

(Securities Identification Code: 9532)

Notice of 200th 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.

The Osaka Gas Group ("the Group") introduced a new group brand—the Daigas Group—in March 2018, expressing its determination to work together as a group to achieve its vision for the future outlined in the 2030 Long-Term Management Vision.

"Daigas" stands for "Dynamic and Innovative" and "Genuine and Studious." The new group brand contains our passion to take the dynamic and innovative actions required to achieve the long-term management vision, while keeping the genuine and studious attitude we have cherished for more than 110 years.

Under the concept of the new group brand, the Group will continue to aggressively conduct its businesses as a corporate group that "powers continuous advancement in consumer life and business."

Your continued support would be greatly appreciated.

May 2018

Takehiro Honjo
President

Table of Contents

Notice of Convocation	2
Reference Documents for the Shareholders Meeting	5
Proposal 1: Appropriation of Earnings	5
Proposal 2: Election of Thirteen Directors	6
Proposal 3: Election of One Audit & Supervisory Board Member	20
Business Report	
I. Current Situation of the Business Group	23
II. Officers	36
III. Shares (as of March 31, 2018)	43
IV. Accounting Auditor	44
V. Systems to Ensure the Propriety of Operations	45
Consolidated Financial Statements	
Consolidated Balance Sheet	50
Consolidated Statement of Income	51
Non-Consolidated Financial Statements	
Non-Consolidated Balance Sheet	52
Non-Consolidated Statement of Income	53
Audit Reports	
Accounting Auditor's Report on the Consolidated Financial Statements	54
Accounting Auditor's Report on the Non-Consolidated Financial Statements	56
Audit Report by the Audit & Supervisory Board	58

(Securities Identification Code: 9532)

May 31, 2018

To Shareholders

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

Notice of 200th Annual Meeting of Shareholders

Dear Sir or Madam,

We would like to invite you to the 200th 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 27, 2018, at 4 p.m.**

Yours faithfully

Details:

1. Date and time: Thursday, June 28, 2018, 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 200th term (year from April 1, 2017 to March 31, 2018)

Proposals: **Proposal 1:** Appropriation of Earnings

Proposal 2: Election of Thirteen (13) Directors

Proposal 3: Election of One (1) Audit & Supervisory Board Member

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 27, 2018, 4:00 p.m.

(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*:** <https://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 27, 2018, 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

4,143,227

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 200th term are as follows:

(1) Type of dividend

Cash

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

¥25.00 per common share of the Company

Aggregate amount: ¥10,396,248,075

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

Friday, June 29, 2018

Proposal 2: 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 6 through 18):

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>	53,813
<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>	34,600
<p>Reason for nomination as Director:</p> <p>After assuming the office of Executive Officer of the Company in June 2007, Mr. Takehiro Honjo 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>	26,520
	<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	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>	12,900
<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 Representative Director and President of Osaka Gas Chemicals Co., Ltd. and President of Corporate Planning Headquarters. 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
5	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</p> <p>April 2018: Representative Director, Executive Vice-President (to date)</p>	4,600
<p>Reason for nomination as Director:</p> <p>After assuming 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. Since April 2018, he has been serving as Representative Director of the Company. Prior to joining the Company, he had served as Director-General of Manufacturing Industries Bureau at the Ministry of Economy, Trade and Industry. 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	Takeshi Matsui (February 18, 1961) Reappointed	<p>April 1983: Joined the Company</p> <p>June 2010: Associate Director, General Manager of Finance Dept.</p> <p>April 2013: Executive Officer, General Manager of Finance Dept.</p> <p>April 2014: Executive Officer, General Manager of Human Resources Dept.</p> <p>April 2016: Senior Executive Officer, Head of Energy Resources & International Business Unit</p> <p>June 2017: Director, Senior Executive Officer, Head of Energy Resources & International Business Unit (to date)</p>	10,100
	<p>Reason for nomination as Director:</p> <p>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 nominated again for Director.</p>		

Nominee No.	Name (Date of Birth)	Career and Significant Concurrent Positions	Number of the Company Shares Held
7	Takayuki Tasaka (July 21, 1962) Newly nominated	<p>April 1985: Joined the Company</p> <p>April 2012: Associate Director, General Manager of Corporate Strategy Dept.</p> <p>April 2015: Executive Officer, General Manager of Planning Dept., Residential Energy Business Unit</p> <p>April 2016: Senior Executive Officer Head of Customer Services, Head of Residential Energy Business Unit</p> <p>April 2018: Senior Executive Officer Head of Commercial & Industrial Energy Business Unit (to date)</p>	9,000
	<p>Reason for nomination as Director:</p> <p>After assuming the office of Executive Officer of the Company in April 2015, Mr. Takayuki Tasaka went on to hold managerial positions including Head of Residential Energy 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 newly nominated for Director.</p>		

Nominee No.	Name (Date of Birth)	Career and Significant Concurrent Positions	Number of the Company Shares Held
8	Hisaichi Yoneyama (January 11, 1961) Newly nominated	<p>April 1986: Joined the Company</p> <p>July 2011: Associate Director, General Manager of Planning Dept., Pipelines Business Unit</p> <p>April 2013: Associate Director, General Manager of Technology Planning Dept.</p> <p>April 2014: Executive Officer, General Manager of Technology Planning Dept.</p> <p>August 2014: Executive Officer President of Osaka Gas USA Corporation</p> <p>April 2017: Senior Executive Officer, Head of LNG Terminal & Power Generation Business Unit</p> <p>April 2018: Senior Executive Officer, Head of LNG, Power & Engineering Business Unit (to date)</p>	7,431
	<p>Reason for nomination as Director:</p> <p>After assuming the office of Executive Officer of the Company in April 2014, Mr. Hisaichi Yoneyama went on to hold managerial positions including President of Osaka Gas USA Corporation and Head of LNG, Power & Engineering 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.</p>		

Nominee No.	Name (Date of Birth)	Career and Significant Concurrent Positions	Number of the Company Shares Held
9	Fumitoshi Takeguchi (November 14, 1961) Newly nominated	<p>April 1985: Joined the Company</p> <p>April 2013: Associate Director, General Manager of Secretariat</p> <p>April 2016: Executive Officer, General Manager of General Affairs Dept.</p> <p>April 2018: Senior Executive Officer In charge of: Secretariat, Corporate Communication Dept., Human Resources Dept., General Affairs Dept. and Purchasing Dept. (to date)</p>	10,800
	<p>Reason for nomination as Director:</p> <p>After assuming the office of Executive Officer of the Company in April 2016, Mr. Fumitoshi Takeguchi went on to hold managerial positions including General Manager of General Affairs Dept. and Senior Executive Officer in charge of Secretariat, Corporate Communication Dept., Human Resources Dept. Through these roles, he has accumulated considerable experience and extensive knowledge in corporate and organizational management, and is therefore newly nominated for Director.</p>		

Nominee No.	Name (Date of Birth)	Career and Significant Concurrent Positions	Number of the Company Shares Held
10	Shigeru Chikamoto (May 20, 1962) Newly nominated	<p>April 1985: Joined the Company</p> <p>April 2013: Associate Director, General Manager of Resources Trading Dept., Energy Resources & International Business Unit Representative Director and President of Osaka Gas International Transport Inc.</p> <p>April 2016: Executive Officer, General Manager of Resources Trading Dept., Energy Resources & International Business Unit Representative Director and President of Osaka Gas International Transport Inc.</p> <p>April 2018: Senior Executive Officer Head of Pipeline Business Unit (to date)</p>	5,176
	<p>Reason for nomination as Director:</p> <p>After assuming the office of Executive Officer of the Company in April 2016, Mr. Shigeru Chikamoto went on to hold managerial positions including General Manager of Resources Trading Dept. and Head of Pipeline 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.</p>		

Nominee No.	Name (Date of Birth)	Career and Significant Concurrent Positions	Number of the Company Shares Held
11	Shunzo Morishita (April 8, 1945) Nominated for outside Director Reappointed	<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>	6,000
	<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> <p>The Company has business transactions, such as holding contracts for the supply of gas and the use of telecommunications, with NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION or other companies with which Mr. Morishita once worked. However, the amount paid by the Company to each of such companies does not reach 2% of its consolidated net sales, and the amount received by the Company from each of such companies does not reach 2% of the Company's consolidated net sales. Accordingly, Mr. Morishita satisfies the criteria for determining the independence of independent officers stipulated by the Company (see page 22).</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> <p>The Company has business transactions, such as holding a contract for the supply of gas, with Osaka University or other corporations with which Mr. Miyahara currently works or once worked. However, the amount paid by the Company to each of such corporations does not reach 2% of its consolidated net sales or revenues, and the amount received by the Company from each of such corporations does not reach 2% of the Company's consolidated net sales. Accordingly, Mr. Miyahara satisfies the criteria for determining the independence of independent officers stipulated by the Company (see page 22).</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
<p>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.</p> <p>The Company has business transactions, such as holding a contract for the supply of gas, with West Japan Railway Company with which Mr. Sasaki works. However, the amount paid by the Company to said company does not reach 2% of its consolidated net sales, and the amount received by the Company from said company does not reach 2% of the Company's consolidated net sales. Accordingly, Mr. Sasaki satisfies the criteria for determining the independence of independent officers stipulated by the Company (see page 22).</p>			

- Notes:
1. The positions and responsibilities in the Company and other significant concurrent positions of the nominees who are currently Directors of the Company are described in following Business Report (on pages 36 through 38) 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. The number of years since the nominees for appointment as outside directors of the Company assumed the office will be nine, five and two, respectively, for Mr. Shunzo Morishita, Mr. Hideo Miyahara and Mr. Takayuki Sasaki, as of the close of the Meeting.

4. Pursuant to the regulations of the stock exchanges on which the Company's stock is listed, the Company has already notified and will again notify said stock exchanges that the nominees for appointment as outside directors are independent officers.
5. 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 nominees for appointment as outside directors 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.

Proposal 3: Election of One Audit & Supervisory Board Member

At the close of the Meeting, the term of office of Audit & Supervisory Board Member Ms. Yoko Kimura will expire. The Company therefore proposes the election of one Audit & Supervisory Board Member.

The approval of the Audit & Supervisory Board has been obtained for this proposal.

The nominee for Audit & Supervisory Board Member is as follows (to be described on pages 20 and 21):

Name (Date of Birth)	Career and Significant Concurrent Positions	Number of the Company Shares Held
Yoko Kimura (July 20, 1952) Nominated for outside Audit & Supervisory Board Member Reappointed	December 1987: Associate Professor at the Faculty of Home Economics, Nara Women's University October 1993: Associate Professor at the Faculty of Human Life and Environment, Nara Women's University April 2000: Professor at the Faculty of Human Life and Environment, Nara Women's University December 2000: Retired from said position December 2000: Member of the Local Public Finance Council December 2009: Retired from said position April 2010: Chairman, Council of Local Authorities for International Relations March 2014: Retired from said position April 2014: Advisor to Japan Municipal Research Center March 2016: Retired from said position April 2015: Director, Nara Prefectural University (to date) June 2014: Audit & Supervisory Board Member of the Company (to date)	0
Reason for nomination as Audit & Supervisory Board Member Ms. Yoko Kimura has made numerous achievements in such research fields as public finance and social security, with considerable experience and extensive knowledge obtained from holding managerial positions such as Chairman of the Council of Local Authorities for International Relations and Director of Nara Prefectural University. Since assuming the office of Audit & Supervisory Board Member of the Company in June 2014, Ms. Kimura has appropriately performed her duties as an outside Audit & Supervisory Board Member and is therefore nominated again for outside Audit & Supervisory Board Member. The Company has business transactions under a contract for the supply of gas with Nara Prefectural University with which Ms. Kimura works. However, the amount received by the Company from said university does not reach 2% of the Company's consolidated net sales. Accordingly, Ms. Kimura satisfies the criteria for determining the independence of independent officers stipulated by the Company (see page 22).		

Notes: 1. There are no significant conflicts of interest between the nominee and the Company.

2. Ms. Yoko Kimura is a nominee for appointment as an outside Audit & Supervisory Board Member as specified in Article 2, Paragraph 3, Item 8, of the Ordinance of Enforcement of the Companies Act. The number of years since the nominee assumed the office of the Company's outside Audit & Supervisory Board Member will be four as of the close of the Meeting.
3. Pursuant to the regulations of the stock exchanges on which the Company's stock is listed, the Company has already notified and will again notify said stock exchanges that the nominee is an independent officer.
4. 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 the nominee 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 the nominee is approved at the Meeting, the Company will continue said agreement with the nominee.

[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.

Business Report (April 1, 2017 to March 31, 2018)

I. Current Situation of the Business Group

1. Business Operations and Results

During the fiscal year under review, despite uncertain business circumstances overseas, the Japanese economy continued a mild recovery as exports and corporate capital investment proceeded steadily. Meanwhile, the market became increasingly competitive due to the full-scale deregulation of the electricity and gas retail markets.

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.”

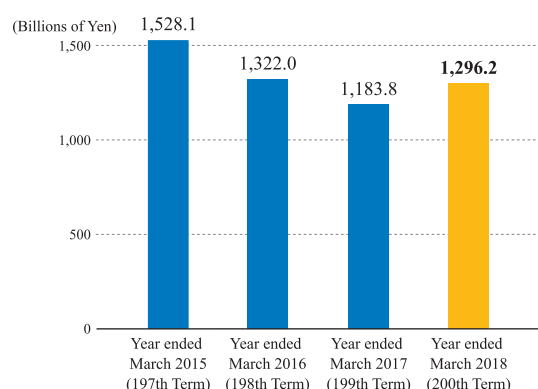
Consolidated net sales of the Group for the fiscal year under review increased 9.5% from the previous year to ¥1,296.2 billion mainly because the gas business benefitted from the higher unit prices of city gas under the fuel cost adjustment system and the electricity business enjoyed growth in sales volume (see Graph 1).

Consolidated ordinary income decreased 19.9% to ¥77.0 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 and income from the international energy business declined (see Graph 2).

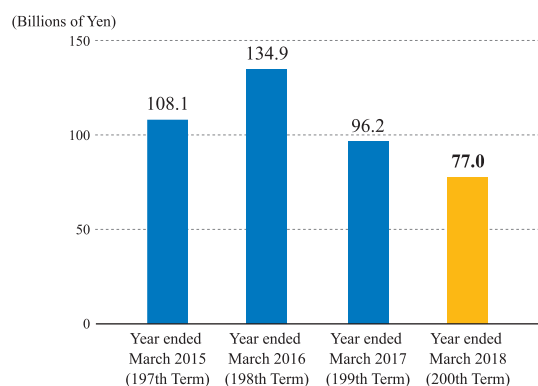
Profit attributable to owners of parent fell 38.4% from the previous year to ¥37.7 billion, primarily due to the impairment losses recorded in the upstream business and a decline in consolidated ordinary income (see Graph 3).

*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.

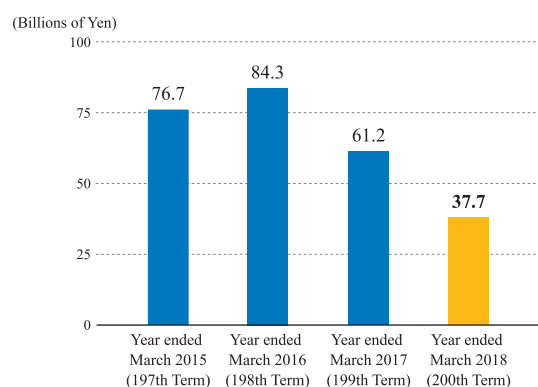
Graph 1: Transition of Consolidated Net Sales



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) Domestic Energy/Gas

Net sales increased 6.6% from the previous year to ¥971.4 billion.

The city gas sales volume for residential use increased 2.7% to 2,169 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 city gas sales volume for business use decreased 2.6% to 6,412 million cubic meters primarily because we switched to internally using the gas that otherwise would have been sold to industrial users as fuel for some of our power generating facilities.

As a result, total city gas sales volume declined 1.3% to 8,580 million cubic meters. The number of city gas subscribers amounted to 5,996,000 as of March 31, 2018.

Regarding gas appliances and services for residential customers, we endeavored to develop and expand sales of products, such as the residential fuel cell cogeneration system "ENE-FARM," as well as devices and equipment for hot water supply, air heating and cooking.

In February 2018, the accumulated number of ENE-FARM units sold exceeded 80,000. In April 2018, the Company launched a new model of the "ENE-FARM type S," which has achieved power generating efficiency of 53.5% (overall efficiency of 87%). The new model features new functions and services, including voice-activated operation through a smart speaker.

In April 2017, the Company started a scheme called "Sumikata Plus," which provides an unlimited number of onsite services at a fixed rate to address issues with housing equipment, such as plumbing and air conditioning. In April 2018, we expanded the lineup of the "Sumikata Plus" services available at a fixed rate by adding the "Smile Check" service, which includes a checkup of plumbing fixtures and the intensity of room illumination. We also started offering optional fee-based services, such as one called "Mamoryukku," which includes a backpack containing emergency supplies and monitoring of the



"hu+gMUSEUM" as a base for sending information on food and housing



Advertisement for the My Osaka Gas site, whereby members can check the rates and usage of gas and electricity



New model of the "ENE-FARM TYPE S"



Advertisement for "Sumikata Plus"

expiration dates of the contents.

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

In April 2017, we launched a small fuel cell for business use that achieves power generating efficiency of 52% (overall efficiency of 90%) and began marketing it to facilities with relatively small thermal demand, such as small restaurants, hospitals and welfare facilities.



Small fuel cell for business use

To ensure 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 efforts. We also invited new gas retailers to join our company-wide disaster-prevention drills as part of our efforts to prepare for earthquakes and tsunami.



Preparing to bury an earthquake-resistant gas pipeline made of polyethylene

Regarding the LPG business, with the aim of expanding our business base and enhancing cost competition, the Company and ITOCHU ENEX CO., LTD., established ENEARC Co., Ltd., in October 2017, as a joint venture in which each company has 50% ownership to integrate the LPG wholesale and retail businesses in the Kanto, Chubu and Kansai regions. Several LPG sales companies that had been operating separately in each region were integrated into one per region in April 2018.



The brand mark of ENEARC Co., Ltd.

(2) Domestic Energy/Electricity

Net sales increased 46.7% from the previous year to ¥157.7 billion.

The electricity sales volume increased 22.4% from the previous year to 10,951 million kWh. The number of subscribers to which we supply electricity under low-voltage electricity contracts reached 619,000 as of March 31, 2018.



Advertisement for retail electricity sales

In October 2017, we invested in Ichihara Biomass Power Co., Ltd., to

hold 39% ownership. The company will operate the Ichihara Biomass Power Plant in Ichihara, Chiba Prefecture, with a power generating capacity of 50,000 kW, which is scheduled to start commercial operations in October 2020.

In March 2018, the Company's wholly-owned subsidiary acquired a 95% stake in Shiribetsu Wind Development Co., Ltd., making it into a subsidiary. Shiribetsu Wind Development will operate Shiribetsu Wind Power Plant with a power generating capacity of 30,000 kW, which is scheduled to start commercial operations in February 2021 in Suttsu and Rankoshi, Hokkaido.

In April 2018, Chubu Electric Power Co., Inc., and the Company established CD Energy Direct Co., Ltd., a joint venture in which each company has 50% ownership. Engaging mainly in sales of electricity and gas in the Tokyo metropolitan area, the joint venture will offer solutions to ensure comfortable and convenient living environments for residential customers and offer business solutions with economic and environmental advantages for corporate customers.

(3) International Energy

Net sales decreased 0.3% from the previous year to ¥22.5 billion.

All three trains of the Gorgon Project—a business for producing and developing natural gas in the northwest coast of Australia, in which the Company participated in September 2009 and has a 1.25% equity interest—commenced LNG production in March 2017 and have since been in operation. The project's LNG production capacity per annum amounts to 15 million tons.

NS-OG Energy Solutions (Thailand) Ltd., a joint venture between NIPPON STEEL & SUMIKIN ENGINEERING CO., LTD., and a subsidiary of the Company, which has a 30% ownership, provides solutions for energy conservation and cost reduction, etc., using cogeneration systems. The venture started the supply of energy for the Prachinburi Plant of Honda Automobile (Thailand) Co., Ltd., in November 2017.

(4) Life & Business Solutions

Net sales increased 0.3% from the previous year to ¥208.9 billion.

Osaka Gas Urban Development Co., Ltd., a group company engaged in the urban development business, expanded its assets by acquiring four rental apartment buildings, including "Urbanex Fukagawa Sumiyoshi,"



Shiribetsu Wind Power Plant (Hokkaido)
(image of the completed plant)



Press conference announcing the
establishment of CD Energy Direct Co., Ltd.



Current status of the Gorgon Project



Prachin Buri Plant of Honda Automobile
(Thailand) Co., Ltd.



Urbanex Fukagawa Sumiyoshi (Tokyo)

and completed the construction of four condominium buildings, including “The Urbanex Kobe Yamamotodori,” during the fiscal year under review.

OGIS-RI Co., Ltd., a group company engaged in the information solutions business, acquired all shares in Agnie Consulting Corp. in October 2017, which provides consulting services mainly for the introduction of systems for core corporate functions, including selling, purchasing and inventory control.

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

Under the 2030 Long-Term Management Vision and the 2020 Medium-Term Management Plan “Going Forward Beyond Borders” formulated in March 2017, we reviewed the segmentation of our business segments and reorganized them beginning with the fiscal year under review. Specifically, businesses including power generation and electricity sales, which were previously included in LPG, Electricity and Other Energy segment will be spun off into a separate segment, which will be named “Domestic Energy/Electricity.” In addition, sales of LNG, LPG and industrial gas and other gas-related businesses will be integrated into the Gas segment, which will be renamed to “Domestic Energy/Gas.” The major businesses of the reorganized segments are shown on the following page. The previous year results and percentage changes from the previous year are calculated by reflecting the reorganization of the business segments.



Xyladecor paints for wood protection

[Net Sales and Segment Income for Each Business Segment]

	Domestic Energy/Gas	Domestic Energy/Electricity	International Energy	Life & Business Solutions
Net sales (Billions of Yen)	9,714	1,577	225	2,089
Percentage change from previous year (%)	+6.6	+46.7	(0.3)	+0.3
Percentage of net sales (%)	71.4	11.6	1.7	15.4
Segment income (Billions of Yen)	426	207	(53)	186
Percentage change from previous year (%)	(22.9)	+27.8	—*	+0.2
Percentage of segment income (%)	55.6	27.0	(7.0)	24.3

*Segment income of ¥8 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, 2018)

Business Segment	Major Businesses
Domestic Energy/Gas	Production, supply and sale of city gas, sale of gas appliances, gas piping work, and sale of LNG, LPG and industrial gases
Domestic Energy/Electricity	Power generation and sale of electricity
International Energy	Development and investment relating to natural gas and oil, supply of energy and leasing of LNG tankers
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 ¥81.7 billion.

We lengthened the Company's gas trunk and branch lines by 197 kilometers, bringing the total length to 50,787 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 ¥18.7 billion and repaid ¥48.3 billion of long-term loans. With respect to corporate bonds,* the Group neither issued nor redeemed corporate bonds during the fiscal year under review.

*Short-term bonds are not included.

5. Outstanding Issues

(1) Management Policies

As a corporate group that “powers continuous advancement in consumer life and business,” the Group aims to create “Value for Customers,” “Value for Society,” “Value for Shareholders” and “Value for Employees” by providing various products and services relating to not only the energy business, including natural gas, electricity and LPG, but also its peripheral services and non-energy businesses, such as urban development, materials and information businesses. 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 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 March 2018, the Group introduced a new group brand—the Daigas Group—expressing its determination to work together as a group to achieve its vision for the future outlined in said long-term vision.

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, renewable energy power generation and coal-fired 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 the business activities of CD Energy Direct Co., Ltd., and ENEARC Co., Ltd., and 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) Developing energy infrastructure and expanding the engineering business

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

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

We are committed to making continuous efforts to maintain and expand the demand for city gas, while ensuring 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) Practice of management with attention to ESG (Environment, Society and Governance)

In accordance with the “Daigas 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 innovation and technological development

We will seek to create new value by offering services utilizing the latest digital technologies and ideas, such as IoT and AI.

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

to better utilize our engineering technologies in such fields as global warming countermeasures.

(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 Daigas Group Corporate Principles.

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

6. Financial Position and Profits and Losses

Division	Year ended March 2015 (197th Term)	Year ended March 2016 (198th Term)	Year ended March 2017 (199th Term)	Year ended March 2018 (200th Term)
Net sales (Millions of Yen)	1,528,164	1,322,012	1,183,846	1,296,238
Ordinary income (Millions of Yen)	108,173	134,986	96,276	77,087
Profit attributable to owners of parent (Millions of Yen)	76,709	84,324	61,271	37,724
Basic earnings per share (Yen)*	184.31	202.64	147.29	90.71
Total assets (Millions of Yen)	1,862,201	1,829,756	1,886,577	1,905,215
Net assets (Millions of Yen)	918,869	935,786	991,870	1,028,799

*The basic earnings per share from the year ended March 2015 (197th term) to the year ended March 2018 (200th term) were calculated on the assumption that the reverse stock split as of October 1, 2017, had been conducted at the beginning of the year ended March 2015 (197th term).

7. Outline of Principal Subsidiaries (as of March 31, 2018)

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.

Note: 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).

8. Major Offices, Plants and Employees (as of March 31, 2018)

(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
Domestic Energy/Gas	10,809
Domestic Energy/Electricity	387
International Energy	191
Life & Business Solutions	8,610
Total	19,997

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

9. Major Lenders (as of March 31, 2018)

Lenders	Loans Outstanding on March 31, 2018 (Millions of Yen)
Japan Bank for International Cooperation	51,514
Resona Bank, Limited	45,775
The Bank of Tokyo-Mitsubishi UFJ, Ltd.*	28,114
Development Bank of Japan Inc.	21,241
The Bank of Kyoto, Ltd.	17,335

*As of April 1, 2018, The Bank of Tokyo-Mitsubishi UFJ, Ltd., changed its trade name to MUFG Bank, Ltd.

II. Officers

1. Details of Directors and Audit & Supervisory Board Members (as of March 31, 2018)

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	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 Senior Executive Officer	Takeshi Matsui	Head of Energy Resources & International 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
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 Chairman, Japan University Auditors Association Chancellor and Chairperson of the Board of Trustees of The Doshisha
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) Director Takeshi Matsui was newly appointed at the 199th Annual Meeting of Shareholders held on June 29, 2017, 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
Director Hideo Miyahara retired as a Member of the Board of Governors, Japan Broadcasting Corporation, on December 11, 2017.

Audit & Supervisory Board Member Eiji Hatta assumed the office of Chancellor of The Doshisha on April 1, 2017 and Chairperson of the Board of Trustees of The Doshisha on April 22, 2017. He retired as Vice President of the Baseball Federation of Japan and became a Member at large of the federation’s executive committee on June 14, 2017.

Audit & Supervisory Board Member Shigemi Sasaki retired from the position of Professor of Graduate School of Law, Kyoto University on March 31, 2018.

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, 2018, 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	In charge of: Regional Co-Creation Division, Tokyo Branch, Regional Resident Representative, Overall Regional Resident Representative and Tokyo Representative Responsible for: Residential Energy Business Unit, Commercial & Industrial Energy Business Unit and Osaka Gas Urban Development Co., Ltd.
Representative Director Executive Vice-President	Masataka Fujiwara	Head of Safety, Head of Technology, President of Corporate Planning Headquarters and President of Innovation Headquarters Responsible for: Pipeline Business Unit, OGIS-RI Co., Ltd. Osaka Gas Chemicals Co., Ltd., Secretariat, Corporate Communication Dept., Human Resources Dept., General Affairs Dept. and Purchasing Dept.
Representative Director Executive Vice-President	Tadashi Miyagawa	Head of CSR In charge of: CSR & Environment Dept., Compliance Dept. and Auditing Dept. Responsible for: Energy Resources & International Business Unit and LNG, Power & Engineering Business Unit
Director Senior Executive Officer	Takeshi Matsui	Head of Energy Resources & International Business Unit
Director	Tetsuo Setoguchi	
Director	Kazuhisa Yano	
Director	Toshimasa Fujiwara	
Director	Hideaki Nishikawa	
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

Asahi Broadcasting Corporation, in which Representative Director and Chairman Hiroshi Ozaki holds a

significant concurrent position, reorganized itself and changed its trade name to Asahi Broadcasting Group Holdings Corporation on April 1, 2018.

Director Tetsuo Setoguchi assumed the office of Chairman and Director of Gas and Power Co., Ltd., as of April 2, 2018.

Director Kazuhisa Yano retired as Representative Director and President of Osaka Rinkai Energy Service Corporation as of April 2, 2018, and assumed the office of Chairman and Director of Osaka Gas Singapore Pte. Ltd. on the same day.

Director Toshimasa Fujiwara assumed the office of Chairman and Director of Osaka Gas Customer Relations Co., Ltd., as of April 2, 2018.

Director Hideaki Nishikawa assumed the office of Chairman and Director of Osaka Gas Liquid Co., Ltd., as of April 2, 2018.

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 11 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	Takayuki Sasaki 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.
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	Shigemi Sasaki attended 13 out of 13 meetings of the Board of Directors and 14 out of 14 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

	Total amount (¥Million)	Number of officers to whom remuneration was paid
Directors (excluding outside Directors)	512	11
Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board Members)	67	2
Outside Directors	32	3
Outside Audit & Supervisory Board Members	32	3

Notes 1. The total amounts of remuneration paid to Directors, Audit & Supervisory Board Members and outside officers were ¥544 million, ¥99 million and ¥64 million, respectively.

2. The total amount of remuneration paid to Directors (excluding outside Directors) and the number of eligible officers shown in the above table and the total amount of remuneration paid to Directors shown in Note 1 above include the amount relating to one Director who retired at the end of the 199th Annual Meeting of Shareholders held on June 29, 2017.

III. Shares (as of March 31, 2018)

1. Number of Shares Issued and Number of Shareholders

Number of Authorized Shares	700,000,000 shares
Number of Shares Issued and Outstanding*	416,680,000 shares
Number of Shareholders	109,533

*830,077 treasury shares are included.

Note: According to a resolution of the 199th Annual Meeting of Shareholders held on June 29, 2017, the Company conducted a reverse stock split effective October 1, 2017, by consolidating five shares into one share, and changed the number of authorized shares from 3,707,506,909 to 700,000,000. Following this reverse stock split, the number of shares issued and outstanding changed from 2,083,400,000 to 416,680,000. Effective the same day, the Company changed the number of shares per trading unit from 1,000 to 100.

2. Principal Shareholders

Shareholders	Number of shares held (1,000 shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	22,934	5.51
Nippon Life Insurance Company	19,242	4.63
Japan Trustee Services Bank, Ltd. (trust account)	18,695	4.50
The Bank of Tokyo-Mitsubishi UFJ, Ltd.*	13,985	3.36
Resona Bank, Limited	10,555	2.54
Japan Trustee Services Bank, Ltd. (trust account 7)	8,626	2.07
Japan Trustee Services Bank, Ltd. (trust account 5)	7,415	1.78
STATE STREET BANK WEST CLIENT-TREATY 505234	7,100	1.71
Japan Trustee Services Bank, Ltd. (trust account 9)	6,157	1.48
Aioi Nissay Dowa Insurance Co., Ltd.	5,973	1.44

*As of April 1, 2018, The Bank of Tokyo-Mitsubishi UFJ, Ltd., changed its trade name to MUFG Bank, Ltd.

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

IV. Accounting Auditor

1. Name of Accounting Auditor

KPMG AZSA LLC

2. Remuneration, etc., for Accounting Auditor

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

	Fees for audit and attestation services (¥Million)	Fees for non-audit services (¥Million)
The Company	90*	28
The Company's subsidiaries	104	34
Total	195	62

*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 and business restructuring 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 "Daigas Group Code of Business Conduct" based on "Daigas Group CSR Charter." By familiarizing the directors and employees with the Code, executive directors shall not only ensure the performance of duties in compliance with applicable laws and regulations and the Articles of Incorporation within the Group but also promote business activities in a fair and appropriate manner, which includes contributing to the preservation of the environment, promoting social contribution activities and dissociating from antisocial forces.
- (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, 2018, 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 “Daigas Group Code of Business Conduct,” are posted on the intranet at all times to familiarize Directors and employees of the Group with said Code to promote and ensure its understanding thereof.

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

(2) Matters concerning risk management

Organizational heads of the Company and presidents of the affiliated companies promote the management of the risk of losses and periodically conduct risk management assessments. Each basic organization or affiliated company identifies risk items, checks the status of management concerning the risk items and

conducts follow-ups or other measures by using such means as the “G-RIMS (Gas Group Risk Management System),” which systematizes the self-assessment of risk management practices. 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, the Company invited new gas retailers to join our company-wide disaster-prevention drills to confirm possible cooperation between gas retailers and gas pipeline operators in case of large-scale disasters.

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

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

Consolidated Balance Sheet (As of March 31, 2018)

(Millions of Yen)

Assets		Liabilities	
Non-current assets	1,390,619	Non-current liabilities	552,271
Property, plant and equipment	881,822	Bonds payable	164,984
Production facilities	89,523	Long-term loans payable	243,255
Distribution facilities	275,331	Deferred tax liabilities	30,830
Service and maintenance facilities	56,924	Provision for gas holder repairs	1,326
Other facilities	393,116	Provision for safety measures	12,936
Construction in progress	66,925	Provision for loss on investment	6,999
		Provision for equipment warranties	13,607
		Net defined benefit liability	16,958
		Other	61,371
Intangible assets	79,743	Current liabilities	324,145
Investments and other assets	429,053	Current portion of non-current liabilities	68,548
Investment securities	323,212	Notes and accounts payable - trade	58,542
Net defined benefit asset	46,405	Short-term loans payable	22,179
Other	60,682	Income taxes payable	27,786
Allowance for doubtful accounts	(1,245)	Other	147,088
		Total liabilities	876,416
		Net assets	
Current assets	514,596	Shareholders' equity	919,527
Cash and deposits	171,529	Capital stock	132,166
Notes and accounts receivable - trade	190,445	Capital surplus	19,222
Lease receivables and investment assets	30,459	Retained earnings	769,801
Inventories	76,861	Treasury shares	(1,663)
Other	46,805	Accumulated other comprehensive income	80,042
Allowance for doubtful accounts	(1,504)	Valuation difference on available-for-sale securities	56,977
		Deferred gains or losses on hedges	(7,650)
		Revaluation reserve for land	(737)
		Foreign currency translation adjustment	19,530
		Remeasurements of defined benefit plans	11,922
		Non-controlling interests	29,229
		Total net assets	1,028,799
Total assets	1,905,215	Total liabilities and net assets	1,905,215

Consolidated Statement of Income (April 1, 2017 to March 31, 2018)

(Millions of Yen)

Account	Amount
Net sales	1,296,238
Cost of sales	874,437
[Gross profit]	[421,800]
Selling, general and administrative expenses	343,681
[Operating profit]	[78,118]
Non-operating income	15,491
Interest income	453
Dividend income	4,151
Miscellaneous income	10,886
Non-operating expenses	16,522
Interest expenses	9,505
Loss on sales of shares of subsidiaries	2,227
Miscellaneous expenses	4,789
[Ordinary profit]	[77,087]
Extraordinary losses	11,249
Impairment loss	11,249
[Profit before income taxes]	[65,837]
Income taxes - current	31,277
Income taxes - deferred	(4,957)
[Profit]	[39,517]
Profit attributable to non-controlling interests	1,793
Profit attributable to owners of parent	37,724

Non-Consolidated Balance Sheet (As of March 31, 2018)

(Millions of Yen)

Assets		Liabilities	
Non-current assets	1,119,228	Non-current liabilities	377,010
Property, plant and equipment	432,308	Bonds payable	164,984
Production facilities	88,573	Long-term loans payable	152,754
Distribution facilities	274,948	Long-term debt to subsidiaries and associates	858
Service and maintenance facilities	56,073	Deferred tax liabilities	8,799
Facilities for incidental businesses	3,331	Provision for retirement benefits	4,325
Construction in progress	9,381	Provision for gas holder repairs	1,279
Intangible assets	18,233	Provision for safety measures	12,936
Patent right	6	Provision for loss on investment	6,999
Leasehold right	2,987	Provision for equipment warranties	13,607
Other intangible assets	15,239	Other non-current liabilities	10,463
Investments and other assets	668,686	Current liabilities	299,601
Investment securities	77,158	Current portion of non-current liabilities	50,220
Investments in subsidiaries and associates	367,928	Accounts payable - trade	31,445
Long-term loans receivable from subsidiaries and associates	178,389	Short-term loans payable	6,000
Investments in capital	21	Accounts payable - other	20,388
Long-term prepaid expenses	7,007	Accrued expenses	37,658
Prepaid pension cost	31,605	Income taxes payable	19,706
Other investments and other assets	6,874	Advances received	6,941
Allowance for doubtful accounts	(299)	Deposits received	1,678
		Short-term loans payable to subsidiaries and associates	90,542
		Short-term debt to subsidiaries and associates	28,079
		Other current liabilities	6,939
		Total liabilities	676,611
Current assets	323,751	Net assets	
Cash and deposits	137,454	Shareholders' equity	725,846
Notes receivable - trade	394	Capital stock	132,166
Accounts receivable - trade	92,993	Capital surplus	19,493
Accounts receivable from subsidiaries and associates - trade	14,611	Legal capital surplus	19,482
Accounts receivable - other	9,937	Other capital surplus	11
Finished goods	67	Retained earnings	575,849
Raw materials	26,653	Legal retained earnings	33,041
Supplies	12,806	Other retained earnings	
Short-term receivables from subsidiaries and associates	16,116	Reserve for reduction entry of specified replaced properties	241
Deferred tax assets	6,974	Reserve for overseas investment loss	18,370
Other current assets	6,629	Reserve for adjustment of cost fluctuations	89,000
Allowance for doubtful accounts	(887)	General reserve	62,000
		Retained earnings brought forward	373,195
		Treasury shares	(1,663)
		Treasury shares	(1,663)
		Valuation and translation adjustments	40,522
		Valuation difference on available-for-sale securities	41,280
		Deferred gains or losses on hedges	(758)
		Total net assets	766,368
Total assets	1,442,980	Total liabilities and net assets	1,442,980

Non-Consolidated Statement of Income (April 1, 2017 to March 31, 2018)

(Millions of Yen)

Costs and Expenses		Revenue	
Cost of sales	366,752	Sales from gas business	662,475
Beginning inventories	59	Gas sales	652,861
Cost of products manufactured	378,041	Gas transportation service revenue	8,600
Costs of gas for own use	11,280	Revenue from interoperator settlement	1,013
Ending inventories	67		
[Gross profit]	[295,722]		
Supply and sales expenses	223,894		
General and administrative expenses	55,098		
[Profit on core business]	[16,729]		
Miscellaneous operating expenses	106,511	Miscellaneous operating revenue	122,402
Expenses of installation work	22,312	Revenue from installation work	23,419
Other miscellaneous operating expenses	84,199	Other miscellaneous operating revenue	98,983
Expenses for incidental businesses	239,649	Revenue for incidental businesses	254,751
[Operating profit]	[47,722]		
Non-operating expenses	8,749	Non-operating income	19,227
Interest expenses	4,089	Interest income	1,570
Interest on bonds	3,079	Interest on securities	16
Miscellaneous expenses	1,581	Dividend income	1,613
		Dividends from subsidiaries and associates	8,943
		Miscellaneous income	7,083
[Ordinary profit]	[58,200]		
[Profit before income taxes]	[58,200]		
Income taxes - current	18,700		
Income taxes - deferred	(4,528)		
[Profit]	[44,028]		
Total	1,058,857	Total	1,058,857

Independent Auditor's Report

May 11, 2018

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, 2018 and for the year from April 1, 2017 to March 31, 2018 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 judgment, 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 11, 2018

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, 2018 and for the year from April 1, 2017 to March 31, 2018 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 judgment, 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 200th fiscal year from April 1, 2017 to March 31, 2018. 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, 2018.

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 24, 2018

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]

End

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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 200th Fiscal Year (From April 1, 2017 to March 31, 2018)

OSAKA GAS CO., LTD.

Consolidated Statement of Changes in Equity (April 1, 2017 to March 31, 2018)

(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	19,319	752,872	(1,492)	902,865	51,678	(9,500)	(737)	17,993	(393)	59,040	29,965	991,870
Changes of items during period													
Dividends of surplus			(20,794)		(20,794)								(20,794)
Profit attributable to owners of parent			37,724		37,724								37,724
Purchase of treasury shares				(175)	(175)								(175)
Disposal of treasury shares		0		5	5								5
Changes in ownership interest of subsidiaries arising from transactions with non-controlling shareholders		(97)			(97)								(97)
Net changes of items other than shareholders' equity						5,298	1,849	—	1,536	12,316	21,001	(735)	20,265
Total changes of items during period	—	(96)	16,929	(170)	16,662	5,298	1,849	—	1,536	12,316	21,001	(735)	36,928
Balance at end of current period	132,166	19,222	769,801	(1,663)	919,527	56,977	(7,650)	(737)	19,530	11,922	80,042	29,229	1,028,799

Notes to Consolidated Financial Statements (April 1, 2017 to March 31, 2018)

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

(1) Scope of consolidation

Number of consolidated subsidiaries: 138

(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: 19

(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 loss, retained earnings, etc., and are not material as a whole.

(3) Accounting policies

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

a. Investment securities:

Bonds held to maturity:	Stated at amortized cost
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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 after occurrence.

b. Accounting for consumption taxes and other taxes

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

2. Notes to the Consolidated Balance Sheet

(1) Assets pledged as collateral and secured liabilities

(i)	Assets pledged as collateral	
	Property, plant and equipment	¥125,761 million
	Investments and other assets	¥75,810 million
	Others	¥12,296 million
	<hr/> Total	<hr/> ¥213,867 million
(ii)	Secured liabilities	¥35,097 million

In addition to above, loans receivable, etc., of ¥10,004 million which are offset as a result of consolidation are pledged as collateral.

(2)	Accumulated depreciation of property, plant and equipment:	
		¥2,600,246 million

(3) Guarantee liabilities, etc.

Guarantee liabilities:	¥28,485 million
Contingent liabilities in respect of debt assumption agreements with respect to bonds:	¥20,000 million

3. 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).

4. 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	171,529	171,529	—
(2) Notes and accounts receivable - trade	190,445	190,445	—
(3) Securities and investment securities	103,915	103,915	—
Total Assets	465,890	465,890	—
(1) Notes and accounts payable - trade	58,542	58,542	—
(2) Short-term loans payable	22,179	22,179	—
(3) Bonds payable ¹	194,984	207,641	12,656
(4) Long-term loans payable ¹	279,560	290,749	11,188

Total Liabilities	555,266	579,112	23,845
Derivative transaction ²	(2,948)	(2,948)	—

¹ Includes those due within one year.

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

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

Assets

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

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

(3) Securities and investment securities

Fair values of shares are prices quoted by stock exchanges.

The fair values of bonds are prices quoted by securities exchanges or prices presented by 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. Therefore, the book value is listed as the fair value for these items.

(3) Bonds payable

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

(4) Long-term 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 because the 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 are hedged.

2. Shares of associates and unlisted shares (amount recorded on the consolidated balance sheet: ¥219,296 million) are not included in “(3) Securities and investment securities” as they have no market price and their future cash flows cannot be estimated. Therefore, it is recognized as being very difficult to obtain fair value.

5. 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
115,788	184,086

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.

6. Notes to the Consolidated Statement of Changes in Equity

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

416,680,000 common shares

(2) Dividends

(i) Amount of payment of dividends

- a. At the Annual Meeting of Shareholders held on June 29, 2017, the following were resolved with March 31, 2017, as a record date.

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

- b. At the meeting of the Board of Directors held on October 26, 2017, the following were resolved with September 30, 2017, as a record date.

Dividends of common shares

(a)	Total amount of dividends	¥10,396 million
(b)	Dividend per share	¥5.00
(c)	Effective date for dividends	November 30, 2017

Note: Because the record date is September 30, 2017, the above dividend per share does not reflect the reverse stock split as of October 1, 2017.

- (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 28, 2018, the following will be proposed with March 31, 2018, as a record date. Dividends are to be appropriated from retained earnings.

Dividends of common shares

(a)	Total amount of dividends	¥10,396 million
(b)	Dividend per share	¥25.00
(c)	Effective date for dividends	June 29, 2018

7. Notes to Per Share Information

(1)	Net assets per share:	¥2,403.68
(2)	Earnings per share:	¥90.71

Note: Effective October 1, 2017, the Company conducted a reverse stock split by consolidating five shares of its common stock into one share. The net assets per share and the earnings per share were calculated on the assumption that the reverse stock split was conducted at the beginning of the fiscal year under review.

Non-Consolidated Statement of Changes in Equity (April 1, 2017 to March 31, 2018)

(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	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
Changes of items during period																	
Provision of reserve for overseas investment loss							247			(247)	—		—				—
Reversal of reserve for overseas investment loss							(2,632)			2,632	—		—				—
Dividends of surplus										(20,794)	(20,794)		(20,794)				(20,794)
Profit										44,028	44,028		44,028				44,028
Purchase of treasury shares												(175)	(175)				(175)
Disposal of treasury shares			0	0								5	5				5
Net changes of items other than shareholders' equity														4,710	2,713	7,424	7,424
Total changes of items during period	—	—	0	0	—	—	(2,385)	—	—	25,619	23,233	(170)	23,063	4,710	2,713	7,424	30,487
Balance at end of current period	132,166	19,482	11	19,493	33,041	241	18,370	89,000	62,000	373,195	575,849	(1,663)	725,846	41,280	(758)	40,522	766,368

Notes to Non-Consolidated Financial Statements (April 1, 2017 to March 31, 2018)

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. Notes to the Non-Consolidated Balance Sheet
 - (1) Assets pledged as collateral
Investments and other assets: ¥2,151 million
 - (2) Accumulated depreciation of property, plant and equipment and accumulated amortization of intangible assets
Accumulated depreciation of property, plant and equipment: ¥2,198,409 million
Accumulated amortization of intangible assets: ¥5,603 million
 - (3) Guarantee liabilities, etc.
Guarantee liabilities: ¥82,773 million
Contingent liabilities in respect of debt assumption agreements with respect to bonds: ¥20,000 million
3. Notes to the Non-Consolidated Statement of Income
Amount of business from operational transactions with subsidiaries and associates:
Sales to subsidiaries and associates: ¥90,413 million
Amount of purchases from subsidiaries and associates: ¥178,826 million
Amount of business from non-operational transactions with subsidiaries and associates: ¥24,088 million
4. Notes to the Non-Consolidated Statement of Changes in Equity
Number of treasury stock at the end of the fiscal year: 830,077 common shares
5. 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 provision for safety measures.
 - (2) The main factors for the deferred tax liabilities are valuation difference on available-for-sale securities, prepaid severance and retirement benefit expenses and reserves required under the Special Taxation Measures Law.

6. 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	30,801	—	—

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.

7. Notes to Per Share Information

(1)	Net assets per share:	¥1,842.90
(2)	Earnings per share:	¥105.87

Note: Effective October 1, 2017, the Company conducted a reverse stock split by consolidating five shares of its common stock into one share. The net assets per share and the earnings per share were calculated on the assumption that the reverse stock split was conducted at the beginning of the fiscal year under review.

8. Other Notes

“Revision of the Gas Business Accounting Rules”

Because the Ordinance of the Ministry of Economy, Trade and Industry (METI) for Partial Revision of the Gas Business Accounting Rules (METI Ordinance No. 18, March 28, 2017) became effective on April 1, 2017 and revised the Gas Business Accounting Rules, the Company prepared its balance sheet, etc., in accordance with the revised Gas Business Accounting Rules.