

Fiscal year ending March 2009 3rd Quarter Financial Results

(cumulative, Apr.-Dec. 2008)

January 2009
Osaka Gas Co., Ltd

I. Consolidated results for 3rd quarter (Apr.-Dec. 2008) and full-year forecast

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, strategy 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 oil prices and extraordinary weather conditions.

Note regarding consolidated gas sales volume

The fiscal year of Nabari Kintetsu Gas, Sasayama City 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.

Gas sales results for Apr.-Dec. 2008

45MJ/m ³	A. Apr.- Dec, 08	B. Apr.- Dec, 07	A-B	A/B(%)
Number of meters	6,918	6,852	+66	+1.0
Newly built houses (thousand)	73	75	-2	--
Sales per household (m ³ /month)	25.7	26.3	-0.5	--
Residential use	1,338	1,360	-22	-1.6
Commercial, public, and medical	1,173	1,220	-47	-3.9
Industrial use	3,242	3,311	-69	-2.1
Non-residential total	4,415	4,531	-116	-2.6
Wholesale	326	332	-6	-1.7
(Including non-regulated)	(3,780)	(3,806)	(-26)	(-0.7)
Non-consolidated total (million m ³)	6,079	6,222	-144	-2.3
Consolidated gas sales total	6,106	6,246	-140	-2.2

First, I would like to explain to you our gas sales up to the third quarter of the fiscal year ending March 2009 (the total of April to December) on a non-consolidated basis.

Gas sales for residential use decreased compared to the same period last year, since the temperatures in April and the water temperatures in July were higher than the previous year despite the average temperatures, and the average water temperatures were slightly lower than the same period last year.

Gas sales for industrial use decreased compared to the same period last year, since our customers, such as the machinery, metal and chemical industries, reduced operations apparently due to the economic slowdown, despite some increase brought about by the cultivation of new demand.

Gas sales for commercial, public and medical use decreased compared to the same period last year, since the temperatures in August and September were lower than the previous year and our customers' capacity utilization declined due to their further efforts to reduce energy consumption.

Results for Apr.-Dec. 2008 I

Consolidated, 100 million yen	A. Apr.- Dec, 08	B. Apr.- Dec, 07	A-B	A/B(%)
Revenue	9,306	8,407	+898	+10.7%
Operating profit	38	531	-493	-92.7%
Ordinary profit	56	563	-507	-90.0%
Net income	7	336	-329	-97.8%
Consolidated gas sales (million m3)	6,106	6,246	-140	
Exchange rate (yen/\$)	102.8	117.3	-14.4	
Crude oil price (\$/bbl)	105.1	72.8	+32.3	
Number of subsidiaries	137	130	+7	

(I would like to explain the details of financial results in the next page.)

Summary of consolidated results

- Year-on-year comparison
 - Increased revenue: Factors contributing to the increased revenue include increased gas sales volume, higher unit prices of gas under the gas cost adjustment system compared to those in the same term of the previous year, and increased sales achieved by consolidated subsidiaries.
 - Decreased operating profit: Factors affecting operating profit include a rise in raw material costs on a non-consolidated basis due to skyrocketing crude oil prices in the first half of the fiscal year. The loss incurred by the gas cost adjustment system on a non-consolidated basis increased by around 34.0 billion yen compared to the same period last year.
- After September 2008
 - Gas sales volume tended to decrease compared to the same period last year, since industrial customers cut back their operations due to the economic slowdown.
 - Raw material costs from October to December 2008 continued to fall below the projections announced in October 2008, thanks to a decline in crude oil prices and the appreciation of the Japanese yen.
 - In some LNG purchase contracts, price negotiation has made progress.
 - Consolidated subsidiaries enjoyed strong results this term for two terms in succession.

I would like to explain the financial results up to the third quarter of the fiscal year in comparison to the same period last year.

Revenues increased by 89.8 billion yen or 10.7% year-on-year to 930.6 billion yen, thanks to higher unit sales prices on a non-consolidated basis under the gas cost adjustment system and an increase in sales at consolidated subsidiaries.

Operating profit decreased by 49.3 billion yen or 92.7% to 3.8 billion yen, since a rise in raw material costs cut into profit margins on a non-consolidated basis. The loss incurred by the gas cost adjustment system on a non-consolidated basis increased by around 34.0 billion yen compared to the same period last year.

After the first half of the current fiscal year, gas sales volume was affected by cutting back operations of facilities mainly by industrial customers due to the economic slowdown. From October to December 2008, we saw gas sales volume fall short of the previous fiscal year.

In the meantime, the raw material costs decreased year-on-year and fell below the projections announced in October 2008, thanks to a decline in crude oil prices and the appreciation of the Japanese yen. Regarding the extension of LNG purchase contracts, the negotiations have moved forward.

Consolidated subsidiaries achieved robust results from October to December 2008. They maintained the momentum from the first half of the current fiscal year.

Full-year forecast of gas sales

- As a result of taking into consideration the third-quarter sales performance, recent meteorological conditions and customers' business statuses, we have made a downward revision of the estimated non-consolidated gas sales for this fiscal year by cutting the former estimate announced in October by 248 million m3.

45MJ/m3	FY09.3/E		C. FY08.3/R	A-C	A/C (%)
	A. Jan.	B. Oct.			
Number of meters	6,932	6,932	6,881	+51	+0.7%
Newly built houses (thousand)	128	128	120	+8	--
Sales per household (m3/month)	33.0	33.0	33.5	-0.4	-1.3%
Residential use	2,272	2,292	2,310	-38	-1.7%
Commercial, public, medical	1,577	1,583	1,657	-81	-4.8%
Industrial use	4,208	4,406	4,458	-249	-5.6%
Non-residential total	5,785	5,989	6,115	-330	-5.4%
Whole sale	443	467	462	-19	-4.1%
(including non-regulated)	(4,909)	(5,115)	(5,130)	(-220)	(-4.3%)
Non-consolidated gas sales	8,500	8,748	8,887	-387	-4.4%
Consolidated gas sales	8,535	8,784	8,917	-381	-4.3%

This concludes my summary of the financial results up to the third quarter. Next, I would like to explain the full-year forecast for the fiscal year ending March 2009.

Regarding the full-year forecast of gas sales volume given in the projection announced in October 2008, we revised the non-consolidated gas sales volume downward by 248 million cubic meters after taking into consideration the sales results up to the third quarter, recent meteorological conditions and our customer's business environment. We expect sales mainly for industrial customers will decrease.

FY09.3: Parameters for projection

- Parameters for January-March, 2009
 - Estimate of crude oil price revised downward from the former (announced in October) estimate of \$100/bbl to \$55/bbl.
 - Estimate of foreign exchange rate revised from the previous ¥105 to ¥95 per dollar.
- Non-consolidated: Estimates of revenue revised upward, profits downward.
 - As a result of taking into consideration the recent sales performance, the estimated sales volume by the end of this FY revised downward, by cutting former estimate by 248 million m3. Due to the decrease in gas sales volume, revenue and profits are estimated to decrease by 22.0 billion yen and 6.0 billion yen from the previous forecast, respectively.
 - The raw material costs are estimated to decrease (= profits increase) by around 41.0 billion yen, thanks to a decline in crude oil prices and the appreciation of the Japanese yen.
- Consolidated subsidiaries: Estimates of revenue revised downward, profits unchanged.
 - Due to a decline in unit sales prices in the LP Gas related business, sales of consolidated subsidiaries are estimated to decrease by around 44.0 billion yen.
 - The full-year forecast remains unchanged for operating profit of consolidated subsidiaries by taking into consideration possible effects from the economic downturn in the future, although they achieved solid business results up to the third quarter.



The full-year forecast made at October has been revised, downward for consolidated revenue by 69 billion yen, and upward for operating profit by 35 billion yen, respectively.

In preparation of the full-year forecast for the fiscal year ending March 2009, we set an assumed crude oil price of \$55 a barrel and foreign exchange rate of 95 yen to the dollar from January to March 2009. I would like to explain why we revised the forecast for the fiscal year ending March 2009 that was announced in October 2008.

Regarding the non-consolidated financial results, we expect revenue and profits will decrease by 22.0 billion yen and 6.0 billion yen from the previous forecast, respectively, due to the downward revision of gas sales volume as I explained in the previous page.

We expect the raw material costs will decrease by around 41.0 billion yen from the previous forecast along with the revised estimate for crude oil prices and the foreign exchange rate.

We expect sales of consolidated subsidiaries will decrease by around 44.0 billion yen, due to a decline in unit sales prices in the LP Gas related business.

Consolidated subsidiaries achieved solid operating profit growth up to the third quarter. However, we reviewed business prospect by consolidated subsidiary, since there would be negative effects from the economic downturn in the future. As the result of the review, we did not change the full-year forecast for operating profit of consolidated subsidiaries as a whole, although business performance differed significantly from company to company.

Consequently, we revised our forecast for consolidated revenue downward by 69.0 billion yen and our forecast for consolidated operating profit upward by 35.0 billion yen from the forecast announced in October 2008.

Full-year forecast for FY09.3 I

Consolidated, 100 million yen	FY09.3/E		C. FY08.3/R	A-C	A/C (%)
	A. Jan.	B. Oct.			
Revenue	(1.36) 13,350	(1.39) 14,040	(1.41) 12,381	-690	+968
Operating profit	(1.93) 520	(--) 170	(1.77) 756	+350	-236
Ordinary profit	(1.91) 515	(--) 185	(1.51) 758	+330	-243
Net income	(1.65) 280	(--) 70	(1.23) 402	+210	-122
SVA	-70	-280	125	+210	-195

Figures in parentheses are ratios of consolidated results to non-consolidated results.

Consolidated gas sales (million m3)	8,535	8,784	8,917	-249	-382
Exchange rate (¥/\$)	100.9	105.6	114.3	-4.7	-13.4
Crude oil price (\$/bbl)	92.5	109.8	78.5	-17.3	+14.0
Number of subsidiaries	137	137	133	0	+4

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

The table above shows the new forecast for the fiscal year ending March 2009, based on the estimates which I have just explained in the previous page.

We expect to post operating and ordinary losses on a non-consolidated basis according to the previous forecast, but they will move into the black in the new forecast.

This is the end of our explanation regarding financial results up to the third quarter of the fiscal year ending March 2009. Thank you for your attention.

II. References

Analysis of Y-on-Y variance in gas sales

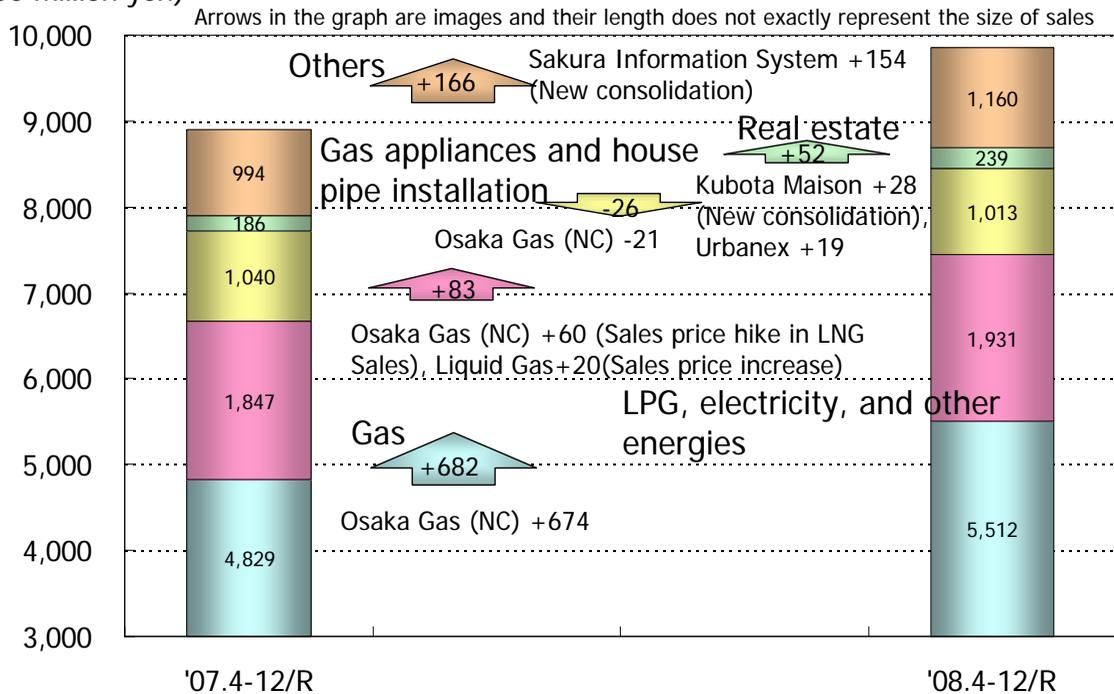
	Residential	Commercial, public, medical	Industrial
Increase of customers	+0.4%	--	--
Timing differences in meter reading	+0.1%	} -1.7%	--
Influence of temperature	-1.3%		--
Increase/decrease of plant operation and others	} -0.9%	-4.9%	-5.7%
Demand expansion			+2.9%
Total	-1.6%	-3.8%	-2.1%

* No detailed analysis made for new demand acquired during the term

- For commercial, public and medical use
 - The status of development of new customers including large-scale commercial accounts is steadily improving. Sales continued to be affected by decreased demand for declined customers operating performance, as well as by the promotion of users' consciousness of energy saving.
- For industrial use
 - While development of new customers contributed to the sales, with some new accounts being large-scale facilities initiating fuel conversion to gas, sales decreased by the influence of declined customers operating performance.

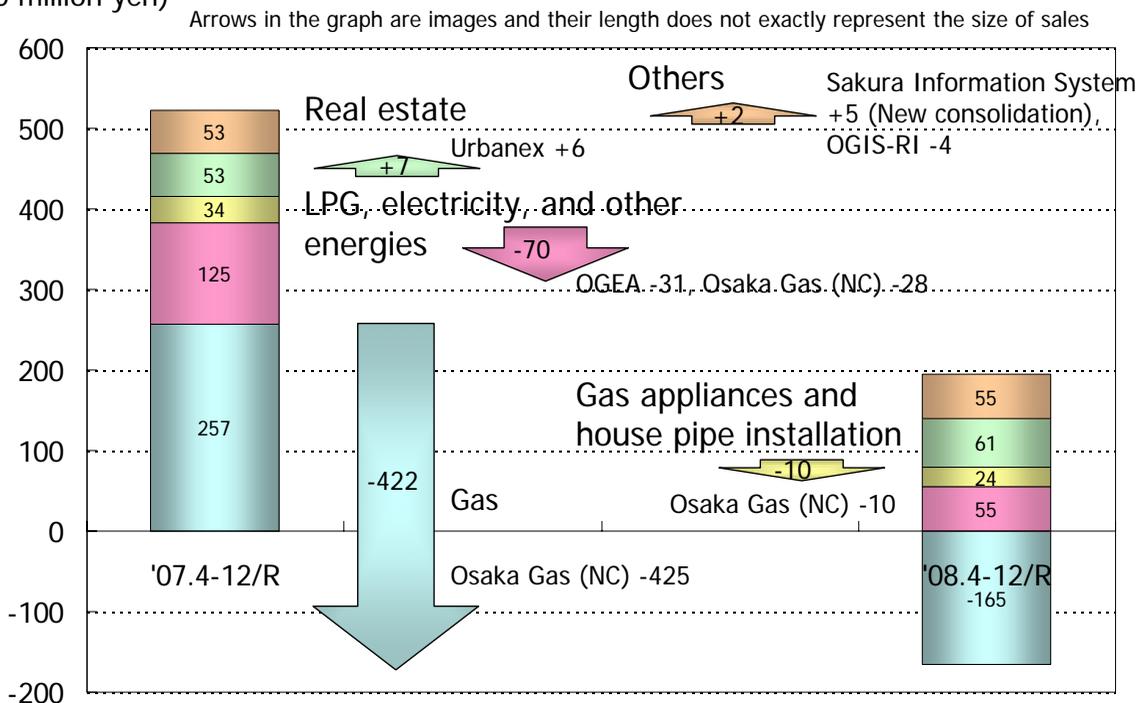
Sales by segments

(100 million yen)



Operating profit by segments

(100 million yen)



Results for Apr.-Dec. 2008 II

Consolidated

100 million yen	A. Dec. 07	B. Mar. 07	A-B
Total asset	15,253	14,679	+574
Shareholders' equity	5,802	6,485	-683
Interest-bearing debt	6,866	5,664	+1,202

	A. Apr-Dec.07	B. Apr-Dec.06	A-B
Capital expenditure	710	753	-42
Depreciation	637	703	-66
Free cash flow	-393	-136	-257

FCF= cash flow in business operation (operating profit after tax + depreciation expenses and other non-cash expenses) – capital expenditures

Full year forecast for FY09.3 II

100 million	FY09.3/E	FY08.3/R	Differences
Total asset	16,135	14,679	+1,455
Shareholders' equity	6,606	6,485	+120
Interest-bearing debt	7,306	5,664	+1,641
Capital expenditure	1,156	1,110	+46
Depreciation	846	952	-106
Free cash flow	-538	512	-1,050
Number of employees	19,018	16,682	+2,336
ROA	1.8%	2.8%	-1.0%
ROE	4.3%	6.1%	-1.8%
Shareholders' equity ratio	40.9%	44.2%	-3.3%
EPS (yen/stock)	13.0	18.3	-5.3
BPS (yen/stock)	306.5	300.8	-5.7

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

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.

Change of gas sales estimation (FY09.3)

45MJ/m³

Date of announce	Mar. 31	Jul. 29	Sep. 29	Oct. 31	Jan. 30
Number of meters (thousand)	6,932	=>	=>	=>	=>
Newly built houses (thousand)	128	=>	=>	=>	=>
Gas sales per household (m ³ /month)	33.8	33.3	--	33.0	=>
Residential	2,346	2,316	2,291	2,292	2,272
Commercial, Public, medial	1,617	1,602	1,584	1,583	1,577
Industrial	4,503	4,490	4,398	4,406	4,208
Non-residential total	6,120	6,092	5,982	5,989	5,785
Wholesale	479	473	465	467	443
(Non-regulated included)	5,223	5,206	5,110	5,115	4,909
Total of gas sales (million m ³)	8,944	8,881	8,739	8,748	8,500
Consolidated gas sales	8,978	8,916	8,775	8,784	8,535

Change of financial forecast for FY09.3

Consolidated

Date of announce	Mar. 31	Jul. 29	Sep. 29	Oct. 31	Jan. 30
Revenue (100 million yen)	13,730	14,220	14,130	14,040	13,350
Operating Profit (100 million yen)	700	220	155	170	520
Ordinary Profit (100 million yen)	700	245	190	185	515
Net Income (100 million yen)	405	110	80	70	280
Consolidated Gas Sales (million m3)	8,978	8,916	8,775	8,784	8,535
Exchange Rate (JPY/USD)	105	104.9	108	105.6	100.9
Crude Oil Price (USD/bbl)	90	121.3	117	109.8	92.5