Business Results and Future Outlook

Review of Results for the Fiscal Year Ended March 31, 2018

Consolidated net sales for the fiscal year ended March 31, 2018 increased by ¥112.3 billion year-on-year to ¥1,296.2 billion. This was primarily due to the higher unit selling price of city gas under the fuel cost adjustment system of the Gas Business, and an increase in sales volume in the Electricity Business. Consolidated ordinary profit decreased by ¥19.1 billion year-on-year to ¥77.0 billion. This was primarily due to a year-on-year decrease in time-lag gain in the Gas Business, in addition to a decrease in ordinary profit of the International Energy Business. Profit attributable to owners of parent decreased by ¥23.5 billion year-on-year to ¥37.7 billion, mainly due to an impairment loss of upstream business. EBITDA decreased by ¥21.3 billion year-on-year to ¥167.1 billion.

Forecast for the Fiscal Year Ending March 31, 2019

Consolidated net sales for the fiscal year ending March 31, 2019 are expected to increase by ¥63.7 billion year-on-year to ¥1,360.0 billion. This is mainly due to higher unit selling prices for city gas under the fuel cost adjustment system in the Gas Business. Consolidated ordinary profit is expected to decrease by ¥7.0 billion year-on-year to ¥70.0 billion, primarily due to a reaction in the Gas Business from low air and water temperatures experienced in the previous fiscal year alongside competitive-impact. Profit attributable to owners of parent is expected to increase by ¥8.7 billion year-on-year to ¥46.5 billion, reflecting a reaction from impairment losses in upstream businesses recorded for the previous fiscal year. EBITDA is expected to decrease by ¥6.6 billion year-on-year to ¥160.5 billion, progressing overall in line with the Medium-term Management Plan 2020 announced in March 2017.

Consolidated Performance

	2017.3	2018.3		2019.3		2021.3
	Actual	Actual	Change	Forecasts	Change	Planned
Net sales (billion yen)	1,183.8	1,296.2	+112.3	1,360.0	+63.7	—
Operating profit (billion yen)	97.2	78.1	-19.1	74.0	-4.1	—
Ordinary profit (billion yen)	96.2	77.0	-19.1	70.0	-7.0	—
Profit attributable to owners of parent (billion yen)	61.2	37.7	-23.5	46.5	+8.7	—
EBITDA (billion yen)	188.4	167.1	-21.3	160.5	-6.6	200.0
Time-lag gain/loss (billion yen)	13.7	0.5	-13.2	2.7	+2.2	—
ROE (%)	6.6	3.8	-2.7	4.6	+0.7	7.0
ROA (%)	3.3	2.0	-1.3	2.4	+0.4	3.5

Consolidated Performance (Segment)

	2017.3	2018.3		2019.3	
	Actual	Actual	Change	Forecasts	Change
Net sales (billion yen)	1,183.8	1,296.2	+112.3	1,360.0	+63.7
Domestic Energy/Gas (billion yen)	911.2	971.4	+60.1	994.0	+22.5
Domestic Energy/Electricity (billion yen)	107.5	157.7	+50.2	197.0	+39.2
International Energy (billion yen)	22.6	22.5	-0.0	29.5	+6.9
Life & Business Solutions (billion yen)	208.3	208.9	+0.5	208.0	-0.9
Eliminations, etc. (billion yen)	-65.9	-64.5	+1.4	-68.5	-3.9
Segment Profit (billion yen)	99.0	78.3	-20.6	74.5	-3.8
Domestic Energy/Gas (billion yen)	55.2	42.6	-12.6	35.0	-7.6
Domestic Energy/Electricity (billion yen)	16.2	20.7	+4.5	16.5	-4.2
International Energy (billion yen)	8.0	-5.3	-13.3	2.0	+7.3
Life & Business Solutions (billion yen)	18.6	18.6	+0.0	19.0	+0.3
Eliminations, etc. (billion yen)	0.9	1.7	+0.7	2.0	+0.2

Growth Investment Policy and Progress

In an effort to achieve sustainable growth, the Daigas Group will carry out growth investment in three core business domains, which will entail cumulative total investment of ¥1.45 trillion over the 14-year period from FY2018.3 to FY2031.3, with ¥520.0 billion over the four-year period from FY2018.3 to FY2021.3. In the domestic energy business, we will invest primarily in the development of a competitive and environmentally friendly power source portfolio, aiming to expand our electric power business. In the international energy business, we will move forward with the Freeport LNG Project and expand IPP projects in the United States. Additionally, in the life & business solutions business, we will invest in real estate, IT, and material businesses, aiming for stable growth. For the fiscal year ended March 31, 2018, a total of ¥73.3 billion was invested, mainly in power plants in the domestic energy business, ongoing projects in the international energy business, and real estate and material businesses in the life & business solutions business. For the fiscal year ending March 31, 2019, we are planning to invest a total of ¥150.0 billion, consisting of ¥59.0 billion in the domestic energy business, ¥61.0 billion in the international energy business, and ¥30.0 billion in the life & business solutions business.

	2018.3	2019.3	2018.3-2021.3	2018.3-2031.3
Total Investment in Business Growth (billion yen)	73.3	150.0	520.0	1,450.0
Domestic Energy Business (billion yen)	31.4	59.0	200.0	520.0
International Energy Business (billion yen)	23.6	61.0	214.0	550.0
Life & Business Solutions Business (billion yen)	18.1	30.0	106.0	380.0

Investment Risk Management

As we pursue growth investment, we will be thoroughly managing risk by ensuring the following four points. The first point is to invest from the viewpoint of financial soundness. While we are aiming for profit expansion through growth investments, investments are accompanied by loss risks caused by changes in the business environment and other factors. We quantify and manage all such possible post-investment risk and invest in growth to the extent that we are able to assure a degree of financial soundness should such risks materialize. The second point is related to the investment evaluation stage. Upon establishing uniform groupwide investment standards, we perform strict evaluations and deliberations at the investment evaluation stage through the Investment Risk Management Department and Investment Review Committee. The third point is related to post-investment. We establish investment monitoring standards, conduct annual follow-ups on all past investments by judging them against the standards, and work to improve business viability or consider selling off or withdrawing from investments that are becoming unprofitable or lacking in progress. The fourth point is regarding investment targets. In the past, we had taken risks investing in upstream projects at the development stage. However, we are shifting to investments in mid- and downstream projects with relatively low risk to achieve greater certainty for profit contribution. Although we will continue to invest in upstream projects too, they will be projects that are already in production or in development and expansion. Additionally, we will work to accumulate business specialization on a local basis in an effort to discover projects that are expected to offer greater profit contributions or increase the value of projects that are already in progress, ultimately leading to lower associated risk.

Views and Status of Shareholder Returns, and Free Cash Flow Forecasts

We paid dividends of ¥50.00 per share for the fiscal year ended March 31, 2018, and the consolidated dividend payout ratio was 55.1%. We are planning to pay ¥50.00 per share for the fiscal year ending March 31, 2019 with a consolidated dividend payout ratio forecast of 44.7%.

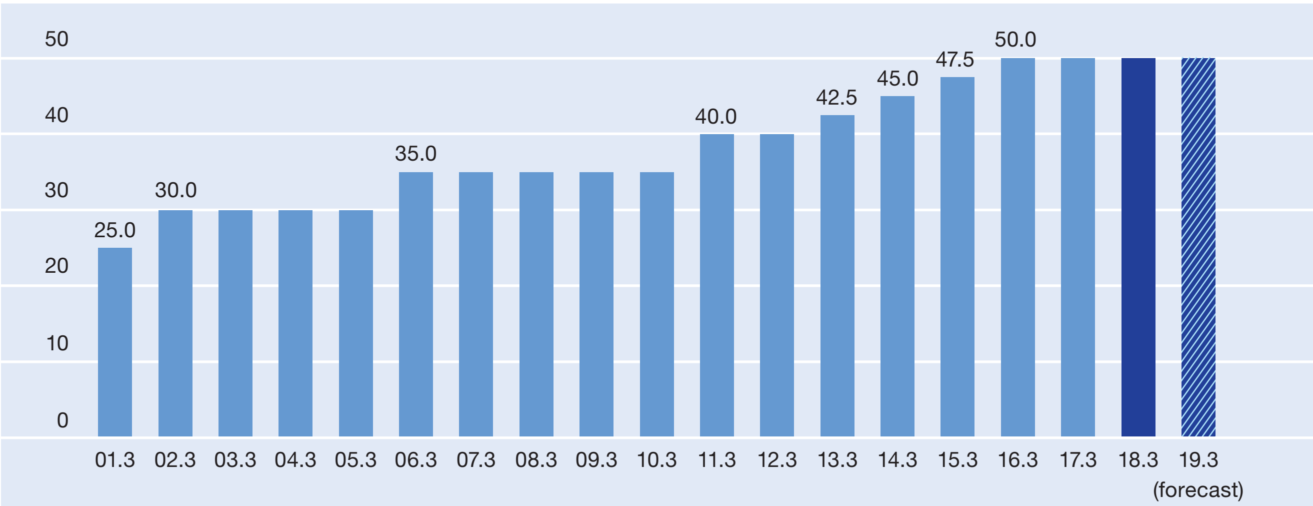
Our aim is to provide stable dividends, and our basic policy is to maintain a consolidated dividend payout ratio of 30% or higher excluding short-term fluctuation factors that affect profits, raise our level of profitability through profit contributions from growth investments, and pay higher dividends to our shareholders.

In addition, while the environment surrounding our domestic energy business is becoming increasingly harsh with such developments as the full deregulation of the retail gas market and the declining population, we plan to implement other measures of shareholder return such as share buybacks as appropriate, based on decisions with a comprehensive view on various factors including the progress of growth investments and our financial situation, once the outlook for management risks becomes clearer to a certain extent.

Furthermore, in order to achieve sustainable growth, it is essential to maintain a certain degree of financial soundness, and we have established financial soundness targets of having a shareholders' equity ratio of 50% or more and a D/E ratio of approximately 0.7. We have already exceeded the targets at this point and will strive to continue to maintain financial soundness over the medium- to long-term, taking into account the outlook of future growth investment and other factors.

With regard to the outlook for future free cash flows, our growth investment is projected to exceed our free cash flow during the period from 2017 to the first half of the 2020s. Starting around the mid-2020s, however, profit contributions from our growth investments are expected to increase, resulting in larger free cash flows than our growth investments, marking a move from an investment phase to a growth phase. When looking at the 14-year period from the fiscal year ended March 31, 2018 to the fiscal year ending March 31, 2031 in the aggregate, we expect that our free cash flow will surpass our growth investments.

Annual Dividends per Share (yen)



(Note) Figures prior to the fiscal year ended March 31, 2017 are adjusted for the 1-for-5 stock consolidation

Management Plan of the Daigas Group for the Fiscal Year Ending March 31, 2019

In the fiscal year ending March 31, 2019, we will unite as one force under our new group brand of the "Daigas Group" to strive to increase value for society and customers. While responding to a changed environment after the full deregulation of the retail electricity and gas markets, we will embody activities that will go beyond conventional boundaries. By expanding the electric power retail business and supplying energy such as city gas and LPG, as well as by advancing proposals that combine various additional services, we will continue to work to increase the number of customer accounts. Furthermore, through CD Energy Direct Co., Ltd. established jointly with Chubu Electric Power Co., Inc., we will offer solutions to ensure comfortable and convenient living environments for residential customers and offer business solutions with economic and environmental advantages for corporate customers in the greater Tokyo area.

Business Plan for FY2019.3 of the Daigas Group

Domestic Energy Business

Develop energy marketer business of a new era

- Aim to become a company that is consistently chosen by customers in the areas of energy supply such as city gas, LPG, electric power, and other energy-related services, by continuing to provide services that go beyond customers' expectations.
- Aim for 8,900 thousand customer accounts by offering comprehensive energy and services.

Development of pipeline network operator business

- Realize stable supply of gas and the dissemination and expansion of natural gas by advancing "structuring a strong business entity that anticipates change" and "establishing firm brand power as a network operator."

Promotion of innovation to go beyond boundaries

- Establish an Innovation Headquarters in an effort to create new value that goes beyond traditional boundaries, further promoting activities for innovation including open innovation and digitalization.

Establishment of competitive energy infrastructure

- Advance acquisition of new equipment to pursue development of competitive infrastructure as a gas and power operator.
- Further accelerate development and acquisition of renewable energy power sources.

Enhancement of the engineering business

- Implement organizational reform under which LNG Terminal & Power Generation & Engineering Business Unit will be established, comprising the Engineering Department, which will engage in the design and construction of LNG bases and power plants, and the LNG Terminal & Power Generation Business Unit, which will be responsible for safe and stable operation.

Expansion of business in the metropolitan markets

- Establish CD Energy Direct Co., Ltd., a joint venture with Chubu Electric Power Co., Inc., which will engage in the sales of electricity and gas and services related to living and businesses in the metropolitan area to deliver new value to consumer life and business.

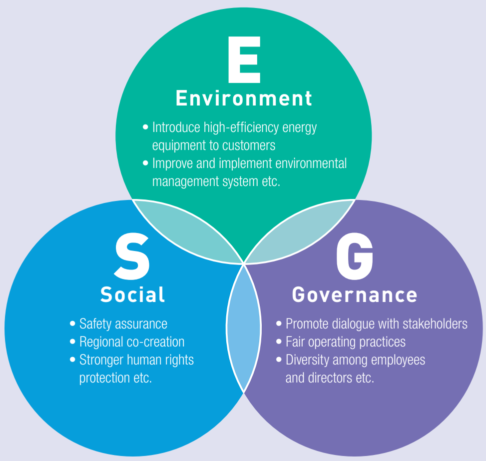
International Energy Business

- Leverage expertise in LNG procurement and sale and strengths cultivated through existing assets to promote activities that respond to the needs of regions and businesses, aiming for expansion of business scale over the medium- to long-term.

Life & Business Solutions (LBS) Business

- Continue to strengthen the LBS business, which has a different risk profile from that of the energy business, while making efforts to develop a new business pillar to pursue management with a portfolio that flexibly responds to heightened future uncertainty.

ESG Management



- Promote ESG-conscious management to continually earn stakeholders' trust and achieve sustainable growth.
- Strive for entrenchment of efficient work practices and productivity improvement across the Group.