

Financial Report for Apr.-Dec. 2009 (3rd Quarter of FY2010.3)

February, 2010
Osaka Gas Co., Ltd.

I. Business Results for 3rd Quarter of FY10.3 (Apr.-Dec. 2009)

Management information is available on Osaka Gas websites.

Financial reports, annual reports and road show materials can be accessed and downloaded at the following URL.

http://www.osakagas.co.jp/ir/index_e.html

Disclaimer

Certain statements contained herein are forward-looking statements, strategies and plans, which reflect our judgment based on the information so far available. Actual results may differ materially from those discussed in such statements. Among the factors that could cause actual results to differ materially are: economic trend in Japan, sharp fluctuations in exchange rate and crude oil prices and extraordinary weather conditions.

Note regarding gas sales volume

All gas sales volumes are indicated based on the standard heating value at 45 MJ/m³.

Note regarding consolidated gas sales volume

The fiscal year of Nabari Kintetsu Gas, Sasayama Toshi Gas and Toyooka Energy ends on December 31.

Note regarding the indication of quarter

“Quarter” refers to “quarterly cumulative period”, unless otherwise noted.

I would like to briefly explain our financial results for the third quarter of the fiscal year ending March 2010.

Key Points of Business Results for 3rd Quarter of FY10.3

- Summary
 - Consolidated operating revenues: Revenues decreased by 18.6% (year-on-year) to ¥757.9 billion, due to a decline in gas sales volumes caused by economic slowdown, lower gas selling prices under the fuel cost adjustment system in association with falling LNG prices and the transfer of Nissho Petroleum Gas Corporation's LPG distribution and wholesale division to a newly-established company.
 - Consolidated operating profit: Operating profit increased substantially to ¥70.1 billion, since the gross margin of gas sales increased due to a reduction of raw material costs resulting from declining LNG prices. The profit arising in connection with the fuel cost adjustment amounted to ¥26.3 billion. Operating profit exceeded our projection for the third quarter in our October forecast, since raw material costs decreased thanks to lower crude oil prices and stronger yen compared to projected figures.
 - Gas sales volumes: Sales, mainly those for industrial use, exceeded our projection for the third quarter in our October forecast. Gas sales for residential use came to 1,334 million m³, the same level as a year earlier. Gas sales for non-residential use decreased by 10.4% (year-on-year) to 3,957 million m³, owing to a drop in the operating rates of customers' facilities amid the recession.
- Investment for Incubation and Expansion
 - There was no new project after the announcement of the business results for the first half of FY10.3. We invested a total of ¥35.8 billion in the Senboku Power Plant, the Gorgon project and environment and non-energy businesses.
- Full-year Forecast for FY10.3
 - Taking into account the possibility that business performance may change due to the influence of temperature levels, economic trends and fluctuation of crude oil prices and foreign exchange rates, we are maintaining our full-year forecast, unchanged from the October forecast.

Consolidated operating revenues decreased, but consolidated operating profit increased in the cumulative third quarter of the fiscal year ending March 2010.

Consolidated operating revenues decreased by 18.6% (year-on-year) to ¥757.9 billion, due to a decline in gas sales volumes caused by economic slowdown, lower gas selling prices under the fuel cost adjustment system in association with falling LNG prices on a non-consolidated basis and the transfer of LPG distribution and wholesale division of Nissho Petroleum Gas Corporation, a consolidated subsidiary, to Japan Gas Energy Corporation, a newly-established company.

Consolidated operating profit increased by ¥66.2 billion (year-on-year) to ¥70.1 billion, since the gross margin of gas sales substantially increased on a non-consolidated basis due to a reduction of raw material costs resulting from declining LNG prices. The profit arising in connection with the fuel cost adjustment amounted to ¥26.3 billion to the cumulative third quarter of the fiscal year ending March 2010.

Operating profit exceeded our projection for the third quarter in our October forecast, since raw material costs decreased thanks to lower crude oil prices and stronger yen compared to the projected figures in the October forecast.

Gas sales volumes, mainly those for industrial use, exceeded our projection for the third quarter in our October forecast. Compared to the year earlier period, gas sales volumes for residential use came to 1,334 million m³, the same level as a year earlier. Gas sales volumes for non-residential use decreased by 10.4% (year-on-year) to 3,957 million m³, owing to a drop in the operating rates of customers' facilities amid the recession.

Regarding investment for incubation and expansion, there was no new project after the announcement of the business results for the first half of fiscal year ending March 2010. We invested a total of ¥35.8 billion in the Senboku Power Plant, LNG vessels, the Gorgon project and real estate and advanced materials.

Regarding the full-year forecast for the fiscal year ending March 2010, we are maintaining the full-year forecast unchanged from our October forecast, since there is the possibility that business performance may change due to the influence of temperature levels, economic trends and fluctuation of crude oil prices and foreign exchange rates.

Gas Sales for 3rd Quarter of FY10.3

45MJ/m ³	A. Apr.-Dec. 2009	B. Apr.-Dec. 2008	A-B	A-B/B (%)
Number of meters installed (thousand)	6,963	6,918	+45	+0.6
Installation of new meters (thousand)	53	73	-20	--
Monthly gas sales volume per household (m ³ /month)	25.6	25.7	-0.1	--
Residential use	1,334	1,338	-4	-0.3
Commercial, public, and medical use	1,132	1,173	-42	-3.5
Industrial use	2,826	3,242	-416	-12.8
Non-residential use total	3,957	4,415	-458	-10.4
Wholesale	321	326	-5	-1.4
(Non-regulated included)	(3,354)	(3,780)	(-426)	(-11.3)
Non-consolidated gas sales volume (million m ³)	5,613	6,079	-466	-7.7
Consolidated gas sales volume	5,637	6,106	-470	-7.7

I would like to explain to you in detail the gas sales situation up to the third quarter of fiscal year ending March 2010.

Gas sales volumes declined by 7.7% (year-on-year) to 5,613 million m³ on a non-consolidated basis.

Gas sales volumes for residential use came to 1,334 million m³, the same level as a year earlier, although there was an increase in the number of meters installed.

Gas sales volumes for non-residential use decreased by 10.4% (year-on-year) to 3,957 million m³.

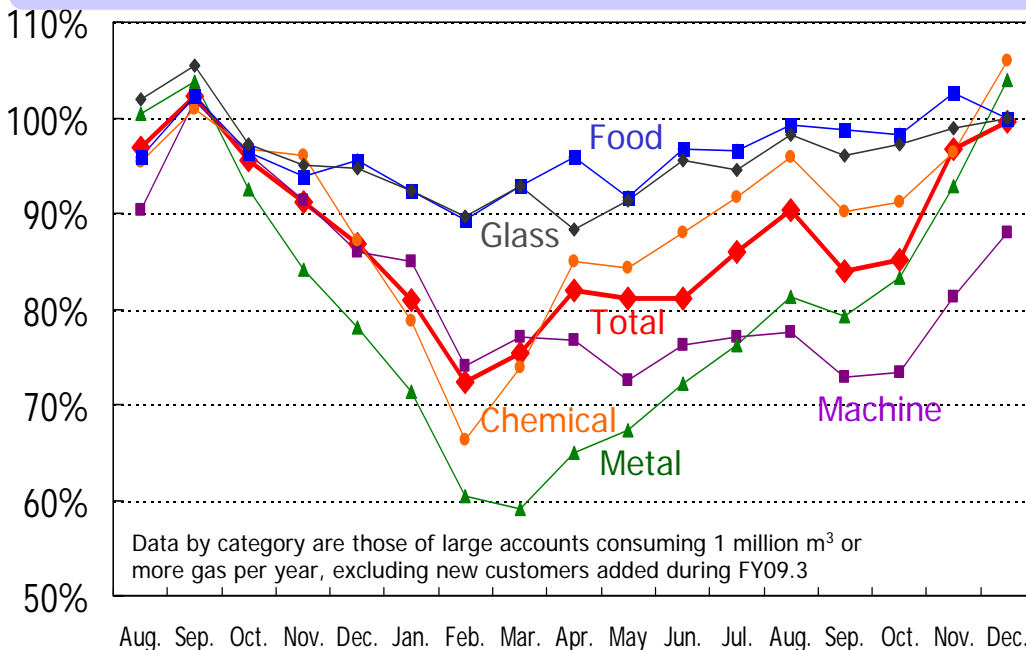
Gas sales volumes for commercial, public and medical use fell by 3.5% (year-on-year) to 1,132 million m³, since summertime demand for air conditioners decreased due to cooler temperatures than the last year, though cultivation of demand in large commercial facilities and public buildings produced steady results.

Gas sales volumes for industrial use diminished by 12.8% (year-on-year) to 2,826 million m³, owing to the large influence of a fall in capacity utilization of customers' facilities, especially in the first half of the fiscal year ending March 2010, though there were increases in gas sales volumes due to the cultivation of demand.

Industrial Gas Sales

- Gas sales volumes for industrial use recovered to the previous year's level in December 2009.

Monthly industrial gas sales volume, in comparison with the same month of previous year (total industrial gas sales and gas sales by five major industrial categories)



	Gas sales volume for 3Q
05.3	(98.5%) 2,870
06.3	(94.9%) 2,977
07.3	(87.7%) 3,222
08.3	(85.4%) 3,311
09.3	(87.2%) 3,242
10.3	2,826

Figures in parentheses inside Gas sales volumes for 3Q represent the percentage of gas sales volumes in 3Q of 2010 compared to those in corresponding periods.

The graph on the left shows a percent year-on-year change in total industrial gas sales and sales by major industrial categories.

In December 2009, total gas sales volumes for industrial use recovered to the same level as in the previous year, when influence from economic slowdown became perceptible, though gas sales to the machinery industry have not fully recovered yet.

However, as shown in the table on the right, industrial gas sales volumes up to the third quarter of fiscal year ending March 2010 remained at the same level as those of five years ago. We expect it will take some time to get industrial gas sales volumes back on the path toward full-scale recovery.

Results for 3rd Quarter of FY10.3 (1/2)

Consolidated billion yen	A. Apr.-Dec. 2009	B. Apr.-Dec. 2008	A-B	A-B/B (%)
Operating revenues	757.9	930.6	-172.6	-18.6%
Operating profit	70.1	3.8	+66.2	17.2 times
Ordinary profit	66.2	5.6	+60.6	10.8 times
Net income	39.5	0.7	+38.8	52.2 times
Consolidated gas sales volume (million m ³)	5,637	6,106	-470	
Exchange rate (yen/\$)	93.6	102.8	-9.2	
Crude oil price (\$/bbl)	66.5	105.1	-38.6	
Number of subsidiaries	128	137	-9	

Here are financial results for the cumulative third quarter of fiscal year ending March 2010.

As I mentioned earlier, consolidated operating revenues decreased by 18.6% (year-on-year) to ¥757.9 billion.

As I explained, consolidated operating profit increased by ¥66.2 billion (year-on-year) to ¥70.1 billion, since the gross margin of gas sales substantially increased thanks to profit arising in connection with the fuel cost adjustment of ¥26.3 billion.

Consolidated ordinary profit grew by ¥60.6 billion (year-on-year) to ¥66.2 billion. The increase in ordinary profit was smaller than the increase in operating profit, since equity in earnings of affiliates related to North Sea oil field business decreased due to falling crude oil prices.

The number of our consolidated subsidiary companies came to 128, down by nine from the end of December 2008 and down by eight from the end of March 2009.

Results for 3rd Quarter of FY10.3 (2/2)

Consolidated, billion yen	09.12 end	09.3 end	Differences
Total assets	1,436.7	1,452.4	-15.7
Total net worth	653.9	612.5	+41.4
Interest-bearing debt	543.8	573.4	-29.6
Number of employees	19,343	19,009	+334
Total net worth ratio	45.5%	42.2%	+3.3%

	Apr.-Dec. 2009	Apr.-Dec. 2008	Differences
Capital expenditure	66.3	71	-4.7
Depreciation	69.9	63.7	+6.2
Free cash flow	109.2	-39.3	+148.6

FCF = CF from business operations - (OP after tax + depreciation and other non-cash expenses) - capital expenditure

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I would like to explain to you the detail of assets and liabilities.

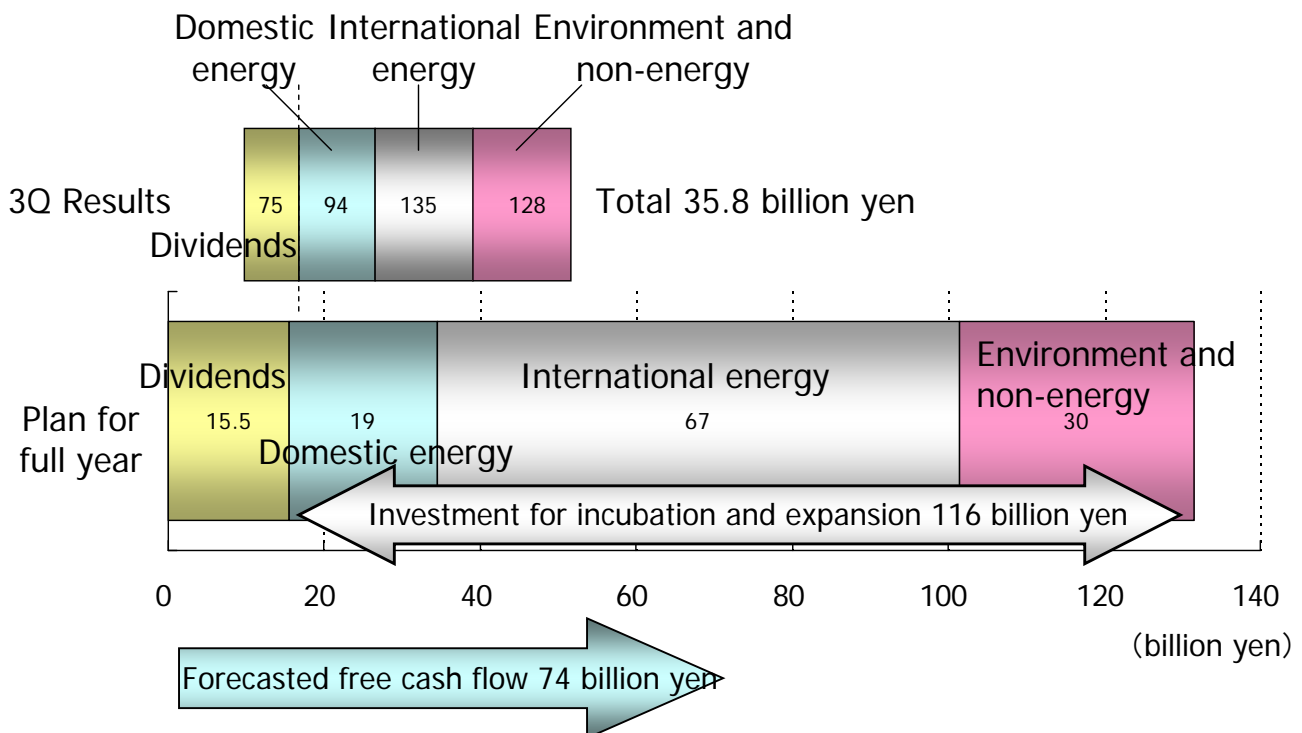
Free cash flow grew by ¥148.6 billion (year-on-year) to ¥109.2 billion, a substantial increase compared to a year earlier, thanks to a rise in the gross profit from the gas business on a non-consolidated basis.

In response to the increase in free cash flow, interest-bearing debts decreased to ¥543.8 billion, a decline of ¥29.6 billion from the end of March 2009.

Capital expenditures declined by ¥4.7 billion (year-on-year) to ¥66.3 billion, since our investments peaked in the construction of LNG vessels and the Senboku Power Plant, though we acquired an equity interest in the Gorgon project during fiscal year ending March 2010.

Depreciation expenses rose by ¥6.2 billion (year-on-year) to ¥69.9 billion, owing to an increase in depreciation expenses for the Senboku Power Plant that gradually commenced operation from April 2009.

Investment Plan for FY10.3



FCF = CF from business operations - (OP after tax + depreciation and other non-cash expenses) - capital expenditure

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Finally, I would like to explain the progress of our investment plan using the chart.

As I have already explained, there was no new project after the announcement of the business results for the first half of fiscal year ending March 2010. However, we invested a total of ¥35.8 billion in the construction of Senboku Power Plant (the Domestic energy businesses), the construction of LNG vessels and an equity interest in the Gorgon project (the International energy businesses along energy value chain) and real estate and advanced materials (the Environment and non-energy businesses).

So far, we have made decisions on investments in the Himeji-Okayama Pipeline, the Gorgon project, the wind power business in Australia and the Coal Bed Methane project in Indonesia. We will implement new investments.

This completes our explanation regarding financial results up to the third quarter of the fiscal year ending March 2010. Thank you for your attention.



II. Full-year Forecast for FY10.3

We are maintaining our full-year forecast unchanged from the October forecast.

Gas Sales Forecast for FY10.3

- We are maintaining our full-year forecast unchanged from the October forecast.

45MJ/m ³	A. FY10.3 Forecast	B. FY09.3 Results	A-B	A-B/B (%)
Number of meters installed (thousand)	6,972	6,939	+34	+0.5%
Installation of new meters (thousand)	80	112	-32	--
Monthly gas sales volume per household (m ³ /month)	32.9	32.3	+0.6	+1.8%
Residential use	2,282	2,238	+44	+1.9%
Commercial, public, and medical use	1,532	1,580	-48	-3.1%
Industrial use	3,722	4,128	-405	-9.8%
Non-residential use total	5,254	5,708	-454	-7.9%
Wholesale	432	434	-1	-0.3%
(Non-regulated included)	(4,386)	(4,834)	(-448)	(-9.3%)
Non-consolidated gas sales volume (million m ³)	7,969	8,380	-412	-4.9%
Consolidated gas sales volume	8,002	8,416	-414	-4.9%

Forecast for FY10.3 (1/2)

- We are maintaining our full-year forecast unchanged from the October forecast.

Consolidated		A. FY10.3	B. FY09.3	A-B	A-B/B
Billion yen		Forecast	Results		(%)
Operating revenues		(1.30) 10,905	(1.37) 13,267	-2,362	-17.8%
Operating revenues		(1.50) 845	(1.77) 669	+175	+26.2%
Ordinary profit		(1.29) 760	(1.71) 645	+114	+17.8%
Net income		(1.21) 455	(1.50) 360	+94	+26.2%
SVA		110	51	+58	+113.6%
Consolidated gas sales volume	million m ³	8,002	8,416	-414	
Exchange rate	yen/\$	95.3	100.5	-5.3	Projection for the second half of FY10.3: ¥95.0 /\$ (Except ¥90/\$ in October 2009 only)
Crude oil price	\$/bbl	68.4	90.5	-22.1	Projection for the second half of FY10.3: \$80.0/bbl

Figures in parentheses represent the ratio of consolidated to non-consolidated results.

SVA(Shareholders' value added)=NOPAT – Invested capital × WACC

Forecast for FY10.3 (2/2)

- We are maintaining our full-year forecast unchanged from the October forecast.

Billion yen	A. FY10.3 Forecast	B. FY09.3 Results	A-B
Total assets	1,522.7	1,452.4	+70.2
Total net worth	635.6	612.5	+23
Interest-bearing debt	650.9	573.4	+77.4
Capital expenditure	103	106	-3
Depreciation	97.4	86.5	+10.8
Free cash flow	74	56.2	+17.7
Number of employees	19,379	19,009	+37
ROA	3.1%	2.5%	+0.6%
ROE	7.3%	5.7%	+1.6%
Total net worth ratio	41.7%	42.2%	-0.4%
EPS (yen per share)	21.1	16.7	+4.5
BPS (yen per share)	295.9	284.1	+11.7

The numerators of ROA and ROE represent the net income and the denominators indicate the initial and term-end average values. The net worth ratio is the term-end value and the denominators of EPS are the initial and term-end average values. No latent shares are involved in the calculation of EPS. The number of employees excludes seconded employees, but includes those under contract.

FCF = CF from business operations - (OP after tax + depreciation and other non-cash expenses) - capital expenditure

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III. Facts and Figures

Variance analysis on consolidated business results (on year-on-year basis)

Billion yen				
Operating	-1,726	Osaka Gas	-878	Gas sales -949 Miscellaneous and Incidental +71 (Incidental [Electric power] increase etc.)
Revenues		Subsidiaries	-848	NIPG -705 (decrease in wholesale resulting from business reorganization) OGIS-RI group -34 Liquid gas -33 (decrease in LPG sales price etc.) Nissho propane sekiyu -30 (decrease in kerosene sales volume etc.)
Operating	-2,389			
Expenses				Gas sales margin +618 (Profit on fuel cost adjustment system +754, Tariff revision -29, Sales volume decrease etc. -106)
Operating	+662	Osaka Gas	+646	
Profit		Subsidiaries	+15	
Ordinary	+606			Equity in net income of affiliates -58
profit				

NIPG: Nissho Petroleum Gas, OGIS-RI: Osaka Gas Information System Research Institute

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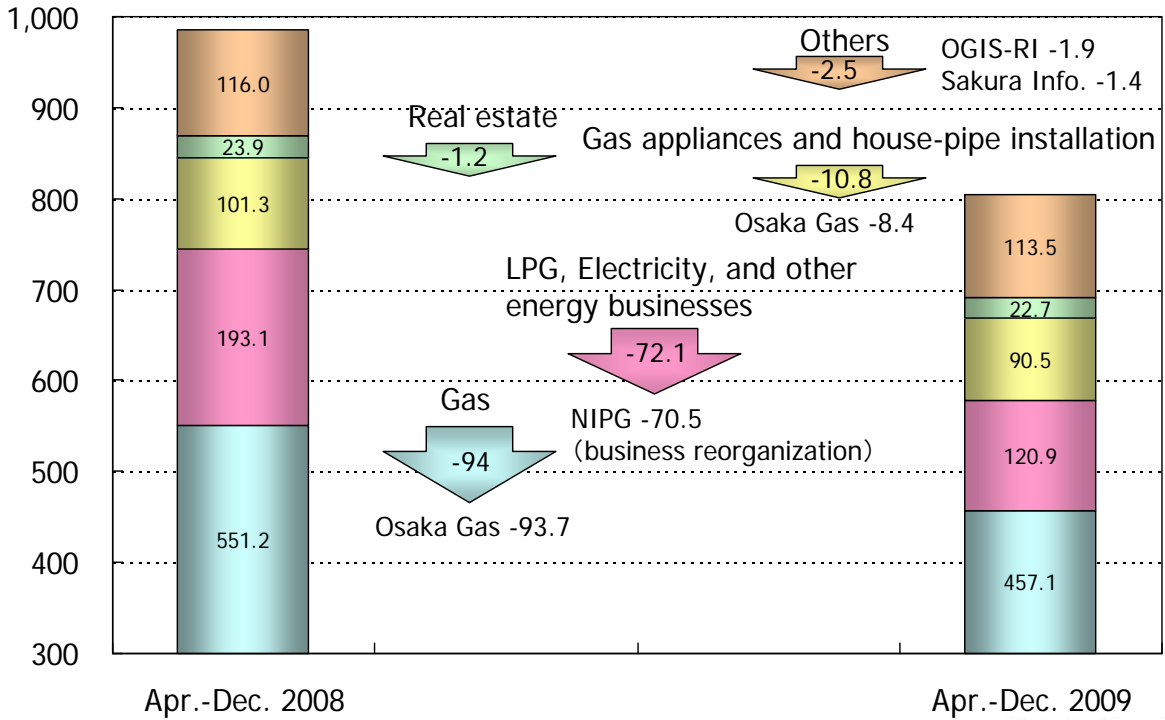
Variance analysis on gas sales volumes (on year-on-year basis)

	Residential use	Commercial, public, and medical use	Industrial use
Increase of customers	+0.2%	-0.2%	-1.5%
Differences in metering schedule	+0.2%	+0.2%	--
Influence of temperature	+0.5%	-1.0%	--
Increase/decrease of plant operations etc.	-1.1%	-5.4%	-15.7%
Demand expansion		+2.6%	+2.8%
Total	-0.3%	-3.5%	-12.8%

- Commercial, public and medical use
 - Cultivation of demand in large commercial facilities and public buildings produced steady results. On the other hand, sales volumes were affected by a decline in capacity utilization rates due to customers' energy conservation efforts.
- Industrial use
 - There were contributions from the cultivation of demand such as the commencement of operation of a large facility that switches fuel source, but a fall in capacity utilization of customers' facilities influenced industrial gas sales volumes.

Revenues by Segment

(billion yen) Arrows in the graph are conceptual and their length does not exactly represent the size of sales. Figures for the total do not equal the consolidated values because "eliminated or companywide items" are excluded.



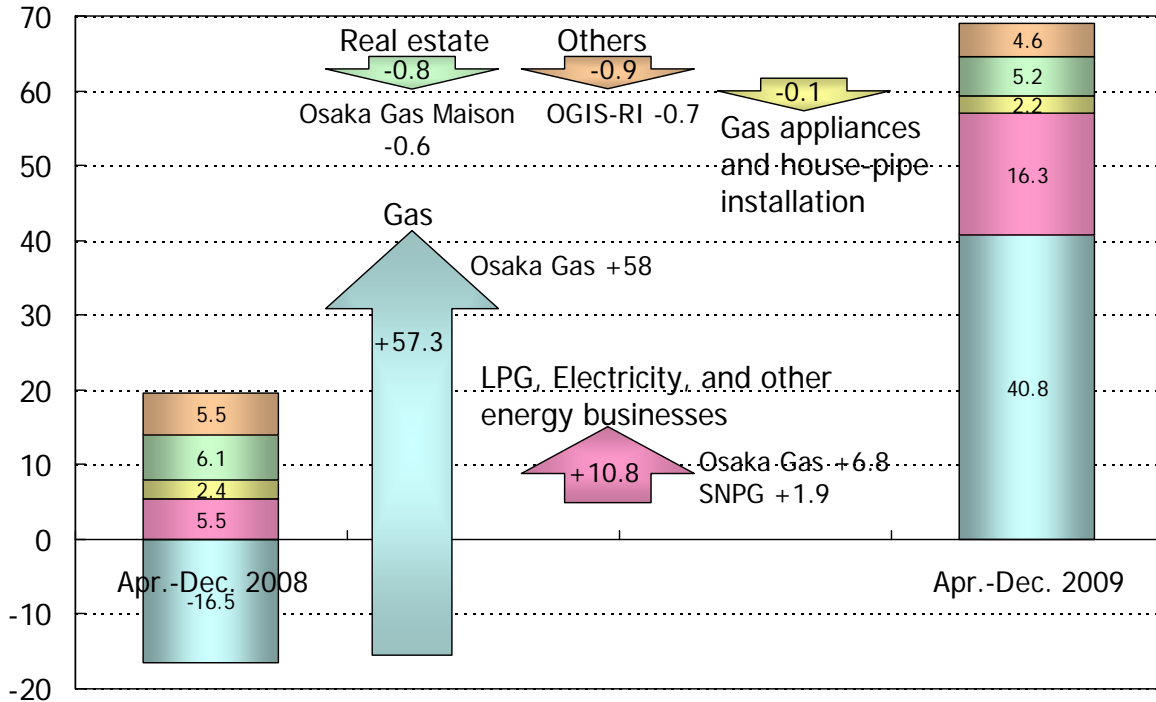
NIPG: Nissho Petroleum Gas, OGIS-RI: Osaka Gas Information System Research Institute,
Sakura Info.: Sakura Information Systems

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Operating Profit by Segment

(billion yen) Arrows in the graph are conceptual and their length does not exactly represent the size of sales. Figures for the total do not equal the consolidated values because "eliminated or companywide items" are excluded.



SNPG: Senboku Natural Gas Power Generation, OGIS-RI: Osaka Gas Information System Research Institute *Design Your Energy* 夢ある明日を

Risk Factors Affecting Forecasts of Annual Results

- Atmospheric and water temperatures
 - A 1 degree Celsius change in atmospheric and water temperatures will impact the residential gas sales volume: approx. 4% in winter.
- Crude oil price
 - LNG prices are linked to the movement of crude oil prices, but there is a time lag before any change in crude oil prices begins to affect LNG prices. Thus, the one-dollar per barrel change in crude oil prices is expected to have only a minimal effect on the gross profit for FY10.3.
- Foreign exchange rate
 - LNG price is affected by the fluctuation of the US dollar/Japanese yen exchange rate. A 1-yen fluctuation will have an effect of approx. 0.8 billion yen on gross profit for FY10.3.
- Fuel costs
 - Although the fuel cost adjustment system allows us to reflect changes in fuel costs in gas rates in the medium and long term, higher fuel costs are likely to affect the business results due to a time lag in reflecting cost fluctuations, and depending on the composition of fuel suppliers.
 - Fuel costs may need to be adjusted as a result of contract renewal or price negotiation with LNG suppliers.
- Interest rate
 - A 1% change in the interest rate will have an effect of approx. 0.8 billion yen on annual consolidated non-operating expenses.