

Osaka Gas Co., Ltd. (9532)
Brief Report of Consolidated Financial Statements For First Quarter of Fiscal 2010

For First Quarter of Fiscal 2010

Brief Report of Consolidated Financial Statements (Japanese GAAP)



July 30, 2010

Name of Listed Company: **Osaka Gas Co., Ltd.** Listed Exchanges: Part I of Tokyo, Osaka and Nagoya
Code: **9532** URL: <http://www.osakagas.co.jp>

Representative Officer: Title: President

Name: Hiroshi Ozaki

Contact: Title: Manager of Consolidation Management Team, Accounting & Finance Dept.

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Scheduled Date of Financial Report Filing with the Finance Ministry: August 13, 2010

Preparation of supplementary explanation documents for quarterly operational results: Yes

Holding of an analyst meeting for quarterly operational results: None

1. Consolidated Financial Results for the First Quarter of Fiscal 2010 (April 1, 2010 – June 30, 2010)

(1) Consolidated Operational Results (Percentages (%) represent changes from the same period of the previous year)

(Amounts less than one million yen are rounded down to the nearest million)

	Operating revenues		Operating profit		Ordinary profit		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Three months ended June 30, 2010	273,353	1.3	25,242	-52.3	25,731	-50.4	13,764	-56.8
Three months ended June 30, 2009	269,830	-13.8	52,969	236.5	51,861	197.8	31,825	219.9

	Earnings per share		Diluted earnings per share	
	yen		yen	
Three months ended June 30, 2010	6.41		-	
Three months ended June 30, 2009	14.77		-	

(2) Consolidated Financial Position

	Total assets	Net worth	Net worth/Total assets	Net worth per share
	(million yen)	(million yen)	%	Yen
As of June 30, 2010	1,377,437	687,468	48.2	308.87
As of March 31, 2010	1,483,895	690,561	44.9	310.39

<Reference> Net worth As of June 30, 2010: 663,419 million yen As of March 31, 2010: 666,689 million yen

2. Dividends

	Dividends per share				
	June 30	September 30	December 31	March 31	Annual
	yen				
Year ended March 31, 2010	-	3.50	-	3.50	7.00
Year ending March 31, 2011	-				
Year ending March 31, 2011 (Forecast)		4.00	-	4.00	8.00

(Note) Modification to dividend forecast: No modification

3. Forecast of Consolidated Results for the Year Ending March 31, 2011 (April 1, 2010 - March 31, 2011)

(Percentages (%) represent forecasted changes from the previous year for the full year results, and forecasted changes from the same period of the previous year for the interim results.)

	Operating revenues		Operating profit		Ordinary profit		Net income		Earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Interim	538,000	7.2	32,000	-48.2	30,000	-50.1	15,500	-58.0	7.22
Full year	1,175,000	-7.1	72,500	-20.5	65,500	22.8	37,000	23.5	17.23

(Note) Revision of forecast of consolidated operational results in the current quarter: Yes

4. Others (For details, please refer to 2. *Other Information* on page 3 of the attachment.)

(1) Changes in significant subsidiaries during the current quarter: None

(Note) Changes in specified subsidiaries accompanying change of scope of consolidation during the current quarter

(2) Application of simplified accounting treatment and specific accounting treatment: Yes

(Note) Application of simplified accounting treatment and specific accounting treatment to prepare consolidated quarterly financial statements

(3) Change in accounting principles, procedures and method of presentation

(i) Changes associated with revision in accounting standards: Yes

(ii) Changes other than (i): None

(Note) Changes in accounting principles, procedures and method of presentation for preparation of consolidated quarterly financial statements described in *Changes in Basic Important Matters for Preparation of Consolidated Quarterly Financial Statements*

(4) Issued shares (common shares)

(i) Issued shares as of term end (including repurchased shares)

Three months ended June 30, 2010	2,158,383,539 shares
As of March 31, 2010	2,158,383,539 shares

(ii) Repurchased shares as of term end

Three months ended June 30, 2010	10,515,220 shares
As of March 31, 2010	10,473,574 shares

(iii) Average number of outstanding shares during term

Three months ended June 30, 2010	2,147,887,559 shares
Three months ended June 30, 2009	2,155,278,406 shares

* Information on implementation of quarterly review procedures

At the time of disclosing the summary of financial statements, the quarterly financial statement review procedures in accordance with the Financial Instruments and Exchange Act have not been finalized.

* Explanation on appropriate use of forecasts of operational results and other special items

The forward-looking statements in this document concerning forecasts of operational results are based on information available to the Company and assumptions considered reasonable by the Company. Please note that actual business results may differ significantly from the forecast due to various factors. Concerning assumptions for forecasting operational results and precautionary statements when using the forecast, please refer to 1. (3) *Qualitative Information on the Forecast of Consolidated Operational Results* on page 2 of the attachment.

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(Reference) Forecast for non-consolidated operational results

Forecast for Non-Consolidated Results for the Year Ending March 31, 2011 (April 1, 2010 - March 31, 2011)

(Percentages (%) represent forecasted changes from the previous year for the full year results, and forecasted changes from the same period of the previous year for the interim results.)

	Operating revenues		Operating profit		Ordinary profit		Net income		Earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Interim	411,000	7.8	17,500	-62.8	18,500	-61.7	11,500	-62.6	5.35
Full year	907,000	7.5	42,000	-30.5	42,000	-34.4	26,500	-33.8	12.34

(Note) Revision of forecast of consolidated operational results in the current quarter: Yes

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1. Qualitative Information on Quarterly Consolidated Operational Results

(1) Qualitative information on consolidated operational results

In the first quarter of the current fiscal year, operating revenues totaled 273.3 billion yen, an increase of 3.5 billion yen year-on-year. This was because city gas sales volume grew on a non-consolidated basis and revenues from the electricity business increased. Operating profit amounted to 25.2 billion yen, a decrease of 27.7 billion yen year-on-year. This was attributable to a decline in non-consolidated operating profit caused by soaring material costs. Ordinary profit was 25.7 billion yen, a decrease of 26.1 billion yen year-on-year, and net income was 13.7 billion yen, a decrease of 18.0 billion yen year-on-year.

Non-consolidated operating results are stated in 4. (1) *Overview of non-consolidated financial results for the First Quarter of the Fiscal Year 2010* on page 15

(2) Descriptive information on consolidated financial position

Total assets at the end of the first quarter of the current fiscal year totaled 1,377.4 billion yen, a decrease of 106.4 billion yen from the end of the previous fiscal year. This was mainly due to a decline in current assets, such as cash and deposits and accounts receivable-trade, due to seasonal factors.

Net assets reached 687.4 billion yen, bringing our capital-to-asset ratio to 48.2%.

[Consolidated Cash Flow]

Cash and cash equivalents at the end of the first quarter of this year decreased by 71.5 billion yen from the end of previous term, reaching 42.4 billion yen. The details are as follows:

(Cash Flow from Sales Activities)

Net cash used in operating activities amounted to 33.3 billion yen. This was due to a decline in notes and accounts payable-trade and accrued expenses, despite recording a net profit before income taxes of 24.9 billion yen.

(Cash Flow from Investments)

Total expenses for investments during the first quarter of this year reached 21.6 billion yen, mainly because of 20.3 billion yen expense for acquiring tangible fixed assets, including supplying facilities such as gas pipes.

(Cash Flow from Financial Activities)

Because of 8.9 billion yen expense for repayment of long-term debts and payment of dividends, the cash flow from financial activities in the first quarter of this year resulted in 16.6 billion yen in expenses.

(3) Descriptive information on forecast of consolidated operating results

The Osaka Gas Group has revised forecasts of consolidated and non-consolidated operational results for the first six-month period of the current fiscal year, because the Group has concluded that actual operational results will vary from the initial forecasts after considering the latest business performance. Main reasons for the variance are: both city gas and electricity sales volumes are expected to increase on a non-consolidated basis; the timing of occurrence of expenses is expected to vary; and the yen's slight appreciation compared to the Group's assumed foreign exchange rates in the first quarter of the current fiscal year.

The Osaka Gas Group has not changed its full-year forecast of operational results, because the outlook of crude oil prices and foreign exchange rates remains uncertain.

2. Other Information

- (1) Significant changes in subsidiaries during the year (changes in certain subsidiaries resulting in change in consolidation scope)

Not applicable

- (2) Adoption of simplified accounting methods and special accounting treatments for quarterly consolidated financial statements

Simplified accounting treatment

- How to evaluate inventory assets

The inventory at the end of the first quarter of this consolidated accounting year was calculated using a rational method, skipping a physical inventory check and calculating on the basis of physical inventory at the end of the previous consolidated accounting year.

Inventory write-downs were implemented by estimating net sale values only for items whose profitability had been apparently reduced.

Specific accounting treatment

- Calculation of tax expenses

Tax expenses for consolidated subsidiaries were calculated mainly by rationally estimating the effective tax rate, in tax effect accounting, against the net profit before tax for this consolidated accounting year, including the consolidated first quarter, and multiplying the net profit for the quarter before tax by said estimated effective tax rate.

Please note that income taxes-deferred were included in the corporation tax

- (3) Change in accounting principles, procedures and presentation for quarterly consolidated financial statements

- Application of *Accounting Standard for Equity Method of Accounting for Investments* and *Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method*

Effective from the first quarter of the fiscal year ending March 31, 2011, *Accounting Standard for Equity Method of Accounting for Investments* (ASBJ Statement No. 16, issued March 10, 2008) and *Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method* (ASBJ PITF No. 24, issued March 10, 2008) have been applied. These changes have no effect on consolidated profit and loss.

- Application of Accounting Standard for Asset Retirement Obligations

Effective from the first quarter of the fiscal year ending March 31, 2011, *Accounting Standard for Asset Retirement Obligations* (ASBJ Statement No. 18, issued March 31, 2008) and *Guidance on Accounting Standard for Asset Retirement Obligations* (ASBJ Guidance No. 21, issued March 31, 2008) have been applied. Consequently, both operating profit and ordinary profit decreased by 22 million yen, and income before income taxes declined by 806 million yen.

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3. Quarterly Consolidated Financial Statements

(1) Consolidated quarterly balance sheet

(Unit: million yen)

	As of June 30, 2010	As of March 31, 2010
(Assets)		
Fixed Assets		
Tangible fixed assets		
Production facilities	88,445	90,195
Distribution facilities	303,190	309,186
Administrative facilities	70,496	71,177
Other facilities	331,449	333,746
Construction in progress	24,072	22,524
Total tangible fixed assets	817,655	826,830
Intangible fixed assets	43,007	42,840
Investments and other assets		
Investment in securities	138,719	147,185
Others	91,762	92,627
Total investments and other assets	230,481	239,812
Total fixed assets	1,091,144	1,109,484
Current Assets		
Cash and deposits	43,324	95,411
Notes and trade accounts receivable (net)	106,991	120,029
Valuable securities	—	24,482
Inventories	71,671	64,084
Others	64,305	70,403
Total current assets	286,293	374,411
Assets total	1,377,437	1,483,895

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(Unit: million yen)

	As of June 30, 2010	As of March 31, 2010
(Liabilities)		
Fixed Liabilities		
Bonds	260,607	260,790
Long-term loans payable	216,499	217,914
Provision for retirement benefits	13,793	13,598
Provision for gasholder repairs	1,778	1,732
Provision for safety actions	10,838	11,569
Allowance for investment loss	3,280	3,280
Others	29,660	32,015
Fixed liabilities total	536,458	540,901
Current Liabilities		
Notes and trade accounts payable	27,733	70,322
Short-term loans payable	36,151	37,153
Corporate taxes payable	—	28,947
Others	89,625	116,009
Current liabilities total	153,510	252,432
Liabilities total	689,969	793,334
(Net Worth)		
Shareholders' equity		
Capital stock	132,166	132,166
Capital surpluses	19,482	19,482
Consolidated retained earnings	499,221	492,974
Treasury stocks	-3,543	-3,530
Shareholders' equity total	647,326	641,093
Valuation and translation adjustments		
Difference between market price and acquisition cost of other securities	17,310	23,542
Deferred hedge gains (losses)	381	4,939
Land revaluation excess	-103	-103
Foreign exchange adjustment	-1,495	-2,782
Valuation and translation adjustments total	16,092	25,596
Minority interest	24,049	23,871
Net worth total	687,468	690,561
Liabilities and net worth total	1,377,437	1,483,895

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(2) Consolidated quarterly profit and loss statement [Three-month period ended June 30, 2010]

(Unit: million yen)

	Three months ended June 30, 2009 (April 1, 2009 to June 30, 2009)	Three months ended June 30, 2010 (April 1, 2009 to June 30, 2010)
Operating revenues	269,830	273,353
Cost of sales	135,904	168,192
Gross profit on Sales	133,926	105,160
Selling, general and administrative expenses	80,956	79,917
Operating profit	52,969	25,242
Non-operating revenues		
Interest income	214	161
Dividend income	707	1,175
Equity in earnings of affiliates	—	1,179
Miscellaneous revenues	1,522	1,120
Non-operating revenues total	2,444	3,635
Non-operating expenses		
Interest expenses	2,597	2,275
Miscellaneous expenses	955	870
Non-operating expenses total	3,553	3,146
Ordinary profit	51,861	25,731
Extraordinary loss		
Loss on adjustment accompanying application of accounting standard for asset retirement obligations	—	784
Total extraordinary loss	—	784
Net income before tax and other adjustments	51,861	24,946
Corporate and other taxes	19,995	10,589
Income before minority interests in income	—	14,357
Minority interest	40	593
Net income	31,825	13,764

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(3) Consolidated quarterly statement of cash flow

(Unit: million yen)

	Three months ended June 30, 2009 (April 1 to June 30, 2009)	Three months ended June 30, 2010 (April 1 to June 30, 2010)
Cash flow from operating activities		
Net income before tax and other adjustments	51,861	24,946
Depreciation expenses	22,649	23,927
Equity in earning of affiliates (minus (-) represents loss)	—	-1,179
Loss on adjustment accompanying application of accounting standard for asset retirement obligations	—	784
(Increase) decrease in trade receivables	40,413	12,993
(Increase) decrease in inventories	11,429	-7,575
Increase (decrease) in notes and accounts payable	-17,088	-42,588
Increase (decrease) accrued expenses	-25,612	-17,851
Corporate taxes paid	-12,246	-24,606
Others	9,642	-2,214
Net cash used for operating activities	81,050	-33,361
Cash flow from investment activities		
Expenses for acquisition of tangible fixed assets	-20,791	-20,386
Expenses relating to acquisition of affiliate companies' stock	-3,098	—
Others	-4,834	-1,231
Net cash used for investment activities	-28,724	-21,618
Cash flow from financial activities		
Expenses for repayment of long-term loans payable	-6,926	-8,908
Dividends paid	-6,151	-6,212
Others	-2,288	-1,507
Net cash provided from financial activities	-15,365	-16,628
Difference from conversion of cash and cash equivalents	255	92
Increase (decrease) of cash and cash equivalents	37,215	-71,515
Cash and cash equivalents at term-beginning	46,764	113,998
Cash and cash equivalents at term-end	83,979	42,482

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(4) Notes regarding assumption of a going concern

Not applicable

(5) Segment information

(Segment information by business type)

Three months ended June 30, 2010 (April 1, 2010 to June 30, 2010) (Unit: millions of yen)

	Gas	LPG, Electricity and Other Energies	International Energies	Environment and Non-Energies	Total	Adjustment	Figure in quarterly consolidated profit & loss statement
Operating revenues	207,682	36,400	2,719	38,663	285,465	-12,112	273,353
Segment profit							
Operating profit	18,033	2,931	783	2,971	24,719	522	25,242
Equity in earnings (loss) of affiliates	-7	257	928		1,179		1,179
Total	18,026	3,188	1,711	2,971	25,898	522	26,421

(Notes) Summary of reportable segments

The Osaka Gas Group's reportable segments are the organizational units for which separated financial information is available, and are regularly reviewed by the Board of Directors to decide the allocation of management resources and to evaluate business results.

The Group classifies its products and services into business segments on the basis of three business domains: the Domestic Energy Businesses, the International Energy Businesses, and the Environment and Non-Energy Businesses, and then consolidates the business segments into the following four reportable segments by considering product and service similarities—the Gas Business, the LPG, Electricity, and Other Energies Businesses, the International Energies Businesses, and the Environment and Non-Energy Businesses.

The Gas Business sells gas and gas appliances and conducts gas pipe installation and heat supply. The LPG, Electricity, and Other Energies Businesses sell LPG and industrial gas and supply electricity. The International Energy Businesses supply energy overseas, transports LNG, leases tankers, and conducts development and investment related to petroleum and natural gas. The Environment and Non-Energy Businesses conduct development and leasing of real estate, information processing services, sales of fine materials and carbon material products, sports business, engineering, and leasing of automobiles and equipment.

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(Segment information by business type)

Three months ended June 30, 2009 (April 1, 2009 to June 30, 2009) (Unit: millions of 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	Consolidation
Operating revenues	175,717	36,900	27,879	7,191	35,904	283,593	(13,762)	269,830
Operating profit	44,136	4,382	1,598	1,900	676	52,695	274	52,969

(6) Notes regarding significant changes in the value of shareholders' equity

Not applicable

(7) Other information

Purchase prices for certain raw materials may be adjusted depending on results of contract renewals and price negotiations with suppliers.

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4. Reference Data

(1) Overview of non-consolidated financial results for the First Quarter of the Fiscal Year 2010

(April 1, 2010 to June 30, 2010)

(Unit: hundred millions of yen)

Revenues					Expenses				
			Year-on-year increase/decrease	% change				Year-on-year increase/decrease	% Change
Operating revenues from product sales	Gas	1,697	-32	-1.9 %	Operating expenses	Cost of sales	900	256	39.9%
						SG&A	660	-2	-0.4%
						Total	1,560	254	19.5%
Other operating revenues	House-pipe installation	43	2	5.3%	Other expenses	House-pipe installation	45	1	3.2%
	Gas appliance sales	194	0	0.3%		Gas appliance sales	171	-1	-1.0%
	Transportation services	16	4	36.3%					
	Incidental business and others	212	72	51.7%		Incidental business and others	201	79	65.3%
	Total	466	79	20.6%		Total	419	79	23.3%
Total operating revenues		2,164	47	2.2%	Total expenses		1,980	333	20.3%
					Operating profit		184	-286	-60.9%
Non-operating revenues		30	-8	-21.4%	Non-operating expenses		17	-2	-13.0%
					Ordinary profit		196	-292	-59.8%
					Net income		128	-183	-58.8%

Quarterly non-consolidated financial statements are not subject to statutory review by accounting auditors. Quarterly non-consolidated financial statements were prepared in accordance with the Rules for Quarterly Consolidated Financial Statements.

(2) Quarterly non-consolidated gas sales

[Converted at 45MJ/m³]

		1Q 2010 (a) (Apr. 1 – Jun. 30, 2010)	1Q 2009 (b) (Apr. 1 – Jun. 30, 2009)	Change (a)-(b)	Percent (%)
Customers (Meters installed) (thousand customers (meters))	Residential	6,655	6,616	+38	+0.6
	Commercial/ industrial	330	328	+2	+0.5
	Total	6,984	6,945	+40	+0.6
Monthly average usage per residential customer (m ³ /month)		34.2	32.0	+2.2	+7.0
Gas sales volume (million m ³)	Residential	596	556	+40	+7.1
	Commercial/ industrial	1,319	1,182	+137	+11.6
	Industrial	992	864	+128	+14.8
	Commercial	203	203	+0	+0.2
	Public and medical institutions	124	116	+8	+7.3
	Wholesale	114	99	+15	+14.7
Total		2,029	1,837	+191	+10.4

Average temperature (°C)	Q1 2010 (a)(Apr 1 – Jun 30, 2010)	Q1 2009 (b)(Apr 1 – Jun 30, 2009)	(a)-(b)
	18.8	19.7	-1.0