



# Financial Report for 1<sup>st</sup> Half of FY2014.3 (April 2013 – September 2013)

October 2013  
Osaka Gas Co., Ltd.

# I. Business Results for 1<sup>st</sup> Half of FY2014.3 and Forecasts for FY2014.3

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

Financial reports, annual reports and road show materials can be accessed and downloaded at the following URL.

[http://www.osakagas.co.jp/ir/index\\_e.html](http://www.osakagas.co.jp/ir/index_e.html)

**Disclaimer**

Certain statements contained herein are forward-looking statements, strategies, and plans, which reflect our judgment based on the information so far available. Actual results may differ materially from those discussed in such statements. Among the factors that could cause actual results to differ materially are: economic trends in Japan, sharp fluctuations in exchange rates and crude oil prices, and extraordinary weather conditions.

**Note regarding gas sales volume**

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

**Note regarding consolidated gas sales volume**

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

**Note regarding the indication of quarter**

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

I would now like to present the results for the first half of the fiscal year ending March 2014, and the forecast for the full fiscal year.

# Summary of the Results for 1<sup>st</sup> Half of FY2014.3 - I

## Year-on-Year Comparison

### ■ Overview

Consolidated Net sales	Increased to 670.3 billion yen, up 6.4% (40.4 billion yen) due mainly to the rise in gas sales price based on the fuel cost adjustment system, along with the rise in LNG price.
Consolidated Ordinary income	Decreased to 47.7 billion yen, down 1.2% (0.5 billion yen) due mainly to the fall in gas sales gross margin caused by the increase in time-lag loss (7.3 billion yen → 9.6 billion yen) and the decrease in gas sales volume.

### ■ Gas Sales Volume

Residential	Decreased to 789 million m <sup>3</sup> , down 5.1% (42 million m <sup>3</sup> ) due mainly to higher temperatures of the air and water than last year, which caused the decrease of hot water and heating demand.
Commercial, public and medical	Decreased to 774 million m <sup>3</sup> , down 0.4% (3 million m <sup>3</sup> ) due mainly to higher temperatures in summer than last year, which caused cooling demand increase, slowed down by further energy conservation by customers.
Industrial	Increased to 2.132 billion m <sup>3</sup> , up 0.5% (10 million m <sup>3</sup> ) due mainly to our marketing effort to develop new demand.

Let me start from year on year comparison.

In the first half of the fiscal year ending March 2014, revenue grew but profit declined from the previous year.

Consolidated net sales increased to 670.3 billion yen, up 6.4% or 40.4 billion yen, due mainly to the rise in gas sales price, based on the fuel cost adjustment system, along with the rise in LNG price.

Ordinary income decreased to 47.7 billion yen, down 1.2% or 500 million yen, due mainly to the decline in gross margin of gas sales caused by the increase in time-lag loss, and by the decrease in gas sales volume.

Gas sales volume for residential sector decreased by 5.1% to 789 million m<sup>3</sup> due mainly to higher temperatures of the air and water than the previous year, which caused the decrease of hot water and heating demand.

Gas sales volume for commercial, public and medical sectors decreased by 0.4% to 774 million m<sup>3</sup> due mainly to further energy conservation by customers, partially offset by cooling demand increase owing to higher temperatures in summer than the previous year.

For industrial sector, gas sales volume increased by 0.5% to 2.132 billion m<sup>3</sup> due mainly to our marketing effort to develop new demand.

# Summary of the Results for 1<sup>st</sup> Half of FY2014.3 - II

## Comparison with targets

### ■ Overview

Consolidated Net sales	670.3 billion yen, 2.0% (13.6 billion yen) below the target due mainly to the decrease in the revenues of consolidated subsidiaries.
Consolidated Ordinary income	47.7 billion yen, 15.0% (6.2 billion yen) above the target due mainly to the increase in profit of the Power business and to lower expenses.

### ■ Gas Sales Volume

Residential	789 million m <sup>3</sup> , 4.8% (39 million m <sup>3</sup> ) below the target due mainly to higher temperatures of the air and water than initially forecasted, which caused the decrease of hot water and heating demand.
Commercial, public and medical	774 million m <sup>3</sup> , 1.7% (13 million m <sup>3</sup> ) above the target due mainly to higher temperatures in summer than initially forecasted, which caused cooling demand increase.
Industrial	2,132 million m <sup>3</sup> , 1.4% (31 million m <sup>3</sup> ) below the target due mainly to the decrease in operation of customer facilities.

### ■ Investments

Investment for expansion, greenfield, and M&A	Decided to acquire shares of a UK water supply and distribution holding Company in 2 <sup>nd</sup> Quarter of the FY. Total investments made in the first half of the FY equal 43.1 billion yen (31% of annual budget).
---	---

Next, I will describe the results for the first half by comparing them with the targets.

Consolidated net sales were 2.0% or 13.6 billion yen below the target due mainly to the decrease in the revenues of consolidated subsidiaries.

Consolidated operating income was 15.0% or 6.2 billion yen above the target due mainly to the increase in profit of the power business and to lower expenses.

Gas sales volume for residential sector decreased by 4.8% due mainly to higher temperatures of the air and water than initially forecasted, which caused the decrease of hot water and heating demand.

Gas sales volume for commercial, public and medical sectors increased by 1.7% due mainly to higher temperatures in summer than initially forecasted, which caused cooling demand increase

Gas sales volume for the industrial sector decreased by 1.4% due mainly to the decrease in operation of customer facilities.

Regarding investment for expansion, greenfield, and M&A, we have decided to acquire shares of a UK water supply and distribution holding company in September.

Investments made in the first half of the fiscal year are 43.1 billion yen in total, or 31% of the annual budget.

## Gas Sales Volume Results for 1<sup>st</sup> Half of FY2014.3

45MJ/m <sup>3</sup>	A. FY14.3 1 <sup>st</sup> Half	B. FY13.3 1 <sup>st</sup> Half	A-B	A-B/B (%)	C. FY14.3 1H target	A-C/C (%)
Number of meters installed (thousand)	7,101	7,057	+44	+0.6%	7,090	+0.2%
Installation of new meters (thousand)	40	37	+3	+7.8%	40	-2.0%
Monthly gas sales volume per household (m <sup>3</sup> /month)	22.5	23.8	-1.3	-5.5%	23.6	-4.8%
Residential use	789	831	-42	-5.1%	829	-4.8%
Commercial, public, and medical use	774	777	-3	-0.4%	761	+1.7%
Industrial use	2,132	2,122	+10	+0.5%	2,164	-1.4%
Non-residential total	2,906	2,899	+7	+0.2%	2,924	-0.6%
Wholesale	220	222	-2	-0.9%	221	-0.5%
(non-regulated)	(2,485)	(2,479)	(+6)	(+0.2%)	(2,518)	(-1.3%)
Non-consolidated gas sales volume total (million m <sup>3</sup> )	3,916	3,953	-37	-0.9%	3,974	-1.5%
Consolidated gas sales volume total (million m <sup>3</sup> )	3,932	3,970	-38	-1.0%	3,991	-1.5%

This table summarizes the gas sales volumes I have just explained.

The gas sales volume of Osaka Gas alone was 0.9% lower than the previous year and 1.5% below the target, with 3.916 billion m<sup>3</sup>.

Industrial gas sales suggest that capacity utilization is improving in some segments, but we believe that it will be some time before we see an overall recovery in the manufacturing sector.

# Results for 1<sup>st</sup> Half of FY2014.3 - I

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

Consolidated, billion yen	A. FY14.3 1 <sup>st</sup> Half	B. FY13.3 1 <sup>st</sup> Half	A-B	A-B/B(%)	C. FY14.3 1H target	A-C/C(%)
Net sales	(1.23) <b>670.3</b>	(1.24) <b>629.8</b>	+40.4	+6.4%	684.0	-2.0%
Operating income	(1.58) <b>44.7</b>	(1.59) <b>44.8</b>	-0.1	-0.2%	40.0	+12.0%
Ordinary income	(1.46) <b>47.7</b>	(1.43) <b>48.3</b>	-0.5	-1.2%	41.5	+15.0%
Net income	(1.38) <b>31.6</b>	(1.32) <b>30.8</b>	+0.7	+2.5%	27.0	+17.2%
SVA	<b>23.7</b>	<b>14.8</b>	+8.8	+60.0%	7.7	+205.6%

		A. FY14.3 1 <sup>st</sup> Half	B. FY13.3 1 <sup>st</sup> Half	A-B	C. FY14.3 1H target	A-C
Consolidated gas sales volume	million m <sup>3</sup>	<b>3,932</b>	<b>3,970</b>	-38	3,991	-59
Profit/ loss on fuel cost adjustment system	billion yen	<b>-9.6</b>	<b>-7.3</b>	-2.2	-11.9	+2.3
Crude oil price	\$/bbl	<b>107.7</b>	<b>114.0</b>	-6.3	115.0	-7.3
Exchange rate	yen/\$	<b>98.9</b>	<b>79.4</b>	+19.5	95.0	+3.9
Number of subsidiaries		<b>129</b>	<b>129</b>	±0		

Average of preliminary monthly data up to September.  
SVA (Shareholders' value added) = NOPAT – Invested capital × WACC<sup>6</sup>

Design Your Energy 夢ある明日を  
**OSAKA GAS**

This table summarizes the other results for the first half of the fiscal year ending March 2014.

# Results for 1<sup>st</sup> Half of FY2014.3 - II

Consolidated, billion yen	A. FY14.3 1H end	FY13.3 1H end	B. Year end	A-B	Remarks
Total assets	1,593.7	1,464.7	1,566.8	+26.8	
Net worth	798.6	700.2	747.8	+50.8	Increased in Retained earnings, Valuation difference on available-for-sale securities, and Foreign currency translation adjustment, etc.
Interest-bearing debt	542.4	550.2	540.1	+2.2	
Number of employees	20,212	19,935	19,870	+342	
Equity ratio	50.1%	47.8%	47.7%	+2.4	
D/E ratio	0.68	0.79	0.72	-0.04	
	A. FY14.3 1H	B. FY13.3 1H	A-B	Remarks	
Capital expenditure	57.0	56.3	+0.6		
Depreciation	41.0	40.9	+0.0		
Free cash flow	32.1	5.0	+27.0	Decrease / increase in inventories, etc.	
ROA	2.0%	2.1%	-0.1		
ROE	4.1%	4.5%	-0.4		
EPS (yen)	15.2	14.8	+0.4		
BPS (yen)	383.6	336.3	+47.3		

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

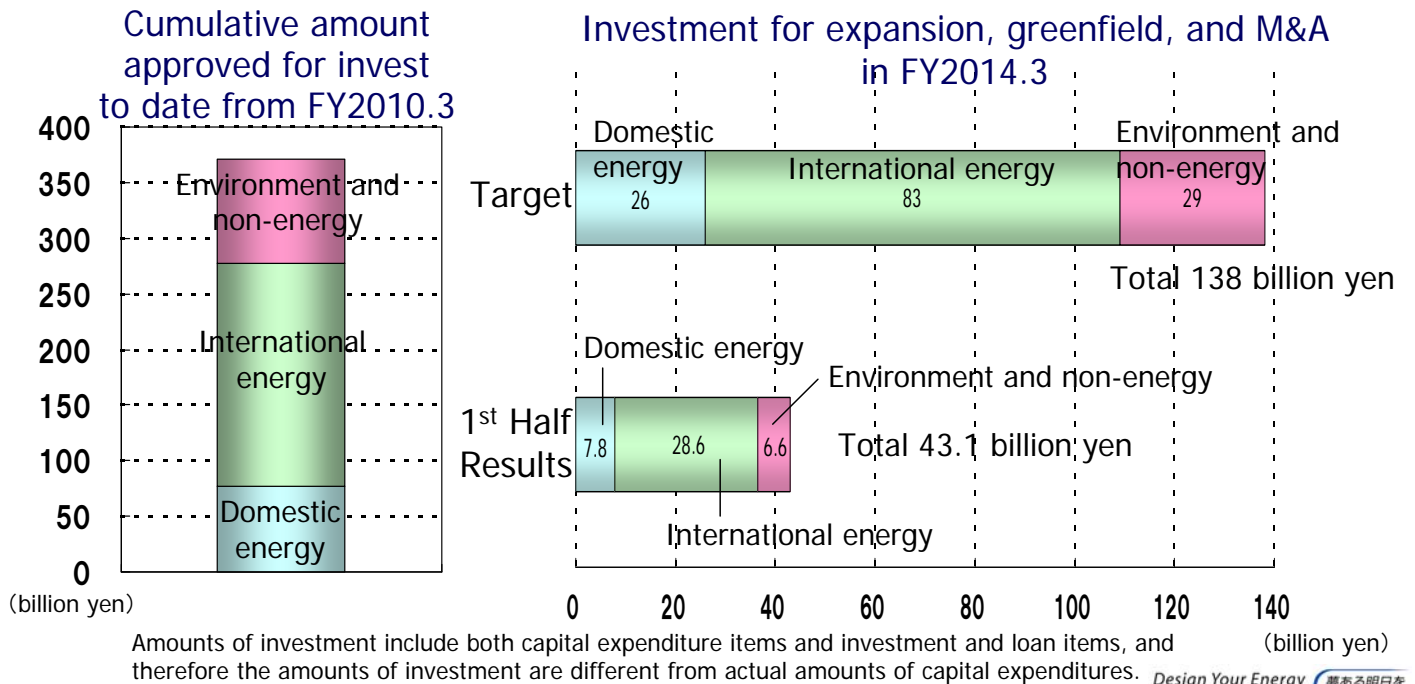
This slide shows the results for assets, liability, and primary financial indicators.

Capital expenditure remained the same as the previous year at 57.0 billion yen, which went into construction of major domestic pipelines, development of upstream businesses, and building of LNG carriers.

ROA and ROE edged down from the previous year to 2.0% and 4.1%, respectively.

# Results of Investment for expansion, greenfield, and M&A in 1<sup>st</sup> Half of FY2014.3

- Decided investments in condensate and gas development project in Papua New Guinea and water supply business in UK.
- Cumulative amount approved for invest to date from FY 2010.3 are **370.5 billion yen** (93% of the originally projected for the period between FY 2010.3 and FY 2014.3)



Let me now explain the progress of the investment plan for expansion, greenfield, and M&A.

We have decided to participate in the condensate and gas development project in Papua New Guinea and the Water supply business in UK.

As a result of these decision, we have so far allocated 370.5 billion yen of the budget in the four and a half years since the start of the mid- to long-term management plan in 2009.

Yesterday we announced our decision to acquire 100% of the shares of a Swedish manufacturer and distributor of activated carbon.

We will continue to further search for investment opportunities.



## Summary of modifications to forecasts for FY 2014.3

			A. Revised Forecasts	B. Initial Forecasts	A-B	Remarks
Assumed factors for 2 <sup>nd</sup> Half	Crude oil price	\$/bbl	110	115	-5	
	Exchange rate	yen/\$	100	95	+5	
Non-consolidated gas sales volume (45MJ/m <sup>3</sup> )	Residential use		(1,393) 2,182	(1,393) 2,222	(0) -39	No change to initial forecasts for the 2 <sup>nd</sup> half
	Commercial, industrial, and other use		(3,172) 6,298	(3,191) 6,337	(-20) -39	Considering decrease in operation of customer facilities
P/L (billion yen)	Consolidated net sales		1,504.5	1,508.0	-3.5	
	Gross margin of gas sales		318.5	321.5	-3.0	Decrease in gas sales volume
	Profit of other sales		36.3	33.3	+3.0	Increase in profit of Power business
	Operating expenses, labor costs, and depreciation		295.8	297.8	-2.0	Decrease in Operating expenses and Depreciation costs
	Profit of subsidiaries		40.0	43.0	-3.0	Decrease in profit of upstream business in U.S. , etc.
	Consolidated operating income		99.0	100.0	-1.0	
	Consolidated ordinary income		100.0	100.0	±0	

Gas sales volume figures in parentheses in the upper row are figures for the 2<sup>nd</sup> half of FY2014.3

Design Your Energy 夢ある明日を  


9

Let me now explain the forecasts for the fiscal year ending March 2014.

The forecasts for the second half are based on our latest assumptions of the crude oil price and forex rate, which are 110 US dollars per barrel and 100 yen to the US dollar, respectively.

The forecast for gas sales volume remains the same level as the initial forecast for the residential sector, but is expected to fall below the initial forecast by 39 million m<sup>3</sup> for the commercial, industrial, and other sectors due to lower utilization of customer facilities.

Ordinary income are expected to 100 billion yen, remain the same as the initial forecast. The drop in gross margin of gas sales and the drop in profit of consolidated subsidiaries are forecasted to be offset by the increase in profits of incidental business such as the power business and the decrease of the cost.

## Gas Sales Volume Forecasts for FY2014.3

45MJ/m <sup>3</sup>	A. FY14.3 Forecasts	B. FY13.3 Results	A-B	A-B/B(%)
Number of meters installed (thousand)	7,112	7,086	+26	+0.4%
Installation of new meters (thousand)	100	91	+9	+9.8%
Monthly gas sales volume per household (m <sup>3</sup> /month)	31.1	32.5	-1.4	-4.4%
Residential use	2,182	2,272	-90	-4.0%
Commercial, public, and medical use	1,486	1,540	-53	-3.5%
Industrial use	4,350	4,222	+128	+3.0%
Commercial and industrial use	5,836	5,761	+75	+1.3%
Wholesale	462	469	-7	-1.6%
(Non-regulated included)	(5,000)	(4,894)	(+106)	(+2.2%)
Non-consolidated gas sales volume (million m <sup>3</sup> )	8,480	8,503	-22	-0.3%
Consolidated gas sales volume (million m <sup>3</sup> )	8,510	8,534	-24	-0.3%

This slide shows the gas sales volume forecast for the fiscal year ending March 2014 in comparison with the previous year.

Gas sales volume for non-consolidated Osaka Gas is expected to be 0.3% lower than the previous year at 8.480 billion m<sup>3</sup>, namely 2.182 billion m<sup>3</sup> for residential, down 4.0%, 1.486 billion m<sup>3</sup> for commercial, public and medical, down 3.5%, and 4.350 billion m<sup>3</sup> for industrial, up 3.0%.

# Forecasts for FY2014.3 - I

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

Consolidated, billion yen	A. FY14.3 Forecasts	B. FY13.3 Results	A-B	A-B/B (%)
Net sales	(1.26) 1,504.5	(1.24) 1,380.0	+124.4	+9.0%
Operating income	(1.68) 99.0	(1.84) 84.7	+14.2	+16.8%
Ordinary income	(1.54) 100.0	(1.63) 90.1	+9.8	+11.0%
Net income	(1.43) 64.5	(1.49) 52.4	+12.0	+22.9%
SVA	26.9	18.6	+8.2	+44.0%

		A. FY14.3 Forecasts	B. FY13.3 Results	A-B
Consolidated gas sales volume	million m <sup>3</sup>	8,510	8,534	-24
Profit/loss on fuel cost adjustment system	billion yen	-10.9	-20.7	+9.8
Crude oil price	\$/bbl	108.8	113.9	-5.1
Exchange rate	yen/\$	99.4	83.1	+16.3

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

11

Design Your Energy 夢ある明日を  
OSAKA GAS

This slide shows the profit and loss forecasts for the whole year in comparison with the previous year.

Net sales are expected to be 1.5045 trillion yen, up 9.0%.

As for profits, operating income is expected to increase by 16.8% to 99 billion yen, and ordinary income to increase by 11.0% to 100 billion yen, due largely to the decrease in time-lag loss by approximately 10 billion yen.

## Forecasts for FY2014.3 - II

Consolidated, billion yen	A. FY14.3 end Forecasts	B. FY13.3 end Results	A-B
Total assets	1,656.8	1,566.8	+89.9
Net worth	802.3	747.8	+54.4
Interest-bearing debt	607.0	540.1	+66.8
Number of employees	20,201	19,870	+331
Equity ratio	48.4%	47.7%	+0.7
D/E ratio	0.76	0.72	+0.03
	A. FY14.3 Forecasts	B. FY13.3 Results	A-B
Capital expenditure	134.7	112.9	+21.7
Depreciation	79.3	82.8	-3.5
Free cash flow	88.1	85.0	+3.0
ROA	4.0%	3.4%	+0.6
ROE	8.3%	7.3%	+1.0
EPS (yen)	31.0	25.2	+5.8
BPS (yen)	385.4	359.2	+26.2

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

Lastly, here is a summary of the forecasts for assets, liability, and primary financial indicators.

ROA and ROE for the entire year are expected to be 4.0% and 8.3%, respectively.

This concludes my presentation.

Please also see the handouts on for a detailed gap analysis and breakdown by segment.

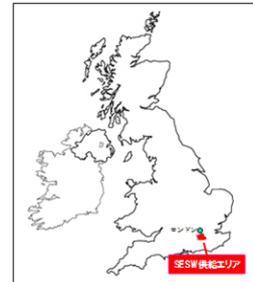
Thank you for your kind attention.



## II. Facts and Figures

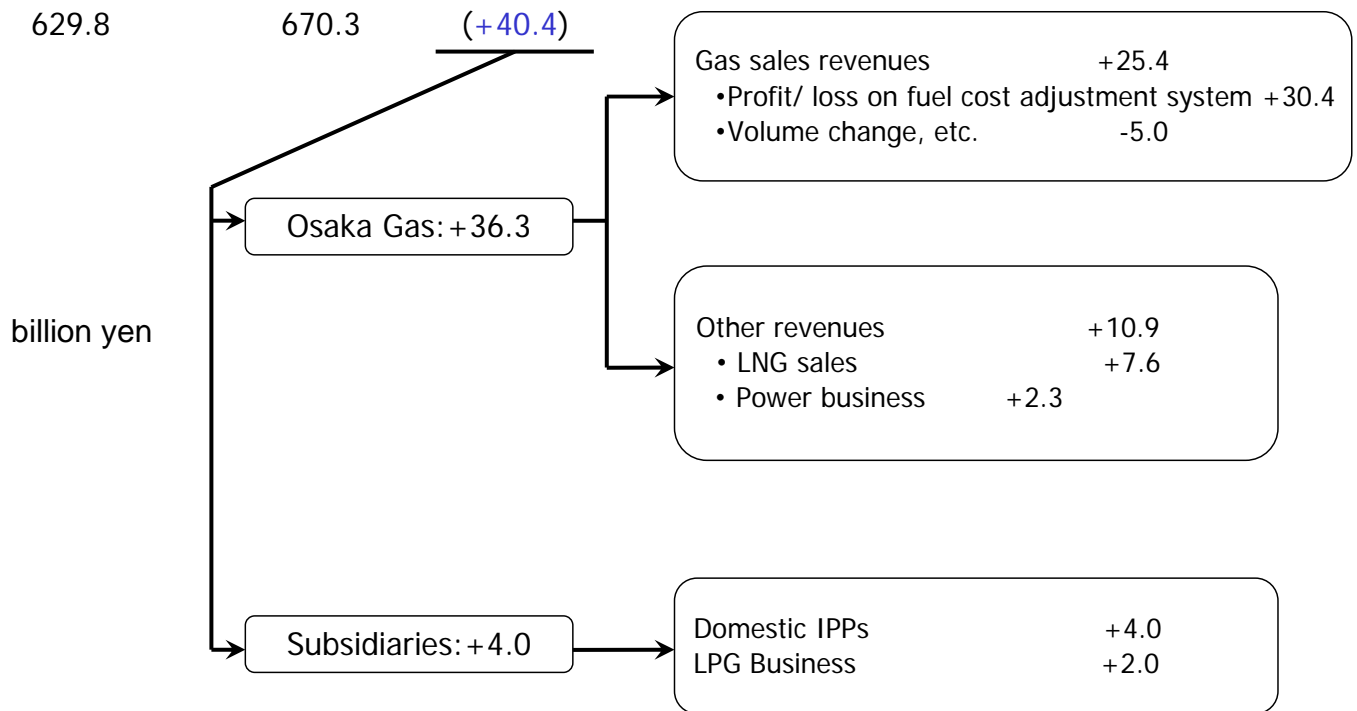
# Topics in FY2014.3

- Acquisition of interest in a water supply and distribution business holding company in the UK (announced in Sept.)
  - Agreement reached to acquire from Sumitomo Corporation interest in Summit Water UK Limited, a holding company of Sutton and East Surrey Water plc (SESW)  
(Ownership after acquisition: Sumitomo Corporation 50%, Osaka Gas 50%)
  - SESW: Established in 1862 and privatized in 1989.  
Supplies water to approx. 280,000 accounts in southeast London.
- Acquisition of interest in a Swedish activated carbon business (announced in Sept.)
  - Agreement reached to acquire 100% of Jacobi Carbons AB's shares from AddSorb Holding AB.
  - Jacobi Carbons AB: Established in 1916. Currently produces activated carbon at its factories in 10 countries, and markets to 111 countries.
  - This acquisition will make the Osaka Gas Group the third largest activated carbon production/distribution business in the world, and the leading business for high value-added coconut activated carbon.



# Sales variance for 1<sup>st</sup> Half of FY2014.3 (Year-on-Year)

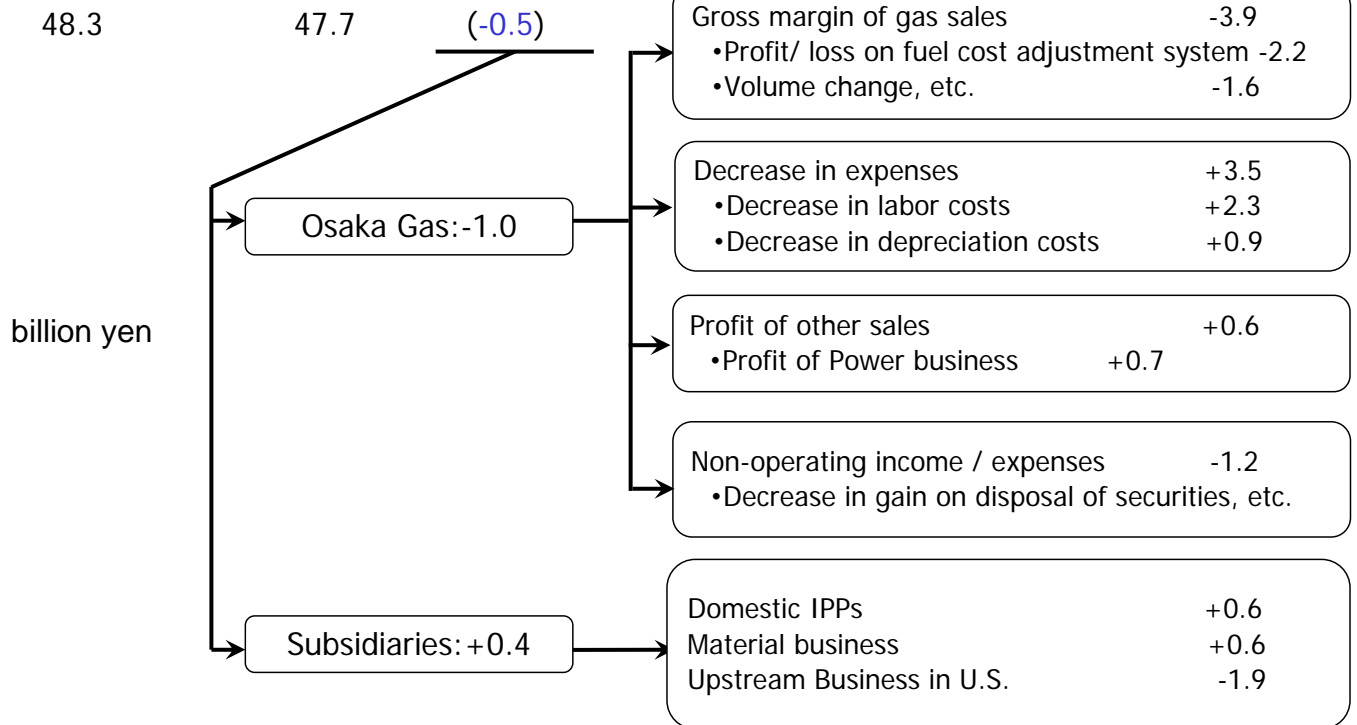
FY13.3 1<sup>st</sup> Half → FY14.3 1<sup>st</sup> Half (differences)



# Ordinary income variance for 1<sup>st</sup> Half of FY2014.3 (Year-on-Year)

+/- signs indicate impact on profit.

FY13.3 1<sup>st</sup> Half → FY14.3 1<sup>st</sup> Half (differences)



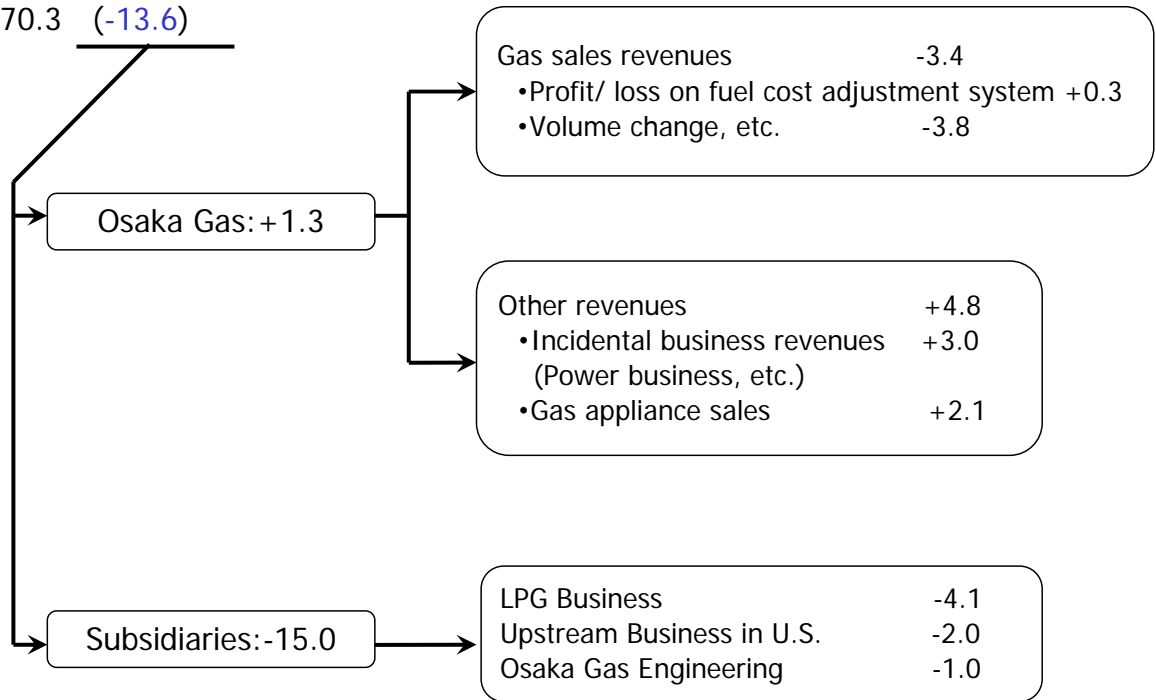


# Sales variance for 1<sup>st</sup> Half of FY2014.3 (with targets)

Targets → Results (differences)

684.0    670.3    (-13.6)

billion yen



Design Your Energy 夢ある明日を



# Ordinary income variance for 1<sup>st</sup> Half of FY2014.3 (with targets)

+/- signs indicate impact on profit.

Targets → Results (differences)

41.5      47.7      (+6.2)

billion yen

Osaka Gas: +7.6

Subsidiaries: -1.4

Gross margin of gas sales      +0.6  
 • Profit/ loss on fuel cost adjustment system      +2.3  
 • Volume change, etc.      -1.6

Decrease in expenses      +2.6  
 • Decrease in Operating Expenses      +1.8

Profit of other sales      +3.0  
 • Profit of incidental business      +2.5  
 (profit of power business, etc.)  
 • Profit of gas appliances sales      +0.8

Non-operating income / expenses      +1.2  
 • Increase in dividend income, etc.

Upstream business in U.S.      -2.3  
 Idemitsu Snorre      +0.5  
 (North Sea oil field; equity in earning of affiliate)  
 Creative Techno Solution      +0.5  
 (commercial and industrial gas appliance sales)  
 Real estate business      +0.5

# Results for FY2014.3 by Segment

billion yen	Net sales		Operating income + Equity in earnings of affiliates		Remarks
	FY14.3 1 <sup>st</sup> Half	FY13.3 1 <sup>st</sup> Half	FY14.3 1 <sup>st</sup> Half	FY13.3 1 <sup>st</sup> Half	
Gas	496.7	471.3	14.3	14.6	<u>Net sales</u> : Rise in gas sales price
LPG, electricity, and other energy	113.4	98.9	21.6	20.1	<u>Net sales</u> : Increase in LNG sales and Power sales <u>Profit</u> : Increase in profit of Power business <u>Profit of Power business</u> (*) FY13.3 1H: 15.1, FY14.3 1H: 15.8
International energy	6.0	5.2	3.0	4.6	<u>Profit</u> : Decrease in profit of Upstream business in U.S.
Environment and non-energy	88.0	84.3	8.6	7.7	<u>Net sales</u> : Increase in sales of Engineering business, etc. <u>Profit</u> : Increase in profit of Material business, etc.
Adjustments	-33.9	-30.0	1.3	1.3	
Consolidated	670.3	629.8	48.9	48.5	

(\*) Profit from power business represents operating income earned by Osaka Gas's related power business.

Design Your Energy 夢ある明日を

 OSAKA GAS

# Forecasts for FY2014.3 by Segment

billion yen	Net sales		Operating income + Equity in earnings of affiliates		Remarks
	FY14.3 forecasts	FY13.3 results	FY14.3 forecasts	FY13.3 results	
Gas	1,093.5	1,038.5	34.5	23.3	<u>Net sales</u> : Rise in gas sales price <u>Profit</u> : Decrease in loss on fuel cost adjustment system
LPG, electricity, and other energy	260.0	215.5	42.5	38.2	<u>Net sales</u> : Increase in LNG, LPG, and Power sales <u>Profit</u> : Increase in profit of Power business, etc.
International energy	13.0	10.7	5.0	7.6	<u>Profit</u> : Decrease in profit of Upstream business in U.S.
Environment and non-energy	204.5	185.6	21.5	19.0	<u>Net sales</u> : Increase in sales of Real estate business, etc. <u>Profit</u> : Increase in profits of IT and Real estate business, etc.
Adjustments	-66.5	-70.4	3.0	2.7	
Consolidated	1,504.5	1,380.0	106.5	91.1	

# Residential Gas Sales

## FY2014.3 1<sup>st</sup> Half Results

	YoY change	Remarks
Number of customers	+0.4%	
Influence of temperature	-4.2%	Average annual temperature: 23.7 degrees Celsius (Year-on-Year change: +0.2 degrees Celsius)
Others	-1.3%	
Total	-5.1%	



## FY2014.3 Forecasts

- Results in the 1<sup>st</sup> half fell below the targets by 39 million m<sup>3</sup>.
- No change in the initial forecasts for the 2<sup>nd</sup> half
- Full-year result is expected to fall below the initial forecasts by 39 million m<sup>3</sup>, which is a decrease of 90 million m<sup>3</sup> from the previous year to 2,182 million m<sup>3</sup>.

# Commercial, public, and medical Gas Sales

## FY2014.3 1<sup>st</sup> Half Results

	YoY change	Remarks
Demand development	+1.9%	Marketing effort to develop new demand for air conditioning
Influence of temperature, etc.	+1.0%	Increase in demand for air conditioning due to hotter weather in summer
Others	-3.3%	Impact of further energy conservation by customers
Total	-0.4%	



## FY2014.3 Forecasts

- Results in the 1<sup>st</sup> half exceeded the targets by 13 million m<sup>3</sup>.
- Sales for the 2<sup>nd</sup> half is expected to fall below the initial forecasts by 8 million m<sup>3</sup>.
- Full-year result is expected to exceed the initial forecasts by 5 million m<sup>3</sup>, which is a decrease of 53 million m<sup>3</sup> from the previous year to 1,486 million m<sup>3</sup>.

# Industrial Gas Sales

## FY2014.3 1st Half Results

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

	YoY change	Remarks
Demand development	+3.1%	Shift to gas from other fuels, etc.
Increase/decrease of operating rates	-2.6%	Decrease in operation of customer facilities, etc.
Total	+0.5%	

	Volume	YoY change
Machinery	168	86.3%
Metal	493	93.2%
Glass	173	102.1%
Food	257	98.5%
Chemical	625	106.0%



## FY2014.3 Forecasts

- Results in the 1<sup>st</sup> half fell below the targets by 31 million m<sup>3</sup>.
- Considering the 1<sup>st</sup> half results, we expect that sales for the 2<sup>nd</sup> half will also be lower than the initial forecasts (by 9 million m<sup>3</sup>). Accordingly, we expect the full-year result will fall below the initial forecasts by 40 million m<sup>3</sup>, which is an increase of 128 million m<sup>3</sup> from the previous year to 4,350 million m<sup>3</sup>.

Design Your Energy 夢ある明日を

# Monthly gas sales

## Year-on-Year Change 2012/2011 (%)

		Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Total
by S e c t o r	Industrial	99.6	102.8	100.6	102.4	96.7	96.1	98.3	99.2	98.9	88.7	88.7	93.9	96.9
	Machinery	121.2	109.2	111.2	118.4	104.6	105.4	106.4	104.5	95.3	94.1	81.0	75.2	100.6
	Metal	96.4	102.5	104.3	102.6	96.9	95.1	88.6	85.0	86.0	85.8	82.9	90.9	92.9
	Glass	100.5	97.1	99.4	100.0	99.5	100.9	94.8	107.0	101.6	100.2	95.1	99.7	99.6
	Food	99.6	100.5	99.2	104.1	103.3	100.2	102.6	102.0	103.3	101.1	94.3	96.0	100.5
	Chemical	96.1	102.5	101.0	105.8	102.3	102.0	96.8	99.0	119.2	101.3	102.9	103.1	102.6

## Year-on-Year Change 2013/2012 (%)

		Apr.	May	Jun.	Jul.	Aug.	Sep.	1 <sup>st</sup> Half Total
by S e c t o r	Industrial	100.6	97.6	97.3	103.0	99.7	104.6	100.5
	Machinery	87.1	87.4	77.9	89.1	85.8	89.9	86.3
	Metal	97.7	91.1	87.7	92.9	90.6	99.5	93.2
	Glass	100.9	102.0	102.0	107.8	101.4	98.3	102.1
	Food	101.0	96.0	98.7	100.2	95.3	99.5	98.5
	Chemical	110.4	103.5	104.0	107.0	100.9	110.4	106.0



# 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 ordinary income since the 3<sup>rd</sup> quarter (Oct. thru. Mar.) of this fiscal year.
- 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. 1.6 billion yen on ordinary income since the 3<sup>rd</sup> quarter (Oct. thru. Mar.) of this fiscal year.
- Materials costs
  - Although the fuel cost adjustment system allows us to reflect changes in fuel costs in gas rates in the medium- and long-term, an increase in fuel costs is likely to affect the business results due to a time lag in reflecting cost fluctuations, and also depends on the composition of fuel 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.