Financial Report for FY2013.3 (April 2012 – March 2013)

April 2013

Osaka Gas Co., Ltd.

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I. Business Results for FY2013.3 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

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 FY2013.3 - I

Year-on-Year Comparison

- Overview

Consolidated operating revenues	Increased to 1,380.0 billion yen, up 6.6% from last year, due mainly to rise in gas sales price based on fuel cost adjustment system, along with rise in LNG price, and to growth in sales of gas appliances.
Consolidated ordinary profit	Increased by 19.1% from the previous year to ¥90.1 billion, mainly due to decreased loss from timing difference in reflecting the LNG price rise in the gas price, which resulted in gas gross margin increase. Loss on fuel cost adjustment system was ¥20.7 billion (compared with loss of ¥30.7 billion in previous year).

- Gas Sales Volume

Residential	Almost same as previous year at 2,272 million m^3.
Commercial	Decreased by 2.2% to 1,540 million m^3 from last year, mainly due to impact of customers' energy-saving consciousness.
Industrial	Decreased by 3.1% to 4,222 million m^3 from last year, mainly due to decrease in operation of customer facilities.

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Summary of Business Results for FY2013.3 - II

Comparison with forecasts

- Overview

Consolidated operating revenues	Almost same as forecast, at ¥1,380.0 billion.
Consolidated ordinary profit	Lower than forecast by 5.1%, to ¥90.1 billion, due to decrease in the gas gross margin affected by the increase in raw material costs resulting from the LNG price increase, while profits from affiliated companies and the electric power sales business increased. Loss on fuel cost adjustment system was ¥20.7 billion (compared with forecast ¥2.9 billion loss).

- Gas Sales Volume

Residential	Higher than forecast by 2.0%, to 2,272 million m^3, due to temperature impact during 2nd half
Commercial	Higher than forecast by 2.8%, to 1,540 million m^3, due to temperature impact during 2nd half
Industrial	Lower than forecast by 2.3%, to 4,222 million m^3, mainly due to decrease in the operating rates of customers' production facilities

- Others

Investments for expansion, greenfield, M&A	Participated in shale gas/oil development project in Texas (U.S.A.) and solar power generation project in Ontario (Canada). These operations have already started. Invested ¥85.7 billion in total.
Dividend	Plan to increase the annual dividends by ¥0.5 per share for the year ended March 2013 (For the year ending March 2014, we plan payment of annual dividends of ¥9 per share).

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Gas Sales Volume Results for 2013.3

45MJ/m³	A. FY13.3	B. FY12.3	A-B	A-B/B (%)	C. FY13.3 forecast	A-C/C (%)
Number of meters installed (thousand)	7,086	7,045	+40	+0.6%	7,078	+0.1%
Installation of new meters (thousand)	91	81	+10	+12.6%	82	+11.6%
Monthly gas sales volume per household (m³/month)	32.5	32.6	-0.1	-0.3%	31.9	+1.8%
Residential use	2,272	2,271	+1	+0.1%	2,229	+2.0%
Commercial, public, and medical use	1,540	1,575	-35	-2.2%	1,497	+2.8%
Industrial use	4,222	4,355	-134	-3.1%	4,322	-2.3%
Non-residential total	5,761	5,930	-168	-2.8%	5,819	-1.0%
Wholesale	469	480	-11	-2.3%	459	+2.2%
(non-regulated)	(4,894)	(5,062)	(-168)	(-3.3%)	(4,982)	-1.8%
Non-consolidated gas sales volume total (million m³)	8,503	8,681	-178	-2.1%	8,507	-0.0%
Consolidated gas sales volume total (million m³)	8,534	8,711	-178	-2.0%	8,538	-0.0%

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Results for FY2013.3 - I

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

(billion yen)	A. FY13.3	B. FY12.3	A-B	A-B/B(%)	C. FY13.3 forecast	A-C/C (%)
Operating revenues	(1.24) 1,380.0	(1.25) 1,294.7	+85.2	+6.6%	1,373.0	+0.5%
Operating profit	(1.84) 84.7	(1.96) 77.2	+7.4	+9.7%	94.0	-9.8%
Ordinary profit	(1.63) 90.1	(1.84) 75.6	+14.4	+19.1%	95.0	-5.1%
Net income	(1.49) 52.4	(1.76) 45.2	+7.2	+16.1%	61.0	-14.0%
SVA	18.6	11.9	+6.7	+56.1%	27.7	-32.8%

		A. FY13.3	B. FY12.3	A-B	C. FY13.3 forecast	A-C
Consolidated gas sales volume	million m^3	8,534	8,711	-178	8,538	-4
Profit/ loss on fuel cost adjustment system	billion yen	-20.7	-30.7	+9.9	-2.9	-17.8
Exchange rate	yen/$	113.9	114.2	-0.3	114.2	-0.4
Crude oil price	$/bbl	83.1	79.1	+4.0	80.0	+3.1
Number of subsidiaries		130	133	-3	---	---

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

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Results for FY2013.3 - II

(billion yen)	A. FY13.3 end	B. FY12.3 end	A-B	Remarks
Total assets	1,566.8	1,475.7	+91.1	Mainly due to the increase in fixed assets
Net worth	747.8	684.5	+63.2	
Interest-bearing debt	540.1	541.3	-1.1	
Number of employees	1,987.0	1,981.8	+5.2	
Equity ratio	47.7%	46.4%	+1.3	
D/E ratio	0.72	0.79	-0.07	

	A. FY13.3	B. FY12.3	A-B	Remarks
Capital expenditure	112.9	87.1	+25.8	Mainly upstream equities
Depreciation	82.8	93.6	-10.8	Completion of special depreciation in FY2012.3
Free cash flow	85.0	79.0	+6.0	
ROA	3.4%	3.1%	+0.3	
ROE	7.3%	6.7%	+0.6	
EPS (yen/share)	25.2	21.7	+3.5	
BPS (yen/share)	359.2	328.8	+30.4	

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

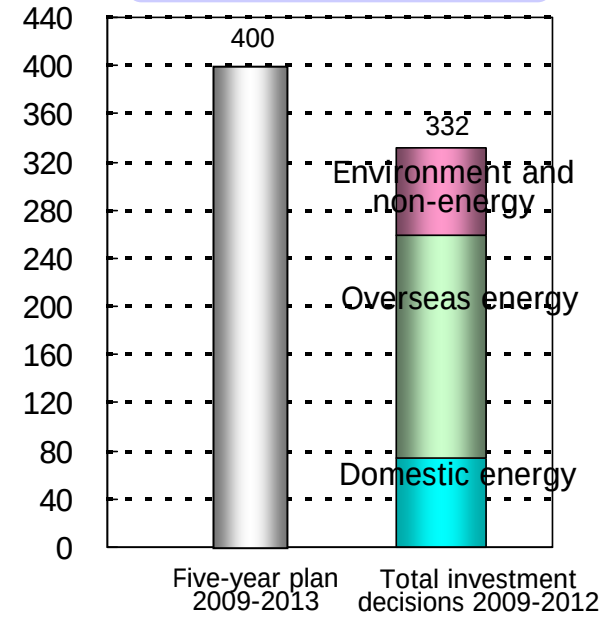
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Progress of Mid-Term Plan (FY2009 – FY2013) I

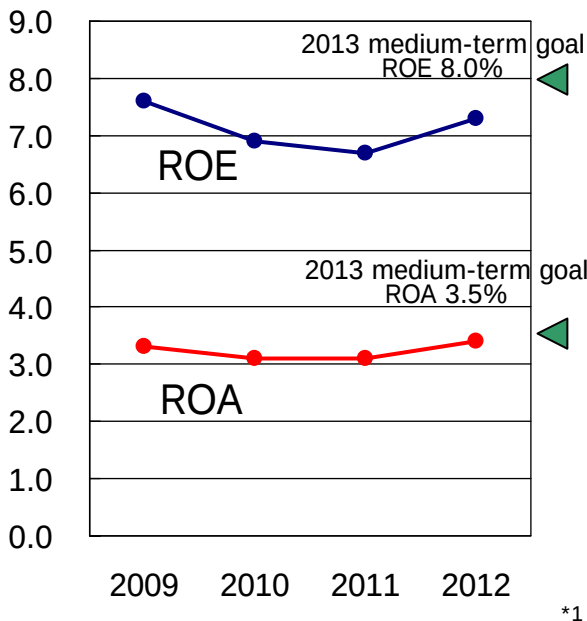
- Overview

General	Progressed almost as scheduled. As for investments to promote new businesses, 83% of the five-year plan (¥400 billion) was decided.
ROA / ROE	Progressed steadily (2012 results: ROA 3.4% and ROE 7.3%) relative to medium-term goals (2013: ROA 3.5% and ROE 8.0%).

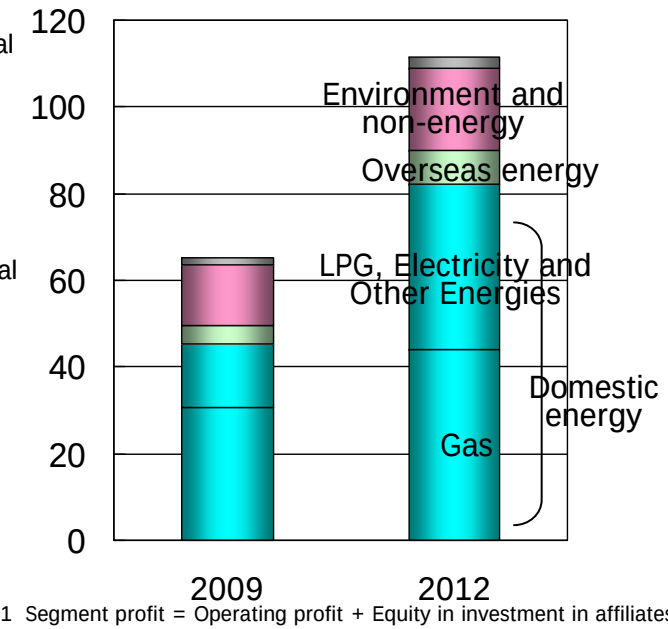
Investment to promote new businesses



ROA / ROE



Segment Profit *



*1 Segment profit = Operating profit + Equity in investment in affiliates
*2 After adjustment for the impact of loss from the timing difference
2009: Gain ¥26.7 billion, 2012: Loss ¥20.7 billion

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Progress of Mid-Term Plan (FY2009 – FY2013) II

Domestic energy service businesses

Distributed power sources	Total ENE-FARM sales in four years (FY2009 – FY2012): 12,119 units
Pipeline	Construction of the Mie-Shiga Pipeline and the Himeji-Okayama Pipeline (to be completed in January and April 2014, respectively)
LNG sales	Concluded LNG sales contracts with Okinawa Electric Power Company (FY2012-) and Shizuoka Gas (FY2014-).
Electric power business	The Semboku Natural Gas Power Plant served to mitigate the tight electricity demand/supply balance after the Great East Japan Earthquake.

Overseas energy value chain businesses

Upstream LNG equities	Decided to acquire LNG from the Gorgon and Ichthys LNG projects in Australia and acquire equities in those projects.
Shale gas projects	Participated in shale gas projects in Canada and the U.S.A. Concluded natural gas liquidation contract with a subsidiary of Freeport.
Midstream/downstream businesses	Participated in LNG terminal project in Spain and power generation/water desalination project in UAE. Participated in gas sales project in Singapore.

Environment and non-energy businesses

General	Existing businesses has steadily gained strength; segment profit has grown to ¥19 billion.
Renewable energies	Participated in mega-solar projects at four sites in Japan and one in Canada. Acquired wind power plants: three in Japan (five in total, including previously acquired plants) and one in Australia.

Returns to shareholders/customers

Dividends	Increased by ¥1 in FY2010; plan ¥0.5 increase in fiscal 2012 (annual dividends of ¥9 per share are planned for FY2013).
Buy-back of Company shares	From Nov. 2010 to Jan. 2011, Company shares totaling ¥20 billion were bought back and retired.
Price revision	Retail prices were lowered by 1.20% on average in February 2012.

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Business Plan for FY2014.3

- Priority Issues

(1) Advance energy business in order to respond to customer and social needs

- Activities to realize shale gas importation from North America
- Accelerate widespread use of distributed power sources
- Expand electricity and wide-area energy businesses
- Further strengthen production/supply network

(2) Dramatically expand overseas energy businesses

- Start gas sales business in Singapore

(3) Increase revenues through growth of diverse group companies

- Materials solutions, information, urban development, LPG/industrial gas, lifestyle services

(4) Strengthen business foundation to support sustainable growth

* Develop a new Medium-Term Management Plan (from FY2014)

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Summary of Business Forecasts for FY2014.3

Overview

Consolidated operating revenues	Expected to increase by 9.3% to ¥1,508 billion, reflecting increases in gas sales price and LNG sales price, in response to LNG purchase price increase.
Consolidated ordinary profit	Expected to increase by 11.0% to ¥100 billion, reflecting cost reductions (overhead expenses and labor costs) and improvement in profits of affiliated companies. Loss on fuel cost adjustment system is expected to be ¥10.3 billion.

Gas Sales Volume

Residential	Expected to decrease by 2.2% to 2,222 million m^3, assuming same temperature level as in usual years.
Commercial	Expected to decrease by 3.8% to 1,481 million m^3, reflecting impact of customers' energy-saving consciousness and assuming same temperature level as in usual years.
Industrial	Expected to increase by 4.0% to 4,390 million m^3, reflecting newly created demand and increased operation of customers' facilities.

Others

Investments for expansion, greenfield, M&A	Plans for ¥138 billion investment, mainly in international energy businesses along energy value chain.

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Gas Sales Volume Forecasts for FY2014.3

45MJ/m^3	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)	98	91	+6	+7.1%
Monthly gas sales volume per household (m^3/month)	31.6	32.5	-0.8	-2.6%
Residential use	2,222	2,272	-51	-2.2%
Commercial, public, and medical use	1,481	1,540	-59	-3.8%
Industrial use	4,390	4,222	+169	+4.0%
Non-residential total	5,871	5,761	+110	+1.9%
Wholesale	466	469	-3	-0.7%
(non-regulated)	(5,053)	(4,894)	(+159)	(+3.2%)
Non-consolidated gas sales volume total (million m^3)	8,559	8,503	+56	+0.7%
Consolidated gas sales volume total (million m^3)	8,589	8,534	+55	+0.6%

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Forecasts for FY2014.3 - I

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

(billion yen)	A. FY14.3 forecasts	B. FY13.3 results	A-B	A-B/B (%)
Operating revenues	(1.26) 1,508.0	(1.24) 1,380.0	+127.9	+9.3%
Operating profit	(1.75) 100.0	(1.84) 84.7	+15.2	+18.0%
Ordinary profit	(1.61) 100.0	(1.63) 90.1	+9.8	+11.0%
Net income	(1.52) 64.5	(1.49) 52.4	+12.0	+22.9%
SVA	27.4	18.6	+8.7	+46.9%

Consolidated gas sales volume	million m^3	8,589	8,534	+55
Profit/loss on fuel cost adjustment system	billion yen	-10.3	-20.7	+10.4
Exchange rate	yen/$	95	83.1	+11.9
Crude oil price	$/bbl	115	113.9	+1.1

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

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Forecasts for FY2014.3 - II

(billion yen)	A. FY14.3 end forecasts	B. FY13.3 end results	A-B
Total assets	1,625.8	1,566.8	+58.9
Net worth	767.3	747.8	+19.4
Interest-bearing debt	607.0	540.1	+66.8
Number of employees	20,201	19,870	+331
Equity ratio	47.2%	47.7%	-0.5
D/E ratio	0.79	0.72	+0.07

	A. FY14.3 forecasts	B. FY13.3 results	A-B
Capital expenditure	134.7	112.9	+21.7
Depreciation	80.1	82.8	-2.7
Free cash flow	88.9	85.0	+3.8
ROA	4.1%	3.4%	+0.6
ROE	8.6%	7.3%	+1.3
EPS (yen/share)	31.0	25.2	+5.8
BPS (yen/share)	368.5	359.2	+9.4

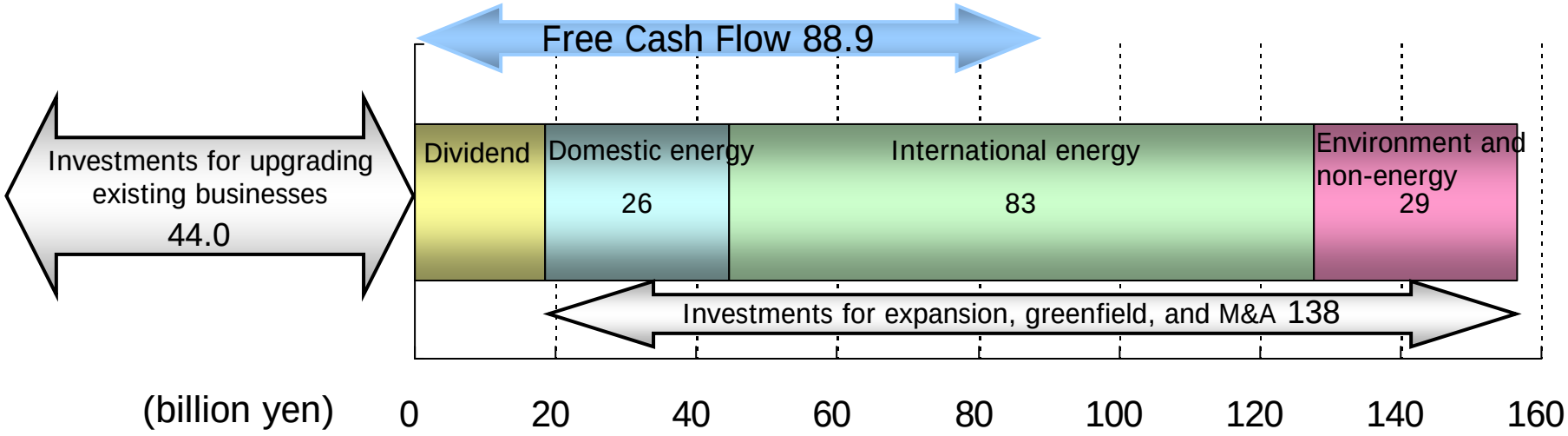
FCF = CF from operating activities - (OP after tax + depreciation and other non-cash expenses) - capital expenditure

Use of Free Cash Flow for FY2014.3

- FCF for FY 2014.3 is expected to be at the same level as previous year at ¥88.9 billion
- Plans to make ¥138 billion investment for expansion, greenfield, and M&A

Domestic energy businesses	Construction of major pipelines, etc.
International energy businesses along the energy value chain	Expenditures for already-decided projects Exploration for and acquisition of new projects
Environment and non-energy businesses	Exploration for and acquisition of profit-earning real estate properties and new projects

- Aims to achieve an annual dividend of ¥9 per share in FY 2014.3



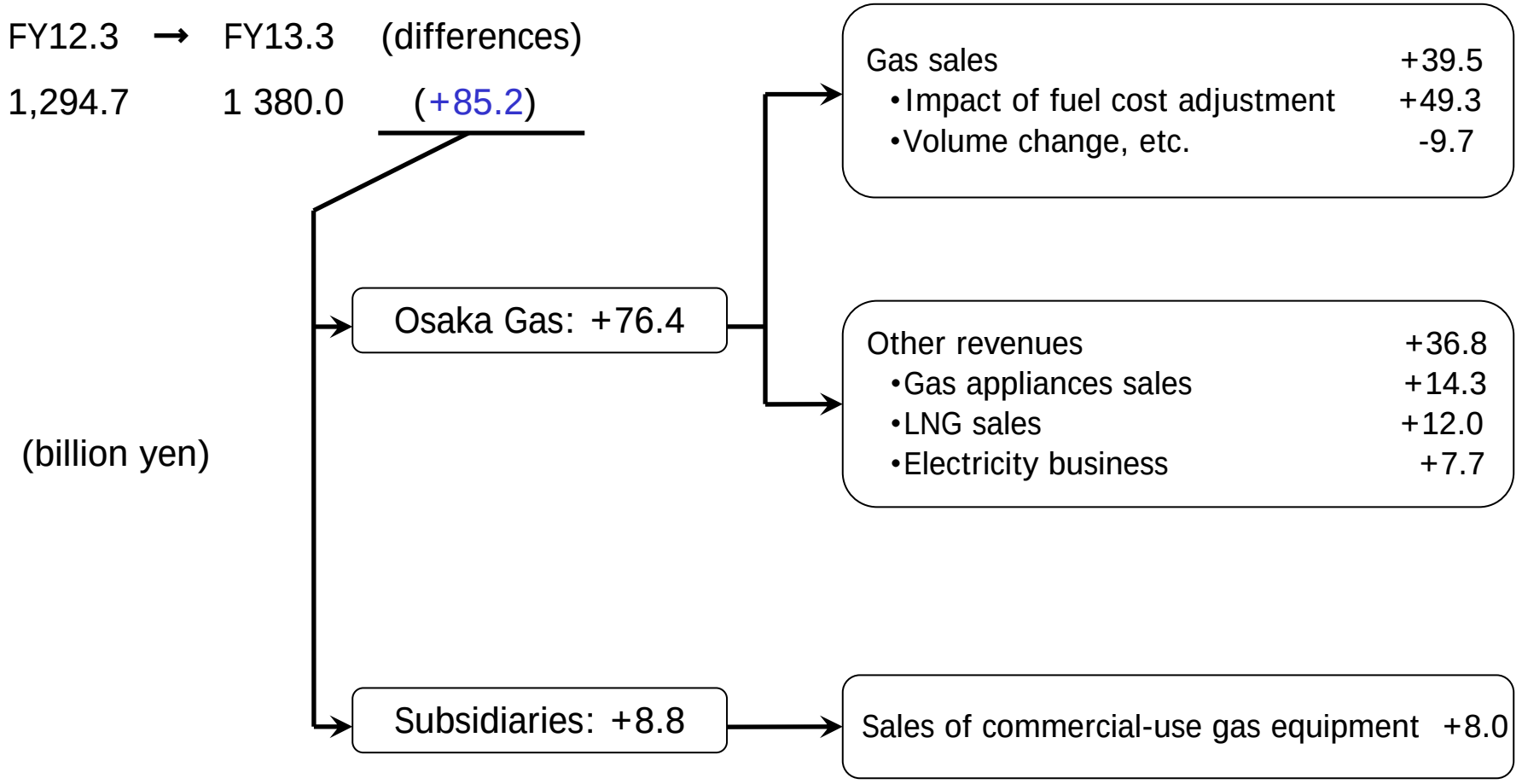
FCF = Operating cash flows – capital expenditures. Capital expenditures do not include investments for quality improvement of existing businesses. The amount of investment differs from that of capital expenditures, as the former includes both capital expenditures and investments / financing.

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II. Facts and Figures

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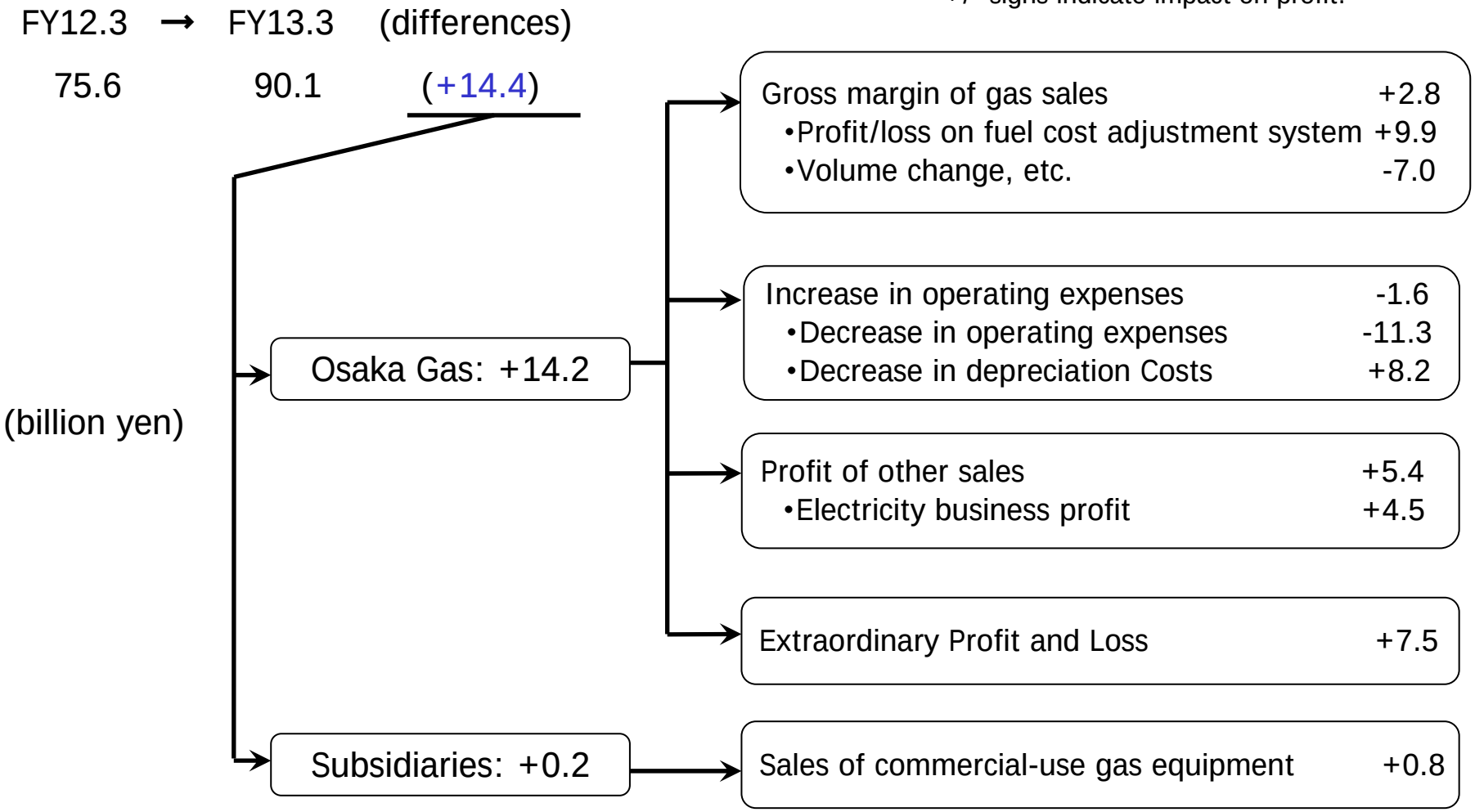
Sales variance for FY2013.3 (Year-on-Year)



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Ordinary profit variance for FY2013.3 (Year-on-Year)

+/- signs indicate impact on profit.



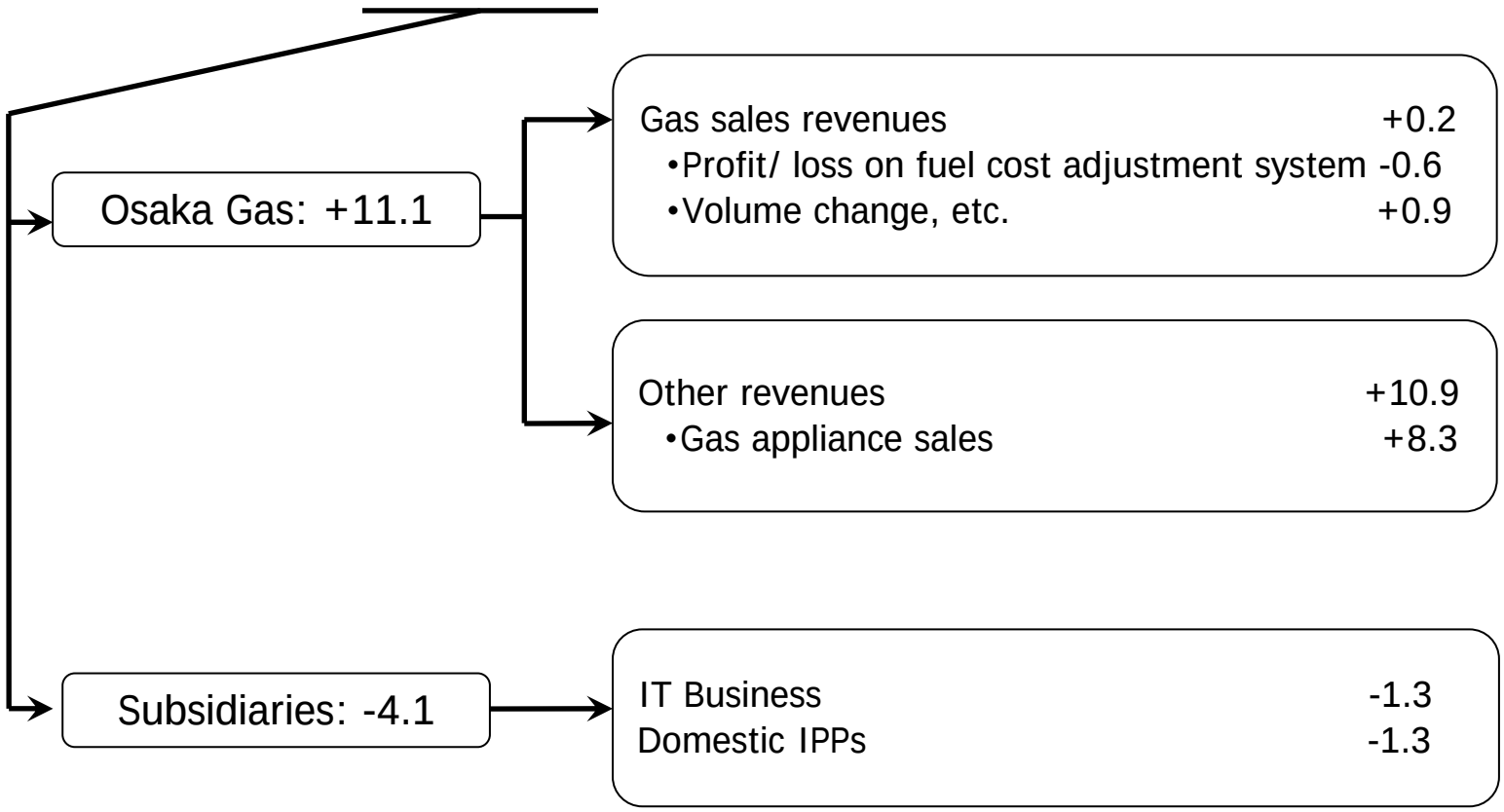
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Sales variance for FY2013.3 (with forecasts)

FY13.3 forecasts → FY13.3 results (differences)

1,373.0　　1,380.0　　(+7.0)

(billion yen)



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Ordinary profit variance for FY2013.3 (with forecasts)

+/- signs indicate impact on profit.

FY13.3 forecasts → FY13.3 results (differences)

95.0 → 90.1 (-4.8)

(billion yen)

- Osaka Gas: -10.6
  - Gross margin of gas sales -9.4
    - •Profit/loss on fuel cost adjustment system -17.8
    - •Volume change, etc. +8.3
  - Increase in operating expenses -6.8
    - •Decrease in operating expenses -8.6
  - Profit of other sales +2.8
    - •Profit of incidental business +2.5 (electricity business profit, etc.)
- Subsidiaries: +5.7
  - Chemical Business +1.3
  - Domestic IPPs +0.7
  - Idemitsu Snorre (North Sea oil field; equity method affiliate) +0.5

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Results for FY2013.3 by Segments

(billion yen)	Operating revenues		Operating profit + equity method earnings		Remarks
	FY13.3	FY12.3	FY13.3	FY12.3	
Gas	1,038.5	976.5	23.3	20.9	Revenues: Rise in the price of gas sales Profit: Decrease in loss on fuel cost adjustment system
LPG, electricity, and other energies	215.5	198.0	38.2	32.4	Revenues: Increase in LNG and electric power sales, etc. Profit: Increase in electric power sales, etc. Electric power business profit(*) FY12.3:20.6, FY13.3:25.2
International energies	10.7	11.1	7.6	8.6	Decrease in profit from the LNG terminal in Spain and IPP in the US.
Environment and non-energies	185.6	184.5	19.0	18.5	Revenues: Increase in sales of chemical business, etc. Profit: Increase in profit of fitness business, etc.
Elimination/ consolidation	-70.4	-75.5	2.7	2.2	
Consolidated	1,380.0	1,294.7	91.1	82.9	

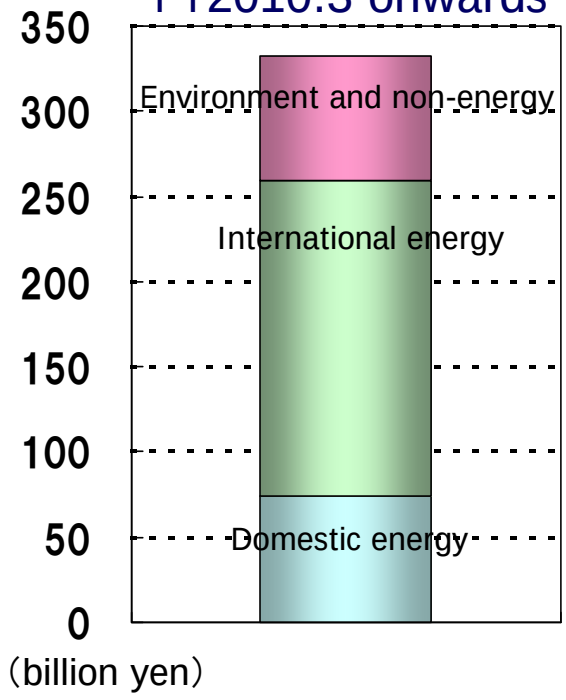
(*) Profit from electricity business represents operating income earned by Osaka Gas's related electricity business.

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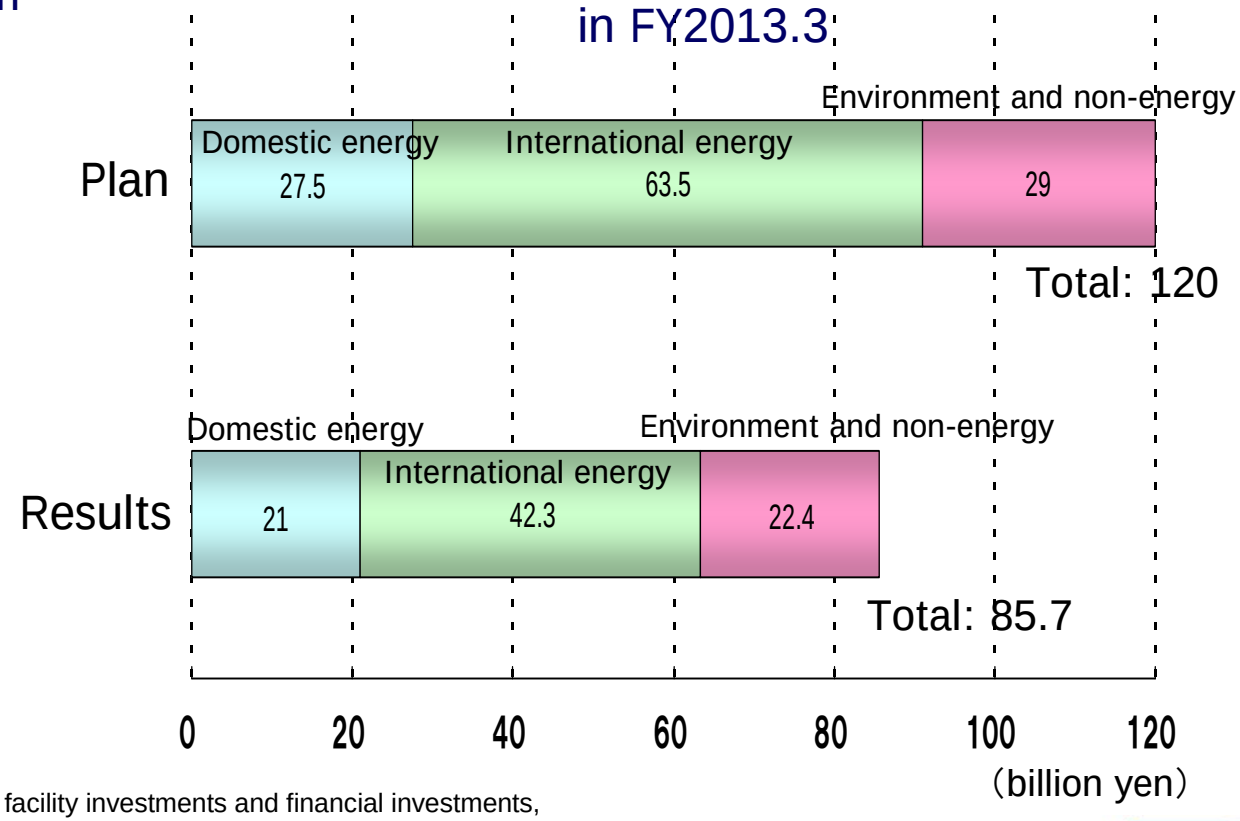
Results of Investments for expansion, greenfield, and M&A in FY2013.3

- Cumulative amount approved for investment from FY2010.3 onwards are ¥332 billion (83% of the amount originally projected for the period between FY2010.3 and FY2014.3).
- Total investment in FY2013.3 were ¥85.7 billion.

Cumulative amount approved for invest from FY2010.3 onwards



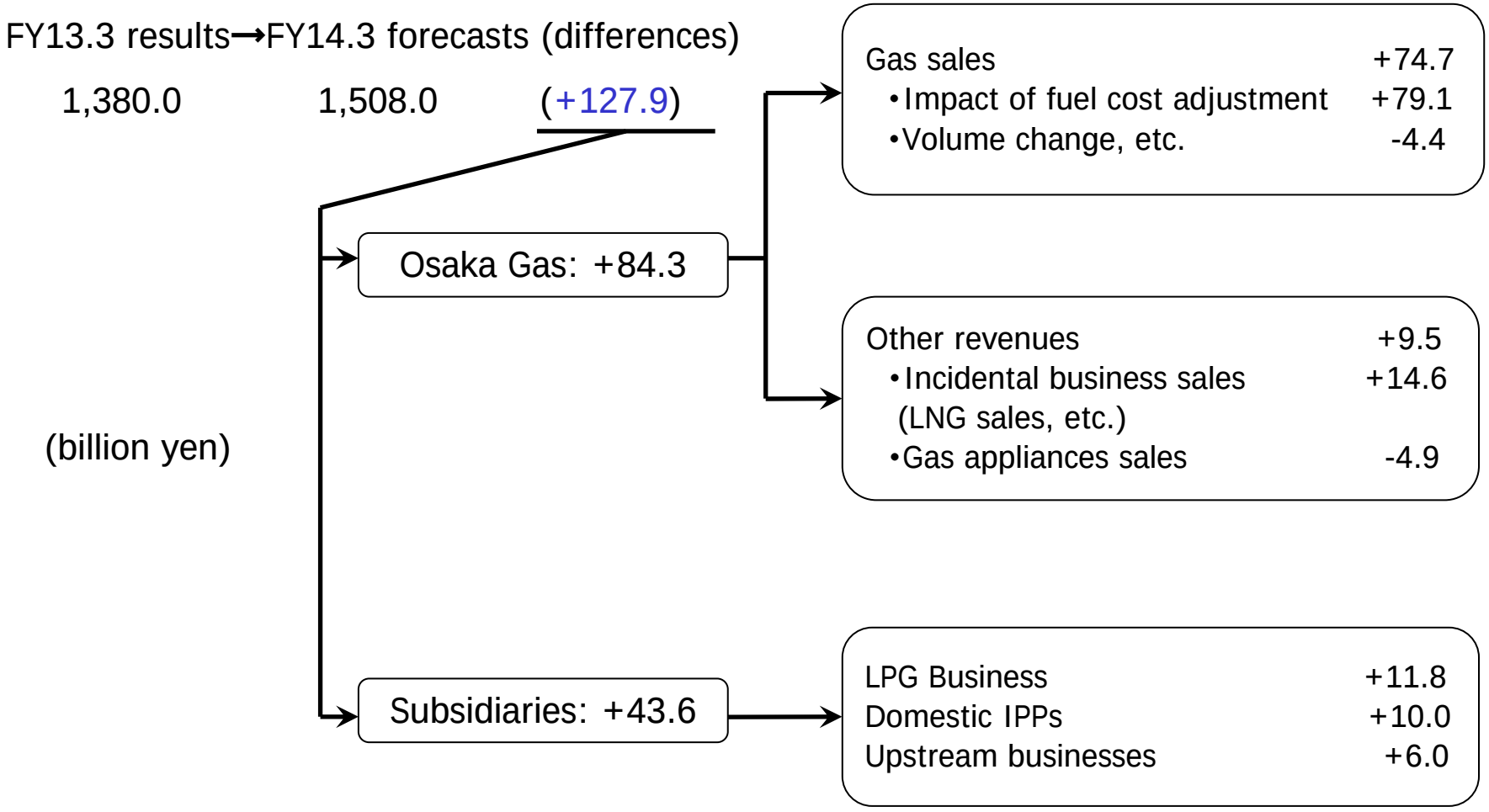
Investments for expansion, greenfield, and M&A in FY2013.3



Since investment amounts include both facility investments and financial investments, they differ from the actual facility investment amounts.

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Sales variance for FY2014.3 (Year-on-Year)

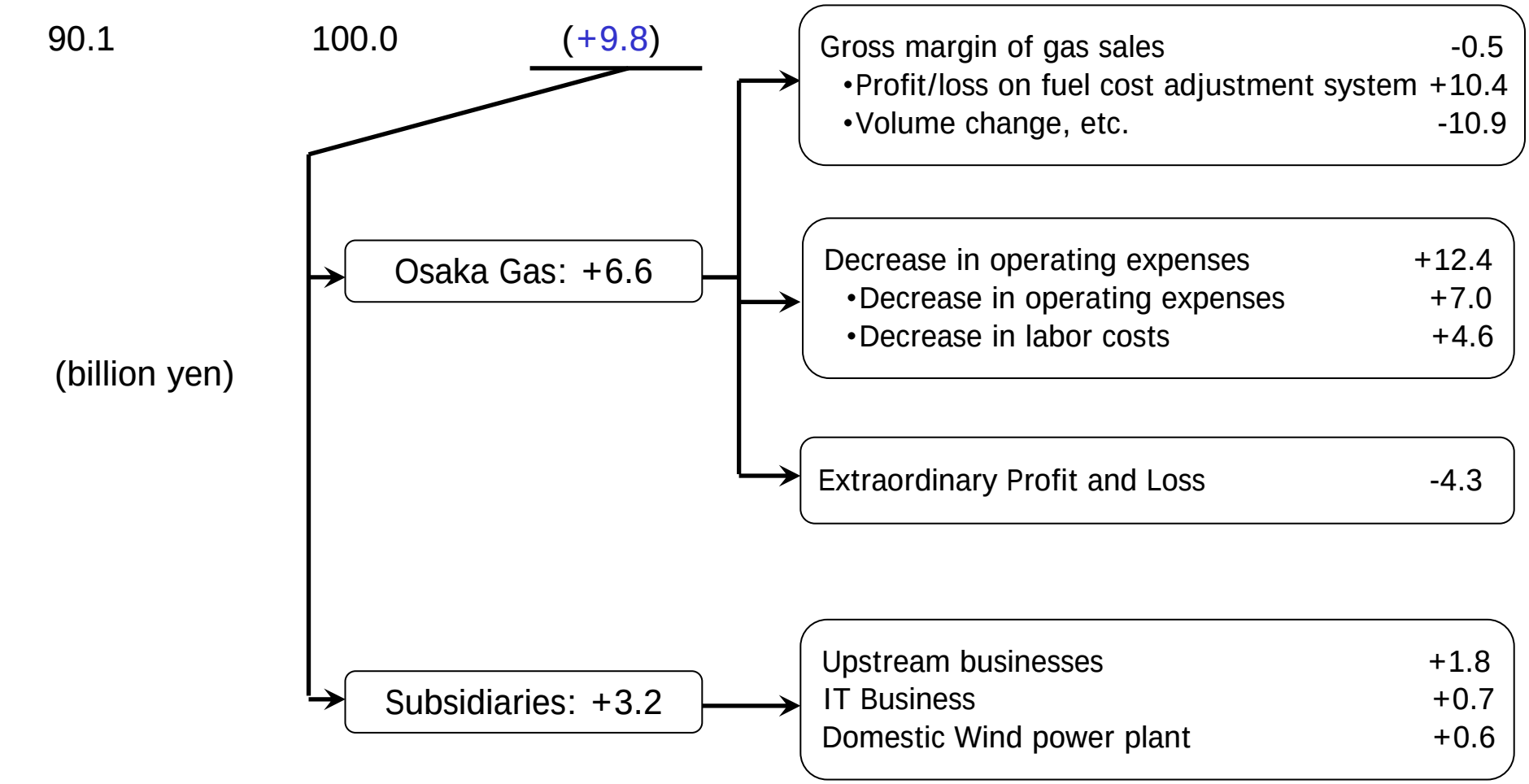


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Ordinary profit variance for FY2013.3 (Year-on-Year)

+/- signs indicate impact on profit.

FY13.3 results → FY14.3 forecasts (differences)



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Forecasts for FY2014.3 by Segments

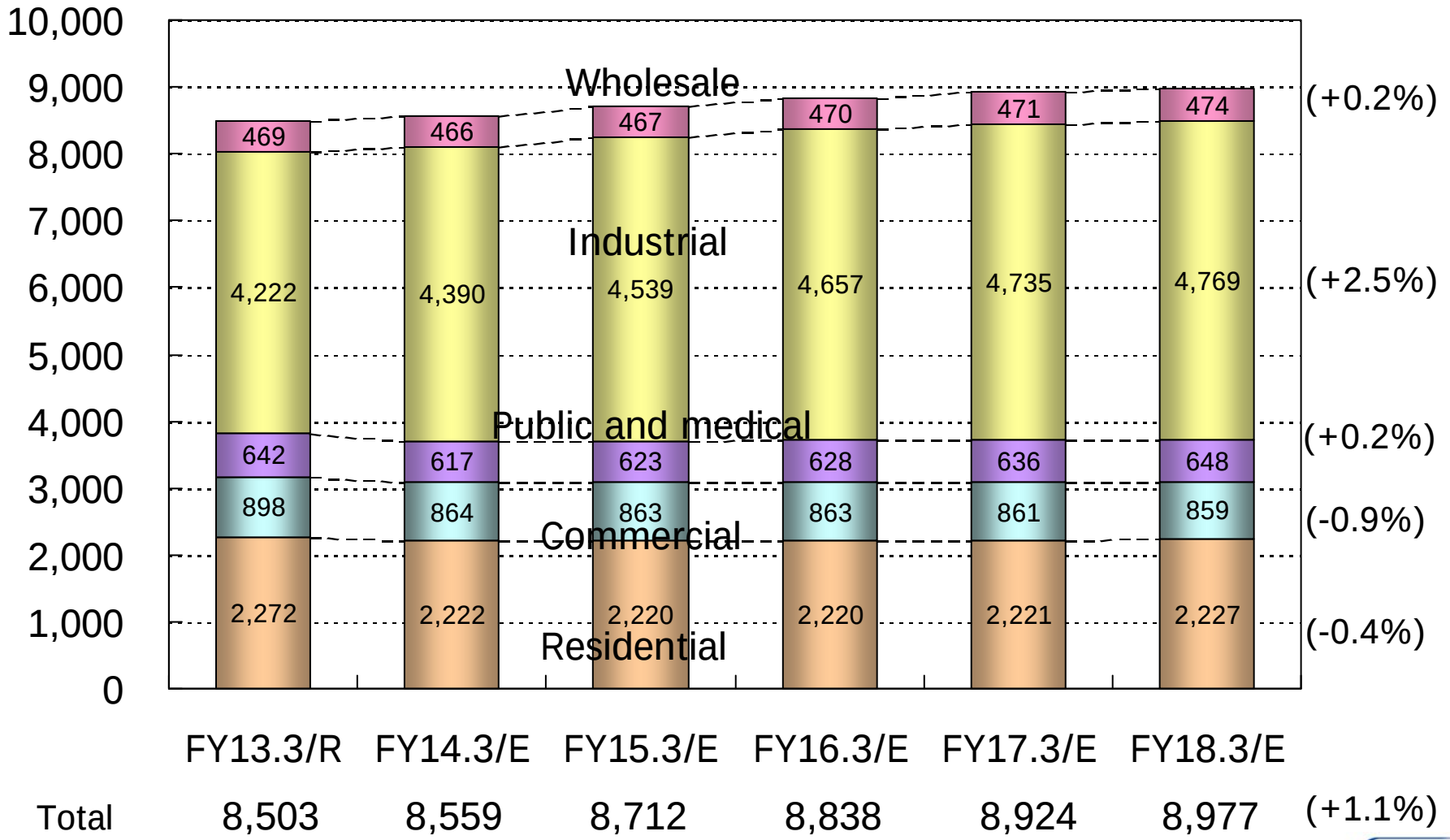
(billion yen)	Operating revenues		Operating profit + equity method earnings		Remarks
	FY14.3 forecasts	FY13.3 results	FY14.3 forecasts	FY13.3 results	
Gas	1,084.0	1,038.5	34.3	23.3	Revenues: Rise in the price of gas sales Profit: Decrease in loss on fuel cost adjustment system
LPG, electricity, and other energies	258.0	215.5	38.9	38.2	Revenues: Rise in the price of LNG and LPG sales, etc. Profit: Increase in gross margin of LNG and LPG sales, etc.
International energies	17.5	10.7	9.4	7.6	Mainly increase in profit from upstream businesses
Environment and non-energies	199.5	185.6	20.1	19.0	Revenues: Increase in sales of real estate business, etc. Profit: Increase in profit of IT business, etc.
Elimination/ consolidation	-51.0	-70.4	2.9	2.7	
Consolidated	1,508.0	1,380.0	105.6	91.1	

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Medium-term Forecasts of Gas Sales Volume

(45MJ, million m³)

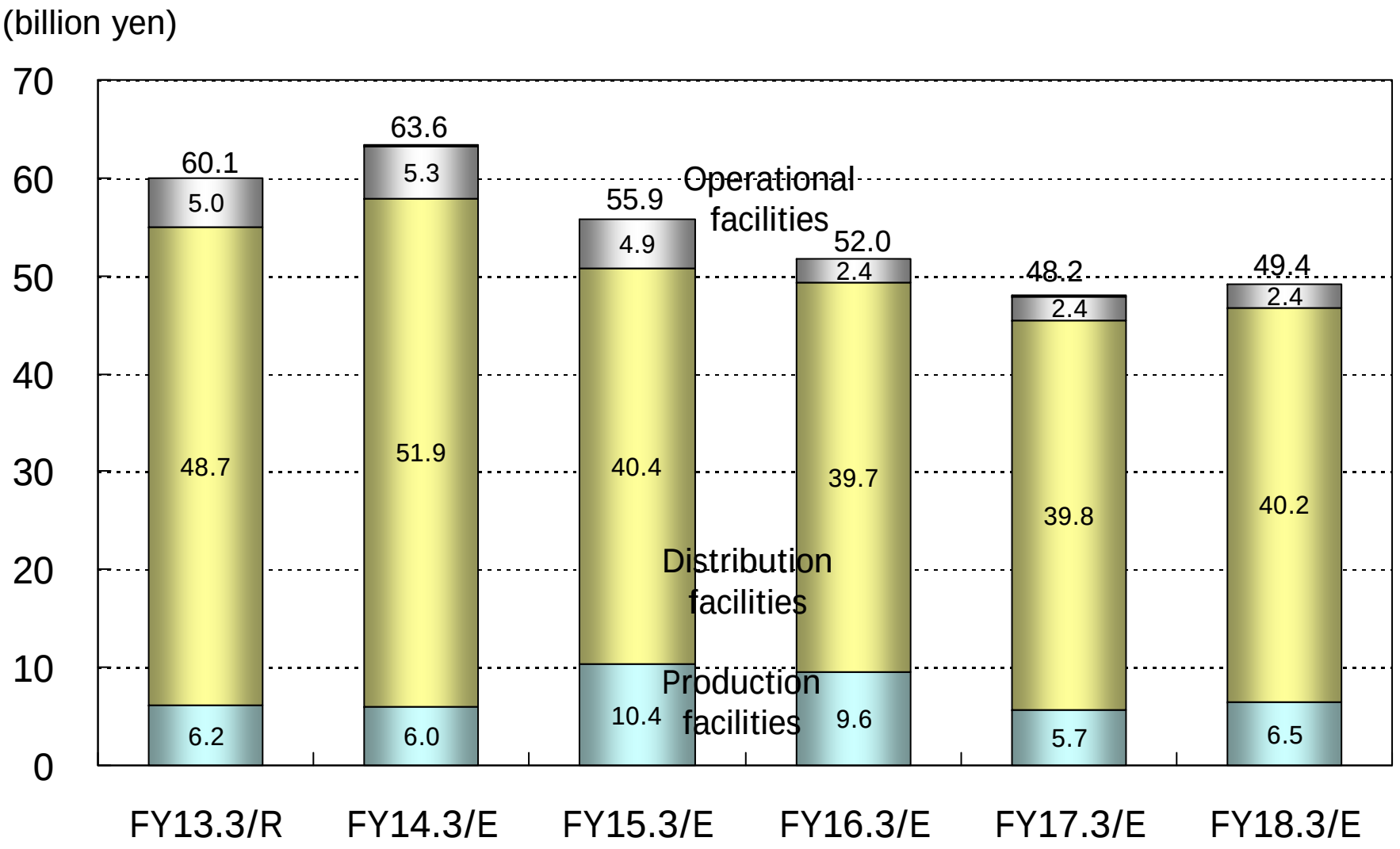
Numbers in ( ) to the right of the graph show growth between FY2013.3 and FY2018.3.



	FY13.3/R	FY14.3/E	FY15.3/E	FY16.3/E	FY17.3/E	FY18.3/E	
Total	8,503	8,559	8,712	8,838	8,924	8,977	(+1.1%)

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Medium-term Forecasts of Capital Expenditures



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Residential Gas Sales

FY2013.3 results

	YoY change	Remarks
Number of customers	+0.3%	
Influence of temperature	+0.0%	Average annual temperature: 16.7 degrees Celsius (16.9 degrees Celsius in FY2012.3)
Others	- 0.3%	
Total	+0.1%	

FY2014.3 forecasts

- Residential gas sales volume is expected to decrease from the previous year by 51 million m^3 (down 2.2% YoY) to 2,222 million m^3, assuming that temperatures will be the same as usual years and will become higher than the previous year.

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Commercial Gas Sales

FY2013.3 results

	YoY change	Remarks
Demand development	+0.9%	New contracts with public/medical institutions
Impact of change in number of hot/cold days	+0.4%	Increase in heating demand supported by colder weather in the second half of the year
Others	- 3.6%	Customer's energy-saving consciousness, etc.
Total	- 2.2%	

FY2014.3 forecasts

- Commercial gas sales volume is expected to decrease by 59 million m^3 (down 3.8% YoY) to 1,481 million m^3, assuming that temperatures will be the same as usual years and customers will make energy-saving efforts.

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Industrial Gas Sales

FY2013.3 results

	YoY change	Remarks
Demand development	+2.4%	New contracts
Increase/ decrease of operating rates	- 5.4%	Decreased operation of customers' facilities, etc.
Total	- 3.1%	

Breakdown by sectors （45MJ, million m^3）

	Volume	Percen-tage to total sales volume	Y-o-Y
Machinery	376	8.9%	100.6%
Metal	1,011	23.9%	92.9%
Glass	335	7.9%	99.6%
Chemical	1,166	27.6%	102.6%
Food	520	12.3%	100.5%

FY2014.3 forecasts

- Industrial gas sales volume is expected to increase by 169 million m^3 (up 4.0% YoY) to 4,390 million m^3 supported by the development of new demand by continuing to encourage customers to shift from oil and other fuels to natural gas, and increased operation of customers' facilities.

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Monthly Gas Sales for FY2013.3

Change from the same month the previous year (%)

	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Total
Residential	100.7	98.0	90.0	102.6	101.6	88.8	87.3	111.9	117.7	105.3	96.1	91.5	100.1
Commercial	99.1	97.5	90.7	90.2	96.2	101.2	95.3	102.2	110.8	106.9	94.5	91.6	97.8
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
Chemical	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
Food	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
Wholesale	96.7	92.8	93.2	108.4	90.5	92.1	111.2	100.9	103.6	94.8	96.6	95.5	97.7
Total	99.8	100.0	96.1	100.1	96.8	96.2	96.4	102.8	106.5	98.0	92.6	92.8	97.9

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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 $1/bbl. change in crude oil prices will have an effect of approx. 1.1 billion yen on annual ordinary profit.
- Foreign exchange rate
  - LNG prices are affected by fluctuations in the US$/JPY exchange rate. A 1 yen fluctuation in the US$/JPY exchange rate will have an effect of approx. 1.5 billion yen on annual ordinary 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.