Interim Financial Statements for FY08.3
(April 2007-March 2008)

October,2007

Osaka Gas Co.,Ltd

I. 1st half Results and Full Year 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 the following URL.
http://www.osakagas.co.jp/ir/index_e.html

Disclaimer
Certain statements contained herein are forward looking statements, strategy and plans, which reflect our judgment based on the information so far available. Actual results may differ materially from those discussed in such statements. Among the factors that could cause actual results to differ materially are: economic trend in Japan, sharp fluctuations in exchange rate and oil prices and extraordinary weather conditions.

Note regarding consolidated gas sales volume
The fiscal year of Nabari Kintetsu Gas,Sasayama City Gas and Toyooka Energy ends on December 31.

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

Gas Sales for 1st half of FY08.3

45MJ/m3	FY08.3 1st Half		FY07.3 1H	A-C	A/C
	A. Results	B. Forecast	C. Results		(%)
Number of meters installed (thousand)	6,839	6,835	6,780	+59	+0.9
Newly built houses (thousand)	50	50	49	+1	--
Monthly sales per household(m3)	25.0	24.8	26.6	-1.6	-5.9
Residential	862	856	911	-49	-5.4
Commercial, Public, Medical	853	873	892	-40	-4.4
Industrial	2,212	2,277	2,134	+78	+3.7
Non-residential total	3,065	3,150	3,026	+38	+1.3
Wholesale	221	222	189	+32	+16.9
(Non-regulated included)	(2,546)	(2,625)	(2,299)	(+247)	(+10.8)
Non-consolidated total (million m3)	4,148	4,229	4,126	+21	+0.5
Consolidated gas sales	4,164	4,245	4,141	+23	+0.6

3

Design Your Energy
OSAKA GAS

We begin by looking at gas sales up to and including the six months ended September 30, 2007.

In the residential sector, sales were down year on year owing mainly to higher air and water temperatures than in the same period a year earlier. In comparison with initial forecasts, however, sales were up as air temperatures in the first six months of the fiscal year, though variable from month to month, were on average within the normal range.

While sales were lower than a year earlier, this was due to cooler air temperatures in early spring 2006, resulting in above average growth in sales volume last year. Regarding the trend in the present term, sales are growing strongly as initially forecast.

In the commercial, public, and medical sector, a decline in air-conditioning demand on account of low air temperatures in summer (June-July) was the main reason for a decline in sales compared both with a year earlier and with initial forecasts.

Sales to industrial customers exceeded results a year earlier, but decreased plant operation for specified customers and the gap between the envisaged and actual commencement of service to new customers resulted in lower sales than initially forecast.

Results for 1st Half of FY08.3-I

Consolidated basis, 100 million yen, ( )=parent ratio

	FY08.3 1st Half		FY07.3 1H	A-C	A/C
	A. Results	B. Forecast	C. Results		(%)
Revenue	(1.41) 5,436	(1.38) 5,350	(1.39) 5,330	+105	+2.0
Operating profit	(1.67) 388	(1.67) 275	(1.46) 444	-56	-12.8
Ordinary profit	(1.51) 421	(1.41) 275	(1.30) 453	-32	-7.1
Net income	(1.39) 254	(1.28) 160	(1.19) 277	-22	-8.2
SVA	116	20	146	-29	-20.2

Initial forecasts for the first half of FY08.3 were revised as follows on October 15 (unit: 100 million yen):
Revenue: 5,430, Operating profit: 385, Ordinary profit: 415, Net income: 250

	A. Results	B. Forecast	C. Results	A-C
Consolidated gas sales (million m3)	4,164	4,245	4,141	+23
Exchange rate (yen/$)	119.4	120	115.4	+4.0
Crude oil price ($/bbl)	67.8	60	67.8	0
Number of consolidated subsidiaries	128	132	133	-5

SVA(Shareholders' value added) = NOPAT - Invested Capital * WACC

Design Your Energy

OSAKA GAS

Revenue grew some 10.5 billion yen from a year earlier to approximately 543.6 billion yen due to a combination of increased gas sales volume, higher average unit gas rates compared with the same period a year earlier due to adjustments under the fuel cost adjustment system in response to higher LNG prices, and business expansion by consolidated subsidiaries.

Despite the contribution made by consolidated subsidiaries, operating profit declined around 5.6 billion yen year on year to 38.8 billion yen owing to the impact of reduced profits in the residential and small commercial user market caused by the gas rates revision implemented in November 2006, and the impact of higher costs arising from changes in the system of accounting for depreciation costs.

Non-operating profit (loss) improved approximately 2.4 billion yen thanks to an increase in profit on investment in North Sea oil fields and other projects applying the equity method as well as profit on sale of investment securities. Ordinary profit, however, declined around 3.2 billion yen to 42.1 billion yen. In conjunction with the decline in ordinary profit, net income fell 2.2 billion yen to 25.4 billion yen compared with the same period a year earlier.

As regards changes in consolidated subsidiaries, additions included a new consolidated subsidiary created by additional investment in an independent power producer (IPP) in Guam in the U.S., while restructuring in the Liquid Gas Group resulted in some exclusions. The end result was that the number of consolidated subsidiaries declined by five compared with the end of the same period a year earlier, and by four compared with the end of the previous year.

Key Features of Interim Results

- Overall
  - Revenue rose from a year earlier due to a rise in the gas sales price in response to higher LNG prices, and business expansion by consolidated subsidiaries.
  - Despite consolidated subsidiaries' contribution to profit, the revision of gas rates for residential and small commercial customers in November 2006 combined with changes to the depreciation system led to lower profit items below the operating profit compared with a year earlier.
  - Profit rose compared with initial projections owing to lower LNG feedstock costs and fixed costs.
- Gas sales
  - Cool temperatures in early spring 2006 caused the gas sales volume in the residential sector to decline from a year earlier, but sales still exceeded initial forecasts based on temperatures for the average year.
  - In the non-residential sector, sales slightly exceeded initial forecasts due to the impact of temperatures on air-conditioning demand.
- Impacts of rise in oil prices
  - Approximately the same as in the same period a year earlier. Although crude oil prices remained somewhat higher than initially forecast, the impact is expected to be felt mainly in the second half of the year.
- Investments for growth and their contribution to profits
  - Investments worth a total of approximately ¥20 billion were made, the main investments being additional investment in a U.S. IPP (Marianas Energy Company in Guam) and investment in an Australian condensate field.

5

Design Your Energy OSAKA GAS

That completes our summary of interim gas sales volume and consolidated results compared with the same period a year earlier. Having considered performance year on year, we now look at performance compared with initial forecasts and other key points.

To briefly summarize results, while Osaka Gas's non-consolidated revenue was roughly as initially forecast, revenue grew reflecting strong growth in performance by OGIS-RI and the Osaka Gas Chemicals Group.

As regards costs, gas feedstock costs were actually lower than initially forecast despite a rise in crude oil prices during the interim period, this being due to the time it takes for the impact of such a rise in feedstock costs to be felt, together with the ascent of the yen. Due also to a decline in labor costs and shifting of spending entered under costs into the second half of the year, profit items under operating profit increased compared with initial forecasts.

Despite the rising trend in crude oil prices, the upward impact on gas feedstock costs did not manifest itself in the first six months of the year, and is instead likely to be felt from the second half.

Worthy of note is that spending on growth investments implemented in the interim period came to approximately 20 billion yen, and included additional investment in a U.S. IPP and investment in an Australian condensate field, along with construction investment in the ongoing construction of the Semboku Natural Gas Power Plant.

Full Year Forecast of Gas Sales

- The second-half forecast remains unchanged. Overall, sales will be less than initially forecast, but are still projected to grow compared with the first half.

45MJ/m3 A: Announced in Oct. 2007, B: Announced in Apr. 2007	FY08.3/E A	FY08.3/E B	C. FY07.3R	A-C	A/C (%)
Number of meters installed (thousand)	6,871	6,871	6,820	+51	+0.8
Newly built houses (thousand)	128	128	127	+1	--
Monthly gas sales per household (m3)	34.2	34.1	33.5	+0.7	+2.0
Residential	2,364	2,359	2,303	+61	+2.7
Commercial, Public, medial	1,652	1,674	1,664	-11	-0.7
Industrial	4,538	4,602	4,354	+184	+4.2
Non-residential total	6,190	6,276	6,018	+172	+2.9
Wholesale	450	451	416	+34	+8.1
(Non-regulated included)	(5,184)	(5,263)	(4,618)	(+567)	(12.3)
Total of gas sales (million m3)	9,005	9,086	8,738	+267	+3.1
Consolidated gas sales	9,036	9,117	8,764	+271	+3.1

6

Design Your Energy OSAKA GAS

Having thus outlined interim results, we look next at full-year projections for the year ending March 31, 2008.

The gas sales volume is expected to be as initially forecast. The gap between initial forecasts and actual performance in the first half will remain, and gas sales volume overall is expected to continue to grow compared with the previous year, though by less than initially forecast.

Assumptions for FY08.3 (Changes from Initial Projections)

- Parameters
  - The price of crude oil has been changed from US$60/bbl to US$70/bbl in the second half. Over the year as a whole, the expected price of crude oil is changed from US$60/bbl to US$68.9/bbl.
  - The expected exchange rate in the second half is unchanged at US$1=¥120, and is assumed to be US$1=¥119.7 over the full year.
- Gas sales
  - Forecast gas sales in the second half remain as initially forecast, with no change in assumptions.
- Revenue and material cost of non-consolidated gas business
  - Due to the change in the expected crude oil price and rise in LNG prices, higher average unit gas rates and increased feedstock costs are anticipated.
- Consolidated subsidiaries
  - Although subsidiaries generally performed well in the interim period, initial forecasts for the year are held unchanged taking into consideration the time lag in reporting of sales and costs.

Although profits were higher than initially forecast in the interim period, it is assumed that gas sales for the year will be as per the revised projections announced October 15, reflecting the comparatively greater proportion of sales and profits and the increase in gas feedstock costs in the gas segment in the second half of the year.

Consolidated performance is projected to be as per the revised full-year forecast announced along with revisions to expected performance in the interim period on October 15. Below, we explain the reasons behind the revisions to projected performance announced on October 15.

Regarding firstly the forecast parameters, the price of crude oil was revised from the initially projected US$60/bbl to US$70/bbl. The expected exchange rate was held unchanged at US$1=¥120.

Regarding sales, a higher than initially forecast increase in the average unit gas rate in association with higher LNG prices was taken into consideration in projecting non-consolidated gas sales. As regards consolidated subsidiaries, sales grew more briskly than initially forecast up to the interim period, but are presently envisaged to perform as initially projected over the year as a whole.

On the costs front, a rise in crude oil prices has been taken into account in projecting non-consolidated gas feedstock costs. In addition, spending shifted to the interim period is expected to be accrued in the second half, and costs are envisaged to grow more than initially forecast.

Full Year Forecast for FY08.3 I

Consolidated, 100 million yen, ( )=parent ratio

A: Announced in Oct. 2007, B: Announced in Apr. 2007	FY08.3/E A	FY08.3/E B	C. FY07.3R	A-C	A/C (%)
Revenue	(1.36) 12,035	(1.37) 11,905	(1.38) 11,744	+291	+2.5
Operating profit	(1.48) 845	(1.48) 845	(1.47) 937	-92	-9.8
Ordinary profit	(1.37) 830	(1.37) 830	(1.31) 895	-65	-7.3
Net income	(1.26) 490	(1.26) 490	(1.20) 529	-39	-7.4
SVA	215	210	268	-53	-19.8

Except for SVA, the present forecast is identical to the revised forecast of performance announced on October 15. SVA has been changed taking into account the repurchase and retirement of shares planned in the second half of the year.

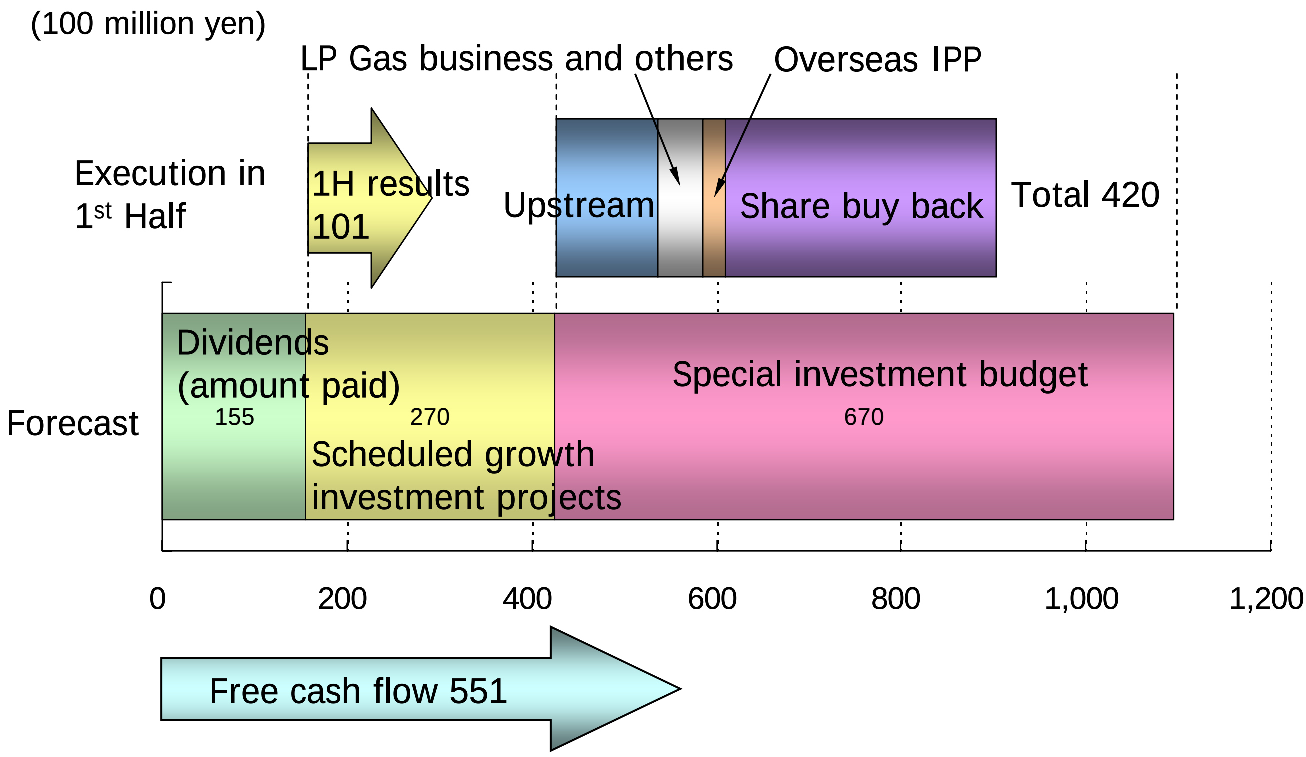
	A	B	C	A-C
Consolidated gas sales (million m3)	9,036	9,117	8,764	+271
Exchange rate (yen/$)	119.7	120.0	117.0	+2.7
Crude oil price ($/bbl)	68.9	60.0	63.4	+5.5
Number of consolidated subsidiaries	131	--	132	-1

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

Design Your Energy OSAKA GAS

Based on the above, forecast sales have been revised up by 13.0 billion yen compared with initial forecasts, while items under operating profit are set to perform as initially forecast.

State of Progress on Execution of Growth Investment in FY08.3



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

This slide explains progress on implementation of growth investments as of the six months ended September 2007.

In the year ending March 2008, we planned to use 110 billion yen for dividends and growth investment, as against expected free cash flow of around 55.1 billion yen.

At the start of the fiscal year, it was expected that 27.0 billion yen of this amount would be spent on growth investment commitments. Broken down, the main element of investment is in the natural gas power plant under construction at the Company’s Semboku Works. Construction of the plant is proceeding according to schedule.

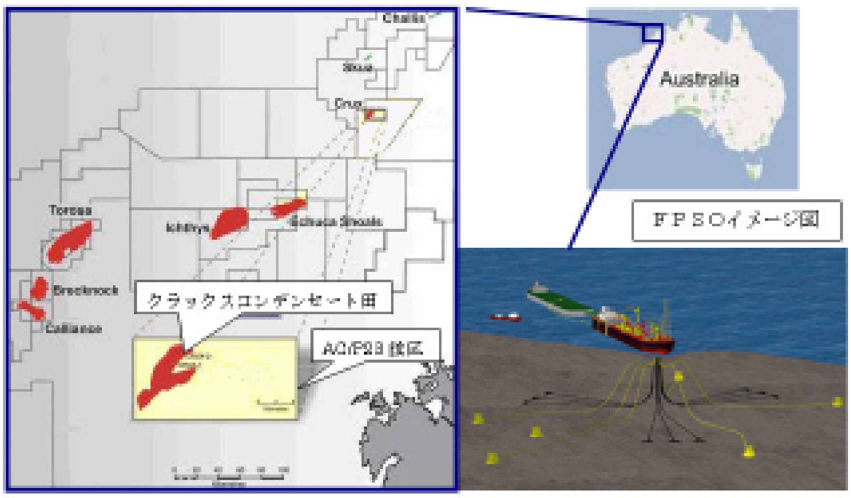
As regards the special investment budget for investment in projects that had not been worked out in detail at the beginning of the year, spending came to 13.0 billion yen combining executed and finalized investments, compared with the initially budgeted 67.0 billion yen for the year.

Regarding growth investment, the search is scheduled to continue in the second half for investment projects that meet our investment criteria. As we have also now passed the midway point of our current three-year mid-term management plan, however, shares in the Company will be repurchased and retired with the objective of providing a return to shareholders and raising capital efficiency.

FY08.3 Topics I:

Involvement in Western Australia Crux Project

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



FPSO: Floating Production Storage and Offloading

The Osaka Gas Group has acquired a 15% interest in a condensate field in the Browse Basin off the coast of Western Australia. A decision on development of this condensate field is to be taken with the Company's investment partner with a view to commencing production in around 2010.

The Group sees upstream operations as a field that contributes to gains in competitiveness and profitability, and acquisition of concession rights not only contributes to consolidated earnings, but is also designed to enable the acquisition of all-round technological and business know-how in upstream fields.

Looking ahead, the Group plans to continue investing in oil and gas fields and LNG projects in Australia.

FY08.3 Topics II:

Announcement of Share Repurchase and Retirement Plan

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

11

Design Your Energy

OSAKA GAS

As noted earlier, in view of our having passed the halfway point in our ongoing three-year mid-term management plan, we will be undertaking a share buyback with the aim of providing a return to shareholders and raising capital efficiency.

Once the buyback has been entirely completed, the shares acquired are to be retired further to a resolution by the Board of Directors.

That concludes our overview of our interim results and full-year forecasts for the year ending March 31, 2008.

The Company faces a severe environment, including rising feedstock costs brought on by steeply rising crude oil prices. By engaging aggressively in growth investment, however, we are taking solid steps as a group toward attainment of the goals outlined in our mid-term management plan as we head into the plan's final year.

End of this presentation

II. References

Design Your Energy

Results for 1st Half of FY08.3-II

Consolidated, 100 million yen	FY08.3 1st Half A. Results	FY08.3 1st Half B. Forecast	FY07.3/R 1H	FY07.3/R C. 2H	Differences A-C	Differences A-B
Total assets	14,300	14,276	13,767	14,056	+243	+24
Total net worth	6,843	6,741	6,477	6,688	+154	+102
Interest-bearing debt	5,401	5,517	5,158	4,878	+523	-115
Capital expenditures	489	436	388	952	+100	+53
Depreciation cost	476	475	411	840	+65	+1
Free cash flow	31	-68	-252	275	+284	+99
Number of employees	16,709	16,735	16,469	16,435	+240	-26
Total net worth ratio	47.9%	47.2%	47.0%	47.6%	+0.8%	+0.6%

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

Increase/Decrease from Prior Year (consolidated)

Units: 100 million yen, Increased results display a plus sign.

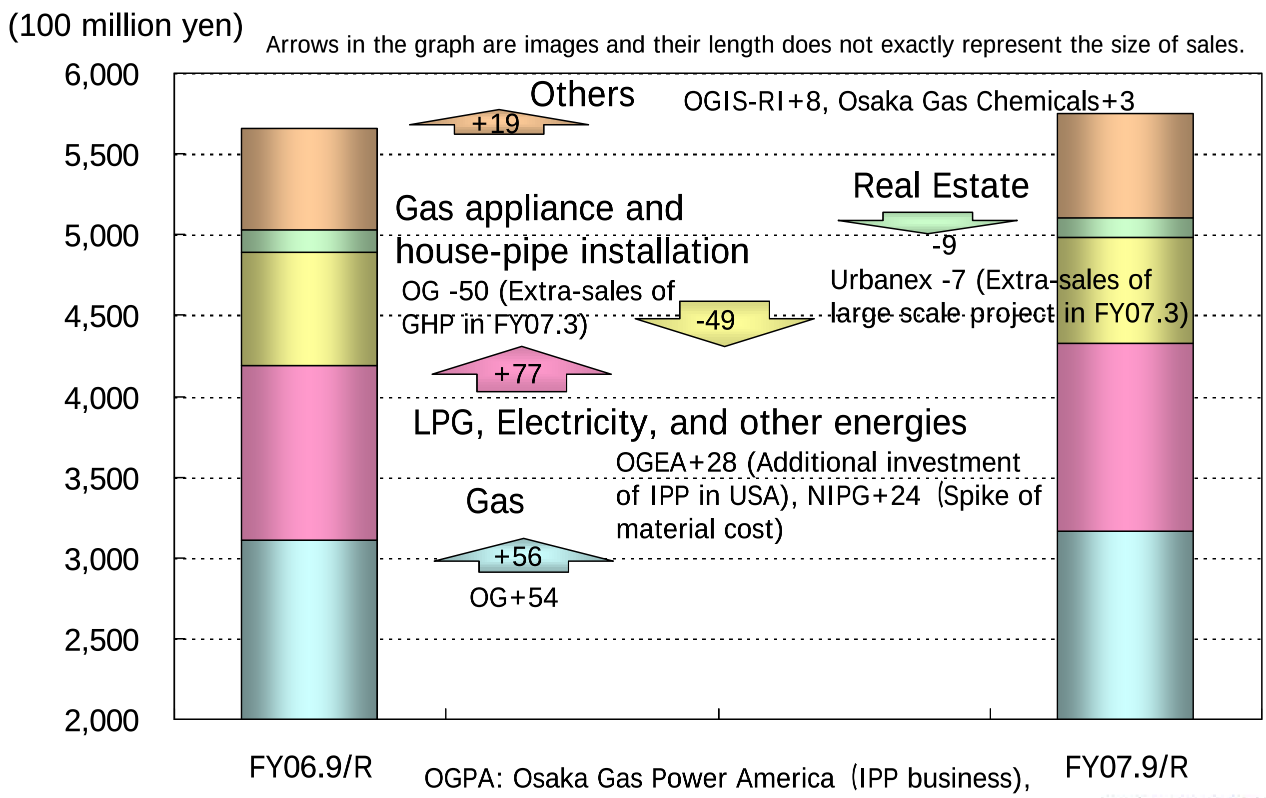
Revenue	+105	Non-consolidated gas	+52	Influence of material cost+80, Tariff revision (Nov. 06)-36, Increase of gas sales and others+9
		Gas appliances (NC)	-35	Decrease sales of Gas Heat Pomp Air-conditioning systems
		Consolidated subsidiaries and others	+83	OGEA+28, Nissho LP Gas+24
Operating Expense	-162	Material cost (NC)	-135	Influence of material cost-108, Increase of gas sales-27
		Gas appliances (NC)	+53	Additional investigation cost in FY07.3
		Consolidated subsidiaries and others	-67	OGEA-18, Nissho LP Gas-19
Operating profit -56				
		Non-operating P/L	+25	Sales of securities+16 Investment profit on equity method +6

OGEA: Osaka Gas Energy America (U.S. IPP investment company)

Design Your Energy

OSAKA GAS

Sales by Segments



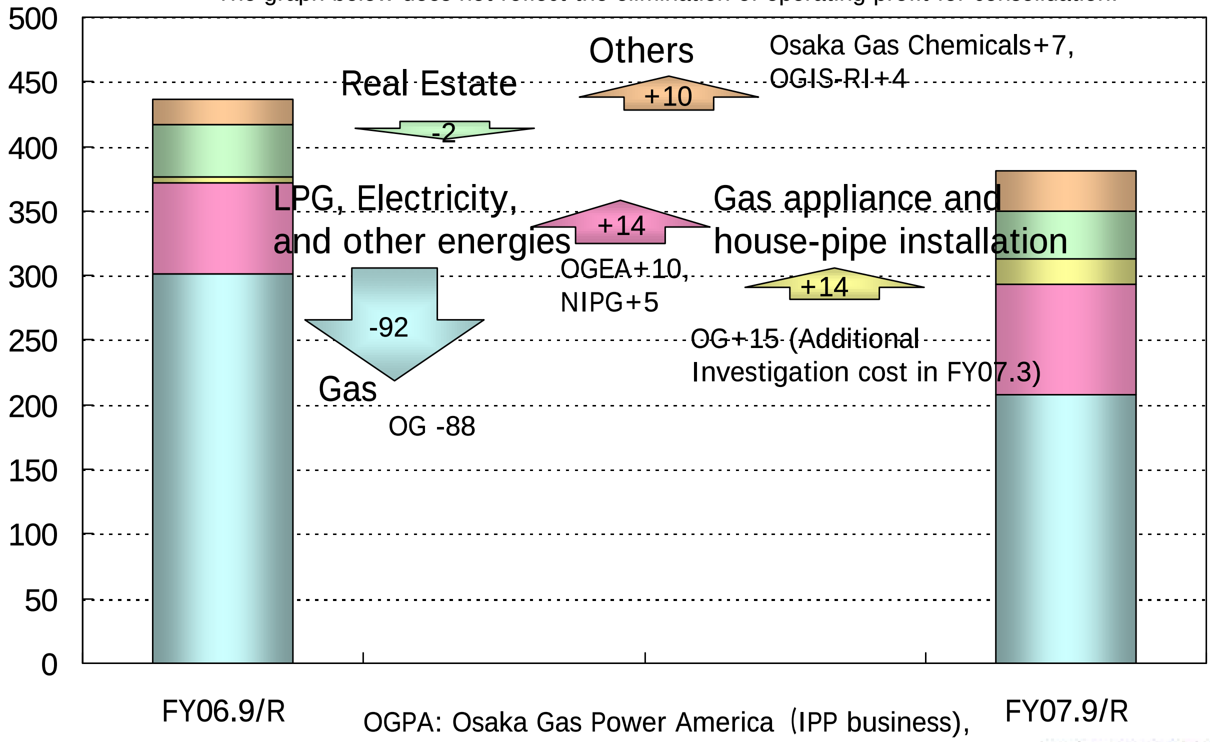
OGPA: Osaka Gas Power America (IPP business),
NIPG: Nissho LP Gas

Design Your Energy OSAKA GAS

Operating Profit by Segments

(100 million yen)

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 for consolidation.



OGPA: Osaka Gas Power America（IPP business),
NIPG: Nissho LP Gas

Design Your Energy
OSAKA GAS

Overview of Non-Energy 2 Segments

Total values of consolidated subsidiaries without adjustments. Figures in the upper left of columns are changes from the same period of the previous year. Non-energy 2 segments = Real estate, Others

100 million yen	Revenue		Net income		References
	1H/R	Full Y/E	1H/R	Full Y/E	
Urbanex Group	-7 129	-12 257	+3 23	-5 29	Decline in revenue due to inclusion of a major building project a year earlier.
OGIS-RI Group	+12 147	+12 355	+3 8	+2 20	Growth in both profit and sales thanks to buoyant sales of systems in overseas markets and also increased gross margin ratio.
Osaka Gas Chemicals Group	+3 163	+0 312	+2 11	+0 8	Increased sales in the activated carbon business (contributing to revenue) and higher sales of fine materials and high-priced products (contributing to profit) led to growth in both revenue and profit.
OG Capital and others	+2 394	+51 915	-0 15	+2 38	Increased revenue due to increased unit sales in security business and facilities management. Decline in profit due primarily to termination of management of group facilities.

Design Your Energy OSAKA GAS

Overview of Energy 3 Segments

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	Revenue		Net income		References
	1H/R	Full Y/E	1H/R	Full Y/E	
Under OG	+28 706	-47 1,462	-36 44	-72 75	Revenue increased by conversion of U.S. IPP to a subsidiary. Decline in profit owing mainly to appropriation of retained earnings relating to Idemitsu Snorre in previous year.
Liquid Gas Group	+5 157	-16 306	-0 6	-0 11	Increase in revenue due to growth in LNG sales and rise in unit sales price. Decline in profit due to increase in depreciation costs.
NIPG Group	+20 613	-22 1,300	+6 2	+8 8	Increased profit and revenue due to rise in unit sales price thanks to rise in CP.
Subsidiaries Total	+65 2,312	+2 4,911	-21 111	-70 186	

Energy 3 segments = Gas, LPG, Electricity, and other energies, Gas appliances and house-pipe installation. NIPG: Nissho LP Gas, CP: LP gas contract price of Saudi Arabia

Design Your Energy OSAKA GAS

Full Year Forecast for FY08.3 II

After share buy back and elimination (30 billion yen, 71 million shares)

100 million yen	FY08.3		C. FY07.3	A-C
	A. Full year/E	B. 1st Half/R	Full year/R	
Total assets	14,810	14,300	14,056	+753
Total net worth	6,691	6,843	6,688	+2
Interest-bearing debt	5,608	5,401	4,878	+729
Capital expenditures	1,018	489	952	+65
Depreciation cost	935	476	840	+94
Free cash flow	551	31	275	+275
Number of employees	16,712	16,709	16,435	+277
ROA	3.4%	--	3.8%	-0.4%
ROE	7.3%	--	8.1%	-0.8%
Total net worth ratio	45.2%	47.9%	47.6%	-2.4%
EPS (yen/share)	22.3	--	23.8	-1.5
BPS (yen/share)	310.7	307.7	300.6	+10.1

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

Risk Factors Affecting Annual Forecasts

- 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.

Design Your Energy OSAKA GAS

Residential Gas Sales

FY08.3 1st half/R

	Change from the previous year	References
Increase of customers	+0.5%	
Influence of temperature	-4.6%	Actual atmospheric temperature 23.5C (+0.3 versus the prior year)
Others	-1.4%	Influence of timing differences in meter-reading (-0.8%) included
Total	-5.4%	

FY08.3 Full Year Forecast

- For the second half-year, residential gas sales will increase as the previous outlook projected, provided atmospheric temperatures remain normal for the year. For the full-year term, as an anticipated sales increase in the first half-year will be realized, the gas sales will increase 6 million m3 from the initial estimate to 2,364 m3. Also increase by 61 million m3 from the previous year due to the higher temperature in last winter.

Commercial, Public and Medical Gas Sales

FY08.3 1st half/R

	Change from the previous year	References
Demand expansion	+4.8%	Acquisition of large-scale commercial properties
Influence of temperature and others	-9.3%	Decrease of air-conditioning demand due to high temperature in spring (heating) and low temperature in summer (cooling)
Total	-4.4%	

FY08.3 Full Year Forecast

- For the second half-year, gas sales are expected to increase as the previous outlook projected if new customers are acquired as expected and provided atmospheric temperatures remain normal for the year.
- For the full-year, gas sales will decrease 20 million m3 from the initial estimate and decrease 11 million m3 from the previous year to 1,652 million m3.

Industrial Gas Sales

FY08.3 1st half/R

	Change from the previous year	References
Demand expansion	+6.8%	Mainly due to switch from other fuels to gas
Increase/decrease of plant operation	-3.3%	Affected by factors including repair of facilities at large-volume users
Total	+3.7%	

FY08.3 Full Year Forecast

- In the first half, demand expansion (such as the commencement of major fuel conversion projects) was offset somewhat by decreased operation at some customers.
- Sales in the second half are expected to be as initially forecast. Over the year, sales are projected to decline 65 million m3 from the initial forecast, and increase 184 million m3 from the previous year to 4,538 million m3.