



Financial Report for 1st Half of FY10.3 (April 09 – September 09)

October 2009
Osaka Gas Co., Ltd.

I. Business Results for 1st Half of FY10.3 and Forecast for FY10.3

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 consolidated gas sales volume

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

Note regarding gas sales volume

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

Allow me now to explain the business results of our company for the first half of the fiscal year ending March 2010 and the forecast for the whole fiscal year.

Key Points of the Business Results for 1st Half of FY10.3

■ Summary

- Consolidated operating revenues decreased 17.3% year-on-year to ¥501.6 billion due to negative factors such as: a fall in gas sales volume due to the recession, lower gas sales prices under the fuel cost adjustment system in association with a decline in LNG prices, and the transfer of Nissho Petroleum Gas Corporation's LPG distribution and wholesale division to a newly established company.
- Consolidated ordinary profit increased substantially to ¥60 billion primarily because of a ¥31.2 billion gain on fuel cost adjustment system in accordance with LNG price decreases.
- With the above results taken into consideration, the estimates for FY10.3 were revised to ¥1 billion less in operating revenues and ¥4 billion more in ordinary profit.

■ Gas Sales

- Gas sales for residential use came to 830 million m³, the same level as a year earlier, despite the slight effects of temperature changes.
- Gas sales for non-residential use came to 2,650 million m³, a 12.5% decrease year-on-year, owing to a drop in the operating rates of customers' facilities amid the recession, as well as to customers' energy-saving efforts.

■ Investment for Incubation and Expansion

- In addition to investments totaling ¥19.8 billion in the Senboku Power Plant and environment and non-energy businesses, it was decided to construct the Himeji-Okayama Pipeline, and to participate in the Gorgon project and a wind power project in Australia.

Our results for the first half of the fiscal year ending March 2010 showed a decrease both in revenues and profits.

Consolidated operating revenues decreased ¥104.6 billion, or 17.3% year-on-year to ¥501.6 billion due to negative factors such as: a fall in gas sales volume due to the recession, lower gas sales prices under the fuel cost adjustment system in association with a decline in LNG prices, and the transfer of Nissho Petroleum Gas Corporation's LPG distribution and wholesale division to a newly established company, Japan Gas Energy.

Consolidated ordinary profit increased ¥56.5 billion from the previous year to ¥60 billion primarily because of a ¥31.2 billion gain arising from the fuel cost adjustment system in accordance with LNG price decreases.

Given these results, estimated operating revenues for the whole fiscal year ending March 2010 were revised downward by ¥1 billion, and estimated ordinary profit for the whole fiscal year ending March 2010 was revised upward by ¥4 billion.

Gas sales for residential use came to 830 million m³, the same level as a year earlier, due to an increase in the number of residential customers and despite the slight effects of temperature changes. Gas sales for non-residential use came to 2,650 million m³, a 12.5% decrease from the previous year, owing to a drop in the operating rates of customers' facilities amid the recession, as well as to customers' energy-saving efforts.

Regarding investment for incubation and expansion, in addition to investments totaling ¥19.8 billion in the Senboku Power Plant, and in real estate development and advanced materials projects, it was decided in the first half of the term to construct the Himeji-Okayama Pipeline, and to participate in the Gorgon project and a wind power project in Australia.

Gas Sales for 1st Half of FY10.3

45MJ/m ³	A. 10.3 1H	B. 09.3 1H	A-B	A-B/B (%)
Number of meters installed (thousand)	6,953	6,903	+49	+0.7%
Installation of new meters (thousand)	35	50	-15	--
Monthly gas sales volume per household (m ³ /month)	23.9	24.0	-0.1	-0.4%
Residential use	830	832	-2	-0.2%
Commercial, public, and medical use	798	826	-28	-3.4%
Industrial use	1,852	2,201	-349	-15.9%
Non-residential total	2,650	3,027	-377	-12.5%
Wholesale	206	215	-9	-4.2%
(including non regulated)	(2,231)	(2,587)	(-356)	(-13.8%)
Non-consolidated gas sales volume (million m ³)	3,686	4,074	-388	-9.5%
Consolidated gas sales volume	3,703	4,093	-391	-9.5%

I would now like to go into detail about the total gas sales performance for the first half of the fiscal year ending March 2010.

Osaka Gas' non-consolidated gas sales decreased 9.5% year-on-year to 3,686 million m³.

Gas sales for residential use came to 830 million m³, the same level as a year earlier, because while the number of customers increased and water temperatures in summer remained lower than a year ago, air and water temperatures in April and June were higher than last year.

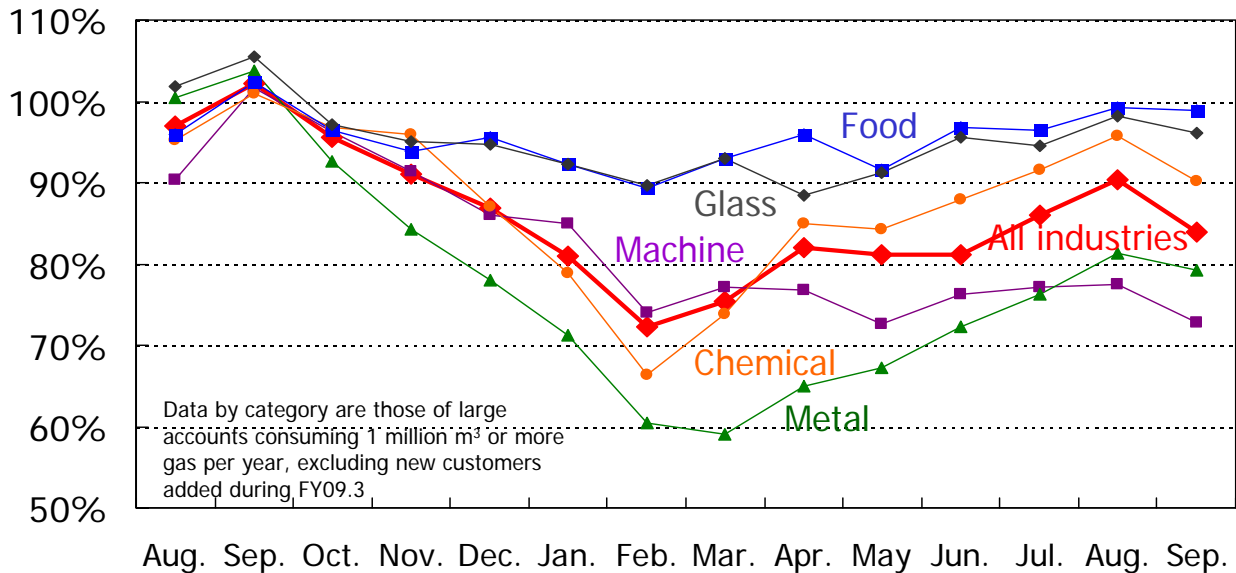
Gas sales for non-residential use decreased 12.5% year-on-year to 2,650 million m³. In the commercial, public and medical segments, because the summer was cooler than last year, cooling demand decreased and customers continued to save energy, resulting in the decreased sales by 3.4% to 798 million m³.

Gas sales for industrial use decreased 15.9% year-on-year to 1,852 million m³ because while efforts to tap new markets increased the volume of gas sales, a decrease in the operating rates of customers' facilities amid the recession and customers' energy-saving efforts had a negative impact on our sales performance.

Industrial Gas Sales

- While gas sales for industrial use as a whole accounted for 72.6% compared with the previous year in February 2009, they rebounded to as high as 84.% of the sales registered a year ago in September.
- The extent of recovery varies by type of industry.

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



While industrial gas sales declined to 72% of the level registered a year earlier in February 2009, they rebounded to 84% of the previous year's level in September 2009.

However, industrial gas sales suffered a larger drop from the level recorded a year earlier in September, and a look at industrial gas sales by industry revealed that gas sales in the machinery segment remained in a slump. We will monitor the trends in industrial gas sales to see if they continue to recover.

Results of 1st Half of FY10.3 (1/2)

100 million yen, figures in parentheses are the ratio of consolidated to non-consolidated results.

		A. 10.3 1H	B. 09.3 1H	A-B	A-B/B(%)
Operating revenues		(1.32) 5,016	(1.41) 6,063	-1,046	-17.3%
Operating profit		(1.31) 617	(---) 12	+605	48 times
Ordinary profit		(1.24) 600	(---) 35	+565	16 times
Net income		(1.20) 368	(---) 2	+366	177 times
SVA		200	-143	+343	--
Consolidated gas sales	Million m ³	3,703	4,093	-391	
Exchange rate	yen/\$	95.5	106.1	-10.6	
Crude oil price	\$/bbl	61.8	119.7	-57.9	
Number of subsidiaries		131	135	-4	

Crude oil prices for 1H of FY2010.3 represent the average of prices prevailing until the September preliminary figures were announced. SVA (Shareholders' value added) = NOPAT – Invested capital × WACC

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Let's look at the numerical values in relation to an overview of the business performance for the first half of the fiscal year ending March 2010 which I explained on Page 3.

As I mentioned earlier, gas sales decreased ¥104.6 billion, or 17.3%, from the same period of the previous year to ¥501.6 billion.

Thanks to a gain arising from the fuel cost adjustment system, as explained earlier, operating profit increased ¥60.5 billion from the same period of the previous year to ¥61.7 billion.

While we earned a gain arising from the fuel cost adjustment system, a decline in crude oil prices resulted in a decrease in profit from equity-method investments. As a result, ordinary profit increased ¥56.5 billion from the same period of the previous year to ¥60.0 billion.

The average crude oil price in the first half of the current fiscal year was \$61.8 per barrel, thus falling to about half the average for the first half of the previous fiscal year.

The number of consolidated subsidiaries decreased by four firms compared with the number at the end of the same period of the previous year. In comparison with the end of the previous term, the number decreased by five firms, to 131 firms.

Results of 1st Half of FY10.3 (2/2)

Consolidated 100 million yen	10.3	09.3		Difference
	1H end	1H end	FY end	
Total assets	14,395	14,918	14,524	-129
Total net worth	6,564	6,273	6,125	+438
Interest-bearing debt	5,459	6,240	5,734	-274
Capital expenditure	408	457	1,060	-48
Depreciation	458	430	865	+28
Free cash flow	1,012	-306	562	+1,319
Number of employees	19,287	18,732	19,009	+278
Total net worth ratio	45.6%	42.1%	42.2%	+3.4%

Differences from the previous term in the B/S items, the number of employees, and the total net worth ratio are compared with those prevailing at the end of FY2009.3.

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

Here are the statistics on assets, liabilities, and others.

As Osaka Gas' non-consolidated material costs decreased, the free cash flow increased dramatically in comparison with the same period of the previous year. It increased ¥131.9 billion to ¥101.2 billion. In line with this increase, interest-bearing debts decreased ¥27.4 billion from the end of March 2009 to ¥545.9 billion.

Capital expenditure decreased ¥4.8 billion to ¥40.8 billion chiefly because of the completion of construction of LNG vessels and the Senboku Power Plant.

Because depreciation expenses for the Senboku Power Plant, which came on line in April and May, increased, depreciation showed an increase of ¥2.8 billion from the same period of the previous year to ¥45.8 billion.

Basis of the Estimates for FY10.3

- Parameters
 - Crude oil prices were revised from the initial estimate of \$55/bbl to \$80/bbl for the 2H of the term and to \$68.4/bbl for the whole term.
 - The foreign exchange rate was estimated at ¥90/\$ for October only, reflecting the business environment, but it was assumed to be ¥95/\$ as initially estimated for November and thereafter. It was assumed to be ¥95.3/\$ for the whole term.
- Gas Sales by Customer Category
 - Gas sales for residential use were 17 million m³ lower than the initial estimate for the 1H half of the term, and the initial estimate of residential gas sales for the 2H half of the term was revised downward by 25 million m³ after considering a decrease in the number of installation of new meters (the gas sales estimate for the whole term was revised downward by 42 million m³).
 - Gas sales for non-residential use and wholesale were 24 million m³ larger than the initial estimates for the 1H of the term, but they stood at the same level as the initial estimate for the 2H of the term.
- Osaka Gas (Non-consolidated)
 - A decrease in the number of installation of new meters was discounted in estimating revenues of miscellaneous business (the sales of gas appliances and houses-pipe installation).
 - Based on the sales performance for the 1H of the term, a decrease in operating expenses (¥7.3 billion) was discounted.
- Consolidated Subsidiaries
 - Sales were revised downward by ¥15.5 billion after discounting the effects of the stagnant economy on the business performance of some companies.

The operating revenues estimate was revised downward by ¥1 billion, while the operating profit estimate was revised upward by ¥2.5 billion and the ordinary profit estimate was revised upward by ¥4 billion.

In regard to dividends, the interim dividend was determined to be ¥3.5 per share and we intend to keep the dividend at ¥7 per share for the entire year.

Let me now turn to the estimates for the whole fiscal year ending March 2010. The estimates have been revised. The main changes are summarized below.

First, I would like to comment on the parameters. Crude oil prices were revised from the initial estimate of \$55 per barrel to \$80 per barrel for the second half of the term. Crude oil prices were assumed to be \$68.4 per barrel for the whole term. The foreign exchange rate was estimated at ¥90/\$ for October only, reflecting the surrounding climate, but it was assumed to be ¥95/\$ as initially estimated for November and thereafter. It was assumed to be ¥95.3/\$ for the whole term.

In regard to gas sales by customer categories, residential gas sales were 17 million m³ lower than the initial estimate for the first half of the term and were assumed to be 25 million m³ short of the initial estimate for the second half of the term as well due to a decrease in the number of installation of new meters. Residential gas sales for the whole term were revised downward by 42 million m³.

Gas sales for non-residential use and wholesale were 24 million m³ larger than the initial estimates for the first half of the term, but they were assumed to remain unchanged from the initial estimate for the second half of the term.

Osaka Gas' non-consolidated revenues and profit were estimated after discounting a decrease in the number of installation of new meters on the sales of gas appliances and house-pipe installation, as well as a decrease in miscellaneous operating expenses based on the performance for the first half of the term.

Consolidated subsidiaries' operating revenues were revised downward by ¥15.5 billion after discounting the effects of the stagnant economy on the business performance of some companies.

Altogether, operating revenues were revised downward by ¥1 billion, while operating profit and ordinary profit were revised upward by ¥2.5 billion and ¥4.0 billion, respectively.

Dividends will be maintained at ¥7 per share per annum.

Gas Sales Forecast for FY10.3

45MJ/m ³	A. 10.3 Forecast	B. 09.3 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 total	5,254	5,708	-454	-7.9%
Wholesale	432	434	-1	-0.3%
(including non regulated)	(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%

Using the bases described on the preceding page, the gas sales estimates for the whole term are summarized below.

Residential gas sales were estimated to increase 1.9% from the previous year to 2,282 million m³, while commercial, public, and medical gas sales were estimated to decrease 3.1% from the previous year to 1,532 million m³. Industrial gas sales were estimated to decrease 9.8% from the previous year to 3,722 million m³.

Osaka Gas' non-consolidated gas sales were estimated to decrease 4.9% from the previous year to 7,969 million m³.

Forecast for FY10.3 (1/2)

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

Consolidated	A. 10.3	B. 09.3	A-B	A-B/B
100 million yen	Forecast	Results		(%)
Operating revenues	(1.30) 10,905	(1.37) 13,267	-2,362	-17.8%
Operating profit	(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	million m ³ 8,002	8,416	-414	
Exchange rate	yen/\$ 95.3	100.5	-5.3	
Crude oil price	\$/bbl 68.4	90.5	-22.1	

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

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Operating revenues were expected to show a decrease of 17.8% from the previous year to ¥1,090.5 billion due to a decrease in gas sales volume amid the recession, as well as to a drop in gas selling prices under the fuel cost adjustment system.

Because of changes to the assumptions, gross profit from gas sales is expected to fall short of the initial estimate but it is predicted to go up significantly compared with the level registered a year ago due to a decline in LNG prices. Operating profit is expected, therefore, to increase 26.2% from the previous year to ¥84.5 billion, while ordinary profit is expected to increase 17.8% from the previous year to ¥76.0 billion.

Forecast for FY10.3 (2 of 2)

100 million yen	A. 10.3 Forecast	B. 09.3 Results	A-B
Total assets	15,227	14,524	+702
Total net worth	6,356	6,125	+230
Interest-bearing debt	6,509	5,734	+774
Capital expenditure	1,030	1,060	-30
Depreciation	974	865	+108
Free cash flow	740	562	+177
Number of employees	19,379	19,009	+370
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/share)	21.1	16.7	+4.5
BPS (yen/share)	295.9	284.1	+11.7

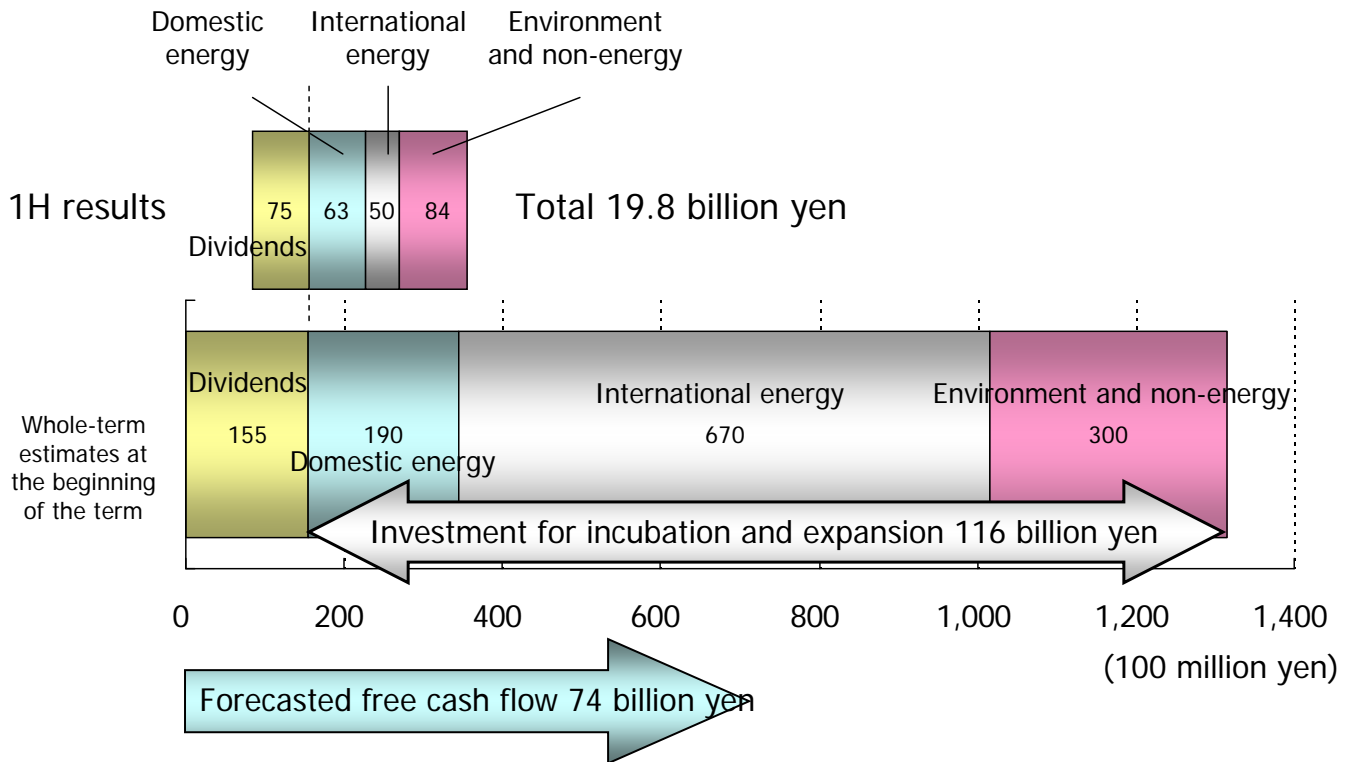
The numerators of ROA and ROE represent the net income and the denominators indicate the initial and term-end average values. The net worth ratio is the term-end value and the denominators of EPS are the initial and term-end average values. No latent shares are involved in the calculation of EPS. The 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

Here are the statistics on assets and liabilities, and the estimates for the main financial indices.

As a result of the recent revisions, ROA is predicted to reach 3.1% and ROE is expected to reach 7.3%.

Investment Plan for FY10.3



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

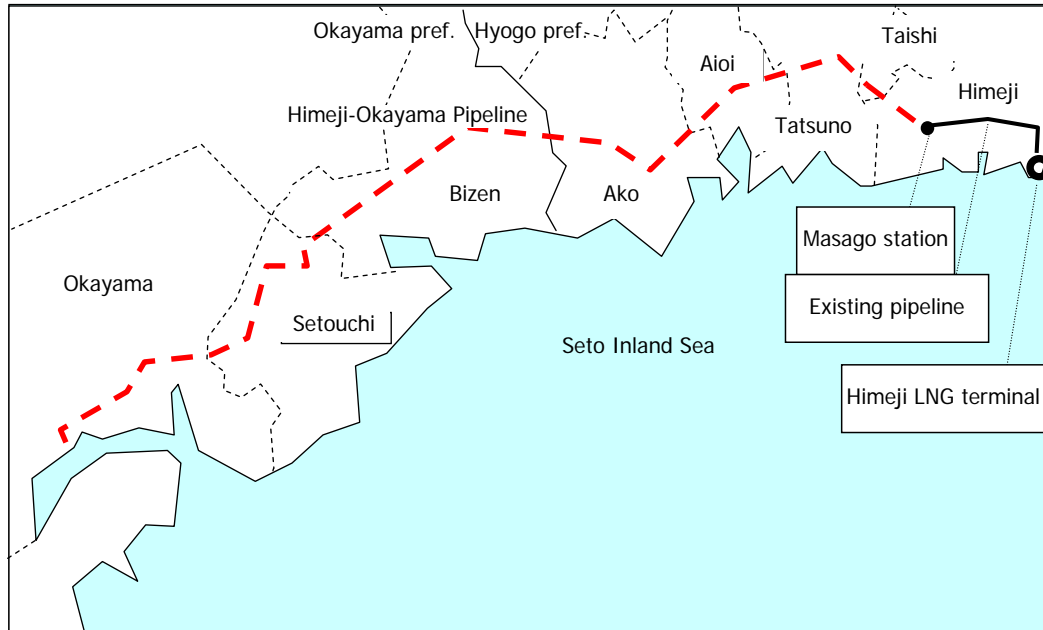
I would now like to explain the progress of the investment plan.

For the fiscal year ending March 2010, we planned to invest ¥116.0 billion for incubation and expansion.

Investment projects carried out during the first half of the term came to ¥19.8 billion, including the construction of the Senboku Power Plant in the domestic energy business category, the construction of LNG vessels in the international energy value chain business category, and investments in real estate and advanced materials in the environment and non-energy business category. As I explained earlier, we have decided to invest tens-of -billions of yen in three projects, which are the construction of the Himeji-Okayama Pipeline, and participation in the Gorgon project and the wind power project, in the first half of the term. Going forward, we will carry out these investment projects and seek to make new investments.

Construction of Himeji-Okayama Pipeline

- We will construct an 85km pipeline between Himeji City, Hyogo Prefecture, and Okayama City, aiming for completion by 2014.
- We plan to supply industrial customers operating along the line with natural gas.



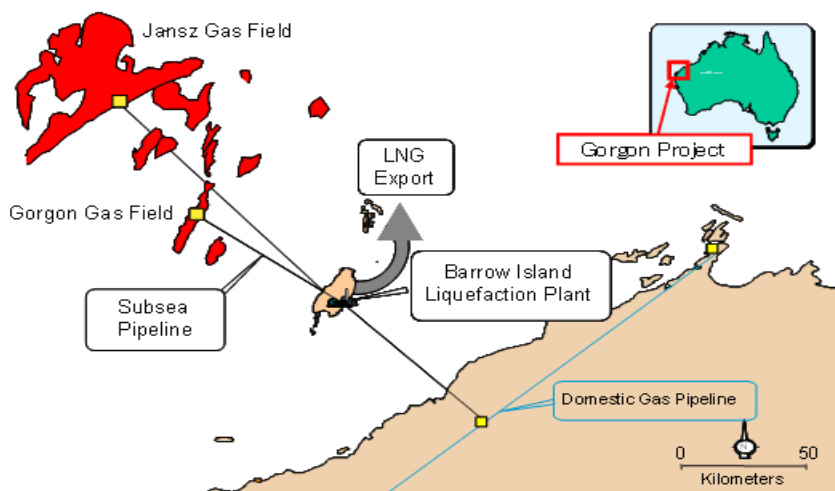
Finally, I would like to explain business expansion investment projects that we have thus far decided and announced.

At Osaka Gas we decided to construct an 85km pipeline from Himeji City in Hyogo Prefecture to Okayama City, and aim to complete it by 2014.

Along the line there is demand from industrial customers, such as chemical, machinery, and ceramic industries, so we intend to tap demand from these customers in the years to come.

Participation in the Gorgon Project in Australia

- We entered into an agreement for acquiring a 1.25% interest in the Gorgon project in northwestern Australia.
- We will receive 187,500 tons a year of equity LNG in proportion to the interest ratio. (This equity LNG supply can be used as a raw material for our company or can be sold to third parties.)
- While acquiring this interest, we entered into an LNG sales agreement (for the contract amount of 1,375,000 tons a year for the 25-year period from 2014).



We entered into a contract for acquiring a 1.25% interest in the Gorgon project in the northwestern part of Australia in September 2009.

This project will produce approximately 15 million tons of LNG annually starting around 2014. The contract will allow us to gain 187,500 tons of equity LNG annually, which is equivalent to 1.25% of the LNG production, in exchange for bearing reasonable project expenses as a result of acquiring the interest. We can use this LNG supply not only as a raw material for ourselves, but also can sell it to third parties both in Japan and abroad. In future, we intend to engage in LNG trading by securing highly flexible LNG supply like this.

Under the Gorgon project, in addition to the contract for acquiring the interest, we entered into an LNG sale/purchase agreement for providing 1,375,000 tons of LNG annually for the 25-year period from 2014.

Participating in the Wind Power Project "Hallet 4" in Australia

- Osaka Gas, together with Marubeni Corporation, and Australia's energy company, APA Group, participated in the Hallet 4 wind power project, developed by Australia's biggest energy firm, AGL.
- The ownership ratios are 39.9% for Osaka Gas, 39.9% for Marubeni, and 20.2% for APA.
- The Hallet 4 project is expected to yield steady profits as it has a 25-year long-term power sales agreement with AGL.

Profile of the Hallet 4 Project

- Location: South Australia State
- Start of construction: February 2009
- Start of operation: June 2011
- Generating capacity: 132,000 kW



We participated in the Hallet 4 wind power project, developed by Australia's largest energy firm, AGL, jointly with Marubeni Corporation and Australia's energy firm, APA Group, in October 2009.

In recent years, the Australian government has been encouraging the development of renewable energy, and this project is in line with that policy. The Hallet 4 project is located in the state of South Australia; the wind power plant now being built is due to enter operation in June 2011. The plant will have 63 wind turbines and a generating capacity of 132,000 kW.

Our ownership ratio is 39.9% and the investment amount works out to ¥3.1 billion.

Osaka Gas, Marubeni, and APA Group became joint stockholders of pipelines with another service provider, Energy Infrastructure Investments (EII). We will continue to focus on expanding our energy business operations in Australia.

With this, I would like to conclude my briefing on the business results for the first half of the fiscal year ending March 2010 and the forecast for the whole fiscal year.

II. Facts and Figures

Major Movements in the Consolidated Accounting (Year on Year)

100 million yen, increases are shown by a plus sign

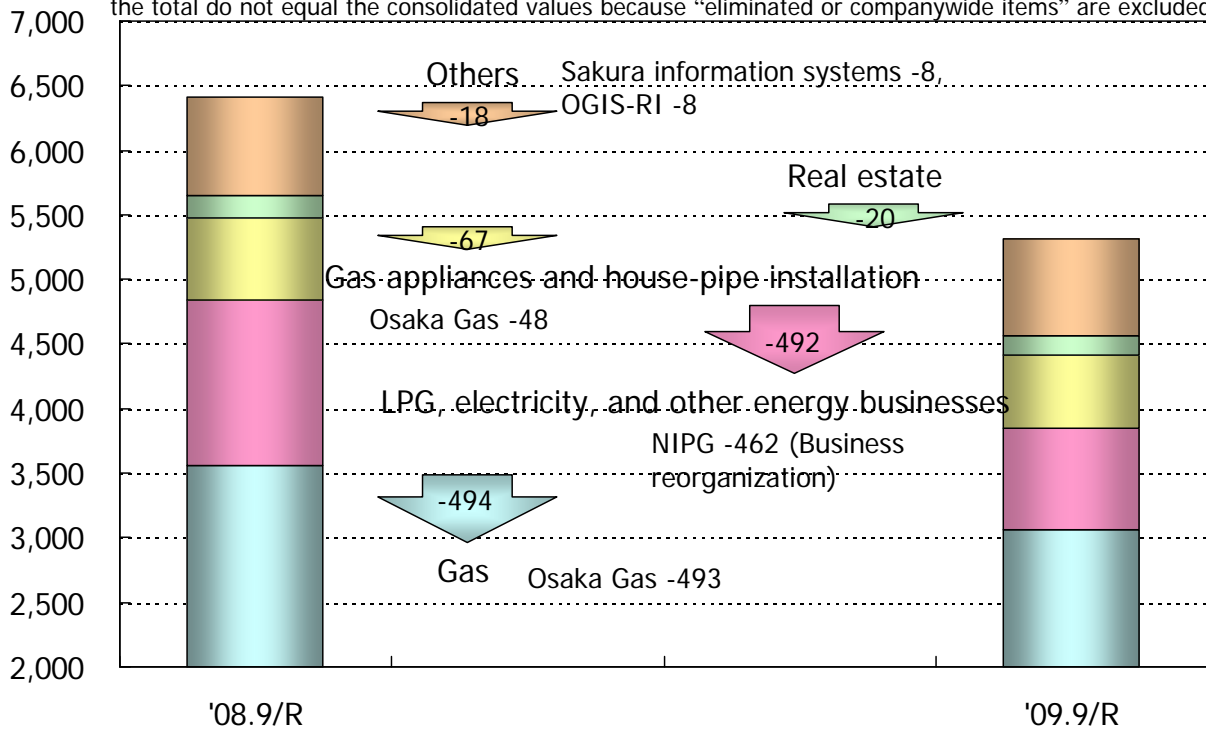
Operating revenues	-1,046	Osaka Gas subsidiaries	-478	Gas sales -501 Miscellaneous -40 (Pipe installation -26, Gas appliances -21 etc.) Incidental +62 (Electric power +93 etc.)
Operating expenses	-1,652			NIPG -462 (A decrease in wholesale sales resulting from business reorganization) Senboku 2 subsidiaries +113 Nissho Propane -27 (A decrease in kerosene sales etc.)
Operating profit	+605	Osaka Gas subsidiaries	+589	Gas sales margin +534 (Profit on fuel cost adjustment +631, Tariff revision -18, Volume decrease etc. -78) Cost increase -16 (Labor cost increase -35, Operating expenses decrease +18 etc.) Miscellaneous/ Incidental margin +71 (Incidental [LNG Sales etc.] +55)
Ordinary profit	+565		+16	SNPG +14 Equity in net income of affiliates -44

NIPG: Nissho Petroleum Gas, SNPG: Senboku Natural Gas Power Generation

Sales by Segment

(100 million 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

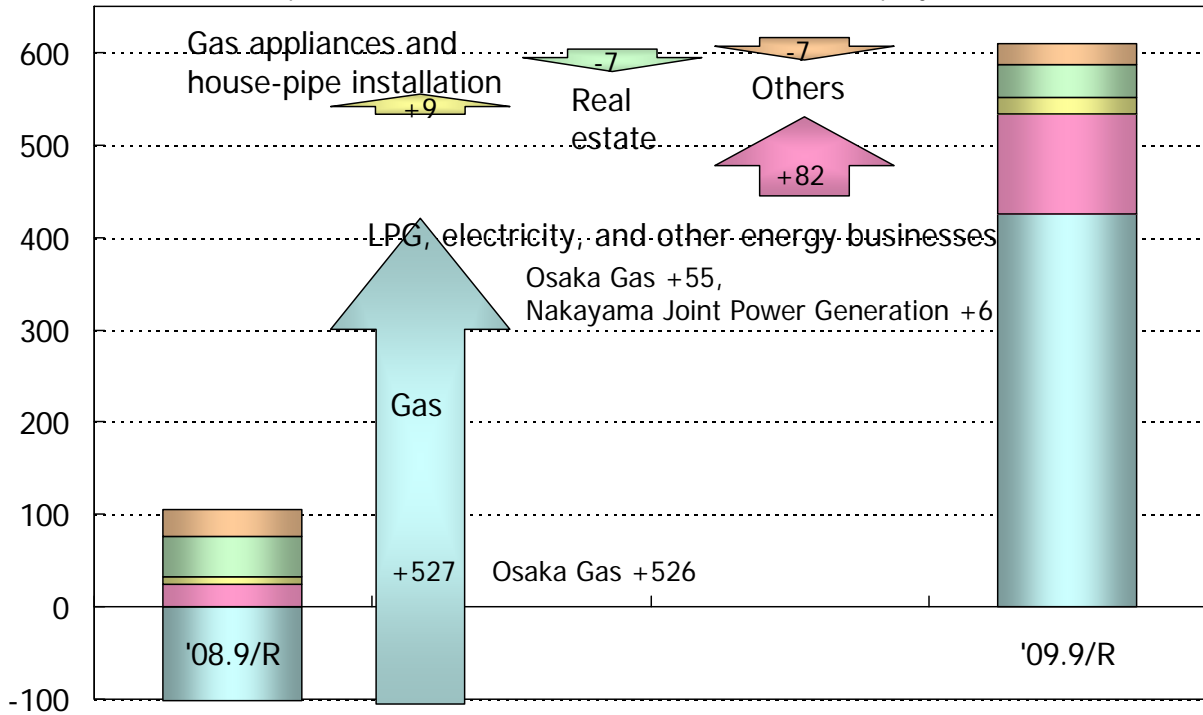
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Operating Income by Segment

(100 million 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.



Overview of Segment (1/2)

(non-consolidated accounts excluded)

Simple total for consolidated subsidiaries. Figures in the upper left corner indicate changes year-on-year.

100 million yen	Revenues		Net income		Remarks (Sales Estimates for the Whole term)
	09.9/R	10.3/E	09.9/R	10.3/E	
Osaka Gas Group (Gas/ LPG, electricity, and other energy businesses/ Gas appliances and house-pipe installation/ Others)	+46 1,132	+166 2,537	+29 70	+19 92	The initial estimates were revised downward by ¥12.0 billion (CTS - ¥3.5 billion, Osaka Gas Housing & Equipment -¥1.5 billion, Kinpai - ¥1.0 billion, KRI -¥0.5 billion, OG Sports -¥0.5 billion, etc.).
Liquid Gas Group (LPG, electricity, and other energy businesses)	-562 335	-921 796	-14 -2	-16 5	The initial estimates were revised downward by ¥2.0 billion (Nissho Propane Gas -¥1.0 billion, Nissho Propane Sekiyu -¥1.0 billion).

CTS: Creative Techno Solution

Overview of Segment (2/2)

Simple total for consolidated subsidiaries. Figures in the upper left corner indicate changes year-on-year.

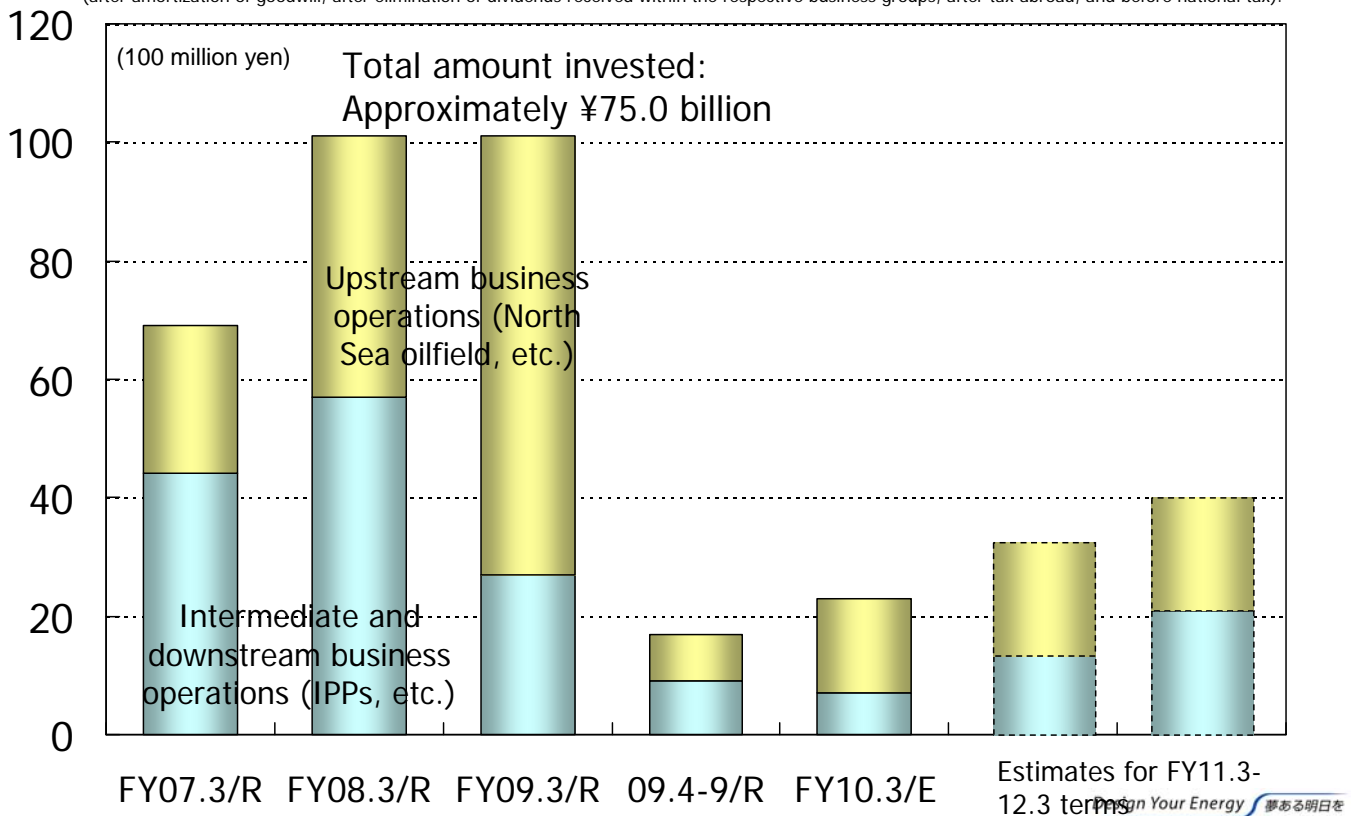
100 million yen	Revenues		Net income		Remarks (Sales Estimates for the Whole term)
	09.9/R	10.3/E	09.9/R	10.3/E	
Urbanex Group (Real estate)	-19 159	-8 343	-4 17	-8 27	The initial estimate was revised downward by ¥1.0 billion (Osaka Gas Maison).
OGIS-RI Group (Others)	-16 245	-52 519	-4 4	-13 17	The initial estimates were revised downward by ¥7.0 billion (Osaka Gas Information System Research Institute -¥4.0 billion, Sakura Information Systems - ¥3.0 billion).
Osaka Gas Chemicals Group (Others)	-9 167	-9 323	+2 12	-1 14	The initial estimates were revised upward by ¥1.0 billion (Osaka Gas Chemicals +¥2.0 billion, Japan EnviroChemicals - ¥1.0 billion).
Subsidiaries total	-561 2,040	-825 4,519	+8 103	-19 156	

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Contribution of Overseas Investment Projects

The contribution of overseas investment projects to profit performance in the March 2005 term and thereafter is indicated (after amortization of goodwill, after elimination of dividends received within the respective business groups, after tax abroad, and before national tax).

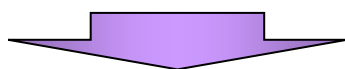


Residential Gas Sales

FY10.3 1H results

	Changes from the previous term	References
Increase of customers	+0.2%	
Influence of temperature	+0.7%	Average temperature: 23.2°C (0.2°C lower than the previous term)
Others	-1.1%	
Total	-0.2%	

Forecast for FY10.3

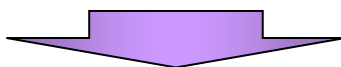


- Residential gas sales for the 1H of the term were 17 million m³ short of the initial estimates.
- Residential gas sales for the 2H are predicted to be 25 million m³ short of the initial estimates due to several factors, such as slower growth in the number of installation of new meters and a decrease in the effects of demand tapping stemming from the stagnant economy.
- For the whole term, residential gas sales are assumed to be 42 million m³ short of the initial estimates, increasing 44 million m³ from the FY09.3 to 2,282 million m³.

Commercial, Public, and Medical Gas Sales

FY10.3 1H results

	Changes from the previous term	References
Demand expansion	+1.9%	Large commercial facilities were acquired.
Influence of temperature etc.	-5.5%	The effects of low temperatures in July and August, and customers' energy-saving efforts
Total	-3.6%	



Forecast for FY10.3

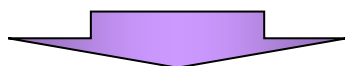
- Commercial, public, and medical gas sales for the 1H of the term were 7 million m³ smaller than the initial estimates.
- For the 2H, demand from new customers is assumed to change as initially estimated assuming the temperature of an average year continues.
- For the whole term, commercial, public, and medical gas sales are assumed to be 7 million m³ short of the initial estimates, decreasing 48 million m³ from the previous term to 1,532 million m³.

Industrial Gas Sales

FY10.3 1H Results

	Change from the previous term	Remarks
Demand expansion	+2.6%	A main contributor is a shift from other fuels to gas.
Increase/ decrease of plant operation etc.	-18.5%	The net effects of a drop in the operating rates of production facilities due to the recession and customers' energy-saving efforts.
Total	-15.9%	

Forecast for FY10.3



- Industrial gas sales for the 1H of the term were 26 million m³ greater than the initial estimates.
- Industrial gas sales for the 2H are assumed to remain unchanged from the initial estimates which have already discounted the effects of the recession.
- For the whole term, industrial gas sales are assumed to be 26 million m³ larger than the initial estimates, decreasing 405 million m³ to 3,722 million m³.

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. a 5% increase/decrease in spring and autumn, approx. 6% in summer, and approx. 4% in winter.
- Crude oil price:
 - LNG price is linked to crude oil price. A \$1/bbl change in crude oil price will have an effect of approx. 800 million yen on 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. 800 million yen on gross profit for FY10.3.
- Material costs:
 - Although the fuel cost adjustment system allows us to reflect changes in material costs in gas rates in the medium and long term, higher material costs are likely to affect the business results due to a time lag in reflecting cost fluctuations, and depending on the composition of materials suppliers.
 - Material 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. ¥800 million on annual consolidated non-operating expenses.