



Financial Report for 3rd Quarter of FY2017.3 (April 2016 – December 2016)

January 2017
Osaka Gas Co., Ltd.

I. Business Results for 3rd Quarter of FY2017.3 and Forecasts for FY2017.3

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 the Results for 3rd Quarter of FY2017.3

Year-on-Year Comparison

■ Overview

Consolidated net sales	Decreased by 14.5% (¥137.3 billion) from the previous year to ¥807.4 billion due to the fall in sales unit price driven by lower LNG prices, etc.
Consolidated ordinary income	Decreased by 42.6% (¥44.0 billion) from the previous year to ¥59.5 billion due to decreased in gross profit of gas sales caused by the decrease in time-lag profit. Time-lag profit totaled ¥16.1 billion (Time-lag profit totaled ¥55.8 billion from the previous year)
Consolidated net income*	Decreased by 46.6% (¥34.4 billion) from the previous year to ¥39.4 billion * Profit attributable to owners of parent

■ Gas Sales Volume (by class)

Residential	Decreased by 2.2% (27 million m ³) from the previous year to 1,207 million m ³ due to higher air and water temperatures leading to lower demand for hot water and heating, etc.
Commercial, public and medical	Increased by 3.4% (34 million m ³) from the previous year to 1,048 million m ³ due to higher air temperatures in summer, which led to higher demand for air conditioning, and development of new demand (mainly air conditioning), etc.
Industrial	Increased by 11.6% (350 million m ³) from the previous year to 3,359 million m ³ due to development of huge demand, and the increase in capacity utilization of customers.

Gas Sales Volume Results for 3rd Quarter of FY2017.3

45MJ/m ³	A. FY17.3 3Q	B. FY16.3 3Q	A-B	A-B/B (%)
Number of meters installed (thousands)	7,286	7,228	+58	+0.8%
Installation of new meters (thousands)	71	69	+2	+2.3%
Monthly gas sales volume per household (m ³ /month)	22.5	23.1	-0.7	-3.0%
Residential use	1,207	1,234	-27	-2.2%
Commercial, public and medical use	1,048	1,013	+34	+3.4%
Industrial use	3,359	3,009	+350	+11.6%
Commercial and industrial use	4,407	4,022	+385	+9.6%
Wholesale	350	335	+15	+4.5%
(Non-regulated included)	(3,805)	(3,442)	(+364)	(+10.6%)
Non-consolidated gas sales volume (million m ³)	5,963	5,591	+373	+6.7%
Consolidated gas sales volume (million m ³)	5,988	5,615	+372	+6.6%

Results for 3rd Quarter of FY2017.3 - I

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

Consolidated, billion yen	A. FY17.3 3Q	B. FY16.3 3Q	A-B	(A-B)/B	Remarks
Net sales	(1.30) 807.4	(1.26) 944.7	-137.3	-14.5%	Fall in the gas sales unit price, etc.
Operating income	(1.59) 59.9	(1.30) 106.4	-46.4	-43.7%	Decrease in a time-lag profit
Ordinary income	(1.17) 59.5	(1.17) 103.6	-44.0	-42.6%	
Net income*	(0.98) 39.4	(1.13) 73.9	-34.4	-46.6%	

* Profit attributable to owners of parent

		A. FY17.3 3Q	B. FY16.3 3Q	A-B
Profit/ loss on fuel cost adjustment system	billion yen	16.1	55.8	-39.6
Crude oil price	\$/bbl	44.8**	54.6	-9.8
Exchange rate	yen/\$	106.5	121.7	-15.2
Number of subsidiaries		147	148	-1

** Average of monthly data up to middle of December.

Results for 3rd Quarter of FY2017.3 - II

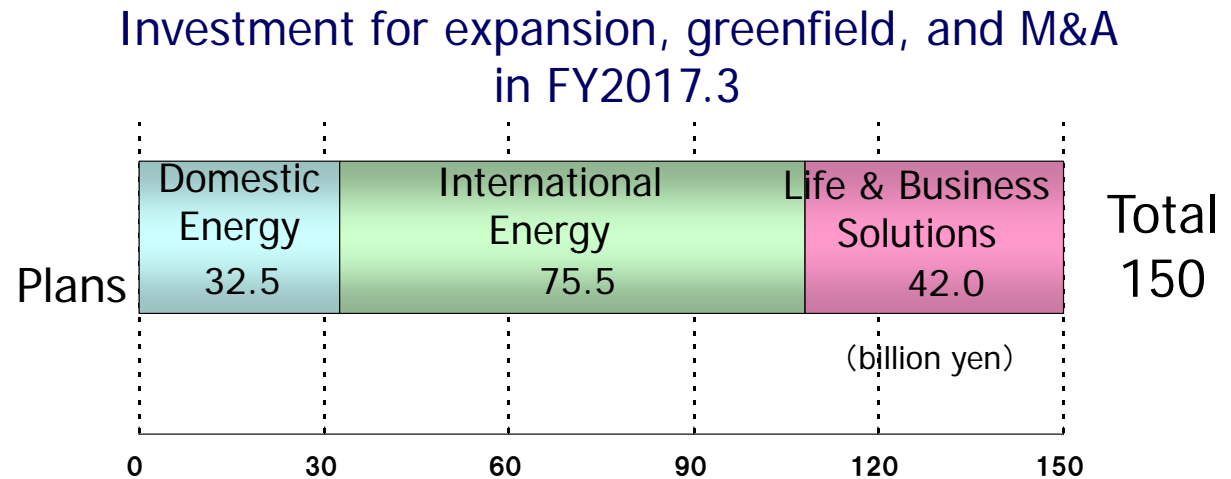
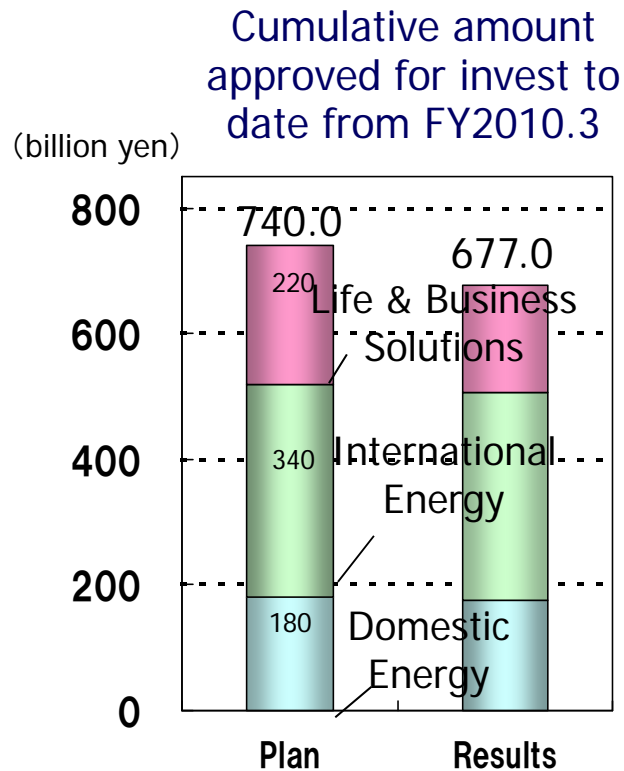
Consolidated, billion yen	A. FY17.3 3Q end	FY16.3 3Q end	B. year end	A-B	Remarks
Total assets	1731.9	1827.7	1829.7	-97.7	Decrease in cash and deposits, non current assets, etc.
Net worth	884.1	923.5	906.6	-22.4	
Interest-bearing liabilities	550.6	591.9	567.1	-16.5	
Number of employees	21,014	21,168	20,844	+170	
Equity ratio	51.0%	50.5%	49.5%	+1.5%	
D/E ratio	0.62	0.64	0.63	-0.00	
	A. 17.3 3Q	B. 16.3 3Q		A-B	Remarks
Capital expenditure	58.2	78.3		-20.0	Decrease in investment for power plants and upstream businesses, etc.
Depreciation	63.2	63.9		-0.6	
Free cash flow	22.8	122.0		-99.2	Decrease in cash and cash equivalents, etc.

We sold all of our shares of Cordova Gas Resources Ltd. in Canada and withdrew from it in October 2016.

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

Results of Investment for Expansion, Greenfield, and M&A in 3rd Quarter of FY2017.3

- Total investment in FY2017.3 were **¥48.9 billion**, mainly invested to overseas upstream and mid-downstream businesses and real estate.
- Cumulative amount approved for investment from FY2010.3 onwards are **¥677.0 billion**. (91% of the amount projected for the period between FY2010.3 and FY2017.3)



3Q Total investment : ¥48.9 billion in FY2017.3

Domestic energy : 7.3 (LPG business, construction of power plants, etc.)

International energy : 29.8 (Upstream business, construction of power plant, etc.)

Life & Business Solutions : 11.8 (Real estate business, etc.)

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.

Summary of Modifications to Forecasts for FY 2017.3

			A. Revised Forecasts	B. Previous Forecasts*	A-B	Remarks
Assumed factors for 4 th Quarter	Crude oil price	\$/bbl	55.0	55.0	±0	
	Exchange rate	yen/\$	115	105	+10	
Non-consolidated gas sales volume (45MJ/m ³)	Residential use		2,091	2,103	-11	
	Commercial, industrial, and other use		6,381	6,345	+37	Considering changing in customers' facilities utilization
P/L (billion yen)	Consolidated net sales		1,159.5	1,170.5	-11.0	Fall in the gas sales unit price, etc.
	Gross margin of gas sales		325.0	320.0	+5.0	Decrease in a time-lag profit
	Profit of other sales		25.2	25.2	±0.0	
	Operating expenses, labor costs, and depreciation		294.7	296.7	-2.0	
	Profit of subsidiaries		40.0	33.5	+6.5	OGUSA/Related to Free Port PJ
	Consolidated operating income		95.5	82.0	+13.5	
	Consolidated non-operating income / expenses		-2.5	-4.0	+1.5	
	Consolidated ordinary income		93.0	78.0	+15.0	

*announced on October 26

Gas Sales Volume Forecasts for FY2017 .3

45MJ/m ³	A. FY17.3 Forecasts	B. FY16.3 Results	A-B	(A-B)/B
Number of meters installed (thousand)	7,298	7,252	+46	+0.6%
Installation of new meters (thousand)	111	109	+2	+1.9%
Monthly gas sales volume per household (m ³ /month)	29.2	29.3	-0.1	-4.1%
Residential use	2,091	2,083	+8	+0.4%
Commercial, public, and medical use	1,461	1,410	+52	+3.7%
Industrial use	4,438	4,059	+379	+9.3%
Commercial and industrial use	5,900	5,469	+431	+7.9%
Wholesale	482	469	+13	+2.7%
(Non-regulated included)	(5,047)	(4,647)	(+400)	(+8.6%)
Non-consolidated gas sales volume (million m ³)	8,473	8,021	+452	+5.6%
Consolidated gas sales volume (million m ³)	8,505	8,052	+453	+5.6%

Forecasts for FY2017.3 - I

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

Consolidated, billion yen	A. FY17.3 Forecasts	B. FY16.3 Results	A-B	(A-B)/B
Net sales	(1.31) 1,159.5	(1.27) 1,322.0	-162.5	-12.3%
Operating income	(1.72) 95.5	(1.31) 146.6	-51.1	-34.9%
Ordinary income	(1.34) 93.0	(1.19) 134.9	-41.9	-31.1%
Net income*	(1.19) 64.5	(1.01) 84.3	-19.8	-23.5%
SVA**	37.7	52.6	-14.8	-28.2%

		A. FY17.3 Forecasts	B. FY16.3 Results	A-B
Profit/loss on fuel cost adjustment system	billion yen	12.1	81.7	-69.5
Crude oil price	\$/bbl	47.3***	48.7	-1.4
Exchange rate	yen/\$	108.7***	120.2	-11.4

* Profit attributable to owners of parent

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

*** For the period from January 2017 to March 2017, it is assumed that the crude oil price is 55 \$/bbl, and the exchange rate is ¥115/\$.

Forecasts for FY2017.3 - II

Consolidated, billion yen	A. FY17.3 end Forecasts	B. FY16.3 end Results	A-B
Total assets	1,843.4	1,829.7	+13.6
Net worth	936.5	906.6	+29.8
Interest-bearing debt	556.8	567.1	-10.3
Number of employees	21,232	20,844	+388
Equity ratio	50.8%	49.5%	+1.3%
D/E ratio	0.59	0.63	-0.03
	A. FY17.3 Forecasts	B. FY16.3 Results	A-B
Capital expenditure	109.5	114.4	-4.8
Depreciation	86.6	86.7	-0.0
Free cash flow	94.6	225.7	-131.1
ROA	3.5%	4.6%	-1.1%
ROE	7.0%	9.4%	-2.4%
EPS (yen)	31.0	40.5	-9.5
BPS (yen)	450.3	435.8	+14.5

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

II. Facts and Figures

Latest Topics

■ New tariffs and new home services “Sumikata Plus”

Applications accepted from	From April 1, 2017
New tariffs	<ul style="list-style-type: none"> • “Gas-toku-plan motto-wari” (mainly for residential customers) • “Gas-toku-plan Akinai-wari” (mainly for commercial customers)
“Sumikata Plus”	<ul style="list-style-type: none"> • unlimited call outs for emergency residential repairs • living support (subscription to on-line recipes, health consultation and energy saving reports.) <p>※This service is offered to customers with a Gas-toku-plan contract for a monthly fixed rate of 216 yen per month.</p>

■ We provides customers with the total services, the menu of tariffs, high quality safe and reliable , and one-stop services of living.



Sales Variance for 3rd Quarter of FY2017.3 (Year-on-Year)

FY16.3 3Q → FY17.3 3Q (differences)

944.7 807.4 (-137.3)

billion yen

Osaka Gas: -127.0

Subsidiaries: -10.3

Gas sales revenues	-122.6
• Profit/loss on fuel cost adjustment	-149.9
• Volume change, etc.	+27.2

Other revenues	-4.3
• Gas appliances sales	-5.8
• Incidental Businesses revenues	+1.9

• Total of LPG operating companies	-5.0
• Osaka Gas USA	-2.9
• Osaka Gas Excellent Agency	-2.5

Ordinary Income Variance for 3rd Quarter of FY2017.3 (Year-on-Year)

+/- signs indicate impact on profit.

FY16.3 3Q → FY17.3 3Q (differences)

103.6

59.5

(-44.0)

billion yen

Osaka Gas: -37.3

Subsidiaries: -6.7

Gross margin of gas sales -39.9
 • Profit/ loss on fuel cost adjustment -39.6
 • Volume change, etc. -0.2

Decrease in expenses +0.7

Profit of other sales -5.2
 • Incidental businesses -8.0
 • Miscellaneous operating +2.8

Non-operating income / expenses +7.0

• Osaka Gas USA -3.7
 • Osaka Gas UK -0.8

Sales variance for FY2017.3 (Year-on-Year)

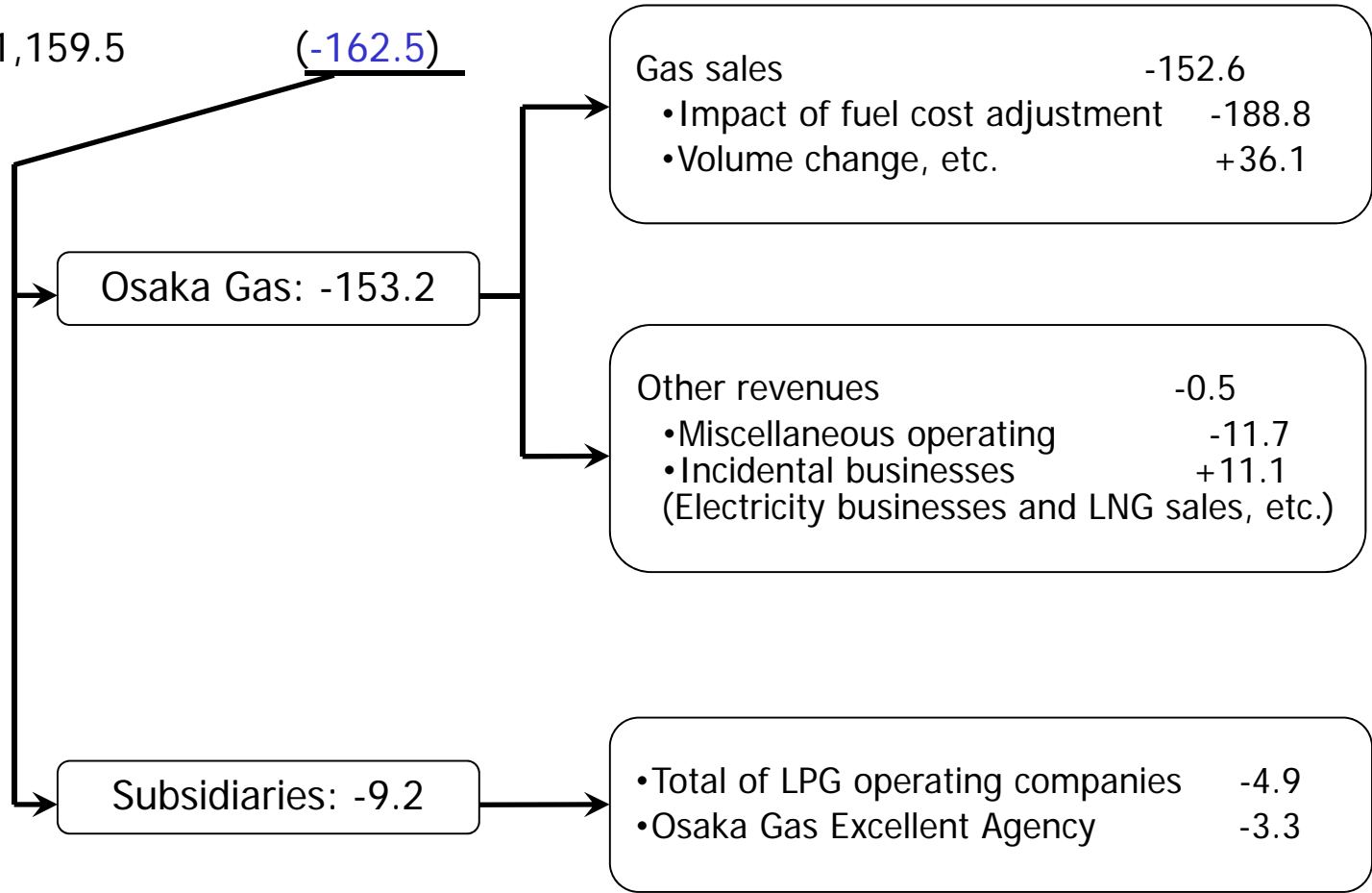
FY16.3 results → FY17.3 forecasts (differences)

1,322.0

1,159.5

(-162.5)

(billion yen)



Ordinary income variance for FY2017.3 (Year-on-Year)

FY16.3 results → FY17.3 forecasts (differences)

134.9

93.0

(-41.9)

(billion yen)

Osaka Gas: - 43.8

Subsidiaries: +1.8

+/- signs indicate impact on profit.

Gross margin of gas sales -64.4
 • Profit/loss on fuel cost adjustment -69.5
 • Volume change, etc. +5.1

Decrease in expenses +14.1

Profit of other sales -6.2
 • Profit of incidental business -9.7
 • Miscellaneous operating +3.4

Non-operating income and expenses +12.7

• Osaka Gas USA +3.8
 • Osaka Gas UK -0.8

Results for 3rd Quarter of FY2017.3 by Segment

billion yen	Net sales		Operating income + Equity in earnings of affiliates		Remarks
	FY17.3 3Q	FY16.3 3Q	FY17.3 3Q	FY16.3 3Q	
Gas	544.2	671.6	32.3	67.7	<u>Net sales</u> : Fall in the gas sales unit price <u>Profit</u> : Decrease in a time-lag profit
LPG, electricity, and other energy	144.3	156.5	14.8	23.3	<u>Net sales</u> : Mainly decrease in LPG businesses due to the LPG sales unit price <u>Profit</u> : Mainly decrease in electricity business
International energy	10.1	12.5	-1.0	1.3	<u>Net sales / Profit</u> : Decrease in energy business in USA, etc. (Mainly impact from Freeport Project)
Life & Business Solutions	153.0	153.3	14.2	12.8	<u>Net sales</u> : Overall, almost same line with the results of previous year <u>Profit</u> : Increase in real estate businesses
Adjustments	-44.4	-49.3	0.3	0.8	
Consolidated	807.4	944.7	60.7	105.9	

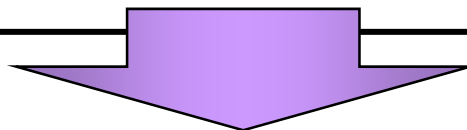
Forecasts for FY2017.3 by Segment

billion yen	Net sales		Operating income + Equity in earnings of affiliates		Remarks
	FY17.3 forecasts	FY16.3 results	FY17.3 forecasts	FY16.3 results	
Gas	786.9	948.5	49.0	95.7	<u>Net sales</u> : Fall in the gas sales unit price <u>Profit</u> : Decrease in a time-lag profit
LPG, electricity, and other energy	199.0	206.4	19.0	28.8	<u>Net sales</u> : Mainly decrease in LPG businesses due to the LPG sales unit price <u>Profit</u> : Decrease in electricity business and LPG business
International energy	24.4	18.7	8.0	-0.2	<u>Net sales / Profit</u> : Increase in Energy businesses in USA etc. (Mainly impact from Freeport Project)
Life & Business Solutions	215.4	221.7	19.0	18.8	<u>Net sales</u> : Due to transfer of business <u>Profit</u> : Overall, almost same line with the results of previous year
Adjustments	-66.2	-73.3	0.8	-0.9	
Consolidated	1,159.5	1,322.0	95.7	142.1	

Residential Gas Sales

FY2017.3 3Q Results

	YoY change	Remarks
Number of customers	+0.8%	
Influence of temperature, etc.	-0.4%	Average annual temperature: 20.8 degrees Celsius (Year-on-Year change: +0.5 degrees Celsius)
Others	-2.6%	Improved efficiency of gas appliance, impact of further energy conservation by customers etc.
Total	-2.2%	



FY2017.3 Forecasts

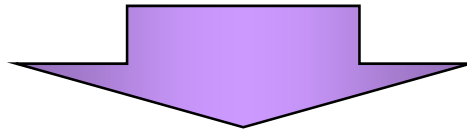
- Full-year result is expected to increase by 8 million m³ from the previous year, and decrease by 11 million m³ from the previous forecast* to 2,091 million m³

* announced on October 26

Commercial, Public, and Medical Gas Sales

FY2017.3 3Q Results

	YoY change	Remarks
Demand development	+1.9%	Development of new demand mainly for air conditioning
Influence of temperature, etc.	+3.5%	
Individual factors	-1.0%	Decrease in capacity of customers' facilities due to special factors
Others	-0.8%	Improved efficiency of gas appliance, impact of further energy conservation by customers etc.
Total	+3.4%	



FY2017.3 Forecasts

- Full-year result is expected to increase by 52 million m³ from the previous year, and increase by 16 million m³ from the previous forecast* to 1,461 million m³

* announced on October 26

Industrial Gas Sales

FY2017.3 3Q Results

	YoY change	Remarks
Demand development	+11.1%	Conversion to gas from other fuel, etc.
Increase/decrease of operating rates	+1.9%	Increase in capacity of customers' facilities, etc.
Individual factors	-1.2%	Decrease due to special factors
Others	-0.2%	
Total	+11.6%	

Breakdown by sector

(45MJ, million m³)

	Volume	YoY change
Machinery	231	100.1%
Metal	723	102.0%
Glass	214	96.2%
Chemical	938	105.7%
Food	400	102.5%

FY2017.3 Forecasts

- Full-year result is expected to increase by 379 million m³ from the previous year, and increase by 23 million m³ from the initial plan to 4,438 million m³

Monthly Gas Sales

Year-on-Year Change FY2016 / FY2015 (%)

	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Total	
Residential	94.8	99.9	100.7	94.2	95.2	92.1	89.9	101.5	104.7	97.8	
Commercial, Public, Medical	95.5	90.2	104.6	102.9	100.0	110.7	119.0	100.3	106.3	103.4	
Industrial	101.5	121.2	112.9	106.0	114.5	116.8	115.6	110.3	107.1	111.6	
By Segment	Machinery	93.8	104.1	95.4	91.4	99.2	101.4	103.6	107.4	107.3	100.1
	Metal	98.2	102.0	99.7	99.9	98.2	101.8	103.7	104.4	110.1	102.0
	Glass	95.4	104.0	98.1	92.8	99.1	95.7	95.7	96.5	97.3	96.2
	Chemical	94.5	109.2	107.4	96.4	100.5	102.2	113.3	126.1	107.5	105.7
	Food	100.0	106.9	102.8	98.2	104.6	104.5	103.7	100.5	101.9	102.5
Wholesale	98.7	120.8	94.6	96.3	109.3	104.2	109.3	104.7	104.7	104.5	
Total	98.3	110.3	108.0	102.9	107.9	111.2	111.0	106.3	106.1	106.7	

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. -0.03 billion yen on ordinary income since the 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. -0.7 billion yen on ordinary income since the 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. 0.5 billion yen on annual consolidated non-operating expenses.