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(Securities Identification Code: 9532)

Report for the 196th Fiscal Year

From April 1, 2013 to March 31, 2014

Osaka Gas Co., Ltd.

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Notes to consolidated financial statements and notes to non-consolidated financial statements are provided separately at the website (<http://www.osakagas.co.jp/company/ir/stock/inform/index.html>) of Osaka Gas Co., Ltd. (hereinafter referred to as “the Company”) in accordance with the laws and regulations and the Company’s Articles of Incorporation.

The consolidated financial statements and non-consolidated financial statements audited by the accounting auditor and Audit & Supervisory Board Members include the statements provided in the Report for the 196th Fiscal Year, as well as the notes to consolidated financial statements and notes to non-consolidated financial statements that are provided separately at the aforementioned website.

Business Report (April 1, 2013 to March 31, 2014)

I. Current Situation of the Business Group

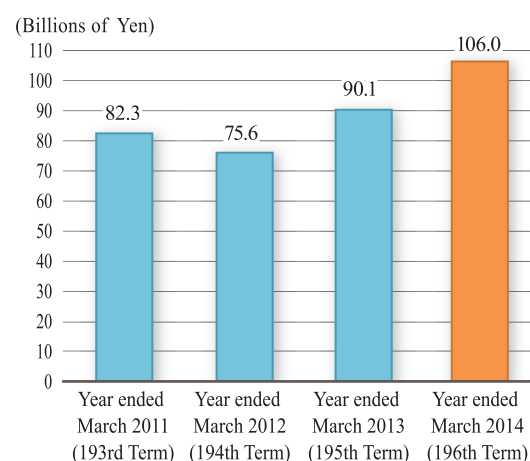
1. Business Operations and Results

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

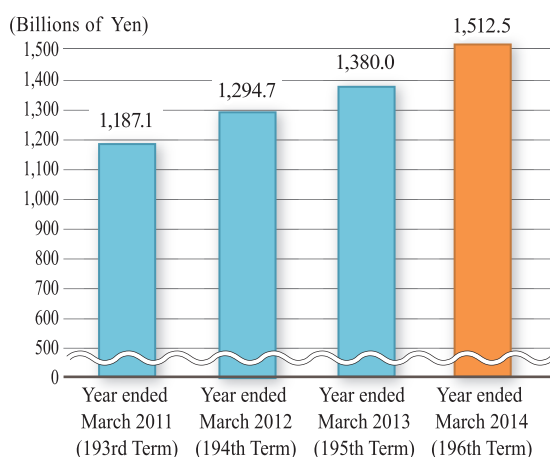
In such a business environment, the Osaka Gas Group (the “Group”) has aggressively conducted its businesses with the core management principle of “Value Creation Management.”

Consolidated net sales of the Group for the fiscal year under review increased 9.6% from the previous year to ¥1,512.5 billion mainly because gas sales unit prices remained high under the fuel cost adjustment system (see Graph 1). Consolidated ordinary income jumped 17.7% to ¥106.0 billion mainly due to increased income from the gas and electric power businesses (see Graph 2). Consolidated net income for the fiscal year under review decreased 20.5% to ¥41.7 billion (see Graph 3).

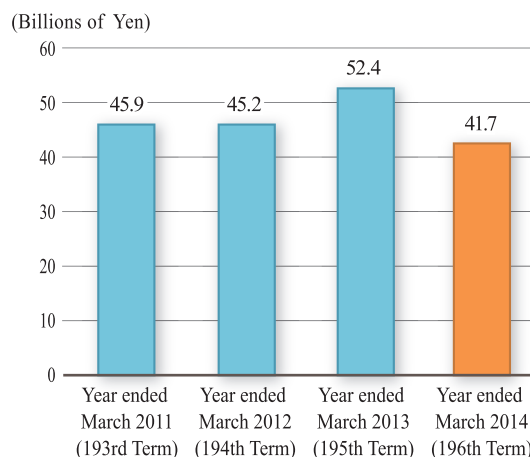
Graph 2. Transition of Consolidated Ordinary income



Graph 1. Transition of Consolidated Net sales



Graph 3. Transition of Consolidated Net income



An overview of the Group's operations by business segment was as follows.

(1) Gas

Net sales

Net sales increased 7.8% from the previous year to ¥1,119.5 billion, as gas sales unit prices remained high under the fuel cost adjustment system.

Number of Customers (Meters Installed)

The number of customers (by number of meters installed) increased by 50 thousand from the previous year-end and reached 7,164 thousand as of March 31, 2014.

Gas Sales Volume

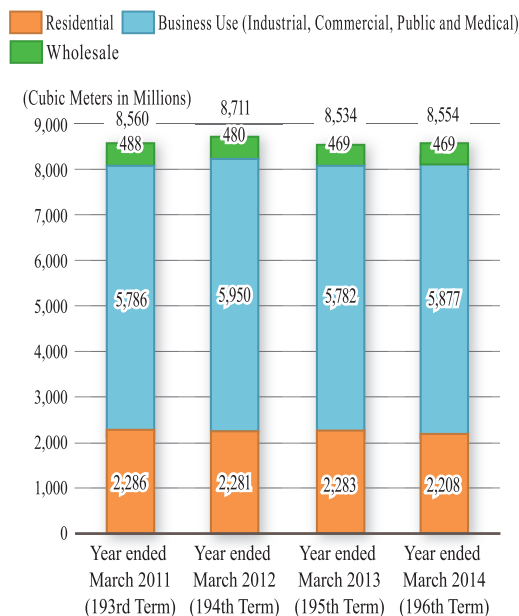
The residential gas sales volume decreased 3.3% to 2,208 million cubic meters, reflecting higher temperatures compared with the previous year, which decreased the demand for hot water supply and air heating.

The business gas sales volume increased 1.7% to 5,877 million cubic meters mainly due to increased gas demand for industrial applications, despite energy-saving and other efforts by customers.

Wholesale gas volume was almost unchanged from the previous year at 469 million cubic meters.

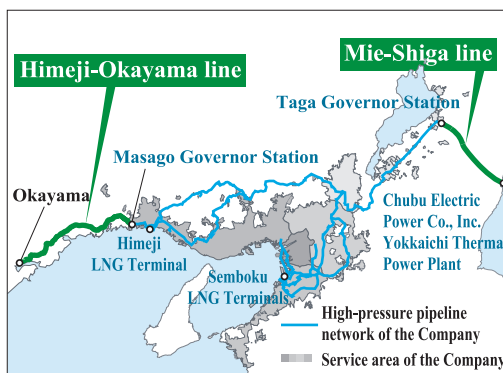
As a result, total gas sales volume increased 0.2% to 8,554 million cubic meters (see Graph 4).

Graph 4. Transition of Gas Sales Volume by Use



Ensuring Stable Supply and Security

The construction of the Mie-Shiga line, which is designed to ensure the stable supply of gas, was completed in January 2014. The Himeji-Okayama line was completed in March 2014, aimed at developing new demand for gas.



Mie-Shiga line / Himeji-Okayama line

We engaged continuously in the diversification of the sources of natural gas procurement, as well as the maintenance and scheduled renovation of gas production and supply facilities. To prepare for emergencies, we continued to develop countermeasures against earthquake and tsunami based on past earthquake disasters.

Sales of Gas Appliances

Regarding residential gas appliances, we endeavored to develop and expand sales of products, including the “ENE-FARM” and “ECOWILL” residential gas cogeneration systems and the “Double Power Generation” system—a combination of ENE-FARM or ECOWILL with photovoltaic power generation.

The accumulated number of our residential gas cogeneration systems sold exceeded 100 thousand in August 2013. In addition, we developed new products in the ENE-FARM (polymer electrolyte fuel cell) and ENE-FARM type S (solid oxide fuel cell) series to realize lower prices and greater convenience for customers. Both were launched in April 2014.

Regarding gas appliances for business use, we strove to develop and promote sales of highly efficient and environment-friendly cogeneration systems, air-conditioning systems, kitchen instruments, boilers, industrial furnaces and burners.

In April 2013, we released the “GHP HIGH POWER PLUS” gas engine heat pump air-conditioning systems with an added function that enables continued operation during a power outage.

In addition to these appliances, we endeavored to offer high-value-added solutions by utilizing our accumulated engineering capabilities and combining technological development, maintenance, energy management and financing services to match each customer’s business and applications.



“ENE-FARM type S”



“Class S Premier” Si sensor cooking stove



“GHP HIGH POWER PLUS”

(2) LPG, Electric Power and Other Energy

Net sales increased 19.7% from the previous year to ¥257.9 billion, mainly owing to an increase in revenue from the electric power business.

Regarding the electric power business, power generating plants, including the Semboku Natural Gas Power Plant, continued to operate favorably.

In March 2014, Nakayama Nagoya Joint Power Generation Co., Ltd., decided to construct a biomass-cofired* coal thermal power plant with a generating capacity of 110,000 kW on a site adjacent to the Nagoya Power Plant, which is currently in operation.

*Cofiring biomass, such as wood, and coal as fuel for power generation can reduce carbon dioxide emissions.

(3) Overseas Energy

Net sales increased 23.9% from the previous year to ¥13.3 billion.

Regarding the U.S. Freeport LNG project aimed at procuring LNG, for which we concluded a natural gas liquefaction tolling agreement with a subsidiary of Freeport LNG Development, L.P. (USA), the U.S. Department of Energy issued a permit to the project for its export of LNG to non-FTA (Free Trade Agreement) countries in May 2013. In February 2014, we decided to make an equity investment in an LNG liquefaction business to participate in the Freeport project.

In May 2013, we reached an agreement with a subsidiary of Australia-based Horizon Oil Limited to acquire part of the interest in a condensate* and gas development project in Papua New Guinea to participate in it.

*A kind of light crude oil, the properties of which are close to those of naphtha and gasoline.

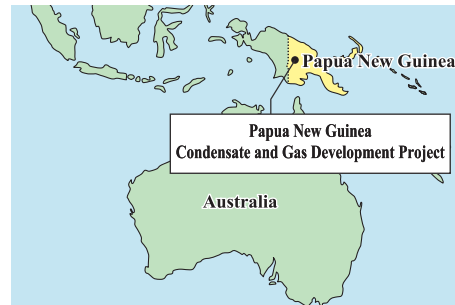
In January 2014, we initiated an energy service business in the industrial gas market in Thailand by utilizing the technologies and expertise we had accumulated through domestic gas businesses.



Nagoya Power Plant
(coal-fired thermal power plant)



Freeport LNG terminal
(Source:Freeport LNG Development,L.P.)



Papua New Guinea Condensate and
Gas Development Project

(4) Environment and Non-Energy

Net sales increased 7.6% from the previous year to ¥199.6 billion.

Regarding the environment business, all the facilities of the large-scale solar power generation project in the Province of Ontario, Canada (total generating capacity: approx. 100,000 kW), have launched commercial operation.

Our wind power generation plants at home and abroad continued to operate well.

Regarding the non-energy business, in October 2013, we acquired 50% of the shares of a holding company* that has a subsidiary engaging in the water supply business in the southeastern area of London, the United Kingdom, from a subsidiary of Sumitomo Corporation.

*Summit Water UK Limited (after said acquisition of shares, it was renamed Sumisho Osaka Gas Water UK Limited)

Osaka Gas Chemicals Co., Ltd., which engages in the material solutions business, acquired all the shares of Jacobi Carbons AB (“Jacobi Carbons”), a Sweden-based manufacturer and distributor of activated carbon mainly used for air and water purification, in January 2014. This acquisition made Jacobi Carbons and its 19 subsidiaries the subsidiaries of us.

OSAKA GAS URBAN DEVELOPMENT Co., Ltd.,* acquired four rental apartment buildings, including “Urbanex Tanimachi II,” and completed the construction of “THE Urbanex Namba” and other condominium buildings during the fiscal year under review.

*As of April 1, 2013, Urbanex Co., Ltd., absorbed Osaka Gas Maison Co., Ltd., and changed its name to OSAKA GAS URBAN DEVELOPMENT Co., Ltd.

Note: In the Osaka Gas Group Mid-Term Business Plan (2014–2016) formulated in March 2014, this Environment and Non-Energy segment was reorganized. The environment business has been recategorized into other business segments, and this business segment with the remaining non-energy business has been renamed Life & Business Solutions Business.



Photovoltaic power plant in Ontario



Hirokawa Myojinsan Wind Power Generation Plant in Wakayama Prefecture



A main factory of the jacobi Group in Sri Lanka

[Net sales for Each Business Segment]

(Amount: Billions of Yen, Ratio: %)

	Gas	LPG, Electric Power and Other Energy	Overseas Energy	Environment and Non-Energy	On a Consolidated Basis
Net sales	1,119.5	257.9	13.3	199.6	1,512.5
Percentage Change from Previous Year	+7.8	+19.7	+23.9	+7.6	+9.6
Percentage of net sales	70.4	16.2	0.8	12.6	-

Note: Inter-segment net sales are included in net sales for each business segment but are eliminated from consolidated net sales.

2. Capital Investment Activities

The amount of capital investments by the Group was ¥124.1 billion.

We lengthened its gas trunk and branch lines by 405 kilometers, bringing the total length to 49,861 kilometers as of the end of the fiscal year under review.

The construction of the Mie-Shiga and Himeji-Okayama lines were completed during the fiscal year under review.

Other capital investment activities included works for ensuring stable supply and security at gas production and supply facilities, equipment works related to natural gas development and production businesses in our subsidiaries and construction of LNG carriers.

3. Financing Activities

During the fiscal year under review, the Group borrowed ¥69.3 billion and repaid ¥36.8 billion of long-term loans; with respect to the corporate bonds*, it issued ¥25.0 billion of ordinary bonds (at face value) and redeemed existing corporate bonds* in the aggregate amount of ¥31.2 billion.

*Short-term bonds are excluded.

4. Outstanding Issues

(1) Management Issues

The Group seeks to provide value to its customers and society by offering a wide range of energy and related services, chiefly natural gas—which is positioned as an important energy source under the government’s energy policy—and including electric power and LPG, as well as non-energy products and services such as those relating to materials and information. The Group recognizes that it is the greatest management issue to achieve sustainable growth by enhancing its management efficiency through properly accommodating any changes in the business environment, including economic trends and the government’s policies concerning the reformation of electric and gas systems.

(2) Group’s Core Management Principle

The Group is conducting its businesses with the core management principle of “Value Creation Management,” under which the Group seeks to maximize the customer value as its first priority and to increase the value of all stakeholders including its shareholders, the society and its employees, through fair and highly transparent business activities.

(3) Priority Issues

In March 2014, the Group formulated the mid-term business plan “Catalyze Our Dreams” for 2014 to 2016 in line with its long-term management vision “Field of Dreams 2020.” To achieve the goals of these plans, the Group will address the following issues.

(a) Further Enhancement of the Energy Business

(i) Ensuring stable and economical procurement and promoting the upstream businesses concerning development and production

We endeavor to ensure the stable procurement of raw materials such as natural gas by diversifying sources, by way of procuring from many producers. We also aim for the material procurement that enhances our market competitiveness through the diversification of price indices.

To ensure the stable procurement of natural gas and corporate earnings, we will promote the upstream businesses by implementing the existing liquefaction and gas field projects, as well as seeking acquisition of new interests, including non-conventional gas development projects.

(ii) Promoting the use of natural gas and dispersed energy systems

We will seek to expand natural gas usage by promoting gas cogeneration systems, including fuel cells, and encouraging wider use of gas air-conditioning systems, and contribute to the enhancement of living environment, energy savings for customers, and business continuity in the event of disasters and reduction of peak power demand.

We will also offer optimal services according to the specific needs of customers by combining our capabilities of maintenance, energy management and financing.

(iii) Expanding the electric power business

In addition to LNG-fired thermal power generation, we seek to expand the range of power sources, including coal-fired thermal power generation, renewable energy power generation and power cogeneration systems.

(iv) Expanding the energy businesses at home and abroad

By leveraging our accumulated business expertise, we will expand our energy businesses at home and abroad.

In Japan, we will strengthen our alliances with energy business operators in a wider geographic area, while accelerating our efforts for the promotion of natural gas and LPG usage by utilizing our own gas high-pressure pipelines and other means.

Outside of Japan, we will promote steady management of the electric power, gas and energy service businesses in which we are involved, while seeking the chance for participating in new projects.

(v) Stable and safe energy supply

We will continue to address such issues as the maintenance and reinforcement of gas production and supply facilities, the scheduled renovation of aged facilities and the implementation of countermeasures against earthquake and tsunamis. We also continue to provide responses to emergencies, including gas leakages, to secure safety at customer locations.

In addition, we continue to seek the steady operation and maintenance of power generating facilities.

(b) Expansion of the Life & Business Solutions Business

For the non-energy businesses relating to materials, information and city development, we will offer products and services by utilizing the advantages we have gained as an energy business operator, thereby contributing to enhancing comfort, convenience and health for customers at home and abroad.

(c) Reinforcement of Operating Foundations

(i) Technologies

We will promote efforts to achieve higher efficiency and lower costs for gas appliances and facilities, including fuel cells, to develop technologies relating to hydrogen, material solutions and information, and to better utilize our engineering technologies in various fields such as resource development and power generation.

(ii) CSR

In accordance with the “Osaka Gas Group CSR Charter,” we will enhance the awareness of CSR throughout the Group to gain greater trust from customers and society. We will also make efforts to ensure that our CSR efforts are better understood throughout the Group’s supply chain at home and abroad.

(4) Conclusion

The Group will continue to implement highly effective internal controls by monitoring and assessing its internal control system and providing necessary measures. With such a system effectively in place, the Group tackles the issues described above and exerts ceaseless efforts to achieve sustainable growth by implementing the core management principle of “Value Creation Management.”

The Group looks forward to the continued support and encouragement from all shareholders.

5. Financial Position and Profits and Losses

(Millions of Yen unless otherwise stated)

Division	Year ended March 2011 (193rd Term)	Year ended March 2012 (194th Term)	Year ended March 2013 (195th Term)	Year ended March 2014 (196th Term)
Net sales	1,187,142	1,294,781	1,380,060	1,512,581
Ordinary income	82,372	75,694	90,125	106,044
Net income	45,968	45,207	52,467	41,725
Net income per Share (yen)	21.62	21.71	25.20	20.04
Total assets	1,437,297	1,475,759	1,566,899	1,668,317
Net assets	688,695	708,904	774,317	828,565

6. Principal Activities of the Group (as of March 31, 2014)

Business Segment	Major Businesses
Gas	Sale of gas and gas appliances, gas piping work, supply of heat
LPG, Electric Power and Other Energy	Sale of LPG, supply of electricity, sale of industrial gas
Overseas Energy	Overseas supply of energy, leasing of LNG tankers, development and investment relating to oil and natural gas
Environment and Non-Energy	Renewable energy business, development and leasing of real estate, information processing service, sale of fine materials and carbon products, management of sports facilities, engineering and leasing of automobiles and equipment

7. Outline of Principal Subsidiaries (as of March 31, 2014)

Company	Capital (Millions of Yen)	Holding (%)	Main Activities
Liquid Gas Co., Ltd.	1,110	100	Sale of industrial gas, LNG, LPG, etc.
OSAKA GAS URBAN DEVELOPMENT Co., Ltd.	1,570	100	Development, leasing, management, and sale of real estate
OGIS-RI Co., Ltd.	400	100	Development of software and information processing services via computers
Osaka Gas Chemicals Co., Ltd.	12,731	100	Manufacture and sale of fine materials, carbon products, etc.

Note: The Group treats the affiliated companies that play a central role in each business area and that are positioned as elementary units for the management of the Group as core companies (which the Group recognizes as principal subsidiaries).

8. Major Offices, Plants and Employees (as of March 31, 2014)

(1) Major Offices and Plants

The Company	Head Office	Head Office (Osaka Prefecture)
	Residential Energy Business Unit	Osaka Residential Sales Dept. (Osaka Prefecture) Nambu Residential Sales Dept. (Osaka Prefecture) Hokutobu Residential Sales Dept. (Osaka Prefecture) Hyogo Residential Sales Dept. (Hyogo Prefecture) Keiji Residential Sales Dept. (Kyoto Prefecture)
	Commercial & Industrial Energy Business Unit	Osaka Commercial & Industrial Energy Sales Dept. (Osaka Prefecture) Nambu Commercial & Industrial Energy Sales Dept. (Osaka Prefecture) Hokutobu Commercial & Industrial Energy Sales Dept. (Osaka Prefecture) Hyogo Commercial & Industrial Energy Sales Dept. (Hyogo Prefecture) Keiji Commercial & Industrial Energy Sales Dept. (Kyoto Prefecture)
	Pipeline Business Unit	Osaka Pipeline Dept. (Osaka Prefecture) Nambu Pipeline Dept. (Osaka Prefecture) Hokutobu Pipeline Dept. (Osaka Prefecture) Hyogo Pipeline Dept. (Hyogo Prefecture) Keiji Pipeline Dept. (Kyoto Prefecture)
	LNG Terminal & Power Generation Business Unit	Semboku LNG Terminals (Osaka Prefecture) Himeji LNG Terminal (Hyogo Prefecture)
	R&D Headquarters	Energy Technology Laboratories (Osaka Prefecture)
Subsidiaries	Liquid Gas Co., Ltd. (Osaka Prefecture) OSAKA GAS URBAN DEVELOPMENT Co., Ltd. (Osaka Prefecture) OGIS-RI Co., Ltd. (Osaka Prefecture) Osaka Gas Chemicals Co., Ltd. (Osaka Prefecture)	

Note: As of April 1, 2014, we set up the Broader-Area Energy Sales Dept. (Osaka Prefecture) under the Commercial & Industrial Energy Business Unit.

(2) Employees

Business Segment	Number of Employees
Gas	11,748
LPG, Electric Power and Other Energy	1,292
Overseas Energy	109
Environment and Non-Energy	8,101
Total	21,250

Note: The above number of employees indicates the number of employees currently on duty.

9. Major Lenders (as of March 31, 2014)

Lenders	Loans Outstanding on March 31, 2014 (Millions of Yen)
Japan Bank for International Cooperation	55,516
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	26,977
Development Bank of Japan Inc.	24,117
Nippon Life Insurance Company	20,992
Sumitomo Life Insurance Company	17,720

II. Officers

1. Details of Directors and Audit & Supervisory Board Members (as of March 31, 2014)

Position	Name	Business in Charge	Significant Concurrent Positions
Representative Director and President Executive President	Hiroshi Ozaki		Chairman of The Japan Gas Association Director of Asahi Broadcasting Corporation Director of Liquid Gas Co., Ltd. Director of OSAKA GAS URBAN DEVELOPMENT Co., Ltd. Director of OGIS-RI Co., Ltd. Director of Osaka Gas Chemicals Co., Ltd.
Representative Director Executive Vice-President	Masato Kitamae	Head of CSR President of Corporate Planning Headquarters In charge of: Information and Communication Systems Dept., CSR & Environment Dept., Compliance Dept. and Auditing Dept. Responsible for: OGIS-RI Co., Ltd., Secretariat, Corporate Communication Dept., Human Resources Dept., General Affairs Dept. and Purchasing Dept.	Representative Director and President of OG-Kanden Joint Planning Company Director of OGIS-RI Co., Ltd.
Representative Director Executive Vice-President	Takehiro Honjo	In charge of: Regional Co-Creation Dept., Tokyo Branch, Regional Resident Representative, Overall Regional Resident Representative and Tokyo Representative Responsible for: Residential Energy Business Unit, Commercial & Industrial Energy Business Unit, Liquid Gas Co., Ltd., and OSAKA GAS URBAN DEVELOPMENT Co., Ltd.	Representative Director and President of Osaka Rinkai Energy Service Corporation Director of Liquid Gas Co., Ltd. Director of OSAKA GAS URBAN DEVELOPMENT Co., Ltd.
Representative Director Executive Vice-President	Hirofumi Kyutoku	Head of Safety Head of Technology President of R&D Headquarters In charge of: Head Office Representative Responsible for: Energy Resources & International Business Unit, LNG Terminal & Power Generation Business Unit, Pipeline Business Unit and Osaka Gas Chemicals Co., Ltd.	Director of Osaka Gas Chemicals Co., Ltd.

Director Senior Executive Officer	Takahiko Kawagishi	In charge of: Secretariat, Corporate Communication Dept., Human Resources Dept., General Affairs Dept. and Purchasing Dept.	
Director Senior Executive Officer	Hidetaka Matsuzaka	Head of Energy Resources & International Business Unit	
Director Senior Executive Officer	Yoichiro Ozaki	Head of Pipeline Business Unit	
Director Senior Executive Officer	Kenji Ikejima	Head of LNG Terminal & Power Generation Business Unit	
Director Senior Executive Officer	Masaki Fujita	Kyoto/Shiga Overall Regional Resident Representative Kyoto Regional Resident Representative	
Director Senior Executive Officer	Yasuo Ryoki	Head of Commercial & Industrial Energy Business Unit	
Director Senior Executive Officer	Tetsuo Setoguchi	Head of Customer Services Head of Residential Energy Business Unit	
Director	Shunzo Morishita		Executive Adviser of NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION Chairman of Hanshin Expressway Company Limited
Director	Hideo Miyahara		Specially Appointed Professor at Graduate School of Information Science and Technology, Osaka University Representative Director of KNOWLEDGE CAPITAL Director of West Japan Railway Company
Audit & Supervisory Board Member (full-time)	Shingo Kamei		
Audit & Supervisory Board Member (full-time)	Shiro Takenaka		
Audit & Supervisory Board Member	Toshihiko Hayashi		Research Director at Asia Pacific Institute of Research

Audit & Supervisory Board Member	Atsushi Hayashi		Professor of Kyoto University Graduate School of Law
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Notes:

- 1) “Responsible for” in the “Business in Charge” column means monitoring and providing advice and suggestions concerning the operations of any headquarters, organization, core company or person in a designated position according to its managerial importance and effect on business management.
- 2) Directors, Shunzo Morishita and Hideo Miyahara are both external directors as specified in Article 2, Item 15 of the Companies Act.
- 3) Audit & Supervisory Board Members, Toshihiko Hayashi and Atsushi Hayashi are both external Audit & Supervisory Board Members as specified in Article 2, Item 16 of the Companies Act.
- 4) All of the external directors and external Audit & Supervisory Board Members have been notified as independent officers pursuant to the provisions prescribed by each stock exchange where the shares of the Company are listed.
- 5) There are no special relationships between the entities set out in the column “Significant Concurrent Positions” for each external director / external Audit & Supervisory Board Member and the Company.
- 6) Directors Masaki Fujita, Yasuo Ryoki, Tetsuo Setoguchi and Hideo Miyahara were newly appointed as directors at the 195th Annual Meeting of Shareholders held on June 27, 2013, and assumed office on the same day.
- 7) Audit & Supervisory Board Member Shingo Kamei once served as General Manager of the Finance Dept. of the Company and therefore has adequate knowledge of finance and accounting.
- 8) Changes in the “Significant Concurrent Positions” during the term under review
Representative Director and President Hiroshi Ozaki assumed the office of Chairman of The Japan Gas Association as of June 13, 2013.
Representative Director Masato Kitamae became a Representative Director and President of OG-Kanden Joint Planning Company as of June 27, 2013, after serving as a Representative Director of said company.
Representative Director Takehiro Honjo assumed the office of Representative Director and President of Osaka Rinkai Energy Service Corporation as of June 28, 2013.

Note 9) Directors' position, business in charge and significant concurrent positions as of April 1, 2014 were as follows.

Position	Name	Business in Charge	Significant Concurrent Positions
Representative Director and Executive President	Hiroshi Ozaki		Chairman of The Japan Gas Association Director of Asahi Broadcasting Corporation Director of Liquid Gas Co., Ltd. Director of OSAKA GAS URBAN DEVELOPMENT Co., Ltd. Director of OGIS-RI Co., Ltd. Director of Osaka Gas Chemicals Co., Ltd.
Representative Director Executive Vice-President	Masato Kitamae	Head of CSR In charge of: Information and Communication Systems Dept., CSR & Environment Dept., Compliance Dept. and Auditing Dept. Responsible for: OGIS-RI Co., Ltd., Corporate Planning Headquarters, Secretariat, Corporate Communication Dept., Human Resources Dept., General Affairs Dept. and Purchasing Dept.	Representative Director and President of OG-Kanden Joint Planning Company Director of OGIS-RI Co., Ltd.
Representative Director Executive Vice-President	Takehiro Honjo	In charge of: Regional Co-Creation Dept., Tokyo Branch, Regional Resident Representative, Overall Regional Resident Representative and Tokyo Representative Responsible for: Residential Energy Business Unit, Commercial & Industrial Energy Business Unit, Liquid Gas Co., Ltd., and OSAKA GAS URBAN DEVELOPMENT Co., Ltd.	Representative Director and President of Osaka Rinkai Energy Service Corporation Director of Liquid Gas Co., Ltd. Director of OSAKA GAS URBAN DEVELOPMENT Co., Ltd.
Representative Director Executive Vice-President	Hirofumi Kyutoku	Head of Safety Head of Technology President of R&D Headquarters In charge of: Head Office Representative Responsible for: Energy Resources & International Business Unit, LNG Terminal & Power Generation Business Unit, Pipeline Business Unit and Osaka Gas Chemicals Co., Ltd.	Director of Osaka Gas Chemicals Co., Ltd.
Director Senior Executive	Takahiko Kawagishi	Tokyo Representative Temporarily transferred to The Japan Gas Association	

Officer			
Director Senior Executive Officer	Hidetaka Matsuzaka	President of Corporate Planning Headquarters	
Director Senior Executive Officer	Kenji Ikejima	Head of Pipeline Business Unit	
Director Senior Executive Officer	Masaki Fujita	In charge of: Secretariat, Corporate Communication Dept., Human Resources Dept., General Affairs Dept. and Purchasing Dept.	
Director Senior Executive Officer	Yasuo Ryoki	Head of Industrial Energy Business Unit	
Director Senior Executive Officer	Tetsuo Setoguchi	Head of Customer Services Head of Residential Energy Business Unit	
Director	Yoichiro Ozaki		Director and Chairman of Osaka Gas Customer Relations Co., Ltd.
Director	Shunzo Morishita		Executive Adviser of NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION Chairman of Hanshin Expressway Company Limited
Director	Hideo Miyahara		Specially Appointed Professor at Graduate School of Information Science and Technology, Osaka University Representative Director of KNOWLEDGE CAPITAL Director of West Japan Railway Company

Note 10) Director Takahiko Kawagishi assumed the office of Managing Director of The Japan Gas Association as of May 15, 2014.

2. Remuneration for Directors and Audit & Supervisory Board Members

(1) Decision Policies of Remuneration for Directors and Audit & Supervisory Board Members

Remuneration for each director shall be determined by a resolution of the Board of Directors, after deliberation at an advisory committee made up of a majority of the external officers, within the amount of remuneration (up to ¥63 million per month) approved at the Annual Meeting of Shareholders, by considering the position and business in charge, etc. of each director and reflecting the business results of the Company*.

*The amount of remuneration for external directors is fixed because they are in a position independent of the execution of the Company's businesses.

Remuneration for each Audit & Supervisory Board Member shall be determined through discussions among Audit & Supervisory Board Members within the amount of remuneration (up to ¥14 million per month) approved at the Annual Meeting of Shareholders, taking into consideration the position, etc. of each Audit & Supervisory Board Member.

The system of paying retirement benefits to directors and Audit & Supervisory Board Members has been abolished.

(2) Remuneration paid to Directors and Audit & Supervisory Board Members

17 Directors ¥535 million

4 Audit & Supervisory Board Members ¥86 million

(including ¥42 million for 5 external officers)

Note: The numbers and the amounts above include 4 Directors (including 1 external Director) who resigned at the end of the 195th Annual Meeting of Shareholders held on June 27, 2013.

3. External Officers

Director Shunzo Morishita

Principal Activities

(1) Attendance and Comments at the Meetings of the Board of Directors

Shunzo Morishita attended 12 out of 13 meetings of the Board of Directors.

He made comments as appropriate based on his long experience in management and from his independent position as an external director.

Director Hideo Miyahara

Principal Activities

(1) Attendance and Comments at the Meetings of the Board of Directors

Hideo Miyahara attended 11 out of 11 meetings of the Board of Directors.

He made comments as appropriate based on his long experience in management and from his independent position as an external director.

Audit & Supervisory Board Member Toshihiko Hayashi

Principal Activities

(1) Attendance and Comments at the Meetings of the Board of Directors

Toshihiko Hayashi attended 9 out of 13 meetings of the Board of Directors.

He made no comment on the exercise of rights as an Audit & Supervisory Board Member.

(2) Attendance and Comments at the Meetings of the Audit & Supervisory Board

Toshihiko Hayashi attended 10 out of 14 meetings of the Audit & Supervisory Board.

He made comments on the method and results of the audit and other matters concerning the performance of duties of the Audit & Supervisory Board Members.

Audit & Supervisory Board Member Atsushi Hayashi

Principal Activities

(1) Attendance and Comments at the Meetings of the Board of Directors

Atsushi Hayashi attended 13 out of 13 meetings of the Board of Directors.

He made no comment on the exercise of rights as an Audit & Supervisory Board Member

(2) Attendance and Comments at the Meetings of the Audit & Supervisory Board

Atsushi Hayashi attended 14 out of 14 meetings of the Audit & Supervisory Board.

He made comments on the method and results of the audit and other matters concerning the performance of duties of the Audit & Supervisory Board Members.

III. Shares (as of March 31, 2014)

1. Number of Shares Issued and Number of Shareholders

Number of Authorized Shares	3,707,506,909 shares
Number of Shares Issued and Outstanding*	2,083,400,000 shares
Number of Shareholders	131,643

*2,214,444 treasury shares are included.

2. Principal Shareholders

Shareholders	Number of shares held (1,000 shares)	Shareholding ratio (%)
Nippon Life Insurance Company	102,239	4.91
The Master Trust Bank of Japan, Ltd. (trust account)	83,014	3.99
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	69,929	3.36
Japan Trustee Services Bank, Ltd. (trust account)	68,026	3.27
Resona Bank, Limited	52,777	2.54
Meiji Yasuda Life Insurance Company	29,191	1.40
Toyu-kai (Employees' Stockholding)	28,671	1.38
Aioi Nissay Dowa Insurance Co., Ltd.	27,865	1.34
Japan Trustee Services Bank, Ltd. (trust account 1)	25,182	1.21
STATE STREET BANK WEST CLIENT-TREATY	24,078	1.16

Note: The number of treasury shares is excluded from the "Number of Shares Issued and Outstanding" in calculating the shareholding ratios.

IV. Accounting Auditor

1. Name of Accounting Auditor

KPMG AZSA LLC

2. Fees and Other Charges Payable to the Accounting Auditor for the fiscal year under review

(1)	Amount of fees and other charges payable to the accounting auditor by the Company for the fiscal year under review	(i) Fees for audit services in Article 2, Paragraph 1, of the Certified Public Accountants Law (Note)	¥84 million
		(ii) Amount of fees and other charges for services other than audit services in Article 2, Paragraph 1, of the Certified Public Accountants Law	¥31 million
(2)	Total amount of cash and other financial benefits payable by the Company and its subsidiaries		¥229 million

Note: As the audit fees under the Companies Act and those under the Financial Instruments and Exchange Act are not separated for the purpose of the audit contract executed between the Company and the accounting auditor and are impractical to separate, the amount specified above is the total amount of audit fees payable under both Acts.

3. Non-Audit Services

The Company entrusted duties such as the provision of advice from specialist perspective concerning International Financial Reporting Standards to the accounting auditor and pays consideration therefor.

4. Policy on Decision of Dismissal or Non-Reappointment of Accounting Auditor

In addition to the dismissal by the Audit & Supervisory Board of the accounting auditor under Article 340 of the Companies Act, in the event that the proper performance by the accounting auditor of its duties is found to be difficult, the Company may propose agendas concerning dismissal or non-reappointment of the accounting auditor at the shareholders' meeting with the consent of the Audit & Supervisory Board under Article 344, paragraphs 1 and 3 of the Companies Act or by request from the Audit & Supervisory Board under Article 344, paragraphs 2 and 3 of the Companies Act.

V. Systems to Ensure that the Executions of the Duties by the Directors Complies with the Laws and Regulations and the Articles of Incorporation and Other Systems to Ensure the Properness of Operations

The Company establishes systems (internal control systems) to ensure that the directors of the Company execute the duties in compliance with the laws and regulations and the Articles of Incorporation and other systems necessary to ensure the properness of the Group's operations at meeting of the Board of Directors. It was reported at the meeting of the Board of Directors held in April 25, 2014, that such systems are being properly operated.

1. Systems to ensure that the execution of the duties complies with the laws and regulations and the Articles of Incorporation
 - (1) Directors and employees of the Group shall sufficiently acquire and investigate information as the basis to execute the duties and through accurate understanding of the facts, make reasonable decisions in accordance with regulations on responsibilities and authorities.
 - (2) In order for the Board of Directors to make appropriate decisions and enhance its supervisory role, together with establishing an efficient system for the execution of its duties, executive directors shall retain independent external officers and adopt the executive officer system.
 - (3) Executive directors shall hold management meetings to provide information to the president and the Board of Directors to assist in the decision making process and discuss strategies and important matters concerning its management of the business.
 - (4) Executive directors shall establish the "Osaka Gas Group Code of Business Conduct" based on "Osaka Gas Group CSR Charter." By familiarizing directors and employees with the Code, executive directors shall not only ensure the performance of duties in compliance with applicable laws and regulations and the Articles of Incorporation within the Group, but also contribute to the preservation of the environment, promote social responsibility and disassociate with antisocial forces, and promote business activities in a fair and appropriate manner.
 - (5) Executive directors shall make efforts to understand the status concerning compliance within the Group and promote compliance practices by establishing a consulting and reporting system as an internal reporting system and a CSR committee.
 - (6) If any problems are discovered regarding compliance within the Group, directors and employees of the Group are required to consult with or report to an executive director or other superior, or report the matter via the consulting and reporting system depending on the level of seriousness or urgency. Executive directors, General Manager of Compliance Dept. or other superiors shall investigate details of such matter and take necessary remedial measures.
2. System concerning the maintenance and the management of information on Directors' execution of duties
 - (1) Executive directors and employees of the Group shall prepare minutes of the meetings of the Board of Directors, approval documents or other similar documents specifying matters including matters affecting decisions and the process by which a decision was reached, in accordance with regulations on responsibilities and authorities.
 - (2) Executive directors and employees of the Group shall properly store and manage the minutes of the meetings of the Board of Directors, approval documents or other information on execution of duties according to the nature thereof.

3. Regulations and other systems to manage the risk of losses

- (1) Executive directors shall take all possible steps to ensure the safety and stability of gas supplies in gas businesses by establishing safety regulations on matters concerning the construction, maintenance and operation of production and supply facilities, and by promoting the improvement of the production and supply systems.
- (2) Executive directors of the Group and organizational heads of the Company (managers of basic organizations of the Company) shall take measures to prevent the occurrence of risks and minimize losses in the case of occurrence, and manage the risk of losses for each category of risk (risks due to external factors, internal factors, transactions with outside parties or other factors).
- (3) The risk of losses shall be managed at the level of each basic organization and each affiliated company.

4. Systems to ensure the efficient execution of duties by directors

- (1) Executive directors of the Group and organizational heads of the Company shall determine matters concerning the division of duties and decision-making within the Company and the Group in accordance with regulations on responsibilities and authorities. They shall also provide regulations regarding details of organizations and general matters to be observed during the execution of duties. By familiarizing employees with such regulations, they shall ensure the smooth management of organizations and the improvement of quality and efficiency of operations.
- (2) With the aim of maximizing corporate value, executive directors of the Group and organizational heads of the Company shall establish medium-term business plans and annual plans for the Company and the Group, monitor its attainment by means of performance indicators and focus on achieving these plans.

5. Systems to ensure the properness of business operations of the Group

In addition to the above, executive directors shall take the following measures and make efforts to ensure proper operations.

- (1) Companies to play a central role in each business area of the Group (core companies) or basic organizations to supervise affiliated companies (management support organizations) shall be designated to be responsible for day-to-day management of affiliated companies.
- (2) Compliance with applicable laws and regulations and the Articles of Incorporation, the efficiency and other similar matters of the Group as a whole shall be audited internally by the head of the Auditing Department of the Company. If necessary in light of the results of such audit, remedial measures shall be taken promptly.
- (3) Maintain, operate and evaluate internal control procedures in relation to financial reporting to ensure its credibility.

6. Matters concerning employees assisting Audit & Supervisory Board Members in the performance of their duties in the case where the appointments of such employees are requested

- (1) Executive directors, if requested by the Audit & Supervisory Board Members, shall appoint employees to assist the Audit & Supervisory Board Members in the performance of their duties and establish an Audit & Supervisory Board Members' office staffed by these Audit & Supervisory Board Members' assistants.
- (2) Audit & Supervisory Board Members' assistants shall be engaged solely in assisting the Audit &

Supervisory Board Members in the performance of their duties.

7. Matters concerning independence of Audit & Supervisory Board Members' assistants from directors
 - (1) Executive directors cannot direct or give orders to Audit & Supervisory Board Members' assistants except where such directions or orders apply equally to all employees.
 - (2) The opinions of the Audit & Supervisory Board Members shall be sought in advance regarding the evaluation, transfer, and disciplining of Audit & Supervisory Board Members' assistants.
8. Systems for reporting to the Audit & Supervisory Board Members and employees and other matters concerning reporting to the Audit & Supervisory Board Members
 - (1) Directors shall report immediately to the Audit & Supervisory Board Members if a matter that is significantly detrimental on the Company is discovered.
 - (2) Directors and employees shall report without delay matters that have a material impact on the business of the Group, the results of internal audits, the situation regarding the main reports under the consulting and reporting system and other important matters.
 - (3) Directors of the Group and employees of the Company shall report without delay when requested by the Audit & Supervisory Board Members to report on matters concerning the execution of duties.
9. Other systems to ensure effective auditing by the Audit & Supervisory Board Members
 - (1) The Audit & Supervisory Board Members may exchange opinions periodically with the representative directors and the accounting auditor.
 - (2) The Audit & Supervisory Board Members may attend management meetings and all company committee meetings. They may investigate as appropriate material information concerning the execution of duties, such as approval documents.
10. Confirmation of operation status, etc.
 - (1) Executive directors shall periodically confirm and assess the status of the operation of the internal control system and report the results to the Board of Directors.
 - (2) Executive directors shall take necessary measures by taking into consideration the assessment results of internal control system and other situations.

Consolidated Balance Sheet (As of March 31, 2014)

(Millions of Yen)

Assets		Liabilities	
Non-current assets	1,226,971	Non-current liabilities	561,400
Property, plant and equipment	863,084	Bonds payable	242,124
Production facilities	76,164	Long-term loans payable	244,503
Distribution facilities	317,836	Deferred tax liabilities	22,031
Service and maintenance facilities	66,540	Provision for gas holder repairs	1,636
Other facilities	291,378	Provision for safety measures	10,831
Construction in progress	111,163	Allowance for investment loss	6,999
		Net defined benefit liability	15,325
		Other	17,946
Intangible assets	90,311	Current liabilities	278,351
Goodwill	24,471	Current portion of non-current liabilities	39,333
Other	65,840	Notes and accounts payable-trade	60,358
		Short-term loans payable	46,756
Investments and other assets	273,575	Income taxes payable	29,608
Investment securities	192,846	Other	102,294
Net defined benefit asset	29,414	Total liabilities	839,752
Other	53,175		
Allowance for doubtful accounts	(1,860)	Net assets	
Current assets	441,346	Shareholders' equity	738,124
Cash and deposits	75,258	Capital stock	132,166
Notes and accounts receivable-trade	192,277	Capital surplus	19,486
Securities	20,511	Retained earnings	587,268
Inventories	88,748	Treasury shares	(797)
Other	65,950	Accumulated other comprehensive income	60,840
Allowance for doubtful accounts	(1,400)	Valuation difference on available-for-sale securities	34,839
		Deferred gains or losses on hedges	2,425
		Revaluation reserve for land	(737)
		Foreign currency translation adjustment	30,414
		Remeasurements of defined benefit plans	(6,100)
		Minority interests	29,601
		Total net assets	828,565
Total assets	1,668,317	Total liabilities and net assets	1,668,317

Consolidated Statement of income (April 1, 2013 to March 31, 2014)

(Millions of Yen)

Account	Amount
Net sales	1,512,581
Cost of sales	1,071,374
[Gross profit]	[441,207]
Selling, general and administrative expenses	341,825
[Operating income]	[99,381]
Non-operating income	17,550
Interest income	638
Dividend income	3,172
Share of profit of entities accounted for using equity method	7,917
Miscellaneous income	5,821
Non-operating expenses	10,888
Interest expenses	8,567
Miscellaneous expenses	2,321
[Ordinary income]	[106,044]
Extraordinary income	5,968
Gain on sales of investment securities	5,968
Extraordinary loss	30,138
Impairment loss	30,138
[Income before income taxes and minority interests]	[81,874]
Income taxes-current	32,149
Income taxes-deferred	4,717
[Income before minority interests]	[45,007]
Minority interests in income	3,281
Net income	41,725

Consolidated Statement of Changes in Equity (April 1, 2013 to March 31, 2014)

(Millions of Yen)

	Shareholders' equity					Accumulated other comprehensive income						Minority 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		
Balance at the beginning of current period	132,166	19,482	564,356	(413)	715,592	31,526	(2,271)	(737)	3,693	—	32,210	26,514	774,317
Changes of items during period													
Dividends of surplus			(18,738)		(18,738)								(18,738)
Net income			41,725		41,725								41,725
Change of scope of equity method			(75)		(75)								(75)
Purchase of treasury shares				(405)	(405)								(405)
Disposal of treasury shares		3		20	24								24
Net changes of items other than shareholders' equity						3,312	4,697		26,720	(6,100)	28,630	3,086	31,716
Total changes of items during period		3	22,912	(384)	22,531	3,312	4,697		26,720	(6,100)	28,630	3,086	54,248
Balance at the end of current period	132,166	19,486	587,268	(797)	738,124	34,839	2,425	(737)	30,414	(6,100)	60,840	29,601	828,565

Non-Consolidated Balance Sheet (As of March 31, 2014)

(Millions of Yen)

Assets		Liabilities	
Non-current assets	1,015,346	Non-current liabilities	440,003
Property, plant and equipment	478,824	Bonds payable	240,659
Production facilities	74,862	Long-term loans payable	162,896
Distribution facilities	317,098	Long-term debt to subsidiaries and associates	946
Service and maintenance facilities	65,649	Deferred tax liabilities	9,388
Facilities for incidental businesses	3,916	Provision for retirement benefits	4,741
Construction in progress	17,297	Provision for gas holder repairs	1,605
Intangible assets	6,122	Provision for safety measures	10,831
Patent right	29	Allowance for investment loss	6,999
Leasehold right	2,953	Other noncurrent liabilities	1,931
Other intangible assets	3,139	Current liabilities	263,162
Investments and other assets	530,399	Current portion of non-current liabilities	26,658
Investment securities	55,453	Accounts payable-trade	30,739
Investments in subsidiaries and associates	235,686	Short-term loans payable	10,000
Long-term loans receivable from subsidiaries and associates	182,339	Accounts payable-other	18,392
Investments in capital	22	Accrued expenses	37,304
Long-term prepaid expenses	8,606	Income taxes payable	19,764
Prepaid pension cost	40,224	Advances received	4,469
Other investments and other assets	8,747	Deposits received	1,409
Allowance for doubtful accounts	(680)	Short-term loans payable to subsidiaries and associates	91,076
		Short-term debt to subsidiaries and associates	22,463
		Other current liabilities	884
		Total liabilities	703,165
Current assets	267,847	Net assets	
Cash and deposits	30,252	Shareholders' equity	551,732
Notes receivable-trade	390	Capital stock	132,166
Accounts receivable-trade	112,508	Capital surplus	19,486
Accounts receivable from subsidiaries and associates-trade	14,161	Legal capital surplus	19,482
Accounts receivable-other	7,883	Other capital surplus	4
Securities	18,012	Retained earnings	400,876
Finished goods	213	Legal retained earnings	33,041
Raw materials	35,527	Other retained earnings	
Supplies	8,673	Reserve for reduction entry of specified replaced properties	232
Short-term loans receivable from subsidiaries and associates	20,839	Reserve for overseas investment loss	14,638
Short-term receivables from subsidiaries and associates	2,081	Reserve for adjustment of cost fluctuations	89,000
Deferred tax assets	6,636	General reserve	62,000
Other current assets	11,212	Retained earnings brought forward	201,963
Allowance for doubtful accounts	(544)	Treasury shares	(797)
		Treasury shares	(797)
		Valuation and translation adjustments	28,296
		Valuation difference on available-for-sale securities	23,696
		Deferred gains or losses on hedges	4,600
		Total net assets	580,029
Total assets	1,283,194	Total liabilities and net assets	1,283,194

Non-Consolidated Statement of income (April 1, 2013 to March 31, 2014)

(Millions of Yen)

Costs and Expenses		Revenue	
Cost of sales	614,742	Product sales	915,008
Beginning inventories	200	Gas sales	915,008
Cost of products manufactured	621,935		
Purchase of finished goods	0		
Costs of gas for own use	7,181		
Ending inventories	213		
[Gross profit]	[300,266]		
Supply and sales expenses	225,773		
General and administrative expenses	55,053		
[Income on core business]	[19,440]		
Miscellaneous operating expenses	127,878	Miscellaneous operating revenue	138,385
Expenses of installation work	23,628	Revenue from installation work	24,440
Expenses of gas appliance sales	104,249	Revenue from gas appliance sales	107,112
		Third party access revenue	2,484
		Other miscellaneous operating revenue	4,347
Expenses for incidental businesses	137,659	Revenue for incidental businesses	168,452
Expenses for electric supply business	60,592	Revenue from electric supply business	89,747
Expenses for LNG sales	64,485	Revenue from LNG sales	64,403
Expenses for other incidental businesses	12,580	Revenue from other incidental businesses	14,301
[Operating income]	[60,740]		
Non-operating expenses	7,675	Non-operating income	16,131
Interest expenses	2,729	Interest income	1,986
Interest on bonds	3,918	Interest on securities	29
Amortization of bond issuance cost	115	Dividend income	1,121
Miscellaneous expenses	911	Dividends from subsidiaries and associates	7,104
		Rent income	1,750
		Miscellaneous income	4,140
[Ordinary income]	[69,196]		
Extraordinary losses	25,520	Extra ordinary income	3,669
Loss on valuation of shares of subsidiaries and associates	25,520	Gain on sales of investment securities	3,669
[Income before income taxes]	[47,345]		
Income taxes-current	18,600		
Income taxes-deferred	3,803		
Net income	24,942		
Total	1,241,647	Total	1,241,647

Non-Consolidated Statement of Changes in Equity (April 1, 2013 to March 31, 2014)

(Millions of Yen)

	Shareholders' equity													Valuation and translation adjustments			Total net assets
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings						Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
		Legal capital surplus	Other capital surplus	Total capital surplus		Other retained earnings											
						Reserve for reduction entry of specified replaced properties	Reserve for overseas investment loss	Reserve for adjustment of cost fluctuations	General reserve	Retained earnings brought forward	Total retained earnings						
Balance at beginning of current period	132,166	19,482	0	19,482	33,041	232	15,454	89,000	62,000	194,943	394,672	(413)	545,908	20,134	6,380	26,514	572,423
Changes of items during period																	
Provision of reserve for overseas investment loss							470			(470)							
Reversal of reserve for overseas investment loss							(1,285)			1,285							
Dividends of surplus										(18,738)	(18,738)		(18,738)				(18,738)
Net income										24,942	24,942		24,942				24,942
Purchase of treasury shares												(405)	(405)				(405)
Disposal of treasury shares			3	3								20	24				24
Net changes of items other than shareholders' equity														3,561	(1,779)	1,782	1,782
Total changes of items during period			3	3			(815)			7,019	6,204	(384)	5,823	3,561	(1,779)	1,782	7,605
Balance at the end of current period	132,166	19,482	4	19,486	33,041	232	14,638	89,000	62,000	201,963	400,876	(797)	551,732	23,696	4,600	28,296	580,029

Independent Auditor's Report

May 13, 2014

The Board of Directors
Osaka Gas Co., Ltd.

KPMG AZSA LLC

Hiroshi Matsumoto (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Toshiro Miyabayashi (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Tadahiko Asano (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the related notes of Osaka Gas Co., Ltd. as at March 31, 2014 and for the year from April 1, 2013 to March 31, 2014 in accordance with Article 444-4 of the Companies Act.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the consolidated financial statements based on our audit as independent auditor. 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 our judgment, 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 referred to above present fairly, in all material respects, the financial position and the results of operations of Osaka Gas Co., Ltd. and its consolidated subsidiaries for the period, for which the consolidated financial statements were prepared, in accordance with accounting principles generally accepted in Japan.

Other Matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Notes to the Reader of Independent Auditor's Report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

Independent Auditor's Report

May 13, 2014

The Board of Directors
Osaka Gas Co., Ltd.

KPMG AZSA LLC

Hiroshi Matsumoto (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Toshiro Miyabayashi (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Tadahiko Asano (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the financial statements, comprising the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in net assets and the related notes, and the supplementary schedules of Osaka Gas Co., Ltd. as at March 31, 2014 and for the year from April 1, 2013 to March 31, 2014 in accordance with Article 436-2-1 of the Companies Act.

Management's Responsibility for the Financial Statements and Others

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements and the supplementary schedules based on our audit as independent auditor. 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 financial statements and the supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the supplementary schedules. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements and the supplementary schedules, 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 financial

statements and the supplementary schedules 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 financial statements and the supplementary schedules.

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 financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of Osaka Gas Co., Ltd. for the period, for which the financial statements and the supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

Other Matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Notes to the Reader of Independent Auditor's Report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

Audit Report by the Audit & Supervisory Board

Audit Report

The Audit & Supervisory Board prepared this Audit & Supervisory Board's Report upon deliberation based on reports by each Audit & Supervisory Board Member regarding the execution by the Directors of their duties for the 196th fiscal year from April 1, 2013 to March 31, 2014. We report as follows:

1. Method and details of the audit by the Audit & Supervisory Board Members and the Audit & Supervisory Board

- (1) The Audit & Supervisory Board has established an audit policy, an audit plan and other matters and has received reports from each Audit & Supervisory Board Member on the status of implementation and the results of the audit.

In addition, the Audit & Supervisory Board has received reports from the Directors and the Accounting Auditor on the execution of their duties and requested explanations as necessary.

- (2) Each Audit & Supervisory Board Member has communicated with the Directors, the internal auditing division and other employees in conformity with the auditing standards established by the Audit & Supervisory Board and pursuant to the audit policy, the audit plan and other matters. The audit has been implemented based on the following method.

(i) We have attended meetings of the Board of Directors and other important meetings and have interviewed the Directors, employees and others as needed in respect of the status of execution of their duties. Furthermore, we have inspected important documents in respect of the authorization of corporate actions and inspected the operations and the assets of the Company at its head office and principal business offices. With regard to subsidiaries, we have communicated with directors, Audit & Supervisory Board Members and others of the subsidiaries, and visited them as necessary in order to inspect their operations and assets.

(ii) Regarding the content as outlined in the Business Report of a resolution of the Board of Directors concerning the establishment of systems to ensure that the Directors execute their duties in compliance with the laws and regulations and the Articles of Incorporation and other systems necessary to ensure the properness of operations of stock company as provided for in Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act and the system (internal control system) established based on such resolution, we have received regular reports from the Directors, employees and others on the status of the development and operation of such system, requested explanations as necessary and expressed our opinion thereon.

(iii) We have received reports from the Accounting Auditor on the performance of its duties and requested explanations as necessary. Furthermore, we have received a notice from the Accounting Auditor that the "system to ensure that duties are properly performed" (stipulated in each item of Article 131 of the Corporate Accounting Ordinance) is established in accordance with the "Quality Management Standards concerning the Audit" (Financial Services Agency, Business Accounting Council) and other standards and requested explanations as necessary.

Based on the above method, we have examined the business report, the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated income statement, non-consolidated statement of changes in net assets and notes to non-consolidated financial statements) and their supporting schedules and the consolidated financial statements (consolidated balance sheet, consolidated income statement, consolidated statement of changes in

net assets and notes to consolidated financial statements) for the fiscal year ended March 31, 2014.

2. Results of the audit

(1) Results of the audit of the business report, etc.

- (i) The business report and its supporting schedules give a fair and proper account of the Company's business in accordance with applicable laws and regulations and the Articles of Incorporation.
- (ii) No misconduct or material facts that are in breach of applicable laws and regulations or the Articles of Incorporation have been detected in respect of the execution by the Directors of their duties.
- (iii) The content of the resolution of the Board of Directors concerning the internal control system is fair and proper. In addition, the maintenance and operation of the internal control system have been continuously improved and there is no matter of concern regarding the execution by the Directors of their duties in respect of the internal control system.

(2) Results of the audit of the non-consolidated financial statements and their supporting schedules

Methods used by KPMG AZSA LLC as the Accounting Auditor for this audit, and the results thereof, are fair and proper.

(3) Results of the audit of the consolidated financial statements

Methods used by KPMG AZSA LLC as the Accounting Auditor for this audit, and the results thereof, are fair and proper.

May 22, 2014

Osaka Gas Co., Ltd., Audit & Supervisory Board

Shingo Kamei	Full-Time Audit & Supervisory Board Member [seal]
Shiro Takenaka	Full-Time Audit & Supervisory Board Member [seal]
Toshihiko Hayashi	External Audit & Supervisory Board Member [seal]
Atsushi Hayashi	External Audit & Supervisory Board Member [seal]