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

Consolidated Statement of Changes in Equity

Notes to Consolidated Financial Statements

Non-Consolidated Statement of Changes in Equity

Notes to Non-Consolidated Financial Statements

The 199th Fiscal Year (From April 1, 2016 to March 31, 2017)

OSAKA GAS CO., LTD.

Consolidated Statement of Changes in Equity (April 1, 2016 to March 31, 2017)

(Millions of 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**
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
Changes in ownership interest of subsidiaries arising from transactions with non-controlling shareholders		(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**

Notes to Consolidated Financial Statements (April 1, 2016 to March 31, 2017)

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

(1) Scope of consolidation

Number of consolidated subsidiaries: 150

(Names of principal consolidated subsidiaries)
Osaka Gas Chemicals Co., Ltd., Osaka Gas Urban Development Co., Ltd., and OGIS-RI Co., Ltd..

(2) Application of the equity method

Number of equity method associates: 18

(Names of principal equity method associates)
Idemitsu Snorre Oil Development Co., Ltd. and Sumisho Osaka Gas Water UK, Ltd.

(Names of principal associates not subject to the equity method)
The associates not subject to the equity method include primarily ENNET Corporation.
The equity method is not applied to these associates because they do not have a material impact on profit or losses or retained earnings, etc., and are not material as a whole.

(3) Accounting policies

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

a. Investment securities:

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

b. Inventories:	Primarily stated at cost based on the moving-average method; inventories held for trading recorded on the balance sheet are depreciated to write down the carrying amount based on depreciation of profitability.
c. Derivatives:	Stated at fair value

(ii) Depreciation and amortization method of significant depreciable assets

a. Property, plant and equipment (excluding leased assets) are depreciated primarily using the declining-balance method. However, the straight-line method has been used for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and for facilities attached to buildings and structures acquired on or after April 1, 2016.

b. Intangible assets (excluding leased assets) are amortized primarily using the straight-line method. For internal-use software, the straight-line method based on the term available for use within OSAKA GAS CO., LTD. ("the Company") and each subsidiary has been applied.

c. Leased assets resulting from non-ownership-transfer finance leases are depreciated or amortized using the straight-line method over the useful life equal to the lease terms assuming no residual value.

(iii) Basis for recording significant allowances

a. Allowance for doubtful accounts

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

b. Provision for gas holder repairs

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

c. Provision for safety measures

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

d. Provision for investment loss

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

e. 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.

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

a. Accounting for retirement benefits

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

i Method of attributing projected retirement benefits to periods of service

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

ii Amortization of actuarial gains and losses and past service costs

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

b. Accounting for consumption taxes and other taxes

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

2. Changes in Accounting Policies

"Application of the Practical Solution on a change in depreciation method due to Tax Reform 2016"

Due to amendments to the Japanese Corporation Tax Act, the Company and its domestic subsidiaries adopted "Practical Solution on a change in depreciation method due to Tax Reform 2016" (Practice Issue Task Force No.32, June 17, 2016) from the current fiscal year and changed the depreciation method for buildings, facilities attached to buildings and structures, which were acquired since April 1, 2016, from the declining-balance method to the straight-line method.

The aforementioned change had a limited effect on the Company's consolidated operating income, ordinary income and income before income taxes for the current fiscal year.

3. Notes to the Consolidated Balance Sheet

(1) Assets pledged as collateral and secured liabilities

(i) Assets pledged as collateral

Property, plant and equipment	¥129,230 million
Investments and other assets	¥52,395 million
Others	¥24,447 million
Total	¥206,073 million

(ii) Secured liabilities ¥38,191 million

In addition to above, loans receivable, etc., of ¥7,683 million which are offset as a result of consolidation are pledged as collateral.

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

¥2,562,433 million

(3) Guarantee liabilities, etc.

Guarantee liabilities:	¥27,472 million
Contingent liabilities in respect of debt assumption agreements with respect to bonds:	¥49,000 million

4. Notes to the Consolidated Statement of Income

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

5. Notes to Revaluation Reserve for Land

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

6. Notes to Financial Instruments

(1) Matters concerning the status of financial instruments

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

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

Amounts recorded in the consolidated balance sheet, fair values and the difference between such amount and value at the end of this consolidated fiscal year are as follows. Financial instruments for which it is extremely difficult to determine the fair value are not included in the table below (see Note 2).

(Millions of Yen)

	Amount recorded on the consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	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 transaction[2]	(2,071)	(2,071)	—

[1] Includes those due within one year.

[2] Receivables and payables incurred by derivative transactions are shown in net amount.

Notes: 1. Matters concerning calculation method for fair value of financial instruments, and matters concerning securities and derivatives

<u>Assets</u>

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

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

(3) Securities and investment securities

Fair values of shares are prices quoted by stock exchanges.
The fair values of bonds are prices quoted by securities exchanges or prices presented by financial institutions.

Liabilities

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

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

(3) Bonds payable

The fair value of bonds payable issued by the Company and certain consolidated subsidiaries is based on its market price (if any), or on its present value which is the total amount of its principal and interest, discounted by the interest rate derived by taking into consideration the remaining term and credit risk.

(4) Long-term loans payable

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

Derivatives

The fair value of derivative transactions is primarily based on the price quoted by the counterpart financial institutions. The fair value of derivatives for which special exception for interest swap is applied is included in the fair value of long-term borrowings as it is treated as part of such long-term borrowings which is hedged.

2. Shares of associates and unlisted shares (amount recorded on the consolidated balance sheet: ¥220,782 million) are not included in "(3) Securities and investment securities" as they have no market price and their future cash flows cannot be estimated and therefore it is recognized as being very difficult to obtain fair value.

7. Notes to Leased Properties, etc.

(1) Matters concerning the status of leased properties

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

(2) Matters concerning fair value of leased properties

(Millions of Yen)

Amount recorded on the consolidated balance sheet	Fair value
113,789	174,104

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

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

8. Notes to the Consolidated Statement of Changes in Equity

(1) Number of shares issued and outstanding as of the consolidated fiscal year end

2,083,400,000 common shares

(2) Dividends

(i) Amount of payment of dividends

a. At the Annual Meeting of Shareholders held on June 29, 2016, the following were resolved with March 31, 2016, as a record date.

Dividends of common shares

(a) Total amount of dividends ¥10,400 million

(b) Dividend per share ¥5.00

(consisting of a ¥4.50 ordinary dividend and a ¥0.50 commemorative dividend to celebrate the Company's 110th anniversary)

(c) Effective date for dividends June 30, 2016

b. At the meeting of the Board of Directors held on October 26, 2016, the following were resolved with September 30, 2016, as a record date.

Dividends of common shares

(a) Total amount of dividends ¥10,399 million

(b) Dividend per share ¥5.00

(c) Effective date for dividends November 30, 2016

(ii) Dividends of which the record date falls within this consolidated fiscal year and of which the effective date falls within the next consolidated fiscal year

At the Annual Meeting of Shareholders to be held on June 29, 2017, the following will be proposed with March 31, 2017, as a record date. Dividends are to be appropriated from retained earnings.

Dividends of common shares

(a)	Total amount of dividends	¥10,398 million
(b)	Dividend per share	¥5.00
(c)	Effective date for dividends	June 30, 2017

9. Notes to Per Share Information

(1)	Net assets per share:	¥462.54
(2)	Earnings per share:	¥29.46

10. Notes to Significant Subsequent Events

The Company resolved to change the size of its stock trading unit by making the related amendment to its Articles of Incorporation at a meeting of its Board of Directors held on April 26, 2017 and to present a proposal concerning the reverse stock split described below at the 199th Annual Meeting of Shareholders to be held on June 29, 2017.

(1) Purpose of the reverse stock split

In line with the “Action Plan for Consolidating Trading Units,” all stock exchanges in Japan have promoted efforts to reduce the size of the trading unit of common stock to 100 shares for domestic listed companies.

Responding to this initiative as a company listed on the Tokyo Stock Exchange and the Nagoya Stock Exchange, the Company has decided to reduce the size of its stock trading unit from 1,000 shares to 100 shares effective October 1, 2017.

To achieve that, the Company has decided to conduct a reverse stock split of consolidating five shares in the Company into one share (hereinafter the “Reverse Split”), taking into account that the stock exchanges recommend the prices per trading unit to be not less than ¥50,000 and less than ¥500,000.

(2) Description of the Reverse Split

(i) Type of shares subject to the Reverse Split

Common stock

(ii) Timing and ratio of the Reverse Split

As of October 1, 2017, the Reverse Split will be conducted at the consolidation ratio of five shares to one share for the shares held by the shareholders recorded on the shareholder registry as of September 30, 2017.

(iii) Number of shares to be reduced by the Reverse Split

Number of shares issued and outstanding before the Reverse Split (as of March 31, 2017)	2,083,400,000 shares
Decrease in the number of shares due to the Reverse Split (Note)	1,666,720,000 shares
Number of shares issued and outstanding after the Reverse Split (Note)	416,680,000 shares

Note: These numbers are theoretical figures calculated on the basis of the consolidation ratio for the Reverse Split and the above number of shares issued and outstanding before the Reverse Split. These figures may vary according to the status of shares held on the day before the effective date of the Reverse Split.

(3) Effect on the per share information

If the Reverse Split had been conducted at the beginning of the fiscal year under review, the per share information for the fiscal year under review would have been as follows.

(i) Net assets per share: ¥2,312.68

(ii) Earnings per share: ¥147.29

11. Other Notes

"Application of the Revised Implementation Guidance on Recoverability of Deferred Tax Assets"

The Company and its domestic subsidiaries adopted "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016) from the current fiscal year.

"Business Combination"

As of March 25, 2017, the Company acquired, through its U.S. subsidiary, a 20% equity interest in the Shore Power Plant, an LNG-fired thermal power generation plant that is in operation in New Jersey, the United States, and a 50% equity interest in the Fairview Power Plant, an LNG-fired thermal power generation plant that is under construction in Pennsylvania, the United States.

Non-Consolidated Statement of Changes in Equity (April 1, 2016 to March 31, 2017)

(Millions of Yen)

	Shareholders' equity													Valuation and translation adjustments			Total net assets
		Capital surplus			Retained earnings												
						Other retained earnings											
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve for reduction entry of specified replaced properties	Reserve for overseas investment loss	Reserve for adjustment of cost fluctuations	General reserve	Retained earnings brought forward	Total retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	**Total net assets**
Balance at beginning of current period	**132,166**	**19,482**	**10**	**19,493**	**33,041**	**241**	**20,598**	**89,000**	**62,000**	**313,873**	**518,756**	**(1,275)**	**669,140**	**32,303**	**(6,254)**	**26,048**	**695,189**
Changes of items during period																	
Provision of reserve for overseas investment loss							2,395			(2,395)	–		–				–
Reversal of reserve for overseas investment loss							(2,238)			2,238	–		–				–
Dividends of surplus										(20,800)	(20,800)		(20,800)				(20,800)
Profit										54,659	54,659		54,659				54,659
Purchase of treasury shares												(226)	(226)				(226)
Disposal of treasury shares			0	0								9	9				9
Net changes of items other than shareholders' equity														4,266	2,782	7,049	7,049
Total changes of items during period	**–**	**–**	**0**	**0**	**–**	**–**	**157**	**–**	**–**	**33,702**	**33,859**	**(217)**	**33,642**	**4,266**	**2,782**	**7,049**	**40,691**
Balance at end of current period	**132,166**	**19,482**	**11**	**19,493**	**33,041**	**241**	**20,756**	**89,000**	**62,000**	**347,575**	**552,615**	**(1,492)**	**702,783**	**36,570**	**(3,472)**	**33,098**	**735,881**

Notes to Non-Consolidated Financial Statements (April 1, 2016 to March 31, 2017)

1. Notes to Matters in respect of Significant Accounting Policies

(1) Basis and methodology for the valuation of assets

(i) Valuation of securities:

Bonds held to maturity:	Stated at amortized cost
Shares of subsidiaries and associates:	Stated at cost based on the moving-average method
Other investment securities:	
Securities for which it is practical to determine fair value:	Stated at fair value based on the market price, etc., on the closing day (Unrealized valuation gains and losses are accounted for as a component of net assets; cost of sales is determined using the moving-average method.)
Securities for which it is not practical to determine fair value:	Stated at cost based on the moving-average method

(ii) Inventories are valued as follows; provided, however that inventories held for trading recorded on the balance sheet are depreciated to write down the carrying amount based on depreciation of profitability:

Finished goods:	Stated at cost based on the total-average method
Raw materials:	Stated at cost based on the moving-average method
Supplies:	Stated at cost based on the moving-average method

(iii) Derivatives are stated at fair value.

(2) Depreciation and amortization method of non-current assets

(i) Property, plant and equipment (excluding leased assets) are depreciated using the declining-balance method. However, the straight-line method has been used for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998 and for facilities attached to buildings and structures acquired on or after April 1, 2016.

(ii) Intangible assets (excluding leased assets) are amortized using the straight-line method. For internal-use software, the straight-line method based on the term available for use within OSAKA GAS CO., LTD. ("the Company") has been applied.

(iii) Leased assets resulting from non-ownership-transfer finance leases are depreciated or amortized using the straight-line method over the useful life equal to the lease terms assuming no residual value.

(3) Basis for recording reserves

(i) As for the allowance for doubtful accounts, to provide for the bad debts loss of accounts receivable, loans receivable, etc., an estimated uncollectible amount is provided which is based on an amount calculated based on the default ratio in the past for general receivables and the individual collectability for certain receivables including receivables with default possibility.

(ii) As for the provision for retirement benefits, for the purposes of employee retirement benefits, an amount is provided based on the estimate of the retirement benefits obligation and pension assets at the end of the fiscal year.

a. Method of attributing projected retirement benefits to periods of service

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

b. Amortization of actuarial gains and losses and past service costs

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

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

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

(v) As for the provision for investment loss, an amount of expected future losses has been provided as reserve to provide for any losses on the operations of subsidiaries and associates.

(vi) With regard to 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) Other significant matters for the preparation of these non-consolidated financial statements

(i) The method of accounting for unrecognized actuarial differences and unrecognized past service costs concerning retirement benefits on a non-consolidated basis is different from that on a consolidated basis.

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

2. Changes in Accounting Policies

"Application of the Practical Solution on a change in depreciation method due to Tax Reform 2016"

Due to amendments to the Japanese Corporation Tax Act, the Company adopted "Practical Solution on a change in depreciation method due to Tax Reform 2016" (Practice Issue Task Force No.32, June 17, 2016) from the current fiscal year and changed the depreciation method for buildings, facilities attached to buildings and structures, which were acquired since April 1, 2016, from the declining-balance method to the straight-line method.

The aforementioned change had a limited effect on the Company's operating income, ordinary income and income before income taxes for the current fiscal year.

3. Notes to the Non-Consolidated Balance Sheet

(1) Assets pledged as collateral

Investments and other assets:	¥720 million

(2) Accumulated depreciation of property, plant and equipment and accumulated amortization of intangible assets

Accumulated depreciation of property, plant and equipment:	¥2,154,144 million
Accumulated amortization of intangible assets:	¥3,599 million

(3) Guarantee liabilities, etc.

Guarantee liabilities:	¥89,163 million
Contingent liabilities in respect of debt assumption agreements with respect to bonds:	¥49,000 million

4. Notes to the Non-Consolidated Statement of income

Amount of business from operational transactions with subsidiaries and associates:

Sales to subsidiaries and associates:	¥70,312 million
Amount of purchases from subsidiaries and associates:	¥142,031 million

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

¥32,290 million

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

Number of treasury stock at the end of the fiscal year: 3,764,066 common shares

6. Notes to Tax Effect Accounting

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

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

7. Notes to Transactions with Related Parties

Company Name	Holding Ratio of Voting Rights	Relationship	Substance of Transaction	Transaction Amount (Millions of Yen)	Item	Outstanding amount as at the year-end (Millions of Yen)
Osaka Gas Gorgon Pty. Ltd.	100% indirect holding	Subsidiary	Debt guarantee	33,881	—	—

Conditions of transaction and decision policy for conditions of transaction, etc.

The Company provided a guarantee for the long-term loans payable of Osaka Gas Gorgon Pty. Ltd. to Japan Bank for International Cooperation, etc.

8. Notes to Per Share Information

(1) Net assets per share: ¥353.85

(2) Earnings per share: ¥26.28

9. Notes to Significant Subsequent Events

The Company resolved to change the size of its stock trading unit by making the related amendment to its Articles of Incorporation at a meeting of its Board of Directors held on April 26, 2017 and to present a proposal concerning the reverse stock split described below at the 199th Annual Meeting of Shareholders to be held on June 29, 2017.

(1) Purpose of the reverse stock split

In line with the “Action Plan for Consolidating Trading Units,” all stock exchanges in Japan have promoted efforts to reduce the size of the trading unit of common stock to 100 shares for domestic listed companies.

Responding to this initiative as a company listed on the Tokyo Stock Exchange and the

Nagoya Stock Exchange, the Company has decided to reduce the size of its stock trading unit from 1,000 shares to 100 shares effective October 1, 2017.

To achieve that, the Company has decided to conduct a reverse stock split of consolidating five shares in the Company into one share (hereinafter the “Reverse Split”), taking into account that the stock exchanges recommend the prices per trading unit to be not less than ¥50,000 and less than ¥500,000.

(2) Description of the Reverse Split

(i) Type of shares subject to the Reverse Split

Common stock

(ii) Timing and ratio of the Reverse Split

As of October 1, 2017, the Reverse Split will be conducted at the consolidation ratio of five shares into one share for the shares held by the shareholders recorded on the shareholder registry as of September 30, 2017.

(iii) Number of shares to be reduced by the Reverse Split

Number of shares issued and outstanding before the Reverse Split (as of March 31, 2017)	2,083,400,000 shares
Decrease in the number of shares due to the Reverse Split (Note)	1,666,720,000 shares
Number of shares issued and outstanding after the Reverse Split (Note)	416,680,000 shares

Note: These numbers are theoretical figures calculated on the basis of the consolidation ratio for the Reverse Split and the above number of shares issued and outstanding before the Reverse Split. These figures may vary according to the status of shares held on the day before the effective date of the Reverse Split.

(3) Effect on the per share information

If the Reverse Split had been conducted at the beginning of the fiscal year under review, the per share information for the fiscal year under review would have been as follows.

(i) Net assets per share: ¥1,769.25

(ii) Earnings per share: ¥131.40

10. Other Notes

“Application of the Revised Implementation Guidance on Recoverability of Deferred Tax Assets”

The Company adopted “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016) from the current fiscal year.