



# Interim Financial Statements for FY07.3 (April 2006-March 2007)

October, 2006  
Osaka Gas Co., Ltd

# I. 1<sup>st</sup> half results and full year forecast for FY07.3

**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, 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.

**Note regarding consolidated gas sales volume**

The fiscal year of Nabari Kintetsu Gas and Sasayama City Gas ends on December 31, and the fiscal year of Toyooka Energy Co., Ltd. ends on March 31 each year. Unless otherwise specified, the gas sales volume generated in the Toyooka area until June 2004 was included in sales by Osaka Gas Co., Ltd. The gas sales volume generated in that area in and after July 2004 was included in sales by Toyooka Energy Co., Ltd.

**Note regarding gas sales volume**

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

# Gas Sales for 1<sup>st</sup> half of FY07.3

Forecast1: Announced in Apr. 2006, Forecast2: Announced in July. 2006

45MJ/m3	A.1 <sup>st</sup> Half of	1 <sup>st</sup> Half of FY07.3			B-A	B/A (%)
	FY06.3/R	Forecast1	Forecast2	B.Results		
Number of meters installed (thousand)	6,719	6,773	6,773	6,780	+61	+0.9
Newly built houses (thousand)	50	53	53	49	0	-0.5
Monthly sales per household(m3)	24.6	24.6	26.2	26.6	+2.0	+8.1
Residential	836	842	899	911	+75	+9.0
Commercial	560	558	564	567	+7	+1.2
Public, Medical	311	325	327	326	+14	+4.6
Industrial	1,993	2,043	2,080	2,134	+141	+7.1
Non-residential total	2,864	2,927	2,972	3,026	+163	+5.7
Wholesale	167	166	173	189	+22	+13.1
(Non-regulated included)	(2,145)	(2,205)	(2,244)	(2,299)	(+154)	+7.2
Non-consolidated total (million m3)	3,867	3,935	4,044	4,126	+259	+6.7
Consolidated gas sales	3,879	3,949	4,058	4,141	+262	+6.8

I would like first to explain Osaka Gas' interim financial results for the term ending March 2007, then describe the outlook for the full March 2007 term, and finally outline the revisions in gas rates for small-lot users that will become effective on November 1.

First, allow me to review the gas sales for the current mid-term.

During the current term, atmospheric and water temperatures generally remained lower than in the same term of the previous year. Because of this, the volume of gas sales from residential customers came to 911 million cubic meters, an increase of 75 million cubic meters from a year ago.

The volume of gas sales in the commercial segment showed a year-on-year increase of 7 million cubic meters to 567 million cubic meters, while the volume of gas sales in the public/medical category rose 14 million cubic meters from the previous year to 326 million cubic meters.

The volume of gas sales in the industrial segment also recorded a year-on-year increase of 141 million cubic meters to 2,134 million cubic meters. Factors contributing to this increase were a shift from oil-fueled boilers to gas-fired equipment and the accelerated introduction of cogeneration systems due, among others, to the greater use of natural gas stemming from an increase in environmental awareness of user industrial plants.

The gross volume of gas sales increased 259 million cubic meters from the same term of the previous year to 4,126 million cubic meters.

# Results for 1<sup>st</sup> Half of FY07.3-I

Consolidated basis, 100 million yen, ( )=parent ratio,  
Forecast1: Announced in Apr. 2006, Forecast2: Announced in July. 2006

	A.1 <sup>st</sup> half of	1 <sup>st</sup> half of FY07.3			B-A	B/A
	FY06.3/R	Forecast1	Forecast2	B.Results		
Revenue	(1.38) 4,536	(1.42) 5,140	(1.41) 5,250	(1.39) 5,330	+794	+17.5
Operating profit	(1.41) 364	(1.53) 290	(1.40) 350	(1.46) 444	+80	+22.1
Ordinary profit	(1.32) 404	(1.23) 295	(1.18) 355	(1.30) 453	+48	+12.1
Net income	(1.27) 246	(1.00) 165	(1.00) 200	(1.19) 277	+30	+12.2
SVA	124	32	--	146	+22	+18.0
Consolidated gas sales (million m3)	3,879	3,949	4,058	4,141	+262	
Exchange rate (yen/\$)	109.5	120.0	114.8	115.4	+5.9	
Crude oil price (\$/bbl)	53.1	58.0	65.0	67.8	+14.7	
Number of consolidated subsidiaries	120	136	--	133	+13	

SVA(Shareholders' value added) = NOPAT - Invested Capital \* WACC

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OSAKA GAS

I would now like to give an overview of our business performance.

Gas sales increased ¥79.4 billion from the same term of the previous year to ¥533 billion for several reasons, such as: the volume of gas sales increased; a rise in LNG prices increased the unit gas selling price under the material cost adjustment system compared with a year earlier; and our consolidated subsidiaries successfully expanded their operations.

Operating profit also rose ¥8 billion over the year to ¥44.4 billion partly because gas sales increased and partly because our consolidated subsidiaries, such as Osaka Gas Power America LLC., which is producing electric energy in the United States, and Osaka Gas Summit Resources, which is managing North Sea oil fields, helped boost profits.

Ordinary profit came to ¥45.3 billion, up ¥4.8 billion from a year ago.

Mid-term net income increased ¥3 billion over the year to ¥27.7 billion.

# Key Features of Interim Results

- Overall
  - Increase in both revenue and profit due to rise in gas sales and returns from growth investments despite some negative factors, including loss from revision of LNG handling contract and costs associated with recall of gas appliances
  - Consolidated affiliates recorded higher profit levels over the year earlier
- Gas sales
  - Overall increase of 6.7%; lower temperatures boosted consumption in households, growth in industrial sector given environmental benefits of natural gas
- Impacts of rise in oil prices
  - Sustained higher price levels of oil, but level of impact from oil prices and exchange rate improved by ¥2.6 billion over year earlier
- Investments for growth and their contribution to profits
  - No large investments in 1<sup>st</sup>. half of FY07.3
  - Total of ¥4 billion in ordinary profit from investments on oil/gas upstream and overseas IPP; net profit of ¥2.5 billion (cf. ¥2.5 billion in ordinary profit and ¥2 billion net profit previous year)

Next, I'd like to describe the features of financial results for the current mid-term.

Looking at the overall financial results, there were some negative factors that could have reduced profits compared with last year, such as: the contract we entered into with the Kansai Electric Power for LNG handling was revised at the end of the term, and expenses were incurred for inspecting gas appliances made by Harman Pro. However, an increase in the volume of gas sales and the results of investments we made in growth areas helped us increase both sales and profits.

Our consolidated subsidiaries generally performed well: Osaka Gas Information System Research Institute (OGIS-RI), a systems developer, won numerous contracts for developing systems, and OG Sports benefited from its investment in new outlets.

The total volume of gas sales, as mentioned earlier, showed a satisfactory increase of ¥259 million cubic meters, up 6.7% from last year.

Analyzing the effects of the sharp rise in materials prices, during the current first half-year alone, we experienced a profit-reducing effect, or so-called sliding loss, of approximately ¥14 billion that changes in oil prices and the foreign exchange rate had on earnings, but profits improved slightly compared with the previous year.

I would now like to look at how new investments in growth areas and projects we have invested in have contributed to our earnings position.

During the current first half-year, we had no large-scale projects to invest in, but instead we made investments totaling approximately ¥13.5 billion, including acquiring an interest in Qalhat LNG, and the acquisition of shares in Sakura Information Systems by OGIS-RI, a strategic business concern. We will continue to explore and consider possible investment outlets in the second half-year.

In regard to projects we already invested in, the projects we invested in in North Sea oil fields and independent power producers or IPPs in the United States have come on line as planned and posted approximately ¥4 billion in ordinary profit and approximately ¥2.5 billion in mid-term net profit, thus steadily contributing to our consolidated profits.

# Full year forecast of gas sales

- As to the forecast for the second half year, the residential sales remains the same as the full year forecast, while modification has been made in the industrial sector to reflect increased gas sales.

45MJ/m <sup>3</sup> Forecast1: Announced in Apr. 2006, Forecast2: Announced in Sep. 2006	A.	FY07.3		B-A	B/A
	FY06.3/R	Forecast1	B.Forecast2		
Number of meters installed (thousand)	6,758	6,814	6,814	+56	+0.8
Newly built houses (thousand)	128	130	130	+2	+1.7
Monthly gas sales per household (m <sup>3</sup> )	34.2	34.9	35.1	+0.9	+2.6
Residential	2,329	2,395	2,407	+78	+3.4
Commercial	1,071	1,077	1,080	+9	+0.8
Public, medial use	641	612	610	-31	-4.8
Industrial	4,049	4,168	4,336	+287	+7.1
Non-residential total	5,761	5,857	6,026	+266	+4.6
Wolesale	359	375	391	+32	+9.0
(Non-regulated included)	(4,312)	(4,435)	(4,594)	(+282)	+6.5
Total of gas sales (million m <sup>3</sup> )	8,448	8,628	8,824	+376	+4.5
Consolidated gas sales	8,469	8,653	8,851	+382	+4.5

So far, I've explained the mid-term financial results. I'd now like to explain the assumptions we made in compiling forecasts for the full-year term ending March 2007.

Based on the financial results for the first half-year, gas sales from industrial customers, which have held firm, are expected to remain satisfactory in the second half-year and the sales volume estimates have been revised upward.

In the other user categories, because the gas sales during the first half-year were favorable because of atmospheric and water temperatures, gas sales in the second half-year will continue to grow as we have expected from the normal temperatures.

Taken together, we believe that annual gas sales will exceed the previous estimate by approximately 200 million cubic meters. The total volume of gas sales is expected to come to 8,824 million cubic meters, an increase of 376 million from the previous term.

# Assumptions for FY07.3 Performance Projections

- Parameters
  - Though crude oil price on declining trend, \$65\$/bbl shall be maintained.
  - Exchange rate changed from ¥115yen/\$ to ¥120 given recent trends
- Operating revenues
  - Impact of gas tariff reductions (effective Nov. '06) amounting to ¥5.5 billion both in revenues and profits incorporated in revised projections disclosed in September 9.

Increased profits from growth in gas sales in first term to be offset by weaker yen and reduced tariffs; income projections for the year shall remain the same as announced in September.

Speaking of crude oil prices and the foreign exchange rate on which we base the estimates, oil prices are expected to be \$65 per barrel, given the recent declining tendency.

In view of the weaker yen trend, the foreign exchange rate for the Japanese yen to the U.S. dollar is predicted to change from the previous ¥115 to the dollar to ¥120 to the dollar.

Revisions in gas rates have already been anticipated in the revised financial results we announced in September. Since that announcement, there have been no new factors that would affect business performance significantly.

In view of the above, the financial results for the full-year March 2007 term are expected to be as in the revised outlook announced in September.

# Full year forecast for FY07.3 I

Consolidated, 100 million yen, ( )=parent ratio

	A.FY06.3	FY07.3		B-A	B/A
	Results	1 <sup>st</sup> half/R	B.Full year/E		
Revenue	(1.36) 10,659	(1.39) 5,330	(1.41) 11,935	+1,275	+12.0
Operating profit	(1.31) 1,006	(1.46) 444	(1.50) 805	-201	-20.0
Ordinary profit	(1.26) 1,033	(1.30) 453	(1.29) 810	-223	-21.6
Net income	(1.14) 807	(1.19) 277	(1.08) 460	-347	-43.0
SVA	553	146	197	-356	-64.4
Consolidated gas sales (million m3)	8,469	4,141	8,851	+382	
Exchange rate (yen/\$)	113.3	115.4	118.0	+4.7	
Crude oil price (\$/bbl)	55.8	67.8	66.4	+10.6	
Number of consolidated subsidiaries	136	133	133	+3	

SVA(Shareholders' value added) = NOPAT- Invested capital \* WACC, Estimated Net GDP growth rate = 1.6%



This table gives the numerical values that represent the assumptions mentioned in the previous page.

The value of sales is expected to increase ¥127.5 billion from the previous term to ¥1,193.5 billion because the unit gas selling price under the material cost adjustment system will be higher than last year and because the volume of gas sales will increase.

Operating and other profits, as expected in the initial outlook, will drop from the previous term owing to the negative effects of the revision made during the previous term in the LNG handling contract.



# Overview of Tariff Revision

- Outline
  - -1.58% reduction of general tariff, average of -2.33% for all residential tariffs (regulated and contract)
  - Effective from November 1, 2006
- Features
  - No new tariffs
  - New discount plans introduced to existing cogeneration contract and gas cooling tariffs (Gas-Toku Plan)
    - Mist discount (-2%), gas cooker discount (-2%), increased discount on Eco-Jozu Plan (-3% => -5%)
    - Higher maximum discount from ¥2,100/month to ¥4,200/month
- Impacts on income
  - ¥11 billion negative impacts for full year, but ¥5.5 billion for remainder of fiscal year

Finally, I would like to outline the revisions in gas rates for small-lot users that will take effect on November 1, 2006.

As deregulation has allowed newcomers to enter the gas market, we are now able to sell gas at any rates we choose to customers whose gas consumption exceeds 500,000 cubic meters annually. The recent gas rate revisions exclude these large-lot customers but are intended for small-lot users.

Gas rates have been revised for the first time since the rate revisions were made in February 2003. The percent gas rate revisions are 2.33% on average for the small-lot customer category and 1.58% for customers under the rules for gas supply. No new rate schedule has been set in the recent rate revisions.

In the residential customer segment, given the spread of Ecowill residential gas cogeneration systems, the optional tariff plans for residential customers have been integrated into the "Gas Toku Plan" and the contents of optional discount plans have been improved. The result is a well-structured tariff system that is convenient for ratepayers.

Rate innovations include a new discount plan for mist appliances and the expanded discount under the Eco-Jozu Plan. For customers who are using Ecowill residential gas cogeneration systems, the maximum discount has been raised from ¥2,100 to ¥4,200 per month.

The effects of the recent rate revisions on the financial results will amount to approximately ¥11 billion annually and the outlook for the current term is a decrease of nearly 5.5 billion in sales and profits as of September when the revised estimates were announced. The rate revisions have no effects on the final fiscal year target specified under the mid-term management plan "Design 2008" that continues until the term ending March 2009.

## II. References

# Results for 1<sup>st</sup> Half of FY07.3-II

Consolidated, 100 million yen	FY06.3		End of Sep.06		Differences	
	A.End of Sep.05	B.End of Mar.06	C.Forecast	D.Results	D-AorB	D-C
Total assets	12,560	13,986	13,758	13,767	-219	+9
Total net worth	5,612	6,285	6,287	6,477	+192	+190
Interest-bearing debt	4,941	4,875	5,271	5,158	+283	-112
Capital expenditures	356	1,174	386	388	+32	+1
Depreciation cost	420	842	400	411	-9	+11
Free cash flow	-15	842	-155	-252	-236	-97
Number of employees	16,646	16,077	16,470	16,469	+392	-1
Total net worth ratio	44.7%	44.9%	45.6%	47.0%	+2.1%	+1.4%

The number of employees excludes those dispatched to subsidiaries and affiliates, but includes those under contract (in agreement with the securities report). Free cash flow = cash flow from business operations (operating profit after tax + depreciation expenses and other non-cash expenses) - capital expenditures

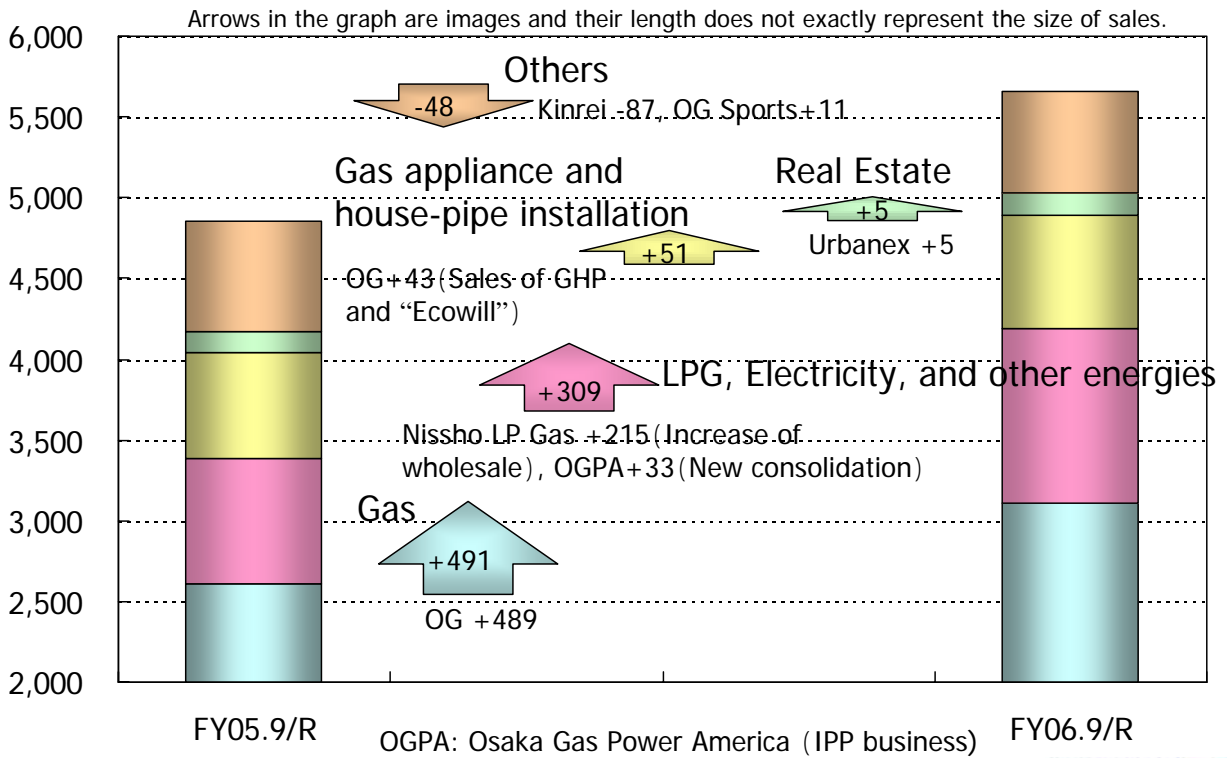
# Increase/Decrease from Prior Year (consolidated)

Units: 100 million yen, Increased results display a plus sign.

Operating Revenues	+794	Non-consolidated gas sales	+489	Influence of material cost +368, Increase of sales +121
		Existed consolidated subsidiaries	+386	Nissho LP Gas +215
		Newly consolidation and others	-81	Exit of Kinrei -87
Operating Costs	-713	Non-consolidated gas material costs	-382	Influence of material cost -341, Increase of sales -40
		Gas appliances cost Subsidiaries	-82 -249	Additional investigation costs Nissho LP -217, Kinrei +85
Operating Profit	+80			
		Non-operating P/L	-31	Sales of securities -27
		Extraordinary P/L	-15	Sales of subsidiaries securities in the former year

# Sales by Segments

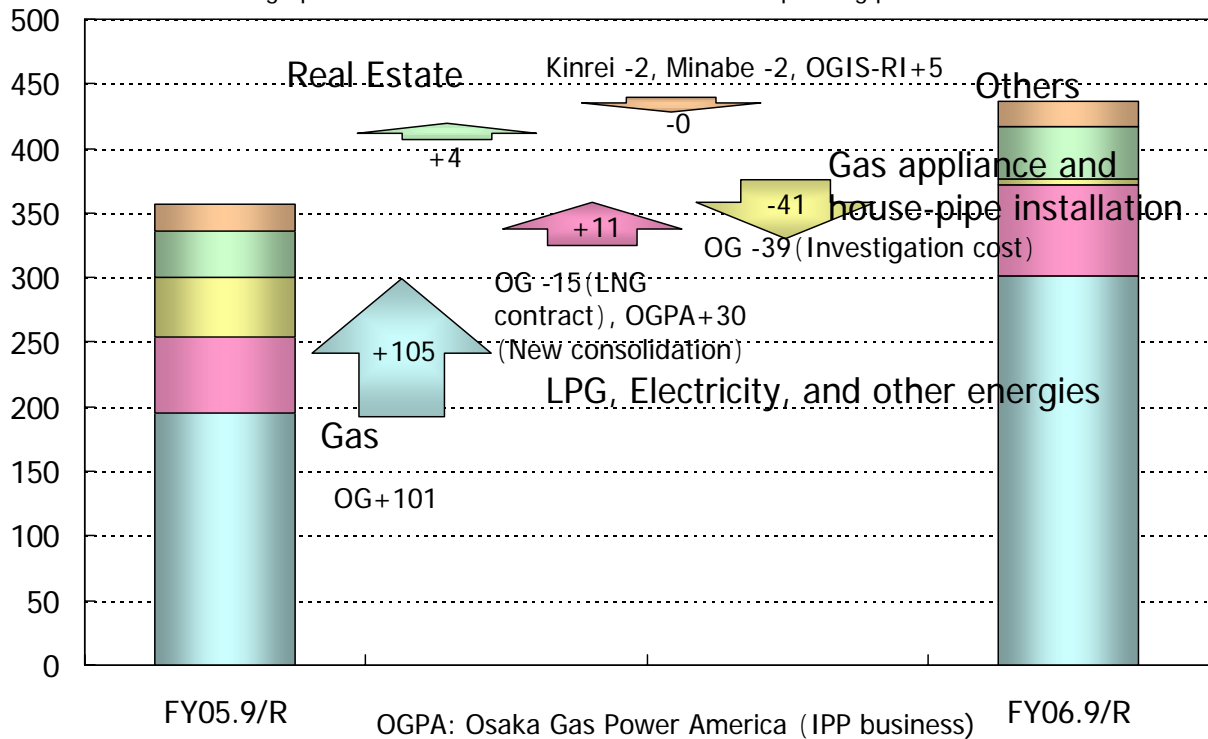
(100 million yen)



# Operating Profit by Segments

(100 million yen)

Arrows in the graph are images and their length does not exactly represent the size of sales. The graph below does not reflect the elimination of operating profit for consolidation.



OGPA: Osaka Gas Power America (IPP business)

# Overview of Non-Energy 2 Segments

Total values of consolidated subsidiaries without adjustments. Figures in the upper left of columns are changes from the same period of the previous year. Non-energy 2 segments = Real estate, Others

100 million yen	Revenue		Net income		References
	1H/R	Full Y/E	1H/R	Full Y/E	
Urbanex Group	+4 136	+11 277	+2 20	+1 30	An increase in both sales and profits due to the expansion of newly leased properties
OGIS-RI Group	+4 135	+23 344	+3 4	+1 16	An increase in both sales and profits thanks to large-scale contracts awarded in the sale of products for overseas markets, such as replacement servers
Osaka Gas Chemicals Group	-14 160	-20 330	+1 8	-2 11	A decrease in sales and profits because of poor sales of Osaka Gas Chemical's benzene and JEC's preservatives
OG Capital and others	+45 392	+65 878	0 16	-16 36	An increase in both sales and profits due to an increase in the number of outlets and members in the fitness business; for the full-year term, profits declined because the proceeds from sale of shares were accounted for in the previous fiscal year.

JEC: Japan Enviro Chemicals

# Overview of Energy 3 Segments

Total values of consolidated subsidiaries without adjustments. Figures in the upper left of columns are changes from the same period of the previous year.

100 million Yen	Revenue		Net income		References
	1H/R	Full Y/E	1H/R	Full Y/E	
Under OG	+98 678	+145 1,431	+61 95	+115 172	An increase in both sales and profits thanks to the inclusion of U.S. IPPs in the Osaka Gas Group
Liquid Gas Group	+19 151	+22 319	0 6	0 9	Sales increased because LNG sales for industrial customers performed well and the rise in LPG material prices was passed on to the retail section.
NIPG Group	+225 593	+523 1,487	-2 -3	0 3	Income increased as wholesale sales rose due to the net effects of a tie-up with Itochu Corporation, but profits decreased as selling prices failed to follow the rise in LPG materials prices.
Subsidiaries Total	+295 2,247	+682 5,070	+65 147	+97 280	

Energy 3 segments = Gas, LPG, Electricity, and other energies, Gas appliances and house-pipe installation. NIPG: Nissho LP Gas



# Full year forecast for FY07.3 II

100 million yen	A.FY06.3/R	FY07.3		C-A
		1 <sup>st</sup> half/R	B. Full year/E	
Total assets	13,986	13,767	14,432	+445
Total net worth	6,285	6,477	6,530	+244
Interest-bearing debt	4,875	5,158	5,260	+384
Capital expenditures	1,174	388	1,014	-160
Depreciation cost	842	411	830	-12
Free cash flow	842	-252	261	-581
Number of employees	16,077	16,469	16,425	+348
ROA	6.2%	2.0%	3.2%	-2.9%
ROE	13.9%	4.3%	7.2%	-6.7%
Total net worth ratio	44.9%	47.0%	45.2%	+0.3%
EPS (yen/share)	36.2	--	20.7	-15.5
BPS (yen/share)	282.1	--	293.2	+11.1

The number of employees excludes those dispatched to subsidiaries and affiliates, but includes those under contract (in agreement with the securities report). Free cash flow = cash flow from business operations (operating profit after tax + depreciation expenses and other non-cash expenses) - capital expenditures

# Risk Factors Affecting Forecasts

- **Atmospheric and water temperatures**
  - A 1 degree Celsius change in atmospheric and water temperatures will impact the residential gas sales volume: approx. a 5% increase/decrease in autumn and approx. a 4% increase/decrease in winter.
- **Crude oil price**
  - LNG price is linked to crude oil price. A \$1/bbl change in crude oil price will have an effect of approx. 3.4 billion yen on annual feedstock costs.
- **Foreign exchange rate**
  - LNG price is affected by the fluctuation of the US dollar/Japanese yen exchange rate. A 1 yen fluctuation in the US dollar/Japanese yen exchange rate will have an effect of approx. 1.9 billion yen on annual feedstock costs.
- **Fuel cost adjustment system (fuel cost adjustment system)**
  - Under this system, fluctuation of feedstock costs is reflected into gas charge rates on a mid- and long-term basis. However, on a fiscal year basis, an undercharge or overcharge may occur.
- **Interest rate**
  - A 1% change in the interest rate will have an effect of approx. 1.1 billion yen on annual consolidated non-operating expenses.

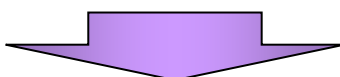
# Residential Gas Sales

FY07.3 1<sup>st</sup> half/R

\*A Change from the previous year, \*B Difference from the forecast (announced in March 2006)

	A	B	References
Increase of customers	+0.9%	+0.1%	Actual atmospheric temperature 23.2C (-0.6 versus the prior year, -0.6 versus the forecast), Actual water temperature 22.1C (-1.3, -1.1)
Influence of temperature	+7.9%	+8.1%	
Others	+0.2%	-0.1%	Influence of timing differences in meter-reading included
Total	+9.0%	+8.1%	

FY07.3 full year forecast



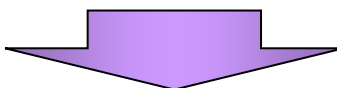
- For the second half-year, residential gas sales will increase as the previous outlook projected, provided atmospheric temperatures remain normal for the year.
- For the full-year term, as an anticipated sales increase in the first half-year will be realized, the gas sales will increase 69 million m3 from the initial estimate and increase by 12 million m3 from the first quarter-announced estimate to 2,407 million m3.

# Commercial, Public and Medical Gas Sales

FY07.3 1<sup>st</sup> half/R

\*A Change from the previous year, \*B Difference from the forecast (announced in March 2006)

	A	B	References
Demand expansion	+2.3%	+0.5%	Acquisition of large hospitals, environmental properties (sewage and waste treatment facilities), and large-scale commercial properties
Influence of temperature	+1.1%	+1.5%	An increase in hot water and heating demands due chiefly to a lower temperature early in the spring
Others	-1.0%	-1.0%	
Total	+2.4%	+1.0%	



FY07.3 full year forecast

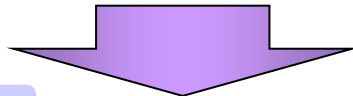
- For the second half-year, gas sales are expected to increase as the previous outlook projected if new customers are acquired as expected and provided atmospheric temperatures remain normal for the year.
- For the full-year term, as an anticipated sales increase from the initial outlook will be realized, gas sales will increase 9 million m3 from the initial outlook to 1,690 million m3 as expected in the first quarter estimate.

# Industrial Gas Sales

FY07.3 1<sup>st</sup> half/R

\*A Change from the previous year, \*B Difference from the forecast (announced in March 2006)

	A	B	References
Demand expansion	+8.0%	+4.0%	Contribution mainly came from a shift from oil to gas and the development of CGS.
Increase/decrease of plant operation	-0.9%	+0.4%	
Total	+7.1%	+4.4%	



FY07.3 full year forecast

- For the first half-year, gas sales to industrial customers will increase satisfactorily thanks to the positive effects of the development of new demands, such as the startup of large fuel conversion properties; for the second half-year, gas sales will show the same year-on-year increase as in the first half-year.
- For the full-year, gas sales will increase 206 million m<sup>3</sup> from the initial estimate and increase 169 million m<sup>3</sup> from the first quarter estimate to 4,336 million m<sup>3</sup>.

# Residential Energy Marketing

## Sales activities of main appliances

Floor heating and ECOWILL are reported on a contract basis for new houses and on a wholesale basis for existing houses (sub-user refurbishments are regarded as new houses); and cooking stoves are reported on a wholesale basis.

Thousand units	FY06.3/R		FY07.3	
	1H	Full Y	1H/R	Full year/E
"Ecowill"	5.8	10.6	7.3	12.1
Floor heater	108	197	98	205
Mist sauna bath	18	31	30	50
Glass top cooking stove	32	91	41	102
Bath room heater & drier	51	94	49	95

## Other Sales activities

- "I-rusu," an Internet-based home security service that had been marketed to the new housing market, was expanded to the existing housing market. (I-rusu contracts: 8,200 contracts in FY06.3 > 12,300 contracts projected for FY07.3)

# Non-Residential Energy Marketing

## Promotion of changeover of fuels in the heat energy field

- Marketing targeted at oil-fired boiler users > Gasification in large-sized boiler for power generation by gas turbine repowering. Promoting switchover from oil to gas in hotels, hospitals and other commercial facilities
- Accelerating a shift from oil to gas appliances in the commercial customer category of hotels and hospitals
- Achieving energy conservation and cost reductions with thermal engineering capability

## CGS: Cogeneration systems

- Acquisition of “power source CGS” customers and improvement of CGS’s competitive power through cost reduction and high power output efficiency improvement
- Sales promotion of GENELITE 25 kW with high power output efficiency (33%), Expanded use of waste heat

## Air-conditioning

- In addition to the generator-equipped GHP “High Power Multi” system, the “High Power Excel” system that features zero electric energy consumption and a power supply in buildings was launched in April; during the current first half-year, a total of 2,102 units were shipped, nearly a two-fold increase from 1,169 units shipped in the same period of the previous year.
- Proposal of energy management system using finance scheme and remote-controlled monitoring system.
- Stepping up marketing for the “Suzuchu” kitchen system that realizes a cool kitchen environment through effective intensive exhaust and thermal insulation

# Progress of the Electricity Business

## Expansion of Own Power Sources and Sales

- Six power-source CGSs are in operation and two additional units are to be constructed.
- Sales are increased by selling power not only to extra-high voltage customers but also to high voltage customers.

## Progress of the Senboku Power Plant

- Construction began at the site in October 2006.
- Construction will be completed in the March 2010 term as planned and four units will come on-line in turn.

