

# 11. For Year Ending March 2005

## Highlight of Non-Consolidated Financial Statements

April 28, 2005



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

Listed Exchanges: Tokyo, Osaka and Nagoya Exchanges

Code: **9532**

Location of Head Office: Osaka Prefecture

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

Representative Officer: Title: President

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

Interim Dividend System: existent

Expected Date of Dividend Payment: To be determined

Date of Annual Meeting of Shareholders: June XX, 2005 (to be determined at Board Meeting in May)

System of trading unit of shares: adopted (Unit: 1,000 shares)

### 1. Financial results for year ending March 2005 (April 1, 2004 to March 31, 2005)

#### (1) Operational Results (Any amount less than one million yen is rounded down to the nearest million yen)

	Operating Revenues		Operating Profit		Ordinary Profit	
	million yen	%	million yen	%	million yen	%
Term ending March 2005	722,755	-1.0	69,111	2.6	75,159	16.7
Term ending March 2004	729,923	1.1	67,356	1.3	64,379	18.8

	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	41,280	4.6	18.48	-	9.6	7.7	10.4
Term ending March 2004	39,475	55.1	17.24	-	9.8	6.6	8.8

Note: ① Average 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

② Change in accounting method: none

③ Percentages shown for operating revenues, operating profit, ordinary profit and net income in tables above are percentages of change from the previous year.

#### (2) Dividends

	Annual dividend per share			Total dividends (full year)	Dividend payout	Dividend on equity
	Interim	Year-end				
	Yen	Yen	Yen	million yen	%	%
Term ending March 2005	6.00	3.00	3.00	13,376	32.5	3.0
Term ending March 2004	6.00	3.00	3.00	13,583	34.8	3.3

#### (3) 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	981,501	442,805	45.1	198.65
Term ending March 2004	977,805	417,741	42.7	187.24

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

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

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

② Number of repurchased shares as of term-end

Term ending March 2005: 140,284,727 shares

Term ending March 2004: 138,236,978 shares

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

	Operating revenues	Ordinary Profit	Net income	Annual dividend per share		
				Interim	Year-end	
	million yen	million yen	million yen	Yen	Yen	Yen
Interim term	326,500	29,000	18,000	3.50	---	---
Full year	751,000	80,000	49,500	---	3.50	7.00

(Reference)

① Expected earning per share (for full year): 22.18 yen

② Annual dividend per share includes the memorial dividend of 1 yen (0.50 yen for the interim term and at the year-end, respectively) in commemoration of Company's 100<sup>th</sup> anniversary of its foundation.

\*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 "11-1. Operational Results, (3) Projected Annual Results for Next Fiscal Year" in the attachment for matters regarding the business forecasts as shown above.

## 11-1. Operational Results

### (1) Gas Sales

The number of residential customers increased by 61,000 households from the end of the previous term. However, the residential gas sales volume decreased by 2.8% from the previous term to 2,238 million m<sup>3</sup> due to warmer weather throughout the period.

In the non-residential market, we continued our efforts to develop new demand. As a result, industrial gas sales increased by 3.5% to 3,865 million m<sup>3</sup>. In addition to newly developed demand, supported by a demand increase in the gas air-conditioning area due to warmer weather in summer, the gas sales volume to commercial facilities increased by 5.5% to 1,039 million m<sup>3</sup> and the gas sales volume to public and medical institutions increased by 8.1% to 605 million m<sup>3</sup>. As a result, overall non-residential gas sales increased by 4.3% to 5,509 million m<sup>3</sup>.

With wholesale transactions included in these figures, total gas sales by the Company increased by 3.7% to 8,053 million m<sup>3</sup> from the previous year.

		A FY2004 (Apr 2004–Mar 2005)	B FY2003 (Apr 2003–Mar 2004)	A – B	A/B %
Customers (Meters installed) (1,000 households)	Residential	6,377	6,316	+61	101.0
	Non-residential	319	318	+1	100.5
	Total	6,697	6,634	+63	100.9
Monthly average usage per customer (m <sup>3</sup> /month)	Residential	33.1	34.3	-1.2	96.5
	Average of all customers	109.7	108.1	+1.6	101.5
Gas sales volume (million m <sup>3</sup> )	Residential	2,238	2,304	-65	97.2
	Non-residential	5,509	5,280	+229	104.3
	Industrial	3,865	3,735	+130	103.5
	Commercial	1,039	986	+53	105.5
	Public and medical institutions	605	559	+46	108.1
	Wholesale	305	182	+123	167.3
Total	8,053	7,766	+287	103.7	

[45MJ/m<sup>3</sup>]

[Reference]  
Average temperature (°C)

FY2004 (Apr 2004–Mar 2005)	A	FY2003 (Apr 2003–Mar 2004)	B	A–B
17.7		17.2		+0.5

## (2) Overview of Profit and Loss

(in 100 million yen)

Revenues		Change from previous year		
		Change	Percent (%)	
Gas sales	5,674	-46	99.2	
Other sales	House-pipe installation	318	-24	92.7
	Gas appliances	920	-54	94.4
	Other sales	313	+53	120.8
	Total	1,552	-25	98.4
Total sales	7,227	-71	99.0	
Non-operating revenues	125	+47	161.6	
Total revenues	7,352	-23	99.7	

Expenses		Change from previous year		
		Change	Percent (%)	
Cost of sales	2,193	+165	108.2	
Selling, general and administrative expenses	2,894	-236	92.4	
Total	5,088	-70	98.6	
Other expenses	House-pipe installation	317	-13	96.0
	Gas appliances	908	-51	94.6
	Other expenses	222	+46	126.7
	Total	1,448	-18	98.8
Operating expenses	6,536	-89	98.7	
Operating profit	691	+17	102.6	
Non-operating expenses	64	-42	60.5	
Total expenses	6,601	-131	98.0	

Ordinary profit	751	+107	116.7
Net income	412	+18	104.6

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

Shareholder's Value Added (SVA)	21,200 million yen [previous year: 20,000 million yen]
Earnings per Share (EPS)	18.48 yen [previous year: 17.24 yen]
Return on Equity (ROE)	9.6% [previous year: 9.8%]
Return on Total Assets (ROA)	4.2% [previous year: 4.0%]
Free Cash Flow*	48,800 million yen [previous year: 56,900 million yen]

\* Free Cash Flow = (Cash flow from sales operation) – (Capital expenditure)

### [Reference]

- Cost of raw materials included in cost of sales: 203,800 million yen (increase by 21,700 million yen or 11.9%, from the previous year)
- Exchange rate and cost of crude oil

	A FY2004 (Apr 2004–Mar 2005)	B FY2003 (Apr 2003–Mar 2004)	A–B
Exchange rate (yen/dollar) *1	107.6	113.2	-5.6
Cost of crude oil (dollar/bbl) *2	38.4	29.4	+9.0

\*1: TTM rate

\*2: All Japan CIF price, except for February 2004 where calculations were based on preliminary figures

### (3) Projected Annual Results for Next Fiscal Year (Year Ending March 2006)

Annual gas sales volume is projected to grow by 2.5% from the previous year to 8,250 million m<sup>3</sup>.

Annual sales revenue is projected to increase by 3.9% from the previous year to 751,000 million yen. Operating profit is projected to increase by 16.5% from the previous year to 80,500 million yen as a result of continued cost reduction efforts. Ordinary profit is projected to increase by 6.4% to 80,000 million yen. Net income for the year is projected to increase by 19.9% to 49,500 million yen due to improvements in the extraordinary profit and loss items.

	Projected annual results for year ending March 2006	Change from previous year
Gas sales volume	8,252 million m <sup>3</sup>	+2.5%
Operating revenues	751,000 million yen	+3.9%
Operating profit	80,500 million yen	+16.5%
Ordinary profit	80,000 million yen	+6.4%
Net income	49,500 million yen	+19.9%

[Forecasted crude oil cost: \$40 per bbl; forecasted exchange rate: 108 yen to \$1]

Shareholders' Value Added (SVA)	29,600 million yen
Earnings per Share (EPS)	22.18 yen
Return on Equity (ROE)	10.9%
Return on Total Assets (ROA)	4.7%
Free Cash Flow	54,100 million yen

### (4) Capital Expenditure Plan for Next Fiscal Year (Year Ending March 2006)

	Year ending March 31, 2006 (Projection)	Year ending March 31, 2005 (Actual results)	Description of expenditures planned for year ending March 31, 2006
Production facilities	5,300 million yen	2,200 million yen	Equipment replacement, etc.
Distribution facilities	39,600 million yen	36,400 million yen	Construction of transport lines, and main and sub-service lines, etc.
Operational facilities, etc.	26,500 million yen	3,800 million yen	Power plants, etc.
Total	71,300 million yen	42,500 million yen	

## 11-2. Non-Consolidated Fiscal Statements

### (1) Balance Sheet

(Unit: million yen)

Account	As of March 31, 2005	As of March 31, 2004	Change
(Assets)			
Fixed Assets	792,139	822,205	-30,066
Tangible fixed assets	562,028	601,674	-39,646
Production facilities	109,899	117,468	-7,569
Supply facilities	354,393	372,629	-18,236
Operational facilities	67,272	86,845	-19,572
Supplementary business facilities	5,420	2,332	3,088
Idle facilities	1,532	1,532	
Construction in progress	23,510	20,866	2,644
Intangible fixed assets	4,729	5,261	-531
Patents		0	-0
Leaseholds	3,071	3,021	50
Other intangible fixed assets	1,658	2,239	-581
Investments and other assets	225,381	215,269	10,111
Investment in securities	68,858	73,708	-4,849
Investment in affiliates	75,354	75,461	-107
Long-term loans receivable from affiliates	47,984	37,932	10,052
Investment in capital	10	198	-188
Long-term prepaid expenses	3,764	4,022	-258
Deferred tax assets	8,872	14,384	-5,511
Prepaid pension cost	12,786		12,786
Other investments	8,609	10,646	-2,036
Allowance for bad debts	-859	-1,084	225
Current Assets	189,321	155,570	33,751
Cash and deposits	32,967	6,668	26,299
Notes receivable	886	1,545	-658
Accounts receivable	63,110	65,891	-2,780
Trade accounts receivable from affiliates	5,254	5,063	190
Other accounts receivable	12,829	16,170	-3,341
Products	90	84	6
Raw materials	15,744	10,970	4,773
Stores	9,074	8,234	839
Short-term loans receivable from affiliates	15,016	18,239	-3,222
Short-term accounts receivable from affiliates	3,416	1,451	1,964
Deferred tax assets	12,198	11,624	574
Derivatives	13,757		13,757
Other current assets	5,565	10,251	-4,686
Allowance for bad debts	-589	-625	35
Deferred Assets	40	29	11
Premium on bonds	40	29	11
Total Assets	981,501	977,805	3,696

(Unit: million yen)

Account	As of March 31, 2005	As of March 31, 2004	Change
(Liabilities)			
Fixed Liabilities	330,996	361,583	-30,587
Bonds	203,660	218,660	-15,000
Long-term loans payable	102,386	100,066	2,320
Reserve for severance benefits	13,311	38,110	-24,798
Reserve for gasholder repair	1,579	1,469	109
Other fixed liabilities	10,058	3,277	6,781
Current Liabilities	207,699	198,480	9,218
Current portion of fixed liabilities	45,066	13,978	31,087
Trade accounts payable	15,147	11,356	3,790
Corporate taxes payable	20,414	20,702	-288
Accrued expenses	44,642	56,322	-11,679
Corporate taxes payable	20,016	22,752	-2,736
Advances received	6,347	7,155	-807
Deposits received	1,271	1,108	162
Short-term loans payable to affiliates	26,165	21,662	4,503
Short-term accounts payable to affiliates	13,831	12,863	967
Commercial paper		26,000	-26,000
Deferred hedge gains	13,757		13,757
Other current liabilities	1,040	4,579	-3,538
<b>Total Liabilities</b>	<b>538,695</b>	<b>560,064</b>	<b>-21,368</b>
(Shareholders' Equity)			
Capital Stock	132,166	132,166	
Capital Surpluses	19,497	19,482	15
Capital reserve	19,482	19,482	
Other capital surpluses	15	0	15
Gain from disposal of treasury stocks	15	0	15
Retained Earnings	310,107	282,269	27,838
Profit reserve	33,041	33,041	
Reserve for reduction of costs relating to replacement of specific assets, etc.	216	224	-7
Reserve for write-off of specific gas piping works	1,677	1,983	-306
Reserve for loss on overseas investments, etc.	6,218	6,222	-4
Reserve for adjustment for cost fluctuation	89,000	89,000	
Reserve for other specific purposes	62,000	62,000	
Unappropriated retained earnings	117,952	89,796	28,156
Difference between Market Price and Acquisition Cost of Securities	23,090	25,228	-2,138
Difference between market price and acquisition cost of other securities	23,090	25,228	-2,138
Treasury Stocks	-42,056	-41,406	-650
Treasury stocks	-42,056	-41,406	-650
<b>Total Shareholders' Equity</b>	<b>442,805</b>	<b>417,741</b>	<b>25,064</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>981,501</b>	<b>977,805</b>	<b>3,696</b>

## (2) Profit and Loss Statement

(Unit: million yen)

Account		FY2004 (Apr 2004 to Mar 2005)	FY2003 (Apr 2003 to Mar 2004)	Change	
Ordinary Profit and Loss	Operating Profit and Loss	Product Sales	567,497	572,127	-4,630
		Gas sales	567,497	572,127	-4,630
		Cost of Sales	219,385	202,805	16,579
		(Gross Profit on Sales)	(348,111)	(369,321)	(-21,210)
		Selling Expenses	222,995	236,197	-13,202
		General and Administrative Expenses	66,444	76,915	-10,470
		(Core Business Profit)	(58,671)	(56,208)	(2,462)
		Miscellaneous Operational Revenues	126,715	132,458	-5,742
		Revenues from house-pipe installation	31,837	34,333	-2,495
		Revenues from gas appliances sales	92,066	97,505	-5,438
		Other miscellaneous operational revenues	2,811	619	2,191
		Miscellaneous Operational Expenses	122,549	129,067	-6,517
		Cost of house-pipe installation	31,723	33,050	-1,326
		Cost of gas appliances sales	90,826	96,017	-5,190
		Revenues from Supplementary Businesses	28,542	25,337	3,205
		Revenues from automatic emergency call service	4,887		
		Revenues from electric supply business	4,789		
		Revenues from other supplementary businesses	18,866		
		Cost of Supplementary Businesses	22,269	17,580	4,688
		Cost of automatic emergency call service	3,537		
	Cost of electric supply business	4,782			
	Cost of other supplementary businesses	13,948			
	(Operating Profit)	(69,111)	(67,356)	(1,754)	
	Non-Operating Profit and Loss	Non-operating Revenues	12,541	7,759	4,782
		Interest income	541	452	88
		Dividend income	1,342	1,070	271
		Lease income	1,323	1,494	-171
Gain from sales of securities		5,227	1,509	3,717	
Miscellaneous revenues		4,107	3,231	875	
Non-operating Expenses		6,493	10,736	-4,242	
Interest expenses		1,337	1,461	-124	
Interest expense on corporate bonds		2,792	3,625	-832	
Amortization of bond premiums		2	2	0	
Amortization of bond issue expenses		94		94	
Loss from redemption of corporate bonds			3,742	-3,742	
Miscellaneous expenses	2,266	1,904	362		
(Ordinary Profit)	(75,159)	(64,379)	(10,780)		
Extraordinary Profit and Loss	Extraordinary Profit	820	362	458	
	Gain from sales of fixed assets	820	362	458	
	Extraordinary Loss	11,551	3,503	8,048	
	Loss from sales of fixed assets		3,372	-3,372	
	Loss from reduction of fixed assets' cost	780	130	649	
Loss from impairment of fixed assets	10,771		10,771		
(Net income before tax)	(64,428)	(61,238)	(3,190)		
Corporate and other taxes	17,000	17,800	-800		
Adjustment for difference of tax allocation between financial accounting and tax accounting	6,147	3,962	2,184		
Net income	41,280	39,475	1,805		
Profit brought forward from prior period	83,362	57,212	26,150		
Interim dividends	6,690	6,890	-200		
Unappropriated retained earnings	117,952	89,796	28,156		

Note: Regarding the values in Sales shown in “1. (1) Operational Results of the Year Ending March 2005” in “Highlights of Non-Consolidated Financial Statements” are the total of product sales, miscellaneous operational revenues, and revenues from supplementary businesses.

(Notes)

1. Significant Accounting Policies

- (1) Tangible fixed assets are depreciated by the declining balance method, except buildings (excluding fixtures attached to buildings) acquired on and after April 1, 1998, which are depreciated by the straight-line method.
- (2) Securities are evaluated by the following methods:
  - Securities of subsidiaries and affiliates: at cost on moving average basis
  - Other securities
    - Securities with market price: at market, based on the market price on the closing date of the current period  
(The entire difference from the acquisition cost is accounted for by the “direct-inclusion-to-capital” method, and the cost of sales is calculated by the moving average method.)
    - Securities without market price: at cost on a moving average basis
- (3) Products are evaluated at cost on a gross average basis. Raw materials and stores are evaluated at cost on a moving average basis.
- (4) Derivatives are evaluated at market.
- (5) The following significant reserves are provided:
  - Reserve for retirement benefits:  
A reserve for retirement benefits is provided to prepare for payment of retirement benefits to employees. An amount of accrued retirement benefits payable to employees at the end of the current year is provided based on retirement benefit liabilities and the expected value of the pension assets.
  - Reserve for gasholder repair:  
To prepare for payment of expenses needed for periodical repair of globular gasholders, the reserve for gasholder repair is provided to cover the expected cost of the next scheduled repair, based on the actual cost of the last repair, over the period until the next scheduled repair.
- (6) Accounting of lease transactions
  - Finance lease transactions, except those in which the ownership of the leased properties is transferred to the lessees, are recorded by the accounting method used for regular lease transactions.
- (7) Consumption taxes are recorded by the tax-exclusion method.
- (8) The 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 Guidelines 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 the new accounting policy, net income before tax decreased by 10,771 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 Financial Statements.

- (9) As the Accounting Rules for Gas Business Operators were revised, expenses related to the gas business are reported separately from expenses related to other supplementary businesses in the profit and loss statement for the current year. This change in the reporting method has no material effect on the Statement of Profit and Loss for the current year.
- (10) As the Accounting Rules for Gas Business Operators were revised, revenues and expenses related to the “automatic emergency call service” and the “electric supply business” were categorized into the revenues and expenses related to supplementary businesses in the profit and loss statement for the current year.
- (11) As the Accounting Rules for Gas Business Operators were revised, fixed assets, revenues and expenses related to consigned supply that had been categorized into the supplementary businesses in previous years were reported as fixed assets, revenues and expenses related to the gas business in the current period. This change has no material effect on the Statement of Profit and Loss for the current term.

2. Accumulated Depreciation of Fixed Tangible Assets:

1,582,593 million yen (1,534,104 million yen at the end of the previous year)

3. Contingent Liabilities

Guarantee of Liabilities

7,798 million yen (7,550 million yen at the end of the previous year)

Contingent liabilities in connection with corporate bonds and loan contracts

58,931 million yen (82,706 million yen at the end of the previous year)

4. Loss from Impairment of Fixed Assets

(1) Grouping

- ① For the purpose of recognizing loss from impairment, 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 Since the fixed assets used for house-pipe installations, gas appliance sales and supplementary businesses generate cash flows independently from each other, they were categorized into separate assets groups respectively.
- 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 of 10,771 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 appraisals by real estate appraisers.

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 current economic conditions. Therefore, their book values were reduced to their recoverable values, and the differences were recorded as loss from impairment of fixed assets.

#### 5. 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 shareholders' resolutions at the ordinary general meeting of shareholders on June 27, 2002 and June 27, 2003 out of the common stocks for treasury, and undertook the procedure of lapsing the stocks on April 12 of this year.

## 11-3. Securities

### Stocks of subsidiaries and affiliates with market price

#### (1) As of end of current fiscal year (March 31, 2005)

	Value reported on balance sheet	Market price	Difference
Subsidiaries' stocks	1,241 million yen	4,149 million yen	2,907 million yen

#### (2) As of end of previous fiscal year (March 31, 2004)

	Value reported on balance sheet	Market price	Difference
Subsidiaries' stocks	1,241 million yen	3,354 million yen	2,112 million yen

#### 11-4. Proposed Appropriation of Income (Unit: million yen)

	FY2004 (Apr 2004 to Mar 2005)	FY2003 (Apr 2003 to Mar 2004)
Unappropriated profit for the year	117,952	89,796
Disposition of reserve for reduction of replacement of special assets		7
Reversal of amortization reserves for special gas piping works	370	306
Reversal of overseas investment loss reserve	15	4
Total	118,339	90,114
These will be appropriated as follows:		
Dividend of profit (per share)	6,686 (3 yen)	6,692 (3 yen)
Directors' bonuses	60	60
Balance to be carried forward	111,592	83,362

Note: 1. An interim dividend of 6,690 million yen (3 yen per share) was distributed on November 30, 2004.

2. The amounts of reversal of amortization reserves for special gas piping works and reversal of overseas investment loss reserve are in accordance with provisions of the special taxation measures law and are after adjustment for tax effects.
3. The full amount of other capital surplus will be carried forward to the next period.

#### 11-5. Change in Officers/Directors

Any change in officers/directors will be disclosed as soon as possible, perhaps during the month of May.

End of Document