Consolidated Balance Sheets

Osaka Gas Co., Ltd.
March 31, 2008 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2009	2009
Assets			
Property, Plant and Equipment			
Tangible fixed assets			
Production facilities	¥ 99,196	¥ 94,853	$ 965,621
Distribution facilities	338,232	323,928	3,297,648
Administrative facilities	64,196	64,934	661,040
Other facilities	242,027	250,953	2,554,749
Idle facilities	1,532	–	–
Construction in progress	72,320	87,634	892,130
Total tangible fixed assets	817,506	822,305	8,371,220
Intangible fixed assets			
Goodwill	10,762	6,585	67,036
Others	34,212	25,836	263,015
Total intangible fixed assets	44,974	32,422	330,062
Investments and other assets			
Investment in securities (Note 5)	144,765	133,554	1,359,605
Others (Note 14)	131,261	105,407	1,073,063
Allowance for doubtful accounts	(705)	(1,029)	(10,475)
Total investments and other assets	275,321	237,931	2,422,182
Total fixed assets	1,137,802	1,092,659	11,123,475
Current Assets			
Cash and deposits	41,457	44,828	456,357
Notes and trade accounts receivable	145,749	132,507	1,348,946
Inventories	65,334	83,984	854,973
Deferred tax assets	–	23,409	238,308
Others (Note 14)	78,423	75,986	773,551
Allowance for doubtful accounts	(833)	(918)	(9,345)
Total current assets	330,131	359,798	3,662,811
Total assets	¥1,467,934	¥1,452,457	$14,786,287

See accompanying consolidated financial statements notes.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2009	2009
Liabilities			
Long-term liabilities			
Bonds (Note 6)	¥ 193,164	¥ 261,200	$ 2,659,065
Long-term loans payable (Note 6)	219,806	238,610	2,429,094
Deferred tax liabilities (Note 14)	19,827	15,776	160,602
Deferred tax liabilities related to land revaluation (Note 9)	57	57	580
Reserve for severance benefits (Note 13)	10,139	13,821	140,700
Reserve for gasholder repairs	1,691	1,726	17,571
Reserve for safety actions	2,459	–	–
Others	14,653	17,174	174,834
Total long-term liabilities	461,800	548,366	5,582,469
Current liabilities			
Long-term debt due within one year	48,386	38,616	393,118
Notes and trade accounts payable	74,697	74,909	762,587
Short-term loans payable (Note 6)	40,263	33,708	343,153
Income taxes payable	22,166	19,706	200,610
Reserve for safety actions	–	2,023	20,594
Others (Note 14)	153,962	100,369	1,021,775
Total current liabilities	339,476	269,334	2,741,871
Total liabilities	801,276	817,700	8,324,340
Net assets (Note 7)			
Shareholders' equity			
Capital stock	132,166	132,166	1,345,474
Capital surpluses	19,482	19,482	198,330
Retained earnings	439,226	459,658	4,679,405
Treasury stock	(806)	(1,251)	(12,735)
Total shareholders' equity	590,069	610,056	6,210,485
Valuation and translation adjustments			
Difference between market price and acquisition cost of other securities	31,790	16,999	173,053
Deferred hedge gains (losses)	12,628	(1,663)	(16,929)
Land revaluation excess (Note 9)	83	(103)	(1,048)
Foreign currency translation adjustments	14,020	(12,724)	(129,532)
Total valuation and translation adjustments	58,523	2,508	25,531
Minority interests	18,065	22,191	225,908
Total net assets	666,657	634,757	6,461,946
Total liabilities and net assets	¥1,467,934	¥1,452,457	$14,786,287

Consolidated Profit and Loss Statements

Osaka Gas Co., Ltd.
March 31, 2008 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2009	2009
Net sales (Note 15)	¥1,238,145	¥1,326,785	$13,506,922
Cost of sales (Note 10)	842,617	921,915	9,385,269
Gross profit on sales	395,527	404,870	4,121,653
Selling, general and administrative expenses (Note 10 and 15)	319,916	337,937	3,440,262
Operating income (Note 15)	75,611	66,932	681,380
Nonoperating revenues			
Interest income	1,245	1,695	17,255
Dividend income	1,937	2,269	23,098
Gain from sales of securities	3,332	–	–
Equity in net income of affiliates	5,305	7,481	76,157
Other income	4,151	6,609	67,280
Total nonoperating revenues	15,971	18,056	183,813
Nonoperating expenses			
Interest expenses	9,848	10,461	106,494
Losses from derivatives	–	2,651	26,987
Other expenses	5,919	7,365	74,977
Total nonoperating expenses	15,767	20,478	208,469
Ordinary profit	75,814	64,510	656,724
Extraordinary loss			
Loss from impairment of fixed assets (Note 16)	3,335	–	–
Total extraordinary loss	3,335	–	–
Income before income taxes and minority interests	72,478	64,510	656,724
Income taxes (Note 14)			
Current	28,301	18,751	190,888
Deferred	1,900	6,425	65,407
Total corporate tax and other taxes (Note 14)	30,202	25,176	256,296
Minority interests	1,993	3,292	33,513
Net income	¥ 40,283	¥ 36,041	$ 366,904

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2009	2009
Per share of common stock			
Net income	¥ 18.27	¥ 16.72	$ 0.170
Net income - diluted	–	–	–
Cash dividends applicable to the year	7.00	7.00	0.071

See accompanying consolidated financial statements notes.

Consolidated Cash Flow Statements

Osaka Gas Co., Ltd.
March 31, 2008 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2009	2009
Cash Flow from Operating Activities			
Net income before income taxes	¥ 72,478	¥ 64,510	$ 656,724
Depreciation	95,253	86,549	881,085
Amortization of long-term prepaid expenses	5,656	6,234	63,463
Loss from impairment of fixed assets	3,335	–	–
Increase in prepaid pension expenses	(13,368)	(5,943)	(60,500)
Interest and dividend income	(3,182)	(3,965)	(40,364)
Interest expenses	9,848	10,461	106,494
Equity in net income of affiliates	(5,305)	(7,481)	(76,157)
Gain on sales of investment in securities	(3,332)	–	–
Loss on disposal of tangible fixed assets	2,564	–	–
(Increase) decrease in notes and trade accounts receivables	(9,597)	16,946	172,513
Increase in inventories	(5,102)	(18,370)	(187,010)
Increase in notes and trade accounts payables	28,688	–	–
Increase (decrease) in accrued expenses	(5,845)	2,990	30,438
Decrease in consumption taxes and other taxes payable	(2,358)	–	–
Others	(2,852)	(6,421)	(65,366)
Total	166,881	145,510	1,481,319
Interest and dividends received	8,093	7,900	80,423
Interest paid	(9,721)	(10,122)	(103,043)
Income and enterprise taxes paid	(30,970)	(22,597)	(230,041)
Net cash flow from operating activities	134,282	120,691	1,228,657
Cash Flow from Investing Activities			
Acquisition of tangible fixed assets	(103,060)	(100,626)	(1,024,391)
Acquisition of intangible fixed assets	(12,982)	(2,077)	(21,144)
Payment of long-term prepaid expenses	(8,818)	(7,193)	(73,226)
Purchase of investment securities	(3,233)	–	–
Proceeds from sale and redemption of investment securities	7,231	3,876	39,458
Purchase of other investments	(7,266)	–	–
Purchase of affiliates' shares	–	(4,323)	(44,008)
Proceeds from sales of affiliates' shares	2,970	–	–
Purchase of shares of subsidiaries accompanied by change in scope of consolidation	(4,065)	–	–
Proceeds from acquisition of shares of subsidiaries accompanied by change in scope of consolidation	–	6,682	68,024
Net increase in short-term loans receivable	(1,883)	(2,741)	(27,903)
Proceeds from collection of long-term loans	1,626	–	–
Increase in time deposits	–	(1,744)	(17,754)
Others	(2,546)	46	468
Net cash flow from investment activities	(132,029)	(108,102)	(1,100,498)
Cash Flow from Financing Activities			
Net increase (decrease) in short-term loans payable	5,984	(6,421)	(65,366)
Net increase (decrease) in commercial paper	15,000	(64,000)	(651,532)
Proceeds from long-term loans payable	51,692	42,848	436,200
Repayment of long-term loans payable	(47,027)	(18,702)	(190,389)
Proceeds from issuance of bonds	39,990	90,000	916,217
Repayment of bonds	(5,425)	(30,660)	(312,124)
Purchase of treasury stock	(30,652)	–	–
Dividends paid	(15,534)	(15,071)	(153,425)
Dividends paid to minority interests	(1,616)	–	–
Others	85	(1,430)	(14,557)
Net cash flow from financial activities	12,495	(3,438)	(34,999)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	70	(1,630)	(16,593)
Net Increase (Decrease) in Cash and Cash Equivalents	14,819	7,519	76,544
Cash and Cash Equivalents at Beginning of Year	24,476	39,244	399,511
Decrease of Cash and Cash Equivalents Due to Exclusion of Subsidiaries from the Consolidation	(52)	–	–
Cash and Cash Equivalents at End of Year	¥ 39,244	¥ 46,764	$ 476,066

See accompanying consolidated financial statements notes.

Consolidated Statements of Changes in Shareholders' Equity

Osaka Gas Co., Ltd.
March 31, 2008 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2009	2009
Shareholders' equity			
Capital stock			
Balance as of previous year-end	¥132,166	¥132,166	$1,345,474
Balance as of current year-end	132,166	132,166	1,345,474
Capital surpluses			
Balance as of previous year-end	19,534	19,482	198,330
Changes from:			
Disposal of treasury stock	9	–	–
Retirement of treasury stock	(61)	–	–
Total changes during the year	(51)	–	–
Balance as of current year-end	19,482	19,482	198,330
Retained earnings			
Balance as of previous year-end	447,909	439,226	4,471,403
Changes from:			
Cash dividends paid	(15,572)	(15,093)	(153,649)
Net income	40,283	36,041	366,904
Disposal of treasury stock	–	(18)	(183)
Retirement of treasury stock	(33,381)	–	–
Decrease due to decrease in number of consolidated subsidiaries	(11)	–	–
Decrease due to change in affiliates' accounting policies	–	(498)	(5,069)
Total changes during the year	(8,682)	20,431	207,991
Balance as of current year-end	439,226	459,658	4,679,405
Treasury stock			
Balance as of previous year-end	(3,670)	(806)	(8,205)
Changes from:			
Purchase of treasury stock	(30,652)	(610)	(6,209)
Disposal of treasury stock	74	165	1,679
Retirement of treasury stock	33,442	–	–
Total changes during the year	2,864	(444)	(4,520)
Balance as of current year-end	(806)	(1,251)	(12,735)
Total shareholders' equity			
Balance as of previous year-end	595,939	590,069	6,007,014
Changes from:			
Dividends paid	(15,572)	(15,093)	(153,649)
Net income	40,283	36,041	366,904
Purchase of treasury stock	(30,652)	(610)	(6,209)
Disposal of treasury stock	83	146	1,486
Retirement of treasury stock	–	–	–
Decrease due to decrease in number of consolidated subsidiaries	(11)	–	–
Decrease due to change in affiliates' accounting policies	–	(498)	(5,069)
Total changes during the year	(5,870)	19,986	203,461
Balance as of current year-end	¥590,069	¥610,056	$6,210,485

See accompanying consolidated financial statements notes.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2009	2009
Valuation and translation adjustments			
Difference between market price and acquisition cost of other securities			
Balance as of previous year-end	¥ 55,508	¥ 31,790	$ 323,628
Net changes in net assets other than shareholders' equity during the year	(23,718)	(14,790)	(150,565)
Total changes during the year	(23,718)	(14,790)	(150,565)
Balance as of current year-end	31,790	16,999	173,053
Deferred hedge gains (losses)			
Balance as of previous year-end	9,180	12,628	128,555
Net changes in net assets other than shareholders' equity during the year	3,448	(14,292)	(145,495)
Total changes during the year	3,448	(14,292)	(145,495)
Balance as of current year-end	12,628	(1,663)	(16,929)
Land revaluation excess			
Balance as of previous year-end	83	83	844
Net changes in net assets other than shareholders' equity during the year	–	(186)	(1,893)
Total changes during the year	–	(186)	(1,893)
Balance as of current year-end	83	(103)	(1,048)
Foreign currency translation adjustments			
Balance as of previous year-end	8,175	14,020	142,726
Net changes in net assets other than shareholders' equity during the year	5,845	(26,744)	(272,258)
Total changes during the year	5,845	(26,744)	(272,258)
Balance as of current year-end	14,020	(12,724)	(129,532)
Valuation and translation adjustments total			
Balance as of previous year-end	72,947	58,523	595,775
Net changes in net assets other than shareholders' equity during the year	(14,424)	(56,014)	(570,233)
Total changes during the year	(14,424)	(56,014)	(570,233)
Balance as of current year-end	58,523	2,508	25,531
Minority interests			
Balance as of previous year-end	17,777	18,065	183,905
Net changes in net assets other than shareholders' equity during the year	288	4,126	42,003
Total changes during the year	288	4,126	42,003
Balance as of current year-end	18,065	22,191	225,908
Total net assets			
Balance as of previous year-end	686,664	666,657	6,786,694
Changes from;			
Dividends from retained earnings	(15,572)	(15,093)	(153,649)
Net income	40,283	36,041	366,904
Purchase of treasury stock	(30,652)	(610)	(6,209)
Disposal of treasury stock	83	146	1,486
Decrease due to decrease in number of consolidated subsidiaries	(11)	–	–
Decrease due to change in affiliates' accounting policies	–	(498)	(5,069)
Net changes in net assets other than shareholders' equity during the year	(14,136)	(51,887)	(528,219)
Total changes during the year	(20,006)	(31,900)	(324,748)
Balance as of current year-end	¥666,657	¥634,757	$6,461,946

Notes to Consolidated Financial Statements

Osaka Gas Co., Ltd.
March 31, 2008 and 2009

1. Basis of Presenting Consolidated Financial Statements

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

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

The translation of the Japanese yen amounts into U.S. dollar amounts was included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2009, which was ¥98.23 to U.S. $1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

As permitted, amounts of less than one million yen are omitted in the presentation for 2008 and 2009. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and in U. S. dollars) do not necessarily agree with the sum of the individual amounts.

Certain consolidated financial statement items from the original 2008 statements were reclassified to conform to the presentation in 2009.

2. Significant Accounting Policies

(1) Consolidation

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

The consolidated financial statements for the years ended March 31, 2008 and 2009 included the accounts of the Company and its 133 and 136 subsidiaries, respectively. For the year ended March 31, 2009, 6 subsidiaries were newly consolidated and 3 subsidiaries were excluded from consolidation. Intercompany transactions and accounts were eliminated. All material unrealized profit resulting from intercompany transactions and included in assets was eliminated.

The accounts of 46 of the subsidiaries were included on the basis of their fiscal years that end on December 31. These subsidiaries do not prepare for consolidation purposes statements with periods that correspond to the fiscal year of the Company. For these 46 consolidated subsidiaries, if there were significant transactions between their respective fiscal year-end and the Company's year-end, necessary adjustments were made to reflect these transactions in the accompanying consolidated financial statements.

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

Investments in significant affiliates are accounted for by the equity method. Affiliates that have an insignificant impact on consolidated net income and consolidated retained earnings are not accounted for by the equity method. In March 31, 2008 and 2009, 4 and 5 significant affiliates were accounted for by the equity method.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiary.

(2) Consolidated Statements of Cash Flows

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

(3) Inventories

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

(4) Securities

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

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

If the market value of equity securities issued by nonconsolidated subsidiaries or affiliated companies or the market value of available-for-sale securities declines significantly, the securities are stated at fair value and the difference between the fair value and the carrying amount is recognized as loss in the period of the decline. If the fair value of equity securities issued by such subsidiaries and affiliated companies is not readily available, the securities should be written down to net asset value in the event net asset value declines significantly. Unrealized losses on these securities are reported in the consolidated statements of income.

(5) Property, Plant and Equipment

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

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

Certain capital gains arising from beneficiaries' contributions or expropriations of property, deferral of which is permitted for tax purposes, are offset against the acquisition cost of property purchased. The cumulative capital gains arising from beneficiaries' contribution offset against the acquisition cost of property, plant and equipment at March 31, 2008 and 2009 was ¥252,650 million and ¥254,419 million ($2,590,033 thousand), respectively. The cumulative capital gains arising from expropriation of property offset against the acquisition cost of property, plant and equipment at March 31, 2008 and 2009 was ¥1,994 million and ¥301 million ($3,064 thousand), respectively.

(6) Intangible Assets

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

(7) Leased Assets

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

(8) Allowance for Doubtful Receivables

The Companies provide the allowance for doubtful accounts at an amount based principally on the actual ratio of bad debts in the past plus the estimated uncollectible amounts of certain individual receivables.

(9) Employees' Severance and Retirement Benefits

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

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

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

(10) Reserve for Repairs of Gas Holders

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

(11) Reserve for Safety Actions

The Company provides for future payments for consumer safety by estimating the future expenditures associated with promoting the transition to safer model machinery and reinforcing the duty to monitor for safety and keep the consumer informed.

(12) Income Taxes

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

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

(13) Translation of Foreign Currencies

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

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

(14) Derivative Transactions and Hedge Accounting

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

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

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

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

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

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

(15) Net Income Per Share

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

Diluted net income per share of common stock for the years ended March 31, 2008 and 2009 was not shown since there were no outstanding convertible bonds or other common stock equivalents.

3. Changes in Accounting Policies

(1) Change in Standards and Methods Used for Asset Valuation

Since the fiscal year ended March 31, 2009, the Company and consolidated domestic subsidiaries have applied the "Accounting Standard for Measurement of Inventories (Accounting Standards Board of Japan ("ASBJ") Statement No. 9, issued on July 5, 2006). As permitted under the superseded accounting standard, the Company and its consolidated domestic subsidiaries had previously stated inventories at cost. The new accounting standard, however, requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net realizable value. With the application of this standard, operating income, ordinary income, and income before income taxes and minority interests all were ¥1,463 million ($14,893 thousand) less than the amounts that would have been reported using the previous method. The effects on segment information are described in Note 15.

(2) Depreciation Method for Property, Plant and Equipment

The Company depreciates tangible fixed assets acquired on and after April 1, 2007 pursuant to the new depreciation method provided by revisions to the Corporation Tax Law. The effect on earnings from this change has been minimal.

(3) Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

Since the fiscal year ended March 31, 2009, the Company has applied the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" ("PITF No. 18," issued on May 17, 2006). PITF No. 18 maintains that accounting policies and procedures applied by a parent company and its subsidiaries to similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements. PITF No. 18, however, as a tentative measure, allows a parent company to prepare consolidated financial statements using foreign subsidiaries' financial statements prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles. The application of the new rule had no impact on the Company's profit and loss account.

(4) Application of Accounting Standards for Lease Transactions

The Company and its consolidated domestic subsidiaries previously accounted for finance leases that did not transfer ownership of the leased property to the lessee as operating leases, with the disclosure of certain "as if capitalized" information in the notes to the consolidated financial statements. Since fiscal 2008, however, the Company and its consolidated domestic subsidiaries have applied the "Accounting Standard for Lease Transactions"(ASBJ Statement No. 13, issued on June 17, 1993 by the First Subcommittee of the Business Accounting Council and revised on March 30, 2007) and the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16, issued on January 18, 1994 by Accounting System Committee of the Japanese Institute of Certified Public Accountants and revised on March 30, 2007) and have capitalized assets used under such leases, except for certain immaterial or short-term finance leases, which are accounted for as operating leases. The impact of the application of the standard and the guidance on the Company's profit and loss account has been insignificant.

As permitted, finance leases that were entered into as lessee and that commenced before the beginning of fiscal 2008 and have been accounted for as operating leases, continue to be accounted for as operating leases with disclosure of certain "as if capitalized" information.

4. Additional Information

(1) Property, Plant and Equipment

Pursuant to revisions of the Corporation Tax Law, the Company depreciates tangible fixed assets acquired before March 31, 2007 to the allowable limit (95% of the acquisition cost) under the old depreciation method. The Company depreciates the difference between the residual 5% of the acquisition cost and the memorandum price evenly over five years starting from the year following the year the allowable limit was reached and books it by including it in depreciation and amortization expense. As a result, income before income taxes and minority interests were ¥7,419 million less for the year ended March 31, 2008 than it would have been without the revision.

(2) Raw Material Purchasing Prices

Some raw material purchasing prices may be adjusted according to the result of renewals and price negotiations with suppliers.

5. Securities

(1) The following tables summarize acquisition costs and book values (fair values) of available-for-sale securities with available fair value as of March 31, 2008 and 2009:

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

	Millions of Yen			Thousands of U.S. Dollars
	Acquisition Cost	Book Value	Difference	Difference
For 2008:				
Equity securities	¥ 21,157	¥ 72,099	¥ 50,942	$ 518,599
Bonds	10	10	0	0
Total	¥ 21,167	¥ 72,109	¥ 50,942	$ 518,599
For 2009:				
Equity securities	¥19,638	¥46,997	¥27,358	$278,509
Bonds	109	110	0	0
Total	¥19,748	¥47,107	¥27,358	$278,509

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

	Millions of Yen			Thousands of U.S. Dollars
	Acquisition Cost	Book Value	Difference	Difference
For 2008:				
Equity securities	¥ 2,610	¥ 2,493	¥ (117)	$ (1,191)
Bonds	209	209	(0)	(0)
Total	¥ 2,820	¥ 2,702	¥ (118)	$ (1,201)
For 2009:				
Equity securities	¥4,196	¥3,834	¥(361)	$(3,675)
Bonds	60	60	0	0
Total	¥4,256	¥3,895	¥(361)	$(3,675)

(2) The following table summarizes book values of significant available-for-sale securities with no available fair value as of March 31, 2008 and 2009:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Non-listed (non-quoted) equity securities	¥11,035	¥14,441	$147,012
Venture capital investment in limited partnerships	3,570	–	–
Commercial paper	–	5,495	55,940
Corporate bonds	–	100	1,018

(3) Maturities of available-for-sale securities with maturities are as follows:

	Millions of Yen				
	Within One Year	Over One Year but Within Five Years	Over Five Years but Within Ten Years	Over Ten Years	Total
For 2008:					
Government bonds	¥ 50	¥169	¥ –	¥ –	¥ 219
Other	–	–	–	300	300
Total	¥ 50	¥169	¥ –	¥300	¥ 519
For 2009:					
Commercial paper	¥5,495	¥ –	¥ –	¥ –	¥5,495
Government bonds	100	70	–	–	170
Corporate bonds	–	50	50	–	100
Other	–	–	–	300	300
Total	¥5,595	¥120	¥50	¥300	¥6,065

	Thousands of U.S. Dollars				
	Within One Year	Over One Year but Within Five Years	Over Five Years but Within Ten Years	Over Ten Years	Total
For 2009:					
Commercial paper	$55,940	$ –	$ –	$ –	$55,940
Government bonds	1,018	712	–	–	1,730
Corporate bonds	–	509	509	–	1,018
Other	–	–	–	3,054	3,054
Total	$56,958	$1,221	$509	$3,054	$61,742

(4) Total sales of available-for-sale securities in the years ended March 31, 2008 and 2009 amounted to ¥7,219 million and ¥104 million ($1,058 thousand), respectively. The related gains and losses amounted to ¥3,332 million and ¥11 million, respectively, for the year ended March 31, 2008 and ¥72 million ($732 thousand) and ¥4 million ($40 thousand), respectively, for the year ended March 31, 2009.

6. Short-Term Loans and Long-Term Debt

Short-term loans consisted of short-term notes payable bearing interest at an annual average rate of 0.9% at both March 31, 2008 and 2009.

Long-term debt at March 31, 2008 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Loans principally from banks and insurance companies at the average rate of 2.0% in 2008 and 2009			
due within one yea	¥ 17,478	¥ 17,816	$ 181,370
maturing through 2030	219,806	238,610	2,429,094
	¥237,285	¥256,426	$2,610,465
Notes			
3.4% notes payable due 2017	¥ 15,700	¥ 15,700	$ 159,828
1.47% notes payable due 2008	30,000	–	–
1.95% notes payable due 2009	20,000	20,000	203,603
1.46% notes payable due 2012	19,999	19,999	203,593
1.47% notes payable due 2022	19,979	19,980	203,400
1.83% notes payable due 2020	19,988	19,989	203,491
1.79% notes payable due 2020	19,980	19,981	203,410
2.33% notes payable due 2026	9,992	9,993	101,730
1.79% notes payable due 2016	19,986	19,987	203,471
2.14% notes payable due 2019	19,994	19,994	203,542
1.59% notes payable due 2014	19,996	19,996	203,563
1.21% notes payable due 2015	–	30,000	305,405
1.782% notes payable due 2018	–	30,000	305,405
1.199% notes payable due 2013	–	30,000	305,405
7.73% bonds payable in U.S. dollars due 2015	8,276	6,018	61,624
	¥223,893	¥281,642	$2,867,168

In the year ended March 31, 2000, the Company entered into debt assumption agreements with banks for loans due through the year ended March 31, 2010 in the amount of ¥4,906 million.

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

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

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

Ten percent bonds payable in U.S. dollars due in 2010 have been repaid in 2008 before the due date.

The annual maturities of corporate bonds at March 31, 2009 were as follows:

Years ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2010	¥ 20,442	$ 208,103
2011	477	4,855
2012	525	5,344
2013	20,806	211,809
2014	31,133	316,939
April 1, 2014 and thereafter	208,257	2,120,095
Total	¥281,642	$2,867,168

The annual maturities of long-term debt at March 31, 2009 were as follows:

Years ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2010	¥ 17,816	$ 181,370
2011	21,490	218,772
2012	30,658	312,104
2013	10,694	108,866
2014	34,986	356,164
April 1, 2014 and thereafter	140,779	1,433,156
Total	¥256,426	$2,610,465

Assets pledged as collateral mainly for short-term loans and long-term debt totaling ¥41,661 million and ¥34,140 million ($347,551 thousand) at March 31, 2008 and 2009, respectively, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Property, plant and equipment	¥51,097	¥46,261	$470,945
Investment in securities	–	14,337	145,953
Other investments	24,684	1,595	16,237
Cash and time deposits	2,948	1,351	13,753
Accounts receivable	1,536	2,617	26,641
Inventories and other	4,381	4,677	47,612
Total	¥84,647	¥70,841	$721,174

7. Net Assets

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

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

Under the Law, additional paid-in capital and legal earnings reserve can be used to eliminate or reduce a deficit or can be capitalized by a resolution of the shareholders' meeting.

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

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

8. Contingent Liabilities

At March 31, 2008 and 2009, the Companies were contingently liable as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
As guarantor of indebtedness of:			
Affiliates	¥ 1,483	¥ 1,419	$ 14,445
Employees	44	38	386
Debt assumption agreements	43,906	41,309	420,533
Total	¥45,433	¥42,766	$435,365

9. Land Revaluation

Pursuant to the Law Concerning Land Revaluation and the Amended Land Revaluation Law, a consolidated subsidiary revalued its land used for business activities on March 31, 2002. The difference between the revalued amount and the book value before the revaluation was recorded in the consolidated balance sheets as "Deferred tax liabilities related to land revaluation" in liabilities and "Revaluation reserve for land, net of taxes" in net assets. The land prices used for the revaluation were based on prices in the official notice published by the Commissioner of the National Tax Agency in accordance with Article 2, Paragraph 4 of the Enforcement Ordinance Concerning Land Revaluation, after making reasonable adjustments. The difference between the market price and the revalued amount was minus ¥841 million (minus $8,561 thousand) on March 31, 2009.

10. Research and Development Expenses

The Companies charge research and development expenses to selling, general and administrative expenses and manufacturing costs as incurred. Research and development expenses amounted to ¥10,178 million and ¥9,603 million ($97,760 thousand) for the years ended March 31, 2008 and 2009, respectively.

11. Leases

(1) Finance Lease Transactions

As discussed in 3(4), finance leases which commenced before the beginning of fiscal 2008 and did not transfer ownership of leased assets to lessee are accounted for as operating leases.

Information for noncapitalized finance leases at March 31, 2008 and 2009 was as follows:

As lessee (noncapitalized)

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Original lease obligations (including finance charges)	¥4,549	¥6,040	$61,488
Less accumulated depreciation	2,152	3,657	37,228
Balance at fiscal year end	2,397	2,383	24,259
Payments remaining:			
Payments due within one year	¥ 751	¥ 847	$ 8,622
Payments due over one year	1,646	1,535	15,626
Total	¥2,397	¥2,383	$24,259

Lease payments for such leases for the years ended March 31, 2008 and 2009 were ¥788 million and ¥1,023 million ($10,414 thousand), respectively.

Assumed depreciation charges are computed by the straight-line method over the term of the lease with the assumption of no residual value. Such depreciation for the years ended March 31, 2008 and 2009 was ¥788 million and ¥1,023 million ($10,414 thousand), respectively.

(2) Operating Lease Transactions

Obligations under non-cancelable operating leases at March 31, 2009 were as follows:

As lessee (noncapitalized)

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 794	$ 8,083
Due after one year	1,734	17,652
Total	¥2,529	$25,745

12. Derivative Transactions

The Companies use forward foreign currency contracts, currency swaps, interest rate swaps, material price swap contracts, and options as derivative financial instruments only for the purpose of mitigating future risks of fluctuations in foreign currency exchange rates with respect to foreign currency payables for the purchase of materials and foreign currency bonds and loans payable, risks of interest rate increases with respect to borrowings within the amounts of such borrowings or foreign currency payables, risks of fluctuations in material prices, and risks of fluctuations in gas sales. In turn, these derivatives are subject to risks of foreign exchange rate changes, interest rate changes, material price fluctuations and temperature changes, respectively.

The Companies' derivative transactions are executed and managed by the Companies' Finance Departments in accordance with established policies and within the specified limits on the amounts of derivative transactions allowed.

The following summarizes the hedging derivative financial instruments used by the Companies and the corresponding items hedged:

Hedging instruments:	Hedged items:
Interest rate swap contracts	Interest on bonds and loans payable
Forward foreign exchange contracts and currency options	Foreign currency debt
Material and other price swap contracts and options	Purchase cost of materials and other
Weather derivatives	Gas sales

The Companies evaluate hedge effectiveness by analyzing the relationship between hedging instruments and hedged items.

All derivative transactions as of March 31, 2008 and 2009 were recorded by using hedge accounting.

13. Employees' Severance and Pension Benefits

The liabilities for severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2008 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Projected benefit obligation	¥ 267,369	¥ 263,976	$ 2,687,325
Prepaid pension expenses	40,831	46,867	477,114
Unrecognized actuarial differences	9,200	(49,758)	(506,545)
Less fair value of pension assets	(307,262)	(247,263)	(2,517,184)
Liability for severance and retirement benefits	¥ 10,139	¥ 13,821	$ 140,700

Included in the consolidated statements of income for the years ended March 31, 2008 and 2009 were severance and retirement benefit expenses consisting of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Service costs—benefits earned during the year	¥ 7,079	¥ 7,481	$ 76,157
Interest cost on projected benefit obligation	4,599	4,770	48,559
Expected return on plan assets	(12,595)	(10,988)	(111,859)
Amortization of actuarial gains and losses	(6,847)	(1,054)	(10,729)
Prior service costs	–	(16)	(162)
Severance and retirement benefit expenses	¥ (7,763)	¥ 192	$ 1,954

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

	2008	2009
Discount rates	Mainly 1.8%	Mainly 1.8%
Expected rate of return on plan assets	Mainly 3.6%	Mainly 3.6%

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

14. Income Taxes

The Company is subject to a number of taxes based on income, which, in the aggregate, indicate a statutory rate in Japan of approximately 36.2% (40.6% for certain consolidated subsidiaries) for the years ended March 31, 2008 and 2009.

The following table summarizes the significant differences between the Company's statutory tax rate and the Companies' effective tax rates for financial statement purposes for the years ended March 31, 2008 and 2009:

	2008	2009
Statutory tax rate	36.2%	36.2%
Nondeductible expenses	1.3	3.0
Statutory tax rate difference between the Company and certain subsidiaries	1.2	2.1
Per capita inhabitants taxes	0.4	0.3
Other	2.6	(2.6)
Effective tax rate	41.7%	39.0%

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2008 and 2009 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Deferred tax assets:			
Fuel costs	¥ –	¥ 10,011	$ 101,913
Excess depreciation of depreciable assets	5,022	5,136	52,285
Excess depreciation of deferred assets	5,295	5,259	53,537
Loss on cancellation of construction plans	4,700	–	–
Loss on impairment of fixed assets	4,920	7,652	77,898
Write-down of securities	3,092	4,682	47,663
Reserve for severance benefits	3,722	5,184	52,774
Enterprise taxes	2,696	3,067	31,222
Other	23,569	13,644	138,898
Total deferred tax assets	53,020	54,637	556,215
Valuation allowance	(2,855)	(4,692)	(47,765)
Net deferred tax assets	50,164	49,944	508,439
Deferred tax liabilities:			
Net unrealized gains on securities	(19,032)	(9,988)	(101,679)
Prepaid pension expenses	(14,786)	(16,945)	(172,503)
Unrealized gains on hedging derivatives	(7,596)	(469)	(4,774)
Special reserve for tax purpose	(6,056)	(5,821)	(59,258)
Deferred gains on real property	(342)	(342)	(3,481)
Other	(2,201)	(2,201)	(22,406)
Total deferred tax liabilities	(50,015)	(35,769)	(364,135)
Net deferred tax assets	¥ 148	¥ 14,174	$ 144,294

Net deferred tax assets (liabilities) are reflected in the consolidated balance sheets as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Current assets	¥ 14,631	¥ 23,409	$ 238,308
Investments and other assets (included in "Others")	5,366	6,618	67,372
Current liabilities (included in "Others")	(21)	(20)	(203)
Fixed liabilities	(19,827)	(15,833)	(161,182)
	¥ 148	¥ 14,174	$ 144,294

15. Segment Information

The Companies' primary business activities include: (1) Gas; (2) LPG, Electricity and Other Energies; (3) Gas Appliance and House-pipe Installation; (4) Real Estate; and (5) Other Businesses.

A summary of segment information is as follows:

	Millions of Yen							
For 2008:	Gas	LPG, Electricity and Other Energies	Gas Appliance and House-pipe Installation	Real Estate	Other Businesses	Total	Elimination and Corporate	Consolidated
Operating revenues								
Outside customers	¥703,926	¥262,440	¥148,758	¥ 16,513	¥106,507	¥1,238,145	¥ –	¥1,238,145
Inside group	17,477	3,236	446	11,982	37,837	70,981	(70,981)	–
Total	721,403	265,677	149,204	28,496	144,345	1,309,126	(70,981)	1,238,145
Cost and expenses	677,141	251,747	147,606	21,808	136,021	1,234,325	(71,791)	1,162,533
Operating income	¥ 44,262	¥ 13,929	¥ 1,597	¥ 6,687	¥ 8,323	¥ 74,800	¥ 810	¥ 75,611
Identifiable assets	¥664,520	¥365,693	¥ 63,735	¥129,171	¥158,127	¥1,381,248	¥ 86,685	¥1,467,934
Depreciation	61,483	16,561	404	4,268	13,124	95,841	(588)	95,253
Loss from impairment of fixed assets	–	2,862	–	–	473	3,335	–	3,335
Capital expenditure	44,423	33,153	407	15,578	18,134	111,696	(609)	111,087

	Millions of Yen							
For 2009:	Gas	LPG, Electricity and Other Energies	Gas Appliance and House-pipe Installation	Real Estate	Other Businesses	Total	Elimination and Corporate	Consolidated
Operating revenues								
Outside customers	¥789,514	¥246,575	¥141,150	¥ 21,353	¥128,192	¥1,326,785	¥ –	¥1,326,785
Inside group	24,841	3,029	439	11,834	37,085	77,231	(77,231)	–
Total	814,356	249,604	141,590	33,187	165,277	1,404,017	(77,231)	1,326,785
Cost and expenses	776,674	240,493	138,976	26,276	155,650	1,338,071	(78,218)	1,259,852
Operating income	¥ 37,682	¥ 9,110	¥ 2,613	¥ 6,911	¥ 9,627	¥ 65,945	¥ 987	¥ 66,932
Identifiable assets	¥662,082	¥356,033	¥ 62,548	¥127,524	¥173,332	¥1,381,521	¥ 70,936	¥1,452,457
Depreciation	60,805	15,108	354	4,574	6,257	87,099	(550)	86,549
Capital expenditure	46,175	42,400	533	9,379	8,012	106,501	(414)	106,087

	Thousands of U.S. Dollars							
For 2009:	Gas	LPG, Electricity and Other Energies	Gas Appliance and House-pipe Installation	Real Estate	Other Businesses	Total	Elimination and Corporate	Consolidated
Operating revenues								
Outside customers	$8,037,402	$2,510,180	$1,436,933	$ 217,377	$1,305,018	$13,506,922	$ –	$13,506,922
Inside group	252,886	30,835	4,469	120,472	377,532	786,226	(786,226)	–
Total	8,290,298	2,541,015	1,441,413	337,849	1,682,551	14,293,158	(786,226)	13,506,922
Cost and expenses	7,906,688	2,448,264	1,414,801	267,494	1,584,546	13,621,816	(796,274)	12,825,531
Operating income	$ 383,609	$ 92,741	$ 26,600	$ 70,355	$ 98,004	$ 671,332	$ 10,047	$ 681,380
Identifiable assets	$6,740,120	$3,624,483	$ 636,750	$1,298,218	$1,764,552	$14,064,145	$ 722,141	$14,786,287
Depreciation	619,006	153,802	3,603	46,564	63,697	886,684	(5,599)	881,085
Capital expenditure	470,070	431,640	5,426	95,479	81,563	1,084,200	(4,214)	1,079,985

As described in Note 4, "Additional Information," because of revisions of the Corporation Tax Law, the Company depreciated tangible fixed assets acquired before March 31, 2007 to the allowable limit (95% of the acquisition cost) under the old depreciation method. The Company depreciated the difference between the residual 5% of the acquisition cost and the memorandum price evenly over five years starting from the year following the year the allowable limit was reached and booked it by including it in depreciation and amortization expense.

As a result, cost and expenses were ¥7,071 million more in the Gas segment, ¥147 million more in the LPG, Electricity and Other Energies segment, ¥19 million more in the Gas Appliance and House-pipe Installation segment, ¥57 million more in the Real Estate segment, and ¥124 million more in the Other segment than they would have been without the revision. Operating income was less in each segment by the corresponding amount.

As described in Note 3, "Changes in Accounting Policies," since the fiscal year ended March 31, 2009, the Company and its consolidated domestic subsidiaries have applied the "Accounting Standard for Measurement of Inventories" (Accounting Standards Board of Japan ("ASBJ") Statement No. 9, issued on July 5, 2006). As a result, cost and expenses were ¥137 million ($1,394 thousand) more in the Gas segment, ¥545 million ($5,548 thousand) more in the LPG, Electricity and Other Energies segment, ¥68 million ($692 thousand) more in the Gas Appliance and House-pipe Installation segment, ¥608 million ($6,189 thousand) more in the Real Estate segment, and ¥102 million ($1,038 thousand) more in the Other segment than they would have been without the revision. Operating income was less in each segment by the corresponding amount.

Geographic segment information is not disclosed since domestic sales and assets accounted for more than 90% of the totals for all segments.

Information for overseas sales is not disclosed since overseas sales were immaterial to consolidated net sales.

16. Loss from Impairment of Fixed Assets

(1) Grouping

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

② Fixed assets used for operating businesses other than those described above are generally categorized into groups based on the business division controlling the fixed asset.

③ Generally, other fixed assets are treated individually.

(2) Specific Losses from Impairment of Fixed Assets

In accordance with the grouping described in (1) above, an impairment loss of ¥3,335 million was recognized in 2008. Significant properties included in this loss are listed in the table below.

Asset	Location	Type	Loss from Impairment 2008 Millions of Yen
Electric power facilities	Uji-shi, Kyoto	Facilities	¥2,862

The recoverable values of these assets were assessed based on value in use.

Of these assets, the value of those acquired for the purpose of marketing electricity was determined to be unrecoverable because of unfavorable economic returns caused by rising fuel costs. Therefore, their book values were reduced to the recoverable value and the difference was recorded as loss from impairment of fixed assets. It is the Company's policy to calculate the recoverable value of an asset on the basis of the asset's values in use by discounting future cash flows by 4.7%.

17. Retirement of Common Stock

The Company decided to retire 77,286 thousand shares of common stock at an aggregate cost of ¥33,442 million in accordance with a resolution of the Board of Directors held on February 26, 2008. The retirement of the common stock occurred on March 7, 2008.

18. Significant Subsequent Events

Appropriations of retained earnings

The appropriation of retained earnings of the Company proposed by the Board of Directors and approved at the shareholders' meeting held on June 26, 2009, included cash dividends applicable to the year ended March 31, 2009, and the payment of cash dividends to shareholders of record at March 31, 2009 in the aggregate amount of ¥7,543 million ($76,789 thousand) or ¥3.5 per share.

Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of Osaka Gas Co., Ltd. (the "Company") and its consolidated subsidiaries as of March 31, 2008 and 2009, and the related consolidated statements of income, changes in net assets and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Osaka Gas Co., Ltd. and its consolidated subsidiaries as of March 31, 2008 and 2009, and the consolidated results of their operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation was made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Osaka, Japan
June 26, 2009