Business Report for the 187th Financial Year

(Year from 1 April 2004 through 31 March 2005)

Osaka Gas Co., Ltd.

Operating Report for the Year ended 31 March 2005

I. Overview

1. Business Operations and Results of the Company and the Group

(1) Operating Activities of the Company and the Group

The Japanese economy in this financial year has seen steady recovery driven by increased export, production and capital investment. However, the economy has leveled off toward the year end since the summer due to the softening of the world economy.

Against this economic background, the Osaka Gas Group (the "Group") has aggressively conducted its business based on "Value Creation Management" as its core objective.

Revenues of the Company in the financial year ended 31 March 2005 decreased by 1.0% to ¥722,755 million compared to the preceding financial year primarily due to the downward adjustment of the unit prices of gas under the sliding rate adjustment system. On the other hand, despite a substantial increase in raw materials costs under the impact of a significant rise in crude oil prices, ordinary profits increased by 16.7% to ¥75,159 million compared to the preceding financial year primarily as a result of the Company's efforts to improve overall management efficiency. Net income increased by 4.6% to ¥41,280 million compared to the preceding financial year in spite of the adoption of the accounting standard for impairment of fixed assets.

<Please see chart> [Revenues / Ordinary Profits / Net Income of the Company]

Consolidated revenues of the Group in the financial year ended 31 March 2005 increased by 2.5% to ¥975,340 million compared to the preceding financial year primarily owing to the expansion of operations in the LPG, electric power and other energies business and an increase in the number of consolidated companies. Consolidated ordinary profits increased by 19.7% to ¥97,480 million compared to the preceding financial year primarily as a result of the Group's efforts to improve overall management efficiency. Consolidated net income increased by 7.7% to ¥50,683 million compared to the preceding financial year.

<Please see chart>[Consolidated Revenues / Consolidated Ordinary Profits / Consolidated Net Income of the Group]

Sections (a) ~ (e) below provide a summary of segment results of the Company and the Group in the financial year ended 31 March 2005.

a) Gas

The number of customers (number of meters installed) of the Company increased by 63 thousand to 6.697 million as of the end of this term.

Total sales of gas for residential purposes decreased by 2.8% to 2,238 million cubic metres compared to the preceding financial year primarily due to the relatively high temperature in general.

Regarding gas for non-residential use, sales of gas for industrial use, commercial use and public services/medical use increased by 3.5%, 5.5% and 8.1%, respectively, primarily due to the Company's efforts to increase demand. Total sales of gas for non-residential use increased by 4.3% compared to the preceding financial year to a total of 5,509 million cubic metres.

Sales of gas for wholesale increased by 67.3% to 305 million cubic metres compared to the preceding financial year.

As a result, total sales of gas of the Company increased by 3.7% to 8,053 million cubic metres compared to the preceding financial year.

<Please see chart>[Sales of gas by segment and the number of customers of the Company]

In addition, total sales of gas of the Group increased by 3.8% to 8,072 million cubic metres compared to the preceding financial year.

However, revenues from gas sales decreased by 0.2% to ¥572,906 million compared to the preceding financial year primarily due to the downward adjustment of the unit prices of gas under the sliding rate adjustment system.

b) LPG, Electric Power and Other Energies

Regarding the LPG business, companies including Daiya Nensho Co., Ltd. and Nagano Propane Gas Co., Ltd. have been added to the scope of consolidation.


LPG Recharging Station

Regarding the electric power business, the electric power generation facilities constructed within the premises of the Himeji Terminal, with a generating capacity of 50,000kW, commenced operation in June 2004.

Gas and Power Investment Co., Ltd. ("GPI") completed construction of the nation's largest "power source cogeneration system" (system designated for generating required electric power and heat using a highly efficient cogeneration system while selling any excess electric power) with a generating capacity of 62,000kW in Uji, Kyoto prefecture and commenced operation in October 2004. In addition, GPI entered the overseas wholesale power generation business (wholesale power supply) through an investment in the Tenaska Gateway Generating Station located in Texas, U.S.A. in June 2004. Also, a decision was made in October 2004 to invest in a power generation plant in Amorebieta, Spain.


"power source cogeneration system" constructed within the premises of the Uji Plant of Unitika Ltd.

Tenaska Gateway Generating Station

Primarily as a result of the expansion of operations and an increase in the number of consolidated companies in the LPG business and the electric power business as stated above, revenues increased by 18.9% to ¥157,119 million compared to the preceding financial year

c) Gas Appliances and Housepipe Installations

Regarding gas appliances for residential use, the Company has made efforts to expand sales of the residential gas cogeneration system, “ECOWILL,” which efficiently generates electric power and heat for residential use. Also, the Company continued development of fuel-cells for residential purposes and made installations in general housing complexes in March 2005. The Company released a new model bathroom heater/dryer equipped with a mist sauna functionality, “MIST KAWAK,” and a new model glass-topped kitchen stove equipped with improved safety, usability and design features, “CLASS S PREMIER.”

residential gas cogeneration system "ECOWILL"


bathroom heater/dryer equipped with a mist sauna functionality "MIST KAWAK"


glass-topped kitchen stove "CLASS S PREMIER"

Regarding gas appliances for non-residential use, the Company has engaged in efforts to expand sales of gas heat pump-type air conditioning, “GAS HEAT PUMP AIR-CONDITIONERS,” which uses gas for cooling and heating and gas cogeneration systems. The Company has also developed and released a 25kW gas micro-cogeneration system with a generating efficiency of 33%, which is the highest level of generating efficiency in the world for micro-cogeneration systems (compact cogeneration systems of under 100kW).


gas heat pump-type air conditioning "GAS HEAT PUMP AIR-CONDITIONERS"


gas cogeneration system

However, revenues decreased by 4.7% to ¥136,811 million compared to the preceding financial year due to the decreased number of large-scale or new construction projects and other reasons. Revenues from sales of gas appliances of the Company decreased by 5.6% to ¥92,066 million compared to the preceding financial year and revenues from housepipe installations of the Company decreased by 7.3% to ¥31,837 million compared to the preceding financial year.

d) Real Estate

Revenues increased by 9.5% to ¥37,119 million compared to the preceding financial year primarily owing to an increase in the number of new properties.

In this financial year, the Kyoto Research Park (KRP), which is operated by Kyoto Research Park Co., Ltd., celebrated its 15th anniversary.

Kyoto Research Park(KRP)

e) Other Businesses

Revenues increased by 5.3% to ¥143,249 million compared to the preceding financial year as a result of an increase in the number of consolidated companies, expansion of sales by Osaka Gas Chemicals Co., Ltd. and other reasons.

Kinrei Corporation opened two restaurants in Narakashihara and Kitanohakubaicho under the Japanese-style Kagono-ya chain, bringing the total number of Kagono-ya restaurants to 47.

Japanese-style Kagono-ya chain in Narakashihara

OG Sports Co., Ltd. operates 17 fitness centers under the “COSPA” name and aims to expand its operation through new openings (at Nagaokakyo, Mikage, Kongo, etc.) currently scheduled in 2005.


fitness center "COSPA"

[Revenues for each Segment]

(Amount: Yen in millions, Ratio: %)

Segment	Revenues	Percentage Change from Last Year	Percentage
Gas	572,906	-0.2	54.7
LPG, Electric Power and Other Energies	157,119	18.9	15.0
Gas Appliances and Housepipe Installations	136,811	-4.7	13.1
Real Estate	37,119	9.5	3.5
Other Businesses	143,249	5.3	13.7
On a Consolidated Basis	975,340	2.5	---

Note: Intersegment revenues are included in revenues for each segment but are eliminated from consolidated revenues.

(2) Capital Investment Activities of the Company and the Group

The Company’s capital investments during the financial year ended 31 March 2005 amounted to ¥42,523 million. The main project during this financial year was the work on the Kinki Trunkline-Shiga Line which is still ongoing. The increase in distribution facilities consisted of an additional 437 kilometres of trunk and branch lines, bringing the total length of the Company’s trunk and branch lines to 45,718 kilometres as of the end of the financial year ended 31 March 2005. The amount of capital investment made by the Group as a whole during the financial year ended 31 March 2005 amounted to ¥65,517 million, in part reflecting acquisition of assets for the leasing business and real estates by subsidiaries of the Company.

(3) Financing Activities of the Company and the Group

The Company has obtained additional long-term loans in the total amount of ¥11.0 billion during this financial year. The Group as a whole has obtained additional long-term loans in the total amount of ¥27,589 million during this financial year. The Company issued straight corporate bonds totaling ¥20.0 billion in March 2005.

The Company repaid ¥15,996 million of long-term loans and the Group as a whole repaid ¥33,676 million. The Company did not redeem any corporate bonds during this financial year.

(4) Outstanding Issues for the Group

The Japanese economy finally began to show some signs of recovery, as seen in steadily increasing capital investment and production. However, as there are strong concerns that the escalating prices of crude oil and raw materials may put pressure on corporate profits, it is too early to take an optimistic view of the future economy. In addition, as regulatory reform in the energy market further develops, competition in the market is expected to intensify.

In such a business environment, it is of primary importance that the Group continues to be “the preferred choice” selected by customers and by local communities. The Company will celebrate its 100th anniversary in October 2005. For this occasion, the Company has redefined the management principle for the Group in January 2005 under the title of “Value Creation Management: Doing business for the next 100 years” in view of the recent business environment. Under this management principle, the Group will seek to maximize customer value as its first priority in addition to increasing the value of all stakeholders including its shareholders, the community and its employees through fair and transparent business activities based on the slogan “Design your Energy.”

In the financial year ending 31 March 2006, which is the final year of the Company’s 3-year medium-term management plan, “Innovation 100,” the Group intends to make every effort to achieve the plan in energy businesses as well as in non-energy businesses.

In terms of the energy businesses, the Group will seek to further develop a diversified energy business in which the Group integrally provides energies required by customers such as natural gas, electric power and LPG by capitalizing on new business opportunities arising from regulatory reforms in addition to maintaining and developing the existing city gas business.

With regard to the city gas business, the Company plans to conduct its business always from the viewpoint of customers and strengthen its price competitiveness by further promoting management efficiency. The Company will also seek to promote the widespread use of natural gas, which contributes to the enhancement of the customers' quality of living and expansion of businesses as well as environmental protection, by not only providing customer-friendly rate plans but also actively making comprehensive proposals including those concerning services and engineering, based on a premise of stable energy supply and assurance of safety.

In terms of the household market, the Company plans to work to further popularize and promote the use of its product lines including the "ECOWILL" residential gas cogeneration system, underfloor heating, bathroom heater/driers (whose product lineup has been enhanced by the introduction of a new model equipped with a mist sauna functionality), fan heaters and glass-topped kitchen stoves, which all promise lifestyle convenience based on gas consumption. The Company will seek to comprehensively meet customers' needs by providing not only energies but also various services, including a security service utilizing the Internet, called "AIRUSU," provided in conjunction with one of the Company's subsidiaries.

In terms of the market for non-residential use, the Company will seek to increase the demand for city gas in the dispersed power source market by proposing a highly efficient and high-performance gas cogeneration system. The Company also plans to promote gas heat pump-type air conditioning, "GAS HEAT PUMP AIR-CONDITIONERS," and natural-gas-powered automobiles. In addition, the Company intends to propose energy systems best suited for each customer by utilizing natural gas technology such as combustion and air conditioning and maintenance technology, which the Company has cultivated for many years.

With regard to the improvement of services, the Company expects to continue its efforts to make good use of customer comments for the improvement of operations, and take more speedy and appropriate measures to respond to customers' needs.

With regard to the assurance of safety, while providing sufficient preventive maintenance of gas production and supply facilities, the Company plans to continue its employee education and training. As to the safety of facilities at customer sites, the Company plans to continue its efforts to provide information from time to time on the need of improvement so as to ensure that appropriate repairs are performed.

With regard to the stability of supply, the Company intends to further diversify its sources of natural gas and ensure that its gas production and supply system is in good repair.

With regard to the electric power business, the Group aims to nurture it into a second core business next only to the city gas business. The Company intends to expand its current independent power producer (IPP) business, and also steadily proceed with the project plan for the Senboku Natural Gas Power Plant (tentative name), for which the decision for construction was made in November 2004, and promote the electric power retail business by taking full advantage of the Company's business base.

With regard to the LPG business, the Group plans to focus on increasing sales as well as the number of customers by, among other things, leveraging the appliance and equipment products and its strengths in the marketing of energy systems that it has developed in the city gas business.

In terms of the non-energy businesses, the Group plans to pursue opportunities to expand profits on a consolidated basis by providing products and services in line with customers' needs and focusing its business on contributing to customers' quality of living and business prosperity. To further advance its business, the Group intends to be more proactive in making choices, staying focused and further developing growth businesses, thereby increasing its corporate value.

With regard to environmental issues, the Group intends to reduce the burden caused by its business activities on the environment through promoting energy conservation and the use of renewable resources. In addition, the Company hopes to reduce the burden on the environment through its products and services, such as by promoting the widespread use of natural gas as an environmentally friendly source of energy in line with the government's energy policy. The Company also plans to be actively involved in environmental protection activities in local communities, as well as both inside and outside Japan.

With regard to technological development, the Company intends to focus its efforts primarily on the development of fuel-cells for residential purposes and a more efficient and high-performance gas cogeneration system for non-residential use, which are expected to contribute to environmental and energy conservation as well as enhancing convenience for customers. In addition, the Company is dedicated to supporting the efficient operation of customer facilities through remote control systems and other information technologies.

The Group intends to implement the above measures in an appropriate manner and fulfill its core objective of "Value Creation Management." The Group is devoted to continuing its strict compliance practices and making every effort to ensure its place as an ever-improving company.

The Company and the Group look forward to the continued support and encouragement from all shareholders.

2. Operating Results and Financial Position of the Company and the Group

(1) Operating Results and Financial Position of the Company on an unconsolidated basis

(Yen in millions)

Division	Year ended March 2001 (183rd term)	Year ended March 2002 (184th term)	Year ended March 2003 (185th term)	Year ended March 2004 (186th term)	Year ended March 2005 (187th term)
Revenues	754,127	751,042	722,240	729,923	722,755
Ordinary Profits	53,929	70,327	54,177	64,379	75,159
Net Income	32,992	37,693	25,453	39,475	41,280
Net Income Per Share (yen)	13.45	15.62	10.77	17.24	18.48
Total Assets	1,067,154	1,004,378	972,954	977,805	981,501
Net Assets	418,037	405,922	391,983	417,741	442,805

(2) Operating Results and Financial Position of the Group on a consolidated basis

(Yen in millions)

Division	Year ended March 2001 (183rd term)	Year ended March 2002 (184th term)	Year ended March 2003 (185th term)	Year ended March 2004 (186th term)	Year ended March 2005 (187th term)
Revenues	951,926	973,565	947,977	951,324	975,340
Ordinary Profits	63,849	75,983	65,079	81,446	97,480
Net Income	36,097	39,418	29,685	47,065	50,683
Net Income Per Share (yen)	14.72	16.33	12.56	20.56	22.69
Total Assets	1,310,976	1,243,520	1,209,627	1,199,228	1,217,463
Net Assets	475,019	468,706	453,284	495,635	530,862

Note: Net income per share of the Company and the Group was calculated based on the average number of shares in issue (including treasury shares) during the financial year for the 183rd term, but since the 184th term, treasury shares have been excluded from such calculation.

Year ended March 2001 (183rd term)

Total sales of gas of the Company increased by 3.5% compared to the preceding financial year primarily due to Company sales efforts and an increase in the number of customers. Despite an increase in the cost of raw materials due to the rise in prices of LNG caused by higher crude oil prices, ordinary profits increased by 36.6% on an unconsolidated basis as a result of the Company's efforts to improve overall management efficiency. Consolidated ordinary profits of the Group increased by 40.0%.

Year ended March 2002 (184th term)

Although total sales of gas of the Company decreased by 1.3% compared to the preceding financial year, revenues from gas sales increased by 2.2% due to the upward adjustment of the unit prices of gas under the sliding rate adjustment system. Decreased raw materials costs caused by the decline in sales of gas and the Company's efforts to improve overall management efficiency resulted in a 30.4% increase in ordinary profits on an unconsolidated basis. Consolidated ordinary profits of the Group increased by 19.0%.

Year ended March 2003 (185th term)

Despite a 2.8% increase in total sales of gas of the Company compared to the preceding financial year, revenues from gas sales decreased by 4.2% due to a reduction in gas prices and other causes. Although the Company has made efforts to improve overall management efficiency, ordinary profits decreased by 23.0% on an unconsolidated basis. Consolidated ordinary profits of the Group decreased by 14.4%.

Year ended March 2004 (186th term)

Total sales of gas of the Company increased by 1.0% compared to the preceding financial year primarily due to Company sales efforts and an increase in the number of customers. Despite an increase in depreciation costs resulting from the completion of major facilities, ordinary profits increased by 18.8% on an unconsolidated basis as a result of the Company's efforts to improve overall management efficiency. Consolidated ordinary profits of the Group increased by 25.1%.

Year ended March 2005 (187th term)

Please refer to "1. Business Operations and Results of the Company and the Group" above.

II. Outline of the Company (as of 31 March 2005)

1. Principal Activities of the Group

(1) Production, distribution and sales of gas
(2) Distribution and sales of LPG
(3) Generation, distribution and sales of electric power
(4) Sales of gas appliances
(5) Housepipe installations

2. Shares and Shareholders

(1) Number of Shares Issued and Number of Shareholders

Items	Contents
Number of Authorized Shares	3,840,848,909 shares
Number of Shares Issued and Outstanding	2,369,011,539 shares
Number of Shareholders (as of financial year end)	202,076

(2) Principal Shareholders

Shareholders	The Shareholder's Holding in the Company		The Company's Holding in the Shareholder	
	No. (1,000s)	Holding (%)	No. (1,000s)	Holding (%)
Nippon Life Insurance Company	120,103	5.07	---	---
Japan Trustee Services Bank, Ltd. (trust account)	87,298	3.68	---	---
UFJ Bank Limited	63,938	2.70	0	0
The Master Trust Bank of Japan, Ltd. (trust	62,607	2.64	---	---

account)				
State Street Bank and Trust Company 505103	56,490	2.38	---	---
Resona Bank, Limited	52,777	2.23	0	0
Meiji Yasuda Life Insurance Company	36,289	1.53	---	---
Nissay Dowa General Insurance	30,961	1.31	1,477	0.37
Toyu-kai（Employees' Stockholding）	27,599	1.17	---	---
The Chase Manhattan Bank N.A., London S.L. Omnibus Account	21,639	0.91	---	---

3. Repurchase, Reselling, Cancellation, etc. and Holding of Treasury Shares

(1) Repurchased Shares

Common shares:	3,336,206 shares	Total acquisition cost:	¥1,036,290,522

(2) Resold Shares

Common shares:	1,288,457 shares	Total proceeds:	¥401,196,202

(3) Share holding as of financial year end

Common shares:	140,284,727 shares

4. Subsidiaries and Affiliates

Outline of Principal Subsidiaries

Company	Capital (Yen in millions)	Holding (%) (including in-direct holding)	Main Activities
Liquid Gas Co., Ltd.	1,030	100	Production, sales and delivery of LNG and other types of high pressure gases; sales of cold energy of LNG and sales of LPG
Nissho Petroleum Gas	1,726	70.00	Import and sales of LPG

Corporation			
Urbanex Co., Ltd.	1,570	100	Management, operation and lease of real estate; survey and research of urban development
Kinrei Corporation	966	74.81	Operation of restaurants; production and sales of frozen foods
Osaka Gas Information System Research Institute Co., Ltd.	400	100	Information processing services via computers; production, sales and lease of related equipment and software
Osaka Gas Chemicals Co., Ltd.	480	100	Manufacture and sales of chemical products, carbon products, etc.
OG Capital Co., Ltd.	3,000	100	Management, operation and lease of real estate

(1) Development of Company Affiliation

(i) Separation of Gas Business, etc. Conducted at Toyooka Office under a Scheme of Corporate Separation

The Company separated the gas business, etc. conducted at the Toyooka Office under a scheme of corporate separation and caused Toyooka Energy Co., Ltd. established thereby to succeed to the same on 25 June 2004.

(ii) Change in Corporate Name of Nissho Iwai Petroleum Gas Corp.

Nissho Iwai Petroleum Gas Corp. changed its corporate name to Nissho Petroleum Gas Corporation on 1 July 2004.

(2) Result of Company Affiliation

There are 120 consolidated companies (118 consolidated subsidiaries and 2 equity method affiliates), including the 7 principal subsidiaries mentioned above. Consolidated revenues for the financial year ended 31 March 2005 increased by 2.5% to ¥975,340 million, with a consolidated net income increase of 7.7% to ¥50,683 million compared to the preceding financial year.

5. Major Lenders

Lenders	Loans Outstanding on 31 March 2005 (Yen in millions)	Lenders' Holding in the Company	
		No. (1,000s)	Holding (%)
Nippon Life Insurance Company	31,300	120,103	5.07
Development Bank of Japan	21,193	0	0
Meiji Yasuda Life Insurance Company	13,800	36,289	1.53
Sumitomo Life Insurance Company	13,000	12,237	0.52
Daido Life Insurance Company	11,400	2,046	0.09

6. Major Plants and Offices of the Group

The Company	Head Office	Head Office (Osaka Prefecture)
	Residential Energy Business Unit	Osaka Residential Sales Dept. (Osaka Prefecture) Nanbu Residential Sales Dept. (Osaka Prefecture) Hokutobu Residential Sales Dept. (Osaka Prefecture) Hyogo Residential Sales Dept. (Hyogo Prefecture) Keiji Residential Sales Dept. (Kyoto Prefecture) Shiga-Higashi Office (Shiga Prefecture)
	Commercial & Industrial Energy Business Unit	Osaka Commercial & Industrial Energy Sales Dept. (Osaka Prefecture) Nanbu Commercial & Industrial Energy Sales Dept. (Osaka Prefecture) Hokutobu Commercial & Industrial Energy Sales Dept. (Osaka Prefecture) Hyogo Commercial & Industrial Energy Sales Dept. (Hyogo Prefecture) Keiji Commercial & Industrial Energy Sales Dept. (Kyoto Prefecture)
	Pipeline Business Unit	Osaka Pipeline Dept. (Osaka Prefecture) Nanbu Pipeline Dept. (Osaka Prefecture) Hokutobu Pipeline Dept. (Osaka Prefecture) Hyogo Pipeline Dept. (Hyogo Prefecture) Keiji Pipeline Dept. (Kyoto Prefecture)

	LNG Terminal & Power Generation Business Unit (Terminals)	Senboku LNG Terminals (Osaka Prefecture) Himeji LNG Terminal (Hyogo Prefecture)
	Technology Division (Laboratories)	Energy Technology Laboratories (Osaka Prefecture)
Subsidiaries		Liquid Gas Co., Ltd. (Osaka Prefecture) Nissho Petroleum Gas Corporation (Tokyo) Urbanex Co., Ltd. (Osaka Prefecture) Kinrei Corporation (Osaka Prefecture) Osaka Gas Information System Research Institute Co., Ltd. (Osaka Prefecture) Osaka Gas Chemicals Co., Ltd. (Osaka Prefecture) OG Capital Co., Ltd. (Osaka Prefecture)

Notes: On 25 June 2004, the Company separated the gas business, etc. conducted at the Toyooka Office under a scheme of corporate separation .

7. Employees of the Company and the Group

(1) Employees of the Company

Number of Employees	Average Age (years)	Average Length of Service (years)
5,570	41.3	19.9

(2) Employees of the Group

Number of Employees
15,992

Note: The above number of employees of the Company and the Group includes employees on fixed term contracts but excludes employees seconded to other organizations.

8. Directors and Corporate Auditors

Name

Akio Nomura	Chairman	
Hirofumi Shibano	President	
Yuji Matsumura	Executive Vice-President	Head of Safety and Technology
Hidetoshi Nakatani	Executive Vice-President	
Seishiro Yoshioka	Executive Vice-President	Head of Business Innovation by Utilizing IT; President of Strategy & Finance Division; Head, Energy Resources Business Unit
Yukihiro Endo	Senior Managing Director	Head of Customer Services, Head, Residential Energy Business Unit
Zenzo Ideta	Senior Managing Director	President of Communication & HR Division
Hiroshi Yokokawa	Managing Director	President of Tokyo Division; Regional Representative for Osaka, Wakayama and Nara
Takashi Nabari	Managing Director	Head, Commercial & Industrial Energy Business Unit
Chiaki Gomi	Managing Director	President of Technology Division
Hideaki Nagata	Managing Director	Head, LNG Terminal & Power Generation Business Unit
Katsumi Makino	Managing Director	President of Administration & General Affairs Division
Yoichi Higuchi	Director	Head, Pipeline Business Unit
Hiroshi Ozaki	Director	Responsible for Tokyo

		Representative; Director of The Japan Gas Association
Hiroshi Nishiura	Director	Regional Representative for Hyogo
Tsuneo Mitsuda	Director	General Manager, Pipeline & Facilities Engineering Dept., Pipeline Business Unit
Masateru Sato	Director	General Manager, Corporate Sales Dept., Residential Energy Business Unit
Masao Nishino	Director	General Manager, Residential Market Development Dept., Residential Energy Business Unit
Masashi Kuroda	Director	Regional Representative for Kyoto and Shiga
Yuichi Funahashi	Director	General Manager, Hyogo Residential Sales Dept., Residential Energy Business Unit
Akira Narumiya	Director	General Manager, Commercial & Industrial Market Development Dept., Commercial & Industrial Energy Business Unit, General Manager, Large Customer Sales Dept., Commercial & Industrial Energy Business Unit
Tamotsu Okajima	Corporate Auditor (full-time)	
Akio Wada	Corporate Auditor (full-time)	
Reisuke Shimada	Corporate Auditor	Professor of Kansai University School of Law
Junjiro Kanamori	Corporate Auditor	Director of International Institute for Advanced Studies

Notes:

1) The Chairman, President, Vice-Presidents and Senior Managing Directors are each a Representative Director.

2) The following persons were newly elected Directors and Corporate Auditor pursuant to the resolution adopted at the Annual Meeting of Shareholders held on 29 June 2004:

Masashi Kuroda	Director
Yuichi Funahashi	Director
Akira Narumiya	Director
Akio Wada	Corporate Auditor

3) The following persons were transferred to new positions pursuant to the resolution adopted at the Meeting of the Board of Directors held on 29 June 2004 (previous positions in brackets):

Hidetoshi Nakatani	Executive Vice-President	(Senior Managing Director)
Seishiro Yoshioka	Executive Vice-President	(Senior Managing Director)
Yukihiro Endo	Senior Managing Director	(Managing Director)
Zenzo Ideta	Senior Managing Director	(Managing Director)
Hideaki Nagata	Managing Director	(Director)
Katsumi Makino	Managing Director	(Director)

4) Corporate Auditor, Akio Wada, was elected a full-time Corporate Auditor by the Board of Corporate Auditors on 29 June 2004.

5) Corporate Auditors, Reisuke Shimada and Junjiro Kanamori, are both external auditors specified in Article 18, paragraph 1 of the Law for Special Exceptions to the Commercial Code concerning Audit, etc. of Kabushiki-Kaisha.

6) The following Directors and Corporate Auditor retired at the end of the Annual Meeting of Shareholders held on 29 June 2004:

Hironori Yamada	Executive Vice-President
Kunishige Asai	Managing Director
Yoshikazu Ishida	Director
Yoshishige Suzuma	Director
Keizo Hikasa	Corporate Auditor

9. Fees and Other Charges Paid to Independent Outside Auditors

(Yen in millions)

1	Total amount of fees and other charges paid to independent outside auditors by the Company and its subsidiaries	135
2	Of the total amount specified in 1 above, total amount of fees and other charges paid in consideration for audit attest services	121
3	Of the total amount specified in 2 above, total amount of fees and other charges paid to independent outside auditors by the Company	51

Note: As the audit fees payable under the Law for Special Exceptions to the Commercial Code concerning Audit, etc. of Kabushiki-Kaisha and those payable under the Securities and Exchange Law are not separated for the purpose of the audit contract executed between the Company and the independent outside auditors and are impractical to separate, the amount specified in 3 above is indicated as the total amount of audit fees payable under both Laws.

III. Material Facts concerning the Group after the Financial Year Ended 31 March 2005

1. Cancellation of Treasury Shares

The Meeting of the Board of Directors on 29 March 2005 has resolved to cancel 133,342,000 common shares that the Company had repurchased pursuant to the resolutions adopted at the Annual Meetings of Shareholders held on 27 June 2002 and 27 June 2003. The cancellation of these shares was effectuated on 12 April 2005.

2. Acquisition of Shares in Japan EnviroChemicals, Ltd. and Other Companies

On 30 March 2005, Osaka Gas Chemicals Co., Ltd. ("Osaka Gas Chemicals") agreed to acquire from Takeda Pharmaceutical Company Limited ("Takeda") all of Takeda's equity interests in Japan EnviroChemicals, Ltd. ("Japan EnviroChemicals"), Minabe Chemical Industries, Ltd., Hakata Chemical Co., Ltd., Davao Central Chemical Corporation and Century Chemical Works Sendirian Berhad, all of which are companies engaged in the life-environmental business including the production and sale of activated carbon (Takeda's interests in these companies had been 100%, 100%, 40%, 80% and 25%, respectively). The Company completed the purchase of the shares in the first three companies at the total price of ¥11.9 billion on 1 April 2005.

On the same day, the Company acquired from Osaka Gas Chemicals a 30% equity interest in Japan EnviroChemicals. In addition, Osaka Gas Chemicals issued additional share capital in the amount of ¥2.02 billion on 20 April 2005.

Balance Sheets

(As of 31 March 2005)

(Yen in millions)

Assets		Liabilities	
Non-current Assets	792,139	Non-current Liabilities	330,996
Property, Plant and Equipment	562,028	Corporate bonds maturing after one year	203,660
Production facilities	109,899	Long-term borrowings due after one year	102,386
Distribution facilities	354,393	Reserve for retirement allowance	13,311
Service and maintenance facilities	67,272	Reserve for repairs of gas holders	1,579
Incidental business facilities	5,420	Other non-current liabilities	10,058
Idle facilities	1,532	Current Liabilities	207,699
Construction in progress	23,510	Long-term debt due within one year	45,066
Intangible Fixed Assets	4,729	Trade accounts payable	15,147
Leaseholds	3,071	Other payables	20,414
Other	1,658	Accrued expenses	44,642
Investments and Other Assets	225,381	Accrued income and enterprise taxes	20,016
Investments securities	68,858	Advance received	6,347
Investment in associated companies	75,354	Deposits received	1,271
Long-term loans to affiliated companies	47,984	Short-term borrowings from associated companies	26,165
Financing receivables	10	Short-term credits from associated companies	13,831
Long-term prepaid expenses	3,764	Deferred income from hedge transactions	13,757
Deferred tax assets	8,872	Other current liabilities	1,040
Prepaid pension expenses	12,786	Total Liabilities	538,695
Other investments and other assets	8,609	**Shareholders' Equity**	
Allowance for doubtful receivables	(-859)	Common Stock	132,166
Current Assets	189,321	Capital Surplus	19,497
Cash & time deposits	32,967	Capital reserve	19,482
Notes and bills receivable	886	Other capital surplus	15
Trade accounts receivable	63,110	Gain on sale of treasury shares	15
Trade accounts receivable from associated companies	5,254	Retained Earnings	310,107
Other receivables	12,829	Retained earnings reserve	33,041
Finished products	90	Reserve for deferred gain from replacement of designated properties, etc.	216
Raw materials	15,744	Reserve for depreciation of designated gas pipeline construction	1,677
Supplies	9,074	Reserve against losses on overseas investments, etc.	6,218
Short-term loans to associated companies	15,016	Raw material cost fluctuation adjustment reserve	89,000
Short-term credits against associated companies	3,416	Special reserves	62,000
Deferred tax assets	12,198	Unappropriated earnings	117,952
Derivatives	13,757		
Other current assets	5,565	Net Unrealized Holding Gains on Securities, etc.	23,090
Allowance for doubtful receivables	(-589)	Net unrealized holding gains on other securities	23,090
Deferred Assets	40	Treasury Stock	(-42,056)

Discount on issued bonds	40	Treasury stock	(-42,056)
		Total Shareholders' Equity	442,805
Total Assets	981,501	Total Liabilities & Shareholders' Equity	981,501

(Notes)

1. Significant accounting policies:

(1) Property, plant and equipment is depreciated using the declining-balance method. However, the straight-line method has been used for buildings (excluding structures attached to buildings) acquired after 1 April 1998.

(2) Valuation of marketable securities:

Shares of subsidiaries and associated companies:	stated at cost based on the moving-average method
Other marketable securities:	
Securities with fair value:	stated at fair value (Unrealized holding gains and losses are accounted for as a component of shareholders' equity; cost of sales is determined using the moving-average method.)
Securities not practicable to determine fair value:	stated at cost based on the moving-average method

(3) Finished products are stated at cost based on the weighted-average method and both raw materials and supplies are stated at cost based on the moving-average method.

(4) Derivatives are stated at fair value.

(5) Significant reserves:

Reserve for retirement allowance:

For the purposes of employee retirement allowance, an amount is provided based on the estimate of the retirement allowance obligation and pension assets at the end of the financial year.

Reserve for repairs of gas holders:

To provide for the necessary expenditure for periodical repairs of spherical gas holders, the amount for the next scheduled repair is provided based on the actual expenditure for the previous period, which is proportionally allotted for the period up to such next scheduled repair.

(6) Consumption taxes etc. are computed using the net-of-tax method.

2. Changes in accounting policies:

(1) For the financial year ended 31 March 2005, the Company has adopted the new accounting standard for impairment of fixed assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council of Japan on 9 August 2002) and the implementation guidance for accounting standard for impairment of fixed assets (the Financial Accounting Standard Implementation Guidance No. 6 issued by the Accounting Standards Board of Japan on 31 October 2003) as the adoption of the said accounting standard and guidance has become permissible from the financial year ended March 2004. As a result thereof, income before income taxes decreased by ¥10,771 million. The accumulated impairment amount is directly deducted from the carrying value of each asset affected.

(2) Due to an amendment in the accounting rules applicable to gas businesses, expenses incurred in connection with the gas business and other incidental businesses have been presented separately in conformity with the new rules from this financial year. Operating profit of this financial year has not been affected by this change.

(3) Due to an amendment in the accounting rules applicable to gas businesses, the "automatic alert service business" and "electric power supply business" have been presented as a component of revenues from incidental businesses and expenses from incidental businesses.

(4) Due to an amendment in the accounting rules applicable to gas businesses, the fixed assets, revenues and expenses relating to providing third party access to pipelines, which had been previously categorized as an incidental business until the preceding financial year, have been reclassified as fixed assets, revenues and expenses of the gas business. Operating profit of this financial year has not been affected by this change.

3. Accumulated depreciation of property, plant and equipment: ¥1,582,593 million

4. Shares held in subsidiaries that are included under investment in associated companies: ¥46,931 million

5. Of the credits against and credits from associated companies, the following are in relation to subsidiaries:

   Long-term credit against subsidiaries: ¥70,221 million
   Short-term credit against subsidiaries: ¥22,133 million
   Short-term credit from subsidiaries: ¥39,718 million

6. Reserve for repairs of gas holders is a reserve provided in accordance with Article 43 of the Commercial Code Enforcement Regulations.

7. Contingent liability:

Guarantee liabilities: ¥7,798 million
Debt assumption agreements with respect to bonds and loans: ¥58,931 million

8. Net assets as defined under Article 124, item 3 of the Commercial Code Enforcement Regulations: ¥23,090 million

Income Statements
(1 April 2004 through 31 March 2005)

(Yen in millions)

Costs and Expenses		Operating Revenues	
Ordinary Profit and Loss			
Operating Income and Expenses			
Cost of products sold	219,385	Sales of products manufactured	567,497
Inventory at the beginning of the period	84	Sales of gases	567,497
Cost of products manufactured	222,191		
Amount of products purchased	0		
Own use of products manufactured	2,800		
Inventory at the end of the period	90		
(Gross profit)	(348,111)		
Expenses for distribution and sales	222,995		
General administrative expenses	66,444		
(Income from operation)	(58,671)		
Miscellaneous operating expenses	122,549	Miscellaneous operating revenues	126,715
Installation expenses	31,723	Revenues from housepipe installations	31,837
Appliance sales expenses	90,826	Appliances sales revenues	92,066
		Other miscellaneous operating revenues	2,811
Expenses from incidental businesses	22,269	Revenues from incidental businesses	28,542
Expenses from the automatic alert service business	3,537	Revenues from the automatic alert service business	4,887
Expenses from the electric power supply business	4,782	Revenues from the electric power supply business	4,789
Expenses from other incidental businesses	13,948	Revenues from other incidental businesses	18,866
(Operating income)	(69,111)		
Non-Operating Income and Expenses			
Non-operating expenses	6,493	Non-operating income	12,541
Interest payments	1,337	Interest income	541
Interest payments on corporate bonds	2,792	Dividends income	1,342
Amortization of discount on issued bonds	2	Lease income	1,323
Amortization of bond-issue expenses	94	Gains on sale of investment securities	5,227
Other miscellaneous expenses	2,266	Other income	4,107
(Ordinary profit)	(75,159)		
Extraordinary Profit and Losses			
Extraordinary losses	11,551	Extraordinary profit	820
Loss on advance depreciation of fixed assets	780	Gain on sale of fixed assets	820
Impairment loss on fixed assets	10,771		

(Income before income taxes)	(64,428)		
Income taxes - current	17,000		
Income taxes – deferred	6,147		
Net income	41,280		
Total	736,117	Total	736,117
Net income			41,280
Retained earnings brought forward from previous financial year			83,362
Interim dividends			6,690
Unappropriated earnings			117,952

Notes: 1. Transactions with subsidiaries

Sales	¥19,678 million
Purchases	¥77,908 million
Non-operating transactions	¥8,541 million

2. Net income per share ¥18.48

Proposed Appropriation of Earnings

	Yen
Unappropriated earnings	117,952,989,981
Reversal of reserve for depreciation of designated gas pipeline construction	370,875,076
Reversal of reserve against losses on overseas investments, etc.	15,135,095
Total	**118,339,000,152**
To be appropriated as follows:	
Cash dividends (¥3.00 per share)	6,686,180,436
Directors' bonuses	60,000,000
Earnings to be carried forward	111,592,819,716

Notes:

1. An interim dividend of ¥6,690,419,862 (¥3.00 per share) was paid on 30 November 2004.
2. The reversal amounts for the reserve for depreciation of designated gas pipeline construction and reserve against losses on overseas investments, etc. are made in accordance with the provisions specified in the Special Taxation Measures Law, and the figures take into account adjustments for tax effect.
3. Other capital surplus will be carried forward in full to the next financial year.

Certified Copy of Auditors' Report Prepared by Independent Outside Auditors

Report of Independent Certified Public Accountants

27 April 2005

To: The Board of Directors of Osaka Gas Co., Ltd.

AZSA & Co.			
Designated Partner Engagement Partner	Certified Public Accountant	Shyuichi Madokoro	[seal]
Designated Partner Engagement Partner	Certified Public Accountant	Hiroshi Sonoki	[seal]
Designated Partner Engagement Partner	Certified Public Accountant	Satoshi Kitamoto	[seal]

We have examined the financial statements, i.e., balance sheets, income statements, operating report (only in respect of the section concerning the accounts), the proposed appropriation of earnings, and the supporting schedules (only in respect of the section concerning the accounts) of Osaka Gas Co., Ltd. for the 187th business year which was from 1 April 2004 through 31 March 2005, in accordance with Article 2, paragraph 1 of "the Law for Special Exceptions to the Commercial Code concerning Audit, etc. of Kabushiki-Kaisha." The sections concerning the accounts in the operating report and the supporting schedules which were subject to our audit are those in accordance with the accounting records of the operating report and the supporting schedules. The management is responsible for the preparation of these financial statements and the supporting schedules, and it is our responsibility to form an independent opinion on such financial statements and supporting schedules.

We have carried out this audit in accordance with generally accepted auditing standards in Japan. These auditing standards require that we perform the audit to obtain reasonable assurance about whether the financial statements and the supporting schedules are free of material misstatement. The audit includes an overall examination, on a test basis, of the information in the financial statements and the supporting schedules including an assessment of the accounting policies adopted by the management and the method of application thereof, as well as of the estimates made by the management. We believe that our audit provides a reasonable basis for the expression of our opinion. In addition, this audit includes the examination of the Company's subsidiaries which we deemed necessary.

As a result of this audit, we have reached the following conclusions:

1. The balance sheets and income statements give a true and proper account of the Company's assets and earnings in accordance with applicable laws and the Articles of Incorporation.
2. As stated in the notes concerning changes in accounting policies, the Company has implemented the following changes in accounting policies.
   The Company has adopted the new accounting standard for impairment of fixed assets from this business year. Such change has been effected in connection with the "Accounting Standard for Impairment of Fixed Assets" and the "implementation guidance for accounting standard for impairment of fixed assets" the adoption of which has become permissible from the business year ended 31 March 2004 and is considered reasonable.
   Expenses incurred in relation to gas business and incidental business have been separated and respectively stated in accordance with the prescribed standards from this business year. Revenues and expenses incurred in relation to "automatic alert service business" and "electric power supply business" are stated as breakdown items of revenues from incidental businesses and expenses from incidental businesses. In addition, fixed assets, profits and expenses concerning third party access to pipelines, which had been categorized as incidental business until the previous business year, has been recorded as those concerning gas business from this business year. Such changes have been made due to an amendment in the accounting rules applicable to gas businesses and are considered reasonable.
3. The operating report (only in respect of the section concerning the accounts) gives a true and proper account of the Company's operations in accordance with applicable laws and the Articles of Incorporation.
4. The proposed appropriation of earnings is appropriate in accordance with applicable laws and the Articles of Incorporation.

5. The supporting schedules (only in respect of the section concerning the accounts) do not include any items which were necessary to be pointed out in accordance with the Commercial Code.

Material facts occurring after the financial year ended 31 March 2005 concerning the cancellation of treasury shares are described in the operating report.

Neither AZSA & Co. nor any of its engagement partners have any conflict of interests with Osaka Gas Co., Ltd., which is required to be described under the Certified Public Accountant Law.

AZSA & Co.

Certified Copy of Auditors' Report Prepared by the Board of Corporate Auditors

Corporate Auditors' Report

The current audit covers the 187th term which was from 1 April 2004 through 31 March 2005. Each Corporate Auditor has prepared a report of the method and the results of the audit in respect of performances of Directors' duties. We report as follows:

1. Outline of the method of audit:
Each Corporate Auditor has conducted the audit in accordance with the policy and plan defined by the Board of Corporate Auditors.

(1) We have attended meetings of the Board of Directors and other important meetings and have been informed by the Directors and others in respect of the status of performance of their duties. Furthermore, we have examined important documents in respect of settlements, etc., and inspected the operations and the assets of the Company at its principal business offices. We have also required subsidiaries to report on their activities, and visited them as necessary in order to inspect their operations and assets.
(2) We have received reports and explanations from the Independent Outside Auditors, and examined the financial statements and the supporting schedules.
(3) In addition to the above auditing procedures, each Corporate Auditor, when necessary, requested reports from Directors and others to examine transactions of the following categories; transactions by Directors in competition with the Company, transactions involving conflict of interests between Directors and the Company, dealings in which the Company provided benefits without compensation, unusual dealings between the Company and subsidiaries or shareholders, and acquisition or disposal of the Company's own shares.

2. The results of the audit:

(1) Methods used by AZSA & Co. as the Independent Outside Auditors for this audit, and the results thereof, are fair and proper.
(2) The operating report gives a fair and proper account of its business in accordance with applicable laws and the Articles of Incorporation.
(3) The proposals for appropriation of earnings contain no matters which need to be pointed out in the light of the Company's assets or any other considerations.
(4) The supporting schedules give an accurate statement of the information required to be presented, and do not include any items which need to be pointed out.
(5) No dishonesty or facts that are materially in breach of applicable laws or the Articles of Incorporation have been detected in respect of the performance by the Directors of their duties, including their duties relating to subsidiaries.
Additionally, we have found no breach of the duties of Directors regarding; transactions by Directors in competition with the Company, transactions involving conflict of interests between Directors and the Company, dealings in which the Company provided benefits without compensation, unusual dealings between the Company and subsidiaries or shareholders, or acquisition or disposal of the Company's own shares.

28 April 2005

Osaka Gas Co., Ltd. the Board of Corporate Auditors

Tamotsu Okajima	Corporate Auditor (Full-time)	[seal]
Akio Wada	Corporate Auditor (Full-time)	[seal]
Reisuke Shimada	Corporate Auditor	[seal]
Junjiro Kanamori	Corporate Auditor	[seal]

Note: Corporate Auditors, Reisuke Shimada and Junjiro Kanamori are both external auditors specified in Article 18, paragraph 1 of the Law for Special Exceptions to the Commercial Code concerning Audit, etc. of Kabushiki-Kaisha.

Consolidated Balance Sheets

(As of 31 March 2005)

(Yen in millions)

Assets		Liabilities	
Non-current Assets	**962,392**	**Non-current Liabilities**	**414,712**
Property, Plant and Equipment	**766,823**	Corporate bonds	204,080
Production facilities	111,771	Long-term borrowings due after one year	163,185
		Deferred tax liabilities resulting from revaluation of assets	55
Distribution facilities	355,278	Reserve for retirement allowance	18,343
Service and maintenance facilities	68,047		
Other facilities	202,937	Reserve for repairs of gas holders	1,610
Idle facilities	1,532	Other	27,437
Construction in progress	27,256	**Current Liabilities**	**261,826**
Intangible fixed assets	**27,879**	Long-term debt due within one year	58,214
Consolidation adjustment account	8,873	Notes, bills and trade accounts payable	43,826
Other	19,006	Short-term borrowings	26,564
Investments and other assets	**167,688**	Accrued income and enterprise taxes	25,815
Investments securities	102,450	Other	107,405
Deferred tax assets	14,439		
Others	53,455	**Total Liabilities**	**676,538**
Allowance for doubtful receivables	(-2,657)	**Minority Interests**	
Current Assets	**255,030**	**Minority Interests**	**10,062**
Cash & time deposits	48,512	**Shareholders' Equity**	
Notes, bills and trade accounts receivable	114,045	**Common Stock**	**132,166**
Inventories	40,785	**Capital Surplus**	**19,497**
Deferred tax assets	15,347	**Retained Earnings**	**384,350**
		Net Unrealized Holding Gains on Land	**81**
Other	37,098	**Net Unrealized Holding Gains on Securities**	**33,677**
Provision for doubtful accounts	(-759)	**Foreign Currency Translation Adjustments**	**3,145**
Deferred Assets	**40**	**Treasury Stock**	**(-42,056)**
Discount on issued bonds	40	**Total Shareholders' Equity**	**530,862**
Total Assets	**1,217,463**	**Total Liabilities, Minority Interests & Shareholders' Equity**	**1,217,463**

Consolidated Income Statements
(1 April 2004 through 31 March 2005)

(Yen in millions)

Items	
(**Ordinary Profit and Loss**) (Operating Income and Expenses)	
Operating revenues	**975,340**
Cost of products sold	**534,043**
(Gross profit)	**(441,297)**
Expenses for distribution and sales and general administrative expenses	**345,304**
(Operating income)	**(95,992)**
(Non-Operating Income and Expenses)	
Non-operating income	**12,487**
Interest income	249
Dividends income	893
Gain on sale of investment securities	5,965
Other non-operating income	5,378
Non-operating expenses	**10,998**
Interest payments	6,040
Other non-operating expenses	4,958
(Ordinary profit)	**(97,480)**
(Extraordinary Profit and Losses)	
Extraordinary profit	**1,183**
Gain on sale of fixed assets	1,183
Extraordinary losses	**14,759**
Loss on advance depreciation of fixed assets	849
Impairment loss on fixed assets	13,910
(Income before income taxes)	**(83,904)**
Income taxes - current	**26,026**
Income taxes - deferred	**6,452**
Minority interests	**742**
Net income	**50,683**

(Notes)

1. Significant matters forming the basis of preparation for these consolidated financial statements:

   (1) Scope of consolidation

   Number of consolidated subsidiaries: 118

   (Name of principal consolidated subsidiaries)

   Osaka Gas Chemicals Co., Ltd., Urbanex Co., Ltd., OG Capital Co., Ltd., Osaka Gas Information System Research Institute Co., Ltd., Kinrei Corporation, Liquid Gas Co., Ltd., Nissho Petroleum Gas Corporation

   (2) Application of the equity method

   Number of equity method affiliates: 2

   (Name of equity method affiliates)

   Osaka Rinkai Energy Service Corporation, Universe Gas and Oil Company Inc.

   Affiliates not subject to the equity method includes primarily ENNET Corporation.

   The equity method is not applied to these affiliates because they do not have a material impact on consolidated net income or losses or consolidated capital surplus, etc. and are not material as a whole.

   (3) Significant accounting policies:

   (i) Valuation of assets:

a) Inventories:	primarily stated at cost based on the moving-average method
b) Marketable securities:	
Other marketable securities:	
Securities with fair value:	stated at fair value based on market prices as of the end of the financial year (Unrealized holding gains and losses are accounted for as a component of shareholders' equity; cost of sales is determined primarily using the moving-average method.)
Securities not practicable to determine fair value:	primarily stated at cost using the moving-average method
c) Derivatives:	

stated at fair value

(ii) Property, plant and equipment is depreciated primarily using the declining-balance method. However, the straight-line method has been used for buildings (excluding structures attached to buildings) acquired after 1 April 1998.

(iii) Significant reserves:
Reserve for retirement allowance:

For the purposes of employee retirement allowance, an amount is provided based on the estimate of the retirement allowance obligation and pension assets at the end of the consolidated financial year.

Reserve for repairs of gas holders:

To provide for the necessary expenditure for periodical repairs of spherical gas holders, the amount for the next scheduled repair is provided based on the actual expenditure for the previous period, which is proportionally allotted for the period up to such next scheduled repair.

(iv) Valuation of assets and liabilities of consolidated subsidiaries:
Assets and liabilities of consolidated subsidiaries are valued using the full fair value method.

(v) Method and period of amortization of consolidation adjustment account:
Consolidation adjustment account is amortized on a straight line basis over a period of 20 years after the date of recognition. If the amount is immaterial, however, it is expensed as incurred.

(vi) Other significant matters for the preparation of these consolidated financial statements:
Consumption taxes are computed using the net-of-tax method.

2. Changes in accounting policies:

For the consolidated financial year ended 31 March 2005, the Company has adopted the new accounting standard for impairment of fixed assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council of Japan on 9 August 2002) and the implementation guidance for accounting standard for impairment of fixed assets (the Financial Accounting Standard Implementation Guidance No. 6 issued by the Accounting Standards Board of Japan on 31 October 2003) as the adoption of the said accounting standard and guidance has become permissible from the consolidated financial year ended March 2004. As a result thereof, income before income taxes decreased by ¥13,905 million. The accumulated impairment amount is directly deducted from the carrying value of each asset affected.

3. Notes relating to the consolidated balance sheets

(1) Accumulated depreciation of property, plant and equipment: ¥1,736,680 million

(2) Assets pledged as collateral: ¥60,355 million

(3) Contingent liability
Guarantee liabilities: ¥2,442 million
Debt assumption agreements with respect to bonds and loans: ¥58,931 million

(4) Net unrealized holding gains on land
Commercial land of certain consolidated subsidiaries have been revalued in accordance with the Law Concerning Revaluation of Land (Law No. 34 of 31 March 1998) and the Law Related to Partial Revision to the Law Concerning Revaluation of Land (Law No. 19 of 31 March 2001). Any difference resulting from the revaluation (net of the related tax) is included in Shareholders' Equity as net unrealized holding gains on land.
(i) Revaluation method
The value of land is determined based on road rating adjusted reasonably as stipulated in Article 2, Item 4 of the Ordinance Implementing the Law Concerning Revaluation of Land (Government Ordinance No. 119 proclaimed on 31 March 1998).
(ii) Date of land revaluation
31 March 2002
(iii) Difference between the fair value of the land as of the end of this financial year and the carrying value of the land after revaluation
-¥1,788 million

4. Notes relating to the consolidated income statements
Net income per share: ¥22.69

Certified Copy of Auditors' Report Prepared by Independent Outside Auditors on Consolidated Financial Statements

Report of Independent Certified Public Accountants

27 April 2005

To: The Board of Directors of Osaka Gas Co., Ltd.

AZSA & Co.

Designated Partner Engagement Partner	Certified Public Accountant	Shyuichi Madokoro	[seal]
Designated Partner Engagement Partner	Certified Public Accountant	Hiroshi Sonoki	[seal]
Designated Partner Engagement Partner	Certified Public Accountant	Satoshi Kitamoto	[seal]

We have examined the consolidated financial statements, i.e., consolidated balance sheets and consolidated income statements of Osaka Gas Co., Ltd. for the 187th business year which was from 1 April 2004 through 31 March 2005, in accordance with Article 19-2, paragraph 3 of "the Law for Special Exceptions to the Commercial Code concerning Audit, etc. of Kabushiki-Kaisha." The management is responsible for the preparation of these consolidated financial statements, and it is our responsibility to form an independent opinion on such consolidated financial statements.
We have carried out this audit in accordance with generally accepted auditing standards in Japan. These auditing standards require that we perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The audit includes an overall examination, on a test basis, of the information in the consolidated financial statements including an assessment of the accounting policies adopted by the management and the method of application thereof, as well as of the estimates made by the management. We believe that our audit provides a reasonable basis for the expression of our opinion. In addition, this audit includes the examination of the Company's subsidiaries or consolidated subsidiaries which we deemed necessary.

As a result of this audit, we have concluded that the consolidated financial statements give a true and proper account of assets and earnings of the Osaka Gas Group consisting of the Company and its consolidated subsidiaries and other entities in accordance with applicable laws and the Articles of Incorporation.
As stated in the notes concerning changes in accounting policies, the Company has adopted the new accounting standard for impairment of fixed assets from this business year. Such change has been effected in connection with the "Accounting Standard for Impairment of Fixed Assets" and the "implementation guidance for accounting standard for impairment of fixed assets" the adoption of which has become permissible from the business year ended 31 March 2004 and is considered reasonable.

Material facts occurring after the financial year ended 31 March 2005 concerning the cancellation of treasury shares and acquisition of shares in Japan EnviroChemicals, Ltd. and other companies by Osaka Gas Chemicals Co., Ltd., one of the subsidiaries of the Company, are described in the operating report.

Neither AZSA & Co. nor any of its engagement partners have any conflict of interests with Osaka Gas Co., Ltd., which is required to be described under the Certified Public Accountant Law.

AZSA & Co.

Certified Copy of Auditors' Report Prepared by the Board of Corporate Auditors on Consolidated Financial Statements

Corporate Auditors' Report on Consolidated Financial Statements

The current audit covers the 187th term which was from 1 April 2004 through 31 March 2005. Each Corporate Auditor has prepared a report of the method and the results of the audit in respect of the consolidated financial statements (consolidated balance sheets and consolidated income statements) for the said term. We report as follows:

1. Outline of the method of audit:

Each Corporate Auditor has received reports and explanations from the Directors and others, and the Independent Outside Auditors in respect of the consolidated financial statements and has conducted the audit in accordance with the policy and plan defined by the Board of Corporate Auditors. We have also required subsidiaries and consolidated subsidiaries to report on their accounting, and inspected their operations and assets as necessary.

2. The results of the audit:

(1) Methods used by AZSA & Co. as the Independent Outside Auditors for this audit, and the results thereof, are fair and proper.

(2) The consolidated financial statements contain no matters which need to be pointed out as a result of inspection of subsidiaries and consolidated subsidiaries.

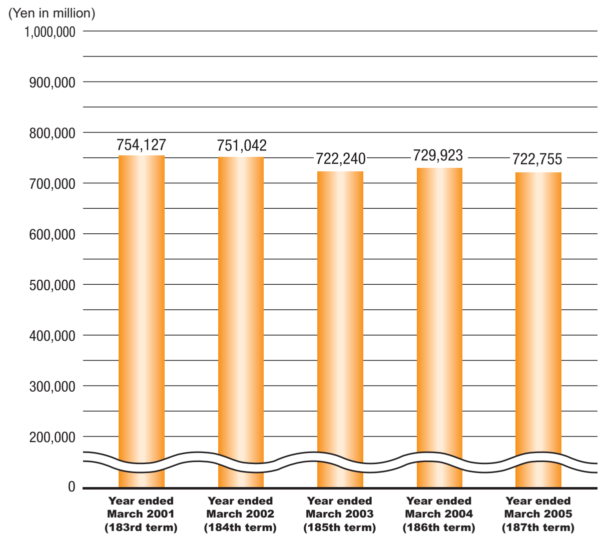
28 April 2005

Osaka Gas Co., Ltd. the Board of Corporate Auditors

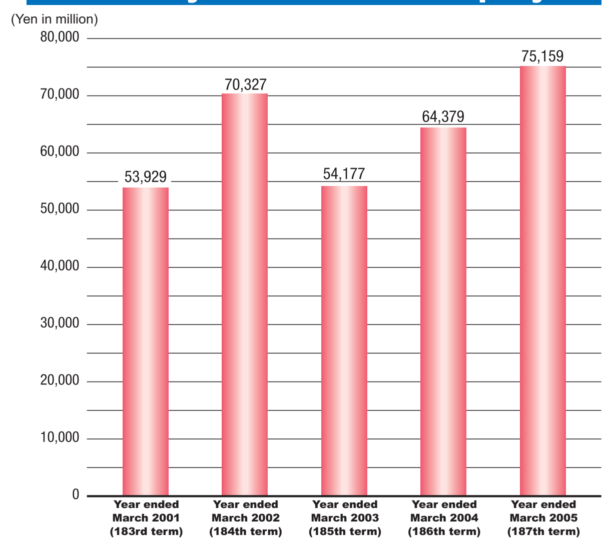
Tamotsu Okajima	Corporate Auditor (Full-time)	[seal]
Akio Wada	Corporate Auditor (Full-time)	[seal]
Reisuke Shimada	Corporate Auditor	[seal]
Junjiro Kanamori	Corporate Auditor	[seal]

Note: Corporate Auditors, Reisuke Shimada and Junjiro Kanamori are both external auditors specified in Article 18, paragraph 1 of the Law for Special Exceptions to the Commercial Code concerning Audit, etc. of Kabushiki-Kaisha.

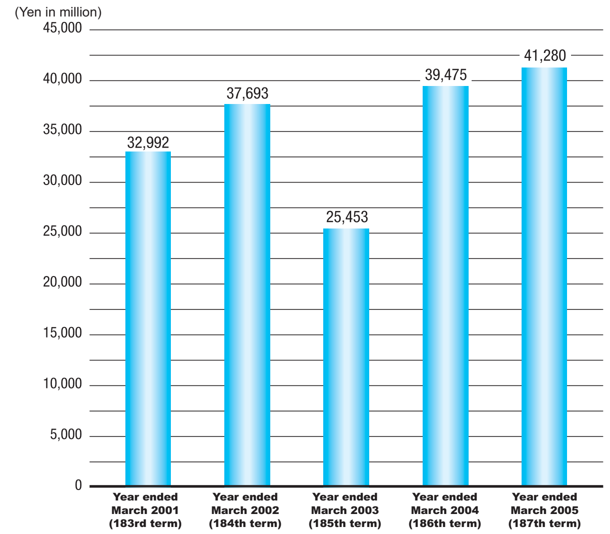
Revenues of the Company



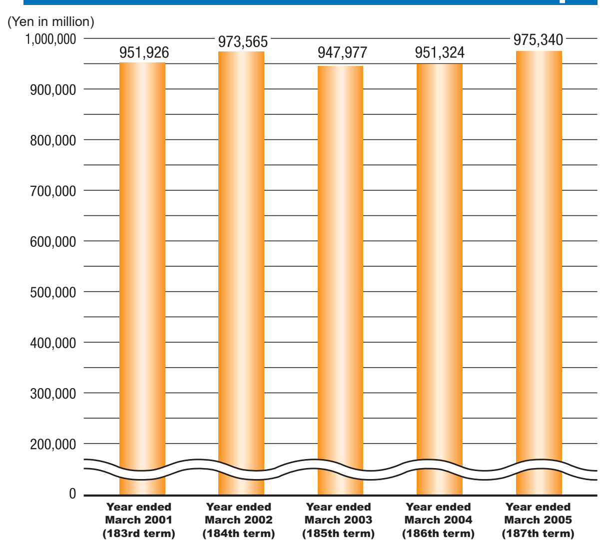
Ordinary Profits of the Company



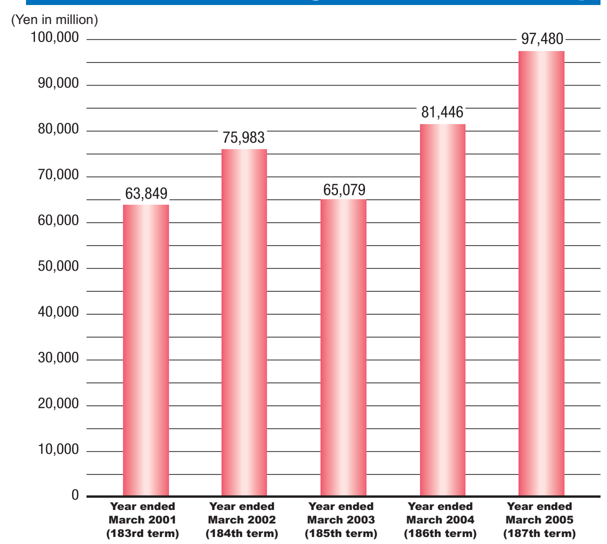
Net Income of the Company



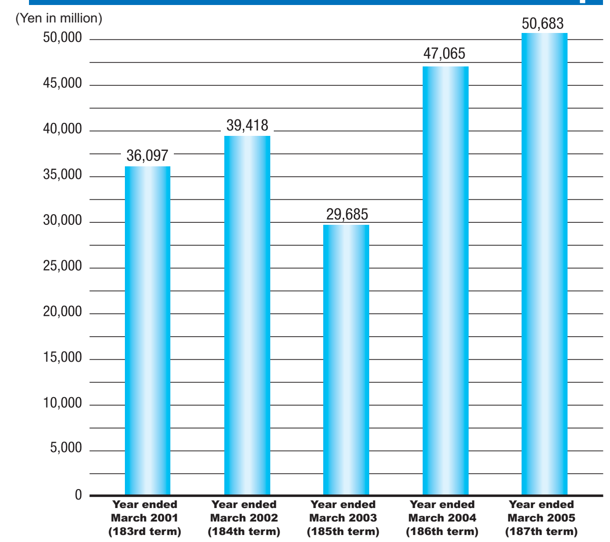
Consolidated Revenues of the Group



Consolidated Ordinary Profits of the Group



Consolidated Net Income of the Group



Sales of gas by segment and the number of customers of the Company