



8. For Year Ending March 2007 Highlight of Non-Consolidated Interim Financial Statements

October 30, 2006

Name of Listed Company: **Osaka Gas Co., Ltd.**
Code: **9532**
(URL: <http://www.osakagas.co.jp>)

Listed Exchanges: Tokyo, Osaka and Nagoya Exchanges
Location of Head Office: Osaka Prefecture

Representative Officer: Title: President Name: Hirofumi Shibano
Contact: Title: Accounting & Finance Manager Name: Shingo Kamei TEL: +81-6-6205-4537
Date of Meeting of Board of Directors for Approving Financial Statements: October 30, 2006
Expected Date of Dividend Payment: November 30, 2006
System of trading unit of shares: adopted (Unit: 1,000 shares)

1. Financial results for the six months ended September 2006 (April 1, 2006 to September 30 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	%
Six months ended September 30, 2006	384,310	16.9	30,474	18.0	34,776	13.8
Six months ended September 2005	328,883	5.3	25,834	84.8	30,549	48.6
Year ended March 2006	786,350		76,619		82,040	

	Net income		Retained earning per share
	million yen	%	Yen
Six months ended September 30, 2006	23,274	19.6	10.45
Six months ended September 2005	19,460	203.4	8.73
Year ended March 2006	70,632		31.67

Notes: Average number of shares during period:
Six months ended September 30, 2006 2,227,287,188 shares
Six months ended September 30, 2005 2,228,399,110 shares
Year ended March 31, 2006 2,228,101,663 shares

Change in accounting method: none

Percentage figures for sales, operating profit, ordinary profit, and net income for the six-month period indicate the percentage change from the same period in the previous year.

(2) Financial Position

	Total assets	Net worth	Ratio of total net worth to total assets	Net worth per share
	million yen	million yen	%	Yen
Six months ended September 30, 2006	1,064,297	534,959	50.3	240.22
Six months ended September 2005	998,864	463,159	46.4	207.87
Term ended March 2006	1,078,437	518,171	48.0	232.60

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

September 30, 2006 2,226,993,281 shares
September 30, 2005 2,228,111,074 shares
March 31, 2006 2,227,520,553 shares

② Number of repurchased shares as of term-end:

September 30, 2006 8,676,258 shares
September 30, 2005 7,558,465 shares
March 31, 2006 8,148,986 shares

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

	Operating revenues	Operating profit	Net income
	million yen	million yen	million yen
Full year	845,500	63,000	42,500

(Reference) Expected earning per share (for full year): 19.08 yen

3. Dividends

• Cash dividends	Dividend per share (yen)		
	End six-month period (September 30, 2006)	Year-end	Full year
Year ended March 2006	3.50	3.50	7.00
Year ending March 2007(actual results)	3.50	-	7.00
Year ending March 2007 (projections)	-	3.50	

Note: The annual dividend per share for the year ended March 2006 consisted of ordinary dividends of ¥6 and a centennial dividend of ¥1.

*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 "8-1. Operational Results, (3) Projected Full Year Results" in the attachment for matters regarding the business forecasts as shown above.

8-1 Operational Results

(1) Actual gas sales in the six months ended September 2006

Fueled by a 59,000 household increase in customers from the same period a year earlier and lower temperatures compared with the previous year, residential gas sales volume grew 9.0% to 911 million m³ from a year earlier.

In the non-residential sector, industrial gas sales rose 7.1% to 2,134 million m³ due mainly to firm growth in new demand. Benefiting from increased demand for water and space heating owing to lower temperatures in April than the previous year, commercial and public/medical institution gas sales respectively grew 1.2% to 567 million m³ and 4.6% to 326 million m³, causing non-residential gas sales to rise 5.7% from a year earlier to 3,026 million m³ overall.

Combined with sales to other gas suppliers, total gas sales increased 6.7% from a year earlier to 4,126 million m³.

		Six months ended September 2006 (Apr. - Sep. 2006)	Six months ended September 2005 (Apr. - Sep. 2005)	Change	Percentage (%)	
Customers (Meters installed) (1,000 households)	Residential	6,457	6,398	+ 59	100.9	
	Non-residential	322	320	+ 2	100.5	
	Total	6,780	6,719	+ 61	100.9	
Monthly average usage per residential customer household (m ³ /month)		26.6	24.6	+ 2.0	108.1	
Gas sales volume (million m ³)	Residential	911	836	+ 75	109.0	
	Non-residential	Industrial	2,134	1,993	+ 141	107.1
		Commercial	567	560	+ 7	101.2
	Public and medical institutions	326	311	+ 14	104.6	
	Wholesale	189	167	+ 22	113.1	
	Total	4,126	3,867	+ 259	106.7	

[45MJ/m³]

[Reference]
Average temperature (°C)

Six months ended September 2006 (Apr. -Sep. 2006)	Six months ended September 2005 (Apr. -Sep. 2005)	Difference
23.2	23.8	-0.6

(2) Overview of Profit and Loss

(in 100 million yen)

Revenues		Change from same period of previous year		
		Change	Percent (%)	
Gas sales	3,072	+489	+19.0	
Other sales	House-pipe installation	129	+3	+2.5
	Gas appliances	456	+40	+9.8
	Other sales	184	+20	+12.5
	Total	770	+64	+9.1
Total sales	3,843	+554	+16.9	
Non-operating revenues	78	+1	+2.1	
Total revenues	3,921	+555	+16.5	

Expenses		Change from same period of previous year		
		Change	Percent (%)	
Cost of sales	1,528	+400	+35.5	
Selling, general and administrative expenses	1,264	-13	-1.0	
Total	2,793	+387	+16.1	
Other expenses	House-pipe installation	127	+0	+0.5
	Gas appliances	456	+82	+22.1
	Other expenses	161	+37	+30.0
	Total	745	+120	+19.3
Operating expenses	3,538	+507	+16.8	
Operating profit	304	+46	+18.0	
Non-operating expenses	35	+5	+19.4	
Total expenses	3,573	+513	+16.8	

Ordinary profit	347	+42	+13.8
Net income	232	+38	+19.6

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

[Reference]

- Cost of raw materials included in cost of sales: 144,800 million yen (increase by 38,200 million yen or 35.8%, from the same period of the previous year)
- Exchange rate and cost of crude oil

	Six months ended September 30, 2006 (Apr. - Sep. 2006) A	Six months ended September 30, 2005 (Apr. - Sep. 2005) B	A-B
Exchange rate (yen/dollar) *1	115.4	109.5	+5.9
Cost of crude oil (dollar/bbl) *2	67.8	51.7	+16.1

*1: TTM rate

*2: Japan Crude Oil CIF price

(3) Projected Full Year Results

Gas sales volume is projected to grow 4.5% from the previous year to 8,824 million m³.

Despite a reduction in gas rates for small-volume users effective from November 1, 2006, sales revenues are projected to rise 7.5% from the previous year to 845.5 billion yen thanks to growth in gas sales volume and an increase in the unit selling price based on the system of adjusting gas rates to reflect feedstock costs. Operating profit is projected to decrease 30.2% from the previous year to 53.5 billion owing to the revision of LNG service contracts and the reduction of gas rates for small-volume users, while ordinary profit and net income for the year are expected to respectively decline by 23.2% to 63.0 billion yen and by 39.8% to 42.5 billion yen.

	Projected annual results for year ending March 2007	Change from previous year	
		Change	Percent (%)
Gas sales volume (million m ³)	8,824	+ 376	+ 4.5
Operating revenues (100 million yen)	8,455	+ 591	+ 7.5
Operating profit (100 million yen)	535	-231	-30.2
Ordinary profit (100 million yen)	630	-190	-23.2
Net income (100 million yen)	425	-281	-39.8

Projections for the second half year are premised on a forecast crude oil cost of \$65 per bbl and forecast exchange rate of 120 yen to \$1.

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

Shareholders' Value Added (SVA)	20.8 billion yen
Earnings per Share (EPS)	19.08 yen
Return on Equity (ROE)	8.0%
Return on Total Assets (ROA)	3.9%
Free Cash Flow ⁴	17.1 billion yen

4. Free Cash Flow = Cash flow from sales operation - capital expenditure

(4) Capital Expenditure for the Year Ending March 31, 2007

(in 100 million yen)

	Year ending March 2007 (Projections)	Year ended March 2006 (Actual results)	Description of expenditures planned for year ending March 2007
Production facilities	37	54	Equipment replacement, etc.
Distribution facilities	396	400	Construction of transport lines, main and sub-service lines, etc.
Operational facilities, etc.	230	299	Power plants, etc.
Total	664	754	

8-2 Non-Consolidated Interim Financial Statements

(1) Interim Balance Sheet

(in million yen)

Account	As of September 30, 2006	As of March 31, 2006	Change	As of September 30, 2005
(Assets)				
Fixed Assets	862,464	873,529	-11,064	839,659
Tangible fixed assets	574,592	578,402	-3,809	553,234
Production facilities	101,330	103,187	-1,857	106,037
Distribution facilities	334,585	342,198	-7,612	344,507
Operational facilities	64,175	64,946	-770	66,291
Supplementary business facilities	5,398	5,714	-315	5,107
Idle facilities	1,532	1,532		1,532
Construction in progress	67,569	60,822	6,746	29,758
Intangible fixed assets	5,059	4,766	292	4,556
Patents	4	4	-0	
Leaseholds	3,085	3,084	1	3,087
Other intangible fixed assets	1,969	1,677	291	1,469
Investments and other assets	282,813	290,360	-7,547	281,868
Investment in securities	83,184	93,600	-10,415	80,010
Investment in affiliates	104,685	102,582	2,103	112,611
Long-term loans receivable from affiliates	60,763	62,027	-1,263	61,796
Investment in capital	10	10		10
Long-term prepaid expenses	7,578	6,558	1,019	4,618
Deferred tax assets				600
Prepaid pension expenses	21,820	15,489	6,331	14,616
Other investments	5,657	11,066	-5,409	8,559
Allowance for bad debts	-888	-975	86	-952
Current Assets	201,833	204,847	-3,014	159,141
Cash and deposits	12,304	32,250	-19,946	7,358
Notes receivable	1,163	912	251	517
Accounts receivable	57,423	69,422	-11,999	48,936
Trade accounts receivable from affiliates	6,384	5,559	824	5,031
Other accounts receivable	11,772	14,293	-2,520	10,462
Products	111	106	5	95
Raw materials	38,011	17,084	20,927	16,447
Stores	8,951	7,430	1,520	9,443
Short-term loans receivable from affiliates	28,394	14,432	13,961	19,172
Short-term accounts receivable from affiliates	3,624	3,807	-183	3,161
Deferred tax assets	4,384	9,765	-5,380	9,227
Derivatives	16,760	20,526	-3,765	19,682
Other current assets	13,117	9,816	3,301	10,199
Allowance for bad debts	-571	-560	-10	-594
Deferred Assets		60	-60	62
Premium on bonds		60	-60	62
Total assets	1,064,297	1,078,437	-14,139	998,864

(in million yen)

Account	As of September 30, 2006	As of March 31, 2006	Change	As of September 30, 2005
(Liabilities)				
Fixed Liabilities	322,502	316,585	5,916	361,705
Bonds	184,633	174,700	9,933	223,660
Long-term loans payable	121,869	118,681	3,187	120,534
Deferred tax liabilities	7,067	8,147	-1,079	
Reserve for severance benefits	3,280	3,345	-65	9,046
Reserve for gasholder repair	1,767	1,690	76	1,667
Other fixed liabilities	3,884	10,020	-6,135	6,797
Current Liabilities	206,836	243,679	-36,843	173,998
Current portion of fixed liabilities	59,260	56,174	3,085	7,220
Trade accounts payable	18,687	15,983	2,703	13,612
Corporate taxes payable	12,880	20,836	-7,956	10,494
Accrued expenses	41,249	48,364	-7,115	32,097
Corporate taxes payable	11,999	33,143	-21,143	8,472
Advances received	8,298	7,140	1,157	7,373
Deposits received	1,086	1,226	-140	1,023
Short-term loans payable to affiliates	20,239	25,467	-5,228	24,887
Short-term accounts payable to affiliates	8,573	14,332	-5,758	7,756
Commercial paper	23,000		23,000	40,000
Deferred hedge gains		20,526	-20,526	19,682
Other current liabilities	1,560	481	1,078	1,376
Total liabilities	529,338	560,265	-30,926	535,704
(Shareholders' Equity)				
Capital stock		132,166		132,166
Capital Surpluses		19,521		19,511
Capital reserve		19,482		19,482
Other capital surpluses		38		29
Gain from disposal of treasury stocks		38		29
Retained earnings		326,216		282,843
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		1,306
Reserve for loss on overseas investments, etc.		6,203		6,203
Reserve for adjustment for cost fluctuation		89,000		89,000
Reserve for other specific purposes		62,000		62,000
Unappropriated retained earnings		134,448		91,074
Difference between Market Price and Acquisition Cost of Securities		42,823		30,940
Difference Between Market Price and Acquisition Cost of Other Securities		42,823		30,940
Treasury stocks		-2,556		-2,302
Treasury stocks		-2,556		-2,302
Total shareholders' equity		518,171		463,159
Total liabilities and shareholders' equity		1,078,437		998,864

(in million yen)

Account	End of current interim period (Sep. 30, 2006)	End of previous full year (Mar. 31, 2006)	Change	End of previous interim period (Sep. 30, 2005)
Net assets				
Shareholder's equity	490,551	-	-	-
Capital stock	132,166	-	-	-
Capital surplus	19,526	-	-	-
Capital reserve	19,482	-	-	-
Other capital surplus	44	-	-	-
Retained earnings	341,635	-	-	-
Earned surplus reserve	33,041	-	-	-
Other earned surplus				
Reserve for reduction of replacement cost of specified assets	216	-	-	-
Reserve against depreciation of construction of specified gas pipes	750	-	-	-
Reserve against losses on foreign investments	5,616	-	-	-
Raw material cost fluctuation adjustment reserve	89,000	-	-	-
Reserve for other specific purposes	62,000	-	-	-
Retained earnings brought forward	151,010	-	-	-
Treasury stock	-2,777	-	-	-
Treasury stock	-2,777	-	-	-
Valuation and translation adjustments	44,408	-	-	-
Difference between market price and acquisition cost of other securities	35,781	-	-	-
Difference between market price and acquisition cost of other securities	35,781	-	-	-
Deferred gains or losses on the hedging transactions	8,626	-	-	-
Deferred gains or losses on the hedging transactions	8,626	-	-	-
Total net assets	534,959	-	-	-
Total liabilities and net assets	1,064,297	-	-	-

(2) Interim Profit and Loss Statement

(in million yen)

Account		Six months ended September 30, 2006 (Apr. - Sep. 2006)	Six months ended September 30, 2005 (Apr. - Sep. 2005)	Change	Year ended March 31, 2006 (Apr. 2005 - Mar. 2006)	
Ordinary Profit and Loss	Operating Profit and Loss	Product sales	307,263	258,268	48,995	613,825
		Gas sales	307,263	258,268	48,995	613,825
		Cost of sales	152,813	112,783	40,029	284,604
		(Gross Profit on Sales)	(154,450)	(145,484)	(8,966)	(329,220)
		Selling expenses	101,228	101,932	-704	212,382
		General and administrative expenses	25,267	25,867	-599	58,679
		(Core Business Profit)	(27,954)	(17,684)	(10,270)	(58,158)
		Miscellaneous operational revenues	60,008	55,757	4,250	132,997
		Revenues from house-pipe installation	12,905	12,586	319	31,211
		Revenues from gas appliances sales	45,684	41,617	4,066	98,669
		Other miscellaneous operational revenues	1,418	1,553	-134	3,116
		Miscellaneous operational expenses	58,401	50,062	8,338	126,274
		Cost of house-pipe installation	12,724	12,663	61	30,608
		Cost of gas appliances sales	45,676	37,399	8,277	95,666
		Revenues from supplementary businesses	17,038	14,857	2,180	39,526
		Revenues from automatic alert report service	2,734	2,721	13	5,383
		Revenues from electric supply business	4,357	3,512	844	7,524
		Revenues from LNG sales business	6,965	1,536	5,428	4,965
		Revenues from other supplementary businesses	2,981	7,086	-4,105	21,653
		Cost of supplementary businesses	16,125	12,401	3,723	27,789
Cost of automatic alert report service	2,323	2,183	139	4,399		
Cost of electric supply business	4,506	3,507	999	7,446		
Cost of LNG sales business	7,000	1,621	5,378	5,389		
Cost of other supplementary businesses	2,294	5,088	-2,794	10,554		
(Operating Profit)	(30,474)	(25,834)	(4,639)	(76,619)		
Ordinary Profit and Loss	Non-Operating Profit and Loss	Non-operating revenues	7,802	7,645	156	12,277
		Interest income	453	341	111	767
		Dividend income	524	1,260	-735	1,867
		Dividend income of group companies	3,385		3,385	
		Lease income	797		797	1,422
		Gain from sales of securities	1,008	4,045	-3,036	4,896
		Miscellaneous revenues	1,632	1,997	-364	3,324
		Non-operating expenses	3,500	2,930	569	6,856
		Interest expenses	889	717	171	1,414
		Interest expense on corporate bonds	1,980	1,711	268	3,232
		Amortization of bond premiums		2	-2	4
		Amortization of bond issue costs	56	91	-35	91
		Derivative expenses				937
Miscellaneous expenses	574	406	167	1,176		
(Ordinary Profit)		(34,776)	(30,549)	(4,226)	(82,040)	
Extraordinary Profit and Loss	Extraordinary Profit	Gain from sales of fixed assets				132
		Gain on sale of investment securities of group companies				5,491
		Gain on LNG handling facilities adjustment				23,024
		Net income before tax	(34,776)	(30,549)	(4,226)	(110,689)
		Corporate and other taxes	8,100	4,300	3,800	31,800
Adjustment for difference of tax allocation between financial accounting and tax accounting		3,402	6,789	-3,387	8,256	
Net income		23,274	19,460	3,813	70,632	
Profit brought forward from prior period			111,592		111,592	
Retirement of treasury stock			39,978		39,978	
Interim dividends					7,798	
Unappropriated retained earnings			91,074		134,448	

(Note) Regarding the values in Sales shown in 1. (1) Operational Results of Six Months Ended September 30, 2006 in Highlight of Non-consolidated Interim Financial Statements are the total of product sales, miscellaneous operational revenues, and revenues from supplementary businesses.

(3) Interim Statement of Changes in Shareholders' Equity

Current interim period (April 1 to September 30, 2006)

(in million yen)

	Shareholder's equity													Valuation and translation adjustments			Total net assets	
	Capital stock	Capital surplus			Profit reserve	Retained earnings							Treasury stock	Total shareholders' equity	Difference between market price and acquisition cost of other securities	Deferred hedge gains (losses)		Total valuation and translation adjustments
		Capital reserve	Other capital surplus	Total capital surplus		Other retained earnings												
						Reserve for reduction of costs relating to replacement of specific assets	Reserve for write-off of specific gas piping works	Reserve for loss on foreign investments	Reserve for adjustment for cost fluctuation	Reserve for other specific purposes	Deferred retained earnings	Total retained earnings						
Amount at end of previous full year	132,166	19,482	38	19,521	33,041	216	1,306	6,203	89,000	62,000	134,448	326,216	-2,556	475,348	42,823	-	42,823	518,171
Change during current interim period																		
Transfer from reserve against depreciation of construction of specified gas pipes							-556				556							
Transfer to reserve against losses on foreign investments								33			-33							
Transfer from reserve against losses on foreign investments								-621			621							
Dividends from retained earnings											-7,796	-7,796		-7,796				-7,796
Bonuses to directors											-60	-60		-60				-60
Net income											23,274	23,274		23,274				23,274
Purchase of treasury stock													-246	-246				-246
Disposal of treasury stock			5	5									25	31				31
Change in items other than shareholders' equity during current interim period															-7,042	8,626	1,584	1,584
Total change during current interim period			5	5			-556	-587			16,561	15,418	-220	15,202	-7,042	8,626	1,584	16,787
Amount at end of current interim period	132,166	19,482	44	19,526	33,041	216	750	5,616	89,000	62,000	151,010	341,635	-2,777	490,551	35,781	8,626	44,408	534,959

(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 having market price : at market, based on the market price on the closing date of the current six-month period
(All the difference from the acquisition cost is accounted for by the "direct-inclusion-to-capital" method, and the cost of sales is calculated by moving average method.)

Securities having no market price: at cost on moving average basis

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

(4) Derivative instruments are evaluated by the market value method.

(5) The following significant reserves are provided:

Reserve for retirement benefits:

To prepare for payment of retirement benefits to employees, the reserve for retirement benefits is provided. An amount of accrued retirement benefits payable to employees at the end of the current six-month period 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. Change in Accounting Policy

(1) Accounting Standard for Presentation of Net Assets in the Balance Sheet

The Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Statement No. 5 issued on December 9, 2005) and Implementation Guidance on the Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Guidance No. 8 issued on December 9, 2005) are adopted from the current interim period. The amount corresponding to "Shareholders' Equity" to date is ¥526,332 million.

(2) Practical Solution on Accounting for Deferred Assets

The Practical Solution on Accounting for Deferred Assets (ASBJ PITF No. 19 issued on August 11, 2006) is adopted from the current interim period. The premium on bonds of ¥66 million included in deferred assets in the previous interim period is presented deducted from

bonds from the current interim period. The ¥2 million entered separately for amortization of bond premiums in the previous interim period is included in bond interest from the current interim period.

(3) Accounting Standard for Financial Instruments

The revised Accounting Standard for Financial Instruments (ASBJ Statement No. 10 final revision issued on August 11, 2006) is adopted from the current interim period.

3. Accumulated Depreciation of Fixed Tangible Assets:

¥1,658,638 million (¥1,634,246 million at the end of the same period of the previous year)

4. Contingent liabilities

¥33,222 million yen (¥31,358 million at the end of the same period of the previous year)

Contingent liabilities in connection with corporate bonds and loan contracts:

¥19,654 million (¥21,412 million at the end of the same period of the previous year)

5. Type and number of treasury stock

(1,000 shares)

	Number at end of previous term	Increase during current interim period	Decrease during current interim period	Number at end of current interim period
Treasury stock Common Stock	8,148	607	80	8,676

Notes

1. The 607,000 share increase in the number of common shares of treasury stock was due to the purchase of odd stock.

2. The 80,000 share decrease in the number of common shares of treasury stock was due to the disposal of odd stock.

6. Important events subsequent to the financial statements

On October 2, 2006, the Company submitted to the Minister of Economy, Trade and Industry notification of changes in service and optional agreements consisting, among other things, of a 2.33% reduction from the present rate for all small-volume users effective from November 1, 2006.

8-3 Securities

Information on stocks of subsidiaries and affiliates having market price

(1) As of September 30, 2006 N/A

(2) As of March 31, 2006 N/A

(3) As of September 30, 2005

	Value reported on interim balance sheet	Market price	Difference
Subsidiaries' stock	1,241 million yen	6,626 million yen	5,384 million yen

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