

Business Report for the 190th Financial Year
(Year from 1 April 2007 through 31 March 2008)

Osaka Gas Co., Ltd.

Operating Report for the Year ended March 31, 2008

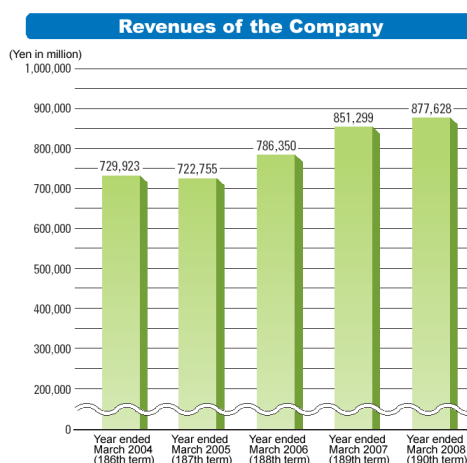
I. Current Situation of Business of the Group

1. Business Operations and Results

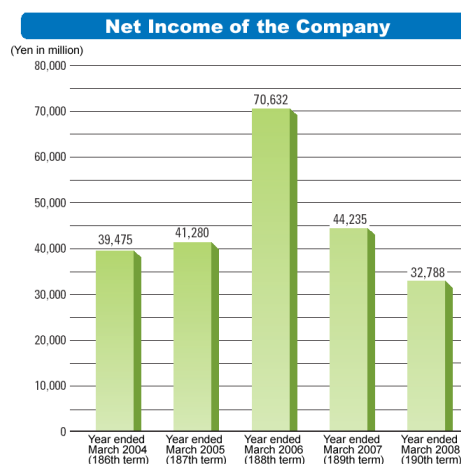
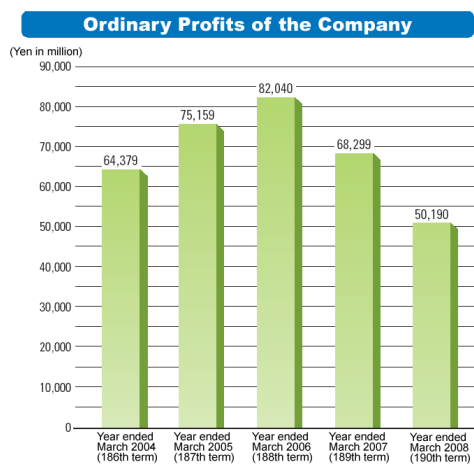
The Japanese economy in this financial year has seen steady growth led by strong export and capital investment by corporations. However, since last summer it has been affected by the slowdown of the U.S. economy, significant rise in the prices of crude oil and raw materials, and sharp drop of housing starts, which caused concern towards the end of the financial year for a possible downturn of economy.

With this economic background, the Osaka Gas Group (the “Group”) has aggressively conducted its business based on “Value Creation Management” as its core management objective.

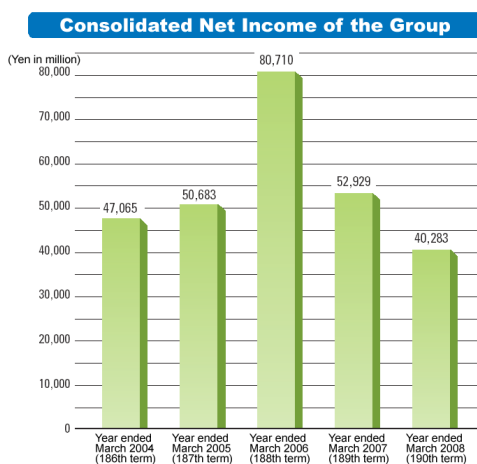
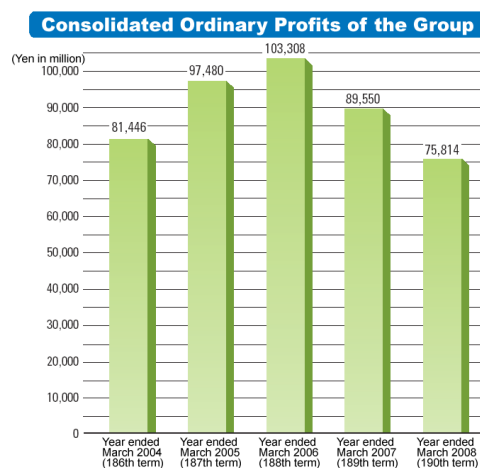
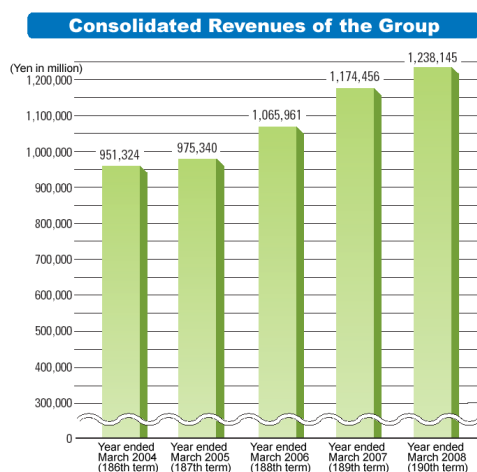
Revenues of the Company in the financial year ended March 31, 2008 increased by 3.1% to ¥877,628 million compared to the preceding financial year due to an increase in the sale of gas primarily resulting from steady development of demands and the upward adjustment of the unit prices of gas under the sliding rate adjustment system.



Meanwhile, due to a substantial increase in raw materials costs resulting from a significant rise in crude oil prices and an increase of the expenditure arising from the change in the depreciation system, ordinary profits decreased by 26.5% to ¥50,190 million compared to the preceding financial year. Net income decreased by 25.9% to ¥32,788 million compared to the preceding financial year.



Consolidated revenues of the Group in the financial year ended March 31, 2008 increased by 5.4% to ¥1,238,145 million compared to the preceding financial year primarily owing to the increase in revenues of the Company and the expansion of businesses of consolidated subsidiaries. Consolidated ordinary profits decreased by 15.3% to ¥75,814 million compared to the preceding financial year. Consolidated net income decreased by 23.9% to ¥40,283 million compared to the preceding financial year.



Sections (1) ~ (5) below provide a summary of segment results of the Company and the Group in the financial year ended March 31, 2008.

(1) Gas

The number of customers (number of meters installed) of the Company increased by 61 thousand to 6.881 million as of the end of this financial year.

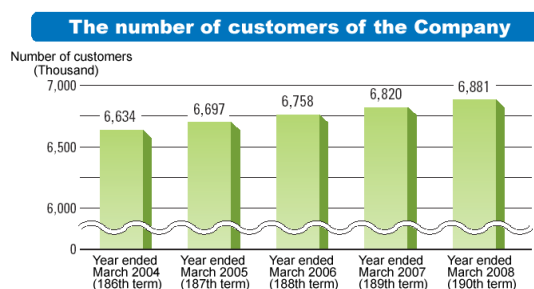
Total sales of gas for residential purposes was almost in line with the preceding financial year, increasing by 0.3% to 2,310 million cubic meters.

Regarding gas for non-residential use, sales of gas for industrial use increased by 2.4% compared to the preceding financial year primarily due to steady development of demands. However, also compared to the preceding financial year, sales of gas for commercial use decreased by 1.5% primarily due to the low temperature during the summer months, and sales of gas for public services/medical use increased by 1.3% primarily due to steady development of demands and the low temperature during the winter months. Total sales of gas for non-residential use increased by 1.6% compared to the preceding financial year to a total of 6,115 million cubic meters.

Sales of gas for wholesale increased by 10.9% to 462 million cubic meters compared to the preceding financial year.

As a result, total sales of gas of the Company increased by 1.7% to 8,887 million cubic meters compared to the preceding financial year.

In addition, total sales of gas of the Group increased by 1.7% to 8,917 million cubic meters compared to the preceding financial year.



Revenues from gas sales of the Group increased by 5.1% to ¥721,403 million compared to the preceding financial year primarily due to an increase in the sales of gas and the upward adjustment of the unit prices of gas under the sliding rate adjustment system.

(2) LPG, Electric Power and Other Energies

Primarily as a result of an additional acquisition of an overseas power plant and the upward adjustment of the unit prices of LPG (liquefied petroleum gas), revenues increased by 13.0% to ¥265,677 million compared to the preceding financial year.

Regarding the LPG business, in April 2007, the Group restructured and consolidated the division of residential LPG use and nine LPG affiliates of Liquid Gas Co., Ltd. into three companies, for the purpose of reducing administrative costs as well as improving customer services. Further, in December 2007, Osaka Gas LPG Co., Ltd., a subsidiary of Liquid Gas Co., Ltd. took over all the shares of Sumisho LPG West Co., Ltd. (currently Osaka Gas LPG Sales Co., Ltd.)

In September 2007, the Company invested in the condensate collection business in a permit block located in the Browse Basin offshore Western Australia, followed by the investment in the Freeport LNG terminal business in Texas in the U.S. in February 2008.



The Marianas power plant in Guam,US



The Freeport LNG terminal

(Note) Condensate is a type of super light crude oil with a similar nature to naphtha and gasoline.

(3) Gas Appliances and House-pipe Installations

Revenues decreased by 7.3% to ¥149,204 million compared to the preceding financial year primarily due to a decrease in the number of large-scale orders and house-pipe installations. Revenues from the sales of gas appliances of the Company decreased by 8.8% to ¥93,283 million compared to the preceding financial year and revenues from house-pipe installations of the Company decreased by 10.4% to ¥27,450 million compared to the preceding financial year primarily due to a decrease in the number of new installations.

Regarding gas appliances for residential use, the Company focused its sales efforts on the sales of products including the residential gas engine cogeneration system, “ECOWILL,” the glass-topped kitchen stove and the bathroom heater/dryer with mist sauna function. For the kitchen stove, for improvement of safety and convenience, the Company has equipped all types of burners (except for the stationary one-burner type) with the sensor such as over-heating prevention device during deep-frying, and promoted these products under the name of “Si SENSOR KITCHEN STOVE.” It also released new types of built-in kitchen stoves, such as the “COLORS,” which offers a choice from seven colors for the top panel, and the “Udea” which pursues ease of use for every person. It released a new type of bathroom heater/dryer with a mist sauna function, in which customers can use three different sauna modes, and for the gas fan heater it released a new type of “RANK+,” which had been favored among customers for its convenience and design, with a new “sound notification function” which notifies the users of the state of operation by sound and voice.



“Si SENSOR KITCHEN STOVE”



The gas fan heater “RANK+”

Regarding gas appliances for non-residential use, sales of the gas heat pump-type air conditioning system with electric generation functions including the “HIGH POWER MULTI,” which can utilize generated electric power for outside fans and the “HIGH POWER EXCEL,” which also provides electric power inside the building, and the “GENE-LIGHT,” a small-size gas cogeneration system, steadily increased. In addition, the Company is working to further expand sales of its “SUZUCHU” kitchen instruments for non-residential use, which reduce heat build-up in kitchens by efficient emission and heat insulation.

(4) Real Estate

Revenues increased by 9.8% to ¥28,496 million compared to the preceding financial year, primarily owing to the inclusion of Kubota Maison Co., Ltd., which runs a condominium business in Kansai and other areas, in the Company's consolidated subsidiaries.

Urbanex Co., Ltd. acquired apartments for lease, including "Urbanex Yodoyabashi" and "Urbanex Toyonaka Sakurazuka," during this financial year.



"Urbanex Yodoyabashi"

(5) Other Businesses

Revenues increased by 3.2% to ¥144,345 million compared to the preceding financial year, primarily owing to the increase in sales of Osaka Gas Information System Research Institute Co., Ltd. and Osaka Gas Chemicals Co., Ltd.

OG Sports Co., Ltd. opened four new fitness centers under the "COSPA" brand name during this financial year, including the first two centers outside the Kinki area at Meinohama (Fukuoka Prefecture) and Matsubara (Saitama Prefecture), and currently directly operates 29 fitness centers in total.



The "COSPA" at Meinohama
(Fukuoka Prefecture)

The "COSPA" at Matsubara
(Saitama Prefecture)



[Revenues for Each Business Segment] (Amount: Yen in millions, Ratio: %)

Business Segment	Revenues	Percentage Change from Last Year	Percentage
Gas	721,403	+5.1	55.1
LPG, Electric Power and Other Energies	265,677	+13.0	20.3
Gas Appliances and House-pipe Installations	149,204	-7.3	11.4
Real Estate	28,496	9.8	2.2
Other Businesses	144,345	3.2	11.0
On a Consolidated Basis	1,238,145	5.4	---

(Note) Inter-business segment revenues are included in revenues for each business segment but are eliminated from consolidated revenues.

2. Capital Investment Activities

The amount of capital investment made by the Group as a whole amounted to ¥111,087 million, including the Company's capital investment amounting to ¥59,289 million.

The Company lengthened its gas trunk and branch lines by 552 kilometers during this financial year, bringing the total length to 47,461 kilometers as of the end of the financial year ended March 31, 2008.

The main projects during this financial year were the ongoing work on the Senboku Natural Gas Power Plant.

Subsidiaries of the Company acquired real estate and assets for the leasing business.

3. Financing Activities

The Company has obtained additional long-term loans in the total amount of ¥40,000 million during this financial year. The Group as a whole has obtained additional long-term loans in the total amount of ¥51,692 million during this financial year. The Company issued straight corporate bonds (excluding short-term bonds) in the aggregate principal amount of ¥20,000 million in July 2007 and in the aggregate principal amount of ¥20,000 million in October 2007.

The Company repaid ¥29,629 million of long-term loans and the Group as a whole repaid ¥47,027 million.

4. Outstanding Issues

The Japanese economy has seen moderate but steady growth as a whole supported by exports and capital investments.

However, it currently seems that the economy has reached a stage of a temporary lull and uncertainties for the future are prevailing. This is due to factors such as new pressures on companies' business performance following a record surge of energy and raw material prices and a slowdown in the U.S. economy associated with the rapid appreciation of yen. In addition, as regulatory reform in the energy market further develops, competition in the market is expected to become more intensive.

In such a business environment, it is of primary importance that the Group improves quality of products and services and continues to be "the preferred choice" amongst customers and local communities. The Group continues to carry out its medium-term business plan, "Design 2008," for the three years ending March 31, 2009 in accordance with the management principle of the Group, "Value Creation Management," under which the Group seeks to maximize customer value as its first priority in addition to increasing the value of all stakeholders including its shareholders, the community and its employees through fair and transparent business activities. The year ending March 31, 2009 will be the last year in which the "Design 2008" will be carried out. The Group aims to steadily implement measures under this three-year plan and establish its basis for sustainable growth.

In terms of the energy businesses, the Group will seek to further develop a diversified energy business in which the Group integrally provides energies required by customers such as natural gas, electric power and LPG by capitalizing on new business opportunities arising from regulatory reforms in addition to maintaining and developing the city gas business.

With regard to the city gas business, the Company continues to aim to always conduct its business from the viewpoint of its customers and plans to make further efforts for the assurance of safety and stable energy supply to promote the safe use of city gas by customers. Also, in addition to promoting management efficiency in every aspect and strengthening price competitiveness, the Company will seek to promote the widespread use of natural gas, which contributes to the enhancement of the customers' quality of living and expansion of businesses as well as environmental protection, by actively making comprehensive proposals including those concerning services and engineering.

With regard to the assurance of safety, in addition to conducting regular inspections of customers'

facilities, the Company intends to enhance its activities to provide information from time to time on the need for improvement so as to ensure that appropriate repairs are carried out and to publicize the safe method of use of gas facilities and appliances. Also, the Company intends to enhance safety through promoting the replacement of instantaneous gas hot water heaters without incomplete combustion prevention devices and gas stoves with metal mesh as well as promoting the use of the “Si SENSOR KITCHEN STOVE,” which equips all the burners with the over-heating prevention devices during deep-frying, the function to stop the gas supply being left on after the flame has been extinguished, and the safety devices to prevent fires resulting from users’ forgetting to turn off flames. Moreover, the Company will provide sufficient preventive maintenance of gas production and supply facilities such as carrying out scheduled repair and renewal works on aged facilities, and take appropriate earthquake countermeasures, as well as getting ready to respond at anytime for 24 hours a day to emergency events such as gas leaks. It also plans to continue its education and training programs for employees and workers.

With regard to the stability of supply, the Company intends to further diversify its sources of natural gas and strengthen its manufacturing and distribution capabilities.

In terms of the household market, the Company has been proposing ways to use energies from a consumer-oriented perspective, including through its “MY HOME GENERATION” utilizing the residential gas engine cogeneration system “ECOWILL,” “MY HOME BEAUTY TREATMENT” using a mist sauna functionality and “MY HOME COOKING” using gas when cooking any kind of food. Based on the above, the Company has been seeking to further popularize and promote the use of its products that contribute to an environmentally-friendly, economic, comfortable, convenient, and safe lifestyle with gas, as embodied in the slogan “WITH GAS LIFE.” The Company will continue to promote “ECOWILL,” which has sold more than 45,000 units, for further market penetration, through the enhancement of its energy conservation functions and ease of installation. The Company will also seek to comprehensively meet customers’ needs by providing not only energies but also various services, including a home security service utilizing the Internet, called “AIRUSU,” provided in conjunction with one of the Company’s subsidiaries.

In terms of the market for non-residential use, the Company intends to contribute to the enhancement of economic efficiency and energy conservation through the proposal of efficient energy use suited for each customer, by utilizing natural gas technology such as combustion and air conditioning and maintenance technology, which the Company has cultivated for many years. In addition, the Company plans to promote the environmentally-friendly use of natural gas including a highly efficient and high-performance gas cogeneration system, the “HIGH POWER EXCEL,” gas heat pump-type air

conditioning system which generates electricity while air conditioning, the “SUZUCHU,” gas kitchen instruments for non-residential use which reduce heat build-up in kitchens, and natural gas powered automobiles.

With regard to the improvement of services, the Company expects to continue its efforts to make good use of customer comments for the improvement of operations and take more speedy and appropriate measures to respond to customers’ needs.

With regard to the electric power business, the Group aims to nurture it into a second core business next only to the city gas business. With regard to Senboku Natural Gas Power Plant, the Company will make thorough preparations for the commencement of operations in April 2009 through the steady operation of construction works and the establishment of the operation and maintenance system. The Company also intends to operate its current independent power producer (IPP) business efficiently.

With regard to the LPG business, the Group plans to focus on increasing sales as well as the number of customers by leveraging the appliance and equipment products and its strengths in the marketing of energy systems that it has developed in the city gas business.

In terms of the non-energy businesses, the Group plans to pursue opportunities to expand profits on a consolidated basis by providing improved products and services in line with customers’ needs and focusing its business on contributing to customers’ quality of living and business prosperity. To further advance its business, the Group intends to be more proactive in making choices, staying focused and further developing growth businesses, thereby increasing its corporate value.

With regard to environmental issues, the Group intends to reduce the burden caused by its business activities on the environment through promoting energy conservation and the use of renewable resources. In addition, the Group hopes to reduce the burden on the environment through its products and services, such as by promoting the widespread use of natural gas which is an environmentally friendly source of energy in line with the government’s energy policy. The Group also plans to be actively involved in environmental protection activities within local communities in Japan, across Japan nationwide, and overseas.

With regard to technological development, the Company intends to focus its efforts primarily on the development of fuel-cells for residential purposes and a more efficient and high-performance gas cogeneration system for non-residential use, which are expected to contribute to environmental and energy conservation as well as enhancing convenience for customers. In addition, the Company is

dedicated to supporting the efficient operation of customer facilities through remote control systems and other information technologies.

Although the Group has worked on compliance to fulfill the Group's corporate social responsibilities, an inappropriate conduct by the Company and its subsidiary was found with respect to a part of the project on the natural gas cogeneration facilities which has been granted a subsidy as New Energy Introduction Support Project. As a result of this violation, a suspension on the granting of a subsidy and other actions were issued by the Ministry of Economy, Trade and Industry and other relevant entities in January 2008. The Group took the matter seriously and, to prevent a recurrence, has steadily implemented measures for the "strengthening of structures for the effective functioning of mutual oversight," "reinforcement of the internal audit system," "application of a more strict penalty for non-compliance and more active use of the Compliance Desk," "review of performance evaluation of organizations and individuals," and "establishment and operation of the "Company Ethics Committee" mostly consisting of the members from outside the Company." The Group continues to work to ensure thorough compliance practice throughout the group as a whole.

The Group intends to respond to the above issues in an appropriate manner and fulfill its core objective of "Value Creation Management." Also, the Group is devoted to complying with the "Osaka Gas Group CSR Charter" which codifies the Group's basic views on its corporate social responsibilities and to making every effort to ensure its place as an ever-improving group of companies.

The Group looks forward to the continuous support and encouragement from all shareholders.

5. Financial Position and Profits and Losses

(1) Financial Position and Profits and Losses of the Company on an Unconsolidated Basis(Yen in millions)

Division	Year ended March 2004 (186th term)	Year ended March 2005 (187th term)	Year ended March 2006 (188th term)	Year ended March 2007 (189th term)	Year ended March 2008 (190th term)
Revenues	729,923	722,755	786,350	851,299	877,628
Ordinary Profits	64,379	75,159	82,040	68,299	50,190
Net Income	39,475	41,280	70,632	44,235	32,788
Net Income Per Share (yen)	17.24	18.48	31.67	19.87	14.87
Total Assets	977,805	981,501	1,078,437	1,076,946	1,119,871
Net Assets	417,741	442,805	518,171	548,721	523,689

(2) Financial Position and Profits and Losses of the Group on a Consolidated Basis(Yen in millions)

Division	Year ended March 2004 (186th term)	Year ended March 2005 (187th term)	Year ended March 2006 (188th term)	Year ended March 2007 (189th term)	Year ended March 2008 (190th term)
Revenues	951,324	975,340	1,065,961	1,174,456	1,238,145
Ordinary Profits	81,446	97,480	103,308	89,550	75,814
Net Income	47,065	50,683	80,710	52,929	40,283
Net Income Per Share (yen)	20.56	22.69	36.18	23.77	18.27
Total Assets	1,199,228	1,217,463	1,398,692	1,405,682	1,467,934
Net Assets	495,635	530,862	628,510	686,664	666,657

(Note) Since the 189th term, the net assets of the Company and the Group have been calculated by applying the “Accounting Standard for Presentation of Net Assets in the Balance Sheet” (Accounting Standards Board of Japan Statement No. 5 of December 9, 2005) and the “Guidance

on Accounting Standard for Presentation of Net Assets in the Balance Sheet” (Accounting Standards Board of Japan Guidance No. 8 of December 9, 2005).

6. Principal Activities of the Group (as of March 31, 2008)

- (1) Production, distribution and sale of gas
- (2) Distribution and sale of LPG
- (3) Generation, distribution and sale of electric power
- (4) Sale of gas appliances
- (5) House-pipe installations

7. Outline of Principal Subsidiaries (as of March 31, 2008)

Company	Capital (Yen in millions)	Holding (%) (including indirect holding)	Main Activities
Liquid Gas Co., Ltd.	1,030	100	Sale of industrial gas, LNG, LPG, etc.
Nissho Petroleum Gas Corporation	1,726	52.5	Sale of LPG, etc.
Urbanex Co., Ltd.	1,570	100	Real estate development, leasing, management, and sales
Osaka Gas Information System Research Institute Co., Ltd.	400	100	Development of software and information processing services via computers
Osaka Gas Chemicals Co., Ltd.	2,500	100	Manufacture and sale of fine materials, carbon products, etc.

8. Major Offices, Plants, and Employees (as of March 31, 2008)

(1) Major Offices and Plants

The Company	Head Office	Head Office (Osaka Prefecture)
	Residential Energy Business Unit	Osaka Residential Sales Dept. (Osaka Prefecture) Nanbu Residential Sales Dept. (Osaka Prefecture) Hokutobu Residential Sales Dept. (Osaka Prefecture) Hyogo Residential Sales Dept. (Hyogo Prefecture) Keiji Residential Sales Dept. (Kyoto Prefecture)
	Commercial & Industrial Energy Business Unit	Osaka Commercial & Industrial Energy Sales Dept. (Osaka Prefecture) Nanbu Commercial & Industrial Energy Sales Dept. (Osaka Prefecture) Hokutobu Commercial & Industrial Energy Sales Dept. (Osaka Prefecture) Hyogo Commercial & Industrial Energy Sales Dept. (Hyogo Prefecture) Keiji Commercial & Industrial Energy Sales Dept. (Kyoto Prefecture)
	Pipeline Business Unit	Osaka Pipeline Dept. (Osaka Prefecture) Nanbu Pipeline Dept. (Osaka Prefecture) Hokutobu Pipeline Dept. (Osaka Prefecture) Hyogo Pipeline Dept. (Hyogo Prefecture) Keiji Pipeline Dept. (Kyoto Prefecture)
	LNG Terminal & Power Generation Business Unit (Terminals)	Senboku LNG Terminals (Osaka Prefecture) Himeji LNG Terminal (Hyogo Prefecture)
	Technology Division (Laboratories)	Energy Technology Laboratories (Osaka Prefecture)

Subsidiaries	Liquid Gas Co., Ltd. (Osaka Prefecture) Nissho Petroleum Gas Corporation (Tokyo) Urbanex Co., Ltd. (Osaka Prefecture)Osaka Gas Information System Research Institute Co., Ltd. (Osaka Prefecture) Osaka Gas Chemicals Co., Ltd. (Osaka Prefecture)
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(2) Employees

(i) Employees of the Company

Number of Employees	Average Age (years)	Average Length of Service (years)
5,418	42.1	21.0

(ii) Employees of the Group

Number of Employees
16,682

(Note) The above number of employees of the Company and the Group includes employees on fixed term contracts but excludes employees seconded to other organizations.

9. Major Lenders (as of March 31, 2008)

Lenders	Loans Outstanding on March 31, 2008 (Yen in millions)
Nippon Life Insurance Company	38,362
Meiji Yasuda Life Insurance Company	28,904
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	24,374
Development Bank of Japan	23,655
Sumitomo Life Insurance Company	23,650

II. Directors and Corporate Auditors

1. Details of Directors and Corporate Auditors (as of March 31, 2008)

Position	Name	Business in Charge	Representation of Other Entities or Important Concurrent Post
Chairman	Akio Nomura		Chairman of the Osaka Chamber of Commerce and Industry* Chairman of the Japan Gas Association* Director of West Japan Railway Company Director of Urbanex Co., Ltd. Director of Osaka Gas Information System Research Institute Co., Ltd. Member of Osaka Prefectural Public Safety Commission
President	Hirofumi Shibano		Director of Liquid Gas Co., Ltd. Director of Osaka Gas Chemicals Co., Ltd.
Executive Vice-President	Hidetoshi Nakatani	Head of Safety Head of IT Head of Energy Resources Business Unit Responsible for: LNG Terminal & Power Generation Business Unit, Pipeline Business Unit and Technology Division	President of Osaka Rinkai Energy Service Corporation*
Executive Vice-President	Zenzo Ideta	Responsible for: Liquid Gas Co., Ltd., Nissho Petroleum Gas Corporation, Urbanex Co., Ltd., Osaka Gas Information System Research Institute Co., Ltd, Osaka Gas Chemicals Co., Ltd., Corporate Planning & Finance Division, Administration & General Affairs and HR Division, Compliance Dept., Auditing Dept.,	Director of Liquid Gas Co., Ltd. Director of Nissho Petroleum Gas Corporation Director of Urbanex Co., Ltd. Director of Osaka Gas Information System Research Institute Co., Ltd. Director of Osaka Gas Chemicals Co., Ltd.

		Head Office Resident Representative	
Senior Managing Director	Hiroshi Yokokawa	President of Network Division Advisor to Tokyo Representative	
Managing Director	Hideaki Nagata	Head of Technology President of Technology Division	
Managing Director	Katsumi Makino	Head of CSR President of Administration & General Affairs and HR Division	Member of the Osaka Prefecture Labor Relations Commission
Managing Director	Yoichi Higuchi	Head of Customer Services Head of Residential Energy Business Unit	
Managing Director	Hiroshi Ozaki	Head of Commercial & Industrial Energy Business Unit	
Managing Director	Masashi Kuroda	President of Corporate Planning & Finance Division	President of OG-Kanden Joint Planning Company*
Managing Director	Takashi Sakai	Head of LNG Terminal & Power Generation Business Unit	
Director	Tadamitsu Kishimoto		Professor of Graduate School of Frontier Biosciences of Osaka University Administrative Director of Senri Life Science Foundation*
Corporate Auditor (full-time)	Seishiro Yoshioka		
Corporate Auditor (full-time)	Akio Wada		
Corporate Auditor	Reisuke Shimada		Lawyer
Corporate Auditor	Toshihiko Hayashi		Professor of The Open University of Japan

(Notes)

- 1) The Chairman, President, Executive Vice-Presidents and Senior Managing Directors are each a Representative Director.

- 2) The asterisk (*) in the “Representation of Other Entities or Important Concurrent Post” column indicates “a representative of other entities or other person similar thereto”.
- 3) “Responsible for” in the “Business in Charge” column means to take partial charge of any organization, core company, division or persons with certain positions of duty who do not belong to any organization (including Head Office Resident Representative) as a director.
- 4) Director, Tadamitsu Kishimoto, is an external director as specified in Article 2, item 15 of the Company Law
- 5) Corporate Auditors, Reisuke Shimada and Toshihiko Hayashi, are both external auditors as specified in Article 2, item 16 of the Company Law.
- 6) The following persons were appointed to new positions or delegated new responsibilities during the financial year ended March 31, 2008 pursuant to the resolution adopted at the Meeting of the Board of Directors (previous position or responsibility in brackets):

- Appointment pursuant to the resolution adopted at the Meeting of the Board of Directors on June 28, 2007

Hidetoshi Nakatani	(Head of Safety Responsible for: Pipeline Business Unit, Residential Energy Business Unit, Commercial & Industrial Energy Business Unit, Liquid Gas Co., Ltd., Nissho Petroleum Gas Corporation, Osaka Gas Chemicals Co., Ltd., Technology Division)
Zenzo Ideta	(Senior Managing Director Responsible for: Urbanex Co., Ltd., Administration & General Affairs and HR Division, Compliance Dept., Auditing Dept., Head Office Resident Representative)
Hiroshi Yokokawa	(President of Network Division)
Hiroshi Ozaki	(Head of LNG Terminal & Power Generation Business Unit)

- Appointment pursuant to the resolution adopted at the Meeting of the Board of Directors on September 28, 2007

Hidetoshi Nakatani	(Head of Safety Head of IT Head of Energy Resources Business Unit Responsible for: LNG Terminal & Power Generation Business Unit, Pipeline Business Unit, Residential Energy Business Unit, Commercial & Industrial Energy Business Unit, Technology Division)
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- 7) President, Hirofumi Shibano, resigned as the President to become a Director as of March 31, 2008, and Managing Director, Hiroshi Ozaki, assumed the office of the President as of April 1, 2008 pursuant to the resolution of the Meeting of the Board of Directors held on March 6, 2008. Furthermore, pursuant to the resolution of the Meeting of the Board of Directors held on March 25, 2008, Executive Vice-President, Zenzo Ideta, assumed additional responsibilities for Commercial & Industrial Energy Business Unit as of April 1, 2008.

2. Remuneration paid to Directors and Corporate Auditors

12 Directors ¥537 million

4 Corporate Auditors ¥81 million

(including ¥29 million for three external directors and external corporate auditors)

3. External Directors and External Corporate Auditors

Director, Tadamitsu Kishimoto

Principal Activities

- (1) Attendance and Comments at the Meetings of the Board of Directors
Tadamitsu Kishimoto attended 8 out of 10 meetings of the Board of Directors. He made comments as appropriate based on his long experience in management and from his independent position as an external director.

Corporate Auditor, Reisuke Shimada

Principal Activities

- (1) Attendance and Comments at the Meetings of the Board of Directors
Reisuke Shimada attended all 12 meetings of the Board of Directors. He made no comment on the exercise of rights as a Corporate Auditor.
- (2) Attendance and Comments at the Meetings of the Board of Corporate Auditors
Reisuke Shimada attended all of 10 meetings of the Board of Corporate Auditors. He made comments on the method and results of the audit and other matters concerning the performance of duties of the Corporate Auditors.

Corporate Auditor, Toshihiko Hayashi

Principal Activities

(1) Attendance and Comments at the Meetings of the Board of Directors

Toshihiko Hayashi attended 11 out of 12 meetings of the Board of Directors. He made no comment on the exercise of rights as a Corporate Auditor.

(2) Attendance and Comments at the Meetings of the Board of Corporate Auditors

Toshihiko Hayashi attended all 10 meetings of the Board of Corporate Auditors. He made comments on the method and results of the audit and other matters concerning the performance of duties of the Corporate Auditors.

III. Shares and Shareholders (as of March 31, 2008)

1. Number of Shares Issued and Number of Shareholders

Items	Contents
Number of Authorized Shares	3,707,506,909 shares
Number of Shares Issued and Outstanding	2,158,383,539 shares
Number of Shareholders (as of financial year end)	166,694

(Note) The “Number of Shares Issued and Outstanding” includes 1,864,399 treasury shares. As a result of the cancellation of the treasury shares (share invalidation procedures), the number of shares issued and outstanding decreased by 77,286,000 shares during the financial year ended March 31, 2008.

2. Principal Shareholders

Shareholders	Number of shares held (1,000s)	Shareholding ratio (%)
Nippon Life Insurance Company	120,103	5.57
Japan Trustee Services Bank, Ltd. (trust account)	80,398	3.73
The Master Trust Bank of Japan, Ltd. (trust account)	71,919	3.33
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	69,929	3.24
Resona Bank, Limited	52,777	2.45
Nissay Dowa General Insurance	30,961	1.44
Meiji Yasuda Life Insurance Company	30,889	1.43
State Street Bank and Trust Company 505103	28,818	1.34
Toyu-kai (Employees' Stockholding)	26,059	1.21
OD05 OMNIBUS CHINA TREATY 808150	21,956	1.02

(Note) The number of treasury shares is excluded from the “Number of Shares Issued and Outstanding” in calculating the shareholding ratios.

IV. Independent Outside Auditor

1. Name of Independent Outside Auditor

AZSA & Co.

2. Fees and Other Charges Payable to Independent Outside Auditor for the Year Ended March 31, 2008

(1) Amount of fees and other charges payable to the independent outside auditor by the Company for the year ended March 31, 2008

(i) Fees for audit services in Article 2, paragraph 1 of the Certified Public Accountants Law
¥57 million

(Note) As the audit fees under the Company Law and those under the Financial Instruments and Exchange Law are not separated for the purpose of the audit contract executed between the Company and the independent outside auditor and are impractical to separate, the amount specified above is indicated as the total amount of audit fees payable under both Laws.

(ii) Amount of fees and other charges for services other than audit services in Article 2, paragraph 1 of the Certified Public Accountants Law
¥19 million

(2) Total amount of cash and other financial benefits payable by the Company and its subsidiaries
¥153 million

3. Non-Audit Services

The Company delegates the services, such as the provision of specialized advice on the assessment of internal control over financial reporting, to the independent outside auditor and pays consideration therefor.

4. Policy on Decision of Dismissal or Non-Reappointment of Independent Outside Auditor

In addition to the dismissal by the Board of Corporate Auditors of the independent outside auditor under Article 340 of the Company Law, in the event that the proper performance by the independent outside auditor of its duties is found to be difficult, the Company may propose agendas concerning dismissal or non-reappointment of the independent outside auditor at the shareholders' meetings with the consent of the Board of Corporate Auditors under Article 344, paragraphs 1 and 3 of the Company Law or by request from the Board of Corporate Auditors under Article 344, paragraphs 2 and 3 of the Company Law.

V. Systems to Ensure that the Directors Perform Their Duties in Compliance with Applicable Laws and Regulations and the Articles of Incorporation and Other Systems to Ensure the Propriety of Operations

The Company establishes systems to ensure that the directors of the Company perform their duties in compliance with applicable laws and regulations and the Articles of Incorporation and other systems necessary to ensure the propriety of the Group's operations at meetings of the Board of Directors. The outline of such systems is as follows:

1. Systems to ensure that the performance of duties complies with applicable laws and regulations and the Articles of Incorporation

- (1) Executive directors establish the "Osaka Gas Group Code of Business Conduct" based on "Osaka Gas Group CSR Charter." By familiarizing directors and employees with the Code, executive directors ensure the performance of duties in compliance with applicable laws and regulations and the Articles of Incorporation within the Group and promote business activities in a fair and appropriate manner.
- (2) Executive directors make efforts to understand the status concerning compliance within the Group and promote compliance practices by establishing a consulting and reporting system as an internal reporting system and a CSR committee.
- (3) If any problems are discovered regarding compliance within the Group, directors and employees of the Group are required to consult with or report to an executive director or other superior, or report the matter via the consulting and reporting system depending on the level of seriousness or urgency. The executive director or the head of compliance or other superior investigates details of such matter and takes necessary remedial measures.

2. System concerning the maintenance and the management of information on Directors' performance of duties

- (1) Executive directors and employees of the Group prepare minutes of the meetings of the Board of Directors, approval documents or other similar documents specifying matters including matters affecting decisions and the process by which a decision was reached, in accordance with regulations on responsibilities and authorities.
- (2) Executive directors and employees of the Group properly store and manage the minutes of the meetings of the Board of Directors, approval documents or other information on performances of duties according to the nature thereof.

3. Regulations and other systems to manage the risk of losses

- (1) Executive directors take all possible steps to ensure the safety and stability of gas supplies in gas businesses by establishing safety regulations on matters concerning the construction, maintenance and operation of production and supply facilities, and by promoting the improvement of the production and supply systems.
- (2) Executive directors of the Group and organizational heads of the Company (managers of basic organizations of the Company) take measures to prevent the occurrence of risks and minimize losses in the case of occurrence, and manage the risk of losses for each category of risk (risks due to external factors, internal factors, transactions with outside parties or other factors).
- (3) The risk of losses is managed at the level of each basic organization and each affiliated company.

4. Systems to ensure the efficient performance of duties by directors

- (1) Executive directors of the Group and organizational heads of the Company determine matters concerning the division of duties and decision-making within the Company and the Group 【in accordance with regulations on responsibilities and authorities. They also provide regulations regarding systems and details of organizations and general matters to be observed during the performance of duties. By familiarizing employees with such regulations, they ensure the smooth management of organizations and the improvement of quality and efficiency of operations.

- (2) With the aim of maximizing corporate value, executive directors of the Group and organizational heads of the Company establish medium-term business plans and annual plans for the Company and the Group, monitor attainment by means of performance indicators and focus on achieving these plans.

5. Systems to ensure the propriety of business operations of the Group

In addition to the above, executive directors take the following measures and make efforts to ensure proper operations based on a premise of the fulfillment of their duties of care.

- (1) Companies to play a central role in each business area of the Group (core companies) or basic organizations to supervise affiliated companies (management support organizations) are designated to be responsible for day-to-day management of affiliated companies.
- (2) Compliance with applicable laws and regulations and the Articles of Incorporation, the efficiency and other similar matters of the Group as a whole are audited internally by the head of the Auditing Department of the Company. If necessary in light of the results of such audit, remedial measures are taken promptly.

6. Matters concerning employees assisting corporate auditors in the performance of their duties in the case where the appointments of such employees are requested

- (1) Executive directors, if requested by the corporate auditors, appoint employees to assist the corporate auditors in the performance of their duties and establish a corporate auditors' office staffed by these corporate auditors' assistants.
- (2) Corporate auditors' assistants are engaged solely in assisting the corporate auditors in the performance of their duties.

7. Matters concerning independence of corporate auditors' assistants from directors

- (1) Executive directors cannot direct or give orders to corporate auditors' assistants except where such directions or orders apply equally to all employees.
- (2) The opinions of the corporate auditors are sought in advance regarding the evaluation, transfer,

and disciplining of corporate auditors' assistants.

8. Systems for reporting to the corporate auditors by directors and employees and other matters concerning reporting to the corporate auditors

- (1) Directors report immediately to the corporate auditors if a matter that is significantly detrimental to the Company is discovered.
- (2) Directors and employees report without delay matters that have a material impact on the management of the Group, the results of internal audits, the situation regarding the main reports under the consulting and reporting system and other material matters.
- (3) Directors of the Group and employees of the Company report without delay when requested by the corporate auditors to report on matters concerning the performance of duties.

9. Other systems to ensure effective auditing by the corporate auditors

- (1) The corporate auditors may exchange opinions periodically with the representative directors and the independent outside auditor.
- (2) The corporate auditors may attend meetings of the Executive Board and all company committee meetings. They may investigate as appropriate material information concerning the performance of duties, such as approval documents.

Balance Sheets

(As of March 31, 2008)

(Yen in millions)

Assets		Liabilities	
Non-current Assets	883,529	Non-current Liabilities	341,132
Property, Plant and Equipment	570,541	Corporate bonds maturing after one year	185,617
Production facilities	97,335	Long-term borrowings due after one year	136,812
Distribution facilities	336,946	Long-term credits from associated companies	12
Service and maintenance facilities	63,372	Deferred tax liabilities	8,369
Incidental business facilities	4,575	Reserve for retirement allowance	3,737
Idle facilities	1,532	Reserve for repairs of gas holders	1,644
Construction in progress	66,779	Reserve for safety measures	2,459
		Other non-current liabilities	2,479
Intangible Fixed Assets	7,486	Current Liabilities	255,049
Patents	54	Long-term debt due within one year	35,298
Leaseholds	3,028	Trade accounts payable	39,422
Other	4,403	Other payables	17,417
		Accrued expenses	36,090
Investments and Other Assets	305,501	Accrued income and enterprise taxes	16,047
Investments securities	57,763	Advance received	5,353
Investment in associated companies	119,447	Deposits received	1,124
Long-term loans to associated companies	71,655	Short-term borrowings from associated companies	25,703
Financing receivables	12	Short-term credits from associated companies	12,796
Long-term prepaid expenses	10,847	Commercial paper	65,000
Prepaid pension expenses	40,709	Other current liabilities	792
Other investments and other assets	5,637	Total Liabilities	596,181
Allowance for doubtful receivables	(-571)		
		Net Assets	
Current Assets	236,341	Shareholders' Equity	489,477
Cash & time deposits	14,461	Common Stock	132,166
Notes and bills receivable	778	Capital Surplus	19,482
Trade accounts receivable	77,700	Capital reserve	19,482
Trade accounts receivable from associated companies	5,974	Retained Earnings	338,635
Other receivables	13,788	Retained earnings reserve	33,041
Finished products	148	Other retained earnings	
Raw materials	22,416	Reserve for deferred gain from replacement of designated properties, etc.	214
Supplies	9,035	Reserve for depreciation of designated gas pipeline construction	193
Short-term loans to associated companies	39,926	Reserve against losses on overseas investments, etc.	9,871
Short-term credits against associated companies	3,403	Raw material cost fluctuation adjustment reserve	89,000
Deferred tax assets	11,046	Special reserves	62,000
Derivatives	21,174	Retained earnings carried forward	144,314
Other current assets	17,052	Treasury Shares	(-806)
Allowance for doubtful receivables	(-566)	Treasury shares	(-806)

		Net Gains on Valuation and Foreign Currency Translation, etc.	34,211
		Net Unrealized Holding Gains on Other Securities	21,196
		Net unrealized holding gains on other securities	21,196
		Deferred Income from Hedge Transactions	13,015
		Deferred income from hedge transactions	13,015
Total Assets	1,119,871	Total Net Assets	523,689
		Total Liabilities & Net Assets	1,119,871

Income Statements
(April 1, 2007 through March 31, 2008)

(Yen in millions)

Costs and Expenses		Operating Revenues	
Cost of products sold	410,181	Sales of products manufactured	714,111
Inventory at the beginning of the period	132	Sales of gases	714,111
Cost of products manufactured	414,984		
Amount of products purchased	0		
Own use of products manufactured	4,786		
Inventory at the end of the period	148		
(Gross profit)	(303,930)		
Expenses for distribution and sales	211,874		
General administrative expenses	51,985		
(Income from operation)	(40,070)		
Miscellaneous operating expenses	120,638	Miscellaneous operating revenues	124,125
Installation expenses	26,703	Revenues from house-pipe installations	27,450
Appliance sales expenses	93,934	Appliances sales revenues	93,283
		Other miscellaneous operating revenues	3,391
Expenses from incidental businesses	40,217	Revenues from incidental businesses	39,390
Expenses from the automatic alert service business	4,565	Revenues from the automatic alert service business	5,575
Expenses from the electric power supply business	8,889	Revenues from the electric power supply business	8,530
Expenses from the LNG sales business	22,160	Revenues from the LNG sales business	19,926
Expenses from other incidental businesses	4,602	Revenues from other incidental businesses	5,358
(Operating income)	(42,730)		
Non-operating expenses	8,112	Non-operating income	15,572
Interest payments	2,373	Interest income	1,341
Interest payments on corporate bonds	3,169	Dividends income	1,083
Amortization of bond-issue expenses	141	Dividends income from associated companies	5,122
Unrealized losses on investment securities	983	Lease income	1,586
Other miscellaneous expenses	1,444	Gain on sale of investment securities	2,951
(Ordinary profit)	(50,190)	Other income	3,486
(Income before income taxes)	(50,190)		
Income taxes - current	16,400		
Income taxes - deferred	1,001		
Net income	32,788		
Total	893,200	Total	893,200

Statements of Changes in Shareholders' Equity and Other Matters
(April 1, 2007 through March 31, 2008)

(Yen in millions)

	Shareholders' Equity														Net Gains on Valuation and Foreign Currency Translation, etc.			Total Net Assets
	Common stock	Capital Surplus			Retained earnings reserve	Retained Earnings							Treasury shares	Total shareholders' equity	Net unrealized holding gains on other securities	Deferred income from hedge transactions	Total net gains on valuation and foreign currency translation, etc.	
		Capital reserve	Other capital surplus	Total capital surplus		Other Retained Earnings												
						Reserve for deferred gain from replacement of designated properties, etc.	Reserve for depreciation of designated gas pipeline construction	Reserve against losses on overseas investments, etc.	Raw material cost fluctuation adjustment reserve	Special reserves	Retained earnings carried forward	Total retained earnings						
Balance at the preceding financial year end	132,166	19,482	51	19,534	33,041	215	564	5,314	89,000	62,000	164,664	354,801	(-3,670)	502,831	36,081	9,808	45,890	548,721
Changes during the financial year																		
Reversal of reserve for deferred gain from replacement of designated properties, etc.						(-1)					1							
Reversal of reserve for depreciation of designated gas pipeline construction							(-370)				370							
Accumulated reserve against losses on overseas investments, etc.								5,796			(-5,796)							
Reversal of reserve against losses on overseas investments, etc.								(-1,240)			1,240							
Distribution of retained earnings											(-15,572)	(-15,572)		(-15,572)				(-15,572)
Net income											32,788	32,788		32,788				32,788
Acquisition of treasury shares													(-30,652)	(-30,652)				(-30,652)
Disposition of treasury shares			9	9									74	83				83

Cancellation of treasury shares			(-61)	(-61)							(-33,381)	(-33,381)	33,442					
Changes in items other than shareholders' equity during the financial year (net)															(-14,885)	3,206	(-11,678)	(-11,678)
Total changes during the financial year			(-51)	(-51)		(-1)	(-370)	4,556			(-20,350)	(-16,165)	2,864	(-13,353)	(-14,885)	3,206	(-11,678)	(-25,032)
Balance at the financial year end	132,166	19,482		19,482	33,041	214	193	9,871	89,000	62,000	144,314	338,635	(-806)	489,477	21,196	13,015	34,211	523,689

Notes for Individual Financial Statements (April 1, 2007 through March 31, 2008)

1. Notes for Matters in respect of Significant Accounting Policies

(1) Basis and methodology for the valuation of assets

(i) Valuation of marketable securities:

Shares of subsidiaries and associated companies: stated at cost based on the moving-average method

Other marketable securities:

Securities practicable to determine fair value: stated at fair value
(Unrealized holding gains and losses are accounted for as a component of net assets; cost of sales is determined using the moving-average method.)

Securities not practicable to determine fair value: stated at cost based on the moving-average method

(ii) Finished products are stated at cost based on the weighted-average method and both raw materials and supplies are stated at cost based on the moving-average method.

(iii) Derivatives are stated at fair value.

(2) Depreciation method of property, plant and equipment

(i) Property, plant and equipment are depreciated using the declining-balance method. However, the straight-line method has been used for buildings (excluding structures attached to buildings) acquired after April 1, 1998.

(ii) Intangible fixed assets are depreciated using the straight-line method. For internal-use software, the straight-line method based on the term available for use within the Company has been applied.

(3) Basis for recording reserves

(i) As for the allowance for doubtful receivables, to provide for the bad debts loss of accounts receivable, loans receivable, etc., an estimated uncollectible amount is provided which is based on an amount calculated based on the default ratio in the past for general receivables and the individual collectability for certain receivables including receivables with default possibility (*Kashidaore Kenen Saiken*).

- (ii) As for the reserve for retirement allowance, for the purposes of employee retirement allowance, an amount is provided based on the estimate of the retirement allowance obligation and pension assets at the end of the financial year.
 - (iii) As for the reserve for repairs of gas holders, to provide for the necessary expenditure for periodical repairs of spherical gas holders, an estimated amount for the next scheduled repair is provided based on the actual expenditure for the previous period, which is proportionally allotted for the period up to such next scheduled repair.
 - (iv) As for the reserve for safety measures, to provide for the necessary expenditure to ensure the safety of gas consumers, an estimated amount of the expenditure necessary to promote replacements with safety-enhanced models, to strengthen inspections and to ensure wide awareness is provided.
- (4) Other significant matters forming the basis of preparation of the balance sheets, etc.

Consumption taxes and other taxes are calculated using the net-of-tax method.

- (5) Changes in Accounting Principles or Procedures

Change in the depreciation method of property, plant and equipment:

Pursuant to the amendment to the Corporate Tax Law, from this financial year, with respect to the properties, plants, and equipment acquired on or after April 1, 2007, the depreciation method has been changed as provided for in the amended Corporate Tax Law. However, this change does not have a material impact on the profits and losses.

(additional information)

Pursuant to the amendment to the Corporate Tax Law, with respect to the assets acquired on or before March 31, 2007, the difference between 5% of the acquisition value and the memorandum value is depreciated in five equal installments, and is included in the depreciation expenses. Such depreciation is made from the financial year following the financial year when the undepreciated balance calculated by the depreciation method under the Corporate Tax Law before amendment becomes less than 5% of the acquisition value. As a result, compared to the method before amendment, the operating income, the ordinary profit and the income before income taxes decreased by ¥7,133 million yen respectively.

2. Notes for Balance Sheets

- (1) Accumulated depreciation of property, plant and equipment and accumulated depreciation of intangible fixed assets

Accumulated depreciation of property, plant and equipment: ¥1,726,572 million

Accumulated depreciation of intangible fixed assets: ¥1,395 million

- (2) Guarantee liabilities, etc.
Guarantee liabilities: ¥34,085 million
Contingent liabilities in respect of debt assumption agreements with respect to bonds and long-term loans: ¥43,906 million

3. Notes for Income Statements

Amount of business from operational transactions with associated companies:

Sales to associated companies: ¥42,244 million

Amount of purchases from associated companies: ¥80,246 million

Amount of business from non-operational transactions with associated companies: ¥16,674 million

4. Notes for Statements of Changes in Shareholders' Equity and Other Matters

Number of treasury shares at the end of the financial year: 1,864,399 common shares

5. Notes for Tax Effect Accounting

- (1) The main factors for the deferred tax assets are excess depreciation of deferred assets, loss on cancellation of the construction plan of Tsuruga terminal, excess depreciation of depreciable assets, accrued enterprise taxes and other taxes and loss from impairment of fixed assets.
- (2) The main factors for the deferred tax liabilities are prepaid severance and retirement benefit expenses, net unrealized holding gains on other securities, deferred income and expenses from hedge transactions, reserve required under the Special Taxation Measures Law and reserve for deferred gains on fixed assets.

6. Notes for Transactions with Related Parties

Company name	Ratio of holding of voting rights	Relation	Description of transaction	Transaction amount (Yen in millions)	Item	Balance at the financial year end (Yen in millions)
Osaka Gas Energy America Corporation	Ratio of holding: 100% (indirect)	Subsidiary	Guarantee of indebtedness (Note)	11,922	-	-

Terms and conditions and decision-making policy

(Note) This is to secure Osaka Gas Energy America Corporation's long-term borrowing from The Bank of Tokyo-Mitsubishi UFJ, Ltd. and other banks.

7. Notes for Per Share Information

- (1) Net asset amount per share: ¥242.84
- (2) Net income per share: ¥14.87

8. Notes for Material Subsequent Events

The Company issued the 25th series of unsecured bonds on April 25, 2008 pursuant to the resolution of the Meeting of the Board of Directors held on March 25, 2008, with the following details:

- | | | |
|-------|-------------------|--------------------------|
| (1) | Type | straight corporate bonds |
| (2) | Issue amount | ¥30,000 million |
| (3) | Issue proceeds | ¥30,000 million |
| (4) | Coupon | 1.210% p.a. |
| (5) | Redemption method | bullet |
| (6) | Maturity | April 24, 2015 |
| (7) | Issue date | April 25, 2008 |
| (8) | Security | N/A |
| (9) | Use of proceeds | capital investment |

9. Other Notes

With respect to part of the purchase price of raw materials, settlement may be required depending on the renewal of contracts or price negotiations with the suppliers.

Consolidated Balance Sheets

(As of March 31, 2008)

(Yen in millions)

Assets		Liabilities	
Non-current Assets	1,137,802	Non-current Liabilities	461,800
Property, Plant and Equipment	817,506	Corporate bonds	193,164
Production facilities	99,196	Long-term borrowings due after one year	219,806
Distribution facilities	338,232	Deferred tax liabilities	19,827
Service and maintenance facilities	64,196	Deferred tax liabilities resulting from revaluation of assets	57
Other facilities	242,027	Reserve for retirement allowance	10,139
Idle facilities	1,532	Reserve for repairs of gas holders	1,691
Construction in progress	72,320	Reserve for safety measures	2,459
		Other	14,653
Intangible Fixed Assets	44,974	Current Liabilities	339,476
Goodwill	10,762	Long-term debt due within one year	48,386
Other	34,212	Notes, bills and trade accounts payable	74,697
Investments and Other Assets	275,321	Short-term borrowings	40,263
Investments securities	144,765	Accrued income and enterprise taxes	22,166
Other	131,261	Other	153,962
Allowance for doubtful receivables	(-705)	Total Liabilities	801,276
Current Assets	330,131	Net Assets	
Cash & time deposits	41,457	Shareholders' Equity	590,069
Notes, bills and trade accounts receivable	145,749	Common stock	132,166
Inventories	65,334	Capital surplus	19,482
Other	78,423	Retained earnings	439,226
Allowance for doubtful receivables	(-833)	Treasury shares	(-806)
		Net Gains on Valuation and Foreign Currency Translation, etc.	58,523
		Net unrealized holding gains on other securities	31,790
		Deferred income from hedge transactions	12,628
		Net unrealized holding gains on land	83
		Foreign currency translation adjustments	14,020
		Minority Interests	18,065
		Total Net Assets	666,657
Total Assets	1,467,934	Total Liabilities & Net Assets	1,467,934

Consolidated Income Statements
(April 1, 2007 through March 31, 2008)

(Yen in millions)

Items	
Operating revenues	1,238,145
Cost of products sold	842,617
(Gross profit)	395,527
Expenses for distribution and sales and general administrative expenses	319,916
(Operating income)	75,611
Non-operating income	15,971
Interest income	1,245
Dividends income	1,937
Gain on sale of investment securities	3,332
Equity in gains of associated companies	5,305
Other non-operating income	4,151
Non-operating expenses	15,767
Interest payments	9,848
Other non-operating expenses	5,919
(Ordinary profit)	75,814
Extraordinary losses	3,335
Loss from impairment	3,335
(Income before income taxes)	72,478
Income taxes - current	28,301
Income taxes - deferred	1,900
Minority interests	1,993
Net income	40,283

Consolidated Statements of Changes in Shareholders' Equity and Other Matters
(April 1, 2007 through March 31, 2008)

(Yen in millions)

	Shareholders' Equity					Net Gains on Valuation and Foreign Currency Translation, etc.					Minority Interests	Total Net Assets
	Common stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Net unrealized holding gains on other securities	Deferred income from hedge transactions	Net unrealized holding gains on land	Foreign currency translation adjustments	Total net gains on valuation and foreign currency translation, etc.		
Balance at March 31, 2007	132,166	19,534	447,909	(-3,670)	595,939	55,508	9,180	83	8,175	72,947	17,777	686,664
Changes during the consolidated financial year												
Distribution of retained earnings			(-15,572)		(-15,572)							(-15,572)
Net income			40,283		40,283							40,283
Acquisition of treasury shares				(-30,652)	(-30,652)							(-30,652)
Disposition of treasury shares		9		74	83							83
Cancellation of treasury shares		(-61)	(-33,381)	33,442								
Decrease due to a decrease in the number of the consolidated subsidiaries			(-11)		(-11)							(-11)
Changes in items other than shareholders' equity during the consolidated financial year (net)						(-23,718)	3,448		5,845	(-14,424)	288	(-14,136)
Total changes during the consolidated financial year		(-51)	(-8,682)	2,864	(-5,870)	(-23,718)	3,448		5,845	(-14,424)	288	(-20,006)
Balance at March 31, 2008	132,166	19,482	439,226	(-806)	590,069	31,790	12,628	83	14,020	58,523	18,065	666,657

Notes for Consolidated Financial Statements (April 1, 2007 through March 31, 2008)

1. Notes for Significant Matters Forming the Basis of Preparation of These Consolidated Financial Statements

(1) Scope of consolidation

Number of consolidated subsidiaries: 133

(Names of principal consolidated subsidiaries)

Osaka Gas Chemicals Co., Ltd., Urbanex Co., Ltd., Osaka Gas Information System Research Institute Co., Ltd., Liquid Gas Co., Ltd., Nissho Petroleum Gas Corporation

(2) Application of the equity method

Number of equity method affiliates: 4

(Names of principal equity method affiliates)

Idemitsu Snorre Oil Development Co., Ltd., Bizkaia Energia, S.L.

(Names of principal affiliates not subject to the equity method)

The affiliates not subject to the equity method include primarily ENNET Corporation.

The equity method is not applied to these affiliates because they do not have a material impact on net income or losses or retained earnings, etc. and are not material as a whole.

(3) Accounting standards

(i) Basis and methodology for the valuation of significant assets

a. Marketable securities:

Other marketable securities:

Securities practicable to determine fair value:

stated at fair value
(Unrealized holding gains and losses are accounted for as a component of net assets; cost of sales is determined primarily using the moving-average method.)

Securities not practicable to determine fair value:

primarily stated at cost based on the moving-average

method

b. Inventories: primarily stated at cost based on the moving-average method

c. Derivatives: stated at fair value

(ii) Depreciation method of significant depreciable assets

Property, plant and equipment are depreciated primarily using the declining-balance method. However, the straight-line method has been used for buildings (excluding structures attached to buildings) acquired after April 1, 1998.

(iii) Basis for recording significant reserves

a. Allowance for doubtful receivables

To provide for the bad debts loss of accounts receivable, loans receivable, etc., an estimated uncollectible amount is provided which is based on an amount calculated based on the default ratio in the past for general receivables and the individual collectability for certain receivables including receivables with default possibility (*Kashidaore Kenen Saiken*).

b. Reserve for retirement allowance

For the purposes of employee retirement allowance, an amount is provided based on the estimate of the retirement allowance obligation and pension assets at the end of the consolidated financial year.

c. Reserve for repairs of gas holders

To provide for the necessary expenditure for periodical repairs of spherical gas holders, an estimated amount for the next scheduled repair is provided based on the actual expenditure for the previous repair, which is proportionally allotted for the period up to such next scheduled repair.

d. Reserve for safety measures

To provide for the necessary expenditure to ensure the safety of gas consumers, an estimated amount of the expenditure necessary to promote replacements with safety-enhanced models, to strengthen inspections and to ensure wide awareness is provided.

(iv) Other significant matters for the preparation of these consolidated financial statements

Consumption taxes and other taxes are calculated using the net-of-tax method.

(4) Valuation of assets and liabilities of consolidated subsidiaries

Assets and liabilities of consolidated subsidiaries are valued using the full fair value method.

(5) Notes for Changes in Significant Matters Forming the Basis of Preparation of These Consolidated Financial Statements

Change in the depreciation method of property, plant and equipment :

Pursuant to the amendment to the Corporate Tax Law, from this consolidated financial year, with respect to the properties, plants, and equipment acquired on or after April 1, 2007, the depreciation method has been changed as provided for in the amended Corporate Tax Law. However, such change does not have a material impact on the profits and losses.

(additional information)

Pursuant to the amendment to the Corporate Tax Law, with respect to the assets acquired on or before March 31, 2007, the difference between 5% of the acquisition value and the memorandum value is depreciated in five equal installments, and is included in the depreciation expenses. Such depreciation is made from the financial year following the financial year when the undepreciated balance calculated by the depreciation method under the Corporate Tax Law before amendment becomes less than 5% of the acquisition value. As a result, compared to the method before amendment, the operating income, the ordinary profit and the income before income taxes decreased by ¥7,419 million yen respectively.

2. Notes for Consolidated Balance Sheets

(1) Assets pledged as collateral and secured liabilities

(i) Assets pledged as collateral

Property, plant and equipment	¥ 51,097 million
Investments and other assets	¥ 24,684 million
Others	¥ 8,866 million
<hr/>	
Total	¥ 84,647 million
(ii) Secured Liabilities	¥ 41,661 million

- (2) Accumulated depreciation of property, plant and equipment: ¥1,940,615 million
- (3) Guarantee liabilities, etc.
 Guarantee liabilities: ¥1,528 million
 Contingent liabilities in respect of debt assumption agreements with respect to bonds and long-term loans: ¥43,906 million

3. Notes for Net Unrealized Holding Gains on Land

Commercial land of certain consolidated subsidiaries has been revalued in accordance with the Law Concerning the Revaluation of Land (Law No. 34 of March 31, 1998). Any difference resulting from the revaluation is included in net assets as net unrealized holding gains on land. The revaluation is made by making reasonable adjustments to the valuation by road rating which is provided for in Article 2, item 4 of the Enforcement Order of the Law Concerning the Revaluation of Land (Cabinet Order No. 119 of March 31, 1998).

4. Notes for Consolidated Statements of Changes in Shareholders' Equity and Other Matters

- (1) Number of shares issued and outstanding as of the consolidated financial year end

2,158,383,539 common shares

- (2) Dividends

- (i) Amount of payment of dividends

- a. At the annual meeting of shareholders held on June 28, 2007, the following were resolved with March 31, 2007 as a record date.

Matters concerning dividends of common shares

(a)	Total amount of dividends	¥7,787 million
(b)	Dividend per share	¥3.50
(c)	Effective date for dividends	June 29, 2007

- b. At the meeting of the Board of Directors held on October 29, 2007, the following were resolved with September 30, 2007 as a record date.

Matters concerning dividends of common shares

(a)	Total amount of dividends	¥7,785 million
(b)	Dividend per share	¥3.50

(c) Effective date for dividends November 30, 2007

- (ii) From the dividends for which the record date falls within this consolidated financial year, the following are dividends of which the effective date falls within the next consolidated financial year.

At the annual meeting of shareholders to be held on June 27, 2008, the following is proposed with March 31, 2008 as a record date. Dividends are to be appropriated from retained earnings.

Matters concerning dividends of common shares

(a) Total amount of dividends	¥7,547 million
(b) Dividend per share	¥3.50
(c) Effective date for dividends	June 30, 2008

5. Notes for Per Share Information

- (1) Net asset amount per share: ¥300.76
(2) Net income per share: ¥18.27

6. Notes for Material Subsequent Events

The Company issued the 25th series of unsecured bonds on April 25, 2008 pursuant to the resolution of the Meeting of the Board of Directors held on March 25, 2008, with the following details:

(1) Type	straight corporate bonds
(2) Issue amount	¥30,000 million
(3) Issue proceeds	¥30,000 million
(4) Coupon	1.210% p.a.
(5) Redemption method	bullet
(6) Maturity	April 24, 2015
(7) Issue date	April 25, 2008
(8) Security	N/A
(9) Use of proceeds	capital investment

7. Other Notes

With respect to part of the purchase price of raw materials, settlement may be required depending on the renewal of contracts or price negotiations with the suppliers.

Certified Copy of Auditors' Report Prepared by Independent Outside Auditor

Report of Independent Outside Auditor

May 14, 2008

To: The Board of Directors of Osaka Gas Co., Ltd.

AZSA & Co.	
Designated Partner	Certified Public Accountant
Engagement Partner	
Designated Partner	Certified Public Accountant
Engagement Partner	
Designated Partner	Certified Public Accountant
Engagement Partner	

We have examined the financial statements, i.e., balance sheets, income statements, statements of changes in shareholders' equity and other matters, notes for individual financial statements and the supporting schedules of Osaka Gas Co., Ltd. for the 190th financial year which was from April 1, 2007 to March 31, 2008, in accordance with Article 436, paragraph 2, item 1 of the Company Law. The management is responsible for the preparation of these financial statements and the supporting schedules, and it is our responsibility to form an independent opinion on such financial statements and supporting schedules.

We have carried out this audit in accordance with generally accepted auditing standards in Japan. These auditing standards require that we perform the audit to obtain reasonable assurance about whether the financial statements and the supporting schedules are free of material misstatement. The audit includes an overall examination, on a test basis, of the information in the financial statements and the supporting schedules including an assessment of the accounting policies adopted by the management and the method of application thereof, as well as of the estimates made by the management. We believe that our audit provides a reasonable basis for the expression of our opinion.

We have concluded that the financial statements and the supporting schedules give a true and proper account of assets and earnings of the Company for the financial year ended March 31, 2008 in all material aspects in accordance with generally accepted accounting standards in Japan.

Additional Information:

As described in the Notes for Material Subsequent Events in the Notes for Individual Financial Statements, the Company issued the 25th series of unsecured bonds on April 25, 2008 pursuant to the resolution of the Meeting of the Board of Directors held on March 25, 2008.

Neither AZSA & Co. nor any of its engagement partners have any interests with Osaka Gas Co., Ltd., which is required to be described under the Certified Public Accountant Law.

AZSA & Co.

**Certified Copy of Auditors' Report Prepared by Independent Outside Auditor
on Consolidated Financial Statements**

Report of Independent Outside Auditor

May 14, 2008

To: The Board of Directors of Osaka Gas Co., Ltd.

AZSA & Co.	
Designated Partner	Certified Public Accountant
Engagement Partner	
Designated Partner	Certified Public Accountant
Engagement Partner	
Designated Partner	Certified Public Accountant
Engagement Partner	

We have examined the consolidated financial statements, i.e., consolidated balance sheets, consolidated income statements, consolidated statements of changes in shareholders' equity and other matters and notes for consolidated financial statements of Osaka Gas Co., Ltd. for the consolidated financial year which was from April 1, 2007 to March 31, 2008, in accordance with Article 444, paragraph 4 of the Company Law. The management is responsible for the preparation of these consolidated financial statements, and it is our responsibility to form an independent opinion on such consolidated financial statements.

We have carried out this audit in accordance with generally accepted auditing standards in Japan. These auditing standards require that we perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The audit includes an overall examination, on a test basis, of the information in the consolidated financial statements including an assessment of the accounting policies adopted by the management and the method of application thereof, as well as of the estimates made by the management. We believe that our audit provides a reasonable basis for the expression of our opinion.

We have concluded that the consolidated financial statements give a true and proper account of assets and earnings of the Osaka Gas Group consisting of the Company and its consolidated subsidiaries for the consolidated financial year ended March 31, 2008 in all material aspects in accordance with generally accepted accounting standards in Japan.

Additional Information:

As described in the Notes for Material Subsequent Events in the Notes for Consolidated Financial Statements, the Company issued the 25th series of unsecured bonds on April 25, 2008 pursuant to the resolution of the Meeting of the Board of Directors held on March 25, 2008.

Neither AZSA & Co. nor any of its engagement partners have any interests with Osaka Gas Co., Ltd., which is required to be described under the Certified Public Accountant Law.

AZSA & Co.

Certified Copy of Auditors' Report Prepared by the Board of Corporate Auditors

Corporate Auditors' Report

The current audit covers the 190th term which was from April 1, 2007 to March 31, 2008. The Board of Corporate Auditors prepared this Corporate Auditors' Report upon deliberation based on reports by each Corporate Auditor regarding the performance by the Directors of their duties. We report as follows:

1. Method and details of audit by the Corporate Auditors and the Board of Corporate Auditors

- (1) The Board of Corporate Auditors has established an audit policy, an audit plan and other matters and has received reports from each Corporate Auditor on the status of implementation and the results of the audit. In addition, the Board of Corporate Auditors has received reports from the Directors and the Independent Outside Auditor on the performance of their duties and requested explanations as necessary.
- (2) Each Corporate Auditor has communicated with the Directors, the internal auditing division and other employees in conformity with the auditing standards established by the Board of Corporate Auditors and pursuant to the audit policy, the audit plan and other matters. The audit has been implemented based on the following method.
 - (i) We have attended meetings of the Board of Directors and other important meetings and have been informed as needed by the Directors, employees and others in respect of the status of performance of their duties. Furthermore, we have examined important documents in respect of the authorization of corporate actions and inspected the operations and the assets of the Company at its head office and principal business offices. With regard to subsidiaries, we have also communicated with directors, corporate auditors and others of the subsidiaries, and visited them as necessary in order to inspect their operations and assets.
 - (ii) We have inspected the content of a resolution of the Board of Directors concerning the establishment of systems to ensure that the Directors perform their duties in compliance with applicable laws and regulations and the Articles of Incorporation and other systems necessary to ensure the propriety of operations of *Kabushiki Kaisha* as provided for in Article 100, paragraphs 1 and 3 of the Ordinance for Enforcement of the Company Law and the status of the system (internal control system) established based on such resolution.
 - (iii) We have received reports from the Independent Outside Auditor on the performance of its duties and requested explanations as necessary. Furthermore, we have received a notice from the Independent Outside Auditor that the "system to ensure that duties are properly performed" (matters stipulated in each item of Article 159 of the Corporate Accounting Ordinance) is established in accordance with the "Quality Management Standards concerning the Audit" (Financial Services Agency, Business Accounting Council) and other standards and requested explanations as necessary.

Based on the above method, we have examined the operating report, the financial statements (balance sheets, income statements, statements of changes in shareholders' equity and other matters and notes for individual financial statements) and their supporting schedules and the consolidated financial statements (consolidated balance sheets, consolidated income statements, consolidated statements of changes in shareholders' equity and other matters and notes for consolidated financial statements) for the financial year ended March 31, 2008.

2. Results of audit

(1) Results of audit of the operating report, etc.

- (i) The operating report and its supporting schedules give a fair and proper account of the Company's business in accordance with applicable laws and the Articles of Incorporation.
- (ii) No misconduct or material facts that are in breach of applicable laws or the Articles of Incorporation have been detected in respect of the performance by the Directors of their duties.

(iii) The content of the resolution of the Board of Directors concerning the internal control system is fair and proper. There is no matter of concern regarding the performance by the Directors of their duties in respect of the internal control system.

(2) Results of audit of financial statements and their supporting schedules

Methods used by AZSA & Co. as the Independent Outside Auditor for this audit, and the results thereof, are fair and proper.

(3) Results of audit of consolidated financial statements

Methods used by AZSA & Co. as the Independent Outside Auditor for this audit, and the results thereof, are fair and proper.

May 20, 2008

Osaka Gas Co., Ltd. the Board of Corporate Auditors

Seishiro Yoshioka Corporate Auditor (Full-time) [seal]

Akio Wada Corporate Auditor (Full-time) [seal]

Reisuke Shimada Corporate Auditor (External Corporate Auditor) [seal]

Toshihiko Hayashi Corporate Auditor (External Corporate Auditor) [seal]