

(Securities Identification Code: 9532)

Report for the 198th Fiscal Year  
From April 1, 2015 to March 31, 2016

**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 198th 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.

Note: Due to application of the “Revised Accounting Standards for Business Combinations” etc., the account previously presented as “(consolidated) net income” is presented as “(consolidated) profit attributable to owners of parent,” in this Report.

## Business Report (April 1, 2015 to March 31, 2016)

### I. Current Situation of the Business Group

#### 1. Business Operations and Results

During the fiscal year under review, the Japanese economy continued a mild recovery as a whole, chiefly because corporate business results and the employment situation remained at high levels, although a further decline in oil prices and the trends of yen appreciation and lower stock prices were seen in the second half.

In such a business environment, the Osaka Gas Group (hereinafter referred to as the “Group”) has aggressively conducted its businesses to achieve the goals set out in the long-term management vision “Field of Dreams 2020,” and the medium-term business plan “Catalyze Our Dreams.”

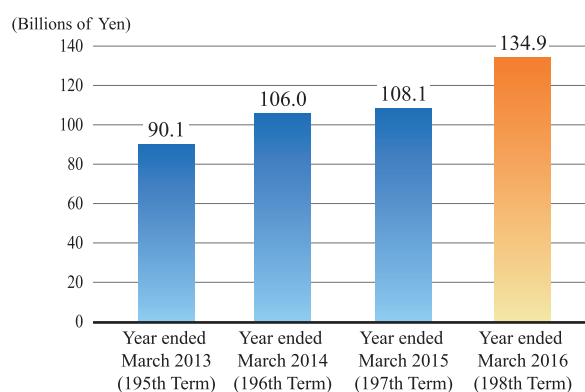
Consolidated net sales of the Group for the fiscal year under review decreased 13.5% from the previous year to ¥1,322 billion mainly due to declines in unit prices and gas sales volume in the gas business segment (see Graph 1).

Consolidated ordinary income increased 24.8% to ¥134.9 billion mainly due to increased income from the gas business\* as a result of a decrease in raw material costs reflecting a fall in LNG prices (see Graph 2).

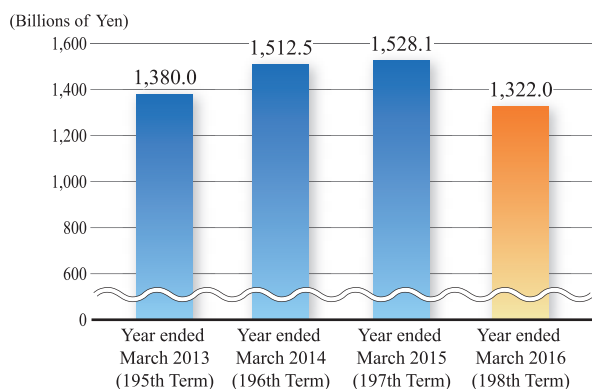
Profit attributable to owners of parent increased 9.9% to ¥84.3 billion primarily due to increased income from the gas business, despite an impairment loss recorded for the upstream business (see Graph 3).

\*There is a certain time lag between the occurrence of changes in raw material costs and the effect of the fuel cost adjustment system being reflected in gas sales unit prices. Accordingly, a fall in raw material prices during the fiscal year under review resulted in a temporary income increase.

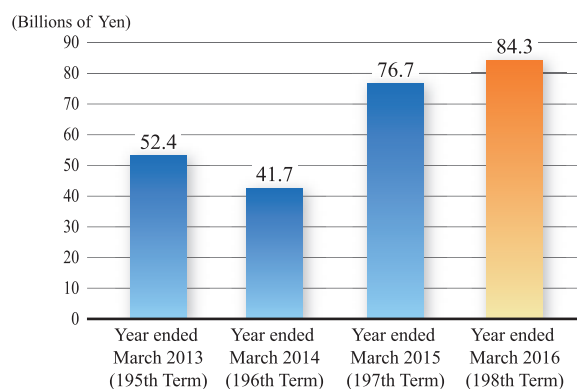
**Graph 2: Transition of Consolidated Ordinary Income**



**Graph 1: Transition of Consolidated Net Sales**



**Graph 3: Transition of Profit Attributable to Owners of Parent**



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

(1) Gas

Net sales decreased 16.6% from the previous year to ¥948.5 billion.

**Number of Customers (Meters Installed)**

The number of customers (by number of meters installed) increased by 56 thousand from the previous year-end and reached 7,280 thousand as of March 31, 2016.

**Gas Sales Volume**

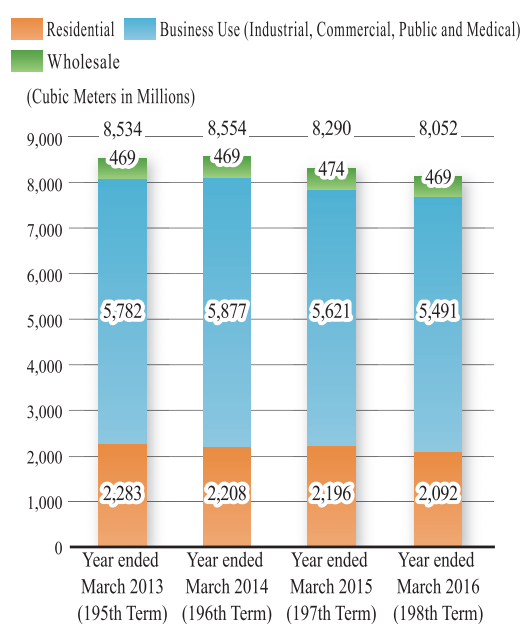
The residential gas sales volume decreased 4.7% to 2,092 million cubic meters, reflecting higher air and water temperatures in winter compared with the previous year, which decreased the demand for hot water supply and air heating.

The business gas sales volume decreased 2.3% to 5,491 million cubic meters mainly due to a decreased rate of customer facilities utilization for industrial use and decreases in customer facility utilization and demand for air heating for commercial, public and medical purposes.

Wholesale gas volume decreased 1.0% from the previous year to 469 million cubic meters.

As a result, total gas sales volume declined 2.9% to 8,052 million cubic meters (see Graph 4).

**Graph 4: Transition of Gas Sales Volume by Use**



**Ensuring Stable Supply and Security**

Continuous efforts were made throughout the year to diversify natural gas procurement sources and price indices, ensure good maintenance and well-planned renovations of gas production and supply facilities and promote the spread of gas appliances equipped with safety functions.



Security training

To prepare for emergencies, we continued to improve our response to emergencies, introduced highly earthquake-resistant gas production and supply facilities and built coastal disaster prevention blocks against tsunami.



Cooking stove equipped with the multi grill unit

### Sales of Gas Appliances

Regarding residential gas appliances, we endeavored to develop and expand sales of products, such as the residential fuel cell cogeneration system “ENE-FARM” and the “Double Power Generation” system—a combination of “ENE-FARM” with photovoltaic power generation system in addition to devices and equipment for boilers, kitchens and cooking.

In February 2016, the Company announced the development and release of a new model of the “ENE-FARM TYPE S” (solid oxide fuel cell), which is more compact and attains higher power generating efficiency than previous models. The model was launched in April 2016. The new model broadens the range of potential customers because it can be installed in an apartment complex where the installation space is limited compared to a detached house and allows the installation of the system’s power generation unit alone, using a gas-fired water heater already in use.



ENE-FARM TYPE S

Regarding gas appliances for business use, we engaged in efforts at product development and sales promotion for such products as cogeneration systems, air-conditioning systems, kitchen instruments, boilers, industrial furnaces and burners, while endeavoring to offer high-value-added solutions by utilizing our engineering capabilities to satisfy customer needs.

**GHP XAIR II**  
GHPエグゼア II



GHP XAIR II

In October 2015, the Company launched the “GHP XAIR II” air-conditioning system with improved operating efficiency.

## (2) LPG, Electricity and Other Energy

Net sales decreased 15.3% from the previous year to ¥206.4 billion.

Regarding the electric power business, thermal, wind and solar power generating plants continued to operate favorably.

In September 2015, Gas and Power Co., Ltd., acquired 95% of the shares of Inami Wind Power Co., Ltd., and decided to construct a wind power plant with a generating capacity of 26,000 kW in Inami-cho, Hidaka-gun, Wakayama Prefecture.

In February 2016, the Company decided to establish Himeji Natural Gas Power Generation Co., Ltd., jointly with Idemitsu Kosan Co., Ltd., to proceed with consideration of and preparation for a natural gas-fired thermal power generation business\* in Himeji City, Hyogo Prefecture. (The joint venture was established in April 2016.)

\*The generating capacity is expected to be about 1 million kW after the first phase of construction and about 1.8 million kW upon completion.

The Company entered the retail electricity sales market upon the full-scale deregulation of electricity retail market. We started receiving subscriptions for low-voltage electricity contracts in January 2016 and initiated the supply of electricity in April 2016. (The number of subscriptions reached 107,000 at the end of March 2016.)



Senboku Natural Gas Power Plant  
(Osaka Prefecture)



Advertisement for retail electricity sales

## (3) International Energy

Net sales increased 36.4% from the previous year to ¥18.7 billion.

In April 2015, the Company acquired a 25% equity interest in a company operating St. Charles Power Project, a natural gas-fired thermal power generation business in Maryland, the United States. The power plant, which will have a capacity of 0.725 million kW, is currently under construction, and the start of operation at the plant is slated for 2017.

In November 2015, the Company established OGP Energy Solutions Co., Ltd., in Thailand through a joint investment with a subsidiary of PTT Public Company Limited. In February 2016, the joint venture commenced fuel conversion energy services for industrial customers.



St. Charles Energy Center Natural Gas-Fired  
Power Plant (under construction)

In December 2015, the Company participated in the city gas distribution business by taking a stake in Erogasmet S.p.A., a city gas distribution company in Italy.

#### (4) Life & Business Solutions

Net sales increased 6.8% from the previous year to ¥221.7 billion.

Osaka Gas Urban Development Co., Ltd., a group company engaged in the urban development business, expanded its assets by acquiring four rental apartment buildings, including “Urbanex Akihabara EAST II,” and completed the construction of five condominium buildings, including “THE Urbanex Tower Kobe Motomachidori,” during the fiscal year under review.



The Urbanex Tower Kobe Motomachi-dori  
(showroom)

OGIS-RI Co., Ltd., a group company engaged in the information solutions business, offered comprehensive IT services, including consulting, designing, development and operation services for corporate information systems, as well as data centers and cloud services.



OGIS-RI Co., Ltd. (Osaka Prefecture)

Osaka Gas Chemicals Co., Ltd., a group company engaged in the material solutions business, strove to develop and expand sales of high-value-added materials, including fine materials and carbon products, based on its coal chemistry technology and other technologies. In April 2015, Osaka Gas Chemicals Co., Ltd. acquired a majority of the shares of Mizusawa Industrial Chemicals, Ltd., a company that produces and sells inorganic adsorbents, resin additives and other chemicals, and made it into a fully owned subsidiary in March 2016.



“OKP” polyester for optical use, produced by Osaka Gas Chemicals Co., Ltd. (It is used for the camera lenses of smartphones, etc.)

[Net Sales and Segment Income (Loss) for Each Business Segment]

|  | Gas    | LPG,<br>Electricity<br>and Other<br>Energy | International<br>Energy | Life &<br>Business<br>Solutions |
|--|--------|--|-------------------------|---------------------------------|
| Net sales (Billions of Yen)              | 948.5  | 206.4                                      | 18.7                    | 221.7                           |
| Percentage change from previous year (%) | (16.6) | (15.3)                                     | +36.4                   | +6.8                            |
| Percentage of net sales (%)              | 68.0   | 14.8                                       | 1.3                     | 15.9                            |
| Segment income (loss) (Billions of Yen)  | 95.7   | 28.8                                       | (0.2)                   | 18.8                            |
| Percentage change from previous year (%) | +90.3  | (30.8)                                     | —*                      | +13.6                           |
| Percentage of segment income (loss) (%)  | 66.9   | 20.2                                       | (0.2)                   | 13.2                            |

\*Segment income of ¥1.2 billion was recorded for the previous year.

Note: The net sales and segment income (loss) for each business segment include amounts relating to inter-segment transactions. Segment income (loss) includes the share of profit (loss) of entities accounted for using equity method.

## 2. Capital Investment Activities

The amount of capital investments by the Group was ¥114.4 billion.

We lengthened the Company's gas trunk and branch lines by 252 kilometers, bringing the total length to 50,380 kilometers as of the end of the fiscal year under review.

As a major work completed during the year under review, the No. 5 LNG tank at Senboku LNG Terminal I, one of the world's largest ground-type LNG tanks with a capacity of 230,000 cubic meters, was completed in November 2015.

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 power generating plants.

## 3. Financing Activities

During the fiscal year under review, the Group borrowed ¥15.4 billion and repaid ¥25.2 billion of long-term loans.

With respect to corporate bonds, the Group did not issue corporate bonds and redeemed existing corporate bonds in the aggregate amount of ¥53.1 billion.\*

\*A substantially advanced redemption due to the debt assumption agreement and other reasons is included.



#### **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 at home and abroad and the government’s policies concerning the reformation of electric and gas systems.

##### **(2) Osaka Gas Group Corporate Principles**

The Group seeks to “power continuous advancement in consumer life and business.” With the creation of “Value for Customers” as its first priority, the Group will conduct its businesses so that the “Value for Customers” will also lead to creating “Value for Society,” “Value for Shareholders” and “Value for Employees.”

##### **(3) Priority Issues**

Toward the achievement of the goals set out in the medium-term business plan, “Catalyze Our Dreams,” in line with its long-term management vision, “Field of Dreams 2020,” the Group will address the following issues.

##### **(a) Energy Business**

###### **(i) Ensuring stable and economical procurement and promoting the upstream (exploration and production) and liquefaction businesses**

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 steadily promote the upstream businesses including the implementation of the existing liquefaction and gas field projects and the acquisition of new interests, including non-conventional gas development projects.

###### **(ii) Ensuring competitive power sources**

Through such efforts as the development of new power sources at home and abroad, including LNG-fired thermal power generation, coal-fired thermal power generation and renewable energy power generation, we will seek to construct a competitive portfolio of power sources.

###### **(iii) Stable and safe energy supply**

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

(iv) Expanding the marketer businesses at home and abroad

We will continue to seek the expansion of natural gas applications by encouraging wider use of gas cogeneration systems such as fuel cell systems, etc., and gas air-conditioning systems, thereby contributing to the enhancement of the living environment, energy savings for customers and business continuity in the event of disasters. In addition, we will further expand sales of electricity and provide customers with energy, such as gas and electricity, combined with a variety of services. Through our alliances with energy business operators, we will expand the marketer business in a wider geographic area in Japan.

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) Preparations for the full-scale deregulation of the gas retail market

To prepare for the full-scale deregulation of the gas retail market next year, we will optimize our business flows and IT systems, while enhancing the neutrality of the gas pipeline business.

(b) Expansion of the Life & Business Solutions Business

Based on the expertise and knowledge accumulated through our energy businesses, we will contribute to the advancement of the life and business of our customers. For the non-energy businesses relating to materials, information and city development, we will offer products and services that capitalize on our unique strengths, thereby contributing to enhancing comfort, convenience and health for customers at home and abroad.

(c) Operating Foundations

(i) Promoting technological development

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

(ii) Engagement in CSR efforts

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.

(iii) Reinforcing human resources and organization

To achieve sustainable growth, we will continue efforts to develop human resources. We will also increase the diversity of human resources to reinforce the organization so that it becomes more flexible and resilient, encouraging the creation of new value.

(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 Osaka Gas Group Corporate Principles.

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

## 5. Financial Position and Profits and Losses

| Division  | Year ended<br>March 2013<br>(195th Term) | Year ended<br>March 2014<br>(196th Term) | Year ended<br>March 2015<br>(197th Term) | Year ended<br>March 2016<br>(198th Term) |
|---|--|--|--|--|
| Net sales<br>(Millions of Yen)                                  | 1,380,060                                | 1,512,581                                | 1,528,164                                | 1,322,012                                |
| Ordinary income<br>(Millions of Yen)                            | 90,125                                   | 106,044                                  | 108,173                                  | 134,986                                  |
| Profit attributable to<br>owners of parent<br>(Millions of Yen) | 52,467                                   | 41,725                                   | 76,709                                   | 84,324                                   |
| Basic earnings per<br>share (Yen)                               | 25.20                                    | 20.04                                    | 36.86                                    | 40.53                                    |
| Total assets<br>(Millions of Yen)                               | 1,566,899                                | 1,668,317                                | 1,862,201                                | 1,829,756                                |
| Net assets<br>(Millions of Yen)                                 | 774,317                                  | 828,565                                  | 918,869                                  | 935,786                                  |

## 6. Principal Activities of the Group (as of March 31, 2016)

| Business Segment                  | Major Businesses  |
|-----------------------------------|---|
| Gas                               | Sale of gas and gas appliances, gas piping work, supply of heat   |
| LPG, Electricity and Other Energy | Sale of LPG, supply of electricity, sale of LNG and industrial gas  |
| International Energy              | Overseas supply of energy, leasing of LNG tankers, development and investment relating to oil and natural gas         |
| Life & Business Solutions         | Development and leasing of real estate, information processing service and sale of fine materials and carbon products |

## 7. Outline of Principal Subsidiaries (as of March 31, 2016)

| Company                                  | Capital<br>(Millions of<br>Yen) | Holding (%) | Main Activities   |
|--|---------------------------------|-------------|---|
| Liquid Gas Co., Ltd.                     | 1,110                           | 100         | Sale of industrial gas, LNG, LPG, etc.  |
| Osaka Gas Urban<br>Development Co., Ltd. | 1,570                           | 100         | Development, leasing,<br>management, and sale of real estate                    |
| OGIS-RI Co., Ltd.                        | 440                             | 100         | Development of software and<br>information processing services via<br>computers |
| Osaka Gas Chemicals Co., Ltd.            | 14,231                          | 100         | Manufacture and sale of fine<br>materials, carbon products, etc.                |

- Notes
1. 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).
  2. Effective July 1, 2015, OGIS-RI Co., Ltd., absorbed Osaka Gas Research Institute of Behaviour Observation Inc., one of the Group's subsidiaries.
  3. Effective April 1, 2015, Osaka Gas Chemicals Co., Ltd., absorbed Japan EnviroChemicals, Limited, one of its subsidiaries.
  4. Effective April 1, 2016, Liquid Gas Co., Ltd., ceased to be a core company of the Group after its reorganization, (company split), and was renamed Osaka Gas Liquid Co., Ltd.

## 8. Major Offices, Plants and Employees (as of March 31, 2016)

### (1) Major Offices and Plants

|              |   |  |
|--------------|---|--|
| The Company  | Head Office                                   | Head Office (Osaka Prefecture)   |
|              | Residential Energy Business Unit              | Osaka Office (Osaka Prefecture)<br>Nambu Office (Osaka Prefecture)<br>Hokubu Office (Osaka Prefecture)<br>Hyogo Office (Hyogo Prefecture)<br>Kyoto Office (Kyoto Prefecture)   |
|              | Commercial & Industrial Energy Business Unit  | Osaka Commercial & Industrial Energy Sales Dept. (Osaka Prefecture)<br>Nambu Commercial & Industrial Energy Sales Dept. (Osaka Prefecture)<br>Hokutobu Commercial & Industrial Energy Sales Dept. (Osaka Prefecture)<br>Hyogo Commercial & Industrial Energy Sales Dept. (Hyogo Prefecture)<br>Keiji Commercial & Industrial Energy Sales Dept. (Kyoto Prefecture)<br>Broader-Area Energy Sales Dept. (Osaka Prefecture) |
|              | Pipeline Business Unit                        | Osaka Pipeline Dept. (Osaka Prefecture)<br>Nambu Pipeline Dept. (Osaka Prefecture)<br>Hokutobu Pipeline Dept. (Osaka Prefecture)<br>Hyogo Pipeline Dept. (Hyogo Prefecture)<br>Keiji Pipeline Dept. (Kyoto Prefecture)   |
|              | LNG Terminal & Power Generation Business Unit | Semboku LNG Terminals (Osaka Prefecture)<br>Himeji LNG Terminal (Hyogo Prefecture)   |
|              | R&D Headquarters                              | Energy Technology Laboratories (Osaka Prefecture)  |
| Subsidiaries |   | Liquid Gas Co., Ltd. (Osaka Prefecture)<br>Osaka Gas Urban Development Co., Ltd. (Osaka Prefecture)<br>OGIS-RI Co., Ltd. (Osaka Prefecture)<br>Osaka Gas Chemicals Co., Ltd. (Osaka Prefecture)  |

Notes 1. As of April 1, 2015, the Residential Energy Business Unit reorganized its internal organization based on the description of customers' business instead of regional proximity. As of April 1, 2016, the Commercial & Industrial Energy Business Unit reorganized its internal organization based on the description of customers' business instead of regional proximity.

2. Effective April 1, 2016, Liquid Gas Co., Ltd., was renamed Osaka Gas Liquid Co., Ltd.

(2) Employees

| Business Segment                  | Number of Employees |
|-----------------------------------|---------------------|
| Gas                               | 10,817              |
| LPG, Electricity and Other Energy | 1,418               |
| International Energy              | 147                 |
| Life & Business Solutions         | 8,462               |
| Total                             | 20,844              |

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

**9. Major Lenders (as of March 31, 2016)**

| Lenders                                  | Loans Outstanding on March 31, 2016<br>(Millions of Yen) |
|--|--|
| Japan Bank for International Cooperation | 61,093   |
| Resona Bank, Limited                     | 44,490   |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd.   | 29,573   |
| Development Bank of Japan Inc.           | 21,054   |
| Nippon Life Insurance Company            | 20,973   |

## II. Officers

### 1. Details of Directors and Audit & Supervisory Board Members (as of March 31, 2016)

| Position   | Name               | Business in Charge  | Significant Concurrent Positions  |
|--|--------------------|---|---|
| Representative Director and Chairman                         | Hiroshi Ozaki      |   | Chairman of Osaka Chamber of Commerce and Industry<br>Chairman of The Japan Gas Association<br>Director of Asahi Broadcasting Corporation<br>Director of OGIS-RI Co., Ltd.<br>Director of Osaka Gas Chemicals Co., Ltd. |
| Representative Director and President<br>Executive President | Takehiro Honjo     |   | Director of Liquid Gas Co., Ltd.<br>Director of Osaka Gas Urban Development Co., Ltd.   |
| Representative Director<br>Executive Vice-President          | Hirofumi Kyutoku   | Head of Safety<br>Head of Technology<br>President of R&D Headquarters<br>Responsible for:<br>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.   |
| Representative Director<br>Executive Vice-President          | Hidetaka Matsuzaka | Head of CSR<br>President of Corporate Planning Headquarters<br>In charge of:<br>Information Communication Systems Dept., CSR & Environment Dept., Compliance Dept. and Auditing Dept.<br>Responsible for:<br>OGIS-RI Co., Ltd., Secretariat, Corporate Communication Dept., Human Resources Dept., General Affairs Dept. and Purchasing Dept. | Director of OGIS-RI Co., Ltd.   |
| Representative Director<br>Executive Vice-President          | Tetsuo Setoguchi   | In charge of:<br>Tokyo Branch, Regional Resident Representative, Overall Regional Resident Representative and Tokyo Representative<br>Responsible for:<br>Residential Energy Business Unit, Commercial & Industrial Energy Business Unit, Liquid Gas Co., Ltd., Osaka Gas Urban Development Co., Ltd., and Regional Co-Creation Division.     | Director of Liquid Gas Co., Ltd.<br>Director of Osaka Gas Urban Development Co., Ltd.   |
| Director<br>Senior Executive                                 | Kenji Ikejima      | Head of Pipeline Business Unit  |   |

|   |                       |   |   |
|---|-----------------------|---|---|
| Officer   |                       |   |   |
| Director<br>Senior<br>Executive<br>Officer            | Masaki Fujita         | In charge of:<br>Secretariat, Corporate<br>Communication Dept., Human<br>Resources Dept., General Affairs<br>Dept. and Purchasing Dept. |   |
| Director<br>Senior<br>Executive<br>Officer            | Yasuo Ryoki           | Head of Commercial & Industrial<br>Energy Business Unit   | Representative Director and<br>President of Osaka Rinkai<br>Energy Service Corporation  |
| Director<br>Senior<br>Executive<br>Officer            | Kazuhisa Yano         | Head of Energy Resources &<br>International Business Unit   |   |
| Director<br>Senior<br>Executive<br>Officer            | Eiichi Inamura        | Head of LNG Terminal & Power<br>Generation Business Unit  |   |
| Director<br>Senior<br>Executive<br>Officer            | Toshimasa<br>Fujiwara | Head of Customer Services<br>Head of Residential Energy<br>Business Unit  |   |
| Director  | Shunzo<br>Morishita   |   | Senior Adviser of NIPPON<br>TELEGRAPH AND<br>TELEPHONE WEST<br>CORPORATION<br>Director and Chairman of<br>Hanshin Expressway<br>Company Limited<br>Chairman of the Osaka<br>Prefectural Public Safety<br>Commission<br>Member of the Board of<br>Governors, Japan<br>Broadcasting Corporation |
| Director  | Hideo<br>Miyahara     |   | Specially Appointed<br>Professor at Graduate<br>School of Information<br>Science and Technology,<br>Osaka University<br>Representative Director of<br>KNOWLEDGE CAPITAL<br>Director of West Japan<br>Railway Company  |
| Audit &<br>Supervisory<br>Board Member<br>(full-time) | Shiro<br>Takenaka     |   |   |
| Audit &<br>Supervisory<br>Board Member<br>(full-time) | Akihiko Irie          |   |   |
| Audit &<br>Supervisory<br>Board Member                | Atsushi<br>Hayashi    |   | Director of Family Problems<br>Information Center   |
| Audit &   | Yoko Kimura           |   | Advisor of Japan Center for   |



|                                  |            |  |  |
|----------------------------------|------------|--|--|
| Supervisory Board Member         |            |  | Cities<br>Director of Nara Prefectural University  |
| Audit & Supervisory Board Member | Eiji Hatta |  | Professor, Faculty of Economics, Doshisha University<br>Chairman, Japan Student Baseball Association<br>President, Japan High School Baseball Federation<br>Vice President, Baseball Federation of Japan<br>Vice Chairman, Japan University Auditors Association |

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 outside directors as specified in Article 2, Item 15 of the Companies Act.
- 3) Audit & Supervisory Board Members Atsushi Hayashi, Yoko Kimura and Eiji Hatta are outside Audit & Supervisory Board Members as specified in Article 2, Item 16 of the Companies Act.
- 4) All of the outside directors and outside 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 outside director / outside Audit & Supervisory Board Member and the Company.
- 6) Director Toshimasa Fujiwara and Audit & Supervisory Board Members Akihiko Irie and Eiji Hatta were newly appointed at the 197th Annual Meeting of Shareholders held on June 26, 2015, and assumed office on the same day.
- 7) Changes in “Business in Charge” and “Significant Concurrent Positions” during the term under review

Representative Director and Chairman Hiroshi Ozaki assumed the office of Chairman of the Osaka Chamber of Commerce and Industry on December 18, 2015.

Audit & Supervisory Board Member Yoko Kimura resigned as Advisor of Japan Center for Cities on March 31, 2016.

Audit & Supervisory Board Member Eiji Hatta became Vice President of the Baseball Federation of Japan after resigning as President of said Federation on June 10, 2015. He also assumed the office of President of the Japan High School Baseball Federation on September 16, 2015.

Note 8) Directors' position, business in charge and significant concurrent positions as of April 1, 2016, were as follows.

| Position   | Name               | Business in Charge  | Significant Concurrent Positions  |
|--|--------------------|---|---|
| Representative Director and Chairman                         | Hiroshi Ozaki      |   | Chairman of Osaka Chamber of Commerce and Industry<br>Chairman of The Japan Gas Association<br>Director of Asahi Broadcasting Corporation<br>Director of OGIS-RI Co., Ltd.<br>Director of Osaka Gas Chemicals Co., Ltd. |
| Representative Director and President<br>Executive President | Takehiro Honjo     |   | Director of Osaka Gas Urban Development Co., Ltd.   |
| Representative Director<br>Executive Vice-President          | Hidetaka Matsuzaka | Responsible for:<br>Residential Energy Business Unit, Commercial & Industrial Energy Business Unit, Osaka Gas Urban Development Co., Ltd.<br>Regional Co-Creation Division, Tokyo Branch, Regional Resident Representative, Overall Regional Resident Representative and Tokyo Representative | Director of Osaka Gas Urban Development Co., Ltd.   |
| Representative Director<br>Executive Vice-President          | Tetsuo Setoguchi   | Head of Safety<br>Head of Technology<br>President of R&D Headquarters<br>Responsible for:<br>Energy Resources & International Business Unit, LNG Terminal & Power Generation Business Unit and Pipeline Business Unit   |   |
| Director<br>Senior Executive Officer                         | Kazuhisa Yano      | Head of Commercial & Industrial Energy Business Unit  | Representative Director and President of Osaka Rinkai Energy Service Corporation  |
| Director<br>Senior Executive Officer                         | Eiichi Inamura     | Head of LNG Terminal & Power Generation Business Unit   |   |
| Director<br>Senior Executive Officer                         | Toshimasa Fujiwara | In charge of:<br>Secretariat, Corporate Communication Dept., Human Resources Dept., General Affairs Dept. and Purchasing Dept.  |   |
| Director   | Hirofumi Kyutoku   |   | Director and Chairman of Osaka Gas Chemicals Co., Ltd.  |
| Director   | Kenji Ikejima      |   | Director and Chairman of OGCTS Co., Ltd.  |
| Director   | Masaki Fujita      |   | Director and Chairman of OGIS-RI Co., Ltd.  |

|          |                     |  |   |
|----------|---------------------|--|---|
| Director | Yasuo Ryoki         |  | Director and Chairman of<br>OSAKA GAS<br>AUSTRALIA PTY LTD  |
| Director | Shunzo<br>Morishita |  | Senior Adviser of NIPPON<br>TELEGRAPH AND<br>TELEPHONE WEST<br>CORPORATION<br>Director and Chairman of<br>Hanshin Expressway<br>Company Limited<br>Chairman of the Osaka<br>Prefectural Public Safety<br>Commission<br>Member of the Board of<br>Governors, Japan<br>Broadcasting Corporation |
| Director | Hideo<br>Miyahara   |  | Guest Professor, Graduate<br>School of Information<br>Science and Technology,<br>Osaka University<br>Representative Director of<br>KNOWLEDGE CAPITAL<br>Director of West Japan<br>Railway Company   |

## 2. Outside Officers

### (1) Principal Activities

| Position                         | Name             | Attendance and Comments  |
|----------------------------------|------------------|--|
| Director                         | Shunzo Morishita | Shunzo Morishita attended 11 out of 13 meetings of the Board of Directors. He made comments as appropriate based on his considerable experience in corporate and organizational management and from his independent position as an outside director.   |
| Director                         | Hideo Miyahara   | Hideo Miyahara attended 13 out of 13 meetings of the Board of Directors. He made comments as appropriate based on his considerable experience in organizational management and from his independent position as an outside director.   |
| Audit & Supervisory Board Member | Atsushi Hayashi  | Atsushi Hayashi attended 13 out of 13 meetings of the Board of Directors, where he made no comment on the exercise of rights as Audit & Supervisory Board Member. He also attended 14 out of 14 meetings of the Audit & Supervisory Board, where 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 | Yoko Kimura      | Yoko Kimura attended 13 out of 13 meetings of the Board of Directors, where she made no comment on the exercise of rights as Audit & Supervisory Board Member. She also attended 14 out of 14 meetings of the Audit & Supervisory Board, where she 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 | Eiji Hatta       | After he assumed office on June 26, 2015, Eiji Hatta attended 11 out of 11 meetings of the Board of Directors where he made no comment on the exercise of rights as an Audit & Supervisory Board Member. He also attended 11 out of 11 meetings of the Audit & Supervisory Board, where 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. |

### (2) Summary of Agreement Limiting Liability

Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act and the Company's Articles of Incorporation, the Company has an agreement with each of the outside directors and outside Audit & Supervisory Board Members to limit the liability for damages under Article 423, Paragraph 1 of the Companies Act to the minimum liability amount provided for in laws and regulations.

## 3. 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 outside 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 outside 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

|                                     |              |
|-------------------------------------|--------------|
| 14 Directors                        | ¥569 million |
| 6 Audit & Supervisory Board Members | ¥95 million  |

(including ¥51 million for 5 outside officers)

Note: The numbers and the amounts above include one director and one Audit & Supervisory Board Member who resigned at the end of the 197th Annual Meeting of Shareholders held on June 26, 2015.

### III. Shares (as of March 31, 2016)

#### 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                   | 120,797              |

\*3,256,640 treasury shares are included.

#### 2. Principal Shareholders

| Shareholders   | Number of shares held<br>(1,000 shares) | Shareholding ratio (%) |
|--|---|------------------------|
| Nippon Life Insurance Company                        | 96,212                                  | 4.63                   |
| Japan Trustee Services Bank, Ltd. (trust account)    | 92,770                                  | 4.46                   |
| The Master Trust Bank of Japan, Ltd. (trust account) | 89,666                                  | 4.31                   |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd.               | 69,929                                  | 3.36                   |
| Resona Bank, Limited                                 | 52,777                                  | 2.54                   |
| STATE STREET BANK WEST CLIENT-TREATY 505234          | 33,327                                  | 1.60                   |
| Aioi Nissay Dowa Insurance Co., Ltd.                 | 29,865                                  | 1.44                   |
| Japan Trustee Services Bank, Ltd. (trust account 9)  | 29,266                                  | 1.41                   |
| Meiji Yasuda Life Insurance Company                  | 29,191                                  | 1.40                   |
| Japan Trustee Services Bank, Ltd. (trust account 7)  | 26,423                                  | 1.27                   |

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. Remuneration, etc., for Accounting Auditor

(1) Amount of Fees and Other Charges Payable to the Accounting Auditor for the Fiscal Year under Review

|  |  |              |
|--|--|--------------|
| 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 Act (Note)   | ¥88 million  |
|  | (ii) Amount of fees and other charges for services other than audit services in Article 2, paragraph 1 of the Certified Public Accountants Act | ¥17 million  |
| Total amount of cash and other financial benefits payable by the Company and its subsidiaries                      |  | ¥256 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.

(2) Reason for the Audit & Supervisory Board's Consent for Remuneration, etc., for the Accounting Auditor

The Audit & Supervisory Board considered such items as the accounting auditor's audit plans, the status of the accounting auditor pursuing its duties and the basis of estimates for remuneration. As a result, the Audit & Supervisory Board judged that the remuneration, etc., for the accounting auditor was appropriate and provided consent as stipulated in Article 399, Paragraph 1 of the Companies Act.

##### 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 the event that the accounting auditor falls under any of the items of Article 340, Paragraph 1 of the Companies Act, the Company's Audit & Supervisory Board will dismiss the accounting auditor upon the unanimous agreement of all Audit & Supervisory Board Members. In addition, in the event that the accounting auditor's proper performance of its duties is found to be difficult based on the Audit & Supervisory Board's comprehensive evaluation of the accounting auditor in terms of qualifications, expertise and independence, the Audit & Supervisory Board will determine the content of a proposal regarding the dismissal or non-reappointment of the accounting auditor to be submitted to the shareholders' meeting.

## **V. Systems to Ensure the Properness of Operations**

### **I. Description of Internal Control Systems**

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, and such systems are briefly described below.

#### **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) For the Board of Directors to make appropriate decisions and enhance its supervisory role, executive directors shall retain independent outside officers. In addition, the executive officer system shall be adopted to enhance the Board of Directors' supervisory role and ensure efficiency in the execution of duties.
- (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 the 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 promote business activities in a fair and appropriate manner, which includes contributing to the preservation of the environment, promoting social contribution activities and dissociating from antisocial forces.
- (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 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) The emergencies that might have a material impact on the management of the Group shall be addressed according to the regulations on disaster countermeasures and business contingency plans.

#### 4. Systems to ensure the efficient execution of duties

- (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. Other systems to ensure the properness of business operations

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) Internal control procedures shall be maintained, operated and evaluated in relation to financial reporting to ensure its credibility.

6. Matters concerning employees assisting Audit & Supervisory Board Members in the performance of their duties
  - (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 regarding the evaluation, transfer, etc., of Audit & Supervisory Board Members' assistants shall be sought in advance and respected.
8. Systems for 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 of the Group or auditors of the affiliated companies 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.
  - (4) Executive directors and other supervisors of the Group shall not disadvantageously treat any person who reports to the Audit & Supervisory Board Members according to the preceding items for the reason that such report was made.
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.
  - (3) Executive directors shall ensure the Company provides the expenses or liabilities necessary for the execution of the duties of the Audit & Supervisory Board Members.
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.

## II. Operating Status of the Internal Control Systems

The Company confirms the operating status of the internal control systems on a periodic basis by receiving reports from the organizational heads and other persons concerned. At the meeting of the Board of Directors held on April 27, 2016, it was reported that the internal control systems were operating in a proper manner.

The operating status of the internal control systems during the fiscal year under review is described in the following.

### (1) Matters concerning compliance

The CSR Committee has been promoting CSR activities through the “Compliance Subcommittee,” the “Environment Subcommittee” and the “Social Contribution Subcommittee,” and newly set up the “Information Security Subcommittee” during the fiscal year under review to reinforce the management of information security across the Group.

Educational materials, including a guide to the “Osaka Gas Group Code of Business Conduct,” are posted on the intranet at all times to familiarize directors and employees with said Code and promote the understanding. During the fiscal year under review, a section of the intranet to introduce related laws and regulations was initiated to enhance the educational materials for further understanding. Regarding a consulting and reporting system as an internal reporting system, questions and answers about how to use the system were provided on the intranet.

### (2) Matters concerning risk management

Organizational heads of the Company and presidents of the affiliated companies promote the management of the risk of losses and periodically conduct risk management assessments. Each basic organization or affiliated company sets risk items by using the “G-RIMS (Gas Group Risk Management System)”, which systematizes the self-assessment of risk management practices, and checks the status of management concerning the risk items and provides follow-up. Regarding the management of risks concerning security and disaster prevention which are common to the Group, the organization in charge is clearly specified, and the organization supports each basic organization and affiliated company to ensure risk management on a Group-wide basis.

To prepare for emergencies, regulations for disaster countermeasure and business continuity plans are prepared. During the fiscal year under review, as the use of coastal disaster prevention blocks and the retail sale of electricity started, related regulations were revised.

### (3) Matters concerning the management of businesses in the Group

The affiliated companies to be managed by the core companies or the management support organizations are designated and their managerial tasks are monitored by receiving reports on important issues from the affiliated companies. In addition, day-to-day management of those affiliated companies is performed by using the G-RIMS and/or conducting audits.

The Company’s Auditing Department, which conducts internal audits, implements planned internal audits of the Company’s organizations and the affiliated companies and provides follow-up audits after a certain period of time.

### (4) Matters concerning the effectiveness of audits by Audit & Supervisory Board Members

Full-time Audit & Supervisory Board Members have periodic exchange of opinions with the representative director and chairman, the representative director and president and the accounting auditor, in which outside Audit & Supervisory Board Members also participate as necessary. Partly through the opportunity to exchange opinions with the accounting auditor, Audit & Supervisory Board Members evaluate the qualifications, expertise and independence of the accounting auditor. Full-time Audit & Supervisory Board Members attend important meetings, such as the Management Meeting and the Investment Evaluation Committee, and read approval documents and other important documents.

During the fiscal year under review, according to the resolution to revise the internal control systems at the meeting of the Board of Directors held on April 27, 2015 (the revision took effect on May 1, 2015), systems for reporting to Audit & Supervisory Board Members were enhanced by clarifying important matters to be reported to Audit & Supervisory Board Members and promoting

awareness thereof.

Four assistants to Audit & Supervisory Board Members are in place to engage solely in assisting Audit & Supervisory Board Members in the performance of their duties.

## Consolidated Balance Sheet (As of March 31, 2016)

(Millions of Yen)

| Assets                               |                  | Liabilities   |                  |
|--------------------------------------|------------------|---|------------------|
| <b>Non-current assets</b>            | <b>1,313,119</b> | <b>Non-current liabilities</b>                        | <b>594,633</b>   |
| <b>Property, plant and equipment</b> | <b>911,659</b>   | Bonds payable   | 184,975          |
| Production facilities                | 89,192           | Long-term loans payable                               | 300,588          |
| Distribution facilities              | 297,424          | Deferred tax liabilities                              | 21,864           |
| Service and maintenance facilities   | 60,257           | Provision for gas holder repairs                      | 1,649            |
| Other facilities                     | 291,836          | Provision for safety measures                         | 12,549           |
| Construction in progress             | 172,949          | Provision for loss on investment                      | 6,999            |
|                                      |                  | Provision for loss on guarantees                      | 1,757            |
|                                      |                  | Provision for warranty on gas appliance               | 8,377            |
|                                      |                  | Net defined benefit liability                         | 18,145           |
|                                      |                  | Other   | 37,725           |
| <b>Intangible assets</b>             | <b>89,613</b>    | <b>Current liabilities</b>                            | <b>299,336</b>   |
| <b>Investments and other assets</b>  | <b>311,846</b>   | Current portion of non-current liabilities            | 54,521           |
| Investment securities                | 236,774          | Notes and accounts payable-trade                      | 53,882           |
| Net defined benefit asset            | 25,154           | Short-term loans payable                              | 25,916           |
| Other                                | 51,729           | Income taxes payable                                  | 33,834           |
| Allowance for doubtful accounts      | (1,811)          | Other   | 131,181          |
|                                      |                  | <b>Total liabilities</b>                              | <b>893,970</b>   |
|                                      |                  | <b>Net assets</b>                                     |                  |
| <b>Current assets</b>                | <b>516,636</b>   | <b>Shareholders' equity</b>                           | <b>862,613</b>   |
| Cash and deposits                    | 209,982          | Capital stock   | 132,166          |
| Notes and accounts receivable-trade  | 167,246          | Capital surplus                                       | 19,320           |
| Inventories                          | 79,782           | Retained earnings                                     | 712,401          |
| Other                                | 60,735           | Treasury shares                                       | (1,275)          |
| Allowance for doubtful accounts      | (1,110)          | <b>Accumulated other comprehensive income</b>         | <b>44,010</b>    |
|                                      |                  | Valuation difference on available-for-sale securities | 44,143           |
|                                      |                  | Deferred gains or losses on hedges                    | (12,347)         |
|                                      |                  | Revaluation reserve for land                          | (737)            |
|                                      |                  | Foreign currency translation adjustment               | 28,924           |
|                                      |                  | Remeasurements of defined benefit plans               | (15,972)         |
|                                      |                  | <b>Non-controlling interests</b>                      | <b>29,162</b>    |
|                                      |                  | <b>Total net assets</b>                               | <b>935,786</b>   |
| <b>Total assets</b>                  | <b>1,829,756</b> | <b>Total liabilities and net assets</b>               | <b>1,829,756</b> |

**Consolidated Statement of income (April 1, 2015 to March 31, 2016)**

(Millions of Yen)

| Account   | Amount           |
|---|------------------|
| <b>Net sales</b>  | <b>1,322,012</b> |
| <b>Cost of sales</b>  | <b>814,760</b>   |
| <b>[Gross profit]</b>                                       | <b>[507,251]</b> |
| <b>Selling, general and administrative expenses</b>         | <b>360,576</b>   |
| <b>[Operating income]</b>                                   | <b>[146,674]</b> |
| <b>Non-operating income</b>                                 | <b>9,867</b>     |
| Interest income   | 448              |
| Dividend income   | 3,262            |
| Miscellaneous income  | 6,156            |
| <b>Non-operating expenses</b>                               | <b>21,555</b>    |
| Interest expenses   | 10,003           |
| Share of loss of entities accounted for using equity method | 4,538            |
| Miscellaneous expenses                                      | 7,012            |
| <b>[Ordinary income]</b>                                    | <b>[134,986]</b> |
| <b>Extraordinary income</b>                                 | <b>2,467</b>     |
| Gain on sales of non-current assets                         | 2,467            |
| <b>Extraordinary losses</b>                                 | <b>14,588</b>    |
| Impairment loss   | 14,588           |
| <b>[Income before income taxes]</b>                         | <b>[122,865]</b> |
| <b>Income taxes-current</b>                                 | <b>43,394</b>    |
| <b>Income taxes-deferred</b>                                | <b>(5,478)</b>   |
| <b>Profit</b>   | <b>[84,949]</b>  |
| <b>Profit attributable to non-controlling interests</b>     | <b>624</b>       |
| <b>Profit attributable to owners of parent</b>              | <b>84,324</b>    |

## Consolidated Statement of Changes in Equity (April 1, 2015 to March 31, 2016)

(Millions of 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 |                           |                  |
| <b>Balance at beginning of current period</b>   | 132,166              | 19,488          | 648,896           | (938)           | 799,613                    | 50,868  | (6,519)                            | (737)                        | 39,341                                  | 5,929                                   | 88,882                                       | 30,373                    | 918,869          |
| <b>Changes of items during period</b>   |                      |                 |                   |                 |                            |   |                                    |                              |   |   |  |                           |                  |
| Dividends of surplus  |                      |                 | (20,808)          |                 | (20,808)                   |   |                                    |                              |   |   |  |                           | (20,808)         |
| Profit attributable to owners of parent   |                      |                 | 84,324            |                 | 84,324                     |   |                                    |                              |   |   |  |                           | 84,324           |
| Change of scope of equity method  |                      |                 | (11)              |                 | (11)                       |   |                                    |                              |   |   |  |                           | (11)             |
| Purchase of treasury shares   |                      |                 |                   | (357)           | (357)                      |   |                                    |                              |   |   |  |                           | (357)            |
| Disposal of treasury shares   |                      | 4               |                   | 20              | 25                         |   |                                    |                              |   |   |  |                           | 25               |
| Changes in ownership interest of subsidiaries arising from transactions with non-controlling shareholders |                      | (173)           |                   |                 | (173)                      |   |                                    |                              |   |   |  |                           | (173)            |
| Net changes of items other than shareholders' equity  |                      |                 |                   |                 |                            | (6,724)   | (5,827)                            |                              | (10,417)                                | (21,902)                                | (44,871)                                     | (1,211)                   | (46,083)         |
| <b>Total changes of items during period</b>   | —                    | (168)           | 63,504            | (336)           | 62,999                     | (6,724)   | (5,827)                            | —                            | (10,417)                                | (21,902)                                | (44,871)                                     | (1,211)                   | 16,916           |
| <b>Balance at end of current period</b>   | 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          |

## Non-Consolidated Balance Sheet (As of March 31, 2016)

(Millions of Yen)

| Assets  |                  | Liabilities  |                  |
|---|------------------|--|------------------|
| <b>Non-current assets</b>                                   | <b>1,107,538</b> | <b>Non-current liabilities</b>                               | <b>436,626</b>   |
| <b>Property, plant and equipment</b>                        | <b>459,174</b>   | Bonds payable  | 184,975          |
| Production facilities                                       | 88,175           | Long-term loans payable                                      | 200,307          |
| Distribution facilities                                     | 296,857          | Long-term debt to subsidiaries and associates                | 1,135            |
| Service and maintenance facilities                          | 59,399           | Deferred tax liabilities                                     | 12,323           |
| Facilities for incidental businesses                        | 3,698            | Provision for retirement benefits                            | 5,023            |
| Construction in progress                                    | 11,043           | Provision for gas holder repairs                             | 1,610            |
| <b>Intangible assets</b>                                    | <b>11,384</b>    | Provision for safety measures                                | 12,549           |
| Patent right  | 12               | Provision for investment loss                                | 6,999            |
| Leasehold right   | 2,973            | Provision for loss on guarantees                             | 1,757            |
| Other intangible assets                                     | 8,398            | Provision for warranty on gas appliance                      | 8,377            |
| <b>Investments and other assets</b>                         | <b>636,978</b>   | Other noncurrent liabilities                                 | 1,565            |
| Investment securities                                       | 65,496           | <b>Current liabilities</b>                                   | <b>293,405</b>   |
| Investments in subsidiaries and associates                  | 323,067          | Current portion of non-current liabilities                   | 40,815           |
| Long-term loans receivable from subsidiaries and associates | 188,052          | Accounts payable-trade                                       | 24,025           |
| Investments in capital                                      | 21               | Accounts payable-other                                       | 26,503           |
| Long-term prepaid expenses                                  | 7,122            | Accrued expenses   | 36,664           |
| Prepaid pension cost  | 48,691           | Income taxes payable   | 25,327           |
| Other investments and other assets                          | 5,018            | Advances received  | 8,774            |
| Allowance for doubtful accounts                             | (492)            | Deposits received  | 1,484            |
|   |                  | Short-term loans payable to subsidiaries and associates      | 102,519          |
|   |                  | Short-term debt to subsidiaries and associates               | 21,485           |
|   |                  | Other current liabilities                                    | 5,804            |
|   |                  | <b>Total liabilities</b>                                     | <b>730,031</b>   |
| <b>Current assets</b>                                       | <b>317,682</b>   | <b>Net assets</b>  |                  |
| Cash and deposits   | 145,540          | <b>Shareholders' equity</b>                                  | <b>669,140</b>   |
| Notes receivable-trade                                      | 398              | <b>Capital stock</b>   | <b>132,166</b>   |
| Accounts receivable-trade                                   | 79,679           | <b>Capital surplus</b>                                       | <b>19,493</b>    |
| Accounts receivable from subsidiaries and associates-trade  | 12,084           | Legal capital surplus  | 19,482           |
| Accounts receivable-other                                   | 8,442            | Other capital surplus  | 10               |
| Securities  | 12               | <b>Retained earnings</b>                                     | <b>518,756</b>   |
| Finished goods  | 147              | Legal retained earnings                                      | 33,041           |
| Raw materials   | 28,162           | Other retained earnings                                      |                  |
| Supplies  | 9,050            | Reserve for reduction entry of specified replaced properties | 241              |
| Short-term receivables from subsidiaries and associates     | 20,343           | Reserve for overseas investment loss                         | 20,598           |
| Deferred tax assets   | 7,718            | Reserve for adjustment of cost fluctuations                  | 89,000           |
| Other current assets  | 6,432            | General reserve  | 62,000           |
| Allowance for doubtful accounts                             | (329)            | Retained earnings brought forward                            | 313,873          |
|   |                  | <b>Treasury shares</b>                                       | <b>(1,275)</b>   |
|   |                  | Treasury shares  | (1,275)          |
|   |                  | <b>Valuation and translation adjustments</b>                 | <b>26,048</b>    |
|   |                  | Valuation difference on available-for-sale securities        | 32,303           |
|   |                  | Deferred gains or losses on hedges                           | (6,254)          |
|   |                  | <b>Total net assets</b>                                      | <b>695,189</b>   |
| <b>Total assets</b>   | <b>1,425,220</b> | <b>Total liabilities and net assets</b>                      | <b>1,425,220</b> |



**Non-Consolidated Statement of income (April 1, 2015 to March 31, 2016)**

(Millions of Yen)

| <b>Costs and Expenses</b>                                  |                  | <b>Revenue</b>                             |                  |
|--|------------------|--|------------------|
| <b>Cost of sales</b>                                       | <b>386,959</b>   | <b>Product sales</b>                       | <b>757,197</b>   |
| Beginning inventories                                      | 227              | Gas sales                                  | 757,197          |
| Cost of products manufactured                              | 391,459          |  |                  |
| Purchase of finished goods                                 | 0                |  |                  |
| Costs of gas for own use                                   | 4,579            |  |                  |
| Ending inventories   | 147              |  |                  |
| <b>[Gross profit]</b>                                      | <b>[370,238]</b> |  |                  |
| <b>Supply and sales expenses</b>                           | <b>234,997</b>   |  |                  |
| <b>General and administrative expenses</b>                 | <b>54,678</b>    |  |                  |
| <b>[Income on core business]</b>                           | <b>[80,562]</b>  |  |                  |
| <b>Miscellaneous operating expenses</b>                    | <b>122,254</b>   | <b>Miscellaneous operating revenue</b>     | <b>133,217</b>   |
| Expenses of installation work                              | 23,466           | Revenue from installation work             | 24,795           |
| Expenses of gas appliance sales                            | 98,787           | Revenue from gas appliance sales           | 102,594          |
|  |                  | Third party access revenue                 | 2,325            |
|  |                  | Other miscellaneous operating revenue      | 3,503            |
| <b>Expenses for incidental businesses</b>                  | <b>128,789</b>   | <b>Revenue for incidental businesses</b>   | <b>149,318</b>   |
| Expenses for electric supply business                      | 73,153           | Revenue from electric supply business      | 86,262           |
| Expenses for LNG sales                                     | 44,848           | Revenue from LNG sales                     | 50,812           |
| Expenses for other incidental businesses                   | 10,788           | Revenue from other incidental businesses   | 12,243           |
| <b>[Operating income]</b>                                  | <b>[112,054]</b> |  |                  |
| <b>Non-operating expenses</b>                              | <b>15,352</b>    | <b>Non-operating income</b>                | <b>16,647</b>    |
| Interest expenses  | 4,766            | Interest income                            | 1,890            |
| Interest on bonds  | 3,912            | Interest on securities                     | 77               |
| Loss on valuation of shares of subsidiaries and associates | 2,952            | Dividend income                            | 1,380            |
| Miscellaneous expenses                                     | 3,720            | Dividends from subsidiaries and associates | 6,258            |
|  |                  | Miscellaneous income                       | 7,039            |
| <b>[Ordinary income]</b>                                   | <b>[113,349]</b> |  |                  |
| <b>[Income before income taxes]</b>                        | <b>[113,349]</b> |  |                  |
| <b>Income taxes-current</b>                                | <b>31,200</b>    |  |                  |
| <b>Income taxes-deferred</b>                               | <b>(1,135)</b>   |  |                  |
| <b>Profit</b>  | <b>83,285</b>    |  |                  |
| <b>Total</b>   | <b>1,056,381</b> | <b>Total</b>                               | <b>1,056,381</b> |

**Non-Consolidated Statement of Changes in Equity (April 1, 2015 to March 31, 2016)**

(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 |                 |                            |   |                                    |   |                  |
| <b>Balance at beginning of current period</b>                             | 132,166              | 19,482                | 6                     | 19,488                | 33,041                  | 239  | 18,189                               | 89,000                                      | 62,000          | 253,808                           | 456,278                 | (938)           | 606,995                    | 35,655  | (5,261)                            | 30,393                                      | 637,389          |
| <b>Changes of items during period</b>                                     |                      |                       |                       |                       |                         |  |                                      |   |                 |                                   |                         |                 |                            |   |                                    |   |                  |
| Provision of reserve for reduction entry of specified replaced properties |                      |                       |                       |                       |                         | 2  |                                      |   |                 | (2)                               | —                       |                 | —                          |   |                                    |   | —                |
| Provision of reserve for overseas investment loss                         |                      |                       |                       |                       |                         |  | 4,775                                |   |                 | (4,775)                           | —                       |                 | —                          |   |                                    |   | —                |
| Reversal of reserve for overseas investment loss                          |                      |                       |                       |                       |                         |  | (2,366)                              |   |                 | 2,366                             | —                       |                 | —                          |   |                                    |   | —                |
| Dividends of surplus  |                      |                       |                       |                       |                         |  |                                      |   |                 | (20,808)                          | (20,808)                |                 | (20,808)                   |   |                                    |   | (20,808)         |
| Net income  |                      |                       |                       |                       |                         |  |                                      |   |                 | 83,285                            | 83,285                  |                 | 83,285                     |   |                                    |   | 83,285           |
| Purchase of treasury shares   |                      |                       |                       |                       |                         |  |                                      |   |                 |                                   |                         | (357)           | (357)                      |   |                                    |   | (357)            |
| Disposal of treasury shares   |                      |                       | 4                     | 4                     |                         |  |                                      |   |                 |                                   |                         | 20              | 25                         |   |                                    |   | 25               |
| Net changes of items other than shareholders' equity                      |                      |                       |                       |                       |                         |  |                                      |   |                 |                                   |                         |                 |                            | (3,352)   | (992)                              | (4,344)                                     | (4,344)          |
| <b>Total changes of items during period</b>                               | —                    | —                     | 4                     | 4                     | —                       | 2  | 2,408                                | —   | —               | 60,065                            | 62,477                  | (336)           | 62,145                     | (3,352)   | (992)                              | (4,344)                                     | 57,800           |
| <b>Balance at end of current period</b>                                   | 132,166              | 19,482                | 10                    | 19,493                | 33,041                  | 241  | 20,598                               | 89,000                                      | 62,000          | 313,873                           | 518,756                 | (1,275)         | 669,140                    | 32,303  | (6,254)                            | 26,048                                      | 695,189          |

## **Independent Auditor's Report**

May 13, 2016

The Board of Directors  
Osaka Gas Co., Ltd.

KPMG AZSA LLC

Kenryo Goto(Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certificated Public Account

Toshiro Miyabayashi(Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certificated Public Account

Kenta Tsujii(Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certificated Public Account

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, 2016 and for the year from April 1, 2015 to March 31, 2016 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 judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### **Opinion**

In our opinion, the consolidated financial statements 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, 2016

The Board of Directors  
Osaka Gas Co., Ltd.

KPMG AZSA LLC

Kenryo Goto(Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certificated Public Account

Toshiro Miyabayashi(Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certificated Public Account

Kenta Tsujii(Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certificated Public Account

We have audited the financial statements, comprising the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the supplementary schedules of Osaka Gas Co., Ltd. as at March 31, 2016 and for the year from April 1, 2015 to March 31, 2016 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 judgement, 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**

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 198th fiscal year from April 1, 2015 to March 31, 2016. 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 the group of enterprises consisting of stock company and its subsidiaries 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 investigated whether the accounting auditor maintains its independency and conducts appropriate audits and 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, 2016.

## 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 and the content of the business report are fair and proper. In addition, there is no matter of concern regarding the execution by the directors of their duties in respect of the internal control system, as it has been continuously improved.

### (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 20, 2016

|  |   |
|--|---|
| OSAKA GAS CO., LTD., Audit & Supervisory Board |   |
| Shiro Takenaka                                 | Full-Time Audit & Supervisory Board Member [seal] |
| Akihiko Irie                                   | Full-Time Audit & Supervisory Board Member [seal] |
| Atsushi Hayashi                                | Outside Audit & Supervisory Board Member [seal]   |
| Yoko Kimura                                    | Outside Audit & Supervisory Board Member [seal]   |
| Eiji Hatta                                     | Outside Audit & Supervisory Board Member [seal]   |