

Business Report for the 192<sup>nd</sup> Financial Year  
(Year from 1 April 2009 through 31 March 2010)

Osaka Gas Co., Ltd.

# Operating Report for the year ended March 31, 2010

## I. Current Situation of Business of the Group

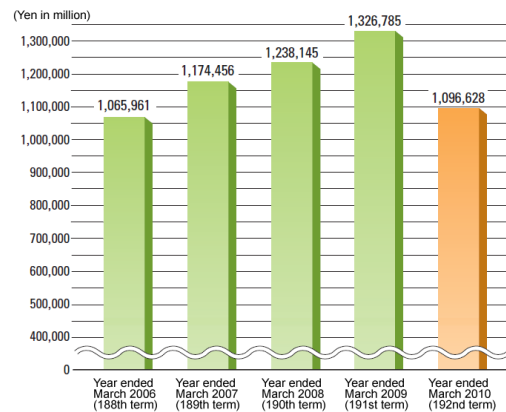
### 1. Business Operations and Results

During this financial year, Japanese economy has seen a modest recovery, although not straight, exiting from the critical situation. This is due to the rebound of the global economy led by the emerging countries, as well as the domestic fiscal stimulus and monetary easing policy.

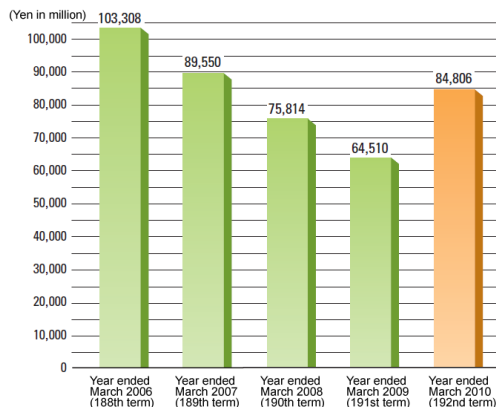
In such business environment, Osaka Gas Group (the “Group”) has aggressively conducted its businesses with the core management objective of “Value Creation Management”.

Consolidated revenues in this financial year was ¥1,096,628 million, decreasing by 17.3% compared to the preceding financial year due to a decrease in revenues of the Company and its consolidated subsidiaries (See Graph 1). Consolidated ordinary profits was ¥84,806 million, increasing by 31.5% compared to the preceding financial year due to a decrease in the cost of raw materials of gas and also an increase in the profits of the electric power and other ancillary businesses (See Graph 2). Consolidated net income was ¥48,384 million, increasing by 34.2% compared to the preceding financial year (See Graph 3).

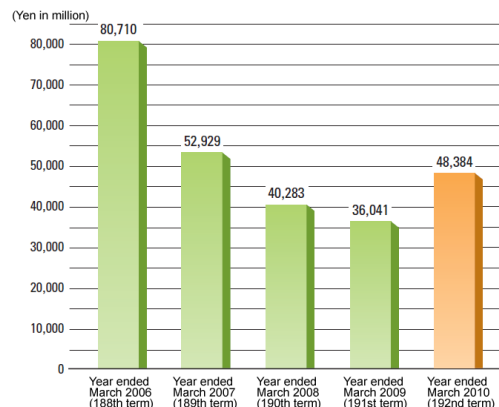
**Graph 1: Consolidated Revenues of the Group**



**Graph 2: Consolidated Ordinary Profits of the Group**



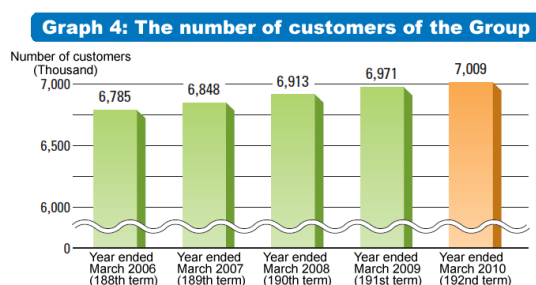
**Graph 3: Consolidated Net Income of the Group**



Sections (1) to (5) below provide a summary of segment results of the Group in this financial year.

### (1) Gas

The number of customers (by number of meters installed) was 7.009 million as of the end of this financial year, increasing by 38,000 compared to the end of the preceding financial year (See Graph 4).



Total sales of gas for residential purposes is almost flat with the preceding financial year, increasing by 0.2% to 2,255 million cubic meters.

Total sales of gas for business use was 5,441 million cubic meters, decreasing by 5.1% compared to the preceding financial year despite development of new demand, primarily due to a reduced level of operation of existing customers' facilities for industrial use, and for commercial use and public services/medical use, to a decrease in the use of air conditioners owing to a lower temperature in summer than the previous year.



Total sales of gas for wholesale was 455 million cubic meters, increasing by 4.9% compared to the preceding financial year.

As a result, total sales of gas was 8,150 million cubic meters, decreasing by 3.2% compared to the preceding financial year (See Graph 5).

Primary as a result of the decrease in gas sales as above and the lower unit prices of gas under the sliding rate adjustment system, the revenues from gas sales was ¥674,054 million, decreasing by 17.2% compared to the preceding financial year.

## (2) LPG, Electric Power and Other Energies

Primary as a result of a decrease in the sales of the consolidated subsidiaries due to transfer to Japan Gas Energy Corporation of the wholesale and retail functions of LPG business, revenues from the LPG , Electric Power and Other Energies business was ¥ 171,308 million, decreasing by 31.4% compared to the preceding financial year.

With respect to the LPG business, Nissho Petroleum Gas Corporation was consolidated into the group of Liquid Gas Co., Ltd. on 1 July 2009. As a result of this consolidation, LPG retail and wholesale business that had been operated by Nissho Petroleum Gas Corporation across Japan and by Osaka Gas LPG Co., Ltd., a subsidiary of Liquid Gas Co., Ltd., in Kinki region, is now centrally managed and operated.



The Senboku Natural Gas Power Plant

With respect to the electric power business, the Group started operation of Senboku Natural Gas Power Plant in April 2009, and four generating units have been operating since November 2009.

The Group was also involved in other energies businesses through acquisition of a part of the interests of Gorgon Project that seeks to exploit and produce natural gas in the offing of the Australian northwest coast, and a part of the shares of the operating company of Hallett 4 wind farm project in south Australia.



"Hallett 2" which is operating near "Hallett 4" under construction

The food magazine "Amakara Techo" published by Create Kansai Co., Ltd. celebrated its 25th anniversary in November 2009. This is a favourite magazine in Kansai, containing information about food, which has a close relationship with gas, with a wide range of topics from restaurants in Kansai area to food materials and cooking recipe, chosen under the concept of "magazine for adults who enjoy eating".



"Amakara Techo"

### (3) Gas Appliances and House-pipe Installations

Revenues from gas appliances and house-pipe installations business was ¥127,516 million, decreasing by 9.9% compared to the preceding financial year, primarily due to a decrease in sales of gas appliances and number of installation work. Company revenues from the sales of gas appliances was ¥82,649 million, decreasing by 5.1% compared to the preceding financial year, and revenues from the house-pipe installations was ¥21,405 million, decreasing by 23.7% compared to the preceding financial year.

As a household gas appliances, the Group released the residential fuel cell cogeneration system “ENE•FARM”, which has had a favourite reception among users as an energy-saving and environment-friendly system. It generates power from clean natural gas, and the heat accompanied with the electricity generation can be used for hot water supplies and heating of the house. Sales of “ENE•FARM” in this financial year exceeded the target of 1,300. The Group also released “Double Generation” system with a new combination of “ENE•FARM” and the photovoltaic generation system, in addition to the combination of "ECOWILL" and the photovoltaic generation system that had already been in the market.



“Double Generation” system

Further, the Group started a leasing system called “Raku Toku Lease”, for leasing of new type Si Sensor Kitchen Stove (built-in type) and gas built-in oven at a reasonable lease rate. The Group also focused on increasing sales of products such as a residential gas engine cogeneration system “ECOWILL”, a highly efficient water heater "Eco-Jozu", and a bathroom heater/dryer with mist sauna function “MIST KAWACK”.

With respect to the gas appliances for business use, sales of “HIGH POWER EXCEL”, the gas heat pump-type air conditioning system with electric generation functions, was strong, helped by the expanded product range after introduction of a new type product in the preceding financial year. The Group released “GENEBO SYSTEM”, which combines a hot-water boiler “GENEBO” that utilises heat generated from a gas engine cogeneration system, and a mini cogeneration system “GENELIGHT”.



“GENEBO SYSTEM”

Sales of products such as “Cool Furnace-cooked Gas Rice Cooker for Business Use (α type) (for one shou type)” that reduces heat like SUZUCHU cool kitchen system was strong.



“Cool Furnace-cooked Gas Rice Cooker for Business Use (α type) (for one shou type)”

#### (4) Real Estate

Revenues from the real estate business was ¥32,766 million, decreasing by 1.3% compared to the preceding financial year.

Kyoto Research Park Corp. that has developed and operates Kyoto Research Park (KRP) celebrated its 20th anniversary in October 2009.



KRP 20<sup>th</sup> Anniversary Ceremony



KRP Bldg#9 (October, 2010 completion)

#### (5) Other Businesses

Revenues from other businesses was ¥160,988 million, decreasing by 2.6% compared to the preceding financial year, primary due to a decrease in revenues from information related business.

The Group integrated its condominium apartment management business and building management business conducted by the three group companies, into OGCL Co., Ltd. Such concentration of management resources is aimed at enhancing our proposals and service quality to customers, which would improve the management company's competitiveness.

[Revenues for Each Business Segment] (Amount: Yen in millions, Ratio: %)

	Gas	LPG, Electricity and Other Energies	Gas Appliances and House-pipe Installation	Real Estate	Others	On a Consolidated Basis
Revenues	674,054	171,308	127,516	32,766	160,988	1,096,628
Percentage Change from Last Year	-17.2	-31.4	-9.9	-1.3	-2.6	-17.3
Percentage	57.8	14.7	10.9	2.8	13.8	-

(Note) Inter-business segment revenues are included in revenues for each business segment but are eliminated from consolidated revenues.

## 2. Capital Investment Activities

The amount of capital investment by the Group amounted to ¥98,246 million.

The Company lengthened its gas trunk and branch lines by 380 kilometers, bringing the total length to 48,378 kilometers as of the end of this financial year.

Among the major work during this financial year was the construction of Senboku Natural Gas Power Plant, which was completed in November 2009.

It should also be noted that the subsidiaries of the Company constructed LNG carriers and acquired real estate.

### 3. Financing Activities

During this financial year, the Group borrowed ¥6,439 million and repaid ¥23,022 million as long-term loans; with respect to the corporate bonds, it has not issued any new bonds but redeemed existing bonds in the aggregate principal amount of ¥20,454 million.

### 4. Outstanding Issues

#### (1) Management Issues

What the Group recognizes as its most challenging management issue is how it can be a choice of customers all the time and achieve a sustainable growth, while responding quickly and flexibly to the uncertain and changing business environment such as unpredictable economic situation, volatile energy prices and trend towards low-carbon society.

#### (2) Group's Core Management Objective

The Group is conducting its businesses with the core management objective of "Value Creation Management," under which the Group seeks to maximize the customer value as its first priority and to increase the value of all stakeholders including its shareholders, the community and its employees, through fair and transparent business activities.

#### (3) Priority Issues

The Group works to "enhance service level and contribute to low-carbon society", "broaden business fields", and "perform social responsibilities (through ensuring stable supply and safety, and fulfilling a higher level of CSR)", in an effort to achieve its long-term vision and medium-term business plans "Field of Dreams 2020", which were set out in March 2009.

##### (a) Enhance service level and contribute to low-carbon society

The Group aims to help the customers' life and business to be economical, comfortable, convenient and safe, and contribute to realization of a low-carbon society, by offering products and services and proposing energy usages that are aligned with customer needs, and to develop its businesses in areas such as city gas business.



(i) approaches in household market

The Group promotes decentralised power generation such as residential gas engine cogeneration system “ECOWILL” and residential fuel cell cogeneration system “ENE·FARM”, as well as highly efficient water heater “Eco-Jozu”.

The Group also starts full-scale distribution of the photovoltaic generation system, and promotes “Double Generation” system that combines “ECOWILL” and “ENE·FARM” with the photovoltaic generation system.

Further, the Group works to widen the choice and enhance the quality of its services such as 24-hour equipment repair desk, and to offer its customers the sense of security and safety through products such as home security system.

(ii) approaches in business market

The Group aims to satisfy the customer needs through an effort to promote and make advanced use of natural gas, and to leverage its engineering capability cultivated over years for areas such as utility management including electric power, LPG, industrial gas (including liquefied oxygen and liquefied nitrogen) and water processing.

As an example, it promotes advanced utilisation of energy through gas cogeneration and other systems.

In addition, the Group intends to promote use of the environment-friendly natural gas through measures such as offer of “SUZUCHU” cool gas kitchen instruments for business use, remote supervision of energy facilities using IT system, help to customers introducing new facilities with its financial know-how, and promotion of natural gas vehicles, which would increase convenience and economy for its customers.

(iii) technological development

The Group commits itself to the technological development such as improvement of efficiency of “ENE·FARM”, from the standpoint of prevention of global warming and energy-saving, and of enhancement of convenience for its customers.

(iv) reduction of environmental burden from the Group’s business activities

The Group seeks to reduce the environmental burden through steady operation of the environmental management system introduced across the Group.

(b) Broadening of business fields

The Group seeks to develop “international energy business along with energy value chain” and “environment and non-energy business”, as well as “domestic energy business” such as city gas, electric power and LPG.

(i) domestic energy business

a. electric power business

The Group continues steady operation and careful maintenance of generating units of power plants such as Senboku Natural Gas Power Plant.

b. LPG business

The Group plans to focus on increasing sales as well as number of customers, by leveraging the appliance and equipment products and its strengths in the marketing of energy systems, while enhancing its productivity through cost reduction by streamlining delivery and logistics system.

c. supply in broader area

The Group seeks to promote natural gas outside its supply area, with the know-how it cultivated through carrying out the gas business in the supply area, and the alliance with other energy business operators in each area.

(ii) international energy business along with energy value chain

The Group seeks to develop projects such as those with the gas fields in which it has interest and to acquire new interests, in order to procure LNG in a flexible and stable manner and generate profit. It continues to operate overseas IPP businesses and natural gas pipeline businesses, and is seeking to start new projects including LNG terminals and overseas gas supply businesses.

(iii) environment and non-energy business

The Group plans to develop an environmental business such as the photovoltaic generation system, by further utilizing the Group’s technology and know-how as well as through alliances with other business partners. With respect to the non-energy businesses such as city development, information and high-tech materials, the Group seeks to increase its consolidated profit while contributing to development of the customers’ lifestyle and business through offering products and services that would satisfy the customer needs.

(c) Performance of social responsibilities

The Group works to ensure stable energy supply and safety, and to fulfill a higher level of CSR.

(i) stable supply

The Group seeks to ensure stable energy supply by securing raw materials such as natural gas in consideration of future demand, together with proper maintenance of energy manufacturing and supply facilities and long-term strategic formulation of facilities.

(ii) safety

The Group establishes emergency measures in the case of accidents such as gas leakage, and ensures scheduled repair and renewal of energy manufacturing and supply facilities as preventive maintenance work or earthquake countermeasures.

The Group continues training of employees and other staff engaged in the work, and in addition to conducting regular inspections of customers' facilities, seeks to publicize the safe use of gas facilities and appliances.

(iii) fulfillment of higher level of CSR

The Group strengthens its engagement with CSR in accordance with "Osaka Gas Group CSR Charter" which codifies the Group's basic views on its corporate social responsibilities.

The objectives are, in addition to "Creating value for customers" and "Contributing to harmonizing with the environment and to realizing a sustainable society" as mentioned above," Being a good corporate citizen contributing to society", "Complying with laws and regulations and respecting human rights" and " Management policy of human growth".

With respect to compliance, the Group emphasizes on "being aware of legislation and regulation", "development of a culture of compliance and mechanisms to avoid violations", and "strengthening of auditing and monitoring throughout the Group", and implements a strict compliance structure for the entire Group.

#### (4) Conclusion

The Group tackles the above challenges by establishing the internal control system that fits the business environment, and monitoring the system's operation appropriately, and continues its efforts for sustainable growth by implementing the core management objective of "Value Creation Management".

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

## 5. Financial Position and Profits and Losses

(Yen in millions)

Division	Year ended March 2006 (188th term)	Year ended March 2007 (189th term)	Year ended March 2008 (190th term)	Year ended March 2009 (191st term)	Year ended March 2010 (192nd term)
Revenues	1,065,961	1,174,456	1,238,145	1,326,785	1,096,628
Ordinary Profits	103,308	89,550	75,814	64,510	84,806
Net Income	80,710	52,929	40,283	36,041	48,384
Net Income Per Share (yen)	36.18	23.77	18.27	16.72	22.50
Total Assets	1,398,692	1,405,682	1,467,934	1,452,457	1,483,895
Net Assets	628,510	686,664	666,657	634,757	690,561

(Note) Since the 189<sup>th</sup> term, the net assets have been calculated by applying the “Accounting Standard for Presentation of Net Assets in the Balance Sheet” (Accounting Standards Board of Japan Statement No. 5 of December 9, 2005) and the “Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet” (Accounting Standards Board of Japan Guidance No. 8 of December 9, 2005).

## 6. Principal Activities of the Group (as of March 31, 2010)

- (1) Production, distribution and sale of gas
- (2) Distribution and sale of LPG
- (3) Generation, distribution and sale of electric power
- (4) Sale of gas appliances
- (5) House-pipe installations

7. Outline of Principal Subsidiaries (as of March 31, 2010)

Company	Capital (Yen in millions)	Holding (%) (including indirect holding)	Main Activities
Liquid Gas Co., Ltd.	1,030	100	Sale of industrial gas, LNG, LPG, etc.
Urbanex Co., Ltd.	1,570	100	Real estate development, leasing, management, and sales
Osaka Gas Information System Research Institute Co., Ltd.	400	100	Development of software and information processing services via computers
Osaka Gas Chemicals Co., Ltd.	2,500	100	Manufacture and sale of fine materials, carbon products, etc.

(Notes)

- 1) The Group treats as core companies (which the Group recognizes as principal subsidiaries) the affiliated companies that play a central role in each business area and that are put as an elementary unit for the management of the Group.
- 2) Effective July 1, 2009, Nissho Petroleum Gas Corporation ceased to be part of core companies (principal subsidiaries) due to reorganization of the Group.

8. Major Offices, Plants, and Employees (as of March 31, 2010)

(1) Major Offices and Plants

The Company	Head Office	Head Office (Osaka Prefecture)
	Residential Energy Business Unit	Osaka Residential Sales Dept. (Osaka Prefecture) Nanbu Residential Sales Dept. (Osaka Prefecture) Hokutobu Residential Sales Dept. (Osaka Prefecture) Hyogo Residential Sales Dept. (Hyogo Prefecture) Keiji Residential Sales Dept. (Kyoto Prefecture)

	Commercial & Industrial Energy Business Unit	Osaka Commercial & Industrial Energy Sales Dept. (Osaka Prefecture) Nanbu Commercial & Industrial Energy Sales Dept. (Osaka Prefecture) Hokutobu Commercial & Industrial Energy Sales Dept. (Osaka Prefecture) Hyogo Commercial & Industrial Energy Sales Dept. (Hyogo Prefecture) Keiji Commercial & Industrial Energy Sales Dept. (Kyoto Prefecture)
	Pipeline Business Unit	Osaka Pipeline Dept. (Osaka Prefecture) Nanbu Pipeline Dept. (Osaka Prefecture) Hokutobu Pipeline Dept. (Osaka Prefecture) Hyogo Pipeline Dept. (Hyogo Prefecture) Keiji Pipeline Dept. (Kyoto Prefecture)
	LNG Terminal & Power Generation Business Unit (Terminals)	Senboku LNG Terminals (Osaka Prefecture) Himeji LNG Terminal (Hyogo Prefecture)
	R&D Headquarters	Energy Technology Laboratories (Osaka Prefecture)
Subsidiaries		Liquid Gas Co., Ltd. (Osaka Prefecture) Urbanex Co., Ltd. (Osaka Prefecture) Osaka Gas Information System Research Institute Co., Ltd. (Osaka Prefecture) Osaka Gas Chemicals Co., Ltd. (Osaka Prefecture)

(2) Employees

Business Unit	Number of Employees
Gas	6,948
LPG, Electricity and Other Energies	2,833
Gas Appliances and House-pipe Installation	1,725
Real Estate	893
Others	6,869
Total	19,268

(Note) The above number of employees includes employees on fixed term contracts but excludes employees seconded to other organizations.

9. Major Lenders (as of March 31, 2010)

Lenders	Loans Outstanding on March 31, 2010 (Yen in millions)
Nippon Life Insurance Company	39,775
Japan Finance Corporation	38,200
Sumitomo Life Insurance Company	29,620
Meiji Yasuda Life Insurance Company	24,694
Development Bank of Japan Inc.	16,235



## II. Directors and Corporate Auditors

### 1. Details of Directors and Corporate Auditors (as of March 31, 2010)

Position	Name	Business in Charge	Representation of Other Entities or Important Concurrent Post
Representative Director President	Hiroshi Ozaki		Director of Liquid Gas Co., Ltd. Director of Urbanex Co., Ltd. Director of Osaka Gas Information System Research Institute Co., Ltd. Director of Osaka Gas Chemicals Co., Ltd.
Representative Director Executive Vice-President	Zenzo Ideta	Head of CSR In charge of: Compliance Dept., Auditing Dept., Head Office Resident Representative Responsible for: Urbanex Co., Ltd., Corporate Planning Headquarters, Secretariat, Corporate Communication Dept., Human Resources Dept., General Affairs Dept., Purchasing Dept., Environment Dept.	Director of Urbanex Co., Ltd.
Representative Director Executive Vice-President	Hiroshi Yokokawa	Head of IT In charge of: Information and Communication Systems Dept., Regional Development Dept., Tokyo Branch, Research Institute for Culture, Energy, and Life, Regional Resident Representative, Overall Regional Resident Representative, Tokyo Representative Responsible for: Liquid Gas Co., Ltd., Osaka Gas Information System	Director of Liquid Gas Co., Ltd. Director of Osaka Gas Information System Research Institute Co., Ltd. Director of Osaka Gas Chemicals Co., Ltd.

		Research Institute Co., Ltd., Osaka Gas Chemicals Co., Ltd.	
Representative Director Executive Vice-President	Yoichi Higuchi	Head of Safety Responsible for: Energy Resources & International Business Unit, LNG Terminal & Power Generation Business Unit, Pipeline Business Unit, Residential Energy Business Unit, Commercial & Industrial Energy Business Unit, R&D Headquarters	Representative Director and President of Osaka Rinkai Energy Service Corporation
Director Senior Executive Officer	Masashi Kuroda	In charge of: Secretariat, Corporate Communication Dept., Human Resources Dept., General Affairs Dept., Purchasing Dept., Environment Dept.	Member of Osaka Prefectural Labor Commission
Director Senior Executive Officer	Takashi Sakai	Head of Customer Services Head of Residential Energy Business Unit	
Director Senior Executive Officer	Shigeki Hirano	Head of LNG Terminal & Power Generation Business Unit	
Director Senior Executive Officer	Kazuo Kakehashi	Head of Energy Resources & International Business Unit	
Director Senior Executive Officer	Noriyuki Nakajima	Head of Technology President of R&D Headquarters	
Director Senior Executive Officer	Masato Kitamae	President of Corporate Planning Headquarters	Representative Director and President of OG-Kanden Joint Planning Company
Director Senior Executive Officer	Takehiro Honjo	Head of Commercial & Industrial Energy Business Unit	
Director	Tadamitsu Kishimoto		Professor of Graduate School of Frontier Biosciences of Osaka

			University Administrative Director of Senri Life Science Foundation
Director	Shunzo Morishita		Executive Adviser of NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION
Corporate Auditor (full-time)	Seishiro Yoshioka		
Corporate Auditor (full-time)	Akio Ukai		
Corporate Auditor	Toshihiko Hayashi		Professor of The Open University of Japan
Corporate Auditor	Kenji Torigoe		Professor of Kansai University School of Law

(Notes)

- 1) “Responsible for” in the “Business in Charge” column means to take partial charge of any headquarter, organization, core company or persons with certain positions of duty who do not belong to any organization (including Head Office Resident Representative) as a director.
- 2) Directors, Tadimitsu Kishimoto and Shunzo Morishita, are both external directors as specified in Article 2, item 15 of the Companies Act.
- 3) Corporate Auditors, Toshihiko Hayashi and Kenji Torigoe, are both external auditors as specified in Article 2, item 16 of the Companies Act.
- 4) There are no special relationships between the companies set out in the column “Representation of Other Entities or Important Concurrent Post” for each external director and external corporate auditor and the Company.
- 5) All of the external directors and external corporate auditors have been notified as independent officers pursuant to the provisions prescribed by each financial instruments exchange where the shares of the Company are listed.
- 6) Senri Life Science Foundation in the column “Representation of Other Entities or Important Concurrent Post” of Director, Tadimitsu Kishimoto became the Senri Life Science Public Service Foundation effective as of April 1, 2010.
- 7) The following persons were appointed to new positions or delegated new responsibilities pursuant to the resolution adopted at the Meeting of the Board of Directors on June 26, 2009 (previous position or responsibility in brackets):

Zenzo Ideta

(Representative Director and Executive  
Vice-President, Head of CSR  
In charge of: Secretariat, Corporate  
Communication Dept., Human Resources Dept.,  
General Affairs Dept., Purchasing Dept.,  
Environment Dept., Compliance Dept., Auditing

Hiroshi Yokokawa	<p>Dept., Head Office Resident Representative  Responsible for: Urbanex Co., Ltd., Corporate  Planning Headquarters)  (Representative Director and Executive  Vice-President, Head of IT  In charge of: Information and Communication  Systems Dept., Regional Development Dept.,  Tokyo Branch, Research Institute for Culture,  Energy, and Life, Regional Resident  Representative, Overall Regional Resident  Representative, Tokyo Representative  Responsible for: Liquid Gas Co., Ltd., Nissho  Petroleum Gas Corporation, Osaka Gas  Information System Research Institute Co., Ltd.,  Osaka Gas Chemicals Co., Ltd.)</p>
Yoichi Higuchi	<p>(Representative Director and Executive  Vice-President, Head of Safety  Responsible for: Energy Resources Business  Unit, LNG Terminal &amp; Power Generation  Business Unit, Pipeline Business Unit,  Residential Energy Business Unit, Commercial  &amp; Industrial Energy Business Unit, R&amp;D  Headquarters)</p>
Masashi Kuroda	<p>(Managing Director, President of Corporate  Planning Headquarters)</p>
Takashi Sakai	<p>(Managing Director, Head of LNG Terminal &amp;  Power Generation Business Unit)</p>
Shigeki Hirano	<p>(Managing Director, Head of Technology  President of R&amp;D Headquarters)</p>
Kazuo Kakehashi	<p>(Managing Director, Head of Energy Resources  Business Unit)</p>
Noriyuki Nakajima	<p>(Managing Director, Head of Pipeline Business  Unit)</p>
Masato Kitamae	<p>(Managing Director, Head of Customer Services  Head of Residential Energy Business Unit)</p>

## 2. Remuneration for Directors and Corporate Auditors

### (1) Decision Policies of Remuneration for Directors and Corporate Auditors

Remuneration for each Director shall be determined by a resolution of the Board of Directors within the amount of remuneration approved at the Annual Meeting of Stockholders, taking into consideration the position and responsibility, etc. of each Director. Remuneration for each Corporate Auditor shall be determined through discussions among Corporate Auditors within the amount of remuneration approved at the Annual Meeting of Stockholders, taking into consideration the position, etc. of each Corporate Auditor.

### (2) Remuneration paid to Directors and Corporate Auditors

14 Directors                      ¥539 million

4 Corporate Auditors        ¥91 million

(including ¥40 million for four external directors and external corporate auditors)

(Notes)

The numbers and the amounts above include a Director who resigned at the end of the 191st Annual Meeting of Shareholders held on June 26, 2009.

## 3. External Directors and External Corporate Auditors

Director, Tadimitsu Kishimoto

### Principal Activities

#### (1) Attendance and Comments at the Meetings of the Board of Directors

Tadamitsu Kishimoto attended 12 out of 12 meetings of the Board of Directors. He made comments as appropriate based on his long experience in management and from his independent position as an external director.

Director, Shunzo Morishita

### Principal Activities

#### (1) Attendance and Comments at the Meetings of the Board of Directors

Shunzo Morishita attended 10 out of 10 meetings of the Board of Directors. He made

comments as appropriate based on his long experience in management and from his independent position as an external director.

Corporate Auditor, Toshihiko Hayashi

Principal Activities

- (1) Attendance and Comments at the Meetings of the Board of Directors  
Toshihiko Hayashi attended 12 out of 12 meetings of the Board of Directors. He made no comment on the exercise of rights as a Corporate Auditor.
- (2) Attendance and Comments at the Meetings of the Board of Corporate Auditors  
Toshihiko Hayashi attended 13 out of 13 meetings of the Board of Corporate Auditors. He made comments on the method and results of the audit and other matters concerning the performance of duties of the Corporate Auditors.

Corporate Auditor, Kenji Torigoe

Principal Activities

- (1) Attendance and Comments at the Meetings of the Board of Directors  
Kenji Torigoe attended 12 out of 12 meetings of the Board of Directors. He made no comment on the exercise of rights as a Corporate Auditor.
- (2) Attendance and Comments at the Meetings of the Board of Corporate Auditors  
Kenji Torigoe attended 13 out of 13 meetings of the Board of Corporate Auditors. He made comments on the method and results of the audit and other matters concerning the performance of duties of the Corporate Auditors.

### **III. Shares and Shareholders (as of March 31, 2010)**

#### **1. Number of Shares Issued and Number of Shareholders**

Items	Contents
Number of Authorized Shares	3,707,506,909 shares
Number of Shares Issued and Outstanding	2,158,383,539 shares
Number of Shareholders (as of financial year end)	159,968

(Note) The “Number of Shares Issued and Outstanding” includes 10,473,574 treasury shares.

#### **2. Principal Shareholders**

Shareholders	Number of shares held (1,000s)	Shareholding ratio (%)
Nippon Life Insurance Company	108,103	5.03
Japan Trustee Services Bank, Ltd. (trust account)	102,160	4.76
The Master Trust Bank of Japan, Ltd. (trust account)	77,509	3.61
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	69,929	3.26
Resona Bank, Limited	52,777	2.46
Japan Trustee Services Bank, Ltd. (trust account 9)	41,451	1.93
Nissay Dowa General Insurance Co., Ltd.	30,961	1.44
Meiji Yasuda Life Insurance Company	30,889	1.44
Toyu-kai ( Employees' Stockholding )	27,576	1.28
SSBT ODO5 OMNIBUS ACCOUNT CHINA TREATY CLIENTS	25,097	1.17

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

#### **IV. Independent Outside Auditor**

##### **1. Name of Independent Outside Auditor**

AZSA & Co.

##### **2. Fees and Other Charges Payable to Independent Outside Auditor for the Year Ended March 31, 2010**

(1) Amount of fees and other charges payable to the independent outside auditor by the Company for the year ended March 31, 2010

(i) Fees for audit services in Article 2, paragraph 1 of the Certified Public Accountants Law  
¥79 million

(Note) As the audit fees under the Companies Act and those under the Financial Instruments and Exchange Law are not separated for the purpose of the audit contract executed between the Company and the independent outside auditor and are impractical to separate, the amount specified above is indicated as the total amount of audit fees payable under both Laws.

(ii) Amount of fees and other charges for services other than audit services in Article 2, paragraph 1 of the Certified Public Accountants Law  
¥7 million

(2) Total amount of cash and other financial benefits payable by the Company and its subsidiaries  
¥180 million

##### **3. Non-Audit Services**

The Company is provided with information and receives specialized advice on issues concerning internal control from the independent outside auditor and pays consideration therefor.



#### 4. Policy on Decision of Dismissal or Non-Reappointment of Independent Outside Auditor

In addition to the dismissal by the Board of Corporate Auditors of the independent outside auditor under Article 340 of the Companies Act, in the event that the proper performance by the independent outside auditor of its duties is found to be difficult, the Company may propose agendas concerning dismissal or non-reappointment of the independent outside auditor at the shareholders' meetings with the consent of the Board of Corporate Auditors under Article 344, paragraphs 1 and 3 of the Companies Act or by request from the Board of Corporate Auditors under Article 344, paragraphs 2 and 3 of the Companies Act.

#### V. Systems to Ensure that the Directors Perform Their Duties in Compliance with Applicable Laws and Regulations and the Articles of Incorporation and Other Systems to Ensure the Propriety of Operations

The Company establishes systems (internal control systems) to ensure that the directors of the Company perform their duties in compliance with applicable laws and regulations and the Articles of Incorporation and other systems necessary to ensure the propriety of the Group's operations at meetings of the Board of Directors. It was reported at the meeting of the Board of Directors held in April 2010 that such systems are being properly operated. It was also resolved at the meeting that a part of the systems were revised to reflect the recent amendments to applicable laws and regulations and the changes in situation. The outline of such amended systems is as follows:

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

- (1) Directors and employees of the Group shall sufficiently acquire and investigate information as the basis to perform the duties and through accurate understanding of the facts, make reasonable decisions in accordance with regulations on responsibilities and authorities.
- (2) In order for the Board of Directors to make appropriate decisions and enhance its supervisory role, together with establishing an efficient system for the execution of its duties, executive directors shall retain independent external directors and external corporate auditors and adopt the executive officer system.
- (3) Executive directors shall hold meetings of the Executive Board to provide information to the president and the Board of Directors to assist in the decision making process and discuss

strategies and important matters concerning its management of the business.

- (4) Executive directors shall establish the “Osaka Gas Group Code of Business Conduct” based on “Osaka Gas Group CSR Charter.” By familiarizing directors and employees with the Code, executive directors shall not only ensure the performance of duties in compliance with applicable laws and regulations and the Articles of Incorporation within the Group, but also contribute to the preservation of the environment, promote social responsibility and disassociate with organized crime, and promote business activities in a fair and appropriate manner.
- (5) Executive directors shall make efforts to understand the status concerning compliance within the Group and promote compliance practices by establishing a consulting and reporting system as an internal reporting system and a CSR committee.
- (6) If any problems are discovered regarding compliance within the Group, directors and employees of the Group are required to consult with or report to an executive director or other superior, or report the matter via the consulting and reporting system depending on the level of seriousness or urgency. Executive directors or heads of compliance or other superiors shall investigate details of such matter and take necessary remedial measures.

## 2. System concerning the maintenance and the management of information on Directors’ performance of duties

- (1) Executive directors and employees of the Group shall prepare minutes of the meetings of the Board of Directors, approval documents or other similar documents specifying matters including matters affecting decisions and the process by which a decision was reached, in accordance with regulations on responsibilities and authorities.
- (2) Executive directors and employees of the Group shall properly store and manage the minutes of the meetings of the Board of Directors, approval documents or other information on performances of duties according to the nature thereof.

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

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

improvement of the production and supply systems.

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

#### 4. Systems to ensure the efficient performance of duties by directors

- (1) Executive directors of the Group and organizational heads of the Company shall determine matters concerning the division of duties and decision-making within the Company and the Group in accordance with regulations on responsibilities and authorities. They shall also provide regulations regarding details of organizations and general matters to be observed during the performance of duties. By familiarizing employees with such regulations, they shall ensure the smooth management of organizations and the improvement of quality and efficiency of operations.
- (2) With the aim of maximizing corporate value, executive directors of the Group and organizational heads of the Company shall establish medium-term business plans and annual plans for the Company and the Group, monitor attainment by means of performance indicators and focus on achieving these plans.

#### 5. Systems to ensure the propriety of business operations of the Group

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

- (1) Companies to play a central role in each business area of the Group (core companies) or basic organizations to supervise affiliated companies (management support organizations) shall be designated to be responsible for day-to-day management of affiliated companies.
- (2) Compliance with applicable laws and regulations and the Articles of Incorporation, the

efficiency and other similar matters of the Group as a whole shall be audited internally by the head of the Auditing Department of the Company. If necessary in light of the results of such audit, remedial measures shall be taken promptly.

- (3) Maintain, operate and evaluate internal control procedures in relation to financial reporting to ensure credibility of financial reporting.

6. Matters concerning employees assisting corporate auditors in the performance of their duties in the case where the appointments of such employees are requested

- (1) Executive directors, if requested by the corporate auditors, shall appoint employees to assist the corporate auditors in the performance of their duties and establish a corporate auditors' office staffed by these corporate auditors' assistants.
- (2) Corporate auditors' assistants shall be engaged solely in assisting the corporate auditors in the performance of their duties.

7. Matters concerning independence of corporate auditors' assistants from directors

- (1) Executive directors cannot direct or give orders to corporate auditors' assistants except where such directions or orders apply equally to all employees.
- (2) The opinions of the corporate auditors shall be sought in advance regarding the evaluation, transfer, and disciplining of corporate auditors' assistants.

8. Systems for reporting to the corporate auditors by directors and employees and other matters concerning reporting to the corporate auditors

- (1) Directors shall report immediately to the corporate auditors if a matter that is significantly detrimental on the Company is discovered.
- (2) Directors and employees shall report without delay matters that have a material impact on the business of the Group, the results of internal audits, the situation regarding the main reports under the consulting and reporting system and other material matters.
- (3) Directors of the Group and employees of the Company shall report without delay when

requested by the corporate auditors to report on matters concerning the performance of duties.

9. Other systems to ensure effective auditing by the corporate auditors

- (1) The corporate auditors may exchange opinions periodically with the representative directors and the independent outside auditor.
- (2) The corporate auditors may attend meetings of the Executive Board and all company committee meetings. They may investigate as appropriate material information concerning the performance of duties, such as approval documents.

10. Confirmation of operation status, etc.

- (1) Executive directors shall periodically confirm and assess the status of the operation of the internal control system and report the results to the Board of Directors.
- (2) Executive directors shall take necessary measures by taking into consideration the assessment results of internal control system and other issues.

## Consolidated Balance Sheets

(As of March 31, 2010)

(Yen in millions)

Assets		Liabilities	
<b>Non-current Assets</b>	<b>1,109,484</b>	<b>Non-current Liabilities</b>	<b>540,901</b>
<b>Property, Plant and Equipment</b>	<b>826,830</b>	Corporate bonds	260,790
Production facilities	90,195	Long-term borrowings due after one year	217,914
Distribution facilities	309,186	Deferred tax liabilities	15,964
Service and maintenance facilities	71,177	Deferred tax liabilities resulting from revaluation of assets	57
Other facilities	333,746	Reserve for retirement benefits	13,598
Construction in progress	22,524	Reserve for repairs of gas holders	1,732
		Reserve for safety measures	11,569
		Reserve for investment losses	3,280
		Other	15,993
<b>Intangible Fixed Assets</b>	<b>42,840</b>	<b>Current Liabilities</b>	<b>252,432</b>
Goodwill	5,046	Long-term debt due within one year	22,655
Other	37,794	Notes, bills and trade accounts payable	70,322
		Short-term borrowings	37,153
<b>Investments and Other Assets</b>	<b>239,812</b>	Accrued income and enterprise taxes	28,947
Investments securities	147,185	Other	93,353
Other	94,389		
Allowance for doubtful receivables	(1,761)	<b>Total Liabilities</b>	<b>793,334</b>
		<b>Net Assets</b>	
<b>Current Assets</b>	<b>374,411</b>	<b>Shareholders' Equity</b>	<b>641,093</b>
Cash & time deposits	95,411	Common stock	132,166
Notes, bills and trade accounts receivable	121,458	Capital surplus	19,482
Securities	24,482	Retained earnings	492,974
Inventories	64,084	Treasury shares	(3,530)
Other	70,403	<b>Net Gains on Valuation and Foreign Currency Translation, etc.</b>	<b>25,596</b>
		Net unrealized holding gains on other securities	23,542
Allowance for doubtful receivables	(1,428)	Deferred income from hedge transactions	4,939
		Net unrealized holding gains on land	(103)
		Foreign currency translation adjustments	(2,782)
		<b>Minority Interests</b>	<b>23,871</b>
		<b>Total Net Assets</b>	<b>690,561</b>
<b>Total Assets</b>	<b>1,483,895</b>	<b>Total Liabilities &amp; Net Assets</b>	<b>1,483,895</b>

Consolidated Income Statements  
(April 1, 2009 through March 31, 2010)

(Yen in millions)

Items	
<b>Operating revenues</b>	<b>1,096,628</b>
<b>Cost of products sold</b>	<b>645,248</b>
<b>(Gross profit)</b>	<b>(451,380)</b>
<b>Expenses for distribution and sales and general administrative expenses</b>	<b>360,239</b>
<b>(Operating income)</b>	<b>(91,140)</b>
<b>Non-operating income</b>	<b>12,110</b>
Interest income	694
Dividends income	2,228
Equity in gains of associated companies	1,264
Profit from foreign exchange	2,342
Other non-operating income	5,580
<b>Non-operating expenses</b>	<b>18,444</b>
Interest payments	9,965
Carry forward of reserve for investment losses	3,280
Other non-operating expenses	5,198
<b>(Ordinary profit)</b>	<b>(84,806)</b>
<b>Extraordinary Losses</b>	<b>2,234</b>
Losses on sales of fixed assets	140
Impairment losses	2,093
<b>(Income before income taxes)</b>	<b>(82,572)</b>
<b>Income taxes - current</b>	<b>30,585</b>
<b>Income taxes - deferred</b>	<b>2,312</b>
<b>Minority interests</b>	<b>1,289</b>
<b>Net income</b>	<b>48,384</b>

Consolidated Statements of Changes in Shareholders' Equity and Other Matters  
(April 1, 2009 through March 31, 2010)

(Yen in millions)

	Shareholders' Equity					Net Gains on Valuation and Foreign Currency Translation, etc.					Minority Interests	Total Net Assets
	Common stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Net unrealized holding gains on other securities	Deferred income from hedge transactions	Net unrealized holding gains on land	Foreign currency translation adjustments	Total net gains on valuation and foreign currency translation, etc.		
<b>Balance at March 31, 2009</b>	132,166	19,482	459,658	(1,251)	610,056	16,999	(1,663)	(103)	(12,724)	2,508	22,191	634,757
<b>Changes during the consolidated financial year</b>												
Distribution of retained earnings			(15,061)		(15,061)							(15,061)
Net income			48,384		48,384							48,384
Acquisition of treasury shares				(2,315)	(2,315)							(2,315)
Disposition of treasury shares			(4)	36	32							32
Decrease due to decrease of consolidated subsidiaries			(1)		(1)							(1)
Changes in items other than shareholders' equity during the consolidated financial year (net)						6,542	6,602		9,941	23,087	1,679	24,767
<b>Total changes during the consolidated financial year</b>			33,316	(2,278)	31,037	6,542	6,602		9,941	23,087	1,679	55,804
<b>Balance at March 31, 2010</b>	132,166	19,482	492,974	(3,530)	641,093	23,542	4,939	(103)	(2,782)	25,596	23,871	690,561



**Notes to Consolidated Financial Statements of the Group (April 1, 2009 through March 31, 2010)**

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

(1) Scope of consolidation

Number of consolidated subsidiaries: 128

(Names of principal consolidated subsidiaries)

Osaka Gas Chemicals Co., Ltd., Urbanex Co., Ltd., Osaka Gas Information System Research Institute Co., Ltd., Liquid Gas Co., Ltd.

(2) Application of the equity method

Number of equity method affiliates: 6

(Names of principal equity method affiliates)

Idemitsu Snorre Oil Development Co., Ltd., Bizkaia Energia, S.L.

(Names of principal affiliates not subject to the equity method)

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

(3) Accounting standards

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

a. Marketable securities:

Bonds held to maturity: stated at amortized cost

Other marketable securities:

Securities practicable to determine fair value: stated at fair value based on the market price on the settlement day. (Unrealized holding gains and losses are accounted for as a component of net assets; cost of sales is determined primarily using the moving-average method.)

Securities not practicable to determine fair value: primarily stated at cost based on the moving-average method

- b. Inventories: primarily stated at cost based on the moving-average method; inventories held for trading recorded on the balance sheet are depreciated to write down the carrying amount based on depreciation of profitability.
  - c. Derivatives: stated at fair value
- (ii) Depreciation method of significant depreciable assets
- a. Property, plant and equipment (excluding leased assets) are depreciated primarily using the declining-balance method. However, the straight-line method has been used for buildings (excluding structures attached to buildings) acquired after April 1, 1998.
  - b. Intangible fixed assets (excluding leased assets) are depreciated primarily using the straight-line method. For internal-use software, the straight-line method based on the term available for use within the Company has been applied.
  - c. Leased assets resulting from finance leases that do not have ownership are depreciated using the straight-line method over the useful life equal to the lease terms assuming no residual value.
- (iii) Basis for recording significant reserves
- a. Allowance for doubtful receivables  
To provide for the bad debts loss of accounts receivable, loans receivable, etc., an estimated uncollectible amount is provided which is based on an amount calculated based on the default ratio in the past for general receivables and the individual collectability for certain receivables including receivables with default possibility (*Kashidaore Kenen Saiken*).
  - b. Reserve for retirement benefits  
For the purposes of employee retirement benefits, an amount is provided based on the estimate of the retirement benefits obligation and pension assets at the end of the consolidated financial year.
  - c. Reserve for repairs of gas holders  
To provide for the necessary expenditure for periodical repairs of spherical gas holders, an estimated amount for the next scheduled repair is provided based on the actual expenditure for the previous repair, which is proportionally allotted for the period up to such next scheduled repair.

d. Reserve for safety measures

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

(Additional Information)

The countermeasure works on aged gas pipelines have so far been undertaken as planned in accordance with “Countermeasures to prevent accidents in the city gas industry” published by the Japan Gas Association. As the plan for countermeasure works have progressed and it also became practicable for us from this consolidated financial year to estimate the expenses for outstanding countermeasures works based on past cases, we have decided to set aside such expenses as reserves for such countermeasure works.

Therefore, ¥9,121 million was provided as reserve for safety measures and accordingly operating income, ordinary profit and income before income taxes decreased respectively.

e. Reserve for investment losses

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

(Additional Information)

At the end of this consolidated financial year, ¥3,280 million was provided as reserve for investment losses because it was most likely that we will incur losses in the operations of associated companies in the future and the amount of such expected losses could be reasonably estimated. As a result, ordinary profit and income before income taxes decreased respectively.

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

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

(4) Valuation of assets and liabilities of consolidated subsidiaries

Assets and liabilities of consolidated subsidiaries are valued using the full fair value method.

(5) Notes to Changes in Significant Matters Forming the Basis of Preparation of These Consolidated Financial Statements

(i) Change in Accounting Standards for Calculating Completed Work Amounts and Completed Work Costs

The completed-contract method has been principally applied for profits deriving from contracted works so far. From this consolidated financial year, the Accounting Standard for Construction Contracts (Accounting Standards Board of Japan Statement No. 15 of December 27, 2007) and Guidance on Accounting Standard for Construction Contracts (Accounting Standards Board of Japan Guidance No. 18 of December 27, 2007) are applied. In accordance with this change, the percentage-of-completion method is applied for the contracted works commenced in this consolidated financial year and for which the progress until the end of this consolidated financial year is deemed certain. In respect of other contracted works, the completed-contract method has been applied. Impact on our results of operation due to this change was minor.

(ii) Application of partial amendment (Part 3) to Accounting Standard for Retirement Benefits

From this consolidated financial year, the partial amendment (Part 3) to the Accounting Standards for Retirement Benefits (Accounting Standards Board of Japan Statement No. 19 of July 31, 2008) is applied. This change has no impact on profits and losses.

2. Notes to Consolidated Balance Sheets

(1) Assets pledged as collateral and secured liabilities

(i) Assets pledged as collateral	
Property, plant and equipment	¥ 41,525 million
Investments and other assets	¥ 14,279 million
Others	¥ 6,095 million
Total	¥ 61,901 million
(ii) Secured Liabilities	¥ 30,071 million

(2) Accumulated depreciation of property, plant and equipment:  
¥ 2,064,009 million

(3) Guarantee liabilities, etc.

Guarantee liabilities:	¥ 4,552 million
Contingent liabilities in respect of debt assumption agreements with respect to corporate bonds and long-term borrowings:	¥ 39,235 million

3. Notes to Net Unrealized Holding Gains on Land

Commercial land of certain consolidated subsidiaries has been revalued in accordance with the Law Concerning the Revaluation of Land (Law No. 34 of March 31, 1998). Any difference resulting from the revaluation is included in net assets as net unrealized holding gains on land. The revaluation is made by making reasonable adjustments to the valuation by road rating which is provided for in Article 2, item 4 of the Enforcement Order of the Law Concerning the Revaluation of Land (Cabinet Order No. 119 of March 31, 1998).

Differences between the market value at the end of this consolidated financial year and its book value after revaluation in respect of revaluated lands ¥ (926) million

4. Notes to Financial Instruments

(1) Matters concerning the status of financial instruments

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

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

Amounts recorded in the consolidated balance sheet, market values and the difference between such amount and value at the end of this financial year are as follows:

(Yen in millions)

	Amount recorded on the consolidated balance sheet	Market value	Difference
(1) Cash and time deposits	95,411	95,411	-
(2) Notes, bills and trade accounts receivable	121,458	121,458	-
(3) Securities and investments Other Securities	85,325	85,325	-
Total Assets	302,194	302,194	-
(1) Notes, bills and trade accounts payable	70,322	70,322	-
(2) Short-term borrowings	37,153	37,153	-
(3) Corporate bonds	261,273	271,265	9,992
(4) Long-term borrowings due after one year	239,726	250,626	10,900
Total Liabilities	608,474	629,367	20,892
Derivative transaction	7,785	7,785	-

(\*)Receivables and payables incurred by derivative transactions are shown in net amount.

(Note 1) Matters concerning calculation method for market value of financial instruments, and matters concerning securities and derivatives

#### Assets

(i) Cash and time deposits, and (ii) Notes, bills and trade accounts receivable

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

(iii) Securities and investments

Market values of shares are prices quoted by stock exchanges.

#### Liabilities

(i) Notes, bills and trade accounts payable and (ii) Short-term borrowings

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

(iii) Corporate bonds

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

(iv) Long-term borrowings due after one year

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

Derivatives

At the end of this financial year, we have no derivative transactions for which the hedge accounting is not applied.

The market value of derivative transactions for which the hedge accounting method is applied is the price quoted by the counterpart financial institutions, except for derivatives for which special exception of interest swap is applied. The market value of derivative for which special exception for interest swap is applied is included in the market value of long-term borrowings as it is treated as part of such long-term borrowings which is hedged.

(Note 2) Unlisted shares (amount recorded on the consolidated balance sheet: ¥13,468 million) is not included in “(iii) Securities and investments – Other securities” as it has no market price and its future cash flows cannot be estimated and therefore it is recognized as being very difficult to obtain market value.

5. Notes to Leased properties, etc.

(1) Matters concerning the status of leased properties

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

(2) Matters concerning market value of leased properties

(Yen in millions)

Amount recorded on the consolidated balance sheet	Market value
100,591	161,032

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

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

6. Notes to Consolidated Statements of Changes in Shareholders’ Equity and Other Matters

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

2,158,383,539 common shares

(2) Dividends

(i) Amount of payment of dividends

- a. At the annual meeting of shareholders held on June 26, 2009, the following were resolved with March 31, 2009 as a record date.

Dividends of common shares

- |                                  |                 |
|----------------------------------|-----------------|
| (a) Total amount of dividends    | ¥ 7,543 million |
| (b) Dividend per share           | ¥ 3.50          |
| (c) Effective date for dividends | June 29, 2009   |

- b. At the meeting of the Board of Directors held on October 28, 2009, the following were resolved with September 30, 2009 as a record date.

Dividends of common shares

- |                                  |                   |
|----------------------------------|-------------------|
| (a) Total amount of dividends    | ¥ 7,518 million   |
| (b) Dividend per share           | ¥3.50             |
| (c) Effective date for dividends | November 30, 2009 |

- (ii) From the dividends for which the record date falls within this consolidated financial year, the following are dividends of which the effective date falls within the next consolidated financial year.



At the annual meeting of shareholders to be held on June 29, 2010, the following is proposed with March 31, 2010 as a record date. Dividends are to be appropriated from retained earnings.

Dividends of common shares

(a) Total amount of dividends	¥ 7,517 million
(b) Dividend per share	¥ 3.50
(c) Effective date for dividends	June 30, 2010

7. Notes to Per Share Information

(1) Net asset amount per share:	¥ 310.39
(2) Net income per share:	¥ 22.50

8 Other Notes

With respect to part of the purchase price of raw materials, settlement may be required depending on the renewal of contracts or price negotiations with the suppliers.

## Balance Sheets

(As of March 31, 2010)

(Yen in millions)

<b>Assets</b>		<b>Liabilities</b>	
<b>Non-current Assets</b>	<b>902,590</b>	<b>Non-current Liabilities</b>	<b>422,637</b>
<b>Property, Plant and Equipment</b>	<b>491,020</b>	Corporate bonds maturing after one year	255,631
Production facilities	88,436	Long-term borrowings due after one year	137,357
Distribution facilities	308,665	Long-term credits from associated companies	678
Service and maintenance facilities	70,289	Deferred tax liabilities	6,863
Incidental business facilities	5,146	Reserve for retirement benefits	4,397
Construction in progress	18,482	Reserve for repairs of gas holders	1,677
<b>Intangible Fixed Assets</b>	<b>5,654</b>	Reserve for safety measures	11,569
Patents	47	Reserve for investment losses	3,280
Leaseholds	2,741	Other non-current liabilities	1,181
Other	2,865	<b>Current Liabilities</b>	<b>207,595</b>
<b>Investments and Other Assets</b>	<b>405,915</b>	Long-term debt due within one year	9,218
Investments securities	46,684	Trade accounts payable	48,111
Investment in associated companies	149,681	Other payables	21,636
Long-term loans to associated companies	149,755	Accrued expenses	37,266
Financing receivables	22	Accrued income and enterprise taxes	21,589
Long-term prepaid expenses	10,838	Advance received	3,681
Prepaid pension expenses	43,181	Deposits received	1,079
Other investments and other assets	6,525	Short-term borrowings from associated companies	38,924
Allowance for doubtful receivables	(774)	Short-term credits from associated companies	25,287
		Other current liabilities	800
		<b>Total Liabilities</b>	<b>630,233</b>
<b>Current Assets</b>	<b>269,683</b>	<b>Net Assets</b>	
Cash & time deposits	69,188	<b>Shareholders' Equity</b>	<b>520,647</b>
Notes and bills receivable	732	<b>Common Stock</b>	<b>132,166</b>
Trade accounts receivable	72,676	<b>Capital Surplus</b>	<b>19,482</b>
Trade accounts receivable from associated companies	8,813	Capital reserve	19,482
Other receivables	8,699	<b>Retained Earnings</b>	<b>372,529</b>
Securities	20,012	Retained earnings reserve	33,041
Finished products	116	Other retained earnings	
Raw materials	14,121	Reserve for deferred gain from replacement of designated properties, etc.	214
Supplies	8,335	Reserve for depreciation of designated gas pipeline construction	64
Short-term loans to associated companies	44,729	Reserve against losses on overseas investments, etc.	11,093
Short-term credits against associated companies	3,007	Raw material cost fluctuation adjustment reserve	89,000
Deferred tax assets	6,970		

Other current assets Allowance for doubtful receivables	12,815 (535)	Special reserves	62,000
		Retained earnings carried forward	177,114
		<b>Treasury Shares</b>	<b>(3,530)</b>
		Treasury shares	(3,530)
		<b>Net Gains on Valuation and Foreign Currency Translation, etc.</b>	<b>21,392</b>
		<b>Net Unrealized Holding Gains on Other Securities</b>	<b>15,477</b>
		Net unrealized holding gains on other securities	15,477
		<b>Deferred Income from Hedge Transactions</b>	<b>5,914</b>
		Deferred income from hedge transactions	5,914
		<b>Total Net Assets</b>	<b>542,040</b>
<b>Total Assets</b>	<b>1,172,273</b>	<b>Total Liabilities &amp; Net Assets</b>	<b>1,172,273</b>

**Income Statements**  
(April 1, 2009 through March 31, 2010)

(Yen in millions)

Costs and Expenses		Operating Revenues	
<b>Cost of products sold</b>	<b>315,672</b>	<b>Sales of products manufactured</b>	<b>664,286</b>
Inventory at the beginning of the period	185	Sales of gases	664,286
Cost of products manufactured	320,535		
Amount of products purchased	0		
Own use of products manufactured	4,932		
Inventory at the end of the period	116		
<b>(Gross profit)</b>	<b>(348,613)</b>		
<b>Expenses for distribution and sales</b>	<b>244,529</b>		
<b>General administrative expenses</b>	<b>56,589</b>		
<b>(Income from operation)</b>	<b>(47,495)</b>		
<b>Miscellaneous operating expenses</b>	<b>104,000</b>	<b>Miscellaneous operating revenues</b>	<b>109,481</b>
Installation expenses	21,890	Revenues from house-pipe installations	21,405
Appliance sales expenses	82,109	Appliances sales revenues	82,649
		Revenue from consignment supply business	2,183
		Other miscellaneous operating revenues	3,242
<b>Expenses for incidental businesses</b>	<b>62,760</b>	<b>Revenues from incidental businesses</b>	<b>70,259</b>
Expenses for the electric power supply	34,001	Revenues from the electric power supply	37,658
Expenses for the LNG sales	19,108	Revenues from the LNG sales	21,095
Expenses for other incidental businesses	9,650	Revenues from other incidental businesses	11,504
<b>(Operating income)</b>	<b>(60,474)</b>		
<b>Non-operating expenses</b>	<b>12,408</b>	<b>Non-operating income</b>	<b>16,002</b>
Interest payments	2,523	Interest income	1,993
Interest payments on corporate bonds	4,190	Interest income on investment securities	67
Carry forward of reserve for investment losses	3,280	Dividends income	848
Other miscellaneous expenses	2,413	Dividends income from associated companies	3,404
		Gain on foreign exchange	2,552
		Proceeds from contribution for facilities	2,000
		Other income	5,135
<b>(Ordinary profit)</b>	<b>(64,068)</b>		
<b>Extraordinary Losses</b>	<b>140</b>		
Losses on sales of non-current assets	140		
<b>(Income before income taxes)</b>	<b>(63,928)</b>		
<b>Income taxes - current</b>	<b>20,600</b>		
<b>Income taxes - deferred</b>	<b>3,294</b>		
<b>Net income</b>	<b>40,033</b>		
<b>Total</b>	<b>860,029</b>	<b>Total</b>	<b>860,029</b>

**Statements of Changes in Shareholders' Equity and Other Matters**  
(April 1, 2009 through March 31, 2010)

(Yen in millions)

	Shareholders' Equity													Net Gains on Valuation and Foreign Currency Translation, etc.			Total Net Assets	
	Common stock	Capital Surplus		Retained earnings reserve	Retained Earnings							Treasury shares	Total shareholders' equity	Net unrealized holding gains on other securities	Deferred income from hedge transactions	Total net gains on valuation and foreign currency translation, etc.		
		Capital reserve	Total capital surplus		Reserve for deferred gain from replacement of designated properties, etc.	Other Retained Earnings					Retained earnings carried forward							Total retained earnings
						Reserve for depreciation of designated gas pipeline construction	Reserve against losses on overseas investments, etc.	Raw material cost fluctuation adjustment reserve	Special reserves									
<b>Balance at the preceding financial year end</b>	132,166	19,482	19,482	33,041	214	129	9,380	89,000	62,000	153,796	347,562	(1,251)	497,960	10,903	(876)	10,027	507,987	
<b>Changes during the financial year</b>																		
Reversal of reserve for depreciation of designated gas pipeline construction						(64)				64								
Accumulated reserve against losses on overseas investments, etc.							2,953			(2,953)								
Reversal of reserve against losses on overseas investments, etc.							(1,240)			1,240								
Distribution of retained earnings										(15,061)	(15,061)		(15,061)				(15,061)	
Net income										40,033	40,033		40,033				40,033	
Acquisition of treasury shares												(2,315)	(2,315)				(2,315)	
Disposition of treasury shares										(4)	(4)	36	32				32	
Changes in items other than shareholders' equity during the financial year (net)														4,574	6,791	11,365	11,365	
<b>Total changes during the financial year</b>						(64)	1,713			23,318	24,966	(2,278)	22,687	4,574	6,791	11,365	34,053	
<b>Balance at the financial year end</b>	132,166	19,482	19,482	33,041	214	64	11,093	89,000	62,000	177,114	372,529	(3,530)	520,647	15,477	5,914	21,392	542,040	

**Notes to Financial Statements of Osaka Gas Co., Ltd. (April 1, 2009 through March 31, 2010)**

1. Notes to Matters in respect of Significant Accounting Policies

(1) Basis and methodology for the valuation of assets

(i) Valuation of marketable securities:

Bonds held to maturity: stated at amortized cost

Shares of subsidiaries and affiliated companies: stated at cost based on the moving-average method

Other marketable securities:

Securities practicable to determine fair value: stated at fair value based on the market price on the settlement day (Unrealized holding gains and losses are accounted for as a component of net assets; cost of sales is determined using the moving-average method.)

Securities not practicable to determine fair value: stated at cost based on the moving-average method

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

Finished products: stated at cost based on the weighted-average method

Raw materials: stated at cost based on the moving-average method

Supplies: stated at cost based on the moving-average method

(iii) Derivatives are stated at fair value.

(2) Depreciation method of non-current assets

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

- (ii) Intangible fixed assets (excluding leased assets) are depreciated using the straight-line method. For internal-use software, the straight-line method based on the term available for use within the Company has been applied.
  - (iii) Leased assets resulting from finance leases that do not transfer ownership are depreciated using the straight-line method over the useful life equal to the lease terms assuming no residual value.
- (3) Basis for recording reserves
- (i) As for the allowance for doubtful receivables, to provide for the bad debts loss of accounts receivable, loans receivable, etc., an estimated uncollectible amount is provided which is based on an amount calculated based on the default ratio in the past for general receivables and the individual collectability for certain receivables including receivables with default possibility (*Kashidaore Kenen Saiken*).
  - (ii) As for the reserve for retirement benefits, for the purposes of employee retirement benefits, an amount is provided based on the estimate of the retirement benefits obligation and pension assets at the end of the financial year.
  - (iii) As for the reserve for repairs of gas holders, to provide for the necessary expenditure for periodical repairs of spherical gas holders, an estimated amount for the next scheduled repair is provided based on the actual expenditure for the previous repair, which is proportionally allotted for the period up to such next scheduled repair.
  - (iv) As for the reserve for safety measures, to provide for the necessary expenditure to ensure the safety of gas business, an estimated amount of the expenditure necessary for promoting replacements with safety-enhanced models, for strengthening inspections and ensuring wide awareness as well as for countermeasure works on aged pipelines is provided.

(Additional Information)

The countermeasure works on aged gas pipelines have so far been undertaken as planned in accordance with “Countermeasures to prevent accidents in the city gas industry” published by the Japan Gas Association. As the plan for countermeasure works have progressed and it also became practicable for us from this financial year to estimate the expenses for outstanding countermeasures works based on past cases, we have decided to set aside such expenses as reserves for such countermeasure works. Therefore, ¥9,121 million was provided as reserve for safety measures and accordingly operating income, ordinary profit and income before income taxes decreased respectively.

- (v) As for the reserve for investment losses, an amount of expected future losses has been provided as reserve to provide for any losses on the operations of associated companies.

(Additional Information)

At the end of this financial year, ¥3,280 million was provided as reserve for investment losses because it was most likely that we will incur losses in the operations of associated companies in the future and the amount of such expected losses could be reasonably estimated. As a result, ordinary profit and income before income taxes decreased respectively.

- (4) Other significant matters forming the basis of preparation of the balance sheets, etc.

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

- (5) Changes in Accounting Principles or Procedures

- (i) Change in Accounting Standards for Calculating Completed Work Amounts and Completed Work Costs

The completed-contract method has been applied for profits deriving from contracted works so far. From this financial year, the Accounting Standard for Construction Contracts (Accounting Standards Board of Japan Statement No. 15 of December 27, 2007) and Guidance on Accounting Standard for Construction Contracts (Accounting Standards Board of Japan Guidance No. 18 of December 27, 2007) are applied. This change has no impact on profits and losses.

- (ii) Application of partial amendment (Part 3) to Accounting Standard for Retirement Benefits

From this financial year, the partial amendment (Part 3) to the Accounting Standards for Retirement Benefits (Accounting Standards Board of Japan Statement No. 19 of July 31, 2008) is applied. This change has no impact on profits and losses.



2. Notes to Balance Sheets

(1) Accumulated depreciation of property, plant and equipment and accumulated depreciation of intangible fixed assets

Accumulated depreciation of property, plant and equipment:	¥ 1,833,014 million
Accumulated depreciation of intangible fixed assets:	¥ 2,588 million

(2) Guarantee liabilities, etc.

Guarantee liabilities:	¥ 46,268 million
Contingent liabilities in respect of debt assumption agreements with respect to corporate bonds and long-term borrowings:	¥ 39,235 million

3. Notes to Income Statements

Amount of business from operational transactions with associated companies:

Sales to associated companies:	¥ 53,552 million
Amount of purchases from associated companies:	¥ 108,572 million

Amount of business from non-operational transactions with associated companies:

¥ 94,749 million

4. Notes to Statements of Changes in Shareholders' Equity and Other Matters

Number of treasury shares at the end of the financial year: 10,473,574 common shares

5. Notes to Tax Effect Accounting

(1) The main factors for the deferred tax assets are, excess depreciation of depreciable assets, excess depreciation of deferred assets and reserve for safety measures.

(2) The main factors for the deferred tax liabilities are prepaid severance and retirement benefit expenses, net unrealized holding gains on other securities and reserve required under the Special Taxation Measures Law.

6. Notes to Transactions with Related Parties

Company name	Osaka Gas Australia Pty. Ltd.	Senboku Natural Gas Power Generation Co., Ltd.
Holding ratio of voting rights	100% direct holding	90% direct holding
Relationship	subsidiary	subsidiary
Substance of transaction	underwriting of increase in capital stock (Note 1)	transfer of asset (Note 2)
Transaction amount (in million yen)	12,882	77,265
Item	-	-
Outstanding amount as at the year-end (in million yen)	-	-

Conditions of transaction and Decision Policy for conditions of transaction, etc.

(Note 1) The Company underwrote 152,922,792 shares of stock of Osaka Gas Australia Pty. Ltd. through a rights offering.

(Note 2) The Company transferred to Senboku Natural Gas Power Generation Co., Ltd. the power generation unit in the Senboku Power Plant. The transaction amount was determined pursuant to our acquisition value. The transaction amount did not include the refund amount to be settled.

7. Notes to Per Share Information

(1)	Net asset amount per share:	¥ 252.36
(2)	Net income per share:	¥ 18.61

8. Other Notes

With respect to part of the purchase price of raw materials, settlement may be required depending on the renewal of contracts or price negotiations with the suppliers.

**Certified Copy of Auditors' Report Prepared by Independent Outside Auditor  
on Consolidated Financial Statements**

Report of Independent Outside Auditor

May 13, 2010

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

AZSA & Co.	
Designated Partner	Certified Public Accountant
Engagement Partner	
Designated Partner	Certified Public Accountant
Engagement Partner	
Designated Partner	Certified Public Accountant
Engagement Partner	

We have examined the consolidated financial statements, i.e., consolidated balance sheets, consolidated income statements, consolidated statements of changes in shareholders' equity and other matters and notes to consolidated financial statements of Osaka Gas Co., Ltd. for the consolidated financial year which was from April 1, 2009 to March 31, 2010, in accordance with Article 444, paragraph 4 of the Companies Act. The management is responsible for the preparation of these consolidated financial statements, and it is our responsibility to form an independent opinion on such consolidated financial statements.

We have carried out this audit in accordance with generally accepted auditing standards in Japan. These auditing standards require that we perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The audit includes an overall examination, on a test basis, of the information in the consolidated financial statements including an assessment of the accounting policies adopted by the management and the method of application thereof, as well as of the estimates made by the management. We believe that our audit provides a reasonable basis for the expression of our opinion.

We have concluded that the consolidated financial statements give a true and proper account of assets and earnings of the Osaka Gas Group consisting of the Company and its consolidated subsidiaries for the consolidated financial year ended March 31, 2010 in all material aspects in accordance with generally accepted accounting standards in Japan.

Neither AZSA & Co. nor any of its engagement partners have any interests with Osaka Gas Co., Ltd., which is required to be described under the Certified Public Accountant Law.

AZSA & Co.

**Certified Copy of Auditors' Report Prepared by Independent Outside Auditor**

Report of Independent Outside Auditor

May 13, 2010

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

AZSA & Co.	
Designated Partner	Certified Public Accountant
Engagement Partner	
Designated Partner	Certified Public Accountant
Engagement Partner	
Designated Partner	Certified Public Accountant
Engagement Partner	

We have examined the financial statements, i.e., balance sheets, income statements, statements of changes in shareholders' equity and other matters, notes to financial statements and the supporting schedules of Osaka Gas Co., Ltd. for the 192nd financial year which was from April 1, 2009 to March 31, 2010, in accordance with Article 436, paragraph 2, item 1 of the Companies Act. The management is responsible for the preparation of these financial statements and the supporting schedules, and it is our responsibility to form an independent opinion on such financial statements and supporting schedules.

We have carried out this audit in accordance with generally accepted auditing standards in Japan. These auditing standards require that we perform the audit to obtain reasonable assurance about whether the financial statements and the supporting schedules are free of material misstatement. The audit includes an overall examination, on a test basis, of the information in the financial statements and the supporting schedules including an assessment of the accounting policies adopted by the management and the method of application thereof, as well as of the estimates made by the management. We believe that our audit provides a reasonable basis for the expression of our opinion.

We have concluded that the financial statements and the supporting schedules give a true and proper account of assets and earnings of the Company for the financial year ended March 31, 2010 in all material aspects in accordance with generally accepted accounting standards in Japan.

Neither AZSA & Co. nor any of its engagement partners have any interests with Osaka Gas Co., Ltd., which is required to be described under the Certified Public Accountant Law.

AZSA & Co.

## **Certified Copy of Auditors' Report Prepared by the Board of Corporate Auditors**

### **Corporate Auditors' Report**

The Board of Corporate Auditors prepared this Corporate Auditors' Report upon deliberation based on reports by each Corporate Auditor regarding the performance by the Directors of their duties for the 192nd term which commenced on April 1, 2009 and ended on March 31, 2010. We report as follows:

#### 1. Method and details of audit by the Corporate Auditors and the Board of Corporate Auditors

- (1) The Board of Corporate Auditors has established an audit policy, an audit plan and other matters and has received reports from each Corporate Auditor on the status of implementation and the results of the audit. In addition, the Board of Corporate Auditors has received reports from the Directors and the Independent Outside Auditor on the performance of their duties and requested explanations as necessary.
- (2) Each Corporate Auditor has communicated with the Directors, the internal auditing division and other employees in conformity with the auditing standards established by the Board of Corporate Auditors and pursuant to the audit policy, the audit plan and other matters. The audit has been implemented based on the following method.
  - (i) We have attended meetings of the Board of Directors and other important meetings and have been informed as needed by the Directors, employees and others in respect of the status of performance of their duties. Furthermore, we have examined important documents in respect of the authorization of corporate actions and inspected the operations and the assets of the Company at its head office and principal business offices. With regard to subsidiaries, we have also communicated with directors, corporate auditors and others of the subsidiaries, and visited them as necessary in order to inspect their operations and assets.
  - (ii) We have inspected the content of a resolution of the Board of Directors concerning the establishment of systems to ensure that the Directors perform their duties in compliance with applicable laws and regulations and the Articles of Incorporation and other systems necessary to ensure the propriety of operations of *Kabushiki Kaisha* as provided for in Article 100, paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act and the status of the system (internal control system) established based on such resolution.
  - (iii) We have received reports from the Independent Outside Auditor on the performance of its duties and requested explanations as necessary. Furthermore, we have received a notice from the Independent Outside Auditor that the "system to ensure that duties are properly performed" (matters stipulated in each item of Article 131 of the Corporate Accounting Ordinance) is established in accordance with the "Quality Management Standards concerning the Audit" (Financial Services Agency, Business Accounting Council) and other standards and requested explanations as necessary.

Based on the above method, we have examined the operating report, the financial statements (balance sheets, income statements, statements of changes in shareholders' equity and other matters and notes to financial statements) and their supporting schedules and the consolidated financial statements (consolidated balance sheets, consolidated income statements, consolidated statements of changes in shareholders' equity and other matters and notes to consolidated financial statements) for the financial year ended March 31, 2010.

#### 2. Results of audit

##### (1) Results of audit of the operating report, etc.

- (i) The operating report and its supporting schedules give a fair and proper account of the Company's business in accordance with applicable laws and the Articles of Incorporation.
- (ii) No misconduct or material facts that are in breach of applicable laws or the Articles of Incorporation have been detected in respect of the performance by the Directors of their duties.

(iii) The content of the resolution of the Board of Directors concerning the internal control system is fair and proper. In addition, the maintenance and operation of the internal control system keep improved and there is no matter of concern regarding the performance by the Directors of their duties in respect of the internal control system.

(2) Results of audit of financial statements and their supporting schedules

Methods used by AZSA & Co. as the Independent Outside Auditor for this audit, and the results thereof, are fair and proper.

(3) Results of audit of consolidated financial statements

Methods used by AZSA & Co. as the Independent Outside Auditor for this audit, and the results thereof, are fair and proper.

May 18, 2010

Osaka Gas Co., Ltd. the Board of Corporate Auditors

Seishiro Yoshioka Corporate Auditor (Full-time) [seal]

Akio Ukai Corporate Auditor (Full-time) [seal]

Toshihiko Hayashi Corporate Auditor (External Corporate Auditor) [seal]

Kenji Torigoe Corporate Auditor (External Corporate Auditor) [seal]