

Financial Report
for 3rd Quarter of FY2013.3
(April 2012 – December 2012)

January 2013
Osaka Gas Co., Ltd.

I. Business Results for 3rd Quarter of 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

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 3rd Quarter of FY2013.3

■ Overview

| | |
|--------------------|---|
| Operating revenues | Increased by 10.9% (94.7 billion yen) from last year to ¥963.5 billion yen, due mainly to the rise in the gas sales unit price under the fuel cost adjustment system resulting from the LNG price increase, and to the increase in LNG and electricity sales. |
| Operating profit | Increased by 162.0% (41.7 billion yen) from last year to ¥67.4 billion yen, due mainly to the increase in the gross margin of gas sales caused by the decrease in time-lag loss (32.9 billion yen → 1.5 billion yen), and to the growth in the profit of electricity business and of consolidated subsidiaries. |

■ Gas Sales Volume

| | |
|-------------|--|
| Residential | Increased by 1.5% (20 million m ³) from last year to 1,342 million m ³ , due to lower temperatures of the air and water than last year which caused hot water and heating demand to increase. |
| Commercial | Decreased by 2.2% (25 million m ³) from last year to 1,112 million m ³ , due mainly to further energy conservation by customers. |
| Industrial | Decreased by 0.6% (20 million m ³) to 3,146 million m ³ , due mainly to decrease in operation of customer facilities. |

■ Others

| | |
|-------------------|---|
| Full-year outlook | The forecast issued in October 2012 remains the same. |
|-------------------|---|

Gas Sales Volume Results for 3rd Quarter of FY2013.3

45MJ/m³

| | A. FY13.3 3Q | B. FY12.3 3Q | A-B | A-B/B (%) |
|---|-----------------|-----------------|-------|--------------|
| Number of meters installed (thousand) | 7,067 | 7,031 | +35 | +0.5% |
| Installation of new meters (thousand) | 57 | 52 | +5 | +10.2% |
| Monthly gas sales volume per household (m ³ /month) | 25.6 | 25.3 | +0.3 | +1.2% |
| Residential use | 1,342 | 1,322 | +20 | +1.5% |
| Commercial, public and medical use | 1,112 | 1,137 | -25 | -2.2% |
| Industrial use | 3,146 | 3,167 | -20 | -0.6% |
| Commercial and industrial use | 4,259 | 4,304 | -45 | -1.1% |
| Wholesale | 337 | 342 | -5 | -1.5% |
| (Non-regulated included) | (3,647) | (3,694) | (-47) | (-1.3%) |
| Non-consolidated gas sales volume (million m ³) | 5,938 | 5,968 | -30 | -0.5% |
| Consolidated gas sales volume (million m ³) | 5,962 | 5,991 | -30 | -0.5% |

Results for 3rd Quarter of FY2013.3 - I

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

| Consolidated, billion yen | A. FY13.3 3Q | B. FY12.3 3Q | A-B | A-B/B | Remarks |
|------------------------------|---------------------|---------------------|-------|---------|--|
| Operating revenues | (1.24) 963.5 | (1.26) 868.7 | +94.7 | +10.9% | Rise in the gas sales unit price, and increase in incidental business sales, etc. |
| Operating profit | (1.67) 67.4 | (25.39) 25.7 | +41.7 | +162.0% | Increase in gross margin of gas sales and incidental business, etc. |
| Ordinary profit | (1.52) 71.0 | (5.62) 26.1 | +44.8 | +171.5% | Increase in non-operating profit, and increase in earnings of equity method affiliates, etc. |
| Net income | (1.43) 45.8 | (5.36) 12.9 | +32.9 | +254.8% | |

| | | A. FY13.3 3Q | B. FY12.3 3Q | A-B |
|---|------------------------|---------------|--------------|-------|
| Consolidated gas sales volume | million m ³ | 5,962 | 5,991 | -30 |
| Profit/ loss on fuel cost adjustment system | billion yen | -1.5 | -32.9 | +31.4 |
| Crude oil price | \$/bbl | 114.0* | 113.1 | +0.9 |
| Exchange rate | yen/\$ | 80.0 | 79.0 | +1.0 |
| Number of subsidiaries | | 131 | 132 | -1 |

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(*) Average of preliminary monthly data up to December.

Results for 3rd Quarter of FY2013.3 - II

| Consolidated, billion yen | A. FY13.3 | FY12.3 | | A-B | Remarks |
|------------------------------|-----------|---------|-------------|-------|---------|
| | 3Q end | 3Q end | B. year end | | |
| Total assets | 1,498.8 | 1,446.6 | 1,475.7 | +23.0 | |
| Net worth | 716.2 | 645.6 | 684.5 | +31.6 | |
| Interest-bearing debt | 555.9 | 597.0 | 541.3 | +14.6 | |
| Number of employees | 20,174 | 20,057 | 19,818 | +356 | |
| Equity ratio | 47.8% | 44.6% | 46.4% | +1.4 | |
| D/E ratio | 0.78 | 0.92 | 0.79 | -0.01 | |

| | A. 13.3 3Q | B. 12.3 3Q | A-B | Remarks |
|---------------------|------------|------------|-------|--|
| Capital expenditure | 81.5 | 59.1 | +22.4 | Investment in LNG project in Australia, and shale gas and liquids development project in USA, etc. |
| Depreciation | 61.3 | 69.4 | -8.1 | Completion of special depreciation in FY2012.3 |
| Free cash flow | 17.8 | -17.1 | +34.9 | Accompanied by increase in income |

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

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II. Forecast for FY2013.3

Maintaining our full-year forecast
unchanged from the October forecast

Gas Sales Volume Forecasts for FY2013.3

- Maintaining our full-year forecast unchanged from the October forecast

45MJ/m³

| | 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 ³ /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 ³) | 8,507 | 8,681 | -174 | -2.0% |
| Consolidated gas sales volume (million m ³) | 8,538 | 8,711 | -174 | -2.0% |

Forecasts for FY2013.3 - I

- Maintaining our full-year forecast unchanged from the October forecast

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 ³ | 8,538 | 8,711 | -174 | |
| Profit/loss on fuel cost adjustment system | billion yen | -2.9 | -30.7 | +27.7 | |
| Crude oil price | \$/bbl | 114.2 | 114.2 | +0.1 | Assumed crude oil price for 4Q: \$115/bbl |
| Exchange rate | yen/\$ | 80.0 | 79.1 | +0.9 | Assumed exchange rate for 4Q: ¥80/\$ |

(*) Only the crude oil price and the exchange rate are replaced by the forecasts reflecting the actual record of the period between October and December 2012. SVA (Shareholders' value added) = NOPAT - Invested capital × WACC

Forecasts for FY2013.3 - II

- Maintaining our full-year forecast unchanged from the October forecast

| 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 |

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III. Facts and Figures

Sales variance for 3rd Quarter of FY2013.3 (Year-on-Year)

FY12.3 3Q → FY13.3 3Q (differences)

868.7

963.5

(+94.7)

billion yen

Osaka Gas: +88.0

Subsidiaries: +6.7

Gas sales revenues +52.1

- Profit/ loss on fuel cost adjustment system +51.7
- Volume change, etc. +0.3

Other revenues +35.9

- Incidental business revenues +24.6
(LNG sales, electricity sales, etc.)
- Gas appliance sales +10.0

Creative Techno Solution +5.0

(commercial and industrial gas appliances sales)

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

FY12.3 3Q → FY13.3 3Q (differences)

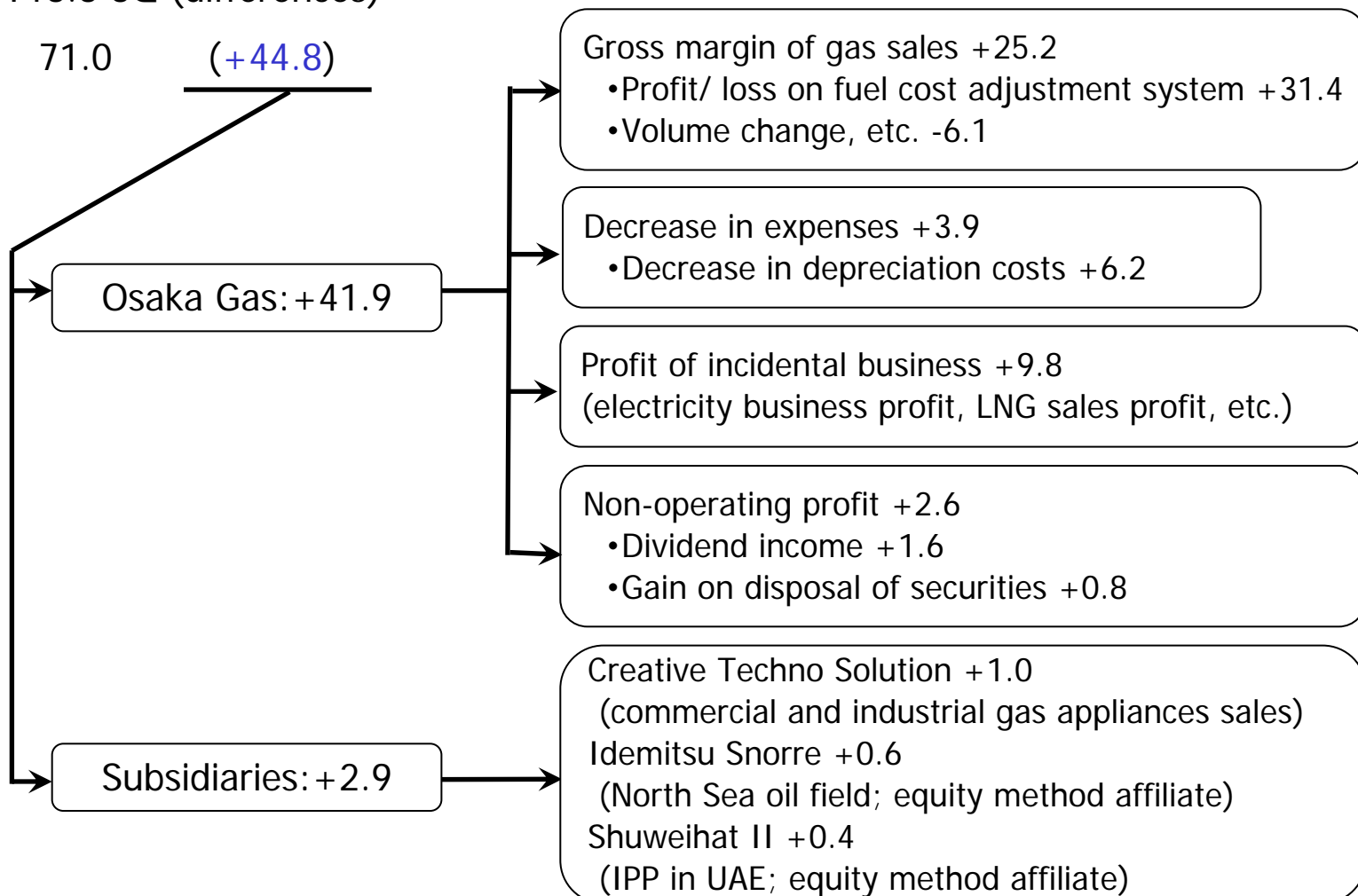
26.1

71.0

(+44.8)

+/- signs indicate impact on profit.

billion yen



Results for 3rd Quarter of FY2013.3 by Segments

| billion yen | Operating revenues | | Operating profit + equity method earnings | | Remarks |
|--------------------------------------|--------------------|--------------|---|--------------|---|
| | FY13.3 3Q | FY12.3 3Q | FY13.3 3Q | FY12.3 3Q | |
| Gas | 719.7 | 650.1 | 21.3 | -9.3 | <u>Revenues</u> : Rise in the gas sales unit price <u>Profit</u> : Decrease in time-lag loss |
| LPG, electricity, and other energies | 154.2 | 128.9 | 29.3 | 18.7 | <u>Revenues</u> : Increase in LNG and electricity sales, etc. <u>Profit</u> : Increase in profit of electricity business and LNG sales |
| International energies | 7.8 | 7.9 | 6.2 | 4.7 | Increase in earnings of equity method affiliates (North Sea oil field, and IPP in UAE, etc.) |
| Environment and non-energies | 129.2 | 130.5 | 13.3 | 12.9 | <u>Revenues</u> : Decrease in sales of real estate business, etc. <u>Profit</u> : Increase in profit of IT business, etc. |
| Elimination/consolidation | -47.6 | -48.9 | 2.0 | 1.6 | |
| Consolidated | 963.5 | 868.7 | 72.3 | 28.7 | |

Forecasts for FY2013.3 by Segment

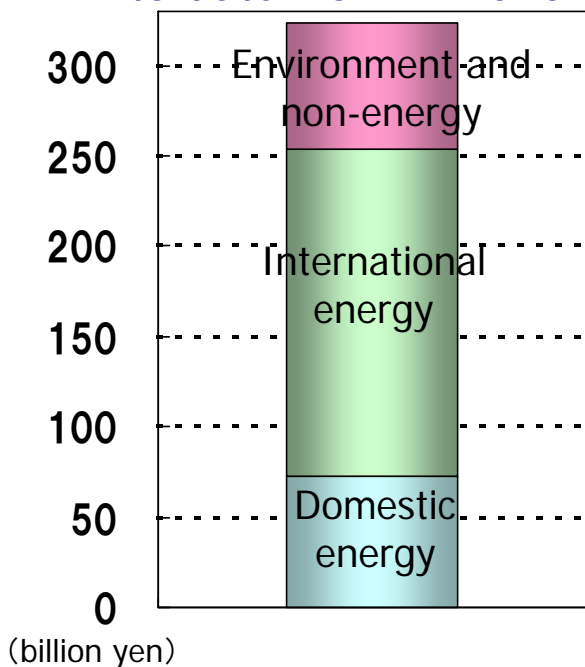
- Maintaining our full-year forecast unchanged from the October forecast

| 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 unit price <u>Profit</u> : Decrease in time-lag loss |
| 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 earnings of equity method affiliates (North Sea oil field, LNG terminal 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 | |

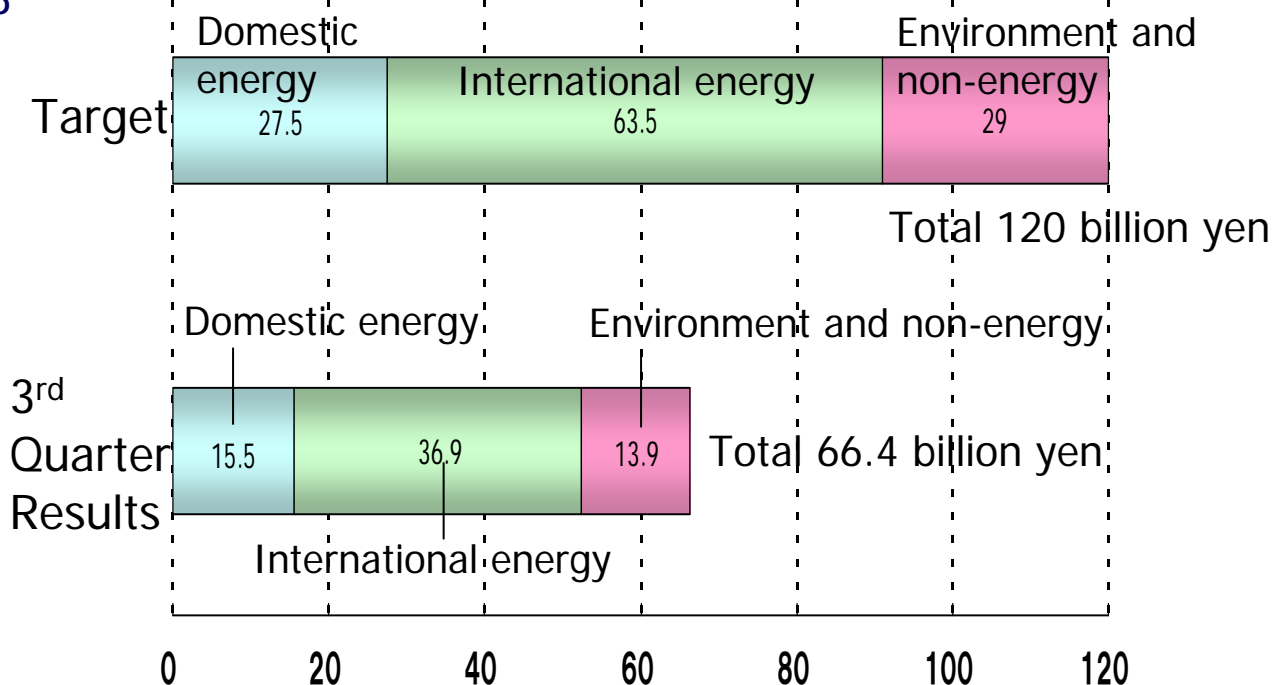
Results of Investment for expansion, greenfield, and M&A in 3rd Quarter of FY2013.3

- Cumulative amount approved for invest to date from FY 2010.3 are **323.5 billion yen**. (81% of the originally projected for the period between FY 2010.3 and FY 2014.3)
- Total investments made in the 3rd quarter of the FY 2013.3 equal **66.4 billion yen**. (55% of annual budget)

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)

Analysis of Year-on-Year Difference in Gas Sales Volume

| | Residential | Commercial, public and medical | Industrial |
|---|-------------|--------------------------------|------------|
| Change in number of customers | +0.3% | -- | -- |
| Differences in metering schedule | +0.9% | -- | -- |
| Influence of temperature | +0.9% | -0.7% | -- |
| Demand development | } -0.6% | +2.1% | +2.6% |
| Increase/decrease in operation of customer facilities, etc. | | -3.7% | -3.3% |
| Total | +1.5% | -2.2% | -0.6% |

Monthly gas sales for 3rd Quarter of FY 2013.3

Year-on-Year Change 2012/2011 (%)

| | Apr. | May | Jun. | Jul. | Aug. | Sep. | Oct. | Nov. | Dec. | Total | Remarks | |
|----------------------------------|-----------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--|--|
| Residential | 100.7 | 98.0 | 90.0 | 102.6 | 101.6 | 88.8 | 87.3 | 111.9 | 117.7 | 101.5 | Influence of temperature and difference in metering schedule | |
| Commercial | 99.1 | 97.5 | 90.7 | 90.2 | 96.2 | 101.2 | 95.3 | 102.2 | 110.8 | 97.8 | Influence of lower temperature in June and July | |
| Industrial | 99.6 | 102.8 | 100.6 | 102.4 | 96.7 | 96.1 | 98.3 | 99.2 | 98.9 | 99.4 | | |
| by s e c t o r | Machinery | 121.2 | 109.2 | 111.2 | 118.4 | 104.6 | 105.4 | 106.4 | 104.5 | 95.3 | 108.2 | Increase in operation of customer facilities (mainly cogeneration) |
| | Metal | 96.4 | 102.5 | 104.3 | 102.6 | 96.9 | 95.1 | 88.6 | 85.0 | 86.0 | 95.1 | Decrease in operation of customer facilities since August, because of sluggish economy |
| | Glass | 100.5 | 97.1 | 99.4 | 100.0 | 99.5 | 100.9 | 94.8 | 107.0 | 101.6 | 100.0 | |
| | Food | 99.6 | 100.5 | 99.2 | 104.1 | 103.3 | 100.2 | 102.6 | 102.0 | 103.3 | 101.6 | |
| | Chemical | 96.1 | 102.5 | 101.0 | 105.8 | 102.3 | 102.0 | 96.8 | 99.0 | 119.2 | 102.6 | |
| Wholesale | 96.7 | 92.8 | 93.2 | 108.4 | 90.5 | 92.1 | 111.2 | 100.9 | 103.6 | 98.5 | | |
| Total | 99.8 | 100.0 | 96.1 | 100.1 | 96.8 | 96.2 | 96.4 | 102.8 | 106.5 | 99.5 | | |

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. 100 million yen on gross profit for the rest 4th quarter (Jan. thru. Mar.) of this fiscal year.
- 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. 1.3 billion yen on gross profit for the rest 4th quarter (Jan. thru. Mar.) of this fiscal year.
- Materials costs
 - Although the fuel cost adjustment system allows us to reflect changes in fuel costs in gas rates in the medium- and long-term, an increase in fuel costs is likely to affect the business results due to a time lag in reflecting cost fluctuations, and also depends on the composition of fuel suppliers.
- Interest rate
 - A 1% change in the interest rate will have an effect of approx. 600 million yen on annual consolidated non-operating expenses.