Interim Financial Statements for FY05.3 (April 2004-March 2005)

October, 2004

Osaka Gas Co., Ltd

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 forecasts of operating results

"Forecasts" of operating results were those announced by the Company in April 2004. In September 2004, the Company announced modification of forecasts of operating results for the first six months ended September 31, 2004.

Note regarding consolidated gas sales volume

The fiscal year of Nabari Kintetsu Gas and Sasayama City Gas ends on December 31, and the fiscal year of Toyooka Energy Co., Ltd. ends on March 31 each year. Unless otherwise specified, the gas sales volume generated in the Toyooka area until June 2004 was included in sales by Osaka Gas Co., Ltd. The gas sales volume generated in that area in and after July 2004 was included in sales by Toyooka Energy Co., Ltd.

Note regarding gas sales volume

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

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I. Overview of Financial Statements for FY05.3

Important Points of the Interim Account Closing

- **Overview of account settlements** P6-
  - Compared with the same period in the prior year, (1) gas sales revenues decreased due to the effect of warmer weather and increase of fuel-price-linked gas charge rates, (2) feedstock costs increased due to the rise in the crude oil price, and (3) an extraordinary loss was recorded in response to the adoption of accounting for asset impairment.
  - Compared with original forecasts, (1) gas sales were weaker due to the warmer-than-expected weather, and (2) Feedstock costs were higher due to the rise in the crude oil price.
  - Operating results of consolidated subsidiaries exceeded both original forecasts and those recorded in the same period last year. As a result, the ratio of consolidated results to non-consolidated results increased significantly at each profit level.
- **Gas sales volume** (non-consolidated results of Osaka Gas) P13-
  - Affected by the warmer weather, the residential gas sales volume was lower than in the same period last year and the original forecast, and commercial gas sales volume was larger than in the same period last year and the original forecast. Industrial gas sales volume was larger than in the same period last year and the original forecast, supported by the strong increase of new contracts and sale expansion under existing contracts.
  - The overall gas sales volume was 3,749 million m3, which exceeded both the sales volume in the same period last year and the original forecast.
- **Promotion of SVA management and reinforcement of the energy business sector** P25-
  - Investments in IPPs in the U.S. and Spain were decided.
  - Start-ups of new power supply stations: Himeji Power Plant, 50 MW (operation started in June 2004) and GPI Uji, 62 MW (operation will start in October 2004)

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Financial results for the six months ended September 31, 2004 were affected by three factors: (1) The crude oil price affected the gas sales revenues and the feedstock costs, (2) The asset-impairment accounting for fixed assets was adopted earlier than the designated time limit, and (3) Consolidated companies generally recorded strong operating results while Osaka Gas Co., Ltd. was adversely affected by the rise in the price of crude oil and by the warmer weather.

The residential gas sales volume was lower than that in the same period last year and in the original forecast, due to the effect of warmer weather. However, supported by the strong development of new demands in the industrial market, the overall gas sales volume exceeded both the sales volume in the same period last year and the original forecast.

The Osaka Gas Group is now focusing its effort on the development of the electricity business. As for major activities during the 1st Half of the year, (1) Investments in two overseas IPPs were decided, and (2) Himeji Power Plant and GPI Uji Power Plant commenced operations.

Results of 1st Half I

Figures in parentheses are ratios of consolidated results to non-consolidated results. Figures under "Forecast"" were those announced in April 2003.

Consolidated		FY04.3		FY05.3 1st half			Differences	
100 million yen		A.1st half		B.Forecast(*)		C.Results	C-A	C-B
Operating Revenue	(1.31)	4,249	(1.35)	4,265	(1.35)	4,230	-19	-35
Operating income	(1.47)	320	(1.38)	325	(1.84)	256	-64	-68
Ordinary profit	(1.35)	290	(1.27)	350	(1.49)	305	+15	-44
Net income after tax	(1.26)	147	(1.00)	100	(1.44)	92	-55	-7
SVA		33		-15		-24	-57	-9

* In the Announcement on Modification of the Forecast of Operating Results issued on September 28, 2004, original forecasts for H1 were modified: sales of 424 billion yen, ordinary profit of 28 billion yen and net income of 7.5 billion yen.

Gas sales volume (Consolidated)	million m3	3,608	3,708	3,758	+149	+50
Exchange rates	yen/$	118.1	110.0	109.8	-8.3	-0.2
Crude oil prices	$/bbl	28.4	28.0	35.9	+7.4	+7.9
No. of consolidated subsidiaries		76	109	113	+37	+4

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Starting from this fiscal year, all subsidiaries were included in the consolidated accounting of the Osaka Gas Group. Currently, 113 subsidiaries are included in the consolidation.

Details of operating results are reported in next pages.

Increase/Decrease from Prior Year (Consolidated)

Units: 100 million Yen, Increased results display a plus sign, *: Non-consolidated, "Other operating expenses" include labor costs.

Operating Revenues	-19	Gas sales *	-89	Fuel cost adjustment system	-73
				Decrease of residential gas sales	-16
		Gas appliances *	-31	Recording of sales of large-scale equipment in prior year	
		Consolidated subsidiaries	+97	New consolidation +102, Existed +85, Increase of elimination –88	
Operating Cost	-44	Gas feedstock cost *	-52	Influence of oil price	-29
				Increase of gas sales	-23
		Other operating expenses *	+39	Decrease of employees	+9
				Cost reduction	+12
		Depreciation cost *	+21	Recording of accelerated depreciation in prior year	+47
		Gas appliances *	+30	Decreased sales	
Operating Income	-64	Non-consolidated –78, Consolidated Subsidiaries+14			
Others		Non-operating Profit/Loss	+79	Sales of securities	+49
		Extraordinary P/L	-112	Accounting for impairment assets	-139

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Gas sales revenues by Osaka Gas Co., Ltd. on a non-consolidated basis were greatly affected by the lower fuel standard cost that was used as an index to decide gas charge rates.

Although the overall gas sales volume increased from the same period last year, the gas sales volume in the residential market, where relatively high unit prices are charged to customers, decreased due to the warmer weather.

In the 1st Half of the year, Osaka Gas Customer Relations was added to the consolidation. Because a large part of transactions of Osaka Gas Customers Relations is comprised of inter-company transactions with Osaka Gas, most of their sales are eliminated for consolidated accounting purpose. However, sales by other existing consolidated companies grew strongly, contributing to the sales of 8.5 billion yen.

Starting from the 1st Half, Osaka Gas Co., Ltd. commissioned some of its administrative operations to Osaka Gas Customers Relations. Accordingly, expenses recorded as "labor costs" last year in non-consolidated reports were recorded as "outsourcing expenses" in the 1st Half of the current year. Excluding these special circumstances, we achieved net cost reduction of 2.1 billion yen: 0.9 billion in labor cost and 1.2 billion in other expenses. Osaka Gas Co., Ltd. has achieved cost reduction of at least approx. 5 billion yen on a non-consolidated basis every year, successfully following this trend for cost reduction in the 1st Half as well.

Recognition of loss under the asset-impairment accounting rule was completed for most of large assets in the current term. Assuming that the current land price trend will continue, no significant loss will arise in the future.

Increase/Decrease from Initial Forecast (Consolidated)

Units: 100 million Yen, Increased results display a plus sign, *: Non-consolidated, "Other operating expenses" include labor costs.

Operating Revenues	-35	Gas sales *	-29	Decrease of residential gas sales	
		Gas appliances *	-10	GHP-6, Industrial use –9	
		Consolidated subsidiaries	+6		
Operating Cost	-33	Gas feedstock cost *	-125	Influence of oil price	-110
				Increase of gas sales	-15
		Other operating expenses *	+43	Pipeline repairing cost	+15
				Deferral of recording of road concession expenses	+23
		Gas appliances *	+23	GHP+12, Industrial +12	
Operating Income	-68	Non-consolidated-95, Consolidated subsidiaries+21, Decrease of elimination+5			
Others		Non-operating profit	+25	Increase of securities sales	+17

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Compared with the original forecasts, the gas sales volume to residential customers was significantly lower due to the warmer weather, and the feedstock costs were significantly higher due to the rise in the crude oil price.

Except these two factors, all other results were achieved almost as originally projected.

Results of 1st Half II

Consolidated	FY04.3		1st half of FY05.3		Differences	
100 million yen	A. 1st half	B. Full year	C. Forecast	D. Results	D-AorB	D-C
Total Assets	11,818	11,992	11,464	11,691	-301	+227
Shareholders' Equity	4,800	4,956	4,908	4,905	-51	-2
Interest-bearing Debt	5,025	4,557	4,799	4,685	+128	-113
Capital Expenditure	266	697	357	280	+13	-76
Depreciation	454	895	425	435	-19	+10
Number of Employees	14,574	14,444	16,200	16,111	+1,667	-89
Shareholders' Equity Ratio	40.6%	41.3%	42.8%	42.0%	+0.7%	-0.8%

In the table above, changes (D-AorB) are compared with the end of March 2004 for balance sheet items, number of employees and shareholders' equity ratio, and with the first half term of the previous year for capital expenditure, depreciation. The number of employees includes employees dispatched to subsidiaries and affiliates, but excludes employees under contract. (Accordingly, the number differs from that reported in the financial reports for the Securities Committee.)

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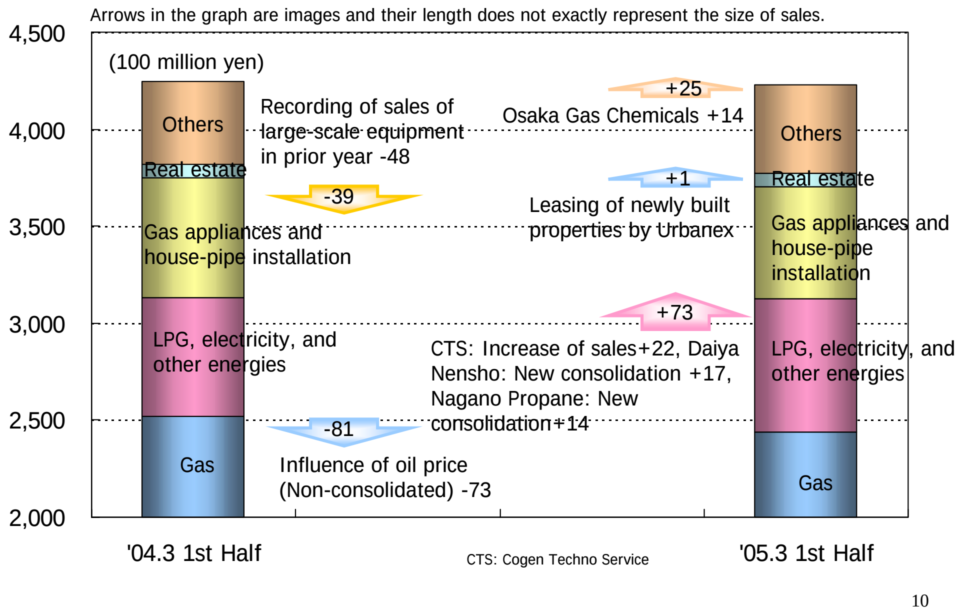
This page shows our assets, liabilities and shareholders' equity status as of September 31, 2004. The overall financial conditions were almost as originally projected.

Apparently, the number of employees increased significantly from the previous year. However, this is because most of workers in Osaka Gas Customer Relations were not included in the number of employees last year. They were regarded as part-time workers of Osaka Gas Co., Ltd. last year.

Sales by Segments
(to customers outside the group)

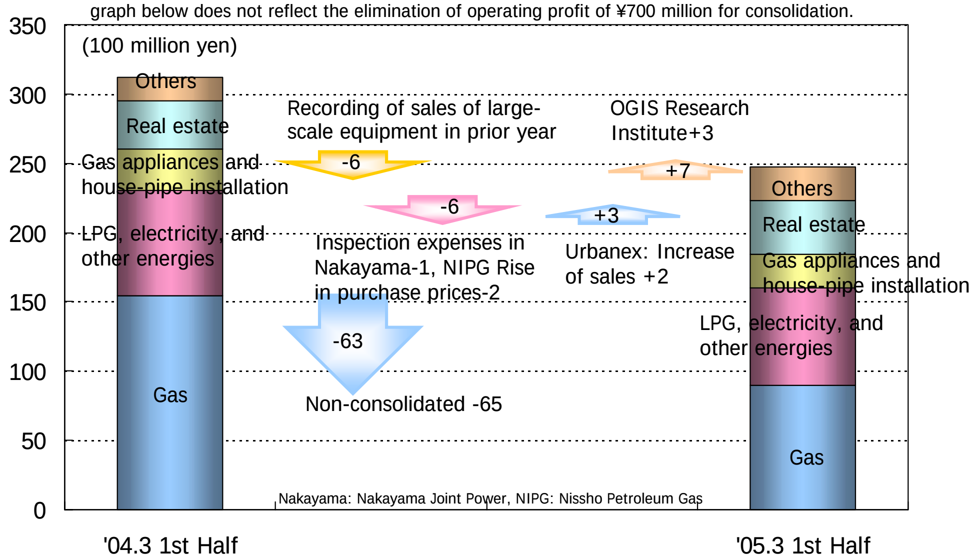


Now, let me explain the operating results by business segment.

Consolidated subsidiaries generally achieved strong operating results. Especially, Cogen Techno Service Co., Ltd. succeeded in increasing its customers. It achieved sales growth both in equipment sales and in provision of energy services. Osaka Gas Chemicals also recorded strong sales in its three major business areas: Chemical Products, Electrodes and Fine Materials.

Operating Profit by Segments

Arrows in the graph are images and their length does not exactly represent the size of sales. The graph below does not reflect the elimination of operating profit of ¥700 million for consolidation.



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Loss was recorded in the "LPG, Electricity and Other Energies" segment in the current term. This was mainly due to the rise in the LPG purchase price and special expenditures such as the legal inspection cost in the IPP business. In addition, because huge initial costs were needed for acquisitions and start-up of new businesses, the profit margin remains thin in the Electricity business segment to date. The loss was recorded under these special and temporary circumstances, not due to constantly-existing factors that would threaten the profitability of the business.

II. Results & Forecast of Gas Sales

Interim Gas Sales

		1st Half of FY05.3				
		A. 03.9/R	B.Forecast	C. Results	C-A	C-B
Non-consolidated	Number of meters installed at the end of period(thousands)	6,588	6,656	6,652	+64	-3
	Installation of new meters(thousands)	56	55	52	-4	-3
	Monthly gas sales per household(m3/month)	26.9	26.4	24.6	-2.3	-1.8
	Residential use	900	889	830	-70	-59
	Commercial use	521	530	561	+39	+31
	Public and medical use	275	313	307	+32	-6
	Industrial use	1,827	1,837	1,925	+98	+88
	Non-residential total	2,623	2,680	2,793	+170	+113
	Whole sale	76	130	125	+49	-5
	(Including non-regulated)	(1,789)	(1,868)	(1,970)	(+181)	(+102)
	Gas sales total(million m3)	3,600	3,699	3,749	+149	+50
	Nabari Kintetsu Gas	8	8	8	0	0
	Toyooka Energy	--	1	1	--	0
	Sasayama City Gas	--	0	0	--	0
Consolidated Gas sales total(million m3)		3,608	3,708	3,758	--	+50

That completes the overview of the financial results for the six months ended September 31, 2004. Now, I will explain details of gas sales and the future outlook.

Residential Gas Sales

Results for 1st half of FY05.3

*A Change from the previous year,
*B Difference from the forecast

	*A	*B	References
Increase of customers	+0.7%	+0.1%	Inconsistency with the growth rate in the number of meters installed (+1.0% from the same period last year) was at the same level as last year.
Influence of temperature	-9.0%	-5.8%	Actual atmospheric temperature 24.4C(+1.2 versus the prior year, +0.6 versus the forecast), Actual water temperature 23.7C (+1.6 versus the prior year)
Others	+0.5%	-0.9%	Changes in the long-term trend in housing structures, number of family members per household, etc. +1.7% from the change from the previous year was caused by timing differences in meter-reading.
Total	-7.8%	-6.6%	

Forecast for full year of FY05.3

- Operating results for H2 will be achieved as originally forecast, on the assumption that the temperature pattern is the same as for a normal year.
- Affected by the weaker-than-expected sales recorded in H1, the gas sales volume on a full-year basis will be 2,300 million m3, which is 59 million m3 less than the original forecast.

The number of residential contracts at the end of the current period was almost as forecast. Adverse effect of the promotion of home electrification and the rise in the vacancy rate in rental housing market during the current 1st Half was nearly at the same level as in the last year. However, severe competition with the home electrification is continuing.

Operating results for the 2nd Half are projected to be achieved as originally forecast, on the assumption that temperature pattern is the same as that of a normal year.

Commercial, Public and Medical Gas Sales

Results for 1st half of FY05.3

*A Change from the previous year,
*B Difference from the forecast

	*A	*B	References
Demand expansion	+5.9%	1.1%	Acquisition of new large-scale contracts with commercial customers, and sales expansion under existing contracts with medical institutions
Influence of temperature	+5.5%	+2.5%	
Others	-2.3%	-0.7%	Mainly affected by the termination of existing contracts
Total	+9.0%	+2.9%	

Forecast for full year of FY05.3

- Operating results for H2 will be achieved as originally forecast, on the assumption that temperature pattern is the same as for a normal year and that new demand is created as originally forecast.
- Affected by the larger-than-expected sales recorded in H1, the gas sales volume on a full-year basis will be 1,615 million m3, which is 26 million m3 larger than the original forecast.

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Operating results recorded in the 1st Half were strong as in the past, exceeding the original forecasts, supported by the strong development of new demands.

Operating results for the 2nd Half are projected to be achieved as originally forecast, on the assumption that temperature pattern is the same as that of a normal year.

Industrial Gas Sales

Results for 1st half of FY05.3

*A Change from the previous year,
*B Difference from the forecast

	*A	*B	References
Demand expansion	+8.7%	+1.3%	Mainly due to demand expansion in existing customers
Shift to other gas suppliers	-3.4%	0%	
Increase/decrease of plant operation	+0.1%	+3.5%	Of the change from the previous year, -2.1% was attributable to plant shutdowns, +1.7% was attributable to improved operating ratio in existing plants
Total	+5.4%	+4.8%	

Forecast for full year of FY05.3

- Although sales growth in H1 was partially supported by strong demand generation, it was also attributable to special factors in IPPs. Accordingly, the gas sales volume in H2 is projected to be 47 million m3 less than the original forecast.
- On a full-year basis, gas sales volume of 3,779 million m3 is projected, which is 41 million m3 larger than the original forecast.

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In the gas sales for industrial use, strong development of new demands was achieved during the 1st Half.

Thanks to our continued marketing effort proposing to existing customers switchover of fuels to gas, most of the new demands generated recently in the industrial segment were from our existing customers. We have been proposing that existing customers change their fuel to gas when part of their plant equipment is replaced, to evaluate the use of gas. As a result, they have recognized the advantages of gas, and have chosen gas over other fuels when replacing the remainder of their plant equipment.

Moreover, as economic conditions in the Kansai Area showed some signs of recovery, the operating ratio of the plant facilities of customers also improved, contributing to the expansion of gas sales.

During the 1st Half, one customer changed over to a consigned gas distribution service contract, which was as originally forecast both in the number of contracts and in the sales volume.

Although we find no special factors that would have significantly negative impact on the financial results in the near future, we modified the projections for the 2nd Half of the year to lower figures than the original forecasts, choosing rather prudent estimates.

Gas Sales Forecast of FY05.3

		A. 03.9/R	B. In Apr. (Forecast of FY05.3)	C. In Oct. (Forecast of FY05.3)	C-A	C-B
Non-consolidated	Number of meters installed at the end of period(thousands)	6,634	6,708	6,708	+74	0
	Installation of new meters(thousands)	135	129	129	-5	0
	Monthly gas sales per household(m3/month)	34.3	34.9	34.0	-0.3	-0.9
	Residential use	2,304	2,358	2,300	-4	-58
	Commercial use	986	1,015	1,047	+61	+32
	Public and medical use	559	600	594	+35	-6
	Industrial use	3,735	3,738	3,779	+44	+41
	Non-residential total	5,280	5,354	5,420	+140	+66
	Whole sale	182	308	300	+118	-8
	(Including non-regulated)	(3,620)	(3,809)	(3,862)	(+242)	(+53)
	Gas sales total(million m3)	7,766	8,020	8,020	+254	0
	Nabari Kintetsu Gas	13	14	14	+0	0
	Toyooka Energy	--	5	5	--	0
	Sasayama City Gas	--	1	1	--	0
Consolidated Gas sales total(million m3)		7,779	8,039	8,039	--	0

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This table summarizes the forecasts for gas sales in each user category.

Although there are some changes from original forecasts in some user categories, the overall annual gas sales volume is expected to amount to 8,020 million m3, as originally forecast.

III. Full Year Forecast

Full Year Forecast of FY05.3 I

- The crude oil price during H2 is assumed to be 38$/bbl. To reflect the assumed rise in the crude oil price, the forecast of gain (loss) on gas gross margin under the fuel cost adjustment system is amended from a gain of 1.2 billion yen to a loss of 6.6 billion yen (for H2 only). However, original forecasts for profit are not modified, on the assumption that this loss will be offset by cost curtailments at Osaka Gas Co, Ltd. during H2, which will be at the same level as the same period last year.

Consolidated			FY04.3	FY05.3			Differences	
100 million yen			A. Full year	B. Forecast in Apr.		C. Forecast in Oct.	C-A	C-B
Operating Revenues		(1.30)	9,513	9,890	(1.36)	9,890	+376	0
Operating Income		(1.37)	920	965	(1.29)	965	+44	0
Ordinary Profit		(1.27)	814	940	(1.25)	940	+125	0
Net Income after Tax		(1.19)	470	460	(1.15)	460	-10	0
SVA			245	235		235	-10	0
Gas Sales Volume (Consolidated)	million m3		7,779	8,039		8,039	+260	0
Exchange Rates	yen/$		113.2	110.0		110.0	-3.2	0
Crude Oil Prices	$/bbl		29.4	28.0		37.0	+7.6	+9.0
No. of Consolidated Subsidiaries			77	109		113	+36	+4

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The forecasts for the 2nd Half are based on the assumption that the crude oil price is 38$/bbl. To reflect the assumed rise in crude oil price, the forecast of gain (loss) margin under the oil-price-linked gas charge rate system (on a gross-profit basis) is amended from gain of 1.2 billion yen to loss of 6.6 billion yen. Accordingly, in order to attain the originally-forecast annual profits we need to achieve extra cost reduction of 7.8 billion yen in addition to the cost reduction that was initially targeted.

Expenses by Osaka Gas Co., Ltd. of 102 billion yen during the 2nd Half were initially forecast on a non-consolidated basis (excluding feedstock costs, labor costs, and depreciation expenses). This forecast was 6 billion yen higher than the actual expenses of 96 billion yen recorded in the same period last year. The actual expenses last year included extraordinary items such as treatment cost of the Tsuruga LNG terminal. This should be reduced to the level of the second half of the last year excluding the extraordinary items, as part of the extra cost reduction. The originally forecast expenditures of 102 billion yen could be reduced by 12 billion yen to approximately 90 billion yen by cost reduction efforts because the original forecast was set 6 billion yen higher than the last year’s level and the expenditures last year included extraordinary items of approximately 6 billion yen.

Major cost items that should be reduced are consumable supply expenses, consigned work expenses and sales promotion expenses.

Full Year Forecast of FY04.3 II

Consolidated	FY04.3	FY05.3		Differences	
100 million yen	A. Full year	B. Forecast in Apr.	C. Forecast in Oct.	C-A	C-B
Total assets	11,992	12,015	12,015	+22	0
Shareholders' equity	4,956	5,123	5,123	+166	0
Interest-bearing debt	4,557	4,560	4,560	+3	0
Capital expenditure	697	968	968	+270	0
Depreciation	895	857	857	-38	0
Free cash flow	732	721	721	-11	0
Number of employees	14,444	16,050	16,050	+1,606	0
ROA	3.9%	3.9%	3.9%	+0.0%	0
ROE	9.9%	9.2%	9.2%	-0.7%	0
Shareholders' equity ratio	41.3%	42.6%	42.6%	+1.3%	0
EPS (Yen/Share)	20.6	20.6	20.6	+0.0	0
BPS (Yen/Share)	222.2	229.7	229.7	+7.5	0

The numerators of both ROA and ROE are net income after tax; the denominators are the average of the levels at the beginning and end of the applicable period. In computing the EPS values, the average number of outstanding shares at the beginning and end of the applicable period was used. The diluted EPS is not shown since there were no outstanding convertible bonds or other common stock equivalents.
The number of employees includes employees dispatched to subsidiaries and affiliates, but excludes employees under contract. (Accordingly, the number differs from that reported in the financial reports for the Securities Committee.) Free Cash Flow = cash flow in business operation (operating profit after tax + depreciation expenses and other non-cash expenses) – capital expenditures

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As for the assets and liabilities status, there are no modifications from the original forecasts.

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 autumn and approx. a 4% increase/decrease 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. 3.5 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. 1.4 billion yen on annual feedstock costs.
- **Fuel cost adjustment system (fuel cost adjustment system)**
  - Under this system, fluctuation of feedstockl costs is reflected into gas charge rates on a mid- and long-term basis. However, on a fiscal year basis, an undercharge or overcharge may occur.
- **Interest rate**
  - A 1% change in the interest rate will have an effect of approx. 1 billion yen on annual consolidated non-operating expenses.

The risk of further rise of the crude oil price is one of the important matters to be addressed. We will pursue further cost reduction efforts to be able to offset the effect of this potential risk.

IV. Major Events in 1st Half of FY05

Residential Energy Marketing

- **Sales activities of main appliances**

Thousand units	FY04.3		FY05.3	
	1st half	Full year	1st half/R	Full year/E
"ECOWILL"	1.6	3.2	5.0	8.0
Floor Heating System	101	173	121	188
Bath Heater & Drier	52	93	52	94
Including Mist Sauna type	1.5	2.9	6.4	9.4
Fan Heater	32	197	40	230
Glass Top Cooking Stove	26	73	30	90

Floor heating and ECOWILL are reported on a contract basis for new houses and on a wholesale basis for existing houses (sub-user refurbishments are regarded as new houses); FHs are reported on an installation basis; and cooking stoves are reported on a wholesale basis.

- **Other sales activities**
  - CGS for apartment complexes

FY04.3	FY04.9/R	FY05.3/E
3	3	5 Contracts
805	576	1,500 Households

  - High value-added proposal through combination of gas equipment + automatic emergency call service + Internet security service "I-rusu"
    04.3/R 2.2 thousand Contracts => 05.3/E 4.5 thousand

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That was my report on the forecast for the current year. Finally, I would like to talk about the major activities conducted by each business segment during the 1st Half of the year.

In the residential gas demand development area, sales of ECOWILL were strong. The initially forecast annual unit sales will be achieved. Sales of a bathroom heater/drier with a mist sauna function were also strong as it is becoming very popular among consumers now.

Gas fan heaters are currently marketed by 20 home appliance mass merchandisers at about 480 stores. "G Grade," our new product with a glass panel fitted on its surface, was introduced this year. We set a high unit sales target for this product.

Non-Residential Energy Marketing

- **Promotion of changeover of fuels in the heat energy field**
  - Besieging the existing heavy oil boilers
  - Technology for exclusive use of gas in glass tank kiln : Succeeded in development of original gas burner for glass tank kiln. Nine kilns changed the fuel from heavy oil to gas.
- **Cogeneration Systems**
  - Middle-large size
    - Acquisition of contracts for "Dengen" cogeneration (customers' surplus electricity from cogeneration plants)
    - Market cultivation with Miller cycle engines with high generation efficiency
  - Small size
    - Improving the performance of "Gene-Light" by adopting Miller cycle engines
    - Enhancing exhaust heat recycling rate and power generation capacity by combining "Gene-Light" and "Mega-Cool" (desiccant-based air-conditioning system) (Trial use by customers started in September. Marketing will focus on convenience stores, restaurants, etc.)
- **Air-conditioning**
  - Expanding sales of "High Power Multi", a GHP equipped with electricity generation function FY04.3: 93 units => 343 units in H1 of FY05.3
  - Emphasis on proposal of energy management system with "EcoWave", our finance scheme, and "Sky Remote", a remote control system of GHP and "Gene-Light".

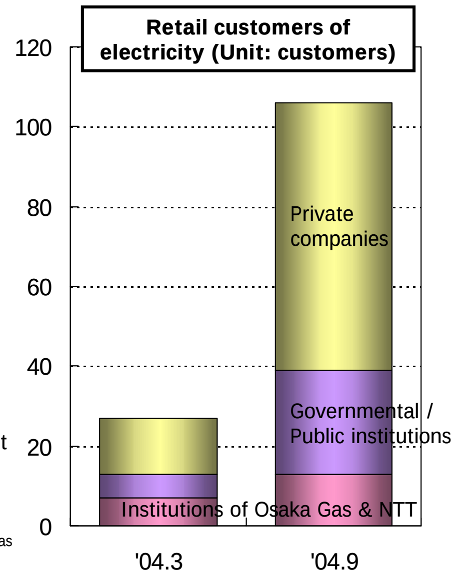
In the area of industrial/commercial gas demand development, strong sales were achieved in all of three business areas: Heat Energy, Cogeneration and Air-Conditioning Systems.

In the Heat Energy business area, we developed and proposed to glass manufacturers a burner for glass melting tanks, featuring excellent energy-saving and optimal combustion control properties. Several sales contracts were concluded.

The cogeneration business has been making efforts to improve the power generation efficiency of its cogeneration systems in order to expand the potential market scale. It succeeded in improving the power generation efficiency by 5 - 6% in the "Gene-Light" series. Active marketing of this compact-type cogeneration system in small stores is currently pursued.

Progress of the Electricity Business

- **IPP**
  - 450 MW in domestic market, and 700 MW in overseas markets: 1,150 MW in total
- **Expansion and sales of intra-company-generated power supplies***
  - Three "Dengen" cogeneration plants totaling 64 MW are operating in GPI Uji and other locations.
  - The sales volume and number of customers increased significantly in line with the increase of power plants.
- **Environmental assessment for a large-scale power plant in Senboku Area** : Progressing as scheduled
  - A survey of current conditions over a span of one year was completed at the end of June 2004. Currently, a draft environmental impact statement is being prepared. Assessment will be completed around the beginning of 2006.



* Retail sales of electricity are conducted by ENNET, a joint venture of Osaka Gas Co., Ltd., Tokyo Gas and NTT Facilities. Operating results of ENNET are not included in the consolidated financial statements of the Osaka Gas Group.

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In the electricity retailing area, we put additional power plants into operation. Supported by this increased power supply capacity, we are proposing comprehensive energy plans to existing gas customers and actively participate in tenders offered by governmental and public organizations. Thanks to these efforts, retail sales of electricity are increasing strongly.

On the other hand, competition in the high-voltage electricity market remains severe because our competitive ability is diminished by the current commissioned transmission fee system.

Investments for Business Growth

- **Agreement was concluded with Chubu Electric Power regarding construction of a Mie-Shiga pipeline.**
- **Investments in two overseas IPPs were decided.**
  - Investment Decision Making: After evaluating the profitability considering country risks, foreign exchange risks, etc. IRR should be grater than the hurdle rate set for each type of business.
  - Operating results of the Tenaska IPP will be reflected into the consolidated results of the Company in and after H2, by including (Profit reported by the IPP x OG's share) in the profit/loss of OGA (a consolidated company of the Company).

Project	Tenaska Gateway	Bizkaia Energia
Location	Texas, USA	Basque, Spain
Generation Capacity	840MW	755MW
OG's Share	40%	50%
Completion of Acquisition	June 2004	Summer 2005
Contract of Power Sale	Low risk contract with long-term tolling arrangement	

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Negotiation of specific matters for the Mie-Shiga Pipe Line project, such as delivery of gas, will be conducted after an agreement on outline items such as the route, construction period (2005 - 2010), and asset classification is concluded.

The IPP business in Tenaska, U.S.A has started operations. A proportion of their results will be included in our consolidated results in the 2nd Half of this year and thereafter.

More than 40 billion yen out of the original budget for investment for business growth has not yet been used. We are continuing to search for promising investments like the Tenaska or the Bizkaia projects.

V. Facts & Figures

Overview of Energy Business

Total values of consolidated subsidiaries without adjustments. Figures in the upper left of columns are changes from the same period of the previous year.

100 million yen	Operating Revenues		Net Income		Forecasts for Full-Year Operating Results
	1st half/R	Full year/E	1st half/R	Full year/E	
G1	+92 439	+203 947	+10 26	+14 36	Increased sales due to addition of OGCR to consolidation
Including GPI Group + CTS	+34 196	+99 414	+7 24	+0 25	Increased sales due to improved operating ratio of IPP business and acquisition of new contracts by CTS. Profit will remain flat mainly due to disbursement of legal inspection expenses in IPP business.
G2 Liquid Gas	+10 108	+19 228	-1 5	-1 10	Increased sales due to addition of seven subsidiaries to consolidation and strong industrial gas sales. Decreased profit due to decreased sales of LPG to residential customers because of warm weather.
G3 NIPG	+40 331	+137 810	-0 0	+3 7	Increased sales due to addition of Daiya Nensho to consolidation. Decreased profit due to rise in LPG purchase price.
Total of Energy Business	+143 880	+360 1,986	+9 33	+16 54	

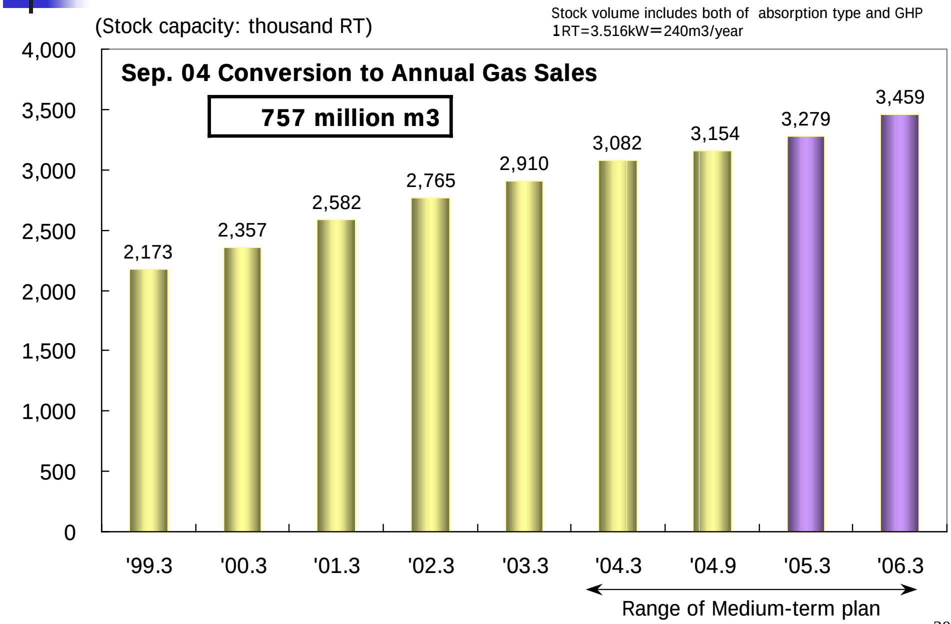
GPI: Gas and Power Investment, OGCR: Osaka Gas Customer Relations, NIPG: Nissho Petroleum Gas, CTS:Cogen Techno Service

Overview of Non-Energy Business

Total values of consolidated subsidiaries without adjustments. Figures in the upper left of columns are changes from the same period of the previous year.

100 million yen	Operating Revenues		Net Income		Forecasts for Full-Year Operating Results
	1st half/R	Full year	1st half/R	Full year	
G4: Urbanex	+17 179	+37 377	+1 18	+4 29	Increased sales due to addition of UXD and other businesses to consolidation and business scale expansion in Serendi. Increased profits due to reduction of interest expenses in UX.
G5:Kinrei	+4 83	+9 183	+0 1	-3 5	Increased sales due to opening of new restaurants, with sales by existing units remaining flat. Decreased profit because gain on sales of securities was recorded in the previous year.
G6:OGIS-RI	-1 132	+2 340	+3 3	+6 12	Increased profit due to increase of transactions with high profit margin, with sales remaining flat.
G7:Osaka Gas Chemicals	+16 89	+21 175	-0 1	-0 4	Strong sales in all chemical products, electrode and fine materials businesses. Decreased profit because gain on sales of securities was recorded in the previous year.
G8:OG Capital	+5 342	+42 823	+1 13	+2 32	Increased sales due to opening of new units by OGS, and strong sales of housing equipment by OGJ. Increased profit despite recording a loss from asset impairment in OG Capital and other businesses.
Total of Non-Energy Business	+42 827	+114 1,900	+6 38	+8 83	UXD: Urbanex Development, UX: Urbanex, OSS: Osaka Gas Security Service, OGS: OG Sports, OGJ: Osaka Gas Housing Equipment
G1-G8 Grand Total	+185 1,707	+474 3,886	+16 71	+25 138	

Sales of Gas Air-Conditioning Systems



Sales of Co-generation Systems