



For Year Ending March 2007

Summary of Business and Financial Results for the First Quarter (Consolidated)

July 28, 2006

Name of Listed Company: **Osaka Gas Co., Ltd.**
(URL: <http://www.osakagas.co.jp>)

(Code: **9532**) Tokyo, Osaka, Nagoya

Representative Officer: Title: President Name: Hirofumi Shibano
Contact: Title: Accounting Manager Name: Shingo Kamei TEL: 81-6-6205-4537

1. Information regarding preparation of quarterly financial statements

(1) Adoption of the simplified method in accounting procedure: Adopted

(Details)

- Tax effect accounting of consolidated subsidiaries is on the simplified method.
- The simplified procedure is used for certain items with negligible effect such as omission of physical stocktaking.

(2) Change in the accounting procedure from the last consolidated fiscal year: None

(3) Scope of consolidation and application of equity method

Consolidated subsidiaries: 136

Non-consolidated subsidiaries recorded by equity method: 0

Affiliates recorded by equity method: 4

(4) Change in scope of consolidation and application of equity method

Consolidation (New): 0 subsidiaries

(Excluded): 0 subsidiaries

Equity Method (New): 0 companies

(Excluded): 0 companies

2. Summary of the Financial and Business Results for the First Quarter of the Year Ending March 2007
(April 1, 2006 to June 30, 2006)

(1) Development of Operating Results (Consolidated)

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

	Operating revenues		Operating profit		Ordinary profit		Net Income for the Quarter	
	million yen	%	million yen	%	million yen	%	million yen	%
1Q of the year ending 3/2007	278,335	18.2	42,268	23.7	43,657	22.7	27,132	21.7
1Q of the year ending 3/2006	235,400	7.0	34,178	22.4	35,570	16.8	22,287	19.3
(Reference) year ending 3/2006	1,065,961		100,657		103,308		80,710	

	Retained Earnings Per Share		Diluted Retained Earnings Per Share	
	Yen		Yen	
1Q of the year ending 3/2007	12.18		-	
1Q of the year ending 3/2006	10.00		-	
(Reference) year ending 3/2006	36.18		-	

Note: Percentages shown for sales and operating profit in the tables above are percentages of change from the same quarter of the previous year.

[Qualitative Information on Development of the Operating Results (Consolidated)]

During the present first quarter, consolidated sales increased to JPY 278.3 billion, up by JPY 42.9 billion from the same quarter of the previous year, due to a number of favorable factors including: gas sales increased; gas rates remained higher under the feedstock cost adjustment system than during the same quarter of the previous year; and consolidated subsidiaries increased their sales. Operating profit increased by JPY 8.0 billion from the same quarter of the previous year to JPY 42.2 billion because, although the cost of feedstock increased due to a rise in LNG prices associated with soaring crude oil prices, the volume of gas sales grew; efficiency was increased in all aspects of business operations; and consolidated subsidiaries increased their profits. Ordinary profit showed a year-on-year increase of JPY 8.0 billion to JPY 43.6 billion. Reflecting corporate tax adjustments, in particular, net income for the current first quarter grew by JPY 4.8 billion from the year-ago figure to JPY 27.1 billion.

Our consolidated business performance has a seasonal characteristic, with greater sales primarily during the winter term from December to May because the gas supply business carries a greater weight. On the other hand, fixed costs are incurred evenly each month, so profit items occur at higher levels during the first quarter than during the second quarter.

(2) Changes in the financial position (consolidated)

	Total assets	Net worth	Total net worth/ Total assets ratio	Net worth per share
	million yen	million yen	%	Yen
1Q of the year ending 3/2007	1,361,637	669,310	47.8	300.50
1Q of the year ending 3/2006	1,231,789	546,198	44.3	245.11
(Reference) year ending 3/2006	1,398,692	628,510	44.9	282.12

【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
1Q of the year ending 3/2007	-15,107	-24,352	16,496	24,652
1Q of the year ending 3/2006	9,323	-9,013	37,148	51,746
(Reference) year ending 3/2006	152,935	-162,989	13,245	47,726

[Qualitative Information on Changes in the Financial Position (Consolidated)]

Gross assets at the end of the current first quarter came to JPY 1,361.6 billion, representing a decrease of JPY 37.0 billion from the end of the previous consolidated fiscal year. This decrease mainly consisted of a decrease of JPY12.2 billion in investments and other assets owing to a drop in the variance of the estimate at the current price, and a decrease of JPY 25.0 billion in liquid assets such as cash, deposits, and accounts receivable trade due to seasonal factors.

Net worth was JPY 669.3 billion and the total net worth/ total assets ratio was 47.8%.

【Consolidated Cash Flow】

As of the end of the first quarter, cash and cash equivalents decreased by JPY 23.0 billion to JPY 24.6 billion from the end of the previous consolidated fiscal year. Major details are as follows:

(Cash Flow from Operating Activities)

Although quarterly net income before tax adjustments amounted to JPY 43.6 billion, a decrease of JPY 22.9 billion in accrued expenses payable and an increase of JPY 19.2 billion in inventories caused a shortfall of JPY 15.1 billion in the cash flow from operating activities during the current first quarter.

(Cash Flow from Investment Activities)

During the current first quarter, we spent JPY 24.3 billion on investment activities as JPY 22.4 billion was defrayed for the acquisition of tangible fixed assets.

(Cash Flow from Financial Activities)

Although we had to make dividend payments of JPY 6.0 billion during the first quarter, since we successfully raised funds of JPY 22.6 billion on a net basis through corporate bonds, debts payable etc., we were able to raise funds amounting to JPY 16.4 billion from financial activities.

(Reference 1) Summary of Quarterly Non-consolidated Operational Results (April 1, 2006 to June 30, 2006)

	Operating revenues		Operating profit		Ordinary profit		Net income for the quarter	
	million yen	%	million yen	%	million yen	%	million yen	%
1Q of the year ending 3/2007	203,917	15.9	35,976	22.9	37,495	19.4	24,071	18.6
1Q of the year ending 3/2006	175,880	5.3	29,272	30.4	31,399	21.8	20,289	21.0
(Reference) year ending 3/2006	786,350		76,619		82,040		70,632	

	Total assets	Net worth
	million yen	million yen
1Q of the year ending 3/2007	1,050,072	539,661
1Q of the year ending 3/2006	988,738	455,393
(Reference) year ending 3/2006	1,078,437	518,171

Note: Percentages shown for sales and operating profit in the tables above are percentages of change from the same quarter of the previous year.

3. Forecast for year ending March 2007 (April 1, 2006 to March 31, 2007)

	Operating revenues (forecast)	Ordinary profit (forecast)	Net income (forecast)
	million yen	Million yen	million yen
Interim term	525,000	35,500	20,000
Full year	1,199,000	86,500	49,500

(Reference) Expected retained earning per share (for full year): 22.22 yen

[Qualitative Information on Business Forecast]

According to the forecast for business performance for the March 2007 term, which was revealed in a brief announcement of the financial statement (consolidated) for the March 2006 term published on April 28, 2006, based on the recent trends in the company's business performance, such as an increase in the sales of gas for residential customers due to low temperatures during the first quarter, sales for the interim term are projected to show an increase of JPY 11.0 billion to JPY 525 billion, ordinary profit will come to JPY 35.5 billion, up by JPY 6.0 billion, and net income will amount to JPY 20.0 billion, up by JPY 3.5 billion, while sales for the full year term are expected to increase by JPY 17.0 billion to JPY 1,199 billion.

Reflecting a sharp rise in the feedstock cost, no changes are made to the projections for ordinary profit and net income for the full year term.

According to forecasts for non-consolidated business performance, sales for the interim term will grow by JPY 11.0 billion to JPY 373.5 billion, ordinary profit will increase by JPY 6.0 billion to JPY 30.0 billion, and net income will increase by JPY 3.5 billion to JPY 20.0 billion, while sales for the full year term will grow by JPY 17.0 billion to JPY 851.0 billion.

Reflecting a sharp rise in the feedstock cost, no changes are made to the projections for ordinary profit and net income for the full year term.

(Reference 2) Forecast for the year ending March 2007 (non-consolidated) (April 1, 2006 to March 31, 2007)

	Operating revenues (forecast)	Ordinary profit (forecast)	Net income (forecast)
	million yen	million yen	million yen
Interim term	373,500	30,000	20,000
Full year	851,000	68,500	46,000

(Reference) Expected retained earning per share (for full year): 20.65 yen

Note: 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.

(1) Quarterly Consolidated Balance Sheet

(JPY, in millions)

Account	As of the end of the current quarter (end of June 2006)	As of the end of the previous consolidated fiscal year (end of March 2006)	Change	As of the end of the same quarter of the previous year (end of June 2005)
(Assets)				
Fixed Assets	1,101,431	1,113,438	-12,007	973,291
Tangible fixed assets	785,700	785,045	655	768,581
Intangible fixed assets	28,778	29,178	-400	32,301
Investments and other assets	286,952	299,213	-12,261	172,407
Current Assets	260,137	285,194	-25,057	258,458
Cash and deposits	26,029	49,495	-23,466	55,983
Notes and trade accounts receivable	111,951	126,800	-14,849	98,152
Inventories	64,153	44,868	19,285	51,147
Other current assets	58,002	64,029	-6,027	53,174
Deferred Assets	67	60	7	39
Assets Total	1,361,637	1,398,692	-37,055	1,231,789
(Liabilities)				
Fixed Liabilities	441,802	442,782	-980	432,281
Bonds	197,658	188,694	8,964	204,080
Long-term loans payable	197,331	199,359	-2,028	183,132
Reserve for severance benefits	8,775	8,731	44	17,863
Other fixed liabilities	38,037	45,995	-7,958	27,205
Current Liabilities	250,523	308,724	-58,201	243,353
Notes and trade accounts payable	40,763	45,802	-5,039	37,575
Short-term loans payable	45,961	31,943	14,018	28,184
Other current liabilities	163,798	230,977	-67,179	177,593
Liabilities Total	692,326	751,506	-59,180	675,634
(Minority Interest)				
Minority Interest	-	18,675	-	9,956
Minority Interest Total	-	18,675	-	9,956
(Shareholders' Equity)				
Capital Stock	-	132,166	-	132,166
Capital Surplus	-	19,521	-	19,499
Retained Earnings	-	410,682	-	359,884
Land Revaluation Excess	-	62	-	81
Difference between Market Price and Acquisition Cost of Other Securities	-	63,648	-	33,275
Foreign Exchange Adjustment	-	4,986	-	3,485
Treasury Stock	-	-2,556	-	-2,195
Shareholders' Equity Total	-	628,510	-	546,198
Liabilities, Minority Interest, and Shareholders' Equity Total	-	1,398,692	-	1,231,789
(Net Worth)				
Shareholders' Equity	578,981	-	-	-
Capital Stock	132,166	-	-	-
Capital Surplus	19,523	-	-	-
Retained Earnings	429,928	-	-	-
Treasury Stock	-2,637	-	-	-
Evaluation Difference and Translation Adjustments	71,447	-	-	-
Difference between Market Price and Acquisition Cost of Other Securities	55,223	-	-	-
Deferred Gains or Losses on the Hedging Transactions	11,028	-	-	-
Land Reevaluation Excess	62	-	-	-
Foreign Exchange Adjustment	5,132	-	-	-
Minority Interest	18,882	-	-	-
Minority Interest	18,882	-	-	-
Net Worth Total	669,310	-	-	-
Liabilities and Net Worth Total	1,361,637	-	-	-

(2) Quarterly Consolidated Income Statement

(JPY, in millions)

Account	Current quarter (April 2006 to June 2006)	Same quarter of the previous year (April 2005 to June 2005)	Change	Previous consolidated fiscal year (April 2005 to March 2006)
Operating Revenues	278,335	235,400	42,935	1,065,961
Cost of Sales	161,685	122,317	39,368	636,478
Gross Profit on Sales	116,649	113,082	3,567	429,482
Selling, General, and Administrative Expenses	74,381	78,903	-4,522	328,825
Operating Profit	42,268	34,178	8,090	100,657
Non-operating Revenues	4,364	3,237	1,127	13,938
Interest income	281	97	184	758
Dividend income	812	631	181	1,353
Gain from sales of securities	1,028	1,316	-288	5,088
Equity method investment gain	1,249		1,249	2,435
Miscellaneous income	991	1,192	-201	4,303
Non-operating Expenses	2,975	1,846	1,129	11,287
Interest expenses	2,257	1,534	723	6,474
Miscellaneous expenses	718	312	406	4,813
Ordinary Profit	43,657	35,570	8,087	103,308
Extraordinary Profit		488	-488	29,085
Gain from sales of fixed assets		488	-488	661
Gain on sales of subsidiaries' stocks				5,400
Gain on disposition of LNG handling facilities				23,024
Net Income for the Quarter before Taxes	43,657	36,058	7,599	132,393
Corporate Taxes	16,196	13,664	2,532	50,938
Less: Minority Interest	327	105	222	744
Net Income for the Quarter	27,132	22,287	4,845	80,710

Note: Corporate taxes are expressed inclusive of adjustment to corporate taxes.

(3) Quarterly Consolidated Cash Flow Statement

(JPY in millions)

Account	Current quarter (April 2006 to June 2006)	Same quarter of the previous year (April 2005 to June 2005)	Change	Previous consolidated fiscal year (April 2005 to March 2006)
I. Cash Flow from Operating Activities				
Net income for the quarter before taxes	43,657	36,058	7,599	132,393
Depreciation expenses	20,018	20,920	-902	84,250
Increase or decrease in accounts receivable and purchase liabilities	9,808	12,954	-3,146	-7,786
Increase of inventories	-19,279	-7,295	-11,984	-2,269
Decrease in accrued expenses	-22,967	-21,678	-1,289	6,509
Others	-46,343	-31,637	-14,706	-60,162
Net Cash Flow from Operating Activities	-15,107	9,323	-24,430	152,935
II. Cash Flow from Investment Activities				
Expenses for acquisition of tangible fixed assets	-22,445	-24,326	1,881	-115,243
Acquisition or sales of investment securities and stocks of subsidiaries/affiliates	-975	-9,761	8,786	-38,813
Other	-931	-4,924	3,993	-8,932
Net Cash Flow from Investment Activities	-24,352	-39,013	14,661	-162,989
III. Cash Flow from Financial Activities				
Increase or decrease of corporate bonds, debts payable and CPs (-)	22,647	42,397	-19,750	18,492
Dividends paid	-6,010	-5,034	-976	-14,437
Other	-140	-214	74	9,189
Net Cash Flow from Financial Activities	16,496	37,148	-20,652	13,245
IV. Difference from Conversion of Cash and Cash Equivalents	-110	25	-135	273
V. Increase/decrease of Cash and Cash Equivalents	-23,074	7,484	-30,558	3,464
VI. Cash and Cash Equivalents at Beginning of Period	47,726	44,279	3,447	44,279
VII. Increase or Decrease in Cash and Cash Equivalents due to Changes in Scope of Consolidation		-16	16	-16
VIII. Cash and Cash Equivalents at End of Period	24,652	51,746	-27,094	47,726

(4) Segment Information

[Segment information by business type]

Current Quarter (April 1, 2006 to June 30, 2006)

(JPY in millions)

	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	Consolidated
Sales	168,565	54,708	33,095	6,086	30,280	292,736	-14,400	278,335
Operating Expenses	136,136	51,320	29,641	4,040	29,586	250,726	-14,658	236,067
Operating Profit	32,429	3,387	3,454	2,045	693	42,010	258	42,268

Same Quarter of the Previous Year (April 1, 2005 to June 30, 2005)

(JPY in millions)

	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	Consolidated
Sales	143,263	37,265	30,779	6,287	31,441	249,037	-13,637	235,400
Operating Expenses	117,719	34,282	27,850	4,323	30,875	215,051	-13,829	201,221
Operating Profit	25,544	2,982	2,928	1,964	565	33,986	192	34,178

Note: Numbers in the table "Same Quarter of the Previous Year" show results assuming that the same changes in constituent companies of each segment had happened at the beginning of the fiscal year as actually happened in the interim of the fiscal year.