

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. Please note that the English translation of the Audit Reports by the Accounting Auditor and the Audit & Supervisory Board is not published in this document.

(Securities Identification Code: 9532)

Notice of 205th Annual Meeting of Shareholders

To Our Shareholders:



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

The Daigas Group ("the Group") aims to be an innovative and preferred energy & service company throughout the ages in line with our 2030 Long-term Management Vision. In addition, in accordance with our Medium-term Management Plan 2023 and Energy Transition 2030, we will strive to co-create "value for a sustainable future" with our stakeholders by pursuing the creation of value that contributes to solving social issues, with the aim of achieving a sustainable society, including realizing a low carbon/carbon neutral society and enhancing resilience of society.

The energy supply-demand balance is becoming increasingly unstable in the context of changes in the international situation and the trend towards decarbonization. As a result, with energy security more important than ever, the Group will continue to ensure stable supply, fulfilling its mission as an energy business operator. Furthermore, amid a drastically changing business environment, the Group will continue to work to actively and steadily proceed with our business operations to ensure fair and transparent business operations and maximize the value we provide to customers.

Your continued support would be greatly appreciated.

May 2023

Masataka Fujiwara
President

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(Securities Identification Code: 9532)

May 31, 2023

(Date of commencement of measures for electronic provision: May 29, 2023)

To Shareholders

Masataka Fujiwara, President
OSAKA GAS CO., LTD.
4-1-2 Hiranomachi, Chuo-ku
Osaka, Japan

Notice of Convocation of 205th Annual Meeting of Shareholders

Dear Sir or Madam,

We would like to inform you of the 205th Annual Meeting of Shareholders (the “Meeting”) of OSAKA GAS CO., LTD. (the “Company”) to be held as below.

As detailed on pages 6-7 below, you may exercise your voting rights in writing or electronically such as through the Internet. In either case, please read the attached reference documents for the shareholders meeting and **cast your vote no later than 4 p.m. on Thursday, June 22, 2023.**

In convening the Meeting, we have adopted measures for the electronic provision of information contained in the reference documents for the shareholders meeting (the “Electronic Provision Measures Matters”). We have posted the Electronic Provision Measures Matters on the Company’s website, under “Notice of Convocation of 205th Annual Meeting of Shareholders (Electronic Provision Measures Matters).” Please access the Company’s website, shown below, to review the information.

The Company’s website:

<https://www.osakagas.co.jp/company/ir/stock/inform/index.html> (in Japanese only)

In addition to the Company’s website, the Electronic Provision Measures Matters are also posted on the website of the Tokyo Stock Exchange. If you are unable to view the Company’s website, please access the following website (Listed Company Search), shown below, enter “OSAKA GAS” in the “Issue name (company name)” box or “9532” in the “Code” box to search, and click on “Basic Information” then “Documents for public inspection/PR information” to view this information.

Tokyo Stock Exchange website (Listed Company Search):

<https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>

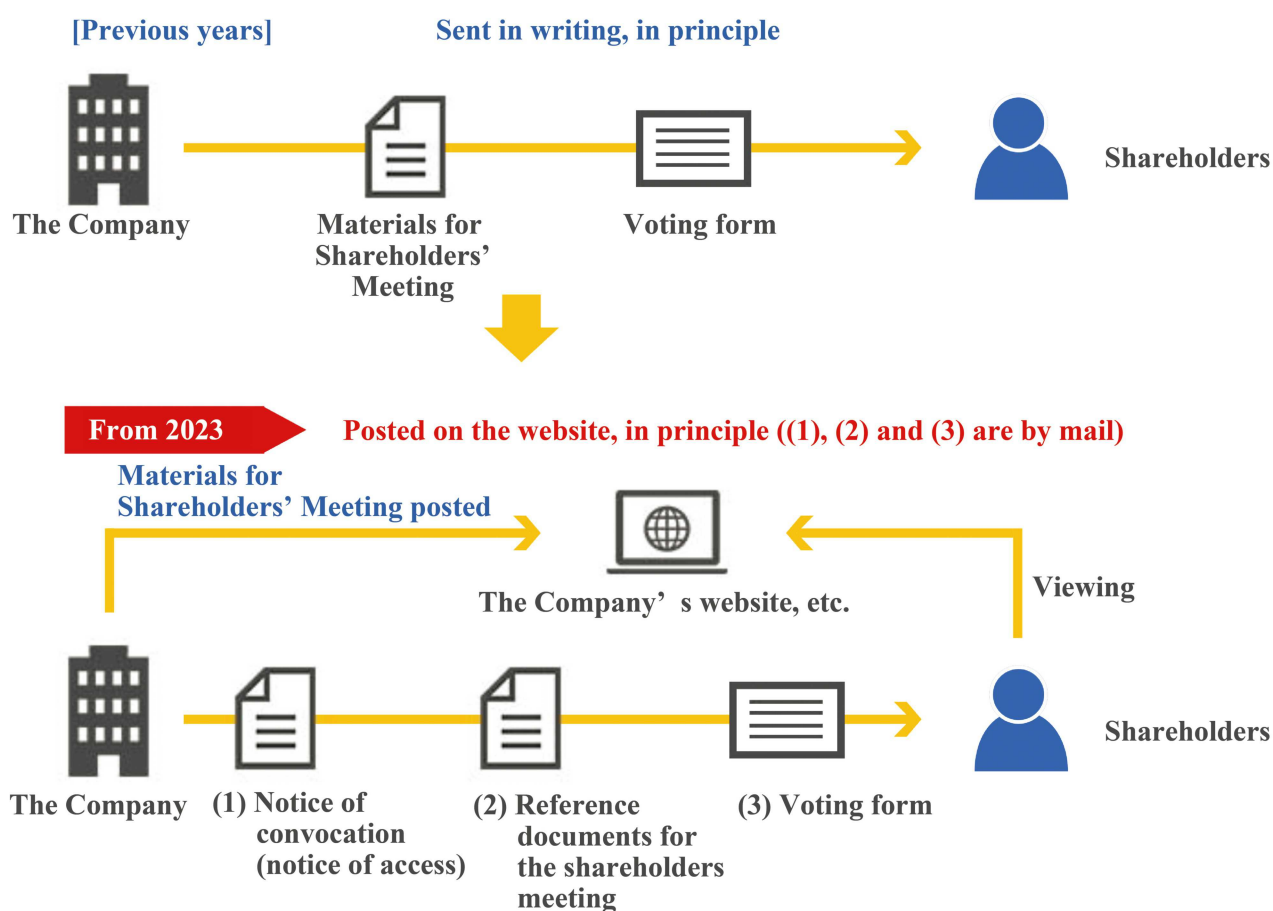
Yours faithfully

Details:

1. Date and time: Friday, June 23, 2023, 10:00 a.m.
2. Place: OSAKA GAS CO., LTD., Head Office
4-1-2 Hiranomachi, Chuo-ku, Osaka, Japan
3. Agenda:
 - Report:** Business report, consolidated financial statements, non-consolidated financial statements, report of the accounting auditor and Audit & Supervisory Board's report on consolidated financial statements for the 205th term (year from April 1, 2022 to March 31, 2023)
 - Proposals:**
 - Proposal 1:** Appropriation of Earnings
 - Proposal 2:** Election of Ten (10) Directors
 - Proposal 3:** Election of Two (2) Audit & Supervisory Board Members
4. Matters in connection with this convocation (Matters concerning the exercise of voting rights):
 - (1) If you do not specify in the voting form whether you are for or against a proposal, you shall be deemed to have voted for such proposal.
 - (2) If you change the content of your vote electronically after already having cast your vote electronically, only your last vote shall be deemed valid.
 - (3) If you exercise your voting rights both in writing and electronically, only the vote cast electronically shall be deemed valid.
5. Other matters:
 - (1) Notification of any amendments to the Electronic Provision Measures Matters will be posted, together with the matters before and after amendment, on the Company's website and the website of the Tokyo Stock Exchange, shown above.
 - (2) Any major changes in the operation of the Meeting such as its date, time and/or place as a result of factors including changes in the COVID-19 situation will be announced on the Company's website (<https://www.osakagas.co.jp/company/ir/stock/inform/index.html>).
 - (3) Any notice concerning the split voting prescribed in Article 313, Paragraph 2 of the Companies Act shall be in writing or through electronic means, in accordance with Article 13 of the Share Handling Regulations.
 - (4) From among the Electronic Provision Measures Matters, the following matters are not included in the documents delivered to shareholders who have requested such delivery, in accordance with laws, regulations, and Article 15 of the Company's Articles of Incorporation.
 - (i) Systems to Ensure the Properness of Operations in the business report
 - (ii) Consolidated statement of changes in equity and notes to consolidated financial statements in the consolidated financial statements
 - (iii) Non-consolidated statement of changes in equity and notes to non-consolidated financial statements in the non-consolidated financial statementsThe documents audited by the accounting auditor and the Audit & Supervisory Board Members include those in (i) to (iii) above, in addition to the information presented in the documents delivered to shareholders who have requested such delivery.

[Reference] Measures for Electronic Provision (System for electronic provision of materials for Shareholders' Meeting)

The system for electronic provision of materials for Shareholders' Meeting (reference documents for the shareholders meeting, business report, etc.) has commenced operation, and the Company has sent all shareholders with voting rights, excluding those who have requested the delivery of paper copies of the documents, the notice of convocation, showing information such as the way to access the materials for Shareholders' Meeting, the reference documents for the shareholders meeting, shown below, which carry a description of the proposals, and a voting form.



Any shareholders who have not requested the delivery of paper copies of the documents, but who wish to receive paper copies of the materials for Shareholders' Meeting (business report, etc.) must complete the "Request for Delivery of Documents" by the record date of Shareholders' Meeting (March 31).

Please address any inquiries concerning the procedure for requesting the delivery of documents to your securities company or other account management institution or to the administrator of the shareholder registry, shown below.

■ Administrator of the shareholder registry

Stock Transfer Agency Business Planning Department of Sumitomo Mitsui Trust Bank, Limited
Toll free: 0120-533-600 (dedicated line for inquiries regarding the system for electronic provision)
(Hours: 9:00 a.m. to 5:00 p.m. except on Saturdays, Sundays, and national holidays)

[INFORMATION ON THE EXERCISE OF VOTING RIGHTS]

1. Exercising your voting rights in advance:

- Exercise of Voting Rights in Writing

Please specify in the enclosed voting form whether you are for or against a proposal and return the form to the Company by Due Date below.

Due Date: Thursday, June 22, 2023, 4:00 p.m.

- Electronic Exercise of Voting Rights

Exercise of Voting Rights through the Internet

Please exercise your voting rights by Due Date below in accordance with the procedures described below.

We have introduced “Smart Exercise” system, through which you can exercise your voting rights easily by reading the QR Code on the voting form without entering the access code and password.

Due Date: Thursday, June 22, 2023, 4:00 p.m.

(1) “Smart Exercise” by reading the QR Code

1. Read the QR Code shown in the bottom right of the voting form with a smartphone or other device capable of reading a barcode.
2. Follow the on-screen instructions to cast your vote.



Note: You can use “Smart Exercise” system only once. Should you wish to change the content of your vote cast via “Smart Exercise” system, please recast your vote by following the voting method described in (2) below.

(2) Voting by entering the access code and password

1. Access the voting website below. Click “次へすすむ (Next)”
2. Enter the access code specified on the voting form. Enter the access code. Click “ログイン (Log in)”
3. Enter the password specified on the voting form and a new password. Enter the password. Click “登録 (Register)”
4. Follow the on-screen instructions to cast your vote.



Voting Website: <https://www.web54.net>

You can access the voting website by reading the QR Code on the left with a smartphone or other device capable of reading a barcode.

The QR Code on the left is different from the QR Code for “Smart Exercise” on the voting form.

Any inquiries about the above-described exercise of voting rights through the Internet should be directed to:

Stock Transfer Agency Web Support, Sumitomo Mitsui Trust Bank, Limited.

Toll free number: 0120-652-031 (from 9 a.m. to 9 p.m.)

Electronic Voting Platform for Institutional Investors

Institutional investors who preliminarily signed up to use the “Electronic Voting Platform” operated by ICJ Inc. may also exercise their voting rights electronically through that platform.

- Any fees due to provider companies and telecommunications carriers such as Internet connection fees and communication charges arising in connection with accessing the Company’s voting website etc. shall be incurred by the respective shareholders.
- “QR Code” is a registered trademark of DENSO WAVE INCORPORATED.

2. Attending the Meeting:

Please hand in the enclosed voting form at the reception desk. (The reception desk opens at 9:00 a.m.)

In accordance with Article 13 of the Company’s Articles of Incorporation, a proxy for each shareholder who wishes to exercise his/her voting rights by proxy on the date of the Meeting shall be another shareholder who has voting rights in the Company.

Date of the Meeting: Friday, June 23, 2023, 10:00 a.m.

Reference Documents for the Shareholders Meeting

1. Total number of voting rights

4,144,451

2. Proposals and related information

Proposal 1: Appropriation of Earnings

Taking into consideration the business results, our future management plan and other relevant matters, we propose to pay ¥30.00 per common share of the Company as year-end dividends for the 205th term as follows.

Combined with the interim dividends already paid, the Company's annual dividends for the 205th term will be ¥60.00 per common share of the Company.

(1) Type of dividend

Cash

(2) Matters concerning the distribution of dividends to shareholders and the aggregate amount

¥30.00 per common share of the Company

Aggregate amount: ¥12,470,379,210

(3) Commencement date for the payment of dividends (effective date for the distribution of earnings)

June 26, 2023

Proposal 2: Election of Ten (10) Directors

At the close of the Meeting, the term of office of all Directors will expire.


The Company therefore proposes the election of ten (10) Directors.


The nominees for Director are as follows (presented on pages 9-20).


This proposal will result in the Board of Directors being composed of eight (8) males (80%) and two (2) females (20%).


No.	Name	Current Position at the Company	Attendance at Board of Directors meetings (*)
1	Takehiro Honjo Reappointed	Chairman and Director	13 out of 13 meetings (100%)
2	Masataka Fujiwara Reappointed	Representative Director and President, Executive President	13 out of 13 meetings (100%)
3	Tadashi Miyagawa Reappointed	Representative Director, Executive Vice-President	13 out of 13 meetings (100%)
4	Takeshi Matsui Reappointed	Representative Director, Executive Vice-President	13 out of 13 meetings (100%)
5	Takayuki Tasaka Reappointed	Representative Director, Executive Vice-President	13 out of 13 meetings (100%)
6	Fumitoshi Takeguchi Reappointed	Director, Senior Executive Officer	13 out of 13 meetings (100%)
7	Kazutoshi Murao Reappointed Outside Director Independent Officer	Director	13 out of 13 meetings (100%)
8	Tatsuo Kijima Reappointed Outside Director Independent Officer	Director	13 out of 13 meetings (100%)
9	Yumiko Sato Reappointed Outside Director Independent Officer	Director	13 out of 13 meetings (100%)
10	Mikiyo Niizeki Newly appointed Outside Director Independent Officer	—	—


(*) The number of the Board of Directors meetings represents the number of the meetings held during the fiscal year under review (Year ended March 2023).


Nominee No.	Name (Date of Birth)	Career and Significant Concurrent Positions	Number of the Company Shares Held
1	 <p data-bbox="304 745 491 819">Takehiro Honjo (April 13, 1954)</p> <p data-bbox="328 869 467 898">Reappointed</p>	<p data-bbox="544 365 979 394">April 1978: Joined the Company</p> <p data-bbox="544 405 1249 479">June 2007: Executive Officer General Manager of Corporate Strategy Dept.</p> <p data-bbox="544 490 1206 595">June 2008: Senior Executive Officer Head of Commercial & Industrial Energy Business Unit</p> <p data-bbox="544 607 1206 712">June 2009: Director, Senior Executive Officer Head of Commercial & Industrial Energy Business Unit</p> <p data-bbox="544 723 1214 828">June 2010: Director, Senior Executive Officer Head of Customer Services, Head of Residential Energy Business Unit</p> <p data-bbox="544 840 1198 913">April 2013: Representative Director, Executive Vice-President</p> <p data-bbox="544 925 1174 999">April 2015: Representative Director and President, Executive President</p> <p data-bbox="544 1010 1198 1039">January 2021: Chairman and Director (current position)</p>	55,400
<p data-bbox="276 1077 655 1106">Reason for nomination as Director:</p> <p data-bbox="276 1117 1441 1435">After assuming the office of Executive Officer of the Company in June 2007, Mr. Takehiro Honjo has served in various managerial positions including Head of Commercial & Industrial Energy Business Unit and Head of Residential Energy Business Unit. He served as Representative Director from April 2013 and Representative Director and President from April 2015. Having served as Chairman and Director since January 2021, he worked to further strengthen decision-making and supervisory functions of the Board of Directors as Chairman. Through these roles, he has accumulated not only considerable experience and extensive knowledge in corporate and organizational management but also other expertise and experience (see pages 24-25). The Company therefore believes that he is capable of contributing to the improvement of the Group's corporate value and has nominated him again as Director.</p>			


Nominee No.	Name (Date of Birth)	Career and Significant Concurrent Positions	Number of the Company Shares Held
2	 <p data-bbox="288 987 507 1055">Masataka Fujiwara (February 28, 1958)</p> <p data-bbox="328 1099 467 1126">Reappointed</p>	<p data-bbox="544 383 979 409">April 1982: Joined the Company</p> <p data-bbox="544 421 1214 573">April 2012: Executive Officer, General Manager of Energy Business Development Dept., Commercial & Industrial Energy Business Unit</p> <p data-bbox="544 584 1198 775">April 2013: Executive Officer Representative Director and President of Osaka Gas Chemicals Co., Ltd. Representative Director and President of Japan EnviroChemicals, Ltd.</p> <p data-bbox="544 786 1206 898">April 2015: Senior Executive Officer of the Company Representative Director and President of Osaka Gas Chemicals Co., Ltd.</p> <p data-bbox="544 909 1230 1346">April 2016: Executive Vice-President of the Company Head of CSR, President of Corporate Planning Headquarters In charge of: Information Communication Systems Dept., CSR & Environment Dept., Compliance Dept., and Auditing Dept. Responsible for: OGIS-RI Co., Ltd., Osaka Gas Chemicals Co., Ltd., Secretariat, Corporate Communication Dept., Human Resources Dept., General Affairs Dept., and Purchasing Dept.</p> <p data-bbox="544 1357 1198 1424">June 2016: Representative Director, Executive Vice-President</p> <p data-bbox="544 1435 1174 1503">January 2021: Representative Director and President, Executive President (current position)</p>	27,000
<p data-bbox="276 1541 655 1568">Reason for nomination as Director:</p> <p data-bbox="276 1579 1433 1908">After assuming the office of Executive Officer of the Company in April 2012, Mr. Masataka Fujiwara has served in various managerial positions including Representative Director and President of Osaka Gas Chemicals Co., Ltd. and President of Corporate Planning Headquarters of the Company. Having served as the Company's Representative Director from June 2016 and Representative Director and President, Executive President from January 2021, he led initiatives such as formulating the medium-term management plan. Through these roles, he has accumulated not only considerable experience and extensive knowledge in corporate and organizational management but also other expertise and experience (see pages 24-25). The Company therefore believes that he is capable of contributing to the improvement of the Group's corporate value and has nominated him again as Director.</p>			


Nominee No.	Name (Date of Birth)	Career and Significant Concurrent Positions	Number of the Company Shares Held
3	 <p data-bbox="295 801 501 869">Tadashi Miyagawa (October 21, 1958)</p> <p data-bbox="328 913 467 947">Reappointed</p>	<p data-bbox="544 383 1214 450">April 1982: Joined Ministry of International Trade and Industry</p> <p data-bbox="544 461 1251 573">June 2013: Director-General of Manufacturing Industries Bureau, Ministry of Economy, Trade and Industry</p> <p data-bbox="544 584 979 618">January 2015: Joined the Company</p> <p data-bbox="544 629 1235 696">April 2015: Senior Executive Officer In charge of: Regional Co-creation Division</p> <p data-bbox="544 707 1240 887">April 2016: Senior Executive Officer In charge of: Regional Co-creation Division, Tokyo Branch, Regional Resident Representative, Overall Regional Resident Representative and Tokyo Representative</p> <p data-bbox="544 898 1240 1077">June 2016: Director, Senior Executive Officer In charge of: Regional Co-creation Division, Tokyo Branch, Regional Resident Representative, Overall Regional Resident Representative and Tokyo Representative</p> <p data-bbox="544 1088 1198 1155">April 2018: Representative Director, Executive Vice-President (current position)</p>	15,400
<p data-bbox="276 1178 655 1211">Reason for nomination as Director:</p> <p data-bbox="276 1223 1433 1603">Prior to joining the Company, Mr. Tadashi Miyagawa served as Director-General of Manufacturing Industries Bureau at the Ministry of Economy, Trade and Industry. After assuming the office of Executive Officer of the Company in April 2015, he has been in charge of Regional Co-creation Division and other roles. Since April 2018, he has been serving as Representative Director, and has promoted the expansion of the renewable energy business as Head of LNG, Power & Engineering Business Unit and initiatives including the planning of innovation strategies as President of Innovation Headquarters. Through these roles, he has accumulated not only considerable experience and extensive knowledge in corporate and organizational management but also other expertise and experience (see pages 24-25). The Company therefore believes that he is capable of contributing to the improvement of the Group's corporate value and has nominated him again as Director.</p>			


Nominee No.	Name (Date of Birth)	Career and Significant Concurrent Positions	Number of the Company Shares Held
4	 <p data-bbox="288 663 512 730">Takeshi Matsui (February 18, 1961)</p> <p data-bbox="328 775 472 801">Reappointed</p>	<p data-bbox="544 383 979 409">April 1983: Joined the Company</p> <p data-bbox="544 423 1182 490">April 2013: Executive Officer, General Manager of Finance Dept.</p> <p data-bbox="544 504 1182 571">April 2014: Executive Officer, General Manager of Human Resources Dept.</p> <p data-bbox="544 584 1209 651">April 2016: Senior Executive Officer, Head of Energy Resources & International Business Unit</p> <p data-bbox="544 665 1230 777">June 2017: Director, Senior Executive Officer, Head of Energy Resources & International Business Unit</p> <p data-bbox="544 790 1198 857">April 2019: Representative Director, Executive Vice-President (current position)</p>	21,000
<p data-bbox="276 893 655 920">Reason for nomination as Director:</p> <p data-bbox="276 931 1437 1283">After assuming the office of Executive Officer of the Company in April 2013, Mr. Takeshi Matsui has served in various managerial positions including General Manager of Finance Dept., General Manager of Human Resources Dept., and Head of Energy Resources & International Business Unit. Since April 2019, he has been serving as Representative Director, and has expanded the international energy business. He also promoted initiatives including the planning of business strategies as President of Corporate Planning Headquarters. Through these roles, he has accumulated not only considerable experience and extensive knowledge in corporate and organizational management but also other expertise and experience (see pages 24-25). The Company therefore believes that he is capable of contributing to the improvement of the Group's corporate value and has nominated him again as Director.</p>			


Nominee No.	Name (Date of Birth)	Career and Significant Concurrent Positions	Number of the Company Shares Held
5	 <p data-bbox="304 815 491 882">Takayuki Tasaka (July 21, 1962)</p> <p data-bbox="328 936 467 965">Reappointed</p>	<p data-bbox="544 427 1241 568">April 1985: Joined the Company April 2015: Executive Officer, General Manager of Planning Dept., Residential Energy Business Unit</p> <p data-bbox="544 584 1155 689">April 2016: Senior Executive Officer Head of Customer Services, Head of Residential Energy Business Unit</p> <p data-bbox="544 705 1203 810">April 2018: Senior Executive Officer Head of Commercial & Industrial Energy Business Unit</p> <p data-bbox="544 826 1203 931">June 2018: Director, Senior Executive Officer Head of Commercial & Industrial Energy Business Unit</p> <p data-bbox="544 947 1129 1052">April 2020: Director, Senior Executive Officer President of Corporate Planning Headquarters</p> <p data-bbox="544 1068 1198 1135">January 2021: Representative Director, Executive Vice-President (current position)</p>	20,000
<p data-bbox="276 1173 655 1202">Reason for nomination as Director:</p> <p data-bbox="276 1211 1414 1498">After assuming the office of Executive Officer of the Company in April 2015, Mr. Takayuki Tasaka has served in various managerial positions including Head of Residential Energy Business Unit, Head of Commercial & Industrial Energy Business Unit, and President of Corporate Planning Headquarters. Since January 2021, he has been serving as Representative Director, and has promoted initiatives including strengthening competitiveness in the sales department. Through these roles, he has accumulated not only considerable experience and extensive knowledge in corporate and organizational management but also other expertise and experience (see pages 24-25). The Company therefore believes that he is capable of contributing to the improvement of the Group's corporate value and has nominated him again as Director.</p>			

Nominee No.	Name (Date of Birth)	Career and Significant Concurrent Positions	Number of the Company Shares Held
6	 <p>Fumitoshi Takeguchi (November 14, 1961)</p> <p>Reappointed</p>	<p>April 1985: Joined the Company</p> <p>April 2013: Associate Director, General Manager of Secretariat</p> <p>April 2016: Executive Officer, General Manager of General Affairs Dept.</p> <p>April 2018: Senior Executive Officer In charge of: Secretariat, Corporate Communication Dept., Human Resources Dept., General Affairs Dept. and Purchasing Dept.</p> <p>June 2018: Director, Senior Executive Officer In charge of: Secretariat, Corporate Communication Dept., Human Resources Dept., General Affairs Dept. and Purchasing Dept.</p> <p>June 2020: Senior Executive Officer In charge of: Secretariat, Corporate Communication Dept., Human Resources Dept., General Affairs Dept. and Purchasing Dept.</p> <p>June 2021: Director, Senior Executive Officer In charge of: Secretariat, Corporate Communication Dept., Human Resources Dept., General Affairs Dept. and Purchasing Dept.</p> <p>April 2022: Director, Senior Executive Officer In charge of: Secretariat, Corporate Communication Dept., Human Resources Dept., General Affairs Dept., Purchasing Dept. and Auditing Dept. (current position)</p>	23,900
<p>Reason for nomination as Director</p> <p>After assuming the office of Executive Officer of the Company in April 2016, Mr. Fumitoshi Takeguchi has served as General Manager of General Affairs Dept. and Senior Executive Officer mainly in charge of Secretariat, Corporate Communication Dept., Human Resources Dept., and promoted initiatives such as strengthening governance in division/departments of the Group's head office and COVID-19 countermeasures. Through these roles, he has accumulated not only considerable experience and extensive knowledge in organizational management, governance and risk management but also other expertise and experience (see pages 24-25). The Company therefore believes that he is capable of contributing to the improvement of the Group's corporate value and has nominated him again as Director.</p>			

Nominee No.	Name (Date of Birth)	Career and Significant Concurrent Positions	Number of the Company Shares Held
7	 <p data-bbox="293 622 504 696">Kazutoshi Murao (October 21, 1952)</p> <p data-bbox="288 748 509 893">Reappointed Nominated for outside Director Independent Officer</p>	<p data-bbox="544 383 1193 450">April 1976: Joined Nippon Telegraph and Telephone Public Corporation</p> <p data-bbox="544 465 1241 573">June 2012: Representative Director and President of NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION</p> <p data-bbox="544 589 1217 696">June 2018: Counselor to the president, NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION (current position)</p> <p data-bbox="544 712 1222 734">June 2019: Director of the Company (current position)</p>	0
<p data-bbox="276 927 651 949">Reason for nomination as Director</p> <p data-bbox="276 965 1442 1440">Mr. Kazutoshi Murao has the experience of serving as Representative Director and President of NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION and has not only considerable experience and extensive knowledge in corporate and organizational management but also other expertise and experience (see pages 24-25). Since assuming the office of Director of the Company in June 2019, Mr. Murao has appropriately performed his duties as an outside Director, and is therefore nominated again for said position. The Company has business transactions, such as holding contracts for the supply of gas and communications services, with NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION or other companies with which Mr. Murao currently works or once worked. However, the amount paid by the Company to said companies does not reach 2% of their consolidated net sales, and the amount received by the Company from said companies does not reach 2% of the Company's consolidated net sales. Accordingly, Mr. Murao satisfies the criteria for determining the independence of outside officers stipulated by the Company (see page 26).</p>			

Nominee No.	Name (Date of Birth)	Career and Significant Concurrent Positions	Number of the Company Shares Held
8	 <p data-bbox="280 667 517 734">Tatsuo Kijima (September 22, 1954)</p> <p data-bbox="288 790 509 936">Reappointed Nominated for outside Director Independent Officer</p>	<p data-bbox="544 427 1134 454">April 1978: Joined Japanese National Railways</p> <p data-bbox="544 465 1201 573">June 2016: President, Representative Director, and Executive Officer of West Japan Railway Company</p> <p data-bbox="544 584 1217 651">December 2019: Vice Chairman and Director of West Japan Railway Company</p> <p data-bbox="544 663 1206 730">June 2021: Advisor to West Japan Railway Company (current position)</p> <p data-bbox="544 741 1222 768">June 2020: Director of the Company (current position)</p>	0
<p data-bbox="276 969 651 996">Reason for nomination as Director</p> <p data-bbox="276 1008 1445 1198">Mr. Tatsuo Kijima has the experience of serving as President, Representative Director and Executive Officer of West Japan Railway Company and has not only considerable experience and extensive knowledge in corporate and organizational management but also other expertise and experience (see pages 24-25). Since assuming the office of Director of the Company in June 2020, Mr. Kijima has appropriately performed his duties as an outside Director, and is therefore nominated again for said position.</p> <p data-bbox="276 1209 1436 1400">The Company has business transactions, such as holding a contract for the supply of gas, with West Japan Railway Company with which Mr. Kijima currently works. However, the amount received by the Company from said company does not reach 2% of the Company's consolidated net sales. Accordingly, Mr. Kijima satisfies the criteria for determining the independence of outside officers stipulated by the Company (see page 26).</p>			

Nominee No.	Name (Date of Birth)	Career and Significant Concurrent Positions	Number of the Company Shares Held
9	 <p data-bbox="280 871 517 943">Yumiko Sato (September 20, 1951)</p> <p data-bbox="288 994 509 1140">Reappointed Nominated for outside Director Independent Officer</p>	<p data-bbox="544 423 1209 454">April 1975: Joined Suntory Co., Ltd.</p> <p data-bbox="544 465 1209 573">March 1998: General Manager of Research Institute on Continuity and Change in Life of Suntory Co., Ltd.</p> <p data-bbox="544 584 1158 656">March 2005: General Manager of Next Generation Institute of Suntory Co., Ltd.</p> <p data-bbox="544 667 1163 739">April 2008: Senior Research Fellow of Suntory Foundation (incorporated foundation)</p> <p data-bbox="544 750 1235 898">October 2013: Specially-appointed Professor of Otemon Gakuin University Special Professor of Institute for Creating Local Culture of Otemon Gakuin University</p> <p data-bbox="544 909 1166 1016">May 2014: Director of Mature Society Research Institute, Otemon Gakuin Educational Foundation</p> <p data-bbox="544 1028 1174 1135">April 2015: Professor of Faculty of Regional Development Studies, Otemon Gakuin University</p> <p data-bbox="544 1146 1153 1218">April 2016: Director of Mature Society Research Institute, Otemon Gakuin University</p> <p data-bbox="544 1229 1181 1301">June 2020: Trustee of Otemon Gakuin Educational Foundation (current position)</p> <p data-bbox="544 1312 1222 1341">June 2021: Director of the Company (current position)</p>	0
<p data-bbox="276 1379 651 1408">Reason for nomination as Director</p> <p data-bbox="276 1420 1441 1648">Ms. Yumiko Sato has made considerable achievements in the field of social studies related to life and culture. In addition, she held positions as General Manager of Next Generation Institute of Suntory Co., Ltd. and Trustee of Otemon Gakuin Educational Foundation, and has not only deep insight in life and culture but also other expertise and experience (see pages 24-25). Since assuming the office of Director of the Company in June 2021, Ms. Sato has appropriately performed her duties as an outside Director, and is therefore nominated again for said position.</p> <p data-bbox="276 1659 1441 1850">The Company has business transactions, such as holding a contract for the supply of gas, with Otemon Gakuin Educational Foundation with which Ms. Sato currently works. However, the amount received by the Company from said foundation does not reach 2% of the Company's consolidated net sales. Accordingly, Ms. Sato satisfies the criteria for determining the independence of outside officers stipulated by the Company (see page 26).</p>			

Nominee No.	Name (Date of Birth)	Career and Significant Concurrent Positions	Number of the Company Shares Held
10	 <p data-bbox="304 786 491 857">Mikiyo Niizeki (April 6, 1968)</p> <p data-bbox="304 909 491 1059">Newly appointed Nominated for outside Director Independent Officer</p>	<p data-bbox="544 383 1246 450">April 2006: Professor of Faculty of Economics, Doshisha University</p> <p data-bbox="544 465 1246 533">April 2010: Professor of Master's Program, Graduate School of Economics, Doshisha University</p> <p data-bbox="544 548 1246 656">April 2014: Professor of Doctoral Program, Graduate School of Economics, Doshisha University (current position)</p> <p data-bbox="544 667 1246 734">April 2016: Dean of Faculty of Economics and Graduate School of Economics, Doshisha University</p> <p data-bbox="544 750 1246 857">April 2019: Head of Research Promotion Division, Doshisha University Organization for Research Initiatives and Development</p> <p data-bbox="544 869 1246 976">April 2020: Vice President and Head of Center for Learning Support and Faculty Development, Doshisha University</p> <p data-bbox="544 987 1246 1055">April 2023: Assistant to the President of Doshisha University(current position)</p> <p data-bbox="544 1066 1246 1223">[Significant concurrent positions] Professor of Doctoral Program, Graduate School of Economics, Doshisha University Assistant to the President of Doshisha University</p>	0
<p data-bbox="276 1256 651 1279">Reason for nomination as Director</p> <p data-bbox="276 1294 1442 1444">Ms. Mikiyo Niizeki has made considerable achievements in the field of economics related to finance and investment. In addition, she held positions as Vice President of Doshisha University and head of the Center for Learning Support and Faculty Development, Doshisha University, and has deep insight in the economics field, considerable experience related to organizational management, and other expertise (see pages 24-25).</p> <p data-bbox="276 1456 1394 1523">The Company therefore believes that she is capable of appropriately performing the duties as an outside Director of the Company and has therefore newly nominated her for said position.</p> <p data-bbox="276 1534 1414 1727">The Company has business transactions, such as holding a contract for the supply of gas, with Doshisha University with which Ms. Niizeki currently works. However, the amount received by the Company from said university does not reach 2% of the Company's consolidated net sales. Accordingly, Ms. Niizeki satisfies the criteria for determining the independence of outside officers stipulated by the Company (see page 26).</p>			


- Notes:
1. The positions and responsibilities in the Company and other significant concurrent positions of the nominees who are currently Directors of the Company are described in the section of “II. Officers, 1. Details of Directors and Audit & Supervisory Board Members” in the Business Report in addition to “Career and Significant Concurrent Positions” above. In the “Career and Significant Concurrent Positions” column, “responsible for” means monitoring and providing advice and suggestions concerning the operations of specific headquarters, organization, position or Core Non-Energy Business Company according to its managerial importance, effect on business management and other factors.
 2. None of the nominees has special interest with the Company.
 3. The Company has concluded an indemnity agreement (see the section of “II. Officers, 2. Indemnity Agreement” in the Business Report for a summary of the agreement) with each of the nominees from No. 1 to No. 9 who are current Directors of the Company. If the election of each of said nominees in this proposal is approved, the Company will continue said agreement with each of them. If the election of Ms. Mikiyo Niizeki in this proposal is approved, the Company will conclude the same agreement with her as well.
 4. The Company has concluded a directors and officers liability insurance contract (see the section of “II. Officers, 3. Directors and Officers Liability Insurance Contract” in the Business Report for a summary of the contract) with an insurance company insuring the Company and its Directors, Audit & Supervisory Board Members, Executive Officers, etc. (including each of the nominees from No. 1 to No. 9). If the election of Ms. Mikiyo Niizeki in this proposal is approved, she will be covered by the said insurance contract as well. The Company plans to conclude a contract with the same terms and conditions upon expiry of the insurance period.
 5. Mr. Kazutoshi Murao, Mr. Tatsuo Kijima, Ms. Yumiko Sato and Ms. Mikiyo Niizeki are nominees for appointment as outside directors as specified in Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act. The number of years since the nominees for reappointment as outside Directors of the Company assumed the office will be four, three and two, respectively, for Mr. Kazutoshi Murao, Mr. Tatsuo Kijima and Ms. Yumiko Sato as of the close of the Meeting.
 6. Pursuant to the regulations of the Tokyo Stock Exchange, the Company has notified said stock exchange that the nominees for appointment as outside directors are independent officers. (The nominees for reappointment are currently registered as independent officers.)
 7. Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act and the Company’s Articles of Incorporation, the Company has an agreement with Mr. Kazutoshi Murao, Mr. Tatsuo Kijima and Ms. Yumiko Sato to limit their liabilities for damages under Article 423, Paragraph 1 of the Companies Act, to the minimum liability amount provided for in laws and regulations. If the election of each of said nominees is approved at the Meeting, the Company will continue said agreement with each of them. If the election of Ms. Mikiyo Niizeki in this proposal is approved, the Company will conclude the same agreement with her as well.
 8. Nominees for outside Directors are expected to participate in decision-making as members of the Board of Directors and to monitor and supervise the execution of duties by executive Directors from an independent standpoint based on their experience and insight.

Proposal 3: Election of Two (2) Audit & Supervisory Board Members

At the close of the Meeting, the term of office of Audit & Supervisory Board Members Toshimasa Fujiwara and Eiji Hatta will expire. The Company therefore proposes the election of two (2) Audit & Supervisory Board Members.

The approval of the Audit & Supervisory Board has been obtained for this proposal.

The nominee for Audit & Supervisory Board Member is as follows (to be described on pages 21 through 23).

Name (Date of Birth)	Career and Significant Concurrent Positions	Number of the Company Shares Held
 Ichiro Hazama (July 25, 1965) Newly appointed	April 1989: Joined the Company April 2016: Associate Director General Manager of Planning Division, Japan Gas Association April 2018: Associate Director, General Manager of Planning Dept., Residential Energy Business Unit of the Company April 2019: Associate Director, General Manager of Human Resources Dept. April 2020: Executive Officer, General Manager of Human Resources Dept. April 2023: Advisor (current position)	9,600
Reason for nomination as Audit & Supervisory Board Member Mr. Ichiro Hazama has extensive practical experience, including as Executive Officer of the Company since April 2020, as well as considerable experience and extensive knowledge related to risk management, and other expertise (see pages 24-25). The Company believes that he is capable of appropriately performing the duties as an Audit & Supervisory Board Member of the Company and has therefore newly nominated him for said position.		

Name (Date of Birth)	Career and Significant Concurrent Positions	Number of the Company Shares Held
 <p>Chieko Minami (September 17, 1960)</p> <p>Newly appointed Nominated for outside Audit & Supervisory Board Member Independent Officer</p>	<p>December 2004 Professor of Graduate School of Business Administration, Kobe University (current position)</p> <p>April 2020 Head of Business Administration, Dean of Graduate School of Business Administration and School of Business Administration, Kobe University</p> <p>April 2022 Executive Assistant to the President of Kobe University</p> <p>January 2023 Head of Recurrent Education Promotion Office, Kobe University (current position)</p> <p>April 2023 Vice President of Kobe University (current position)</p> <p>[Significant concurrent positions] Professor of Graduate School of Business Administration, Kobe University Vice President of Kobe University</p>	0
<p>Reason for nomination as Audit & Supervisory Board Member</p> <p>Ms. Chieko Minami has made considerable achievements in her research activities in the field of business administration, mainly related to marketing and DX. In addition, she held positions as Executive Assistant to the President of Kobe University and Vice President of Kobe University, and has deep insight in the business administration field, considerable experience related to organizational management, and other expertise (see pages 24-25). The Company therefore believes that she is capable of appropriately performing the duties as an outside Audit & Supervisory Board Member of the Company and has therefore newly nominated her for said position.</p> <p>The Company has business transactions, such as holding a contract for the supply of gas, with Kobe University with which Ms. Minami currently works. However, the amount paid by the Company to said companies does not reach 2% of the consolidated net sales (total income) of said university, and the amount received by the Company from said university does not reach 2% of the Company's consolidated net sales. Accordingly, Ms. Minami satisfies the criteria for determining the independence of outside officers stipulated by the Company (see page 26).</p>		

- Notes:
1. The name of nominee Chieko Minami as it appears on the family register is Chieko Nishioka.
 2. The nominees have no special interests with the Company.
 3. Ms. Chieko Minami is a nominee for appointment as an outside Audit & Supervisory Board Member as specified in Article 2, Paragraph 3, Item 8 of the Ordinance for Enforcement of the Companies Act.
 4. If the election of each nominee in this proposal is approved, the Company will conclude an indemnity agreement (see the section of "II. Officers, 2. Indemnity Agreement" in the Business Report for a summary of the agreement) with each.
 5. The Company has concluded a directors and officers liability insurance contract (see the section of "II. Officers, 3. Directors and Officers Liability Insurance Contract" in the Business Report for a summary of

the contract) with an insurance company insuring the Company and its Directors, Audit & Supervisory Board Members, Executive Officers, etc. (including candidate Mr. Ichiro Hazama). If the election of Ms. Chieko Minami in this proposal is approved, she will be covered by the said insurance contract as well. The Company plans to conclude a contract with the same terms and conditions upon expiry of the insurance period.

6. Pursuant to the regulations of the Tokyo Stock Exchange, the Company will notify said stock exchange of the Ms. Chieko Minami as an independent officer.
7. If the election of Ms. Chieko Minami in this proposal is approved, pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act and the Company's Articles of Incorporation, the Company will conclude an agreement with said nominee to limit the liability for damages under Article 423, Paragraph 1 of the Companies Act to the minimum liability amount provided for in laws and regulations.

[Reference 1] Expertise of the Nominees for Directors and Audit & Supervisory Board Members (Skills Matrix)

From the perspective of contributing to its sustainable growth and improvement of its medium- to long-term corporate value, the Daigas Group has adopted a basic policy of appointing diverse talent as Directors and Audit & Supervisory Board Members in full consideration of their knowledge, experience, ability, personality, etc. regardless of gender, nationality, career, or age, etc. (*1) Decisions on the selection of each nominee for Directors and Audit & Supervisory Board Members are made based on deliberations by a voluntarily appointed advisory committee made up a majority of outside directors. The following is a list of the expertise and experience that the Board of Directors should possess as identified in light of the medium- to long-term management plan as well as the significant expertise and experience of each nominee, etc.

(*1) Details are available on the Company's website (<https://www.daigasgroup.com/en/sustainability/governance/governance.html>).

Name	Position	Fields of Significant Expertise and Experience								
		Corporate Management	Marketing	Technology / R&D	DX (*2)	Global Management	ESG	Finance / Accounting	Legal / Risk Management	Human Resources Development
Takehiro Honjo	Chairman and Director	●	●				●	●	●	●
Masataka Fujiwara	Representative Director and President	●	●	●	●	●	●			
Tadashi Miyagawa	Representative Director	●		●	●	●	●		●	
Takeshi Matsui	Representative Director	●			●	●	●	●		●
Takayuki Tasaka	Representative Director	●	●					●	●	
Fumitoshi Takeguchi	Director						●	●	●	●

Name	Position	Fields of Significant Expertise and Experience								
		Corporate Management	Marketing	Technology / R&D	DX (*2)	Global Management	ESG	Finance / Accounting	Legal / Risk Management	Human Resources Development
Kazutoshi Murao	Outside Director	●			●		●		●	●
Tatsuo Kijima	Outside Director	●					●		●	●
Yumiko Sato	Outside Director						●		●	●
Mikiyo Niizeki	Outside Director	●	●					●		●
Hisaichi Yoneyama	Audit & Supervisory Board Member	●		●		●			●	●
Ichiro Hazama	Outside Audit & Supervisory Board Member		●						●	●
Shigemi Sasaki	Outside Audit & Supervisory Board Member	●							●	●
Eriko Nashioka	Outside Audit & Supervisory Board Member	●					●	●		●
Chieko Minami	Outside Audit & Supervisory Board Member	●	●		●					●

(*2) Digital transformation

[Reference 2] Criteria for Determining the Independence of Outside Officers

The criteria for determining the independence of outside officers stipulated by the Company are as follows.

1. The individual may not be an Executive Director, Operating Officer, Executive Officer or employee (“business operator”) of the Company or its affiliates (the “Company Group”) and may not have been a business operator of the Company Group for ten years prior to being appointed.
2. The individual may not be a major vendor of the Company (*1) or its business operator, and may not have been a business operator of the same for past three years.
3. The individual may not be a major client of the Company (*2) or its business operator, and may not have been a business operator of the same for past three years.
4. The individual may not be a major shareholder (an individual or entity which owns 10% or more of the total voting rights, hereafter the same) of the Company or its business operator.
5. The individual may not be a business operator of an entity for which the Company is a major shareholder.
6. The individual may not be receiving substantial donations (*3) from the Company or be a business operator for an entity receiving such donations.
7. Except for remuneration as an officer, the individual may not receive substantial remuneration (*4) from the Company as a consultant, an accounting specialist such as a Certified Public Accountant, etc. or as a legal specialist such as an attorney, etc. (if the entity receiving the fees concerned is a corporation or a limited liability company, etc., any individual belonging to such an organization). The individual also may not be the accounting auditor of the Company Group.
8. If a business operator of the Company is an outside officer of another company, the individual may not be a business operator at the company concerned, the parent company or subsidiary of the company concerned.
9. The individual may not be a close relative (spouse or a relation in the second degree) of persons listed below:
 - (1) Persons who are currently or was a Director, Audit & Supervisory Board Member, Executive Officer or a key employee with an equivalent position (“important executive”) for the Company Group within the past three years.
 - (2) Of the persons in 2-6 above, those who are important executives.
 - (3) Of the persons listed in 7 above, those who have professional licenses such as Certified Public Accountants, attorneys, etc.
10. In addition to 1-9 above, individuals must not have issues that could cause constant and substantive conflicts of interest against the Company’s general shareholders.

*1 Payment amount to vendor accounts for 2% of its consolidated sales or more

*2 Received amount from client accounts for 2% of the Company’s consolidated sales or more, or the loan balance outstanding is 2% of the Company’s consolidated gross assets or more

*3 More than 10 million yen on average over the past three years

*4 The larger of more than 10 million yen on average over the past three years or an amount equivalent to 2% of total sales (total revenues) of the organization to which payment is made (three-year average)

Even if the individual does not satisfy any of the criteria listed above in 1-10, if the individual is suitable as an independent officer, the Company may still appoint him/her as an independent officer of the Company by providing an explanation or disclosing the reasons.

Business Report (April 1, 2022 to March 31, 2023)

I. Current Situation of the Business Group

1. Business Operations and Results

During the fiscal year under review, the Japanese economy showed signs of a recovery, with the progressive normalization of socioeconomic activity after the COVID-19 pandemic, including a gradual recovery in inbound demand. However, a sense of uncertainty remained regarding the economic outlook due to factors such as Russia's prolonged invasion of Ukraine.

In such a business environment, the Group has proactively conducted its businesses with the aim of becoming a corporate group that “powers continuous advancement in consumer life and business.”

Consolidated net sales for the fiscal year under review increased by 43.0% from the previous year to ¥2,275.1 billion, primarily due to an increase in sales from a higher unit selling price of city gas under the fuel cost adjustment system in the Domestic Energy Business and a rise in LNG prices, and an increase in sales from upstream projects in the USA and Australia in the International Energy Business (see Graph 1).

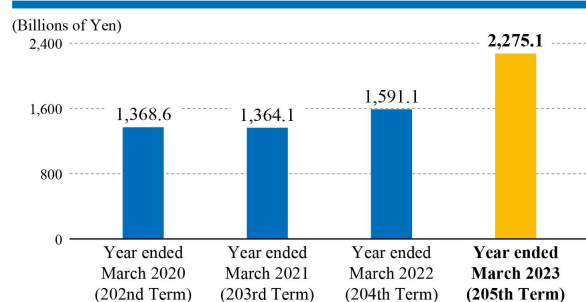
Consolidated ordinary profit decreased by 33.4% from the previous year to ¥75.6 billion. Although the negative impact of a time lag between fluctuations in raw material costs and their reflection in the unit selling price*1 in the Domestic Energy Business was smaller than in the previous year, costs associated with procuring LNG increased due to a shutdown of the Freeport LNG project liquefaction base*2, despite an increase in profit from the International Energy Business and Life & Business Solutions Business (see Graph 2).

Profit attributable to owners of parent decreased by 56.2% from the previous year to ¥57.1 billion (see Graph 3).

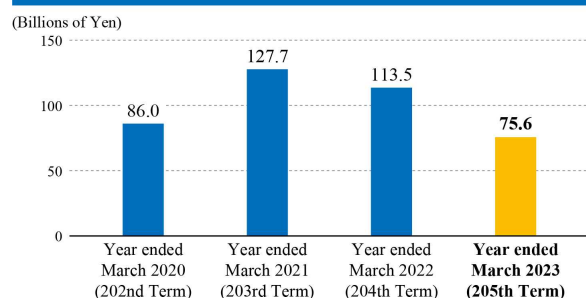
*1 There is a time lag between fluctuations in raw material and fuel costs and their reflection in the unit selling price under the fuel cost adjustment system, which causes a temporary increase/decrease in profit. This resulted in a temporary decrease in profit for this fiscal year and the previous year.

*2 A fire broke out at the liquefaction plant of the Freeport LNG Project (hereinafter “Project”), one of the Daigas Group's (hereinafter “Group”) investments and LNG sources, and the Project's operations at the plant had been suspended since. In response to the shutdown, we have prepared to secure replacement LNG for the volumes the Group originally planned to procure from the Project during the shutdown period and have arranged modification regarding the contracts related to its LNG procurement from the Project. The Project has restarted operations at the plant in February of this year.

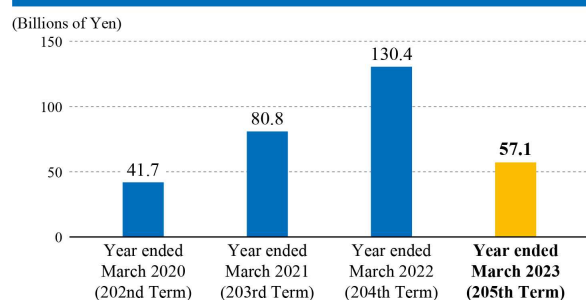
Graph 1 Transition of Consolidated Net Sales



Graph 2 Transition of Consolidated Ordinary Profit



Graph 3 Transition of Profit Attributable to Owners of Parent



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

(1) Domestic Energy

Net sales increased by 47.1% from the previous year to ¥1,971.6 billion.

Gas

The city gas sales volume for residential use decreased by 8.2% from the previous year to 1,697 million cubic meters, primarily due to elevated air and water temperatures.

The city gas sales volume for business use decreased by 1.8% from the previous year to 5,148 million cubic meters primarily due to a decrease in operation of certain customers’ facilities.

As a result, total city gas sales volume decreased by 3.5% from the previous year to 6,845 million cubic meters.

City gas was supplied to 5,004 thousand accounts as of March 31, 2023.

Regarding city gas rates, for some gas rates, it was decided to amend and abolish upper limits for the average raw materials costs used to calculate rates based on the fuel cost adjustment system.

Regarding gas appliances and services for residential customers, we endeavored to develop and expand sales of products, such as the residential fuel cell cogeneration system “ENE-FARM*1,” as well as devices and equipment for hot water supply, air heating and cooking. In addition, we have worked to provide a range of services, including the “Sumikata Service” which involves repairing gas appliances and plumbing as well as disaster/crime prevention, the “Sumai LINK” digital life service platform, and “Sasuga Net” Internet services. We will continue to strive to enhance customers’ living environment.

In July 2022, the Company’s subsidiaries Osaka Gas Marketing Co., Ltd. and GlobalBase Corporation entered the order-made renovation business for used condominium units in Kansai. In October 2022, they opened MYRENO OSAKA, a showroom specializing in condominium renovations, in Osaka.



“ENE-FARM type S”



Publicizing “Sumai LINK TV Stick*”
*Enabling the Sumai LINK service to be used from devices such as home televisions



MYRENO OSAKA showroom

Regarding gas appliances and services for business use, we engaged in efforts to develop products and promote sales for such products as cogeneration systems*1, air-conditioning systems, kitchen instruments, boilers, industrial furnaces and burners. We also provided high-value-added solutions to meet customer needs, for example, “D-Lineup,” which helps to solve various management issues of customers from the viewpoint of decarbonization, decentralization, and digitalization, by utilizing our engineering capabilities.



Advertisement for “D-Lineup”

We are engaged in research and development of catalysts and combustion technologies, among others, that contribute to low-carbonization and decarbonization, such as basic research on high-efficiency SOEC methanation technology*2, which is expected to be a promising technology for decarbonization of city gas.



Conceptual image of a pilot plant in the SOEC methanation technology innovation business

In April 2022, together with the National Institute of Advanced Industrial Science and Technology, we proposed the “SOEC Methanation Technology Innovation Project” for the Green Innovation Fund Project*3. This proposal was adopted. We will strive to establish SOEC methanation technologies by the fiscal year ending March 31, 2031. In April 2022, we also announced the establishment of a new R&D base in the Torishima district of Konohana-ku, Osaka to promote research, development, and communication regarding carbon neutral technology.



New research and development center (expected appearance upon completion)

We promoted fuel conversion from fuels such as coal and petroleum to natural gas and the introduction of high-efficiency equipment, among other measures, as initiatives for the period of transition to a decarbonized society, and worked to reduce the CO₂ emissions of our customers.

To ensure stable supply and security, continuous efforts were made throughout the year to diversify natural gas procurement sources, ensure good maintenance and well-planned renovations of gas production and supply facilities including utilization of AI technology, promote the spread of gas appliances equipped with safety functions, and implement measures for earthquakes, tsunamis and COVID-19.

After the legal separation of our gas pipeline division in April 2022, we continued to make every effort to ensure security and prevent disasters based on the new structure and the results of operation and training drills, including the revision of rules concerning security and



Safety inspection at a supply facility

disaster prevention.

- *1 As a decentralized power source, it also contributes to improving the resilience of the energy supply.
- *2 A technology that uses SOEC (electrolysis element using a solid oxide), harnessing electricity generated from renewable sources for the electrolysis of water together with CO₂ to produce hydrogen and CO, then synthesizes methane, the main component in city gas, through catalyzation.
- *3 Under this fund project, with a scale of ¥2 trillion, the New Energy and Industrial Technology Development Organization accepts proposals with the aim of supporting key areas under the government's Green Growth Strategy.

Electricity

The electricity sales volume increased by 5.2% from the previous year to 15,883 million kWh.

The number of electricity subscribers under low-voltage electricity contracts reached 1.707 million as of March 31, 2023.

Regarding electricity rates, for some electricity rates, upper and lower limits were abolished for the average fuel costs used to calculate rates based on the fuel cost adjustment system.

We strived to offer a variety of electricity rate menus, such as those that can be used in combination with gas for a discount, those tailored to customers' lifestyles and hobbies, and those that contribute to decarbonization.

To achieve carbon neutrality by 2050, we have been actively promoting the expansion of renewable energy sources. As a result, the total contribution to the spread of renewable energy sources, including contributions from overseas included in the International Energy segment, reached about 2.11 million kW as of March 31, 2023.

The main renewable electricity sources that the Company has participated in during the fiscal year under review include a biomass power generation project in Gobo, Wakayama Prefecture (with generating capacity of 50,000 kW, commercial operation scheduled to start in September 2025; 35% ownership) and solar power generation projects in three locations in Japan, including Oita, Oita Prefecture (with generating capacity of about 130,000 kW, started commercial operation; 40% ownership in each silent partnership). In January 2023, the Noheji Mutsu Bay Wind Power Plant (with generating capacity of about 40,000 kW) in Noheji, Kamikita-gun, Aomori Prefecture, commenced commercial operation.

In April 2022, the Company concluded a capital and business alliance agreement with WEST HOLDINGS CORPORATION. We will engage in expanding integrated businesses from the development of renewable energy power sources to the sale of electricity.

Regarding the floating offshore wind farm power generation project of Goto, Nagasaki Prefecture, which we are promoting as part of a consortium represented by TODA CORPORATION, we received approval for the exclusive use of sea zones for the power plant (with total generating capacity of 20,000 kW) in April 2022, and began construction in October 2022.



Advertisement for electricity retail business



Oita Solar Power Plant (Oita Prefecture)



Floating offshore wind power generator (Nagasaki Prefecture)
(expected appearance upon completion)

(2) International Energy

Net sales increased by 52.6% from the previous year to ¥123.2 billion.

Sabine Oil & Gas Corporation (100% ownership), operating a shale gas production and development business in Texas, USA, showed favorable performance due to productive development, with gas production surpassing planned results.



Shale gas mining area of Sabine Oil & Gas Corporation (Texas, US)

In the renewable energy business in North America, we concluded an agreement on the joint development of a solar power plant in the USA with Oriden LLC, a US renewable energy developer, in May 2022. In August 2022, we concluded an agreement with Summit Ridge Energy, LLC, which jointly develops decentralized solar power generation projects in Maine, USA, regarding the joint implementation of this business in Illinois, USA. We will continue to engage in expanding renewable energy power sources.

We also concluded agreements with energy business operators in North America, South America, Australia, and Asia regarding the joint consideration of the establishment of supply chains to contribute to e-methane* and other carbon-neutral energies.



Solar power plant developed by Summit Ridge Energy, LLC (Maine, US)

*Methane synthesized from non-fossil fuel energy sources.

(3) Life & Business Solutions

Net sales increased by 9.1% from the previous year to ¥258.5 billion.

Osaka Gas Urban Development Co., Ltd., a group company engaged in the urban development business, expanded its assets by acquiring seven rental apartment buildings, including “Urbanex Shinsaibashi EAST” (Osaka Prefecture). The company also completed the construction of five condominium buildings, including “SCENES Kyoto Nijo” (Kyoto Prefecture) during the fiscal year under review.

In April 2022, we decided on the renovation of the Osaka Gas Building owned by Osaka Gas Urban Development Co., Ltd., and the development of a complex (Gas Building West Wing) on the Group-owned land on the west side of the Gas Building.

In May 2022, we established Osaka Gas Urban Development Asset Management Co., Ltd., an asset management company, with a view to commencing a private REIT business. In December 2022, we also commenced construction of the logistics real estate facility in



Gas Building and Gas Building West Wing (expected appearance upon completion)

Konohana-ku, Osaka, a joint project with Mitsui Fudosan Co., Ltd. We will continue to engage in expanding our business domains.

OGIS-RI Co., Ltd., a group company engaged in the information solutions business, strove to provide comprehensive IT services, including consultation, design, development and operation of corporate information systems, as well as data centers and cloud services. In January 2023, it also acquired all the shares of Ammic Corporation, which is engaged in the development, introduction and operation support of package products of mission-critical operation systems for manufacturers.

Osaka Gas Chemicals Co., Ltd., a group company engaged in the material solutions business, strove to develop and expand sales of high-value-added materials, including fine materials, carbon products and preservatives.



“Xyladecor” wood preservative and coating agent

[Net Sales and Segment Profit (Loss) for Each Business Segment]

	Domestic Energy	International Energy	Life & Business Solutions
Net sales (Billions of Yen)	1,971.6	123.2	258.5
Percentage change from previous year (%)	+47.1	+52.6	+9.1
Percentage of net sales (%)	83.8	5.2	11.0
Segment profit (loss) (Billions of Yen)	(27.3)	69.7	29.2
Percentage change from previous year (%)	*	+57.3	+24.3
Percentage of segment profit (%)	(38.1)	97.3	40.8

* Segment profit (loss) was ¥44.1 billion in the previous year.

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

The Company has applied the Implementation Guidance on Accounting Standard for Fair Value Measurement (Accounting Standards Board of Japan (ASBJ) Guidance No. 31, June 17, 2021) from the beginning of the fiscal year under review.

In addition, whereas the Company previously prepared its consolidated financial statements based on “Regulation on Consolidated Financial Statements” and the “Accounting Rules for Gas Utility,” from the beginning of the fiscal year under review, it prepares these statements based only on “Regulation on Consolidated Financial Statements.” It has also changed the method used for revenue associated with the sale of gas to the method based on Article 103-2 of the “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021). The results for the previous fiscal year and year-on-year comparisons presented in this Business Report are based on figures calculated to reflect this change.

2. Principal Activities of the Group (as of March 31, 2023)

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

3. Capital Investment Activities

The amount of capital investments by the Group was ¥195.3 billion.

We lengthened the gas trunk and branch lines of Osaka Gas Network Co., Ltd. by 141 kilometers, bringing the total length to 51,684 kilometers as of the end of the fiscal year under review.

We also conducted activities such as works for ensuring stable supply and security at gas production and supply facilities, equipment works related to natural gas development and production businesses in our subsidiaries and construction of power plants.

4. Financing Activities

During the fiscal year under review, the Group borrowed ¥80.0 billion and repaid ¥39.5 billion of long-term loans. With respect to corporate bonds*¹, the Group issued ¥33.0 billion of standard bonds and ¥37.0 billion of transition bonds*² and redeemed ¥30.0 billion during the fiscal year under review.

*1. Short-term bonds are not included.

*2. The bonds are issued to fund initiatives in accordance with the Group's long-term transition strategy to reduce corporate greenhouse gas emissions.

5. Major Lenders (as of March 31, 2023)

Lenders	Loans Outstanding (Millions of Yen)
Resona Bank, Limited	79,102
MUFG Bank, Ltd.	44,602
Development Bank of Japan Inc.	33,542
Japan Bank for International Cooperation	23,028
The Bank of Kyoto, Ltd.	19,576

6. Outstanding Issues

(1) Management Policies

As “a corporate group that powers continuous advancement in consumer life and business,” the Group aims to create “Value for Customers,” “Value for Society,” “Value for Shareholders” and “Value for Employees” by providing various products and services relating to the energy business, including natural gas, electricity and LPG, and its peripheral services, and non-energy businesses, such as urban development, materials and information businesses. With the recognition that achieving sustainable growth is the Group’s biggest managerial issue in pursuing the above aim, the Group formulated the 2030 Long-term Management Vision “Going Forward Beyond Borders” in 2017 and the new Medium-term Management Plan 2023 “Creating Value for a Sustainable Future” and the “Carbon Neutral Vision” in 2021. In March 2023, we formulated “Energy Transition 2030,” which specifies initiatives for 2030, a period of transition to achieve a carbon neutral society.

In line with said vision and plan, the Group will contribute to the realization of a sustainable society by solving social issues and proactively promote its business operations with the aim of becoming an innovative and preferred energy & service company through the ages, while responding to changes in the business environment. Furthermore, we will promote initiatives to achieve carbon neutrality in the Group’s business activities and contribute to the realization of a low-carbon/decarbonized society.

(2) Priority Issues

Through our initiatives to “co-create value for a sustainable future” and “evolve our corporate group,” which are key strategies in the Medium-term Management Plan 2023, we aim to create value that contributes to solving social issues and practice portfolio management that accommodates changes in the future business environment based on three pillars— Domestic Energy Business, International Energy Business, and Life & Business Solutions Business. To achieve this, the Group will address the following issues.

(a) Domestic Energy Business

(i) Ensuring stable and economical procurement of fuels and raw materials

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

In addition, in the event of unforeseen circumstances in fuels and raw materials procurement, we will utilize the know-how we have accumulated through trading and other activities to secure fuels and raw materials in a prompt and flexible manner.

(ii) Ensuring competitive power sources and expansion of renewable energies

Through such efforts as the development of new power sources and procurement of electricity through the wholesale power market, we will seek to construct a competitive portfolio of power sources. Particularly in renewable energy, we will promote development aimed at decarbonization and business participation, as well as expansion of procurement sources and acquisition of projects through collaboration and other means.

(iii) Stable and safe energy supply

With safe and stable operation as our top priority, we will continue to address such issues as the maintenance, reinforcement and renovation of facilities for gas production and supply and for power generation and the implementation of countermeasures against natural disasters including earthquakes and tsunamis and other events including the outbreak of infectious diseases for stable supply and improvement of resilience. We also continue to provide responses to emergencies such as gas leakages to secure safety at customer locations.

(iv) Expanding the marketer businesses

By encouraging wider use of gas cogeneration systems such as fuel cell systems, as well as gas air-conditioning systems, expanding the sales of electricity and LPG, expanding the menu of proposals that contribute to low-carbon/decarbonization such as D-Lineup, and building an energy network that combines decentralized power sources with renewable energy, we will contribute to the solution of social issues, including the shift to a low-carbon/decarbonized society and improvement of resilience. We will also enhance and broaden the range of life support services, such as the “Sumai LINK,” a digitally enabled life services platform, and the “Sumikata Service,” and services peripheral to the energy business, including the management and maintenance of buildings and facilities, air conditioning and ventilation, water treatment, and energy saving and the visualization of the operational status of facilities. In addition, we will offer fixed communication service as well as a range of energy rate menus according to customers’ lifestyles and business requirements so that we can contribute to the enhancement of customers’ living environment as well as their business growth. Furthermore, we will promote alliances with various business partners, including energy business operators in various locations, thereby expanding the marketer business in a wider geographic area.

(v) Developing energy infrastructure and expanding the engineering business

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

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

As a general gas pipeline service business operator, we are committed to making continuous efforts to maintain and expand the demand for city gas, while ensuring neutrality and transparency and enhancing the convenience of the transportation service, and meeting the needs of communities and consumers.

(b) International Energy Business

We will steadily promote the projects we are currently undertaking, such as the shale gas development business operated by Sabine Oil & Gas Corporation in North America, and strive to ensure safe and stable operation in the liquefaction business of the Freeport LNG project in North America and the production business in Gorgon LNG project and Ichthys LNG project in Australia. In the IPP business, we will steadily proceed with the gas-fired power generation business, as well as the development and acquisition of renewable energy and other energy sources. In the marketer business, we will steadily operate gas, electric power, and energy service businesses and develop new projects, while also acquiring expertise in new areas through business participation, etc., by utilizing the knowledge we have cultivated in Japan. Furthermore, we will expand our energy infrastructure development and engineering business by proposing solutions that meet customers’ needs.

(c) Life & Business Solutions Business

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

(d) Operating Foundations

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

In accordance with the “Daigas Group Charter of Business Conduct,” we will ensure corporate management, paying attention to ESG. In tandem with the parties involved with the supply chain of the Group at home and abroad, we will make continued efforts to gain greater trust from our customers and society.

On the environmental side, as the society goes through a period of transition to a decarbonized society, we will promote fuel conversion from coal and petroleum, etc. to natural gas and the introduction of highly efficient facilities, while further expanding efforts to reduce CO₂ emissions at customers’ sites and in our own business activities by introducing renewable energy and promoting carbon-neutral LNG and city gas. Furthermore, we will continue to develop technologies such as e-methane and hydrogen and establish supply chains in order to realize a decarbonized society. In addition, based on the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD), we will work to enhance the disclosure of information on our decarbonization efforts. On the social front, we will promote human rights and occupational health and safety initiatives in accordance with the Daigas Group Human Rights Policy established in April 2021, based on international norms, and foster a culture of diversity and inclusion through the appointment of female officers and other means. In the area of governance, we will continue our efforts to raise awareness of compliance, strengthen our governance structure, and promote information security measures.

(ii) Promoting innovation, technological development and digital transformation

We will seek to increase value by creating new services utilizing the latest digital technologies and internal and external ideas, such as IoT and AI, and improve productivity through operation reforms and system renovations inside the Company.

We will also promote efforts to achieve higher efficiency and lower costs for gas appliances and facilities, including fuel cell systems, and to develop new technologies relating to materials, information processing, and the low-carbon/decarbonization efforts, etc.

(iii) Reinforcing human resources and organization

To achieve sustainable growth for the Group, we will promote the creation of an organization where diverse personnel can actively engage in diverse working styles and experience work satisfaction by growing through challenges and solving social issues. From a human resources standpoint, in addition to hiring and developing human talent who can create new value, we will strive to enhance employee engagement through initiatives to solve social issues and maximize employee value by accelerating the optimal allocation of human resources and ensuring high-quality communication. From an organizational standpoint, we will engage in initiatives to encourage active participation by diverse personnel by promoting diversity and inclusion, promote working styles independent of location, and foster a corporate culture that encourages employees to take on challenges and accept failures.

(3) Conclusion

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

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

7. Financial Position and Profits and Losses

Division	Year ended March 2020 (202nd Term)	Year ended March 2021 (203rd Term)	Year ended March 2022 (204th Term)	Year ended March 2023 (205th Term)
Net sales (Millions of Yen)	1,368,689	1,364,106	1,591,120	2,275,113
Ordinary profit (Millions of Yen)	86,018	127,752	113,525	75,649
Profit attributable to owners of parent (Millions of Yen)	41,788	80,857	130,421	57,110
Basic earnings per share (Yen)	100.50	194.48	313.69	137.39
Total assets (Millions of Yen)	2,140,482	2,313,357	2,588,086	2,819,589
Net assets (Millions of Yen)	1,027,667	1,114,597	1,296,089	1,417,178

8. Major Offices, Plants and Employees (as of March 31, 2023)

(1) Major Offices, etc.

The Company	Head Office	Head Office (Osaka Prefecture)
	Offices	Osaka Office (Osaka Prefecture) Nambu Office (Osaka Prefecture) Hokubu Office (Osaka Prefecture) Tobu Office (Osaka Prefecture) Hyogo Office (Hyogo Prefecture) Keiji Office (Kyoto Prefecture)
	LNG Terminals	Semboku LNG Terminals (Osaka Prefecture) Himeji LNG Terminal (Hyogo Prefecture)
	Research Center	Energy Technology Laboratories (Osaka Prefecture)
Subsidiaries ¹		Osaka Gas Urban Development Co., Ltd. (Osaka Prefecture) OGIS-RI Co., Ltd. (Osaka Prefecture) Osaka Gas Chemicals Co., Ltd. (Osaka Prefecture) Osaka Gas Network Co., Ltd. (Osaka Prefecture) Osaka Gas Marketing Co., Ltd. (Osaka Prefecture) Daigas Energy Co., Ltd. (Osaka Prefecture) Daigas Gas and Power Solution Co., Ltd. (Osaka Prefecture) Osaka Gas USA Corporation (Texas, USA)

(2) Employees

Business Segment	Number of Employees ²
Domestic Energy	11,331
International Energy	338
Life & Business Solutions	9,348
Total	21,017

Notes:

1. The head office locations of the principal subsidiaries are shown as major offices.
2. The above number of employees indicates the number of employees currently on duty.

9. Business Transfers, Absorption-type Splits, etc.

On April 1, 2022, the Company transferred the general gas pipeline service business and other businesses by means of an absorption-type company split to Osaka Gas Network Co., Ltd. On April 1, 2023, the Company transferred part of its residential-use gas appliances sales and construction businesses by means of an absorption-type company split to Osaka Gas Marketing Co., Ltd.

10. Outline of Principal Subsidiaries (as of March 31, 2023)

The Group treats the following affiliated companies that play a central role in energy business and other businesses and that are positioned as elementary units for the management of the Group as Core Non-Energy Business Companies, Network Company, Core Energy Business Companies, and Overseas Regional Headquarters, which the Group recognizes as principal subsidiaries.

Category	Company	Capital	Holding	Main Activities
Core Non-Energy Business Companies	Osaka Gas Urban Development Co., Ltd.	¥1,570 mil.	100%	Development, leasing, management, and sale of real estate
	OGIS-RI Co., Ltd.	¥440 mil.	100%	Development of software and information processing services via computers
	Osaka Gas Chemicals Co., Ltd.	¥14,231 mil.	100%	Manufacture and sale of fine materials, carbon products, etc.
Network Company	Osaka Gas Network Co., Ltd.	¥6,000 mil.	100%	General gas pipeline service business, etc. (city gas transportation service, gas piping work, etc.)
Core Energy Business Companies	Osaka Gas Marketing Co., Ltd.	¥100 mil.	100%	Sales of gas and electricity for residential use; sales and maintenance of gas appliances; and home renovation
	Daigas Energy Co., Ltd.	¥310 mil.	100%	Sales of gas and electricity for business use; sales and maintenance of gas appliances; energy service business; sales of LNG and LPG; and heat supply business
	Daigas Gas and Power Solution Co., Ltd.	¥100 mil.	100%	Operation and maintenance of LNG terminals and power plants; power generation and sales of electricity; and engineering service business
Overseas Regional Headquarters	Osaka Gas USA Corporation	US\$1	100%	Investment, etc. relating to natural gas and energy supply businesses in North America

Note: The Group has 154 consolidated subsidiaries, including the above eight principal subsidiaries.

II. Officers

1. Details of Directors and Audit & Supervisory Board Members (as of March 31, 2023)

Position	Name	Business in Charge	Significant Concurrent Positions
Chairman and Director	Takehiro Honjo		Chairperson of The Japan Gas Association Member of the Osaka Prefectural Public Safety Commission Director of Asahi Broadcasting Group Holdings Corporation Director of Osaka Gas Urban Development Co., Ltd.
Representative Director and President Executive President	Masataka Fujiwara		Director of OGIS-RI Co., Ltd. Director of Osaka Gas Chemicals Co., Ltd.
Representative Director Executive Vice-President	Tadashi Miyagawa	Head of Technology Head of Carbon Neutral Promotion In charge of: Tokyo Branch Responsible for: LNG, Power & Engineering Business Unit and Innovation Headquarters Osaka Gas Chemicals Co., Ltd.	Director of Osaka Gas Chemicals Co., Ltd.
Representative Director Executive Vice-President	Takeshi Matsui	Head of ESG Promotion President of Corporate Planning Headquarters Responsible for: Energy Resources & International Business Unit OGIS-RI Co., Ltd.	Director of OGIS-RI Co., Ltd.
Representative Director Executive Vice-President	Takayuki Tasaka	In charge of: Overall Representative Responsible for: Energy Solution Business Unit Secretariat, Corporate Communication Dept., Human Resources Dept., General Affairs Dept. and Purchasing Dept. Osaka Gas Urban Development Co., Ltd.	Director of Osaka Gas Urban Development Co., Ltd.
Director Senior Executive Officer	Fumitoshi Takeguchi	In charge of: Secretariat, Corporate Communication Dept., Human Resources Dept., General Affairs Dept., Purchasing Dept. and Auditing Dept.	
Director	Hideo Miyahara		Guest Professor, Graduate School of Information Science and Technology of Osaka University Representative Director of KNOWLEDGE CAPITAL

Position	Name	Business in Charge	Significant Concurrent Positions
Director	Kazutoshi Murao		Counselor to the president of NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION Vice Chairman of Kansai Economic Federation Director of Keihan Holdings Co., Ltd.
Director	Tatsuo Kijima		Advisor of West Japan Railway Company Audit & Supervisory Board Member of Sumitomo Electric Industries, Ltd.
Director	Yumiko Sato		Trustee of Otemon Gakuin Educational Foundation
Audit & Supervisory Board Member (full-time)	Toshimasa Fujiwara		
Audit & Supervisory Board Member (full-time)	Hisaichi Yoneyama		
Audit & Supervisory Board Member	Eiji Hatta		Chancellor and Chairperson of the Board of Trustees of The Doshisha Chairman of Japan Student Baseball Association Vice Chairman of Japan University Auditors Association
Audit & Supervisory Board Member	Shigemi Sasaki		Governor of Japan Bar Association and Head of Kinki Branch of Japan Bar Association
Audit & Supervisory Board Member	Eriko Nashioka		Representative Director of Institute for Environmental Management Accounting Director of Nashioka Accounting Office Audit & Supervisory Board Member of Sansha Electric Manufacturing Co., Ltd. Director (Audit & Supervisory Committee Member) of FUKUSHIMA GALILEI CO. LTD.

Notes:

- 1) “Responsible for” in the “Business in Charge” column means monitoring and providing advice and suggestions concerning the operations of specific headquarters, organization, position, Core Non-Energy Business Company or person in a designated position according to its managerial importance, effect on business management and other factors.
- 2) Directors Hideo Miyahara, Kazutoshi Murao, Tatsuo Kijima and Yumiko Sato are outside directors as specified in Article 2, Item 15 of the Companies Act.
- 3) Audit & Supervisory Board Members Eiji Hatta, Shigemi Sasaki and Eriko Nashioka are outside audit & supervisory board members as specified in Article 2, Item 16 of the Companies Act.
- 4) All of the outside Directors and outside Audit & Supervisory Board Members have been notified as independent officers pursuant to the provisions prescribed by the Tokyo Stock Exchange.

- 5) There are no special relationships between the entities set out in the column “Significant Concurrent Positions” for each outside Director/outside Audit & Supervisory Board Member and the Company.
- 6) Audit & Supervisory Board Member Eriko Nashioka was newly appointed at the 204th Annual Meeting of Shareholders held on June 28, 2022, and assumed office on the same day.
- 7) Audit & Supervisory Board Member Eriko Nashioka is qualified as a certified public accountant and tax accountant, and possesses substantial expertise related to finance and accounting.
- 8) In the column of “Significant Concurrent Positions,” “Director of Asahi Broadcasting Group Holdings Corporation” for Director Takehiro Honjo and “Director of Keihan Holdings Co., Ltd.” for Director Kazutoshi Murao are both outside director positions, and “Director of FUKUSHIMA GALILEI CO. LTD.” for Audit & Supervisory Board Member Eriko Nashioka is an outside director (audit & supervisory committee member) position. “Audit & Supervisory Board Member of Sumitomo Electric Industries, Ltd.” for Director Tatsuo Kijima and “Audit & Supervisory Board Member of Sansha Electric Manufacturing Co., Ltd.” for Audit & Supervisory Board Member Eriko Nashioka are both outside auditor positions.
- 9) Changes in the “Significant Concurrent Positions” during the fiscal year under review (excluding changes that occurred prior to the assumption of office as Audit & Supervisory Board Member of the Company):
Director Tadashi Miyagawa retired as Director of OGIS-RI Co., Ltd. as of April 1, 2022.
Director Takeshi Matsui assumed the position of Director of OGIS-RI Co., Ltd. as of April 1, 2022.
Director Hideo Miyahara retired as Director of West Japan Railway Company as of June 23, 2022.

2. Indemnity Agreement

The Company has concluded indemnity agreements with the Directors and Audit & Supervisory Board Members listed in “II. 1. Details of Directors and Audit & Supervisory Board Members” above for the purpose of indemnifying them for the costs set forth in Article 430-2, Paragraph 1, Item 1 of the Companies Act and the losses set forth in Item 2 of the same Paragraph to the extent permitted by laws and regulations.

In order to ensure that the said indemnity agreement does not impair the appropriateness of the execution of duties by officers, the Company mainly stipulates the following matters in the said indemnity agreement.

- The maximum amount of indemnification per event
- Indemnification will not apply to costs or losses incurred as a result of duties executed while being aware that they violate laws and regulations
- A portion of the losses shall be borne by the officer himself/herself

3. Directors and Officers Liability Insurance Contract

The Company has concluded an insurance contract with an insurance company to cover damages, etc. (compensation for statutory damages, litigation costs, etc.) incurred by the insured as a result of claims for damages against them, with the Company and its Directors, Audit & Supervisory Board Members, executive officers, employees in middle management^{*1} and officers dispatched to external entities^{*2} as the insured^{*3}.

*1 Important employees such as heads of basic organizations who are appointed by the resolution of the Board of Directors.

*2 Persons who hold the position of director, executive officer, audit & supervisory board member, or accounting advisor under the Companies Act (including positions that are considered equivalent to these positions) at an external corporation as per the Company’s instructions, etc.

*3 Includes persons who resigned or retired from the insured position on or after January 25, 1992, and persons who were newly appointed to the insured position during the insurance period.

In order to ensure that the said insurance contract does not impair the appropriateness of the execution of duties by the insured, the Company mainly stipulates the following matters in the said insurance contract.

- The total limit of insurance claims during the insurance period
- Insurance claims will not cover damages caused by illegal acceptance of personal benefits or provision of convenience, criminal conducts, etc.
- A portion of the damage shall be borne by the insured himself/herself

Insurance premiums under the insurance contract are fully borne by the Company.

4. Outside Officers

(1) Principal Activities

The principal activities of outside officers are shown in the table below.

The Company expects outside Directors to participate in decision-making as members of the Board of Directors, and to monitor and supervise the execution of duties by executive Directors from an independent position based on their experience, knowledge and other assets. They appropriately fulfill their roles by attending and making comments at meetings of the Board of Directors and the voluntarily appointed advisory committee.

Position	Name	Attendance and Comments
Director	Hideo Miyahara	Hideo Miyahara attended 13 out of 13 meetings of the Board of Directors. He made comments as appropriate based on his considerable experience and extensive knowledge in organizational management and from his independent position as an outside Director.
Director	Kazutoshi Murao	Kazutoshi Murao attended 13 out of the 13 meetings of the Board of Directors. He made comments as appropriate based on his considerable experience and extensive knowledge in corporate and organizational management and from his independent position as an outside Director.
Director	Tatsuo Kijima	Tatsuo Kijima attended 13 out of the 13 meetings of the Board of Directors. He made comments as appropriate based on his considerable experience and extensive knowledge in corporate and organizational management and from his independent position as an outside Director.
Director	Yumiko Sato	Yumiko Sato attended 13 out of the 13 meetings of the Board of Directors. She made comments as appropriate based on her deep insight in life and culture and from her independent position as an outside Director.
Audit & Supervisory Board Member	Eiji Hatta	Eiji Hatta attended 13 out of 13 meetings of the Board of Directors and attended 14 out of 14 meetings of the Audit & Supervisory Board. He made comments as appropriate based on his considerable experience and extensive knowledge in organizational management and from his independent position as an outside Audit & Supervisory Board Member.
Audit & Supervisory Board Member	Shigemi Sasaki	Shigemi Sasaki attended 13 out of 13 meetings of the Board of Directors and 14 out of 14 meetings of the Audit & Supervisory Board. He made comments as appropriate based on his considerable experience and specialized knowledge as a legal professional and from his independent position as an outside Audit & Supervisory Board Member.
Audit & Supervisory Board Member	Eriko Nashioka	Eriko Nashioka attended 11 out of 11 meetings of the Board of Directors and 11 out of 11 meetings of the Audit & Supervisory Board held after she assumed the office of Audit & Supervisory Board Member of the Company on June 28, 2022. She made comments as appropriate based on her considerable experience and deep insight in finance, accounting, and ESG and from her independent position as an outside Audit & Supervisory Board Member.

(2) Summary of Agreement Limiting Liability

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

5. Remuneration for Directors and Audit & Supervisory Board Members

(1) Decision Policies on Content of Remuneration, etc. for Each Individual Director

The Company has established a policy on determining the content of remuneration, etc. for each individual Director (hereinafter the “Policy on Determining Remuneration”) as prescribed by the resolution of the Board of Directors after deliberation at a voluntarily appointed advisory committee made up of a majority of the outside Directors. This policy is summarized in the table* below.

* The coefficient of ESG indicators achievement in the previous year in performance-linked remuneration will be applied from July 2023 onward for the compensation to be paid based on the results of the fiscal year under review.

Policy on Determining Remuneration
<p>Basic Approach</p> <p>Remuneration for Directors shall be provided in a remuneration system designed to raise motivation for Directors to achieve sustainable growth and mid- to long-term increase in corporate value. Remuneration for Directors other than outside Directors shall consist of basic remuneration as fixed remuneration, performance-linked remuneration and stock-based remuneration, and remuneration for outside Directors shall only consist of basic remuneration as fixed remuneration, as they have a standpoint independent of business execution.</p> <p>Remuneration for Directors shall be determined within the total amount of remuneration approved at the Annual Meeting of Shareholders, after deliberation at a voluntarily appointed advisory committee made up of a majority of the outside Directors, from the perspective of ensuring objectivity and seeking transparency in the decision-making process.</p>
<p>Basic Remuneration</p> <p>Basic remuneration shall be monetary remuneration paid on a monthly basis. The amount shall be determined in accordance with the rules prescribed by the resolution of the Board of Directors, while considering such factors as each Director’s position and responsibilities, public standards, and other factors.</p>
<p>Performance-linked Remuneration</p> <p>Performance-linked remuneration shall be monetary remuneration paid on a monthly basis. The amount shall be determined using the profit attributable to owners of parent for the past three years and the coefficient of ESG indicators achievement in the previous year as the main indicator to encourage contribution to short-term and mid- to long-term increases in corporate value.</p>
<p>Stock-based Remuneration</p> <p>Restricted stock shall be granted at a certain time every year for the purpose of strengthening the linkage between remuneration and mid- to long-term increase in corporate value and further promoting sharing of value with the shareholders. The number of shares to be granted shall be determined with consideration for the positions and responsibilities of each Director and stock prices, etc.</p>
<p>Ratio by Type of Remuneration</p> <p>For Directors other than outside Directors, the standard ratio of basic remuneration, performance-linked remuneration, and stock-based remuneration should be 5:4:1. Remuneration for outside Directors shall fully consist of basic remuneration.</p>
<p>Procedures for Determining Remuneration</p> <p>The content of remuneration for each individual Director shall be made in accordance with the rules</p>

prescribed by the resolution of the Board of Directors, and, after deliberation at the voluntarily appointed advisory committee, shall be determined by the resolution of the Board of Directors. However, the content of monetary remuneration may be determined by the Representative Director and President based on delegation of authority by the resolution of the Board of Directors.

(2) Resolution of the Annual Meeting of Shareholders on Remuneration, etc. of Directors

The amount of monthly monetary remuneration for Directors (including outside Directors) was resolved at the 203rd Annual Meeting of Shareholders held on June 25, 2021 to be up to ¥57 million.

In addition, at the same Annual Meeting of Shareholders, it was also resolved that the total amount of monetary remuneration to be paid to Directors (excluding outside Directors) for granting restricted stock shall not exceed ¥72 million per year (¥6 million per month) and that the total number of common shares of the Company to be issued or disposed of by the Company in exchange for the contribution of monetary remuneration claims shall not exceed 48 thousand shares per year.

As of the end of the said Annual Meeting of Shareholders, the number of Directors who are eligible for the monthly monetary remuneration was ten (including four outside Directors) and the number of Directors who are eligible for stock-based remuneration was six.

(3) Delegation, etc. of Decision of Content of Remuneration, etc. for Each Individual Director

Of the remuneration paid to each Director during the fiscal year under review, the amount of monthly monetary remuneration and the timing and method of payment, among other factors, were determined by Representative Director and President Masataka Fujiwara based on delegation of authority by a resolution of the Board of Directors. The Company has delegated the above authority to the Representative Director and President, as the position is considered to be the best suited to determine the contents of remuneration, taking into account the status of the execution of duties by each executive Director while maintaining a comprehensive view of the Company's performance.

In addition, to ensure that the authority of the Representative Director and President is exercised appropriately, the delegation of authority is conducted so that the remuneration amount, etc. for each individual Director is determined in accordance with the Policy on Determining Remuneration and the rules prescribed by the resolution of the Board of Directors, while considering such factors as each Director's position and responsibilities, public standards, and the Company's business performance, after deliberation at a voluntarily appointed advisory committee made up of a majority of the outside Directors. As the amount of remuneration, etc. for each individual Director is determined through such a procedure, the Board of Directors has judged that the content of remuneration, etc. for each individual Director for the fiscal year under review is in line with the Policy on Determining Remuneration.

(4) Resolution of the Annual Meeting of Shareholders and Decision on Remuneration, etc. for Audit & Supervisory Board Members

The amount of remuneration for Audit & Supervisory Board Members was approved at the 176th Annual Meeting of Shareholders held on June 29, 1994 to be up to ¥14 million per month. The number of Audit & Supervisory Board Members at the end of said Annual Meeting of Shareholders was five.

The amount of remuneration for each Audit & Supervisory Board Member shall be determined through discussions among Audit & Supervisory Board Members within this amount, and consisting only of fixed remuneration because they are assigned the role of auditing the execution of duties by Directors from a standpoint independent of the performance of the Company's businesses, and taking into consideration the position, etc. of each Audit & Supervisory Board Member.

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

	Total amount of remuneration (Millions of Yen)			Number of eligible officers	
	Fixed	Performance-linked	Non-monetary		
Directors (excluding outside Directors)	417	183	187	46	6
Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board Members)	69	69	—	—	2
Outside Directors	48	48	—	—	4
Outside Audit & Supervisory Board Members	36	36	—	—	4

Notes:

1. The total amounts of remuneration paid to Directors, Audit & Supervisory Board Members and outside officers were ¥465 million, ¥105 million and ¥84 million, respectively.
2. The amount of remuneration and the number of outside Audit & Supervisory Board Members include the amount for one Audit & Supervisory Board Member who retired at the end of the 204th Annual Meeting of Shareholders held on June 28, 2022.
3. The amount of performance-linked remuneration is calculated mainly by multiplying the fixed remuneration by a coefficient calculated using the profit attributable to owners of parent for the past three years as the primary indicator. Results for profit attributable to owners of parent are as detailed in “I. 7. Financial Position and Profits and Losses” above. This performance indicator has been selected because the Company has judged that it will contribute to raising motivation for Directors to achieve short-term and mid- to long-term increases in corporate value.
4. The Company grants restricted stock to Directors (excluding outside Directors, hereinafter referred to as “Eligible Directors”) as non-monetary remuneration (stock-based remuneration). Based on the resolution of the Board of Directors, the Company pays monetary remuneration for the grant of restricted stock to the Eligible Directors, and the Eligible Directors receive the Company’s treasury shares in exchange for contributing all of the rights to receive monetary remuneration in kind. The restricted transfer period is the period from the date of receipt of allotment of shares to the date of retirement. The restriction on transfer will be lifted upon expiration of the restricted transfer period, provided that the retirement of the Eligible Director is due to reasons, etc., that the Company deems justifiable. The specific timing and allocation of payments to Eligible Directors are determined by the Board of Directors, and the number of shares allocated to Eligible Directors during the fiscal year under review is as described in “III. 3. Status of shares delivered to officers of the Company as compensation for the performance of the duties during the fiscal year under review” below.

III. Shares (as of March 31, 2023)

1. Number of Shares Issued and Number of Shareholders

Number of Authorized Shares	700,000,000 shares
Number of Shares Issued and Outstanding*	416,680,000 shares
Number of Shareholders	93,657

*1,000,693 treasury shares are included.

2. Principal Shareholders

Shareholders	Number of shares held (1,000 shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	67,279	16.19
Custody Bank of Japan, Ltd. (trust account)	25,601	6.16
Nippon Life Insurance Company	13,469	3.24
MUFG Bank, Ltd.	11,188	2.69
Resona Bank, Limited	10,555	2.54
STATE STREET BANK WEST CLIENT-TREATY 505234	9,296	2.24
Aioi Nissay Dowa Insurance Co., Ltd.	5,973	1.44
Meiji Yasuda Life Insurance Company	5,838	1.40
JP MORGAN CHASE BANK 385781	5,204	1.25
STATE STREET BANK AND TRUST COMPANY 505103	5,200	1.25

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

3. Status of shares delivered to officers of the Company as compensation for the performance of the duties during the fiscal year under review

Officers	Number of shares	Number of officers
Directors (excluding outside Directors)	18,300 shares	6

Note: The Company disposed of 52,700 shares of its treasury stock on July 20, 2022 as stock-based compensation to the above six Directors and twenty Executive Officers who do not concurrently serve as Directors.

4. Policy on the determination of dividends of surplus, etc.

The Company’s policy on the determination of dividends of surplus is to base dividend decisions on the principle of maintaining stable dividends while aiming for a consolidated payout ratio of at least 30%, upon consideration of factors such as financial results and future management plans and excluding short-term causes of fluctuation in profits.

Year-end dividends are, in principle, determined by resolution of the Shareholders’ Meeting, are may only be determined by resolution of the Board of Directors, based on the provisions of Article 30, Paragraph 1 of the Articles of Incorporation, where a resolution of the Shareholders’ Meeting is not possible due to epidemic, natural disaster, or similar cause.

IV. Accounting Auditor

1. Name of Accounting Auditor

KPMG AZSA LLC

2. Remuneration, etc., for Accounting Auditor

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

	Fees for audit and attestation services (Millions of Yen)	Fees for non-audit services (Millions of Yen)
The Company	111*	13
The Company's subsidiaries	158	28
Total	269	41

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

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

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

3. Non-Audit Services

The Company entrusted duties such as the provision of professional advice on accounting and tax affairs relating to the group tax sharing system to the accounting auditor and paid consideration therefor.

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

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

Consolidated Balance Sheet (As of March 31, 2023)

(Millions of Yen)

Assets		Liabilities	
Current assets	780,936	Current liabilities	459,798
Cash and deposits	85,087	Notes and accounts payable - trade	69,142
Notes and accounts receivable - trade, and contract assets	279,602	Other	390,656
Lease receivables and investment in leases	58,732	Non-current liabilities	942,611
Inventories	219,380	Bonds payable	425,018
Other	139,265	Long-term borrowings	386,516
Allowance for doubtful accounts	(1,132)	Retirement benefit liability	19,703
		Other	111,372
Non-current assets	2,038,652	Total liabilities	1,402,410
Property, plant and equipment	1,243,788	Net assets	
Buildings and structures	187,685	Shareholders' equity	1,159,295
Machinery, equipment and vehicles	616,247	Share capital	132,166
Land	231,327	Capital surplus	19,096
Construction in progress	182,611	Retained earnings	1,010,078
Other	25,917	Treasury shares	(2,045)
Intangible assets	105,120	Accumulated other comprehensive income	232,125
Investments and other assets	689,743	Valuation difference on available-for-sale securities	68,085
Investment securities	440,911	Deferred gains or losses on hedges	25,268
Retirement benefit asset	116,038	Revaluation reserve for land	(1,947)
Deferred tax assets	35,148	Foreign currency translation adjustment	97,838
Other	98,343	Remeasurements of defined benefit plans	42,881
Allowance for doubtful accounts	(699)	Non-controlling interests	25,757
		Total net assets	1,417,178
Total assets	2,819,589	Total liabilities and net assets	2,819,589

Consolidated Statement of Income (April 1, 2022 to March 31, 2023)

(Millions of Yen)

Account	Amount
Net sales	2,275,113
Cost of sales	1,992,892
[Gross profit]	[282,221]
Selling, general and administrative expenses	222,219
[Operating profit]	[60,001]
Non-operating income	38,950
Interest income	4,308
Dividend income	3,894
Share of profit of entities accounted for using equity method	12,929
Other	17,816
Non-operating expenses	23,302
Interest expenses	13,167
Other	10,134
[Ordinary profit]	[75,649]
Extraordinary income	17,418
Gain on sale of investment securities	17,418
Extraordinary losses	9,357
Impairment losses	4,470
Loss on disaster	4,887
[Profit before income taxes]	[83,710]
Income taxes - current	28,869
Income taxes - deferred	(3,717)
[Profit]	[58,558]
Profit attributable to non-controlling interests	1,448
Profit attributable to owners of parent	57,110

Non-Consolidated Balance Sheet (As of March 31, 2023)

(Millions of Yen)

Assets		Liabilities	
Current assets	491,835	Current liabilities	453,002
Cash and deposits	10,264	Accounts payable - trade	43,890
Notes receivable - trade	496	Short-term borrowings	166,812
Accounts receivable - trade	233,225	Accounts payable - other	18,741
Merchandise and finished goods	17,556	Accrued expenses	77,875
Raw materials and supplies	98,471	Income taxes payable	2,362
Short-term loans receivable	108,949	Advances received	498
Other	23,466	Deposits received	7,495
Allowance for doubtful accounts	(594)	Other	135,326
Non-current assets	1,421,818	Non-current liabilities	669,577
Property, plant and equipment	141,759	Bonds payable	424,998
Buildings	18,257	Long-term borrowings	224,921
Structures	14,196	Provision for retirement benefits	1,969
Machinery and equipment	32,748	Other	17,687
Vehicles	0	Total liabilities	1,122,580
Tools, furniture and fixtures	1,680	Net assets	
Land	67,767	Shareholders' equity	762,158
Construction in progress	6,936	Share capital	132,166
Other	173	Capital surplus	19,522
Intangible assets	33,559	Legal capital surplus	19,482
Software	32,941	Other capital surplus	40
Other	617	Retained earnings	612,515
Investments and other assets	1,246,499	Legal retained earnings	33,041
Investment securities	87,466	Other retained earnings	
Shares and investments in capital of subsidiaries and associates	674,415	Reserve for reduction entry of specified replaced properties	195
Long-term loans receivable	394,414	Reserve for overseas investment loss	6,858
Prepaid pension costs	55,212	Reserve for investment promotion taxation	217
Deferred tax assets	14,764	Reserve for adjustment of cost fluctuations	89,000
Other	20,436	General reserve	62,000
Allowance for doubtful accounts	(209)	Retained earnings brought forward	421,202
		Treasury shares	(2,045)
		Treasury shares	(2,045)
		Valuation and translation adjustments	28,914
		Valuation difference on available-for-sale securities	42,963
		Valuation difference on available-for-sale securities	42,963
		Deferred gains or losses on hedges	(14,048)
		Deferred gains or losses on hedges	(14,048)
		Total net assets	791,073
Total assets	1,913,653	Total liabilities and net assets	1,913,653

Non-Consolidated Statement of Income (April 1, 2022 to March 31, 2023)

(Millions of Yen)

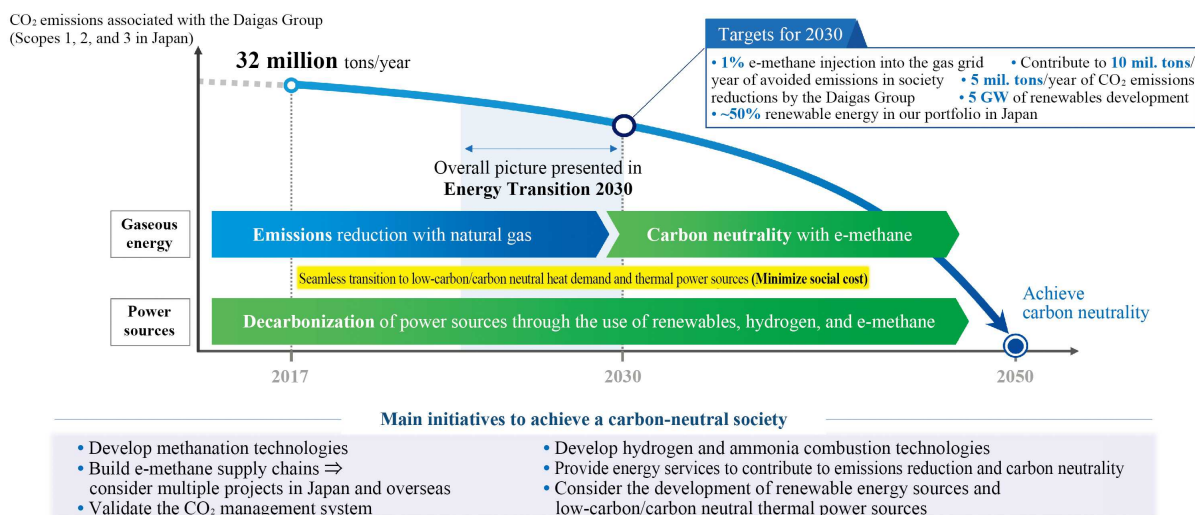
Account	Amount
Net sales	1,716,757
Cost of sales	1,685,880
[Gross profit]	[30,876]
Selling, general and administrative expenses	121,128
[Operating profit]	[(90,251)]
Non-operating income	28,819
Interest and dividend income	16,018
Gain on sale of shares of subsidiaries and associates	3,089
Other	9,712
Non-operating expenses	16,039
Interest expenses	7,595
Loss on valuation of shares of subsidiaries and associates	2,093
Other	6,350
[Ordinary profit]	[(77,471)]
Extraordinary income	11,535
Gain on sale of investment securities	11,535
[Profit before income taxes]	[(65,936)]
Income taxes - current	28
Income taxes - deferred	[(20,720)]
[Profit]	[(45,244)]

(References)

Initiatives for Achieving a Low Carbon / Carbon Neutral Society

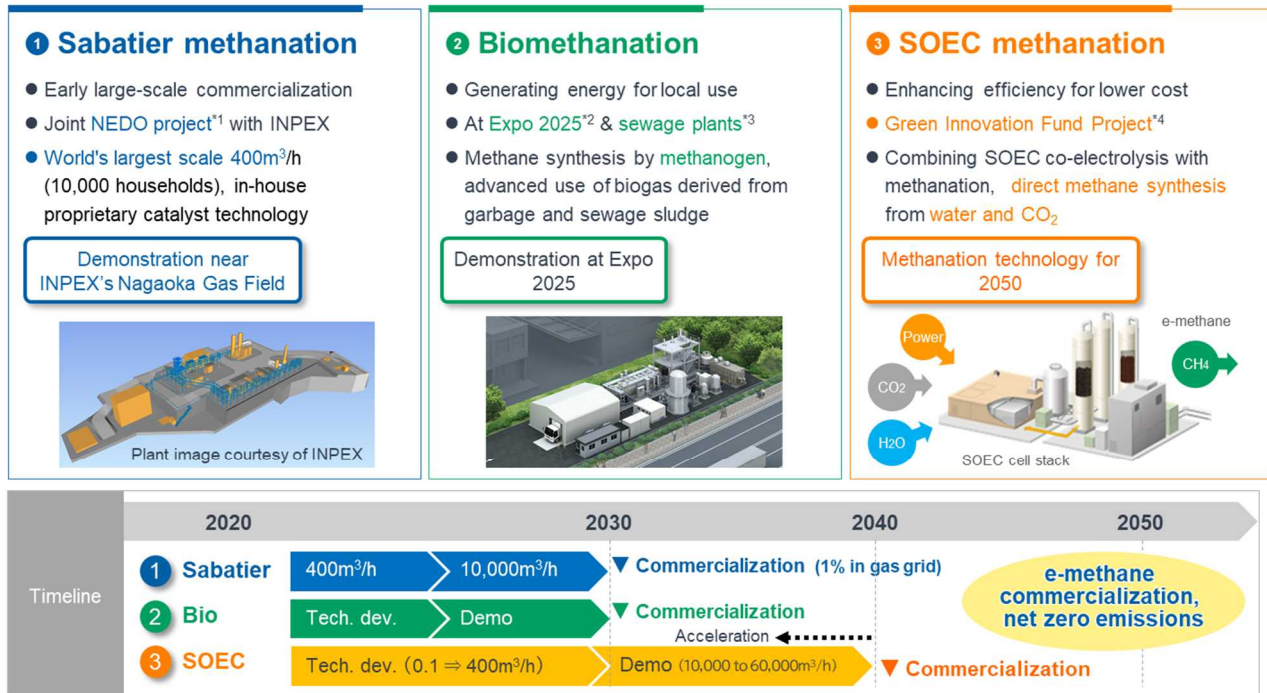
For the Group, which is engaged in activities centering on the energy business, tackling the reduction of CO₂ emissions is a crucial mission. We will pursue initiatives such as the development of methanation technologies and the construction of e-methane supply chains as we aim to achieve a carbon neutral society by 2050. During the period of transition to 2030, we will contribute to achieving a low carbon / carbon neutral society in line with Energy Transition 2030, which we established in March 2023. We will not only reduce the Group's CO₂ emissions but also work to reduce CO₂ emissions across society, including the customers using energy, through measures such as expanding the use of natural gas and renewable energy.

To achieve this, we have established targets for the fiscal year ending March 31, 2031, including a 1% e-methane injection into the gas grid, the reduction of CO₂ emissions from the Group's supply chain in Japan by 5 million tons/year, contribution to 10 million tons/year of society-wide avoided emissions, and 5 GW of renewables development.

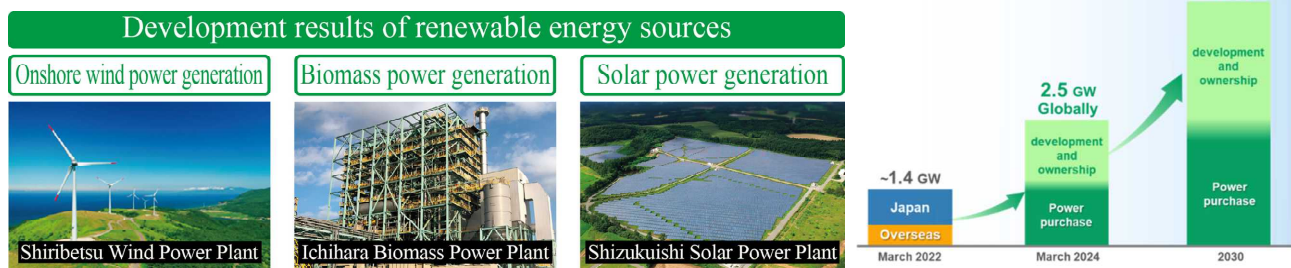


Details of the development of methanation technologies for producing e-methane, key to achieving low carbon and carbon neutral gaseous energy, and the development of renewable energy power sources to contribute to the decarbonization of power sources, are shown below.

Developing three methanation technologies for producing e-methane



Development of renewable energy sources



For information on the Group's other initiatives and the disclosure of climate change response information in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), please refer to our Sustainability website, our Integrated Report, or Energy Transition 2030.

[Sustainability website]

<https://www.daigasgroup.com/en/sustainability/>



[Integrated Report]

<https://www.osakagas.co.jp/en/ir/library/ar/>



[Energy Transition 2030]

https://www.osakagas.co.jp/en/whatsnew/_icsFiles/afieldfile/2023/04/07/230309_4_1.pdf



Shareholder Message Board

1. Information on the account transfer system for dividend payments

Dividends can be received via a designated account. Once an account for dividend payment has been designated, dividends will be automatically transferred to the designated account on the payment start date. We highly recommend our shareholders to complete procedures for the account transfer as it helps avoid the risk of losing dividend receipts or forgetting to receive payment, and ensures safe and prompt receipt of dividends. For more information on procedures for account transfer, please contact your securities company or other account management institution.

Shareholders may select one of the following methods of account transfer.

- (1) Transfer to a bank savings account
- (2) Receipt through the “registered dividend receipt account method”
(i.e., to receive dividends for all issues held by the shareholder in a single savings account designated by the shareholder)
- (3) Receipt through the “share number pro-rata distribution method”
(i.e., to receive dividends in proportion to the number of shares held via respective securities company or other account management institution that manages the shareholder’s shares)

- Notes:
1. Those who hold shares in a special account (including other issues) may not select method (3).
 2. Method (3) must be selected to exempt dividends and the like for stocks held in NISA accounts from taxation.
 3. A JAPAN POST BANK account may be designated as the transfer account for methods (1) and (2).
 4. Even after the payment period indicated on the dividend receipt has expired, dividends can be received through Sumitomo Mitsui Trust Bank, Limited within ten years from the payment start date.

2. System for electronic provision of materials for Shareholders’ Meeting

The system for electronic provision of materials for Shareholders’ Meeting (reference documents for the shareholders meeting, business report, etc.) has commenced operation, and the Company has sent all shareholders with voting rights, excluding those who have requested the delivery of paper copies of the documents, the Notice of Convocation, showing information such as the way to access the materials for Shareholders’ Meeting, the reference documents for the shareholders meeting, which carry a description of the proposals, and a voting form. Any shareholders who have not requested the delivery of paper copies of the documents, but who wish to receive paper copies of the materials for Shareholders’ Meeting (the business report, etc.) must complete a “Request for Delivery of Documents” by the record date of Shareholders’ Meeting (March 31).

Please address any inquiries concerning the procedure for requesting the delivery of documents to your securities company or other account management institution or to the administrator of the shareholder registry, shown below.

- Notes:
1. Fees may be charged for a series of procedures.
 2. “Request for Delivery of Documents” may expire upon notification from the Company after a certain period of time, in which case it will be necessary to complete the procedures again.

Please also refer to page 5 for details of the system for electronic provision of materials.

3. Information on request for buyback or additional purchase of shares less than one unit

A share trading unit is the unit of shares traded on stock exchanges, and any fractional shares less than one unit (less than 100 shares) cannot be traded on stock exchanges. To request buyback or additional purchase of fractional shares, please use the systems described below (they are free of charge).

<Buyback request system>

System under which shareholders may sell fractional shares back to the Company at market value

<Additional purchase request system>

System under which shareholders may purchase fractional shares from the Company at market value to bring the total number of fractional shares up to one trading unit so that the shareholder can sell the shares on stock exchanges

- Notes:
1. Systems to request buyback/additional purchase of fractional shares may be used for shares in special accounts without the need to transfer them to another account at securities company or other account management institution. Special account refers to the account at Sumitomo Mitsui Trust Bank, Limited set up by the Company to protect the rights of shareholders who have not deposited their share certificates with securities companies or other account management institutions by the time of the dematerialization of share certificates.
 2. The Company does not charge any fees for the systems to request buyback/additional purchase of fractional shares, however securities companies and other account management institutions may have set fees.

For further information on the above procedures, please contact:	<p>[Regarding 1 and 3 above] Shares in accounts at a securities company, etc.: Your securities company or other account management institutions Shares in special accounts: Stock Transfer Agency Business Planning Department of Sumitomo Mitsui Trust Bank, Limited (Toll free: 0120-782-031) (Hours: 9:00 a.m. to 5:00 p.m. except on Saturdays, Sundays, and national holidays)</p>
	<p>[Regarding 2 above] Your securities company or other account management institution, or Stock Transfer Agency Business Planning Department of Sumitomo Mitsui Trust Bank, Limited (Toll free: 0120-533-600) (Hours: 9:00 a.m. to 5:00 p.m. except on Saturdays, Sundays, and national holidays)</p>

Shareholder Memo

Fiscal year: From April 1 to March 31 of the following year

Record date: March 31 for Annual Meeting of Shareholders, March 31 for year-end dividend, September 30 for interim dividend

Month of Annual Meeting of Shareholders: June

Administrator of shareholder registry and special account management institution:

Sumitomo Mitsui Trust Bank, Limited

<Contact>

Stock Transfer Agency Business Planning Department of Sumitomo Mitsui Trust Bank, Limited

Toll free: 0120-782-031

(Hours: 9:00 a.m. to 5:00 p.m. except on Saturdays, Sundays, and national holidays)

Method of public notice:

Electronic public notice (Address for public notices: <https://www.osakagas.co.jp/index.html>)

If electronic public notices cannot be used due to an accident or other unavoidable reason, public notices will be posted in the Nihon Keizai Shimbun.

MEMO

Notice Regarding Measures against the Novel Coronavirus Infectious Disease (COVID-19)

In order to ensure that shareholders can feel secure when attending the Meeting, and in view of the nature of the Company's business mission to ensure a stable supply of energy, we will ensure good ventilation at the venue and mask-wearing by venue staff and implement other measures to prevent infection. We ask for your understanding and cooperation in the wearing of masks by all shareholders as well.

Details of the measures to prevent infection and notification of any changes made thereto, based on the status of the pandemic, may be viewed on the Company's website (see page 4).

Seating at the venue of the Meeting is limited, and it is possible that some shareholders may not be admitted to the venue. We ask for your understanding in this matter.

We no longer distribute souvenirs to the attending shareholders.

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.

205th Annual Meeting of Shareholders

Other Electronic Provision Measures Matters

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

205th Fiscal Year

(April 1, 2022 to March 31, 2023)

Business Report (Systems to Ensure the Properness of Operations)

Consolidated Statement of Changes in Equity

Notes to Consolidated Financial Statements

Non-Consolidated Statement of Changes in Equity

Notes to Non-Consolidated Financial Statements

OSAKA GAS CO., LTD.

Business Report (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 practices 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. System concerning the maintenance and the management of information on execution of duties

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

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

- (2) Executive Directors and employees of the Group shall properly store and manage the minutes of the meetings of the Board of Directors, approval documents or other information on execution of duties according to 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 supplies in gas businesses by establishing safety regulations on matters concerning the construction, maintenance and operation of production and supply facilities, and by promoting the improvement of the production and supply systems.
- (2) Executive Directors of the Group and organizational heads of the Company (managers of basic organizations of the Company) shall take measures to prevent the occurrence of risks and minimize losses in the case of occurrence, and manage the risk of losses for each category of risk (risks due to external factors, internal factors, transactions with outside parties or other factors).
- (3) The risk of losses shall be managed at the level of each basic organization and each affiliated company, 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.

4. Systems to ensure the efficient execution of duties

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

5. Other systems to ensure the properness of business operations

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

- (1) Companies to play a central role in each business area of the Group (Core Non-Energy Business Companies, Network Company, 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) The opinions of the Audit & Supervisory Board Members regarding the evaluation, transfer, etc., of Audit & Supervisory Board Members' assistants shall be sought in advance and respected.

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

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

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

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

10. Confirmation of operation status, etc.

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

II. Operating Status of the Internal Control Systems

The Company confirms the operating status of the internal control systems on a periodic basis by identifying items to confirm for various matters and receiving reports from the organizational heads and other persons concerned. At the meeting of the Board of Directors held on April 26, 2022, it was reported that the internal control systems were operating in a proper manner.

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

- (1) Matters concerning compliance, etc.

The ESG Committee promotes initiatives in each sector, including sustainability activities, through the “Compliance and Risk Management Subcommittee,” “Environment Subcommittee,” and “Social Contribution Subcommittee.”

With the movement towards decarbonization gaining pace globally in response to the issue of climate change, the Company formulated and announced Energy Transition 2030 in March 2023, integrating an overall roadmap for the transition to low carbon and carbon neutral energy, as well as the Group’s specific initiatives and the solutions it can provide for customers.

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

The consultation and reporting system has been revised in light of the Partial Amendment of the Whistleblower Protection Act (Act No. 51, 2020), which came into effect in June 2022. Effective April 1, 2022, the number of affiliated companies with whistleblower hotlines was expanded, and measures have been taken to ensure the independence of whistleblowing processes involving management. During the fiscal year under review, the Company is implementing measures to improve the operational quality of whistleblower hotlines at affiliated companies.

(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.

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.

With the legal separation of our gas pipeline division, effective April 1, 2022, 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 internal investigations to confirm 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. During the fiscal year under review, in addition to drills assuming disasters occurred amid an epidemic, we also implemented emergency coordination training and drills, including the use of remote communications, to ensure coordination between the Network Company and gas retailers.

The Cyber Security Committee has been established to further 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.

(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 in the performance of their duties.

Consolidated Statement of Changes in Equity (April 1, 2022 to March 31, 2023)

(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	19,071	965,951	(2,115)	1,115,073	67,905	(15,313)	(737)	39,108	53,624	144,586	24,472	1,284,132
Cumulative effects of changes in accounting policies			11,956		11,956								11,956
Restated balance	132,166	19,071	977,907	(2,115)	1,127,030	67,905	(15,313)	(737)	39,108	53,624	144,586	24,472	1,296,089
Changes during period													
Dividends of surplus			(24,939)		(24,939)								(24,939)
Profit attributable to owners of parent			57,110		57,110								57,110
Purchase of treasury shares				(38)	(38)								(38)
Disposal of treasury shares		25		108	133								133
Net changes in items other than shareholders' equity						179	40,582	(1,209)	58,729	(10,742)	87,538	1,285	88,824
Total changes during period	—	25	32,170	69	32,265	179	40,582	(1,209)	58,729	(10,742)	87,538	1,285	121,089
Balance at end 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

Notes to Consolidated Financial Statements (April 1, 2022 to March 31, 2023)

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

(1) Scope of consolidation

Number of consolidated subsidiaries: 154

(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: 32

(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.
- 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

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.

2. Notes to Changes in Accounting Policies

(1) Implementation Guidance on Accounting Standard for Fair Value Measurement

We have adopted the Implementation Guidance on Accounting Standard for Fair Value Measurement (Accounting Standards Board of Japan (ASBJ) Guidance No. 31, June 17, 2021, hereinafter “Implementation Guidance on Fair Value Accounting Standard”) since the beginning

of this consolidated fiscal year. In accordance with the transitional treatment set forth in Article 27-2 of the Implementation Guidance on the Fair Value Accounting Standard, the Implementation Guidance on Fair Value Accounting Standard has been adopted prospectively. There is no effect on the consolidated financial statements by adopting the guidance.

(2) Revenue Recognition for Gas Sales

As a “deemed gas retailer formerly conducting general gas utility services” and pursuant to the Act for Partial Revision of the Electricity Business Act and Other Related Acts (Act No. 47 of 2015, hereinafter “Revised Act”), parts of our supply area in which proper competitive relations with other gas retailers or energy suppliers not being ensured were designated as “designated former service area” and transitional rate regulation was imposed on us in the area. The purpose of this regulation is to protect the interests of consumers against the full liberalization of gas retail business. Effective October 1, 2021, the designation as “designated former service area” for a “deemed gas retailer formerly conducting general gas utility services” was lifted, pursuant to Article 22, Paragraph 2 of the supplementary provisions on the Revised Act. Also, pursuant to the June 2015 amendment of the Gas Business Act, we, a general gas pipeline service business operator, have been prohibited from engaging also in the retail gas business or the gas production business from April 2022. The purpose of this amendment is to further secure neutrality of the gas pipeline service sector. In order to comply with the regulatory requirement and to establish a new organization to increase the value of our Group, we established Osaka Gas Network Co., Ltd., a wholly-owned subsidiary of the Company, on April 1, 2021 and transferred our general gas pipeline service business to the said subsidiary effective April 1, 2022 through absorption-type split.

Since we had been positioned as a “deemed gas retailer formerly conducting general gas utility services” and a “general gas pipeline service business operator,” we had prepared our non-consolidated financial statements in accordance with the “Accounting Rules for Gas Utility” (Ministry of International Trade and Industry Ordinance No. 15 of 1954; hereinafter the “Accounting Rules for Gas Utility”) and “Regulation on Corporate Accounting” (Ministry of Justice Ordinance No. 13 of 2006; hereinafter “Regulation on Corporate Accounting”), and therefore prepared our consolidated financial statements in accordance with the Accounting Rules for Gas Utility and the Regulation on Corporate Accounting. As transitional measures for a “deemed gas retailer formerly conducting general gas utility services” were lifted and we are no longer in a position of a “general gas pipeline service business operator,” we have prepared non-consolidated financial statements in accordance with the Regulation on Corporate Accounting since the beginning of this consolidated fiscal year. Along with this, we have also prepared consolidated financial statements in accordance with the “Regulation on Corporate Accounting” since the beginning of this consolidated fiscal year.

For the reasons given above, the way to recognize gas sales revenue has changed from recognizing gas fee calculated on the gas sales volume based on monthly meter readings as revenues for the month to reflecting the estimated usage amount for the period between the last meter reading day in the account closing month and the account closing date in accordance with Article 103-2 of the Implementation Guidance on Accounting Standard for Revenue Recognition.

The change in accounting policy has been applied retrospectively, and the cumulative effect has been reflected in net assets at the beginning of this consolidated fiscal year. The opening balance of retained earnings on the consolidated statement of changes in equity was ¥11,956 million higher as a result.

3. Notes to Changes in Presentation Method

As stated in “Notes to Changes in Accounting Policies,” whereas the Company previously prepared its consolidated financial statements based on the Accounting Rules for Gas Utility and Regulation on Corporate Accounting, from the beginning of this consolidated fiscal year, it prepares these statements based only on Regulation on Corporate Accounting. The main content of the change is presented below.

(1) Consolidated balance sheet

The capital arrangement was used in the previous consolidated fiscal years. The current arrangement is used in this consolidated fiscal year.

Whereas the content of “property, plant and equipment” was classified by function in the previous consolidated fiscal year, it has been classified by form in this consolidated fiscal year. Whereas “long-term loans receivable,” “current portion of non-current liabilities,” “deferred tax liabilities,” “provision for gas holder repairs,” “provision for safety measures,” and “provision for gas appliance warranties” were presented separately in the previous consolidated fiscal year, they have been included in each section of “other” in this consolidated fiscal year.

(2) Consolidated statement of income

“Selling, general and administrative expenses,” presented in the previous consolidated fiscal year, is presented as “selling, general and administrative expenses” in this consolidated fiscal year (Change in Japanese only; English unchanged).

Expenses associated with the supply of gas, which were included in “selling, general and administrative expenses” in the previous consolidated fiscal year, have been included in “cost of sales” in this consolidated fiscal year.

“Miscellaneous operating expenses” and “expenses for incidental businesses,” which were included in “cost of sales” on the Company’s statement of income in the previous consolidated fiscal year, were included in “cost of sales” and “selling, general and administrative expenses,” respectively, in this consolidated fiscal year.

The Company’s inhabitant tax on per capita basis, which was included in “selling, general and administrative expenses” in the previous consolidated fiscal year, were included in “income taxes - current” in this consolidated fiscal year.

4. 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	¥1,243,788 million
Intangible assets	¥105,120 million
Investment in entities accounted for using equity method	¥260,406 million

(2)	Collectability of deferred tax assets	
	Amounts recorded on the consolidated balance sheet for this consolidated fiscal year	
	Deferred tax assets	¥35,148 million

(3)	Calculation of retirement benefit obligations	
	Amounts recorded on the consolidated balance sheet for this consolidated fiscal year	
	Retirement benefit asset	¥116,038 million
	Retirement benefit liability	¥19,703 million
	Remeasurements of defined benefit plans	¥42,881 million

5. Notes to the Consolidated Balance Sheet

(1)	Assets pledged as collateral and secured liabilities	
(i)	Assets pledged as collateral	
	Property, plant and equipment	¥117,906 million
	Investments and other assets	¥187,918 million
	Others	¥62,059 million
	<hr/>	
	Total	¥367,884 million
(ii)	Secured liabilities	¥130,341 million

In addition to above, shares of subsidiaries and associates, etc. of ¥35,657 million offset as a result of consolidation are pledged as collateral.

(2)	Accumulated depreciation of property, plant and equipment:	¥2,923,843 million
(3)	Guarantee liabilities, etc.	
	Guarantee liabilities:	¥11,208 million

6. 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).

7. 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., and weather derivatives for reducing fluctuation 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 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: ¥304,660 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	136,250	136,191	(59)
Total Assets	136,250	136,191	(59)
(2) Bonds payable ¹	435,038	404,255	(30,783)
(3) Long-term borrowings ¹	446,157	444,963	(1,193)
Total Liabilities	881,196	849,219	(31,977)
Derivative transactions ²	27,316	27,316	—

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. 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.

8. 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
202,838	292,895

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: ¥6,174 million) are not included in the table above as development is currently underway and therefore it is difficult to determine fair value.

9. 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

416,680,000 common shares

(2) Dividends

(i) Amount of payment of dividends

a. At the Annual Meeting of Shareholders held on June 28, 2022, the following were resolved with March 31, 2022, as a record date.

Dividends of common shares

(a) Total amount of dividends	¥12,469 million
(b) Dividend per share	¥30.00
(c) Effective date for dividends	June 29, 2022

b. At the meeting of the Board of Directors held on October 27, 2022, the following were resolved with September 30, 2022, 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	November 30, 2022

- (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 23, 2023, the following will be proposed with March 31, 2023, as a record date. Dividends are to be appropriated from retained earnings.

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

10. Notes to Per Share Information

(1) Net assets per share:	¥3,347.34
(2) Earnings per share:	¥137.39

11. 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 ¥1,945,521 million for the Domestic Energy Business, ¥97,871 million for the International Energy Business, and ¥180,435 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.

12. Other Notes

Adoption of the group tax sharing system

During this consolidated fiscal year, the Company and some of its consolidated subsidiaries in Japan applied for and received approval for the adoption of the group tax sharing system, and have decided to transition from a non-consolidated taxation system to the group tax sharing system from the next consolidated fiscal year.

From the end of the his consolidated fiscal year, 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.

Transactions under common control

On April 1, 2022, the Company transferred the general gas pipeline service business and other businesses through a company split to Osaka Gas Network Co., Ltd.

(1) Outline of the transaction

a. Name of the subject business and description of the business

General gas pipeline service business and incidental businesses

b. Effective date of the business combination

April 1, 2022

c. Legal form of business combination

An absorption-type split in which the Company is the splitting company, and Osaka Gas Network Co., Ltd., a wholly-owned subsidiary, is the succeeding company.

d. Name of company after combination

Osaka Gas Network Co., Ltd.

e. Purpose of business combination

Pursuant to the June 2015 amendment of the Gas Business Act, the Company, a general gas pipeline service business operator, is prohibited from engaging also in the retail gas business or the gas production business from April 2022 from the perspective of ensuring further neutrality in the gas pipeline service business.

In order to comply with the regulatory requirement and to establish an organizational structure to increase the value of our Group, the Company established Osaka Gas Network Co., Ltd., a wholly-owned subsidiary of the Company, on April 1, 2021, and, on April 23, 2021, executed an absorption-type split agreement with the subsidiary to transfer our general gas pipeline service business to the subsidiary which became effective on April 1, 2022.

Based on the above, the Company transferred the business to Osaka Gas Network Co., Ltd.

(2) Summary of accounting procedures performed

The transaction was accounted for as a transaction under common control in accordance with Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, January 16, 2019).

Non-Consolidated Statement of Changes in Equity (April 1, 2021 to March 31, 2022)

(Millions of Yen)

	Shareholders' equity														Valuation and translation adjustments			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	Total valuation and translation adjustments	
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings						Total 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							
Balance at beginning of period	132,166	19,482	14	19,497	33,041	241	9,738	217	89,000	62,000	476,503	670,742	(2,115)	820,291	45,602	(6,391)	39,211	859,502
Cumulative effects of changes in accounting policies											11,956	11,956		11,956				11,956
Restated balance	132,166	19,482	14	19,497	33,041	241	9,738	217	89,000	62,000	488,460	682,699	(2,115)	832,248	45,602	(6,391)	39,211	871,459
Changes during period																		
Decrease by corporate division						(46)					46	—		—				—
Reversal of reserve for overseas investment loss							(2,880)				2,880	—		—				—
Dividends of surplus											(24,939)	(24,939)		(24,939)				(24,939)
Loss											(45,244)	(45,244)		(45,244)				(45,244)
Purchase of treasury shares													(38)	(38)				(38)
Disposal of treasury shares			25	25									108	133				133
Net changes in items other than shareholders' equity															(2,639)	(7,656)	(10,296)	(10,296)
Total changes during period	—	—	25	25	—	(46)	(2,880)	—	—	—	(67,258)	(70,184)	69	(70,089)	(2,639)	(7,656)	(10,296)	(80,385)
Balance at end 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

Notes to Non-Consolidated Financial Statements (April 1, 2022 to March 31, 2023)

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 Changes in Accounting Policies

Revenue Recognition for Gas Sales

As a “deemed gas retailer formerly conducting general gas utility services” and pursuant to the Act for Partial Revision of the Electricity Business Act and Other Related Acts (Act No. 47 of 2015, hereinafter “Revised Act”), parts of our supply area in which proper competitive relations with other gas retailers or energy suppliers not being ensured were designated as “designated former service area” and transitional rate regulation was imposed on us in the area. The purpose of this regulation is to protect the interests of consumers against the full liberalization of gas retail business. Effective October 1, 2021, the designation as “designated former service area” for a “deemed gas retailer formerly conducting general gas utility services” was lifted, pursuant to Article 22, Paragraph 2 of the supplementary provisions on the Revised Act. Also, pursuant to the June 2015 amendment of the Gas Business Act, we, a general gas pipeline service business operator, have been prohibited from engaging also in the retail gas business or the gas production business from April 2022. The purpose of this amendment is to further secure neutrality of the gas pipeline service sector. In order to comply with the regulatory requirement and to establish a new organization to increase the value of our Group, we established Osaka Gas Network Co., Ltd., a wholly-owned subsidiary of the Company, on April 1, 2021 and transferred our general gas pipeline service business to the said subsidiary effective April 1, 2022 through absorption-type split.

Since we had been positioned as a “deemed gas retailer formerly conducting general gas utility services” and a “general gas pipeline service business operator,” we had prepared our non-consolidated financial statements in accordance with the “Accounting Rules for Gas Utility” (Ministry of International Trade and Industry Ordinance No. 15 of 1954; hereinafter the “Accounting Rules for Gas Utility”) and “Regulation on Corporate Accounting” (Ministry of Justice Ordinance No. 13 of 2006; hereinafter “Regulation on Corporate Accounting”). As transitional measures for a “deemed gas retailer formerly conducting general gas utility services” were lifted and we are no longer in a position of a “general gas pipeline service business operator,” we have prepared non-consolidated financial statements in accordance with the Regulation on Corporate Accounting since the beginning of the fiscal year under review.

For the reasons given above, the way to recognize gas sales revenue has changed from recognizing gas fee calculated on the gas sales volume based on monthly meter readings as revenues for the month to reflecting the estimated usage amount for the period between the last meter reading day in the account closing month and the account closing date in accordance with Article 103-2 of the Implementation Guidance on Accounting Standard for Revenue Recognition.

The change in accounting policy has been applied retrospectively, and the cumulative effect has been reflected in net assets at the beginning of the fiscal year under review. The opening balance of retained earnings on the non-consolidated statement of changes in equity was ¥11,956 million higher as a result.

3. Notes to Changes in Presentation Method

As stated in “Notes to Changes in Accounting Policies,” whereas the Company previously prepared its non-consolidated financial statements based on the Accounting Rules for Gas Utility and Regulation

on Corporate Accounting, from the beginning of the fiscal year under review, it prepares these statements based only on Regulation on Corporate Accounting. The main content of the change is presented below.

(1) Non-consolidated balance sheet

The capital arrangement was used in the previous fiscal years. The current arrangement is used in this non-consolidated fiscal year.

Whereas the content of “property, plant and equipment” was classified by function in the previous fiscal year, it has been classified by form in this non-consolidated fiscal year.

Whereas “accounts receivable from subsidiaries and associates - trade,” “short-term receivables from subsidiaries and associates,” “investments in subsidiaries and associates,” “long-term loans receivable from subsidiaries and associates,” “short-term debt to subsidiaries and associates,” and “long-term debt to subsidiaries and associates” were presented separately in the previous fiscal year, “accounts receivable from subsidiaries and associates - trade” has been included in “accounts receivable - trade”, “short-term receivables from subsidiaries and associates” have been included in “accounts receivable - trade” and “short-term loans receivable,” “investments in subsidiaries and associates” have been included in “investment securities,” “shares and investments in capital of subsidiaries and associates,” and “other” under investments and other assets, “long-term loans receivable from subsidiaries and associates” have been included in “long-term loans receivable,” “short-term debt to subsidiaries and associates” was included in “accounts payable - trade,” “short-term borrowings,” “accounts payable - other,” “accrued expenses,” and “other” under current liabilities, and “long-term debt to subsidiaries and associates” was included in “other” under non-current liabilities in this non-consolidated fiscal year.

“Accounts receivable - other” was presented separately in the previous fiscal year, but included in “accounts receivable - trade” in this non-consolidated fiscal year.

“Advances received” in the previous fiscal year was presented in “advances received” and “other” under current liabilities in this non-consolidated fiscal year.

“Finished goods,” “raw materials,” “supplies,” and “other current assets” were presented separately in the previous fiscal year, but included in “merchandise and finished goods” and “raw materials and supplies” in this non-consolidated fiscal year.

“Other intangible assets” in the previous fiscal year was presented in “software” in this non-consolidated fiscal year.

Whereas “advance payments,” “supplies,” “patent right,” “leasehold interests in land,” “investments in capital,” “long-term prepaid expenses,” “current portion of non-current liabilities” “provision for gas holder repairs,” “provision for safety measures,” and “provision for gas appliance warranties” were presented separately in the previous fiscal year, they have been included in each section of “other” in this non-consolidated fiscal year.

(2) Non-consolidated statement of income

Whereas “sales from gas business,” “miscellaneous operating revenue,” and “revenue from incidental businesses” were presented separately in the previous fiscal year, they have been presented as “net sales” in this non-consolidated fiscal year.

“Supply and sales expenses” and “general and administrative expenses” in the previous fiscal year are presented as “selling, general and administrative expenses” in this non-consolidated fiscal year.

“Miscellaneous operating expenses” and “expenses for incidental businesses,” which were presented separately in the previous fiscal year, were included in “cost of sales” and “selling, general and administrative expenses,” respectively, in this non-consolidated fiscal year.

Expenses associated with the supply of gas, which were included in “supply and sales expenses” in the previous fiscal year, have been included in “cost of sales” in this non-consolidated fiscal year.

The Company’s inhabitant tax on per capita basis, which was included in “general and administrative expenses” in the previous fiscal year, were included in “income taxes - current” in this non-consolidated fiscal year.

Whereas “interest income,” “interest on securities,” “dividend income,” “dividends from subsidiaries and associates,” and “miscellaneous income” were presented separately in the previous fiscal year, “interest income,” “interest on securities,” “dividend income,” “dividends from subsidiaries and associates” were included in “interest and dividend income” and “miscellaneous income” was included in “other” in this non-consolidated fiscal year.

Whereas “interest expenses,” “interest on bonds,” “amortization of bond issuance costs,” and “miscellaneous expenses” were presented separately in the previous fiscal year, “interest expenses” and “interest on bonds” were included in “interest expenses,” while “amortization of bond issuance costs” and “miscellaneous expenses” were included in “other” in this non-consolidated fiscal year.

4. 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	¥1,969 million
Prepaid pension costs	¥55,212 million

(2) Collectability of deferred tax assets

Deferred tax assets (before offsetting with deferred tax liabilities)	¥48,667 million
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5. Notes to the Non-Consolidated Balance Sheet

(1) Assets pledged as collateral

Investments and other assets:	¥9,430 million
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(2) Accumulated depreciation of property, plant and equipment and accumulated amortization of intangible assets

Accumulated depreciation of property, plant and equipment:	¥538,819 million
Accumulated amortization of intangible assets:	¥9,614 million

(3) Guarantee liabilities, etc.

	Guarantee liabilities:	¥80,238 million
(4)	Monetary claims and obligations with subsidiaries and associates	
	Short-term monetary claims:	¥166,166 million
	Long-term monetary claims:	¥394,414 million
	Short-term monetary obligations:	¥206,058 million
	Long-term monetary obligations:	¥6,140 million
6.	Notes to the Non-Consolidated Statement of Income	
	Amount of business from operational transactions with subsidiaries and associates:	
	Sales to subsidiaries and associates:	¥192,738 million
	Amounts of purchases from subsidiaries and associates:	¥640,229 million
	Amount of business from non-operational transactions with subsidiaries and associates:	
		¥25,678 million
7.	Notes to the Non-Consolidated Statement of Changes in Equity	
	Number of treasury stock at the end of the fiscal year:	1,000,693 common shares
8.	Notes to Tax Effect Accounting	
(1)	The main factors for the deferred tax assets are tax losses carried forward, loss on valuation of investment securities, 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 severance and retirement benefit expenses 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 applied for and received approval for the adoption of the group tax sharing system, and have decided to transition from a non-consolidated taxation system to the group tax sharing system from the next non-consolidated fiscal year. From the end of this non-consolidated fiscal year, 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.	

9. 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 Network Co., Ltd.	100% direct holding	Subsidiary	Increase in capital (Note 1)	322,954	—	—
			Dividend of surplus (Note 1)	186,500	—	—
Osaka Gas Gorgon Pty. Ltd.	100% indirect holding	Subsidiary	Debt guarantee (Note 2)	28,429	—	—
Osaka Gas USA Corporation	100% direct holding	Subsidiary	Debt guarantee (Note 3)	19,358	—	—

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

- Notes: 1. The Company subscribed to the increase in capital of Osaka Gas Network Co., Ltd. associated with the transfer of the general gas pipeline service business and other businesses through a company split to Osaka Gas Network Co., Ltd., implemented on April 1, 2022, and received dividends of surplus from Osaka Gas Network Co., Ltd.
2. The Company provided a guarantee for the long-term borrowings of Osaka Gas Gorgon Pty. Ltd. to Japan Bank for International Cooperation, etc.
3. The Company provided a guarantee for the derivative transactions implemented by Osaka Gas USA Corporation to hedge business risks.

10. Notes to Per Share Information

- (1) Net assets per share: ¥1,903.09
- (2) Loss per share: ¥(108.85)

11. 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.

12. Other Notes

Transactions under common control

On April 1, 2022, the Company transferred the general gas pipeline service business and other

businesses through a company split to Osaka Gas Network Co., Ltd.

(1) Outline of the transaction

a. Name of the subject business and description of the business

General gas pipeline service business and incidental businesses

b. Effective date of the business combination

April 1, 2022

c. Legal form of business combination

An absorption-type split in which the Company is the splitting company, and Osaka Gas Network Co., Ltd., a wholly-owned subsidiary, is the succeeding company.

d. Name of company after combination

Osaka Gas Network Co., Ltd.

e. Purpose of business combination

Pursuant to the June 2015 amendment of the Gas Business Act, the Company, a general gas pipeline service business provider, is prohibited from engaging also in the retail gas business or the gas production business from April 2022 from the perspective of ensuring further neutrality in the gas pipeline service business.

In order to comply with the regulatory requirement and to establish an organizational structure to increase the value of our Group, the Company established Osaka Gas Network Co., Ltd., a wholly-owned subsidiary of the Company, on April 1, 2021, and, on April 23, 2021, executed an absorption-type split agreement with the subsidiary to transfer our general gas pipeline service business to the subsidiary which became effective on April 1, 2022.

Based on the above, the Company transferred the business to Osaka Gas Network Co., Ltd.

(2) Summary of accounting procedures performed

The transaction was accounted for as a transaction under common control in accordance with Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, January 16, 2019).