

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

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

To prevent the spread of COVID-19, we would like to ask our shareholders attending the Annual Shareholders Meeting to check the status of the spread of the disease, requests from the government and personal physical conditions, etc. on the date of the Meeting before coming to the venue, and take measures to prevent infection, such as wearing masks.

At the venue of the Meeting, we may take measures to prevent infections, such as checking the body temperature of attendees, and may ask attendees who have a fever, a cough or other symptoms not to enter the venue. Your understanding and cooperation would be appreciated.

To reduce the risk of infection, we will not distribute souvenirs to the attending shareholders. We would appreciate your understanding.

(Securities Identification Code: 9532)

Notice of 202nd 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 in line with our 2030 Long-Term Management Vision and 2020 Medium-Term Management Plan. As part of our efforts to achieve this aim, in order to realize speedier business operations from the standpoint of customers, the Group started a new group organizational structure in April 2020 by consolidating the strengths of the Company and its affiliated companies into three core companies that play a central role in the energy business field.

Under a drastically changing business environment, the Group will make thorough efforts to deliver the best value for our customers and work as one to actively and steadily proceed with our business operations.

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

Your continued support would be greatly appreciated.

May 2020

Takehiro Honjo  
President

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(Securities Identification Code: 9532)

May 29, 2020

To Shareholders

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

### **Notice of 202nd Annual Meeting of Shareholders**

Dear Sir or Madam,

We would like to inform you of the 202nd Annual Meeting of Shareholders (the “Meeting”) of OSAKA GAS CO., LTD. (the “Company”) to be held as below.

**As detailed on pages 5-6 below, you may exercise your voting rights in writing or electronically such as through the Internet.** In either case, please read the attached reference documents for the shareholders meeting and **cast your vote no later than Thursday, June 25, 2020, at 4 p.m.**

Yours faithfully

#### Details:

1. Date and time: Friday, June 26, 2020, 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 202nd term (year from April 1, 2019 to March 31, 2020)

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

**Proposal 2:** Election of Nine (9) 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 (<https://www.osakagas.co.jp/company/ir/stock/inform/index.html>) in accordance with the laws and regulations and the Company's Articles of Incorporation.

The consolidated financial statements and non-consolidated financial statements audited by the accounting auditor and the Audit & Supervisory Board Members 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 read the Notice Regarding Measures against the Novel Coronavirus Infectious Disease (COVID-19) on the front cover.) :

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

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

**Date of the Meeting: Friday, June 26, 2020, 10:00 a.m.**

\*The time of opening has been changed from the previous year.

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: Thursday, June 25, 2020, 4:00 p.m.**

- Electronic Exercise of Voting Rights

Exercise of Voting Rights through the Internet

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

From this Meeting, we have introduced "Smart Exercise" system, through which you can exercise your voting rights easily by reading the QR Code on the enclosed voting form without entering the access code and password.

**Due Date: Thursday, June 25, 2020, 4:00 p.m.**

### (1) "Smart Exercise" by reading the QR Code

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



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

### (2) Voting by entering the access code and password

1. Access the voting website below. Click "Next"
2. Enter the access code specified on the enclosed voting form. Enter the access code. Click "Log in"
3. Enter the password specified on the enclosed voting form. Enter the password. Click "Next"
4. Follow the on-screen instructions to cast your vote.



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

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

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

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

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

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

#### Electronic Voting Platform for Institutional Investors

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

- Any fees due to provider companies and telecommunications carriers such as Internet connection fees and communication charges arising in connection with accessing the Company’s voting website etc. shall be incurred by the respective shareholders.
- “QR Code” is a registered trademark of DENSO WAVE INCORPORATED.
- 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**

4,143,703

### **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 202nd term as follows:

Combined with the interim dividends already paid, the Company's annual dividends for the 202nd term will be ¥50 per common share of the Company.

(1) Type of dividend

Cash

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

¥25.00 per common share of the Company

Aggregate amount: ¥10,394,600,725

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

June 29, 2020

## Proposal 2: Election of Nine Directors


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


The Company proposes to reduce the number of Directors to nine and increase the ratio of Outside Directors to one-third of members of the Board of Directors. We thereby intend to enhance the agility and efficiency of the Board's functions to make managerial decisions and execute operations, and to strengthen its supervisory functions.


The nominees for Director are as follows (to be described on pages 8 through18):


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	Hideo Miyahara	Reappointed Outside Director Independent Officer	Director
8	Kazutoshi Murao	Reappointed Outside Director Independent Officer	Director
9	Tatsuo Kijima	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 &amp; Power Generation Business Unit</p> <p>June 2007: Managing Director Head of Commercial &amp; 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>	57,213
<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 &amp; Power Generation Business Unit and Head of Commercial &amp; 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 &amp; Industrial Energy Business Unit</p> <p>June 2009: Director, Senior Executive Officer Head of Commercial &amp; 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>	42,500
<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 &amp; 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 &amp; 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 &amp; 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>	17,200
<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>	8,000
<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 &amp; International Business Unit</p> <p>June 2017: Director, Senior Executive Officer, Head of Energy Resources &amp; International Business Unit</p> <p>April 2019: Representative Director, Executive Vice-President (to date)</p>	13,600
<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 &amp; 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	 <p>Takayuki Tasaka (July 21, 1962)</p> <p>Reappointed</p>	<p>April 1985: Joined the Company</p> <p>April 2012: Associate Director, General Manager of Corporate Strategy Dept.</p> <p>April 2015: Executive Officer, General Manager of Planning Dept., Residential Energy Business Unit</p> <p>April 2016: Senior Executive Officer Head of Customer Services, Head of Residential Energy Business Unit</p> <p>April 2018: Senior Executive Officer Head of Commercial &amp; Industrial Energy Business Unit</p> <p>June 2018: Director, Senior Executive Officer Head of Commercial &amp; Industrial Energy Business Unit</p> <p>April 2020: Director, Senior Executive Officer President of Corporate Planning Headquarters (to date)</p>	12,400
	<p>Reason for nomination as Director:</p> <p>After assuming the office of Executive Officer of the Company in April 2015, Mr. Takayuki Tasaka has served in various managerial positions including Head of Commercial &amp; Industrial Energy Business Unit and President of Corporate Planning Headquarters. Through these roles, he has accumulated considerable experience and extensive knowledge in corporate and organizational management, and is therefore nominated again for Director.</p>		

Nominee No.	Name (Date of Birth)	Career and Significant Concurrent Positions	Number of the Company Shares Held
7	 <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. In addition, although the Company has made donations to Osaka University, the amount is not more than ¥10 million on average over the past three years. Accordingly, Mr. Miyahara satisfies the criteria for determining the independence of independent officers stipulated by the Company (see page 22).</p>			

Nominee No.	Name (Date of Birth)	Career and Significant Concurrent Positions	Number of the Company Shares Held
8	 <p>Kazutoshi Murao (October 21, 1952)</p> <p>Reappointed Nominated for outside Director Independent Officer</p>	<p>April 1976: Joined Nippon Telegraph and Telephone Public Corporation</p> <p>June 2012: Representative Director and President of NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION</p> <p>June 2018: Counselor to the president, NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION (to date)</p> <p>June 2019: Director of the Company (to date)</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. Since assuming the office of Director of the Company in June 2019, Mr. Murao has appropriately performed his duties as an outside Director, and is therefore nominated again for said position.</p> <p>The Company has business transactions, such as holding contracts for the supply of gas and communications services, with NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION or other 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 22).</p>		



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

- Notes:
- 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 37–40) in addition to “Career and Significant Concurrent Positions” above. In the “Career and Significant Concurrent Positions” column, “responsible for” means monitoring and providing advice and suggestions concerning the operations of specific headquarters, division/department, organization, position or core company according to its managerial importance, effect on business management and other factors.
  - There are no significant conflicts of interest between any of the nominees and the Company.
  - Mr. Hideo Miyahara, Mr. Kazutoshi Murao and Mr. Tatsuo Kijima 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 seven and one, respectively, for Mr. Hideo Miyahara and Mr. Kazutoshi Murao, 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. Kazutoshi Murao 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. Tatsuo Kijima 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 Takahiko Kawagishi and Shigemi Sasaki 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 19 through 21).

Nominee No.	Name (Date of Birth)	Career and Significant Concurrent Positions	Number of the Company Shares Held
1	 Hisaichi Yoneyama (January 11, 1961)  Newly appointed	April 1986: Joined the Company April 2014: Executive Officer, General Manager of Technology Planning Dept. August 2014: Executive Officer President of Osaka Gas USA Corporation April 2017: Senior Executive Officer of the Company, Head of LNG Terminal & Power Generation Business Unit April 2018: Senior Executive Officer, Head of LNG, Power & Engineering Business Unit June 2018: Director, Senior Executive Officer, Head of LNG, Power & Engineering Business Unit April 2020: Director (to date)	10,831
Reason for nomination as Audit & Supervisory Board Member Mr. Hisaichi Yoneyama served as Director and Senior Executive Officer of the Company from June 2018 to March 2020, 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	 Shigemi Sasaki (March 3, 1948)  Reappointed Nominated for outside Audit & Supervisory Board Member Independent Officer	April 1974: Appointed as Judge May 2011: President of Takamatsu High Court March 2012: President of Osaka High Court March 2013: Resigned as President of Osaka High Court April 2013: Professor, Graduate School of Law, Kyoto University March 2018: Resigned as Professor, Graduate School of Law, Kyoto University June 2016: Audit & Supervisory Board Member of the Company (to date)	0
	<p>Reason for nomination as Audit &amp; Supervisory Board Member</p> <p>Mr. Shigemi Sasaki has considerable experience in the legal profession with expert knowledge through such experience as serving as President of Takamatsu High Court and President of Osaka High Court. Since assuming the office of Audit &amp; Supervisory Board Member of the Company in June 2016, Mr. Sasaki has appropriately performed his duties as an outside Audit &amp; Supervisory Board Member, and is therefore nominated again for outside Audit &amp; Supervisory Board Member.</p> <p>The Company has business transactions, such as holding a contract for the supply of gas, with Kyoto University or other corporations with which Mr. Sasaki 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. In addition, although the Company has made donations to Kyoto University, the amount is not more than ¥10 million on average over the past three years. Accordingly, Mr. Sasaki satisfies the criteria for determining the independence of independent officers stipulated by the Company (see page 22).</p>		

- Notes:
1. The nominee Shigemi Sasaki's positions and responsibilities in the Company and other significant concurrent positions are described in the following Business Report (on page 38) in addition to the "Career and Significant Concurrent Positions" above.
  2. There are no significant conflicts of interest between the nominees and the Company.
  3. Mr. Sasaki 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 he 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. Sasaki 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. 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 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, 2019 to March 31, 2020)**

### **I. Current Situation of the Business Group**

#### **1. Business Operations and Results**

During the fiscal year under review, despite favorable corporate capital investment and steady private consumption in the first half, the effects of a record warm winter in the second half and the spread of the novel coronavirus infectious disease across the globe toward the end of the fiscal year have led to serious business circumstances.

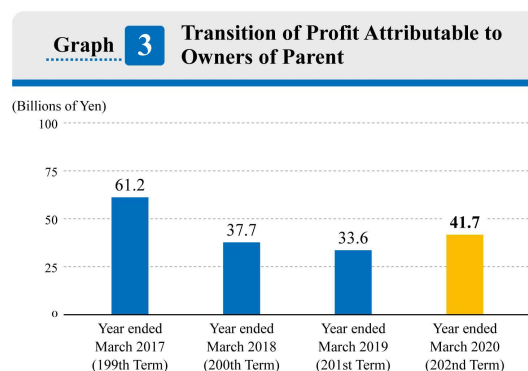
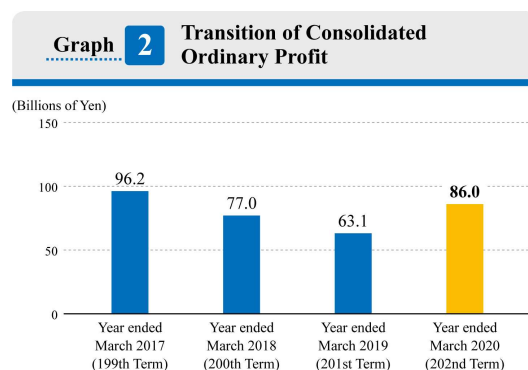
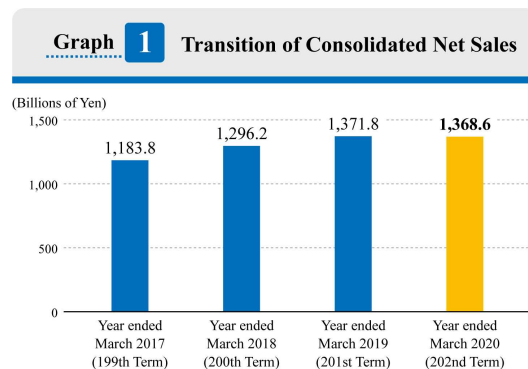
In such a business environment, the Daigas Group (hereinafter referred to as the “Group”) has proactively conducted its businesses with the aim of becoming a corporate group that “powers continuous advancement in consumer life and business.”

Consolidated net sales of the Group for the fiscal year under review decreased 0.2% from the previous year to ¥1,368.6 billion, mainly due to a decline in gas sales volume (see Graph 1).

Consolidated ordinary income increased 36.3% from the previous year to ¥86.0 billion mainly due to the influence caused by a time lag\* until fluctuations of raw material costs are reflected in city gas selling prices, as well as a decrease in expenses (see Graph 2).

Profit attributable to owners of parent increased 24.4% from the previous year to ¥41.7 billion, primarily due to an increase in income in the gas business, despite an impairment loss caused in the overseas upstream business (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 increase for the fiscal year under review and a temporary income decrease for the previous year.



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

#### (1) Domestic Energy/Gas

Net sales decreased 3.8% from the previous year to ¥973.7 billion.

The city gas sales volume for residential use decreased 3.1% from the previous year to 1,841 million cubic meters, mainly due to the warm winter in the second half and customers switching to other operators.

The city gas sales volume for business use decreased 8.5% from the previous year to 5,522 million cubic meters primarily due to the intensifying competition and decline in the operation of facilities for certain customers, despite an increase due to demand development and other efforts.

As a result, total city gas sales volume declined 7.2% from the previous year to 7,362 million cubic meters. The number of city gas subscribers amounted to 5,345,000 as of March 31, 2020.

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.

During the term under review, we developed a new model of "ENE-FARM type S" and put it on the market in April 2020. Compared to previous models, the new model has realized higher power generation efficiency and downsizing, while offering enhanced functions utilizing IoT available in conjunction with a smartphone application. A model equipped with an autonomous operation function that supplies electricity and heat during a power outage, is also available.

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



Publicizing the new Group organization  
(See page 35)



Built-in stove "Class S"



"ENE-FARM type S"



satisfy customer's needs.

During the term under review, we developed GHP XAIR III, a new product of air-conditioning system, and put it on the market in April 2020. Compared to previous models, the new product has improved energy consumption efficiency by approximately 10% and has achieved reduction in installation space and weight.

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.

## (2) Domestic Energy/Electricity

Net sales increased 11.1% from the previous year to ¥204.8 billion.

The electricity sales volume increased 13.2% from the previous year to 13,189 million kWh.

The number of electricity subscribers under low-voltage electricity contracts reached 1,322,000 as of March 31, 2020.

In an effort to increase electricity sales, in addition to the “Style Plan” electricity service menus to meet customers’ lifestyles and needs, the Company expanded the lineup of “With Plans,” a new electricity service menus that helps customers lead enjoyable and enriched lives in partnership with other companies and organizations, in tune with customers’ interests and preferences.

In September 2019, the Company decided to construct a natural gas-fired thermal power plant with generating capacity of about 1.2 million kW in Himeji, Hyogo Prefecture. The plant will be operated by Himeji Natural Gas Power Generation Co., Ltd., and is scheduled to start commercial operations in 2026. In December 2019, the Group additionally acquired 51% of the equity shares of a photovoltaic power generation business operator (with generating capacity of about 27,000 kW) based in Oita City, Oita Prefecture, converting the company (its name was changed to Daigas Oita Mirai Solar Co., Ltd.) into a wholly owned subsidiary. Through these efforts, the Company has expanded its power sources including natural gas-fired thermal power generation and renewable energy power generation.



“GHP XAIR III”



Inspecting the gas supply equipment  
(emergency shut-off valves)



Advertisement for electricity  
retail business



Photovoltaic power plant operated by  
Daigas Oita Mirai Solar Co., Ltd.  
(Oita Prefecture)

In November 2019, the Company launched services to purchase surplus electricity generated by photovoltaic systems for customers in areas including the Kinki region, whose purchase period under the renewable energy feed-in-tariff (FIT) system (10 years) will expire. These services include an electricity purchase plan that offers an advantage to customers using electricity from Osaka Gas.

CD Energy Direct Co., Ltd., a joint venture between the Company and Chubu Electric Power Co., Inc. (50% ownership), endeavored to expand sales of electricity and gas, etc. in the Greater Tokyo Area. The Company and Chubu Electric Power Co., Inc. had been proceeding to transfer their electricity sales businesses in the said area to CD Energy Direct Co., Ltd., and decided in January 2020 to transfer all of the applicable businesses to the said company.

### (3) International Energy

Net sales increased 51.3% from the previous year to ¥61.2 billion.

In November 2019, the Group acquired 100% of the outstanding shares of Sabine Oil & Gas Corporation (“Sabine”), a shale gas production and development business operating in Texas, the United States. Sabine holds a 1,000-square-kilometer mining area in East Texas, producing shale gas equivalent to about 1.7 million tons in LNG per annum with approximately 1,200 wells at present. With Sabine being positioned as the nucleus for promoting the Group’s energy production and development business in the United States, the Company is integrating its U.S. subsidiaries’ operations and assets relating to the said business into the Sabine group to ensure efficient and sustainable business operations.

In December 2019, the Freeport LNG Project (the “Project”) in Texas, the United States, started commercial operation for its first liquefaction train. From the Project, the Company plans to procure approximately 2.32 million tons of LNG per annum, thereby diversifying its supply sources and price indices to enhance the stability and flexibility of its LNG procurement.

In December 2019, CPV Fairview Energy Center in Pennsylvania, the United States, with a generating capacity of 1.05 million kW and in which the Group owns a 50% equity interest, was completed and started its commercial operation. In March 2020, we decided to invest in a U.S. distributed solar energy project developer, endeavoring to expand its U.S. power businesses (natural gas-fired thermal power



Advertisement for CD Energy Direct Co., Ltd.



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



The first LNG tanker arrived at Senboku LNG  
Terminal from the Freeport LNG Project



CPV Fairview Energy Center  
(Pennsylvania, US)

generation and renewable energy power generation).

#### (4) Life & Business Solutions

Net sales increased 4.0% from the previous year to ¥219.4 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 Ginza Higashi III,” and completed the construction of two condominium buildings, including “SCENES Tsukaguchi” during the fiscal year under review.

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.



SCENES Tsukaguchi  
(Hyogo Prefecture)

[Net Sales and Segment Income for Each Business Segment]

	Domestic Energy/Gas	Domestic Energy/Electr icity	International Energy	Life & Business Solutions
Net sales (Billions of Yen)	973.7	204.8	61.2	219.4
Percentage change from previous year (%)	(3.8)	+11.1	+51.3	+4.0
Percentage of net sales (%)	66.7	14.0	4.2	15.0
Segment income (Billions of Yen)	53.1	7.9	8.1	19.6
Percentage change from previous year (%)	+48.4	(9.3)	+36.6	+11.1
Percentage of segment income (%)	59.8	8.9	9.2	22.1

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

## 2. Principal Activities of the Group (as of March 31, 2020)

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

## 3. Capital Investment Activities

The amount of capital investments by the Group was ¥131 billion.

We lengthened the Company's gas trunk and branch lines by 208 kilometers, bringing the total length to 51,197 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 ¥44.1 billion and repaid ¥47.4 billion of long-term loans. With respect to corporate bonds\*, the Group issued ¥75 billion of straight bonds and ¥100 billion of subordinated bonds, and redeemed ¥20 billion during the fiscal year under review.

\*Short-term bonds are not included.

## 5. Outstanding Issues

### (1) Management Policies

As a corporate group that “powers continuous advancement in consumer life and business,” the Group aims to create “Value for Customers,” “Value for Society,” “Value for Shareholders” and “Value for Employees” by providing various products and services relating to not only the energy business, including natural gas, electricity and LPG, but also its peripheral services and non-energy businesses, such as urban development, materials and information businesses. With the recognition that achieving sustainable growth is the Group’s biggest managerial issue in pursuing the above aim, the Group formulated the 2030 Long-term Management Vision 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 proactively promote its business operations with the aim of becoming an innovative and preferred energy & service company through the ages. The Group will also promote proactive investments for further growth and continuous enhancement of management efficiency, while appropriately responding to governmental policy changes, such as the full deregulation of the retail electricity and gas markets.

In April 2020, we consolidated the strengths of the Company and its affiliated companies into three core companies and started a new group organizational structure. While responding to customers’ needs more speedily, the Group seeks business operations to enable the one-stop offering of optimum services based on the solution-providing capabilities of the Group.

### (2) Priority Issues

The 2030 Long-Term Management Vision and the 2020 Medium-Term Management Plan set out three pillars of businesses—Domestic Energy Business, International Energy Business, and Life & Business Solutions Business. By growing each of these respective businesses, the Group aims to practice portfolio management that accommodates changes in the future business environment. To achieve this, the Group will address the following issues.

#### (a) Domestic and International Energy Business

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

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

To ensure the stable procurement of natural gas 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 and expansion of renewable energies

Through such efforts as the development of new power sources at home and abroad, including natural gas-fired power generation and renewable energy power generation, and procurement of electricity through the wholesale power market, we will seek to construct a competitive portfolio of power sources and promote the spread and expansion of renewable energies, 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 earthquakes, tsunami and other unforeseeable events, including the outbreak of infectious diseases. 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

By encouraging wider use of gas cogeneration systems such as fuel cell systems, as well as gas air-conditioning systems, expanding the sales of electricity and LPG, and promoting services to purchase surplus photovoltaic power, we will contribute to the solution of social issues, including the shift to a low-carbon society and responses in the event of natural disasters. We will also enhance and broaden the range of life support services, such as the “Sumikata Service,” and services peripheral to the energy business, including the management and maintenance of buildings and facilities, water treatment, and energy saving and the visualization of operational status of facilities using digital technologies. In addition, we will offer a range of energy service menus according to customers’ lifestyles and business requirements so that we can contribute to the enhancement of customers’ living environment as well as their business growth. Furthermore, we will promote alliances with various business partners, including energy business operators in various locations, thereby expanding the marketer business in a wider geographic area in Japan.

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

(v) Developing energy infrastructure and expanding the engineering business

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

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

We are committed to making continuous efforts to maintain and expand the demand for city gas, while ensuring 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 2017 (199th Term)	Year ended March 2018 (200th Term)	Year ended March 2019 (201st Term)	Year ended March 2020 (202nd Term)
Net sales (Millions of Yen)	1,183,846	1,296,238	1,371,863	1,368,689
Ordinary income (Millions of Yen)	96,276	77,087	63,103	86,018
Profit attributable to owners of parent (Millions of Yen)	61,271	37,724	33,601	41,788
Basic earnings per share (Yen) <sup>1</sup>	147.29	90.71	80.80	100.50
Total assets <sup>2</sup> (Millions of Yen)	1,886,577	1,897,230	2,029,722	2,140,482
Net assets (Millions of Yen)	991,870	1,028,799	1,035,044	1,027,667

Notes: 1. Basic earnings per share from the year ended March 2017 (199th term) to the year ended March 2020 (202nd 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 2017 (199th term).

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

## 7. Major Offices, Plants and Employees (as of March 31, 2020)

### (1) Major Offices, etc.

The Company	Head Office	Head Office (Osaka Prefecture)
	Offices <sup>1</sup>	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 <sup>2</sup>		Osaka Gas Urban Development Co., Ltd. (Osaka Prefecture)
		OGIS-RI Co., Ltd. (Osaka Prefecture)
		Osaka Gas Chemicals Co., Ltd. (Osaka Prefecture)

### (2) Employees

Business Segment	Number of Employees <sup>3</sup>
Domestic Energy/Gas	10,933
Domestic Energy/Electricity	415
International Energy	287
Life & Business Solutions	8,908
Total	20,543

Notes:

1. Network Company has a regional pipeline department in each of the Company's offices. The Residential Energy Business Unit and the Commercial & Industrial Energy Business Unit—these Units have been integrated into the Energy Solution Business Unit, effective April 1, 2020—conduct their business activities by organizing their operations based on the description of customers' business.
2. The head office locations of the principal subsidiaries are shown as major offices.
3. The above number of employees indicates the number of employees currently on duty.

## 8. Outline of Principal Subsidiaries (as of March 31, 2020)

The Group treats the following 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 Non-Energy Business Companies, which the Group recognizes as principal subsidiaries.

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

Note. The Group has 156 consolidated subsidiaries, including the above three principal subsidiaries.

To achieve speedier business management from the standpoint of customers, the Group started a new group organizational structure in April 2020 by consolidating the strengths of the Company and its affiliated companies into the following three Core Energy Business Companies that were newly established to assume central roles in the Group's energy business. Effective April 1, 2020, these companies—which are all headquartered in Osaka—are also recognized as principal subsidiaries of the Group, in addition to the Core Non-Energy Business Companies.

Company	Capital (Millions of Yen)	Holding (%)	Main Activities
Osaka Gas Marketing Co., Ltd.	100	100	Sales of gas and electricity for residential use; sales and maintenance of gas appliances; and home renovation
Daigas Energy Co., Ltd.	310	100	Sales of gas and electricity for business use; sales and maintenance of gas appliances; energy service business; sales of LNG and LPG; and heat supply business
Daigas Gas and Power Solution Co., Ltd.	100	100	Operation and maintenance of LNG terminals and power generation plants; power generation and sales of electricity; and engineering service business

**9. Major Lenders (as of March 31, 2020)**

Lenders	Loans Outstanding on March 31, 2020 (Millions of Yen)
Resona Bank, Limited	72,510
MUFG Bank, Ltd.	56,698
Japan Bank for International Cooperation	34,884
Development Bank of Japan Inc.	20,430
The Bank of Kyoto, Ltd.	17,761

## II. Officers

### 1. Details of Directors and Audit & Supervisory Board Members (as of March 31, 2020)

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 Shionogi & Co., Ltd. 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 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 President of Network Company	
Director Senior Executive Officer	Kei Takeuchi	Head of Energy Resources & International Business Unit	
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	Kazutoshi Murao		Counselor to the president, NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION Vice Chairman, Kansai Economic Federation Director, Keihan Holdings Co., Ltd. Director, Mitsubishi Tanabe Pharma Corporation
Audit & Supervisory Board Member (full-time)	Takahiko Kawagishi		
Audit & Supervisory Board Member (full-time)	Toshimasa Fujiwara		
Audit & Supervisory Board Member	Yoko Kimura		Director of Nara Prefectural University
Audit & Supervisory Board Member	Eiji Hatta		Chancellor and Chairperson of the Board of Trustees of The Doshisha Chairman, 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 specific headquarters, division/department, organization, position, core company or person in a designated position according to its managerial importance, effect on business management and other factors.
- 2) Directors Hideo Miyahara and Kazutoshi Murao 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 Kei Takeuchi and Kazutoshi Murao and Audit & Supervisory Board Member Toshimasa Fujiwara were newly appointed at the 201st Annual Meeting of Shareholders held on June 20, 2019, and assumed their respective offices on the same day.
- 7) Director Takayuki Sasaki ceased to be a Director of the Company on February 20, 2020, due to his death. At the time, he was an Advisor of West Japan Railway Company.
- 8) 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.
- 9) In the column of “Significant Concurrent Positions,” “Director of Asahi Broadcasting Group Holdings Corporation” and “Director of Shionogi & Co., Ltd.” for Representative Director and Chairman Hiroshi Ozaki, “Director of West Japan Railway Company” for Director Hideo Miyahara, and “Director of Keihan Holdings Co., Ltd.” and “Director of Mitsubishi Tanabe Pharma Corporation” for Director Kazutoshi Murao, are all outside director positions.
- 10) Changes in “Business in Charge” and “Significant Concurrent Positions” during the term under review (excluding changes before assuming the office of Director of the Company)  
Representative Director and Chairman Hiroshi Ozaki assumed the office of Director of Shionogi & Co., Ltd., on June 18, 2019.  
Director Kazutoshi Murao assumed the office of Director of Mitsubishi Tanabe Pharma Corporation on June 21, 2019.

Note 11) Changes in the “Position” and “Business in Charge” of Directors after the end of the fiscal year under review:

As of April 1, 2020, Directors’ positions and businesses they are in charge of were as follows.

Position	Name	Business in Charge
Representative Director and Chairman	Hiroshi Ozaki	
Representative Director and President Executive President	Takehiro Honjo	
Representative Director Executive Vice-President	Masataka Fujiwara	Head of Customer Services, Head of Technology, Head of Energy Solution Business Unit <sup>1</sup> , President of Innovation Headquarters Responsible for: Osaka Gas Urban Development Co., Ltd. OGIS-RI Co., Ltd., and Osaka Gas Chemicals Co., Ltd.
Representative Director Executive Vice-President	Tadashi Miyagawa	Head of LNG, Power & Engineering Business Unit In charge of: Regional Co-Creation Division, Tokyo Branch, Auditing Dept., Regional Resident Representative and Overall Regional Resident Representative
Representative Director Executive Vice-President	Takeshi Matsui	Head of ESG Promotion <sup>2</sup> Responsible for: Energy Resources & International Business Unit Network Company, Corporate Planning Headquarters, Secretariat, Corporate Communication Dept., Human Resources Dept., General Affairs Dept. and Purchasing Dept.
Director Senior Executive Officer	Takayuki Tasaka	President of Corporate Planning Headquarters
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 President of Network Company
Director Senior Executive Officer	Kei Takeuchi	Head of Energy Resources & International Business Unit
Director	Hisaichi Yoneyama	
Director	Hideo Miyahara	
Director	Kazutoshi Murao	

<sup>1</sup>As of April 1, 2020, the Residential Energy Business Unit and the Commercial & Industrial Energy Business Unit and were integrated into the Energy Solution Business Unit.

<sup>2</sup>As of April 1, 2020, the Head of CSR was renamed as the Head of ESG Promotion.

Note 12) Changes in the “Significant Concurrent Positions” after the end of the fiscal year under review:

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



## 2. Outside Officers

### (1) Principal Activities

Position	Name	Attendance and Comments
Director	Hideo Miyahara	Hideo Miyahara 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 organizational management and from his independent position as an outside director.
Director	Takayuki Sasaki	Takayuki Sasaki attended 7 out of the 10 meetings of the Board of Directors before he retired. 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	Kazutoshi Murao	Kazutoshi Murao attended 11 out of the 11 meetings of the Board of Directors held after he assumed the office of Director of the Company on June 20, 2019. He made comments as appropriate based on his considerable experience and extensive knowledge in corporate organizational management and from his independent position as an outside director.
Audit & Supervisory Board Member	Yoko Kimura	Yoko Kimura attended 13 out of 13 meetings of the Board of Directors and attended 14 out of 14 meetings of the Audit & Supervisory Board. She made comments as appropriate based on her considerable experience and extensive knowledge in organizational management and from her independent position as an outside Audit & Supervisory Board Member.
Audit & Supervisory Board Member	Eiji Hatta	Eiji Hatta attended 13 out of 13 meetings of the Board of Directors and attended 14 out of 14 meetings of the Audit & Supervisory Board. He made comments as appropriate based on his considerable experience and extensive knowledge in organizational management and from his independent position as an outside Audit & Supervisory Board Member.
Audit & Supervisory Board Member	Shigemi Sasaki	Shigemi Sasaki attended 13 out of 13 meetings of the Board of Directors and 14 out of 14 meetings of the Audit & Supervisory Board. He made comments as appropriate based on his considerable experience and specialized knowledge as a legal professional and from his independent position as an outside Audit & Supervisory Board Member.

Note: Director Takayuki Sasaki ceased to be a Director of the Company on February 20, 2020, due to his death.

### (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 (including Mr. Takayuki Sasaki) 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 the Representative Director and President based on delegation of authority by the 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. The determination shall be made in accordance with the rules prescribed by the resolution of the Board of Directors, while considering such factors as each Director's position and responsibilities, the public standards, and the Company's business performance. The main indicator for portions linked to the Company's business performance is based on the profit attributable to owners of parent for the past three years<sup>1</sup>.

<sup>1</sup>Remuneration for Outside Directors consists only of fixed remuneration 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<sup>2</sup>.

<sup>2</sup>Remuneration for Audit & Supervisory Board Members (including outside members) consists only of fixed remuneration because they are in a position independent of the execution of the Company's businesses.

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 eligible officers
		Fixed	Performance-linked	
Directors (excluding outside Directors)	513	308	205	11
Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board Members)	69	69	—	3
Outside Directors	31	31	—	4
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 ¥545 million, ¥101 million and ¥63 million, respectively.

2. The amount of remuneration and the number of eligible officers shown in the above table include the amounts for two Directors (including one outside Director) and one Audit & Supervisory Board Member who retired at the end of the 201st Annual Meeting of Shareholders held on June 20, 2019, and for one outside Director who retired on February 20, 2020, due to his death.

### III. Shares (as of March 31, 2020)

#### 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	103,666

\*895,971 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)	31,935	7.68
Japan Trustee Services Bank, Ltd. (trust account)	22,655	5.45
Nippon Life Insurance Company	19,242	4.63
MUFG Bank, Ltd.	13,985	3.36
Japan Trustee Services Bank, Ltd. (trust account 7)	12,389	2.98
Resona Bank, Limited	10,555	2.54
Japan Trustee Services Bank, Ltd. (trust account 5)	7,901	1.90
JP MORGAN CHASE BANK 385151	6,935	1.67
Japan Trustee Services Bank, Ltd. (trust account 9)	6,806	1.64
STATE STREET BANK WEST CLIENT-TREATY 505234	6,188	1.49

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	93*	121
The Company's subsidiaries	117	33
Total	211	155

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

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

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

### 3. Non-Audit Services

The Company entrusted duties such as the provision of professional advice on accounting and tax affairs relating to reorganization to the accounting auditor and paid consideration therefor.

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

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

## **V. Systems to Ensure the Properness of Operations**

### **I. Description of Internal Control Systems**

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

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

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

<sup>1</sup>Effective April 1, 2020, the CSR Committee became the "ESG Committee."

<sup>2</sup>Following the consolidation of the Compliance Dept. into the General Affairs Dept., as of April 1, 2020, the role of said manager is assumed by the General Manager of the General Affairs Dept.

#### **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 27, 2020, 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 promotes CSR activities through “Compliance Subcommittee,” “Environment Subcommittee,” “Social Contribution Subcommittee,” and “Risk Management Subcommittee”\*.

\*Effective April 1, 2020, the Compliance Subcommittee and the Risk Management Subcommittee were consolidated into the Compliance and Risk Management Subcommittee.

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.

Osaka Gas Chemicals Co., Ltd., received a cease and desist order and a surcharge payment order pursuant to the Antimonopoly Act from the Japan Fair Trade Commission over competitive bidding for activated carbon to be used for water purifying facilities, etc. To address this issue, the company has reviewed internal rules, provided education and conducted audits and other measures to prevent a recurrence. Going forward, group-wide efforts will be made to ensure compliance with related laws and regulations.

In addition, to promote further understanding and effective use of the consulting and reporting system for employees, a poster presentation is made to publicize the reporting system and detailed explanations on the

system and the concept of compliance are provided via the intranet or other means.

(2) Matters concerning risk management

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

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

To prepare for emergencies, regulations for disaster countermeasure and business continuity plans are prepared. During the fiscal year under review, we carried out company-wide disaster-prevention drills, which consist of disaster response and BCP exercises, and collaboration training and exercises to ensure collaboration between gas pipeline operators and gas retailers in case of disaster.

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

To reinforce the cybersecurity measures of the Group, we set up the Cyber Security Committee and strengthened countermeasures against cyberattacks from outside the Group network.

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

The affiliated companies to be managed by the core 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.

\*Effective April 1, 2020, the CSR Promotion Meeting became the ESG Promotion Meeting.

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, 2020)

(Millions of Yen)

Assets		Liabilities	
<b>Non-current assets</b>	<b>1,580,462</b>	<b>Non-current liabilities</b>	<b>800,502</b>
<b>Property, plant and equipment</b>	<b>1,014,572</b>	Bonds payable	289,993
Production facilities	84,258	Long-term borrowings	363,757
Distribution facilities	264,657	Provision for gas holder repairs	1,290
Service and maintenance facilities	55,072	Provision for safety measures	9,339
Other facilities	542,101	Provision for gas appliance warranties	13,074
Construction in progress	68,482	Retirement benefit liability	17,590
<b>Intangible assets</b>	<b>98,322</b>	Other	105,455
<b>Investments and other assets</b>	<b>467,568</b>	<b>Current liabilities</b>	<b>312,312</b>
Investment securities	332,200	Current portion of non-current liabilities	71,294
Long-term loans receivable	25,981	Notes and accounts payable - trade	59,363
Retirement benefit asset	44,264	Other	181,654
Other	65,924		
Allowance for doubtful accounts	(802)	<b>Total liabilities</b>	<b>1,112,815</b>
		<b>Net assets</b>	
<b>Current assets</b>	<b>560,019</b>	<b>Shareholders' equity</b>	<b>952,160</b>
Cash and deposits	147,201	Share capital	132,166
Notes and accounts receivable - trade	210,515	Capital surplus	19,483
Lease receivables and investment in leases	47,844	Retained earnings	802,313
Inventories	108,092	Treasury shares	(1,802)
Other	47,005	<b>Accumulated other comprehensive income</b>	<b>45,332</b>
Allowance for doubtful accounts	(640)	Valuation difference on available-for-sale securities	41,336
		Deferred gains or losses on hedges	(14,161)
		Revaluation reserve for land	(737)
		Foreign currency translation adjustment	10,085
		Remeasurements of defined benefit plans	8,809
		<b>Non-controlling interests</b>	<b>30,174</b>
		<b>Total net assets</b>	<b>1,027,667</b>
<b>Total assets</b>	<b>2,140,482</b>	<b>Total liabilities and net assets</b>	<b>2,140,482</b>

**Consolidated Statement of Income (April 1, 2019 to March 31, 2020)**

(Millions of Yen)

Account	Amount
<b>Net sales</b>	<b>1,368,689</b>
<b>Cost of sales</b>	<b>961,983</b>
<b>[Gross profit]</b>	<b>[406,705]</b>
<b>Selling, general and administrative expenses</b>	<b>322,913</b>
<b>[Operating profit]</b>	<b>[83,792]</b>
<b>Non-operating income</b>	<b>24,746</b>
Interest income	4,262
Dividend income	7,070
Share of profit of entities accounted for using equity method	5,225
Miscellaneous income	8,187
<b>Non-operating expenses</b>	<b>22,520</b>
Interest expenses	12,192
Miscellaneous expenses	10,327
<b>[Ordinary profit]</b>	<b>[86,018]</b>
<b>Extraordinary losses</b>	<b>15,568</b>
Impairment loss	15,568
<b>[Profit before income taxes]</b>	<b>[70,449]</b>
<b>Income taxes - current</b>	<b>23,451</b>
<b>Income taxes - deferred</b>	<b>4,056</b>
<b>[Profit]</b>	<b>[42,942]</b>
<b>Profit attributable to non-controlling interests</b>	<b>1,153</b>
<b>Profit attributable to owners of parent</b>	<b>41,788</b>

# **Non-Consolidated Balance Sheet (As of March 31, 2020)**

(Millions of Yen)

Assets		Liabilities	
<b>Non-current assets</b>	<b>1,279,203</b>	<b>Non-current liabilities</b>	<b>562,975</b>
<b>Property, plant and equipment</b>	<b>419,582</b>	Bonds payable	289,993
Production facilities	83,401	Long-term borrowings	234,631
Distribution facilities	264,584	Long-term debt to subsidiaries and associates	783
Service and maintenance facilities	54,225	Deferred tax liabilities	884
Facilities for incidental businesses	3,166	Provision for retirement benefits	2,971
Construction in progress	14,204	Provision for gas holder repairs	1,206
<b>Intangible assets</b>	<b>25,303</b>	Provision for safety measures	9,339
Patent right	2	Provision for gas appliance warranties	13,074
Leasehold interests in land	2,999	Other non-current liabilities	10,089
Other intangible assets	22,301	<b>Current liabilities</b>	<b>300,721</b>
<b>Investments and other assets</b>	<b>834,318</b>	Current portion of non-current liabilities	55,845
Investment securities	64,268	Accounts payable - trade	24,352
Investments in subsidiaries and associates	534,020	Short-term borrowings	3,000
Long-term loans receivable from subsidiaries and associates	194,143	Accounts payable - other	22,957
Investments in capital	21	Accrued expenses	40,745
Long-term prepaid expenses	5,722	Income taxes payable	11,456
Prepaid pension costs	31,945	Advances received	8,160
Other investments and other assets	4,472	Deposits received	1,815
Allowance for doubtful accounts	(276)	Short-term borrowings from subsidiaries and associates	91,194
		Short-term debt to subsidiaries and associates	35,126
		Other current liabilities	6,067
		<b>Total liabilities</b>	<b>863,697</b>
<b>Current assets</b>	<b>364,139</b>	<b>Net assets</b>	
Cash and deposits	128,212	<b>Shareholders' equity</b>	<b>754,244</b>
Notes receivable - trade	284	<b>Share capital</b>	<b>132,166</b>
Accounts receivable - trade	96,822	<b>Capital surplus</b>	<b>19,494</b>
Accounts receivable from subsidiaries and associates - trade	18,838	Legal capital surplus	19,482
Accounts receivable - other	12,410	Other capital surplus	11
Finished goods	77	<b>Retained earnings</b>	<b>604,386</b>
Raw materials	52,106	Legal retained earnings	33,041
Supplies	12,560	Other retained earnings	
Short-term receivables from subsidiaries and associates	32,218	Reserve for reduction entry of specified replaced properties	241
Other current assets	10,869	Reserve for overseas investment loss	14,763
Allowance for doubtful accounts	(261)	Reserve for adjustment of cost fluctuations	89,000
		General reserve	62,000
		Retained earnings brought forward	405,339
		<b>Treasury shares</b>	<b>(1,802)</b>
		Treasury shares	(1,802)
		<b>Valuation and translation adjustments</b>	<b>25,402</b>
		Valuation difference on available-for-sale securities	30,398
		Deferred gains or losses on hedges	(4,996)
		<b>Total net assets</b>	<b>779,646</b>
<b>Total assets</b>	<b>1,643,343</b>	<b>Total liabilities and net assets</b>	<b>1,643,343</b>

**Non-Consolidated Statement of Income (April 1, 2019 to March 31, 2020)**

(Millions of Yen)

Costs and Expenses		Revenue	
<b>Cost of sales</b>	<b>364,639</b>	<b>Sales from gas business</b>	<b>640,724</b>
Beginning inventories	71	Gas sales	611,540
Cost of products manufactured	371,078	Gas transportation service revenue	27,933
Purchase of finished goods	41	Revenue from interoperator settlement	1,032
Costs of gas for own use	6,474	Revenue from contract manufacturing	217
Ending inventories	77		
<b>[Gross profit]</b>	<b>[276,084]</b>		
<b>Supply and sales expenses</b>	<b>204,581</b>		
<b>General and administrative expenses</b>	<b>48,300</b>		
<b>[Profit on core business]</b>	<b>[23,202]</b>		
<b>Miscellaneous operating expenses</b>	<b>105,653</b>	<b>Miscellaneous operating revenue</b>	<b>121,136</b>
Installation work expenses	22,353	Revenue from installation work	23,091
Other miscellaneous operating expenses	83,299	Other miscellaneous operating revenue	98,044
<b>Expenses for incidental businesses</b>	<b>315,425</b>	<b>Revenue from incidental businesses</b>	<b>322,528</b>
<b>[Operating profit]</b>	<b>[45,788]</b>		
<b>Non-operating expenses</b>	<b>10,349</b>	<b>Non-operating income</b>	<b>23,056</b>
Interest expenses	4,143	Interest income	1,622
Interest on bonds	3,142	Interest on securities	11
Amortization of bond issuance cost	1,103	Dividend income	2,098
Miscellaneous expenses	1,960	Dividends from subsidiaries and associates	12,185
<b>[Ordinary profit]</b>	<b>[58,496]</b>	Miscellaneous income	7,138
<b>[Profit before income taxes]</b>	<b>[58,496]</b>		
<b>Income taxes - current</b>	<b>11,400</b>		
<b>Income taxes - deferred</b>	<b>2,116</b>		
<b>[Profit]</b>	<b>[44,979]</b>		
<b>Total</b>	<b>1,107,445</b>	<b>Total</b>	<b>1,107,445</b>

## **Independent Auditor's Report**

May 14, 2020

The Board of Directors

Osaka Gas Co., Ltd.

KPMG AZSA LLC  
Osaka Office, Japan

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

### **Opinion**

We have audited the consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity and the related notes of Osaka Gas Co., Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), as at March 31, 2020 and for the year from April 1, 2019 to March 31, 2020 in accordance with Article 444-4 of the Companies Act.

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

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Responsibilities of Management and Corporate auditors and the board of corporate auditors for the Consolidated Financial Statements**

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we



conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

#### **Notes to the Reader of Independent Auditor's Report:**

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

## **Independent Auditor's Report**

May 14, 2020

To the Board of Directors

Osaka Gas Co., Ltd.

KPMG AZSA LLC  
Osaka Office, Japan

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

### **Opinion**

We have audited the financial statements, which comprise the balance sheet, the statement of income, the statement of changes in equity and the related notes, and the supplementary schedules of Osaka Gas Co., Ltd. ("the Company") as at March 31, 2020 and for the year from April 1, 2019 to March 31, 2020 in accordance with Article 436-2-1 of the Companies Act.

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

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements and Others* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe

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

### **Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors 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.

In preparing the financial statements and the supplementary schedules, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements and Others**

Our objectives are to obtain reasonable assurance about whether the financial statements and the supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements and the supplementary schedules.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements and the supplementary schedules, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the supplementary schedules or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the financial statements and the supplementary schedules are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the financial statements and the supplementary schedules, including the disclosures, and whether the financial statements and the supplementary schedules represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

### **Notes to the Reader of Independent Auditor's Report:**

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

## **Audit Report**

The Audit & Supervisory Board prepared this Audit & Supervisory Board's Report upon deliberation based on reports by each Audit & Supervisory Board Member regarding the execution by the Directors of their duties for the 202nd fiscal year from April 1, 2019 to March 31, 2020. We report as follows:

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

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

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

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

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

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

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

Based on the above method, we have examined the business report, the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated income statement, non-consolidated statement of changes in equity and notes to non-consolidated financial statements) and their supporting schedules and the consolidated financial statements (consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and notes to consolidated financial statements) for the fiscal year ended March 31, 2020.

## 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. Regarding the matter that a subsidiary of the Company received a cease and desist order and a surcharge payment order pursuant to the Antimonopoly Act, as stated in the Business Report, we have confirmed that measures to prevent recurrence have been taken. We will continue to pay close attention to the Group's efforts to comply with laws and regulations.

### (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 21, 2020

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

Takahiko Kawagishi	Full-Time Audit & Supervisory Board Member [seal]
Toshimasa Fujiwara	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 202nd Fiscal Year (From April 1, 2019 to March 31, 2020)

**OSAKA GAS CO., LTD.**

# **Consolidated Statement of Changes in Equity (April 1, 2019 to March 31, 2020)**

(Millions of Yen)

	Shareholders' equity					Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
<b>Balance at beginning of period</b>	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
Cumulative effects of changes in accounting policies			(1,208)		(1,208)	1,215					1,215		7
<b>Restated balance</b>	132,166	19,222	781,314	(1,744)	930,959	51,833	(4,007)	(737)	11,189	15,110	73,388	30,704	1,035,051
<b>Changes in items during period</b>													
Dividends of surplus			(20,790)		(20,790)								(20,790)
Profit attributable to owners of parent			41,788		41,788								41,788
Purchase of treasury shares				(60)	(60)								(60)
Disposal of treasury shares		(0)		2	2								2
Change in ownership interest of parent due to transactions with non-controlling interests		260			260								260
Net changes in items other than shareholders' equity						(10,496)	(10,154)	—	(1,104)	(6,300)	(28,055)	(530)	(28,585)
<b>Total changes in items during period</b>	—	260	20,998	(57)	21,201	(10,496)	(10,154)	—	(1,104)	(6,300)	(28,055)	(530)	(7,384)
<b>Balance at end of period</b>	132,166	19,483	802,313	(1,802)	952,160	41,336	(14,161)	(737)	10,085	8,809	45,332	30,174	1,027,667



## **Notes to Consolidated Financial Statements (April 1, 2019 to March 31, 2020)**

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

#### (1) Scope of consolidation

Number of consolidated subsidiaries: 156

(Names of principal consolidated subsidiaries)

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

(Material change in scope of consolidation)

Sabine Oil & Gas Corporation has been included in the consolidated financial statements because it has newly become a subsidiary due to the acquisition of its shares.

#### (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 gas appliance warranties

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

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

a. Accounting for retirement benefits

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

i Method of attributing projected retirement benefits to periods of service

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

ii Amortization of actuarial gains and losses and past service costs

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

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

b. Accounting for consumption taxes and other taxes

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

2. Notes to Changes in Accounting Policies

Having applied from the beginning of the current consolidated fiscal year “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries, etc. for Consolidated Financial Statements” (PITF No.18, September 14, 2018) and “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method” (PITF No.24, September 14, 2018) (together, hereinafter referred to as “PITFs No.18 and 19”), when the foreign subsidiaries adopt IFRS 9 “Financial Instruments” and elect to present subsequent changes in fair value of equity instruments in other comprehensive income, amounts equivalent to gains or losses on disposal of or losses on impairment of the equity instruments are reclassified as profit or loss in the current consolidated fiscal year by the consolidation adjustments.

Having followed the transitional treatments regarding the application of PITFs No.18 and 19, cumulative effects of changes in such accounting policies are accounted for in the beginning balance of retained earnings in the current consolidated fiscal year.

As a result, the beginning balance of retained earnings has decreased by ¥1,215 million and valuation difference on available-for-sale securities has increased by ¥1,215 million in the consolidated balance sheet.

3. Notes to Changes in Presentation Method

As Osaka Gas USA Corporation, a consolidated subsidiary of the Company, acquired all shares of Sabine Oil & Gas Corporation, a U.S. shale gas developer, in the current consolidated fiscal year, the assets relating to gas field development acquired by Osaka Gas USA Corporation and recorded as intangible assets in the previous year have been presented as property, plant and equipment in accordance with the asset management method of Sabine Oil & Gas Corporation.

#### 4. Notes to the Consolidated Balance Sheet

##### (1) Assets pledged as collateral and secured liabilities

###### (i) Assets pledged as collateral

Property, plant and equipment	¥132,490 million
Investments and other assets	¥125,251 million
Others	¥59,949 million
Total	¥317,691 million

###### (ii) Secured liabilities

¥73,605 million

In addition to above, shares of subsidiaries and associates, etc. of ¥27,481 million offset as a result of consolidation are pledged as collateral.

##### (2) Accumulated depreciation of property, plant and equipment:

¥2,704,741 million

##### (3) Guarantee liabilities, etc.

Guarantee liabilities: ¥9,368 million

#### 5. Notes to Revaluation Reserve for Land

Commercial land of certain consolidated subsidiaries has been revaluated in accordance with the Act on Revaluation of Land (Law No. 34 of March 31, 1998) and the Amendment to Act on Revaluation of Land (Law No. 19 of March 31, 2001). Any difference (excluding any amount associated with tax effect accounting) resulting from the revaluation is included in net assets as revaluation reserve for land. The revaluation is made by making reasonable adjustments to the valuation by road rating which is provided for in Article 2, Item 4 of the Enforcement Order of the Law Concerning the Revaluation of Land (Cabinet Order No. 119 of March 31, 1998).

#### 6. Notes to Financial Instruments

##### (1) Matters concerning the status of financial instruments

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

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

Amounts recorded in the consolidated balance sheet, fair values and the difference between such 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	147,201	147,201	—
(2) Notes and accounts receivable - trade	210,515	210,515	—
(3) Securities and investment securities	86,329	86,329	—
Total Assets	444,046	444,046	—
(1) Notes and accounts payable - trade	59,363	59,363	—
(2) Short-term borrowings	20,029	20,029	—
(3) Bonds payable <sup>1</sup>	319,992	327,165	7,172
(4) Long-term borrowings <sup>1</sup>	401,827	420,116	18,288
Total Liabilities	801,213	826,674	25,461
Derivative transaction <sup>2</sup>	(675)	(675)	—

<sup>1</sup> Includes those due within one year.

<sup>2</sup> 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 borrowings

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

#### (3) Bonds payable

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

#### (4) Long-term borrowings

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

### 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: ¥245,870 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.

#### 7. Notes to Leased Properties, etc.

##### (1) Matters concerning the status of leased properties

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

##### (2) Matters concerning fair value of leased properties

(Millions of Yen)

Amount recorded on the consolidated balance sheet	Fair value
143,553	232,263

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

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

8. Notes to the Consolidated Statement of Changes in Equity

- (1) Number of shares issued and outstanding as of the consolidated fiscal year end  
416,680,000 common shares

- (2) Dividends

- (i) Amount of payment of dividends

- a. At the Annual Meeting of Shareholders held on June 20, 2019, the following were resolved with March 31, 2019, 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 | June 21, 2019   |

- b. At the meeting of the Board of Directors held on October 29, 2019, the following were resolved with September 30, 2019, as a record date.

Dividends of common shares

- |                                  |                   |
|----------------------------------|-------------------|
| (a) Total amount of dividends    | ¥10,394 million   |
| (b) Dividend per share           | ¥25.00            |
| (c) Effective date for dividends | November 29, 2019 |

- (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 26, 2020, the following will be proposed with March 31, 2020, as a record date. Dividends are to be appropriated from retained earnings.

Dividends of common shares

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

9. Notes to Per Share Information

- |                           |           |
|---------------------------|-----------|
| (1) Net assets per share: | ¥2,399.06 |
| (2) Earnings per share:   | ¥100.50   |

10. Notes to Significant Subsequent Events

Since March 2020, the global outbreak of COVID-19 has led to a decrease in energy prices including crude oil prices, etc. Although this will likely have an effect on the Osaka Gas Group's operating results

and financial position in the next fiscal year and thereafter, it is extremely difficult to calculate its impact at this point in time due to a number of uncertainties.

11. Other Notes

Osaka Gas USA Corporation, a consolidated subsidiary of the Company, acquired all the shares of Sabine Oil & Gas Corporation, a U.S. shale gas developer, on November 30, 2019, to gain stable income from wells in production and acquire operatorship to take the lead in promoting upstream energy projects in the United States. The acquisition cost was ¥63,036 million, and no goodwill or negative goodwill was recognized.



# **Non-Consolidated Statement of Changes in Equity (April 1, 2019 to March 31, 2020)**

(Millions of Yen)

	Shareholders' equity													Valuation and translation adjustments			Total net assets
	Share capital	Capital surplus			Retained earnings							Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings					Total retained earnings						
						Reserve for reduction entry of specified replaced properties	Reserve for overseas investment loss	Reserve for adjustment of cost fluctuations	General reserve	Retained earnings brought forward							
Balance at beginning of period	132,166	19,482	11	19,494	33,041	241	16,563	89,000	62,000	379,349	580,196	(1,744)	730,112	37,760	(2,860)	34,900	765,013
Changes in items during period																	
Reversal of reserve for overseas investment loss							(1,799)			1,799	—		—				—
Dividends of surplus										(20,790)	(20,790)		(20,790)				(20,790)
Profit										44,979	44,979		44,979				44,979
Purchase of treasury shares												(60)	(60)				(60)
Disposal of treasury shares			(0)	(0)								2	2				2
Net changes in items other than shareholders' equity														(7,362)	(2,136)	(9,498)	(9,498)
Total changes in items during period	—	—	(0)	(0)	—	—	(1,799)	—	—	25,989	24,189	(57)	24,131	(7,362)	(2,136)	(9,498)	14,633
Balance at end of period	132,166	19,482	11	19,494	33,041	241	14,763	89,000	62,000	405,339	604,386	(1,802)	754,244	30,398	(4,996)	25,402	779,646

**Notes to Non-Consolidated Financial Statements (April 1, 2019 to March 31, 2020)**

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 allowances
- (i) As for the allowance for doubtful accounts, to provide for the bad debts loss of accounts receivable, loans receivable, etc., an estimated uncollectible amount is provided which is based on an amount calculated based on the default ratio in the past for general receivables and the individual collectability for certain receivables including receivables with default possibility.
  - (ii) As for the provision for retirement benefits, for the purposes of employee retirement benefits, an amount is provided based on the estimate of the retirement benefits obligation and pension assets at the end of the fiscal year.
    - a. Method of attributing projected retirement benefits to periods of service  
In calculating retirement benefit obligations, the benefit formula basis is applied to attribute projected retirement benefits to periods of service until the end of this fiscal year.
    - b. Amortization of actuarial gains and losses and past service costs  
Past service costs are expensed in the period when such costs are incurred.  
Actuarial gains and losses are amortized on a straight-line basis over a period of 10 years beginning from the next fiscal year of occurrence.
  - (iii) As for the provision for gas holder repairs, to provide for the necessary expenditure for periodical repairs of spherical gas holders, an estimated amount for the next scheduled repair is provided based on the actual expenditure for the previous repair, which is proportionally allotted for the period up to such next scheduled repair.
  - (iv) As for the provision for safety measures, to provide for the necessary expenditure to ensure the safety of gas business, an estimated amount of the expenditure necessary for promoting the widespread use of safety-enhanced models, for strengthening inspections and ensuring wide awareness as well as for countermeasure works on aged gas pipelines is provided.
  - (v) As for the provision for gas appliance warranties, to provide for the payment of any service costs under warranty after the sale of appliances, an estimated amount of such costs is provided.
- (4) Other significant matters for the preparation of these non-consolidated financial statements
- (i) The method of accounting for unrecognized actuarial differences and unrecognized past service costs concerning retirement benefits on a non-consolidated basis is different from that on a consolidated basis.
  - (ii) Consumption taxes and other taxes are calculated using the net-of-tax method.

## 2. 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: ¥2,282,496 million

Accumulated amortization of intangible assets: ¥11,344 million

### (3) Guarantee liabilities, etc.

Guarantee liabilities: ¥57,007 million

## 3. Notes to the Non-Consolidated Statement of Income

Amount of business from operational transactions with subsidiaries and associates:

Sales to subsidiaries and associates: ¥100,982 million

Amount of purchases from subsidiaries and associates: ¥194,998 million

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

¥33,978 million

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

Number of treasury stock at the end of the fiscal year: 895,971 common shares

## 5. Notes to Tax Effect Accounting

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

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

6. Notes to Transactions with Related Parties

Company name	Holding ratio of voting rights	Relationship	Substance of transaction	Transaction amount (Millions of Yen)	Item	Outstanding amount as at the year-end (Millions of Yen)
Osaka Gas USA Corporation	100% direct holding	Subsidiary	Underwriting of capital increase (Note 1)	72,384	—	—
Osaka Gas Gorgon Pty. Ltd.	100% indirect holding	Subsidiary	Debt guarantee (Note 2)	27,279	—	—

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 borrowings of Osaka Gas Gorgon Pty. Ltd. to Japan Bank for International Cooperation, etc.

7. Notes to Per Share Information

(1)	Net assets per share:	¥1,875.12
(2)	Earnings per share:	¥108.18