

For Term Ending March 2005

Brief Report of Consolidated Financial Statements

April 28, 2006



Name of Listed Company: **Osaka Gas Co., Ltd.**

Code: **9532**

(URL: <http://www.osakagas.co.jp>)

Representative Officer:

Title: President

Listed Exchanges: Tokyo, Osaka and Nagoya Exchanges

Location of Head Office: Osaka Prefecture

Name: Hirofumi Shibano

Contact:

Title: Accounting Manager

Name: Shingo Kamei TEL: +81-6-6205-4537

Date of Meeting of Board of Directors for Approving Financial Statements: April 25, 2006

Adoption of US Accounting Standards: No

1. Consolidated financial results for term ending March 2006 (April 1, 2005 to March 31, 2006)

(1) Consolidated operational results

(Any amount less than one million yen is rounded down to the nearest million yen)

	Operating revenues		Operating profit		Ordinary profit	
	million yen	%	million yen	%	million yen	%
Term ending March 2006	1,065,961	9.3	100,657	4.9	103,308	6.0
Term ending March 2005	975,340	2.5	95,992	4.2	97,480	19.7

	Net income		Retained earning per share	Diluted retained earnings per share	Net income on shareholders' equity	Ordinary profit on total capital	Ordinary profit on operating revenue
	million yen	%	Yen	Yen	%	%	%
Term ending March 2006	80,710	59.2	36.18	-	13.9	7.9	9.7
Term ending March 2005	50,683	7.7	22.69	-	9.9	8.1	10.0

Notes: 1. Profit (loss) from investment by equity method

Term ending March 2006: 2,435 million yen

Term ending March 2005: 302 million yen

2. Average number of outstanding shares during term (consolidated)

Term ending March 2006: 2,228,101,663 shares

Term ending March 2005: 2,229,976,855 shares

3. Change in accounting method: N/A

4. Percentages shown for operating revenues, operating profit, ordinary profit and net income in tables above are percentages of change from the previous year.

(2) Consolidated financial position

	Total assets	Shareholders' equity	Ratio of shareholders' equity to total assets	Shareholders' equity per share
	million yen	million yen	%	Yen
Term ending March 2006	1,398,692	628,510	44.9	282.12
Term ending March 2005	1,217,463	530,862	43.6	238.15

Notes: Number of shares outstanding as of term-end (consolidated)

Term ending March 2006: 2,227,520,553 shares

Term ending March 2005: 2,228,726,812 shares

(3) Consolidated statement of cash flow

	Cash Flow from Operating Activities	Cash Flow from Investment Activities	Cash Flow from Financial Activities	Cash and Cash Equivalents at term-end
	million yen	million yen	million yen	million yen
Term ending March 2006	152,935	-162,989	13,245	47,726
Term ending March 2005	116,902	-65,679	-23,912	44,279

(4) Scope of consolidation and companies recorded by equity method

Consolidates subsidiaries: 136

Non-consolidated subsidiaries recorded by equity method: 0

Affiliates recorded by equity method: 4

(5) Changes in scope of consolidation and application of equity method

Consolidation (new): 23 subsidiaries

(excluded): 5 subsidiaries

Equity method (new): 2 companies

(excluded): 0 companies

2. Forecast for term ending March 2007 (April 1, 2006 to March 31, 2007)

	Operating revenues	Ordinary profit	Net income
	million yen	million yen	million yen
Interim term	514,000	29,500	16,500
Full year	1,182,000	86,500	49,500

(Reference) Expected retained earning per share (for full year): 22.22 yen

*The above forecasts are based on information available as of the date of this document; actual results may differ from these forecasts due to various factors affecting the Company's business performance. See "3. Operational Results (3) Projections for Next Fiscal Year" in the attachment for matters regarding the business forecasts as shown above.

April 28, 2006

A Review of the Consolidated Business Performance for
the term ending March 2006 (the 188th Term)

(April 1, 2005 – March 31, 2006)

Osaka Gas Co., Ltd.

1. Osaka Gas Group

The Osaka Gas Group (comprising 136 consolidated subsidiaries [23 added and five excluded], and four affiliates reported by the equity method [two added]) is engaged in businesses relating to gas; LPG, electricity and other energies; gas appliances and house-pipe installation; real estate; and others.

<Segment>

1. Gas

Osaka Gas, Nabari Kintetsu Gas Co., Ltd. and other group companies manufacture, supply and sell gas.

2. LPG, Electricity and Other Energies

Liquid Gas Co., Ltd., Nissho Petroleum Gas Corp. and some other subsidiaries sell liquefied petroleum gas. Osaka Gas, Gas and Power Co., Ltd., Nakayama Joint Power Generation Co., Ltd. and Nakayama Nagoya Joint Power Generation Co., Ltd. are engaged in the generation and wholesaling of electricity. Osaka Gas and Gas and Power Investment Co., Ltd. are engaged in the district heating and cooling (centralized community-based heating and air-conditioning) businesses. Some shares of Nissho Petroleum Gas Corp. were sold in August 2005.

3. Gas Appliances and House-pipe Installation

Osaka Gas, Enetech Kyoto Co., Ltd., Osaka Gas Housing Equipment Co., Ltd., Hearts Co., Ltd. and other companies sell Gas Appliances. Osaka Gas provides installation work for indoor gas pipes at the request of and at the expense of customers. Kinpai Co., Ltd. performs installation work of indoor and outdoor gas pipes under contract with Osaka Gas.

4. Real estate

Urbanex Co., Ltd., OG Capital Co., Ltd., and other companies lease real estate to Osaka Gas and other companies, and manage leased properties.

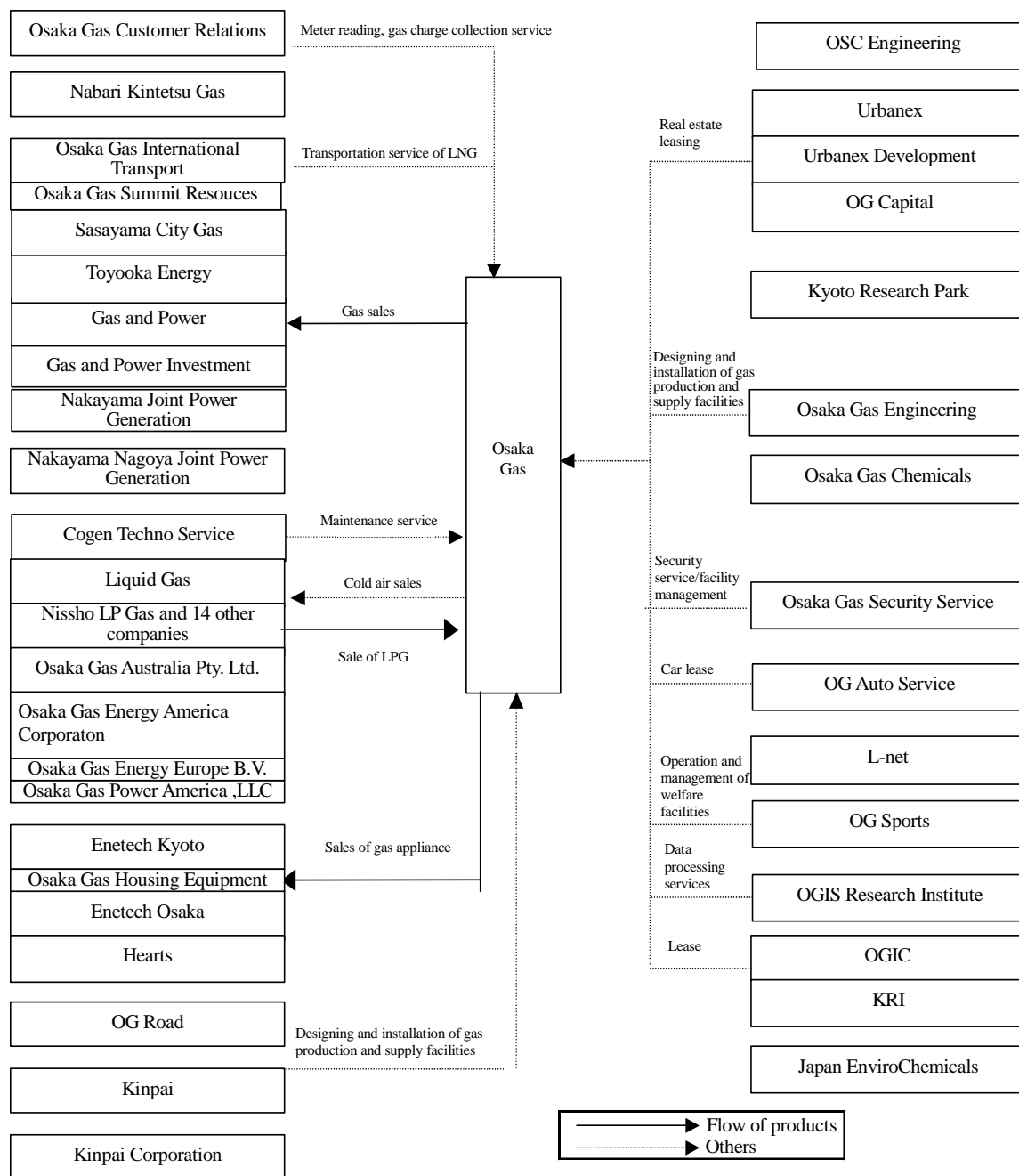
5. Others

OGIS Research Institute Co., Ltd., one of our subsidiaries, is providing computer-based information processing services for us. Another subsidiary, Osaka Gas Chemicals Co., Ltd., is engaged in the manufacture and marketing of carbon materials and related products and in the marketing of chemicals. Other subsidiaries are involved in engineering, security and accident-prevention services, sports/fitness businesses, caring for the elderly, and automobile and office equipment leasing.

Japan EnviroChemicals, Ltd. and two subsidiaries became consolidated subsidiaries in April 2005 when the Company and Osaka Gas Chemicals Co., Ltd. acquired interests in these companies.

Meanwhile, Kinrei Corporation. and HomePro Co., Ltd. are no longer our subsidiaries as both firms transferred their shares to other companies, the former in October 2005 and the latter in March 2006.

<<Chart of Major Consolidated Subsidiaries>>



<<Newly Consolidated companies: 23>>

- Osaka Gas Summit Resources Co., Ltd.
- Japan EnviroChemicals, Ltd.
- Minabe Chemical Industries, Ltd.
- Davao Central Chemical Corporation
- Osaka Gas Power America, LLC
- Other 18 subsidiaries

<<Affiliates reported newly by equity method: 2>>

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

<<Companies excluded from consolidation: 5>>

- Kinrei Corporation
- DONAC Co., Ltd.
- HomePro Co., Ltd.
- Mie Gas Terminal Co., Ltd.
- Taiyo Chemical Industries Co., Ltd.

<<List of Major Consolidated Subsidiaries (as of March 31, 2006)>>

	Name of Subsidiary	Location	Capital stock (million yen)	Description of Business	Shareholding Rate (%)	Remarks
Gas	Osaka Gas Customer Relations Co., Ltd.	Nishi-ku, Osaka	50	- Gas meter reading s - Collection of gas bills - Administrative services related tobill collection - Maintenance and inspection of gas facilities and equipment	100	
	Sasayama City Gas Co., Ltd.	Sasayama, Hyogo	100	- Sales of gas, installation of gas piping, and sales and repair of housing equipment	66.7	
	Toyouka Energy Co., Ltd.	Toyouka, Hyogo	100	- Sales of gas, installation of gas piping, and sales and repair of housing equipment	100	
	Nabari Kintetsu Gas Co., Ltd.	Nabari, Mie	100	- Sales of city gas, simplified gas, propane gas, auto gas and gas appliances, and design and installation of piping	85	Some of its businesses are included in the LPG, Electricity and Other Energies segment
LPG, Electricity and Other Energies	Osaka Gas International Transport Inc.	Chuo-ku, Osaka	3,190	- LNG vessel leasing	100	
	Osaka Gas Summit Resources Co., Ltd.	Chuo-ku, Osaka	100	-Oil, natural gas and other hydrocarbon-related operations	70	
	Gas and Power Co., Ltd.	Chuo-ku, Osaka	450	- Electric power generation and wholesaling - Prospecting, development, production, and supply of petroleum and natural gas - Investment in energy infrastructure - Energy environmental service - Research and planning relating to above-mentioned businesses	100	
	Gas and Power Investment Co., Ltd.	Chuo-ku, Osaka	2,100	- Domestic and overseas energy businesses, and research, planning, development, and investment relating to these businesses	100	
	Cogen Techno Service Co., Ltd.	Nishi-ku, Osaka	400	- Design, installation and sale of cogeneration systems and service by contract - Processing of electric power and cold/hot air by contract	56	
	Liquid Gas Co., Ltd.	Chuo-ku, Osaka	1,030	- Manufacture, sale, and transport of LNG and high-pressure gases - Sale of cold air generated from LNG production and sale of LPG	100	
	Nakayama Joint Power Generation Co., Ltd.	Taisho-ku, Osaka	300	- Electric power generation and wholesaling	95	
	Nakayama Nagoya Joint Power Generation Co., Ltd.	Chita-gun, Aichi Prefecture	450	- Electric power generation and wholesaling	95	
	Nissho Petroleum Gas Corp.	Minato-ku, Tokyo	1,726	- Import and sale of LPG	70	Ownership ratio was changed as a result of the sale of some shares on August 30, 2005.
	Nissho Propane Sekiyu Co., Ltd.	Chuo-ku, Sapporo	60	- Sale of LPG, gas appliances, and petroleum	100	
	Osaka Gas Australia Pty.Ltd.	Australia	AS\$157 million	- Mining of crude oil, natural gas and other mineral resources, and their development, production and sales	100	
	Osaka Gas Energy America Corporation	United States	US\$1	- Research, planning, development, and investment relating to energy supply businesses in the U.S.	100	
	Osaka Gas Energy Europe B.V.	Netherlands	55million euros	-Research, planning, development and investment related to the energy supply	100	
	Osaka Gas Power America, LLC	United States		- Investment in IPPs in the United States	100	
65 other companies						
Gas Appliances and House-pipe Installation	Enetech Kyoto Co., Ltd.	Minami-ku, Kyoto	30	- Design, installation, operation, maintenance, and sale of air-conditioning, water supply/drainage, hot water supply, ventilation, and kitchen facilities and equipment - Design and performance of piping work and electric work	100	
	Osaka Gas Housing Equipment Co., Ltd.	Nishi-ku, Osaka	450	-Wholesale distribution of kitchen systems, bath systems and other housing facilities and equipment -Marketing of newly constructed housing -Housing improvement	100	
	Enetech Osaka Co., Ltd.	Taisho-ku, Osaka	20	- Design, installation, operation, maintenance, and sale of air-conditioning, water supply/drainage, hot water supply, ventilation, and kitchen facilities and equipment	100	
	OG Road Co., Ltd.	Konohana-ku, Osaka	50	- Research on recycling of excavated soil, and related design - Manufacture and sale of road construction materials	100	
	Hearts Co., Ltd.	Sakai City, Osaka	85	- Sales and repair of gas appliances, gas works, piping works and house refurbishment	98.8	
	Kinpai Co., Ltd.	Nishinari-ku, Osaka	300	- Gas piping works - Construction work and road paving - Sales and installation of housing equipment - Piping renewal work	100	
	Kinpai Corporation	Nishinari-ku, Osaka	112	- Business management, administrative services relating to personnel affairs, accounting and general affairs of companies under the Kinpαι Group	100	
	11 other companies					

Real estate	OSC Engineering Co., Ltd.	Fukushima-ku, Osaka	50	- Maintenance, security service, and cleaning of buildings, and facility designing and construction	67.3
	Urbanex Co., Ltd.	Higashinari-ku, Osaka	1,570	- Management, maintenance, and leasing of real estate - Surveys and research on urban development	100
	Urbanex Development Co., Ltd.	Higashinari-ku, Osaka	500	- Management, maintenance, leasing and sales/purchase of real estate	100
	OG Capital Co., Ltd.	Chuo-ku, Osaka	3,000	- Management control of affiliated companies - Management, maintenance, and leasing of real estate	100

Others	Kyoto Research Park Co., Ltd.	Shimogyo-ku, Kyoto	100	- Management of the Research Park, interchange between industrial and academic societies, development of venture businesses	100
	4 other companies				
	Osaka Gas Engineering Co., Ltd.	Konohana-ku, Osaka	100	- Investigation, design, installation, and technical consulting for gas facilities, facilities using cold air, and facilities for environmental protection - Investigation, purchase, and sale of industrial properties	100
	Osaka Gas Chemicals Co., Ltd.	Chuo-ku, Osaka	2,500	- Manufacture and sale of chemical products and carbon products	100
	Osaka Gas Security Service Co., Ltd.	Yodogawa-ku, Osaka	100	- Provision of security and disaster protection services - Sale, lease, installation, maintenance, and inspection of security and disaster protection equipment - Sale of home security systems	100
	OG Auto Service Co., Ltd.	Konohana-ku, Osaka	100	- Lease, maintenance and sale of automobiles - Non-life insurance agency	100
	L-net Co., Ltd.	Nishi-ku, Osaka	40	-Editing and publication of the "Pado" local newsletter -Diverse marketing services through the consumers network	100
	OG Sports Co., Ltd.	Chuo-ku, Osaka	100	- Management, construction, and operation of sports facilities and resort facilities - Sale of sports goods	100
	OGIS Research Institute Co., Ltd.	Nishi-ku, Osaka	400	- Computer data processing services - Sale of computer-related equipment and software - Software development - Provision of computer education	100
	OGIC Co., Ltd.	Chuo-ku, Osaka	600	- Leasing - Consumer credit - Telemarketing - Life and property insurance agency - Automatic collection service - Land and building dealer	100
	Kyoto Research Institute Inc. (KRI)	Shimogyo-ku, Kyoto	300	-Commissioned research into cutting-edge technologies -Analyses, testing and assessment	100
	Japan EnviroChemicals Co., Ltd.	Chuo-ku, Osaka	2,055	-Manufacture and marketing of activated charcoals -Manufacture and marketing of wood protective paint and ant repellents - Manufacture and marketing of industrial preservatives	100
	16 other companies				

<<List of Affiliates Reported by Equity Method (as of March 31, 2006) >>

Name of Affiliates	Location	Capital stock (million yen)	Description of Business	Shareholding Rate (%)	Remarks
Idemitsu Snorre Oil Development Co., Ltd	Minato-ku, Tokyo	15,120	-Exploration, development, production and marketing of oil and natural gas and investment in related operations	49.5	
Osaka Rinkai Heat Energy Supply Co., Ltd.	Konohana-ku, Osaka	1,000	- Provision of heat energy under the Heat Energy Business Operators Law and relevant businesses	40	
Universe Gas and Oil Co., Ltd.	Shinagawa-ku, Tokyo	9,444	- Prospecting, development and mining of petroleum, natural gas and other hydrocarbon materials in the Republic of Indonesia	33.4	
Bizkaia Energia, S.L.	Spain	3,000 euros	-Electricity supply	50	

2. Management Policy

(1) Basic Management Policy

The Japanese economy started to recover and entered an expansionary phase as the increase in production and equipment investment indicated robust corporate activities and the forecast for employment and consumer spending improved. However, crude oil prices remained high for a long time and concerns over slowing overseas economies lingered, giving no grounds for optimism for the nation's economic future. Meanwhile, as regulatory reforms in the energy markets have progressed steadily, keen competition is expected to continue.

In this business environment, it is of paramount importance for the corporate group to continue to be chosen by customers and the local community. We are operating on the Osaka Gas Group's management philosophy "Value Creating Management" in order to enhance the values of all stakeholders, i.e. shareholders, members of the public, and employees, focusing on maximizing the values of customers, through fair and transparent business activities. In accordance with this management philosophy, we formulated a medium-term three-year management plan "Design 2008" for the period from fiscal 2007 to fiscal 2009 in November 2005. Under this management plan, we will press ahead with various projects and establish the foundation for the Osaka Gas Group to achieve sustainable growth as this year is the centennial of the Group's foundation.

(2) Challenges

In the energy business, while sustaining and developing the existing natural gas business, we will make use of the new opportunities that have emerged from deregulation to become a one-stop "multi-energy business" to be able to satisfy the needs of our customers for natural gas, electricity, LPG and other energies.

In the city gas market, we will concentrate on providing customer service and further improve our operational efficiency and price competitiveness. In addition, while ensuring security and a stable supply of energy, we will offer new gas price plans and aggressively provide the best solutions for our customers based on our expertise in service and engineering so as to increase the demand for natural gas, which will eventually result in enhanced customer convenience, industrial development and environmental preservation.

In the residential market, we intend to promote products that help customers achieve a gas-based environment-friendly, economical, comfortable, convenient and secure life, "lifestyles with gas", through a customer-centered approach. We will thus propose home-use "ECOWILL" cogeneration system, "My Home-Beauty Treatment" with a mist sauna, and "My Home-Cooking", an all-round gas-fired cooking system. In cooperation with our subsidiaries, we provide not only energy supply services but also the Internet-based "Irusu" security service to cater to customers' needs in all aspects of their lives.

In the commercial/industrial segment, we will continue to diffuse our innovative products, which are: a high-efficiency and high-performance gas cogeneration system, the gas heat pump "High Power Excel" air-conditioning system capable of generating electricity while cooling facilities, the commercial gas kitchen "Cool Kitchen" system for creating a cool kitchen, and natural gas-fueled vehicles. Making the most of natural gas technologies, such as combustion and air-conditioning technologies, and maintenance skills developed over the years, we will propose optimum energy systems that respond to versatile needs of customers.

To improve our customer service, we value opportunities to meet with our customers so that we can reflect their suggestions in the improvement of our operations, and respond to their needs more promptly and reliably.

In order to create a much safer environment, we will carry out thorough preventive maintenance

for manufacturing and supply facilities and equipment and run training programs for employees and workers. We will regularly inspect customers' facilities and continue an initiative to advise customers to make improvements promptly. We will also make equipment safer by equipping all our cooking stove burners with safety devices to prevent fires.

To ensure supply stability, we will continue to diversify natural gas supply sources and improve the manufacturing and supply system by, for example, completing the Shiga Line by the end of this year.

As for the electricity generation business, we plan to develop it into our second core business following the natural gas business. While continuing to pursue the wholesale electricity business (IPP), which has already started, we will proceed as planned and start construction of the Senboku natural gas-fired power plant during the current year and promote a one-stop service to supply both electricity and city gas by making the most of our business infrastructure.

The LPG business will strive to increase retail customers and sales volume by utilizing our ability to market the equipment and energy systems we have cultivated in the natural gas market.

In the non-energy business category, our core policy will be to contribute to customers' comfortable lives and the growth of their businesses and to expand consolidated profits by offering better products and services that suit customers' needs.

Selection and concentration of businesses will be accelerated to encourage the expansion of these promising businesses and to enhance the value of the Group.

In the area of environmental protection, we will reduce the environmental burden of our business activities by offering environmentally friendly products and services through promotion of energy-saving activities and utilization of renewable resources. Along with this, by promoting the use of environmentally friendly natural gas in line with the energy policies of the national government, we will remain committed to reducing the environmental burden by offering environmentally friendly products and services. We will actively promote environmental preservation activities and join local, national and international efforts to improve the environment.

In the area of research and development, we will emphasize the development of residential fuel-cell systems as well as high-efficiency and highly functional industrial gas cogeneration systems for increased customer convenience, in addition to the development of technologies contributing to environmental preservation and energy saving. Furthermore, we will utilize a remote control system and other information technologies to contribute to the effective operation of customers' facilities.

The Osaka Gas Group will meet these challenges properly on the compliance assurance principle and put the Group's basic management philosophy "Value Creating Management" into practice. We will also observe the Osaka Gas Group CSR Charter that spells out the basic principle of fulfilling the Group's corporate social responsibility (CSR) and strive to evolve the Group.

(3) Dividend Policy

The Company has been trying to grow its business and improve the efficiency of its operations, and has appropriated increased profit resulting from these efforts for internal reserves for future business growth and strengthening of the financial structure of the Company, and for payment of steady dividends to shareholders. Pursuant to our basic policy of securing steady interim and term-end dividends for shareholders, we will continue to pay reasonable dividends in line with performance, future management plans and other measures to pass on the benefits to shareholders. We will strive to keep the dividend propensity at 20% or higher. Retained earnings will be

appropriated for equipment investment and investment in new projects.

(4) Parent Company

Not applicable.

3. Operational Results

(1) Results for the Current Fiscal Term

Sales for the current term came to ¥1,065.9 billion, a year-on-year increase of ¥90.6 billion or 9.3%, as the volume of gas sales increased, a rise in LNG prices led to higher gas selling prices under the fuel cost adjustment system than in the previous term, existing consolidated subsidiaries successfully expanded their operations, and the number of consolidated subsidiaries increased. Operating profit also showed a year-on-year increase of ¥4.6 billion or 4.9% to ¥100.6 billion: even though the cost of sales rose because of an increase in the volume of gas sales and in materials prices, continued efforts to reduce costs throughout our operations successfully suppressed supply and sales expenses and general administrative expense. Ordinary profit grew ¥5.8 billion or 6.0% to ¥103.3 billion, due partly to the increased return on investment calculated on the equity method. Net income rose strongly year-on-year by ¥30 billion or 59.2% to ¥80.7 billion because a special profit was registered as a result of settlement stemming from the closing of revised contracts for LNG handling services.

(unit:100 million yen)

Revenues and expenses (a)		Change from previous term		Non-consolidated results (b)	Parent Ratio (a)/(b)
		Change	Percent (%)		
Operating Revenues	10,659	+906	109.3	7,863	1.36
Cost of sales	6,364	+1,024	119.2	4,386	---
Selling, General and Administrative Expenses	3,288	-164	95.2	2,710	---
Operating profit	1,006	+46	104.9	766	1.31
Ordinary profit	1,033	+58	106.0	820	1.26
Net income	807	+300	159.2	706	1.14

Shareholders' Value Added (SVA)	55,300 million yen	[Previous term: 27,300 million yen]
Earnings per Share (EPS)	36.18 yen	[Previous term: 22.69 yen]
Return on Equity (ROE)	13.9%	[Previous term: 9.9%]
Return on Total Assets (ROA)	6.2%	[Previous term: 4.2%]

<<Operational Results by Segment>>

1. Gas

Gas sales increased ¥46.8 billion or 8.2% over the year to ¥619.7 billion as new demands were successfully cultivated, the volume of gas sales increased due to lower temperatures in the winter than in the previous term, and a rise in LNG prices led to higher gas selling prices under the

materials cost adjustment system than in the previous term. Although efforts were made to reduce costs in all operations, a rise in materials prices pushed up materials expenses. As a result, operating profit fell year-on-year by ¥600 million or 1.0% to ¥61.8 billion during the term under review.

2. LPG, Electricity and Other Energies

Sales registered a year-on-year increase of ¥31.1 billion or 19.7% to ¥189 billion thanks to the expansion of operations. Although expenses grew chiefly due to a rise in materials prices, operating profit increased ¥4.3 billion or 31.0% to ¥18.5 billion.

3. Gas Appliances and House-pipe Installation

Sales increased ¥5.5 billion or 3.7% to ¥155.9 billion, and operating profit attained a year-on-year growth of ¥2.4 billion or 89.1% to ¥5.2 billion because of an increase in sales and due to the net effects of cost reductions.

4. Real Estate

Sales increased ¥400 million or 1.8% to ¥25.7 billion, whereas operating profit fell year-on-year by ¥400 million or 6.7% to ¥6.6 billion.

5. Others

Sales grew ¥12.9 billion or 9.8% to ¥145.3 billion due to the increased number of consolidated subsidiaries. Operating profit fell ¥200 million or 3.7% to ¥7.7 billion primarily because Kinrei Co., Ltd. is no longer our consolidated subsidiary.

(in 100 million yen)

	Gas	LPG, electricity and other energies	Gas appliances and house-pipe installation	Real estate	Others	Elimination of internal transactions and transactions involving all companies	Consolidation
Sales	8.2% 6,197 [+468]	+ 19.7% 1,890 [+ 311]	+3.7% 1,559 [+55]	+ 1.8% 257 [+ 4]	+ 9.8% 1,453 [+ 129]	(698) [-63]	+9.3% 10,659 [+ 906]
Operating Profit	-1.0% 618 [-6]	+31.0% 185 [+43]	+89.1% 52 [+24]	-6.7% 66 [-4]	-3.7% 77 [-2]	7 [-7]	+4.9% 1,006 [+46]

% shown in upper left represents rate of change from previous term

[] indicates value of change from previous term

(2) Dividends

We intend to pay an annual dividend of ¥7 per share (including a centennial commemorative dividend of ¥1 per share per annum). We paid an interim dividend of ¥3.5 per share (including a centennial commemorative dividend of ¥0.5 per share).

(3) Projections for Next Fiscal Year (Term Ending March 2007)

For the term ending March 2007, we expect sales to rise ¥116 billion or 10.9% from the previous year to ¥1,182 billion because the successful development of new demands will increase the volume of gas sales, a rise in LNG prices will lead to an increase in gas selling prices under the

materials cost adjustment system, thus pushing up gas sales, and consolidated subsidiaries will successfully expand their operations. In spite of our continued efforts to reduce costs throughout our operations, operating profit and ordinary profit are forecast to come to ¥86.0 billion, down ¥14.6 billion or 14.6%, and to ¥86.5 billion, down ¥16.8 billion or 16.3%, respectively, due to a decline in earnings from incidental operations resulting from the revisions to LNG handling service contracts. Net income is predicted to show a year-on-year decline of ¥31.2 billion or 38.7% to ¥49.5 billion, reflecting a special profit recorded in the previous fiscal year.

We intend to increase the ordinary profit by ¥1 per share annually and pay an annual dividend of ¥7 per share (inclusive of an interim dividend).

	Projections for term ending March 2007	(unit: 100 million yen)	
		Yearly Change Change	Percent Percent (%)
Operating Revenues	11,820	+1,160	110.9
Operating profit	860	-146	85.4
Ordinary profit	865	-168	83.7
Net income	495	-312	61.3

Assumptions: Crude oil price (ALL Japan CIF price): \$58 per barrel; Exchange rate (TTM rate): ¥120 against U.S. dollar

Projections for other major indicators than the above are as follows:

Shareholders' Value Added (SVA)	23,500 million yen	[Previous fiscal year: 55,300 million yen]
Earnings per Share (EPS)	22.22 yen	[Previous fiscal year: 36.18 yen]
Return on Equity (ROE) (*1)	7.7%	[Previous fiscal year: 13.9%]
Return on Total Assets (ROA)	3.5%	[Previous fiscal year: 6.2%]

(*1)Shareholders' equity was calculated by the present method (effective before the Company Law came into force).

4. Financial Position

(1) Cash Flow for Current Fiscal Year

During the current term, cash flow from sales activities rose ¥36 billion from the previous term to a revenue of ¥152.9 billion, thanks partly to an increase in net income before income taxes and minority interests. Cash flow from investment activities increased ¥97.3 billion over the year to an expenditure of ¥162.9 billion because of an increase in expenses resulting from the acquisition of tangible fixed assets and the stocks of subsidiaries and affiliates. Cash flow from financing activities amounted to ¥13.2 billion in revenue, up ¥37.1 billion from a year ago, because expenditure on the redemption of corporate bonds was more than offset by revenue from long-term loans.

As a result, the term-end balance of cash and cash equivalents was ¥47.7 billion, representing an increase of ¥3.4 billion from the balance at the end of the previous term.

(unit: 100 million yen)

	Current Term	Previous Term	Change
Cash flow from operating activities	1,529	1,169	+360
Cash flow from investment activities	-1,629	-656	-973
Cash flow from financial activities	132	-239	+371
Increase/decrease of cash and cash equivalents	34	273	-238
Cash and cash equivalents at end of period	477	442	+34
Balance of interest-bearing liabilities at end of period	4,875	4,485	389

Free cash flow (*2) 84,200 million yen [Previous term: 57,700 million yen]

(*2) Free cash flow: (cash flow from operating activities) – (capital-expenditure spending)

(2) Cash Flow Indices

	Current Term	Previous Term
Debt redemption period	3.2 years	3.8 years
Interest coverage ratio	23.6	19.4
Shareholders' equity ratio	44.9%	43.6%
Shareholders' equity ration market value	68.2%	60.4%

(3) Projection for Next Term (Term Ending March 2007)

Annual capital expenditures are projected to be 101,400 million yen.

The free cash flow will be 31,200 million yen. The balance of interest-bearing liabilities at the end of the term is expected to increase by 38,400 million yen to 526,000 million yen.

<<Reference>> Capital Expenditure Plan

Term ending March 2007 (Projection)	Term ending March 2006 (Actual results)	Description of expenditures planned for the year ending March 2007
101,400 million yen	117,400 million yen	Construction of transport lines, main and sub-service lines, power plants, etc.

5. Business Risks

Risks that may impact our Group's business performance and financial position include the following.

(1) Risks in the Gas Supply Business

There are some risks which may have an effect on the Group's operating results and financial standing. The following are to be noted as factors which may affect the results of the Group's core gas business:

(a) Impact of air and water temperature variation on gas demand

As gas sales volume of the gas business is affected by variations of air and water temperature, the Group's business results may be affected by such variations.

(b) Impact of exchange and interest rate fluctuations on funding

The Group's business results may be affected by exchange and interest rate fluctuations. However, since the exchange risk is hedged by using derivative instruments, and a large proportion of interest-bearing liabilities is procured at a fixed rate, such fluctuations have a limited impact on the Group.

(c) Fluctuations in Materials Costs

The price of LNG, the source of natural gas, may be affected by fluctuations beyond expectations in crude oil prices or exchange rates. Though such effect may be reflected in gas sales prices through application of the fuel cost adjustment system so that the effect should balance out, it may have an effect on the following term due to the time lag before reflection.

(d) Troubles with raw material procurement

As LNG is procured from overseas countries, any troubles with the supplier's facilities or operation may affect the Group's business results.

(e) Troubles with production/supply

Troubles with production/supply caused by large-scale natural disasters and accidents may affect the Group's business results.

(f) Regulatory reforms for the gas business and resulting progress in competition

If regulatory reforms make progress as a result of revision of the Gas Business Law or other applicable laws, regulations or systems, competition may intensify in the energy markets and the Group's business results may be affected.

(2) Other risks

(a) Other Businesses Than Gas Supply

Other operations than gas supply may have an adverse impact on the Group's performance depending on changes in the markets in which they operate. We are working to alleviate the effects of these other operations by consolidating all of our subsidiaries, monitoring their activities and carrying out remedial measures quickly.

(b) Management of Personal Information

Because the Osaka Gas Group handles large amounts of personal information necessary to conduct operations, we are strictly managing personal information in compliance with the Law

Concerning the Protection of Personal Information (which became effective in April 2004) and through employee and worker education. A leakage of customers' performance information to the outside would impact the performance of our Group.

6. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: million yen)

Account	As of End of Current Consolidated Fiscal Year (End of March 2006)	As of End of Previous Consolidated Fiscal Year (End of March 2005)	Change
(Assets)			
Fixed Assets	1,113,438	962,392	151,046
Tangible fixed assets	785,045	766,823	18,222
Production facilities	104,801	111,771	-6,970
Distribution facilities	343,110	355,278	-12,168
Operational facilities	65,699	68,047	-2,348
Other facilities	205,699	202,937	2,762
Idle facilities	1,532	1,532	0
Construction in progress	64,202	27,256	36,946
Intangible fixed assets	29,178	27,879	1,299
Acquisition cost of subsidiaries over net assets acquired	8,112	8,873	-761
Other intangible fixed assets	21,066	19,006	2,060
Investments and other assets	299,213	167,688	131,525
Investment in securities	189,200	102,450	86,750
Deferred tax assets		14,439	-14,439
Other assets	111,678	53,455	58,223
Allowance for bad debts	-1,664	-2,657	993
Current Assets	285,194	255,030	30,164
Cash and deposits	49,495	48,512	983
Notes and trade accounts receivable	126,800	114,045	12,755
Inventories	44,868	40,785	4,083
Deferred tax assets	13,139	15,347	-2,208
Other current assets	51,741	37,098	14,643
Allowance for bad debts	-851	-759	-92
Deferred Assets	60	40	20
Premium on bonds	60	40	20
Assets Total	1,398,692	1,217,463	181,229

(Unit: million yen)

Account	As of End of Current Consolidated Fiscal Year (End of March 2006)	As of End of Previous Consolidated Fiscal Year (End of March 2005)	Change
(Liabilities)			
Fixed Liabilities	442,782	414,712	28,070
Bonds	188,694	204,080	-15,386
Long-term loans payable	199,359	163,185	36,174
Deferred tax liability	23,266		23,266
Deferred tax liability relating to revaluation	42	55	-13
Reserve for severance benefits	8,731	18,343	-9,612
Reserve for gasholder repair	1,729	1,610	119
Other fixed liabilities	20,957	27,437	-6,480
Current Liabilities	308,724	261,826	46,898
Current portion of fixed liabilities	71,091	58,214	12,877
Notes and trade accounts payable	45,802	43,826	1,976
Short-term loans payable	31,943	26,564	5,379
Corporate taxes payable	39,771	25,815	13,956
Other current liabilities	120,114	107,405	12,709
Liabilities Total	751,506	676,538	74,968
(Minority Interest)			
Minority Interest	18,675	10,062	8,613
Minority Interest Total	18,675	10,062	8,613
(Shareholders' Equity)			
Capital Stock	132,166	132,166	0
Capital Reserve	19,521	19,497	24
Consolidated Retained Earnings	410,682	384,350	26,332
Land revaluation Excess	62	81	-19
Difference between Market Price and Acquisition Cost of Other Securities	63,648	33,677	29,971
Foreign Exchange Adjustment	4,986	3,145	1,841
Treasury Stock	-2,556	-42,056	39,500
Shareholders' Equity Total	628,510	530,862	97,648
Liabilities, Minority Interest, and Shareholders' Equity Total	1,398,692	1,217,463	181,229

(2) Consolidated Profit and Loss Statement

(Unit: million yen)

Account	Current Consolidated Fiscal Year (April 2005 to March 2006)	Previous Consolidated Fiscal Year (April 2004 to March 2005)	Change
Operating Revenues	1,065,961	975,340	90,621
Cost of Sales	636,478	534,043	102,435
Gross Profit on Sales	429,482	441,297	-11,815
Selling, General and Administrative Expenses	328,825	345,304	-16,479
Operating Profit	100,657	95,992	4,665
Non-operating Revenues	13,938	12,487	1,451
Interest income	758	249	509
Dividend income	1,353	893	460
Gain on sales of securities	5,088	5,965	-877
Investment profit on equity method	2,435		2,435
Miscellaneous income	4,303	5,378	-1,075
Non-operating Expenses	11,287	10,998	289
Interest paid	6,474	6,040	434
Miscellaneous expenses	4,813	4,958	-145
Ordinary Profit	103,308	97,480	5,828
Extraordinary Profit	29,085	1,183	27,902
Gain on sales of fixed assets	661	1,183	-522
Gain on sales of equity in subsidiaries	5,400		5,400
Gain on disposition of LNG handling facilities	23,024		23,024
Extraordinary Loss		14,759	-14,759
Loss from deduction of property and equipment		849	-849
Loss from impairment of property and equipment		13,910	-13,910
Net Income before Taxes and Minority Interest	132,393	83,904	48,489
Corporate, Resident and Business Taxes	41,803	26,026	15,777
Adjustment for Difference of Tax Allocation between Financial Accounting and Tax Accounting	9,134	6,452	2,682
Less: Minority Interest	744	742	2
Net Income	80,710	50,683	30,027

(3) Statement of Consolidated Retained Earnings

(Unit: million yen)

Account	Current Consolidated Fiscal Year (April 2005 to March 2006)	Previous Consolidated Fiscal Year (April 2004 to March 2005)	Change
(Capital Reserve)			
Consolidated Capital Reserve at Beginning of Period	19,497	19,482	15
Increase of Capital Reserve	23	15	8
Consolidated Capital Reserve at End of Period	19,521	19,497	24
(Profit Reserves)			
Consolidated Profit Reserve at Beginning of Period	384,350	346,558	37,792
Increase of Profit Reserve	80,884	51,259	29,625
Net income	80,710	50,683	30,027
Increase due to decrease of consolidated companies	154		154
Disposition of land revaluation surplus	19		19
Increase due to new inclusions to consolidation		576	-576
Decrease of Profit Reserve	54,551	13,468	41,083
Dividends	14,484	13,382	1,102
Directors' bonuses	86	85	1
Retirement of treasury stock	39,978		39,978
Decrease due to decrease in consolidated subsidiaries	1		1
Consolidated Profit Reserve at End of Period	410,682	384,350	26,332

(4) Consolidated Cash Flow Statement

(Unit: million yen)

Account	Current Consolidated Fiscal Year (April 2005 to March 2006)	Previous Consolidated Fiscal Year (April 2004 to March 2005)	Change
I. Cash Flow from Operating Activities			
Net income before taxes and minority interest	132,393	83,904	48,489
Depreciation expenses	84,250	86,858	-2,608
Amortization of long-term prepaid expenses	2,243		2,243
Loss from impairment of fixed assets		13,910	-13,910
Increase (decrease) in reserve for severance benefits	-9,653	-24,596	14,943
Increase (decrease) in prepaid pension expenses	-2,703	-12,217	9,514
Interest and dividends received	-2,112	-1,143	-969
Interest expenses	6,474	6,040	434
Investment profit on equity method	-2,435		-2,435
Gain on sales of securities	-5,088	-5,965	877
Gain on sales of shares of subsidiaries	-5,400		-5,400
Loss from retirement of tangible fixed assets	2,349	2,405	-56
Increase (decrease) in trade receivables	-8,329	-4,340	-3,989
Increase (decrease) in inventories	-2,269	-8,583	6,314
Increase (decrease) in trade receivables		6,700	-6,700
Increase (decrease) in accrued expenses	6,509	-2,361	8,870
Increase (decrease) in consumption tax payable		-1,528	1,528
Others	-10,224	12,838	-23,062
Total	186,005	151,922	34,083
Interest and dividends received	1,977	1,336	641
Interest paid	-6,496	-6,054	-442
Corporate taxes paid	-28,551	-30,301	1,750
Net Cash Flow from Operating Activities	152,935	116,902	36,033
II. Cash Flow from Investment Activities			
Expense for acquisition of tangible fixed assets	-115,243	-63,838	-51,405
Expense for acquisition of intangible fixed assets	-2,462		-2,462
Increase in long-term prepaid expenses	-5,941		-5,941
Expense for acquisition of investment in securities	-2,741	-1,583	-1,158
Income from sales of securities	12,260	8,584	3,676
Expense for acquisition of stocks of subsidiaries and affiliates	-40,037	-6,995	-33,042
Proceeds from sales of shares of subsidiaries and affiliates	2,748		2,748
Acquisition of shares of subsidiaries resulting from changes in the scope of consolidation	-22,554		-22,554
Proceeds from sales of shares of subsidiaries resulting from changes in the scope of consolidation	11,509		11,509
Net increase (decrease) in short-term loans	-1,539		-1,539
Outlays for long-term loans issued	-6,985		-6,985
Proceeds from collection of long-term loans	3,098		3,098
Proceeds from maturity of time deposits	2,563		2,563
Others	2,334	-1,846	4,180
Net Cash Flow from Investment Activities	-162,989	-65,679	97,310
III. Cash Flow from Financial Activities			
Net increase (decrease) in short-term loans payable		2,329	-2,329
Net increase (decrease) in commercial paper		-26,000	26,000
Proceeds from long-term loans payable	54,224	27,589	26,635
Expense for repayment of long-term loans payable	-21,989	-33,676	11,687
Income from bonds issued	19,976	19,986	-10
Expense for redemption of bonds	-35,000		-35,000
Dividends paid	-14,437	-13,340	-1,097
Dividends paid to minority shareholders	-150	-165	15
Proceeds from issuance of common stock to minority shareholders	9,795		9,795
Others	826	-634	1,460
Net Cash flow from Financial Activities	13,245	-23,912	37,157
IV. Difference from Conversion of Cash and Cash Equivalents	273	-5	278
V. Increase/decrease of Cash and Cash Equivalents	3,464	27,303	-23,839
VI. Cash and Cash Equivalents at Beginning of Period	44,279	15,743	28,536

VII. Increase of Cash and Cash Equivalents Due to Addition of Subsidiaries to Consolidation		1,312	-1,312
VIII. Decrease of Cash and Cash Equivalents Due to Exclusion of Subsidiaries from Consolidation	-16	-80	64
IX. Cash and Cash Equivalents at End of Period	47,726	44,279	3,447

(Notes)

1. Basic information for preparing consolidated financial statements

(1) Scope of consolidation

Consolidated subsidiaries

Number of consolidated subsidiaries 136 subsidiaries

(Major consolidated subsidiaries)

Osaka Gas Chemicals Co., Ltd., Urbanex Co., Ltd., OGIS Research Institute Co., Ltd.,
Liquid Gas Co., Ltd. and Nissho Petroleum Gas Corp.

(Change in consolidation)

Japan EnviroChemicals, Ltd., Osaka Gas Power America, LLC, and 21 other firms were included in the consolidated subsidiaries for the current consolidated accounting year as they became subsidiaries upon our acquisition of their shares.

Kinrei Corporation and four other companies were excluded from the list of consolidated subsidiaries as we sold their shares to other companies.

(2) Application of equity method

Number of affiliates reported by the equity method 4 affiliates

- Names of Major Equity Method-Applicable Affiliates:

Idemitsu Snorre Oil Development Co., Ltd., and Osaka Rinkai Energy Service Corporation

- Changes in Equity Method-Applicable Affiliates:

Idemitsu Snorre Oil Development Co., Ltd. and Bizkaia Energia, S.L. were included in the equity method-applicable affiliates for the current consolidated accounting year as they newly became our affiliates when we acquired their shares. The equity method is not applicable to some affiliated companies which have a minor impact on our current-term consolidated net income and loss and consolidated earned surplus and which are not important in terms of our total business performance.

(3) Accounting principles

1. Basis and method of evaluation of significant assets are as follows:

a. Inventories mainly at cost on a moving average basis

b. Securities

Other securities

With market price at market, based on the market price on the closing date

(The entire difference between the acquisition cost and the market price is accounted for by the “direct-inclusion-to-capital” method, and the cost of sales is calculated by the moving average method.)

Without market price mainly at cost on a moving average basis

c. Derivative instruments at market

2. Most tangible fixed assets are depreciated by the declining balance method, except buildings (excluding fixtures attached to buildings) acquired on and after April 1, 1998, which are depreciated by the straight-line method.

3. Provision of significant allowances and reserves is as follows:

a. Reserve for severance benefits

To prepare for payment of severance benefits to employees, the reserve for severance benefits is provided. An amount of accrued severance benefits payable to employees at the end of the current fiscal year is provided based on severance benefit liabilities and the expected value of the pension assets.

b. Reserve of gasholder repair

To prepare for payment of expenses needed for periodical repair of globular gasholders, the reserve for gasholder repair is provided for the expected repair cost needed in the next scheduled repair based on the actual cost paid in the last repair, over the period by the next scheduled repair.

4. Accounting for significant lease transactions

Finance lease transactions, except those in which the ownership of the leased properties is transferred to the lessees, are recorded by the accounting method used for regular lease transactions.

5. Accounting of significant hedge transactions

a. Method of hedge accounting

Deferred hedge accounting is adopted. In cases in which required conditions are satisfied, special accounting of interest rate swaps, and appropriation accounting of forward exchange contracts, etc., are adopted.

b. Hedge contracts and hedged transactions

<u>Hedge contract</u>	<u>Hedged Transactions</u>
Interest rate swap	Corporate bonds and loans payable
Currency swap	Corporate bonds and loans payable in foreign currency
Forward exchange contract or currency option	Scheduled transactions in foreign currency (such as for purchase of raw materials)
Swap and option for crude oil price	Purchase price of raw material

c. Hedge policy

In accordance with internal rules, the Company and its group companies enter into hedge contracts to hedge risk of fluctuation of foreign exchange rates, interest, etc. No derivative contracts for speculative purposes, which do not have actual transactions to be hedged, have been concluded.

d. Method for valuation of validity of hedging

Validity of hedging is evaluated based on the correspondence between the hedge contract and the relevant hedged transaction.

6. Other important information for preparing consolidated financial statements

Consumption taxes are recorded by the tax-exclusion method.

(4) Evaluation of assets and liabilities of consolidated subsidiaries

Assets and liabilities of consolidated subsidiaries are fully evaluated on a marked-to-market basis.

(5) Method and period of amortization of the consolidation adjustment account

The consolidation adjustment account is equally amortized over 20 years or less after posting. However, small amounts are posted as profit or loss as incurred.

(6) Scope of funds for Consolidated Cash Flow Statement

Funds included in the Consolidated Cash Flow Statement (cash and cash equivalents) comprise cash on

hand; bank deposits that can be withdrawn at any time; and highly liquid short-term investments with minor risk of price fluctuation that will expire within three months from the acquisition date.

2. Accumulated depreciation of fixed tangible assets	(As of the end of the current consolidated fiscal year)	(As of the end of the previous consolidated fiscal year)
	1,805,978 million yen	1,736,680 million yen
3. Assets pledged as security	(As of the end of the current consolidated fiscal year)	(As of the end of the previous consolidated fiscal year)
	88,447 million yen	60,355 million yen
4. Contingent liabilities	(As of the end of the current consolidated fiscal year)	(As of the end of the previous consolidated fiscal year)
Guarantee of liabilities	2,864 million yen	2,442 million yen
Contingent liabilities relating to debt assumptions for corporate bonds and loans payable	21,412	58,931
5. Relationship of period-end balance of cash and cash equivalents and the values presented on the consolidated balance sheet	(As of the end of the current fiscal year)	(As of the end of the previous fiscal year)
Cash and bank deposits	49,495 million yen	48,512 million yen
Term deposits that expire more than three months later	-1,768	-4,233
Cash and cash equivalents	47,726	44,279

7. Segment Information

(1) Segment information by business type

Current Consolidated Fiscal Year (April 1, 2005 – March 31, 2006)

(Unit: million yen)

	Gas	LPG, Electricity and Other Energies	Gas Appliances and House-pipe Installation	Real estate	Others	Total	Elimination of internal transactions and transactions involving all companies	Consolida- tion
[1] Sales and Operating Profit and Loss								
Sales								
1. Sales to customers outside the Group	608,142	186,342	155,339	12,908	103,227	1,065,961	-	1,065,961
2. Internal sales or transfer among segments	11,613	2,660	620	12,819	42,124	69,839	(69,839)	-
Total	619,756	189,003	155,960	25,727	145,352	1,135,800	(69,839)	1,065,961
Operating Expenses	557,945	170,483	150,748	19,101	137,600	1,035,879	(70,575)	965,303
Operating Profit	61,811	18,519	5,212	6,626	7,752	99,921	736	100,657
[2] Assets, depreciation and capital expenditure								
Assets	686,433	299,986	59,032	111,481	139,929	1,296,863	101,829	1,398,692
Depreciation	56,576	12,334	445	4,087	11,558	85,002	(751)	84,250
Capital expenditure	48,638	46,219	616	5,228	17,438	118,141	(685)	117,455

Previous Consolidated Fiscal Year (April 1, 2004 – March 31, 2005)

(Unit: million yen)

	Gas	LPG, Electricity and Other Energies	Gas Appliances and House-pipe Installation	Real estate	Others	Total	Elimination of internal transactions and transactions involving all companies	Consolida- tion
[1] Sales and Operating Profit and Loss								
Sales								
1. Sales to customers outside the Group	564,678	155,987	149,981	12,382	92,310	975,340	-	975,340
2. Internal sales or transfer among segments	8,228	1,903	393	12,878	40,084	63,490	(63,490)	-
Total	572,906	157,891	150,375	25,261	132,395	1,038,830	(63,490)	975,340
Operating Expenses	510,451	143,753	147,618	18,157	124,344	944,326	(64,978)	879,348
Operating Profit	62,455	14,138	2,756	7,103	8,050	94,503	1,488	95,992
[2] Assets, depreciation and capital expenditure								
Assets	688,639	180,394	58,268	102,550	123,051	1,152,903	64,559	1,217,463
Depreciation	61,676	12,325	487	4,189	9,050	87,729	(870)	86,858
Loss from impairment of fixed assets	10,771	743	513	1,745	135	13,910	-	13,910
Capital expenditure	40,120	8,155	528	3,688	13,394	65,889	(371)	65,517

(Notes)

(a) Business segments are primarily based on the classification of sales accounts in accordance with the Gas Utility Industry Accounting Regulations.

(b) Major products and services of business segments

Business segments	Major products etc.
Gas	Gas
LPG, electricity and other energies	LPG, electric supply, thermal energy supply, processing of LNG by contract, industrial gas, etc.
Gas appliances and house-pipe installation	Gas appliances, in-house and road piping work, recycling of excavated soil, etc.
Real estate	Lease and management of real estate, etc.
Others	Frozen foods, restaurants, provision of data processing services, chemical products and carbon products, sales of housing equipment, design and installation of gas and environment preservation-related facilities, security and disaster prevention services, sports business, automobile and office equipment leasing, etc.

(c) Changes in the Composition of Companies in Business Segments and the Method of Allocating Operating Expenses and Assets

In accordance with the Osaka Gas Group's management philosophy "Value Creating Management in a New Century for Business Opportunities," formulated in January 2005, the Group's management organization was restructured on July 1, 2005 to reorganize and integrate Group companies by segments and by functions in order to maximize the Group's overall capabilities. Under the corporate reorganization program, the composition of companies in business segments was changed and the business operations of some companies were transferred to different categories of business. In keeping with this business segment change, the method of allocating operating expenses (mainly general expenses associated with the management divisions of companies submitting consolidated financial statements), which are distributed chiefly as direct expenses for each business category, assets (chiefly the companies' assets associated with the management divisions of companies submitting consolidated financial statements), depreciation expense, and capital expenditure was revised in compliance with the amendments to the Gas Utility Industry Accounting Regulations.

The business performance is outlined below by the business segments before the segments were changed, for the previous consolidated fiscal year:

Previous Consolidated Fiscal Year (April 1, 2004 – March 31, 2005)

(Unit: million yen)

	Gas	LPG, Electricity and Other Energies	Gas Appliances and House-pipe Installation	Real estate	Others	Total	Elimination of internal transactions and transactions involving all companies	Consolidation
[1] Sales and Operating Profit and Loss								
Sales								
1. Sales to customers outside the Group	564,678	155,424	136,434	15,614	103,188	975,340	-	975,340
2. Internal sales or transfer among segments	8,228	1,695	377	21,504	40,061	71,866	(71,866)	-
Total	572,906	157,119	136,811	37,119	143,249	1,047,206	(71,866)	975,340
Operating Expenses	509,383	143,143	135,851	29,463	134,859	952,702	(73,354)	879,348
Operating Profit	63,523	13,976	959	7,655	8,389	94,503	1,488	95,992
[2] Assets, depreciation and capital expenditure								

Assets	674,312	178,561	66,332	107,870	125,826	1,152,903	64,559	1,217,463
Depreciation	61,409	12,312	682	4,318	9,005	87,729	(870)	86,858
Loss from impairment of fixed assets	10,771	743	513	1,745	135	13,910	-	13,910
Capital expenditure	39,951	8,130	650	3,800	13,354	65,889	(371)	65,517

(2) Segment information by geographical area

Because more than 90% of sales by all segments of the Osaka Gas Group is earned in Japan and more than 90% of assets of the Group are in Japan, disclosure in this section is omitted.

(3) Overseas sales

Because overseas sales account for less than 10% of the consolidated sales, disclosure in this section is omitted.

8. Securities

(1) Other securities that have market prices

(Unit: million yen)

Period Type of securities	As of the end of the current consolidated fiscal year (As of the end of March 2006)			As of the end of the previous consolidated fiscal year (As of the end of March 2005)		
	Acquisition cost	Value reported on Consolidated Balance Sheet	Difference	Acquisition Cost	Value reported on consolidated Balance Sheet	Difference
1. Stocks	21,391	123,006	101,614	21,703	75,480	53,777
2. Bonds						
National and local government bonds	10	9	0	0	0	0
Others	100	96	-3	50	50	0
Total	21,501	123,113	101,611	21,754	75,531	53,777

(2) Major securities without market price and their values reported on the consolidated balance sheet

Other securities

(Unit: million yen)

	Value reported on balance sheet as of end of current consolidated fiscal year	Value reported on balance sheet as of end of previous consolidated fiscal year
Unlisted Stocks (excluding over-the-counter stocks)	13,538	17,447

9. Severance Benefits

(1) Summary of the severance benefit scheme adopted

The Company and most of its consolidated subsidiaries have a lump-sum severance payment system as a defined benefit plan. The Company and some of its subsidiaries adopted the approved retirement annuity system. In addition, certain consolidated subsidiaries use the employees' pension fund scheme.

The Company adopted the approved retirement annuity system on November 1, 1974.

The Company transferred part of its defined benefit pension plan and introduced the defined contribution plans system on January 1, 2005.

(2) Reserve for severance benefits (as of March 31, 2006) 8,731 million yen

(3) Severance benefit expenses (April 1, 2005 – March 31, 2006)

1. Service cost	7,279 million yen
2. Interest cost	4,562
3. Expected return from investment	- 9,614
4. Amortization of actuarial calculation gain or loss	-231
5. Amortization of prior service cost	- 3,440
<hr/>	
6. Severance benefit expenses (1+2+3+4+5)	- 1,444

Note: Severance benefit expenses of the consolidated subsidiaries employing the convention method are included in the "service cost."

(4) Calculation basis of severance benefit obligation

Method of allocation of the estimated severance benefits	Straight-line standard
Discount rate	Basically 1.8%
Expected return on assets	Basically 3.6%
Period of amortization of amount of prior service cost	Basically 1 year
Period of amortization of actuarial gain or loss	Basically 10 years