

Consolidated Balance Sheets

Osaka Gas Co., Ltd. and Consolidated Subsidiaries
March 31, 2015 and 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2016	2016
Assets			
Non-current Assets			
Property, plant and equipment (Note 8)			
Production facilities	¥ 75,370	¥ 89,192	\$ 791,551
Distribution facilities	304,286	297,424	2,639,545
Service and maintenance facilities	64,206	60,257	534,762
Other facilities	295,387	291,836	2,589,953
Construction in progress	156,146	172,949	1,534,868
Total property, plant and equipment	895,398	911,659	8,090,690
Intangible assets			
Total intangible assets	98,680	89,613	795,287
Investments and other assets			
Investment securities (Notes 6, 7 and 8)	230,958	236,774	2,101,295
Net defined benefit asset (Note 17)	55,336	25,154	223,233
Other	45,405	51,729	459,078
Allowance for doubtful accounts	(1,914)	(1,811)	(16,072)
Total investments and other assets	329,784	311,846	2,767,536
Total non-current assets	1,323,864	1,313,119	11,653,523
Current Assets			
Cash and deposits (Notes 4 and 8)	147,426	209,982	1,863,525
Notes and accounts receivable - trade (Note 8)	187,482	167,246	1,484,256
Inventories (Notes 5 and 8)	103,420	79,782	708,040
Other (Note 8)	101,323	60,735	539,004
Allowance for doubtful accounts	(1,315)	(1,110)	(9,850)
Total current assets	538,337	516,636	4,584,984
Total assets	¥1,862,201	¥1,829,756	\$16,238,516

	2015	2016	Thousands of U.S. Dollars (Note1) 2016
Liabilities			
Non-current liabilities			
Bonds payable (Note 8)	¥ 240,666	¥ 184,975	\$ 1,641,595
Long-term loans payable (Note 8)	309,848	300,588	2,667,625
Deferred tax liabilities (Note 12)	36,981	21,864	194,036
Provision for gas holder repairs	1,722	1,649	14,634
Provision for safety measures	8,451	12,549	111,368
Provision for investment loss	6,999	6,999	62,113
Provision for loss on guarantees	1,589	1,757	15,592
Provision for equipment warranties	2,895	8,377	74,343
Net defined benefit liability (Note 17)	16,484	18,145	161,031
Other	33,154	37,725	334,797
Total non-current liabilities	658,794	594,633	5,277,183
Current liabilities			
Current portion of non-current liabilities (Note 8)	55,731	54,521	483,856
Notes and accounts payable - trade	54,610	53,882	478,186
Short-term loans payable (Note 8)	26,832	25,916	229,996
Income taxes payable	30,835	33,834	300,266
Other	116,527	131,181	1,164,190
Total current liabilities	284,537	299,336	2,656,514
Total liabilities	943,331	893,970	7,933,706
Net Assets (Note 9)			
Shareholders' equity			
Capital stock	132,166	132,166	1,172,932
Authorized - 3,707,506,909 shares			
Issued - 2,083,400,000 shares in 2015 and in 2016			
Capital surplus	19,488	19,320	171,458
Retained earnings	648,896	712,401	6,322,337
Treasury shares (Note 10)	(938)	(1,275)	(11,315)
2,532,646 shares in 2015 and			
3,256,640 shares in 2016			
Total shareholders' equity	799,613	862,613	7,655,422
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	50,868	44,143	391,755
Deferred gains and losses on hedges	(6,519)	(12,347)	(109,575)
Revaluation reserve for land (Note 12)	(737)	(737)	(6,540)
Foreign currency translation adjustments	39,341	28,924	256,691
Remeasurements of defined benefit plans	5,929	(15,972)	(141,746)
Total accumulated other comprehensive income	88,882	44,010	390,575
Non-controlling interests	30,373	29,162	258,803
Total net assets	918,869	935,786	8,304,810
Total liabilities and net assets	¥1,862,201	¥1,829,756	\$16,238,516

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income

Osaka Gas Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2015 and 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2016	2016
Net sales	¥1,528,164	¥1,322,012	\$11,732,445
Cost of sales (Note 14)	1,071,021	814,760	7,230,741
Gross profit	457,143	507,251	4,501,695
Selling, general and administrative expenses (Note 14)	352,077	360,576	3,200,000
Operating income	105,065	146,674	1,301,686
Non-operating income			
Interest income	770	448	3,975
Dividend income	4,659	3,262	28,949
Share of profit of entities accounted for using equity method	6,990	—	—
Miscellaneous income	10,401	6,156	54,632
Total non-operating income	22,822	9,867	87,566
Non-operating expenses			
Interest expense	9,475	10,003	88,773
Share of loss of entities accounted for using equity method	—	4,538	40,273
Miscellaneous expenses	10,238	7,012	62,229
Total non-operating expenses	19,714	21,555	191,293
Ordinary income	108,173	134,986	1,197,958
Extraordinary income			
Gain on sales of non-current asset	2,941	2,467	21,893
Gain on sales of investment securities (Note 7)	13,011	—	—
Total extraordinary income	15,952	2,467	21,893
Extraordinary losses			
Impairment loss (Note 13)	2,697	14,588	129,463
Total extraordinary losses	2,697	14,588	129,463
Income before income taxes	121,428	122,865	1,090,388
Income taxes			
Income taxes - current	38,064	43,394	385,108
Income taxes - deferred	4,744	(5,478)	(48,615)
Total income taxes (Note 18)	42,808	37,916	336,492
Profit	78,619	84,949	753,895
Profit attributable to non-controlling interests	1,910	624	5,537
Profit attributable to owners of parent	¥ 76,709	¥ 84,324	\$ 748,349
		Yen	U.S. Dollars (Note 1)
	2015	2016	2016
Amounts per share of capital stock (Note 2)			
Profit	¥36.86	¥40.53	\$0.359
Cash dividends applicable to the year	9.50	10.00	0.088

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

Osaka Gas Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2015 and 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2016	2016
Profit	¥ 78,619	¥84,949	\$753,895
Other comprehensive income (Note 21)			
Valuation difference on available-for-sale securities	16,045	(6,736)	(59,779)
Deferred gains and losses on hedges	(3,232)	(3,926)	(34,842)
Foreign currency translation adjustments	10,241	(4,078)	(36,190)
Adjustment for employee retirement benefits	12,018	(22,528)	(199,929)
Share of other comprehensive income of associates accounted for using equity method	(7,608)	(9,422)	(83,617)
Total other comprehensive income	27,464	(46,692)	(414,376)
Comprehensive income	¥106,084	¥38,256	\$339,510
Attributable to:			
Owners of parent	¥104,751	¥39,452	\$350,124
Non-controlling interests	¥ 1,332	¥(1,196)	\$ (10,614)

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, 2015 and 2016

Millions of Yen					
Shareholders' equity					
Years ended March 31, 2015	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	¥132,166	¥19,486	¥587,268	¥(797)	¥738,124
Cumulative effects of changes in accounting policies			3,649		3,649
Restated balance	132,166	19,486	590,917	(797)	741,773
Changes in items during period					
Dividends from surplus			(18,729)		(18,729)
Profit attributable to owners of parent			76,709		76,709
Change in scope of equity method					—
Purchase of treasury shares				(153)	(153)
Disposal of treasury shares		2		12	14
Changes in ownership interest of subsidiaries arising from transaction with non-controlling shareholders					
Net changes in items other than shareholders' equity					
Total changes in items during period	—	2	57,979	(141)	57,840
Balance at end of current period	¥132,166	¥19,488	¥648,896	¥(938)	¥799,613

Millions of Yen					
Shareholders' equity					
Years ended March 31, 2016	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	¥132,166	¥19,488	¥648,896	¥(938)	¥799,613
Changes in items during period					
Dividends from surplus			(20,808)		(20,808)
Profit attributable to owners of parent			84,324		84,324
Change in scope of equity method			(11)		(11)
Purchase of treasury shares				(357)	(357)
Disposal of treasury shares		4		20	25
Changes in ownership interest of subsidiaries arising from transaction with non-controlling shareholders		(173)			(173)
Net changes in items other than shareholders' equity					
Total changes in items during period	—	(168)	63,504	(336)	62,999
Balance at end of current period	¥132,166	¥19,320	¥712,401	¥(1,275)	¥862,613

Thousands of U.S. Dollars					
Shareholders' equity					
Years ended March 31, 2016	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	\$1,172,932	\$172,949	\$5,758,750	\$(8,324)	\$7,096,317
Changes in items during period					
Dividends from surplus			(184,664)		(184,664)
Profit attributable to owners of parent			748,349		748,349
Change in scope of equity method			(97)		(97)
Purchase of treasury shares				(3,168)	(3,168)
Disposal of treasury shares		35		177	221
Changes in ownership interest of subsidiaries arising from transaction with non-controlling shareholders		(1,535)			(1,535)
Net changes in items other than shareholders' equity					
Total changes in items during period	—	(1,490)	563,578	(2,981)	559,096
Balance at end of current period	\$1,172,932	\$171,458	\$6,322,337	\$(11,315)	\$7,655,422

Millions of Yen

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

Millions of Yen

Accumulated other comprehensive income						Non-controlling interests	Total net assets
Valuation difference on available-for-sale securities	Deferred gains and losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
¥50,868	¥(6,519)	¥(737)	¥39,341	¥5,929	¥88,882	¥30,373	¥918,869
							(20,808)
							84,324
							(11)
							(357)
							25
							(173)
(6,724)	(5,827)		(10,417)	(21,902)	(44,871)	(1,211)	(46,083)
(6,724)	(5,827)	—	(10,417)	(21,902)	(44,871)	(1,211)	16,916
¥44,143	¥(12,347)	¥(737)	¥28,924	¥(15,972)	¥44,010	¥29,162	¥935,786

Thousands of U.S. Dollars

Accumulated other comprehensive income						Non-controlling interests	Total net assets
Valuation difference on available-for-sale securities	Deferred gains and losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
\$451,437	\$(57,854)	\$(6,540)	\$349,139	\$52,618	\$788,800	\$269,550	\$8,154,676
							(184,664)
							748,349
							(97)
							(3,168)
							221
							(1,535)
(59,673)	(51,712)		(92,447)	(194,373)	(398,216)	(10,747)	(408,972)
(59,673)	(51,712)	—	(92,447)	(194,373)	(398,216)	(10,747)	150,124
\$391,755	\$(109,575)	\$(6,540)	\$256,691	\$(141,746)	\$390,575	\$258,803	\$8,304,810

Consolidated Statements of Cash Flows

Osaka Gas Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars (Note1)
	2015	2016	2016
Cash Flows from Operating Activities			
Income before income taxes and minority interests	¥121,428	¥122,865	\$1,090,388
Depreciation and amortization	87,785	86,747	769,852
Amortization of long-term prepaid expenses	5,411	5,369	47,648
Impairment loss	2,697	14,588	129,463
Increase (decrease) in provision for safety measures	(2,379)	4,097	36,359
Increase (decrease) in provision for equipment warranties	2,895	5,482	48,651
Interest and dividend income	(5,430)	(3,711)	(32,933)
Interest expense	9,475	10,003	88,773
Shares of loss (profit) of entities accounted for using equity method	(6,990)	4,538	40,273
Loss (gain) on sales of non-current fixed assets	(2,941)	(2,467)	(21,893)
(Increase) decrease in notes and accounts receivable - trade	4,132	23,852	211,679
(Increase) decrease in inventories	(14,935)	24,346	216,063
Increase (decrease) in notes and accounts payable - trade	(5,371)	(2,275)	(20,189)
Increase (decrease) in accrued expenses	(2,361)	(6,294)	(55,857)
Other	3,314	35,016	310,756
Subtotal	196,731	322,161	2,859,078
Interest and dividends income received	8,678	6,387	56,682
Interest expenses paid	(9,592)	(10,224)	(90,734)
Income taxes paid	(38,909)	(36,504)	(323,961)
Net cash provided by (used in) Operating Activities	156,908	281,819	2,501,056
Cash Flows from Investing Activities			0
Purchase of property, plant and equipment	(105,082)	(109,910)	(975,417)
Proceeds from sales of non-current assets	8,285	5,486	48,686
Purchase of intangible assets	(9,600)	(7,646)	(67,855)
Purchase of long-term prepaid expenses	(4,956)	(5,383)	(47,772)
Proceeds from withdrawal of time deposits	1,174	4,430	39,314
Purchase of shares of subsidiaries and associates	(18,495)	(25,975)	(230,520)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(1,998)	(17,731)
Payments of long-term loans receivable	(282)	(7,791)	(69,142)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	1,180	414	3,674
Other	17,072	4,175	37,051
Net cash provided by (used in) Investing Activities	(110,704)	(144,198)	(1,279,712)
Cash Flows from Financing Activities			0
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(3,603)	(31,975)
Proceeds from long-term loans payable	71,650	15,456	137,167
Repayment of long-term loans payable	(17,420)	(25,298)	(224,511)
Redemption of bonds	(21,590)	(53,131)	(471,521)
Cash dividends paid	(18,742)	(20,809)	(184,673)
Proceeds from share issuance to non-controlling shareholders	-	190	1,686
Dividends paid to non-controlling interests	(404)	(602)	(5,342)
Other	9,398	(2,918)	(25,896)
Net cash provided by (used in) Financing Activities	22,892	(90,716)	(805,076)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	3,336	(328)	(2,910)
Net Increase (Decrease) in Cash and Cash Equivalents	72,433	46,574	413,329
Cash and Cash Equivalents at the Beginning of Current Period	90,359	162,793	1,444,737
Cash and Cash Equivalents at the End of Current Period (Note 4)	¥162,793	¥209,367	\$1,858,067

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Osaka Gas Co., Ltd. and Consolidated Subsidiaries
March 31, 2015 and 2016

1. Basis of Presenting Consolidated Financial Statements

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

The accounts of the Company's consolidated overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English, with some expanded descriptions, from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP

and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2016 which was ¥112.68 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 2015 and 2016. 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 for the years ended March 31, 2015 and 2016 included the accounts of the Company and its 145 and 149 subsidiaries, respectively. For the year ended March 31, 2016, 7 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 75 subsidiaries included in consolidation have fiscal years that end on December 31.

These subsidiaries do not prepare for consolidation purposes statements with periods that correspond to the fiscal year-end of the Company (March 31). For these 75 consolidated subsidiaries, if there were significant transactions between their fiscal year-end and the Company's year-end, necessary adjustments were made to reflect these transactions in the accompanying consolidated financial statements.

Goodwill is amortized within 20 years on a straight-line basis. If goodwill is insignificant, it is charged or credited to income in the first year of consolidation.

Investments in significant affiliates are accounted for by the equity method. Affiliates that have an insignificant impact on consolidated net income and consolidated retained earnings are not accounted for by the equity method. As of March 31, 2015 and 2016, 13 and 16 significant affiliates, respectively, were accounted for by the equity method.

(2) Consolidated Statements of Cash Flows

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

(3) Inventories

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

(4) Securities

Under the Japanese accounting standard for financial instruments, all companies are required to examine the securities they hold to determine the intention for which they are held and to classify those securities

according to the intention as 1) securities held for trading purposes ("trading securities"), 2) debt securities intended to be held to maturity ("held-to-maturity debt securities"), 3) equity securities issued by subsidiaries and affiliates and 4) all other securities that are not classified in any of the above categories ("available-for-sale securities").

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

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

(5) Property, Plant and Equipment

Depreciation is provided mainly by the declining balance method (the straight-line method by certain consolidated subsidiaries) over the estimated useful life of the asset. However, the Company and its domestic consolidated subsidiaries depreciate buildings acquired on or after April 1, 1998 by the straight-line method.

Certain capital gains arising from beneficiaries' contributions or expropriations of property, deferral of which is permitted for tax purposes, are offset against the acquisition cost of property purchased. The cumulative capital gain arising from the beneficiaries' contributions and offset against the acquisition cost of property, plant and equipment at March 31, 2015 and 2016 was ¥260,741 million and ¥261,938 million (\$2,324,618 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, 2015 and 2016 was ¥392 million and ¥18 million (\$159 thousand), respectively.

(6) Intangible Assets

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

(7) Leased Assets

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

(8) Allowance for Doubtful Accounts

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

(9) Retirement Benefits

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

a. Method of attributing projected retirement benefits to periods of service In calculating retirement benefit obligations, the benefit formula basis is applied to attribute projected retirement benefits to periods of service.

b. Amortization of actuarial differences and past service cost Past service cost is mainly charged to income for the fiscal year at the time of occurrence.

Actuarial differences are mainly amortized on a straight-line basis over a period of 10 years beginning from the fiscal year following the time of occurrence.

(10) Provision for Gas Holder Repairs

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

(11) Provision for Safety Measures

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

(12) Provision for Safety Measures

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

(13) Provision for Loss on Guarantees

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

(14) Provision for Equipment Warranties

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

(Additional information)

For the fiscal year ended March 31, 2016, it has become possible to reasonably estimate service costs arising from the sale of gas appliances within their warranty periods based on the past results of periodic inspections and other factors. Therefore, in order to provide for the payment of such costs, the Company has decided to record an estimated amount to be incurred as a provision.

As a result, a provision for warranty on gas appliances of ¥4,415 million (\$39,181 thousand) has been stated, reducing operating income, ordinary income and

income before income taxes by the same amount, respectively.

(15) Income Taxes

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

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

(16) Translation of Foreign Currencies

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

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

(17) Derivative Transactions and Hedge Accounting

The Companies state derivative financial instruments at fair value at the end of the fiscal year and recognize changes in the fair value as gain or loss unless the derivative financial instruments are used for hedging purposes. If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies principally 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 in which forward foreign currency exchange contracts and interest rate swap contracts are used as hedges and meet certain hedging criteria, forward foreign currency exchange contracts, interest rate swap contracts and the hedged items are accounted by the exceptional method as follows:

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

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

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

(18) Profit Per Share

The computation of profit per share of capital stock shown on the consolidated statements of income is based on the weighted average number of shares outstanding during the fiscal year. Diluted net income per share of capital stock for the years ended March 31, 2015 and 2016 was not shown since there were no outstanding convertible bonds or other capital stock equivalents.

3. Changes in Accounting Policies, etc.

<Changes in Accounting Policies>

The Company and its domestic subsidiaries adopted "Revised Accounting Standard for Business Combinations" (ASBJ Statement No.21, September 13, 2013 (hereinafter, "Statement No.21")), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, September 13, 2013 (hereinafter, "Statement No.22")) and "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7, September 13, 2013 (hereinafter, "Statement No.7")) (together, the "Business Combination Accounting Standards"), from the current fiscal year. As a result, the Company changed its accounting policies to recognize in capital surplus the differences arising from the changes in the Company's ownership interest of subsidiaries over which the Company continues to maintain control and to record acquisition related costs as expenses in the fiscal year in which the costs are incurred. In addition, the Company changed its accounting policy for the reallocation of acquisition costs due to the completion following provisional accounting to reflect such reallocation in the consolidated financial statements for the fiscal year in which the business combination took place. The Company also changed the presentation of net income and the term "non-controlling interests" is used instead of "minority interests". Certain amounts in the prior year comparative information were reclassified to conform to such changes in the current year presentation.

With regard to the application of the Business Combination Accounting Standards, the Company followed the provisional treatments in article 58-2 (4) of Statement No.21, article 44-5 (4) of Statement No.22 and article 57-4 (4) of Statement No.7 with application from the beginning of the current fiscal year prospectively.

As a result, capital surplus as of the end of the current fiscal year decreased by ¥173 million (\$1,535 thousand).

In the consolidated statement of cash flows, cash flows from acquisition or disposal of shares of subsidiaries with no changes in the scope of consolidation are included in "Cash flows from

financing activities" and cash flows from acquisition related costs for shares of subsidiaries with changes in the scope of consolidation or costs related to acquisition or disposal of shares of subsidiaries with no changes in the scope of consolidation are included in "Cash flows from operating activities".

Capital surplus as of the end of the current fiscal year in the consolidated statement of changes in net assets decreased by ¥173 million (\$1,535 thousand).

As a result, the net assets per share as of the end of the current fiscal year decreased by ¥0.08.

<Unadopted Accounting Standards>

"Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016 (hereinafter, "Guidance No.26")

(1) Overview

Following the framework in Auditing Committee Report No. 66 "Audit Treatment regarding the Judgment of Recoverability of Deferred Tax Assets", which prescribes estimation of deferred tax assets according to the classification of the entity by one of five types, ①Treatment for an entity that does not meet any of the criteria in types 1 to 5 ②Criteria for types 2 and 3 ③Treatment for deductible temporary differences which an entity classified as type 2 is unable to schedule ④Treatment for the period which an entity classified as type 3 is able to reasonably estimate with respect to future taxable income before consideration of taxable or deductible temporary differences that exist at the end of the current fiscal year and ⑤Treatment when an entity classified as type 4 also meets the criteria for types 2 or 3 were changed as necessary.

(2) Effective date

Effective from the beginning of the fiscal year ending March 31, 2017

(3) Effects of application of the Guidance

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

4. Cash and Cash Equivalents

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

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Cash and deposits on the consolidated balance sheets	¥147,426	¥209,982	\$1,863,525
Time deposits with more than 3 months to maturity	(4,633)	(614)	(5,449)
Short-term investments with an original maturity of three months or less, presenting negligible risk of change in value and included in current assets	20,000	—	—
Cash and cash equivalents on the consolidated statements of cash flows	¥162,793	¥209,367	\$1,858,067

6. Financial Instruments

Book value, fair value and any difference between book value and fair value as of March 31, 2015 are set forth in the table below. Financial instruments for which it was extremely difficult to determine the fair value are not included in the table.

5. Inventories

Inventories at March 31, 2015 and 2016 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Merchandises and finished products	¥ 21,290	¥24,989	\$221,769
Work-in-process	8,810	9,313	82,649
Raw materials and supplies	73,318	45,479	403,611
Total	¥103,420	¥79,782	\$708,040

	Millions of Yen		
	Book Value	Fair Value	Difference
(1) Cash and deposits	¥ 147,426	¥ 147,426	¥ —
(2) Notes and accounts receivable - trade	187,482	187,482	—
(3) Marketable securities and investment securities	119,118	119,118	—
Total assets	¥ 454,027	¥ 454,027	¥ —
(1) Notes and accounts payable - trade	¥ 54,610	¥ 54,610	¥ —
(2) Short-term loans payable	26,832	26,832	—
(3) Bonds payable ^(*)	272,342	288,054	15,712
(4) Long-term loans payable ^(*)	333,354	345,565	12,211
Total liabilities	¥ 687,139	¥ 715,063	¥ 27,924
Derivative transactions ^(**)	¥ 3,363	¥ 3,363	¥ —

(*) Bonds payable and long-term loans payable include current portions.

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

Book value, fair value and any difference between book value and fair value as of March 31, 2016 are set forth in the table below. Financial instruments for which it was extremely difficult to determine the fair value are not included in the table.

	Book Value		Fair Value		Difference	
	Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars
(1) Cash and deposits	¥209,982	\$1,863,525	¥209,982	\$1,863,525	¥ —	\$ —
(2) Notes and accounts receivable - trade	167,246	1,484,256	167,246	1,484,256	—	—
(3) Marketable securities and investment securities	87,908	780,156	87,908	780,156	—	—
Total assets	¥465,137	\$4,127,946	¥465,137	\$4,127,946	¥ —	\$ —
(1) Notes and accounts payable - trade	¥ 53,882	\$ 478,186	¥ 53,882	\$ 478,186	¥ —	\$ —
(2) Short-term loans payable	25,916	229,996	25,916	229,996	—	—
(3) Bonds payable (*1)	220,674	1,958,413	239,201	2,122,834	18,527	164,421
(4) Long-term loans payable(*1)	318,852	2,829,712	334,807	2,971,308	15,955	141,595
Total liabilities	¥619,326	\$5,496,325	¥653,808	\$5,802,342	¥ 34,482	\$306,017
Derivative transactions (*2)	¥ (6,665)	\$ (59,149)	¥ (6,665)	\$ (59,149)	¥ —	\$ —

(*1) Bonds payable and long-term loans payable include current portions.

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

Notes on the methods used to calculate the fair value of financial instruments, securities and derivatives

Assets

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

The fair value is determined by the book value, which is almost equivalent to the fair value due to the short-term nature of the financial transactions.

(3) Marketable securities and investment securities

The fair value of stock is determined by market prices. The fair value of bonds is derived from market prices or prices presented by the corresponding financial institution. Refer to notes on securities (Note 7) for information about securities classified by the purpose for which they are held.

Liabilities

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

The fair value is determined by book value, which is almost equivalent to the fair value due to the short-term nature of the financial transactions.

(3) Bonds payable

The fair value of the bonds issued by Osaka Gas and each of its group companies is the market price if available, otherwise, fair value is calculated as the present value, which is the total amount of principal and interest discounted at the rate reflecting the time to maturity of the bonds and the credit risk.

(4) Long-term loans payable

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

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

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

Derivative transactions

Refer to notes on derivative transactions (Note 16).

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

Book Value	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Affiliated company securities	¥125,333	¥143,557	\$1,274,023
Non-listed equity securities	¥ 10,027	¥ 7,419	\$ 65,841

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

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

For 2016	Millions of Yen			
	One Year or Less	One to Five Years	Five to Ten Years	More than Ten Years
Cash and deposits	¥209,982	¥ —	¥ —	¥ —
Notes and accounts receivable - trade	167,246	—	—	—
Marketable securities and investment securities				
Held-to-maturity debt securities (corporate bonds)	12	12	—	180
Available-for-sale securities with maturities				
(Government bonds and municipal bonds)	—	—	—	98
(Negotiable certificates of deposit)	600	—	—	—
(Commercial paper)	1,498	—	—	—
(Other)	—	200	—	—
Total	¥379,339	¥212	¥ —	¥278

For 2016	Thousands of U.S. Dollars			
	One Year or Less	One to Five Years	Five to Ten Years	More than Ten Years
Cash and deposits	\$1,863,525	\$ —	\$ —	\$ —
Notes and accounts receivable - trade	1,484,256	—	—	—
Marketable securities and investment securities				
Held-to-maturity debt securities (corporate bonds)	106	106	—	1,597
Available-for-sale securities with maturities				
(Government bonds and municipal bonds)	—	—	—	869
(Negotiable certificates of deposit)	5,324	—	—	—
(Commercial paper)	13,294	—	—	—
(Other)	—	1,774	—	—
Total	\$3,366,515	\$ 1,881	\$ —	\$2,467

7. Securities

(1) The following tables summarize acquisition costs and book values (fair values) of available-for-sale securities with available fair value as of March 31, 2015 and 2016.

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

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

	Millions of Yen		
	Acquisition Cost	Book Value	Difference
For 2016:			
Stocks	¥24,399	¥85,394	¥60,995
Bonds	—	—	—
Total	¥24,399	¥85,394	¥60,995

	Thousands of U.S. Dollars		
	Acquisition Cost	Book Value	Difference
For 2016:			
Stocks	\$216,533	\$757,845	\$541,311
Bonds	—	—	—
Total	\$216,533	\$757,845	\$541,311

(2) Total sales of available-for-sale securities in the years ended March 31, 2015 and 2016 amounted to ¥14,142 million and ¥908 million (\$8,058 thousand), respectively. The related gains and losses amounted to ¥13,011 million and ¥7 million, respectively, for the year ended March 31, 2015. The related gains and losses amounted to ¥313 million (\$2,777 thousand) and ¥0 million (\$0 thousand), respectively, for the year ended March 31, 2016.

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

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

	Millions of Yen		
	Acquisition Cost	Book Value	Difference
For 2016:			
Stocks	¥ 343	¥ 316	¥(26)
Bonds	2,197	2,197	—
Total	¥ 2,540	¥ 2,513	¥(26)

	Thousands of U.S. Dollars		
	Acquisition Cost	Book Value	Difference
For 2016:			
Stocks	\$ 3,044	\$ 2,804	\$(230)
Bonds	19,497	19,497	—
Total	\$ 22,541	\$ 22,302	\$(230)

(3) For "Available-for-sale securities," impairment losses of ¥2,323 million and ¥207 million (\$1,837 thousand) were recorded for the years ended March 31, 2015 and 2016, respectively.

8. Short-Term Loans and Long-Term Debt

Short-term loans consisted of short-term notes payable bearing interest at an annual average rate of 0.4% and 0.7% at March 31, 2015 and 2016, respectively.

Long-term debt at March 31, 2015 and 2016 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Loans principally from banks and insurance companies due within one year (Average rate 1.4%)	¥ 23,506	¥ 18,263	\$ 162,078
Maturing through 2045 (Average rate 1.3%)	309,848	300,588	2,667,625
Total	¥333,354	¥318,852	\$2,829,712
Osaka Gas Unsecured bonds			
Osaka Gas 3.4% bonds payable due 2017	15,700	15,700	139,332
Osaka Gas 1.47% bonds payable due 2022	19,989	19,990	177,405
Osaka Gas 1.83% bonds payable due 2020	19,995	19,996	177,458
Osaka Gas 1.79% bonds payable due 2020	19,991	19,992	177,422
Osaka Gas 2.33% bonds payable due 2026	9,995	9,995	88,702
Osaka Gas 1.79% bonds payable due 2016	19,997	19,998	177,476
Osaka Gas 2.14% bonds payable due 2019	19,997	—	—
Osaka Gas 1.21% bonds payable due 2015	30,000	—	—
Osaka Gas 1.782% bonds payable due 2018	30,000	30,000	266,240
Osaka Gas 1.345% bonds payable due 2021	10,000	10,000	88,746
Osaka Gas 1.16% bonds payable due 2021	10,000	10,000	88,746
Osaka Gas 0.759% bonds payable due 2022	10,000	10,000	88,746
Osaka Gas 0.748% bonds payable due 2023	10,000	10,000	88,746
Osaka Gas 1.606% bonds payable due 2034	15,000	15,000	133,120
Osaka Gas 1.402% bonds payable due 2034	20,000	20,000	177,493
Osaka Gas 1.685% bonds payable due 2045	10,000	10,000	88,746
OGPA Funding, LLC 7.73% bonds payable due 2015 in U.S. dollars	1,675	—	—
Total	¥272,342	¥220,674	\$1,958,413

The Company entered into debt assumption agreements with banks for 2.9% unsecured bonds due in 2018 in the amount of ¥29,000 million in the fiscal year ended March 31, 2007 and for 2.14% unsecured bonds due in 2019 in the amount of ¥20,000 million in the fiscal year ended March 31, 2016. The Company states obligations to be performed by the banks in the note as contingent liabilities.

The annual maturities of corporate bonds at March 31, 2016 were as follows:

Years ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2017	¥ 35,700	\$ 316,826
2018	—	—
2019	30,000	266,240
2020	20,000	177,493
2021	30,000	266,240
April 1, 2021 and thereafter	105,000	931,842
Total	¥220,700	\$1,958,643

The annual maturities of long-term debt at March 31, 2016 were as follows:

Years ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2017	¥ 18,263	\$ 162,078
2018	48,855	433,572
2019	36,520	324,103
2020	15,975	141,773
2021	13,560	120,340
April 1, 2021 and thereafter	185,676	1,647,816
Total	¥318,852	\$2,829,712

Assets pledged as collateral mainly for short-term loans and long-term debt totaling ¥43,868 million and ¥40,055 million (\$355,475 thousand) at March 31, 2015 and 2016, respectively, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Property, plant and equipment	¥ 127,946	¥143,458	\$1,273,145
Investment securities	14,660	2,881	25,567
Cash and deposits	7,279	2,194	19,471
Accounts receivable	1,596	1,493	13,249
Inventories and other	8,102	13,974	124,014
Total	¥ 159,585	¥164,001	\$1,455,457

In addition to the above, the amount of shares of consolidated subsidiaries and others of ¥3,069 million (\$27,236 thousand) which were offset as a result of consolidation have been pledged as collateral.

9. Net Assets

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

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

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

respectively, which are potentially available for dividends.

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

The appropriation of retained earnings of the Company proposed by the Board of Directors and approved at the General Meeting of Shareholders held on June 29, 2016 included cash dividends applicable to the year ended March 31, 2016 and the payment of cash dividends to shareholders of record at March 31, 2016 in the aggregate amount of ¥10,400 million (\$92,296 thousand) or ¥5.0 (\$0.044) per share (ordinary dividend ¥4.5 (\$0.039) and commemorative dividend ¥0.5 (\$0.004)). The appropriations have not been accrued in the consolidated financial statements for the year ended March 31, 2016. Such appropriations are recognized in the period in which they are approved by the shareholders.

10. Treasury Shares

Changes in treasury shares were as follows:

(Thousands of Shares)			
As of April 1, 2015	Increase	Decrease	As of March 31, 2016
2,532	778	54	3,256

(Overview of reasons for change)

Overview of reasons for increase

Increase by repurchase of fractional shares 778 thousand shares

Overview of reasons for decrease

Decrease by disposal of fractional shares 54 thousand shares

11. Contingent Liabilities

At March 31, 2015 and 2016, the Companies were contingently liable as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
As guarantor of indebtedness of:			
Non-consolidated affiliates	¥26,178	¥ 24,498	\$217,412
Employees	4	2	17
Debt assumption agreements	29,000	49,000	434,859
Total	¥55,183	¥ 73,501	\$652,298

12. Land Revaluation

Pursuant to the Law Concerning Land Revaluation and the Amended Land Revaluation Law, a consolidated subsidiary revalued its land used for business activities on March 31, 2002. The difference between the revalued amount and the book value before the revaluation was recorded in the consolidated balance sheets as "Deferred tax liabilities for land revaluation" in liabilities and "Revaluation reserve for land" in net assets. The

land prices used for the revaluation were based on prices in the official notice published by the Commissioner of the National Tax Agency in accordance with Article 2, Paragraph 4 of the Enforcement Ordinance Concerning Land Revaluation, after making reasonable adjustments. The fair value of the land was ¥1,142 million and ¥646 million (\$5,733 thousand) lower than the revalued book amount at March 31, 2015 and 2016, respectively.

13. Impairment Loss

(1) Grouping

①All fixed assets used in processes related to the gas business from production to sales of gas are categorized into one asset group because these assets generate cash flow from the gas business as one asset unit.

②Fixed assets used for businesses other than those described above are generally categorized into groups based on business divisions controlling such fixed assets.

③Generally, other fixed assets are treated individually.

(2) Details of impairment loss

In accordance with the grouping described in (1) above, an impairment loss of ¥2,697 million and ¥14,588 million (\$129,463 thousand) was recognized in the years ended March 31, 2015 and March 31, 2016, respectively. Significant properties included in this loss are listed in the table below.

For 2015			Millions of Yen
Asset	Location	Type	Impairment Loss
Company owned house	Kyotanabe-city, Kyoto Prefecture	Land, etc. (other facilities)	¥1,577

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

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

For 2016			Millions of Yen	Thousands of U.S. Dollars
Asset	Location	Type	Impairment Loss	
Property for business use	Western Province of Papua New Guinea	Property, plant and equipment (construction in progress)	¥ 3,914	\$ 34,735
		Intangible assets	¥ 3,355	\$ 29,774
		Total	¥ 7,269	\$ 64,510
	Western Australia	Intangible assets	¥ 5,538	\$ 49,148

The properties for enterprises in the Western Province of Papua New Guinea were acquired for the purpose of participating in a condensate and gas development business. The Company reassessed the business value, taking into account the effect of dropping crude oil prices and other matters, and accordingly the carrying amount of the assets was reduced to their recoverable amount, and the reduction was recorded as an impairment loss in the extraordinary losses.

The recoverable amount of these assets was measured at net sale value, and the net sale value was assessed by a reasonable estimation with consideration of transaction cases and other matters.

The properties for enterprises in Western Australia were acquired for a project in which natural gas produced in the area were to be purified and liquefied and then sold. The Company reassessed the business value, taking into account the effect of dropping crude oil prices and other matters. Accordingly, the carrying amount of the assets was reduced to their recoverable amount, and the reduction was recorded as an impairment loss in the extraordinary losses.

The recoverable amount of these assets is measured at value in use determined by discounting the future cash flows at 9.9%.

14. Research and Development Expenses

The Companies charge research and development expenses to selling, general and administrative expenses and manufacturing costs as incurred. Research and development expenses amounted to ¥11,434 million and ¥ 11,340 million (\$100,638 thousand) for the years ended March 31, 2015 and 2016, respectively.

15. Leases

As lessee

(1) Finance Lease Transactions

Finance leases which commenced before March 31, 2008 and did not transfer ownership of the leased assets to the lessee are not reported herein because their effect was insignificant.

(2) Operating Lease Transactions

Obligations under non-cancelable operating leases at March 31, 2015 and 2016 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Payments due within one year	¥ 1,023	¥ 1,105	\$ 9,806
Payments due over one year	5,036	4,459	39,572
Total	¥ 6,060	¥ 5,565	\$ 49,387

As lessor

Operating Lease Transactions

Obligations under non-cancelable operating leases at March 31, 2015 and 2016 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Receivables due within one year	¥ 1,208	¥1,502	\$ 13,329
Receivables due over one year	3,550	2,722	24,156
Total	¥ 4,758	¥4,224	\$ 37,486

16. Derivative Transactions

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

Type	Instruments	Grouping	Millions of Yen			
			Contract Amounts		Fair Value	Profit or Loss from Valuation
			More than One Year			
Products	Swap transactions and option transactions of oil prices, etc.	Dealings other than market transactions	¥ 18,514	¥ 6,650	¥ 1,530	¥ 1,530

Notes:

1. Fair values are calculated by using prices presented by major financial institutions.

2. Because some derivative transactions stopped satisfying the requirements for the application of hedge accounting, hedge accounting is no longer applied to these transactions.

Fair value information for the derivative transactions to which hedge accounting was not applied in 2016 was as follows:

Type	Instruments	Grouping	Millions of Yen/ Thousands of U.S. Dollars			
			Contract Amounts		Fair Value	Profit or Loss from Valuation
			More than One Year			
Products	Swap transactions and option transactions of oil prices, etc.	Dealings other than market transactions	¥ 6,664	¥ 321	¥ (836)	¥ (836)
			\$ 59,140	\$ 2,848	\$ (7,419)	\$ (7,419)

Notes:

1. Fair values are calculated by using prices presented by major financial institutions.

2. Because some derivative transactions stopped satisfying the requirements for the application of hedge accounting, hedge accounting is no longer applied to these transactions.

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

Millions of Yen

Type	Instruments	Hedge Accounting Method	Hedged Items	Contract Amounts		Fair Value
				More than One Year		
(a) Interest rates	Interest rate swaps	Exceptional accounting of interest rate swaps	Long-term loans payable	¥ 98,942	¥ 94,942	(Notes 2)
		Principal method of accounting	Long-term loans payable and bonds payable	¥110,479	¥106,739	¥(1,742)
(b) Currencies	Forward foreign currency exchange contracts and currency option transactions	Exceptional accounting such as forward foreign currency exchange contracts, etc., or principal method of accounting	Anticipated foreign currency denominated transactions	¥ 92,107	¥ 78,383	¥ 4,003
(c) Products	Swap transactions and option transactions of oil prices, etc.	Principal method of accounting	Purchase prices of raw materials, etc.	¥ 13,403	¥ 6,022	¥ (428)
Total				¥314,934	¥286,089	¥ 1,832

Notes:

1. Fair values are calculated by using prices presented by major financial institutions.

2. Fair values for interest rate swaps to which exceptional accounting is applied are included in those of the corresponding long-term loans payable. As such, values are accounted for together with hedged long-term loans payable.

Fair value information for derivative transactions to which hedge accounting was applied in 2016 was as follows:

Millions of Yen/
Thousands of U.S. Dollars

Type	Instruments	Hedge Accounting Method	Hedged Items	Contract Amounts		Fair Value
				More than One Year		
(a) Interest rates	Interest rate swaps	Exceptional accounting of interest rate swaps	Long-term loans payable	¥ 91,208 \$ 809,442	¥ 82,208 \$ 729,570	(Notes 2)
		Principal method of accounting	Long-term loans payable and bonds payable	¥ 111,845 \$ 992,589	¥ 88,734 \$ 787,486	¥ (3,373) \$ (29,934)
(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	¥ 50,980 \$ 452,431	¥ 34,725 \$ 308,173	¥ 935 \$ 8,297
(c) Products	Swap transactions and option transactions of oil prices, etc.	Principal method of accounting	Purchase prices of raw materials, etc.	¥ 18,004 \$ 159,779	¥ 6,763 \$ 60,019	¥ (3,391) \$ (30,094)
Total				¥ 272,039 \$ 2,414,261	¥ 212,431 \$ 1,885,259	¥ (5,828) \$ (51,721)

Notes:

1. Fair values are calculated by using prices presented by major financial institutions.

2. Fair values for interest rate swaps to which exceptional accounting is applied are included in those of the corresponding long-term loans payable. As such, values are accounted for together with hedged long-term loans payable.

17. Retirement Benefits

For 2015 and 2016:

(1) Summary of the adopted retirement benefit scheme

The Company and most consolidated subsidiaries provide a lump sum retirement allowance plan, and the Company and some consolidated subsidiaries have adopted a defined-benefit corporate pension plan system or an employee's pension fund system. In addition, the Company has adopted a defined-benefit corporate pension plan system from August 1, 2006. Moreover, the defined contribution plan to which a part of the defined benefit plan shifted has been adopted from January 1, 2005.

The portion about multi-employer pension plans has been included below in the Note 17(2) "Defined benefit plans."

(2) Defined benefit plans

① Retirement benefit obligations

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Balance at April 1, 2013 and 2014	¥276,140	¥284,695	\$2,526,579
Cumulative effects of changes in accounting policies	(5,092)	—	—
Restated balance	271,047	284,695	2,526,579
Service cost	7,818	8,134	72,186
Interest cost	3,629	2,980	26,446
Actuarial loss (gain)	16,130	29,404	260,951
Benefits paid	(13,919)	(14,269)	(126,632)
Increase of consolidated subsidiaries	—	3,140	27,866
Other	(11)	(98)	(869)
Balance at March 31, 2015 and 2016	¥284,695	¥313,986	\$2,786,528

② Plan assets

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Balance at April 1, 2013 and 2014	¥290,228	¥323,547	\$2,871,379
Expected return on plan assets	8,921	6,979	61,936
Actuarial loss (gain)	32,897	(2,675)	(23,739)
Contributions paid by the employer	4,296	3,229	28,656
Benefits paid	(12,801)	(13,395)	(118,876)
Increase of consolidated subsidiaries	—	3,318	29,446
Other	4	(9)	(79)
Balance at March 31, 2015 and 2016	¥323,547	¥320,995	\$2,848,730

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

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Funded retirement benefit obligations	¥ 268,165	¥ 296,144	\$ 2,628,186
Plan assets	(323,547)	(320,995)	(2,848,730)
Unfunded retirement benefit obligations	(55,381)	(24,851)	(220,544)
	16,529	17,842	158,342
Total net defined benefit liability (asset) at March 31, 2015 and 2016	(38,851)	(7,008)	(62,193)
Net defined benefit liability	16,484	18,145	161,031
Net defined benefit asset	(55,336)	(25,154)	(223,233)
Total net defined benefit liability (asset) at March 31, 2015 and 2016	¥ (38,851)	¥ (7,008)	\$ (62,193)

④ Retirement benefit costs

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Service cost	¥ 7,818	¥ 8,134	\$ 72,186
Interest cost	3,629	2,980	26,446
Expected return on plan assets	(8,921)	(6,979)	(61,936)
Net actuarial loss amortization	447	676	5,999
Past service costs amortization	(30)	(30)	(266)
Other	14	75	665
Total retirement benefit costs for the fiscal year ended March 31, 2015 and 2016	¥ 2,956	¥ 4,855	\$ 43,086

⑤ Adjustments for retirement benefits

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Past service costs	¥ 30	¥ 30	\$ 266
Actuarial gains (losses)	(17,214)	(31,403)	(278,691)
Total balance at March 31, 2015 and 2016	¥(17,183)	¥(31,434)	\$(278,966)

⑥ Accumulated adjustments for retirement benefit

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Unrecognized past service cost	¥ (169)	¥ (138)	\$ (1,224)
Unrecognized actuarial gains (losses)	(8,332)	23,070	204,739
Total balance at March 31, 2015 and 2016	¥ (8,502)	¥ 22,931	\$ 203,505

⑦ Plan assets

Plan assets comprise:

	2015	2016
Bonds	32.4 %	26.5 %
Stocks	35.5 %	31.0 %
Cash and deposits	14.3 %	24.7 %
Other	17.8 %	17.8 %
Total	100.0 %	100.0 %

Note 1: The main assets of "Other" are beneficiary securities in the real estate investment trust fund.

Long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

⑧ Actuarial assumptions

	2015	2016
Discount rates	Mainly 1.1 %	Mainly 0.4 %
The rate of long-term expected return on plan assets	Mainly 3.1 %	Mainly 2.1 %

(3) Defined contribution plan

The contribution required to the defined contribution plan of the Companies was ¥1,027 million and ¥1,167 million (\$10,356 thousand) for the years ended March 31, 2015 and 2016, respectively.

(4) Multi-employer pension plans

The contribution required to the employees' pension fund plan of the multi-employer pension plans which was treated with the same accounting method as the defined contribution plan was ¥332 million and ¥187 million (\$1,659 thousand) for the years ended March 31, 2015 and 2016, respectively.

18. Income Taxes

The Company is subject to a number of taxes based on income, which, in the aggregate, indicate a statutory rate in Japan of approximately 30.7% and 28.8% for the years ended March 31, 2015 and 2016, respectively.

The following table summarizes the significant differences between the Company's statutory tax rate and the Companies' effective tax rate for financial statement purposes for the years ended March 31, 2015 and 2016:

	2015	2016
Statutory tax rate	30.7%	28.8%
Valuation allowance	6.4	3.2
Effect of revised corporate tax rate	0.5	0.3
Other	(2.4)	(1.4)
Effective tax rate	35.3%	30.9%

On March 29, 2016, amendments to the Japanese tax regulations were established on Japanese parliament. 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, 2016 to March 31, 2018 and on or after April 1, 2018 were changed from 28.8% to 28.2% and 28.0%, respectively, as of March 31, 2016. Due to these changes in statutory income tax rates, net deferred tax assets (after deducting the deferred tax liabilities) decreased by ¥1 million (\$8 thousand) as of March 31, 2016, deferred income tax expense recognized for the fiscal year ended March 31, 2016 increased by ¥340 million (\$3,017 thousand) and accumulated other comprehensive income increased by ¥338 million (\$2,999 thousand).

19. Investment and Rental Property

The Company and several of its consolidated subsidiaries own office buildings and other real property for rent (including land) in Osaka Prefecture and other prefectures. In the year ended March 31, 2015, we reported gains of ¥6,359 million from the rent of such real property (recorded mainly as operating income). In the year ended March 31, 2016, we reported gains of ¥6,422 million (\$56,993 thousand) from the rent of such real property (recorded mainly as operating income) and profit on sales of ¥929 million (\$8,244 thousand) (recorded as extraordinary income).

The book value and fair value of real properties for rent in the consolidated balance sheets for the years ended March 31, 2015 and 2016 were as follows:

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2015 and 2016 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Deferred tax assets:			
Tax loss carryforwards	¥ 11,422	¥ 17,840	\$ 158,324
Impairment loss	11,814	10,762	95,509
Excess depreciation of depreciable assets	5,999	6,006	53,301
Other	27,814	34,977	310,410
Subtotal deferred tax assets	57,050	69,586	617,554
Valuation allowance	(30,210)	(36,243)	(321,645)
Total deferred tax assets	¥ 26,840	¥ 33,343	\$ 295,908
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	¥ (20,256)	¥ (16,444)	\$ (145,935)
Net defined benefit asset	(15,947)	(7,057)	(62,628)
Reserve defined under the special taxation measures law	(7,740)	(8,259)	(73,296)
Other	(2,385)	(1,139)	(10,108)
Total deferred tax liabilities	(46,329)	(32,900)	(291,977)
Net deferred tax assets (liabilities)	¥ (19,489)	¥ 442	\$ (3,922)

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

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Current assets (included in "Other")	¥ 10,870	¥ 12,389	\$ 109,948
Investments and other assets (included in "Other")	6,635	9,919	88,028
Current liabilities (included in "Other")	(13)	(2)	(17)
Non-current liabilities	(36,981)	(21,864)	(194,036)
Total	¥ (19,489)	¥ 442	\$ (3,922)

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Book Value			
As of April 1, 2014 and 2015	¥ 106,027	¥ 105,714	\$ 938,178
Increase (decrease)	(313)	3,727	(33,075)
As of March 31, 2015 and 2016	105,714	109,441	971,254
Fair value as of			
March 31, 2015 and 2016	¥ 163,377	¥ 168,107	\$ 1,491,897

Notes:

- The book value stated in the consolidated balance sheets was the acquisition costs reduced by accumulated depreciation and accumulated impairment loss.
- The main factor contributing to the increase and decrease in the year ended March 31, 2015 was the acquisition of real property of ¥6,362 million, and the main factors in the year ended March 31, 2016 were the acquisition of real property of ¥7,968 million (\$70,713 thousand) and the sales of ¥2,219 million (\$19,692 thousand).
- The fair values as of end of the fiscal year were based mainly on the Real Estate Appraisal Standards in Japan or similar evaluation methods (including values adjusted using indicators).

20. Segment Information

(1) Overview of Reportable Segments

The Company group's two business areas, "Domestic and International Energy Service Businesses" and "Life and Business Solutions," are divided by product and service and organized into the four reporting segments of "Gas Businesses," "LPG, Electricity and Other Energies Businesses," "International Energies Businesses" and "Life and Business Solutions," considering the similarities between products 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, LNG marketing, industrial gas marketing and electric power supply. The "International Energies Businesses" segment includes overseas energy supply, LNG vessel chartering businesses and oil and natural gas business development and investment. The "Life and Business Solutions" segment includes the real estate development and leasing, IT services, marketing of fine materials and carbon material products.

(2) Methods used to calculate sales, income (loss), assets, liabilities and other items by reportable segment

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

(3) Sales, income (loss), assets, liabilities and other items by reportable segment

Millions of Yen

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

Millions of Yen

For 2016:	Gas	LPG, Electricity and Other Energies	International Energies	Life & Business Solution	Total	Adjustments (Note 1)	Consolidated (Note 2)
Net sales							
Outside customers	¥ 931,437	¥204,428	¥ 16,796	¥ 169,349	¥1,322,012	¥ —	¥1,322,012
Inside group	17,064	2,004	1,905	52,352	73,326	(73,326)	—
Total	948,501	206,433	18,701	221,702	1,395,339	(73,326)	1,322,012
Segment income							
Operating income (loss)	¥ 95,679	¥ 29,757	¥ 4,316	¥ 17,918	¥ 147,672	¥ (997)	¥ 146,674
Equity in earnings (loss) of affiliates	44	(904)	(4,594)	916	(4,538)	—	(4,538)
Total	95,724	28,852	(277)	18,834	143,133	(997)	142,136
Segment assets	¥ 772,825	¥172,223	¥401,590	¥ 411,459	¥1,758,098	¥ 71,657	¥1,829,756
Depreciation	56,396	10,042	6,662	11,886	84,986	(865)	84,121
Amortization of goodwill	—	197	510	1,917	2,625	—	2,625
Investment in affiliates reported by equity method	—	4,698	98,314	6,983	109,997	—	109,997
Increase in tangible and intangible fixed assets	60,194	15,369	20,714	19,934	116,213	(1,794)	114,418

							Thousands of U.S. Dollars
For 2016:	Gas	LPG, Electricity and Other Energies	International Energies	Life & Business Solution	Total	Adjustments (Note 1)	Consolidated (Note 2)
Net sales							
Outside customers	\$ 8,266,214	\$ 1,814,235	\$ 149,059	\$ 1,502,919	\$ 11,732,445	\$ —	\$ 11,732,445
Inside group	151,437	17,784	16,906	464,607	650,745	(650,745)	—
Total	8,417,651	1,832,028	165,965	1,967,536	12,383,200	(650,745)	11,732,445
Segment income							
Operating income (loss)	\$ 849,121	\$ 264,084	\$ 38,303	\$ 159,016	\$ 1,310,543	\$ (8,848)	\$ 1,301,686
Equity in earnings (loss) of affiliates	390	(8,022)	(40,770)	8,129	(40,273)	—	(40,273)
Total	849,520	256,052	(2,458)	167,145	1,270,260	(8,848)	1,261,412
Segment assets	\$ 6,858,581	\$ 1,528,425	\$ 3,563,986	\$ 3,651,570	\$ 15,602,573	\$ 635,933	\$ 16,238,516
Depreciation	500,496	89,119	59,123	105,484	754,224	(7,676)	746,547
Amortization of goodwill	—	1,748	4,526	17,012	23,296	—	23,296
Investment in affiliates reported by equity method	—	41,693	872,506	61,971	976,189	—	976,189
Increase in tangible and intangible fixed assets	534,203	136,395	183,830	176,908	1,031,354	(15,921)	1,015,424

Note 1. Adjustments are as follows:

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

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

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

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

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

							Millions of Yen
For 2016:	Gas	LPG, Electricity and Other Energies	International Energies	Life & Business Solution	Subtotal	Elimination or corporate	Total
Impairment loss	¥ —	¥ 81	¥ 12,807	¥ 1,698	¥ 14,588	¥ —	¥ 14,588

							Thousands of U.S. Dollars
For 2016:	Gas	LPG, Electricity and Other Energies	International Energies	Life & Business Solution	Subtotal	Elimination or corporate	Total
Impairment loss	\$ —	\$ 718	\$ 113,658	\$ 15,069	\$ 129,463	\$ —	\$ 129,463

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

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

							Millions of Yen
For 2016:	Gas	LPG, Electricity and Other Energies	International Energies	Life & Business Solution	Subtotal	Elimination or corporate	Total
Amount depreciated in 2016	¥ —	¥ 197	¥ 510	¥ 1,917	¥ 2,625	¥ —	¥ 2,625
Undepreciated balance at fiscal year end	—	919	1,530	15,172	17,622	—	17,622

							Thousands of U.S. Dollars
For 2016:	Gas	LPG, Electricity and Other Energies	International Energies	Life & Business Solution	Subtotal	Elimination or corporate	Total
Amount depreciated in 2016	\$ —	\$ 1,748	\$ 4,526	\$ 17,012	\$ 23,296	\$ —	\$ 23,296
Undepreciated balance at fiscal year end	—	8,155	13,578	134,646	156,389	—	156,389

21. Consolidated Statements of Comprehensive Income

For 2015 and 2016:

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

	Millions of Yen		Thousands of U. S. Dollars
	2015	2016	2016
Valuation difference on available-for-sale securities			
Incurred in the fiscal year	¥ 22,105	¥ (10,548)	\$(93,610)
Reclassification adjustments	(745)	(0)	(0)
Before tax effect adjustments	21,359	(10,548)	(93,610)
Tax effect	(5,314)	3,812	33,830
Valuation difference on available-for-sale securities	16,045	(6,736)	(59,779)
Deferred gains and losses on hedges			
Incurred in the fiscal year	(4,451)	(6,528)	(57,933)
Reclassification adjustments	467	1,020	9,052
Before tax effect adjustments	(3,984)	(5,508)	(48,881)
Tax effect	751	1,581	14,030
Deferred gains and losses on hedges	(3,232)	(3,926)	(34,842)
Foreign currency translation adjustments			
Incurred in the fiscal year	10,241	(4,078)	(36,190)
Reclassification adjustments	—	—	—
Before tax effect adjustments	10,241	(4,078)	(36,190)
Tax effect	—	—	—
Foreign currency translation adjustments	10,241	(4,078)	(36,190)
Adjustments for retirement benefit			
Incurred in the fiscal year	16,771	(32,075)	(284,655)
Reclassification adjustments	412	641	5,688
Before tax effect adjustments	17,183	(31,434)	(278,966)
Tax effect	(5,165)	8,905	79,029
Adjustments for retirement benefits	12,018	(22,528)	(199,929)
Share of other comprehensive income of affiliate accounted for using equity method			
Incurred in the fiscal year	(10,431)	(11,418)	(101,331)
Reclassification adjustments	2,823	1,995	17,705
Share of other comprehensive income of affiliate accounted for using equity method	(7,608)	(9,422)	(83,617)
Total other comprehensive income	¥ 27,464	¥(46,692)	\$(414,376)

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Osaka Gas Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as of March 31, 2016 and 2015, 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 misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Osaka Gas Co., Ltd. and its consolidated subsidiaries as of March 31, 2016 and 2015, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2016 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

July 20, 2016
Osaka, Japan