

Producing results with concerted efforts of the whole group to celebrate its 100th anniversary

- Consolidated gas sales volume in the fiscal year ended March 31, 2005, increased 3.7% over the previous year to 8,072 million cubic meters.
- Consolidated operating income rose 4.2% to 95.9 billion yen.
- Consolidated net income per share increased 10.4% compared to the previous year to 22.7 yen.

A photograph of two men, Akio Nomura and Hirofumi Shibano, standing in a conference room. Akio Nomura is on the left, wearing a dark pinstriped suit and glasses, with his arms crossed. Hirofumi Shibano is on the right, wearing a dark suit and glasses, with his hands at his sides. In the foreground, a large globe is visible, showing parts of Asia and the Indian Ocean. The background features wood-paneled walls and a conference table with chairs.

Akio
Nomura
Chairman

Hirofumi
Shibano
President

Consolidated Results for Fiscal 2005

Fiscal 2005, ended March 31, 2005, was the second year of the Innovation Centennial, our new three-year medium-term business plan that picks up where the Gate Plan (business plan for fiscal 2001–2003) left off on the path toward realizing Vision 2010. The year served as a test determining whether we are able to ensure the achievement of the profit target for the last year (fiscal 2006) at a high level. As for the consolidated gas sales volume, residential gas sales showed a decrease, affected by the high air and water temperatures throughout the year. The Group, however, made aggressive efforts to stimulate demand by proposing the introduction of its ECOWILL gas cogeneration system for homes, hot water floor heating systems, cogeneration systems for industrial and commercial use, and air-conditioning systems. As a result, gas sales volume reached 8,072 million cubic meters, an increase of 287 million from the previous fiscal year. This was the first time when the Group exceeded eight billion cubic meters. Net sales on a non-consolidated basis showed a 4.6 billion-yen decrease to 567.4 billion yen compared to the previous fiscal year, reflecting the lower material prices applied to the gas price compared to the ones in fiscal 2004. Increased number of consolidated subsidiaries and increased revenue in these companies, however, resulted in consolidated net sales of 975.3 billion yen, an increase of 24 billion yen from the previous year.

In fiscal 2005, the price of LNG soared in pace with the increase in the crude oil price. For this reason, the cost of raw materials rocketed compared to the previous year, while net sales decreased causing reduced operating income. On the other hand, Osaka Gas on a non-consolidated basis endeavored to improve

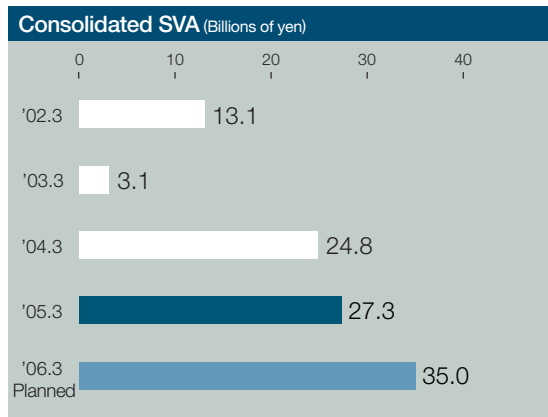
operating income by slashing costs across all businesses, while focusing on labor costs. In addition, the performance of consolidated subsidiaries was favorable, leading to an increase of 3.8 billion yen in operating income to 95.9 billion yen compared to the previous fiscal year. Asset-impairment accounting was adopted in fiscal 2005, and thus the cost caused by application of this accounting system was reported as extraordinary loss. With the gain on sale of marketable securities reported, however, non-operating profit and loss was improved from the previous year. As a result, net income amounted to 50.6 billion yen, an increase of 3.6 billion yen from the previous year.

The earnings of consolidated subsidiaries were favorable in general, and the ratio of consolidated to non-consolidated operating income improved to 1.39.

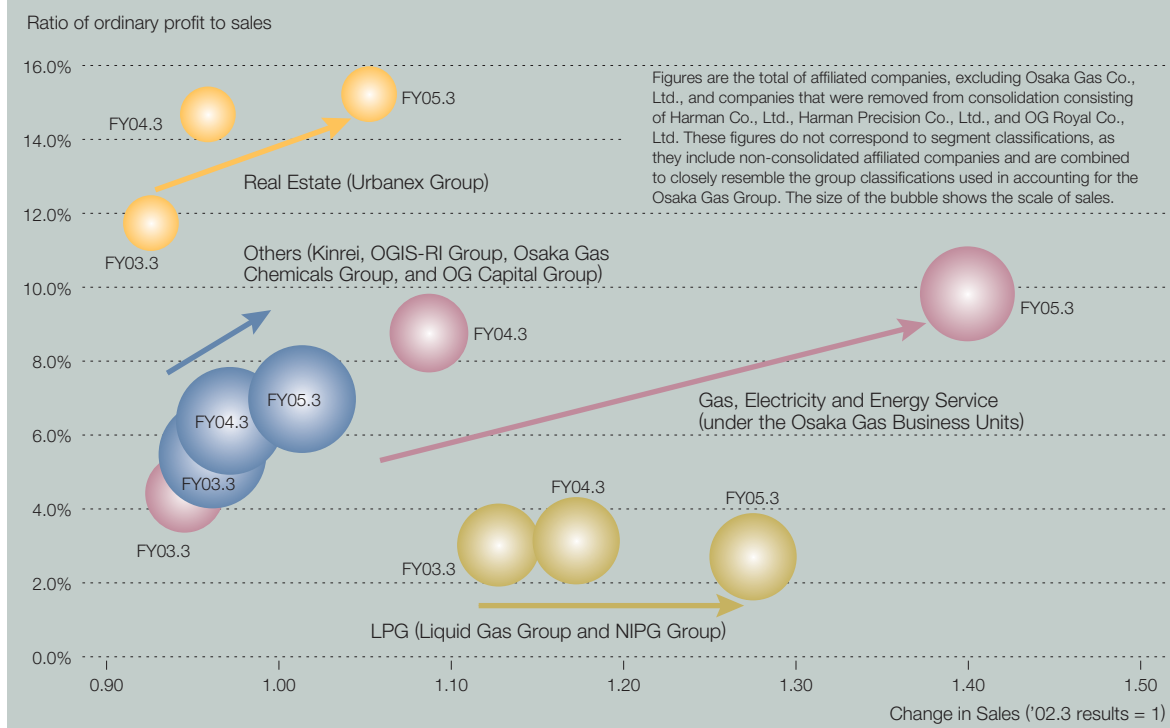
Outcome of SVA Management through Selection and Concentration

In the Osaka Gas Group, shareholders' value added (SVA) is used as a profitability benchmark for evaluating the performance of each internal division and Group companies. Osaka Gas makes concerted efforts to maximize SVA by taking an aggressive investment

Results of FY05.3 (Millions of yen, %)			
(Consolidated)	'04.3	'05.3	Differences
Operating revenues	951,324	975,340	+24,016
Operating income	92,096	95,992	+3,896
Ordinary profit	81,446	97,480	+16,034
Net income	47,065	50,683	+3,618
ROA	3.9%	4.2%	+0.3%
ROE	9.9%	9.9%	0.0%
FCF	73,242	57,701	-15,541
EPS	20.6	22.7	+2.1



Market Growth and Earnings Potential by Business Field



approach to business fields that enhance SVA. In addition, affiliated companies with negative SVA become the focus of restructuring measures, including withdrawal, except under special circumstances, such as a brief operational period after business launch.

In fiscal 2004 and 2005, the Company did not undertake any large-scale business restructuring projects. Osaka Gas did, however, simultaneously streamline negative SVA businesses until fiscal 2003, including portions of the gas equipment production and sales business, portions of real estate operations and the home improvement center business. These measures to streamline negative SVA businesses have improved SVA by approximately 2.1 billion yen annually. Moreover, Osaka Gas has used net present value (NPV) as a common standard for evaluating investment across the Group. Following strict guidelines, the Company is aggressively investing in growing businesses. Up until fiscal 2003, Osaka Gas has acquired the Nissho Petroleum Gas Corporation (NIPG) group, Nakayama Joint Power Generation Co., Ltd. and Nakayama Nagoya Joint Power Generation Co., Ltd. In fiscal 2004, Osaka Gas acquired Daiya Nensho Co., Ltd., an LPG provider in Mie Prefecture. In fiscal 2005, the Company finalized a plan to make an equity investment in IPP's in the U.S.A. and Spain and to acquire the life environment material business of Takeda Pharmaceutical Company Group. These acquisitions and investments in growth

businesses contributed approximately one billion yen to SVA annually.

Business Portfolio

The Osaka Gas Group's business portfolio strategy concentrates management resources on the energy business sector, which is able to take advantage of our strength and its peripheral business areas, as well as the non-energy business sector that is advantageous and still competitive in the open market. To be specific, we aim at growth in the LPG and real estate business areas, pursuing maximum synergy with the energy business sector. For the business areas of restaurants and food, IT, chemical products and carbon products, we treat them as independent and pursue cash-in from outside the Group, resulting in contribution to the consolidated profit.

The above figure shows market growth potential and earnings potential on an annual basis by business field. Sales and profitability continue to steadily improve in each business field. In the gas, electricity, and heat supply field in particular, sales are growing significantly from acquisitions of wholesale power businesses and the expansion of energy services outside our operating area.

Progress of Innovation Centennial Medium-Term Business Plan and Management Targets for Fiscal 2006

In October 1999, the Osaka Gas Group formulated the Vision 2010 as the Group's management vision for the 21st century. The medium-term management plan Gate Plan extending from fiscal 2001 to fiscal 2003 was created as the first phase of Vision 2010. We achieved the final year targets of the Gate Plan one year ahead of schedule. In January 2003, the Company formulated Innovation Centennial as the new medium-term management plan beginning in fiscal 2004 and ending in fiscal 2006 for the second phase of Vision 2010. Under Innovation Centennial, we have set three targets for increasing corporate value, namely the creation of value for shareholders, value for customers, and value for society. Our targets for value for shareholders aim to achieve consolidated SVA of 35.0 billion yen, ordinary profit of 100 billion yen, and net income of 57.5 billion yen in fiscal 2006. Actually, the estimate for consolidated ordinary profit is 100 billion yen and consolidated net income is 59 billion yen. Thus, the final target for Innovation Centennial is expected to be achieved.

To achieve the target for consolidated operating income in fiscal 2006, an additional 2.5 billion yen in operating income is required in excess of the fiscal 2005 actual of 97.4 billion. For this additional amount, Osaka Gas expects to obtain this additional income with increases in gas sales, etc.

Osaka Gas believes it offers competitive gas rates compared with the prices of rival energy types and does not plan to revise its gas rate at this time.

Aims of INNOVATION CENTENNIAL

- Shift from a gas-based business to a multi energy business that includes the electricity business
- Shift from local to national operations
— wide-area energy business development
- Shift to a value-chain-based business model
- Engage in Group SVA management focused on each business division and core Group company

Ratio of consolidated to non-consolidated results

	'03.3	'04.3	'05.3
Operating revenues	1.31	1.30	1.35
Operating income	1.29	1.37	1.39
Ordinary profit	1.20	1.27	1.30
Net income	1.17	1.19	1.23

Corporate Governance and Compliance

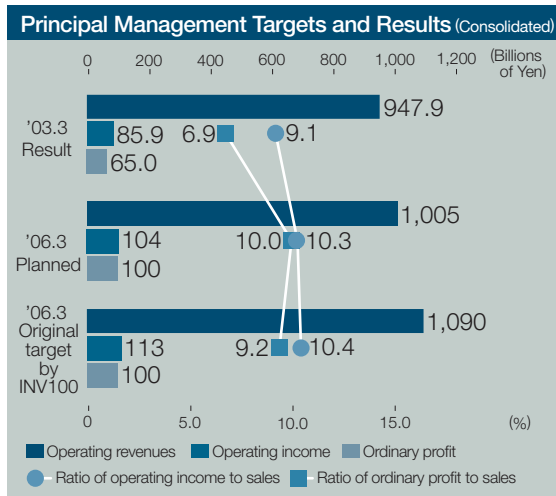
To continue sound business activities with the full trust and support of equity markets and society at large, Osaka Gas is obligated to establish a management structure (corporate governance) that pursues maximization of its corporate value. It should be based on ethics and a good sense of management and will be realized by improving the mechanism to secure maneuverability, legality, and appropriateness in decision-making and business execution.

Osaka Gas has expanded the authority of business and division managers by reducing the number of directors and through reorganization in order to improve maneuverability in business execution. To verify the legality and appropriateness of its decision-making and business execution, the Company reviews and rigorously applies its internal rules and regulations and promotes discussion at the board of directors and management meetings. Each investment must fulfill the group's common investment criteria and be examined by the investment appraisal committee, which is held independently from the management meetings. The Company also appointed external auditors and established and holds a management advisory committee to check legality and appropriateness from an external point of view.

In compliance, Osaka Gas formulated the Osaka Gas Group Code of Conduct in February 2000 and is making every effort to apply the code in every facet of its business activities to instill a law-abiding mindset among employees. The Company established a compliance committee and appointed compliance officers to various offices. Moreover, the Company set up a compliance department for providing dedicated support to

Principal Management Targets and Results (Consolidated)

	'03.3 Result	'06.3 Forecast	'06.3 Original target by INV100
SVA (Billions of Yen)	3.1	35.0	35.0
Operating revenues (Billions of Yen)	947.9	1,005.0	1,090.0
Operating income (Billions of Yen)	85.9	104.0	113.0
Ordinary profit (Billions of Yen)	65.0	100.0	100.0
Net income (Billions of Yen)	29.6	59.0	57.5
FCF (Billions of Yen)	23.7	55.2	85.0
ROE (%)	6.4	10.8	10.0
ROA (%)	2.4	4.6	4.1
EPS (yen/share)	12.6	26.4	25.0



Operating Data (Consolidated)

	'03.3 Result	'06.3 Forecast	'06.3 Original target by INV100
Non-consolidated gas sales (Million m ³)	76.8	82.5	83.3
Equity ratio (%)	37.5	43.6	42.1
Total assets (Billions of Yen)	1209.6	1,081.9	1,416.5
Interest-bearing debt (Billions of Yen)	494.5	427.2	575.0
Capital expenditure (Billions of Yen)	67.1	106.1	85.5
Number of employees	15,020	16,460	14,580
Number of consolidated companies	56	119	102
Crude oil price (\$/bbl)	26.9	40.0	25.0
Exchange rates (yen/\$)	122.0	108	125.0

The number of employees is from the financial report (including employees on a short-term contract but excluding loaned employees)

compliance activities and a compliance desk as a way for handling internal reports and consultations.

Risk Management

The Osaka Gas Group established the Group's Risk Management Basic Rules and Regulations to be prepared for the risks associated with its business activities. Based on these, the Group classified risks into three categories: risks caused by external factors including natural disaster and market fluctuation; risks

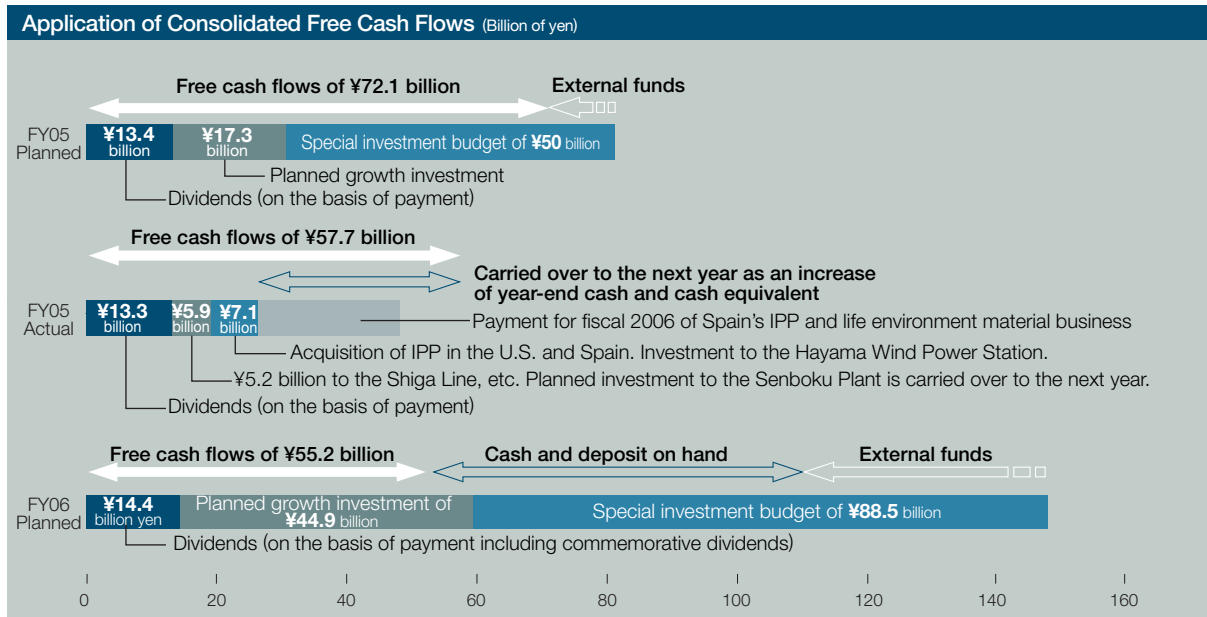
caused by internal factors including compliance; and risks involved with trades with external parties. Only after identifying risk categories and determining a responsible organization for each category do we determine risk levels and take appropriate countermeasures.

Capital and Dividend Policies

Osaka Gas increased cash dividends by 1 yen per share in fiscal 2002, and has maintained annual dividends of 6 yen per share since then. The Company plans to provide annual dividends of 7 yen per share for fiscal 2006, including the commemorative dividend of 1 yen to celebrate its 100th anniversary. Historically, it has emphasized stability and sustainability in its dividend policy. Recently, however, investor demands have become more complex. Under these circumstances, Osaka Gas will take a varied approach to determining the optimal dividend policy based on operating conditions at that time. In answering the question of how the Company intends to improve shareholder value with retained earnings, Osaka Gas will flexibly adopt measures that emphasize sustainable and stable cash dividends, increase growth potential through investment in business expected to provide high returns, and increase profits per share through the acquisition of treasury stock. It should be noted that the company declared the policy at least to maintain 20% of a dividend payout ratio as the lower limit in the company's managerial philosophy set up in January 2005.

Compared with other companies in the same industry, Osaka Gas has a large number of outstanding shares





FCF = cash flow by sales activities – expenditure by capital investment. Capital investment does not include growth investment. Planned growth investment includes both capital investment and loan and investment.

relative to its market capitalization. Accordingly, we believe that reducing the number of outstanding shares and improving profits per share will contribute to increasing shareholder value and have positioned the acquisition of treasury stock as an important measure for improving shareholder value. Our cash flow strategy prioritizes investment in new businesses such as electric power generation over the medium term. However, there are cases where excessive cash is generated during a fiscal year, and this cash is earmarked for the acquisition of treasury stock after investment in new businesses.

In Closing

Osaka Gas will celebrate its 100th anniversary in October 2005. Based on the new managerial philosophy, the Group is committed to adequately responding to the changes in business environment and continuing consistent efforts to achieve sustainable development through fair and transparent business activities under the slogan "Design Your Energy for a Brighter Future." We ask for your continued support and understanding as we pursue these endeavors.



Akio Nomura
Akio Nomura, Chairman

Hirofumi Shibano
Hirofumi Shibano, President