



Financial Report for 1st Quarter of FY2013.3 (April 2012 – June 2012)

July 2012

Osaka Gas Co., Ltd.

I. Business Results for 1st Quarter of FY2013.3

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.

We would like to explain briefly the business results of Osaka Gas for the first quarter ended June 30, 2012.

Summary of Business Results for 1st Quarter of FY2013.3

■ Overview

Operating revenues	Increased by 14.6% to ¥328.5 billion due to the increase in the gas sales unit price under the fuel cost adjustment system resulting from the LNG price increase, and the increase in electricity and LNG sales.
Operating profit	Increased by 69.5% to ¥33.1 billion due to the increase in the gross margin of gas sales that was affected by the decrease in raw material costs resulting from the LNG price decrease, and the increase in electricity business profits, etc. Loss on fuel cost adjustment system was ¥9.1 billion (compared with a loss of ¥16.7 billion in the same period of the previous year).

■ Gas Sales Volume

Residential	Decreased by 2.7% to 577 million m ³ , due to higher water temperatures which caused hot water demand to decrease.
Commercial	Decreased by 4.1% to 315 million m ³ , due to our customers' energy conservation trend, etc.
Industrial	Increased by 1.0% to 1,046 million m ³ , due to our marketing effort to create new demand.

■ Others

Investments for expansion, greenfield, M&A	Decided on investments in the solar power generation project in Canada, construction of 3 solar power plants in Japan, and the shale gas and oil development project in USA. Total investment of ¥32.7 billion was made during the 1Q of FY2012.
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In the first quarter of the year that ended June 30, 2012, we reported increases in both revenue and profit.

Net sales increased by 14.6% from the same period of the previous year, to ¥328.5 billion. Major factors in this increase were the gas sales price rise in response to increase in the LNG price, the increase in electricity sales resulting from the expanded operation rate of the Semboku Natural Gas Power Plant and the LNG wholesales to Okinawa Electric Power Company that commenced in May 2012.

Operating income increased by 69.5% to ¥33.1 billion, mainly due to the smaller loss on fuel cost adjustment system than in the same period of the previous year, resulting in increased gas gross margin, as well as an increase in profit from the electricity sales business. The loss on fuel cost adjustment system for the current first quarter was ¥9.1 billion, a decrease of ¥7.5 billion from the same period of the previous year.

Gas sales volume to residential customers decreased by 2.7% to 577 million m³. This decrease was mainly due to higher water temperature than the same period of the previous year.

Gas sales volume to commercial, public and medical customers decreased by 4.1% to 315 million m³ mainly due to increased energy-saving efforts by customers and the lower temperature in June than the same month of the previous year.

Gas sales volume to industrial customers increased by 1.0% to 1,046 million m³, mainly due to the development of new demand.

In the area of investments to promote new businesses, during the first quarter we decided to participate in the solar power generation project in Ontario (Canada), the construction of a large-scale solar power plant in Japan and the shale gas/oil development project in Texas (U.S.A.).

During the first quarter of 2012, we invested ¥32.7 billion.

Gas Sales Volume Results for 1st Quarter of FY2013.3

45MJ/m ³	A. FY13.3 1Q	B. FY12.3 1Q	A-B	A-B/B(%)
Number of meters installed (thousand)	7,049	7,015	+33	+0.5%
Installation of new meters (thousand)	17	16	+1	+9.3%
Monthly gas sales volume per household (m ³ /month)	33.0	34.0	-1.0	-3.0%
Residential use	577	593	-16	-2.7%
Commercial, public, and medical use	315	328	-14	-4.1%
Industrial use	1,046	1,035	+10	+1.0%
Non-residential total	1,360	1,364	-3	-0.3%
Wholesale	111	118	-7	-5.8%
(non-regulated included)	(1,176)	(1,179)	(-3)	(-0.2%)
Non-consolidated gas sales volume total (million m ³)	2,048	2,074	-26	-1.3%
Consolidated gas sales volume total (million m ³)	2,058	2,084	-26	-1.3%

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This table shows the gas sales volume results for the 1st quarter ended June 30, 2012.

The gas sales volume on a non-consolidated basis decreased by 1.3% from the same period of last year, to 2,048 million m³.

Results for 1st Quarter of FY2013.3 - I

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

Consolidated, billion yen	A. FY13.3 1Q	B. FY12.3 1Q	A-B	A-B/B	Remarks	
Operating revenues	(1.22) 328.5	(1.25) 286.6	+41.8	+14.6%	Rise in the price of gas sales, and increase in incidental business sales, etc.	
Operating profit	(1.33) 33.1	(1.76) 19.5	+13.5	+69.5%	Increase in gross margin of gas sales and electricity business, etc.	
Ordinary profit	(1.21) 36.3	(1.40) 20.6	+15.6	+75.7%	Increase in dividend income, and increase in earnings of equity method affiliates, etc.	
Net income	(1.11) 23.6	(1.18) 12.4	+11.1	+89.7%		
				A. FY13.3 1Q	B. FY12.3 1Q	A-B
Consolidated gas sales volume		million m ³		2,058	2,084	-26
Profit/ loss on fuel cost adjustment system		billion yen		-9.1	-16.7	+7.5
Crude oil price		\$/bbl		122.6	115.0	+7.6
Exchange rate		yen/\$		80.2	81.7	-1.5

Average of preliminary monthly data up to June. SVA (Shareholders' value added) = NOPAT – Invested capital × WACC

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This table shows the summary of operational results for the first quarter.

Operating revenues increased by ¥41.8 billion from the previous year to ¥328.5 billion, supported by the increased gas sales price, increased electric power sales and increased LNG sales.

As shown in the lower table, the loss on fuel cost adjustment system decreased by ¥7.5 billion and the gas profit margin increased. Profit from the electricity business also increased. Consequently, operating profit increased by ¥13.5 billion from the same period of the previous year to ¥33.1 billion and ordinary profit increased by ¥15.6 billion to ¥36.3 billion.

The operating results for the current first quarter were almost as projected in the full-year forecast announced in March 2012, although there are some deviations in individual items.

Results for 1st Quarter of FY2013.3 - II

Consolidated billion yen	A. FY13.3	FY12.3		A-B	Remarks
	1Q end	1Q end	B. year end		
Total assets	1,463.1	1,417.8	1,475.7	-12.6	
Net worth	705.7	671.6	684.5	+21.1	
Interest-bearing debt	543.9	550.8	541.3	+2.6	
Number of employees	19,926	19,849	19,818	+108	
Equity ratio	48.2%	46.4%	46.4%	+1.8	
D/E ratio	0.77	0.82	0.79	-0.02	
	A.	B.	A-B	Remarks	
	FY13.3	FY12.3			
	1Q	1Q			
Capital expenditure	37.5	14.7	+22.7	Investment in Ichthys LNG project in Australia, and shale gas and liquids development project in USA, etc.	
Depreciation	20.2	23.0	-2.8	Completion of special depreciation in FY2012.3	
Free cash flow	2.4	-21.1	+23.6	Accompanied by increase in income	

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

The financial position and key financial indicators are shown on Page 6.

Capital expenditures increased by ¥22.7 billion from the same period of the previous year to ¥37.5 billion. This increase was mainly due to cash expenditures for the Ichthys LNG project in Australia (investment decided on December 2011) and the shale gas/oil development project in Texas, U.S.A. (announced in June 2012).

In and after Page 7, presented for your reference is segment information for the current first quarter and information on investments in projects to promote new businesses that we decided upon during and after April 2012.

That's all for my presentation on operational results for the first quarter ended June 30, 2012.

II. Facts and Figures (1)

Sales valiance for 1st Quarter of FY2013.3 (vs. FY2012.3)

FY12.3 1Q → FY13.3 1Q (differences)

286.6

328.5

(+41.8)

(billion yen)

Osaka Gas: +39.1

Subsidiaries: +2.7

Gas sales +22.2
 • Impact of fuel cost adjustment +24.5
 • Volume change, etc. -2.3

Other revenues +16.9
 • Gas appliances sales +2.9
 • Incidental business sales +13.9
 (Electricity sales, LNG sales)

OGIS-RI group (IT) +1.1
 Creative Techno Solutions +1.0
 (Increase in large project)
 Osaka Gas Housing & Equipment +0.8
 (Increase in housing properties sales)

Ordinary profit valiance for 1st Quarter of FY2013.3 (vs. FY2012.3)

FY12.3 1Q → FY13.3 1Q (differences)

20.6

36.3

(+15.6)

(billion yen)

Osaka Gas: +15.1

Subsidiaries: +0.4

Gross margin of gas sales +5.5
 • Impact of fuel cost adjustment system +7.5
 • Volume change, etc. -2.0

Gross margin of other sales +5.6
 • Gross margin of incidental business sales +5.6
 (mainly of electricity business)

Decrease in operating expenses +2.4
 • Decrease in depreciation costs +2.1
 (Completion of special depreciation in FY2012.3)

Non-operating profit +1.4
 (Increase in dividend income, etc.)

Equity method earnings +0.3
 (North Sea oil field, and IPP in UAE, etc.)

+/- signs indicate positive/negative impacts on profit.

Results for 1st Quarter of FY2013.3 by Segments

(billion yen)	Operating revenues		Operating profit + equity method earnings		Remarks
	FY13.3 1Q	FY12.3 1Q	FY13.3 1Q	FY12.3 1Q	
Gas	246.4	219.0	18.2	10.0	<u>Revenues</u> : Rise in the price of gas sales <u>Profit</u> : Decrease in loss on fuel cost adjustment system
LPG, electricity, and other energies	51.7	37.7	9.7	4.8	<u>Revenues</u> : Increase in electricity sales and LNG sales <u>Profit</u> : Increase in gross margin of electricity business
International energies	2.6	2.4	2.3	1.6	Increase in earnings of equity method affiliates (North Sea oil field, and IPP in UAE, etc.)
Environment and non-energies	41.2	41.3	3.9	3.8	
Elimination/consolidation	-13.6	-14.0	0.6	0.5	
Consolidated	328.5	286.6	34.9	21.0	

Participation in Solar Power Generation Project in Ontario, Canada

- In July, 2012, agreed to jointly operate a large-scale solar power generation project in the Province of Ontario, Canada with Mitsubishi Corporation ("MC") and Sharp Corporation ("Sharp").
- Capacity: 9 sites, 100MW in total
- Start of commercial operation: From the end of 2012 through the end of 2013
- Project ownership: Osaka Gas 44.95%, MC 44.95%, Sharp 10.1%
- Intended power purchaser: Ontario Power Authority (sold at a fixed price over 20-year period)



Image

Construction of large-scale Solar Power Plants

- In June, 2012, decided to construct three large-scale solar power plants in Japan.

Outline of solar power plants

(1) Torishima solar power plant

Location: Torishima, Konohana-ward,
Osaka-city

Capacity: approx. 1.8MW

(2) Shooh solar power plant

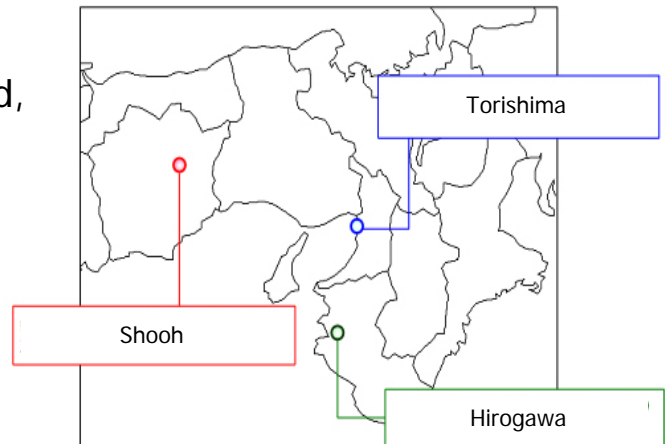
Location: Shooh-town, Okayama

Capacity: approx. 0.9MW

(3) Hirogawa solar power plant

Location: Hirogawa-town, Wakayama

Capacity: approx. 0.8MW



Participation in Shale Gas and Liquids Project in Texas, USA

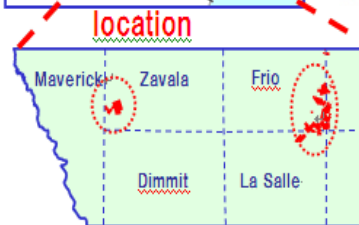
- In June, 2012, decided to participate in Pearsall shale gas and liquids project in the state of Texas, U.S.A

Outline of project

- Location: Eagle Ford region, south Texas, U.S.A.
- Participation: Cabot 65% (Operator)
Osaka Gas 35%
- Main products: natural gas, condensate, and natural gas liquids
- Marketing: To be marketed in U.S.A.



Drilling Site



Executed Liquefaction Tolling Agreement with Freeport LNG

- In July, 2012, Osaka Gas and Chubu Electric Power Co., Inc. (“Chubu Electric”) executed liquefaction tolling agreement with FLNG Liquefaction, LLC, an affiliate of Freeport LNG Expansion, L.P.
- Pursuant to the agreements, Osaka Gas and Chubu Electric will acquire a 4.4 million tons of LNG per annum (mtpa) production capacity at the existing Freeport LNG regasification terminal.
- Osaka Gas and Chubu Electric will be able to secure the U.S. origin LNG produced from natural gas (mainly shale gas) procured by themselves in the United States.

Freeport LNG project

- Location: Freeport, Texas, U.S.A.
- Start of commercial operation: 2017 (planned)
- Liquefaction capacity: 3 trains each with capacity of approx. 4.4 mtpa
- Export authorization: Applied for export to non-FTA countries



Freeport LNG terminal



III. Facts and Figures (2)

- Forecasts for FY2013.3

Maintaining our full-year forecast
unchanged from the March forecast

Gas Sales Volume Forecasts for FY2013.3

45MJ/m ³	A. FY13.3 forecasts	B. FY12.3 results	A-B	A-B/B(%)
Number of meters installed (thousand)	7,078	7,045	+32	+0.5%
Installation of new meters (thousand)	81	81	-0	-0.6%
Monthly gas sales volume per household (m ³ /month)	32.0	32.6	-0.6	-1.9%
Residential use	2,232	2,271	-39	-1.7%
Commercial, public, and medical use	1,512	1,575	-62	-4.0%
Industrial use	4,404	4,355	+49	+1.1%
Non-residential total	5,916	5,930	-14	-0.2%
Wholesale	474	480	-7	-1.4%
(non-regulated)	(5,083)	(5,062)	(+21)	(+0.4%)
Non-consolidated gas sales volume total (million m ³)	8,621	8,681	-60	-0.7%
Consolidated gas sales volume total (million m ³)	8,652	8,711	-59	-0.7%

Forecasts for FY2013.3 - I

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

(billion yen)	A. FY13.3 forecasts	B. FY12.3 forecasts	A-B	A-B/B (%)
Operating revenues	(1.25) 1,363.0	(1.25) 1,294.7	+68.2	+5.3%
Operating profit	(1.57) 90.0	(1.96) 77.2	+12.7	+16.5%
Ordinary profit	(1.43) 90.0	(1.84) 75.6	+14.3	+18.9%
Net income	(1.31) 57.0	(1.76) 45.2	+11.7	+26.1%
SVA	23.8	11.9	+11.8	+99.3%

		A. FY13.3 forecasts	B. FY12.3 forecasts	A-B
Consolidated gas sales volume	million m ³	8,652	8,711	-59
Profit/loss on fuel cost adjustment system	billion yen	-3.1	-30.7	+27.6
Exchange rate	yen/\$	80	79.1	+0.9
Crude oil price	\$/bbl	115	114.2	+0.8

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

Forecasts for FY2013.3 - II

(billion yen)	A. FY13.3 end forecasts	B. FY12.3 end forecasts	A-B
Total assets	1,571.5	1,475.7	+95.7
Net worth	721.3	684.5	+36.7
Interest-bearing debt	584.0	541.3	+42.6
Number of employees	19,992	19,818	+174
Equity ratio	45.9%	46.4%	-0.5
D/E ratio	0.80	0.79	+0.01
	A. FY13.3 forecasts	B. FY12.3 forecasts	A-B
Capital expenditure	101.1	87.1	+13.9
Depreciation	84.8	93.6	-8.7
Free cash flow	79.1	79.0	+0.0
ROA	3.7%	3.1%	+0.6
ROE	8.1%	6.7%	+1.4
EPS (yen/share)	27.4	21.7	+5.6
BPS (yen/share)	346.2	328.8	+17.4

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*

Forecasts for FY2013.3 by Segments

(billion yen)	Operating revenues		Operating profit + equity method earnings		Remarks
	FY13.3 forecasts	FY12.3 results	FY13.3 forecasts	FY12.3 results	
Gas	1,016.0	976.5	37.5	20.9	<u>Revenues</u> : Rise in the price of gas sales <u>Profit</u> : Decrease in loss on fuel cost adjustment system
LPG, electricity, and other energies	228.5	198.0	33.5	32.4	<u>Revenues</u> : Increase in LNG sales and LPG sales, etc. <u>Profit</u> : Increase in gross margin of LNG sales, etc.
International energies	11.0	11.1	5.5	8.6	Decrease in earnings of equity method affiliates (North Sea oil field, IPP in Spain, etc.)
Environment and non-energies	170.0	184.5	15.5	18.5	<u>Revenues</u> : Decrease in sales of real estate business, etc. <u>Profit</u> : Decrease in profit of advanced materials business, etc.
Elimination/consolidation	-62.5	-75.5	1.5	2.2	
Consolidated	1,363.0	1,294.7	93.5	82.9	

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. 1.0 billion yen on annual gross profit.
- Foreign exchange 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. 500 million yen on annual consolidated non-operating expenses.