



# Financial Report for FY2010.3 (April 2009-March 2010)

April 2010  
Osaka Gas Co., Ltd.

# I. Business Results for FY2010.3 and Forecast for FY2011.3

**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 trend in Japan, sharp fluctuations in exchange rate 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, Sasayama Toshi Gas and Toyooka Energy ends on December 31.

**Note regarding the indication of quarter**

“Quarter” refers to “quarterly cumulative period”, unless otherwise noted.

Please allow me to walk you through our financial results for the year ended March 2010 and our business forecasts for the year ending March 2011.

# Business Results for FY2010.3 - Highlights

## ■ Overview

- Consolidated operating revenues: ¥1,096.6 billion (down 17.3% YoY), as gas sales volume decreased due to the economic recession, gas unit prices adjusted downwardly in response to the drop in LNG prices under the fuel cost adjustment system, and Nissho Petroleum Gas's wholesale business was assigned to a new company
- Consolidated operating profit: ¥91.1 billion (up 36.2% YoY), including a ¥26.7 billion profit arising in connection with the fuel cost adjustment system, as gross margin from the gas business increased due to lower materials costs following the drop in LNG prices, and gross margin from electricity and other incidental businesses increased

## ■ Gas Sales Volume

- Residential: 2,244 million m<sup>3</sup> (almost flat YoY)
- Non-residential: 5,420 million m<sup>3</sup> (down 5.0% YoY), as utilization of customers' capacity lowered due to the economic recession

## ■ Investments for Incubation and Expansion

- Invested a total of ¥44.9 billion in Semboku Natural Gas Power Plant, Gorgon Project (Australia), and environment and non-energy businesses. Made the decision to construct the Himeji-Okayama pipeline and participate in a wind power generation project in Australia.

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For the year ended March 2010, we reported an increase in profits despite a decrease in revenues.

Consolidated operating revenues decreased by 17.3% from the previous year to ¥1,096.6 billion. This owed primarily to a decrease in gas sales volume due to the economic recession, downward adjustment of gas unit prices in response to the drop in LNG prices under the fuel cost adjustment system, and assignment of Nissho Petroleum Gas's wholesale business to Japan Gas Energy.

Consolidated operating profit increased by 36.2% from the previous year to ¥91.1 billion, which includes ¥26.7 billion in profit arising in connection with the fuel cost adjustment system. This owed primarily to an increase in gross margin from the gas business due to lower materials costs following the drop in LNG prices, and an increase in gross margin from electricity and other incidental businesses.

Residential gas sales volume remained flat year-on-year at 2,244 million m<sup>3</sup> and non-residential gas sales volume decreased by 5% to 5,420 million m<sup>3</sup>.

For incubation and expansion, we invested a total of ¥44.9 billion in the Semboku Natural Gas Power Plant, Gorgon Project in Australia, real estate, advanced materials, and other businesses. We also made the decision to construct the Himeji-Okayama pipeline and participate in a wind power generation project in Australia.

# Gas Sales for FY2010.3

45MJ/m <sup>3</sup>	A. FY10.3	B. FY09.3	A-B	A-B/B (%)
Numbers of meters installed (thousand)	6,980	6,939	+41	+0.6%
Installation of new meters (thousand)	85	112	-28	-24.6%
Monthly gas sales volume per household (m <sup>3</sup> /month)	32.3	32.3	0	+0.1%
Residential use	2,244	2,238	+5	+0.2%
Commercial, public and medical use	1,543	1,581	-37	-2.4%
Industrial use	3,877	4,128	-250	-6.1%
Non-residential total	5,420	5,708	-288	-5.0%
Wholesale	455	434	+21	+4.9%
(Non-regulated included)	(4,576)	(4,834)	(-258)	(-5.3%)
Non-consolidated gas sales volume (million m <sup>3</sup> )	8,119	8,380	-261	-3.1%
Consolidated gas sales volume	8,150	8,416	-265	-3.2%

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Allow me now to explain our gas sales volume for the year ended March 2010.

Net gas sales volume on a non-consolidated basis decreased by 3.1% from the previous year to 8,119 million m<sup>3</sup>.

The volume of gas sales to residential customers remained almost flat from the previous year at 2,244 million m<sup>3</sup>.

Sales to commercial, public, and medical users decreased by 2.4% to 1,543 million m<sup>3</sup>. This decrease was due mainly to less demand for air conditioning resulting from lower temperatures during summer months and customers' energy-saving efforts.

Sales to industrial users decreased by 6.1% to 3,877 million m<sup>3</sup>, as volume growth due to newly-cultivated demand was more than offset by the lower capacity utilization by customers amid the economic recession. The economy has begun to show some signs of recovery, but we believe that it will be some time before it is fully recovered. You will find our monthly industrial gas sale volume on page 25 of this handout. Please view that data for your reference.

# Results of FY2010.3 I

billion yen, figures in parentheses are ratios of consolidated results to non-consolidated results.

	A. FY10.3	B. FY09.3	A-B	A-B/B (%)	References
Operating revenues	(1.30) 1,096.6	(1.37) 1,326.7	-230.1	-17.3%	Lower gas unit prices, assignment of LPG-related affiliate's wholesale business, etc.
Operating profit	(1.51) 91.1	(1.77) 66.9	+24.2	+36.2%	Higher gross margin from gas business, etc.
Ordinary profit	(1.32) 84.8	(1.71) 64.5	+20.2	+31.5%	Increase in operating profit, decrease in equity method investment gain, etc.
Net income	(1.21) 48.3	(1.50) 36	+12.3	+34.2%	
SVA	14	5.1	+8.8	+173%	

		A. FY10.3	B. FY09.3	A-B
Consolidated gas sales volume	million m <sup>3</sup>	8,150	8,416	-265
Exchange rate	yen/\$	92.9	100.5	-7.6
Crude oil price	\$/bbl	69.4*	90.5	-21.1
Number of subsidiaries		128	136	-8

\* Average of preliminary monthly data up to March. SVA(Shareholders' value added)=NOPAT- Invested capital × WACC

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Shown on this slide are our results for the year ended March 2010.

As I reported earlier, operating revenues decreased by ¥230.1 billion from the previous year to ¥1,096.6 billion, but operating profit increased by ¥24.2 billion to ¥91.1 billion.

Ordinary profit increased by ¥20.2 billion to ¥84.8 billion. Ordinary profit grew modestly compared to operating profit due to the decrease in equity method investment gain on the North Sea oil fields, which stemmed from the drop in crude oil prices.

The number of consolidated subsidiaries has decreased by eight to 128, while that of equity-method affiliates has increased to six, with the addition of Japan Gas Energy following the assignment of Nissho Petroleum Gas' wholesale business to Japan Gas Energy.

# Results of FY2010.3 II

Consolidated, billion yen	A. 10.3 end	B. 09.3 end	A-B	References
Total assets	1,483.8	1,452.4	+31.4	Increase in cash / deposits, etc.
Total net worth	666.6	612.5	+54.1	
Interest-bearing debt	539	573.4	-34.4	Redemption of bonds, etc.
Number of employees	19,268	19,009	+259	
Total net worth ratio	44.9%	42.2%	+2.8%	

	A. FY10.3	B. FY09.3	A-B	References
Capital expenditure	98.2	106	-7.8	
Depreciation	95.4	86.5	+8.8	Increase in depreciation on Semboku Natural Gas Power Plant
Free cash flow	175.4	56.2	+119.1	Increase in operating CFs due to increased profit and lower inventory
ROA	3.3%	2.5%	+0.8%	
ROE	7.6%	5.7%	+1.9%	
EPS (yen/share)	22.5	16.7	+5.8	
BPS (yen/share)	310.4	284.2	+26.2	

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

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

Free cash flow increased substantially from the previous year to ¥175.4 billion, owing primarily to an increase in profit and a decrease in materials inventory.

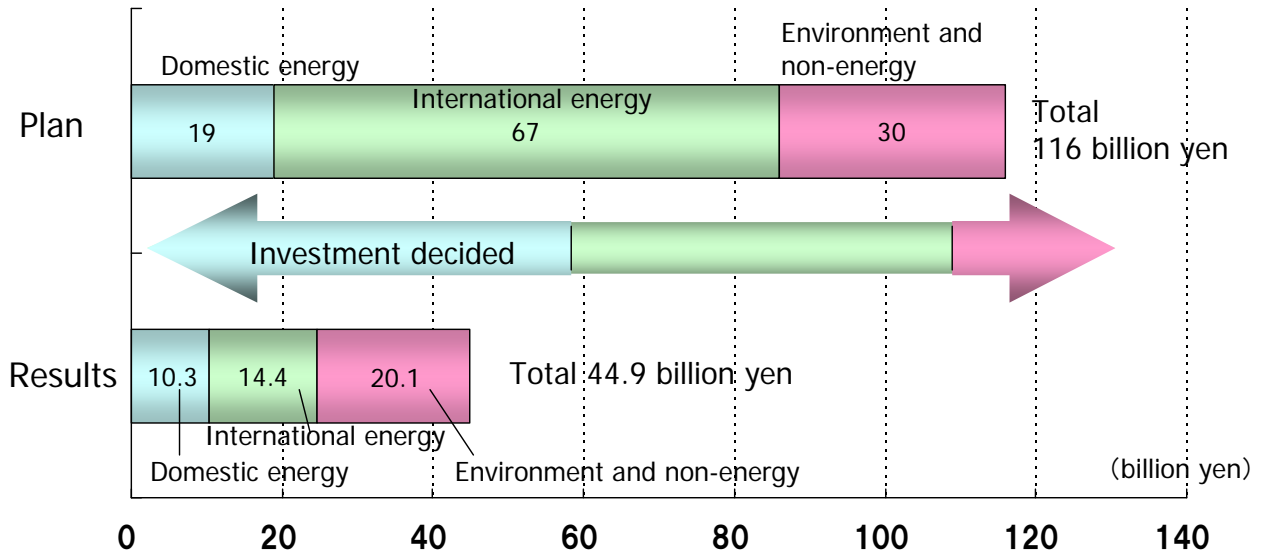
In accordance with the increase in free cash flow, interest-bearing debts decreased by ¥34.4 billion from the end of the previous fiscal year to ¥539 billion.

Capital expenditure decreased by ¥7.8 billion compared with the previous year to ¥98.2 billion. We invested our capital in construction of the Mie-Shiga pipeline and acquisition of an interest in the Gorgon Project, but at the same time construction of the Semboku Natural Gas Power Plant and LNG tankers came to an end.

Depreciation grew by ¥8.8 billion to ¥95.4 billion as the four power sources at the Semboku Natural Gas Power Plant have been put into operation one by one since April.

# Results of Investments for Incubation and Expansion for FY2010.3

- Total ¥44.9 billion invested in the Semboku Natural Gas Power Plant, Gorgon Project (Australia), environment / non-energy businesses, etc.
- Fell short of start-of-year projection, but decided to commence some large-scale projects, including construction of the Himeji-Okayama pipeline and participation in the Gorgon Project and wind power generation business in Australia



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.

As I explained earlier, we paid a total of ¥44.9 billion in investments designed to promote new businesses.

This amount is less than what we originally expected, but over the past fiscal year we have decided to spend more than ¥130 billion for new projects, including construction of the Himeji-Okayama pipeline and participation in the wind power generation business in Australia. As such, we are in line with our investment plan for incubation and expansion, which was laid out in our long-term vision and medium-term business plan.

# Business Plan for FY2011.3

## ■ Guiding Policy

### “Year of Action”

- Vigorously implement measures to realize the “Field of Dreams 2020”

## ■ Priority Tasks

### (1) Improvement in service levels, and realization of a low-carbon society

#### [Residential market]

- Promote the spread of distributed energy systems and renewable energy (photovoltaic power generation and “double generation of power”)
- Smart energy house demonstration

#### [Non-residential market]

- Expand heat-demand-related sales (industrial furnaces, boilers, kitchens)
- Develop the energy service provider business

### (2) Expansion of business field

### (3) Fulfillment of social responsibility (stable supply, safety, and CSR)

- Stably procure LNG over the mid- and long-term
- Strengthen the pipeline network infrastructure (construction of the Mie-Shiga pipeline and Himeji-Okayama pipeline)

Please allow me to move on to explain our business forecasts for the year ending March 2011.

During the fiscal year ending March 2011, the Osaka Gas Group will work on the realization of its long-term vision and medium-term business plan, “Field of Dreams 2020,” by focusing on the three priority tasks. They are:

- (1) Improvement in service levels, and realization of a low-carbon society;
- (2) Expansion of business field; and
- (3) Fulfillment of social responsibility.



# Business Forecasts for FY2011.3 - Highlights

## ■ Overview

- Consolidated operating revenues: ¥1,175 billion (up 7.1% YoY), factoring in an increase in gas sales volume and gas unit prices under the fuel cost adjustment system, based on the assumption that crude oil prices will increase
- Consolidated operating profit: ¥72.5 billion (down 20.5% YoY), assuming an increase in gross margin due to an increase in gas sales volume, reduction in expenses, and profit contributions from affiliates, which would be negatively offset by a ¥17.5 billion loss arising in connection with the fuel cost adjustment system

## ■ Gas Sales Volume

- Residential: 2,282 million m<sup>3</sup> (up 1.7% YoY), primarily due to an increase in the number of customers
- Non-residential: 5,448 million m<sup>3</sup> (up 0.5% YoY), assuming a pickup in customers' capacity utilization amid mild economic recovery and newly-cultivated demand

## ■ Investments for Incubation and Expansion

- ¥85 billion, surpassing the previous year's figure

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We expect a decrease in profits despite an increase in revenues for the year ending March 2011.

Consolidated operating revenues are expected to show a year-on-year increase to ¥1,175 billion as we factor in an increase in gas sales volume and gas unit prices under the fuel cost adjustment system on the assumption of an increase in crude oil prices.

Consolidated operating profit is expected to be ¥72.5 billion, which is below the previous year's level. We expect profits to grow in real terms, between an increase in gross margin due to an increase in gas sales volume, reduction of expenses, and profit contributions from affiliates, but we also expect a ¥17.5 billion loss to arise in connection with the fuel cost adjustment system.

We expect the volume of gas sales to both residential users and non-residential users to grow compared with the previous year by 1.7% to 2,282 million m<sup>3</sup> and by 0.5% to 5,448 million m<sup>3</sup>, respectively.

We will remain aggressive in making investments for incubation and expansion, and are planning to spend a total of ¥85 billion, which surpasses the previous year's figure.

# Gas Sales Forecast for FY2011.3

45MJ/m <sup>3</sup>	A. FY11.3 Forecast	B. FY10.3 Results	A-B	A-B/B(%)
Numbers of meters installed (thousand)	7,010	6,980	+31	+0.4%
Installation of new meters (thousand)	67	85	-18	-21.4%
Monthly gas sales volume per household (m <sup>3</sup> /month)	32.8	32.3	+0.5	+1.7%
Residential use	2,282	2,244	+38	+1.7%
Commercial, public and medical use	1,517	1,543	-26	-1.7%
Industrial use	3,931	3,877	+54	+1.4%
Non-residential total	5,448	5,420	+28	+0.5%
Wholesale	440	455	-15	-3.2%
(Non-regulated included)	(4,625)	(4,576)	(+49)	(+1.1%)
Non-consolidated gas sales volume (million m <sup>3</sup> )	8,170	8,119	+51	+0.6%
Consolidated gas sales volume	8,202	8,150	+52	+0.6%

Gas sales volume for the year ending March 2011 is expected to grow by 0.6% from the previous year to 8,170 million m<sup>3</sup>.

By usage segment, sales to residential users are expected to grow by 1.7% to 2,282 million m<sup>3</sup>, due primarily to an expected increase in the number of customers.

Sales to commercial, public, and medical users are expected to edge downward by 1.7% to 1,517 million m<sup>3</sup>, as customers are driven to save energy amid growing environmental awareness.

Sales to industrial users are expected to grow by 1.4% to 3,931 million m<sup>3</sup>, owing to higher utilization of customers' capacity against the backdrop of mild economic recovery and newly-cultivated demand.

# Forecast for FY2011.3 I

billion yen, figures in parentheses are ratios of consolidated results to non-consolidated results.

		A. FY11.3 Forecast	B. FY10.3 Results	A-B	A-B/B(%)
Operating revenues	(1.30)	1,175	(1.30) 1,096.6	+78.3	+7.1%
Operating profit	(1.73)	72.5	(1.51) 91.1	-18.6	-20.5%
Ordinary profit	(1.56)	65.5	(1.32) 84.8	-19.3	-22.8%
Net income	(1.40)	37	(1.21) 48.3	-11.3	-23.5%
SVA		4	14	-10	-71.5%
Consolidated gas sales volume	million m <sup>3</sup>	8,202	8,150	+52	
Exchange rate	yen/\$	95	92.9	+2.1	
Crude oil price	\$/bbl	80	69.4	+10.6	

SVA(Shareholders' value added)=NOPAT- Invested capital × WACC

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This is a recap of our business forecasts for the year ending March 2011.

We assume the forex rate to be ¥95/1US\$, a ¥2.1 change in favor of the US\$, and the crude oil price to be US\$80/bbl, US\$10.6 higher than the previous year's figure.

# Forecast for FY2011.3 II

Consolidated, billion yen	A. FY11.3 end Forecast	B. FY10.3 end Results	A-B
Total assets	1,489.6	1,483.8	+5.7
Total net worth	682.5	666.6	+15.8
Interest-bearing debt	549.7	539.0	+10.6
Number of employees	19,546	19,268	+278
Total net worth ratio	45.8%	44.9%	+0.9%
	A. FY11.3 Forecast	B. FY10.3 Results	A-B
Capital expenditure	83.6	98.2	-14.5
Depreciation	98.4	95.4	+3.0
Free cash flow	51.5	175.4	-123.8
ROA	2.5%	3.3%	-0.8%
ROE	5.5%	7.6%	-2.1%
EPS (yen/share)	17.2	22.5	-5.3
BPS (yen/share)	317.8	310.4	+7.4

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

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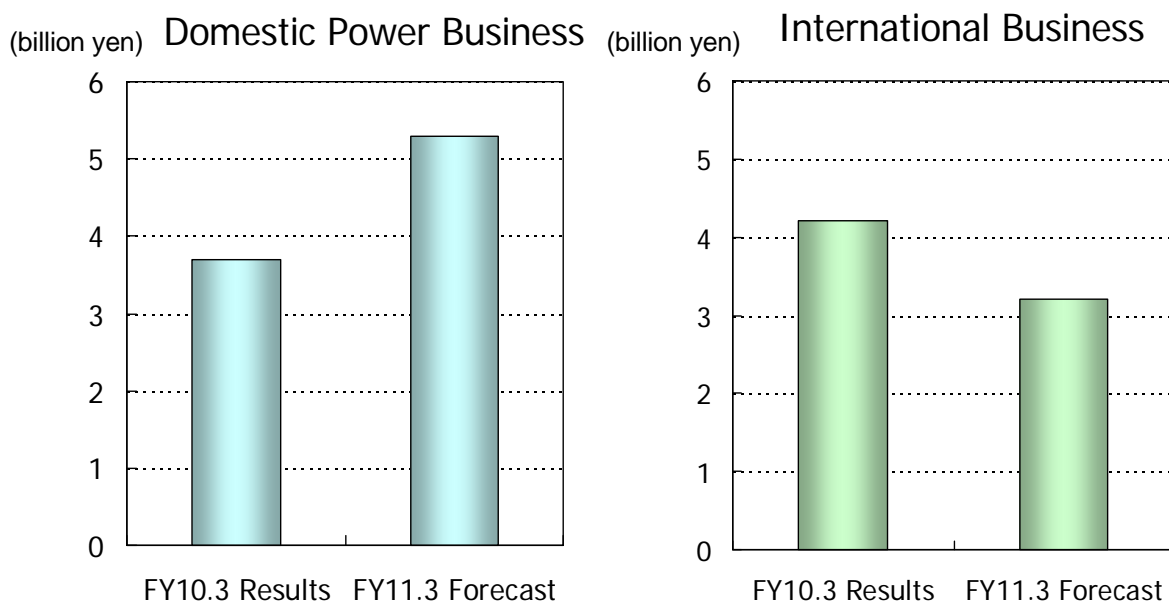
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These are the forecasts for assets, liabilities, and key financial indicators.

Capital expenditures are expected to be ¥83.6 billion, including construction of the Mie-Shiga pipeline and Himeji-Okayama pipeline.

Depreciation is expected to increase by ¥3 billion from the previous year to ¥98.4 billion, assuming an increase in depreciation on the Semboku Natural Gas Power Plant.

# Profit Contributions by New Businesses



- Contributions expected to increase as the Semboku Natural Gas Power Plant will operate year-round, etc.

- Contributions expected to decrease as some IPPs plan major inspections, etc.

Shown above are the sums of operating profit and equity method investment gain (after goodwill amortization). Numbers for the domestic power business are the operating profit of Osaka Gas's incidental power business.

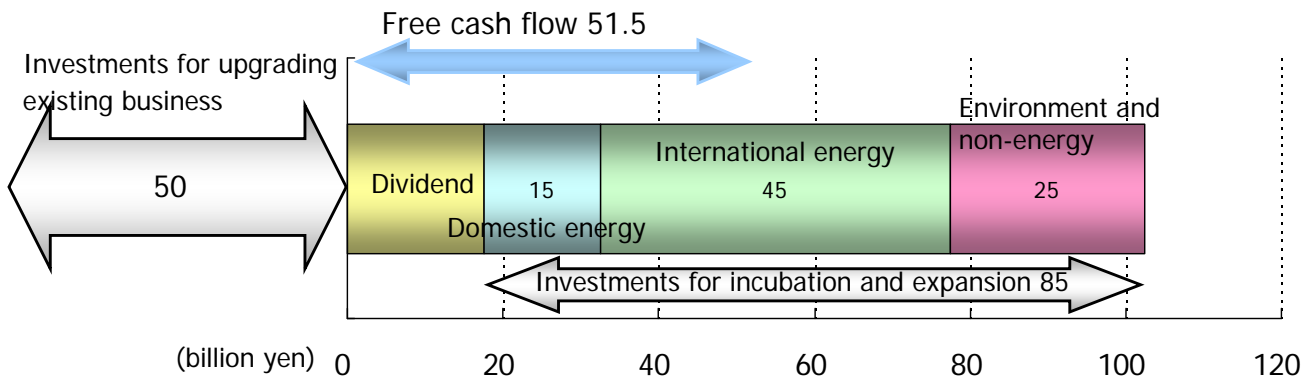
Let me now explain our expectations with regard to profit contributions from new businesses.

In the previous fiscal year, the power business added nearly ¥4 billion of profit, primarily because the Semboku Natural Gas Power Plant got off to a good start. For the year ending March 2011, profit contributions from the power business is expected to exceed ¥5 billion due to full year operation of that power plant and others.

The international business, which includes the North Sea oil fields and IPP business, generated some ¥4 billion of profit in the previous fiscal year. For the year ending March 2011, we expect profit contributions of around ¥3 billion, chiefly because some IPPs are planning large-scale inspections.

# Use of FCF for FY2011.3

- FCF for FY2011.3: ¥51.5 billion (down by ¥123.8 billion YoY)
- Investments for incubation and expansion: ¥85 billion, up from FY2010.3. Construction of trunk pipelines (domestic energy businesses) is planned, while business opportunities will be explored and acquired for the international energy businesses.
- Annual dividend target: ¥8 per share, up ¥1 per share



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.

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

We expect free cash flow during the year ending March 2011 to be ¥51.5 billion. We are planning to spend a total of ¥85 billion, which is more than we spent in the previous year, for incubation and expansion, including free cash flow and borrowings.

For the domestic energy businesses, we will construct trunk pipelines that form connections between Mie and Shiga and between Himeji and Okayama.

For the international energy businesses, we will continue to explore and acquire business opportunities. For the environment and non-energy businesses, we will acquire profit-earning real estate.

From the year ending March 2011 and onward, returns on our investments look more promising than before, as we expect the Semboku Natural Gas Power Plant to operate throughout the year and affiliates' businesses to grow steadily. In addition, we have made steady progress in deciding on investments for incubation and expansion, which will sustain future profit growth. Accordingly, we have decided to aim for an annual dividend payment of ¥8 per share for the fiscal year ending March 2011, an increase of ¥1 per share.

This concludes my presentation on our business results for the year ended March 2010 and our business forecasts for the year ending March 2011. Thank you very much for your kind attention.

## II. Facts and Figures

## Analysis of Variance between FY2009.3 and FY2010.3

billion yen

Operating revenues	-230.1	Osaka Gas	-127.8	Gas sales -141.1 Miscellaneous sales -9.5 (House-pipe installation -6.6, Gas appliances -4.4 etc.) Incidental business sales +22.9 (Electric power supply +28.7, LNG sales -5.6 etc.)
		Subsidiaries	-102.3	NIPG -81.4 (Assignment of wholesale business to JGE) Domestic IPP 3 companies -9.6 (Decrease in electricity sales) OGIS-RI group -5.0 (Fewer orders) Liquid Gas -4.2 (LPG unit price erosion and decline in sales volume)
Operating expenses	-254.3			Gas sales margin +40.7 (Profit/ Loss on fuel cost adjustment system +52.2, Tariff revision -2.9, Sales volume change etc. -8.5) Expenses increase -26.2 (Labor costs increase -8.4, Operating expenses increase -17.5 etc.) Incidental business margin +7.8 (Electric power supply, LNG sales etc.)
Operating profit	+24.2	Osaka Gas	+22.5	Domestic IPP 3 companies +1.2 (fuel price erosion)
		Subsidiaries	+1.6	Equity method investment gain -6.2
Ordinary profit	+20.2			

NIPG: Nissho Petroleum Gas, JGE: Japan Gas Energy,  
OGIS-RI: Osaka Gas Information System Research Institute

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## Analysis of Variance between FY2010.3 and FY2011.3

billion yen

Operating revenues	+78.3	Osaka Gas	+62.9	Gas sales +40.9 Miscellaneous sales -3.2 (House-pipe installation-2.9 etc.) Incidental business sales +25.2 (Electric power supply etc.)
		Subsidiaries	+15.3	Urbanex +7.3 (Increased unit sales of built-for-sale housing) Osaka Gas Maison +5.2 (Increased unit sales of built-for-sale housing) Nissho Propane Sekiyu +1.6
Operating expenses	+97.0			
Operating profit	-18.6	Osaka Gas	-18.4	Gas sales margin -35.1 (Profit/Loss on fuel cost adjustment system -44.2, Sales volume change etc. +9.1) Expenses decrease +17.1 (Operating expenses decrease +17.6 etc.)
		Subsidiaries	-0.1	
Ordinary profit	-19.3			

# Results by Segments

billion yen	Operating revenues		Operating profit		References R: Operating revenues, OP: Operating profit
	FY10.3	FY09.3	FY10.3	FY09.3	
Gas	674	814.3	53	37.6	R: Gas unit price erosion OP: LNG price erosion (lower materials costs)
LPG, electricity and other energy businesses	171.3	249.6	20.7	9.1	R:NIPG (-81.4: business reorganization) OP:OG (+7.6: electricity/LNG sales) CTS (+1.0: fuel price erosion)
Gas appliances and house-pipe installation	127.5	141.5	1.4	2.6	Fewer installation orders
Real estate	32.7	33.1	6.4	6.9	OG Maison (decreased unit sales of built-for-sale housing)
Others	160.9	165.2	8.3	9.6	R: OGIS-RI (-2.3), Sakura (-2.1) OP: OGIS-RI(-0.6), OG Sports(-0.5)
Elimination and consolidation	-70	-77.2	1.1	0.9	
Consolidated	1,096.6	1,326.7	91.1	66.9	

NIPG: Nissho Petroleum Gas, OG: Osaka Gas, CTS: Creative Techno Solution, OG Maison: Osaka Gas Maison, OGIS-RI: Osaka Gas Information System Research Institute, Sakura: Sakura Information Systems

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# Forecast by Segments

billion yen	FY11.3 Forecast	
	Operating revenues	Segment profit
Gas	870	38
LPG, electricity and other energy businesses	172	16
International energy	11	3
Environment and non-energy	187	15
Elimination and consolidation	-65	1.5
Consolidated	1,175	73.5

Segment profit=Operating profit+Equity in net income of affiliates

Business segmentation has changed from FY2011.3. Below is a comparison between the old and new segments.

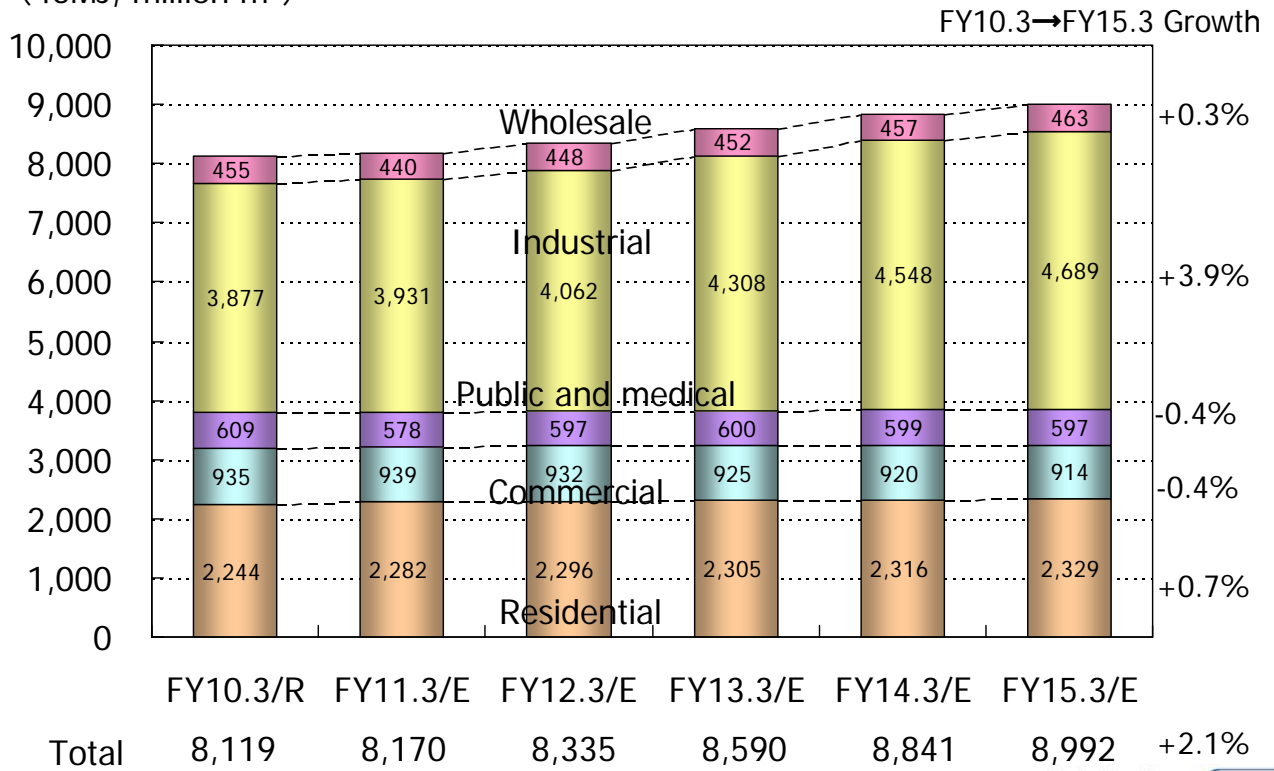
Before (up to FY2010.3)	After (from FY2011.3)
Gas	Gas
Gas appliances & House-pipe Installation	
LPG, electricity and other energy businesses	LPG, electricity and other energy businesses
Real estate	International energy
Others	Environment and non-energy

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

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

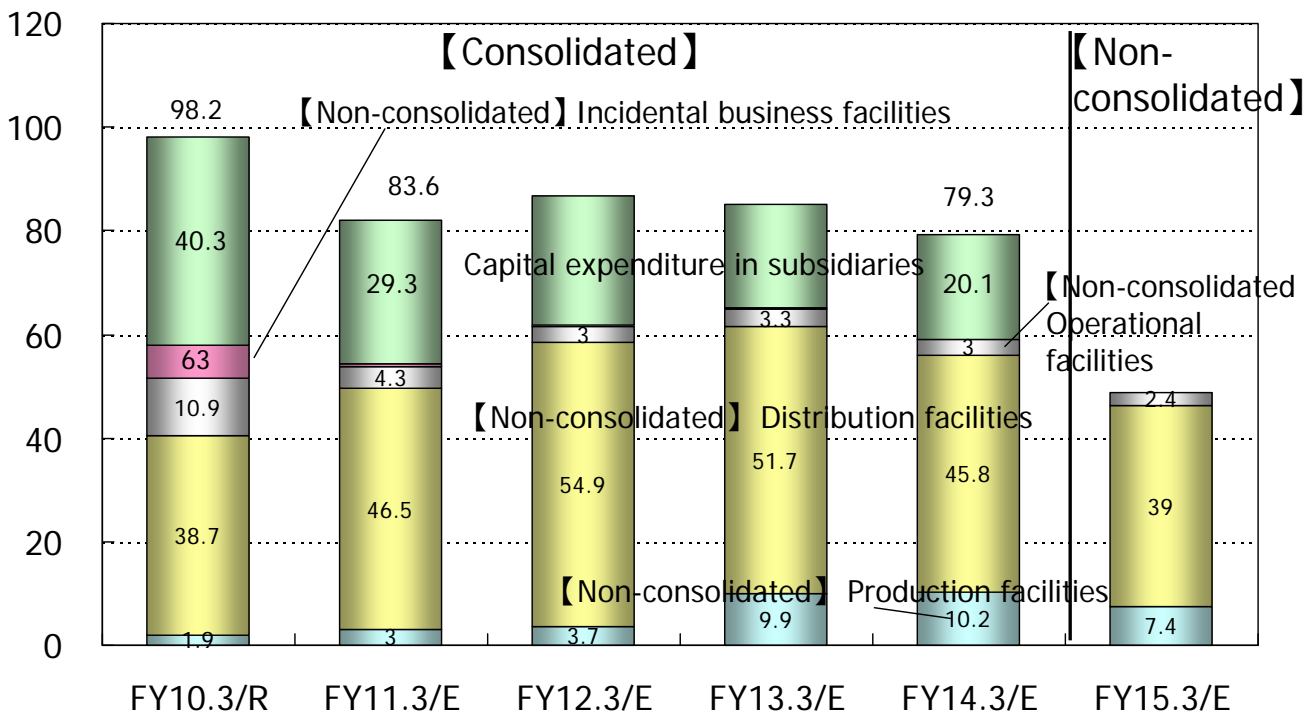


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# Medium-term Forecast of Capital Expenditure

Consolidated, billion yen



# Residential Gas Sales

## FY2010.3 Results

	Change from the previous year	References
Change in number of customers	+0.1%	
Influence of temperature	+1.2%	Avg. temperature of 17.0 degrees (-0.2 from the previous year)
Others	-1.1%	
Total	+0.2%	



## FY2011.3 Forecast

- Residential gas sales are expected to grow by approximately 38 million m<sup>3</sup> (up 1.7% YoY) to 2,282 million m<sup>3</sup>, assuming the average annual temperature and factoring in the benefits of sales expansion of strategic appliances.

# Commercial, Public and Medical Gas Sales

## FY2010.3 Results

	Change from the previous year	References
Demand expansion	+2.7%	Newly created demand from large commercial complexes and public facilities
Influence of temperature and change in meter-reading intervals	-0.6%	Reduced demand for air-conditioning due to low temperatures during summer months
Others	-4.5%	Customers' drive to save energy
Total	-2.4%	

## FY2011.3 Forecast

- Commercial, public, and medical gas sales are expected to edge downward by 26 million m<sup>3</sup> (down 1.7% YoY) to 1,517 million m<sup>3</sup>, assuming the average annual temperature and factoring in customers' drive to save energy.

# Industrial Gas Sales

## FY2010.3 Results

	Change from the previous year	References
Demand expansion	+3.2%	Contributions from new customers
Change in customers' facility operation etc.	-9.3%	Lower utilization of customers' capacity, etc.
Total	-6.1%	

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

	Volume	vs. FY09.3	vs. FY08.3
Chemical	1,103	100.2%	88.2%
Metal	897	87.6%	88.9%
Food	492	98.2%	97.6%
Machinery	362	85.9%	86.6%
Glass	253	114.4%	137.6%

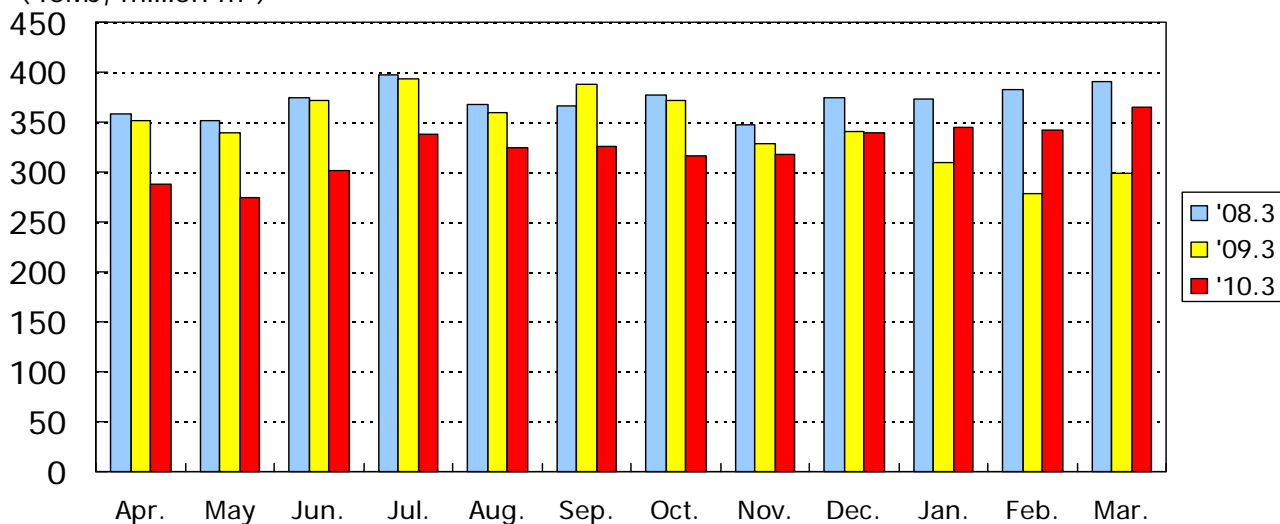
## FY2011.3 Forecast

- Industrial gas sales are expected to increase by 54 million m<sup>3</sup> (up 1.4% YoY) to 3,931 million m<sup>3</sup>, resulting from our continued encouragement to shift from oil and other fuels to gas and our energy-saving proposals that take advantage of our engineering prowess based on the superior eco-friendliness of city gas, as well as our expectations for a pickup in customers' capacity utilization.



# Monthly Industrial Gas Sales

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

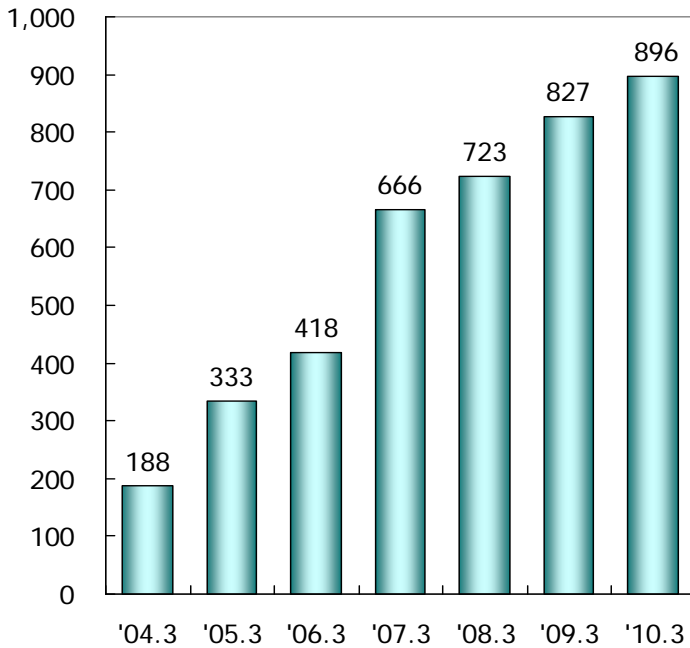


FY10.3 (%)	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
vs. FY08.3	80.5	78.5	80.5	85.1	88.2	89.2	83.8	91.8	90.4	92.4	92.4	93.5
vs. FY09.3	82.0	81.1	81.1	86.0	90.4	84.0	85.1	96.8	99.6	111.3	122.8	122.6

- Returned almost flat YoY in December of FY10.3. YoY growth has shown since January, but monthly sales have yet to reach the levels recorded in FY08.3.

# Energy Services

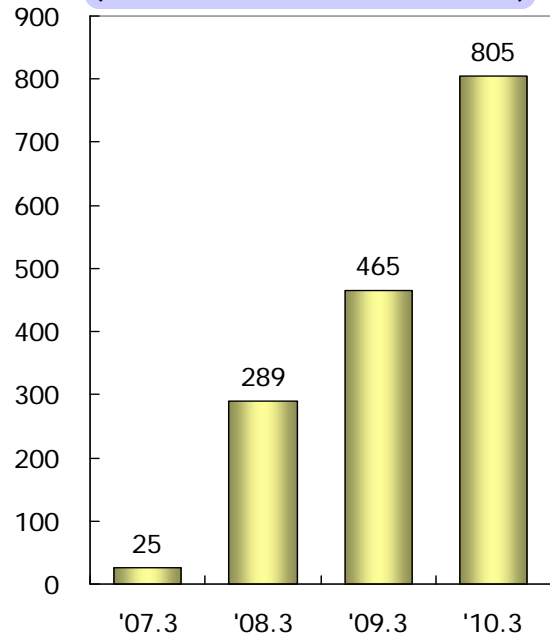
Number of Eco Wave Contracts



Eco Wave is an environmental-friendly business model proposed by the Osaka Gas Group, delivering energy savings and cost savings to customers. Osaka Gas installs a highly energy-saving co-generation system or natural gas-based air-conditioning system on the customer's site, at the expense of Osaka Gas. Customers do not have to bear the cost of the initial investment.

Customers pay energy service fees based on the quantity of energy consumed.

Energy Management by IT  
(Number of sites Eneflex served)

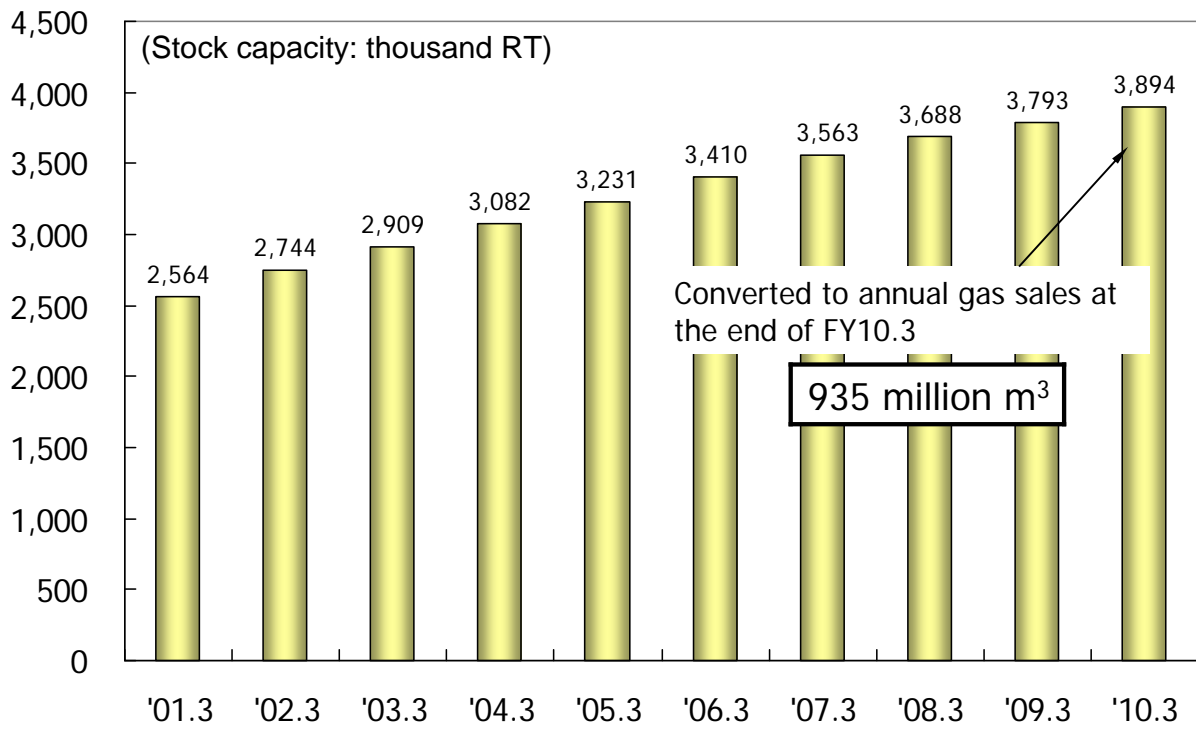


"EneFlex" is a service to provide information on the operating status of customers' gas equipment via the Internet. Status data are collected by the Osaka Gas remote monitoring system.

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# Demand Expansion in Gas Air-conditioning Systems



Stock volume includes both absorption type and GHP. 1 RT = 3,516 kW = 240 m<sup>3</sup>/year

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## 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: approx. a 5% increase/decrease in spring and autumn, approx. a 6% in summer, and approx. a 4% 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 900 million yen on annual gross profit.
- 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 approximately 900 million 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 terms but an increase in materials costs is likely to affect the business results due to a time lag in reflecting cost fluctuations, and depending on the composition of materials suppliers.
  - Adjustment of materials costs may be required as a result of contract renewal or price negotiation with LNG suppliers.
- Interest Rate
  - A 1% change in the interest rate will have an effect of approximately 400 million yen on annual consolidated non-operating expenses.