Financial Report for FY2007

(April 2006-March 2007)

April 2007

Osaka Gas Co., Ltd.

I. Business Results for FY07.3 and Forecast for FY08.3

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.

Gas Sales for FY07.3

45MJ/m3		A. FY06.3	B. FY07.3	B-A	B/A
Nonconsolidated	Number of meters installed at the end of period (thousand)	6,758	6,820	+62	+0.9%
	Installation of new meters (thousand)	128	127	-1	--
	Monthly gas sales per household (m3/month)	34.2	33.5	-0.6	-1.8%
	Residential use	2,329	2,303	-25	-1.1%
	Commercial, public and medical	1,712	1,664	-48	-2.8%
	Industrial use	4,049	4,354	+305	+7.5%
	Non-residential total	5,761	6,018	+257	+4.5%
	Wholesale	359	416	+58	+16.1%
(including non regulated)		(4,312)	(4,618)	(+306)	+7.1%
Gas sales total (million m3)		8,448	8,738	+290	+3.4%
Consolidated gas sales		8,469	8,764	+295	+3.5%

Design Your Energy / OSAKA GAS

First, I would like to review operational results for the year ended March 2007, and then explain the Company’s operational forecasts and management policy for the year ending March 2008.

Gas sales volume for the year ended March 2007 on a non-consolidated basis grew by 3.4% from fiscal 2006.

In the residential market, gas sales decreased by 25 million m3, or 1.1% from fiscal 2006, due to the adverse impact of the warmer winter.

In the industrial market, supported by customers’ enhanced environmental consciousness and other factors, switching from oil-based fuel to gas and development of new demand progressed strongly. As a result, industrial gas sales increased strongly by 7.5% compared with fiscal 2006.

Results of FY07.3

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

		A. 06.3		B. 07.3	B-A	References	B/A
Operating revenues	(1.36)	10,659	(1.38)	11,744	+1,084	Non-consolidated gas +663	+10.2%
Operating profit	(1.31)	1,006	(1.47)	937	-69	NC profit of incidental business -102	-6.9%
Ordinary profit	(1.26)	1,033	(1.31)	895	-137	Loss on bond retirement -31	-13.3%
Net income	(1.14)	807	(1.20)	529	-277	Extraordinary profit -279	-34.4%
SVA		553		268	-284		-51.4%

	A. FY06.3	B. FY07.3	B-A
Consolidated gas sales (million m3)	8,469	8,764	+295
Exchange rate (yen/$)	113.3	117.0	+3.7
Crude oil price ($/bbl)	55.8	63.4	+7.7
Number of subsidiaries	136	132	-4

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

Compared with fiscal 2006, revenues increased and profit decreased in fiscal 2007.

Although, on a non-consolidated basis, the revision of gas charge rates implemented during the year was a negative factor influencing gas revenues, gas sales volume increased. Gas charge rates were adjusted higher than last year in response to the rise in the price of the raw material of gas under the fuel cost adjustment system, and strong business growth was recorded in consolidated subsidiaries. Consequently, consolidated operating revenues increased by about 100 billion yen from the previous year.

Operating profit for fiscal 2007 decreased from the previous year. This decrease was primarily because the previous year's result included temporary profit received at the end of the year in connection with the revision of LNG handling contracts.

Review of Financial Reports for FY07.3

- Overview
  - Revenues grew and profit declined compared with FY06.3 (P4)
  - While operating profit was negatively affected by the revision of LNG handling contracts (in the previous year-end), the provision of gas equipment inspection costs, the gas rate revision (in November '06), and the warmer winter, the decreased level of operating profit slowed down to drop by 6.9 billion yen from the previous year, contributed by solid gas sales growth and growth investments.
  - Implemented growth investments contributed approx. 7 billion yen to ordinary profit (P12).
  - Consolidated subsidiaries also grew steadily, mainly in the area of IPP in Japan and overseas (P6-7).
- Effects of the Sharp Rise in Crude Oil Prices
  - The crude oil price increased sharply compared with FY06.3, but delay in the timing of gas charge rate adjustments decreased. Accordingly, negative impact of oil price increases on operating profit improved by approx. 10 billion yen from the previous year.
- Gas Sales
  - The warmer winter negatively affected gas sales in residential and commercial /public /medical segments. In the industrial segment, gas sales increased from the previous year supported by enhanced environmental consciousness. (P3, 21-26)
- Investment for Growth
  - The financial information system in the OGIS Research Institute Group was reinforced through investments in Sakura Information Systems. (P8)

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Now, let's review the financial report for the year ended in March 2007.

As previously explained, operating profit for fiscal 2007 decreased due to various unfavorable factors. These include the impact of the revision of LNG handling contracts implemented at the end of the previous year, recording of gas appliance inspection expenses, the revision of gas rates for small supply accounts, and the decline in residential gas sales volume due to the warmer winter.

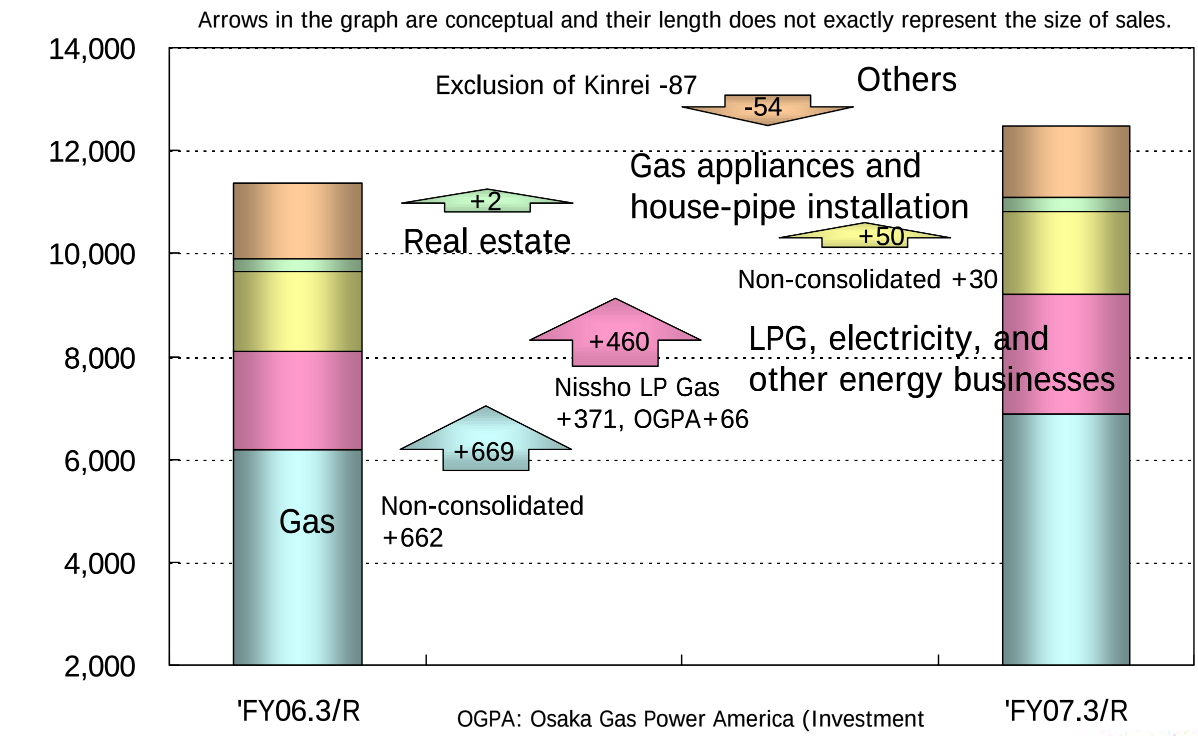
However, the decrease in operating profit was minimized to 6.9 billion yen, supported by the increase in the yearly sales volume despite the adverse effect of the warmer winter, and the favorable impact of growth investments implemented so far.

Growth investments contributed about 7 billion yen to ordinary profit. This was an increase by about 4 billion yen from fiscal 2006. Consolidated subsidiaries also grew steadily, mainly in the area of IPPs in Japan and oversea.

The delay in timing of gas charge rate adjustment from the material purchase timing was reduced in fiscal 2007. Accordingly, the loss resulting from this timing difference improved by about 10 billion yen compared with fiscal 2006.

Sales by Segments

(100 million yen)



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

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Now, I would like to explain sales results and operating profit of each business segment.

In the LPG, Electric Power and Other Energies segment, Nissho LP Gas started an alliance with Itochu Corporation for the wholesaling of LP gas. As a result of this alliance, the LPG handling volume increased and contributed to the increase in operating revenues from fiscal 2006.

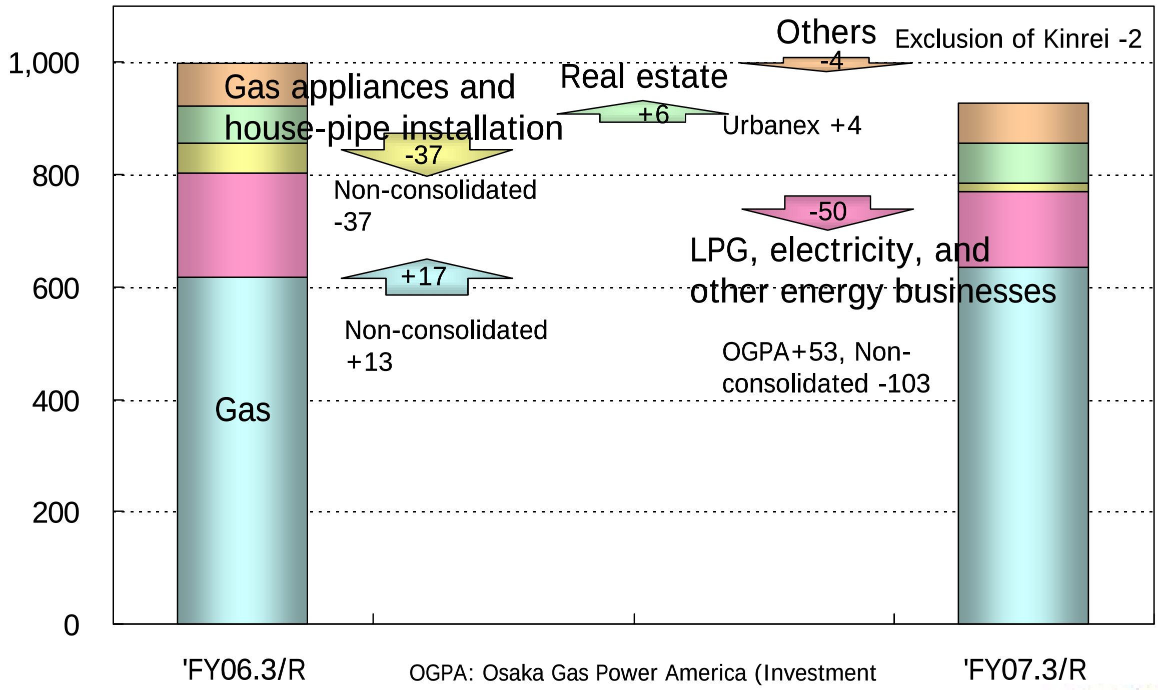
In the Gas Appliance and House-pipe Installation segment, sales of ECOWILL by Osaka Gas Co., Ltd. contributed to the increase in the consolidated sales.

The decrease in the Others segment was due to exclusion of Kinrei from the consolidation during the previous year.

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)

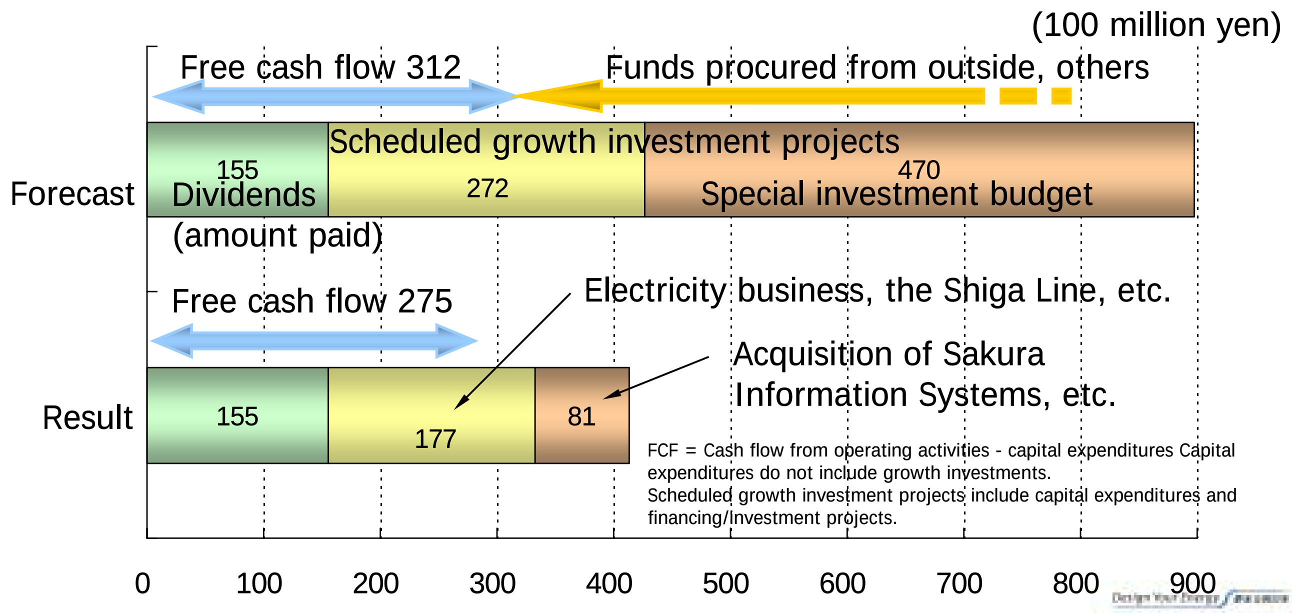
Operating profit by the LPG, Electric Power and Other Energies segment decreased from the previous year due to the decreased profit resulting from the revision of LNG handling contracts, although the IPP business in the United States, of which full year results were included in the Group's consolidated accounting for the first time, contributed strongly.

The Gas Appliance and House-pipe Installation segment experienced a decrease in operating profit mainly due to the expenses for inspection of troubles with Harman Pro's gas appliances recorded during the year.

In the Real Estate segment, Urbanex has expanded its housing sale/lease business in synergy with gas sales promotion. Additions of leased rooms and houses contributed to the increase in operating profit of this segment.

Consolidated Free Cash Flow of FY07.3

- Consolidated FCF for FY07.3 was 27.5 billion yen. Approved investment projects, including the Semboku Power Plant and the Shiga Line, were implemented almost as scheduled, although some delay occurred in other projects.
- By a separate investment budget, information systems were reinforced.



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In the initial plan developed at the beginning of the year, it was forecasted that the Group would generate free cash flow of 31.2 billion yen. However, because gas charge rates for small supply accounts were revised, the actual FCF result was 27.5 billion yen.

Approved investment projects, including the Semboku Power Plant and LNG tankers, were implemented almost as scheduled. In a separate investment budget, 47 billion yen was provided initially. However, because resource prices rose sharply, prices of many investment projects exceeded the investment criteria established by the Osaka Gas Group, mainly in upstream investments. Accordingly, actual investments were limited to 8.1 billion yen, including mainly investment in Sakura Information System.

The ratio of dividends to free cash flow exceeded 50%.

Gas Sales Forecast for FY08.3

- Residential sales will grow since the winter weather is expected to return to normal, compared to the warmer winter in FY07.3. Industrial sales will continue strong growth. Accordingly, consolidated sales are expected to grow by 4.0% from FY07.3.

45MJ/m3	A. 07.3/R	B. 08.3/E	B-A	B/A
Number of meters installed at the end of period (thousand)	6,820	6,871	+51	+0.8%
Installation of new meters (thousand)	127	128	+1	--
Monthly gas sales per household (m3/month)	33.5	34.1	+0.6	+1.8%
Residential use	2,303	2,359	+56	+2.4%
Commercial, public and medical	1,664	1,674	+10	+0.6%
Industrial use	4,354	4,602	+248	+5.7%
Non-residential total	6,018	6,276	+258	+4.3%
Wholesale	416	451	+35	+8.4%
(including non regulated)	(4,618)	(5,263)	(+646)	(+14.0%)
Gas sales total (million m3)	8,738	9,086	+349	+4.0%
Consolidated gas sales	8,764	9,117	+353	+4.0%

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Now, let’s look at the forecasts for the year ending in March 2008.

The forecast for residential gas sales volume for the next year is based on the assumption that temperatures will remain normal. It is expected that sales for the next year will recover from fiscal 2007 in which sales declined due to the warmer winter. The number of customers will also increase. Supported primarily by these factors, residential gas sales are expected to increase by 2.4% in fiscal 2008.

Industrial gas sales are expected to grow by 5.7% from fiscal 2007, assuming that development of new demands and improvement in the operating ratio of customers’ facilities will continue.

Consequently, it is forecasted, on a non-consolidated basis, that total gas sales volume will increase by 4.0% from the year ended March 2007.

Forecast for FY08.3

- Sales revenues are expected to grow compared with FY07.3 supported by a growth in gas sales volume, although the revision of gas prices for small supplies implemented in November '06 will have some negative impact on the full year results.
- Operating profit is expected to decline from FY07.3 from the effects of the modified depreciation system (approx. 9.5 billion yen).

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

Consolidated, 100 million yen	A. 07.3/R	B. 08.3/E	B-A	B/A
Operating revenues	(1.38) 11,744	(1.37) 11,905	+160	+1.4%
Operating profit	(1.47) 937	(1.48) 845	-92	-9.8%
Ordinary profit	(1.31) 895	(1.37) 830	-65	-7.3%
Net income	(1.20) 529	(1.26) 490	-39	-7.4%
SVA	268	210	-58	-21.8%
Consolidated gas sales (million m3)	8,764	9,117	+353	
Exchange rate (yen/$)	117.0	120.0	+3.0	
Crude oil price ($/bbl)	63.4	60.0	- 3.4	

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Next, I'm going to explain the overall operational forecasts for fiscal 2008, comparing with the results for fiscal 2007.

As discussed in the previous page, we expect that gas sales volume will increase strongly in fiscal 2008. The forecast of operating revenues reflect this factor.

Although the revision of gas charge rate for small supply accounts implemented in November 2006 will have some adverse effect, it is expected that operating revenues will increase, supported by the expansion of gas sales volume.

In the area of costs and expenses, the revised depreciation method will have impact on the results of fiscal 2008. Compared with fiscal 2007, depreciation expenses will increase by about 9.5 billion yen annually because of the change in the depreciation method.

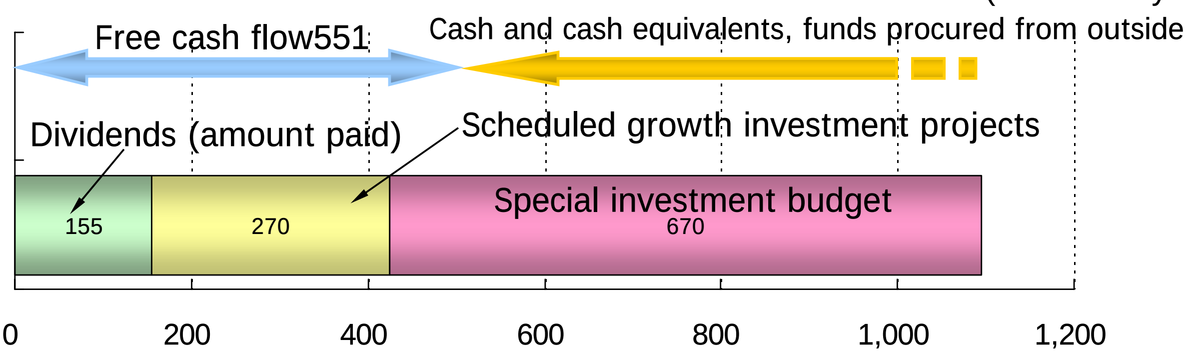
It is expected that increases and decreases in other costs and expenses will almost offset each other. Thus, the revised depreciation method is the major factor that will have adverse impact on operating profit for next year.

Accordingly, it is forecasted that operating profit and other profit items presented in lines below operating profit will decrease compared with fiscal 2007.

Uses of Consolidated FCF for FY08.3

- FCF for the year ending March 2008 is expected to come to ¥55.1 billion, up ¥27.5 billion over the year, as the income tax (cash basis) levels declined.
- Approximately ¥27.0 billion will be invested in scheduled growth investment projects such as the Semboku Power Plant and the Mie-Shiga Line. In addition, a special investment budget of ¥67.0 billion was set up.
- The aim is to provide an ordinary dividend of ¥7 per share, same level as FY07.3.

(100 million yen)



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.

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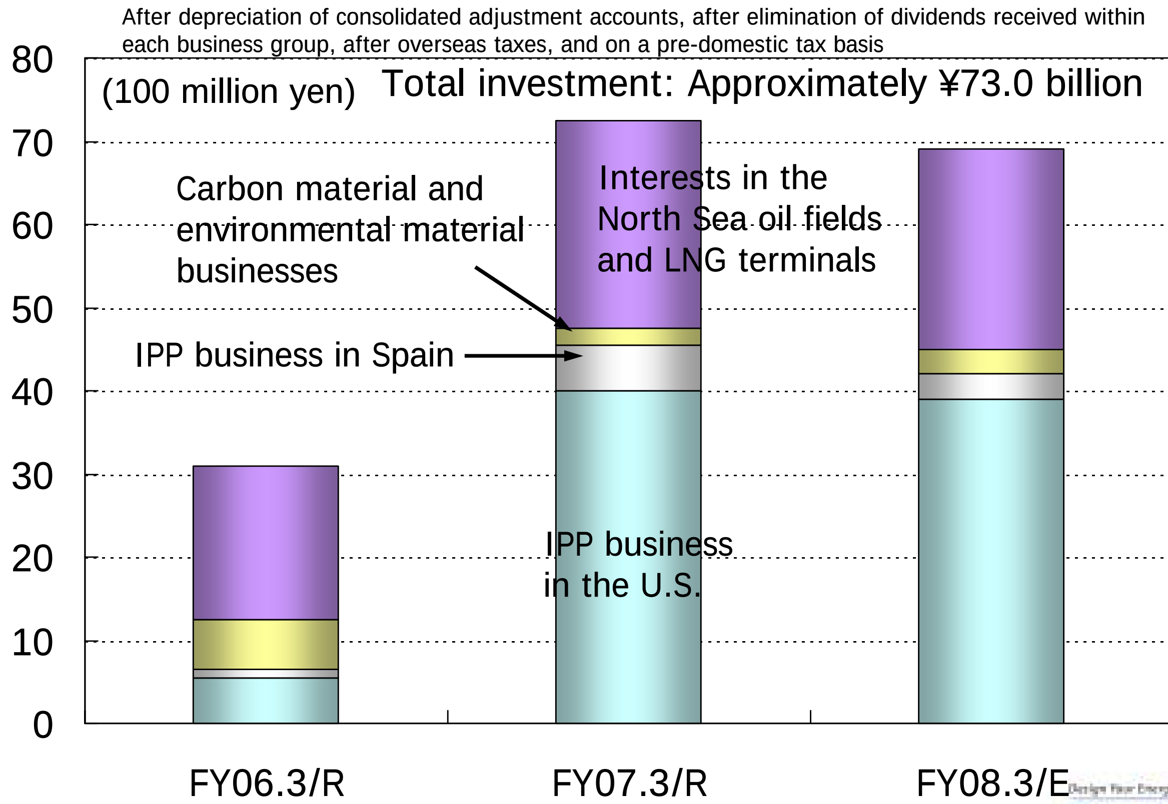
Net income for fiscal 2008 is expected to decrease from fiscal 2007. However, there is a timing difference between the recording of income for the financial accounting purposes and the payment of the corporate tax in cash. Accordingly, in terms of free cash flow, cash earned by the Group is expected to grow almost by 100% to approximately 55 billion yen, compared with fiscal 2007.

Investment projects approved and implemented in fiscal 2007, including the Semboku Power Plant and the Mie/Shiga Line, will be continued.

A separate investment budget of about 67 billion yen is also provided for investment in upstream interests, overseas IPPs and M&As in Japan. In the year ending in March 2008, the Osaka Gas Group will continue to explore investment opportunities and pursue leveraging its business operations.

Contribution of Investment Projects

(FY05.3 - FY07.3)



Growth investments that have been implemented contributed strongly to the profit of the Group, including the upstream interest in the North Sea oil field and other projects, and investment in overseas IPPs.

In fiscal 2007, while no new investment was made in any big projects, some relatively small investments were made, including investment in Sakura Information System by the Information System business and investments in overseas LNG bases. Contribution by investment projects in fiscal 2008 will remain at approximately the same level as in fiscal 2007.

Management Policy for FY08.3

- Build up the city gas business into a foundation for profit growth
  - Advertise the life "With Gas" on a national scale to create new concepts of gas use
- Establish a foundation for growth as a multi-energy provider
  - Semboku Gas Power Plant: Machine installations are scheduled during FY08.3.
  - Explore growth investments, and strengthen the LNG value chain.
- Enhance the Group's collective strength to achieve powerful results.
  - Maximize the synergy with the Energy Business.
  - Accelerate growth in information systems, carbon materials and chemical products, fitness, and security service businesses.
- Build strong business structure and brand power
  - Improve the quality of goods and services in view of "reliability", "innovation" and "excitement"

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In the year ending March, 2008, we will follow these management policies in operating the businesses of the corporate group. We will make a solid step forward for achieving the goals of "Design2008", our medium-term business plan, aiming at creating "dreamful futures."

In the residential market, to create new concepts of gas use, we will promote life "With Gas" on a national scale, collaborating with other gas business operators, the LPG industry and gas appliance manufacturers. Not a few consumers think that gas kitchen stoves are not easy to clean, judging from their old gas stoves purchased a few years ago or earlier. However, gas appliances have evolved into very safe and very clean appliances. It is necessary to correctly communicate this fact to consumers. Therefore, we will also work on creating a new image of "advanced and safe gas."

Next, let's look at the multi-energy business. In the electricity business, the construction of the Semboku Natural Gas Power Plant will be continued. At the same time, preparations for establishing its operation and maintenance systems will be started. In the area of growth investments, we will continue to explore promising investment opportunities. Aiming at strengthen the LNG value chain, resource development and trading will be pursued in order to procure stable supply of LNG at low cost.

In the area of building strong business structure and brand power, in the intensified competitive environment, we believe that it is necessary to enhance the brand value and to strengthen the Company's appealing power so that services and products of Osaka Gas are chosen by customers. To this end, we will endeavor to enhance customers' confidence in us and deliver advanced products and services to customers, aiming at touching the heart of customers with the excellence of our products and services.

Safety Activities and Impact on Profit

- Harman Pro's water/room heaters and bathroom heater/drier
  - Safety actions were taken in FY07.3; related costs were recorded.
- Gas equipment made by Paloma and RINNAI
  - There was no direct impact because appliances in question were not supplied to Osaka Gas on an OEM basis.
- Product safety systems were strengthened for grid-type stoves, small water boilers without imperfect combustion preventive mechanism and other products.
  - Costs were provided for a reserve in FY07.3, including those to be expended in subsequent years.
- Replacement and repair of old gas pipelines were expanded.
  - Implementation of measures for low-pressure gray iron pipes will be advanced. Capital expenditures will be increased by approx. 1 billion yen/year, and retirement costs by approx. 600 million yen/year.

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Next, I would like to explain major safety activities implemented during the year ended March 2007.

Safety actions in response to troubles with some of Harman Pro's water/room heaters and bathroom heaters/driers were completed in fiscal 2007. All related costs were recorded during the year, so they will not have impact on the operating results for fiscal 2008.

The Paloma and RINNAI gas appliances for which troubles were reported were not supplied to Osaka Gas on an OEM basis. Accordingly, this issue did not and will not have a direct impact on the Company's operating results.

Next year, safety activities to strengthen product safety systems will be implemented on a full scale. Included in these activities are grid-type stoves, small water boilers without imperfect combustion preventive mechanism and other products. Because estimated costs related to these activities were already provided to an allowance for fiscal 2007, we don't believe that this will have an impact on the operating results for fiscal 2008.

In the area of safety actions for old gas pipes, replacements and repairs of low-pressure gray iron pipes will be completed by the end of fiscal 2016, which is earlier than the initially scheduled fiscal 2021. This will increase capital expenditures by approximately 1 billion yen, and retirement costs by approximately 600 million yen, annually. It is expected that these costs and expenses will continue to increase in and after fiscal 2008.

I have presented an overview of the financial results for the year ended March 2007 and the future outlook. The revised gas rates for small supply accounts will have a full-year impact on the operating results for the year ending March 2008. The change in the depreciation method will also have some adverse effect. Moreover, the Group is facing harsher competitive conditions, with the expansion of the deregulation scope for the gas business and the increasing promotion of all-electrified housing. Under these tough circumstances, people of the Osaka Gas Group will make united effort to achieve the profit plan of the Group, making a solid step forward for achieving the goals of "Design2008," our medium-term management plan.

II. Fact and Figures

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Increase/Decrease from the Previous Year (consolidated)

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

Operating Revenues	+1084	NC Gas sales	+663	Influence of LNG purchase price, Tariff revision -50, Increase of sales+21
		Nissho LP Gas group	+359	Influence of LPG price
Operating Cost	-1154	NC Material cost	-596	
		NC Incidental business cost and others	-127	Revision of LNG handling (in previous year-end), equipment inspection costs, etc.
		Subsidiaries	-377	
Operating Profit	-69			
		Non-operating P/L	-68	Loss on bond retirement -31
		Extraordinary P/L	-305	Profit resulting from revision of LNG handling was recorded in previous year. Impairment loss and other losses were recorded in FY07.3.

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		Net income		Forecast for FY08.3
	07.3/R	08.3/E	07.3/R	08.3/E	
Osaka Gas Group companies	+185 1,472	-9 1,462	+120 177	-69 108	Net income will decrease since special dividends received by OSR from Idemitsu Snorre in FY07.3 will not be paid in FY08.3.
Liquid Gas Group	+25 322	-16 306	+1 11	0 11	Residential LPG business will be restructured from an area-based organization into a function-based organization (sales and distribution). Revenue/expenditure budget remains almost the same as in previous year.
NIPG Group	+359 1,323	-22 1,300	-3 0	+8 8	Income growth is expected assuming that CPs will stabilize.

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

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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		Net income		Forecast for FY08.3
	07.3/R	08.3/E	07.3/R	08.3/E	
Urbanex Group	+2 269	-12 257	+6 35	-5 29	Revenues and profit will decrease due to lowering of rents and other unfavorable factors, although new lease contracts will increase.
OGIS-RI Group	+21 343	+12 355	+3 18	+2 20	Revenues and profit will increase due to expected growth of sales to customers outside the Group.
Osaka Gas Chemicals Group	-38 312	0 312	-6 7	0 8	Revenues will increased in JEC, while Osaka Gas Chemicasl will experience revenue decline due to harsher competition.
OG Capital etc.	+51 864	+51 915	-16 36	+2 38	Revenues will increase due to addition of shops in OG Sports, expansion of the large account postal agency service in L-Net, and other factors.

Non-energy business segments means Real estate, and Others. JEC: Japan EnviroChemicals; OGS: OG Sports

Results of FY07.3 II

Consolidated	A. 06.3	B. 07.3	B-A	Remarks: 100 million yen
Total assets	13,986	14,056	+69	Other fixed assets+176
Total net worth	6,285	6,688	--	Net income+529
Interest-bearing debt	4,875	4,878	+3	SB -497, CP+500
Capital expenditure	1,174	952	-221	
Depreciation	842	840	-2	
Free cash flow	842	275	-567	Income taxes -193, Income before tax -443
Number of employees	16,077	16,435	+358	
ROA	6.2%	3.8%	-2.4%	
ROE	13.9%	8.1%	-5.8%	
Total net worth ratio	44.9%	47.6%	+2.6%	
EPS (yen/share)	36.2	23.8	-12.4	
BPS (yen/share)	282.1	300.6	+18.5	

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

Forecast for FY08.3 II

Consolidated	A. 07.3/R	B. 08.3/E	B-A
Total assets	14,056	15,110	+1,053
Total net worth	6,688	6,991	+302
Interest-bearing debt	4,878	5,608	+729
Capital expenditure	952	1,018	+65
Depreciation	840	950	+109
Free cash flow	275	551	+275
Number of employees	16,435	16,712	+277
ROA	3.8%	3.4%	-0.4%
ROE	8.1%	7.2%	-0.9%
Total net worth ratio	47.6%	46.3%	-1.3%
EPS (yen/share)	23.8	22.0	-1.8
BPS (yen/share)	300.6	314.2	+13.6

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

Residential Gas Sales

Results for FY07.3

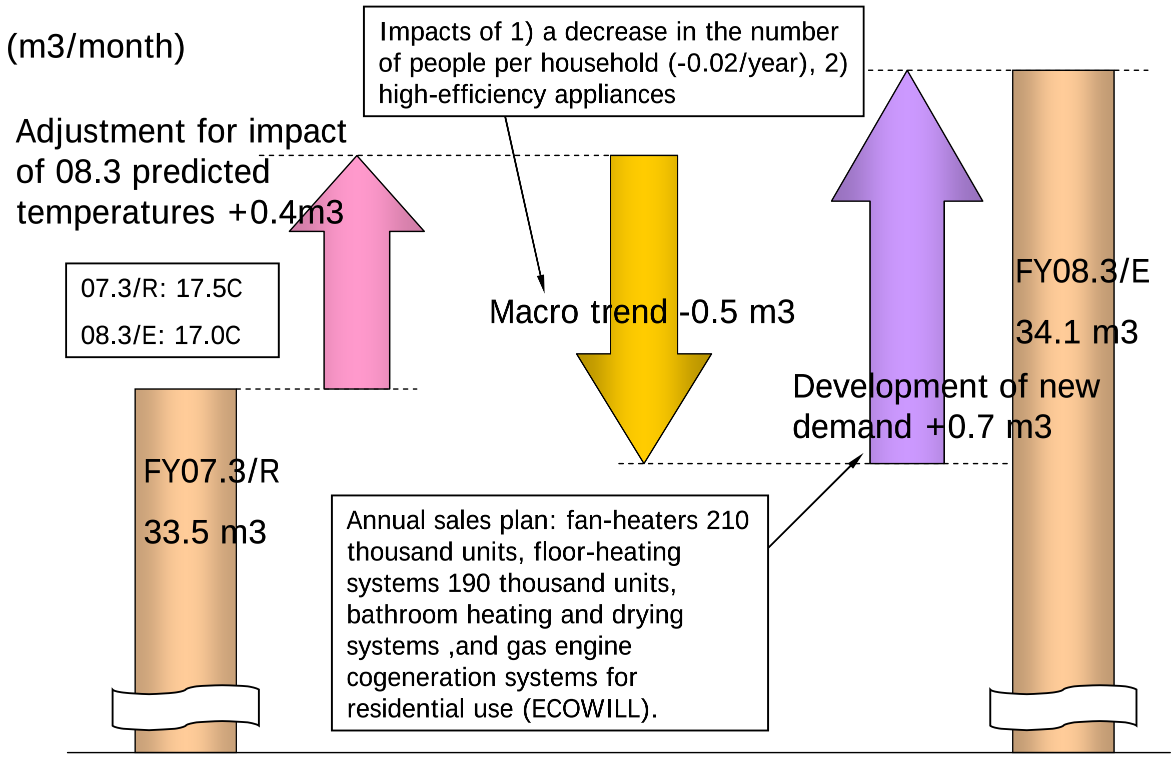
*1 Change from the previous year, *2 Difference from the forecast
"Forecast" was announced in April 2006

	*1	*2	References
Increase of customers	+0.7%	+0.1%	
Influence of temperature	-2.2%	-1.5%	Average annual temperature 17.5C (+0.6C compared with the previous, +0.3C compared with the forecast)
Others	+0.4%	-0.1%	For comparison to the previous year, the effect of the meter-reading intervals of +0.87% was included.
Total	-1.1%	-1.5%	

Forecast for FY08.3

- 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 2,359 million m3, representing a year-on-year increase of +2.4% or approximately 56 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/R	FY07.3/R	FY08.3/E
"ECOWILL"	11	13	13
Floor heating systems	197	184	187
Mist-sauna	31	53	60
Glass-top cooking stoves	91	104	115
Bathroom heater/driers	94	91	91

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Commercial, Public, Medical Gas Sales

Results for FY07.3

*1 Change from the previous year, *2 Difference from the forecast
“Forecast” was announced in April 2006

	*1	*2	References
Demand expansion	+2.7%	+1.0%	Newly created demand from environmental items (sewage and waste treatment facilities) and large commercial items
Influence of temperature	-1.9%	-0.7%	Decrease in demand for air conditioning and hot water supply mainly due to high temperature
Others	-3.6%	-1.3%	Regular loss, and accelerated promotion of energy-saving activities to existing customers
Total	-2.8%	-1.0%	

Forecast for FY08.3

- Normal temperature conditions as in average years are assumed.
- Sales volume is expected to grow by approx. 10 million m3 (0.6%) to 1,674 million m3 due to a rebound from previous year’s unfavorable temperature conditions and new demand developments, which will be partially offset by accelerated promotion of energy-saving activities to existing customers.

Industrial Gas Sales

Results for FY07.3

*1 Change from the previous year, *2 Difference from the forecast
“Forecast” was announced in April 2006

	*1	*2	References
Demand expansion	+10.2%	+7.3%	Chiefly due to the contribution of CGS development and fuel conversion
Increase/decrease of plant operation	-2.7%	-1.9%	
Total	+7.5%	+5.4%	

Forecast for FY08.3

- The forecast takes into consideration the increased operating ratio of customers’ production facilities supported by improved economic conditions.
- Taking into consideration as usual the risks of switching to our competitors, gas sales in this sector are predicted to amount to 4,602 million m3, representing a year-on-year increase of 5.7% or approximately 248 million m3.

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).
- 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.
- Propose wise uses of steam (such as improving temperature control valves) and other techniques.

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.

Progress of the Electricity Business

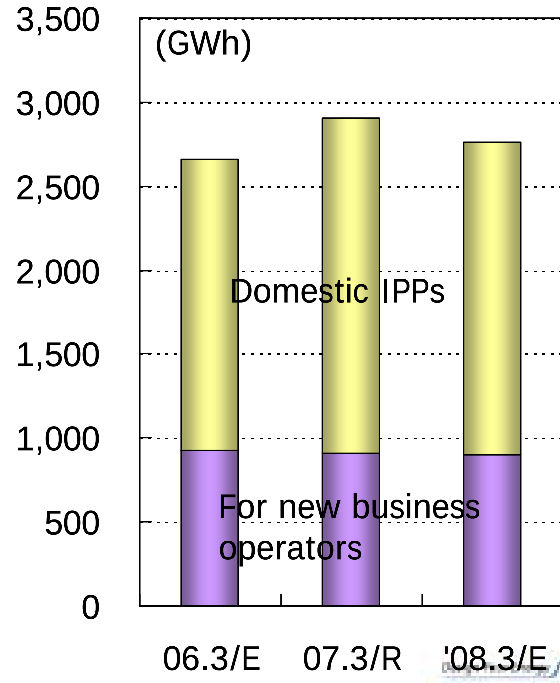
Expansion of Own Power Sources and Sales

- Six power-source CGSs are in operation and two additional units are to be constructed.
- 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



OSAKA GAS

Strengthening Technical Management

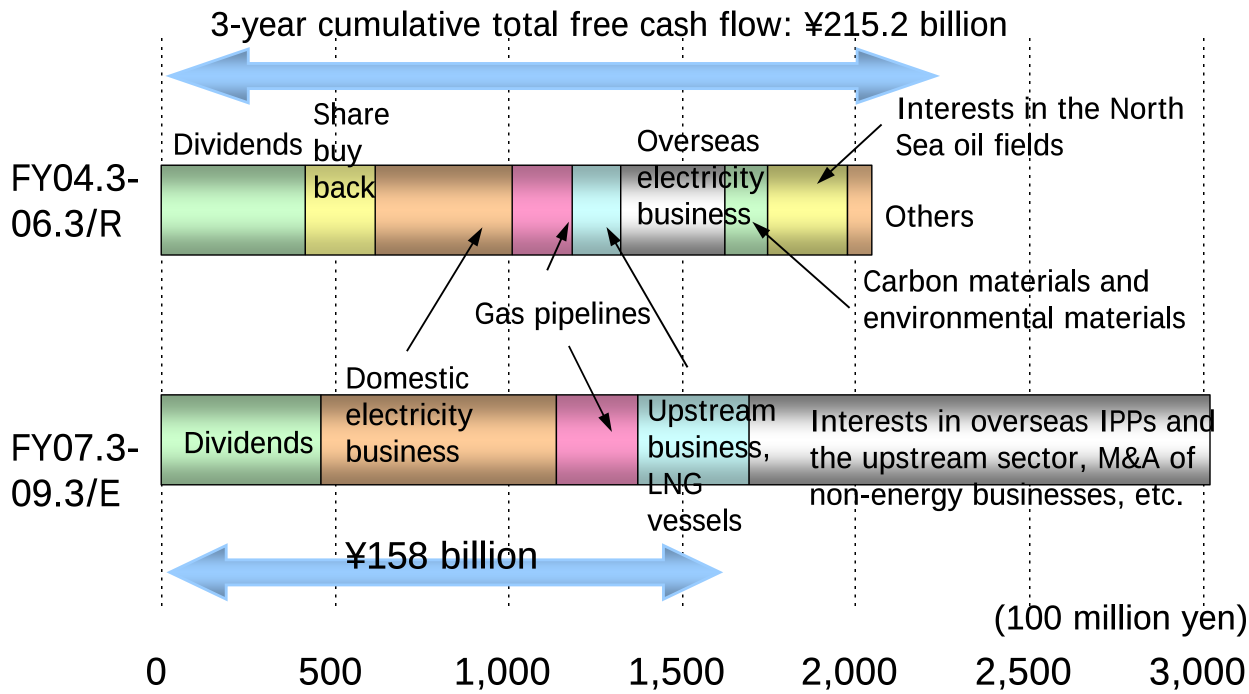
Enhance Competitive Edge and Business Foundation of the Osaka Gas Group through Quick and Well-Focused Technical Development

- Quick 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)
  - Capitalizing on the advantages of gas to expand the sales of gas
    - Development and improvement of residential gas equipment (glass-top cooking stoves and mist-sauna units)
- Allowing technologies to contribute to the development of the Group
  - Improving electric power/IT technologies
    - Strengthening business strategies and customer relations, contributing to efficient operations
  - Evolving materials technologies
    - Development of digital device materials (liquid crystal materials, optical lenses, etc.)
- 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. 3.4 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. 2.5 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.
- 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.

Uses of Consolidated FCF for the 3-Year Period



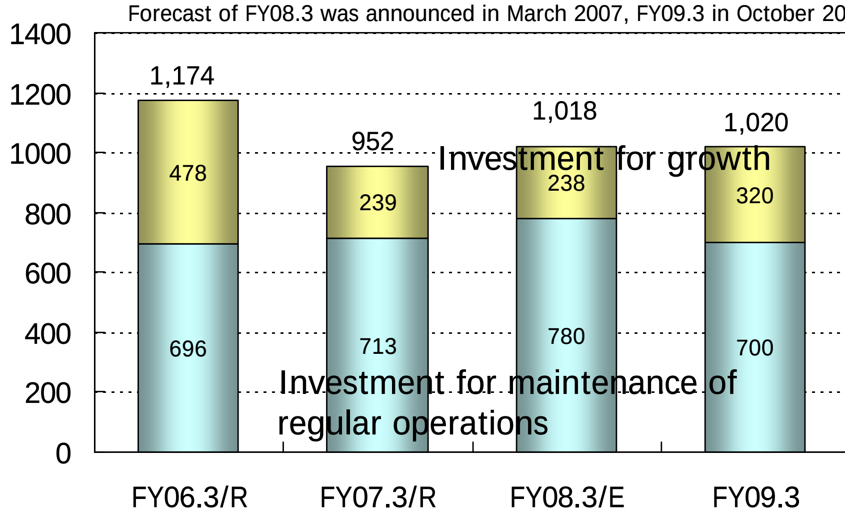
FCF = Cash flow from operating activities - capital expenditures. Capital expenditures do not include growth investments.
Growth investment projects include capital expenditures and financing/investment projects.

Capital Expenditure Plan

Consolidated

(100 million yen)

Forecast of FY08.3 was announced in March 2007, FY09.3 in October 2005

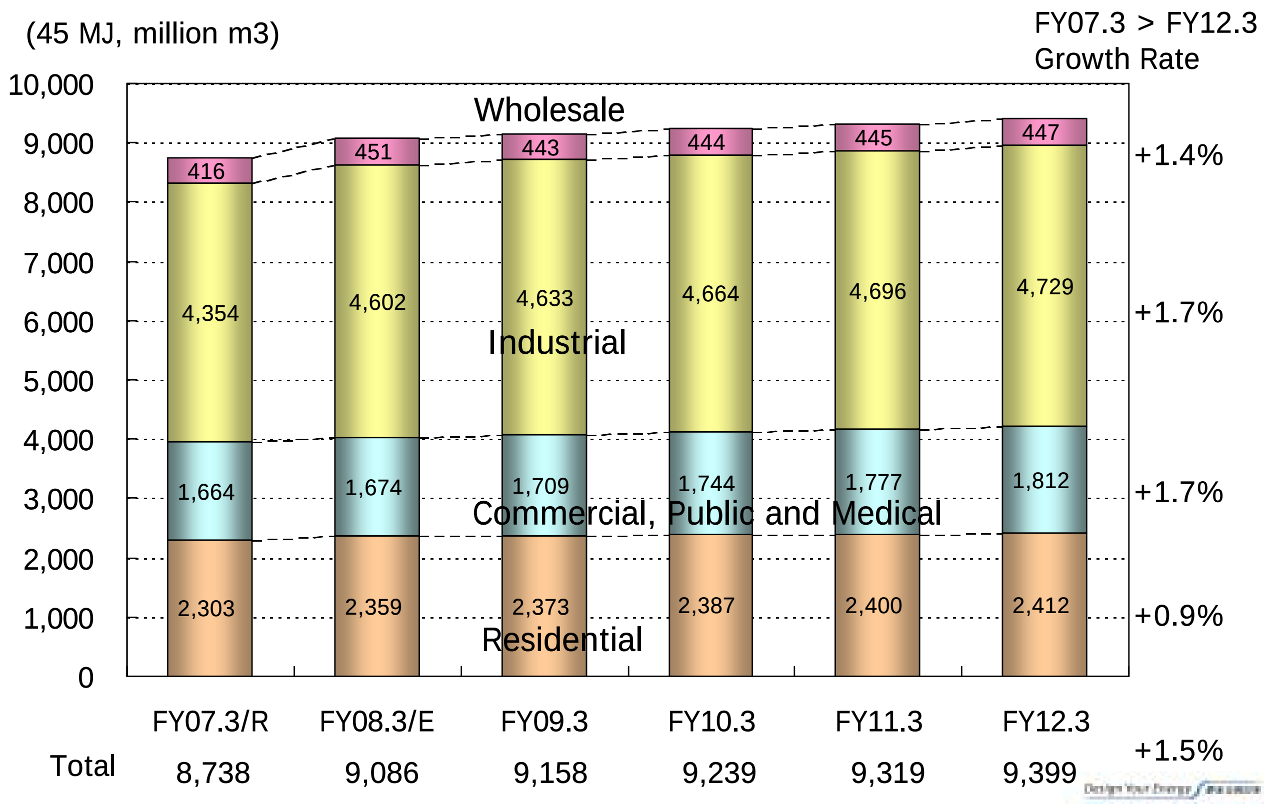


Non-Consolidated

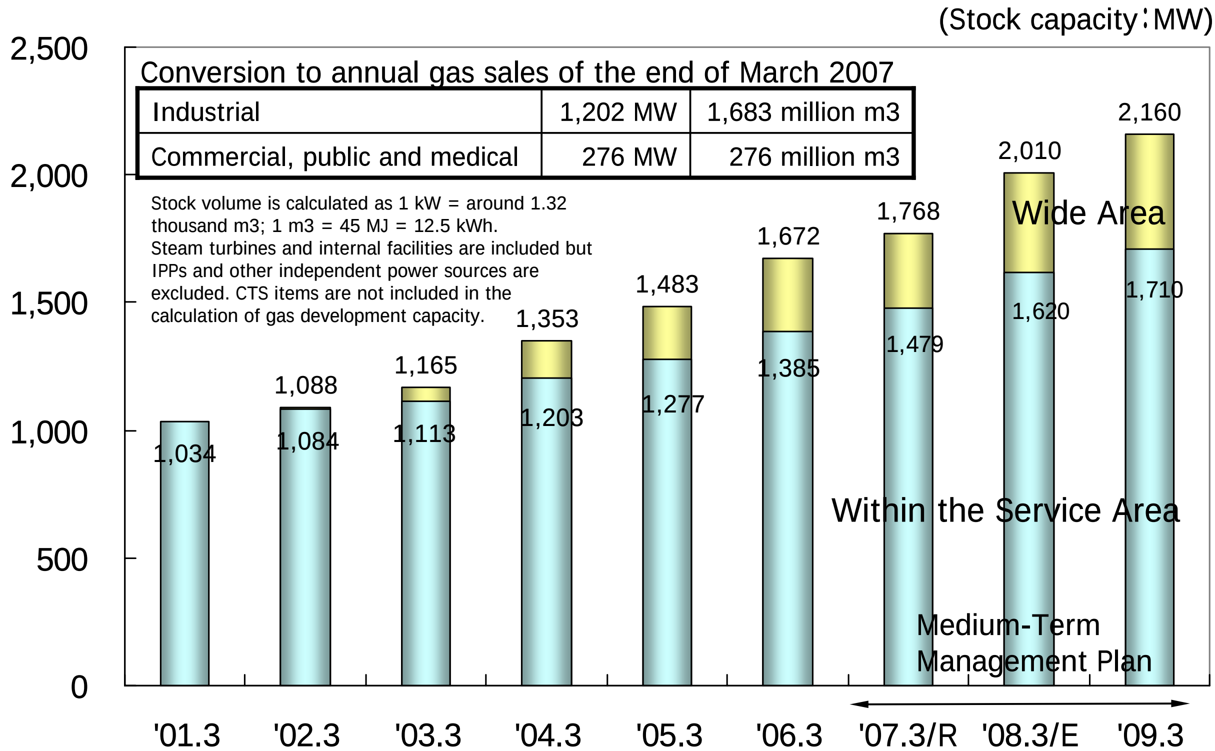
Forecast was announced in March 2007

	FY07.3/R	FY08.3/E	FY09.3	FY10.3	FY11.3	FY12.3
Investment for maintenance	435	431	371	368	391	347
Investment for growth	180	178	166	97	8	0
Total	616	609	537	465	399	347

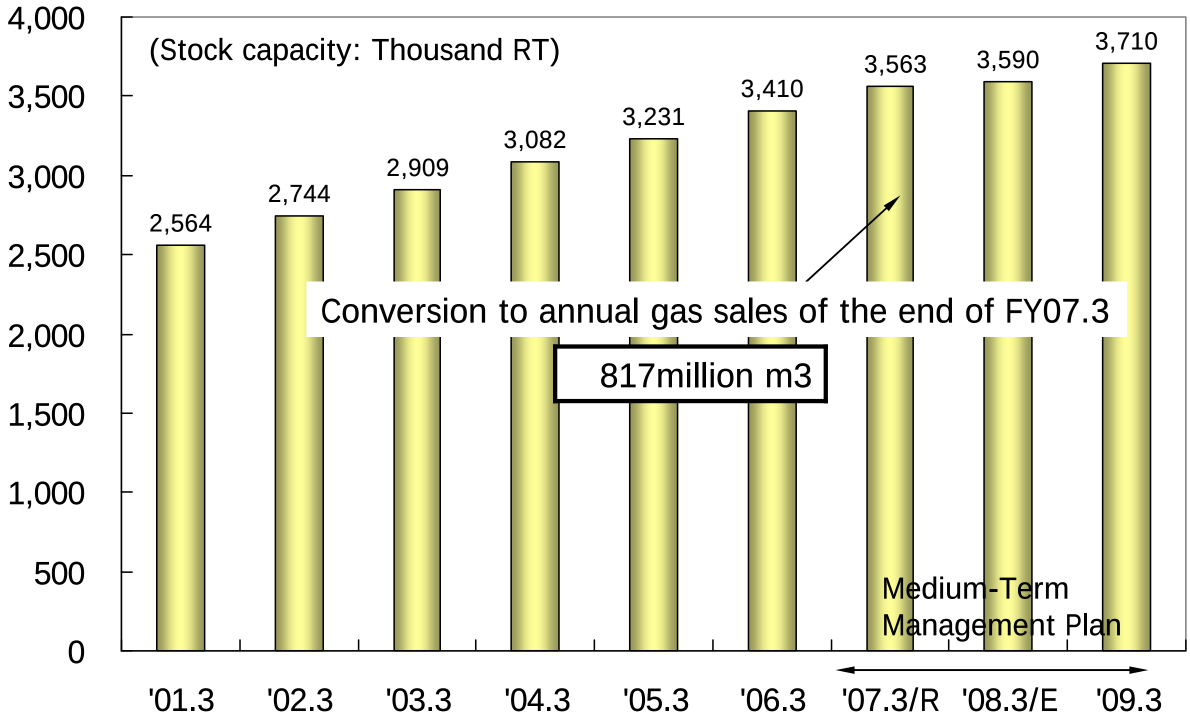
Gas Sales Plan (non-consolidated)



Development of Demand for Cogeneration Systems



Sales Plan of Gas Air-Conditioning Systems



Stock volume includes both absorption type and GHP, 1 RT = 3.516 kW = 240 m3/year

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