation and hydrogen.

(iii) Reinforcing human resources and organization

To achieve sustainable growth, we will advance efforts to develop human resources so that the diversity of human resources is increased to create new value. 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 Osaka Gas 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 2014 (196th Term)	Year ended March 2015 (197th Term)	Year ended March 2016 (198th Term)	Year ended March 2017 (199th Term)
Net sales (Millions of Yen)	1,512,581	1,528,164	1,322,012	1,183,846
Ordinary income (Millions of Yen)	106,044	108,173	134,986	96,276
Profit attributable to owners of parent (Millions of Yen)	41,725	76,709	84,324	61,271
Basic earnings per share (Yen)	20.04	36.86	40.53	29.46
Total assets (Millions of Yen)	1,668,317	1,862,201	1,829,756	1,886,577
Net assets (Millions of Yen)	828,565	918,869	935,786	991,870

7. Outline of Principal Subsidiaries (as of March 31, 2017)

Company	Capital (Millions of Yen)	Holding (%)	Main Activities
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.

- Notes 1. The Group treats the affiliated companies that play a central role in each business area and that are positioned as elementary units for the management of the Group as core companies (which the Group recognizes as principal subsidiaries).
2. Effective April 1, 2016, Liquid Gas Co., Ltd., ceased to be a core company of the Group after its reorganization (company split, etc.).

8. Major Offices, Plants and Employees (as of March 31, 2017)

(1) Major Offices, etc.

The Company	Head Office	Head Office (Osaka Prefecture)
	Offices	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		Osaka Gas Urban Development Co., Ltd. (Osaka Prefecture) OGIS-RI Co., Ltd. (Osaka Prefecture) Osaka Gas Chemicals Co., Ltd. (Osaka Prefecture)

Note: The Pipeline Business Unit has a regional pipeline department in each of the Company's offices. The Residential Energy Business Unit and the Commercial & Industrial Energy Business Unit conduct their business activities by organizing their operations based on the description of customers' business.

(2) Employees

Business Segment	Number of Employees
Gas	10,630
LPG, Electricity and Other Energy	1,438
International Energy	157
Life & Business Solutions	8,537
Total	20,762

Note: The above number of employees indicates the number of employees currently on duty.

9. Major Lenders (as of March 31, 2017)

Lenders	Loans Outstanding on March 31, 2017 (Millions of Yen)
Japan Bank for International Cooperation	56,725
Resona Bank, Limited	47,430
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	29,416
Development Bank of Japan Inc.	21,471
Nippon Life Insurance Company	20,891

II. Officers

1. Details of Directors and Audit & Supervisory Board Members (as of March 31, 2017)

Position	Name	Business in Charge	Significant Concurrent Positions
Representative Director and Chairman	Hiroshi Ozaki		Chairman of Osaka Chamber of Commerce and Industry Director of Asahi Broadcasting Corporation Director of OGIS-RI Co., Ltd. Director of Osaka Gas Chemicals Co., Ltd.
Representative Director and President Executive President	Takehiro Honjo		Director of Osaka Gas Urban Development Co., Ltd.
Representative Director Executive Vice-President	Hidetaka Matsuzaka	Responsible for: Residential Energy Business Unit, Commercial & Industrial Energy Business Unit, Osaka Gas Urban Development Co., Ltd. Regional Co-Creation Division, Tokyo Branch, Regional Resident Representative, Overall Regional Resident Representative and Tokyo Representative	Director of Osaka Gas Urban Development Co., Ltd.
Representative Director Executive Vice-President	Tetsuo Setoguchi	Head of Safety Head of Technology President of R&D Headquarters Responsible for: Energy Resources & International Business Unit, LNG Terminal & Power Generation Business Unit and Pipeline Business Unit	
Representative Director Executive Vice-President	Masataka Fujiwara	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.	Director of OGIS-RI Co., Ltd. Director of Osaka Gas Chemicals Co., Ltd.
Director Senior Executive Officer	Kazuhisa Yano	Head of Commercial & Industrial Energy Business Unit	Representative Director and President of Osaka Rinkai Energy Service Corporation
Director Senior Executive Officer	Eiichi Inamura	Head of LNG Terminal & Power Generation Business Unit	

Director Senior Executive Officer	Toshimasa Fujiwara	In charge of: Secretariat, Corporate Communication Dept., Human Resources Dept., General Affairs Dept. and Purchasing Dept.	
Director Senior Executive Officer	Tadashi Miyagawa	In charge of: Regional Co-Creation Division, Tokyo Branch, Regional Resident Representative, Overall Regional Resident Representative and Tokyo Representative	
Director Senior Executive Officer	Hideaki Nishikawa	Head of Pipeline Business Unit	
Director	Shunzo Morishita		Director and Chairman of Hanshin Expressway Company Limited Chairman of the Osaka Prefectural Public Safety Commission Member of the Board of Governors, Japan Broadcasting Corporation
Director	Hideo Miyahara		Guest Professor, Graduate School of Information Science and Technology, Osaka University Representative Director of KNOWLEDGE CAPITAL Director of West Japan Railway Company Member of the Board of Governors, Japan Broadcasting Corporation
Director	Takayuki Sasaki		Director and Advisor of West Japan Railway Company
Audit & Supervisory Board Member (full-time)	Takahiko Kawagishi		
Audit & Supervisory Board Member (full-time)	Akihiko Irie		
Audit & Supervisory Board Member	Yoko Kimura		Director of Nara Prefectural University
Audit & Supervisory Board Member	Eiji Hatta		Professor, Faculty of Economics, Doshisha University Chairman, Japan Student Baseball Association President, Japan High School Baseball Federation Vice President, Baseball Federation of Japan Vice Chairman, Japan

			University Auditors Association
Audit & Supervisory Board Member	Shigemi Sasaki		Professor, Graduate School of Law, Kyoto University

Notes:

- 1) “Responsible for” in the “Business in Charge” column means monitoring and providing advice and suggestions concerning the operations of any headquarters, division/department, organization, core company or person in a designated position according to its managerial importance, effect on business management and other factors.
- 2) Directors Shunzo Morishita, Hideo Miyahara and Takayuki Sasaki 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) Directors Masataka Fujiwara, Tadashi Miyagawa, Hideaki Nishikawa and Takayuki Sasaki and Audit & Supervisory Board Members Takahiko Kawagishi and Shigemi Sasaki were newly appointed at the 198th Annual Meeting of Shareholders held on June 29, 2016, and assumed office on the same day.
- 7) Audit & Supervisory Board Member Takahiko Kawagishi once served as the Company’s General Manager of Finance Dept. and has considerable expertise on financial and accounting matters.
- 8) Changes in “Business in Charge” and “Significant Concurrent Positions” during the term under review
Representative Director and Chairman Hiroshi Ozaki resigned as Chairman of The Japan Gas Association on June 13, 2016.
Director Shunzo Morishita resigned as Senior Adviser of NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION on June 30, 2016.
Director Hideo Miyahara assumed the position of Member of the Board of Governors, Japan Broadcasting Corporation, on June 20, 2016.

Note 9) Changes in the “Position” and “Business in Charge” for Directors after the end of the fiscal year under review

As of April 1, 2017, Directors’ positions and the businesses they are in charge of were as follows.

Position	Name	Business in Charge
Representative Director and Chairman	Hiroshi Ozaki	
Representative Director and President Executive President	Takehiro Honjo	
Representative Director Executive Vice-President	Hidetaka Matsuzaka	Responsible for: Residential Energy Business Unit, Commercial & Industrial Energy Business Unit, Osaka Gas Urban Development Co., Ltd. Regional Co-Creation Division, Tokyo Branch, Regional Resident Representative, Overall Regional Resident Representative and Tokyo Representative
Representative Director Executive Vice-President	Tetsuo Setoguchi	Head of Safety Head of Technology President of R&D Headquarters Responsible for: Energy Resources & International Business Unit, LNG Terminal & Power Generation Business Unit and Pipeline Business Unit
Representative Director Executive Vice-President	Masataka Fujiwara	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.
Director Senior Executive Officer	Kazuhisa Yano	Head of Commercial & Industrial Energy Business Unit
Director Senior Executive Officer	Toshimasa Fujiwara	In charge of: Secretariat, Corporate Communication Dept., Human Resources Dept., General Affairs Dept. and Purchasing Dept.
Director Senior Executive Officer	Tadashi Miyagawa	In charge of: Regional Co-Creation Division, Tokyo Branch, Regional Resident Representative, Overall Regional Resident Representative and Tokyo Representative
Director Senior Executive Officer	Hideaki Nishikawa	Head of Pipeline Business Unit
Director	Eiichi Inamura	
Director	Shunzo Morishita	

Director	Hideo Miyahara	
Director	Takayuki Sasaki	

Note 10) Changes in the “Significant Concurrent Positions” after the end of the fiscal year under review
 Director Eiichi Inamura assumed the office of Chairman and Director of Osaka Gas USA Corporation as of April 3, 2017.

Audit & Supervisory Board Member Eiji Hatta assumed the office of Chancellor of The Doshisha as of April 1, 2017, and Chairman of a school corporation as of April 22, 2017.

2. Outside Officers

(1) Principal Activities

Position	Name	Attendance and Comments
Director	Shunzo Morishita	Shunzo Morishita attended 13 out of 13 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	Hideo Miyahara	Hideo Miyahara attended 12 out of 13 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	Takayuki Sasaki	After he assumed the office of Director of the Company on June 29, 2016, Takayuki Sasaki attended 11 out of 11 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.
Audit & Supervisory Board Member	Yoko Kimura	Yoko Kimura attended 13 out of 13 meetings of the Board of Directors and attended 14 out of 14 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 13 out of 13 meetings of the Board of Directors and attended 14 out of 14 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	After he assumed the office of Audit & Supervisory Board Member of the Company on June 29, 2016, he attended 11 out of 11 meetings of the Board of Directors and 11 out of 11 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.

3. Remuneration for Directors and Audit & Supervisory Board Members

(1) Decision Policies of Remuneration for Directors and Audit & Supervisory Board Members

Remuneration for each Director shall be determined by a resolution of the Board of Directors, after deliberation at an advisory committee made up of a majority of the outside officers, within the amount of remuneration (up to ¥63 million per month) approved at the Annual Meeting of Shareholders, by considering the position and business in charge, etc. of each Director and reflecting the consolidated business results of the Company for the past three years*.

*The amount of remuneration for Outside Directors is fixed because they are in a position independent of the execution of the Company's businesses.

Directors, except Outside Directors, purchase the Company's shares through officers' shareholding association, to which they contribute a certain amount of money from their monthly remuneration.

Remuneration for each Audit & Supervisory Board Member shall be determined through discussions among Audit & Supervisory Board Members within the amount of remuneration (up to ¥14 million per month) approved at the Annual Meeting of Shareholders, taking into consideration the position, etc. of each Audit & Supervisory Board Member.

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

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

17 Directors	¥542 million
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7 Audit & Supervisory Board Members	¥99 million
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(including ¥62 million for 7 outside officers)

Note: The numbers and the amounts above include four Directors and two Audit & Supervisory Board Members (including an Outside Audit & Supervisory Board Member) who resigned at the end of the 198th Annual Meeting of Shareholders held on June 29, 2016.

III. Shares (as of March 31, 2017)

1. Number of Shares Issued and Number of Shareholders

Number of Authorized Shares	3,707,506,909 shares
Number of Shares Issued and Outstanding*	2,083,400,000 shares
Number of Shareholders	115,254

*3,764,066 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)	99,618	4.79
Nippon Life Insurance Company	96,212	4.63
Japan Trustee Services Bank, Ltd. (trust account)	90,328	4.34
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	69,929	3.36
Resona Bank, Limited	52,777	2.54
Japan Trustee Services Bank, Ltd. (trust account 5)	35,652	1.71
STATE STREET BANK WEST CLIENT-TREATY 505234	32,808	1.58
Japan Trustee Services Bank, Ltd. (trust account 9)	30,537	1.47
Aioi Nissay Dowa Insurance Co., Ltd.	29,865	1.44
Meiji Yasuda Life Insurance Company	29,191	1.40

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

Amount of fees and other charges payable to the accounting auditor by the Company for the fiscal year under review	(i) Fees for audit services in Article 2, paragraph 1 of the Certified Public Accountants Act (Note)	¥90 million
	(ii) Amount of fees and other charges for services other than audit services in Article 2, paragraph 1 of the Certified Public Accountants Act	¥17 million
Total amount of cash and other financial benefits payable by the Company and its subsidiaries		¥241 million

Note: 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 advice from specialist perspective concerning International Financial Reporting Standards to the accounting auditor and pays 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 "Osaka Gas Group Code of Business Conduct" based on "Osaka Gas 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.
- (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 a CSR committee.
- (6) If any problems are discovered regarding compliance within the Group, 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 Compliance 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.
- (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 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.
- (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 26, 2017, 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 CSR Committee has been promoting CSR activities through the “Compliance Subcommittee,” the “Environment Subcommittee,” “Social Contribution Subcommittee,” “Information Security Subcommittee” and “Risk Management Subcommittee” during the fiscal year under review.

Educational materials, including a guide to the “Osaka Gas 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 as an internal reporting system, detailed explanations of how to use the system are provided on the intranet through Q&As, model cases and 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. During the fiscal year under review, the Risk Management Subcommittee was set up within the CSR Committee to reinforce efforts to promote risk management across the Group. 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. During the fiscal year under review, revisions were made to the regulations for disaster countermeasures to reflect changes in the system for gas business operations and systems in response to crises occurring overseas were reinforced.

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

The affiliated companies to be managed by the core companies or the management support organizations are designated and their managerial tasks are monitored by receiving 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 audits 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 CSR Committee, 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, 2017)

(Millions of Yen)

Assets		Liabilities	
Non-current assets	1,404,514	Non-current liabilities	632,436
Property, plant and equipment	912,737	Bonds payable	194,979
Production facilities	91,943	Long-term loans payable	267,666
Distribution facilities	286,889	Deferred tax liabilities	26,451
Service and maintenance facilities	58,912	Provision for gas holder repairs	1,416
Other facilities	387,286	Provision for safety measures	10,897
Construction in progress	87,706	Provision for investment loss	6,999
		Provision for equipment warranties	14,282
		Net defined benefit liability	18,709
		Other	91,033
Intangible assets	77,483	Current liabilities	262,269
Investments and other assets	414,293	Current portion of non-current liabilities	50,267
Investment securities	316,981	Notes and accounts payable-trade	50,246
Net defined benefit asset	38,615	Short-term loans payable	23,118
Other	60,073	Income taxes payable	22,942
Allowance for doubtful accounts	(1,376)	Other	115,695
		Total liabilities	894,706
		Net assets	
Current assets	482,062	Shareholders' equity	902,865
Cash and deposits	167,583	Capital stock	132,166
Notes and accounts receivable-trade	177,512	Capital surplus	19,319
Lease receivables and investment assets	24,147	Retained earnings	752,872
Inventories	69,778	Treasury shares	(1,492)
Other	44,670	Accumulated other comprehensive income	59,040
Allowance for doubtful accounts	(1,629)	Valuation difference on available-for-sale securities	51,678
		Deferred gains or losses on hedges	(9,500)
		Revaluation reserve for land	(737)
		Foreign currency translation adjustment	17,993
		Remeasurements of defined benefit plans	(393)
		Non-controlling interests	29,965
		Total net assets	991,870
Total assets	1,886,577	Total liabilities and net assets	1,886,577

Consolidated Statement of Income (April 1, 2016 to March 31, 2017)

(Millions of Yen)

Account	Amount
Net sales	1,183,846
Cost of sales	745,139
[Gross profit]	[438,707]
Selling, general and administrative expenses	341,457
[Operating income]	[97,250]
Non-operating income	14,160
Interest income	386
Dividend income	3,163
Share of profit of entities accounted for using equity method	1,785
Contribution for facilities	2,404
Miscellaneous income	6,419
Non-operating expenses	15,134
Interest expenses	9,612
Miscellaneous expenses	5,521
[Ordinary income]	[96,276]
Extraordinary losses	4,680
Impairment loss	1,744
Business structure improvement expenses	2,935
[Income before income taxes]	[91,596]
Income taxes-current	31,622
Income taxes-deferred	(3,233)
Profit	[63,207]
Profit attributable to non-controlling interests	1,936
Profit attributable to owners of parent	61,271

Non-Consolidated Balance Sheet (As of March 31, 2017)

(Millions of Yen)

Assets		Liabilities	
Non-current assets	1,115,702	Non-current liabilities	418,512
Property, plant and equipment	446,720	Bonds payable	194,979
Production facilities	90,988	Long-term loans payable	166,498
Distribution facilities	286,395	Long-term debt to subsidiaries and associates	926
Service and maintenance facilities	58,056	Deferred tax liabilities	9,972
Facilities for incidental businesses	3,516	Provision for retirement benefits	4,686
Construction in progress	7,763	Provision for gas holder repairs	1,373
Intangible assets	16,765	Provision for safety measures	10,897
Patent right	9	Provision for investment loss	6,999
Leasehold right	2,987	Provision for equipment warranties	14,282
Other intangible assets	13,767	Other non-current liabilities	7,895
Investments and other assets	652,216	Current liabilities	254,562
Investment securities	71,324	Current portion of non-current liabilities	37,923
Investments in subsidiaries and associates	350,158	Accounts payable-trade	21,442
Long-term loans receivable from subsidiaries and associates	177,870	Short-term loans payable	5,000
Investments in capital	21	Accounts payable-other	15,344
Long-term prepaid expenses	7,476	Accrued expenses	35,692
Prepaid pension cost	40,442	Income taxes payable	15,027
Other investments and other assets	5,258	Advances received	6,846
Allowance for doubtful accounts	(336)	Deposits received	1,685
		Short-term loans payable to subsidiaries and associates	86,162
		Short-term debt to subsidiaries and associates	24,438
		Other current liabilities	4,999
		Total liabilities	673,075
Current assets	293,254	Net assets	
Cash and deposits	126,342	Shareholders' equity	702,783
Notes receivable-trade	702	Capital stock	132,166
Accounts receivable-trade	84,797	Capital surplus	19,493
Accounts receivable from subsidiaries and associates-trade	12,131	Legal capital surplus	19,482
Accounts receivable-other	7,317	Other capital surplus	11
Securities	12	Retained earnings	552,615
Finished goods	59	Legal retained earnings	33,041
Raw materials	17,021	Other retained earnings	
Supplies	11,468	Reserve for reduction entry of specified replaced properties	241
Short-term receivables from subsidiaries and associates	20,863	Reserve for overseas investment loss	20,756
Deferred tax assets	6,208	Reserve for adjustment of cost fluctuations	89,000
Other current assets	7,167	General reserve	62,000
Allowance for doubtful accounts	(837)	Retained earnings brought forward	347,575
		Treasury shares	(1,492)
		Treasury shares	(1,492)
		Valuation and translation adjustments	33,098
		Valuation difference on available-for-sale securities	36,570
		Deferred gains or losses on hedges	(3,472)
		Total net assets	735,881
Total assets	1,408,956	Total liabilities and net assets	1,408,956

Non-Consolidated Statement of Income (April 1, 2016 to March 31, 2017)

(Millions of Yen)

Costs and Expenses		Revenue	
Cost of sales	308,842	Product sales	614,327
Beginning inventories	147	Gas sales	614,327
Cost of products manufactured	315,246		
Purchase of finished goods	0		
Costs of gas for own use	6,492		
Ending inventories	59		
[Gross profit]	[305,484]		
Supply and sales expenses	221,666		
General and administrative expenses	51,637		
[Income on core business]	[32,181]		
Miscellaneous operating expenses	114,527	Miscellaneous operating revenue	124,389
Expenses of installation work	21,789	Revenue from installation work	23,064
Expenses of gas appliance sales	92,737	Revenue from gas appliance sales	95,605
		Third party access revenue	2,304
		Other miscellaneous operating revenue	3,415
Expenses for incidental businesses	154,836	Revenue for incidental businesses	168,138
Expenses for electric supply business	91,188	Revenue from electric supply business	101,432
Expenses for LNG sales	55,917	Revenue from LNG sales	58,076
Expenses for other incidental businesses	7,730	Revenue from other incidental businesses	8,629
[Operating income]	[55,345]		
Non-operating expenses	10,561	Non-operating income	25,489
Interest expenses	4,338	Interest income	1,711
Interest on bonds	3,920	Interest on securities	20
Amortization of bond issuance cost	72	Dividend income	1,338
Miscellaneous expenses	2,230	Dividends from subsidiaries and associates	14,037
		Miscellaneous income	8,382
[Ordinary income]	[70,273]		
[Income before income taxes]	[70,273]		
Income taxes-current	19,300		
Income taxes-deferred	(3,686)		
Profit	54,659		
Total	932,344	Total	932,344

Independent Auditor's Report

May 10, 2017

The Board of Directors
Osaka Gas Co., Ltd.

KPMG AZSA LLC

Kenryo Goto(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

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the related notes of Osaka Gas Co., Ltd. as at March 31, 2017 and for the year from April 1, 2016 to March 31, 2017 in accordance with Article 444-4 of the Companies Act.

Management's Responsibility 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.

Auditor's Responsibility

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

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

made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and the results of operations of Osaka Gas Co., Ltd. and its consolidated subsidiaries for the period, for which the consolidated financial statements were prepared, in accordance with accounting principles generally accepted in Japan.

Other Matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law 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.

Independent Auditor's Report

May 10, 2017

The Board of Directors
Osaka Gas Co., Ltd.

KPMG AZSA LLC

Kenryo Goto(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

We have audited the financial statements, comprising the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the supplementary schedules of Osaka Gas Co., Ltd. as at March 31, 2017 and for the year from April 1, 2016 to March 31, 2017 in accordance with Article 436-2-1 of the Companies Act.

Management's Responsibility for the Financial Statements and Others

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.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements and the supplementary schedules based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the supplementary schedules are free from material misstatement.

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

accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the supplementary schedules.

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

Opinion

In our opinion, the financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of Osaka Gas Co., Ltd. for the period, for which the financial statements and the supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

Other Matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law 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.

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 199th fiscal year from April 1, 2016 to March 31, 2017. 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 net assets 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 net assets and notes to

consolidated financial statements) for the fiscal year ended March 31, 2017.

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 25, 2017

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

Takahiko Kawagishi	Full-Time Audit & Supervisory Board Member [seal]
Akihiko Irie	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]

(Reference)

Overview of 2030 Long-term Management Vision and 2020 Medium-term Management Plan “Going Forward Beyond Borders”

Business domain and direction of business activities toward fiscal 2030

We will take dramatic changes in the future of energy (including the full deregulation of energy markets) as opportunities to use three approaches to overcome all obstacles.



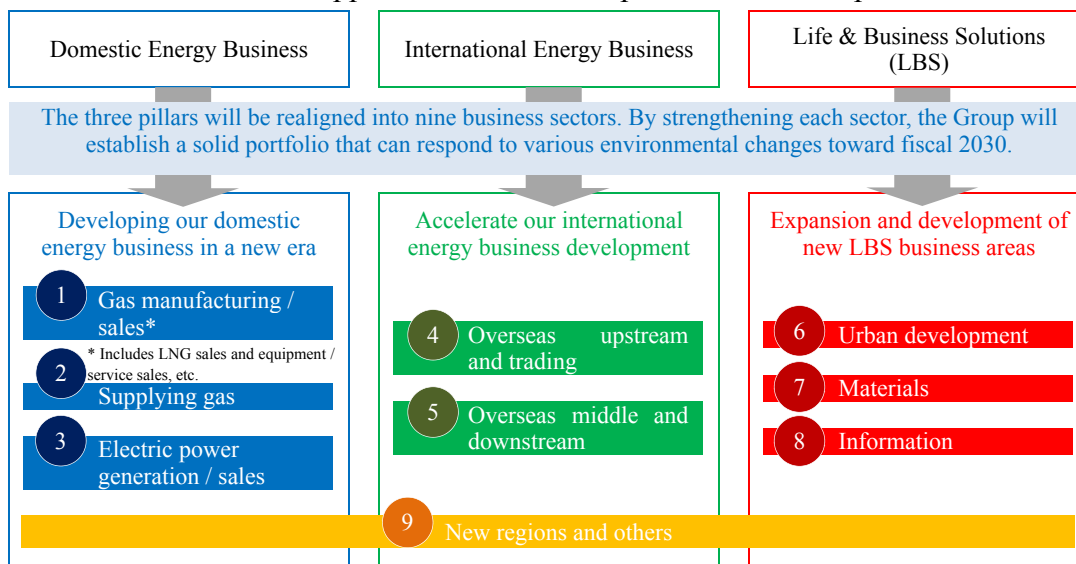
- An innovative energy & service company soaring from this era to the next -

Going beyond customers' expectations	Always try to provide services that go beyond customer expectations
Going beyond business borders	Expanding business into areas that contribute to social, regional and customer development
Going beyond company borders	Actively promoting alliances and M&A, and broadly expanding business in Japan and overseas

2030 Corporate Goal

The Osaka Gas Group will embark on the challenging task of tripling its consolidated ordinary income in fiscal 2030 compared with fiscal 2017 by expanding overseas operations in addition to domestic operations.

Support Osaka Gas Group's three business pillars



■ Initiatives in the Medium-term Business Plan 2020

Domestic Energy Business*	<ul style="list-style-type: none"> ■ Solutions for residential customers Thoroughly respond to our highly-valued customers at points of contact such as by expanding our products, services and maintenance. ■ Solutions for business and industrial customers Offer comprehensive electricity and gas services that meet diverse customers' needs ■ Build a competitive power portfolio Build a system that responds flexibly to supply and demand fluctuations by combining markets and other company's power supplies while promoting the development of new power sources ■ Deployment of as a gas pipeline operating company As a gas pipeline operating company, while continuing to provide safety, we will improve the duct network by cooperating with marketers while ensuring business neutrality and transparency
International Energy Business	<ul style="list-style-type: none"> ■ In addition to launching and completing projects, expand business scale, focusing on businesses that can benefit from existing assets and know-how in areas where economic growth is expected. <ul style="list-style-type: none"> North America: Complete the Freeport LNG Terminal (Opening during fiscal 2018); Acquisition of new IPP projects, etc. Southeast Asia: Participate in new LNG terminals and IPP projects; Promote the expansion of retail businesses (fuel conversion, etc.), etc.
Life & Business Solutions (LBS) / New Regions	<ul style="list-style-type: none"> ■ Through organic growth and growth investments, establish the LBS business as an area that is aligned with the energy field, and also actively engage in M&A in new regions. <ul style="list-style-type: none"> Urban development: Expand business in the Tokyo Metropolitan area as well as the Kansai area. Materials: Expand the global value chain for activated carbon and develop new applications for preservatives and fine materials. Information: Create group synergies and expand profits by introducing new technologies, such as IoT. New regions: Promote the development of new businesses in areas peripheral to the Group businesses.

*Beginning with the first quarter of fiscal 2017, the electricity business previously included in the LPG, Electricity and Other Energy business segment will be spun off into a separate segment named the "Domestic Energy / Electricity" segment. Meanwhile, sales of LPG, LNG and industrial gas and other businesses under the LPG, Electricity and Other Energy segment will be integrated into the Gas business segment, which will then be renamed the "Domestic Energy / Gas" segment.

■ Management Index of the Medium-term Management Plan 2020

We will continue to work to improve profitability by strengthening our international energy and LBS businesses.

We will also maintain great financial soundness.

		Plan for Fiscal 2017	Plan for Fiscal 2020
Profitability index	ROA	2.3%	3.5%
	ROE	4.5%	7.0%
	EBITDA ¹	157.0 billion yen	200.0 billion yen
Shareholder returns	Payout ratio	30% or higher ²	
Financial soundness index	D / E ratio ³	Approximately 0.7	
	Shareholders' equity ratio	Approximately 50%	

1. EBITDA: Operating income
+ Depreciation cost
+ Amortization of goodwill
+ Equity in earnings/losses of affiliates

2. Excluding short-term profit fluctuation factors

3. D: Debt
E: Equity

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 199th Fiscal Year (From April 1, 2016 to March 31, 2017)

OSAKA GAS CO., LTD.

Consolidated Statement of Changes in Equity (April 1, 2016 to March 31, 2017)

(Millions of Yen)

	Shareholders' equity					Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Capital stock	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 current period	132,166	19,320	712,401	(1,275)	862,613	44,143	(12,347)	(737)	28,924	(15,972)	44,010	29,162	935,786
Changes of items during period													
Dividends of surplus			(20,800)		(20,800)								(20,800)
Profit attributable to owners of parent			61,271		61,271								61,271
Purchase of treasury shares				(226)	(226)								(226)
Disposal of treasury shares		0		9	9								9
Changes in ownership interest of subsidiaries arising from transactions with non-controlling shareholders		(1)			(1)								(1)
Net changes of items other than shareholders' equity						7,535	2,846		(10,930)	15,578	15,030	802	15,832
Total changes of items during period	—	(0)	40,470	(217)	40,251	7,535	2,846	—	(10,930)	15,578	15,030	802	56,084
Balance at end of current period	132,166	19,319	752,872	(1,492)	902,865	51,678	(9,500)	(737)	17,993	(393)	59,040	29,965	991,870

Notes to Consolidated Financial Statements (April 1, 2016 to March 31, 2017)

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

(1) Scope of consolidation

Number of consolidated subsidiaries: 150

(Names of principal consolidated subsidiaries)

Osaka Gas Chemicals Co., Ltd., Osaka Gas Urban Development Co., Ltd., and OGIS-RI Co., Ltd..

(2) Application of the equity method

Number of equity method associates: 18

(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 associates not subject to the equity method include primarily ENNET Corporation.

The equity method is not applied to these associates because they do not have a material impact on profit or losses or 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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Other investment 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 investment loss

To provide for any losses on the operations of subsidiaries and associates, an amount of expected future losses has been provided as reserve.

- e. Provision for equipment 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 of occurrence.

b. Accounting for consumption taxes and other taxes

Consumption taxes and other taxes are calculated using the net-of-tax method.

2. Changes in Accounting Policies

“Application of the Practical Solution on a change in depreciation method due to Tax Reform 2016”

Due to amendments to the Japanese Corporation Tax Act, the Company and its domestic subsidiaries adopted “Practical Solution on a change in depreciation method due to Tax Reform 2016” (Practice Issue Task Force No.32, June 17, 2016) from the current fiscal year and changed the depreciation method for buildings, facilities attached to buildings and structures, which were acquired since April 1, 2016, from the declining-balance method to the straight-line method.

The aforementioned change had a limited effect on the Company’s consolidated operating income, ordinary income and income before income taxes for the current fiscal year.

3. Notes to the Consolidated Balance Sheet

(1) Assets pledged as collateral and secured liabilities

(i)	Assets pledged as collateral	
	Property, plant and equipment	¥129,230 million
	Investments and other assets	¥52,395 million
	Others	¥24,447 million
	Total	¥206,073 million
(ii)	Secured liabilities	¥38,191 million

In addition to above, loans receivable, etc., of ¥7,683 million which are offset as a result of consolidation are pledged as collateral.

(2)	Accumulated depreciation of property, plant and equipment:	¥2,562,433 million
(3)	Guarantee liabilities, etc.	
	Guarantee liabilities:	¥27,472 million
	Contingent liabilities in respect of debt assumption agreements with respect to bonds:	¥49,000 million

4. Notes to the Consolidated Statement of Income

The business structure improvement expenses are costs to improve the structure of earnings and expenses of a consolidated subsidiary that engages in the nursing care business.

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 which limit exposure to losses. 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 crude oil price, etc., for reducing fluctuation of cash flow due to change in crude oil price, etc., and weather derivatives for reducing movement 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 amount and value 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	167,583	167,583	—
(2) Notes and accounts receivable-trade	177,512	177,512	—
(3) Securities and investment securities	96,210	96,210	—
Total Assets	441,307	441,307	—
(1) Notes and accounts payable-trade	50,246	50,246	—
(2) Short-term loans payable	23,118	23,118	—
(3) Bonds payable ¹	194,979	208,424	13,444
(4) Long-term loans payable ¹	316,617	329,725	13,108
Total Liabilities	584,962	611,515	26,552
Derivative transaction ²	(2,071)	(2,071)	—

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 and therefore the book value is listed 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 financial institutions.

Liabilities

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

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

(3) Bonds payable

The fair value of bonds payable issued by the Company and certain consolidated subsidiaries is based on its market price (if any), or on its present value which is the total amount of its principal and interest, discounted by the interest rate derived by taking into consideration the remaining term and credit risk.

(4) Long-term loans payable

The fair value of long-term loans payable 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 loans payable with floating interest rate is its book value as such fair value is considered to be approximately equal to the book value.

Derivatives

The fair value of derivative transactions is primarily based on the price quoted by the counterpart financial institutions. The fair value of derivatives 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 is hedged.

2. Shares of associates and unlisted shares (amount recorded on the consolidated balance sheet: ¥220,782 million) are not included in “(3) Securities and investment securities” as they have no market price and their future cash flows cannot be estimated and therefore it is recognized as being very difficult to obtain fair value.

7. Notes to Leased Properties, etc.

(1) Matters concerning the status of leased properties

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 leased properties

(Millions of Yen)	
Amount recorded on the consolidated balance sheet	Fair value
113,789	174,104

Notes: 1. The amount recorded on the consolidated balance sheet is the amount which deducts the accumulated depreciation amount and accumulated impairment loss 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.

8. Notes to the Consolidated Statement of Changes in Equity

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

2,083,400,000 common shares

(2) Dividends

(i) Amount of payment of dividends

- a. At the Annual Meeting of Shareholders held on June 29, 2016, the following were resolved with March 31, 2016, as a record date.

Dividends of common shares

- (a) Total amount of dividends ¥10,400 million
 (b) Dividend per share ¥5.00
 (consisting of a ¥4.50 ordinary dividend and a ¥0.50 commemorative dividend to celebrate the Company's 110th anniversary)
 (c) Effective date for dividends June 30, 2016

- b. At the meeting of the Board of Directors held on October 26, 2016, the following were resolved with September 30, 2016, as a record date.

Dividends of common shares

- (a) Total amount of dividends ¥10,399 million
 (b) Dividend per share ¥5.00
 (c) Effective date for dividends November 30, 2016

- (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 29, 2017, the following will be proposed with March 31, 2017, as a record date. Dividends are to be appropriated from retained earnings.

Dividends of common shares

(a) Total amount of dividends	¥10,398 million
(b) Dividend per share	¥5.00
(c) Effective date for dividends	June 30, 2017

9. Notes to Per Share Information

(1) Net assets per share:	¥462.54
(2) Earnings per share:	¥29.46

10. Notes to Significant Subsequent Events

The Company resolved to change the size of its stock trading unit by making the related amendment to its Articles of Incorporation at a meeting of its Board of Directors held on April 26, 2017 and to present a proposal concerning the reverse stock split described below at the 199th Annual Meeting of Shareholders to be held on June 29, 2017.

(1) Purpose of the reverse stock split

In line with the “Action Plan for Consolidating Trading Units,” all stock exchanges in Japan have promoted efforts to reduce the size of the trading unit of common stock to 100 shares for domestic listed companies.

Responding to this initiative as a company listed on the Tokyo Stock Exchange and the Nagoya Stock Exchange, the Company has decided to reduce the size of its stock trading unit from 1,000 shares to 100 shares effective October 1, 2017.

To achieve that, the Company has decided to conduct a reverse stock split of consolidating five shares in the Company into one share (hereinafter the “Reverse Split”), taking into account that the stock exchanges recommend the prices per trading unit to be not less than ¥50,000 and less than ¥500,000.

(2) Description of the Reverse Split

- (i) Type of shares subject to the Reverse Split
Common stock
- (ii) Timing and ratio of the Reverse Split

As of October 1, 2017, the Reverse Split will be conducted at the consolidation ratio of five shares to one share for the shares held by the shareholders recorded on the

shareholder registry as of September 30, 2017.

(iii) Number of shares to be reduced by the Reverse Split

Number of shares issued and outstanding before the Reverse Split (as of March 31, 2017)	2,083,400,000 shares
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Decrease in the number of shares due to the Reverse Split (Note)	1,666,720,000 shares
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Number of shares issued and outstanding after the Reverse Split (Note)	416,680,000 shares
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Note: These numbers are theoretical figures calculated on the basis of the consolidation ratio for the Reverse Split and the above number of shares issued and outstanding before the Reverse Split. These figures may vary according to the status of shares held on the day before the effective date of the Reverse Split.

(3) Effect on the per share information

If the Reverse Split had been conducted at the beginning of the fiscal year under review, the per share information for the fiscal year under review would have been as follows.

- | | |
|---------------------------|-----------|
| (i) Net assets per share: | ¥2,312.68 |
| (ii) Earnings per share: | ¥147.29 |

11. Other Notes

“Application of the Revised Implementation Guidance on Recoverability of Deferred Tax Assets”

The Company and its domestic subsidiaries adopted “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016) from the current fiscal year.

“Business Combination”

As of March 25, 2017, the Company acquired, through its U.S. subsidiary, a 20% equity interest in the Shore Power Plant, an LNG-fired thermal power generation plant that is in operation in New Jersey, the United States, and a 50% equity interest in the Fairview Power Plant, an LNG-fired thermal power generation plant that is under construction in Pennsylvania, the United States.

Non-Consolidated Statement of Changes in Equity (April 1, 2016 to March 31, 2017)

(Millions of Yen)

	Shareholders' equity													Valuation and translation adjustments			Total net assets
	Capital stock	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 adjustment of cost fluctuations	General reserve	Retained earnings brought forward							
Balance at beginning of current period	132,166	19,482	10	19,493	33,041	241	20,598	89,000	62,000	313,873	518,756	(1,275)	669,140	32,303	(6,254)	26,048	695,189
Changes of items during period																	
Provision of reserve for overseas investment loss							2,395			(2,395)	—		—				—
Reversal of reserve for overseas investment loss							(2,238)			2,238	—		—				—
Dividends of surplus										(20,800)	(20,800)		(20,800)				(20,800)
Profit										54,659	54,659		54,659				54,659
Purchase of treasury shares												(226)	(226)				(226)
Disposal of treasury shares			0	0								9	9				9
Net changes of items other than shareholders' equity														4,266	2,782	7,049	7,049
Total changes of items during period	—	—	0	0	—	—	157	—	—	33,702	33,859	(217)	33,642	4,266	2,782	7,049	40,691
Balance at end of current period	132,166	19,482	11	19,493	33,041	241	20,756	89,000	62,000	347,575	552,615	(1,492)	702,783	36,570	(3,472)	33,098	735,881

Notes to Non-Consolidated Financial Statements (April 1, 2016 to March 31, 2017)

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
Other investment 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 reserves

- (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 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 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 investment loss, an amount of expected future losses has been provided as reserve to provide for any losses on the operations of subsidiaries and associates.
- (vi) With regard to provision for equipment 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.
2. Changes in Accounting Policies

“Application of the Practical Solution on a change in depreciation method due to Tax Reform 2016”

Due to amendments to the Japanese Corporation Tax Act, the Company adopted “Practical Solution on a change in depreciation method due to Tax Reform 2016” (Practice Issue Task Force No.32, June 17, 2016) from the current fiscal year and changed the depreciation method for buildings, facilities attached to buildings and structures, which were acquired since April 1, 2016, from the declining-balance method to the straight-line method.

The aforementioned change had a limited effect on the Company’s operating income, ordinary income and income before income taxes for the current fiscal year.
3. Notes to the Non-Consolidated Balance Sheet
 - (1) Assets pledged as collateral

Investments and other assets:	¥720 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:	¥2,154,144 million
Accumulated amortization of intangible assets:	¥3,599 million
 - (3) Guarantee liabilities, etc.

Guarantee liabilities:	¥89,163 million
Contingent liabilities in respect of debt assumption agreements with respect to bonds:	¥49,000 million
4. Notes to the Non-Consolidated Statement of income

Amount of business from operational transactions with subsidiaries and associates:	
Sales to subsidiaries and associates:	¥70,312 million
Amount of purchases from subsidiaries and associates:	¥142,031 million
Amount of business from non-operational transactions with subsidiaries and associates:	
	¥32,290 million

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

Number of treasury stock at the end of the fiscal year: 3,764,066 common shares

6. Notes to Tax Effect Accounting

- (1) The main factors for the deferred tax assets are loss on valuation of securities, provision for equipment warranties and excess 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 reserve required under the Special Taxation Measures Law.

7. 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	33,881	—	—

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

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

8. Notes to Per Share Information

- (1) Net assets per share: ¥353.85
- (2) Earnings per share: ¥26.28

9. Notes to Significant Subsequent Events

The Company resolved to change the size of its stock trading unit by making the related amendment to its Articles of Incorporation at a meeting of its Board of Directors held on April 26, 2017 and to present a proposal concerning the reverse stock split described below at the 199th Annual Meeting of Shareholders to be held on June 29, 2017.

(1) Purpose of the reverse stock split

In line with the “Action Plan for Consolidating Trading Units,” all stock exchanges in Japan have promoted efforts to reduce the size of the trading unit of common stock to 100 shares for domestic listed companies.

Responding to this initiative as a company listed on the Tokyo Stock Exchange and the

Nagoya Stock Exchange, the Company has decided to reduce the size of its stock trading unit from 1,000 shares to 100 shares effective October 1, 2017.

To achieve that, the Company has decided to conduct a reverse stock split of consolidating five shares in the Company into one share (hereinafter the “Reverse Split”), taking into account that the stock exchanges recommend the prices per trading unit to be not less than ¥50,000 and less than ¥500,000.

(2) Description of the Reverse Split

(i) Type of shares subject to the Reverse Split

Common stock

(ii) Timing and ratio of the Reverse Split

As of October 1, 2017, the Reverse Split will be conducted at the consolidation ratio of five shares into one share for the shares held by the shareholders recorded on the shareholder registry as of September 30, 2017.

(iii) Number of shares to be reduced by the Reverse Split

Number of shares issued and outstanding before the Reverse Split (as of March 31, 2017)	2,083,400,000 shares
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Decrease in the number of shares due to the Reverse Split (Note)	1,666,720,000 shares
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Number of shares issued and outstanding after the Reverse Split (Note)	416,680,000 shares
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Note: These numbers are theoretical figures calculated on the basis of the consolidation ratio for the Reverse Split and the above number of shares issued and outstanding before the Reverse Split. These figures may vary according to the status of shares held on the day before the effective date of the Reverse Split.

(3) Effect on the per share information

If the Reverse Split had been conducted at the beginning of the fiscal year under review, the per share information for the fiscal year under review would have been as follows.

(i) Net assets per share: ¥1,769.25

(ii) Earnings per share: ¥131.40

10. Other Notes

“Application of the Revised Implementation Guidance on Recoverability of Deferred Tax Assets”

The Company adopted “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016) from the current fiscal year.