

Financial Section

[Consolidated Financial Statements and Notes]

(1) Consolidated Financial Statements

Osaka Gas Co., Ltd. and Consolidated Subsidiaries, the Fiscal Years Ended March 31, 2017 and 2018

Consolidated Balance Sheet

Assets

(million yen)

	Previous Year (As of March 31, 2017)	Current Year (As of March 31, 2018)
Non-current assets		
Property, plant and equipment		
Production facilities	91,943	89,523
Distribution facilities	286,889	275,331
Service and maintenance facilities	58,912	56,924
Other facilities	387,286	393,116
Construction in progress	87,706	66,925
Total property, plant and equipment	※ 1, ※ 2, ※ 3 912,737	※ 1, ※ 2, ※ 3 881,822
Intangible assets	77,483	79,743
Investments and other assets		
Investment securities	※ 4 316,981	※ 4 323,212
Net defined benefit asset	38,615	46,405
Other	60,073	60,682
Allowance for doubtful accounts	(1,376)	(1,245)
Total investments and other assets	※ 1 414,293	※ 1 429,053
Total non-current assets	1,404,514	1,390,619
Current assets		
Cash and deposits	167,583	171,529
Notes and accounts receivable - trade	177,512	※ 5 190,445
Lease receivables and investment assets	24,147	30,459
Inventories	※ 6 69,778	※ 6 76,861
Other	44,670	46,805
Allowance for doubtful accounts	(1,629)	(1,504)
Total current assets	※ 1 482,062	※ 1 514,596
Total assets	1,886,577	1,905,215

Note: Details of ※ 1, 2, 3, 4, 5, 6 and 8 are provided in "d. Notes to the Consolidated Balance Sheet" on page 64.

This annual report is not subject to auditing by an independent auditor.
However, the accompanying consolidated financial statements are reprinted
from the securities report which has been audited by an independent auditor.

Liabilities

(million yen)

	Previous Year (As of March 31, 2017)	Current Year (As of March 31, 2018)
Non-current liabilities		
Bonds payable	194,979	164,984
Long-term loans payable	267,666	243,255
Deferred tax liabilities	26,451	30,830
Provision for gas holder repairs	1,416	1,326
Provision for safety measures	10,897	12,936
Provision for loss on investment	6,999	6,999
Provision for equipment warranties	14,282	13,607
Net defined benefit liability	18,709	16,958
Other	91,033	61,371
Total non-current liabilities	※ 1 632,436	※ 1 552,271
Current liabilities		
Current portion of non-current liabilities	50,267	68,548
Notes and accounts payable - trade	50,246	※ 5 58,542
Short-term loans payable	23,118	22,179
Income taxes payable	22,942	27,786
Other	115,695	147,088
Total current liabilities	※ 1 262,269	※ 1 324,145
Total liabilities	894,706	876,416

Net assets

(million yen)

	Previous Year (As of March 31, 2017)	Current Year (As of March 31, 2018)
Shareholders' equity		
Capital stock	132,166	132,166
Capital surplus	19,319	19,222
Retained earnings	752,872	769,801
Treasury shares	(1,492)	(1,663)
Total shareholders' equity	902,865	919,527
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	51,678	56,977
Deferred gains or losses on hedges	(9,500)	(7,650)
Revaluation reserve for land	※ 8 (737)	※ 8 (737)
Foreign currency translation adjustment	17,993	19,530
Remeasurements of defined benefit plans	(393)	11,922
Total accumulated other comprehensive income	59,040	80,042
Non-controlling interests	29,965	29,229
Total net assets	991,870	1,028,799
Total liabilities and net assets	1,886,577	1,905,215

Consolidated Statement of Income

(million yen)

	Previous Year (April 1, 2016 - March 31, 2017)	Current Year (April 1, 2017 - March 31, 2018)
Net sales	1,183,846	1,296,238
Cost of sales	※ 1, ※ 2 745,139	※ 1, ※ 2 874,437
Gross profit	438,707	421,800
Selling, general and administrative expenses	※ 1, ※ 3 341,457	※ 1, ※ 3 343,681
Operating profit	97,250	78,118
Non-operating income		
Interest income	386	453
Dividend income	3,163	4,151
Miscellaneous income	10,610	10,886
Total non-operating income	14,160	15,491
Non-operating expenses		
Interest expenses	9,612	9,505
Loss on sales of shares of subsidiaries	—	2,227
Miscellaneous expenses	5,521	4,789
Total non-operating expenses	15,134	16,522
Ordinary profit	96,276	77,087
Extraordinary losses		
Impairment loss	※ 4 1,744	※ 4 11,249
Business structure improvement expenses	※ 5 2,935	—
Total extraordinary losses	4,680	11,249
Profit before income taxes	91,596	65,837
Income taxes - current	31,622	31,277
Income taxes - deferred	(3,233)	(4,957)
Total income taxes	28,388	26,319
Profit	63,207	39,517
Profit attributable to non-controlling interests	1,936	1,793
Profit attributable to owners of parent	61,271	37,724

Note: Details of ※ 1, 2, 3, 4 and 5 are provided in "e. Notes to the Consolidated Statement of Income" on page 65.

Consolidated Statement of Comprehensive Income

(million yen)

	Previous Year (April 1, 2016 - March 31, 2017)	Current Year (April 1, 2017 - March 31, 2018)
Profit	63,207	39,517
Other comprehensive income		
Valuation difference on available-for-sale securities	7,543	5,306
Deferred gains or losses on hedges	1,401	387
Foreign currency translation adjustment	(7,506)	78
Remeasurements of defined benefit plans	15,593	12,607
Share of other comprehensive income of entities accounted for using equity method	(2,209)	2,692
Total other comprehensive income	※ 1 14,822	※ 1 21,072
Comprehensive income	78,029	60,590
(Breakdown)		
Comprehensive income attributable to owners of parent	76,301	58,725
Comprehensive income attributable to non-controlling interests	1,728	1,864

Note: Details of ※1 are provided in "f. Notes to the Consolidated Statement of Comprehensive Income" on page 67.

Consolidated Statement of Changes in Net Assets

(million yen)

	Shareholders' Equity					Accumulated Other Comprehensive Income					Non-controlling interests	Total net assets	
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans			Total accumulated other comprehensive income
Fiscal Year Ended March 31, 2017 (April 1, 2016 - March 31, 2017)													
Balance at beginning of current period	132,166	19,320	712,401	(1,275)	862,613	44,143	(12,347)	(737)	28,924	(15,972)	44,010	29,162	935,786
Changes of items during period													
Dividends of surplus			(20,800)		(20,800)								(20,800)
Profit attributable to owners of parent			61,271		61,271								61,271
Purchase of treasury shares				(226)	(226)								(226)
Disposal of treasury shares		0		9	9								9
Change in ownership interest of parent due to transactions with non-controlling interests		(1)			(1)								(1)
Net changes of items other than shareholders' equity						7,535	2,846		(10,930)	15,578	15,030	802	15,832
Total changes of items during period	—	(0)	40,470	(217)	40,251	7,535	2,846	—	(10,930)	15,578	15,030	802	56,084
Balance at end of current period	132,166	19,319	752,872	(1,492)	902,865	51,678	(9,500)	(737)	17,993	(393)	59,040	29,965	991,870
Fiscal Year Ended March 31, 2018 (April 1, 2017 - March 31, 2018)													
Balance at beginning of current period	132,166	19,319	752,872	(1,492)	902,865	51,678	(9,500)	(737)	17,993	(393)	59,040	29,965	991,870
Changes of items during period													
Dividends of surplus			(20,794)		(20,794)								(20,794)
Profit attributable to owners of parent			37,724		37,724								37,724
Purchase of treasury shares				(175)	(175)								(175)
Disposal of treasury shares		0		5	5								5
Change in ownership interest of parent due to transactions with non-controlling interests		(97)			(97)								(97)
Net changes of items other than shareholders' equity						5,298	1,849		1,536	12,316	21,001	(735)	20,265
Total changes of items during period	—	(96)	16,929	(170)	16,662	5,298	1,849	—	1,536	12,316	21,001	(735)	36,928
Balance at end of current period	132,166	19,222	769,801	(1,663)	919,527	56,977	(7,650)	(737)	19,530	11,922	80,042	29,229	1,028,799

Consolidated Statement of Cash Flows

(million yen)

	Previous Year (April 1, 2016 - March 31, 2017)	Current Year (April 1, 2017 - March 31, 2018)
Cash flows from operating activities		
Profit before income taxes	91,596	65,837
Depreciation	86,206	88,723
Amortization of long-term prepaid expenses	5,389	5,207
Impairment loss	1,744	11,249
Business structure improvement expenses	2,935	—
Loss on sales of shares of subsidiaries	—	2,227
Decrease (increase) in net defined benefit asset	8,221	8,828
Interest and dividend income	(3,550)	(4,605)
Interest expenses	9,612	9,505
Decrease (increase) in notes and accounts receivable - trade	(11,151)	(15,519)
Decrease (increase) in inventories	9,166	(8,136)
Increase (decrease) in notes and accounts payable - trade	(3,428)	10,380
Increase (decrease) in accrued expenses	(968)	2,276
Increase (decrease) in accrued consumption taxes	(11,776)	4,854
Other, net	9,277	12,898
Subtotal	193,274	193,729
Interest and dividend income received	7,700	10,815
Interest expenses paid	(9,657)	(9,315)
Income taxes paid	(42,516)	(26,498)
Net cash provided by (used in) operating activities	148,801	168,731
Cash flows from investing activities		
Purchase of property, plant and equipment	(83,435)	(73,082)
Purchase of intangible assets	(9,286)	(5,977)
Purchase of long-term prepaid expenses	(6,463)	(5,799)
Purchase of shares of subsidiaries and associates	(32,810)	(15,385)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(0)	(6,602)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	618	2,485
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(41)	—
Payments of long-term loans receivable	(5,117)	(3,000)
Other, net	(991)	(3,093)
Net cash provided by (used in) investing activities	(137,527)	(110,456)
Cash flows from financing activities		
Proceeds from long-term loans payable	19,248	18,719
Repayments of long-term loans payable	(18,763)	(48,399)
Proceeds from issuance of bonds	10,000	—
Redemption of bonds	(35,700)	—
Proceeds from share issuance to non-controlling shareholders	133	400
Cash dividends paid	(20,803)	(20,800)
Dividends paid to non-controlling interests	(948)	(1,218)
Other, net	(3,696)	(292)
Net cash provided by (used in) financing activities	(50,530)	(51,591)
Effect of exchange rate change on cash and cash equivalents	(3,197)	666
Net increase (decrease) in cash and cash equivalents	(42,454)	7,349
Cash and cash equivalents at beginning of period	209,367	166,912
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(3,200)
Cash and cash equivalents at end of period	※ 1 166,912	※ 1 171,061

Note: Details of ※1 are provided in "h. Notes to the Consolidated Statement of Cash Flows" on page 69.

[Notes]

a Significant Matters Forming the Basis of Preparation of the Consolidated Financial Statements

1. Scope of consolidation

Number of consolidated subsidiaries:

150 (Previous fiscal year), 138 (Current fiscal year)

The names of consolidated subsidiaries are omitted as they are stated in "4 Status of Subsidiaries and Affiliates" of "I Overview of Company."

The Company has acquired shares in NIPG Corp., Agnie Consulting Corp. and Shiribetsu Wind Power Co., Ltd., making them newly subsidiaries of the Company. As a result, those subsidiaries are included as consolidated subsidiaries of the Company from the current fiscal year.

MIZUSAWA CORPORATION, Ltd. (absorbed and merged by consolidated subsidiary-MIZUSAWA INDUSTRIAL CHEMICALS, Ltd.

in April 2017), Nagano Propane Gas Co., Ltd. and YAMAZUMIYA-SHOUTEN (sold in August 2017), Nissho Propane Sekiyu Co., Ltd., Ehime Nissho Propane Co., Ltd., Enes Carry Co., Ltd. and Kochi Nissho Propane Corporation (sold in October 2017), Osaka Gas LPG Co., Ltd., Nissho Petroleum Gas Corporation, Nissho Gas Supply Corporation and Daiya Nensho Co., Ltd. (restructured in October 2017), Pentagen Investors, L.P. (sold in November 2017), Respiratory Tract Medical Center ESCO Co., Ltd. and OGPA Selkirk, LLC (liquidated in December 2017) and ECO Tree Farm Pty. Ltd. (liquidated in March 2018) are no longer consolidated subsidiaries of the Company from the current fiscal year.

2. Application of the equity method

Number of equity method affiliates:

18 (Previous fiscal year), 19 (Current fiscal year)

Names of equity method affiliates are as follows:

Idemitsu Snorre Oil Development Co., Ltd., Osaka Rinkai Energy Service Corporation, JAPAN GAS ENERGY CORPORATION, Nikki Mirai Solar, Co., Ltd., Universe Gas & Oil Company, Inc., Energy Infrastructure Investments Pty. Ltd., Iniciativas De Gas, S.L., Ell 2 Pty. Ltd., S2 Japan Holding B.V., Aurora Solar Holdings Corporation, City-OG Gas Energy Services Pte. Ltd., Sumisho Osaka Gas Water UK-Limited, FLIQ1 Holdings, LLC, CPV Maryland, LLC, NS-OG Energy Solutions (Thailand) Ltd., Erogasmet S.p.A., CPV Shore Holdings, LLC, CPV Fairview, LLC, ENEARC Co., Ltd.

As ENEARC Co., Ltd. has become an affiliate of the Company due to business restructuring, the Company has made it an equity method affiliate from the current fiscal year.

A major affiliate for which the equity method is not applied is ENNET Corporation.

With regard to affiliates for which the equity method is not applied, their impact on profit or loss and retained earnings, etc. for the current fiscal year is not significant and immaterial on the whole. Therefore, investments in those affiliates are measured at cost.

When the fiscal year-end of equity method affiliates is different from the consolidated fiscal year-end, the financial statements for the fiscal year of such affiliates are used.

3. Fiscal year, etc. of consolidated subsidiaries

Consolidated subsidiaries whose fiscal year-end is different from the consolidated fiscal year-end are Osakagas Summit Resources Co., Ltd., Shingu Gas Co., Ltd., Toyooka Energy Co., Ltd., Nabari Kintetsu Gas Co., Ltd., Osaka Gas Australia Pty. Ltd., Osaka Gas Gorgon Pty. Ltd., Osaka Gas Ichthys Pty. Ltd., Osaka Gas Ichthys Development Pty. Ltd., Osaka Gas UK, Ltd., Osaka Gas USA Corporation, Jacobi

Carbons AB and other companies, totaling 75 companies.

Although the above consolidated subsidiaries have a fiscal year-end of December 31, the difference between that date and the consolidated fiscal year-end (March 31) does not exceed 3 months. Therefore, the consolidated financial statements are prepared using their financial statements as of their fiscal year-end.

4. Accounting policies

(1) Basis and methodology for the valuation of significant assets

① Inventories

【Primarily stated at cost based on the moving-average method】

Inventories held for trading recorded on the balance sheet are depreciated to write down the carrying amount based on depreciation of profitability

② Investment securities

Bonds held to maturity

【Stated at amortized cost】

Other investment securities

Securities for which it is practical to determine fair value

【Stated at fair value based on the market price, etc. at the fiscal year-end】

(Unrealized valuation gains and losses are accounted for as a component of net assets; cost of sales is determined primarily using the moving-average method.)

Securities for which it is not practical to determine fair value

【Primarily stated at cost based on the moving-average method】

③ Derivatives

【Stated at fair value】

(2) Depreciation and amortization method of significant depreciable assets

① Property, plant and equipment (excluding leased assets)

【Primarily the declining-balance method】

However, the straight-line method has been used for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998 and for facilities attached to buildings and structures acquired on or after April 1, 2016.

② Intangible assets (excluding leased assets)

【Primarily the straight-line method】

For internal-use software, the straight-line method based on the term available for use within the Company and each subsidiary has been applied.

③ Leased assets

Leased assets resulting from non-ownership-transfer finance leases

【The straight-line method over the useful life equal to the lease terms assuming no residual value】

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(3) Basis for recording significant allowances

① Allowance for doubtful accounts

To provide for the bad debts loss of accounts receivable, loans receivable, etc., an estimated uncollectible amount is provided by considering the default ratio in the past for general receivables and the individual collectability for certain receivables including receivables with default possibility.

② Provision for gas holder repairs

To provide for the necessary expenditure for periodical repairs of spherical gas holders, an estimated amount for the next scheduled repair is provided based on the actual expenditure for the previous repair, which is proportionally allotted for the period up to such next scheduled repair.

③ Provision for safety measures

To provide for the necessary expenditure to ensure the safety of gas business, an estimated amount of the expenditure necessary for promoting the widespread use of safety-enhanced models, for strengthening inspections and ensuring wide awareness as well as for countermeasure works on aged gas pipelines is provided.

④ Provision for loss on investment

To provide for any losses on the operations of subsidiaries and associates, an amount of expected future losses is provided as reserve.

⑤ Provision for equipment warranties

To provide for the payment of any service costs under warranty after the sale of appliances, an estimated amount of such costs is provided.

(4) Accounting for retirement benefits

① Method for attributing projected retirement benefits to periods of service

In calculating retirement benefit obligations, the benefit formula basis is mainly applied to attribute projected retirement benefits to periods of service until the end of this consolidated fiscal year.

② Method for recognizing actuarial gains and losses and past service costs

Past service costs are expensed mainly in the fiscal year when such costs are incurred. Actuarial gains and losses are amortized on a straight-line basis mainly over a period of 10 years beginning from the next fiscal year after each occurrence.

(5) Criteria for translating significant assets or liabilities denominated in foreign currencies into Japanese currency

Assets and liabilities of overseas subsidiaries are translated into Japanese yen at the spot exchange rate as of the fiscal year-end. Revenues and expenses of overseas subsidiaries are translated into Japanese yen at the average exchange rate during the fiscal year. The resulting translation differences are included in foreign currency translation adjustment and non-controlling interests in net assets.

(6) Significant hedge accounting method

① Hedge accounting method

Deferred hedge accounting is adopted. When applicable requirements are met, exceptional accounting for interest rate swaps and allocation accounting for forward exchange contracts, etc. are adopted.

② Hedging instruments and hedged items

Hedging instruments

- Interest rate swaps
- Forward exchange contracts or currency options
- Loans payable denominated in foreign currencies
- Swaps and options on crude oil price, etc.

Hedged items

- Bonds, loans payable
- Forecast transactions denominated in foreign currencies (purchase prices of raw materials, etc.)
- Interests in overseas subsidiaries and associates
- Purchase prices of raw materials, etc.

③ Hedging policy

The Group hedges foreign exchange rate and interest rate risk based on its internal rules. Derivative transactions are not entered into unless they are backed by actual demand.

④ Method for assessing the hedge effectiveness

Hedge effectiveness is assessed by identifying the corresponding relationship between hedging instruments and hedged items.

(7) Method and period for amortization of goodwill

Goodwill is amortized on a straight-line basis over its estimated useful life within 20 years after initial recognition; provided, however, that immaterial goodwill is recognized as income or expense in full upon acquisition.

(8) Scope of funds in the consolidated statement of cash flows

Funds stated in the consolidated statement of cash flows (cash and cash equivalents) comprise cash on hand, demand deposits and short-term investments that are readily convertible and subject to an insignificant risk of changes in value with original maturities of three months or less.

(9) Other significant matters on the preparation of the consolidated financial statements

Accounting for consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

b Changes in Accounting Policies

(Accounting standards, etc. not yet applied)

“Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28; February 16, 2018) and “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26; February 16, 2018)

(1) Summary

Accounting for taxable temporary differences pertaining to shares of subsidiaries, etc. in non-consolidated financial statements has been reviewed, and accounting for recoverability of deferred tax assets in companies that fall under (Category 1) has been clarified.

(2) Scheduled date of application

Effective from the beginning of the fiscal year ending March 31, 2019.

(3) Effects of application

In the process of measuring the effects at the time of preparing the accompanying consolidated financial statements.

“Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29; March 30, 2018) and “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30; March 30, 2018)

(1) Summary

These are comprehensive accounting standards on revenue recognition. Revenue is recognized by applying the following five-step approach:

- Step 1: Identify the contracts with customers
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

(2) Scheduled date of application

Effective from the beginning of the fiscal year ending March 31, 2022.

(3) Effects of application

In the process of measuring the effects at the time of preparing the accompanying consolidated financial statements.

c Changes in Presentation

1 The items below, which were presented separately in the consolidated statement of income for the previous fiscal year, are presented for the current fiscal year as follows:

- (1) Those which were presented as “Share of profit of entities accounted for using equity method” under “Non-operating income” for the previous fiscal year are included in “Miscellaneous income” for the current fiscal year, as the amount has become immaterial. To reflect this change in presentation, items in the consolidated financial statements for the previous fiscal year are reclassified.
- (2) Those which were presented as “Proceeds from facility contribution” under “Non-operating income” for the

previous fiscal year are included in “Miscellaneous income” for the current fiscal year, as the amount has become immaterial. To reflect this change in presentation, items in the consolidated financial statements for the previous fiscal year are reclassified. As a result, “Share of profit of entities accounted for using equity method” of ¥1,785 million, “Proceeds from facility contribution” of ¥2,404 million and “Miscellaneous income” of ¥6,419 million, which were presented under “Non-operating income” in the consolidated statement of income for the previous fiscal year, are reclassified as “Miscellaneous income” of ¥10,610 million.

2 The items below, which were presented separately in the consolidated statement of cash flows for the previous fiscal year, are presented for the current fiscal year as follows:

- (1) Those which were presented as “Proceeds from facility contribution” under cash flows from operating activities for the previous fiscal year are included in “Other, net” for the current fiscal year, as the amount has become immaterial. To reflect this change in presentation, items in the consolidated financial statements for the previous fiscal year are reclassified.
- (2) Those which were presented as “Increase (decrease) in provision for equipment warranties” under cash flows from operating activities for the previous fiscal year are included in “Other, net” for the current fiscal year, as the amount has become immaterial. To reflect this change in presentation, items in the consolidated financial statements for the previous fiscal year are reclassified.

- (3) Those which were presented as “Share of loss (profit) of entities accounted for using equity method” under cash flows from operating activities for the previous fiscal year are included in “Other, net” for the current fiscal year, as the amount has become immaterial. To reflect this change in presentation, items in the consolidated financial statements for the previous fiscal year are reclassified. As a result, “Proceeds from facility contribution” of ¥(2,404) million, “Increase (decrease) in provision for equipment warranties” of ¥5,904 million and “Share of loss (profit) of entities accounted for using equity method” of ¥(1,785) million, which were presented under cash flows from operating activities in the consolidated statement of cash flows for the previous fiscal year, are reclassified into “Other, net.”

※1 Assets pledged as collateral and liabilities with collateral

Assets pledged as collateral are as follows:

	Previous Year (As of March 31, 2017)	Current Year (As of March 31, 2018)
Other facilities	128,891 million yen	125,443 million yen
Investment securities	52,395	63,333
“Other” under investments and other assets	12,215	12,476
Other	12,570	12,613
Total	206,073	213,867

In addition to the above, loans receivable, etc. which were offset as a result of consolidation were pledged as collateral in the amounts of ¥7,683 million for the previous fiscal year and ¥10,004 million for the current fiscal year.

Liabilities with collateral are as follows:

	Previous Year (As of March 31, 2017)	Current Year (As of March 31, 2018)
Long-term loans payable	37,890 million yen	34,398 million yen
(current portion thereof	1,072	100)
Short-term loans payable and other	301	698
Total	38,191	35,097

※2 (1) Accumulated advanced depreciation deducted from the acquisition cost of assets related to contribution for construction, etc. is as follows:

	Previous Year (As of March 31, 2017)	Current Year (As of March 31, 2018)
Production facilities	781 million yen	781 million yen
Distribution facilities	257,488	259,468
Service and maintenance facilities	856	824
Other facilities	3,096	5,205
Total	262,222	266,280

(2) Advanced depreciation deducted from the acquisition cost of assets related to expropriation, etc. is as follows:

	Previous Year (As of March 31, 2017)	Current Year (As of March 31, 2018)
Distribution facilities	— million yen	1 million yen

※3 Accumulated depreciation of property, plant and equipment is as follows:

	Previous Year (As of March 31, 2017)	Current Year (As of March 31, 2018)
Accumulated depreciation of property, plant and equipment	2,562,433 million yen	2,600,246 million yen

※4 Items for affiliates are as follows:

	Previous Year (As of March 31, 2017)	Current Year (As of March 31, 2018)
Investment securities (stock)	211,992 million yen	209,098 million yen
(including investments in joint ventures	90,118	98,208)

※5 The settlement of trade notes maturing at the fiscal year-end is accounted for on the date of bank clearance.

As the end of the current fiscal year was a bank holiday, the following notes maturing on the fiscal year-end are included in the balance of the item outstanding at the end of the current fiscal year:

	Previous Year (As of March 31, 2017)	Current Year (As of March 31, 2018)
Notes receivable - trade	— million yen	335 million yen
Notes payable - trade	—	34

※6 The breakdown of inventories is as follows:

	Previous Year (As of March 31, 2017)	Current Year (As of March 31, 2018)
Merchandise and finished goods	20,987 million yen	19,248 million yen
Work in process	7,511	5,086
Raw materials and supplies	41,279	52,526

※7 Contingent liabilities

(1) Guarantees and quasi-guarantees for bank loans, etc. to companies other than consolidated companies are as follows:

	Previous Year (As of March 31, 2017)	Current Year (As of March 31, 2018)
Ichthys LNG Pty. Ltd.	21,540 million yen	20,398 million yen
Fukushima Gas Power Co., Ltd.	2,840	4,600
Aurora Solar Corporation	1,191	1,266
Ruwais Power Company PJSC	1,167	1,104
Other	733	1,116
Total	27,472	28,485

(2) Contingent liabilities related to debt assumption agreements for bonds are as follows:

	Previous Year (As of March 31, 2017)	Current Year (As of March 31, 2018)
The 9th domestic unsecured bond	29,000 million yen	— million yen
The 23rd domestic unsecured bond	20,000	20,000
Total	49,000	20,000

※8 Revaluation difference for land

Commercial land of certain consolidated subsidiaries has been revalued in accordance with the Act on Revaluation of Land (Law No. 34 of March 31, 1998) and the Amendment to Act on Revaluation of Land (Law No. 19 of March 31, 2001). Any difference (excluding any amount associated with tax effect accounting) resulting from the revaluation is included in net assets as revaluation reserve for land.

(1) Method for revaluation

The revaluation is made by making reasonable adjustments to the valuation by road rating which is provided for in Article 2, Item 4 of the Enforcement Order of the Law Concerning the Revaluation of Land (Cabinet Order No. 119 of March 31, 1998).

(2) Date of revaluation March 31, 2002

e Notes to the Consolidated Statement of Income

Previous Year (April 1, 2016 - March 31, 2017)

The R&D expenses included in "Selling, general and administrative expenses" and in the manufacturing expenses for the fiscal year are ¥10,374 million.

Current Year (April 1, 2017 - March 31, 2018)

The R&D expenses included in "Selling, general and administrative expenses" and in the manufacturing expenses for the fiscal year are ¥9,708 million.

※2 The balance of inventories at the end of the fiscal year is an amount after write-down of the carrying amount due to decreased profitability, and the following loss on valuation of inventories is included in cost of sales.

	Previous Year (April 1, 2016 - March 31, 2017)	Current Year (April 1, 2017 - March 31, 2018)
	(56) million yen	11 million yen

Financial Section

※3 The major expense items and amounts thereof are as follows:

	Previous Year (April 1, 2016 - March 31, 2017)	Current Year (April 1, 2017 - March 31, 2018)
Salaries	50,710 million yen	48,252 million yen
Retirement benefit expenses	11,130	11,667
Provision for gas holder repairs	235	145
Provision for safety measures	—	2,975
Provision for equipment warranties	1,295	337
Provision of allowance for doubtful accounts	91	276
Depreciation	51,333	49,846
Consigned work expenses	52,690	58,238

※4 Impairment loss

Previous Year (April 1, 2016 - March 31, 2017)

(1) Concept of grouping

- ① All non-current assets used in operating the gas business from production to sales of gas are categorized into one asset group as these assets generate cash flows from the gas business in an integrated manner.
- ② Non-current assets used for businesses other than those described above are generally categorized into groups based on business divisions controlling such non-current assets.
- ③ Generally, other non-current assets are treated individually.

(2) Details of impairment loss

In accordance with the grouping described in (1) above, an impairment loss of ¥1,744 million was recognized. Significant losses included in this are as follows:

Asset	Location	Type	Impairment loss (million yen)
Facilities for the nursing care business	Nara-city, Nara Prefecture and other locations	Buildings, etc. (other facilities)	884

These assets are facilities for operating the nursing care business. Due to a change in the business environment, the balance of earnings and expenses deteriorated and it was determined that the investments in such facilities would be unlikely to be recoverable. Accordingly, their carrying amount

was reduced to their recoverable amount, and the reduction was recorded as an impairment loss in extraordinary losses. The recoverable amount of these assets is measured at value in use determined by discounting the future cash flows at 4.7%.

Current Year (April 1, 2017 - March 31, 2018)

(1) Concept of grouping

- ① All non-current assets used in operating the gas business from production to sales of gas are categorized into one asset group as these assets generate cash flows from the gas business in an integrated manner.
- ② Non-current assets used for businesses other than those described above are generally categorized into groups based on business divisions controlling such non-current assets.
- ③ Generally, other non-current assets are treated individually.

(2) Details of impairment loss

In accordance with the grouping described in (1) above, an impairment loss of ¥11,249 million was recognized. Significant losses included in this are as follows:

Asset	Location	Type	Impairment loss (million yen)
Property for business use	Western Province of Papua New Guinea	Property, plant and equipment (construction in progress)	6,743
		Intangible assets	2,872
		Total	9,616

The properties for enterprises in the Western Province of Papua New Guinea were acquired for the purpose of participating in a condensate and gas development business. The Company reassessed the business value, taking into account the effect of reviewing the development plan and other matters, and

accordingly the carrying amount of the assets was reduced to their recoverable amount, and the reduction was recorded as an impairment loss in extraordinary losses. The recoverable amount of these assets was measured at net sale value determined mainly by the income approach.

※5 Business structure improvement expenses

Business structure improvement expenses are costs to improve the structure of earnings and expenses of a subsidiary that engages in the nursing care business.

※1 Reclassification adjustments and tax effects related to other comprehensive income

	Previous Year (April 1, 2016 - March 31, 2017)	Current Year (April 1, 2017 - March 31, 2018)
Valuation difference on available-for-sale securities		
Incurring in the fiscal year	10,474 million yen	7,919 million yen
Reclassification adjustments	(0)	7
Before tax effect adjustments	10,474	7,927
Tax effect	(2,930)	(2,620)
Valuation difference on available-for-sale securities	7,543	5,306
Deferred gains or losses on hedges		
Incurring in the fiscal year	(302) million yen	1,736 million yen
Reclassification adjustments	2,160	(1,106)
Before tax effect adjustments	1,857	630
Tax effect	(456)	(242)
Deferred gains or losses on hedges	1,401	387
Foreign currency translation adjustment		
Incurring in the fiscal year	(7,506) million yen	(816) million yen
Reclassification adjustments	—	895
Before tax effect adjustments	(7,506)	78
Tax effect	—	—
Foreign currency translation adjustment	(7,506)	78
Remeasurements of defined benefit plans		
Incurring in the fiscal year	12,787 million yen	8,274 million yen
Reclassification adjustments	8,875	9,241
Before tax effect adjustments	21,663	17,516
Tax effect	(6,070)	(4,909)
Remeasurements of defined benefit plans	15,593	12,607
Share of other comprehensive income of entities accounted for using equity method		
Incurring in the fiscal year	(4,237) million yen	661 million yen
Reclassification adjustments	2,027	2,030
Share of other comprehensive income of entities accounted for using equity method	(2,209)	2,692
Total other comprehensive income	14,822	21,072

g Notes to the Consolidated Statement of Changes in Net Assets

Previous Year (April 1, 2016 - March 31, 2017)

1 Matters on shares issued and outstanding

Type of shares	As of April 1, 2016	Increase	Decrease	As of March 31, 2017
Common shares (thousand shares)	2,083,400	—	—	2,083,400

2 Matters on treasury shares

Type of shares	As of April 1, 2016	Increase	Decrease	As of March 31, 2017
Common shares (thousand shares)	3,256	530	23	3,764

(Overview of reasons for change)

The major reason for increase is as follows: Increase by repurchase of fractional shares 530 thousand shares

The major reason for decrease is as follows: Decrease by disposal of fractional shares 23 thousand shares

Financial Section

3 Matters on subscription rights to shares, etc.

Not applicable.

4 Matters on dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends paid (million yen)	Dividends per share (yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 29, 2016 (Note)	Common shares	10,400	5.00	March 31, 2016	June 30, 2016
Board of Directors' Meeting held on October 26, 2016	Common shares	10,399	5.00	September 30, 2016	November 30, 2016

Note: The dividend comprises an ordinary dividend of ¥4.5 and a commemorative dividend of ¥0.5.

(2) Of the dividends whose record date belongs to the fiscal year, the dividends whose effective date falls in the following fiscal year

Resolution	Type of shares	Total dividends paid (million yen)	Dividends per share (yen)	Record date	Effective date	Source of dividends
Annual General Meeting of Shareholders held on June 29, 2017	Common shares	10,398	5.00	March 31, 2017	June 30, 2017	Retained earnings

Current Year (April 1, 2017 - March 31, 2018)

1 Matters on shares issued and outstanding

Type of shares	As of April 1, 2017	Increase	Decrease	As of March 31, 2018
Common shares (thousand shares)	2,083,400	—	1,666,720	416,680

(Overview of reasons for change)

The major reason for decrease is as follows: Decrease by share consolidation 1,666,720 thousand shares

2 Matters on treasury shares

Type of shares	As of April 1, 2017	Increase	Decrease	As of March 31, 2018
Common shares (thousand shares)	3,764	310	3,244	830

(Overview of reasons for change)

The major reason for increase is as follows: Increase by repurchase of fractional shares 300 thousand shares (including 11 thousand shares after share consolidation)

Increase by repurchase of fractional shares upon share consolidation 10 thousand shares

The major reason for decrease is as follows: Decrease by share consolidation 3,235 thousand shares

Decrease by disposal of fractional shares 9 thousand shares (including 1 thousand shares after share consolidation)

3 Matters on subscription rights to shares, etc.

Not applicable.

4 Matters on dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends paid (million yen)	Dividends per share (yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 29, 2017	Common shares	10,398	5.00	March 31, 2017	June 30, 2017
Board of Directors' Meeting held on October 26, 2016 (Note)	Common shares	10,396	5.00	September 30, 2017	November 30, 2017

Note: As the record date of September 30, 2017 is before the share consolidation date of October 1, 2017, the dividend per share represents the amount before the share consolidation.

(2) Of the dividends whose record date belongs to the fiscal year, the dividends whose effective date falls in the following fiscal year

Resolution	Type of shares	Total dividends paid (million yen)	Dividends per share (yen)	Record date	Effective date	Source of dividends
Annual General Meeting of Shareholders held on June 28, 2018	Common shares	10,396	25.00	March 31, 2018	June 29, 2018	Retained earnings

h Notes to the Consolidated Statement of Cash Flows

※1 The relationship between the balance of cash and cash equivalents at end of period and the amount of cash and deposits in the consolidated balance sheet is as follows:

	Previous Year (April 1, 2016 - March 31, 2017)	Current Year (April 1, 2017 - March 31, 2018)
Cash and deposits	167,583 million yen	171,529 million yen
Time deposits with more than 3 months to maturity	(670)	(467)
Cash and cash equivalents	166,912	171,061

i Notes to Leases

1 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

Future lease payments payable for non-cancellable operating leases are as follows:

	Previous Year (As of March 31, 2017)	Current Year (As of March 31, 2018)
Due within one year	1,072 million yen	1,200 million yen
Due over one year	4,111	4,098
Total	5,183	5,298

2 As lessor

Operating lease transactions

Future lease payments receivable for non-cancellable operating leases are as follows:

	Previous Year (As of March 31, 2017)	Current Year (As of March 31, 2018)
Due within one year	1,586 million yen	1,657 million yen
Due over one year	2,852	3,824
Total	4,438	5,482

1 Matters on the status of financial instruments

(1) Policies for dealing with financial instruments

It is the Group's policy to raise its operating funds through loans from financial institutions and the issuance of bonds and to conduct fund management through a conservative financial portfolio which limits exposure to losses. The Group uses derivative transactions to hedge the risks described later and does not engage in speculative transactions.

(2) Details of financial instruments, risks thereof and risk management structure

Notes and accounts receivable - trade, which are operating receivables, are exposed to customer credit risks. To deal with this risk, the Company and the Group companies manage due dates and balances for each counterparty in accordance with their accounting rules and manuals regarding receivable management, etc. and seek to mitigate collectability concern.

Securities and investment securities, which comprise mainly shares of companies with which the Group has business relationships, are exposed to risks including market price fluctuation risk. The Group continuously reviews its shareholding position by periodically monitoring their market price and the financial condition of the issuers (customer companies), as well as considering the relationship with such customer companies.

Notes and accounts payable - trade, which are operating payables, are mostly settled within one year. Of bonds and loans payable, short-term loans payable are mainly to procure funds for operational transactions, while bonds and long-term loans payable are mainly to procure funds for capital expenditures. Bonds and long-term loans payable procure funds with fixed interest rates.

In derivative transactions, the Group uses interest rate swaps

for adjusting the ratio between fixed and floating interest rates and fixing the interest level for bonds and loans payable, forward exchange contracts and currency option contracts for reducing the fluctuation of cash flows due to change in foreign exchange rates, swap contracts and option contracts on crude oil price, etc. for reducing the fluctuation of cash flows due to change in crude oil price, etc., and weather derivative contracts, etc. for reducing the fluctuation of cash flows due to change in temperature. Matters on hedge accounting including hedging instruments, hedged items, hedging policy and method for assessing the hedge effectiveness are as described in 4 (6) of "Significant Matters Forming the Basis of Preparation of the Consolidated Financial Statements."

The credit risks for derivative transactions are immaterial as the Group enters into contracts only with major financial institutions, etc. with high ratings. Execution and management of derivative transactions are performed by the finance department of each Group company, and the finance department of the Company controls their activities. Transactions by Group companies are conducted in accordance with the internal rules.

Although operating payables, loans and bonds payable are exposed to liquidity risk, the Company maintains high credit ratings and secures stable fund procurement measures. In addition, the Group has implemented a cash management system (CMS) to facilitate funding for Group companies.

(3) Supplementary explanation to fair value of financial instruments

Please note that contract amounts of derivative transactions in "2 Matters on fair value, etc. of financial instruments" do not, in themselves, indicate the market risk pertaining to the derivative transactions.

2 Matters on fair value, etc. of financial instruments

The carrying amount in the consolidated balance sheet, fair value and difference between them are as follows. Financial instruments whose fair value is deemed to be extremely difficult to determine are not included in the table below (see Note 2).

Previous Year (As of March 31, 2017)

	Carrying amount in the consolidated balance sheet (million yen)	Fair value (million yen)	Difference (million yen)
(1) Cash and deposits	167,583	167,583	—
(2) Notes and accounts receivable - trade	177,512	177,512	—
(3) Securities and investment securities	96,210	96,210	—
Total assets	441,307	441,307	—
(1) Notes and accounts payable - trade	50,246	50,246	—
(2) Short-term loans payable	23,118	23,118	—
(3) Bonds payable (※1)	194,979	208,424	13,444
(4) Long-term loans payable (※1)	316,617	329,725	13,108
Total liabilities	584,962	611,515	26,552
Derivative transactions (※2)	(2,071)	(2,071)	—

(※1) Includes those due within one year.

(※2) Assets and liabilities arising from derivative transactions were offset and indicated by parentheses () when the amount offset was a liability.

	Carrying amount in the consolidated balance sheet (million yen)	Fair value (million yen)	Difference (million yen)
(1) Cash and deposits	171,529	171,529	—
(2) Notes and accounts receivable - trade	190,445	190,445	—
(3) Securities and investment securities	103,915	103,915	—
Total assets	465,890	465,890	—
(1) Notes and accounts payable - trade	58,542	58,542	—
(2) Short-term loans payable	22,179	22,179	—
(3) Bonds payable (※1)	194,984	207,641	12,656
(4) Long-term loans payable (※1)	279,560	290,749	11,188
Total liabilities	555,266	579,112	23,845
Derivative transactions (※2)	(2,948)	(2,948)	—

(※1) Includes those due within one year.

(※2) Assets and liabilities arising from derivative transactions were offset and indicated by parentheses () when the amount offset was a liability.

Note 1: Method for measuring fair value of financial instruments and matters on securities and derivative transactions

Assets

(1) Cash and deposits, and (2) Notes and accounts receivable - trade

As these items are settled within a short term, the fair value is approximately equal to the carrying amount. Therefore, the fair value is determined by the carrying amount.

(3) Securities and investment securities

The fair value of shares is based on the market prices at the exchange. The fair value of bonds is based on the market prices at the exchange or the prices provided by counterparty financial institutions. For information on securities classified by holding purpose, please refer to "Notes to Securities."

Liabilities

(1) Notes and accounts payable - trade, and (2) Short-term loans payable

As these items are settled within a short term, the fair value is approximately equal to the carrying amount. Therefore, the fair value is determined by the carrying amount.

(3) Bonds payable

The fair value of bonds payable issued by the Company is based on their market prices.

(4) Long-term loans payable

The fair value of long-term loans payable with fixed interest is measured by discounting the sum of the principal and interest at the rate assumed for new similar loans.

The fair value of long-term loans payable with floating interest is determined by the carrying amount, as the fair value is deemed approximately equal to the carrying amount. Interest rate swap contracts which determine the interest rate level of long-term loans payable with floating interest qualify for exceptional accounting. Long-term loans payable with floating interest accompanied by such interest swaps are accounted for as a whole, and the fair value is determined by discounting the sum of their principals and interests at a reasonably estimated rate applied for similar loans.

Derivative transactions

Please refer to "Notes to Derivative Transactions."

Note 2: Carrying amount in the consolidated balance sheet of financial instruments whose fair value is extremely difficult to determine

(million yen)

Category	March 31, 2017	March 31, 2018
Shares of affiliates	211,992	209,098
Unlisted stocks, etc.	8,789	10,198

As the above financial instruments do not have market prices and their future cash flows cannot be estimated, their fair value is extremely difficult to determine. Therefore, they are not included in "(3) Securities and investment securities."

Financial Section

Note 3: Expected redemption amounts of monetary receivables and securities with maturities after the consolidated fiscal year-end

Previous Year (As of March 31, 2017)

	One year or less (million yen)	More than one year, up to five years (million yen)	More than five years, up to ten years (million yen)	More than ten years (million yen)
Cash and deposits	167,583	—	—	—
Notes and accounts receivable - trade	177,512	—	—	—
Securities and investment securities				
Held-to-maturity bonds (Corporate bonds)	12	—	—	180
Available-for-sale securities with maturities (Government bonds and municipal bonds)	—	—	—	98
Available-for-sale securities with maturities (Negotiable certificates of deposit)	—	—	—	—
Available-for-sale securities with maturities (Commercial paper)	—	—	—	—
Available-for-sale securities with maturities (Other)	—	226	95	—
Total	345,109	226	95	278

Current Year (As of March 31, 2018)

	One year or less (million yen)	More than one year, up to five years (million yen)	More than five years, up to ten years (million yen)	More than ten years (million yen)
Cash and deposits	171,529	—	—	—
Notes and accounts receivable - trade	190,445	—	—	—
Securities and investment securities				
Held-to-maturity bonds (Corporate bonds)	—	—	—	180
Available-for-sale securities with maturities (Government bonds and municipal bonds)	—	—	—	98
Available-for-sale securities with maturities (Negotiable certificates of deposit)	—	—	—	—
Available-for-sale securities with maturities (Commercial paper)	—	—	—	—
Available-for-sale securities with maturities (Other)	—	210	117	—
Total	361,974	210	117	278

Note 4: Expected repayment amounts of bonds payable, long-term loans payable and other interest-bearing debts

Previous Year (As of March 31, 2017)

	One year or less (million yen)	More than one year, up to two years (million yen)	More than two years, up to three years (million yen)	More than three years, up to four years (million yen)	More than four years, up to five years (million yen)	More than five years (million yen)
Short-term loans payable	23,118	—	—	—	—	—
Bonds payable	—	30,000	20,000	30,000	10,000	105,000
Long-term loans payable	48,950	37,178	18,518	15,936	37,201	158,831
Lease obligations	820	709	677	567	440	2,737
Total	72,890	67,887	39,195	46,503	47,641	266,569

Current Year (As of March 31, 2018)

	One year or less (million yen)	More than one year, up to two years (million yen)	More than two years, up to three years (million yen)	More than three years, up to four years (million yen)	More than four years, up to five years (million yen)	More than five years (million yen)
Short-term loans payable	22,179	—	—	—	—	—
Bonds payable	30,000	20,000	30,000	10,000	30,000	75,000
Long-term loans payable	36,305	20,478	15,008	38,237	11,332	158,197
Lease obligations	833	798	708	580	477	3,665
Total	89,319	41,277	45,717	48,817	41,809	236,862

1 Available-for-sale securities

Previous Year (As of March 31, 2017)

	Carrying amount in the consolidated balance sheet (million yen)	Acquisition cost (million yen)	Difference (million yen)
1 Available-for-sale securities whose carrying amount in the consolidated balance sheet exceeds the acquisition cost			
(1) Stocks	96,097	24,652	71,444
(2) Bonds			
Government bonds and municipal bonds, etc.	—	—	—
Subtotal	96,097	24,652	71,444
2 Available-for-sale securities whose carrying amount in the consolidated balance sheet does not exceed the acquisition cost			
(1) Stocks	14	16	(1)
(2) Bonds			
Government bonds and municipal bonds, etc.	98	98	—
Other	—	—	—
Subtotal	113	115	(1)
Total	96,210	24,767	71,443

Note: As unlisted stocks (carrying amount in the consolidated balance sheet: ¥8,264 million), etc. do not have market prices and their future cash flows cannot be estimated, their fair value is extremely difficult to determine. Therefore, they are not included.

Current Year (As of March 31, 2018)

	Carrying amount in the consolidated balance sheet (million yen)	Acquisition cost (million yen)	Difference (million yen)
1 Available-for-sale securities whose carrying amount in the consolidated balance sheet exceeds the acquisition cost			
(1) Stocks	102,545	22,103	80,441
(2) Bonds			
Government bonds and municipal bonds, etc.	—	—	—
Subtotal	102,545	22,103	80,441
2 Available-for-sale securities whose carrying amount in the consolidated balance sheet does not exceed the acquisition cost			
(1) Stocks	1,271	2,500	(1,228)
(2) Bonds			
Government bonds and municipal bonds, etc.	98	98	—
Other	—	—	—
Subtotal	1,370	2,598	(1,228)
Total	103,915	24,702	79,213

Note: As unlisted stocks (carrying amount in the consolidated balance sheet: ¥9,679 million), etc. do not have market prices and their future cash flows cannot be estimated, their fair value is extremely difficult to determine. Therefore, they are not included.

2 Available-for-sale securities sold during the fiscal year

Previous Year (April 1, 2016 - March 31, 2017)

Stocks	Total sales	97 million yen
	Total gain on sales	53
	Total loss on sales	0

Current Year (April 1, 2017 - March 31, 2018)

Stocks	Total sales	437 million yen
	Total gain on sales	0
	Total loss on sales	0

3 Securities for which impairment loss is recognized

For the previous fiscal year, an impairment loss of ¥15 million for available-for-sale securities was recognized.

For the current fiscal year, an impairment loss of ¥1,640 million for shares of subsidiaries and associates and an impairment loss of ¥7 million for available-for-sale securities were recognized.

1 Derivative transactions to which hedge accounting is not applied

Previous Year (As of March 31, 2017)

Underlying asset	Derivative instrument	Type of transaction	Contract amount (million yen)		Fair value (million yen)	Valuation gain (loss) (million yen)
				More than one year		
Commodities	Swap contracts and option contracts on oil price, etc.	Other than market transactions	321	153	(74)	(74)

Note 1: The fair value is measured mainly based on the prices provided by counterparty financial institutions.

Note 2: As certain derivative transactions no longer satisfy the requirements for hedge accounting, the hedge accounting is discontinued for such transactions.

Current Year (As of March 31, 2018)

Underlying asset	Derivative instrument	Type of transaction	Contract amount (million yen)		Fair value (million yen)	Valuation gain (loss) (million yen)
				More than one year		
(a) Commodities	Swap contracts and option contracts on oil price, etc.	Other than market transactions	153	—	(12)	(12)
(b) Currencies	Forward exchange contracts	Other than market transactions	273	—	(11)	(11)
Total			427	—	(23)	(23)

Note 1: The fair value is measured mainly based on the prices provided by counterparty financial institutions.

Note 2: As certain derivative transactions no longer satisfy the requirements for hedge accounting, hedge accounting is discontinued for such transactions.

2 Derivative transactions to which hedge accounting is applied

Previous Year (As of March 31, 2017)

Underlying asset	Derivative instrument	Hedge accounting	Major hedged item	Contract amount (million yen)		Fair value (million yen)
					More than one year	
(a) Interest rates	Interest rate swap contracts	Exceptional accounting of interest rate swaps	Long-term loans payable	85,516	85,516	(Note 2)
		Principal method of accounting	Long-term loans payable and bonds payable	95,489	91,758	(2,395)
(b) Currencies	Forward exchange contracts and currency option contracts	Allocation accounting of forward exchange contracts, etc.	Forecast transactions denominated in foreign currencies	55,331	27,755	470
		Principal method of accounting	Forecast transactions denominated in foreign currencies	5,439	3,036	31
(c) Commodities	Swap contracts and option contracts on oil price, etc.	Principal method of accounting	Purchase prices of raw materials, etc.	9,719	2,098	(103)
Total				251,496	210,164	(1,997)

Note 1: The fair value is measured mainly based on the prices provided by counterparty financial institutions.

Note 2: As interest rate swaps subject to exceptional accounting are accounted for together with the hedged long-term loans payable, their fair value is included in that of the long-term loans payable.

Current Year (As of March 31, 2018)

Underlying asset	Derivative instrument	Hedge accounting	Major hedged item	Contract amount (million yen)		Fair value (million yen)
					More than one year	
(a) Interest rates	Interest rate swap contracts	Exceptional accounting of interest rate swaps	Long-term loans payable	81,255	75,255	(Note 2)
		Principal method of accounting	Long-term loans payable and bonds payable	90,567	86,635	(2,365)
(b) Currencies	Forward exchange contracts and currency option contracts	Allocation accounting of forward exchange contracts, etc.	Forecast transactions denominated in foreign currencies	18,429	7,283	(334)
		Principal method of accounting	Forecast transactions denominated in foreign currencies	26,762	21,282	(689)
(c) Commodities	Swap contracts and option contracts on oil price, etc.	Principal method of accounting	Purchase prices of raw materials, etc.	6,784	2,777	465
Total				223,799	193,234	(2,924)

Note 1: The fair value is measured mainly based on the prices provided by counterparty financial institutions.

Note 2: As interest rate swaps subject to exceptional accounting are accounted for together with the hedged long-term loans payable, their fair value is included in that of the long-term loans payable.

1 Summary of the adopted retirement benefit plans

The Company and its consolidated subsidiaries have adopted funded and unfunded defined benefit plans and defined contribution plans. As for defined benefit plans, the Company and most consolidated subsidiaries provide lump sum retirement payment plans, and the Company and certain consolidated subsidiaries provide defined benefit corporate pension plans or corporate pension fund plans.

The Company has adopted a defined benefit corporate pension plan since August 1, 2006 and a defined contribution pension plan to which part of the defined benefit plan transitioned since January 1, 2005.

As certain consolidated subsidiaries participate in the corporate

pension fund of the multi-employer pension plans, they cannot determine the amount of pension assets corresponding to their contribution. Therefore, such plans are accounted for in the same manner as defined contribution plans.

The employees' pension fund of the multi-employer pension plans which the consolidated subsidiaries participated in received an approval for return of substitutional part by Minister of Health, Labour and Welfare as of April 1, 2015, and transitioned to the corporate pension fund which received an approval for establishment by Minister of Health, Labour and Welfare as of July 1, 2017. There was no additional contribution due to this transition.

2 Defined benefit plans

(1) Reconciliations of the opening and closing balances of retirement benefit obligations

	Previous Year (April 1, 2016 - March 31, 2017)	Current Year (April 1, 2017 - March 31, 2018)
Balance at beginning of year	313,986 million yen	300,078 million yen
Service cost	9,472	8,912
Interest cost	1,218	1,749
Actuarial loss (gain)	(9,946)	(2,576)
Benefits paid	(14,928)	(15,250)
Other	274	(1,959)
Balance at end of year	300,078	290,953

Note: Consolidated subsidiaries which have adopted the simplified method are included.

(2) Reconciliations of the opening and closing balances of plan assets

	Previous Year (April 1, 2016 - March 31, 2017)	Current Year (April 1, 2017 - March 31, 2018)
Balance at beginning of year	320,995 million yen	319,984 million yen
Expected return on plan assets	6,980	6,957
Actuarial loss (gain)	2,842	5,697
Contributions paid by the employer	3,039	2,747
Benefits paid	(13,833)	(14,056)
Other	(39)	(929)
Balance at end of year	319,984	320,399

Note: Consolidated subsidiaries which have adopted the simplified method are included.

(3) Reconciliations of the closing balances of retirement benefit obligations and plan assets, and defined benefit liability and asset recorded in the consolidated balance sheet

	Previous Year (As of March 31, 2017)	Current Year (As of March 31, 2018)
Funded retirement benefit obligations	281,808 million yen	273,953 million yen
Plan assets	(319,984)	(320,399)
	(38,176)	(46,445)
Unfunded retirement benefit obligations	18,270	16,999
Total net defined benefit liability (asset) recorded in the consolidated balance sheet	(19,905)	(29,446)
Defined benefit liability	18,709	16,958
Defined benefit asset	(38,615)	(46,405)
Total net defined benefit liability (asset) recorded in the consolidated balance sheet	(19,905)	(29,446)

Note: Consolidated subsidiaries which have adopted the simplified method are included.

Financial Section

(4) Retirement benefit costs and components thereof

	Previous Year (April 1, 2016 - March 31, 2017)	Current Year (April 1, 2017 - March 31, 2018)
Service cost	9,472 million yen	8,912 million yen
Interest cost	1,218	1,749
Expected return on plan assets	(6,980)	(6,957)
Net actuarial loss amortization	8,906	9,272
Past service cost amortization	(30)	(30)
Other	225	9
Total retirement benefit costs	12,811	12,955

Note: The retirement benefit cost for consolidated subsidiaries which have adopted the simplified method is included in "Service cost."

(5) Remeasurements of defined benefit plans

Items (before tax effect) recorded in remeasurements of defined benefit plans are as follows:

	Previous Year (April 1, 2016 - March 31, 2017)	Current Year (April 1, 2017 - March 31, 2018)
Past service cost	30 million yen	30 million yen
Actuarial gain (loss)	(21,694)	(17,547)
Total	(21,663)	(17,516)

(6) Remeasurements of defined benefit plans

Items (before tax effect) recorded in remeasurements of defined benefit plans are as follows:

	Previous Year (As of March 31, 2017)	Current Year (As of March 31, 2018)
Unrecognized past service cost	(107) million yen	(77) million yen
Unrecognized actuarial gain (loss)	1,376	(16,170)
Total	1,268	(16,248)

(7) Plan assets

① Major components of plan assets

The proportion of major categories to total plan assets is as follows:

	Previous Year (As of March 31, 2017)	Current Year (As of March 31, 2018)
Bonds	23.7 %	27.1 %
Stocks	31.7	30.8
Cash and deposits	27.1	25.1
Other	17.5	17.0
Total	100.0	100.0

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

② Method for setting long-term expected rate of return

In determining the long-term expected rate of return, the current and projected allocations of plan assets and the current and expected long-term investment returns on various assets constituting plan assets are taken into account.

(8) Actuarial assumptions

Major assumptions for actuarial calculations are as follows:

	Previous Year (April 1, 2016 - March 31, 2017)	Current Year (April 1, 2017 - March 31, 2018)
Discount rate	Mainly 0.6 %	Mainly 0.5 %
Long-term expected rate of return	Mainly 2.2 %	Mainly 2.2 %

3 Defined contribution plans

The contribution required to the defined contribution plan of the Company and its consolidated subsidiaries was ¥1,227 million for the previous fiscal year and ¥1,138 million for the current fiscal year.

4 Multi-employer pension plans

The multi-employer pension plans were accounted for in the same manner as the defined contribution plan. The contribution required to the corporate pension fund of the multi-employer pension plans was ¥107 million for the previous fiscal year and ¥77 million for the current fiscal year. As described in 1 above, the employees' pension fund was replaced by the corporate pension fund in the current fiscal year.

(1) Recent funded status of multi-employer pension plans

	Previous Year (As of March 31, 2016)	Current Year (As of March 31, 2017)
Amount of plan assets	746,747 million yen	748,654 million yen
Total amount of actuarial obligation and minimum actuarial reserve in pension financing	727,874	732,391
Balance	18,872	16,263

(2) Share of the Group's contribution to overall multi-employer pension plans

Previous fiscal year 1.74% (weighted average) (April 1, 2016 - March 31, 2016)

Current fiscal year 0.97% (weighted average) (April 1, 2017 - March 31, 2017)

(3) Supplementary explanation

The major factor contributing to the balance in (1) above was retained earnings (¥18,872 million for the previous fiscal year and ¥16,292 million for the current fiscal year).

n Notes to Stock Options

Not applicable.

o Tax Effect Accounting

1 Breakdown of major causes for deferred tax assets and deferred tax liabilities

	Previous Year (As of March 31, 2017)	Current Year (As of March 31, 2018)
Deferred tax assets		
Tax loss carryforwards	23,298 million yen	26,013 million yen
Impairment loss	9,855	10,675
Excess depreciation of depreciable assets	5,014	5,336
Other	36,295	39,360
Subtotal deferred tax assets	74,463	81,386
Valuation allowance	(39,251)	(47,737)
Total deferred tax assets	35,212	33,649
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(19,374)	(21,994)
Net defined benefit asset	(10,810)	(12,995)
Reserve defined under the special taxation measures law	(9,283)	(8,119)
Other	(1,163)	(1,365)
Total deferred tax liabilities	(40,632)	(44,474)
Net deferred tax assets (liabilities)	(5,420)	(10,825)

Note: Net deferred tax assets (liabilities) are included within the following items in the consolidated balance sheet.

	Previous Year (As of March 31, 2017)	Current Year (As of March 31, 2018)
Current assets - Deferred tax assets (included in "Other")	11,171 million yen	11,314 million yen
Non-current assets - Deferred tax assets (included in "Other" under Investments and other assets)	9,861	8,694
Current liabilities - Deferred tax liabilities (included in "Other")	(1)	(2)
Non-current liabilities - Deferred tax liabilities	(26,451)	(30,830)

Financial Section

2 Breakdown of major items causing the difference between the statutory effective tax rate and the burden rate of income taxes after applying tax effect accounting

	Previous Year (As of March 31, 2017)	Current Year (As of March 31, 2018)
Statutory effective tax rate	28.2 %	28.2 %
(Reconciliation)		
Valuation allowance	3.3	12.6
Other	(0.5)	(0.8)
Burden rate of income taxes after applying tax effect accounting	31.0 %	40.0 %

p Notes to Business Combinations, etc.

Not applicable.

q Notes to Asset Retirement Obligations

Not applicable.

r Notes to Leased Properties, etc.

The Company and certain consolidated subsidiaries own office buildings and other properties for lease (including land) in Osaka Prefecture and other areas. Gains from the lease of such leased

properties (recorded mainly as operating profit) are ¥6,375 million for the fiscal year ended March 31, 2017 and ¥6,295 million for the fiscal year ended March 31, 2018.

The carrying amount in the consolidated balance sheet, changes during the fiscal year, and the fair value of the leased properties are as follows:

	Previous Year (April 1, 2016 - March 31, 2017)	Current Year (April 1, 2017 - March 31, 2018)
Carrying amount in the consolidated balance sheet		
Balance at beginning of year	109,441 million yen	113,789 million yen
Increase (decrease)	4,347	1,998
Balance at end of year	113,789	115,788
Fair value at end of year	174,104	184,086

Note 1: The carrying amount in the consolidated balance sheet is stated at acquisition cost less accumulated depreciation and accumulated impairment losses.

Note 2: The main factor contributing to an increase was the acquisition of properties (previous fiscal year: ¥7,239 million, current fiscal year: ¥3,484 million).

Note 3: The fair value at the end of the fiscal year is the amount (including the amount adjusted using the index, etc.) determined based mainly on the method prescribed by the "Real Estate Appraisal Standard" and other similar methods.

s Segment Information, etc.

[Segment Information]

1 Summary of reportable segments

The Osaka Gas Group's reportable segments are the organizational units for which separate financial information is available, and they are regularly reviewed by the Board of Directors to determine the allocation of management resources and evaluate business results.

The Osaka Gas Group classifies its products and services into business segments on the basis of two business domains: the Domestic and International Energy Business, and the Life & Business Solutions Business. It then divides those business segments into the following four reportable segments by considering product and service similarities, namely, the Domestic Energy/Gas Business, the Domestic Energy/Electricity Business, the International Energy Business, and the Life & Business Solutions Business. The Domestic Energy/Gas Business manufactures, supplies, and sells city gas, sells gas appliances, conducts gas pipeline installation, and sells LNG, LPG and industrial gas. The Domestic Energy/Electricity Business produces and sells electricity. The International Energy Business conducts development and investment related to

petroleum and natural gas, supplies energy, and leases tankers to transport LNG. The Life & Business Solutions Business conducts the development and leasing of real estate, information processing services, and sales of fine materials and carbon material products.

The business segments were renewed in the Long-term Management Plan 2030 and Medium-term Management Plan 2020 "Going Forward Beyond Borders" formulated in March 2017. Thus, effective from the fiscal year ended March 31, 2018, the Electricity Business, which was previously included in the "LPG, Electricity, and Other Energy Business" segment, has been presented separately and its segment name has been changed to "Domestic Energy/Electricity Business." In addition, LPG Sales Business, LNG Sales Business, and Industrial Gas Sales Business have been transferred to the former "Gas Business" segment, and its segment name has been changed to "Domestic Energy/Gas Business." The segment information for the fiscal year ended March 31, 2017 has been reclassified based on the new reportable segments.

2 Explanation of measurement of sales, profit/loss, assets, liabilities, and other items for each reportable segment

The accounting methods for reportable segments comply with “Significant Matters Forming the Basis of Preparation of the Consolidated Financial Statements.” Internal sales and transfer

prices between operating segments are determined according to the arm’s length principle.

3 Information of sales, profit/loss, asset, liabilities, and other items for each reportable segment

Previous Year (April 1, 2016 - March 31, 2017)

(million yen)

	Reportable Segment				Total	Adjustments (Note 1)	Consolidated (Note 2)
	Domestic Energy/ Gas	Domestic Energy/ Electricity	International Energy	Life & Business Solutions			
Net Sales							
Sales to external customers	897,294	106,366	18,672	161,513	1,183,846	—	1,183,846
Transactions with other segments	13,998	1,149	3,959	46,859	65,967	(65,967)	—
Total	911,292	107,515	22,632	208,373	1,249,814	(65,967)	1,183,846
Segment profit							
Operating profit	54,941	16,066	6,670	18,627	96,305	944	97,250
Share of profit of entities accounted for using equity method	312	142	1,330	—	1,785	—	1,785
Total	55,254	16,208	8,000	18,627	98,091	944	99,036
Segment assets	867,991	123,716	484,972	344,115	1,820,795	65,781	1,886,577
Other items							
Depreciation	59,083	6,443	7,868	11,324	84,719	(772)	83,947
Amortization of goodwill	2	94	458	1,704	2,259	—	2,259
Investment in entities accounted for using equity method	3,808	1,447	183,359	—	188,615	—	188,615
Increase in property, plant and equipment and intangible assets	53,465	5,075	15,167	16,949	90,658	(2,000)	88,657

Note 1: Adjustments are as follows:

(1) A major adjustment in segment profit (loss) is the elimination of intersegment transactions.

(2) A major adjustment in segment assets is for investment securities held by the Company.

Note 2: Segment profit is adjusted by adding share of profit (loss) of entities accounted for using equity method to operating profit (loss).

Current Year (April 1, 2017 - March 31, 2018)

(million yen)

	Reportable Segment				Total	Adjustments (Note 1)	Consolidated (Note 2)
	Domestic Energy/ Gas	Domestic Energy/ Electricity	International Energy	Life & Business Solutions			
Net Sales							
Sales to external customers	959,511	156,497	14,313	165,915	1,296,238	—	1,296,238
Transactions with other segments	11,956	1,255	8,257	43,034	64,503	(64,503)	—
Total	971,468	157,752	22,570	208,950	1,360,741	(64,503)	1,296,238
Segment profit (loss)							
Operating profit (loss)	41,671	20,568	(4,506)	18,656	76,389	1,728	78,118
Share of profit (loss) of entities accounted for using equity method	943	146	(831)	—	258	—	258
Total	42,615	20,714	(5,338)	18,656	76,648	1,728	78,376
Segment assets	869,712	157,551	462,432	354,575	1,844,271	60,944	1,905,215
Other items							
Depreciation	57,757	6,773	11,692	11,168	87,391	(1,013)	86,378
Amortization of goodwill	—	94	473	1,777	2,344	—	2,344
Investment in entities accounted for using equity method	13,554	1,421	177,258	—	192,234	—	192,234
Increase in property, plant and equipment and intangible assets	46,423	13,477	6,187	17,179	83,267	(1,551)	81,716

Note 1: Adjustments are as follows:

(1) A major adjustment in segment profit (loss) is the elimination of intersegment transactions.

(2) A major adjustment in segment assets is for investment securities held by the Company.

Note 2: Segment profit (loss) is adjusted by adding share of profit (loss) of entities accounted for using equity method to operating profit (loss).

Financial Section

[Related Information]

Previous Year (April 1, 2016 - March 31, 2017)

1 Information by product and service

The information is omitted as similar information is disclosed in "Segment Information."

2 Information by geographical area

(1) Net sales

The information is omitted as net sales in Japan account for more than 90% of net sales in the consolidated statement of income.

(2) Property, plant and equipment

(million yen)

Japan	Australia	Other areas	Total
764,350	134,681	13,704	912,737

3 Information by major customer

The information is omitted as there is no external customer who accounts for 10% or more of net sales in the consolidated statement of income.

Current Year (April 1, 2017 - March 31, 2018)

1 Information by product and service

The information is omitted as similar information is disclosed in "Segment Information."

2 Information by geographical area

(1) Net sales

The information is omitted as net sales in Japan account for more than 90% of net sales in the consolidated statement of income.

(2) Property, plant and equipment

(million yen)

Japan	Australia	Other areas	Total
740,577	132,202	9,042	881,822

3 Information by major customer

The information is omitted as there is no external customer who accounts for 10% or more of net sales in the consolidated statement of income.

[Information about impairment loss for non-current assets by reportable segment]

Previous Year (April 1, 2016 - March 31, 2017)

(million yen)

	Reportable Segment				Total	Elimination/ Corporate	Total
	Domestic Energy/Gas	Domestic Energy/ Electricity	International Energy	Life & Business Solutions			
Impairment loss	37	—	49	1,658	1,744	—	1,744

Current Year (April 1, 2017 - March 31, 2018)

(million yen)

	Reportable Segment				Total	Elimination/ Corporate	Total
	Domestic Energy/Gas	Domestic Energy/ Electricity	International Energy	Life & Business Solutions			
Impairment loss	993	—	9,616	639	11,249	—	11,249

[Information about the amortized amount and unamortized balance of goodwill by reportable segment]

Previous Year (April 1, 2016 - March 31, 2017)

(million yen)

	Reportable Segment				Total	Elimination/ Corporate	Total
	Domestic Energy/Gas	Domestic Energy/ Electricity	International Energy	Life & Business Solutions			
Amortized amount during year	2	94	458	1,704	2,259	—	2,259
Unamortized balance at end of year	—	824	986	11,812	13,623	—	13,623

Current Year (April 1, 2017 - March 31, 2018)

(million yen)

	Reportable Segment				Total	Elimination/ Corporate	Total
	Domestic Energy/Gas	Domestic Energy/ Electricity	International Energy	Life & Business Solutions			
Amortized amount during year	—	94	473	1,777	2,344	—	2,344
Unamortized balance at end of year	—	2,696	480	11,473	14,650	—	14,650

[Information about gain on bargain purchase by reportable segment]

Previous Year (April 1, 2016 - March 31, 2017)

Current Year (April 1, 2017 - March 31, 2018)

Not applicable.

Not applicable.

[Related Party Information]

Not applicable.

t Per Share Information

	Previous Year (April 1, 2016 - March 31, 2017)	Current Year (April 1, 2017 - March 31, 2018)
Shareholders' equity per share	2,312.68 yen	2,403.68 yen
Earnings per share	147.29 yen	90.71 yen

Note 1: Since there were no potential shares with a dilutive effect, data on diluted earnings per share is not presented in this document.

Note 2: The Company conducted a share consolidation at a ratio of 5 shares of common shares to 1 share, effective on October 1, 2017. Accordingly, shareholders' equity per share and earnings per share are calculated based on the assumption that the share consolidation was conducted at the beginning of the previous fiscal year.

Note 3: The following data was used for calculating earnings per share:

	Previous Year (April 1, 2016 - March 31, 2017)	Current Year (April 1, 2017 - March 31, 2018)
Profit attributable to owners of parent (million yen)	61,271	37,724
Amount not attributable to common shareholders (million yen)	—	—
Profit attributable to owners of parent attributable to common share (million yen)	61,271	37,724
Average number of common shares during the fiscal year (thousand shares)	415,984	415,880

u Significant Subsequent Events

(Effects of the earthquake in northern Osaka)

After the earthquake centered in northern Osaka on June 18, 2018, the Company halted city gas supplies to around 110 thousand customers. Expenses including costs for restoration work are expected to be incurred in the next fiscal year, but it is currently difficult to reasonably estimate the effects on the consolidated financial statements.

(Acquisition of working interest in the production and development project of non-conventional gas)

On June 28, 2018, through a U.S. subsidiary of Osaka Gas Co., Ltd., the Company entered into an agreement with Sabine Oil & Gas Corporation and Sabine East Texas Basin LLC (collectively "Sabine") to acquire 35% of Sabine's working interest in the project of non-conventional gas in East Texas, USA for US\$ 146 million (approximately ¥16.0 billion yen). This is part of the Group's efforts to expand businesses and enhance profitability.

Annexed Consolidated Detailed Schedules

[Annexed consolidated detailed schedule of corporate bonds]

Company	Name of issue	Date of issuance	Balance at the beginning of current fiscal year (million yen)	Balance at the end of current fiscal year (included portion due within 1 year) (million yen)	Interest rate (%)	Collateral	Maturity
Osaka Gas (Note 2)	The 9th domestic unsecured bond	January 30, 1998	—	—	2.9	None	January 30, 2018
Osaka Gas	The 18th domestic unsecured bond	February 12, 2003	19,991	19,993	1.47	None	December 20, 2022
Osaka Gas	The 19th domestic unsecured bond	March 10, 2005	19,997	19,998	1.83	None	March 19, 2020
Osaka Gas	The 20th domestic unsecured bond	August 17, 2005	19,994	19,996	1.79	None	September 18, 2020
Osaka Gas	The 21st domestic unsecured bond	June 23, 2006	9,996	9,996	2.33	None	June 23, 2026
Osaka Gas (Note 2)	The 23rd domestic unsecured bond	July 25, 2007	—	—	2.14	None	July 25, 2019
Osaka Gas	The 26th domestic unsecured bond	July 17, 2008	30,000	30,000 (30,000)	1.782	None	July 17, 2018
Osaka Gas	The 28th domestic unsecured bond	March 9, 2011	10,000	10,000	1.345	None	March 9, 2021
Osaka Gas	The 29th domestic unsecured bond	December 9, 2011	10,000	10,000	1.16	None	December 9, 2021
Osaka Gas	The 30th domestic unsecured bond	December 14, 2012	10,000	10,000	0.759	None	December 14, 2022
Osaka Gas	The 31st domestic unsecured bond	October 18, 2013	10,000	10,000	0.748	None	October 18, 2023
Osaka Gas	The 32nd domestic unsecured bond	March 24, 2014	15,000	15,000	1.606	None	March 24, 2034
Osaka Gas	The 33rd domestic unsecured bond	October 24, 2014	20,000	20,000	1.402	None	October 24, 2034
Osaka Gas	The 34th domestic unsecured bond	March 5, 2015	10,000	10,000	1.685	None	March 3, 2045
Osaka Gas	The 35th domestic unsecured bond	December 9, 2016	10,000	10,000	0.986	None	December 8, 2056
Total	—	—	194,979	194,984 (30,000)	—	—	—

Note 1: The redemption schedule within 5 years after the consolidated fiscal year-end is as follows:

One year or less (million yen)	More than one year, up to two years (million yen)	More than two years, up to three years (million yen)	More than three years, up to four years (million yen)	More than four years, up to five years (million yen)
30,000	20,000	30,000	10,000	30,000

Note 2: The 9th and the 23rd domestic unsecured bond (¥29,000 million and ¥20,000 million, respectively) of Osaka Gas Co., Ltd. are accounted for as redeemed, since these debts were assigned to banks under debt assumption agreements concluded with said banks.
The obligation to redeem the 23rd domestic unsecured bond is reported as contingent liabilities in bonds to the consolidated balance sheet.

[Annexed consolidated detailed schedule of borrowings]

Category	Balance at beginning of year (million yen)	Balance at end of year (million yen)	Average interest rate (%)	Payment due
Short-term loans payable	23,118	22,179	0.3	—
Current portion of long-term loans payable	48,950	36,305	1.3	—
Current portion of lease obligations	820	833	—	—
Long-term loans payable (excluding current portion)	267,666	243,255	1.6	From April 2019 to December 2047
Lease obligations (excluding current portion)	5,131	6,230	—	From April 2019 to March 2036
Total	345,688	308,804	—	—

Note 1: "Average interest rate" shows weighted average interest rates with respect to the year-end balances of loans payable. "Average interest rate" for lease obligations is not stated because lease obligations are recorded in the consolidated balance sheet at the amount before deducting the interest-equivalent component included in the total lease payment.

Note 2: The repayment schedule within 5 years after the consolidated fiscal year-end for long-term loans payable and lease obligations (excluding current portion) is as follows:

	More than one year, up to two years (million yen)	More than two years, up to three years (million yen)	More than three years, up to four years (million yen)	More than four years, up to five years (million yen)
Long-term loans payable	20,478	15,008	38,237	11,332
Lease obligations	798	708	580	477

[Annexed consolidated detailed schedule of asset retirement obligations]

The amount of asset retirement obligations was 1% or less of total liabilities and net assets at the beginning the current fiscal

year as well as at the end of the current fiscal year. Therefore, the schedule of asset retirement obligations is not disclosed.

(2) [Other]

Quarter results for the current fiscal year

(Cumulative period)	First quarter	Second quarter	Third quarter	Full year
Net sales (million yen)	292,758	584,633	909,589	1,296,238
Profit before income taxes (million yen)	25,730	36,476	50,359	65,837
Profit attributable to owners of parent (million yen)	17,414	23,838	31,660	37,724
Earnings per share (yen)	41.87	57.32	76.13	90.71

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Earnings per share (yen)	41.87	15.45	18.81	14.58

Note: The Company conducted a share consolidation at a ratio of 5 shares of common shares to 1 share, effective on October 1, 2017. Accordingly, earnings per share is calculated based on the assumption that the share consolidation was conducted at the beginning of the current fiscal year.

Financial Section

This annual report is not subject to auditing by an independent auditor. However, the accompanying consolidated financial statements are reprinted from the securities report which has been audited by an independent auditor. Presented below is the Independent Auditor's Report in the securities report.

Independent Auditor's Report

June 28, 2018

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

KPMG AZSA LLC

Designated Limited Liability Partner Engagement Partner	Certified Public Accountant Kenryo Goto (Seal)
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Designated Limited Liability Partner Engagement Partner	Certified Public Accountant Kenta Tsujii (Seal)
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Designated Limited Liability Partner Engagement Partner	Certified Public Accountant Shoichiro Shigeta (Seal)
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<Financial Statements Audit>

Pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, we have audited the accompanying consolidated financial statements of Osaka Gas Co., Ltd. included in "Financial Information" for the fiscal year from April 1, 2017 to March 31, 2018, which comprise the consolidated balance sheet, the consolidated statements of income, comprehensive income, changes in net assets and cash flows, as well as significant matters forming the basis of preparation of the consolidated financial statements and other notes, and annexed consolidated detailed schedules.

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 designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to independently express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we 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 the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments, the auditor considers internal controls 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. 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 referred to above present fairly, in all material respects, the consolidated financial position of Osaka Gas Co., Ltd. and its consolidated subsidiaries as of March 31, 2018, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

As described in "Significant Subsequent Events," on June 28, 2018, through a U.S. subsidiary of Osaka Gas Co., Ltd., the Company entered into an agreement with Sabine Oil & Gas Corporation and Sabine East Texas Basin LLC (collectively "Sabine") to acquire 35% of Sabine's working interest in the project of non-conventional gas in East Texas, USA.

This matter does not affect our opinion.