

Fiscal year ending March 2008
3rd Quarter Financial Results
(cumulative)

January 2008
Osaka Gas Co., Ltd

I. Consolidated results for 3rd quarter and full-year forecast

Management information is available on Osaka Gas websites.

Financial reports, annual reports and road show materials can be accessed and downloaded at the following URL.

http://www.osakagas.co.jp/ir/index_e.html

Disclaimer

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

Note regarding consolidated gas sales volume

The fiscal year of Nabari Kintetsu Gas, Sasayama City Gas and Toyooka Energy ends on December 31.

Note regarding gas sales volume

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

45MJ/m³

	A. 07.4-12 Results	B. 06.4-12 Results	B-A	B/A (%)
Number of meters installed at the end of period (thousand)	6,852	6,794	+58	+0.9%
Installation of new meters (thousand)	75	78	-2.5	--
Monthly gas sales per household (m ³ /month)	26.3	27.4	-1.1	-4.2%
Residential use	1,360	1,411	-51	-3.6%
Commercial, public, and medical use	1,220	1,257	-37	-2.9%
Industrial use	3,311	3,222	+89	+2.7%
Non-residential total	4,531	4,480	+52	+1.2%
Wholesale	332	290	+41	+14.2%
(Including non-regulated)	(3,806)	(3,438)	(+368)	(+10.7%)
Non-consolidated total (million m ³)	6,222	6,181	+42	+0.7%
Consolidated gas sales total	6,246	6,202	+44	+0.7%

First, I would like to talk about the cumulative results of gas sales volume from April to December.

The volume of sales to residential customers decreased by 3.6% from the same term of the previous fiscal year, due to higher atmospheric and water temperatures this fiscal year compared to the previous year.

Sales of gas for commercial, public and medical use were affected by the relatively higher temperatures from March to April that resulted in lower demand for water heaters and room heaters. Sales were also affected by the relatively lower temperatures in June and July that decreased the use of air conditioners. In addition, users' increased consciousness of energy saving was another factor causing the decreased sales volume. In summer, hot days lasted long until September, which temporarily increased demand for air conditioners. However, the cumulative results by the end of December showed a 2.9% decrease in sales volume from the same term of the previous year.

The volume of sales to industrial customers increased by 2.7% from the same term of the previous year, thanks to steady growth of demand.

Consolidated 100 million yen	A. 07.4-12 Results	B. 06.4-12 Results	B-A	B/A (%)
Revenue	8,407	8,159	+248	+3.0%
Operating profit	531	572	-41	-7.2%
Ordinary profit	563	593	-29	-5.0%
Net income	336	359	-22	-6.3%
Consolidated gas sales (million m ³)	6,246	6,202	+44	
Exchange rate (yen/\$)	117.3	116.2	+1.1	
Crude oil price (4/bbl)	72.8	65.5	+7.3	
Number of subsidiaries	130	132	-2	

Next, let me explain the consolidated financial results.

Compared to the results for the same term of the previous year, revenue increased while profits decreased. About details, I will explain them later using the next slide.

On this slide, please look at the trends of foreign exchange rate and crude oil price, both of which are highly influential to the gas business. Regarding exchange rates, the recent trend is slightly favors the yen, but in aggregate, the trend up to the third quarter shows a slightly weaker yen compared to the trend for the same term of the previous year.

Crude oil price continued to soar for the second straight year, and the price increased by about 7 dollars per barrel from the same term of the previous fiscal year.

■ Year-on-year comparison

- Increased revenue: Factors contributing to the increased revenue include increased gas sales volume, higher unit prices of gas under the gas price slide system compared to those in the same term of the previous year, and increased sales achieved by consolidated subsidiaries.
- Decreased operating profit: Factors affecting operating profit include the revision of gas rates for small customers, and changes made to the depreciation system.

■ After September 2007

- Sales volume is again expected to be slightly below forecast, for the second straight term, due to downsized operation of some commercial and industrial customers.
- The trend of material costs during the 3rd quarter was consistent with what we anticipated at the time of the announcement of mid-year results.
- In some LNG purchase contracts, price negotiation has made progress.
- Consolidated subsidiaries enjoyed strong results this term for two terms in succession.

Revenue for the third quarter was 840.7 billion yen, up 24.8 billion yen from the same term of the previous fiscal year, thanks to increased gas sales volume, higher unit sales prices under the gas price slide system compared to the same term of the previous year, and increased sales achieved by consolidated subsidiaries.

As for operating profit, despite significant contributions by consolidated subsidiaries, it declined to 53.1 billion yen, down 4.1 billion yen from the same term of the previous fiscal year, due to the revision of gas rates for small customers that adversely affected income, and to increased expenses due to changes made to the depreciation system. Ordinary profit also decreased to 56.3 billion yen, down 2.9 billion yen from the same term of the previous fiscal year. As for net income for the third quarter, which reflects corporate tax adjustments, it decreased to 33.6 billion yen, down 2.2 billion yen from the same term of the previous fiscal year.

Now, I would like to briefly explain our performance in the third quarter in terms of its contribution to our full-year prospects. Since we have not yet announced estimates for the fourth quarter, we would like to refer to the full-year forecast we made at the end of the second quarter, so you can comprehend the status of how we have been moving toward the goal.

As for the sales volume of gas, it tends to be slightly below forecast, due to downsized operation and energy-saving measures promoted with some commercial and industrial users. Sales to residential customers also tend to become slightly lower than forecast as a result of higher-than-expected temperatures during the third quarter.

When we look at material costs, especially for LNG for city gas, the trend of prices within the third quarter was consistent with what we forecast at the end of the second quarter. However, since the price of crude oil continued to soar during the third quarter, we should take its impact into consideration when we make estimates for the fourth quarter.

We have been negotiating with some LNG suppliers about contract prices, and during the third quarter we have successfully made some progress for revised contracts.

Our consolidated subsidiaries achieved strong results for the first half of this fiscal year, and they

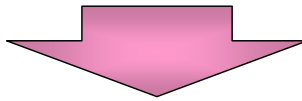
- As a result of taking into consideration the third-quarter sales performance, recent meteorological conditions and customers' business statuses, we have made a downward revision of the estimated non-consolidated gas sales for this fiscal year, by cutting the mid-year estimate by 172 million m³ [cubic meters].

45MJ/m ³	FY08.3/E		C. FY07.3/R	A-C	A/C (%)
	A. Jan.	B. Oct.			
Number of meters	6,869	6,871	6,820	+49	+0.7%
Newly built houses (thousand)	123	128	127	-4	--
Sales per household (m ³ /M)	33.2	34.2	33.5	-0.4	-1.1%
Residential use	2,291	2,364	2,303	-12	-0.5%
Commercial, public, medical	1,648	1,652	1,664	-15	-1.0%
Industrial use	4,438	4,538	4,354	+84	+1.9%
Non-residential total	6,086	6,190	6,018	+68	+1.1%
Whole sale	457	450	416	+40	+9.6%
(including non-regulated)	(5,085)	(5,184)	(4,618)	(+467)	(+10.1%)
Non-consolidated gas sales (million m ³)	8,834	9,005	8,738	+96	+1.1%
Consolidated gas sales	8,864	9,036	8,764	+100	+1.1%

We have made this revision simultaneously with the announcement of the third-quarter settlement, as to the gas sales volume (consolidated and non-consolidated) and projection of full-year business performance (consolidated and non-consolidated).

Regarding the forecast of gas sales volume, we have taken into consideration the third-quarter sales performance, recent meteorological conditions and customers' business statuses, and have made a downward revision of the estimated non-consolidated gas sales for this fiscal year, by cutting the mid-year estimate by 172 million m³ [cubic meters].

- Parameters for 4Q
 - Estimate of crude oil price revised upward from the mid-year's estimate of \$70/bbl to \$90/bbl (initial estimate: \$60).
 - Estimate of foreign exchange rate revised from the previous ¥120 to ¥110 per dollar.
- Non-consolidated: Estimates of profits revised downward.
 - As a result of taking into consideration the recent sales performance, the estimated sales volume by the end of this FY revised downward, by cutting mid-year estimate by 172 million m³.
 - Based on the above parameters together with progress made toward revision of some LNG purchase contracts, assumption is that material costs will increase, with this assumption reflected in the full-year forecast.
- Consolidated subsidiaries: Estimates of profits revised upward.
 - Since they have achieved strong results up to the end of the 3rd quarter, the previous full-year forecast has been revised, assuming an increase in profits in real terms.



The full-year forecast made at mid-year settlement has been revised, upward for consolidated revenue by 17.5 billion yen, and downward for operating profit and ordinary profit by 15.5 billion yen and 12 billion yen, respectively.

Next, I would like to explain the revisions we have made to the projection of our full-year business performance.

First, among the factors influential to fourth-quarter performance, the estimated crude oil price has been revised from the midyear's estimate of \$70/bbl (the initial forecast was \$60) to \$90/bbl. Also, the estimated foreign exchange rate has been revised from the previous 120 yen to 110 yen per dollar.

Regarding the revenue forecast, we revised the estimate of gas sales volume downward; however, revenue is expected to exceed the midyear's forecast, thanks to the increase in LPG selling prices of consolidated subsidiaries.

Consolidated subsidiaries have achieved strong results up to the third quarter, and therefore operating profit, ordinary profit and net income for the term are expected to increase in real terms by the end of this fiscal year. However, due to the soaring crude oil prices to which purchase prices of LNG are linked, affecting non-consolidated accounts, as well as the expected increase of material costs as a result of the LNG price revision, profits are expected to fall below the mid-year forecast.

Consolidated, 100 million yen	FY08.3/E		C. FY07.3/R	Differences	
	A. Jan.	B. Oct.		A-B	A-C
Revenue	(1.40) 12,210	(1.36) 12,035	(1.38) 11,744	+175	+465
Operating profit	(1.82) 690	(1.48) 845	(1.47) 937	-155	-247
Ordinary profit	(1.58) 710	(1.37) 830	(1.31) 895	-120	-185
Net income	(1.41) 410	(1.26) 490	(1.20) 529	-80	-119
SVA	136	215	268	-80	-131

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

Consolidated gas sales (million m ³)	8,864	9,036	8,764	-171	+100
Exchange rate (¥/\$)	115.5	119.7	117.0	-4.2	-1.5
Crude oil price (\$/bbl)	77.1	68.9	63.4	+8.2	+13.6
Number of subsidiaries	131	131	132	0	+2

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

The figures on this chart reflect all the statuses that I have just explained.

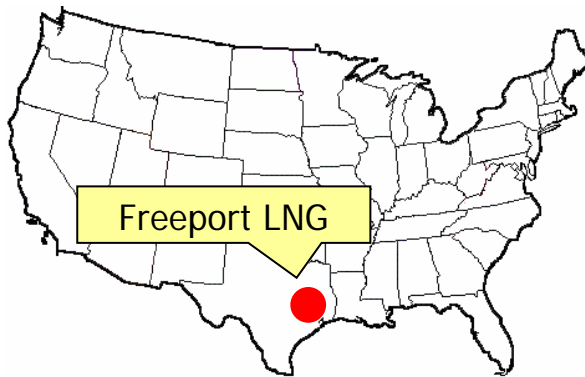
Regarding revisions to the previous full-year forecasts we made and announced at the time of the mid-year settlement, estimated consolidated revenue has been revised upward by 17.5 billion yen, while consolidated operating profit, consolidated ordinary profit and consolidate net income for the term have been revised downward by 15.5 billion yen, 12 billion yen and 8 billion yen, respectively.

We are in the middle of winter season now, the season of significant influence to gas sales. We have quite a few uncertain elements such as the short-term trend of crude oil prices and economic environments; however, we intend to make our best efforts to achieve the goals.

I hope my explanation helped you understand how we are doing and what we forecast for this fiscal year. Lastly, I would like to explain about our project to invest in a LNG terminal in the U.S., which we have recently announced.

Terminal in the U.S.

- We recently announced (on January 30, 2008) that Osaka Gas Group would acquire a 10% limited partnership interest in the Freeport LNG Terminal, which is currently under construction on the coast in the city of Freeport, Texas in the United States.
- Investment amount is 68 million U.S. dollars (about 7.5 billion yen).
- The terminal will have vaporization capacity of about 13 million tons per year and will launch operations in April to June 2008.
- We have already entered into the contract with three companies, ConocoPhillips Company, Dow Chemical Company and Mitsubishi Corporation, for the full-capacity use of the terminal for the maximum period of 25 years.



This project is an investment in the Freeport LNG Terminal, which is currently under construction, and is located in the city of Freeport, south of Houston, Texas.

Osaka Gas Group has decided to acquire a 10% limited partnership interest in the terminal, by using funds allocated for promising investment projects.

The terminal is currently under construction and is expected to start operations in April to June 2008. We believe that we will be able to obtain a stable return from this investment.

Including this investment, the amount determined by management to be used for investment projects has now reached about 50 billion yen (including 30 billion yen to acquire treasury stocks), among this fiscal year's budget of about 67 billion yen that we allocated for promising investment projects. We continue to make efforts to explore promising investment projects that have the ability to drive the future growth of Osaka Gas Group.

II. References

	Residential	Commercial, public, medical	Industrial
Increase of customers	+0.5%	--	--
Timing differences in meter reading	-0.1%	--	--
Influence of temperature	-3.4%	-7.8%	--
Increase/decrease of plant operation and others	-0.7%		-2.7%
Demand expansion	(*)	+4.9%	+5.4%
Total	-3.6%	-2.9%	+2.7%

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

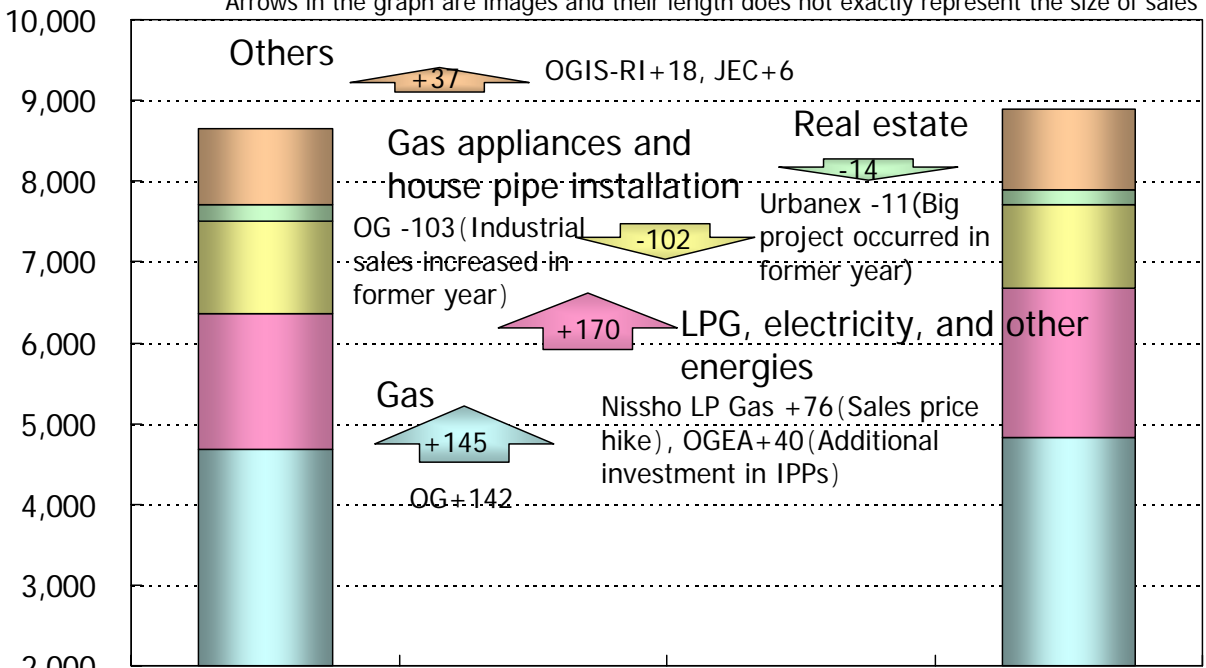
- For commercial, public and medical use
 - Sales continued to be affected by decreased demand for air conditioners attributable to meteorological conditions up to the mid-year term, as well as by the promotion of users' consciousness of energy saving. The status of development of new customers including large-scale commercial accounts is steadily improving.
- For industrial use
 - While development of new customers contributed to the sales, with some new accounts being large-scale facilities initiating fuel conversion to gas, the level of overall sales performance remained the same as at the mid-year settlement, as some existing customers downsized their operation.

Consolidated 100 million yen	A. Dec. 07	B. Mar. 07	A-B
Total asset	14,820	14,056	+763
Shareholders' equity	6,667	6,688	-21
Interest-bearing debt	6,114	4,878	+1,236
	A. Apr-Dec.07	B. Apr-Dec.06	A-B
Capital expenditure	753	685	+67
Depreciation	703	609	+94
Free cash flow	-136	-456	+319

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

(100 million yen)

Arrows in the graph are images and their length does not exactly represent the size of sales



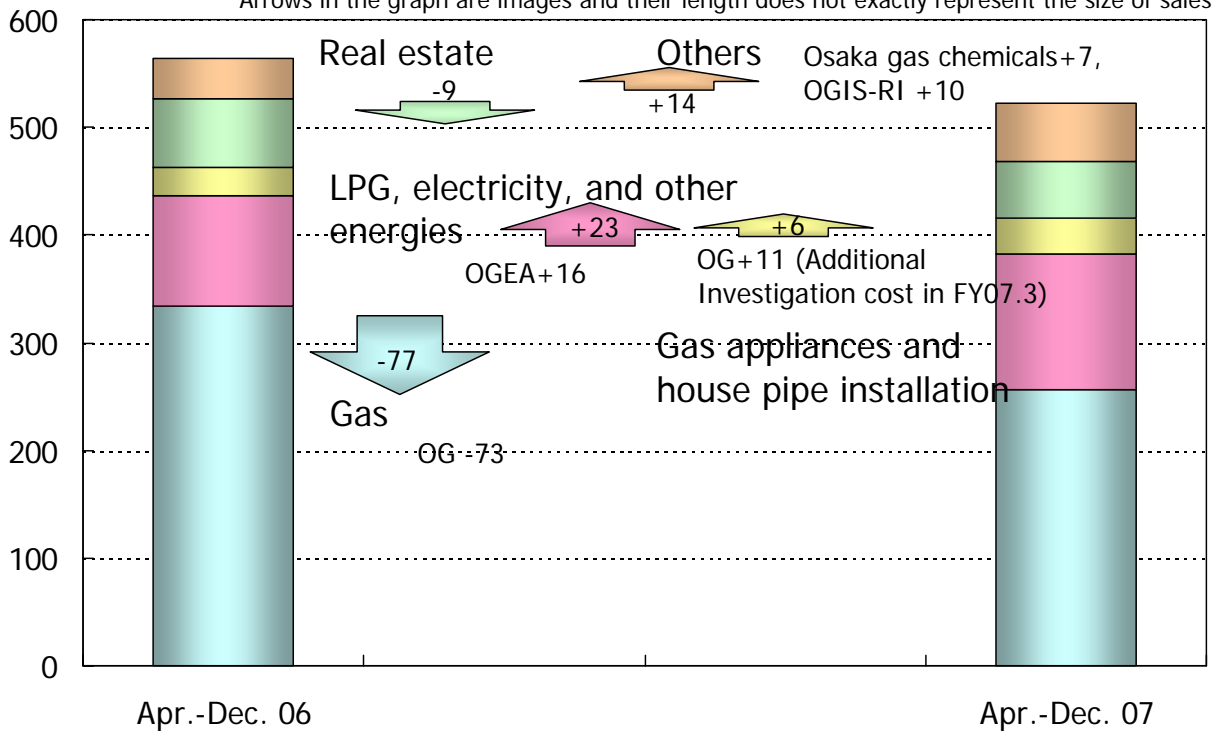
Apr.-Dec. 06

OGEA: Osaka gas energy America ,
JEC: Japan enviro-chemicals

Apr.-Dec. 07

(100 million yen)

Arrows in the graph are images and their length does not exactly represent the size of sales



100 million	FY08.3/E	FY07.3/R	Differences
Total asset	14,810	14,056	+753
Shareholders' equity	6,611	6,688	-77
Interest-bearing debt	5,608	4,878	+729
Capital expenditure	1,018	952	+65
Depreciation	935	840	+94
Free cash flow	431	275	+155
Number of employees	16,712	16,435	+277
ROA	2.8%	3.8%	-1.0%
ROE	6.2%	8.1%	-1.9%
Shareholders' equity ratio	44.6%	47.6%	-3.0%
EPS (yen/stock)	18.6	23.8	-5.2
BPS (yen/stock)	299.8	300.6	-0.8

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

- 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.