First Quarter Financial Results for FY2005.3

(Cumulative)

July, 2004

Osaka Gas Co., Ltd

Further information is available online at http://www.osakagas.co.jp/.

Financial reports, annual reports and road show materials can be accessed and downloaded at the following URL. http://www.osakagas.co.jp/ir/index_e.html

Disclaimer

Certain statements contained herein are forward looking statements, strategy and plans, which reflect our judgment based on the information so far available. Actual results may differ materially from those discussed in such statements. Among the factors that could cause actual results to differ materially are: economic trend in Japan, sharp fluctuations in exchange rate and oil prices and extraordinary weather conditions.

Outline of consolidated results

Billion yen	03.Apr-Jun	04.Apr-Jun	Differences
Sales	222.7	220.0	-2.7
Operating profit	30.5	27.9	-2.6
Ordinary profit	29.5	30.4	+0.8
Net income	17.0	18.6	+1.6

	03.Apr-Jun	04.Apr-Jun	Differences
Crude Oil Price (JCC:$/bbl)	29.38	31.12	+1.74
Exchange Rate (TTM:¥/$)	118.50	109.63	-8.87
Averaged Temperature (C)	19.9	20.7	+0.8

- **Gas business**
  - Although the temperature was relatively high, gas sales volume increased from the same period last year, supported by an increase in new demand.
  - Although the effect of the strong yen was partially set off by a rise in the price of crude oil, gas sales revenues and cost of raw materials decreased from the same period last year. (The rise in crude oil price will have impact on gas rates in and after Q2.)

- **Energy business other than gas business**
  - Sales revenues of Cogen Techno Service Co., Ltd. increased 90% from the same period last year.
  - Nagano Propane Gas Co., Ltd. and Daiya Nensho Co., Ltd. were added to the consolidation from this quarter.
- **Non-energy business**
  - Generally, operational results of non-energy businesses exceeded the same period last year.
  - Sales by OGIS-RI and Osaka Gas Engineering decreased from the same period last year, but the level initially forecast was almost achieved.

Sales revenues by consolidated subsidiaries increased, while non-consolidated sales revenues by the Company decreased mainly because the LNG price applied to gas charges was lower than last year.

Operating profit decreased as a result of decreased sales revenues.

Both ordinary profit and net income increased. This was because a gain from sales of bank stocks and other securities was recorded and no loss from land sales was recorded during this first quarter (loss from land sales was recorded in the same period last year).

Outline of non-consolidated results

Billion yen	03.Apr-Jun	04.Apr-Jun	Differences
Gas sales	139.8	134.9	-4.8
Other sales	32.9	32.1	-0.7
Gross sales	172.7	167.0	-5.6
Feedstock cost	43.0	42.7	-0.3
Labor cost, Depreciation cost, and other operating cost	74.8	74.7	-0.0
Other expenses	28.5	27.1	-1.4
Operating expenses	146.4	144.6	-1.8
Operating profit	26.2	22.4	-3.8
Non-operating profit/loss	0.0	3.3	+3.2
Ordinary profit	26.3	25.7	-0.5
Extraordinary profit/loss	-0.6	0.0	+0.6
Net income after tax	16.3	16.7	+0.4

Summation of figures in the table above may not agree as each figure is rounded off.

In operating expenses, labor costs decreased due to personnel reduction (approx. 200 employees) implemented in the parent company. However, demand development expenses spent for measures taken against electrification marketing of electric power companies and other activities increased. Labor costs were further reduced as a result of consigning gas charge-related operations to a spun-off subsidiary, while outsourcing expenses increased in relation thereto. Consequently, total labor costs, depreciation costs and other operating costs during the current first quarter were almost at the same level as in the same quarter last year.

As for equipment, installation work and other miscellaneous operations, both revenues and expenses decreased in gas installation works because the number of new contracts decreased. Operational results of other businesses remained almost at the same level in the same period last year.

Gas sales results

45MJ/m3		03.Apr-Jun	04.Apr-Jun	Differences
Non-consolidated	Number of meters installed (thousand)	6,573	6,637	+64
	Number of newly built houses (thousand)	29	24	-5
	Monthly sales per household (m3)	34.8	33.0	-1.8
	Residential use	584	558	-26
	Commercial use	217	226	+9
	Public and medical use	110	115	+5
	Industrial use	886	917	+31
	Non-residential use total	1,212	1,259	+47
	Wholesale	38	48	+10
	for Non-regulated customers (included)	850	905	+55
Total of gas sales (million m3)		1,834	1,865	+31
	Nabari Kintetsu Gas	4	4	0
Consolidated gas sales		1,838	1,869	+31

In the next slide I will explain an analysis of sales volume increase by use type.

In wholesales gas, large contracts were concluded as initially projected, contributing to growth in the sales volume.

Sales to non-regulated customers included a switched-over portion in response to expansion of the range of non-regulated customers to 500,000 m3/year, implemented in April 2004.

Analysis of gas sales

(Compared to 1Q of FY04.3-Cumulative)

Residential use

Increase in number of customers	+0.7%
Influence of temperature differences	-6.4%
Differences in timing of meter reading	+2.5%
Others	-1.2%
Total	-4.4%

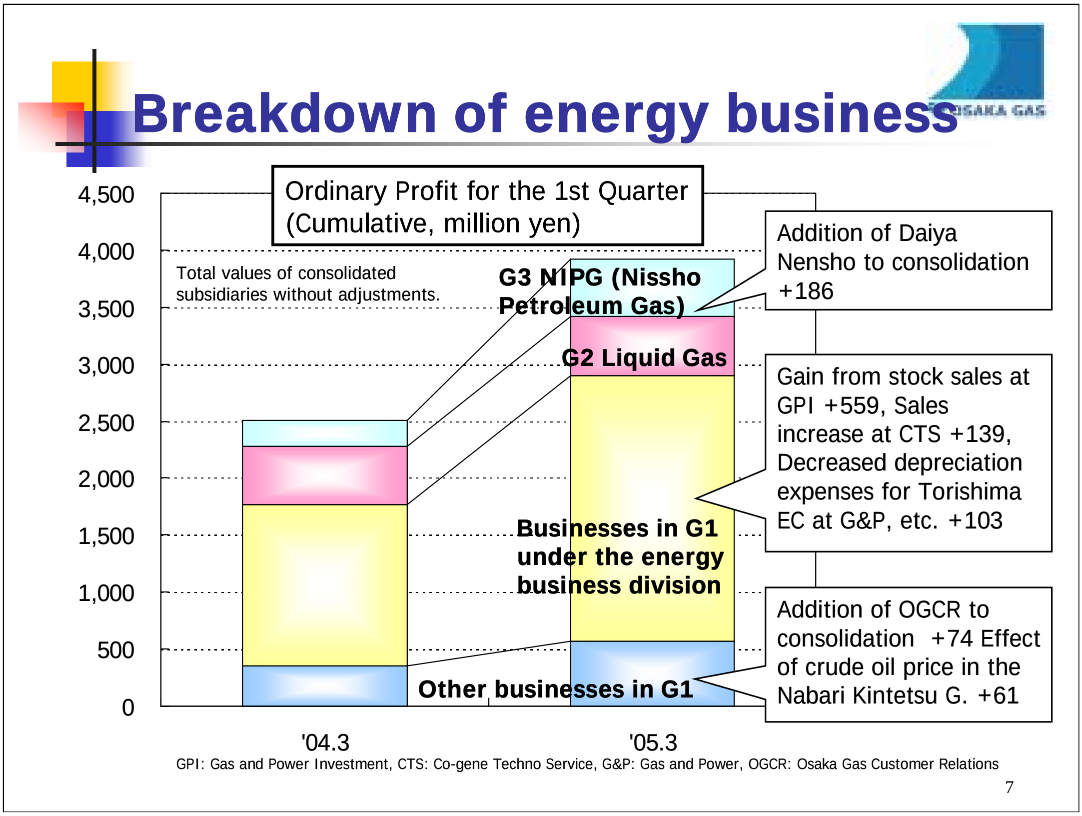
In the financial report for the Q3 last year, the item "Others" above was presented in two separate items "Effect of equipment sales" and "Structural factors." They are not presented separately in the current Q1 because gas equipment strategically marketed by the Company is mainly for heating purposes, and thus, the effect of equipment sales does not show very much in the first quarter.

Non-residential use

	Commercial	Industrial
Increase in demand	+7.7%	+5.4%
Influence of temperature	-0.7%	---
Others	-2.5%	-1.8%
Total	+4.5%	+3.6%

Gas sales for residential use were greatly affected by the temperature.

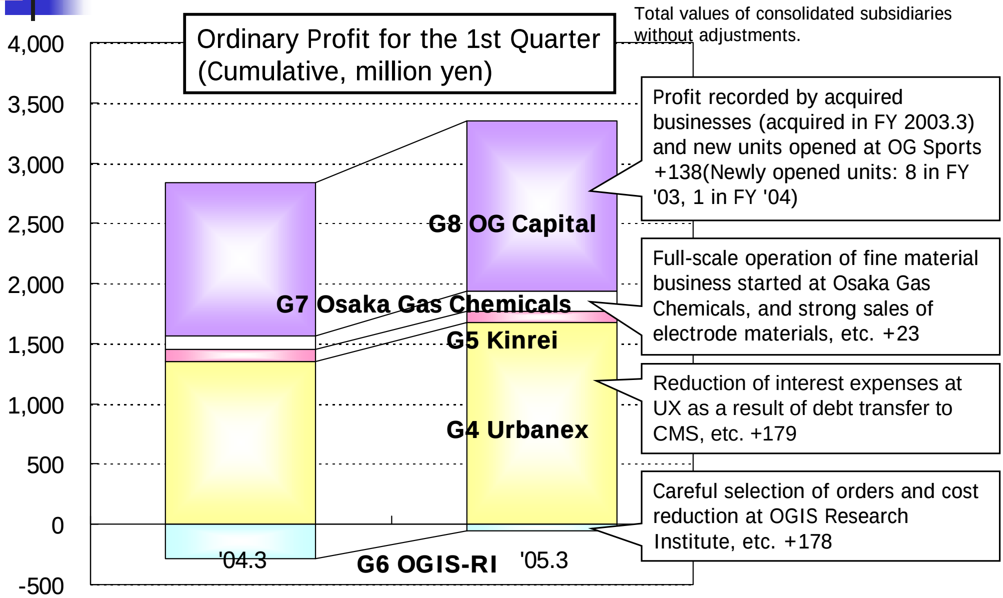
On the other hand, in gas sales for non-residential use, development of new demand remained at the same level as in past years. The effect of transferring existing customers to consigned transportation contracts during the current Q1 was included in "Others" in the industrial use category. The sales volume initially projected was achieved.



Next, I would like to explain the operational status of consolidated subsidiaries in the energy business and non-energy business.

Consolidated subsidiaries in the energy business generally achieved profit growth from the previous year, as originally projected.

Breakdown of non-energy business



UX: Urbanex

Consolidated subsidiaries in the non-energy business also achieved more profit than in the same period last year. Generally, they are operating at a pace exceeding the initial projection.

Variance from Initial Projection

Notes: Quarterly projections have not been publicly announced.

Non-consolidated

- **Gas sales volume**
  - Higher sales volumes than initially projected were achieved in sales for non-residential use, but sales volume for residential use was affected by the warmer temperature and declined. The overall sales volume was 7% lower than initially projected.
- **Gas sales revenue**
  - Sales revenue was approx. 3 billion yen lower than initially projected due to a decline in the sales volume. The crude oil price and exchange rate moved as initially projected.
- **Operating expenses**
  - The material cost was approx. 3 billion yen higher than initially projected due to a rise in the crude oil price.
  - Other operating expenses were approx. 4 billion yen lower than initially projected (including postponement of certain activities involving expenditures of operating expenses).
- **Non-operating items and miscellaneous operating items and extraordinary income / loss**
  - Profit by equipment/installation works/incidental businesses was approx. 800 million yen higher than initially projected due to a deferral of recognition of certain expenses.
  - Non-operating profit was approx. 1.5 billion yen higher than initially projected due to a higher-than-expected rise in the selling price of securities.

Consolidated subsidiaries

- Decreased sales in the energy business resulting from a decline in the LPG selling price, etc. were offset by strong sales in the urban business. As a result, sales and profit initially projected were almost achieved during the current Q1.

Quarterly projections have not been publicly announced. I will explain the major variances from the initial projections for the first quarter.

Sales and profit for the 1st quarter were slightly lower than initially projected, mainly due to (1) a decrease in gas sales volume affected by the warmer temperature, and (2) an increase in material cost resulting from a rise in the crude oil price.

It is expected that material cost will continue to increase in and after the 2nd quarter, affected by a continuing rise in the crude oil price. We will strive to control costs through our cost reduction efforts and other measures.

Risk Factors Affecting Initial Projections

- **Temperature**
  - A 1C change in temperature will have the following macro effect on gas sales volume:
    - In the air-conditioning segment, the sales volume will increase about 10% in summer (as the temperature rises).
    - In the residential-use segment, the sales volume will decrease about 6% in summer, about 5% in spring and fall, and about 4% in winter (as the temperature rises).
  - (1) Effects of increase/decrease of gas sales for air conditioning + weather derivatives (sales volume increase as temperature rises) and (2) effects of increase/decrease in gas sales for residential use (sales volume decrease as temperature rises) partially offset each other.
- **Crude oil price and exchange rate**
  - A US$1/bbl change in crude oil price will have an effect of approx. 3.5 billion yen on the annual material cost.
  - A 1yen fluctuation in the Japanese yen/dollar exchange rate will have an effect of approx. 1.4 billion yen on the annual material cost.
  - The effect of the current rise in the crude oil price will be reflected in the gas charge rate adjustment in and after the third quarter this year.
- **Change in competitors**
  - There was no change from the initial projection regarding the status of competitors, including a marketing shift to all-electrification, a switch-over to consigned transportation, and expansion of the scope of gas/electricity liberalization in response to revisions in the law in April 2004.

Finally, I will discuss the risk factors that will affect our future operational results.

When the temperature rises, gas sales volume will generally decrease. However, part of this decrease will be offset by an increase in gas sales for air-conditioning use in high temperatures.

Since the crude oil price has been rising, the material cost is also rising. On the other hand, because of the time lag, gas charge rates have not been adjusted to respond to this rise in the crude oil price. Adjustment of the gas charge rates to reflect the current rise in the crude oil price will be implemented in the third quarter this year.

There were no noteworthy changes either among competitors or in the laws and regulations affecting our business.