Consolidated Balance Sheets

Osaka Gas Co., Ltd. and Consolidated Subsidiaries
March 31, 2009 and 2010

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Assets			
Fixed Assets			
Property, plant and equipment			
Production facilities	¥ 94,853	¥ 90,195	$ 969,421
Distribution facilities	323,928	309,186	3,323,151
Administrative facilities	64,934	71,177	765,015
Other facilities	250,953	333,746	3,587,123
Construction in progress	87,634	22,524	242,089
Total property, plant and equipment	822,305	826,830	8,886,822
Intangible fixed assets			
Goodwill	6,585	5,046	54,234
Others	25,836	37,794	406,212
Total intangible fixed assets	32,422	42,840	460,447
Investments and other assets			
Investment in securities (Note 8)	133,554	147,185	1,581,953
Others (Note 17)	105,407	94,389	1,014,499
Allowance for doubtful accounts	(1,029)	(1,761)	(18,927)
Total investments and other assets	237,931	239,812	2,577,515
Total fixed assets	1,092,659	1,109,484	11,924,806
Current Assets			
Cash and deposits	44,828	95,411	1,025,483
Notes and trade accounts receivable	132,507	121,458	1,305,438
Securities (Note 8)	—	24,482	263,134
Inventories	83,984	64,084	688,779
Deferred tax assets (Note 17)	23,409	—	—
Others (Note 17)	75,986	70,403	756,696
Allowance for doubtful accounts	(918)	(1,428)	(15,348)
Total current assets	359,798	374,411	4,024,193
Total assets	¥1,452,457	¥1,483,895	$15,949,000

See accompanying consolidated financial statements notes.

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Liabilities			
Long-term liabilities			
Bonds (Note 9)	¥ 261,200	¥ 260,790	$ 2,802,987
Long-term loans payable (Note 9)	238,610	217,914	2,342,153
Deferred tax liabilities (Note 17)	15,776	15,964	171,582
Deferred tax liabilities related to land revaluation (Note 12)	57	57	612
Reserve for severance benefits (Note 16)	13,821	13,598	146,152
Reserve for 44 repairs	1,726	1,732	18,615
Reserve for safety actions	—	11,569	124,344
Allowance for investment loss	—	3,280	35,253
Others	17,174	15,993	171,893
Total long-term liabilities	548,366	540,901	5,813,639
Current liabilities			
Long-term debt due within one year (Note 9)	38,616	22,655	243,497
Notes and trade accounts payable	74,909	70,322	755,825
Short-term loans payable (Note 9)	33,708	37,153	399,322
Income taxes payable	19,706	28,947	311,124
Reserve for safety actions	2,023	—	—
Others (Note 17)	100,369	93,353	1,003,364
Total current liabilities	269,334	252,432	2,713,155
Total liabilities	817,700	793,334	8,526,805
Net Assets (Note 10)			
Shareholders' equity			
Common stock	132,166	132,166	1,420,528
Capital surplus	19,482	19,482	209,393
Retained earnings	459,658	492,974	5,298,516
Treasury stock	(1,251)	(3,530)	(37,940)
Total shareholders' equity	610,056	641,093	6,890,509
Valuation and translation adjustments			
Difference between market price and acquisition cost of other securities	16,999	23,542	253,030
Deferred hedge gains (losses)	(1,663)	4,939	53,084
Land revaluation excess (Note 12)	(103)	(103)	(1,107)
Foreign currency translation adjustments	(12,724)	(2,782)	(29,901)
Total valuation and translation adjustments	2,508	25,596	275,107
Minority interests	22,191	23,871	256,567
Total net assets	634,757	690,561	7,422,194
Total liabilities and net assets	¥1,452,457	¥1,483,895	$15,949,000

Consolidated Statements of Income

Osaka Gas Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2009 and 2010

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Net sales	¥1,326,785	¥1,096,628	$11,786,629
Cost of sales (Note 13)	921,915	645,248	6,935,167
Gross profit on sales	404,870	451,380	4,851,461
Selling, general and administrative expenses (Note 13)	337,937	360,239	3,871,872
Operating income	66,932	91,140	979,578
Nonoperating revenues			
Interest income	1,695	694	7,459
Dividend income	2,269	2,228	23,946
Equity in net income of affiliates	7,481	1,264	13,585
Foreign exchange gains	—	2,342	25,171
Other income	6,609	5,580	59,974
Total nonoperating revenues	18,056	12,110	130,159
Nonoperating expenses			
Interest expenses	10,461	9,965	107,104
Losses from derivatives	2,651	—	—
Provision of allowance for investment loss	—	3,280	35,253
Other expenses	7,365	5,198	55,868
Total nonoperating expenses	20,478	18,444	198,237
Ordinary profit	64,510	84,806	911,500
Extraordinary loss			
Loss on sales of fixed assets	—	140	1,504
Loss from impairment of fixed assets (Note 19)	—	2,093	22,495
Total extraordinary loss	—	2,234	24,011
Income before income taxes and minority interests	64,510	82,572	887,489
Income taxes			
Current	18,751	30,585	328,729
Deferred	6,425	2,312	24,849
Total corporate tax and other taxes (Note 17)	25,176	32,898	353,589
Minority interests	3,292	1,289	13,854
Net income	¥ 36,041	¥ 48,384	$ 520,034

	Yen		U.S. Dollars
	2009	2010	2010
Per share of common stock			
Net income	¥ 16.72	¥ 22.50	$ 0.241
Net income — diluted	—	—	—
Cash dividends applicable to the year	7.00	7.00	0.075

See accompanying consolidated financial statements notes.

Consolidated Statements of Changes in Shareholders' Equity

Osaka Gas Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2009 and 2010

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Shareholders' equity			
Common stock			
Balance as of previous year-end	¥132,166	¥132,166	$1,420,528
Balance as of current year-end	132,166	132,166	1,420,528
Capital surplus			
Balance as of previous year-end	19,482	19,482	209,393
Balance as of current year-end	19,482	19,482	209,393
Retained earnings			
Balance as of previous year-end	439,226	459,658	4,940,434
Changes from:			
Cash dividends paid	(15,093)	(15,061)	(161,876)
Net income	36,041	48,384	520,034
Disposal of treasury stock	(18)	(4)	(42)
Decrease due to decrease in number of consolidated subsidiaries	—	(1)	(10)
Decrease due to change in affiliates' accounting policies	(498)	—	—
Total changes during the year	20,431	33,316	358,082
Balance as of current year-end	459,658	492,974	5,298,516
Treasury stock			
Balance as of previous year-end	(806)	(1,251)	(13,445)
Changes from:			
Purchase of treasury stock	(610)	(2,315)	(24,881)
Disposal of treasury stock	165	36	386
Total changes during the year	(444)	(2,278)	(24,484)
Balance as of current year-end	(1,251)	(3,530)	(37,940)
Total shareholders' equity			
Balance as of previous year-end	590,069	610,056	6,556,921
Changes from:			
Dividends paid	(15,093)	(15,061)	(161,876)
Net income	36,041	48,384	520,034
Purchase of treasury stock	(610)	(2,315)	(24,881)
Disposal of treasury stock	146	32	343
Decrease due to decrease in number of consolidated subsidiaries	—	(1)	(10)
Decrease due to change in affiliates' accounting policies	(498)	—	—
Total changes during the year	19,986	31,037	333,587
Balance as of current year-end	¥610,056	¥641,093	$6,890,509

See accompanying consolidated financial statements notes.

Consolidated Statements of Changes in Shareholders' Equity

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Valuation and translation adjustments			
Difference between market price and acquisition cost of other securities			
Balance as of previous year-end	¥ 31,790	¥ 16,999	$ 182,706
Net changes in net assets other than shareholders' equity during the year	(14,790)	6,542	70,313
Total changes during the year	(14,790)	6,542	70,313
Balance as of current year-end	16,999	23,542	253,030
Deferred hedge gains (losses)			
Balance as of previous year-end	12,628	(1,663)	(17,874)
Net changes in net assets other than shareholders' equity during the year	(14,292)	6,602	70,958
Total changes during the year	(14,292)	6,602	70,958
Balance as of current year-end	(1,663)	4,939	53,084
Land revaluation excess			
Balance as of previous year-end	83	(103)	(1,107)
Net changes in net assets other than shareholders' equity during the year	(186)	—	—
Total changes during the year	(186)	—	—
Balance as of current year-end	(103)	(103)	(1,107)
Foreign currency translation adjustments			
Balance as of previous year-end	14,020	(12,724)	(136,758)
Net changes in net assets other than shareholders' equity during the year	(26,744)	9,941	106,846
Total changes during the year	(26,744)	9,941	106,846
Balance as of current year-end	(12,724)	(2,782)	(29,901)
Total valuation and translation adjustments			
Balance as of previous year-end	58,523	2,508	26,956
Net changes in net assets other than shareholders' equity during the year	(56,014)	23,087	248,140
Total changes during the year	(56,014)	23,087	248,140
Balance as of current year-end	2,508	25,596	275,107
Minority interests			
Balance as of previous year-end	18,065	22,191	238,510
Net changes in net assets other than shareholders' equity during the year	4,126	1,679	18,046
Total changes during the year	4,126	1,679	18,046
Balance as of current year-end	22,191	23,871	256,567
Total net assets			
Balance as of previous year-end	666,657	634,757	6,822,409
Changes from:			
Dividends from retained earnings	(15,093)	(15,061)	(161,876)
Net income	36,041	48,384	520,034
Purchase of treasury stock	(610)	(2,315)	(24,881)
Disposal of treasury stock	146	32	343
Decrease due to decrease in number of consolidated companies	—	(1)	(10)
Decrease due to change in affiliates' accounting policies	(498)	—	—
Net changes in net assets other than shareholders' equity during the year	(51,887)	24,767	266,197
Total changes during the year	(31,900)	55,804	599,785
Balance as of current year-end	¥634,757	¥690,561	$7,422,194

Consolidated Statements of Cash Flows

Osaka Gas Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2009 and 2010

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Cash Flows from Operating Activities			
Net income before income taxes	¥ 64,510	¥ 82,572	$ 887,489
Depreciation	86,549	95,402	1,025,386
Amortization of long-term prepaid expenses	6,234	6,186	66,487
Loss from impairment of fixed assets	—	2,093	22,495
Increase (decrease) in allowance for safety actions	—	9,546	102,601
Increase (decrease) in allowance for investment loss	—	3,280	35,253
(Increase) decrease in prepaid pension expenses	(5,943)	3,471	37,306
Interest and dividend income	(3,965)	(2,922)	(31,405)
Interest expenses	10,461	9,965	107,104
Equity in net income of affiliates	(7,481)	(1,264)	(13,585)
Loss on disposal of tangible fixed assets	—	1,751	18,819
(Increase) decrease in notes and trade accounts receivables	16,946	10,809	116,175
(Increase) decrease in inventories	(18,370)	16,511	177,461
Increase (decrease) in notes and trade accounts payables	—	(4,201)	(45,152)
Increase (decrease) in accrued expenses	2,990	(7,890)	(84,802)
Others	(6,421)	26,433	284,103
Total	145,510	251,746	2,705,782
Interest and dividends received	7,900	7,365	79,159
Interest paid	(10,122)	(9,928)	(106,706)
Income and enterprise taxes paid	(22,597)	(19,468)	(209,243)
Net cash flow from operating activities	120,691	229,714	2,468,981
Cash Flows from Investing Activities			
Acquisition of tangible fixed assets	(100,626)	(87,252)	(937,790)
Acquisition of intangible fixed assets	(2,077)	(10,254)	(110,210)
Payment of long-term prepaid expenses	(7,193)	(5,791)	(62,242)
Proceeds from sale and redemption of investment securities	3,876	—	—
Purchase of affiliates' shares	(4,323)	(3,164)	(34,006)
Proceeds from acquisition of shares of subsidiaries accompanied by change in scope of consolidation	6,682	—	—
Net (increase) decrease in short-term loans receivable	(2,741)	—	—
Expense for time deposits	(1,744)	(4,314)	(46,367)
Proceeds from withdrawal of time deposits	—	2,065	22,194
Others	46	(2,553)	(27,439)
Net cash flow from investment activities	(108,102)	(111,265)	(1,195,883)
Cash Flows from Financing Activities			
Net increase (decrease) in short-term loans payable	(6,421)	6,718	72,205
Net increase (decrease) in commercial paper	(64,000)	—	—
Proceeds from long-term loans payable	42,848	6,439	69,206
Repayment of long-term loans payable	(18,702)	(23,022)	(247,441)
Proceeds from issuance of bonds	90,000	—	—
Repayment of bonds	(30,660)	(20,454)	(219,840)
Purchase of treasury stocks	—	(2,315)	(24,881)
Dividends paid	(15,071)	(15,048)	(161,736)
Others	(1,430)	(1,870)	(20,098)
Net cash flow from financial activities	(3,438)	(49,553)	(532,598)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(1,630)	(1,654)	(17,777)
Net Increase (Decrease) in Cash and Cash Equivalents	7,519	67,241	722,710
Cash and Cash Equivalents at Beginning of Year	39,244	46,764	502,622
Decrease in Cash and Cash Equivalents Due to Exclusion of Subsidiaries from the Consolidation	—	(6)	(64)
Cash and Cash Equivalents at Year-End	¥ 46,764	¥113,998	$1,225,257

See accompanying consolidated financial statements notes.

Notes to Consolidated Financial Statements

Osaka Gas Co., Ltd. and Consolidated Subsidiaries
March 31, 2009 and 2010

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, 2010, which was ¥93.04 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 2009 and 2010. 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.

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, 2009 and 2010 included the accounts of the Company and its 136 and 128 subsidiaries, respectively. For the year ended March 31, 2010, 3 subsidiaries were newly consolidated and 11 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 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 the date of acquisition is amortized within 20 years on a straight-line basis. If the difference is insignificant, it is charged or credited to income in the first year of consolidation.

Investments in significant affiliates are accounted for by the equity method. Affiliates that have an insignificant impact on consolidated net income and consolidated retained earnings are not accounted for by the equity method. In March 31, 2009 and 2010, 5 and 6 significant affiliates, respectively, 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 a 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 gain arising from beneficiaries' contribution offset against the acquisition cost of property, plant and equipment at March 31, 2009 and 2010 was ¥254,419 million and ¥260,351 million ($2,798,269 thousand), respectively. The current capital gain arising from expropriation of property offset against the acquisition cost of property, plant and equipment at March 31, 2009 and 2010 was ¥301 million and ¥76 million ($816 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 that are capitalized under finance lease arrangements and that do not transfer ownership of the leased asset to the lessee are depreciated using the straight-line method over the term of the lease with the assumption of no residual value.

(8) Allowance for Doubtful 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) Reserve for 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.

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

(10) Reserve for 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 required for the promotion of replacements with safety-enhanced models, strengthening of incidental inspections and publicity, and maintenance work on aging gas pipelines.

(12) Allowance for Investment Loss

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

(13) Income Taxes

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

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

(14) Translation of Foreign Currencies

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

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

(15) Derivative Transactions and Hedge Accounting

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

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

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

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

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

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

Below are derivatives to which hedge accounting is applied.

				Millions of Yen		
				Contract amounts		
Type	Instruments	Hedge accounting method	Hedged items		More than one year	Fair value
(a) Interest rates	Interest rate swap	Exceptional accounting of interest rate swap	Long-term loans payable	¥ 32,368	¥ 26,116	
		Principal method of accounting	Long-term loans payable and bonds	74,658	70,634	¥ (921)
(b) Currencies	Forward foreign currency exchange contracts and currency option transactions	Exceptional accounting such as forward foreign currency exchange contracts, etc., or principal method of accounting	Anticipated foreign currency denominated transactions	63,345	21,344	715
(c) Products	Swap transactions and option transactions of oil prices, etc.	Principal method of accounting	Purchase prices of raw materials, etc.	94,847	67,981	7,991
Total				¥265,219	¥186,076	¥7,785

				Thousands of U.S. Dollars		
				Contract amounts		
Type	Instruments	Hedge accounting method	Hedged items		More than one year	Fair value
(a) Interest rates	Interest rate swap	Exceptional accounting of interest rate swap	Long-term loans payable	$ 347,893	$ 280,696	
		Principal method of accounting	Long-term loans payable and bonds	802,429	759,178	$ (9,898)
(b) Currencies	Forward foreign currency exchange contracts and currency option transactions	Exceptional accounting such as forward foreign currency exchange contracts, etc., or principal method of accounting	Anticipated foreign currency denominated transactions	680,836	229,406	7,684
(c) Products	Swap transactions and option transactions of oil prices, etc.	Principal method of accounting	Purchase prices of raw materials, etc.	1,019,421	730,664	85,887
Total				$2,850,591	$1,999,957	$83,673

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

(16) Net Income per Share

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

Diluted net income per share of common stock for the years ended March 31, 2009 and 2010 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 less than the amounts that would have been reported using the previous method. The effects on segment information are described in Note 18.

(2) 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.

(3) 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 the year ended March 31, 2009 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) Changes in the Basis for Accounting for Net Sales and Cost of Sales of Completed Construction Contracts

Previously, the Company had used the completed-contract method to account for its income from contract construction, but it has now applied the "Accounting Standard for Construction Contracts" (ASBJ Statement No. 15, December 27, 2007) and "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No. 18, December 27, 2007) from the fiscal year ended March 2010. Accordingly, beginning with construction contracts that were commenced during the fiscal year ended March 2010, the percentage-of-completion method shall be applied to construction activities whose outcome is deemed certain up until March 31, 2010. The completed-contract method shall be applied to other construction activities. The impact of the application of the standard and the guidance on the Company's profit and loss account was insignificant.

(5) Adoption of "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)"

From the fiscal year ended March 2010, the Company has applied the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 19, July 31, 2008). The application of the standard had no impact on the Company's profit and loss account.

4. Additional Information

(1) Reserve for Safety Actions

Previously, the Company had ensured that aging gas pipelines were replaced according to a predetermined plan, following the publication of "Prevention of Accidents in the City Gas Industry" by the Japan Gas Association. Now that the plan has progressed, however, it has become possible to make a reasonable estimate of the remaining costs as of the end of March 2010 based on past construction records, and so the Company has decided to report such costs as reserve. Accordingly, the Company recorded ¥9,121 million ($98,033 thousand) in reserve for safety actions, and operating income, ordinary profit, and income before income taxes and minority interests have each decreased by the same amount.

(2) Allowance for Investment Loss

At the end of the fiscal year ended March 2010, there existed a strong likelihood of future losses being incurred from the businesses of affiliates, the amounts of which can be rationally estimated. As such, the Company recorded ¥3,280 million ($35,253 thousand) in allowance for investment loss. Accordingly, ordinary income and income before income taxes and minority interests have each decreased by the same amount.

(3) Raw Material Purchasing Prices

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

5. Cash and Cash Equivalents

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

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Cash and cash equivalents-balance sheets	¥44,828	¥ 95,411	$1,025,483
Time deposits with more than 3 months to maturity	(3,559)	(5,412)	(58,168)
Short-term investments with an original maturity of three months or less, presenting negligible risk of change in value, included in other current assets	5,495	23,999	257,942
Cash and cash equivalents-statements of cash flow	¥46,764	¥113,998	$1,225,257

6. Inventories

Inventories at March 31, 2009 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Finished products	¥21,146	¥16,572	$178,116
Work-in-process	8,673	9,228	99,183
Raw materials and supplies	54,164	38,283	411,468
Total	¥83,984	¥64,084	$688,779

7. Financial Instruments

The carrying amount, fair value, and difference as of March 31, 2010 were as follows. In addition, financial instruments for which it is extremely difficult to determine the fair value are not included in the table below.

	Carrying amount		Fair value		Difference	
	Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars
(1) Cash and deposits	¥ 95,411	$1,025,483	¥ 95,411	$1,025,483	—	—
(2) Notes and trade accounts receivable	121,458	1,305,438	121,458	1,305,438	—	—
(3) Marketable securities and investment in securities	85,325	917,078	85,325	917,078	—	—
Total assets	¥302,194	$3,248,000	¥302,194	$3,248,000	—	—
(1) Notes and trade accounts payable	¥ 70,322	$ 755,825	¥ 70,322	$755,825	—	—
(2) Short-term loans payable	37,153	399,322	37,153	399,322	—	—
(3) Bonds	261,273	2,808,179	271,265	2,915,573	¥ 9,992	$107,394
(4) Long-term loans payable due after one year	239,726	2,576,590	250,626	2,693,744	10,900	117,153
Total liabilities	¥608,474	$6,539,918	¥629,367	$6,764,488	¥20,892	$224,548
Derivative transactions	¥ 7,785	$ 83,673	¥ 7,785	$ 83,673	—	—

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

	Carrying amount	
	Millions of Yen	Thousands of U.S. Dollars
Affiliated company securities	¥72,461	$778,815
Non-listed equity securities	¥13,880	$149,183

Amounts of receivables and securities with maturities to be redeemed after the consolidated closing date.

	Millions of Yen			
	One year or less	One to five years	Five to ten years	More than ten years
Cash and deposits	¥ 95,411			
Notes and trade accounts receivable	121,458			
Marketable securities and investment securities				
Held-to-maturity securities (corporate bonds)	12	¥50	¥ 37	
Other securities with maturity (Government bonds, municipal bonds)	70			¥49
Other securities with maturity (Negotiable deposits)	20,400			
Other securities with maturity (Commercial paper)	3,999			
Other securities with maturity (Other)			300	
Total	¥241,351	¥50	¥337	¥49

	Thousands of U.S. Dollars			
	One year or less	One to five years	Five to ten years	More than ten years
Cash and deposits	$1,025,483			
Notes and trade accounts receivable	1,305,438			
Marketable securities and investment securities				
Held-to-maturity securities (corporate bonds)	128	$537	$ 397	
Other securities with maturity (Government bonds, municipal bonds)	752			$526
Other securities with maturity (Negotiable deposits)	219,260			
Other securities with maturity (Commercial paper)	42,981			
Other securities with maturity (Other)			3,224	
Total	$2,594,056	$537	$3,622	$526

8. Securities

(1) The following tables summarize acquisition costs and book values (fair values) of available-for-sale securities with available fair value as of March 31, 2009 and 2010:

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 2009:				
Equity securities	¥19,638	¥46,997	¥27,358	
Bonds	109	110	0	
Total	¥19,748	¥47,107	¥27,358	
For 2010:				
Equity securities	¥59,910	¥22,667	¥37,243	$400,290
Bonds	10	10	0	0
Total	¥59,920	¥22,677	¥37,243	$400,290

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 2009:				
Equity securities	¥ 4,196	¥ 3,834	¥(361)	
Bonds	60	60	0	
Total	¥ 4,256	¥ 3,895	¥(361)	
For 2010:				
Equity securities	**¥ 895**	**¥ 966**	**¥ (71)**	**$(763)**
Bonds	**24,509**	**24,509**	**—**	**—**
Total	**¥25,404**	**¥25,475**	**¥ (71)**	**$(763)**

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

	Millions of Yen
	2009
Non-listed (non-quoted) equity securities	¥14,441
Commercial paper	¥ 5,495
Corporate bonds	¥ 100

(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 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

(4) Total sales of available-for-sale securities in the years ended March 31, 2009 and 2010 amounted to ¥104 million and ¥674 million ($7,244 thousand), respectively. The related gains and losses amounted to ¥72 million and ¥4 million, respectively, for the year ended March 31, 2009 and ¥7 million ($75 thousand) and ¥85 million ($913 thousand), respectively, for the year ended March 31, 2010.

9. Short-Term Loans and Long-Term Debt

Short-term loans consisted of short-term notes payable bearing interest at an annual average rate of 0.9% and 0.6% at March 31, 2009 and 2010.

Long-term debt at March 31, 2009 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Loans principally from banks and insurance companies at the average rate of 2.0% both in 2009 and 2010			
due within one year	¥ 17,816	**¥ 21,811**	**$ 234,426**
maturing through 2030	238,610	**217,914**	**2,342,153**
Total	¥256,426	**¥239,726**	**$2,576,590**
Bonds			
3.4% bonds payable due 2017	¥ 15,700	**¥ 15,700**	**$ 168,744**
1.95% bonds payable due 2009	20,000	**—**	**—**
1.46% bonds payable due 2012	19,999	**19,999**	**214,950**
1.47% bonds payable due 2022	19,980	**19,982**	**214,767**
1.83% bonds payable due 2020	19,989	**19,990**	**214,853**
1.79% bonds payable due 2020	19,981	**19,983**	**214,778**
2.33% bonds payable due 2026	9,993	**9,993**	**107,405**
1.79% bonds payable due 2016	19,987	**19,989**	**214,843**
2.14% bonds payable due 2019	19,994	**19,995**	**214,907**
1.59% bonds payable due 2014	19,996	**19,997**	**214,929**
1.21% bonds payable due 2015	30,000	**30,000**	**322,441**
1.782% bonds payable due 2018	30,000	**30,000**	**322,441**
1.199% bonds payable due 2013	30,000	**30,000**	**322,441**
7.73% bonds payable in U.S. dollars due 2015	6,018	**5,642**	**60,640**
Total	¥281,642	**¥261,273**	**$2,808,179**

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.

The annual maturities of corporate bonds at March 31, 2010 were as follows:

Years ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2011	¥ 482	$ 5,180
2012	531	5,707
2013	20,816	223,731
2014	31,146	334,759
2015	21,384	229,836
April 1, 2015 and thereafter	186,980	2,008,931
Total	¥261,342	$2,808,179

The annual maturities of long-term debt at March 31, 2010 were as follows:

Years ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2011	¥ 21,811	$ 234,426
2012	29,430	316,315
2013	11,761	126,407
2014	35,453	381,051
2015	13,882	149,204
April 1, 2015 and thereafter	127,386	1,369,153
Total	¥239,726	$2,576,590

Assets pledged as collateral mainly for short-term loans and long-term debt totaling ¥34,140 million and ¥30,071 million ($323,205 thousand) at March 31, 2009 and 2010, respectively, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Property, plant and equipment	¥46,261	¥41,525	$446,313
Investment in securities	14,337	14,212	152,751
Other investments	1,595	—	—
Cash and time deposits	1,351	934	10,038
Accounts receivable	2,617	1,180	12,682
Inventories and other	4,677	4,048	43,508
Total	¥70,841	¥61,901	$665,315

10. Net Assets

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

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

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.

11. Contingent Liabilities

At March 31, 2009 and 2010, the Companies were contingently liable as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
As guarantor of indebtedness of:			
Affiliates	¥ 1,419	¥ 4,522	$ 48,602
Employees	38	29	311
Debt assumption agreements	41,309	39,235	421,700
Total	¥42,766	¥43,787	$470,625

12. Land Revaluation

Pursuant to the Law Concerning Land Revaluation and the Amended Land Revaluation Law, a consolidated subsidiary revalued its land used for business activities on March 31, 2002. The difference between the revalued amount and the book value before the revaluation was recorded in the consolidated balance sheets as "Deferred tax liabilities related to land revaluation" in liabilities and "Land revaluation excess" in net assets. The land prices used for the revaluation were based mainly 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 ¥926 million (minus $9,952 thousand) on March 31, 2010.

13. 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 ¥9,603 million and ¥10,670 million ($114,681 thousand) for the years ended March 31, 2009 and 2010, respectively.

14. Leases

(1) Finance Lease Transactions

As discussed in 3(3), 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, 2009 and 2010 was as follows:

As lessee (noncapitalized)

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Original lease obligations (including finance charges)	¥6,040	¥5,315	$57,125
Less accumulated depreciation	3,657	3,839	41,261
Balance at fiscal year end	2,383	1,475	15,853
Payments remaining:			
Payments due within one year	¥ 847	¥ 591	$ 6,352
Payments due over one year	1,535	884	9,501
Total	¥2,383	¥1,475	$15,853

Lease payments for such leases for the years ended March 31, 2009 and 2010 were ¥1,023 million and ¥818 million ($8,791 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, 2009 and 2010 was ¥1,023 million and ¥818 million ($8,791 thousand), respectively.

(2) Operating Lease Transactions

Obligations under non-cancelable operating leases at March 31, 2009 and 2010 were as follows:

As lessee (noncapitalized)

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Due within one year	¥ 794	¥ 960	$10,318
Due over one year	1,734	3,525	37,886
Total	¥2,529	¥4,485	$48,205

15. 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 and 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 or 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, 2009 and 2010 were recorded by using hedge accounting.

16. 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, 2009 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Projected benefit obligation	¥263,976	¥261,662	$2,812,360
Prepaid pension expenses	46,867	43,361	466,046
Unrecognized actuarial differences	(49,758)	(45,256)	(486,414)
Less fair value of pension assets	(247,263)	(246,168)	(2,645,829)
Liability for severance and retirement benefits	¥ 13,821	¥ 13,598	$ 146,152

Included in the consolidated statements of income for the years ended March 31, 2009 and 2010 were severance and retirement benefit expenses consisting of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Service costs—benefits earned during the year	¥ 7,481	¥7,346	$78,955
Interest cost on projected benefit obligation	4,770	4,644	49,914
Expected return on plan assets	(10,988)	(7,606)	(81,749)
Amortization of actuarial gains and losses	(1,054)	4,701	50,526
Prior service costs	(16)	2	21
Severance and retirement benefit expenses	¥ 192	¥9,089	$97,689

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

	2009	2010
Discount rates	Mainly 1.8%	Mainly 1.8%
Expected rate of return on plan assets	Mainly 3.6%	Mainly 3.1%

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

17. 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 both the years ended March 31, 2009 and 2010.

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, 2009 and 2010:

	2009	2010
Statutory tax rate	36.2%	36.2%
Nondeductible expenses	3.0	2.5
Statutory tax rate difference between the Company and certain subsidiaries	2.1	0.8
Per capital inhabitants taxes	0.3	0.3
Other	(2.6)	0
Effective tax rate	39.0%	39.8%

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2009 and 2010 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Deferred tax assets:			
Fuel costs	¥10,011	¥ —	$ —
Excess depreciation of depreciable assets	5,136	5,809	62,435
Excess depreciation of deferred assets	5,259	5,217	56,072
Reserve for safety actions	—	4,188	45,012
Loss on impairment of fixed assets	7,652	5,124	55,073
Write-down of securities	4,682	4,312	46,345
Reserve for severance benefits	5,184	4,234	45,507
Enterprise taxes	3,067	2,673	28,729
Other	13,644	27,164	291,960
Total deferred tax assets	54,637	58,723	631,158
Valuation allowance	(4,692)	(8,337)	(89,606)
Net deferred tax assets	49,944	50,386	541,552
Deferred tax liabilities:			
Net unrealized gains on securities	(9,988)	(13,649)	(146,700)
Prepaid pension expenses	(16,945)	(15,631)	(168,003)
Unrealized gains on hedging derivatives	(469)	(4,883)	(52,482)
Special reserve for tax purpose	(5,821)	(6,640)	(71,367)
Deferred gains on real property	(342)	(342)	(3,675)
Other	(2,201)	(5,884)	(63,241)
Total deferred tax liabilities	(35,769)	(47,031)	(505,492)
Net deferred tax assets	¥14,174	¥ 3,354	$ 36,049

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

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Current assets	¥23,409		
Current assets (included in "Others")		¥12,677	$136,253
Investments and other assets (included in "Others")	6,618	6,714	72,162
Current liabilities (included in "Others")	(20)	(15)	(161)
Fixed liabilities	(15,833)	(16,022)	(172,205)
Total	¥14,174	¥ 3,354	$ 36,049

18. 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:

For 2009:	Gas	LPG, Electricity and Other Energies	Gas Appliance and House-pipe Installation	Real Estate	Other Businesses	Total	Elimination and Corporate	Consolidated
	Millions of Yen							
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

For 2010:	Gas	LPG, Electricity and Other Energies	Gas Appliance and House-pipe Installation	Real Estate	Other Businesses	Total	Elimination and Corporate	Consolidated
	Millions of Yen							
Operating revenues								
Outside customers	¥660,096	¥168,958	¥127,009	¥ 20,360	¥120,204	¥1,096,628	¥ —	¥1,096,628
Inside group	13,957	2,350	506	12,405	40,784	70,005	(70,005)	—
Total	674,054	171,308	127,516	32,766	160,988	1,166,634	(70,005)	1,096,628
Cost and expenses	620,980	150,568	126,079	26,350	152,673	1,076,651	(71,163)	1,005,488
Operating income	¥ 53,073	¥ 20,740	¥ 1,437	¥ 6,415	¥ 8,315	¥ 89,983	¥ 1,157	¥ 91,140
Identifiable assets	¥650,977	¥389,943	¥ 53,949	¥144,793	¥178,686	¥1,418,351	¥65,544	¥1,483,895
Depreciation	60,895	23,008	51	5,075	6,877	95,908	(506)	95,402
Impairment loss	19	125			1,949	2,093	—	2,093
Capital expenditure	50,284	23,975	969	16,850	6,646	98,726	(479)	98,246

For 2010:	Gas	LPG, Electricity and Other Energies	Gas Appliance and House-pipe Installation	Real Estate	Other Businesses	Total	Elimination and Corporate	Consolidated
	Thousands of U.S. Dollars							
Operating revenues								
Outside customers	$7,094,754	$1,815,971	$1,365,101	$ 218,830	$1,291,960	$11,786,629	$ —	$11,786,629
Inside group	150,010	25,257	5,438	133,329	438,349	752,418	(752,418)	—
Total	7,244,776	1,841,229	1,370,550	352,171	1,730,309	12,539,058	(752,418)	11,786,629
Cost and expenses	6,674,333	1,618,314	1,355,105	283,211	1,640,939	11,571,915	(764,864)	10,807,050
Operating income	$ 570,432	$ 222,914	$ 15,444	$ 68,948	$ 89,370	$ 967,143	$ 12,435	$ 979,578
Identifiable assets	$6,996,743	$4,191,132	$ 579,847	$1,556,244	$1,920,528	$15,244,529	$704,471	$15,949,000
Depreciation	654,503	247,291	548	54,546	73,914	1,030,825	(5,438)	1,025,386
Impairment loss	204	1,343			20,947	22,495	—	22,495
Capital expenditure	540,455	257,684	10,414	181,104	71,431	1,061,113	(5,148)	1,055,954

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 more in the Gas segment, ¥545 million more in the LPG, Electricity and Other Energies segment, ¥68 million more in the Gas Appliance and House-pipe Installation segment, ¥608 million more in the Real Estate segment, and ¥102 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.

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.

19. 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 ¥2,093 million ($22,495 thousand) was recognized in the fiscal year ended March 31, 2010.

Significant properties included in this loss are listed in the table below.

			Loss from Impairment	
			Millions of Yen	Thousands of U.S. Dollars
Asset	Location	Type	2010	2010
Fitness facilities	Nagoya-shi, Aichi etc.	Property	¥1,897	$20,389

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

These assets were acquired for use by a fitness club facility. However, it is now deemed difficult to recoup this investment due to the recent economic slowdown. Therefore, the book value has been reduced to the recoverable value and the reduction has been recorded as impairment loss under extraordinary loss.

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 5.0%.

20. 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 29, 2010 included cash dividends applicable to the year ended March 31, 2010 and the payment of cash dividends to shareholders of record at March 31, 2010 in the aggregate amount of ¥7,517 million ($80,793 thousand) or ¥3.5 per share.

Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of Osaka Gas Co., Ltd. and consolidated subsidiaries as of March 31, 2009 and 2010, 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 consolidated subsidiaries as of March 31, 2009 and 2010, and the consolidated results of their operations and their 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, 2010 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Osaka, Japan

June 29, 2010