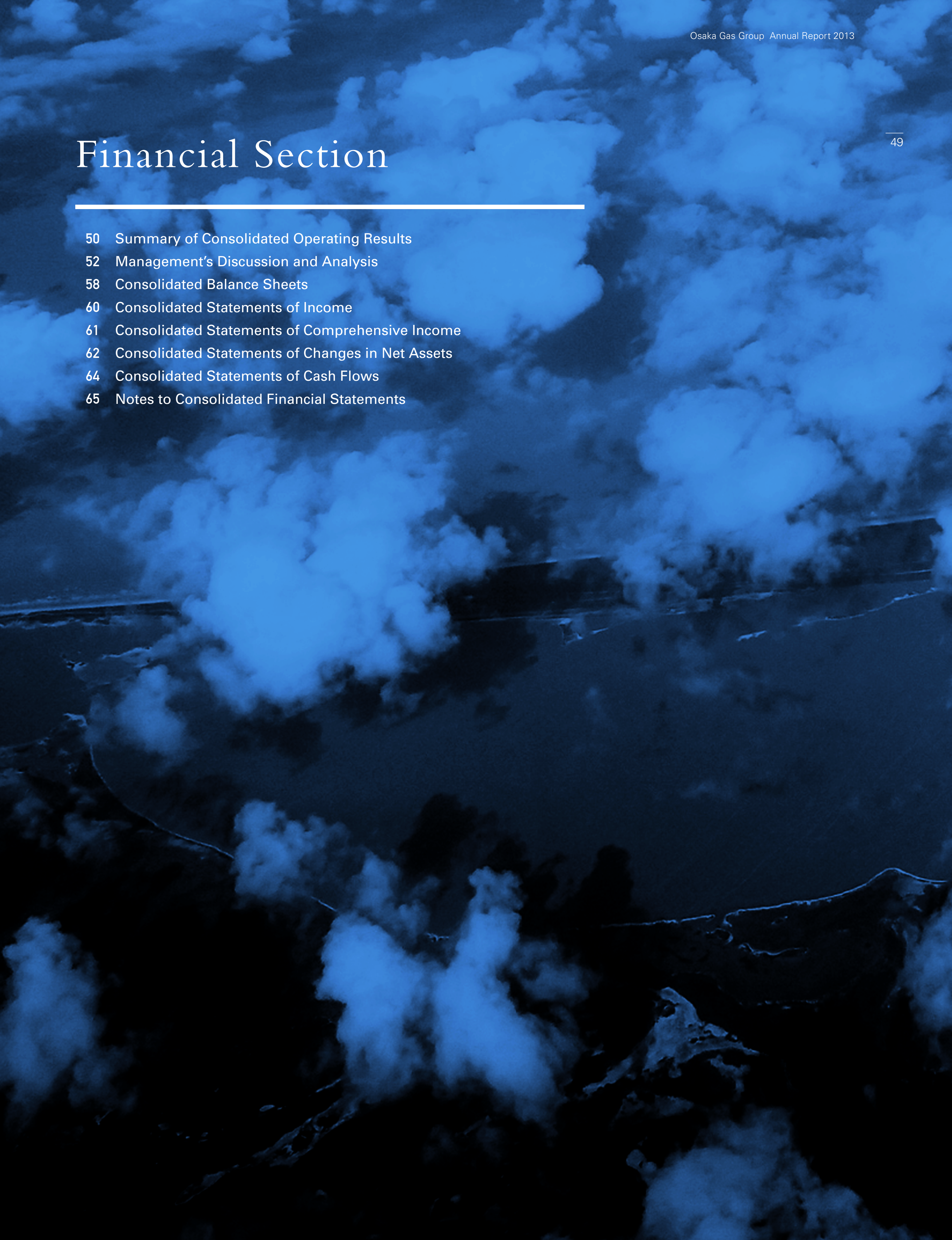
Financial Section



Summary of Consolidated Operating Results

Osaka Gas Co., Ltd. and Consolidated Subsidiaries
Fiscal years ended March 31, 2003 through 2013

	2003.3	2004.3	2005.3	2006.3
Financial Data				
Net sales	¥ 947,977	¥ 951,324	¥ 975,340	¥1,065,961
Operating income	85,974	92,096	95,992	100,657
Income before income taxes and minority interests	51,025	78,161	83,904	132,393
Net income	29,685	47,065	50,683	80,710
Capital expenditure	67,107	69,779	65,517	117,455
Depreciation and amortization	82,805	89,564	86,858	84,250
R&D expenses	13,725	12,379	11,404	11,324
Total assets	1,209,627	1,199,228	1,217,463	1,398,692
Equity	453,284	495,635	530,862	628,510
Interest-bearing debt	494,535	455,700	448,521	487,509
Net cash provided by operating activities	92,573	132,891	116,902	152,935
Net cash used in investing activities	(49,629)	(67,877)	(65,679)	(162,989)
Net cash used in financing activities	(30,093)	(75,930)	(23,912)	13,245
Number of shares issued and outstanding (thousands)	2,369,011	2,369,011	2,369,011	2,235,669
Per Share Data (yen and U.S. dollars)				
Earnings per share (EPS)	¥ 12.56	¥ 20.56	¥ 22.69	¥ 36.18
Book value per share (BPS)	197.28	222.15	238.15	282.12
Annual dividends	6.00	6.00	6.00	7.00
Key Ratios				
Shareholders' equity ratio	37.5%	41.3%	43.6%	44.9%
Debt equity ratio (times)	1.09	0.92	0.84	0.78
Interest coverage ratio (times)	14.2	12.9	16.1	23.6
Return on assets (ROA)	2.4%	3.9%	4.2%	6.2%
Return on equity (ROE)	6.4%	9.9%	9.9%	13.9%
Gas sales volume (million m^3)	7,701	7,779	8,072	8,469
Number of meters installed (thousands)	6,579	6,650	6,725	6,785
Number of employees	15,020	15,276	15,992	16,077

Notes:
1. The translation of Japanese yen amounts into U.S. dollar amounts is based on the prevailing exchange rate at March 31, 2013, which was ¥94.05 to U.S.$1.0.
2. Shareholders' equity ratio = Equity / Total assets (as of the end of the fiscal years ended March 31)
3. Debt equity ratio = Interest-bearing debt / Equity (as of the end of the fiscal years ended March 31)
4. Interest coverage ratio = Cash flows from operating activities / Interest expenses
5. Return on assets (ROA) = Net income / Total assets (average)
6. Return on equity (ROE) = Net income / Average equity (up to 2006, "average equity" was "shareholders' assets [average]")
7. Figures in the financial data are rounded down.

						Millions of yen	Thousands of U.S. dollars
2007.3	2008.3	2009.3	2010.3	2011.3	2012.3	**2013.3**	**2013.3**
¥1,174,456	¥1,238,145	¥1,326,785	¥1,096,628	¥1,187,142	¥1,294,781	**¥1,380,060**	**$14,673,684**
93,729	75,611	66,932	91,140	88,584	77,274	**84,773**	**901,360**
88,078	72,478	64,510	82,572	81,587	75,694	**84,630**	**899,840**
52,929	40,283	36,041	48,384	45,968	45,207	**52,467**	**557,862**
95,267	111,087	106,087	98,246	69,600	87,171	**112,987**	**1,201,350**
84,031	95,253	86,549	95,402	97,569	93,624	**82,818**	**880,574**
9,906	10,178	9,603	10,670	10,918	10,974	**10,875**	**115,629**
1,405,682	1,467,934	1,452,457	1,483,895	1,437,297	1,475,759	**1,566,899**	**16,660,276**
668,887	648,592	612,566	666,689	664,959	684,584	**747,802**	**7,951,111**
487,827	566,441	573,483	539,081	532,493	541,349	**540,199**	**5,743,742**
98,354	134,282	120,691	229,714	126,399	122,793	**129,597**	**1,377,958**
(99,765)	(132,029)	(108,102)	(111,265)	(82,408)	(107,764)	**(116,791)**	**(1,241,796)**
(22,009)	12,495	(3,438)	(49,553)	(41,257)	(8,279)	**(27,897)**	**(296,618)**
2,235,669	2,158,383	2,158,383	2,158,383	2,083,400	2,083,400	**2,083,400**	**—**
¥ 23.77	¥ 18.27	¥ 16.72	¥ 22.50	¥ 21.62	¥ 21.71	**¥ 25.20**	**$ 0.267**
300.61	300.76	284.21	310.39	319.33	328.77	**359.16**	**3.818**
7.00	7.00	7.00	7.00	8.00	8.00	**8.50**	**0.090**
47.6%	44.2%	42.2%	44.9%	46.3%	46.4%	**47.7%**	**—**
0.73	0.87	0.94	0.81	0.80	0.79	**0.72**	**—**
10.3	13.6	11.5	23.1	14.0	13.8	**15.4**	**—**
3.8%	2.8%	2.5%	3.3%	3.1%	3.1%	**3.4%**	**—**
8.1%	6.1%	5.7%	7.6%	6.9%	6.7%	**7.3%**	**—**
8,764	8,917	8,416	8,150	8,560	8,711	**8,534**	**—**
6,848	6,913	6,971	7,009	7,041	7,074	**7,114**	**—**
16,435	16,682	19,009	19,268	19,684	19,818	**19,870**	**—**

Management's Discussion and Analysis

1. Operating Environment

In the fiscal year ended March 31, 2013, the Japanese economy experienced a modest recovery. In addition to such factors as the steady improvement in economic conditions in the U.S., the absence of any major downturn in China and Europe, and an increase in reconstruction demand following the earthquake disaster, this moderate pickup was largely attributable to the ambitious pump-priming policies put forward by the newly elected administration, which triggered a drop in the value of the yen, an upswing in stock market prices, and a positive turnaround in business confidence. In overall terms, the fiscal year under review generated expectations of growth going forward.

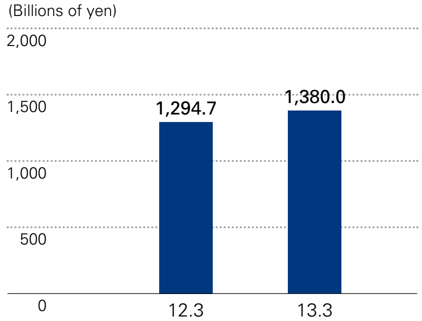
2. An Overview of the Fiscal Year Ended March 31, 2013

Consolidated net sales for the fiscal year ended March 31, 2013 increased by ¥85.2 billion (6.6%) year on year to ¥1,380.0 billion, primarily because gas unit prices remained high under the Fuel Cost Adjustment System. Meanwhile, consolidated operating income came to ¥84.7 billion, up ¥7.4 billion (9.7%). This largely reflected the increase in earnings in the gas as well as electric power businesses. Likewise, consolidated net income climbed by ¥7.2 billion (16.1%) to ¥52.4 billion.

As of March 31, 2013, the Company had 130 consolidated subsidiaries. During the fiscal year, seven companies were excluded, and four companies were included in the scope of consolidation. In addition, there were nine affiliates reported by the equity method as of the end of the fiscal year under review, unchanged from the end of the previous fiscal year.

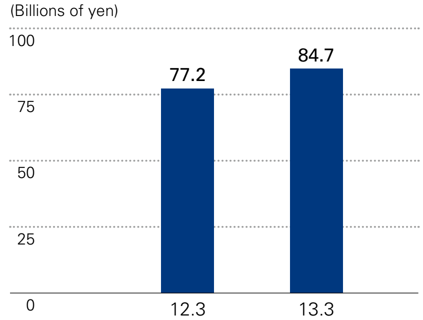
Net Sales

(Billions of yen)



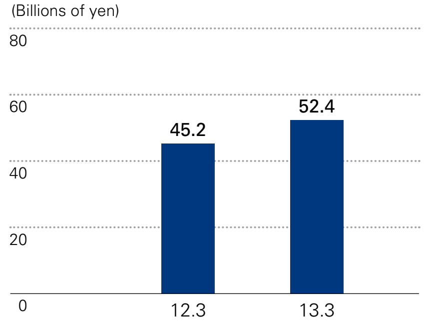
Operating Income

(Billions of yen)



Net Income

(Billions of yen)



3. Non-Consolidated Gas Sales

In the fiscal year ended March 31, 2013, overall gas sales volume for Osaka Gas declined by 2.1% from the previous fiscal year, to 8,503 million m^3. Included in this amount, residential gas sales volume were relatively unchanged from the previous fiscal year at 2,272 million m^3. Industrial gas sales volume contracted 3.1%, to 4,222 million m^3, as a result of the drop in operating activity by existing customers. Commercial gas sales and gas sales for public and medical uses were impacted by the energy-saving efforts of customers. This led to a decline by 2.2%, to 1,540 million m^3. Wholesale gas sales decreased by 2.3%, to 469 million m^3.

Non-Consolidated Gas Sales

45MJ/m^3		2012.3	2013.3	Change	Change (%)
Average monthly usage per customer (m^3/month)		32.6	**32.5**	–0.1	–0.3
Gas sales volume (million m^3)	Residential	2,271	**2,272**	+1	+0.1
	Commercial and industrial	5,930	**5,761**	–168	–2.8
	Industrial	4,355	**4,222**	–134	–3.1
	Commercial, public, and medical	1,575	**1,540**	–35	–2.2
	Wholesale	480	**469**	–11	–2.3
	Total	8,681	**8,503**	–178	–2.1

4. Overview by Business Segment

Gas

Net sales for the gas business segment were up ¥62.0 billion (6.4%) year on year, to ¥1,038.5 billion, because gas unit prices remained high under the Fuel Cost Adjustment System. Segment income also climbed ¥2.3 billion (11.4%), to ¥23.3 billion.

LPG, Electricity and Other Energy

Net sales from this segment increased by ¥17.4 billion (8.8%), to ¥215.5 billion, owing mainly to higher revenues from the electric power business and LNG sales growth. Segment income was up ¥5.8 billion (18.0%), to ¥38.2 billion, reflecting the increase in electric power business profits.

International Energy

Net sales from the international energy businesses segment declined by ¥0.3 billion (3.5%), to ¥10.7 billion. Segment income fell by ¥1.0 billion (11.7%), to ¥7.6 billion, largely due to the downturn in income from LNG terminal operations in Spain and independent power producer (IPP) projects in the U.S.

Environment and Non-Energy

Net sales from the environment and non-energy businesses segment edged up ¥1.0 billion (0.6%), from the previous fiscal year, to ¥185.6 billion. This was largely attributable to the increase in material solutions business sales. Segment income increased by ¥0.5 billion (2.8%), to ¥19.0 billion, following higher income from the sports facilities business.

Net Sales and Segment Income* for the Fiscal Year Ended March 31, 2013

(Billions of yen)

	Gas	LPG, Electricity and Other Energy	International Energy	Environment and Non-Energy	Adjustments	Total
Net sales	1,038.5	215.5	10.7	185.6	–70.4	1,380.0
Year-on-year change (%)	+6.4%	+8.8%	–3.5%	+0.6%	—	+6.6%
Year-on-year change	+62.0	+17.4	–0.3	+1.0	—	+85.2
Segment income*	23.3	38.2	7.6	19.0	2.7	91.1
Year-on-year change (%)	+11.4%	+18.0%	–11.7%	+2.8%	—	+9.9%
Year-on-year change	+2.3	+5.8	–1.0	+0.5	—	+8.1

* Segment income = Operating income + Equity in net earnings of affiliates

5. Assets, Liabilities, and Net Assets Analysis

Asset Management Policies

The Osaka Gas Group plans to reduce assets in unprofitable business fields and day-to-day operations and intends to aggressively expand its operations in growth fields, especially domestic energy services, international energy businesses along the energy value chain, and environment and non-energy businesses. To minimize investment risks caused by changes in the operating environment, the Group is further tightening its procedures for investment decisions, as well as subsequent follow-up and evaluation for individual investment proposals based on Group-wide investment criteria. The Group will conduct quantitative risk management and pursue returns through active business investments within the scope of the allowed risk amount of the entire Group.

To effectively advance the Group's business strategies, we aim to improve the Group's financial constitution, procure funding through the most appropriate means, and respond to financial risks in the best manner possible. When considering the optimal balance between debt capital and equity capital, the Company looks at factors such as related capital costs and the need to maintain a sound financial position. Based on these considerations, we strive to maintain a consolidated ratio of interest-bearing debt to equity of approximately one and a consolidated shareholders' equity ratio of 40% or more as we aim to maximize capital efficiency. In this pursuit, we employ a number of measures, including cash flow management and other Group-wide capital efficiency measures; measures to improve the efficiency of invested capital, such as using free cash flows to reduce interest-bearing debt and buy back its shares; and financial risk management measures, such as hedging activities to prevent revenue fluctuations due to business risks. In these ways, we are working to strengthen the financial constitution of the Group.

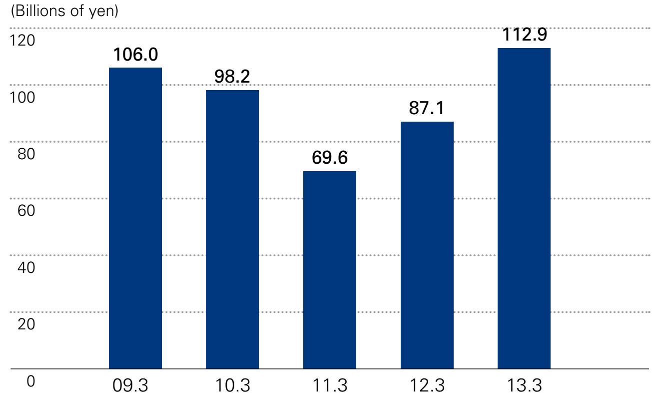
As the shareholders' equity ratio is now well above 40%, we intend to invest in our growth by raising funds through new interest-bearing debt in line with the growth in shareholders' equity that accompanies higher income.

Capital Expenditure

In the fiscal year ended March 31, 2013, non-consolidated capital expenditure totaled ¥60.1 billion, up ¥1.5 billion year on year, due mainly to the ongoing construction of the Himeji-Okayama Line. Consolidated capital expenditure rose by ¥25.8 billion, to ¥112.9 billion, on the back of such factors as the acquisition of overseas gas field interests by a consolidated subsidiary and investments in a wind power generation business.

The Osaka Gas Group is aggressively investing in both domestic and overseas businesses as potential future growth drivers. In addition to interests in conventional natural gas fields potential investments include those used to acquire unconventional gas field interests such as shale gas and other investments in upstream businesses, as well as investments in IPPs and other electric power businesses. During the fiscal year under review, we made investments for expansion, greenfield projects, and M&A activities totaling ¥85.7 billion in the Mie-Shiga Line, Himeji-Okayama Line, the Gorgon and Ichthys projects in Australia, the Pearsall shale gas and liquids development project in the U.S., and wind power plants in Japan. However, we have decided to conduct investments totaling ¥332.0 billion over the four-year period that began with the fiscal year ended March 31, 2010 (83% of the amount planned for the five-year period from the fiscal year ended March 31, 2010 to the fiscal year ending March 31, 2014).

Consolidated Capital Expenditure

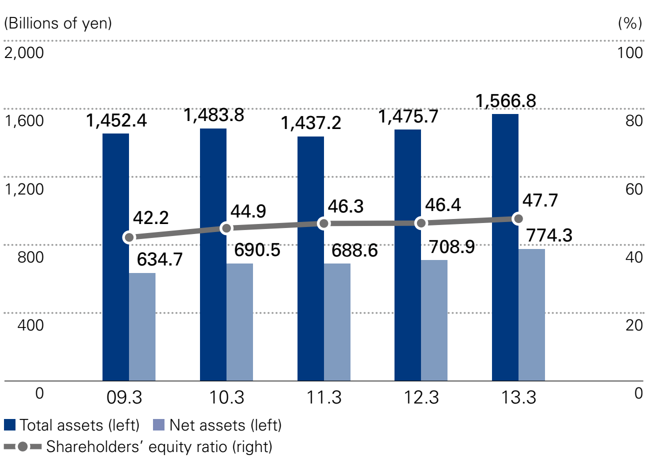


Assets, Liabilities, and Net Assets Analysis

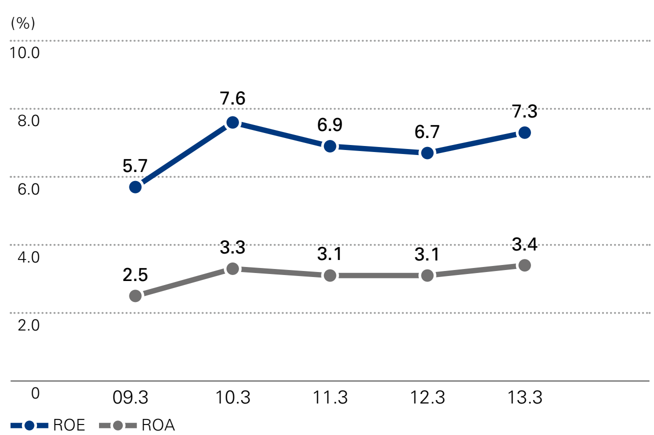
Total assets on March 31, 2013 stood at ¥1,566.8 billion, up ¥91.1 billion from the previous fiscal year-end, mainly due to an increase in noncurrent assets in line with the upswing in construction in progress. Total liabilities increased by ¥25.7 billion, to ¥792.5 billion, due to the increase in current liabilities. Net assets climbed by ¥65.4 billion, to ¥774.3 billion on the back of increases mainly in total accumulated other comprehensive income due to foreign currency translation adjustment.

Consequently, the shareholders' equity ratio increased by 1.3 percentage points from the previous fiscal year-end, to 47.7%. Return on assets (ROA) was up 0.3 of a percentage point, to 3.4%, while return on equity (ROE) improved 0.6 of a percentage point, to 7.3%.

Total Assets / Net Assets / Shareholders' Equity Ratio



Return on Equity (ROE)
Return on Assets (ROA)



6. Overview of Cash Flows

Net cash provided by operating activities during the fiscal year ended March 31, 2013, increased ¥6.8 billion, to ¥129.5 billion. This was largely attributable to the increases in income before income taxes and minority interests from the previous fiscal year.

Net cash used in investing activities increased by ¥9.0 billion, to ¥116.7 billion, primarily because of the year-on-year upswing in purchase of intangible assets.

Net cash used in financing activities climbed by ¥19.6 billion, to ¥27.8 billion largely on the back of the increase in redemption of bonds from the previous fiscal year.

As a result, the net decrease in cash and cash equivalents in the fiscal year ended March 31, 2013, totaled ¥12.9 billion after adjustment for the effect of exchange rate changes on cash and cash equivalents.

Furthermore, cash and cash equivalents at the year-end for the fiscal year ended March 31, 2013, decreased by ¥12.9 billion, to ¥109.4 billion.

(Billions of yen)

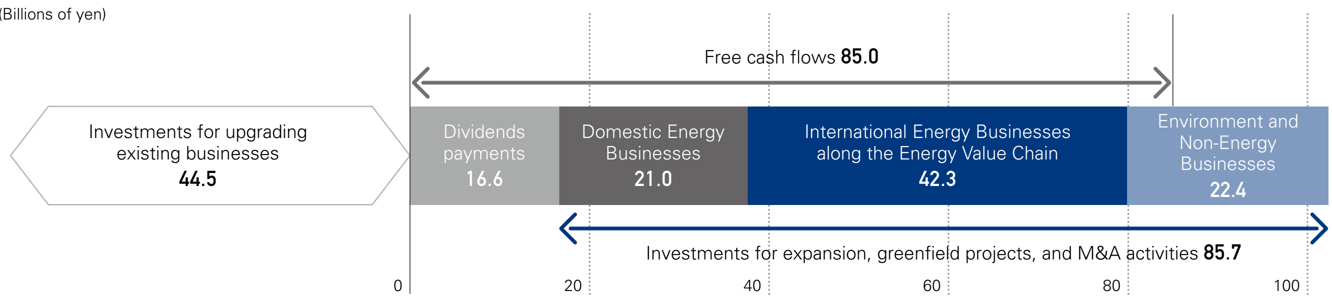
	2012.3	**2013.3**	Change
Net cash provided by operating activities	122.7	**129.5**	+6.8
Net cash used in investing activities	–107.7	**–116.7**	–9.0
Net cash used in financing activities	–8.2	**–27.8**	–19.6
Net increase (decrease) in cash and cash equivalents	6.2	**–12.9**	–19.2
Cash and cash equivalents at the end of the year	122.4	**109.4**	–12.9
Interest-bearing debt at the end of the year	541.3	**540.1**	–1.1

Use of Free Cash Flows

Consolidated free cash flows for the fiscal year ended March 31, 2013, increased by ¥6.0 billion, to ¥85.0 billion. Uses of these free cash flows included investments of ¥85.7 billion for expansion, greenfield projects, and M&A activities as well as dividend payments of ¥16.6 billion.

Consolidated Free Cash Flows for the Fiscal Year Ended March 31, 2013

(Billions of yen)



Note: Free cash flows = Cash flows from operating activities - Investments for upgrading existing businesses (Capital expenditure)

7. Ratings

Osaka Gas recognizes that improving fund-raising competitiveness is an important issue in a sound financial strategy. At the same time, to maintain its credit ratings and other indications of financial soundness, the Company will endeavor to attain the following financial soundness indicators: (1) a shareholders' equity ratio of 40% or more, and (2) a ratio of consolidated interest-bearing debt to equity of about one, while maintaining the existing balance with shareholders' value added (SVA), free cash flow, interest-bearing debt, and other indicators.

Currently, Osaka Gas has been rated AA and Aa by foreign credit rating agencies, and AA by a domestic credit rating agency. Going forward, the Company will continue to ensure that it possesses a sound financial standing.

Credit Ratings (As of March 31, 2013)

R&I	**AA+**
Moody's	**Aa3**
Standard & Poor's	**AA–**

8. Basic Policy Regarding the Distribution of Profits and Dividends

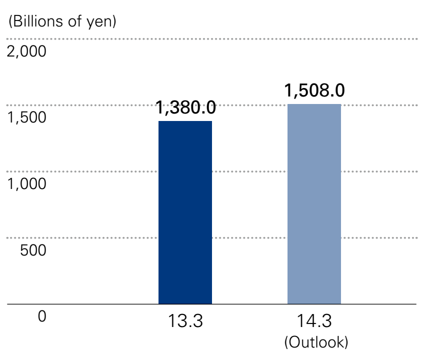
The Company has been striving to grow the business and improve the efficiency of operations, and has appropriated the increase in profit resulting from these efforts for future business growth, for internal reserves aimed at bolstering its financial constitution, and for the payment of steady dividends to shareholders. We will endeavor to continue payment of steady dividends (interim and year-end) to shareholders, and comprehensively take alternative profit distribution plans and other measures into consideration, based on operational results, future business management, and other plans. We will aim at keeping a consolidated payout ratio exceeding 30%, within the non-consolidated retained earnings distributable to Osaka Gas shareholders, excluding temporary factors affecting the profit situation. Internal reserves will be appropriated for capital investments and investment for expansion, greenfield projects, and M&A activities.

For the fiscal year ended March 31, 2013, the Company issued dividend payments totaling ¥8.5 per share, including an interim dividend of ¥4 per share, after taking into consideration such factors as steady contributions to profit from strategic investments in the fields outside the gas business. This represents a year-on-year increase of ¥0.5 per share. Turning to the fiscal year ending March 31, 2014, the Company intends to pay a dividend of ¥9 per share.

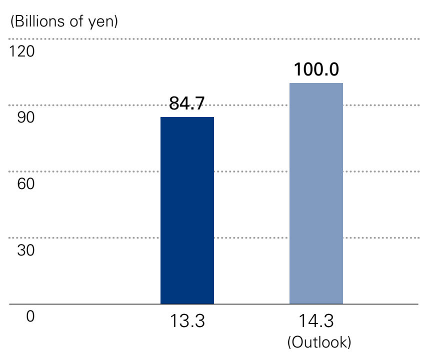
9. Outlook for the Fiscal Year Ending March 31, 2014

We project that net sales in the fiscal year ending March 31, 2014 will increase by ¥127.9 billion (9.3%) year on year, to ¥1,508.0 billion. This is largely because LNG prices are expected to be higher in the next fiscal year than in the fiscal year under review, and gas sales unit prices are anticipated to remain high due to the Fuel Cost Adjustment System. Operating income is expected to rise by ¥15.2 billion (18.0%) year on year, to ¥100.0 billion, due primarily to the decrease in labor costs and miscellaneous expenses as well as the increase in profits at affiliates. In addition, net income in the fiscal year ending March 31, 2014 is forecast to increase by ¥12.0 billion (22.9%), to ¥64.5 billion.

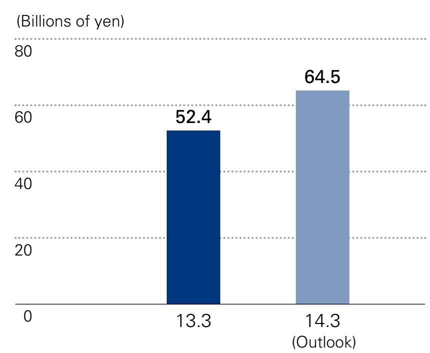
Net Sales



Operating Income



Net Income



Net Sales and Segment Income* for the Fiscal Year Ending March 31, 2014 (Outlook)

(Billions of yen)

	Gas	LPG, Electricity and Other Energy	International Energy	Environment and Non-Energy	Adjustments	Total
Net sales	1,084.0	258.0	17.5	199.5	–51.0	1,508.0
Year-on-year change (%)	+4.4%	+19.7%	+62.6%	+7.5%	—	+9.3%
Year-on-year change	+45.4	+42.4	+6.7	+13.8	—	+127.9
Segment income*	34.3	38.9	9.4	20.1	2.9	105.6
Year-on-year change (%)	+46.8%	+1.6%	+22.9%	+5.4%	—	+15.9%
Year-on-year change	+10.9	+0.6	+1.7	+1.0	—	+14.4

* Segment income = Operating income + Equity in net earnings of affiliates

10. Business Risks

The following are risks that could affect the business performance or financial position of the Group.

■Risks Related to All Businesses within the Osaka Gas Group

a. Worsening of economic, financial, and social conditions, market contraction

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

b. Changes in foreign exchange rates and borrowing rates

c. Occurrence of catastrophic disasters, accidents, or infectious diseases

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

d. Changes in politics, laws and regulations, and institutional systems

Changes in the Gas Utility Industry Law, the Electricity Utilities Industry Law, the Companies Act, the Financial Instruments and Exchange Law, environment-related laws or other policies, laws and regulations, and institutional systems in Japan and/or other countries

e. Intensifying competition

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

f. Breakdown of malfunction of critical IT systems

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

g. Information leaks

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

h. Non-compliance with laws and regulations

Expenditures to correct such a non-complying act or damage to its social reputation following acts carried out by the Group or by any person related to the Group in violation of any law or regulation

■Risks Related to Major Businesses

1) Gas business

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

b. Changes in fuel costs

Fluctuation in LNG prices due to changes in crude oil prices, foreign exchange rates, and other relevant factors*

Settlement of fuel costs arising from renewal of contracts or price negotiations with fuel suppliers

* Although the fluctuation in LNG prices may be offset by the Fuel Cost Adjustment System, under which gas rates are revised to reflect changes in fuel costs, a time lag before the actual adjustment is made or changes in the composition of fuel suppliers could affect the business performance of the Group.

c. Difficulty in procuring raw materials

Problems with the facilities or operations of an LNG supplier

d. Production and supply difficulties

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

e. Gas equipment and facility issues

Serious problems with gas equipment or appliances

2) Electric power business

Any interruption in the operation of any electric power plant due to a natural disaster, accident, trouble in fuel purchasing, or other incident

3) International energy businesses

Changes in the operating environment such as a delay or cancellation in projects as a result of the implementation or changes in public policies as well as regulations or deterioration in economic or social conditions in the countries in which the Osaka Group operates

The Osaka Gas Group strives to minimize the potential impact of these risks on business performance through various measures, including derivative contracts to hedge against fluctuations in exchange rates and fuel costs, accident and other insurance contracts, improvement of security of critical IT systems, adherence to compliance and strict information control, monitoring and proper supervision of subsidiaries' business management, security measures, disaster countermeasures, and the establishment and periodic revision of business continuity plans (BCPs).

Consolidated Balance Sheets

Osaka Gas Co., Ltd. and Consolidated Subsidiaries
March 31, 2012 and 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	**2013**	**2013**
Assets			
Fixed Assets			
Property, plant and equipment (Note 8)			
Production facilities	¥ 80,220	**¥ 78,533**	**$ 835,013**
Distribution facilities	278,844	**276,132**	**2,936,012**
Service and maintenance facilities	69,280	**66,204**	**703,923**
Other facilities	313,655	**300,149**	**3,191,376**
Construction in progress	72,398	**108,916**	**1,158,064**
Total property, plant and equipment	814,400	**829,936**	**8,824,412**
Intangible assets	38,107	**58,579**	**622,849**
Investments and other assets			
Investment in securities (Notes 7 and 8)	136,838	**164,302**	**1,746,964**
Others (Note 17)	82,137	**85,245**	**906,379**
Allowance for doubtful accounts	(2,015)	**(1,925)**	**(20,467)**
Total investments and other assets	216,960	**247,622**	**2,632,876**
Total fixed assets	1,069,469	**1,136,138**	**12,080,148**
Current Assets			
Cash and deposits (Notes 4 and 8)	107,239	**91,323**	**971,004**
Notes and trade accounts receivable (Note 8)	159,472	**168,198**	**1,788,389**
Securities (Notes 4 and 7)	22,909	**21,712**	**230,855**
Inventories (Notes 5 and 8)	60,740	**84,242**	**895,715**
Others (Note 17)	57,347	**66,519**	**707,272**
Allowance for doubtful accounts	(1,419)	**(1,236)**	**(13,141)**
Total current assets	406,290	**430,760**	**4,580,116**
Total assets	¥1,475,759	**¥1,566,899**	**$16,660,276**

See accompanying Notes to Consolidated Financial Statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2013	2013
Liabilities and Net Assets			
Liabilities			
Long-term liabilities			
Bonds (Note 8)	¥ 258,863	**¥ 238,157**	**$ 2,532,238**
Long-term loans payable (Note 8)	200,722	**186,766**	**1,985,816**
Deferred tax liabilities (Note 17)	9,801	**14,631**	**155,566**
Deferred tax liabilities related to land revaluation difference (Note 12)	139	**—**	**—**
Employees' severance and retirement benefits (Note 16)	15,496	**15,972**	**169,824**
Reserve for gas holder repairs	1,679	**1,621**	**17,235**
Reserve for safety measures	6,990	**13,418**	**142,668**
Reserve for investment loss	6,999	**6,999**	**74,417**
Others	17,468	**19,269**	**204,880**
Total long-term liabilities	518,160	**496,836**	**5,282,679**
Current liabilities			
Long-term debt due within one year (Note 8)	32,663	**67,135**	**713,822**
Notes and trade accounts payable	46,978	**55,520**	**590,324**
Short-term loans payable (Note 8)	48,104	**47,106**	**500,861**
Income taxes payable	27,768	**25,603**	**272,227**
Others (Note 17)	93,178	**100,378**	**1,067,283**
Total current liabilities	248,694	**295,745**	**3,144,550**
Total liabilities	766,855	**792,581**	**8,427,230**
Net Assets (Note 9)			
Shareholders' equity			
Common stock	132,166	**132,166**	**1,405,273**
Authorized – 3,707,506,909 shares			
Issued – 2,083,400,000 shares in 2013 and in 2012			
Capital surplus	19,482	**19,482**	**207,145**
Retained earnings	528,318	**564,356**	**6,000,595**
Treasury stock (Note 10)			
1,298,619 shares in 2013 and 1,146,823 shares in 2012	(361)	**(413)**	**(4,391)**
Total shareholders' equity	679,605	**715,592**	**7,608,633**
Accumulated other comprehensive income			
Unrealized gains (losses) on securities	19,710	**31,526**	**335,204**
Deferred gains and losses on hedges	(494)	**(2,271)**	**(24,146)**
Land revaluation difference (Note 12)	(510)	**(737)**	**(7,836)**
Foreign currency translation adjustments	(13,727)	**3,693**	**39,266**
Total accumulated other comprehensive income	4,978	**32,210**	**342,477**
Minority interests	24,320	**26,514**	**281,913**
Total net assets	708,904	**774,317**	**8,233,035**
Total liabilities and net assets	¥1,475,759	**¥1,566,899**	**$16,660,276**

Consolidated Statements of Income

Osaka Gas Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2012 and 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	**2013**	**2013**
Net sales	¥1,294,781	**¥1,380,060**	**$14,673,684**
Cost of sales (Note 13)	868,358	**943,688**	**10,033,896**
Gross profit on sales	426,423	**436,371**	**4,639,776**
Selling, general and administrative expenses (Note 13)	349,148	**351,598**	**3,738,415**
Operating income	77,274	**84,773**	**901,360**
Nonoperating income			
Interest income	753	**617**	**6,560**
Dividend income	2,106	**3,217**	**34,205**
Equity in earnings of affiliates	5,637	**6,335**	**67,357**
Other income	6,024	**7,512**	**79,872**
Total nonoperating income	14,521	**17,682**	**188,006**
Nonoperating expenses			
Interest expenses	8,909	**8,431**	**89,643**
Provision of reserve for investment loss	3,719	**—**	**—**
Other expenses	3,472	**3,898**	**41,446**
Total nonoperating expenses	16,101	**12,330**	**131,100**
Ordinary income	75,694	**90,125**	**958,266**
Extraordinary losses			
Loss from impairment of fixed assets	—	**5,495**	**58,426**
Total extraordinary losses	—	**5,495**	**58,426**
Income before income taxes and minority interests	75,694	**84,630**	**899,840**
Income taxes			
Current	26,301	**29,989**	**318,862**
Deferred	2,077	**(273)**	**(2,902)**
Total income taxes (Note 17)	28,378	**29,715**	**315,948**
Income before minority interests	47,315	**54,915**	**583,891**
Minority interests	2,108	**2,447**	**26,018**
Net income	¥ 45,207	**¥ 52,467**	**$ 557,862**

	Yen		U.S. Dollars (Note 1)
	2012	**2013**	**2013**
Amounts per Share of Common Stock (Note 2)	¥21.71	**¥25.20**	**$0.267**
Net income			
Cash dividends applicable to the year	8.00	**8.50**	**0.090**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

Osaka Gas Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2012 and 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	**2013**	**2013**
Income before minority interests	¥ 47,315	**¥ 54,915**	**$583,891**
Other comprehensive income (Note 20)			
Unrealized gains (losses) on securities	1,676	**11,824**	**125,720**
Deferred gains and losses on hedges	(148)	**168**	**1,786**
Land revaluation difference	9	**—**	**—**
Foreign currency translation adjustments	(5,514)	**14,100**	**149,920**
Share of other comprehensive income of associates accounted for using equity method	(3,636)	**2,836**	**30,154**
Total other comprehensive income	(7,613)	**28,929**	**307,591**
Comprehensive income	¥ 39,702	**¥ 83,844**	**$891,483**
Attributable to:			
Owners of the parent	¥ 38,098	**¥ 79,927**	**$849,835**
Minority interests	¥ 1,604	**¥ 3,917**	**$ 41,648**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

Osaka Gas Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2012 and 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	**2013**	**2013**
Shareholders' equity			
Common stock			
Balance at the beginning of the year	¥132,166	**¥132,166**	**$1,405,273**
Balance at the end of the year	132,166	**132,166**	**1,405,273**
Capital surplus			
Balance at the beginning of the year	19,482	**19,482**	**207,145**
Balance at the end of the year	19,482	**19,482**	**207,145**
Retained earnings			
Balance at the beginning of the year	499,366	**528,318**	**5,617,416**
Changes from:			
Cash dividends paid	(16,658)	**(16,657)**	**(177,107)**
Net income	45,207	**52,467**	**557,862**
Change in scope of equity method	403	**—**	**—**
Disposal of treasury stock	(0)	**—**	**—**
Reversal of land revaluation difference	—	**227**	**2,413**
Total changes during the year	28,952	**36,037**	**383,168**
Balance at the end of the year	528,318	**564,356**	**6,000,595**
Treasury stock			
Balance at the beginning of the year	(323)	**(361)**	**(3,838)**
Changes from:			
Purchase of treasury stock	(47)	**(56)**	**(595)**
Disposal of treasury stock	8	**4**	**42**
Total changes during the year	(38)	**(51)**	**(542)**
Balance at the end of the year	(361)	**(413)**	**(4,391)**
Total shareholders' equity			
Balance at the beginning of the year	650,692	**679,605**	**7,225,996**
Changes from:			
Cash dividends paid	(16,658)	**(16,657)**	**(177,107)**
Net income	45,207	**52,467**	**557,862**
Change in scope of equity method	403	**—**	**—**
Purchase of treasury stock	(47)	**(56)**	**(595)**
Disposal of treasury stock	8	**4**	**42**
Reversal of land revaluation difference	—	**227**	**2,413**
Total changes during the year	28,913	**35,986**	**382,626**
Balance at the end of the year	¥679,605	**¥715,592**	**$7,608,633**

See accompanying Notes to Consolidated Financial Statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	**2013**	**2013**
Accumulated other comprehensive income			
Unrealized gains (losses) on securities			
Balance at the beginning of the year	¥ 18,037	**¥ 19,710**	**$ 209,569**
Net changes in net assets other than shareholders' equity during the year	1,673	**11,815**	**125,624**
Total changes during the year	1,673	**11,815**	**125,624**
Balance at the end of the year	19,710	**31,526**	**335,204**
Deferred gains and losses on hedges			
Balance at the beginning of the year	4,116	**(494)**	**(5,252)**
Net changes in net assets other than shareholders' equity during the year	(4,611)	**(1,777)**	**(18,894)**
Total changes during the year	(4,611)	**(1,777)**	**(18,894)**
Balance at the end of the year	(494)	**(2,271)**	**(24,146)**
Land revaluation difference			
Balance at the beginning of the year	(519)	**(510)**	**(5,422)**
Net changes in net assets other than shareholders' equity during the year	9	**(227)**	**(2,413)**
Total changes during the year	9	**(227)**	**(2,413)**
Balance at the end of the year	(510)	**(737)**	**(7,836)**
Foreign currency translation adjustments			
Balance at the beginning of the year	(7,367)	**(13,727)**	**(145,954)**
Net changes in net assets other than shareholders' equity during the year	(6,360)	**17,420**	**185,220**
Total changes during the year	(6,360)	**17,420**	**185,220**
Balance at the end of the year	(13,727)	**3,693**	**39,266**
Total accumulated other comprehensive income			
Balance at the beginning of the year	14,267	**4,978**	**52,929**
Net changes in net assets other than shareholders' equity during the year	(9,289)	**27,231**	**289,537**
Total changes during the year	(9,289)	**27,231**	**289,537**
Balance at the end of the year	4,978	**32,210**	**342,477**
Minority interests			
Balance at the beginning of the year	23,735	**24,320**	**258,585**
Net changes in net assets other than shareholders' equity during the year	584	**2,194**	**23,328**
Total changes during the year	584	**2,194**	**23,328**
Balance at the end of the year	24,320	**26,514**	**281,913**
Total net assets			
Balance at the beginning of the year	688,695	**708,904**	**7,537,522**
Changes from:			
Cash dividends paid	(16,658)	**(16,657)**	**(177,107)**
Net income	45,207	**52,467**	**557,862**
Change in scope of equity method	403	**—**	**—**
Purchase of treasury stock	(47)	**(56)**	**(595)**
Disposal of treasury stock	8	**4**	**42**
Reversal of land revaluation difference	—	**227**	**2,413**
Net changes in net assets other than shareholders' equity during the year	(8,704)	**29,426**	**312,876**
Total changes during the year	20,208	**65,413**	**695,513**
Balance at the end of the year	¥708,904	**¥774,317**	**$8,233,035**

Consolidated Statements of Cash Flows

Osaka Gas Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2012 and 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2013	2013
Cash Flows from Operating Activities			
Income before income taxes and minority interests	¥ 75,694	**¥ 84,630**	**$ 899,840**
Depreciation and amortization	93,624	**82,818**	**880,574**
Amortization of long-term prepaid expenses	4,270	**5,966**	**63,434**
Loss from impairment of fixed assets	—	**5,495**	**58,426**
Increase (decrease) in reserve for safety measures	(2,517)	**6,428**	**68,346**
Increase (decrease) in reserve for investment loss	3,719	**—**	**—**
Interest and dividend income	(2,860)	**(3,834)**	**(40,765)**
Interest expenses	8,909	**8,431**	**89,643**
Equity in (earnings) losses of affiliates, net	(5,637)	**(6,335)**	**(67,357)**
(Increase) decrease in notes and trade accounts receivable	(22,507)	**(8,514)**	**(90,526)**
(Increase) decrease in inventories	(11,483)	**(23,419)**	**(249,005)**
Increase (decrease) in notes and trade accounts payable	8,968	**8,542**	**90,824**
Increase (decrease) in accrued expenses	4,717	**814**	**8,654**
Others	4,589	**(338)**	**(3,593)**
Subtotal	159,489	**160,684**	**1,708,495**
Interest and dividends income received	4,708	**9,425**	**100,212**
Interest expenses paid	(8,915)	**(8,453)**	**(89,877)**
Income taxes paid	(32,488)	**(32,058)**	**(340,861)**
Net cash provided by operating activities	122,793	**129,597**	**1,377,958**
Cash Flows from Investing Activities			
Proceeds from sales of securities	400	**1,900**	**20,202**
Purchase of property, plant and equipment	(93,308)	**(91,884)**	**(976,969)**
Purchase of intangible assets	(2,727)	**(17,942)**	**(190,770)**
Purchase of long-term prepaid expenses	(5,053)	**(5,074)**	**(53,950)**
Purchase of investment in securities	(2,262)	**(2,490)**	**(26,475)**
Proceeds from sales of investment securities	281	**1,535**	**16,321**
Purchase of affiliates' shares	(5,590)	**(4,344)**	**(46,188)**
Proceeds from sales of stocks of subsidiaries and affiliates	—	**2,676**	**28,452**
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(425)	**(2,375)**	**(25,252)**
Payment of long-term loans receivable	(67)	**(2,840)**	**(30,196)**
Payment of time deposits	(3,945)	**(3,630)**	**(38,596)**
Proceeds from withdrawal of time deposits	2,894	**6,817**	**72,482**
Others	2,040	**862**	**9,165**
Net cash used in investing activities	(107,764)	**(116,791)**	**(1,241,796)**
Cash Flows from Financing Activities			
Net increase (decrease) in short-term loans payable	7,194	**(2,289)**	**(24,338)**
Proceeds from long-term loans payable	23,009	**20,475**	**217,703**
Repayment of long-term loans payable	(29,789)	**(16,641)**	**(176,937)**
Proceeds from issuance of bonds	10,000	**10,000**	**106,326**
Redemption of bonds	(460)	**(20,707)**	**(220,170)**
Cash dividends paid	(16,652)	**(16,656)**	**(177,097)**
Others	(1,580)	**(2,078)**	**(22,094)**
Net cash used in financing activities	(8,279)	**(27,897)**	**(296,618)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(530)	**2,100**	**22,328**
Net Increase (Decrease) in Cash and Cash Equivalents	6,218	**(12,992)**	**(138,139)**
Cash and Cash Equivalents at the Beginning of the Year	116,230	**122,448**	**1,301,945**
Cash and Cash Equivalents at the End of the Year (Note 4)	¥122,448	**¥109,456**	**$1,163,806**

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Osaka Gas Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2012 and 2013

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Osaka Gas Co., Ltd. (the "Company") and its consolidated subsidiaries (together, the "Companies") have been prepared in accordance with the provisions set forth in the Japanese Regulations of accounting process for Gas-Business and related regulations the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accounts of the Company's consolidated overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English, with some expanded descriptions, from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2013 which was ¥94.05 to U.S. $1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

As permitted, amounts of less than one million yen are omitted in the presentation for 2012 and 2013. As a result, the total amounts shown in the accompanying consolidated financial statements, both in yen and in U.S. dollars, do not necessarily agree with the sum of the individual amounts.

2. Significant Accounting Policies

(1) Consolidation

The consolidated financial statements include the accounts of the Company and those of its consolidated subsidiaries. For purpose of the consolidated financial statements, companies which are owned 40% or more and substantially controlled by the Company are considered subsidiaries and included in the consolidation.

The consolidated financial statements for the years ended March 31, 2012 and 2013 included the accounts of the Company and its 133 and 130 subsidiaries, respectively. For the year ended March 31, 2013, 4 subsidiaries were newly consolidated and 7 subsidiaries were excluded from consolidation. Intercompany transactions and accounts were eliminated. All material unrealized profit resulting from intercompany transactions and included in assets was eliminated.

The 49 subsidiaries included in consolidation have fiscal years that end on December 31. These subsidiaries do not prepare for consolidation purposes statements with periods that correspond to the fiscal year of the Company (March 31). For these 49 consolidated subsidiaries, if there were significant transactions between their fiscal year-end and the Company's year-end, necessary adjustments were made to reflect these transactions in the accompanying consolidated financial statements.

The difference between the Company's cost of investment in a consolidated subsidiary and the equity in the net assets at the date of acquisition is amortized within 20 years on a straight-line basis. If the difference is insignificant, it is charged or credited to income in the first year of consolidation.

Investments in significant affiliates are accounted for by the equity method. Affiliates that have an insignificant impact on consolidated net income and consolidated retained earnings are not accounted for by the equity method. As of March 31, 2012 and 2013, 9 significant affiliates, respectively, were accounted for by the equity method.

(2) Consolidated Statements of Cash Flows

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

(3) Inventories

Inventories are mainly valued at moving average cost. The method used to value inventories held for sale in the ordinary course of business subjects the amounts carried on the balance sheet to a write-down in the event of reduced profitability.

(4) Securities

Under the Japanese accounting standard for financial instruments, all companies are required to examine the securities they hold to determine the intention for which they are held and to classify those securities according to the intention as 1) securities held for trading purposes ("trading securities"), 2) debt securities intended to be held to maturity ("held-to-maturity debt securities"), 3) equity securities issued by subsidiaries and affiliates, and 4) all other securities that are not classified in any of the above categories ("available-for-sale securities").

The Companies have no trading securities. Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliates that are not consolidated or accounted for using the equity method are stated at moving average cost. Available-for-sale securities whose fair value is readily determinable are stated at fair value as of the end of the year with unrealized gains and losses, net of applicable deferred tax assets/liabilities and minority interests, directly reported as a separate component of net assets rather than reflected in earnings. Realized gains and losses on the sale of such securities are computed mainly using moving average cost. Other securities with no fair values are stated mainly at moving average cost.

If the value of equity securities issued by non-consolidated subsidiaries or affiliated companies or the market value of available-for-sale securities declines significantly, the securities are stated at fair value and the difference between the fair value and the carrying amount is recognized as loss in the period of the decline.

(5) Property, Plant and Equipment

Depreciation is provided mainly by the declining balance method (the straight-line method by certain consolidated subsidiaries) over the estimated useful life of the asset. However, the Company and its domestic consolidated subsidiaries depreciate buildings acquired on or after April

1, 1998 by the straight-line method.

Repair and maintenance expenditures, excluding those for gas holders, are charged to income when incurred, and major improvements are capitalized.

Certain capital gains arising from beneficiaries' contributions or expropriations of property, deferral of which is permitted for tax purposes, are offset against the acquisition cost of property purchased. The cumulative capital gain arising from the beneficiaries' contributions and offset against the acquisition cost of property, plant and equipment at March 31, 2012 and 2013 was ¥259,775 million and ¥260,759 million ($2,772,557 thousand), respectively. The current capital gain arising from the expropriation of property offset against the acquisition cost of property, plant and equipment at March 31, 2012 and 2013 was ¥144 million and ¥360 million ($3,827 thousand), respectively.

(6) Intangible Assets

The Companies include goodwill and software in intangible assets. Goodwill is amortized using the straight-line method over a period that is within 20 years, and software is amortized over its estimated useful life.

(7) Leased Assets

Property, plant and equipment that are capitalized under finance lease arrangements and that do not transfer ownership of the leased asset to the lessee are depreciated using the straight-line method over the term of the lease with the assumption of no residual value.

(8) Allowance for Doubtful Accounts

The Companies provide the allowance for doubtful accounts at an amount based principally on the historical default ratio plus the estimated uncollectible amounts of certain individual receivables.

(9) Employees' Severance and Retirement Benefits

The Companies provide two types of post-employment benefit plans, unfunded lump-sum payment plans and funded contributory pension plans, under which all eligible employees are entitled to benefits based on the level of wages and salary at the time of retirement or termination, length of service and certain other factors. A portion of the benefits previously paid by the defined benefits plan is now covered by a defined contribution plan.

The Companies provide for employees' severance and retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of plan assets.

Generally, prior service costs are recognized in expenses when they arise, and actuarial gains and losses are recognized in expenses over 10 years commencing with the following period.

(10) Reserve for Gas Holder Repairs

The Company and certain consolidated subsidiaries provide for periodic repairs to gas holders by estimating the future expenditures arising from such repairs and charging them to income in equal annual amounts. The difference between the actual expenditure and the estimated amount provided for is charged to income in the year the repair is completed.

(11) Reserve for Safety Measures

The Company provides for future payments for consumer safety by estimating the future expenditures required for the promotion of replacements with safety-enhanced models, strengthening of incidental inspections and publicity and maintenance work on aging gas pipelines.

(12) Reserve for Investment Loss

The Company provides for future payments for potential losses on the business of affiliates by estimating the expected losses.

(13) Income Taxes

Income taxes comprise corporation tax, prefectural and municipal inhabitants taxes and enterprise tax.

The Companies recognize the tax effects of loss carry forwards and the temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting. The asset / liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

(14) Translation of Foreign Currencies

Receivables and payables denominated in foreign currencies are translated into Japanese yen at year-end rates.

Assets and liabilities of foreign subsidiaries are translated into Japanese yen at year-end rates. Net assets are translated into Japanese yen at historical rates. Income and expenses are translated into Japanese yen at average rates for the year. The translation differences arising from the use of different rates are recognized in minority interests and as foreign currency translation adjustments in net assets.

(15) Derivative Transactions and Hedge Accounting

The Companies state derivative financial instruments at fair value at the end of the fiscal year and recognize changes in the fair value as gain or loss, unless the derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies defer recognition of gain or loss resulting from changes in the fair value of the derivative financial instruments until the related loss or gain on the hedged items is recognized.

However, in cases where forward foreign currency exchange contracts and interest rate swap contracts are used as hedges and meet certain hedging criteria, forward foreign currency exchange contracts, interest rate swap contracts and the hedged items are accounted for in the following manner:

If a forward foreign currency exchange contract or a currency swap contract is executed to hedge an existing foreign currency receivable or payable, the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable, translated using the spot rate at the inception date of the contract, and the book value of the receivable or payable is recognized in the income statement in the period which includes the inception date.

If a forward foreign currency exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gain or loss on the forward foreign currency exchange contract will be recognized.

Also, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

(16) Net Income Per Share

The computation of net income per share of common stock shown on the consolidated statements of income is based on the weighted average number of shares outstanding during the fiscal year.

Diluted net income per share of common stock for the years ended March 31, 2012 and 2013 was not shown since there were no outstanding convertible bonds or other common stock equivalents.

3. Changes in Accounting Policies, etc.

<Unadopted Accounting Standard>

— Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012)
— Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012)
(Refer also to the ASBJ homepage, which has a summary in English of the accounting standard.)

(1) Summary

Under the amended rule, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss would be recognized within the net asset section, after adjusting for tax effects, and the deficit or the surplus would be recognized as a liability or asset without any adjustments. For determining the method for attributing expected benefit to specific periods, the standard now allows the choice between benefit formula basis the straight-line basis. The method for determining the discount rate has also been amended.

(2) Effective dates

Effective for the end of annual periods ending on or after March 31, 2014, amendments relating to the determination of retirement benefit obligations and current service costs are effective from the beginning of annual periods ending on or after March 31, 2015.

(3) Effect of application of the standard

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

<Change in accounting policies with amendment to respective laws and regulations that are not distinguishable from changes in accounting estimates>

From the year ended March 31, 2013, in accordance with the amendment in the corporate tax law, the Company and its domestic subsidiaries have changed their depreciation method for property, plant and equipment. Assets acquired on or after April 1, 2012 are depreciated using the method prescribed in the amended corporate tax law. This change in depreciation method has had no significant effect on operating income, ordinary income or income before taxes.

4. Cash and Cash Equivalents

The relationship between the closing balance of cash and cash equivalents on the consolidated statements of cash flows and the amount of cash and deposits on the consolidated balance sheets was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Cash and deposits on the consolidated balance sheets	¥107,239	**¥ 91,323**	**$ 971,004**
Time deposits with more than 3 months to maturity	(5,790)	**(2,866)**	**(30,473)**
Short-term investments with an original maturity of three months or less, presenting negligible risk of change in value and included in current assets	20,999	**20,999**	**223,274**
Cash and cash equivalents on the consolidated statements of cash flows	¥122,448	**¥109,456**	**$1,163,806**

5. Inventories

Inventories at March 31, 2012 and 2013 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Merchandises and finished products	¥12,586	**¥13,213**	**$140,489**
Work-in-process	7,887	**12,615**	**134,130**
Raw materials and supplies	40,266	**58,413**	**621,084**
Total	¥60,740	**¥84,242**	**$895,715**

6. Financial Instruments

Book value, fair value and any difference as of March 31, 2012 are set forth in the table below. Financial instruments for which it was extremely difficult to determine the fair value are not included in the table.

			Millions of Yen
	Book Value	Fair Value	Difference
(1) Cash and deposits	¥107,239	¥107,239	¥ —
(2) Notes and trade accounts receivable	159,472	159,472	—
(3) Marketable securities and investment in securities	76,931	76,931	—
Total assets	¥343,642	¥343,642	¥ —
(1) Notes and trade accounts payable	¥ 46,978	¥ 46,978	¥ —
(2) Short-term loans payable	48,104	48,104	—
(3) Bonds (*1)	279,551	294,421	14,869
(4) Long-term loans payable (*1)	212,080	224,420	12,339
Total liabilities	¥586,715	¥613,925	¥27,209
Derivative transactions (*2)	¥ 5,407	¥ 5,407	¥ —

(*1) Bonds and long-term loans payable include current portions.
(*2) Assets and liabilities arising from derivative transactions were offset and indicated by parenthesis ( ) when the offset amount was a liability.

Book value, fair value and any difference as of March 31, 2013 are set forth in the table below. Financial instruments for which it was extremely difficult to determine the fair value are not included in the table.

	Book Value		Fair Value		Difference	
	Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars
(1) Cash and deposits	¥ 91,323	$ 971,004	¥ 91,323	$ 971,004	¥ —	$ —
(2) Notes and trade accounts receivable	168,198	1,788,389	168,198	1,788,389	—	—
(3) Marketable securities and investment in securities	92,613	984,720	92,613	984,720	—	—
Total assets	¥352,135	$3,744,125	¥352,135	$3,744,125	¥ —	$ —
(1) Notes and trade accounts payable	¥ 55,520	$ 590,324	¥ 55,520	$ 590,324	¥ —	$ —
(2) Short-term loans payable	47,106	500,861	47,106	500,861	—	—
(3) Bonds (*1)	269,235	2,862,679	287,394	3,055,757	18,158	193,067
(4) Long-term loans payable (*1)	222,158	2,362,126	235,766	2,506,815	13,607	144,678
Total liabilities	¥594,021	$6,316,012	¥625,787	$6,653,769	¥31,766	$337,756
Derivative transactions (*2)	¥ 6,551	$ 69,654	¥ 6,551	$ 69,654	¥ —	$ —

(*1) Bonds and long-term loans payable include current portions.
(*2) Assets and liabilities arising from derivative transactions were offset and indicated by parenthesis ( ) when the offset amount was a liability.

Notes on the methods used to calculate the fair value of financial instruments, securities and derivatives

Assets

(1) Cash and deposits and (2) Notes and trade accounts receivable
The fair value is determined by the book value, which is almost equivalent to the fair value due to the short-time nature of the financial transaction.

(3) Marketable securities and investment in securities
The fair value of stock is determined by market prices. The fair value of bonds is derived from market prices or prices presented by the corresponding financial institution. Refer to notes on securities for information about securities classified by the purpose for which they are held.

Liabilities

(1) Notes and trade accounts payable and (2) Short-term loans payable
The fair value is determined by book value, which is almost equivalent to the fair value due to the short-time nature of the financial transaction.

(3) Bonds
The market price of the bonds issued by Osaka Gas and each of its group companies is the fair value if available, otherwise fair value is calculated as the present value, which is the total amount of principal and interest discounted at the rate reflecting the time to maturity of the bonds and the credit risk.

(4) Long-term loans payable
The fair value of long-term loans payable based on fixed interest rates is calculated by discounting the total amount of principal and interest at the estimated interest rate of a new loan which is similar to the long-term loans.

The fair value of long-term loans payable based on floating interest rates is determined by the book value because the market value is deemed similar to the book value.

Interest rate swap transactions, which determine the interest rate level of long-term loans based on floating interest rates, are treated as extraordinary account items. The transaction amount is calculated by discounting the sum of principal and interest at the reasonably estimated rate of a new loan which is similar to the long-term loans.

Derivative transactions

Refer to notes on derivative transactions.

Shown in the table below are financial instruments for which it was extremely difficult to determine the fair value.

	Millions of Yen		Thousands of U.S. Dollars
Book Value	2012	2013	2013
Affiliated company securities	¥69,065	¥77,254	$821,414
Non-listed equity securities	¥13,751	¥16,147	$171,685

The expected redemption amounts of monetary receivables and securities with maturities after the consolidated fiscal year-end were as follows:

	Millions of Yen			
For 2012	One Year or Less	One to Five Years	Five to Ten Years	More than Ten Years
Cash and deposits	¥107,239	¥ —	¥ —	¥ —
Notes and trade accounts receivable	159,472	—	—	—
Marketable securities and investment in securities				
Held-to-maturity debt securities (corporate bonds)	12	50	12	—
Available-for-sale securities with maturities				
(Government bonds and municipal bonds)	—	9	—	98
(Negotiable certificate of deposits)	20,700	—	—	—
(Commercial paper)	2,197	—	—	—
(Other)	—	—	200	—
Total	¥289,621	¥59	¥212	¥98

Millions of Yen

For 2013	One Year or Less	One to Five Years	Five to Ten Years	More than Ten Years
Cash and deposits	**¥ 91,323**	**¥ —**	**¥ —**	**¥ —**
Notes and trade accounts receivable	**168,198**	**—**	**—**	**—**
Marketable securities and investment in securities				
Held-to-maturity debt securities (corporate bonds)	**12**	**50**	**—**	**—**
Available-for-sale securities with maturities				
(Government bonds and municipal bonds)	**—**	**10**	**—**	**98**
(Negotiable certificate of deposits)	**20,700**	**—**	**—**	**—**
(Commercial paper)	**999**	**—**	**—**	**—**
(Other)	**—**	**—**	**200**	**—**
Total	**¥281,234**	**¥60**	**¥200**	**¥98**

Thousands of U.S. Dollars

For 2013	One Year or Less	One to Five Years	Five to Ten Years	More than Ten Years
Cash and deposits	**$ 971,004**	**$ —**	**$ —**	**$ —**
Notes and trade accounts receivable	**1,788,389**	**—**	**—**	**—**
Marketable securities and investment in securities				
Held-to-maturity debt securities (corporate bonds)	**127**	**531**	**—**	**—**
Available-for-sale securities with maturities				
(Government bonds and municipal bonds)	**—**	**106**	**—**	**1,041**
(Negotiable certificate of deposits)	**220,095**	**—**	**—**	**—**
(Commercial paper)	**10,622**	**—**	**—**	**—**
(Other)	**—**	**—**	**2,126**	**—**
Total	**$2,990,260**	**$637**	**$2,126**	**$1,041**

7. Securities

(1) The following tables summarize acquisition costs and book values (fair values) of available-for-sale securities with available fair value as of March 31, 2012 and 2013:

Securities with available fair value (book value) that exceeded acquisition cost were as follows:

Millions of Yen

	Acquisition Cost	Book Value	Difference
For 2012:			
Equity securities	¥22,146	¥51,331	¥29,185
Bonds	10	10	0
Total	¥22,156	¥51,341	¥29,185

Millions of Yen

	Acquisition Cost	Book Value	Difference
For 2013:			
Equity securities	**¥23,829**	**¥69,778**	**¥45,949**
Bonds	**10**	**10**	**0**
Total	**¥23,839**	**¥69,788**	**¥45,949**

Thousands of U.S. Dollars

	Acquisition Cost	Book Value	Difference
For 2013:			
Equity securities	**$253,365**	**$741,924**	**$488,559**
Bonds	**106**	**106**	**0**
Total	**$253,471**	**$742,030**	**$488,559**

Securities with available fair value (book value) that did not exceed acquisition cost were as follows:

Millions of Yen

	Acquisition Cost	Book Value	Difference
For 2012:			
Equity securities	¥ 3,157	¥ 2,594	¥(563)
Bonds	22,995	22,995	—
Total	¥26,152	¥25,589	¥(563)

Millions of Yen

	Acquisition Cost	Book Value	Difference
For 2013:			
Equity securities	**¥ 1,141**	**¥ 1,026**	**¥(114)**
Bonds	**21,798**	**21,798**	**—**
Total	**¥22,939**	**¥22,824**	**¥(114)**

Thousands of U.S. Dollars

	Acquisition Cost	Book Value	Difference
For 2013:			
Equity securities	**$ 12,131**	**$ 10,909**	**$(1,212)**
Bonds	**231,770**	**231,770**	**—**
Total	**$243,902**	**$242,679**	**$(1,212)**

(2) Total sales of available-for-sale securities in the years ended March 31, 2012 and 2013 amounted to ¥468 million and ¥1,535 million ($16,321 thousand), respectively. The related gains and losses amounted to ¥96 million and ¥1 million, respectively, for the year ended March 31, 2012. The related gains and losses amounted to ¥728 million ($7,740 thousand) and ¥9 million ($95 thousand), respectively for the year ended March 31, 2013.

(3) For "Available-for-sale securities," impairment losses of ¥93 million and ¥80 million ($850 thousand) were recorded for the years ended March 31, 2012 and 2013, respectively.

8. Short-Term Loans and Long-Term Debt

Short-term loans consisted of short-term notes payable bearing interest at an annual average rate of 0.4% and 0.3% at March 31, 2012 and 2013, respectively.

Long-term debt at March 31, 2012 and 2013 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	**2013**	**2013**
Loans principally from banks and insurance companies due within one year (Average rate 1.5%)	¥ 11,358	**¥ 35,392**	**$ 376,310**
Maturing through 2031 (Average rate 1.9%)	200,722	**186,766**	**1,985,816**
Total	¥212,080	**¥222,158**	**$2,362,126**
Domestic unsecured bonds			
3.4% bonds payable due 2017	¥ 15,700	**¥ 15,700**	**$ 166,932**
1.46% bonds payable due 2012	19,999	**—**	**—**
1.47% bonds payable due 2022	19,984	**19,986**	**212,503**
1.83% bonds payable due 2020	19,992	**19,993**	**212,578**
1.79% bonds payable due 2020	19,986	**19,988**	**212,525**
2.33% bonds payable due 2026	9,994	**9,994**	**106,262**
1.79% bonds payable due 2016	19,992	**19,994**	**212,589**
2.14% bonds payable due 2019	19,996	**19,996**	**212,610**
1.59% bonds payable due 2014	19,998	**19,999**	**212,642**
1.21% bonds payable due 2015	30,000	**30,000**	**318,979**
1.782% bonds payable due 2018	30,000	**30,000**	**318,979**
1.199% bonds payable due 2013	30,000	**30,000**	**318,979**
1.345% bonds payable due 2021	10,000	**10,000**	**106,326**
1.16% bonds payable due 2021	10,000	**10,000**	**106,326**
0.759% bonds payable due 2022	—	**10,000**	**106,326**
Bonds payable in U.S. dollars 7.73% bonds payable due 2015	3,906	**3,583**	**38,096**
Total	¥279,551	**¥269,235**	**$2,862,679**

In the year ended March 31, 2007, the Company entered into debt assumption agreements with banks for 2.9% notes payable due in 2018 in the amount of ¥29,000 million.

The Company remains contingently liable on the amounts assumed by the banks.

The annual maturities of corporate bonds at March 31, 2013 were as follows:

Years ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2014	¥ 31,078	$ 330,441
2015	21,301	226,485
2016	31,203	331,770
2017	35,700	379,585
2018	—	—
April 1, 2018 and thereafter	150,000	1,594,896
Total	¥269,282	$2,863,179

The annual maturities of long-term debt at March 31, 2013 were as follows:

Years ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2014	¥ 35,392	$ 376,310
2015	16,071	170,877
2016	22,253	236,608
2017	15,142	160,999
2018	43,132	458,607
April 1, 2018 and thereafter	90,165	958,692
Total	¥222,158	$2,362,126

Assets pledged as collateral mainly for short-term loans and long-term debt totaling ¥19,026 million and ¥22,133 million ($235,332 thousand) at March 31, 2012 and 2013, respectively, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	**2013**	**2013**
Property, plant and equipment	¥33,700	**¥ 63,724**	**$ 677,554**
Investment in securities	10,746	**12,163**	**129,324**
Cash and time deposits	894	**4,215**	**44,816**
Accounts receivable	2,140	**1,157**	**12,301**
Inventories and other	4,244	**20,981**	**223,083**
Total	¥51,726	**¥102,242**	**$1,087,102**

9. Net Assets

Under Japanese Corporate Law ("the Law"), the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, however, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

The appropriation of retained earnings of the Company proposed by the Board of Directors and approved at the shareholders' meeting held on June 27, 2013 included cash dividends applicable to the year ended March 31, 2013 and the payment of cash dividends to shareholders of record at March 31, 2013 in the aggregate amount of ¥9,369 million ($99,617 thousand) or ¥4.5 per share. The appropriations have not been accrued in the consolidated financial statements for the year ended March 31, 2013. Such appropriations are recognized in the period in which they are approved by the shareholders.

10. Treasury Stock

Change in the treasury stock is as follows:

Thousands of Shares

As of April 1, 2012	Increase	Decrease	As of March 31, 2013
1,146	167	15	1,298

(Overview of reasons for change)
Overview of reasons for increase
Increase by repurchase of fractional shares 167 thousand shares
Overview of reasons for decrease
Decrease by disposal of fractional shares 15 thousand shares

11. Contingent Liabilities

At March 31, 2012 and 2013, the Companies were contingently liable as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	**2013**	**2013**
As guarantor of indebtedness of:			
Non-consolidated affiliates	¥ 4,923	**¥10,381**	**$110,377**
Employees	17	**11**	**116**
Debt assumption agreements	39,000	**29,000**	**308,346**
Total	¥43,941	**¥39,392**	**$418,841**

12. Land Revaluation

Pursuant to the Law Concerning Land Revaluation and the Amended Land Revaluation Law, a consolidated subsidiary revalued its land used for business activities on March 31, 2002. The difference between the revalued amount and the book value before the revaluation was recorded in the consolidated balance sheets as "Deferred tax liabilities related to land revaluation difference" in liabilities and "Land revaluation difference" in net assets. The land prices used for the revaluation were based on prices in the official notice published by the Commissioner of the National Tax Agency in accordance with Article 2, Paragraph 4 of the Enforcement Ordinance Concerning Land Revaluation, after making reasonable adjustments. The market value of the land was ¥1,365 million and ¥1,290 million ($13,716 thousand) lower than the revalued book amount at March 31, 2012 and 2013, respectively.

13. Research and Development Expenses

The Companies charge research and development expenses to selling, general and administrative expenses and manufacturing costs as incurred. Research and development expenses amounted to ¥10,974 million and ¥10,875 million ($115,629 thousand) for the years ended March 31, 2012 and 2013, respectively.

14. Leases

(1) Finance Lease Transactions

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

(2) Operating Lease Transactions

Obligations under non-cancelable operating leases at March 31, 2012 and 2013 were as follows:

As lessee (non-capitalized)

	Millions of Yen		Thousands of U.S. Dollars
	2012	**2013**	**2013**
Payments due within one year	¥ 841	**¥ 865**	**$ 9,197**
Payments due over one year	7,542	**7,019**	**74,630**
Total	¥8,383	**¥7,885**	**$83,838**

15. Derivative Transactions

Fair value information for the derivative transactions to which hedge accounting was not applied in 2013 was as follows:

			Millions of Yen / Thousands of U.S. Dollars			
			Contract Amounts			
Type	Instruments	Grouping		More than One Year	Fair Value	Profit or loss from valuation
Currencies	Forward foreign currency exchange contracts Selling position	Dealings other than market transactions	**¥ 9,370** **$99,627**	**¥ 4,400** **$46,783**	**¥ 412** **$4,380**	**¥ 412** **$4,380**

Notes: Fair values are calculated by using prices presented by major financial institutions.

Fair value information for the derivative transactions to which hedge accounting was applied in 2012 was as follows:

				Millions of Yen		
				Contract Amounts		
Type	Instruments	Hedge Accounting Method	Hedged Items		More than One Year	Fair Value
(a) Interest rates	Interest rate swaps	Exceptional accounting of interest rate swaps	Long-term loans payable	¥ 27,708	¥ 25,519	(Note 2)
		Principal method of accounting	Long-term loans payable and bonds	¥ 67,559	¥ 64,530	¥ 929
(b) Currencies	Forward foreign currency exchange contracts and currency option transactions	Exceptional accounting such as forward foreign currency exchange contracts, etc., or principal method of accounting	Anticipated foreign currency denominated transactions	¥ 18,532	¥ 2,254	¥ 431
(c) Products	Swap transactions and option transactions of oil prices, etc.	Principal method of accounting	Purchase prices of raw materials, etc.	¥ 52,466	¥ 40,974	¥4,046
Total				¥166,266	¥133,277	¥5,407

Fair value information for the derivative transactions to which hedge accounting was applied in 2013 is as follows:

				Millions of Yen / Thousands of U.S. Dollars		
				Contract Amounts		
Type	Instruments	Hedge Accounting Method	Hedged Items		More than One Year	Fair Value
(a) Interest rates	Interest rate swaps	Exceptional accounting of interest rate swaps	Long-term loans payable	**¥ 29,987** **$ 318,841**	**¥ 29,117** **$ 309,590**	**(Note 2)**
		Principal method of accounting	Long-term loans payable and bonds	**¥ 105,331** **$1,119,946**	**¥ 103,101** **$1,096,236**	**¥ (856)** **$ (9,101)**
(b) Currencies	Forward foreign currency exchange contracts and currency option transactions	Exceptional accounting such as forward foreign currency exchange contracts, etc., or principal method of accounting	Anticipated foreign currency denominated transactions	**¥ 16,214** **$ 172,397**	**¥ 1,810** **$ 19,245**	**¥ 759** **$ 8,070**
(c) Products	Swap transactions and option transactions of oil prices, etc.	Principal method of accounting	Purchase prices of raw materials, etc.	**¥ 50,907** **$ 541,275**	**¥ 33,888** **$ 360,318**	**¥ 6,235** **$66,294**
Total				**¥ 202,440** **$2,152,472**	**¥ 167,917** **$1,785,401**	**¥ 6,138** **$65,263**

Notes:
1. Fair values are calculated by using prices presented by major financial institutions.
2. Fair values of interest rate swaps to which exceptional accounting is applied are included in those of the corresponding long-term loans payable. As such, values are accounted for together with hedged long-term loans payable.

16. Employees' Severance and Retirement Benefits

Employees' severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2012 and 2013 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	**2013**	**2013**
Projected benefit obligation	¥ 253,376	**¥ 277,676**	**$ 2,952,429**
Unrecognized prior service costs	262	**231**	**2,456**
Unrecognized actuarial differences	(38,455)	**(34,585)**	**(367,729)**
Less fair value of pension assets	(237,383)	**(264,197)**	**(2,809,112)**
Prepaid pension costs	37,696	**36,847**	**391,780**
Employees' severance and retirement benefits	¥ 15,496	**¥ 15,972**	**$ 169,824**

Included in the consolidated statements of income for the years ended March 31, 2012 and 2013 were severance and retirement benefit expenses that consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	**2013**	**2013**
Service costs	¥ 8,217	**¥ 7,193**	**$ 76,480**
Interest cost on projected benefit obligation	4,563	**4,420**	**46,996**
Expected return on plan assets	(7,412)	**(7,309)**	**(77,713)**
Amortization of actuarial differences	3,312	**2,405**	**25,571**
Amortization of prior service costs	(30)	**(30)**	**(318)**
Severance and retirement benefit expenses	¥ 8,649	**¥ 6,679**	**$ 71,015**

The assumptions used in accounting for the above benefit plans were as follows:

	2012	**2013**
Discount rates	Mainly 1.8%	**Mainly 1.1%**
The rate of expected return on plan assets	Mainly 3.1%	**Mainly 3.1%**

The estimated amount of all retirement benefits to be paid at future retirement dates is allocated equally to each service year using the estimated number of total service years. Prior service costs are recognized as incurred and actuarial gains/losses are recognized not only as expense but also as income in equal amounts over 10 years.

17. Income Taxes

The Company is subject to a number of taxes based on income, which, in the aggregate, indicate a statutory rate in Japan of approximately 36.2% and 33.3% for the years ended March 31, 2012 and 2013, respectively.

The following table summarizes the significant differences between the Company's statutory tax rate and the Companies' effective tax rate for financial statement purposes for the years ended March 31, 2012 and 2013:

	2012	**2013**
Statutory tax rate	36.2%	**33.3%**
Nondeductible expenses	1.4	**1.0**
Statutory tax rate difference between the Company and certain subsidiaries	2.3	**0.7**
Per capita inhabitants taxes	0.3	**0.3**
Effect of revised corporate tax rate	1.9	**—**
Equity in earnings of affiliates	(2.7)	**(2.5)**
Other	(1.9)	**2.3**
Effective tax rate	37.5%	**35.1%**

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2012 and 2013 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	**2013**	**2013**
Deferred tax assets:			
Excess depreciation of depreciable assets	¥ 6,291	**¥ 6,341**	**$ 67,421**
Excess depreciation of deferred assets	6,459	**5,947**	**63,232**
Reserve for safety measures	2,294	**4,224**	**44,912**
Loss from impairment of fixed assets	3,943	**4,806**	**51,100**
Write-down of securities	4,064	**3,354**	**35,661**
Employees' severance and retirement benefits	5,634	**5,684**	**60,435**
Accrued enterprise taxes	2,938	**2,907**	**30,909**
Others	19,578	**18,780**	**199,681**
Subtotal deferred tax assets	51,206	**52,046**	**553,386**
Valuation allowance	(9,140)	**(9,757)**	**(103,742)**
Total deferred tax assets	42,065	**42,289**	**449,643**
Deferred tax liabilities:			
Unrealized gains (losses) on securities	(8,896)	**(11,824)**	**(125,720)**
Prepaid pension costs	(11,579)	**(11,277)**	**(119,904)**
Deferred gains and losses on hedges	(2,460)	**(3,168)**	**(33,684)**
Reserve defined under the special taxation measures law	(8,038)	**(8,580)**	**(91,228)**
Reserve for advanced depreciation of noncurrent assets	(322)	**(316)**	**(3,359)**
Others	(1,950)	**(3,924)**	**(41,722)**
Total deferred tax liabilities	(33,247)	**(39,091)**	**(415,640)**
Net deferred tax assets	¥ 8,818	**¥ 3,197**	**$ 33,992**

Net deferred tax assets (liabilities) were included in the consolidated balance sheets as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	**2013**	**2013**
Current assets (included in "Others")	¥11,884	**¥ 11,035**	**$ 117,331**
Investments and other assets (included in "Others")	6,736	**6,815**	**72,461**
Current liabilities (included in "Others")	(0)	**(22)**	**(233)**
Long-term liabilities	(9,801)	**(14,631)**	**(155,566)**
Total	¥ 8,818	**¥ 3,197**	**$ 33,992**

18. Investment and Rental Property

The Company and several of its consolidated subsidiaries own office buildings and other real property for rent (including land) in Osaka Prefecture and other prefectures. In the years ended March 31, 2012, we reported gains of ¥5,233 million, from the rent of such real property (recorded mainly as operating income). In the years ended March 31, 2013, we reported gains of ¥5,783 million ($61,488 thousand), from the rent of such real property (recorded mainly as operating income) and impairment loss of ¥3,036 million ($32,280 thousand).

The book value and fair value of real properties for rent in the consolidated balance sheets for the years ended March 31, 2012 and 2013 were as follows:

As of March 31, 2012

Book Value			Millions of Yen
As of April 1, 2011	Increase or Decrease	As of March 31, 2012	Fair Value as of March 31, 2012
¥105,392	¥2,979	¥108,371	¥159,358

As of March 31, 2013

Book Value			Millions of Yen
As of April 1, 2012	Increase or Decrease	As of March 31, 2013	Fair Value as of March 31, 2013
¥108,371	**¥(4,212)**	**¥104,159**	**¥158,910**

As of March 31, 2013

Book Value			Thousands of U.S. dollars
As of April 1, 2012	Increase or Decrease	As of March 31, 2013	Fair Value as of March 31, 2013
$1,152,270	**$(44,784)**	**$1,107,485**	**$1,689,633**

Notes:
1. The book value stated in the consolidated balance sheets was the acquisition costs reduced by accumulated depreciation and accumulated impairment loss.
2. The main factor contributing to the increase and decrease in the years ended March 31, 2012 and March 31, 2013 was the acquisition of real property of ¥7,128 million and impairment loss of ¥3,036 million ($32,280 thousand), respectively.
3. The fair values as of end of the fiscal year were based mainly on the Real Estate Appraisal Standards or similar evaluation methods (including values adjusted using indicators).

19. Segment Information

(1) Overview of Reportable Segments

The Company group's three business segments, "Domestic Energy Service Businesses," "International Energy Businesses along Energy Value Chain" and "Environment and Non-Energy Businesses" are divided by product and service and organized into the four reporting segments of "Gas Businesses," "LPG, Electricity and Other Energies Businesses," "International Energies Businesses" and "Environment and Non-Energies Businesses," considering the similarities between product and services and other relevant factors.

The "Gas Businesses" segment includes marketing of gas and gas equipment, gas piping work and heat supply. The "LPG, Electricity and Other Energies Businesses" segments include LPG marketing, industrial gas marketing and electric power supply. The "International Energies Businesses" segment includes overseas energy supply, LNG vessel chartering businesses and oil and natural gas business development and investment. The "Environment and Non-Energies Businesses" segment includes the renewable energy business, real estate development and leasing, IT services, marketing of fine materials and carbon material products, fitness gym operation, engineering services, and leasing of automobiles and IT related equipment.

(2) Methods used to calculate sales, income (loss), assets, liabilities and other items by reportable segment

The methods used to account for sales, income (loss), assets, liabilities and other items by reportable segment are consistent with the accounting principles described in Note 2, "Significant Accounting Policies." The pricing of intergroup transactions is based on values arising under arms-length market transactions.

As described in "Change in accounting policies with amendment of respective laws and regulations that are not distinguishable from changes in accounting estimates", in accordance with the amendment in corporate tax law, from the year ending March 31, 2013, the Company and its domestic subsidiaries have changed its depreciation method for property, plant and equipments acquired on or after April 1, 2012. Depreciation method for the reporting segment has been changed to reflect the amendment in corporate tax law. This change has had no significant effect on operating income, ordinary income or income before taxes.

Moreover, because the amount of investment has become important, the investment to the joint venture that a part of overseas consolidated subsidiary did have been presented in "Increase in tangible and intangible fixed assets " since the period on March, 2013. As a result, the amount of money of "Increase in tangible and intangible fixed assets" of "International Energies Businesses" segment at the period on March, 2012 (¥7,166 million ($76,193 thousand)) is reclassified according to the presentation at the period on March, 2013.

(3) Sales, income (loss), assets, liabilities and other items by reportable segment

Millions of Yen

For 2012:	Gas	LPG, Electricity and Other Energies	International Energies	Environment and Non-Energies	Total	Adjustments (Note 1)	Consolidated (Note 2)
Operating revenues							
Outside customers	¥952,611	¥195,624	¥ 11,000	¥135,546	¥1,294,781	¥ —	¥1,294,781
Inside group	23,901	2,435	157	49,042	75,536	(75,536)	—
Total	976,512	198,060	11,158	184,588	1,370,318	(75,536)	1,294,781
Segment income							
Operating income	¥ 20,977	¥ 32,230	¥ 3,361	¥ 18,437	¥ 75,007	¥ 2,267	¥ 77,274
Equity in earnings of affiliates	5	216	5,300	114	5,637	—	5,637
Total	20,982	32,447	8,661	18,552	80,644	2,267	82,911
Segment assets	¥753,945	¥164,672	¥169,802	¥322,568	¥1,410,988	¥ 64,771	¥1,475,759
Depreciation	62,451	15,675	5,543	10,223	93,893	(776)	93,117
Amortization of goodwill	(89)	445	251	(99)	507	—	507
Investment in affiliates reported by equity method	401	4,151	37,351	1,870	43,775	—	43,775
Increase in tangible and intangible fixed assets	63,009	3,315	16,672	14,413	97,411	(732)	96,678

Millions of Yen

For 2013:	Gas	LPG, Electricity and Other Energies	International Energies	Environment and Non-Energies	Total	Adjustments (Note 1)	Consolidated (Note 2)
Operating revenues							
Outside customers	**¥1,019,118**	**¥212,591**	**¥ 10,610**	**¥137,739**	**¥1,380,060**	**¥ —**	**¥1,380,060**
Inside group	**19,431**	**2,910**	**153**	**47,903**	**70,400**	**(70,400)**	**—**
Total	**1,038,550**	**215,502**	**10,764**	**185,643**	**1,450,460**	**(70,400)**	**1,380,060**
Segment income							
Operating income	**¥ 23,368**	**¥ 37,792**	**¥ 2,079**	**¥ 18,791**	**¥ 82,031**	**¥ 2,742**	**¥ 84,773**
Equity in earnings of affiliates	**4**	**482**	**5,570**	**277**	**6,335**	**—**	**6,335**
Total	**23,373**	**38,275**	**7,649**	**19,068**	**88,367**	**2,742**	**91,109**
Segment assets	**¥ 753,424**	**¥163,462**	**¥232,871**	**¥340,709**	**¥1,490,466**	**¥ 76,432**	**¥1,566,899**
Depreciation	**54,280**	**13,306**	**5,177**	**10,452**	**83,216**	**(789)**	**82,427**
Amortization of goodwill	**(96)**	**140**	**251**	**94**	**390**	**—**	**390**
Investment in affiliates reported by equity method	**405**	**4,564**	**42,541**	**1,401**	**48,912**	**—**	**48,912**
Increase in tangible and intangible fixed assets	**62,305**	**3,362**	**37,024**	**10,939**	**113,631**	**(644)**	**112,987**

Thousands of U.S. Dollars

For 2013:	Gas	LPG, Electricity and Other Energies	International Energies	Environment and Non-Energies	Total	Adjustments (Note 1)	Consolidated (Note 2)
Operating revenues							
Outside customers	**$10,835,917**	**$2,260,404**	**$ 112,812**	**$1,464,529**	**$14,673,684**	**$ —**	**$14,673,684**
Inside group	**206,602**	**30,940**	**1,626**	**509,335**	**748,538**	**(748,538)**	**—**
Total	**11,042,530**	**2,291,355**	**114,449**	**1,973,875**	**15,422,222**	**(748,538)**	**14,673,684**
Segment income							
Operating income	**$ 248,463**	**$ 401,828**	**$ 22,105**	**$ 199,797**	**$ 872,206**	**$ 29,154**	**$ 901,360**
Equity in earnings of affiliates	**42**	**5,124**	**59,223**	**2,945**	**67,357**	**—**	**67,357**
Total	**248,516**	**406,964**	**81,329**	**202,743**	**939,574**	**29,154**	**968,729**
Segment assets	**$ 8,010,887**	**$1,738,032**	**$2,476,034**	**$3,622,636**	**$15,847,591**	**$ 812,674**	**$16,660,276**
Depreciation	**577,139**	**141,477**	**55,045**	**111,132**	**884,805**	**(8,389)**	**876,416**
Amortization of goodwill	**(1,020)**	**1,488**	**2,668**	**999**	**4,146**	**—**	**4,146**
Investment in affiliates reported by equity method	**4,306**	**48,527**	**452,323**	**14,896**	**520,063**	**—**	**520,063**
Increase in tangible and intangible fixed assets	**662,466**	**35,746**	**393,662**	**116,310**	**1,208,197**	**(6,847)**	**1,201,350**

Notes:
1. Adjustments are as follows:
   (1) A major adjustment in segment income is the elimination of intersegment transactions.
   (2) A major adjustment in segment assets is for investment in securities possessed by the Company.
2. Segment income is adjusted by adding or subtracting equity in earnings of affiliates to or from operating income.

(4) Information about loss from impairment of fixed assets by reportable segment

For 2012:

Not applicable

For 2013:

							Millions of Yen
For 2013:	Gas	LPG, Electricity and Other Energies	International Energies	Environment and Non-Energies	Subtotal	Elimination or corporate	Total
Loss from impairment of fixed assets	¥3,178	¥944	¥—	¥1,372	¥5,495	¥—	¥5,495

							Thousands of U.S. Dollars
For 2013:	Gas	LPG, Electricity and Other Energies	International Energies	Environment and Non-Energies	Subtotal	Elimination or corporate	Total
Loss from impairment of fixed assets	$33,790	$10,037	$—	$14,587	$58,426	$—	$58,426

(5) Information about amount depreciated and the undepreciated balance of goodwill by reportable segment

							Millions of Yen
For 2012:	Gas	LPG, Electricity and Other Energies	International Energies	Environment and Non-Energies	Subtotal	Elimination or corporate	Total
Amount depreciated in 2012	¥(89)	¥445	¥ 251	¥ (99)	¥ 507	¥—	¥ 507
Undepreciated balance at fiscal year-end	(96)	513	2,050	(101)	2,366	—	2,366

							Millions of Yen
For 2013:	Gas	LPG, Electricity and Other Energies	International Energies	Environment and Non-Energies	Subtotal	Elimination or corporate	Total
Amount depreciated in 2013	¥(96)	¥140	¥ 251	¥ 94	¥ 390	¥—	¥ 390
Undepreciated balance at fiscal year-end	—	376	2,010	1,201	3,588	—	3,588

							Thousands of U.S. Dollars
For 2013:	Gas	LPG, Electricity and Other Energies	International Energies	Environment and Non-Energies	Subtotal	Elimination or corporate	Total
Amount depreciated in 2013	$(1,020)	$1,488	$ 2,668	$ 999	$ 4,146	$—	$ 4,146
Undepreciated balance at fiscal year-end	—	3,997	21,371	12,769	38,149	—	38,149

20. Consolidated Statements of Comprehensive Income

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Unrealized gains (losses) on securities			
Incurred in the fiscal year	¥ 330	¥17,648	$187,644
Reclassification adjustments	(89)	(438)	(4,657)
Before tax effect adjustments	241	17,210	182,987
Tax effect	1,435	(5,386)	(57,267)
Unrealized gains (losses) on securities	1,676	11,824	125,720
Deferred gains and losses on hedges			
Incurred in the fiscal year	1,241	4,079	43,370
Reclassification adjustments	(1,730)	(3,841)	(40,839)
Before tax effect adjustments	(489)	237	2,519
Tax effect	340	(69)	(733)
Deferred gains and losses on hedges	(148)	168	1,786
Land revaluation difference			
Tax effect	9	—	—
Foreign currency translation adjustments			
Incurred in the fiscal year	(5,514)	14,048	149,367
Reclassification adjustments	—	52	552
Before tax effect adjustments	(5,514)	14,100	149,920
Tax effect	—	—	—
Foreign currency translation adjustments	(5,514)	14,100	149,920
Share of other comprehensive income of associates accounted for using equity method			
Incurred in the fiscal year	(4,160)	1,967	20,914
Reclassification adjustments	524	869	9,239
Share of other comprehensive income of associates accounted for using equity method	(3,636)	2,836	30,154
Total other comprehensive income	¥(7,613)	¥28,929	$307,591

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Osaka Gas Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2013 and 2012, and the consolidated income statements, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Osaka Gas Co., Ltd. and its consolidated subsidiaries as at March 31, 2013 and 2012, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2013 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

June 27, 2013
Osaka, Japan