Financial Report for FY2006

(April 2005-March 2006)

April 2006

Osaka Gas Co., Ltd.

I. Business Results for FY06.3 and Forecast for FY07.3

Management information is available on Osaka Gas websites: Financial reports, annual reports and road show materials can be accessed and downloaded at http://www.osakagas.co.jp/ir/index_e.html

Disclaimer: Certain statements contained herein are forward-looking statements, strategies and plans, which reflect our judgment based on information available to date. Actual results may differ materially from those discussed in such statements. Among the factors that could cause actual results to differ materially are: economic trends in Japan, sharp fluctuations in exchange rate and oil prices, and extraordinary weather conditions.

Note regarding consolidated gas sales volume: The fiscal year of Nabari Kintetsu Gas and Sasayama City Gas ends on December 31, and the fiscal year of Toyooka Energy Co., Ltd. ends on March 31 each year. Unless otherwise specified, the gas sales volume generated in the Toyooka area until June 2004 was included in sales by Osaka Gas Co., Ltd. The gas sales volume generated in that area in and after July 2004 was included in sales by Toyooka Energy Co., Ltd.

Note regarding gas sales volume: All gas sales volumes are indicated based on the standard heating value of 45 MJ/m3.

Notes on the calculation of indicators: The numerators of ROA and ROE represent the net income and the denominators indicate the initial and term-end average values. The net worth ratio is the term-end value and the denominators of EPS and BPS are the initial and term-end averages. No latent shares are involved in the calculation of EPS and BPS.

Review of Financial Reports for FY06.3

- Overview
  - An increase in gas material costs resulting from the rise in crude oil prices was absorbed by reductions in costs, including labor expense, and the consolidated financial results showed an increase both in sales and profits compared with the results achieved in the term ending March 2005.
  - The business results of consolidated subsidiaries were generally higher than initially expected.
  - The disposal of facilities under LNG contracts resulted in a special profit of approximately ¥23 billion.
- Effects of the Sharp Rise in Crude Oil Prices
  - Due to the time lag for the rise in oil prices to be reflected in gas rates, the exchange loss increased by approximately ¥28 billion in a year-on-year comparison.
- Gas Sales
  - Gas sales rose 4.9% over the year due in part to the cold winter and in part to a marked growth in demand from the industrial, public and medical segments.
- Growth Investment and Operational Reorganization
  - Osaka Gas acquired an interest in Idemitsu Snore and entered into a business tie-up with Sumitomo Corporation.
  - The Company acquired an interest in IPPs in the United States and Spain.
  - The Company sold some of its shares in Nissho Petroleum Gas to Itochu Corp. and considered entering into a business alliance in the LPG business.
  - Japan Enviro Chemicals and other firms were incorporated into the Group.
  - The Company subscribed for a Kinrei takeover bid.

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The highlights of the business results for the term ending March 2006 are as follows.

Notable trends:

・ Crude oil prices remained high throughout the year. This raised the cost of gas materials compared with the term ending March 2005.

・ The increase in material costs was absorbed by reductions in non-consolidated labor expense and other costs.

・ Consolidated subsidiaries achieved better-than-expected results for the term, though results for the current term were lower than the strong results of the previous term. Japan Enviro Chemicals, which was incorporated into our Group in the March 2006 term, helped boost our performance.

・ A special characteristic of the March 2006 term was that we registered a special profit as a result of disposing of facilities under LNG contracts.

As a result, our consolidated performance for the term showed higher sales and profits than in the previous term.

Looking at gas sales, new demand showed a steady increase, backed by the growing environmental awareness and a relative decline in natural gas prices compared with crude oil prices. And as the winter was colder than during the previous term, gas sales rose more strongly than a year ago.

Here are the main activities, including investment, designed to achieve further growth. We carried out a package of measures for expanding operations, enhancing management efficiency and reorganizing operations in the energy and non-energy sectors.

Results of FY06.3 - I

Billion yen, figures in parentheses are ratios of consolidated results to non-consolidated results.

	A. FY05.3	B. FY06.3	B-A	Remarks	INV100
Operating revenues	(1.35) 9,753	(1.36) 10,659	+906	Non-consolidated gas +463, Newly consolidated, +193	10,900
Operating income	(1.39) 959	(1.31) 1,006	+46	Exchange loss was absorbed by cost reductions (non-consolidated, +75)	1,130
Ordinary profit	(1.30) 974	(1.26) 1,033	+58		1,000
Net income after tax	(1.23) 506	(1.14) 807	+300	Disposal of LNG contracts (pretax, 230)	575
SVA	273	553	+280		350

	FY05.3	FY06.3	Difference
Consolidated gas sales (million m3)	8,072	8,469	+397
Exchange rate (yen/$)	107.6	113.3	+5.7
Crude oil price ($/bbl)	38.8	55.8	+17.0
Number of consolidated subsidiaries	118	136	+18

Actualized crude oil prices for FY06.3 were the average based on the March summary report.

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The previous slide gave an overview of our consolidated results.

Our Group drew up a medium-term management plan for the three-year period from March 2004 to March 2006 and conducted operations according to this plan. In the planning stage we did not expect crude oil prices to rise so high, yet we almost hit the profit target we had set.

The main reasons we could achieve successful results included a steady increase in gas sales, continued cost reductions, and aggressive investment chiefly in IPPs, oil fields and other energy projects which strengthened our earnings position.

For the current term we had more consolidated subsidiaries than in the previous term because IPP-related firms of the United States, which were acquired in the March 2006 term, were incorporated into our consolidated subsidiaries.

Results of FY06.3 - II

Consolidated	A.FY05.3	BY06.3	B-A	Remarks (100 million yen)
Total assets	12,174	13,986	+1,812	Growth investment, +946; Appraisal of share holdings, +478
Shareholder's equity	5,308	6,285	+976	Gains from appreciation of securities, +299; increase in earned surplus, etc.
Interest-bearing debt	4,485	4,875	+389	
Capital expenditure	655	1,174	+519	Senboku Power Plant, LNG vessels, Shiga Line
Depreciation	868	842	-26	
Free cash flow	577	842	+265	Due to the net effects of profit increases
Number of employees	15,992	16,077	+85	

ROA	4.2%	6.2%	+2.0%
ROE	9.9%	13.9%	+4.0%
Shareholder's equity ratio	43.6%	44.9%	+1.3%
EPS (yen/share)	22.7	36.2	+13.5
BPS (yen/share)	238.2	282.1	+44.0

The number of employees excludes those dispatched to subsidiaries and affiliates, but includes those under contract (in agreement with the securities report). Free cash flow = cash flow from business operations (operating profit after tax + depreciation expenses and other non-cash expenses) - capital expenditures

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Here are the term-end results for items such as assets and liabilities.

During the current term, active investment for growth, and an increase in the appraised market value of securities resulting from rising stock market prices, were two factors that helped increase assets.

Shareholder's equity grew further thanks to these market factors as well as an increase in profits for the current term thanks to posting a special profit. It is not clear whether shareholder's equity has really grown because the at-market valuation of securities played such a major role, so we need to examine how to effectively use this increased shareholder's equity.

Gas Sales for FY06.3

	45 MJ/m3	A.FY05.3	B.FY06.3	B-A
Nonconsolidated	Number of meters installed at the end of period (thousand)	6,697	6,758	+61
	Installation of new meters (thousand)	129	128	-1
	Monthly gas sales per household (m3/month)	33.1	34.2	+1.1
	Residential use	2,238	2,329	+90
	Commercial use	1,039	1,071	+31
	Public and medical use	605	641	+36
	Industrial use	3,865	4,049	+184
	Non-residential total	5,509	5,761	+252
	Wholesale	305	359	+53
	(including non regulated)	(3,960)	(4,312)	(+352)
	Gas sales total (million m3)	8,053	8,448	+395
	Consolidated gas sales	8,072	8,469	+397

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Let’s take a look at our gas sales.

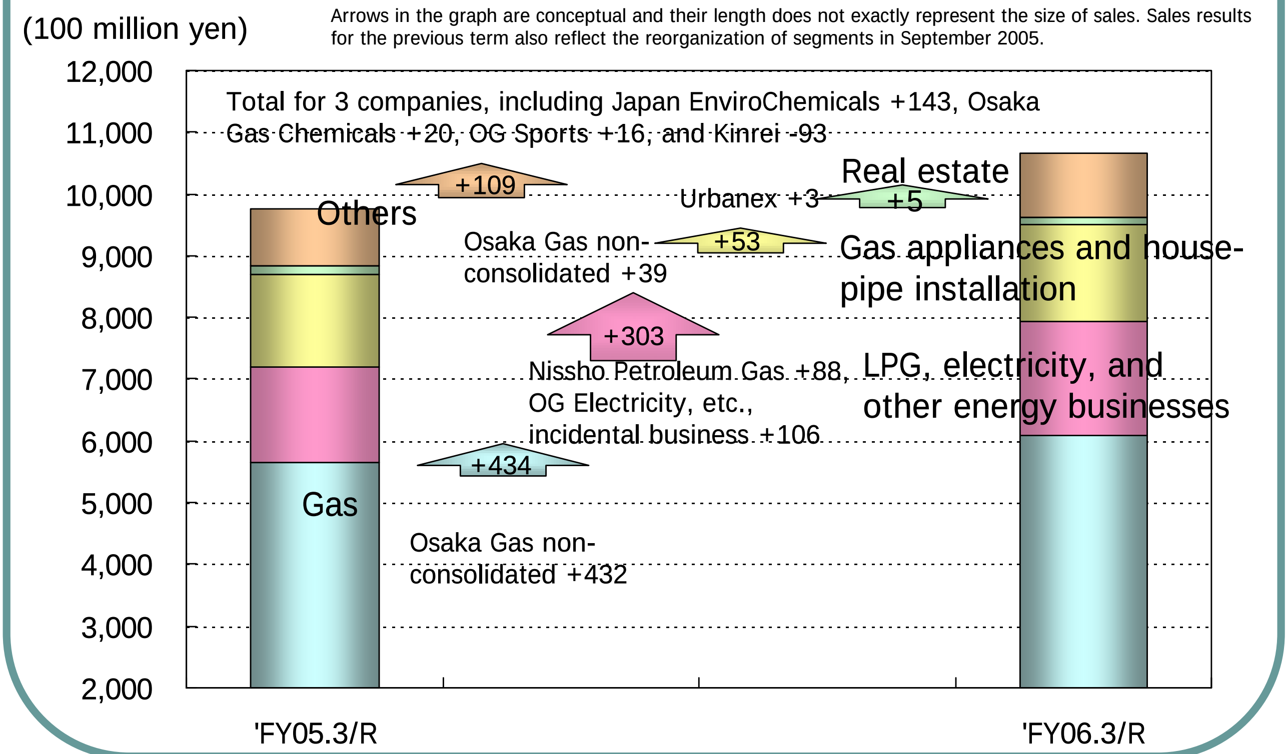
In the residential sector, the volume of gas sales increased thanks to the cooler winter.

In the commercial, public and medical sectors, the volume of gas sales rose from the March 2005 term primarily because the construction of new hospitals and rebuilding of old ones led to the introduction of air-conditioning systems, and boilers and cogeneration systems were successfully introduced in environment-related facilities.

The industrial sector also enjoyed a higher volume of gas sales year-on-year owing to the successful introduction of gas burners in glass manufacturing-related facilities.

Most of the increase in the volume of gas sales during the term was due to large-lot supplies, which included customers with the annual consumption of 500,000 to 1,000,000 m3 who were transferred from the small-lot to the large-lot category in the term ending March 2005 (in April 2004).

Sales by Segments (to customers outside the group)



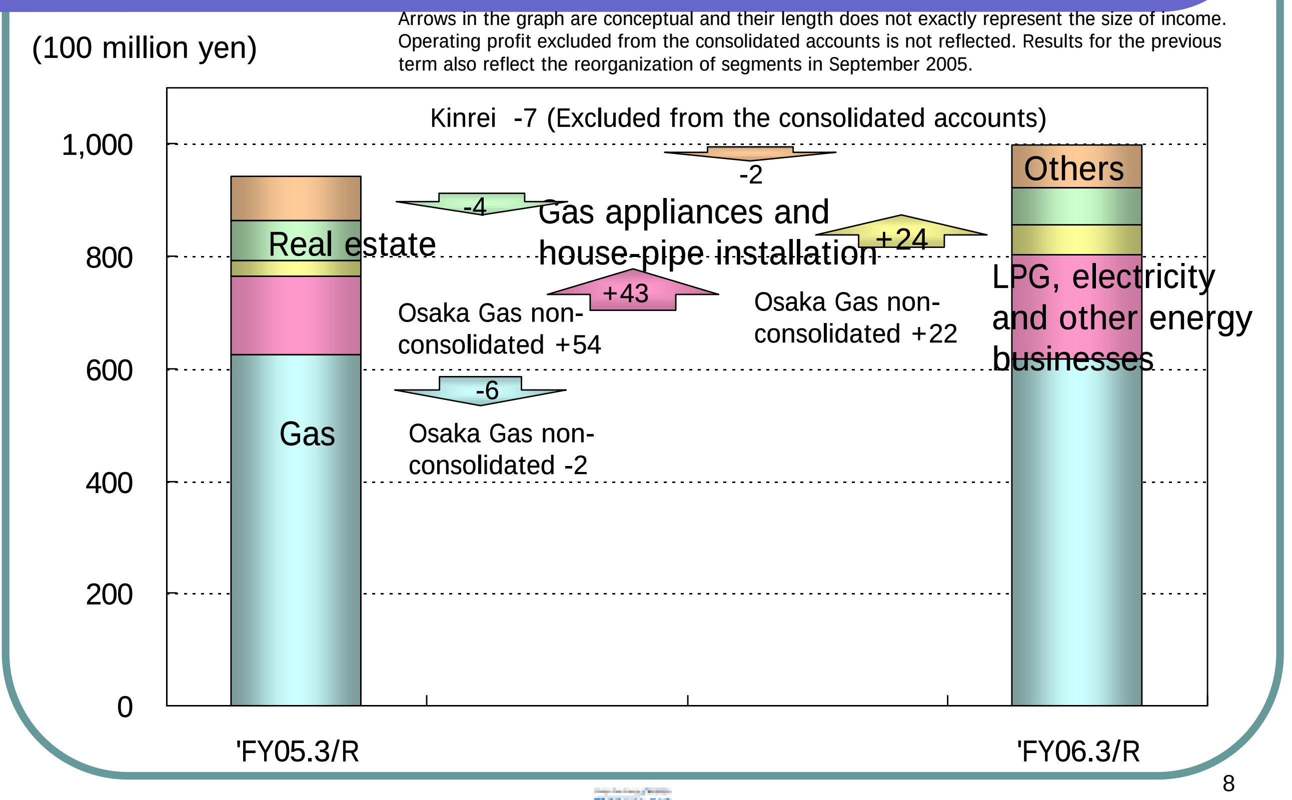
Here are sales and operating income by segment.

All the segments attained higher sales for the current term compared with the previous term.

Increased sales in the LPG, electricity and other energy sources segments were mainly due to higher unit selling prices resulting from higher materials prices in the LPG-related field. Another reason was a steady increase in sales in Osaka Gas's non-consolidated electricity business. In this electricity sector, sales grew from approximately ¥4.7 billion during the March 2005 term to nearly ¥7.5 billion during the March 2006 term.

The incorporation of Japan Enviro Chemicals into the Group was the single largest contributor to higher sales in other segments.

Operating Income by Segments



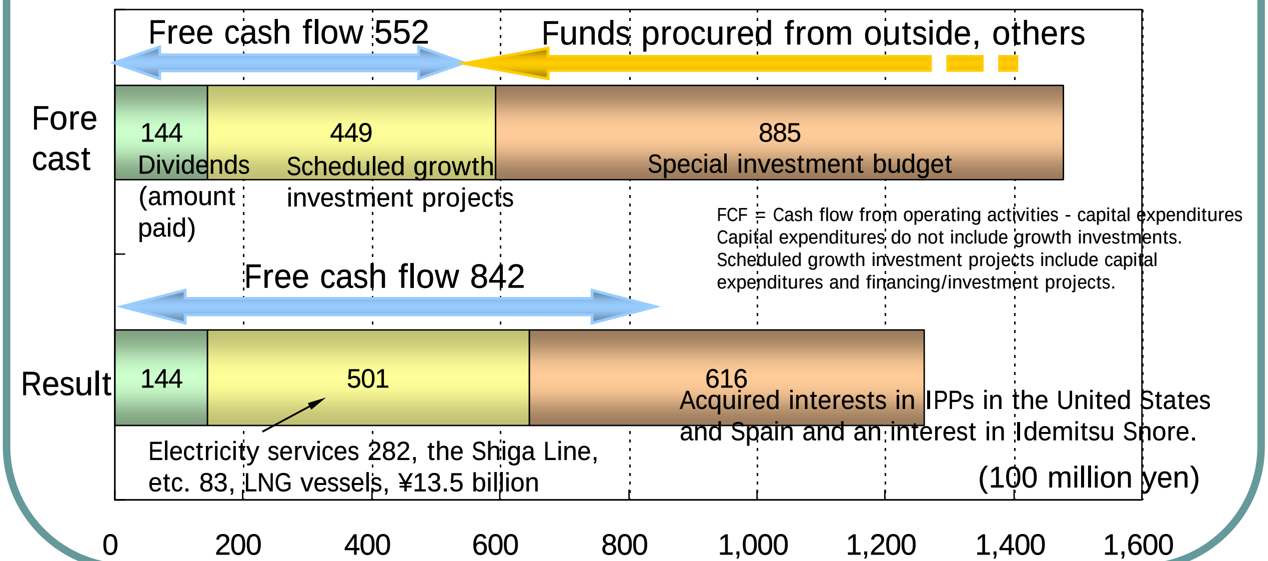
Although sales in all five segments increased from the previous term's level, operating income decreased in three segments and increased in two segments.

The decline in operating income in the gas segment was primarily attributable to the failure to offset the increase in materials costs.

In other segments, although the incorporation of Japan Enviro Chemicals into our Group boosted profits, operating profits fell due to the negative effects of the depreciation of the consolidated adjustment account following the incorporation of the firm as well as the exclusion of Kinrei from the consolidation.

Consolidated Free Cash Flow of FY06.3

- Consolidated FCF for the term ending March 2006 came to ¥84.2 billion. Investment projects were carried out almost according to schedule.
- Special investment budgets included ¥61.6 billion invested to acquire interests in Idemitsu Snore, overseas IPPs, etc.



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This slide shows the results of FCF.

FCF exceeded the initial projection due partly to a special profit posted for the current term.

Regarding the uses of FCF, on the other hand, scheduled investment projects were carried out successfully as initially planned. Although the initial investment ceiling was assumed to be ¥88.5 billion, we invested for growth chiefly in energy businesses, including the acquisition of IPPs in the United States and Spain and the acquisition of North Sea oil fields.

Gas Sales Forecast for FY07.3

45 MJ/m3		A.FY06.3/R	B.FY07.3/E	B-A
Nonconsolidated	Number of meters installed at the end of period (thousand)	6,758	6,814	+56
	Installation of new meters (thousand)	128	130	+2
	Monthly gas sales per household (m3/month)	34.2	34.1	-0.1
	Residential use	2,329	2,338	+10
	Commercial use	1,071	1,072	+1
	Public and medical use	641	610	-31
	Industrial use	4,049	4,131	+82
	Non-residential total	5,761	5,812	+51
	Wholesale	359	368	+9
	(including non-regulated)	(4,312)	(4,395)	(+83)
Gas sales total (million m3)		8,448	8,518	+70
Consolidated gas sales		8,469	8,543	+74

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I would now like to describe projections for our performance during the term ending March 2007.

The volume of sales increased due to temperatures during the March 2006 term but because projections for the March 2007 term are based on the temperature in an average year, we expect the sales volume for residential use and for public and medical use to increase slightly or decrease from this year.

Sales for industrial use are also expected to increase slightly less than the increase in the March 2006 term.

Forecast for FY07.3 - I

- During the term ending March 2006, LNG contracts were revised in anticipation of soaring oil prices and consequently sales are predicted to grow but profits are expected to decline compared to the year ending March 2006.

(million yen)

Consolidated	A.FY06.3/R	B.FY07.3/E	B-A	Remarks
Ordinary revenues	(1.36) 10,659	(1.42) 11,820	+1,160	Non-consolidated gas +486
Operating income	(1.31) 1,006	(1.46) 860	-146	Decrease in incidental gains , increase in non-consolidated operating expenses
Ordinary profit	(1.26) 1,033	(1.26) 865	-168	
Net income after tax	(1.14) 807	(1.08) 495	-312	Special profit was posted for FY06.3
SVA	553	235	-318	

Figures in parentheses denote the consolidated-to-nonconsolidated ratio. Revised rates were not accounted for.

Consolidated gas sales (million m3)	8,469	8,543	+74
Exchange rate (¥/$)	113.3	120.0	+6.7
Crude oil price ($/bbl)	55.8	58.0	+2.2
Number of subsidiaries	136	136	0

SVA (Shareholders' value added) = NOPAT - Invested capital * WACC, Real GDP growth rate (anticipated) = 1.6%

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Here's the forecast of income and expenditure for the term ending March 2007.

Crude oil prices are assumed to be $58 per barrel. The un-recovered portion of materials costs resulting from a sharp rise in materials prices, or a decrease in gas gross margins, may be several billion lower than in the March 2006 term but it will still be around ¥40 billion compared with the reference price. This is one of the factors that will lower profits.

Moreover, Osaka Gas's non-consolidated performance will suffer lower gains from incidental operations as LNG handling contracts were revised in the March 2006 term and we also anticipate higher expenses in general, and the cost of developing demand in particular.

Given these factors, we expect profits to be lower next year.

Forecast for FY07.3 - II

100 million yen, persons	A.FY06.3/R	B.FY07.3/E	B-A
Total assets	13,986	14,432	+445
Shareholder's equity	6,285	6,530	+244
Interest-bearing debt	4,875	5,260	+384
Capital expenditure	1,174	1,014	-160
Depreciation	842	830	-12
Free cash flow	842	312	-530
Number of employees	16,077	16,425	+348
ROA	6.2%	3.5%	-2.7%
ROE	13.9%	7.7%	-6.2%
Shareholder's equity ratio	44.9%	45.2%	+0.3%
EPS (yen/share)	36.2	22.2	-14.0
BPS (yen/share)	282.1	293.1	+11.0

The number of employees excludes those dispatched to subsidiaries and affiliates, but includes those under contract. Free cash flow = cash flow from business operations (operating profit after tax + depreciation expenses and other non-cash expenses) - capital expenditures

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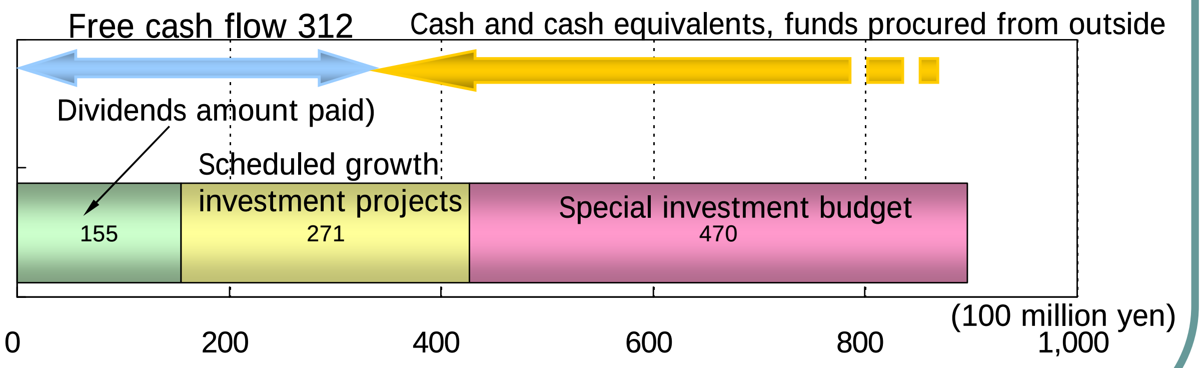
Assets are predicted to increase slightly, due to an increase in capital from posting profits and investing in equipment.

Uses of Consolidated FCF for FY07.3

- FCF for the year ending March 2007 is expected to come to ¥31.2 billion, down ¥53.0 billion over the year, as the profit levels declined.
- Approximately ¥27.0 billion will be invested in scheduled growth investment projects such as the Senboku Power Plant and the Shiga Line. In addition, a special investment budget of ¥47.0 billion was set up.
- The aim is to provide an ordinary dividend of ¥7 per share (in the term ending March 2006, there was an ordinary dividend ¥6 + commemorative dividend of ¥1).



FCF = cash flow from operating activities - capital expenditures. Capital expenditures do not include growth investments.
Scheduled growth investment projects include capital expenditures and financing/investment projects.

Allow me to explain our policy regarding FCF for the term ending March 2007.

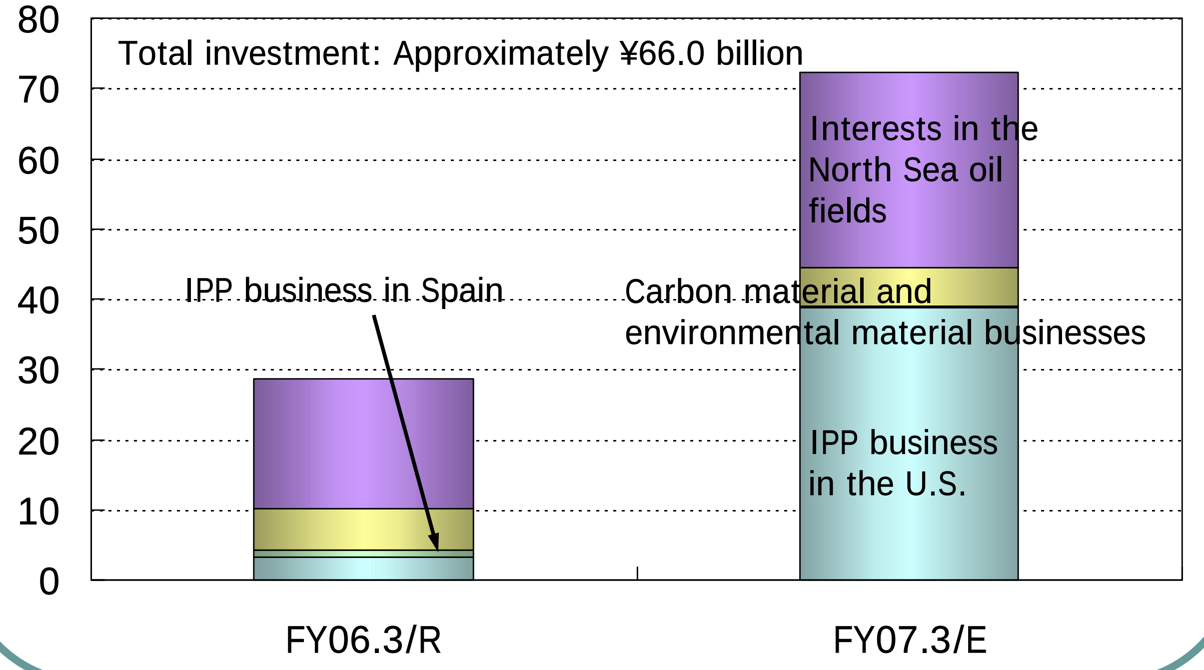
We will continue to build on our strong financial position and appropriate FCF to invest in new growth areas, including the electricity supply business.

During the March 2007 term we expect profits to be lower and so FCF levels will decline. Accordingly, we set a lower investment cap for the March 2007 term.

Contribution of Investment Projects (FY05.3 - FY06.3)

(100 million yen)

After depreciation of consolidated adjustment accounts, after elimination of dividends received within each business group, after overseas taxes, and on a pre-domestic tax basis



I would now like to explain how the investment projects we carried out in the March 2005 and 2006 terms have or will contribute to profits between March 2006 and March 2007.

Interests in North Sea oil fields (Idemitsu Snorre) and the carbon and environmental materials business (Japan Enviro Chemicals) are expected to contribute to our earnings position between March 2006 and March 2007.

Of IPPs in the United States and Spain, the former have contributed to our earnings immediately after we acquired interests in these businesses which are already in operation.

On the other hand, our investments in IPPs in Spain have yet to contribute to earnings because these businesses have just started. The Spanish IPPs entered operation in the March 2006 term and are performing very well. In addition, we have already taken risks in acquiring interests in these projects, so we expect the Spanish IPPs will make a greater contribution to our profits than the existing projects.

II. Policy for FY07.3

Management Policy for FY07.3

- Enhancing the Competitive Position in the City Gas Business
  - Reinforcing customer relations and improving the quality of gas
  - Expanding profits from gas sales
  - Providing safe, secure and attractive security services
- Consolidating the Foundation for the Multiple Energy Business
  - Developing an outstandingly competitive electricity utility business
  - Building a broader-based business with profitability
- Accelerating the selection and integration of the Group businesses
  - Accelerating the growth of advantageous strategic businesses
- Strengthening the Corporate Structure
  - Improving cost competitiveness and becoming a slim and muscular corporation
  - Focusing on technologies that support the future of the Osaka Gas Group
  - Practicing the Group's management philosophy and enhancing the value of the Osaka Gas brand

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OSAKA GAS

Following an overview of the business results, I would now like to explain our management policy for the term ending March 2007.

The management policy for the upcoming term is to carry out the three-year medium-term management plan for the March 2007 term to the March 2009 term. The four key objectives are:

To enhance our competitive position in the city gas business sector;

To consolidate the foundation for the multiple energy business;

To accelerate the selection and concentration of the Group businesses; and

To reinforce our corporate structure.

Development of Gas Demand for Residential Use

Meeting Competition from Electrification and Cultivating Demand

- Promoting wider use of commodities that help consumers achieve an environment-friendly, economical, comfortable, convenient and safe life with gas:
  - Residential gas cogeneration system "ECOWILL"
  - Mist sauna-type bathroom heater/drier "MIST KAWAK"
  - Fashionable, easy-to-care and safe "Glass-Top Cooking Stove"
- Catering to diverse customers' needs through comprehensive services, such as the Internet-based home security service "I-RUSU"

Sales of Strategic Commodities

Floor heating/ECOWILL---new houses: contract basis, existing houses: wholesale basis. Fan heater---installation basis, cooking stove---wholesale basis

Thousand units	FY05.3/R	FY06.3/R	FY07.3/E
"ECOWILL"	8	11	12
Floor heating systems	206	197	205
Bathroom heater/driers	94	94	95
- Mist-sauna type	13	31	50
Glass-top cooking stoves	79	91	102
Fan heaters	215	237	223

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OSAKA GAS

In the residential gas sales segment, we will continue to meet the challenges of competing successfully with electric products and developing demand.

We intend to encourage customers to "lead a life with gas" by using products that help them achieve an environment-friendly, economical, comfortable, convenient and secure life.

In gas-appliance marketing, we provide composite services combined with security services in order to meet customers' needs in all aspects of their lives.

Development of Gas Demand for Commercial and Industrial Use

Heat Energy Sector and Fuel Conversion

- Implementation of value-added fuel conversion => Development of gas-fueled large boilers for power generation through gas turbine and repowering technologies
- Expansion of gas-fueled glass tank furnaces through own burner technologies
- Acceleration of a shift to oil among commercial customers including hotels and hospitals
- Achievement of energy conservation and cost reductions through thermal engineering technologies

CGS: Cogeneration

- Enhancement of CGS's competitive position through cost reductions (initial maintenance) and increased efficiency of power generation
- Acquisition of the "power source CGS"
- Increased sales of "Gene Light 25 kW" (with high power generation efficiency of 33%) and expanded use of waste heat in air-conditioning systems

Air Conditioning and Kitchens

- Promoting the fusion of air conditioning and power generation by increasing usage of the power-generating GHP "High power EXCEL," thus helping customers to reduce energy cost
- Reinforcing proposals for "Cool Kitchen" equipment that help create a cool kitchen through effective, powerful exhaust and thermal insulation

In the gas market for commercial, public and medical use and for industrial use, we have three essential tasks to perform - that is, to capture gas demand in the heat sector, to meet customers' electricity and heat supply needs with gas produced by cogeneration systems, and to win the demand for air-conditioning and kitchen needs.

In the air-conditioning/kitchen segment, we have developed a product that can generate electricity using the motive power of gas heat pump air-conditioning systems. We will concentrate on expanding sales by offering customers systems that meet not just air-conditioning needs but electricity demands as well.

In the kitchen segment, which usually conjures up an image of a "cramped and hot kitchen," we will step up our efforts to sell the "Cook Kitchen" air-conditioning system that helps create a cool kitchen through effective exhaust and thermal insulation.

Progress of the Electricity Business

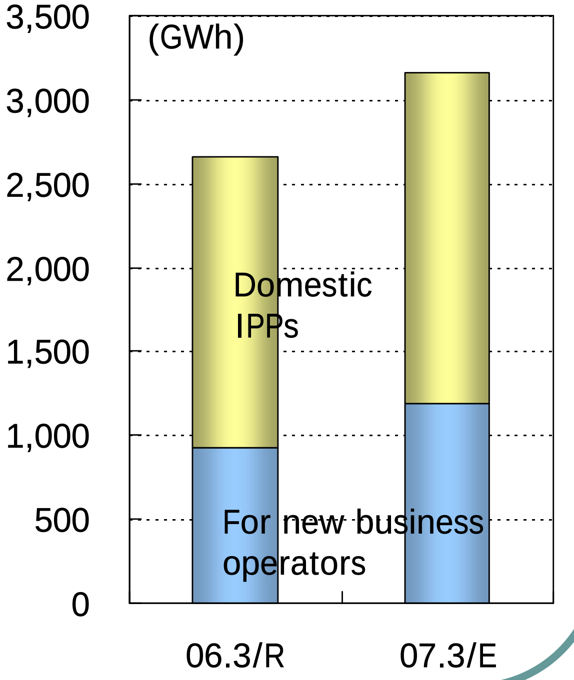
Expansion of Own Power Sources and Sales

- Five power-source CGSs are in operation and three additional units are to be constructed.
- The wholesale power exchange is used to procure makeup power during periodic inspections and to sell surplus power.
- Sales are increased by selling power not only to extra-high voltage customers but also to high voltage customers.

Progress of the Senboku Power Plant

- An environment impact assessment has already been completed; construction work will begin in the summer of 2006.

Osaka Gas Group's Power Sales



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In the electricity segment, sales have increased steadily as in the March 2006 term our own power plants and "power-source cogeneration systems," installed at gas customers, came into operation.

During the term ending March 2007, we will work to procure new power sources with power-source cogeneration systems and expand our customer base.

For the power plant that we are planning to build in Senboku, an environmental assessment was completed by the end of the March 2006 term and construction work for this plant will be begun in the March 2007 term.

Strengthening Technical Management

Focusing on Technologies that Support the Future of the Osaka Gas Group and Achieving Quick Business Results

- Speeding up
  - Accelerating the efforts to enhance the efficiency of on-site power generation
    - Improving the efficiency of commercial and industrial cogeneration systems
    - Development of cogeneration systems based on residential fuel cells (PEFCs and SOFCs)
- Allowing competitive technologies to contribute to the development of the Group
  - Capitalizing on the advantages of gas to expand the sales of gas: Development and improvement of residential gas equipment (glass-top cooking stoves and mist-sauna units)
  - Evolving materials technologies: Development of digital device materials (liquid crystal materials, optical lenses, etc.)
- Maintaining high quality to support steady supply, safety and sense of security
  - Encouraging the sophistication of gas equipment safety features
  - Evolving technologies to achieve steady supply and safety

We will focus on developing technologies that expand our energy business, centering on gas.

Major tasks are to enhance the power generating efficiency of cogeneration systems and to improve household gas appliances.

Carbon material-based digital devices are one of our strengths. Given a greater need in the market, we will be able to expand demand for carbon materials for liquid crystal and optical lens products. We will therefore continue research and development of carbon materials in the March 2007 term.

III. Facts and Figures

Increase/Decrease from the Previous Year (consolidated)

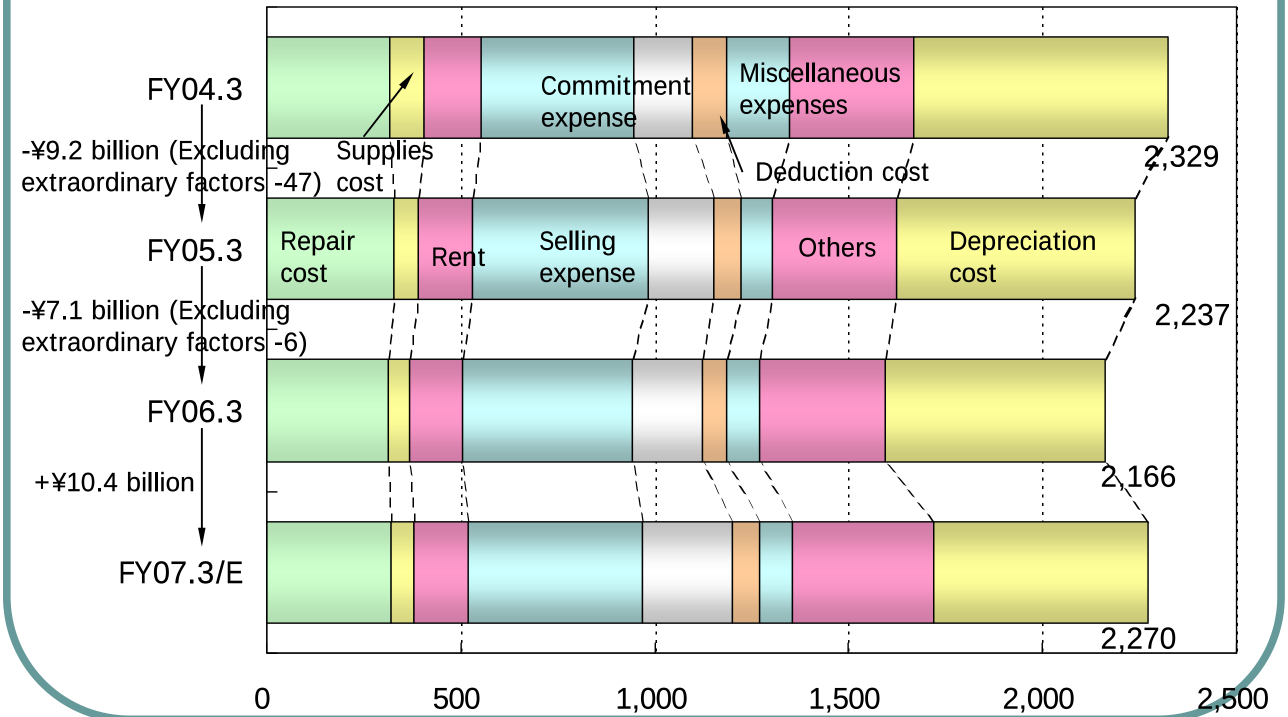
Unit:100 million yen, increases are shown by a plus sign

Operating revenues	+906	Non-consolidated gas sales	+463	Effects of materials prices, +309
		Newly consolidated	+193	3 firms, such as JEC, +175
		Existing consolidated accounts, internal writeoffs, etc.	+263	NIPG +123, Kinrei -93
Operating costs	-859	Materials expense (NC)	-675	Effects of materials prices, -593
		Labor expense (NC)	+136	Personnel decrease, decrease in employment transfer expenses, etc.
		Consolidated subsidiaries, etc.	-279	Rise in LPG prices, newly consolidated accounts, etc.
Operating income +46				
		Non-operating profit/loss +12		Investment profit on equity method, +24
		Extraordinary profit/loss +426		Previous-term impairment accounting, +139, Disposition of LNG contracts for the current term, +230

JEC: Japan EnviroChemicals; NIPG: Nissho Petroleum Gas

Non-consolidated Operating Expenses

Non-consolidated Operating expenses excluding feedstock costs and labor costs (100 million yen)



Overview of the Three Energy Segments (non-consolidated accounts excluded)

Figures in the upper-left corners represent changes from the same period of the previous year.

100 million yen	Operating Revenues		Net Income		Forecast for FY07.3
	FY06.3R	FY07.3E	FY06.3R	FY07.3E	
Osaka Gas Group companies	+135 1,286	+147 1,434	+6 57	+129 187	Increase in both sales and profits thanks to contribution of the IPP (OGPA) of the United States
Liquid Gas Group	+30 297	+16 314	+0 9	-1 8	Sales prices will rise but will be unable to meet the rise in LPG purchase prices; the result will be a slight increase in sales but a slight decrease in profits.
NIPG Group	+171 963	+440 1,404	-1 3	+3 7	Sales will increase as the expansion of the wholesale sector due to a business alliance with Itochu Corp. pushes up LNG wholesale turnover. Profits will increase as the rise in sales prices will be able to meet the rise in LPG purchase prices.

Three energy segments means the gas segment; LPG, electricity and other energies; and gas appliances and house-pipe installation. NIPG: Nissho Petroleum Gas, OGPA: Osaka Gas Power America

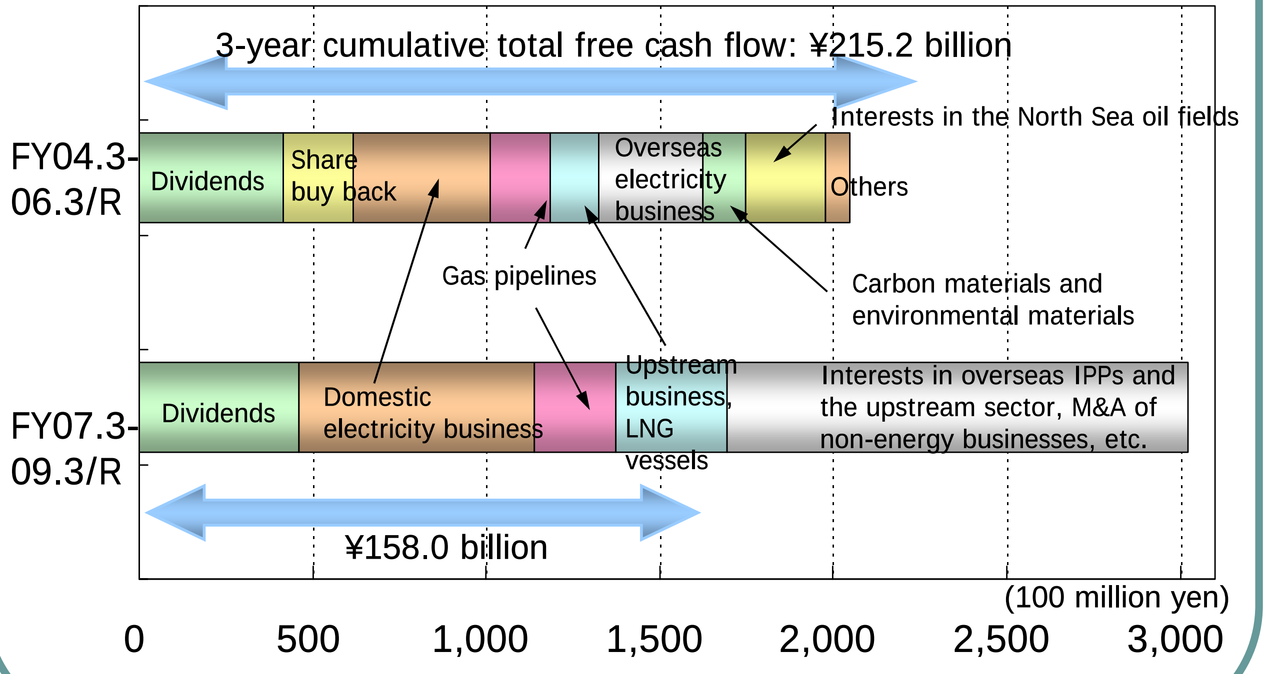
Overview of the Two Non-energy Segments

Figures in the upper-left corners represent change from the same period of the year.

100 million yen	OP Revenues		Net Income		Forecast for FY07.3
	FY06.3R	FY07.3E	FY06.3R	FY07.3E	
Urbanex Group	+3 266	-1 265	+0 28	-3 25	Decrease both in sales and profits due to a decline in the unit contract prices of OGTF and OSC management services
Kinrei	-94 87	-87 0	-4 1	-1 0	Consolidated accounting covers up to the March 2006 intermediate term.
OGIS-RI Group	+0 321	+26 348	+1 14	+1 16	Increase in both sales and profits due to system development order bookings from outside the Osaka Gas Group
Osaka Gas Chemicals Group	+169 351	+10 361	+10 14	+3 17	Increase in both sales and profits due to expanded sales of Osaka Gas Chemicals' fine materials and electrode materials and JEC's preservatives
OG Capital Group, etc.	+39 813	+82 895	+15 52	-16 36	Sales will increase thanks to the opening of new OGS stores and an increase in demand for L-net's mail delivery service but profits will decrease as profit from sales of stocks in FY06.3

Non-energy business segments means Real estate, and Others. OGTF: Osaka Gas Total Facilities; OSC: OSC Engineering; JEC: Japan EnviroChemicals; OGS: OG Sports

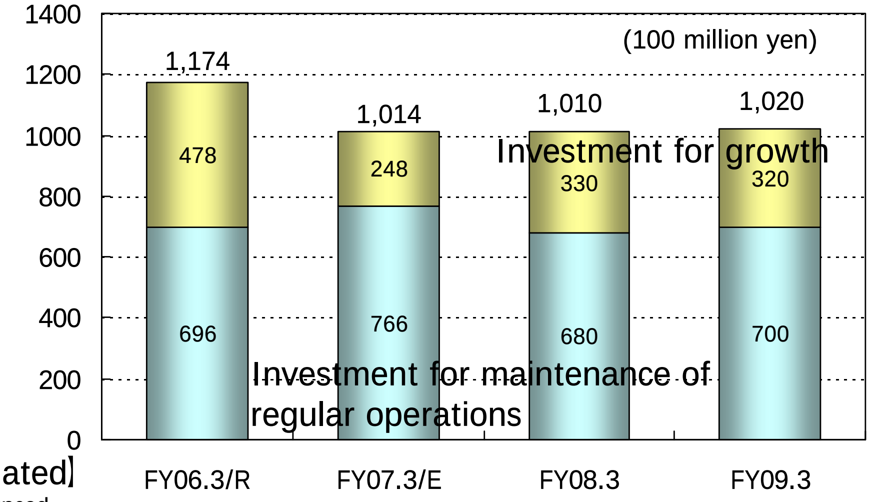
Uses of Consolidated FCF for the 3-Year Period



FCF = Cash flow from operating activities - capital expenditures. Capital expenditures do not include growth investments.
Growth investment projects include capital expenditures and financing/investment projects.

Capital Expenditure Plan

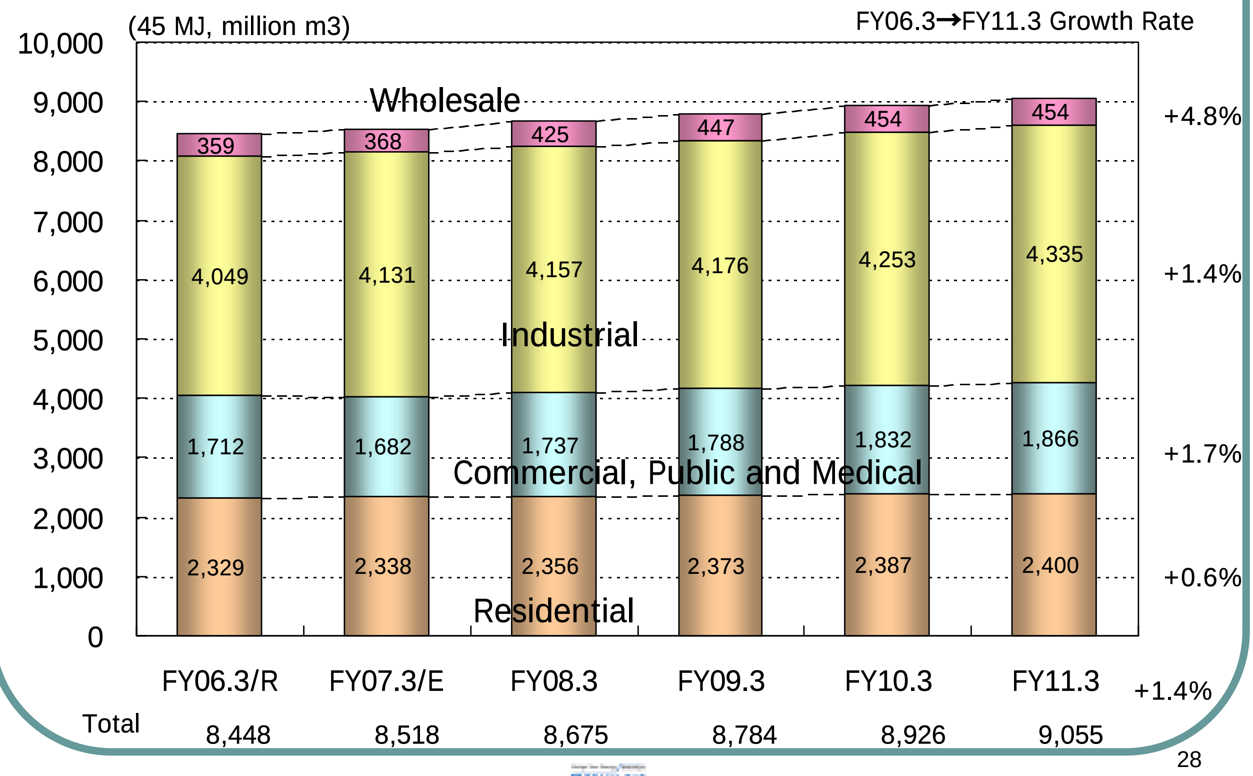
【Consolidated】 Forecast for the term ending March 2008 and thereafter were announced in October 2005.



【Non-consolidated】
Forecast were announced in March 2006.

	FY06.3/R	FY07.3/E	FY08.3	FY09.3	FY10.3	FY11.3
Investment for maintenance	423	451	359	379	381	377
Investment for growth	330	212	190	169	88	0
Total	754	664	549	548	469	377

Gas Sales Plan (non-consolidated)



Residential Gas Sales

Results for FY06.3

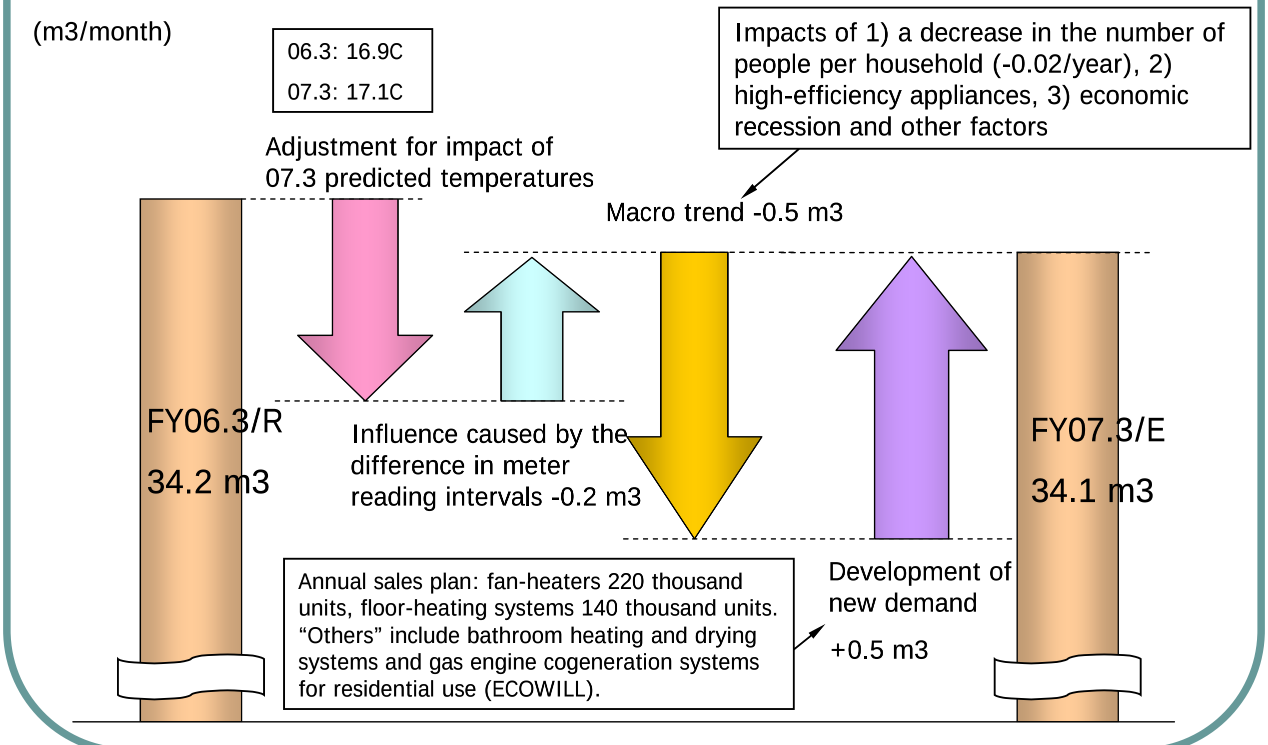
*1 Change from the previous year, *2 Difference from the forecast

	*1	*2	References
Increase of customers	+0.8%	+0.3%	
Influence of temperature	+4.0%	+0.9%	Average annual temperature 16.9C (-0.8C compared with the previous,-0.3C compared with the forecast)
Others	-0.8%	-1.1%	For comparison to the previous year, the effect of the meter-reading intervals of -1.7% was included.
Total	+4.0%	+0.1%	

Forecast for FY07.3

- Given the temperature in an average year and taking into consideration the beneficial effects of increased sales of strategic equipment and risks of a decline in the settlement rate, residential gas sales are expected to come to 2,338 million m3, representing a year-on-year increase of +0.4% or approximately 9 million m3.

Sales Volume Assumption per Household



Commercial, Public, and Medical Gas Sales

Results for FY06.3

Differences from the forecast represent comparison with the forecast for gas sales announced in April 2005.

*1 Change from the previous year, *2 Difference from the forecast

	*1	*2	References
Demand expansion	+3.4%	+1.9%	Newly created demand from environmental items (sewage and waste treatment facilities) and large commercial items
Influence of temperature	+1.5%	+2.4%	Increase in demand for air conditioning and hot water supply mainly due to low temperature
Others	-0.8%	-0.7%	
Total	+4.1%	+3.6%	

Forecast for FY07.3

- Given the temperature in an average year, as much new demand as in the previous year will be captured.
- Because of the elimination of an incremental demand resulting from temperature fluctuations, gas sales in these sectors are expected to come to 1,682 million m3, representing a year-on-year decrease of 1.8% or approximately 30 million m3.

Industrial Gas Sales

Results for FY06.3

Differences from the forecast represent comparison with the forecast for gas sales announced in April 2005.

*1 Change from the previous year, *2 Difference from the forecast

	*1	*2	Remarks
Demand expansion	+6.7%	+3.0%	Chiefly due to the contribution of CGS development and fuel conversion
Increase/decrease of plant operation	-2.4%	-0.2%	Mainly due to the net effects of production decreases in specific industries
Total	+4.8%	+2.8%	

Forecast for FY07.3

- As development projects centering on fuel conversion are expected to continue steadily and taking into consideration as usual the risks of increased dependence on wheeling services, gas sales in this sector are predicted to amount to 4,131 million m3, representing a year-on-year increase of 2.0% or approximately 82 million m3.

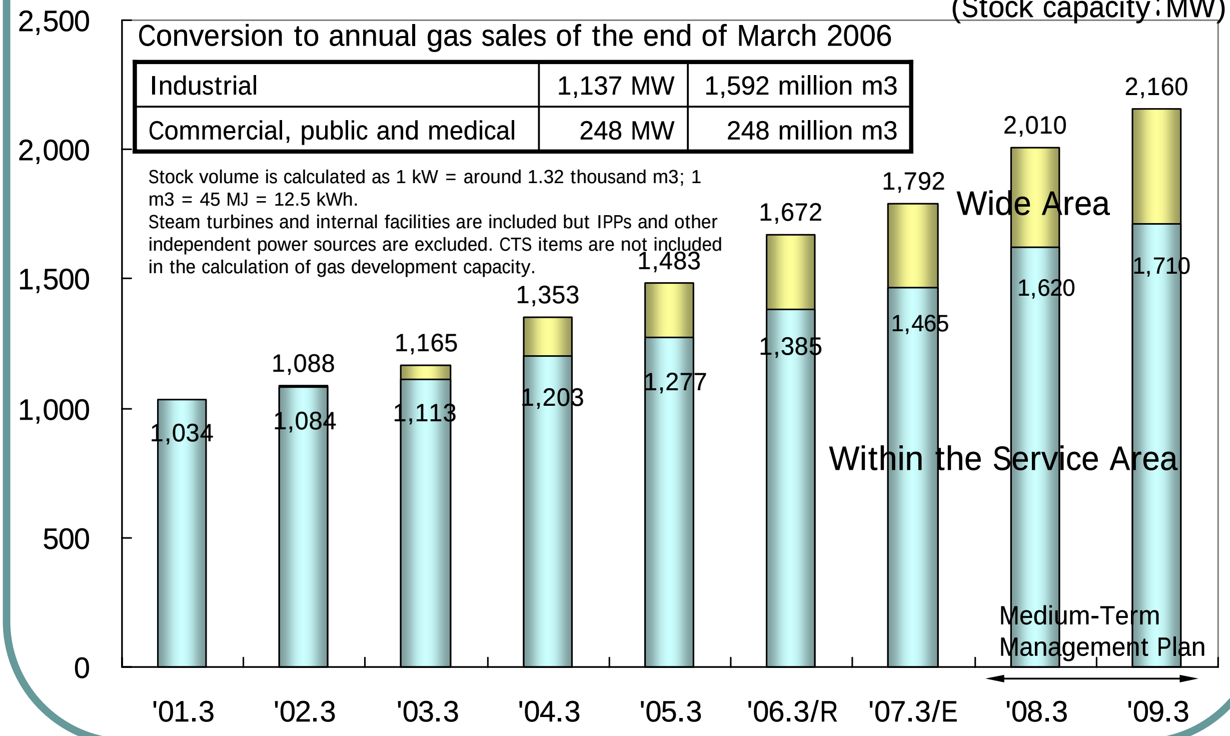
Development of Demand for Cogeneration Systems

(Stock capacity：MW)

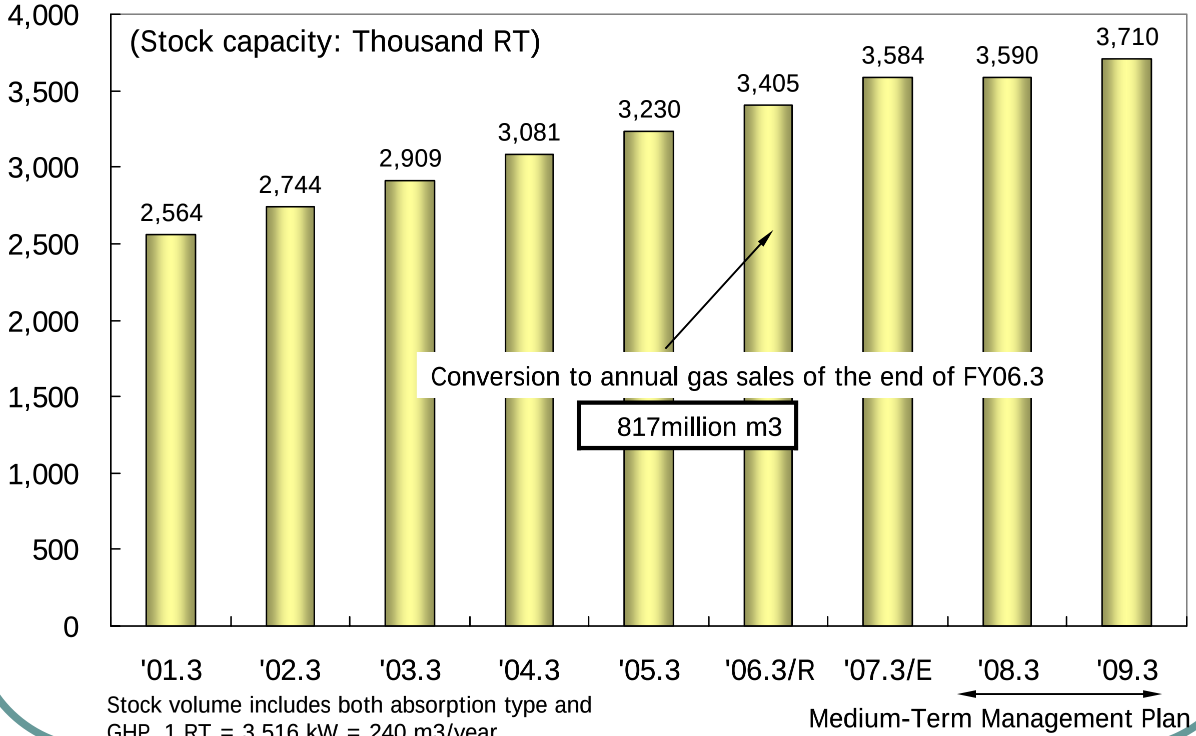
Conversion to annual gas sales of the end of March 2006

Industrial	1,137 MW	1,592 million m3
Commercial, public and medical	248 MW	248 million m3

Stock volume is calculated as 1 kW = around 1.32 thousand m3; 1 m3 = 45 MJ = 12.5 kWh.
Steam turbines and internal facilities are included but IPPs and other independent power sources are excluded. CTS items are not included in the calculation of gas development capacity.



Sales Plan of Gas Air-Conditioning Systems



Stock volume includes both absorption type and GHP, 1 RT = 3.516 kW = 240 m3/year

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Risk Factors Affecting Forecasts of Annual Results

- Atmospheric and water temperatures
  - A 1 degree Celsius change in atmospheric and water temperatures will impact the residential gas sales volume: approx. a 5% increase/decrease in spring and autumn, approx. a 6% in summer, and approx. a 4% in winter.
- Crude oil price
  - LNG price is linked to crude oil price. A $1/bbl change in crude oil price will have an effect of approx. 3.4 billion yen on annual feedstock costs.
- Foreign exchange rate
  - LNG price is affected by the fluctuation of the US dollar/Japanese yen exchange rate. A 1 yen fluctuation in the US dollar/Japanese yen exchange rate will have an effect of approx. 1.9 billion yen on annual feedstock costs.
- Materials Costs
  - The materials cost adjustment system allows us to reflect changes in materials costs in gas rates in the medium and long terms but an increase in materials costs is likely to affect the business results due to a time lag in reflecting cost fluctuations and depending on the composition of materials suppliers.
- Interest Rate

  A 1% change in the interest rate will have an effect of approx. 0.9 billion yen on annual consolidated non-operating expenses.