Financial Report for FY2008

(April 2007-March 2008)

April 2008

Osaka Gas Co., Ltd

I. Business Results for FY08.3 and Forecast for FY09.3

Management information is available on Osaka Gas websites: Financial reports, annual reports and road show materials can be accessed and downloaded at 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 information available to date. Actual results may differ materially from those discussed in such statements. Among the factors that could cause actual results to differ materially are: economic trends in Japan, sharp fluctuations in exchange rate and oil prices, and extraordinary weather conditions.

Note regarding gas sales volume: All gas sales volumes are indicated based on the standard heating value of 45 MJ/m3.

Notes on the calculation of indicators: 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 and BPS are the initial and term-end averages. No latent shares are involved in the calculation of EPS and BPS.

Review of Financial Reports for FY08.3

- Overview
  - Revenues increased from the previous year due to increase in gas sales volume, rise in gas sales prices associated with rise in LNG prices, and expansion of businesses of consolidated subsidiaries (p.5, 17).
  - Operating profit and other profit items below declined from the previous year due to increase in raw materials cost, increased expenses resulting from change in depreciation system, impact of revision of gas rates for small supplies, etc.
- Effects of the Sharp Rise in Crude Oil Prices
  - "Loss on Fuel cost adjustment system" in gross profit increased by approx. 32 billion yen compared to previous year to approx. 45.5 billion yen.
- Gas Sales
  - Despite the impact of energy-saving in commercial use, sales rose 1.7% from previous year mainly due to temperature effects in residential and public/medical uses and development of demands in industrial use (p.4).
- Investment for Growth
  - During FY08.3, investment was made in condensate fields and LNG terminals in US (p.6, 35, 37).
  - Among the past investment projects, good performance of the North Sea oil fields and US IPP business contributed to the profit increase (p.10).

3

Design Your Energy 大阪ガス

I am going to explain the key points of the financial results for the year ended March 2008.

Sales of the year ended March 2008 rose 63.6 billion yen (up 5.4%) from the previous year to 1,238.1 billion yen, due to such factors as an increase in gas sales volume, relatively high unit sales prices of gas under the fuel cost adjustment system that reflected rise in LNG prices and expansion of businesses of consolidated subsidiaries.

Despite profit increase in consolidated subsidiaries, total operating profit decreased by 18.1 billion yen (19.3%) to 75.6 billion yen due to the impact of cost increase resulting from a rise in LNG prices and change in the depreciation system, as well as the impact of profit decline associated with the revision in gas rates for small-lot supplies (implemented in November 2006). Ordinary profit, which is the total of operating and non-operating profits, was 75.8 billion yen, down 13.7 billion yen (15.3%) from the previous year. Net income for the period was 40.2 billion yen, down 12.6 billion yen (23.9%) from the previous period.

Crude oil prices rose from an average $63.5/bbl of the previous year to an average $78.5/bbl in the year ended March 2008. Since the price of LNG is decided with reference to the crude oil prices, raw materials cost for gas is affected by fluctuation of crude oil prices. Meanwhile, sales prices of gas are basically hedged because they fluctuate with reference to the quarterly total LNG purchase volume in Japan, etc.

During the year ended March 2008, continuous rise in crude oil prices could not be reflected in the gas sales prices in a timely manner. Also, LNG purchase agreement was renewed during the period. As a result of these factors, uncollected loss in raw materials costs/sales volume for gas associated with the sharp rise in crude oil prices increased about 32.0 billion yen from the previous year.

Although the gas sales volume was influenced by the customers' energy-saving efforts, particularly in commercial use, total volume increased 1.7% from the previous period due to favorable temperature effects in residential and public/medical uses and the efforts of demand development mainly for industrial use.

During the year ended March 2008, investments were made aggressively in the energy business sector, including those for condensate fields and LNG terminals in the US. Among the projects that had been already launched by March 2007, the North Sea oil fields and US IPP business showed good performance, contributing to the improved consolidated results.

Gas Sales for FY08.3

45MJ/m3		A. 08.3	B. 07.3	A-B	A/B
Nonconsolidated	Number of meters installed at the end of period (thousand)	6,881	6,820	+61	+0.9%
	Installation of new meters (thousand)	120	127	-7	--
	Monthly gas sales per household (m3/month)	33.5	33.5	-0.1	-0.3%
	Residential use	2,310	2,303	+7	+0.3%
	Commercial use	1,021	1,036	-15	-1.5%
	Public and Medical use	636	628	+8	+1.3%
	Industrial	4,458	4,354	+104	+2.4%
	Non-residential total	6,115	6,018	+97	+1.6%
	Wholesale	462	416	+45	+10.9%
(including non regulated)		(5,130)	(4,618)	(+512)	+11.1%
Gas sales total (million m^3)		8,887	8,738	+149	+1.7%
Consolidated gas sales		8,917	8,764	+153	+1.7%
	Averaged temperature (Celsius)	17.2	17.5	-0.3	

4

Design Your Energy 大阪ガス

Total gas sales for the year ended March 2008 increased 1.7% from the previous year ended March 2007.

Although demand for heating and hot water increased due to cold weather in January and February, sales for residential use remained about the same as in the previous year, as the temperature in April and May was higher than the same period of the previous year.

Sales for industrial use increased by 2.4% from the previous year due to steady development of demands.

Despite the steady development of demands and an increase in demand for air-conditioning due to low temperature in January and February, sales for commercial use fell 1.5% from the previous year mainly due to low temperature in June and July and energy-saving efforts by customers.

Sales for public and medical use rose 1.3% from the previous year despite customers' energy-saving efforts and other factors, mainly due to steady development of demands and relatively low temperature in January and February.

The growth rate in sales for large supplies is higher than the previous year. This is mainly because the lower limit for the range of large supplies was lowered from 500,000 m3/year to 100,000 m3/year in April 2007.

Results of FY08.3 I

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

	A. 08.3	B. 07.3	A-B	Reference	A/B
Operating revenues	(1.41) 12,381	(1.38) 11,744	+636	Increase of gas sales and sales price	+5.4%
Operating profit	(1.77) 756	(1.47) 937	-181	Gas gross profit -280	-19.3%
Ordinary profit	(1.51) 758	(1.31) 895	-137	Investment profit on equity method +19	-15.3%
Net income	(1.23) 402	(1.20) 529	-126		-23.9%
SVA	125	268	-143		-53.3%

	A. 08.3	B. 07.3	A-B
Consolidated gas sales (million m3)	8,917	8,764	+153
Exchange rate (yen/$)	114.3	117.0	-2.7
Crude oil price ($/bbl)	78.5	63.5	+15.1
Number of subsidiaries	133	132	+1

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

Here, I would like to show you specific figures concerning the overview of the financial results for the year ended March 2008 as explained in page 3.

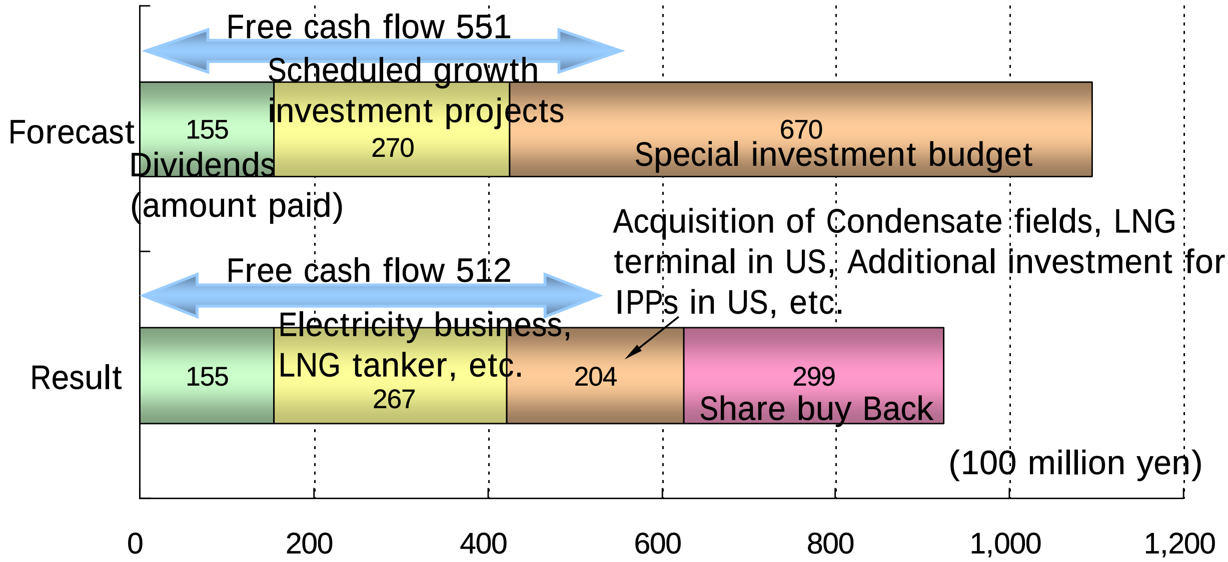
Operating profit fell approximately 18.1 billion yen from the previous year due to a rise in gas raw materials cost and other factors, while the decrease in ordinary profit was approximately 13.7 billion yen. This indicates improved non-operating profit. Major factors for this improvement include loss on bond redemption reported for the first period and an increase in investment profit on equity method.

Investment in the North Sea oil fields contributed to the improvement. Although profit decreased in the gas business due to sharp rise in raw materials cost, part of the loss was recovered by growth investments.

The number of consolidated subsidiaries was 133. Eight companies were excluded as a result of the reorganization of Liquid Gas Group and nine were added as a result of the growth investment projects. The number of affiliates under the equity method was four, the same as the end of the previous period.

Consolidated Free Cash Flow of FY08.3

- Investment projects decided at the beginning of the period showed steady progress. With Special Investment budget, investments were made for condensate fields and LNG terminals in the US.
- Special Investment budget was also used for efficient acquisition/retirement of treasury stock.



FCF = Cash flow from operating activities - capital expenditures Capital expenditures do not include growth investments.
Scheduled growth investment projects include capital expenditures and financing/investment projects.

6

Free cash flow was estimated to be 55.1 billion yen at the beginning of the year ended March 2008. Although net income for the period before taxes and other adjustments was 72.4 billion yen, lower than the initially estimated 83.0 billion yen, free cash flow was only 3.8 billion yen lower than the forecast due to an increase in accounts payable and other factors that caused reduced operating capital.

Investment projects that had been previously decided, including the Senboku Power Plant, Mie-Shiga Line and LNG tankers were carried out according to their initial plans.

67.0 billion yen was allocated for the Special Investment budget. A total of 20.4 billion yen investment was made for acquisition of condensate fields and LNG terminals in the US, and additional capital injection for IPP business in the US.

As for acquisition of treasury stock, our medium-term management plan "Design 2008" upholds a policy that "possibility of the acquisition of treasury stock should be constantly considered from the viewpoint of improvement in EPS and ROE. It should be implemented efficiently after making growth investments and with sufficient cash flow." In accordance with this policy, treasury stock amounting to approximately 30 billion yen was acquired during the year ended March 2008 and their retirement process was also completed during the same year.

As a result of these growth investments and acquisition of treasury stock, the amount of newly procured funds from bond issues, etc. was larger than the previous year. As for debt-equity balance, the policy of the medium-term management plan "Design 2008" was "consolidated shareholders' equity to be 40% or higher and the consolidated D(interest-bearing debt)/E(shareholders' equity) ratio to be around 1." The D/E (E is on an equity basis) ratio was around 0.73 at the end of March 2007 but it rose to around 0.87 at the end of March 2008, indicating improvement of the debt-equity balance due to an increase in interest-bearing debt resulting from the new fund procurement during the year ended March 2008.

Results of FY08.3 II

Consolidated, 100 million	A. 08.3	B. 07.3	A-B	References
Total assets	14,679	14,056	+622	Mainly, development of investment
Total net worth	6,485	6,688	-202	Retirement of treasury stock-334
Interest-bearing debt	5,664	4,878	+786	NC+653 (SB+399、CP+150)
Capital expenditure	1,110	952	+158	Acquisition of condensate field and real estate
Depreciation	952	840	+112	Change of tax rules+81
Free cash flow	512	275	+236	Decrease of income tax+168
Number of employees	16,682	16,435	+247	Acquisition of Osaka Gas LPG Sales+238
ROA	2.8%	3.8%	-1.0%	
ROE	6.1%	8.1%	-2.0%	
Total net worth ratio	44.2%	47.6%	-3.4%	
EPS (yen/share)	18.3	23.8	-5.5	
BPS (yen/share)	300.8	300.6	+0.1	

The number of employees excludes those dispatched to subsidiaries and affiliates, but includes those under contract (in agreement with the securities report). Free cash flow = cash flow from business operations (operating profit after tax + depreciation expenses and other non-cash expenses) - capital expenditures

7

Design Your Energy 大阪ガス

This chart shows the balance sheet, obtained from the results of the profit and loss statement and the cash flow explained in pages 5 and 6, respectively.

Results of major financial indicators such as ROA and ROE are also shown in this chart.

Depreciation expenses increased in the year ended March 2008 compared to the previous year, due to the influence of change in the depreciation system.

The number of employees as of the end of March 2008 showed an increase by 247 from the end of March 2007, mainly due to the incorporation of Osaka Gas LPG Sales (former Sumisho LPG) into our Group.

Management Policy for FY09.3

- "Thorough commitment" to confidence building and quality improvement: ensuring thorough compliance
- Build up the city gas business into a foundation for profit growth
  - Respond to high energy prices
  - Evolve marketing for residential use, to be " preferred choice " selected by customers
  - Establish a firm system for energy businesses
- Progress our multi-energy supply business
  - Complete preparation for full-fledged operation of electricity business: Senboku Natural Gas Power Plant
  - Strengthen strategy for energy-related growth investments
- Boost the total capability of the Group, to achieve the maximum results
- Grow people, improve skills

8

Design Your Energy / 大阪ガス

Now, I will explain the forecast for the financial year ending March 2009. First, I would like to explain the management policy for the year ending March 2009.

Our first principle is "Thorough commitment" to confidence building and quality improvement. We will be thoroughly committed to any efforts by taking well-focused actions, and will work to raise our brand value by ensuring thorough compliance and improving quality.

Our second principle is "Strengthen the foundation of city gas business". To respond to high energy prices, we will work for improved operation at terminals through appropriate acceptance planning, inventory adjustments and optimization of gas delivery, as well as for proper production/supply operation through delivery balance adjustments between terminals, and so on. We will also offer energy-saving proposals to provide high added value for customers and work for maintenance and expansion of the sales of high value-added gas for residential purposes.

The cogeneration and air-conditioning field is facing a very severe economic situation due to the rise in LNG prices. Under this circumstance, we will strengthen our relationship with customers by providing more economically efficient methods for operation and maintenance while demonstrating energy-saving/environment-friendly features of cogeneration including the effect of CO2 reduction, to encourage customers to continuously use the existing gas facilities and to renew contracts at the time of facility renewal.

Our third principle is to "make progress in our multi-energy supply business". For electricity business, construction of Senboku Natural Gas Power Plant is now under way. Aiming at commencement of operations in April 2009, we will make company-wide commitment to the construction work, establishment of operation system, sales promotion activities, and so on.

As for the development of upstream sectors, we will work to develop good projects through strengthening of ties with medium-sized enterprises and to hasten utilization of existing interests for businesses. Regarding IPPs and LNG terminals overseas, we will strengthen ties with major partners, to develop and invest in good projects that can contribute to improvement of our corporate value.

Fourth principle is to "boost the total capability of the Group, to achieve the maximum results". As announced in our past policy, we will strengthen our commitment to businesses with high potential. Specifically, we will expand the specific large-scale customers through OGIS-RI to enhance external businesses, while expanding sales/profits through the effect of alliance with Sakura Information Systems.

Moreover, Osaka Gas Chemicals group have several businesses in such fields as fine materials, carbon materials and environmental materials that are currently showing good performance. The group will advance well-focused businesses by correctly grasping market environment.

Gas Sales Forecast for FY09.3

- For residential use, impact of high temperature between early autumn and early winter in FY08.3 and increase in the number of customers is considered.
- For non-residential use, possibility of new demand development and operation status of existing customers are considered.

45MJ/m3		A. 09.3/E	B. 08.3/R	A-B	A/B
Non consolidated	Number of meters installed (thousand)	6,932	6,881	+51	+0.7%
	Installation of new meters (thousand)	128	120	+8	--
	Monthly gas sales per household (m3/month)	33.8	33.5	+0.3	--
	Residential use	2,346	2,310	+35	+1.5%
	Commercial use	996	1,021	-25	-2.4%
	Public and Medical use	621	636	-15	-2.4%
	Industrial	4,503	4,458	+45	+1.0%
	Non-residential total	6,120	6,115	+5	+0.1%
	Wholesale	479	462	+17	+3.8%
(including non regulated)		(5,223)	(5,130)	(+94)	+1.8%
Gas sales total (million m3)		8,944	8,887	+58	+0.6%
Consolidated gas sales		8,978	8,917	+61	+0.7%

I will explain the forecast of the gas sales for the year ending March 2009.

The forecast for residential use is based on the average yearly temperatures. Although the temperature in the year ended March 2008 was slightly lower than the year ended March 2007, it was still higher than the average year temperature that our sales plan was based on. The plan for the year ending March 2009 foresees an increase of 1.5% compared to the year ended March 2008, considering the fact that the average year temperature was used as the basis and the possibility of increase in the number of customers.

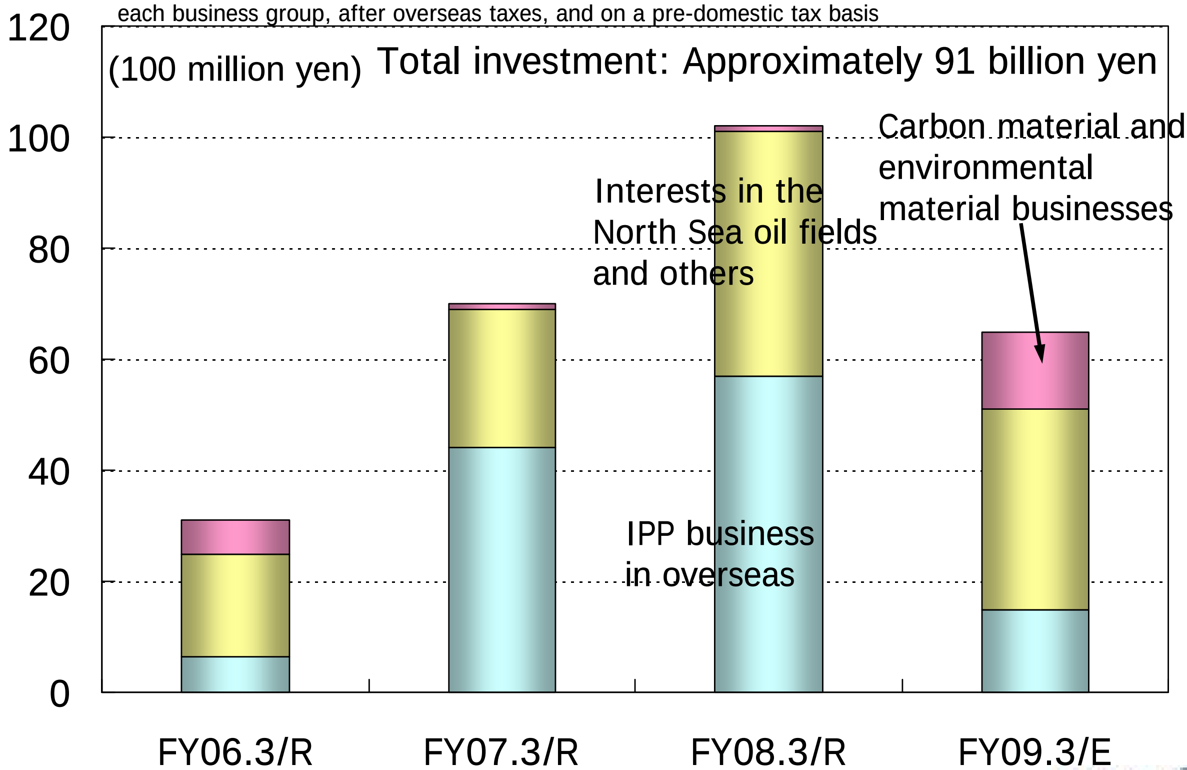
For commercial/public/medical uses, a decrease of 2.4% from the year ended March 2008 is expected, considering the possibility that an increase in gas sales marked in the year ended March 2008 due to temperature effect will disappear in the year ending March 2009 because of the use of average year temperature as the basis, and the impact of energy-saving efforts by customers.

For industrial use, an increase of 1.0% compared to the year ended March 2008 is expected mainly owing to development of new demands, as we will continue to provide energy-saving services utilizing our engineering capacity based on high environmental performance of city gas service.

Resulting from all of these factors, we expect a 0.6% increase in total gas sales compared to the year ended March 2008.

Contribution of Investment Projects
(FY05.3 - FY08.3)

After depreciation of consolidated adjustment accounts, after elimination of dividends received within each business group, after overseas taxes, and on a pre-domestic tax basis



10

Among the growth investment projects that had already been launched, those for upstream interests in North Sea oil fields and overseas IPP business made steady contributions to profits in the year ended March 2008.

Although investment was made in condensate fields and US LNG terminals, neither of these projects is expected to substantially contribute to the business performance of the year ending March 2009, because the former is not scheduled to start full-fledged operation within the year ending March 2009 and the latter has just started operation.

The contribution of investment projects in the year ending March 2009 is expected to be lower than for the year ending March 2008, due to the forecast recovery of normal operation status in the North Sea oil fields and the predicted moderate price fluctuation.

Profit from overseas IPP business is also expected to decrease compared to the year ended March 2008, as a result of the scheduled expiration and changeover of a part of the electricity wholesale contracts.

As for the IPP business overseas, we have promoted investments in both the already-launched projects and the newly-planned projects. While the profit from already-launched projects decreases over time, newly-planned projects gradually increase their contribution. Taking this fact into account, we expect the overseas IPP business as a whole to maintain a certain level of profit in our power source portfolio, though small fluctuation may occur by year.

Although profit from overseas IPP business is expected to temporarily decrease in the year ending March 2009, the status of each power source has not changed since the project's planning stage. Therefore, we believe the initially-estimated level of profit can be maintained in the long run.

Forecast for FY09.3

- Increased sales are predicted compared to FY08.3, considering the increase in gas sales volume and the rise in gas sales prices associated with the rise in raw materials cost.
- Based on crude oil price of $90/bbl, approx. 16.0 billion yen improvement is expected in gross profit under the fuel cost adjustment system. But decrease is expected in operating profit and ordinary profit compared to FY08.3, due to expiration/changeover of a part of overseas IPP contracts.

Figures in parentheses denote the consolidated-to-nonconsolidated ratio.

Consolidated, 100 million yen		A. 09.3/E		B. 08.3/R	A-B	A/B
Operating revenues	(1.40)	13,730	(1.41)	12,381	+1,348	+10.9%
Operating profit	(1.57)	700	(1.77)	756	-56	-7.4%
Ordinary profit	(1.51)	700	(1.51)	758	-58	-7.7%
Net income	(1.35)	405	(1.23)	402	+2	+0.5%
SVA		80		125	-45	-36.3%
Consolidated gas sales (million m3)		8,978		8,917	+61	
Exchange rate (yen/$)		105		114.3	-9.3	
Crude oil price ($/bbl)		90		78.5	+11.5	

I would like to explain the forecast for the financial balance of the year ending March 2009, compared to the results of the year ended March 2008.

The forecast is based on the crude oil price assumption of $90/bbl and the exchange rate of 105 yen to a dollar, predicting $11.5/bbl and 9.3 yen/dollar higher than those of the results of the year ended March 2008.

As for sales, expected steady increase in gas sales volume as explained in page 9 will contribute to the increase in revenues.

Operating revenues are expected to increase by 134.8 billion yen (10.9%) compared to the year ended March 2008, due to the relatively high unit sales prices of gas under the fuel cost adjustment system and the expansion of information business through incorporation of Sakura Information Systems into our Group, etc.

Operating profit and ordinary profit will fall by 5.6 billion (7.4%) to 70 billion yen and by 5.8 billion yen (7.7%) to 70 billion yen, respectively, compared to the results of the year ended March 2008, due to the impact of expiration and changeover of a part of electricity wholesale contracts for overseas IPP, though the company will continue its efforts to ensure cost reduction in overall operation.

We expect the net income for the year to be 40.5 billion yen, up 200 million yen (0.5%) from the year ended March 2008.

Compare with our Mid-term Management Plan (Design 2008)

- Gas sales volume is expected to exceed the mid-term target.
- Profit indicators will be affected by the change in depreciation system and a big difference in the crude oil price assumption which has an impact on raw materials cost.

Consolidated, 100 million yen	A. 09.3/E	B. Target in Design2008	A-B
SVA	80	260	-180
Operating profit	700	1,020	-320
Ordinary profit	700	1,000	-300
Net income	405	560	-155
EPS (yen/share)	18.8	25	-6.2
ROE(%)	6.1%	8.7%	-2.6%
NC Gas sales (100 billion m3)	89.4	87.8	+1.6
Exchange rate (TTM, yen/$)	105	115	-10
Crude oil price (JCC, $/bbl)	90	45	+45

12

This table shows a comparison of the forecast for the year ending March 2009 and the final target of Design 2008, our mid-term management plan for FY07.3 to FY09.3 announced in October 2005.

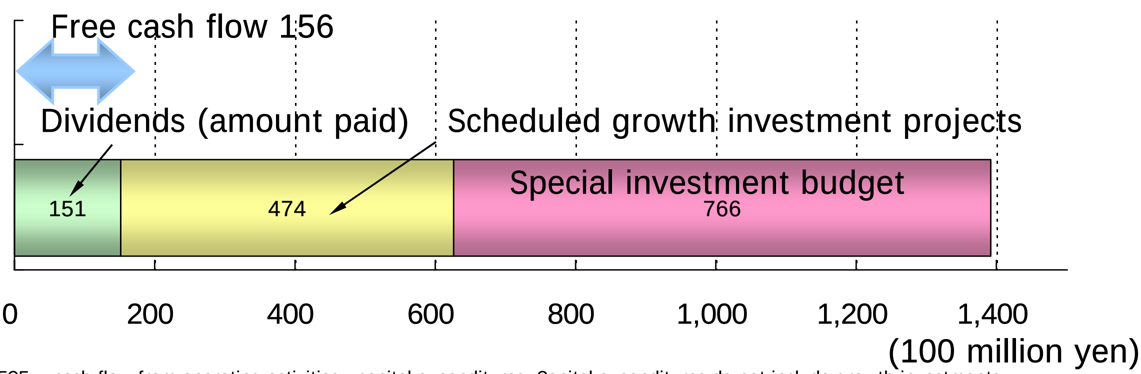
Gas sales in this forecast for the year ending March 2009 total 8.94 billion m3, 160 million m3 higher than the target of Design 2008, which was set to be 8.78 billion m3.

Meanwhile, forecast figures for operating profit and other profit items below are all lower than the target values of Design 2008. While the crude oil price assumption was set to be $45/bbl in Design 2008, $90/bbl is set in this forecast in response to the continuous rise in crude oil market prices. This will substantially reduce the profit margin.

Another factor for decrease in profit is modification of the depreciation system, which was not considered in the Design 2008.

Uses of Consolidated FCF for FY09.3

- FCF for FY09.3 is projected to be 15.6 billion yen, down 35.6 billion yen from the previous year, due to impact of increased operating capital resulting from an increase in inventories including gas raw materials.
- Among the scheduled investment projects, construction of Senboku Power Plant and building of LNG ships will be continued. Allocation of special investment budget will be considered mainly for development of upstream interests.
- The aim is to provide an ordinary dividend of ¥7 per share, same level as FY08.3.



FCF = cash flow from operating activities - capital expenditures. Capital expenditures do not include growth investments.
Scheduled growth investment projects include capital expenditures and financing/investment projects.

13

Next, I am going to explain the usage of cash in the plan for the year ending March 2009.

Free cash flow for the year ending March 2009 is projected to be 15.6 billion yen, down 35.6 billion yen from the previous year ended March 2008, due to such factors as the increased operating capital resulting from an increase in inventories including mainly gas raw materials.

Approx. 47.4 billion yen is projected to be used for growth investment projects including construction of Senboku Natural Gas Power Plant and Mie-Shiga Line and building of the fifth and sixth LNG ships.

Moreover, 76.6 billion yen is allocated for the special investment budget, planned to be used for upstream interests or other investments with early returns.

The total amount for growth investments is planned to be 124.0 billion yen, up 46.7 billion yen compared to the year ended March 2008. Along with this, the amount of newly procured funds is expected to rise substantially from that as of the end of the previous year. Such substantial increase in growth investments with the free cash flow on a decreasing trend means a substantial increase in funds procured from outside. To give the finishing touches to our medium-term management plan Design 2008, we will continuously implement growth investments for the expansion of our business in the future.

Forecast for FY09.3 II

Consolidated, 100 million yen	A. 09.3	B. 08.3	A-B
Total assets	16,588	14,679	+1,908
Total net worth	6,752	6,485	+266
Interest-bearing debt	6,985	5,664	+1,320
Capital expenditure	1,156	1,110	+46
Depreciation	850	952	-102
Free cash flow	156	512	-356
Number of employees	18,518	16,682	+1,836
ROA	2.6%	2.8%	-0.2%
ROE	6.1%	6.1%	0%
Total net worth ratio	40.7%	44.2%	-3.5%
EPS (yen/share)	18.8	18.3	+0.5
BPS (yen/share)	313.1	300.8	+12.3

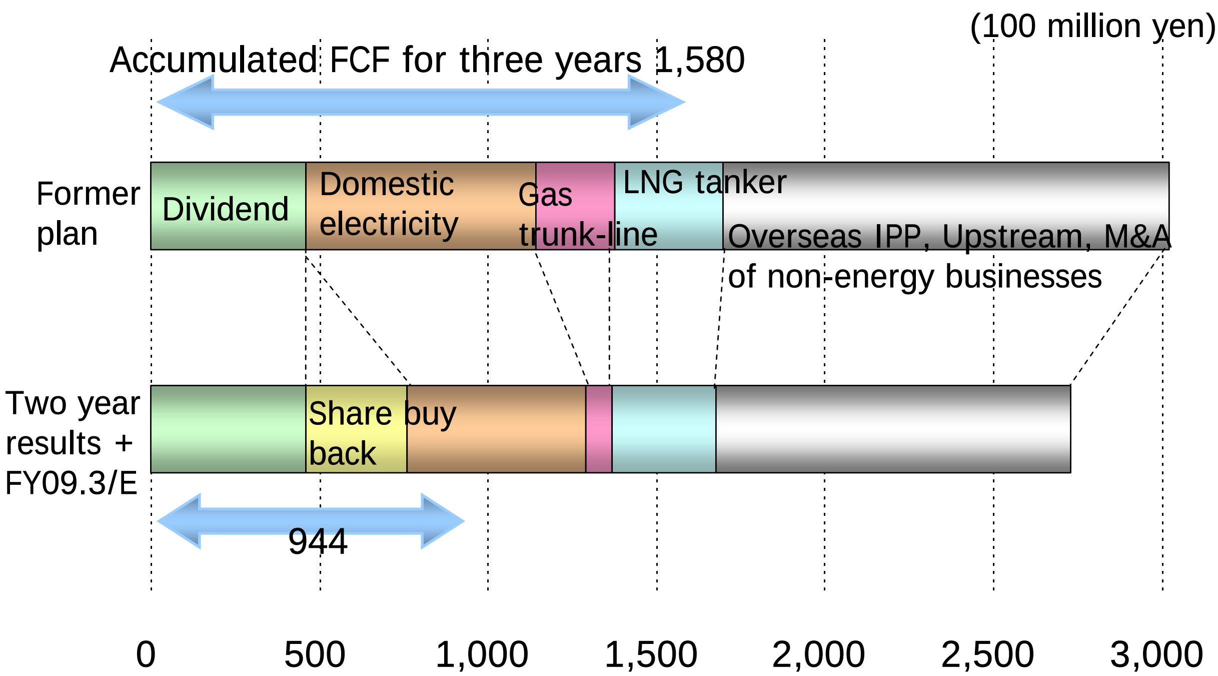
The number of employees excludes those dispatched to subsidiaries and affiliates, but includes those under contract (in agreement with the securities report). Free cash flow = cash flow from business operations (operating profit after tax + depreciation expenses and other non-cash expenses) - capital expenditures

This table shows the forecast for BS-related items and major financial indicators based on the forecast profit and loss statement in page 11 and the forecast cash flow in page 13.

Since growth investments using newly-procured funds are planned, interest-bearing debt as of the end of March 2009 is expected to be approximately 130 billion yen higher than that as of the end of March 2008.

Depreciation expenses will decrease compared to the year ending March 2008 due to the impact of the change in the lease accounting system, and the number of employees will increase compared to that as of the end of March 2008 as a result of the incorporation of Sakura Information Systems into our Group.

Accumulated FCF for FY07.3-09.3



FCF = cash flow from operating activities - capital expenditures. Capital expenditures do not include growth investments.
Scheduled growth investment projects include capital expenditures and financing/investment projects.

15

Design Your Energy 大阪ガス

I will explain the status of progress of the growth investment projects from the financial year ended March 2007 to the year ending March 2009, based on the accumulated results for FY07.3 and FY08.3 and the plan for FY09.3, in comparison with the medium-term management plan. Free cash flow for these three years was initially estimated to be 158.0 billion yen, but due to the impact of sharp rise in crude oil prices and others, accumulated free cash flow for the three years is currently expected to be 94.4 billion yen.

Looking at the status of progress of the growth investments in each sector, in the domestic electricity business sector, construction of Senboku Natural Gas Power Plant has been showing steady progress according to the initial schedule, while investments in other projects such as acquisition of small-scale power supply sources are expected to decrease.

In the gas trunk-line sector, while the construction of Shiga Line and Mie-Shiga Line has been steadily progressing, the amount of investments for other areas that had been initially scheduled is expected to decrease. Projects for LNG ships have been progressing as scheduled in the initial plan.

As for overseas IPP, upstream interests and M&A of non-energy businesses, unexpectedly sharp rise in resources prices during the period for the plan boosted the amount required for investment in these projects, which made it difficult for us to find appropriate projects that meet the investment requirements of our Group. But today, as the M&A market seems to have been recovering from its overheated trend, we will continue efforts of discovering good investment projects, to achieve the target investment amount in the current plan of approx. 100 billion yen.

That concludes this explanation.

It appears that the severe business environment surrounding our Group will continue in the year ending March 2009. Since the year ending March 2009 is the final year of our medium-term management plan, Design 2008, we will be committed to achievement of specific targets and annual forecast goals, as well as to business expansion and improvement of efficiency to contribute to increased profits in the years ahead, to be prepared for the new medium-term management plan starting in the year ending March 2010.

II. Fact and Figures

Increase/Decrease from the Previous Year (consolidated)

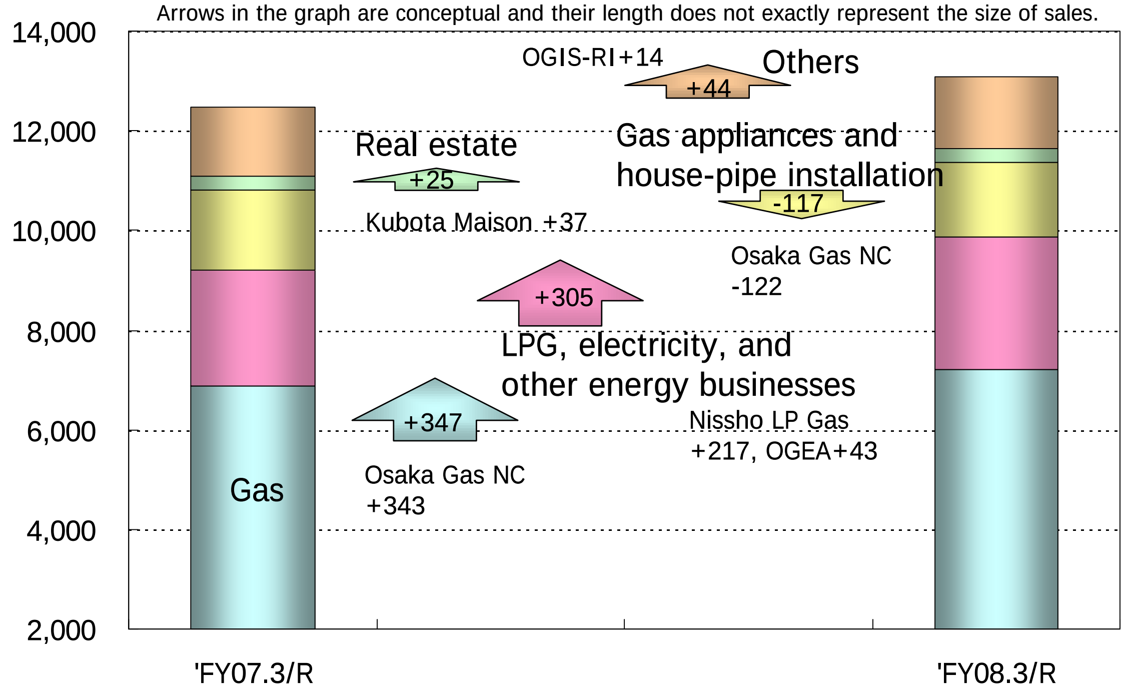
Unit:100 million yen, increases are shown by a plus sign

Operating Revenues	+636	NC gas sales	+339	Influence of LNG purchase price(+230), Tariff revision-45, Increase of sales+154
		Subsidiaries	+373	Increase of material cost (Nissho LP Gas)+217
Operating Cost	-818	NC material cost	-619	
		Subsidiaries	-341	
Operating Profit	-181			
		Non-operating P/L	+43	Loss on bond retirement 31 in FY07.3 Investment profit on equity method +19
		Extraordinary P/L	-18	

Sales by Segments

(100 million yen)

Arrows in the graph are conceptual and their length does not exactly represent the size of sales.

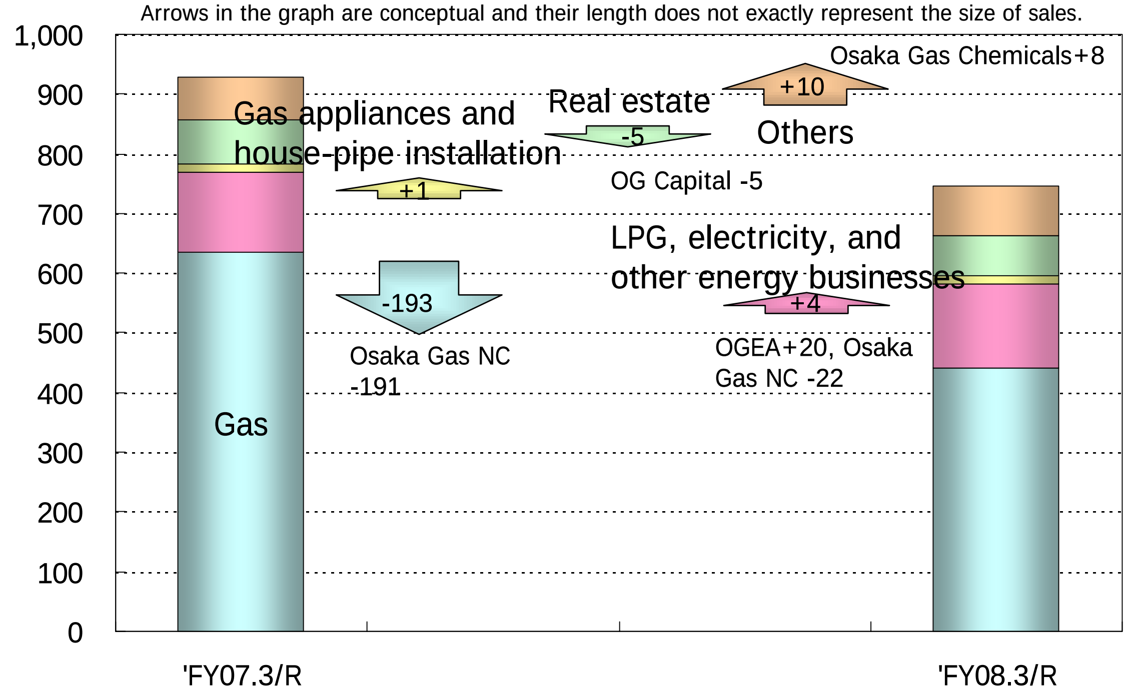


OGEA: Osaka Gas Energy America (IPP investment business)

Operating Income by Segments

(100 million yen)

Arrows in the graph are conceptual and their length does not exactly represent the size of sales.



OGPA: Osaka Gas Power America (Investment company for IPP's)

Overview of the Three Energy Segments
(non-consolidated accounts excluded)

Figures in the upper-left corners represent changes from the same period of the previous year.

100 million Yen	Revenues 08.3/R	Revenues 09.3/E	Net income 08.3/R	Net income 09.3/E	Forecast for FY09.3
Osaka Gas Group companies	1,481	+15 1,497	88	-38 50	Despite the impact of expiration of some electricity wholesale contracts for overseas IPP, revenues will increase due to rise in unit sales prices etc. in domestic IPP. Net income will decrease due to the decreased sales at overseas IPP and decreased OSR dividends.
Liquid Gas Group	358	+57 415	10	+1 11	Revenues will increase due to integration of Osaka Gas LPG Sales (former Sumisho LPG).
NIPG Group	1,581	-74 1,506	8	+0 9	Revenues will decrease due to expected decline in unit sales prices resulting from CP decrease.

Three energy segments means the gas segment; LPG, electricity and other energies; and gas appliances and house-pipe installation. NIPG: Nissho Petroleum Gas, OSR: Osaka Gas Summit Resources, CP: LPG Contract Price

Overview of the Two Non-Energy Segments

Figures in the upper-left corners represent changes from the same period of the previous year.

100 million Yen	Revenues 08.3/R	Revenues 09.3/E	Net income 08.3/R	Net income 09.3/E	Forecast for FY09.3
Urbanex Group	300	+62 362	37	-0 37	Revenues will increase due to incorporation of Kubota Maison but will be affected by the extraordinary profit recorded in the previous year for Urbanex.
OGIS-RI Group	363	+245 608	15	+9 25	Both revenues and profit will increase as a result of incorporation of Sakura Information Systems.
Osaka Gas Chemicals Group	322	+18 341	13	-0 13	Revenues will increase due to good performance of fine materials at Osaka Gas Chemicals and activated carbon/preservatives at JEC. Profits will be influenced by sharp rise in raw materials and fuel costs.
OG Capital etc.	874	+48 922	21	+19 40	Both revenues and profit will increase due to the effect of opening of new shops in fitness business and expansion of temporary staffing service and security businesses.

Non-energy business segments means Real estate, and Others. JEC: Japan Enviro Chemicals

Residential Gas Sales

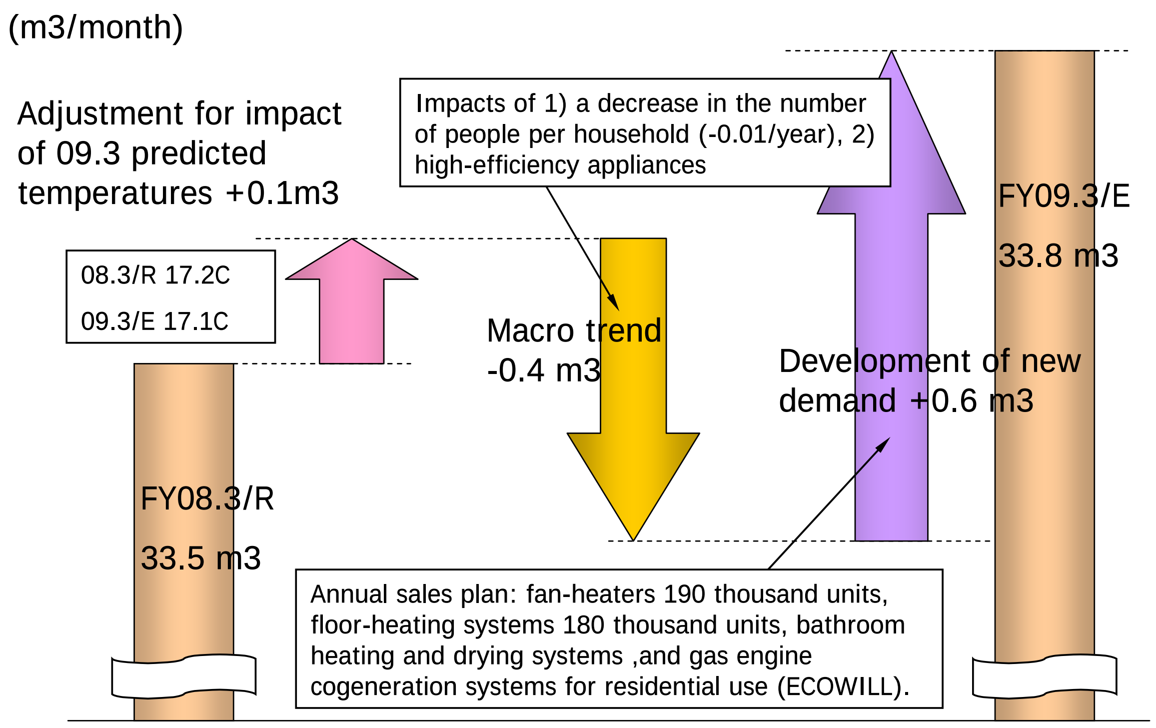
Results for FY08.3

	Change from the previous year	References
Increase of customers	+0.6%	
Influence of temperature	+0.2%	Average annual temperature 17.2C (-0.3C compared with the previous)
Others	-0.5%	
Total	+0.3%	

Forecast for FY09.3

- Given the temperature in an average year and taking into consideration the beneficial effects of increased sales of strategic equipment and increase of new customers, residential gas sales are expected to come to 2,346 million m3, representing a year-on-year increase of +1.5% or approximately 35 million m3.

Sales Volume Assumption per Household



Development of Gas Demand for Residential Use

Meeting Competition from Electrification and Cultivating Demand

- Promoting wider use of commodities that help consumers achieve an environment-friendly, economical, comfortable, convenient and safe life with gas:
  - Residential gas cogeneration system “ECOWILL”
  - Mist sauna-type bathroom heater/drier “MIST KAWAK”
  - Fashionable, easy-to-care and safe “Glass-Top Cooking Stove”

Sales of Strategic Commodities

Floor heating/ECOWILL---new houses: contract basis, existing houses: wholesale basis. Cooking stove---wholesale basis

Thousand units	FY06.3	FY07.3	FY08.3	FY09.3/E
“ECOWILL”	11	13	12	12
Floor heating systems	197	184	181	180
Mist-sauna	31	53	53	53
Glass-top cooking stoves	91	104	99	115
Bathroom heater/driers	94	91	82	83

Commercial, Public, Medical Gas Sales

Results for FY08.3

	Change from the previous year	References
Demand expansion	+2.3%	Newly created demand from large commercial items, schools, and hospitals.
Influence of temperature	+1.3%	Increase in demand for air conditioning and hot water supply mainly due to low temperature in winter. Influence of leap year.
Others	-4.0%	Regular loss, and accelerated promotion of energy-saving activities to existing customers
Total	-0.4%	

Forecast for FY09.3

- Normal temperature conditions as in average years are assumed. Sales volume is expected to decrease by approx. 40 million m3 (2.4%) to 1,617 million m3 due to a rebound from previous year’s favorable temperature conditions and accelerated promotion of energy-saving activities to existing customers.

Industrial Gas Sales

Results for FY08.3

	Change from the previous year	References
Demand expansion	+4.0%	Chiefly due to the contribution of new customers
Increase/decrease of plant operation	-1.6%	Facility repair for large-scale customers, etc.
Total	+2.4%	

Forecast for FY09.3

- Through continuous promotion of conversion of other fuels such as oil fuels and provision of energy-saving services making full use of our engineering capability based on the high environment-friendliness of city gas services, our projection for gas sales is 4,503 million m3, up 45 million m3 or 1.0% from the previous year.

Development of Gas Demand for Commercial and Industrial Use

Heat Energy Sector and Fuel Conversion

- Diligently pursue customer benefits from the viewpoint of a “professional in heat energy” (Improvement engineering and high-quality burners).
- Propose energy-saving techniques for customers’ facilities, based on careful examination of points of heat use/energy-saving throughout customers’ plants and sites, including replacement of heat exchangers and combustion adjustment.

CGS: Cogeneration

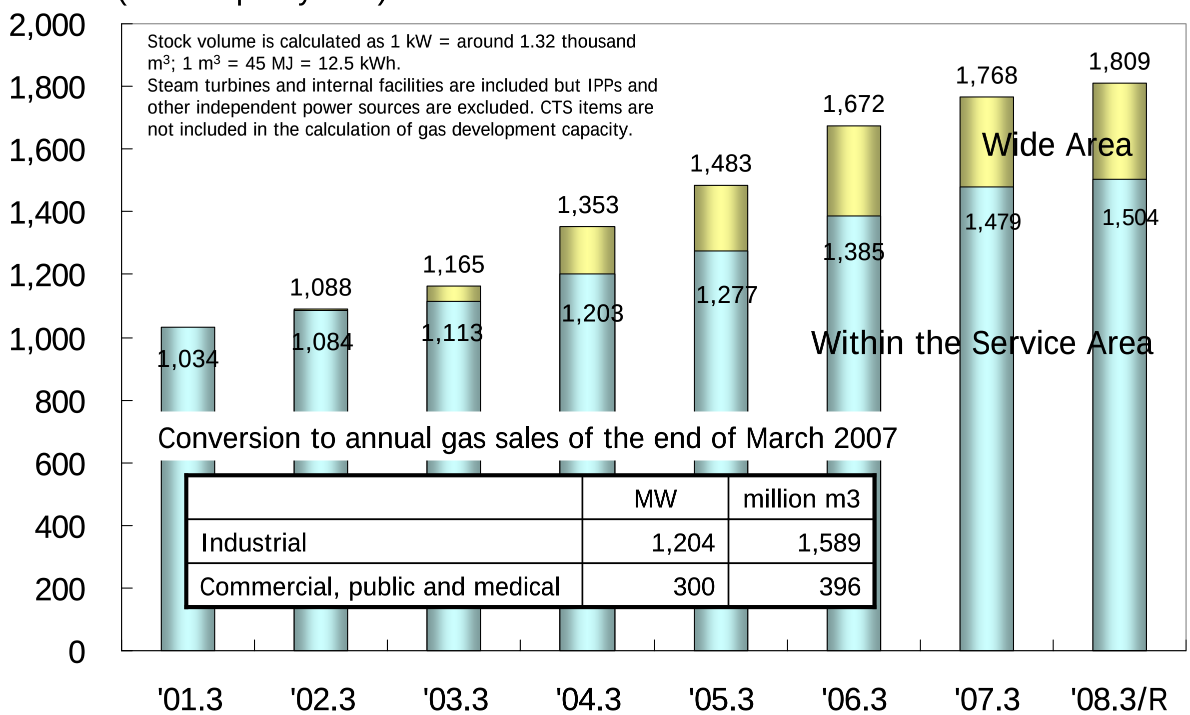
- Enhancement of CGS’s competitive position through maintenance cost reductions and increased efficiency of power generation
- Promote replacement of old equipment with more efficient new equipment.
- Improve CGS combined efficiency through maximum use of exhaust gas.

Air Conditioning and Kitchens

- Promoting the fusion of air conditioning and power generation by increasing usage of the power-generating GHP “High power EXCEL,” thus helping customers to reduce energy cost.
- Reinforcing proposals for “Cool Kitchen” equipment that help create a cool kitchen through effective, powerful exhaust and thermal insulation.

Development of Demand for Cogeneration Systems

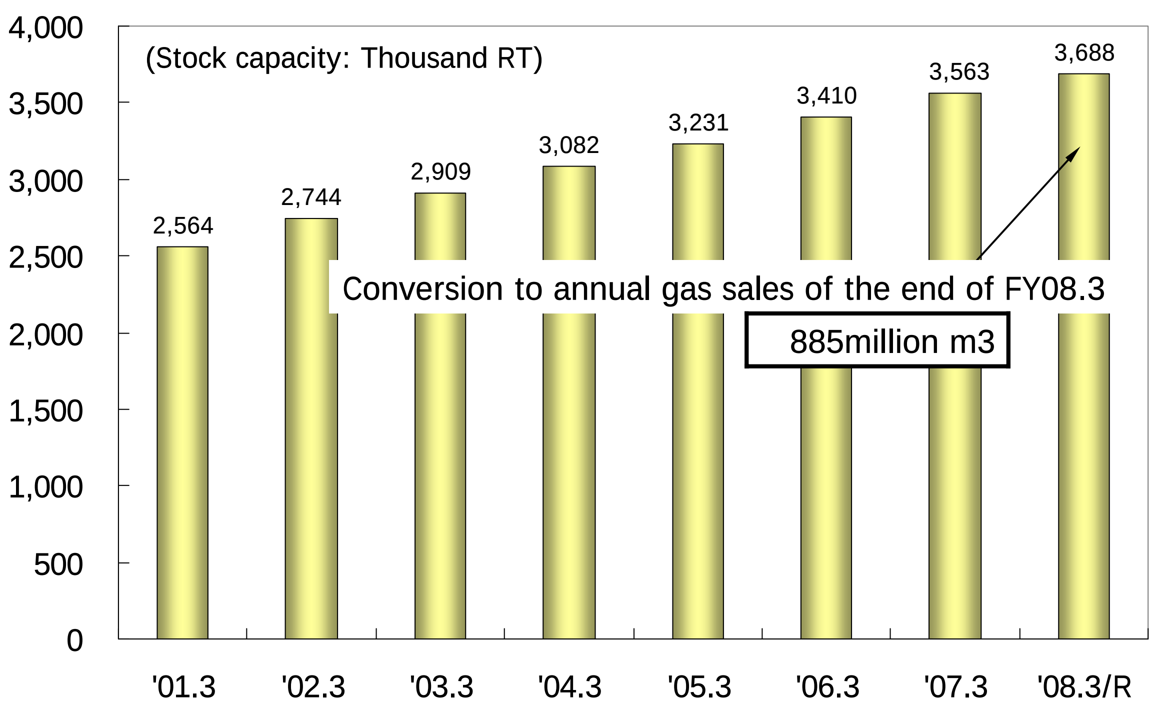
(Stock capacity：MW)



Conversion to annual gas sales of the end of March 2007

	MW	million m3
Industrial	1,204	1,589
Commercial, public and medical	300	396

Sales Plan of Gas Air-Conditioning Systems



Stock volume includes both absorption type and GHP, 1 RT = 3.516 kW = 240 m^3/year

Progress of the Electricity Business

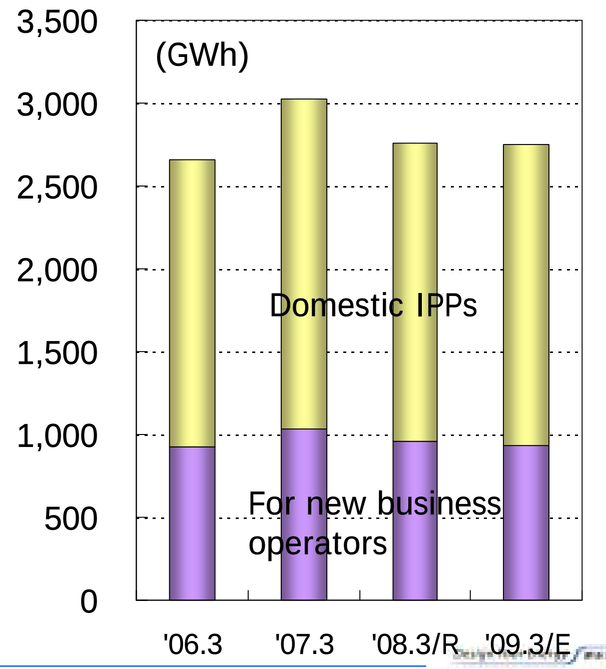
Expansion of Own Power Sources and Sales

- Eight power-source CGSs are in operation.
- The wholesale power exchange is used to procure makeup power during periodic inspections and to sell surplus power.
- Sales are increased by selling power not only to extra-high voltage customers but also to high voltage customers.

Progress of the Senboku Power Plant

- Construction started in FY07.3 and has progressed as scheduled, with operation scheduled to start in FY10.03.

Osaka Gas Group's Power Sales



Strengthening Technical Management

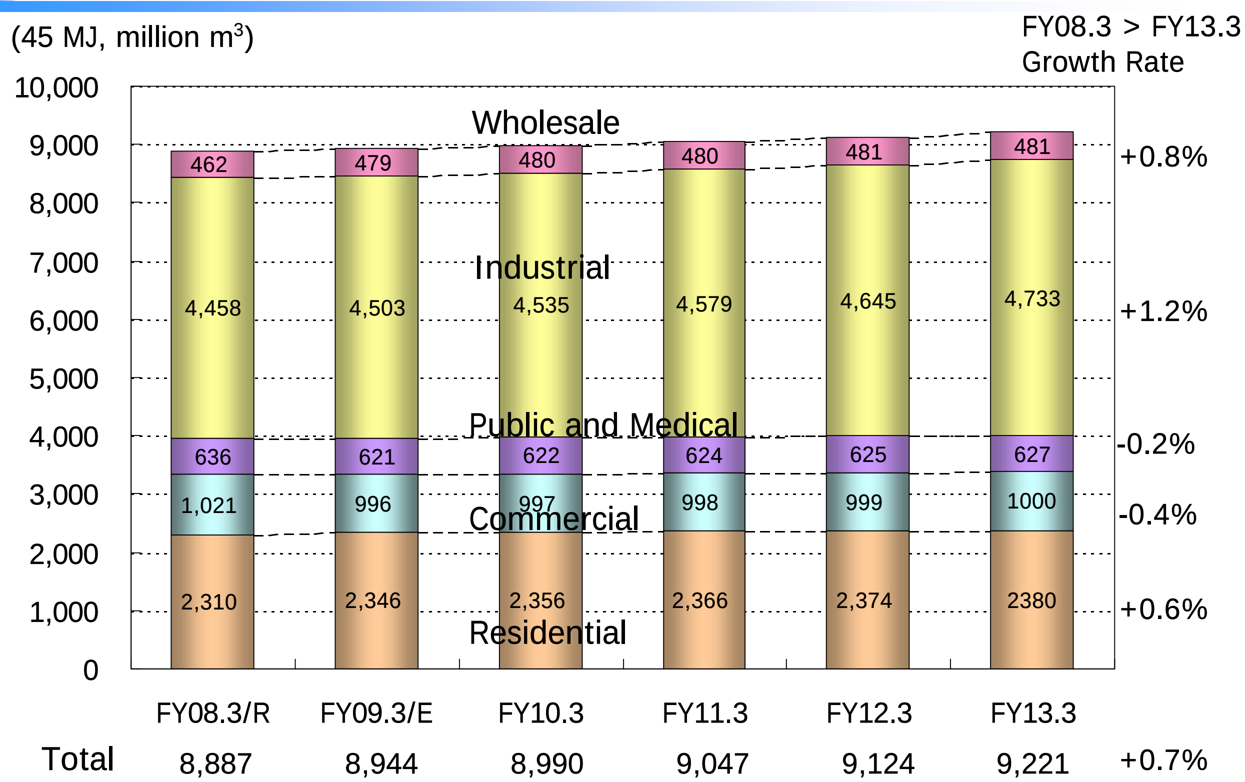
Supporting our hopes for the future with technical/product strengths

- Commercialization of products that contribute to enhanced competitiveness
  - Strengthening product appeals of distributed power generation systems
    - Improving the efficiency of commercial and industrial cogeneration systems
    - Development of cogeneration systems based on residential fuel cells (PEFCs and SOFCs)
- Improving electric power technologies
    - Providing technical support for commencement of operations at Senboku Natural Power Plant
- Improving IT technologies
    - Contributing to improved strategies, strengthened ties with customers and enhanced business efficiency
- Maintaining high quality to support steady supply, safety and sense of security
  - Encouraging the sophistication of gas equipment safety features
  - Evolving technologies to achieve steady supply and safety

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. a 6% in summer, and approx. a 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. 2.8 billion yen on annual feedstock costs.
- Foreign exchange rate
  - LNG price is affected by the fluctuation of the US dollar/Japanese yen exchange rate. A 1 yen fluctuation in the US dollar/Japanese yen exchange rate will have an effect of approx. 3.5 billion yen on annual feedstock costs.
- Materials Costs
  - The materials cost adjustment system allows us to reflect changes in materials costs in gas rates in the medium and long terms but an increase in materials costs is likely to affect the business results due to a time lag in reflecting cost fluctuations and depending on the composition of materials suppliers.
  - Adjustment of materials costs may be required 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. 0.9 billion yen on annual consolidated non-operating expenses.

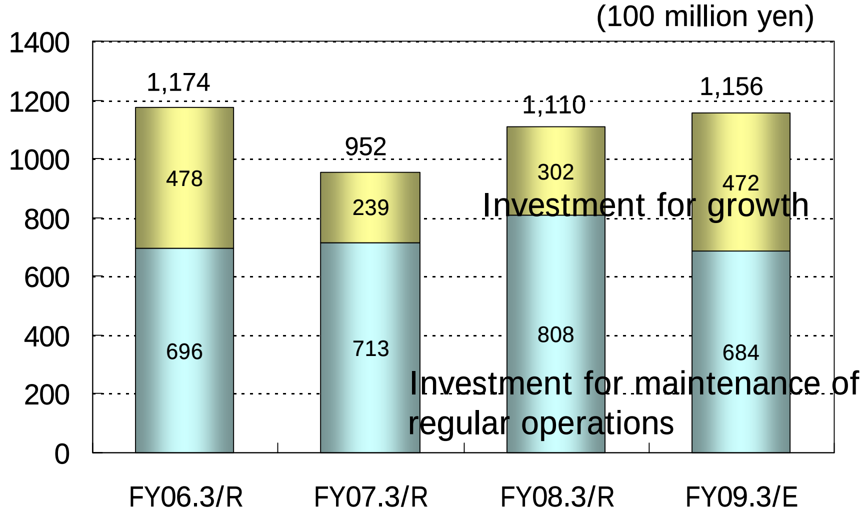
Gas Sales Plan (non-consolidated)



Capital Expenditure Plan

(100 million yen)

Consolidated



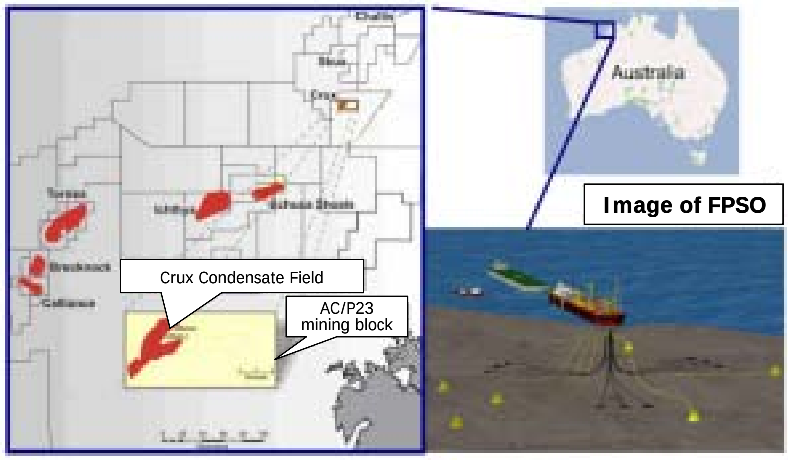
Non-Consolidated

	FY07.3	FY08.3/R	FY09.3/E	FY10.3	FY11.3	FY12.3	FY13.3
Investment for maintenance	435	429	455	417	419	395	385
Investment for growth	180	163	223	114	24	0	0
Total	616	592	678	531	443	395	385

FY08.3 Topics I:

Involvement in Western Australia Crux Project

- Osaka Gas has reached an agreement with Nexus Energy Ltd. to acquire a 15% interest in the AC/P23 permit block in the Browse Basin offshore of Western Australia at a cost of AU$75 million (announced August 2007).
- The Osaka Gas Group and Nexus Energy Ltd. will decided whether to develop a condensate production project by June 2008, and aim to commence production following an approximately two-year development period. Output is planned to reach a peak of some 30,000 barrels per day.



FPSO: Floating Production Storage and Offloading

FY08.3 Topics II: Announcement of Share Repurchase and Retirement Plan

- Osaka Gas announced its intention to repurchase and retire shares in October 2007. The reasons for this move and details are as follows.
  - Purpose: To provide a return for shareholders and raise capital efficiency by improving per share indicators
  - Total number of shares acquired: Maximum of 71,000,000 (3.2% of shares outstanding)
  - Total spending on repurchase: Maximum of ¥30 billion
  - Acquisition period: October 30, 2007 to March 31, 2008, completed when the above number of shares or spending has been reached.
  - Handling of repurchased shares: Once the share repurchase has been completed, all repurchased shares are to be retired following a resolution by the Board of Directors.

- Results
  - Total number of shares acquired: 67,286,000 (3.0% of outstanding shares)
  - Total spending on acquisition: 29,999 million yen (Average purchase price per share: about 445 yen/share)
  - Acquisition period: October 30, 2007 to February 20, 2008
  - After adding less-than-one-unit shares acquired under a repurchase claim, approx. 77 million shares were retired in March 2008.

FY08.3 Topics III Investment in the Freeport LNG Terminal in the U.S.

- We recently announced (on January 30, 2008) that Osaka Gas Group would acquire a 10% limited partnership interest in the Freeport LNG Terminal, which is currently under construction on the coast in the city of Freeport, Texas in the United States.
- Investment amount is 68 million U.S. dollars (about 7.5 billion yen).
- The terminal will have vaporization capacity of about 13 million tons per year and will launch operations in April to June 2008.
- We have already entered into the contract with three companies, ConocoPhillips Company, Dow Chemical Company and Mitsubishi Corporation, for the full-capacity use of the terminal for the maximum period of 25 years.