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(Securities Identification Code: 9532)
Report for the 199th Fiscal Year From
April 1, 2016 to March 31, 2017

To Our Shareholders:



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

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

Your continued support would be greatly appreciated.

June 2017

Takehiro Honjo
President

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(Reference)

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

I. Current Situation of the Business Group

1. Business Operations and Results

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

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

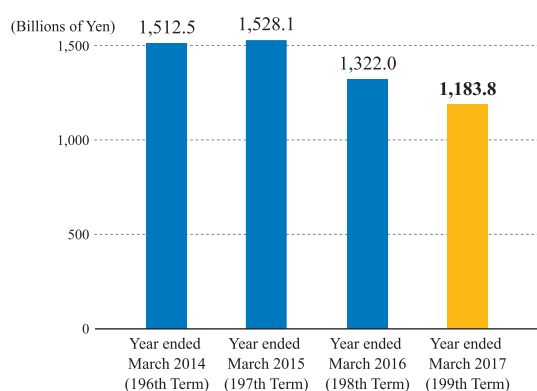
Consolidated net sales of the Group for the fiscal year under review decreased 10.5% from the previous year to ¥1,183.8 billion mainly due to the lower unit prices of city gas under the fuel cost adjustment system. (see Graph 1).

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

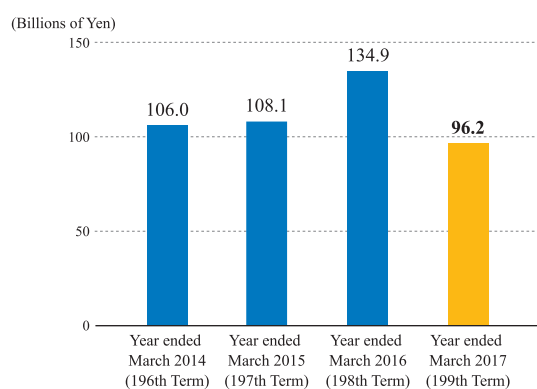
Profit attributable to owners of parent decreased 27.3% from the previous year to ¥61.2 billion (see Graph 3).

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

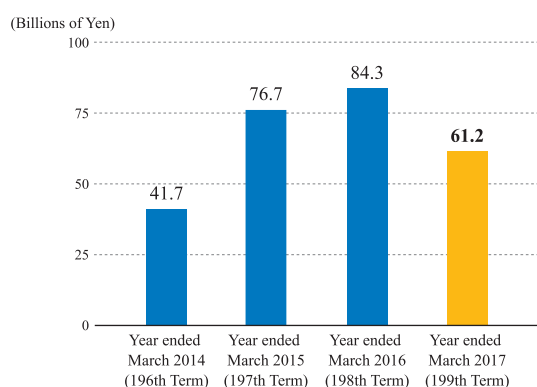
Graph 1: Transition of Consolidated Net Sales



Graph 2: Transition of Consolidated Ordinary Income



Graph 3: Transition of Profit Attributable to Owners of Parent



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

(1) Gas

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

Number of Customers (Meters Installed)

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

Gas Sales Volume

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

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

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

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

New Tariffs

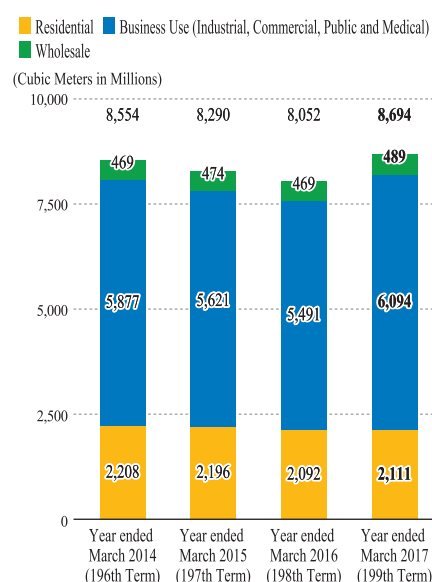
In January 2017, we announced the addition of two new options to our gas tariff effective from April 2017: the “Gastokuplanmottowari ” mainly for residential customers and the “Gas-toku-plan akinai -wari” mainly for business customers (restaurants, retail shops and offices, etc.). We will continue to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

Sales of Gas Appliances

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

In April 2016, the Company launched a new model of the “ENE-FARM TYPE S” (solid oxide fuel cell), which is more compact and attains higher power generating

Graph 4: Transition of Gas Sales Volume by Use



Advertisements for new tariffs

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

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

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

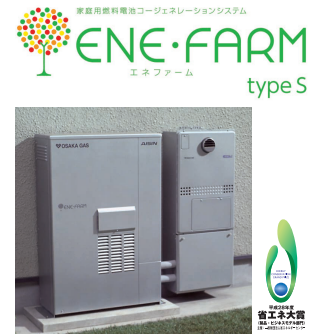
*The "Sumikata Plus" services are available at a fixed rate for customers using the Gas-toku-plan.

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

Ensuring Stable Supply and Security

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

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



Operational training on gas supply equipment

(2) LPG, Electricity and Other Energy

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

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

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

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

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

(3) International Energy

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

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

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

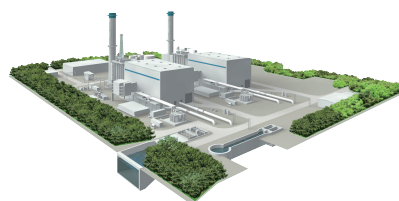
The Company also acquired a 50% equity interest in the Fairview Power Plant, a natural gas-fired power generation plant that is under construction in Pennsylvania, the United States, to participate in the



Advertisement for retail electricity sales



Hirogawa Myojin-yama Wind Power Plant
(Wakayama Prefecture)



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



St. Charles Energy Center
Natural Gas-Fired Power Plant



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

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

(4) Life & Business Solutions

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

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

OGIS-RI Co., Ltd., a group company engaged in the information solutions business, offered comprehensive IT services, including consulting, designing, development and operation services for corporate information systems, as well as data centers and cloud services.

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



Urbanex Honmachi
(Osaka Prefecture)



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

[Net Sales and Segment Income for Each Business Segment]

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

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

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

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

Business Segment	Major Businesses
Gas	Sale of gas and gas appliances, gas piping work, supply of heat
LPG, Electricity and Other Energy	Sale of LPG, supply of electricity, sale of LNG and industrial gas
International Energy	Overseas supply of energy, leasing of LNG tankers, development and investment relating to oil and natural gas
Life & Business Solutions	Development and leasing of real estate, information processing service and sale of fine materials and carbon products

3. Capital Investment Activities

The amount of capital investments by the Group was ¥88.6 billion.

We lengthened the Company's gas trunk and branch lines by 210 kilometers, bringing the total length to 50,590 kilometers as of the end of the fiscal year under review.

Other capital investment activities included works for ensuring stable supply and security at gas production and supply facilities, equipment works related to natural gas development and production businesses in our subsidiaries and construction of power generating plants.

4. Financing Activities

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

*Short-term bonds are not included.

5. Outstanding Issues

(1) Management Policies

As a corporate group that “powers continuous advancement in consumer life and business,” the Group aims to create “Value for Customers,” “Value for Society,” “Value for Shareholders” and “Value for Employees” by providing various products and services relating to not only the energy business, including natural gas, electricity and LPG, but also its peripheral services and non-energy businesses, such as urban development, materials and information businesses. The Group will promote aggressive investments for further growth and continuous enhancement of management efficiency, while appropriately responding to governmental policy changes, such as the full deregulation of the retail electricity and gas markets. In March 2017, the Group formulated the 2030 Long-term Management Vision and 2020 Medium-term Management Plan “Going Forward Beyond Borders” with the recognition that the Group’s biggest managerial issue is achieving sustainable growth.

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

(2) Priority Issues

Toward the achievement of the goals set out in the 2030 Long-Term Management Vision and the 2020 Medium-Term Management Plan, the Group will address the following issues.

(a) Domestic and International Energy Business

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

We endeavor to ensure the stable procurement of raw materials such as natural gas by diversifying sources, by way of procuring from many producers. We also aim for the material procurement that enhances our market competitiveness through the diversification of price indices.

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

- (ii) Ensuring competitive power sources

Through such efforts as the development of new power sources at home and abroad, including natural gas-fired power generation, coal-fired power generation and renewable energy power generation and procurement of electricity through the wholesale power market, we will seek to construct a competitive portfolio of power sources while reinforcing our IPP (wholesale power) business overseas.

- (iii) Stable and safe energy supply

We will continue to address such issues as the maintenance, reinforcement and renovation of gas production, supply and power generating facilities and the implementation of countermeasures against earthquake and tsunami. We also continue to provide responses to emergencies such as gas leakages to secure safety at customer locations.

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

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

Meanwhile, we will enhance and broaden the range of life support services, such as the “Sumikata Service” and services peripheral to the energy business which include the management and maintenance of buildings and equipment. By offering these services in a comprehensive manner, we will contribute to the enhancement of the living environment for customers as well as further business growth. Through our alliances with energy business operators, we will expand the marketer business in a wider geographic area in Japan. Outside of Japan, we will promote steady management of the electric power, gas and energy service businesses in which we are involved, while seeking the chance for participating in new projects.

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

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

(b) Expansion of the Life & Business Solutions Business

Based on the expertise and knowledge accumulated through our energy businesses, we will offer products and services that capitalize our unique strengths in our non-energy businesses relating to urban development, materials and information, thereby helping our customers at home and abroad to achieve comfort, convenience and good health and contributing to the advancement of the life and business of our customers.

(c) Operating Foundations

(i) Engagement in CSR efforts

In accordance with the “Osaka Gas Group CSR Charter,” we will ensure corporate management with attention to ESG (Environment, Society and Governance) by enhancing the awareness of CSR throughout the Group. In tandem with the parties involved with the supply chain of the Group at home and abroad, we will make continued efforts to gain greater trust from our customers and society.

Specifically, we will expand efforts to slash CO₂ emissions from customers’ and our own business activities by promoting a fuel shift to natural gas and the introduction of highly efficient facilities and renewable energy. In addition, we will promote efforts to ensure human rights and industrial safety and health in compliance with international norms and launch measures to ensure diversity and information security.

(ii) Promoting technological development

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

(iii) Reinforcing human resources and organization

To achieve sustainable growth, we will advance efforts to develop human resources so that the diversity of human resources is increased to create new value. We will also step up efforts in working style reforms to promote highly productive and creative ways of working so that the Group will stay healthy and resilient.

(3) Conclusion

The Group will continue to implement highly effective internal controls by monitoring and assessing its internal control system and providing necessary measures. With such a system effectively in place, the Group tackles the

issues described above and exerts ceaseless efforts to achieve sustainable growth by implementing the Osaka Gas Group Corporate Principles.

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

6. Financial Position and Profits and Losses

Division	Year ended March 2014 (196th Term)	Year ended March 2015 (197th Term)	Year ended March 2016 (198th Term)	Year ended March 2017 (199th Term)
Net sales (Millions of Yen)	1,512,581	1,528,164	1,322,012	1,183,846
Ordinary income (Millions of Yen)	106,044	108,173	134,986	96,276
Profit attributable to owners of parent (Millions of Yen)	41,725	76,709	84,324	61,271
Basic earnings per share (Yen)	20.04	36.86	40.53	29.46
Total assets (Millions of Yen)	1,668,317	1,862,201	1,829,756	1,886,577
Net assets (Millions of Yen)	828,565	918,869	935,786	991,870

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

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

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

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

(1) Major Offices, etc.

The Company	Head Office	Head Office (Osaka Prefecture)
	Offices	Osaka Office (Osaka Prefecture) Nambu Office (Osaka Prefecture) Hokubu Office (Osaka Prefecture) Tobu Office (Osaka Prefecture) Hyogo Office (Hyogo Prefecture) Keiji Office (Kyoto Prefecture)
	LNG Terminals	Semboku LNG Terminals (Osaka Prefecture) Himeji LNG Terminal (Hyogo Prefecture)
	Research Center	Energy Technology Laboratories (Osaka Prefecture)
Subsidiaries		Osaka Gas Urban Development Co., Ltd. (Osaka Prefecture) OGIS-RI Co., Ltd. (Osaka Prefecture) Osaka Gas Chemicals Co., Ltd. (Osaka Prefecture)

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

(2) Employees

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

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

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

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

II. Officers

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

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

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

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

Notes:

- 1) “Responsible for” in the “Business in Charge” column means monitoring and providing advice and suggestions concerning the operations of any headquarters, division/department, organization, core company or person in a designated position according to its managerial importance, effect on business management and other factors.
- 2) Directors Shunzo Morishita, Hideo Miyahara and Takayuki Sasaki are outside directors as specified in Article 2, Item 15 of the Companies Act.
- 3) Audit & Supervisory Board Members Yoko Kimura, Eiji Hatta and Shigemi Sasaki are outside Audit & Supervisory Board Members as specified in Article 2, Item 16 of the Companies Act.
- 4) All of the outside directors and outside Audit & Supervisory Board Members have been notified as independent officers pursuant to the provisions prescribed by each stock exchange where the shares of the Company are listed.
- 5) There are no special relationships between the entities set out in the column “Significant Concurrent Positions” for each outside director/outside Audit & Supervisory Board Member and the Company.
- 6) Directors Masataka Fujiwara, Tadashi Miyagawa, Hideaki Nishikawa and Takayuki Sasaki and Audit & Supervisory Board Members Takahiko Kawagishi and Shigemi Sasaki were newly appointed at the 198th Annual Meeting of Shareholders held on June 29, 2016, and assumed office on the same day.
- 7) Audit & Supervisory Board Member Takahiko Kawagishi once served as the Company’s General Manager of Finance Dept. and has considerable expertise on financial and accounting matters.
- 8) Changes in “Business in Charge” and “Significant Concurrent Positions” during the term under review
Representative Director and Chairman Hiroshi Ozaki resigned as Chairman of The Japan Gas Association on June 13, 2016.
Director Shunzo Morishita resigned as Senior Adviser of NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION on June 30, 2016.
Director Hideo Miyahara assumed the position of Member of the Board of Governors, Japan Broadcasting Corporation, on June 20, 2016.

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

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

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

Director	Hideo Miyahara	
Director	Takayuki Sasaki	

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

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

2. Outside Officers

(1) Principal Activities

Position	Name	Attendance and Comments
Director	Shunzo Morishita	Shunzo Morishita attended 13 out of 13 meetings of the Board of Directors. He made comments as appropriate based on his considerable experience and extensive knowledge in corporate and organizational management and from his independent position as an outside director.
Director	Hideo Miyahara	Hideo Miyahara attended 12 out of 13 meetings of the Board of Directors. He made comments as appropriate based on his considerable experience and extensive knowledge in organizational management and from his independent position as an outside director.
Director	Takayuki Sasaki	After he assumed the office of Director of the Company on June 29, 2016, Takayuki Sasaki attended 11 out of 11 meetings of the Board of Directors. He made comments as appropriate based on his considerable experience and extensive knowledge in corporate and organizational management and from his independent position as an outside director.
Audit & Supervisory Board Member	Yoko Kimura	Yoko Kimura attended 13 out of 13 meetings of the Board of Directors and attended 14 out of 14 meetings of the Audit & Supervisory Board. She made comments as appropriate based on her considerable experience and extensive knowledge in organizational management and from her independent position as an outside Audit & Supervisory Board Member.
Audit & Supervisory Board Member	Eiji Hatta	Eiji Hatta attended 13 out of 13 meetings of the Board of Directors and attended 14 out of 14 meetings of the Audit & Supervisory Board. He made comments as appropriate based on his considerable experience and extensive knowledge in organizational management and from his independent position as an outside Audit & Supervisory Board Member.
Audit & Supervisory Board Member	Shigemi Sasaki	After he assumed the office of Audit & Supervisory Board Member of the Company on June 29, 2016, he attended 11 out of 11 meetings of the Board of Directors and 11 out of 11 meetings of the Audit & Supervisory Board. He made comments as appropriate based on his considerable experience and specialized knowledge as a legal professional and from his independent position as an outside Audit & Supervisory Board Member.

(2) Summary of Agreement Limiting Liability

Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act and the Company's Articles of Incorporation, the Company has an agreement with each of the outside directors and outside Audit & Supervisory Board Members to limit the liability for damages under Article 423, Paragraph 1 of the Companies Act to the minimum liability amount provided for in laws and regulations.

3. Remuneration for Directors and Audit & Supervisory Board Members

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

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

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

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

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

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

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

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

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

III. Shares (as of March 31, 2017)

1. Number of Shares Issued and Number of Shareholders

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

*3,764,066 treasury shares are included.

2. Principal Shareholders

Shareholders	Number of shares held (1,000 shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	99,618	4.79
Nippon Life Insurance Company	96,212	4.63
Japan Trustee Services Bank, Ltd. (trust account)	90,328	4.34
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	69,929	3.36
Resona Bank, Limited	52,777	2.54
Japan Trustee Services Bank, Ltd. (trust account 5)	35,652	1.71
STATE STREET BANK WEST CLIENT-TREATY 505234	32,808	1.58
Japan Trustee Services Bank, Ltd. (trust account 9)	30,537	1.47
Aioi Nissay Dowa Insurance Co., Ltd.	29,865	1.44
Meiji Yasuda Life Insurance Company	29,191	1.40

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

IV. Accounting Auditor

1. Name of Accounting Auditor

KPMG AZSA LLC

2. Remuneration, etc., for Accounting Auditor

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

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

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

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

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

3. Non-Audit Services

The Company entrusted duties such as the provision of advice from specialist perspective concerning International Financial Reporting Standards to the accounting auditor and pays consideration therefor.

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

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

V. Systems to Ensure the Properness of Operations

I. Description of Internal Control Systems

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

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

- (1) Directors and employees of the Group shall sufficiently acquire and investigate information as the basis to execute the duties and through accurate understanding of the facts, make reasonable decisions in accordance with regulations on responsibilities and authorities.
- (2) For the Board of Directors to make appropriate decisions and enhance its supervisory role, executive directors shall retain independent outside officers. In addition, the executive officer system shall be adopted to enhance the Board of Directors' supervisory role and ensure efficiency in the execution of duties.
- (3) Executive directors shall hold management meetings to provide information to the president and the Board of Directors to assist in the decision-making process and discuss strategies and important matters concerning its management of the business.
- (4) Executive directors shall establish the "Osaka Gas Group Code of Business Conduct" based on "Osaka Gas Group CSR Charter." By familiarizing the directors and employees with the Code, executive directors shall not only ensure the performance of duties in compliance with applicable laws and regulations and the Articles of Incorporation within the Group but also promote business activities in a fair and appropriate manner, which includes contributing to the preservation of the environment, promoting social contribution activities and dissociating from antisocial forces.
- (5) Executive directors shall make efforts to understand the status concerning compliance within the Group and promote compliance practices by establishing a consulting and reporting system as an internal reporting system and a CSR committee.
- (6) If any problems are discovered regarding compliance within the Group, Directors and employees of the Group are required to consult with or report to an executive director or other superior, or report the matter via the consulting and reporting system depending on the level of seriousness or urgency. Executive directors, General Manager of Compliance Dept. or other superiors shall investigate details of such matter and take necessary remedial measures.

2. System concerning the maintenance and the management of information on execution of duties

- (1) Executive directors and employees of the Group shall prepare minutes of the meetings of the Board of Directors, approval documents or other similar documents specifying matters including matters affecting

decisions and the process by which a decision was reached, in accordance with regulations on responsibilities and authorities.

- (2) Executive directors and employees of the Group shall properly store and manage the minutes of the meetings of the Board of Directors, approval documents or other information on execution of duties according to the nature thereof.

3. Regulations and other systems to manage the risk of losses

- (1) Executive directors shall take all possible steps to ensure the safety and stability of gas supplies in gas businesses by establishing safety regulations on matters concerning the construction, maintenance and operation of production and supply facilities, and by promoting the improvement of the production and supply systems.
- (2) Executive directors of the Group and organizational heads of the Company (managers of basic organizations of the Company) shall take measures to prevent the occurrence of risks and minimize losses in the case of occurrence, and manage the risk of losses for each category of risk (risks due to external factors, internal factors, transactions with outside parties or other factors).
- (3) The risk of losses shall be managed at the level of each basic organization and each affiliated company.
- (4) The emergencies that might have a material impact on the management of the Group shall be addressed according to the regulations on disaster countermeasures and business contingency plans.

4. Systems to ensure the efficient execution of duties

- (1) Executive directors of the Group and organizational heads of the Company shall determine matters concerning the division of duties and decision-making within the Company and the Group in accordance with regulations on responsibilities and authorities. They shall also provide regulations regarding details of organizations and general matters to be observed during the execution of duties. By familiarizing employees with such regulations, they shall ensure the smooth management of organizations and the improvement of quality and efficiency of operations.
- (2) With the aim of maximizing corporate value, executive directors of the Group and organizational heads of the Company shall establish medium-term business plans and annual plans for the Company and the Group, monitor its attainment by means of performance indicators and focus on achieving these plans.

5. Other systems to ensure the properness of business operations

In addition to the above, executive directors shall take the following measures and make efforts to ensure proper operations.

- (1) Companies to play a central role in each business area of the Group (core companies) or basic organizations to supervise affiliated companies (management support organizations) shall be designated

to be responsible for day-to-day management of affiliated companies.

- (2) Compliance with applicable laws and regulations and the Articles of Incorporation, the efficiency and other similar matters of the Group as a whole shall be audited internally by the head of the Auditing Department of the Company. If necessary in light of the results of such audit, remedial measures shall be taken promptly.
- (3) Internal control procedures shall be maintained, operated and evaluated in relation to financial reporting to ensure its credibility.

6. Matters concerning employees assisting Audit & Supervisory Board Members in the performance of their duties

- (1) Executive directors, if requested by the Audit & Supervisory Board Members, shall appoint employees to assist the Audit & Supervisory Board Members in the performance of their duties and establish an Audit & Supervisory Board Members' office staffed by these Audit & Supervisory Board Members' assistants.
- (2) Audit & Supervisory Board Members' assistants shall be engaged solely in assisting the Audit & Supervisory Board Members in the performance of their duties.

7. Matters concerning independence of Audit & Supervisory Board Members' assistants from Directors

- (1) Executive directors cannot direct or give orders to Audit & Supervisory Board Members' assistants except where such directions or orders apply equally to all employees.
- (2) The opinions of the Audit & Supervisory Board Members regarding the evaluation, transfer, etc., of Audit & Supervisory Board Members' assistants shall be sought in advance and respected.

8. Systems for reporting to the Audit & Supervisory Board Members

- (1) Directors shall report immediately to the Audit & Supervisory Board Members if a matter that is significantly detrimental to the Company is discovered.
- (2) Directors and employees of the Group or auditors of the affiliated companies shall report without delay matters that have a material impact on the business of the Group, the results of internal audits, the situation regarding the main reports under the consulting and reporting system and other important matters.
- (3) Directors of the Group and employees of the Company shall report without delay when requested by the Audit & Supervisory Board Members to report on matters concerning the execution of duties.
- (4) Executive directors and other supervisors of the Group shall not disadvantageously treat any person who reports to the Audit & Supervisory Board Members according to the preceding items for the reason that such report was made.

9. Other systems to ensure effective auditing by the Audit & Supervisory Board Members

- (1) The Audit & Supervisory Board Members may exchange opinions periodically with the Representative Directors and the accounting auditor.
- (2) The Audit & Supervisory Board Members may attend management meetings and all company committee meetings. They may investigate as appropriate material information concerning the execution of duties, such as approval documents.
- (3) Executive directors shall ensure the Company provides the expenses or liabilities necessary for the

execution of the duties of the Audit & Supervisory Board Members.

10. Confirmation of operation status, etc.

- (1) Executive directors shall periodically confirm and assess the status of the operation of the internal control system and report the results to the Board of Directors.
- (2) Executive directors shall take necessary measures by taking into consideration the assessment results of internal control system and other situations.

II. Operating Status of the Internal Control Systems

The Company confirms the operating status of the internal control systems on a periodic basis by identifying items to confirm for various matters and receiving reports from the organizational heads and other persons concerned. At the meeting of the Board of Directors held on April 26, 2017, it was reported that the internal control systems were operating in a proper manner.

The operating status of the internal control systems during the fiscal year under review is described in the following.

(1) Matters concerning compliance

The CSR Committee has been promoting CSR activities through the “Compliance Subcommittee,” the “Environment Subcommittee,” “Social Contribution Subcommittee,” “Information Security Subcommittee” and “Risk Management Subcommittee” during the fiscal year under review.

Educational materials, including a guide to the “Osaka Gas Group Code of Business Conduct,” are posted on the intranet at all times to familiarize Directors and employees of the Group with said Code to promote and ensure its understanding thereof.

In addition, to promote further understanding and effective use of the consulting and reporting system for employees as an internal reporting system, detailed explanations of how to use the system are provided on the intranet through Q&As, model cases and other means.

(2) Matters concerning risk management

Organizational heads of the Company and presidents of the affiliated companies promote the management of the risk of losses and periodically conduct risk management assessments. Each basic organization or affiliated company identifies risk items, checks the status of management concerning the risk items and conducts follow-ups or other measures by using such means as the “G-RIMS (Gas Group Risk Management System),” which systematizes the self-assessment of risk management practices. During the fiscal year under review, the Risk Management Subcommittee was set up within the CSR Committee to reinforce efforts to promote risk management across the Group. Regarding the management of risks concerning security and disaster prevention which are common to the Group, the organization in charge is clearly specified, and the organization supports each basic organization and affiliated company to ensure risk management on a Group-wide basis.

To prepare for emergencies, regulations for disaster countermeasure and business continuity plans are prepared. During the fiscal year under review, revisions were made to the regulations for disaster countermeasures to reflect changes in the system for gas business operations and systems in response to crises occurring overseas were reinforced.

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

The affiliated companies to be managed by the core companies or the management support organizations are designated and their managerial tasks are monitored by receiving reports on important issues from the affiliated companies. In addition, day-to-day management of those affiliated companies is performed by using the G-RIMS and/or conducting audits.

The Company's Auditing Department, which conducts internal audits, implements planned internal audits of the Company's organizations and the affiliated companies and provides follow-up audits after a certain period of time.

(4) Matters concerning the effectiveness of audits by Audit & Supervisory Board Members

Full-time Audit & Supervisory Board Members have periodic exchanges of opinion with the Representative Director and Chairman, the Representative Director and President and the accounting auditor, in which Outside Audit & Supervisory Board Members also participate as necessary. Partly through the opportunity to exchange opinions with the accounting auditor, Audit & Supervisory Board Members evaluate the qualifications, expertise and independence of the accounting auditor.

Full-time Audit & Supervisory Board Members attend important meetings such as the Management Meeting, the CSR Committee, the Investment Evaluation Committee, etc., and read approval documents and other important documents. Through a Board of Directors' resolution on the internal control systems, they also clarify important matters to be reported to Audit & Supervisory Board Members and disseminate information thereof.

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

Consolidated Balance Sheet (As of March 31, 2017)

(Millions of Yen)

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

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

(Millions of Yen)

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

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

(Millions of Yen)

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

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

(Millions of Yen)

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

Independent Auditor's Report

May 10, 2017

The Board of Directors
Osaka Gas Co., Ltd.

KPMG AZSA LLC

Kenryo Goto(Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kenta Tsujii(Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Shoichiro Shigeta(Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

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

Other Matter

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

Notes to the Reader of Independent Auditor's Report:

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

Independent Auditor's Report

May 10, 2017

The Board of Directors
Osaka Gas Co., Ltd.

KPMG AZSA LLC

Kenryo Goto(Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kenta Tsujii(Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Shoichiro Shigeta(Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

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

Management's Responsibility for the Financial Statements and Others

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

Auditor's Responsibility

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

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

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

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

Opinion

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

Other Matter

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

Notes to the Reader of Independent Auditor's Report:

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

Audit Report

The Audit & Supervisory Board prepared this Audit & Supervisory Board's Report upon deliberation based on reports by each Audit & Supervisory Board Member regarding the execution by the Directors of their duties for the 199th fiscal year from April 1, 2016 to March 31, 2017. We report as follows:

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

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

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

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

(i) We have attended meetings of the Board of Directors and other important meetings and have interviewed Directors, employees and others as needed in respect of the status of execution of their duties. Furthermore, we have inspected important documents in respect of the authorization of corporate actions and inspected the operations and the assets of the Company at its head office and principal business offices.

With regard to subsidiaries, we have communicated with Directors, Audit & Supervisory Board Members and others of the subsidiaries, and visited them as necessary in order to inspect their operations and assets.

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

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

Based on the above method, we have examined the business report, the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated income statement, non-consolidated statement of changes in net assets and notes to non-consolidated financial statements) and their supporting schedules and the consolidated financial statements (consolidated balance sheet, consolidated income statement, consolidated statement of changes in net assets and notes to

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

2. Results of the audit

(1) Results of the audit of the business report, etc.

(i) The business report and its supporting schedules give a fair and proper account of the Company's business in accordance with applicable laws and regulations and the Articles of Incorporation.

(ii) No misconduct or material facts that are in breach of applicable laws and regulations or the Articles of Incorporation have been detected in respect of the execution by Directors of their duties.

(iii) The content of the resolution of the Board of Directors concerning the internal control system is fair and proper. In addition, there is no matter of concern regarding the contents of the business report and the execution by Directors of their duties in respect of the internal control system.

(2) Results of the audit of the non-consolidated financial statements and their supporting schedules

Methods used by KPMG AZSA LLC as the accounting auditor for this audit, and the results thereof, are fair and proper.

(3) Results of the audit of the consolidated financial statements

Methods used by KPMG AZSA LLC as the accounting auditor for this audit, and the results thereof, are fair and proper.

May 25, 2017

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

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

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

Yoko Kimura Outside Audit & Supervisory Board Member [seal]

Eiji Hatta Outside Audit & Supervisory Board Member [seal]

Shigemi Sasaki Outside Audit & Supervisory Board Member [seal]

Consolidated statement of changes in equity and notes to consolidated financial statements, as well as non-consolidated statement of changes in equity and notes to non-consolidated financial statements are provided separately at the Company's website (<http://www.osakagas.co.jp/company/ir/stock/inform/index.html>) in accordance with the laws and regulations, and the Company's Articles of Incorporation.

The consolidated financial statements and non-consolidated financial statements audited by the accounting auditor and the Audit & Supervisory Board Members include the statements provided in this Report for 199th Fiscal Year as well as the statements provided at the aforementioned website.

(Reference)

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

■ Business domain and direction of business activities toward fiscal 2030

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



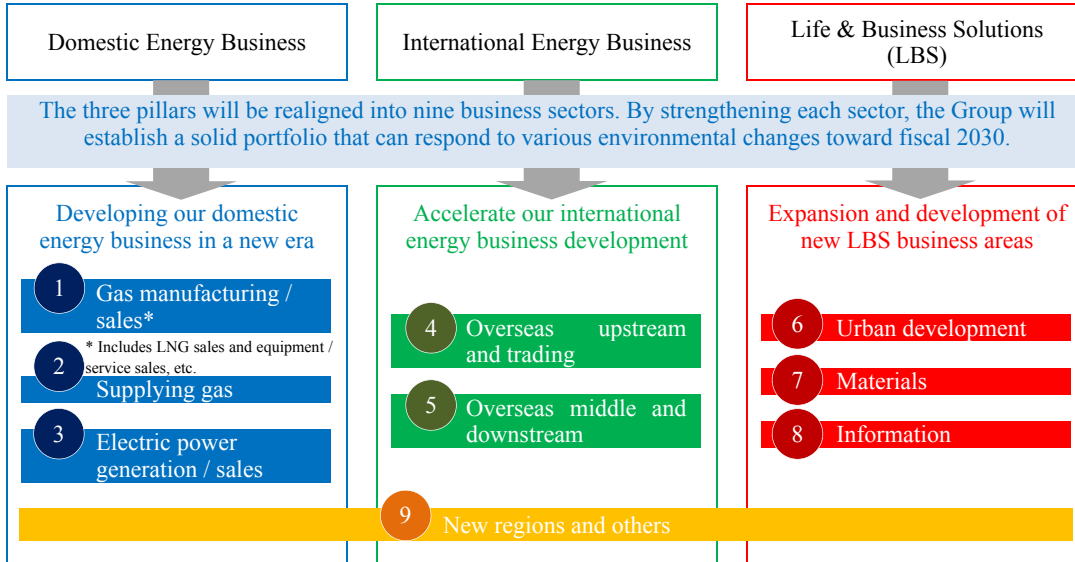
- An innovative energy & service company soaring from this era to the next -

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

2030 Corporate Goal

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

Support Osaka Gas Group's three business pillars



■ Initiatives in the Medium-term Business Plan 2020

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

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

■ Management Index of the Medium-term Management Plan 2020

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

We will also maintain great financial soundness.

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

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

2. Excluding short-term profit
fluctuation factors

3. D: Debt
E: Equity