Financial Section

Summary of Consolidated Operating Results

Osaka Gas Co., Ltd. and Consolidated Subsidiaries
Fiscal years ended March 31, 2004 through 2014

	2004.3	2005.3	2006.3	2007.3
Financial Data				
Net sales	¥ 951,324	¥ 975,340	¥1,065,961	¥1,174,456
Operating income	92,096	95,992	100,657	93,729
Income before income taxes and minority interests	78,161	83,904	132,393	88,078
Net income	47,065	50,683	80,710	52,929
Capital expenditure	69,779	65,517	117,455	95,267
Depreciation and amortization	89,564	86,858	84,250	84,031
R&D expenses	12,379	11,404	11,324	9,906
Total assets	1,199,228	1,217,463	1,398,692	1,405,682
Equity	495,635	530,862	628,510	668,887
Interest-bearing liabilities	455,700	448,521	487,509	487,827
Cash flows from operating activities	132,891	116,902	152,935	98,354
Cash flows from investing activities	(67,877)	(65,679)	(162,989)	(99,765)
Cash flows from financing activities	(75,930)	(23,912)	13,245	(22,009)
Number of shares issued and outstanding (thousands)	2,369,011	2,369,011	2,235,669	2,235,669
Per Share Data (yen and U.S. dollars)				
Earnings per share (EPS)	¥ 20.56	¥ 22.69	¥ 36.18	¥ 23.77
Book value per share (BPS)	222.15	238.15	282.12	300.61
Annual dividends	6.00	6.00	7.00	7.00
Key Ratios				
Net worth / Total assets	41.3%	43.6%	44.9%	47.6%
Debt equity ratio (times)	0.92	0.84	0.78	0.73
Interest coverage ratio (times)	12.9	16.1	23.6	10.3
Return on assets (ROA)	3.9%	4.2%	6.2%	3.8%
Return on equity (ROE)	9.9%	9.9%	13.9%	8.1%
Gas sales volume (million m^3)	7,779	8,072	8,469	8,764
Number of meters installed (thousands)	6,650	6,725	6,785	6,848
Number of employees	15,276	15,992	16,077	16,435

Notes:
1. The translation of Japanese yen amounts into U.S. dollar amounts is based on the prevailing exchange rate at March 31, 2014, which was ¥102.92 to U.S.$1.0.
2. Debt equity ratio = Interest-bearing liabilities / Equity (as of the end of the fiscal years ended March 31)
3. Interest coverage ratio = Cash flows from operating activities / Interest expenses
4. Return on assets (ROA) = Net income / Total assets (average)
5. Return on equity (ROE) = Net income / Average equity (up to 2006, "average equity" was "shareholders' assets [average]")
6. Figures in the financial data are rounded down.

						Millions of yen	Thousands of U.S. dollars
2008.3	2009.3	2010.3	2011.3	2012.3	2013.3	**2014.3**	**2014.3**
¥1,238,145	¥1,326,785	¥1,096,628	¥1,187,142	¥1,294,781	¥1,380,060	**¥1,512,581**	**$14,696,667**
75,611	66,932	91,140	88,584	77,274	84,773	**99,381**	**965,614**
72,478	64,510	82,572	81,587	75,694	84,630	**81,874**	**795,511**
40,283	36,041	48,384	45,968	45,207	52,467	**41,725**	**405,411**
111,087	106,087	98,246	69,600	87,171	112,987	**124,146**	**1,206,237**
95,253	86,549	95,402	97,569	93,624	82,818	**83,806**	**814,282**
10,178	9,603	10,670	10,918	10,974	10,875	**11,793**	**114,584**
1,467,934	1,452,457	1,483,895	1,437,297	1,475,759	1,566,899	**1,668,317**	**16,209,842**
648,592	612,566	666,689	664,959	684,584	747,802	**798,964**	**7,762,961**
566,441	573,483	539,081	532,493	541,349	540,199	**573,586**	**5,573,124**
134,282	120,691	229,714	126,399	122,793	129,597	**154,225**	**1,498,493**
(132,029)	(108,102)	(111,265)	(82,408)	(107,764)	(116,791)	**(175,591)**	**(1,706,092)**
12,495	(3,438)	(49,553)	(41,257)	(8,279)	(27,897)	**4,163**	**40,448**
2,158,383	2,158,383	2,158,383	2,083,400	2,083,400	2,083,400	**2,083,400**	—
¥ 18.27	¥ 16.72	¥ 22.50	¥ 21.62	¥ 21.71	¥ 25.20	**¥ 20.04**	**$ 0.194**
300.76	284.21	310.39	319.33	328.77	359.16	**383.90**	**3.730**
7.00	7.00	7.00	8.00	8.00	8.50	**9.00**	**0.087**
44.2%	42.2%	44.9%	46.3%	46.4%	47.7%	**47.9%**	—
0.87	0.94	0.81	0.80	0.79	0.72	**0.72**	—
13.6	11.5	23.1	14.0	13.8	15.4	**18.0**	—
2.8%	2.5%	3.3%	3.1%	3.1%	3.4%	**2.6%**	—
6.1%	5.7%	7.6%	6.9%	6.7%	7.3%	**5.4%**	—
8,917	8,416	8,150	8,560	8,711	8,534	**8,554**	—
6,913	6,971	7,009	7,041	7,074	7,114	**7,164**	—
16,682	19,009	19,268	19,684	19,818	19,870	**21,250**	—

Management's Discussion and Analysis

1. Operating Environment

In the fiscal year ended March 31, 2014, the Japanese economy achieved a solid recovery as consumer spending and capital investment showed an upward tendency against the backdrop of a weak yen and high stock prices and the recovering U.S. economy pushed up exports.

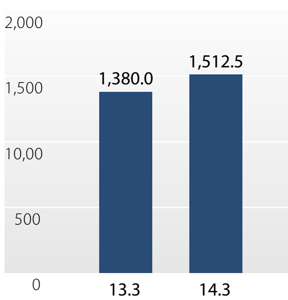
2. An Overview of the Fiscal Year Ended March 31, 2014

Consolidated net sales for the fiscal year ended March 31, 2014 increased by ¥132.5 billion (9.6%) year on year, to ¥1,512.5 billion, mainly because gas sales unit prices at Osaka Gas remained high under the Fuel Cost Adjustment System. Meanwhile, consolidated operating income came to ¥99.3 billion, up ¥14.6 billion (17.2%). This largely reflected increased gas and electric power business earnings on an Osaka Gas stand-alone basis. In contrast, consolidated net income decreased by ¥10.7 billion (20.5%) to ¥41.7 billion owing primarily to the recording of an impairment loss on the U.S. upstream business.

As of March 31, 2014, the Company had 150 consolidated subsidiaries. During the fiscal year, three companies were excluded, and 23 companies were included in the scope of consolidation. In addition, there were 12 affiliates reported by the equity method as of the end of the fiscal year, an increase of three equity-method affiliates from the end of the previous fiscal year.

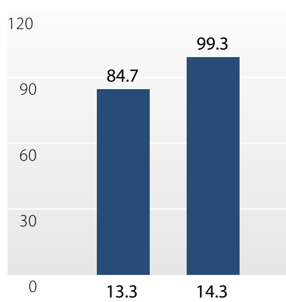
Net Sales

(Billions of yen)



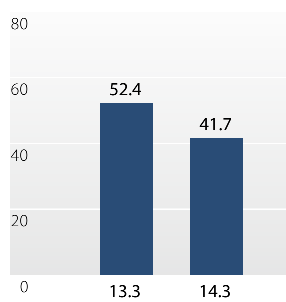
Operating Income

(Billions of yen)



Net Income

(Billions of yen)



External Environment Data

	Temperature (ºC)	Crude Oil Price ($/bbl)	Exchange Rate (¥/$)
2013.3	16.7	113.9	82.9
2014.3	17.1	110.0	100.2

Breakdown of Movements in Net Sales between Fiscal Years Ended March 31, 2013 and March 31, 2014

2013.3 ¥1,380.0 billion → 2014.3 ¥1,512.5 billion (Up ¥132.5 billion YoY)

Non-consolidated: Up ¥112.6 billion

Gas net sales	Up ¥73.0 billion
• Impact of the Fuel Cost Adjustment System	Up ¥76.2 billion
• Changes in volume and other factors	Down ¥3.2 billion
Other revenues	Up ¥39.6 billion
• LNG sales	Up ¥25.0 billion
• Electric power sales	Up ¥9.5 billion
• Gas appliance sales	Up ¥3.2 billion

Subsidiaries: Up ¥19.8 billion

• Real estate business	Up ¥10.0 billion
• Domestic IPPs	Up ¥7.3 billion
• LPG business	Up ¥5.9 billion

Breakdown of Movements in Operating Income between Fiscal Years Ended March 31, 2013 and March 31, 2014

2013.3 ¥84.7 billion → 2014.3 ¥99.3 billion (Up ¥14.6 billion YoY)

Non-consolidated: Up ¥14.7 billion

Gross margin of gas sales	Down ¥4.7 billion
• Profit/loss attributable to the Fuel Cost Adjustment System	Up ¥0.2 billion
• Changes in volume and other factors	Down ¥5.0 billions
Decrease in operating expenses	Up ¥12.4 billion
• Decrease in miscellaneous expenses	Up ¥7.0 billion
• Decrease in labor costs	Up ¥4.0 billion
Non-operating income	Up ¥7.0 billion
• Electricity business profit	Up ¥3.9 billion
• Profit on gas appliance sales	Up ¥1.9 billion

Subsidiaries: Down ¥0.1 billion

• Upstream businesses in the U.S.	Down ¥3.5 billion
• Real estate business	Up ¥1.1 billion
• IPPs in the U.S.	Up ¥1.0 billion

3. Non-Consolidated Gas Sales

In the fiscal year ended March 31, 2014, overall gas sales volume for Osaka Gas was 8,524 million m^3, essentially unchanged from the previous fiscal year. Included in this amount, residential gas sales volume decreased by 3.3% year on year, to 2,198 million m^3. This mainly reflected higher atmospheric and water temperatures compared with the previous fiscal year and the downturn in demand for hot water supply and air heating. Industrial gas sales volume climbed by 2.5% year on year, to 4,329 million m^3 owing largely to increased demand for industrial applications. Commercial gas sales and gas sales for public and medical uses were impacted by the energy-saving efforts of customers. This led to a slight decline of 0.8% to 1,528 million m^3. Wholesale gas sales came in at 469 million m^3 virtually the same level as the previous fiscal year.

Non-Consolidated Gas Sales

45MJ/m^3			2013.3	**2014.3**	Change	Change (%)
Average monthly usage per residential customer (m^3/month)			32.5	**31.3**	–1.2	–3.7
Gas sales volume (million m^3)	Residential		2,272	**2,198**	–74	–3.3
	Commercial and industrial		5,761	**5,856**	+95	+1.7
		Industrial	4,222	**4,329**	+107	+2.5
		Commercial, public, and medical	1,540	**1,528**	–12	–0.8
	Wholesale		469	**469**	+0	+0.1
	Total		8,503	**8,524**	+21	+0.2

4. Overview by Business Segment

Gas
Net sales for the gas business segment were up by ¥80.9 billion (7.8%) year on year, to ¥1,119.5 billion. This was mainly due to persistently high gas unit selling prices under the Fuel Cost Adjustment System. Despite a decline in gas business gross profit, segment income also climbed by ¥8.7 billion (37.2%) compared with the previous fiscal year, to ¥32.0 billion due largely to the decrease in operating expenses.

LPG, Electricity and Other Energy
Net sales from this segment increased by ¥42.4 billion (19.7%) year on year, to ¥257.9 billion, owing mainly to higher revenue from the electric power business. Segment income was up by ¥5.6 billion (14.7%), to ¥43.8 billion.

International Energy
Net sales from the international energy business segment increased by ¥2.5 billion (23.9%) year on year, to ¥13.3 billion. Segment income was essentially unchanged from the previous fiscal year at ¥7.7 billion.

Environment and Non-Energy
Net sales from the environment and non-energy business segment improved by ¥14.0 billion (7.6%) year on year to ¥199.6 billion. This was largely attributable to the increase in real estate business revenue. Segment income climbed by ¥1.7 billion (9.1%), to ¥20.8 billion.

Net Sales and Segment Income* for the Fiscal Year Ended March 31, 2014

(Billions of yen)

	Gas	LPG, Electricity and Other Energy	International Energy	Environment and Non-Energy	Adjustments	Total
Net sales	1,119.5	257.9	13.3	199.6	–77.9	1,512.5
Year-on-year change (%)	+7.8%	+19.7%	+23.9%	+7.6%	—	+9.6%
Year-on-year change	+80.9	+42.4	+2.5	+14.0	—	+132.5
Segment income*	32.0	43.8	7.7	20.8	2.7	107.2
Year-on-year change (%)	+37.2%	+14.7%	+1.7%	+9.1%	—	+17.8%
Year-on-year change	+8.7	+5.6	+0.1	+1.7	—	+16.1

* Segment income = Operating income + Equity in 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 as well as day-to-day operations and intends to aggressively expand its operations in growth fields, especially in the domestic energy, international energy, and Life & business solutions (non-energy business. 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. Under the new medium-term business plan, "Catalyze Our Dreams," formulated in March 2014, we put in place a new set of targets. 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 liabilities to equity of approximately 0.7 and a consolidated shareholders' equity ratio of 50% or more as we aim to maximize capital efficiency.

In this pursuit, we employ a number of measures, including cash management systems (CMSs) 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 liabilities 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.

Looking ahead, we intend to invest in our growth by raising funds through new interest-bearing liabilities in line with the growth in shareholders' equity that accompanies higher income.

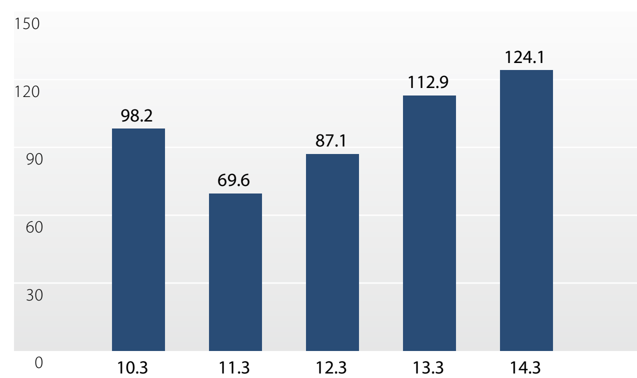
Capital Expenditure

In the fiscal year ended March 31, 2014, non-consolidated capital expenditure totaled ¥58.6 billion, down by ¥1.4 billion year on year. In contrast, consolidated capital expenditure rose by ¥11.1 billion year on year, to ¥124.1 billion, on the back of such factors as the acquisition of overseas gas field interests and investments in the construction of LNG carriers by consolidated subsidiaries.

The Osaka Gas Group is aggressively investing in both domestic and overseas businesses as potential future growth drivers. In addition to upstream business including gas field interests, we are investing in electric power businesses as well as other non-energy businesses that are derived from the gas business. During the fiscal year under review, we made investments for expansion, greenfield projects, and M&A activities totaling ¥142.8 billion in such areas as our domestic pipeline, upstream businesses, and LNG carriers. We also acquired an activated carbon company and invested in a U.K.-based water-supply business. In overall terms, we have decided to conduct investments totaling ¥523.5 billion over the five-year period that began with the fiscal year ended March 31, 2010. This is equivalent to 131% of the five-year plan from the fiscal year ended March 31, 2010 to the fiscal year ended March 31, 2014.

Consolidated Capital Expenditure

(Billions of yen)



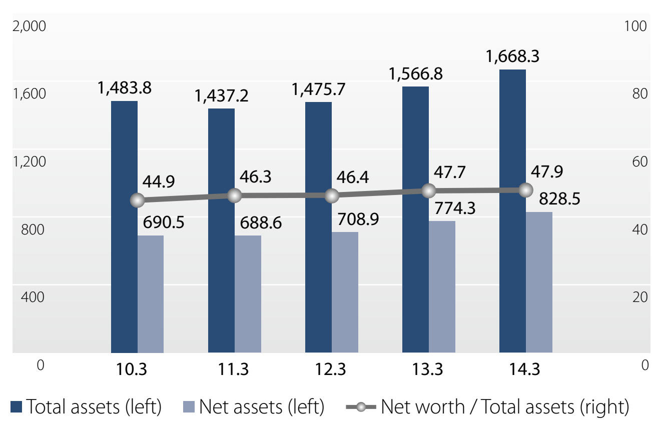
Assets, Liabilities, and Net Assets Analysis

Total assets as of March 31, 2014 stood at ¥1,668.3 billion, up by ¥101.4 billion from the previous fiscal year-end. This was mainly due to the increase in distribution facilities and intangible fixed assets. Total liabilities increased by ¥47.1 billion, to ¥839.7 billion, due to the increase in long-term loans payable. Net assets climbed by ¥54.2 billion, to ¥828.5 billion on the back of increases mainly in total accumulated other comprehensive income due to the upswing in foreign currency translation adjustment.

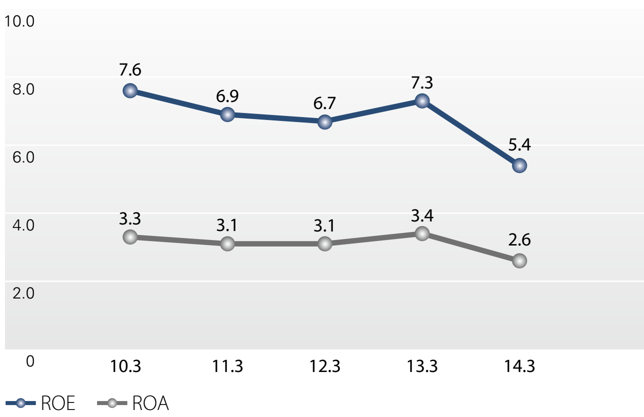
As a result, the shareholders' equity ratio increased by 0.2 of a percentage point from the previous fiscal year-end, to 47.9%. Return on assets (ROA) was down 0.9 of a percentage point, to 2.6%, while return on equity (ROE) declined 1.9 percentage points, to 5.4%.

Total Assets / Net Assets
Net Worth / Total Assets

(Billions of yen) (%)

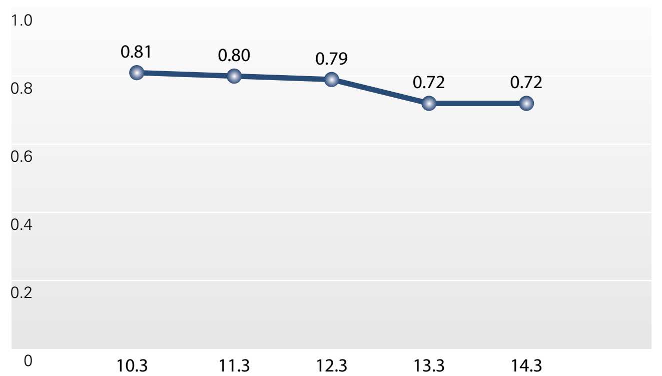


Return on Equity (ROE) / Return on Assets (ROA)



Debt Equity Ratio

(Times)



6. Overview of Cash Flows

Net cash provided by operating activities during the fiscal year ended March 31, 2014 increased by ¥24.6 billion, to ¥154.2 billion. This was largely attributable to the larger decrease in inventories than the previous fiscal year, which more than offset the decreases in income before income taxes.

Net cash used in investing activities increased by ¥58.7 billion, to ¥175.5 billion, primarily because of the year-on-year upswing in purchase of investments in subsidiaries resulting in a change in the scope of consolidated.

Net cash provided by financing activities amounted to ¥4.1 billion, a turnaround of ¥32.0 billion from net cash used in financing activities in the previous fiscal year. This was largely on the back of the increase in proceeds from long-term loans payable from the previous fiscal year.

Taking these activities into consideration, the net decrease in cash and cash equivalents in the fiscal year ended March 31, 2014 totaled ¥19.0 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, 2014 decreased by ¥19.0 billion, to ¥90.3 billion.

(Billions of yen)

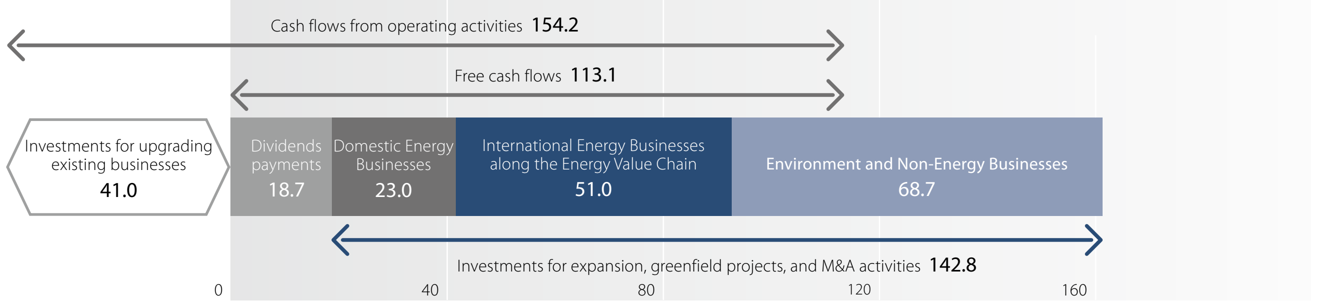
	2013.3	2014.3	Change
Cash flows from operating activities	129.5	**154.2**	+24.6
Cash flows from investing activities	–116.7	**–175.5**	–58.7
Cash flows from financing activities	–27.8	**4.1**	+32.0
Net increase (decrease) in cash and cash equivalents	–12.9	**–19.0**	–6.1
Cash and cash equivalents at the end of the year	109.4	**90.3**	–19.0
Interest-bearing liabilities at the end of the year	540.1	**573.5**	+33.3

Use of Free Cash Flows

Consolidated free cash flows for the fiscal year ended March 31, 2014 increased by ¥28.0 billion, to ¥113.1 billion. Uses of these free cash flows included investments of ¥142.8 billion for expansion, greenfield projects, and M&A activities as well as dividend payments of ¥18.7 billion.

Use of Consolidated Free Cash Flows for the Fiscal Year Ended March 31, 2014

(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 has put in place a fresh set of financial soundness indicators under its new medium-term business plan, "Catalyze Our Dreams." Looking ahead, Osaka Gas will seek to achieve: (1) a shareholders' equity ratio of 50% or more, and (2) a ratio of consolidated interest-bearing liabilities to equity of about 0.7, while maintaining the existing balance with shareholders' value added (SVA), free cash flow, interest-bearing liabilities, 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, 2014)

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

8. Basic Policy Regarding the Distribution of Profits and Dividends

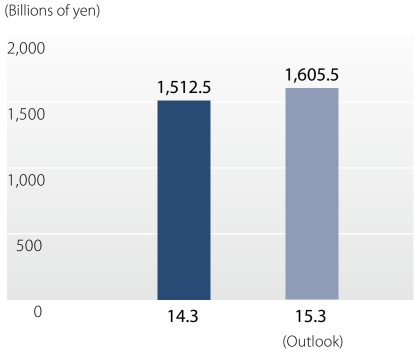
The Company has been striving to grow the business and improve the efficiency of operations, and has appropriated the increase in profit resulting from these efforts for future business growth, for internal reserves, and for the payment of steady dividends to shareholders. We will endeavor to continue 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, 2014, the Company issued dividend payments totaling ¥9 per share, including an interim dividend of ¥4.5 per share. This represents a year-on-year increase of ¥0.5 per share. Turning to the fiscal year ending March 31, 2015, the Company intends to also pay a dividend of ¥9 per share.

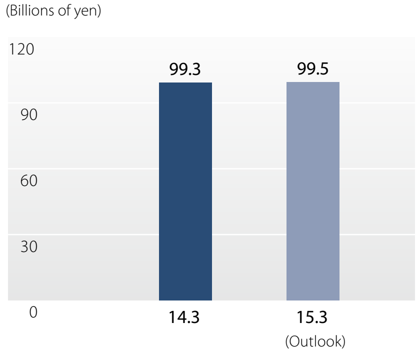
9. Outlook for the Fiscal Year Ending March 31, 2015

We project that net sales in the fiscal year ending March 31, 2015 will increase by ¥92.9 billion (6.1%) year on year, to ¥1,605.5 billion. This is largely because LNG prices are expected to be higher in the next fiscal year, and gas sales unit prices are anticipated to remain high due to the Fuel Cost Adjustment System. Operating income is expected to remain about the same at ¥99.5 billion. While time-lag losses in the gas business are expected to show a positive turnaround, forecast stagnant earnings is primarily due to the anticipated increase in depreciation and amortization expenses associated with the opening of the Mie-Shiga and Himeji-Okayama gas pipelines and decreases in earnings from the electric power business and affiliated companies. In addition, net income in the fiscal year ending March 31, 2015 is forecast to increase by ¥23.7 billion (57.0%), to ¥65.5 billion.

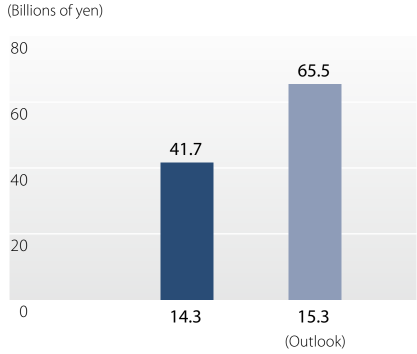
Net Sales



Operating Income



Net Income



Net Sales and Segment Income*1 for the Fiscal Year Ending March 31, 2015 (Outlook)

(Billions of yen)

	Gas	LPG, Electricity and Other Energy	International Energy	Life & Business Solutions (Non-Energy Business)*2	Adjustments	Total
Net sales	1,148.5	296.5	16.5	221.0	−77.0	1,605.5
Year-on-year change (%)	+2.6%	+14.9%	+23.8%	+10.7%	—	+6.1%
Year-on-year change	+28.9	+38.5	+3.1	+21.3	—	+92.9
Segment income*1	38.0	40.5	8.0	17.0	2.0	105.5
Year-on-year change (%)	+18.5%	−7.7%	+2.9%	−18.3%	—	−1.7%
Year-on-year change	+5.9	−3.3	+0.2	−3.8	—	−1.7

*1 Segment income = Operating income + Equity in earnings of affiliates
*2 Effective from the fiscal year ending March 31, 2015, the name of the environment and non-energy business segment has been changed to the life & business solutions (non-energy business) segment following a review of business segment details of the renewable energy business.

10. Business Risks

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

Risks Related to All Businesses within the Osaka Gas Group

a. **Changes in economic, financial, and social conditions as well as 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) Domestic energy business

a. **Impact of fluctuations in temperature/water temperature on energy demand**

b. **Changes in raw fuel costs**
Fluctuation in raw fuel costs due to changes in crude oil prices, foreign exchange rates, and other relevant factors*
Changes in raw 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 fuels**
Problems with the facilities of LNG (raw fuels from which gas or electricity are produced) suppliers or their operations, or other incidents

d. **Difficulties in gas production and supply**
Disruption of the production or supply of gas due to catastrophic natural disaster or accidents

e. **Difficulties in power generation**
Any interruption in the operation of any electric power plant due to a natural disaster, accident, problems with fuel purchasing, or other incident

f. **Gas equipment and facility issues**
Serious problems with gas equipment or appliances

2) International energy business

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 Gas Group operates, or technological causes in the resource development business

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 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, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2014	2014
Assets			
Non-current Assets			
Property, plant and equipment (Note 8)			
Production facilities	¥ 78,533	**¥ 76,164**	**$ 740,031**
Distribution facilities	276,132	**317,836**	**3,088,184**
Service and maintenance facilities	66,204	**66,540**	**646,521**
Other facilities	300,149	**291,378**	**2,831,111**
Construction in progress	108,916	**111,163**	**1,080,091**
Total property, plant and equipment	829,936	**863,084**	**8,385,969**
Intangible assets			
Goodwill	3,588	**24,471**	**237,767**
Other	54,990	**65,840**	**639,720**
Total intangible assets	58,579	**90,311**	**877,487**
Investments and other assets			
Investment securities (Notes 6, 7 and 8)	164,302	**192,846**	**1,873,746**
Net defined benefit asset (Note 17)	—	**29,414**	**285,794**
Other	85,245	**53,175**	**516,663**
Allowance for doubtful accounts	(1,925)	**(1,860)**	**(18,072)**
Total investments and other assets	247,622	**273,575**	**2,658,132**
Total non-current assets	1,136,138	**1,226,971**	**11,921,599**
Current Assets			
Cash and deposits (Notes 4 and 8)	91,323	**75,258**	**731,228**
Notes and accounts receivable-trade (Note 8)	168,198	**192,277**	**1,868,218**
Securities (Notes 4 and 7)	21,712	**20,511**	**199,290**
Inventories (Notes 5 and 8)	84,242	**88,748**	**862,300**
Other	66,519	**65,950**	**640,788**
Allowance for doubtful accounts	(1,236)	**(1,400)**	**(13,602)**
Total current assets	430,760	**441,346**	**4,288,243**
Total assets	¥1,566,899	**¥1,668,317**	**$16,209,842**

See accompanying Notes to Consolidated Financial Statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2014	2014
Liabilities			
Non-current liabilities			
Bonds payable (Note 8)	¥ 238,157	**¥ 242,124**	**$ 2,352,545**
Long-term loans payable (Note 8)	186,766	**244,503**	**2,375,660**
Deferred tax liabilities	14,631	**22,031**	**214,059**
Provision for retirement benefits (Note 17)	15,972	**—**	**—**
Provision for gas holder repairs	1,621	**1,636**	**15,895**
Provision for safety measures	13,418	**10,831**	**105,237**
Allowance for investment loss	6,999	**6,999**	**68,004**
Net defined benefit liability (Note 17)	—	**15,325**	**148,902**
Other	19,269	**17,946**	**174,368**
Total non-current liabilities	496,836	**561,400**	**5,454,722**
Current liabilities			
Current portion of non-current liabilities (Note 8)	67,135	**39,333**	**382,170**
Notes and accounts payable-trade	55,520	**60,358**	**586,455**
Short-term loans payable (Note 8)	47,106	**46,756**	**454,294**
Income taxes payable	25,603	**29,608**	**287,679**
Other	100,378	**102,294**	**993,917**
Total current liabilities	295,745	**278,351**	**2,704,537**
Total liabilities	792,581	**839,752**	**8,159,269**
Net Assets (Note 9)			
Shareholders' equity			
Capital stock	132,166	**132,166**	**1,284,162**
Authorized 3,707,506,909 shares			
Issued 2,083,400,000 shares in 2014 and in 2013			
Capital surplus	19,482	**19,486**	**189,331**
Retained earnings	564,356	**587,268**	**5,706,062**
Treasury shares (Note 10)	(413)	**(797)**	**(7,743)**
2,214,444 shares in 2014 and 1,298,619 shares in 2013			
Total shareholders' equity	715,592	**738,124**	**7,171,822**
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	31,526	**34,839**	**338,505**
Deferred gains or losses on hedges	(2,271)	**2,425**	**23,561**
Revaluation reserve for land (Note 12)	(737)	**(737)**	**(7,160)**
Foreign currency translation adjustment	3,693	**30,414**	**295,511**
Remeasurements of defined benefit plans	—	**(6,100)**	**(59,269)**
Total accumulated other comprehensive income	32,210	**60,840**	**591,138**
Minority interests	26,514	**29,601**	**287,611**
Total net assets	774,317	**828,565**	**8,050,573**
Total liabilities and net assets	¥1,566,899	**¥1,668,317**	**$16,209,842**

Consolidated Statements of Income

Osaka Gas Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2014	2014
Net sales	¥1,380,060	¥1,512,581	$14,696,667
Cost of sales (Note 14)	943,688	1,071,374	10,409,774
Gross profit	436,371	441,207	4,286,892
Selling, general and administrative expenses (Note 14)	351,598	341,825	3,321,268
Operating income	84,773	99,381	965,614
Non-operating income			
Interest income	617	638	6,198
Dividends income	3,217	3,172	30,820
Equity in earnings of affiliates	6,335	7,917	76,923
Miscellaneous income	7,512	5,821	56,558
Total non-operating income	17,682	17,550	170,520
Non-operating expenses			
Interest expenses	8,431	8,567	83,239
Miscellaneous income	3,898	2,321	22,551
Total non-operating expenses	12,330	10,888	105,790
Ordinary income	90,125	106,044	1,030,353
Extraordinary income			
Gain on sales of investment securities	—	5,968	57,986
Total Extraordinary income	—	5,968	57,986
Extraordinary losses			
Impairment loss (Note 13)	5,495	30,138	292,829
Total extraordinary losses	5,495	30,138	292,829
Income before income taxes and minority interests	84,630	81,874	795,511
Income taxes			
Income taxes-current	29,989	32,149	312,368
Income taxes-deferred	(273)	4,717	45,831
Total income taxes (Note 18)	29,715	36,867	358,210
Income before minority interests	54,915	45,007	437,300
Minority interests in income	2,447	3,281	31,879
Net income	¥ 52,467	¥ 41,725	$ 405,411

	Yen		U.S. Dollars (Note 1)
	2013	2014	2014
Amounts per Share of Capital Stock (Note 2)			
Net income	¥25.20	¥20.04	$0.194
Cash dividends applicable to the year	8.50	9.00	0.087

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

Osaka Gas Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	**2014**	**2014**
Income before minority interests	¥54,915	**¥45,007**	**$437,300**
Other comprehensive income (Note 22)			
Valuation difference on available-for-sale securities	11,824	**3,314**	**32,199**
Deferred gains or losses on hedges	168	**1,356**	**13,175**
Foreign currency translation adjustment	14,100	**25,018**	**243,082**
Share of other comprehensive income of associates accounted for using equity method	2,836	**6,153**	**59,784**
Total other comprehensive income	28,929	**35,843**	**348,260**
Comprehensive income	¥83,844	**¥80,850**	**$785,561**
Attributable to:			
Owners of the parent	¥79,927	**¥76,601**	**$744,277**
Minority interests	¥ 3,917	**¥ 4,248**	**$ 41,274**

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, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	**2014**	**2014**
Shareholders' equity			
Capital stock			
Balance at the beginning of current period	¥132,166	**¥132,166**	**$1,284,162**
Balance at the end of current period	132,166	**132,166**	**1,284,162**
Capital surplus			
Balance at the beginning of current period	19,482	**19,482**	**189,292**
Changes of items during the period:			
Disposal of treasury shares	0	**3**	**29**
Balance at the end of current period	19,482	**19,486**	**189,331**
Retained earnings			
Balance at the beginning of current period	528,318	**564,356**	**5,483,443**
Changes of items during the period:			
Dividends from surplus	(16,657)	**(18,738)**	**(182,063)**
Net income	52,467	**41,725**	**405,411**
Change of scope of equity method	—	**(75)**	**(728)**
Reversal of revaluation reserve for land	227	**—**	**—**
Total changes of items during the period	36,037	**22,912**	**222,619**
Balance at the end of current period	564,356	**587,268**	**5,706,062**
Treasury shares			
Balance at the beginning of current period	(361)	**(413)**	**(4,012)**
Changes of items during the period:			
Purchase of treasury shares	(56)	**(405)**	**(3,935)**
Disposal of treasury shares	4	**20**	**194**
Total changes of items during the period	(51)	**(384)**	**(3,731)**
Balance at the end of current period	(413)	**(797)**	**(7,743)**
Total shareholders' equity			
Balance at the beginning of current period	679,605	**715,592**	**6,952,895**
Changes of items during the period:			
Dividends from surplus	(16,657)	**(18,738)**	**(182,063)**
Net income	52,467	**41,725**	**405,411**
Change of scope of equity method	—	**(75)**	**(728)**
Purchase of treasury shares	(56)	**(405)**	**(3,935)**
Disposal of treasury shares	4	**24**	**233**
Reversal of revaluation reserve for land	227	**—**	**—**
Total changes of items during the period	35,986	**22,531**	**218,917**
Balance at the end of current period	¥715,592	**¥738,124**	**$7,171,822**

See accompanying Notes to Consolidated Financial Statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	**2014**	**2014**
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities			
Balance at the beginning of current period	¥ 19,710	**¥ 31,526**	**$ 306,315**
Changes of items during the period:			
Net changes of items other than shareholders' equity	11,815	**3,312**	**32,180**
Total changes of items during the period	11,815	**3,312**	**32,180**
Balance at the end of current period	31,526	**34,839**	**338,505**
Deferred gains or losses on hedges			
Balance at the beginning of current period	(494)	**(2,271)**	**(22,065)**
Changes of items during the period:			
Net changes of items other than shareholders' equity	(1,777)	**4,697**	**45,637**
Total changes of items during the period	(1,777)	**4,697**	**45,637**
Balance at the end of current period	(2,271)	**2,425**	**23,561**
Revaluation reserve for land			
Balance at the beginning of current period	(510)	**(737)**	**(7,160)**
Changes of items during the period:			
Net changes of items other than shareholders' equity	(227)	**—**	**—**
Total changes of items during the period	(227)	**—**	**—**
Balance at the end of current period	(737)	**(737)**	**(7,160)**
Foreign currency translation adjustment			
Balance at the beginning of current period	(13,727)	**3,693**	**35,882**
Changes of items during the period:			
Net changes of items other than shareholders' equity	17,420	**26,720**	**259,619**
Total changes of items during the period	17,420	**26,720**	**259,619**
Balance at the end of current period	3,693	**30,414**	**295,511**
Remeasurements of defined benefit plans			
Balance at the beginning of current period	—	**—**	**—**
Changes of items during the period:			
Net changes of items other than shareholders' equity	—	**(6,100)**	**(59,269)**
Total changes of items during the period	—	**(6,100)**	**(59,269)**
Balance at the end of current period	—	**(6,100)**	**(59,269)**
Total accumulated other comprehensive income			
Balance at the beginning of current period	4,978	**32,210**	**312,961**
Changes of items during the period:			
Net changes of items other than shareholders' equity	27,231	**28,630**	**278,177**
Total changes of items during the period	27,231	**28,630**	**278,177**
Balance at the end of current period	32,210	**60,840**	**591,138**
Minority interests			
Balance at the beginning of current period	24,320	**26,514**	**257,617**
Net changes of items other than shareholders' equity	2,194	**3,086**	**29,984**
Total changes of items during the period	2,194	**3,086**	**29,984**
Balance at the end of current period	26,514	**29,601**	**287,611**
Total net assets			
Balance at the beginning of current period	708,904	**774,317**	**7,523,484**
Changes of items during the period:			
Dividends from surplus	(16,657)	**(18,738)**	**(182,063)**
Net income	52,467	**41,725**	**405,411**
Change of scope of equity method	—	**(75)**	**(728)**
Purchase of treasury shares	(56)	**(405)**	**(3,935)**
Disposal of treasury shares	4	**24**	**233**
Reversal of revaluation reserve for land	227	**—**	**—**
Net changes of items other than shareholders' equity	29,426	**31,716**	**308,161**
Total changes of items during the period	65,413	**54,248**	**527,089**
Balance at the end of current period	¥774,317	**¥828,565**	**$8,050,573**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Osaka Gas Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2013 and 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2014	2014
Cash Flows from Operating Activities			
Income before income taxes	¥ 84,630	¥ 81,874	$ 795,511
Depreciation and amortization	82,818	83,806	814,282
Amortization of long-term prepaid expenses	5,966	5,967	57,977
Impairment loss	5,495	30,138	292,829
Increase (decrease) in provision for safety measures	6,428	(2,586)	(25,126)
Decrease (increase) in net defined benefit assets	—	(3,513)	(34,133)
Interest and dividends income	(3,834)	(3,811)	(37,028)
Interest expenses	8,431	8,567	83,239
Equity in earnings (losses) of affiliates	(6,335)	(7,917)	(76,923)
Loss (gain) on sales of investment securities	(1,589)	(5,968)	(57,986)
(Increase) decrease in notes and accounts receivable-trade	(8,514)	(20,573)	(199,893)
(Increase) decrease in inventories	(23,419)	2,821	27,409
Increase (decrease) in notes and accounts payable-trade	8,542	3,123	30,343
Increase (decrease) in accrued expenses	814	2,887	28,050
Increase (decrease) in accrued consumption taxes	(803)	(1,913)	(18,587)
Other	2,054	9,091	88,330
Subtotal	160,684	181,993	1,768,295
Interest and dividends income received	9,425	10,524	102,254
Interest expenses paid	(8,453)	(8,734)	(84,862)
Income taxes paid	(32,058)	(29,557)	(287,184)
Net cash provided by operating activities	129,597	154,225	1,498,493
Cash Flows from Investing Activities			
Purchase of property, plant and equipment	(91,884)	(109,425)	(1,063,204)
Purchase of intangible assets	(17,942)	(14,956)	(145,316)
Purchase of long-term prepaid expenses	(5,074)	(5,268)	(51,185)
Proceeds from sales of investment securities	1,535	7,659	74,417
Purchase of shares of subsidiaries and affiliates	(4,344)	(12,435)	(120,821)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(2,375)	(39,802)	(386,727)
Payments of long-term loans receivable	(2,840)	(7,727)	(75,077)
Collection of long-term loans receivable	188	4,780	46,443
Payments into time deposits	(3,630)	(2,152)	(20,909)
Other	9,577	3,735	36,290
Net cash used in investing activities	(116,791)	(175,591)	(1,706,092)
Cash Flows from Financing Activities			
Proceeds from long-term loans payable	20,475	69,356	673,882
Repayment of long-term loans payable	(16,641)	(36,870)	(358,239)
Proceeds from issuance of bonds	10,000	25,000	242,907
Redemption of bonds	(20,707)	(31,217)	(303,313)
Cash dividends paid	(16,656)	(18,738)	(182,063)
Other	(4,367)	(3,367)	(32,714)
Net cash used in financing activities	(27,897)	4,163	40,448
Effect of Exchange Rate Change on Cash and Cash Equivalents	2,100	(1,894)	(18,402)
Net Increase (Decrease) in Cash and Cash Equivalents	(12,992)	(19,097)	(185,551)
Cash and Cash Equivalents at the Beginning of current period	122,448	109,456	1,063,505
Cash and Cash Equivalents at the End of current period (Note 4)	¥ 109,456	¥ 90,359	$ 877,953

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Osaka Gas Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2013 and 2014

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 and 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, 2014 which was ¥102.92 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 2013 and 2014. 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, 2013 and 2014 included the accounts of the Company and its 130 and 150 subsidiaries, respectively. For the year ended March 31, 2014, 23 subsidiaries were newly consolidated and 3 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 73 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-end of the Company (March 31). For these 73 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, 2013 and 2014, 9 and 12 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.

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, 2013 and 2014 was ¥260,759 million and ¥259,997 million ($ 2,526,204 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, 2013 and 2014 was ¥360 million and ¥95 million ($923 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) 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 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) Provision 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) Provision 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) Allowance 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 carryforwards 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 in income and as foreign currency translation adjustment 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 capital 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 capital stock for the years ended March 31, 2013 and 2014 was not shown since there were no outstanding convertible bonds or other capital stock equivalents.

3. Changes in Accounting Policies, etc.

<Changes in Accounting Policies>
Effective from the year ended March 31, 2014, the Company and its consolidated subsidiaries have applied the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012 (hereinafter "Statement No. 26")) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012 (hereinafter Guidance No. 25")) except the article 35 of the Statement No. 26 and the article 67 of the Guidance No. 25 and actuarial gains and losses and past service costs that are yet to be recognized have been recognized and the difference between retirement benefit obligations and plan assets has been recognized as a net defined benefit liability (asset).

In accordance with the article 37 of the Statement No. 26, the effect of the change in accounting policies arising from initial application has been recognized in accumulated adjustments for retirement benefit in accumulated other comprehensive income.

As a result of the application, a net defined benefit asset and liability in the amount of ¥29,414 million ($285,794 thousand) and ¥15,325 million ($148,902 thousand), respectively, has been recognized, accumulated other comprehensive income has decreased by ¥6,100 million ($59,269 thousand) at the end of the year ended March 31, 2014.

Net asset per share decreased by ¥2.93 ($0.028).

<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
These accounting standards are revised based on the viewpoint and the international trend which seeks to improve financial reporting through a focus on the accounting treatment of unrecognized actuarial gains and losses and past service costs, the calculation method of retirement benefit obligation and service cost and the expansion of disclosure.

(2) Effective dates
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 standards
Adopting these standards will have no significant effect on operating income, ordinary income or income before taxes for the fiscal year ended March 31, 2015.

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
	2013	**2014**	**2014**
Cash and deposits on the consolidated balance sheets	¥ 91,323	**¥75,258**	**$731,228**
Time deposits with more than 3 months to maturity	(2,866)	**(4,398)**	**(42,732)**
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	**19,499**	**189,457**
Cash and cash equivalents on the consolidated statements of cash flows	¥109,456	**¥90,359**	**$877,953**

In the year ended March, 2014, the Company obtained control of Jacobi Carbons AB as a result of an acquisition of shares on January 7, 2014. The assets and liabilities of the consolidated subsidiary at the time of consolidation in connection with the acquisition cost and net cash paid for the acquisition were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current assets	**¥11,632**	**$113,019**
Non-current assets	**16,588**	**161,173**
Goodwill	**21,009**	**204,129**
Current liabilities	**(4,215)**	**(40,954)**
Non-current liabilities	**(4,510)**	**(43,820)**
Acquisition cost	**¥40,505**	**$393,558**
Cash and cash equivalents	**(703)**	**(6,830)**
Net cash paid for the aquisition	**39,802**	**386,727**

5. Inventories

Inventories at March 31, 2013 and 2014 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	**2014**	**2014**
Merchandises and finished products	¥13,213	**¥23,854**	**$231,772**
Work-in-process	12,615	**9,401**	**91,342**
Raw materials and supplies	58,413	**55,492**	**539,176**
Total	¥84,242	**¥88,748**	**$862,300**

6. Financial Instruments

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.

	Millions of Yen		
	Book Value	Fair Value	Difference
(1) Cash and deposits	¥ 91,323	¥ 91,323	¥ —
(2) Notes and accounts receivable – trade	168,198	168,198	—
(3) Marketable securities and investment securities	92,613	92,613	—
Total assets	¥352,135	¥352,135	¥ —
(1) Notes and accounts payable – trade	¥ 55,520	¥ 55,520	¥ —
(2) Short-term loans payable	47,106	47,106	—
(3) Bonds payable (*1)	269,235	287,394	18,158
(4) Long-term loans payable (*1)	222,158	235,766	13,607
Total liabilities	¥594,021	¥625,787	¥31,766
Derivative transactions (*2)	¥ 6,551	¥ 6,551	¥ —

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

Book value, fair value and any difference as of March 31, 2014 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	**¥ 75,258**	**$ 731,228**	**¥ 75,258**	**$ 731,228**	**¥ —**	**$ —**
(2) Notes and trade accounts receivable – trade	**192,277**	**1,868,218**	**192,277**	**1,868,218**	**—**	**—**
(3) Marketable securities and investment in securities	**94,760**	**920,715**	**94,760**	**920,715**	**—**	**—**
Total assets	**¥362,296**	**$3,520,171**	**¥362,296**	**$3,520,171**	**¥ —**	**$ —**
(1) Notes and trade accounts payable – trade	**¥ 60,358**	**$ 586,455**	**¥ 60,358**	**$ 586,455**	**¥ —**	**$ —**
(2) Short-term loans payable	**46,756**	**454,294**	**46,756**	**454,294**	**—**	**—**
(3) Bonds (*1)	**263,708**	**2,562,261**	**278,634**	**2,707,287**	**14,925**	**145,015**
(4) Long-term loans payable (*1)	**261,628**	**2,542,052**	**272,829**	**2,650,884**	**11,201**	**108,832**
Total liabilities	**¥632,452**	**$6,145,083**	**¥658,579**	**$6,398,940**	**¥26,127**	**$253,857**
Derivative transactions (*2)	**¥ 8,038**	**$ 78,099**	**¥ 8,038**	**$ 78,099**	**¥ —**	**$ —**

(*1) Bonds payable and long-term loans payable include current portions.
(*2) Assets and liabilities arising from derivative transactions were offset and indicated by parentheses ( ) 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 accounts receivable – trade
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 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 (Note 7) classified by the purpose for which they are held.

Liabilities

(1) Notes and accounts payable-trade 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 payable
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 estimated rate of a new loan which is similar to the long-term loans.

Derivative transactions

Refer to notes on derivative transactions (Note 16).

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	2013	**2014**	**2014**
Affiliated company securities	¥77,254	**¥101,829**	**$989,399**
Non-listed equity securities	¥16,147	**¥ 16,768**	**$162,922**

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

	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 accounts receivable – trade	168,198	—	—	—
Marketable securities and investment securities				
Held-to-maturity debt securities (corporate bonds)	12	50	—	—
Available-for-sale securities with maturities				
(Government bonds and municipal bonds)	—	10	—	98
(Negotiable certificates of deposit)	20,700	—	—	—
(Commercial paper)	999	—	—	—
(Other)	—	—	200	—
Total	¥281,234	¥60	¥200	¥98

For 2014	One Year or Less	One to Five Years	Five to Ten Years	More than Ten Years
	Millions of Yen			
Cash and deposits	**¥ 75,258**	**¥ —**	**¥ —**	**¥ —**
Notes and accounts receivable – trade	**192,277**	**—**	**—**	**—**
Marketable securities and investment securities				
Held-to-maturity debt securities (corporate bonds)	**12**	**37**	**—**	**—**
Available-for-sale securities with maturities				
(Government bonds and municipal bonds)	**—**	**10**	**—**	**98**
(Negotiable certificates of deposit)	**19,000**	**—**	**—**	**—**
(Commercial paper)	**1,499**	**—**	**—**	**—**
(Other)	**—**	**—**	**200**	**—**
Total	**¥288,047**	**¥47**	**¥200**	**¥98**

For 2014	One Year or Less	One to Five Years	Five to Ten Years	More than Ten Years
	Thousands of U.S. Dollars			
Cash and deposits	**$ 731,228**	**$ —**	**$ —**	**$ —**
Notes and accounts receivable – trade	**1,868,218**	**—**	**—**	**—**
Marketable securities and investment securities				
Held-to-maturity debt securities (corporate bonds)	**116**	**359**	**—**	**—**
Available-for-sale securities with maturities				
(Government bonds and municipal bonds)	**—**	**97**	**—**	**952**
(Negotiable certificates of deposit)	**184,609**	**—**	**—**	**—**
(Commercial paper)	**14,564**	**—**	**—**	**—**
(Other)	**—**	**—**	**1,943**	**—**
Total	**$2,798,746**	**$456**	**$1,943**	**$952**

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, 2013 and 2014.

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

	Acquisition Cost	Book Value	Difference
	Millions of Yen		
For 2013:			
Stocks	¥23,829	¥69,778	¥45,949
Bonds	10	10	0
Total	¥23,839	¥69,788	¥45,949

	Acquisition Cost	Book Value	Difference
	Millions of Yen		
For 2014:			
Stocks	**¥23,882**	**¥73,757**	**¥49,875**
Bonds	**10**	**10**	**0**
Total	**¥23,892**	**¥73,767**	**¥49,875**

	Acquisition Cost	Book Value	Difference
	Thousands of U.S. Dollars		
For 2014:			
Stocks	**$232,044**	**$716,643**	**$484,599**
Bonds	**97**	**97**	**0**
Total	**$232,141**	**$716,741**	**$484,599**

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

	Acquisition Cost	Book Value	Difference
	Millions of Yen		
For 2013:			
Stocks	¥ 1,141	¥ 1,026	¥(114)
Bonds	21,798	21,798	—
Total	¥22,939	¥22,824	¥(114)

	Acquisition Cost	Book Value	Difference
	Millions of Yen		
For 2014:			
Stocks	**¥ 463**	**¥ 395**	**¥(68)**
Bonds	**20,597**	**20,597**	**—**
Total	**¥21,061**	**¥20,992**	**¥(68)**

	Acquisition Cost	Book Value	Difference
	Thousands of U.S. Dollars		
For 2014:			
Stocks	**$ 4,498**	**$ 3,837**	**$(660)**
Bonds	**200,126**	**200,126**	**—**
Total	**$204,634**	**$203,964**	**$(660)**

(2) Total sales of available-for-sale securities in the years ended March 31, 2013 and 2014 amounted to ¥1,535 million and ¥7,659 million ($74,417 thousand), respectively. The related gains and losses amounted to ¥728 million and ¥9 million, respectively, for the year ended March 31, 2013. The related gains and losses amounted to ¥5,968 million ($57,986 thousand) and ¥0 million ($0 thousand), respectively, for the year ended March 31, 2014.

(3) For "Available-for-sale securities," impairment losses of ¥80 million and ¥26 million ($252 thousand) were recorded for the years ended March 31, 2013 and 2014, 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 0.3% and 0.4% at March 31, 2013 and 2014, respectively.

Long-term debt at March 31, 2013 and 2014 consisted of the following:

		Millions of Yen		Thousands of U.S. Dollars
		2013	2014	2014
	Loans principally from banks and insurance companies			
	Due within one year (Average rate 2.5%)	¥ 35,392	**¥ 17,124**	**$ 166,381**
	Maturing through 2033 (Average rate 1.7%)	186,766	**244,503**	**2,375,660**
	Total	¥222,158	**¥261,628**	**$2,542,052**
	Domestic unsecured bonds			
Osaka Gas	3.4% bonds payable due 2017	15,700	**15,700**	**152,545**
Osaka Gas	1.47% bonds payable due 2022	19,986	**19,987**	**194,199**
Osaka Gas	1.83% bonds payable due 2020	19,993	**19,994**	**194,267**
Osaka Gas	1.79% bonds payable due 2020	19,988	**19,989**	**194,218**
Osaka Gas	2.33% bonds payable due 2026	9,994	**9,995**	**97,114**
Osaka Gas	1.79% bonds payable due 2016	19,994	**19,995**	**194,277**
Osaka Gas	2.14% bonds payable due 2019	19,996	**19,997**	**194,296**
Osaka Gas	1.59% bonds payable due 2014	19,999	**19,999**	**194,315**
Osaka Gas	1.21% bonds payable due 2015	30,000	**30,000**	**291,488**
Osaka Gas	1.782% bonds payable due 2018	30,000	**30,000**	**291,488**
Osaka Gas	1.199% bonds payable due 2013	30,000	**—**	**—**
Osaka Gas	1.345% bonds payable due 2021	10,000	**10,000**	**97,162**
Osaka Gas	1.16% bonds payable due 2021	10,000	**10,000**	**97,162**
Osaka Gas	0.759% bonds payable due 2022	10,000	**10,000**	**97,162**
Osaka Gas	0.748% bonds payable due 2023	—	**10,000**	**97,162**
Osaka Gas	1.606% bonds payable due 2034	—	**15,000**	**145,744**
OGPA Funding, LLC	7.73% bonds payable due 2015 in U.S. dollars	3,583	**3,049**	**29,624**
	Total	¥269,235	**¥263,708**	**$2,562,261**

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, 2014 were as follows:

Years ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2015	¥ 21,584	$ 209,716
2016	31,464	305,713
2017	35,700	346,871
2018	—	—
2019	30,000	291,488
April 1, 2019 and thereafter	145,000	1,408,861
Total	¥263,748	$2,562,650

The annual maturities of long-term debt at March 31, 2014 were as follows:

Years ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2015	¥ 17,124	$ 166,381
2016	22,262	216,303
2017	15,914	154,624
2018	44,171	429,178
2019	30,093	292,392
April 1, 2019 and thereafter	132,061	1,283,142
Total	¥261,628	$2,542,052

Assets pledged as collateral mainly for short-term loans and long-term debt totaling ¥22,133 million and ¥38,817 million ($377,157 thousand) at March 31, 2013 and 2014, respectively, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Property, plant and equipment	¥ 63,724	**¥ 81,109**	**$ 788,078**
Investment securities	12,163	**12,267**	**119,189**
Cash and deposits	4,215	**12,644**	**122,852**
Accounts receivable	1,157	**457**	**4,440**
Inventories and other	20,981	**19,578**	**190,225**
Total	¥102,242	**¥126,057**	**$1,224,805**

9. Net Assets

Under Japanese Corporate Law ("the Law"), the entire amount paid for new shares is required to be designated as capital 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 in which 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 capital 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, 2014 included cash dividends applicable to the year ended March 31, 2014 and the payment of cash dividends to shareholders of record at March 31, 2014 in the aggregate amount of ¥9,365 million ($90,993 thousand) or ¥4.5 per share. The appropriations have not been accrued in the consolidated financial statements for the year ended March 31, 2014. Such appropriations are recognized in the period in which they are approved by the shareholders.

10. Treasury Shares

Changes in treasury shares are as follows:

Thousands of Shares

As of April 1, 2013	Increase	Decrease	As of March 31, 2014
1,298	975	59	2,214

(Overview of reasons for change)
Overview of reasons for increase
Increase by repurchase of fractional shares 975 thousand shares
Overview of reasons for decrease
Decrease by disposal of fractional shares 59 thousand shares

11. Contingent Liabilities

At March 31, 2013 and 2014, the Companies were contingently liable as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	**2014**	**2014**
As guarantor of indebtedness of:			
Non-consolidated affiliates	¥10,381	**¥19,122**	**$185,794**
Employees	11	**8**	**77**
Debt assumption agreements	29,000	**29,000**	**281,772**
Total	¥39,392	**¥48,130**	**$467,644**

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 for land revaluation" in liabilities and "Revaluation reserve for land" 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 ¥1,290 million and ¥937 million ($9,104 thousand) lower than the revalued book amount at March 31, 2013 and 2014, respectively.

13. Impairment Loss

(1) Grouping
①All fixed assets used in processes related to the gas business from production to sales of gas are categorized into one asset group because these assets generate cash flow from the gas business as one asset unit.
②Fixed assets used for other businesses other than those described above are generally categorized into groups based on business divisions controlling such fixed assets.
③Generally, other fixed assets are treated individually.

(2) Details of impairment loss
In accordance with the grouping described in (1) above, an impairment loss of ¥5,495 million and ¥30,138 million ($292,829 thousand) in the years ended March 31, 2013 and March 31, 2014, respectively, was recognized. Significant properties included in this loss are listed in the table below.

For 2013

Millions of Yen

Asset	Location	Type	Impairment Loss
Land in Keihanna	Seika-cho and Kizugawa-city, Kyoto Prefecture	Land	¥3,012

The recoverable value of this asset was assessed based on selling prices in the market. The market prices were based on appraisal by a real estate appraiser.

The land in Keihanna was an asset acquired for future construction of facilities for operation. However since the fall of the market prices, it was appropriated for extraordinary loss and reported as impairment loss.

For 2014

Millions of Yen / Thousands of U.S. Dollars

Asset	Location	Type	Impairment Loss	
Property for enterprises, etc.	Texas, U.S.A.	Intangible assets and property, plant and equipment (other facilities)	**¥28,567**	**$277,565**

Recoverable values of these assets were assessed based on net sale value for intangible assets, and on value in use for property, plant and equipment.

Market prices are calculated by the third parties at net sale value and by discounting a future cash flow at 12.5%.

Property was acquired for the U.S. shale gas oil development project which is taking part in through a consolidated subsidiary. However in light of the production situation of economically unfeasible oil and gas extraction without a prospect of significant productivity improvement of this project, the Company recognized an impairment loss as an extraordinary loss.

14. 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 ¥10,875 million and ¥ 11,793 million ($114,584 thousand) for the years ended March 31, 2013 and 2014, respectively.

15. 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, 2013 and 2014 were as follows:

As lessee (non-capitalized)

	Millions of Yen		Thousands of U.S. Dollars
	2013	**2014**	**2014**
Payments due within one year	¥ 865	**¥ 908**	**$ 8,822**
Payments due over one year	7,019	**6,325**	**61,455**
Total	¥7,885	**¥7,233**	**$70,277**

As lessor (non-capitalized)

	Millions of Yen		Thousands of U.S. Dollars
	2013	**2014**	**2014**
Payments due within one year	¥1,058	**¥1,033**	**$10,036**
Payments due over one year	3,878	**4,244**	**41,235**
Total	¥4,936	**¥5,278**	**$51,282**

16. Derivative Transactions

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

Millions of Yen

Type	Instruments	Grouping	Contract Amounts	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	¥4,400	¥412	¥412

Fair value information for the derivative transactions to which hedge accounting was not applied in 2014 was as follows:

Millions of Yen / Thousands of U.S. Dollars

Type	Instruments	Grouping	Contract Amounts	More than One Year	Fair Value	Profit or loss from valuation
Currencies	Forward foreign currency exchange contracts Selling position	Dealings other than market transactions	**¥ 1,168** **$ 11,348**	**—** **—**	**¥ 32** **$ 310**	**¥ 32** **$ 310**
Products	Swap transactions and option transactions of oil prices, etc.	Dealings other than market transactions	**¥ 20,041** **$194,724**	**¥ 16,013** **$155,586**	**¥ 1,961** **$19,053**	**¥ 1,961** **$19,053**
Total			**¥ 21,210** **$206,082**	**¥ 16,013** **$155,586**	**¥ 1,994** **$19,374**	**¥ 1,994** **$19,374**

Notes: 1. Fair values are calculated by using prices presented by major financial institutions.
2. Because some derivative transactions stopped satisfying the requirements for application of hedge accounting, hedge accounting is no longer applied to these transactions.

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

Type	Instruments	Hedge Accounting Method	Hedged Items	Contract Amounts (Millions of Yen)	More than One Year (Millions of Yen)	Fair Value (Millions of Yen)
(a) Interest rates	Interest rate swaps	Exceptional accounting of interest rate swaps	Long-term loans payable	¥ 29,987	¥ 29,117	(Note 2)
		Principal method of accounting	Long-term loans payable and bonds payable	¥105,331	¥103,101	¥ (856)
(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	¥ 1,810	¥ 759
(c) Products	Swap transactions and option transactions of oil prices, etc.	Principal method of accounting	Purchase prices of raw materials, etc.	¥ 50,907	¥ 33,888	¥6,235
Total				¥202,440	¥167,917	¥6,138

Fair value information for derivative transactions to which hedge accounting was applied in 2014 was as follows:

Type	Instruments	Hedge Accounting Method	Hedged Items	Contract Amounts (Millions of Yen / Thousands of U.S. Dollars)	More than One Year (Millions of Yen / Thousands of U.S. Dollars)	Fair Value (Millions of Yen / Thousands of U.S. Dollars)
(a) Interest rates	Interest rate swaps	Exceptional accounting of interest rate swaps	Long-term loans payable	**¥ 52,656 $ 511,620**	**¥ 52,656 $ 511,620**	**(Note 2)**
		Principal method of accounting	Long-term loans payable and bonds payable	**¥ 110,819 $1,076,748**	**¥ 106,474 $1,034,531**	**¥ 3,531 $34,308**
(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	**¥ 37,165 $ 361,105**	**¥ 34,606 $ 336,241**	**¥ (647) $ (6,286)**
(c) Products	Swap transactions and option transactions of oil prices, etc.	Principal method of accounting	Purchase prices of raw materials, etc.	**¥ 19,858 $ 192,945**	**¥ 6,020 $ 58,492**	**¥ 3,160 $30,703**
Total				**¥ 220,500 $2,142,440**	**¥ 199,757 $1,940,895**	**¥ 6,044 $58,725**

Notes: 1. Fair values are calculated by using prices presented by major financial institutions.
2. Fair values for 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.

17. Retirement Benefits

For 2013:

(1) Summary of the adopted retirement benefit scheme

The Company and most consolidated subsidiaries provide lump sum retirement allowance plan, and the Company and some consolidated subsidiaries have adopted a defined-benefit corporate pension plan system or an employee's pension fund system.

In addition, the Company has adopted a defined-benefit corporate pension plan system from August 1, 2006.

Moreover, the defined contribution plan to which part of the defined benefit plan shifted has been adopted from January 1, 2005.

Provision for retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2013 consisted of the following:

	Millions of Yen
Projected benefit obligation	¥ 277,676
Unrecognized past service costs	231
Unrecognized actuarial gains and losses	(34,585)
Less fair value of pension assets	(264,197)
Prepaid pension costs	36,847
Provision for retirement benefits	¥ 15,972

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

	Millions of Yen
Service costs	¥ 7,193
Interest cost on projected benefit obligation	4,420
Expected return on plan assets	(7,309)
Amortization of actuarial differences	2,405
Amortization of prior service costs	(30)
Provision for retirement benefit expenses	¥ 6,679

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

Discount rates	Mainly 1.1%
The rate of expected return on plan assets	Mainly 3.1%

For 2014:

(1) Summary of the adopted retirement benefit scheme

The Company and most consolidated subsidiaries provide lump sum retirement allowance plan, and the Company and some consolidated subsidiaries have adopted a defined-benefit corporate pension plan system or an employee's pension fund system.

In addition, the Company has adopted a defined-benefit corporate pension plan system from August 1, 2006.

Moreover, the defined contribution plan to which a part of defined benefit plan shifted is adopted from January 1, 2005.

The portion about multi-employer pension plans has been included below in the note of "(2) Defined benefit plans".

(2) Defined benefit plans

① Retirement benefit obligations

	Millions of Yen	Thousands of U.S. Dollars
Balance at April 1, 2013	¥277,676	$2,697,979
Service cost	9,037	87,806
Interest cost	2,999	29,139
Actuarial loss (gain)	(697)	(6,772)
Benefits paid	(13,103)	(127,312)
Other	228	2,215
Balance at March 31, 2014	¥276,140	$2,683,054

② Plan assets

	Millions of Yen	Thousands of U.S. Dollars
Balance at April 1, 2013	¥264,197	$2,567,013
Expected return on plan assets	8,139	79,080
Actuarial loss (gain)	25,148	244,345
Contributions paid by the employer	5,094	49,494
Benefits paid	(12,351)	(120,005)
Balance at March 31, 2014	¥290,228	$2,819,937

③ Reconciliation from retirement benefit obligations and plan assets to net defined benefit liability (asset)

	Millions of Yen	Thousands of U.S. Dollars
Funded retirement benefit obligations	¥ 261,033	$ 2,536,270
Plan assets	(290,228)	(2,819,937)
	(29,194)	(283,657)
Unfunded retirement benefit obligations	15,106	146,774
Total net defined benefit liability (asset) at March 31, 2014	(14,088)	(136,883)
Net defined benefit liability	15,325	148,902
Net defined benefit asset	(29,414)	(285,794)
Total net defined benefit liability (asset) at March 31, 2014	¥ (14,088)	$ (136,883)

④ Retirement benefit costs

	Millions of Yen	Thousands of U.S. Dollars
Service cost	¥ 9,037	$ 87,806
Interest cost	2,999	29,139
Expected return on plan assets	(8,139)	(79,080)
Net actuarial loss amortization	(223)	(2,166)
Past service costs amortization	(30)	(291)
Other	7	68
Total retirement benefit costs for the fiscal year ended March 31, 2014	¥ 3,649	$ 35,454

⑤ Accumulated adjustments for retirement benefit

	Millions of Yen	Thousands of U.S. Dollars
Unrecognized past service costs	¥ (200)	$ (1,943)
Unrecognized actuarial gains and losses	8,881	86,290
Total balance at March 31, 2014	¥8,681	$84,347

⑥ Plan assets

Plan assets comprise:

Bonds	27.2%
Stocks	41.9%
Short-term fund	11.6%
Other	19.2%
Total	100.0%

Note 1: The main assets of "Other" is beneficiary securities in the real estate investment trust fund.

Long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

⑦ Actuarial assumptions

Discount rates	Mainly 1.1%
The rate of long-term expected return on plan assets	Mainly 3.1%

(3) Defined contribution plan

The donation required to the defined contribution plan of the Companies was ¥978 million ($9,502 thousand).

(4) Multi-employer pension plans

The contribution required to the employees' pension fund plan of the multi-employer pension plans which was treated the same as the defined contribution plan was ¥321 million ($3,118 thousand).

18. 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 33.3% for the years ended March 31, 2013 and 2014.

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, 2013 and 2014:

	2013	2014
Statutory tax rate	33.3%	**33.3%**
Valuation allowance	0.7	**15.4**
Nondeductible expenses	1.0	**2.4**
Statutory tax rate difference between the Company and certain subsidiaries	0.7	**2.7**
Per capita inhabitants taxes	0.3	**0.3**
Effect of revised corporate tax rate	—	**1.3**
Equity in earnings of affiliates	(2.5)	**(3.0)**
Other	1.6	**(7.4)**
Effective tax rate	35.1%	**45.0%**

The law which revises parts of the Income Tax Law will take effect on March 31, 2014, and a special corporation tax for reconstruction is repealed from the fiscal year started on and after April 1, 2014.

In connection with this, the statutory tax rate used for the calculation of the deferred tax assets and liabilities for the fiscal year ended March 31, 2014 has been changed to 30.7% from 33.3% in the fiscal year ended March 31, 2013.

As a result, the amount of net deferred tax assets(less the amount of deferred tax liability) decreased by ¥916 million ($8,900 thousand) and the income taxes - deferred increased ¥1,038 million ($10,085 thousand) in the fiscal year ended March 31, 2014.

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2013 and 2014 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	**2014**	**2014**
Deferred tax assets:			
Excess depreciation of depreciable assets	¥ 6,341	**¥ 6,598**	**$ 64,108**
Excess depreciation of deferred assets	5,947	**4,697**	**45,637**
Provision for safety measures	4,224	**3,325**	**32,306**
Impairment loss	4,806	**14,300**	**138,942**
Loss on valuation of securities	3,354	**3,831**	**37,223**
Provision for retirement benefits	5,684	**—**	**—**
Net defined benefit liability	—	**5,831**	**56,655**
Accrued enterprise taxes	2,907	**3,092**	**30,042**
Other	18,780	**17,628**	**171,278**
Subtotal deferred tax assets	52,046	**59,302**	**576,195**
Valuation allowance	(9,757)	**(22,398)**	**(217,625)**
Total deferred tax assets	¥ 42,289	**¥ 36,904**	**$ 358,569**
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	(11,824)	**(14,941)**	**(145,171)**
Prepaid pension costs	(11,277)	**—**	**—**
Net defined benefit asset	—	**(12,348)**	**(119,976)**
Deferred gains and losses on hedges	(3,168)	**(1,658)**	**(16,109)**
Reserve defined under the special taxation measures law	(8,580)	**(7,032)**	**(68,324)**
Reserve for advanced depreciation of noncurrent assets	(316)	**(296)**	**(2,876)**
Other	(3,924)	**(4,716)**	**(45,821)**
Total deferred tax liabilities	(39,091)	**(40,991)**	**(398,280)**
Net deferred tax assets	¥ 3,197	**¥ (4,087)**	**$ (39,710)**

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

	Millions of Yen		Thousands of U.S. Dollars
	2013	**2014**	**2014**
Current assets (included in "Other")	¥ 11,035	**¥ 11,185**	**$ 108,676**
Investments and other assets (included in "Other")	6,815	**6,763**	**65,711**
Current liabilities (included in "Other")	(22)	**(4)**	**(38)**
Non-current liabilities	(14,631)	**(22,031)**	**(214,059)**
Total	¥ 3,197	**¥ (4,087)**	**$ (39,710)**

19. Business Combinations

For 2014:

(1) Overview of business combination

① Name and business combination

Name of acquired company: Jacobi Carbons AB

Main business: Manufacture and sale of activated carbon

② Purpose of business combination

With the strengthening of regulations for water and the atmosphere in advanced nations and improvement in living standards in newly emerging countries, growth with an activated carbon market is expected.

By this combination, Osaka Gas Chemicals Co., Ltd. and subsidiary Japan EnviroChemicals, Ltd. which are consolidated subsidiaries, form the activated carbon enterprise group which holds the stable raw procurement power a broad product line and global circulation and it becomes possible to aim at further development as a world class activated carbon entrepreneur.

③ Date of business combination: January 7, 2014

④ Legal form of business combination

Acquisition of shares in exchange for cash

⑤ Name of acquired company after business combination: No change

⑥ Ratio of voting rights acquired
Voting rights ratio after acquisition: 100%

⑦ Main basis behind the determination of the acquiring company
Osaka Gas Chemicals Co., Ltd., which is a consolidated subsidiary of the Company, acquired all the shares of Jacobi Carbons AB in exchange for cash.

(2) The period for which the operating results of the acquired enterprise included in the consolidated statement of income
Since the deemed acquisition date is January 1, 2014, there is no period in which operating results of the acquired enterprise was included.

(3) The acquisition cost and its items of an acquired enterprise

	Millions of Yen	Thousands of U.S. Dollars
Consideration for the acquisition — current price of the Jacobi Carbons AB shares at the acquisition date	**¥40,282**	**$391,391**
Expense related to the acquisition — advisory expense etc.	**223**	**2,166**
Total acquisition cost	**¥40,505**	**$393,558**

(4) Amount of goodwill recognized, cause, method of amortization and amortization period
① The amount of goodwill recognized
¥21,009 million ($204,129 thousand)

② The cause of recognition
Additional earning power expected when Jacobi Carbons AB develops an activated carbon business.

③ The method of amortization and amortization period
Straight-line method over ten years

(5) Main assets accepted and the liabilities assumed at the acquisition date

	Millions of Yen	Thousands of U.S. Dollars
Current assets	**¥11,632**	**$113,019**
Non-current assets	**16,588**	**161,173**
Total assets	**28,221**	**274,203**
Current liabilities	**4,215**	**40,954**
Non-current liabilities	**4,510**	**43,820**
Total liabilities	**¥ 8,725**	**$ 84,774**

(6) Estimated effect on the consolidated statements of income and calculation method if the business combination was completed at the beginning of the fiscal year ended March 31, 2014.

	Millions of Yen	Thousands of U.S. Dollars
Net sales	**¥19,512**	**$189,584**
Ordinary income	**(1,003)**	**(9,745)**
Net income	**(910)**	**(8,841)**

(Note) Calculation method of estimated amount
The difference between the information about sales and profit which were calculated on the assumption that the business combination was completed at the beginning of the fiscal year and these in the consolidated statements of income is used as the estimated amount of effect. In addition, there is no audit certification regarding the estimated effect.

20. 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 year ended March 31, 2013, we reported gains of ¥5,783 million from the rent of such real property (recorded mainly as operating income) and impairment loss of ¥3,036 million (recorded as extraordinary loss). In the year ended March 31, 2014, we reported gains of ¥6,134 million ($59,599 thousand) from the rent of such real property (recorded mainly as operating income).

The book value and fair value of real properties for rent in the consolidated balance sheets for the years ended March 31, 2013 and 2014 were as follows:

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, 2014

Book Value			Millions of Yen
As of April 1, 2013	Increase or Decrease	As of March 31, 2014	Fair Value as of March 31, 2014
¥104,159	**¥1,868**	**¥106,027**	**¥161,943**

As of March 31, 2014

Book Value			Thousands of U.S. dollars
As of April 1, 2013	Increase or Decrease	As of March 31, 2014	Fair Value as of March 31, 2014
$1,012,038	**$18,150**	**$1,030,188**	**$1,573,484**

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 factors contributing to the increase and decrease in the years ended March 31, 2013 and March 31, 2014 was impairment loss of ¥3,036 million and the acquisition of real property of ¥4,100 million ($39,836 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).

21. 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 products 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" segment includes 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.

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

Millions of Yen

For 2013:	Gas	LPG, Electricity and Other Energies	International Energies	Environment and Non-Energies	Total	Adjustments (Note 1)	Consolidated (Note 2)
Net sales							
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

Millions of Yen

For 2014:	Gas	LPG, Electricity and Other Energies	International Energies	Environment and Non-Energies	Total	Adjustments (Note 1)	Consolidated (Note 2)
Net sales							
Outside customers	**¥1,092,452**	**¥254,688**	**¥ 12,611**	**¥152,828**	**¥1,512,581**	**¥ —**	**¥1,512,581**
Inside group	**27,074**	**3,282**	**720**	**46,849**	**77,926**	**(77,926)**	**—**
Total	**1,119,526**	**257,970**	**13,332**	**199,677**	**1,590,508**	**(77,926)**	**1,512,581**
Segment income							
Operating income	**¥ 34,093**	**¥ 43,120**	**¥ (773)**	**¥ 20,197**	**¥ 96,637**	**¥ 2,744**	**¥ 99,381**
Equity in earnings of affiliates	**(2,016)**	**770**	**8,551**	**612**	**7,917**	**—**	**7,917**
Total	**32,077**	**43,890**	**7,777**	**20,809**	**104,555**	**2,744**	**107,299**
Segment assets	**¥ 741,733**	**¥159,909**	**¥293,793**	**¥402,633**	**¥1,598,069**	**¥ 70,248**	**¥1,668,317**
Depreciation	**52,804**	**12,147**	**8,604**	**10,552**	**84,109**	**(842)**	**83,266**
Amortization of goodwill	**—**	**137**	**308**	**94**	**539**	**—**	**539**
Investment in affiliates reported by equity method	**91**	**5,202**	**55,224**	**16,118**	**76,637**	**—**	**76,637**
Increase in tangible and intangible fixed assets	**60,652**	**3,253**	**47,950**	**13,015**	**124,872**	**(725)**	**124,146**

Thousands of U.S. Dollars

For 2014:	Gas	LPG, Electricity and Other Energies	International Energies	Environment and Non-Energies	Total	Adjustments (Note 1)	Consolidated (Note 2)
Net sales							
Outside customers	**$10,614,574**	**$2,474,621**	**$ 122,532**	**$1,484,920**	**$14,696,667**	**$ —**	**$14,696,667**
Inside group	**263,058**	**31,888**	**6,995**	**455,198**	**757,151**	**(757,151)**	**—**
Total	**10,877,633**	**2,506,509**	**129,537**	**1,940,118**	**15,453,828**	**(757,151)**	**14,696,667**
Segment income							
Operating income	**$ 331,257**	**$ 418,966**	**$ (7,510)**	**$ 196,239**	**$ 938,952**	**$ 26,661**	**$ 965,614**
Equity in earnings of affiliates	**(19,588)**	**7,481**	**83,083**	**5,946**	**76,923**	**—**	**76,923**
Total	**311,669**	**426,447**	**75,563**	**202,186**	**1,015,886**	**26,661**	**1,042,547**
Segment assets	**$ 7,206,888**	**$1,553,721**	**$2,854,576**	**$3,912,096**	**$15,527,293**	**$682,549**	**$16,209,842**
Depreciation	**513,058**	**118,023**	**83,598**	**102,526**	**817,226**	**(8,181)**	**809,036**
Amortization of goodwill	**—**	**1,331**	**2,992**	**913**	**5,237**	**—**	**5,237**
Investment in affiliates reported by equity method	**884**	**50,544**	**536,572**	**156,607**	**744,626**	**—**	**744,626**
Increase in tangible and intangible fixed assets	**589,312**	**31,607**	**465,895**	**126,457**	**1,213,291**	**(7,044)**	**1,206,237**

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 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 impairment loss for non-current assets by reportable segment

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

Millions of Yen

For 2014:	Gas	LPG, Electricity and Other Energies	International Energies	Environment and Non-Energies	Subtotal	Elimination or corporate	Total
Loss from impairment of fixed assets	—	¥138	¥29,502	¥498	¥30,138	¥—	¥30,138

Thousands of U.S. Dollars

For 2014:	Gas	LPG, Electricity and Other Energies	International Energies	Environment and Non-Energies	Subtotal	Elimination or corporate	Total
Loss from impairment of fixed assets	—	$1,340	$286,649	$4,838	$292,829	$—	$292,829

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

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

Millions of Yen

For 2014:	Gas	LPG, Electricity and Other Energies	International Energies	Environment and Non-Energies	Subtotal	Elimination or corporate	Total
Amount depreciated in 2014	—	¥137	¥308	¥94	¥539	¥—	¥539
Undepreciated balance at fiscal year-end	—	239	2,114	22,117	24,471	—	24,471

Thousands of U.S. Dollars

For 2014:	Gas	LPG, Electricity and Other Energies	International Energies	Environment and Non-Energies	Subtotal	Elimination or corporate	Total
Amount depreciated in 2014	—	$1,331	$2,992	$913	$5,237	$—	$5,237
Undepreciated balance at fiscal year-end	—	2,322	20,540	214,895	237,767	—	237,767

22. 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 the tax effects for each component of other comprehensive income are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Valuation difference on available-for-sale securities			
Incurred in the fiscal year	¥17,648	¥ 9,441	$ 91,731
Reclassification adjustments	(438)	(5,467)	(53,118)
Before tax effect adjustments	17,210	3,973	38,602
Tax effect	(5,386)	(659)	(6,403)
Valuation difference on available-for-sale securities	11,824	3,314	32,199
Deferred gains or losses on hedges			
Incurred in the fiscal year	4,079	5,382	52,293
Reclassification adjustments	(3,841)	(3,708)	(36,027)
Before tax effect adjustments	237	1,674	16,265
Tax effect	(69)	(317)	(3,080)
Deferred gains or losses on hedges	168	1,356	13,175
Foreign currency translation adjustments			
Incurred in the fiscal year	14,048	25,018	243,082
Reclassification adjustments	52	—	—
Before tax effect adjustments	14,100	25,018	243,082
Tax effect	—	—	—
Foreign currency translation adjustments	14,100	25,018	243,082
Share of other comprehensive income of associates accounted for using equity method			
Incurred in the fiscal year	1,967	4,994	48,523
Reclassification adjustments	869	1,158	11,251
Share of other comprehensive income of associates accounted for using equity method	2,836	6,153	59,784
Total other comprehensive income	¥28,929	¥35,843	$348,260

23. Subsequent Events

Osaka Gas Co., Ltd. concluded a contract to sell all the stock of Osaka Prefectural Urban Development Co., Ltd. held by the Company to Nankai Electric Railway Co., Ltd. on May 22, 2014.

(1) The number of shares of stock	1,440,000 shares
(2) Sale value	¥13.5 billion ($131,169 thousand)
(3) Profit on sale	¥12.4 billion ($120,481 thousand)

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 of March 31, 2014 and 2013, and the consolidated statements of income, 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.

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 of March 31, 2014 and 2013, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 23 to the consolidated financial statements, Osaka Gas Co., Ltd. concluded a contract to sell all the stock of Osaka Prefectural Urban Development Co., Ltd. on May 22, 2014.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2014 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, 2014
Osaka, Japan