



Financial Report for 1st Quarter of FY2019.3 (April 2018 – June 2018)

July 2018

Osaka Gas Co., Ltd.

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I. Business Results for 1st Quarter of FY2019.3

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 1st Quarter of FY 2019.3

Year-on-Year Comparison

■ Overview

Consolidated Net sales	Increased by 1.5 % (¥4.3 billion) to ¥297.1 billion due to the increase in sales volume in Electricity Business , etc.
Consolidated Ordinary profit	Decreased by 9.2% (¥2.3 billion) to ¥23.3 billion due to the impact of competition and decrease in sales volume of Gas Business caused by the air and water temperatures , etc. Time-lag loss totaled ¥6.6billion (Time-lag profit of the 1 st quarter of the previous year totaled ¥7.0 billion)

■ Gas Sales Volume (Non-consolidated)

Residential	Decreased by 11.8% (62 million m ³) to 462 million m ³ , due to switching to another company and decreasing demand for heating and hot water caused by higher air and water temperatures in spring , etc.
Non-Residential	Decreased by 8.2% (127 million m ³) to 1,415 million m ³ , due to the impact of competition and decrease in capacity utilization at specific customers , etc.

■ Electricity Sales Volume (Consolidated)

Electricity sales volume (GWh) *Excluding the sales in overseas	Increased by 21.6% (464 GWh) to 2,614 GWh , due to the increases both in retails and wholesale sales , etc.
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Results for 1st Quarter of FY2019.3 - I

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

Consolidated , billion yen	A. FY19.3	B. FY18.3	A-B	(A-B) /B(%)	Remarks
Net sales	(1.23) 297.1	(1.26) 292.7	+4.3	+1.5%	Increased in the sales volume of electricity , etc.
Operating profit	(2.16) 20.7	(1.42) 23.7	-2.9	-12.4%	Decreased in the impact of competition and the sales volume of gas business caused by air and water temperatures , etc.
Ordinary profit	(1.32) 23.3	(1.14) 25.7	-2.3	-9.2%	Earthquake impact , etc.
Profit*	(1.15) 15.6	(0.99) 17.4	-1.7	-10.2%	
EBITDA	43.3	45.4	-2.0	-4.5%	
* Profit attributable to owners of parent					
The time-lag effect	-6.6	-7.0	+0.3	-	
Ordinary profit excluding time-lag profit	30.0	32.7	-2.7	-8.4%	
Crude oil price**	\$/bbl	70.5	53.4	+17.2	
Exchange rate	yen/\$	109.1	111.1	-2.0	

** Average of preliminary monthly data up to June

Results for 1st Quarter of FY2019.3 - II

billion yen	Net sales			Operating profit + Equity in earnings of affiliates			Remarks
	A.FY19.3 1Q	B.FY18.3 1Q	A-B	A.FY19.3 1Q	B.FY18.3 1Q	A-B	
Domestic energy - Gas*	220.4	228.4	-8.0	11.3	17.3	-5.9	<u>Net sales</u> : Impact of restructuring of LPG business , etc. <u>Profit</u> : Decreased in the impact of competition and the sales volume of gas business caused by air and water temperatures , etc.
Domestic energy - Electricity	37.1	28.2	+8.9	2.1	2.1	-0.0	<u>Net sales</u> : Increased in the sales volume, etc. <u>Profit</u> : Almost same level as the previous year due to the impact of power price reduction last year
International Energy	11.3	4.4	+6.9	4.8	0.7	+4.1	<u>Net sales</u> : Increased in sales of Gorgon project , etc. <u>Profit</u> : Increased in sales of Gorgon project and Freeport project , etc.
Life & Business Solutions*	46.7	43.4	+3.3	3.1	2.9	+0.2	<u>Net sales</u> : Increased in sales of materials and information business , etc. <u>Profit</u> : Almost same level as the previous year
Elimination/consolidation	-18.6	-11.7	-6.8	0.4	0.7	-0.2	Including profit/loss on market value of derivative
Consolidated	297.1	292.7	+4.3	22.0	23.8	-1.8	A. FY 19.3: 1.3 , B. FY 18.3: - 0.1, A-B: +1.4

* Since 1Q of FY19.3, Osaka Gas Engineering Co., Ltd. changed its segment from "Life & Business Solutions" to "Domestic Energy - Gas". 18.3 FY 1Q results are calculated based on the contents after change.

Results for 1st Quarter of FY2019.3 – III

Consolidated, billion yen	A. FY19.3	FY18.3		A-B	Remarks
	1Q end	1Q end	B. year end		
Total assets*	1,859.8	1,817.9	1,897.2	-37.4	Decreased in current assets, etc.
Shareholders' equity	993.9	966.0	999.5	-5.6	
Interest-bearing liabilities	538.3	520.8	503.7	+34.5	
Number of employees	20,354	21,221	19,997	+357	
Shareholders' equity / Total assets*	53.4%	53.1%	52.7%	+0.8 %	
D/E ratio*	0.54	0.54	0.50	+0.04	
Consolidated, billion yen	A. 19.3 1Q	B. 18.3 1Q	A-B		
Capital expenditure	17.8	16.7	+1.0		
Depreciation	21.3	21.5	-0.1		
Free cash flow**	-33.5	-14.3	-19.2		

* Calculated taking account of "Partial Amendments to Accounting Standard for Tax Effect Accounting"

** Free cash flow = cash flows from operating activities - capital expenditures for upgrading existing businesses.

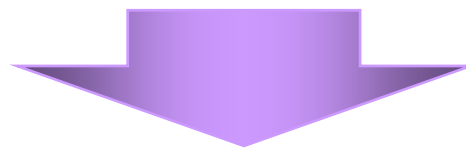
Sales-Related Results for 1st Quarter of FY2019.3

		* Number of Units for gas supply = number of meters installed – number of meters unused (unoccupied houses, etc.) – number of units for gas supply from other companies			
		** The difference factors are described on pages 9 and 10			
■ Gas Sales 45MJ/m ³		A.FY19.3 1Q	B.FY18.3 1Q	A-B	(A-B)/B(%)
Number of units for gas supply* (thousands)		5,847	6,129	-282	-4.6%
Installation of new meters (thousands)		23	24	-1	-5.5%
Monthly gas sales volume per household (m ³ /month)		27.2	29.4	-2.2	-7.4%
Residential		462	524	-62	-11.8%
Non-Residential		1,415	1,541	-127	-8.2%
Non-consolidated gas sales volume (million m ³)		1,877	2,065	-189	-9.1%
Consolidated gas sales volume (million m ³)		1,888	2,076	-188	-9.1%
■ Electricity Sales(Consolidated)		A.FY19.3 1Q	B.FY18.3 1Q	A-B	(A-B)/B(%)
Retail		601	360	+241	+67.1%
Wholesale, etc.		2,013	1,791	+222	+12.4%
Electricity Sales Volume(GWh)		2,614	2,150	+464	+21.6%
Number of low-voltage electricity supply (thousands)		702	375	+327	+87.3%
■ Customer Accounts (Consolidated)		A.FY19.3 1Q	B.FY18.3 end	A-B	(A-B)/B(%)
Number of customer Accounts (thousands)		8,617	8,274	341	+4.1%

Residential Gas Sales

FY19.3 1Q

	YoY change	Remarks
Number of customers	-4.6%	Switching to another company , etc.
Impact of temperature	-3.5%	Average annual temperature: 20.1 degrees Celsius (+0.3 degrees Celsius from the previous year)
Others	-3.7%	Effect of meter reading days, high-efficiency of gas appliances, decrease in household size, etc.
Total	-11.8%	



FY19.3 forecasts

Unchanged from the forecasts announced on April 26

- Residential gas sales volume is expected to decrease by 202 million m³ (9.4%) from the previous year to 1,957 million m³, due to reaction to the low air and water temperatures of the current fiscal year, assuming the same temperature level as in usual years, and Gas switching, etc.

Non-Residential Gas Sales

FY19.3 1Q

	YoY change	Remarks
Demand development	+1.0%	Equipment introduction, fuel conversion, etc.
Impact of temperature	-0.5%	
Capacity utilization of facilities	+0.5%	Increased in operation due to economic impact
Individual factor	-7.8%	Decreased due to switching to another company and decrease in capacity utilization at specific customers , etc.
Others	-1.3%	
Total	-8.2%	



FY19.3 forecasts

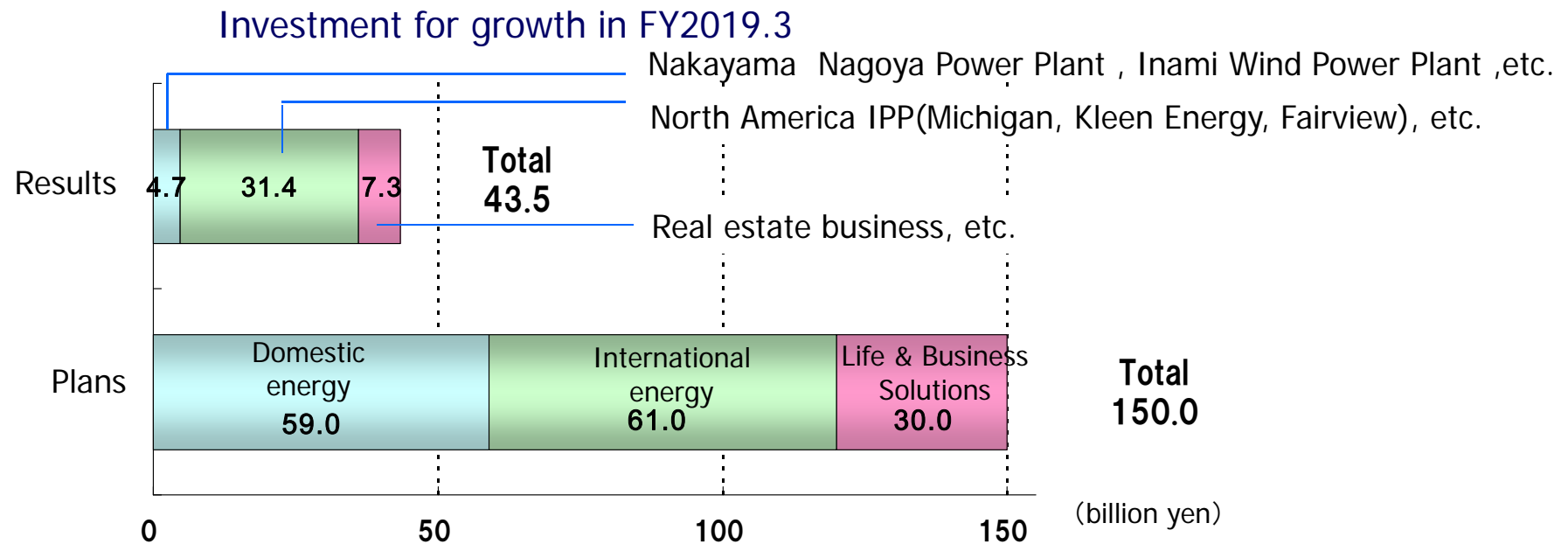
Unchanged from the forecasts announced on April 26

- Non-residential gas sales volume is expected to decrease by 654 million m³ (10.2%) from the previous year to 5,732 million m³, due to impact of Gas switching and certain customers' factor, etc.

Results of Investment for growth for 1st Quarter of FY2019.3

- Total investment for 1st Quarter of FY2019.3 were ¥43.5 billion (29% of the plan in FY2019.3)
 - Domestic energy : ¥4.7 billion (Mainly electricity business)
 - International energy : ¥31.4 billion (Mainly new projects)
 - Life & Business Solutions : ¥7.3 billion (Mainly Real estate business)

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.

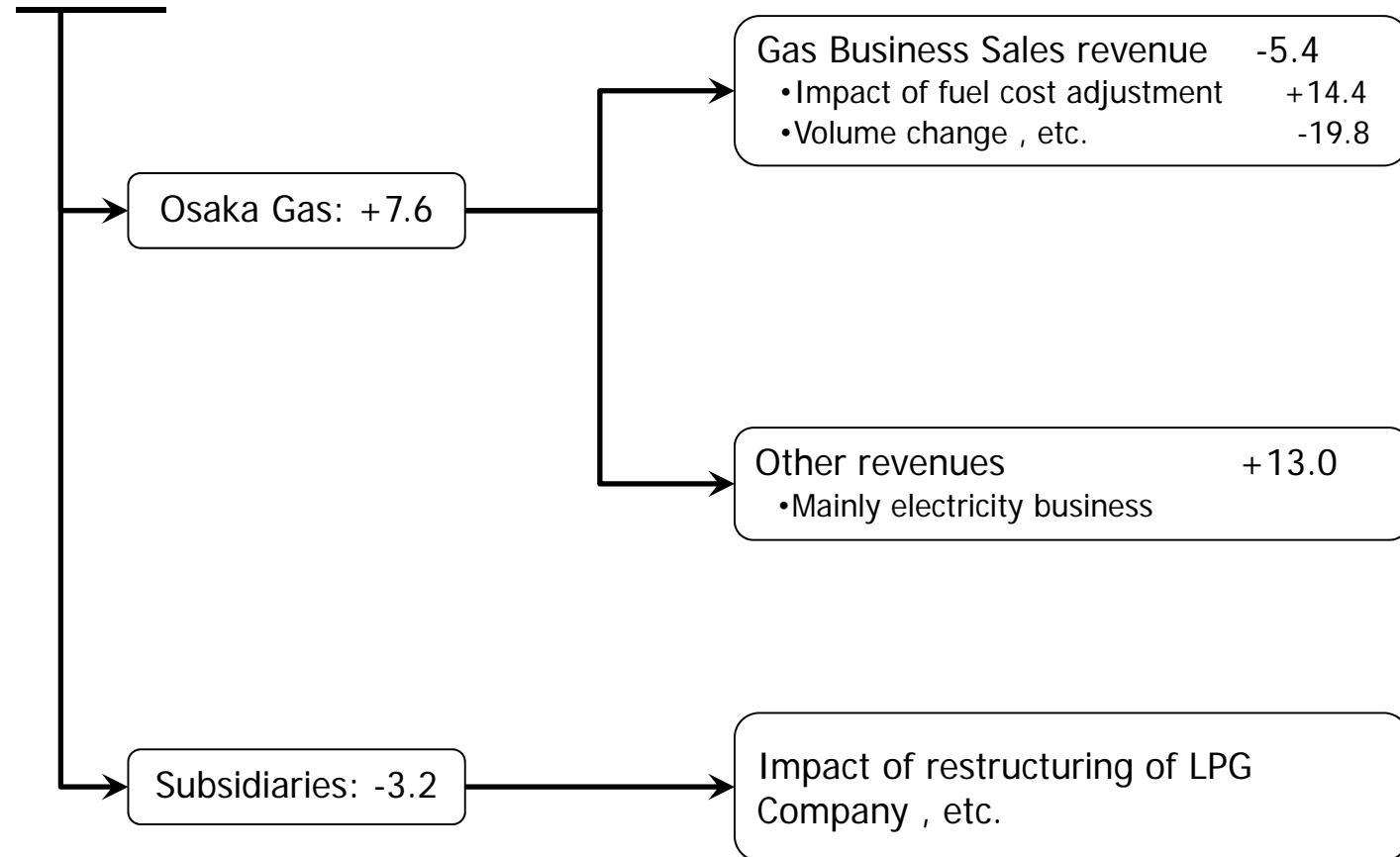


II . Facts and Figures (1)

Sales variance for 1st Quarter of FY2019.3 (Year-on-Year)

FY18.3 1Q → FY19.3 1Q (differences)
 292.7 297.1(+4.3)

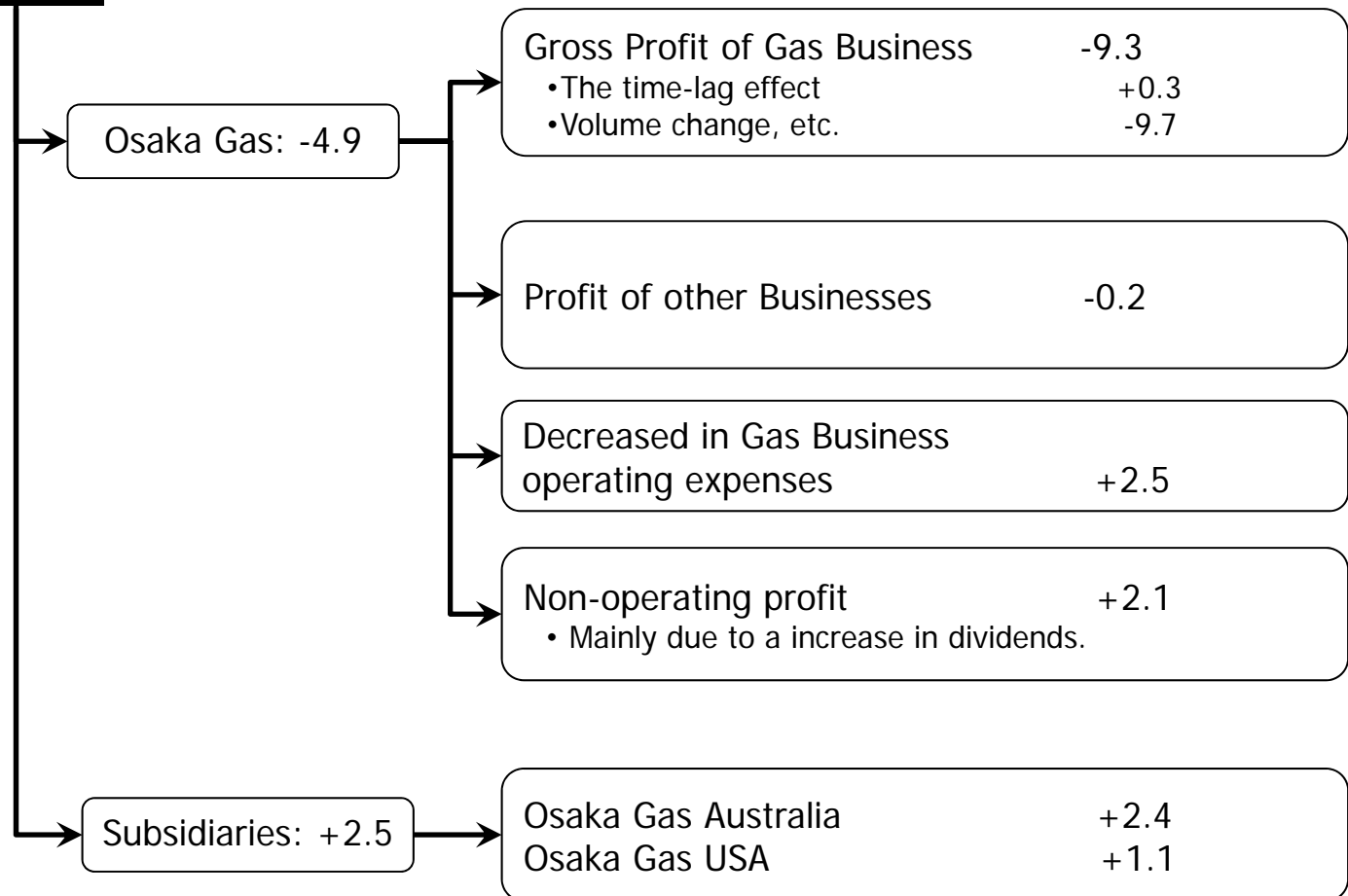
(billion yen)



Ordinary profit variance for 1st Quarter of FY2019.3 (Year-on-Year)

FY18.3 1Q → FY19.3 1Q (differences)
 25.7 23.3 (-2.3)
 (billion yen)

+/- signs indicate impact on profit.



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. -7% in spring and autumn, approx. -8% in summer, and approx. -6% 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 ordinary profit since the 2nd quarter (Jul. 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. -0.9 billion yen on ordinary profit since the 2nd quarter (Jul. 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. +0.4 billion yen on annual consolidated non-operating expenses.

Main Topics in 1st Quarter of FY2019.3

- June Participation in a shale gas project in Texas, U.S.
 - June Start of energy sales business in the Tokyo Metropolitan area
 - June Earthquake occurred in northern Osaka, the number of gas supply stops was 110thousand
 - June Start of commercial operation of Inami Wind Power Plant
 - May Entered into an agreement to provide consulting services on construction of LNG receiving terminals in Taiwan
 - May Acquisition of a natural gas-fired power plant in Connecticut, U.S.
 - May Development of “gas recovery visualization system”
 - April Investment in U.S.-based venture fund WiL Fund II, L.P.
 - April Acquisition of a natural gas-fired power plant in Michigan, U.S.
 - April Investment in The Reliance Energy Okinawa, Incorporated
 - April Establishment of CD Energy Direct Co., Ltd.
- *All the above are from press releases during the month listed.

Ⅲ. Facts and Figures (2) - Forecasts for FY2019.3

Maintaining our full-year forecasts unchanged from the April forecasts

Since 1Q of FY19.3, Osaka Gas Engineering Co., Ltd. changed its segment from "Life & Business Solutions" to "Domestic Energy - Gas".

18.3 FY results are calculated based on the contents after change. (P19)

Forecasts for FY2019.3 - I

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

Consolidated, billion yen	A. FY19.3 Forecasts		B. FY18.3		A-B	(A-B)/B(%)	Remarks
Net sales	(1.25)	1,360.0	(1.25)	1,296.2	+63.7	+4.9%	Increase in the unit price of gas sales, etc.
Operating profit	(1.97)	74.0	(1.64)	78.1	-4.1	-5.3%	Decrease due to the repercussion in the gas business of the impact of low air and water temperatures in FY2018.3, the impact of competition, etc.
Ordinary profit	(1.51)	70.0	(1.32)	77.0	-7.0	-9.2%	
Profit*	(1.29)	46.5	(0.86)	37.7	+8.7	+23.3%	Increase due to the repercussion of the impact of the impairment loss of upstream business in FY2018.3, etc.
EBITDA		160.5		167.1	-6.6	-3.9%	
* Profit attributable to owners of parent							
The time-lag effect		2.7		0.5	+2.2	-	
Ordinary profit excluding the time-lag effect		67.2		76.5	-9.3	-12.2%	
Crude oil price**	\$/bbl	65.0		57.0	+8.0		
Exchange rate	yen/\$	110.0		110.9	-0.9		
** Average of preliminary monthly data up to March.							

Forecasts for FY2019.3 - II

billion yen	Net sales			Operating profit + Equity in earnings of affiliates			Remarks
	A.FY19.3 forecasts	B.FY18.3	A-B	A.FY19.3 forecasts	B.FY18.3	A-B	
Domestic energy - Gas*	994.0	976.2	+17.7	35.0	42.9	-7.9	<u>Net sales</u> : Increase in the unit price of gas sales, etc. <u>Profit</u> : Decrease due to the impact of low air and water temperatures, the impact of competition, etc.
Domestic energy - Electricity	197.0	157.7	+39.2	16.5	20.7	-4.2	<u>Net sales</u> : Increase in sales volume, etc. <u>Profit</u> : Decrease due to the impact of competition, etc.
International energy*	29.5	22.5	+6.9	2.0	-5.3	+7.3	<u>Net sales</u> : Increase in sales volume of Gorgon Project, etc. <u>Profit</u> : Increase due to reaction of sales of IPP project in North America in FY2018.3, etc.
Life & Business Solutions	208.0	201.4	+6.5	19.0	18.2	+0.7	<u>Net sales</u> : Increase in material business, etc. <u>Profit</u> : Almost same level as the previous year.
Elimination/consolidation	-68.5	-61.8	-6.6	2.0	1.7	+0.2	
Consolidated	1,360.0	1,296.2	+63.7	74.5	78.3	-3.8	

* Since 1Q of FY19.3, Osaka Gas Engineering Co., Ltd. changed its segment from "Life & Business Solutions" to "Domestic Energy - Gas". 18.3 FY 1Q results are calculated based on the contents after change.

Forecasts for FY2019.3 - III

Consolidated, billion yen	A.FY 19.3 end forecasts	B. FY 18.3 end	A-B	Remarks
Total assets*	1,934.7	1,897.2	+37.4	
Shareholders' equity	1,023.1	999.5	+23.5	
Interest-bearing liabilities	524.7	503.7	+20.9	
Number of employees	20,555	19,997	+558	Increase in Osaka Gas Information System Research Institute Group, Jacobi Carbons AB, etc.
Shareholders' equity / Total assets*	52.9%	52.7%	+0.2%	* Calculated taking account of "Partial Amendments to Accounting Standard for Tax Effect Accounting"
D/E ratio*	0.51	0.50	+0.01	
	A.FY 19.3 forecasts	B. FY 18.3	A-B	Remarks
Capital expenditure	90.0	81.7	+8.2	Increase in investment for distribution Facilities, etc.
Depreciation	84.9	88.7	-3.7	
Free cash flow**	56.0	116.3	-60.3	Increase due to working capital, etc.
ROA	2.4%	2.0%	+0.4%	** Free cash flow = cash flows from operating activities – capital expenditures for upgrading existing businesses.
ROE	4.6%	3.8%	+0.7%	
EPS (yen/share)	111.8	90.7	+21.1	
BPS (yen/share)	2,460.2	2,403.7	+56.6	

Sales-Related Forecasts for FY2019.3

■ Gas Sales

45MJ/m³

	A.FY 19.3 forecasts	B. FY 18.3	A-B	(A-B)/B(%)
Residential use	1,957	2,160	-202	-9.4%
Non-Residential	5,732	6,387	-654	-10.2%
Non-consolidated gas sales volume (million m ³)	7,690	8,546	-857	-10.0%
Consolidated gas sales volume (million m ³)	7,723	8,580	-857	-10.0%

■ Electricity Sales(Consolidated)

	A.FY 19.3 forecasts	B. FY 18.3	A-B	(A-B)/B(%)
Electricity Sales Volume(GWh)	11,671	10,951	+720	+6.6%

■ Customer Accounts(Consolidated)

	A.FY 19.3 end forecasts	B. FY 18.3 end	A-B	(A-B)/B(%)
Number of customer Accounts (thousands)	8,900	8,274	+626	+7.6%

Thank you