

Consolidated Balance Sheets

Osaka Gas Co., Ltd.
March 31, 2006 and 2007

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2007	2007
Property, Plant and Equipment, at Cost:			
Production facilities	¥ 495,219	¥ 494,704	\$ 4,190,631
Distribution facilities	1,501,529	1,552,083	13,147,675
Service and maintenance facilities	144,906	141,235	1,196,400
Other	385,168	417,896	3,539,992
Construction in progress	64,202	60,974	516,510
	2,591,024	2,666,892	22,591,208
Less accumulated depreciation	(1,805,979)	(1,861,357)	(15,767,531)
	785,045	805,535	6,823,677
Intangibles and Deferred Assets	29,179	28,562	241,948
Investments and Other Assets:			
Investments in securities:			
Unconsolidated subsidiaries and affiliated companies	51,975	52,355	443,499
Other (Note 4)	137,226	129,714	1,098,806
Other investments and other assets (Note 13)	111,678	108,850	922,066
Allowance for doubtful receivables	(1,665)	(915)	(7,751)
	299,214	290,004	2,456,620
Current Assets:			
Cash and time deposits	49,496	27,070	229,310
Receivables:			
Trade notes and accounts	126,800	135,468	1,147,548
Allowance for doubtful receivables	(851)	(762)	(6,455)
	125,949	134,706	1,141,093
Inventories	44,868	53,366	452,063
Other current assets (Note 13)	64,881	66,439	562,803
Total current assets	285,194	281,581	2,385,269
	¥ 1,398,632	¥ 1,405,682	\$ 11,907,514

See accompanying notes.

LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY/NET ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2007	2007
Long-term Debt Due after One Year (Note 5)	¥ 387,994	¥ 363,472	\$ 3,078,967
Deferred Tax Liabilities (Note 13)	23,267	21,895	185,472
Deferred Tax Liabilities Related to Land Revaluation (Note 8)	42	57	483
Employees' Severance and Retirement Benefits (Note 12)	8,732	8,910	75,476
Reserve for Repairs of Gas Holders	1,730	1,705	14,443
Reserve for Safety Actions	–	3,708	31,410
Other Noncurrent Liabilities	20,957	17,916	151,767
Current Liabilities:			
Short-term loans (Note 5)	31,943	27,491	232,876
Long-term debt due within one year (Note 5)	67,513	46,864	396,984
Trade notes and accounts payable	45,803	45,444	384,956
Accrued income and enterprise taxes	39,772	23,892	202,389
Accrued expenses	58,230	57,678	488,590
Other current liabilities (Note 13)	65,463	99,985	846,971
Total current liabilities	308,724	301,354	2,552,766
Contingent Liabilities (Note 7)			
Minority Interests	18,675	–	–
Shareholders' Equity:			
Common stock			
Authorized — 3,707,507 thousand shares			
Issued — 2,235,670 thousand shares	132,167	–	–
Capital surplus	19,521	–	–
Retained earnings	410,683	–	–
Revaluation reserve for land, net of taxes (Note 8)	62	–	–
Net unrealized gains on securities, net of taxes	63,649	–	–
Foreign currency translation adjustments	4,986	–	–
Treasury stock, at cost — 8,148,986 shares in 2006	(2,557)	–	–
Total shareholders' equity	628,511	–	–
	¥1,398,632	¥ –	\$ –
Net Assets (Note 6):			
Common stock			
Authorized — 3,707,507 thousand shares			
Issued — 2,235,670 thousand shares	–	132,167	1,119,585
Capital surplus	–	19,535	165,481
Retained earnings	–	447,909	3,794,231
Treasury stock, at cost — 10,581,106 shares in 2007	–	(3,671)	(31,097)
Net unrealized gains on securities, net of taxes	–	55,509	470,216
Net unrealized gains on hedging derivatives, net of taxes	–	9,180	77,764
Revaluation reserve for land, net of taxes (Note 8)	–	84	711
Foreign currency translation adjustments	–	8,175	69,250
Minority interests	–	17,777	150,589
Total	–	686,665	5,816,730
	¥ –	¥1,405,682	\$11,907,514

Consolidated Statements of Income

Osaka Gas Co., Ltd.
Years ended March 31, 2006 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2007	2007
Operating Revenues (Note 14)	¥1,065,961	¥1,174,457	\$9,948,810
Costs and Expenses (Notes 9, 14):			
Costs	636,479	755,694	6,401,474
Selling, general and administrative expenses	328,825	325,033	2,753,350
	965,304	1,080,727	9,154,824
Operating Income (Note 14)	100,657	93,730	793,986
Other Income (Expenses):			
Interest and dividend income	2,113	2,728	23,109
Interest expense	(6,475)	(9,584)	(81,186)
Equity in net income of affiliates	2,435	3,328	28,191
Gain on sale of investment securities	5,088	3,274	27,734
Gain on sale of investments in subsidiaries	5,400	—	—
Gain on disposal of LNG handling facilities	23,025	—	—
Loss on debt assumption	—	(3,123)	(26,455)
Gain on sale of property, plant and equipment	661	1,233	10,445
Loss on sale of property, plant and equipment	—	(833)	(7,056)
Loss from impairment of fixed assets (Note 15)	(66)	(1,872)	(15,858)
Other, net	(444)	(802)	(6,794)
	31,737	(5,651)	(47,870)
Income before Income Taxes and Minority Interests	132,394	88,079	746,116
Income Taxes— Current	41,804	31,317	265,286
— Deferred	9,134	2,634	22,313
Minority Interests	(745)	(1,198)	(10,148)
Net Income	¥ 80,711	¥ 52,930	\$ 448,369

	Yen		U.S. Dollars (Note 1)
	2006	2007	2007
Per Share of Common Stock:			
Net income	¥ 36.18	¥ 23.77	\$ 0.201
Net income – diluted	—	—	—
Cash dividends applicable to the year	7.00	7.00	0.059

See accompanying notes.

Consolidated Statement of Shareholders' Equity

Osaka Gas Co., Ltd.
Year ended March 31, 2006

	Millions of Yen							
	Shares of Common Stock Issued (Thousands)	Common Stock	Capital Surplus	Retained Earnings	Revaluation Reserve for Land	Net Unrealized Gains on Securities	Foreign Currency Translation Adjustments	Treasury Stock, at Cost
Balance at March 31, 2005	2,369,012	¥132,167	¥19,498	¥384,350	¥81	¥33,677	¥3,145	¥(42,056)
Net income				80,711				
Increase in net unrealized gains on securities						29,972		
Adjustments from translation of foreign currency financial statements							1,841	
Cash dividends (including interim dividends)				(14,485)				
Bonuses to directors				(87)				
Increase due to exclusion from consolidated subsidiaries				153				
Retirement of treasury stock	(133,342)			(39,978)				39,978
Reversal of land revaluation				19	(19)			
Increase due to sale of treasury stock			23					
Increase in treasury stock, net								(479)
Balance at March 31, 2006	2,235,670	¥132,167	¥19,521	¥410,683	¥62	¥63,649	¥4,986	¥ (2,557)

Consolidated Statement of Changes in Net Assets

Osaka Gas Co., Ltd.
Year ended March 31, 2007

	Millions of Yen										
	Shares of Common Stock Issued (Thousands)	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock, at Cost	Net Unrealized Gains on Securities, Net of Taxes	Net Unrealized Gains on Hedging Derivatives, Net of Taxes	Revaluation Reserve for Land, Net of Taxes	Foreign Currency Translation Adjustments	Minority Interests	Total
Shareholders' equity at March 31, 2006 as previously reported	2,235,670	¥ 132,167	¥ 19,521	¥ 410,683	¥ (2,557)	¥ 63,649	¥ -	¥ 62	¥ 4,986	¥ -	¥ 628,511
Reclassification due to adoption of new accounting standards for presentation of net assets in the balance sheet at April 1, 2006										18,675	18,675
Net assets at April 1, 2006		132,167	19,521	410,683	(2,557)	63,649	-	62	4,986	18,675	647,186
Net income				52,930							52,930
Cash dividends paid (including interim dividends)				(15,591)							(15,591)
Bonuses to directors				(91)							(91)
Reversal of land revaluation				(22)				22			
Increase due to sale of treasury stock			14		47						61
Increase in treasury stock					(1,161)						(1,161)
Changes in net unrealized gains on securities, net of taxes						(8,140)					(8,140)
Changes in net unrealized gains on hedging derivatives, net of taxes							9,180				9,180
Adjustments from translation of foreign currency financial statements								3,189			3,189
Net changes during the year										(898)	(898)
Balance at March 31, 2007	2,235,670	¥132,167	¥19,535	¥447,909	¥(3,671)	¥55,509	¥9,180	¥84	¥8,175	¥17,777	¥686,665

	Thousands of U.S. Dollars (Note 1)										
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock, at Cost	Net Unrealized Gains on Securities, Net of Taxes	Net Unrealized Gains on Hedging Derivatives, Net of Taxes	Revaluation Reserve for Land, Net of Taxes	Foreign Currency Translation Adjustments	Minority Interests	Total	
Shareholders' equity at March 31, 2006 as previously reported	\$ 1,119,585	\$ 165,362	\$ 3,478,890	\$ (21,660)	\$ 539,170	\$ -	\$ 525	\$ 42,236	\$ -	\$ 5,324,108	
Reclassification due to adoption of new accounting standards for presentation of net assets in the balance sheet at April 1, 2006									158,196	158,196	
Net assets at April 1, 2006	1,119,585	165,362	3,478,890	(21,660)	539,170	-	525	42,236	158,196	5,482,304	
Net income			448,369							448,369	
Cash dividends paid (including interim dividends)			(132,071)							(132,071)	
Bonuses to directors			(771)							(771)	
Reversal of land revaluation			(186)				186				
Increase due to sale of treasury stock		119		398						517	
Increase in treasury stock				(9,835)						(9,835)	
Changes in net unrealized gains on securities, net of taxes					(68,954)					(68,954)	
Changes in net unrealized gains on hedging derivatives, net of taxes						77,764				77,764	
Adjustments from translation of foreign currency financial statements							27,014			27,014	
Net changes during the year									(7,607)	(7,607)	
Balance at March 31, 2007	\$1,119,585	\$165,481	\$3,794,231	\$(31,097)	\$470,216	\$77,764	\$711	\$69,250	\$150,589	\$5,816,730	

See accompanying notes.

Consolidated Statements of Cash Flows

Osaka Gas Co., Ltd.
Years ended March 31, 2006 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2007	2007
Cash Flows from Operating Activities:			
Income before income taxes and minority interests	¥ 132,394	¥ 88,079	\$ 746,116
Adjustments to reconcile net income before income taxes to net cash provided by operating activities:			
Depreciation	84,251	84,032	711,834
Amortization of long-term prepaid expenses	2,244	3,913	33,147
Loss from impairment of fixed assets	66	1,872	15,858
Increase in reserve for safety actions	–	3,708	31,410
Increase in prepaid pension expenses	(2,703)	(11,852)	(100,398)
Interest and dividend income	(2,113)	(2,728)	(23,109)
Interest expense	6,475	9,584	81,186
Loss on debt assumption	–	3,123	26,455
Equity in net income of affiliates	(2,435)	(3,328)	(28,191)
Gain on sale of investment securities	(5,088)	(3,274)	(27,734)
Gain on sales of investments in subsidiaries	(5,400)	–	–
Loss on disposal of property, plant and equipment	2,349	3,199	27,099
Increase in receivables	(8,329)	(8,701)	(73,706)
Increase in inventories	(2,270)	(8,550)	(72,427)
Increase (decrease) in accrued expenses	6,509	(2,339)	(19,814)
Other	(19,944)	(12,117)	(102,643)
Total adjustments	53,612	56,542	478,967
Interest and dividends received	1,977	11,162	94,553
Interest paid	(6,497)	(9,567)	(81,042)
Income and enterprise taxes paid	(28,551)	(47,861)	(405,430)
Net cash provided by operating activities	152,935	98,355	833,164
Cash Flows from Investing Activities:			
Acquisition of property, plant and equipment	(115,244)	(85,836)	(727,116)
Proceeds from sales of property, plant and equipment	–	2,945	24,947
Acquisition of intangibles	(2,462)	(2,278)	(19,297)
Payment for long-term prepaid expenses	(5,941)	(6,267)	(53,088)
Purchase of investments in securities	(2,741)	(6,152)	(52,113)
Proceeds from sale of investment securities	12,260	4,381	37,112
Purchase of investments in subsidiaries and affiliates	(40,037)	(4,583)	(38,823)
Other	(8,825)	(1,976)	(16,739)
Net cash used in investing activities	(162,990)	(99,766)	(845,117)
Cash Flows from Financing Activities:			
Net increase (decrease) in short-term loans	1,282	(4,469)	(37,857)
Net increase in commercial paper	–	50,000	423,550
Proceeds from long-term debt	54,224	22,664	191,987
Repayment of long-term debt	(21,989)	(18,255)	(154,638)
Proceeds from issuance of bonds	19,976	29,976	253,926
Repayment of bonds	(35,000)	(82,913)	(702,355)
Cash dividends paid	(14,437)	(15,544)	(131,673)
Cash dividends paid to minority shareholders	(150)	(2,545)	(21,559)
Other	9,340	(923)	(7,819)
Net cash provided by (used in) financing activities	13,246	(22,009)	(186,438)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	273	170	1,440
Net Increase in Cash and Cash Equivalents	3,464	(23,250)	(196,951)
Cash and Cash Equivalents at Beginning of Year	44,279	47,727	404,295
Decrease in Cash and Cash Equivalents by Exclusion from Consolidation	(16)	–	–
Cash and Cash Equivalents at End of Year	¥ 47,727	¥ 24,477	\$ 207,344
Supplemental Disclosures of Cash Flow Information:			
Cash and Cash Equivalents:			
Cash and time deposits in the balance sheet	¥ 49,496	¥ 27,070	\$ 229,310
Time deposits with maturities over three months	(1,769)	(2,593)	(21,966)
Cash and Cash Equivalents at End of Year	¥ 47,727	¥ 24,477	\$ 207,344

See accompanying notes.

Notes to Consolidated Financial Statements

Osaka Gas Co., Ltd.
March 31, 2006 and 2007

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Gas Utility Law and related regulations, the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English, with some expanded descriptions and the inclusion of consolidated statements of shareholders' equity, from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The consolidated balance sheet as of March 31, 2007, which was prepared in accordance with the new accounting standard as discussed in Note 3(1), was presented with the consolidated balance sheet as of March 31, 2006, prepared in accordance with the previous presentation rules.

Also, as discussed in Note 3(2), the consolidated statement of changes in net assets for the year ended March 31, 2007 was prepared in accordance with the new accounting standard. The accompanying consolidated statement of shareholders' equity for the year ended March 31, 2006 was voluntarily prepared for the purpose of inclusion in the consolidated financial statements although not required to be filed with the Local Finance Bureau.

The translation of the Japanese yen amounts into U.S. dollars was included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2007, which was ¥118.05 to U.S.\$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be converted into U.S. dollars at this or any other rate of exchange.

Certain consolidated financial statement items in 2006 were reclassified to conform to the presentation in 2007.

2. Significant accounting policies

(1) Consolidation

Companies which are owned 40% or more and substantially controlled by the Company are considered subsidiaries and included in the consolidation in principle.

The consolidated financial statements in 2006 and 2007 included the accounts of the Company and its 136 and 132 (except 2 subsidiaries) subsidiaries, respectively. One subsidiary was newly consolidated and five subsidiaries were excluded from consolidation. Intercompany transactions and accounts were eliminated. All material unrealized profit included in assets resulting from intercompany transactions was eliminated.

The accounts of 39 and 3 consolidated subsidiaries were included on the basis of their fiscal years that end on December 31 and February 28, respectively. These subsidiaries do not prepare for consolidation purposes statements with the periods that corresponds to the fiscal year of the Company. For these 42 consolidated subsidiaries, when there are significant transactions between their respective fiscal year-ends and the Company's year-end, necessary adjustments were made to reflect these transactions in the accompanying consolidated financial statements.

The difference between the Company's cost of investment in its consolidated subsidiaries and the equity in the net assets at date of acquisition is amortized within 20 years on a straight-line basis. If the difference is not significant, it is charged or credited to income in the first year of consolidation.

Investments in 4 significant affiliates are accounted for by the equity method at March 31, 2006 and 2007. Affiliates that have an insignificant impact on consolidated net income and consolidated retained earnings are not accounted for by the equity method.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiary.

(2) Consolidated statements of cash flows

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

(3) Inventories

Inventories are mainly valued at moving average cost.

(4) Securities

Under the Japanese accounting standard for financial instruments, all companies are required to examine the intent of holding each security and classify those securities as 1) securities held for trading purposes ("trading securities"), 2) debt securities intended to be held to maturity ("held-to-maturity debt securities"), 3) equity securities issued by subsidiaries and affiliates, and 4) all other securities that are not classified in any of the above categories ("available-for-sale securities").

The Company and its consolidated subsidiaries (the "Companies") have no trading securities. Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliates that are not consolidated or accounted for using the equity method are stated at moving average cost. Available-for-sale securities whose fair value is readily determinable are stated at fair value as of the end of the year with unrealized gains and losses, net of applicable deferred tax assets/liabilities and minority interests, directly reported as a separate component of net assets rather than reflected in earnings. Realized gains or losses on the sales of such securities are computed using moving average cost. Debt securities with no available fair market value are stated at amortized cost, net of the amount considered not collectible. Other securities with no available fair market value are stated at moving average cost.

If the market value of equity securities issued by nonconsolidated subsidiaries or affiliated companies or the market value of available-for-sale securities declines significantly, such securities are stated at fair value and the difference between fair value and the carrying amount is recognized as loss in the period of the decline. If the fair value of equity securities issued by such subsidiaries and affiliated companies is not readily available, such securities should be written down to net asset value in the event net asset value declines significantly. Unrealized losses on these securities are reported in the income statement.

(5) Derivatives and hedge accounting

Derivatives are stated at market value. See Note 2(15).

(6) Property, plant and equipment

Depreciation is provided mainly on the declining balance method (the straight-line method by certain consolidated subsidiaries) over estimated the useful life of the asset. However, the Company and its domestic consolidated subsidiaries depreciate buildings acquired on or after April 1, 1998 on the straight-line method.

Repair and maintenance expenditures, excluding those for gas holders, are charged to income when incurred and major improvements are capitalized.

Certain capital gains arising from beneficiaries' contributions or expropriations of property, deferral of which is permitted for tax purposes, are offset against the acquisition cost of property purchased. The cumulative capital gains offset against the acquisition cost of property, plant and equipment at March 31, 2006 and 2007 were ¥291,936 million and ¥296,407 million (\$2,510,860 thousand), respectively.

(7) Software costs

The Companies include software in intangible assets and amortize it using the straight-line method over estimated useful life of the software.

(8) Allowance for doubtful receivables

The Companies provide the allowance for doubtful accounts principally at an amount computed based on the actual ratio of bad debts in the past plus estimated uncollectible amounts based on an analysis of certain individual receivables.

(9) Employees' severance and retirement benefits

The Companies provide two types of post-employment benefit plans, unfunded lump-sum payment plans and funded contributory pension plans, under which all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or termination, length of service and certain other factors. A portion of the benefits previously paid by the defined benefits plan is now covered by a defined contribution plan.

The Companies provide for employees' severance and retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of plan assets.

Prior service costs are recognized in expenses when they arise, and actuarial gains and losses are recognized in expenses over 10 years commencing with the following period.

(10) Reserve for repairs of gas holders

The Company and certain consolidated subsidiaries provide for future repairs to gas holders by estimating future expenditures and charging the amounts to income in equal annual amounts. The difference between the actual expenditure and the amount estimated and provided for is charged to income in the year the repair is completed.

(11) Reserve for safety actions

The Company provides for future payments for security for the gas consumer by estimating future expenditures for promoting the transition to safe model machinery and reinforcing the duty to monitor for safety and keep the consumer informed.

(12) Income taxes

Income taxes comprise corporation tax, prefectural and municipal inhabitants taxes and enterprise tax.

The Companies recognize tax effects of loss carryforwards and temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

(13) Translation of foreign currencies

Receivables and payables denominated in foreign currencies are translated into Japanese yen at year-end rates.

Assets and liabilities of foreign subsidiaries are translated into Japanese yen at year-end rates. Net assets are translated into Japanese yen at historical rates. Income and expenses are translated into Japanese yen at average rates for the year. The translation differences arising from the use of different rates are recognized in minority interests and as foreign currency translation adjustments in the consolidated balance sheets.

(14) Accounting for leases

Finance leases which do not transfer ownership are accounted for in the same manner as operating leases under Japanese GAAP.

(15) Derivative transactions and hedge accounting

The Companies state derivative financial instruments at fair value at the end of the fiscal year and recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies defer recognition of gains or losses resulting from changes in the fair value of the derivative financial instruments until the related losses or gains on the hedged items are recognized.

However, in cases where forward foreign currency exchange contracts and currency swap contracts are used as hedges and meet certain hedging criteria, forward foreign currency exchange contracts and currency swap contracts and the hedged items are accounted for in the following manner:

If a forward foreign currency exchange contract or a currency swap contract is executed to hedge an existing foreign currency receivable or payable, the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable, translated using the spot rate at the inception date of the contract, and the book value of the receivable or payable is recognized in the income statement in the period which includes the inception date.

If a forward foreign currency exchange contract or a currency swap contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign currency exchange contract will be recognized.

Also, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

(16) Net income per share

The computations of net income per share of common stock shown on the consolidated statements of income are based on the weighted average number of shares outstanding during each fiscal year.

Diluted net income per share of common stock for the years ended March 31, 2006 and 2007 was not shown since there were no outstanding convertible bonds or other common stock equivalents.

3. Change in accounting policies

(1) Accounting Standards for Presentation of Net Assets in the Balance Sheet

Effective from the year ended March 31, 2007, the Companies adopted the new accounting standard, "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Statement No. 5 issued by the Accounting Standards Board of Japan on December 9, 2005) and the implementation guidance for the accounting standard for presentation of net assets in the balance sheet (the Financial Accounting Standard Implementation Guidance No. 8 issued by the Accounting Standards Board of Japan on December 9, 2005), (collectively, "the New Accounting Standards").

Under the New Accounting Standards, the following items were presented differently at March 31, 2007 compared to March 31, 2006. The net assets section included unrealized gains/losses on hedging derivatives, net of taxes. Under the previous presentation rules, unrealized gains/losses on hedging derivatives were included in the assets or liabilities section without considering the related income tax effects. Minority interests were included in the net assets section at March 31, 2007. Under the previous presentation rules, companies were required to present minority interests between the noncurrent liabilities and the shareholders' equity sections.

The amount corresponding to "shareholders' equity" before the adoption of these accounting standards was ¥659,707 million (\$5,588,369 thousand).

(2) Accounting Standard for Statement of Changes in Net Assets

Effective from the year ended March 31, 2007, the Companies adopted the new accounting standard, "Accounting Standard for Statement of Changes in Net Assets" (Statement No. 6 issued by the Accounting Standards Board of Japan on December 27, 2005) and the implementation guidance for the accounting standard for statement of changes in net assets (the Financial Accounting Standard Implementation Guidance No. 9 issued by the Accounting Standards Board of Japan on December 27, 2005), (collectively, "the Additional New Accounting Standards").

The Company prepared the accompanying consolidated statement of changes in net assets for the year ended March 31, 2007 in accordance with the Additional New Accounting Standards. The accompanying consolidated statement of shareholders' equity for the year ended March 31, 2006, which was voluntarily prepared for inclusion in the consolidated financial statements, was not adapted to the new presentation rules of 2007.

(3) Practical Treatment of Accounting for Deferred Assets

Effective from the year ended March 31, 2007, the Companies adopted "Practical Treatment of Accounting for Deferred Assets" (Practical Application Report No. 19 issued on August 11, 2006). "Premium on bonds" of ¥80 million (\$678 thousand) which was included in the "Deferred assets" account in the previous year was excluded from the bonds, included in the "Long-term debt" account.

(4) Accounting Standards for Financial Instruments

Effective from the year ended March 31, 2007, the Companies adopted "Accounting Standards for Financial Instruments" (the final revision of Accounting Standards No. 10, issued on August 11, 2006).

4. Securities

(1) The following tables summarize acquisition costs, book values (fair values) of available-for-sale securities with available fair values as of March 31, 2006 and 2007:

Securities with available fair values (book values) that exceed acquisition cost:

	Millions of Yen			Thousands of U.S. Dollars
	Acquisition Cost	Book Value	Difference	Difference
For 2006:				
Equity securities	¥ 21,348	¥ 122,965	¥101,617	
For 2007:				
Equity securities	¥22,570	¥111,364	¥ 88,794	\$752,173

Securities with available fair values (book values) that do not exceed acquisition cost:

	Millions of Yen			Thousands of U.S. Dollars
	Acquisition Cost	Book Value	Difference	Difference
For 2006:				
Equity securities	¥ 44	¥ 42	¥ (2)	
Bonds	10	10	(0)	
Other	100	97	(3)	
Total	¥154	¥149	¥ (5)	
For 2007:				
Equity securities	¥504	¥467	¥(37)	\$(313)
Bonds	110	109	(1)	(9)
Total	¥614	¥576	¥(38)	\$(322)

(2) The following table summarizes book values of significant available-for-sale securities with no available fair values as of March 31, 2006 and 2007:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Non-listed (non-quoted)			
equity securities	¥13,538	¥14,491	\$122,753
Venture capital investment in limited partnerships	¥ 176	¥ 2,902	\$ 24,583

(3) Maturities of available-for-sale securities with maturities are as follows:

	Millions of Yen				
	Within One Year	Over One Year but Within Five Years	Over Five Years but Within Ten Years	Over Ten Years	Total
For 2006:					
Government bonds	¥ -	¥ 10	¥-	¥ -	¥ 10
Other	97	-	-	425	522
Total	¥97	¥ 10	¥-	¥ 425	¥ 532
For 2007:					
Government bonds	¥ -	¥159	¥-	¥ -	¥159
Other	-	-	-	300	300
Total	¥ -	¥159	¥-	¥300	¥459

	Thousands of U.S. Dollars				
	Within One Year	Over One Year but Within Five Years	Over Five Years but Within Ten Years	Over Ten Years	Total
For 2007:					
Government bonds	\$-	\$1,347	\$-	\$ -	\$1,347
Other	-	-	-	2,541	2,541
Total	\$-	\$1,347	\$-	\$2,541	\$3,888

(4) Total sales of available-for-sale securities in the years ended March 31, 2006 and 2007 amounted to ¥6,697 million and ¥4,156 million (\$35,205 thousand), respectively. The related gains and losses in the years ended March 31, 2006 and 2007 amounted to ¥5,088 million and ¥3,274 million (\$27,734 thousand) and ¥34 million and ¥148 million (\$1,254 thousand), respectively.

5. Short-term loans and long-term debt

Short-term loans consisted of short-term notes payable, bearing interest at an annual average rate of 0.3% and 0.7% at March 31, 2006 and 2007, respectively.

Long-term debt at March 31, 2006 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Loans principally from banks and insurance companies, principally at 0.385% – 3.824%, maturing through 2026	¥216,055	¥220,601	\$1,868,708
3.4% notes payable due 2017	15,700	15,700	132,994
2.9% notes payable due 2018	29,000	–	–
1.47% notes payable due 2008	30,000	30,000	254,130
1.95% notes payable due 2009	20,000	20,000	169,420
1.46% notes payable due 2012	19,999	19,999	169,411
1.47% notes payable due 2022	19,976	19,978	169,233
1.83% notes payable due 2020	19,987	19,988	169,318
1.79% notes payable due 2020	19,977	19,979	169,242
2.33% notes payable due 2026	–	9,992	84,642
1.79% notes payable due 2016	–	19,985	169,293
7.125% bonds payable in U.S. dollars due 2007	48,960	–	–
10.00% bonds payable in U.S. dollars due 2010	5,062	4,096	34,697
7.73% bonds payable in U.S. dollars due 2015	10,371	9,598	81,305
0.66% notes payable due 2008	200	200	1,694
2.06% notes payable due 2007	220	220	1,864
	455,507	410,336	3,475,951
Less amounts due within one year	67,513	46,864	396,984
	¥387,994	¥363,472	\$3,078,967

In the year ended March 31, 2000, the Company entered into debt assumption agreements with banks for loans from banks (¥7,962 million due through the year ended March 31, 2010).

In the year ended March 31, 2004, the Company entered into debt assumption agreements with banks for 5.875% notes payable in Euro yen due 2012 (¥10,000 million).

In the year ended March 31, 2007, the Company entered into debt assumption agreements with banks for 2.9% notes payable due 2018 (¥29,000 million).

However, the Company remains contingently liable on the amounts assumed by the banks.

The annual maturities of long-term debt were as follows at March 31, 2007:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2008	¥ 46,864	\$ 396,984
2009	48,953	414,680
2010	38,467	325,854
2011	19,259	163,143
2012	31,371	265,743
2013 and thereafter	225,422	1,909,547
Total	¥410,336	\$3,475,951

Assets pledged as collateral mainly for short-term loans and long-term debt totaling ¥41,958 million and ¥37,450 million (\$317,238 thousand) at March 31, 2006 and 2007, respectively, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Property, plant and equipment	¥48,863	¥43,960	\$372,385
Investments	32,260	31,374	265,769
Cash and time deposits	2,752	2,864	24,261
Accounts receivable	1,248	1,499	12,698
Inventories and other	3,325	3,741	31,689
Total	¥88,448	¥83,438	\$706,802

6. Net assets

The Japanese Corporate Law (“the Law”) became effective on May 1, 2006, replacing the Japanese Commercial Code (“the Code”). The Law is generally applicable to events and transactions occurring after April 30, 2006 and for fiscal years ending after that date.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Code, companies were required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends and other cash appropriations as legal earnings reserve

until the total of legal earnings reserve and additional paid-in capital equaled 25% of common stock.

Under the Code, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders’ meeting or could be capitalized by a resolution of the Board of Directors. Under the Law, both of these appropriations generally require a resolution of the shareholders’ meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, on condition that the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock, they were available for distribution by resolution of the shareholders’ meeting. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the nonconsolidated financial statements of the Company in accordance with Japanese laws and regulations.

7. Contingent liabilities

At March 31, 2006 and 2007, the Companies were contingently liable as follows:

	Millions of Yen		Thousands of
	2006	2007	U.S. Dollars
			2007
As guarantor of indebtedness of:			
Affiliates	¥ 2,788	¥ 3,260	\$ 27,615
Employees	77	60	508
Debt assumption agreements	21,412	46,962	397,815
Total	¥24,277	¥50,282	\$425,938

8. Land revaluation

Pursuant to the Law Concerning Land Revaluation and the Amended Land Revaluation Law, a consolidated subsidiary revalued its land used for business activities on March 31, 2002. The difference between the revalued amount and the book value before the revaluation was recorded as “Deferred tax liabilities related to land revaluation” in liabilities and “Revaluation reserve for land, net of taxes” in shareholders’ equity in 2006 and in net assets in 2007, respectively, in the consolidated balance sheets.

The land prices used for the revaluation were determined based on the prices in the official notice published by the Commissioner of the National Tax Agency in accordance with Article 2, Paragraph 4 of the Enforcement Ordinance Concerning Land Revaluation, after making reasonable adjustments. The book value of the revalued land exceeded its market value as of March 31, 2007 in the amount ¥526 million (\$4,456 thousand).

9. Research and development expenses

The Companies charge research and development expenses to selling, general and administrative expenses and manufacturing costs as incurred. Research and development expenses amounted

to ¥11,324 million and ¥9,906 million (\$83,914 thousand) for the years ended March 31, 2006 and 2007, respectively.

10. Finance leases

Information for noncapitalized finance leases at March 31, 2006 and 2007 was as follows:

As lessee (noncapitalized)

	Millions of Yen		Thousands of
	2006	2007	U.S. Dollars
			2007
Original lease obligations (including finance charges)	¥4,038	¥4,631	\$39,229
Payments remaining:			
Payments due within one year	¥ 599	¥ 592	\$ 5,015
Payments due over one year	1,559	1,865	15,798
Total	¥2,158	¥2,457	\$20,813

Lease payments for such leases for the years ended March 31, 2006 and 2007 were ¥647 million and ¥700 million (\$5,930 thousand), respectively.

As lessor

	Millions of Yen		Thousands of
	2006	2007	U.S. Dollars
			2007
Original cost	¥20,205	¥22,562	\$191,123
Less accumulated depreciation	9,939	11,006	93,232
Total	¥10,266	¥11,556	\$ 97,891
Receipts remaining:			
Receipts due within one year	¥ 3,752	¥ 4,223	\$ 35,773
Receipts due over one year	7,659	8,928	75,629
Total	¥11,411	¥13,151	\$111,402

Lease receipts under such leases for the years ended March 31, 2006 and 2007 were ¥4,215 million and ¥4,778 million (\$40,474 thousand), respectively.

Depreciation for the years ended March 31, 2006 and 2007 was ¥2,639 million and ¥3,074 million (\$26,040 thousand), respectively.

11. Derivative transactions

The Companies use forward foreign currency contracts, currency swaps, interest rate swaps, material price swap contracts, and options and weather derivatives as derivative financial instruments only for the purpose of mitigating future risks of fluctuations of foreign currency exchange rates with respect to foreign currency payables for the purchase of materials and foreign currency bonds and loans payable, interest rate increases with respect to borrowings within the amounts of such borrowings or foreign currency payables, fluctuations of material prices, and fluctuations in gas sales.

These derivatives are subject to risks of foreign exchange rate changes, interest rate changes, material price fluctuations, and temperature changes, respectively.

The Companies' derivative transactions are executed and managed by the Companies' Finance Departments in accordance with established policies and within the specified limit on the amounts of derivative transactions allowed.

The following summarizes the hedging derivative financial instruments used by the Companies and the corresponding items hedged:

Hedging instruments:	Hedged items:
Interest rate swap contracts	Interest on bonds and loans payable
Currency swap contracts	Foreign currency bonds and loans payable
Forward foreign exchange contracts and currency options	Foreign currency future purchases
Material and other price swap contracts and options	Purchase cost of materials and other

The Companies evaluate hedge effectiveness by recognizing the association of hedging instruments and hedged items.

All derivative transactions as of March 31, 2006 and 2007 were recorded by using hedge accounting.

12. Employees' severance and pension benefits

The liabilities for severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2006 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Projected benefit obligation	¥ 257,352	¥ 259,674	\$ 2,199,695
Prepaid pension expenses	15,621	27,459	232,604
Unrecognized actuarial differences	63,955	73,798	625,142
Less fair value of pension assets	(328,196)	(352,021)	(2,981,965)
Liability for severance and retirement benefits	¥ 8,732	¥ 8,910	\$ 75,476

Included in the consolidated statement of income for the years ended March 31, 2006 and 2007 were severance and retirement benefit expenses consisting of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Service costs – benefits earned during the year	¥ 7,279	¥ 7,249	\$ 61,406
Interest cost on projected benefit obligation	4,563	4,564	38,622
Expected return on plan assets	(9,615)	(11,746)	(99,500)
Amortization of actuarial gains and losses	(232)	(5,344)	(45,269)
Prior service costs	(3,440)	75	635
Severance and retirement benefit expenses	¥(1,445)	¥ (5,202)	\$ (44,066)

The assumptions used in accounting for the above benefit plans were as follows:

	2006	2007
Discount rates	Mainly 1.8%	Mainly 1.8%
Expected rate of return on plan assets	Mainly 3.6%	Mainly 3.6%

service costs are recognized as incurred and actuarial gains/losses are recognized not only as expense, but also as income in equal amounts over 10 years.

The estimated amount of all retirement benefits to be paid at future retirement dates is allocated equally to each service year using the estimated number of total service years. Prior

13. Income taxes

The Company is subject to a number of taxes based on income, which, in the aggregate, indicate a statutory rate in Japan of approximately 36.2% (40.6% for certain consolidated subsidiaries) for the years ended March 31, 2006 and 2007.

The following table summarizes the significant differences between the Company's statutory tax rate and the Companies' effective tax rates for financial statement purposes for the years ended March 31, 2006 and 2007:

	2006	2007
Statutory tax rate	36.2%	36.2%
Nondeductible expenses	1.2	0.7
Statutory tax rate difference between the Company and certain subsidiaries	0.6	1.0
Per capita inhabitant tax	0.1	0.2
Other	0.4	0.4
Effective tax rate	38.5%	38.5%

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2006 and 2007 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Deferred tax assets:			
Retirement benefits	¥ 3,543	¥ 3,464	\$ 29,344
Excess depreciation	10,767	10,346	87,641
Loss on cancellation of construction plan	4,700	4,676	39,610
Loss on impairment of fixed assets	3,014	3,564	30,191
Write-down of securities	3,000	2,716	23,007
Enterprise taxes	2,522	2,816	23,854
Other	15,905	19,155	162,261
Total deferred tax assets	43,451	46,737	395,908
Valuation allowance	(260)	(268)	(2,270)
Net deferred tax assets	43,191	46,469	393,638
Deferred tax liabilities:			
Special reserve for tax purposes	(4,479)	(3,779)	(32,012)
Deferred gains on real properties	(344)	(343)	(2,905)
Net unrealized gains on securities	(37,963)	(33,200)	(281,237)
Other	(5,612)	(17,720)	(150,106)
Total deferred tax liabilities	(48,398)	(55,042)	(466,260)
Net deferred tax assets (liabilities)	¥ (5,207)	¥ (8,573)	\$ (72,622)

Net deferred tax assets (liabilities) are reflected in the consolidated balance sheets as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2007	2007
Current assets	¥ 13,139	¥ 8,267	\$ 70,030
Other investments and other assets	4,937	5,103	43,227
Other current liabilities	(16)	(48)	(407)
Noncurrent liabilities	(23,267)	(21,895)	(185,472)
	¥ (5,207)	¥ (8,573)	\$ (72,622)

14. Segment information

The Companies' primary business activities include (1) Gas (2) LPG, Electricity and Other Energies (3) Gas Appliance and House-pipe Installation (4) Real Estate (5) Other Businesses.

A summary of segment information is as follows:

For 2006:	Millions of Yen							
	Gas	LPG, Electricity and Other Energies	Gas Appliance and House-pipe Installation	Real Estate	Other Businesses	Total	Elimination and Corporate	Consolidated
Operating revenues								
Outside customers	¥608,143	¥186,343	¥155,339	¥ 12,908	¥103,228	¥1,065,961	¥ -	¥1,065,961
Inside group	11,613	2,661	621	12,820	42,125	69,840	(69,840)	-
Total	619,756	189,004	155,960	25,728	145,353	1,135,801	(69,840)	1,065,961
Cost and expenses	557,945	170,484	150,748	19,102	137,601	1,035,880	(70,576)	965,304
Operating income	¥ 61,811	¥ 18,520	¥ 5,212	¥ 6,626	¥ 7,752	¥ 99,921	¥ 736	¥ 100,657
Identifiable assets	¥686,433	¥299,987	¥ 59,032	¥111,482	¥139,930	¥1,296,864	¥101,829	¥1,398,693
Depreciation	56,576	12,335	445	4,088	11,559	85,003	(752)	84,251
Loss from impairment of fixed assets	-	-	-	32	34	66	-	66
Capital expenditure	48,638	46,220	617	5,228	17,438	118,141	(685)	117,456

For 2007:	Millions of Yen							
	Gas	LPG, Electricity and Other Energies	Gas Appliance and House-pipe Installation	Real Estate	Other Businesses	Total	Elimination and Corporate	Consolidated
Operating revenues								
Outside customers	¥669,733	¥232,093	¥160,510	¥ 13,114	¥ 99,007	¥1,174,457	¥ -	¥1,174,457
Inside group	16,939	2,988	453	12,829	40,904	74,113	(74,113)	-
Total	686,672	235,081	160,963	25,943	139,911	1,248,570	(74,113)	1,174,457
Cost and expenses	623,067	221,616	159,526	18,670	132,615	1,155,494	(74,767)	1,080,727
Operating income	¥ 63,605	¥ 13,465	¥ 1,437	¥ 7,273	¥ 7,296	¥ 93,076	¥ 654	¥ 93,730
Identifiable assets	¥663,541	¥316,703	¥ 62,633	¥114,772	¥149,302	¥1,306,951	¥ 98,731	¥1,405,682
Depreciation	53,832	14,091	475	4,125	12,161	84,684	(652)	84,032
Loss from impairment of fixed assets	1,667	163	-	-	42	1,872	-	1,872
Capital expenditure	47,469	24,036	761	5,600	18,006	95,872	(604)	95,268

For 2007:	Thousands of U.S. Dollars							
	Gas	LPG, Electricity and Other Energies	Gas Appliance and House-pipe Installation	Real Estate	Other Businesses	Total	Elimination and Corporate	Consolidated
Operating revenues								
Outside customers	\$5,673,299	\$1,966,057	\$1,359,678	\$111,089	\$ 838,687	\$ 9,948,810	\$ -	\$ 9,948,810
Inside group	143,490	25,311	3,838	108,674	346,497	627,810	(627,810)	-
Total	5,816,789	1,991,368	1,363,516	219,763	1,185,184	10,576,620	(627,810)	9,948,810
Cost and expenses	5,277,992	1,877,306	1,351,343	158,153	1,123,380	9,788,174	(633,350)	9,154,824
Operating income	\$ 538,797	\$ 114,062	\$ 12,173	\$ 61,610	\$ 61,804	\$ 788,446	\$ 5,540	\$ 793,986
Identifiable assets	\$5,620,847	\$2,682,787	\$ 530,563	\$972,232	\$1,264,736	\$11,071,165	\$ 836,349	\$11,907,514
Depreciation	456,010	119,365	4,024	34,943	103,015	717,357	(5,523)	711,834
Loss from impairment of fixed assets	14,121	1,381	-	-	356	15,858	-	15,858
Capital expenditure	402,109	203,609	6,446	47,437	152,529	812,130	(5,116)	807,014

Geographic segment information is not disclosed since domestic sales and assets exceeded 90% of all segments.
Information for overseas sales is not disclosed since overseas sales were not material compared to consolidated net sales.

15. Loss from impairment of fixed assets

(1) Grouping

① All fixed assets used in processes related to the gas business from production to the sale of gas are categorized into one asset group because these assets generate cash flow from the gas business as a single asset.

② Fixed assets used for operating businesses other than those described above are generally categorized into groups based on the business divisions controlling the fixed assets.

③ Generally, other fixed assets are treated individually.

(2) Specific losses from impairment of fixed assets

In accordance with the grouping described in (1) above, a loss from impairment of ¥1,872 million (\$15,858 thousand) was recognized in 2007. Significant properties included in this loss are listed in the table below.

Asset	Location	Type	Loss from Impairment	
			Millions of Yen	Thousands of U.S. Dollars
Facilities held for welfare	Saihaku-gun, Tottori	Buildings	¥955	\$8,090
Facilities held for welfare	Chino-shi, Nagano	Buildings	712	6,031

Recoverable values of these assets were assessed based on selling prices in the market. The market prices were based on appraisals by real estate appraisers.

These assets had been held for employees' welfare. However, because of a change in the management environment, it was

determined that these investments would be abolished and sold. Therefore, their book values were reduced to their recoverable values, and the differences were recorded as losses from impairment of fixed assets.

16. Significant subsequent events

Appropriation of retained earnings

The appropriation of retained earnings of the Company, including cash dividends applicable to the year ended March 31, 2007, which was proposed by the Board of Directors and approved at

the shareholders' meeting held on June 28, 2007 was for the purpose of paying cash dividends to shareholders of record at March 31, 2007 in the aggregate amount of ¥7,788 million (\$65,972 thousand) or ¥3.5 per share.

Independent Auditors' Report

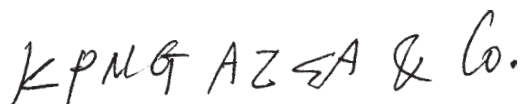
To the Shareholders and Board of Directors of
Osaka Gas Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Osaka Gas Co., Ltd. and consolidated subsidiaries as of March 31, 2006 and 2007, the related consolidated statements of income for the years then ended, the consolidated statement of shareholders' equity for the year ended March 31, 2006, the consolidated statement of net assets for the year ended March 31, 2007, and the consolidated statements of cash flows for the years ended March 31, 2006 and 2007, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Osaka Gas Co., Ltd. and subsidiaries as of March 31, 2006 and 2007, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.



Osaka, Japan
June 28, 2007