



# 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.

I would now like to present the results for the first half of the fiscal year ending March 2013, and the forecast for the full fiscal year.

# 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.

The first half of the fiscal year ending March 2013 resulted in an increase in both revenue and profit.

Consolidated operating revenues increased to a record-high 629.8 billion yen, up 12.6% or 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.

Operating profit increased by 26.0 billion yen to 44.8 billion yen, which is approximately 2.4 times that of last year, due mainly to the rise in gross margin of gas sales caused by the decrease in time-lag loss, and to the growth in profit of the electricity business and of the consolidated subsidiaries.

Gas sales volume for residential sector decreased by 2.5% to 831 million m<sup>3</sup> due mainly to the decline in hot water demand caused by higher water temperature than last year.

Gas sales volume for commercial, public and medical sectors decreased by 4% to 777 million m<sup>3</sup> due mainly to further energy conservation by customers.

For industrial sector, gas sales volume decreased by 0.3% 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.

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Next, I will describe the results for the first half by comparing them with the targets.

Consolidated operating revenues were 2.4% or 14.8 billion yen above the target due mainly to the increase in sales of gas appliances such as commercial or industrial use air conditioners and residential fuel cells, and in the electricity business.

Consolidated operating profit was 30.1% or 10.3 billion yen above the target due mainly to the increase in electricity business profits, international energy business earnings on the equity method, the profits of subsidiaries, and lower expenses.

Gas sales volume was at about the target level for the residential sector, but was below the target by 1.3% for commercial, public and medical sectors due mainly to the cooler weather in June.

Gas sales volume for the industrial sector was also below the target by 1.3% due mainly to the decrease in operation of customer facilities.

Regarding investments for expansion, greenfield, and M&A, we decided to participate in the shale gas and liquids development project in Texas, U.S. and the solar power generation project in Ontario, Canada. Investments made in the first half of the fiscal year are 42.4 billion yen in total, or approximately 35% of the annual budget.

Though this is not an investment, Osaka Gas executed a gas liquefaction tolling agreement with Freeport LNG of the U.S. jointly with Chubu Electric, focusing on purchase natural gas directly from the U.S. With this, we are aiming to secure an annual liquefaction capacity of 4.4 million tonnes at the Freeport LNG plant.

Thus, as long as the gas business is concerned, gas sale volumes were failing to meet the targets. However, both revenue and profit are above the targets, due to the contribution of the electricity business and our subsidiaries. These results reflect the effectiveness of our business portfolio.

## 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%

This table summarizes the gas sales volumes I have just explained.

The gas sales volume of Osaka Gas alone was 1.8% lower than last year and 1.1% below the target, with 3.953 billion m<sup>3</sup>.

The results reflect the rising uncertainty of the current business climate, with the usually steady trend of industrial gas sales volume showing signs of decline.

# 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) 629.8	(1.26) 559.6	+70.2	+12.6%	615.0	+2.4%
Operating profit	(1.59) 44.8	(5.98) 18.8	+26.0	+137.7%	34.5	+30.1%
Ordinary profit	(1.43) 48.3	(2.82) 19.4	+28.8	+148.2%	33.5	+44.2%
Net income	(1.32) 30.8	(2.12) 11.0	+19.7	+178.6%	21.0	+47.1%
SVA	14.8	-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>	3,970	4,041	-71	4,015	-45
Profit/ loss on fuel cost adjustment system	billion yen	-7.3	-28.3	+20.9	-6.6	-0.7
Crude oil price	\$/bbl	114.0	113.9	0	115.0	-1.0
Exchange rate	yen/\$	79.4	79.8	-0.4	80.0	-0.6
Number of subsidiaries		129	131	-2	---	---

Average of preliminary monthly data up to September.  
SVA (Shareholders' value added) = NOPAT – Invested capital × WACC<sup>6</sup>

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This table summarizes the numerical values of the results for the first half of the fiscal year ending March 2013.

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

Consolidated, billion yen	A. FY13.3	FY12.3		A-B	Remarks
	1H end	1H end	B. Year end		
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

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This slide shows the results for assets, liability, and primary financial indicators.

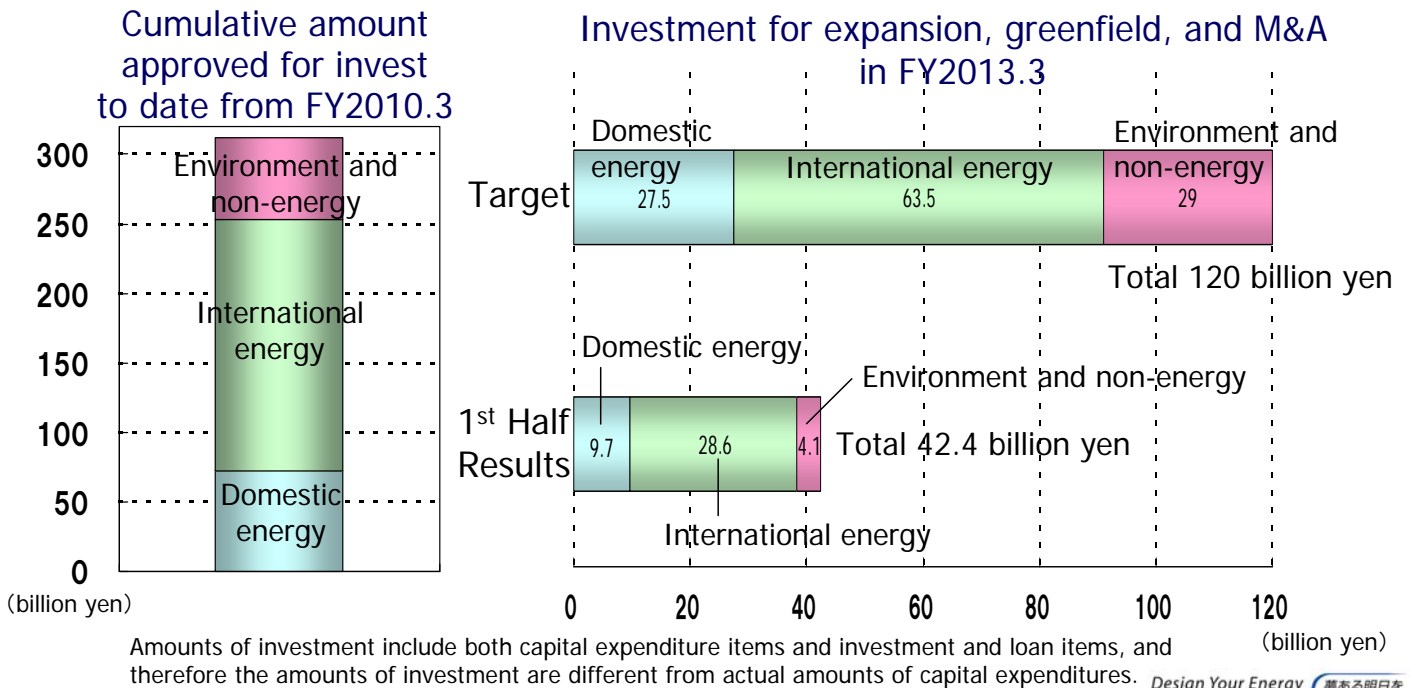
Capital expenditure rose 23.2 billion yen from last year to 56.3 billion yen due to the investments in the Gorgon LNG Project and the Ichthys LNG Project in Australia as well as the shale gas and liquids development project in Texas, U.S.

Depreciation cost decreased by 5.5 billion yen from last year to 40.9 billion yen with the completion of the 5-year special depreciation of the remaining 5% book value of assets.

ROA and ROE soared from last year to 2.1% and 4.5%, respectively.

# 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)



Let me now explain the progress of the investment plan for expansion, greenfield, and M&A.

As I mentioned earlier, we have decided to participate in the shale gas and liquids development project in Texas, USA and the solar power generation project in Ontario, Canada.

As a result of this decision, we have so far allocated 312 billion yen of the budget in the three and a half years since the start of the mid- to long-term management plan. This accounts for 78% of the 5-year investment budget up to March 2014 and thus, we consider that our investment is well on track.

Regarding this year's plans, we invested 42.4 billion yen of the annual investment budget of 120 billion yen in the first half of the year, mainly for the construction of domestic main gas pipelines, the shale gas and liquids development project in the U.S., and the Australian LNG projects.

We will continue to further search for investment opportunities aiming to achieve our plans.



## 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  (billion yen)	Operating revenues		1,373.0	1,363.0	+10.0	Increase in gas appliances sales, electricity business sales, and subsidiaries sales.
	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

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Let me now explain the forecasts for the fiscal year ending March 2013, which were modified on October 1.

The premises for the second half of the year remain the same as the initial forecast, a crude oil price of 115 dollars per barrel and an exchange rate of 80 yen to the dollar.

The forecast for gas sales volume remains the same level as the initial forecast for the residential sector, but is expected to fall below the initial forecast by 112 million m<sup>3</sup> for the commercial, industrial, and other sectors due to the drop in operation of customer facilities.

Operating revenues are expected to exceed the initial forecast by 10 billion yen due to the rise in sales of gas appliances, of the electricity business, and of the consolidated subsidiaries.

Operating profit is expected to exceed the initial forecast by 4 billion yen despite the drop in gross margin of gas sales caused by the drop in gas sales volume, due to the increase in miscellaneous profits and profits of incidental business such as the electricity business profit, lower labor cost due to the decreased amortization of retirement allowance actuarial differences, and an increase in equity method earnings.

Ordinary profit is also expected to exceed the initial forecast by 5 billion yen.

## 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%

This slide shows the gas sales volume forecast for the fiscal year ending March 2013 in comparison with the previous year.

Gas sales volume for non-consolidated Osaka Gas is expected to be 2% lower than the previous year at 8,507 million m<sup>3</sup>, namely 2,229 million m<sup>3</sup> for residential, down 1.9%, 1,497 million m<sup>3</sup> for commercial, public and medical, down 4.9%, and 4,322 million m<sup>3</sup> for industrial, down 0.8%.

# 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

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This slide shows the profit and loss forecasts for the whole year in comparison with the previous year.

Operating revenues are expected to be 1.373 trillion yen, up 6%. As for profits, operating profit is expected to increase by 21.6% to 94 billion yen, and ordinary profit to increase by 25.5% to 95 billion yen, due largely to the decrease in time-lag loss by 27.7 billion yen.

## 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*

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Lastly, here is a summary of the forecasts for assets, liability, and primary financial indicators.

ROA and ROE for the entire year are expected to be 4% and 8.7%, respectively.

This concludes my presentation.

Please also see the handouts later on for a detailed gap analysis and breakdown by segment of the results.

Thank you for your kind attention.

## 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.

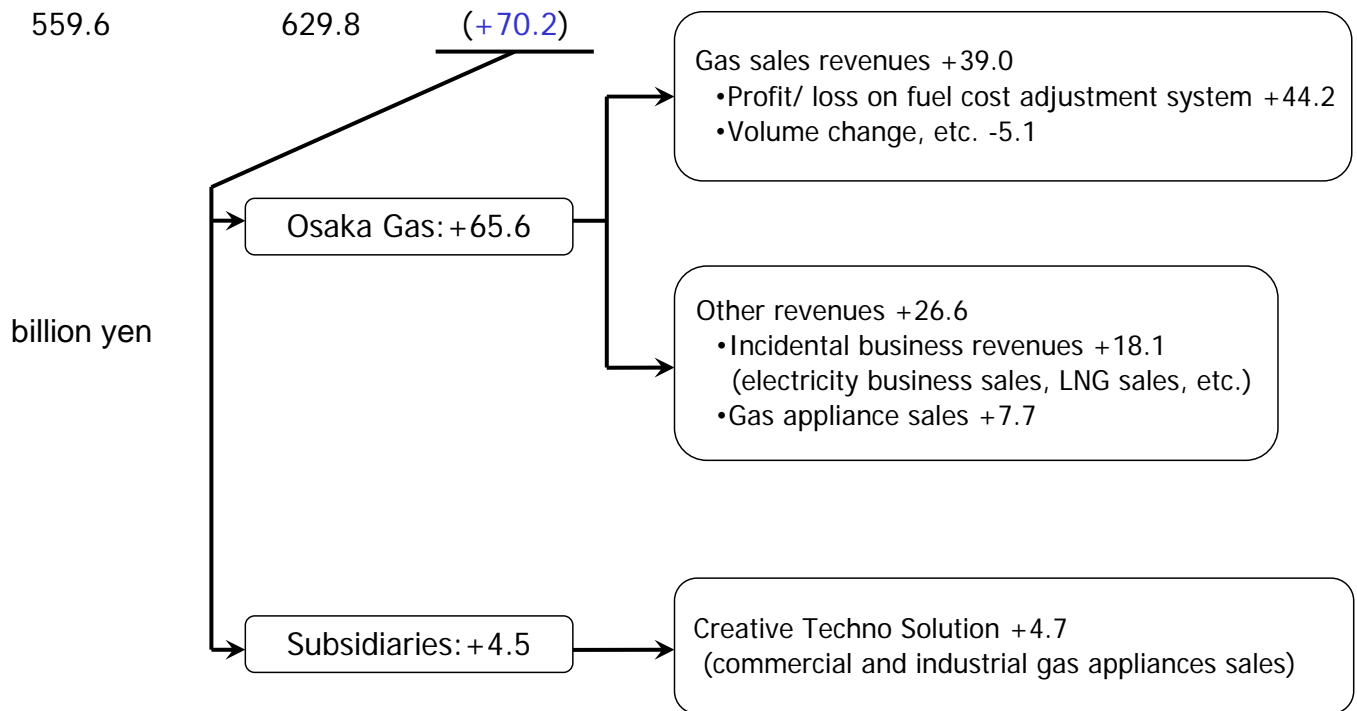


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# Sales variance for 1<sup>st</sup> Half of FY2013.3 (Year-on-Year)

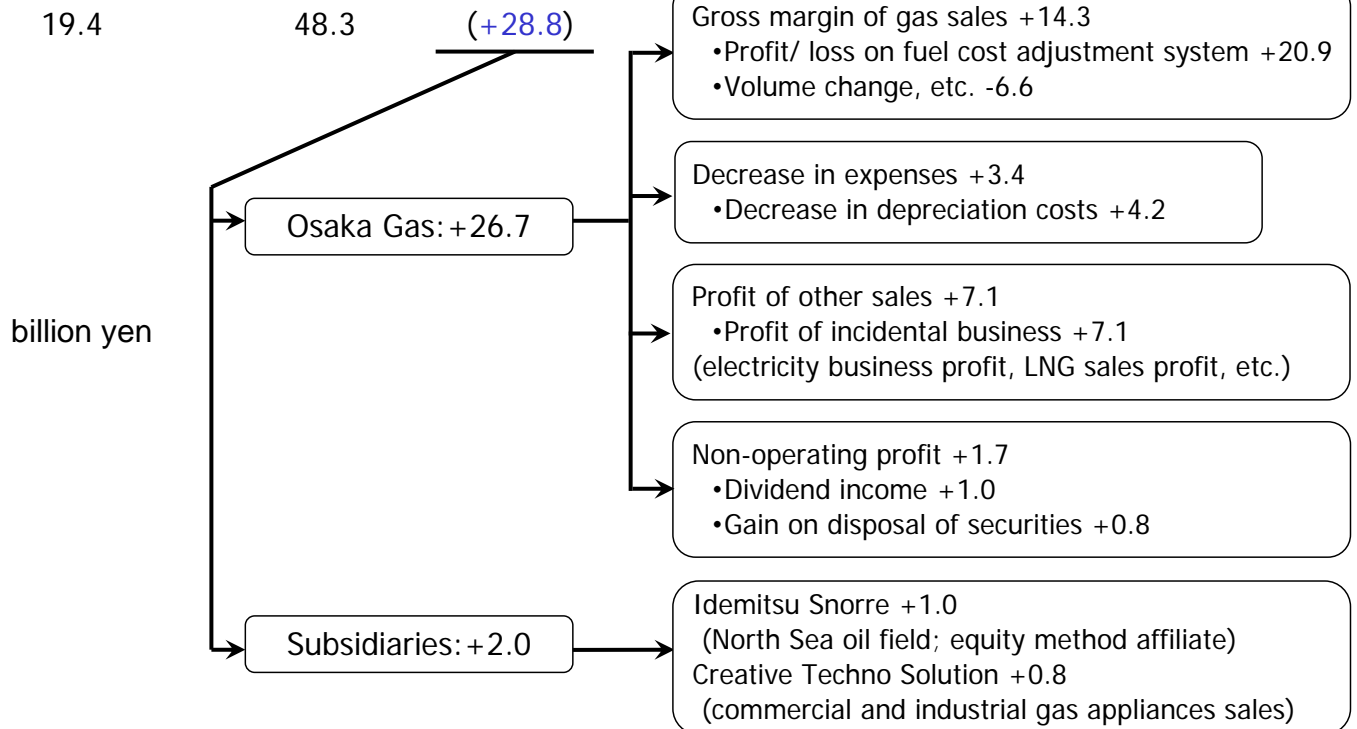
FY12.3 1<sup>st</sup> Half → FY13.3 1<sup>st</sup> Half (differences)



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

+/- signs indicate impact on profit.

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



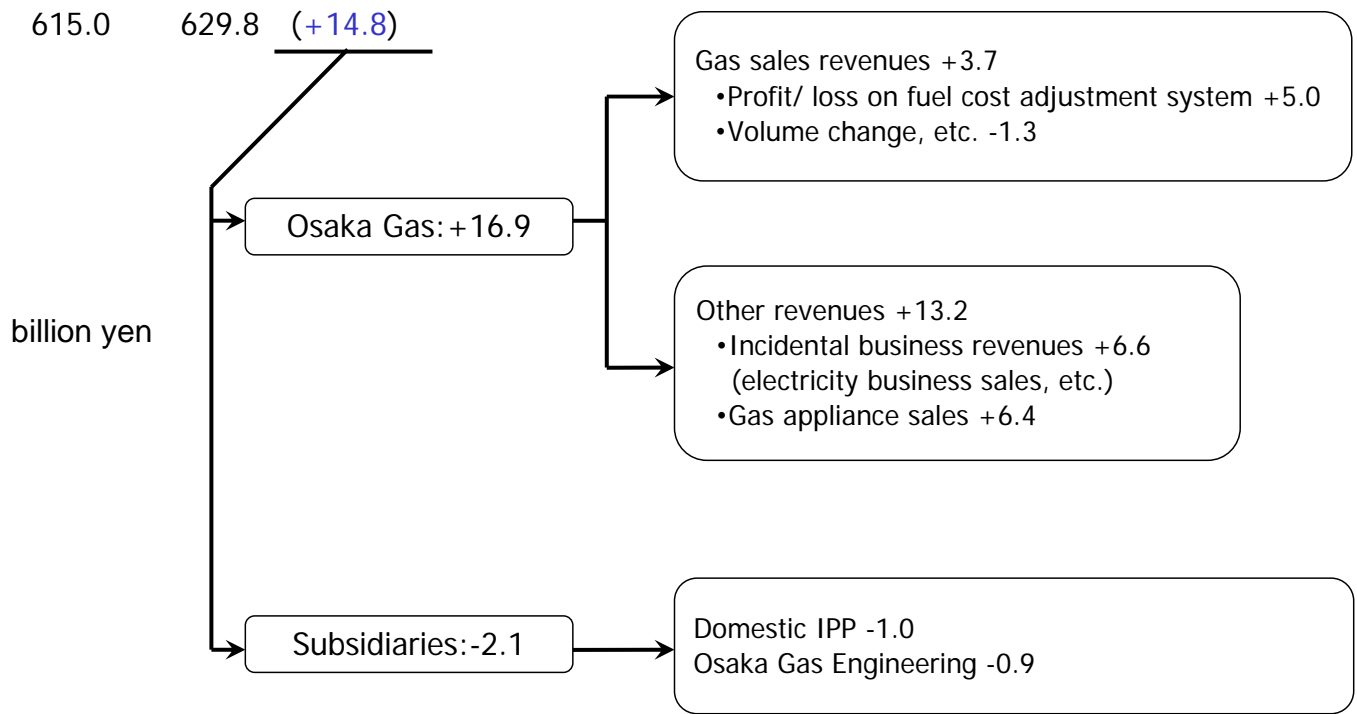
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# Sales variance for 1<sup>st</sup> Half of FY2013.3 (with targets)

Targets → Results (differences)



# 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

Osaka Gas: +9.1

Subsidiaries: +5.6

Gross margin of gas sales -0.4

- Profit/ loss on fuel cost adjustment system -0.7
- Volume change, etc. +0.2

Decrease in expenses +4.0

- Decrease in labor costs +1.6
- Decrease in repairing costs +1.0
- Decrease in consigned work expenses +0.6

Profit of other sales +4.0

- Profit of incidental business +3.1  
(electricity business profit, etc.)
- Profit of gas appliances sales +1.1

Non-operating profit +1.4

- Gain on disposal of securities +1.1

Idemitsu Snorre +0.7

(North Sea oil field; equity method affiliate)

Creative Techno Solution +0.7

(commercial and industrial gas appliance sales)

Osaka Gas Chemicals +0.6

# Results for FY2013.3 by Segment

billion yen	Operating revenues		Operating profit + equity method earnings		Remarks
	FY13.3 1 <sup>st</sup> Half	FY12.3 1 <sup>st</sup> Half	FY13.3 1 <sup>st</sup> Half	FY12.3 1 <sup>st</sup> 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.

# 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 1st Half Results

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

	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%	

	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 a decrease of 34 million m<sup>3</sup> from the previous year to 4,322 million m<sup>3</sup>.

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# 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.