

(Securities Identification Code: 9532)

Notice of 201st Annual Meeting of Shareholders

To Our Shareholders:



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

The Daigas Group ("the Group") aims to be an innovative and preferred energy & service company throughout the ages as it contributes to the advancement of society, regions and customers in line with the 2030 Long-Term Management Vision and 2020 Medium-Term Management Plan.

To realize this vision and plan, the Group will work to evolve and grow flexibly by taking advantage of the changing business environment and continue to pursue business operations actively and steadily.

Your continued support would be greatly appreciated.

May 2019

Takehiro Honjo
President

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(Securities Identification Code: 9532)

May 31, 2019

To Shareholders

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

Notice of 201st Annual Meeting of Shareholders

Dear Sir or Madam,

We would like to invite you to the 201st 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 19, 2019, at 4 p.m.**

Yours faithfully

Details:

1. Date and time: Thursday, June 20, 2019, 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 201st term (year from April 1, 2018 to March 31, 2019)

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

Proposal 2: Election of Thirteen (13) Directors

Proposal 3: Election of Two (2) Audit & Supervisory Board Members

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.

Date of the Meeting: Thursday, June 20, 2019, 10:00 a.m.

2. When you do not attend the Meeting:

● 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 19, 2019, 4:00 p.m.

● Electronic Exercise of Voting Rights

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.

Due Date: Wednesday, June 19, 2019, 4:00 p.m.

■ 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.

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.)

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

4,143,495

2. Proposals and related information

Proposal 1: Appropriation of Earnings

Taking into consideration the business results, our future management plan and other relevant matters, we propose to pay year-end dividends for the 201st term 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: ¥10,395,319,975

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

June 21, 2019


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 20):

| No. | Name | | Current Position at the Company |
|-----|---------------------|--|--|
| 1 | Hiroshi Ozaki | Reappointed | Representative Director and Chairman |
| 2 | Takehiro Honjo | Reappointed | Representative Director and President, Executive President |
| 3 | Masataka Fujiwara | Reappointed | Representative Director, Executive Vice-President |
| 4 | Tadashi Miyagawa | Reappointed | Representative Director, Executive Vice-President |
| 5 | Takeshi Matsui | Reappointed | Representative Director, Executive Vice-President |
| 6 | Takayuki Tasaka | Reappointed | Director, Senior Executive Officer |
| 7 | Hisaichi Yoneyama | Reappointed | Director, Senior Executive Officer |
| 8 | Fumitoshi Takeguchi | Reappointed | Director, Senior Executive Officer |
| 9 | Shigeru Chikamoto | Reappointed | Director, Senior Executive Officer |
| 10 | Kei Takeuchi | Newly nominated | Senior Executive Officer |
| 11 | Hideo Miyahara | Reappointed Outside Director Independent Officer | Director |
| 12 | Takayuki Sasaki | Reappointed Outside Director Independent Officer | Director |
| 13 | Kazutoshi Murao | Newly nominated Outside Director Independent Officer | |


| Nominee No. | Name (Date of Birth) | Career and Significant Concurrent Positions | Number of the Company Shares Held |
|--|--|--|---|
| 1 |  <p>Hiroshi Ozaki (March 11, 1950)</p> <p>Reappointed</p> | <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 of the Company 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> | 55,413 |
| <p>Reason for nomination as Director:</p> <p>After assuming the office of Director of the Company in June 2002, Mr. Hiroshi Ozaki has served in various 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 |  <p>Takehiro Honjo (April 13, 1954)</p> <p>Reappointed</p> | <p>April 1978: Joined the Company</p> <p>June 2007: Executive Officer General Manager of Corporate Strategy Dept.</p> <p>June 2008: Senior Executive Officer Head of Commercial & Industrial Energy Business Unit</p> <p>June 2009: Director, Senior Executive Officer Head of Commercial & Industrial Energy Business Unit</p> <p>June 2010: Director, Senior Executive Officer Head of Customer Services, Head of Residential Energy Business Unit</p> <p>April 2013: Representative Director, Executive Vice-President</p> <p>April 2015: Representative Director and President, Executive President (to date)</p> | 38,400 |
| <p>Reason for nomination as Director:</p> <p>After assuming the office of Executive Officer of the Company in June 2007, Mr. Takehiro Honjo has served in various managerial positions including Head of Commercial & Industrial Energy Business Unit and Head of Residential Energy Business Unit. 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 |  <p>Masataka Fujiwara (February 28, 1958)</p> <p>Reappointed</p> | <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 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> | 15,300 |
| <p>Reason for nomination as Director:</p> <p>After assuming the office of Executive Officer of the Company in April 2012, Mr. Masataka Fujiwara has served in various managerial positions including Representative Director and President of Osaka Gas Chemicals Co., Ltd. and President of Corporate Planning Headquarters. 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 |
|---|---|--|---|
| 4 |  <p>Tadashi Miyagawa (October 21, 1958)</p> <p>Reappointed</p> | <p>April 1982: Joined Ministry of International Trade and Industry</p> <p>June 2013: Director-General of Manufacturing Industries Bureau, Ministry of Economy, Trade and Industry</p> <p>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> | 6,200 |
| <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. 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 |
|--|--|---|---|
| 5 |  <p>Takeshi Matsui (February 18, 1961)</p> <p>Reappointed</p> | <p>April 1983: Joined the Company</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</p> <p>April 2019: Representative Director, Executive Vice-President (to date)</p> | 11,800 |
| <p>Reason for nomination as Director:</p> <p>After assuming the office of Executive Officer of the Company in April 2013, Mr. Takeshi Matsui has served in various managerial positions including General Manager of Human Resources Dept. and Head of Energy Resources & International Business Unit. Since April 2019, he has been serving as Representative Director of the Company. Through these roles, he has accumulated considerable experience and extensive knowledge in corporate and organizational management, and is therefore nominated again for Director.</p> | | | |


| Nominee No. | Name (Date of Birth) | Career and Significant Concurrent Positions | Number of the Company Shares Held |
|---|--|---|---|
| 6 |  Takayuki Tasaka (July 21, 1962) Reappointed | April 1985: Joined the Company April 2012: Associate Director, General Manager of Corporate Strategy Dept. April 2015: Executive Officer, General Manager of Planning Dept., Residential Energy Business Unit April 2016: Senior Executive Officer Head of Customer Services, Head of Residential Energy Business Unit April 2018: Senior Executive Officer Head of Commercial & Industrial Energy Business Unit June 2018: Director, Senior Executive Officer Head of Commercial & Industrial Energy Business Unit (to date) | 10,600 |
| Reason for nomination as Director: After assuming the office of Executive Officer of the Company in April 2015, Mr. Takayuki Tasaka has served in various managerial positions including Head of Residential Energy Business Unit and Head of Commercial & Industrial Energy Business Unit. Through these roles, he has accumulated considerable experience and extensive knowledge in corporate and organizational management, and is therefore nominated again for Director. | | | |


| Nominee No. | Name (Date of Birth) | Career and Significant Concurrent Positions | Number of the Company Shares Held |
|--|--|---|---|
| 7 |  <p>Hisaichi Yoneyama (January 11, 1961)</p> <p>Reappointed</p> | <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 of the Company, Head of LNG Terminal & Power Generation Business Unit</p> <p>April 2018: Senior Executive Officer, Head of LNG, Power & Engineering Business Unit</p> <p>June 2018: Director, Senior Executive Officer, Head of LNG, Power & Engineering Business Unit (to date)</p> | 9,131 |
| <p>Reason for nomination as Director:</p> <p>After assuming the office of Executive Officer of the Company in April 2014, Mr. Hisaichi Yoneyama has served in various 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 nominated again for Director.</p> | | | |


| Nominee No. | Name (Date of Birth) | Career and Significant Concurrent Positions | Number of the Company Shares Held |
|--|--|--|---|
| 8 |  Fumitoshi Takeguchi (November 14, 1961) Reappointed | April 1985: Joined the Company April 2013: Associate Director, General Manager of Secretariat April 2016: Executive Officer, General Manager of General Affairs Dept. April 2018: Senior Executive Officer In charge of: Secretariat, Corporate Communication Dept., Human Resources Dept., General Affairs Dept. and Purchasing Dept. June 2018: Director, Senior Executive Officer In charge of: Secretariat, Corporate Communication Dept., Human Resources Dept., General Affairs Dept. and Purchasing Dept. (to date) | 13,600 |
| Reason for nomination as Director: After assuming the office of Executive Officer of the Company in April 2016, Mr. Fumitoshi Takeguchi has served as General Manager of General Affairs Dept. and Senior Executive Officer in charge of Secretariat, Corporate Communication Dept., Human Resources Dept., etc. Through these roles, he has accumulated considerable experience and extensive knowledge in corporate and organizational management, and is therefore nominated again for Director. | | | |

| Nominee No. | Name (Date of Birth) | Career and Significant Concurrent Positions | Number of the Company Shares Held |
|--|--|--|---|
| 9 |  <p>Shigeru Chikamoto (May 20, 1962)</p> <p>Reappointed</p> | <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 of the Company, 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 of the Company Head of Pipeline Business Unit</p> <p>June 2018: Director, Senior Executive Officer Head of Pipeline Business Unit</p> <p>April 2019: Director, Senior Executive Officer Head of Pipeline Network Company (to date)</p> | 7,276 |
| <p>Reason for nomination as Director:</p> <p>After assuming the office of Executive Officer of the Company in April 2016, Mr. Shigeru Chikamoto has served in various managerial positions including General Manager of Resources Trading Dept. and Head of Pipeline Network 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 |
|---|--|---|---|
| 10 |  <p>Kei Takeuchi (July 28, 1961)</p> <p>Newly nominated</p> | <p>April 1987: Joined the Company</p> <p>April 2012: Associate Director, General Manager of Resources Trading Dept., Energy Resources & International Business Unit</p> <p>April 2013: Associate Director, General Manager of Energy Business Development Dept., Commercial & Industrial Energy Business Unit</p> <p>April 2015: Associate Director, General Manager of Business Development Dept., Commercial & Industrial Energy Business Unit</p> <p>April 2016: Executive Officer Representative Director and President of Osaka Gas Chemicals Co., Ltd.</p> <p>April 2018: Senior Executive Officer of the Company Representative Director and President of Osaka Gas Chemicals Co., Ltd.</p> <p>April 2019: Senior Executive Officer of the Company, Head of Energy Resources & International Business Unit (to date)</p> | 10,264 |
| <p>Reason for nomination as Director:</p> <p>After assuming the office of Executive Officer of the Company in April 2016, Mr. Kei Takeuchi has served as Representative Director and President of Osaka Gas Chemicals Co., Ltd., and Head of Energy Resources & International Business Unit. Through these roles, he has accumulated considerable experience and extensive knowledge in corporate and organizational management, and is therefore newly nominated for Director.</p> | | | |

| Nominee No. | Name (Date of Birth) | Career and Significant Concurrent Positions | Number of the Company Shares Held |
|---|---|--|---|
| 11 |  <p>Hideo Miyahara (June 21, 1943)</p> <p>Reappointed Nominated for outside Director Independent Officer</p> | <p>October 1989: Professor, School of Engineering Science, Osaka University</p> <p>April 1998: Dean of Graduate School of Engineering Science and School of Engineering Science, Osaka University</p> <p>April 2002: Dean of Graduate School of Information Science and Technology, Osaka University</p> <p>August 2003: President of Osaka University</p> <p>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 24).</p> | | | |

| Nominee No. | Name (Date of Birth) | Career and Significant Concurrent Positions | Number of the Company Shares Held |
|---|--|--|-----------------------------------|
| 12 |  <p>Takayuki Sasaki (August 24, 1946)</p> <p>Reappointed Nominated for outside Director Independent Officer</p> | <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</p> <p>June 2018: Advisor of West Japan Railway Company (to date)</p> <p>June 2016: Director of the Company (to date)</p> | 0 |
| <p>Reason for nomination as Director</p> <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 24).</p> | | | |

| Nominee No. | Name (Date of Birth) | Career and Significant Concurrent Positions | Number of the Company Shares Held |
|---|---|--|-----------------------------------|
| 13 |  <p>Kazutoshi Murao (October 21, 1952)</p> <p>Newly nominated Nominated for outside Director Independent Officer</p> | <p>April 1976: Joined Nippon Telegraph and Telephone Public Corporation</p> <p>June 2012: Representative Director and President of NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION</p> <p>June 2018: Counselor to the president, NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION (to date)</p> <p>[Significant concurrent positions] Counselor to the president, NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION Vice Chairman of Kansai Economic Federation</p> | 0 |
| <p>Reason for nomination as Director</p> <p>Mr. Kazutoshi Murao has the experience of serving as Representative Director and President of NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION and has considerable experience and extensive knowledge in corporate and organizational management. The Company believes that he is capable of appropriately performing the duties as an outside Director of the Company and has therefore newly nominated him for said position.</p> <p>The Company has business transactions, such as holding contracts for the supply of gas and communications services, with NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION or other corporations with which Mr. Murao work. However, the amount paid by the Company to said companies does not reach 2% of their consolidated net sales, and the amount received by the Company from said companies does not reach 2% of the Company's consolidated net sales. Accordingly, Mr. Murao satisfies the criteria for determining the independence of independent officers stipulated by the Company (see page 24).</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 40 through 45) in addition to "Career and Significant Concurrent Positions" above. In the "Career and Significant Concurrent Positions" column, "responsible for" means monitoring and providing advice and suggestions concerning the operations of 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. Hideo Miyahara, Mr. Takayuki Sasaki and Mr. Kazutoshi Murao are nominees for appointment as outside directors as specified in Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act. The number of years since the nominees for reappointment as outside directors of the Company assumed the office will be six and three, respectively, for 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 will notify said stock exchanges that the nominees for appointment as outside directors are independent officers. (The nominees for reappointment already have been notified as such.)
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 Mr. Hideo Miyahara and Mr. Takayuki Sasaki to limit the liability for damages under Article 423, Paragraph 1 of the Companies Act, to the minimum liability amount provided for in laws and regulations. If the election of each of said nominees is approved at the Meeting, the Company will continue said agreement with each. If the election of Mr. Kazutoshi Murao is approved at the Meeting, the Company will conclude the same agreement with him as well.


Proposal 3: Election of Two Audit & Supervisory Board Members

At the close of the Meeting, the terms of office of Audit & Supervisory Board Members Akihiko Irie and Eiji Hatta will expire. The Company therefore proposes the election of two Audit & Supervisory Board Members.

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

The nominees for Audit & Supervisory Board Member are as follows (to be described on pages 21 through 23).

| Nominee No. | Name (Date of Birth) | Career and Significant Concurrent Positions | Number of the Company Shares Held |
|---|---|---|---|
| 1 |  Toshimasa Fujiwara (July 1, 1957) Newly nominated | April 1981: Joined the Company April 2012: Executive Officer, General Manager of Human Resources Dept. April 2014: Executive Officer Representative Director and President of Osaka Gas Customer Relations Co., Ltd. April 2015: Senior Executive Officer of the Company, Head of Customer Services, Head of Residential Energy Business Unit June 2015: Director, Senior Executive Officer Head of Customer Services, Head of Residential Energy Business Unit April 2016: Director, Senior Executive Officer In charge of: Secretariat, Corporate Communication Dept., Human Resources Dept., General Affairs Dept. and Purchasing Dept. April 2018: Director Chairman and Director of Osaka Gas Customer Relations Co., Ltd. June 2018: Advisor to the Company Chairman and Director of Osaka Gas Customer Relations Co., Ltd. April 2019: Advisor to the Company (to date) | 12,693 |
| Reason for nomination as Audit & Supervisory Board Member Mr. Toshimasa Fujiwara served as Director and Senior Executive Officer of the Company from June 2015 to March 2018, accumulating considerable experience and extensive knowledge in corporate and organizational management. The Company believes that he is capable of appropriately performing the duties as an Audit & Supervisory Board Member of the Company and has therefore newly nominated him for said position. | | | |

| Nominee No. | Name (Date of Birth) | Career and Significant Concurrent Positions | Number of the Company Shares Held |
|--|--|---|-----------------------------------|
| 2 |  <p>Eiji Hatta (March 20, 1949)</p> <p>Reappointed Nominated for outside Audit & Supervisory Board Member Independent Officer</p> | <p>April 1985: Professor, Faculty of Economics, Doshisha University</p> <p>April 1996: Dean of Faculty of Economics, Doshisha University</p> <p>April 1998: President, Doshisha University</p> <p>October 2011: Chairperson of the Board of Trustees of The Doshisha</p> <p>March 2013: Resigned as President of Doshisha University Resigned as Chairperson of the Board of Trustees of The Doshisha</p> <p>April 2017: Chancellor of The Doshisha Chairperson of the Board of Trustees of The Doshisha (to date)</p> <p>March 2019: Retired as Professor, Faculty of Economics, Doshisha University</p> <p>June 2015: Audit & Supervisory Board Member of the Company (to date)</p> | 0 |
| <p>Reason for nomination as Audit & Supervisory Board Member</p> <p>Mr. Eiji Hatta has considerable achievements in the field of economics (industrial organization and econometrics). In addition, he has served as Dean of Faculty of Economics of Doshisha University, President of Doshisha University and Chairperson of the Board of Trustees of The Doshisha, having considerable experience and extensive knowledge in organizational management. Since assuming the office of Audit & Supervisory Board Member of the Company in June 2015, Mr. Hatta has appropriately performed his duties as an outside Audit & Supervisory Board Member, and is therefore nominated again for outside Audit & Supervisory Board Member.</p> <p>The Company has business transactions, such as holding a contract for the supply of gas, with The Doshisha or other organizations with which Mr. Hatta works. However, the amount paid by the Company to said organizations does not reach 2% of their consolidated net sales (total revenue), and the amount received by the Company from said organizations does not reach 2% of the Company's consolidated net sales. Accordingly, Mr. Hatta satisfies the criteria for determining the independence of independent officers stipulated by the Company (see page 24).</p> | | | |

- Notes: 1. The positions and responsibilities in the Company and other significant concurrent positions of the nominees who are currently Audit & Supervisory Board Members of the Company are described in the following Business Report (on page 46) in addition to "Career and Significant Concurrent Positions" above.
2. There are no significant conflicts of interest between the nominees and the Company.

3. Mr. Eiji Hatta 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.
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 nominee Mr. Hatta is an independent officer.
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 Mr. Hatta 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 his election is approved at the Meeting, the Company will continue said agreement with him.

[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, 2018 to March 31, 2019)

I. Current Situation of the Business Group

1. Business Operations and Results

During the fiscal year under review, despite a series of natural disasters and uncertain business circumstances overseas, the Japanese economy proceeded firmly, supported by domestic demand due to favorable corporate capital investment and other factors. 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 Daigas 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.”

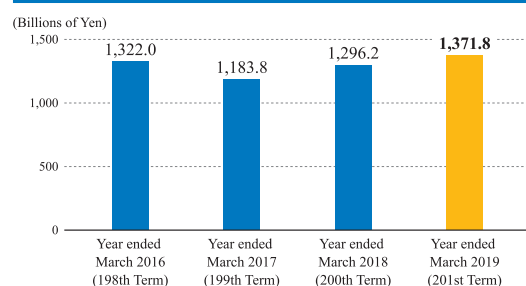
Consolidated net sales of the Group for the fiscal year under review increased 5.8% from the previous year to ¥1,371.8 billion mainly because the gas business benefitted from the higher unit prices of city gas under the fuel cost adjustment system and the electricity business enjoyed growth in electricity sales volume (see Graph 1).

Consolidated ordinary income decreased 18.1% to ¥63.1 billion mainly due to decreased gas sales volume caused by high air and water temperatures and the influence caused by a time lag* until fluctuations of raw material costs are reflected in city gas selling prices (see Graph 2).

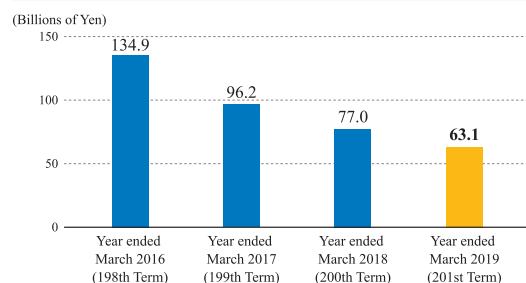
Profit attributable to owners of parent fell 10.9% from the previous year to ¥33.6 billion (see Graph 3).

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

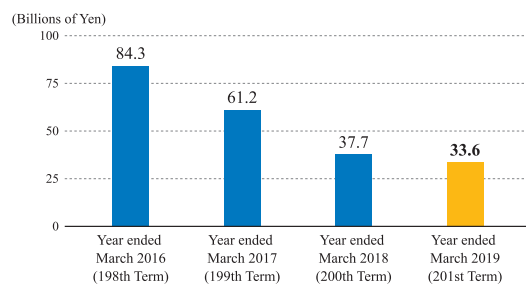
Graph 1 Transition of Consolidated Net Sales



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 3.7% from the previous year to ¥1,012.6 billion.

The city gas sales volume for residential use decreased 12.4% to 1,900 million cubic meters, mainly because there was a decrease in the demand for hot water supply and air heating due to high air and water temperatures, as well as switching to other operators.

The city gas sales volume for business use decreased 5.9% to 6,035 million cubic meters primarily due to the intensifying competition and decline in the operation of facilities for certain customers.

As a result, total city gas sales volume declined 7.5% to 7,935 million cubic meters. The number of city gas subscribers amounted to 5,579,000 as of March 31, 2019.

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

In March 2019, the accumulated number of "ENE-FARM" units sold exceeded 100,000.

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.

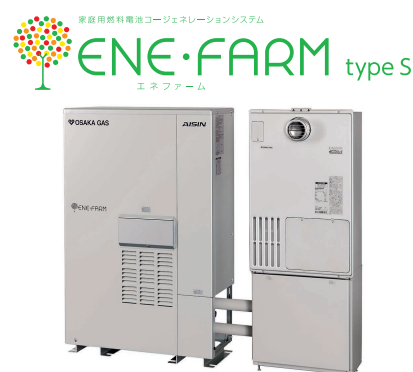
In January 2019, the "SMART MULTI" hybrid air-conditioning system to optimize the operation of gas and electric heat pump air-conditioners via remote control, which was jointly developed by the Company, two other gas retail companies and four gas equipment manufacturers, was awarded the Judging Committee's special prize in the



Gas stove advertisement



Visitors to "hu+gMUSEUM," a base for sending information on food and housing, have exceeded one million.



category of “Products/Business Models of the 2018 Energy Conservation Grand Prize”.

In December 2018, the Company acquired a 74.8% stake in Biwako Blue Energy Co., Ltd. In April 2019, said company took over the gas retail business from Otsu City, starting the supply of comprehensive energy services relating to gas, gas appliances and electricity.

Regarding city gas rates, as a benefit of the improved management efficiency, the Company lowered its regulated charges under the General Gas Supply Provisions—retail gas rates regulated under the Gas Business Act as a transitional measure after the full liberalization of retail gas sales—by 0.50% on average in March 2019.

The Company also lowered its gas rates under the Gas Transportation Service Provisions by an average of 0.54% in March 2019.

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

When conducting restoration activities after the earthquake in June 2018 in northern Osaka, we received support from gas operators around the nation, enabling us to resume gas supply without accidents. In the course of the restoration effort, we ensured at our best to keep customers informed about the recovery status via “Recovery Status Visualization System” where the progress of restoration was posted on the Company’s website, etc.

We have also made continued efforts to prepare for earthquakes and tsunami by conducting “Company-wide Disaster-prevention Drills” and other measures.

(2) Domestic Energy/Electricity

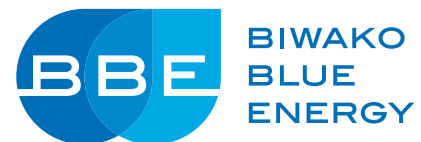
Net sales increased 16.8% from the previous year to ¥184.3 billion.

The electricity sales volume increased 6.4% from the previous year to 11,653 million kWh.

The number of subscribers to which we supply electricity under



“SMART MULTI” hybrid air-conditioning system



Logo of Biwako Blue Energy Co., Ltd.



Restoration activities (repairing a gas pipeline)

low-voltage electricity contracts reached 945,000 as of March 31, 2019.

In August 2018, as the first service menu under “Style Plan”, the lifestyle-based electricity service plan to meet diverse customer needs, the Company launched “Style Plan P,”¹ which provides access to “Amazon Prime” membership services. In March 2019, the Company expanded its lineup of the plan menus, including “Style Plan d,” which enables the acquisition of “d points”² according to electricity bills, and started accepting new customers.

1. Subscribers to Style Plan P are given access to “Amazon Prime” services without paying a membership fee separately.
2. The “d points” service is provided by NTT DOCOMO, INC.

In August 2018, CD Energy Direct Co., Ltd., a joint venture between the Company and CHUBU Electric Power Co., Ltd., in which each has 50% ownership, started sales of electricity and gas and other business in the Tokyo metropolitan area. To expand its energy businesses, the Company continues to reinforce alliances with various companies including Tokyu Power Supply Co., Ltd.

To expand its renewable energy power sources, the Company decided in March 2019 to construct a biomass power plant with generating capacity of about 75,000 kW in Himeji, Hyogo Prefecture. The plant will be operated by Hirohata Biomass Power Generation Co., Ltd., in which the Company has a 90% stake, and is scheduled to start commercial operations in August 2023.

(3) International Energy

Net sales increased 79.4% from the previous year to ¥40.4 billion.

In June 2018, the Company obtained approximately 30% interest in a shale gas production and development business operating in Texas, the United States. The project currently produces an amount of shale gas equivalent to approximately 300,000 tons in LNG per annum (equivalent to the equity of the Company).

In August 2018, the Company established PT OSAKA GAS INDONESIA in Indonesia, and, in October 2018, started a natural gas joint marketing business with PT Pertamina Niaga, a gas sales subsidiary of the PT Pertamina Group, an Indonesian state-owned oil and natural gas company. Following the Company’s previous investment in Southeast Asian energy businesses in Singapore and Thailand, the Indonesian business is promoting the efficient utilization of natural gas and fuel conversion from heavy oil, etc.



Advertisement for “Style Plan P”



Advertisement for “Style Plan d”



The brand logo of the electricity and gas sales service by CD Energy Direct Co., Ltd.



Excavation of shale gas (Texas, US)

In December 2018, the Company acquired 49.5% ownership in CPV Towantic Energy Center, a natural gas-fired thermal power plant which has capacity of 785,000 kW and has been in operation in Connecticut, the United States. This enabled the expansion of the Company's Independent Power Producer (wholesale electricity transaction) business in the United States.



CPV Towantic Energy Center (Connecticut, US)

(4) Life & Business Solutions

Net sales increased 4.7% from the previous year to ¥210.9 billion.

Osaka Gas Urban Development Co., Ltd., a group company engaged in the urban development business, expanded its assets by acquiring eight rental apartment buildings, including “Urbanex Minami Shinagawa,” and completed the construction of two condominium buildings, including “SCENES Kyoto Nishioji Gojo Park Homes,” which is the first building under the new “SCENES” brand of Osaka Gas Urban Development Co., Ltd., during the fiscal year under review.



Urbanex Minami Shinagawa (Tokyo)

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

Osaka Gas Chemicals Co., Ltd., a group company engaged in the material solutions business, strove to develop and expand sales of high-value-added materials, including fine materials, carbon products and preservatives based on its coal chemistry technology and other technologies. In addition, Osaka Gas Chemicals Co., Ltd. supplies the “Xyladecor® Forestage®” protective wood coatings for the construction work of New National Stadium Development Project.



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) | 10,126 | 1,843 | 404 | 2,109 |
| Percentage change from previous year (%) | +3.7 | +16.8 | +79.4 | +4.7 |
| Percentage of net sales (%) | 69.9 | 12.7 | 2.8 | 14.6 |
| Segment income (Billions of Yen) | 358 | 87 | 59 | 177 |
| Percentage change from previous year (%) | (16.7) | (57.9) | —* | (3.1) |
| Percentage of segment income (%) | 52.5 | 12.8 | 8.8 | 26.0 |

*A segment loss of ¥5.3 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.

Due to the reorganization as of April 1, 2018, one consolidated subsidiary was transferred from the Life & Business Solutions segment to the Domestic Energy/Gas segment, effective from the fiscal year under review. This transfer is reflected in the calculation of year-on-year figures appearing in this Business Report.

2. Principal Activities of the Group (as of March 31, 2019)

| 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 ¥107.2 billion.

We lengthened the Company's gas trunk and branch lines by 202 kilometers, bringing the total length to 50,989 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 ¥129.3 billion and repaid ¥37.7 billion of long-term loans.

With respect to corporate bonds*, the Group did not issue any corporate bonds but redeemed ¥30 billion during the fiscal year under review.

*Short-term bonds are not included.

5. Outstanding Issues

(1) Management Policies

As a corporate group that “powers continuous advancement in consumer life and business,” the Group aims to create “Value for Customers,” “Value for Society,” “Value for Shareholders” and “Value for Employees” by providing various products and services relating to not only the energy business, including natural gas, electricity and LPG, but also its peripheral services and non-energy businesses, such as urban development, materials and information businesses. 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. With the recognition that the Group’s biggest managerial issue is achieving sustainable growth, the Group formulated the 2030 Long-term Management Vision and 2020 Medium-term Management Plan “Going Forward Beyond Borders” in 2017 and introduced a new group brand—the “Daigas Group”—in 2018.

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

To ensure the stable procurement of natural gas 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 tsunamis. 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, including the management and maintenance of buildings and facilities, water treatment and a visual means for monitoring energy saving using digital technologies. Together, we will offer a range of energy service menus according to customers’ lifestyles so that we can contribute to the enhancement of customers’ living environment as well as their business growth. In addition, we will promote alliances with various business partners, including energy business operators in various locations, thereby expanding the marketer business in a wider geographic area in Japan. Outside of Japan, we will promote steady management of the electric power, gas and energy service businesses in which we are involved, while seeking the chance for participating in new projects.

(v) Developing energy infrastructure and expanding the engineering business

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

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

We are committed to making continuous efforts to maintain and expand the demand for city gas, while ensuring 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 internal and external 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, and to develop technologies relating to new materials, information processing, and the prevention of global warming, etc.

(iii) Reinforcing human resources and organization

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

(3) Conclusion

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

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

6. Financial Position and Profits and Losses

| Division | Year ended March 2016 (198th Term) | Year ended March 2017 (199th Term) | Year ended March 2018 (200th Term) | Year ended March 2019 (201st Term) |
|---|--|--|--|--|
| Net sales (Millions of Yen) | 1,322,012 | 1,183,846 | 1,296,238 | 1,371,863 |
| Ordinary income (Millions of Yen) | 134,986 | 96,276 | 77,087 | 63,103 |
| Profit attributable to owners of parent (Millions of Yen) | 84,324 | 61,271 | 37,724 | 33,601 |
| Basic earnings per share (Yen) ¹ | 202.64 | 147.29 | 90.71 | 80.80 |
| Total assets ² (Millions of Yen) | 1,829,756 | 1,886,577 | 1,897,230 | 2,029,722 |
| Net assets (Millions of Yen) | 935,786 | 991,870 | 1,028,799 | 1,035,044 |

- Notes:
1. Basic earnings per share from the year ended March 2016 (198th term) to the year ended March 2019 (201st 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 2016 (198th term).
 2. “Partial Amendments to Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) have been applied from the 201st term and are retrospectively applied to the 200th term in the above calculation.

7. Outline of Principal Subsidiaries (as of March 31, 2019)

| Company | Capital (Millions of Yen) | Holding (%) | Main Activities |
|---------------------------------------|------------------------------|-------------|---|
| Osaka Gas Urban Development Co., Ltd. | 1,570 | 100 | Development, leasing, management, and sale of real estate |
| OGIS-RI Co., Ltd. | 440 | 100 | Development of software and information processing services via computers |
| Osaka Gas Chemicals Co., Ltd. | 14,231 | 100 | Manufacture and sale of fine materials, carbon products, etc. |

- Notes:
1. The Group treats the affiliated companies that play a central role in each business area and that are positioned as elementary units for the management of the Group as core companies (which the Group recognizes as principal subsidiaries).
 2. The Group has 150 consolidated subsidiaries, including the above three principal subsidiaries.

8. Major Offices, Plants and Employees (as of March 31, 2019)

(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 (renamed Pipeline Network Company as of April 1, 2019) 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 | 10,973 |
| Domestic Energy/Electricity | 395 |
| International Energy | 194 |
| Life & Business Solutions | 8,662 |
| Total | 20,224 |

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

9. Major Lenders (as of March 31, 2019)

| Lenders | Loans Outstanding on March 31, 2019 (Millions of Yen) |
|--|--|
| Resona Bank, Limited | 68,886 |
| MUFG Bank, Ltd. | 53,108 |
| Japan Bank for International Cooperation | 40,237 |
| Development Bank of Japan Inc. | 20,774 |
| The Bank of Kyoto, Ltd. | 18,705 |

II. Officers

1. Details of Directors and Audit & Supervisory Board Members (as of March 31, 2019)

| 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 Group Holdings Corporation Director of OGIS-RI Co., Ltd. Director of Osaka Gas Chemicals Co., Ltd. |
| Representative Director and President Executive President | Takehiro Honjo | | Member of the Osaka Prefectural Public Safety Commission Director of Osaka Gas Urban Development Co., Ltd. |
| Representative Director Executive Vice-President | Hidetaka Matsuzaka | In charge of: Regional Co-Creation Division, Tokyo Branch, Regional Resident Representative and Overall Regional Resident Representative Responsible for: Residential Energy Business Unit, Commercial & Industrial Energy Business Unit, Osaka Gas Urban Development Co., Ltd. | Director of 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. | Director of OGIS-RI Co., Ltd. Director of Osaka Gas Chemicals Co., Ltd. |

| Position | Name | Business in Charge | Significant Concurrent Positions |
|---|---------------------|---|---|
| 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 Senior Executive Officer | Takayuki Tasaka | Head of Commercial & Industrial Energy Business Unit | Representative Director and President of Osaka Rinkai Energy Service Corporation |
| Director Senior Executive Officer | Hisaichi Yoneyama | Head of LNG, Power & Engineering Business Unit | |
| Director Senior Executive Officer | Fumitoshi Takeguchi | In charge of: Secretariat, Corporate Communication Dept., Human Resources Dept., General Affairs Dept. and Purchasing Dept. | |
| Director Senior Executive Officer | Shigeru Chikamoto | Head of Pipeline Business Unit | |
| Director | Shunzo Morishita | | Director and Chairman of Hanshin Expressway Company Limited 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 | | Advisor of West Japan Railway Company |

| Position | Name | Business in Charge | Significant Concurrent Positions |
|--|--------------------|--------------------|---|
| 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 Chancellor and Chairperson of the Board of Trustees of The Doshisha Chairman, Japan Student Baseball Association President, Japan High School Baseball Federation Vice Chairman, Japan University Auditors Association |
| Audit & Supervisory Board Member | Shigemi Sasaki | | Governor, Kinki Branch, Japan Bar Association |

Notes:

- 1) “Responsible for” in the “Business in Charge” column means monitoring and providing advice and suggestions concerning the operations of any headquarters, division/department, organization, core company or person in a designated position according to its managerial importance, effect on business management and other factors.
- 2) Directors Shunzo Morishita, Hideo Miyahara and Takayuki Sasaki are outside directors as specified in Article 2, Item 15 of the Companies Act.
- 3) Audit & Supervisory Board Members Yoko Kimura, Eiji Hatta and Shigemi Sasaki are outside Audit & Supervisory Board Members as specified in Article 2, Item 16 of the Companies Act.
- 4) All of the outside directors and outside Audit & Supervisory Board Members have been notified as independent officers pursuant to the provisions prescribed by each stock exchange where the shares of the Company are listed.
- 5) There are no special relationships between the entities set out in the column “Significant Concurrent Positions” for each outside director/outside Audit & Supervisory Board Member and the Company.
- 6) Directors Takayuki Tasaka, Hisaichi Yoneyama, Fumitoshi Takeguchi and Shigeru Chikamoto were newly appointed at the 200th Annual Meeting of Shareholders held on June 28, 2018, and assumed their respective offices 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 in financial and accounting matters.
- 8) “Director of Asahi Broadcasting Group Holdings Corporation” and “Director of West Japan Railway Company,” which are stated as “Significant Concurrent Positions” of Representative Director and Chairman Hiroshi Ozaki and Director Hideo Miyahara, respectively, are both outside director positions.

- 9) Changes in “Business in Charge” and “Significant Concurrent Positions” during the term under review
- Asahi Broadcasting Group Holdings Corporation, in which Representative Director and Chairman Hiroshi Ozaki holds a significant concurrent position, was reorganized on April 1, 2018, with its trade name being changed from Asahi Broadcasting Corporation.
- Representative Director and President Takehiro Honjo assumed the office of Member of the Osaka Prefectural Public Safety Commission on July 10, 2018.
- There was a partial change on June 28, 2018, in the businesses taken charge of by Representative Director Hidetaka Matsuzaka. (Before June 28, 2018, “Tokyo Representative” was included in the businesses he was in charge of.)
- Director Takayuki Tasaka assumed the office of Representative Director and President of Osaka Rinkai Energy Service Corporation on April 2, 2018.
- Director Shunzo Morishita retired as Chairman of the Osaka Prefectural Public Safety Commission on July 9, 2018.
- Director Takayuki Sasaki retired as Director of West Japan Railway Company and assumed the office of Advisor of said company on June 21, 2018.
- Audit & Supervisory Board Member Eiji Hatta retired from the position of Professor, Faculty of Economics, Doshisha University, on March 31, 2019.

Note 10) Changes in the “Position,” “Business in Charge” and “Significant Concurrent Positions” of Directors after the end of the fiscal year under review

As of April 1, 2019, Directors’ positions, businesses they are in charge of and significant concurrent positions were as follows.

| 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 Group Holdings Corporation Director of OGIS-RI Co., Ltd. Director of Osaka Gas Chemicals Co., Ltd. |
| Representative Director and President Executive President | Takehiro Honjo | | Member of the Osaka Prefectural Public Safety Commission Director of Osaka Gas Urban Development Co., Ltd. |
| Representative Director Executive Vice-President | Masataka Fujiwara | Head of Technology, President of Innovation Headquarters Responsible for: Residential Energy Business Unit, Commercial & Industrial Energy Business Unit Osaka Gas Urban Development Co., Ltd. OGIS-RI Co., Ltd. Osaka Gas Chemicals Co., Ltd. | Director of Osaka Gas Urban Development Co., Ltd. Director of OGIS-RI Co., Ltd. Director of Osaka Gas Chemicals Co., Ltd. |
| Representative Director Executive Vice-President | Tadashi Miyagawa | Head of CSR In charge of: Regional Co-Creation Division, CSR & Environment Dept., Tokyo Branch, Compliance Dept., Auditing Dept., Regional Resident Representative and Overall Regional Resident Representative Responsible for: LNG, Power & Engineering Business Unit | |
| Representative Director Executive Vice-President | Takeshi Matsui | President of Corporate Planning Headquarters Responsible for: Energy Resources & International Business Unit Pipeline Network Company* Secretariat, Corporate Communication Dept., Human Resources Dept., General Affairs Dept. and Purchasing Dept. | |
| Director Senior Executive Officer | Takayuki Tasaka | Head of Commercial & Industrial Energy Business Unit | Representative Director and President of Osaka Rinkai Energy Service Corporation |

| | | | |
|--|------------------------|---|---|
| Director Senior Executive Officer | Hisaichi Yoneyama | Head of LNG, Power & Engineering Business Unit | |
| Director Senior Executive Officer | Fumitoshi Takeguchi | In charge of: Secretariat, Corporate Communication Dept., Human Resources Dept., General Affairs Dept. and Purchasing Dept. | |
| Director Senior Executive Officer | Shigeru Chikamoto | Head of Safety Head of Pipeline Network Company* | |
| Director | Hidetaka Matsuzaka | | Director and Chairman of OG Capital Co., Ltd. |
| Director | Shunzo Morishita | | Director and Chairman of Hanshin Expressway Company Limited 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 | | Advisor of West Japan Railway Company |

*As of April 1, 2019, the Pipeline Business Unit was renamed Pipeline Network Company, and Head of Pipeline Business Unit was renamed Head of Pipeline Network Company.

2. Outside Officers

(1) Principal Activities

| Position | Name | Attendance and Comments |
|----------------------------------|------------------|--|
| Director | Shunzo Morishita | Shunzo Morishita attended 12 out of 13 meetings of the Board of Directors. He made comments as appropriate based on his considerable experience and extensive knowledge in corporate and organizational management and from his independent position as an outside director. |
| Director | Hideo Miyahara | Hideo Miyahara attended 12 out of 13 meetings of the Board of Directors. He made comments as appropriate based on his considerable experience and extensive knowledge in organizational management and from his independent position as an outside director. |
| Director | Takayuki Sasaki | 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 12 out of 13 meetings of the Board of Directors and attended 13 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 performance (profit attributable to owners of parent) 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 of remuneration (¥Million) | | | Number of officers to whom remuneration was paid |
|---|---|-------|--------------------|--|
| | | Fixed | Performance-linked | |
| Directors (excluding outside Directors) | 506 | 303 | 202 | 14 |
| Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board Members) | 67 | 67 | — | 2 |
| Outside Directors | 32 | 32 | — | 3 |
| Outside Audit & Supervisory Board Members | 32 | 32 | — | 3 |

- Notes:
1. The total amounts of remuneration paid to Directors, Audit & Supervisory Board Members and outside officers were ¥538 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 four Directors who retired at the end of the 200th Annual Meeting of Shareholders held on June 28, 2018.

III. Shares (as of March 31, 2019)

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 | 104,094 |

*867,201 treasury shares are included.

2. Principal Shareholders

| Shareholders | Number of shares held (1,000 shares) | Shareholding ratio (%) |
|--|--|---------------------------|
| The Master Trust Bank of Japan, Ltd. (trust account) | 27,591 | 6.64 |
| Nippon Life Insurance Company | 19,242 | 4.63 |
| Japan Trustee Services Bank, Ltd. (trust account) | 18,758 | 4.51 |
| MUFG Bank, Ltd. | 13,985 | 3.36 |
| Resona Bank, Limited | 10,555 | 2.54 |
| Japan Trustee Services Bank, Ltd. (trust account 7) | 9,381 | 2.26 |
| Japan Trustee Services Bank, Ltd. (trust account 5) | 7,609 | 1.83 |
| Japan Trustee Services Bank, Ltd. (trust account 9) | 6,296 | 1.51 |
| JP MORGAN CHASE BANK 385151 | 6,167 | 1.48 |
| STATE STREET BANK WEST CLIENT-TREATY 505234 | 6,062 | 1.46 |

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 | 89* | 24 |
| The Company's subsidiaries | 114 | 37 |
| Total | 203 | 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 etc., 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 24, 2019, 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.

Regarding the sales of the fan heaters to affiliated service shops, the Company was warned about violation of the Antimonopoly Act by the Japan Fair Trade Commission. To address this issue, the Company will continue to hold discussions with the service shops and review the sales system, while making continued efforts to ensure compliance with related laws and regulations, including the Antimonopoly Act.

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. Based on the responses to the earthquake in northern Osaka, “Company-wide Disaster-prevention Drills” during the fiscal year under review emphasized initial responses and confirmation of procedures for sharing information and making decisions, which led to reviewing the business continuity plan.

To address the issue of customer information leakage due to illegal access by a third party to the Office “Taku-File Bin”, large-data transfer service provided by OGIS-RI Co., Ltd., we are reinforcing countermeasures and surveillance against cyberattacks and checking the entire Group for any risks of similar occurrences. Through these measures, we are endeavoring to further reinforce our information management.

(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, 2019)

(Millions of Yen)

| Assets | | Liabilities | |
|---|------------------|---|------------------|
| Non-current assets | 1,497,528 | Non-current liabilities | 641,465 |
| Property, plant and equipment | 889,392 | Bonds payable | 144,989 |
| Production facilities | 85,086 | Long-term loans payable | 367,418 |
| Distribution facilities | 265,421 | Deferred tax liabilities | 22,811 |
| Service and maintenance facilities | 55,176 | Provision for gas holder repairs | 1,247 |
| Other facilities | 409,486 | Provision for safety measures | 11,207 |
| Construction in progress | 74,222 | Provision for equipment warranties | 12,454 |
| Intangible assets | 127,633 | Retirement benefit liability | 17,228 |
| Investments and other assets | 480,502 | Other | 64,108 |
| Investment securities | 359,737 | Current liabilities | 353,212 |
| Long-term loans receivable | 22,862 | Current portion of non-current liabilities | 60,134 |
| Retirement benefit asset | 49,074 | Notes and accounts payable - trade | 66,087 |
| Other | 49,389 | Short-term loans payable | 22,751 |
| Allowance for doubtful accounts | (562) | Other | 204,240 |
| | | Total liabilities | 994,678 |
| | | Net assets | |
| Current assets | 532,194 | Shareholders' equity | 932,167 |
| Cash and deposits | 116,289 | Capital stock | 132,166 |
| Notes and accounts receivable - trade | 219,206 | Capital surplus | 19,222 |
| Lease receivables and investment assets | 40,445 | Retained earnings | 782,523 |
| Inventories | 112,327 | Treasury shares | (1,744) |
| Other | 45,616 | Accumulated other comprehensive income | 72,172 |
| Allowance for doubtful accounts | (1,691) | Valuation difference on available-for-sale securities | 50,617 |
| | | Deferred gains or losses on hedges | (4,007) |
| | | Revaluation reserve for land | (737) |
| | | Foreign currency translation adjustment | 11,189 |
| | | Remeasurements of defined benefit plans | 15,110 |
| | | Non-controlling interests | 30,704 |
| | | Total net assets | 1,035,044 |
| Total assets | 2,029,722 | Total liabilities and net assets | 2,029,722 |

Consolidated Statement of Income (April 1, 2018 to March 31, 2019)

(Millions of Yen)

| Account | Amount |
|---|------------------|
| Net sales | 1,371,863 |
| Cost of sales | 981,086 |
| [Gross profit] | [390,777] |
| Selling, general and administrative expenses | 322,800 |
| [Operating profit] | [67,977] |
| Non-operating income | 14,600 |
| Interest income | 584 |
| Dividend income | 4,465 |
| Miscellaneous income | 9,551 |
| Non-operating expenses | 19,474 |
| Interest expenses | 10,126 |
| Miscellaneous expenses | 9,348 |
| [Ordinary profit] | [63,103] |
| Extraordinary losses | 11,038 |
| Loss on disaster | 2,136 |
| Amortization of goodwill | 8,901 |
| [Profit before income taxes] | [52,064] |
| Income taxes - current | 19,683 |
| Income taxes - deferred | (4,160) |
| Profit | [36,542] |
| Profit attributable to non-controlling interests | 2,941 |
| Profit attributable to owners of parent | 33,601 |

Non-Consolidated Balance Sheet (As of March 31, 2019)

(Millions of Yen)

| Assets | | Liabilities | |
|--|------------------|--|------------------|
| Non-current assets | 1,170,498 | Non-current liabilities | 439,968 |
| Property, plant and equipment | 420,899 | Bonds payable | 144,989 |
| Production facilities | 84,151 | Long-term loans payable | 252,445 |
| Distribution facilities | 265,144 | Long-term debt to subsidiaries and associates | 788 |
| Service and maintenance facilities | 54,316 | Deferred tax liabilities | 2,218 |
| Facilities for incidental businesses | 3,220 | Provision for retirement benefits | 3,532 |
| Construction in progress | 14,066 | Provision for gas holder repairs | 1,173 |
| Intangible assets | 19,492 | Provision for safety measures | 11,207 |
| Patent right | 3 | Provision for equipment warranties | 12,454 |
| Leasehold right | 2,994 | Other non-current liabilities | 11,158 |
| Other intangible assets | 16,493 | Current liabilities | 333,744 |
| Investments and other assets | 730,106 | Current portion of non-current liabilities | 43,614 |
| Investment securities | 73,538 | Accounts payable - trade | 36,886 |
| Investments in subsidiaries and associates | 439,539 | Short-term loans payable | 5,000 |
| Long-term loans receivable from subsidiaries and associates | 177,685 | Accounts payable - other | 15,422 |
| Investments in capital | 21 | Accrued expenses | 35,714 |
| Long-term prepaid expenses | 6,161 | Income taxes payable | 11,107 |
| Prepaid pension cost | 28,483 | Advances received | 7,107 |
| Other investments and other assets | 4,927 | Deposits received | 1,687 |
| Allowance for doubtful accounts | (251) | Short-term loans payable to subsidiaries and associates | 98,962 |
| | | Short-term debt to subsidiaries and associates | 27,191 |
| | | Other current liabilities | 51,050 |
| | | Total liabilities | 773,713 |
| Current assets | 368,228 | Net assets | |
| Cash and deposits | 108,588 | Shareholders' equity | 730,112 |
| Notes receivable - trade | 792 | Capital stock | 132,166 |
| Accounts receivable - trade | 114,003 | Capital surplus | 19,494 |
| Accounts receivable from subsidiaries and associates - trade | 13,644 | Legal capital surplus | 19,482 |
| Accounts receivable - other | 18,263 | Other capital surplus | 11 |
| Finished goods | 71 | Retained earnings | 580,196 |
| Raw materials | 59,198 | Legal retained earnings | 33,041 |
| Supplies | 13,077 | Other retained earnings | |
| Short-term receivables from subsidiaries and associates | 35,494 | Reserve for reduction entry of specified replaced properties | 241 |
| Other current assets | 6,556 | Reserve for overseas investment loss | 16,563 |
| Allowance for doubtful accounts | (1,462) | Reserve for adjustment of cost fluctuations | 89,000 |
| | | General reserve | 62,000 |
| | | Retained earnings brought forward | 379,349 |
| | | Treasury shares | (1,744) |
| | | Treasury shares | (1,744) |
| | | Valuation and translation adjustments | 34,900 |
| | | Valuation difference on available-for-sale securities | 37,760 |
| | | Deferred gains or losses on hedges | (2,860) |
| | | Total net assets | 765,013 |
| Total assets | 1,538,726 | Total liabilities and net assets | 1,538,726 |

Non-Consolidated Statement of Income (April 1, 2018 to March 31, 2019)

(Millions of Yen)

| Costs and Expenses | | Revenue | |
|--|------------------|--|------------------|
| Cost of sales | 413,396 | Sales from gas business | 679,170 |
| Beginning inventories | 67 | Gas sales | 659,213 |
| Cost of products manufactured | 424,213 | Gas transportation service revenue | 18,869 |
| Costs of gas for own use | 10,812 | Revenue from interoperator settlement | 1,087 |
| Ending inventories | 71 | | |
| [Gross profit] | [265,773] | | |
| Supply and sales expenses | 209,233 | | |
| General and administrative expenses | 49,332 | | |
| [Profit on core business] | [7,208] | | |
| Miscellaneous operating expenses | 102,916 | Miscellaneous operating revenue | 120,965 |
| Expenses of installation work | 22,085 | Revenue from installation work | 22,668 |
| Other miscellaneous operating expenses | 80,830 | Other miscellaneous operating revenue | 98,297 |
| Expenses for incidental businesses | 301,712 | Revenue for incidental businesses | 304,401 |
| [Operating profit] | [27,946] | | |
| Non-operating expenses | 9,185 | Non-operating income | 21,792 |
| Interest expenses | 4,024 | Interest income | 1,565 |
| Interest on bonds | 2,675 | Interest on securities | 13 |
| Miscellaneous expenses | 2,485 | Dividend income | 2,098 |
| [Ordinary profit] | [40,553] | Dividends from subsidiaries and associates | 11,098 |
| | | Miscellaneous income | 7,016 |
| Extraordinary losses | 13,008 | Extraordinary income | 6,999 |
| Loss on disaster | 2,015 | Reversal of allowance for investment loss | 6,999 |
| Loss on valuation of shares of subsidiaries and associates | 10,993 | | |
| [Profit before income taxes] | [34,545] | | |
| Income taxes - current | 7,100 | | |
| Income taxes - deferred | 2,305 | | |
| [Profit] | [25,139] | | |
| Total | 1,133,330 | Total | 1,133,330 |

Independent Auditor's Report

May 15, 2019

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 equity and the related notes of Osaka Gas Co., Ltd. as at March 31, 2019 and for the year from April 1, 2018 to March 31, 2019 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 to express 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 Act of Japan.

Notes to the Reader of Independent Auditor's Report:

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

Independent Auditor's Report

May 15, 2019

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 equity and the related notes, and the supplementary schedules of Osaka Gas Co., Ltd. as at March 31, 2019 and for the year from April 1, 2018 to March 31, 2019 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 to express 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 Act of Japan.

Notes to the Reader of Independent Auditor's Report:

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

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 201st fiscal year from April 1, 2018 to March 31, 2019. 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, 2019.

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. With regard to the leakage of customers' information stated in the Business Report, we will place continued emphasis on the Group's efforts to reinforce its information management.

(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 23, 2019

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

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

Consolidated Statement of Changes in Equity

Notes to Consolidated Financial Statements

Non-Consolidated Statement of Changes in Equity

Notes to Non-Consolidated Financial Statements

The 201st Fiscal Year (From April 1, 2018 to March 31, 2019)

OSAKA GAS CO., LTD.

Consolidated Statement of Changes in Equity (April 1, 2018 to March 31, 2019)

(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 | 19,222 | 769,801 | (1,663) | 919,527 | 56,977 | (7,650) | (737) | 19,530 | 11,922 | 80,042 | 29,229 | 1,028,799 |
| Cumulative effects of changes in accounting policies | | | (87) | | (87) | | | | | | | | (87) |
| Restated balance | 132,166 | 19,222 | 769,713 | (1,663) | 919,439 | 56,977 | (7,650) | (737) | 19,530 | 11,922 | 80,042 | 29,229 | 1,028,711 |
| Changes of items during period | | | | | | | | | | | | | |
| Dividends of surplus | | | (20,791) | | (20,791) | | | | | | | | (20,791) |
| Profit attributable to owners of parent | | | 33,601 | | 33,601 | | | | | | | | 33,601 |
| Purchase of treasury shares | | | | (85) | (85) | | | | | | | | (85) |
| Disposal of treasury shares | | 0 | | 3 | 3 | | | | | | | | 3 |
| Net changes of items other than shareholders' equity | | | | | | (6,359) | 3,643 | — | (8,340) | 3,187 | (7,869) | 1,474 | (6,394) |
| Total changes of items during period | — | 0 | 12,809 | (81) | 12,728 | (6,359) | 3,643 | — | (8,340) | 3,187 | (7,869) | 1,474 | 6,333 |
| Balance at end of current period | 132,166 | 19,222 | 782,523 | (1,744) | 932,167 | 50,617 | (4,007) | (737) | 11,189 | 15,110 | 72,172 | 30,704 | 1,035,044 |

Notes to Consolidated Financial Statements (April 1, 2018 to March 31, 2019)

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

(1) Scope of consolidation

Number of consolidated subsidiaries: 150

(Names of principal consolidated subsidiaries)

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

(2) Application of the equity method

Number of equity method associates: 23

(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 |
|-------------------------|--------------------------|

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.) |
|---|--|

| | |
|---|---|
| Securities for which it is not practical to determine fair value: | Primarily stated at cost based on the moving-average method |
|---|---|

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 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 Changes in Presentation Method

The Company and its domestic subsidiaries adopted “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) and changed the presentation of deferred tax assets and deferred tax liabilities, such that deferred tax assets and deferred tax liabilities are classified as part of ‘investments and other assets’ and ‘non-current liabilities’, respectively.

3. Notes to the Consolidated Balance Sheet

(1) Assets pledged as collateral and secured liabilities

| | | |
|------|-------------------------------|------------------|
| (i) | Assets pledged as collateral | |
| | Property, plant and equipment | ¥134,326 million |
| | Investments and other assets | ¥118,027 million |
| | Others | ¥59,561 million |
| | Total | ¥311,914 million |
| (ii) | Secured liabilities | ¥62,437 million |

In addition to above, loans receivable, etc., of ¥7,463 million are offset as a result of consolidation are pledged as collateral.

| | | |
|-----|--|--------------------|
| (2) | Accumulated depreciation of property, plant and equipment: | ¥2,652,657 million |
|-----|--|--------------------|

(3) Guarantee liabilities, etc.

| | |
|--|-----------------|
| Guarantee liabilities: | ¥26,657 million |
| Contingent liabilities in respect of debt assumption agreements with respect to bonds: | ¥20,000 million |

4. 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).

5. 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 | 116,289 | 116,289 | — |
| (2) Notes and accounts receivable - trade | 219,206 | 219,206 | — |
| (3) Securities and investment securities | 95,429 | 95,429 | — |
| Total Assets | 430,925 | 430,925 | — |
| (1) Notes and accounts payable - trade | 66,087 | 66,087 | — |
| (2) Short-term loans payable | 22,751 | 22,751 | — |
| (3) Bonds payable ¹ | 164,988 | 177,943 | 12,954 |
| (4) Long-term loans payable ¹ | 404,188 | 417,956 | 13,768 |
| Total Liabilities | 658,014 | 684,738 | 26,723 |
| Derivative transaction ² | (1,446) | (1,446) | — |

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: ¥264,308 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.

6. 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 |
|---|------------|
| 128,315 | 209,421 |

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.

7. 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 28, 2018, the following were resolved with March 31, 2018, as a record date.

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 |

- b. At the meeting of the Board of Directors held on October 30, 2018, the following were resolved with September 30, 2018, as a record date.

Dividends of common shares

- | | |
|----------------------------------|-------------------|
| (a) Total amount of dividends | ¥10,395 million |
| (b) Dividend per share | ¥25.00 |
| (c) Effective date for dividends | November 30, 2018 |

- (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 20, 2019, the following will be proposed with March 31, 2019, as a record date. Dividends are to be appropriated from retained earnings.

Dividends of common shares

- | | |
|----------------------------------|-----------------|
| (a) Total amount of dividends | ¥10,395 million |
| (b) Dividend per share | ¥25.00 |
| (c) Effective date for dividends | June 21, 2019 |

8. Notes to Per Share Information

- | | |
|---------------------------|-----------|
| (1) Net assets per share: | ¥2,415.37 |
| (2) Earnings per share: | ¥80.80 |

Non-Consolidated Statement of Changes in Equity (April 1, 2018 to March 31, 2019)

(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 | 18,370 | 89,000 | 62,000 | 373,195 | 575,849 | (1,663) | 725,846 | 41,280 | (758) | 40,522 | 766,368 |
| Changes of items during period | | | | | | | | | | | | | | | | | |
| Reversal of reserve for overseas investment loss | | | | | | | (1,807) | | | 1,807 | — | | — | | | | — |
| Dividends of surplus | | | | | | | | | | (20,791) | (20,791) | | (20,791) | | | | (20,791) |
| Profit | | | | | | | | | | 25,139 | 25,139 | | 25,139 | | | | 25,139 |
| Purchase of treasury shares | | | | | | | | | | | | (85) | (85) | | | | (85) |
| Disposal of treasury shares | | | 0 | 0 | | | | | | | | 3 | 3 | | | | 3 |
| Net changes of items other than shareholders' equity | | | | | | | | | | | | | | (3,519) | (2,101) | (5,621) | (5,621) |
| Total changes of items during period | — | — | 0 | 0 | — | — | (1,807) | — | — | 6,154 | 4,347 | (81) | 4,265 | (3,519) | (2,101) | (5,621) | (1,355) |
| Balance at end of current period | 132,166 | 19,482 | 11 | 19,494 | 33,041 | 241 | 16,563 | 89,000 | 62,000 | 379,349 | 580,196 | (1,744) | 730,112 | 37,760 | (2,860) | 34,900 | 765,013 |

Notes to Non-Consolidated Financial Statements (April 1, 2018 to March 31, 2019)

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) 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 Changes in Presentation Method

The Company adopted “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) and changed the presentation of deferred tax assets and deferred tax liabilities, such that deferred tax assets and deferred tax liabilities are classified as part of ‘investments and other assets’ and ‘non-current liabilities’, respectively.

3. Notes to the Non-Consolidated Balance Sheet

(1) Assets pledged as collateral

Investments and other assets: ¥5,933 million

(2) Accumulated depreciation of property, plant and equipment and accumulated amortization of intangible assets

Accumulated depreciation of property, plant and equipment: ¥2,241,000 million

Accumulated amortization of intangible assets: ¥8,008 million

(3) Guarantee liabilities, etc.

Guarantee liabilities: ¥75,226 million

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

4. Notes to the Non-Consolidated Statement of Income

Amount of business from operational transactions with subsidiaries and associates:

Sales to subsidiaries and associates: ¥87,162 million

Amount of purchases from subsidiaries and associates: ¥197,122 million

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

¥26,462 million

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

Number of treasury stock at the end of the fiscal year: 867,201 common shares

6. Notes to Tax Effect Accounting

(1) The main factors for the deferred tax assets are loss on valuation of securities, provision for equipment warranties and over-depreciation of depreciable assets.

(2) The main factors for the deferred tax liabilities are valuation difference on available-for-sale securities, prepaid severance and retirement benefit expenses and reserves required under the Special Taxation Measures Law.

7. Notes to Transactions with Related Parties

| Company name | Holding ratio of voting rights | Relationship | Substance of transaction | Transaction amount (Millions of Yen) | Item | Outstanding amount as at the year-end (Millions of Yen) |
|----------------------------|--------------------------------|--------------|---|--------------------------------------|------|---|
| Osaka Gas USA Corporation | 100% direct holding | Subsidiary | Underwriting of capital increase (Note 1) | 61,254 | — | — |
| Osaka Gas Gorgon Pty. Ltd. | 100% indirect holding | Subsidiary | Debt guarantee (Note 2) | 29,999 | — | — |

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

Notes:

1. The Company underwrote a capital increase through shareholder allocation carried out by Osaka Gas USA Corporation.
2. The Company provided a guarantee for the long-term loans payable of Osaka Gas Gorgon Pty. Ltd. to Japan Bank for International Cooperation, etc.

8. Notes to Per Share Information

| | | |
|-----|-----------------------|-----------|
| (1) | Net assets per share: | ¥1,839.80 |
| (2) | Earnings per share: | ¥60.45 |

9. 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 and the Ordinance of the METI for Partial Revision of the Gas Business Accounting Rules (METI Ordinance No. 36, June 19, 2018) was promulgated to revise the Gas Business Accounting Rules, the Company prepared its balance sheet, etc., in accordance with the revised Gas Business Accounting Rules.