



Financial Report for 1st Half of FY2012.3 (April 2011 – September 2011)

October 2011
Osaka Gas Co., Ltd.

I. Business Results for 1st Half of FY2012.3 and Forecasts for FY2012.3

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.

Note regarding the indication of quarter

“Quarter” refers to “quarterly cumulative period,” unless otherwise noted.

Summary of Business Results for 1st Half of FY2012.3

■ Overview

| | |
|---------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Consolidated operating revenues | Increased 3.2% to ¥559.6 billion due to the increase in gas sales volume mainly in the industrial market and the increase in the gas sales unit price under the fuel cost adjustment system resulting from the LNG price increase. |
| Consolidated operating profit | Decreased 47.3% to ¥18.8 billion due to the decrease in the gross margin of gas sales that was affected by the increase in raw material costs resulting from the LNG price increase. Includes a time-lag loss of ¥28.3 billion (Time-lag loss in the same period last year was ¥6.9 billion). |

■ Gas Sales Volume

| | |
|---------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Residential | Increased 0.4% to 853 million m ³ , supported by colder weather and colder water temperature than the previous year. |
| Commercial and Industrial | Increased 1.6% to 2,939 million m ³ , supported mainly by improvement in the facility operating rates at customer sites and development of new demand. |

■ Other topics

| | |
|-------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Investment for expansion/ greenfield/ M&A | Decided investments in the Shale Gas Development Project in Canada, LNG vessel construction, and others. Total investment made during the 1st half of FY2012.3 was ¥25.1 billion. |
|-------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Gas sales for 1st Half of FY2012.3

| 45MJ/m ³ | A. FY12.3 1 st Half | B. FY11.3 1 st Half | A-B | A-B/B(%) |
|-------------------------------------------------------------------|-----------------------------------|-----------------------------------|-------|----------|
| Number of meters installed (thousand) | 7,021 | 6,990 | +30 | +0.4% |
| Installation of new meters (thousand) | 32 | 33 | -1 | -4.3% |
| Monthly gas sales volume per household (m ³ /month) | 24.5 | 24.4 | +0.0 | +0.2% |
| Residential use | 853 | 850 | +3 | +0.4% |
| Commercial, public, and medical use | 809 | 845 | -36 | -4.2% |
| Industrial use | 2,129 | 2,047 | +82 | +4.0% |
| Commercial and Industrial use | 2,939 | 2,892 | +46 | +1.6% |
| Wholesale | 233 | 231 | +2 | +0.7% |
| (Non-regulated included) | (2,510) | (2,448) | (+62) | (+2.5%) |
| Non-consolidated gas sales volume (million m ³) | 4,024 | 3,973 | +51 | +1.3% |
| Consolidated gas sales volume (million m ³) | 4,041 | 3,991 | +50 | +1.3% |

Results for 1st Half of FY2012.3 I

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

| Consolidated, billion yen | A. FY12.3 1H | B. FY11.3 1H | A-B | A-B/B | Remarks |
|------------------------------|-----------------|-----------------|-------|--------|-------------------------------------------------------------------------|
| Operating revenues | (1.26) 559.6 | (1.31) 542.1 | +17.4 | +3.2% | Increase in gas sales volume, increase in gas sales unit price, etc. |
| Operating profit | (5.98) 18.8 | (1.80) 35.8 | -16.9 | -47.3% | Decrease in gross margin of gas sales, etc. |
| Ordinary profit | (2.82) 19.4 | (1.64) 34.6 | -15.2 | -43.9% | Increase in earnings of equity method affiliates, etc. |
| Net income | (2.12) 11.0 | (1.41) 19.0 | -7.9 | -41.8% | |
| SVA | -5.6 | 3.5 | -9.1 | --- | |

| | | A. FY12.3 1H | B. FY11.3 1H | A-B |
|---------------------------------------------|------------------------|--------------|--------------|-------|
| Consolidated gas sales volume | million m ³ | 4,041 | 3,991 | +50 |
| Profit/ loss on fuel cost adjustment system | billion yen | -28.3 | -6.9 | -21.3 |
| Crude oil price | \$/bbl | 113.9 | 78.9 | +35.1 |
| Exchange rate | ¥/\$ | 79.8* | 88.9 | -9.1 |
| Number of subsidiaries | | 131 | 130 | +1 |

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

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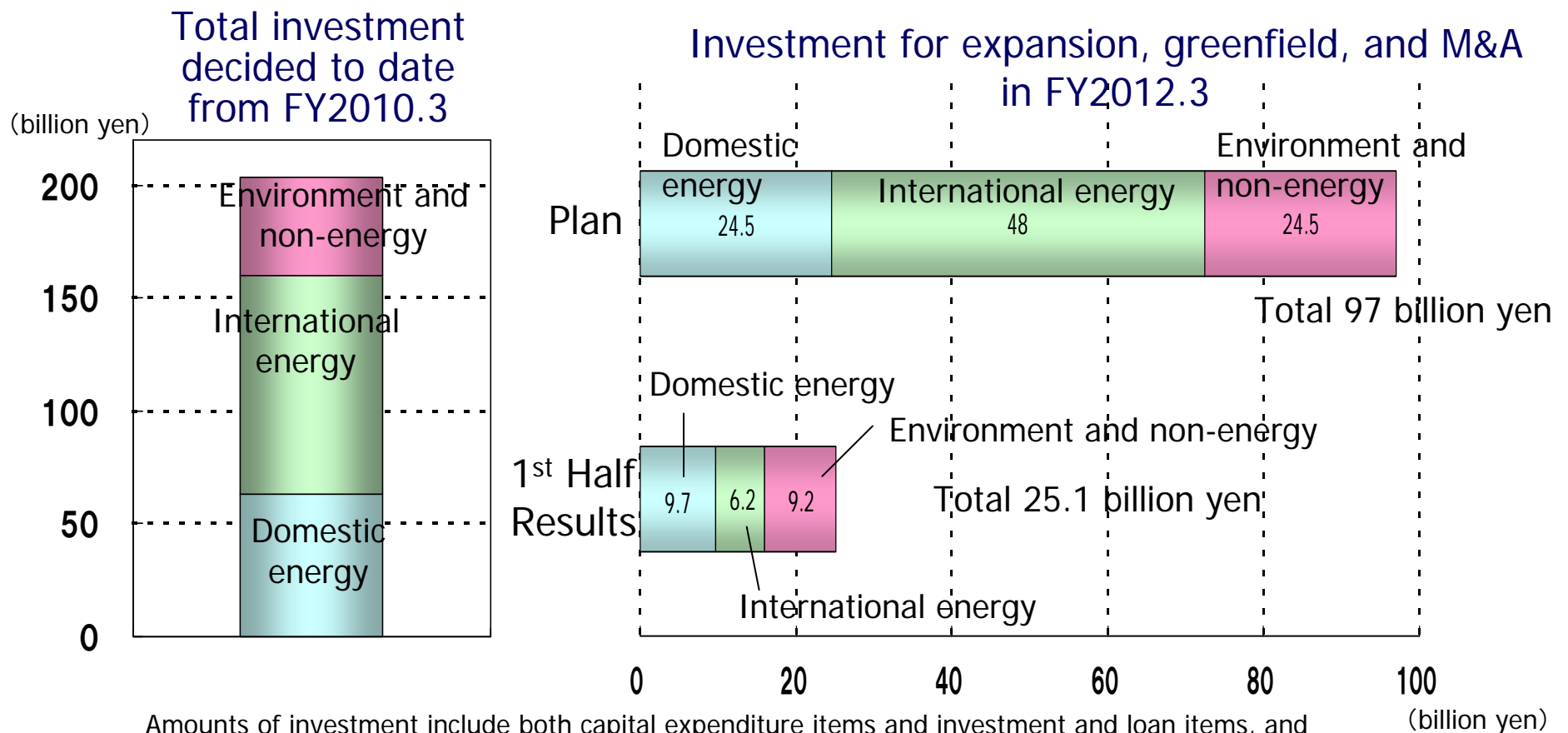
Results for 1st Half of FY2012.3 II

| Consolidated, billion yen | A. FY12.3 1H end | FY11.3 1H end | B. Year end | A-B | Remarks |
|------------------------------|---------------------|------------------|-------------|----------------------------------------------|------------------------------------------------|
| Total assets | 1,429.4 | 1,391.4 | 1,437.2 | -7.8 | |
| Net worth | 664.9 | 660.0 | 664.9 | -0.0 | |
| Interest-bearing debt | 557.0 | 524.6 | 532.4 | +24.5 | Increase in borrowings and Commercial Paper |
| Number of employees | 19,939 | 19,785 | 19,684 | +255 | |
| Equity ratio | 46.5% | 47.4% | 46.3% | +0.2 | |
| D/E ratio | 0.84 | 0.79 | 0.80 | +0.04 | |
| | A. FY12.3 1H | B. FY11.3 1H | A-B | Remarks | |
| Capital expenditure | 33.1 | 31.2 | +1.9 | Construction of Himeji-Okayama Line, etc. | |
| Depreciation | 46.4 | 47.9 | -1.4 | | |
| Free cash flow | -12.5 | -11.3 | -1.1 | | |
| ROA | 0.8% | 1.3% | -0.6 | | |
| ROE | 1.7% | 2.9% | -1.2 | | |
| EPS (yen) | 5.3 | 8.8 | -3.5 | | |
| BPS (yen) | 319.3 | 307.3 | +12.0 | | |

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 1st Half of FY2012.3

- Decided investments in the Shale Gas Development Project in Canada and LNG vessel construction
- Total investment decided to date from FY 2010.3 is **¥203.5 billion** (51% of the FY 2010.3 to FY 2014.3 period plan).



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. Design Your Energy 夢ある明日を

Points of modifications to forecasts for FY 2012.3

| | | | A. Revised forecasts | B. Initial forecasts | A-B | Remarks |
|----------------------------------------------------------|---------------------------------------------------|--------|----------------------|----------------------|----------------|-----------------------------------------------------------------------------------------------------------------|
| Assumed factors for 2 nd Half | Crude oil price | \$/bbl | 110 | 100 | +10 | \$107/bbl for October |
| | Exchange rate | ¥/\$ | 80 | 85 | -5 | ¥77/\$ for October |
| Non-consolidated gas sales volume (45MJ/m ³) | Residential use | | (1,389) 2,242 | (1,389) 2,237 | (0) +4 | No change to initial forecasts for the 2 nd half |
| | Commercial, industrial, and other use | | (3,201) 6,372 | (3,089) 6,211 | (+112) +162 | Considering results for the 1 st half, the forecasts for the 2 nd half is modified upward |
| P/L (billion yen) | Operating revenues | | 1,291.0 | 1,267.0 | +24.0 | |
| | Gross margin of gas sales | | 322.4 | 331.9 | -9.5 | Increase in electricity Assumptions for the 2 nd half are modified |
| | Gross margin of other sales | | 24.6 | 20.6 | +4.0 | Increase in electricity business profit, etc. |
| | Operating expenses, labor costs, and depreciation | | 311.0 | 309.5 | +1.5 | |
| | Profit of subsidiaries | | 35.0 | 31.0 | +4.0 | Increase in advanced materials business profit, etc. |
| | Operating profit | | 71.0 | 74.0 | -3.0 | |
| | Ordinary Profit | | 70.0 | 70.0 | 0.0 | |

Gas sales volume figures in parentheses in the upper row are figures for the 2nd half of FY2012.3

Gas Sales Forecasts for FY2012.3

| 45MJ/m ³ | A. FY12.3 forecasts | B. FY11.3 results | A-B | A-B/B(%) |
|----------------------------------------------------------------|---------------------|-------------------|--------|----------|
| Number of meters installed (thousand) | 7,039 | 7,012 | +27 | +0.4% |
| Installation of new meters (thousand) | 79 | 79 | -0 | -0.2% |
| Monthly gas sales volume per household (m ³ /month) | 32.2 | 32.7 | -0.5 | -1.6% |
| Residential use | 2,242 | 2,275 | -34 | -1.5% |
| Commercial, public, and medical use | 1,553 | 1,624 | -71 | -4.4% |
| Industrial use | 4,330 | 4,141 | +190 | +4.6% |
| Commercial and industrial use | 5,883 | 5,765 | +119 | +2.1% |
| Wholesale | 489 | 488 | +1 | +0.3% |
| (Non-regulated included) | (5,037) | (4,874) | (+163) | (+3.3%) |
| Non-consolidated gas sales volume (million m ³) | 8,614 | 8,528 | +86 | +1.0% |
| Consolidated gas sales volume (million m ³) | 8,646 | 8,560 | +86 | +1.0% |

Forecasts for FY12.3 I

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

| Consolidated, billion yen | A. FY12.3 forecasts | B. FY11.3 results | A-B | A-B/B (%) |
|---------------------------|---------------------|-------------------|--------|-----------|
| Operating revenues | 1,291.0 | 1,187.1 | +103.8 | +8.7% |
| Operating profit | (1.26) 71.0 | (1.29) 88.5 | -17.5 | -19.9% |
| Ordinary profit | (1.97) 70.0 | (1.68) 82.3 | -12.3 | -15.0% |
| Net income | (1.73) 43.5 | (1.49) 45.9 | -2.4 | -5.4% |
| SVA | (1.58) 10.0 | (1.33) 13.2 | -3.2 | -24.2% |

| | | A. FY12.3 forecasts | B. FY11.3 results | A-B |
|---------------------------------------------|------------------------|---------------------|-------------------|-------|
| Consolidated gas sales volume | million m ³ | 8,646 | 8,560 | +86 |
| Profit/ loss on fuel cost adjustment system | billion yen | -27.7 | -8.5 | -19.2 |
| Crude oil price | \$/bbl | 111.7 | 84.1 | +27.6 |
| Exchange rate | ¥/\$ | 79.7 | 85.7 | -6.1 |

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

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Forecasts for FY2012.3 II

| Consolidated, billion yen | A. FY12.3 end forecasts | B. FY11.3 end results | A-B |
|---------------------------|-------------------------|-----------------------|-------|
| Total assets | 1,519.2 | 1,437.2 | +81.9 |
| Net worth | 693.6 | 664.9 | +28.6 |
| Interest-bearing debt | 571.8 | 532.4 | +39.3 |
| Number of employees | 19,830 | 19,684 | +146 |
| Equity ratio | 45.7% | 46.3% | -0.6 |
| D/E ratio | 0.82 | 0.80 | +0.02 |

| | A. FY12.3 forecasts | B. FY11.3 results | A-B |
|---------------------|---------------------|-------------------|-------|
| Capital expenditure | 90.8 | 69.6 | +21.2 |
| Depreciation | 96.8 | 97.5 | -0.7 |
| Free cash flow | 70.8 | 72.7 | -1.9 |
| ROA | 2.9% | 3.1% | -0.3 |
| ROE | 6.2% | 6.9% | -0.7 |
| EPS (yen) | 20.9 | 21.6 | -0.7 |
| BPS (yen) | 333.1 | 319.3 | +13.8 |

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

Participation in the Shale Gas Development Project in Canada

- Decision was made to participate in the Shale Gas Development Project in the Cordova depositional basin via a consortium^(*).
- Will invest in 7.5% interest in Cordova Gas Resources, which holds 50% of the interest in the Project.
- Reserve: 100 to 160 million tons (LNG equivalent);
Production: 3.5 million tons/year (LNG equivalent)
- Will obtain beneficial knowledge about shale gas development, and discuss studying the possibility of exporting the shale gas to Japan as LNG.



(*) Consortium: Will comprise five Japanese companies (Mitsubishi Corporation, Japan Oil, Gas and Metals National Corporation (JOGMEC), Chubu Electric Power, Tokyo Gas, and Osaka Gas)

Construction of LNG Vessel

- Decided construction of two LNG vessels.
- Will be used mainly for importing LNG under new contract to Osaka Gas.
- In-service schedule:
September 2014 and April 2015
- Capacity: 153,000 m³
- Shipyard: Mitsubishi Heavy Industries
- Vessel management: Mitsui O.S.K. Lines



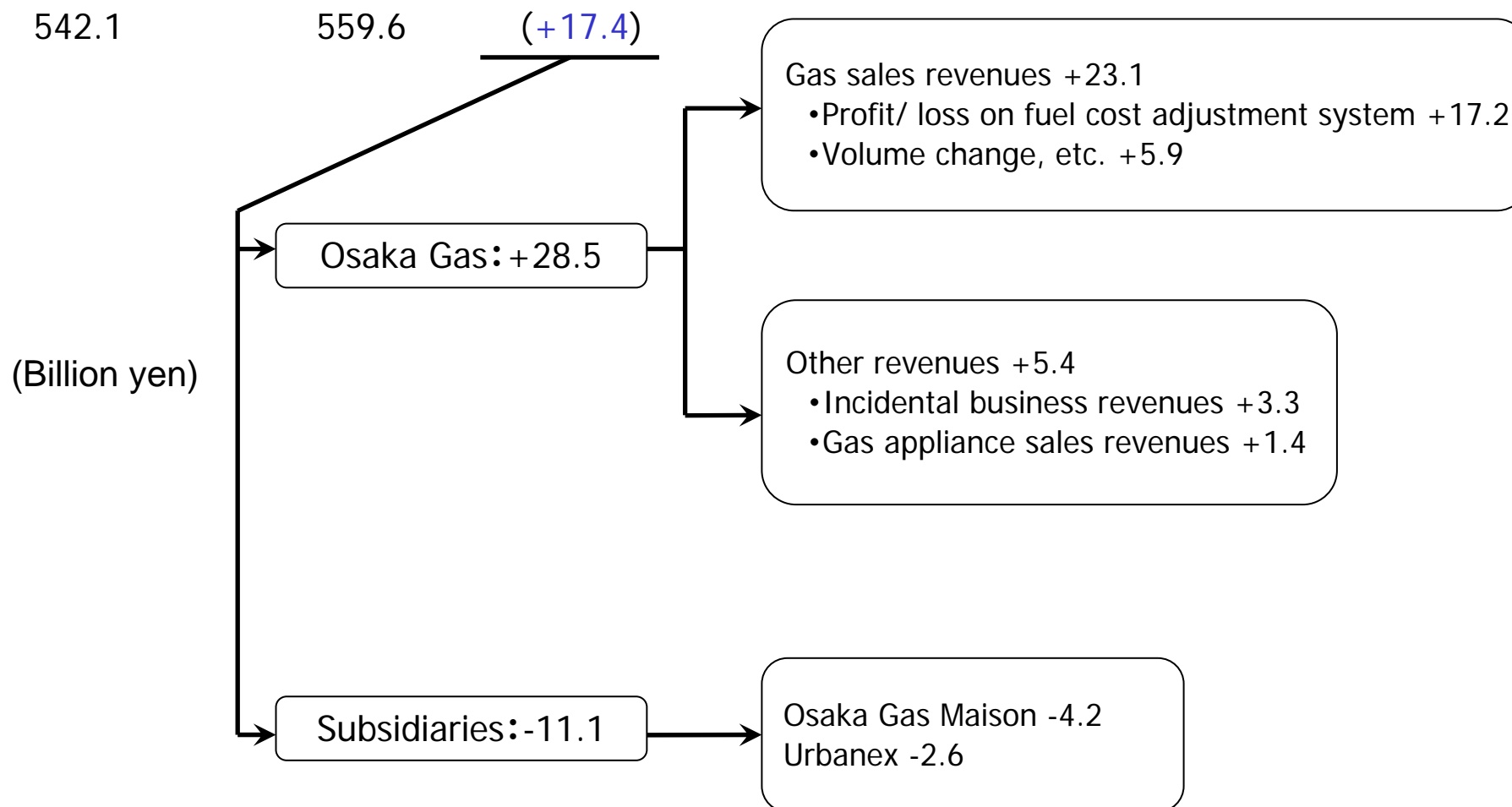
Appearance image



II. Facts and Figures

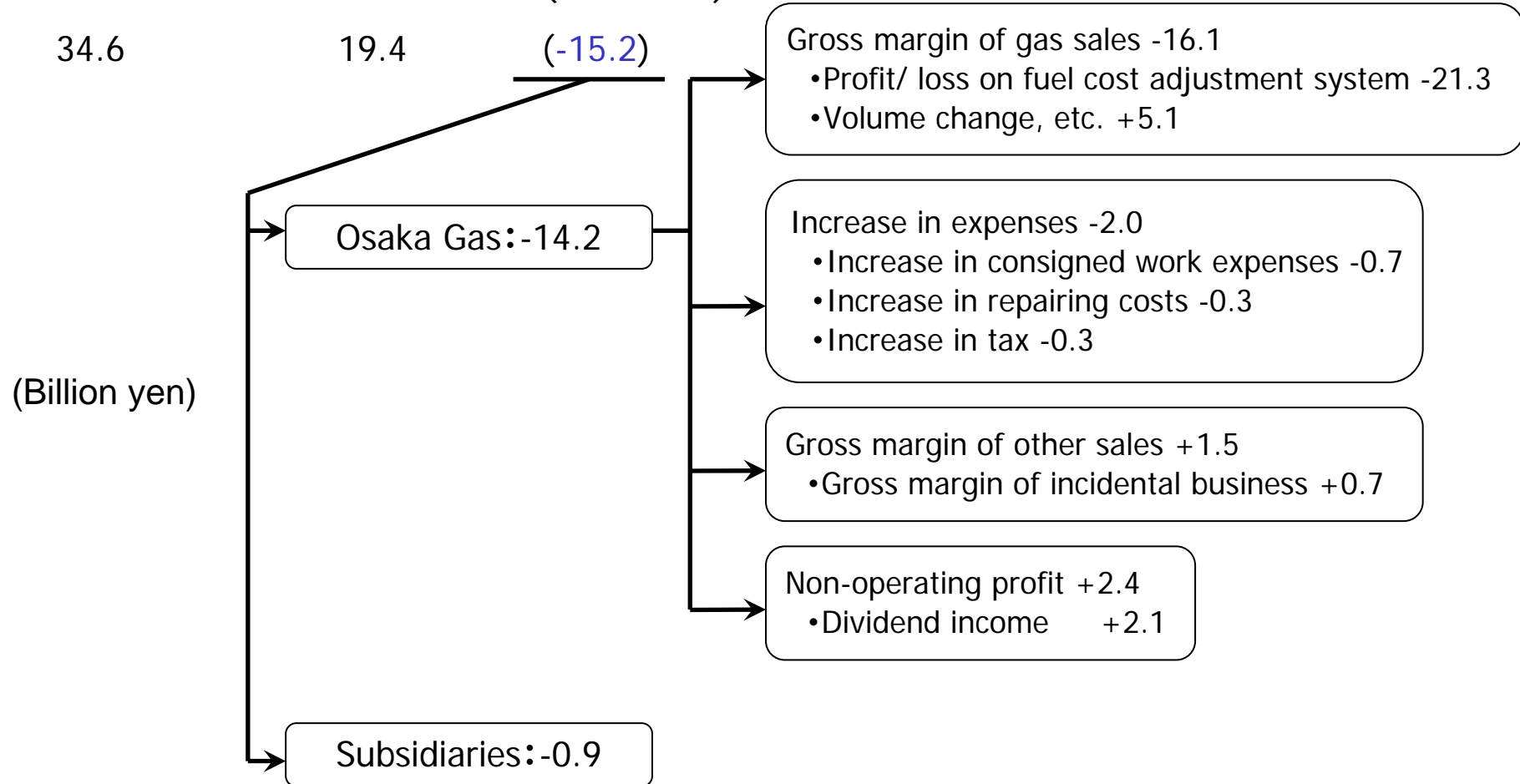
Sales variance for 1st Half of FY2012.3 (vs.FY2011.3)

FY11.3 1st Half → FY12.3 1st Half (differences)



Ordinary profit variance for 1st Half of FY2012.3 (vs. 2011.3)

FY11.3 1st Half → FY12.3 1st Half (difference)



Results by segment

| billion yen | Operating revenues | | Operating profit + equity method earnings | | Remarks |
|--------------------------------------|--------------------|--------------|-------------------------------------------|--------------|----------------------------------------------------------------------------------------------------------------------------------|
| | FY12.3 1H | FY11.3 1H | FY12.3 1H | FY11.3 1H | |
| Gas | 418.2 | 394.3 | -4.2 | 13.6 | <u>Revenues</u> : Increase in gas sales <u>Profit</u> : Increase in loss on fuel cost adjustment system |
| LPG, electricity, and other energies | 82.1 | 82.2 | 12.8 | 12.7 | |
| International energies | 5.1 | 5.4 | 2.7 | 2.7 | |
| Environment and non-energies | 86.1 | 88.5 | 8.2 | 6.9 | <u>Revenues</u> : Decrease in real estate sales, etc. <u>Profit</u> : Increase in profit of advanced materials business, etc. |
| Elimination and consolidation | -32.0 | -28.3 | 1.1 | 1.2 | |
| Consolidated | 559.6 | 542.1 | 20.8 | 37.3 | |

Forecasts by segment

| billion yen | Operating revenues | | Operating profit + equity method earnings | | Remarks |
|--------------------------------------|--------------------|----------------|-------------------------------------------|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | FY12.3 forecasts | FY11.3 results | FY12.3 forecasts | FY11.3 results | |
| Gas | 965.5 | 879.8 | 21.0 | 41.9 | <u>Revenues</u> : Increase in gas sales unit price <u>Profit</u> : Increase in loss on fuel cost adjustment system |
| LPG, electricity, and other energies | 206.0 | 174.7 | 27.5 | 25.6 | <u>Revenues</u> : Increase in sales of electricity and LNG businesses, and increase in LPG sales unit price, etc. <u>Profit</u> : Increase in profit of electricity business, etc. |
| International energies | 11.0 | 11.1 | 6.0 | 4.9 | Increase in equity method earnings (IPP in Spain, North Sea oil field) |
| Environment and non-energies | 175.5 | 185.4 | 17.5 | 15.6 | <u>Revenues</u> : Decrease in real estate sales, etc. <u>Profit</u> : Increase in profit of advanced materials business, etc. |
| Elimination and consolidation | -67.0 | -64.0 | 2.0 | 2.5 | |
| Consolidated | 1,291.0 | 1,187.1 | 74.0 | 90.7 | |

Monthly gas sales for the 1st Half of FY 2012.3

Year-on-year change 2011/2010 (%)

| | | Apr. | May | Jun. | Jul. | Aug. | Sep. | Total | Remarks |
|----------------------------------|-----------|-------|-------|-------|-------|-------|-------|-------|-------------------------------------------------------------------------------------------------------------|
| Residential | | 101.5 | 96.2 | 100.7 | 94.7 | 99.4 | 116.9 | 100.4 | Influence of temperature |
| Commercial | | 102.4 | 94.8 | 103.7 | 97.4 | 91.7 | 90.4 | 95.8 | Influence of saving energies |
| Industrial | | 103.3 | 107.5 | 102.5 | 102.6 | 106.4 | 102.1 | 104.0 | |
| by s e c t o r | Machinery | 87.9 | 95.7 | 99.3 | 95.6 | 99.0 | 96.9 | 95.8 | Decrease in operation due to disruption of supply chain |
| | Metal | 104.6 | 106.4 | 100.6 | 104.0 | 111.4 | 105.0 | 105.3 | Transfer of production from east to west in Japan. Increase in production for restoration in east Japan. |
| | Glass | 114.3 | 115.8 | 105.9 | 110.0 | 109.7 | 114.7 | 111.6 | |
| | Food | 101.8 | 106.0 | 105.7 | 100.3 | 100.6 | 101.9 | 102.7 | |
| | Chemical | 101.6 | 110.9 | 98.5 | 96.2 | 98.1 | 94.6 | 99.8 | |
| Wholesale | | 101.0 | 108.3 | 100.8 | 94.0 | 102.5 | 97.6 | 100.7 | |
| Total | | 102.4 | 102.1 | 102.2 | 99.6 | 101.1 | 100.1 | 101.3 | |

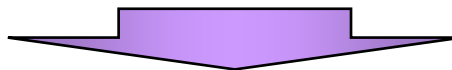
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Residential Gas Sales

FY2012.3 1st Half results

| | YoY change | Remarks |
|-------------------------------|------------|---------------------------------------------------------------------------------|
| Change in number of customers | +0.2% | |
| Influence of temperature | +1.3% | Average temperature at 23.3 degrees C. (Year-on-year change: -0.3 degree C.) |
| Others | -1.1% | |
| Total | +0.4% | |



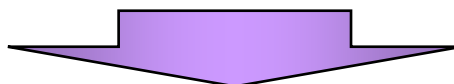
FY2012.3 forecasts

- Results in the 1st half exceeded the initial forecasts by 4 million m³.
- No change in the initial forecasts for the 2nd half
- Full-year result is expected to exceed the initial forecasts by 4 million m³, which is a decrease of 34 million m³ from the previous year to 2,242 million m³.

Commercial, public, and medical Gas Sales

FY2012.3 1st Half results

| | YoY change | Remarks |
|--------------------------------|------------|-----------------------------------------------------------------------------|
| Demand development | +2.8% | Mainly new operation of public facilities |
| Influence of temperature, etc. | -1.5% | Decrease in demand for air conditioning due to cooler weather during summer |
| Others | -5.5% | Impact of energy-saving efforts at customer sites |
| Total | -4.2% | |



FY2012.3 forecasts

- Results in the 1st half exceeded the initial forecasts by 1 million m³.
- No change in the initial forecasts for the 2nd half
- Full-year result is expected to exceed the initial forecasts by 1 million m³, which is a decrease of 71 million m³ from the previous year to 1,553 million m³.

Industrial Gas Sales

FY2012.3 1st Half results

| | YoY change | Remarks |
|--------------------------------------|------------|-----------------------------------------------------|
| Demand development | +3.2% | Shift to gas from other fuels, etc. |
| Increase/decrease of operating rates | +0.8% | Increase in operating rates at customer sites, etc. |
| Total | +4.0% | |

Breakdown by sector

(45MJ, million m³)

| | Volume | YoY change |
|-----------|--------|------------|
| Machinery | 175 | 95.8% |
| Metal | 531 | 105.3% |
| Glass | 170 | 111.6% |
| Food | 258 | 102.7% |
| Chemical | 580 | 99.8% |

FY2012.3 forecasts

- Results in the 1st half exceeded the initial forecasts by 51 million m³.
- Considering the 1st half results, we expect that sales for the 2nd half will also be higher than the initial forecasts. Accordingly, we expect the full-year result will exceed the initial forecasts by 163 million m³, which is an increase of 190 million m³ from the previous year to 4,330 million m³.

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 700 million yen on gross profit for 2nd 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 1.2 billion yen on gross profit for 2nd 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.