



Financial Report for FY2016.3 (April 2015 – March 2016)

April 2016

Osaka Gas Co., Ltd.

I. Business Results for FY2016.3 and Forecasts for FY2017.3

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.

Summary of Business Results for FY2016.3 (I)

Year-on-Year Comparison

■ Overview

Consolidated Net sales	Decreased by 13.5% (¥206.1 billion) from the previous year to ¥1,322.0 billion due to the fall in sales unit price in the Gas Business and decreased gas sales volume, etc.
Consolidated Ordinary income	Increased by 24.8% (¥26.8 billion) from the previous year to ¥134.9 billion due to a rise in gross profit margin for the gas business. Profit on fuel cost adjustment system was ¥81.7 billion (compared with a profit of ¥12.3 billion in the previous year).
Consolidated Net income *	Increased by 9.9% (¥7.6 billion) from the previous year to ¥84.3 billion due to increase in the profit in gas business, despite of impairment losses in the upstream business.

* Profit attributable to owners of parent

■ Gas Sales Volume (by class)

Residential	Decreased by 4.7% (103 million m ³) from the previous year to 2,083 million m ³ due to higher air and water temperatures leading to lower demand for heating and hot water, etc.
Commercial, public and medical	Decreased by 3.8% (56 million m ³) from the previous year to 1,410 million m ³ due to the fall in capacity utilization of customers' facilities, etc.
Industrial	Decreased by 1.8% (74 million m ³) from the previous year to 4,059 million m ³ due to the fall in capacity utilization of customers' facilities, etc.

■ Others

Dividends	Plan to increase the annual ordinary dividend by ¥1.0 from the previous year to ¥10.0 in FY2017.3
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Summary of Business Results for FY2016.3 (II)

Comparison with forecasts

■ Overview

Consolidated Net sales	Decreased by 1.3% from the forecasts to ¥1,322.0 billion due to decrease in sales revenue in subsidiaries and decreased gas sales volume, etc.
Consolidated Ordinary income	Almost same as the forecasts, at ¥134.9 billion due to increase in gross profit margin for the gas business, despite of increase in operating expenses. Profit on fuel cost adjustment system was ¥81.7 billion (compared with profit of ¥79.9 billion in the forecasts).
Consolidated Net income *	Decreased by 8.8% from the forecasts to ¥84.3 billion.

* Profit attributable to owners of parent

■ Gas sales volume

Residential	Decreased by 1.2% from the forecasts to 2,083 million m ³ due to higher air and water temperatures leading to lower demand for heating and hot water, etc.
Commercial, public, and medical	Decreased by 0.8% from the forecasts to 1,410 million m ³ .
Industrial	Increased by 0.1% from the forecasts to 4,059 million m ³ .

■ Others

Investment for expansion, greenfield, and M&A	Invested ¥97.8 billion, mainly in international energy businesses and the construction of domestic power plants, advanced material businesses.
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Gas Sales Volume Results for 2016.3

45MJ/m ³	A. FY16.3	B. FY15.3	A-B	A-B/B (%)	C. FY16.3 forecast	A-C/C (%)
Number of meters installed (thousand)	7,252	7,196	+56	+0.8%	7,248	+0.1%
Installation of new meters (thousand)	109	107	+3	+2.5%	109	-0.0%
Monthly gas sales volume per household (m ³ /month)	29.3	30.9	-1.7	-5.3%	29.7	-1.3%
Residential use	2,083	2,186	-103	-4.7%	2,108	-1.2%
Commercial, public, and medical use	1,410	1,465	-56	-3.8%	1,421	-0.8%
Industrial use	4,059	4,133	-74	-1.8%	4,053	+0.1%
Non-residential total	5,469	5,599	-130	-2.3%	5,474	-0.1%
Wholesale	469	474	-5	-1.0%	466	+0.6%
(non-regulated)	(4,647)	(4,755)	(-107)	(-2.3%)	(4,643)	+0.1%
Non-consolidated gas sales volume total (million m ³)	8,021	8,259	-238	-2.9%	8,049	-0.3%
Consolidated gas sales volume total (million m ³)	8,052	8,290	-238	-2.9%	8,080	-0.3%

Results for FY2016.3 - I

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

(billion yen)	A. FY16.3	B. FY15.3	A-B	A-B/B(%)	C. FY16.3 forecast	A-C/C (%)
Net sales	(1.27) 1,322.0	(1.22) 1,528.1	-206.1	-13.5%	1,339.0	-1.3%
Operating income	(1.31) 146.6	(1.31) 105.0	+41.6	+39.6%	145.5	+0.8%
Ordinary income	(1.19) 134.9	(1.23) 108.1	+26.8	+24.8%	135.0	-0.0%
Net income	(1.01) 84.3	(1.09) 76.7	+7.6	+9.9%	92.5	-8.8%
SVA*	52.6	42.9	+9.6	+22.5%	59.8	-12.0%

		A. FY16.3	B. FY15.3	A-B	C. FY16.3 forecast	A-C
Profit/ loss on fuel cost adjustment system	billion yen	81.7	12.3	+69.3	79.9	+1.7
Crude oil price	\$/bbl	48.7**	90.4	-41.7	51.1	-2.4
Exchange rate	yen/\$	120.2	109.8	+10.4	121.3	-1.1
Number of subsidiaries		149	145	+4	---	---

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

**Average of preliminary monthly data up to March.

Results for FY2016.3 - II

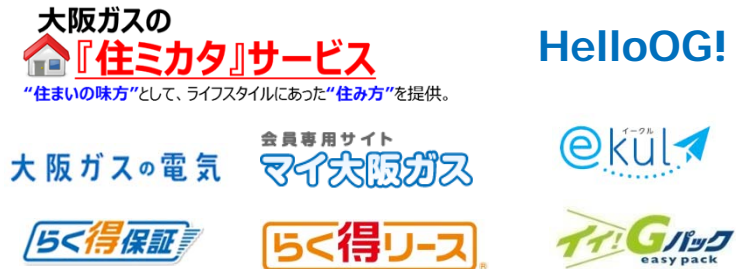
(billion yen)	A. FY16.3 end	B. FY15.3 end	A-B	Remarks
Total assets	1,829.7	1,862.2	-32.4	Due to decrease in notes and accounts receivable-trade, inventories, etc.
Net worth	906.6	888.4	+18.1	
Interest-bearing liabilities	567.1	633.9	-66.7	
Number of employees	20,844	20,982	-138	Due to sales of subsidiaries, etc.
Net worth / Total assets	49.5%	47.7%	+1.8	
D/E ratio	0.63	0.71	-0.09	
	A. FY16.3	B. FY15.3	A-B	Remarks
Capital expenditures	114.4	119.3	-4.9	Due to decrease of investment in upstream business.
Depreciation	86.7	87.7	-1.0	
Free cash flow*	225.7	112.2	+113.5	Due to decrease in notes and accounts receivable-trade, inventories, etc.
ROA	4.6%	4.3%	+0.2	
ROE	9.4%	9.1%	+0.3	
EPS (yen/share)	40.5	36.9	+3.7	
BPS (yen/share)	435.8	427.0	+8.9	

*Cash flows from operating activities - capital expenditures for upgrading existing businesses

FY2017.3 Key Activities

<Energy marketing>

- Preparing for full electricity/gas retail liberalization
- Providing various services related to electricity and other energy in combination with gas supply
- Promoting distributed energy systems, etc.



<Power generation, broad-area energy>

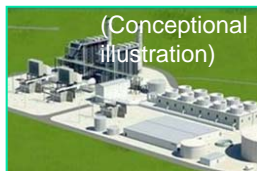
- Promoting activities to acquire new power sources, thereby establishing competitive power source portfolios
- Expanding LNG trading and electricity sales

<Raw material procurement, upstream business>

- Diversity of LNG sources and LNG price indices
- Promoting steady progress in Freeport LNG projects, Gorgon and Ichthys LNG projects, etc., while acquiring new interests

<Overseas downstream business>

- Considering participation in a wide range of businesses mainly in North America and Southeast Asia



St. Charles IPP under construction to start operation within FY 2016

<Life & business solutions>

- Promoting diversified businesses (material solutions)
- Developing next-generation materials (technology development)



Fluorene cellulose® :
Expected to be a next-generation material

Summary of Business Forecast for FY2017.3

■ Overview

Consolidated Net sales	Expected to decrease by 11.5% from the previous year to ¥1,170.5 billion, reflecting a decline in gas, LNG, and electricity unit prices associated with a fall in LNG prices.
Consolidated Ordinary income	Expected to decrease by 42.2% from the previous year to ¥78.0 billion, reflecting a decline in gas profit margins. Profit on fuel cost adjustment system is estimated to ¥12.4 billion (compared with profit of ¥81.7 billion in the previous year).
Consolidated Net income *	Expected to decrease by 38.3% from the previous year to ¥52.0 billion.

* Profit attributable to owners of parent

■ Gas sales volume

Residential	Expected to increase by 2.1% from the previous year to 2,127 million m ³ , assuming the same temperature level as in usual years.
Commercial, public, and medical	Expected to increase by 3.9% from the previous year to 1,464 million m ³ , assuming the increase in customers' capacity utilization.
Industrial	Expected to increase by 7.7% from the previous year to 4,373 million m ³ , assuming the new demand development and an increase in customers' capacity utilization.

■ Other

Investment for expansion, greenfield, and M&A	Plan to invest ¥150.0 billion mainly in the international energy business.
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Gas Sales Volume Forecasts for FY2017.3

45MJ/m ³	A. FY17.3 forecasts	B. FY16.3 results	A-B	A-B/B(%)
Number of meters installed (thousand)	7,298	7,252	+46	+0.6%
Installation of new meters (thousand)	109	109	-0	-0.4%
Monthly gas sales volume per household (m ³ /month)	29.7	29.3	+0.4	+1.5%
Residential use	2,127	2,083	+44	+2.1%
Commercial, public, and medical use	1,464	1,410	+55	+3.9%
Industrial use	4,373	4,059	+314	+7.7%
Non-residential total	5,837	5,469	+368	+6.7%
Wholesale	483	469	+14	+3.0%
(non-regulated)	(4,991)	(4,647)	(+344)	(+7.4%)
Non-consolidated gas sales volume total (million m ³)	8,447	8,021	+427	+5.3%
Consolidated gas sales volume total (million m ³)	8,480	8,052	+427	+5.3%

Forecasts for FY2017.3 - I

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

(billion yen)		A. FY17.3 forecasts	B. FY16.3 results	A-B	A-B/B (%)
Net sales		(1.32) 1,170.5	(1.27) 1,322.0	-151.5	-11.5%
Operating income		(1.80) 85.5	(1.31) 146.6	-61.1	-41.7%
Ordinary income		(1.36) 78.0	(1.19) 134.9	-56.9	-42.2%
Net income*		(1.16) 52.0	(1.01) 84.3	-32.3	-38.3%
SVA**		23.4	52.6	-29.1	-55.4%
Profit/loss on fuel cost adjustment system	billion yen	12.4	81.7	-69.2	
Crude oil price	\$/bbl	42.5***	48.7	-6.2	
Exchange rate	yen/\$	120.0	120.2	-0.2	

* Profit attributable to owners of parent

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

*** 1H: 40\$/bbl, 2H: 45\$/bbl

Forecasts for FY2017.3 - II

(billion yen)	A. FY17.3 end forecasts	B. FY16.3 end results	A-B
Total assets	1,890.7	1,829.7	+60.9
Net worth	974.1	906.6	+67.4
Interest-bearing liabilities	569.8	567.1	+2.6
Number of employees	21,232	20,844	+388
Net worth / Total assets	51.5%	49.5%	+2.0
D/E ratio	0.59	0.63	-0.04
	A. FY17.3 forecasts	B. FY16.3 results	A-B
Capital expenditures	109.5	114.4	-4.8
Depreciation	86.6	86.7	-0.0
Free cash flow *	113.5	225.7	-112.2
ROA	2.8%	4.6%	-1.8
ROE	5.4%	9.4%	-4.0
EPS (yen/share)	25.0	40.5	-15.5
BPS (yen/share)	468.3	435.8	+32.4

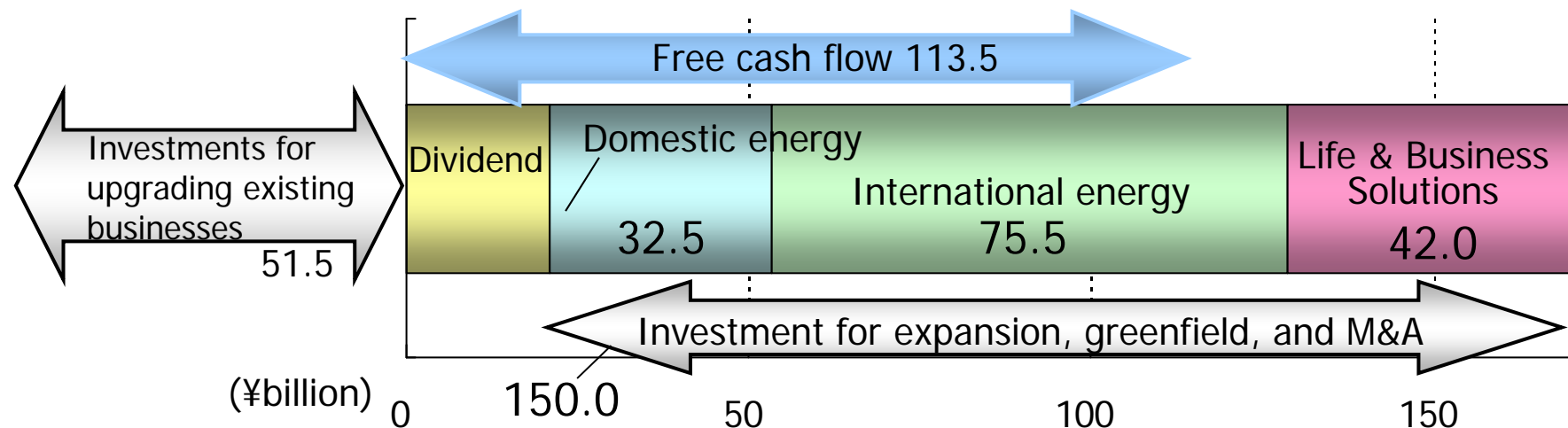
*Cash flows from operating activities - capital expenditures for upgrading existing businesses.

Use of Free Cash Flow (FCF)* for FY2017.3

- FCF for FY2017.3 is expected to decrease by ¥112.2 billion from the previous year to ¥113.5 billion.
- Plan to invest ¥150.0 billion for expansion, greenfield, and M&A.

Domestic energy	Construction of power plants, etc.
International energy	Upstream business development, and investment in middle and downstream businesses such as IPP, etc.
Life & Business Solutions	Acquisition of income properties, etc.

- Plan to increase the annual ordinary dividend by ¥1.0 from the previous year to ¥10.0 in FY2017.3.



* Cash flows from operating activities - Ordinary capital expenditures (investments for quality improvement of existing businesses). The amount of investment differs from that of planned capital expenditures, because the former includes both capital expenditures and investments/financing.



II. Facts and Figures

Recent Topics 1

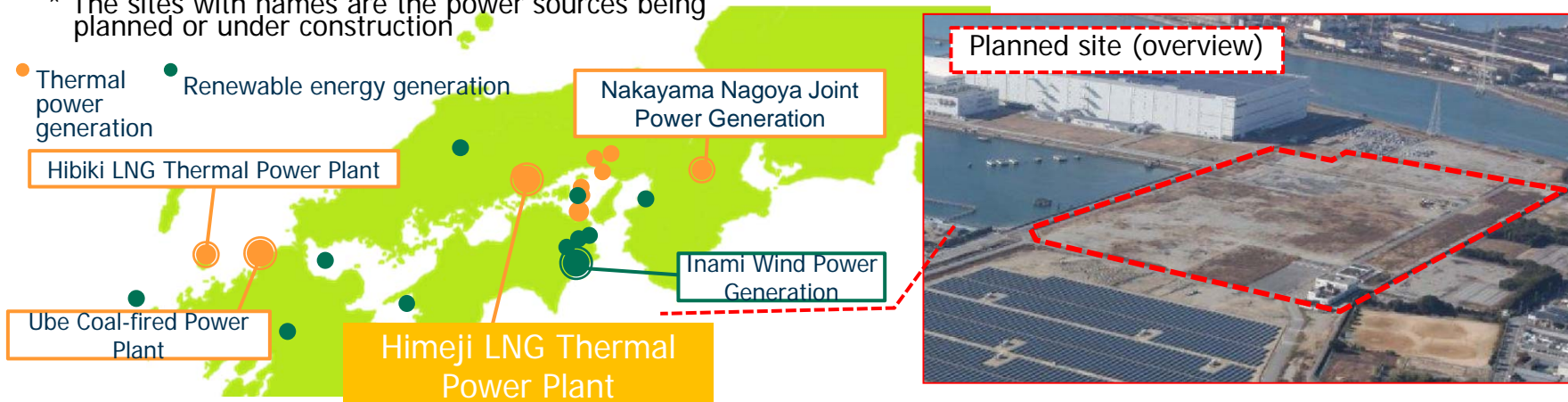
- Establishing Himeji Natural Gas Power Generation Co., Ltd. (announced in Feb.)
 - Joint investment by Osaka Gas and Idemitsu Kosan
 - Establishing a company to examine and prepare for power generation business

Established	April 1, 2016
Capital at establishment	400 million yen (capital: 200 million, capital reserves: 200 million)
Investment ratio	Osaka Gas: 66.66%, Idemitsu Kosan: 33.34%
Generation system	Gas turbine combined-cycle system (natural gas)
Generation scale	Primary construction: approx. 1 million kW, final scale: approx. 1.8 million kW

*Primary generation facilities are planned to start operation in the early 2020s.

● Our owned or planned power sources

* The sites with names are the power sources being planned or under construction



Recent Topics 2

- Launching new Ene-Farm type S, featuring the best generation efficiency and the smallest size in the world (announced in Feb.)



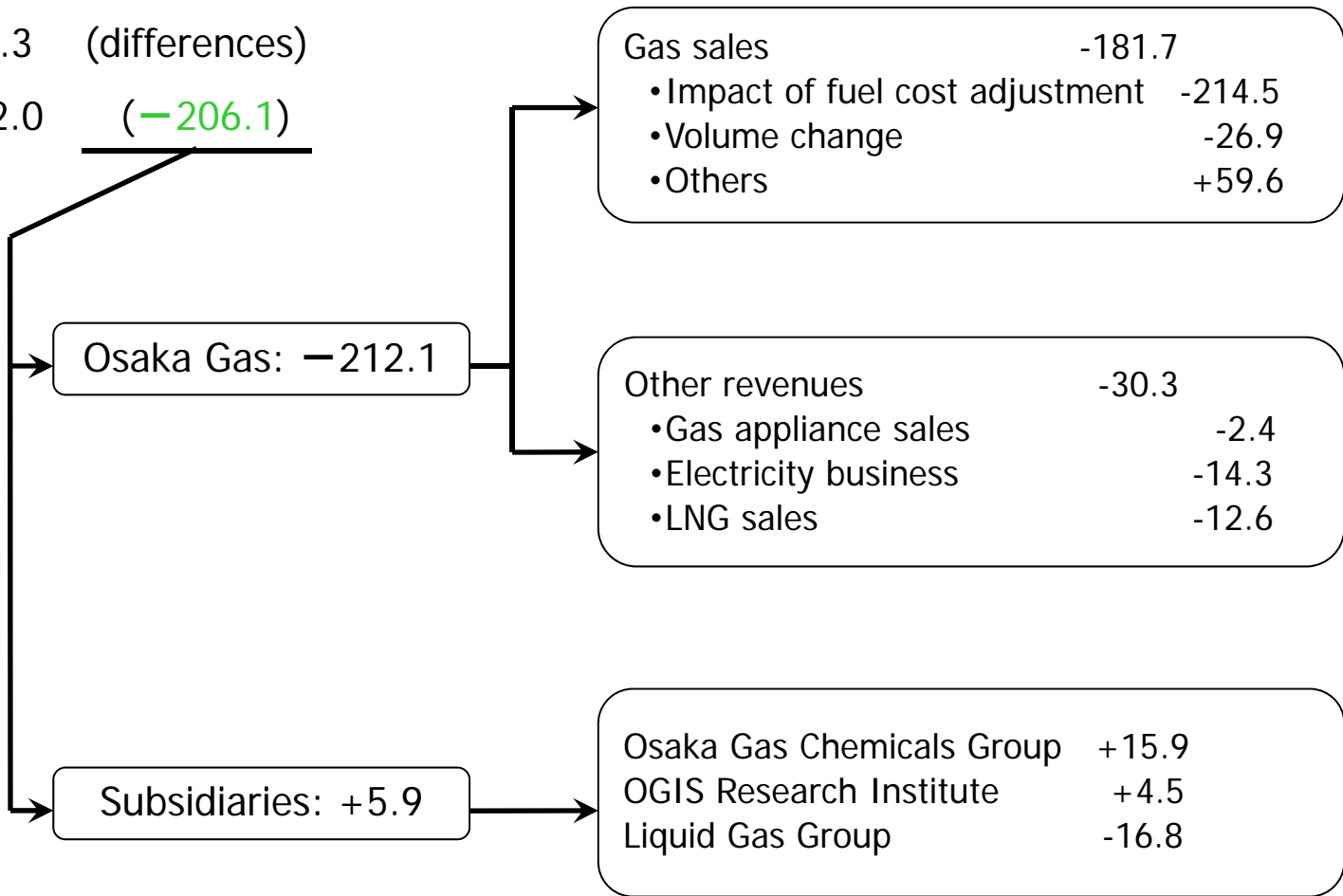
- Key features

<p>1) Highest generation efficiency and smallest size in the world</p>	<p>The world's highest generation efficiency of 52% enabled by technology development. The world's smallest equipment size has been achieved by downsizing the exhaust heat-based hot-water supply and heating unit.</p>
<p>2) Applicable residences increased</p>	<p>Installation in condominiums with limited space has become easier, and additional installation of the generation unit to existing gas hot-water supply units is also available.</p>
<p>3) Cost reduction</p>	<p>Through development of innovative technologies and specifications, approx. 250,000 yen of cost reduction has been successfully achieved.</p>
<p>4) Improved convenience for customers</p>	<p>Three services, "power generation monitoring," "energy-saving navigation," and "remote control of gas equipment," made available by the use of IoT technologies</p>
<p>5) Starting purchasing of surplus electricity for the first time in Japan</p>	<p>Purchasing surplus electricity generated but not used at home</p>

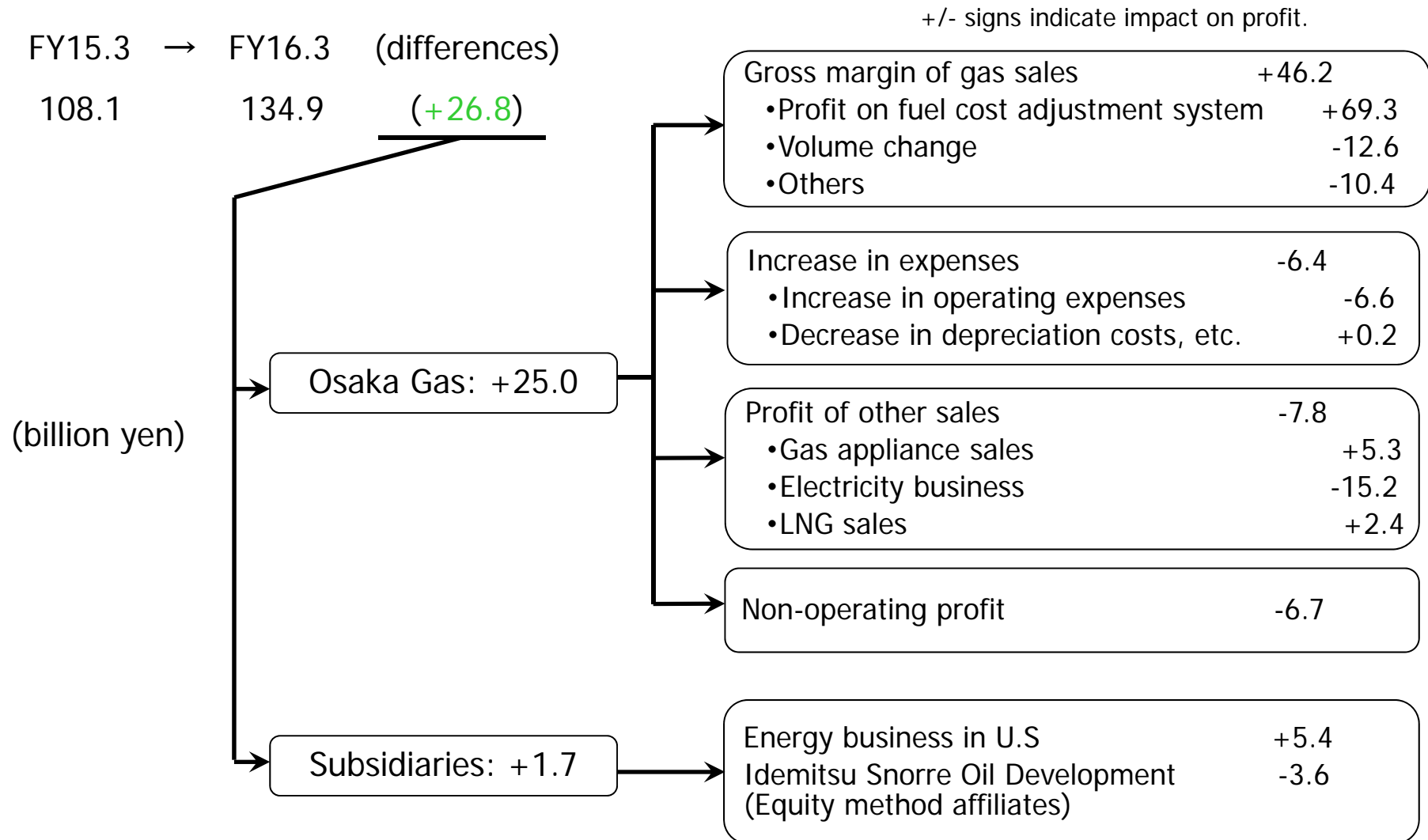
Sales variance for FY2016.3 (Year-on-Year)

FY15.3 → FY16.3 (differences)
 1,528.1 1,322.0 (-206.1)

(billion yen)



Ordinary income variance for FY2016.3 (Year-on-Year)



Sales variance for FY2016.3 (with forecasts)

FY16.3 forecasts → FY16.3 results (differences)

1,339.0

1,322.0

(-16.9)

(billion yen)

Osaka Gas: -5.2

Gas sales	-5.2
• Impact of fuel cost adjustment	+1.6
• Volume change	-9.6
• Others	+2.8

Other revenues	-0.0
• Miscellaneous operating	+3.4
• Incidental businesses (Electricity business, LNG sales, etc.)	-3.4

Subsidiaries: -11.7

Osaka Gas Chemicals	-3.3
Nissho Propane Sekiyu	-2.3
Osaka Gas Engineering	-1.8
Sakura Information Systems	-1.0

Ordinary income variance for FY2016.3 (with forecasts)

+/- signs indicate impact on profit.

FY16.3 forecasts → FY16.3 results (differences)

135.0

134.9

(-0.0)

(billion yen)

Osaka Gas: +0.3

Subsidiaries: -0.3

Gross margin of gas sales	+6.4
• Profit on fuel cost adjustment system	+1.7
• Volume change	-5.1
• Others	+9.8

Increase in expenses	-5.7
• Decrease in operating expenses	-6.0

Profit of other sales	+3.3
• Miscellaneous operating	+1.2
• Incidental businesses (electricity business, LNG sales, etc.)	+2.1

Non-operating profit	-3.7
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Idemitsu Snorre Oil Development (Equity method affiliates)	-0.8
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Results for FY2016.3 by Segments

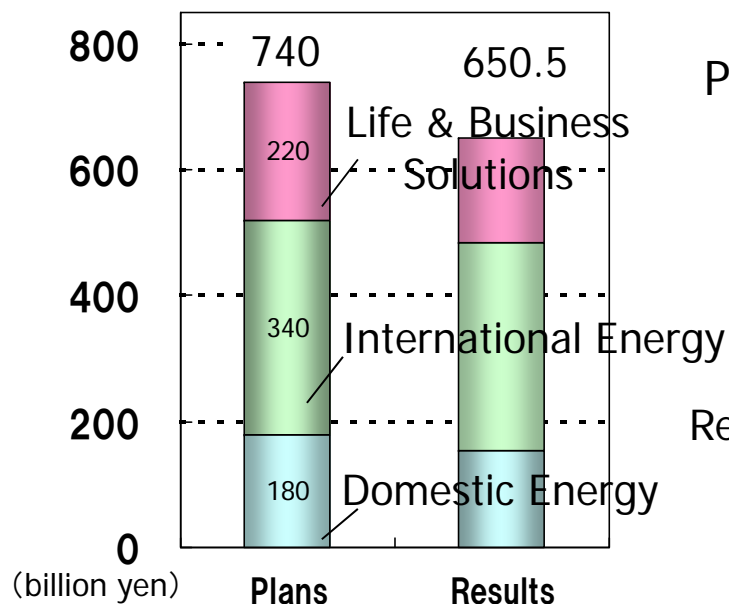
(billion yen)	Net sales		Operating income + Equity in earnings of affiliates		Remarks
	FY16.3	FY15.3	FY16.3	FY15.3	
Gas	948.5	1,136.9	95.7	50.2	<u>Net sales</u> : Fall in the unit price of gas sales, etc. <u>Profit</u> : Increase in profit on fuel cost adjustment
LPG, electricity, and other energies	206.4	243.7	28.8	41.6	<u>Net sales/Profit</u> : Decrease in Electricity business, etc.
International energies	18.7	13.7	-0.2	1.2	<u>Net sales</u> : Increase in the business in U.S <u>Profit</u> : Decrease in equity in earnings of affiliates
Life & Business Solutions	221.7	207.5	18.8	16.5	<u>Net sales</u> : New consolidation of Mizusawa Industrial Chemicals, etc. <u>Profit</u> : Jacobi Carbons (Back action to a temporary cost in the previous year), etc.
Elimination/consolidation	-73.3	-73.7	-0.9	2.2	
Consolidated	1,322.0	1,528.1	142.1	112.0	

Results of Investments

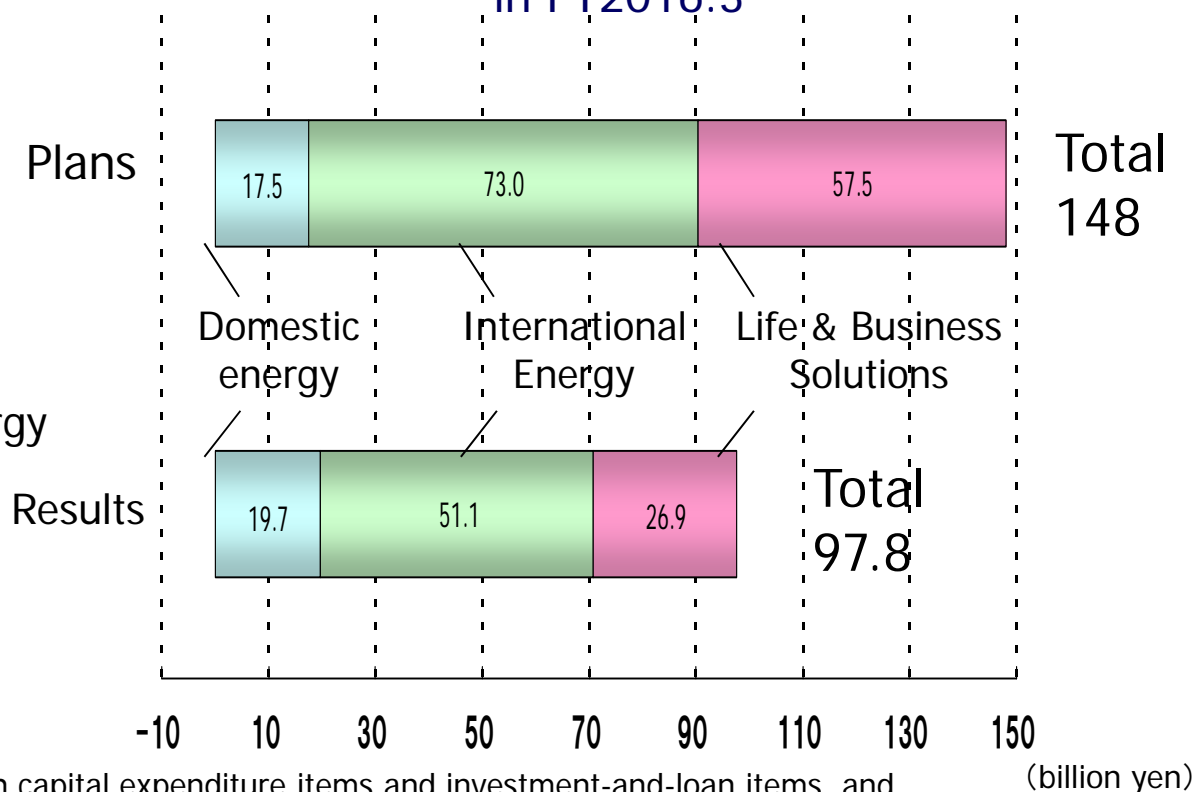
for expansion, greenfield, and M&A in FY2016.3

- Cumulative amount approved for investment from FY2010.3 onwards are **¥650.5 billion**. (88% of the amount projected for the period between FY2010.3 and FY2017.3).
- Total investment in FY2016.3 were **¥97.8 billion**. (66% of the plan in FY2016.3)

Cumulative amount approved for invest to date from FY2010.3



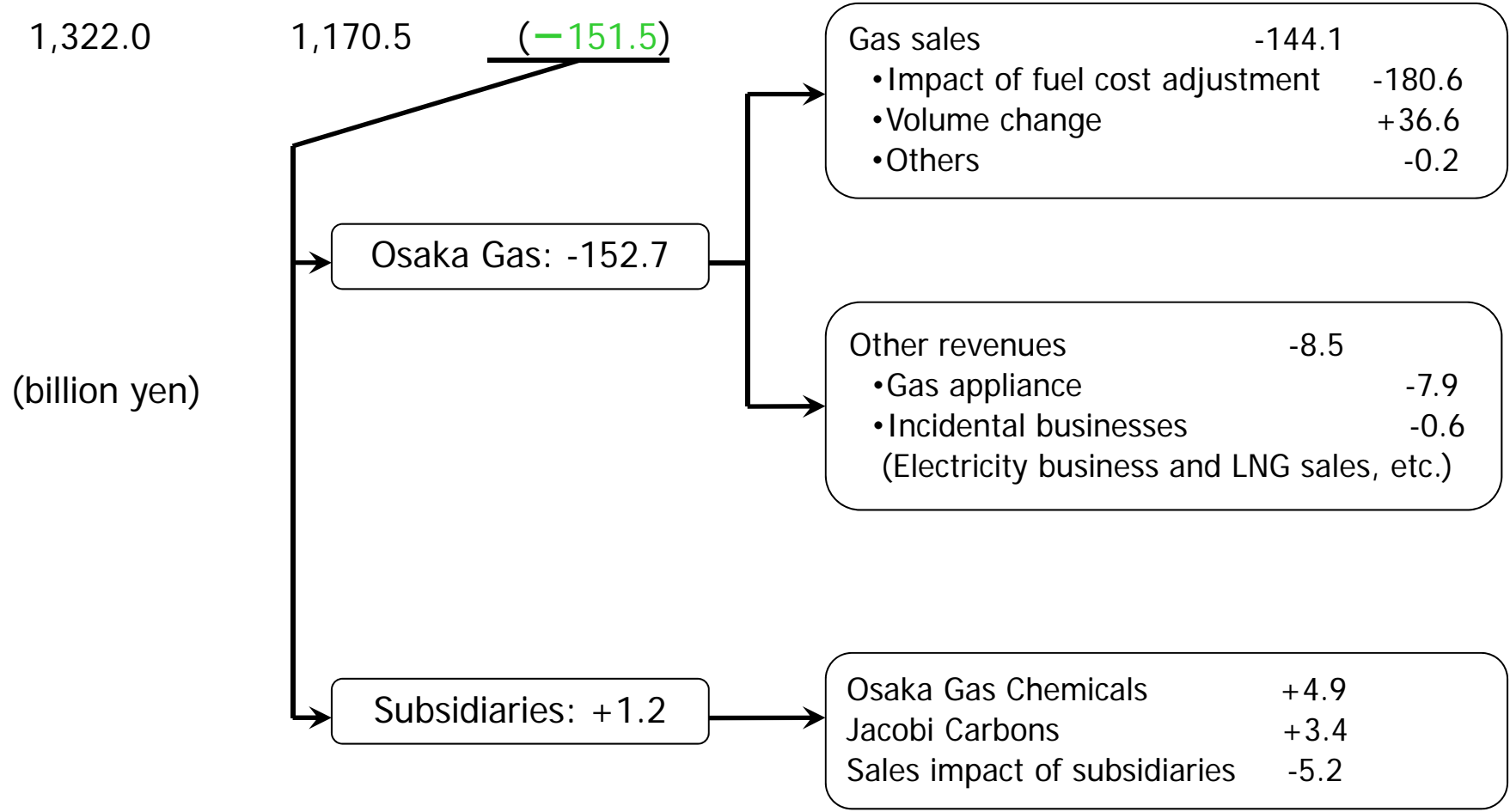
Investment for expansion, greenfield, and M&A in FY2016.3



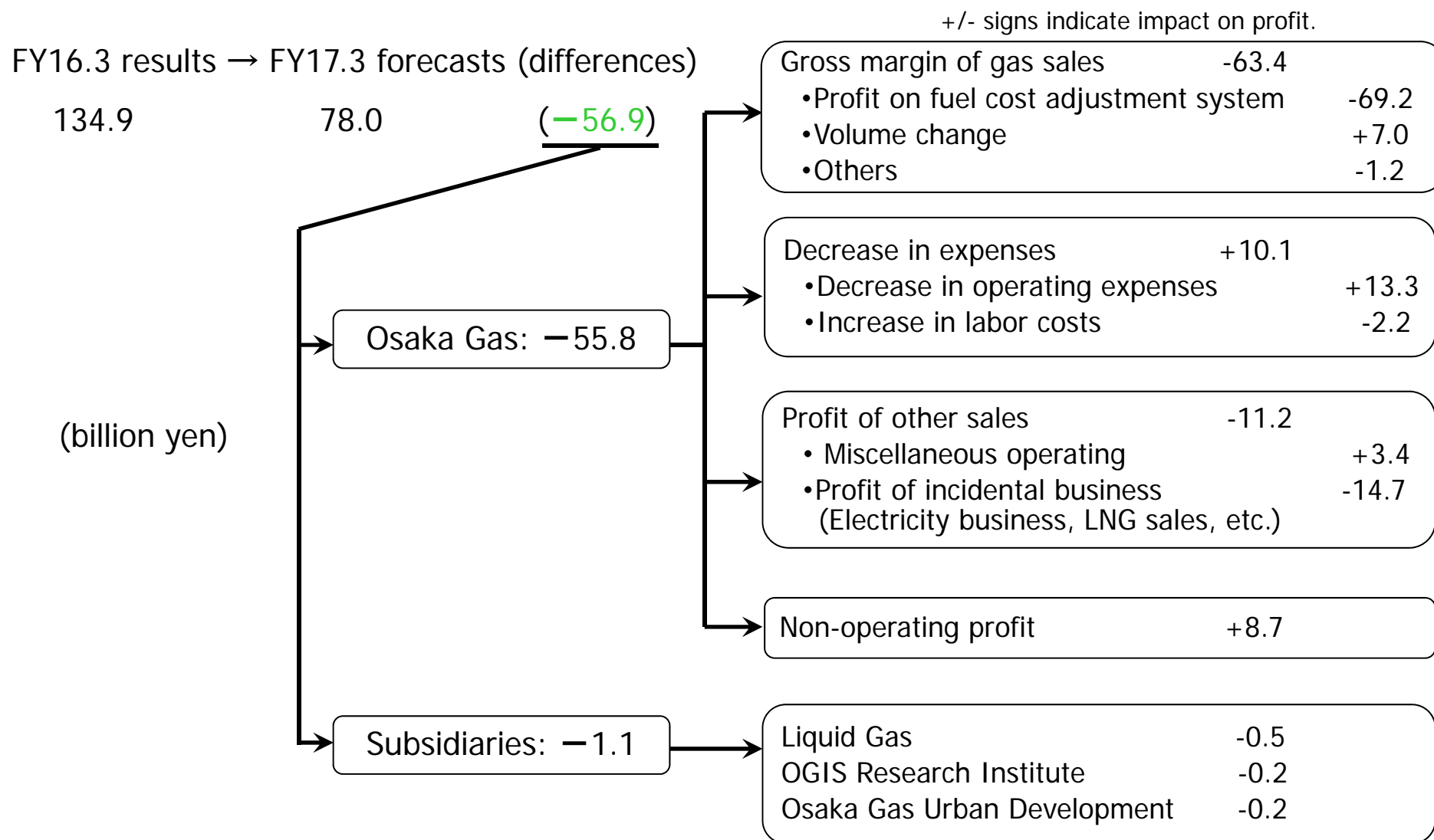
Amounts of investment include both capital expenditure items and investment-and-loan items, and therefore the amounts of investment are different from actual amounts of capital expenditures.

Sales variance for FY2017.3 (Year-on-Year)

FY16.3 results → FY17.3 forecasts (differences)



Ordinary income variance for FY2017.3 (Year-on-Year)



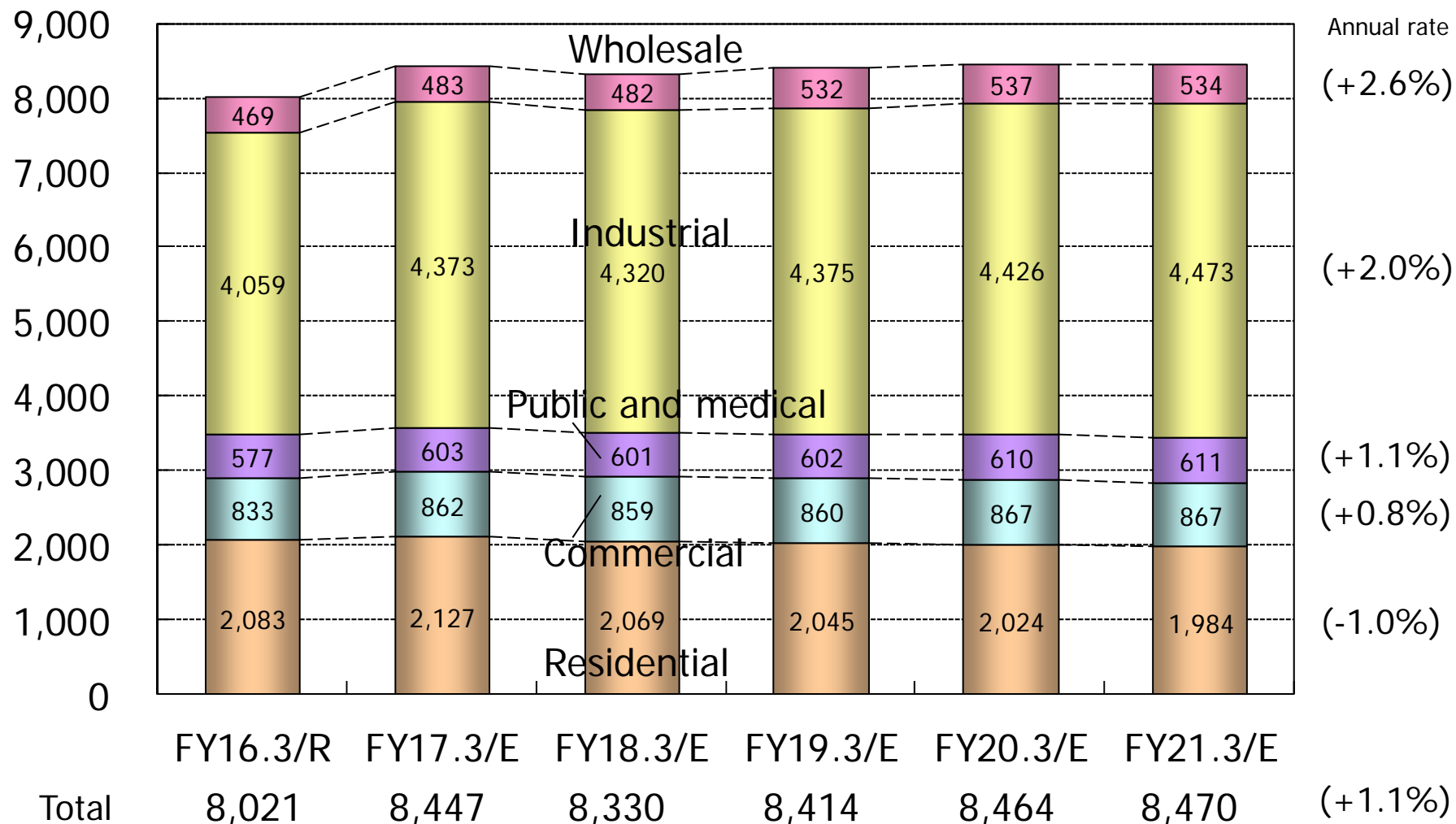
Forecasts for FY2017.3 by Segments

(billion yen)	Net sales		Operating income + Equity in earnings of affiliates		Remarks
	FY17.3 forecasts	FY16.3 results	FY17.3 forecasts	FY16.3 results	
Gas	796.1	948.5	45.5	95.7	<u>Net sales</u> : Fall in the unit price of gas sales, etc. <u>Profit</u> : Decrease in profit on fuel cost adjustment system
LPG, electricity, and other energies	190.8	206.4	13.5	28.8	<u>Net sales/Profit</u> : Mainly decrease in electricity business
International energies	22.7	18.7	1.5	-0.2	<u>Net sales</u> : Increase in LNG tanker business, etc. <u>Profit</u> : Increase in equity in earnings of affiliates
Life & Business Solutions	221.3	221.7	22.0	18.8	<u>Profit</u> : Increase in Osaka Gas Chemicals Group, etc.
Elimination/ consolidation	-60.4	-73.3	2.1	-0.9	
Consolidated	1,170.5	1,322.0	84.6	142.1	

Medium-term Forecasts of Gas Sales Volume

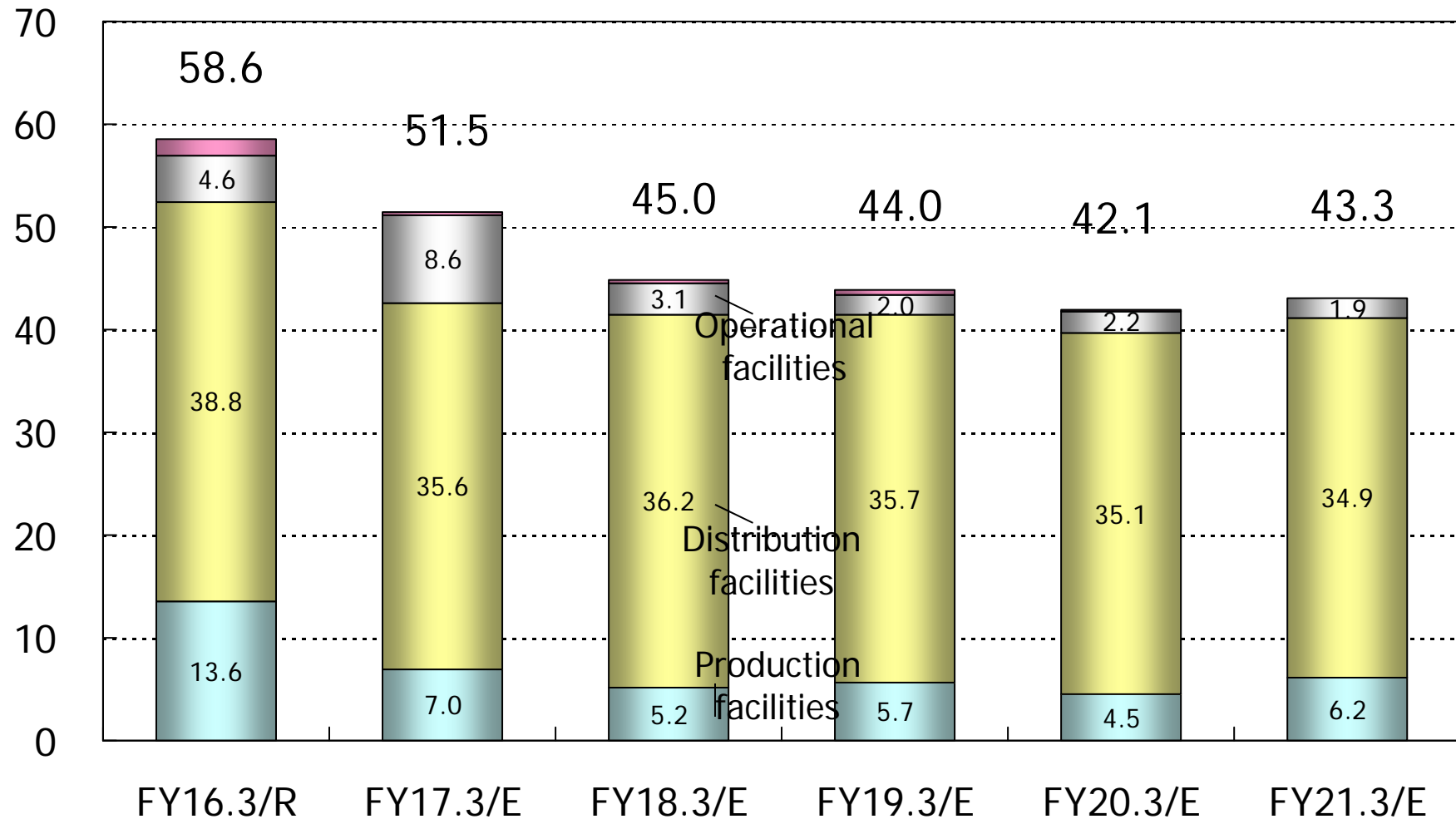
(45MJ, million m³)

Numbers in () to the right of the graph show growth between FY2016.3 and FY2021.3.



Medium-term Forecasts of Capital Expenditures

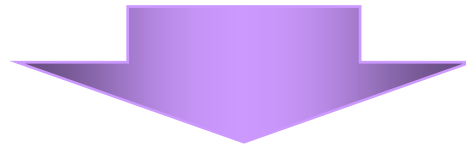
(billion yen)



Residential Gas Sales

FY2016.3 results

	YoY change	Remarks
Number of customers	+0.7%	
Influence of temperature	-5.0%	Average annual temperature: 17.4 degrees Celsius (+0.6 degrees Celsius from the previous year)
Others	-0.4%	High-efficiency of gas appliances and customer's energy-saving consciousness, etc.
Total	-4.7%	



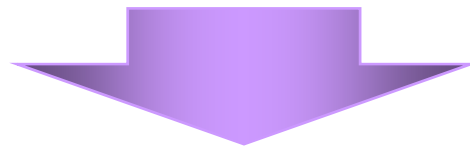
FY2017.3 forecasts

- Residential gas sales volume is expected to increase from the previous year by 44 million m³ (up 2.1% YoY) to 2,127 million m³, assuming that temperatures will be the same as usual years and will increase in gas demand in winter period, etc.

Commercial/Public and medical Gas Sales

FY2016.3 results

	YoY change	Remarks
Demand development	+2.9%	New demand (mainly air condition) development
Impact of temperature, etc.	-1.5%	
Individual factor	-1.1%	Decreased in capacity utilization of customers' facilities, due to special factor
Others	-4.1%	High-efficiency of gas appliances and customer's energy-saving consciousness, etc.
Total	-3.8%	



FY2017.3 forecasts

- Commercial/Public and medical gas sales volume is expected to increase by 55 million m³ (up 3.9% YoY) to 1,464 million m³, assuming increase in capacity utilization of customers' facilities, etc.

Industrial Gas Sales

FY2016.3 results

	YoY change	Remarks
Demand development	+1.6%	Shift to gas from other fuels, etc.
Capacity utilization of facilities, etc.	-2.3%	
Individual factor	-0.6%	Special factor, etc.
Others	-0.5%	
Total	-1.8%	

Breakdown by sectors (45MJ, million m³)

	Volume	Y-o-Y
Machinery	318	95.7%
Metal	954	94.8%
Glass	295	97.5%
Chemical	1,194	100.3%
Food	521	101.0%

FY2017.3 forecasts

- Industrial gas sales volume is expected to increase by 314 million m³ (up 7.7% YoY) to 4,373 million m³, assuming newly created demand and increase in capacity utilization of customers' facilities, etc.

Monthly Gas Sales for FY2016.3

Change from the same month the previous year (%)

	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Total
Residential	99.7	93.4	96.0	107.4	101.8	97.6	105.3	94.3	90.4	84.8	94.8	100.2	95.3
Commercial/ Public and medical	100.8	107.9	94.6	96.6	102.4	94.3	93.2	94.7	91.8	85.4	96.9	98.9	96.2
Industrial	98.2	93.2	96.8	100.0	102.4	96.7	96.0	99.9	94.6	96.5	103.8	100.2	98.2
Machinery	97.2	93.5	103.5	97.9	103.2	93.5	93.0	100.7	84.2	90.0	100.1	93.9	95.7
Metal	93.6	91.4	92.7	95.9	97.8	93.4	93.3	96.0	91.6	96.0	99.8	96.7	94.8
Glass	92.4	89.7	97.6	97.4	100.2	98.8	99.3	101.5	95.2	97.9	104.1	97.1	97.5
Chemical	100.9	93.6	101.1	103.8	106.5	101.6	93.2	98.7	94.0	97.3	108.3	105.1	100.3
Food	99.6	97.6	100.0	103.3	103.5	99.0	99.7	104.5	99.0	99.1	104.9	101.5	101.0
Wholesale	103.2	97.0	101.9	101.5	108.2	96.5	92.3	111.8	88.8	88.6	106.2	96.8	99.0
Total	99.4	95.6	96.6	100.5	102.7	96.2	96.8	98.3	92.6	89.7	99.5	99.8	97.1

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. -7% in spring and autumn, approx. -8% in summer, and approx. -6% 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 ordinary income.
- 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. -0.6 billion yen on annual ordinary income.
- Fuel 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. -0.4 billion yen on annual consolidated non-operating expenses.