

# Financial Report for 3<sup>rd</sup> Quarter of FY2013.3 (April 2012 – December 2012)

January 2013  
Osaka Gas Co., Ltd.

# I. Business Results for 3<sup>rd</sup> 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](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.

We will now walk you through our business results for the first nine months of the year ending March 2013.

## Summary of Business Results for 3<sup>rd</sup> Quarter of FY2013.3

### ■ Overview

Operating revenues	Increased by 10.9% (94.7 billion yen) from last year to 963.5 billion yen, due mainly to the rise in the gas sales unit price under the fuel cost adjustment system resulting from the LNG price increase, and to the increase in LNG and electricity sales.
Operating profit	Increased by 162.0% (41.7 billion yen) from last year to 67.4 billion yen, due mainly to the increase in the gross margin of gas sales caused by the decrease in time-lag loss (32.9 billion yen → 1.5 billion yen), and to the growth in the profit of electricity business and of consolidated subsidiaries.

### ■ Gas Sales Volume

Residential	Increased by 1.5% (20 million m <sup>3</sup> ) from last year to 1,342 million m <sup>3</sup> , due to lower temperatures of the air and water than last year which caused hot water and heating demand to increase.
Commercial	Decreased by 2.2% (25 million m <sup>3</sup> ) from last year to 1,112 million m <sup>3</sup> , due mainly to further energy conservation by customers.
Industrial	Decreased by 0.6% (20 million m <sup>3</sup> ) to 3,146 million m <sup>3</sup> , due mainly to decrease in operation of customer facilities.

### ■ Others

Full-year outlook	The forecast issued in October 2012 remains the same.
-------------------	---

In the nine-month period under review, both operating revenues and profit increased over the previous year's results.

Consolidated operating revenues grew year-on-year by 10.9%, or 94.7 billion yen, to reach a historic high of 963.5 billion yen. Aside from the gas sales unit price rise resulting from the LNG price increase, these results are mainly attributable to the start of LNG wholesale selling to Okinawa Electric Power Company, together with sales growth in for the electricity business.

Consolidated operating profit grew by 41.7 billion yen to 67.4 billion yen, which is roughly 2.6 times greater than for last year. This was mainly due to an increase in the gross margin on gas sales due to a 31.4 billion yen drop in time-lag loss, as well as profit growth for the electricity business and consolidated subsidiaries.

Residential-use gas sales volume increased by 1.5% over the previous year to 1,342 million m<sup>3</sup> on the back of increased hot water and heating demand arising out of colder air and water temperatures compared to the previous year.

However, commercial, public and medical-use gas sales volume declined by 2.2% compared to the previous year to 1,112 million m<sup>3</sup>, due primarily to further energy conservation measures taken by customers.

Industrial-use gas sales volume edged down by 0.6% compared to the previous year to 3,146 million m<sup>3</sup> as utilization of customers' facilities reduced due to the economic slowdown.

We have decided not to revise the full-year outlook that we announced in October.

## Gas Sales Volume Results for 3<sup>rd</sup> Quarter of FY2013.3

45MJ/m <sup>3</sup>	A. FY13.3 3Q	B. FY12.3 3Q	A-B	A-B/B (%)
Number of meters installed (thousand)	7,067	7,031	+35	+0.5%
Installation of new meters (thousand)	57	52	+5	+10.2%
Monthly gas sales volume per household (m <sup>3</sup> /month)	25.6	25.3	+0.3	+1.2%
Residential use	1,342	1,322	+20	+1.5%
Commercial, public and medical use	1,112	1,137	-25	-2.2%
Industrial use	3,146	3,167	-20	-0.6%
Commercial and industrial use	4,259	4,304	-45	-1.1%
Wholesale	337	342	-5	-1.5%
(Non-regulated included)	(3,647)	(3,694)	(-47)	(-1.3%)
Non-consolidated gas sales volume (million m <sup>3</sup> )	5,938	5,968	-30	-0.5%
Consolidated gas sales volume (million m <sup>3</sup> )	5,962	5,991	-30	-0.5%

Design Your Energy 夢ある明日を

 OSAKA GAS

On page four, you will find the gas sales volume results that I have just explained.

Non-consolidated gas sales volume fell by 0.5% on the previous year, to 5,938 million m<sup>3</sup>.

Industrial-use gas sales volume has continued to decrease year-on-year since last summer, due to the sluggish economy. We plan to address this issue by developing new demand through expanded use of cogeneration systems, and by encouraging users to switch their fuel sourcing to natural gas.

# Results for 3<sup>rd</sup> Quarter of FY2013.3 - I

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

Consolidated, billion yen	A. FY13.3 3Q	B. FY12.3 3Q	A-B	A-B/B	Remarks
Operating revenues	(1.24) <b>963.5</b>	(1.26) <b>868.7</b>	+94.7	+10.9%	Rise in the gas sales unit price, and increase in incidental business sales, etc.
Operating profit	(1.67) <b>67.4</b>	(25.39) <b>25.7</b>	+41.7	+162.0%	Increase in gross margin of gas sales and incidental business, etc.
Ordinary profit	(1.52) <b>71.0</b>	(5.62) <b>26.1</b>	+44.8	+171.5%	Increase in non-operating profit, and increase in earnings of equity method affiliates, etc.
Net income	(1.43) <b>45.8</b>	(5.36) <b>12.9</b>	+32.9	+254.8%	

		A. FY13.3 3Q	B. FY12.3 3Q	A-B
Consolidated gas sales volume	million m <sup>3</sup>	<b>5,962</b>	5,991	-30
Profit/ loss on fuel cost adjustment system	billion yen	<b>-1.5</b>	-32.9	+31.4
Crude oil price	\$/bbl	<b>114.0*</b>	113.1	+0.9
Exchange rate	yen/\$	<b>80.0</b>	79.0	+1.0
Number of subsidiaries		<b>131</b>	132	-1

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

5

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

Please turn to page five for the financial results.

During the first nine months of this fiscal year ending March 2013, profits for the electricity business and consolidated subsidiaries, as well as some other figures exceeded our earlier forecasts. However, given the recent depreciation of the yen, we expect the gross margin on gas sales to decrease as time-lag loss expands in the fourth quarter. Accordingly, as I mentioned at the outset, we have decided to maintain our full-year outlook.

# Results for 3<sup>rd</sup> Quarter of FY2013.3 - II

Consolidated, billion yen	A. FY13.3	FY12.3		A-B	Remarks
	3Q end	3Q end	B. year end		
Total assets	1,498.8	1,446.6	1,475.7	+23.0	
Net worth	716.2	645.6	684.5	+31.6	
Interest-bearing debt	555.9	597.0	541.3	+14.6	
Number of employees	20,174	20,057	19,818	+356	
Equity ratio	47.8%	44.6%	46.4%	+1.4	
D/E ratio	0.78	0.92	0.79	-0.01	

	A. 13.3 3Q	B. 12.3 3Q	A-B	Remarks
Capital expenditure	81.5	59.1	+22.4	Investment in LNG projects in Australia, and shale gas and liquids development project in USA, etc.
Depreciation	61.3	69.4	-8.1	Completion of special depreciation in FY2012.3
Free cash flow	17.8	-17.1	+34.9	Accompanied by increase in income

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

Design Your Energy 夢ある明日を

Shown on page six are our assets and liabilities.

Capital expenditures rose by 22.4 billion yen over the previous year to 81.5 billion yen, due mainly to investments in LNG projects in Australia and a shale gas and liquids development project in the U. S. state of Texas.

From page seven on, you will find detailed analyses of variances in figures, segment information, progress on investment projects, and our full-year outlook. Please take a look at them.

That concludes explanation of our business results for the first nine months of the year ending March 2013.

## II. Forecast for FY2013.3

Maintaining our full-year forecast  
unchanged from the October forecast

## Gas Sales Volume Forecasts for FY2013.3

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

45MJ/m <sup>3</sup>	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)	82	81	+1	+0.9%
Monthly gas sales volume per household (m <sup>3</sup> /month)	31.9	32.6	-0.7	-2.1%
Residential use	2,229	2,271	-42	-1.9%
Commercial, public, and medical use	1,497	1,575	-77	-4.9%
Industrial use	4,322	4,355	-34	-0.8%
Commercial and industrial use	5,819	5,930	-111	-1.9%
Wholesale	459	480	-21	-4.4%
(Non-regulated included)	(4,982)	(5,062)	(-80)	(-1.6%)
Non-consolidated gas sales volume (million m <sup>3</sup> )	8,507	8,681	-174	-2.0%
Consolidated gas sales volume (million m <sup>3</sup> )	8,538	8,711	-174	-2.0%



# Forecasts for FY2013.3 - I

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

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

Consolidated, billion yen	A. FY13.3 Forecasts	B. FY12.3 Results	A-B	A-B/B (%)
Operating revenues	(1.25) 1,373.0	(1.25) 1,294.7	+78.2	+6.0%
Operating profit	(1.58) 94.0	(1.96) 77.2	+16.7	+21.6%
Ordinary profit	(1.44) 95.0	(1.84) 75.6	+19.3	+25.5%
Net income	(1.34) 61.0	(1.76) 45.2	+15.7	+34.9%
SVA	27.7	11.9	+15.8	+132.2%

		A. FY13.3 Forecasts	B. FY12.3 Results	A-B	
Consolidated gas sales volume	million m <sup>3</sup>	8,538	8,711	-174	
Profit/loss on fuel cost adjustment system	billion yen	-2.9	-30.7	+27.7	
Crude oil price	\$/bbl	114.2	114.2	+0.1	Assumed crude oil price for 4Q: \$115/bbl
Exchange rate	yen/\$	80.0	79.1	+0.9	Assumed exchange rate for 4Q: ¥80/\$

(\*) Only the crude oil price and the exchange rate are replaced by the forecasts reflecting the actual record of the period between October and December 2012. SVA (Shareholders' value added) = NOPAT - Invested capital × WACC

# Forecasts for FY2013.3 - II

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

Consolidated, billion yen	A. FY13.3 end Forecasts	B. FY12.3 end Results	A-B
Total assets	1,575.5	1,475.7	+99.7
Net worth	725.3	684.5	+40.7
Interest-bearing debt	584.0	541.3	+42.6
Number of employees	19,992	19,818	+174
Equity ratio	46.0%	46.4%	-0.4
D/E ratio	0.81	0.79	+0.01
	A. FY13.3 Forecasts	B. FY12.3 Results	A-B
Capital expenditure	101.1	87.1	+13.9
Depreciation	84.8	93.6	-8.7
Free cash flow	84.1	79.0	+5.0
ROA	4.0%	3.1%	+0.9
ROE	8.7%	6.7%	+2.0
EPS (yen)	29.3	21.7	+7.6
BPS (yen)	348.3	328.8	+19.6

Design Your Energy 夢ある明日を

OSAKA GAS

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

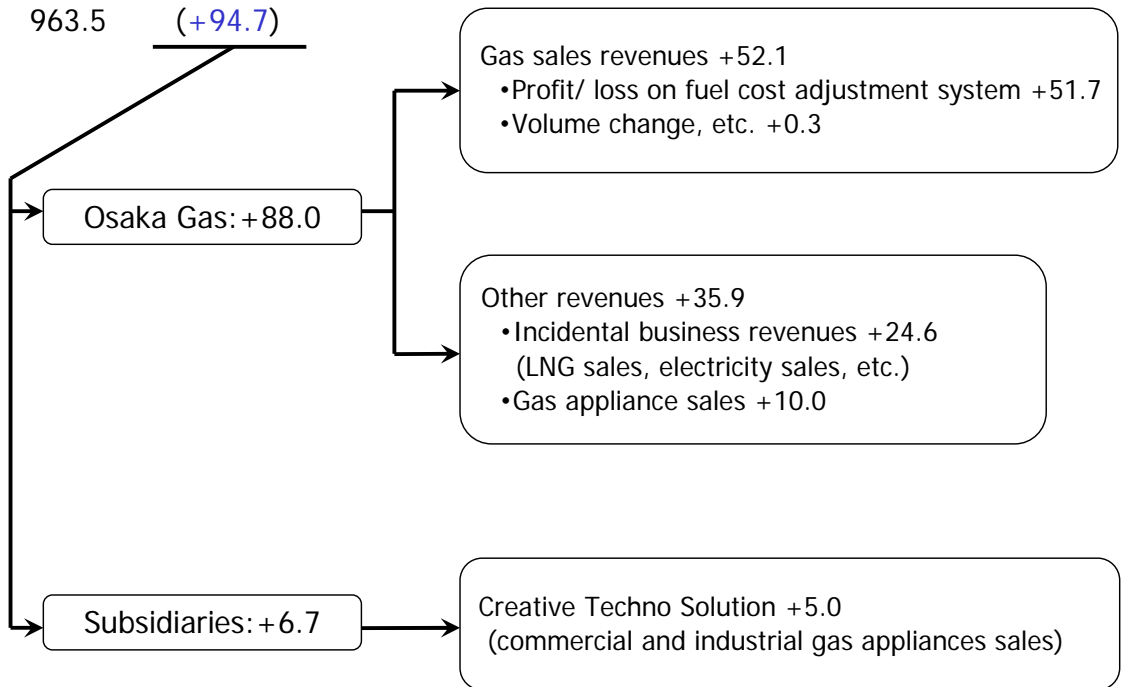
# III. Facts and Figures

# Sales variance for 3<sup>rd</sup> Quarter of FY2013.3 (Year-on-Year)

FY12.3 3Q → FY13.3 3Q (differences)

868.7      963.5      (+94.7)

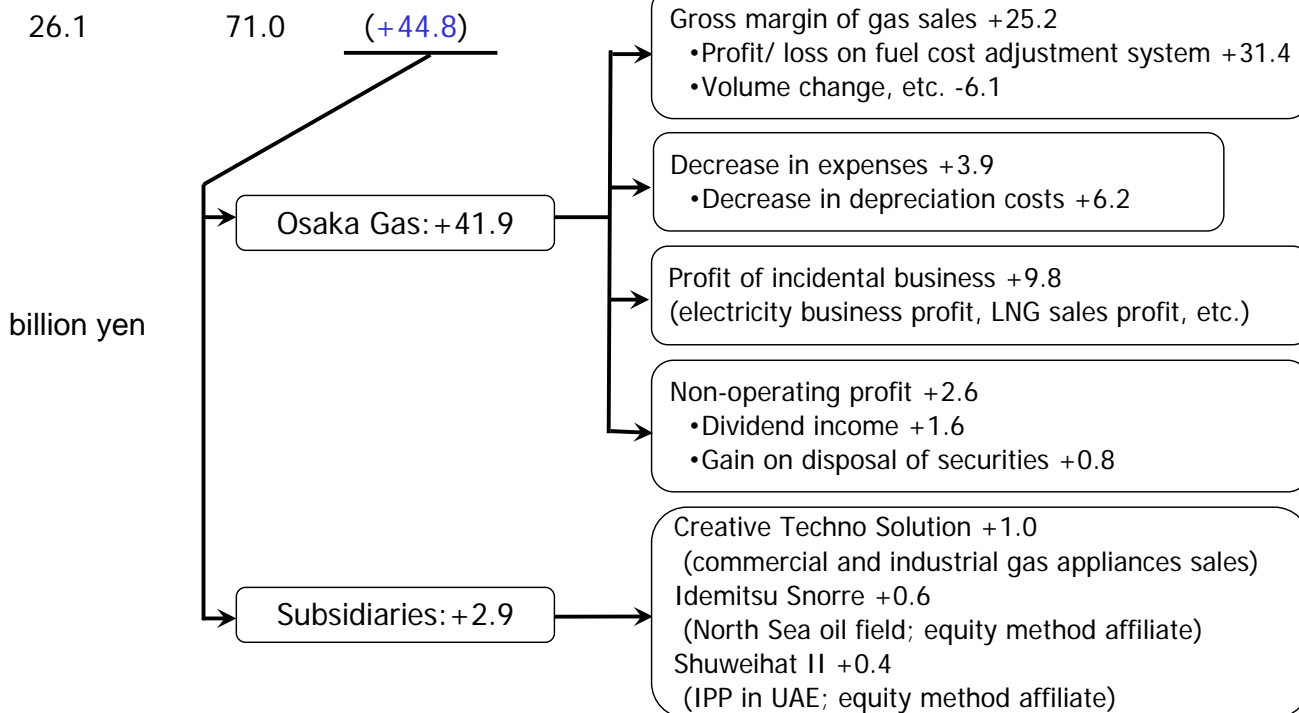
billion yen



# Ordinary profit variance for 3<sup>rd</sup> Quarter of FY2013.3 (Year-on-Year)

FY12.3 3Q → FY13.3 3Q (differences)

+/- signs indicate impact on profit.



Design Your Energy 夢ある明日を



## Results for 3<sup>rd</sup> Quarter of FY2013.3 by Segments

billion yen	Operating revenues		Operating profit + equity method earnings		Remarks
	FY13.3 3Q	FY12.3 3Q	FY13.3 3Q	FY12.3 3Q	
Gas	719.7	650.1	21.3	-9.3	<u>Revenues</u> : Rise in the gas sales unit price <u>Profit</u> : Decrease in time-lag loss
LPG, electricity, and other energies	154.2	128.9	29.3	18.7	<u>Revenues</u> : Increase in LNG and electricity sales, etc. <u>Profit</u> : Increase in profit of electricity business and LNG sales
International energies	7.8	7.9	6.2	4.7	Increase in earnings of equity method affiliates (North Sea oil field, and IPP in UAE, etc.)
Environment and non-energies	129.2	130.5	13.3	12.9	<u>Revenues</u> : Decrease in sales of real estate business, etc. <u>Profit</u> : Increase in profit of IT business, etc.
Elimination/consolidation	-47.6	-48.9	2.0	1.6	
Consolidated	963.5	868.7	72.3	28.7	

# Forecasts for FY2013.3 by Segment

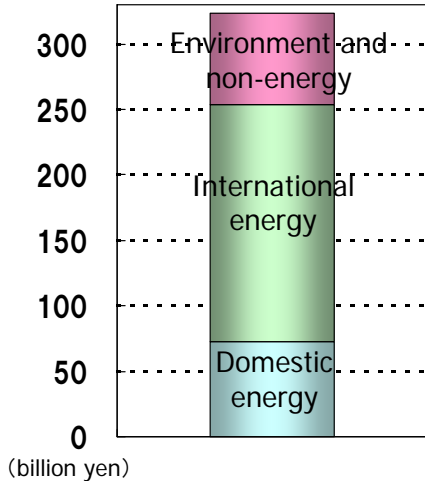
- Maintaining our full-year forecast unchanged from the October forecast

billion yen	Operating revenues		Operating profit + equity method earnings		Remarks
	FY13.3 forecasts	FY12.3 results	FY13.3 forecasts	FY12.3 results	
Gas	1,025.0	976.5	38.5	20.9	<u>Revenues</u> : Rise in the gas sales unit price <u>Profit</u> : Decrease in time-lag loss
LPG, electricity, and other energies	224.5	198.0	35.0	32.4	<u>Revenues</u> : Increase in LNG sales, etc. <u>Profit</u> : Increase in profit of LNG sales, etc.
International energies	10.5	11.1	6.5	8.6	Decrease in earnings of equity method affiliates (North Sea oil field, LNG terminal in Spain)
Environment and non-energies	181.0	184.5	17.0	18.5	<u>Revenues</u> : Decrease in sales of real estate business, etc. <u>Profit</u> : Decrease in profit of chemical business, etc.
Elimination/consolidation	-68.0	-75.5	2.2	2.2	
Consolidated	1,373.0	1,294.7	99.2	82.9	

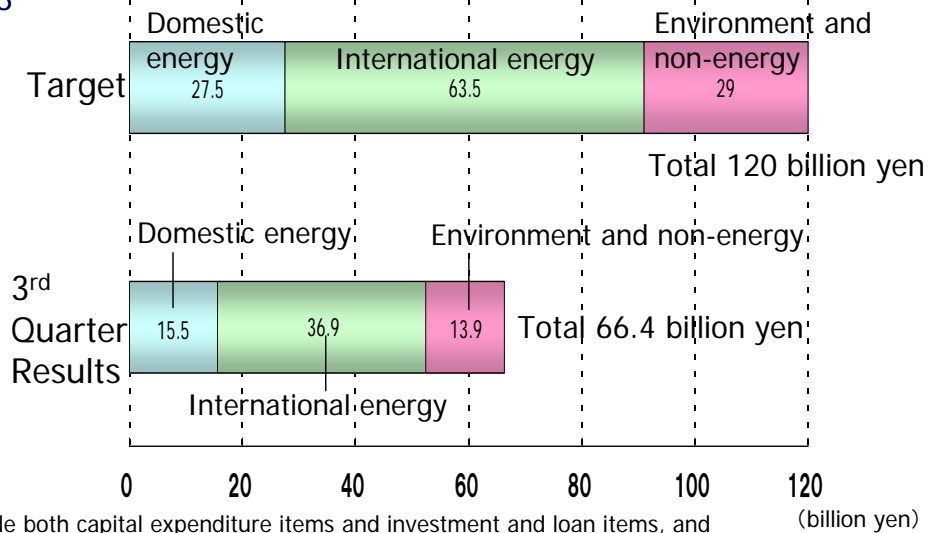
# Results of Investment for expansion, greenfield, and M&A in 3<sup>rd</sup> Quarter of FY2013.3

- Cumulative amount approved for invest to date from FY 2010.3 are **323.5 billion yen**. (81% of the originally projected for the period between FY 2010.3 and FY 2014.3)
- Total investments made in the 3<sup>rd</sup> quarter of the FY 2013.3 equal **66.4 billion yen**. (55% of annual budget)

Cumulative amount approved for invest to date from FY2010.3



## Investment for expansion, greenfield, and M&A in FY2013.3



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.



## Analysis of Year-on-Year Difference in Gas Sales Volume

	Residential	Commercial, public and medical	Industrial
Change in number of customers	+0.3%	--	--
Differences in metering schedule	+0.9%	--	--
Influence of temperature	+0.9%	-0.7%	--
Demand development	-0.6%	+2.1%	+2.6%
Increase/decrease in operation of customer facilities, etc.		-3.7%	-3.3%
Total	+1.5%	-2.2%	-0.6%

# Monthly gas sales for 3<sup>rd</sup> Quarter of FY 2013.3

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

	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Total	Remarks	
Residential	100.7	98.0	90.0	102.6	101.6	88.8	87.3	111.9	117.7	101.5	Influence of temperature and difference in metering schedule	
Commercial	99.1	97.5	90.7	90.2	96.2	101.2	95.3	102.2	110.8	97.8	Influence of lower temperature in June and July	
Industrial	99.6	102.8	100.6	102.4	96.7	96.1	98.3	99.2	98.9	99.4		
by s e c t o r	Machinery	121.2	109.2	111.2	118.4	104.6	105.4	106.4	104.5	95.3	108.2	Increase in operation of customer facilities (mainly cogeneration)
	Metal	96.4	102.5	104.3	102.6	96.9	95.1	88.6	85.0	86.0	95.1	Decrease in operation of customer facilities since August, because of sluggish economy
	Glass	100.5	97.1	99.4	100.0	99.5	100.9	94.8	107.0	101.6	100.0	
	Food	99.6	100.5	99.2	104.1	103.3	100.2	102.6	102.0	103.3	101.6	
	Chemical	96.1	102.5	101.0	105.8	102.3	102.0	96.8	99.0	119.2	102.6	
Wholesale	96.7	92.8	93.2	108.4	90.5	92.1	111.2	100.9	103.6	98.5		
Total	99.8	100.0	96.1	100.1	96.8	96.2	96.4	102.8	106.5	99.5		

# 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. 100 million yen on gross profit for the rest 4<sup>th</sup> quarter (Jan. 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. 1.3 billion yen on gross profit for the rest 4<sup>th</sup> quarter (Jan. 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. 600 million yen on annual consolidated non-operating expenses.