

Consolidated Balance Sheets

Osaka Gas Co., Ltd.
March 31, 2007 and 2008

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2008	2008
Property, Plant and Equipment, at Cost:			
Production facilities	¥ 494,704	¥ 494,774	\$ 4,938,357
Distribution facilities	1,552,083	1,587,039	15,840,293
Service and maintenance facilities	141,235	139,988	1,397,225
Other	417,896	464,001	4,631,211
Construction in progress	60,974	72,320	721,829
	2,666,892	2,758,122	27,528,915
Less accumulated depreciation	(1,861,357)	(1,940,616)	(19,369,358)
	805,535	817,506	8,159,557
Intangibles and Deferred Assets	28,562	44,975	448,897
Investments and Other Assets:			
Investments in securities:			
Unconsolidated subsidiaries and affiliated companies	52,355	55,075	549,706
Other (Note 5)	129,714	89,690	895,199
Other investments and other assets (Note 14)	108,850	131,261	1,310,121
Allowance for doubtful receivables	(915)	(705)	(7,037)
	290,004	275,321	2,747,989
Current Assets:			
Cash and time deposits	27,070	41,458	413,794
Receivables:			
Trade notes and accounts	135,468	145,750	1,454,736
Allowance for doubtful receivables	(762)	(833)	(8,314)
	134,706	144,917	1,446,422
Inventories	53,366	65,334	652,101
Other current assets (Note 14)	66,439	78,423	782,742
Total current assets	281,581	330,132	3,295,059
	¥ 1,405,682	¥ 1,467,934	\$ 14,651,502

See accompanying notes.

LIABILITIES AND NET ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2008	2008
Long-term Debt Due After One Year (Note 6)	¥ 363,472	¥ 412,971	\$ 4,121,878
Deferred Tax Liabilities (Note 14)	21,895	19,827	197,894
Deferred Tax Liabilities Related to Land Revaluation	57	57	569
Employees' Severance and Retirement Benefits (Note 13)	8,910	10,140	101,208
Reserve for Repairs of Gas Holders	1,705	1,691	16,878
Reserve for Safety Actions	3,708	2,460	24,553
Other Noncurrent Liabilities	17,916	14,654	146,262
Current Liabilities:			
Short-term loans (Note 6)	27,491	40,263	401,866
Long-term debt due within one year (Note 6)	46,864	48,207	481,156
Trade notes and accounts payable	45,444	74,697	745,553
Accrued income and enterprise taxes	23,892	22,167	221,250
Accrued expenses	57,678	46,627	465,386
Other current liabilities (Note 14)	99,985	107,515	1,073,112
Total current liabilities	301,354	339,476	3,388,323
Contingent Liabilities (Note 8)	—	—	—
Net Assets (Note 7):			
Common stock			
Authorized — 3,707,507 thousand shares			
Issued — 2,158,384 thousand shares in 2008 and 2,235,670 thousand shares in 2007	132,167	132,167	1,319,164
Capital surplus	19,535	19,482	194,451
Retained earnings	447,909	439,227	4,383,940
Treasury stock, at cost — 1,864,399 shares in 2008 and 10,581,106 shares in 2007	(3,671)	(807)	(8,055)
Net unrealized gains on securities, net of taxes	55,509	31,790	317,297
Net unrealized gains on hedging derivatives, net of taxes	9,180	12,628	126,041
Revaluation reserve for land, net of taxes (Note 9)	84	84	838
Foreign currency translation adjustments	8,175	14,021	139,944
Minority interests	17,777	18,066	180,317
Total net assets	686,665	666,658	6,653,937
	¥ 1,405,682	¥ 1,467,934	\$ 14,651,502

Consolidated Statements of Income

Osaka Gas Co., Ltd.
Years Ended March 31, 2007 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2008	2008
Operating Revenues (Note 15)	¥1,174,457	¥1,238,146	\$12,357,980
Costs and Expenses (Note 15):			
Costs	755,694	842,618	8,410,201
Selling, general and administrative expenses	325,033	319,916	3,193,093
	1,080,727	1,162,534	11,603,294
Operating Income (Note 15)	93,730	75,612	754,686
Other Income (Expenses):			
Interest and dividend income	2,728	3,183	31,770
Interest expense	(9,584)	(9,849)	(98,303)
Equity in net income of affiliates	3,328	5,305	52,949
Gain on sale of investment securities	3,274	3,332	33,257
Loss on write-down of investment securities	(48)	(1,541)	(15,381)
Loss from impairment of fixed assets (Note 16)	(1,872)	(3,336)	(33,297)
Other, net	(3,477)	(227)	(2,266)
	(5,651)	(3,133)	(31,271)
Income before Income Taxes and Minority Interests	88,079	72,479	723,415
Income Taxes (Note 14):			
Current	31,317	28,302	282,483
Deferred	2,634	1,901	18,974
Minority Interests	(1,198)	(1,993)	(19,892)
Net Income	¥ 52,930	¥ 40,283	\$ 402,066

Per Share of Common Stock:	Yen		U.S. Dollars (Note 1)
	2007	2008	2008
Net income	¥ 23.77	¥ 18.27	\$ 0.182
Net income — diluted	—	—	—
Cash dividends applicable to the year	7.00	7.00	0.070

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Osaka Gas Co., Ltd.
Year Ended March 31, 2007 and 2008

	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
Balance at March 31, 2006	2,235,670	¥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
Net income				40,283							40,283
Cash dividends paid (including interim dividends)				(15,573)							(15,573)
Increase in treasury stock					(30,653)						(30,653)
Increase due to sale of treasury stock			9		74						83
Retirement of treasury stock	(77,286)		(62)	(33,381)	33,443						-
Changes from decrease in number of subsidiaries				(11)							(11)
Changes in net unrealized gains on securities, net of taxes						(23,719)					(23,719)
Changes in net unrealized gains on hedging derivatives, net of taxes								3,448			3,448
Adjustments from translation of foreign currency financial statements									5,846		5,846
Net changes during the year										289	289
Balance at March 31, 2008	2,158,384	¥132,167	¥19,482	¥439,227	¥ (807)	¥ 31,790	¥12,628	¥84	¥14,021	¥18,066	¥666,658

	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	
Balance at March 31, 2007	\$1,319,164	\$194,980	\$4,470,596	\$ (36,641)	\$ 554,037	\$ 91,626	\$838	\$ 81,595	\$177,433	\$6,853,628	
Net income			402,066							402,066	
Cash dividends paid (including interim dividends)			(155,435)							(155,435)	
Increase in treasury stock				(305,949)						(305,949)	
Increase due to sale of treasury stock			90	739						829	
Retirement of treasury stock		(619)	(333,177)	333,796						-	
Changes from decrease in number of subsidiaries			(110)							(110)	
Changes in net unrealized gains on securities, net of taxes					(236,740)					(236,740)	
Changes in net unrealized gains on hedging derivatives, net of taxes							34,415			34,415	
Adjustments from translation of foreign currency financial statements								58,349		58,349	
Net changes during the year									2,884	2,884	
Balance at March 31, 2008	\$1,319,164	\$194,451	\$4,383,940	\$ (8,055)	\$ 317,297	\$126,041	\$838	\$139,944	\$180,317	\$6,653,937	

See accompanying notes.

Consolidated Statements of Cash Flows

Osaka Gas Co., Ltd.
Years Ended March 31, 2007 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2008	2008
Cash Flows from Operating Activities:			
Income before income taxes and minority interests	¥ 88,079	¥ 72,479	\$ 723,415
Adjustments to reconcile net income before income taxes to net cash provided by operating activities:			
Depreciation	84,032	95,253	950,724
Amortization of long-term prepaid expenses	3,913	5,657	56,463
Loss from impairment of fixed assets	1,872	3,336	33,297
Increase in prepaid pension expenses	(11,852)	(13,368)	(133,426)
Interest and dividend income	(2,728)	(3,183)	(31,770)
Interest expense	9,584	9,849	98,303
Equity in net income of affiliates	(3,328)	(5,305)	(52,949)
Gain on sale of investment securities	(3,274)	(3,332)	(33,257)
Loss on disposal of property, plant and equipment	3,199	2,564	25,591
Increase in receivables	(8,701)	(9,597)	(95,788)
Increase in inventories	(8,550)	(5,103)	(50,933)
Increase (decrease) in payables	(317)	28,688	286,336
Decrease in accrued expenses	(2,339)	(5,846)	(58,349)
Increase (decrease) in accrued consumption tax	694	(2,359)	(23,545)
Other	(5,663)	(2,851)	(28,457)
Total adjustments	56,542	94,403	942,240
Interest and dividends received	11,162	8,093	80,777
Interest paid	(9,567)	(9,721)	(97,026)
Income and enterprise taxes paid	(47,861)	(30,971)	(309,123)
Net cash provided by operating activities	98,355	134,283	1,340,283
Cash Flows from Investing Activities:			
Acquisition of property, plant and equipment	(85,836)	(103,061)	(1,028,656)
Acquisition of intangibles	(2,278)	(12,983)	(129,584)
Payment for long-term prepaid expenses	(6,267)	(8,818)	(88,013)
Purchase of investments in securities	(6,152)	(3,233)	(32,269)
Proceeds from sales of investment securities	4,381	7,231	72,173
Proceeds from sales of investments in subsidiaries and affiliates	2	2,970	29,644
Purchase of other investments	-	(7,266)	(72,522)
Purchase of investments accompanied by change in the scope of consolidation	(1,097)	(4,065)	(40,573)
Other	(2,519)	(2,804)	(27,986)
Net cash used in investing activities	(99,766)	(132,029)	(1,317,786)
Cash Flows from Financing Activities:			
Net increase (decrease) in short-term loans	(4,469)	5,985	59,736
Net increase in commercial paper	50,000	15,000	149,715
Proceeds from long-term debt	22,664	51,692	515,940
Repayment of long-term debt	(18,255)	(47,028)	(469,388)
Proceeds from issuance of bonds	29,976	39,990	399,142
Repayment of bonds	(82,913)	(5,425)	(54,147)
Purchase of treasury stock	(1,161)	(30,653)	(305,949)
Cash dividends paid	(15,544)	(15,534)	(155,045)
Cash dividends paid to minority shareholders	(2,545)	(1,617)	(16,139)
Other	238	85	848
Net cash provided by (used in) financing activities	(22,009)	12,495	124,713
Effect of Exchange Rate Changes on Cash and Cash Equivalents	170	70	699
Net Increase (Decrease) in Cash and Cash Equivalents	(23,250)	14,819	147,909
Cash and Cash Equivalents at Beginning of Year	47,727	24,477	244,306
Decrease in Cash and Cash Equivalents by Exclusion from Consolidation	-	(52)	(519)
Cash and Cash Equivalents at End of Year	¥ 24,477	¥ 39,244	\$ 391,696
Supplemental Disclosures of Cash Flow Information:			
Cash and Cash Equivalents:			
Cash and time deposits in the balance sheet	¥ 27,070	¥ 41,458	\$ 413,794
Time deposits with maturities over three months	(2,593)	(2,214)	(22,098)
Cash and Cash Equivalents at End of Year	¥ 24,477	¥ 39,244	\$ 391,696

See accompanying notes.

Notes to Consolidated Financial Statements

Osaka Gas Co., Ltd.
March 31, 2007 and 2008

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 Financial Instruments 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, 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 Financial Instruments 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 translation of the Japanese yen amounts into U.S. dollar amounts was included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2008, which was ¥100.19 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 2007 were reclassified to conform to the presentation in 2008.

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 2007 and 2008 included the accounts of the Company and its 132 (except 2 subsidiaries) and 133 subsidiaries, respectively. A total of 9 subsidiaries were newly consolidated and 8 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 45 and 2 consolidated subsidiaries were included on the basis of their fiscal years that end on December 31 and February 28/29, respectively. These subsidiaries do not prepare for consolidation purposes statements with periods that correspond to the fiscal year of the Company. For these 47 consolidated subsidiaries, when there were 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 isn't 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, 2007 and 2008. 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 for holding securities 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 sale 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, the securities are stated at fair value and the difference between the 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, the 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 by the declining balance method (the straight-line method by certain consolidated subsidiaries) over the estimated useful life of the asset. However, the Company and its domestic consolidated subsidiaries depreciate buildings acquired on or after April 1, 1998 using 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, 2007 and 2008 was ¥296,407 million and ¥300,895 million (\$3,003,244 thousand), respectively.

(7) Intangible assets

The Companies include goodwill and software in intangible assets and amortize them using the straight-line method within twenty years and over estimated useful life, respectively.

(8) Allowance for doubtful receivables

The Companies provide the allowance for doubtful accounts principally at an amount based on the actual ratio of bad debts in the past plus the estimated uncollectible amounts 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 safer 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 net assets.

(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 gain or loss unless the 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 gain or loss resulting from changes in the fair value of the derivative financial instruments until the related loss or gain on the hedged items is 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 gain or loss 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.

The use of currency swap contracts was finished in the year ended March 31, 2007.

(16) Net income per share

The computation of net income per share of common stock shown on the consolidated statements of income is 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, 2007 and 2008 was not shown since there were no outstanding convertible bonds or other common stock equivalents.

3. Changes 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.

(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 statements of changes in net assets for the year ended March 31, 2007 in accordance with the Additional New Accounting Standards.

(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, which was included in the "Deferred assets" account in the previous year, was excluded from the bonds but 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).

(5) The Depreciation Method for Property, Plant and Equipment

Pursuant to revisions to the Corporation Tax Law, the Company depreciates tangible fixed assets acquired on and after April 1, 2007 under the new depreciation system from this consolidated accounting year. The effect on earnings from this change has been minimal.

4. Additional Information

(1) Property, plant and equipment

Pursuant to revisions of the Corporation Tax Law, the Company depreciates tangible fixed assets acquired before March 31, 2007 to the allowable limit (95% of the acquisition cost) under the old depreciation system in a particular consolidated accounting year. The Company depreciates the difference between 5% of the acquisition cost and memorandum prices evenly over five years starting from the following consolidated accounting year and books it by including it

in depreciation and amortization expense. As a result, income before income taxes and minority interests were ¥7,420 million (\$74,059 thousand) less than they would have been without the revision.

(2) Raw material purchasing prices

Some raw material purchasing prices may be adjusted according to the result of renewals and price negotiations with suppliers.

5. 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, 2007 and 2008:

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

	Millions of Yen			Thousands of U.S. Dollars
	Acquisition Cost	Book Value	Difference	Difference
For 2007:				
Equity securities	¥22,570	¥111,364	¥88,794	
For 2008:				
Equity securities	¥21,157	¥72,100	¥50,943	\$508,464
Bonds	10	10	-	-
Total	¥21,167	¥72,110	¥50,943	\$508,464

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

	Millions of Yen			Thousands of U.S. Dollars
	Acquisition Cost	Book Value	Difference	Difference
For 2007:				
Equity securities	¥504	¥467	¥(37)	
Bonds	110	109	(1)	
Total	¥614	¥576	¥(38)	
For 2008:				
Equity securities	¥2,611	¥2,493	¥(118)	\$(1,178)
Bonds	210	210	-	-
Total	¥2,821	¥2,703	¥(118)	\$(1,178)

(2) The following table summarizes book values of significant available-for-sale securities with no available fair values as of March 31, 2007 and 2008:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Non-listed (non-quoted) equity securities	¥14,491	¥11,036	\$110,151
Venture capital investment in limited partnerships	¥2,902	¥3,571	\$35,642

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

	Millions of Yen				Total
	Within One Year	Over One Year but Within Five Years	Over Five Years but Within Ten Years	Over Ten Years	
For 2007:					
Government					
Bonds	¥-	¥159	¥-	¥-	¥159
Other	-	-	-	300	300
Total	¥-	¥159	¥-	¥300	¥459
For 2008:					
Government					
Bonds	¥50	¥170	¥-	¥-	¥220
Other	-	-	-	300	300
Total	¥50	¥170	¥-	¥300	¥520

	Thousands of U.S. Dollars				Total
	Within One Year	Over One Year but Within Five Years	Over Five Years but Within Ten Years	Over Ten Years	
For 2008:					
Government					
Bonds	\$499	\$1,697	\$-	\$-	\$2,196
Other	-	-	-	2,994	2,994
Total	\$499	\$1,697	\$-	\$2,994	\$5,190

(4) Total sales of available-for-sale securities in the years ended March 31, 2007 and 2008 amounted to ¥4,156 million and ¥7,220 million (\$72,063 thousand), respectively. The related gains and losses in the years ended March 31, 2007 and 2008 amounted to ¥3,274 million and ¥3,332 million (\$33,257 thousand), and ¥148 million and ¥11 million (\$110 thousand), respectively.

6. Short-term loans and long-term debt

Short-term loans consisted of short-term notes payable bearing interest at an annual average rate of 0.7% and 0.9% at March 31, 2007 and 2008, respectively.

Long-term debt at March 31, 2007 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Loans principally from banks and insurance companies, maturing through 2026 at the average rate of 1.8% in 2007 and 2.0% in 2008	¥220,601	¥237,285	\$2,368,350
3.4% notes payable due 2017	15,700	15,700	156,702
1.47% notes payable due 2008	30,000	30,000	299,431
1.95% notes payable due 2009	20,000	20,000	199,621
1.46% notes payable due 2012	19,999	19,999	199,611
1.47% notes payable due 2022	19,978	19,979	199,411
1.83% notes payable due 2020	19,988	19,989	199,511
1.79% notes payable due 2020	19,979	19,980	199,421
2.33% notes payable due 2026	9,992	9,993	99,740
1.79% notes payable due 2016	19,985	19,986	199,481
2.14% notes payable due 2019	–	19,995	199,571
1.59% notes payable due 2014	–	19,996	199,581
10.00% bonds payable in U.S. dollars due 2010	4,096	–	–
7.73% bonds payable in U.S. dollars due 2015	9,598	8,276	82,603
0.66% notes payable due 2008	200	–	–
2.06% notes payable due 2007	220	–	–
	410,336	461,178	4,603,034
Less amounts due within one year	46,864	48,207	481,156
	¥363,472	¥412,971	\$4,121,878

In the year ended March 31, 2000, the Company entered into debt assumption agreements with banks for loans in the amount of ¥4,906 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 euros and due in 2012 in the amount of ¥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 in 2018 in the amount of ¥29,000 million.

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

Ten percent bonds payable in U.S. dollars due in 2010 have been repaid in 2008 before the due date.

The annual maturities of long-term debt were as follows at March 31, 2008:

Years ending March 31,	Thousands of	
	Millions of Yen	U.S. Dollars
2009	¥ 48,207	\$ 481,156
2010	38,773	386,995
2011	22,190	221,479
2012	32,656	325,941
2013	32,418	323,565
2014 and thereafter	286,934	2,863,898
Total	¥461,178	\$4,603,034

Assets pledged as collateral mainly for short-term loans and long-term debt totaling ¥37,450 million and ¥41,661 million (\$415,820 thousand) at March 31, 2007 and 2008, respectively, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Property, plant and equipment	¥43,960	¥51,097	\$510,001
Investments	31,374	24,685	246,382
Cash and time deposits	2,864	2,949	29,434
Accounts receivable	1,499	1,536	15,331
Inventories and other	3,741	4,381	43,727
Total	¥83,438	¥84,648	\$844,875

7. Net assets

Under Japanese Corporate Law ("the Law"), 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 Law, legal earnings reserve and additional paid-in capital can be used to eliminate or reduce a deficit or can be capitalized by a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, however, 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.

8. Contingent liabilities

At March 31, 2007 and 2008, the Companies were contingently liable as follows:

	Millions of Yen		Thousands of
	2007	2008	U.S. Dollars
As guarantor of indebtedness of:			
Affiliates	¥ 3,260	¥ 1,483	\$ 14,802
Employees	60	45	449
Debt assumption agreements	46,962	43,906	438,227
Total	¥50,282	¥45,434	\$453,478

9. 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 net assets 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.

10. 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 ¥9,906

million and ¥10,179 million (\$101,597 thousand) for the years ended March 31, 2007 and 2008, respectively.

11. Finance leases

Information for noncapitalized finance leases at March 31, 2007 and 2008 was as follows:

As lessee (noncapitalized)

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Original lease obligations (including finance charges)	¥4,631	¥4,550	\$45,414
Payments remaining:			
Payments due within one year	¥ 592	¥ 751	\$ 7,496
Payments due over one year	1,865	1,647	16,439
Total	¥2,457	¥2,398	\$23,935

Lease payments for such leases for the years ended March 31, 2007 and 2008 were ¥700 million and ¥788 million (\$7,865 thousand), respectively.

As lessor

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Original cost	¥22,562	¥24,369	¥243,228
Less accumulated depreciation	11,006	12,491	124,673
Total	¥11,556	¥11,878	¥118,555
Receipts remaining:			
Receipts due within one year	¥ 4,223	¥ 4,264	¥ 42,559
Receipts due over one year	8,928	9,356	93,383
Total	¥13,151	¥13,620	¥135,942

Lease receipts under such leases for the years ended March 31, 2007 and 2008 were ¥4,778 million and ¥5,777 million (\$57,660 thousand), respectively.

Depreciation for the years ended March 31, 2007 and 2008 was ¥3,074 million and ¥3,406 million (\$33,995 thousand), respectively.

12. Derivative transactions

The Companies use forward foreign currency contracts, currency swaps, interest rate swaps, material price swap contracts, and options 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 limits 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	Purchase cost of materials and other and options

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

All derivative transactions as of March 31, 2007 and 2008 were recorded by using hedge accounting.

The use of currency swap contracts was finished in the year ended March 31, 2007.

13. 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, 2007 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Projected benefit obligation	¥ 259,674	¥ 267,370	\$ 2,668,630
Prepaid pension expenses	27,459	40,832	407,546
Unrecognized actuarial differences	73,798	9,201	91,835
Less fair value of pension assets	(352,021)	(307,263)	(3,066,803)
Liability for severance and retirement benefits	¥ 8,910	¥ 10,140	\$ 101,208

Included in the consolidated statements of income for the years ended March 31, 2007 and 2008 were severance and retirement benefit expenses consisting of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Service costs — benefits earned during the year	¥ 7,249	¥ 7,079	\$ 70,655
Interest cost on projected benefit obligation	4,564	4,600	45,913
Expected return on plan assets	(11,746)	(12,595)	(125,711)
Amortization of actuarial gains and losses	(5,344)	(6,848)	(68,350)
Prior service costs	75	—	—
Severance and retirement benefit expenses	¥ (5,202)	¥ (7,764)	\$ (77,493)

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

	2007	2008
Discount rates	Mainly 1.8%	Mainly 1.8%
Expected rate of return on plan assets	Mainly 3.6%	Mainly 3.6%

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 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.

14. 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, 2007 and 2008.

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, 2007 and 2008:

	2007	2008
Statutory tax rate	36.2%	36.2%
Nondeductible expenses	0.7	1.3
Statutory tax rate difference between the Company and certain subsidiaries	1.0	1.2
Per capita inhabitants taxes	0.2	0.4
Other	0.4	2.6
Effective tax rate	38.5%	41.7%

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2007 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Deferred tax assets:			
Retirement benefits	¥ 3,464	¥ 3,722	\$ 37,150
Excess depreciation	10,346	10,318	102,984
Loss on cancellation of construction plans	4,676	4,701	46,921
Loss on impairment of fixed assets	3,564	4,920	49,107
Write-down of securities	2,716	3,092	30,861
Enterprise taxes	2,816	2,697	26,919
Other	19,155	23,570	235,253
Total deferred tax assets	46,737	53,020	529,195
Valuation allowance	(268)	(2,856)	(28,506)
Net deferred tax assets	46,469	50,164	500,689
Deferred tax liabilities:			
Special reserve for tax purposes	(3,779)	(6,056)	(60,445)
Deferred gains on real property	(343)	(342)	(3,414)
Net unrealized gains on securities	(33,200)	(19,032)	(189,959)
Prepaid pension expenses	(8,791)	(14,786)	(147,580)
Unrealized gains on hedging derivatives	(6,726)	(7,597)	(75,826)
Other	(2,202)	(2,202)	(21,978)
Total deferred tax liabilities	(55,041)	(50,015)	(499,202)
Net deferred tax assets (liabilities)	¥ (8,572)	¥ 149	\$ 1,487

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

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Current assets	¥ 8,267	¥ 14,632	\$ 146,043
Other investments and other assets	5,103	5,366	53,558
Other current liabilities	(48)	(22)	(220)
Noncurrent liabilities	(21,895)	(19,827)	(197,894)
	¥ (8,573)	¥ 149	\$ 1,487

15. 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:

Millions of Yen								
For 2007:	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

Millions of Yen								
For 2008:	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	¥703,927	¥262,440	¥148,758	¥ 16,513	¥106,508	¥1,238,146	¥ –	¥1,238,146
Inside group	17,477	3,237	447	11,983	37,837	70,981	(70,981)	–
Total	721,404	265,677	149,205	28,496	144,345	1,309,127	(70,981)	1,238,146
Cost and expenses	677,142	251,747	147,607	21,809	136,021	1,234,326	(71,792)	1,162,534
Operating income	¥ 44,262	¥ 13,930	¥ 1,598	¥ 6,687	¥ 8,324	¥ 74,801	¥ 811	¥ 75,612
Identifiable assets	¥664,520	¥365,694	¥ 63,735	¥129,172	¥158,128	¥1,381,249	¥ 86,685	¥1,467,934
Depreciation	61,483	16,562	405	4,268	13,124	95,842	(589)	¥95,253
Loss from impairment of fixed assets	–	2,862	–	–	474	3,336	–	3,336
Capital expenditure	44,424	33,153	407	15,578	18,135	111,697	(610)	111,087

Thousands of U.S. Dollars								
For 2008:	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	\$7,025,921	\$2,619,423	\$1,484,759	\$ 164,817	\$1,063,060	\$12,357,980	\$ –	\$12,357,980
Inside group	174,439	32,309	4,461	119,603	377,652	708,464	(708,464)	–
Total	7,200,360	2,651,732	1,489,220	284,420	1,440,712	13,066,444	(708,464)	12,357,980
Cost and expenses	6,758,579	2,512,696	1,473,270	217,677	1,357,631	12,319,853	(716,559)	11,603,294
Operating income	\$ 441,781	\$ 139,036	\$ 15,950	\$ 66,743	\$ 83,081	\$ 746,591	\$ 8,095	\$ 754,686
Identifiable assets	\$6,632,598	\$3,650,005	\$ 636,141	\$1,289,270	\$1,578,282	\$13,786,296	\$ 865,206	\$14,651,502
Depreciation	613,664	165,306	4,042	42,599	130,991	956,602	(5,878)	950,724
Loss from impairment of fixed assets	–	28,566	–	–	4,731	33,297	–	33,297
Capital expenditure	443,398	330,901	4,062	155,485	181,006	1,114,852	(6,089)	1,108,763

As described in "Additional Information" in Note 4., because of revisions to the Corporation Tax Law, the company depreciated tangible fixed assets acquired before March 31, 2007 to the allowable limit (95% of the acquisition cost) under the old depreciation system in a particular consolidated accounting year. The Company depreciated the difference between 5% of the acquisition cost and memorandum price evenly over five years starting from the following consolidated accounting year and booked it by including it in depreciation and amortization expense.

As a result, cost and expenses were ¥7,071 million (\$70,576 thousand) more in the Gas segment, ¥147 million (\$1,467 thousand)

more in the LPG, Electricity and Other Energies segment, ¥19 million (\$190 thousand) more in the Gas Appliance and House-pipe Installation segment, ¥58 million (\$579 thousand) more in the Real Estate segment, and ¥125 million (\$1,247 thousand) more in the Other Businesses segment, respectively, than they would have been without the revision. Operating income was less by the same amount in each segment.

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.

16. 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, an impairment loss of ¥1,872 million was recognized in 2007. Significant properties included in this loss are listed in the table below.

Asset	Location	Type	Loss from Impairment	
			2007	
			Millions of Yen	
Facilities held for welfare	Saihaku-gun, Tottori	Buildings	¥955	
Facilities held for welfare	Chino-shi, Nagano	Buildings	712	

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.

In accordance with the grouping described in (1) above, an impairment loss of ¥3,336 million (\$33,297 thousand) was recognized in 2008. Significant properties included in this loss are listed in the table below.

Asset	Location	Type	Loss from Impairment	
			2008	
			Millions of Yen	Thousands of U.S. Dollars
Electric power facilities	Uji-shi, Kyoto	Facilities	¥2,862	\$28,566

Recoverable values of these assets were assessed based on the value in use.

These assets, acquired for the purpose of marketing electricity, were determined unrecoverable because of unfavorable economic returns caused by rising fuel costs. Therefore, their book values were

reduced to their recoverable values, and the differences were recorded as losses from impairment of fixed assets. It is the Company's policy to calculate the recoverable values of the assets on the basis of assets' values in use by discounting future cash flows by 4.7%.

17. Retirement of common stock

The Company decided to retire 77,286 thousand shares of common stock at an aggregate cost of ¥33,443 million (\$333,796 thousand) in accordance with a resolution of the Board of Directors held at February 26, 2008. The retirement of common stock occurred on March 7, 2008.

18. Significant subsequent events

(1) Issuance of bonds

In accordance with a resolution of the Board of Directors on March 25, 2008, the Company issued ¥30,000 million (\$299,431 thousand) of unsecured 1.21% Japanese yen bonds on April 25, 2008. The bonds are due April 24, 2015. The issue price of the bonds was 100% of the face value.

(2) Appropriations of retained earnings

The appropriation of retained earnings of the Company, including cash dividends applicable to the year ended March 31, 2008, which was proposed by the Board of Directors and approved at the shareholders' meeting held on June 27, 2008, was for the purpose of paying cash dividends to shareholders of record at March 31, 2008 in the aggregate amount of ¥7,548 million (\$75,337 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, 2007 and 2008, the related consolidated statements of income, changes in net assets and cash flows for the years then ended, 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, 2007 and 2008, 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.

Without qualifying our opinion in 2008, we draw attention to Note 18 to the consolidated financial statements. In accordance with a resolution of the Board of Directors on March 25, 2008, the Company issued unsecured Japanese yen bonds on April 25, 2008.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 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.

KPMG AZSAC Co.

Osaka, Japan
June 27, 2008