206th Annual Meeting of Shareholders

Other Electronic Provision Matters

(Matters Omitted from the Documents Delivered in Response to a Request for Delivery of Documents)

206th Fiscal Year

(April 1, 2023 to March 31, 2024)

Business Report (Systems to Ensure the Properness of Operations)

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OSAKA GAS CO., LTD.

Systems to Ensure the Properness of Operations

I. Description of Internal Control Systems

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

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

(1) Directors and employees of the Group shall sufficiently acquire and investigate information as the basis to execute the duties and through accurate understanding of the facts, make reasonable decisions in accordance with regulations on responsibilities and authorities.

(2) For the Board of Directors to make appropriate decisions and enhance its supervisory role, executive Directors shall retain independent outside officers. In addition, the executive officer system shall be adopted to enhance the Board of Directors' supervisory role and ensure efficiency in the execution of duties.

(3) Executive Directors shall hold Executive Board to provide information to the President and the Board of Directors to assist in the decision-making process and discuss strategies and important matters concerning its management of the business.

(4) Executive Directors shall establish the "Daigas Group Code of Business Conduct" based on "Daigas Group Charter of Business Conduct." By familiarizing the Directors and employees with the Code, executive Directors shall not only ensure the performance of duties in compliance with applicable laws and regulations and the Articles of Incorporation within the Group but also promote business activities in a fair and appropriate manner, which includes contributing to the preservation of the environment, promoting social contribution activities and dissociating from antisocial forces.

(5) Executive Directors shall make efforts to understand the status concerning compliance within the Group and promote compliance by establishing a consulting and reporting system as an internal reporting system and an ESG committee.

(6) If any problems are discovered regarding compliance, Directors and employees of the Group are required to consult with or report to an executive Director or other superior, or report the matter via the consulting and reporting system depending on the level of seriousness or urgency. Executive Directors, General Manager of the General Affairs Dept. or other superiors shall investigate details of such matter and take necessary remedial measures.

2. Systems concerning the storage and the management of information on execution of duties

(1) Executive Directors and employees of the Group shall prepare minutes of the meetings of the Board of Directors, approval documents or other similar documents specifying matters including matters affecting decisions and the process by which a decision was reached, in accordance with Regulations on Responsibilities and Authorities.

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

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

(1) Executive Directors of the Group shall take all possible steps to ensure the safety and stability of gas supply in gas business by establishing safety regulations on matters concerning the construction, maintenance and operation of production and supply facilities, and by promoting the improvement of the production and supply systems.

(2) Executive Directors of the Group and organizational heads of the Company (managers of basic organizations of the Company) shall take measures to prevent the occurrence of risks and minimize losses in the case of occurrence, and manage the risk of losses for each category of risk (risks due to external factors, internal factors, transactions with outside parties or other factors).

(3) The risk of losses shall be managed at the level of each basic organization and each affiliated company, and the managers of the basic organizations shall promote the management of the risk of losses and regularly confirm its effectiveness.

(4) The emergencies that might have a material impact on the management of the Group shall be addressed according to the regulations on disaster and accident countermeasures and business contingency plans.

(Note) At the meeting of the Board of Directors held on March 28, 2024, the Company adopted a resolution to revise its internal control systems (changes in the Regulations and Other Systems to Manage the Risk of Losses; implemented on April 1, 2024). The details after revision are shown below.

3. Regulations and Other Systems to Manage the Risk of Losses

(1) Executive Directors shall establish the Risk Management Committee and endeavor to identify significant risks for the Group and promote risk management.

(2) Executive Directors of the Group and organizational heads of the Company (heads of basic organizations of the Company) shall manage the risk of losses in accordance with the provisions of the Risk Management Regulations.

(3) Executive Directors of the Group shall take all possible steps to ensure the safety and stability of gas supply in gas business by establishing safety regulations on matters concerning the construction, maintenance and operation of production and supply facilities, and by promoting the improvement of the production and supply systems.

(4) The emergencies that may have a particularly material impact on the management of the Group shall be addressed according to the Risk Management Regulations.

4. Systems to ensure the efficient execution of duties

(1) Executive Directors of the Group and organizational heads of the Company shall determine matters concerning the division of duties and decision-making within the Company and the Group in accordance with Regulations on Responsibilities and Authorities. They shall also provide regulations regarding details of organizations and general matters to be observed during the execution of duties. By familiarizing employees with such regulations, they shall ensure the smooth management of organizations and the improvement of quality and efficiency of operations.

(2) With the aim of maximizing corporate value, executive Directors of the Group and organizational heads of the Company shall establish medium-term business plans and annual plans for the Company and the Group, monitor its achievement by means of performance indicators and focus on achieving these plans.

5. Other systems to ensure the properness of business operations

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

(1) Companies to play a central role in each business area of the Group (Core Non-Energy Business Companies and Overseas Regional Headquarters) or basic organizations to supervise affiliated companies (management support organizations) shall be designated to be responsible for day-to-day management of affiliated companies.

(2) Compliance with applicable laws and regulations and the Articles of Incorporation, the efficiency and other similar matters of the Group as a whole shall be audited internally by the head of the Auditing Department. If necessary, in light of the results of such audit, remedial measures shall be taken promptly.

(3) Internal control procedures shall be maintained, operated and evaluated in relation to financial reporting to ensure its credibility.

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

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

(2) Audit & Supervisory Board Members' assistants shall be engaged solely in assisting the Audit & Supervisory Board Members in the performance of their duties.

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

(1) Executive Directors cannot direct or give orders to Audit & Supervisory Board Members' assistants except where such directions or orders apply equally to all employees.

(2) Executive Directors shall seek in advance and respect the opinions of the Audit & Supervisory Board Members upon the evaluation, transfer, etc., of Audit & Supervisory Board Members' assistants .

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

(1) Directors shall report immediately to the Audit & Supervisory Board Members if a matter that is significantly damaging to the Company is discovered.

(2) Directors and employees of the Group or auditors of the affiliated companies shall report without delay matters that have a material impact on the management of the Group, the results of internal audits, the situation regarding the major reports under the consulting and reporting system and other important matters to the Audit & Supervisory Board Members.

(3) Directors of the Group and employees of the Company shall report without delay when requested by the Audit & Supervisory Board Members to report on matters concerning the execution of duties.

(4) Executive Directors and other superiors of the Group shall not disadvantageously treat any person who reported to the Audit & Supervisory Board Members according to the preceding items for the reason that such report was made.

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

(1) The Audit & Supervisory Board Members may exchange opinions periodically with the Representative Directors and the accounting auditor.

(2) The Audit & Supervisory Board Members may attend Executive Board and all company committee meetings. They may timely investigate material information concerning the execution of duties, such as approval documents.

(3) Executive Directors shall ensure the Company to cover the expenses or liabilities necessary for the execution of the duties of the Audit & Supervisory Board Members.

10. Confirmation of operation status, etc.

(1) Executive Directors shall periodically confirm and assess the status of the operation of the internal control system and report the results to the Board of Directors.

(2) Executive Directors shall take necessary measures by taking into consideration the assessment results of internal control system and other situations.

II. Operating Status of the Internal Control Systems

The Company confirms the operating status of the internal control systems on a periodic basis by identifying items to confirm for various matters and receiving reports from the organizational heads and other persons concerned. At the meeting of the Board of Directors held on April 25, 2024, it was reported that the internal control systems were operating in a proper manner.

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

(1) Matters concerning compliance, etc.

The ESG Committee further promotes initiatives in each sector through the "Compliance and Risk Management Subcommittee," "Environment Subcommittee," and "Social Contribution Subcommittee."

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

Legal seminars on the Antimonopoly Act and education on regulations regarding the business conduct were provided to ensure compliance with laws and regulations related to fair gas transactions.

CD Energy Direct Co., Ltd. received a six-month business suspension order regarding door-to-door sales from the Consumer Affairs Agency, based on the Act on Specified Commercial Transactions, as the result of some improper door-to-door sales activities by its contractor. To prevent any recurrence, CD Energy Direct Co., Ltd. has implemented measures such as a review of its compliance systems and stronger monitoring and training for contractors. The Daigas Group has also held internal legal seminars on the Act on Specified Commercial Transactions.

(2) Matters concerning risk management, etc.

Organizational heads of the Company and presidents of the affiliated companies promote the management of the risk of losses and periodically conduct risk management assessments. Each basic organization or affiliated company identifies risk items, checks the status of management concerning the risk items and conducts follow-ups or other measures by using such means as the "G-RIMS (Gas Group Risk Management System)," which systematizes the self-assessment of risk management practices.

After the fire at the Freeport LNG liquefaction terminal in the US, we implemented a review of risk management measures and rules in its LNG trading business. Likewise, after the fire at the Sodegaura Biomass Power Co. Ltd., we reviewed the risks and countermeasures for the operation of biomass power plants and fuel management, and extended this across biomass power plants within the Group.

Regarding the management of risks concerning security and disaster prevention, which are common throughout 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.

We established a Security and Disaster Prevention Committee to coordinate and promote cross-organizational measures related to safety and disaster prevention within the Group, and are taking all possible measures to ensure safety and disaster prevention after the legal separation. We also implemented investigations and confirmed the status of measures to block the transfer of information between the Network Company and the Company and its affiliated companies, which are gas retailers, and the status of information management.

To prepare for emergencies, regulations for disaster countermeasure and business continuity plans are prepared. We also carry out company-wide disaster-prevention drills, which consist of earthquake drills and BCP exercises.

The Cyber Security Committee has been established to strengthen measures against attacks from outside the Group's network such as by carrying out periodic inspections and following up on the Group's security. In April 2024, we established the Risk Management Committee to engage in the comprehensive management of risks, aiming to strengthen the risk monitoring function in line with the expansion of the Group's businesses.

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

The affiliated companies to be managed by the Core Non-Energy Business Companies, the Network Company, the Overseas Regional Headquarters, or the management support organizations are designated, and their managerial tasks are monitored by receiving regular reports and reports on important issues from the affiliated companies. In addition, day-to-day management of those affiliated companies is performed by using the G-RIMS and/or conducting audits.

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

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

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

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

Five assistants to Audit & Supervisory Board Members are in place to engage solely in assisting Audit & Supervisory Board Members' duties.

Consolidated Statement of Changes in Equity (April 1, 2023 to March 31, 2024)

(Millions of Yen)

	Shareholders' equity					**Accumulated other comprehensive income**						**Non-controlling interests**	**Total net assets**
	Share capital	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		
Balance at beginning of period	**132,166**	**19,096**	**1,010,078**	**(2,045)**	**1,159,295**	**68,085**	**25,268**	**(1,947)**	**97,838**	**42,881**	**232,125**	**25,757**	**1,417,178**
Changes during period													
Dividends of surplus			(25,981)		(25,981)								(25,981)
Profit attributable to owners of parent			132,679		132,679								132,679
Change in scope of equity method			(150)		(150)								(150)
Purchase of treasury shares				(20,056)	(20,056)								(20,056)
Disposal of treasury shares		11		115	126								126
Cancellation of treasury shares		(51)	(19,188)	19,240	—								—
Reversal of revaluation reserve for land			447		447			(447)			(447)		—
Net changes in items other than shareholders' equity						19,814	36,388	—	42,745	525	99,474	1,721	101,196
Total changes during period	**—**	**(40)**	**87,805**	**(700)**	**87,064**	**19,814**	**36,388**	**(447)**	**42,745**	**525**	**99,027**	**1,721**	**187,813**
Balance at end of period	**132,166**	**19,056**	**1,097,883**	**(2,746)**	**1,246,360**	**87,899**	**61,656**	**(2,395)**	**140,583**	**43,407**	**331,152**	**27,479**	**1,604,992**

Notes to Consolidated Financial Statements (April 1, 2023 to March 31, 2024)

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

(1) Scope of consolidation

Number of consolidated subsidiaries: 159

(Names of principal consolidated subsidiaries)
Osaka Gas Urban Development Co., Ltd., OGIS-RI Co., Ltd., Osaka Gas Chemicals Co., Ltd., Osaka Gas Network Co., Ltd., Osaka Gas Marketing Co., Ltd., Daigas Energy Co., Ltd. and Daigas Gas and Power Solution Co., Ltd., Osaka Gas USA Corporation

(2) Application of the equity method

Number of equity method associates: 42

(Names of principal equity method associates)
ENEARC Co., Ltd. and FLIQ1 Holdings, LLC

(Names of principal associates not subject to the equity method)
The principal associate not subject to the equity method is ENNET Corporation.
The equity method is not applied to those associates which do not have a material impact on profit or loss, 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
Available-for-sale securities:	
Other than stocks and other securities with no market price:	Stated at fair value (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.)
Stocks and other securities with no market price:	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 mainly been used for overseas consolidated subsidiaries and 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.

   Assets related to exploration and development are depreciated primarily using the units-of-production method.

b. Intangible assets (excluding leased assets) are amortized primarily using the straight-line method.

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

Allowance for doubtful accounts

To provide for the bad debt 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.

(iv) Basis for recognition of significant revenues and expenses

a. Revenue from sales of goods or products

For the sale of goods or products in each of the Group's businesses, the Group recognizes revenue at the point of delivery for goods or products that do not require installation under the contract with the customer, and at the point of completion of installation for goods or products that require installation under the contract with the customer, based on the judgment that the customer has acquired control over the goods or product and the performance obligation has been satisfied at such point. For contracts in which the Group is entitled to receive consideration that directly corresponds to the value to the customer of the portion of performance completed, the Group recognizes revenue in the amount it is entitled to claim in accordance with Paragraph 19 the Implementation Guidance on Accounting Standard for Revenue Recognition.

Revenue is measured at the amount of consideration promised under the contract with the customer, less discounts, rebates, and other items. Consideration is usually received within approximately one year from the satisfaction of the performance obligation, and it does not include significant financial elements.

b. Revenue from provision of services, etc.

For the gas business, revenues from the provision of services, etc., including maintenance and servicing related to gas appliances are recognized on a straight-line or percentage-of-completion basis over the service period in which the customer receives the benefit if the performance obligation is satisfied over a certain period.

For transactions that combine the sale of goods or products with the provision of services, etc., each promise to transfer goods or services is identified as a separate performance obligation. The stand-alone selling price is determined at the inception of the contract, and the transaction price is allocated in proportion to such selling price. Consideration is usually received based on the progress towards complete satisfaction of performance obligation or in the form of advance payments based on contracts with customers, and it does not include significant financial components.

c. Revenue from construction contracts, etc.

For revenues from construction contracts, including engineering in the gas and electricity businesses and software development in the information solutions business, the Company estimates the progress towards complete satisfaction of the performance obligations and recognizes revenues over a certain period based on the progress. The progress is measured based on the percentage of costs incurred by the end of the period to the estimated total costs. However, for construction contracts with short construction periods, etc., revenue is recognized when the performance obligation is fully satisfied.

Consideration is generally received in the form of contractual milestone payments based on the progress towards complete satisfaction of performance obligation or in the form of advance payments based on contracts with customers, and it does not include significant financial components.

(v) 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 after occurrence.

b. Group tax sharing system

The Company and some of its consolidated subsidiaries in Japan transitioned from a non-consolidated taxation system to the group tax sharing system during this consolidated fiscal year. As a result, the Company applies Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (ASBJ Practical Solution No. 42, August 12, 2021) regarding the accounting treatment and disclosure of tax effect accounting related to income taxes.

2. Notes to Accounting Estimates

Items for which the amount was recorded in the consolidated financial statements for this consolidated fiscal year based on accounting estimates and which may have a significant impact on the consolidated financial statements for the next consolidated fiscal year are as follows.

(1) Impairment of property, plant and equipment, intangible assets, and investment in entities accounted for using equity method

Amounts recorded on the consolidated balance sheet for this consolidated fiscal year

Property, plant and equipment	¥1,304,945 million
Intangible assets	¥109,243 million
Investment in entities accounted for using equity method	¥329,808 million

(2) Collectability of deferred tax assets

Amounts recorded on the consolidated balance sheet for this consolidated fiscal year

Deferred tax assets	¥18,588 million

(3) Calculation of retirement benefit obligations

Amounts recorded on the consolidated balance sheet for this consolidated fiscal year

Retirement benefit asset	¥126,854 million
Retirement benefit liability	¥19,611 million
Remeasurements of defined benefit plans	¥43,407 million

3. Notes to the Consolidated Balance Sheet

(1) Assets pledged as collateral and secured liabilities

(i) Assets pledged as collateral

Property, plant and equipment	¥153,237 million
Investments and other assets	¥213,677 million
Others	¥56,649 million
Total	¥423,565 million

(ii) Secured liabilities ¥135,825 million

In addition to above, shares of subsidiaries and associates, etc. of ¥36,486 million offset as a result of consolidation are pledged as collateral.

(2) Accumulated depreciation of property, plant and equipment: ¥3,022,309 million

(3) Guarantee liabilities, etc.

Guarantee liabilities: ¥11,810 million

4. 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).

5. 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. 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 energy prices, etc., for reducing fluctuation of cash flow due to change in energy prices, etc. 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 amounts at the end of this consolidated fiscal year are as follows.

Shares of subsidiaries and associates, unlisted shares, and other stocks with no market price (amount recorded on the consolidated balance sheet: ¥375,089 million) are not included in "(1) Securities and investment securities."

In addition, "Cash and deposits," "Notes and accounts receivable - trade, and contract assets," "Notes and accounts payable - trade" and "Short-term borrowings" are omitted because their fair values approximate their book values due to cash and short term settlements.

(Millions of Yen)

	Amount recorded on the consolidated balance sheet	Fair value	Difference
(1) Securities and investment securities	163,714	163,581	(133)
Total Assets	163,714	163,581	(133)
(2) Bonds payable[1]	460,019	417,220	(42,799)
(3) Long-term borrowings[1]	422,557	418,722	(3,834)
Total Liabilities	882,576	835,942	(46,633)
Derivative transactions[2]	77,665	77,665	—

[1] Includes those due within one year.

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

(Note) Description of valuation techniques and inputs used in the calculation of fair value

The fair value of financial instruments is classified into the following three levels based on the observability and materiality of the inputs used to calculate fair value.

Level 1 fair value:	Fair value calculated using (unadjusted) quoted prices in active markets for identical assets or liabilities
Level 2 fair value:	Fair value calculated using inputs other than Level 1 inputs that are directly or indirectly observable
Level 3 fair value:	Fair value calculated using significant unobservable inputs

When multiple inputs that have a significant impact on the calculation of fair value are used, fair value is classified to the level with the lowest priority in the calculation of fair value among the levels to which each of those inputs belongs.

Assets

(1) Securities and investment securities

Listed stocks and Japanese government bonds are valued using quoted market prices, and their fair values are classified as Level 1 fair value because they are all traded in active markets. Some unlisted shares are valued using their most recent trading prices between independent third parties, and their fair values are classified as Level 2 fair value. Other investments are valued using the discounted present value method, etc., and their fair values are classified as Level 3 fair value.

Liabilities

(2) Bonds payable

The fair value of bonds payable issued by the Company is based on their quoted market prices and is classified as Level 2 fair value.

(3) Long-term borrowings

Long-term borrowings with fixed interest rates are classified as Level 2 fair value, which is calculated using the discounted present value method based on the total amount of principal and interest and an interest rate that takes into account the remaining term of the debt and credit risk. The fair value of long-term borrowings with floating interest rate is its book value because the fair value is considered to be approximately equal to the book value and is classified as Level 2 fair value.

Derivative transactions

The fair value of derivative transactions is primarily based on the price quoted by the counterpart financial institutions and is classified as Level 2 fair value. The fair value of derivative transactions 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 are hedged. The fair value of forward foreign exchange contracts that are accounted for under the allocation method is included in the fair value of the relevant accounts payable, etc., because they are accounted for as an integral part of the accounts payable, etc., which are hedged items.

6. Notes to Properties, etc. for Lease

(1) Matters concerning the status of properties for lease

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 properties for lease

(Millions of Yen)

Amount recorded on the consolidated balance sheet	Fair value
219,012	303,537

Notes: 1. The amount recorded on the consolidated balance sheet is the amount which deducts the accumulated depreciation amount and accumulated impairment losses 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.

3. Properties in development (amount recorded on the consolidated balance sheet: ¥8,777 million) are not included in the table above as development is currently underway and therefore it is difficult to determine fair value.

7. Notes to the Consolidated Statement of Changes in Equity

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

409,912,100 common shares

(2) Dividends

(i) Amount of payment of dividends

a. At the Annual Meeting of Shareholders held on June 23, 2023, the following were resolved with March 31, 2023, as a record date.

Dividends of common shares

(a)	Total amount of dividends	¥12,470 million
(b)	Dividend per share	¥30.00
(c)	Effective date for dividends	June 26, 2023

b. At the meeting of the Board of Directors held on October 27, 2023, the following were resolved with September 30, 2023, as a record date.

Dividends of common shares

(a)	Total amount of dividends	¥13,511 million
(b)	Dividend per share	¥32.50
(c)	Effective date for dividends	November 30, 2023

(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 27, 2024, the following will be proposed with March 31, 2024, as a record date. Dividends are to be appropriated from retained earnings.

Dividends of common shares

(a)	Total amount of dividends	¥20,447 million
(b)	Dividend per share	¥50.00
(c)	Effective date for dividends	June 28, 2024

8. Notes to Per Share Information

(1) Net assets per share: ¥3,857.51

(2) Earnings per share: ¥320.60

9. Notes to Revenue Recognition

(1) Segmentation of revenue

The Group operates its businesses through three reportable segments: the Domestic Energy Business, the International Energy Business, and the Life & Business Solutions Business. The goods and services of each reportable segment are gas business, electricity business, international energy business, urban development business, information solutions business, material solutions business, and other life and business solutions business.

Revenues from contracts with customers were ¥1,745,466 million for the Domestic Energy Business, ¥86,130 million for the International Energy Business, and ¥193,413 million for the Life & Business Solutions Business.

Subsidies, etc. received through the Electricity and Gas Price Volatility Mitigation Project are included in revenue for the Domestic Energy Business.

(2) Basic information to understand revenue

The information is disclosed in "(iv) Basis for recognition of significant revenues and expenses, (3) Accounting policies, 1. Notes to Significant Matters Forming the Basis of Preparation of the Consolidated Financial Statements" in Notes to Consolidated Financial Statements.

10. Notes on Significant Subsequent Events

(1) Acquisition of an equity interest by a consolidated subsidiary

On April 5, 2024, together with a joint investor, the Company agreed to acquire a 25% equity interest in AG&P LNG MARKETING PTE. LTD., a city gas business operator in India, through its consolidated subsidiary DAIGAS SJ CGD PTE. LTD. ("DSJ"; our equity interest is planned to be

63%).

DSJ plans to spend US$ 369 million (approximately ¥53,500 million) on the acquisition, which is aimed at expanding the Group's businesses and boosting earning power. The acquisition will be made in two steps due to the required approvals and authorizations, with the first step (US$ 299 million) already completed in April 2024. The second step of the acquisition (US$ 69 million) is scheduled for May 2024 onward.

(2) Issuance of bonds

On April 26, 2024, the Company decided to issue bonds up to a maximum of ¥60,000 million, including transition-linked bonds, from May 30, 2024 onward, based on a resolution adopted at the meeting of the Board of Directors held on March 7, 2024.

(3) Purchase of treasury shares

At the meeting of the Board of Directors held on May 8, 2024, the Company resolved to purchase treasury shares in accordance with the provisions of Article 156 of the Companies Act, as modified and applied in accordance with Article 165, Paragraph 3 of the Companies Act.

(i) Reason for the purchase of treasury shares
To enhance shareholder returns based on the Company's shareholder returns policy and improve capital efficiency.

(ii) Details of the purchase

a. Class of shares to be purchased:	Common shares of the Company
b. Number of shares to be purchased:	15 million shares (maximum) (equivalent to 3.66% of the total number of shares issued and outstanding)
c. Total value of the purchased shares:	¥20,000 million (maximum)
d. Purchase period:	From May 9, 2024 to September 30, 2024

Non-Consolidated Statement of Changes in Equity (April 1, 2023 to March 31, 2024)

(Millions of Yen)

	Shareholders' equity														Valuation and translation adjustments			Total net assets
		Capital surplus			Retained earnings													
						Other retained earnings												
	Share capital	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 investment promotion taxation	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 period	132,166	19,482	40	19,522	33,041	195	6,858	217	89,000	62,000	421,202	612,515	(2,045)	762,158	42,963	(14,048)	28,914	791,073
Changes during period																		
Reversal of reserve for overseas investment loss							(2,453)				2,453	–		–				–
Dividends of surplus											(25,981)	(25,981)		(25,981)				(25,981)
Profit											68,425	68,425		68,425				68,425
Purchase of treasury shares													(20,056)	(20,056)				(20,056)
Disposal of treasury shares			11	11									115	126				126
Cancellation of treasury shares			(51)	(51)							(19,188)	(19,188)	19,240	–				–
Net changes in items other than shareholders' equity															10,883	(9,124)	1,759	1,759
Total changes during period	–	–	(40)	(40)	–	–	(2,453)	–	–	–	25,708	23,254	(700)	22,513	10,883	(9,124)	1,759	24,272
Balance at end of period	132,166	19,482	–	19,482	33,041	195	4,404	217	89,000	62,000	446,910	635,770	(2,746)	784,672	53,846	(23,172)	30,673	815,346

Notes to Non-Consolidated Financial Statements (April 1, 2023 to March 31, 2024)

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
Available-for-sale securities:	
Other than stocks and other securities with no market price:	Stated at fair value (Unrealized valuation gains and losses are accounted for as a component of net assets; cost of sales is determined using the moving-average method.)
Stocks and other securities with no market price:	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:

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

(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 allowances

(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 non-consolidated 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 non-consolidated fiscal year of occurrence.

(4) Basis for recording revenue and expenses

(i) Revenue from sales of goods or products

For the sale of goods or products in each of the Company's businesses, the Company recognizes revenue at the point of delivery for goods or products that do not require installation under the contract with the customer, and at the point of completion of installation for goods or products that require installation under the contract with the customer, based on the judgment that the customer has acquired control over the goods or product and the performance obligation has been satisfied at such point.

(ii) Revenue from provision of services, etc.

For the gas business, revenues from the provision of services, etc., including maintenance and servicing related to gas appliances are recognized on a straight-line or percentage-of-completion basis over the service period in which the customer receives the benefit if the performance obligation is satisfied over a certain period.

(5) Other significant matters for the preparation of these non-consolidated financial statements

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.

2. Notes to Accounting Estimates

Items for which the amount was recorded in the non-consolidated financial statements for this non-consolidated fiscal year based on accounting estimates and which may have a significant impact on the non-consolidated financial statements for the next non-consolidated fiscal year are as follows.

(1) Calculation of retirement benefit obligations

Provision for retirement benefits	¥1,783 million
Prepaid pension costs	¥66,076 million

(2) Collectability of deferred tax assets

Deferred tax assets (before offsetting with deferred tax liabilities)	¥38,903 million

3. Notes to the Non-Consolidated Balance Sheet

(1) Assets pledged as collateral

Investments and other assets:	¥8,957 million

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

Accumulated depreciation of property, plant and equipment:	¥545,540 million
Accumulated amortization of intangible assets:	¥13,050 million

(3) Guarantee liabilities, etc.

Guarantee liabilities:	¥57,438 million

(4) Monetary claims and obligations with subsidiaries and associates

Short-term monetary claims:	¥185,829 million
Long-term monetary claims:	¥392,514 million
Short-term monetary obligations:	¥183,421 million
Long-term monetary obligations:	¥12,163 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:	¥182,540 million
Amounts of purchases from subsidiaries and associates:	¥538,717 million

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

¥45,373 million

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

Number of treasury stock at the end of the fiscal year:	966,125 common shares

6. Notes to Tax Effect Accounting

(1) The main factors for the deferred tax assets are loss on valuation of investment securities, tax losses carried forward, and deferred gains or losses on hedges.

(2) The main factors for the deferred tax liabilities are valuation difference on available-for-sale securities, prepaid pension costs and reserves required under the Special Taxation Measures Law.

(3) Adoption of the group tax sharing system

During this non-consolidated fiscal year, the Company transitioned from a non-consolidated taxation system to the group tax sharing system. The Company therefore applies Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (ASBJ Practical Solution No. 42, August 12, 2021) regarding the accounting treatment and disclosure of income taxes and tax effect accounting.

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 (Note 1)	30,636	—	—

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

Note 1.: The Company provided a guarantee for the long-term borrowings of Osaka Gas Gorgon Pty. Ltd. to Japan Bank for International Cooperation, etc.

8. Notes to Per Share Information

(1) Net assets per share: ¥1,993.78

(2) Earnings per share: ¥165.34

9. Notes to Revenue Recognition

Basic information to understand revenue

The information is omitted since the same description is disclosed in “a. Revenue from sales of goods or products, b. Revenue from services provided, etc., (iv) Basis for recognition of significant revenues and expenses, (3) Accounting policies, 1. Notes to Significant Matters Forming the Basis of Preparation of the Consolidated Financial Statements” in Notes to Consolidated Financial Statements.

10. Notes on Significant Subsequent Events

(1) Increase in capital of a subsidiary

On April 5, 2024, the Company increased the capital of its wholly owned subsidiary Osaka Gas Singapore Pte. Ltd. (“OGS”) to US$ 239 million (approximately ¥36,300 million).

These funds will be contributed by OGS to DAIGAS SJ CGD PTE. LTD. (“DSJ”) and used for DSJ's acquisition of equity interest, etc. of AG&P LNG MARKETING PTE. LTD. For details, please refer to “(1) Acquisition of an equity interest by a consolidated subsidiary, 10. Notes on Significant Subsequent Events” in Notes to Consolidated Financial Statements.

(2) Issuance of bonds

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