This document has been translated from the Japanese original for reference purposes only. In the event of discrepancy between this translated document and the Japanese original, the original shall prevail.

(Securities Identification Code: 9532)

May 31, 2016

To Shareholders

Takehiro Honjo, President
OSAKA GAS CO., LTD.
4-1-2 Hiranomachi, Chuo-ku
Osaka, Japan

Notice of 198th Annual Meeting of Shareholders

Dear Sir or Madam,

We would like to invite you to the 198th Annual Meeting of Shareholders (the "Meeting") of OSAKA GAS CO., LTD. (the "Company") to be held as below.

Should you be unable to attend the Meeting, you may exercise your voting rights in writing or electronically such as through the Internet. In either case, please read the attached Proxy Statement, and, if you choose to exercise your voting rights in writing, complete the enclosed voting form and return it to the Company by mail or, if you choose to exercise your voting rights electronically, read the information on page 3 and follow the on-screen instructions to cast your vote.

Yours faithfully

Details:

1. Date and time: Wednesday, June 29, 2016, 10:00 a.m.

2. Place: OSAKA GAS CO., LTD., Head Office
4-1-2 Hiranomachi, Chuo-ku, Osaka, Japan

3. Agenda:

Report: Business report, consolidated financial statements, non-consolidated financial statements, report of the accounting auditor and Audit & Supervisory Board's report on consolidated financial statements for the 198th term (year from April 1, 2015 to March 31, 2016)

Proposals:
1. Appropriation of earnings
2. Election of thirteen (13) Directors
3. Election of two (2) Audit & Supervisory Board Members

When you attend the Meeting, please hand in the enclosed voting form at the reception desk.
(The reception desk opens at 8:30 a.m.)

4. Matters in connection with this convocation (Matters concerning the exercise of voting rights):

(1) If you exercise your voting rights in writing, your votes shall be deemed valid if they are delivered to us by 4:00 p.m. on Tuesday, June 28, 2016.

(2) If you exercise your voting rights electronically, your votes shall be deemed valid if they are received by 4:00 p.m. on Tuesday, June 28, 2016.

(3) If you do not specify in the voting form whether you are for or against a proposal, you shall be deemed to have voted for such proposal.

(4) If you change your vote electronically after already having cast your vote electronically, only your last vote shall be deemed valid.

(5) If you exercise your voting rights both in writing and electronically, only the vote cast electronically shall be deemed valid.

5. Documents to be provided with this notice of convocation:

Information to be provided with this notice of convocation, specifically the business report, consolidated financial statements, non-consolidated financial statements and audit reports thereon, is as described on pages 1 through 29 of the attached Report for the 198th Fiscal Year. However, notes to consolidated financial statements and notes to non-consolidated financial statements are provided separately at the Company's website (http://www.osakagas.co.jp/company/ir/stock/inform/index.html)* in accordance with the laws and regulations and the Company's Articles of Incorporation.

The consolidated financial statements and non-consolidated financial statements audited by the accounting auditor and the Audit & Supervisory Board Members include the statements provided in the Report for the 198th Fiscal Year, as well as the notes to consolidated financial statements and notes to non-consolidated financial statements that are provided separately at the aforementioned website.

In the event that the Proxy Statement, the business report, the consolidated financial statements and/or the non-consolidated financial statements need to be amended between now and the day prior to the Meeting, the amended description will be provided to shareholders in writing by mail or on the aforementioned Company's website*.

(*) For your reference, English translations of matters presented on the Japanese website above will be provided on the Company's English website (http://www.osakagas.co.jp/en/ir/stock/inform/index.html).

[INFORMATION ON THE EXERCISE OF VOTING RIGHTS]

1. Electronic Exercise of Voting Rights

(1) Notices Regarding Exercising Voting Rights through the Internet

The following matters should be understood before exercising your voting rights through the Internet. To exercise your voting rights, you need the access code and the password specified in the enclosed voting form.

1. Voting via the Internet is possible only through the Company's voting website (http://www.web54.net).
2. To access the Company's voting website, you need to satisfy the following system requirements:
   (i) For access from PCs, you are required to use a computer with a screen resolution of 800 horizontal × 600 vertical dots (SVGA) or higher, Microsoft® Internet Explorer 5.01 SP2 or above as the Internet browser and Adobe® Acrobat® Reader® 4.0 or above or Adobe® Reader® 6.0 or above as the PDF viewer.

   Note: Microsoft and Internet Explorer are registered trademarks of Microsoft Corporation. Adobe, Acrobat and Reader are registered trademarks and/or trademarks of Adobe Systems Incorporated.

   (ii) For access from cell phones, you are required to have a cell phone model with 128-bit SSL communication (encrypted communication) capability. You may also use the full browser function of cell phones including smartphones to exercise the voting rights. However, the voting website may not be accessible by certain cell phone models.
3. Any Internet connection fees due to provider companies and communication charges due to telecommunications carriers such as call charges arising in connection with accessing the Company's voting website shall be incurred by the respective shareholders.

Any inquiries about systems such as the use of the voting website should be directed to the following:

Stock Transfer Agency Web Support, Sumitomo Mitsui Trust Bank, Limited.

Toll free number: 0120-652-031* (from 9 a.m. to 9 p.m.)

*This number is only for inquiries about systems such as the use of the voting website.

(2) Electronic Voting Platform for Institutional Investors

Institutional investors who preliminarily signed up to use the "Electronic Voting Platform" operated by ICJ Inc. may also exercise their voting rights electronically through that platform.

2. Exercise of Voting Rights by Proxy

In accordance with Article 13, Paragraph 1 of the Company's Articles of Incorporation, a proxy shall be one other shareholder (such shareholders shall have voting rights in the Company) for every shareholder who wishes to exercise his/her voting rights by proxy on the date of the Meeting.

3. Diverse Exercise of Voting Rights

Any notice concerning the diverse exercise of voting rights prescribed in Article 313, Paragraph 2 of the Companies Act shall be in writing in accordance with Article 13, Paragraph 2 of the Company's Articles of Incorporation.

Proxy Statement

1. Total number of voting rights

2,065,603

2. Proposals and related information

Proposal 1: Appropriation of earnings

Taking into consideration the business results, our future management plan and other relevant matters, the details of the year-end dividends for the 198th term are as follows:

(1) Type of dividend

Cash

(2) Matters concerning the distribution of dividends to shareholders and the aggregate amount

¥5.00 per common share of the Company (consisting of a ¥4.50 ordinary dividend and a ¥0.50 commemorative dividend to celebrate the Company's 110th anniversary)

Aggregate amount: ¥10,400,716,800

(3) Commencement date for the payment of dividends (effective date for the distribution of earnings)

Thursday, June 30, 2016

Proposal 2: Election of thirteen (13) Directors

At the close of the Meeting, the term of office of all Directors will expire. The Company therefore proposes the election of 13 Directors.

The nominees for Director are as follows (to be described on pages 5 through 11):

Nominee No.	Name (Date of Birth)	Career and Significant Concurrent Positions	Number of the Company Shares Held
1	Hiroshi Ozaki (March 11, 1950)	May 1972: Joined the Company June 2002: Director, Tokyo Representative July 2002: Director, Tokyo Representative Managing Director of the Japan Gas Association June 2005: Managing Director Head of LNG Terminal & Power Generation Business Unit June 2007: Managing Director Head of Commercial & Industrial Energy Business Unit April 2008: Representative Director and President June 2009: Representative Director and President, Executive President April 2015: Representative Director and Chairman (to date)	251,065
2	Takehiro Honjo (April 13, 1954)	April 1978: Joined the Company June 2007: Executive Officer General Manager of Corporate Strategy Dept. June 2008: Senior Executive Officer Head of Commercial & Industrial Energy Business Unit June 2009: Director, Senior Executive Officer Head of Commercial & Industrial Energy Business Unit June 2010: Director, Senior Executive Officer, Head of Customer Services, Head of Residential Energy Business Unit April 2013: Representative Director, Executive Vice-President April 2015: Representative Director and President, Executive President (to date)	134,000

Nominee No.	Name (Date of Birth)	Career and Significant Concurrent Positions	Number of the Company Shares Held
3	Hidetaka Matsuzaka (February 22, 1958)	April 1980: Joined the Company June 2009: Executive Officer, General Manager of Corporate Strategy Dept. April 2011: Senior Executive Officer Head of Energy Resources & International Business Unit June 2011: Director, Senior Executive Officer Head of Energy Resources & International Business Unit April 2014: Director, Senior Executive Officer President of Corporate Planning Headquarters April 2015: Representative Director, Executive Vice-President (to date)	115,100
4	Tetsuo Setoguchi (February 17, 1957)	April 1981: Joined the Company June 2010: Executive Officer General Manager of Toshiken Commercial & Industrial Energy Sales Dept., Commercial & Industrial Energy Business Unit April 2013: Senior Executive Officer Head of Customer Services, Head of Residential Energy Business Unit June 2013: Director, Senior Executive Officer Head of Customer Services, Head of Residential Energy Business Unit April 2015: Representative Director, Executive Vice-President (to date)	75,000

Nominee No.	Name (Date of Birth)	Career and Significant Concurrent Positions	Number of the Company Shares Held
5	Kazuhisa Yano (November 24, 1958)	April 1981: Joined the Company June 2008: Associate Director, General Manager of Corporate Communication Dept. June 2009: Associate Director, General Manager of Osaka Commercial & Industrial Energy Sales Dept., Commercial & Industrial Energy Business Unit April 2011: Executive Officer, Hyogo/Himeji Overall Regional Resident Representative and Hyogo Regional Resident Representative April 2014: Senior Executive Officer, Head of Energy Resources & International Business Unit June 2014: Director, Senior Executive Officer Head of Energy Resources & International Business Unit April 2016: Director, Senior Executive Officer Head of Commercial & Industrial Energy Business Unit (to date)	91,102
6	Eiichi Inamura (November 13, 1957)	April 1981: Joined the Company June 2008: Associate Director, General Manager of Hokutobu Commercial & Industrial Energy Sales Dept., Commercial & Industrial Energy Business Unit August 2009: Associate Director, Deputy Head of Commercial & Industrial Energy Business Unit June 2010: Associate Director, General Manager of Regional Development Dept. April 2012: Executive Officer, General Manager of Regional Development Dept. April 2013: Executive Officer, General Manager of Semboku LNG Terminals, LNG Terminal & Power Generation Business Unit April 2014: Senior Executive Officer, Head of LNG Terminal & Power Generation Business Unit June 2014: Director, Senior Executive Officer Head of LNG Terminal & Power Generation Business Unit (to date)	84,603

Nominee No.	Name (Date of Birth)	Career and Significant Concurrent Positions	Number of the Company Shares Held
7	Toshimasa Fujiwara (July 1, 1957)	April 1981: Joined the Company June 2009: Associate Director, General Manager of Investment Risk Management Dept. June 2010: Associate Director, General Manager of Human Resources Dept. April 2012: Executive Officer, General Manager of Human Resources Dept. April 2014: Executive Officer of the Company Representative Director and President of Osaka Gas Customer Relations Co., Ltd. April 2015: Senior Executive Officer, Head of Customer Services, Head of Residential Energy Business Unit of the Company June 2015: Director, Senior Executive Officer, Head of Customer Services, Head of Residential Energy Business Unit April 2016: Director, Senior Executive Officer In charge of: Secretariat, Corporate Communication Dept., Human Resources Dept., General Affairs Dept. and Purchasing Dept. (to date)	43,966

Nominee No.	Name (Date of Birth)	Career and Significant Concurrent Positions	Number of the Company Shares Held
8	Newly nominated Masataka Fujiwara (February 28, 1958)	April 1982: Joined the Company June 2009: Associate Director, General Manager of Keiji Commercial & Industrial Energy Sales Dept., Commercial & Industrial Energy Business Unit April 2012: Executive Officer, General Manager of Energy Business Development Dept., Commercial & Industrial Energy Business Unit April 2013: Executive Officer of the Company, Representative Director and President of Osaka Gas Chemicals Co., Ltd. Representative Director and President of Japan EnviroChemicals, Ltd. April 2015: Senior Executive Officer of the Company, Representative Director and President of Osaka Gas Chemicals Co., Ltd. April 2016: Executive Vice-President of the Company, Head of CSR, President of Corporate Planning Headquarters In charge of: Information Communication Systems Dept., CSR & Environment Dept., Compliance Dept., and Auditing Dept. Responsible for: OGIS-RI Co., Ltd., Osaka Gas Chemicals Co., Ltd., Secretariat, Corporate Communication Dept., Human Resources Dept., General Affairs Dept., and Purchasing Dept. (to date)	40,000

Nominee No.	Name (Date of Birth)	Career and Significant Concurrent Positions	Number of the Company Shares Held
9	Newly nominated Tadashi Miyagawa (October 21, 1958)	April 1982: Joined Ministry of International Trade and Industry June 2013: Director-General of Manufacturing Industries Bureau, Ministry of Economy, Trade and Industry July 2014: Resigned as Director-General of Manufacturing Industries Bureau, Ministry of Economy, Trade and Industry January 2015: Joined the Company April 2015: Senior Executive Officer In charge of: Regional Co-creation Division April 2016: Senior Executive Officer In charge of: Regional Co-creation Division, Tokyo Branch, Regional Resident Representative, Overall Regional Resident Representative and Tokyo Representative (to date)	6,000
10	Newly nominated Hideaki Nishikawa (January 1, 1958)	April 1983: Joined the Company June 2009: Associate Director, General Manager of Osaka Pipelines Dept., Pipelines Business Unit June 2010: Associate Director, General Manager of Purchasing Dept. April 2012: Associate Director, General Manager of Pipelines Dept., Pipelines Business Unit April 2013: Executive Officer, General Manager of Pipelines Dept., Pipelines Business Unit April 2016: Senior Executive Officer, Head of Pipelines Business Unit (to date)	41,205

Nominee No.	Name (Date of Birth)	Career and Significant Concurrent Positions		Number of the Company Shares Held
11	Nominated for outside Director Shunzo Morishita (April 8, 1945)	April 1970: March 2004: June 2008: June 2010: July 2014: June 2009:	Joined Nippon Telegraph and Telephone Public Corporation Representative Director and President of NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION Director, Executive Adviser of NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION Executive Adviser of NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION Senior Adviser of NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION (to date) Director of the Company (to date)	30,000
12	Nominated for outside Director Hideo Miyahara (June 21, 1943)	October 1989: April 1998: April 2002: August 2003: August 2007: September 2007: March 2013: April 2013: April 2016: June 2013:	Professor, School of Engineering Science, Osaka University Dean of Graduate School of Engineering Science and School of Engineering Science, Osaka University Dean of Graduate School of Information Science and Technology, Osaka University President of Osaka University Resigned as President of Osaka University President of National Institute of Information and Communications Technology Resigned as President of National Institute of Information and Communications Technology Specially Appointed Professor, Graduate School of Information Science and Technology, Osaka University Guest Professor, Graduate School of Information Science and Technology, Osaka University (to date) Director of the Company (to date)	0

Nominee No.	Name (Date of Birth)	Career and Significant Concurrent Positions	Number of the Company Shares Held
13	Nominated for outside Director Newly nominated Takayuki Sasaki (August 24, 1946)	April 1970: Joined the Japanese National Railways June 2002: Representative Director and President of WEST JAPAN RAILWAY DAILY SERVICE NET COMPANY Co., Ltd. June 2007: Vice President, Representative Director, and Executive Officer of West Japan Railway Company June 2009: Vice Chairman and Representative Director of West Japan Railway Company August 2009: President, Representative Director, and Executive Officer of West Japan Railway Company May 2012: Chairman of the Board of Directors of West Japan Railway Company (to date) [Significant Concurrent Position] Chairman of the Board of Directors of West Japan Railway Company	0

Notes:

1. The positions and responsibilities in the Company and other significant concurrent positions of the nominees who are currently Directors of the Company are described on page 13 of the attached Report for the 198th Fiscal Year in addition to "Career and Significant Concurrent Positions" above. In the "Career and Significant Concurrent Positions" column, "responsible for" means monitoring and providing advice and suggestions concerning the operations of headquarters, organizations, core companies or person in a designated position according to its managerial importance and effect on business management.
2. There are no significant conflicts of interest between any of the nominees and the Company.
3. As described in the "Career and Significant Concurrent Positions" column, the nominees for director (the Nominees No.1 through No.10) are engaged in a diverse range of duties regarding the Company Group businesses and have considerable knowledge, experience and expertise in corporate and organizational management. For this reason, the Company believes that each nominee is capable of properly performing the duties of director and recommends him or her as a nominee for director.
4. Mr. Shunzo Morishita, Mr. Hideo Miyahara and Mr. Takayuki Sasaki are nominees for appointment as outside directors as specified in Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act.
5. All nominees for appointment as outside directors meet the standards for determining the independence of independent officers specified by the Company (see page 14). Therefore, pursuant to the regulations of the stock exchanges on which the Company's stock is listed, the Company will notify said stock exchanges that these nominees are independent officers. (Those who are nominated for reappointment

as outside directors are currently registered as independent officers.)

6. Mr. Shunzo Morishita has the experience of serving as Representative Director and President of NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION and has considerable experience and extensive knowledge in corporate and organizational management. He will have served seven years as an outside director of the Company as of the close of the Meeting, and he has performed his duties appropriately since he assumed the office. Therefore, he has been recommended as a nominee for outside director.

7. Mr. Hideo Miyahara has made considerable achievements in the field of information engineering over many years. In addition, he has worked successively as Dean of Graduate School of Information Science and Technology, Osaka University and President of Osaka University, and has considerable experience and extensive knowledge in organizational management. He will have served three years as outside director of the Company as of the close of the Meeting, and he has performed his duties appropriately since he assumed the office. Therefore, he has been recommended as a nominee for outside director.

8. Mr. Takayuki Sasaki has the experience of serving as President and Representative Director, and Chairman of the Board of Directors of West Japan Railway Company and has considerable experience and extensive knowledge of business management. For this reason, the Company believes that he is capable of properly performing the duties of an outside director and recommends him as a nominee for outside director.

9. Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act and the Company's Articles of Incorporation, the Company has an agreement with each of Mr. Shunzo Morishita and Mr. Hideo Miyahara to limit the liability for damages under Article 423, Paragraph 1 of the Companies Act, to the minimum liability amount provided for in laws and regulations. If the appointment of each of said nominees is approved at the Meeting, the Company will continue said agreement with each. In addition, if the appointment of Mr. Takayuki Sasaki is approved at the Meeting, the Company will conclude the agreement of the same content with him.

Proposal 3: Election of Two (2) Audit & Supervisory Board Members

At the close of the Meeting, the term of office of Audit & Supervisory Board Members, Mr. Shiro Takenaka and Mr. Atsushi Hayashi, will expire. The Company therefore proposes the election of two Audit & Supervisory Board Members.

The approval of the Audit & Supervisory Board has been obtained for this proposal.

The nominees for Audit & Supervisory Board Members are as follows (to be described on pages 12 through 13):

Nominee No.	Name (Date of Birth)	Career and Significant Concurrent Positions		Number of the Company Shares Held
1	Newly nominated Takahiko Kawagishi (October 29, 1955)	April 1978: June 2005: June 2006: June 2008: April 2011: June 2011: April 2014: June 2014: April 2016: 	Joined the Company General Manager of Finance Dept. Associate Director, General Manager of General Affairs Dept. Executive Officer, General Manager of Secretariat Senior Executive Officer In charge of: Secretariat, Corporate Communication Dept., Human Resources Dept., General Affairs Dept., and Purchasing Dept. Director, Senior Executive Officer In charge of Secretariat, Corporate Communication Dept., Human Resources Dept., General Affairs Dept., and Purchasing Dept. Director, Senior Executive Officer, Tokyo Representative Senior Executive Officer, Tokyo Representative, Managing Director of the Japan Gas Association Advisor of the Company, Managing Director of the Japan Gas Association (to date)	119,255

Nominee No.	Name (Date of Birth)	Career and Significant Concurrent Positions	Number of the Company Shares Held
2	Nominated for outside Audit & Supervisory Board Member Newly nominated Shigemi Sasaki (March 3, 1948)	April 1974: Appointed as Judge May 2011: President of Takamatsu High Court March 2012: President of Osaka High Court March 2013: Resigned as President of Osaka High Court April 2013: Professor, Graduate School of Law, Kyoto University (to date) [Significant Concurrent Position] Professor, Graduate School of Law, Kyoto University	0

Notes: 1. There are no significant conflicts of interest between any of the nominees and the Company.

2. Mr. Takahiko Kawagishi has considerable knowledge in financial and accounting matters through his experience of serving as General Manager of Finance Dept. of the Company as stated above in the "Career and Significant Concurrent Positions" column. Mr. Kawagishi also has considerable knowledge, experience and expertise in corporate and organizational management. For this reason, the Company believes that he is capable of properly performing the duties of Audit & Supervisory Board Member and recommends him as a nominee for Audit & Supervisory Board Member.

3. Mr. Shigemi Sasaki is a nominee for appointment as an outside Audit & Supervisory Board Member as specified in Article 2, Paragraph 3, Item 8 of the Ordinance for Enforcement of the Companies Act. Mr. Sasaki meets the standards for determining the independence of independent officers specified by the Company (see page 14). Therefore, pursuant to the regulations of the stock exchanges on which the Company's stock is listed, the Company will notify said stock exchanges that the nominee is an independent officer.

4. Mr. Shigemi Sasaki has considerable experience in the legal profession with expert knowledge through such experience as serving as President the Takamatsu High Court and President of the Osaka High Court. For this reason, the Company believes that he is capable of properly performing the duties of outside Audit & Supervisory Board Member and recommends him as a nominee for outside Audit & Supervisory Board Member.

5. If the appointment of Mr. Shigemi Sasaki is approved at the Meeting, the Company will conclude an agreement with him to limit the liability for damages under Article 423, Paragraph 1 of the Companies Act, to the minimum liability amount provided for in laws and regulations, pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act and the Company's Articles of Incorporation.

[Reference] Criteria for Determining the Independence of Independent Officers

The criteria for determining the independence of independent officers stipulated by the Company are as follows.

1. The individual may not be an Executive Director, Operating Officer, Executive Officer or employee ("business operator") of the Company or its affiliates (the "Company Group") and may not have been a business operator of the Company Group for ten years prior to being appointed.
2. The individual may not be a major vendor of the Company (*1) or a business operator thereof, and may not have been a business operator of the same for three years prior.
3. The individual may not be a major client of the Company (*2) or a business operator thereof, and may not have been a business operator of the same for three years prior.
4. The individual may not be a major shareholder (an individual or entity which owns 10% or more of the total voting rights of the Company, hereafter the same) or a business operator thereof.
5. The individual may not be a business operator of an entity for which the Company is a major shareholder.
6. The individual may not be receiving substantial donations (*3) from the Company or be a business operator for an entity receiving such donations.
7. In addition to remuneration as an officer, the individual may not receive substantial remuneration (*4) from the Company as a consultant, an accounting specialist such as a Certified Public Accountant, etc. or as a legal specialist such as an attorney, etc. (if the entity receiving the fees concerned is a corporation or a limited liability company, etc., any individual belonging to such an organization). The individual also may not be the accounting auditor of the Company Group.
8. If a business operator of the Company is an outside officer of another company, the individual may not be a business operator at the company concerned, the parent company or subsidiary of the company concerned.
9. The individual may not be a close relative (spouse or a relation in the second degree) of persons listed below:
(1) Persons who are currently or have been a Director, Audit & Supervisory Board Member, Executive Officer or a key employee with an equivalent position ("important executive") for the Company Group within the past three years.
(2) Of the persons in 2-6 above, those who are important executives.
(3) Of the persons listed in 7 above, those who have professional licenses such as Certified Public Accountants, attorneys, etc.
10. In addition to 1-9 above, individuals must not have issues that could cause constant and real conflicts of interest against the Company's general shareholders.

*1. Payment amount to vendor accounts for 2% of consolidated sales or more
*2. Received amount from client accounts for 2% of the Company Group's consolidated sales or more, or the loan balance outstanding is 2% of the Company Group's consolidated gross assets or more
*3. More than 10 million yen on average over the past three years
*4. The larger of more than 10 million yen on average over the past three years or an amount equivalent to 2% of total sales (total revenues) of the organization to which payment is made (three-year average)

Even if the individual does not satisfy one of the criteria listed above in 1-10, if the individual otherwise qualifies as an independent officer, he/she may still become an independent officer of the Company by providing an explanation or disclosing the reasons for such qualification.

End

(Securities Identification Code: 9532)

Report for the 198th Fiscal Year

From April 1, 2015 to March 31, 2016

OSAKA GAS CO., LTD.

Table of Contents

Business Report

I. Current Situation of the Business Group
II. Officers
III. Shares
IV. Accounting Auditor
V. Systems to Ensure the Properness of Operations
Consolidated Balance Sheet
Consolidated Income Statement
Consolidated Statement of Changes in Net Assets
Non-consolidated Balance Sheet
Non-consolidated Income Statement
Non-consolidated Statement of Changes in Net Assets
Accounting Auditor's Report on the Consolidated Financial Statements
Accounting Auditor's Report on the Non-consolidated Financial Statements
Audit Report by the Audit & Supervisory Board

Notes to consolidated financial statements and notes to non-consolidated financial statements are provided separately at the website (http://www.osakagas.co.jp/company/ir/stock/inform/index.html) of OSAKA GAS CO., LTD. (hereinafter referred to as "the Company") in accordance with the laws and regulations and the Company's Articles of Incorporation.

The consolidated financial statements and non-consolidated financial statements audited by the accounting auditor and Audit & Supervisory Board Members include the statements provided in the Report for the 198th Fiscal Year, as well as the notes to consolidated financial statements and notes to non-consolidated financial statements that are provided separately at the aforementioned website.

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

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

I. Current Situation of the Business Group

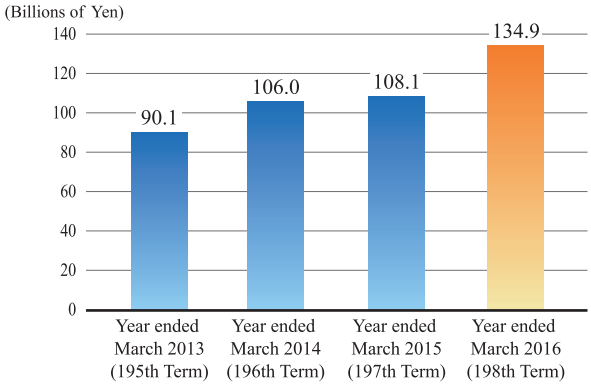
1. Business Operations and Results

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

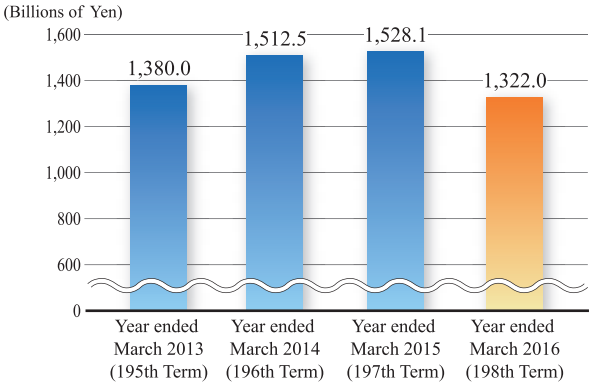
In such a business environment, the Osaka Gas Group (hereinafter referred to as the "Group") has aggressively conducted its businesses to achieve the goals set out in the long-term management vision "Field of Dreams 2020," and the medium-term business plan "Catalyze Our Dreams."

Consolidated net sales of the Group for the fiscal year under review decreased 13.5% from the previous year to ¥1,322 billion mainly due to declines in unit prices and gas sales volume in the gas business segment (see Graph 1).
Consolidated ordinary income increased 24.8% to ¥134.9 billion mainly due to increased income from the gas business* as a result of a decrease in raw material costs reflecting a fall in LNG prices (see Graph 2).
Profit attributable to owners of parent increased 9.9% to ¥84.3 billion primarily due to increased income from the gas business, despite an impairment loss recorded for the upstream business (see Graph 3).
*There is a certain time lag between the occurrence of changes in raw material costs and the effect of the fuel cost adjustment system being reflected in gas sales unit prices. Accordingly, a fall in raw material prices during the fiscal year under review resulted in a temporary income increase.

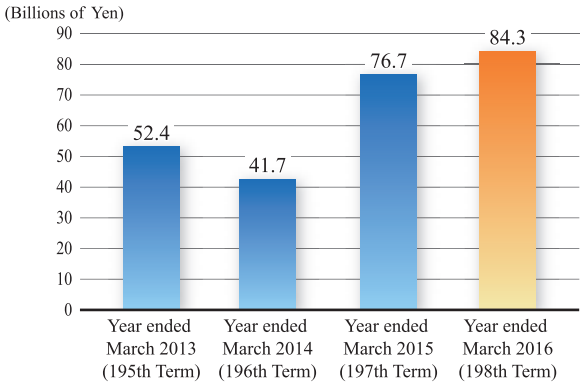
Graph 2:Transition of Consolidated Ordinary Income



Graph 1:Transition of Consolidated Net Sales



Graph 3:Transition of Profit Attributable to Owners of Parent



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

(1) Gas
Net sales decreased 16.6% from the previous year to ¥948.5 billion.

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

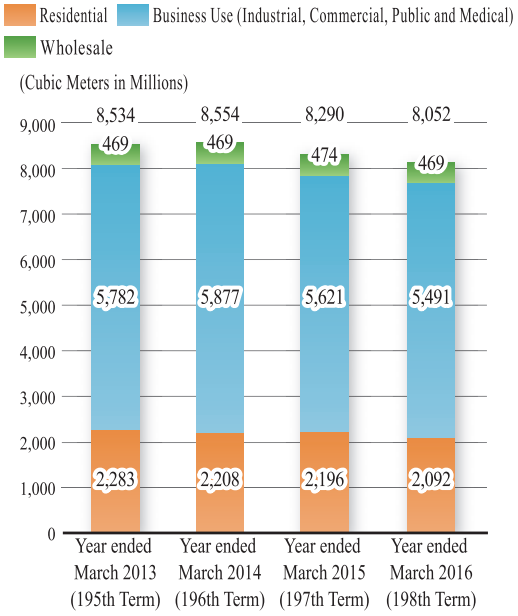
Gas Sales Volume
The residential gas sales volume decreased 4.7% to 2,092 million cubic meters, reflecting higher air and water temperatures in winter compared with the previous year, which decreased the demand for hot water supply and air heating.

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

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

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

Graph 4:Transition of Gas Sales Volume by Use



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



Security training

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



Cooking stove equipped with the multi grill unit

Sales of Gas Appliances

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

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



ENE-FARM TYPE S

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

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



GHP XAIR II

(2) LPG, Electricity and Other Energy
Net sales decreased 15.3% from the previous year to ¥206.4 billion.

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

In September 2015, Gas and Power Co., Ltd., acquired 95% of the shares of Inami Wind Power Co., Ltd., and decided to construct a wind power plant with a generating capacity of 26,000 kW in Inami-cho, Hidaka-gun, Wakayama Prefecture.
In February 2016, the Company decided to establish Himeji Natural Gas Power Generation Co., Ltd., jointly with Idemitsu Kosan Co., Ltd., to proceed with consideration of and preparation for a natural gas-fired thermal power generation business* in Himeji City, Hyogo Prefecture. (The joint venture was established in April 2016.)
*The generating capacity is expected to be about 1 million kW after the first phase of construction and about 1.8 million kW upon completion.



Senboku Natural Gas Power Plant
(Osaka Prefecture)

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



Advertisement for retail electricity sales

(3) International Energy

Net sales increased 36.4% from the previous year to ¥18.7 billion.
In April 2015, the Company acquired a 25% equity interest in a company operating St. Charles Power Project, a natural gas-fired thermal power generation business in Maryland, the United States. The power plant, which will have a capacity of 0.725 million kW, is currently under construction, and the start of operation at the plant is slated for 2017.
In November 2015, the Company established OGP Energy Solutions Co., Ltd., in Thailand through a joint investment with a subsidiary of PTT Public Company Limited. In February 2016, the joint venture commenced fuel conversion energy services for industrial customers.



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

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

(4) Life & Business Solutions
Net sales increased 6.8% from the previous year to ¥221.7 billion.

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

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

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



The Urbanex Tower Kobe Motomachi-dori (showroom)



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



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

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

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

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

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

2. Capital Investment Activities

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

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

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

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

3. Financing Activities

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

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

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

4. Outstanding Issues

(1) Management Issues

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

(2) Osaka Gas Group Corporate Principles

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

(3) Priority Issues

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

(a) Energy Business

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

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

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

(ii) Ensuring competitive power sources

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

(iii) Stable and safe energy supply

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

(iv) Expanding the marketer businesses at home and abroad

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

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

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

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

(b) Expansion of the Life & Business Solutions Business

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

(c) Operating Foundations

(i) Promoting technological development

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

(ii) Engagement in CSR efforts

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

(iii) Reinforcing human resources and organization

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

(4) Conclusion

The Group will continue to implement highly effective internal controls by monitoring and assessing its internal control system and providing necessary measures. With such a system effectively in place, the Group tackles the issues described above and exerts ceaseless efforts to achieve sustainable growth by implementing the Osaka Gas Group Corporate Principles.

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

5. Financial Position and Profits and Losses

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

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

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

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

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

Notes 1.The Group treats the affiliated companies that play a central role in each business area and that are positioned as elementary units for the management of the Group as core companies (which the Group recognizes as principal subsidiaries).

2. Effective July 1, 2015, OGIS-RI Co., Ltd., absorbed Osaka Gas Research Institute of Behaviour Observation Inc., one of the Group's subsidiaries.

3. Effective April 1, 2015, Osaka Gas Chemicals Co., Ltd., absorbed Japan EnviroChemicals, Limited, one of its subsidiaries.

4. Effective April 1, 2016, Liquid Gas Co., Ltd., ceased to be a core company of the Group after its reorganization, (company split), and was renamed Osaka Gas Liquid Co., Ltd.

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

(1) Major Offices and Plants

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

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

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

(2) Employees

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

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

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

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

II. Officers

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

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

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

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

Notes:

1) "Responsible for" in the "Business in Charge" column means monitoring and providing advice and suggestions concerning the operations of any headquarters, organization, core company or person in a designated position according to its managerial importance and effect on business management.
2) Directors Shunzo Morishita and Hideo Miyahara are outside directors as specified in Article 2, Item 15 of the Companies Act.
3) Audit & Supervisory Board Members Atsushi Hayashi, Yoko Kimura and Eiji Hatta are outside Audit & Supervisory Board Members as specified in Article 2, Item 16 of the Companies Act.
4) All of the outside directors and outside Audit & Supervisory Board Members have been notified as independent officers pursuant to the provisions prescribed by each stock exchange where the shares of the Company are listed.
5) There are no special relationships between the entities set out in the column "Significant Concurrent Positions" for each outside director / outside Audit & Supervisory Board Member and the Company.
6) Director Toshimasa Fujiwara and Audit & Supervisory Board Members Akihiko Irie and Eiji Hatta were newly appointed at the 197th Annual Meeting of Shareholders held on June 26, 2015, and assumed office on the same day.
7) Changes in "Business in Charge" and "Significant Concurrent Positions" during the term under review

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

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

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

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

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

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

2. Outside Officers

(1) Principal Activities

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

(2) Summary of Agreement Limiting Liability

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

3. Remuneration for Directors and Audit & Supervisory Board Members

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

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

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

Remuneration for each Audit & Supervisory Board Member shall be determined through discussions among Audit & Supervisory Board Members within the amount of remuneration (up to ¥14 million per

month) approved at the Annual Meeting of Shareholders, taking into consideration the position, etc. of each Audit & Supervisory Board Member.
The system of paying retirement benefits to directors and Audit & Supervisory Board Members has been abolished.

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

14 Directors	¥569 million
6 Audit & Supervisory Board Members	¥95 million
(including ¥51 million for 5 outside officers)	

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

III. Shares (as of March 31, 2016)

1. Number of Shares Issued and Number of Shareholders

Number of Authorized Shares	3,707,506,909 shares
Number of Shares Issued and Outstanding*	2,083,400,000 shares
Number of Shareholders	120,797

*3,256,640 treasury shares are included.

2. Principal Shareholders

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

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

IV. Accounting Auditor

1. Name of Accounting Auditor

KPMG AZSA LLC

2. Remuneration, etc., for Accounting Auditor

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

Amount of fees and other charges payable to the accounting auditor by the Company for the fiscal year under review	(i) Fees for audit services in Article 2, paragraph 1 of the Certified Public Accountants Act (Note)	¥88 million
	(ii) Amount of fees and other charges for services other than audit services in Article 2, paragraph 1 of the Certified Public Accountants Act	¥17 million
Total amount of cash and other financial benefits payable by the Company and its subsidiaries		¥256 million

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

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

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

3. Non-Audit Services

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

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

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

V. Systems to Ensure the Properness of Operations

I. Description of Internal Control Systems

The Company establishes systems (internal control systems) to ensure that the directors of the Company execute the duties in compliance with the laws and regulations and the Articles of Incorporation and other systems necessary to ensure the properness of the Group's operations at meeting of the Board of Directors, and such systems are briefly described below.

1. Systems to ensure that the execution of the duties complies with the laws and regulations and the Articles of Incorporation

(1) Directors and employees of the Group shall sufficiently acquire and investigate information as the basis to execute the duties and through accurate understanding of the facts, make reasonable decisions in accordance with regulations on responsibilities and authorities.

(2) For the Board of Directors to make appropriate decisions and enhance its supervisory role, executive directors shall retain independent outside officers. In addition, the executive officer system shall be adopted to enhance the Board of Directors' supervisory role and ensure efficiency in the execution of duties.

(3) Executive directors shall hold management meetings to provide information to the president and the Board of Directors to assist in the decision making process and discuss strategies and important matters concerning its management of the business.

(4) Executive directors shall establish the "Osaka Gas Group Code of Business Conduct" based on "Osaka Gas Group CSR Charter." By familiarizing the directors and employees with the Code, executive directors shall not only ensure the performance of duties in compliance with applicable laws and regulations and the Articles of Incorporation within the Group but also promote business activities in a fair and appropriate manner, which includes contributing to the preservation of the environment, promoting social contribution activities and dissociating from antisocial forces.

(5) Executive directors shall make efforts to understand the status concerning compliance within the Group and promote compliance practices by establishing a consulting and reporting system as an internal reporting system and a CSR committee.

(6) If any problems are discovered regarding compliance within the Group, directors and employees of the Group are required to consult with or report to an executive director or other superior, or report the matter via the consulting and reporting system depending on the level of seriousness or urgency. Executive directors, General Manager of Compliance Dept. or other superiors shall investigate details of such matter and take necessary remedial measures.

2. System concerning the maintenance and the management of information on execution of duties

(1) Executive directors and employees of the Group shall prepare minutes of the meetings of the Board of Directors, approval documents or other similar documents specifying matters including matters affecting decisions and the process by which a decision was reached, in accordance with regulations on responsibilities and authorities.

(2) Executive directors and employees of the Group shall properly store and manage the minutes of the meetings of the Board of Directors, approval documents or other information on execution of duties according to the nature thereof.

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

(1) Executive directors shall take all possible steps to ensure the safety and stability of gas supplies in gas businesses by establishing safety regulations on matters concerning the construction,

maintenance and operation of production and supply facilities, and by promoting the improvement of the production and supply systems.

(2) Executive directors of the Group and organizational heads of the Company (managers of basic organizations of the Company) shall take measures to prevent the occurrence of risks and minimize losses in the case of occurrence, and manage the risk of losses for each category of risk (risks due to external factors, internal factors, transactions with outside parties or other factors).

(3) The risk of losses shall be managed at the level of each basic organization and each affiliated company.

(4) The emergencies that might have a material impact on the management of the Group shall be addressed according to the regulations on disaster countermeasures and business contingency plans.

4. Systems to ensure the efficient execution of duties

(1) Executive directors of the Group and organizational heads of the Company shall determine matters concerning the division of duties and decision-making within the Company and the Group in accordance with regulations on responsibilities and authorities. They shall also provide regulations regarding details of organizations and general matters to be observed during the execution of duties. By familiarizing employees with such regulations, they shall ensure the smooth management of organizations and the improvement of quality and efficiency of operations.

(2) With the aim of maximizing corporate value, executive directors of the Group and organizational heads of the Company shall establish medium-term business plans and annual plans for the Company and the Group, monitor its attainment by means of performance indicators and focus on achieving these plans.

5. Other systems to ensure the properness of business operations

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

(1) Companies to play a central role in each business area of the Group (core companies) or basic organizations to supervise affiliated companies (management support organizations) shall be designated to be responsible for day-to-day management of affiliated companies.

(2) Compliance with applicable laws and regulations and the Articles of Incorporation, the efficiency and other similar matters of the Group as a whole shall be audited internally by the head of the Auditing Department of the Company. If necessary in light of the results of such audit, remedial measures shall be taken promptly.

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

6. Matters concerning employees assisting Audit & Supervisory Board Members in the performance of their duties

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

(2) Audit & Supervisory Board Members' assistants shall be engaged solely in assisting the Audit & Supervisory Board Members in the performance of their duties.

7. Matters concerning independence of Audit & Supervisory Board Members' assistants from directors

(1) Executive directors cannot direct or give orders to Audit & Supervisory Board Members' assistants except where such directions or orders apply equally to all employees.

(2) The opinions of the Audit & Supervisory Board Members regarding the evaluation, transfer, etc., of Audit & Supervisory Board Members' assistants shall be sought in advance and respected.

8. Systems for reporting to the Audit & Supervisory Board Members

(1) Directors shall report immediately to the Audit & Supervisory Board Members if a matter that is significantly detrimental on the Company is discovered.

(2) Directors and employees of the Group or auditors of the affiliated companies shall report without delay matters that have a material impact on the business of the Group, the results of internal audits, the situation regarding the main reports under the consulting and reporting system and other important matters.

(3) Directors of the Group and employees of the Company shall report without delay when requested by the Audit & Supervisory Board Members to report on matters concerning the execution of duties.

(4) Executive directors and other supervisors of the Group shall not disadvantageously treat any person who reports to the Audit & Supervisory Board Members according to the preceding items for the reason that such report was made.

9. Other systems to ensure effective auditing by the Audit & Supervisory Board Members

(1) The Audit & Supervisory Board Members may exchange opinions periodically with the representative directors and the accounting auditor.

(2) The Audit & Supervisory Board Members may attend management meetings and all company committee meetings. They may investigate as appropriate material information concerning the execution of duties, such as approval documents.

(3) Executive directors shall ensure the Company provides the expenses or liabilities necessary for the execution of the duties of the Audit & Supervisory Board Members.

10. Confirmation of operation status, etc.

(1) Executive directors shall periodically confirm and assess the status of the operation of the internal control system and report the results to the Board of Directors.

(2) Executive directors shall take necessary measures by taking into consideration the assessment results of internal control system and other situations.

II. Operating Status of the Internal Control Systems

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

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

(1) Matters concerning compliance

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

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

(2) Matters concerning risk management

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

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

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

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

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

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

Full-time Audit & Supervisory Board Members have periodic exchange of opinions with the representative director and chairman, the representative director and president and the accounting auditor, in which outside Audit & Supervisory Board Members also participate as necessary. Partly through the opportunity to exchange opinions with the accounting auditor, Audit & Supervisory Board Members evaluate the qualifications, expertise and independence of the accounting auditor.

Full-time Audit & Supervisory Board Members attend important meetings, such as the Management Meeting and the Investment Evaluation Committee, and read approval documents and other important documents.

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

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

Consolidated Balance Sheet (As of March 31, 2016)

(Millions of Yen)

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

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

(Millions of Yen)

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

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

(Millions of Yen)

	Shareholders' equity					Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	**132,166**	**19,488**	**648,896**	**(938)**	**799,613**	**50,868**	**(6,519)**	**(737)**	**39,341**	**5,929**	**88,882**	**30,373**	**918,869**
Changes of items during period													
Dividends of surplus			(20,808)		(20,808)								(20,808)
Profit attributable to owners of parent			84,324		84,324								84,324
Change of scope of equity method			(11)		(11)								(11)
Purchase of treasury shares				(357)	(357)								(357)
Disposal of treasury shares		4		20	25								25
Changes in ownership interest of subsidiaries arising from transactions with non-controlling shareholders		(173)			(173)								(173)
Net changes of items other than shareholders' equity						(6,724)	(5,827)		(10,417)	(21,902)	(44,871)	(1,211)	(46,083)
Total changes of items during period	–	**(168)**	**63,504**	**(336)**	**62,999**	**(6,724)**	**(5,827)**	**–**	**(10,417)**	**(21,902)**	**(44,871)**	**(1,211)**	**16,916**
Balance at end of current period	**132,166**	**19,320**	**712,401**	**(1,275)**	**862,613**	**44,143**	**(12,347)**	**(737)**	**28,924**	**(15,972)**	**44,010**	**29,162**	**935,786**

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

(Millions of Yen)

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

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

(Millions of Yen)

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

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

(Millions of Yen)

	Shareholders' equity													Valuation and translation adjustments			
		Capital surplus			Retained earnings												
						Other retained earnings											
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve for reduction entry of specified replaced properties	Reserve for overseas investment loss	Reserve for adjustment of cost fluctuations	General reserve	Retained earnings brought forward	Total retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	**Total net assets**
Balance at beginning of current period	**132,166**	**19,482**	**6**	**19,488**	**33,041**	**239**	**18,189**	**89,000**	**62,000**	**253,808**	**456,278**	**(938)**	**606,995**	**35,655**	**(5,261)**	**30,393**	**637,389**
Changes of items during period																	
Provision of reserve for reduction entry of specified replaced properties						2				(2)	–		–				–
Provision of reserve for overseas investment loss							4,775			(4,775)	–		–				–
Reversal of reserve for overseas investment loss							(2,366)			2,366	–		–				–
Dividends of surplus										(20,808)	(20,808)		(20,808)				(20,808)
Net income										83,285	83,285		83,285				83,285
Purchase of treasury shares												(357)	(357)				(357)
Disposal of treasury shares			4	4								20	25				25
Net changes of items other than shareholders' equity														(3,352)	(992)	(4,344)	(4,344)
Total changes of items during period	**–**	**–**	**4**	**4**	**–**	**2**	**2,408**	**–**	**–**	**60,065**	**62,477**	**(336)**	**62,145**	**(3,352)**	**(992)**	**(4,344)**	**57,800**
Balance at end of current period	**132,166**	**19,482**	**10**	**19,493**	**33,041**	**241**	**20,598**	**89,000**	**62,000**	**313,873**	**518,756**	**(1,275)**	**669,140**	**32,303**	**(6,254)**	**26,048**	**695,189**

Independent Auditor's Report

May 13, 2016

The Board of Directors
Osaka Gas Co., Ltd.

KPMG AZSA LLC

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

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

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

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the related notes of Osaka Gas Co., Ltd. as at March 31, 2016 and for the year from April 1, 2015 to March 31, 2016 in accordance with Article 444-4 of the Companies Act.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matter

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

Notes to the Reader of Independent Auditor's Report:
The independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

Independent Auditor's Report

May 13, 2016

The Board of Directors
Osaka Gas Co., Ltd.

KPMG AZSA LLC

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

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

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

We have audited the financial statements, comprising the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the supplementary schedules of Osaka Gas Co., Ltd. as at March 31, 2016 and for the year from April 1, 2015 to March 31, 2016 in accordance with Article 436-2-1 of the Companies Act.

Management's Responsibility for the Financial Statements and Others

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements and the supplementary schedules based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the supplementary schedules. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements and the supplementary schedules, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements and the supplementary schedules in order to design audit procedures that are appropriate in the

circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the supplementary schedules.

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

Opinion

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

Other Matter

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

Notes to the Reader of Independent Auditor's Report:
The independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

Audit Report

The Audit & Supervisory Board prepared this Audit & Supervisory Board's Report upon deliberation based on reports by each Audit & Supervisory Board Member regarding the execution by the Directors of their duties for the 198th fiscal year from April 1, 2015 to March 31, 2016. We report as follows:

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

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

In addition, the Audit & Supervisory Board has received reports from the directors and the accounting auditor on the execution of their duties and requested explanations as necessary.

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

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

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

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

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

net assets and notes to consolidated financial statements) for the fiscal year ended March 31, 2016.

2. Results of the audit

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

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

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

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

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

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

May 20, 2016

OSAKA GAS CO., LTD., Audit & Supervisory Board

Shiro Takenaka	Full-Time Audit & Supervisory Board Member [seal]
Akihiko Irie	Full-Time Audit & Supervisory Board Member [seal]
Atsushi Hayashi	Outside Audit & Supervisory Board Member [seal]
Yoko Kimura	Outside Audit & Supervisory Board Member [seal]
Eiji Hatta	Outside Audit & Supervisory Board Member [seal]

This document has been translated from the Japanese original for reference purposes only. In the event of discrepancy between this translated document and the Japanese original, the original shall prevail.

Notes to Consolidated Financial Statements

Notes to Non-Consolidated Financial Statements

The 198th Fiscal Year (From April 1, 2015 to March 31, 2016)

OSAKA GAS CO., LTD.

Notes to Consolidated Financial Statements (April 1, 2015 to March 31, 2016)

1. Notes to Significant Matters Forming the Basis of Preparation of the Consolidated Financial Statements

(1) Scope of consolidation

Number of consolidated subsidiaries: 149

(Names of principal consolidated subsidiaries)
Osaka Gas Chemicals Co., Ltd., Osaka Gas Urban Development Co., Ltd., OGIS-RI Co., Ltd., and Liquid Gas Co., Ltd.

(2) Application of the equity method

Number of equity method associates: 16

(Names of principal equity method associates)
Idemitsu Snorre Oil Development Co., Ltd. and Sumisho Osaka Gas Water UK, Ltd.

(Names of principal associates not subject to the equity method)
The associates not subject to the equity method include primarily ENNET Corporation.
The equity method is not applied to these associates because they do not have a material impact on net income or losses or retained earnings, etc. and are not material as a whole.

(3) Accounting policies

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

a. Investment securities:

Bonds held to maturity:	Stated at amortized cost
Other investment securities:	
Securities for which it is practical to determine fair value:	Stated at fair value based on the market price, etc., on the closing day. (Unrealized valuation gains and losses are accounted for as a component of net assets; cost of sales is determined primarily using the moving-average method.)
Securities for which it is not practical to determine fair value:	Primarily stated at cost based on the moving-average method

b. Inventories: Primarily stated at cost based on the moving-average method; inventories held for trading recorded on the balance sheet are depreciated to write down the carrying amount based on depreciation of profitability.

c. Derivatives: Stated at fair value

(ii) Depreciation and amortization method of significant depreciable assets

a. Property, plant and equipment (excluding leased assets) are depreciated primarily using the declining-balance method. However, the straight-line method has been used for buildings (excluding structures attached to buildings) acquired on or after April 1, 1998.

b. Intangible assets (excluding leased assets) are amortized primarily using the straight-line method. For internal-use software, the straight-line method based on the term available for use within OSAKA GAS CO., LTD. ("the Company") and each subsidiary has been applied.

c. Leased assets resulting from non-ownership-transfer finance leases are depreciated or amortized using the straight-line method over the useful life equal to the lease terms assuming no residual value.

(iii) Basis for recording significant allowances

a. Allowance for doubtful accounts

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

b. Provision for gas holder repairs

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

c. Provision for safety measures

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

d. Provision for loss on investment

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

e. Provision for loss on guarantees

To provide for any losses on debt guarantees, an estimated amount of such losses is provided upon consideration of the financial conditions of guarantees.

f. Provision for warranty on gas appliances

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

(Additional information)

For this consolidated fiscal year, it has become possible to reasonably estimate the costs arising from measures to promote the sale of gas appliances based on past experience with such expenses and other factors. Therefore, it has been decided to record such estimated amounts as a provision.

As a result, a provision for warranty on gas appliances of ¥4,415 million has been stated, reducing operating income, ordinary income and income before income taxes by the same amount, respectively.

(iv) Other significant matters for the preparation of the consolidated financial statements

a. Accounting for retirement benefits

For the purposes of employee retirement benefits, based on the estimate of the retirement benefit obligations at the end of this consolidated fiscal year, an amount obtained by deducting plan assets from retirement benefit obligations is provided.

i 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 until the end of this consolidated fiscal year.

ii Amortization of actuarial gains and losses and past service costs

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

b. Accounting for consumption taxes and other taxes

Consumption taxes and other taxes are calculated using the net-of-tax method.

2. Changes in Accounting Policies

"Application of the Revised Accounting Standard for Business Combinations, etc."

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 consolidated 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 to costs as expenses in the consolidated fiscal year in which the costs are incurred. The Company also changed the presentation of net income and the term "non-controlling interests" is used instead of "minority interests".

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 consolidated fiscal year prospectively.

As a result, capital surplus as of the end of the current consolidated fiscal year decreased by ¥173 million and Capital surplus as of the end of the current consolidated fiscal year in the consolidated statement of changes in equity decreased by ¥173 million.

3. Notes to the Consolidated Balance Sheet

(1) Assets pledged as collateral and secured liabilities

(i) Assets pledged as collateral

Property, plant and equipment	¥143,458 million
Investments and other assets	¥2,881 million
Others	¥17,662 million
Total	¥164,001 million

(ii) Secured liabilities ¥40,055 million

In addition to above, shares of consolidated subsidiaries and others of ¥3,069 million which are offset as a result of consolidation are pledged as collateral.

(2) Accumulated depreciation of property, plant and equipment: ¥2,500,415 million

(3) Guarantee liabilities, etc.

Guarantee liabilities:	¥24,501 million
Contingent liabilities in respect of debt assumption agreements with respect to bonds:	¥49,000 million

4. Notes to Revaluation Reserve for Land

Commercial land of certain consolidated subsidiaries has been revaluated in accordance with the Act on Revaluation of Land (Law No. 34 of March 31, 1998) and the Amendment to Act on Revaluation of Land (Law No. 19 of March 31, 2001). Any difference (excluding any amount associated with tax effect accounting) resulting from the revaluation, is included in net assets as revaluation reserve for land. The revaluation is made by making reasonable adjustments to the valuation by road rating which is provided for in Article 2, Item 4 of the Enforcement Order of the Law Concerning the Revaluation of Land (Cabinet Order No. 119 of March 31, 1998).

Differences between the fair value at the end of this consolidated fiscal year and its book value after revaluation in respect of revaluated lands ¥(646) million

5. Notes to Financial Instruments

(1) Matters concerning the status of financial instruments

It is the Group's policy to raise its operating funds through borrowings from financial institutions and the issuance of bonds and to conduct fund management through a conservative financial portfolio which limit exposure to losses. Also we comply with our accounting manual, etc., to diminish risks on counterpart credit risk against the note and trade accounts receivable. In derivative transactions, we use interest swap for adjusting the ratio between fixed and floating interest rates and fixing the interest level for bonds and borrowings, exchange forward contracts and currency option contracts for reducing fluctuation of cash flow due to exchange fluctuation, swap and option of crude oil price, etc. for reducing fluctuation of cash flow due to change in crude oil price, etc., and weather derivatives for reducing movement of cash flow due to temperature variability. We do not invest in speculative transactions.

(2) Matters concerning fair value etc. of financial instruments

Amounts recorded in the consolidated balance sheet, fair values and the difference between such amount and value at the end of this consolidated fiscal year are as follows. Financial instruments for which it is extremely difficult to determine the fair value are not included in the table below (see Note 2).

(Millions of Yen)

	Amount recorded on the consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	209,982	209,982	—
(2) Notes and accounts receivable-trade	167,246	167,246	—
(3) Securities and investment securities	87,908	87,908	—
Total Assets	465,137	465,137	—
(1) Notes and accounts	53,882	53,882	—

payable-trade			
(2) Short-term loans payable	25,916	25,916	—
(3) Bonds payable[1]	220,674	239,201	18,527
(4) Long-term loans payable[1]	318,852	334,807	15,955
Total Liabilities	619,326	653,808	34,482
Derivative transaction[2]	(6,665)	(6,665)	—

[1] Includes those due within one year.

[2] Receivables and payables incurred by derivative transactions are shown in net amount.

Notes: 1. Matters concerning calculation method for fair value of financial instruments, and matters concerning securities and derivatives

Assets

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

As these items are settled within a short term, the fair value is approximately equal to the book value and therefore the book value is listed for these items.

(3) Securities and investment securities

Fair values of shares are prices quoted by stock exchanges.
The fair values of bonds are prices quoted by securities exchanges or prices presented by financial institutions.

Liabilities

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

As these items are settled within a short term, the fair value is approximately equal to the book value and therefore the book value is listed for these items.

(3) Bonds payable

The fair value of bonds payable issued by the Company and certain consolidated subsidiaries is based on its market price (if any), or on its present value which is the total amount of its principal and interest, discounted by the interest rate derived by taking into consideration the remaining term and credit risk.

(4) Long-term loans payable

The fair value of long-term loans payable with fixed interest rate is calculated by discounting the sum of the principal and interest with the interest rate of new borrowings for the same amount. The fair value of long-term loans payable with floating interest rate is its book value as such fair value is considered to be approximately equal to the book value.

Derivatives

The fair value of derivative transactions is primarily based on the price quoted by

the counterpart financial institutions. The fair value of derivatives for which special exception for interest swap is applied is included in the fair value of long-term borrowings as it is treated as part of such long-term borrowings which is hedged.

2. Shares of associates and unlisted shares (amount recorded on the consolidated balance sheet: ¥150,977 million) are not included in "(3) Securities and investment securities" as they have no market price and their future cash flows cannot be estimated and therefore it is recognized as being very difficult to obtain fair value.

6. Notes to Leased Properties, etc.

(1) Matters concerning the status of leased properties

The Company and some of its consolidated subsidiaries own office buildings for lease (including land) in Osaka Prefecture and other areas.

(2) Matters concerning fair value of leased properties

(Millions of Yen)

Amount recorded on the consolidated balance sheet	Fair value
109,441	168,107

Notes: 1. The amount recorded on the consolidated balance sheet is the amount which deducts the accumulated depreciation amount and accumulated impairment loss amount from the acquisition cost.

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

7. Notes to the Consolidated Statement of Changes in Equity

(1) Number of shares issued and outstanding as of the consolidated fiscal year end

2,083,400,000 common shares

(2) Dividends

(i) Amount of payment of dividends

a. At the Annual Meeting of Shareholders held on June 26, 2015, the following were resolved with March 31, 2015, as a record date.

Dividends of common shares

(a) Total amount of dividends ¥10,404 million

(b) Dividend per share ¥5.00

(consisting of a ¥4.50 ordinary dividend and a ¥0.50 commemorative dividend to celebrate the Company's 110th anniversary)

(c) Effective date for dividends June 29, 2015

b. At the meeting of the Board of Directors held on October 28, 2015, the following were resolved with September 30, 2015, as a record date.

Dividends of common shares

(a) Total amount of dividends ¥10,403 million

(b) Dividend per share ¥5.00

(consisting of a ¥4.50 ordinary dividend and a ¥0.50 commemorative dividend to celebrate the Company's 110th anniversary)

(c) Effective date for dividends November 30, 2015

(ii) Dividends of which the record date falls within this consolidated fiscal year and of which the effective date falls within the next consolidated fiscal year

At the Annual Meeting of Shareholders to be held on June 29, 2016, the following will be proposed with March 31, 2016, as a record date. Dividends are to be appropriated from retained earnings.

Dividends of common shares

(a) Total amount of dividends ¥10,400 million

(b) Dividend per share ¥5.00

(consisting of a ¥4.50 ordinary dividend and a ¥0.50 commemorative dividend to celebrate the Company's 110th anniversary)

(c) Effective date for dividends June 30, 2016

8. Notes to Per Share Information

(1) Net assets per share: ¥435.85

(2) Net income per share: ¥40.53

Notes to Non-Consolidated Financial Statements (April 1, 2015 to March 31, 2016)

1. Notes to Matters in respect of Significant Accounting Policies

(1) Basis and methodology for the valuation of assets

(i) Valuation of securities:

Bonds held to maturity:	Stated at amortized cost
Shares of subsidiaries and associates:	Stated at cost based on the moving-average method
Other investment securities:	
Securities for which it is practical to determine fair value:	Stated at fair value based on the market price, etc. on the closing day (Unrealized valuation gains and losses are accounted for as a component of net assets; cost of sales is determined using the moving-average method.)
Securities for which it is not practical to determine fair value:	Stated at cost based on the moving-average method

(ii) Inventories are valued as follows; provided, however that inventories held for trading recorded on the balance sheet are depreciated to write down the carrying amount based on depreciation of profitability:

Finished goods:	Stated at cost based on the total-average method
Raw materials:	Stated at cost based on the moving-average method
Supplies:	Stated at cost based on the moving-average method

(iii) Derivatives are stated at fair value.

(2) Depreciation and amortization method of non-current assets

(i) Property, plant and equipment (excluding leased assets) are depreciated using the declining-balance method. However, the straight-line method has been used for buildings (excluding structures attached to buildings) acquired on or after April 1, 1998.

(ii) Intangible assets (excluding leased assets) are amortized using the straight-line method. For internal-use software, the straight-line method based on the term available for use within OSAKA GAS CO., LTD. ("the Company") has been applied.

(iii) Leased assets resulting from non-ownership-transfer finance leases are depreciated or amortized using the straight-line method over the useful life equal to the lease

terms assuming no residual value.

(3) Basis for recording reserves

(i) As for the allowance for doubtful accounts, to provide for the bad debts loss of accounts receivable, loans receivable, etc., an estimated uncollectible amount is provided which is based on an amount calculated based on the default ratio in the past for general receivables and the individual collectability for certain receivables including receivables with default possibility.

(ii) 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 benefits 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 until the end of this fiscal year.

b. Amortization of actuarial gains and losses and past service costs

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

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

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

(v) As for the provision for loss on investment, an amount of expected future losses has been provided as reserve to provide for any losses on the operations of subsidiaries and associates.

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

(vii) With regard to provision for warranty on gas appliances, to provide for the payment of any service costs under warranty after the sale of gas appliances, an estimated amount of such costs is provided.

(Additional information)

For this fiscal year, it has become possible to reasonably estimate the costs arising

from measures to promote the sale of gas appliances based on past experience with such expenses and other factors. Therefore, it has been decided to record such estimated amounts as a provision.

As a result, a provision for warranty on gas appliances of ¥4,415 million has been stated, reducing operating income, ordinary income and income before income taxes by the same amount, respectively.

(4) Other significant matters for the preparation of these non-consolidated financial statements

(i) The method of accounting for unrecognized actuarial differences and unrecognized past service costs concerning retirement benefits on a non-consolidated basis is different from that on a consolidated basis.

(ii) Consumption taxes and other taxes are calculated using the net-of-tax method.

2. Notes to the Non-Consolidated Balance Sheet

(1) Assets pledged as collateral

Investments and other assets:	¥480 million

(2) Accumulated depreciation of property, plant and equipment and accumulated amortization of intangible assets

Accumulated depreciation of property, plant and equipment:	¥2,112,215 million
Accumulated amortization of intangible assets:	¥2,526 million

(3) Guarantee liabilities, etc.

Guarantee liabilities:	¥91,754 million
Contingent liabilities in respect of debt assumption agreements with respect to bonds:	¥49,000 million

3. Notes to the Non-Consolidated Statement of income

Amount of business from operational transactions with subsidiaries and associates:

Sales to subsidiaries and associates:	¥80,277 million
Amount of purchases from subsidiaries and associates:	¥145,794 million

Amount of business from non-operational transactions with subsidiaries and associates:

¥26,055 million

4. Notes to the Non-Consolidated Statement of Changes in Equity

Number of treasury stock at the end of the fiscal year:	3,256,640 common shares

5. Notes to Tax Effect Accounting

(1) The main factors for the deferred tax assets are loss on valuation of securities, excess

depreciation of depreciable assets and provision for safety measures.

(2) The main factors for the deferred tax liabilities are prepaid severance and retirement benefit expenses, valuation difference on available-for-sale securities and reserve required under the Special Taxation Measures Law.

6. Notes to Transactions with Related Parties

Company Name	Holding Ratio of Voting Rights	Relationship	Substance of Transaction	Transaction Amount (Millions of Yen)	Item	Outstanding amount as at the year-end (Millions of Yen)
Osaka Gas Australia Pty. Ltd.	100% direct holding	Subsidiary	Subscription for allocation of new shares (Note 1)	26,704	—	—
Osaka Gas Gorgon Pty. Ltd.	100% indirect holding	Subsidiary	Debt guarantee (Note 2)	34,029	—	—

Conditions of transaction and decision policy for conditions of transaction, etc.

(Note 1) The Company subscribed for an allocation of new shares to a shareholder conducted by Osaka Gas Australia Pty. Ltd.

(Note 2) The Company provided a guarantee for the long-term loans payable of Osaka Gas Gorgon Pty. Ltd. to Japan Bank for International Cooperation, etc.

7. Notes to Per Share Information

(1) Net assets per share: ¥334.20

(2) Net income per share: ¥40.03