ANNUAL REPORT 2018

Daigas Group

Osaka Gas Group is now Daigas Group

Osaka Gas Group is now Daigas Group
Challenges in New Business Areas

Daigas Group

Daigas Group Management Principle

The Daigas Group Management Principle consists of What the Daigas Group Aims To Be, the Daigas Group Declaration and our Corporate Motto. The Daigas Group carries out its business activities based on the Daigas Group Management Principle.

What the Daigas Group Aims To Be

Daigas Group powers continuous advancement in consumer and business life

Daigas Group Declaration

Daigas Group is creating four values

The daigas Group is committed to creating value primarily for customers, as well as for society, shareholders, and employees.

Corporate Motto

Service First

Editorial Policy

In Annual Report 2018, we pay particular attention to non-financial information in order to present how assets accumulated to date will lead to future value creation and realize sustainable growth to our stakeholders, which include shareholders and investors. We will continue to pursue further improvement of its content.

Forward Looking Statements

These materials include forecasts on future performance, plans and strategies, which are based on the judgment of the Group upon currently available information.
Please note that actual financial results may differ from forecasts due to various factors.
Factors that can affect actual financial results include economic trends in Japan, sharp fluctuations in exchange rates and crude oil prices, and extraordinary weather conditions.

Scope of This Report

Osaka Gas Co., Ltd. and its group companies

Period Covered

April 1, 2017 to March 31, 2018

*Matters on other periods are partially included.

Contents

Inclusion in SRI Indices

Osaka Gas was included in the following socially responsible investment (SRI) indices and an investment universe (candidates for inclusion in indices) as of June 2018.

Dow Jones Sustainability Indices

FTSE4Good Index Series

MSCI ESG Indices

Ethibel Excellence register

Morningstar Socially Responsible Investment Index

MSCI Japan ESG Select Leaders Index

MSCI Japan Empowering Women Index

FTSE Blossom Japan Index

SNAM Sustainability Index

Our Commitment

Our Commitment

To be an innovative energy and service company that continues to be the first choice of customers and achieve sustainable growth by pursuing innovation while promoting our motto “Service First.”

To maximize value for all stakeholders.

We are delighted to extend our warmest greetings to all stakeholders as we issue this Annual Report 2018.

In the recent environment where global political and economic instability has increased due to growing geopolitical risk and trade polity uncertainty, it has been difficult to forecast the future business environment. In addition, the full deregulation of the electricity retail market since April 2016 and the gas retail market since April 2017 have intensified competition in the energy business, which has led to a drastic change in our business environment.
We take this harsh situation, however, as an opportunity to grow and seek to pursue sustainable growth as a corporate group that powers continuous advancement in consumer and business life. With such determination, we have formulated the vision statement of "being an innovative energy & service company that continues to be the first choice of customers," in the Long-term Management Vision and the Medium-term Management Plan "Going Forward Beyond Borders" announced in March 2017. Our aim is to contribute to the advancement of society, communities, and customers by going beyond customer expectations, business boundaries, and corporate boundaries as an ideal image of a future company.
Furthermore, in March 2018, we introduced "Daigas Group" as our new group brand. It expresses our strong determination to put efforts across the group into realizing the future image described in the Long-term Management Vision, and into enhancing value for all stakeholders. "Daigas" represents our pledge to achieve the Long-term Management Vision by taking "Dynamic And Innovative" action while keeping a "Genuine And Studious" attitude toward meeting customer needs.
The fiscal year ending March 31, 2019 serves as the second year under the Medium-term Management Plan. We have set the stage for growth by expanding new services, building energy infrastructure and establishing sales companies in the Kanto region in preparation for expansion into the Greater Tokyo Area, and accumulating know-how through cooperation with IPP (Independent Power Producer) companies in North America. Now we have been pursuing an endeavor for further evolution of our business by carrying out the action plan that has been elaborately developed and the activities that go beyond conventional boundaries.
While evolving with innovation, we also focus on execution of ESG (Environment, Society and Governance) -conscious management for enhancement of customers' lifestyles and businesses, which creates value for customers and leads to the creation of value for society, value for shareholders, and value for employees. We are committed to generating these four types of sustainable value for all stakeholders of the Daigas Group.

Thank you for your continued support and encouragement.

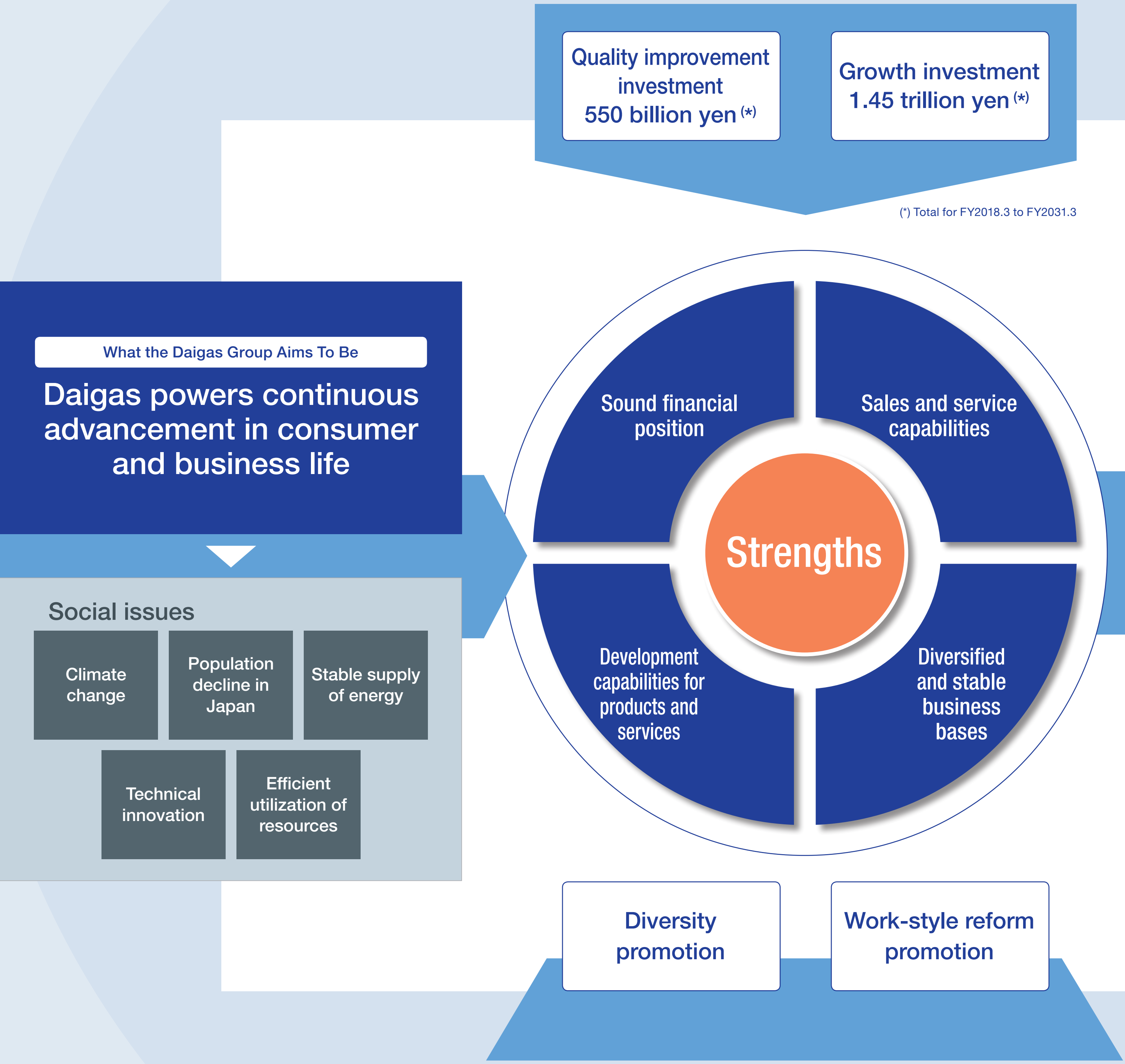
August 2018

Chairman
尾崎 裕
Hiroshi Ozaki

President
本荘武宏
Takehiro Honjo

Value Creation Model

Pursuing Innovation, while Promoting Our Motto ‘Service First’



Go beyond borders

Go beyond customer expectations

Always aim to provide services that go beyond customer expectations

Go beyond business boundaries

Expand business domains to contribute to the advancement of society, communities, and customers

Business domains

Domestic energy

P.22

1 Gas manufacturing and sales

2 Gas distribution

3 Electric power generation and sales

International energy

P.30

4 International upstream and trading

5 International middle and downstream

Life & business solutions

P.34

6 Real estate

7 Materials

8 IT

9 New business fields and others

Go beyond corporate boundaries

Actively promote alliances and M&A and broadly deploy businesses in Japan and overseas

Innovative energy and service provider

Four types of value

Company that creates sustainable value

Creation of value for customers

Continuously meet customer expectations by creating services in diversified fields that contribute to higher levels of customer comfort, convenience, and security

Creation of value for society

Endeavor to ensure fairness and transparency in business activities and contribute to sustainable development of society and improvement of the global environment

Creation of value for shareholders

Based on a sound financial position, sustain long-term and stable growth and maximize corporate value

Creation of value for employees

Respect employees' individuality and support them so that they can carry out work with a sense of purpose and grow as individuals

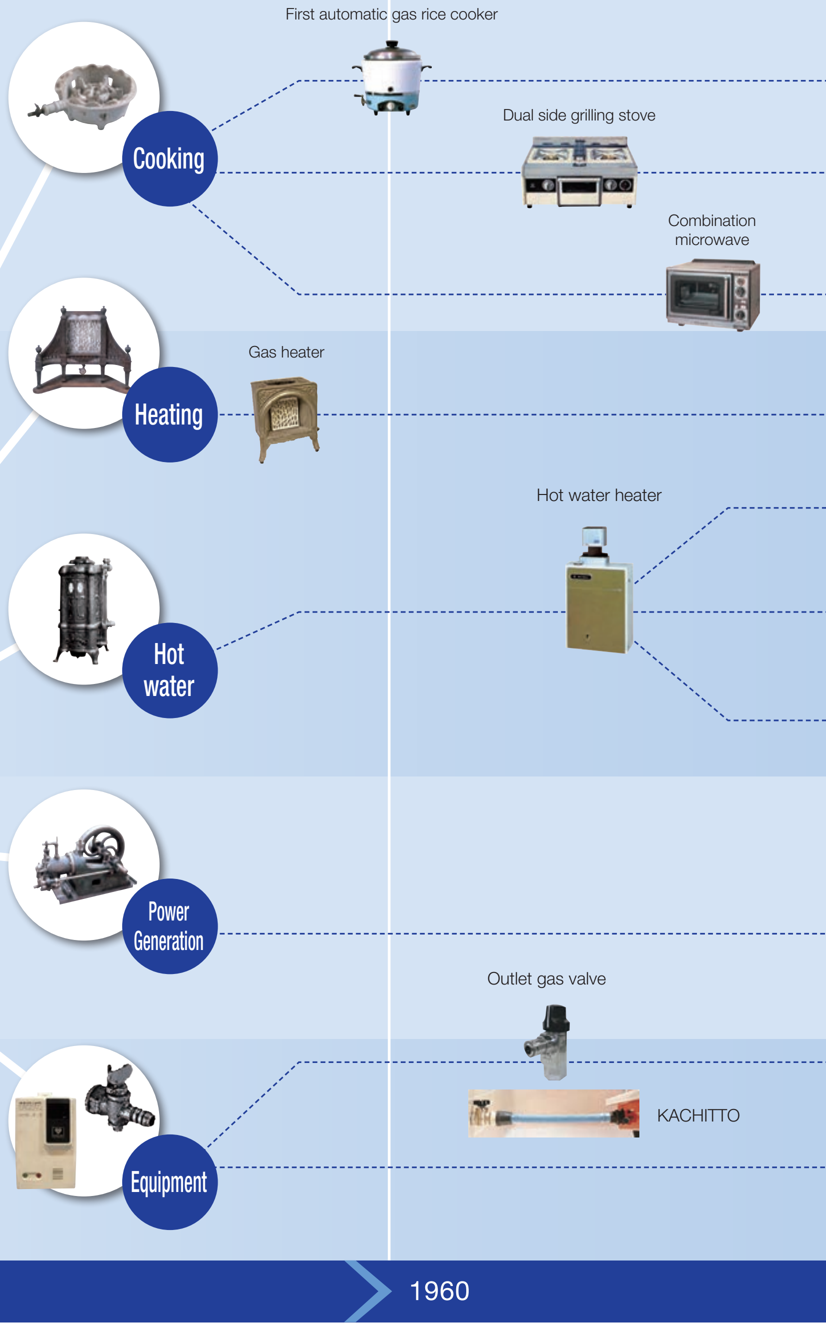
Getting to Know the Daigas Group

A Path of Growth

Overcoming Difficulties with a Bold Spirit of Promoting New Initiatives

The Osaka Gas Group's gas business began with gas supply in 1905.
In the over 110 years since, the gas business that started with lighting gas lamps has expanded into gas use for cooking, heating, hot water, and power generation, overcoming many obstacles as society evolved and lifestyles changed.

Starting with **lamps** to illuminate the city



A Strong Relationship with Our Customers

With our corporate motto "Service First," we have built a strong relationship with customers by working closely with localities and customers themselves and by providing products and services that meet their needs.
We use this strong relationship as a basis for expanding into new territories, from gas into electricity and home services to evolve into a corporate group that provides various products, services and solutions.

1897 Osaka Gas Co., Ltd. established with capital of ¥350,000
1905 Iwasaki Plant established; gas supply begins
1924 Cooking classes at the head office begin
1933 Construction of Osaka Gas Building completed
1940 Operations begin at Torishima Plant (shut down in 1994)
1945 Company performs first and second merger
1949 Kinki Coke Distribution Co., Ltd. established (currently Osaka Gas Chemicals Co., Ltd.)

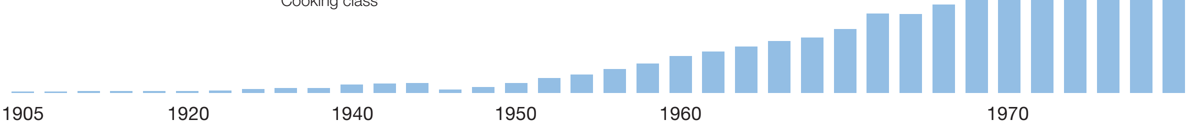
Osaka Gas Building

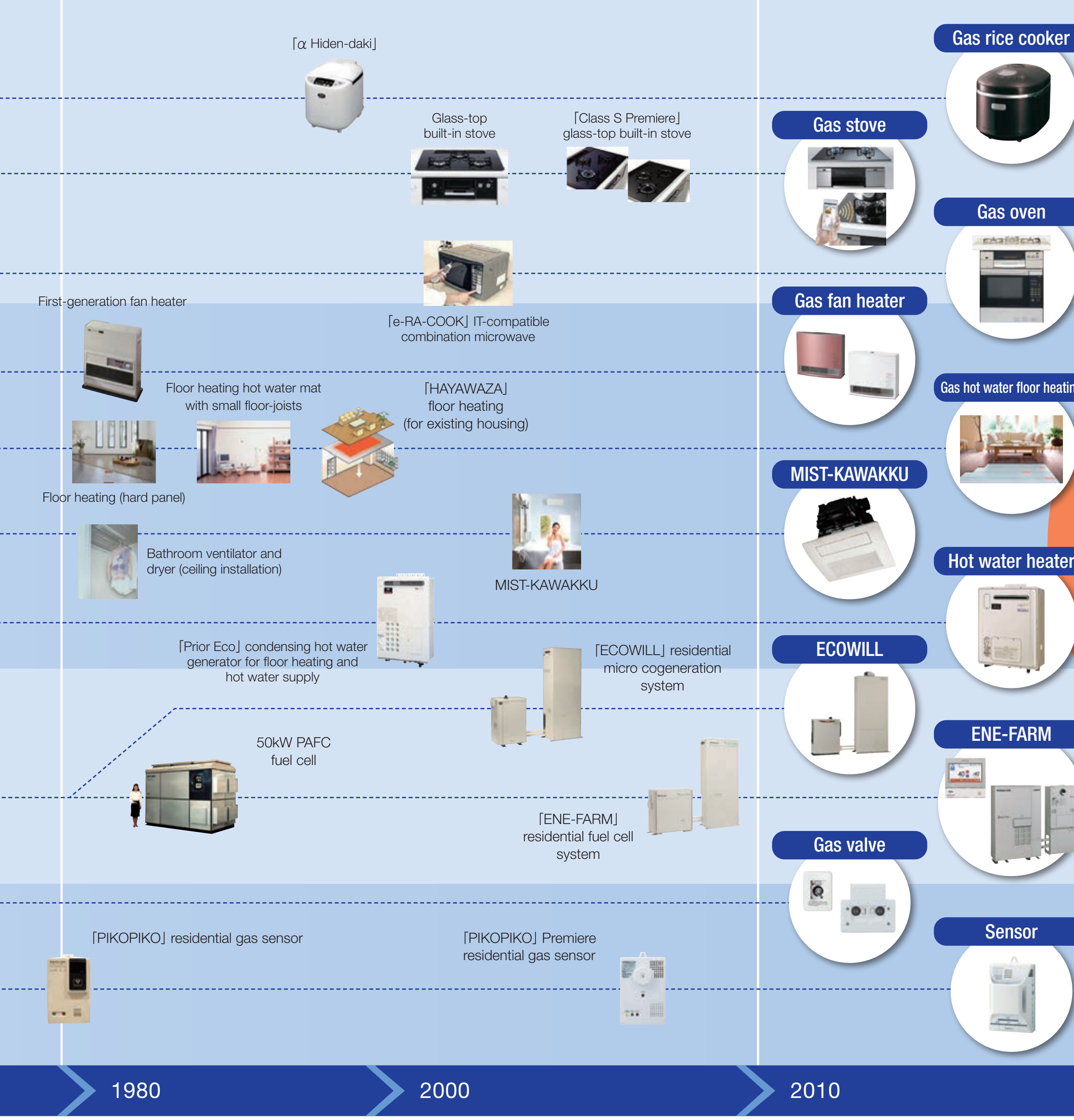
Cooking class

1955 First Gas Convention held
1960 Operations begin at Hokko Plant (shut down in 1989)
1963 Operations begin at Sakai Plant (shut down in 1990)
1965 Osaka Gas Real Estate Co., Ltd. established (currently Osaka Gas Urban Development Co., Ltd.)
1971 Operations begin at Senboku Plant
1972 Importing of LNG from Brunei begins
1975 Natural gas conversion begins (from 4,500 kcal/m^3 to 11,000 kcal/m^3)
1977 Operations begin at Senboku LNG Terminal II

Senboku Plant at start of operations (Osaka Prefecture)

Gas sales volume

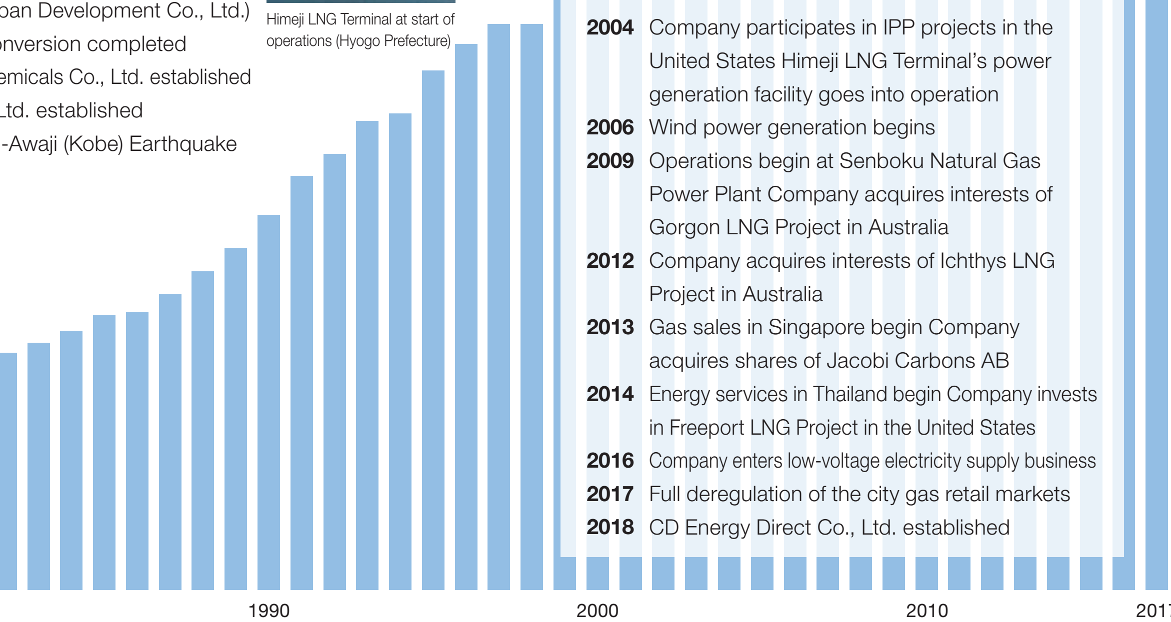




1983 OG Information System Co., Ltd. established (currently OGIS-RI Co., Ltd.)
1984 Operations begin at Himeji LNG Terminal
1989 Urbanex Co., Ltd. established (currently Osaka Gas Urban Development Co., Ltd.)
1990 Natural gas conversion completed
1991 Osaka Gas Chemicals Co., Ltd. established
1992 OGIS-RI Co., Ltd. established
1995 Great Hanshin-Awaji (Kobe) Earthquake


Himeji LNG Terminal at start of operations (Hyogo Prefecture)

Natural gas conversion completion ceremony



2004 Company participates in IPP projects in the United States Himeji LNG Terminal's power generation facility goes into operation
2006 Wind power generation begins
2009 Operations begin at Senboku Natural Gas Power Plant Company acquires interests of Gorgon LNG Project in Australia
2012 Company acquires interests of Ichthys LNG Project in Australia
2013 Gas sales in Singapore begin Company acquires shares of Jacobi Carbons AB
2014 Energy services in Thailand begin Company invests in Freeport LNG Project in the United States
2016 Company enters low-voltage electricity supply business
2017 Full deregulation of the city gas retail markets
2018 CD Energy Direct Co., Ltd. established

Value Chain

Data as of March 31, 2018

The Daigas Group is involved in the full range of processes from procurement and transportation of natural gas to production, power generation, supply, sales, and security of city gas. We are now exploring ways to strengthen the value chain. We aim to accomplish this by actively expanding new business domains both in Japan and internationally that utilize the expertise that we have gained through our operations to date.

2 locations
Number of LNG terminals

8 countries
LNG suppliers

7 ships
Our own group carriers

Procurement and Transportation

We pursue stable procurement by concluding long-term purchase agreements and diversifying suppliers. In addition, we aim to achieve stable prices by diversifying price indicators through operation of the Freeport LNG terminal in the United States.

Approx. 9.52 million tons per year
Amount of LNG purchased (including fuel used for power generation and wholesale)
(Results for the fiscal year ended March 31, 2018)

We utilize our group carrier fleet to stabilize procurement and reduce transportation costs.

Approx. 2 GW in Japan
Power sources owned by the Group

Natural Gas Extraction

Liquefaction

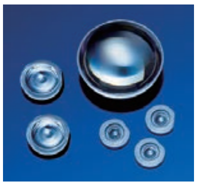
Freeport LNG Development provided by L.P. (artist's rendition)

We realize procurement of cost-competitive LNG by participating in upstream businesses and liquefaction businesses to expand our business domains.

Life & Business Solutions Business (LBS)

We actively apply technologies and expertise we have accumulated in the energy business, developing businesses that differ from the energy field to diversify business risk.

Real Estate Business



Materials Business

Information Business

Power Supply Portfolio

We aim to establish a competitive and environmentally friendly power supply portfolio by actively promoting renewable energy sources.

Approx. **61,900** km

Equivalent to 1.5 times
the circumference of the globe
Total length of pipeline extensions
(owned by Osaka Gas individually)

Approx. **6** million customers

Number of gas supply customers

Approx. **200** stores

Service chain partners

We established a complete production system with two LNG terminals in Senboku and Himeji as well as 28 LNG tanks.

To support stable supply of city gas, we promote planned facility upgrades and development of the gas pipeline network.

We accept requests 24 hours a day, 365 days a year to assure security and safety for our customers.

Production

Supply

Security

Power Generation

Power Transmission and Distribution

Sales and Services

We operate power generation facilities with varying power sources, from natural gas-fired thermal power plants including the Senboku Power Plant to cogeneration and renewable energy sources, etc.

Electricity is supplied using the grid operated by Kansai Electric Power Co., Inc., to offer the same level of reliability and quality as always.

Approx. **620** thousand units

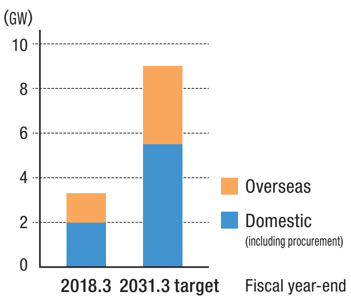
Number of low-voltage electricity supply customers

We provide the best solutions that meet the various needs of households, factories, and offices.

Approx. **8.27** million

Number of customer accounts

* Total of number of contracts including city gas, electric power, LPG, ENE-FARM, Sumikata Service, Utility Agent, etc.



9 GW
Group Power Supply Portfolio at the end of FY2031.3

1 GW
(inside and outside Japan)
Renewable Energy Sources Target for the end of FY2031.3

Business Expansion to the Greater Tokyo Area Market and Overseas Market

Energy Direct
ENEARC

Expansion to the Greater Tokyo Area

CityOG Gas Energy Services
OSAKA GAS (THAILAND) CO.,LTD.

Business development in Southeast Asia

Message from the President

1. Long-term Management Vision and Medium-term Management Plan: Going Forward, Beyond Borders

Business Environment

The Daigas Group announced in 2009 the long-term management vision "Field of Dreams 2020," and we have carried out our business activities based on the medium-term business plan aiming to realize the vision. We have started full operation of the Electricity Business, International Energy Business, and Life & Business Solutions Business in order to ensure earnings from businesses other than the gas business in the Kansai area. In preparation for intensifying competition. We have also, diversfied sources of earnings by expanding energy-related services and strengthened cost competitiveness.

Since the announcement of the vision, the business environment has changed drastically due to the full deregulation of the retail markets of electricity and gas, as well as demographic contraction in Japan and the offshoring of factories. Furthermore, crude oil prices and global LNG supply and demand, among other factors, served to increase risks such as uncertainty surrounding the LNG procurement. Under such a business environment, in March 2017, we formulated "Going Forward, Beyond Borders" consisting of the Long-term Management Vision 2030 and the Medium-term Management Plan 2020 covering the four fiscal years from the fiscal year ended March 31, 2018 to the fiscal year ending March 31, 2021.

Daigas Group's Unchanged Views toward 2030

Allow me to mention the Group's unchanged views on our attitude toward realization of what we aim to be, formulated in the Long-term Management Vision. The management principles are the foundation of our business operations and must not be modified; these consist of the Corporate Motto "Service First," our aim to be "Daigas Group powers continuous advancement in consumer life and business," and the declaration to create four values, namely, value for customers, value for society, value for shareholders, and value for employees.

I wish to present three statements which represent management's direction toward 2030, based on these principles. First, we provide high-quality services developed with the motto "Service First" in the Kansai area, to more customers in Kansai and other regions. Second, we commit ourselves to professionalism in pursuing innovative challenges. Third, we remain a trusted organization for investors, partner companies, society, and employees.

What We Aim To Be in FY2031,3

By FY2031.3, the Group will attempt to triple the consolidated ordinary profit of 64 billion yen targeted for fiscal year ended March 31, 2018. In addition to further growth in domestic businesses, we will achieve continued growth in international businesses by building a business structure that can derive profits in balanced proportions from multiple core strategic regions overseas, so that the ratio of profit from overseas business against domestic business will be 1:2 in FY2031.3. We have organized the three core businesses of the Group, the Domestic Energy Business, International Energy Business and Life & Business Solutions (LBS) Business, into nine business fields, aiming to grow each business field respectively to promote portfolio management that can meet various changes in the future.

Development of the Domestic Energy Business for a New Era

1. Gas manufacturing and sales*
2. Gas distribution
3. Electric power generation and sales

Acceleration of the International Energy Business Development

4. International upstream and trading businesses
5. International middle and downstream businesses

Expansion of the LBS Business

6. Real estate
7. Materials
8. IT

Expansion of New Business Fields

9. New business fields and others

* Includes equipment sales, service sales, LNG sales, etc.

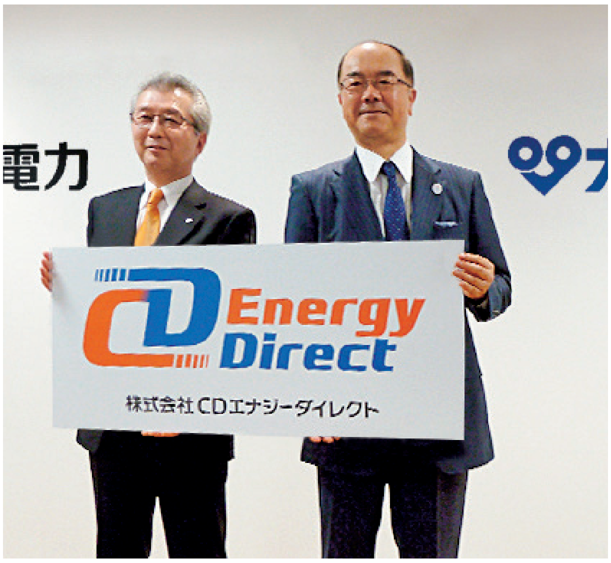
2. Review of the Fiscal Year Ended March 31, 2018 and Strategies for the Fiscal Year Ending March 31, 2019

Impact of Deregulation

Since the gas retail market was fully deregulated in April 2017, competition in the gas business in the Kansai area has been intensifying; around 390 thousand customers had switched to other companies as of March 31, 2018. Meanwhile, we achieved positive results as the number of customer accounts reached 8.27 million, an increase of 270 thousand since March 31, 2017, as a result of gaining 620 thousand electricity contracts and expanding the LPG business and gas related services including warranty service.

Strategy in Fully Deregulated Electricity and Gas Retail Markets

To further increase the number of customer accounts, we are expanding rate plan options and providing new products and services to better meet customer needs. For electricity rates, we created a rate plan that offers discounts irrespective of electricity usage amount. Regarding gas rates, in addition to existing rates for Optional Supply Provisions that customers could apply for by installing eligible equipment, we started offering Motto-Wari rate that customers could apply for without such equipment installation. In terms of new products and services, we have developed services such as Sumikata Service and Sumikata Plus, and have expanded rate plan options for these services. In addition, we started selling ENE-FARM type S, an IoT-compatible residential fuel cell and ECO-JOZU, an energy-saving hot water heater and offer new value-added services utilizing IoT, such as a voice-operated system for running a bath via a smart speaker and notifications of remote families' hot water usage record.



Our Strengths in Fully Deregulated Electricity and Gas Retail Markets

Osaka Gas proposes various services to customers mainly through its well-established customer touch points. This is one of the Company's strengths and we do not intend to change this approach. We intend to increase the number of customer accounts including energy services and other related services to remain the first choice of customers. Through expansion of Sumikata Plus services, we continue creating more touch points and enhancing relationships with customers, aiming to increase the number of customer accounts from 8.27 million as of March 31, 2018 to 8.9 million by March 31, 2019.

Expansion to the Greater Tokyo Area

To date, we have promoted business going beyond local boundaries and corporate boundaries for sustainable growth, utilizing expertise and know-how built through business in the Kansai market. In the Greater Tokyo Area, we have decided to participate in the Fukushima natural gas power generation, Ichihara biomass power generation, and Ogishima natural gas supply projects. We have also established structures to expand the energy business into wider areas centered around the Greater Tokyo Area by setting up ENEARC Co., Ltd., an LPG sales company based in Tokyo, Nagoya and Osaka, and CD Energy Direct Co., Ltd., a gas and electricity sales company based in the Greater Tokyo Area. Furthermore, we pursue business alliances in the retail gas segment while developing rate plans for the Greater Tokyo market. We aim to grow the Domestic Energy Business by expanding businesses widely across the region centered on the Greater Tokyo.

Power Source Development

We have been building a power source portfolio with a focus on renewable energy, which is necessary for growth in the electricity business. During the fiscal year ended March 31, 2018, we started commercial operations at the Nakayama Nagoya Power Plant II, which succeeded in co-firing biomass fuel at 30%, the highest level in Japan. We also decided to partake in several renewable energy sources in projects such as Ichihara biomass power generation, Matsuzaka biomass power generation, and Shiribetsu wind power generation. To accelerate the introduction of renewable energy sources, we doubled the FY2031.3 target for renewable energy source acquisition from 0.5 million kW to 1 million kW. We intend to expand our power source portfolio which is competitive and eco-friendly.

Strategy in the International Energy Business

In the International Energy Business, we steadily worked on our existing projects such as the Freeport LNG project and the Ichthys LNG project. We also made the decision to invest in the Michigan natural gas-fired thermal power plant and Kleen Energy natural gas-fired thermal power plant, following investments in the Shore natural gas-fired thermal power plant and Fairview natural gas-fired thermal power plant in the previous year. Through participation in these

projects, we dispatch our staff to the sites and promote the accumulation of know-how regarding fuel procurement for projects and sales of electricity to the power market. In particular, as we hold a 50% equity interest in the Fairview power plant, we will take the initiative in its management to make use of its large power capacity of 525 thousand kW. In preparation for the launch of the Fairview power plant operations, we are building know-how through taking active roles in management of the Michigan power plant, for which we hold a 100% equity interest. In addition, outside North America, we strengthened business structures in April 2018 by establishing the Southeast Asia Energy Business Department to accelerate business development in the region. Through these activities, we pursue growth in the International Energy Business.

Strategy in Life & Business Solutions (LBS) Business

Our LBS segment has developed stable businesses, steadily contributing to the Group's profits. We carried out strategies to achieve future growth including the acquisition of Agnie Consulting Corporation, and we continue to reinforce the LBS Business, the risk profile of which differs from energy businesses. In the Real Estate Business, we are strengthening the business structure in the Greater Tokyo Area. In the Material Business, we are boosting the activated carbon business and developing various applications for fine materials apart from lenses. In the Information Business, we are promoting contribution to innovation within the Group and expansion and enhancement of the IoT business and ERP business.

Strategy to Establish New Business Fields

In order to increase the number of customer accounts and strengthen the energy value chain, we promote M&As and alliances with other companies in business areas such as Sumikata Service, gas and power retailing, kitchen and bath renovations, industrial water treatment, and renewable energy including solar and wind power generation to develop them into new core businesses of the Daigas Group.

3. Strategy to Meet the targets of the Medium-term Management Plan 2020

In the Medium-term Management Plan 2020, The Group aims for EBITDA of 200 billion yen, ROE of 7.0%, and ROA of 3.5%. Although the business environments in gas and electricity are becoming harsh, we seek to achieve these goals by implementing measures in the Domestic Energy Business, such as keeping high customer retention in the gas business; steadily winning retail electricity contracts; sales expansion of gas equipment to meet customers' various needs; expansion of offerings in related services including Sumikata Service; promotion of continuous cost reduction; in the International Energy Business, revenue growth through the Freeport LNG Project and Ichthys LNG Project; and steady growth in the LBS Business.

4. Daigas Group's Strengths

In 1905, Osaka Gas began supplying gas for gas lamps, and since then, our business has continued for more than 110 years. Through all those years of energy business, we have gained our strengths in technological development of gas equipment from gas lamps to cooking, heating, hot water, and power generation, which have helped expand the use of gas; in sales and services grown through our relationships with customers as we worked closely with them; in diversity and stability of business footing established based on these relationship with customers as we expanded our business areas; and in soundness of the financial base, which supports all of the above.

5. Earning the Trust of Stakeholders

In order to grow our business sustainably, we ensure that the entire Group performs ESG-conscious management and earns the trust of stakeholders. We also exercise environmentally-conscious management, under which we accelerate the introduction of high-efficiency equipment to customers and the acquisition of renewable energy power sources such as wind and solar power to achieve a scale of 1 million kW in FY2031.3. Through society-conscious management, we promote human right activities and appropriate labor practices while expanding its scope to overseas business partners. In addition, to continue to be a healthy and sound group, the Daigas Group continues to support its members to establish efficient work styles and improve productivity. Concerning governance, we pursue enhancement of our PDCA activities and information disclosure, so that we continue receiving high evaluations from investors and assessment bodies inside and outside Japan for fair and sound business practices.

Business Results and Future Outlook

Executive Vice President

Masataka Fujiwara

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

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

Forecast for the Fiscal Year Ending March 31, 2019

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

Consolidated Performance

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

Consolidated Performance (Segment)

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

Growth Investment Policy and Progress

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

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

Investment Risk Management

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

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

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

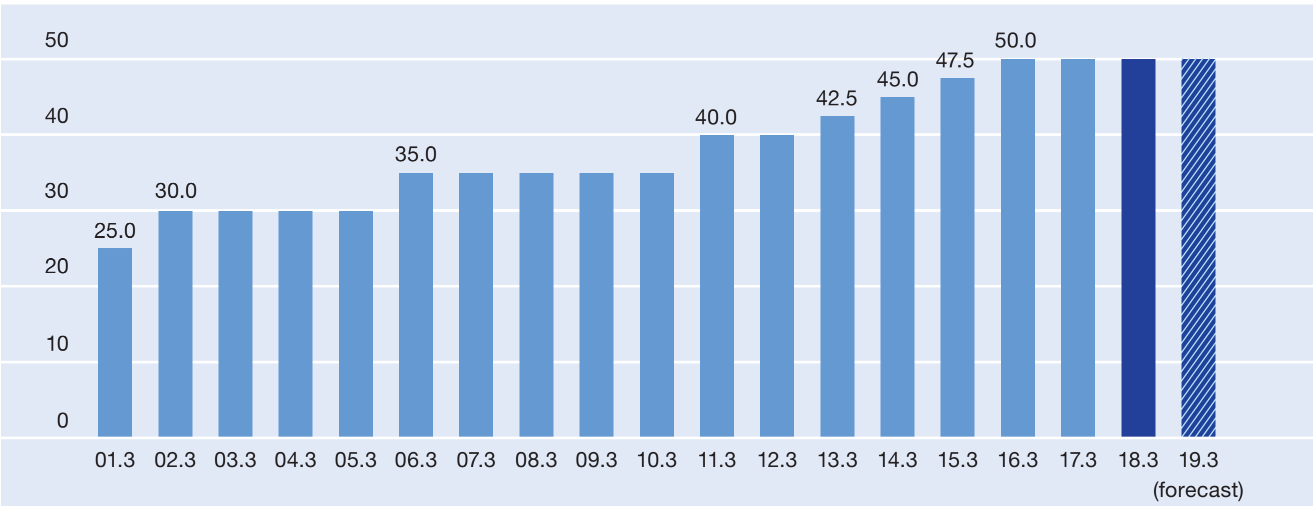
Our aim is to provide stable dividends, and our basic policy is to maintain a consolidated dividend payout ratio of 30% or higher excluding short-term fluctuation factors that affect profits, raise our level of profitability through profit contributions from growth investments, and pay higher dividends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

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

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

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

Annual Dividends per Share (yen)



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

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

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

Business Plan for FY2019.3 of the Daigas Group

Domestic Energy Business

Develop energy marketer business of a new era

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

Development of pipeline network operator business

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

Promotion of innovation to go beyond boundaries

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

Establishment of competitive energy infrastructure

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

Enhancement of the engineering business

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

Expansion of business in the metropolitan markets

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

International Energy Business

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

Life & Business Solutions (LBS) Business

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

ESG Management

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

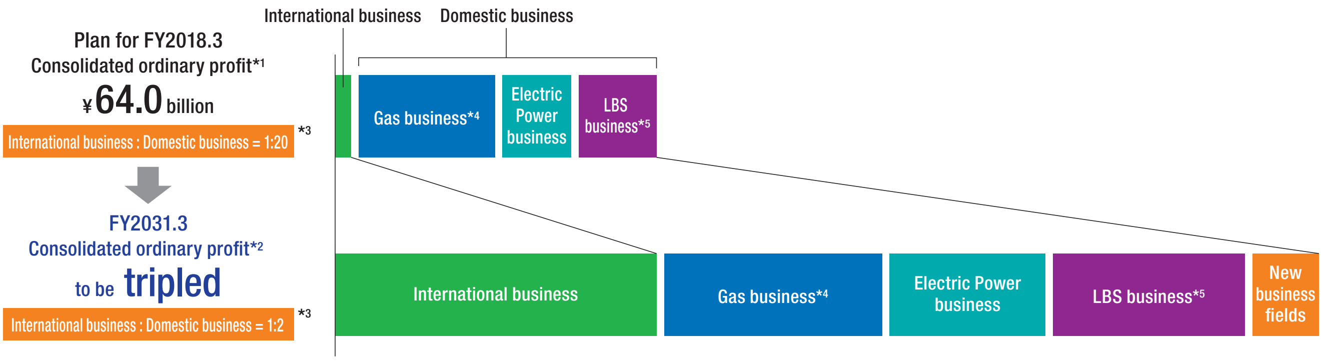
Efforts to Become “What We Aim To Be in FY2031.3”

Daigas Group’s Long-term Management Vision and Medium-term Management Plan “Going Forward Beyond Borders” Daigas Group’s Long-term Management Goals (Priority Management Issues): Basic Approach

1 Expand Business Domains and Services	▌Realize growth in each of the following business domains and build strong business structures that are resistant to business risks such as oil price fluctuations. [Domestic Energy: Gas manufacturing and sales / Gas distribution / Electric power generation and sales / New business fields] [International Energy: International upstream and trading / International middle and downstream] [LBS: Real estate / Materials / IT / New business fields and others] ▌Provide not only city gas, but high-quality services through the Daigas Group to boost profits including electricity and LPG supply, life support, and business support. ▌Further promote business development in a broader area in Japan and strategic areas overseas.
2 Ensure Reliability and Safety as Energy Professionals	▌Promptly incorporate leading edge technology while continually advancing commercialization of proprietary technology and progressing with efforts for new initiatives to provide reliable, safe, and high-quality services in an uninterrupted manner.
3 Earn Trust through Enhanced Corporate and Business Qualities	▌Engage in high-quality business activities that are constantly chosen by customers, compliance-conscious, and environmentally-friendly, sustainable.
4 Enhance Corporate Value	**Improve asset efficiency and capital efficiency** ▌Continue working to raise profitability with an aim of EBITDA*1, ROE, and ROA improvement. **Shareholder returns** ▌Decide on other measures of shareholder return such as share buybacks with a comprehensive view on various factors including business performance and future management plans while maintaining stable dividends. ▌Aim to maintain a consolidated dividend payout ratio of 30% or higher excluding short-time fluctuation factors that affect profits, within the amount available for distribution to Osaka Gas shareholders. **Maintain financial soundness** ▌Manage risks quantitatively while maintaining a shareholders’ equity ratio of approximately 50% and a D/E ratio of approximately 0.7 over the medium- to long-term.

*1 EBITDA = operating profit + depreciation cost + amortization of goodwill + equity in earnings/losses of affiliates

What We Aim to Be in FY2031.3



*1 Crude oil price of $55/barrel; exchange rate of ¥115/$1 *2 Crude oil price of $70/barrel; exchange rate of ¥115/$1 *3 On the basis of consolidated ordinary profit
*4 Gas business profit includes sales of equipment and LNG, etc. *5 Life & Business Solutions

The Daigas Group's Long-term Management Goals: Specific Target Values

Long-term target items		Performance 2018.3	Medium-term management plan 2021.3	Long-term management vision 2031.3
Expand business domains	Energy source procurement capacity*1	3,300 MW		9,000 MW
	Renewable energy power source capacity (Of the above)	—	—	1,000 MW
	Number of customer accounts	8.27 million	—	10.00 million or more
	Scale of natural gas business	10.30 million t	—	17.00 million t
Quality improvement	Customer satisfaction at each contact point	92.5%	94.0%	95.0%
Security and safety	Ensure security and safety of gas pipelines, gas manufacturing and power generation business	Maintain the status of zero serious accidents		
Environment/CSR	Reduction amount of CO_2 emissions*2	0.61 million t	Approx. 7.00 million t	Approx. 70.00 million t
Investment*3	Total investment	¥115.4 billion	¥700.0 billion	¥2,000.0 billion
	Growth investment	¥73.3 billion	¥520.0 billion	¥1,450.0 billion
	Domestic energy	¥31.4 billion	¥200.0 billion	¥520.0 billion
	International energy	¥23.6 billion	¥214.0 billion	¥550.0 billion
	Life & Business solutions	¥18.1 billion	¥106.0 billion	¥380.0 billion
	Quality improvement investing	¥42.1 billion	¥180.0 billion	¥550.0 billion
Profitability	EBITDA	¥167.1 billion	¥200.0 billion	—
	ROE	3.8%	7.0%	—
	ROA	2.0%	3.5%	—

*1 Shifting to procurement from markets or other companies can be considered depending on the circumstances in systems and regulations imposed by the national government.
*2 Total reduction amount for the period from FY2018.3 to FY2021.3 and the period from FY2018.3 to FY2031.3 (compared to FY2017.3)
*3 Total investment amount for the period from FY2018.3 to FY2021.3 and the period from FY2018.3 to FY2031.3

Business Risks

The following are examples of risks that can affect business performance and financial conditions of the Group. Matters concerning the future as stated are based on the Daigas Group's judgment and assumptions as of March 31, 2018.

(1) Risks Related to All Businesses within the Group

1) Changes in economic, financial, and social conditions as well as market contraction

A decrease in net sales, difficulties in fund-raising, insolvency of partner companies, Japan's shrinking population or the transfer of manufacturing overseas, due to worsening economic, financial, and social conditions in the economies of Japan and/or other countries

2) Changes in foreign exchange rates and borrowing rates

3) Occurrence of catastrophic disasters, accidents, or infectious diseases

Occurrence of catastrophic natural disasters, terrorist events, accidents, or infectious disease epidemics such as new strains of influenza or other diseases

4) Changes in international rules, politics, laws and regulations, and institutional systems

Changes in international rules concerning the environment, the public, and corporate governance, as well as changes in the rules, policies, laws and regulations, and institutional systems in Japan and/or other countries

5) Intensifying competition

Intensified competition with other operators in business areas related to the Group

6) Breakdown or malfunction of critical IT systems

Breakdown or malfunction of critical IT systems, such as systems related to gas production/supply or billing

7) Quality issues with products or services

Expenditures to resolve quality problems relating to products or services handled by the Group or damage to the Group's social reputation thereof

8) Information leaks

External leaks of important information used in the course of the Group's business, including customer information or technical information possessed by the Group

9) Non-compliance with laws and regulations

Damage to social reputation and costs arising following acts carried out by the Group or by any person related to the Group in violation of any law or regulation

(2) Risks Related to Major Businesses

1) Domestic energy business

a. Impact of fluctuations in temperature/water temperature on energy demand

b. Changes in raw fuel costs

Fluctuation in raw fuel costs due to changes in foreign exchange rates, crude oil prices, renewal of contracts and price negotiation trends with fuel suppliers, and other relevant factors

c. Difficulty in procuring raw fuels

Problems with the facilities of LNG (raw fuel from which gas or electricity are produced) suppliers or their operations, or other incidents

d. Difficulties in gas production and supply

Disruption of the production or supply of gas due to catastrophic natural disaster or accidents

e. Difficulties in power generation or supply

Any difficulties in power generation or supply due to a natural disaster, accident, problems with fuel purchasing or other incidents

f. Gas equipment and facility issues

Serious problems with gas equipment or facilities

g. Intensifying competition in the industry and the resulting increase in choices available to consumers

2) International energy business

Changes in the operating environment, such as decreased profitability or project delay or cancellation, resulting from the public policies, implementation of or changes in regulations, deterioration of economic or social conditions, or technical problems in the countries in which the Group operates

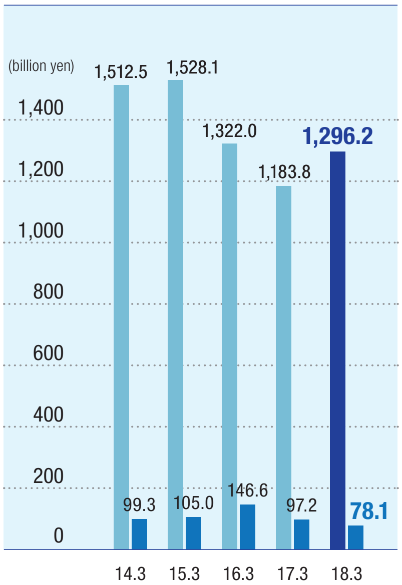
The Daigas Group prepares for the above risk by entering into derivative transactions for foreign exchange and materials, etc., purchasing various insurance such as disaster insurance, enhancing the security of core IT systems, thoroughly following compliance and information management protocol, appropriately understanding and supervising the situations of business operations, and formulating and reviewing safety and disaster measures as well as business continuity plans, to mitigate impact on our business in cases where such risks emerge.

Financial Data

Net sales/Operating profit

Fiscal year ended March 31, 2018

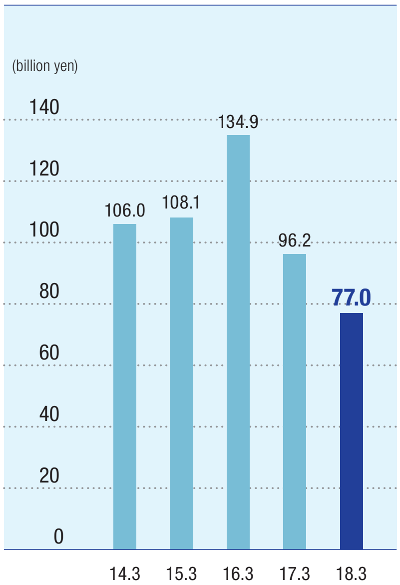
Net sales **¥1,296.2 billion** Operating profit **¥78.1 billion**



Ordinary profit

Fiscal year ended March 31, 2018

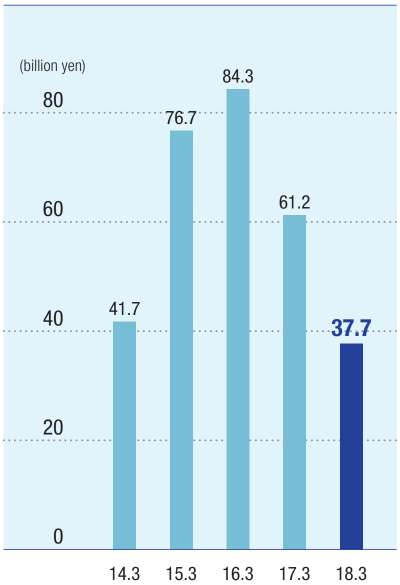
¥77.0 billion



Profit attributable to owners of parent

Fiscal year ended March 31, 2018

¥37.7 billion

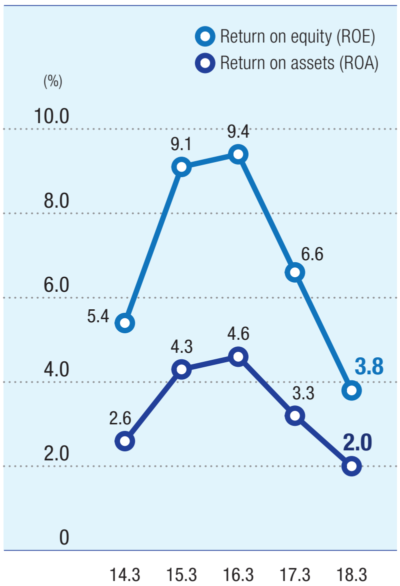


Return on equity (ROE)

Return on assets (ROA)

Fiscal year ended March 31, 2018

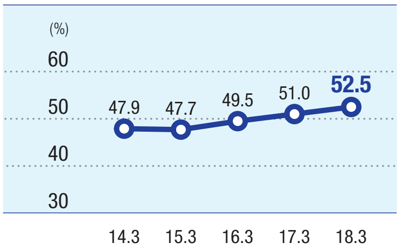
ROE **3.8%** ROA **2.0%**



Capital adequacy ratio

Fiscal year ended March 31, 2018

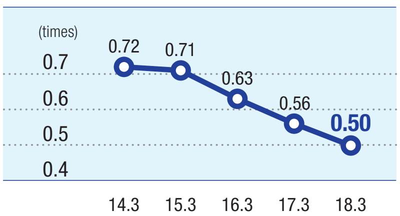
52.5%



Debt equity ratio

Fiscal year ended March 31, 2018

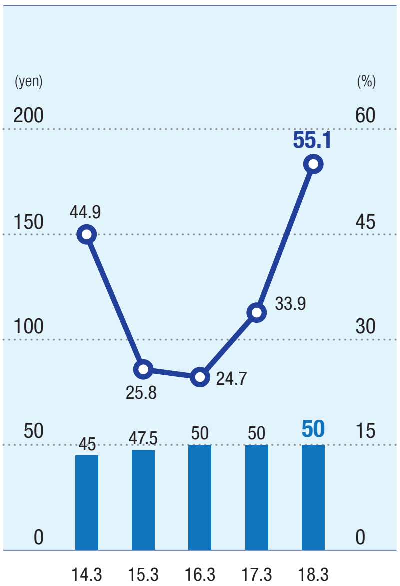
0.50 times



Payout ratio/ Dividends per share

Fiscal year ended March 31, 2018

Payout ratio **55.1%** **¥50 per share**

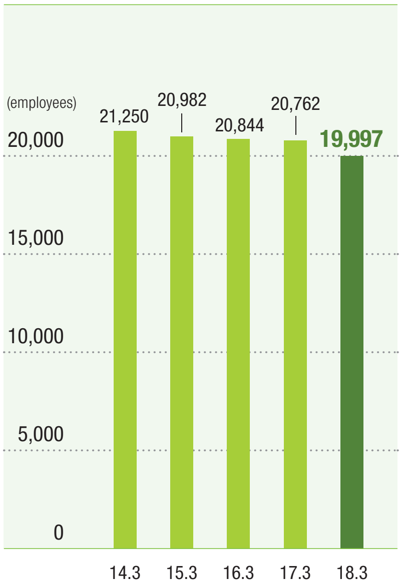


Non-Financial Data

Number of group employees

As of March 2018

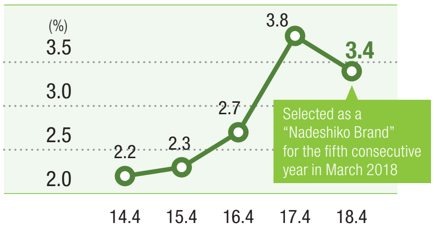
19,997



Percentage of women in managerial positions (Osaka Gas)

As of April 2018

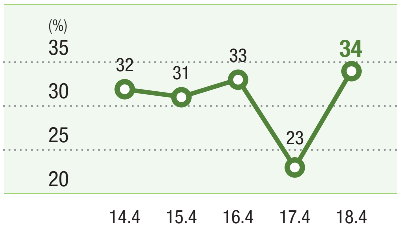
Target 5.0% or higher by FY2021.3 **3.4%**



Percentage of new women graduates in career-track positions (Osaka Gas)

As of April 2018

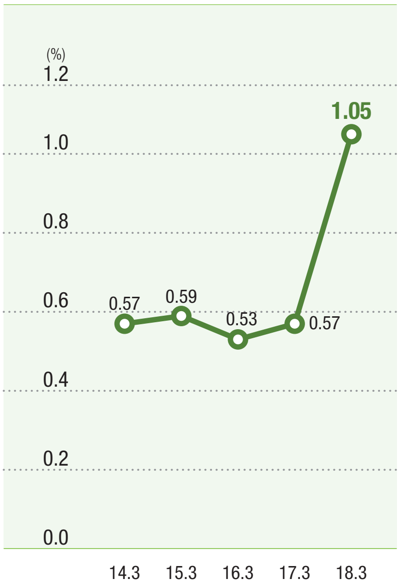
34%



Job turnover rate (Osaka Gas employees under age 50)

Fiscal year ended March 31, 2018

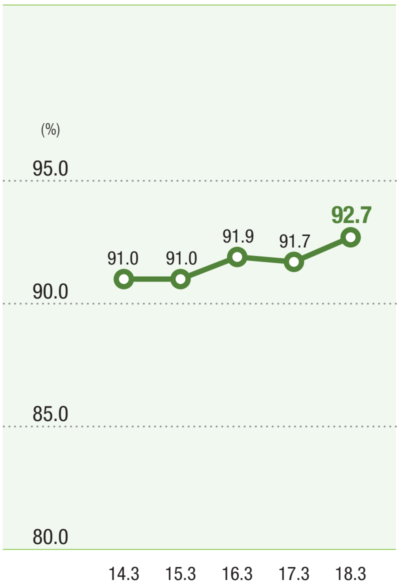
1.05%



Customer satisfaction (overall satisfaction*)

Fiscal year ended March 31, 2018

92.7%

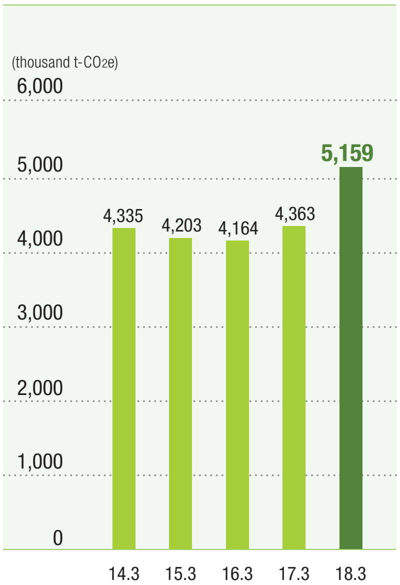


* Overall satisfaction:
Percentage of evaluations in the highest two ranks of a six-rank scale regarding customer satisfaction levels in seven areas of operation that have direct interaction with customers

Group greenhouse gas emissions

Fiscal year ended March 31, 2018

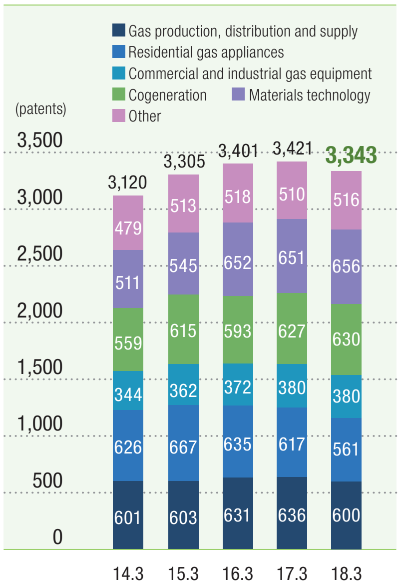
5,159 thousand t-CO_2e



Patent portfolio by business type

Fiscal year ended March 31, 2018

3,343



Domestic Energy Business

What We Aim to Be in FY2031.3 and Summary of Current Situation

Although competition in the energy business has been intensified in the Kansai area since the full deregulation of the retail electricity market in April 2016 and the retail gas market in April 2017, we are actively working to achieve growth in the domestic energy business. We are striving to develop our business as an energy marketer in a new era by strengthening each of three areas in the domestic energy business; namely gas manufacturing and sales, gas distribution, and electric power generation and sales. Specifically, we are first ensuring a stable energy supply and unparalleled safety for existing customers in the Kansai area to enable use with peace of mind. In addition, we are proceeding with comprehensive provision of energy supply and services by expanding the electric power and LPG businesses and enhancing life support services and one-stop services as utility agent, while taking measures to curb the number of customers leaving. Furthermore, by broadly deploying expertise and services as well as alliances developed in the Kansai area, we aggressively entering into markets mainly in the Greater Tokyo area other than the Kansai area, aiming to reach more than 10 million customer accounts by FY2031.3

Domestic Energy/Gas

Summary for the Fiscal Year Ended March 31, 2018, and Outlook for the Fiscal Year Ending March 31, 2019

For the fiscal year ended March 31, 2018, segment profit decreased ¥12.6 billion year-on-year to ¥42.6 billion due to influences from competition and time-lag profits, despite an increase in gas sales volume for residential use driven by low air and water temperatures. For the fiscal year ending March 31, 2019, segment profit is assumed to decrease by ¥7.6 billion year-on-year to ¥35.0 billion, reflecting competition and a pullback from low air and water temperatures experienced in the previous fiscal year.

Forecast for the fiscal year ending March 31, 2019

Net Sales **¥994.0** billion　Segment Profit **¥35.0** billion

Domestic Energy/Electricity

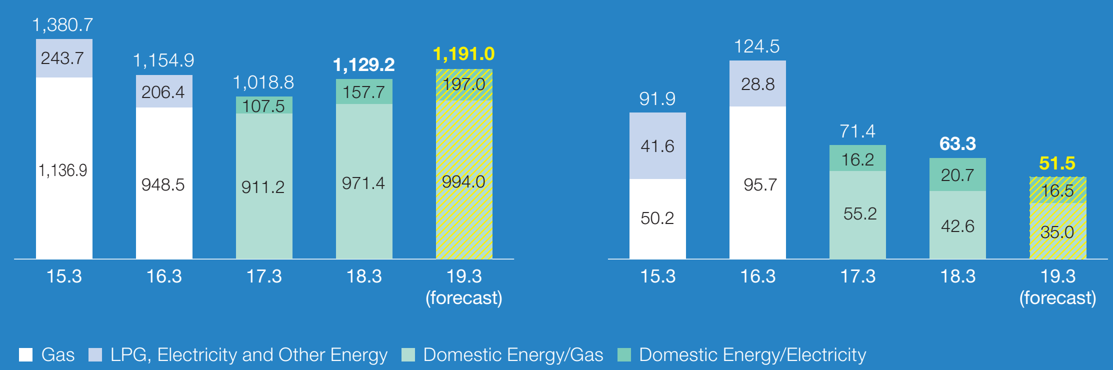
Summary for the Fiscal Year Ended March 31, 2018, and Outlook for the Fiscal Year Ending March 31, 2019

For the fiscal year ended March 31, 2018, segment profit increased ¥4.5 billion year-on-year to ¥20.7 billion due mainly to the acquisition of electric power retail contracts. For the fiscal year ending March 31, 2019, although we will continue to progress with acquisition of electric power contracts, segment profit is assumed to decrease by ¥4.2 billion year-on-year to ¥16.5 billion, owing to competition and other factors.

Forecast for the fiscal year ending March 31, 2019

Net Sales **¥197.0** billion　Segment Profit **¥16.5** billion

Net Sales (billion yen)　**Segment Profit* (billion yen)**



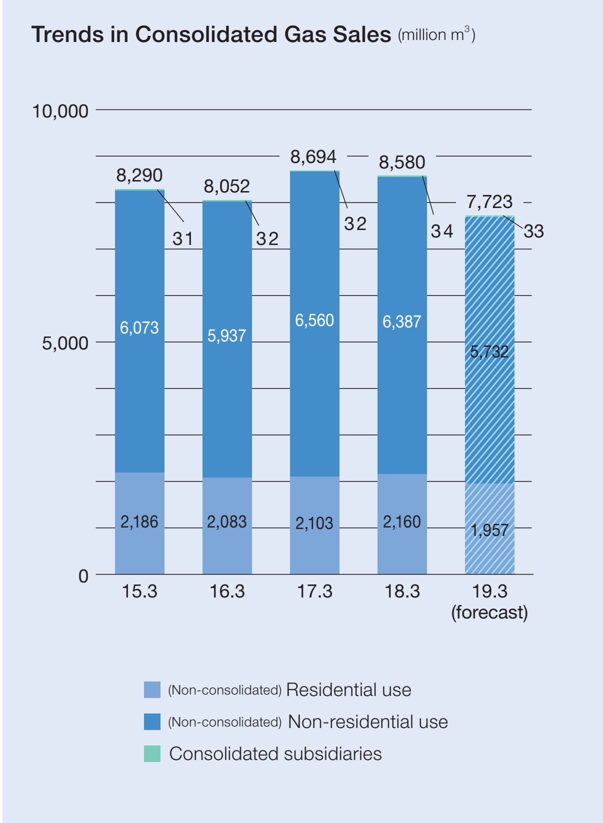
* Segment profit = Operating profit + Equity in earnings of affiliates

Gas Sales

Gas sales volume for the fiscal year ended March 31, 2018 decreased from the previous fiscal year due to a decrease in sales volume for non-residential use exceeding the increase for residential use.
With regard to gas sales volume for residential use, the influence of increased demand for hot water and room heating driven by low air and water temperatures surpassed the decrease in sales volume due to customers moving to other companies and improved efficiency in appliances. With regard to gas sales volume for non-residential use, the decrease due to customers moving to other companies and declined usage at particular customers surpassed the increase fueled by demand development and increased operation of equipment at existing customers.

Gas sales volume for the fiscal year ending March 31, 2019 is expected to decrease and be below levels of the previous fiscal year for both residential use and non-residential use. Residential use is projected to be lower than the level of the previous fiscal year due to a pullback from the effects of low air and water temperatures experienced in the previous fiscal year and customers moving to other companies. Non-residential use is projected to be lower than the level of the previous fiscal year due to declined operation of equipment at particular customers and the influence of customers moving to other companies.

	2017.3	2018.3	Change
Consolidated number of gas supply contracts (thousand)	6,255	5,996	-260
Non-consolidated number of gas supply contracts (thousand)	6,230	5,970	-260

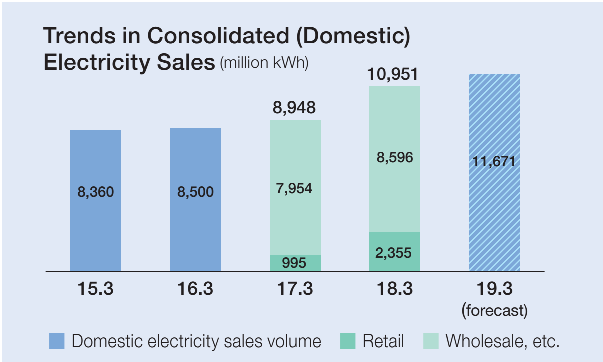


Electricity Sales

Electricity sales volume for the fiscal year ended March 31, 2018 increased from the previous fiscal year for both wholesale and retail sales. Growth in the number of low-voltage electricity supply contracts was strong particularly.

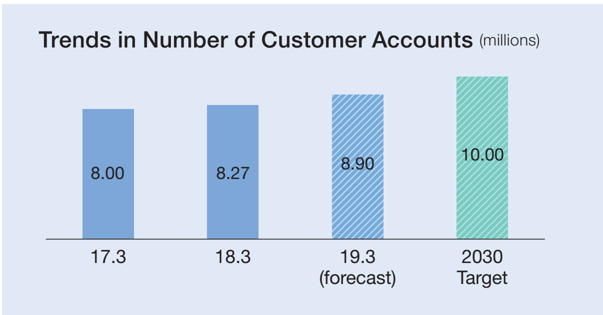
For the fiscal year ending March 31, 2019, we are working to further raise the number of low-voltage electricity supply contracts to increase electricity sales volume.

	2017.3	2018.3	Change
Number of low-voltage electricity supply contracts (thousand)	305	619	+314



Customer Accounts

The number of customer accounts as of March 31, 2018 was 8,270 thousand, an increase of 270 thousand from the end of the previous fiscal year. This is primarily due to new installation in the gas business, acquisition of electricity contract, an increased number of installations of ENE-FARM and acquisition of maintenance and warranty contracts, despite a decrease affected by the full deregulation of the gas retail market. We will aim for 8,900 thousand accounts by March 31, 2019 through focusing on acquisition of electric power, the Sumikata Plus service and maintenance and warranty contracts.



Energy Resource Procurement

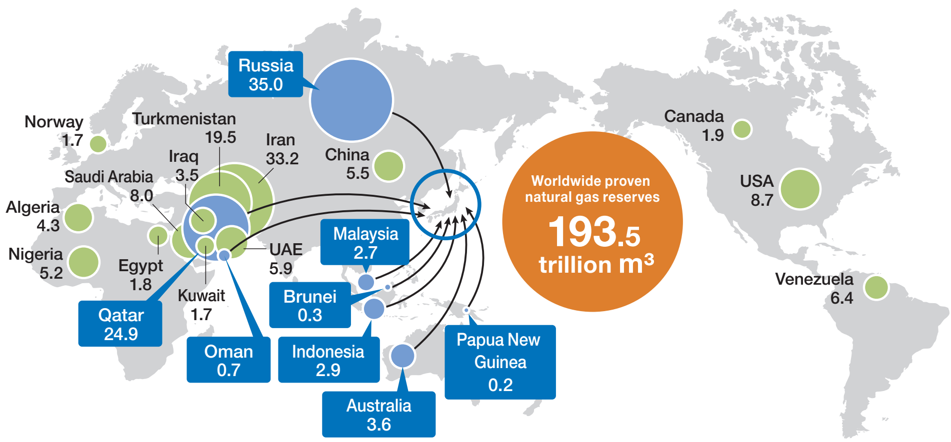
Diversifying sources of supply and the terms and conditions of agreements

Unlike oil reserves, most of which are located in the Middle East, reserves of natural gas, which are used as materials for city gas and for power generation, are found all over the world.

With longer expected years of production than those of oil, the superiority of natural gas as an energy source is highly recognized. Osaka Gas started to import LNG from Brunei in 1972 and has since diversified its suppliers. Currently, Osaka Gas procures supplies of LNG from the eight countries of Brunei, Indonesia, Malaysia, Australia, Qatar, Oman, Russia, and Papua New Guinea. In addition, the natural gas liquefaction business in Texas, USA is set to launch operations. We are continuing to strive for increasingly stable and reliable procurement of LNG.

Furthermore, procurement of LNG from the USA will enable us to enter into new types of agreements where LNG procurement prices are indexed to Henry Hub prices, in addition to the traditional agreements in which LNG prices are generally linked to the price of crude oil. The diversification of pricing mechanisms will stabilize LNG prices should there be a surge in crude oil prices. In addition, by investing in liquefaction projects, we will be able to procure price-competitive LNG from among Henry Hub prices, expect to lead to reductions in the price of LNG.

Countries with Natural Gas Reserves and Countries from which Osaka Gas Procures LNG



Major country with natural gas reserves*

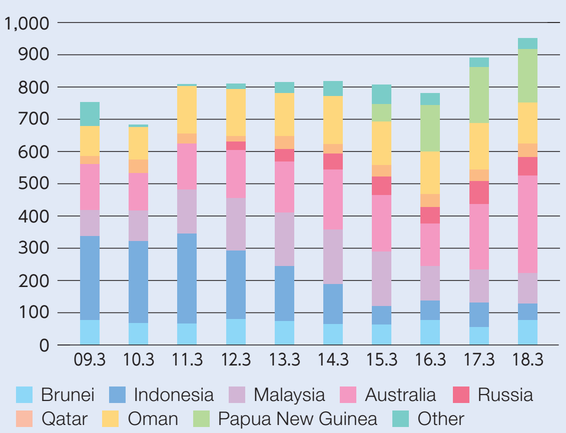
Country with which Osaka Gas has concluded a long-term procurement agreement

Figures indicate the amount of natural gas reserves (Unit: trillion m³)

* Source: "BP Statistical Review of World Energy 2018" provided by BP plc.

- 1972 Importing of LNG from Brunei begins
- 1977 Importing of LNG from Indonesia begins
- 1989 Importing of LNG from Australia begins
- 1995 Importing of LNG from Malaysia begins
- 1998 Importing of LNG from Qatar begins
- 2000 Importing of LNG from Oman begins
- 2008 Importing of LNG from Russia begins
- 2014 Importing of LNG from Papua New Guinea begins

LNG Purchase Volume (thousand tons)



Use of Daigas Group LNG Carrier Fleet

By utilizing the Daigas Group carrier fleet consisting of seven ships, we are striving to further stabilize the procurement of energy resources and reduce transportation costs while diversifying our suppliers in an effort to expand our LNG trading business.

Vessel name	LNG VESTA	LNG JAMAL	LNG DREAM	LNG BARKA	LNG JUPITER	LNG VENUS	LNG MARS
Capacity	125 thousand m³	135 thousand m³	145 thousand m³	153 thousand m³	153 thousand m³	153 thousand m³	153 thousand m³

As of April 1, 2018

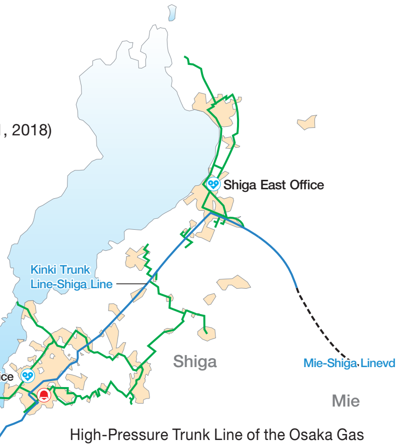
Supply Systems

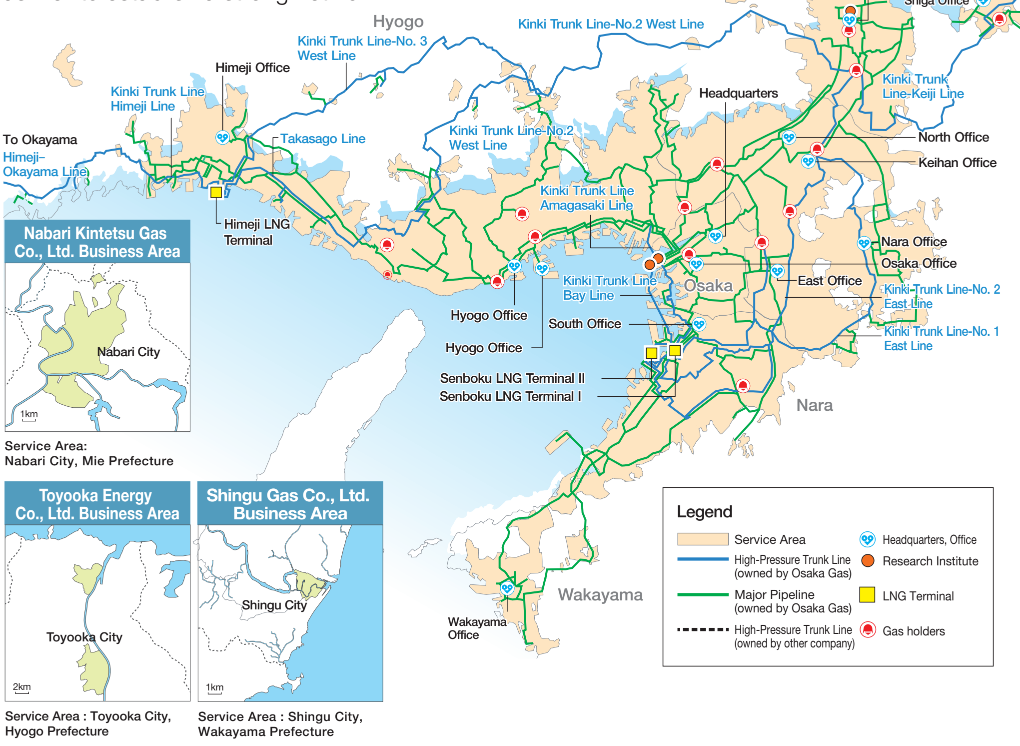
Supply network structure

For stronger supply capabilities and improved reliability of city gas, we regularly inspect our pipeline network, implement planned reinforcements and replacements with pipelines constructed of stronger material on a regular basis. Additionally, in response to increasing demand for city gas, we have been working to extend new pipelines as well to establish a strong network.

Gas Service Area of the Daigas Group

Total pipeline length (As of March 31, 2018)
Osaka Gas: approx. 61,900 km
Daigas Group: approx. 62,400 km





High-Pressure Trunk Line of the Osaka Gas

Beginning of use	Line name	Lengthd (km)
1972	Kinki Trunk Line-No. 1 East Line (Northbound)	79
1973	Sakai Link Pipe	11
1975	Senboku No.1 Link Pipe	5
	Senboku No.2 Link Pipe	5
1976	Kinki Trunk Line-No. 1 East Line (Southbound)	30
1978	Kinki Trunk Line-No. 2 East Line	92
	Kawachi Line	14
1980	Hokko Link Pipe	12
1986	Harima West Coast Line	7
1989	Kinki Trunk Line-No.2 West Line	158
1994	Kinki Trunk Line-No.3 West Line	73
1996	Takasago Line	3
2000	Kinki Trunk Line Bay Line	21
	Torishima Link Pipe	1
2001	Torishima Line	1
2003	Kinki Trunk Line-Keiji Line	46
	Kinki Trunk Line-Himeji Line	7
2006	Kinki Trunk Line-Shiga Line	46
	BS Hikone Line	1
2010	Kinki Trunk Line Amagasaki Line	7
2014	Mie-Shiga Line	23
	Himeji-Okayama Line	86
2016	Aioi Line	3
	Total	731

Safety System that Works 24 Hours a Day, 365 Days a Year

To ensure reliable supply of city gas, our safety system estimates daily demand, makes production plans, and sends production orders to production facilities. The system also performs reliable and efficient controls that respond to changes in demand through means such as wirelessly operating gas holders that store and release gas as necessary. For a pipeline network with a total extended length of approximately 61,900 km (equivalent to 1.5 times the circumference of the earth), regular inspection and maintenance are conducted as preventative measures for ensuring safety. The Central Safety Command Center operates 24 hours a day to monitor and control the status of gas supply in an integrated manner and is ready to promptly respond and dispatch staff from respective locations upon receiving reports from customers. In the event of a large-scale accident or natural disaster such as an earthquake, the center will serve as a company-wide command center that communicates and collaborates with each business base.

High-Quality Safety and Reliability

We have approximately 200 service chain partners in our service area that work closely with customers in their areas providing Sumikata Services (home services) in addition to contract services for the Company (such as opening and shutting off gas service and maintenance of gas equipment). We receive calls 365 days a year and have a 24-hour reception system in place particularly for gas appliance repairs. If a call is received by 3:00 p.m., one of 1,300 technicians qualified by Osaka Gas to repair gas appliances will visit the customer on that day. Customers have given a 98% customer satisfaction rating to the speed with which repairs are completed after their call is made.

Measures to Maximize Customer Accounts

For maximizing customer accounts, we are aiming to become a company that is consistently chosen by customers in the areas of energy supply such as city gas, LPG, electric power, and other energy-related services by continuing to provide services that go beyond customers' expectations.

Measures for Residential Use

For more than 110 years, we have provided a stable energy supply and superior safety and reliability to earn customers' trust. On the base of this trust, we are providing electricity and gas supply as well as new products and new services to strengthen relationships with customers. In addition, we established the Innovation Headquarters in April 2018 in order to accelerate this initiative.

In April 2017, we began providing a new service, Sumikata Plus, offering emergency home repair services that provide primary response to household problems as many times as requested and living support services that supports customers' food, health and energy savings, for a fixed monthly fee of 216 yen (including consumption tax) for customers subscribing to Gas-Toku plans from among our gas rate options.

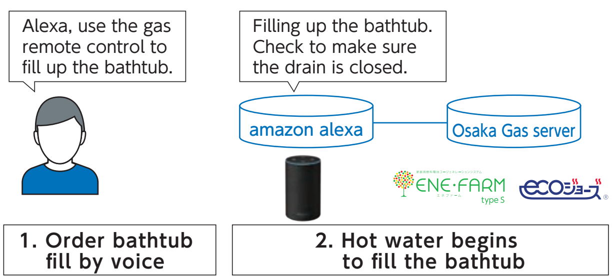
Starting from April 2018, we expanded the target customer of this service to all of our customers and added the new services, Smile Check, which offers water leakage inspection, light fixture replacement advice, underfloor inspections, etc. In addition we began to provide four services, including Mamoryukku which offers emergency supplies with replacement services, for an additional fee.

Expanding IoT Service

Starting from April 2018, further enhanced services are provided for customers who enjoy the IoT residential fuel cell ENE-FARM type S or energy saving water heater ECO-JOZU.

We are providing new added value by utilizing the IoT, namely, gas appliance operations through smart speaker, hot water monitoring service using smartphone app and etc.

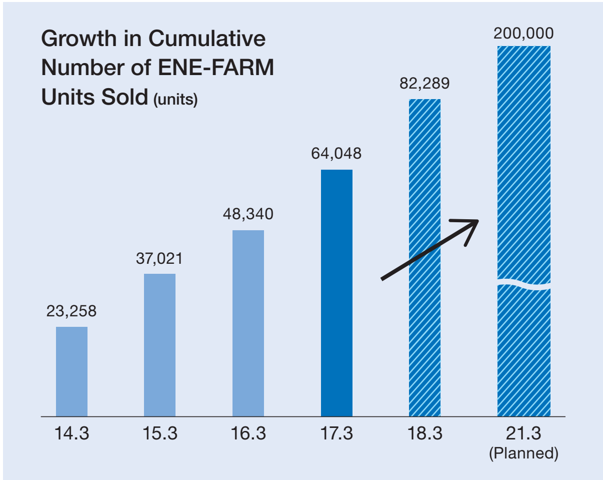
Services/Functions	Content
For customers using the IoT supported ENE-FARM and ECO-JOZU	
1: Gas appliance operation through smart speaker	Enables customers to speak to Amazon Echo to fill up a bath tab or operate floor heating
2: Hot water monitoring service using smartphone app	Sends remote family members notifications of hot water usage using smartphones, offering a casual watch over family life
3: Living-related newsletter service using smartphone app	Sends newsletters about tips and hints on how to use gas appliances and other useful living information (weather and editorials) to smartphones
4: Gas usage visualization service	Provides breakdown of gas usage (by water heating, room heating, and water reheating) of IoT supported gas appliances on the My Osaka Gas page



Initiatives Aimed at Promoting Installation of ENE-FARM

Since its launch in June 2009, ENE-FARM has been well received by many customers, and total sales volume recently reached 80,000 units.

The CO_2 reduction effect by 80,000 units of ENE-FARM is 118 thousand tons*1 per year, equivalent to planting of approximately 8.51 million cedar trees*2. Osaka Gas are striving to achieve total sales volume of 100 thousand units of ENE-FARM early and advance further technology development and cost reduction while continually contributing to the realization of comfortable living for customers, mitigation of environmental loads, and enhancement of energy security.



*1 Estimated figures calculated by the Company for instances where traditional gas-powered hot water and heating systems are replaced with a new ENE-FARM type S (on assumption of a detached house with a family of 4).
[Applied rates] For a traditional hot water and heating system, the floor heating standard plan (option discount of 9%) for gas and the meter-rate lighting A plan for electricity are applied. For ENE-FARM type S, the my home power generation rates (option discount of 9%) for gas and the meter-rate lighting A plan for electricity are applied. *Gas and electricity charges are respectively calculated based on rates for August 2017 of Osaka Gas and Kansai Electric Power (consumption tax included). Renewable energy generation promotion levies included in electricity charges are based on the amount effective for FY2018.3. Purchase rates for surplus power is based on rates as of August 2017. [CO_2 emission factors] gas: 2.29kg-CO_2/m^3 (Source: the Company), electricity: 0.65kg-CO_2/kWh (Source: the average factor of thermal power plants in FY2014.3 stated in the Global Warming Countermeasure Plan approved by the Cabinet in May 2016)
*2 CO_2 absorption of cedar trees per unit is 13.9kg-CO_2 per year and per tree (Source: 1997 Forestry White Paper of Japan. Based on a 50 year-old and 22 meter-high cedar tree with a diameter of 26 cm)

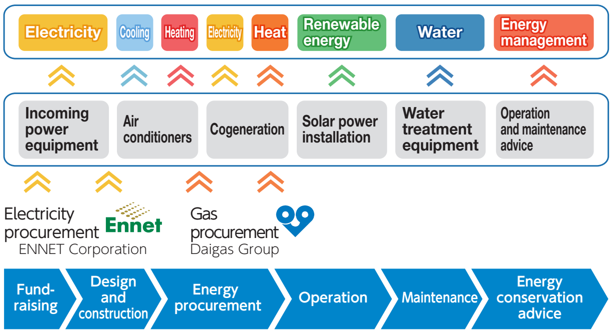
Measures for Commercial and Industrial Use

To enable optimized, efficient energy usage, we provide solutions to meet utilities-related outsourcing needs at our customers, along with services that leverage engineering, the IoT and other advanced tools in the development of technologies and products needed by our customers. We also offer these services beyond the Kansai area. In March 2018, we invested in Reliance Energy Okinawa which engages in the ESP business.

Utility Agent Contract

As a utility agent, the Daigas Group has a full range of utilities-related services. OGCTS Co., Ltd. provides comprehensive one-stop services combining nine categories. By proposing in a single package optimized utility facilities (for gas, electricity, water, etc.), no requirement for initial investment, optimized procurement of energy, facility operation/maintenance, and energy-saving technical advice after facility introduction, we ensure continuous energy- and cost-saving not only at the time of introduction but also during operation.

"Design Your Energy—A Better Tomorrow"
OGCTS
SYSTEM
SUPPLY
O & M
UA9 Blocks®



Engineering Services

Leveraging technologies built up over the years, we carry out thorough investigations into energy load at all customer facilities and provide solutions to issues faced by the customer using simulations and other measures at one of Japan's largest test sites. Construction work and post-project maintenance are also carried out by the Daigas Group. We propose total solutions, including regular inspections, emergency troubleshooting and facility upgrades.

Diagnosis results

Industrial facilities	Power measurement
Approx. **5,900** units	Approx. **1,700** systems

As of March 31, 2018

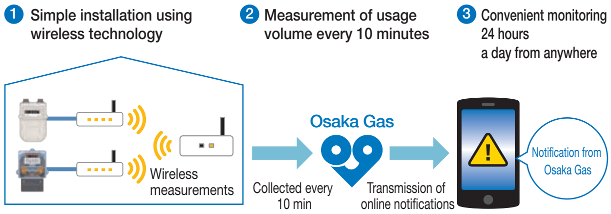
Services Using ICT

For the commercial and industrial customer, we have developed various services using Information and Communications Technology (ICT).
We are providing Eneflex that makes operational status "visible" in gas air conditioning systems, and controls energy-saving system and "Motto Save" system which displays energy use throughout a building. In addition, we have in recent years launched "ekul" service, which meets various usage visualization needs beyond the energy field.

"ekul" is a service which can measure and immediately provide gas and electricity usage information in real time, and can also measure various data, including water usage, number of customers, temperature, and humidity.

Simple Three-step Measurement and Notification Service

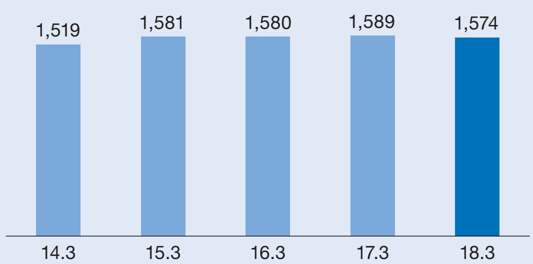
ekul



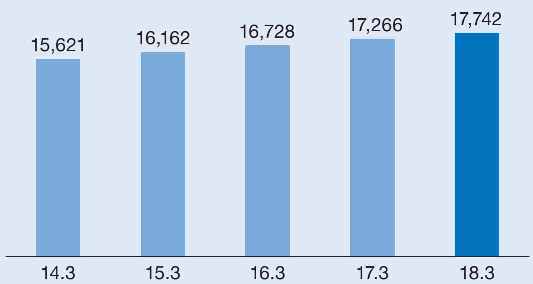
Expanded Use of Gas Cogeneration Systems and Air Conditioning Systems

We are continuing to propose cogeneration systems and gas air conditioning systems that help reduce peak electricity and promote energy conservation.

Industrial Gas Cogeneration Running Capacity (thousand kW)



Gas Air Conditioning and Gas Heat Pump Cumulative Capacity (thousand kW)



(Note) Output basis

Businesses Outside the Kansai Area

The Kansai area is the backbone of our business. To ensure sustainable growth, we are planing to leverage our expertise and know-how built up through our Kansai businesses, to develop new businesses outside the area transcending regional and corporate boundaries, through alliances with other companies.
In fiscal years 2017,3 and 2018,3 we decided to take stakes in Fukushima Gas Power Co., Ltd., Ichihara Biomass Power Co., Ltd., and Ogishima Toshi Gas Co., Ltd. in the Tokyo area. In addition, we also set up ENEARC Co., Ltd., as an LPG marketing company in the three metropolitan areas of Tokyo, Osaka and Nagoya, and set up CD Energy Direct Co., Ltd. which provides gas, electric power and peripheral services in the Greater Tokyo area. These initiatives enabled us to create a wide-area energy business network centered on the Greater Tokyo area.
The Greater Tokyo area is a huge market. By expanding wide-area businesses centered on this market, we are aiming to ensure the growth of our domestic energy business.

2016.10 — Fukushima Gas Power Co., Ltd. Investment

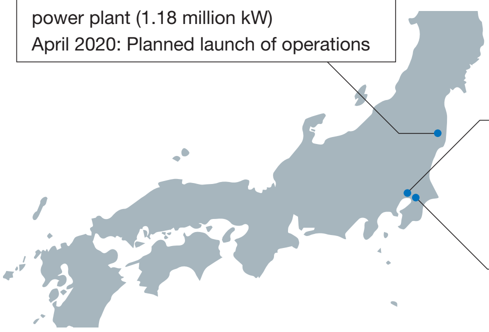
2017.9 — Ichihara Biomass Power Co., Ltd. Founding

10 — Ogishima Toshi Gas Co., Ltd. / ENEARC Co., Ltd. Founding

2018.2 — CD Energy Direct Co., Ltd. Founding

ENEARC: Kansai | Chubu | Kanto

Fukushima Gas Power Co., Ltd.
Construction of new LNG thermal power plant (1.18 million kW)
April 2020: Planned launch of operations



Ogishima Toshi Gas Co., Ltd.
Construction of a heat volume adjustment facility for the production of city gas
April 2020: Planned launch of operations

Ichihara Biomass Power Co., Ltd.
Construction of new biomass power plant (50,000 kW)
October 2020: Planned launch of operations

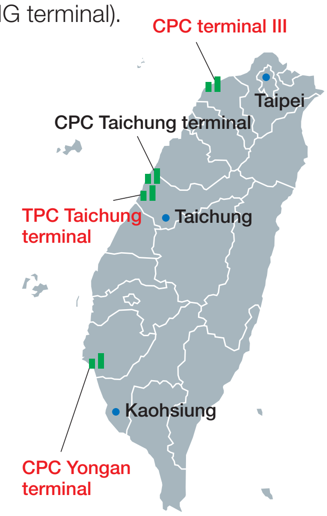
Strengthening the Engineering Business

In April 2018, we restructured the Engineering Department handling LNG terminal and power-plant design, and the LNG Terminal & Power Generation Business Unit handling safety and stability of operations and relaunched them as the LNG Terminal & Power Generation & Engineering Business Unit. By ensuring centralized development of "owners' know how"--that is, expertise in the design, construction and operation of LNG terminals built up over years of business development--we aim to ensure still safer and more stable operation of existing infrastructure. At the same time, we plan to accelerate the development of new infrastructure outside the region and overseas by strengthening engineering functions within a holistic paradigm of infrastructure construction, operation and maintenance management.

LNG Terminal & Power Generation Business Unit — Safe, stable operation of LNG terminals and power plant, etc.
Engineering Dept. — Engineering design/ construction at LNG terminals, etc.
→ **LNG Terminal & Power Generation & Engineering Business Unit** — Centralized "owners' know-how" for design/construction and operation of LNG terminals, etc.

LNG Terminal & Power Generation & Engineering Business Unit
- Former LNG Terminal & Power Generation Business Unit
- Engineering Dept.
- Affiliated companies
  - Osaka Gas Engineering Co., Ltd.
  - Gas & Power Co., Ltd etc.

In May 2018, we took consultancy orders relating to first-phase construction of a third LNG terminal for CPC Corporation, Taiwan (CPC), a state energy company (with operational launch scheduled for 2023 near Taoyuan International Airport), as well as to an LNG terminal in Taichung planned by Taiwan Power Company (TPC) (with operational launch scheduled for 2023 near the CPC Taichung LNG terminal).



Power Source Development

The Group's Power Source Composition

In response to the phased-in liberalization of retail sales in the power sector since 2000, we have launched a power retail business with affiliate ENNET Corporation as distributor. We have taken measures to develop demand and broaden power sources, and, in Japan, have expanded output to around 2,000 MW, mainly comprising natural gas-fueled thermal power.
In this broadening of power sources, we are working to rely not only on thermal power, but also on renewables such as wind, solar and biomass-based energy.

Total Power Generation Capacity*1 Total: Approx. 2,007 MW (As of June 30, 2018)

Thermal Power Sources*1

- Senboku Natural Gas Power Plant
- Himeji LNG Terminal
- Senboku LNG Terminal I
- Torishima Energy Center, Gas & Power
- Funamachi Power Plant, Nakayama Joint Power Generation
- Nagoya Power Plant, Nakayama Nagoya Joint Power Generation
- Nagoya II Power Plant, Nakayama Nagoya Joint Power Generation
- Fukushima Natural Gas Power Plant, Fukushima Gas Power (Under construction)
- Yamaguchi-Ube Power Generation (Under consideration)
- Himeji Natural Gas Power Generation (Under consideration)


Senboku Natural Gas Power Plant


Torishima Energy Center

Total: approx. **1,694** MW

Cogeneration Power Sources

- Uji Energy Center, Gas & Power
- Settsu Energy Center, Gas & Power
- Senri Energy Center, OGCTS Co., Ltd.


Uji Energy Center

Total: approx. **91** MW

*1 Includes volumes of power generated by equity-method affiliates within the Osaka Gas Group. Does not include projects under discussion or at the construction stage.

Renewable Energy Power Sources, etc.*1

(Wind Power Generation)
- Hayama Wind Farm Power Plant, Hayama Wind Farm Power Plant
- Hirogawa Myojin-yama Wind Power Plant, Hirogawa Myojin-yama Wind Power Plant
- Yura Wind Power Plant, Yura Wind Power Generation
- Hizen Wind Power Plant, Hizen Wind Power Generation
- Hizen South Wind Power Plant, Hizen Wind Power Generation
- Hirao Wind Power Plant, Hirao Wind Power Generation
- Inami Wind Power Plant, Inami Wind Power Generation
- Shiribetsu Wind Power Plant, Shiribetsu Wind Power Generation (Under construction)

(Solar Power Generation)
- Torishima Solar Power Plant, Gas & Power
- Torishima Solar Power Plant II, Gas & Power
- SHOO Solar Power Plant, Gas & Power
- Hirogawa Myojin-yama Wind Power Plant, Hirogawa Myojin-yama Wind Power Plant
- Yawata Solar Power Plant, Nabari Kintetsu Gas Co., Ltd.
- Nissan Green Energy Farm in Oita, JGC Mirai Solar Co., Ltd.
- Yura Solar Power Plant, Yura Wind Power Generation (North)
- Yura Solar Power Plant, Yura Wind Power Generation (South)

(Biomass Power Generation)
- Matsusaka Woody Biomass Power Plant, Biomass Power Technologies Inc.
- Ichihara Biomass Power Plant, Ichihara Biomass Power Co., Ltd. (Under construction)


Inami Wind Power Plant


Torishima Solar Power Plant

Total: approx. **222** MW*2

*2 Includes biomass-mixed combustion.

The Future of Power Development

In the overall Group power portfolio, we plan to be generating around 5,500 MW in Japan by fiscal 2030, and around 3,500 MW overseas. To reach the 5,500 MW target for Japan, we aim to ensure flexible responses to demand through combined procurement from the power market and from peer suppliers. Moreover, at the time of compilation of the fiscal 2018 management plan, we revised upward our fiscal 2030 target for power from renewable sources from around 500 MW to 1,000 MW, in both the Japan and overseas markets. By aggressively introducing renewable energy, we aim to curb emissions of greenhouse gases and contribute to attainment of a low-carbon society. Our goal is creation of a competitive but highly environment-friendly power supply portfolio by fiscal 2030.

International Energy Business

What We Aim to Be in FY2031.3 and Summary of Current Situation

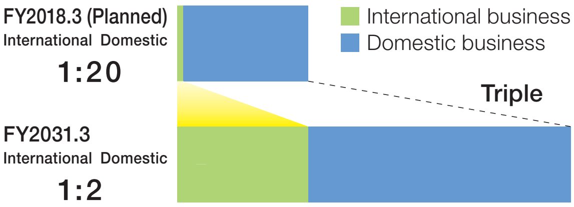
As an energy business operator, the Daigas Group has focused on the natural gas value chain from early on and has made investments abroad accordingly. In the future we will continue to invest outside of Japan and by FY2031.3 will increase our international-to-domestic business ratio to 1:2. Daigas Group will create a business model capable of generating balanced earnings streams from North America, Asia and Oceania.

In the fiscal year ended March 31, 2018, net sales were 22.5 billion yen and segment profit was minus 5.3 billion yen (due to loss on sale of North American IPP) and in the fiscal year ending March 31, 2019, we anticipate net sales of 29.5 billion yen and segment profit of 2.0 billion yen.

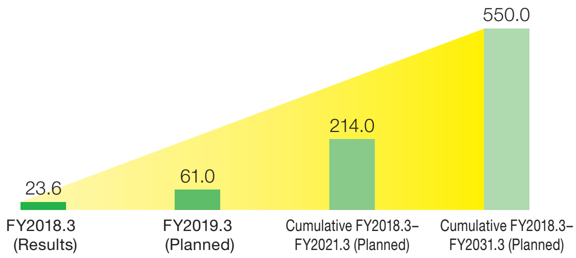
Forecast for the fiscal year ending March 31, 2019

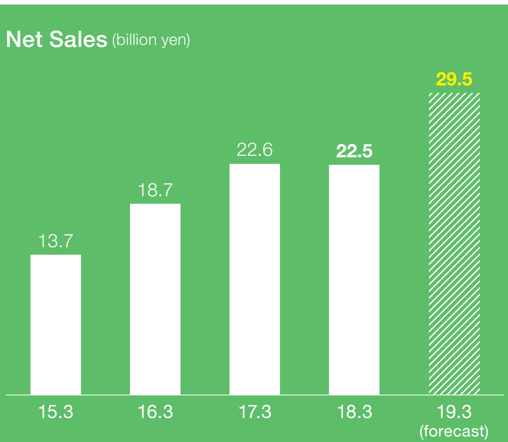
Net Sales **¥29.5** billion Segment Profit **¥2.0** billion

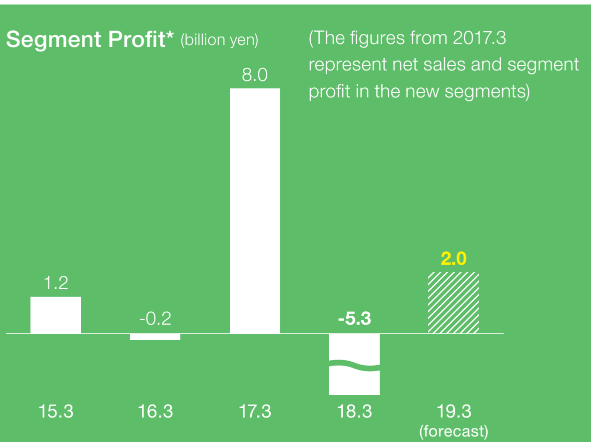
Anticipated FY2031.3 consolidated ordinary profit



Growth investment in international business (billion yen)







* Segment profit = Operating profit + Equity in earnings of affiliates

Note: From the fiscal year ended March 31, 2018, Sumisho Osaka Gas Water UK Limited, an equity-method affiliate, was repositioned from Life & Business Solutions into the International Energy Business.

Efforts to Become What We Aim To Be in FY2031.3

In order to become what we aim to be in FY2031.3, we will promote expansion from upstream to downstream businesses, centering on our priority areas, namely North America, Asia, and Oceania. To do so, we will make full use of the expertise we have cultivated in Japan and the international business infrastructure we have built.
Also, we will expand our businesses based on the following three policy points.

1. Concentrating management resources on priority areas and priority business in each area
2. Accelerating business development by collaborating with mutually complementary partner companies and utilizing M&A
3. Increasing business engagement and improving business implementation capabilities (human resource development, development of a quick decision-making system, etc.)

We will strengthen the profit structure of the international energy business by strengthening each business field.

Upstream and Trading Business
- Gas / oil field development
- LNG trading

Downstream Business
- IPP*1
- LNG terminal business
- LDC*2 business
- Retailing and energy services

Know-how of domestic businesses


Natural gas power plant


LNG terminal


Fuel conversion


Fleet operation

Existing international business bases


Freeport LNG Terminal*3 in USA (under construction)


St. Charles IPP in USA

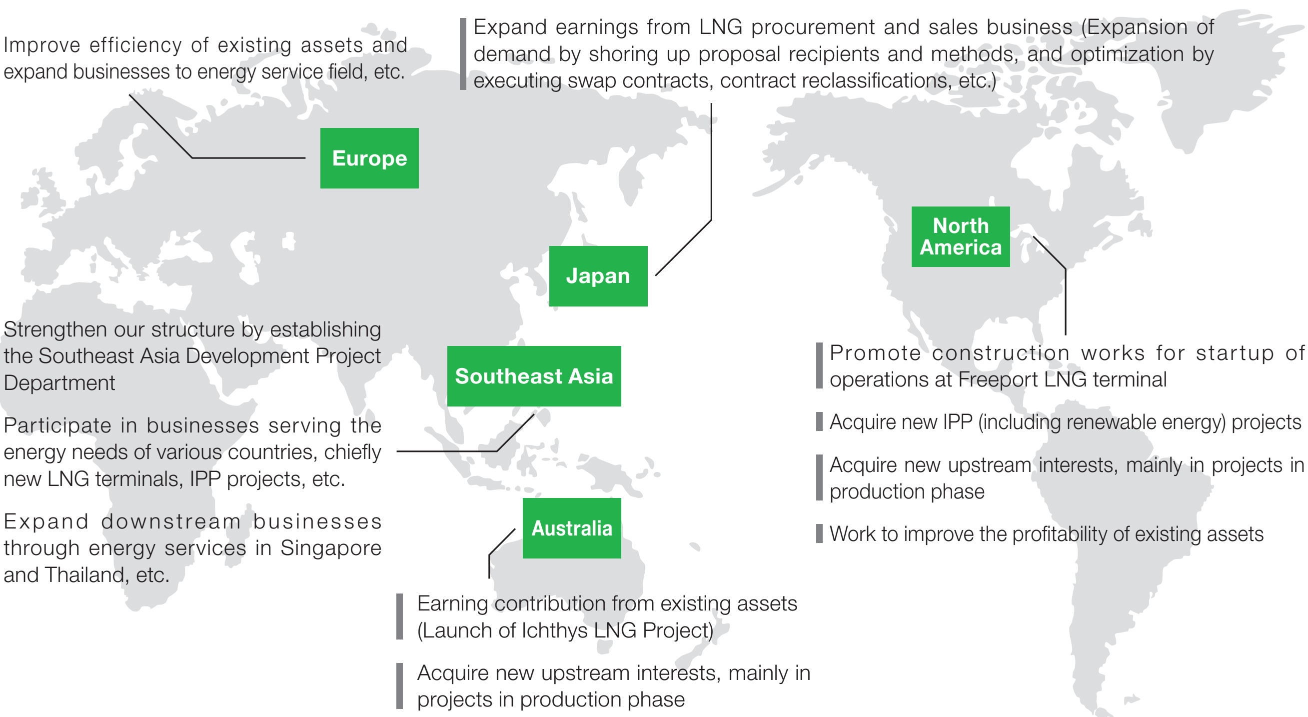
City-OG Gas Energy Services

OSAKA GAS THAILAND

*1 Independent Power Producer *2 Local Distribution Company *3 Freeport LNG Development, provided by L.P. (projected image completion)

Specific Initiatives

Taking advantage of our LNG procurement and sales know-how and the strengths we have developed through our existing assets, we are adopting a medium- to long-term perspective to expand our business scale by promoting activities that capture the needs of communities and businesses.



Europe
- Improve efficiency of existing assets and expand businesses to energy service field, etc.

Japan
- Expand earnings from LNG procurement and sales business (Expansion of demand by shoring up proposal recipients and methods, and optimization by executing swap contracts, contract reclassifications, etc.)

North America
- Promote construction works for startup of operations at Freeport LNG terminal
- Acquire new IPP (including renewable energy) projects
- Acquire new upstream interests, mainly in projects in production phase
- Work to improve the profitability of existing assets

Southeast Asia
- Strengthen our structure by establishing the Southeast Asia Development Project Department
- Participate in businesses serving the energy needs of various countries, chiefly new LNG terminals, IPP projects, etc.
- Expand downstream businesses through energy services in Singapore and Thailand, etc.

Australia
- Earning contribution from existing assets (Launch of Ichthys LNG Project)
- Acquire new upstream interests, mainly in projects in production phase

Upstream and Trading Business

Business Overview and Characteristics

In upstream businesses, we are contributing to growth and stabilization of overall Group earnings, in addition to acquiring useful expertise in LNG procurement.
While steadily proceeding with projects in which our participation is already decided, we aim to create an earnings platform and improve our business potential chiefly by winning new production and development-stage projects. With regard to trading operations, we plan to expand sales while responding to customer needs, by leveraging our diversified procurement portfolio, and broadening the range of project partners and methods, ensuring optimization through use of swaps and contract reclassification.

Status of Investments

In the Gorgon LNG project (in which we hold 1.25% of the rights), we launched LNG production at all three liquefaction systems in March 2017. We are also well ahead with preparations for launch of production in the Ichthys LNG Project.

Gorgon LNG Project

Ichthys LNG Project

Downstream Business

Business Overview and Characteristics

In downstream businesses, we aim to secure stable income by utilizing the know-how and experience cultivated in the domestic energy business to improve the business value of each project. The Group participates in LNG terminal and IPP businesses and other business in North America, Europe, the Middle East, and Australia. We are also engaged in natural gas sales and energy services in Southeast Asia and would like to expand into projects such as power plants and LNG terminals. We will continue to amass business know-how in the region and make use of it to proactively develop our businesses.

Status of Investments

Steady Progress on Freeport LNG Project

Construction work is proceeding steadily on the Freeport LNG Project in Texas, USA. The gas liquefaction facility is set to start shipments shortly.
LNG procurement from the USA is aimed at diversifying our supply sources and our LNG price indexation. It also introduces LNG without restrictions on the country of destination, which will help us to achieve stable and competitive LNG procurement.

Natural Gas-Fired Thermal Power Plants in the USA Market

As aging coal-fired power stations in the United States get decommissioned, demand grows for stable power sources with greater use of renewables, and expected to take their place will be thermal power plants fired by natural gas, an environmentally friendly new power source. Since participating in North American natural gas thermal power station projects for the first time in 2004, the Company has in recent years won three natural gas thermal power plant projects, mainly in the US north-east including in the PJM Market, one of the largest wholesale power markets in America. We aim for independent power-plant operation by developing the know-how we have built up in the US power sector, including in project fuel procurement and marketing to the power-generation market. In 2018, we took a 100% stake in the Michigan Power's natural gas-fired power plant business and are proceeding with initiatives to operate the business independently. In addition, we are steadily expanding our businesses, including through acquisition of a 24.3% interest in Kleen Energy natural gas-fired power plant; we are currently building up its earnings contribution. Additionally, we are proactively exploring investment opportunities in renewable energy, a sector likely to expand in America in the future.

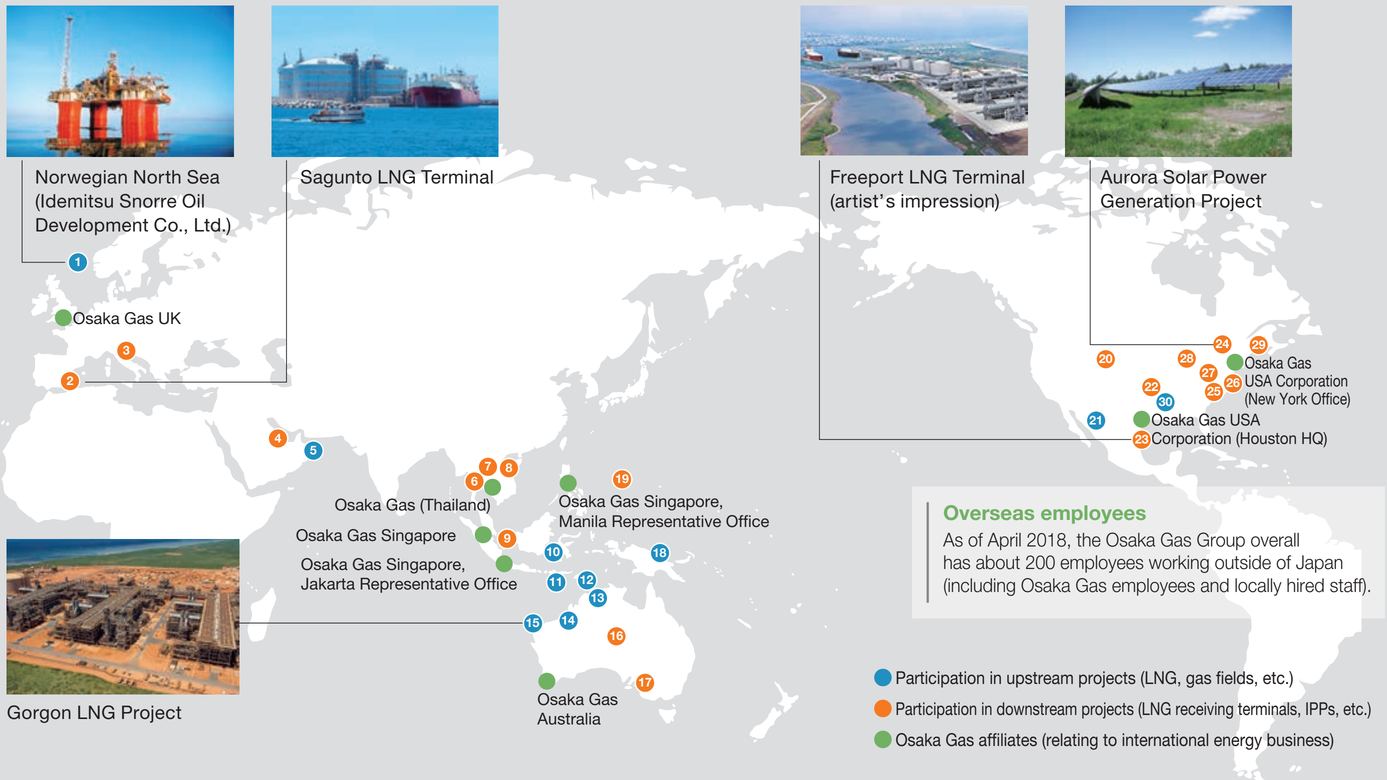
Michigan Power natural gas-fired thermal power plant

Kleen Energy natural gas-fired thermal power plant

Business Development in Southeast Asia

In March 2013 we set up a local representative company in Singapore and in October 2013 we also set up a local company in Thailand to sell natural gas and provide energy services. In 2016, we began opening activity locations in Indonesia and the Philippines. We aim to develop local energy operations and infrastructure, following timely appraisal of local needs in various countries. In fiscal 2018, we launched a new Southeast Asia Development Project Department. We are further strengthening these activities and stepping up initiatives that will lead to expansion of business.

Investments in the International Energy Business (As of June 30, 2018)



Participation in Upstream Projects (LNG, gas fields, etc.)

1 **Norwegian North Sea (Idemitsu Snorre Oil Development Co., Ltd.)**
Stake since 2005: 2-10%

5 **Qalhat LNG**
Stake since 2006: 3% LNG output: 3.3 million tons/year

10 **Universe Gas & Oil Company, Inc. (Sanga Gas Field)**
Stake since 1990: 1.5%

11 **Crux Gas and Condensate Field**
Stake since 2007: 3%

12 **Sunrise LNG Project**
Stake since 2000: 10%

13 **Evans Shoal Gas Field**
Stake since 2000: 10%

14 **Ichthys LNG Project**
Stake since 2012: 1.2% Projected LNG output: 8.4 million tons/year (planned)

15 **Gorgon LNG Project**
Stake since 2009: 1.25% Projected LNG output: 15.0 million tons/year (planned)

18 **Western Papua New Guinea Gas and Condensate Field**
Stake since 2014: 10–20% (ratio depends on field)

21 **Pearsall Shale Gas and Liquids Development Project**
Stake since 2012: 35%

30 **East Texas Shale Gas Project**
Stake since 2018: 30%

Participation in Downstream Projects (LNG receiving terminals, IPPs, etc.)

2 **Sagunto LNG Terminal**
Ownership interest since 2010: 20% Vaporization capacity: 6.4 million tons/year

3 **Erogasmet**
Ownership interest since 2015: City gas distribution business

4 **Shuweihat S2 IWPP**
Ownership interest since 2011: 10% (25% equity interest in the operation and maintenance company)
Power generation capacity: 151 MW Freshwater processing capacity: 10 million gallons/day

6 **Osaka Gas (Thailand)**
Ownership interest since 2013: Energy services business

7 **OGP Energy Solutions**
Ownership interest since 2015: Energy services business

8 **NS-OG Energy Solutions**
Ownership interest since 2014: 30% Cogeneration business

9 **CITY-OG Gas Energy Services**
Ownership interest since 2013: 49% Gas retail business

16 **EII (Energy Infrastructure Investments)**
Ownership interest since 2008: 30.2% Four pipelines, two gas-refining facilities, two power plants, two interconnected power transmission lines Power generation capacity: 18 MW

17 **Hallett 4 Wind Farm Project**
Ownership interest since 2009: 39.9% Power generation capacity: 53 MW

19 **Marianas Energy IPP**
Ownership interest since 2005: 100% Power generation capacity: 87 MW

20 **Osaka Gas Power America**
Ownership interest since 2005: 6 IPP projects Power generation capacity*: 301 MW
* Excludes 50% interest in 87 MW generation capacity of Marianas Energy IPP

22 **Tenaska Gateway IPP**
Ownership interest since 2004: 40% Power generation capacity: 338 MW

23 **Freeport LNG Terminal (vaporization business)**
Ownership interest since 2008: 10.81% Vaporization capacity: 13 million tons/year

23 **Freeport LNG Project**
Ownership interest since 2012: 25% (first train) LNG output: 4.64 million tons/year (planned)

24 **Aurora Solar Power Generation Project**
Ownership interest since 2012: 50% Power generation capacity: 51 MW

25 **St. Charles Energy Center Natural Gas-Fired Power Plant**
Ownership interest since 2015: 25% Power generation capacity: 181 MW

26 **Shore Natural Gas-Fired Thermal Power Plant**
Ownership interest since 2017: 20% Power generation capacity: 145 MW

27 **Fairview Natural Gas-Fired Thermal Power Plant**
Plant Ownership interest since 2017: 50% Power generation capacity: 525 MW

28 **Michigan Power Natural Gas-Fired Thermal Power Plant**
Plant Ownership interest since 2018: 100% Power generation: 125 MW

29 **Kleen Energy Natural Gas-Fired Thermal**
2Power Plant Plant Ownership interest since 2018: 24.3% Power generation capacity: 151 MW

Life & Business Solutions (Non-Energy Business)

What We Aim to Be in FY2031.3 and Summary of Current Situation

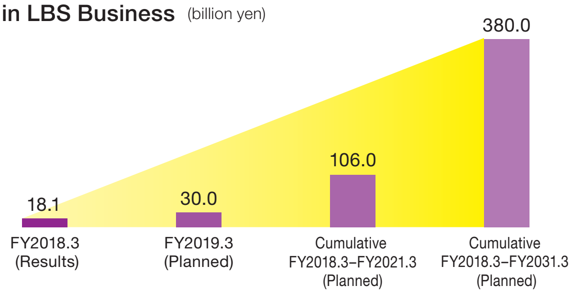
The Daigas Group actively applies the technologies and know-how it has accumulated in the energy business, developing businesses that differ from the energy field in order to diversify business risk. These non-energy businesses are playing a major role in supporting the Daigas Group's earnings base as a stable source of earnings, particularly as crude oil prices and foreign exchange trends remain unclear. We plan to accelerate growth in three core business areas in Life & Business Solutions—Real Estate, Materials and Information—aiming to consistently increase profits through fiscal 2031.3.

In the fiscal year ended March 31, 2018, net sales totaled 208.9 billion yen. Segment profit was 18.6 billion yen. For the fiscal year ending March 31, 2019, we anticipate net sales of 208.0 billion yen and segment profit of 19.0 billion yen.

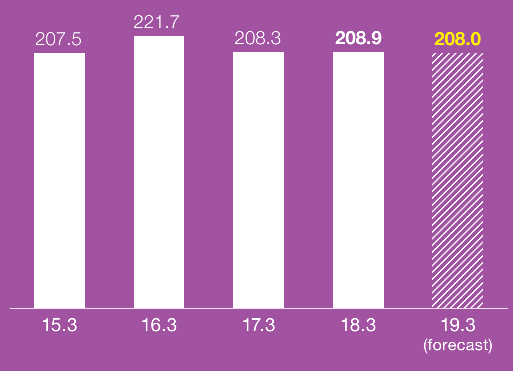
Forecast for the fiscal year ending March 31, 2019

Net Sales **¥208.0** billion Segment Profit* **¥19.0** billion

Expanding Growth Investment in LBS Business (billion yen)

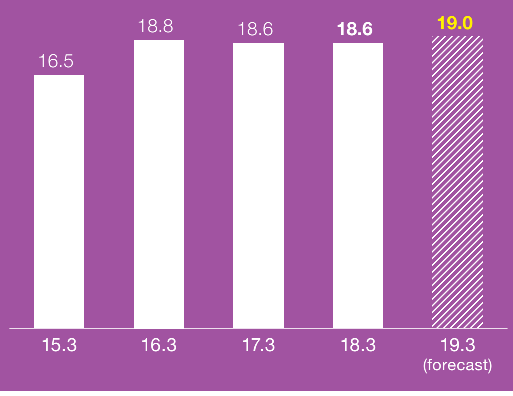


Net Sales (billion yen)



Segment Profit* (billion yen)

(The figures from 2017.3 represent net sales and segment profit in the new segments)



* Segment profit = Operating profit + Equity in earnings of affiliates

Note: From the fiscal year ended March 31, 2018, Sumisho Osaka Gas Water UK Limited, an equity-method affiliate, was repositioned from Life & Business Solutions into the International Energy Business.

Real Estate Business — Osaka Gas Urban Development Group

Business Overview and Characteristics

Our real estate business extends widely to include the development of properties such as sale and rental apartments, office buildings, management of buildings and facilities, and so on.

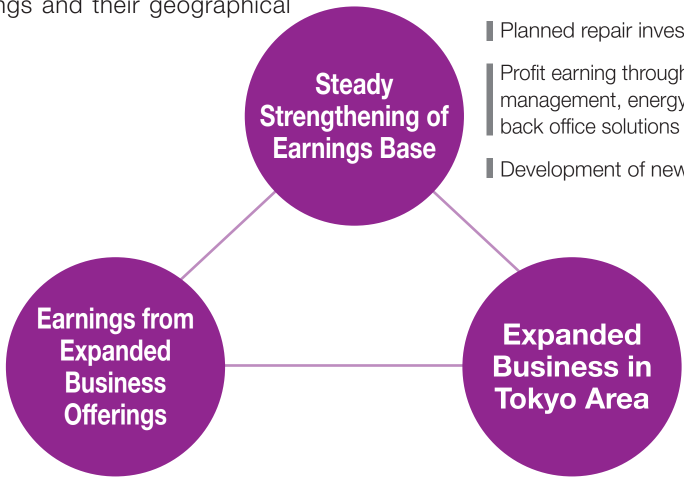
What We Aim to Be in FY2031.3

The Group aims to be a strong player in diverse areas such as leasing, sales, and maintenance by expanding business in the Kansai area as well as in the Tokyo area.

Urbanex Fukagawa Sumiyoshi

Key Strategies Through FY2021.3

We aim to strengthen the earnings base of existing businesses and establish new earnings by expanding both our range of business offerings and their geographical expansion to the Tokyo area.



Steady Strengthening of Earnings Base:

- Ongoing investment in rental housing
- Stable profits from condominium sales
- Planned repair investments for aging properties
- Profit earning through building maintenance (construction management, energy conservation, construction) plus back office solutions and more (OGFA)
- Development of new buildings within districts (KRP)

Earnings from Expanded Business Offerings:

- Quick selling of developed properties and other new business challenges

Expanded Business in Tokyo Area:

- Accelerated investment in rental housing
- Start condominium business
- Activities aimed at asset acquisition of non-residential properties such as offices

About the Osaka Gas Urban Development Group

Osaka Gas Urban Development

Osaka Gas Urban Development is developing condominiums for sale under the "SCENES" brand, along with rental condominiums and rental offices under the "Urbanex" brand.

Osaka Gas Facilities (OGFA)

Osaka Gas Facilities provides comprehensive management services such as facility operation management, security, and cleaning at facilities such as office buildings, hospitals, research facilities, and factories. In addition, we meet the wide-ranging needs of customers in relation to buildings and facilities, extending from repair work and large -scale renovations to energy conservation, CO_2 reductions, and the visualization of energy consumption.

Kyoto Research Park (KRP)

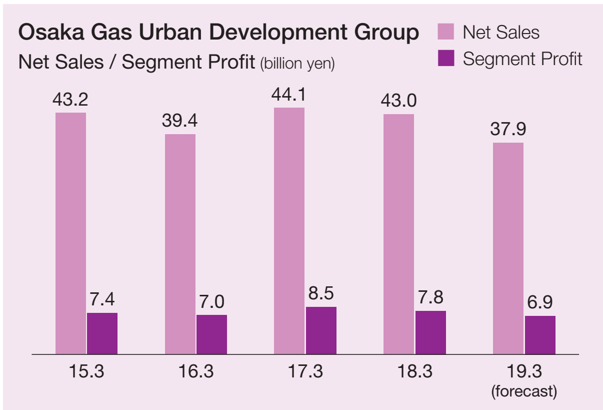
Kyoto Research Park is an industrial cluster home to nearly 400 tenant venture companies and organizations. In addition to providing offices and laboratories, KRP promotes the creation of new businesses in collaboration with Kyoto Prefecture, Kyoto City, and universities.
KRP aims to be a hub for innovation that generates new ideas and business by bringing together individuals and companies working in diverse fields.

Launch of the New Brand

Osaka Gas Urban Development has unveiled a new brand, SCENES, with apartments sold under the slogan “Fine homes for an inspiring lifestyle.” These are residences that will bring new delight to customers’ daily lives.

About the Fiscal Year Ended March 31, 2018

In the fiscal year ended March 31, 2018, profit rose due to a steady increase of profitable real estate in the leasing business, sales growth due to strong sales in the built-for-sale housing business, and increases in OGFA’s one-stop proposals for building management, energy-saving and works services for customer-owned buildings.



Materials Business — Osaka Gas Chemicals Group

Business Overview and Characteristics

Osaka Gas employs coal chemistry technologies as well as pharmaceutical- and agrochemical-related technologies for the development, manufacture, and sales of highly functional materials. In 2014 we acquired Jacobi Carbons AB (Sweden) and are developing our business globally.

What We Aim to Be in FY2031.3

Engaged primarily outside of Japan, we aim to become a manufacturer of functional materials with a top position in niche markets that contributes positively to industry, life, and the environment.

Key Strategies Through FY2021.3

- We will establish a stable earnings base through diverse product lines in five business areas.
- We will also be working on substitutions in our business portfolio to adapt to changes in the times and to achieve sustainable growth.

Fine Materials

Development of various applications for fluorene with its excellent optical properties and heat resistance

Resins for camera lenses in smartphones and other devices, semiconductor materials, liquid crystal displays

Carbon Materials

Expanded sales of DONACARBO carbon fiber with its excellent heat insulation and abrasion resistance

Molded insulation for silicon manufacturing furnace for photovoltaic cells

Acoustic insulation material for train cars

Activated Carbon

Expanded global value chain through cooperation between the Jacobi Group and Osaka Gas Chemicals

Activated carbon for purification processes in food, alcohol and pharmaceutical manufacturing, air purifiers and water filters

Silica- and Alumina-based Materials

Expanded sales of adsorbents and additives and efforts toward developing new applications

Activated clay for petroleum and for refining cooking oil

Preservatives

Development of wood preservatives, industrial preservatives, industrial coating agents

Xyladecor® wood preservative, Xylamon termiticide

About the Osaka Gas Chemicals Group

Osaka Gas Chemicals

Established in 1931, Osaka Gas Chemicals employs technologies cultivated in coal chemistry and pharmaceuticals to develop highly functional materials that add value to customers' products.

Mizusawa Industrial Chemicals Group

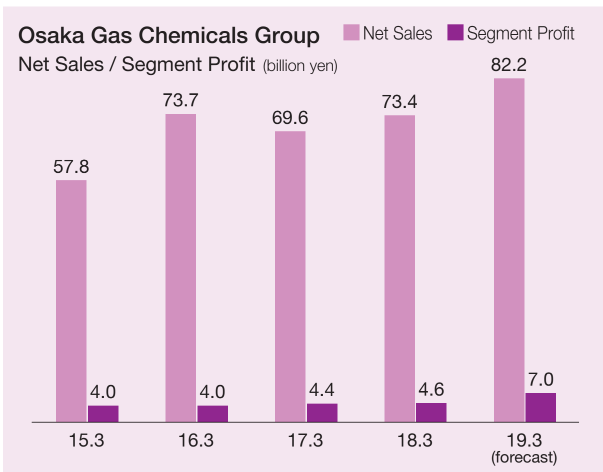
Mizusawa Industrial Chemicals was established in 1937 to domestically refine the activated clay needed for refining petroleum and fats and oils. It joined the Daigas Group in 2015.

Jacobi Carbons Group

An activated carbon producer established in Sweden in 1916, Jacobi does business in 18 countries. It joined the Daigas Group in 2014. Osaka Gas Chemicals and the Jacobi Group together form the second largest activated carbon producer in the world. (Based on Osaka Gas Chemicals' FY2018.3 performance)

About the Fiscal Year Ended March 31, 2018

In the fiscal year ended March 31, 2018, earnings increased due to expansion of sales in the carbon materials business of Osaka Gas Chemicals, despite the impact of soaring activated carbon raw material prices.



Business Overview and Characteristics

OGIS-RI traces its roots back to developing and managing systems for the gas business of Osaka Gas. After various acquisitions, it organized a group of system providers to offer services to the manufacturing and financial industries. By sharing the expertise of each company in the group, we provide comprehensive IT services ranging from consulting, design, development, and the operation of corporate information systems to data centers, cloud services, and security.

What We Aim to Be in FY2031.3

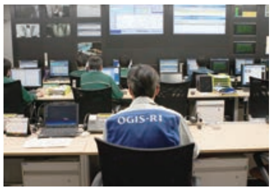
Through high-level innovation in information and communications technologies, we aim to be a corporate group that provides new value and grows sustainably with customers.

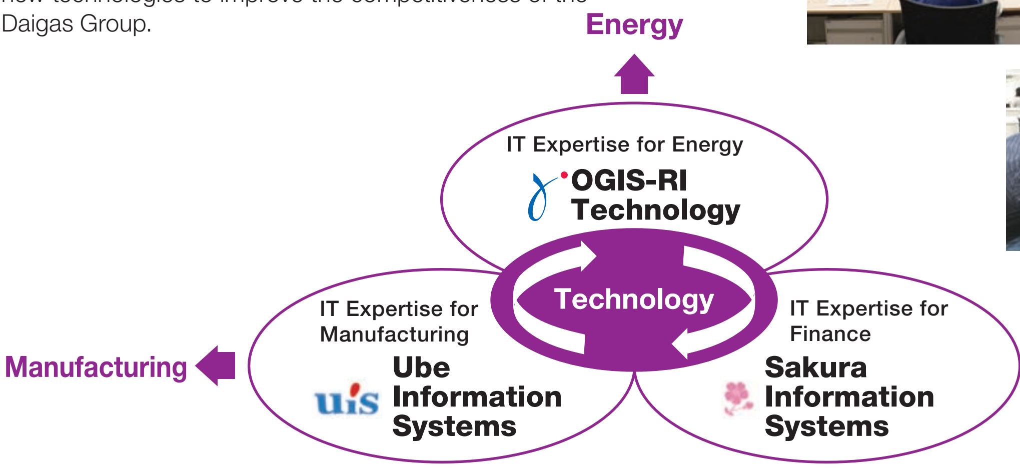
OGIS-RI Head Office

Key Strategies Through FY2021.3

Our strategy is to differentiate ourselves with a priority placed on the fields of finance, manufacturing, and energy as we expand our business beyond the Daigas Group.

We will apply our cumulative expertise and introduce new technologies to improve the competitiveness of the Daigas Group.





About the OGIS-RI Group

OGIS-RI

Established in 1983, it is the systems provider company of the Daigas Group with extensive IT expertise in the energy industry.

Sakura Information Systems

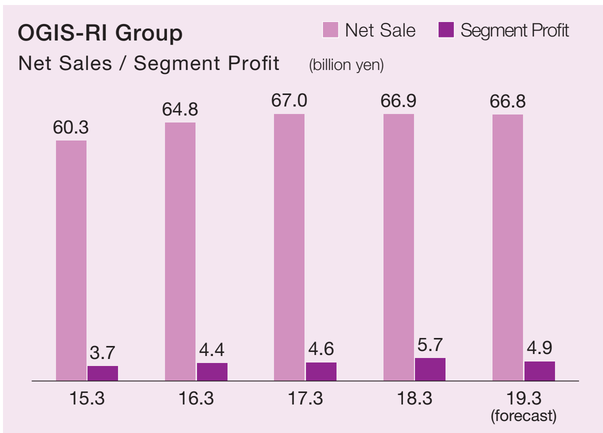
Established in 1972, it is engaged in the construction and operation of key systems for the Sumitomo Mitsui Banking Corporation Group and has extensive expertise in the financial industry.

Ube Information Systems

Established in 1983, it provides systems construction and operation as a comprehensive information processing service company of the Ube Industries Group and has IT technology in the manufacturing industry.

About the Fiscal Year Ended March 31, 2018

In the fiscal year ended March 31, 2018, earnings increased due to growth in high value-added solution services using the IoT and other high-tech tools, on top of strong sales from financial and other projects.
We also acquired Agnie Consulting in measures to strengthen our ERP business, a priority area for the future.



Innovation/ Technological Development

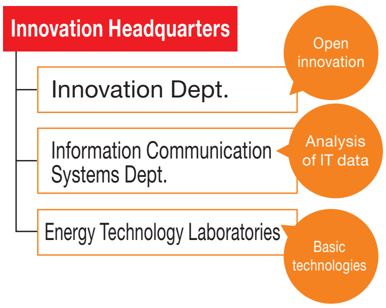
To address the challenge of creating new value beyond conventional frameworks, the Daigas Group will further commit to innovation, including open innovation and digital technologies, with the aim of ensuring optimized solutions for customers and fostering next-generation innovation.

Promotion of Innovation

Establish the Innovation Headquarters

- Establish the Innovation Headquarters with the aim of creating new values through business reforms
- Set up the Innovation Promotion Department and integrally promote companywide innovation activities

Challenge of creating new value



Advance Open Innovation

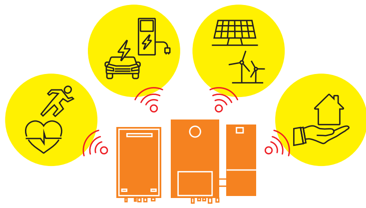
- Collaborate with diverse corporate partners not only in the field of technology but also in the service field
- Strengthen Silicon Valley-based activities
- Collaborate with start-up companies at home and abroad

Co-create New Businesses

Promote digitization Exploration of technology

- More convenient lifestyle services and business solutions utilizing IoT and AI
- New electric power business utilizing distributed energy sources and ICT
- High-level infrastructure operations with digitalization
- Innovative technology development such as fuel cells

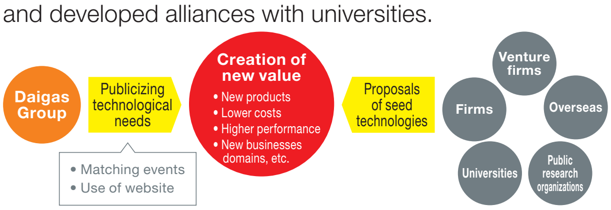
Equipment and energy bringing lifestyle reforms



Business reforms in preparation for a paradigm change	Products and services that go beyond customer expectations	Achieving drastic business reforms

Open Innovation Developments

By fusing proprietary and outside technologies, Daigas Group is developing open innovation, aiming to speed up the pace of technological development while improving functionality and cutting costs. In fiscal 2009, we began publicizing technological needs. We have sponsored technology exhibitions, formed alliances with other companies, attended technology-matching conventions and developed alliances with universities.



Promoting Technological Exploration Using Programs Created by Plug and Play, LLC (Silicon Valley in the United States)

To step up open innovation activities, in July 2017 we began participating in energy sustainability programs organized by Plug and Play, an influential accelerator business in Silicon Valley in the United States. We are also exploring cutting-edge technologies and services with the aim of accelerating technological developments and creating new services.

Investment in US Venture Fund

In April 2018, we invested in a venture investment fund operated by WiL LLC, a venture capital company headquartered in Silicon Valley. Through this investment, we aim to invest in and form alliances with start-up companies mainly in Japan and the United States, and so accelerate the pace of innovation-oriented activities, including creation of convenient daily services and business solutions using the IoT, AI and other digital technologies, as well as ensuring high infrastructure operational standards.

Launch of Pilot Project in Biogas Refining and Supplies of Automotive Natural Gas Fuel in Thailand - Making Possible World-class Levels of Efficiency in Methane Recovery -

In collaboration with Agriculture of Basin Company Limited (ABC) of Thailand, we have launched a pilot project supplying natural gas to vehicles in Thailand. It features production of highly pure methane gas by removing carbon dioxide and other impurities from biogas generated from agricultural waste. In this pilot project*1, ABC applies methane fermentation to organic materials in industrial wastewater supplied from ABC-owned palm oil manufacturing facilities. The biogas generated is refined by Osaka Gas into methane gas. ABC uses*2 the refined methane gas as fuel in its company-owned natural gas vehicles. The pilot project is scheduled to run for approximately one year, during which time Osaka Gas will test operate a 250 Nm^3/h-scale biogas refining system with a view to commercial application. It will also confirm the long-term stability of operations, verify methods to minimize the cost of producing methane gas, and determine the effectiveness of the gas produced in automotive fuel applications. Based on these pilot test results, ABC will take further measures to make efficient use of biogases produced by its plants as fuel for natural gas vehicles.

Since 2012, Osaka Gas has been developing biogas-refining technologies, so as to make efficient use of excess biogases to promote energy-saving and protection of the global environment. By using an independently developed hybrid biogas-refining system (see image at right) that combines pressure swing adsorption (PSA) that selectively adsorbs and eliminates carbon dioxide with carbon dioxide separation membrane technologies, we were able to produce high-purity methane gas with a methane recovery rate of at least 99% *3, one of the highest levels in the world.

In Thailand, the Company is already developing energy-service businesses and co-generation systems on-site at its business bases, principally at Osaka Gas (Thailand) Co., Ltd. Looking ahead, through this pilot project, we plan to commercialize biogas refinery technologies before the end of 2018, and to further expand energy businesses in Southeast Asia, so as to contribute to reduction of greenhouse gas emission volumes through the active use of biomass resources.

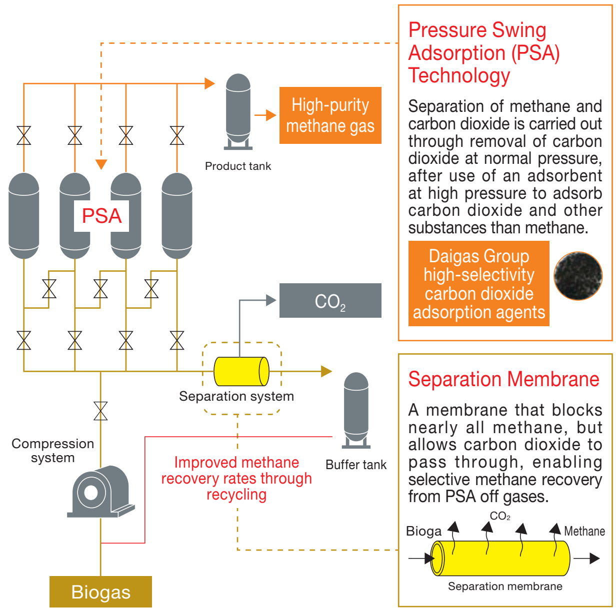
*1 Osaka Gas (Thailand) Co., Ltd., a local subsidiary of Osaka Gas, is in charge of construction of the pilot testing system. Osaka Gas (Thailand) Co., Ltd. is also scheduled to provide needed cooperation during the pilot testing period.

*2 To be implemented after confirmation of compliance with Thailand's quality standards for automotive fuel.

*3 Proportion of methane by volume in high-purity methane gas product, compared with volume of methane in raw-material biogas.

Osaka Gas' Independently Developed Hybrid Biogas-refining System

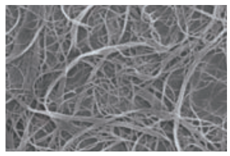
A system that combines PSA removal of carbon dioxide from biogases (using an adsorbent that selectively adsorbs carbon dioxide) with a separation membrane system that recovers methane gas by eliminating carbon dioxide from off gases discharged from PSA. By recycling off gases while refining high-purity methane gas from PSA, we have achieved a methane recovery rate of at least 99%, one of the highest levels in the world.



Development of Fluorene Cellulose® as a Fiber for Strengthening Resin

Osaka Gas developed fluorene cellulose, a cellulose fiber with uniform dispersion, by reacting the cellulose fiber surface with a fluorene derivative. Fluorene cellulose does not mix easily with water but mixes easily with resin.

Fluorene cellulose is a resin fiber material with low environmental impact and has strong potential for use in home appliances and as a structural material in automobiles.



Electron microscope image of fluorene cellulose

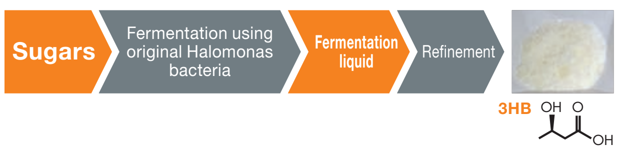
Successful Production of Ketone Bodies, Known for Their Use in Diets

Osaka Gas has developed a method for manufacturing ketone bodies, (R)-3-hydroxybutyric acid (3HB), using bioprocess (fermentation) technology cultivated over many years in collaboration with the National Institute of Advanced Industrial Science and Technology.

Recent years have seen rising interest in ketone bodies for their effectiveness in dieting and improving athletic performance. Osaka Gas has succeeded for the first time in effectively generating and isolating 3HB using bio-processes.

We anticipate new applications for their use in the future in health foods, supplements, and cosmetics.

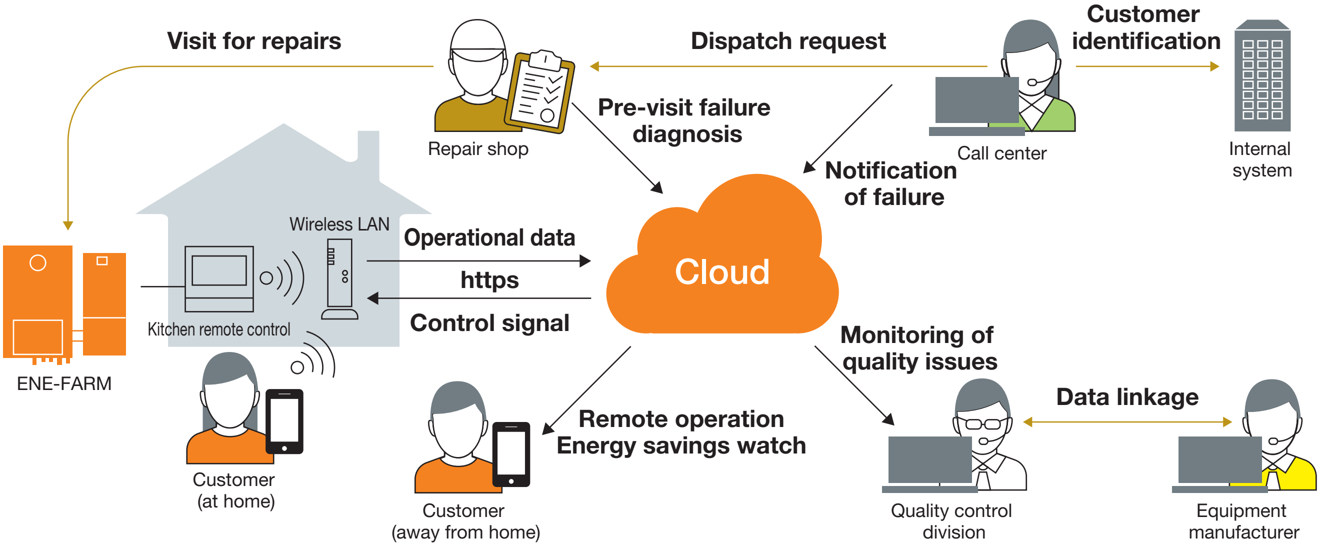
Fermentative production of (R)-3-hydroxybutyric acid (3HB), ethyl (R)-3-hydroxybutyrate (3HB ethyl)



The Creation of New Services Utilizing IoT Functionality Built into the ENE-FARM Residential Fuel Cell System

As of April 2016, residential fuel cell systems, such as ENE-FARM type S, feature an always-on connection to the Internet and uses the cloud for remote monitoring.
This capability allows detection of any abnormality in the system's power generation. In that event, Osaka Gas will then call to notify the customer of the situation and provide an emergency repair service visit when necessary. This power generation monitoring service gives customers peace of mind. The on-site repair time can also be shortened by analyzing the data sent to the cloud in the event of a failure, thereby streamlining maintenance work. Customers also get improved convenience through such remote control features as filling the bath with hot water or controlling the floor heating using their smartphones.
In October 2017, the Company took measures to expand services using the IoT, including making the "ECO-JOZU" energy-saving water heater IoT-compatible, and, in April 2018, introducing gas equipment operation using smart speakers.

IoT System for ENE-FARM



Interview with the Developers of ENE-FARM IoT System

Q1.

What induced you to launch the remote power generation monitoring service with ENE-FARM in April 2016?

In conventional maintenance, we would identify causes of error by connecting ENE-FARM with maintenance computers in situ, and extracting and analyzing sensor values and operating data from inside fuel cells. For this reason, operations in situ required a lot of time and manpower, and this was inconvenient for the customer too.
However, with the spread of smartphones, which are increasingly being linked to home electronics, we conceived the idea of connecting wirelessly using the Internet. The aim was to generate value from new gas equipment and raise the standards of response quality when repair and maintenance work are needed.

Q2.

What particular problems did you have in developing this service?

Around 2014, people were wondering what the IoT is. It was very difficult to make business proposals because there was no precedent for maintenance systems for gas equipment compatible with the IoT. That meant development of wireless LAN compatible gas equipment, of servers, of smartphone applications, as well as coordination among affected departments within the Company and other issues, all had to be undertaken through a continuous process of trial and error. It was tough trying to realize and propose things that did not yet exist outside the lab.

Q3.

What were the breakthroughs that led to success in commercial applications?

First of all, it was the development of wireless LAN communications modules dedicated for gas equipment. When sending data, it was necessary to hook up to the Internet using a wireless module with encryption functions to prevent eavesdropping and interception built into the gas equipment. However, at that time there was not a single company in Japan developing this kind of module. We succeeded in developing it after asking a semiconductor maker that we had long had a relationship with if they were interested in working with us to develop a communications module that can hook ENE-FARM equipment to the Internet. Later, some months after we had launched the development, other manufacturers in Japan launched similar programs. Osaka Gas was able to show the world it was a pioneer with an “enterprising spirit,” which is one of our guiding principles.

Second was the question of the server. In the world of IoT-compatible equipment, the number of connections to servers and the volumes of data increase in proportion with the sale of a product. While it is essential to introduce mechanisms that readily enable extension, it is also necessary to have safe connections for in-house networks to external cloud servers. We had repeated discussions with OGIS Research Institute Co., Ltd., who are responsible for internal computer systems at Osaka Gas, regarding what kind of connection could be safely established. In the end, we opted for Amazon Web Services (AWS) as cloud server, in light of their security performance, and their global track record and future extension potential.

Q4.

How did you deal with front-line response regarding operations and services?

We got used to hearing the maintenance technician saying, “looking at the server data…” and things like that. We had a sure feeling that the IoT system was being used in a natural way within operations. It brought it home to us that the quality of response when repairs or maintenance are needed had further improved.

Some studies show that the Internet connection rate for IoT-compatible consumer electronics is around 10-20%. However, the Osaka Gas ENE-FARM connection rate is over 8 0%. We feel that one of our strengths is that we are able to convince customers of the merits of online connection during installation and inspection of gas equipment, showing how we value our relations with the customer.

Development team members, from left, Takuya Aoki, Masahiko Yagi (Manager), Masaki Takamizo, Tomoyuki Suzuki (Chief)

Q5.

What are the prospects for the business model of using the IoT?

First, we began marketing the IoT-compatible “ECO-JOZU” water heating system in October 2017, and in April 2018, we released a new service that enables voice-activated operation of a system for running a bath and controlling the floor heating via a smart speaker, and for notifying hot water usage history to remote family members. Looking ahead, we aim to create innovative new services and develop technology using the latest advances, such as interlinked servers and services and technologies using AI and the IoT.

Intellectual Property Strategy

The Daigas Gas Group positions intellectual property rights as an important management resource. At the same time, the Group takes proactive steps to secure and utilize intellectual property rights in concert with its business and technology development strategies.

Strategically Acquiring Intellectual Property Rights

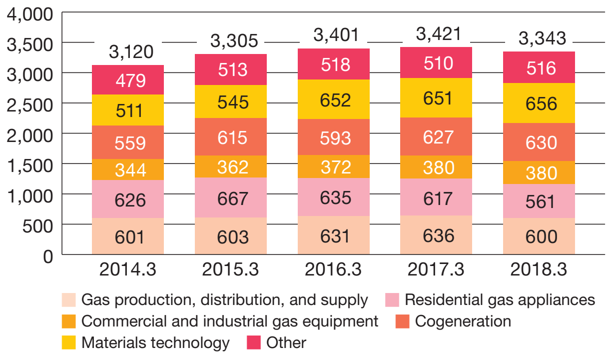
We acquire patents on a steady basis by focusing on invention and discovery that is closely related to specific development sites, incorporating judgments on patentability from external authorities after filing. Through patent analysis and mapping we are able to build a thorough and complete network of patents, which is an important motif. In fiscal 2017, 366 patents were filed, totaling 3,343 held by the Daigas Group, including patents for upstream gas production, distribution and supply, and downstream gas appliances and material technologies. The intellectual property rights that we possess are used for business and are actively licensed to other companies.

In addition, we are careful to acquire trademarks for services and products we offer and protect company brands. As of March 31, 2018, the Daigas Group holds 1,084 trademarks.

Strengthening Intellectual Property throughout the Group

We employ a variety of educational and instructional tools to further improve Daigas Group employees’ understanding of intellectual property rights. For example, instructors from both inside and outside the Company conduct training sessions based on both goals and employee career level. We also publish an email magazine and distribute the latest news articles on relevant topics.

The Daigas Group’s Patent Portfolio by Business Type (number)



Daigas Group's

E S G

CSR Efforts to Realize Long-Term Management Vision 2030

The Daigas Group has formulated the Long-Term Management Vision 2030 and the Medium-Term Management Plan 2020, in which we adopted "three guiding principles" under its corporate philosophy. One of these principles is setting global ESG (environment, social and governance) standards in its business operations, with the aim of becoming a corporate group that continues to be trusted by investors, business partners, citizens and employees.

We have stepped up our ESG efforts in line with the Daigas Group CSR Charter. To get the campaign moving further, the Group has identified important aspects in its CSR activities, which we call "materiality." Based on the materiality, we have undertaken specific CSR activities. We will continue to see ESG as an important element of our business operations and redouble our efforts to realize the sustainable development of society and the Daigas Group.

E
Environment

S
Social

G
Governance

Work style reform and development of human resources to improve productivity

Management that wins confidence of stakeholders

Environmental management

- Support customers in introducing high-efficiency energy equipment, and provide them with energy services
- Promote fuel conversion to natural gas, a clean energy source, and introduction of energy-saving technologies
- Develop and introduce leading-edge thermal power plants and renewable energy
- Promote environmental management focusing on resources recycling, biodiversity, chemical substances safety, etc.

Stakeholder engagement

- Pursue activities in accordance with international norms, such as the Global Compact
- Promote activities relevant to the entire value chain including initiatives to protect human rights
- Engage in co-creation with local communities (social contribution activities, community communication activities, community building, etc.)

Management / compliance

- Promote dialogue with stakeholders
- Pursue fair business practices
- Enhance Diversity of employees and executives
- Disclosure of ESG information in accordance with global standards
- Take measures to ensure information security

Main issues to address

- Understanding and management of environmental impact throughout the Daigas Group value chain ········ Page 44
- To reduce CO_2 emissions ················· Page 44·45
- Risks and opportunities of climate change ······················· Page 45

- The Promise to Customers ····················· Page 46
- The Promise to Employees ····················· Page 47
- The Promise to Suppliers and Shareholders ················ Page 48
- The Promise to Society ··························· Page 49

- Corporate governance ······················· Page 50·51
- Risk management ···································· Page 51
- Directors and Audit & Supervisory Board Members ··········· Page 52·53

Attitude Reform

- Think and act independently and remain reform-minded with readiness to change our mindset if necessary
- Execute assigned duties wisely and efficiently
- Shift to flexible thinking
- Pursue growth by taking up challenges beyond the boundaries

Work Style Reform

- Develop human resources who can play important roles in the global community
- Increase business efficiency through the active use of ICT
- Share business know-how among employees to make them immediately available in business and improve service quality
- Make workplaces attractive for employees

Work Environment Improvement

- Promote collaboration among individuals and companies with diverse values
- Provide employees with equal opportunities irrespective of nationality, age, gender or location of residence
- Develop a work environment and system whereby employees can work anywhere and any time

E Environment

Environment

Addressing the issues of the environment both at regional and global levels is of paramount importance for the Daigas Group, which is engaged primarily in the energy business. Climate change, which is driven by greenhouse gases, is especially a global issue that greatly affects society and ecosystems. Since the emission of greenhouse gases is a large part of the environmental impact deriving from the Daigas Group's business activities, we will actively address greenhouse gas emissions.

Understanding and management of environmental impact throughout the Daigas Group value chain

The Daigas Group calculated the amount of greenhouse gas (GHG) emitted by companies that constitute the Daigas Group's value chain network, based on the GHG Protocol, an international emission standard. The methodology of the calculation and its results have been certified by an independent organization to warrant their reliability and accuracy.
Combined GHG emissions by the Daigas Group and value-chain companies, measured by CO_2, totaled about 36.63 million tons in FY2018.3. The sum breaks down into about 5.16 million tons or about 14% for GHG emitted through business activities by the Daigas Group (Scope 1 and Scope 2), and about 31.47 million tons or about 86% emitted by organizations involved in our value chain (Scope 3).

Scope 1 and Scope 2

GHG emissions through electricity generation by the Daigas Group, as measured in terms of CO_2, came to 4.71 million tons, representing about 13% of the total emissions from its own business activities. With the power generation business expanding, the ratio of CO_2 emissions from that business has been increasing every year. As a way of reducing GHG emissions from power generation, the Group will continue to actively introduce highly advanced energy-efficient power generation facilities and using renewable energy sources.

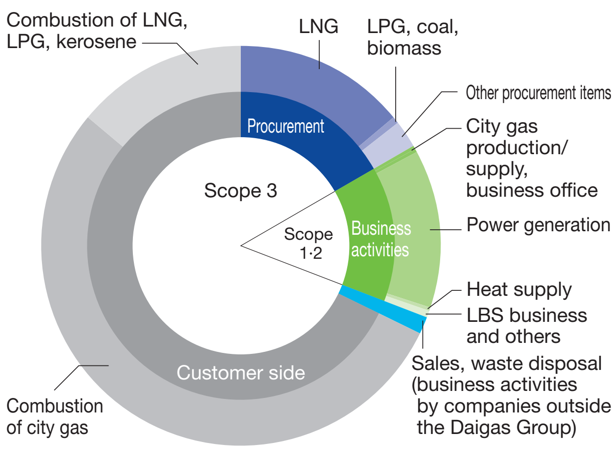
Scope 3

GHG emissions from city gas combustion on the customer side amounted to 19.65 million tons in the reporting year in terms of CO_2, accounting for about 54% of the total. This makes it all the more important for Osaka Gas to further diffuse energy-efficient Ene-Farm systems and cogeneration systems —for which our company has mounted a promotional campaign— while promoting energy conservation using natural gas, an energy source that emits less CO_2.
GHG emissions from material and fuel procurement totaled 6.19 million tons, as measuredin terms of CO_2 in the year, accounting for about 17% of the total emissions.
The procurement of energy sources, especially LNG , accounted for nearly 90% of the 5.9 million tons. Under these circumstances, we will continue our efforts to improve fuel efficiency regarding the operation of LNG tankers in collaboration with material suppliers.

Environmental impacts other than GHG emissions

Activities that have potential environmental impacts other than GHG emissions include the disposal of waste (general waste and industrial waste), and the disposal of excavated soil and polyethylene pipes associated with gas pipe works. However, the recycling rates are high for such waste, a situation we will try to maintain in the future. About 97% of water used for our industrial activities is taken from the sea. Such water is mostly used to vaporize LNG at LNG terminals. Sea water is also used as coolant inside the steam turbine condenser at some power plants. Once used, the water is discharged into the sea under strict control.

GHG Emissions Throughout the Value Chain in FY2018.3



GHG emissions: 36.63 million tons-CO_2

Companies subject to the calculation of GHG emissions
Osaka Gas and 58 companies among 138 consolidated subsidiaries are subject to calculation of GHG emissions. Those housed in office buildings as tenants and whose GHG emissions are minimal are not subject to such calculation.

Work to Reduce CO_2 Emissions

Evaluation Method

The Long-Term Management Vision 2030 of the Daigas Group aims to reduce the Group's CO_2 emissions by a cumulative total of about 70 million tons between FY2018.3 and FY2031.3. The targeted reduction during the period was calculated based on the benchmark FY2017.3 CO_2 emissions. The projection took into consideration expected effects from highly energy-efficient facilities planned to be introduced in FY2018.3 or after, and the active use of low-carbon energy sources. The projected amount was calculated by totaling the reduction contribution of newly introduced high-efficiency equipment and low-carbon energies. The reduction contribution was assumed by multiplying the introduced amount by emission reduction of the new facilities compared to existing facilities.* As shown below, the Daigas Group expects to see its Scope 1, Scope 2 and Scope 3 GHG emissions grow in line with its expanding business size. However, the Group's efforts to reduce CO_2 emissions, such as replacing it with a low-carbon energy system, will reduce emissions at other companies' and their value chains , which in turn will contribute to society-wide emission reductions.

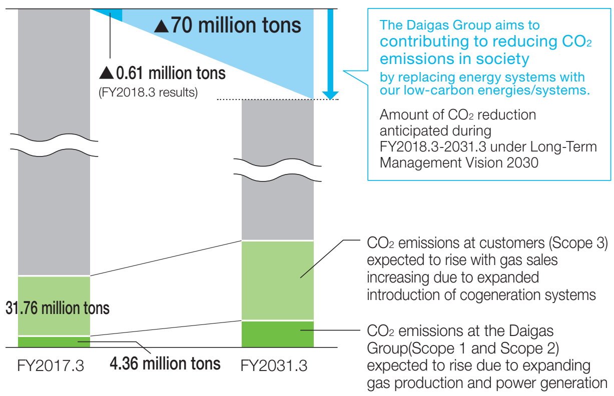
* A method employed by the state for calculating the amount of CO_2 cuts under its plan to curb global warming (approved by the Cabinet in May 2016) was used as a reference. The marginal coefficient (average emission coefficient for fossil-based electricity sources) was used for the CO_2 emission coefficient for purchased electricity.

FY2018.3 Results

Measures newly taken by the Daigas Group during FY2018.3 included the introduction of cryogenic power generation systems at gas processing terminals, the use of highly energy-efficient thermal power generation facilities both in Japan and abroad, the introduction of fuel cells, gas air conditioner systems and highly energy-efficient hot-water supply systems at customers, and the conversion of fuels into natural gas both in Japan and abroad. Thanks to these measures, the Daigas Group was able to contribute to reducing CO_2 emissions by about 610,000 tons during FY2018.3. The Group will remain committed, both at its companies and customers, to contributing to building a low-carbon society by actively introducing highly energy-efficient facilities and using low-carbon energy sources.

- CO_2 emissions at the Daigas Group(Scope 1 and Scope 2)
- CO_2 emissions at value chains operated by the Daigas Group (Scope 3: customers and material procurement)
- CO_2 emissions at other companies and their value chains (power plants operated by other companies and energy users using oil fuels)

Contribute to Reducing CO_2 Emissions in Society



Risks and Opportunities Related to Climate Change

Background and philosophy behind actions

Tackling climate change is seen as one of the Sustainable Development Goals (SDGs) adopted by the United Nations. The Paris Agreement, a UN accord on climate change, went into force in November 2016. The accord is recognized as a framework of international efforts since 2020 for solving issues related to climate change. The Daigas Group recognizes that reducing greenhouse gas (GHG) emissions, known to be a factor for causing climate change, significantly and on a long-term basis, addressing the worldwide challenge of creating a low-carbon society in the future, and responding to heightened risks of natural disaster amid growing climate change are social issues facing the global community.

The Daigas Group believes reducing CO_2 emissions is an extremely important mission for the company, whose primary business field is energy. The Group also believes that climate change may negatively affect its earnings and costs throughout its energy businesses.

Shown below is what the Daigas Group is trying to do in response to the perceived risks and opportunities associated with climate change.

Response to Risks and Opportunities Associated with Climate Change

(Events linked to climate change)	Extreme weather	Rising temperatures	Change in competitiveness of own products / facilities	Tighter GHG emission standards	Change in energy preference of customers	Growing ESG investing	LNG price rise
Risk impact	● Damage to production and supply facilities ● Obstruction of LNG procurement	● Decrease in gas sales (water heater, heating)	Competitive disadvantage ● Decrease in demand for and operation of own products / facilities ● Difficulty in recovering capital investment	Concerns over fossil fuels ● Decrease in gas and electricity sales ● Difficulty in recovering capital investment		● Decreased capital raising ability ● Stock price drop	● Higher procurement costs ● Decrease in gas and electricity sales
Opportunity impact		● Increase in gas and electricity sales (air conditioning)	Competitive advantage ● Increase in demand for and operation of own products / facilities	Focus on energy systems with fewer GHG emissions ● Increase in gas and electricity sales ● Expansion of renewable energy and energy-saving services		● Enhanced capital raising ability ● Stock price rise	
Countermeasures	● Making important facilities watertight, moving them to higher locations, subdividing the gas supply area into blocks ● Diversification of LNG suppliers	● Expansion of areas where demand is expected to increase	● High-efficiency products / facilities, development and introduction of renewable energy facilities ● Fuel conversion to natural gas ● Securing stable LNG supply through participation in upstream business	● Advertising and proposal-based marketing of GHG emission reduction effects ● Policy proposal activities on GHS emission reduction ● Participation in and implementation of the Commitment to a Low Carbon Society	● Proposal and promotion of energy-saving services ● Surveys and research on innovative technologies such as hydrogen, natural gas as a clean energy source, and CCS etc.	● Dialogue with investors on contribution to GHG emission reduction and business vision etc.	● Diversification of suppliers ● Participation in upstream business ● Enhanced flexibility of procurement contract terms

S Social [Stakeholder Engagement]

The Promise to Customers	The Daigas Group will endeavor to ensure stable procurement, stable supply and security to allow customers to utilize energy safely. By doing so, the Group will provide products and services that are valuable to customers.

Customer Health and Safety

The Daigas Group puts the highest priority on securing safety of gas supply and facilities as an energy business operator which supplies city gas to approx. 6 million customers. Therefore, we consider it important that we make efforts to enhance the safety level and formulate a structure to respond possible accidents and disasters.

Performance

FY2018.3 target	FY2018.3 result
100%	100%

In fiscal 2018, every procedure is conducted based on guidelines in accordance with laws and regulations as well as in-house rules in the processes such as quality control of gas in LNG terminals, safety inspection of gas pipelines and supply facilities, as well as gas appliances at customers consented.

Securing safety at customers' sites

Facilitate systems to respond to reports and prepare resources for dispatching in case of accidents and disasters 24 hours a day, 365 days a year.
In accordance with laws, inspection of gas appliances for gas leaks, gas water heaters for air supply and exhaust function at customers' sites were conducted. The visits to the customers were exploited as the opportunity for recommending installation of alarms for gas leaks for residential use and ventilation for commercial use.

Inspection of gas pipes

Gas supply facilities including pipelines and pressure regulators were inspected to ensure their safety at the frequency and content of such inspections set under in-house "Security Rules."

Preparation for disaster prevention

From our experience of the earthquake occurred in Kobe, we have made every effort to prevent disasters incurred by earthquakes. Those efforts include enhancement of safety function and measures in LNG terminals, replacement of old gas pipes with polyethylene pipes, installation of intelligent meter.

Customer Privacy

As an energy business operator which secures the basis of the society, the Daigas Group considers it is indispensable to recognize the importance of customers' information and those appropriate management.

Performance

FY2018.3 result

No objection substantiated was filed during the year.

During FY2018.3, no proper objection was filed regarding the alleged violation of customer privacy involving the Daigas Group. We will continue to do all we can to beef up the control of personal information of customers.

Mechanism to protect personal information

The Daigas Group is doing all it can to prevent the leakage of personal information of customers and other incidents affecting their information by improving the Group's information management system, inspecting the implementation of the system as part of its risk-management efforts, carrying out a periodical audit of its business operations, and taking company-wide response actions in the event of incidents such as the loss of customer data, including information sharing and mobilization of all organizations to scrutinize the situation. In FY2018.3, the Group revised its manual stipulating how to handle the personal information of customers and employees, based on the revised personal information protection law. Through the revision of the manual, we disseminated the importance of protecting personal information to employees and deepened their understanding of the matter.

Education of employees

All Daigas Group employees who have the authority to access PCs loaned to them by the Group, including those working on a contract basis and those dispatched from manpower agencies, are required to take an online training course on information security once a year. The percentage rate of employees taking this course reached 100% in FY2018.3. These employees also receive e-learning training, twice a year, aimed at enabling them to respond appropriately to targeted e-mail attacks.

The Promise to Employees

The Daigas Group is working on to become a company that can realize the growth of its employees through work with preparing a personnel management system and environment whereby employees' individuality and initiative are respected, as well as their diverse talents are maximized.

Employment

Data on Workforce of the Daigas Group

Osaka Gas has 5,617 employees (4,745 men and 872 women) as of March 31, 2018. We hold joint hiring seminars as a Group, and 15 companies participated in the FY2018.3 seminar, where approximately 270 students were briefed on each company's business and the types of human resources needed. Osaka Gas also provided about 430 students with opportunities to gain work experience through internships in FY2018.3.

Acceptance of Diversity

Promotion of Diversity

As a way of enhancing its corporate value, the Daigas Group believes that it is essential for the Group to promote diversity in its corporate membership and corporate structure whereby employees can maximize their potential, irrespective of gender, age, nationality or physical disability. Recognizing that it is necessary for the Group to foster a corporate culture, the Group has adopted the “Daigas Group Diversity Promotion Policy” aiming for people with diverse personality and talent are respected, accepted, they can feel rewarded and fulfilled through their work.

Reemployment scheme

Osaka Gas has a system known as the Reemployment Scheme to rehire employees who are 60 and older after retirement, under which applicants are placed in jobs that match their skills and desires. All Daigas Group companies have similar reemployment schemes.

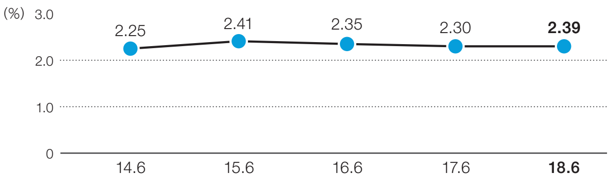
Number of Employees Utilized the Scheme at Osaka Gas

	FY2014.3	FY2015.3	FY2016.3	FY2017.3	FY2018.3
No. of retirees	219	236	239	277	313
No. of persons seeking reemployment	167	200	184	214	260
No. of persons reemployed	167	200	184	214	260
No. of reemployed persons working full-time	33	106	105	184	181

Hiring the disabled

Osaka Gas does all it can to hire disabled persons and creates a work environment conducive each individual. As a result of these efforts, disabled persons accounted for 2.30% as of June 2018 exceeding the legal minimum of 2.0%. Of the 33 affiliate companies subjected to the relevant law, 19 have achieved the legal minimum.

Percentage Rate of Disabled Employees (Osaka Gas)



Balancing Work and Family

Supporting nursing care through systems and the workplace environment

Osaka Gas has a number of systems which exceed the statutory requirement to support employees both while they are working and taking care of their families. Osaka Gas's nursing care leave system allows an employee to take up to 366 days of nursing care time off per family member who needs care. For those who choose to continue working instead of using the nursing care leave system, the nursing care time system allows them to shorten each working day by up to 3 hours / a total of 1,096 days.

No. of Employees Taking Childcare and Nursing Leave at Osaka Gas (excluding loaned employees)

	FY2014.3	FY2015.3	FY2016.3	FY2017.3	FY2018.3
Childcare leave	21	28	21	18	31
Male	1	1	1	1	4
Shorter working hours for childcare	35	35	37	31	21
Nursing care leave	0	4	2	1	1
Shorter working hours for nursing care	2	2	2	5	0
Nurturing leave	192	164	171	168	198
Male	175	140	153	149	172
Rate (%)	87.7	77.0	79.2	76.7	88.8

Setting up of satellite offices

As part of efforts to promote flexible work styles through telecommuting, satellite offices have been set up inside some of the Osaka Gas’s business locations. By using the satellite offices as employees' remote offices, they can concentrate on their assigned business duties, helping increase productivity.

In FY2018.3, a satellite office was set up at our business office located near the main railway terminal JR Osaka Station, in addition to five other satellite offices set up at other business locations.

Satellite office set up near Osaka Station

The Promise to Suppliers

Widespread value chain of our business functions with imperative cooperation of various business partners. Fulfilling our social responsibilities together with our suppliers in the value chain leads to relationships of mutual trust with our stakeholders, resulting in the development of the entire value chain.

Performance

FY2018.3 target		FY2018.3 result
100%	▶	100%

A total of 34 suppliers began new business transactions with Osaka Gas in FY2018.3. In the year, no business deals were barred from being started due to violations of standards set in the fields of environmental and social impacts, human rights and labor practices.

CSR Survey conducted on LNG suppliers

Osaka Gas conducted a CSR survey of 11 LNG suppliers with which the Company has concluded long-term contracts. Of the 11 suppliers, 10 replied to the survey which included new questions confirming specific actions for human rights, labor practices, and anti-corruption reflecting changes in global social trends.

In addition, Osaka Gas conducted a CSR survey of 30 gas appliance makers to ensure the safety, environmental/social consideration of gas appliances as well as in doing their business. Of the 30 companies, 27 replied. The survey was designed to confirm the CSR efforts being made by those polled regarding 67 items covered by eight themes including compliance, human rights and other aspects in line with our "CSR Procurement Guidelines on Gas Appliances and Other Equipment."

Measures in material procurement

Before starting business transactions, Osaka Gas communicates its "Purchasing Policy" and "CSR-based Purchasing Guidelines," and even confirms their efforts on CSR. In FY2018.3, a survey was conducted on 175 major suppliers to check their CSR efforts. Furthermore, when the suppliers conduct business transactions with Osaka Gas, they are asked to observe "Green Purchase Guidelines" set by Osaka Gas, attached to the specifications for the business transactions.

Revision to the "Green Partner Initiative"

The "Green Partner Initiative" adopted by Osaka Gas is designed to promote environmental conservation by suppliers of gas pipeline materials. Under the system, suppliers that are recognized as being active in environmental conservation activities such as the building of an Environmental Management System (EMS) will be registered as Partners. Osaka Gas initially focused on suppliers of gas pipelines for its "Green Partner Initiative." In FY2016.3, the Company revised the initiative to cover companies other than suppliers of gas pipeline materials as well. As of the end of March 2018.3, 108 suppliers were registered as Partners.

The Promise to Shareholders

Daigas Group is committed to meeting shareholders' expectations for stable, long-term growth and maximized corporate value, while maintaining its sound financial foundation.

General Meeting of shareholders

To allow shareholders time to carefully consider proposed resolutions, Osaka Gas sends out its general meeting notifications early (about four weeks in advance of the meeting). Before sending out convocation notices, the Company discloses them on the website of the Tokyo Stock Exchange and on the Company's website. The Company has adopted an electronic voting system in which voting rights can be exercised electronically over the Internet.

Dialogue with shareholders and investors

The Daigas Group has been stepping up information disclosure and dialogue with shareholders and investors with the aim of strengthening our management base, regarded as necessary to generate profit in a stable manner and return part of it to shareholders continuously.

Activities in FY2018.3

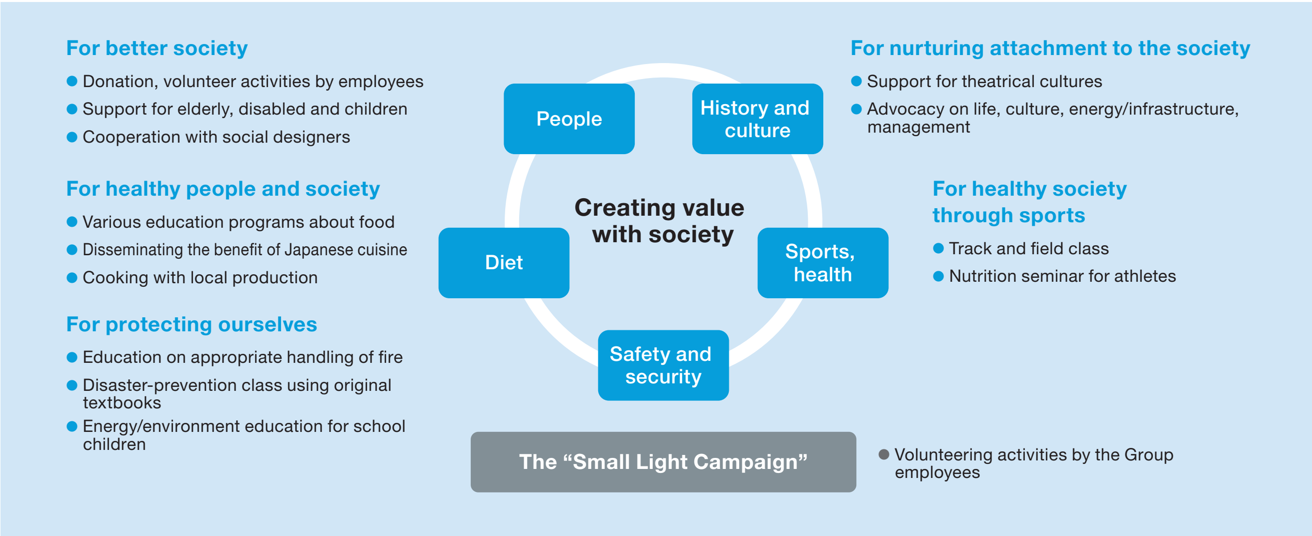
No. of briefings on financial results and business plans: 5
No. of meetings with institutional investors and analysts: 137
(74 and 63 held in Japan and overseas, respectively)

The Promise to Society

The Daigas Group will work on creating regional value by supporting community building.

Joining hands with local communities to create new social value

In a bid to create new value in regions, the Daigas Group is supporting community building under five themes—people, history and culture, sports, safety and security, and diet. The Group is also stepping up the "Small Light Campaign," a volunteer initiative led by employees.



"Small Light Campaign"

The Daigas Group launched the "Small Light Campaign" in 1981. Begun with the idea that individual employees should take an interest as a member of the society and give serious thought to resolving the various problems facing their local communities, this initiative's goal is that the employees' actions contribute to development of the society.

Food education activities

The Daigas Group has been pursuing food education activities under the slogan "Nurturing healthy youth through food" to give children a zest for living through food and help them build well-rounded characters. These activities include holding food education seminars/symposiums for teachers and municipalities, preparing and providing food education learning materials to elementary schools. With Japanese food being registered as a UNESCO intangible cultural heritage, in 2017, we set up a course aimed at succeeding to the next generation of healthy and rich food culture by Japanese dashi. This is a new experiential and business trip program closely tied to the local community in order to contribute to environmental changes surrounding the food and improvement of the diet of children.
The Minister of Agriculture, Forestry and Fisheries gave the award to Osaka Gas in recognition of the above activities.

Disaster prevention education

After the Great East Japan Earthquake, the need for disaster education has increased. Against this backdrop, Osaka Gas has created the original educational material "Disaster prevention classes to think about," and distributed it to schools, universities, administrative organizations, community associations, etc. free of charge. The content of material has come to be able to learn about natural disasters in Japan, changes in living at times of disasters and wisdom and ingenuity useful at that time in a workshop format. The total number of distribution exceeded 100,000 volumes in 4 years from the start of distribution.
These activities were evaluated and received the Excellence Award in the "Corporate and Industry Organization" section of "Consumer Education Teaching Material Award 2018" sponsored by the National Institute on Consumer Education.

NOBY T&F CLUB activities

Osaka Gas has used its resources and assets to help build vitality-filled communities. For example, NOBY T&F CLUB, an athletic club run by Olympic medalist Nobuharu Asahara, an Osaka Gas employee, provides a variety of athletic programs to young athletes to support their sound growth and foster top-level athletes who are to play a key role in Japan's future athletic sports. A multiple number of businesses have been launched at local municipalities based on the know-how obtained through the NOBY T&F CLUB. Suminoe Ward in Osaka City used an athletic program developed by NOBY T&F CLUB for classes conducted between September 2017 and March 2018 as part of their efforts to promote advanced and attractive education in elementary schools and junior high schools.

G Governance [Corporate Governance]

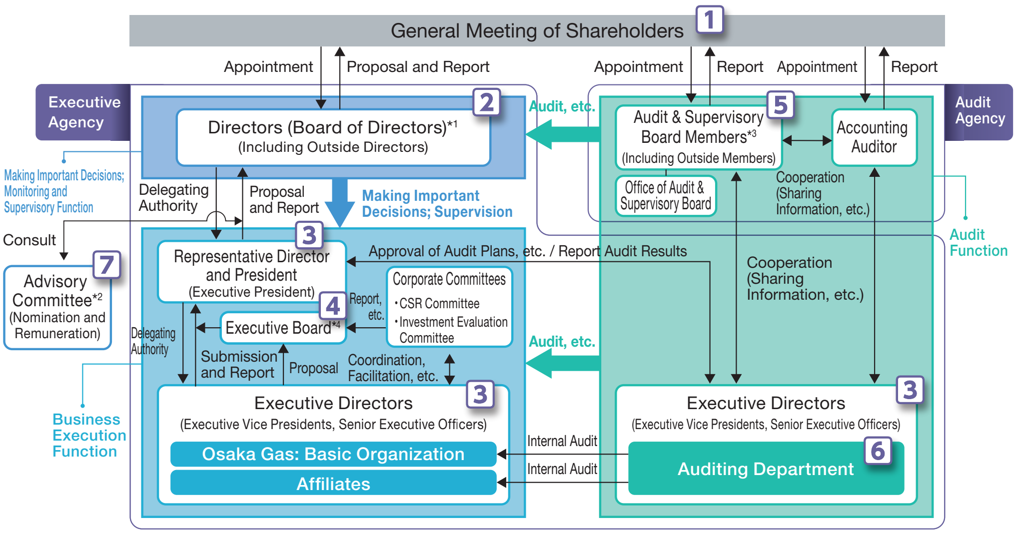
Representative Director	Representative Director and Chairman	Representative Director	President	Representative Director
Masataka Fujiwara	Hiroshi Ozaki	Hidetaka Matsuzaka	Takehiro Honjo	Tadashi Miyagawa

Basic stance toward corporate governance

Osaka Gas believes it is important to achieve sustainable growth and increase medium and long-term corporate value by engaging in fair and transparent business activities. To achieve this, the Company looks to respond appropriately to the exercising of shareholder rights, work toward maintaining and increasing a sense of trust by dialogue and cooperation with its stakeholders, and enhance the level of the entire Group's corporate social responsibility (CSR). Further, the Group looks to respond swiftly to changes in the Group's business environment and continuously improve and strengthen its corporate governance so that transparent, fair and decisive decisions can be made and efficient and appropriate actions can thereby be implemented.

Corporate governance promotion organization and activities

Corporate governance organization chart (as of June 28, 2018)



*1 Board of Directors: 13 directors (10 internal directors and 3 outside directors)
*2 Advisory Committee: 3 outside directors, 3 outside Audit & Supervisory Board Members, Representative Director and President and persons appointed by the President (up to two members who are Representative Directors)
*3 Audit & Supervisory Board: 5 Audit & Supervisory Board Members (2 full-time Audit & Supervisory Board Members, 3 outside Audit & Supervisory Board Members)
*4 Executive Board: 1 Executive President, 3 Executive Vice Presidents and 7 Senior Executive Officers

1 General Meeting of Shareholders

To allow shareholders time to carefully consider proposed resolutions, Osaka Gas sends out its shareholder meeting notifications early (about four weeks in advance of the meeting). Before sending out convocation notices, the Company discloses them on the website of the Tokyo Stock Exchange and on the Company's website. The Company has adopted an electronic voting system in which voting rights can be exercised electronically over the Internet.

2 Board of Directors, Directors of the Company

The Board of Directors consists of 13 directors (including three outside directors). Its mission is to make swift and appropriate decisions about important matters that affect the whole Group including subsidiaries and to enhance supervisory capabilities. It met a total of 13 times in fiscal 2018 and had an attendance rate of 98.8%. There was adequate time for deliberations, and active discussions were conducted.

3 Executive Officers

Osaka Gas has adopted an executive officer system, which enables the Directors of the Company to focus on decision-making and monitoring and supervisory functions, and worked toward strengthening the business efficiency and the supervisory functions by dynamically mobilizing the Board of Directors. Executive officers perform duties determined by the Board of Directors, and some Representative Directors and Directors concurrently serve as executive officers to make management decision-making more accurate and efficient.

4 Executive Board

Osaka Gas examines basic management policies and important management issues through the Executive Board and fully deliberates the foregoing before decision-making. In accordance with internal regulations, the Executive Board consists of the Executive President, Executive Vice Presidents, Senior Executive Officers, Heads of Corporate Headquarters, and Heads of Business Division. In principle, CSR Promotion Meetings are held three times a year by the Executive Board, which deliberate on plans for CSR activities and make reports on CSR activities.

5 Audit & Supervisory Board, Audit & Supervisory Board Members

Osaka Gas has chosen the organizational form as a company with an Audit & Supervisory Board. The Audit & Supervisory Board consists of five Audit & Supervisory Board Members, of whom three are outside auditors and each Audit & Supervisory Board Member monitors the execution of work duties by the Directors.
The Office of Audit & Supervisory Board with a dedicated full-time staff of four which is not under the direct control of the directors has been established to support the Audit & Supervisory Board Members' auditing work and thus improve the auditing system.

6 Auditing Department

Osaka Gas has established the Auditing Department (with a staff of 17) that functions as an internal auditing division. Based on an annual auditing plan, it evaluates from an independent and objective standpoint the conformance to standards and efficiency of business activities and the appropriateness of institutions and standards. In addition to giving recommendations and conducting follow-ups that lead to business improvements in the organizations subject to audit, the department summarizes the issues and reports its results to the Executive Board.

Audit & Supervisory Board Members accounting auditors and the Auditing Department meet on a regular basis to discuss annual audit plans and audit reports, and also convene as required to exchange audit information. This facilitates audit coordination and helps improve audit effectiveness and quality.

7 Advisory Committee

To maintain objectivity and achieve transparency in the decision-making process, matters relating to appointment of Director and Audit & Supervisory Board Member candidates, appointment and dismissal of Representative Director and other Executive Officers, and matters relating to Directors' remuneration are deliberated at an advisory committee made up of a majority of external Officers before decision is made in light of such deliberations.

Risk management

In the Daigas Group, 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 uses the Gas Group Risk Management System (G-RIMS) to ascertain risks, inspect the status of compliance with those risks, and conduct follow-up activities.

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.

Directors

Representative Director and Chairman
Hiroshi Ozaki

President
Takehiro Honjo

Vice-President
Hidetaka Matsuzaka

Vice-President
Masataka Fujiwara

Vice-President
Tadashi Miyagawa

Director
Takeshi Matsui

Director
Takayuki Tasaka

Director
Hisaichi Yoneyama

Director
Fumitoshi Takeguchi

Director
Shigeru Chikamoto

Outside Director
Shunzo Morishita

Biography

1970.4 Joined Nippon Telegraph and Telephone Public Corporation
2004.3 Representative Director and President of Nippon Telegraph and Telephone West Corporation
2008.6 Director and Executive Advisor of Nippon Telegraph and Telephone West Corporation
2009.6 Director of the Company (current)
2010.6 Executive Advisor of Nippon Telegraph and Telephone West Corporation
2012.6 Chairman of the Board of Directors of Hanshin Expressway Company Limited (current)
2014.7 Senior Advisor at Nippon Telegraph and Telephone West Corporation
2014.10 Commissioner of the Osaka Prefectural Public Safety Commission (current)
2015.3 NHK Board of Governors (current)

Board of Directors Meetings Attendance Record (April 1, 2017-March 31, 2018)
Attended 13 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.

Outside Director
Hideo Miyahara

Biography

1989.10 Professor, Faculty of Engineering, Osaka University
1998.4 Dean of the Graduate School of Engineering, Dean of the Faculty of Engineering, Osaka University
2002.4 Dean of the Graduate School of Information Science and Technology, Osaka University
2003.8 President of Osaka University
2007.9 President of the National Institute of Information and Communications Technology
2012.6 Representative Director of Knowledge Capital Association (current)
2013.4 Specially Appointed Professor, Graduate School of Information Science and Technology, Osaka University
2013.6 Director of West Japan Railway Company (current)
2013.6 Director of the Company (current)
2016.4 Visiting Professor, Graduate School of Information Science and Technology, Osaka University (current)
2016.6 NHK Board of Governors

Board of Directors Meetings Attendance Record (April 1, 2017–March 31, 2018)
Attended 11 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.

Outside Director
Takayuki Sasaki

Biography

1970.4 Joined Japanese National Railways
2002.6 President, West Japan Railway Daily Service Net Company Co., Ltd.
2007.6 Vice President, West Japan Railway Company
2009.6 Vice Chairman, West Japan Railway Company
2009.8 President, West Japan Railway Company
2012.5 Chairman, West Japan Railway Company
2016.6 Senior Advisor, West Japan Railway Company
2016.6 Director of the Company (current)
2018.6 Advisor, West Japan Railway Company (current)

Board of Directors Meetings Attendance Record (April 1, 2017-March 31, 2018)
Attended 13 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 Members

Audit & Supervisory Board Member

Takahiko Kawagishi

Audit & Supervisory Board Member

Akihiko Irie

Outside Audit & Supervisory Board Member

Yoko Kimura

Biography

1987.12 Assistant Professor, Faculty of Home Economics, Nara Women's University
1993.10 Assistant Professor, Faculty of Human Life and Environment, Nara Women's University
2000.4 Professor, Faculty of Human Life and Environment, Nara Women's University
2000.12 Member of Local Public Finance Council
2010.4 Chairperson of the Board of Directors, Council of Local Authorities for International Relations
2014.4 Advisor of Japan Center for Cities
2014.6 Audit & Supervisory Board Member of the Company (current)
2015.4 Director, Nara Prefectural University (current)

Board of Directors Meetings and Audit & Supervisory Board Meetings Attendance Record
(April 1, 2017-March 31, 2018)
Attended 13 of 13 meetings of the Board of Directors and attended 14 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.

Outside Audit & Supervisory Board Member

Eiji Hatta

Biography

1985.4 Professor, Faculty of Economics, Doshisha University (current)
1996.4 Dean, Faculty of Economics, Doshisha University
1998.4 President, Doshisha University
2008.2 Chairman, Japan Student Baseball Association (current)
2009.4 Vice Chairman, Japan University Auditors Association (current)
2011.10 Chancellor, The Doshisha
2015.6 Vice President, Baseball Federation of Japan
2015.6 Audit & Supervisory Board Member of the Company (current)
2015.9 Director, Japan High School Baseball Federation (current)
2017.4 President, The Doshisha (current)
2017.4 Chancellor, The Doshisha (current)

Board of Directors Meetings and Audit & Supervisory Board Meetings Attendance Record
(April 1, 2017-March 31, 2018)
Attended 13 of 13 meetings of the Board of Directors and attended 14 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.

Outside Audit & Supervisory Board Member

Shigemi Sasaki

Biography

1974.4 Appointed as judge
2011.5 Chief Judge, Takamatsu High Court
2012.3 Chief Judge, Osaka High Court
2013.3 Retired from judgeship
2013.4 Professor, Graduate School of Law, Kyoto University
2016.6 Audit & Supervisory Board Member of the Company (current)

Board of Directors Meetings and Audit & Supervisory Board Meetings Attendance Record
(April 1, 2017-March 31, 2018)
Attended 13 of 13 meetings of the Board of Directors and attended 14 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.

Director and Audit & Supervisory Board Members Remuneration

To maintain objectivity and achieve transparency in the decision-making process, the remuneration for each Director shall be deliberated at an advisory committee made up of a majority of outside officers before decision is made by a resolution of the Board of Directors, with such amounts being within the maximum amount approved at the Annual Meeting of Shareholders (¥63 million per month). For making such decisions, the Company has designed a remuneration system for Directors, referring to levels of remuneration at other companies and each Director's roles and responsibilities, to encourage their efforts to realize consistent growth and increase medium and long-term corporate value, in which a Director's remuneration consists of a fixed amount and a performance-based amount linked to the consolidated business results of the Company for the past three years. The advisory committee is comprised of inside and outside members, with outside committee members being all of the outside officers (the three outside Directors and the three outside Audit & Supervisory Board Members). The inside committee members are the Company President and if necessary, persons appointed by the President (the President may appoint up to two other Representative Directors). The committee members elect the committee chairperson from amongst themselves.

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.

Criteria for Determining the Independence of Outside Directors and Outside Audit & Supervisory Board Members

Osaka Gas appoints three outside directors and three outside Audit & Supervisory Board Members. Candidates for directors and Audit & Supervisory Board Members are in principle selected from a diverse group of people taking their knowledge, experiences, abilities, and personalities, etc., into account. In addition, during selection of outside director candidates, the Company takes into consideration independence and ability to make objective decisions, wide range of insight, wealth of experience, and high level of expertise in their field of specialization. Outside directors participate in decision-making as members of the Board of Directors' meetings and monitor and supervise the execution of duties of the managing directors from an independent position based on their knowledge and experience. Outside Audit & Supervisory Board Members use their knowledge and experience to conduct strict audits on the execution of duties of the managing directors, also from an independent standpoint. Both outside directors and outside Audit & Supervisory Board Members will hear about a variety of issues at Board of Directors' meetings, including the operation of internal control systems based on the Companies Act, the evaluation of internal controls as they relate to financial reports based on the Financial Instruments and Exchange Act, internal audits, and CSR activities. They will also confirm the content of accounting audit reports.

In addition, outside directors Shunzo Morishita, Hideo Miyahara, Takayuki Sasaki, and outside Audit & Supervisory Board Members Yoko Kimura, Eiji Hatta, and Shigemi Sasaki have no special interest relationships with the company affecting decision-making, and they meet the criteria for the independence of outside officers stipulated by the company as below, so they are judged to have sufficient independence. Based on this, they are reported as independent officers to the financial instruments exchanges on which the company is listed.

Classification	Total amount of remuneration (million yen)	Number of payees
Directors (excluding outside directors)	512	11
Audit & Supervisory Board Members (excluding outside members)	67	2
Outside directors	32	3
Outside Audit & Supervisory Board Members	32	3

Note: The number of persons and amounts include one internal director who retired as of the close of the Company's 199th Annual Shareholders' Meeting held on June 29, 2017. Moreover, the total amount of remuneration is made up of basic remunerations (monthly remuneration) comprised of a fixed portion and a portion based on performance.

Summary of Consolidated Operating Results

			2008.3,	2009.3,
Financial Information				
Net sales		million yen	1,238,145	1,326,785
Operating profit		million yen	75,611	66,932
Ordinary profit		million yen	75,814	64,510
Profit attributable to owners of parent		million yen	40,283	36,041
Comprehensive income		million yen	—	—
Capital expenditures for maintaining or upgrading existing businesses		million yen	86,062	64,422
Depreciation + amortization of goodwill		million yen	95,253	86,549
R&D expenses		million yen	10,178	9,603
Total assets		million yen	1,467,934	1,452,457
Net assets		million yen	666,657	634,757
Shareholders' equity		million yen	648,592	612,565
Balance of interest-bearing debts		million yen	566,441	573,483
Cash flows from operating activities		million yen	134,282	120,691
Cash flows from investing activities		million yen	(132,029)	(108,102)
Cash flows from financing activities		million yen	12,495	(3,438)
Cash and cash equivalents at end of period		million yen	39,244	46,764
Free cash flow	(Cash flows from operating activities-Capital expenditures for maintaining or upgrading existing businesses)	million yen	51,220	56,268
Capital expenditures		million yen	111,087	106,087
Per Share Information※				
Earnings per share (EPS)		yen	91.34	83.59
Shareholders' equity per share (BPS)		yen	1,503.80	1,421.05
Dividends		yen	35.0	35.0
Key Ratios				
EBITDA	(Operating profit + Depreciation + Amortization of goodwill + Share of profit of entities accounted for using equity method)	million yen	176,169	160,962
Shareholder Value Added (SVA)	(Net operating profit after tax (NOPAT) - Invested capital × Weighted average cost of capital (WACC))	million yen	12,552	5,149
Ratio of shareholders' equity	(Shareholders' equity / Total assets (as of the end of the fiscal year))	%	44.2	42.2
D/E ratio	(Interest-bearing debts / Shareholders' equity (as of the end of the fiscal year))		0.87	0.94
Return on equity (ROE)	(Profit attributable to owners of parent / Average shareholders' equity during the fiscal year)	%	6.1	5.7
Return on assets (ROA)	(Profit attributable to owners of parent / Average total assets during the fiscal year)	%	2.8	2.5
Payout ratio	((Interim dividend + Year-end dividend) / Profit attributable to owners of parent)	%	38.3	41.9
Gas sales volume				
		million m^3	8,917	8,416
Number of employees				
		employees	16,682	19,009

※Calculated in consideration of share consolidation.

2010.3,	2011.3,	2012.3,	2013.3,	2014.3,	2015.3,	2016.3,	2017.3,	2018.3,
1,096,628	1,187,142	1,294,781	1,380,060	1,512,581	1,528,164	1,322,012	1,183,846	1,296,238
91,140	88,584	77,274	84,773	99,381	105,065	146,674	97,250	78,118
84,806	82,372	75,694	90,125	106,044	108,173	134,986	96,276	77,087
48,384	45,968	45,207	52,467	41,725	76,709	84,324	61,271	37,724
—	35,833	39,702	83,844	80,850	106,084	38,256	78,029	60,590
54,272	53,600	43,713	44,507	41,082	44,698	56,051	48,253	42,191
95,402	97,869	93,624	82,818	83,806	87,785	86,747	86,206	88,723
10,670	10,918	10,974	10,875	11,793	11,434	11,340	10,374	9,708
1,483,895	1,437,297	1,475,759	1,566,899	1,668,317	1,862,201	1,829,756	1,886,577	1,905,215
690,561	688,695	708,904	774,317	828,565	918,869	935,786	991,870	1,028,799
666,689	664,959	684,584	747,802	798,964	888,496	906,623	961,905	999,569
539,081	532,493	541,349	540,199	573,586	633,923	567,164	540,668	503,789
229,714	126,399	122,793	129,597	154,225	156,908	281,819	148,801	168,731
(111,265)	(82,408)	(107,764)	(116,791)	(175,591)	(110,704)	(144,198)	(137,527)	(110,456)
(49,553)	(41,257)	(8,279)	(27,897)	4,163	22,892	(90,716)	(50,530)	(51,591)
113,998	116,230	122,448	109,456	90,359	162,793	209,367	166,912	171,061
175,441	72,798	79,079	85,089	113,142	112,210	225,767	100,547	116,343
98,246	69,600	87,171	112,987	124,146	119,398	114,418	88,657	81,716
112.48	108.08	108.55	125.99	100.21	184.31	202.64	147.29	90.71
1,551.95	1,596.63	1,643.85	1,795.79	1,919.49	2,134.92	2,179.23	2,312.68	2,403.68
35.0	40.0	40.0	42.5	45.0	47.5	50.0	50.0	50.0
187,806	188,614	176,535	173,926	191,104	199,840	228,883	188,403	167,100
14,041	13,200	11,965	18,677	3,000	42,964	52,621	33,328	11,922
44.9	46.3	46.4	47.7	47.9	47.7	49.5	51.0	52.5
0.81	0.80	0.79	0.72	0.72	0.71	0.63	0.56	0.50
7.6	6.9	6.7	7.3	5.4	9.1	9.4	6.6	3.8
3.3	3.1	3.1	3.4	2.6	4.3	4.6	3.3	2.0
31.1	37	36.8	33.7	44.9	25.8	24.7	33.9	55.1
8,150	8,560	8,711	8,534	8,554	8,290	8,052	8,694	8,580
19,268	19,684	19,818	19,870	21,250	20,982	20,844	20,762	19,997

【Consolidated Financial Statements and Notes】

(1) Consolidated Financial Statements

Osaka Gas Co., Ltd. and Consolidated Subsidiaries, the Fiscal Years Ended March 31, 2017 and 2018

Consolidated Balance Sheet

Assets

(million yen)

		Previous Year (As of March 31, 2017)		Current Year (As of March 31, 2018)
Non-current assets				
Property, plant and equipment				
Production facilities		91,943		89,523
Distribution facilities		286,889		275,331
Service and maintenance facilities		58,912		56,924
Other facilities		387,286		393,116
Construction in progress		87,706		66,925
Total property, plant and equipment	※1, ※2, ※3	912,737	※1, ※2, ※3	881,822
Intangible assets		77,483		79,743
Investments and other assets				
Investment securities	※4	316,981	※4	323,212
Net defined benefit asset		38,615		46,405
Other		60,073		60,682
Allowance for doubtful accounts		(1,376)		(1,245)
Total investments and other assets	※1	414,293	※1	429,053
Total non-current assets		1,404,514		1,390,619
Current assets				
Cash and deposits		167,583		171,529
Notes and accounts receivable - trade		177,512	※5	190,445
Lease receivables and investment assets		24,147		30,459
Inventories	※6	69,778	※6	76,861
Other		44,670		46,805
Allowance for doubtful accounts		(1,629)		(1,504)
Total current assets	※1	482,062	※1	514,596
Total assets		1,886,577		1,905,215

Note: Details of ※1, 2, 3, 4, 5, 6 and 8 are provided in “d. Notes to the Consolidated Balance Sheet” on page 64.

This annual report is not subject to auditing by an independent auditor.
However, the accompanying consolidated financial statements are reprinted from the securities report which has been audited by an independent auditor.

Liabilities

(million yen)

		Previous Year (As of March 31, 2017)		Current Year (As of March 31, 2018)
Non-current liabilities				
Bonds payable		194,979		164,984
Long-term loans payable		267,666		243,255
Deferred tax liabilities		26,451		30,830
Provision for gas holder repairs		1,416		1,326
Provision for safety measures		10,897		12,936
Provision for loss on investment		6,999		6,999
Provision for equipment warranties		14,282		13,607
Net defined benefit liability		18,709		16,958
Other		91,033		61,371
Total non-current liabilities	※1	632,436	※1	552,271
Current liabilities				
Current portion of non-current liabilities		50,267		68,548
Notes and accounts payable - trade		50,246	※5	58,542
Short-term loans payable		23,118		22,179
Income taxes payable		22,942		27,786
Other		115,695		147,088
Total current liabilities	※1	262,269	※1	324,145
Total liabilities		894,706		876,416

Net assets

(million yen)

		Previous Year (As of March 31, 2017)		Current Year (As of March 31, 2018)
Shareholders' equity				
Capital stock		132,166		132,166
Capital surplus		19,319		19,222
Retained earnings		752,872		769,801
Treasury shares		(1,492)		(1,663)
Total shareholders' equity		902,865		919,527
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities		51,678		56,977
Deferred gains or losses on hedges		(9,500)		(7,650)
Revaluation reserve for land	※8	(737)	※8	(737)
Foreign currency translation adjustment		17,993		19,530
Remeasurements of defined benefit plans		(393)		11,922
Total accumulated other comprehensive income		59,040		80,042
Non-controlling interests		29,965		29,229
Total net assets		991,870		1,028,799
Total liabilities and net assets		1,886,577		1,905,215

Consolidated Statement of Income

(million yen)

		Previous Year (April 1, 2016 - March 31, 2017)		Current Year (April 1, 2017 - March 31, 2018)
Net sales		1,183,846		1,296,238
Cost of sales	※1, ※2	745,139	※1, ※2	874,437
Gross profit		438,707		421,800
Selling, general and administrative expenses	※1, ※3	341,457	※1, ※3	343,681
Operating profit		97,250		78,118
Non-operating income				
Interest income		386		453
Dividend income		3,163		4,151
Miscellaneous income		10,610		10,886
Total non-operating income		14,160		15,491
Non-operating expenses				
Interest expenses		9,612		9,505
Loss on sales of shares of subsidiaries		—		2,227
Miscellaneous expenses		5,521		4,789
Total non-operating expenses		15,134		16,522
Ordinary profit		96,276		77,087
Extraordinary losses				
Impairment loss	※4	1,744	※4	11,249
Business structure improvement expenses	※5	2,935		—
Total extraordinary losses		4,680		11,249
Profit before income taxes		91,596		65,837
Income taxes - current		31,622		31,277
Income taxes - deferred		(3,233)		(4,957)
Total income taxes		28,388		26,319
Profit		63,207		39,517
Profit attributable to non-controlling interests		1,936		1,793
Profit attributable to owners of parent		61,271		37,724

Note: Details of ※1, 2, 3, 4 and 5 are provided in “e. Notes to the Consolidated Statement of Income” on page 65.

Consolidated Statement of Comprehensive Income

(million yen)

		Previous Year (April 1, 2016 - March 31, 2017)		Current Year (April 1, 2017 - March 31, 2018)
Profit		63,207		39,517
Other comprehensive income				
Valuation difference on available-for-sale securities		7,543		5,306
Deferred gains or losses on hedges		1,401		387
Foreign currency translation adjustment		(7,506)		78
Remeasurements of defined benefit plans		15,593		12,607
Share of other comprehensive income of entities accounted for using equity method		(2,209)		2,692
Total other comprehensive income	※1	14,822	※1	21,072
Comprehensive income		78,029		60,590
(Breakdown)				
Comprehensive income attributable to owners of parent		76,301		58,725
Comprehensive income attributable to non-controlling interests		1,728		1,864

Note: Details of ※1 are provided in “f. Notes to the Consolidated Statement of Comprehensive Income” on page 67.

Consolidated Statement of Changes in Net Assets

(million yen)

	Shareholders’ Equity					Accumulated Other Comprehensive Income							
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Fiscal Year Ended March 31, 2017 (April 1, 2016 - March 31, 2017)													
Balance at beginning of current period	132,166	19,320	712,401	(1,275)	862,613	44,143	(12,347)	(737)	28,924	(15,972)	44,010	29,162	935,786
Changes of items during period													
Dividends of surplus			(20,800)		(20,800)								(20,800)
Profit attributable to owners of parent			61,271		61,271								61,271
Purchase of treasury shares				(226)	(226)								(226)
Disposal of treasury shares		0		9	9								9
Change in ownership interest of parent due to transactions with non-controlling interests		(1)			(1)								(1)
Net changes of items other than shareholders’ equity						7,535	2,846		(10,930)	15,578	15,030	802	15,832
Total changes of items during period	—	(0)	40,470	(217)	40,251	7,535	2,846	—	(10,930)	15,578	15,030	802	56,084
Balance at end of current period	132,166	19,319	752,872	(1,492)	902,865	51,678	(9,500)	(737)	17,993	(393)	59,040	29,965	991,870

	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Fiscal Year Ended March 31, 2018 (April 1, 2017 - March 31, 2018)													
Balance at beginning of current period	132,166	19,319	752,872	(1,492)	902,865	51,678	(9,500)	(737)	17,993	(393)	59,040	29,965	991,870
Changes of items during period													
Dividends of surplus			(20,794)		(20,794)								(20,794)
Profit attributable to owners of parent			37,724		37,724								37,724
Purchase of treasury shares				(175)	(175)								(175)
Disposal of treasury shares		0		5	5								5
Change in ownership interest of parent due to transactions with non-controlling interests		(97)			(97)								(97)
Net changes of items other than shareholders’ equity						5,298	1,849		1,536	12,316	21,001	(735)	20,265
Total changes of items during period	—	(96)	16,929	(170)	16,662	5,298	1,849	—	1,536	12,316	21,001	(735)	36,928
Balance at end of current period	132,166	19,222	769,801	(1,663)	919,527	56,977	(7,650)	(737)	19,530	11,922	80,042	29,229	1,028,799

Consolidated Statement of Cash Flows

(million yen)

	Previous Year (April 1, 2016 - March 31, 2017)	Current Year (April 1, 2017 - March 31, 2018)
Cash flows from operating activities		
Profit before income taxes	91,596	65,837
Depreciation	86,206	88,723
Amortization of long-term prepaid expenses	5,389	5,207
Impairment loss	1,744	11,249
Business structure improvement expenses	2,935	—
Loss on sales of shares of subsidiaries	—	2,227
Decrease (increase) in net defined benefit asset	8,221	8,828
Interest and dividend income	(3,550)	(4,605)
Interest expenses	9,612	9,505
Decrease (increase) in notes and accounts receivable - trade	(11,151)	(15,519)
Decrease (increase) in inventories	9,166	(8,136)
Increase (decrease) in notes and accounts payable - trade	(3,428)	10,380
Increase (decrease) in accrued expenses	(968)	2,276
Increase (decrease) in accrued consumption taxes	(11,776)	4,854
Other, net	9,277	12,898
Subtotal	193,274	193,729
Interest and dividend income received	7,700	10,815
Interest expenses paid	(9,657)	(9,315)
Income taxes paid	(42,516)	(26,498)
Net cash provided by (used in) operating activities	148,801	168,731
Cash flows from investing activities		
Purchase of property, plant and equipment	(83,435)	(73,082)
Purchase of intangible assets	(9,286)	(5,977)
Purchase of long-term prepaid expenses	(6,463)	(5,799)
Purchase of shares of subsidiaries and associates	(32,810)	(15,385)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(0)	(6,602)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	618	2,485
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(41)	—
Payments of long-term loans receivable	(5,117)	(3,000)
Other, net	(991)	(3,093)
Net cash provided by (used in) investing activities	(137,527)	(110,456)
Cash flows from financing activities		
Proceeds from long-term loans payable	19,248	18,719
Repayments of long-term loans payable	(18,763)	(48,399)
Proceeds from issuance of bonds	10,000	—
Redemption of bonds	(35,700)	—
Proceeds from share issuance to non-controlling shareholders	133	400
Cash dividends paid	(20,803)	(20,800)
Dividends paid to non-controlling interests	(948)	(1,218)
Other, net	(3,696)	(292)
Net cash provided by (used in) financing activities	(50,530)	(51,591)
Effect of exchange rate change on cash and cash equivalents	(3,197)	666
Net increase (decrease) in cash and cash equivalents	(42,454)	7,349
Cash and cash equivalents at beginning of period	209,367	166,912
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(3,200)
Cash and cash equivalents at end of period	※1 166,912	※1 171,061

Note: Details of ※1 are provided in “h. Notes to the Consolidated Statement of Cash Flows” on page 69.

【Notes】

a Significant Matters Forming the Basis of Preparation of the Consolidated Financial Statements

1. Scope of consolidation

Number of consolidated subsidiaries:
150 (Previous fiscal year), 138 (Current fiscal year)
The names of consolidated subsidiaries are omitted as they are stated in "4 Status of Subsidiaries and Affiliates" of "I Overview of Company."
The Company has acquired shares in NIPG Corp., Agnie Consulting Corp. and Shiribetsu Wind Power Co., Ltd., making them newly subsidiaries of the Company. As a result, those subsidiaries are included as consolidated subsidiaries of the Company from the current fiscal year.
MIZUSAWA CORPORATION, Ltd. (absorbed and merged by consolidated subsidiary-MIZUSAWA INDUSTRIAL CHEMICALS, Ltd. in April 2017), Nagano Propane Gas Co., Ltd. and YAMAZUMIYA-SHOUTEN (sold in August 2017), Nissho Propane Sekiyu Co., Ltd., Ehime Nissyo Propane Co., Ltd., Enes Carry Co., Ltd. and Kochi Nissho Propane Corporation (sold in October 2017), Osaka Gas LPG Co., Ltd., Nissho Petroleum Gas Corporation, Nissho Gas Supply Corporation and Daiya Nensho Co., Ltd. (restructured in October 2017), Pentagen Investors, L.P. (sold in November 2017), Respiratory Tract Medical Center ESCO Co., Ltd. and OGPA Selkirk, LLC (liquidated in December 2017) and ECO Tree Farm Pty. Ltd. (liquidated in March 2018) are no longer consolidated subsidiaries of the Company from the current fiscal year.

2. Application of the equity method

Number of equity method affiliates:
18 (Previous fiscal year), 19 (Current fiscal year)
Names of equity method affiliates are as follows:
Idemitsu Snorre Oil Development Co., Ltd., Osaka Rinkai Energy Service Corporation, JAPAN GAS ENERGY CORPORATION, Nikki Mirai Solar, Co., Ltd., Universe Gas & Oil Company, Inc., Energy Infrastructure Investments Pty. Ltd., Iniciativas De Gas, S.L., EII 2 Pty. Ltd., S2 Japan Holding B.V., Aurora Solar Holdings Corporation, City-OG Gas Energy Services Pte. Ltd., Sumisho Osaka Gas Water UK-Limited, FLIQ1 Holdings, LLC, CPV Maryland, LLC, NS-OG Energy Solutions (Thailand) Ltd., Erogasmet S.p.A., CPV Shore Holdings, LLC, CPV Fairview, LLC, ENEARC Co., Ltd.
As ENEARC Co., Ltd. has become an affiliate of the Company due to business restructuring, the Company has made it an equity method affiliate from the current fiscal year.
A major affiliate for which the equity method is not applied is ENNET Corporation.
With regard to affiliates for which the equity method is not applied, their impact on profit or loss and retained earnings, etc. for the current fiscal year is not significant and immaterial on the whole. Therefore, investments in those affiliates are measured at cost.
When the fiscal year-end of equity method affiliates is different from the consolidated fiscal year-end, the financial statements for the fiscal year of such affiliates are used.

3. Fiscal year, etc. of consolidated subsidiaries

Consolidated subsidiaries whose fiscal year-end is different from the consolidated fiscal year-end are Osakagas Summit Resources Co., Ltd., Shingu Gas Co., Ltd., Toyooka Energy Co., Ltd., Nabari Kintetsu Gas Co., Ltd., Osaka Gas Australia Pty. Ltd., Osaka Gas Gorgon Pty. Ltd., Osaka Gas Ichthys Pty. Ltd., Osaka Gas Ichthys Development Pty. Ltd., Osaka Gas UK, Ltd., Osaka Gas USA Corporation, Jacobi Carbons AB and other companies, totaling 75 companies.
Although the above consolidated subsidiaries have a fiscal year-end of December 31, the difference between that date and the consolidated fiscal year-end (March 31) does not exceed 3 months. Therefore, the consolidated financial statements are prepared using their financial statements as of their fiscal year-end.

4. Accounting policies

(1) Basis and methodology for the valuation of significant assets

① Inventories

【Primarily stated at cost based on the moving-average method】
Inventories held for trading recorded on the balance sheet are depreciated to write down the carrying amount based on depreciation of profitability

② Investment securities

Bonds held to maturity
【Stated at amortized cost】
Other investment securities
Securities for which it is practical to determine fair value
【Stated at fair value based on the market price, etc. at the fiscal year-end】
(Unrealized valuation gains and losses are accounted for as a component of net assets; cost of sales is determined primarily using the moving-average method.)
Securities for which it is not practical to determine fair value
【Primarily stated at cost based on the moving-average method】

③ Derivatives

【Stated at fair value】

(2) Depreciation and amortization method of significant depreciable assets

① Property, plant and equipment (excluding leased assets)

【Primarily the declining-balance method】
However, the straight-line method has been used for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998 and for facilities attached to buildings and structures acquired on or after April 1, 2016.

② Intangible assets (excluding leased assets)

【Primarily the straight-line method】
For internal-use software, the straight-line method based on the term available for use within the Company and each subsidiary has been applied.

③ Leased assets

Leased assets resulting from non-ownership-transfer finance leases
【The straight-line method over the useful life equal to the lease terms assuming no residual value】

(3) Basis for recording significant allowances

① Allowance for doubtful accounts

To provide for the bad debts loss of accounts receivable, loans receivable, etc., an estimated uncollectible amount is provided by considering the default ratio in the past for general receivables and the individual collectability for certain receivables including receivables with default possibility.

② Provision for gas holder repairs

To provide for the necessary expenditure for periodical repairs of spherical gas holders, an estimated amount for the next scheduled repair is provided based on the actual expenditure for the previous repair, which is proportionally allotted for the period up to such next scheduled repair.

③ Provision for safety measures

To provide for the necessary expenditure to ensure the safety of gas business, an estimated amount of the expenditure necessary for promoting the widespread use of safety-enhanced models, for strengthening inspections and ensuring wide awareness as well as for countermeasure works on aged gas pipelines is provided.

④ Provision for loss on investment

To provide for any losses on the operations of subsidiaries and associates, an amount of expected future losses is provided as reserve.

⑤ Provision for equipment warranties

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

(4) Accounting for retirement benefits

① Method for attributing projected retirement benefits to periods of service

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

② Method for recognizing actuarial gains and losses and past service costs

Past service costs are expensed mainly in the fiscal year when such costs are incurred. Actuarial gains and losses are amortized on a straight-line basis mainly over a period of 10 years beginning from the next fiscal year after each occurrence.

(5) Criteria for translating significant assets or liabilities denominated in foreign currencies into Japanese currency

Assets and liabilities of overseas subsidiaries are translated into Japanese yen at the spot exchange rate as of the fiscal year-end. Revenues and expenses of overseas subsidiaries are translated into Japanese yen at the average exchange rate during the fiscal year. The resulting translation differences are included in foreign currency translation adjustment and non-controlling interests in net assets.

(6) Significant hedge accounting method

① Hedge accounting method

Deferred hedge accounting is adopted. When applicable requirements are met, exceptional accounting for interest rate swaps and allocation accounting for forward exchange contracts, etc. are adopted.

② Hedging instruments and hedged items

Hedging instruments

- Interest rate swaps
- Forward exchange contracts or currency options
- Loans payable denominated in foreign currencies
- Swaps and options on crude oil price, etc.

Hedged items

- Bonds, loans payable
- Forecast transactions denominated in foreign currencies (purchase prices of raw materials, etc.)
- Interests in overseas subsidiaries and associates
- Purchase prices of raw materials, etc.

③ Hedging policy

The Group hedges foreign exchange rate and interest rate risk based on its internal rules. Derivative transactions are not entered into unless they are backed by actual demand.

④ Method for assessing the hedge effectiveness

Hedge effectiveness is assessed by identifying the corresponding relationship between hedging instruments and hedged items.

(7) Method and period for amortization of goodwill

Goodwill is amortized on a straight-line basis over its estimated useful life within 20 years after initial recognition; provided, however, that immaterial goodwill is recognized as income or expense in full upon acquisition.

(8) Scope of funds in the consolidated statement of cash flows

Funds stated in the consolidated statement of cash flows (cash and cash equivalents) comprise cash on hand, demand deposits and short-term investments that are readily convertible and subject to an insignificant risk of changes in value with original maturities of three months or less.

(9) Other significant matters on the preparation of the consolidated financial statements

Accounting for consumption taxes
Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

b Changes in Accounting Policies

(Accounting standards, etc. not yet applied)

"Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28; February 16, 2018) and "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26; February 16, 2018)

(1) Summary

Accounting for taxable temporary differences pertaining to shares of subsidiaries, etc. in non-consolidated financial statements has been reviewed, and accounting for recoverability of deferred tax assets in companies that fall under (Category 1) has been clarified.

(2) Scheduled date of application

Effective from the beginning of the fiscal year ending March 31, 2019.

(3) Effects of application

In the process of measuring the effects at the time of preparing the accompanying consolidated financial statements.

"Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29; March 30, 2018) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30; March 30, 2018)

(1) Summary

These are comprehensive accounting standards on revenue recognition. Revenue is recognized by applying the following five-step approach:

Step 1: Identify the contracts with customers
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

(2) Scheduled date of application

Effective from the beginning of the fiscal year ending March 31, 2022.

(3) Effects of application

In the process of measuring the effects at the time of preparing the accompanying consolidated financial statements.

c Changes in Presentation

1 The items below, which were presented separately in the consolidated statement of income for the previous fiscal year, are presented for the current fiscal year as follows:

(1) Those which were presented as "Share of profit of entities accounted for using equity method" under "Non-operating income" for the previous fiscal year are included in "Miscellaneous income" for the current fiscal year, as the amount has become immaterial. To reflect this change in presentation, items in the consolidated financial statements for the previous fiscal year are reclassified.

(2) Those which were presented as "Proceeds from facility contribution" under "Non-operating income" for the previous fiscal year are included in "Miscellaneous income" for the current fiscal year, as the amount has become immaterial. To reflect this change in presentation, items in the consolidated financial statements for the previous fiscal year are reclassified.
As a result, "Share of profit of entities accounted for using equity method" of ¥1,785 million, "Proceeds from facility contribution" of ¥2,404 million and "Miscellaneous income" of ¥6,419 million, which were presented under "Non-operating income" in the consolidated statement of income for the previous fiscal year, are reclassified as "Miscellaneous income" of ¥10,610 million.

2 The items below, which were presented separately in the consolidated statement of cash flows for the previous fiscal year, are presented for the current fiscal year as follows:

(1) Those which were presented as "Proceeds from facility contribution" under cash flows from operating activities for the previous fiscal year are included in "Other, net" for the current fiscal year, as the amount has become immaterial. To reflect this change in presentation, items in the consolidated financial statements for the previous fiscal year are reclassified.

(2) Those which were presented as "Increase (decrease) in provision for equipment warranties" under cash flows from operating activities for the previous fiscal year are included in "Other, net" for the current fiscal year, as the amount has become immaterial. To reflect this change in presentation, items in the consolidated financial statements for the previous fiscal year are reclassified.

(3) Those which were presented as "Share of loss (profit) of entities accounted for using equity method" under cash flows from operating activities for the previous fiscal year are included in "Other, net" for the current fiscal year, as the amount has become immaterial. To reflect this change in presentation, items in the consolidated financial statements for the previous fiscal year are reclassified.
As a result, "Proceeds from facility contribution" of ¥(2,404) million, "Increase (decrease) in provision for equipment warranties" of ¥5,904 million and "Share of loss (profit) of entities accounted for using equity method" of ¥(1,785) million, which were presented under cash flows from operating activities in the consolidated statement of cash flows for the previous fiscal year, are reclassified into "Other, net."

d Notes to the Consolidated Balance Sheet

※1 Assets pledged as collateral and liabilities with collateral

Assets pledged as collateral are as follows:

	Previous Year (As of March 31, 2017)	Current Year (As of March 31, 2018)
Other facilities	128,891 million yen	125,443 million yen
Investment securities	52,395	63,333
“Other” under investments and other assets	12,215	12,476
Other	12,570	12,613
Total	206,073	213,867

In addition to the above, loans receivable, etc. which were offset as a result of consolidation were pledged as collateral in the amounts of ¥7,683 million for the previous fiscal year and ¥10,004 million for the current fiscal year.

Liabilities with collateral are as follows:

	Previous Year (As of March 31, 2017)	Current Year (As of March 31, 2018)
Long-term loans payable	37,890 million yen	34,398 million yen
(current portion thereof	1,072	100)
Short-term loans payable and other	301	698
Total	38,191	35,097

※2 (1) Accumulated advanced depreciation deducted from the acquisition cost of assets related to contribution for construction, etc. is as follows:

	Previous Year (As of March 31, 2017)	Current Year (As of March 31, 2018)
Production facilities	781 million yen	781 million yen
Distribution facilities	257,488	259,468
Service and maintenance facilities	856	824
Other facilities	3,096	5,205
Total	262,222	266,280

(2) Advanced depreciation deducted from the acquisition cost of assets related to expropriation, etc. is as follows:

	Previous Year (As of March 31, 2017)	Current Year (As of March 31, 2018)
Distribution facilities	— million yen	1 million yen

※3 Accumulated depreciation of property, plant and equipment is as follows:

	Previous Year (As of March 31, 2017)	Current Year (As of March 31, 2018)
Accumulated depreciation of property, plant and equipment	2,562,433 million yen	2,600,246 million yen

※4 Items for affiliates are as follows:

	Previous Year (As of March 31, 2017)	Current Year (As of March 31, 2018)
Investment securities (stock)	211,992 million yen	209,098 million yen
(including investments in joint ventures	90,118	98,208)

※5 The settlement of trade notes maturing at the fiscal year-end is accounted for on the date of bank clearance. As the end of the current fiscal year was a bank holiday, the following notes maturing on the fiscal year-end are included in the balance of the item outstanding at the end of the current fiscal year:

	Previous Year (As of March 31, 2017)	Current Year (As of March 31, 2018)
Notes receivable - trade	— million yen	335 million yen
Notes payable - trade	—	34

※6 The breakdown of inventories is as follows:

	Previous Year (As of March 31, 2017)	Current Year (As of March 31, 2018)
Merchandise and finished goods	20,987 million yen	19,248 million yen
Work in process	7,511	5,086
Raw materials and supplies	41,279	52,526

※7 Contingent liabilities

(1) Guarantees and quasi-guarantees for bank loans, etc. to companies other than consolidated companies are as follows:

	Previous Year (As of March 31, 2017)	Current Year (As of March 31, 2018)
Ichthys LNG Pty. Ltd.	21,540 million yen	20,398 million yen
Fukushima Gas Power Co., Ltd.	2,840	4,600
Aurora Solar Corporation	1,191	1,266
Ruwais Power Company PJSC	1,167	1,104
Other	733	1,116
Total	27,472	28,485

(2) Contingent liabilities related to debt assumption agreements for bonds are as follows:

	Previous Year (As of March 31, 2017)	Current Year (As of March 31, 2018)
The 9th domestic unsecured bond	29,000 million yen	— million yen
The 23rd domestic unsecured bond	20,000	20,000
Total	49,000	20,000

※8 Revaluation difference for land

Commercial land of certain consolidated subsidiaries has been revalued in accordance with the Act on Revaluation of Land (Law No. 34 of March 31, 1998) and the Amendment to Act on Revaluation of Land (Law No. 19 of March 31, 2001). Any difference (excluding any amount associated with tax effect accounting) resulting from the revaluation is included in net assets as revaluation reserve for land.

(1) Method for revaluation
The revaluation is made by making reasonable adjustments to the valuation by road rating which is provided for in Article 2, Item 4 of the Enforcement Order of the Law Concerning the Revaluation of Land (Cabinet Order No. 119 of March 31, 1998).

(2) Date of revaluation March 31, 2002

e Notes to the Consolidated Statement of Income

Previous Year (April 1, 2016 - March 31, 2017)
The R&D expenses included in "Selling, general and administrative expenses" and in the manufacturing expenses for the fiscal year are ¥10,374 million.

Current Year (April 1, 2017 - March 31, 2018)
The R&D expenses included in "Selling, general and administrative expenses" and in the manufacturing expenses for the fiscal year are ¥9,708 million.

※2 The balance of inventories at the end of the fiscal year is an amount after write-down of the carrying amount due to decreased profitability, and the following loss on valuation of inventories is included in cost of sales.

Previous Year (April 1, 2016 - March 31, 2017)	Current Year (April 1, 2017 - March 31, 2018)
(56) million yen	11 million yen

※3 The major expense items and amounts thereof are as follows:

	Previous Year (April 1, 2016 - March 31, 2017)	Current Year (April 1, 2017 - March 31, 2018)
Salaries	50,710 million yen	48,252 million yen
Retirement benefit expenses	11,130	11,667
Provision for gas holder repairs	235	145
Provision for safety measures	—	2,975
Provision for equipment warranties	1,295	337
Provision of allowance for doubtful accounts	91	276
Depreciation	51,333	49,846
Consigned work expenses	52,690	58,238

※4 Impairment loss

Previous Year (April 1, 2016 - March 31, 2017)

(1) Concept of grouping

① All non-current assets used in operating the gas business from production to sales of gas are categorized into one asset group as these assets generate cash flows from the gas business in an integrated manner.

② Non-current assets used for businesses other than those described above are generally categorized into groups based on business divisions controlling such non-current assets.

③ Generally, other non-current assets are treated individually.

(2) Details of impairment loss

In accordance with the grouping described in (1) above, an impairment loss of ¥1,744 million was recognized. Significant losses included in this are as follows:

Asset	Location	Type	Impairment loss (million yen)
Facilities for the nursing care business	Nara-city, Nara Prefecture and other locations	Buildings, etc. (other facilities)	884

These assets are facilities for operating the nursing care business. Due to a change in the business environment, the balance of earnings and expenses deteriorated and it was determined that the investments in such facilities would be unlikely to be recoverable. Accordingly, their carrying amount was reduced to their recoverable amount, and the reduction was recorded as an impairment loss in extraordinary losses.
The recoverable amount of these assets is measured at value in use determined by discounting the future cash flows at 4.7%.

Current Year (April 1, 2017 - March 31, 2018)

(1) Concept of grouping

① All non-current assets used in operating the gas business from production to sales of gas are categorized into one asset group as these assets generate cash flows from the gas business in an integrated manner.

② Non-current assets used for businesses other than those described above are generally categorized into groups based on business divisions controlling such non-current assets.

③ Generally, other non-current assets are treated individually.

(2) Details of impairment loss

In accordance with the grouping described in (1) above, an impairment loss of ¥11,249 million was recognized. Significant losses included in this are as follows:

Asset	Location	Type	Impairment loss (million yen)
Property for business use	Western Province of Papua New Guinea	Property, plant and equipment (construction in progress)	6,743
		Intangible assets	2,872
		Total	9,616

The properties for enterprises in the Western Province of Papua New Guinea were acquired for the purpose of participating in a condensate and gas development business. The Company reassessed the business value, taking into account the effect of reviewing the development plan and other matters, and accordingly the carrying amount of the assets was reduced to their recoverable amount, and the reduction was recorded as an impairment loss in extraordinary losses.
The recoverable amount of these assets was measured at net sale value determined mainly by the income approach.

※5 Business structure improvement expenses

Business structure improvement expenses are costs to improve the structure of earnings and expenses of a subsidiary that engages in the nursing care business.

f Notes to the Consolidated Statement of Comprehensive Income

※1 Reclassification adjustments and tax effects related to other comprehensive income

	Previous Year (April 1, 2016 - March 31, 2017)	Current Year (April 1, 2017 - March 31, 2018)
Valuation difference on available-for-sale securities		
Incurred in the fiscal year	10,474 million yen	7,919 million yen
Reclassification adjustments	(0)	7
Before tax effect adjustments	10,474	7,927
Tax effect	(2,930)	(2,620)
Valuation difference on available-for-sale securities	7,543	5,306
Deferred gains or losses on hedges		
Incurred in the fiscal year	(302) million yen	1,736 million yen
Reclassification adjustments	2,160	(1,106)
Before tax effect adjustments	1,857	630
Tax effect	(456)	(242)
Deferred gains or losses on hedges	1,401	387
Foreign currency translation adjustment		
Incurred in the fiscal year	(7,506) million yen	(816) million yen
Reclassification adjustments	—	895
Before tax effect adjustments	(7,506)	78
Tax effect	—	—
Foreign currency translation adjustment	(7,506)	78
Remeasurements of defined benefit plans		
Incurred in the fiscal year	12,787 million yen	8,274 million yen
Reclassification adjustments	8,875	9,241
Before tax effect adjustments	21,663	17,516
Tax effect	(6,070)	(4,909)
Remeasurements of defined benefit plans	15,593	12,607
Share of other comprehensive income of entities accounted for using equity method		
Incurred in the fiscal year	(4,237) million yen	661 million yen
Reclassification adjustments	2,027	2,030
Share of other comprehensive income of entities accounted for using equity method	(2,209)	2,692
Total other comprehensive income	14,822	21,072

g Notes to the Consolidated Statement of Changes in Net Assets

Previous Year (April 1, 2016 - March 31, 2017)

1 Matters on shares issued and outstanding

Type of shares	As of April 1, 2016	Increase	Decrease	As of March 31, 2017
Common shares (thousand shares)	2,083,400	—	—	2,083,400

2 Matters on treasury shares

Type of shares	As of April 1, 2016	Increase	Decrease	As of March 31, 2017
Common shares (thousand shares)	3,256	530	23	3,764

(Overview of reasons for change)

The major reason for increase is as follows:	Increase by repurchase of fractional shares	530 thousand shares
The major reason for decrease is as follows:	Decrease by disposal of fractional shares	23 thousand shares

3 Matters on subscription rights to shares, etc.

Not applicable.

4 Matters on dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends paid (million yen)	Dividends per share (yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 29, 2016 (Note)	Common shares	10,400	5.00	March 31, 2016	June 30, 2016
Board of Directors' Meeting held on October 26, 2016	Common shares	10,399	5.00	September 30, 2016	November 30, 2016

Note: The dividend comprises an ordinary dividend of ¥4.5 and a commemorative dividend of ¥0.5.

(2) Of the dividends whose record date belongs to the fiscal year, the dividends whose effective date falls in the following fiscal year

Resolution	Type of shares	Total dividends paid (million yen)	Dividends per share (yen)	Record date	Effective date	Source of dividends
Annual General Meeting of Shareholders held on June 29, 2017	Common shares	10,398	5.00	March 31, 2017	June 30, 2017	Retained earnings

Current Year (April 1, 2017 - March 31, 2018)

1 Matters on shares issued and outstanding

Type of shares	As of April 1, 2017	Increase	Decrease	As of March 31, 2018
Common shares (thousand shares)	2,083,400	—	1,666,720	416,680

(Overview of reasons for change)

The major reason for decrease is as follows:	Decrease by share consolidation	1,666,720 thousand shares

2 Matters on treasury shares

Type of shares	As of April 1, 2017	Increase	Decrease	As of March 31, 2018
Common shares (thousand shares)	3,764	310	3,244	830

(Overview of reasons for change)

The major reason for increase is as follows:	Increase by repurchase of fractional shares	300 thousand shares (including 11 thousand shares after share consolidation)
	Increase by repurchase of fractional shares upon share consolidation	10 thousand shares
The major reason for decrease is as follows:	Decrease by share consolidation	3,235 thousand shares
	Decrease by disposal of fractional shares	9 thousand shares (including 1 thousand shares after share consolidation)

3 Matters on subscription rights to shares, etc.

Not applicable.

4 Matters on dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends paid (million yen)	Dividends per share (yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 29, 2017	Common shares	10,398	5.00	March 31, 2017	June 30, 2017
Board of Directors' Meeting held on October 26, 2016 (Note)	Common shares	10,396	5.00	September 30, 2017	November 30, 2017

Note: As the record date of September 30, 2017 is before the share consolidation date of October 1, 2017, the dividend per share represents the amount before the share consolidation.

(2) Of the dividends whose record date belongs to the fiscal year, the dividends whose effective date falls in the following fiscal year

Resolution	Type of shares	Total dividends paid (million yen)	Dividends per share (yen)	Record date	Effective date	Source of dividends
Annual General Meeting of Shareholders held on June 28, 2018	Common shares	10,396	25.00	March 31, 2018	June 29, 2018	Retained earnings

h Notes to the Consolidated Statement of Cash Flows

※1 The relationship between the balance of cash and cash equivalents at end of period and the amount of cash and deposits in the consolidated balance sheet is as follows:

	Previous Year (April 1, 2016 - March 31, 2017)	Current Year (April 1, 2017 - March 31, 2018)
Cash and deposits	167,583 million yen	171,529 million yen
Time deposits with more than 3 months to maturity	(670)	(467)
Cash and cash equivalents	166,912	171,061

i Notes to Leases

1 As lessee

(1) Finance lease transactions

Finance leases which commenced before March 31, 2008 and did not transfer ownership of the leased assets to the lessee are not reported herein because their effect was insignificant.

(2) Operating lease transactions

Future lease payments payable for non-cancellable operating leases are as follows:

	Previous Year (As of March 31, 2017)	Current Year (As of March 31, 2018)
Due within one year	1,072 million yen	1,200 million yen
Due over one year	4,111	4,098
Total	5,183	5,298

2 As lessor

Operating lease transactions

Future lease payments receivable for non-cancellable operating leases are as follows:

	Previous Year (As of March 31, 2017)	Current Year (As of March 31, 2018)
Due within one year	1,586 million yen	1,657 million yen
Due over one year	2,852	3,824
Total	4,438	5,482

j Notes to Financial Instruments

1 Matters on the status of financial instruments

(1) Policies for dealing with financial instruments

It is the Group's policy to raise its operating funds through loans from financial institutions and the issuance of bonds and to conduct fund management through a conservative financial portfolio which limits exposure to losses. The Group uses derivative transactions to hedge the risks described later and does not engage in speculative transactions.

(2) Details of financial instruments, risks thereof and risk management structure

Notes and accounts receivable - trade, which are operating receivables, are exposed to customer credit risks. To deal with this risk, the Company and the Group companies manage due dates and balances for each counterparty in accordance with their accounting rules and manuals regarding receivable management, etc. and seek to mitigate collectability concern.
Securities and investment securities, which comprise mainly shares of companies with which the Group has business relationships, are exposed to risks including market price fluctuation risk. The Group continuously reviews its shareholding position by periodically monitoring their market price and the financial condition of the issuers (customer companies), as well as considering the relationship with such customer companies.
Notes and accounts payable - trade, which are operating payables, are mostly settled within one year. Of bonds and loans payable, short-term loans payable are mainly to procure funds for operational transactions, while bonds and long-term loans payable are mainly to procure funds for capital expenditures. Bonds and long-term loans payable procure funds with fixed interest rates.
In derivative transactions, the Group uses interest rate swaps for adjusting the ratio between fixed and floating interest rates and fixing the interest level for bonds and loans payable, forward exchange contracts and currency option contracts for reducing the fluctuation of cash flows due to change in foreign exchange rates, swap contracts and option contracts on crude oil price, etc. for reducing the fluctuation of cash flows due to change in crude oil price, etc., and weather derivative contracts, etc. for reducing the fluctuation of cash flows due to change in temperature. Matters on hedge accounting including hedging instruments, hedged items, hedging policy and method for assessing the hedge effectiveness are as described in 4 (6) of "Significant Matters Forming the Basis of Preparation of the Consolidated Financial Statements."
The credit risks for derivative transactions are immaterial as the Group enters into contracts only with major financial institutions, etc. with high ratings. Execution and management of derivative transactions are performed by the finance department of each Group company, and the finance department of the Company controls their activities. Transactions by Group companies are conducted in accordance with the internal rules.
Although operating payables, loans and bonds payable are exposed to liquidity risk, the Company maintains high credit ratings and secures stable fund procurement measures. In addition, the Group has implemented a cash management system (CMS) to facilitate funding for Group companies.

(3) Supplementary explanation to fair value of financial instruments

Please note that contract amounts of derivative transactions in "2 Matters on fair value, etc. of financial instruments" do not, in themselves, indicate the market risk pertaining to the derivative transactions.

2 Matters on fair value, etc. of financial instruments

The carrying amount in the consolidated balance sheet, fair value and difference between them are as follows. Financial instruments whose fair value is deemed to be extremely difficult to determine are not included in the table below (see Note 2).

Previous Year (As of March 31, 2017)

	Carrying amount in the consolidated balance sheet (million yen)	Fair value (million yen)	Difference (million yen)
(1) Cash and deposits	167,583	167,583	—
(2) Notes and accounts receivable - trade	177,512	177,512	—
(3) Securities and investment securities	96,210	96,210	—
Total assets	441,307	441,307	—
(1) Notes and accounts payable - trade	50,246	50,246	—
(2) Short-term loans payable	23,118	23,118	—
(3) Bonds payable (※1)	194,979	208,424	13,444
(4) Long-term loans payable (※1)	316,617	329,725	13,108
Total liabilities	584,962	611,515	26,552
Derivative transactions (※2)	(2,071)	(2,071)	—

(※1) Includes those due within one year.
(※2) Assets and liabilities arising from derivative transactions were offset and indicated by parentheses ( ) when the amount offset was a liability.

Current Year (As of March 31, 2018)

	Carrying amount in the consolidated balance sheet (million yen)	Fair value (million yen)	Difference (million yen)
(1) Cash and deposits	171,529	171,529	—
(2) Notes and accounts receivable - trade	190,445	190,445	—
(3) Securities and investment securities	103,915	103,915	—
Total assets	465,890	465,890	—
(1) Notes and accounts payable - trade	58,542	58,542	—
(2) Short-term loans payable	22,179	22,179	—
(3) Bonds payable (※1)	194,984	207,641	12,656
(4) Long-term loans payable (※1)	279,560	290,749	11,188
Total liabilities	555,266	579,112	23,845
Derivative transactions (※2)	(2,948)	(2,948)	—

(※1) Includes those due within one year.
(※2) Assets and liabilities arising from derivative transactions were offset and indicated by parentheses ( ) when the amount offset was a liability.

Note 1: Method for measuring fair value of financial instruments and matters on securities and derivative transactions

Assets

(1) Cash and deposits, and (2) Notes and accounts receivable - trade

As these items are settled within a short term, the fair value is approximately equal to the carrying amount. Therefore, the fair value is determined by the carrying amount.

(3) Securities and investment securities

The fair value of shares is based on the market prices at the exchange. The fair value of bonds is based on the market prices at the exchange or the prices provided by counterparty financial institutions. For information on securities classified by holding purpose, please refer to “Notes to Securities.”

Liabilities

(1) Notes and accounts payable - trade, and (2) Short-term loans payable

As these items are settled within a short term, the fair value is approximately equal to the carrying amount. Therefore, the fair value is determined by the carrying amount.

(3) Bonds payable

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

(4) Long-term loans payable

The fair value of long-term loans payable with fixed interest is measured by discounting the sum of the principal and interest at the rate assumed for new similar loans.
The fair value of long-term loans payable with floating interest is determined by the carrying amount, as the fair value is deemed approximately equal to the carrying amount. Interest rate swap contracts which determine the interest rate level of long-term loans payable with floating interest qualify for exceptional accounting. Long-term loans payable with floating interest accompanied by such interest swaps are accounted for as a whole, and the fair value is determined by discounting the sum of their principals and interests at a reasonably estimated rate applied for similar loans.

Derivative transactions

Please refer to “Notes to Derivative Transactions.”

Note 2: Carrying amount in the consolidated balance sheet of financial instruments whose fair value is extremely difficult to determine

(million yen)

Category	March 31, 2017	March 31, 2018
Shares of affiliates	211,992	209,098
Unlisted stocks, etc.	8,789	10,198

As the above financial instruments do not have market prices and their future cash flows cannot be estimated, their fair value is extremely difficult to determine. Therefore, they are not included in “(3) Securities and investment securities.”

Note 3: Expected redemption amounts of monetary receivables and securities with maturities after the consolidated fiscal year-end

Previous Year (As of March 31, 2017)

	One year or less (million yen)	More than one year, up to five years (million yen)	More than five years, up to ten years (million yen)	More than ten years (million yen)
Cash and deposits	167,583	—	—	—
Notes and accounts receivable - trade	177,512	—	—	—
Securities and investment securities				
Held-to-maturity bonds (Corporate bonds)	12	—	—	180
Available-for-sale securities with maturities (Government bonds and municipal bonds)	—	—	—	98
Available-for-sale securities with maturities (Negotiable certificates of deposit)	—	—	—	—
Available-for-sale securities with maturities (Commercial paper)	—	—	—	—
Available-for-sale securities with maturities (Other)	—	226	95	—
Total	345,109	226	95	278

Current Year (As of March 31, 2018)

	One year or less (million yen)	More than one year, up to five years (million yen)	More than five years, up to ten years (million yen)	More than ten years (million yen)
Cash and deposits	171,529	—	—	—
Notes and accounts receivable - trade	190,445	—	—	—
Securities and investment securities				
Held-to-maturity bonds (Corporate bonds)	—	—	—	180
Available-for-sale securities with maturities (Government bonds and municipal bonds)	—	—	—	98
Available-for-sale securities with maturities (Negotiable certificates of deposit)	—	—	—	—
Available-for-sale securities with maturities (Commercial paper)	—	—	—	—
Available-for-sale securities with maturities (Other)	—	210	117	—
Total	361,974	210	117	278

Note 4: Expected repayment amounts of bonds payable, long-term loans payable and other interest-bearing debts

Previous Year (As of March 31, 2017)

	One year or less (million yen)	More than one year, up to two years (million yen)	More than two years, up to three years (million yen)	More than three years, up to four years (million yen)	More than four years, up to five years (million yen)	More than five years (million yen)
Short-term loans payable	23,118	—	—	—	—	—
Bonds payable	—	30,000	20,000	30,000	10,000	105,000
Long-term loans payable	48,950	37,178	18,518	15,936	37,201	158,831
Lease obligations	820	709	677	567	440	2,737
Total	72,890	67,887	39,195	46,503	47,641	266,569

Current Year (As of March 31, 2018)

	One year or less (million yen)	More than one year, up to two years (million yen)	More than two years, up to three years (million yen)	More than three years, up to four years (million yen)	More than four years, up to five years (million yen)	More than five years (million yen)
Short-term loans payable	22,179	—	—	—	—	—
Bonds payable	30,000	20,000	30,000	10,000	30,000	75,000
Long-term loans payable	36,305	20,478	15,008	38,237	11,332	158,197
Lease obligations	833	798	708	580	477	3,665
Total	89,319	41,277	45,717	48,817	41,809	236,862

k Notes to Securities

1 Available-for-sale securities

Previous Year (As of March 31, 2017)

	Carrying amount in the consolidated balance sheet (million yen)	Acquisition cost (million yen)	Difference (million yen)
1 Available-for-sale securities whose carrying amount in the consolidated balance sheet exceeds the acquisition cost			
(1) Stocks	96,097	24,652	71,444
(2) Bonds			
Government bonds and municipal bonds, etc.	—	—	—
Subtotal	96,097	24,652	71,444
2 Available-for-sale securities whose carrying amount in the consolidated balance sheet does not exceed the acquisition cost			
(1) Stocks	14	16	(1)
(2) Bonds			
Government bonds and municipal bonds, etc.	98	98	—
Other	—	—	—
Subtotal	113	115	(1)
Total	96,210	24,767	71,443

Note: As unlisted stocks (carrying amount in the consolidated balance sheet: ¥8,264 million), etc. do not have market prices and their future cash flows cannot be estimated, their fair value is extremely difficult to determine. Therefore, they are not included.

Current Year (As of March 31, 2018)

	Carrying amount in the consolidated balance sheet (million yen)	Acquisition cost (million yen)	Difference (million yen)
1 Available-for-sale securities whose carrying amount in the consolidated balance sheet exceeds the acquisition cost			
(1) Stocks	102,545	22,103	80,441
(2) Bonds			
Government bonds and municipal bonds, etc.	—	—	—
Subtotal	102,545	22,103	80,441
2 Available-for-sale securities whose carrying amount in the consolidated balance sheet does not exceed the acquisition cost			
(1) Stocks	1,271	2,500	(1,228)
(2) Bonds			
Government bonds and municipal bonds, etc.	98	98	—
Other	—	—	—
Subtotal	1,370	2,598	(1,228)
Total	103,915	24,702	79,213

Note: As unlisted stocks (carrying amount in the consolidated balance sheet: ¥9,679 million), etc. do not have market prices and their future cash flows cannot be estimated, their fair value is extremely difficult to determine. Therefore, they are not included.

2 Available-for-sale securities sold during the fiscal year

Previous Year (April 1, 2016 - March 31, 2017)

Stocks	Total sales	97	million yen
	Total gain on sales	53	
	Total loss on sales	0	

Current Year (April 1, 2017 - March 31, 2018)

Stocks	Total sales	437	million yen
	Total gain on sales	0	
	Total loss on sales	0	

3 Securities for which impairment loss is recognized

For the previous fiscal year, an impairment loss of ¥15 million for available-for-sale securities was recognized.
For the current fiscal year, an impairment loss of ¥1,640 million for shares of subsidiaries and associates and an impairment loss of ¥7 million for available-for-sale securities were recognized.

I Notes to Derivative Transactions

1 Derivative transactions to which hedge accounting is not applied

Previous Year (As of March 31, 2017)

Underlying asset	Derivative instrument	Type of transaction	Contract amount (million yen)		Fair value (million yen)	Valuation gain (loss) (million yen)
				More than one year		
Commodities	Swap contracts and option contracts on oil price, etc.	Other than market transactions	321	153	(74)	(74)

Note 1: The fair value is measured mainly based on the prices provided by counterparty financial institutions.
Note 2: As certain derivative transactions no longer satisfy the requirements for hedge accounting, the hedge accounting is discontinued for such transactions.

Current Year (As of March 31, 2018)

Underlying asset	Derivative instrument	Type of transaction	Contract amount (million yen)		Fair value (million yen)	Valuation gain (loss) (million yen)
				More than one year		
(a) Commodities	Swap contracts and option contracts on oil price, etc.	Other than market transactions	153	—	(12)	(12)
(b) Currencies	Forward exchange contracts	Other than market transactions	273	—	(11)	(11)
Total			427	—	(23)	(23)

Note 1: The fair value is measured mainly based on the prices provided by counterparty financial institutions.
Note 2: As certain derivative transactions no longer satisfy the requirements for hedge accounting, hedge accounting is discontinued for such transactions.

2 Derivative transactions to which hedge accounting is applied

Previous Year (As of March 31, 2017)

Underlying asset	Derivative instrument	Hedge accounting	Major hedged item	Contract amount (million yen)		Fair value (million yen)
					More than one year	
(a) Interest rates	Interest rate swap contracts	Exceptional accounting of interest rate swaps	Long-term loans payable	85,516	85,516	(Note 2)
		Principal method of accounting	Long-term loans payable and bonds payable	95,489	91,758	(2,395)
(b) Currencies	Forward exchange contracts and currency option contracts	Allocation accounting of forward exchange contracts, etc.	Forecast transactions denominated in foreign currencies	55,331	27,755	470
		Principal method of accounting	Forecast transactions denominated in foreign currencies	5,439	3,036	31
(c) Commodities	Swap contracts and option contracts on oil price, etc.	Principal method of accounting	Purchase prices of raw materials, etc.	9,719	2,098	(103)
Total				251,496	210,164	(1,997)

Note 1: The fair value is measured mainly based on the prices provided by counterparty financial institutions.
Note 2: As interest rate swaps subject to exceptional accounting are accounted for together with the hedged long-term loans payable, their fair value is included in that of the long-term loans payable.

Current Year (As of March 31, 2018)

Underlying asset	Derivative instrument	Hedge accounting	Major hedged item	Contract amount (million yen)		Fair value (million yen)
					More than one year	
(a) Interest rates	Interest rate swap contracts	Exceptional accounting of interest rate swaps	Long-term loans payable	81,255	75,255	(Note 2)
		Principal method of accounting	Long-term loans payable and bonds payable	90,567	86,635	(2,365)
(b) Currencies	Forward exchange contracts and currency option contracts	Allocation accounting of forward exchange contracts, etc.	Forecast transactions denominated in foreign currencies	18,429	7,283	(334)
		Principal method of accounting	Forecast transactions denominated in foreign currencies	26,762	21,282	(689)
(c) Commodities	Swap contracts and option contracts on oil price, etc.	Principal method of accounting	Purchase prices of raw materials, etc.	6,784	2,777	465
Total				223,799	193,234	(2,924)

Note 1: The fair value is measured mainly based on the prices provided by counterparty financial institutions.
Note 2: As interest rate swaps subject to exceptional accounting are accounted for together with the hedged long-term loans payable, their fair value is included in that of the long-term loans payable.

m Notes to Retirement Benefits

1 Summary of the adopted retirement benefit plans

The Company and its consolidated subsidiaries have adopted funded and unfunded defined benefit plans and defined contribution plans. As for defined benefit plans, the Company and most consolidated subsidiaries provide lump sum retirement payment plans, and the Company and certain consolidated subsidiaries provide defined benefit corporate pension plans or corporate pension fund plans.
The Company has adopted a defined benefit corporate pension plan since August 1, 2006 and a defined contribution pension plan to which part of the defined benefit plan transitioned since January 1, 2005.
As certain consolidated subsidiaries participate in the corporate pension fund of the multi-employer pension plans, they cannot determine the amount of pension assets corresponding to their contribution. Therefore, such plans are accounted for in the same manner as defined contribution plans.
The employees' pension fund of the multi-employer pension plans which the consolidated subsidiaries participated in received an approval for return of substitutional part by Minister of Health, Labour and Welfare as of April 1, 2015, and transitioned to the corporate pension fund which received an approval for establishment by Minister of Health, Labour and Welfare as of July 1, 2017. There was no additional contribution due to this transition.

2 Defined benefit plans

(1) Reconciliations of the opening and closing balances of retirement benefit obligations

	Previous Year (April 1, 2016 - March 31, 2017)	Current Year (April 1, 2017 - March 31, 2018)
Balance at beginning of year	313,986 million yen	300,078 million yen
Service cost	9,472	8,912
Interest cost	1,218	1,749
Actuarial loss (gain)	(9,946)	(2,576)
Benefits paid	(14,928)	(15,250)
Other	274	(1,959)
Balance at end of year	300,078	290,953

Note: Consolidated subsidiaries which have adopted the simplified method are included.

(2) Reconciliations of the opening and closing balances of plan assets

	Previous Year (April 1, 2016 - March 31, 2017)	Current Year (April 1, 2017 - March 31, 2018)
Balance at beginning of year	320,995 million yen	319,984 million yen
Expected return on plan assets	6,980	6,957
Actuarial loss (gain)	2,842	5,697
Contributions paid by the employer	3,039	2,747
Benefits paid	(13,833)	(14,056)
Other	(39)	(929)
Balance at end of year	319,984	320,399

Note: Consolidated subsidiaries which have adopted the simplified method are included.

(3) Reconciliations of the closing balances of retirement benefit obligations and plan assets, and defined benefit liability and asset recorded in the consolidated balance sheet

	Previous Year (As of March 31, 2017)	Current Year (As of March 31, 2018)
Funded retirement benefit obligations	281,808 million yen	273,953 million yen
Plan assets	(319,984)	(320,399)
	(38,176)	(46,445)
Unfunded retirement benefit obligations	18,270	16,999
Total net defined benefit liability (asset) recorded in the consolidated balance sheet	(19,905)	(29,446)
Defined benefit liability	18,709	16,958
Defined benefit asset	(38,615)	(46,405)
Total net defined benefit liability (asset) recorded in the consolidated balance sheet	(19,905)	(29,446)

Note: Consolidated subsidiaries which have adopted the simplified method are included.

(4) Retirement benefit costs and components thereof

	Previous Year (April 1, 2016 - March 31, 2017)	Current Year (April 1, 2017 - March 31, 2018)
Service cost	9,472 million yen	8,912 million yen
Interest cost	1,218	1,749
Expected return on plan assets	(6,980)	(6,957)
Net actuarial loss amortization	8,906	9,272
Past service cost amortization	(30)	(30)
Other	225	9
Total retirement benefit costs	12,811	12,955

Note: The retirement benefit cost for consolidated subsidiaries which have adopted the simplified method is included in "Service cost."

(5) Remeasurements of defined benefit plans

Items (before tax effect) recorded in remeasurements of defined benefit plans are as follows:

	Previous Year (April 1, 2016 - March 31, 2017)	Current Year (April 1, 2017 - March 31, 2018)
Past service cost	30 million yen	30 million yen
Actuarial gain (loss)	(21,694)	(17,547)
Total	(21,663)	(17,516)

(6) Remeasurements of defined benefit plans

Items (before tax effect) recorded in remeasurements of defined benefit plans are as follows:

	Previous Year (As of March 31, 2017)	Current Year (As of March 31, 2018)
Unrecognized past service cost	(107) million yen	(77) million yen
Unrecognized actuarial gain (loss)	1,376	(16,170)
Total	1,268	(16,248)

(7) Plan assets

① Major components of plan assets
The proportion of major categories to total plan assets is as follows:

	Previous Year (As of March 31, 2017)	Current Year (As of March 31, 2018)
Bonds	23.7 %	27.1 %
Stocks	31.7	30.8
Cash and deposits	27.1	25.1
Other	17.5	17.0
Total	100.0	100.0

Note: The main assets of "Other" are beneficiary securities in the real estate investment trust fund.

② Method for setting long-term expected rate of return
In determining the long-term expected rate of return, the current and projected allocations of plan assets and the current and expected long-term investment returns on various assets constituting plan assets are taken into account.

(8) Actuarial assumptions

Major assumptions for actuarial calculations are as follows:

	Previous Year (April 1, 2016 - March 31, 2017)	Current Year (April 1, 2017 - March 31, 2018)
Discount rate	Mainly 0.6 %	Mainly 0.5 %
Long-term expected rate of return	Mainly 2.2 %	Mainly 2.2 %

3 Defined contribution plans

The contribution required to the defined contribution plan of the Company and its consolidated subsidiaries was ¥1,227 million for the previous fiscal year and ¥1,138 million for the current fiscal year.

4 Multi-employer pension plans

The multi-employer pension plans were accounted for in the same manner as the defined contribution plan. The contribution required to the corporate pension fund of the multi-employer pension plans was ¥107 million for the previous fiscal year and ¥77 million for the current fiscal year. As described in 1 above, the employees' pension fund was replaced by the corporate pension fund in the current fiscal year.

(1) Recent funded status of multi-employer pension plans

	Previous Year (As of March 31, 2016)	Current Year (As of March 31, 2017)
Amount of plan assets	746,747 million yen	748,654 million yen
Total amount of actuarial obligation and minimum actuarial reserve in pension financing	727,874	732,391
Balance	18,872	16,263

(2) Share of the Group's contribution to overall multi-employer pension plans

Previous fiscal year 1.74% (weighted average) (April 1, 2016 - March 31, 2016)
Current fiscal year 0.97% (weighted average) (April 1, 2017 - March 31, 2017)

(3) Supplementary explanation

The major factor contributing to the balance in (1) above was retained earnings (¥18,872 million for the previous fiscal year and ¥16,292 million for the current fiscal year).

n Notes to Stock Options

Not applicable.

o Tax Effect Accounting

1 Breakdown of major causes for deferred tax assets and deferred tax liabilities

	Previous Year (As of March 31, 2017)	Current Year (As of March 31, 2018)
Deferred tax assets		
Tax loss carryforwards	23,298 million yen	26,013 million yen
Impairment loss	9,855	10,675
Excess depreciation of depreciable assets	5,014	5,336
Other	36,295	39,360
Subtotal deferred tax assets	74,463	81,386
Valuation allowance	(39,251)	(47,737)
Total deferred tax assets	35,212	33,649

Deferred tax liabilities		
Valuation difference on available-for-sale securities	(19,374)	(21,994)
Net defined benefit asset	(10,810)	(12,995)
Reserve defined under the special taxation measures law	(9,283)	(8,119)
Other	(1,163)	(1,365)
Total deferred tax liabilities	(40,632)	(44,474)
Net deferred tax assets (liabilities)	(5,420)	(10,825)

Note: Net deferred tax assets (liabilities) are included within the following items in the consolidated balance sheet.

	Previous Year (As of March 31, 2017)	Current Year (As of March 31, 2018)
Current assets - Deferred tax assets (included in "Other")	11,171 million yen	11,314 million yen
Non-current assets - Deferred tax assets (included in "Other" under Investments and other assets)	9,861	8,694
Current liabilities - Deferred tax liabilities (included in "Other")	(1)	(2)
Non-current liabilities - Deferred tax liabilities	(26,451)	(30,830)

2 Breakdown of major items causing the difference between the statutory effective tax rate and the burden rate of income taxes after applying tax effect accounting

	Previous Year (As of March 31, 2017)	Current Year (As of March 31, 2018)
Statutory effective tax rate	28.2 %	28.2 %
(Reconciliation)		
Valuation allowance	3.3	12.6
Other	(0.5)	(0.8)
Burden rate of income taxes after applying tax effect accounting	31.0 %	40.0 %

p Notes to Business Combinations, etc.

Not applicable.

q Notes to Asset Retirement Obligations

Not applicable.

r Notes to Leased Properties, etc.

The Company and certain consolidated subsidiaries own office buildings and other properties for lease (including land) in Osaka Prefecture and other areas. Gains from the lease of such leased properties (recorded mainly as operating profit) are ¥6,375 million for the fiscal year ended March 31, 2017 and ¥6,295 million for the fiscal year ended March 31, 2018.

The carrying amount in the consolidated balance sheet, changes during the fiscal year, and the fair value of the leased properties are as follows:

	Previous Year (April 1, 2016 - March 31, 2017)	Current Year (April 1, 2017 - March 31, 2018)
Carrying amount in the consolidated balance sheet		
Balance at beginning of year	109,441 million yen	113,789 million yen
Increase (decrease)	4,347	1,998
Balance at end of year	113,789	115,788
Fair value at end of year	174,104	184,086

Note 1: The carrying amount in the consolidated balance sheet is stated at acquisition cost less accumulated depreciation and accumulated impairment losses.
Note 2: The main factor contributing to an increase was the acquisition of properties (previous fiscal year: ¥7,239 million, current fiscal year: ¥3,484 million).
Note 3: The fair value at the end of the fiscal year is the amount (including the amount adjusted using the index, etc.) determined based mainly on the method prescribed by the "Real Estate Appraisal Standard" and other similar methods.

s Segment Information, etc.

【Segment Information】

1 Summary of reportable segments

The Osaka Gas Group's reportable segments are the organizational units for which separate financial information is available, and they are regularly reviewed by the Board of Directors to determine the allocation of management resources and evaluate business results.
The Osaka Gas Group classifies its products and services into business segments on the basis of two business domains: the Domestic and International Energy Business, and the Life & Business Solutions Business. It then divides those business segments into the following four reportable segments by considering product and service similarities, namely, the Domestic Energy/Gas Business, the Domestic Energy/Electricity Business, the International Energy Business, and the Life & Business Solutions Business. The Domestic Energy/Gas Business manufactures, supplies, and sells city gas, sells gas appliances, conducts gas pipeline installation, and sells LNG, LPG and industrial gas. The Domestic Energy/Electricity Business produces and sells electricity. The International Energy Business conducts development and investment related to petroleum and natural gas, supplies energy, and leases tankers to transport LNG. The Life & Business Solutions Business conducts the development and leasing of real estate, information processing services, and sales of fine materials and carbon material products.
The business segments were renewed in the Long-term Management Plan 2030 and Medium-term Management Plan 2020 "Going Forward Beyond Borders" formulated in March 2017. Thus, effective from the fiscal year ended March 31, 2018, the Electricity Business, which was previously included in the "LPG, Electricity, and Other Energy Business" segment, has been presented separately and its segment name has been changed to "Domestic Energy/Electricity Business." In addition, LPG Sales Business, LNG Sales Business, and Industrial Gas Sales Business have been transferred to the former "Gas Business" segment, and its segment name has been changed to "Domestic Energy/Gas Business." The segment information for the fiscal year ended March 31, 2017 has been reclassified based on the new reportable segments.

2 Explanation of measurement of sales, profit/loss, assets, liabilities, and other items for each reportable segment

The accounting methods for reportable segments comply with "Significant Matters Forming the Basis of Preparation of the Consolidated Financial Statements." Internal sales and transfer prices between operating segments are determined according to the arm's length principle.

3 Information of sales, profit/loss, asset, liabilities, and other items for each reportable segment

Previous Year (April 1, 2016 - March 31, 2017)

(million yen)

	Reportable Segment				Total	Adjustments (Note 1)	Consolidated (Note 2)
	Domestic Energy/ Gas	Domestic Energy/ Electricity	International Energy	Life & Business Solutions			
Net Sales							
Sales to external customers	897,294	106,366	18,672	161,513	1,183,846	—	1,183,846
Transactions with other segments	13,998	1,149	3,959	46,859	65,967	(65,967)	—
Total	911,292	107,515	22,632	208,373	1,249,814	(65,967)	1,183,846
Segment profit							
Operating profit	54,941	16,066	6,670	18,627	96,305	944	97,250
Share of profit of entities accounted for using equity method	312	142	1,330	—	1,785	—	1,785
Total	55,254	16,208	8,000	18,627	98,091	944	99,036
Segment assets	867,991	123,716	484,972	344,115	1,820,795	65,781	1,886,577
Other items							
Depreciation	59,083	6,443	7,868	11,324	84,719	(772)	83,947
Amortization of goodwill	2	94	458	1,704	2,259	—	2,259
Investment in entities accounted for using equity method	3,808	1,447	183,359	—	188,615	—	188,615
Increase in property, plant and equipment and intangible assets	53,465	5,075	15,167	16,949	90,658	(2,000)	88,657

Note 1: Adjustments are as follows:
(1) A major adjustment in segment profit (loss) is the elimination of intersegment transactions.
(2) A major adjustment in segment assets is for investment securities held by the Company.
Note 2: Segment profit is adjusted by adding share of profit (loss) of entities accounted for using equity method to operating profit (loss).

Current Year (April 1, 2017 - March 31, 2018)

(million yen)

	Reportable Segment				Total	Adjustments (Note 1)	Consolidated (Note 2)
	Domestic Energy/ Gas	Domestic Energy/ Electricity	International Energy	Life & Business Solutions			
Net Sales							
Sales to external customers	959,511	156,497	14,313	165,915	1,296,238	—	1,296,238
Transactions with other segments	11,956	1,255	8,257	43,034	64,503	(64,503)	—
Total	971,468	157,752	22,570	208,950	1,360,741	(64,503)	1,296,238
Segment profit (loss)							
Operating profit (loss)	41,671	20,568	(4,506)	18,656	76,389	1,728	78,118
Share of profit (loss) of entities accounted for using equity method	943	146	(831)	—	258	—	258
Total	42,615	20,714	(5,338)	18,656	76,648	1,728	78,376
Segment assets	869,712	157,551	462,432	354,575	1,844,271	60,944	1,905,215
Other items							
Depreciation	57,757	6,773	11,692	11,168	87,391	(1,013)	86,378
Amortization of goodwill	—	94	473	1,777	2,344	—	2,344
Investment in entities accounted for using equity method	13,554	1,421	177,258	—	192,234	—	192,234
Increase in property, plant and equipment and intangible assets	46,423	13,477	6,187	17,179	83,267	(1,551)	81,716

Note 1: Adjustments are as follows:
(1) A major adjustment in segment profit (loss) is the elimination of intersegment transactions.
(2) A major adjustment in segment assets is for investment securities held by the Company.
Note 2: Segment profit (loss) is adjusted by adding share of profit (loss) of entities accounted for using equity method to operating profit (loss).

【Related Information】

Previous Year (April 1, 2016 - March 31, 2017)

1 Information by product and service

The information is omitted as similar information is disclosed in "Segment Information."

2 Information by geographical area

(1) Net sales

The information is omitted as net sales in Japan account for more than 90% of net sales in the consolidated statement of income.

(2) Property, plant and equipment

(million yen)

Japan	Australia	Other areas	Total
764,350	134,681	13,704	912,737

3 Information by major customer

The information is omitted as there is no external customer who accounts for 10% or more of net sales in the consolidated statement of income.

Current Year (April 1, 2017 - March 31, 2018)

1 Information by product and service

The information is omitted as similar information is disclosed in "Segment Information."

2 Information by geographical area

(1) Net sales

The information is omitted as net sales in Japan account for more than 90% of net sales in the consolidated statement of income.

(2) Property, plant and equipment

(million yen)

Japan	Australia	Other areas	Total
740,577	132,202	9,042	881,822

3 Information by major customer

The information is omitted as there is no external customer who accounts for 10% or more of net sales in the consolidated statement of income.

【Information about impairment loss for non-current assets by reportable segment】

Previous Year (April 1, 2016 - March 31, 2017)

(million yen)

	Reportable Segment				Total	Elimination/ Corporate	Total
	Domestic Energy/Gas	Domestic Energy/ Electricity	International Energy	Life & Business Solutions			
Impairment loss	37	—	49	1,658	1,744	—	1,744

Current Year (April 1, 2017 - March 31, 2018)

(million yen)

	Reportable Segment				Total	Elimination/ Corporate	Total
	Domestic Energy/Gas	Domestic Energy/ Electricity	International Energy	Life & Business Solutions			
Impairment loss	993	—	9,616	639	11,249	—	11,249

【Information about the amortized amount and unamortized balance of goodwill by reportable segment】

Previous Year (April 1, 2016 - March 31, 2017)

(million yen)

	Reportable Segment					Elimination/ Corporate	Total
	Domestic Energy/Gas	Domestic Energy/ Electricity	International Energy	Life & Business Solutions	Total		
Amortized amount during year	2	94	458	1,704	2,259	—	2,259
Unamortized balance at end of year	—	824	986	11,812	13,623	—	13,623

Current Year (April 1, 2017 - March 31, 2018)

(million yen)

	Reportable Segment					Elimination/ Corporate	Total
	Domestic Energy/Gas	Domestic Energy/ Electricity	International Energy	Life & Business Solutions	Total		
Amortized amount during year	—	94	473	1,777	2,344	—	2,344
Unamortized balance at end of year	—	2,696	480	11,473	14,650	—	14,650

【Information about gain on bargain purchase by reportable segment】

Previous Year (April 1, 2016 - March 31, 2017)

Not applicable.

Current Year (April 1, 2017 - March 31, 2018)

Not applicable.

【Related Party Information】

Not applicable.

t Per Share Information

	Previous Year (April 1, 2016 - March 31, 2017)	Current Year (April 1, 2017 - March 31, 2018)
Shareholders' equity per share	2,312.68 yen	2,403.68 yen
Earnings per share	147.29 yen	90.71 yen

Note 1: Since there were no potential shares with a dilutive effect, data on diluted earnings per share is not presented in this document.
Note 2: The Company conducted a share consolidation at a ratio of 5 shares of common shares to 1 share, effective on October 1, 2017. Accordingly, shareholders' equity per share and earnings per share are calculated based on the assumption that the share consolidation was conducted at the beginning of the previous fiscal year.
Note 3: The following data was used for calculating earnings per share:

	Previous Year (April 1, 2016 - March 31, 2017)	Current Year (April 1, 2017 - March 31, 2018)
Profit attributable to owners of parent (million yen)	61,271	37,724
Amount not attributable to common shareholders (million yen)	—	—
Profit attributable to owners of parent attributable to common share (million yen)	61,271	37,724
Average number of common shares during the fiscal year (thousand shares)	415,984	415,880

u Significant Subsequent Events

(Effects of the earthquake in northern Osaka)

After the earthquake centered in northern Osaka on June 18, 2018, the Company halted city gas supplies to around 110 thousand customers. Expenses including costs for restoration work are expected to be incurred in the next fiscal year, but it is currently difficult to reasonably estimate the effects on the consolidated financial statements.

(Acquisition of working interest in the production and development project of non-conventional gas)

On June 28, 2018, through a U.S. subsidiary of Osaka Gas Co., Ltd., the Company entered into an agreement with Sabine Oil & Gas Corporation and Sabine East Texas Basin LLC (collectively "Sabine") to acquire 35% of Sabine's working interest in the project of non-conventional gas in East Texas, USA for US$ 146 million (approximately ¥16.0 billion yen). This is part of the Group's efforts to expand businesses and enhance profitability.

Annexed Consolidated Detailed Schedules

【Annexed consolidated detailed schedule of corporate bonds】

Company	Name of issue	Date of issuance	Balance at the beginning of current fiscal year (million yen)	Balance at the end of current fiscal year (included portion due within 1 year) (million yen)	Interest rate (%)	Collateral	Maturity
Osaka Gas (Note 2)	The 9th domestic unsecured bond	January 30, 1998	—	—	2.9	None	January 30, 2018
Osaka Gas	The 18th domestic unsecured bond	February 12, 2003	19,991	19,993	1.47	None	December 20, 2022
Osaka Gas	The 19th domestic unsecured bond	March 10, 2005	19,997	19,998	1.83	None	March 19, 2020
Osaka Gas	The 20th domestic unsecured bond	August 17, 2005	19,994	19,996	1.79	None	September 18, 2020
Osaka Gas	The 21st domestic unsecured bond	June 23, 2006	9,996	9,996	2.33	None	June 23, 2026
Osaka Gas (Note 2)	The 23rd domestic unsecured bond	July 25, 2007	—	—	2.14	None	July 25, 2019
Osaka Gas	The 26th domestic unsecured bond	July 17, 2008	30,000	30,000 (30,000)	1.782	None	July 17, 2018
Osaka Gas	The 28th domestic unsecured bond	March 9, 2011	10,000	10,000	1.345	None	March 9, 2021
Osaka Gas	The 29th domestic unsecured bond	December 9, 2011	10,000	10,000	1.16	None	December 9, 2021
Osaka Gas	The 30th domestic unsecured bond	December 14, 2012	10,000	10,000	0.759	None	December 14, 2022
Osaka Gas	The 31st domestic unsecured bond	October 18, 2013	10,000	10,000	0.748	None	October 18, 2023
Osaka Gas	The 32nd domestic unsecured bond	March 24, 2014	15,000	15,000	1.606	None	March 24, 2034
Osaka Gas	The 33rd domestic unsecured bond	October 24, 2014	20,000	20,000	1.402	None	October 24, 2034
Osaka Gas	The 34th domestic unsecured bond	March 5, 2015	10,000	10,000	1.685	None	March 3, 2045
Osaka Gas	The 35th domestic unsecured bond	December 9, 2016	10,000	10,000	0.986	None	December 8, 2056
Total	—	—	194,979	194,984 (30,000)	—	—	—

Note 1: The redemption schedule within 5 years after the consolidated fiscal year-end is as follows:

One year or less (million yen)	More than one year, up to two years (million yen)	More than two years, up to three years (million yen)	More than three years, up to four years (million yen)	More than four years, up to five years (million yen)
30,000	20,000	30,000	10,000	30,000

Note 2: The 9th and the 23rd domestic unsecured bond (¥29,000 million and ¥20,000 million, respectively) of Osaka Gas Co., Ltd. are accounted for as redeemed, since these debts were assigned to banks under debt assumption agreements concluded with said banks.
The obligation to redeem the 23rd domestic unsecured bond is reported as contingent liabilities in bonds to the consolidated balance sheet.

【Annexed consolidated detailed schedule of borrowings】

Category	Balance at beginning of year (million yen)	Balance at end of year (million yen)	Average interest rate (%)	Payment due
Short-term loans payable	23,118	22,179	0.3	—
Current portion of long-term loans payable	48,950	36,305	1.3	—
Current portion of lease obligations	820	833	—	—
Long-term loans payable (excluding current portion)	267,666	243,255	1.6	From April 2019 to December 2047
Lease obligations (excluding current portion)	5,131	6,230	—	From April 2019 to March 2036
Total	345,688	308,804	—	—

Note 1: "Average interest rate" shows weighted average interest rates with respect to the year-end balances of loans payable. "Average interest rate" for lease obligations is not stated because lease obligations are recorded in the consolidated balance sheet at the amount before deducting the interest-equivalent component included in the total lease payment.

Note 2: The repayment schedule within 5 years after the consolidated fiscal year-end for long-term loans payable and lease obligations (excluding current portion) is as follows:

	More than one year, up to two years (million yen)	More than two years, up to three years (million yen)	More than three years, up to four years (million yen)	More than four years, up to five years (million yen)
Long-term loans payable	20,478	15,008	38,237	11,332
Lease obligations	798	708	580	477

【Annexed consolidated detailed schedule of asset retirement obligations】

The amount of asset retirement obligations was 1% or less of total liabilities and net assets at the beginning the current fiscal year as well as at the end of the current fiscal year. Therefore, the schedule of asset retirement obligations is not disclosed.

(2) 【Other】

Quarter results for the current fiscal year

(Cumulative period)		First quarter	Second quarter	Third quarter	Full year
Net sales	(million yen)	292,758	584,633	909,589	1,296,238
Profit before income taxes	(million yen)	25,730	36,476	50,359	65,837
Profit attributable to owners of parent	(million yen)	17,414	23,838	31,660	37,724
Earnings per share	(yen)	41.87	57.32	76.13	90.71

(Accounting period)		First quarter	Second quarter	Third quarter	Fourth quarter
Earnings per share	(yen)	41.87	15.45	18.81	14.58

Note: The Company conducted a share consolidation at a ratio of 5 shares of common shares to 1 share, effective on October 1, 2017. Accordingly, earnings per share is calculated based on the assumption that the share consolidation was conducted at the beginning of the current fiscal year.

This annual report is not subject to auditing by an independent auditor.
However, the accompanying consolidated financial statements are reprinted from the securities report which has been audited by an independent auditor.
Presented below is the Independent Auditor's Report in the securities report.

Independent Auditor's Report

June 28, 2018

To the Board of Directors
Osaka Gas Co., Ltd.

KPMG AZSA LLC

Designated Limited Liability Partner Engagement Partner	Certified Public Accountant 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)

<Financial Statements Audit>

Pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, we have audited the accompanying consolidated financial statements of Osaka Gas Co., Ltd. included in "Financial Information" for the fiscal year from April 1, 2017 to March 31, 2018, which comprise the consolidated balance sheet, the consolidated statements of income, comprehensive income, changes in net assets and cash flows, as well as significant matters forming the basis of preparation of the consolidated financial statements and other notes, and annexed consolidated detailed schedules.

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

Auditor's Responsibility
Our responsibility is to independently express an opinion on these consolidated financial statements based on our audit. 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 the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments, the auditor considers internal controls 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. 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 consolidated financial position of Osaka Gas co., Ltd. and its consolidated subsidiaries as of March 31, 2018, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter
As described in "Significant Subsequent Events," on June 28, 2018, through a U.S. subsidiary of Osaka Gas Co., Ltd., the Company entered into an agreement with Sabine Oil & Gas Corporation and Sabine East Texas Basin LLC (collectively "Sabine") to acquire 35% of Sabine's working interest in the project of non-conventional gas in East Texas, USA.
This matter does not affect our opinion.

Group Companies

As of March 31, 2018

Consolidated subsidiaries

	Name of subsidiary	Main business	Capital (million yen)	Osaka Gas shareholding (indirect shareholding thereof) (%)
Domestic Energy/Gas	Osaka Gas Housing & Equipment Co., Ltd.	Sales of gas appliances / Sales of housing equipment and appliances	450	100.0
	Osaka Gas Customer Relations Co., Ltd.	Maintenance checks on gas equipment and appliances / Checking gas meters / Collection of gas bills, and others	50	100.0
	Osaka Gas Finance Co., Ltd.	Leasing, credit, insurance agency business, and others	600	100.0
	Osaka Gas Liquid Co., Ltd.	Sales of liquefied nitrogen, liquefied oxygen, liquefied argon, and other products	1,110	100.0
	Kansai Business Information Inc.	Contracting and staffing of call center operations / Various research services and consulting	100	100.0
	Kinpai Co., Ltd.	Gas piping works / Sales of gas appliances, and housing equipment and appliances	300	100.0
	OGCTS Co., Ltd.	Sales and construction of energy equipment, heating system supplies, etc.	1,150	100.0
Domestic Energy/Electricity	Gas and Power Co., Ltd.	Electric power supply	1,368	100.0
	Hayama Wind Power Generation Co.	Electric power supply	490	100.0(100.0)
	Hirogawa Myojin-yama Wind Power Co.	Electric power supply	490	100.0(100.0)
	Senboku Natural Gas Power Generation Co., Ltd.	Electric power supply	2,000	90.0
	Nakayama Joint Power Generation Co., Ltd.	Electric power supply	300	95.0(95.0)
	Nakayama Nagoya Joint Power Generation Co., Ltd.	Electric power supply	450	95.0(95.0)
	Yura Wind Power station Co.	Electric power supply	231	100.0(100.0)
International Energy	Osaka Gas International Transport Inc.	LNG vessel leasing	3,190	100.0
	Osaka Gas Australia Pty. Ltd. (Note)	Development and investment of petroleum and natural gas	US$1,314 million	100.0
	Osaka Gas Gorgon Pty. Ltd. (Note)	Development and investment of petroleum and natural gas	US$322 million	100.0(100.0)
	Osaka Gas Ichthys Pty. Ltd. (Note)	Development and investment of petroleum and natural gas	US$152 million	100.0(100.0)
	Osaka Gas Ichthys Development Pty. Ltd. (Note)	Development and investment of petroleum and natural gas	US$149 million	100.0(100.0)
	Osaka Gas Niugini Pty. Ltd. (Note)	Development and investment of petroleum and natural gas	US$150 million	100.0(100.0)
	Osaka Gas UK, Ltd. (Note)	Investment relating to energy supply business	€134 million	100.0
	Osaka Gas USA Corporation	Investment relating to petroleum, natural gas and energy supply business	US$1	100.0
Life & Business Solutions	Osaka Gas Chemicals Co., Ltd. (Note)	Manufacture and sales of fine materials, carbon material products, and others	14,231	100.0
	Osaka Gas Urban Development Co., Ltd.	Development, leasing, management, and sales of real estate	1,570	100.0
	OG Sports Co., Ltd.	Management and contract operation of sports facilities	100	100.0
	OGIS-RI Co., Ltd.	Software development / Computer-based data processing services	440	100.0
	Sakura Information Systems Co., Ltd.	Software development / Computer-based data processing services	600	51.0(51.0)
	Jacobi Carbons AB	Manufacture and sales of activated carbon	549,000 Swedish Kronor	100.0(100.0)
	Mizusawa Industrial Chemicals, Ltd.	Manufacture and sales of absorbent functional materials and resin additives	1,519	100.0(100.0)
and others, totaling 138 companies				

Note: Specified subsidiary

Equity method affiliates

Name of affiliate	Main business	Capital (million yen)	Osaka Gas shareholding (indirect shareholding thereof) (%)
Japan Gas Energy Corporation	Domestic Energy/Gas	3,500	29.0(29.0)
ENEARC Co., Ltd.	Domestic Energy/Gas	1,040	50.0
Nikki Mirai Solar, Co., Ltd.	Domestic Energy/Electricity	445	49.0(49.0)
Idemitsu Snorre Oil Development Co., Ltd.	International Energy	100	49.5(49.5)
Sumisho Osaka Gas Water UK Limited.	International Energy	164 million British Pounds	50.0(50.0)
and others, totaling 19 companies			

Note: The column “Main business” shows segment names in “Segment Information.”

Company Data

As of June 30, 2018

Directory

Head Office
4-1-2, Hiranomachi, Chuo-ku, Osaka 541-0046, Japan
Tel: (+81) 6-6205-4715 (IR Team, Corporate Strategy Dept.)

Tokyo Office
Shin-Otemachi Building 6F, 2-2-1, Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan

Osaka Gas UK, Ltd.
1st Floor, Carrington House, 126-130 Regent Street, London W1B 5SE, U.K.

Osaka Gas USA Corporation (Houston)
1330 Post Oak Blvd, Suite 1900 Houston, TX 77056, U.S.A.

Osaka Gas USA Corporation (New York)
1 North Lexington Avenue, Suite 504, White Plains, NY 10601, U.S.A.

Osaka Gas Australia Pty. Ltd.
Level 16, 108 St Georges Terrace, Perth, WA 6000, AUSTRALIA

Osaka Gas Singapore Pte. Ltd.
10 Anson Road #19-16 International Plaza Singapore 079903

Osaka Gas (Thailand) Co., Ltd.
55 Wave Place Building 10th Floor, Unit10.04, Wireless Road Lumpini Pathumwan, Bangkok 10330, Thailand

Osaka Gas Singapore Pte. Ltd. (Indonesia)
Gd. MidPlaza 1, Lantai 17 Jl. Jend. Sudirman Kav. 10-11, Jakarta 10220, Indonesia

Osaka Gas Singapore Pte. Ltd. (Philippines)
Manila Representative Office
26th Floor, Twenty-Four Seven McKinley Building, 24th Street Corner 7th Avenue, Bonifacio Global City, Taguig, Metro Manila, Philippines

Investor Information

Date of Establishment	April 10, 1897
Regular General Meeting	Held in June each year (The 2018 regular general meeting was held on June 28)
Common Stock	Authorized: 700,000,000 shares (Note 1) Issued: 416,680,000 shares (Note 1)

Note 1: The annual general meeting of shareholders held on June 29, 2017 approved a proposal for a reverse stock split. Based on this approval, effective October 1, 2017, the number of authorized shares of the Company changed to 700,000,000 and the number of shares issued and outstanding to 416,680,000 shares on a calculation basis.

Listing of Shares	Tokyo Stock Exchange and Nagoya Stock Exchange
Number of Shareholders (As of March 31, 2018)	92,791
Stock Transaction Units	100 shares
Independent Certified Public Accountants	KPMG AZSA LLC
Transfer Agent	Mitsui Sumitomo Trust Bank, Limited

Contact Mitsui Sumitomo Trust Bank, Limited
Stock Transfer Agency Business Planning Department
2-8-4 Izumi, Suginami-ku, Tokyo 168-0063, Japan
Tel: (+81) 120-782-031 (Toll-free in Japan)

The Osaka Gas Co., Ltd. website contains information provided for all investors and is constantly updated.

http://www.osakagas.co.jp/en/ir/

For inquiries about this report or requests for other materials, please contact:
E-mail: keiri@osakagas.co.jp

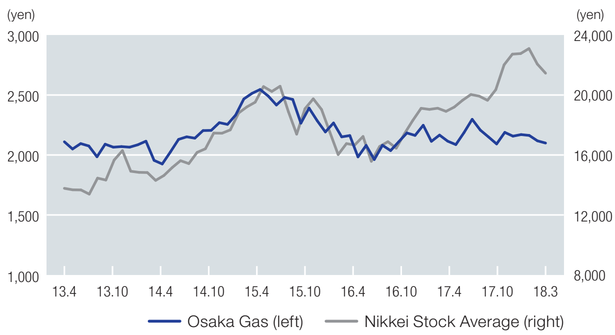
Please note that we do not accept files attached to e-mails, such as image files.

Major Shareholders (As of March 31, 2018)

Shareholder	Number of shares (Thousands)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust a/c)	22,934	5.51
Nippon Life Insurance Company	19,242	4.63
Japan Trustee Services Bank, Ltd. (Trust a/c)	18,695	4.50
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	13,985	3.36
Resona Bank, Ltd.	10,555	2.54
Japan Trustee Services Bank, Ltd. (Trust a/c 7)	8,626	2.07
Japan Trustee Services Bank, Ltd. (Trust a/c 5)	7,415	1.78
STATE STREET BANK WEST CLIENT-TREATY 505234	7,100	1.71
Japan Trustee Services Bank, Ltd. (Trust a/c 9)	6,157	1.48
Aioi Nissay Dowa Insurance Co., Ltd.	5,973	1.44

Note: The share ratio is the percentage in respect to the number of shares issued and outstanding.

Stock Price Range



Unit Conversion List

Weight

kg	Metric ton	Imperial (short) ton	U.S. (long) ton
1	1×10^{-3}	0.984×10^{-3}	1.102×10^{-3}
1,000	1	0.9842	1.1023
1,016.0	1.0160	1	1.1200
907.19	0.9072	0.8927	1

Length

m	ft	yard	mile
1	3.2808	1.0936	0.622×10^{-3}
0.3048	1	0.333	0.189×10^{-3}
0.9144	3	1	0.568×10^{-3}
1,609	5,280	1,760	1

Volume (Liquid)

m^3 (kl)	ft^3	Imperial gallon	U.S. gallon
1	35.315	219.97	264.17
28.32×10^{-3}	1	6.288	7.481
4.55×10^{-3}	0.1606	1	1.2011
3.78×10^{-3}	0.1337	0.8327	1

1 kl = 6.29 barrels, 1 barrel (42 U.S. gallons) = 0.159 kl

Volume (Gas)

m^3 (N)	m^3 (S)	SCF
1	1.055	37.33
0.9476	1	35.37
0.0268	0.0283	1

N: 0°C, S: 15°C, SCF: 101.33kPa, 15.5°C (60°F)

Energy

kcal	Btu	MJ	kWh
1	3.969	4.186×10^{-3}	1.162×10^{-3}
0.2520	1	1.055×10^{-3}	0.2929×10^{-3}
238.9	948.2	1	0.2778
860.1	3,414	3.600	1

Heating Value (Gas)

$kcal/m^3$ (N)	Btu/SCF	MJ/m^3 (S)
1	0.1063	3.97×10^{-3}
9.406	1	3.73×10^{-2}
252.1	26.81	1

1 ton of LNG = 13×10^6 kcal = 52×10^6 Btu

Osaka Gas Co., Ltd.
4-1-2, Hiranomachi, Chuo-ku,
Osaka 541-0046, Japan
http://www.osakagas.co.jp/en/

Printed in Japan