Financial Section

Consolidated Financial Highlights

Osaka Gas Co., Ltd. and Consolidated Subsidiaries
Fiscal years ended March 31, 2002 through 2012

	2002	2003	2004	2005
Financial Data				
Net sales	¥ 973,565	¥ 947,977	¥ 951,324	¥ 975,340
Operating income	96,676	85,974	92,096	95,992
Income before income taxes and minority interests	65,363	51,025	78,161	83,904
Net income	39,418	29,685	47,065	50,683
Capital expenditure	89,938	67,107	69,779	65,517
Depreciation and amortization	88,793	82,805	89,564	86,858
R&D expenses	15,047	13,725	12,379	11,404
Total assets	1,243,520	1,209,627	1,199,228	1,217,463
Equity	468,706	453,284	495,635	530,862
Interest-bearing debt	465,015	494,535	455,700	448,521
Net cash provided by operating activities	155,121	92,573	132,891	116,902
Net cash used in investing activities	(88,546)	(49,629)	(67,877)	(65,679)
Net cash used in financing activities	(82,868)	(30,093)	(75,930)	(23,912)
Number of shares issued and outstanding (thousands)	2,369,011	2,369,011	2,369,011	2,369,011
Per Share Data (yen and U.S. dollars)				
Earnings per share (EPS)	¥ 16.33	¥ 12.56	¥ 20.56	¥ 22.69
Book value per share (BPS)	197.85	197.28	222.15	238.15
Cash dividends	6.00	6.00	6.00	6.00
Key Ratios				
Shareholders' equity ratio	37.7%	37.5%	41.3%	43.6%
Debt equity ratio (times)	0.99	1.09	0.92	0.84
Interest coverage ratio (times)	13.2	14.2	12.9	16.1
Return on assets (ROA)	3.1%	2.4%	3.9%	4.2%
Return on equity (ROE)	8.4%	6.4%	9.9%	9.9%
Gas sales volume (million m^3)	7,479	7,701	7,779	8,072
Number of meters installed (thousands)	6,484	6,579	6,650	6,725
Number of employees	14,878	15,020	15,276	15,992

Notes:
- The translation of Japanese yen amounts into U.S. dollar amounts is based on the prevailing exchange rate at March 31, 2012, which was ¥82.19 to U.S.$1.0.
- Equity ratio = Equity / Total assets (as of the end of the fiscal years ended March 31)
- Debt equity ratio = Interest-bearing debt / Equity (as of the end of the fiscal years ended March 31)
- Interest coverage ratio = Cash flows from operating activities / Interest expenses
- Return on assets (ROA) = Net income / Total assets (average)
- Return on equity (ROE) = Net income / Average equity (up to 2006/3, "average equity" was "shareholders' assets [average]")
- Figures in the financial data are rounded down.
- Gas sales volume and number of gas meters installed through 2002/3 are shown on a non-consolidated basis.

							Millions of Yen	Thousands of U.S. Dollars
	2006	2007	2008	2009	2010	2011	**2012**	**2012**
	¥1,065,961	¥1,174,456	¥1,238,145	¥1,326,785	¥1,096,628	¥1,187,142	**¥1,294,781**	**$15,753,510**
	100,657	93,729	75,611	66,932	91,140	88,584	**77,274**	**940,187**
	132,393	88,078	72,478	64,510	82,572	81,587	**75,694**	**920,963**
	80,710	52,929	40,283	36,041	48,384	45,968	**45,207**	**550,030**
	117,455	95,267	111,087	106,087	98,246	69,600	**87,171**	**1,060,603**
	84,250	84,031	95,253	86,549	95,402	97,569	**93,624**	**1,139,116**
	11,324	9,906	10,178	9,603	10,670	10,918	**10,974**	**133,519**
	1,398,692	1,405,682	1,467,934	1,452,457	1,483,895	1,437,297	**1,475,759**	**17,955,456**
	628,510	668,887	648,592	612,566	666,689	664,959	**684,584**	**8,329,285**
	487,509	487,827	566,441	573,483	539,081	532,493	**541,349**	**6,586,555**
	152,935	98,354	134,282	120,691	229,714	126,399	**122,793**	**1,494,013**
	(162,989)	(99,765)	(132,029)	(108,102)	(111,265)	(82,408)	**(107,764)**	**(1,311,157)**
	13,245	(22,009)	12,495	(3,438)	(49,553)	(41,257)	**(8,279)**	**(100,730)**
	2,235,669	2,235,669	2,158,383	2,158,383	2,158,383	2,083,400	**2,083,400**	
	¥ 36.18	¥ 23.77	¥ 18.27	¥ 16.72	¥ 22.50	¥ 21.62	**¥ 21.71**	**$0.264**
	282.12	300.61	300.76	284.21	310.39	319.33	**328.77**	**4.000**
	7.00	7.00	7.00	7.00	7.00	8.00	**8.00**	**0.097**
	44.9%	47.6%	44.2%	42.2%	44.9%	46.3%	**46.4%**	
	0.78	0.73	0.87	0.94	0.81	0.80	**0.79**	
	23.6	10.3	13.6	11.5	23.1	14.0	**13.8**	
	6.2%	3.8%	2.8%	2.5%	3.3%	3.1%	**3.1%**	
	13.9%	8.1%	6.1%	5.7%	7.6%	6.9%	**6.7%**	
	8,469	8,764	8,917	8,416	8,150	8,560	**8,711**	
	6,785	6,848	6,913	6,971	7,009	7,041	**7,045**	
	16,077	16,435	16,682	19,009	19,268	19,684	**19,818**	

Management's Discussion and Analysis

1. Operating Environment

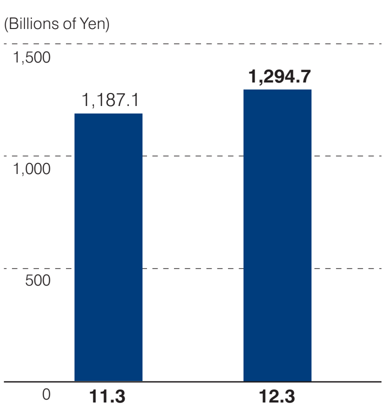
In the fiscal year under review, ended March 31, 2012, the Japanese economy experienced a period of recession early in the year due to sluggish corporate activity following the Great East Japan Earthquake, which occurred on March 11, 2011. Later, conditions recovered rapidly starting in the summer as a result of the quick reestablishment of supply chains in the manufacturing industry. However, in the fall, the economy again began to slow due to the persistent appreciation of the yen, global economic recession, and the delayed start of a full-fledged, post-earthquake reconstruction movement. In this manner, the Japanese economy was faced with a complicated mix of positive and negative factors throughout the fiscal year under review.

2. Highlights of the Fiscal Year Ended March 31, 2012

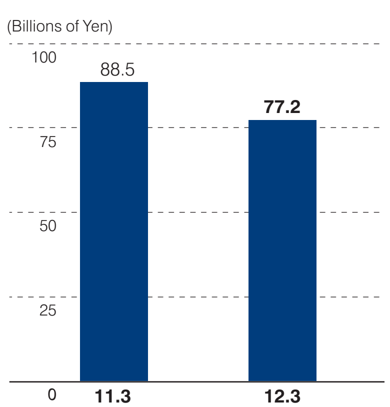
Consolidated net sales for the fiscal year ended March 31, 2012, increased by ¥107.6 billion (9.1%) year on year, to ¥1,294.7 billion, largely because gas unit prices remained high under the Fuel Cost Adjustment System. Meanwhile, consolidated operating income declined by ¥11.3 billion (12.8%), to ¥77.2 billion, primarily due to a rise in gas raw material prices. Likewise, consolidated net income decreased by ¥0.7 billion (1.7%), to ¥45.2 billion.

As of March 31, 2012, the Company had 133 consolidated subsidiaries. During the fiscal year, three companies were excluded and five companies were added to the scope of consolidation. In addition, two companies were added to the number of affiliates reported by the equity method, making a total of nine affiliates at the end of the fiscal year.

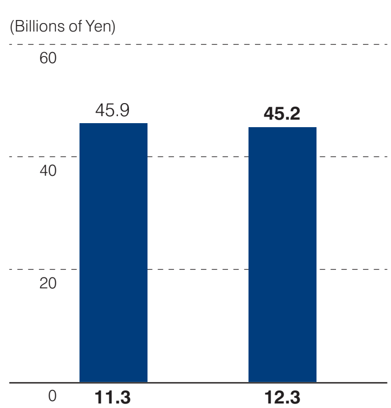
Net Sales



Operating Income



Net Income



3. Non-consolidated Gas Sales

In the fiscal year ended March 31, 2012, overall gas sales volumes for Osaka Gas rose by 1.8% from the previous fiscal year to 8,681 million m³. Included in this amount, residential gas sales volumes were relatively unchanged from the previous fiscal year at 2,271 million m³. Industrial gas sales volumes rose by 5.2%, to 4,355 million m³, as a result of increased facility usage by existing customers and strong development of demand. Commercial gas sales and gas sales for public and medical uses, however, were impacted by energy-saving efforts of customers and thus declined by 3.0%, to 1,575 million m³. Wholesale gas sales decreased by 1.5%, to 480 million m³.

Non-consolidated Gas Sales

[45MJ/m³]			2011/3	2012/3	Change	Change (%)
Average monthly usage per customer (m³/month)			32.7	**32.6**	–0.1	–0.4
Gas sales volumes	Residential		2,275	**2,271**	–4	–0.2
(million m³)	Commercial and industrial		5,765	**5,930**	+165	+2.9
		Industrial	4,141	**4,355**	+214	+5.2
		Commercial, public, and medical	1,624	**1,575**	–49	–3.0
	Wholesale		488	**480**	–7	–1.5
	Total		8,528	**8,681**	+154	+1.8

4. Overview by Business Segment

Gas Businesses

Net sales for the gas businesses segment which accounts for the largest percentage of total net sales, were up ¥96.6 billion (11.0%) year on year, to ¥976.5 billion, because gas unit prices remained high under the Fuel Cost Adjustment System. Segment income, meanwhile, declined by ¥20.9 billion (49.9%), to ¥20.9 billion, due to a rise in raw materials prices.

LPG, Electricity and Other Energies Businesses

Net sales from this segment increased by ¥23.2 billion (13.3%), to ¥198.0 billion, due to higher revenues from the electricity business as a result of the smooth operation of the Semboku Natural Gas Power Plant. Segment income was up ¥6.8 billion (26.7%), to ¥32.4 billion.

International Energy Businesses

Net sales from the international energy businesses segment were approximately the same as the previous fiscal year at ¥11.1 billion. There was an increase in segment income of ¥3.6 billion (74.3%) to ¥8.6 billion, mainly due to higher income from the North Sea Oil Field (Idemitsu Snorre Oil Development Co., Ltd.) and the IPP business in Spain (Bizkaia Energia).

Environment and Non-Energy Businesses

Net sales from the environment and non-energy businesses segment were relatively unchanged from the previous fiscal year at ¥184.5 billion. Segment income was up ¥2.8 billion (18.5%), to ¥18.5 billion, following higher income from the real estate and IT businesses.

Net Sales and Segment Income by Segment for FY 2012/3

(Billions of Yen)

	Gas Businesses	LPG, Electricity and Other Energies Businesses	International Energy Businesses	Environment and Non-Energy Businesses	Adjustments	Total
Net sales	976.5	198.0	11.1	184.5	–75.5	1,294.7
Year-on-year change (%)	+11.0%	+13.3%	+0.2%	–0.4%		+9.1%
Year-on-year change	+96.6	+23.2	0	–0.8		+107.6
Segment income*	20.9	32.4	8.6	18.5	2.2	82.9
Year-on-year change (%)	–49.9%	+26.7%	+74.3%	+18.5%		–8.6%
Year-on-year change	–20.9	+6.8	+3.6	+2.8		–7.8

* Segment income = Operating income + Equity in net income of affiliates

5. Assets, Liabilities, and Net Assets Analysis

Asset Management Policies

The Osaka Gas Group plans to reduce assets in unprofitable business fields and day-to-day operations and intends to aggressively expand its operations in growth fields, especially domestic energy services, international energy businesses along the energy value chain, and environment and non-energy businesses. To minimize investment risks caused by changes in the operating environment, the Group is further tightening its procedures for investment decisions, as well as subsequent follow-up and evaluation for individual investment proposals based on Group-wide investment criteria. The Group will conduct quantitative risk management and pursue returns through active business investments within the scope of the allowed risk amount of the entire Group.

To effectively advance the Group's business strategies, we aim to improve the Group's financial constitution, procure funding through the most appropriate means, and respond to financial risks in the best manner possible. When considering the optimal balance between debt capital and equity capital, the Company looks at factors such as related capital costs and the need to maintain a sound financial position. Based on these considerations, we strive to maintain a consolidated ratio of interest-bearing debt to equity of approximately one and a consolidated shareholders' equity ratio of 40% or more as we aim to maximize capital efficiency. In this pursuit, we employ a number of measures, including cash flow management and other Group-wide capital efficiency measures; measures to improve the efficiency of invested capital, such as using free cash flows to reduce interest-bearing debt and acquire treasury stock; and financial risk management measures, such as hedging activities to prevent revenue fluctuations due to business risks. In these ways, we are working to strengthen the financial constitution of the Group.

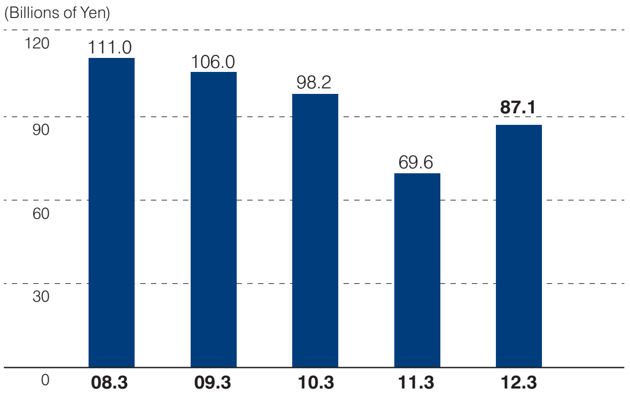
As the shareholders' equity ratio is now well above 40%, we intend to invest in our growth by raising funds through new interest-bearing debt in line with the growth in shareholders' equity that accompanies higher income.

Capital Expenditure

In the fiscal year ended March 31, 2012, non-consolidated capital expenditure totaled ¥58.6 billion, up ¥10.6 billion year on year, due to the ongoing construction of the Himeji-Okayama Line as well as the construction of an LNG tank. Consolidated capital expenditure rose by ¥17.5 billion, to ¥87.1 billion, as a consolidated subsidiary built two LNG carriers.

The Osaka Gas Group is aggressively investing in both domestic and overseas businesses as potential future growth drivers. Potential investments include those used to acquire new gas field interests and other investments in upstream natural gas businesses, as well as investments in IPPs and other electricity businesses. During the year under review, we made investments for expansion, greenfield projects, and M&A activities totaling ¥64.2 billion in the Mie-Shiga Line, the Himeji-Okayama Line, LNG carriers, the Gorgon LNG Project in Australia, the Shuweihat S2 IWPP Project in the United Arab Emirates, real estate, and other areas. This was less than initially planned. However, we have decided to conduct investments totaling ¥266.0 billion over the three-year period that began with the fiscal year ended March 31, 2010 (67% of the amount planned for the five-year period from the fiscal year ended March 31, 2010 to the fiscal year ending March 31, 2014).

Consolidated Capital Expenditure

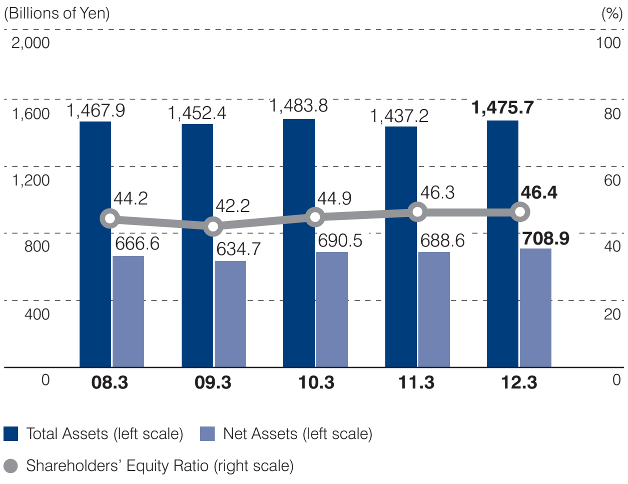


Assets, Liabilities, and Net Assets Analysis

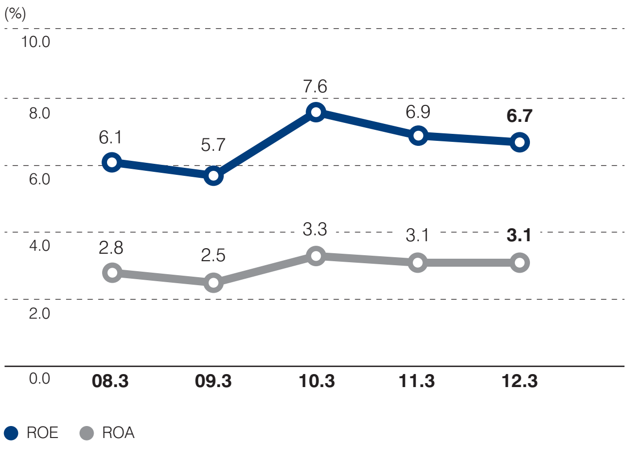
Total assets on March 31, 2012, stood at ¥1,475.7 billion, up ¥38.4 billion from the previous fiscal year-end, mainly due to an increase in notes and trade accounts receivable. Liabilities increased by ¥18.2 billion, to ¥766.8 billion, due to decline in notes and trade accounts payable. Net assets increased by ¥20.2 billion, to ¥708.9 billion, following a ¥28.9 billion increase in shareholders' equity due to higher retained earnings, which offset a ¥9.2 billion decrease in total accumulated other comprehensive income due to foreign currency translation adjustments of ¥13.7 billion, compared with ¥7.3 billion in the previous fiscal year.

Consequently, the shareholders' equity ratio increased by 0.1 percentage point from the previous year-end, to 46.4%. Return on assets (ROA) remained unchanged at 3.1%, while return on equity (ROE) declined by 0.2 percentage point, to 6.7%.

Total Assets / Net Assets / Shareholders' Equity Ratio



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



6. Overview of Cash Flows

Net cash provided by operating activities during the fiscal year ended March 31, 2012, decreased by ¥3.6 billion, to ¥122.7 billion.

Net cash used in investing activities increased by ¥25.3 billion, to ¥107.7 billion, because purchase of property, plant and equipment increased by ¥16.9, to ¥83.7 billion.

Net cash used in financing activities decreased by ¥32.9 billion, to ¥8.2 billion, because proceeds from long-term loans payable increased by ¥17.7 billion, to ¥23.0 billion.

Consequently, net increase in cash and cash equivalents in the fiscal year ended March 31, 2012, totaled ¥6.2 billion after adjustment for the effect of exchange rate changes on cash and cash equivalents.

Furthermore, cash and cash equivalents at year-end for the fiscal year ended March 31, 2012, increased by ¥6.2 billion, to ¥122.4 billion.

(Billions of Yen)

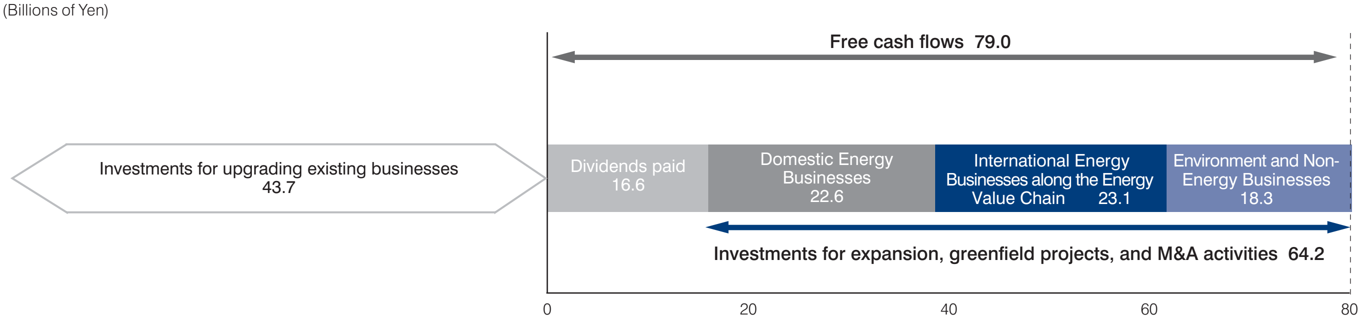
	2011/3	2012/3	Change
Net cash provided by operating activities	126.3	122.7	–3.6
Net cash used in investing activities	–82.4	–107.7	–25.3
Net cash used in financing activities	–41.2	–8.2	+32.9
Net increase in cash and cash equivalents	2.2	6.2	+3.9
Cash and cash equivalents at the end of year	116.2	122.4	+6.2
Interest-bearing debt at the end of year	532.4	541.3	+8.8

Use of Free Cash Flows

Consolidated free cash flows for the fiscal year ended March 31, 2012, increased by ¥6.2 billion, to ¥79.0 billion. Uses of these cash flows included investment of ¥64.2 billion for expansion, greenfield projects, and M&A activities and dividend payments of ¥16.6 billion.

Consolidated Free Cash Flows for the Fiscal Year Ended March 31, 2012

(Billions of Yen)



Note: Free cash flows = Cash flows from operating activities - Investments for upgrading existing businesses (Capital expenditure)

7. Ratings

Osaka Gas recognizes that improving fund-raising competitiveness is an important issue in a sound financial strategy. At the same time, to maintain its credit ratings and other indications of financial soundness, the Company will endeavor to attain the following financial soundness indicators: (1) a shareholders' equity ratio of 40% or over, and (2) a ratio of consolidated interest-bearing debt to equity of about one, while maintaining the existing balance with shareholders' value added (SVA), free cash flow, interest-bearing debts, and other indicators.

Currently, Osaka Gas has been rated AA and Aa by foreign credit rating agencies, and AA by a domestic credit rating agency. Going forward, the Company will continue to ensure that it possesses a sound financial standing.

Credit Rating (As of March 31, 2012)

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

8. Basic Policy Regarding the Distribution of Profits and Dividends

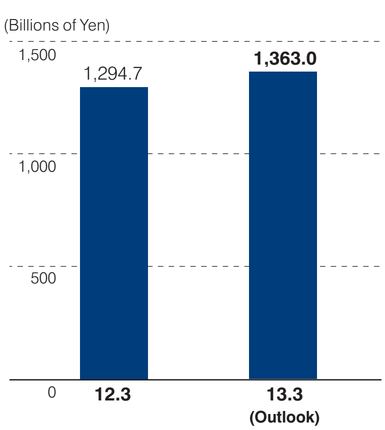
The Company has been striving to grow the business and improve the efficiency of operations, and has appropriated the increased profit resulting from these efforts for future business growth, for internal reserves, and for payment of steady dividends to shareholders. We will endeavor to continue paying steady dividends (interim and year-end) to shareholders, and comprehensively take alternative profit distribution plans and other measures into consideration, based on operational results, future business management, and other plans. We will aim at keeping a consolidated payout ratio exceeding 30%, within the non-consolidated retained earnings distributable to Osaka Gas shareholders, excluding temporary factors affecting the profit situation. Internal reserves will be appropriated for capital investments and investment for expansion, greenfield projects, and M&A activities.

For the fiscal year ended March 31, 2012, the Company issued dividend payments totaling ¥8.0 per share, including an interim dividend of ¥4.0 per share, in the same manner as in the fiscal year ended March 31, 2011. Moreover, it intends to issue dividend payments at the same level of ¥8.0 per share for the fiscal year ending March 31, 2013.

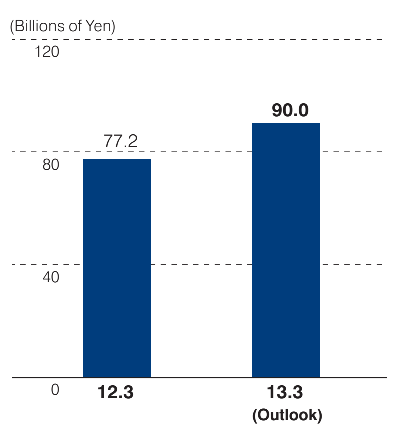
9. Outlook for Fiscal Year Ending March 31, 2013

We project that net sales in the fiscal year ending March 31, 2013, will increase by ¥68.2 billion (5.3%) year on year, to ¥1,363.0 billion. This is because LNG prices are expected to be higher in the next fiscal year than in the year under review, and gas sales unit prices are projected to remain high due to the Fuel Cost Adjustment System. Operating income is expected to rise by ¥12.7 billion (16.5%), to ¥90.0 billion, due to the low projected level of raw material price rises stemming from higher LNG prices, which will not exceed the projected increase in net sales. Net income in the fiscal year ending March 31, 2013, is projected to increase by ¥11.7 billion (26.1%), to ¥57.0 billion.

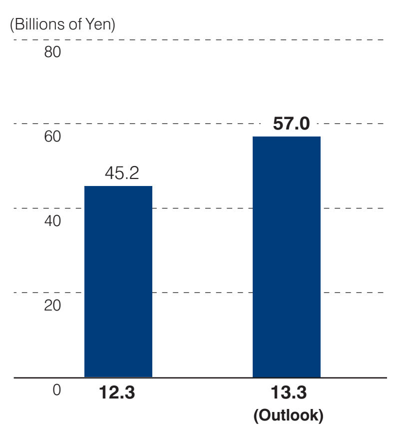
Net Sales



Operating Income



Net Income



Net Sales and Segment Income by Segment (for 2013/3 Outlook)

(Billions of Yen)

	Gas Businesses	LPG, Electricity and Other Energies Businesses	International Energy Businesses	Environment and Non-Energy Businesses	Adjustments	Total
Net sales	1,016.0	228.5	11.0	170.0	–62.5	1,363.0
Year-on-year change (%)	+4.0%	+15.4%	–1.4%	–7.9%		+5.3%
Year-on-year change	+39.4	+30.4	–0.1	–14.5		+68.2
Segment income*	37.5	33.5	5.5	15.5	1.5	93.5
Year-on-year change (%)	+78.7%	+3.2%	–36.5%	–16.5%		+12.8%
Year-on-year change	+16.5	+1.0	–3.1	–3.0		+10.5

* Segment income = Operating income + Equity in net income of affiliates

10. Business Risks

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

Risks Related to All Businesses within the Osaka Gas Group

a. Worsening of economic and financial conditions, domestic market contraction

A decrease in net sales, difficulties in fund-raising, insolvency of partner companies, Japan's shrinking population or the transfer of manufacturing overseas, due to worsening of economic and financial conditions in Japan and/or other countries

b. Changes in foreign exchange rates and borrowing rates

c. Occurrence of catastrophic disasters, accidents, or infectious diseases

Occurrence of catastrophic natural disasters, terrorist events, accidents, or infectious disease epidemics such as new strains of influenza or other diseases

d. Changes in policies, laws and regulations, and institutional systems

Changes in the Gas Utility Industry Law, the Electricity Utilities Industry Law, the Companies Act, the Financial Instruments and Exchange Law, environment-related laws or other policies, laws and regulations, and institutional systems in Japan and/or other countries

e. Intensifying competition

Intensified competition with other operators in the gas business and other business areas related to the Group

f. Breakdown or malfunction of critical IT systems

Breakdown or malfunction of critical IT systems, such as systems related to gas production/supply or billing

g. Information leaks

External leaks of important information used in the course of the Group's business, including customer information or technical information possessed by the Group

h. Non-compliance with laws and regulations

Expenditures to correct such a non-complying act or damage to its social reputation following acts carried out by the Group or by any person related to the Group in violation of any law or regulation

Risks Related to Major Businesses

1) Gas business

a. Impact of fluctuation in temperature / water temperature on gas demand

b. Changes in fuel costs

Fluctuation in LNG prices due to changes in crude oil prices, foreign exchange rates, and other relevant factors*

Settlement of fuel costs arising from renewal of contracts or price negotiations with fuel suppliers

* Although the fluctuation in LNG prices may be offset by the Fuel Cost Adjustment System, under which gas rates are revised to reflect changes in fuel costs, a time lag before the actual adjustment is made or changes in the composition of fuel suppliers could affect the business performance of the Group.

c. Difficulty in procuring raw materials

Problems with the facilities or operations of the LNG supplier

d. Production and supply difficulties

Disruption of the production or supply of gas due to catastrophic natural disasters or accidents

e. Gas equipment and facility issues

Serious problems with gas equipment or appliances

2) Electricity business

Any interruption in the operation of any electric power plant due to a natural disaster, accident, trouble in fuel purchasing, or other incident

3) International energy businesses

Changes in the operating environment due to a delay or cancellation in gas field development or other development projects, or some other significant impact resulting from economic stagnation, worsening social conditions, or other factors occurring on a global basis or in one of the countries in which the Osaka Gas Group operates

The Osaka Gas Group strives to minimize the potential impact of these risks on business performance through various measures, including derivative contracts to hedge against fluctuations in exchange rates and fuel costs, accident and other insurance contracts, improvement of security of critical IT systems, adherence to compliance and strict information control, monitoring and proper supervision of subsidiaries' business management, security measures, disaster countermeasures, and the establishment and periodic revision of business continuity plans (BCPs).

Consolidated Balance Sheets

Osaka Gas Co., Ltd. and Consolidated Subsidiaries
March 31, 2011 and 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2012	2012
Assets			
Fixed Assets			
Property, plant and equipment (Note 9)			
Production facilities	¥ 84,785	¥ 80,220	$ 976,031
Distribution facilities	296,526	278,844	3,392,675
Service and maintenance facilities	70,981	69,280	842,924
Other facilities	324,993	313,655	3,816,218
Construction in progress	23,106	51,281	623,932
Total property, plant and equipment	800,394	793,283	9,651,818
Intangible assets	40,262	38,107	463,645
Investments and other assets			
Investment in securities (Notes 8 and 9)	136,179	136,838	1,664,898
Others (Note 18)	95,785	103,255	1,256,296
Allowance for doubtful accounts	(2,102)	(2,015)	(24,516)
Total investments and other assets	229,862	238,078	2,896,678
Total fixed assets	1,070,520	1,069,469	13,012,154
Current Assets			
Cash and deposits (Notes 5 and 9)	98,422	107,239	1,304,769
Notes and trade accounts receivable (Note 9)	136,930	159,472	1,940,284
Securities (Notes 5 and 8)	23,112	22,909	278,732
Inventories (Notes 6 and 9)	49,400	60,740	739,019
Others (Note 18)	60,277	57,347	697,736
Allowance for doubtful accounts	(1,366)	(1,419)	(17,264)
Total current assets	366,776	406,290	4,943,302
Total assets	¥1,437,297	¥1,475,759	$17,955,456

See accompanying Notes to Consolidated Financial Statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2012	2012
Liabilities and Net Assets			
Long-Term Liabilities			
Bonds (Note 9)	¥ 269,733	**¥ 258,863**	**$ 3,149,568**
Long-term loans payable (Note 9)	190,430	**200,722**	**2,442,170**
Deferred tax liabilities (Note 18)	11,079	**9,801**	**119,248**
Deferred tax liabilities related to land revaluation difference (Note 13)	149	**139**	**1,691**
Employees' severance and retirement benefits (Note 17)	14,548	**15,496**	**188,538**
Reserve for gas holder repairs	1,715	**1,679**	**20,428**
Reserve for safety measures	9,508	**6,990**	**85,046**
Reserve for investment loss	3,280	**6,999**	**85,156**
Others	17,927	**17,468**	**212,531**
Total long-term liabilities	518,373	**518,160**	**6,304,416**
Current liabilities			
Long-term debt due within one year (Note 9)	30,833	**32,663**	**397,408**
Notes and trade accounts payable	38,218	**46,978**	**571,578**
Short-term loans payable (Note 9)	40,660	**48,104**	**585,278**
Income taxes payable	32,614	**27,768**	**337,851**
Others (Note 18)	87,900	**93,178**	**1,133,690**
Total current liabilities	230,228	**248,694**	**3,025,842**
Total liabilities	748,601	**766,855**	**9,330,271**
Net Assets (Note 10)			
Shareholders' equity			
Common stock	132,166	**132,166**	**1,608,054**
Authorized–3,707,506,909 shares			
Issued–2,083,400,000 shares in 2012 and in 2011			
Capital surplus	19,482	**19,482**	**237,036**
Retained earnings	499,366	**528,318**	**6,428,008**
Treasury stock (Note 11)			
1,146,823 shares in 2012 and 1,019,059 shares in 2011	(323)	**(361)**	**(4,392)**
Total shareholders' equity	650,692	**679,605**	**8,268,706**
Accumulated other comprehensive income			
Unrealized gains (losses) on securities	18,037	**19,710**	**239,810**
Deferred gains and losses on hedges	4,116	**(494)**	**(6,010)**
Land revaluation difference (Note 13)	(519)	**(510)**	**(6,205)**
Foreign currency translation adjustments	(7,367)	**(13,727)**	**(167,015)**
Total accumulated other comprehensive income	14,267	**4,978**	**60,566**
Minority interests	23,735	**24,320**	**295,899**
Total net assets	688,695	**708,904**	**8,625,185**
Total liabilities and net assets	¥1,437,297	**¥1,475,759**	**$17,955,456**

Consolidated Statements of Income

Osaka Gas Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2011 and 2012

		Millions of Yen	Thousands of U.S. Dollars (Note 1)
	2011	2012	2012
Net sales	¥1,187,142	**¥1,294,781**	**$15,753,510**
Cost of sales (Note 14)	750,159	**868,358**	**10,565,251**
Gross profit on sales	436,983	**426,423**	**5,188,258**
Selling, general and administrative expenses (Note 14)	348,399	**349,148**	**4,248,059**
Operating income	88,584	**77,274**	**940,187**
Nonoperating income			
Interest income	608	**753**	**9,161**
Dividend income	1,956	**2,106**	**25,623**
Equity in earnings of affiliates	2,161	**5,637**	**68,584**
Other income	5,396	**6,024**	**73,293**
Total nonoperating income	10,124	**14,521**	**176,675**
Nonoperating expenses			
Interest expenses	9,059	**8,909**	**108,395**
Provision of reserve for investment loss	—	**3,719**	**45,248**
Other expenses	7,276	**3,472**	**42,243**
Total nonoperating expenses	16,335	**16,101**	**195,899**
Ordinary income	82,372	**75,694**	**920,963**
Extraordinary losses			
Loss on adjustment for changes in accounting standard for asset retirement obligations	784	**—**	**—**
Total extraordinary losses	784	**—**	**—**
Income before income taxes and minority interests	81,587	**75,694**	**920,963**
Income taxes			
Current	35,604	**26,301**	**320,002**
Deffered	(1,875)	**2,077**	**25,270**
Total income taxes (Note 18)	33,729	**28,378**	**345,273**
Income before minority interests	47,858	**47,315**	**575,678**
Minority interests	1,890	**2,108**	**25,647**
Net income	¥ 45,968	**¥ 45,207**	**$ 550,030**

		Yen	U.S. Dollars (Note 1)
	2011	2012	2012
Amounts per Share of Common Stock (Note 2)			
Net income	¥21.62	**¥21.71**	**$0.264**
Cash dividends applicable to the year	8.00	**8.00**	**0.097**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

Osaka Gas Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2011 and 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2012	2012
Income before minority interests	¥ 47,858	¥47,315	$575,678
Other comprehensive income (Note 21)			
Unrealized gains (losses) on securities	(5,505)	1,676	20,391
Deferred gains or losses on hedges	(724)	(148)	(1,800)
Land revaluation difference	(112)	9	109
Foreign currency translation adjustments	(2,280)	(5,514)	(67,088)
Share of other comprehensive income of associates accounted for using the equity method	(3,401)	(3,636)	(44,238)
Total other comprehensive income	(12,024)	(7,613)	(92,626)
Comprehensive income	¥ 35,833	¥39,702	$483,051
Attributable to:			
Owners of the parent	¥ 34,943	¥38,098	$463,535
Minority interests	¥ 890	¥ 1,604	$ 19,515

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

Osaka Gas Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2011 and 2012

		Millions of Yen	Thousands of U.S. Dollars (Note 1)
	2011	**2012**	**2012**
Shareholders' equity			
Common stock			
Balance at the beginning of year	¥132,166	**¥132,166**	**$1,608,054**
Balance at the end of year	132,166	**132,166**	**1,608,054**
Capital surplus			
Balance at beginning of year	19,482	**19,482**	**237,036**
Balance at the end of year	19,482	**19,482**	**237,036**
Retained earnings			
Balance at the beginning of year	492,974	**499,366**	**6,075,751**
Changes from:			
Cash dividends paid	(16,108)	**(16,658)**	**(202,676)**
Net income	45,968	**45,207**	**550,030**
Change in scope of equity method	—	**403**	**4,903**
Disposal of treasury stock	(1)	**(0)**	**(0)**
Cancellation of treasury stock	(23,770)	**—**	**—**
Reversal of land revaluation difference	303	**—**	**—**
Total changes during year	6,391	**28,952**	**352,256**
Balance at the end of year	499,366	**528,318**	**6,428,008**
Treasury stock			
Balance at the beginning of year	(3,530)	**(323)**	**(3,929)**
Changes from:			
Purchase of treasury stock	(20,583)	**(47)**	**(571)**
Disposal of treasury stock	20	**8**	**97**
Cancellation of treasury stock	23,770	**—**	**—**
Total changes during year	3,207	**(38)**	**(462)**
Balance at the end of year	(323)	**(361)**	**(4,392)**
Total shareholders' equity			
Balance at the beginning of year	641,093	**650,692**	**7,916,924**
Changes from:			
Cash dividends paid	(16,108)	**(16,658)**	**(202,676)**
Net income	45,968	**45,207**	**550,030**
Change in scope of equity method	—	**403**	**4,903**
Purchase of treasury stock	(20,583)	**(47)**	**(571)**
Disposal of treasury stock	19	**8**	**97**
Cancellation of treasury stock	—	**—**	**—**
Reversal of land revaluation difference	303	**—**	**—**
Total changes during the year	9,598	**28,913**	**351,782**
Balance at the end of year	¥650,692	**¥679,605**	**$8,268,706**

See accompanying Notes to Consolidated Financial Statements.

	2011	Millions of Yen 2012	Thousands of U.S. Dollars (Note 1) 2012
Accumulated other comprehensive income			
Unrealized gains (losses) on securities			
Balance at the beginning of year	¥23,542	**¥ 18,037**	**$ 219,454**
Net changes in net assets other than shareholders' equity during the year	(5,505)	**1,673**	**20,355**
Total changes during year	(5,505)	**1,673**	**20,355**
Balance at the end of year	18,037	**19,710**	**239,810**
Deferred gains and losses on hedges			
Balance at the beginning of year	4,939	**4,116**	**50,079**
Net changes in net assets other than shareholders' equity during the year	(822)	**(4,611)**	**(56,101)**
Total changes during year	(822)	**(4,611)**	**(56,101)**
Balance at the end of year	4,116	**(494)**	**(6,010)**
Land revaluation difference			
Balance at the beginning of year	(103)	**(519)**	**(6,314)**
Net changes in net assets other than shareholders' equity during the year	(416)	**9**	**109**
Total changes during year	(416)	**9**	**109**
Balance at the end of year	(519)	**(510)**	**(6,205)**
Foreign currency translation adjustments			
Balance at the beginning of year	(2,782)	**(7,367)**	**(89,633)**
Net changes in net assets other than shareholders' equity during the year	(4,584)	**(6,360)**	**(77,381)**
Total changes during year	(4,584)	**(6,360)**	**(77,381)**
Balance at the end of year	(7,367)	**(13,727)**	**(167,015)**
Total accumulated other comprehensive income			
Balance at the beginning of year	25,596	**14,267**	**173,585**
Net changes in net assets other than shareholders' equity during the year	(11,328)	**(9,289)**	**(113,018)**
Total changes during year	(11,328)	**(9,289)**	**(113,018)**
Balance at the end of year	14,267	**4,978**	**60,566**
Minority interests			
Balance at the beginning of year	23,871	**23,735**	**288,782**
Net changes in net assets other than shareholders' equity during the year	(135)	**584**	**7,105**
Total changes during year	(135)	**584**	**7,105**
Balance at the end of year	23,735	**24,320**	**295,899**
Total net assets			
Balance at the beginning of year	690,561	**688,695**	**8,379,304**
Changes from:			
Cash dividends paid	(16,108)	**(16,658)**	**(202,676)**
Net income	45,968	**45,207**	**550,030**
Change in scope of equity method	—	**403**	**4,903**
Purchase of treasury stock	(20,583)	**(47)**	**(571)**
Disposal of treasury stock	19	**8**	**97**
Reversal of land revaluation difference	303	**—**	**—**
Net changes in net assets other than shareholders' equity during year	(11,464)	**(8,704)**	**(105,900)**
Total changes during year	(1,865)	**20,208**	**245,869**
Balance at the end of year	¥688,695	**¥708,904**	**$8,625,185**

Consolidated Statements of Cash Flows

Osaka Gas Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2011 and 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2012	2012
Cash Flows from Operating Activities			
Income before income taxes and minority interests	¥ 81,587	**¥ 75,694**	**$ 920,963**
Depreciation and amortization	97,569	**93,624**	**1,139,116**
Amortization of long-term prepaid expenses	6,096	**4,270**	**51,952**
Increase (decrease) in reserve for safety measures	(2,061)	**(2,517)**	**(30,624)**
Increase (decrease) in reserve for investment loss	—	**3,719**	**45,248**
(Increase) decrease in prepaid pension costs	3,370	**2,218**	**26,986**
Interest and dividend income	(2,565)	**(2,860)**	**(34,797)**
Interest expenses	9,059	**8,909**	**108,395**
Equity in (earnings) losses of affiliates, net	(2,161)	**(5,637)**	**(68,584)**
Loss on adjustment for changes in accounting standard for asset retirement obligations	784	**—**	**—**
(Increase) decrease in notes and trade accounts receivable	(15,301)	**(22,507)**	**(273,841)**
(Increase) decrease in inventories	14,652	**(11,483)**	**(139,712)**
Increase (decrease) in notes and trade accounts payable	(32,085)	**8,968**	**109,113**
Increase (decrease) in accrued expenses	(1,571)	**4,717**	**57,391**
Increase (decrease) in accrued consumption taxes	515	**1,828**	**22,241**
Others	4,424	**542**	**6,594**
Subtotal	162,313	**159,489**	**1,940,491**
Interest and dividends income received	4,558	**4,708**	**57,281**
Interest expenses paid	(9,127)	**(8,915)**	**(108,468)**
Income taxes paid	(31,345)	**(32,488)**	**(395,279)**
Net cash provided by operating activities	126,399	**122,793**	**1,494,013**
Cash Flows from Investing Activities			
Purchase of property, plant and equipment	(66,843)	**(83,774)**	**(1,019,272)**
Purchase of intangible assets	(1,838)	**(2,727)**	**(33,179)**
Purchase of long-term prepaid expenses	(5,294)	**(5,053)**	**(61,479)**
Purchase of investment in securities	(1,162)	**(2,262)**	**(27,521)**
Purchase of affiliates' shares	(4,152)	**(5,590)**	**(68,013)**
Payment of time deposits	(1,792)	**(3,945)**	**(47,998)**
Proceeds from withdrawal of time deposits	1,972	**2,894**	**35,211**
Others	(3,297)	**(7,304)**	**(88,867)**
Net cash used in investing activities	(82,408)	**(107,764)**	**(1,311,157)**
Cash Flows from Financing Activities			
Net increase (decrease) in short-term loans payable	3,381	**7,194**	**87,528**
Proceeds from long-term loans payable	5,221	**23,009**	**279,948**
Repayment of long-term loans payable	(21,649)	**(29,789)**	**(362,440)**
Proceeds from issuance of bonds	10,000	**10,000**	**121,669**
Cash dividends paid	(16,095)	**(16,652)**	**(202,603)**
Others	(22,116)	**(2,041)**	**(24,832)**
Net cash used in financing activities	(41,257)	**(8,279)**	**(100,730)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(501)	**(530)**	**(6,448)**
Net Increase (Decrease) in Cash and Cash Equivalents	2,232	**6,218**	**75,653**
Cash and Cash Equivalents at the Beginning of Year	113,998	**116,230**	**1,414,162**
Cash and Cash Equivalents at the End of Year (Note 5)	¥116,230	**¥ 122,448**	**$ 1,489,816**

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Osaka Gas Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2011 and 2012

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Osaka Gas Co., Ltd. (the "Company") and its consolidated subsidiaries (together, the "Companies") have been prepared in accordance with the provisions set forth in the Japanese Gas Utility Law and related regulations, the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accounts of the Company's consolidated overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English, with some expanded descriptions, from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese-language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2012, which was ¥82.19 to U.S. $1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

As permitted, amounts of less than one million yen are omitted in the presentation for 2011 and 2012. As a result, the total amounts shown in the accompanying consolidated financial statements, both in yen and in U.S. dollars, do not necessarily agree with the sum of the individual amounts.

2. Significant Accounting Policies

(1) Consolidation

The consolidated financial statements include the accounts of the Company and those of its consolidated subsidiaries. For purpose of the consolidated financial statements, companies which are owned 40% or more and substantially controlled by the Company are considered subsidiaries and included in the consolidation.

The consolidated financial statements for the years ended March 31, 2011 and 2012 included the accounts of the Company and its 131 and 133 subsidiaries, respectively. For the year ended March 31, 2012, 5 subsidiaries were newly consolidated and 3 subsidiaries were excluded from consolidation. Intercompany transactions and accounts were eliminated. All material unrealized profit resulting from intercompany transactions and included in assets was eliminated.

The 50 subsidiaries included in consolidation have fiscal years that end on December 31. These subsidiaries do not prepare for consolidation purposes statements with periods that correspond to the fiscal year of the Company (March 31). For these 50 consolidated subsidiaries, if there were significant transactions between their fiscal year-end and the Company's year-end, necessary adjustments were made to reflect these transactions in the accompanying consolidated financial statements.

The difference between the Company's cost of investment in a consolidated subsidiary and the equity in the net assets at the date of acquisition is amortized within 20 years on a straight-line basis. If the difference is insignificant, it is charged or credited to income in the first year of consolidation.

Investments in significant affiliates are accounted for by the equity method. Affiliates that have an insignificant impact on consolidated net income and consolidated retained earnings are not accounted for by the equity method. As of March 31, 2011 and 2012, 7 and 9 significant affiliates, respectively, were accounted for by the equity method.

(2) Consolidated Statements of Cash Flows

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

(3) Inventories

Inventories are mainly valued at moving average cost. The method used to value inventories held for sale in the ordinary course of business subjects the amounts carried on the balance sheet to a write-down in the event of reduced profitability.

(4) Securities

Under the Japanese accounting standard for financial instruments, all companies are required to examine the securities they hold to determine the intention for which they are held and to the intent for holding securities and classify those securities according to the intention as 1) securities held for trading purposes ("trading securities"), 2) debt securities intended to be held to maturity ("held-to-maturity debt securities"), 3) equity securities issued by subsidiaries and affiliates, and 4) all other securities that are not classified in any of the above categories ("available-for-sale securities").

The Companies have no trading securities. Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliates that are not consolidated or accounted for using the equity method are stated at moving average cost. Available-for-sale securities whose fair value is readily determinable are stated at fair value as of the end of the year with unrealized gains and losses, net of applicable deferred tax assets/liabilities and minority interests, directly reported as a separate component of net assets rather than reflected in earnings. Realized gains and losses on the sale of such securities are mainly computed using moving average cost. Other securities with no fair values are mainly stated at moving average cost.

If the value of equity securities issued by non-consolidated subsidiaries or affiliated companies or the market value of available-for-sale securities declines significantly, the securities are stated at fair value and the difference between the fair value and the carrying amount is recognized as loss in the period of the decline.

(5) Property, Plant and Equipment

Depreciation is provided mainly by the declining balance method (the straight-line method by certain consolidated subsidiaries) over the estimated useful life of the asset. However, the Company and its domestic consolidated subsidiaries depreciate buildings acquired on or after April

1, 1998 by the straight-line method.

Repair and maintenance expenditures, excluding those for gas holders, are charged to income when incurred, and major improvements are capitalized.

Certain capital gains arising from beneficiaries' contributions or expropriations of property, deferral of which is permitted for tax purposes, are offset against the acquisition cost of property purchased. The cumulative capital gain arising from the beneficiaries' contributions and offset against the acquisition cost of property, plant and equipment at March 31, 2011 and 2012 was ¥259,490 million and ¥259,775 million ($3,160,664 thousand), respectively. The current capital gain arising from the expropriation of property offset against the acquisition cost of property, plant and equipment at March 31, 2011 and 2012 was ¥410 million and ¥144 million ($1,752 thousand), respectively.

(6) Intangible Assets

The Companies include goodwill and software in intangible assets. Goodwill is amortized using the straight-line method over a period that is within 20 years, and software is amortized over its estimated useful life.

(7) Leased Assets

Property, plant and equipment that are capitalized under finance lease arrangements and that do not transfer ownership of the leased asset to the lessee are depreciated using the straight-line method over the term of the lease with the assumption of no residual value.

(8) Allowance for Doubtful Accounts

The Companies provide the allowance for doubtful accounts at an amount based principally on the historical experienced default ratio plus the estimated uncollectible amounts of certain individual receivables.

(9) Employees' Severance and Retirement Benefits

The Companies provide two types of post-employment benefit plans, unfunded lump-sum payment plans and funded contributory pension plans, under which all eligible employees are entitled to benefits based on the level of wages and salary at the time of retirement or termination, length of service and certain other factors. A portion of the benefits previously paid by the defined benefits plan is now covered by a defined contribution plan.

The Companies provide for employees' severance and retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of plan assets.

Generally, prior service costs are recognized in expenses when they arise, and actuarial gains and losses are recognized in expenses over 10 years commencing with the following period.

(10) Reserve for Gas Holder Repairs

The Company and certain consolidated subsidiaries provide for periodic repairs to gas holders by estimating the future expenditures arising from such repairs and charging them to income in equal annual amounts. The difference between the actual expenditure and the estimated amount provided for is charged to income in the year the repair is completed.

(11) Reserve for Safety Measures

The Company provides for future payments for consumer safety by estimating the future expenditures required for the promotion of replacements with safety-enhanced models, strengthening of incidental inspections and publicity and maintenance work on aging gas pipelines.

(12) Reserve for Investment Loss

The Company provides for future payments for potential losses on the business of affiliates by estimating the expected losses.

(13) Income Taxes

Income taxes comprise corporation tax, prefectural and municipal inhabitants taxes and enterprise tax.

The Companies recognize the tax effects of loss carryforwards and the temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

(14) Translation of Foreign Currencies

Receivables and payables denominated in foreign currencies are translated into Japanese yen at year-end rates.

Assets and liabilities of foreign subsidiaries are translated into Japanese yen at year-end rates. Net assets are translated into Japanese yen at historical rates. Income and expenses are translated into Japanese yen at average rates for the year. The translation differences arising from the use of different rates are recognized in minority interests and as foreign currency translation adjustments in net assets.

(15) Derivative Transactions and Hedge Accounting

The Companies state derivative financial instruments at fair value at the end of the fiscal year and recognize changes in the fair value as gain or loss, unless the derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies defer recognition of gain or loss resulting from changes in the fair value of the derivative financial instruments until the related loss or gain on the hedged items is recognized.

However, in cases where forward foreign currency exchange contracts and interest rate swap contracts are used as hedges and meet certain hedging criteria, forward foreign currency exchange contracts, and interest rate swap contracts and the hedged items are accounted for in the following manner:

If a forward foreign currency exchange contract or a currency swap contract is executed to hedge an existing foreign currency receivable or payable, the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable, translated using the spot rate at the inception date of the contract, and the book value of the receivable or payable is recognized in the income statement in the period which includes the inception date.

If a forward foreign currency exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gain or loss on the forward foreign currency exchange contract will be recognized.

Also, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

(16) Net Income Per Share

The computation of net income per share of common stock shown on the consolidated statements of income is based on the weighted average number of shares outstanding during the fiscal year.

Diluted net income per share of common stock for the years ended March 31, 2011 and 2012 was not shown since there were no outstanding convertible bonds or other common stock equivalents.

3. Changes in Accounting Policies

(1) Adoption of "Accounting Standard for Equity Method" and "Transitional Treatment of Accounting Method for Affiliates Reported by Equity Method"

Effective from the fiscal year ended March 31, 2011, the Company has adopted the "Accounting Standard for Equity Method of Accounting for Investments" (Accounting Standards Board of Japan ("ASBJ") Statement No. 16, March 10, 2008) and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (Practical Issue Task Force ("PITF") No. 24, March 10, 2008). The change had no impact on the consolidated financial statements.

(2) Adoption of "Accounting Standard for Asset Retirement Obligations"

Effective from April 1, 2010, the Company and its consolidated domestic subsidiaries have adopted the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, March 31, 2008). As a result of adopting these standards, operating income, ordinary income and income before income taxes and minority interests were ¥81 million, ¥26 million and ¥811 million less for the fiscal year ended March 31, 2011 than the amounts that would have been recorded without the change.

4. Additional Information

(1) Adoption of "Accounting Standard for Presentation of Comprehensive Income"

Effective from the fiscal year ended March 31, 2011, the Company has adopted the "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, June 30, 2010).

(2) Adoption of "Accounting Standard for Accounting Changes and Error Corrections"

Effective from the fiscal year ended March 31, 2012, the Company and its consolidated domestic subsidiaries have adopted the "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No. 24, December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, December 4, 2009).

5. Cash and Cash Equivalents

The relationship between the closing balance of cash and cash equivalents on the consolidated statements of cash flows and the amount of cash and deposits on the consolidated balance sheets was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2012	2012
Cash and deposits on the consolidated balance sheets	¥ 98,422	¥107,239	$1,304,769
Time deposits with more than 3 months to maturity	(4,891)	(5,790)	(70,446)
Short-term investments with an original maturity of three months or less, presenting negligible risk of change in value, and included in current assets	22,699	20,999	255,493
Cash and cash equivalents on the consolidated statements of cash flows	¥116,230	¥122,448	$1,489,816

6. Inventories

Inventories at March 31, 2011 and 2012 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2012	2012
Finished products	¥13,790	¥12,586	$153,132
Work-in-process	5,792	7,887	95,960
Raw materials and supplies	29,817	40,266	489,913
Total	¥49,400	¥60,740	$739,019

7. Financial Instruments

Book value, fair value and any difference as of March 31, 2011 are set forth in the table below. Financial instruments for which it was extremely difficult to determine the fair value are not included in the table below.

	Millions of Yen		
	Book Value	Fair Value	Difference
(1) Cash and deposits	¥ 98,422	¥ 98,422	¥ —
(2) Notes and trade accounts receivable	136,930	136,930	—
(3) Marketable securities and investment in securities	75,705	75,705	—
Total assets	¥311,058	¥311,058	¥ —
(1) Notes and trade accounts payable	¥ 38,218	¥ 38,218	¥ —
(2) Short-term loans payable	40,660	40,660	—
(3) Bonds (*1)	270,203	281,819	11,616
(4) Long-term loans payable (*1)	220,253	231,010	10,756
Total liabilities	¥569,336	¥591,709	¥22,373
Derivative transactions (*2)	¥ 5,197	¥ 5,197	¥ —

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

Book value, fair value and any difference as of March 31, 2012 are set forth in the table below. Financial instruments for which it was extremely difficult to determine the fair value are not included in the table below.

	Book Value		Fair Value		Difference	
	Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars
(1) Cash and deposits	¥107,239	$1,304,769	¥107,239	$1,304,769	¥ —	$ —
(2) Notes and trade accounts receivable	159,472	1,940,284	159,472	1,940,284	—	—
(3) Marketable securities and investment in securities	76,931	936,014	76,931	936,014	—	—
Total assets	¥343,642	$4,181,068	¥343,642	$4,181,068	¥ —	$ —
(1) Notes and trade accounts payable	¥ 46,978	$ 571,578	¥ 46,978	$ 571,578	¥ —	$ —
(2) Short-term loans payable	48,104	585,278	48,104	585,278	—	—
(3) Bonds (*1)	279,551	3,401,277	294,421	3,582,199	14,869	180,910
(4) Long-term loans payable (*1)	212,080	2,580,362	224,420	2,730,502	12,339	150,127
Total liabilities	¥586,715	$7,138,520	¥613,925	$7,469,582	¥27,209	$331,050
Derivative transactions (*2)	¥ 5,407	$ 65,786	¥ 5,407	$ 65,786	¥ —	$ —

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

Notes on the calculation method of fair value for financial instruments, securities and derivatives

Assets

(1) Cash and deposits and (2) Notes and trade accounts receivable
Fair values in the table are determined by the book value, which is almost equivalent to the fair value due to the short-time nature of the financial transactions.

(3) Marketable securities and investment in securities
The fair value of stock in the table is determined by market prices. The fair value of bonds is derived from market prices or prices presented by the corresponding financial institution. Refer to notes on securities for information about securities classified by the purpose for which they are held.

Liabilities

(1) Notes and trade accounts payable and (2) Short-term loans payable
The fair values in the table are determined by book values, which are almost equivalent to the fair values due to the short-time nature of the financial transactions.

(3) Bonds
Market prices of the bonds issued by Osaka Gas and each of its group companies are the fair values if available, otherwise fair value is calculated as the present value, which is the total amount of principal and interest discounted at the rate reflecting the time to maturity of the bonds and the credit risk.

(4) Long-term loans payable
The fair value of long-term loans payable based on fixed interest rates is calculated by discounting the total amount of principal and interest at the estimated interest rate of a new loan which is similar to the long-term loans.

The fair value of long-term loans payable based on floating interest rates is determined by book values because their market value is deemed similar to book value.

Interest rate swap transactions, which determine the interest rate level of long-term loans based on floating interest rates, are treated as extraordinary account items. The transaction amount is calculated by discounting the sum of principal and interest at the reasonably estimated rate of a new loan which is similar to the long-term loans.

Derivative transactions

Refer to notes on derivative transactions.

Shown in the table below are financial instruments for which it was extremely difficult to determine the fair value.

	Millions of Yen		Thousands of U.S. Dollars
Book Value	2011	2012	2012
Affiliated company securities	¥70,214	¥69,065	$840,309
Non-listed equity securities	¥13,371	¥13,751	$167,307

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

	Millions of Yen			
For 2011	One Year or Less	One to Five Years	Five to Ten Years	More than Ten Years
Cash and deposits	¥ 98,422	¥ —	¥ —	¥ —
Notes and trade accounts receivable	136,930	—	—	—
Marketable securities and investment in securities				
Held-to-maturity debt securities (corporate bonds)	12	50	25	—
Available-for-sale securities with maturities				
(Government bonds and municipal bonds)	—	9	—	98
(Negotiable certificate of deposits)	20,400	—	—	—
(Commercial paper)	2,699	—	—	—
(Other)	—	—	200	—
Total	¥258,465	¥59	¥225	¥98

Millions of Yen

For 2012	One Year or Less	One to Five Years	Five to Ten Years	More than Ten Years
Cash and deposits	¥107,239	¥ —	¥ —	¥ —
Notes and trade accounts receivable	159,472	—	—	—
Marketable securities and investment in securities				
Held-to-maturity debt securities (corporate bonds)	12	50	12	—
Available-for-sale securities with maturities				
(Government bonds and municipal bonds)	—	9	—	98
(Negotiable certificate of deposits)	20,700	—	—	—
(Commercial paper)	2,197	—	—	—
(Other)	—	—	200	—
Total	¥289,621	¥59	¥212	¥98

Thousands of U.S. Dollars

For 2012	One Year or Less	One to Five Years	Five to Ten Years	More than Ten Years
Cash and deposits	$1,304,769	$ —	$ —	$ —
Notes and trade accounts receivable	1,940,284	—	—	—
Marketable securities and investment in securities				
Held-to-maturity debt securities (corporate bonds)	146	608	146	—
Available-for-sale securities with maturities				
(Government bonds and municipal bonds)	—	109	—	1,192
(Negotiable certificate of deposits)	251,855	—	—	—
(Commercial paper)	26,730	—	—	—
(Other)	—	—	2,433	—
Total	$3,523,798	$717	$2,579	$1,192

8. Securities

(1) The following tables summarize acquisition costs and book values (fair values) of available-for-sale securities with available fair value as of March 31, 2011 and 2012:

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

Millions of Yen

	Acquisition Cost	Book Value	Difference
For 2011:			
Equity securities	¥19,124	¥47,511	¥28,387
Total	¥19,124	¥47,511	¥28,387

Millions of Yen

	Acquisition Cost	Book Value	Difference
For 2012:			
Equity securities	¥22,146	¥51,331	¥29,185
Bonds	10	10	0
Total	¥22,156	¥51,341	¥29,185

Thousands of U.S. Dollars

	Acquisition Cost	Book Value	Difference
For 2012:			
Equity securities	$269,448	$624,540	$355,091
Bonds	121	121	0
Total	$269,570	$624,662	$355,091

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

Millions of Yen

	Acquisition Cost	Book Value	Difference
For 2011:			
Equity securities	¥ 4,990	¥ 4,986	¥(4)
Bonds	23,207	23,207	(0)
Total	¥28,198	¥28,193	¥(4)

Millions of Yen

	Acquisition Cost	Book Value	Difference
For 2012:			
Equity securities	¥ 3,157	¥ 2,594	¥(563)
Bonds	22,995	22,995	—
Total	¥26,152	¥25,589	¥(563)

Thousands of U.S. Dollars

	Acquisition Cost	Book Value	Difference
For 2012:			
Equity securities	$ 38,410	$ 31,561	$(6,849)
Bonds	279,778	279,778	—
Total	$318,189	$311,339	$(6,849)

(2) Total sales of available-for-sale securities in the years ended March 31, 2011 and 2012 amounted to ¥258 million and ¥468 million ($5,694 thousand), respectively. The related gains and losses amounted to ¥45 million and ¥0 million, respectively, for the year ended March 31, 2011. The related gains and losses amounted to ¥96 million ($1,168 thousand) and ¥1 million ($12 thousand) for the year ended March 31, 2012.

(3) For "Available-for-sale securities," impairment losses of ¥228 million and ¥93 million ($1,131 thousand) were recorded for the years ended March 31, 2011 and 2012, respectively.

9. Short-Term Loans and Long-Term Debt

Short-term loans consisted of short-term notes payable bearing interest at an annual average rate of 0.4% at March 31, 2011 and 2012.

Long-term debt at March 31, 2011 and 2012 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2012	2012
Loans principally from banks and insurance companies due within one year (Average rate 2.9%)	¥ 29,823	¥ 11,358	$ 138,191
Maturing through 2030 (Average rate 1.8%)	190,430	200,722	2,442,170
Total	¥220,253	¥212,080	$2,580,362
Domestic unsecured bonds			
3.4% bonds payable due 2017	¥ 15,700	¥ 15,700	$ 191,020
1.46% bonds payable due 2012	19,999	19,999	243,326
1.47% bonds payable due 2022	19,983	19,984	243,143
1.83% bonds payable due 2020	19,991	19,992	243,241
1.79% bonds payable due 2020	19,984	19,986	243,168
2.33% bonds payable due 2026	9,993	9,994	121,596
1.79% bonds payable due 2016	19,990	19,992	243,241
2.14% bonds payable due 2019	19,995	19,996	243,289
1.59% bonds payable due 2014	19,997	19,998	243,314
1.21% bonds payable due 2015	30,000	30,000	365,007
1.782% bonds payable due 2018	30,000	30,000	365,007
1.199% bonds payable due 2013	30,000	30,000	365,007
1.345% bonds payable due 2021	10,000	10,000	121,669
1.16% bonds payable due 2021	—	10,000	121,669
Bonds payable in U.S. dollars, 7.73% bonds payable due 2015	4,564	3,906	47,524
Total	¥270,203	¥279,551	$3,401,277

In the year ended March 31, 2004, the Company entered into debt assumption agreements with banks for 5.875% notes payable in euros and due in 2012 in the amount of ¥10,000 million.

In the year ended March 31, 2007, the Company entered into debt assumption agreements with banks for 2.9% notes payable due in 2018 in the amount of ¥29,000 million.

The Company remains contingently liable on the amounts assumed by the banks.

The annual maturities of corporate bonds at March 31, 2012 were as follows:

Years ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2013	¥ 20,688	$ 251,709
2014	30,968	376,785
2015	21,168	257,549
2016	31,080	378,148
2017	35,700	434,359
April 1, 2017 and thereafter	140,000	1,703,370
Total	¥279,606	$3,401,946

The annual maturities of long-term debt at March 31, 2012 were as follows:

Years ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2013	¥ 11,358	$ 138,191
2014	36,003	438,045
2015	15,494	188,514
2016	21,696	263,973
2017	14,288	173,841
April 1, 2017 and thereafter	113,239	1,377,771
Total	¥212,080	$2,580,362

Assets pledged as collateral mainly for short-term loans and long-term debt totaling ¥23,954 million and ¥19,026 million ($231,488 thousand) at March 31, 2011 and 2012, respectively, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2012	2012
Property, plant and equipment	¥37,379	¥33,700	$410,025
Investment in securities	12,138	10,746	130,745
Cash and time deposits	500	894	10,877
Accounts receivable	1,403	2,140	26,037
Inventories and other	3,448	4,244	51,636
Total	¥54,871	¥51,726	$629,346

10. Net Assets

Under Japanese Corporate Law ("the Law"), the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, however, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

The appropriation of retained earnings of the Company proposed by the Board of Directors and approved at the shareholders' meeting held on June 28, 2012 included cash dividends applicable to the year ended March 31, 2012 and the payment of cash dividends to shareholders of record at March 31, 2012 in the aggregate amount of ¥8,329 million ($101,338 thousand), or ¥4 per share. The appropriations have not been accrued in the consolidated financial statements for the year ended March 31, 2012. Such appropriations are recognized in the period in which they are approved by the shareholders.

11. Treasury Stock

Change in the treasury stock is as follows:

Thousands of Shares

As of April 1, 2011	Increase	Decrease	As of March 31, 2012
1,019	155	27	1,146

(Overview of reasons for change)
Overview of reasons for increase
Increase by repurchase of fractional shares 155 thousand shares
Overview of reasons for decrease
Decrease by disposal of fractional shares 27 thousand shares

12. Contingent Liabilities

At March 31, 2011 and 2012, the Companies were contingently liable as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2012	2012
As guarantor of indebtedness of:			
Non-consolidated affiliates	¥ 5,803	¥ 4,923	$ 59,897
Employees	22	17	206
Debt assumption agreements	39,000	39,000	474,510
Total	¥44,825	¥43,941	$534,614

13. Land Revaluation

Pursuant to the Law Concerning Land Revaluation and the Amended Land Revaluation Law, a consolidated subsidiary revalued its land used for business activities on March 31, 2002. The difference between the revalued amount and the book value before the revaluation was recorded in the consolidated balance sheets as "Deferred tax liabilities related to land revaluation difference" in liabilities and "Land revaluation difference" in net assets. The land prices used for the revaluation were based on prices in the official notice published by the Commissioner of the National Tax Agency in accordance with Article 2, Paragraph 4 of the Enforcement Ordinance Concerning Land Revaluation, after making reasonable adjustments. The market value of the land was ¥1,071 million and ¥1,365 million ($16,607 thousand) lower than the revalued book amount at March 31, 2011 and 2012, respectively.

14. Research and Development Expenses

The Companies charge research and development expenses to selling, general and administrative expenses and manufacturing costs as incurred. Research and development expenses amounted to ¥10,918 million and ¥10,974 million ($133,519 thousand) for the years ended March 31, 2011 and 2012, respectively.

15. Leases

(1) Finance Lease Transactions

Finance leases which commenced before the beginning of fiscal 2008 and did not transfer ownership of the leased assets to the lessee are not reported herein because their effect was insignificant.

(2) Operating Lease Transactions

Obligations under non-cancelable operating leases at March 31, 2011 and 2012 were as follows:

As lessee (noncapitalized)

	Millions of Yen		Thousands of U.S. Dollars
	2011	2012	2012
Payments due within one year	¥1,017	¥ 841	$ 10,232
Payments due over one year	3,180	7,542	91,762
Total	¥4,197	¥8,383	$101,995

16. Derivative Transactions

Fair value information for the derivative transactions to which hedge accounting was applied in 2011 was as follows:

Millions of Yen

Type	Instruments	Hedge Accounting Method	Hedged Items	Contract Amounts	Contract Amounts: More than One Year	Fair Value
(a) Interest rates	Interest rate swaps	Exceptional accounting of interest rate swaps	Long-term loans payable	¥ 24,055	¥ 22,769	(Note 2)
		Principal method of accounting	Long-term loans payable and bonds	¥ 70,620	¥ 66,663	¥ 181
(b) Currencies	Forward foreign currency exchange contracts and currency option transactions	Exceptional accounting such as forward foreign currency exchange contracts, etc., or principal method of accounting	Anticipated foreign currency denominated transactions	¥ 43,864	¥ 2,276	¥ 709
(c) Products	Swap transactions and option transactions of oil prices, etc.	Principal method of accounting	Purchase prices of raw materials, etc.	¥ 74,061	¥ 52,256	¥ 4,306
Total				¥ 212,601	¥ 143,965	¥ 5,197

Fair value information for the derivative transactions to which hedge accounting was applied in 2012 is as follows:

Millions of Yen / Thousands of U.S. Dollars

Type	Instruments	Hedge Accounting Method	Hedged Items	Contract Amounts	Contract Amounts: More than One Year	Fair Value
(a) Interest rates	Interest rate swaps	Exceptional accounting of interest rate swaps	Long-term loans payable	¥ 27,708 $ 337,121	¥ 25,519 $ 310,487	(Note 2)
		Principal method of accounting	Long-term loans payable and bonds	¥ 67,559 $ 821,985	¥ 64,530 $ 785,132	¥ 929 $11,303
(b) Currencies	Forward foreign currency exchange contracts and currency option transactions	Exceptional accounting such as forward foreign currency exchange contracts, etc., or principal method of accounting	Anticipated foreign currency denominated transactions	¥ 18,532 $ 225,477	¥ 2,254 $ 27,424	¥ 431 $ 5,243
(c) Products	Swap transactions and option transactions of oil prices, etc.	Principal method of accounting	Purchase prices of raw materials, etc.	¥ 52,466 $ 638,350	¥ 40,974 $ 498,527	¥ 4,046 $49,227
Total				¥ 166,266 $2,022,946	¥ 133,277 $1,621,571	¥ 5,407 $65,786

Notes:
1. Fair values are calculated by using prices presented by major financial institutions.
2. Fair values of interest rate swaps to which exceptional accounting is applied are included in those of the corresponding long-term loans payable. As such, values are accounted for together with hedged long-term loans payable.

17. Employees' Severance and Retirement Benefits

Employees' severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2011 and 2012 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2012	2012
Projected benefit obligation	¥ 259,293	¥ 253,376	$ 3,082,808
Prepaid pension costs	39,963	37,696	458,644
Unrecognized actuarial differences	(44,060)	(38,455)	(467,879)
Unrecognized prior service costs	292	262	3,187
Less fair value of pension assets	(240,941)	(237,383)	(2,888,222)
Employees' severance and retirement benefits	¥ 14,548	¥ 15,496	$ 188,538

Included in the consolidated statements of income for the years ended March 31, 2011 and 2012 were severance and retirement benefit expenses that consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2012	2012
Service costs	¥ 7,538	¥ 8,217	$ 99,975
Interest cost on projected benefit obligation	4,612	4,563	55,517
Expected return on plan assets	(7,572)	(7,412)	(90,181)
Amortization of actuarial differences	4,718	3,312	40,296
Amortization of prior service costs	(163)	(30)	(365)
Severance and retirement benefit expenses	¥ 9,134	¥ 8,649	$105,231

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

	2011	2012
Discount rates	Mainly 1.8%	Mainly 1.8%
Expected rate of return on plan assets	Mainly 3.1%	Mainly 3.1%

The estimated amount of all retirement benefits to be paid at future retirement dates is allocated equally to each service year using the estimated number of total service years. Prior service costs are recognized as incurred and actuarial gains/losses are recognized not only as expense but also as income in equal amounts over 10 years.

18. Income Taxes

The Company is subject to a number of taxes based on income, which, in the aggregate, indicate a statutory rate in Japan of approximately 36.2% for both the years ended March 31, 2011 and 2012.

The following table summarizes the significant differences between the Company's statutory tax rate and the Companies' effective tax rate for financial statement purposes for the years ended March 31, 2011 and 2012:

	2011	2012
Statutory tax rate	36.2%	36.2%
Nondeductible expenses	1.8	1.4
Statutory tax rate difference between the Company and certain subsidiaries	1.1	2.3
Per capita inhabitants taxes	0.3	0.3
Effect of revised corporate tax rate	—	1.9
Equity in earnings of affiliates	(1.0)	(2.7)
Other	2.9	(1.9)
Effective tax rate	41.3%	37.5%

On December 2, 2011, amendments to the Japanese tax regulations were enacted into law. As a result of these amendments, the statutory income tax rate for the Company will be reduced to 33.3% for years beginning on or after April 1, 2012 and 30.7% for years beginning on or after April 1, 2015. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2012 to March 31, 2015 and on or after April 1, 2015 are 33.3% and 30.7%, respectively, as of March 31, 2012.

Due to these changes in statutory income tax rates, net deferred tax assets increased by ¥142 million ($1,727 thousand) as of March 31, 2012 and deferred income tax expense and accumulated other comprehensive income for the year ended March 31, 2012 increased each by ¥1,571 million ($19,114 thousand) and by ¥1,722 million ($20,951 thousand).

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2011 and 2012 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2012	2012
Deferred tax assets:			
Excess depreciation of depreciable assets	¥ 5,791	¥ 6,291	$ 76,542
Excess depreciation of deferred assets	5,342	6,459	78,586
Reserve for safety measures	3,441	2,294	27,910
Losses on impairment of fixed assets	5,401	3,943	47,974
Write-down of securities	3,556	4,064	49,446
Employees' severance and retirement benefits	5,512	5,634	68,548
Accrued enterprise taxes	2,941	2,938	35,746
Others	28,330	19,578	238,204
Subtotal deferred tax assets	60,317	51,206	623,019
Valuation allowance	(8,835)	(9,140)	(111,205)
Total deferred tax assets	51,481	42,065	511,801
Deferred tax liabilities:			
Net unrealized gains on securities	(10,331)	(8,896)	(108,237)
Prepaid pension costs	(14,411)	(11,579)	(140,880)
Unrealized gains on hedging derivatives	(4,278)	(2,460)	(29,930)
Reserve defined under the special taxation measures law	(5,929)	(8,038)	(97,797)
Reserve for advanced depreciation of noncurrent assets	(342)	(322)	(3,917)
Others	(7,106)	(1,950)	(23,725)
Total deferred tax liabilities	(42,397)	(33,247)	(404,513)
Net deferred tax assets	¥ 9,084	¥ 8,818	$ 107,287

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

	Millions of Yen		Thousands of U.S. Dollars
	2011	2012	2012
Current assets (included in "Others")	¥ 13,410	¥11,884	$ 144,591
Investments and other assets (included in "Others")	6,756	6,736	81,956
Current liabilities (included in "Others")	(3)	(0)	(0)
Long-term liabilities	(11,079)	(9,801)	(119,248)
Total	¥ 9,084	¥ 8,818	$ 107,287

19. Investment and Rental Property

The Company and several of its consolidated subsidiaries own office buildings and other real properties for rent (including land) in Osaka Prefecture and other prefectures. In the years ended March 31, 2011 and March 31, 2012, we reported gains of ¥4,667 million and ¥5,233 million ($63,669 thousand), respectively, from such real properties for rent (mainly recorded as operating income).

The book value and fair value of real properties for rent in the consolidated balance sheets for the years ended March 31, 2011 and 2012 were as follows:

As of March 31, 2011

Book Value			Millions of Yen
As of April 1, 2010	Increase or Decrease	As of March 31, 2011	Fair Value as of March 31, 2011
¥100,591	¥4,801	¥105,392	¥159,924

As of March 31, 2012

Book Value			Millions of Yen
As of April 1, 2011	Increase or Decrease	As of March 31, 2012	Fair Value as of March 31, 2012
¥105,392	¥2,979	¥108,371	¥159,358

As of March 31, 2012

Book Value			Thousands of U.S. dollars
As of April 1, 2011	Increase or Decrease	As of March 31, 2012	Fair Value as of March 31, 2012
$1,282,297	$36,245	$1,318,542	$1,938,897

Notes:
1. The book value stated in the consolidated balance sheets was the acquisition costs reduced by accumulated depreciation and accumulated impairment losses.
2. The main factor contributing to the increase in the years ended March 31, 2011 and 2012 was the acquisition of real property of ¥5,423 million and ¥7,128 million ($86,725 thousand), respectively.
3. The fair values as of end of the fiscal year were based mainly on the Real Estate Appraisal Standards or similar evaluation methods (including values adjusted using indicators).

20. Segment Information

(1) Overview of Reportable Segment

The Company group's three business segments, "Domestic Energy Businesses," "International Energy Businesses along the Energy Value Chain," and "Environment and Non-Energy Businesses" are divided by product and service, and organized into the four reporting segments of "Gas Businesses," "LPG, Electricity and Other Energies Businesses," "International Energy Businesses," and "Environment and Non-Energy Businesses," considering the similarities between product and services and other relevant factors.

The "Gas Businesses" segment includes marketing of gas and gas equipment, gas piping work, and heat supply. The "LPG, Electricity and Other Energies Businesses" segment includes LPG marketing, industrial gas marketing, and electric power supply. The "International Energy Businesses" segment includes overseas energy supply, LNG vessel chartering businesses and oil and natural gas business development and investment. The "Environment and Non-Energy Businesses" segment includes real estate development and leasing, IT services, marketing of fine materials and carbon material products, fitness gym operation, engineering services, and leasing of automobiles and IT related equipment.

(2) Calculation Methods for Sales, Income (Loss), Assets, Liabilities and Other Items by Reportable Segment

The methods used to account for sales, income (loss), assets, liabilities and other items by reportable segment are consistent with the accounting principles described in Note 2, "Significant Accounting Policies." The pricing of intergroup transactions is based on values arising under arms-length market transactions.

(3) Sales, Income (Loss), Assets, Liabilities and Other Items by Reportable Segment

Millions of Yen

2011	Gas Businesses	LPG, Electricity and Other Energies Businesses	International Energy Businesses	Environment and Non-Energy Businesses	Total	Adjustments (Note 1)	Consolidated (Note 2)
Net sales							
Outside customers	¥865,382	¥172,660	¥ 11,007	¥138,091	¥1,187,142	¥ —	¥1,187,142
Inside group	14,495	2,105	123	47,315	64,040	(64,040)	—
Total	879,878	174,766	11,130	185,407	1,251,182	(64,040)	1,187,142
Segment income							
Operating income	¥ 41,913	¥ 25,243	¥ 3,178	¥ 15,652	¥ 85,988	¥ 2,595	¥ 88,584
Equity in earnings of affiliates	5	365	1,790	—	2,161	—	2,161
Total	41,919	25,609	4,968	15,652	88,150	2,595	90,746
Segment assets	¥728,047	¥171,342	¥144,397	¥306,489	¥1,350,277	¥ 87,019	¥1,437,297
Depreciation	63,318	17,041	5,540	10,567	96,467	(730)	95,737
Amortization of goodwill	514	751	223	342	1,831	—	1,831
Investment in affiliates reported by equity method	399	4,049	38,805	—	43,254	—	43,254
Increase in tangible and intangible fixed assets	50,185	9,210	102	10,644	70,142	(542)	69,600

Millions of Yen

2012	Gas Businesses	LPG, Electricity and Other Energies Businesses	International Energy Businesses	Environment and Non-Energy Businesses	Total	Adjustments (Note 1)	Consolidated (Note 2)
Net sales							
Outside customers	**¥952,611**	**¥195,624**	**¥ 11,000**	**¥135,546**	**¥1,294,781**	**¥ —**	**¥1,294,781**
Inside group	**23,901**	**2,435**	**157**	**49,042**	**75,536**	**(75,536)**	**—**
Total	**976,512**	**198,060**	**11,158**	**184,588**	**1,370,318**	**(75,536)**	**1,294,781**
Segment income							
Operating income	**¥ 20,977**	**¥ 32,230**	**¥ 3,361**	**¥ 18,437**	**¥ 75,007**	**¥ 2,267**	**¥ 77,274**
Equity in earnings of affiliates	**5**	**216**	**5,300**	**114**	**5,637**	**—**	**5,637**
Total	**20,982**	**32,447**	**8,661**	**18,552**	**80,644**	**2,267**	**82,911**
Segment assets	**¥753,945**	**¥164,672**	**¥169,802**	**¥322,568**	**¥1,410,988**	**¥ 64,711**	**¥1,475,759**
Depreciation	**62,451**	**15,675**	**5,543**	**10,223**	**93,893**	**(776)**	**93,117**
Amortization of goodwill	**(89)**	**445**	**251**	**(99)**	**507**	**—**	**507**
Investment in affiliates reported by equity method	**401**	**4,151**	**37,351**	**1,870**	**43,775**	**—**	**43,775**
Increase in tangible and intangible fixed assets	**63,009**	**3,315**	**7,166**	**14,413**	**87,904**	**(732)**	**87,171**

Thousands of U.S. Dollars

2012	Gas Businesses	LPG, Electricity and Other Energies Businesses	International Energy Businesses	Environment and Non-Energy Businesses	Total	Adjustments (Note 1)	Consolidated (Note 2)
Net sales							
Outside customers	**$11,590,351**	**$2,380,143**	**$ 133,836**	**$1,649,178**	**$15,753,510**	**$ —**	**$15,753,510**
Inside group	**290,801**	**29,626**	**1,910**	**596,690**	**919,041**	**(919,041)**	**—**
Total	**11,881,153**	**2,409,782**	**135,758**	**2,245,869**	**16,672,563**	**(919,041)**	**15,753,510**
Segment income							
Operating income	**$ 255,225**	**$ 392,140**	**$ 40,893**	**$ 224,321**	**$ 912,604**	**$ 27,582**	**$ 940,187**
Equity in earnings of affiliates	**60**	**2,628**	**64,484**	**1,387**	**68,584**	**—**	**68,584**
Total	**255,286**	**394,780**	**105,377**	**225,720**	**981,189**	**27,582**	**1,008,772**
Segment assets	**$ 9,173,196**	**$2,003,552**	**$2,065,969**	**$3,924,662**	**$17,167,392**	**$ 787,334**	**$17,955,456**
Depreciation	**759,836**	**190,716**	**67,441**	**124,382**	**1,142,389**	**(9,441)**	**1,132,948**
Amortization of goodwill	**(1,082)**	**5,414**	**3,053**	**(1,204)**	**6,168**	**—**	**6,168**
Investment in affiliates reported by equity method	**4,878**	**50,504**	**454,447**	**22,752**	**532,607**	**—**	**532,607**
Increase in tangible and intangible fixed assets	**766,626**	**40,333**	**87,188**	**175,361**	**1,069,521**	**(8,906)**	**1,060,603**

Notes:
1. Adjustments are as follows:
 (1) A major adjustment in segment income is the elimination of inter-segment transactions.
 (2) A major adjustment in segment assets is for investment in securities possessed by the Company.
2. Segment income is adjusted by adding or subtracting equity in earnings of affiliates to or from operating income.

(4) Information about Amount Depreciated and the Undepreciated Balance of Goodwill by Segment

Millions of Yen

For 2011	Gas Businesses	LPG, Electricity and Other Energies Busniesses	International Energy Busniesses	Environment and Non-Energy Busniesses	Subtotal	Elimination or corporate	Total
Amount depreciated in 2011	¥ 514	¥751	¥ 223	¥ 342	¥1,831	¥—	¥1,831
Undepreciated balance at fiscal year-end	(186)	957	2,603	(202)	3,172	—	3,172

Millions of Yen

For 2012	Gas Businesses	LPG, Electricity and Other Energies Busniesses	International Energy Busniesses	Environment and Non-Energy Busniesses	Subtotal	Elimination or corporate	Total
Amount depreciated in 2012	**¥(89)**	**¥445**	**¥ 251**	**¥ (99)**	**¥ 507**	**¥—**	**¥ 507**
Undepreciated balance at fiscal year-end	**(96)**	**513**	**2,050**	**(101)**	**2,366**	**—**	**2,366**

Thousands of U. S. Dollars

For 2012	Gas Businesses	LPG, Electricity and Other Energies Busniesses	International Energy Busniesses	Environment and Non-Energy Busniesses	Subtotal	Elimination or corporate	Total
Amount depreciated in 2012	**$(1,082)**	**$5,414**	**$ 3,053**	**$(1,204)**	**$ 6,168**	**$—**	**$ 6,168**
Undepreciated balance at fiscal year-end	**(1,168)**	**6,241**	**24,942**	**(1,228)**	**28,786**	**—**	**28,786**

21. Consolidated Statements of Comprehensive Income

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income are as follows:

For 2012	Millions of Yen	Thousands of U. S. Dollars
Unrealized gains (losses) on securities		
Incurred in 2012	¥ 330	$ 4,015
Adjustments	(89)	(1,082)
Before tax effect adjustments	241	2,932
Tax effect	1,435	17,459
Unrealized gains (losses) on securities	1,676	20,391
Deferred gains and losses on hedges		
Incurred in 2012	2,632	32,023
Adjustments	(3,121)	(37,972)
Before tax effect adjustments	(489)	(5,949)
Tax effect	340	4,136
Deferred gains and losses on hedges	(148)	(1,800)
Land revaluation difference		
Tax effect	9	109
Foreign currency translation adjustments		
Incurred in 2012	(5,514)	(67,088)
Share of other comprehensive income of associates accounted for using equity method		
Incurred in 2012	(4,160)	(50,614)
Adjustments	524	6,375
Share of other comprehensive income of associates accounted for using equity method	(3,636)	(44,238)
Other comprehensive income total	¥(7,613)	$(92,626)

22. Subsequent Event

Osaka Gas Resources America Corporation, a newly established, wholly-owned subsidiary from June 2012, reached an agreement with Cabot Oil & Gas Corporation (“Cabot”) on June 22, 2012, on its acquisition of a 35% interest in the Pearsall shale gas and liquids development project in Texas, USA., held by Cabot for the maximum consolidation amount of approximately ¥20,000 million ($250,000 thousand). As part of the transaction, the company paid approximately ¥10,000 million ($125,000 thousand) to Cabot on June 26, 2012. The remainder of the acquisition cost will be paid as expenses for drilling and development of the wells in the project within the maximum approximate amount of ¥10,000 million ($125,000 thousand).

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Osaka Gas Co., Ltd. (the "Company") and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2011 and 2012, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Osaka Gas Co., Ltd. and its consolidated subsidiaries as at March 31, 2011 and 2012, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 22 of Notes to the Consolidated Financial Statements, Osaka Gas Resources America Coproration, a newly established, wholly-owned subsidiary from June 2012, reached an agreement with Cabot Oil & Gas Corporation on June 22, 2012, on its acquisition of a 35% interest in the Pearsall shale gas and liquids development project in Texas, USA.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2012 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

June 28, 2012
Osaka, Japan