

Other reporting media

Website



Outline of corporate group



Investor relations



CSR Report
A report introducing the CSR activities of the Daigas Group.



Osaka Gas Co., Ltd.

4-1-2, Hiranomachi, Chuo-ku, Osaka 541-0046, Japan
<https://www.osakagas.co.jp/en/>

Inclusion in SRI Indices

Osaka Gas was included in the following socially responsible investment (SRI) indices and an investment universe (candidates for inclusion in indices) as of June 30, 2020.



In collaboration with



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Published in September 2020

2020 ANNUAL REPORT



Osaka Gas Group is now Daigas Group



Continue to Be the First Choice of Customers

* The Daigas Group aims to be "an innovative energy & service company that continues to be the first choice of customers," which is "our vision as formulated in the Long-term Management Vision 2030 and the Medium-term Management Plan 2020 'Going Forward, Beyond Borders.'"



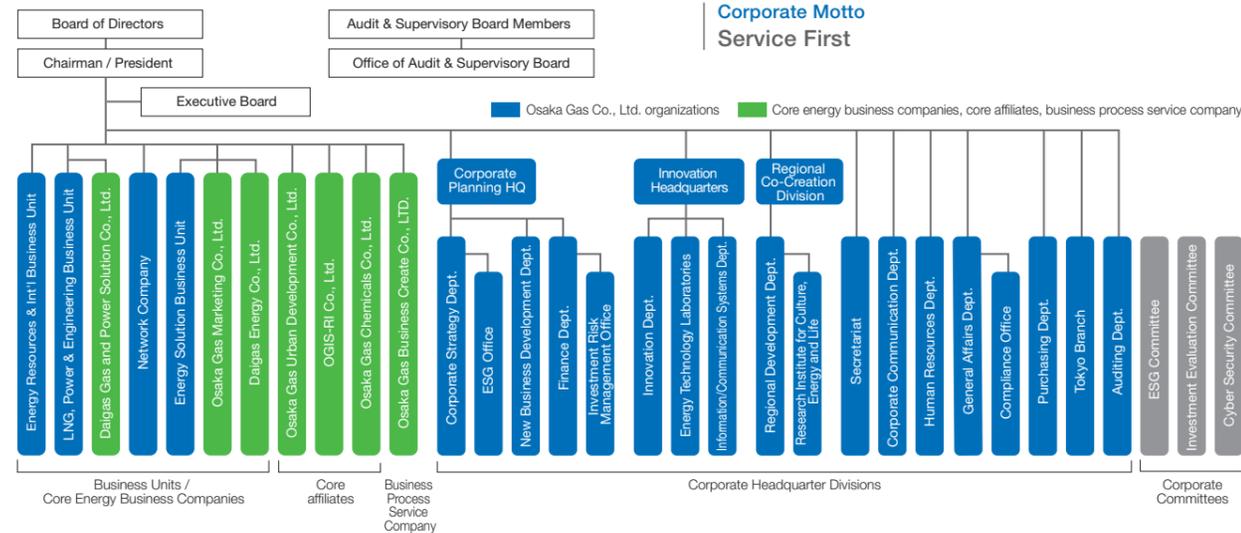
Outline of the Daigas Group

Corporate Profile of Osaka Gas Co., Ltd. (As of March 31, 2020)

Head Office	4-1-2, Hiranomachi, Chuo-ku, Osaka 541-0046, Japan
Date of Establishment	April 10, 1897
Date of Founding	October 19, 1905
Net Sales *1	[Non-consolidated] ¥1,084.3 billion [Consolidated] ¥1,368.6 billion
Ordinary Profit *1	[Non-consolidated] ¥58.4 billion [Consolidated] ¥86.0 billion
Profit*1	[Non-consolidated] ¥44.9 billion [Consolidated] ¥41.7 billion *2
Share Capital	¥132,166 million
Number of Employees	[Non-consolidated] 5,271 (including executive officers, directors and temporary employees, and excluding employees temporarily transferred to affiliated companies) [Consolidated] 20,543

*1 Fiscal year ended March 31, 2020
*2 Profit attributable to owners of parent

Daigas Group Management Structure (As of April 1, 2020)



Daigas Group Management Principle

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

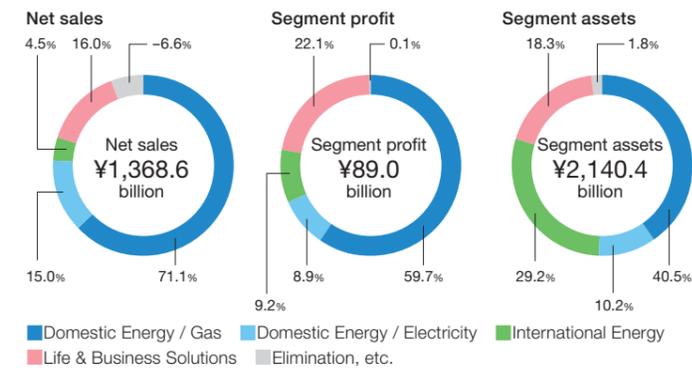
What the Daigas Group Aims To Be
Daigas Group powers continuous advancement in consumer and business life

Daigas Group Declaration
Daigas Group is creating four values
The Daigas Group is committed to creating value primarily for customers, as well as for society, shareholders, and employees.

Corporate Motto
Service First

Main Business Lines of the Daigas Group (As of March 31, 2020)

Business segments	Main business lines
Domestic Energy / Gas	Production, supply and sale of city gas, sale of gas appliances, gas pipe installation, sale of LNG and LPG, sale of industrial gas
Domestic Energy / Electricity	Power generation, sale of electricity
International Energy	Development of and investment regarding oil and natural gas, energy supply, LNG transport
Life & Business Solutions	Development and leasing of real estate properties, information-processing services, sale of fine materials and carbon material products



Tool Map

The Daigas Group disseminates diverse information with a variety of tools in order to promote communication with stakeholders. The Daigas Group works on proactive information disclosure for better understanding of the Group.

	Leaflets (downloadable from the web)	Web
Financial information	<ul style="list-style-type: none"> Corporate Governance Reports Business Reports Securities Reports Annual Reports 	<ul style="list-style-type: none"> Investor Relations https://www.osakagas.co.jp/en/
Non-financial information	<ul style="list-style-type: none"> CSR Reports 	<ul style="list-style-type: none"> CSR https://www.osakagas.co.jp/csr_e/

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Editorial Policy

In Annual Report 2020, we pay particular attention to non-financial information in order to present how assets accumulated to date will lead to future value creation and realize sustainable growth to our stakeholders, which include shareholders and investors. We will continue to pursue further improvement of its content.

Forward-Looking Statements

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

Scope of This Report

Osaka Gas Co., Ltd. and its group companies

Period Covered

April 1, 2019, to March 31, 2020
*Matters on other periods are partially included.

Our Commitment



To be an innovative energy and service company that continues to be the first choice of customers and achieve sustainable growth
 To maximize value for all stakeholders

In presenting this Annual Report 2020, we wish to extend our greetings to all our stakeholders.

First of all, we would like to express our deepest condolences and sympathies to all those affected by COVID-19. We would also like to extend our sincere gratitude to the healthcare professionals and others working to prevent the spread of the disease.

The coronavirus pandemic has significantly impacted both global and domestic economic conditions, constraining economic activities and putting downward pressure on oil prices. It has also affected our way of life including our work style, pushing society into a phase of radical shift. Besides these impacts of COVID-19, the Japanese energy sector also faces drastic changes in the business environment: the severer competition in the fully deregulated gas and electricity retail markets, frequently occurring large-scale disasters in recent years, an intensifying movement of low-carbonization and decarbonization reflecting heightened awareness of climate change risks, and widely diversified customer values.

Under these circumstances, where it is difficult to have a clear business outlook, we strive to deliver stable energy supply as a company responsible for social infrastructure and to achieve sustainable growth as we adapt to ever-changing business conditions. In the meantime, we pursue the vision of "being an innovative energy and service company that continues to be the first choice of customers," which we set in the Long-term Management Vision and the Medium-term Management Plan "Going Forward, Beyond Borders" announced in March 2017.

During the fiscal year ended March 31, 2020, we made significant progress in our International Energy Business especially in the U.S. such as the commencement of commercial operations of the Freeport LNG Project and the Fairview natural gas-fired power plant as well as the acquisition of all shares in Sabine Oil & Gas Corporation, a shale gas development company. In the fiscal year ending March 31, 2021, the final year of executing the current Medium-term Management Plan and the year to formulate the next one, we aim to maximize value for our customers and to reach the goals under the current Medium-term Management Plan as we develop strategies for future growth while preventing the spread of the coronavirus.

We also continue enhancing the ESG (Environment, Society and Governance)-conscious management to earn the trust of all stakeholders and to steadily create four types of value, namely value for customers, value for society, value for shareholders, and value for employees.

As we pursue the goals we set in the current Medium-term Management Plan, we deeply appreciate the continued support and encouragement of our stakeholders.

Message from the President

September 2020

Chairman

尾崎 裕

Hiroshi Ozaki

President

本庄 武宏

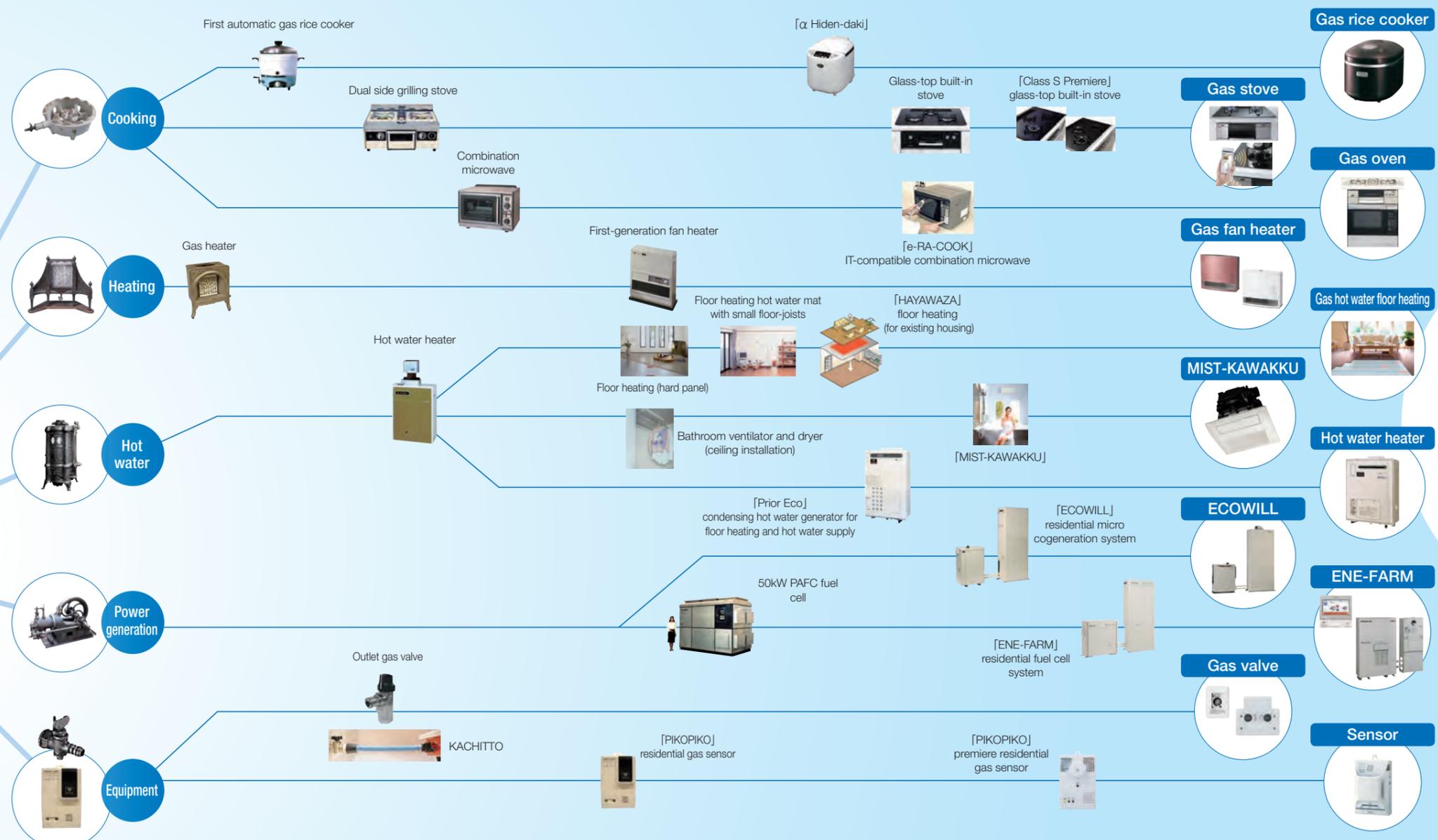
Takehiro Honjo

A Path of Growth

Overcoming Difficulties with a Bold Spirit of Promoting New Initiatives

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

Starting with **lamps** to illuminate the city



Developing advanced products



A Strong Relationship with Our Customers

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

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



- 1955 First Gas Convention held
- 1960 Operations begin at Hokko Plant (shut down in 1989)
- 1963 Operations begin at Sakai Plant (shut down in 1990)
- 1965 Osaka Gas Real Estate Co., Ltd. established (currently Osaka Gas Urban Development Co., Ltd.)
- 1971 Operations begin at Senboku Plant
- 1972 Importing of LNG from Brunei begins
- 1975 Natural gas conversion begins (from 4,500 kcal/m³ to 11,000 kcal/m³)
- 1977 Operations begin at Senboku LNG Terminal II



Gas sales volume



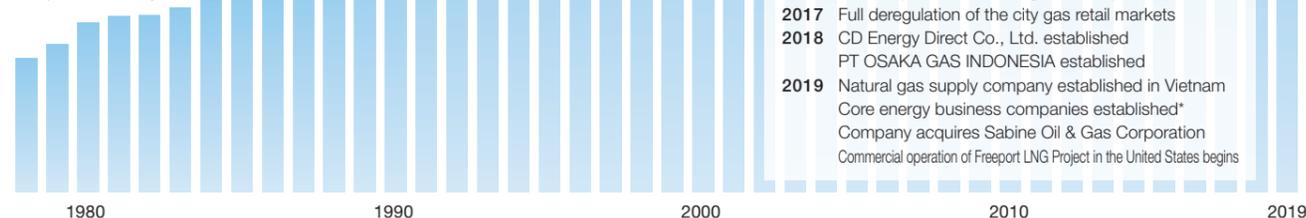
- 1983 OG Information System Co., Ltd. established (currently OGIS-RI Co., Ltd.)
- 1984 Operations begin at Himeji LNG Terminal
- 1989 Urbanex Co., Ltd. established (currently Osaka Gas Urban Development Co., Ltd.)
- 1990 Natural gas conversion completed
- 1991 Osaka Gas Chemicals Co., Ltd. established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



Himeji LNG Terminal at start of operations (Hyogo Prefecture)



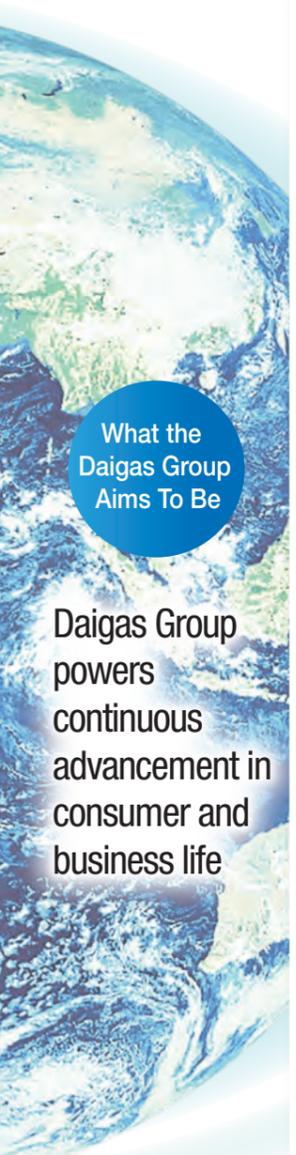
Natural gas conversion completion ceremony



*Osaka Gas Marketing Co., Ltd., Daigas Energy Co., Ltd., Daigas Gas and Power Solution Co., Ltd.

Value Creation Model

Dynamic and Innovative, Genuine and Studios



What the Daigas Group Aims To Be

Daigas Group powers continuous advancement in consumer and business life

Social issues

Climate change

Population decline in Japan

Stable supply of energy

Technical innovation

Efficient utilization of resources

Quality improvement investment
550.0 billion yen
(Total for FY2018.3 to FY2031.3)

Growth investment
1.45 trillion yen
(Total for FY2018.3 to FY2031.3)



Diversity promotion

Work-style reform promotion

Go beyond borders

Go beyond customer expectations

Always aim to provide services that go beyond customer expectations

Go beyond business boundaries

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

Go beyond corporate boundaries

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

Business domains

Domestic Energy → P.23	International Energy → P.31	LBS → P.35
1 Gas manufacturing and sales*	4 International upstream and trading	6 Real estate
2 Gas distribution	5 International middle and downstream	7 Materials
3 Electric power generation and sales		8 IT
9 New business fields and others		

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

Innovative energy and service provider

Four types of value
Company that creates sustainable value

Creation of value for customers

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

Creation of value for society

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

Creation of value for shareholders

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

Creation of value for employees

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

Contribution to sustainable development goals (SDGs)



Value Chain Data as of March 31, 2020

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

LNG suppliers
9 countries

Amount of LNG purchased (including fuel used for power generation and wholesale)
Approx.
8.48 million tons per year
(Fiscal year ended March 31, 2020)

Our group carrier fleet
8 ships

Of which, renewable energy
Approx.
0.24GW

Of which, renewable energy
Approx.
0.10GW

Approx.
2.03GW in Japan

Approx.
2.44GW overseas



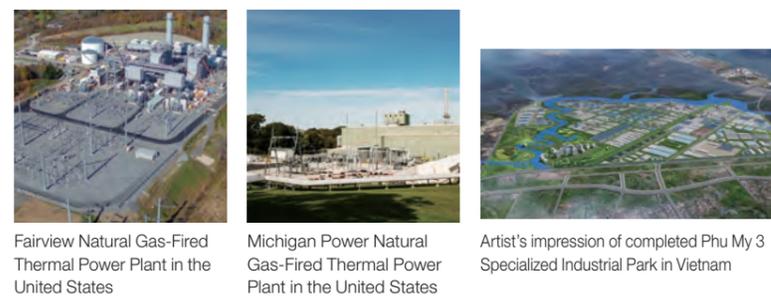
We pursue stable procurement by concluding long-term purchase agreements and diversifying suppliers. In addition, we aim to achieve stable prices by diversifying price indicators through commencement of commercial operation of the Freeport LNG terminal in the United States.

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

International Energy Business(upstream to middle and downstream)

Participation in upstream businesses and liquefaction businesses

We will contribute to the overall Group's revenue expansion and stabilization while realizing low-cost and stable procurement of LNG by participating in upstream businesses and liquefaction businesses to expand our business domains.



Total length of pipeline extensions
Approx.
62,900km

Participation in middle and downstream businesses

We aim to achieve sustainable growth by utilizing know-how and experience cultivated through domestic energy while realizing the improvement of business value for each project and independent business operation.

Creation of Power Supply Portfolio

We aim to establish a competitive and environmentally friendly power supply portfolio by actively focusing on the development of renewable energy sources in addition to natural gas-fired thermal power plants.



Torishima Solar Power Plant

Service chain partners
Approx.
200 stores

Domestic Energy / Electricity Business

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

Electricity is supplied using the grids operated by Kansai Transmission and Distribution, Inc., and other companies to offer the same level of reliability and quality as always.

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



We established a complete production system with two LNG terminals in Senboku and Himeji as well as 26 LNG tanks.

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

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

Domestic Energy / Gas Business

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



LBS Business

Expansion of Wide-Area Businesses including the Greater Tokyo area

Expansion to the Greater Tokyo Area



Business development in Southeast Asia



Number of customer accounts*
Approx.
9.10 million

Of which, number of low-voltage electricity supply customers
Approx.
1.32 million customers

Of which, number of gas supply customers
Approx.
5.34 million customers

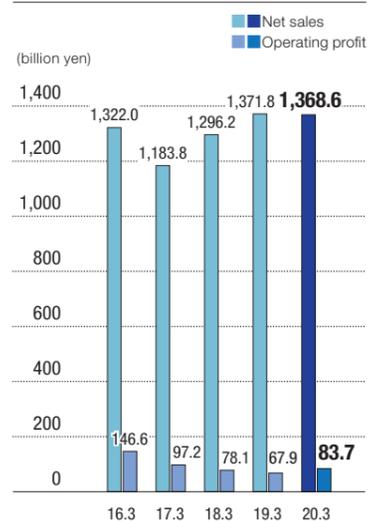
*Total number of contracts, including city gas, electricity, LPG, ENE-FARM, Sumikata Service, and utility agent contracts.

Financial Data

Net sales/Operating profit

Fiscal year ended March 31, 2020

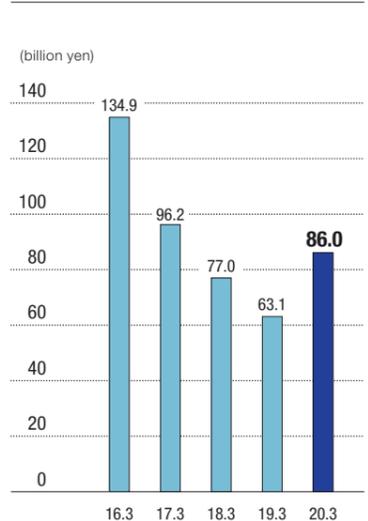
Net sales **¥1,368.6 billion** Operating profit **¥83.7 billion**



Ordinary profit

Fiscal year ended March 31, 2020

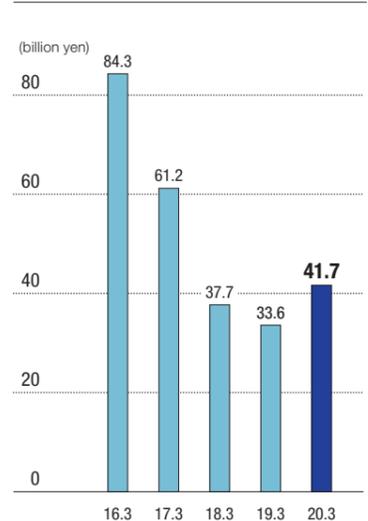
¥86.0 billion



Profit attributable to owners of parent

Fiscal year ended March 31, 2020

¥41.7 billion

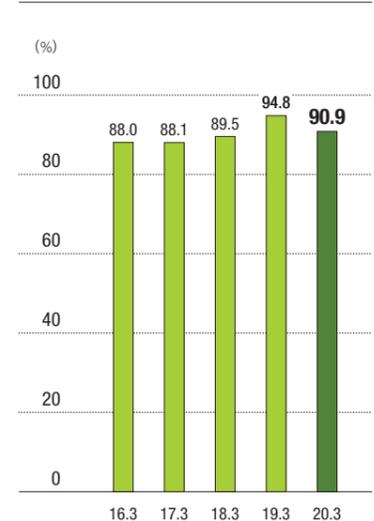


Non-Financial Data

Total shareholder return*1

Fiscal year ended March 31, 2020

90.9%

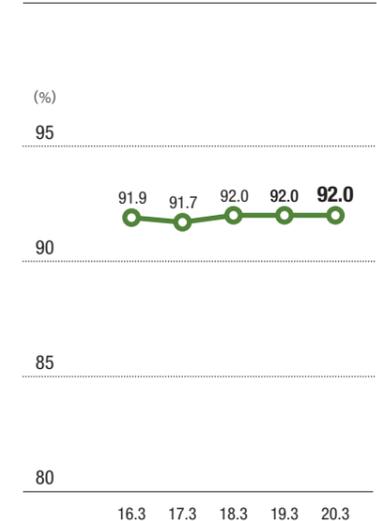


*1 Calculated based on data as of the end of March, 2015

Customer satisfaction (overall satisfaction*2)

Fiscal year ended March 31, 2020

92.0%

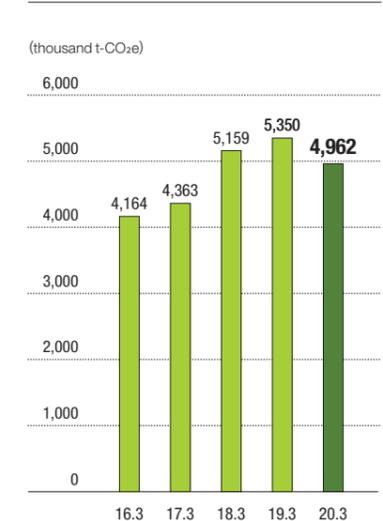


*2 Overall satisfaction: Percentage of evaluations in the highest two ranks of a six-rank scale regarding customer satisfaction levels in seven areas of operation that have direct interaction with customers

Group greenhouse gas emissions*3

Fiscal year ended March 31, 2020

4,962 thousand t-CO₂e



*3 Environmental performance data for the fiscal year ended March 31, 2020 was reported on the website following third-party verification by Bureau Veritas Japan Co., Ltd.

Return on equity (ROE)

Return on assets (ROA)*

Fiscal year ended March 31, 2020

ROE **4.2%** ROA **2.0%**

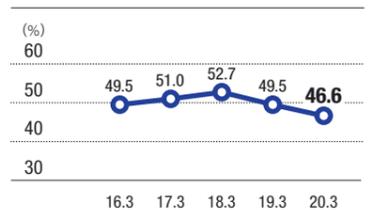


* Calculated taking in account of "Partial Amendments to Accounting Standard for Tax Effect Accounting"

Shareholders' equity ratio*

As of March 31, 2020

46.6%

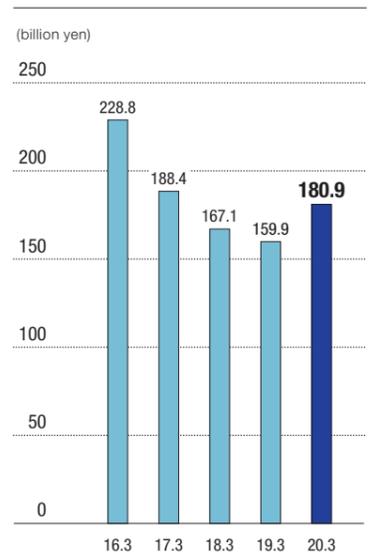


* Calculated taking in account of "Partial Amendments to Accounting Standard for Tax Effect Accounting"

EBITDA

Fiscal year ended March 31, 2020

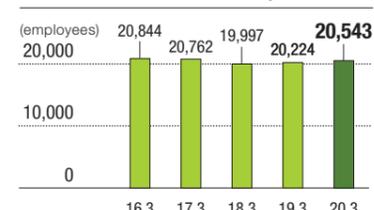
¥180.9 billion



Number of group employees

As of March 31, 2020

20,543



Job turnover rate (Osaka Gas employees under age 50)

Fiscal year ended March 31, 2020

1.05%



Percentage of women in managerial positions (Osaka Gas)

As of April 2020

Target 5.0% by 2020 **5.2%**

* Increased due to the impact of the Group reorganization in April 2020



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

Fiscal year ending March 31, 2021

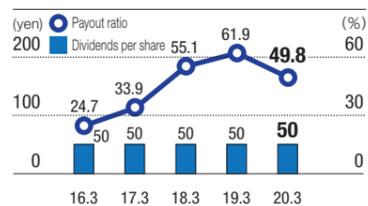
26.8%



Payout ratio/ Dividends per share*

Fiscal year ended March 31, 2020

Payout ratio **49.8%** Dividends per share **¥50**

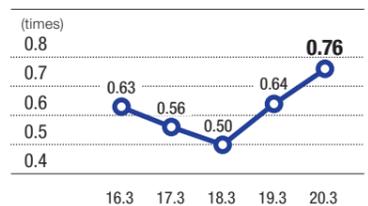


* Taking into account the effects of the 1-for-5 stock consolidation

Debt equity ratio

As of March 31, 2020

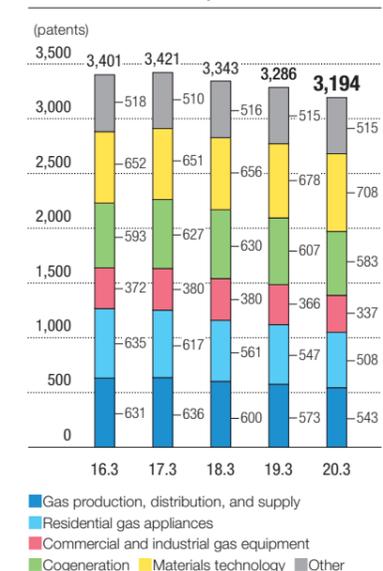
0.76 times



The Daigas Group's patent portfolio by business type

Fiscal year ended March 31, 2020

3,194 patents



Legend: Gas production, distribution, and supply; Residential gas appliances; Commercial and industrial gas equipment; Cogeneration; Materials technology; Other

Message from the President

Introduction

During the three years since March 2017 when we announced the Long-term Management Vision 2030 and Medium-term Management Plan 2020 "Going forward, Beyond Borders," the business environment continued to change drastically, with the competition intensifying in the fully deregulated energy markets, large-scale disasters hitting the country increasingly frequently, and customer values widely diversifying. This situation goes beyond our base assumption for the Long-term Management Vision anticipating the impact of the population decline in the Kansai area and the liberalization in the retail markets of gas and electricity.

Amid these changes, we have built new business structures and foundations in Japan and overseas to enhance the four types of value we provide to our stakeholders, namely value for customers, value for society, value for shareholders, and value for employees. This demonstrates our unwavering commitment to realize our vision of becoming "an innovative energy and service company that continues to be the first choice of customers" as stated in the Long-term Management Vision as well as to accomplish our aim of "powering continuous advancement in consumer life and business" under the "Service First" Corporate Motto, which has been passed on since the Group's founding. We have also introduced a new Group brand, the "Daigas Group," to strengthen the ties among our Group employees who are deployed globally. We continue to take on various challenges to "go beyond borders" in response to changes in the business conditions in order to achieve sustainable growth.

Under the current circumstances where the business environment is undergoing even greater change mainly due to the spread of the coronavirus, we strive to ensure the stable energy supply to our customers while preventing the spread of the infection. In 2020, we continue our endeavors to go beyond customer expectations, business boundaries, and corporate boundaries as we respond flexibly to changes in the business landscape, in order to maximize the value we provide to our customers.

President

本莊武宏

Takehiro Honjo



Progress toward Sustainable Growth

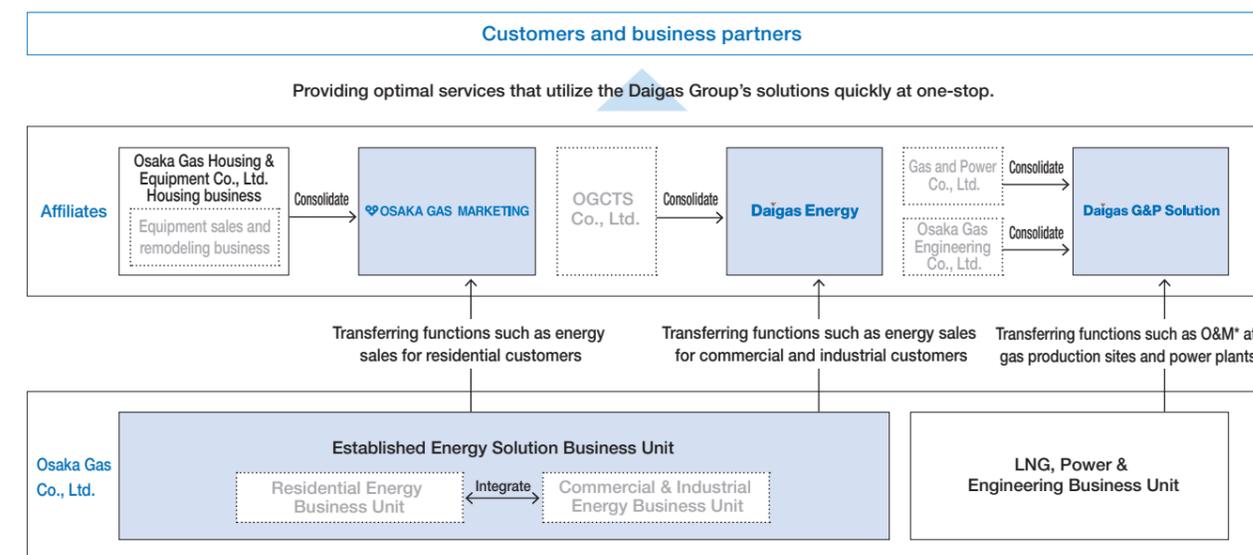
In the fiscal year ended March 31, 2020 ("FY2020.3"), we made progress that will lead to future sustainable growth in the Domestic Energy Business and the International Energy Business, by following the policies formulated in the Medium-term Management Plan. In the Domestic Energy Business, we established core energy business companies and restructured our organization while increasing customer accounts and enhancing energy rate plan options and services. For further expansion, we built up a business foundation in the greater Tokyo area and developed new power plants. In the International Energy Business, we acquired a company in the upstream business and advanced construction work toward commencement of commercial operations of a natural gas liquefaction facility and a power plant. As a remarkable milestone in the International Energy Business, we succeeded in developing business outside Japan we participate in as a core player, advancing to the next stage toward accumulating the expertise and achieving independent growth as a local business operator. We have also enhanced the stability in LNG procurement and city gas supply by diversifying procurement sources and reinforcing pipeline network. In promoting safety and security in our customers' gas usage, we improved standards of maintenance and disaster prevention.

Domestic Energy Business—Organizational Restructuring

To ensure sustainable growth in the Domestic Energy Business as we adapt to changes in the business conditions, we need to continue to be the customers' first choice that they can count on for maximizing their value and responding to their needs

with speedy business operations and customer oriented approaches. To this end, we serve customers better now by providing one-stop, optimal services through our newly established core energy company and leveraging the expertise owned by Osaka Gas and its existing affiliates united through operational consolidation. We also respond to customers' needs more swiftly with speedy business operations in which decision-making process is conducted at levels closer to our customers. To coincide with the start of this new business structure in April 2020, we publicized a new message to our customers, which expresses our goal of creating a better tomorrow by providing enhanced value to customers through closer communication.

The organizational restructuring that we have implemented is an extremely drastic transformation accompanied with the reassignment of approximately 2,000 Group employees in order to adapt to changes in the business environment. We executed the transition after careful preparation for an optimal organizational structure from the ground up without being restricted by existing frameworks.



*Operation & Maintenance

Domestic Energy Business—Expansion of Customer Accounts

During the one-year period from April 2019 to March 2020, we steadily increased our customer accounts by 360,000 from 8.75 million to 9.10 million. This accomplishment was made possible partly by introducing new energy rate plan options in the Kansai area: the With Plan, which is bundled with entertainment options, and the Style Plan, which is bundled with options suited to various lifestyles, such as free annual subscription to Amazon Prime. Other measures we have taken include the introduction of new IoT services such as D-Fire, an IoT service for factories, and the launch of a new ENE-FARM Type S product in April 2020 that features improved power generation efficiency, ease of installation, and convenience. In the Greater Tokyo area, we have gained more alliance partners, introduced new rate plan options, and enhanced direct marketing through CD Energy Direct Co., Ltd., our energy sales company that covers the Greater Tokyo area, by conducting effective mass promotion.

Domestic Energy Business—Building a Business Foundation in the Greater Tokyo Area

In the last twelve months, we built our energy infrastructure and business foundations in the Greater Tokyo area through CD Energy Direct Co., Ltd. As part of the energy infrastructure, we began commercial operations of a calorific value adjustment system with a capacity of approximately 1.10 million tons of city gas per year in April 2020 at Ogishima City Gas Supply Co., Ltd., in which we have taken part since 2017. In the Fukushima Natural Gas Power Plant, in which we have taken part since 2016, we began the commercial operation of Unit 1 in April 2020, which will be followed by Unit 2 scheduled to commence commercial operation in August 2020. To strengthen our business foundations, we transferred our electricity sales business in the Greater Tokyo area jointly conducted by Chubu Electric Power Co., Inc. to CD Energy Direct, which aims for sustainable growth in the energy business in the largest energy market in the country.



Calorific value adjustment system at Ogishima Natural Gas Supply Co., Ltd.



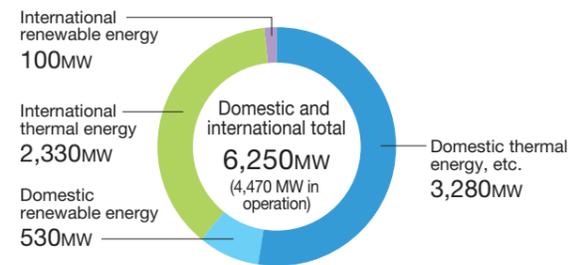
Fukushima Natural Gas Power Plant

Domestic Energy Business—Power Source Development

In power source development, we advanced construction work for renewable energy power sources in which we had previously made decisions to invest. We also decided to invest in Himeji Natural Gas Power Plant, a power plant with low environmental impact and high cost competitiveness. As of March 31, 2020, the Group's global total power generation capacity amounted to approximately 4,500 MW and reaches 6,250 MW if it includes projects under construction and those for which investment decisions have been made. We are making steady progress toward achieving the power source procurement goal of 9,000 MW by 2030 as set in the Long-term Management Vision. In the Group's power portfolio, renewables amount to approximately 340 MW in total as of March 31, 2020 and 640 MW including projects under construction, demonstrating that we are ahead of schedule for the target of 1,000 MW by 2030. We continue building a power source portfolio that is stable, competitive, environmentally-friendly, and well-balanced, consisting of our natural gas-fired power plants, renewable power plants, and the power purchased from the market and other power producers. We are not only increasing our own renewable power capacity but also promoting wider development of renewable energy power sources. In November 2019, we began a service to purchase surplus electricity generated by photovoltaic systems. And in March 2020, we started a joint study of new businesses for creating new added value in the renewable energy field with West Holdings Corporation. Through these initiatives to promote the introduction of renewables, we aim to contribute to the reduction of greenhouse gas emissions and the establishment of a low-carbon society and decarbonized society in the future.

As of March 31, 2020
(includes projects under construction and for which decisions have been made)

Domestic total 3,810 MW (2,030 MW in operation)
International total 2,440 MW (2,440 MW in operation)
Renewable energy total 640 MW (340 MW in operation)



Progress in International Energy Business

In FY2020.3, we made progress in realizing what we aim to be in the Long-term Management Vision, particularly in the International Energy Business.

In the upstream business, through the acquisition of all shares in Sabine Oil & Gas Corporation ("Sabine"), we have been joined by the members of a shale gas development company in the U.S., which gave us the capabilities of operating the upstream business in the country, enhancing the outlook for continued success in the field. With our U.S. shale gas development business integrated into Sabine, we continue to expand the business as the foundation to promote our upstream business in the U.S.

In the medium and downstream business, with the Freeport LNG Project's Trains 1 to 3 and the Fairview natural gas-fired power

plant in the U.S. being in commercial operation now, we have gained greater confidence in the projects' continuous success and further synergies with our business in related fields. With the Freeport LNG Project, a highly stable liquefaction business, we enhance our LNG procurement position and trading business by utilizing the destination-free LNG indexed to a U.S. hub price. We also accumulate the know-how of building up and operating the LNG project for the future plan to develop our own liquefaction business. In the Fairview power plant, the core project for our North American electricity business development, we accumulate the know-how in independently running the U.S. power generation business including fuel procurement and electricity sales to the market, which is essential for our U.S. power business expansion through the enhancement of our existing project value and capabilities to discover next key projects. In renewables, as we invest in SolAmerica Energy, LLC, a distributed photovoltaic power generation developer, we also enter into renewable energy business, which is expected to significantly grow in the U.S. going forward. Outside North America, we are accelerating business development in Southeast Asia, in which the demand for natural gas is expected to increase, by utilizing our expertise in the energy business developed in the Kansai area. In Australia, the Gorgon LNG Project and the Ichthys LNG Project have been in smooth operations. In Singapore, we have established Osaka Gas Energy Supply and Trading Pte. Ltd., and we are working on further cost reduction in LNG procurement through the trading company.



Shale gas mining area of Sabine Oil & Gas Corporation in the United States



Freeport LNG Terminal in the United States
Courtesy of Freeport LNG Development, L.P.



Fairview natural gas-fired thermal power plant in the United States



Earning the Trust of All Stakeholders

In achieving sustainable growth of our business, we consider it of utmost importance to continue earning the trust of stakeholders through ESG (Environment, Society, and Governance)-conscious management.

Since our founding, the Daigas Group has performed various forms of ESG-conscious management, helping society and expanding its business. For example, in the initial stage, the company contributed to reducing the occurrence of fires frequently caused by oil lamps at that time by replacing them with gas lamps, which was the aim of the company's establishment in 1897 as stated in the application for incorporation. In later years, the company contributed to the enhanced stability in energy supply and the reduced environmental burden through the introduction of natural gas to the market.

Through environmentally-conscious management, we accelerate the development of renewables such as wind power and photovoltaic power sources as well as the introduction of high-efficiency equipment to customers, as our goal to contribute to a reduction of 70 million tons of CO2 emissions cumulatively from FY2018.3 through FY2031.3. In society-conscious management, we promote human rights activities, proper labor practices, workstyle reform and diversity to maintain a healthy and sound Daigas Group while ensuring a stable supply of energy. Concerning governance, in light of the recent business environment, we increased the ratio of Outside Directors to one-third following the organizational restructuring. We continue our efforts to improve our governance and to enhance our information disclosure, striving to earn high evaluations from investors, analysts, and evaluation bodies around the world while thoroughly implementing fair business practices.

In April 2020, with ESG positioned with increased importance as a management issue, we launched the ESG Office within the Corporate Strategy Department, an internal body to promote further incorporation of the ESG perspective in our company-wide policies and decision-making, in order to accelerate our ESG-conscious management.

Progress of Medium-term Management Plan 2020



Representative Director
Executive Vice President
Takeshi Matsui

Review of the Fiscal Year Ended March 31, 2020

Consolidated ordinary profit for FY2020.3 increased by 22.0 billion yen year-on-year to 86.0 billion yen, mainly due to a time-lag effect in the Domestic Energy / Gas Business. Despite an impact from profit decline in the Domestic Energy / Gas Business mainly due to continued competition in the fully deregulated retail markets, we realized higher profit even after excluding the profit increase of 19.7 billion yen from the time-lag effect, mainly due to the new consolidation of Sabine Oil & Gas Corporation and the commencement of commercial operation of the Freeport LNG Project in the International Energy Business.

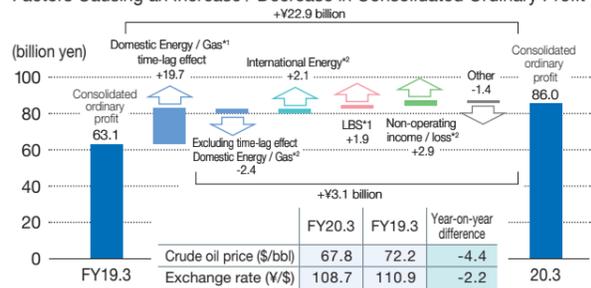
Profit attributable to owners of parent increased by 8.1 billion yen year-on-year to 41.7 billion yen. An impairment loss was recorded in extraordinary losses due to changes in development plans for the Sunrise LNG Project and Evans Shoal Gas Field in Australia, in which we have participated since 2000.

* Temporary impact due to time lag between fluctuations in raw material costs and their reflection in the unit selling price of city gas

Consolidated Business Results Data

	Fiscal year ended March 31, 2020	Year-on-year difference	Year-on-year ratio
Net sales	¥1,368.6 billion	-¥3.1 billion	-0.2%
Operating profit	¥83.7 billion	+¥15.8 billion	+23.3%
Ordinary profit	¥86.0 billion	+¥22.9 billion	+36.3%
Profit attributable to owners of parent	¥41.7 billion	+¥8.1 billion	+24.4%
Time-lag effect	¥6.5 billion	+¥19.7 billion	—
Ordinary profit excluding the time-lag effect	¥79.5 billion	+¥3.1 billion	+4.1%

Factors Causing an Increase / Decrease in Consolidated Ordinary Profit

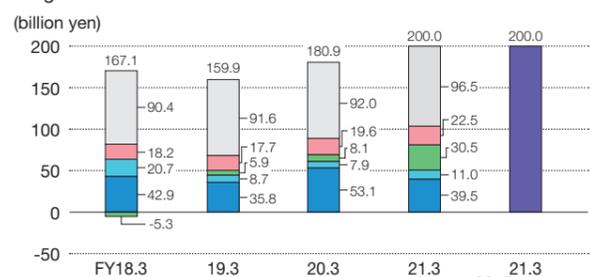


¹ Describe the impact on segment profit
² Excludes share of profit / loss of entities accounted for using equity method

Aiming for Targets of the Medium-term Management Plan

The Daigas Group set EBITDA of 200 billion yen, ROE of 7.0%, and ROA of 3.5% as profitability targets in the Medium-term Management Plan. In the management plan for FY2021.3 announced in March 2020, we aim to reach EBITDA and ROE targets by significantly increasing profits mainly in the International Energy Business through initiatives in the Medium-term Management Plan. We expect that ROA will fall somewhat short of the target as a result of investments for our business growth progressing further than expected, which we expect will lead to future growth. Despite a certain level of COVID-19's impact expected on business results, we aim to achieve the targets and sustainable growth through initiatives that "go beyond borders" as formulated in the Medium-term Management Plan, while flexibly adapting to changes in the business environment.

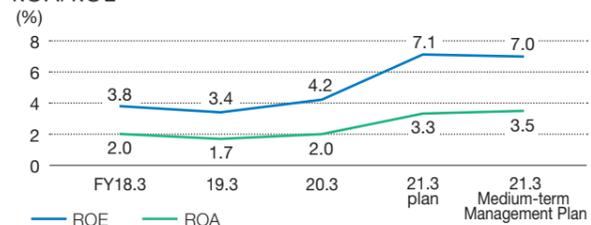
Progress of EBITDA*



Legend: EBITDA (Total), Domestic Energy / Gas, International Energy, LBS, Depreciation costs, etc.

* EBITDA = operating profit + depreciation cost + amortization of goodwill + share of profit / loss of entities accounted for using equity method

ROA/ROE (%)

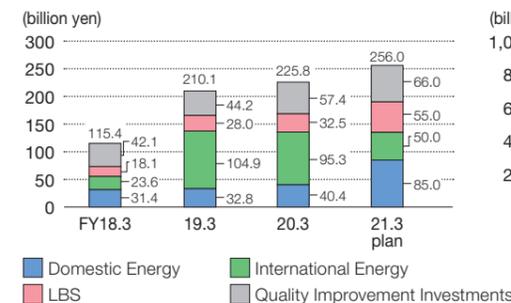


Assumptions for FY2021.3 Plan	Profit Sensitivity
Crude oil price: \$65/bbl	Crude oil price: -\$1/bbl: Approx. +¥0.6 billion
Exchange rate: ¥110/\$1	Exchange rate: -¥1/\$1: Approx. +¥0.8 billion

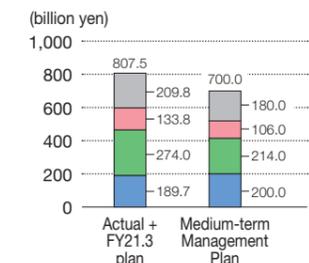
Investment Progress

The Daigas Group proactively conducts investments for further growth of our business as well as investments for quality improvement to maintain and improve our business quality. In investments for growth during FY2020.3, we invested mainly in the International Energy Business, such as for the acquisition of all shares in Sabine Oil & Gas Corporation and the advancement of construction work for the Freeport LNG Project and the Fairview natural gas-fired power plant. In FY2021.3, we intend to invest for growth mainly in power source development in the Domestic Energy Business, such as the Himeji Natural Gas Power Plant and renewable energy power sources.

Trends in Investment Amounts



Trends in Investment Amounts (Cumulative from FY2018.3 through FY2021.3)



Investment Risk Management

Our investment stance is to maintain a good balance between risk and return, not taking high risks to seek excessively high returns and avoiding unnecessary risk control. To this end, we manage investment risk by ensuring the following four points.

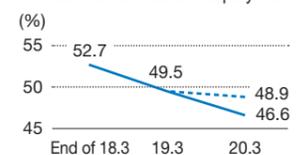
The first point is the consistency with the investment project's strategy. In addition to profit contributions from the project alone, we look at whether or not the project contributes to synergies with other businesses and the improvement of business execution capabilities.

The second is the evaluation of the inherent risks of the investment project. We conduct strict project evaluations and deliberations through the Investment Evaluation Committee after establishing uniform group-wide investment standards and taking into account the evaluations of the Investment Risk Management Office and internal organizations in charge of finance and legal affairs, as well as third-party evaluations of external consultants when necessary.

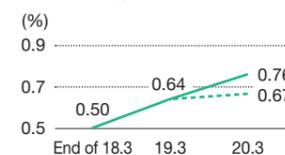
The third is a good balance with financial soundness. We quantitatively assess potential losses for each risk in investment and balance risk and return across the entire Group to make it possible to sustainably conduct investments for growth while maintaining a certain level of financial soundness even when faced with the risks. In the Medium-term Management Plan, we have set a D/E ratio of 0.7 and a shareholder equity ratio of 50% as targets for financial soundness, which we have maintained. In FY2020.3, we issued subordinated corporate bonds of 100 billion yen, which will contribute to maintaining financial soundness even when increasing debt for investments for growth.

The fourth is follow-up after investment. Based on our investment monitoring standards, we conduct annual follow-ups on each investment project every year. By applying the standards, we evaluate whether or not the project satisfies the original purpose of our investment, keeps up with the changes in the business environment, and faces any issues with its progress and profitability. Depending on the evaluation, we take necessary actions such as improving project profitability or considering divestiture or withdrawal.

Trends in shareholders' equity ratio (%)



Trends in D/E ratio (%)

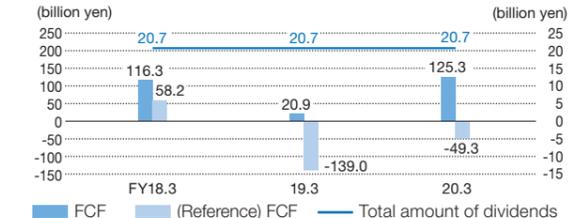


* Adjusted for 50% treated as capital within the subordinated corporate bonds of ¥100 billion issued

Shareholder Returns and Free Cash Flow

Our shareholder return policy is to provide stable dividends while maintaining a consolidated dividend payout ratio of 30% or higher excluding short-term fluctuation factors that affect profits as our basic stance, and to provide higher dividends when we achieve profit growth. In the first half of the 2020s, we expect our free cash flows to exceed the amount of investments for growth when we start to receive significant returns as planned from those investments we are currently pursuing. We will consider implementing shareholder returns, taking into account structural risks such as intensifying competition in the fully deregulated energy market and declining population in Japan, and comprehensively evaluating future free cash flows, progress in investments for growth, business performance, and financial situation.

Trends in FCF* during the Medium-term Management Plan Period / Total Amount of Dividends



FCF = Cash flows from operating activities - Capital expenditures for maintaining ordinary business (Reference) FCF = Cash flows from operating activities - Cash flows from investing activities *Free Cash Flow

Trends in dividends / payout ratio



Annual Dividends per Share (yen)

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

The Daigas Group's Shareholder Return Policy

We provide stable dividends and maintain a consolidated dividend payout ratio of 30% or higher excluding short-time fluctuation factors that affect profits, within the amount available for distribution to Osaka Gas shareholders. We will flexibly implement share buybacks when our financial conditions and cash flows have a surplus after conducting investments for growth.

Long-term Management Vision 2030 and Medium-term Management Plan 2020 “Going Forward, Beyond Borders”

The Daigas Group formulated a new Long-term Management Vision 2030 for FY2031.3 and the Medium-term Management Plan 2020 that covers the period up to FY2021.3 and is aimed toward realizing the vision of the Long-term Management Vision 2030. By going beyond customer expectations, business boundaries, and corporate boundaries, we strive to contribute to the advancement of society, communities, and customers, and to be an innovative energy and service company that continues to be the first choice of customers. Keeping in mind

the three guiding principles toward FY2031.3 based on the Daigas Group Management Principle, which consists of the Corporate Motto “Service First,” our aim “Daigas Group powers continuous advancement in consumer life and business,” and the declaration to create four values, namely, value for customers, value for society, value for shareholders, and value for employees, we will carry out activities aimed at realizing the long-term management vision.

Daigas Group Management Principle and Three Guiding Principles toward FY2031.3

Daigas Group Management Principle

What the Daigas Group Aims To Be	Daigas Group powers continuous advancement in consumer and business life
Daigas Group Declaration	Daigas Group is creating four values
Corporate Motto	Service First

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

Creation of value for customers	Creation of value for society
Creation of value for shareholders	Creation of value for employees

Three Guiding Principles toward FY2031.3

- 1 Continue providing as many customers as possible with high-quality services developed in the Kansai area.
- 2 Always strive to be professionals who pursue innovative challenges.
- 3 Continue to be trusted by investors, business partners, citizens and employees.

Medium-term Management Plan FY2018.3-FY2021.3

Measures to be taken under the Medium-term Management Plan 2020

- Enhancement of solutions business for residential customers
- Enhancement of solutions business for commercial and industrial customers
- Establishment of competitive power-supply portfolio
- Development of pipeline network operator business
- Efforts to expand international energy business
- Securing of a business footing in the LBS business and exploration of new business fields

Financial Targets for the Medium-term Management Plan 2020

Profitability indicators	ROA 3.5%, ROE 7.0%, EBITDA ¥200 billion
Shareholder returns	Payout ratio of 30% or higher*
Financial soundness indicators	D/E ratio of approximately 0.7, shareholders' equity ratio of approximately 50%

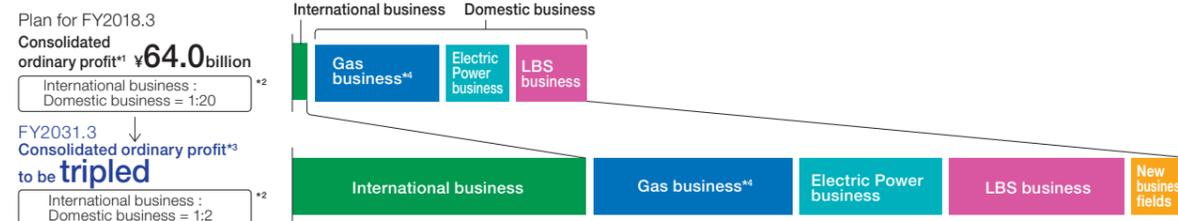
*Excludes short-term fluctuation factors that affect profits

Long-term Management Vision 2030



To be an innovative energy & service company that continues to be the first choice of customers

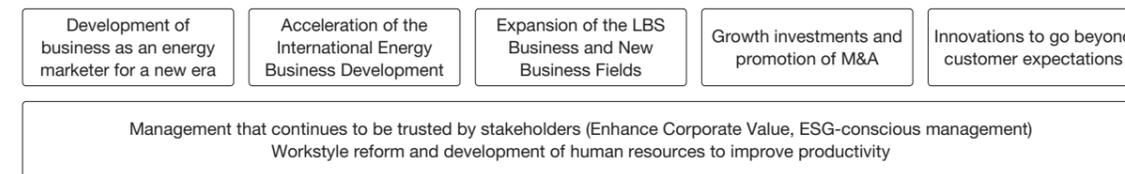
What We Aim To Be in FY2031.3



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

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

Business development going beyond customer expectations, business boundaries, and corporate boundaries



Long-term Management Goals for FY2031.3

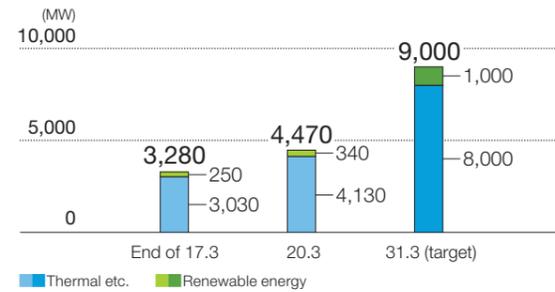
	Long-term target items	Medium-term Management Plan FY2021.3 goals	Long-term management goals FY2031.3
Expand business domains	Energy source procurement capacity (domestic and international)*1	—	9,000 MW
	Renewable energy power generation capacity (domestic and international)	—	1,000 MW
	Number of customer accounts	—	10.00 million or more
	Scale of natural gas business*2	—	17.00 million t
Quality improvement	Customer satisfaction at each contact point*3	94.0%	95.0%
Security and safety	Ensure security and safety of gas pipelines, gas manufacturing, and power generation business	Maintain the status of zero serious accidents	
Environment/CSR	Contribution to reduction in amount of CO ₂ emissions*4	Approx. 7.00 million t	Approx. 70.00 million t
Investment	Growth investment*5	¥520.0 billion	¥1,450.0 billion
	Domestic energy	¥200.0 billion	¥520.0 billion
	International energy	¥214.0 billion	¥550.0 billion
	LBS	¥106.0 billion	¥380.0 billion
	Total investment	¥700.0 billion	¥2,000.0 billion
	Quality improvement investing	¥180.0 billion	¥550.0 billion

*1 The ratio of procurement from markets and other companies will be considered continuously depending on circumstances in systems and regulations imposed by the national government.
*2 Includes sales of LNG to domestic and international energy operators and handling of overseas LNG terminal operations.
*3 Customer satisfaction for opening gas valves, equipment repairs, and sales and installation work.
*4 Total contribution to reduction in amount from FY2018.3 through FY2031.3. Includes contribution to reduction at customer sites and overseas.
*5 Total investment amount from FY2018.3 through FY2031.3.

Progress toward Long-term Management Goals



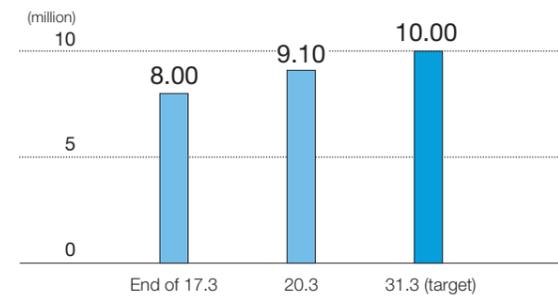
Energy source procurement capacity



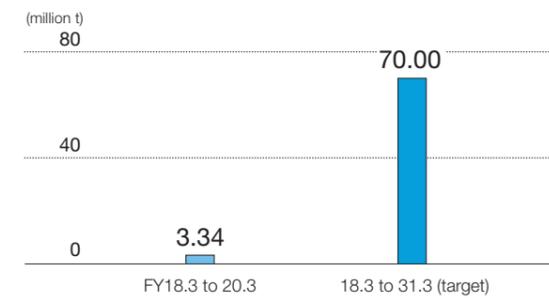
Ensure security and safety of gas pipelines, gas manufacturing, and power generation business

Maintain the status of zero serious accidents

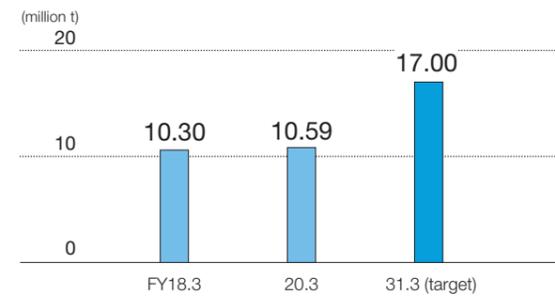
Number of customer accounts



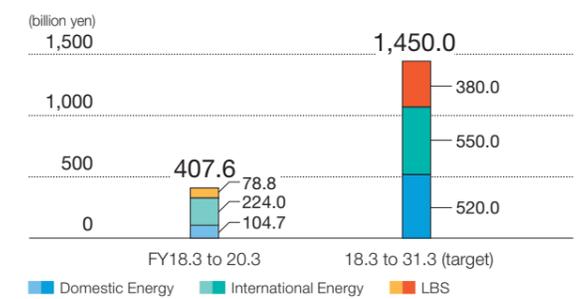
Contribution to reduction in amount of CO2 emissions



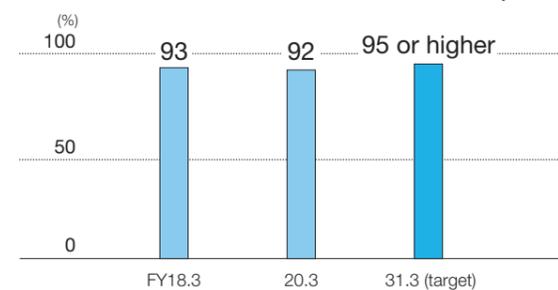
Scale of natural gas business



Growth investment



Customer satisfaction at each contact point



Quality improvement investing

