

Consolidated Balance Sheets

Osaka Gas Co., Ltd. and Consolidated Subsidiaries
March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2015	2015
Assets			
Non-current Assets			
Property, plant and equipment (Note 8)			
Production facilities	¥ 76,164	¥ 75,370	\$ 627,194
Distribution facilities	317,836	304,286	2,532,129
Service and maintenance facilities	66,540	64,206	534,293
Other facilities	291,378	295,387	2,458,076
Construction in progress	111,163	156,146	1,299,375
Total property, plant and equipment	863,084	895,398	7,451,094
Intangible assets			
Goodwill	24,471	21,183	176,275
Other	65,840	77,497	644,894
Total intangible assets	90,311	98,680	821,170
Investments and other assets			
Investment securities (Notes 6, 7 and 8)	192,846	230,958	1,921,927
Net defined benefit asset (Note 17)	29,414	55,336	460,480
Other	53,175	45,405	377,839
Allowance for doubtful accounts	(1,860)	(1,914)	(15,927)
Total investments and other assets	273,575	329,784	2,744,312
Total non-current assets	1,226,971	1,323,864	11,016,593
Current Assets			
Cash and deposits (Notes 4 and 8)	75,258	147,426	1,226,812
Notes and accounts receivable - trade (Note 8)	192,277	187,482	1,560,139
Securities (Notes 4 and 7)	20,511	23,521	195,731
Inventories (Notes 5 and 8)	88,748	103,420	860,614
Other (Note 8)	65,950	77,802	647,432
Allowance for doubtful accounts	(1,400)	(1,315)	(10,942)
Total current assets	441,346	538,337	4,479,795
Total assets	¥1,668,317	¥1,862,201	\$15,496,388

	2014	Millions of Yen 2015	Thousands of U.S. Dollars (Note 1) 2015
Liabilities			
Non-current liabilities			
Bonds payable (Note 8)	¥ 242,124	¥ 240,666	\$ 2,002,712
Long-term loans payable (Note 8)	244,503	309,848	2,578,413
Deferred tax liabilities (Note 12)	22,031	36,981	307,739
Provision for gas holder repairs	1,636	1,722	14,329
Provision for safety measures	10,831	8,451	70,325
Allowance for investment loss	6,999	6,999	58,242
Provision for loss on guarantees	—	1,589	13,222
Provision for equipment warranties	—	2,895	24,090
Net defined benefit liability (Note 17)	15,325	16,484	137,172
Other	17,946	33,154	275,892
Total non-current liabilities	561,400	658,794	5,482,183
Current liabilities			
Current portion of non-current liabilities (Note 8)	39,333	55,731	463,767
Notes and accounts payable - trade	60,358	54,610	454,439
Short-term loans payable (Note 8)	46,756	26,832	223,283
Income taxes payable	29,608	30,835	256,594
Other	102,294	116,527	969,684
Total current liabilities	278,351	284,537	2,367,787
Total liabilities	839,752	943,331	7,849,970
Net Assets (Note 9)			
Shareholders' equity			
Capital stock	132,166	132,166	1,099,825
Authorized 3,707,506,909 shares			
Issued 2,083,400,000 shares in 2015 and in 2014			
Capital surplus	19,486	19,488	162,170
Retained earnings	587,268	648,896	5,399,816
Treasury shares (Note 10)	(797)	(938)	(7,805)
2,532,646 shares in 2015 and 2,214,444 shares in 2014			
Total shareholders' equity	738,124	799,613	6,654,015
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	34,839	50,868	423,300
Deferred gains and losses on hedges	2,425	(6,519)	(54,248)
Revaluation reserve for land (Note 12)	(737)	(737)	(6,132)
Foreign currency translation adjustments	30,414	39,341	327,377
Remeasurements of defined benefit plans	(6,100)	5,929	49,338
Total accumulated other comprehensive income	60,840	88,882	739,635
Minority interests	29,601	30,373	252,750
Total net assets	828,565	918,869	7,646,409
Total liabilities and net assets	¥1,668,317	¥1,862,201	\$15,496,388

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

Osaka Gas Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2015	2015
Income before minority interests	¥45,007	¥ 78,619	\$654,231
Other comprehensive income (Note 21)			
Valuation difference on available-for-sale securities	3,314	16,045	133,519
Deferred gains and losses on hedges	1,356	(3,232)	(26,895)
Foreign currency translation adjustments	25,018	10,241	85,220
Adjustment for employee retirement benefits	—	12,018	100,008
Share of other comprehensive income of associates accounted for using equity method	6,153	(7,608)	(63,310)
Total other comprehensive income	35,843	27,464	228,542
Comprehensive income	¥80,850	¥106,084	\$882,782
Attributable to:			
Owners of the parent	¥76,601	¥104,751	\$871,690
Minority interests	¥ 4,248	¥ 1,332	\$ 11,084

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, 2014 and 2015)

Millions of Yen					
Shareholders' equity					
Year ended March 31, 2014	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	¥132,166	¥19,482	¥564,356	(413)	¥715,592
Cumulative effects of changes in accounting policies			—		—
Restated balance	132,166	19,482	564,356	(413)	715,592
Changes in items during period					
Dividends from surplus			(18,738)		(18,738)
Net income			41,725		41,725
Change in scope of equity method			(75)		(75)
Purchase of treasury shares				(405)	(405)
Disposal of treasury shares		3		20	24
Net changes in items other than shareholders' equity					
Total changes in items during period	—	3	22,912	(384)	22,531
Balance at end of current period	¥132,166	¥19,486	¥587,268	(797)	¥738,124

Millions of Yen					
Shareholders' equity					
Year ended March 31, 2015	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	¥132,166	¥19,486	¥587,268	(797)	¥738,124
Cumulative effects of changes in accounting policies			3,649		3,649
Restated balance	132,166	19,486	590,917	(797)	741,773
Changes in items during period					
Dividends from surplus			(18,729)		(18,729)
Net income			76,709		76,709
Change in scope of equity method					—
Purchase of treasury shares				(153)	(153)
Disposal of treasury shares		2		12	14
Net changes in items other than shareholders' equity					
Total changes in items during period	—	2	57,979	(141)	57,840
Balance at end of current period	¥132,166	¥19,486	¥648,896	(938)	¥799,613

Thousands of U.S. Dollars					
Shareholders' equity					
Year ended March 31, 2015	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	\$1,099,825	\$162,153	\$4,886,976	(6,632)	\$6,142,331
Cumulative effects of changes in accounting policies			30,365		30,365
Restated balance	1,099,825	162,153	4,917,342	(6,632)	6,172,697
Changes in items during period					
Dividends from surplus			(155,854)		(155,854)
Net income			638,337		638,337
Change in scope of equity method					—
Purchase of treasury shares				(1,273)	(1,273)
Disposal of treasury shares		16		99	116
Net changes in items other than shareholders' equity					
Total changes in items during period	—	16	482,474	(1,173)	481,318
Balance at end of current period	\$1,099,825	\$162,170	\$5,399,816	(7,805)	\$6,654,015

Millions of Yen

Accumulated other comprehensive income

Valuation difference on available-for-sale securities	Deferred gains and losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
¥31,526	(2,271)	(737)	¥ 3,693	¥—	¥32,210	¥26,514	¥774,317
						—	—
31,526	(2,271)	(737)	3,693	—	32,210	26,514	774,317
							(18,738)
							41,725
							(75)
							(405)
							24
3,312	4,697		26,720	(6,100)	28,630	3,086	31,716
3,312	4,697	—	26,720	(6,100)	28,630	3,086	54,248
¥34,839	¥2,425	(737)	¥30,414	(6,100)	¥60,840	¥29,601	¥828,565

Millions of Yen

Accumulated other comprehensive income

Valuation difference on available-for-sale securities	Deferred gains and losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
¥34,839	¥2,425	(737)	¥30,414	(6,100)	¥60,840	¥29,601	¥828,565
						(97)	3,551
34,839	2,425	(737)	30,414	(6,100)	60,840	29,503	832,117
							(18,729)
							76,709
							—
							(153)
							14
16,028	(8,944)		8,927	12,030	28,042	869	28,912
16,028	(8,944)	—	8,927	12,030	28,042	869	86,752
¥50,868	(6,519)	(737)	¥39,341	¥5,929	¥88,882	¥30,373	¥918,869

Thousands of U.S. Dollars

Accumulated other comprehensive income

Valuation difference on available-for-sale securities	Deferred gains and losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
\$289,914	\$20,179	(6,132)	\$253,091	(50,761)	\$506,282	\$246,326	\$6,894,940
							29,549
289,914	20,179	(6,132)	253,091	(50,761)	506,282	245,510	6,924,498
							(155,854)
							683,337
							—
							(1,273)
							116
133,377	(74,427)		74,286	100,108	233,352	7,231	240,592
133,377	(74,427)	—	74,286	100,108	233,352	7,231	721,910
\$423,300	(54,248)	(6,132)	\$327,377	\$49,338	\$739,635	\$252,750	\$7,646,409

Consolidated Statements of Cash Flows

Osaka Gas Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2015	2015
Cash Flows from Operating Activities			
Income before income taxes and minority interests	¥ 81,874	¥121,428	\$1,010,468
Depreciation and amortization	83,806	87,785	730,506
Amortization of long-term prepaid expenses	5,967	5,411	45,027
Impairment loss	30,138	2,697	22,443
Increase (decrease) in provision for safety measures	(2,586)	(2,379)	(19,796)
Increase (decrease) in provision for loss on guarantees	-	1,589	13,222
Increase (decrease) in provision for equipment warranties	-	2,895	24,090
Decrease (increase) in net defined benefit assets/liability	(3,513)	(2,996)	(24,931)
Interest and dividend income	(3,811)	(5,430)	(45,185)
Interest expense	8,567	9,475	78,846
Equity in earnings (losses) of affiliates	(7,917)	(6,990)	(58,167)
Loss (gain) on sales of investment securities	(5,968)	(13,011)	(108,271)
Loss (gain) on sales of non-current fixed assets	-	(2,941)	(24,473)
Loss on disposal of non-current assets	1,402	1,666	13,863
(Increase) decrease in notes and accounts receivable - trade	(20,573)	4,132	34,384
(Increase) decrease in inventories	2,821	(14,935)	(124,282)
Increase (decrease) in notes and accounts payable - trade	3,123	(5,371)	(44,695)
Increase (decrease) in accrued expenses	2,887	(2,361)	(19,647)
Increase (decrease) in accrued consumption taxes	(1,913)	11,402	94,882
Other	7,688	4,663	38,803
Subtotal	181,993	196,731	1,637,105
Interest and dividends income received	10,524	8,678	72,214
Interest expenses paid	(8,734)	(9,592)	(79,820)
Income taxes paid	(29,557)	(38,909)	(323,782)
Net cash provided by operating activities	154,225	156,908	1,305,716
Cash Flows from Investing Activities			
Purchase of securities	(1,498)	(2,997)	(24,939)
Purchase of property, plant and equipment	(109,425)	(105,082)	(874,444)
Proceeds from sales of non-current assets	1,092	8,285	68,943
Purchase of intangible assets	(14,956)	(9,600)	(79,886)
Purchase of long-term prepaid expenses	(5,268)	(4,956)	(41,241)
Proceeds from sales of investment securities	7,659	14,142	117,683
Purchase of shares of subsidiaries and affiliates	(12,435)	(18,495)	(153,906)
Proceeds from shares of subsidiaries and affiliates	1,326	4,807	40,001
Other	(42,086)	3,193	26,570
Net cash used in investing activities	(175,591)	(110,704)	(921,228)
Cash Flows from Financing Activities			
Net increase (decrease) in short-term loans payable	(1,149)	(19,939)	(165,923)
Proceeds from long-term loans payable	69,356	71,650	596,238
Repayment of long-term loans payable	(36,870)	(17,420)	(144,961)
Proceeds from issuance of bonds	25,000	30,000	249,646
Redemption of bonds	(31,217)	(21,590)	(179,662)
Cash dividends paid	(18,738)	(18,742)	(155,962)
Other	(2,218)	(1,066)	(8,870)
Net cash provided by financing activities	4,163	22,892	190,496
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(1,894)	3,336	27,760
Net Increase (Decrease) in Cash and Cash Equivalents	(19,097)	72,433	602,754
Cash and Cash Equivalents at the Beginning of Current Period	109,456	90,359	751,926
Cash and Cash Equivalents at the End of Current Period (Note 4)	¥ 90,359	¥162,793	\$1,354,689

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Osaka Gas Co., Ltd. and Consolidated Subsidiaries
March 31, 2014 and 2015

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, 2015 which was ¥120.17 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 2014 and 2015. 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, 2014 and 2015 included the accounts of the Company and its 150 and 145 subsidiaries, respectively. For the year ended March 31, 2015, 2 subsidiaries were newly consolidated and 7 subsidiaries were excluded from consolidation. Intercompany transactions and accounts were eliminated. All material unrealized profit resulting from intercompany transactions and included in assets was eliminated.

The 72 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 72 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.

Goodwill is amortized within 20 years on a straight-line basis. If goodwill 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, 2014 and 2015, 12 and 13 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, 2014 and 2015 was ¥259,997 million and ¥260,741 million (\$2,169,767 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, 2014 and 2015 was ¥95 million and ¥392 million (\$3,262 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

As for the provision for retirement benefits, for the purposes of employee retirement benefits, an amount is provided based on the estimate of the retirement benefit obligation and pension assets at the end of the fiscal year.

- a. Method of attributing projected retirement benefits to periods of service
In calculating retirement benefit obligations, the benefit formula basis is applied to attribute projected retirement benefits to periods of service.
- b. Amortization of actuarial differences and past service cost
Past service cost is mainly amortized on a straight-line basis over one year. Actuarial differences are mainly amortized on a straight-line basis over a period of 10 years beginning from the fiscal year following the time of occurrence.

(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) Provision for Loss on Guarantees

With regard to the provision for loss on guarantees, to provide for any losses on debt guarantees, an estimated amount for such losses is provided upon consideration of the financial conditions of the debtors.

(Additional information)

Due to the elevated possibility of losses arising from debt guarantees, it was decided to record an estimated amount of such losses as a provision for loss on guarantees for the fiscal year ended March 31, 2015. As a result, a provision for loss on guarantees of ¥1,589 million (\$13,230 thousand) has been stated, reducing ordinary income and income before income taxes by the same amount, respectively.

(14) Provision for Equipment Warranties

With regard to the provision for warranty on gas appliances, to provide for the payment of any service costs arising from the sale of gas appliances within their warranty periods, an estimated amount of such costs is provided.

(Additional information)

For the fiscal year ended March 31, 2015, it has become possible to reasonably estimate any service costs arising from the sale of gas appliances within their warranty periods based on the past results of

periodic inspections and other factors. Therefore, it has been decided to record such estimated amount as a provision for warranty on gas appliances.

As a result, a provision for warranty on gas appliances of ¥2,895 million (\$24,093 thousand) has been stated, reducing operating income, ordinary income and income before income taxes by the same amount, respectively.

(15) 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.

(16) 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 adjustments in net assets.

(17) 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 as the principal method. 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 as an exceptional method:

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.

(18) 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, 2014 and 2015 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)

The Company and its consolidated domestic subsidiaries adopted Article 35 of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012 (hereinafter, "Statement No. 26")) and Article 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015 (hereinafter, "Guidance No. 25")) from the current consolidated fiscal year and have changed the method used to determine retirement benefit obligations and current service cost. In addition, the Company and its consolidated domestic subsidiaries have changed the method used to attribute expected benefits to periods of service from a straight-line basis to a benefit formula basis and the method used to determine the discount rate from a discount rate based on the approximate number of years of the average remaining service period of employees to a single weighted-average discount rate reflecting the expected period and amount of benefit payment. In accordance with Article 37 of Statement No. 26, the effect of changing the method used to determine retirement benefit obligations and current service cost has been recognized in retained earnings at the beginning of the current consolidated fiscal year.

The Accounting Standard, etc., has been applied in a transitional manner as provided in Paragraph 37 of the Accounting Standard, and the effects from the change have been reflected in remeasurements of defined benefit plans of the total accumulated other comprehensive income as of the end of the current consolidated accounting year.

As a result of the application, net defined benefit assets increased by ¥5,996 million (\$49,895 thousand), net defined benefit liability increased by ¥904 million (\$7,522 thousand) and retained earnings increased by ¥3,649 million (\$30,365 thousand) at the beginning of the current fiscal year. In addition, the effect on operating income, ordinary income and income before income taxes is insignificant. Net asset per share increased by ¥1.75 (\$0.014).

(Unadopted Accounting Standard)

- "Revised Accounting Standards for Business Combination"

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
	2014	2015	2015
Cash and deposits on the consolidated balance sheets	¥ 75,258	¥147,426	\$1,226,812
Time deposits with more than 3 months to maturity	(4,398)	(4,633)	(38,553)
Short-term investments with an original maturity of three months or less, presenting negligible risk of change in value and included in current assets	19,499	20,000	166,430
Cash and cash equivalents on the consolidated statements of cash flows	¥ 90,359	¥162,793	\$1,354,689

6. Financial Instruments

Book value, fair value and any difference between book value and fair value 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.

- (ASBJ Statement No. 21, September 13, 2013)
- "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013)
 - "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013)
 - "Revised Accounting Standard for Earnings Per Share" (ASBJ Statement No. 2, September 13, 2013)
 - "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standards for Business Divestitures" (ASBJ Guidance No. 10, September 13, 2013)
 - "Revised Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No. 4, September 13, 2013)

(1) Summary

The above standards and guidance have been revised primarily to account for:

1. How changes in the holding of shares in subsidiaries over which the Company continues to control should be treated by the Company when additional stock of a subsidiary is acquired
2. Treatment of acquisition related costs
3. Presentation of current net income and changes in shareholders' equity from minority interests to non-controlling interests
4. Provisional application of accounting treatments

(2) Effective date

Effective from the beginning of the fiscal year ending March 31, 2016 Provisional application of the accounting standards is scheduled to begin for business combinations effective after the beginning of the fiscal year ending March 31, 2016.

(3) Effects of application of the standards

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

5. Inventories

Inventories at March 31, 2014 and 2015 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Merchandises and finished products	¥23,854	¥ 21,290	\$177,165
Work-in-process	9,401	8,810	73,312
Raw materials and supplies	55,492	73,318	610,118
Total	¥88,748	¥103,420	\$860,614

	Millions of Yen		
	Book Value	Fair Value	Difference
(1) Cash and deposits	¥ 75,258	¥ 75,258	¥ —
(2) Notes and accounts receivable—trade	192,277	192,277	—
(3) Marketable securities and investment securities	94,760	94,760	—
Total assets	¥ 362,296	¥ 362,296	¥ —
(1) Notes and accounts payable—trade	¥ 60,358	¥ 60,358	¥ —
(2) Short-term loans payable	46,756	46,756	—
(3) Bonds payable ^(*)	263,708	278,634	14,925
(4) Long-term loans payable ^(*)	261,628	272,829	11,201
Total liabilities	¥ 632,452	¥ 658,579	¥ 26,127
Derivative transactions ^(*)	¥ 8,038	¥ 8,038	¥ —

(*)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 amount offset was a liability.

Book value, fair value and any difference between book value and fair value as of March 31, 2015 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	¥147,426	\$1,226,812	¥147,426	\$1,226,812	¥ —	\$ —
(2) Notes and accounts receivable—trade	187,482	1,560,139	187,482	1,560,139	—	—
(3) Marketable securities and investment securities	119,118	991,245	119,118	991,245	—	—
Total assets	¥454,027	\$3,778,205	¥454,027	\$3,778,205	¥ —	\$ —
(1) Notes and accounts payable—trade	¥ 54,610	\$ 454,439	¥ 54,610	\$ 454,439	¥ —	\$ —
(2) Short-term loans payable	26,832	223,283	26,832	223,283	—	—
(3) Bonds payable ^(*)	272,342	2,266,306	288,054	2,397,054	15,712	130,748
(4) Long-term loans payable ^(**)	333,354	2,774,020	345,565	2,875,634	12,211	101,614
Total liabilities	¥687,139	\$5,718,057	¥715,063	\$5,950,428	¥ 27,924	\$232,370
Derivative transactions ^(**)	¥ 3,363	\$ 27,985	¥ 3,363	\$ 27,985	¥ —	\$ —

(*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 amount offset 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-term 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 (Note 7) for information about securities 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-term nature of the financial transaction.

(3) Bonds payable

The fair value of the bonds issued by Osaka Gas and each of its group companies is the market price 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.

Book Value	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Affiliated company securities	¥101,829	¥125,333	\$1,042,964
Non-listed equity securities	¥ 16,768	¥ 10,027	\$ 83,440

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

For 2014	Millions of Yen			
	One Year or Less	One to Five Years	Five to Ten Years	More than Ten Years
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

Millions of Yen

For 2015	Millions of Yen			
	One Year or Less	One to Five Years	Five to Ten Years	More than Ten Years
Cash and deposits	¥147,426	¥ —	¥ —	¥ —
Notes and accounts receivable—trade	187,482	—	—	—
Marketable securities and investment securities				
Held-to-maturity debt securities (corporate bonds)	12	25	—	—
Available-for-sale securities with maturities				
(Government bonds and municipal bonds)	10	—	—	98
(Negotiable certificates of deposit)	22,000	—	—	—
(Commercial paper)	1,498	—	—	—
(Other)	—	200	—	—
Total	¥358,430	¥225	¥ —	¥98

Thousands of U.S. Dollars

For 2015	Thousands of U.S. Dollars			
	One Year or Less	One to Five Years	Five to Ten Years	More than Ten Years
Cash and deposits	\$1,226,812	\$ —	\$ —	\$ —
Notes and accounts receivable—trade	1,560,139	—	—	—
Marketable securities and investment securities				
Held-to-maturity debt securities (corporate bonds)	99	208	—	—
Available-for-sale securities with maturities				
(Government bonds and municipal bonds)	83	—	—	815
(Negotiable certificates of deposit)	183,073	—	—	—
(Commercial paper)	12,465	—	—	—
(Other)	—	1,664	—	—
Total	\$2,982,691	\$1,872	\$ —	\$815

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, 2014 and 2015.

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

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

	Millions of Yen		
	Acquisition Cost	Book Value	Difference
For 2015:			
Stocks	¥23,959	¥95,030	¥71,071
Bonds	10	10	0
Total	¥23,969	¥95,040	¥71,071

	Thousands of U.S. Dollars		
	Acquisition Cost	Book Value	Difference
For 2015:			
Stocks	\$199,375	\$790,796	\$591,420
Bonds	83	83	0
Total	\$199,459	\$790,879	\$591,420

(2) Total sales of available-for-sale securities in the years ended March 31, 2014 and 2015 amounted to ¥7,659 million and ¥14,142 million (\$117,683 thousand), respectively. The related gains and losses amounted to ¥5,968 million and ¥0 million, respectively, for the year ended March 31, 2014. The related gains and losses amounted to ¥13,011 million (\$108,271 thousand) and ¥7 million (\$58 thousand), respectively, for the year ended March 31, 2015.

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

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

	Millions of Yen		
	Acquisition Cost	Book Value	Difference
For 2015:			
Stocks	¥ 519	¥ 480	¥(38)
Bonds	23,596	23,596	—
Total	¥24,116	¥24,077	¥(38)

	Thousands of U.S. Dollars		
	Acquisition Cost	Book Value	Difference
For 2015:			
Stocks	\$ 4,318	\$ 3,994	\$(316)
Bonds	196,355	196,355	—
Total	\$200,682	\$200,357	\$(316)

(3) For "Available-for-sale securities," impairment losses of ¥26 million and ¥2,323 million (\$19,330 thousand) were recorded for the years ended March 31, 2014 and 2015, respectively.

8. Short-Term Loans and Long-Term Debt

Short-term loans consisted of short-term notes payable bearing interest at an annual average rate of 0.4% and 0.4% at March 31, 2014 and 2015, respectively.

Long-term debt at March 31, 2014 and 2015 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Loans principally from banks and insurance companies			
Due within one year (Average rate 1.7%)	¥ 17,124	¥ 23,506	\$ 195,606
Maturing through 2045 (Average rate 1.3%)	244,503	309,848	2,578,413
Total	¥261,628	¥333,354	\$2,774,020
Unsecured bonds			
Osaka Gas 3.4% bonds payable due 2017	15,700	15,700	130,648
Osaka Gas 1.47% bonds payable due 2022	19,987	19,989	166,339
Osaka Gas 1.83% bonds payable due 2020	19,994	19,995	166,389
Osaka Gas 1.79% bonds payable due 2020	19,989	19,991	166,355
Osaka Gas 2.33% bonds payable due 2026	9,995	9,995	83,405
Osaka Gas 1.79% bonds payable due 2016	19,995	19,997	166,322
Osaka Gas 2.14% bonds payable due 2019	19,997	19,997	166,405
Osaka Gas 1.59% bonds payable due 2014	19,999	—	—
Osaka Gas 1.21% bonds payable due 2015	30,000	30,000	249,646
Osaka Gas 1.782% bonds payable due 2018	30,000	30,000	249,646
Osaka Gas 1.345% bonds payable due 2021	10,000	10,000	83,215
Osaka Gas 1.16% bonds payable due 2021	10,000	10,000	83,215
Osaka Gas 0.759% bonds payable due 2022	10,000	10,000	83,215
Osaka Gas 0.748% bonds payable due 2023	10,000	10,000	124,823
Osaka Gas 1.606% bonds payable due 2034	15,000	15,000	166,430
Osaka Gas 1.402% bonds payable due 2034	—	20,000	83,215
Osaka Gas 1.685% bonds payable due 2045	—	10,000	83,215
OGPA Funding, LLC 7.73% bonds payable due 2015 in U.S. dollars	3,049	1,675	13,938
Total	¥263,708	¥272,342	\$2,266,306

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, 2015 were as follows:

Years ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2016	¥ 31,675	\$ 263,584
2017	35,700	297,079
2018	—	—
2019	30,000	249,646
2020	40,000	332,861
April 1, 2020 and thereafter	135,000	1,123,408
Total	¥272,375	\$2,266,580

The annual maturities of long-term debt at March 31, 2015 were as follows:

Years ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2016	¥ 23,506	\$ 195,606
2017	17,070	142,048
2018	45,000	374,469
2019	19,837	165,074
2020	24,424	203,245
April 1, 2020 and thereafter	203,514	1,693,550
Total	¥333,354	\$2,774,020

Assets pledged as collateral mainly for short-term loans and long-term debt totaling ¥38,817 million and ¥43,868 million (\$365,049 thousand) at March 31, 2014 and 2015, respectively, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Property, plant and equipment	¥ 81,109	¥127,946	\$1,064,708
Investment securities	12,267	14,660	121,993
Cash and deposits	12,644	7,279	60,572
Accounts receivable	457	1,596	13,281
Inventories and other	19,578	8,102	67,421
Total	¥126,057	¥159,585	\$1,327,993

In addition to the above, the amount of shares of consolidated subsidiaries and others of ¥2,216 million (\$18,440 thousand) which were offset as a result of consolidation have been pledged as collateral.

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 26, 2015 included cash dividends applicable to the year ended March 31, 2015 and the payment of cash dividends to shareholders of record at March 31, 2015 in the aggregate amount of ¥10,404 million (\$86,577 thousand) or ¥5.0 (\$0.041) per share (ordinary dividend ¥4.5 (\$0.037) and commemorative dividend ¥0.5 (\$0.004)). The appropriations have not been accrued in the consolidated financial statements for the year ended March 31, 2015. 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, 2014	Increase	Decrease	As of March 31, 2015
2,214	351	33	2,532

(Overview of reasons for change)

Overview of reasons for increase

Increase by repurchase of fractional shares 351 thousand shares

Overview of reasons for decrease

Decrease by disposal of fractional shares 33 thousand shares

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

11. Contingent Liabilities

At March 31, 2014 and 2015, the Companies were contingently liable as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
As guarantor of indebtedness of:			
Non-consolidated affiliates	¥19,122	¥ 26,178	\$217,841
Employees	8	4	33
Debt assumption agreements	29,000	29,000	241,324
Total	¥48,130	¥ 55,183	\$459,199

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 fair value of the land was ¥937 million and ¥1,142 million (\$9,503 thousand) lower than the revalued book amount at March 31, 2014 and 2015, respectively.

13. Impairment Loss

(1) Grouping

- All 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.
- Fixed assets used for businesses other than those described above are generally categorized into groups based on business divisions controlling such fixed assets.
- Generally, other fixed assets are treated individually.

(2) Details of impairment loss

In accordance with the grouping described in (1) above, an impairment loss of ¥30,138 million and ¥2,697 million (\$22,443 thousand) was recognized in the years ended March 31, 2014 and March 31, 2015, respectively. Significant properties included in this loss are listed in the table below.

			Millions of Yen
For 2014	Asset	Location	Type
	Property for enterprises, etc.	Texas, U.S.A.	Intangible assets and property, plant and equipment (other facilities)
			¥28,567

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 were 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 being taken part in through a consolidated subsidiary. However in light of the production situation of economically unfeasible oil and gas extraction without the prospect of significant productivity improvement of this project, the Company recognized an impairment loss as an extraordinary loss.

For 2015			Millions of Yen	Thousands of U.S. Dollars
Asset	Location	Type	Impairment Loss	
Company owned house	Kyotanabe-city, Kyoto Prefecture	Land, etc. (other facilities)	¥1,577	\$13,123

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

This asset was appropriated for extraordinary loss and recorded as impairment loss due to estimates as idle assets and recognized declining market values at the end of the fiscal year ended March 31, 2015.

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 ¥11,793 million and ¥11,434 million (\$95,148 thousand) for the years ended March 31, 2014 and 2015, respectively.

15. Leases

As lessee

(1) Finance Lease Transactions

Finance leases which commenced before March 31, 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, 2014 and 2015 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Payments due within one year	¥ 908	¥ 1,023	\$ 8,512
Payments due over one year	6,325	5,036	41,907
Total	¥ 7,233	¥ 6,060	\$ 50,428

As lessor

Operating Lease Transactions

Obligations under non-cancelable operating leases at March 31, 2014 and 2015 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Receivables due within one year	¥ 1,033	¥1,208	\$ 10,052
Receivables due over one year	4,244	3,550	29,541
Total	¥ 5,278	¥4,758	\$ 39,593

16. Derivative Transactions

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

Type	Instruments	Grouping	Millions of Yen			
			Contract Amounts		Fair Value	Profit or Loss from Valuation
			More than One Year			
Currencies	Forward foreign currency exchange contracts Selling position	Dealings other than market transactions	¥ 1,168	—	¥ 32	¥ 32
Products	Swap transactions and option transactions of oil prices, etc.	Dealings other than market transactions	¥20,041	¥16,013	¥1,961	¥1,961
Total			¥21,210	¥16,013	¥1,994	¥1,994

Notes:

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

Fair value information for the derivative transactions to which hedge accounting was not applied in 2015 was as follows:

Type	Instruments	Grouping	Millions of Yen/ Thousands of U.S. Dollars			
			Contract Amounts		Fair Value	Profit or Loss from Valuation
			More than One Year			
Products	Swap transactions and option transactions of oil prices, etc.	Dealings other than market transactions	¥ 18,514	¥ 6,650	¥ 1,530	¥ 1,530
			\$154,065	\$55,338	\$12,731	\$12,731

Notes:

- Fair values are calculated by using prices presented by major financial institutions.
- Because some derivative transactions stopped satisfying the requirements for the 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 2014 was as follows:
Millions of Yen

Type	Instruments	Hedge Accounting Method	Hedged Items	Contract Amounts		Fair Value
				More than One Year		
(a) Interest rates	Interest rate swaps	Exceptional accounting of interest rate swaps	Long-term loans payable	¥ 52,656	¥ 52,656	(Note 2)
		Principal method of accounting	Long-term loans payable and bonds payable	¥110,819	¥106,474	¥ 3,531
(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	¥ 34,606	¥ (647)
(c) Products	Swap transactions and option transactions of oil prices, etc.	Principal method of accounting	Purchase prices of raw materials, etc.	¥ 19,858	¥ 6,020	¥ 3,160
Total				¥220,500	¥199,757	¥ 6,044

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.

Fair value information for derivative transactions to which hedge accounting was applied in 2015 was as follows:

Type	Instruments	Hedge Accounting Method	Hedged Items	Contract Amounts		Fair Value
				More than One Year		
(a) Interest rates	Interest rate swaps	Exceptional accounting of interest rate swaps	Long-term loans payable	¥ 98,942 \$ 823,350	¥ 94,942 \$ 790,064	(Note 2)
		Principal method of accounting	Long-term loans payable and bonds payable	¥ 110,479 \$ 919,355	¥ 106,739 \$ 888,233	¥ (1,742) \$ (14,496)
(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	¥ 92,107 \$ 766,472	¥ 78,383 \$ 652,267	¥ 4,003 \$ 33,311
(c) Products	Swap transactions and option transactions of oil prices, etc.	Principal method of accounting	Purchase prices of raw materials, etc.	¥ 13,403 \$ 111,533	¥ 6,022 \$ 50,112	¥ (428) \$ (3,561)
Total				¥ 314,934 \$ 2,620,737	¥ 286,089 \$ 2,380,702	¥ 1,832 \$ 15,245

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 2014 and 2015:

(1) Summary of the adopted retirement benefit scheme
The Company and most consolidated subsidiaries provide a 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 the defined benefit plan shifted has been adopted from January 1, 2005.

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

(2) Defined benefit plans

1. Retirement benefit obligations

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Balance at April 1, 2013 and 2014	¥277,676	¥276,140	\$2,297,911
Cumulative effects of changes in accounting policies		(5,092)	(42,373)
Restated balance	277,676	271,047	2,255,529
Service cost	9,037	7,818	65,057
Interest cost	2,999	3,629	30,198
Actuarial loss (gain)	(697)	16,130	134,226
Benefits paid	(13,103)	(13,919)	(115,827)
Other	228	(11)	(91)
Balance at March 31, 2014 and 2015	¥276,140	¥284,695	\$2,369,102

2. Plan assets

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Balance at April 1, 2013 and 2014	¥264,197	¥290,228	\$2,415,145
Expected return on plan assets	8,139	8,921	74,236
Actuarial loss (gain)	25,148	32,897	273,753
Contributions paid by the employer	5,094	4,296	35,749
Benefits paid	(12,351)	(12,801)	(106,524)
Other	—	4	33
Balance at March 31, 2014 and 2015	¥290,228	¥323,547	\$2,692,410

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

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Funded retirement benefit obligations	¥261,033	¥ 268,165	\$2,231,546
Plan assets	(290,228)	(323,547)	(2,692,410)
Unfunded retirement benefit obligations	(29,194)	(55,381)	(460,855)
	15,106	16,529	137,546
Total net defined benefit liability (asset) at March 31, 2014 and 2015	(14,088)	(38,851)	(323,300)
Net defined benefit liability	15,325	16,484	137,172
Net defined benefit asset	(29,414)	(55,336)	(460,480)
Total net defined benefit liability (asset) at March 31, 2014 and 2015	¥ (14,088)	¥ (38,851)	\$ (323,300)

4. Retirement benefit costs

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Service cost	¥ 9,037	¥ 7,818	\$ 65,057
Interest cost	2,999	3,629	30,198
Expected return on plan assets	(8,139)	(8,921)	(74,236)
Net actuarial loss amortization	(223)	447	3,719
Past service costs amortization	(30)	(30)	(249)
Other	7	14	116
Total retirement benefit costs for the fiscal year ended March 31, 2014 and 2015	¥ 3,649	¥ 2,956	\$ 24,598

5. Adjustments for retirement benefits

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Past service costs	¥ —	¥ 30	\$ 249
Actuarial gains (losses)	—	(17,214)	(143,247)
Total balance at March 31, 2014 and 2015	¥ —	¥(17,183)	\$(142,989)

6. Accumulated adjustments for retirement benefit

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Unrecognized past service cost	¥ (200)	¥ (169)	\$ (1,406)
Unrecognized actuarial gains (losses)	8,881	(8,332)	(69,335)
Total balance at March 31, 2014 and 2015	¥8,681	¥ (8,502)	\$(70,749)

7. Plan assets

Plan assets comprise:

	2014	2015
Bonds	27.2 %	32.4 %
Stocks	42.0 %	35.5 %
Cash and deposits	11.6 %	14.3 %
Other	19.2 %	17.8 %
Total	100.0 %	100.0 %

Note 1: The main assets of "Other" are 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.

8. Actuarial assumptions

	2014	2015
Discount rates	Mainly 1.1 %	Mainly 1.1 %
The rate of long-term expected return on plan assets	Mainly 3.1 %	Mainly 3.1 %

(3) Defined contribution plan

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.

(4) Multi-employer pension plans

The contribution required to the employees' pension fund plan of the multi-employer pension plans which was treated with the same accounting method as the defined contribution plan was ¥321 million and ¥332 million (\$2,762 thousand) for the years ended March 31, 2014 and 2015, respectively.

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% and 30.7% for the years ended March 31, 2014 and 2015, respectively.

The following table summarizes the significant differences between the Company's statutory tax rate and the Companies' effective tax rate for financial statement purposes for the years ended March 31, 2014 and 2015:

	2014	2015
Statutory tax rate	33.3%	30.7%
Valuation allowance	15.4	6.4
Equity in earnings of affiliates	(3.0)	(1.8)
Statutory tax rate difference between the Company and certain subsidiaries	2.7	1.0
Effect of revised corporate tax rate	1.3	0.5
Other	(4.7)	(1.5)
Effective tax rate	45.0%	35.3%

On March 31, 2015, amendments to the Japanese tax regulations were enacted into law. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized on or after April 1, 2015 was changed for the fiscal year ended March 31, 2015 from 30.7% to 28.8% as of March 31, 2015. Due to these changes in statutory income tax rates, net deferred tax assets (after deducting the deferred tax liabilities) increased by ¥1,010 million (\$8,404 thousand) as of March 31, 2015, deferred income tax expense recognized for the fiscal year ended March 31, 2015 increased by ¥602 million (\$5,009 thousand) and accumulated other comprehensive income increased by ¥1,609 million (\$13,389 thousand).

19. 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, 2014, we reported gains of ¥6,134 million from the rent of such real property (recorded mainly as operating income). In the year ended March 31, 2015, we reported gains of ¥6,359 million (\$52,916 thousand) from the rent of such real property (recorded mainly as operating income) and profit on sales of ¥2,342 million (\$19,489 thousand) (recorded as extraordinary income).

The book value and fair value of real properties for rent in the consolidated balance sheets for the years ended March 31, 2014 and 2015 were as follows:

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2014 and 2015 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Deferred tax assets:			
Impairment loss	¥ 14,300	¥ 11,814	\$ 98,310
Tax loss carryforwards	8,723	11,422	95,048
Excess depreciation of depreciable assets	6,598	5,999	49,920
Other	29,680	27,814	231,455
Subtotal deferred tax assets	59,302	57,050	474,744
Valuation allowance	(22,398)	(30,210)	(251,393)
Total deferred tax assets	¥ 36,904	¥ 26,840	\$ 223,350
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	¥ (14,941)	¥ (20,256)	\$ (168,561)
Net defined benefit assets	(12,348)	(15,947)	(132,703)
Reserve defined under the special taxation measures law	(7,032)	(7,740)	(64,408)
Other	(6,667)	(2,385)	(19,846)
Total deferred tax liabilities	(40,991)	(46,329)	(385,528)
Net deferred tax assets	¥ (4,087)	¥ (19,489)	\$ (162,178)

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

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Current assets (included in "Other")	¥ 11,185	¥ 10,870	\$ 90,455
Investments and other assets (included in "Other")	6,763	6,635	55,213
Current liabilities (included in "Other")	(4)	(13)	(108)
Non-current liabilities	(22,031)	(36,981)	(307,739)
Total	¥ (4,087)	¥ (19,489)	\$ (162,178)

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Book Value			
As of April 1, 2013 and 2014	¥ 104,159	¥ 106,027	\$ 882,308
Increase (decrease)	1,868	(313)	(2,604)
As of March 31, 2014 and 2015	106,027	105,714	879,703
Fair value as of March 31, 2014 and 2015			
	¥ 161,943	¥ 163,377	\$ 1,359,548

Notes:

- The book value stated in the consolidated balance sheets was the acquisition costs reduced by accumulated depreciation and accumulated impairment loss.
- The main factor contributing to the increase and decrease in the year ended March 31, 2014 was the acquisition of real property of ¥4,100 million, and the main factors in the year ended March 31, 2015 were the acquisition of real property of ¥6,362 million (\$52,941 thousand) and the sales of ¥4,303 million (\$35,807 thousand).
- The fair values as of end of the fiscal year were based mainly on the Real Estate Appraisal Standards in Japan or similar evaluation methods (including values adjusted using indicators).

20. Segment Information

(1) Overview of Reportable Segments

The Company group's two business areas, "Domestic and International Energy Service Business" and "Life and Business Solutions," are divided by product and service and organized into the four reporting segments of "Gas Business," "LPG, Electricity and Other Energies Business," "International Energies Business" and "Life and Business Solutions," considering the similarities between products and services and other relevant factors.

The "Gas Business" segment includes marketing of gas and gas equipment, gas piping work and heat supply. The "LPG, Electricity and Other Energies Business" segment includes LPG marketing, industrial gas marketing and electric power supply. The "International Energies Business" segment includes overseas energy supply, LNG vessel chartering business and oil and

natural gas business development and investment. The "Life and Business Solutions" segment includes 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 equipment.

There has been a revision to the classification of business segments in "Catalyze Our Dreams," the Company's medium-term management plan established in March 2014. The Renewable energy business, which was originally included in the Environment and Non-Energy segment, was transferred to the related segments (LPG, Electricity and Other Energy and International Energy) and the Environment and Non-Energy segment was renamed to Life & Business Solutions. Segment information for the previous consolidated fiscal year is provided based on the report for the segments after the revision.

(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

For 2014:							Millions of Yen	
	Gas	LPG, Electricity and Other Energies	International Energies	Life & Business Solutions	Total	Adjustments (Note 1)	Consolidated (Note 2)	
Net sales								
Outside customers	¥1,092,452	¥257,779	¥ 12,651	¥149,698	¥1,512,581	¥ —	¥1,512,581	
Inside group	27,074	3,282	720	46,849	77,926	(77,926)	—	
Total	¥1,119,526	¥261,061	¥ 13,372	¥196,547	¥1,590,508	¥(77,926)	¥1,512,581	
Segment income								
Operating income (loss)	¥ 34,093	¥ 44,576	¥ (800)	¥ 18,768	¥ 96,637	¥ 2,744	¥ 99,381	
Equity in earnings (loss) of affiliates	(2,016)	770	9,029	133	7,917	—	7,917	
Total	¥ 32,077	¥ 45,346	¥ 8,229	¥ 18,901	¥ 104,555	¥ 2,744	¥ 107,299	
Segment assets	¥ 741,733	¥177,538	¥294,664	¥387,671	¥1,601,607	¥ 66,710	¥1,668,317	
Depreciation	52,804	12,941	8,604	9,758	84,109	(842)	83,266	
Amortization of goodwill	—	231	308	—	539	—	539	
Investment in affiliates reported by equity method	91	5,202	63,176	8,166	76,637	—	76,637	
Increase in tangible and intangible fixed assets	¥ 60,652	¥ 3,316	¥ 47,980	¥ 12,922	¥ 124,872	¥ (725)	¥ 124,146	

For 2015:							Millions of Yen	
	Gas	LPG, Electricity and Other Energies	International Energies	Life & Business Solutions	Total	Adjustments (Note 1)	Consolidated (Note 2)	
Net sales								
Outside customers	¥ 1,114,034	¥240,980	¥ 12,565	¥160,583	¥1,528,164	¥ —	¥1,528,164	
Inside group	22,941	2,765	1,148	46,937	73,793	(73,793)	—	
Total	¥ 1,136,975	¥243,746	¥ 13,714	¥207,521	¥1,601,957	¥ (73,793)	¥1,528,164	
Segment income								
Operating income (loss)	¥ 50,542	¥ 42,267	¥ (6,250)	¥ 16,284	¥ 102,843	¥ 2,221	¥ 105,065	
Equity in earnings (loss) of affiliates	(248)	(570)	7,511	297	6,990	—	6,990	
Total	¥ 50,293	¥ 41,697	¥ 1,261	¥ 16,581	¥ 109,834	¥ 2,221	¥ 112,055	
Segment assets	¥ 818,202	¥177,652	¥368,002	¥394,950	¥1,758,807	¥ 103,393	¥1,862,201	
Depreciation	57,143	11,508	6,247	11,098	85,999	(788)	85,210	
Amortization of goodwill	—	235	333	2,005	2,575	—	2,575	
Investment in affiliates reported by equity method	—	5,845	76,380	8,509	90,735	—	90,735	
Increase in tangible and intangible fixed assets	¥ 49,222	¥ 15,326	¥ 38,525	¥ 17,205	¥ 120,279	¥ (881)	¥ 119,398	

	Thousands of U.S. Dollars						
	Gas	LPG, Electricity and Other Energies	International Energies	Life & Business Solutions	Total	Adjustments (Note 1)	Consolidated (Note 2)
For 2015:							
Net sales							
Outside customers	\$ 9,270,483	\$ 2,005,325	\$ 104,560	\$ 1,336,298	\$ 12,716,684	\$ —	\$ 12,716,684
Inside group	190,904	23,009	9,553	390,588	614,071	(614,071)	—
Total	\$ 9,461,388	\$ 2,028,343	\$ 114,121	\$ 1,726,895	\$ 13,330,756	\$(614,071)	\$ 12,716,684
Segment income							
Operating income (loss)	\$ 420,587	\$ 351,726	\$ (52,009)	\$ 135,508	\$ 855,812	\$ 18,482	\$ 874,303
Equity in earnings (loss) of affiliates	(2,063)	(4,743)	62,503	2,471	58,167	—	58,167
Total	\$ 418,515	\$ 346,983	\$ 10,493	\$ 137,979	\$ 913,988	\$ 18,482	\$ 932,470
Segment assets							
Depreciation	\$ 6,808,704	\$ 1,478,339	\$ 3,062,345	\$ 3,286,593	\$ 14,635,990	\$ 860,389	\$ 15,496,388
Amortization of goodwill	475,518	95,764	51,984	92,352	715,644	(6,557)	709,078
Investment in affiliates reported by equity method	—	1,955	2,771	16,684	21,427	—	21,427
Increase in tangible and intangible fixed assets	—	48,639	635,599	70,808	755,055	—	755,055
Total	\$ 409,603	\$ 127,535	\$ 320,587	\$ 143,172	\$ 1,000,907	\$ (7,331)	\$ 993,575

Note 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 (loss) is adjusted by adding or subtracting equity in earnings (losses) of affiliates to or from operating income (loss).

(4) Information about impairment loss for non-current assets by reportable segment

	Millions of Yen						
	Gas	LPG, Electricity and Other Energies	International Energies	Life & Business Solutions	Total	Elimination or corporate	Total
For 2014:							
Impairment loss	¥ —	¥ 138	¥ 29,502	¥ 498	¥ 30,138	¥ —	¥ 30,138

	Millions of Yen						
	Gas	LPG, Electricity and Other Energies	International Energies	Life & Business Solutions	Total	Elimination or corporate	Total
For 2015:							
Impairment loss	¥ 2,278	¥ 203	¥ —	¥ 216	¥ 2,697	¥ —	¥ 2,697

	Thousands of U.S. Dollars						
	Gas	LPG, Electricity and Other Energies	International Energies	Life & Business Solutions	Total	Elimination or corporate	Total
For 2015:							
Impairment loss	\$ 18,956	\$ 1,689	\$ —	\$ 1,797	\$ 22,443	\$ —	\$ 22,443

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

	Millions of Yen						
	Gas	LPG, Electricity and Other Energies	International Energies	Life & Business Solutions	Total	Elimination or corporate	Total
For 2014:							
Amount depreciated in 2014	¥ —	¥ 231	¥ 308	¥ —	¥ 539	¥ —	¥ 539
Undepreciated balance at fiscal year end	¥ —	¥ 1,347	¥ 2,114	¥ 21,009	¥ 24,471	¥ —	¥ 24,471

	Millions of Yen						
	Gas	LPG, Electricity and Other Energies	International Energies	Life & Business Solutions	Total	Elimination or corporate	Total
For 2015:							
Amount depreciated in 2014	¥ —	¥ 235	¥ 333	¥ 2,005	¥ 2,575	¥ —	¥ 2,575
Undepreciated balance at fiscal year end	¥ —	¥ 1,116	¥ 2,038	¥ 18,029	¥ 21,183	¥ —	¥ 21,183

	Thousands of U.S. Dollars						
	Gas	LPG, Electricity and Other Energies	International Energies	Life & Business Solutions	Total	Elimination or corporate	Total
For 2015:							
Amount depreciated in 2014	\$ —	\$ 1,955	\$ 2,771	\$ 16,684	\$ 21,427	\$ —	\$ 21,427
Undepreciated balance at fiscal year end	\$ —	\$ 9,286	\$ 16,959	\$ 150,029	\$ 176,275	\$ —	\$ 176,275

21. Consolidated Statements of Comprehensive Income

For 2014 and 2015:

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 were as follows:

	Millions of Yen		Thousands of U. S. Dollars
	2014	2015	2015
Valuation difference on available-for-sale securities			
Incurred in the fiscal year	¥ 9,441	\$ 22,105	\$183,947
Reclassification adjustments	(5,467)	(745)	(6,199)
Before tax effect adjustments	3,973	21,359	177,739
Tax effect	(659)	(5,314)	(44,220)
Valuation difference on available-for-sale securities	3,314	16,045	133,519
Deferred gains and losses on hedges			
Incurred in the fiscal year	5,382	(4,451)	(37,039)
Reclassification adjustments	(3,708)	467	3,886
Before tax effect adjustments	1,674	(3,984)	(33,153)
Tax effect	(317)	751	6,249
Deferred gains and losses on hedges	1,356	(3,232)	(26,895)
Foreign currency translation adjustments			
Incurred in the fiscal year	25,018	10,241	85,220
Reclassification adjustments	—	—	—
Before tax effect adjustments	25,018	10,241	85,220
Tax effect	—	—	—
Foreign currency translation adjustments	25,018	10,241	85,220
Adjustments for retirement benefits			
Incurred in the fiscal year	—	16,771	139,560
Reclassification adjustments	—	412	3,428
Before tax effect adjustments	—	17,183	142,989
Tax effect	—	(5,165)	(42,980)
Adjustments for retirement benefits	—	12,018	100,008
Share of other comprehensive income of affiliates accounted for using equity method			
Incurred in the fiscal year	4,994	(10,431)	(86,802)
Reclassification adjustments	1,158	2,823	23,491
Share of other comprehensive income of affiliates accounted for using equity method	6,153	(7,608)	(63,310)
Total other comprehensive income	¥35,843	¥ 27,464	\$228,542

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, 2015 and 2014, 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, 2015 and 2014, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2015 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

August 6, 2015
Osaka, Japan