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(Securities Identification Code: 9532)
Report for the 201st Fiscal Year From
April 1, 2018 to March 31, 2019

To Our Shareholders:



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

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

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

Your continued support would be greatly appreciated.

June 2019

Takehiro Honjo
President

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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 201st Fiscal Year as well as the statements provided at the aforementioned website.

Business Report (April 1, 2018 to March 31, 2019)

I. Current Situation of the Business Group

1. Business Operations and Results

During the fiscal year under review, despite a series of natural disasters and uncertain business circumstances overseas, the Japanese economy proceeded firmly, supported by domestic demand due to favorable corporate capital investment and other factors. Meanwhile, the market became increasingly competitive due to the full-scale deregulation of the electricity and gas retail markets.

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

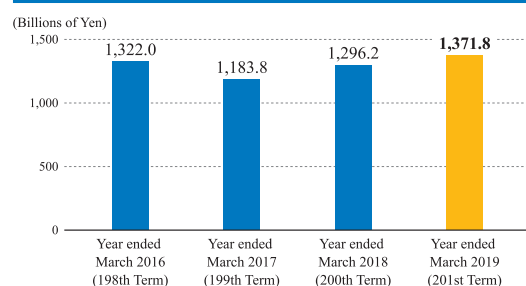
Consolidated net sales of the Group for the fiscal year under review increased 5.8% from the previous year to ¥1,371.8 billion mainly because the gas business benefitted from the higher unit prices of city gas under the fuel cost adjustment system and the electricity business enjoyed growth in electricity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

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

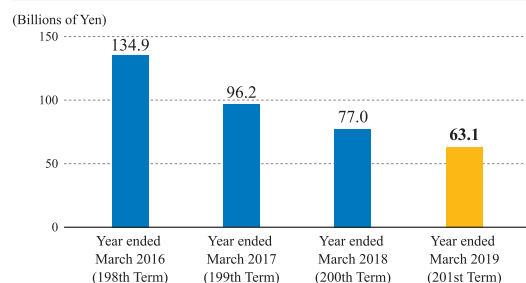
Profit attributable to owners of parent fell 10.9% from the previous year to ¥33.6 billion (see Graph 3).

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

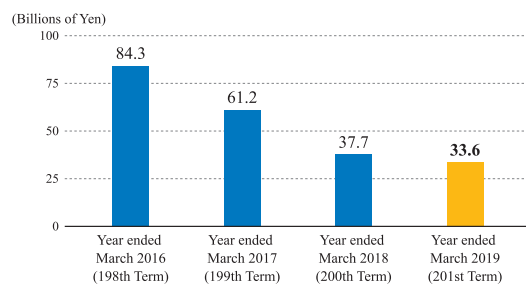
Graph 1 Transition of Consolidated Net Sales



Graph 2 Transition of Consolidated Ordinary Income



Graph 3 Transition of Profit Attributable to Owners of Parent



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

(1) Domestic Energy/Gas

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

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

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

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

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

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

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

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



Gas stove advertisement



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



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

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

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

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

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

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

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

(2) Domestic Energy/Electricity

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

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

The number of subscribers to which we supply electricity under



“SMART MULTI” hybrid air-conditioning system



Logo of Biwako Blue Energy Co., Ltd.



Restoration activities (repairing a gas pipeline)

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

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

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

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

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

(3) International Energy

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

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

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



Advertisement for “Style Plan P”



Advertisement for “Style Plan d”



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



Excavation of shale gas (Texas, US)

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



CPV Towantic Energy Center (Connecticut, US)

(4) Life & Business Solutions

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

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



Urbanex Minami Shinagawa (Tokyo)

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

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



Xyladecor paints for wood protection

[Net Sales and Segment Income for Each Business Segment]

	Domestic Energy/Gas	Domestic Energy/Electricity	International Energy	Life & Business Solutions
Net sales (Billions of Yen)	10,126	1,843	404	2,109
Percentage change from previous year (%)	+3.7	+16.8	+79.4	+4.7
Percentage of net sales (%)	69.9	12.7	2.8	14.6
Segment income (Billions of Yen)	358	87	59	177
Percentage change from previous year (%)	(16.7)	(57.9)	—*	(3.1)
Percentage of segment income (%)	52.5	12.8	8.8	26.0

*A segment loss of ¥5.3 billion was recorded for the previous year.

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

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

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

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

3. Capital Investment Activities

The amount of capital investments by the Group was ¥107.2 billion.

We lengthened the Company's gas trunk and branch lines by 202 kilometers, bringing the total length to 50,989 kilometers as of the end of the fiscal year under review.

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

4. Financing Activities

During the fiscal year under review, the Group borrowed ¥129.3 billion and repaid ¥37.7 billion of long-term loans.

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

*Short-term bonds are not included.

5. Outstanding Issues

(1) Management Policies

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

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

(2) Priority Issues

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

(a) Domestic and International Energy Business

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

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

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

- (ii) Ensuring competitive power sources

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

- (iii) Stable and safe energy supply

We will continue to address such issues as the maintenance, reinforcement and renovation of gas production, supply and power generating facilities and the implementation of countermeasures against earthquake and 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, including the management and maintenance of buildings and facilities, water treatment and a visual means for monitoring energy saving using digital technologies. Together, we will offer a range of energy service menus according to customers’ lifestyles so that we can contribute to the enhancement of customers’ living environment as well as their business growth. In addition, we will promote alliances with various business partners, including energy business operators in various locations, thereby expanding the marketer business in a wider geographic area in Japan. Outside of Japan, we will promote steady management of the electric power, gas and energy service businesses in which we are involved, while seeking the chance for participating in new projects.

(v) Developing energy infrastructure and expanding the engineering business

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

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

We are committed to making continuous efforts to maintain and expand the demand for city gas, while ensuring the neutrality and transparency and enhancing the convenience of the transportation service.

(b) Expansion of the Life & Business Solutions Business

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

(c) Operating Foundations

(i) Practice of management with attention to ESG (Environment, Society and Governance)

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

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

(ii) Promoting innovation and technological development

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

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

(iii) Reinforcing human resources and organization

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

(3) Conclusion

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

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

6. Financial Position and Profits and Losses

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

- Notes: 1. Basic earnings per share from the year ended March 2016 (198th term) to the year ended March 2019 (201st term) were calculated on the assumption that the reverse stock split as of October 1, 2017, had been conducted at the beginning of the year ended March 2016 (198th term).
2. “Partial Amendments to Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) have been applied from the 201st term and are retrospectively applied to the 200th term in the above calculation.

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

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

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

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

(1) Major Offices, etc.

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

Note: The Pipeline Business Unit (renamed Pipeline Network Company as of April 1, 2019) has a regional pipeline department in each of the Company's offices. The Residential Energy Business Unit and the Commercial & Industrial Energy Business Unit conduct their business activities by organizing their operations based on the description of customers' business.

(2) Employees

Business Segment	Number of Employees
Domestic Energy/Gas	10,973
Domestic Energy/Electricity	395
International Energy	194
Life & Business Solutions	8,662
Total	20,224

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

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

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

II. Officers

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

Position	Name	Business in Charge	Significant Concurrent Positions
Representative Director and Chairman	Hiroshi Ozaki		Chairman of Osaka Chamber of Commerce and Industry Director of Asahi Broadcasting Group Holdings Corporation Director of OGIS-RI Co., Ltd. Director of Osaka Gas Chemicals Co., Ltd.
Representative Director and President Executive President	Takehiro Honjo		Member of the Osaka Prefectural Public Safety Commission Director of Osaka Gas Urban Development Co., Ltd.
Representative Director Executive Vice-President	Hidetaka Matsuzaka	In charge of: Regional Co-Creation Division, Tokyo Branch, Regional Resident Representative and Overall Regional Resident Representative Responsible for: Residential Energy Business Unit, Commercial & Industrial Energy Business Unit, Osaka Gas Urban Development Co., Ltd.	Director of Osaka Gas Urban Development Co., Ltd.
Representative Director Executive Vice-President	Masataka Fujiwara	Head of Safety Head of Technology President of Corporate Planning Headquarters and President of Innovation Headquarters Responsible for: Pipeline Business Unit, OGIS-RI Co., Ltd., Osaka Gas Chemicals Co., Ltd. Secretariat, Corporate Communication Dept., Human Resources Dept., General Affairs Dept. and Purchasing Dept.	Director of OGIS-RI Co., Ltd. Director of Osaka Gas Chemicals Co., Ltd.

Position	Name	Business in Charge	Significant Concurrent Positions
Representative Director Executive Vice-President	Tadashi Miyagawa	Head of CSR In charge of: CSR & Environment Dept., Compliance Dept. and Auditing Dept. Responsible for: Energy Resources & International Business Unit and LNG, Power & Engineering Business Unit	
Director Senior Executive Officer	Takeshi Matsui	Head of Energy Resources & International Business Unit	
Director Senior Executive Officer	Takayuki Tasaka	Head of Commercial & Industrial Energy Business Unit	Representative Director and President of Osaka Rinkai Energy Service Corporation
Director Senior Executive Officer	Hisaichi Yoneyama	Head of LNG, Power & Engineering Business Unit	
Director Senior Executive Officer	Fumitoshi Takeguchi	In charge of: Secretariat, Corporate Communication Dept., Human Resources Dept., General Affairs Dept. and Purchasing Dept.	
Director Senior Executive Officer	Shigeru Chikamoto	Head of Pipeline Business Unit	
Director	Shunzo Morishita		Director and Chairman of Hanshin Expressway Company Limited Member of the Board of Governors, Japan Broadcasting Corporation
Director	Hideo Miyahara		Guest Professor, Graduate School of Information Science and Technology, Osaka University Representative Director of KNOWLEDGE CAPITAL Director of West Japan Railway Company
Director	Takayuki Sasaki		Advisor of West Japan Railway Company

Position	Name	Business in Charge	Significant Concurrent Positions
Audit & Supervisory Board Member (full-time)	Takahiko Kawagishi		
Audit & Supervisory Board Member (full-time)	Akihiko Irie		
Audit & Supervisory Board Member	Yoko Kimura		Director of Nara Prefectural University
Audit & Supervisory Board Member	Eiji Hatta		Professor, Faculty of Economics, Doshisha University Chancellor and Chairperson of the Board of Trustees of The Doshisha Chairman, Japan Student Baseball Association President, Japan High School Baseball Federation Vice Chairman, Japan University Auditors Association
Audit & Supervisory Board Member	Shigemi Sasaki		Governor, Kinki Branch, Japan Bar Association

Notes:

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

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

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

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

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

Director Senior Executive Officer	Hisaichi Yoneyama	Head of LNG, Power & Engineering Business Unit	
Director Senior Executive Officer	Fumitoshi Takeguchi	In charge of: Secretariat, Corporate Communication Dept., Human Resources Dept., General Affairs Dept. and Purchasing Dept.	
Director Senior Executive Officer	Shigeru Chikamoto	Head of Safety Head of Pipeline Network Company*	
Director	Hidetaka Matsuzaka		Director and Chairman of OG Capital Co., Ltd.
Director	Shunzo Morishita		Director and Chairman of Hanshin Expressway Company Limited Member of the Board of Governors, Japan Broadcasting Corporation
Director	Hideo Miyahara		Guest Professor, Graduate School of Information Science and Technology, Osaka University Representative Director of KNOWLEDGE CAPITAL Director of West Japan Railway Company
Director	Takayuki Sasaki		Advisor of West Japan Railway Company

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

2. Outside Officers

(1) Principal Activities

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

(2) Summary of Agreement Limiting Liability

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

3. Remuneration for Directors and Audit & Supervisory Board Members

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

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

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

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

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

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

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

	Total amount of remuneration (¥Million)			Number of officers to whom remuneration was paid
		Fixed	Performance-linked	
Directors (excluding outside Directors)	506	303	202	14
Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board Members)	67	67	—	2
Outside Directors	32	32	—	3
Outside Audit & Supervisory Board Members	32	32	—	3

- Notes: 1. The total amounts of remuneration paid to Directors, Audit & Supervisory Board Members and outside officers were ¥538 million, ¥99 million and ¥64 million, respectively.
2. The total amount of remuneration paid to Directors (excluding outside Directors) and the number of eligible officers shown in the above table and the total amount of remuneration paid to Directors shown in Note 1 above include the amount relating to four Directors who retired at the end of the 200th Annual Meeting of Shareholders held on June 28, 2018.

III. Shares (as of March 31, 2019)

1. Number of Shares Issued and Number of Shareholders

Number of Authorized Shares	700,000,000 shares
Number of Shares Issued and Outstanding*	416,680,000 shares
Number of Shareholders	104,094

*867,201 treasury shares are included.

2. Principal Shareholders

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

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

IV. Accounting Auditor

1. Name of Accounting Auditor

KPMG AZSA LLC

2. Remuneration, etc., for Accounting Auditor

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

	Fees for audit and attestation services (¥Million)	Fees for non-audit services (¥Million)
The Company	89*	24
The Company's subsidiaries	114	37
Total	203	62

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

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

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

3. Non-Audit Services

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

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

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

V. Systems to Ensure the Properness of Operations

I. Description of Internal Control Systems

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

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

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

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

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

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

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

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

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

4. Systems to ensure the efficient execution of duties

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

5. Other systems to ensure the properness of business operations

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

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

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

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

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

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

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

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

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

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

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

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

10. Confirmation of operation status, etc.

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

II. Operating Status of the Internal Control Systems

The Company confirms the operating status of the internal control systems on a periodic basis by identifying items to confirm for various matters and receiving reports from the organizational heads and other persons concerned. At the meeting of the Board of Directors held on April 24, 2019, it was reported that the internal control systems were operating in a proper manner.

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

(1) Matters concerning compliance

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

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

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

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

(2) Matters concerning risk management

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

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

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

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

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

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

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

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

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

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

Consolidated Balance Sheet (As of March 31, 2019)

(Millions of Yen)

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

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

(Millions of Yen)

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

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

(Millions of Yen)

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

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

(Millions of Yen)

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

Independent Auditor's Report

May 15, 2019

The Board of Directors
Osaka Gas Co., Ltd.

KPMG AZSA LLC

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

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

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

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity and the related notes of Osaka Gas Co., Ltd. as at March 31, 2019 and for the year from April 1, 2018 to March 31, 2019 in accordance with Article 444-4 of the Companies Act.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matter

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

Notes to the Reader of Independent Auditor's Report:

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

Independent Auditor's Report

May 15, 2019

The Board of Directors
Osaka Gas Co., Ltd.

KPMG AZSA LLC

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

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

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

We have audited the financial statements, comprising the balance sheet, the statement of income, the statement of changes in equity and the related notes, and the supplementary schedules of Osaka Gas Co., Ltd. as at March 31, 2019 and for the year from April 1, 2018 to March 31, 2019 in accordance with Article 436-2-1 of the Companies Act.

Management's Responsibility for the Financial Statements and Others

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matter

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

Notes to the Reader of Independent Auditor's Report:

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

Audit Report

The Audit & Supervisory Board prepared this Audit & Supervisory Board's Report upon deliberation based on reports by each Audit & Supervisory Board Member regarding the execution by the Directors of their duties for the 201st fiscal year from April 1, 2018 to March 31, 2019. We report as follows:

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

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

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

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

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

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

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

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

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

supporting schedules and the consolidated financial statements (consolidated balance sheet, consolidated income statement, consolidated statement of changes in net assets and notes to consolidated financial statements) for the fiscal year ended March 31, 2019.

2. Results of the audit

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

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

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

(iii) The content of the resolution of the Board of Directors concerning the internal control system is fair and proper. In addition, there is no matter of concern regarding the contents of the business report and the execution by Directors of their duties in respect of the internal control system. With regard to the leakage of customers' information stated in the Business Report, we will place continued emphasis on the Group's efforts to reinforce its information management.

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

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

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

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

May 23, 2019

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

Takahiko Kawagishi	Full-Time Audit & Supervisory Board Member [seal]
Akihiko Irie	Full-Time Audit & Supervisory Board Member [seal]
Yoko Kimura	Outside Audit & Supervisory Board Member [seal]
Eiji Hatta	Outside Audit & Supervisory Board Member [seal]
Shigemi Sasaki	Outside Audit & Supervisory Board Member [seal]

End