Design Your Energy 夢ある明日を

OSAKA GAS GROUP

ANNUAL REPORT

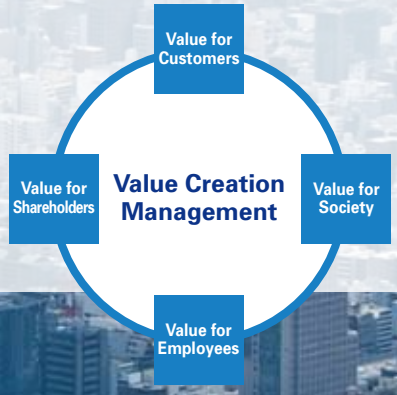
OSAKA GAS GROUP ANNUAL REPORT 2011

Design Your Energy

A Better Tomorrow OSAKA GAS GROUP

Placing top priority on its customers, the Osaka Gas Group pursues "Value Creation Management" as its guiding principle to enhance value for all its stakeholders including shareholders, society and employees, through fair and transparent business activities.

The brand slogan encapsulating this management principle of the Osaka Gas Group is "Design Your Energy—A Better Tomorrow." Design for us connotes creativity and uniqueness. Apart from the literal meaning, Energy also expresses the vitality and dynamism of the customers we support. The slogan's central message is the Group's pledge to be a vanguard in creating new value and to stand behind its customers in contributing to their comfortable lifestyles and business prosperity. Our mission behind this slogan is to always improve the high quality of the services we provide.



Contents

Editorial Policy

Definition of Terms
Company Names
In this annual report, "fiscal 2011" refers to "the fiscal year ended March 31, 2011," and other fiscal years are referred to in a corresponding manner. Except where specially noted otherwise, "Osaka Gas" and "the Company" refer to "Osaka Gas Co., Ltd.," and "the Osaka Gas Group" and "the Group" indicate the Company, its consolidated subsidiaries, and affiliates.

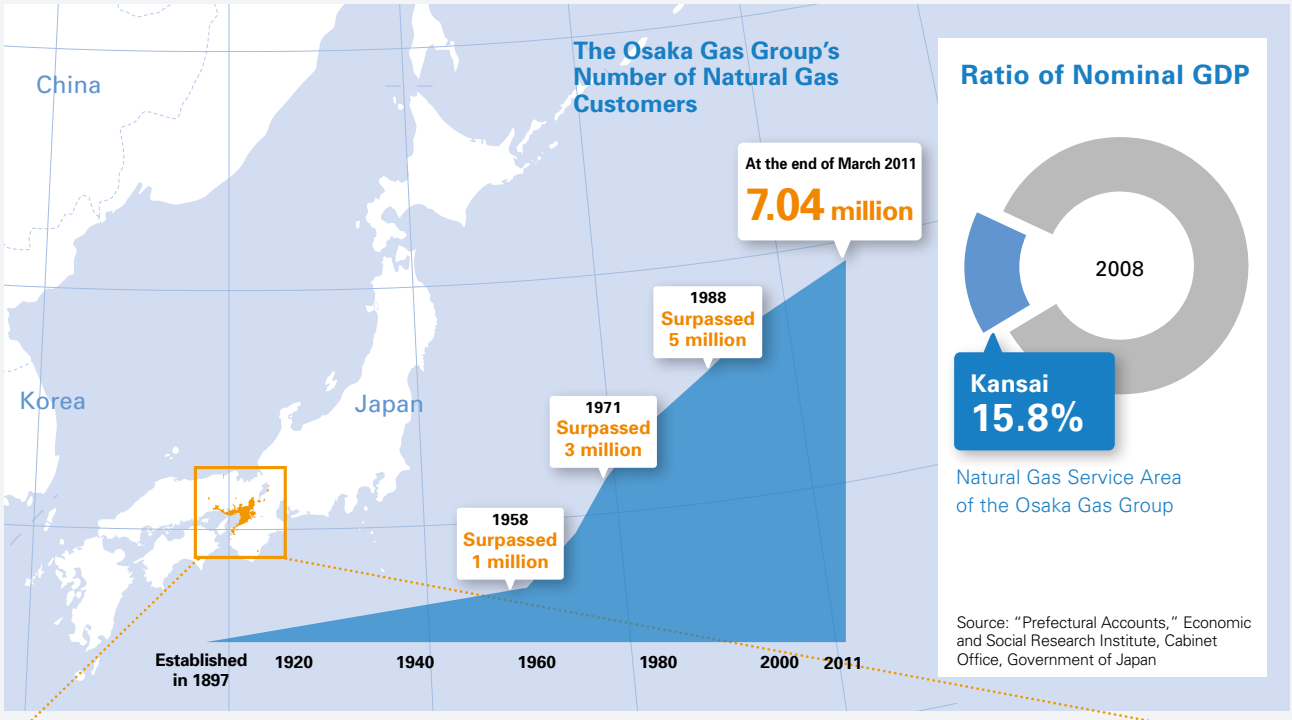
Note on Heat Unit Value
Unless otherwise stated, gas sales volume is shown at the unit value of 45MJ/m^3.

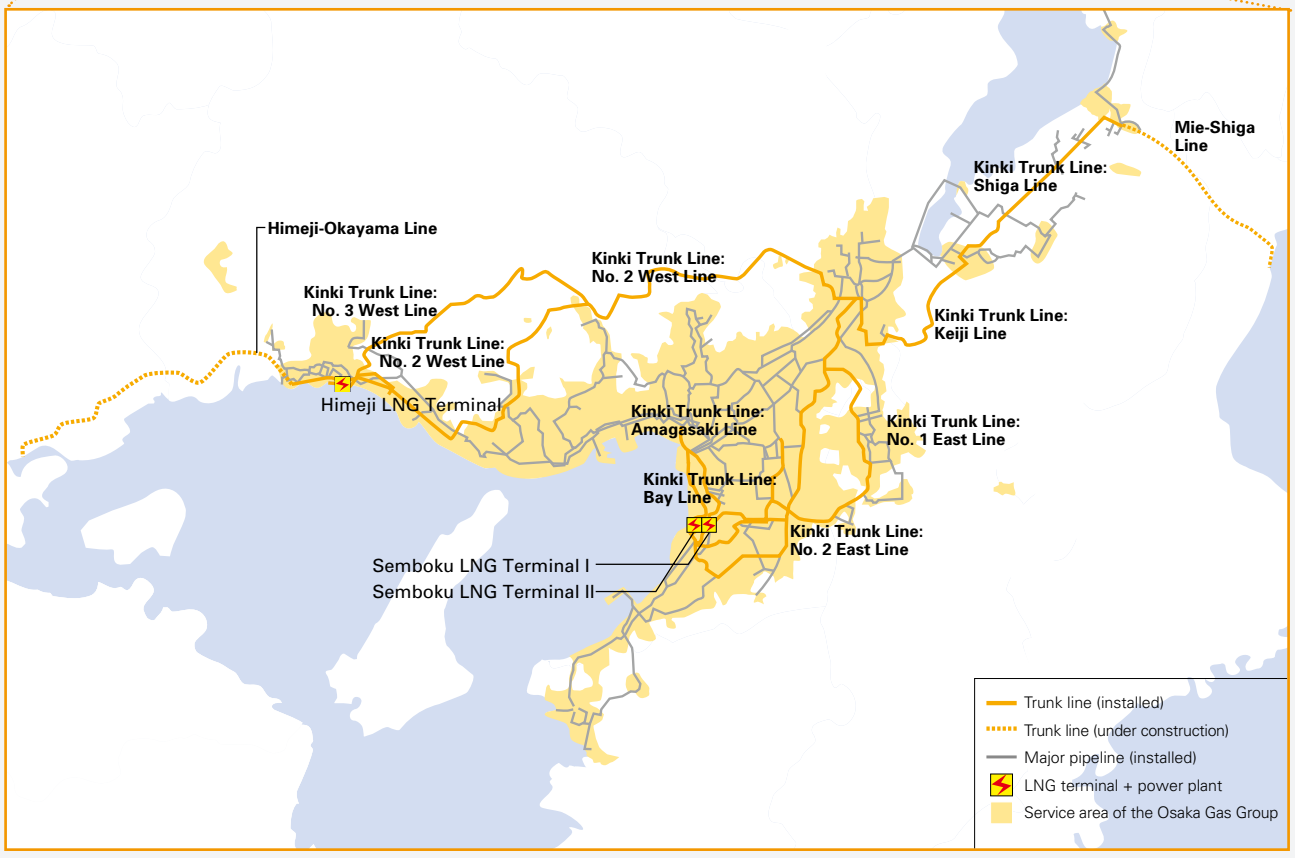
Forward-looking Statements

Statements contained in this report with respect to the Osaka Gas Group's plans, strategies and beliefs that are not historical facts are forward-looking statements about the future performance of the Osaka Gas Group which are based on management's assumptions and beliefs in light of the information currently available to it. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Osaka Gas Group's actual results, performance or achievements to differ materially from the expectations expressed herein.

Business Summary

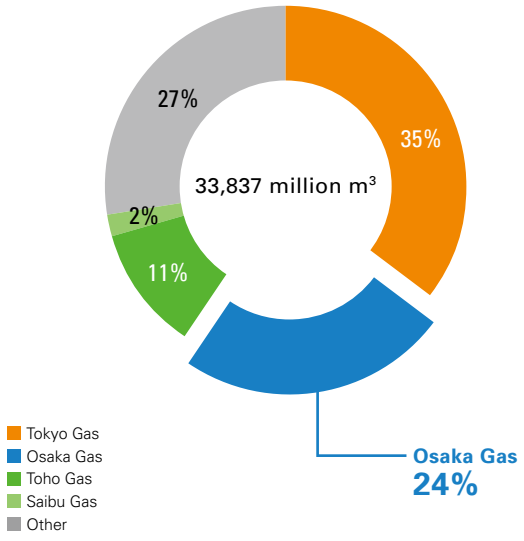
The Osaka Gas Group's Natural Gas Supply Area





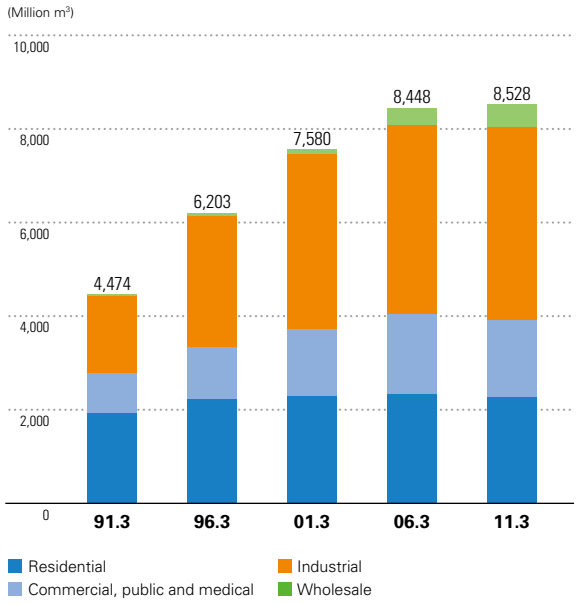
Refer to page 27 for details on business area.

Gas Sales Volume Market Share in Japan (FY2010)



Note: In this graph 1 m^3 = 41.8605 MJ/m^3.
Source: Japan Gas Association "Gas Sales Volumes"

Gas Sales Volumes of Osaka Gas (Non-Consolidated)

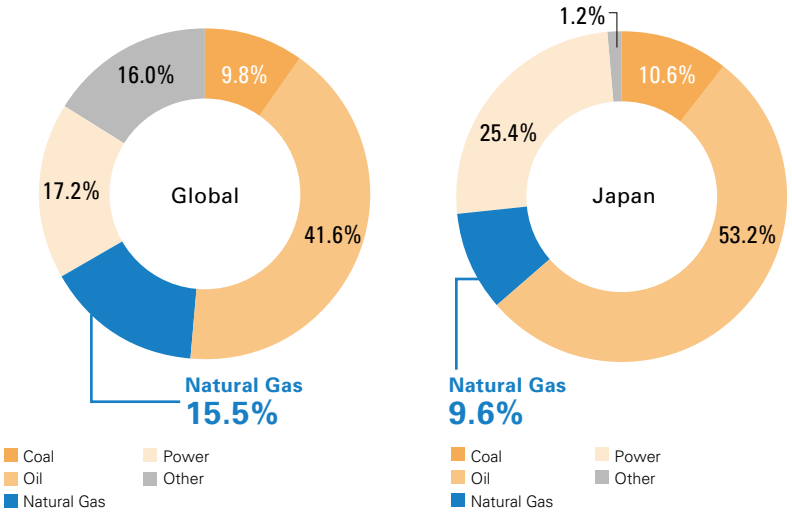


Business Environment

Energy conversion of petroleum-based fuels to natural gas, or the so-called natural gas shift, was articulated in the Strategic Energy Plan of Japan, which the Cabinet approved in June 2010. Demand for natural gas, with its environmentally superior characteristics, is expected to increase more than ever going forward.

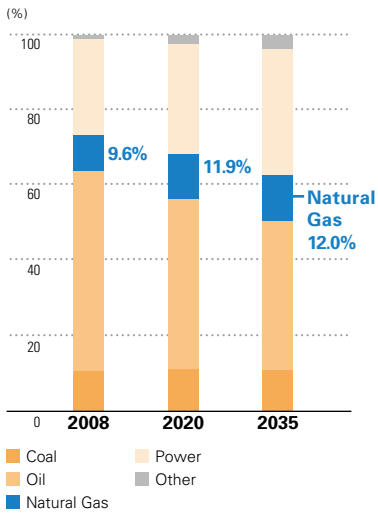
Demand for Natural Gas

Final Energy Consumption by Energy Source (2008)



Sources: IEA "World Energy Outlook 2010"

Japanese Final Energy Consumption by Energy Source (Estimate)



Source: Ministry of Economy, Trade and Industry and Energy Data Modeling Center "Comprehensive Energy Statistics" and other sources. Forecasts are those of the Institute of Energy Economics, Japan.

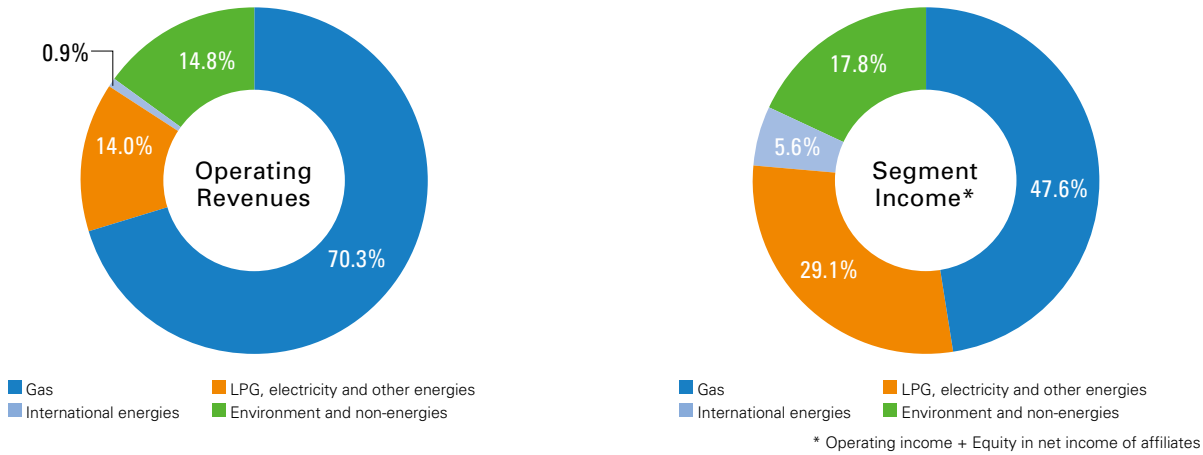
Consolidated Financial Highlights

Osaka Gas Co., Ltd. and Consolidated Subsidiaries

					Millions of yen	Thousands of U.S. dollars	Change
	2007/3	2008/3	2009/3	2010/3	**2011/3**	**2011/3**	**11/10**
Financial Data							
Operating revenues	¥1,174,456	¥1,238,145	¥1,326,785	¥1,096,628	**¥1,187,142**	**$14,277,113**	**8.3%**
Operating income	93,729	75,611	66,932	91,140	**88,584**	**1,065,351**	**–2.8%**
Net income	52,929	40,283	36,041	48,384	**45,968**	**552,832**	**–5.0%**
Capital expenditure	95,267	111,087	106,087	98,246	**69,600**	**837,041**	**–29.2%**
Depreciation	84,031	95,253	86,549	95,402	**97,569**	**1,173,409**	**2.3%**
Total assets	1,405,682	1,467,934	1,452,457	1,483,895	**1,437,297**	**17,285,592**	**–3.1%**
Equity	668,887	648,592	612,566	666,689	**664,959**	**7,997,101**	**–0.3%**
Interest-bearing debt	487,827	566,441	573,483	539,081	**532,493**	**6,404,004**	**–1.2%**
Cash Flows							
Cash flows from operating activities	98,354	134,282	120,691	229,714	**126,399**	**1,520,132**	**–45.0%**
Per Share Data (yen and U.S. dollars)							
Earnings per share (EPS)	23.77	18.27	16.72	22.50	**21.62**	**0.260**	**–3.9%**
Book value per share (BPS)	300.61	300.76	284.21	310.39	**319.33**	**3.840**	**2.9%**
Dividend	7.00	7.00	7.00	7.00	**8.00**	**0.096**	**14.3%**
Key Ratios							
Equity ratio	47.6%	44.2%	42.2%	44.9%	**46.3%**		
Return on assets (ROA)	3.8%	2.8%	2.5%	3.3%	**3.1%**		
Return on equity (ROE)	8.1%	6.1%	5.7%	7.6%	**6.9%**		
Debt equity ratio (times)	0.73	0.87	0.94	0.81	**0.80**		
Other							
Gas sales volume (million m^3)	8,764	8,917	8,416	8,150	**8,560**		**5.0%**

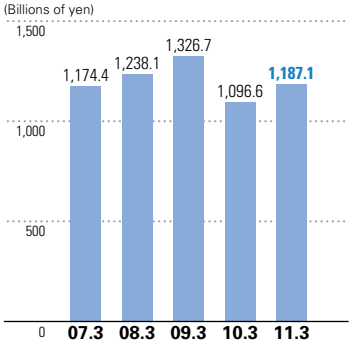
Notes: 1. The conversion of Japanese yen into U.S. dollars is based on the exchange rate of 1 USD = 83.15 JPY (spot rate as of March 31, 2011).
2. Equity ratio = equity/total assets (as of the end of the fiscal years ended March 31)
3. Return on assets (ROA) = net income/total assets (average)
4. Return on equity (ROE) = net income/equity (average)
5. Debt equity ratio = interest-bearing debt/equity (as of the end of the fiscal years ended March 31)
6. All figures in the financial data and cash flows are rounded down.

Results by Segments (FY2011)

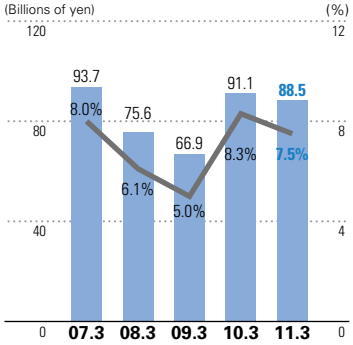


* Operating income + Equity in net income of affiliates

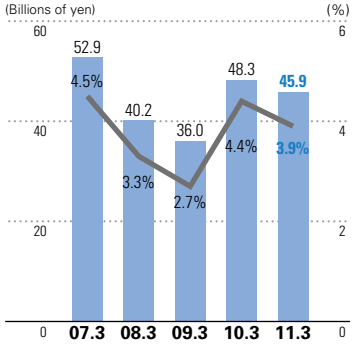
Operating Revenues



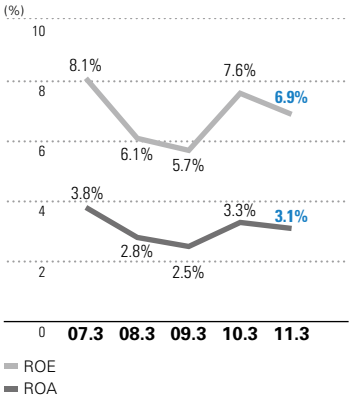
Operating Income/ Operating Income Ratio



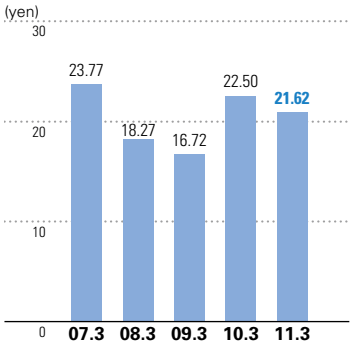
Net Income/ Net Income Ratio



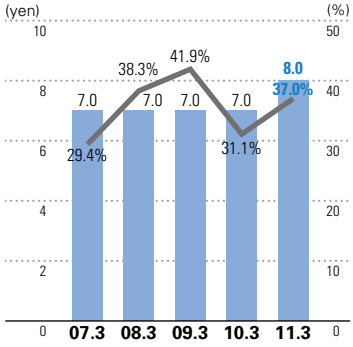
Return on Assets (ROA)/ Return on Equity (ROE)



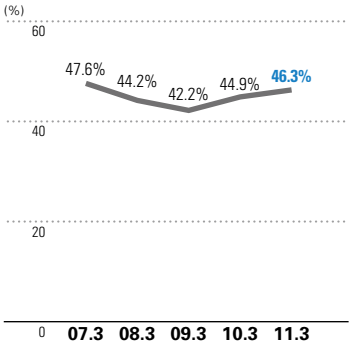
Earnings per Share (EPS)



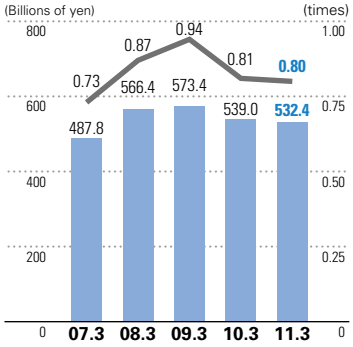
Annual Dividends per Share/ Payout Ratio



Equity Ratio



Interest-bearing Debt/ Debt Equity Ratio



Credit Rating

(As of June 29, 2011)

Credit rating agency	Long-term bond	Domestic Commercial Paper
R&I	AA+	a-1+
Moody's	Aa2	—
Standard & Poor's	AA–	A-1+

The Year in Review

2010

Apr. | May | Jun. | Jul. | Aug. | Sep.

Domestic Energy Businesses

May 2010
Launched "SOLAMO"—A Gas Water Heating System that Uses Solar Heat

Osaka Gas launched sales of "SOLAMO*", a gas water heating system that also makes use of solar heat, developed jointly with Takagi Industrial Co., Ltd. and Asahi Kasei Homes Corporation. Heat collecting panels installed on the roofs of detached houses collect solar heat to heat water for various uses and to provide space heating, a first for a gas water heating system. "SOLAMO" helps reduce CO_2 emissions through active utilization of renewable energy, lowering the impact on the environment and helping bring about a low-carbon society.

* "SOLAMO" is a registered trademark of Tokyo Gas Co., Ltd.

Domestic Energy Businesses

May & June 2010
Memorandums on Long-Term LNG Sale/Purchase Signed with Okinawa Electric and Shizuoka Gas

Osaka Gas signed memorandums on key terms and conditions related to the long-term sale of liquefied natural gas (LNG) with Okinawa Electric Power Company, Inc. in May 2010 and Shizuoka Gas Co., Ltd. in June of the same year. Under this agreement, part of the LNG purchased by Osaka Gas will be transported by LNG tankers arranged by the Company and supplied to the two utilities.

Refer to page 33 for relevant information.

International Energy Businesses Along the Energy Value Chain

May 2010
Osaka Gas Participates in LNG Terminal Project in Sagunto, Spain

Osaka Gas entered an agreement with Endesa S.A., a major Spanish power company, for its acquisition of Endesa's 20% interest in an LNG terminal project in Sagunto, Spain. The country, the third-largest importer of LNG in the world and the largest in Europe, currently has LNG terminals operating at six locations. The government regulation in the country guarantees LNG terminal businesses a set amount of business proceeds. Thus, stable revenues can be expected over the long term.

Refer to page 36 for relevant information.

Domestic Energy Businesses

July 2010
LNG Purchase Agreement with Shell Eastern Trading

Osaka Gas signed a long-term purchase agreement for liquefied natural gas (LNG) with Shell Eastern Trading (Pte) Ltd. in Singapore, a wholly-owned subsidiary of the Shell Group. The agreement signifies a portfolio supply of LNG from multiple, unspecified supply sources owned by Shell. This represents the first time the Company has entered into this type of agreement, which has the advantages of raising procurement stability and reducing risk.

Refer to page 37 for relevant information.

Environment and Non-Energy Businesses

October 2010
Grand Opening of Building No. 9 at Kyoto Research Park

The Kyoto Municipal Industrial Research Institute and Kyoto Research Park (KRP) Building No. 9, a duplex building seven floors above ground and two floors underground, with commercial facilities and offices for rent, opened for business.

Environment and Non-Energy Businesses

October 2010
Osaka Gas Launches a Map Maintenance BPO* Service in China

Osaka Gas Information System Research Institute Co., Ltd., a consolidated subsidiary of Osaka Gas, and its affiliate Shanghai Ogis TongHua Software Co., Ltd. launched a map maintenance BPO* service in China that involves operating and managing map information systems on a contract basis primarily for underground gas and water pipelines. The service will be proposed as a business solution for electric, gas and water utility companies in Japan, as well as throughout Asia.

*BPO (Business Process Outsourcing) involves companies contracting out a portion of their business processes to outside vendors to reduce costs, improve process quality and allow them to focus management resources on their core businesses.

International Energy Businesses Along the Energy Value Chain

March 2011
Osaka Gas Participates in Shuweihat S2 Independent Water and Power Project

Osaka Gas decided to participate in the Shuweihat S2 Independent Water and Power Project that is under construction in Abu Dhabi in the United Arab Emirates. The project is expected to play an important role as a source of power and water for Abu Dhabi as it will account for roughly 15% of its power supply and more than 10% of its water supply. The project marks the first time Osaka Gas has participated in a combined power and water project. Commercial operation is scheduled to commence in the fall of 2011, and stable, long-term revenues are expected due to 25-year power and water sales agreements.

Refer to page 36 for relevant information.

Domestic Energy Businesses

February 2011
Natural Gas Customers Surpass 7 Million Households

The number of customers Osaka Gas services with natural gas on a non-consolidated basis surpassed 7 million households after 106 years in business since 1905.

2011

Oct. | Nov. | Dec. | Jan. | Feb. | Mar.

Domestic Energy Businesses

October 2010
Biogas Feed to Gas Pipelines in Kobe Begin

Partnering with the City of Kobe and Kobelco Eco-Solutions Co., Ltd., Osaka Gas completed a facility for utilizing biogas* at the Higashinada Sewage Treatment Plant in Kobe and began feeding Kobe Biogas, the biogas produced by the facility, into gas pipelines. The project represents the first attempt in Japan to feed pipelines with biogas derived from sewage sludge and refined to normal gas specifications. By demonstrating operating methods and economic viability, the project is expected to provide the impetus for similar projects and lead to greater utilization of biomass resources.

*Biogas is a flammable gas composed primarily of methane that is produced from the fermentation of organic matter like sewage sludge and food scraps.

Domestic Energy Businesses

February 2011
Pilot Project Launched for "Smart Energy House"

Osaka Gas launched a residence pilot project running for a period of three years, in partnership with Sekisui House, Ltd., aimed at realizing a "Smart Energy House" that can provide its residents with a comfortable life and also save energy by efficiently managing the electricity and heat of the house. This residence pilot project aims to fully offset the amount of carbon dioxide the house emits, including that for recharging the residents' electric vehicle, with the carbon dioxide the house is designed to reduce through solar power generation.

Refer to pages 22–23, 40 for relevant information.

Domestic Energy Businesses

December 2010
Sales of ENE-FARM Residential Fuel Cell Systems Surpass 3,000 Units

Cumulative sales of ENE-FARM, a fuel cell cogeneration system for households first launched in June 2009, which generates electricity from hydrogen created by reforming natural gas, surpassed 3,000 units in December 2010 and reached 3,700 units at the end of March 2011.

Refer to pages 21 and 29 for relevant information.

To Our Stakeholders

With a Strong Focus on Growth of the Group, We Strive to Fulfill Our Responsibility as an Energy Provider

In presenting the annual report of the Osaka Gas Group, I wish to convey my greetings to all of our shareholders and other stakeholders.

Let me first pause and extend my thoughts to all those affected by the Great East Japan Earthquake of March 2011. I would also like to express our sympathies to everyone affected by the disaster, and our best wishes for an early recovery in the region.

The Osaka Gas Group has carried forward activities for its continued success in business in accordance with "Field of Dreams 2020," our long-term management vision and medium-term business plans. We have earned the support of all stakeholders, including our shareholders, customers and society at large in the process of its implementation. Our plans call for robust development as a global energy and environmental group focused on three specific business fields; domestic energy services, international energy businesses along the energy value chain, and environment and non-energy businesses.

In the fiscal year ended March 2011, our initiatives for the future saw steady progress in the growth of our electricity business with solid earnings centered around the Semboku Natural Gas Power Plant, in the steady growth in sales volume of our ENE-FARM fuel cell cogeneration system for households, and in the launch of a project in which our natural gas pipeline network received biogas from a sewage plant in Kobe. Progress overseas in those initiatives included participation in the Sagunto LNG terminal in Spain and the Shuweihat S2 Independent Water and Power Project in the United Arab Emirates.

The unprecedented damage caused by the earthquake and tsunami in March has unsettled Japan's policies going forward and made us aware once again of the importance of energy security. In this regard, the position of natural gas as an energy source is growing stronger because of its outstanding supply stability and exceptional environmental performance.

The Osaka Gas Group intends to fulfill its missions as an energy provider by further improving its disaster preparedness and expanding its supply network, by ensuring the stable supply of LNG through long-term contracts and diversified sources. Moreover, we will propose dispersed power sources such as gas cogeneration systems and gas air conditioning in order to achieve an optimum mix of distributed and grid power supply while reducing environmental impacts. Through these means, we shall strive to realize widespread and advanced uses of natural gas.

Furthermore, we will continue to build a foundation for future growth by accelerating existing initiatives, as well as by making investments for growth and expanding new businesses.

The political and economic situation we face both at home and abroad has become increasingly uncertain, due not only to the devastation caused in eastern Japan by the earthquake but also to geopolitical unrest in the Middle East and North Africa, among others. Nevertheless, we intend to continually grow and develop in our chosen domains in Japan and overseas, and work to maximize value of the Osaka Gas Group for shareholders and all other stakeholders, while responding to these issues in an appropriate and flexible manner.

I thank you for your continued support and encouragement.

President Hiroshi Ozaki

Osaka Gas President Hiroshi Ozaki Answers Five Questions

Q1

A performance review of the year ended March 31, 2011

→P11

Q2

Management policies and performance projections for the year ending March 2012

→P12

Q3

A progress report on the long-term management vision and medium-term business plans

→P13

Q4

International business development

→P14

Q5

Return to shareholders

→P15

What follows is President Ozaki's succinct and candid insight on matters of strategic importance for raising the value of Osaka Gas, including his review of the year ended March 2011 and projections for the year ending March 2012.

A performance review of the year ended March 31, 2011

Q1 Please summarize the Group's performance in the fiscal year ended March 31, 2011.

A1

Revenues increased thanks to an increase in gas sales associated with a recovery in the economy and to full operation of the Semboku Natural Gas Power Plant for the entire year. However, profits declined due to losses resulting from the time lag between LNG purchase prices and their reflection on gas sales prices.

Economic trends in the Kansai region

The pace of economic recovery in the Kansai region, our Company's supply area, slowed beginning in the fall of 2010 due to the yen's appreciation and other factors. Signs of a partial rebound began to emerge at the start of 2011 when exports to Asia and production figures showed some improvement. But soon after, uncertainties with a continual mark on international affairs, including sharp rises in resource and energy prices, political insecurity in the Middle East and North Africa and other developments, obscured the economic outlook, which the devastation brought about by the Great East Japan Earthquake in March 2011 clouded even more for Japan. Because Kansai (western Japan) was largely spared from the disaster, there has been a notable shift of manufacturing activity into the area and away from eastern Japan.

Higher revenues, lower profits in the fiscal year ended March 2011

Revenues increased but profits declined in the fiscal year ended March 2011. Operating revenues increased by 8.3% year on year to ¥1,187.1 billion owing to an increase in gas sales volumes due to the economic recovery and other factors, full operation at the Semboku Natural Gas Power Plant, and increased revenues from consolidated subsidiaries involved in the real estate business and other businesses. Operating income declined by 2.8% to ¥88.5 billion. This was because gross profit from gas sales declined due to an increase in raw material costs associated with rising LNG prices, despite lower administrative expenses, higher income from the electric power business owing to stable operation of the Semboku Natural Gas Power Plant, and higher income from consolidated subsidiaries in real estate and other businesses.

Under the fuel cost adjustment system, gains and losses occur due to the time lag between changes in LNG prices and when they are reflected in gas sales prices. In the year ended March 2010, there was a related gain of ¥26.7 billion, but in the fiscal year ended March 2011, a loss of ¥8.5 billion was incurred. Excluding the impact of factors behind short-term profit fluctuations, we feel our performance in the fiscal year under review was solid.

	10.3	11.3	Change	Change (%)
Operating revenues (billions of yen)	1,096.6	**1,187.1**	+90.5	+8.3%
Operating income (billions of yen)	91.1	**88.5**	–2.5	–2.8%
Net income (billions of yen)	48.3	**45.9**	–2.4	–5.0%
Profit/loss on fuel cost adjustment system (billions of yen)	26.7	**–8.5**	–35.2	—
Exchange rate (yen/$)	92.9	**85.7**	–7.2	–7.8%
Crude oil price ($/bbl)	69.4	**84.1**	+14.7	+21.2%
Non-consolidated gas sales volume (million m^3)	8,119	**8,528**	+408	+5.0%
Residential (million m^3)	2,244	**2,275**	+32	+1.4%
Commercial and industrial (million m^3)	5,420	**5,765**	+344	+6.3%

45MJ/m^3

Management policies and performance projections for the year ending March 2012

Q2 What are your management policies and performance projections for the fiscal year ending March 31, 2012?

A2

We position the fiscal year ending March 2012 as a year for accelerating initiatives aimed at achieving the goals of our long-term management vision and medium-term business plans. As to performance, we are projecting higher revenues on higher gas prices based on the assumption that crude oil prices will rise, but lower profits due to higher raw material costs.

Accelerating initiatives to realize our long-term management vision and medium-term business plans

The fiscal year ending March 2012 will be a "Boost-up Year" in which we accelerate initiatives aimed at achieving the targets of our long-term management vision and medium-term business plans, "Field of Dreams 2020." We plan to carry out the following four initiatives on a priority basis.

1. **Raise levels of customer satisfaction and contribute to the realization of a low-carbon society**
   Promote advanced use of natural gas, widespread dissemination of residential cogeneration systems "ECOWILL" and "ENE-FARM," and high-efficiency water heaters and photovoltaic power generation, in tandem with promoting biogas use.
2. **Invest for growth and expansion of businesses**
   Invest for growth and expansion of businesses in the domestic energy services (electricity and broader supply of energy), international energy businesses along the energy value chain (upstream, midstream and downstream) and environment and non-energy businesses (real estate, information technology and advanced materials)
3. **Ensure stable, secure supplies and practice CSR**
   Ensure stable energy supplies and safety, and inspect current disaster preparedness measures to make appropriate revisions in light of the Great East Japan Earthquake
4. **Implement initiatives for smart work**
   Raise productivity by information technology to create even higher quality services and rigorously reduce costs

Higher revenues and lower profits projected for the fiscal year ending March 2012

For the fiscal year ending March 2012, we are projecting operating revenues to increase by 6.7% year on year to ¥1,267.0 billion owing to higher gas prices associated with increases in LNG prices, on the assumption of crude oil prices at $100 a barrel. Operating income however is projected to decline by 16.5% year on year to ¥74.0 billion due to raw material costs rising along with LNG prices, gross profits from gas sales declining and various administrative expenses increasing.

Based on the assumption of average temperatures for the year, residential gas sales volumes are projected to total 2,237 million m^3, a decline of 1.7% compared to the previous year, which saw lower than average winter-time temperatures. Commercial and industrial gas sales volumes are forecast to total 5,720 million m^3, a decline of 0.8% year on year. Some new demand for gas will probably emerge even for commercial and industrial consumption, but demand for air conditioning is likely to be lower owing to the extremely hot summer last year.

Uncertainty about the future has only increased in the aftermath of the Great East Japan Earthquake, but we intend to steadily carry out the four priority initiatives cited in our plan for the fiscal year ending March 2012 toward achievement of the goals of "Field of Dreams 2020," our long-term management vision and medium-term business plans.

	11.3 (Results)	12.3 (Outlook)	Change	Change (%)
Operating revenues (billions of yen)	1,187.1	**1,267.0**	+79.8	+6.7%
Operating income (billions of yen)	88.5	**74.0**	–14.5	–16.5%
Net income (billions of yen)	45.9	**43.5**	–2.4	–5.4%
Profit/loss on fuel cost adjustment system (billions of yen)	–8.5	**–19.1**	–10.6	
Exchange rate (yen/$)	85.7	**85**	–0.7	–0.8%
Crude oil price ($/bbl)	84.1	**100**	+15.9	+18.9%
Non-consolidated gas sales volume (million m^3)	8,528	**8,448**	–80	–0.9%
Residential (million m^3)	2,275	**2,237**	–38	–1.7%
Commercial and industrial (million m^3)	5,765	**5,720**	–45	–0.8%

45MJ/m^3

A progress report on the long-term management vision and medium-term business plans

Q3 What progress have you made on "Field of Dreams 2020," your long-term management vision and medium-term business plans to the fiscal year ending March 2021?

A3

In domestic energy businesses, international energy businesses along the energy value chain, and environment and non-energy businesses, we have steadily made progress implementing initiatives to broaden business domains. Specific examples include promoting sales of the residential fuel cell cogeneration system "ENE-FARM," conducting stable operations at the Semboku Natural Gas Power Plant, promoting the construction of a high-pressure pipeline network for broader supply of energy, acquiring revenue-generating real estate, and making decisions to participate in the Gorgon LNG Project in Australia, the Sagunto LNG terminal in Spain, and the Shuweihat S2 Independent Water and Power Project in the United Arab Emirates.

Broadening business domains

We are aiming for substantial domain growth in our three main business pillars: domestic energy businesses, international energy businesses along the energy value chain, and environment and non-energy businesses.

In the domestic energy business sector, we steadily increased unit sales of "ENE-FARM" residential fuel cell cogeneration systems, and the electricity business grew into a strong revenue stream with the stable operation of the Semboku Natural Gas Power Plant. Moreover, we made progress in our construction work for the Mie-Shiga and Himeji-Okayama Lines. We also reached agreements with Okinawa Electric Power Company, Inc. and Shizuoka Gas Co., Ltd. on the wholesale of LNG.

In the international energy business segment, we committed ourselves to a broad range of projects, including the Gorgon LNG Project and the Hallet 4 Wind Farm Project in Australia, the Sagunto LNG terminal in Spain, the Shuweihat S2 Independent Water and Power Project in the United Arab Emirates and a shale gas development project in Canada.

In the field of environment and non-energy businesses, we began accepting sewage biogas from the city of Kobe into our pipelines, acquired real estate assets for generating strong business returns and launched and further developed a new human behavior observation research business.

In all of these ways, we were successful in implementing initiatives to broaden our businesses as we continue to make steady progress on "Field of Dreams 2020," our long-term management vision and medium-term business plans.

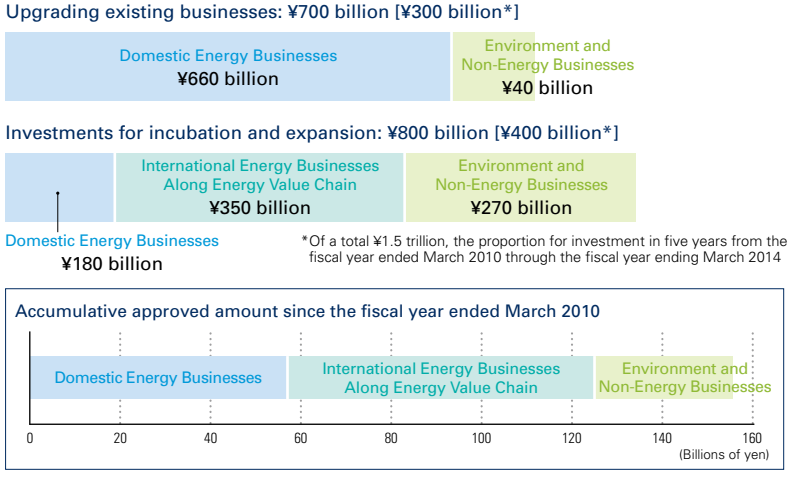
Aggressive investment to expand new businesses

We plan to invest ¥1.5 trillion in total over the 12-year period from the fiscal year ended March 2010 to the fiscal year ending March 2021. The plan allocates ¥700.0 billion for the upgrading of gas supply facilities over the long term and quality improvements of existing businesses to ensure stable supplies and raise safety levels. It also provides ¥800.0 billion for new business expansion both domestic and overseas.

In terms of investment for growth and new business expansion, we have committed ¥157.0 billion on a cumulative basis since the year ended March 2010. Those projects include augmenting supply infrastructure on the Mie-Shiga Line, Himeji-Okayama Line, participation in various projects in the international energy businesses segment, including the Gorgon LNG Project in Australia, and the acquisition of real estate assets for generating business returns. This accounts for roughly 40% of the ¥400.0 billion in investment we have planned for the five-year period from the fiscal year ended March 2010 to the fiscal year ending March 2014, which is indicative of the steady progress we are making in investing for growth and new business expansion.

Investment FY2010–FY2021

¥1.5 trillion investments for solidifying three business fields



International business development

Q4 **What is your future vision for the international energy business, one of the mainstays of your "Field of Dreams 2020" long-term management vision and medium-term business plans, and what have you achieved to date?**

A4

We have already achieved profits of around ¥6.0 billion annually* and are aiming for major growth by carrying out broad-ranging initiatives, from upstream to mid- and downstream along the natural gas value chain.

*On average since the fiscal year ended March 2005

Future vision for the international energy business

Our long-term management vision and medium-term business plans, "Field of Dreams 2020," calls for major growth in the international energy business segment in particular. Specifically, we will be involved in a wide range of projects along the natural gas value chain, from acquisition of upstream gas field and resource development interests, to mid- and downstream LNG terminal, pipeline, electric power supply and gas supply businesses. Our stakes in upstream sectors will enable us to secure LNG in a stable manner and improve energy security, while in the mid- and downstream sectors, we will effectively utilize our knowledge, expertise and human resources cultivated in our domestic energy business to help raise business value. Moreover, we will develop an LNG trading business that combines upstream and mid- and downstream businesses to demonstrate synergies among them on an overall basis and enhance flexibility and economic efficiency.

Achievements in the international energy business segment

Osaka Gas was the first Japanese gas utility to be involved in overseas projects. To date we have participated in 9 upstream projects and more than 10 mid- and downstream projects. Many of these projects are already contributing profit which, although variable, averages ¥6.0 billion annually.

We plan to accelerate growth in this business field through aggressive investments.

Main Project Acquisitions

●Upstream businesses ●Mid- and downstream businesses

Main Acquisitions	Country	Category
❶Idemitsu Snorre Oil Development Co., Ltd.	Norway	Oil field rights
❷Amorebieta IPP	Spain	IPP*1
❸Tenaska Gateway IPP	U.S.A.	IPP*1
❹Gorgon Project Gas Field	Australia	Gas field rights
❺Sagunto LNG Terminal	Spain	LNG terminal
❻Shuweihat S2	UAE	IWPP*2

Profit contribution
(operating income + equity in net income of affiliates)

About ¥6.0 billion/year

(Average since the year ended March 2005)

*1 IPP: Independent Power Producer
*2 IWPP: Independent Water and Power Producer

Q5 Finally, what is your philosophy on shareholder returns?

A5

We have a basic policy of paying a stable dividend on an ongoing basis, targeting a consolidated payout ratio of 30% or higher, after eliminating those external profit fluctuating factors in the short-term. If warranted by our financial position and other determinants, it is also our policy to buy back shares on a flexible basis. For the year ended March 2011, we met shareholder expectations by increasing the per share dividend by one yen for the full year and buying back shares worth ¥20.0 billion.

Philosophy on dividends and share buy-back

Osaka Gas believes that raising its corporate value is what truly rewards shareholders.

On the matter of accumulating capital from profits and how to utilize internal reserves to raise shareholder value, we will adopt the most appropriate mix of policies depending on operating conditions at the time based on three possibilities: 1) continue to pay a stable dividend, 2) invest in businesses with projected high returns and raise growth potential to increase corporate value in the future, and 3) increase earnings per share and return on equity by buying back shares and reducing the number of shares outstanding.

Regarding dividends, our basic policy is to continue to pay a stable dividend while targeting a consolidated payout ratio of at least 30%, after eliminating external factors that cause profits to fluctuate in the short-term.

We buy back shares on a flexible basis when there is leeway in our financial position and cash flow after investing for growth and new business expansion.

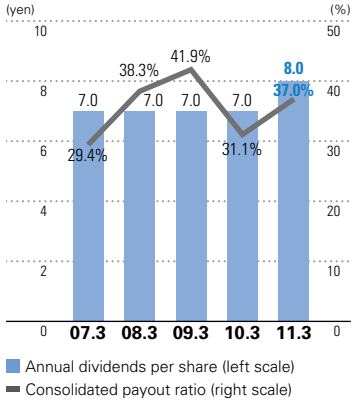
Return to shareholders in the year ended March 2011 Increased per share dividend by one yen and bought back ¥20.0 billion in shares

In the fiscal year ended March 2011, we paid a full year dividend of eight yen per share, an increase of one yen from the previous fiscal year. We did this as the Semboku Natural Gas Power Plant, launched in 2009, was brought steadily to full operation, and as we expected our investments to date would begin contributing to profit.

We also felt that our progress in accumulating capital and surplus in cash flow and financial position justified the buyback of 63,724 thousand shares for ¥20 billion to achieve shareholder repatriation and an improvement in capital efficiency. The shares acquired were cancelled in March 2011.

In the fiscal year ended March 2011, I believe we made improvements meeting the expectations of shareholders by increasing the dividend and buying back shares. We will continue to work hard to further our corporate value for our shareholders.

Annual Dividends per Share/ Consolidated Payout Ratio



Track Record of Share Buybacks

	Number of shares acquired (thousands of shares)	Acquisition costs (millions of yen)
2002/3	60,000	18,330
2003/3	67,789	19,992
2004/3	65,553	19,992
2008/3	67,286	30,000
2011/3	63,724	20,000

Frontrunner in

Since the Great East Japan Earthquake in March 2011, increasing public attention has been given to energy issues including security of supply and diversity of supply sources. In order to ensure the stable supply of gas, the Osaka Gas Group has a number of ongoing initiatives in its gas business, including the safeguarding of its facilities against disasters, and securing the steady procurement of natural gas. In its electric power business, the Group plays a role in bolstering the supply of electricity in Japan through its large-scale natural gas power plant and its initiatives to promote and broaden the use of dispersed power generation systems.* We will fulfill our responsibilities as an energy supplier in three ways. First, and foremost, we will work to enhance the stable supply of not only natural gas, but also energy in general. Second, we will promote and support local energy supply and consumption through on-site energy systems. Thirdly, we will be in the forefront of diversifying our energy sources. This feature showcases the Group's engagement in ensuring gas supply and broadening the use of dispersed power systems among its many initiatives.

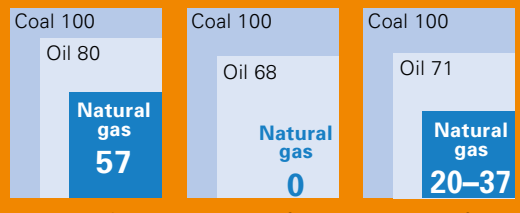
* Dispersed power consists of small-scale systems to generate electric power, installed in close proximity to where the power is consumed.

The Environment Surrounding Natural Gas

Natural Gas as Clean Energy

Natural gas is widely available throughout the world at numerous locations. It is not concentrated in a specific region and the reserves are plentiful. Emissions of carbon dioxide, a cause of global warming, and emissions of nitrogen oxides, a cause of photochemical smog, are low. Sulfur oxides, which cause atmospheric pollution and acid rain, are not emitted. Natural gas is, therefore, the most environmentally friendly fossil fuel. As environmental awareness has increased, natural gas has drawn increasing interest, and demand is only expected to grow.

Emission Levels for Fossil Fuels (Coal = 100)



CO_2*1 (Carbon dioxide) | SO_x*2 (Sulfur oxides) | NO_x*2 (Nitrogen oxides)

*1: Institute of Applied Energy (IAE) Report on Thermal Power Plant Atmospheric Impact Assessment Technology Demonstration Survey (1990/3)

*2: International Energy Agency (IEA) "Natural Gas Prospects (1986)"

Social Change

Initiatives Aimed at Stable Supply of Natural Gas

Supply

Initiatives to Optimize Energy

Optimize

Initiatives to Expand the Use of Natural Gas for Dispersed Power

Expand

Position of Natural Gas in Japan's Energy Policy

Environmentally friendly natural gas is positioned as an important energy source in Japan's energy policy. The Basic Energy Plan endorsed by the Japanese government in June 2010, calls for promoting a shift to natural gas to help speed the realization of a low-carbon society. Specific policy objectives include enhancing natural gas in industrial fuel consumption, promoting cogeneration, and encouraging widespread use of high-efficiency water heaters among households. In the years to come, in line with these policies and objectives, it is expected that positive steps will be made for conversion from petroleum and other fuels to natural gas as well as for advanced use of natural gas.

Natural gas is a key factor in the realization of a low-carbon society

Supply

Initiatives Aimed at Stable Supply of Natural Gas

Stable Procurement of Natural Gas

At present, the Group procures all of its LNG from overseas sources. To avoid exposure to political and economic risks in any one particular country, Osaka Gas has a well established framework for stable procurement of natural gas, comprised of two parts. One is to diversify the source of LNG, currently to six countries; namely Indonesia, Brunei, Malaysia, Australia, Qatar, and Oman. The other is to base the majority of LNG Osaka Gas imports on long-term contracts.

Refer to page 37 for relevant information.

Infrastructure Redundancy

Osaka Gas has two bases for receiving LNG; one in Semboku along the southern coast of Osaka Prefecture, and the other, in Himeji in Hyogo Prefecture. These two bases form the backbone of the dispersal and redundancy of the Group's gas supply infrastructure. In addition, Osaka Gas is working together with Chubu Electric Power Co., Inc. to construct the Mie-Shiga Line, a pipeline approximately 60 kilometers long between Taga Town in Shiga Prefecture and Yokkaichi City in Mie Prefecture, scheduled for completion in 2014. The pipeline linking Osaka Gas with a major utility in a separate region further enhances the stability of gas supply.

Safeguarding Facilities against Natural Disasters

Based on our experience following the Kobe (Hanshin-Awaji) Earthquake in 1995, we have actively promoted measures enhancing our preparedness against natural disasters in three major aspects: preventive, emergency, and post-disaster restoration. In light of the extent of damage the Great East Japan Earthquake wrought, the Central Disaster Management Council and the government are reexamining their predictive assumptions for earthquakes and tsunami, and we will implement any necessary countermeasures based on the government's revisions and recommendations.

1 Preventive Measures

Bolstering the Earthquake Resistance of Facilities

Our gas facilities can be roughly divided into LNG-related and gas supply facilities. Our major LNG facilities are earthquake-proofed to withstand earthquakes as strong as level 7 on the seismic intensity scale, as well as against tsunami far higher than in the Central Disaster Management Council's worst case scenario. As a matter of fact, none of the Group's LNG facilities were damaged in the Kobe earthquake.

For supply facilities, we continue to install earthquake-resistant polyethylene and other pipes on a scheduled basis, and now over 80% of our pipeline network has been earthquake-proofed. Highly earthquake-resistant pipelines have demonstrated their effectiveness in earthquakes that have occurred since the Kobe earthquake. We intend to continue efforts to earthquake-proof even more of our network.

2 Emergency Disaster Measures

Preventing Secondary Disasters

We have increased the installation of seismographs and remote monitoring devices for gas pressure governors to enable us to quickly collect information in the event of a disaster. We have also built a framework for preventing secondary disasters that includes further subdividing our supply area, the installation of automated seismic shutoff systems and new remote shutoff systems on our supply network, and establishing a central command sub-center as a backup to the monitoring and control functions.

For individual households we have been promoting widespread use of microcomputer-controlled meters, which automatically shut off the gas supply with a preset level of seismic intensity, and now 100% of households in our supply area are equipped with the meters.

		Before Kobe earthquake (January 1995)	March 31, 2011
Strengthen information collection	Install seismographs	34 locations	241 locations
	Remote monitoring devices for gas pressure governors	—	3,494 locations
Build supply shutoff system	Further subdivide supply area	55 blocks	148 blocks
	Install gas pressure governors and shutoff equipment	—	Remote shutoff in 704 locations Seismic shutoff in 2,954 locations

3 Restoration Measures

Post-Disaster Restoration Measures

If a disaster occurs and the gas supply is temporarily shut off to prevent secondary disasters, working on each subdivided block in our supply area will make it possible to restore service promptly while ensuring safety. To this end we are engaged in technological development including equipment for removing water or sand that has infiltrated gas pipes and an in-pipe video camera system that can find pipe damage. We also have a system ready for temporarily supplying gas to important public facilities such as hospitals and disaster response centers.

Technology for restoration work →

←Water extraction equipment

Equipment for removing water infiltration from gas pipes

In-pipe video camera system →

A video camera for examining the insides of gas pipes without having to shut off the gas

Initiatives to Expand the Use of Natural Gas for Dispersed Power

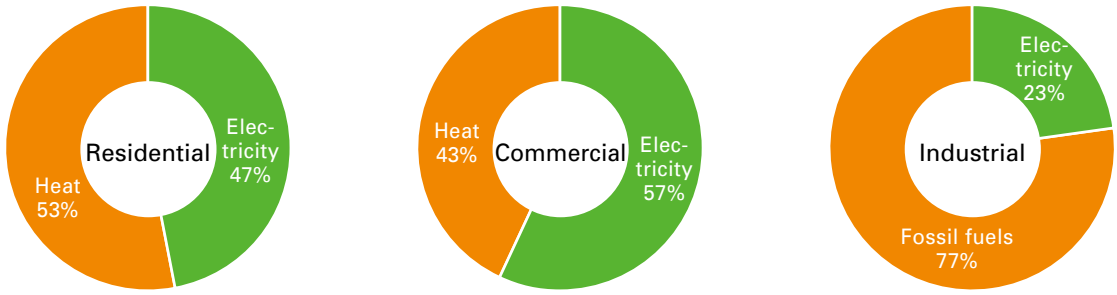
The Great East Japan Earthquake and the consequent shortage in electricity have increased the public's interest in the importance of power supplies. We think the position of dispersed power can only rise in importance as it helps enhance the stability of electric power supplies when combined with large-scale sources of power. Osaka Gas is promoting initiatives to extend the market penetration of dispersed power by making active use of gas cogeneration systems.

Gas Cogeneration Systems

Households and factories use two types of energy: thermal energy (fuel) and electricity. About half of the energy households and commercial businesses consume and three-quarters of the energy factories and industrial businesses consume is thermal energy. An important part of achieving a low-carbon society is the implementation of measures that take the efficient use of both thermal energy and electricity into consideration.

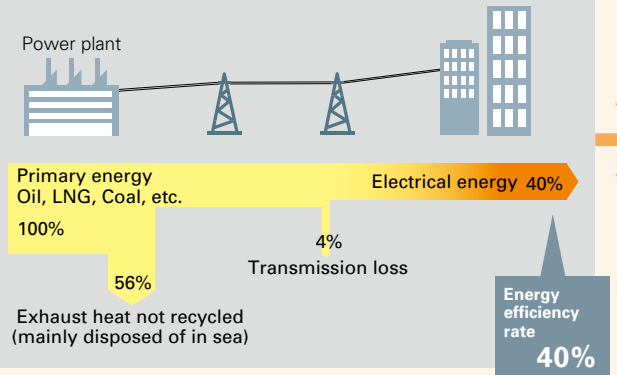
A gas cogeneration system is a system that uses gas to generate power at the customer site while simultaneously utilizing the heat recovered for air conditioning and water heating. As the power is generated at the customer site, little is lost in energy transmission, and both heat and electricity are used efficiently, raising energy efficiency to around 70–90%.

Ratio of Heat (or Fossil Fuels) and Electricity as Percentage of Energy Consumption

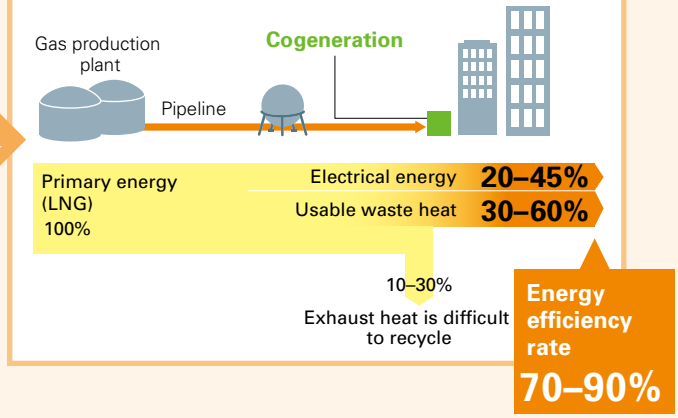


* Ratio of heat (or fossil fuels) and electricity as percentage of final energy consumption
Source: Energy Data Modeling Center "Handbook of Energy & Economics Statistics in Japan, 2011"

Power Generation System Using Conventional Methods*



Cogeneration System



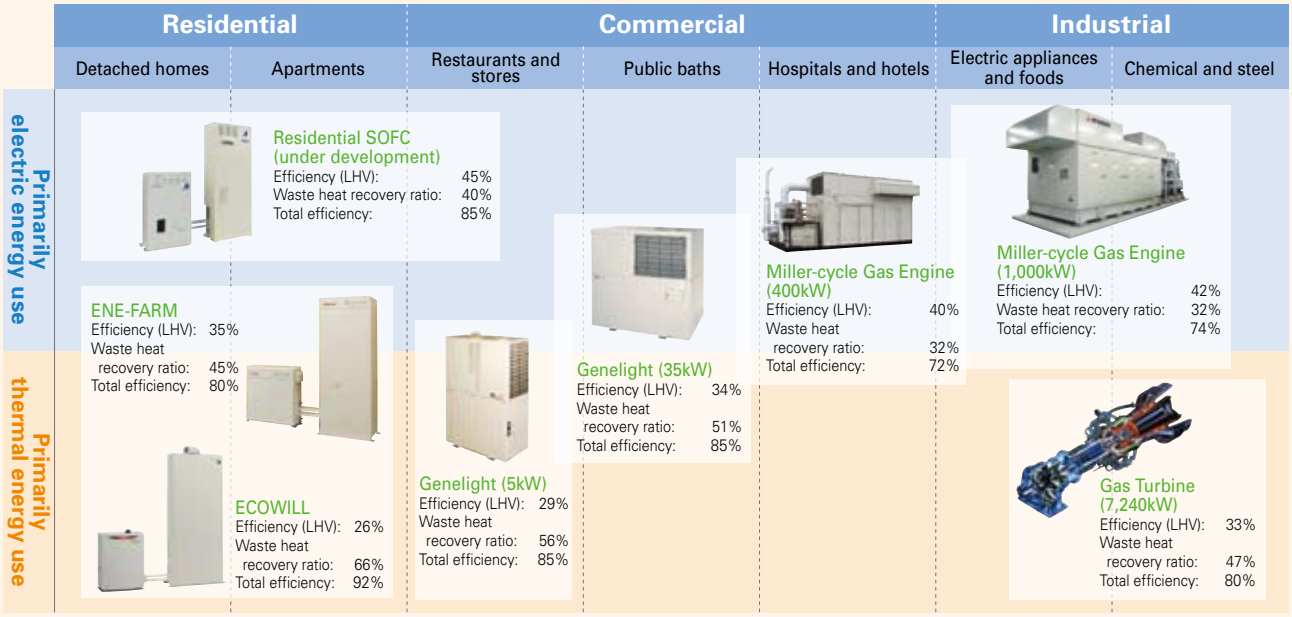
* Average for 10 power companies (fiscal 2005)
Source: Japan Gas Association "Cogeneration System"

Gas Cogeneration Systems in Various Domains

When gas cogeneration systems were first introduced in the 1980s, they were primarily used at large facilities, but subsequent technical advances have made the systems more compact and efficient. We now have a broad product lineup, and the systems are utilized by customers of various sizes, from factories and large-scale commercial developments to hospitals, hotels and smaller retail establishments.

The need for power security has increased at hospitals and other facilities in the aftermath of the Great East Japan Earthquake, so the importance of cogeneration systems with power outage response capability is also increasing.

In addition to this, Osaka Gas markets cogeneration systems for use among households including "ECOWILL," a gas engine cogeneration system, and "ENE-FARM," a fuel cell cogeneration system. Sales of both systems have been increasing steadily.



Note: Description of representative examples

Cogeneration systems for household use

The fuel cell cogeneration system "ENE-FARM" for household use produces electrical energy through a chemical reaction between hydrogen reformed from natural gas and oxygen in the air while the heat generated in the process is simultaneously used for water heating. Compared to conventional means, "ENE-FARM" reduces primary energy consumption by approximately 27% and CO_2 emissions by roughly 40%. There are growing expectations for the product as an ideal way to reduce household CO_2 emissions.

Osaka Gas is also currently developing a solid oxide fuel cell (SOFC) for households with higher electrical efficiency. The Company is working toward practical application of household SOFC sometime before 2015. The addition of this system alongside "ECO WILL" and "ENE-FARM" will enable us to present customers with cogeneration systems optimized for their specific lifestyles. The market for residential cogeneration systems is therefore expected to enjoy more growth in the years ahead.

Refer to page 40 for details on SOFC for households.

Residential gas engine cogeneration system "ECOWILL"

Residential fuel cell cogeneration system "ENE-FARM"

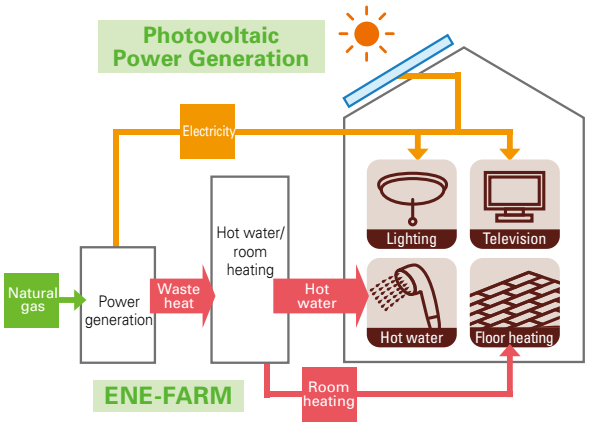
Initiatives to Optimize Energy

Hybrid Power with Photovoltaic Systems

Osaka Gas is promoting the concept of hybrid power for even higher environmental performance. Hybrid power combines the gas engine cogeneration system "ECOWILL" or the fuel cell cogeneration system "ENE-FARM" with a photovoltaic power system.

Photovoltaic power systems are affected by the weather, so power output is not stable, but "ECOWILL" and "ENE-FARM" are capable of generating electricity in a stable manner regardless of the weather. With a hybrid power system, households can not only reduce their electric and heating bill substantially, but conceivably sell their surplus electricity. The system has been very well received for its original outstanding environmental performance as well as these economic benefits. Approximately 40% of customers who have installed "ENE-FARM" use this hybrid power system.

Energy Efficiency of Residential Fuel Cell Cogeneration System"ENE-FARM" and Hybrid Power Generation



"ENE-FARM" Alone Reduces:

- Primary energy use by approx. 27%
- CO_2 emissions by approx. 40%

Hybrid with "ENE-FARM" Reduces:

- Primary energy use by approx. **45%**
- CO_2 emissions by approx. **70%**

Smart Energy Houses

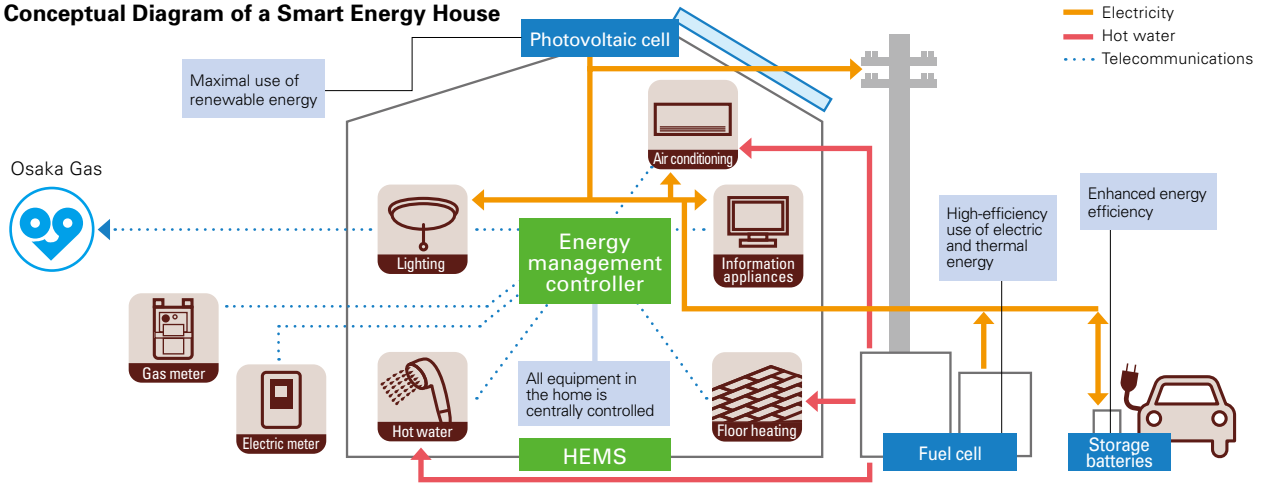
Osaka Gas is involved in the development of "smart energy houses," which provide comfortable, environmentally friendly living. The houses utilize information technology and a combination of three types of batteries—residential fuel cells, solar cells and rechargeable batteries—to smartly and efficiently produce, store and utilize electricity and heat. To accelerate development and eventual commercialization, we constructed two new residences, one for technical assessment and one as an experimental dwelling, and initiated verification testing in February 2011.

House for technical assessment
(located onsite at Osaka Gas in Osaka)

House used as an experimental dwelling
(Kitakatsuragi District, Nara Prefecture)

At the house for technical assessment, we are using a load simulator to assess and verify basic technologies at the development stage, including control technologies to optimize use of the three types of batteries and automated control technologies for conserving the energy appliances consume. These basic technologies will be installed in stages in the house used as an experimental dwelling as their technical assessments reach completion, to verify their effectiveness in actual day-to-day living. The goal of this test house is to completely offset its CO_2 emissions, including energy for the electric car used by the occupant, with CO_2 reductions provided by the photovoltaic cells.

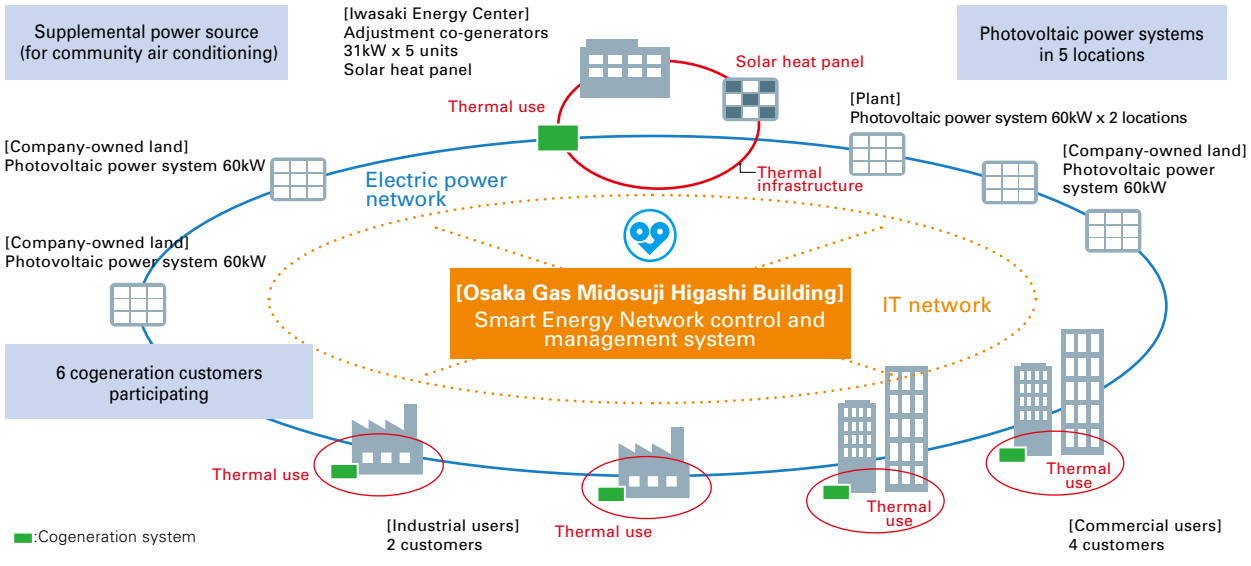
Conceptual Diagram of a Smart Energy House



Smart Energy Network

A "smart energy network" is a next-generation energy system that optimizes the energy supply and demand balance by combining gas cogeneration systems, photovoltaic units and other devices to effect the exchange of heat and electricity that is produced among multiple energy consumers. Specifically, the adjustability of gas cogeneration is utilized to accommodate fluctuations in photovoltaic power output. Coordinated control of the systems enables renewable energies to be actively utilized to significantly reduce energy consumption and carbon dioxide emissions. Osaka Gas is partnering with Tokyo Gas in a project to optimize and test multiple dispersed energies and verify the feasibility of a smart energy network linking an energy community in the Kansai region created with the cooperation of nine customers.

Overview of Smart Energy Network Pilot Project



Osaka Gas Group's Businesses

The Osaka Gas Group to date has drawn on its diverse and abundant business operations, human resources and technologies, nurtured by more than a hundred years of the gas business, to enrich the lifestyles of its customers and contribute to the development of industry.

Currently, Osaka Gas is vigorously working to evolve, by the year 2020, into a global energy and environmental businesses group, by implementing the Company's long-term management vision and medium-term business plans, "Field of Dreams 2020." To achieve this goal, Osaka Gas is in the process of expanding its business domain and establishing a strong business structure in three pivotal fields: domestic energy businesses, international energy businesses along the energy value chain, and the environment and non-energy businesses.

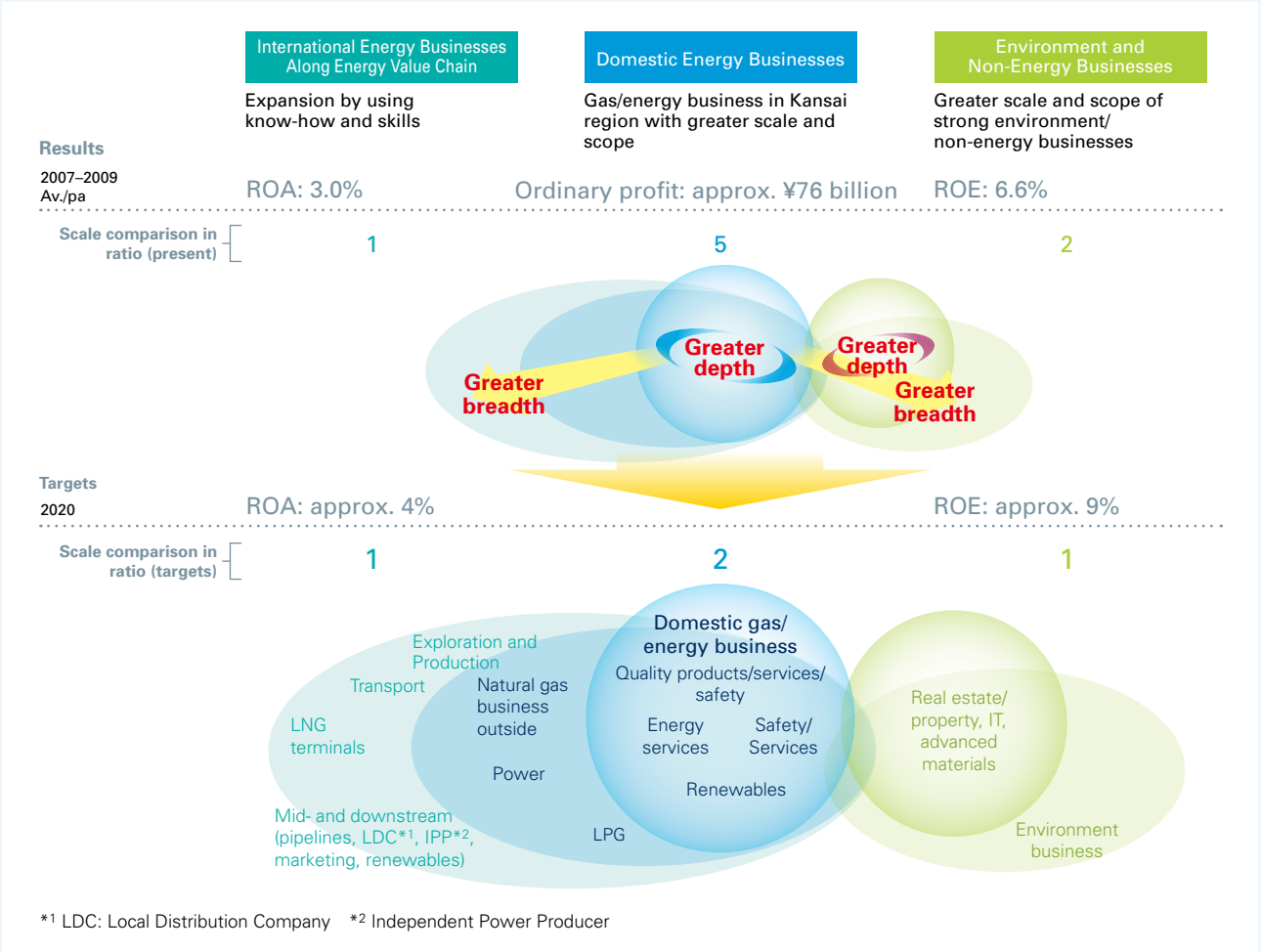
Osaka Gas seeks to deepen its existing businesses and widen the scope of new business, through business expansion in the three pivotal fields, to propel entire Osaka Gas Group businesses forward.

In the domestic energy businesses, we provide high-quality products, services and safety, as well as added value in the form of energy conservation and security in supplying multiple forms of energy including electricity, LPG and renewables. We will also take steps to further expand our services and multi-energy business by achieving greater depth in our gas business in the Kansai region—our core business area.

In the international energy business, we will continue expanding operations globally to achieve a mix of synergies involving resource development projects of upstream, trading operations leveraging LNG terminals, and pipelines, gas supply and electricity generation of mid- and downstream.

In environment and non-energy businesses, we will bolster and expand our existing strengths in real estate, IT and advanced materials, while cultivating environmental businesses.

Pushing forward with these initiatives, by the year 2020, we aim to achieve ROA of 4% and ROE of 9% on a consolidated basis, respectively, by expanding the international businesses, and the environment and non-energy businesses to collectively match the sales scale of our domestic energy businesses.



*1 LDC: Local Distribution Company *2 Independent Power Producer

Business Directions

Domestic Energy Businesses → P26	**Gas business**	**Residential sector**	Advance energy systems and services contributing to the high level of comfort of customers and environmental friendliness.
		Commercial and industrial sectors	Aim for growth as an energy services provider by supplying multi-energy solutions centered on energy conservation technologies. Seek business model evolution in utility management, energy bank, safety and other high-quality, high-value-added services.
		Stable natural gas supply	Procure stable and price-competitive LNG to build a natural gas supply infrastructure for the stable supply of gas to customers.
		Ensuring higher level of safety	Enhance higher safety levels in gas supply and other gas appliances through proactive measures.
	Power business	**Power business**	Build the power business at home and abroad as a second core business after natural gas. Develop the power business further through new capacity development and by restructuring the generation portfolio.
International Energy Businesses Along the Energy Value Chain → P34	**Upstream/ energy trading**		Participate in equity up to about 15% of LNG supply and seek LNG trading opportunities through equity-lifting.*
	Mid- and downstream		Seek global opportunities for achieving stable revenue flow using human resources and know-how of the Group.
Environment and Non-Energy Businesses → P38	**Environment and non-energy businesses**		Broaden existing businesses in real estate, IT, and advanced materials fields. Develop new businesses in environment-related fields utilizing own technologies.

* Ownership of LNG as per equity holding for own off-take and marketing

Management Targets

	2010/3 (Results)	2014/3 (Estimate)	2021/3 (Estimate)
Operating revenues	¥1,187.1 billion	→ ¥1,600 billion	→ ¥2,000 billion
Total assets	¥1,437.2 billion	→ ¥1,850 billion	→ ¥2,100 billion
ROA	3.1%	→ Approx. 3.5%	→ Approx. 4.0%
ROE	6.9%	→ Approx. 8.0%	→ Approx. 9.0%
Return to shareholders	Payout ratio of 30% or more on a consolidated basis, excluding temporary factors affecting the profit situation		
Maintain financial soundness	Shareholders' equity ratio of 40% or more; debt to equity ratio of approximately one		

Investment FY2010/3–FY2021/3

¥1.5 trillion investments for solidifying three business fields

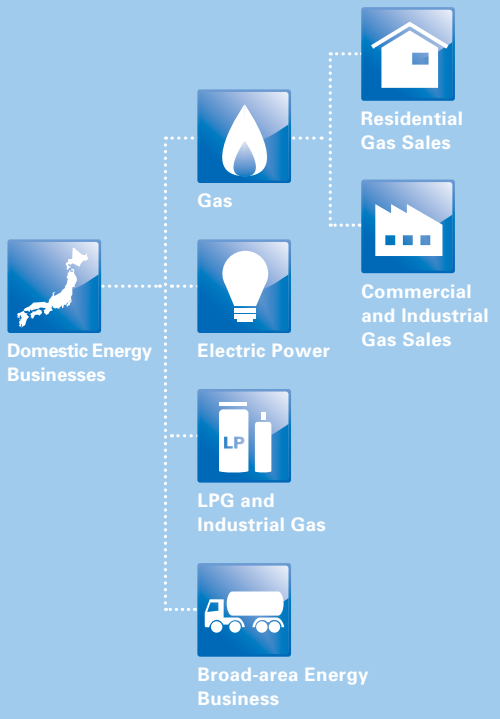
Upgrading existing businesses: ¥700 billion [¥300 billion*]

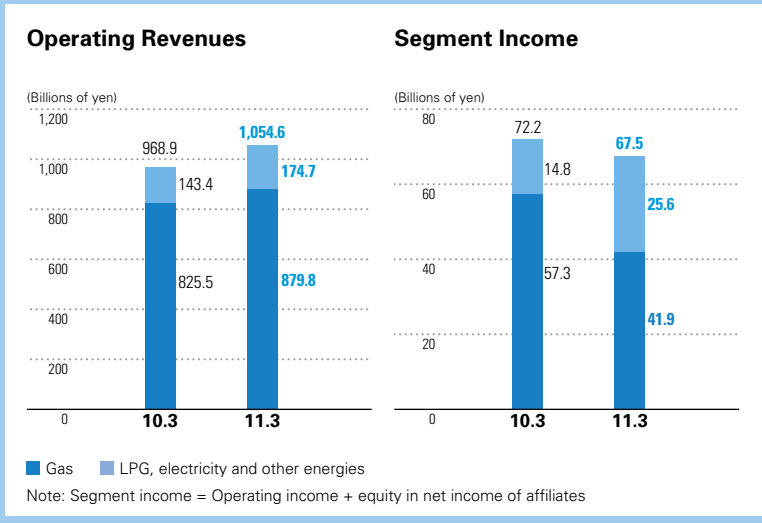
Investments for incubation and expansion: ¥800 billion [¥400 billion*]

* Of a total ¥1.5 trillion, the proportion for investment in five years from the fiscal year ended March 2010 through the fiscal year ending March 2014

Domestic Energy Businesses

The domestic energy businesses comprise the gas business, the electric power business, the LPG business and the industrial gas business, and the broad-area energy business. The Osaka Gas Group is committed to developing a multi-energy business that contributes to the convenient and enriched lifestyles of its customers. We continue to improve our stable energy supply, safety, and services.



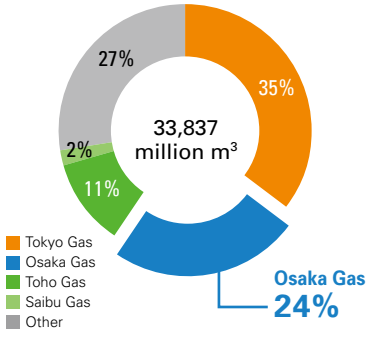


Note: Segment income = Operating income + equity in net income of affiliates

Characteristics of the Japanese Gas Business

There are 211 gas companies in Japan, but the majority of gas sales by volume is accounted for by a few major companies. Japan relies on imported LNG for most of the gas supplied in the country. It was first imported in 1969. In contrast to many other countries, Japan does not have any international gas pipelines or gas pipelines interlinked nationally. Furthermore, the gas business is operated in an integrated manner — from importation, storage, production and sales.

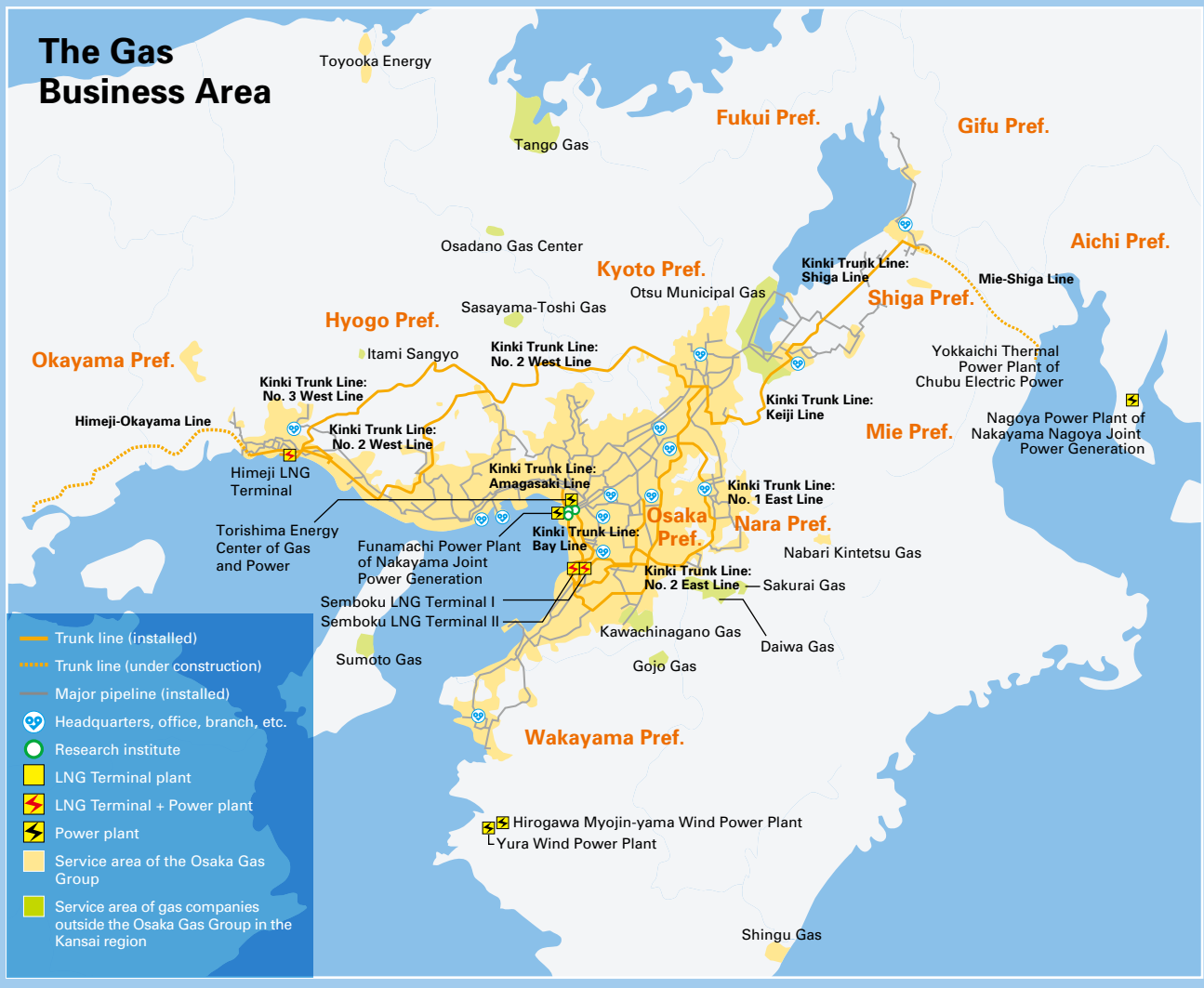
Gas Sales Volume Market Share in Japan (FY2010)



Note: In this graph 1 m^3 = 41.8605 MJ/ m^3.
Source: Japan Gas Association "Gas Sales Volumes"

Comparison of Gas Business: Japan and Western Nations

	Japan	Western nations
Procurement	The majority imported as LNG	Domestically produced or procured from neighboring countries via pipelines
Infrastructure	Pipelines that link to major gas markets are under-developed	Well-developed pipeline network that links gas supply and markets
Competitive environment	Strong inter-fuel competition New players participate in the market	Competition exists only between suppliers of the same kinds of energy
Technology development	Mostly gas suppliers	Mostly manufacturers
Security and safety	Responsible for consumers' assets (even house gas pipes and gas appliances)	Not responsible for customers' assets (only up to gas meter)



Deregulation of the Gas Industry in Japan

Ever since partial retail liberalization was adopted in 1995, deregulation has progressed by gradually expanding the sphere of retail in the gas business.

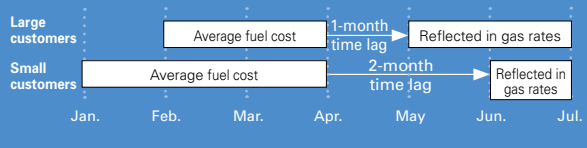
	Scope of liberalization	% of national sales open for competition	Features	Customers
1995	2 million m^3 or more per year	47%	Introduction of third-party access to pipelines and fuel cost adjustment system	Large factories and large commercial facilities
1999/2000	1 million m^3 or more per year	52%	Third-party access to pipelines made mandatory (four major companies only)	
2004	500,000 m^3 or more per year	55%	Third-party access to pipelines made fully mandatory	Medium-sized factories, city hotels, etc.
2005	—	—	—	Small factories, hospitals, no-frills hotels, supermarkets, etc.
2007	100,000 m^3 or more per year	62%	—	

Sources: Denki Shimbun, "Description of Electric Power Liberalization and New Systems," and Market Monitoring Subcommittee, Urban Thermal Energy Subcommittee of the 2009 Advisory Committee on a and Natural Resources

Characteristics of the Gas Rate System

The price of gas is determined on the basis of the fuel cost adjustment mechanism by reflecting the external factors of foreign exchange rates and crude oil prices. Due to this system, the impact of exchange rate and crude oil price fluctuations on Company performance is neutral over the medium to long term. However, over the short term, performance is affected by changes in these factors because of the time lag between when fuel costs change and when they are incorporated into gas rates.

The Fuel Cost Adjustment System



Gas Business

Business Characteristics and Strengths

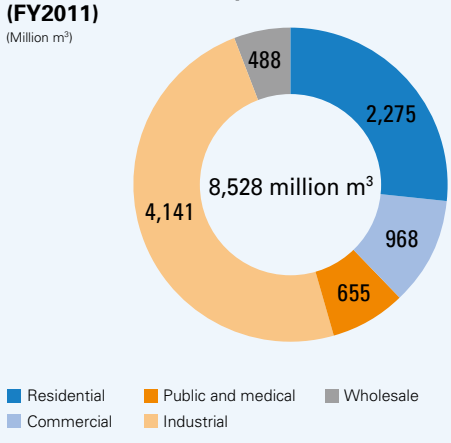
The gas business is the core business of the Osaka Gas Group serving users in the Kansai region, Japan's second-largest urban area. Our businesses and services involve producing and supplying natural gas, installing in-house gas pipes, and selling gas appliances. Through technological development, marketing and the formation of new services, the Group has penetrated a wide-ranging cross section of household, commercial, public and medical-use, and industrial customers to meet their diverse energy needs. The Group is also working toward the stable procurement of energy resources and ensuring the soundness of gas infrastructure including the pipeline to deliver gas safely and reliably around the clock.

Overview of Gas Sales

In the fiscal year ended March 31, 2011, gas sales volume of the Company was 8,528 million m^3*1, representing about a quarter of nationwide gas sales. Meanwhile, the number of the Company's customers reached 7.01 million.*2 Looking at the breakdown of gas use by sales volume, Osaka Gas sold 4,141 million m^3 to its industrial customers, accounting for about half of the total sales volume, and 2,275 million m^3 to its residential customers, about one-quarter of the total. Commercial segment sales volume recorded 968 million m^3, and public and medical-use sales totaled approximately 655 million m^3. On a wholesale basis, 488 million m^3 of gas was sold to other gas businesses.

*1 Total gas sales volume of the Company's other consolidated subsidiaries was 32 million m^3.
*2 The total number of gas sales customers of the Company's other consolidated subsidiaries was roughly 29,000.

Gas Sales Volumes by Use (Non-consolidated) (FY2011)



Gas Business
Residential Gas Sales

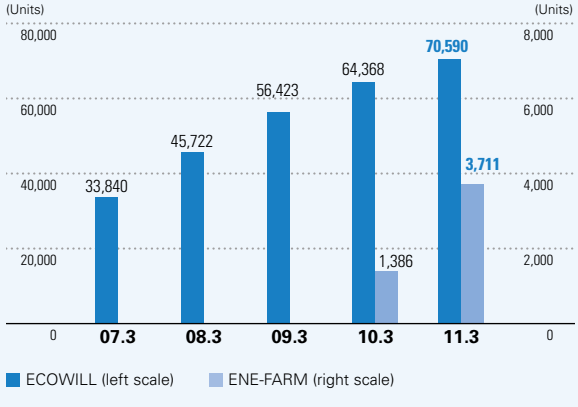
Business Characteristics and Strengths

Osaka Gas serves its customers with safe and reliable gas supplies, offering a variety of gas appliances to promote their gas usage. The Company works together with manufacturers to develop new gas appliances to meet customers' needs, and introduce ways to enrich their lifestyles with the products. We are also committed to swiftly responding to our customers' calls for repair and maintenance of gas equipment. Against the backdrop of decreased population, increased smaller families, and intensified competition with all-electric home energy systems in the Kansai region, we are striving to expand gas demand in households through promotion and technological improvement of our residential gas engine cogeneration system "ECOWILL" and residential fuel cell cogeneration system "ENE-FARM." Capitalizing on the environment-friendliness of natural gas, these appliances are designed to achieve higher energy efficiency to contribute to realizing a low-carbon society. The cogeneration systems will enhance energy security as distributed power generation with these systems prevails.

Fiscal 2011 Overview and Initiatives

Residential gas sales volume increased by 1.4% over the previous year, to 2,275 million m^3 in the fiscal year ended March 31, 2011, as both atmospheric and water temperatures during the winter's peak demand season were lower than average.

Residential Cogeneration System Units Sold (Cumulative Total)



Cumulative Sales of Residential Fuel Cell Cogeneration System "ENE-FARM" Top 3,700 Units

"ENE-FARM" is an efficient gas-fired distributed power generation system for households. The system generates electricity using hydrogen reformed from natural gas, and efficiently uses recovered heat for hot water supply and space heating. It operates on less energy and emits much less CO_2 compared with conventional power generation. Running on gas, it reduces electricity bills by the amount of electricity it generates. The system has been well-received by our customers for its environment-friendliness and better economy. In the fiscal year ended March 31, 2011, 2,325 units were sold, exceeding the initial target by approximately 36%, with cumulative total sales topping 3,700 units since its launch in 2009. For even greater reductions of CO_2 emissions, Osaka Gas promotes "hybrid power generation," a combination of "ENE-FARM" or "ECOWILL" with a photovoltaic power generator. The hybrid system has been installed at more than 2,800 households to date.

For details of hybrid power generation, please refer to page 22.

Developing and Selling Gas Appliances in the Pursuit of Efficiency, Comfort, Convenience and Safety

For the residential sector, Osaka Gas develops and markets gas appliances to contribute to energy conservation and reduced CO_2 emissions. One good example is "ECO-JOZU," a high-efficiency gas residential water heater that re-uses combustion gases previous models released into the atmosphere. In the fiscal year ended March 31, 2011, 69,000 units were sold, with cumulative total sales reaching 310,000 units.

Gas utilities in Japan have been involved in a campaign to eliminate fire outbreaks from kitchen stoves since April 2008. As part of this campaign, gas companies have promoted the widespread use of Si Sensor kitchen stoves. Such stoves are equipped with a safety device on all burners to prevent flame failure and overheating. Thanks in part to this campaign, over 10 million Si Sensor stoves were sold nationwide as of December 2010, of which 443,000 units were Osaka Gas products. The Company's sales of the Si Sensor kitchen stoves reached a record 71,000 units in the fiscal year under review, surpassing the previous record by 16,000 units. Osaka Gas will continue its efforts to develop and promote these safe and convenient kitchen stoves.

Future Business Development

Providing Uniformly High Quality Services

Seeking continued support from customers, Osaka Gas continues to engage in grass roots marketing and developing new services. To achieve higher customer satisfaction, we keep improving our customer service by significantly reducing response time in answering our customers' calls and sending our repair teams to our customers. Our foremost customer service principle is to provide uniformly high quality services across all points of customer contact.

Topics

"Raku Toku" Lease

Providing our customers with easier access to our newest Si Sensor kitchen stoves and ovens, we introduced a "Raku Toku" (easy and economical) lease program in March 2010. In this program, Osaka Gas leases these appliances at affordable rates starting from ¥1,390 a month for a no-oven-built-in unit and from ¥2,050 a month for an oven-built-in unit. The program makes Si Sensor kitchen stoves accessible to many customers, without paying an upfront lump sum to purchase the unit to enjoy our latest models. We have received highly favorable responses to this program from our customers who can enjoy the latest safe and convenient gas stoves. During the fiscal year under review, we had more than 5,700 lease applications, highlighting the increased use of Si Sensor kitchen stoves. Coverage of the "Raku Toku" lease program will be extended to water and space heaters, including the high-efficiency "ECO-JOZU" models, and the "KAWACK" and "MIST KAWACK" bathroom heater/dryer units.

Gas Business

Commercial and Industrial Gas Sales

Business Characteristics and Strengths

In the Group's business-use gas operations for the industrial, commercial, public and medical-use sectors, we encourage customers to continue using gas by supplying them with appliances and services that meet their needs. We also work to attract new customers mainly through demonstrating the environment-friendliness of natural gas and energy-efficient engineering. Our activities in this domain focus on promoting natural gas and its advanced utilization through marketing various gas appliances such as gas cogeneration systems, gas air conditioning systems and gas kitchens, featuring higher safety, convenience, and energy efficiency as well as energy security. Osaka Gas strives to improve the user-friendliness and economy of natural gas for its customers through its efforts to expand businesses of providing broad energy services, going beyond energy supply. Our expansion efforts include managing water treatment systems, lighting facility energy conservation, financing for installing gas equipment, and IT monitoring systems.

Topics

Super-Efficient Modular Air Conditioner System for Buildings "GHP XAIR" Launched

In April 2011, Osaka Gas launched "GHP XAIR," a super-efficient modular air conditioning system for small- and medium-sized commercial buildings. The system is equipped with a super-efficient gas engine heat pump, which achieves higher energy conservation than any other models in the country. It was developed by Osaka Gas jointly with Aisin Seiki Co., Ltd., Sanyo Electric Co., Ltd. and Yanmar Energy System Co., Ltd. In comparison to conventional models, the new system can reduce primary energy consumption up to 19% a year and reduce CO_2 by as much as 20%. Osaka Gas plans to promote the system to customers for a wide range of applications including office buildings, commercial facilities, schools, hospitals and factories.

[GHP XAIR]

Fiscal 2011 Overview and Initiatives

In the fiscal year ended March 31, 2011, industrial gas sales volume increased by 6.8% over the previous year to 4,141 million m^3 as capacity utilization among our customers rose in step with a gradual recovery in the economy. Sales volumes in commercial, public and medical use increased by 5.2% over the previous year, to 1,624 million m^3, as gas demand associated with air conditioning rose during the summer months.

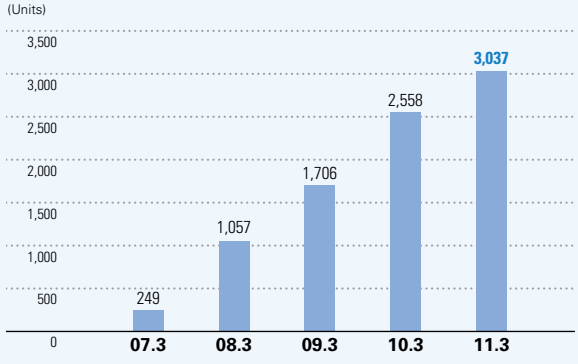
Boosting Switching to Natural Gas

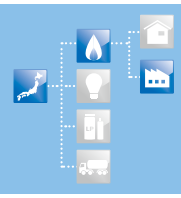
Osaka Gas promotes natural gas as a critical energy source for thermal applications in the industrial sector. During the fiscal year under review, we obtained a number of new customers with large heat demand through our campaign of switching to natural gas for fueling their industrial furnaces and boilers. In particular last year, Osaka Gas launched full-scale LNG sales activities targeting commercial and industrial customers beyond the reach of its gas pipelines.

In Pursuit of Gas Convenience

In the effort to spread the use of gas, Osaka Gas develops and markets a wide variety of gas appliances that meet customers' demands for functionality, economic efficiency, and environment-friendliness. One of our flagship models is the gas-engine heat pump air conditioner "High Power EXCEL" (GHP) for commercial and industrial gas applications. The

High Power EXCEL Units Sold (Cumulative Total)





unit incorporates a gas-powered air-conditioning system with an electricity generator. "High Power EXCEL" uses spare engine capacity to generate electricity during air-conditioner operation, supplying power within the premises and significantly reducing electrical consumption. In the fiscal year ended March 31, 2011, 479 units were sold, with cumulative total sales reaching 3,037 units. The number of customers installing this system has increased steadily. We also expanded our "Suzuchu" lineup of commercial kitchen appliances to over 300 models while launching an aggressive PR campaign to raise product visibility.

Business Expansion as an Energy Service Provider

Going forward, "Energy Services" for comprehensively managing a customer's energy usage will become a core earnings driver for the commercial and industrial domain. These services will not only involve gas supplies, but also the finance, installation, and maintenance of a customer's plant and equipment. In the year under review, the cumulative number of contracts on one such service, "Eco Wave," grew to 862 accounts, and Osaka Gas increased its lineup of new products and schemes. In addition, Osaka Gas markets "Eneflex," a remote system via the internet for monitoring energy consumption for commercial and industrial customers to conserve energy and reduce running costs. In the year under review, the cumulative number of sites installed with this system grew to 1,008 locations. In addition, Osaka Gas is engaged in engineering and consulting services in water treatment systems and power conservation in lighting. As an Energy Service Provider, Osaka Gas continues its efforts to expand the range of unique services.

Future Business Development

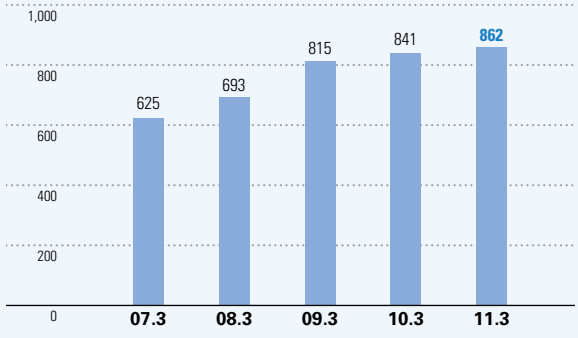
Further Evolution as an Energy Service Provider

The Group plans to tap renewable energies by developing new air-conditioning systems using photovoltaic generation and solar heating and highly efficient methane fermentation technologies that improve the absorption of biogases from sewage sludge and garbage. We also differentiate ourselves and improve competitiveness by offering higher value-added one-stop services. Furthermore, we will collaborate with other gas providers in the region to expand the service area to grow our business.

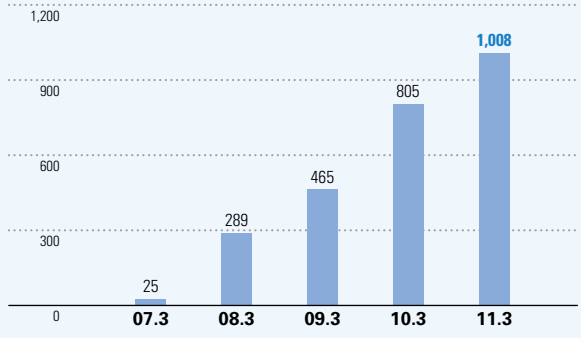
Penetrating and Expanding the Commercial and Industrial Market

To further penetrate the market of commercial and industrial customers with heat demand, we plan to expand our sales channels by drawing upon our sales network of agents and manufacturers. Moreover, we are actively cultivating demand along the Himeji-Okayama Line, scheduled to complete in 2014, to expand our geographic market reach.

Eco Wave Contracts (Cumulative Total)



Eneflex Service Locations (Cumulative Total)



Electric Power Business

Business Characteristics and Strengths

The electric power business is an integral part of the multi-energy service business of Osaka Gas. It is a business line leveraging the Group's infrastructure, solution-based marketing techniques and customer network nurtured in the Company's core gas operations. The business consists of three domains: IPP, power generation, and power marketing. In an effort to contribute to environmental conservation, Osaka Gas is actively engaged in carbon-emission-free wind power generation in addition to gas-fired thermal power generation. In power marketing, we sell our electricity through our retail affiliate ENNET Corporation, and wholesale power to Japan Electric Power Exchange (JEPX) to establish a well-balanced marketing portfolio. Domestic power generation capacity of the electric power business is currently around 1.8GW, centered on the 1.1GW capacity of the Semboku Natural Gas Power Plant that commenced operations in 2009.

The Semboku Plant in Stable Operation

The Semboku Natural Gas Power Plant, operational since 2009, is a cutting-edge, highly efficient gas turbine combined-cycle power plant generating electricity from environmentally friendly natural gas. All four gas turbines at the plant were constructed within the Company's Semboku LNG Terminal to achieve enhanced competitiveness with lower cost and synergies with the gas business, which shares the same space and infrastructure. Throughout the year under review, all four turbines operated without major problems. The power business contributed significantly to the Company's profits mainly due to a spike in electricity demand caused by an unusually hot summer last year.

Future Business Development

With the view to grow the power business into an earnings driver second to the gas business, we maintain the stable operation of the Semboku Natural Gas Power Plant. Meanwhile, we ensure our business risks are hedged with a balanced sales portfolio including both retail and wholesale of electricity. In our long-term commitment to deal with the growing importance of global environmental concerns, we continue to expand our horizons beyond gas-fired thermal generation, to construction and acquisition of wind, solar and other renewable power generation facilities, as well as M&A opportunities of IPP business. Leveraging our ability to coordinate and deliver the best energy mix of gas and electricity to meet customers' demand, we continue our endeavors to become a more reliable multi-energy service provider.

Power Sources Owned by Osaka Gas Group (as of June 2011)

	Power plant	Capacity
Domestic power source	Torishima Energy Center	150 MW
	Nakayama Joint Power Generation	149 MW
	Nakayama Nagoya Joint Power Generation	149 MW
	Himeji Power Plant	55 MW
	Semboku Natural Gas Power Plant	1,109 MW
	Hayama Wind Farm	20 MW
	Hirogawa Myojin-yama Wind Power Plant	16 MW
	Yura Wind Power Plant	10 MW
	Other	115 MW
	Total	**1,773 MW**

In addition to the above, 1.4GW (Group stake) is sourced abroad.
For further information, please refer to pages 34 and 35.

Semboku Natural Gas Power Plant (Osaka)

LPG and Industrial Gas Businesses

Business Characteristics and Strengths

Advantage of the Group's Network in LPG

The Osaka Gas Group's LPG business is mainly to serve customers outside the natural gas service area by providing retail and wholesale supplies of Liquid Petroleum Gas (LPG). The Company takes full advantage of its nationwide network, as well as its knowledge and experience of the natural gas business, to enhance its competitiveness in LPG. The LPG business constitutes multi-energy services of Osaka Gas in combination with natural gas and electricity supplies for both household and industrial users.

Cryogenic Energy Business and Industrial Gas Business

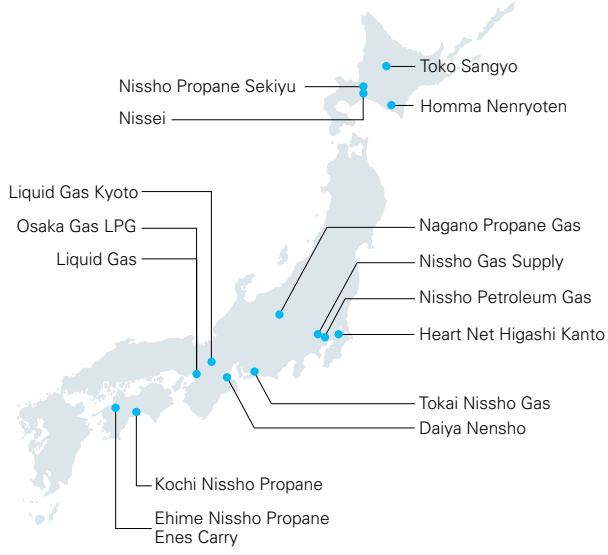
Utilizing the cryogenic energy of LNG, Osaka Gas is involved in businesses such as air separation, manufacturing and marketing of liquefied carbon dioxide and dry ice, high-purity methane, and on-site supplies of hydrogen from a hydrogen producer "HYSERVE." Additionally, in this growing business area of ours, we are expanding business using proprietary technology in low-temperature crushing.

In the fiscal year under review, Osaka Gas further expanded its customer base in this field using the marketing know-how of its natural gas business while maintaining a stable supply of industrial gas to its customers.

Future Business Development

The Osaka Gas Group will enhance quality and efficiency to strengthen its LPG business. Furthermore, we will enrich multi-energy services including the industrial gas business.

LPG Business Locations



Broad-Area Energy Business

Business Characteristics and Strengths

The Osaka Gas Group does not merely supply natural gas to customers inside the service area. The Group also sells part of the LNG that it procures to large-scale customers outside its service area, and to other utilities, by transporting the gas by truck, train or ship. In addition to the LNG already being supplied to Nippon Gas Co., Ltd. by LNG tanker, the Group is scheduled to begin providing LNG to Okinawa Electric Power Company, Inc. in the fiscal year ending March 2013, and to Shizuoka Gas Co., Ltd., in the fiscal year ending March 2015.

Future Business Development

Osaka Gas will expand the volume of LNG it trades to enhance its competitiveness in procuring LNG. At the same time, it will provide a variety of energy solutions while forming business alliances with other utilities.

International Energy Businesses Along

The Group is expanding its business globally in areas including resource development, LNG terminals, pipelines and IPP.

Business Overview

In the field of international energy business along the energy value chain the Osaka Gas Group strives for stable and flexible procurement of highly competitive supplies of LNG, and builds up a natural gas value chain that extends from upstream to mid- and downstream businesses. By participating in natural gas projects, we intend to secure profitability as well as to maximize synergies among projects by utilizing knowledge, expertise and networks cultivated through the LNG procurement business.

In addition to pushing ahead with the development of our natural gas fields, oil fields and other energy resources in the upstream area, we also promote the development of mid- and downstream operations in LNG terminals, pipelines, gas distribution and IPP projects. In the future, we plan to leverage our LNG terminals and LNG carriers to develop a global operation with a view to enter the global energy trading business.

Investments in International Energy Businesses Along the Energy Value Chain

❶Idemitsu Snorre Oil Development Co., Ltd. (North Sea Oil Field)

- Stake since 2005: 49.49%
- Estimated reserves: 90 million boe* (crude, etc.)

*boe: Barrels of Oil Equivalent

❷Amorebieta IPP

- Stake since 2005: 50%
- Power generation capacity: 378 MW (Group stake)

❸Sagunto LNG Terminal

- Stake since 2010: 20%
- Vaporization capacity: 6.4 million tons/year

❺Qalhat LNG Terminal

- Stake since 2006: 3%
- Liquefaction capacity: 3.3 million tons/year

(Image)

❹Shuweihat S2 IWPP

- Stake in 2011: 10% (25% equity interest in the operation and maintenance company)
- Power generation capacity: 150 MW
- Fresh water processing capacity: 10 million gallons/day

Operations scheduled to commence in the fall of 2011

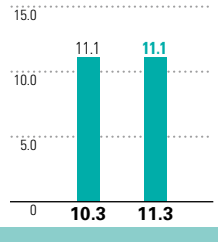
❻Gorgon Project Gas Field

- Stake since 2009: 1.25%
- Projected output: 15 million tons/year (Start of production scheduled for 2014)
- Estimated reserves: 800 million tons natural gas (LNG equivalent)

the Energy Value Chain

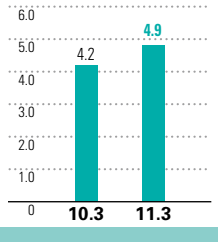
Operating Revenues

(Billions of yen)



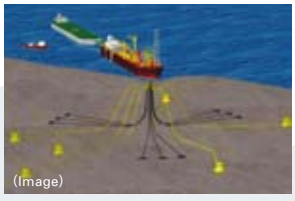
Segment Income

(Billions of yen)



⑦Universe Gas & Oil Company, Inc. (Sanga Sanga Gas Field)

- Stake since 1990
- 4.375% stake in mining concession



⑧Crux Condensate Field

- Stake since 2007: 15%
- Estimated reserves:
  Approx. 60 million bbl condensate

⑨Sunrise Gas Field

- Stake since 2000: 10%
- Estimated reserves:
  110 million tons natural gas
  (LNG equivalent)
  Approx. 230 million bbl condensate

⑩EII

- Stake since 2008: 30.2%
- Four pipelines, two gas-refining facilities, two power plants, two interconnected power lines

⑪Hallett 4 Wind Farm Project

- Stake since 2009: 39.9%
- Power generation capacity: 52 MW (Group stake)

⑫Shale Gas Development Project

- Stake in 2011: 7.5%
- Estimated reserves: About 100 to 160 million LNG-equivalent tons of natural gas

⑭Tenaska Gateway IPP

- Stake since 2004: 40%
- Power generation capacity: 338 MW (Group stake)

⑬Freeport LNG Terminal

- Stake since 2008: 10%
- Vaporization capacity: 13 million tons/year

Photo provided by: Freeport LNG Development L.P.

⑮IPPs in USA (including Guam)

- Stake since 2005
- 8 IPP projects
- Power generation capacity: 447 MW (Group stake)

International Energy Businesses Along the Energy Value Chain

Upstream Business (Resource Development Business)

Our upstream business activities have the primary goal of securing a flexible and stable supply of LNG for the domestic gas business. The upstream businesses we have participated in have not only contributed substantially to the expansion of the Group's earnings, but also to the stabilization of those earnings in times of surging crude oil prices.

Looking into the future, we will continue working for the early commercialization of our overseas energy projects, and acquiring new high-quality assets. By the year 2020, we plan to increase the LNG equity holdings that allow us to sell the resource in proportion to our interest percentage up to 15% of the entire LNG traded by the Group. With this strategy, we intend to improve the flexibility and stability of our LNG procurement with the aim of participating in the world LNG markets in the future.

Shale Gas Development Project in Canada

In May 2011, Osaka Gas decided to participate in a shale gas development project in Canada. Shale gas has become available as a natural gas resource thanks to technological innovations in recent years which have reduced the cost of natural gas production in comparison to conventional sources. Shale gas is a new type of resource that has gained growing attention around the world for its vast reserves. Also within scope is a feasibility study we are conducting with our partners for the potential future export of shale gas in the form of LNG to Japan.

Mid- and Downstream Businesses

The Osaka Gas Group has been aggressively seizing opportunities for equity participation in various overseas energy projects including LNG terminals, pipelines and IPP businesses. Our primary goals in this business field are to establish energy businesses which Osaka Gas operates with its energy business know-how and to further increase revenue stability for the entire Group.

We will further expand these businesses and examine new interest opportunities in gas distribution businesses.

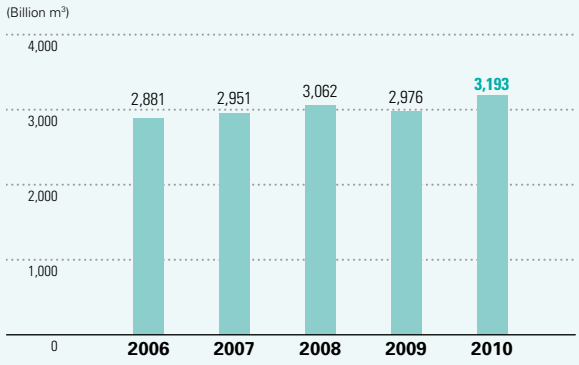
Water and Power Project in the UAE

In March 2011, Osaka Gas reached an agreement for acquiring equity in the Shuweihat S2 Independent Water and Power Project now under construction in Abu Dhabi, in the United Arab Emirates (UAE). In this project, Osaka Gas holds the shares of a business company and an operation and maintenance company for the project originally invested by Marubeni Corporation. Osaka Gas expects long-term and stable earnings from the project, which is scheduled to enter a 25-year contract for selling water and power once commercial operation commences in the fall of 2011.

LNG Terminal Project in Spain

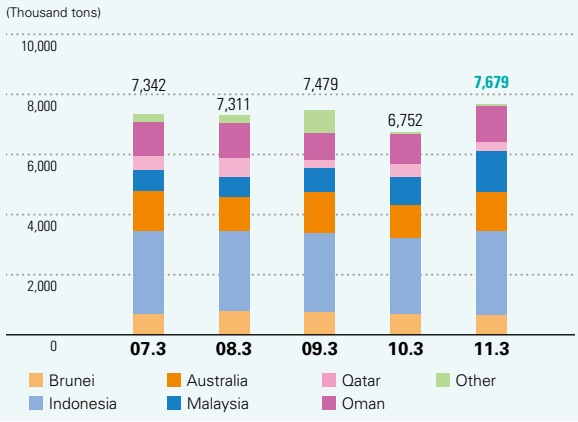
In December 2010, Osaka Gas invested in the Sagunto LNG terminal in Spain. This marked the Company's second investment in an overseas LNG terminal, following the Freeport LNG terminal in the U.S. The Company's policy in overseas LNG terminal operations is to acquire equity in LNG terminals that are located near the LNG consumption areas of industrialized nations, with the aim of developing trading businesses that will function in tandem with upstream businesses.

Global Natural Gas Production



Source: BP "Statistical Review of World Energy 2011"

LNG Purchase Volumes by Osaka Gas



Wind Farm Project in Australia

In Australia, Osaka Gas, along with the APA Group, a major Australian energy company, and Marubeni Corporation, built "Hallett 4," a wind farm, which commenced operation in June 2011.

Procurement of Energy Resources

Diversification of LNG Procurement

The LNG the Osaka Gas Group businesses currently use is entirely imported from abroad. Due to the expansion of global energy demand driven by emerging nations, and the changes in energy market conditions accompanying economic fluctuations, securing a long-term stable LNG supply became a key issue for the Group's management. In the fiscal year ended March 31, 2011, we procured LNG under long-term contracts from six countries: from Indonesia, Brunei, Malaysia, Australia, Qatar and Oman. In addition, we have plans to begin procurement from Russia in the year ending March 2012, and from Papua New Guinea by the end of 2013. The year ending March 2013 will also mark the commencement of LNG procurement through the portfolio supply of the Royal Dutch Shell Group. In our LNG procurement policy, we are focused primarily on long-term contracts, but they are combined with mid- and short-term arrangements for improving supply flexibility to deal with demand fluctuation.

LNG Transportation

Having our own LNG transportation capability not only reduces LNG shipping costs but also expands business opportunities in vessel leasing, LNG trading and other activities. In line with the Company's procurement policy, we will examine the possibility of enlarging our fleet of LNG carriers.

LNG vessels utilized by Osaka Gas


LNG Flora


LNG Vesta

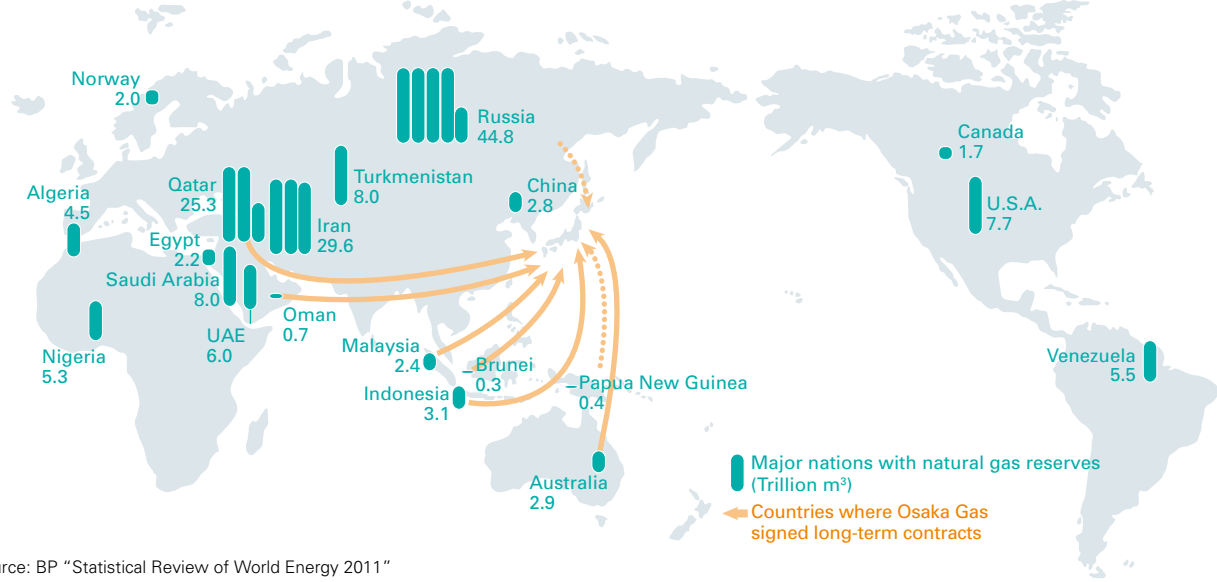

LNG Jamal

LNG DREAM


LNG BARKA


LNG JUPITER

Major Nations with Natural Gas Reserves and Suppliers to Osaka Gas



Source: BP "Statistical Review of World Energy 2011"

Environment and Non-Energy Businesses

The Group is drawing upon its technical expertise and eyeing business development in the environmental field—especially real estate, IT, and advanced materials—to deepen and expand its business.

Real Estate Business (Urbanex Group)

Business Characteristics and Strengths

In the real estate business field, Osaka Gas Group subsidiaries and affiliates develop, lease and sell office buildings, housing and other properties by utilizing the existing real estate assets and newly acquired prime assets of the Company. At the same time, the Group operates a research park in Kyoto, as a collaboration base for the private, academic and public sectors in creating new industries. We are also engaged in efficient management and maintenance of office buildings, hospitals, commercial facilities, hotels, and schools and other facilities, with the aim of energy conservation and the reduction of CO_2 emissions.

Fiscal 2011/3 Overview and Future Initiatives

In the real estate leasing business, the fiscal year under review saw an increase in earnings attributed to operations commencing at one new office building and two new residential assets, along with a rise in occupancy rates of the Osaka Gas Group real estate assets. In condominium sales, our swift sell-out strategy succeeded and contributed to a major increase in revenue. This was achieved against a market backdrop in which recovery had remained out of sight for all but the most convenient downtown condominiums.

We will continue to acquire prime pieces of real estate and expand business. Furthermore, we will generate synergies with the energy businesses of the Company by marketing properties equipped with the latest models of gas appliances including "Mist Sauna," gas stoves with glass tops and floor heating, to name but a few. Through these tactics, we aim to be one of the Kansai region's top integrated real estate groups.

Kyoto Research Park No. 9

IT Business (OGIS-RI Group)

Business Characteristics and Strengths

Having started with system development for its own gas operations, the Group's IT businesses offer a wide range of services to customers in the manufacturing, finance and distribution fields including design, consulting, development, operation and maintenance of IT systems. The Group also offers some of the most advanced technology in the country related to Model Base Development using the effective Unified Modeling Language (UML) to develop efficient systems.

Fiscal 2011/3 Overview and Future Initiatives

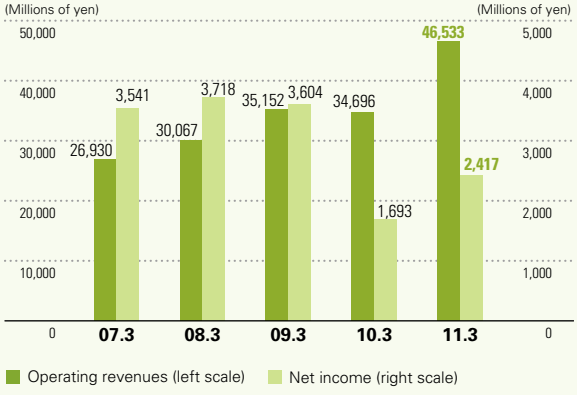
Amid a stagnant economic environment, Group businesses in the IT domain managed to maintain the same level of net sales as the previous year's in the year ended March 31, 2011. By contrast, profits of IT businesses decreased due to downward pressure on unit prices and other factors. Going forward, the Osaka Gas Group's IT businesses will continue to offer a solution menu including Cloud Integration for bringing network systems and customer systems together, "virtual hosting" and "Business Guru Map," among other services. At the same time, the IT segment aims to become a total solution provider by accelerating BTO (built to order) system development*1 which achieves customization for costs at mass production level, and Agile system*2 which responds quickly to customers' requests.

Notes:

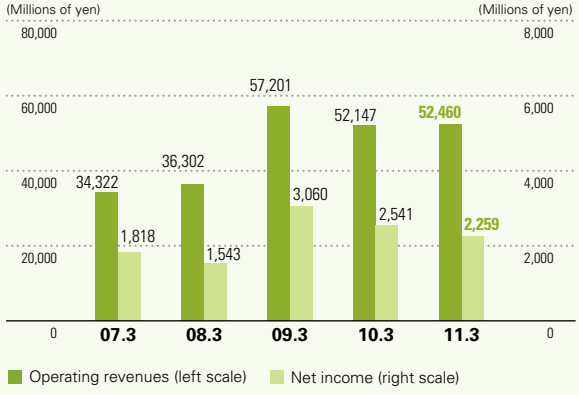
*1. BTO (build to order) system development: An approach that makes use of semi-finished products to apply the business models used in hardware manufacturing to software development in order to enable the production of individual products for individual customers at costs as low as those for mass production.

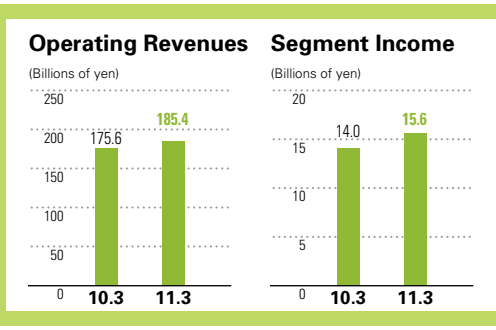
*2. Agile system development: In this approach systems are divided into small and quickly completed units, each in accordance with their component functions. A system is built up in stages with the phased completion of the units. This approach offers customers the advantage of performing test runs of the software right from the beginning, at each stage along its development.

Operating Revenues and Net Income of The Urbanex Group



Operating Revenues and Net Income of The OGIS-RI Group





Advanced Materials Business (Osaka Gas Chemicals Group)

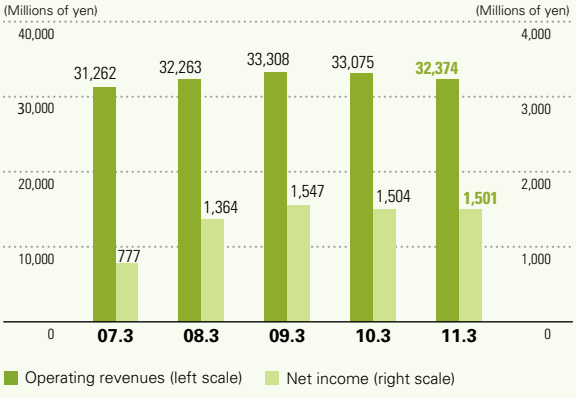
Business Characteristics and Strengths

This business domain draws on the accumulated coal chemical technology of Osaka Gas to operate a variety of businesses ranging in application from electronics to the environment. In the fine materials field, the group manufactures and sells fluorine derivatives with excellent optical properties and outstanding heat resistance. Those derivatives are used as materials in fabricating LCD films and camera lenses in mobile phones. Products manufactured and marketed in the carbon materials field include molded carbon-fiber insulation for use in fusion furnaces that process polysilicon for use in photovoltaic cells, activated charcoal for various applications, household environmental products using activated charcoal such as water purifier cartridges and air purifying filters, and preservatives including a widely recognized brand of wood protective paints.

Fiscal 2011/3 Overview and Future Initiatives

In the year ended March 31, 2011, the chemicals businesses of the Osaka Gas Group reported earnings roughly on par with the previous fiscal year, thanks to earnings growth in preservatives. This was achieved against an increasingly uncertain business environment in which competition intensified even as the economy remained sluggish. Going forward, the Group will expand sales channels and develop new applications in a variety of fields, including fine materials, carbon materials, household environmental products, activated carbon fiber, and preservatives. At the same time, the Group will leverage its advancing technologies in order to achieve business expansion, including the development of negative-electrode material with the aim of entering the rapidly expanding market for lithium-ion rechargeable batteries. The Group, moreover, will aim to grow as a "Sustainable Value Creator" to bring the best products and solutions to its customers to maximize value.

Operating Revenues and Net Income of The Osaka Gas Chemicals Group



Service-Related Businesses

Business Characteristics and Strengths

The Group is involved in a wide array of service-related business fields, including a research and consulting business using scientific methods of human behavior observation to contribute to productivity improvements in the service industry workplace, facilities operation of the COSPA and other sports centers, leasing of cars and various equipment, facilities management, temporary staffing, a for-profit retirement home, and wedding services. These businesses help raise the brand value of the Osaka Gas Group and contribute to efficient Group operations.

Fiscal 2011/3 Overview and Future Initiatives

In February 2011, one of our Group companies, Osaka Gas Business Create Co., Ltd., acquired all shares in Hohoemie Co., Ltd. (currently Osaka Gas Excellent Agency Co., Ltd.), a temporary staffing agency specializing in technically-trained personnel, for conversion into a wholly owned subsidiary. Osaka Gas Business Create acquired Hohoemie in response to the varying human resource needs of its customers, with the aim of bolstering its capacity as a business support company. In other areas, the Osaka Gas Human Behavior Observation Research Center and L-NET CO., LTD. led PR activities aimed at raising the social awareness of businesses in human behavior observation. Improving the response to customers' needs, the Group companies in the service-related area will continue to develop businesses to hedge the risks of the gas operations while searching for growth opportunities.

Operation of sports facilities
OG Sports Co., Ltd.

Wedding service business
Planetwork Co., Ltd.

Technological Development of the Osaka Gas Group

Our R&D Policy

The Osaka Gas Group views R&D as the most effective means to differentiate itself from others and to strengthen its competitive edge. For this reason, the Group strategically invests in fields such as energy and the environment, with a strong focus on developing and commercializing new technologies.

Cogeneration System Initiative

Residential Solid Oxide Fuel Cells*1 (SOFCs)

SOFCs

From 2004, the Company and Kyocera Corporation have been co-developing residential fuel-cell cogeneration systems using SOFCs. This system achieves a high power generation efficiency of 45%*2, which makes itself more marketable for households with smaller heat demand. Also, with its compact design downsized from the previous model, the unit will be made available for installation in multi-unit dwellings.

In March 2009, the co-development framework was joined by Toyota Motor Corporation and Aisin Seiki Co., Ltd. In cooperation with the alliance partners, Osaka Gas has started verification testing of the cogeneration system 2010 model with 41 units installed in detached homes in its service area. These trials are part of the demonstration study Osaka Gas participates in under the auspices of the New Energy and Industrial Technology Development Organization (NEDO). The parties have been accelerating development by integrating the technologies and expertise of each company, towards the completion of the study by 2015.

*1 SOFC stands for Solid Oxide Fuel Cell, a type of fuel cell that uses ceramics as an electrolyte, with a higher power generation efficiency (45%) in a smaller package than already commercialized PEFCs (Polymer Electrolyte Fuel Cells). In SOFCs, oxygen is ionized and traverses the electrolyte as oxygen ions, and then chemically reacts with hydrogen to generate electricity. Another major feature of SOFCs is utilization of carbon monoxide besides hydrogen.

*2 On a Lower Heating Value (LHV) basis. LHV represents the amount of power generated when a fuel gas undergoes complete combustion, less the latent heat of vaporization of water.

Smart Energy Houses

The Group is involved in the development of "smart energy houses," which provide comfortable, environmentally friendly living. The houses feature information technology and a combination of three types of batteries—residential fuel cells, solar cells and rechargeable batteries—to smartly and efficiently produce, store and utilize electricity and heat. To accelerate development and eventual commercialization, we initiated verification testing in February 2011 with two new residences we constructed: one for technical assessment and the other to be used as an experimental dwelling.

Refer to page 22-23 for further details.

Smart Energy Networks

A "smart energy network" is a next-generation energy system that optimizes the energy supply and demand balance by combining gas cogeneration systems, photovoltaic units and other devices and managing heat and electricity produced by and shared among consumers. Osaka Gas is currently testing a smart energy network with an energy community created in the Kansai region with the cooperation of nine customers.

Refer to page 23 for further details.

Technological Development for a Low-Carbon Society

Energy Conservation at Office Buildings Using Behavior Observation Methods

The Company not only introduced energy-efficient equipment but incorporated behavior observation methods in the architectural process of renovating the Hokubu Office Building (Takatsuki City, Osaka).

In order to identify which behaviors hindered energy efficiency, behavior analysis was conducted following behavior observation, interviews and questionnaires with tenants and visitors. The results highlighted that the main obstacles were caused by the difference in how people of various work-styles sensed temperature and gender-derived behavioral divergence, as well as apathy of tenants toward energy conservation. In response to these findings, we plan to install a room sensor system to control air conditioning based on each tenant's behavior and preference, as well as an assistance system for energy conservation that provides useful tips to the residents. In addition, by installing energy-efficient equipment like photovoltaic units and gas heat pumps with generator capability, we hope to reduce CO_2 emissions by approximately 25%.

Hokubu Office Green Gas Building

ECOMICELL

ECOMICELL is a water additive developed by the Company that minimizes the loss of hydraulic pressure within pipes and thus reduces the power consumption of chilled/hot water pumps for air conditioning systems in buildings. The addition of this liquid to chilled/hot water circulating in air conditioning systems reduces the piping pressure loss inside pipes, and thus improves the flow of chilled/hot water. It reduces power consumption of pumps by around 30% and lowers CO_2 emissions by around 3% in an average building. ECOMICELL is an effective energy conservation measure requiring no construction work, having been introduced to 92 existing buildings as of March 31, 2011.

ECOMICELL has received numerous commendations in recognition of its ability to drastically reduce CO_2 emissions. Notably, ECOMICELL won the Minister of the Environment Award for the Prevention of Global Warming in the fiscal year ended March 31, 2008.

Hydrogen Station Demonstration Project

Hydrogen achieves high generation efficiency and overall efficiency when used to fuel the electrochemical reaction in fuel cells for extracting electrical power. Since all that is left after the chemical reaction is water, it is said to be the ultimate clean energy source.

The Osaka Gas Group set up Japan's first hydrogen filling station on its premises in the fiscal year ended March 31, 2002. From the fiscal year ending March 31, 2012, Osaka Gas will participate in the Area Hydrogen Supply Infrastructure Technology and Social Demonstration Project implemented by the New Energy and Industrial Technology Development Organization (NEDO) as a member of The Research Association of Hydrogen Supply/Utilization Technology (HySUT). Through this project, Osaka Gas will demonstrate the use of technologies for fuel cell vehicles and hydrogen supply infrastructure. Measures include supplying hydrogen to fuel cell vehicles via the Osaka Hydrogen Station, which was renovated and reopened on the premises of the Company's Torishima Office. Also planned is the CO_2 separation from hydrogen production units. Through these measures, Osaka Gas will investigate the user-friendliness, commercial feasibility, social acceptance and other parameters of hydrogen technologies.

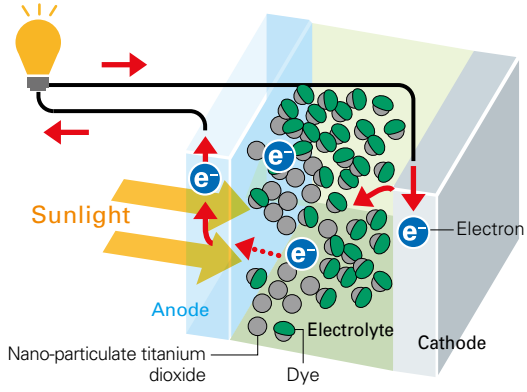
Osaka Hydrogen Station (on Torishima Office premises)

Dye-Sensitized Solar Cells

Osaka Gas is developing dye-sensitized solar cells, a technology gathering significant attention as a low-cost successor to silicon solar cells.

To achieve commercialization of dye-sensitized solar cells we need to improve the energy conversion efficiency at which light is converted to electricity and increase the life span of the cells. Osaka Gas uses a proprietary nano-material technology to develop cells with the primary focus on making high-performance titania electrodes. In the fiscal year ended March 31, 2011, the Company achieved a conversion efficiency of 10.4%, the highest level in Japan.

The Construction of a Dye-sensitized Solar Cell



Coal Mine Methane (CMM) Enrichment Technology

In our quest to contribute to the fight against global warming, we have developed equipment to enrich coal extraction-associated low-concentration methane which is otherwise released into the atmosphere. The concentrated gas can be used to fuel cogeneration and boilers. We have succeeded in a verification test using pilot equipment at the Fuxin Coal Mine (Liaoning Province, China).* Since the fiscal year ended March 31, 2010, we have been working to further improve performance and reduce costs, aiming for early launch into the market. The equipment leverages the Company's materials technology, which enables selective adsorption of methane from a mixed gas composed of air and methane.

* New Energy and Industrial Technology Development Organization (NEDO) Collaborative Research Project for fiscal years ended March 31, 2008 and 2009.

Technology Development that Contributes to Environmental Conservation

Energy-Creating Wastewater Treatment Process

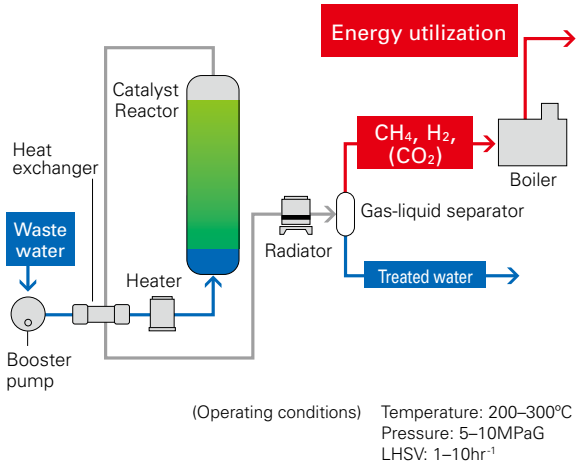
Wastewater and high-concentration toxic drainage produced by conductor plants, chemical factories and other industrial facilities are processed by burning fuel oil and other fuels. This method is problematic, however, due to large amounts of CO_2 emissions and substantial processing costs.

Osaka Gas has developed a method for rapidly decomposing and processing organic matter in wastewater by passing the wastewater through a specially processed nickel catalyst at high temperatures and high pressure. The process creates a flammable gas primarily composed of methane that can be recycled within factories as fuel for boilers and other applications. The result is a roughly 110% reduction* in CO_2 emissions and an approximately 40% reduction in wastewater processing costs compared to processing via combustion.

We began pilot plant testing in August 2010, the first such round of testing in Japan, with a view toward commercialization.

* Including CO_2 emissions reductions by the produced gas.

Overview of the Energy-Creating Waste Water Management Process



High-Efficiency Methane Fermentation Technology (Methasolution®) that Utilizes Sludge and Raw Garbage

The Company has developed a highly efficient biogas technology for turning waste into methane, which can then be used as a renewable energy source. The Company has employed its own unique resin reforming technology and ultra-high temperature solubilizing technology (Methasolution®) to decompose and ferment "whole" garbage and plastic bags used to hold garbage in a short period of time.

Technology for Stable Gas Supply, Safety and Peace of Mind

Osaka Gas works every day to drive technological innovation to ensure the safe and reliable use of gas by its customers. One factor limiting the installation of gas sensors is the need for AC power outlets. To remove this constraint, we are developing an ultra energy-efficient methane sensor with around 1/2000 of the power consumption of conventional devices and that does not require an AC power outlet. This is one way we are working to enhance the safety and reliability of gas at the consumption stage. Looking ahead, the Company will continue to develop technologies with the aim of enhancing safety and ensuring a stable supply of gas.

Open Innovation

In recent years, the Company has pursued a policy of "Open Innovation" in an effort to speed up and increase the efficiency of R&D by leveraging external technologies. "Open Innovation" is a policy to disclose the key technological challenges that we face to external entities such as major corporations, small-to-medium-sized companies, venture businesses, government-affiliated organizations, universities and international research institutes to accelerate technological development in cooperation with external entities. By linking with external resources, we seek to develop technologies that will contribute to the realization of a low-carbon society and support the expansion of our business fields.

In the fiscal year ended March 31, 2011, "Open Innovation" activities became well entrenched throughout the Osaka Gas Group. The Group held technology matching conferences, formed new industry-academia partnerships, and searched for overseas technologies in many different areas. Through these measures, the Company worked to incorporate numerous external technologies, which helped to accelerate technological development and create new products.

Intellectual Property Activities of the Osaka Gas Group

Basic Policies on Intellectual Property Activities

Osaka Gas has established the following three basic policies on intellectual property activities and is actively engaged in carrying them out to ensure that intellectual property rights are appropriately acquired for technological achievements and effectively utilized.

Reinforcing intellectual property rights acquisition in important areas

We are promoting an intellectual property strategy that complements our business and R&D strategies and working to reinforce acquisition of intellectual property rights capable of helping to strengthen business operations in areas of strategic management importance for the Group now or in the future, including residential energy systems.

Promoting effective utilization of intellectual property

We transparently provide information on intellectual property rights we have acquired and actively utilize them in Osaka Gas Group business operations. We also actively license rights to other companies so that the patents we hold are effectively utilized.

Strengthening intellectual property throughout the Group

Basic training is held throughout the Osaka Gas Group on acquiring and utilizing intellectual property rights and on practical expertise to raise the related capabilities of the Group. We also conduct activities to mitigate risks associated with intellectual property.

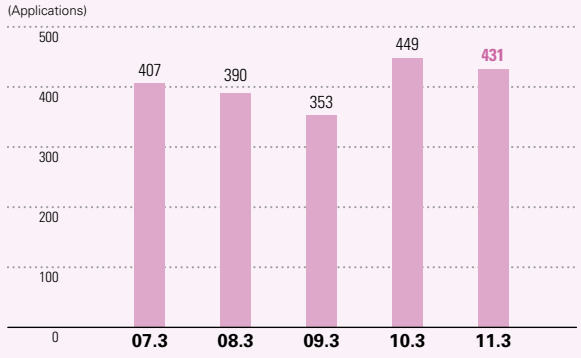
Intellectual Property Activities

Reinforcing intellectual property rights acquisition in important areas

The Group has been developing strong rights coverage centered on technologies of strategic importance to business and R&D and placing priority on filing applications for their patents. To that end, we have employed various methods including patent portfolio management. In particular, we are strategically filing patent applications in technologies related to cogeneration systems for households such as fuel cells.

In the fiscal year ended March 31, 2011, the Osaka Gas Group submitted 431 patent applications.

Patent applications by the Group



Promoting effective utilization of intellectual property

Patents held by the Osaka Gas Group totaled 2,461 as of March 31, 2011, an increase of 221 from March 31, 2010.

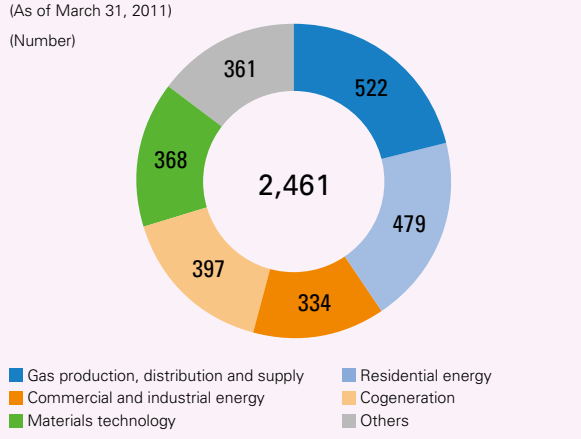
The Company owns patents in LNG tank technologies and non-excavation pipeline excavation methods applied in the production, distribution and supply business domains, in cogeneration systems and gas air conditioners applied in the commercial and industrial energy domain, and in fuel cells and mist saunas applied in the residential energy business domain.

Osaka Gas also owns patents on fine materials and other advanced materials technologies, as well as on data communications and electric power technologies applied broadly throughout the Group's businesses.

Separately, the Group actively licenses patents to other companies to ensure that the patents the Group owns are utilized effectively.

The Group's patent portfolio by business type

(As of March 31, 2011)



Strengthening intellectual property throughout the Group

We conduct training and awareness-raising activities so as to equip Osaka Gas Group employees with the fundamentals for filing a patent application and using intellectual property. These varied activities include training sessions run by instructors from inside and outside the Company for different objectives and employee ranks, and publication of an email magazine that includes intellectual property news and administrative reminders.

On the other hand, we make every effort to ensure that we do not infringe on the intellectual property rights of others and to prevent others from infringing on the intellectual property rights of the Osaka Gas Group. Efforts are actively made on a Group-wide basis to reduce exposure to intellectual property risk. Measures include performing a full inspection of the Group's trademarks and sharing a patent investigation system throughout the Group.

Corporate Governance

Corporate Governance

"Value Creation Management" is the group management principle of the Osaka Gas Group. Based on this principle, the Group is maximizing corporate value and further enhancing value for all stakeholders through fair and transparent business activities. This will lead to the creation of a healthier business and stronger corporate governance.

Following the internal regulations stipulated by the Board of Directors, the Executive Board and Board of Directors are comprised of the executive directors and directors that implement Group business. They make decisions after thoroughly deliberating upon relevant issues. The Board of Directors consists of 13 directors (including two outside directors). Its mission is to make swift and appropriate decisions about important matters that affect the whole Group and to enhance supervisory capabilities. The Company has adopted an executive officer system under which executive officers perform duties determined by the Board of Directors, while some representative directors and directors concurrently serve as executive officers. This serves to further strengthen the supervisory functions of the Board of Directors and enhance their performance in the execution of their duties. The Articles of Incorporation stipulate that there shall be no more than 27 directors, who are appointed by a quorum of shareholders possessing at least one-third of shareholder voting rights and by a majority of voting rights held by shareholders present as stipulated in the Articles.

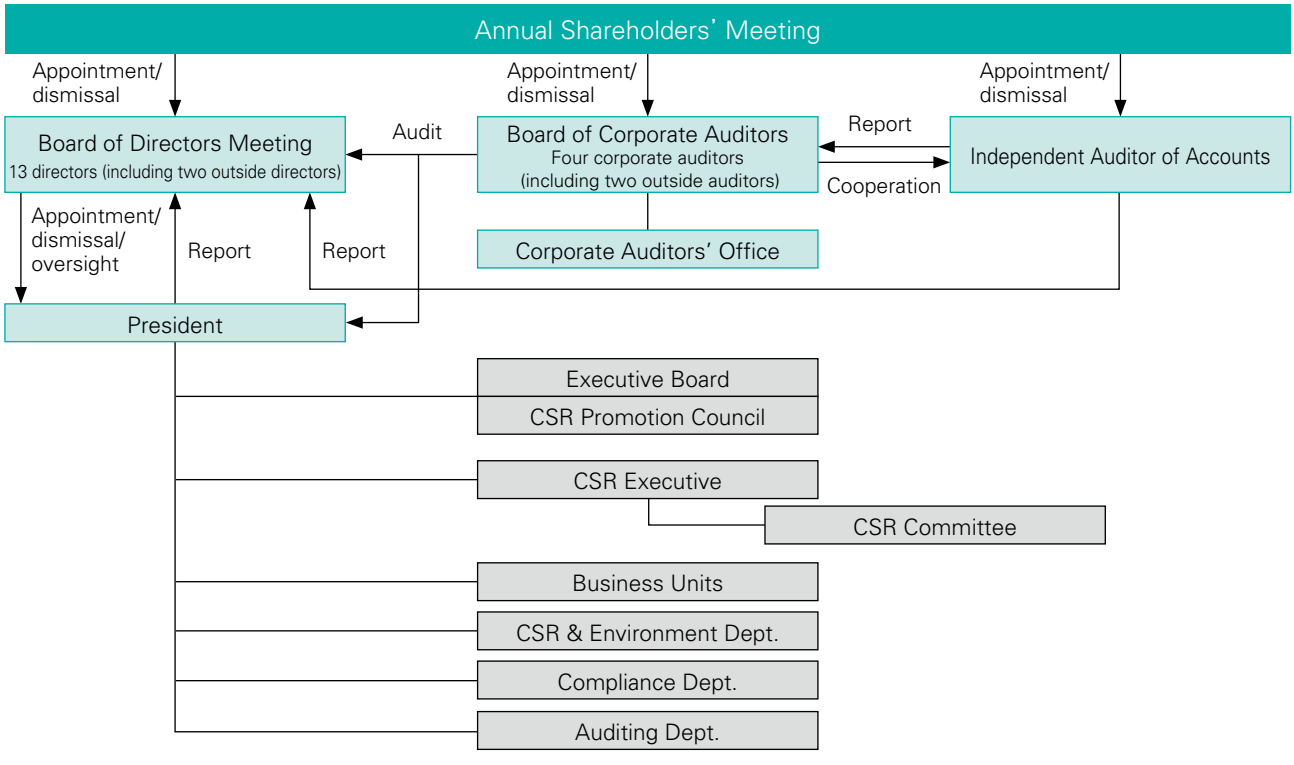
Moreover, the Company has chosen to adopt the corporate auditor system. Four corporate auditors, of whom two are outside auditors, each monitor the execution of work duties by the Board of Directors of the Osaka Gas Group. In addition, the Corporate Auditor's Office composed of four staff members not under the direct control of the directors has been established to support the corporate auditors and thus to improve the audit system.

As the two outside directors and two outside auditors are not major customers of the Group or major shareholders of the Company (including those who work for such major customers or shareholders), there is no danger of a conflict of interest with normal shareholders arising, and they have been deemed to be sufficiently independent. Therefore, they have been registered as independent directors with the financial product exchanges on which the Company is listed.

Internal Control Systems

The Company has established the Auditing Department (with a staff of 19 people), which functions as an internal auditing division and, based on a yearly auditing plan, monitors the appropriateness and efficiency of business activities, and provides each section of the organization with advice and recommendations. The Company is strengthening and enhancing its auditing and internal control functions with appointment of internal auditors who fulfill the responsibilities defined in the Basic Rules for Affiliates and the Rules for Voluntary Audits, both of which are common sets of rules throughout the Group, for the business operations units and the core Group companies.

Corporate governance organization (As of June 29, 2011)



Directors and Corporate Auditors (As of June 29, 2011)

(Left to right) Representative Director Masashi Kuroda, Representative Director Masato Kitamae, President Hiroshi Ozaki, Representative Director Takashi Sakai

President

Hiroshi Ozaki

Representative Directors

Masashi Kuroda
Takashi Sakai
Masato Kitamae

Directors

Shigeki Hirano
Noriyuki Nakajima
Takehiro Honjo
Koji Kono
Hirofumi Kyutoku
Takahiko Kawagishi
Hidetaka Matsuzaka

Outside Directors

Tadamitsu Kishimoto
Shunzo Morishita

Corporate Auditors (full-time)

Akio Ukai
Shingo Kamei

Corporate Auditors

Toshihiko Hayashi
Kenji Torigoe

CSR Initiatives of the Osaka Gas Group

The Osaka Gas Group CSR Charter was enacted in April 2006 as the guiding principle for the management and the employees of the Osaka Gas Group to observe in their business conduct, and to ensure that the Company fulfills its corporate social responsibility (CSR). As part of efforts to implement the Charter, Osaka Gas has set up a CSR Promotion Council under the president to plan, report and discuss activities of directors and other management related to CSR. The Company has also established the CSR Committee under the directors, CSR Executives, who oversee the CSR activities of the Osaka Gas Group, comprising the leaders of organizational units to coordinate and promote CSR in a cross-organizational manner. In order to fulfill its social responsibilities, in June 2007, the Company joined the United Nations Global Compact—the first Japanese public utility to do so. In April 2010, we were selected as one of the "Leaders" by investors who support the UN Principles for Responsible Investment (PRI).

The Osaka Gas Group CSR Charter

The Osaka Gas Group, with its highest managerial priority placed on maximizing value for its customers, seeks to create value for all its stakeholders including shareholders, society and employees through fair and transparent business practices. We believe that the pursuit of Value Creation Management results in fulfilling the corporate social responsibilities of the Group.

In order for the Osaka Gas Group to fulfill its CSR and to achieve sustainable development, we set the Charter as the guiding principle for the management and the employees of the Group to observe in their business conduct.

The management of the Osaka Gas Group, its subsidiaries and affiliates, and managers of respective divisions, are determined to implement the spirit of the charter in their business initiatives. Should any infringement of the charter occur, the management will act immediately to identify and resolve problems, and to take strict corrective actions.

I.
Creating value for customers

II.
Contributing to harmonizing with the environment and to realizing a sustainable society

III.
Being a good corporate citizen contributing to society

IV.
Complying with laws and regulations and respect for human rights

V.
Management policy of human growth

Compliance

The Osaka Gas Group recognizes the importance of rigorous compliance as the foundation to its execution of CSR. In accordance with this way of thinking, we compiled the Code of Conduct of the Osaka Gas Group in 2000. The purpose of the Code is to provide training and education to all Group employees—directors and regular staff at the Company as well as those at affiliates—to ensure they have a thorough awareness and understanding of the need to observe laws and regulations. As a framework for promoting compliance, we have established a CSR Committee and a compliance subcommittee under it, as well as the Compliance Department as a unit devoted to promoting compliance and a Compliance Desk to oversee the internal reporting system. Based on this framework, the Group is focusing on three priority initiatives: "Gaining Awareness of Legislation and Company Rules and Regulations," "Creating a Culture of Compliance and Mechanisms to Avoid Violations" and "Strengthening and Expanding Auditing and Monitoring throughout the Group." The goal of these initiatives is to further entrench and institutionalize compliance throughout the Group.

The Osaka Gas Group Code of Conduct

Primarily

1. Respect for human rights
2. Establishment of a comfortable and secure working environment
3. Compliance with laws, regulations, and other rules
4. Professional and private life
5. Respect for various international rules, including laws and regulations of various countries and regions, and rules on human rights, etc.
6. Consideration for the environment
7. Comply with the antimonopoly law and conduct fair transactions
8. Provision of products and services
9. Assurance of product and service safety
10. Response to customers
11. Contribution to communities
12. Socialization with business associates
13. Promoting understanding and requesting the cooperation of business associates
14. Use of information systems
15. Information disclosure
16. Management of intellectual property
17. Prohibiting dealings and sharing of profits with antisocial forces
18. Proper payment of taxes and accounting treatment

(Revised July 2011)

Environmental Initiatives

The Group is working hard to reduce the environmental impact of its business activities. This work entails efforts to use LNG cryogenics and other means at the Group's gas processing plants to reduce CO_2 emissions, as well as the Green Gas Building Project to save energy in the Company's office buildings. Moreover, seven separately certified environmental management systems of the Company's business segments have been integrated. And in December 2007, Osaka Gas obtained Company-wide ISO 14001 certification. As of March 31, 2011, there were 86 domestic affiliates in the Group following this unified environmental management system.

The Company is also working vigorously to reduce the environmental impact of its customers by providing goods and services that produce less CO_2 emissions. In our gas business, we are promoting the widespread use of environment-friendly natural gas, which is in line with national energy policies, and the adoption of high-efficiency equipment and systems such as cogeneration systems and gas-powered air conditioning systems. We also offer a diverse range of services, including a financing scheme for reducing the cost burden on customers that adopt energy-saving equipment.

In April 2010, the Group publicly announced the "Osaka Gas Group Policy on Biodiversity." Based on this, we have made strides in assessing the impact of our business activities on the ecosystem and managing our resources in a sustainable manner. We have promoted the "greening" of our business sites with the aim of forming a network with the surrounding natural environment, while creating green spaces within our manufacturing facilities in which we cultivate rare plant species. At the same time, we have enlisted the advice of local government entities and research centers to promote a variety of projects, including a project for "greening" our property in the Kansai region based on the theme of plants featured in ancient literary texts.

We have also focused on actively publicizing our environmental performance data. In October 2010, we were rewarded as the most advanced company in disclosing corporate information on climate change among all the Japanese gas and electric utilities, with the highest score given by the Carbon Disclosure Project.

Activities Contributing to the Local and International Community

While operating domestic businesses with strong links with local communities, the Company also forges strong ties with Southeast Asia, Oceania and further afield in the international community, chiefly through the natural gas it procures.

This year is also a monumental year marking the 30th anniversary of the Small Light Campaign, a signature corporate volunteer program we run under the auspices of the Group. When the campaign was launched, its humble intentions were for every employee to develop an interest in their local communities, and to volunteer in resolving community problems. In the founding spirit of this campaign, we are determined to stay involved with activities that contribute to society.

This extends to supporting children, our next generation, in the Energizing Kids project we sponsor and support with our human resource and knowledge base amassed through the Group's business activities. The project educates children about energy, the environment, and good eating habits, and provides them with athletic training at the NOBY TRACK & FIELD CLUB.*

In other areas, Osaka Gas Information System Research Institute Co., Ltd. (OGIS-RI), an Osaka Gas affiliated company, has rallied the entire Group in support of resource conservation, jobs for people with impairments, and bridging the digital divide. OGIS-RI operates Hajimaru-kun, a program for pooling disused PCs from the Group and other donors, deleting the data and performing inspections, and recycling those PCs for the needy.

Elsewhere, the Osaka Gas Group Welfare Foundation seeks to contribute to people's enjoyment of long and active lives. It provides grants for welfare initiatives, and for research and studies that focus on the elderly. It is also engaged in projects to promote the enduring health of senior citizens. Promoting mutual understanding with the gas-producing nations of Southeast Asia and Oceania, we organized the Osaka Gas Foundation of International Cultural Exchange, providing international assistance to those countries. Both were recast as Public Interest Incorporated Foundations upon certification by the Prime Minister of Japan, effective from October 1, 2010.

* "NOBY TRACK & FIELD CLUB" is a sports club headed by Nobuharu Asahara, who is a coach of the Osaka Gas track & field team.

Inclusion in Various Social Responsibility Investment (SRI) Indices

As of March 31, 2011, the Company has been accepted into the following Social Responsibility Investment (SRI) indices:

- Dow Jones Sustainability Asia Pacific Index
- FTSE4Good Index Series
- ECPI Ethical Index Global (E. Capital Partners Indices)
- Ethibel Sustainability Index
- KLD Global Climate 100 INDEX (KLD Research & Analytics)
- Morningstar Socially Responsible Investment Index (MS-SRI)

(Reference) Main Evaluations Related to the Company's CSR Activities

Evaluation Source	Evaluation of the Company
An investment group representing the United Nations' Principles for Responsible Investment (PRI) (April 2010)	Selected as one of the "Leaders" in the report on activities by the United Nations Global Compact (one of 44 companies worldwide)
The Carbon Disclosure Project (October 2010)	Selected as an advanced company in climate change-related information disclosure 1st (Electricity/Gas sector)
The Nikkei Environmental Management Study (December 2010)	1st (Electricity/Gas sector)
Toyo Keizai, Inc.'s CSR Ranking (February 2011)	35th (among 1,132 companies)

Consolidated Financial Highlights

Osaka Gas Co., Ltd. and Consolidated Subsidiaries
Fiscal years ended March 31, 2001 through 2011

	2001/3	2002/3	2003/3	2004/3
Financial Data				
Operating revenues	¥ 951,926	¥ 973,565	¥ 947,977	¥ 951,324
Operating income	74,055	96,676	85,974	92,096
Income before income taxes and minority interests	59,844	65,363	51,025	78,161
Net income	36,097	39,418	29,685	47,065
Capital expenditure	91,233	89,938	67,107	69,779
Depreciation	92,461	88,793	82,805	89,564
Total assets	1,310,976	1,243,520	1,209,627	1,199,228
Equity	475,019	468,706	453,284	495,635
Interest-bearing debt	510,179	465,015	494,535	455,700
Cash flows from operating activities	140,981	155,121	92,573	132,891
Cash flows from investing activities	(109,047)	(88,546)	(49,629)	(67,877)
Cash flows from financing activities	(27,015)	(82,868)	(30,093)	(75,930)
Number of shares issued and outstanding (thousands)	2,429,564	2,369,011	2,369,011	2,369,011
Per Share Data (yen and U.S. dollars)				
Earnings per share (EPS)	¥ 14.72	¥ 16.33	¥ 12.56	¥ 20.56
Book value per share (BPS)	195.52	197.85	197.28	222.15
Dividend	5.00	6.00	6.00	6.00
Key Ratios				
Equity ratio	36.2%	37.7%	37.5%	41.3%
Debt equity ratio (times)	1.07	0.99	1.09	0.92
Interest coverage ratio (times)	9.8	13.2	14.2	12.9
Return on assets (ROA)	2.9%	3.1%	2.4%	3.9%
Return on equity (ROE)	8.0%	8.4%	6.4%	9.9%
Gas sales volume (million m^3)	7,580	7,479	7,701	7,779
Number of meters installed (thousands)	6,401	6,484	6,579	6,650
Number of employees	15,160	14,878	15,020	15,276

Notes:
1. The conversion of Japanese yen into U.S. dollars is based on the exchange rate of 1 USD = 83.15 JPY (spot rate as of March 31, 2011).
2. Equity ratio = equity/total assets (as of the end of the fiscal years ended March 31)
3. Debt equity ratio = interest-bearing debt/equity (as of the end of the fiscal years ended March 31)
4. Interest coverage ratio = cash flows from operating activities/interest expenses
5. Return on assets (ROA) = net income/total assets (average)
6. Return on equity (ROE) = net income/average equity (up to 2006/3, "average equity" was "shareholders' assets [average]")
7. All figures in the financial data are rounded down.
8. Gas sales volume and number of gas meters installed through 2002/3 are shown on a nonconsolidated basis.

						Millions of Yen	Thousands of U.S. Dollars
2005/3	2006/3	2007/3	2008/3	2009/3	2010/3	**2011/3**	**2011/3**
¥ 975,340	¥1,065,961	¥1,174,456	¥1,238,145	¥1,326,785	¥1,096,628	**¥1,187,142**	**$14,277,113**
95,992	100,657	93,729	75,611	66,932	91,140	**88,584**	**1,065,351**
83,904	132,393	88,078	72,478	64,510	82,572	**81,587**	**981,202**
50,683	80,710	52,929	40,283	36,041	48,384	**45,968**	**552,832**
65,517	117,455	95,267	111,087	106,087	98,246	**69,600**	**837,041**
86,858	84,250	84,031	95,253	86,549	95,402	**97,569**	**1,173,409**
1,217,463	1,398,692	1,405,682	1,467,934	1,452,457	1,483,895	**1,437,297**	**17,285,592**
530,862	628,510	668,887	648,592	612,566	666,689	**664,959**	**7,997,101**
448,521	487,509	487,827	566,441	573,483	539,081	**532,493**	**6,404,004**
116,902	152,935	98,354	134,282	120,691	229,714	**126,399**	**1,520,132**
(65,679)	(162,989)	(99,765)	(132,029)	(108,102)	(111,265)	**(82,408)**	**(991,076)**
(23,912)	13,245	(22,009)	12,495	(3,438)	(49,553)	**(41,257)**	**(496,175)**
2,369,011	2,235,669	2,235,669	2,158,383	2,158,383	2,158,383	**2,083,400**	
¥ 22.69	¥ 36.18	¥ 23.77	¥ 18.27	¥ 16.72	¥ 22.50	**¥ 21.62**	**$ 0.260**
238.15	282.12	300.61	300.76	284.21	310.39	**319.33**	**3.840**
6.00	7.00	7.00	7.00	7.00	7.00	**8.00**	**0.096**
43.6%	44.9%	47.6%	44.2%	42.2%	44.9%	**46.3%**	
0.84	0.78	0.73	0.87	0.94	0.81	**0.80**	
16.1	23.6	10.3	13.6	11.5	23.1	**14.0**	
4.2%	6.2%	3.8%	2.8%	2.5%	3.3%	**3.1%**	
9.9%	13.9%	8.1%	6.1%	5.7%	7.6%	**6.9%**	
8,072	8,469	8,764	8,917	8,416	8,150	**8,560**	
6,725	6,785	6,848	6,913	6,971	7,009	**7,041**	
15,992	16,077	16,435	16,682	19,009	19,268	**19,684**	

Management's Discussion and Analysis

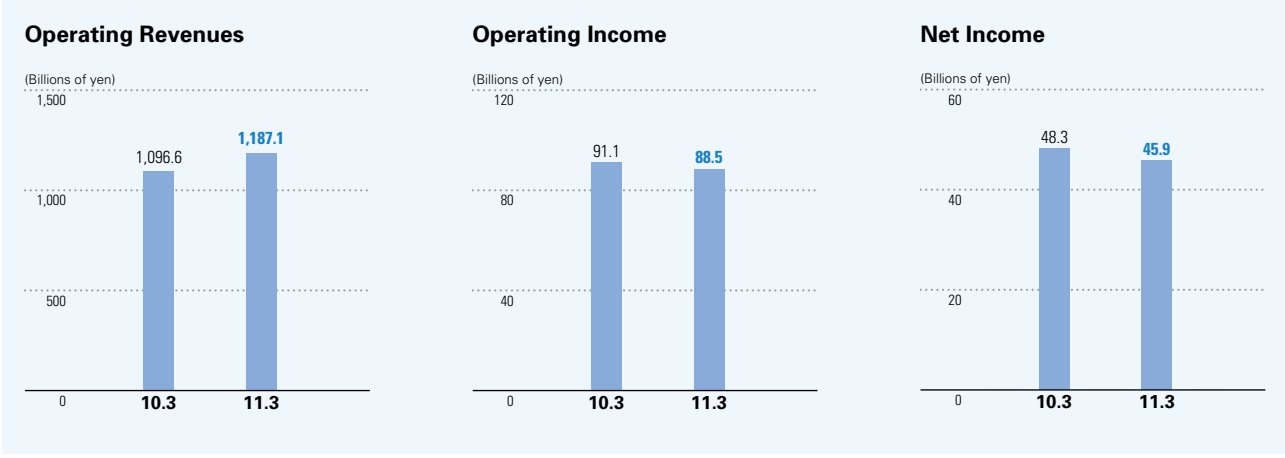
1. Operating Environment

In the fiscal year ended March 31, 2011, the speed of recovery of the Japanese economy slowed from fall 2010 due mainly to the impact of the appreciation of the yen. From the turn of the year, despite signs of the international economy picking up, the worldwide economic situation remained opaque. This was primarily due to surging prices of resources and energy, and political instability in the Middle East and elsewhere. In Japan also, the yen's protracted appreciation depressed business performance in export industries, and there was a noticeable trend for plants and other facilities to relocate or integrate. Moreover, it is expected that the Great East Japan Earthquake that occurred in March 2011 will result in changes in governmental policies, and may produce changes in consumption patterns and industry structures.

2. Highlights of the Fiscal Year Ended March 31, 2011

Consolidated operating revenues for the year ended March 31, 2011 increased by ¥90.5 billion (up 8.3% year on year) to ¥1,187.1 billion. This was due primarily to a rise in gas sales volume and an increase in revenues from the electric power business. Consolidated operating income decreased by ¥2.5 billion (down 2.8% year on year) to ¥88.5 billion. This was mainly due to a deteriorated gross margin on gas because of an increase in LNG prices. Consolidated net income decreased by ¥2.4 billion (down 5.0% year on year) to ¥45.9 billion.

As of March 31, 2011, the Company had 131 consolidated subsidiaries. During the year, three companies were excluded and six companies were added to the consolidation. One company was added to affiliates reported by the equity method, totaling seven affiliates at the current year-end.



3. Non-Consolidated Gas Sales

Osaka Gas sales volume overall rose by 5.0% in the fiscal year ended March 31, 2011 from the previous fiscal year to 8,528 million m^3. Within this, residential gas sales increased by 1.4% from the previous fiscal year, to 2,275 million m^3, as temperatures were relatively low during winter. Industrial gas sales increased by 6.8% to 4,141 million m^3, as they were positively impacted by existing customers' increased facilities usage. Commercial gas sales and gas sales for public and medical uses were up by 5.2%, to 1,624 million m^3. This was due to higher demand for air conditioning because summer temperatures were higher than in 2009, as well as the favorable development of consumer demand. Wholesale gas sales increased by 7.2%, to 488 million m^3 from the previous fiscal year.

Non-consolidated Gas Sales

[45MJ/m^3]		2010/3	2011/3	Change	Change (%)
Average monthly usage per customer (m^3/month)		32.3	32.7	+0.4	+1.3
Gas sales volume (Million m^3)	Residential	2,244	2,275	+32	+1.4
	Commercial and industrial	5,420	5,765	+344	+6.3
	Industrial	3,877	4,141	+263	+6.8
	Commercial, public and medical	1,543	1,624	+81	+5.2
	Wholesale	455	488	+33	+7.2
	Total	8,119	8,528	+408	+5.0

4. Overview by Business Segment

Gas

Operating revenues from the gas segment increased by ¥54.3 billion (up 6.6% year on year) to ¥879.8 billion, resulting mainly from an increase in gas sales volume, and gas unit prices that remained high under the fuel cost adjustment system in association with rising LNG prices. There was a decrease in segment profit of ¥15.3 billion (down 26.9% year on year) to ¥41.9 billion, due primarily to a drastic rise in raw material costs.

LPG, Electricity and Other Energies

Operating revenues from this segment increased by ¥31.3 billion (up 21.9% year on year) to ¥174.7 billion, caused mainly by the expansion of the electricity business. There was an increase in segment profit of ¥10.7 billion (up 71.9% year on year) to ¥25.6 billion.

International Energies

Operating revenues from the international energies segment were approximately the same as the previous fiscal year at ¥11.1 billion. There was an increase in segment profit of ¥600 million (up 16.3% year on year) to ¥4.9 billion, mainly due to increased profit from the North Sea Oil Field (Idemitsu Snorre Oil Development Co., Ltd.).

Environment and Non-energies

Operating revenues from this segment increased by ¥9.7 billion (up 5.5% year on year) compared to the previous fiscal year, to ¥185.4 billion, mainly due to increased revenues from the real estate business. Segment profit rose ¥1.6 billion (up 11.5% year on year) to ¥15.6 billion.

Operating Revenues and Segment Income by Segment for FY 2011/3

(Billions of yen)

	Gas	LPG, electricity and other energies	International energies	Environment and non-energies	Adjustments	Total
Operating revenues	879.8	174.7	11.1	185.4	–64.0	1,187.1
Year-on-year change (%)	+6.6%	+21.9%	–0.2%	+5.5%		+8.3%
Year-on-year change	+54.3	+31.3	–0.0	+9.7		+90.5
Segment income	41.9	25.6	4.9	15.6	2.5	90.7
Year-on-year change (%)	–26.9%	+71.9%	+16.3%	+11.5%		–1.8%
Year-on-year change	–15.3	+10.7	+0.6	+1.6		–1.6

Segment income = operating income + equity in net income of affiliates

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. 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.

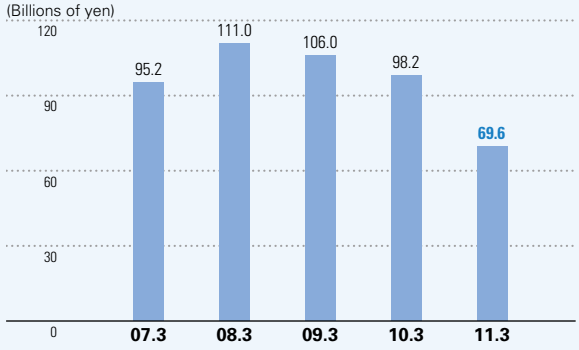
We aim to maximize capital efficiency by targeting a consolidated ratio of interest-bearing debt to equity of approximately one and a consolidated shareholders' equity ratio of 40% or over. As the shareholders' equity ratio is now well above 40%, we intend to invest in our growth by raising funds through new interest-bearing debt in line with the growth in shareholders' equity as profits increase.

Capital Expenditure

In the fiscal year ended March 31, 2011, non-consolidated capital expenditure totaled ¥47.9 billion, down by ¥9.9 billion year on year, even with the ongoing construction of the Mie-Shiga Line and the Himeji-Okayama Line. Consolidated capital expenditure declined by ¥28.6 billion, to ¥69.6 billion.

The Group is aggressively investing in both domestic and overseas businesses as potential future growth drivers. Investment targets include natural gas fields and LNG carriers, as well as IPPs and other electricity businesses. In the fiscal year ended March 31, 2011, we made new and additional investments totaling ¥26.3 billion in the Mie-Shiga Line, the Himeji-Okayama Line, the Gorgon LNG Project in Australia, the Sagunto LNG terminal in Spain, real estate, and other areas. This was less than initially planned, but we have decided to invest a two-year accumulative total of ¥157.0 billion in the year ended March 31, 2011 (39% of the amount planned for the five-year period from the fiscal year ended March 31, 2010 to the fiscal year ending March 31, 2014), in projects including the Shuweihat S2 Independent Water and Power Project in the United Arab Emirates, and the Hallett 4 wind farm project in Australia.

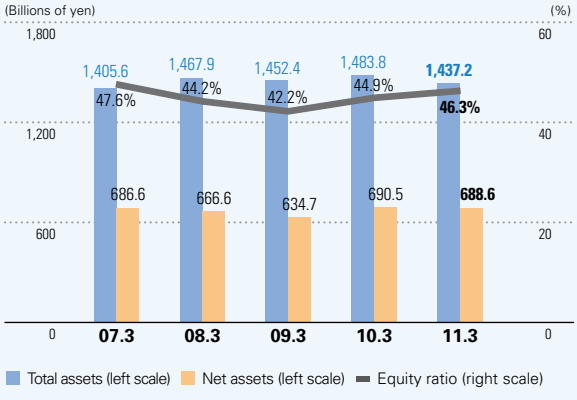
Capital Expenditure



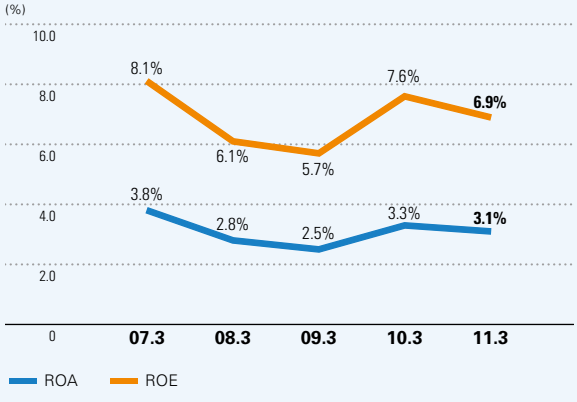
Assets, Liabilities, and Net Assets Analysis

Total assets as of March 31, 2011 decreased by ¥46.5 billion from the previous year-end, to ¥1,437.2 billion, mainly due to a decrease in property, plant and equipment. Liabilities decreased by ¥44.7 billion to ¥748.6 billion, primarily due to a decrease in long-term loans payable. Net assets declined by ¥1.8 billion, to ¥688.6 billion. This was because although shareholders' equity increased due to the net income, this was held to ¥9.5 billion because of the acquisition and cancellation of treasury stock, whereas accumulated other comprehensive income fell ¥11.3 billion mainly due to falls in the market prices of shares held. Consequently, the shareholders' equity ratio increased 1.3 percentage points from the previous year-end, to 46.3%. Return on assets (ROA) declined 0.1 point, to 3.1%, while return on equity (ROE) decreased 0.7 point, to 6.9%.

Total Assets/Net Assets/Equity Ratio



Return on Equity (ROE)
Return on Assets (ROA)



6. Overview of Cash Flows

Net cash provided by operating activities during the fiscal year ended March 31, 2011 decreased by ¥103.3 billion, to ¥126.3 billion. This decrease was mainly due to a decrease in income before income taxes and minority interests compared to the previous fiscal year, and a decrease in revenues of ¥26.1 billion due to changes in notes and trade accounts receivable.

Net cash used in investing activities was ¥82.4 billion, a decrease of ¥28.8 billion from the previous year. This decrease was mainly due to the purchase of property, plant and equipment. Net cash used in financing activities decreased by ¥8.2 billion, to ¥41.2 billion, mainly due to the purchase of treasury stock, although there was no repayment of bonds as in the previous year, while new bonds were issued.

Consequently, cash and cash equivalents for the fiscal year ended March 31, 2011 increased by ¥2.2 billion. Adding an initial balance of ¥113.9 billion to this, the year-end balance of cash and cash equivalents for the fiscal year ended March 31, 2011 stood at ¥116.2 billion.

(Billions of yen)

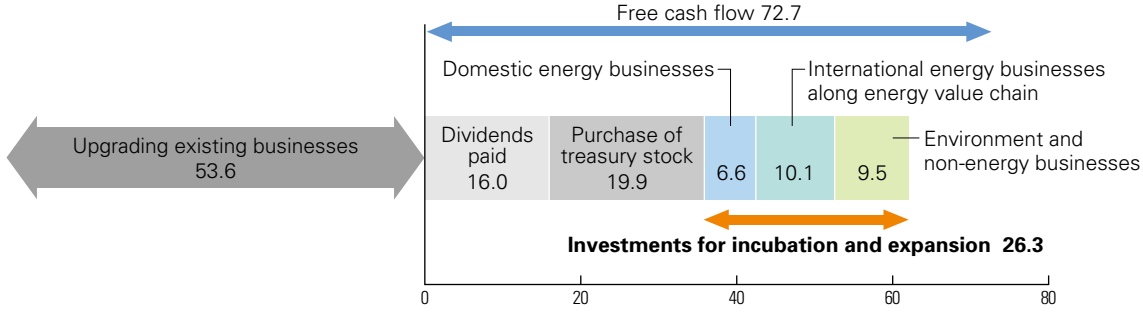
	2010/3	2011/3	Change
Cash flows from operating activities	229.7	126.3	–103.3
Cash flows from investing activities	–111.2	–82.4	+28.8
Cash flows from financing activities	–49.5	–41.2	+8.2
Change in cash and cash equivalents	67.2	2.2	–65.0
Cash and cash equivalents at year-end	113.9	116.2	+2.2
Interest-bearing debt at year-end	539.0	532.4	–6.5

Purpose of Free Cash Flows

Consolidated free cash flows for the fiscal year ended March 31, 2011 declined ¥102.6 billion year on year to ¥72.7 billion. This included an investment of ¥26.3 billion to expand new businesses, a dividend payment of ¥16.0 billion, and ¥19.9 billion used to repurchase the Company's own stock.

Free Cash Flow Application During FY 2011

(Billions of yen)



Note: Free cash flow = cash flow from operating activities – capital expenditure for upgrading existing businesses

7. Ratings

The Company recognizes that improving fund-raising competitiveness is an important issue in a sound financial strategy. At the same time, to maintain its credit ratings and other indications of financial soundness, the Company will endeavor to attain the following financial soundness indicators: (1) a shareholders' equity ratio of 40% or over, and (2) a ratio of consolidated D/E (debts to equity) of about one, while maintaining the existing balance with SVA (shareholders' value added), free cash flow, balance of interest-bearing debts, and other indicators.

Currently, the Company has been rated AA and Aa by foreign credit rating agencies, and AA by a domestic credit rating agency. Going forward, the Company will continue to ensure that it possesses a sound financial standing.

Credit Rating

R&I	AA+
Moody's	Aa2
Standard & Poor's	AA–

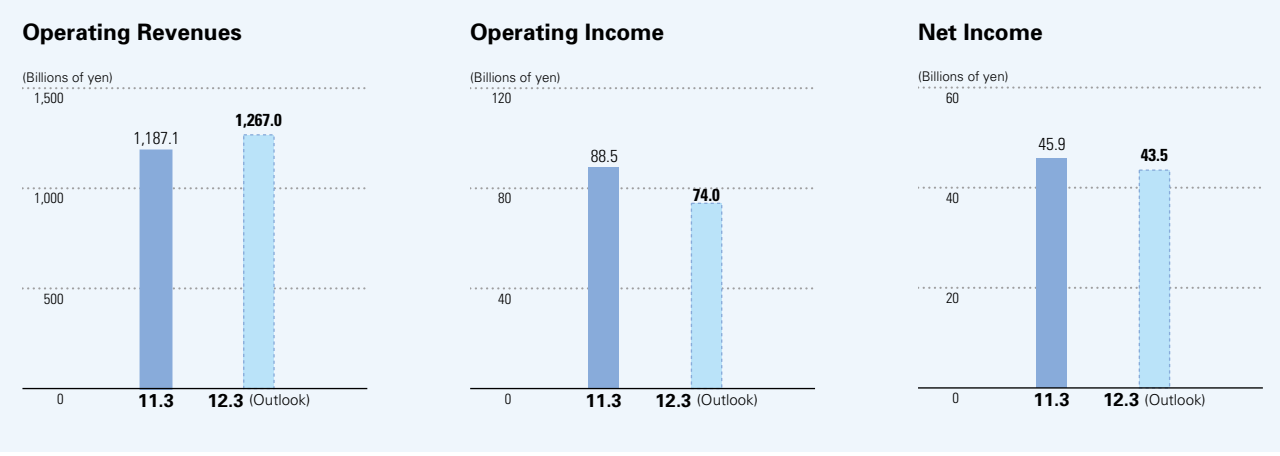
8. Basic Policy Regarding the Distribution of Profits and Dividends

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 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 annual dividends of 8.0 yen per share, an increase of 1.0 yen per share from the previous fiscal year, including interim dividends of 4.0 yen per share for the year under review. This reflects, among other factors, a) the smooth operation of the Semboku Natural Gas Power Plant whose four power generating units all became operational in November 2009, b) progress in investment decisions on new business expansion, and c) solid profit contribution by expanding affiliated companies. It also plans to pay annual dividends of 8.0 yen per share in the year ending March 31, 2012.

9. Outlook for Fiscal 2012

We project that revenues will increase in the fiscal year ending March 31, 2012, with total operating revenues expected to increase by ¥79.8 billion (+6.7%), to ¥1,267 billion. LNG prices will be higher in the fiscal year ending March 31, 2012 than in the fiscal year under review, and gas unit prices will increase due to the fuel cost adjustment system. Operating income is expected to decline by ¥14.5 billion (–16.5%), to ¥74.0 billion due to the significant impact of higher raw materials prices, as LNG prices increase. Net income in the fiscal year ending March 31, 2012 is projected to decrease by ¥2.4 billion (–5.4%) year on year, to ¥43.5 billion.



Operating Revenues and Segment Income by Segment (Outlook)

(Billions of yen)

	Gas	LPG, electricity and other energies	International energies	Environment and non-energies	Adjustments	Total
Operating revenues	951.0	192.5	11.0	170.5	–58.0	1,267.0
Year-on-year change (%)	8.1%	10.1%	–1.2%	–8.0%		6.7%
Year-on-year change	+71.1	+17.7	–0.1	–14.9		+79.8
Segment income	31.5	22.5	6.0	15.0	2.0	77.0
Year-on-year change (%)	–24.9%	–12.1%	20.8%	–4.2%		–15.1%
Year-on-year change	–10.4	–3.1	+1.0	–0.6		–13.7

Segment income = operating income + equity in net income of affiliates

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, domestic market contraction

A decrease in operating revenues, difficulties in fund-raising, insolvency of partner companies, and the transfer of manufacturing overseas, due to worsening of economic and financial conditions in Japan and/or other countries, as well as Japan's shrinking population and other factors

b. Changes in foreign exchange rates and borrowing rates

Changes in foreign exchange rates and/or borrowing rates

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

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

e. Intensifying competition

Intensified competition with other operators in the gas business and other business areas related to 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

g. Information leaks

External leaks of important information used in the course of the Group's business, including customer information or technical information possessed by the Group

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.

Risks Related to Major Businesses

1) Gas business

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

b. Changes in fuel costs

Fluctuation in LNG prices due to changes in crude oil prices, foreign exchange rates and other relevant factors*
Settlement of fuel costs arising from renewal of contracts or price negotiations with fuel suppliers

* Although the fluctuation in LNG prices 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 fuel suppliers could affect the business performance of the Group.

c. Difficulty in procuring raw materials

Problems with the facilities or operations of the LNG supplier.

d. Production and supply difficulties

Disruption of the production or supply of gas due to catastrophic natural disasters or accidents

e. Gas equipment and facility issues

Serious problems with gas equipment or appliance facilities

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

3) International energy businesses

Delay or cancellation in gas field development or other development projects as a result of global economic stagnation, a drop in crude oil prices, worsening social conditions or other factors

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.

Consolidated Balance Sheets

Osaka Gas Co., Ltd. and Consolidated Subsidiaries
March 31, 2010 and 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2011	2011
Assets			
Fixed Assets			
Property, plant and equipment (Note 9)			
Production facilities	¥ 90,195	**¥ 84,785**	**$ 1,019,663**
Distribution facilities	309,186	**296,526**	**3,566,157**
Administrative facilities	71,177	**70,981**	**853,650**
Other facilities	333,746	**324,993**	**3,908,514**
Construction in progress	22,524	**23,106**	**277,883**
Total property, plant and equipment	826,830	**800,394**	**9,625,904**
Intangible fixed assets			
Goodwill	5,046	**3,172**	**38,147**
Others	37,794	**37,089**	**446,049**
Total intangible fixed assets	42,840	**40,262**	**484,209**
Investments and other assets			
Investment in securities (Notes 8 and 9)	147,185	**136,179**	**1,637,751**
Others (Note 18)	94,389	**95,785**	**1,151,954**
Allowance for doubtful accounts	(1,761)	**(2,102)**	**(25,279)**
Total investments and other assets	239,812	**229,862**	**2,764,425**
Total fixed assets	1,109,484	**1,070,520**	**12,874,564**
Current Assets			
Cash and deposits (Notes 5 and 9)	95,411	**98,422**	**1,183,668**
Notes and trade accounts receivable (Note 9)	121,458	**136,930**	**1,646,782**
Securities (Note 8)	24,482	**23,112**	**277,955**
Inventories (Notes 6 and 9)	64,084	**49,400**	**594,107**
Others (Note 18)	70,403	**60,277**	**724,918**
Allowance for doubtful accounts	(1,428)	**(1,366)**	**(16,428)**
Total current assets	374,411	**366,776**	**4,411,016**
Total assets	¥1,483,895	**¥1,437,297**	**$17,285,592**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2011	2011
Liabilities			
Long-term liabilities			
Bonds (Note 9)	¥ 260,790	**¥ 269,733**	**$ 3,243,932**
Long-term loans payable (Note 9)	217,914	**190,430**	**2,290,198**
Deferred tax liabilities (Note 18)	15,964	**11,079**	**133,241**
Deferred tax liabilities related to land revaluation (Note 13)	57	**149**	**1,791**
Employees' severance and retirement benefits (Note 17)	13,598	**14,548**	**174,960**
Reserve for gas holder repairs	1,732	**1,715**	**20,625**
Reserve for safety actions	11,569	**9,508**	**114,347**
Allowance for investment loss	3,280	**3,280**	**39,446**
Others	15,993	**17,927**	**215,598**
Total long-term liabilities	540,901	**518,373**	**6,234,191**
Current liabilities			
Long-term debt due within one year (Note 9)	22,655	**30,833**	**370,811**
Notes and trade accounts payable	70,322	**38,218**	**459,627**
Short-term loans payable (Note 9)	37,153	**40,660**	**488,995**
Income taxes payable	28,947	**32,614**	**392,230**
Others (Note 18)	93,353	**87,900**	**1,057,125**
Total current liabilities	252,432	**230,228**	**2,768,827**
Total liabilities	793,334	**748,601**	**9,003,018**
Net Assets (Note 10)			
Shareholders' equity			
Common stock			
Authorized—3,707,506,909 shares			
Issued—2,083,400,000 shares in 2011 and 2,158,383,539 shares in 2010	132,166	**132,166**	**1,589,488**
Capital surplus	19,482	**19,482**	**234,299**
Retained earnings	492,974	**499,366**	**6,005,604**
Treasury stock			
1,019,059 shares in 2011 and 10,473,574 shares in 2010	(3,530)	**(323)**	**(3,884)**
Total shareholders' equity	641,093	**650,692**	**7,825,520**
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	23,542	**18,037**	**216,921**
Deferred hedge gains (losses)	4,939	**4,116**	**49,500**
Land revaluation difference (Note 13)	(103)	**(519)**	**(6,241)**
Foreign currency translation adjustments	(2,782)	**(7,367)**	**(88,598)**
Total accumulated other comprehensive income	25,596	**14,267**	**171,581**
Minority interests	23,871	**23,735**	**285,447**
Total net assets	690,561	**688,695**	**8,282,561**
Total liabilities and net assets	¥1,483,895	**¥1,437,297**	**$17,285,592**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income

Osaka Gas Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2010 and 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2011	2011
Net sales	¥1,096,628	**¥1,187,142**	**$14,277,113**
Cost of sales (Note 14)	645,248	**750,159**	**9,021,755**
Gross profit on sales	451,380	**436,983**	**5,255,357**
Selling, general and administrative expenses (Note 14)	360,239	**348,399**	**4,190,006**
Operating income	91,140	**88,584**	**1,065,351**
Nonoperating revenues			
Interest income	694	**608**	**7,312**
Dividend income	2,228	**1,956**	**23,523**
Equity in net income of affiliates	1,264	**2,161**	**25,989**
Foreign exchange gains	2,342	**–**	**–**
Other income	5,580	**5,396**	**64,894**
Total nonoperating revenues	12,110	**10,124**	**121,755**
Nonoperating expenses			
Interest expenses	9,965	**9,059**	**108,947**
Provision of allowance for investment loss	3,280	**–**	**–**
Other expenses	5,198	**7,276**	**87,504**
Total nonoperating expenses	18,444	**16,335**	**196,452**
Ordinary income	84,806	**82,372**	**990,643**
Extraordinary losses			
Loss on sales of fixed assets	140	**–**	**–**
Loss from impairment of fixed assets (Note 21)	2,093	**–**	**–**
Loss on adjustment for changes of accounting standard for asset retirement obligations	–	**784**	**9,428**
Total extraordinary losses	2,234	**784**	**9,428**
Income before income taxes and minority interests	82,572	**81,587**	**981,202**
Income taxes			
Current	30,585	**35,604**	**428,190**
Deferred	2,312	**(1,875)**	**(22,549)**
Total income taxes (Note 18)	32,898	**33,729**	**405,640**
Income before minority interests	–	**47,858**	**575,562**
Minority interests	1,289	**1,890**	**22,730**
Net income	¥ 48,384	**¥ 45,968**	**$ 552,832**

	Yen		U.S. Dollars (Note 1)
	2010	2011	2011
Amounts per Share of Common Stock (Note 2)			
Net income	¥ 22.50	**¥ 21.62**	**$ 0.260**
Cash dividends applicable to the year	7.00	**8.00**	**0.096**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

Osaka Gas Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2010 and 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2011	2011
Income before minority interests	–	¥ 47,858	$ 575,562
Other comprehensive income			
Valuation difference on available-for-sale securities	–	(5,505)	(66,205)
Deferred hedge gains (losses)	–	(724)	(8,707)
Land revaluation difference	–	(112)	(1,346)
Foreign currency translation adjustments	–	(2,280)	(27,420)
Share of other comprehensive income of associates accounted for using equity method	–	(3,401)	(40,901)
Total other comprehensive income	–	(12,024)	(144,606)
Comprehensive income	–	¥ 35,833	$ 430,944
Attributable to:			
Owners of the parent	–	¥ 34,943	$ 420,240
Minority interests	–	¥ 890	$ 10,703

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

Osaka Gas Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2010 and 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2011	2011
Shareholders' equity			
Common stock			
Balance as of previous year-end	¥132,166	**¥132,166**	**$1,589,488**
Balance as of current year-end	132,166	**132,166**	**1,589,488**
Capital surplus			
Balance as of previous year-end	19,482	**19,482**	**234,299**
Balance as of current year-end	19,482	**19,482**	**234,299**
Retained earnings			
Balance as of previous year-end	459,658	**492,974**	**5,928,731**
Changes from:			
Cash dividends paid	(15,061)	**(16,108)**	**(193,722)**
Net income	48,384	**45,968**	**552,832**
Disposal of treasury stock	(4)	**(1)**	**(12)**
Cancellation of treasury stock	–	**(23,770)**	**(285,868)**
Decrease due to decrease in number of consolidated subsidiaries	(1)	**–**	**–**
Reversal of land revaluation difference	–	**303**	**3,644**
Total changes during the year	33,316	**6,391**	**76,861**
Balance as of current year-end	492,974	**499,366**	**6,005,604**
Treasury stock			
Balance as of previous year-end	(1,251)	**(3,530)**	**(42,453)**
Changes from:			
Purchase of treasury stock	(2,315)	**(20,583)**	**(247,540)**
Disposal of treasury stock	36	**20**	**240**
Cancellation of treasury stock	–	**23,770**	**285,868**
Total changes during the year	(2,278)	**3,207**	**38,568**
Balance as of current year-end	(3,530)	**(323)**	**(3,884)**
Total shareholders' equity			
Balance as of previous year-end	610,056	**641,093**	**7,710,078**
Changes from:			
Cash dividends paid	(15,061)	**(16,108)**	**(193,722)**
Net income	48,384	**45,968**	**552,832**
Purchase of treasury stock	(2,315)	**(20,583)**	**(247,540)**
Disposal of treasury stock	32	**19**	**228**
Cancellation of treasury stock	–	**–**	**–**
Decrease due to decrease in number of consolidated subsidiaries	(1)	**–**	**–**
Reversal of land revaluation difference	–	**303**	**3,644**
Total changes during the year	31,037	**9,598**	**115,429**
Balance as of current year-end	¥641,093	**¥650,692**	**$7,825,520**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2011	2011
Accumulated other comprehensive income			
Valuation difference on available-for-sale-securities			
Balance as of previous year-end	¥ 16,999	**¥ 23,542**	**$ 283,126**
Net changes in net assets other than shareholders' equity during the year	6,542	**(5,505)**	**(66,205)**
Total changes during the year	6,542	**(5,505)**	**(66,205)**
Balance as of current year-end	23,542	**18,037**	**216,921**
Deferred hedge gains (losses)			
Balance as of previous year-end	(1,663)	**4,939**	**59,398**
Net changes in net assets other than shareholders' equity during the year	6,602	**(822)**	**(9,885)**
Total changes during the year	6,602	**(822)**	**(9,885)**
Balance as of current year-end	4,939	**4,116**	**49,500**
Land revaluation difference			
Balance as of previous year-end	(103)	**(103)**	**(1,238)**
Net changes in net assets other than shareholders' equity during the year	–	**(416)**	**(5,003)**
Total changes during the year	–	**(416)**	**(5,003)**
Balance as of current year-end	(103)	**(519)**	**(6,241)**
Foreign currency translation adjustments			
Balance as of previous year-end	(12,724)	**(2,782)**	**(33,457)**
Net changes in net assets other than shareholders' equity during the year	9,941	**(4,584)**	**(55,129)**
Total changes during the year	9,941	**(4,584)**	**(55,129)**
Balance as of current year-end	(2,782)	**(7,367)**	**(88,598)**
Total accumulated other comprehensive income			
Balance as of previous year-end	2,508	**25,596**	**307,829**
Net changes in net assets other than shareholders' equity during the year	23,087	**(11,328)**	**(136,235)**
Total changes during the year	23,087	**(11,328)**	**(136,235)**
Balance as of current year-end	25,596	**14,267**	**171,581**
Minority interests			
Balance as of previous year-end	22,191	**23,871**	**287,083**
Net changes in net assets other than shareholders' equity during the year	1,679	**(135)**	**(1,623)**
Total changes during the year	1,679	**(135)**	**(1,623)**
Balance as of current year-end	23,871	**23,735**	**285,447**
Total net assets			
Balance as of previous year-end	634,757	**690,561**	**8,305,003**
Changes from:			
Cash dividends paid	(15,061)	**(16,108)**	**(193,722)**
Net income	48,384	**45,968**	**552,832**
Purchase of treasury stock	(2,315)	**(20,583)**	**(247,540)**
Disposal of treasury stock	32	**19**	**228**
Decrease due to decrease in number of consolidated subsidiaries	(1)	**–**	**–**
Reversal of land revaluation difference	–	**303**	**3,644**
Net changes in net assets other than shareholders' equity during the year	24,767	**(11,464)**	**(137,871)**
Total changes during the year	55,804	**(1,865)**	**(22,429)**
Balance as of current year-end	¥690,561	**¥688,695**	**$8,282,561**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Osaka Gas Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2010 and 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2011	2011
Cash Flows from Operating Activities			
Income before income taxes and minority interests	¥ 82,572	¥ 81,587	$ 981,202
Depreciation	95,402	97,569	1,173,409
Amortization of long-term prepaid expenses	6,186	6,096	73,313
Loss from impairment of fixed assets	2,093	–	–
Increase (decrease) in reserve for safety actions	9,546	(2,061)	(24,786)
Increase (decrease) in allowance for investment loss	3,280	–	–
(Increase) decrease in prepaid pension costs	3,471	3,370	40,529
Interest and dividend income	(2,922)	(2,565)	(30,847)
Interest expenses	9,965	9,059	108,947
Equity in net income of affiliates	(1,264)	(2,161)	(25,989)
Loss on adjustment for changes of accounting standard for asset retirement obligations	–	784	9,428
Loss on disposal of property, plant and equipment	1,751	1,549	18,628
(Increase) decrease in notes and trade accounts receivable	10,809	(15,301)	(184,016)
(Increase) decrease in inventories	16,511	14,652	176,211
Increase (decrease) in notes and trade accounts payable	(4,201)	(32,085)	(385,868)
Increase (decrease) in accrued expenses	(7,890)	(1,571)	(18,893)
Others	26,433	3,390	40,769
Total	251,746	162,313	1,952,050
Interest and dividends received	7,365	4,558	54,816
Interest paid	(9,928)	(9,127)	(109,765)
Income and enterprise taxes paid	(19,468)	(31,345)	(376,969)
Net cash provided by operating activities	229,714	126,399	1,520,132
Cash Flows from Investing Activities			
Purchase of property, plant and equipment	(87,252)	(66,843)	(803,884)
Purchase of intangible fixed assets	(10,254)	(1,838)	(22,104)
Purchase of long-term prepaid expenses	(5,791)	(5,294)	(63,668)
Purchase of affiliates' shares	(3,164)	(4,152)	(49,933)
Net (increase) decrease in short-term loans receivable	–	2,194	26,386
Payment of long-term loans receivable	–	(1,550)	(18,641)
Payment of time deposits	(4,314)	(1,792)	(21,551)
Proceeds from withdrawal of time deposits	2,065	1,972	23,716
Others	(2,553)	(5,103)	(61,371)
Net cash used in investing activities	(111,265)	(82,408)	(991,076)
Cash Flows from Financing Activities			
Net increase (decrease) in short-term loans payable	6,718	3,381	40,661
Proceeds from long-term loans payable	6,439	5,221	62,790
Repayment of long-term loans payable	(23,022)	(21,649)	(260,360)
Proceeds from issuance of bonds	–	10,000	120,264
Repayment of bonds	(20,454)	–	–
Purchase of treasury stock	(2,315)	(20,583)	(247,540)
Dividends paid	(15,048)	(16,095)	(193,565)
Others	(1,870)	(1,533)	(18,436)
Net cash used in financing activities	(49,553)	(41,257)	(496,175)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(1,654)	(501)	(6,025)
Net Increase (Decrease) in Cash and Cash Equivalents	67,241	2,232	26,843
Cash and Cash Equivalents at Beginning of Year	46,764	113,998	1,370,992
Decrease in Cash and Cash Equivalents Due to Exclusion of Subsidiaries from Consolidation	(6)	–	–
Cash and Cash Equivalents at Year-End (Note 5)	¥ 113,998	¥116,230	$1,397,835

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Osaka Gas Co., Ltd. and Consolidated Subsidiaries
March 31, 2010 and 2011

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Osaka Gas Co., Ltd. (the "Company") and its consolidated subsidiaries (together, the "Companies") have been prepared in accordance with the provisions set forth in the Japanese 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 is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2011, which was ¥83.15 to U.S.$1.00. The convenience 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 2010 and 2011. 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. 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, 2010 and 2011 included the accounts of the Company and its 128 and 131 subsidiaries, respectively. For the year ended March 31, 2011, 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 48 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 48 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. On March 31, 2010 and 2011, 6 and 7 significant affiliates, respectively, were accounted for by the equity method.

(2) Consolidated Statements of Cash Flows

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

(3) Inventories

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

(4) Securities

Under the Japanese accounting standard for financial instruments, all companies are required to examine the 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 a loss in the period of the decline. If the fair value of equity securities issued by subsidiaries or 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 useful life of the asset. However, the Company and its domestic consolidated subsidiaries depreciate buildings acquired on or after April 1, 1998 by the straight-line method.

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 the beneficiaries' contributions and offset against the acquisition cost of property, plant and equipment at March 31, 2010 and 2011 was ¥260,351 million and ¥259,490 million ($3,120,745 thousand), respectively. The current capital gain arising from the expropriation of property offset against the acquisition cost of property, plant and equipment at March 31, 2010 and 2011 was ¥76 million and ¥410 million ($4,930 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 Accounts

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.

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 Gas Holder Repairs

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.

(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, 2010 and 2011 was not shown since there were no outstanding convertible bonds or other common stock equivalents.

3. Changes in Accounting Policies

(1) Changes in the Basis for Accounting for Net Sales and Cost of Sales of Completed Construction Contracts

Previously, the Company and its consolidated domestic subsidiaries had used the completed contract method to account for its income from contract construction, but now have applied the "Accounting Standard for Construction Contracts" (Accounting Standards Board of Japan ("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 31, 2010. Accordingly, beginning with construction contracts that were commenced during the fiscal year ended March 31, 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 change had no material impact on the consolidated financial statements.

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

Effective from the fiscal year ended March 31, 2010, the Company and its consolidated domestic subsidiaries have applied the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 19, July 31, 2008). The change had no impact on the consolidated financial statements.

(3) Adoption of "Accounting Standard for Equity Method" and "Transitional Treatment of Accounting Method for Affiliates Reported by Equity Method"

Effective from the fiscal year ended March 31, 2011, the Company has adopted the "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16, March 10, 2008) and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (Practical Issue Task Force ("PITF") No. 24, March 10, 2008).

The change had no impact on the consolidated financial statements.

(4) Adoption of "Accounting Standard for Asset Retirement Obligations"

Effective from April 1, 2010, the Company and its consolidated domestic subsidiaries have adopted the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, March 31, 2008).

As a result of adopting these standards, operating income, ordinary income and income before income taxes and minority interests were ¥81 million ($974 thousand), ¥26 million ($312 thousand) and ¥811 million ($9,753 thousand) less for the fiscal year ended March 31, 2011 than the amounts that would have been recorded without the change.

4. Additional Information

Comprehensive Income

Effective from the fiscal year ended March 31, 2011, the Company has adopted the "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, June 30, 2010).

Please note, however, that the amounts reported on the lines "Accumulated other comprehensive income" and "Total accumulated other comprehensive income" for the year ended March 31, 2010, presented for comparison, were the amounts of "Valuation and translation adjustments" and "Total valuation and translation adjustments" reported on the consolidated balance sheets for the same year, respectively.

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 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2011	2011
Cash and cash equivalents—balance sheets	¥ 95,411	**¥ 98,422**	**$1,183,668**
Time deposits with more than 3 months to maturity	(5,412)	**(4,891)**	**(58,821)**
Short-term investments with an original maturity of three months or less, presenting negligible risk of change in value, and included in current assets	23,999	**22,699**	**272,988**
Cash and cash equivalents—statements of cash flows	¥113,998	**¥116,230**	**$1,397,835**

6. Inventories

Inventories at March 31, 2010 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2011	2011
Finished products	¥16,572	**¥13,790**	**$165,844**
Work-in-process	9,228	**5,792**	**69,657**
Raw materials and supplies	38,283	**29,817**	**358,592**
Total	¥64,084	**¥49,400**	**$594,107**

7. Financial Instruments

Book value, fair value and any difference as of March 31, 2010 are set forth in the table below. Financial instruments for which it was extremely difficult to determine the fair value are not included in the table below.

	Millions of Yen		
	Book Value	Fair Value	Difference
(1) Cash and deposits	¥ 95,411	¥ 95,411	¥ –
(2) Notes and trade accounts receivable	121,458	121,458	–
(3) Marketable securities and investment in securities	85,325	85,325	–
Total assets	¥302,194	¥302,194	¥ –
(1) Notes and trade accounts payable	¥ 70,322	¥ 70,322	¥ –
(2) Short-term loans payable	37,153	37,153	–
(3) Bonds	261,273	271,265	9,992
(4) Long-term loans payable	239,726	250,626	10,900
Total liabilities	¥608,474	¥629,367	¥20,892
Derivative transactions	¥ 7,785	¥ 7,785	¥ –

Notes on the calculation method of fair value for financial instruments, securities and derivatives

Assets

(1) Cash and deposits and (2) Notes and trade accounts receivable
Fair values in the table are determined by the book value, which is almost equivalent to the fair value due to the short-time nature of the financial transactions.

(3) Marketable securities and investment in securities
The fair value of stock in the table are determined by market prices. The fair value of bonds are derived from market prices or prices presented by the corresponding financial institution. Refer to notes on securities for information about securities classified by the purpose for which they are held.

Liabilities

(1) Notes and trade accounts payable and (2) Short-term loans payable
The fair values in the table are determined by book values, which are almost equivalent to the fair values due to the short-time nature of the financial transactions.

(3) Bonds
Market prices of the bonds issued by Osaka Gas and each of its group companies are the fair values if available, otherwise fair value is calculated as the present value, which is the total amount of principal and interest discounted at the rate reflecting the time to maturity of the bonds and the credit risk.

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

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

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

Derivative transactions

Refer to notes on derivative transactions.

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

	Millions of Yen
	Book Value
Affiliated company securities	¥72,461
Non-listed equity securities	¥13,880

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

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 in securities				
Held-to-maturity debt securities (corporate bonds)	12	¥50	¥ 37	
Available-for-sale securities with maturities (Government bonds and municipal bonds)	70			¥49
Available-for-sale securities with maturities (Negotiable certificate of deposits)	20,400			
Available-for-sale securities with maturities (Commercial paper)	3,999			
Available-for-sale securities with maturities (Other)			300	
Total	¥241,351	¥50	¥337	¥49

Book value, fair value and any difference as of March 31, 2011 are set forth in the table below. Financial instruments for which it was extremely difficult to determine the fair value are not included in the table below.

	Book Value		Fair Value		Difference	
	Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars
(1) Cash and deposits	¥ 98,422	$1,183,668	¥ 98,422	$1,183,668	¥ –	$ –
(2) Notes and trade accounts receivable	136,930	1,646,782	136,930	1,646,782	–	–
(3) Marketable securities and investment in securities	75,705	910,463	75,705	910,463	–	–
Total assets	¥311,058	$3,740,926	¥311,058	$3,740,926	¥ –	$ –
(1) Notes and trade accounts payable	¥ 38,218	$ 459,627	¥ 38,218	$ 459,627	¥ –	$ –
(2) Short-term loans payable	40,660	488,995	40,660	488,995	–	–
(3) Bonds	270,203	3,249,585	281,819	3,389,284	11,616	139,699
(4) Long-term loans payable	220,253	2,648,863	231,010	2,778,232	10,756	129,356
Total liabilities	¥569,336	$6,847,095	¥591,709	$7,116,163	¥22,373	$269,067
Derivative transactions	¥ 5,197	$ 62,501	¥ 5,197	$ 62,501	¥ –	$ –

Notes on the calculation method of fair value for financial instruments, securities and derivatives

Assets

(1) Cash and deposits and (2) Notes and trade accounts receivable
Fair values in the table are determined by the book value, which is almost equivalent to the fair value due to the short-time nature of the financial transactions.

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

Liabilities

(1) Notes and trade accounts payable and (2) Short-term loans payable
The fair values in the table are determined by book values, which are almost equivalent to the fair values due to the short-time nature of the financial transactions.

(3) Bonds
Market prices of the bonds issued by Osaka Gas and each of its group companies are the fair values if available, otherwise fair value is calculated as the present value, which is the total amount of principal and interest discounted at the rate reflecting the time to maturity of the bonds and the credit risk.

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

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

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

Derivative transactions

Refer to notes on derivative transactions.

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

	Book Value	
	Millions of Yen	Thousands of U.S. Dollars
Affiliated company securities	¥70,214	$844,425
Non-listed equity securities	¥13,371	$160,805

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

Millions of Yen	One Year or Less	One to Five Years	Five to Ten Years	More than Ten Years
Cash and deposits	¥ 98,422			
Notes and trade accounts receivable	136,930			
Marketable securities and investment in securities				
Held-to-maturity debt securities (corporate bonds)	12	¥50	¥ 25	
Available-for-sale securities with maturities (Government bonds and municipal bonds)		9		¥98
Available-for-sale securities with maturities (Negotiable certificate of deposits)	20,400			
Available-for-sale securities with maturities (Commercial paper)	2,699			
Available-for-sale securities with maturities (Other)			200	
Total	¥258,465	¥59	¥225	¥98

Thousands of U.S. Dollars	One Year or Less	One to Five Years	Five to Ten Years	More than Ten Years
Cash and deposits	$1,183,668			
Notes and trade accounts receivable	1,646,782			
Marketable securities and investment in securities				
Held-to-maturity debt securities (corporate bonds)	144	$601	$ 300	
Available-for-sale securities with maturities (Government bonds and municipal bonds)		108		$1,178
Available-for-sale securities with maturities (Negotiable certificate of deposits)	245,339			
Available-for-sale securities with maturities (Commercial paper)	32,459			
Available-for-sale securities with maturities (Other)			2,405	
Total	$3,108,418	$709	$2,705	$1,178

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, 2010 and 2011:

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

	Millions of Yen		
	Acquisition Cost	Book Value	Difference
For 2010:			
Equity securities	¥59,910	¥22,667	¥37,243
Bonds	10	10	0
Total	¥59,920	¥22,677	¥37,243

	Millions of Yen		
	Acquisition Cost	Book Value	Difference
For 2011:			
Equity securities	¥47,511	¥19,124	¥28,387
Total	¥47,511	¥19,124	¥28,387

	Thousands of U.S. Dollars		
	Acquisition Cost	Book Value	Difference
For 2011:			
Equity securities	$571,389	$229,993	$341,395
Total	$571,389	$229,993	$341,395

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

	Millions of Yen		
	Acquisition Cost	Book Value	Difference
For 2010:			
Equity securities	¥ 895	¥ 966	¥(71)
Bonds	24,509	24,509	–
Total	¥25,404	¥25,475	¥(71)

	Millions of Yen		
	Acquisition Cost	Book Value	Difference
For 2011:			
Equity securities	¥ 4,986	¥ 4,990	¥(4)
Bonds	23,207	23,207	(0)
Total	¥28,193	¥28,198	¥(4)

	Thousands of U.S. Dollars		
	Acquisition Cost	Book Value	Difference
For 2011:			
Equity securities	$ 59,963	$ 60,012	$(48)
Bonds	279,098	279,098	(0)
Total	$339,061	$339,122	$(48)

(2) Total sales of available-for-sale securities in the years ended March 31, 2010 and 2011 amounted to ¥674 million and ¥258 million ($3,102 thousand), respectively. The related gains and losses amounted to ¥7 million and ¥85 million, respectively, for the year ended March 31, 2010. The related gains and losses amounted to ¥45 million ($541 thousand) and ¥0 million ($0 thousand) for the year ended March 31, 2011.

(3) For "Available-for-sale securities," impairment losses of ¥1,206 million and ¥228 million ($2,742 thousand) were recorded for the years ended March 31, 2010 and 2011, respectively.

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 0.6% and 0.4% at March 31, 2010 and 2011.

Long-term debt at March 31, 2010 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2011	2011
Loans principally from banks and insurance companies at the average rate of 2.0% both in 2010 and 2011			
Due within one year	¥ 21,811	¥ 29,823	$ 358,665
Maturing through 2030	217,914	190,430	2,290,198
Total	¥239,726	¥220,253	$2,648,863

	Millions of Yen		Thousands of U.S. Dollars
	2010	2011	2011
Bonds			
3.4% bonds payable due 2017	15,700	**15,700**	**188,815**
1.46% bonds payable due 2012	19,999	**19,999**	**240,517**
1.47% bonds payable due 2022	19,982	**19,983**	**240,324**
1.83% bonds payable due 2020	19,990	**19,991**	**240,420**
1.79% bonds payable due 2020	19,983	**19,984**	**240,336**
2.33% bonds payable due 2026	9,993	**9,993**	**120,180**
1.79% bonds payable due 2016	19,989	**19,990**	**240,408**
2.14% bonds payable due 2019	19,995	**19,995**	**240,469**
1.59% bonds payable due 2014	19,997	**19,997**	**240,493**
1.21% bonds payable due 2015	30,000	**30,000**	**360,793**
1.782% bonds payable due 2018	30,000	**30,000**	**360,793**
1.199% bonds payable due 2013	30,000	**30,000**	**360,793**
1.345% bonds payable due 2021		**10,000**	**120,264**
7.73% bonds payable in U.S. dollars due 2015	5,642	**4,564**	**54,888**
Total	¥261,273	**¥270,203**	**$3,249,585**

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, 2011 were as follows:

Years ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2012	¥ 470	$ 5,652
2013	20,722	249,212
2014	31,014	372,988
2015	21,224	255,249
2016	31,132	374,407
April 1, 2016 and thereafter	165,700	1,992,784
Total	¥270,262	$3,250,294

The annual maturities of long-term debt at March 31, 2011 were as follows:

Years ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2012	¥ 29,823	$ 358,665
2013	11,429	137,450
2014	35,081	421,900
2015	13,576	163,271
2016	20,559	247,251
April 1, 2016 and thereafter	109,783	1,320,300
Total	¥220,253	$2,648,863

Assets pledged as collateral mainly for short-term loans and long-term debt totaling ¥30,071 million and ¥23,954 million ($288,081 thousand) at March 31, 2010 and 2011, respectively, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2011	2011
Property, plant and equipment	¥41,525	**¥37,379**	**$449,536**
Investment in securities	14,212	**12,138**	**145,977**
Cash and time deposits	934	**500**	**6,013**
Accounts receivable	1,180	**1,403**	**16,873**
Inventories and other	4,048	**3,448**	**41,467**
Total	¥61,901	**¥54,871**	**$659,903**

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.

The appropriation of retained earnings of the Company proposed by the Board of Directors and approved at the shareholders' meeting held on June 29, 2011 included cash dividends applicable to the year ended March 31, 2011 and the payment of cash dividends to shareholders of record at March 31, 2011 in the

aggregate amount of ¥8,329 million ($100,168 thousand) or ¥4 per share.

The appropriations have not been accrued in the consolidated financial statements for the year ended March 31, 2011. Such appropriations are recognized in the period in which they are approved by the shareholders.

11. Treasury Stock

Change in the treasury stock is as follows:

(thousand shares)

As of March 31, 2010	Increase	Decrease	As of March 31, 2011
10,473	65,589	75,044	1,019

(Overview of reasons for change)

Overview of reasons for increase	
Increase by market acquisition	63,724 thousand shares
Increase by repurchase under Article 155-(8) of the Law	1,496 thousand shares
Increase by repurchase of fractional shares	369 thousand shares
Overview of reasons for decrease	
Decrease by cancellation of treasury stock	74,983 thousand shares
Decrease by disposal of fractional shares	60 thousand shares

12. Contingent Liabilities

At March 31, 2010 and 2011, the Companies were contingently liable as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2011	2011
As guarantor of indebtedness of:			
Non-consolidated affiliates	¥ 4,522	¥ 5,803	$ 69,789
Employees	29	22	264
Debt assumption agreements	39,235	39,000	469,031
Total	¥43,787	¥44,825	$539,085

13. 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 difference" 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 market value of the land was ¥926 million and ¥1,071 million ($12,880 thousand) lower than the revalued book amount at March 31, 2010 and 2011, respectively.

14. Research and Development Expenses

The Companies charge research and development expenses to selling, general and administrative expenses and manufacturing costs as incurred. Research and development expenses amounted to ¥10,670 million and ¥10,918 million ($131,304 thousand) for the years ended March 31, 2010 and 2011, respectively.

15. Leases

(1) Finance Lease Transactions

Finance leases which commenced before the beginning of fiscal 2008 and did not transfer ownership of the leased assets to the lessee are accounted for as operating leases.

Information for non-capitalized finance leases at March 31, 2010 and 2011 was as follows:

As lessee (non-capitalized)

	Millions of Yen		Thousands of U.S. Dollars
	2010	2011	2011
Original lease obligations (including finance charges)	¥5,315	¥4,207	$50,595
Less accumulated depreciation	3,839	3,066	36,873
Balance at fiscal year end	¥1,475	¥1,140	$13,710
Payments remaining:			
Payments due within one year	¥ 591	¥ 442	$ 5,315
Payments due over one year	884	698	8,394
Total	¥1,475	¥1,140	$13,710

Lease payments for such leases for the years ended March 31, 2010 and 2011 were ¥818 million and ¥669 million ($8,045 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, 2010 and 2011 was ¥818 million and ¥669 million ($8,045 thousand), respectively.

(2) Operating Lease Transactions

Obligations under non-cancelable operating leases at March 31, 2010 and 2011 were as follows:

As lessee (non-capitalized)

	Millions of Yen		Thousands of U.S. Dollars
	2010	2011	2011
Payments due within one year	¥ 960	¥1,017	$12,230
Payments due over one year	3,525	3,180	38,244
Total	¥4,485	¥4,197	$50,475

16. Derivative Transactions

Fair market value information for the derivative transactions to which hedge accounting was applied is as follows:

Type	Instruments	Hedge Accounting Method	Hedged Items	Contract amounts (Millions of Yen)	More than One Year	Fair Value (Millions of Yen)
(a) Interest rates	Interest rate swaps	Exceptional accounting of interest rate swaps	Long-term loans payable	¥ 32,368	¥ 26,116	(Note 2)
		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

Fair market value information for the derivative transactions to which hedge accounting was applied is as follows:

Type	Instruments	Hedge Accounting Method	Hedged Items	Contract amounts (Millions of Yen / Thousands of U.S. Dollars)	More than One Year	Fair Value (Millions of Yen / Thousands of U.S. Dollars)
(a) Interest rates	Interest rate swaps	Exceptional accounting of interest rate swaps	Long-term loans payable	**¥ 24,055** **$ 289,296**	**¥ 22,769** **$ 273,830**	**(Note 2)**
		Principal method of accounting	Long-term loans payable and bonds	**¥ 70,620** **$ 849,308**	**¥ 66,663** **$ 801,719**	**¥ 181** **$ 2,176**
(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	**¥ 43,864** **$ 527,528**	**¥ 2,276** **$ 27,372**	**¥ 709** **$ 8,526**
(c) Products	Swap transactions and option transactions of oil prices, etc.	Principal method of accounting	Purchase prices of raw materials, etc.	**¥ 74,061** **$ 890,691**	**¥ 52,256** **$ 628,454**	**¥ 4,306** **$51,785**
Total				**¥ 212,601** **$2,556,837**	**¥ 143,965** **$1,731,389**	**¥ 5,197** **$62,501**

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.

17. Employees' Severance and Retirement Benefits

Employees' severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2010 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	**2011**	**2011**
Projected benefit obligation	¥ 261,662	**¥ 259,293**	**$ 3,118,376**
Prepaid pension costs	43,361	**39,963**	**480,613**
Unrecognized actuarial differences	(45,256)	**(44,060)**	**(529,885)**
Unrecognized prior service costs	–	**292**	**3,511**
Less fair value of pension assets	(246,168)	**(240,941)**	**(2,897,666)**
Employees' severance and retirement benefits	¥ 13,598	**¥ 14,548**	**$ 174,960**

Included in the consolidated statements of income for the years ended March 31, 2010 and 2011 were severance and retirement benefit expenses that consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	**2011**	**2011**
Service costs—benefits earned during the year	¥ 7,346	**¥ 7,538**	**$ 90,655**
Interest cost on projected benefit obligation	4,644	**4,612**	**55,466**
Expected return on plan assets	(7,606)	**(7,572)**	**(91,064)**
Amortization of actuarial differences	4,701	**4,718**	**56,740**
Amortization of prior service costs	2	**(163)**	**(1,960)**
Severance and retirement benefit expenses	¥ 9,089	**¥ 9,134**	**$109,849**

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

	2010	**2011**
Discount rates	Mainly 1.8%	**Mainly 1.8%**
Expected rate of return on plan assets	Mainly 3.1%	**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.

18. Income Taxes

The Company is subject to a number of taxes based on income, which, in the aggregate, indicate a statutory rate in Japan of approximately 36.2% (40.6% for certain consolidated subsidiaries) for both the years ended March 31, 2010 and 2011.

The following table summarizes the significant differences between the Company's statutory tax rate and the Companies' effective tax rate for financial statement purposes for the years ended March 31, 2010 and 2011:

	2010	2011
Statutory tax rate	36.2%	**36.2%**
Nondeductible expenses	2.5	**1.8**
Statutory tax rate difference between the Company and certain subsidiaries	0.8	**1.1**
Per capita inhabitants' taxes	0.3	**0.3**
Other	0.0	**1.9**
Effective tax rate	39.8%	**41.3%**

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2010 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2011	2011
Deferred tax assets:			
Excess depreciation of depreciable assets	¥ 5,809	**¥ 5,791**	**$ 69,645**
Excess depreciation of deferred assets	5,217	**5,342**	**64,245**
Reserve for safety actions	4,188	**3,441**	**41,383**
Losses on impairment of fixed assets	5,124	**5,401**	**64,954**
Write-down of securities	4,312	**3,556**	**42,766**
Employees' severance and retirement benefits	4,234	**5,512**	**66,289**
Accrued enterprise taxes	2,673	**2,941**	**35,369**
Others	27,164	**28,330**	**340,709**
Subtotal deferred tax assets	58,723	**60,317**	**725,399**
Valuation allowance	(8,337)	**(8,835)**	**(106,253)**
Total deferred tax assets	50,386	**51,481**	**619,134**
Deferred tax liabilities:			
Net unrealized gains on securities	(13,649)	**(10,331)**	**(124,245)**
Prepaid pension costs	(15,631)	**(14,411)**	**(173,313)**
Unrealized gains on hedging derivatives	(4,883)	**(4,278)**	**(51,449)**
Reserve defined under the special taxation measures law	(6,640)	**(5,929)**	**(71,304)**
Reserve for advanced depreciation of noncurrent assets	(342)	**(342)**	**(4,113)**
Others	(5,884)	**(7,106)**	**(85,460)**
Total deferred tax liabilities	(47,031)	**(42,397)**	**(509,885)**
Net deferred tax assets	¥ 3,354	**¥ 9,084**	**$ 109,248**

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

	Millions of Yen		Thousands of U.S. Dollars
	2010	2011	2011
Current assets (included in "Others")	¥ 12,677	**¥ 13,410**	**$ 161,274**
Investments and other assets (included in "Others")	6,714	**6,756**	**81,250**
Current liabilities (included in "Others")	(15)	**(3)**	**(36)**
Long-term liabilities	(16,022)	**(11,079)**	**(133,241)**
Total	¥ 3,354	**¥ 9,084**	**$ 109,248**

19. Investment and Rental Property

The Company and several of its consolidated subsidiaries own office buildings and other real properties for rent (including land) in Osaka Prefecture and other prefectures. In the years ended March 31, 2010 and March 31, 2011, we reported gains of ¥3,933 million and ¥4,667 million ($56,127 thousand), respectively, from such real properties for rent (mainly recorded as operating income).

Book value of such real properties for rent in the consolidated balance sheets in this fiscal year and the fair value were as follows:

As of March 31, 2010

Book Value (Millions of Yen)			(Millions of Yen)
As of March 31, 2009	Increase or Decrease	As of March 31, 2010	Fair Value as of March 31, 2010
¥88,176	¥12,414	¥100,591	¥161,032

As of March 31, 2011

Book Value (Millions of Yen)			(Millions of Yen)
As of March 31, 2010	Increase or Decrease	As of March 31, 2011	Fair Value as of March 31, 2011
¥100,591	**¥4,801**	**¥105,392**	**¥159,924**

As of March 31, 2011

Book Value (Thousands of U.S. Dollars)			(Thousands of U.S. Dollars)
As of March 31, 2010	Increase or Decrease	As of March 31, 2011	Fair Value as of March 31, 2011
$1,209,753	**$57,739**	**$1,267,492**	**$1,923,319**

Notes: 1. The book value stated in the consolidated balance sheets was acquisition costs reduced by accumulated depreciation and accumulated impairment losses.
2. The major factor regarding the increase in the years ended March 31, 2010 and March 31, 2011 was the acquisition of real property of ¥15,385 million and ¥5,423 million ($65,219 thousand), respectively.
3. The fair values as of the end of the fiscal year were mainly determined based on the Real Estate Appraisal Standards or similar evaluation methods (including values adjusted using indicators).

20. Segment Information

(1) Overview of reportable segment

The Company's three business segments of "Domestic Energy Service Businesses," "International Energy Businesses along energy value chain," and "Environment and Non-Energy Businesses" are divided by product and service, and organized into the four reporting segments of "Gas Businesses," "LPG, Electricity and Other Energies Businesses," "International Energies Businesses," and "Environment and Non-Energies Businesses," considering the similarities between product and services and other relevant factors.

"Gas Businesses" includes marketing of gas and gas equipment, gas piping work, and heat supply. "LPG, Electricity, and Other Energies Businesses" includes LPG marketing, industrial gas marketing, and electric power supply. "International Energies Businesses" includes overseas energy supply, LNG vessel chartering businesses, and oil and natural gas business development and investment. "Environment and Non-Energies Businesses" includes real estate development and leasing, IT services, marketing of fine materials and carbon material products, fitness gym operation, engineering services, and leasing of automobiles and IT-related equipment.

(2) Calculation methods for sales, income (loss), assets, liabilities and other items by reportable segment

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

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

Millions of Yen

For 2010:	Gas	LPG, Electricity and Other Energies	International Energies	Environment and Non-Energies	Total	Adjustments (Note 1)	Consolidated (Note 2)
Operating revenues							
Outside customers	¥813,177	¥141,030	¥ 11,083	¥131,336	¥1,096,628	¥ –	¥1,096,628
Inside group	12,344	2,373	69	44,330	59,119	(59,119)	–
Total	825,522	143,404	11,153	175,667	1,155,748	(59,119)	1,096,628
Segment income							
Operating income	¥ 57,241	¥ 14,505	¥ 3,461	¥ 14,039	¥ 89,248	¥ 1,892	¥ 91,140
Equity in net income of affiliates	64	389	810	–	1,264	–	1,264
Total	57,305	14,895	4,271	14,039	90,512	1,892	92,404
Segment assets	¥741,181	¥189,068	¥142,553	¥305,687	¥1,378,490	¥105,405	¥1,483,895
Depreciation	63,183	15,439	5,501	10,064	94,189	(506)	93,682
Amortization of goodwill	80	451	209	977	1,719	–	1,719
Investment in affiliates reported by equity method	398	3,822	39,568	–	43,789	–	43,789
Increase in tangible and intangible fixed assets	54,073	9,606	12,587	22,458	98,726	(479)	98,246

Millions of Yen

For 2011:	Gas	LPG, Electricity and Other Energies	International Energies	Environment and Non-Energies	Total	Adjustments (Note 1)	Consolidated (Note 2)
Operating revenues							
Outside customers	**¥865,382**	**¥172,660**	**¥ 11,007**	**¥138,091**	**¥1,187,142**	**¥ –**	**¥1,187,142**
Inside group	**14,495**	**2,105**	**123**	**47,315**	**64,040**	**(64,040)**	**–**
Total	**879,878**	**174,766**	**11,130**	**185,407**	**1,251,182**	**(64,040)**	**1,187,142**
Segment income							
Operating income	**¥ 41,913**	**¥ 25,243**	**¥ 3,178**	**¥ 15,652**	**¥ 85,988**	**¥ 2,595**	**¥ 88,584**
Equity in net income of affiliates	**5**	**365**	**1,790**	**–**	**2,161**	**–**	**2,161**
Total	**41,919**	**25,609**	**4,968**	**15,652**	**88,150**	**2,595**	**90,746**
Segment assets	**¥728,047**	**¥171,342**	**¥144,397**	**¥306,489**	**¥1,350,277**	**¥ 87,019**	**¥1,437,297**
Depreciation	**63,318**	**17,041**	**5,540**	**10,567**	**96,467**	**(730)**	**95,737**
Amortization of goodwill	**514**	**751**	**223**	**342**	**1,831**	**–**	**1,831**
Investment in affiliates reported by equity method	**399**	**4,049**	**38,805**	**–**	**43,254**	**–**	**43,254**
Increase in tangible and intangible fixed assets	**50,185**	**9,210**	**102**	**10,644**	**70,142**	**(542)**	**69,600**

Thousands of U.S. Dollars

For 2011:	Gas	LPG, Electricity and Other Energies	International Energies	Environment and Non-Energies	Total	Adjustments (Note 1)	Consolidated (Note 2)
Operating revenues							
Outside customers	**$10,407,480**	**$2,076,488**	**$ 132,375**	**$1,660,745**	**$14,277,113**	**$ –**	**$14,277,113**
Inside group	**174,323**	**25,315**	**1,479**	**569,031**	**770,174**	**(770,174)**	**–**
Total	**10,581,815**	**2,101,815**	**133,854**	**2,229,789**	**15,047,288**	**(770,174)**	**14,277,113**
Segment income							
Operating income	**$ 504,064**	**$ 303,583**	**$ 38,220**	**$ 188,238**	**$ 1,034,131**	**$ 31,208**	**$ 1,065,351**
Equity in net income of affiliates	**60**	**4,389**	**21,527**	**–**	**25,989**	**–**	**25,989**
Total	**504,137**	**307,985**	**59,747**	**188,238**	**1,060,132**	**31,208**	**1,091,352**
Segment assets	**$ 8,755,826**	**$2,060,637**	**$1,736,584**	**$3,685,977**	**$16,239,049**	**$1,046,530**	**$17,285,592**
Depreciation	**761,491**	**204,942**	**66,626**	**127,083**	**1,160,156**	**(8,779)**	**1,151,377**
Amortization of goodwill	**6,181**	**9,031**	**2,681**	**4,113**	**22,020**	**–**	**22,020**
Investment in affiliates reported by equity method	**4,798**	**48,695**	**466,686**	**–**	**520,192**	**–**	**520,192**
Increase in tangible and intangible fixed assets	**603,547**	**110,763**	**1,226**	**128,009**	**843,559**	**(6,518)**	**837,041**

Notes: 1. Adjustments are as follows:
(1) Major adjustment in segment income is elimination of inter-segment transactions.
(2) Major adjustment in segment assets is investment in securities possessed by the Company.
2. Segment income is adjusted by adding or subtracting equity in net income of affiliates to or from operating income.

(Additional Information)
Effective from April 1, 2010 the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, March 27, 2009) and the "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, March 21, 2008) have been adopted.

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

Millions of Yen

For 2011:	Gas	LPG, Electricity and Other Energies	International Energies	Environment and Non-Energies	Subtotal	Elimination or corporate	Total
Amount depreciated in 2011	¥ 514	¥751	¥ 223	¥ 342	¥1,831	¥–	¥1,831
Undepreciated balance at fiscal year end	(186)	957	2,603	(202)	3,172	–	3,172

Thousands of U.S. Dollars

For 2011:	Gas	LPG, Electricity and Other Energies	International Energies	Environment and Non-Energies	Subtotal	Elimination or corporate	Total
Amount depreciated in 2011	$ 6,181	$ 9,031	$ 2,681	$ 4,113	$22,020	$–	$22,020
Undepreciated balance at fiscal year end	(2,236)	11,509	31,304	(2,429)	38,147	–	38,147

21. 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 Loss from Impairment of Fixed Assets

In accordance with the grouping described in (1) above, an impairment loss of ¥2,093 million 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 of fixed assets
			Millions of Yen
Asset	Location	Type	2010
Fitness facilities	Nagoya, Aichi Prefecture, etc.	Property	¥1,897

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 was 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 value in use by discounting future cash flows by 5.0%.

22. Consolidated Statement of Comprehensive Income

Comprehensive income for the fiscal year ended March 31, 2010 was as follows:

	Millions of Yen
	2010
Attributable to owners of the parent	¥71,471
Attributable to minority interests	2,782
Total	¥74,254

Other comprehensive income for the fiscal year ended March 31, 2010 was as follows:

	Millions of Yen
	2010
Valuation difference on available-for-sale securities	¥ 6,539
Deferred hedge gains (losses)	7,218
Foreign currency translation adjustments	5,833
Share of other comprehensive income of associates accounted for using the equity method	4,988
Total	¥24,579

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, 2010 and 2011, the related consolidated statements of income and comprehensive income for the year ended March 31, 2011, the consolidated statement of income for the year ended March 31, 2010, and the consolidated statements of changes in net assets and cash flows for each of 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 subsidiaries as of March 31, 2010 and 2011, 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.

Without qualifying our opinion, we draw attention to Note 22 to the consolidated financial statements, in which the comprehensive income for the year ended March 31, 2010 is disclosed.

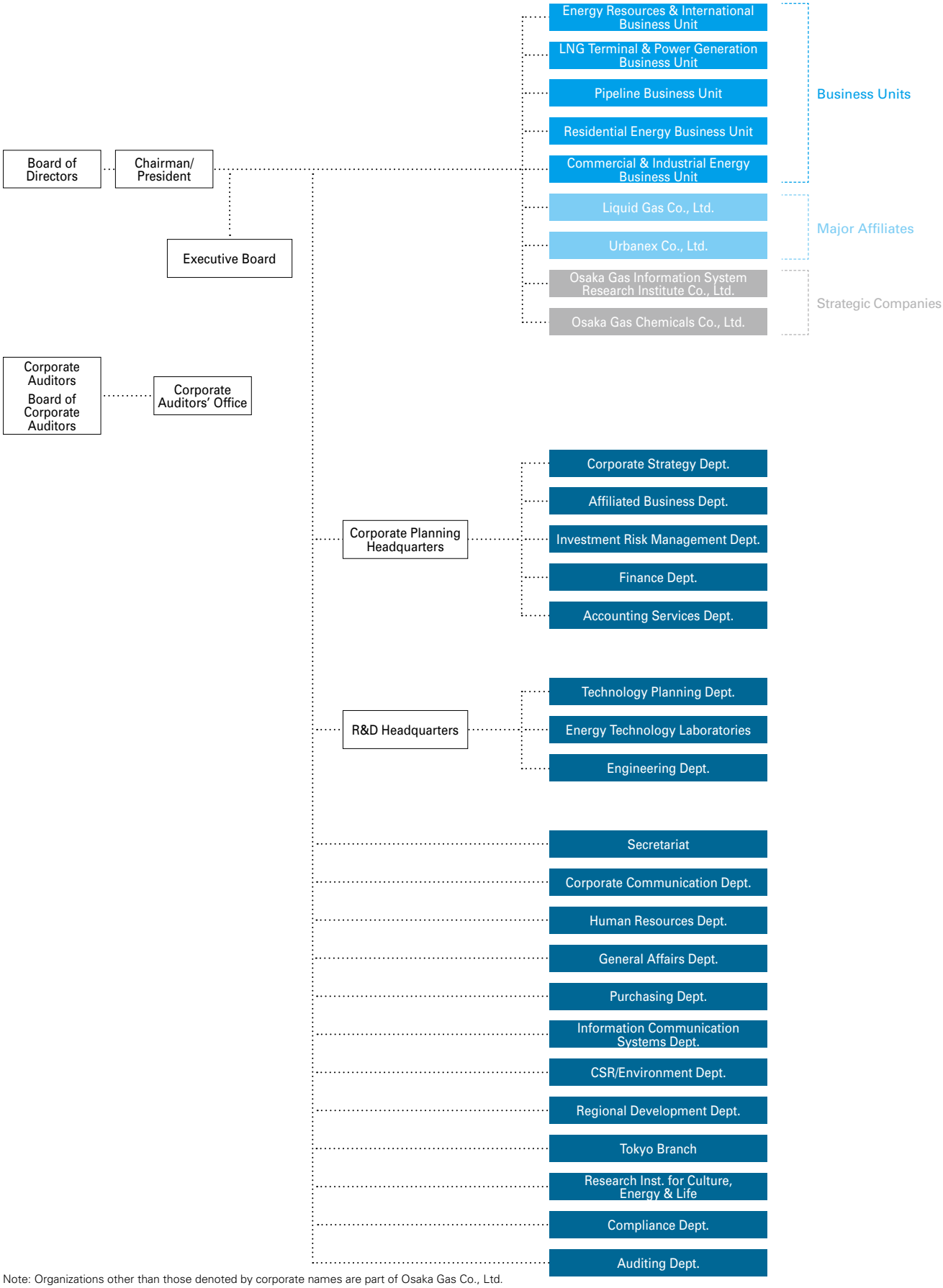
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

Osaka, Japan
June 29, 2011

Osaka Gas Group Organization

As of July 29, 2011



Note: Organizations other than those denoted by corporate names are part of Osaka Gas Co., Ltd.

Major Consolidated Subsidiaries

(As of March 31, 2011)

	Name of subsidiary	Main business	Capital (Million yen)	Osaka Gas shareholding (%)
Gas	Enetec Kyoto Co,Ltd.	Sales of gas appliances and housing equipment and appliances, gas appliance works	30	100
	Osaka Gas Customer Relations Co., Ltd.	Maintenance checks on gas equipment and appliances / Checking gas meters / Collection of gas bills, and others	50	100
	Osaka Gas Housing & Equipment Co., Ltd.	Sales of housing equipment and appliances	450	100
	Osaka Gas Security Service Co., Ltd.	Provision of security and disaster protection services / Sales of home security systems	100	100
	Kansai Business Information Inc.	Contracting and staffing of call center operations, various research services and consulting	100	100
	Kinpai Co., Ltd.	Gas piping works / Sales of gas appliances, and housing equipment and appliances	300	100
	Kinpai Corporation	Business administration of the Kinpai Group, and other activities	112	100
	Creative Techno Solution Co., Ltd.	Sales and construction of energy equipment, heating system supplies, etc.	1,150	100
	Nabari Kintetsu Gas Co., Ltd.	Production, supply and sales of gas / Sales of LPG and other products	100	85
LPG, Electricity and Other Energies	Osaka Gas LPG Co., Ltd.	Sales of LPG and other products	100	100
	Gas and Power Co., Ltd.	Electric power supply	1,368	100
	Senboku Natural Gas Power Generation Co., Ltd.	Electric power supply	2,000	90
	Nakayama Joint Power Generation Co., Ltd.	Electric power supply	300	95
	Nakayama Nagoya Joint Power Generation Co., Ltd.	Electric power supply	450	95
	Nissho Petroleum Gas Corporation	Sales of LPG and other products	1,726	52.5
	Nissho Propane Sekiyu Co., Ltd.	Sales of LPG and other products	60	100
	Liquid Gas Co., Ltd.	Sales of industrial gas, LNG, LPG and other products	1,030	100
International Energies	Osaka Gas International Transport Inc.	LNG vessel leasing	3,190	100
	Osakagas Summit Resources Co., Ltd.	Development and investment of petroleum and natural gas	100	70
	Osaka Gas Australia Pty. Ltd.*	Development and investment of petroleum and natural gas	A$514 million	100
	Osaka Gas Energy America Corporation	Research and investment relating to energy supply business	US$1	100
	Osaka Gas Gorgon Pty. Ltd.*	Oil and natural gas investment and development, etc.	A$199 million	100
Environment and Non-Energies	Urbanex Co., Ltd.	Development, leasing, management and sales of real estate	1,570	100
	Osaka Gas Autoservice Co., Ltd.	Leasing and servicing of automobiles, and other activities	100	100
	Osaka Gas Chemicals Co., Ltd.	Manufacture and sales of fine materials, carbon material products, and others	2,500	100
	Osaka Gas Business Create Co., Ltd.	Temporary staffing services / Operation of facilities, and others	100	100
	Osakagas Finance Co., Ltd.	Leasing, credit, insurance agency business and others	600	100
	OG Sports Co., Ltd.	Management and contract operation of sports facilities	100	100
	Osaka Gas Information System Research Institute Co., Ltd.	Software development / Computer data processing services	400	100
	Sakura Information Systems Co., Ltd.	Software development / Computer-based data processing services	600	51
	Japan EnviroChemicals, Ltd.	Manufacture and sales of activated carbon, wood protective coatings and other products	2,055	100
	Total 131 companies			

* Specified subsidiary

Osaka Gas Group History

1897	Established Osaka Gas Co., Ltd. with capital of ¥350,000
1905	Established Iwasaki Plant; commenced gas supply (Number of customers: 3,351)
1933	Completed construction of head office building
1940	Torishima Plant completed
1950	Keihan Connecting Pipeline completed (currently No. 1 Keihan Line)
1952	Hanshin Connecting Pipeline completed (currently No. 1 Hanshin Line)
1955	Held first Gas Exhibition
1958	Launched gas-powered automatic rice cooker
	Number of customers exceeded one million
1964	Raised calorific value of gas supplied in Kyoto / Osaka / Kobe region (from 3,600 kcal/m^3 to 4,500 kcal/m^3)
1966	Number of customers exceeded two million
1967	Commenced operation of the first gas-powered cooling system at Kobe City's main public sports center
1969	Installed first gas absorption-type cooler / heater at Osaka Toryo Hall
1970	Commenced Japan's first district heating and cooling business in the Senri-chuo area
	Completed the Kinki Trunk Line's No. 1 West Line
1971	Commenced operations at Semboku Plant
	Number of customers exceeded three million
1972	Commenced import of LNG from Brunei
	Completed the Kinki Trunk Line's No. 1 East Line
1975	Commenced natural gas conversion (from 4,500 kcal/m^3 to 11,000 kcal/m^3)
1977	Commenced operations at Semboku LNG Terminal No. 2 Facility
	Commenced import of LNG from Indonesia
1978	Completed the Kinki Trunk Line's No. 2 East Line
	Number of customers exceeded four million
1979	Commenced operations at the world's first cryogenic power generation plant
1981	Concluded technology exchange agreement with Brooklyn Union Gas Company of the U.S.
1982	Opened the Gas Science Museum
	Installed the first cogeneration system at Nichii Kakogawa
1984	Opened London Office
	Commenced operations at Himeji LNG Terminal
1987	Commenced introduction of microcomputer-controlled meters
1988	Number of customers exceeded five million
1989	Opened the entire No. 2 West Line of the Kinki Trunk Line for gas supply
	Commenced import of LNG from Australia
	Established Urbanex Co., Ltd.
1990	Completed natural gas conversion
1991	Established Liquid Gas Co., Ltd. and Osaka Gas Chemicals Co., Ltd.
	Opened the DILIPA showroom to exhibit residential gas appliances
1992	Established Osaka Gas Information System Research Institute Co., Ltd.
1994	Completed the Kinki Trunk Line's No. 3 West Line
	Closed down the coke oven at Torishima Energy Center
1995	The Great Hanshin (Kobe) Earthquake (supply of gas to approx. 860,000 customers halted)
	Commenced import of LNG from Malaysia
1996	Commenced fuel-cost adjustment system
1997	Completed installation of microcomputer-controlled meters in all households
	Number of customers exceeded six million
1998	Commenced import of LNG from Qatar
1999	Undertook first retirement of treasury stock
2000	Reported memorandum of agreement to supply and transport gas for major gas supplier
	Made Nissho Iwai Petroleum Gas Group (currently Nissho Petroleum Gas Corporation) a subsidiary
	Commenced import of LNG from Oman
2003	Adjusted calorific value of gas supply (from 11,000 kcal/m^3 to 10,750 kcal/m^3 (45 MJ/m^3))
	Launched sales of "ECOWILL" residential gas engine cogeneration system
	Completed the Kinki Trunk Line's Keiji and Himeji Lines
2004	Acquired equity interests in Spanish and U.S. IPP projects
	Commenced commercial operation of power generation facility at Himeji LNG Terminal
2005	100th anniversary of Osaka Gas Co., Ltd.'s operational launch
	Announced new brand slogan, "Design Your Energy—A Better Tomorrow"
	Unit sales of "ECOWILL" exceeded 10,000
2006	Completed Shiga Line of Kinki Trunk Line
2009	Semboku Natural Gas Power Plant commenced operations
	Launched sales of "ENE-FARM" residential fuel cell cogeneration system
2011	Number of customers exceeded seven million

Company Data

(As of June 29, 2011)

Directory

Head Office

4-1-2, Hiranomachi, Chuo-ku, Osaka 541-0046, Japan Tel: (+81)-6-6205-4715 (IR team, Corporate Strategy Dept.)

Tokyo Office

Shin-Otemachi Building 6F, 2-2-1, Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan Tel: (+81)-3-3211-2551

Osaka Gas UK, Ltd.

1st Floor, Carrington House, 126-130 Regent Street, London W1B 5SE, U.K. Tel: (+44)20-7851-7483

Osaka Gas Energy America Corporation

One North Lexington Avenue, Suite 504, White Plains, NY 10601, U.S.A. Tel: (+1)914-253-5500

Investor Information

Date of Establishment:

April 10, 1897

Regular General Meeting:

The regular general meeting of shareholders is held in June each year.
The 2011 regular general meeting was held on June 29.

Common Stock:

Authorized: 3,707,506,909 shares
Issued: 2,083,400,000 shares
* Total number of shares issued includes 1,019,059 shares of treasury stock. As a result of a cancellation of treasury stocks, total number of shares issued declined 74,983,539 shares from March 31, 2010 forward.

Listing of Shares:

Osaka Gas's shares are listed for trading on the following stock exchanges in Japan: Tokyo, Osaka, Nagoya.

Number of Shareholders:

148,777

Stock Transaction Units:

The Company's stock is traded in units of 1,000 shares.

Common Stock Price Range (Yen):

(Tokyo Stock Exchange)

	2010/3		2011/3	
	High	Low	High	Low
First quarter	326	297	334	309
Second quarter	327	303	322	301
Third quarter	328	288	328	278
Fourth quarter	340	306	338	265

Independent Certified Public Accountants:

KPMG AZSA LLC

Transfer Agent:

The Sumitomo Trust & Banking Co., Ltd.
1-10, Nikko-cho, Fuchu City, Tokyo 183-8701, Japan
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The Osaka Gas Co., Ltd. website contains information provided for all investors and is constantly updated.

The address of the Osaka Gas Co., Ltd. website is:

http://www.osakagas.co.jp/indexe.html

For inquiries about this report or requests for other materials, please refer to the contact listed below:

E-mail: keiri@osakagas.co.jp

Please note that we do not accept files attached to e-mails, such as image files.

Unit Conversion List

Weight

kg	Metric ton	Imperial (short) ton	U.S. (long) ton
1	1×10^{-3}	0.984×10^{-3}	1.102×10^{-3}
1,000	1	0.9842	1.1023
1,016.0	1.0160	1	1.1200
907.19	0.9072	0.8927	1

Length

m	ft	yard	mile
1	3.2808	1.0936	0.622×10^{-3}
0.3048	1	0.333	0.189×10^{-3}
0.9144	3	1	0.568×10^{-3}
1,609	5,280	1,760	1

Volume (Liquid)

m^3 (kl)	ft	Imperial gallon	U.S. gallon
1	35.315	219.97	264.17
28.32×10^{-3}	1	6.288	7.481
4.55×10^{-3}	0.1606	1	1.2011
3.78×10^{-3}	0.1337	0.8327	1

1kl=6.29 barrels, 1 barrel (42 U.S. gallons)=0.159kl

Volume (Gas)

m^3 (n)	m^3 (s)	SCF
1	1.045	37.33
0.9476	1	35.37
0.0268	0.0283	1

n:0°C, S:15°C, SCF:101.33kPa, 15.5°C (60°F)

Energy

kcal	Btu	MJ	kWh
1	3.969	4.186×10^{-3}	1.162×10^{-3}
0.2520	1	1.055×10^{-3}	0.2929×10^{-3}
238.9	948.2	1	0.2778
860.1	3,414	3.600	1

Heating Value (Gas)

kcal/m^3(n)	Btu/SCF	MJ/m^3(s)
1	0.1063	3.97×10^{-3}
9.406	1	3.73×10^{-2}
252.1	26.81	1

1 ton of LNG=13×10^6kcal=52×10^6 Btu

Design Your Energy 夢ある明日を
OSAKA GAS GROUP

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