

Financial Report for 3rd Quarter of FY2012.3 (April 2011 – December 2011)

January 2012
Osaka Gas Co., Ltd.

I. Business Results for 3rd Quarter of 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

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/m³.

Note regarding consolidated gas sales volume

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

Note regarding the indication of quarter

"Quarter" refers to "quarterly cumulative period," unless otherwise noted.

We are now going to briefly go over our business results for the third quarter of the year ending March 31, 2012.

Business Results for 3rd Quarter of FY2012.3 - Highlights

■ Overview

Consolidated operating revenues	Increased 6.0% to ¥868.7 billion due to the increase in the gas sales unit price under the fuel cost adjustment system resulting from the LNG price increase.
Consolidated operating profit	Decreased 52.9% to ¥25.7 billion due to the decrease in the gross margin of gas sales that was affected by the increase in raw material costs resulting from the LNG price increase. Includes a time-lag loss of ¥32.9 billion (Time-lag profit in the same period last year was ¥0.3 billion).
■ Gas sales volume	
Residential	Decreased 1.0% to 1,322 million m ³ , due to higher temperatures in November than last year and consequent lower heating demand.
Commercial and Industrial	Increased 1.3% to 4,304 million m ³ , supported mainly by improvement in the facility operating rates at customer sites and development of new demand.
■ Other topics	
Full-year outlook	The forecast issued in Oct. 2011 remains the same because there has been no significant deviation in the third quarter actual results.
Investment for expansion/ greenfield/ M&A	Decided investments in the Shale Gas Development Project in Canada, LNG vessel construction, and Ichthys LNG project in Australia. Total investment made during the 3Q of FY2012.3 was ¥47.8 billion.

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In the third quarter, revenues increased and profit decreased.

Consolidated operating revenues increased year-on-year by 6.0% to ¥868.7 billion due mainly to an increase in the gas sales unit price under the fuel cost adjustment system and higher revenue of electric power supply stemming from increased utilization of the Semboku natural gas power plant to counter power shortages.

Despite an increase in profit of electric power supply, consolidated operating profit decreased year-on-year by 52.9% to ¥25.7 billion. This was due to a fall in the gross margin of gas sales caused by higher raw material costs resulting from the rise in the price of LNG. A time-lag loss of ¥32.9 billion was recorded.

Gas sales volume in the residential sector was down year-on-year by 1.0% to 1,322 million m³ due to higher November temperatures than last year, which pushed down heating demand.

In the commercial and industrial sectors, volume rose year-on-year by 1.3% to 4,304 million m³ due largely to higher facility operating rates at customer sites and development of new demand.

The full-year outlook issued in October remains the same as there was no significant deviation in actual performance in the third quarter.

Regarding investment in expansion and greenfield projects, etc., decisions have been taken to invest in the shale gas development project in Canada, LNG vessel construction, and the Ichthys LNG project in Australia. Total investment implemented up to the third quarter came to ¥47.8 billion.

Gas Sales for 3rd Quarter of FY2012.3

45MJ/m ³	A. FY12.3 3Q	B. FY11.3 3Q	A-B	A-B/B (%)
Number of meters installed (thousand)	7,031	6,997	+35	+0.5%
Installation of new meters (thousand)	52	50	+2	+3.6%
Monthly gas sales volume per household (m ³ /month)	25.3	25.6	-0.3	-1.2%
Residential use	1,322	1,336	-14	-1.0%
Commercial, public and medical use	1,137	1,195	-58	-4.9%
Industrial use	3,167	3,051	+115	+3.8%
Commercial and industrial use	4,304	4,247	+57	+1.3%
Wholesale	342	347	-5	-1.5%
(Non-regulated included)	(3,694)	(3,608)	(+86)	(+2.4%)
Non-consolidated gas sales volume (million m ³)	5,968	5,929	+38	+0.6%
Consolidated gas sales volume (million m ³)	5,991	5,954	+37	+0.6%

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Slide 4 summarizes gas sales results.

Gas sales volume of Osaka Gas was up year-on-year by 0.6% to 5,968 million m³.

Broken down by sector of use, gas sales volume in the residential sector dipped year-on-year by 1.0% to 1,322 million m³ due to higher temperatures as mentioned a moment ago.

In the commercial, public, and medical sectors, volume similarly fell by 4.9% to 1,137 million m³. This was due to a combination of factors, including higher temperatures and energy-saving measures by customers to help curb electricity usage.

In the industry sector, there was a year-on-year rise of 3.8% to 3,167 million m³ due to increased use of cogeneration to help curb electricity usage and the development of new demand, as well as a rise in facility operating rates at customer sites prompted by the impact of the March 11 earthquake.

Slide 19 of the presentation provides a monthly breakdown of gas sales volume, and I refer you to that for further details.

Results for 3rd Quarter of FY2012.3 |

Figures in parentheses are ratios of consolidated results to non-consolidated results.

Consolidated, billion yen	A. 12.3 3Q	B. 11.3 3Q	A-B	A-B/B	Remarks
Operating revenues	(1.26) 868.7	(1.30) 819.8	+48.9	+6.0%	increase in gas sales unit price, etc.
Operating profit	(25.39) 25.7	(1.81) 54.6	-28.9	-52.9%	Decrease in gross margin of gas sales, etc.
Ordinary profit	(5.62) 26.1	(1.63) 52.3	-26.2	-50.0%	Increase in earnings of equity method affiliates, etc.
Net income	(5.36) 12.9	(1.46) 29.7	-16.8	-56.7%	

		A. 12.3 3Q	B. 11.3 3Q	A-B
Consolidated gas sales volume	million m ³	5,991	5,954	+37
Profit/loss on fuel cost adjustment system	billion yen	-32.9	+0.3	-33.3
Crude oil price	\$/bbl	113.1	79.7	+33.4
Exchange rate	yen/\$	79.0*	86.9	-7.8
Number of subsidiaries		132	129	+3

(*) Average of preliminary monthly data up to December.

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Slide 5 shows our financial results.

Operating revenues rose year-on-year by ¥48.9 billion to ¥868.7 billion.

As the bottom table shows, an increase of more than \$33 per barrel in the crude oil price caused profit/loss on the fuel cost adjustment system to worsen by ¥33.3 billion. The result of this was to push operating profit down year-on-year by ¥28.9 billion to ¥25.7 billion, and ordinary profit down by ¥26.2 billion to ¥26.1 billion.

These results were largely as forecast in our full-year outlook issued in October.

Results for 3rd Quarter of 2012.3 II

Consolidated, billion yen	A. FY12.3 3Q end	FY11.3		A-B	Remarks
		3Q end	B. Year end		
Total assets	1,446.6	1,391.7	1,437.2	+9.3	Increase in inventories, etc.
Net worth	645.6	650.0	664.9	-19.2	
Interest-bearing debt	597.0	542.0	532.4	+64.5	Increase in short-term financing
Number of employees	20,057	20,022	19,684	+373	
Equity ratio	44.6%	46.7%	46.3%	-1.6%	
D/E ratio	0.92	0.83	0.80	+0.12	
	A. 12.3 3Q	B. 11.3 3Q	A-B	Remarks	
Capital expenditure	59.1	49.5	+9.5	Construction of	Himeji-Okayama Pipeline
Depreciation	69.4	71.8	-2.3		
Free cash flow	-17.1	-13.2	-3.8		

FCF = CF from operating activities - (OP after tax + depreciation and other non-cash expenses) - capital expenditure

Looking now at slide 6, you will see summarized details of our assets and liabilities and so forth.

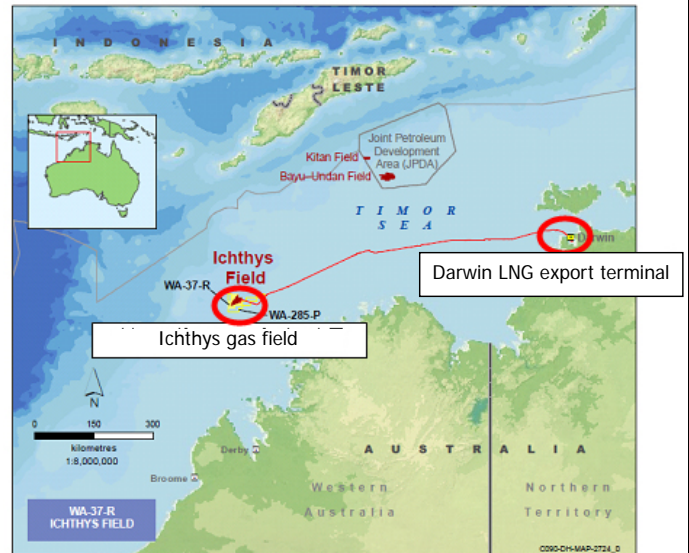
The rise in capital expenditure, up year-on-year by ¥9.5 billion to ¥59.1 billion, was due to construction of the Himeji-Okayama Pipeline getting fully underway.

Participation in Ichthys LNG Project in Australia

- In December 2011, Osaka Gas entered an agreement to acquire a 1.2% stake in the Ichthys LNG project in northwest Australia.
- Also, the company has entered into agreement with Ichthys LNG Pty Ltd for a purchase of LNG.
(Duration: 15 years commencing 2017, LNG volume: 800,000 tons per annum)

Ichthys LNG project

- Operator: INPEX
- Scheduled start of production : 4th quarter of 2016
- Liquefaction capacity : total 8.4 million tons per annum
- Liquefaction terminal : Darwin, Northern Territory, Australia



In December 2011, we signed a deal to buy a 1.2% stake in the Ichthys LNG project in northwest Australia. This project is scheduled to produce around 8.4 million tons of LNG a year from the end of 2016, and is operated by INPEX.

Purchase of this stake is projected to produce stable dividend income over the long term, and we also expect to translate the general upstream technical and business know-how thus acquired into further expanding our presence in resource development projects in the future.

Along with acquiring this stake, we also signed an agreement to purchase 800,000 tons of LNG per year for 15 years from 2017.

Slides 8 and onward show our full-year outlook and additional facts and figures for you to peruse later.

And that concludes the highlights of our business results for the third quarter of the year ending March 31, 2012.



II. Forecast for FY2012.3

Maintaining our full-year forecast
unchanged from the October forecast

Gas Sales Forecasts for FY2012.3

- Maintaining our full-year forecast unchanged from the October forecast

45MJ/m ³	A. FY12.3 forecasts	B. FY11.3 results	A-B	A-B/B(%)
Number of meters installed (thousand)	7,039	7,012	+27	+0.4%
Installation of new meters (thousand)	79	79	-0	-0.2%
Monthly gas sales volume per household (m ³ /month)	32.2	32.7	-0.5	-1.6%
Residential use	2,242	2,275	-34	-1.5%
Commercial, public, and medical use	1,553	1,624	-71	-4.4%
Industrial use	4,330	4,141	+190	+4.6%
Commercial and industrial use	5,883	5,765	+119	+2.1%
Wholesale	489	488	+1	+0.3%
(Non-regulated included)	(5,037)	(4,874)	(+163)	(+3.3%)
Non-consolidated gas sales volume (million m ³)	8,614	8,528	+86	+1.0%
Consolidated gas sales volume (million m ³)	8,646	8,560	+86	+1.0%

Forecasts for FY12.3 I

- **Our full-year forecast remains unchanged from the October forecast** (*)

Figures in parentheses are ratios of consolidated results to non-consolidated results.

Consolidated, billion yen	A. FY12.3 Forecasts	B. FY11.3 results	A-B	A-B/B (%)	
Operating revenues	(1.26) 1,291.0	(1.29) 1,187.1	+103.8	+8.7%	
Operating profit	(1.97) 71.0	(1.68) 88.5	-17.5	-19.9%	
Ordinary profit	(1.73) 70.0	(1.49) 82.3	-12.3	-15.0%	
Net income	(1.58) 43.5	(1.33) 45.9	-2.4	-5.4%	
SVA	10.0	13.2	-3.2	-24.2%	
Consolidated gas sales volume	million m ³	8,646	8,560	+86	
Profit/loss on fuel cost adjustment system	billion yen	-27.7	-8.5	-19.2	
Crude oil price	\$/bbl	112.3	84.1	+28.2	Assumed exchange rate for 4Q: \$110/bbl
Exchange rate	yen/\$	79.3	85.7	-6.5	Assumed exchange rate for 4Q: ¥80/\$

(*) Only the exchange rate and crude oil price are replaced by the forecasts reflecting the actual record of the period between October and December 2011. SVA (Shareholders' value added) = NOPAT – Invested capital × WACC

Forecasts for FY2012.3 II

- Maintaining our full-year forecast unchanged from the October forecast

Consolidated, billion yen	A. FY12.3 end forecasts	B. FY11.3 end results	A-B
Total assets	1,519.2	1,437.2	+81.9
Net worth	693.6	664.9	+28.6
Interest-bearing debt	571.8	532.4	+39.3
Number of employees	19,830	19,684	+146
Equity ratio	45.7%	46.3%	-0.6
D/E ratio	0.82	0.80	+0.02

	A. FY12.3 forecasts	B. FY11.3 results	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%	-0.3
ROE	6.2%	6.9%	-0.7
EPS (yen)	20.9	21.6	-0.7
BPS (yen)	333.1	319.3	+13.8

FCF = CF from operating activities - (OP after tax + depreciation and other non-cash expenses) - capital expenditure Design Your Energy 夢ある明日を

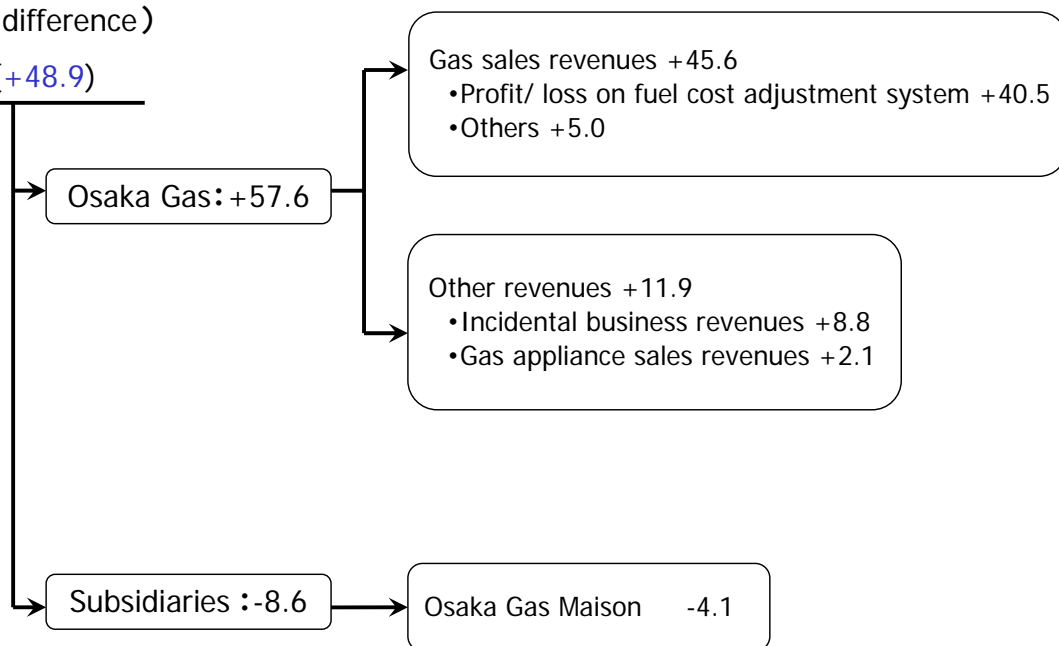
III. Facts and Figures

Sales Variance for 3rd Quarter of FY2012.3 (vs.FY2011.3)

11.3 3Q → 12.3 3Q (difference)

819.8 868.7 (+48.9)

(billion yen)



Ordinary Profit Variance for 3rd Quarter of FY2012.3 (vs. FY2011.3)

11.3 3Q → 12.3 3Q (difference)

52.3

26.1

(-26.2)

Osaka Gas: -27.4

Gross margin of gas sales -30.3

- Profit/ loss on fuel cost adjustment system -33.3
- Others +2.9

Increase in expenses -2.1

- Increase in consigned work expenses, etc.

Gross margin of other sales +3.2

- Gross margin of incidental business +2.4

Subsidiaries : +1.2

Equity method earnings +1.4

- IPP Project in Spain : +0.8
- LNG terminal business in Spain (Sagunto): +0.2

Results by segment

billion yen	Operating revenues		Operating profit + equity method earnings		Remarks
	FY12.3 3Q	FY11.3 3Q	FY12.3 3Q	FY11.3 3Q	
Gas	650.1	602.4	-9.3	22.9	<u>Revenues</u> : Increase in gas sales <u>Profit</u> : Increase in loss on fuel cost adjustment system
LPG, electricity, and other energies	128.9	122.1	18.7	16.8	<u>Revenues</u> : Increase in electricity sales <u>Profit</u> : Increase in profit of electricity business
International energies	7.9	8.3	4.7	3.9	<u>Profit</u> : Increase in equity method earnings (overseas electricity etc.)
Environment and non-energies	130.5	129.7	12.9	10.5	<u>Revenues</u> : Increase in IT business sales, etc. <u>Profit</u> : Increase in profit of chemical business, etc.
Elimination and consolidation	-48.9	-42.8	1.6	1.8	
Consolidated	868.7	819.8	28.7	56.2	

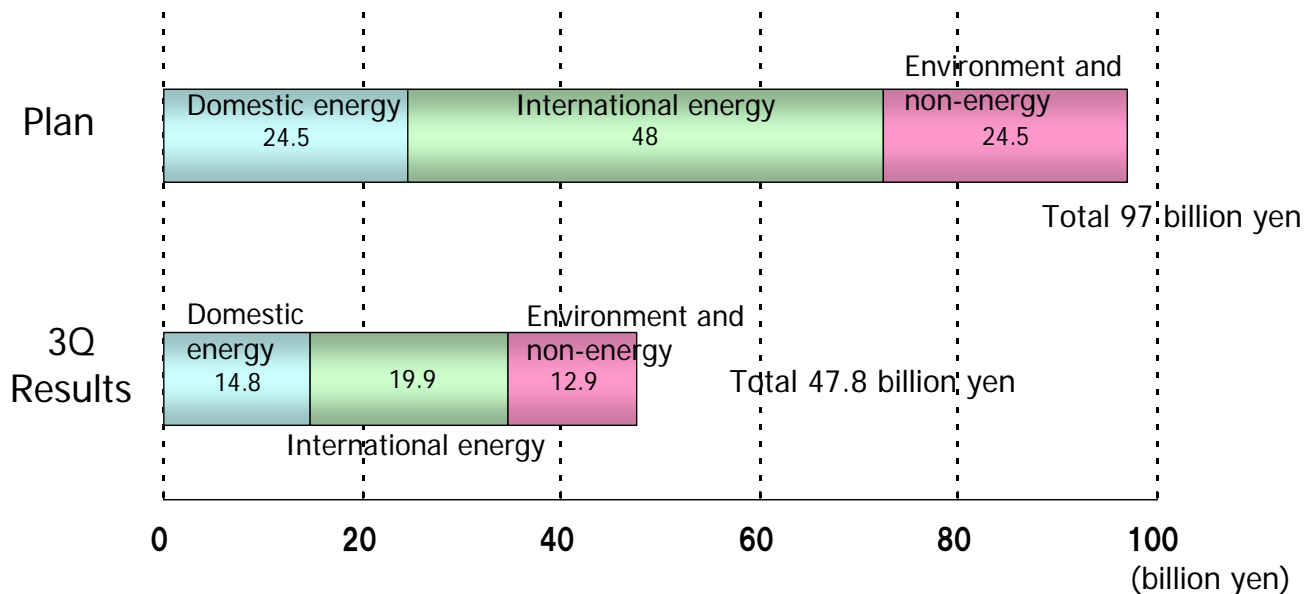
Forecasts by segment

- Maintaining our full-year forecast unchanged from the October forecast

billion yen	Operating revenues		Operating profit + equity method earnings		Remarks
	FY12.3 forecasts	FY11.3 results	FY12.3 forecasts	FY11.3 results	
Gas	965.5	879.8	21.0	41.9	<u>Revenues</u> : Increase in gas sales unit price <u>Profit</u> : Increase in loss on fuel cost adjustment system
LPG, electricity, and other energies	206.0	174.7	27.5	25.6	<u>Revenues</u> : Increase in sales of electricity and LNG businesses, and increase in LPG sales unit price, etc. <u>Profit</u> : Increase in profit of electricity business, etc.
International energies	11.0	11.1	6.0	4.9	Increase in equity method earnings (IPP in Spain, North Sea oil field)
Environment and non-energies	175.5	185.4	17.5	15.6	<u>Revenues</u> : Decrease in real estate sales, etc. <u>Profit</u> : Increase in profit of chemical business, etc.
Elimination and consolidation	-67.0	-64.0	2.0	2.5	
Consolidated	1,291.0	1,187.1	74.0	90.7	

Results of Investment for expansion, greenfield, and M&A in 3rd Quarter of FY2012.3

Investment for expansion, greenfield, and M&A in FY2012.3



Amounts of investment include both capital expenditure items and investment and loan items, and therefore the amounts of investment are different from actual amounts of capital expenditures.

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Analysis of Year-to-Year Difference in Gas Sales Volume

	Residential	Commercial, public and medical	Industrial
Change in number of customers	+0.2%	--	--
Differences in metering schedule	+0.0%	--	--
Influence of temperature	+0.0%	-1.8%	--
Demand development	} -1.3%	+3.1%	+3.4%
Increase/decrease of facility operations, etc.		-6.2%	+0.4%
Total	-1.0%	-4.9%	+3.8%

- Commercial, public and medical
 - Despite developing new demand (mainly from public facilities), cold summer temperatures and energy conservation by customers to help curb electricity usage combined to produce a 4.9% decrease from the previous term.
- Industrial
 - Increased facility operating rates at customer sites and development of new demand (e.g., from fuel switching) caused the volume to increase by 3.8% from the previous term.

Monthly gas sales for 3rd Quarter of FY 2012.3

Year-on-year change 2011/2010 (%)

	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Total	Remarks	
Residential	101.5	96.2	100.7	94.7	99.4	116.9	106.9	92.5	94.8	99.0	Influence of temperature	
Commercial	102.4	94.8	103.7	97.4	91.7	90.4	92.7	90.7	97.7	95.1	Influence of saving energies	
Industrial	103.3	107.5	102.5	102.6	106.4	102.1	107.1	102.1	100.9	103.8		
by s e c t o r	Machinery	87.9	95.7	99.3	95.6	99.0	96.9	94.0	86.6	99.8	95.1	Decrease in operation due to disruption of supply chain
	Metal	104.6	106.4	100.6	104.0	111.4	105.0	112.5	108.7	105.8	106.5	Transfer of production from east to west in Japan. Increase in production for restoration in east Japan.
	Glass	114.3	115.8	105.9	110.0	109.7	114.7	114.9	101.9	105.3	110.2	
	Food	101.8	106.0	105.7	100.3	100.6	101.9	101.9	101.2	99.5	102.1	
	Chemical	101.6	110.9	98.5	96.2	98.1	94.6	100.6	99.5	87.2	98.4	
Wholesale	101.0	108.3	100.8	94.0	102.5	97.6	105.6	86.8	92.6	98.5		
Total	102.4	102.1	102.2	99.6	101.1	100.1	103.6	96.8	98.1	100.6		

Risk Factors Affecting Forecast of Annual Results

- Atmospheric and water temperatures
 - A 1 degree Celsius change in atmospheric and water temperatures will impact the residential gas sales volume (with an approx. 5% increase/decrease in spring and autumn, an approx. 6% change in summer, and an approx. 4% change 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 approximately 100 million yen on gross profit for the rest 4th quarter (Jan. thru. Mar.) of this fiscal year.
- Foreign exchange rate
 - LNG price is affected by the fluctuation of the U.S. dollar/Japanese yen exchange rate. A 1 yen fluctuation in the U.S. dollar/Japanese yen exchange rate will have an effect of approximately 1.3 billion yen on gross profit for the rest 4th quarter (Jan. thru. Mar.) of this fiscal year.
- Fuel costs
 - Although the fuel cost adjustment system allows us to reflect changes in fuel costs in gas rates in the medium and long terms, an increase in fuel costs is likely to affect the business results due to a time lag in reflecting cost fluctuations, and depending on the composition of fuel suppliers.
- Interest rate
 - A 1% change in the interest rate will have an effect of approximately 100 million yen on consolidated non-operating expenses for the rest 4th quarter (Jan. thru. Mar.) of this fiscal year.