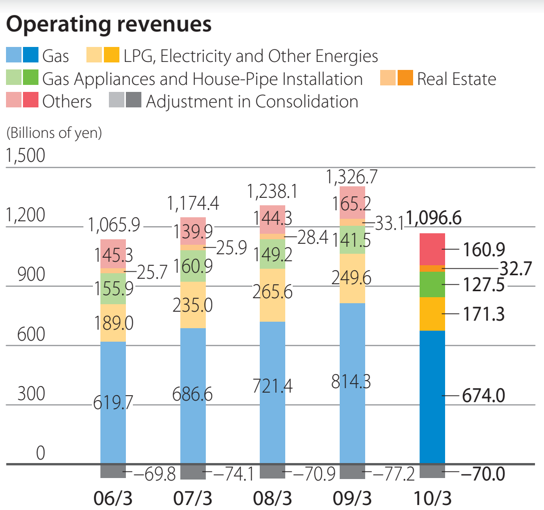
1. Operating Environment

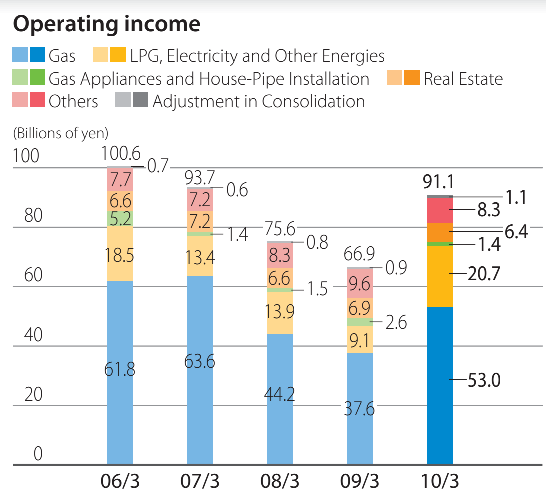
In the fiscal year ended March 31, 2010, the Kansai region, the main business area of the Company, continued to emerge from the severe economic downturn that began in fall 2008, as exports to China and Asia improved and other signs of growth appeared. The economic outlook for the region, however, remains uncertain due to surging oil prices and weak capital spending before realizing a self-sustaining recovery. Though private consumption is showing signs of improvement, a real economic recovery remains elusive due to the continued severe labor environment and falling housing starts.

2. Highlights of the Fiscal Year Ended March 31, 2010

Consolidated operating revenues decreased due to a decline in gas sales volume and lower unit sales prices. Sales of consolidated subsidiaries decreased due to the integration of primary retail and wholesale functions of the LPG businesses. As a result, consolidated operating revenues were ¥1,096.6 billion for the fiscal year ended March 31, 2010, down by ¥230.1 billion (–17.3%) from the previous fiscal year. Ordinary profit increased by ¥20.2 billion (+31.5%), to ¥84.8 billion because of lower raw materials prices due to lower LNG prices, causing gas gross margin to increase, and also because incidental business profit increased, primarily electricity. Consolidated net income was ¥48.3 billion, up by ¥12.3 billion (+34.2%) from the fiscal year ended March 31, 2009.

As of March 31, 2010, the Company had 128 consolidated subsidiaries. During the year, 11 companies were excluded and three companies were added to the consolidation. One company was added to affiliates reported by the equity method, totaling six affiliates at the current year-end.





3. Non-Consolidated Gas Sales

Osaka Gas sales volume overall declined by 3.1% in the fiscal year ended March 31, 2010 from the previous fiscal year to 8,119 million m^3. Residential gas sales increased by 0.2% from the previous fiscal year, to 2,244 million m^3, as the Company focused on strategic equipment sales and as average annual temperatures were relatively low. Industrial gas sales decreased by 6.1% to 3,877 million m^3, as they were substantially impacted by customers' reduced facilities usage because of the economic downturn, despite the sales increase on the back of efforts to explore new demand. Commercial gas sales declined by 3.8% year on year, to 935 million m^3 while gas sales for public and medical uses were down by 0.1%, to 609 million m^3. This was due to lower demand for air conditioning because summer temperatures were lower than in 2008, as well as energy conservation efforts by customers. As a result, commercial and industrial gas sales decreased by 5.0% from the previous fiscal year, to 5,420 million m^3. Wholesale gas sales increased by 4.9%, to 455 million m^3.

Non-consolidated gas sales

[45MJ/m³]		2009/3	2010/3	Change	Change (%)
Customers (Meters installed) (Thousands)	Residential	6,611	6,650	+39	+0.6
	Commercial and industrial	328	330	+2	+0.6
	Total	6,939	6,980	+41	+0.6
Average monthly usage per customer (m³/month)		32.3	32.3	0.0	+0.1
Gas sales volume (Million m³)	Residential	2,238	2,244	5	+0.2
	Commercial and industrial	5,708	5,420	–288	–5.0
	Industrial	4,128	3,877	–250	–6.1
	Commercial	971	935	–37	–3.8
	Public and medical	609	609	–1	–0.1
	Wholesale	434	455	21	+4.9
	Total	8,380	8,119	–261	–3.1
Average temperature (Celsius)		17.2	17.0		

4. Overview by Business Segment

Gas

Operating revenues from the gas segment declined by ¥140.3 billion (–17.2%) from the previous fiscal year, to ¥674.0 billion, as sales volume decreased and gas sales unit prices were lowered with the fuel cost adjustment system as LNG prices fell. Operating income increased by ¥15.3 billion (+40.8%), to ¥53.0 billion because of a significant drop in fuel costs.

LPG, Electricity and Other Energies

Operating revenues from the LPG, electricity and other energies segment decreased by ¥78.2 billion (–31.4%) compared with the previous fiscal year, to ¥171.3 billion due to the integration of primary retail and wholesale functions of the LPG business and other factors. Operating income increased by ¥11.6 billion (+127.6%), to ¥20.7 billion as the electricity business expanded, due in part to the launch of the Semboku Natural Gas Power Plant.

Gas Appliances and House-Pipe Installation

Operating revenues from this segment decreased by ¥14.0 billion (–9.9%) year on year, to ¥127.5 billion, due to falling sales of gas appliances and installation orders. Operating income dropped by ¥1.1 billion (–45.0%), to ¥1.4 billion.

Real Estate

Operating revenues from this segment decreased by ¥400 million (–1.3%), to ¥32.7 billion compared with the previous fiscal year. Operating income decreased by ¥400 million (–7.2%), to ¥6.4 billion.

Others

Operating revenues from this segment decreased by ¥4.2 billion (–2.6%) year on year, to ¥160.9 billion due to a decline in information-related business. Operating income was down by ¥1.3 billion (–13.6%), to ¥8.3 billion.

Operating revenues and operating income by segment for the fiscal year ended March 31, 2010 (Billions of yen)

	Gas	LPG, Electricity and Other Energies	Gas Appliances and House-Pipe Installation	Real Estate	Others	Adjustment in Consolidation	Consolidated
Operating revenues	–17.2%	–31.4%	–9.9%	–1.3%	–2.6%		–17.3%
	674.0	171.3	127.5	32.7	160.9	(70.0)	1,096.6
	[–140.3]	[–78.2]	[–14.0]	[–0.4]	[–4.2]		[–230.1]
Operating income	+40.8%	+127.6%	–45.0%	–7.2%	–13.6%		+36.2%
	53.0	20.7	1.4	6.4	8.3	1.1	91.1
	[+15.3]	[+11.6]	[–1.1]	[–0.4]	[–1.3]		[+24.2]

% figures indicate change versus the fiscal year ended March 31, 2009. Figures in square brackets "[ ]" indicate absolute year-on-year change. Figures in round brackets "( )" indicate negative figures.

5. Assets, Liabilities and Net Assets Analysis

Asset Management Policies

The Group plans to reduce assets in unprofitable business fields and day-to-day operations and intends to aggressively expand its operations in growth fields, especially Domestic Energy Businesses, International Energy Businesses along the Energy Value Chain, and Environment and Non-Energy Businesses. To minimize investment risk caused by changes in the operating environment, the Group is further tightening its procedures for investment decisions, as well as subsequent follow-up and evaluation based on Group-wide investment criteria for individual investment proposals. Going forward, the Group will conduct quantitative risk management and pursue returns through active business investments within the scope of the allowed risk amount of the entire Group.

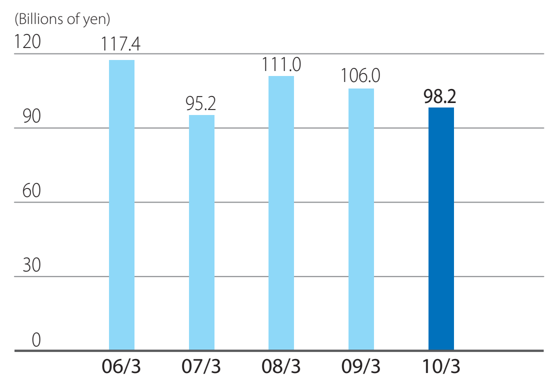
We aim to maximize capital efficiency by targeting a ratio of interest-bearing debt to equity of approximately one and a shareholders' equity ratio of 40% or over. In deciding the weighting of third-party capital versus internal capital, we will pay due consideration to relative capital costs and the maintenance of a sound financial position. As the shareholders' equity ratio is now above 40%, we intend to promote business investment in growth fields through new interest-bearing debt in line with the growth in shareholders' equity as profits increase.

Capital Expenditure

In the fiscal year ended March 31, 2010, non-consolidated capital expenditure totaled ¥57.9 billion, down by ¥1.2 billion year on year, even with the ongoing construction of the Mie-Shiga Line. Despite acquiring equity in the Gorgon Project, consolidated capital expenditure declined by ¥7.8 billion, to ¥98.2 billion, as construction of the Semboku Natural Gas Power Plant and LNG carriers was completed.

The Group is aggressively investing in both domestic and overseas electric power businesses as potential future growth drivers. Investment targets include such upstream businesses as natural gas fields and LNG carriers, as well as IPPs and other electric power businesses. In the fiscal year ended March 31, 2010, we made new and additional investments totaling ¥44.9 billion in the Semboku Natural Gas Power Plant, the Gorgon Project in Australia, real estate, advanced materials and other areas. This was less than initially planned, but we have decided to invest in this fiscal year a total in excess of ¥130.0 billion in projects including the construction of the Himeji-Okayama Line and participation in a wind power generation project in Australia.

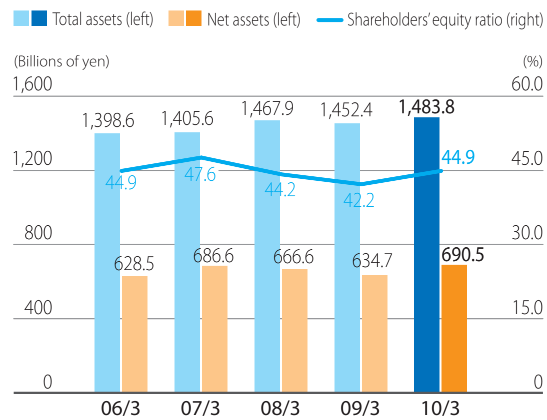
Capital expenditure



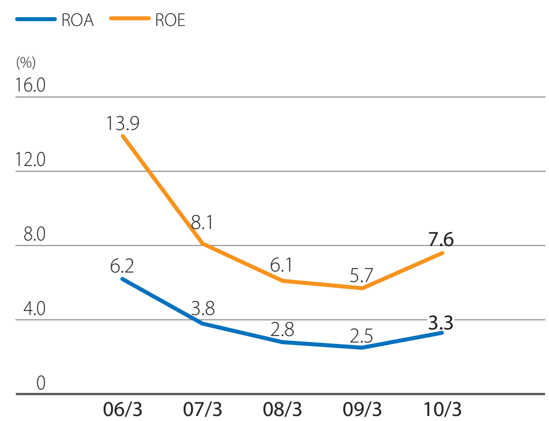
Assets, Liabilities, and Net Assets Analysis

Total assets as of March 31, 2010 increased by ¥31.4 billion from the previous year-end, to ¥1,483.8 billion, mainly due to an increase in fixed assets. Liabilities decreased by ¥24.3 billion, to ¥793.3 billion, and net assets increased by ¥55.8 billion, to ¥690.5 billion. Consequently, the shareholders' equity ratio increased from 42.2% at the previous year-end, to 44.9%. Return on Assets (ROA) improved 0.8 points, to 3.3%, while Return on Equity (ROE) rose 1.9 points, to 7.6%.

Total assets, net assets and shareholders' equity ratio



ROA/ROE

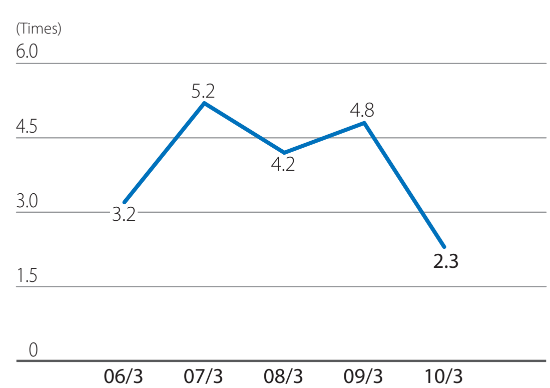


6. Overview of Cash Flows

Net cash provided by operating activities during the fiscal year ended March 31, 2010 increased by ¥109.0 billion, to ¥229.7 billion. This increase was mainly due to an increase in net income before income taxes and minority interests. Net cash used for investing activities was ¥111.2 billion, an increase of ¥3.1 billion from the previous year. This increase was mainly due to an increase in expenditures due to acquisitions of intangible fixed assets. Net cash used for financing activities increased by ¥46.1 billion, to ¥49.5 billion, mainly due to repayment of long-term loans payable.

Consequently, cash and cash equivalents for the fiscal year ended March 31, 2010 increased by ¥67.2 billion. Adding an initial balance of ¥46.7 billion to this, the year-end balance of cash and cash equivalents for the fiscal year ended March 31, 2010 stood at ¥113.9 billion.

Ratio of operating cash flows to interest-bearing debt



(Billions of yen)	2009/3	2010/3	Change
Cash flows from operating activities	120.6	229.7	+109.0
Cash flows from investing activities	−108.1	−111.2	−3.1
Cash flows from financing activities	−3.4	−49.5	−46.1
Change in cash and cash equivalents	7.5	67.2	−59.7
Cash and cash equivalents at year-end	46.7	113.9	−67.2
Interest-bearing debt at year-end	573.4	539.0	+34.4

7. Ratings

The Company recognizes that improving fund-raising competitiveness is an important issue in a sound financial strategy.

The Company has been rated AA and Aa by foreign ratings agencies and AA by a domestic ratings agency. The Company intends to continue to boost and maintain its core capital and improve its financial standing.

Ratings

R&I (Rating and Investment Information)	AA+
Moody’s	Aa2
Standard & Poor’s	AA

8. Basic Policy Regarding the Distribution of Profits and Dividends

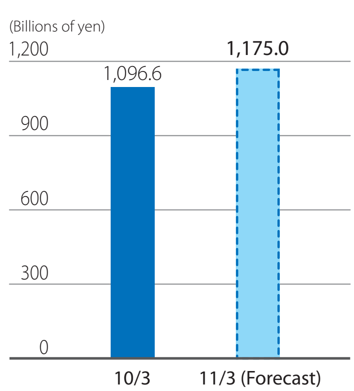
The Company has been striving to grow the business and improve the efficiency of operations, and has appropriated the increased profit resulting from these efforts for internal reserves for future business growth and strengthening of the financial structure of the Company, and for payment of steady dividends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

The Company paid an annual dividend of ¥7 per share (including an interim dividend of ¥3.5 per share) for the fiscal year ended March 31, 2010. The Company also plans to raise its annual dividend payment to ¥8 per share in the fiscal year ending March 31, 2011, up ¥1 from the previous fiscal year (including an interim dividend of ¥4 per share).

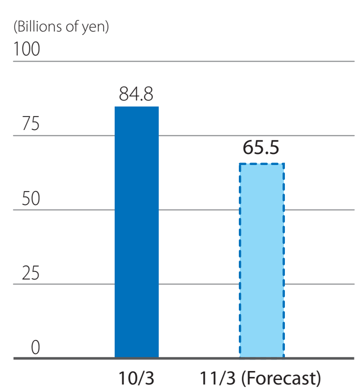
9. Outlook for Fiscal 2011

We project that revenues will increase in the fiscal year ending March 31, 2011, with total operating revenues expected to increase by ¥78.3 billion (+7.1%), to ¥1.175 trillion. LNG prices will be higher in the fiscal year ending March 31, 2011 than in the previous fiscal year, and gas sales unit prices will increase due to the fuel cost adjustment system. The Semboku Natural Gas Power Plant will also become operational year-round. Ordinary profit is expected to decline by ¥19.3 billion (–22.8%), to ¥65.5 billion due to higher raw materials prices, as LNG prices increase despite larger sales volumes of gas. Net income in the fiscal year ending March 31, 2011 is projected to decrease by ¥11.3 billion (–23.5%) year on year, to ¥37.0 billion.

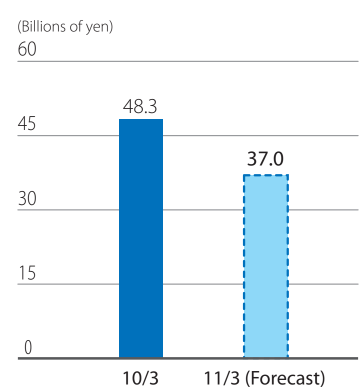
Operating revenues



Ordinary profit



Net income



10. Business Risks

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

Risks Related to All Businesses within the Group

a. Worsening of economic and financial conditions

In the event of a decrease in operating revenues, difficulties in fund-raising, and insolvency of partner companies, due to worsening of economic and financial conditions in Japan and/or other countries, the Group's business performance may be affected.

b. Changes in foreign exchange rates and borrowing rates

Changes in foreign exchange rates and/or borrowing rates could affect the business performance of the Group.

c. Occurrence of catastrophic disaster, accident and infectious disease

Occurrence of catastrophic natural disasters, terrorist events, accidents, or infectious disease epidemics such as the new strains of influenza or other diseases could affect the business performance of the Group.

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

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

e. Intensifying competition

Intensified competition with other operators in the gas business and other business areas related to the Group could affect the business performance of the Group.

f. Breakdown or malfunction of critical IT systems

Breakdown or malfunction of critical IT systems, such as systems related to gas production/supply or billing, could affect the business performance of the Group.

g. Information leaks

If important information used in the course of its business, including customer information or technical information possessed by the Group is leaked outside the Group, the Group's business performance could be affected.

h. Non-compliance with laws and regulations

If any act carried out by the Group or by any person related to the Group is in violation of any law or regulation, the Group might incur expenditures to correct such non-complying act, or experience a decline in its social reputation, which could affect the business performance of the Group.

Risks Related to Major Businesses

1) Gas business

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

Gas sales volume increases or decreases depending on the atmospheric or water temperature conditions. Thus, a fluctuation in these factors could adversely affect the business performance of the Group.

b. Changes in fuel costs

The prices of liquefied natural gas (LNG), from which gas is produced, could be affected by changes in crude oil prices, exchange rates and other relevant factors. Although most of this impact may be offset by the fuel cost adjustment system, under which gas rates are revised to reflect changes in fuel costs, a time lag until the actual adjustment is made and the composition of material suppliers could affect the business performance of the Group. Renewal of contracts or price negotiations with suppliers might result in settlement of fuel costs, which might also affect the business performance of the Group.

c. Difficulty in procuring raw materials

Because LNG, from which gas is produced, is purchased from suppliers, problems with suppliers' facilities or operations could affect the business performance of the Group.

d. Production and supply difficulties

Catastrophic natural disasters or accidents could disrupt the production or supply of gas, which might adversely affect the business performance of the Group.

e. Gas equipment and facility issues

If serious problems arise with gas equipment or facilities sold to customers, these could adversely affect the business performance of the Group.

2) Electricity business

Any interruption in the operation of any electric power plant due to a natural disaster, accident, trouble in fuel purchasing or other incident could adversely affect the business performance of the Group.

3) Overseas energy businesses

If a gas field development or other development project is delayed or canceled as a result of global economic stagnation, a drop in crude oil prices, worsening social conditions or other factor, or if any other business environment involving the Group changes, the business performance of the Group could be adversely affected.

The Group strives to minimize the potential impact of these risks through various measures, including derivative contracts to hedge against fluctuations in exchange rates and fuel costs, accident and other insurance contracts, maintenance and management of critical IT systems, adherence to compliance and strict information control, security measures, and monitoring and proper supervision of subsidiaries' business management.