

# For Year Ending March 2005

## Brief Report of Consolidated Financial Statements

April 28, 2005



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

Code: **9532**

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

Representative Officer:

Title: President

Listed Exchanges: Tokyo, Osaka and Nagoya Exchanges

Location of Head Office: Osaka Prefecture

Name: Hirofumi Shibano

Contact:

Title: Accounting Manager

Name: Shingo Kamei TEL: +81-6-6205-4537

Date of Meeting of Board of Directors for Approving Financial Statements: April 22, 2005

Adoption of US Accounting Standards: No

### 1. Consolidated financial results for term ending March 2005 (April 1, 2004 to March 31, 2005)

#### (1) Consolidated operational results

(Any amount less than one million yen is rounded down to the nearest million yen)

	Operating revenues		Operating profit		Ordinary profit	
	million yen	%	million yen	%	million yen	%
Term ending March 2005	975,340	2.5	95,992	4.2	97,480	19.7
Term ending March 2004	951,324	0.4	92,096	7.1	81,446	25.1

	Net income		Retained earning per share	Diluted retained earnings per share	Net income on shareholders' equity	Ordinary profit on total capital	Ordinary profit on operating revenue
	million yen	%	Yen	Yen	%	%	%
Term ending March 2005	50,683	7.7	22.69	-	9.9	8.1	10.0
Term ending March 2004	47,065	58.5	20.56	-	9.9	6.8	8.6

Notes: ①Profit (loss) from investment by equity method

Term ending March 2005: 302 million yen

Term ending March 2004: - million yen

②Average number of outstanding shares during term (consolidated)

Term ending March 2005: 2,229,976,855 shares

Term ending March 2004: 2,285,781,631 shares

③Change in accounting method: N/A

④Percentages shown for operating revenues, operating profit, ordinary profit and net income in tables above are percentages of change from the previous year.

#### (2) Consolidated financial position

	Total assets		Shareholders' equity	Ratio of shareholders' equity to total assets	Shareholders' equity per share
	million yen		million yen	%	Yen
Term ending March 2005	1,217,463		530,862	43.6	238.15
Term ending March 2004	1,199,228		495,635	41.3	222.15

Notes: Number of shares outstanding as of term-end (consolidated)

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

Term ending March 2004: 2,230,774,561 shares

#### (3) Consolidated statement of cash flow

	Cash Flow from Operating Activities	Cash Flow from Investment Activities	Cash Flow from Financial Activities	Cash and Cash Equivalents at term-end
	million yen	million yen	million yen	million yen
Term ending March 2005	116,902	-65,679	-23,912	44,279
Term ending March 2004	132,891	-67,877	-75,930	15,743

#### (4) Scope of consolidation and companies recorded by equity method

Consolidates subsidiaries: 118

Non-consolidated subsidiaries recorded by equity method: 0

Affiliates recorded by equity method: 2

#### (5) Changes in scope of consolidation and application of equity method

Consolidation (new): 43 subsidiaries

(excluded): 2 subsidiaries

Equity method (new): 2 companies

(excluded): 0 companies

2. Forecast for year ending March 2006 (April 1, 2005 to March 31, 2006)

	Operating revenues	Ordinary profit	Net income
	million yen	million yen	million yen
Interim term	435,000	36,500	21,500
Full year	1,005,000	100,000	59,000

(Reference) Expected retained earning per share (for full year): 26.43 yen

\*The above forecasts are based on information available as of the date of this document; actual results may differ from these forecasts due to various factors affecting the Company's business performance. See "3. Operational Results (3) Projections for Next Fiscal Year" in the attachment for matters regarding the business forecasts as shown above.

# 1. Osaka Gas Group

The Osaka Gas Group (comprising 118 consolidated subsidiaries [43 added and two excluded], and two affiliates reported by the equity method [two added]) is engaged in businesses relating to gas; LPG, electricity and other energies; gas appliances and house-pipe installation; real estate; and others.

<Segment>

## ① Gas

Osaka Gas, Nabari Kintetsu Gas Co., Ltd. and other group companies manufacture, supply and sell gas.

## ② LPG, Electricity and Other Energies

Liquid Gas Co., Ltd., Nissho Petroleum Gas Co., Ltd. (formerly Nissho Iwai Petroleum Gas Co., Ltd., having changed its name on July 1, 2004) and some other subsidiaries sell liquefied petroleum gas. Osaka Gas Co., Ltd., Gas and Power Co., Ltd., Nakayama Joint Power Generation Co., Ltd. and Nakayama Nagoya Joint Power Generation Co., Ltd. are engaged in the wholesaling business of electricity generation. Osaka Gas Co., Ltd. and Gas and Power Investment Co., Ltd. are engaged in the centralized community-based heating and air-conditioning businesses.

## ③ Gas Appliances and House-pipe Installation

Osaka Gas, Enetech Kyoto Co., Ltd., Hearts Co., Ltd. and other companies sell Gas Appliances. Osaka Gas provides installation work for indoor gas pipes at the request of and at the expense of customers. Kinpai Co., Ltd. performs installation work of indoor and outdoor gas pipes under contract with Osaka Gas.

## ④ Real estate

Urbanex Co., Ltd., OG Capital Co., Ltd., and other companies lease real estate to Osaka Gas and other companies, and manage leased properties.

## ⑤ Others

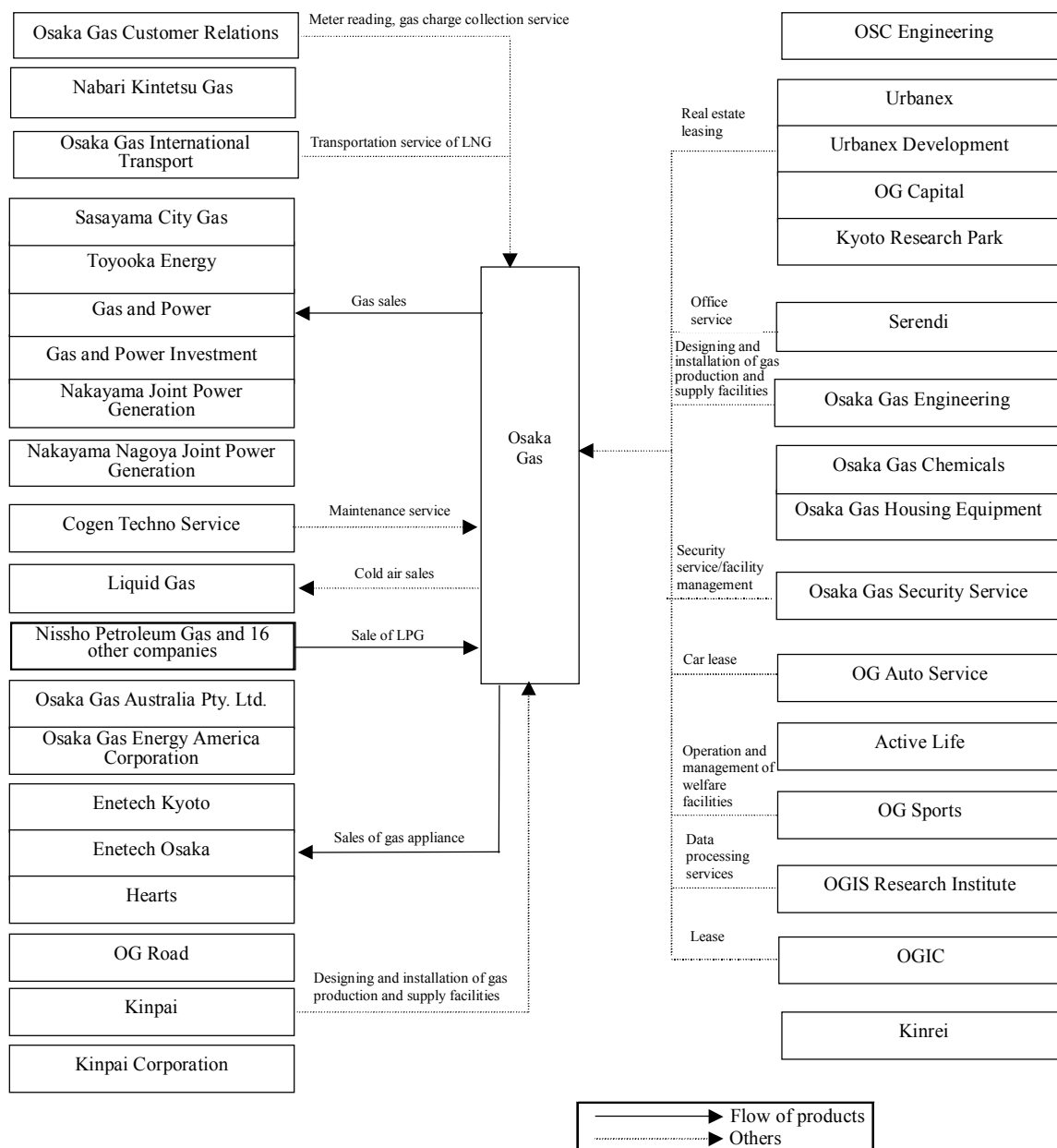
Kinrei Co., Ltd. (Over-the-Counter Trade Code: 2661) operates restaurant chains and other food service businesses, and manufactures and sells frozen foods.

OGIS Research Institute Co., Ltd. and others provide computer data processing service for Osaka Gas and other companies.

Osaka Gas Chemicals Co., Ltd. manufactures and sells carbon products and related products and sells chemical products.

There are other subsidiaries engaging in engineering, sale of housing equipment, security and disaster prevention services, sports businesses, services for aged people, lease of cars and office appliances, and other businesses.

<<Chart of Major Consolidated Subsidiaries>>



<<Newly consolidated companies: 43>>

- Osaka Gas Customer Relations Co., Ltd.
  - Apriti Sesamo Co., Ltd.
  - Liquid Gas Shiga Co., Ltd.
  - Diya Nensho Co., Ltd.
  - Nagano Propane Gas Co., Ltd.
  - Osaka Gas Energy America Corporation
- Other 31 subsidiaries

- Urbanex Development Co., Ltd.
- OUD Co., Ltd.
- Sasayama City Gas Co., Ltd.
- Toyooka Energy Co., Ltd.
- Nissei Co., Ltd.
- Osaka Gas Rusk Power, LLC

<<Affiliates reported newly by equity method: 2>>

- Osaka Rinkai Heat Energy Supply Co., Ltd.

- Universe Gas and Oil Co., Ltd.

<<Companies excluded from consolidation: 2>>

- Nissho Iwai System Sales Co., Ltd.

- Hokuriku Nissho Propane Co., Ltd.

Note: The Company's subsidiary, Osaka Gas Chemicals Co., Ltd. acquired the stocks of Japan EnviroChemicals, Ltd. (equity interest: 100%), Minabe Chemical Industries, Ltd. (equity interest: 100%) and Hakata Chemical Co., Ltd. (equity interest: 40%) from Takeda Pharmaceutical Co., Ltd. on April 1, 2005.  
Osaka Gas Chemicals Co., Ltd. increased capital by 2,020 million yen as of April 20, 2005.

<<List of Major Consolidated Subsidiaries (as of March 31, 2005)>>

	Name of Subsidiary	Location	Capital stock (million yen)	Description of Business	Shareholding Rate (%)	Remarks
Gas	Osaka Gas Customer Relations Co., Ltd.	Nishi-ku, Osaka	50	- Reading of gas meters - Collection of gas charges - Administrative services related to gas charges	100	
	Sasayama City Gas Co., Ltd.	Sasayama, Hyogo	100	- Sales of gas, installation of gas piping, and sales and repair of housing equipment	66.7	
	Toyouka Energy Co., Ltd.	Toyouka, Hyogo	100	- Sales of gas, installation of gas piping, and sales and repair of housing equipment	100	
	Nabari Kintetsu Gas Co., Ltd.	Nabari, Mie	100	- Sales of city gas, simplified gas, LPG, auto gas and gas appliances, and design and installation of piping	85	Some of its businesses are included in the LPG, Electricity and Other Energies segment
LPG, Electricity and Other Energies	Osaka Gas International Transport Inc.	Chuo-ku, Osaka	3,190	- Vessel leasing	100	
	Gas and Power Co., Ltd.	Chuo-ku, Osaka	450	- Electric power supply - Prospecting, development, production, and supply of petroleum and natural gas - Investment in energy infrastructure - Energy environmental service - Research and planning relating to above-mentioned businesses	100	
	Gas and Power Co., Ltd.	Chuo-ku, Osaka	2,100	- Domestic and overseas energy businesses, and research, planning, development, and investment relating to these businesses	100	
	Cogen Techno Service Co., Ltd.	Nishi-ku, Osaka	400	- Design, installation and sale of cogeneration systems and service by contract - Processing of electric power and cold/hot air by contract	56	
	Liquid Gas Co., Ltd.	Chuo-ku, Osaka	1,030	- Manufacture, sale, and transport of LNG and high-pressure gases - Sale of cold air generated from LNG production and sale of LPG	100	
	Nakayama Joint Power Generation Co., Ltd.	Taisho-ku, Osaka	300	- Electric power supply	95	
	Nakayama Nagoya Joint Power Generation Co., Ltd.	Chita-gun, Aichi Prefecture	450	- Electric power supply	95	
	Nissho Petroleum Gas Co., Ltd.	Minato-ku, Tokyo	1,726	- Import and sale of LPG	70	The company name was changed from Nissho Iwai Petroleum Gas Co., Ltd. on July 1, 2004.
	Nissho Propane Sekiyu Co., Ltd.	Chuo-ku, Sapporo	60	- Sale of LPG, gas appliances, and petroleum	100	
	Osaka Gas Australia Pty.Ltd.	Australia	A\$157 million	- Mining of crude oil, natural gas and other mineral resources, and their development, production and sales	100	
	Osaka Gas Energy America Corporation	United States	US\$1	- Research, planning, development, and investment relating to energy supply businesses in the U.S.	100	
	Osaka Gas Rusk Power, LLC.	United States	US\$1	- Investment in Tenaska Gateway Power Plant in the U.S.	100	
	48 other companies					
Gas Appliances and House-pipe Installation	Enetech Kyoto Co., Ltd.	Minami-ku, Kyoto	30	- Design, installation, operation, maintenance, and sale of air-conditioning, water supply/drainage, hot water supply, ventilation, and kitchen facilities and equipment - Design and performance of piping work and electric work	100	
	Enetech Osaka Co., Ltd.	Taisho-ku, Osaka	20	- Design, installation, operation, maintenance, and sale of air-conditioning, water supply/drainage, hot water supply, ventilation, and kitchen facilities and equipment	100	
	OG Road Co., Ltd.	Konohana-ku, Osaka	50	- Research on recycling of excavated soil, and related design - Manufacture and sale of road construction materials	100	
	Hearts Co., Ltd.	Sakai City, Osaka	85	- Sales and repair of gas appliances, gas works, piping works and house refurbishment	98.8	
	Kinpai Co., Ltd.	Nishinari-ku, Osaka	300	- Gas piping works - Construction work and road paving - Sales and installation of housing equipment - Piping renewal work	100	
	Kinpai Corporation	Nishinari-ku, Osaka	112	- Business management, administrative services relating to personnel affairs, accounting and general affairs of companies under the Kinpai Group	100	
	10 other companies					
Real estate	OSC Engineering Co., Ltd.	Fukushima-ku, Osaka	50	- Maintenance, security service, and cleaning of buildings, and facility designing and construction	67.3	
	Urbanex Co., Ltd.	Higashinari-ku, Osaka	1,570	- Management, maintenance, and leasing of real estate - Surveys and research on urban development	100	
	Urbanex Development Co., Ltd.	Higashinari-ku, Osaka	500	- Management, maintenance, leasing and sales/purchase of real estate	100	
	OG Capital Co., Ltd.	Chuo-ku, Osaka	3,000	- Management control of affiliated companies - Management, maintenance, and leasing of real estate	100	

	Serendi Co., Ltd.	Nishi-ku, Osaka	100	- Management of real estate and operation and management of parking lots - Sale of office automation equipment and other articles - Domestic tourist bureau, travel agency - Staffing and placement services - Office service and business service - Billing service	100	
	Kyoto Research Park Co., Ltd.	Shimogyo-ku, Kyoto	100	- Management of the Research Park, interchange between industrial and academic societies, development of venture businesses	100	
	5 other companies					
Others	Osaka Gas Engineering Co., Ltd.	Konohana-ku, Osaka	100	- Investigation, design, installation, and technical consulting for gas facilities, facilities using cold air, and facilities for environmental protection - Investigation, purchase, and sale of industrial properties	100	
	Osaka Gas Chemicals Co., Ltd.	Chuo-ku, Osaka	480	- Manufacture and sale of chemical products and carbon products	100	
	Osaka Gas Housing Equipment Co., Ltd.	Nishi-ku, Osaka	450	- Sale of housing equipment - Design and performance of installation work of housing equipment - Sale of kitchen utensils - Construction of new housing and renovation of housing	100	
	Osaka Gas Security Service Co., Ltd.	Yodogawa-ku, Osaka	100	- Provision of security and disaster protection services - Maintenance and inspection of gas facilities and equipment - Sale, lease, installation, maintenance, and inspection of security and disaster protection equipment - Sale of home security systems	100	
	OG Auto Service Co., Ltd.	Konohana-ku, Osaka	100	- Lease, maintenance and sale of automobiles - Non-life insurance agency	100	
	Active Life Co., Ltd.	Chuo-ku, Osaka	900	- Operation and management of nursing homes for the aged - Provision of home health-care services - Health consulting service - Consulting on operation of housing for the aged and nursing facilities	76.7	
	OG Sports Co., Ltd.	Chuo-ku, Osaka	100	- Management, construction, and operation of sports facilities and resort facilities - Sale of sports goods	100	
	OGIS Research Institute Co., Ltd.	Nishi-ku, Osaka	400	- Computer data processing services - Sale of computer-related equipment and software - Software development - Provision of computer education	100	
	OGIC Co., Ltd.	Chuo-ku, Osaka	600	- Leasing - Consumer credit - Telemarketing - Life and property insurance agency - Automatic collection service - Land and building dealer	100	
	Kinrei Co., Ltd.	Chuo-ku, Osaka	966	- Operation of restaurants - Manufacture and sale of frozen foods	74.8	Securities Identification Code: 2661
	17 other companies					

<<List of Affiliates Reported by Equity Method (as of March 31, 2005) >>

	Name of Affiliates	Location	Capital stock (million yen)	Description of Business	Shareholding Rate (%)	Remarks
	Osaka Rinkai Heat Energy Supply Co., Ltd.	Konohana-ku, Osaka	1,000	- Provision of heat energy under the Heat Energy Business Operators Law and relevant businesses	40	
	Universe Gas and Oil Co., Ltd.	Shinagawa-ku, Tokyo	9,444	- Prospecting, development and mining of petroleum, natural gas and other hydrocarbon materials in the Republic of Indonesia	33.4	

## 2. Management Policy

### (1) Basic Management Policy

The Japanese economy is showing signs of overcoming a standstill situation as capital spending and production stably improves. However, since there is a strong concern that a rise in the crude oil and material prices may weigh on corporate earnings, it is still too early to be optimistic about the future. In addition, accelerated deregulation in the energy markets is likely to make the market competition even more intense.

Under such a business environment, it is of paramount importance to remain as a “business group chosen by customers and local communities.” As the Company is preparing to celebrate its 100<sup>th</sup> anniversary of business in October this year and pass a significant milestone, we developed a management policy for the Group, “Management for the Creation of Value: For the New Century in Operation,” for implementation in January of this year in light of the business environment of recent years. The Group will improve its value for all stakeholders, including our shareholders, society and employees, placing the primary focus on the maximization of value for customers in accordance with the Group’s management principle and under the slogan of “Design Your Energy,” through fair and transparent business activities.

At the same time, in FY2005, which is the final year of the three-year medium-term management plan, “Innovation Centennial,” we will launch full-scale efforts to achieve the plans set out in both our energy business and non-energy business.

### (2) Challenges

In the energy business, while sustaining and developing the existing natural gas business, we will make use of the new opportunity that has emerged from deregulation to become a one-stop “multi-energy business” to be able to satisfy the needs of our customers for natural gas, electricity, LPG and other energies.

In the natural gas market, we will concentrate on providing customer service and further improve our operational efficiency and price competitiveness. In addition, while ensuring security and a stable supply of energy, we will offer new gas price plans and aggressively provide the best solutions for our customers based on our expertise in service and engineering so as to increase the demand for natural gas, which will eventually result in enhanced customer convenience, industrial development and environmental preservation.

In the residential market, we will use marketing to promote “ECOWILL,” our residential gas engine cogeneration system, as well as floor heating systems, our enhanced bathroom heater/dryer system with a mist steaming function, fun heaters, glass top stoves and other products that will create a comfortable, gas-based living environment. Besides providing energy services, we will also offer an Internet-based security service, “I-rusu,” in cooperation with our subsidiaries, thus satisfying customer needs from all angles.

To serve the needs of industrial users, we will propose high-efficiency and highly functional gas cogeneration solutions to expand natural gas demand in the decentralized power source market. We will also promote the gas heat pump air-conditioner series and natural gas vehicles. Wider use of natural gas vehicles will be also promoted. By capitalizing on our



long, accumulated expertise in engineering and maintenance, we can offer quality services tailored to the individual energy needs of our customers.

To improve our customer service, we value opportunities to meet with our customers so that we can reflect their suggestions in the improvement of our operations, and respond to their needs more promptly and reliably.

To ensure the safety of our production and supply facilities, we will keep up preventive maintenance and increase the awareness of our employees through safety training. We will also continue to make our customers aware of the need to renovate their facilities so as to maintain safety.

In our efforts to ensure a stable gas supply, we will pursue diversification of supply sources of natural gas, and take all possible measures to establish and maintain a stable production and supply system.

As for the electricity generation business, we plan to develop it into our second-largest core business following the natural gas business. While continuing to pursue the wholesale electricity business (IPP), which has already started, we will steadily pursue a business plan for construction of the Senboku Generation Plant project (tentative name) which was finalized in November last year, taking full advantage of our business foundation to promote the retail electricity business.

The LPG business will strive to increase retail customers and sales volume by utilizing our ability to market the equipment and energy systems we have cultivated in the natural gas market.

In the non-energy business domain, we basically conduct businesses to contribute to a comfortable living and expansion of business for customers by offering products and services which satisfy the customers' needs, thereby pursuing a surge in consolidated earnings. Selection and concentration of businesses will be accelerated to encourage the expansion of these promising businesses and to enhance the value of the Group.

In the area of environmental protection, we will reduce the environmental burden of our business activities by offering environmentally friendly products and services through promotion of energy-saving activities and utilization of renewable resources. Along with this, by promoting the use of environmentally friendly natural gas in line with the energy policies of the national government, we will remain committed to reducing the environmental burden by offering environmentally friendly products and services. We will actively promote environmental preservation activities and join local, national and international efforts to improve the environment.

In the area of technical development, we will emphasize the development of residential fuel-cell systems as well as high-efficiency and highly functional industrial gas cogeneration systems for increased customer convenience, in addition to the development of technologies contributing to environmental preservation and energy saving. Furthermore, we will utilize a remote control system and other information technologies to contribute to the effective operation of customers' facilities.

The Group will take appropriate measures to address these challenges and implement our basic management principle, Management for the Creation of Value.” We will also make

unceasing efforts to comply with applicable laws and regulations, so that the Osaka Gas Group can continue to move positively into the future.

### (3) Dividend Policy

The Company has been trying to grow its business and improve the efficiency of its operations, and has appropriated increased profit resulting from these efforts for internal reserves for future business growth and strengthening of the financial structure of the Company, and for payment of steady dividends to shareholders. For the current fiscal year, the Company will distribute dividends of 6 yen per year (including interim dividends). The company will try to continue paying steady dividends to shareholders, taking future operational results, business plans, alternative profit distribution plans and other comprehensive factors into consideration. We will expend efforts to ensure a dividend payout ratio of at least 20%. Internal reserves will be appropriated for capital expenditures and investment in new businesses.

### (4) Corporate Governance

#### ( Fundamental policy on corporate governance )

While adhering to its principle of Management for the Creation of Value, which pursues value for all stakeholders, including our shareholders, the community and employees, the Group is implementing a reform of its management organization that aims at ensuring sound business management while strengthening its competitiveness in the changing business environment, ensuring sound and transparent business management through fair and transparent business activities, with the primary focus placed on maximization of value for customers.

#### (Measures implemented for corporate governance)

##### ① Description of the Company's organizations

All important transactions proposed are examined by the executive committee comprising directors engaged in management of the Company's operations, from professional viewpoints, and in accordance with clearly defined internal rules. Final decisions are made by the Board of Directors based on the results of thorough examinations and discussions. The Board of Directors reviews important matters that affect the entire Group, including subsidiaries and affiliates, and is responsible for making correct and quick decisions and for overall governance and supervision.

The Company has an auditor system where two out of four auditors are non-employees. A new internal auditor system was adopted in June 2003 so that the inclusion of non-employee auditors ensures the integrity of audits in confirming the appropriateness and legality of the directors' performances. In addition, an Auditor's Office comprised of full-time staff members not under the direct command of the directors has been established to support the auditors by conducting investigation activities. The two non-employee auditors appointed do not have any special personal, capital or business relationship with the Company, nor do

they have any other interest in the Company, thus preserving the independence of the auditors.

② Development of the internal control system

As for the internal auditing function, we have Auditing Dept. which audits whether or not the business activities are performed effectively in an appropriate manner and which provides advice and recommendations to the company organizations based on the annual auditing plans.

We implemented organizational reforms in April 2003 to strengthen our managerial structure, and an inspector was appointed within each business division to improve internal audit and oversight functions, while more authority was transferred to each division after clearly defining duties and authority by internal rules.

In addition, the “Osaka Gas Group Code of Corporate Conduct” was established to achieve strict compliance with all applicable legal requirements by all the members of the Osaka Gas Group, including the directors and employees of Osaka Gas and its subsidiaries. To enhance the ability of the Group to ensure that its business activities comply with applicable laws, in 2003 we established a Compliance Committee, the membership of which includes outside specialists, and also reorganized the compliance office, which had been a section within a unit, into the Compliance Department, an independent unit.

③ Internal auditing, auditing by auditors and accounting audit

We have an audit contract with the auditing firm KPMG Azsa & Co.

Auditing Dept, auditors, and the auditing firm exchange information at any time as the need arises, as well as at regular meetings, including in the annual audit planning and audit reporting to strengthen mutual collaboration.

The chartered accountants who performed audits for the Company are Hideichi Madokoro (with 14 years of ongoing auditing experience), Hiroshi Sonoki (two years of experience) and Satoshi Kitamoto (three years of experience), who belong to KPMG Azsa & Co. In addition, the Company has 15 chartered accountants and 12 junior accountants to support the accounting audits.

## (5) Parent Company

Not applicable.

### 3. Operational Results

#### (1) Results for the Current Fiscal Year

During the current fiscal year, sales increased by 24,000 million yen (+2.5%) from the previous year to 975,300 million yen, thanks to business expansion of the existing consolidated companies and addition of subsidiaries to the consolidation. Operating profit increased by 3,800 million yen (+4.2%) to 95,900 million yen through our cost reduction efforts in all aspects of the operation. Ordinary profit increased by 16,000 million yen (+19.7%) to 97,400 million yen due to improvements in non-operating profit. As a result, net income for the current term increased by 3,600 million yen (+7.7%) from the previous year to 50,600 million yen. We adopted asset impairment accounting from the current year.

(in 100 million yen)

Revenues and expenses (a)		Change from prior year		Non-consolidated results (b)	Parent Ratio (a)/(b)
		Change	Percent (%)		
Operating Revenues	9,753	240	102.5	7,227	1.35
Cost of sales	5,340	366	107.4	3,642	---
Selling, General and Administrative Expenses	3,453	-165	95.4	2,894	---
Operating profit	959	38	104.2	691	1.39
Ordinary profit	974	160	119.7	751	1.30
Net income	506	36	107.7	412	1.23

Shareholders' Value Added (SVA) 27,300 million yen [Previous fiscal year: 24,800 million yen]  
 Earnings per Share (EPS) 22.69 yen [Previous fiscal year: 20.56 yen]  
 Return on Equity (ROE) 9.9% [Previous fiscal year: 9.9%]  
 Return on Total Assets (ROA) 4.2% [Previous fiscal year: 3.9%]

#### <<Operational Results by Segment>>

##### ① Gas

Gas sales decreased by 900 million yen (-0.2%) from the previous year to 572,900 million yen primarily due to the reduction of gas rates in accordance with the fuel cost adjustment system. Despite a considerable increase in material prices, operating profits increased by 5,400 million yen (+9.4%) from the previous year to 63,500 million yen, thanks to the promotion of cost reduction efforts in all aspects of the operations.

##### ② LPG, Electricity and Other Energies

Sales revenue increased by 24,900 million yen (+18.9%) from the previous year to 157,100 million yen as a result of business expansion and an increased number of consolidated subsidiaries. At the same time, costs increased mainly due to the addition of consolidated subsidiaries and arise in the material prices. As a result, operating profit decreased by 1,700 million yen (-11.2%) to 13,900 million billion yen.

##### ③ Gas Appliances and House-pipe Installation

Sales revenue decreased by 6,700 million yen (-4.7%) to 136,800 million yen, and operating profit decreased by 1,200 million (-57.0%) to 900 million yen mainly due to a decline in large-scale transactions and new constructions.

#### ④ Real Estate

Sales revenue increased by 3,200 million yen (+9.5%) to 37,100 million yen mainly as a result of increased construction of new properties, and operating profit increased by 500 million yen (+8.2%) to 7,600 million yen from the previous year.

#### ⑤ Others

Sales revenue increased by 7,200 million yen (+5.3%) from the previous year to 143,200 million yen mainly as a result of the addition of subsidiaries to the consolidation and strong sales recorded in existing consolidated companies. Operating profit increased by 900 million yen (+12.1%) from the previous year to 8,300 million yen as a result of cost reduction efforts by each company.

(in 100 million yen)

	Gas	LPG, electricity and other energies	Gas appliances and house-pipe installation	Real estate	Others	Elimination of internal transactions and transactions involving all companies	Consolidation
Sales	-0.2% 5,729 [-9]	+ 18.9% 1,571 [ + 249]	-4.7% 1,368 [-67]	+ 9.5% 371 [ + 32]	+ 5.3% 1,432 [ + 72]	(718) [-36]	+2.5% 9,753 [ + 240]
Operating Profit	+ 9.4% 635 [ + 54]	-11.2% 139 [-17]	-57.0% 9 [-12]	+8.2% 76 [ + 5]	+12.1% 83 [ + 9]	14 [-0]	+4.2% 959 [+38]

% shown in upper left represents rate of change from previous term

[ ] indicates value of change from previous term

## (2) Dividends

The Company will pay annual dividends of 6 yen per share (including interim dividends).

## (3) Projections for Next Fiscal Year (Term Ending March 2006)

Sales are projected to increase by 3.0% from the previous year to 1,005,000 million yen because of an expected increase in gas sales volume and revenue increase of the existing consolidated subsidiaries. Operating profit is projected to increase by 8.3% from the previous year to 104,000 million yen as a result of continued cost reduction efforts in all aspect of the operation. Ordinary profit is projected to increase by 2.6% from the previous year to 100,000 million yen. Net income for the current fiscal year is projected to increase by 16.4% from the previous year to 59,000 million yen.

We aim to pay annual dividends of 7 yen (including interim dividends), including 1 yen per share per annum of the memorial dividend for the Company's 100<sup>th</sup> anniversary of its foundation.

	Projected annual results for term ending March 2006	Change from previous year
Sales	1,005,000 million yen	+3.0%
Operating profit	104,000 million yen	+8.3%
Ordinary profit	100,000 million yen	+2.6%
Net income	59,000 million yen	+16.4%
Dividends	We aim to pay annual dividends of 7 yen (including interim dividends), including 1 yen per share per annum of the memorial dividend for the Company's 100 <sup>th</sup> anniversary of its foundation	

[Assumed crude oil cost: \$40/bbl, assumed exchange rate: 108 yen to \$1]

Shareholders' Value Added (SVA)	35,000 million yen
Earnings per Share (EPS)	26.43 yen
Return on Equity (ROE)	10.8%
Return on Total Assets (ROA)	4.6%

## 4. Financial Position

### (1) Cash Flow for Current Fiscal Year

Despite an increase in operating profit, cash flow generated from operating activities during the current fiscal year decreased by 15,900 million yen from the previous year to 116,900 million yen, mainly due to an increase in trade receivables and inventory assets. Net cash used for investment activities was 65,600 million yen, a decrease of 2,100 million yen from the previous year, mainly due to an increase in proceeds from securities sales. Net cash used for financial activities was 23,900 million yen, a decrease of 52,000 million yen mainly due to bond issuance during the period and redemption of corporate bonds during the previous year.

As a result, the balance of cash and cash equivalents as of the end of the current fiscal year increased by 28,500 million yen to 44,200 million yen.

	Current Term	Previous Term	Change
Cash flow from operating activities	116,900 million yen	132,800 million yen	-15,900 million yen
Cash flow from investment activities	-65,600 million yen	-67,800 million yen	+ 2,100 million yen
Cash flow from financial activities	-23,900 million yen	-75,900 million yen	+ 52,000 million yen
Increase/decrease of cash and cash equivalents	27,300 million yen	-10,800 million yen	+ 38,100 million yen
Cash and cash equivalents at end of period	44,200 million yen	15,700 million yen	+ 28,500 million yen
Balance of interest-bearing liabilities at end of period	448,500 million yen	455,700 million yen	-7,100 million yen

Free cash flow (\*1)      57,700 million yen [Previous fiscal year: 73,200 million yen]

(\*1) Free cash flow: (cash flow from operating activities) – (capital-expenditure spending)

### (2) Cash Flow Indices

	Current Term	Previous Term
Debt redemption period	3.8 years	3.4 years
Interest coverage ratio	19.4	18.4
Shareholders' equity ratio	43.6%	41.3%
Shareholders' equity ration market value	60.4%	57.9%

### (3) Projection for Next Fiscal Year (Term Ending March 2006)

Annual capital expenditures are projected to be 106,100 million yen.

The free cash flow will be 55,200 million yen. The balance of interest-bearing liabilities at the end of the term is expected to increase by 79,900 million yen to 528,500 million yen.

#### <<Reference>> Capital Expenditure Plan

Year ending March 2006 (Projection)	Year ending March 2005 (Actual results)	Description of expenditures planned for the year ending March 2006
106,100 million yen	65,500 million yen	Construction of transport lines, main and sub-service lines, power plants, etc.

## 5. Business Risks

There are some risks which may have an effect on the Group's operating results and financial standing. The following are to be noted as factors which may affect the results of the Group's core gas business:

( 1 ) Impact of air and water temperature variation on gas demand

As gas sales volume of the gas business is affected by variations of air and water temperature, the Group's business results may be affected by such variations.

( 2 ) Impact of exchange and interest rate fluctuations on funding

The Group's business results may be affected by exchange and interest rate fluctuations. However, since the exchange risk is hedged by using derivative instruments, and a large proportion of interest-bearing liabilities is procured at a fixed rate, such fluctuations have a limited impact on the Group.

( 3 ) Considerable fluctuation beyond expectations in crude oil prices and exchange rates which are used as calculation bases for the price of LNG, the gas ingredient

Prices of LNG, the main ingredient of gas, may be affected by fluctuations in crude oil prices or exchange rates. Though such effect may be reflected in gas sales prices through application of the fuel cost adjustment system so that the effect should balance out, it may have an effect on the following term due to the time lag before reflection.

( 4 ) Troubles with raw material procurement

As LNG, the gas ingredient, is procured from overseas countries, any troubles with the supplier's facilities or operation may affect the Group's business results.

( 5 ) Troubles with production/supply

Troubles with production/supply caused by large-scale natural disasters and accidents may affect the Group's business results.

( 6 ) Regulatory reforms for the gas business and resulting progress in competition

If regulatory reforms make progress as a result of revision of the Gas Business Law or other applicable laws, regulations or systems, competition may intensify in the energy markets and the Group's business results may be affected.

The results of our businesses other than the gas business may be affected, depending on changes in the relevant markets. However, we are undertaking efforts to consolidate all subsidiaries so that we can understand how the business is performed and take rapid measures to mitigate such impacts and effects.



## 6. Consolidated Financial Statements

### (1) Consolidated Balance Sheet

(Unit: million yen)

Account	As of End of Current Consolidated Fiscal Year (End of March 2005)	As of End of Previous Consolidated Fiscal Year (End of March 2004)	Change
(Assets)			
Fixed Assets	962,392	995,321	-32,929
Tangible fixed assets	766,823	795,820	-28,997
Production facilities	111,771	117,638	-5,867
Distribution facilities	355,278	372,430	-17,152
Operational facilities	68,047	87,458	-19,411
Other facilities	202,937	189,614	13,323
Idle facilities	1,532	1,532	0
Construction in progress	27,256	27,146	110
Intangible fixed assets	27,879	27,481	398
Acquisition cost of subsidiaries over net assets acquired	8,873	8,440	433
Other intangible fixed assets	19,006	19,040	-34
Investments and other assets	167,688	172,020	-4,332
Investment in securities	102,450	112,885	-10,435
Deferred tax assets	14,439	20,194	-5,755
Other assets	53,455	41,924	11,531
Allowance for bad debts	-2,657	-2,984	327
Current Assets	255,030	203,877	51,153
Cash and deposits	48,512	19,997	28,515
Notes and trade accounts receivable	114,045	108,084	5,961
Inventories	40,785	31,825	8,960
Deferred tax assets	15,347	14,828	519
Other current assets	37,098	29,927	7,171
Allowance for bad debts	-759	-786	27
Deferred Assets	40	29	11
Premium on bonds	40	29	11
Assets Total	1,217,463	1,199,228	18,235

(Unit: million yen)

Account	As of End of Current Consolidated Fiscal Year (End of March 2005)	As of End of Previous Consolidated Fiscal Year (End of March 2004)	Change
(Liabilities)			
Fixed Liabilities	414,712	442,405	-27,693
Bonds	204,080	218,880	-14,800
Long-term loans payable	163,185	157,771	5,414
Deferred tax liability relating to revaluation	55		55
Reserve for severance benefits	18,343	42,889	-24,546
Reserve for gasholder repair	1,610	1,530	80
Other fixed liabilities	27,437	21,334	6,103
Current Liabilities	261,826	252,711	9,115
Current portion of fixed liabilities	58,214	29,987	28,227
Notes and trade accounts payable	43,826	35,778	8,048
Short-term loans payable	26,564	23,189	3,375
Corporate taxes payable	25,815	29,766	-3,951
Other current liabilities	107,405	133,989	-26,584
Liabilities Total	676,538	695,117	-18,579
(Minority Interest)			
Minority Interest	10,062	8,476	1,586
Minority Interest Total	10,062	8,476	1,586
(Shareholders' Equity)			
Capital Stock	132,166	132,166	0
Capital Reserve	19,497	19,482	15
Consolidated Retained Earnings	384,350	346,558	37,792
Land revaluation Excess	81		81
Difference between Market Price and Acquisition Cost of Other Securities	33,677	35,903	-2,226
Foreign Exchange Adjustment	3,145	2,930	215
Treasury Stock	-42,056	-41,406	-650
Shareholders' Equity Total	530,862	495,635	35,227
Liabilities, Minority Interest, and Shareholders' Equity Total	1,217,463	1,199,228	18,235

## (2) Consolidated Profit and Loss Statement

(Unit: million yen)

Account	Current Consolidated Fiscal Year (April 2004 to March 2005)	Previous Consolidated Fiscal Year (April 2003 to March 2004)	Change
Operating Revenues	975,340	951,324	24,016
Cost of Sales	534,043	497,397	36,646
Gross Profit on Sales	441,297	453,926	-12,629
Selling, General and Administrative Expenses	345,304	361,830	-16,526
Operating Profit	95,992	92,096	3,896
Non-operating Revenues	12,487	7,849	4,638
Interest income	249	296	-47
Dividend income	893	908	-15
Gain from sales of securities	5,965	2,720	3,245
Miscellaneous income	5,378	3,923	1,455
Non-operating Expenses	10,998	18,498	-7,500
Interest expenses	6,040	7,237	-1,197
Loss from redemption of corporate bonds		3,742	-3,742
Miscellaneous expenses	4,958	7,518	-2,560
Ordinary Profit	97,480	81,446	16,034
Extraordinary Profit	1,183	1,555	-372
Gain from sales of fixed assets	1,183	1,555	-372
Extraordinary Loss	14,759	4,840	9,919
Loss from sales of fixed assets		4,684	-4,684
Loss from reduction of cost of fixed assets	849	156	693
Loss from impairment of fixed assets	13,910		13,910
Net Income before Taxes and Minority Interest	83,904	78,161	5,743
Corporate, Resident and Business Taxes	26,026	26,870	-844
Adjustment for Difference of Tax Allocation between Financial Accounting and Tax Accounting	6,452	3,483	2,969
Less: Minority Interest	742	741	1
Net Income	50,683	47,065	3,618

### (3) Statement of Consolidated Retained Earnings

(Unit: million yen)

Account	Current Consolidated Fiscal Year (April 2004 to March 2005)	Previous Consolidated Fiscal Year (April 2003 to March 2004)	Change
(Capital Reserve)			
Consolidated Capital Reserve at Beginning of Period	19,482	19,482	0
Increase of Capital Reserve	15	0	15
Consolidated Capital Reserve at End of Period	19,497	19,482	15
(Profit Reserves)			
Consolidated Profit Reserve at Beginning of Period	346,558	312,830	33,728
Increase of Profit Reserve	51,259	47,590	3,669
Net income	50,683	47,065	3,618
Increase due to new inclusions to consolidation	576	492	84
Increase due to decrease of consolidated companies		32	-32
Decrease of Profit Reserve	13,468	13,863	-395
Dividends	13,382	13,782	-400
Directors' bonuses	85	80	5
Consolidated Profit Reserve at End of Period	384,350	346,558	37,792

## (4) Consolidated Cash Flow Statement

(Unit: million yen)

Account	Current Consolidated Fiscal Year (April 2004 to March 2005)	Previous Consolidated Fiscal Year (April 2003 to March 2004)	Change
<b>I. Cash Flow from Operating Activities</b>			
Net income before taxes and minority interest	83,904	78,161	5,743
Depreciation expenses	86,858	89,564	-2,706
Loss from impairment of fixed assets	13,910		13,910
Decrease of reserve for severance benefits	-24,596	-27,411	2,815
Increase of prepaid pension expenses	-12,217		-12,217
Interest and dividends received	-1,143	-1,205	62
Interest expenses	6,040	7,237	-1,197
Loss from redemption of corporate bonds		3,742	-3,742
Gain from sales of securities	-5,965	-2,720	-3,245
Gain from sales of tangible fixed assets		-1,555	1,555
Loss from sales of tangible fixed assets		4,684	-4,684
Loss from retirement of tangible fixed assets	2,405	2,155	250
Increase (decrease) of trade receivables	-4,340	1,911	-6,251
Increase of inventories	-8,583	-3,237	-5,346
Increase (decrease) of trade receivables	6,700	-4,178	10,878
Increase (decrease) of accrued expenses	-2,361	9,406	-11,767
Decrease in consumption tax payable	-1,528		-1,528
Others	12,838	-2,530	15,368
Total	151,922	154,025	-2,103
Interest and dividends received	1,336	1,229	107
Interest paid	-6,054	-7,808	1,754
Corporate taxes paid	-30,301	-14,555	-15,746
Net Cash Flow from Operating Activities	116,902	132,891	-15,989
<b>II. Cash Flow from Investment Activities</b>			
Expense for acquisition of tangible fixed assets	-63,838	-68,115	4,277
Income from sales of tangible fixed assets		4,501	-4,501
Expense for acquisition of intangible fixed assets		-1,806	1,806
Expense for acquisition of investment in securities	-1,583		-1,583
Income from sales of securities	8,584	5,521	3,063
Expense for acquisition of stocks of subsidiaries and affiliates	-6,995	-6,605	-390
Others	-1,846	-1,373	-473
Net Cash Flow from Investment Activities	-65,679	-67,877	2,198
<b>III. Cash Flow from Financial Activities</b>			
Net increase of short-term loans payable	2,329	3,940	-1,611
Net increase (decrease) of commercial paper	-26,000	2,000	-28,000
Proceeds from long-term loans payable	27,589	44,284	-16,695
Expense for repayment of long-term loans payable	-33,676	-67,256	33,580
Income from bonds issued	19,986		19,986
Expense for redemption of bonds		-24,742	24,742
Expense for acquisition of treasury stocks		-20,336	20,336
Dividends paid	-13,340	-13,732	392
Dividends paid to minority shareholders	-165	-122	-43
Others	-634	35	-669
Net Cash flow from Financial Activities	-23,912	-75,930	52,018
IV. Difference from Conversion of Cash and Cash Equivalents	-5	70	-75
V. Increase/decrease of Cash and Cash Equivalents	27,303	-10,846	38,149
VI. Cash and Cash Equivalents at Beginning of Period	15,743	26,093	-10,350
VII. Increase of Cash and Cash Equivalents Due to Addition of Subsidiaries to Consolidation	1,312	1,095	217
VIII. Decrease of Cash and Cash Equivalents Due to Exclusion of Subsidiaries from Consolidation	-80	-599	519
IX. Cash and Cash Equivalents at End of Period	44,279	15,743	28,536

(Notes)

1. Basic information for preparing consolidated financial statements

(1) Scope of consolidation

Consolidated subsidiaries

Number of consolidated subsidiaries ..... 118 subsidiaries

(Major consolidated subsidiaries)

Osaka Gas Chemicals Co., Ltd., Urbanex Co., Ltd., OG Capital Co., Ltd., OGIS Research Institute Co., Ltd., Kinrei Co., Ltd., Liquid Gas Co., Ltd. and Nissho Gas Co., Ltd.

(Change in consolidation)

Osaka Gas Customer Relations Co., Ltd. and 42 other subsidiaries were added to the consolidation from the current year to enhance disclosure.

Nissho Iwai System Sale Co, Ltd. and Hokuriku Nissho Propane Co., Ltd. are no longer included in the consolidation.

(2) Application of equity method

Number of affiliates reported by the equity method ..... 2 affiliates

To enhance disclosure, Osaka Rinkai Thermal Energy Supply Co., Ltd. and Universe Gas and Oil Co., Ltd. are reported by the equity method from the current fiscal year.

Affiliates which have a minor impact on the consolidated net profit and the consolidated retained earnings and are of no significance as a whole are not reported by the equity method.

(3) Accounting principles

① Basis and method of evaluation of significant assets are as follows:

a. Inventories ..... mainly at cost on a moving average basis

b. Securities

Other securities

With market price ..... at market, based on the market price on the closing date

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

Without market price ..... mainly at cost on a moving average basis

c. Derivative instruments ..... at market

② Most 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.

③ Provision of significant allowances and reserves is as follows:

a. Reserve for severance benefits

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

b. Reserve of gasholder repair

To prepare for payment of expenses needed for periodical repair of globular gasholders, the reserve for gasholder repair is provided for the expected repair cost needed in the next scheduled repair

based on the actual cost paid in the last repair, over the period by the next scheduled repair.

④ Accounting for significant 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.

⑤ Accounting of significant hedge transactions

a. Method of hedge accounting

Deferred hedge accounting is adopted. In cases in which required conditions are satisfied, special accounting of interest rate swaps, and appropriation accounting of forward exchange contracts, etc., are adopted.

b. Hedge contracts and hedged transactions

<u>Hedge contract</u>	<u>Hedged Transactions</u>
Interest rate swap	Corporate bonds and loans payable
Currency swap	Corporate bonds and loans payable in foreign currency
Forward exchange contract or currency option	Scheduled transactions in foreign currency (such as for purchase of raw materials)
Swap and option for crude oil price	Purchase price of raw material

c. Hedge policy

In accordance with internal rules, the Company and its group companies enter into hedge contracts to hedge risk of fluctuation of foreign exchange rates, interest, etc. No derivative contracts for speculative purposes, which do not have actual transactions to be hedged, have been concluded.

d. Method for valuation of validity of hedging

Validity of hedging is evaluated based on the correspondence between the hedge contract and the relevant hedged transaction.

⑥ Other important information for preparing consolidated financial statements

Consumption taxes are recorded by the tax-exclusion method.

(4) Evaluation of assets and liabilities of consolidated subsidiaries

Assets and liabilities of consolidated subsidiaries are fully evaluated on a marked-to-market basis.

(5) Method and period of amortization of the consolidation adjustment account

The consolidation adjustment account is equally amortized over 20 years or less after posting. However, small amounts are posted as profit or loss as incurred.

(6) Scope of funds for Consolidated Cash Flow Statement

Funds included in the Consolidated Cash Flow Statement (cash and cash equivalents) comprise cash on hand; bank deposits that can be withdrawn at any time; and highly liquid short-term investments with minor risk of price fluctuation that will expire within three months from the acquisition date.

2. Change in accounting policy

Accounting Standards for Impairment of Fixed Assets (Statement Regarding Establishment of Accounting Standards for Impairment of Fixed Assets) (issued by the Business Accounting Deliberation Council on August 9, 2002) and Guideline for Application of Accounting Standards for Impairment of

Fixed Assets (guideline No. 6 for application of business accounting standards, issued by the Accounting Standards Board on October 31, 2003) may be adopted for financial statements for the year ending March 31, 2004 and thereafter. Accordingly, the Company adopted these standards and guidelines for the current year. Due to the adoption of new accounting policy, net income before taxes decreased by 13,905 million yen. The accumulated losses from impairment of fixed assets were directly deducted from the applicable fixed assets, in accordance with the revised Rules for Consolidated Financial Statements.

3. Accumulated depreciation of fixed tangible assets

(As of the end of the current consolidated fiscal year)	(As of the end of the previous consolidated fiscal year)
1,736,680 million yen	1,670,893 million yen

4. Assets pledged as security

(As of the end of the current consolidated fiscal year)	(As of the end of the previous consolidated fiscal year)
60,355 million yen	63,671 million yen

5. Contingent liabilities

	(As of the end of the current consolidated fiscal year)	(As of the end of the previous consolidated fiscal year)
Guarantee of liabilities	2,442 million yen	3,083 million yen
Contingent liabilities relating to debt assumptions for corporate bonds and loans payable	58,931	82,706

6. Loss from impairment of fixed assets

(1) Grouping

- ① All fixed assets used in processes related to the gas business from production to sales of gas are categorized into one asset group, because these assets generate cash flow from the gas business as one whole asset.
- ② Fixed assets used for other businesses other than those described in ① above are generally categorized into groups based on business divisions controlling such fixed assets.
- ③ Generally, other fixed assets are controlled individually.

(2) Specific loss from impairment of fixed assets

In accordance with the grouping described in (1) above, a loss from impairment of 13,910 million yen was recognized. Significant properties included in this loss are listed in the table below.

Asset	Location	Type	Loss from Impairment (million yen)
Land in Keihanna	Seika-cho and Kizu-cho, Kyoto Prefecture	Land	3,189
Land in Kamiyama	Kita-ku, Osaka City	Land	2,842
Land adjacent to Himeji terminal	Himeji City	Land	1,607

Recoverable values of these assets are assessed based on selling prices in the market. The market prices



are based on appraisal by real estate appraiser.

These were assets acquired for future construction of facilities for operation, or operational facilities not currently in use. It was determined that recovery of these investments was difficult as there are no specific use plans for these assets under the current economic condition. Therefore, their book values were reduced to their recoverable values, and the differences were recorded as loss from impairment of fixed assets.

7. Relationship of period-end balance of cash and cash equivalents and the values presented on the consolidated balance sheet

	(As of the end of the current fiscal year)	(As of the end of the previous fiscal year)
Cash and bank deposits	48,512 million yen	19,997 million yen
Term deposits that expire more than three months later	-4,233	-4,254
Cash and cash equivalents	44,279	15,743

8. Significant subsequent events

At the board meeting held on March 29 of this year, we adopted a resolution to retire 133,342,000 ordinary stocks acquired in accordance with the shareholders' resolutions at the ordinary general meetings of shareholders on June 27, 2002 and June 27, 2003 out of the common stocks for treasury, and embarked on the procedure to lapse the stocks on April 12 of this year.

## 7. Segment Information

(1) Segment information by business type

Current Consolidated Fiscal Year (April 1, 2004 – March 31, 2005)

(Unit: million yen)

	Gas	LPG, Electricity and Other Energies	Gas Appliances and House-pipe Installation	Real estate	Others	Total	Elimination of internal transactions and transactions involving all companies	Consolida- tion
[1] Sales and Operating Profit and Loss								
Sales								
1. Sales to customers outside the Group	564,678	155,424	136,434	15,614	103,188	975,340	-	975,340
2. Internal sales or transfer among segments	8,228	1,695	377	21,504	40,061	71,866	(71,866)	-
Total	572,906	157,119	136,811	37,119	143,249	1,047,206	(71,866)	975,340
Operating Expenses	509,383	143,143	135,851	29,463	134,859	952,702	(73,354)	879,348
Operating Profit	63,523	13,976	959	7,655	8,389	94,503	1,488	95,992
[2] Assets, depreciation and capital expenditure								
Assets	674,312	178,561	66,332	107,870	125,826	1,152,903	64,559	1,217,463
Depreciation	61,409	12,312	682	4,318	9,005	87,729	(870)	86,858
Loss from impairment of fixed assets	10,771	743	513	1,745	135	13,910	-	13,910
Capital expenditure	39,951	8,130	650	3,800	13,354	65,889	(371)	65,517

Previous Consolidated Fiscal Year (April 1, 2003 – March 31, 2004)

(Unit: million yen)

	Gas	LPG, Electricity and Other Energies	Gas Appliances and House-pipe Installation	Real estate	Others	Total	Elimination of internal transactions and transactions involving all companies	Consolida- tion
[1] Sales and Operating Profit and Loss								
Sales								
1. Sales to customers outside the Group	568,047	130,670	143,164	13,744	95,697	951,324	-	951,324
2. Internal sales or transfer among segments	5,856	1,498	396	20,153	40,317	68,223	(68,223)	-
Total	573,903	132,169	143,561	33,898	136,014	1,019,547	(68,223)	951,324
Operating Expenses	515,859	116,428	141,330	26,820	128,529	928,968	(69,740)	859,228
Operating Profit	58,044	15,740	2,231	7,077	7,485	90,579	1,516	92,096
[2] Assets, depreciation and capital expenditure								
Assets	676,781	172,638	69,144	102,526	115,157	1,136,248	62,980	1,199,228
Depreciation	64,777	11,772	793	4,502	8,673	90,520	(955)	89,564
Loss from impairment of fixed assets	47,234	7,859	675	4,085	10,320	70,175	(395)	69,779

(Notes)

Major products and services of business segments

- |  |  |
|--|--|
| ① Gas  | Gas  |
| ② LPG, electricity and other energies        | LPG, electric supply, thermal energy supply, processing of LNG by contract, industrial gas, etc.   |
| ③ Gas appliances and house-pipe installation | Gas appliances, in-house and road piping work, recycling of excavated soil, etc.   |
| ④ Real estate                                | Lease and management of real estate, etc.  |
| ⑤ Others                                     | Frozen foods, restaurants, provision of data processing services, chemical products and carbon products, sales of housing equipment, design and installation of gas and environment preservation-related facilities, security and disaster prevention services, sports business, automobile and office equipment leasing, etc. |

(2) Segment information by geographical area

Because more than 90% of sales by all segments of the Osaka Gas Group is earned in Japan and more than 90% of assets of the Group are in Japan, disclosure in this section is omitted.

(3) Overseas sales

Because overseas sales account for less than 10% of the consolidated sales, disclosure in this section is omitted.

## 8. Securities

### (1) Other securities that have market prices

(Unit: million yen)

Period Type of securities	As of the end of the current consolidated fiscal year (As of the end of March 2005)			As of the end of the previous consolidated fiscal year (As of the end of March 2004)		
	Acquisition cost	Value reported on Consolidated Balance Sheet	Difference	Acquisition Cost	Value reported on consolidated Balance Sheet	Difference
1. Stocks	21,703	75,480	53,777	23,038	80,260	57,221
2. Bonds						
National and local government bonds	0	0	0	9	9	0
Others	50	50	0			
Total	21,754	75,531	53,777	23,048	80,270	57,221

### (2) Major securities without market price and their values reported on the consolidated balance sheet

#### Other securities

(Unit: million yen)

	Value reported on balance sheet as of end of current consolidated fiscal year	Value reported on balance sheet as of end of previous consolidated fiscal year
Unlisted Stocks (excluding over-the-counter stocks)	17,447	18,058

## 9. Contract Price, Market Price and Profit Loss Status of Derivative Transactions

Not applicable, as all derivative transactions of the Group are recorded by hedge accounting.

## 10. Severance Benefits

(1) Summary of the severance benefit scheme adopted

The Company and most of its consolidated subsidiaries have a lump-sum severance payment system as a defined benefit plan. The Company and some of its subsidiaries adopted the approved retirement annuity system. In addition, certain consolidated subsidiaries use the employees' pension fund scheme.

The Company adopted the approved retirement annuity system on November 1, 1974.

The Company transferred part of its defined benefit pension plan and introduced the defined contribution plans system on January 1, 2005.

(2) Reserve for severance benefits (as of March 31, 2005) 18,343 million yen

(3) Severance benefit expenses (April 1, 2004 – March 31, 2005)

① Service cost	8,705 million yen
② Interest cost	5,343
③ Expected return from investment	-4,236
④ Amortization of actuarial calculation gain or loss	1,730
⑤ Amortization of prior service cost	-9,778
<hr/>	
⑥ Severance benefit expenses (① + ② + ③ + ④ + ⑤)	1,764

Note: Severance benefit expenses of the consolidated subsidiaries employing the convention method are included in the "service cost."

(4) Calculation basis of severance benefit obligation

Method of allocation of the estimated severance benefits	Straight-line standard
Discount rate	Basically 1.8%
Expected return on assets	Basically 1.8%
Period of amortization of amount of prior service cost	Basically 1 year
Period of amortization of actuarial gain or loss	Basically 10 years