



# Financial Report for 1<sup>st</sup> Half of FY2013.3 (April 2012 – September 2012)

October 2012  
Osaka Gas Co., Ltd.

# I. Business Results for 1<sup>st</sup> Half of FY2013.3 and Forecasts for 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.

# Summary of the Results for 1<sup>st</sup> Half of FY2013.3 - I

## Year-on-Year Comparison

### ■ Overview

Consolidated operating revenues	Increased to 629.8 billion yen, up 12.6% (70.2 billion yen) from last year due mainly to the rise in gas sales price based on the fuel cost adjustment system, along with the rise in LNG price, and to the growth in sales of the electricity business.
Consolidated operating profit	Increased to 44.8 billion yen, up 137.7% (26.0 billion yen) from last year due mainly to the rise in gas sales gross margin caused by the decrease in time-lag loss (28.3 billion yen → 7.3 billion yen), and to the growth in profit of the electricity business and of the consolidated subsidiaries.

### ■ Gas Sales Volume

Residential	Down 2.5% (21 million m <sup>3</sup> ) from last year to 831 million m <sup>3</sup> due mainly to higher water temperature than last year, which suppressed the demand for hot water.
Commercial, public and medical	Down 4.0% (32 million m <sup>3</sup> ) from last year to 777 million m <sup>3</sup> due mainly to further energy conservation by customers.
Industrial	Down 0.3% (7 million m <sup>3</sup> ) from last year to 2,122 million m <sup>3</sup> due mainly to the decrease in operation of customer facilities.

# Summary of the Results for 1<sup>st</sup> Half of FY2013.3 - II

## Comparison with targets

### ■ Overview

Consolidated operating revenues	629.8 billion yen, 2.4% (14.8 billion yen) above the target due mainly to the increase in sales of gas appliances and of the electricity business.
Consolidated operating profit	44.8 billion yen, 30.1% (10.3 billion yen) above the target due mainly to the increase in profits of the electricity business and the consolidated subsidiaries, and to lower expenses.

### ■ Gas Sales Volume

Residential	831 million m <sup>3</sup> , about the target level.
Commercial, public and medical	777 million m <sup>3</sup> , 1.3% (10 million m <sup>3</sup> ) below the target primarily due mainly to the cooler weather in June.
Industrial	2,122 million m <sup>3</sup> , 1.3% (27 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 participate in the shale gas and liquids project in Texas, U.S. and the solar power generation project in Ontario, Canada. Total investments made in the first half of the FY equal 42.4 billion yen (35% of annual budget).
Other	Executed gas liquefaction tolling agreement with Freeport LNG, U.S.

# Gas Sales Volume Results for 1<sup>st</sup> Half of FY2013.3

45MJ/m<sup>3</sup>

	A. FY13.3 1 <sup>st</sup> Half	B. FY12.3 1 <sup>st</sup> Half	A-B	A-B/B (%)	C. FY13.3 1H target	A-C/C (%)
Number of meters installed (thousand)	7,057	7,021	+36	+0.5%	7,053	+0.1%
Installation of new meters (thousand)	37	32	+5	+16.2%	36	+3.4%
Monthly gas sales volume per household (m <sup>3</sup> /month)	23.8	24.5	-0.7	-2.8%	23.9	-0.4%
Residential use	831	853	-21	-2.5%	834	-0.3%
Commercial, public, and medical use	777	809	-32	-4.0%	787	-1.3%
Industrial use	2,122	2,129	-7	-0.3%	2,150	-1.3%
Non-residential total	2,899	2,939	-39	-1.3%	2,936	-1.3%
Wholesale	222	233	-11	-4.6%	228	-2.4%
(non-regulated)	(2,479)	(2,510)	(-31)	(-1.2%)	(2,520)	(-1.6%)
Non-consolidated gas sales volume total (million m <sup>3</sup> )	3,953	4,024	-71	-1.8%	3,998	-1.1%
Consolidated gas sales volume total (million m <sup>3</sup> )	3,970	4,041	-71	-1.8%	4,015	-1.1%

# Results for 1<sup>st</sup> Half of FY2013.3 - I

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

Consolidated, billion yen	A. FY13.3 1 <sup>st</sup> Half	B. FY12.3 1 <sup>st</sup> Half	A-B	A-B/B(%)	C. FY13.3 1H target	A-C/C(%)
Operating revenues	(1.24) <b>629.8</b>	(1.26) 559.6	+70.2	+12.6%	615.0	+2.4%
Operating profit	(1.59) <b>44.8</b>	(5.98) 18.8	+26.0	+137.7%	34.5	+30.1%
Ordinary profit	(1.43) <b>48.3</b>	(2.82) 19.4	+28.8	+148.2%	33.5	+44.2%
Net income	(1.32) <b>30.8</b>	(2.12) 11.0	+19.7	+178.6%	21.0	+47.1%
SVA	<b>14.8</b>	-5.6	+20.4	---	4.3	+238%

		A. FY13.3 1 <sup>st</sup> Half	B. FY12.3 1 <sup>st</sup> Half	A-B	C. FY13.3 1H target	A-C
Consolidated gas sales volume	million m <sup>3</sup>	<b>3,970</b>	4,041	-71	4,015	-45
Profit/ loss on fuel cost adjustment system	billion yen	<b>-7.3</b>	-28.3	+20.9	-6.6	-0.7
Crude oil price	\$/bbl	<b>114.0</b>	113.9	0	115.0	-1.0
Exchange rate	yen/\$	<b>79.4</b>	79.8	-0.4	80.0	-0.6
Number of subsidiaries		<b>129</b>	131	-2	---	---

Design Your Energy 夢ある明日を

Average of preliminary monthly data up to September.

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

# Results for 1<sup>st</sup> Half of FY2013.3 - II

Consolidated, billion yen	A. FY13.3 1H end	FY12.3 1H end	B. Year end	A-B	Remarks
Total assets	1,464.7	1,429.4	1,475.7	-10.9	
Net worth	700.2	664.9	684.5	+15.6	
Interest-bearing debt	550.2	557.0	541.3	+8.8	Increase in Commercial Paper etc.
Number of employees	19,935	19,939	19,818	+117	
Equity ratio	47.8%	46.5%	46.4%	+1.4	
D/E ratio	0.79	0.84	0.79	-0.01	

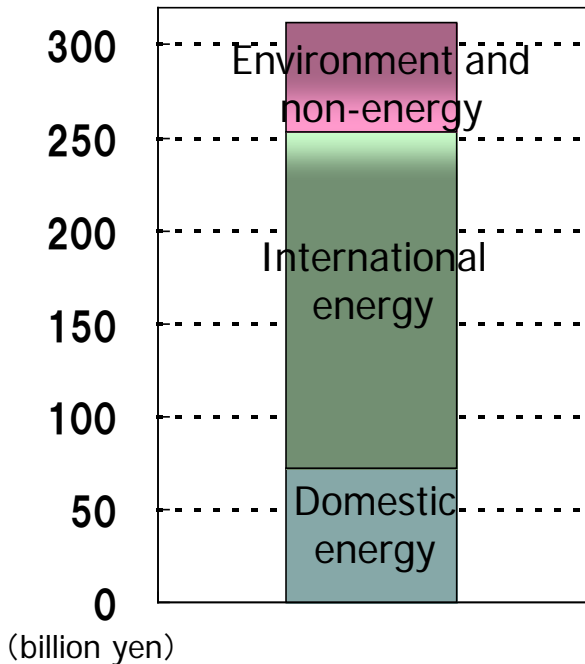
	A. FY13.3 1H	B. FY12.3 1H	A-B	Remarks
Capital expenditure	56.3	33.1	+23.2	LNG projects in Australia, shale gas and liquids project in U.S. etc.
Depreciation	40.9	46.4	-5.5	Completion of special depreciation in FY2012.3
Free cash flow	5.0	-12.5	+17.6	
ROA	2.1%	0.8%	+1.3	
ROE	4.5%	1.7%	+2.8	
EPS (yen)	14.8	5.3	+9.5	
BPS (yen)	336.3	319.3	+17.0	

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

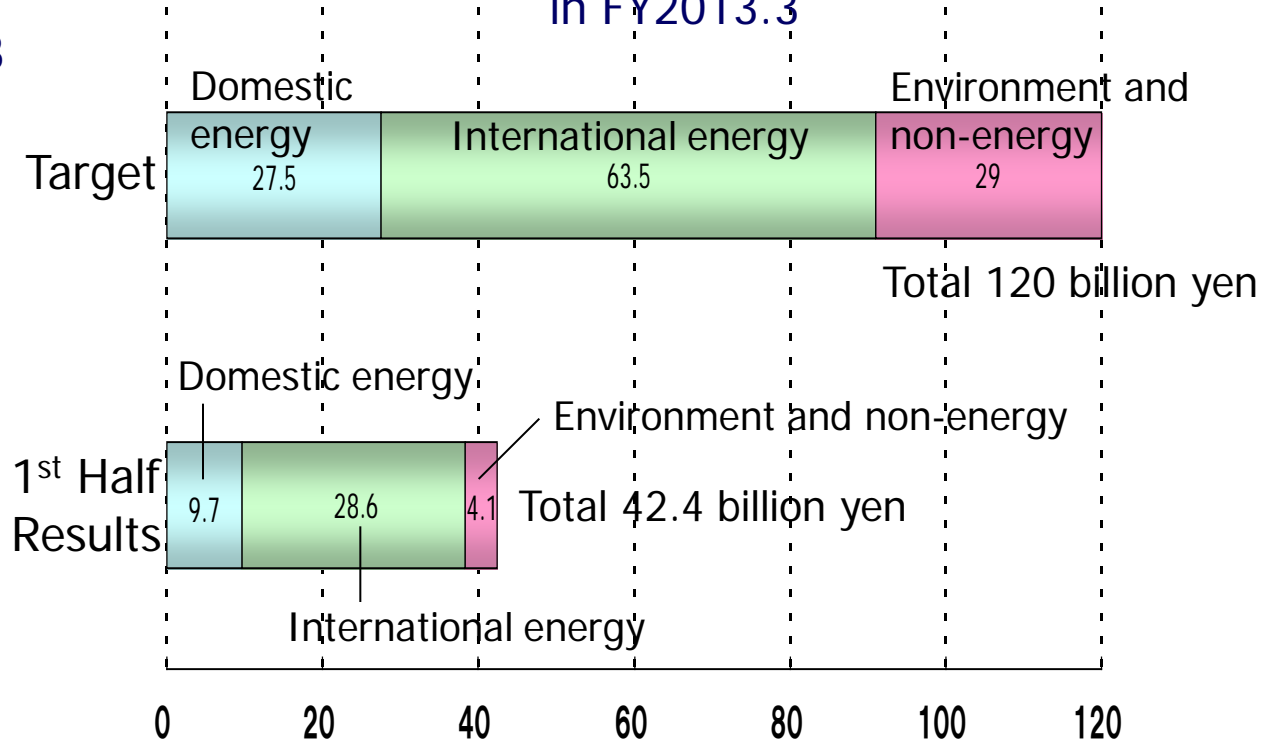
# Results of Investment for expansion, greenfield, and M&A in 1<sup>st</sup> Half of FY2013.3

- Decided investments in the shale gas and liquids project in Texas, U.S. and the solar power generation project in Ontario, Canada
- Cumulative amount approved for invest to date from FY 2010.3 are **312.0 billion yen** (78% of the originally projected for the period between FY 2010.3 and FY 2014.3)

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. (billion yen)



# Summary of modifications to forecasts for FY 2013.3

			A. Revised Forecasts	B. Initial Forecasts	A-B	Remarks
Assumed factors for 2 <sup>nd</sup> Half	Crude oil price	\$/bbl	115	115	0	
	Exchange rate	yen/\$	80	80	0	
Non-consolidated gas sales volume (45MJ/m <sup>3</sup> )	Residential use		(1,398) 2,229	(1,398) 2,232	(0) -3	No change to initial forecasts for the 2 <sup>nd</sup> half
	Commercial, industrial, and other use		(3,157) 6,278	(3,226) 6,390	(-69) -112	Considering decrease in operation of customer facilities
P/L	Operating revenues		1,373.0	1,363.0	+10.0	Increase in gas appliances sales, electricity business sales, and subsidiaries sales.
(billion yen)	Gross margin of gas sales		331.5	333.5	-2.0	Decrease in gas sales volume
	Profit of other sales		31.4	29.4	+2.0	Increase in profit of electricity business
	Operating expenses, labor costs, and depreciation		303.4	305.4	-2.0	Decrease in labor costs (retirement allowances)
	Profit of subsidiaries		34.5	32.5	+2.0	Increase in equity method earnings, etc.
	Operating profit		94.0	90.0	+4.0	
	Ordinary Profit		95.0	90.0	+5.0	

Gas sales volume figures in parentheses in the upper row are figures for the 2<sup>nd</sup> half of FY2013.3

Design Your Energy 夢ある明日を

# Gas Sales Volume Forecasts for FY2013.3

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

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	114.5	114.2	+0.3
Exchange rate	yen/\$	79.7	79.1	+0.6

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

Design Your Energy 夢ある明日を

# Forecasts for FY2013.3 - II

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

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



## II. Facts and Figures

# Topics in FY2013.3

## ■ Participation in Solar Power Generation Project in Ontario, Canada (announced in June)

- Capacity: 9 sites, 100MW in total
- Project ownership: Osaka Gas 44.95%, Mitsubishi Corporation 44.95%, Sharp 10.1%



## ■ Construction of large-scale Solar Power Plants in Japan (announced in June)

- Capacity: 3 sites, 3.5MW in total

## ■ Participation in Shale Gas and Liquids Project in Texas, U.S. (announced in June)

- Participation: Cabot 65%, Osaka Gas 35%
- Main products: Natural Gas, Condensate, and Natural Gas Liquids

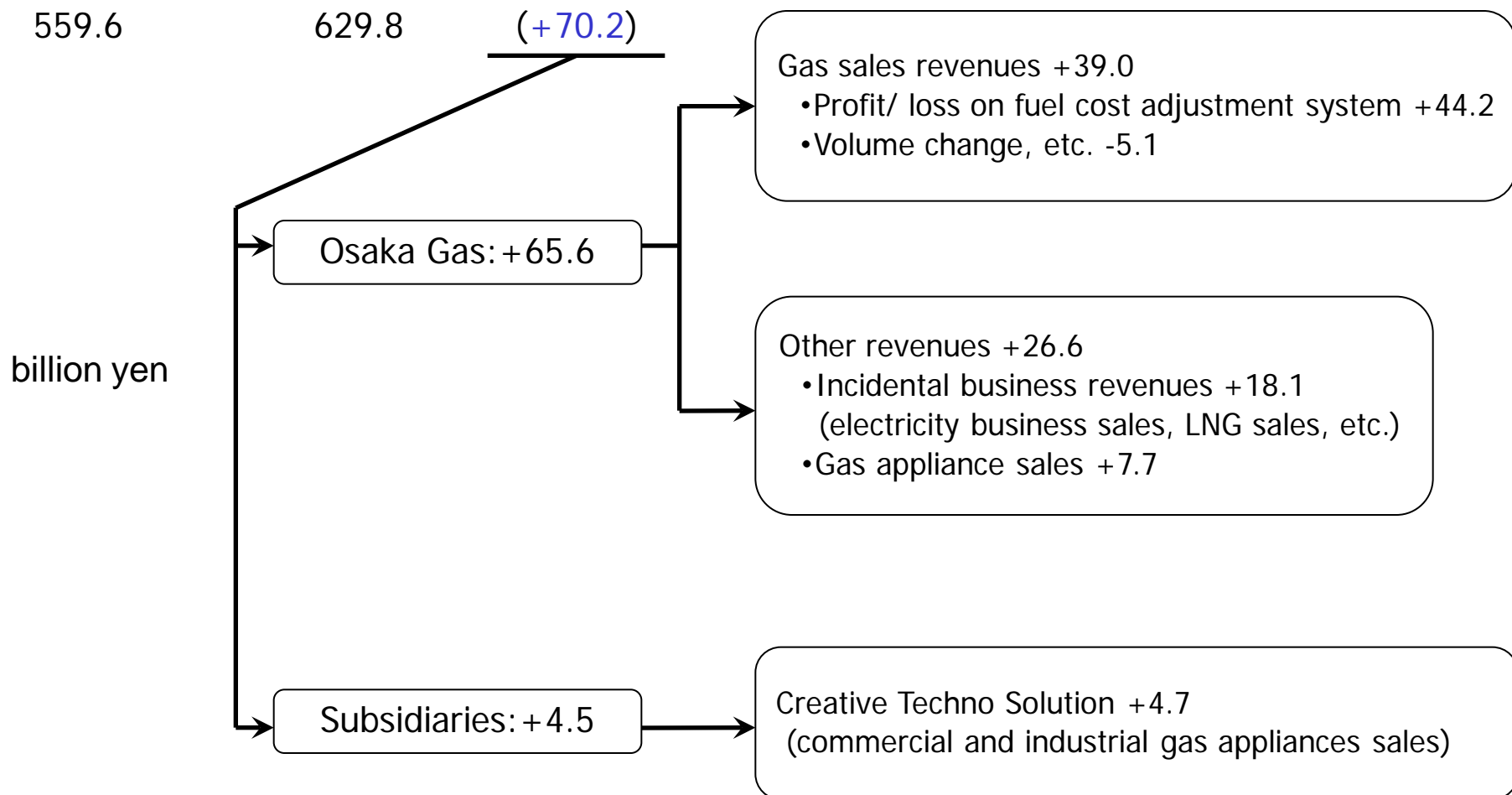
## ■ Executed Gas Liquefaction Tolling Agreement with Freeport LNG (announced in July)

- Osaka Gas and Chubu Electric focus on acquiring a 4.4 million tons of LNG per annum (mtpa) production capacity at the existing Freeport LNG regasification terminal.



# Sales variance for 1<sup>st</sup> Half of FY2013.3 (Year-on-Year)

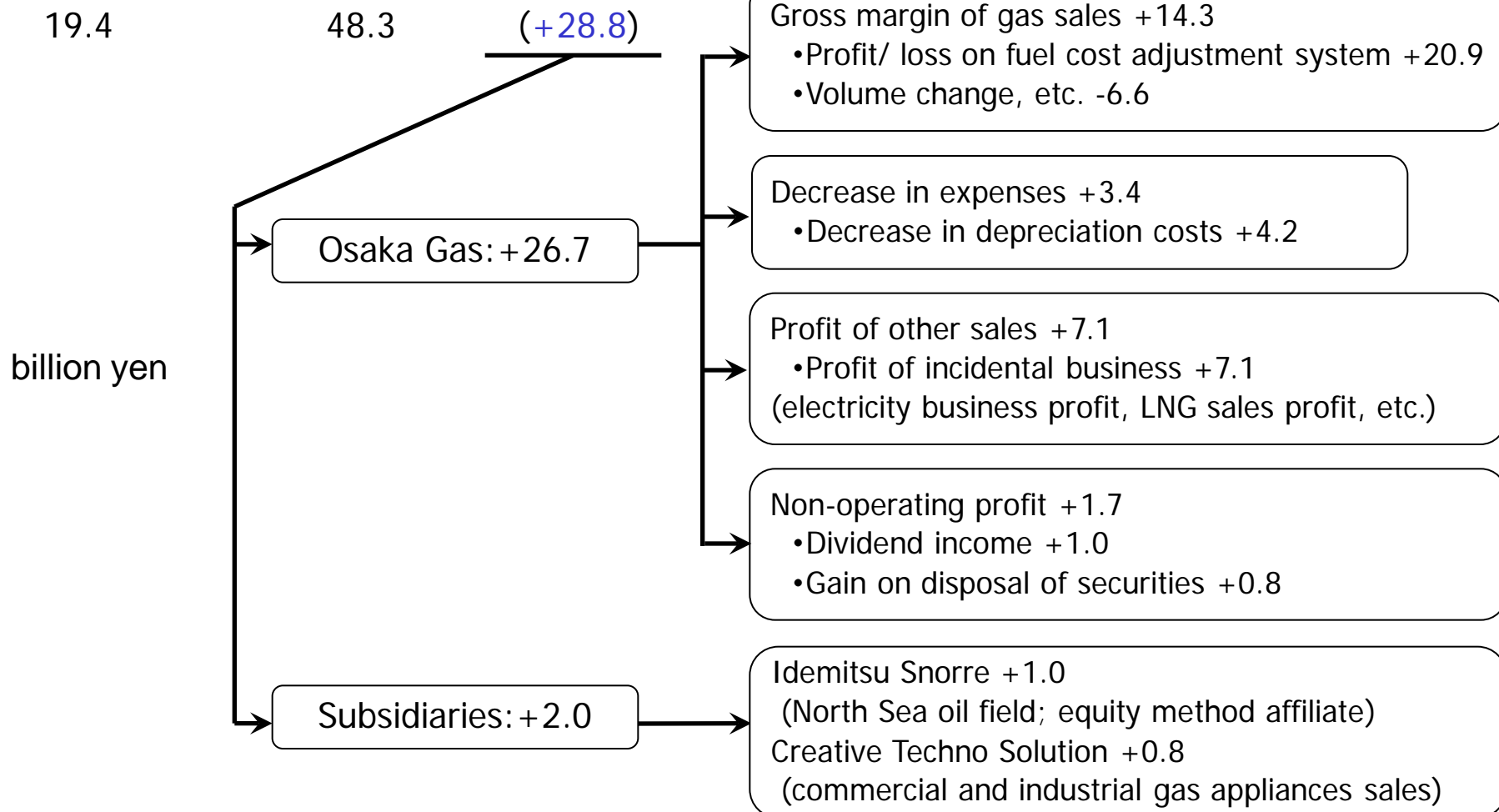
FY12.3 1<sup>st</sup> Half → FY13.3 1<sup>st</sup> Half (differences)



# Ordinary profit variance for 1<sup>st</sup> Half of FY2013.3 (Year-on-Year)

FY12.3 1<sup>st</sup> Half → FY13.3 1<sup>st</sup> Half (differences)

+/- signs indicate impact on profit.



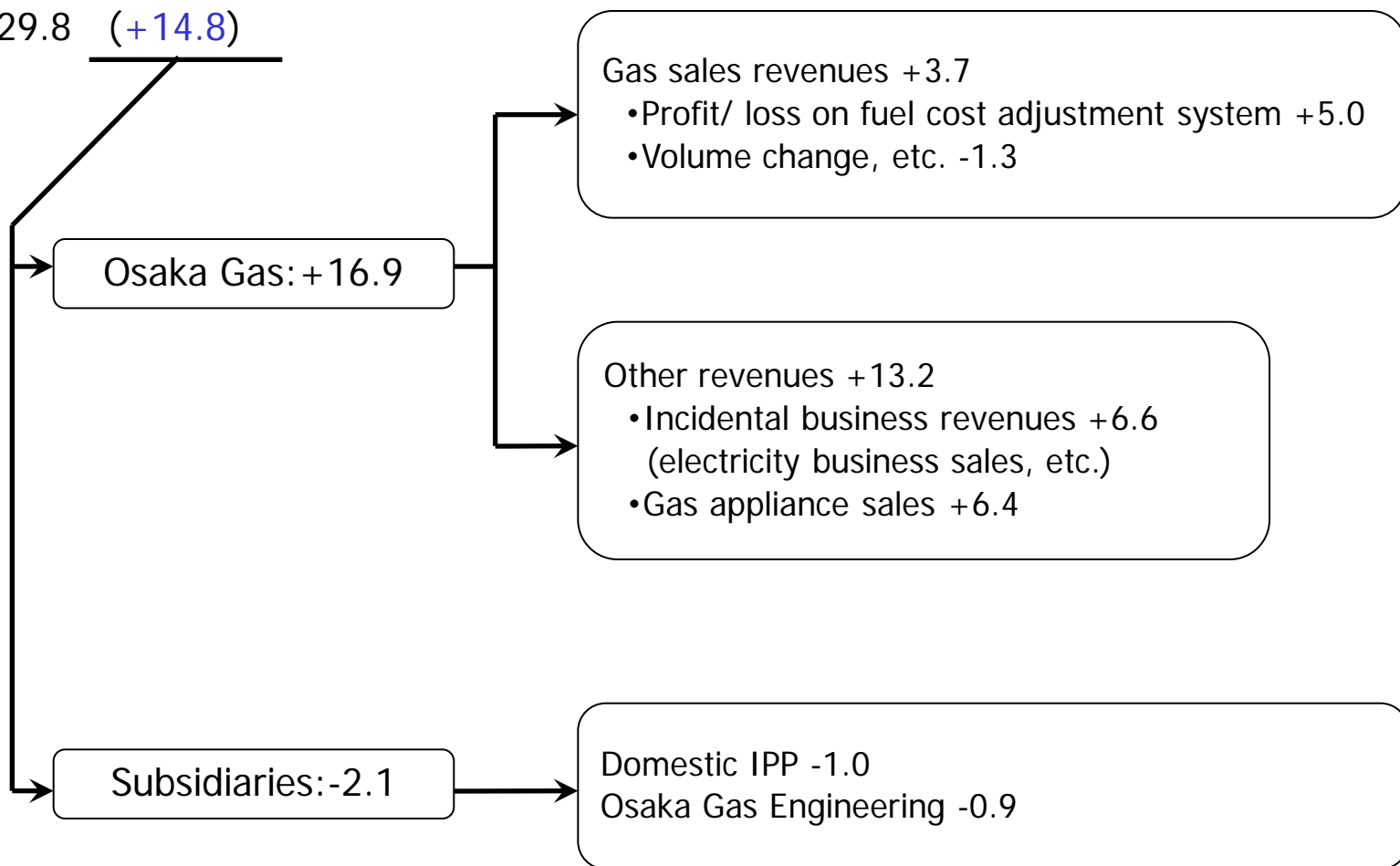


# Sales variance for 1<sup>st</sup> Half of FY2013.3 (with targets)

Targets → Results (differences)

615.0    629.8    (+14.8)

billion yen



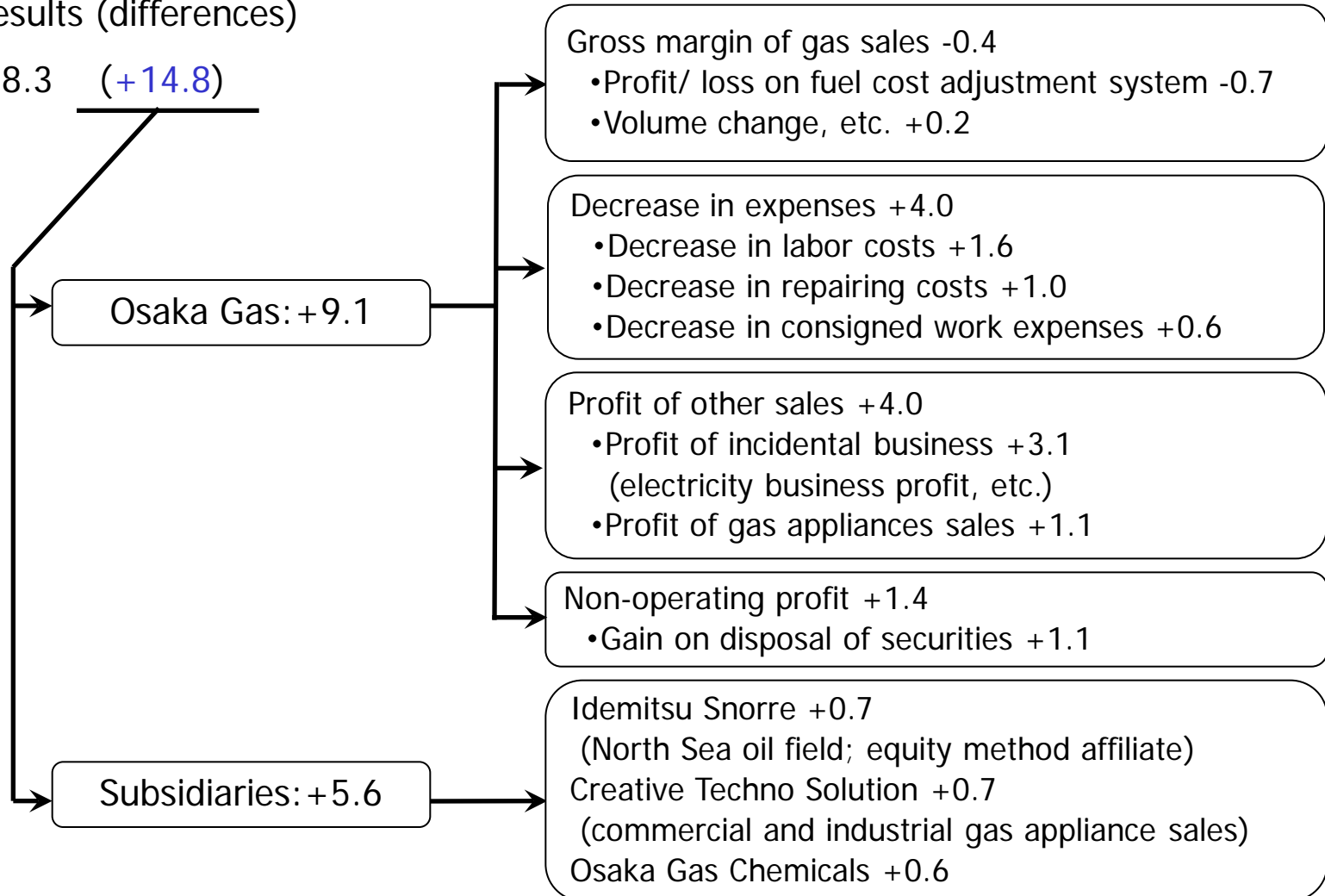
# Ordinary profit variance for 1<sup>st</sup> Half of FY2013.3 (with targets)

+/- signs indicate impact on profit.

Targets → Results (differences)

33.5      48.3      (+14.8)

billion yen



# Results for FY2013.3 by Segment

billion yen	Operating revenues		Operating profit + equity method earnings		Remarks
	FY13.3 1st Half	FY12.3 1st Half	FY13.3 1st Half	FY12.3 1st Half	
Gas	471.3	418.2	14.6	-4.2	<u>Revenues</u> : Rise in the gas sales price <u>Profit</u> : Decrease in loss on fuel cost adjustment system
LPG, electricity, and other energies	98.9	82.1	20.1	12.8	<u>Revenues</u> : Increase in electricity business sales and LNG sales, etc. <u>Profit</u> : Increase in profit of electricity business <u>Electricity business profit</u> <sup>(*)</sup> FY12.3 1H: 9.3, FY13.3 1H: 15.1
International energies	5.2	5.1	4.6	2.7	Increase in equity method earnings (North Sea oil field, IPPs in UAE and in Spain)
Environment and non-energies	84.3	86.1	7.7	8.2	<u>Revenues</u> : Decrease in sales of real estate business, etc. <u>Profit</u> : Decrease in profit of chemical business, etc.
Elimination/consolidation	-30.0	-32.0	1.3	1.1	
Consolidated	629.8	559.6	48.5	20.8	

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

Design Your Energy 夢ある明日を

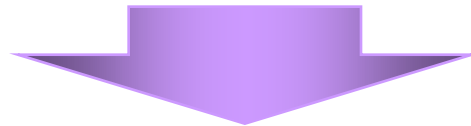
# Forecasts for FY2013.3 by Segment

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 price <u>Profit</u> : Decrease in loss on fuel cost adjustment system
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 equity method earnings (North Sea oil field, IPP 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	

# Residential Gas Sales

## FY2013.3 1<sup>st</sup> Half Results

	YoY change	Remarks
Number of customers	+0.3%	
Influence of temperature	-2.5%	Average annual temperature: 23.5 degrees Celsius (Year-on-Year change: +0.2 degrees Celsius)
Others	-0.3%	
Total	-2.5%	



## FY2013.3 Forecasts

- Results in the 1<sup>st</sup> half fell below the targets by 3 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 3 million m<sup>3</sup>, which is a decrease of 42 million m<sup>3</sup> from the previous year to 2,229 million m<sup>3</sup>.

# Commercial, public, and medical Gas Sales

## FY2013.3 1<sup>st</sup> Half Results

	YoY change	Remarks
Demand development	+2.0%	
Influence of temperature, etc.	-2.3%	Decrease in demand for air conditioning due to cooler weather in late June
Others	-3.7%	Impact of further energy conservation by customers
Total	-4.0%	



## FY2013.3 Forecasts

- Results in the 1<sup>st</sup> half fell below the targets by 10 million m<sup>3</sup>.
- Sales for the 2<sup>nd</sup> half is expected to fall below the initial forecasts by 5 million m<sup>3</sup>.
- Full-year result is expected to fall below the initial forecasts by 15 million m<sup>3</sup>, which is a decrease of 77 million m<sup>3</sup> from the previous year to 1,497 million m<sup>3</sup>.

# Industrial Gas Sales

## FY2013.3 1<sup>st</sup> Half Results

	YoY change	Remarks
Demand development	+2.6%	Shift to gas from other fuels, etc.
Increase/decrease of operating rates	-2.9%	Decrease in operation of customer facilities, etc.
Total	-0.3%	

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

	Volume	YoY change
Machinery	195	111.4%
Metal	529	99.6%
Glass	170	99.5%
Food	261	101.2%
Chemical	590	101.6%

## FY2013.3 Forecasts

- Results in the 1<sup>st</sup> half fell below the targets by 27 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 55 million m<sup>3</sup>). Accordingly, we expect the full-year result will fall below the initial forecasts by 82 million m<sup>3</sup>, which is an decrease of 34 million m<sup>3</sup> from the previous year to 4,322 million m<sup>3</sup>.

# Risk Factors Affecting Forecast of Annual Results

- Atmospheric and water temperatures
  - A 1 degree Celsius change in atmospheric and water temperatures will impact the residential gas sales volume (with an approx. 5% increase/decrease in spring and autumn, an approx. 6% change in summer, and an approx. 4% change in winter).
- Crude oil price
  - LNG price is linked to crude oil price. A \$1/bbl change in crude oil price will have an effect of approximately 800 million yen on gross profit for 2<sup>nd</sup> half of this fiscal year.
- Foreign exchange rate
  - LNG price is affected by the fluctuation of the U.S. dollar/Japanese yen exchange rate. A 1 yen fluctuation in the U.S. dollar/Japanese yen exchange rate will have an effect of approximately 1.3 billion yen on gross profit for 2<sup>nd</sup> half of this fiscal year.
- Fuel costs
  - Although the fuel cost adjustment system allows us to reflect changes in fuel costs in gas rates in the medium and long terms, an increase in fuel costs is likely to affect the business results due to a time lag in reflecting cost fluctuations, and depending on the composition of fuel suppliers.
- Interest rate
  - A 1% change in the interest rate will have an effect of approximately 600 million yen on annual consolidated non-operating expenses.