



# Financial Report for FY2011.3 (April 2010-March 2011)

April 2011  
Osaka Gas Co., Ltd.

# I. Business Results for FY2011.3 and Forecast for FY2012.3

**Management information is available on Osaka Gas websites.**

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](http://www.osakagas.co.jp/ir/index_e.html)

**Disclaimer**

Certain statements contained herein are forward-looking statements, strategies, 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 trends in Japan, sharp fluctuations in exchange rates and crude oil prices, and extraordinary weather conditions.

**Note regarding gas sales volume**

All gas sales volumes are indicated based on the standard heating value at 45 MJ/m<sup>3</sup>.

**Note regarding consolidated gas sales volume**

The fiscal year of Nabari Kintetsu Gas, Toyooka Energy, and Shingu Gas ends on December 31.

I would like to now walk you through our business results for the year ended March 2011 and our business forecasts for the year ending March 2012.

# Business Results for FY2011.3 - Highlights

## ■ Overview

|                                 |   |
|---------------------------------|---|
| Consolidated operating revenues | Revenues increased 8.3% year-on-year to ¥1,187.1 billion, resulting from the increase in gas sales on the back of economic recovery in Japan, the contribution of all Semboku Natural Gas Power Plant units going into operation, and increased sales of consolidated subsidiaries, including real estate businesses.   |
| Consolidated operating profit   | Profit declined 2.8% year-on-year to ¥88.5 billion as a result of the decrease in gross margin of gas sales due to higher fuel costs with the rise in LNG prices, despite the decrease in operating expenses and increase in operating profit of the electric power business.<br>Loss on fuel cost adjustments amounted to ¥8.5 billion (vs. profit of ¥26.7 billion for the previous year) |

## ■ Gas sales volume

|                           |   |
|---------------------------|---|
| Residential               | 2,275 million m <sup>3</sup> , a year-on-year increase of 1.4%, due to lower atmospheric and water temperatures during the winter months compared to the previous year          |
| Commercial and industrial | 5,765 million m <sup>3</sup> , a year-on-year increase of 6.3%, due to expansion of new demand and higher utilization at customers' facilities on the back of economic recovery |

## ■ Other topics

|                                      |   |
|--------------------------------------|---|
| Dividends                            | Increase of ¥1 per share (to ¥8 per share)  |
| Share buy-back                       | Shares in the amount of ¥20.0 billion (63,724,000 shares) acquired and canceled   |
| Investments for incubation/expansion | Decisions made on investments in Sagunto LNG Terminal (Spain) and Shuweihat IWPP (UAE). Total investments for incubation/expansion amounted to ¥26.3 billion. |

For the year ended March 2011, we reported lower profit on higher revenues.

Consolidated operating revenues increased by 8.3% from the previous year to ¥1,187.1 billion. This rise owed primarily to an increase in gas sales on the back of economic recovery in Japan, the contribution of all Semboku Natural Gas Power Plant units going into operation, and increased sales of consolidated subsidiaries, including real estate businesses.

Consolidated operating profit edged down by 2.8% to ¥88.5 billion. This change owed primarily to a lower gross margin of gas sales due to higher fuel costs with the rise in LNG prices, despite higher profits on reduced operating expenses and an increase in the electric power business's operating profit with all Semboku Natural Gas Power Plant units beginning operations. Meanwhile, a loss on fuel cost adjustments amounted to ¥8.5 billion.

Residential gas sales volume increased by 1.4% to 2,275 million m<sup>3</sup>, as atmospheric and water temperatures during the winter months were lower than those in the previous year.

Commercial and industrial gas sales volume increased by 6.3% to 5,765 million m<sup>3</sup> due to expansion of new demand and higher utilization at customers' facilities on the back of economic recovery in Japan.

As we have announced earlier, with regard to shareholder returns it has been decided to pay an annual dividend of ¥8 per share, which represents a dividend increase of ¥1 per share. Also, we acquired 63.72 million shares for ¥20.0 billion between October last year and this January, which were subsequently canceled in March.

For incubation and expansion investments, we made decisions on investments in Sagunto LNG Terminal in Spain and Shuweihat IWPP in the UAE. The investments for incubation/expansion during the year ended March 2011 totaled ¥26.3 billion.

# Gas Sales for FY2011.3

| 45MJ/m <sup>3</sup>           |  | FY11.3 (A) | FY10.3 (B) | A-B    | (A-B)/B(%) |
|-------------------------------|--|------------|------------|--------|------------|
| Non-consolidated              | Number of meters installed (thousand)                          | 7,012      | 6,980      | +33    | +0.5%      |
|                               | Installation of new meters (thousand)                          | 79         | 85         | -5     | -6.3%      |
|                               | Monthly gas sales volume per household (m <sup>3</sup> /month) | 32.7       | 32.3       | +0.4   | +1.3%      |
|                               | Residential use  | 2,275      | 2,244      | +32    | +1.4%      |
|                               | Commercial, public and medical use                             | 1,624      | 1,543      | +81    | +5.2%      |
|                               | Industrial use   | 4,141      | 3,877      | +263   | +6.8%      |
|                               | Non-residential total  | 5,765      | 5,420      | +344   | +6.3%      |
|                               | Wholesale  | 488        | 455        | +33    | +7.2%      |
|                               | (Non-regulated)  | (4,874)    | (4,576)    | (+298) | (+6.5%)    |
|                               | Gas sales volume (million m <sup>3</sup> )                     | 8,528      | 8,119      | +408   | +5.0%      |
| Consolidated gas sales volume |  | 8,560      | 8,150      | +409   | +5.0%      |

Allow me to now explain our gas sales volume for the year ended March 2011.

Net gas sales volume on a non-consolidated basis grew by 5.0% from the previous year to 8,528 million m<sup>3</sup>.

As I explained earlier, the volume of gas sales to residential customers edged up by 1.4% to 2,275 million m<sup>3</sup> due primarily to the influence of temperature.

Sales to commercial, public, and medical users increased by 5.2% to 1,624 million m<sup>3</sup>. This increase resulted mainly from greater demand for air conditioning resulting from heat waves during the summer months and expansion of new demand.

Sales to industrial users increased by 6.8% to 4,141 million m<sup>3</sup>, due primarily to higher utilization of customers' facilities on the back of economic recovery, in addition to expansion of new demand.

The Great East Japan Earthquake, which occurred in March, had little impact on our gas sales volume for either residential or non-residential use during the year ended March 2011.

# Consolidated Results of FY2011.3 - I

Figures in ( ) are ratios of consolidated results to non-consolidated results

| (billion yen)      | FY11.3 (A)     | FY10.3 (B)     | A-B   | (A-B)/B(%) | Remarks  |
|--------------------|----------------|----------------|-------|------------|--|
| Operating revenues | (1.29) 1,187.1 | (1.30) 1,096.6 | +90.5 | +8.3%      | Increase in gas sales volume, increase in revenues from electric power business, increase in sales of real estate subsidiaries, etc. |
| Operating profit   | (1.68) 88.5    | (1.51) 91.1    | -2.5  | -2.8%      | Decrease in gas sales gross margin, etc.   |
| Ordinary profit    | (1.49) 82.3    | (1.32) 84.8    | -2.4  | -2.9%      |  |
| Net income         | (1.33) 45.9    | (1.21) 48.3    | -2.4  | -5.0%      |  |
| SVA*1              | 13.2           | 14.0           | -0.8  | -6.0%      |  |

|  |                        | FY11.3 (A) | FY10.3 (B) | A-B   |
|--|------------------------|------------|------------|-------|
| Consolidated gas sales volume              | million m <sup>3</sup> | 8,560      | 8,150      | +409  |
| Profit/loss on fuel cost adjustment system | billion yen            | -8.5       | 26.7       | -35.2 |
| Exchange rate                              | yen/\$                 | 85.7       | 92.9       | -7.2  |
| Crude oil price                            | \$/bbl                 | 84.1*2     | 69.4       | +14.7 |
| Number of subsidiaries                     |                        | 131        | 128        | +3    |

\*1Shareholders' value added: NOPAT - Invested capital x WACC \*2Average of preliminary monthly data up to March 2011.

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Shown on this slide are our results for the year ended March 2011.

As I mentioned earlier, operating revenues increased by ¥90.5 billion from the previous year to ¥1,187.1 billion, but operating profit decreased by ¥2.5 billion to ¥88.5 billion.

As shown in the bottom chart, we experienced an ¥8.5 billion loss on fuel cost adjustments. If this short-term profit fluctuation factor were to be excluded, our operating profit would be ¥97 billion, and thus we are not concluding that our profitability has decreased.

# Consolidated Results of FY2011.3 - II

| (billion yen)         | End of 11.3 (A) | End of 10.3 (B) | A-B    | Remarks  |
|-----------------------|-----------------|-----------------|--------|--|
| Total assets          | 1,437.2         | 1,483.8         | -46.5  |  |
| Net worth             | 664.9           | 666.6           | -1.7   |  |
| Interest-bearing debt | 532.4           | 539.0           | -6.5   |  |
| Number of employees   | 19,684          | 19,268          | +416   |  |
| Equity ratio          | 46.3%           | 44.9%           | +1.4   |  |
| D/E ratio             | 0.80            | 0.81            | -0.01  |  |
|                       | End of 11.3 (A) | End of 10.3 (B) | A - B  | Remarks  |
| Capital expenditure   | 69.6            | 98.2            | -28.6  | Construction of Semboku Natural Gas Power Plant completed in the previous year |
| Depreciation          | 97.5            | 95.4            | +2.1   | Increase in depreciation of Semboku Natural Gas Power Plant                    |
| Free cash flow*       | 72.7            | 175.4           | -102.6 | Decrease in operating CFs due to increase in trade receivables                 |
| ROA                   | 3.1%            | 3.3%            | -0.1   |  |
| ROE                   | 6.9%            | 7.6%            | -0.7   |  |
| EPS (yen/share)       | 21.6            | 22.5            | -0.9   |  |
| BPS (yen/share)       | 319.3           | 310.4           | +8.9   |  |

\* CF from operating activities – (CP after tax + depreciation and other non-cash expenses) – capital expenditure

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These are the figures for our assets, liabilities, and key financial indicators.

Capital expenditure decreased by ¥28.6 billion from the previous year to ¥69.6 billion, as construction of the Semboku Natural Gas Power Plant was completed in the previous year while construction of the Mie-Shiga and Himeji-Okayama pipelines was carried out.

Depreciation grew by ¥2.1 billion to ¥97.5 billion as all of the Semboku Natural Gas Power Plant units became operational throughout the year.

Free cash flow dropped significantly from the previous year to ¥72.7 billion, owing primarily to a decrease in profit, an increase in trade receivables resulting from higher gas unit prices, and an increase in corporate tax payments.

ROA and ROE were lower than those in the previous year at 3.1% and 6.9%, respectively, as we reported a decrease in profit due to fluctuations in profit/loss on fuel cost adjustments.

## Participation in Shuweihat IWPP (UAE)

- Agreed to acquire stakes in a special purpose company (10%) and an operation and maintenance company (25%), in which Marubeni Corporation has a stake, for the Shuweihat S2 independent water and power producing project currently under way in the UAE
- Generating capacity: 1,500 MW (natural gas-powered)  
Water generating capacity: 454,000 m<sup>3</sup>/day
- Construction began in December 2008. Commercial operation scheduled for autumn 2011
- Electricity and water to be sold to Abu Dhabi Water and Electricity Authority for 25 years



Concept image

Now, please allow me to talk about a topic concerning our operations in the second half of the year ended March 2011.

Osaka Gas and Marubeni Corporation agreed this March that Osaka Gas would acquire a 10% stake in a special purpose company and a 25% stake in an operation and maintenance company, in which Marubeni has a stake, for the Shuweihat S2 independent water and power producing project currently under way in the UAE.

Capable of generating 1,500 MW of electricity and 450,000 m<sup>3</sup> of water per day, this plant is expected to supply approximately 15% of the power demand and approximately 10% of the water demand in Abu Dhabi.

With construction having commenced in December 2008, this plant is due to enter commercial operations this autumn. The electricity and water generated here will be sold to the Abu Dhabi Water and Electricity Authority for 25 years, which promises a stable flow of earnings over an extended period.

Going forward, we will work proactively to expand international energy projects where we can tap into the wealth of expertise that we have amassed.

# Business Plan for FY2012.3

## ■ Guiding Policy

### “Boost Up”

- Accelerate measures to realize the “Field of Dreams 2020” long-term management vision and medium-term business plan

## ■ Priority Initiatives

### (1) CS enhancement and contribution to the realization of a low-carbon society

- Greater diffusion and advanced applications of natural gas
- Spread of household generation (ENE-FARM, ECOWILL) and high-efficiency water heaters
- Greater diffusion of renewable energy (photovoltaic power generation, solar thermal collectors, biogas)

### (2) Investment in growth and expansion of business

- International Energy Value Chain business
- Expand domestic electric power business supply area
- Affiliates (real estate, IT, advanced materials, LPG and industrial gases, lifestyle services)

### (3) Ensuring stable supply/safety and fulfillment of CSR

### (4) “Smart work” initiatives

I would like to now move on to explain our business forecasts for the year ending March 2012.

During the fiscal year ending March 2012, the Osaka Gas Group will accelerate its efforts to realize its “Field of Dreams 2020” long-term management vision and medium-term business plan by focusing on four priority tasks. They are:

- (1) Customer satisfaction enhancement and contribution to the realization of a low-carbon society;
- (2) Investment in growth and expansion of business;
- (3) Ensuring stable supply and safety and fulfillment of CSR; and
- (4) “Smart work” initiatives.



# Business Forecasts for FY2012.3 - Highlights

## ■ Overview

|                                 |  |
|---------------------------------|--|
| Consolidated operating revenues | ¥1,267.0 billion (up 6.7% YoY), taking into account an increase in gas unit prices based on the assumption that crude oil prices will rise.  |
| Consolidated operating profit   | ¥74.0 billion (down 16.5% YoY), assuming a decrease in gross margin on gas sales due to higher materials costs following a rise in crude oil prices, and an increase in operating expenses.<br>Loss on fuel cost adjustments assumed to be ¥19.1 billion |

## ■ Gas sales volume

|                           |   |
|---------------------------|---|
| Residential               | 2,237 million m <sup>3</sup> (down 1.7% YoY), assuming average annual temperature   |
| Commercial and industrial | 5,720 million m <sup>3</sup> (down 0.8% YoY), factoring in a decrease in demand for air conditioning in reaction to last year's summer heat wave, despite expansion of new demand |

## ■ Other topics

|  |  |
|--|--|
| Investments for incubation and expansion | ¥97.0 billion, including investments in the International Energy Businesses along the Energy Value Chain |
|--|--|

We expect an increase in revenues and a decrease in profit for the year ending March 2012. Consolidated operating revenues are expected to show a 6.7% increase year-on-year to ¥1,267 billion, as we factor in an increase in gas unit prices under the fuel cost adjustment system under the assumption of an increase in crude oil prices.

Consolidated operating profit is expected to decrease by 16.5% to ¥74 billion, as we expect a decrease in gross margin on gas sales due to higher fuel costs following a rise in crude oil prices, as well as an increase in operating expenses. We also assume a ¥19.1 billion loss on fuel cost adjustments.

We expect the volume of gas sales to residential users to decrease by 1.7% to 2,237 million m<sup>3</sup>, from the previous year when temperatures were low during the winter months, assuming average annual temperature.

The volume of gas sales to commercial and industrial users is expected to decrease by 0.8% to 5,720 million m<sup>3</sup>, taking into account a decrease in demand for air conditioning in reaction to last year's summer heat wave, despite expansion of new demand.

We will remain aggressive in our investments for incubation and expansion, and are planning to spend a total of ¥97 billion, including investments in the International Energy Business along the Energy Value Chain.

# Gas Sales Forecast for FY2012.3

| 45MJ/m <sup>3</sup>           |  | FY12.3<br>forecast (A) | FY11.3<br>results (B) | A-B  | (A-B)/B<br>(%) |
|-------------------------------|--|------------------------|-----------------------|------|----------------|
| Non-consolidated              | Numbers of meters installed (thousand)                         | 7,050                  | 7,012                 | +37  | +0.5%          |
|                               | Installation of new meters (thousand)                          | 79                     | 79                    | -0   | -0.5%          |
|                               | Monthly gas sales volume per household (m <sup>3</sup> /month) | 32.2                   | 32.7                  | -0.6 | -1.7%          |
|                               | Residential use  | 2,237                  | 2,275                 | -38  | -1.7%          |
|                               | Commercial, public and medical use                             | 1,552                  | 1,624                 | -72  | -4.4%          |
|                               | Industrial use   | 4,168                  | 4,141                 | +27  | +0.6%          |
|                               | Non-residential total  | 5,720                  | 5,765                 | -45  | -0.8%          |
|                               | Wholesale  | 491                    | 488                   | +3   | +0.6%          |
|                               | (Non-regulated)  | (4,878)                | (4,874)               | (+4) | (+0.1%)        |
|                               | Gas sales volume (million m <sup>3</sup> )                     | 8,448                  | 8,528                 | -80  | -0.9%          |
| Consolidated gas sales volume |  | 8,480                  | 8,560                 | -80  | -0.9%          |

The volume of gas sales on a non-consolidated basis for the year ending March 2012 is expected to decrease by 0.9% from the previous year to 8,448 million m<sup>3</sup>.

By usage segment, sales to residential users are expected to decrease by 1.7% to 2,237 million m<sup>3</sup>, due to the influence of temperatures.

Sales to commercial, public, and medical users are expected to decrease by 4.4% to 1,552 million m<sup>3</sup>, owing primarily to a decrease in demand for air-conditioning in reaction to last year's summer heat wave and customers' drive to save energy.

Sales to industrial users are expected to grow by 0.6% to 4,168 million m<sup>3</sup>, owing primarily to expansion of new demand and higher utilization of customers' facilities.

# Forecast for FY2012.3 - I

Figures in ( ) are ratios of consolidated results to non-consolidated results

| (billion yen)      |        | FY12.3<br>forecast (A) |        | FY11.3<br>results (B) | A-B   | (A-B)/B (%) |
|--------------------|--------|------------------------|--------|-----------------------|-------|-------------|
| Operating revenues | (1.27) | 1,267.0                | (1.29) | 1,187.1               | +79.8 | +6.7%       |
| Operating profit   | (1.72) | 74.0                   | (1.68) | 88.5                  | -14.5 | -16.5%      |
| Ordinary profit    | (1.59) | 70.0                   | (1.49) | 82.3                  | -12.3 | -15.0%      |
| Net income         | (1.40) | 43.5                   | (1.33) | 45.9                  | -2.4  | -5.4%       |
| SVA*               |        | 10.0                   |        | 13.2                  | -3.2  | -24.2%      |

|  |                        | FY12.3 forecast (A) | FY11.3 results (B) | A-B   |
|--|------------------------|---------------------|--------------------|-------|
| Consolidated gas sales volume              | million m <sup>3</sup> | 8,480               | 8,560              | -80   |
| Profit/loss on fuel cost adjustment system | billion yen            | -19.1               | -8.5               | -10.6 |
| Exchange rate                              | yen/\$                 | 85                  | 85.7               | -0.7  |
| Crude oil price                            | \$/bbl                 | 100                 | 84.1               | +15.9 |

\*Shareholders' value added: NOPAT - Invested capital x WACC

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Here is a recap of our business forecasts for the year ending March 2012.

The exchange rate is assumed to be ¥85/US\$1, a ¥0.7 change in favor of the Japanese yen, with an assumed crude oil price of US\$100/bbl., US\$15.9 higher than the previous year's figure.

# Forecast for FY2012.3 - II

| (billion yen)         | End of FY12.3 forecast (A) | End of FY11.3 results (B) | A-B   |
|-----------------------|----------------------------|---------------------------|-------|
| Total assets          | 1,519.2                    | 1,437.2                   | +81.9 |
| Total net worth       | 693.6                      | 664.9                     | +28.6 |
| Interest-bearing debt | 571.8                      | 532.4                     | +39.3 |
| Number of employees   | 20,330                     | 19,684                    | +646  |
| Total net worth ratio | 45.7%                      | 46.3%                     | -0.6  |
| D/E ratio             | 0.82                       | 0.80                      | +0.02 |
|                       | FY12.3 forecast (A)        | FY11.3 results (B)        | A-B   |
| Capital expenditure   | 90.8                       | 69.6                      | +21.2 |
| Depreciation          | 96.8                       | 97.5                      | -0.7  |
| Free cash flow*       | 70.8                       | 72.7                      | -1.9  |
| ROA                   | 2.9%                       | 3.1%                      | -0.2  |
| ROE                   | 6.2%                       | 6.9%                      | -0.7  |
| EPS (yen/share)       | 20.9                       | 21.6                      | -0.7  |
| BPS (yen/share)       | 333.1                      | 319.3                     | +13.8 |

\* CF from operating activities – (CP after tax + depreciation and other non-cash expenses) – capital expenditure

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These are the forecasts for our assets, liabilities, and key financial indicators.

Capital expenditures are expected to rise by ¥21.2 billion from the previous year to ¥90.8 billion, as we expect an increase in investments in distribution facilities, including construction of the Himeji-Okayama pipeline that began in May 2010.

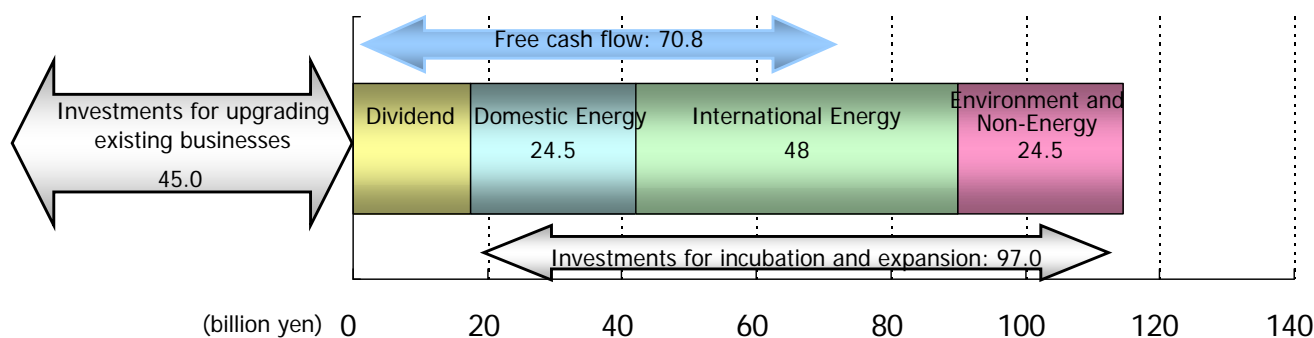
ROA and ROE are expected to be 2.9% and 6.2%, respectively.

# Use of FCF for FY12.3

- FCF for FY2012.3: ¥70.8 billion (down by ¥1.9 billion YoY)
- Investments for incubation and expansion: ¥97.0 billion

|  |  |
|--|--|
| International Energy Businesses along the Energy Value Chain | Expenditures for investments decided<br>Exploration/acquisition of new opportunities |
| Domestic Energy Businesses                                   | Construction of trunk pipelines  |
| Environmental and Non-Energy Business                        | Acquisition of profit-earning real estate  |

- Annual dividend target: ¥8 per share (unchanged from FY11.3)



FCF = Operating cash flows – capital expenditures. Capital expenditures do not include investments for quality improvement of existing businesses. The amount of investment differs from that of capital expenditures, as the former includes both capital expenditures and investments / financing.

I would like to now explain our plan for free cash flow appropriation.

We expect free cash flow during the year ending March 2012 to be ¥70.8 billion. We are planning to spend a total of ¥97 billion for incubation and expansion, including free cash flow and borrowings.

Approximately half of the investments for incubation and expansion will be spent for the International Energy Businesses along the Energy Value Chain, which includes projects that we have decided upon, such as the Gorgon Project and the Shuweihat IWPP. Meanwhile, we will continue to explore and acquire new business opportunities.

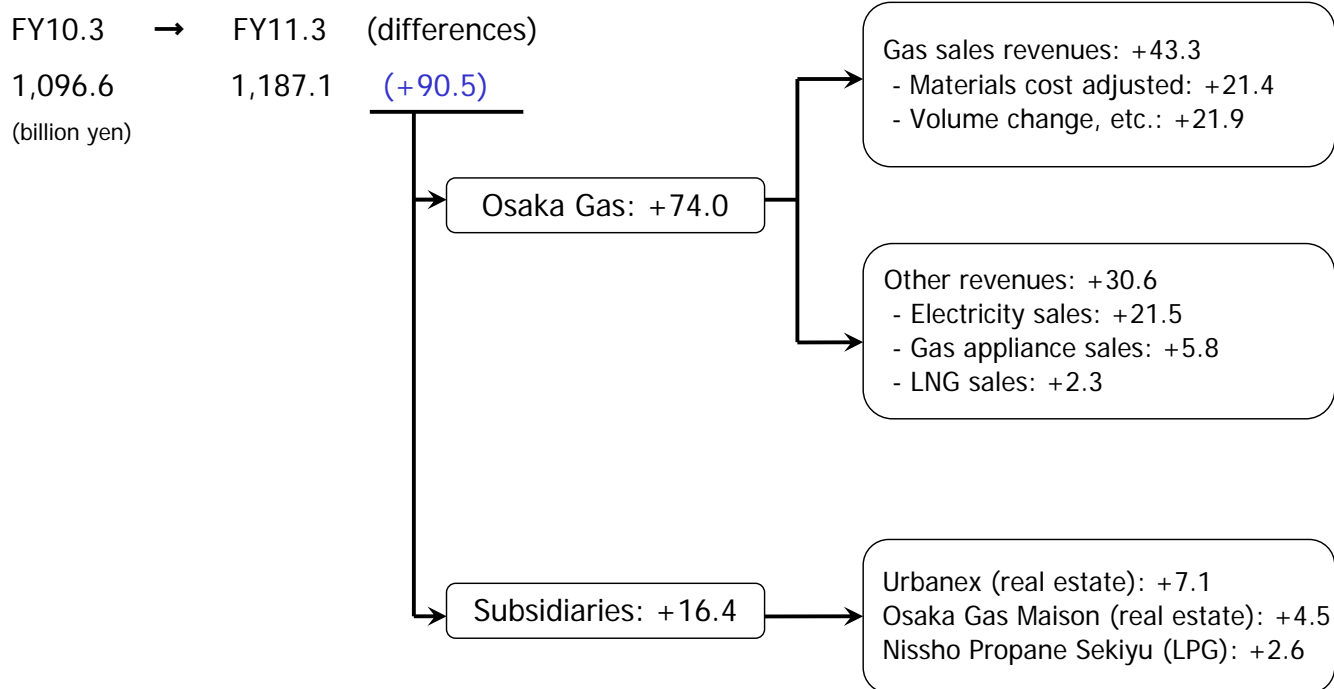
For the Domestic Energy Businesses, we will proceed with construction of trunk pipelines forming connections between Mie and Shiga and between Himeji and Okayama. For the Environment and Non-energy Businesses, we will seek to acquire profit-earning real estate.

We have decided to aim for an annual dividend payment of ¥8 per share for the fiscal year ending March 2012, thus remaining unchanged from the previous year.

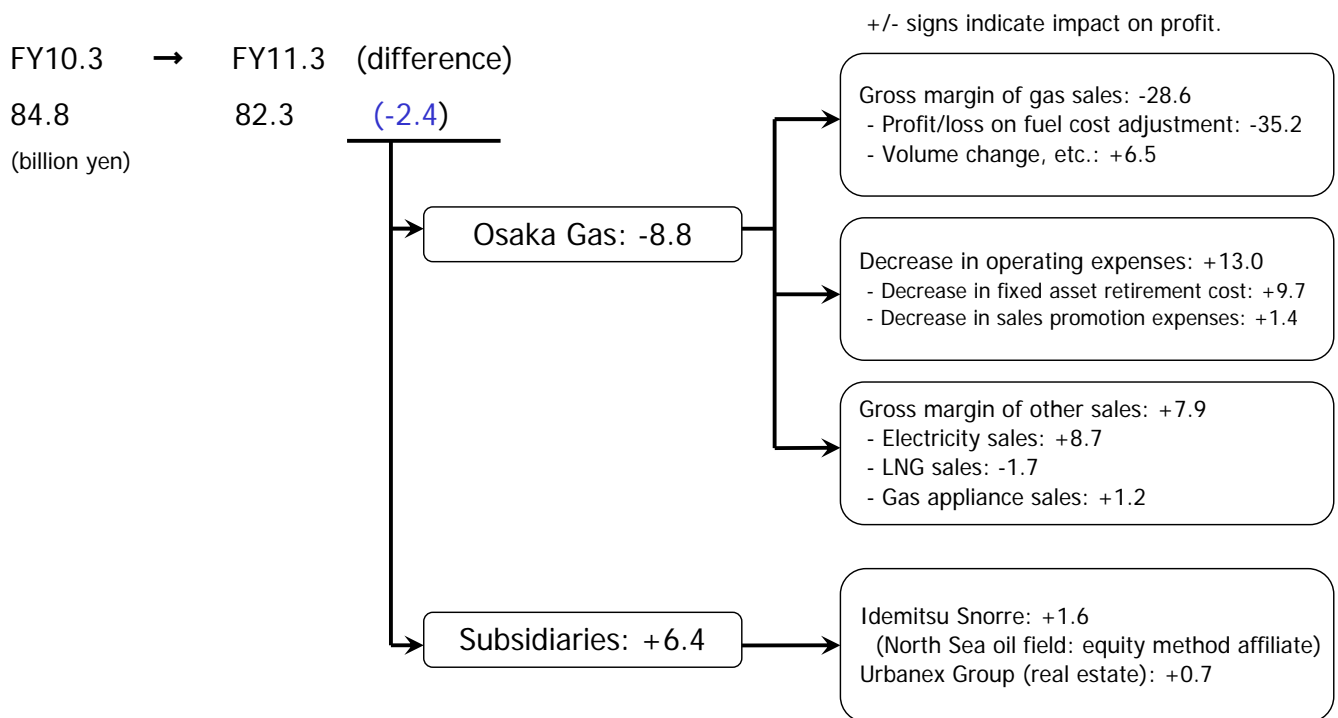
This concludes my presentation on our business results for the year ended March 2011 and our business forecasts for the year ending March 2012. Thank you very much for your kind attention.

## II. Facts and Figures

# Sales Variance between FY11.3 and FY10.3



# Ordinary Profit Variance between FY11.3 and FY10.3





# FY11.3 Results by Segments

| (billion yen)                                 | Operating revenues |         | Ordinary profit + equity method earnings* <sup>1</sup> |        | Remarks<br>R: Operating revenues, OP: Operating profit   |
|---|--------------------|---------|--|--------|--|
|   | FY11.3             | FY10.3  | FY11.3   | FY10.3 |  |
| Gas   | 879.8              | 825.5   | 41.9   | 57.3   | R: Increase in gas sales volume<br>OP: Occurrence of loss on fuel cost adjustments   |
| LPG, electricity, and other energy businesses | 174.7              | 143.4   | 25.6   | 14.8   | R: Increase in electricity revenues, etc.<br>OP: Increase in margin of electricity business, etc.<br><a href="#">Profit of electric power business</a> * <sup>2</sup> :<br>FY10.3: 3.6, FY11.3: 12.3 |
| International energy                          | 11.1               | 11.1    | 4.9  | 4.2    | Increase in earnings of equity method affiliates (North Sea oil field)   |
| Environment and non-energy                    | 185.4              | 175.6   | 15.6   | 14.0   | R: Increase in real estate sales, etc.<br>OP: Increase in real estate profit, etc.   |
| Elimination and consolidation                 | -64.0              | -59.1   | 2.5  | 1.8    |  |
| Consolidated                                  | 1,187.1            | 1,096.6 | 90.7   | 92.4   |  |

\*<sup>1</sup> Operating profit + Equity method investment gains

\*<sup>2</sup> The operating profit of Osaka Gas's supplementary electricity business is shown here. The Company changed its business segments in FY11.3, and FY10.3 results represent the values after reclassification into new segments.

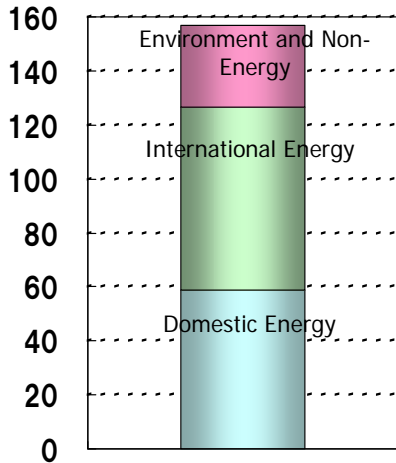
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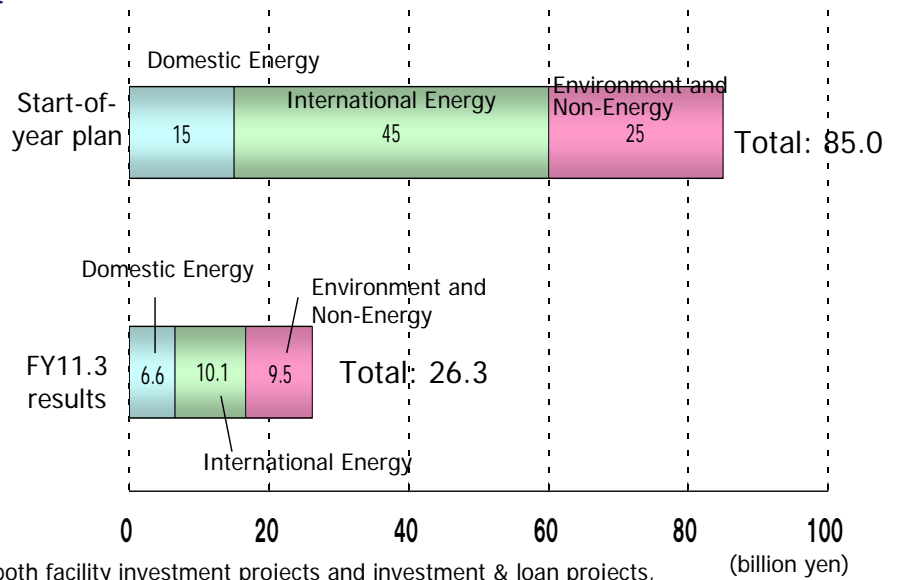
# FY11.3 Results of Investment for Incubation and Expansion

- Cumulative amount approved to be invested from FY10.3 onwards: **¥157.0 billion** (39% of the amount originally projected for the period between FY10.3 and FY14.3)
- Cumulative cashed-out amount since FY10.3 is ¥71.3 billion.

Cumulative amount approved for investment from FY10.3 onwards  
(billion yen)



Investment for incubation and expansion in FY11.3



The investment amount, which includes both facility investment projects and investment & loan projects, differs from the actual amount of facility investment.

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## Sales Variance between FY12.3 Forecast and FY11.3 Results

FY11.3 results → FY12.3 forecast (difference)

1,187.1  
(billion yen)

1,267.0 (+79.8)

Osaka Gas: +83.4

Gas sales revenues: +79.0  
- Materials cost adjusted: +87.2  
- Volume change, etc.: -8.2

Other revenues: +4.4  
- Incidental business: +7.4  
- Gas appliance sales: -2.0

Subsidiaries: -3.5

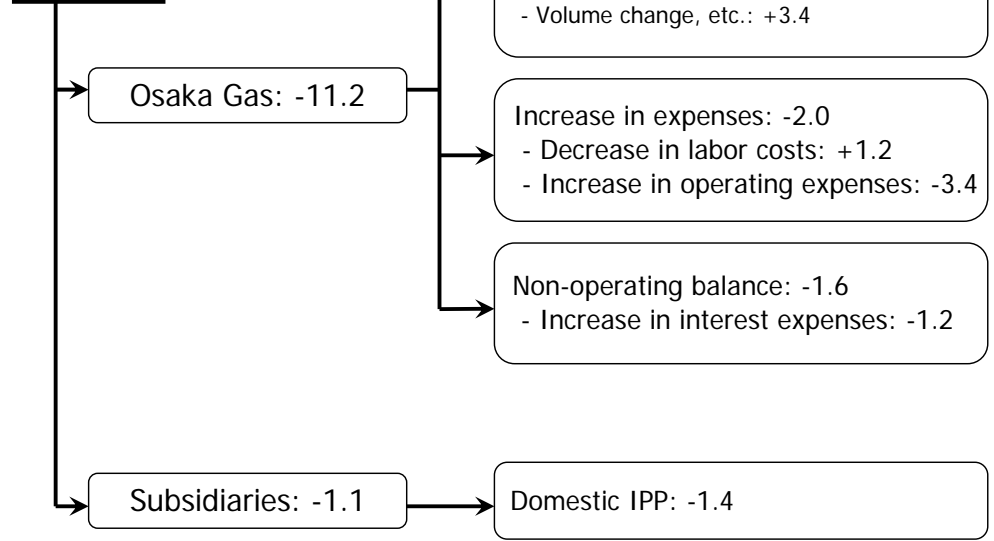
Osaka Gas Maison (real estate): -7.2  
Urbanex (real estate): -2.4  
Domestic IPPs: +3.0  
Nissho Petroleum Gas (LPG): +2.3  
Osaka Gas Chemicals: +1.2

# Ordinary Profit Variance between FY12.3 Forecast and FY11.3 Results

FY11.3 results → FY12.3 forecast (difference)

82.3  
(billion yen)

70.0  
**(-12.3)**



+/- signs indicate impact on profit.

# FY12.3 Forecast by Segments

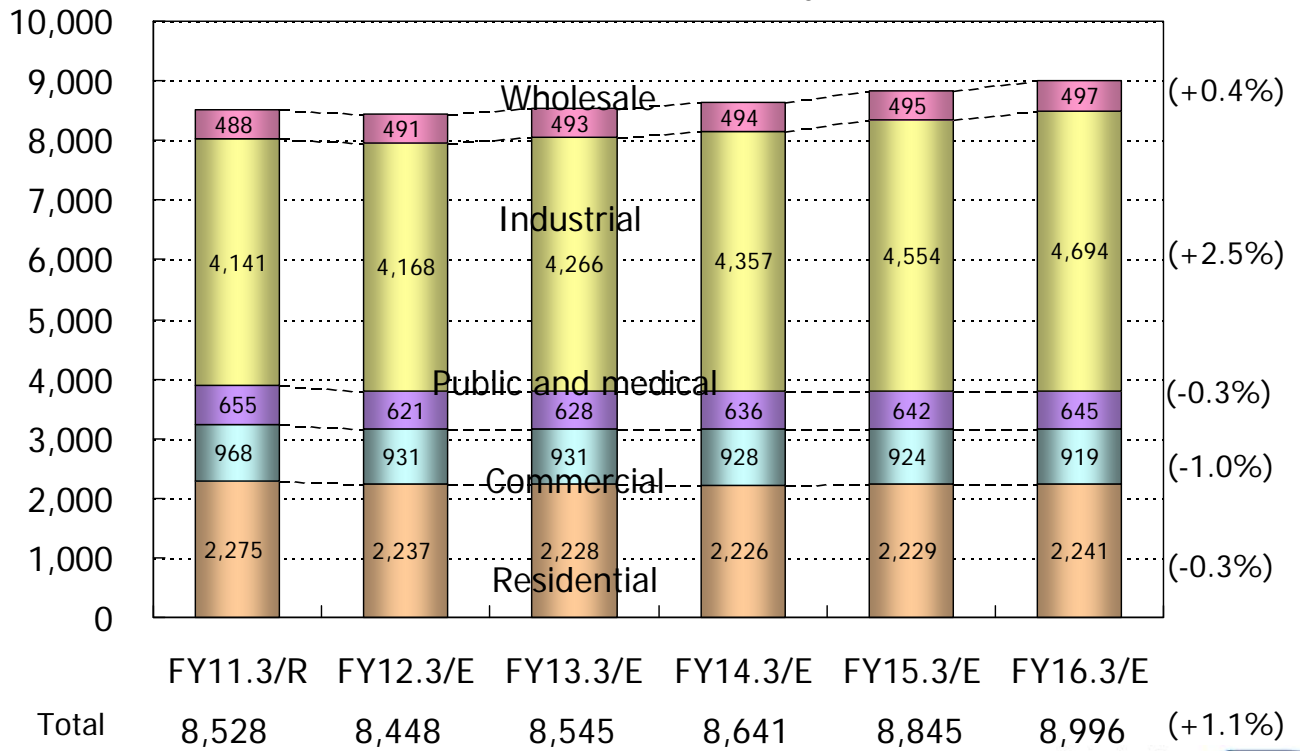
| (billion yen)                                 | Operating revenues |                | Operating profit + equity method earnings* |                | Remarks<br>R: Operating revenues, OP: Operating profit   |
|---|--------------------|----------------|--|----------------|--|
|   | FY12.3 forecast    | FY11.3 results | FY12.3 forecast                            | FY11.3 results |  |
| Gas   | 951.0              | 879.8          | 31.5                                       | 41.9           | R: Rise in gas rates<br>OP: Increase in loss on fuel cost adjustment   |
| LPG, electricity, and other energy businesses | 192.5              | 174.7          | 22.5                                       | 25.6           | R: Increase in revenues from electricity and LNG sales, rise in LPG unit prices, etc.<br>OP: Decrease in profit of domestic IPPs, etc. |
| International energy                          | 11.0               | 11.1           | 6.0  | 4.9            | Increase in earnings of equity method affiliates (North Sea oil field, Spanish IPP)  |
| Environment and non-energy                    | 170.5              | 185.4          | 15.0                                       | 15.6           | R: Decrease in real estate sales, etc.<br>OP: Decrease in profit of advanced materials, etc.   |
| Elimination and consolidation                 | -58.0              | -64.0          | 2.0  | 2.5            |  |
| Consolidated                                  | 1,267.0            | 1,187.1        | 77.0                                       | 90.7           |  |

\* Operating profit + Equity method investment gains

# Medium-term Gas Sales Forecast (Non-consolidated)

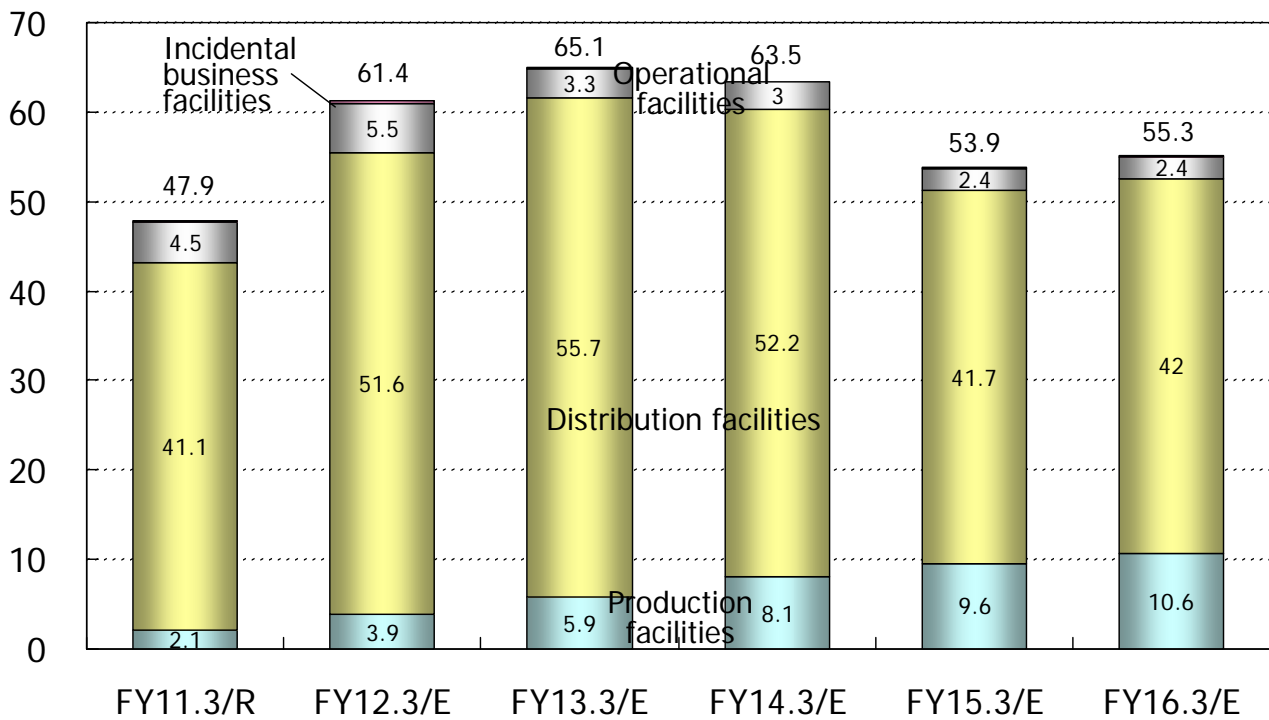
(45MJ, million m<sup>3</sup>)

Numbers in ( ) to the right of the graph show growth between FY11.3 and FY16.3



# Medium-term Capex Forecast

Consolidated, billion yen



# Residential Gas Sales

## FY11.3 Results

|                               | YoY change | Remarks  |
|-------------------------------|------------|--|
| Change in number of customers | +0.1%      |  |
| Influence of temperature      | +2.2%      | Avg. annual temperature of 17.0 degrees Celsius (17.0 degrees Celsius in FY10.3)<br>Avg. winter temperature of 7.2 degrees Celsius (8.0 degrees Celsius in FY10.3) |
| Others                        | -0.9%      |  |
| Total                         | +1.4%      |  |



## FY12.3 Forecast

- Residential gas sales are expected to decrease by 38 million m<sup>3</sup> (down 1.7% YoY) to 2,237 million m<sup>3</sup>, assuming an average annual temperature and winter temperature higher than the previous year's.



# Commercial, Public, and Medical Gas Sales

## FY11.3 Results

|  | YoY change | Remarks   |
|--|------------|---|
| Demand expansion   | +2.6%      | Newly created demand from public facilities and medical facilities                        |
| Influence of temperature and change in meter-reading intervals | +3.8%      | Increased demand for air conditioning due to higher temperatures during the summer months |
| Others   | -1.2%      | Customers' drive to save energy, etc.   |
| Total  | +5.2%      |   |

## FY12.3 Forecast

- Commercial, public, and medical gas sales are expected to decrease by 72 million m<sup>3</sup> (down 4.4% YoY) to 1,552 million m<sup>3</sup>, assuming average annual temperature and factoring in customers' drive to save energy.

# Industrial Gas Sales

## FY11.3 Results

|  | YoY change | Remarks   |
|--|------------|---|
| Demand expansion                       | +3.5%      | Contributions from new customers                |
| Change in customers' utilization, etc. | +3.3%      | Higher utilization of customers' capacity, etc. |
| Total                                  | +6.8%      |   |

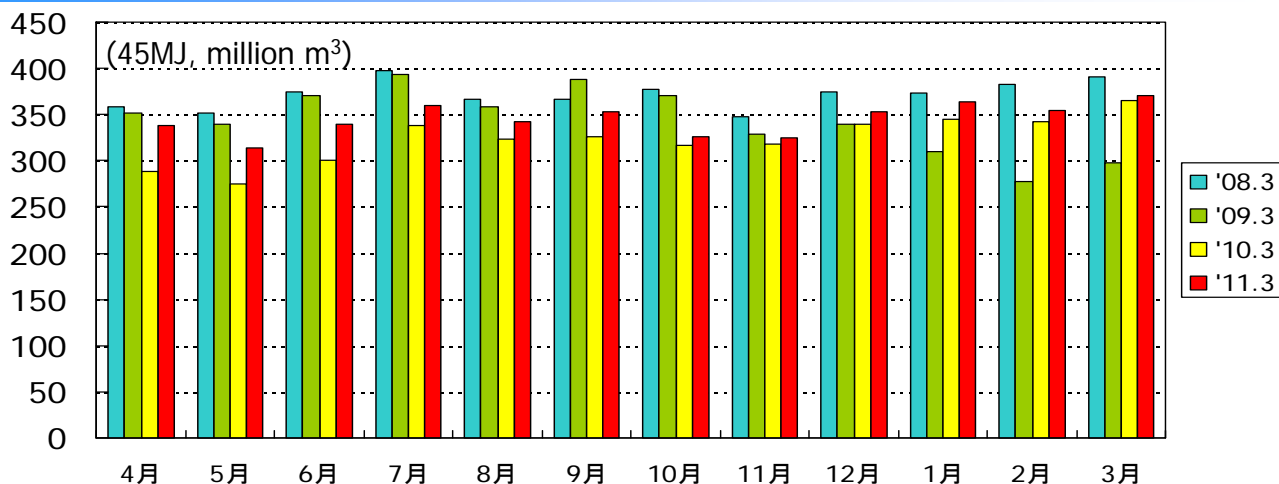
## Breakdown by sector (45MJ, million m<sup>3</sup>)

|           | Volume | vs. FY10.3 | vs. FY08.3 |
|-----------|--------|------------|------------|
| Chemical  | 1,134  | 102.8%     | 90.9%      |
| Metal     | 1,027  | 114.5%     | 89.2%      |
| Food      | 505    | 102.7%     | 98.4%      |
| Machinery | 369    | 101.9%     | 75.8%      |
| Glass     | 314    | 124.2%     | 195.5%     |

## FY12.3 Forecast

- Industrial gas sales are expected to edge up by 27 million m<sup>3</sup> (up 0.6% YoY) to 4,168 million m<sup>3</sup>, resulting from the ongoing expansion of new demand via our continued efforts to encourage customers to shift from oil and other fuels to natural gas, as well as our expectations of a pickup in customers' capacity utilization.

# Monthly Industrial Gas Sales



| FY10.3 (%) | Apr. | May  | June | July | Aug. | Sept. | Oct. | Nov. | Dec. | Jan.  | Feb.  | Mar.  | Total |
|------------|------|------|------|------|------|-------|------|------|------|-------|-------|-------|-------|
| vs. FY08.3 | 80.5 | 78.5 | 80.5 | 85.1 | 88.2 | 89.2  | 83.8 | 91.8 | 90.4 | 92.4  | 92.4  | 93.5  | 87.0  |
| vs. FY09.3 | 82.0 | 81.1 | 81.1 | 86.0 | 90.4 | 84.0  | 85.1 | 96.8 | 99.6 | 111.3 | 122.8 | 122.6 | 93.9  |

| FY11.3 (%) | Apr.  | May   | June  | July  | Aug.  | Sept. | Oct.  | Nov.  | Dec.  | Jan.  | Feb.  | Mar.  | Total |
|------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| vs. FY08.3 | 94.5  | 89.6  | 90.9  | 90.7  | 93.1  | 96.7  | 86.5  | 93.6  | 94.2  | 97.7  | 96.1  | 94.6  | 92.9  |
| vs. FY10.3 | 117.4 | 114.2 | 112.9 | 106.6 | 105.5 | 108.3 | 103.2 | 102.0 | 104.2 | 105.7 | 104.0 | 101.1 | 106.8 |

- YoY growth has occurred since January 2010, but monthly sales have yet to reach pre-Lehman Shock levels (FY08.3).

# Risk Factors for Annual Earnings Results Forecast

- Atmospheric and water temperatures
  - A 1 degree Celsius change in atmospheric and water temperatures will affect the residential gas sales volume: increase/decrease of approx. 5% in spring and autumn, approx. 6% in summer, and approx. 4% in winter.
- Crude oil prices
  - LNG prices are linked to crude oil prices. A \$1/bbl. change in crude oil prices will have an effect of approx. 900 million yen on annual gross profit.
- Forex rate
  - LNG prices are affected by fluctuations in the US\$/JPY exchange rate. A 1 yen fluctuation in the US\$/JPY exchange rate will have an effect of approx. 1.2 billion yen on annual gross profit.
- Materials costs
  - Although the materials cost adjustment system allows us to reflect changes in materials costs in gas rates in the medium- and long-term, an increase in materials costs is likely to affect business results due to a time lag in reflecting cost fluctuations, and also depends on the composition of materials suppliers.
- Interest rate
  - A 1% change in the interest rate will have an effect of approx. 600 million yen on annual consolidated non-operating expenses.