Fiscal year ending March 2005

Third Quarter Financial Results
(Cumulative)

January 2005

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. Consolidated results for third quarter

Summary of Consolidated Results

Review of FY 2004 Interim Financial Results

- Outline of the Results
  - Compared with the previous year; 1.Decline in gas sales due to higher temperatures and effect of the gas charge rate adjustment to reflect a rise in crude oil price; 2.Increase in cost of raw materials due to high crude oil prices; 3. Posting of extraordinary losses generated by introduction of asset-impairment accounting system.
  - When compared to this year's initial forecast, results showed these impacts: 1. Decline in gas sales due to higher temperatures; 2. Increase in cost of raw materials due to high crude oil prices.
  - For consolidated subsidiaries, their performance exceeded both year-on-year results and this year's initial forecast, leading to drastic boost in parent-ratio results in each profit category.
- Gas Sales(non-consolidated)
  - Due to higher temperatures, gas sales for residential use fell short of both year-on-year comparison and initial forecast levels, while those for commercial and industrial use exceeded both year-on-year comparison and initial forecast levels.

Overview of FY 2004 Apr.–Dec. Quarter

- Annual decrease in operating profit due to effects of crude oil prices and exchange rates was estimated in October at 18.5 billion yen (standard price basis). However, its cumulative amount for fiscal Apr.–Dec. quarter already amounted to 17.4 billion yen, suggesting the annual decrease to boost to 21 billion yen.
- Gas sales for residential use improved from year-on-year 92.2% at end of September to 93.7% at end of December, partially offsetting negative effect of high temperature in first half. Gas sales for non-residential use continue to hold relatively strong performance in first half.
- Decrease in initial forecast due to temperature and gas rate adjustment factors was nearly offset by additional cost reduction.

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For the interim financial results showed the following impacts:

The overall gas sales decreased on a year-on-year basis since the gas sales volume for residential use decreased due to higher temperatures and the increased crude oil price.

Performance of consolidated subsidiaries was good overall owing to progress in independent activities after the introduction of SVA.

Front-loaded introduction of asset-impairment accounting system.

In the three months since then, this is the situation:

The price of crude oil remained at a high level throughout the 3rd quarter and thus constituted a leading contributing factor to a decrease in profit greater than the initial forecast.

The effect of temperature was partially offset, since the average temperature during the 3rd quarter remained the same as in the previous year.

Gas sales volume for non-residential use is faring favorably as was the case in the 1st half.

Given this situation, gas sales again struggled during the Q3. However, the decline from the initial profit projection was nearly offset by posting special factors as negative figures through additional cost reductions and labor costs.

Consolidated subsidiaries are faring favorably.

Consolidated Results for Third Quarter

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

			A. 03.4-12		B. 04.4-12	B-A
Operating revenue		(1.31)	6,501	(1.36)	6,575	+74
Operating income		(1.46)	547	(1.52)	540	-7
Ordinary profit		(1.34)	498	(1.40)	582	+84
Net income after tax		(1.25)	278	(1.33)	262	-15
Gas sales volume (Consolidated)	million m3		5,408		5,626	+219
Exchange rates	yen/$		115.1		108.5	-6.6
Crude oil prices	$/bbl		28.7		37.8	+9.1
No. of consolidated subsidiaries			77		114	+37

[Sales]

Affected by the price of crude oil (lower than the previous year) and the temperature, individual gas businesses reported -10.2 billion yen on a year-on-year basis.

For consolidated subsidiaries, both additional consolidation of subsidiaries and an increase in revenues of existing consolidated subsidiaries have contributed to overall revenue, in addition to offsetting the decrease in revenues of gas businesses.

[Operating profit]

While the effect of a steep rise in the cost of raw materials (higher than the previous year) amounted to approx. 10 billion yen in individual gas businesses, it was almost completely offset by a reduction in individual labor costs.

Consolidated subsidiaries increased profits corresponding to increased sales.

[Ordinary profit]

Ordinary profit reported a sharp rise on a year-on-year basis thanks to a gain on sales of securities.

Increase / Decrease from Prior Year

100 million yen, Increased results display a plus sign, *=non-consolidated

Operating Revenues	+74	Gas sales *	-102	Fuel cost adjustment system	-85
				Influence of temperature	-17
		Consolidated subsidiaries	+190	New consolidation+162, Existed+166, Increase of elimination -138	
Operating Cost	-81	Gas feedstock cost *	-122	Influence of oil price	-95
				Increase of gas sales	-26
		Labor cost *	+175	Changes in retirement allowance system	+97
				Posting of consignment work expenses regarding OGCR labor costs	+45
				Decrease of employees	+33
		Other operating expenses *	-1	Consumables +20, Misc. expenses +25, Demand development costs –32, Posting of consignment work expenses regarding OGCR labor costs -45	
		Consolidated subsidiaries -174			
Operating Income	-7	Non-consolidated –20, Consolidated subsidiaries+13 (Existed+8, New consolidation+5)			
Others		Non-operating profit/Loss	+91	Sales of securities	+54
		Extraordinary P/L	-108	Accounting for impairment assets	-139

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I will focus my explanation on those points that vary from the financial results of the previous year.

1. Increase in sales and profit of consolidated subsidiaries

Among existing consolidated subsidiaries, CTS, NIPG, and Chemicals contributed to the increase in overall revenue.

2. Changes in the Retirement Allowance System

Cost reduction of 9.7 billion yen was achieved by extending the warranty period from 15 to 20 years and at the same time reviewing the allowance standards.

3. Reduction in individual miscellaneous expenses

Reduction in consumables expenses was achieved by lowering the cost of gas meters.

The demand development cost increased from the previous year due to measures taken to counter the threat from electrification.

4. Others

For the gain on sales of securities, we posted only part of the gain as an addition to the Oct.–Dec. quarter results. We do not intend to fully post its gain in the Q4 financial results.

No losses concerning impairment assets were added for fiscal Oct.–Dec. quarter, nor are there any plans to report any in the Jan.–Mar. quarter results.

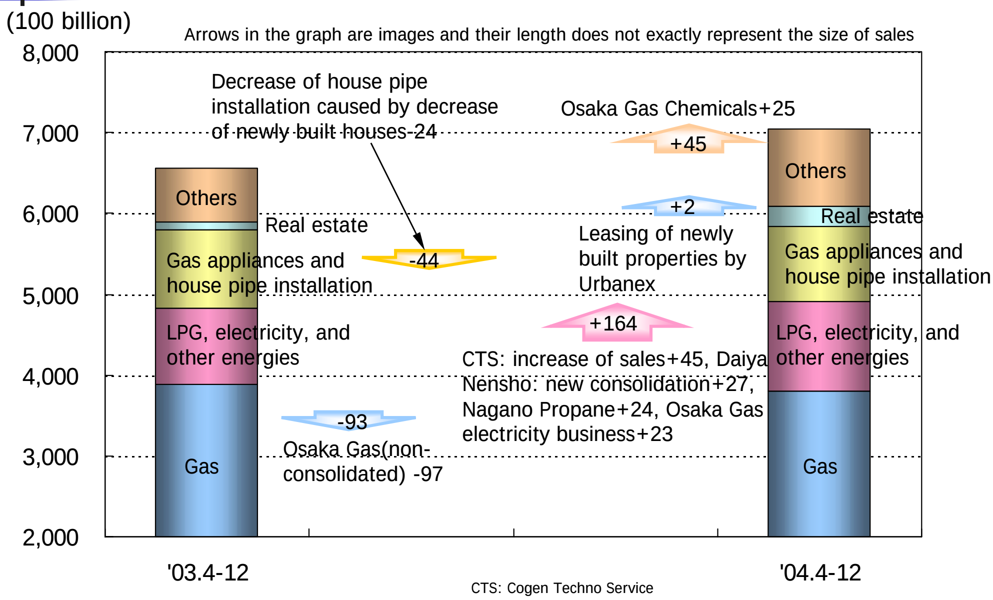
Change of Operating Profit by Fuel Cost Adjustment System

100 million yen	1st half	3rd Q	4th Q	Annual
FY04.3 Results	Results -15	Results +38		+22
FY05.3/E Announced at April	Estimation -9	Estimation +12		+3
FY05.3/E Announced at October	Results -118	Estimation -66		-185
FY05.3/E Announced at January	Results -118	Results -55	Estimation -35	-210

Table shows changes in operating net profits produced by increase/decrease of gas sales due to gas rate adjustment and variances in cost of raw materials (calculated on the basis of the LNG standard price of 26,780 yen/t, which was adopted at the time of rate revision in February 2003).

For this fiscal year, crude oil prices deviated greatly from the initial projection. Therefore, I think it is best to show you the translation gains and losses in chronological order.

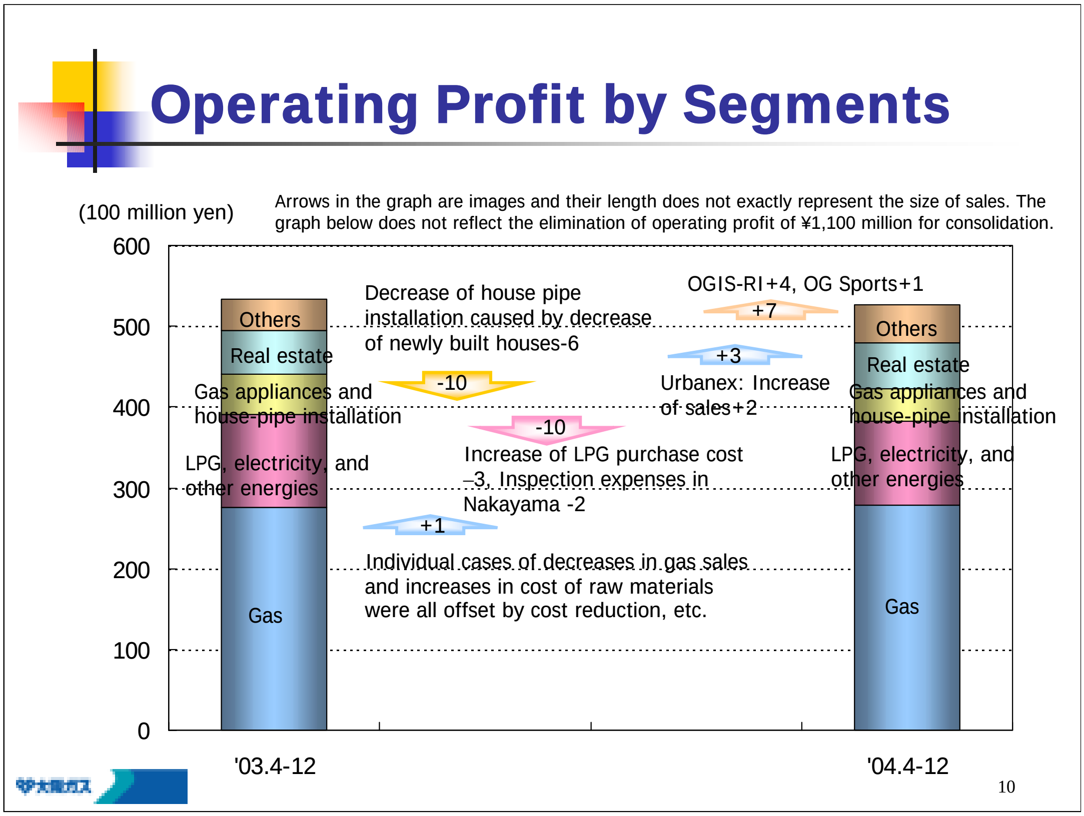
Sales by Segments
(to customers outside the group)



The highlight of this quarter was the large sales increase in the "LPG/Electricity/Other energies" segment.

The increase owes largely to CTS's good sales performance and new consolidation of subsidiaries. The electricity business of Osaka Gas also contributed to overall sales by starting operations at the Himeji and Uji plants.

For the segment of "Others," Osaka Gas Chemicals is doing well thanks to the increased sales price of coke and benzene, MCMB for mobile phones, and fine materials for electronic parts.



While the gas segment suffered from adverse conditions in terms of sales, we managed to completely offset the total loss, which was generated by a decrease in sales and the increased cost of raw materials, by reducing costs (however, there is an additional contributing factor of changes in the retirement allowance system).

While Osaka Gas Chemicals contributed greatly to the increase of overall sales, its contribution to profits was relatively small, namely because the increase in the sales price of chemical products was cancelled out by the increase in the cost of raw materials.

Despite a decrease in sales, OGIS Research Institute has improved its profit margin by taking measures such as focusing on more profitable orders.

Progress of Investments in Growing Businesses

- Senboku Natural Gas Power Plant (provisional name) Business Plan Announced (Dec. 2, 2004)

Energy Output Capacity	1,200 MW (300MW*4 units)
Installation Sites	Senboku I terminal: 2 units Senboku II Terminal: 2 units
Operation Start-up	April 2009 (provisional)

- Shipbuilding Contracts for 2 LNG Carriers Signed (announced Dec. 13, 2004)

	First Carrier	Second Carrier
Owners/Percentage Owned	OGIT: 85%, NYK Line: 10%, "K" Line: 5% (Equity participation by Oman Shipping Company is expected.)	OGIT: 60.1%, NYK Line: 39.9%
Shipyard	Kawasaki Shipbuilding Corporation	
Operating Company	NYK Line	
Start of service	December 2008	July 2009
Purpose	Transport of Qalhat LNG (Oman)	Transport of LNG for new contracts

For the power generation facilities in Senboku, we changed the specifications after closely considering both reliability and the cost of generators, from 1,600 MW to four lines, each 300 MW.

For LNG carriers, we shifted from conventional CIF contracts to FOB contracts. As part of freight cost reduction efforts under the FOB contracts, the Group plans to purchase two more carriers.

II. Results & forecast of gas sales

Gas Sales from April to December, 04

		A. 03.4-12	B. 04.4-12	B-A
Non-consolidated	Number of meters installed at the end of period(thousands)	6,609	6,669	+60
	Installation of new meters(thousands)	87	79	-8
	Monthly gas sales per household(m3/month)	27.9	26.0	-1.9
	Residential use	1,404	1,317	-88
	Commercial use	743	791	+48
	Public and medical use	389	429	+40
	Industrial use	2,742	2,870	+128
	Non-residential total	3,874	4,091	+216
	Whole sale	118	206	+87
	(Including non-regulated)	(2,660)	(2,929)	(+269)
	Gas sales total(million m3)	5,397	5,613	+216
	Nabari Kintetsu Gas	10	10	+0
	Toyooka Energy	--	3	--
	Sasayama City Gas	--	0	--
Consolidated Gas sales total (million m3)		5,408	5,626	---

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I will talk about gas sales for residential and industrial uses in the next slide.

Whole sales (gas sales to other gas companies) increased substantially thanks to further development of large-lot demand among wholesale suppliers.

It seems that non-regulated supply has increased more than the year-on-year increase in total gas supply for industrial use.

Because the non-regulated supply level was relaxed to 500,000 m3/year in April, a shift from regulated area to non-regulated supply amounted to 100 million m3.

After deducting this amount, the net increase in non-regulated gas sales volume now totals 170 million m3.

Analysis of Year-on-year Variance in Gas Sales Volume

Year-on-year Comparison of the Apr.–Dec. Quarter Performance

	Residential	Commercial, public, medical	Industrial
Increase of customers	+0.7%	---	---
Demand expansion	---	+7.0%	+9.5%
Influence of temperature	-7.0%	+4.1%	---
Shift to other gas suppliers	---	---	-3.5%
Timing differences in meter-reading	+1.1%	---	---
Increase/decrease of plant operation and others	-1.1%	-3.3%	-1.3%
Total	-6.3%	+7.8%	+4.7%

- **Commercial, public, and medical use**
  - Acquisition of new clients in fields of hospitals, waste incineration plants, and commercial facilities contributed to the results.
- **Industrial use**
  - Development of new clients and increased operations among existing clients in the chemistry, electric appliance, and paper industries have contributed to the results.
  - The volume newly shifted to consigned transportation during the Oct.-Dec. quarter was not so significant as to affect the table shown above.
  - Breakdown of increase/decrease of plant operations: Increase in existing operations: +1.2%, Increase in IPP operations: +1.1%; Effects of factory shutdowns, etc.: -3.7%

The effect of sales of gas appliances for residential use is included in the item of “Increase/decrease of plant operations and others.” Since our core products are for heating purposes, its contribution to gas sales reaches the maximum in fiscal Q4.

Development of demand among commercial, public, and medical users has been going well.

Demand development among industrial users is faring favorably also. While increased operations of IPPs contributed to the 1st half results as a special factor, they are restoring their normal status in the 3rd quarter.

Progress in Gas Demand Expansion

- Sales activities of main residential appliances

Thousand units	03.4-12	04.4-12	FY05.3 full year forecast
"Ecowill"	2.3	6.4	8.0
Floor Heating System	143	173	188
Bath Heater & Drier	75	78	94
Including Mist Sauna type	2.2	11.2	9.4
Fan Heater	150	151	230
Glass Top Cooking Stove	59	63	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.

- Contract expansion of co-generation systems and air-conditioning systems

	03.4-12	04.4-12	FY05.3 full year forecast
Co-generation (MW)	111	73	126
Air-conditioning (thousand RT)	164	152	169

CGS: Stock volume, 1kW= approx. 1320 m3, 1m3=45MJ=12.5kWh
A/C: Stock volume includes both of absorption type and GHP, 1RT=3.516kW=240m3/year

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Home gas appliances including ECOWILL seem to be able to achieve the initial forecast.

However, while Fan Heaters and Glass Top Cooking Stoves performances are better than that in the same period last year, they are having a hard time achieving their goals since they set their initial goals so high.

The floor heating segment is enjoying favorable sales among existing residences.

For the bathroom heater/dryer segment, Mist Sauna is gaining popularity and has already surpassed its initial forecast.

The air-conditioning segment is progressing smoothly at a pace exceeding the full-year forecast.

While the cogeneration system segment does not look so good at first sight, according to other data such as on-site expectations, we think it will be able to achieve the initial forecast.

Despite the fact that as a new application, the cogeneration system has great potential as a power source, the number of new contracts for conventional use purposes is on the rise.

Gas Sales Forecast of FY05.3

		A. FY04.3/R	FY05.3/E (Announces at) B. April	C. October	D. January	D-A
Non-consolidated	Number of meters installed at the end of period(thousands)	6,634	6,708	6,708	6,708	+74
	Installation of new meters(thousands)	135	129	129	129	-6
	Monthly gas sales per household(m3/month)	34.3	34.9	34.0	33.3	-1.0
	Residential use	2,304	2,358	2,300	2,250	-54
	Commercial use	986	1,015	1,047	1,055	+69
	Public and medical use	559	600	594	585	+26
	Industrial use	3,735	3,738	3,779	3,830	+95
	Non-residential total	5,280	5,354	5,420	5,470	+190
	Whole sale	182	308	300	300	+118
	(Including non-regulated)	(3,620)	(3,809)	(3,862)	(3,900)	(+280)
	Gas sales total(million m3)	7,766	8,020	8,020	8,020	+254
	Nabari Kintetsu Gas	13	14	14	13	+0
	Toyooka Energy	--	5	5	5	--
	Sasayama City Gas	--	1	1	1	--
Consolidated Gas sales total (million m3)		7,779	8,039	8,039	8,039	+260

Considering the 3rd quarter performance, the full-year forecast of gas sales was modified as follows: The gas sales volume forecast for residential use announced in October was lowered while the forecast for industrial use was raised.

III. Full year forecast

Full Year Forecast for FY05.3

- The assumption of $38/¥110 that was used for the forecasts in the interim financial results announced in October has been changed to $40/¥105 for the Jan.–Mar. quarter forecasts. However, since such a change produced no significant impact on sales and net cost of raw materials, the full year forecast for FY2005 remains the same as initially projected.

Consolidated		A. FY04.3/R	FY05.3/E announced at		C-A	C-B
100 million yen			B. October	C. January		
Operating revenue		(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	107.7	-5.5	0
Crude oil prices	$/bbl	29.4	37.0	38.6	+9.2	+1.6
No. of consolidated subsidiaries		77	113	114	+37	+1

The difference between the October forecast and actual performance for the Oct.–Dec. quarter remains within the expected range, since the differences resulting from decreased sales and increased cost of raw materials were offset by cost reductions.

While we changed the estimates of crude oil price and exchange rate set for the Jan.–Mar. quarter, the resulting gains and losses had no significant impact on the forecast in terms of net values. Therefore, the full-year balance forecast remained the same as the initial forecast.

Aiming to Achieve the Full-year Forecast

- Initial forecast for full-year profit has remained the same. Therefore, we can fulfill full-year forecast by achieving the following Jan.–Mar. quarter forecast. For Jan.–Mar. quarter forecast, the crude oil price is set at $40 (¥105/dollar).

100 million yen	04.1-3 Results	05.1-3 Forecast	Differences	
Operating revenues	3,011	3,314	+302	Consolidated subsidiaries+213, Increase in gas sales volume centering on residential use (38 million m3) due to reaction to last year's warm winter +50, Increase of gas sales by fuel cost adjustment system+30
Operating expenses	2,638	2,889	+250	Consolidated subsidiaries+258, Gas feedstock cost+121, Cost of cancellation of Tsuruga LNG Terminal Construction Plan –66, Decrease of labor cost by decrease of employees –35, Non-consolidated depreciation -10
Operating profit	373	424	+51	
Non-operating P/L	-56	-67	-10	
Ordinary profit	316	357	+41	

This table shows the goals for fiscal 4th quarter and their year-on-year comparison, provided that we achieve our full-year forecast.

In other words, if we can achieve the figures listed above, we can attain the original full-year forecast.

As you can see from the table, if the price of crude oil is $40 and the temperature remains the same as in the average year, then we will certainly be able to attain our initial forecast without extreme effort.

Thank you all for listening.

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 feedstock 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.