

10. For Term Ending March 2006 Highlight of Non-Consolidated Financial Statements

April 28, 2006



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

Listed Exchanges: Tokyo, Osaka and Nagoya Exchanges

Code: **9532**

Location of Head Office: Osaka Prefecture

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

Representative Officer: Title: President

Name: Hirofumi Shibano

Contact: Title: Accounting Manager

Name: Shingo Kamei

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

Interim Dividend System: existent

Expected Date of Dividend Payment: To be determined

Date of Annual Meeting of Shareholders: June XX, 2006 (to be determined at Board Meeting in May)

System of trading unit of shares: adopted (Unit: 1,000 shares)

1. Financial results for year ending March 2006 (April 1, 2005 to March 31, 2006)

(1) 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	786,350	8.8	76,619	10.9	82,040	9.2
Term ending March 2005	722,755	-1.0	69,111	2.6	75,159	16.7

	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	70,632	71.1	31.67	-	14.7	8.0	10.4
Term ending March 2005	41,280	4.6	18.48	-	9.6	7.7	10.4

Note: 1. 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

2. Change in accounting method: none

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

(2) Dividends

	Annual dividend per share			Total dividends (full year)	Dividend payout	Dividend on equity
	Interim	Year-end				
	Yen	Yen	Yen	million yen	%	%
Term ending March 2006	7.00	3.50	3.50	15,594	22.1	3.0
Term ending March 2005	6.00	3.00	3.00	13,376	32.5	3.0

(3) 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	1,078,437	518,171	48.0	232.60
Term ending March 2005	981,501	442,805	45.1	198.65

Note: 1. Number of shares outstanding as of term-end

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

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

2. Number of repurchased shares as of term-end

Term ending March 2006: 8,148,986 shares

Term ending March 2005: 140,284,727 shares

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

	Operating revenues	Ordinary Profit	Net income	Annual dividend per share		
				Interim	Year-end	
	million yen	million yen	million yen	Yen	Yen	Yen
Interim term	362,500	24,000	16,500	3.50	---	---
Full year	834,000	68,500	46,000	---	3.50	7.00

(Reference) Expected earning per share (for full year): 20.65 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 "10-1. Operational Results, (3) Projected Annual Results for Next Fiscal Year (term ending March 2007)" in the attachment for matters regarding the business forecasts as shown above.

10-1 Operational Results

(1) Gas Sales

In the residential sector, as the number of customers increased by 60,000 households over the end of the previous term and the winter stayed cooler than in the previous term, gas sales came to 2,329 million m³, showing a year-on-year increase of 4.0%.

In the industrial sector, thanks to the successful creation of new demands, gas sales increased 4.8% over the year to 4,049 million m³. Looking at the results in the commercial, public and medical segments, as new demands were successfully cultivated and the winter remained cooler than in the previous term, gas sales to commercial customers amounted to 1,071 million m³, up 3.0% from a year ago, and gas sales to public offices and medical customers rose 6.0% to 641 million m³. As a result, the commercial sector as a whole saw a 4.6% yearly increase in gas sales amounting to 5,761 million m³ during the current term.

With the wholesaling to other gas suppliers included, the total gas sales amounted to 8,448 million m³, representing a year-on-year increase of 4.9%.

		A Term ending March 2006 (Apr 2005–Mar 2006)	B Term ending March 2005 (Apr 2004–Mar 2005)	A – B	A/B %
Customers (Meters installed) (1,000 households)	Residential	6,437	6,377	+60	100.9
	Non-residential	321	319	+2	100.6
	Total	6,758	6,697	+61	100.9
Monthly average usage per residential customer household (m ³ /month)		34.2	33.1	+1.1	103.2
Gas sales volume (million m ³)	Residential	2,329	2,238	+90	104.0
	Non-residential	5,761	5,509	+252	104.6
	Industrial	4,049	3,865	+184	104.8
	Commercial	1,071	1,039	+31	103.0
	Public and medical institutions	641	605	+36	106.0
	Wholesale	359	305	+53	117.5
	Total	8,448	8,053	+395	104.9

[45MJ/m³]

[Reference]
Average temperature (°C)

Term ending March 2006 (Apr 2005–Mar 2006)	A	Term Ending March 2005 (Apr 2004–Mar 2005)	B	A–B
16.9		17.7		- 0.8

(2) Overview of Profit and Loss

(in 100 million yen)

Revenues		Change from previous term		
		Change	Percent (%)	
Gas sales	6,138	+463	108.2	
Other sales	House-pipe installation	312	-6	98.0
	Gas appliances	986	+66	107.2
	Other sales	426	+112	136.0
	Total	1,725	+172	111.1
Total sales	7,863	+635	108.8	
Non-operating revenues	122	-2	97.9	
Total revenues	7,986	+633	108.6	

Expenses		Change from previous term		
		Change	Percent (%)	
Cost of sales	2,846	+652	129.7	
Selling, general and administrative expenses	2,710	-183	93.7	
Total	5,556	+468	109.2	
Other expenses	House-pipe installation	306	-11	96.5
	Gas appliances	956	+48	105.3
	Other expenses	277	+55	124.8
	Total	1,540	+92	106.4
Operating expenses	7,097	+560	108.6	
Operating profit	766	+75	110.9	
Non-operating expenses	68	+3	105.6	
Total expenses	7,165	564	108.6	

Ordinary profit	820	+68	109.2
Net income	706	+293	171.1

(Any amount less than a hundred million yen is rounded down.)

Shareholder's Value Added (SVA)	49,900 million yen	[previous term: 21,200 million yen]
Earnings per Share (EPS)	31.67 yen	[previous term: 18.48 yen]
Return on Equity (ROE)	14.7%	[previous term: 9.6%]
Return on Total Assets (ROA)	6.9 %	[previous term: 4.2%]
Free Cash Flow (*3)	73,100 million yen	[previous term: 50,300 million yen]
(*3) Free Cash Flow = (Cash flow from sales operation) – (Capital expenditure)		

[Reference]

- Cost of raw materials included in cost of sales: 271,400 million yen (increase by 67,500 million yen or 33.1%, from the previous term)
- Exchange rate and cost of crude oil

	A	B	A-B
	Term ending March 2006 (Apr 2005–Mar 2006)	Term ending March 2005 (Apr 2004–Mar 2005)	
Exchange rate (yen/dollar) (*4)	113.3	107.6	+5.7
Cost of crude oil (dollar/bbl) (*5)	55.8	38.8	+17.0

*4: TTM rate

*5: All Japan CIF price, except for the term ending March 2006 where calculations were based on preliminary figures

(3) Projected Annual Results for Next Fiscal Year (Term Ending March 2007)

In the term ending March 2007, sales revenue is predicted to rise to ¥834 billion, representing a year-on-year increase of ¥47.6 million or 6.1%, because the successful development of new demands will help boost the volume of gas sales by 70 million m³ or 0.8% over the year. The value of gas sales will also increase, to ¥662.5 billion, showing a yearly increase of ¥48.6 billion, as a rise in LNG prices will result in an increase in gas selling prices under the materials cost adjustment system.

Operating profits are expected to show a year-on-year decrease of ¥17.6 billion or 23.0% to ¥59 billion during the term under review because, although efforts will continue to achieve cost reductions across all business operations, a revision of the LNG handling service contracts will squeeze earnings from incidental business operations. Ordinary profit is expected to amount to ¥68.5 billion, down ¥13.5 billion or 16.5% over the year, though there will be an increase in dividends from subsidiaries. Net income is forecast to decrease by ¥24.6 billion or 34.9% to ¥46.0 billion during the term under review due in part to special profits registered in the previous term.

We aim to pay an annual dividend of ¥7 per share (including the interim dividend) by increasing the ordinary dividend by ¥1 per share per annum.

	Projected annual results for term ending March 2007	Change from previous year	
		Change	Percent (%)
Gas sales volume (million m ³)	8,518	+70	100.8
Operating revenues (100 million yen)	8,340	+476	106.1
Operating profit (100 million yen)	590	-176	77.0
Ordinary profit (100 million yen)	685	-135	83.5
Net income (100 million yen)	460	-246	65.1

[Forecasted crude oil cost: \$58 per bbl; forecasted exchange rate: 120 yen to \$1]

Shareholders' Value Added (SVA)	24,500 million yen	[previous year: 49,900 million yen]
Earnings per Share (EPS)	20.65 yen	[previous year: 31.67 yen]
Return on Equity (ROE) *6	8.7%	[previous year: 14.7%]
Return on Total Assets (ROA)	4.3%	[previous year: 6.9%]
Free Cash Flow	22,200 million yen	[previous year: 73,100 million yen]

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

(4) Capital Expenditure Plan for Next Fiscal Year (Term Ending March 2007)

	Term ending March 2007 (Projection)	Year ending March 2006 (Actual results)	Description of expenditures planned for term ending March 2006
Production facilities	3,700 million yen	5,400 million yen	Equipment replacement, etc.
Distribution facilities	39,600 million yen	40,000 million yen	Construction of transmission lines, and main and sub-service lines, etc.
Operational facilities, etc.	23,000 million yen	29,900 million yen	Power plants, etc.
Total	66,400 million yen	75,400 million yen	

10-2 Non-Consolidated Fiscal Statements

(1) Balance Sheet

(Unit: million yen)

Account	As of March 31, 2006	As of March 31, 2005	Change
(Assets)			
Fixed Assets	873,529	792,139	81,389
Tangible fixed assets	578,402	562,028	16,373
Production facilities	103,187	109,899	-6,711
Supply facilities	342,198	354,393	-12,195
Operational facilities	64,946	67,272	-2,326
Supplementary business facilities	5,714	5,420	294
Idle facilities	1,532	1,532	
Construction in progress	60,822	23,510	37,312
Intangible fixed assets	4,766	4,729	36
Patents	4		4
Leaseholds	3,084	3,071	12
Other intangible fixed assets	1,677	1,658	19
Investments and other assets	290,360	225,381	64,979
Investment in securities	93,600	68,858	24,742
Investment in affiliates	102,582	75,354	27,227
Long-term loans receivable from affiliates	62,027	47,984	14,042
Investment in capital	10	10	0
Long-term prepaid expenses	6,558	3,764	2,793
Deferred tax assets		8,872	-8872
Prepaid pension cost	15,489	12,786	2,703
Other investments	11,066	8,609	2,457
Allowance for bad debts	-975	-859	-115
Current Assets	204,847	189,321	15,526
Cash and deposits	32,250	32,967	-717
Notes receivable	912	886	26
Accounts receivable	69,422	63,110	-6,311
Trade accounts receivable from affiliates	5,559	5,254	305
Other accounts receivable	14,293	12,829	1,463
Products	106	90	16
Raw materials	17,084	15,744	1,340
Stores	7,430	9,074	-1643
Short-term loans receivable from affiliates	14,432	15,016	-584
Short-term accounts receivable from affiliates	3,807	3,416	391
Deferred tax assets	9,765	12,198	-2,433
Derivatives	20,526	13,757	6,768
Other current assets	9,816	5,565	4,251
Allowance for bad debts	-560	-589	29
Deferred Assets	60	40	19
Premium on bonds	60	40	19
Total Assets	1,078,437	981,501	96,935

(Unit: million yen)

Account	As of March 31, 2006	As of March 31, 2005	Change
(Liabilities)			
Fixed Liabilities	316,585	330,996	-14,410
Bonds	174,700	203,660	-28,960
Long-term loans payable	118,681	102,386	16,295
Deferred tax liabilities	8,147		8,147
Reserve for severance benefits	3,345	13,311	-9,965
Reserve for gasholder repair	1,690	1,579	111
Other fixed liabilities	10,020	10,058	-38
Current Liabilities	243,679	207,699	35,979
Current portion of fixed liabilities	56,174	45,066	11,107
Trade accounts payable	15,983	15,147	836
Corporate taxes payable	20,836	20,414	422
Accrued expenses	48,364	44,642	3,722
Corporate taxes payable	33,143	20,016	13,127
Advances received	7,140	6,347	793
Deposits received	1,226	1,271	-44
Short-term loans payable to affiliates	25,467	26,165	-697
Short-term accounts payable to affiliates	14,332	13,831	501
Deferred hedge gains	20,526	13,757	6,768
Other current liabilities	481	1,040	-558
Total Liabilities	560,265	538,695	21,569
(Shareholders' Equity)			
Capital Stock	132,166	132,166	
Capital Surpluses	19,521	19,497	23
Capital reserve	19,482	19,482	
Other capital surpluses	38	15	23
Gain from disposal of treasury stocks	38	15	23
Retained Earnings	326,216	310,107	16,109
Profit reserve	33,041	33,041	
Reserve for reduction of costs relating to replacement of specific assets, etc.	216	216	
Reserve for write-off of specific gas piping works	1,306	1,677	-370
Reserve for loss on overseas investments, etc.	6,203	6,218	-15
Reserve for adjustment for cost fluctuation	89,000	89,000	
Reserve for other specific purposes	62,000	62,000	
Unappropriated retained earnings	134,448	117,952	16,495
Difference between Market Price and Acquisition Cost of Securities	42,823	23,090	19,733
Difference between market price and acquisition cost of other securities	42,823	23,090	19,733
Treasury Stocks	-2,556	-42,056	39,499
Treasury stocks	-2,556	-42,056	39,499
Total Shareholders' Equity	518,171	442,805	75,365
Total Liabilities and Shareholders' Equity	1,078,437	981,501	96,935

(2) Profit and Loss Statement

(Unit: million yen)

Account		Term ending March 2006 (Apr 2005 to Mar 2006)	Term ending March 2005 (Apr 2004 to Mar 2005)	Change
Ordinary Profit and Loss	Product Sales	613,825	567,497	46,328
	Gas sales	613,825	567,497	46,328
	Cost of Sales	284,604	219,385	65,219
	(Gross Profit on Sales)	(329,220)	(348,111)	(-18,890)
	Selling Expenses	212,382	222,995	-10,612
	General and Administrative Expenses	58,679	66,444	-7,764
	(Core Business Profit)	(58,158)	(58,671)	(513)
	Miscellaneous Operational Revenues	132,997	126,715	6,282
	Revenues from house-pipe installation	31,211	31,837	-626
	Revenues from gas appliances sales	98,669	92,066	6,603
	Other miscellaneous operational revenues	3,116	2,811	305
	Miscellaneous Operational Expenses	126,274	122,549	3,724
	Cost of house-pipe installation	30,608	31,723	-1,115
	Cost of gas appliances sales	95,666	90,826	4,839
	Revenues from Supplementary Businesses	39,526	25,337	10,984
	Revenues from automatic emergency call service	5,383	4,887	496
	Revenues from electric supply business	7,524	4,789	2,735
	Revenue from LNG marketing activities	4,965		4,965
	Revenues from other supplementary businesses	21,653	18,866	2,787
	Cost of Supplementary Businesses	27,789	22,269	5,520
	Cost of automatic emergency call service	4,399	3,537	861
	Cost of electric supply business	7,446	4,782	2,663
	Cost of LNG marketing activities	5,389		5,389
	Cost of other supplementary businesses	10,554	13,948	-3,394
	(Operating Profit)	(76,619)	(69,111)	(7,508)
	Non-Operating Profit and Loss	Non-operating Revenues	12,277	12,541
Interest income		767	541	226
Dividend income		1,867	1,342	524
Lease income		1,422	1,323	99
Gain on sales of securities		4,896	5,227	-330
Miscellaneous revenues		3,324	4,107	-783
Non-operating Expenses		6,856	6,493	363
Interest expenses		1,414	1,337	76
Interest expense on corporate bonds		3,232	2,792	440
Amortization of bond premiums		4	2	1
Amortization of bond issue expenses		91	94	-2
Expense on derivatives		937		937
Miscellaneous expenses	1,176	2,266	-1,089	
(Ordinary Profit)	(82,040)	(75,159)	(6,880)	
Extraordinary Profit and Loss	Extraordinary Profit	28,648	820	27,828
	Gain on sales of fixed assets	132	820	-687
	Gain on sales of investment securities of affiliates	5,491		5,491
	Gain on disposition of LNG handling facilities	23,024		23,024
	Extraordinary Loss		11,551	-11,551
	Loss from reduction of fixed assets' cost		780	-780
Loss from impairment of fixed assets		10,771	-10,771	
(Net income before tax)	(110,689)	(64,428)	(46,260)	
Corporate and other taxes	31,800	17,000	14,800	
Adjustment for difference of tax allocation between financial accounting and tax accounting	8,256	6,147	2,109	
Net income	70,632	41,280	29,351	
Profit brought forward from prior period	111,592	83,362	28,230	
Retirement of treasury stock	39,978		39,978	
Interim dividends	7,798	6,690	1,107	
Unappropriated retained earnings	134,448	117,952	16,495	

Note: Regarding the values in Sales shown in “1. Operational Results of the Term Ending March 2006” in “Highlights of Non-Consolidated Financial Statements” are the total of product sales, miscellaneous operational revenues, and revenues from supplementary businesses.

(Notes)

1. Significant Accounting Policies

(1) 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.

(2) Securities are evaluated by the following methods:

Securities of subsidiaries and affiliates: at cost on moving average basis

Other securities

Securities with market price: at market, based on the market price on the closing date of the current period

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

Securities without market price: at cost on a moving average basis

(3) Products are evaluated at cost on a gross average basis. Raw materials and stores are evaluated at cost on a moving average basis.

(4) Derivatives are evaluated at market.

(5) The following significant reserves are provided:

Reserve for retirement benefits:

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

Reserve for gasholder repair:

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

(6) Accounting of 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.

(7) Consumption taxes are recorded by the tax-exclusion method.

2. Accumulated Depreciation of Fixed Tangible Assets:

1,634,246 million yen (1,582,593 million yen at the end of the previous term)

3. Contingent Liabilities

Guarantee of Liabilities

31,358 million yen (7,798 million yen at the end of the previous term)

Contingent liabilities in connection with corporate bonds and loan contracts

21,412 million yen (58,931 million yen at the end of the previous term)

4. During the current term, treasury stocks were retired as follows:

Number of treasury stocks retired: 133,342,000 shares

Gross value of stocks acquired: 39,983 million yen

10-3 Securities

Stocks of subsidiaries and affiliates with market price

(1) As of end of current fiscal year (March 31, 2006)

not applicable

(2) As of end of previous fiscal year (March 31, 2005)

	Value reported on balance sheet	Market price	Difference
Subsidiaries' stocks	1,241 million yen	4,149 million yen	2,907 million yen

10-4 Proposed Appropriation of Income (Unit: million yen)

	FY2006 (Apr 2005 to Mar 2006)	FY2005 (Apr 2004 to Mar 2005)
Unappropriated profit for the year	134,448	117,952
Disposition of reserve for reduction of replacement of special assets	370	370
Reversal of amortization reserves for special gas piping works	1	15
Reversal of overseas investment loss reserve	134,820	118,339
Total		
These will be appropriated as follows:		
Dividend of profit (per share)	7,796 (3.50 yen)	6,686 (3 yen)
	[Ordinary dividend 3 yen per share Centennial commemorative dividend: 0.50 yen per share]	
Directors' bonuses	60	60
Reserve for loss of overseas investment, etc.	33	
Balance to be carried forward	126,930	111,592

Note: 1. An interim dividend of 7,798 million yen (3.50 yen per share inclusive of a centennial commemorative dividend of 0.50 yen) was distributed on November 30, 2005.

2. The amounts of reversal of amortization reserves for special gas piping works and reversal of overseas investment loss reserve are in accordance with provisions of the special taxation measures law and are after adjustment for tax effects.

3. The full amount of other capital surplus will be carried forward to the next term.

(Breakdown of the Dividend per Share)

	Term March 2006			Term March 2005		
	Annual	Interim	Term-end	Annual	Interim	Term-end
Ordinary shares (Breakdown)	¥7.00	¥3.50	¥3.50	¥6.00	¥3.00	¥3.00
Ordinary dividend	¥6.00	¥3.00	¥3.00	¥6.00	¥3.00	¥3.00
Commemorative dividend	¥1.00	¥0.50	¥0.50	-	-	-

10-5 Change in Officers/Directors

Any change in officers/directors will be disclosed as soon as possible, perhaps during the month of May.

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