



# Financial Report for 1<sup>st</sup> Quarter of FY2018.3 (April 2017 – June 2017)

July 2017  
Osaka Gas Co., Ltd.

# I. Business Results for 1<sup>st</sup> Quarter of FY2018.3

**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/en/ir/index.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

# Summary of Business Results for 1<sup>st</sup> Quarter of FY 2018.3

## Year-on-Year Comparison

### ■ Overview

Consolidated Net sales	Increased by 6.0 % (¥16.4 billion) to ¥292.7 billion due to the increase in sales volume in Electricity Business
Consolidated Ordinary income	Decreased by 36.3% (¥14.6 billion) to ¥25.7 billion due to the decrease in gross profit of Gas Business caused by the decrease in time-lag profit Time-lag loss totaled ¥7.0 billion (Time-lag profit of the 1 <sup>st</sup> quarter of the previous year totaled ¥14.5 billion)

### ■ Gas Sales Volume

Residential	Increased by 4.7% (23 million m <sup>3</sup> ) to 524 million m <sup>3</sup> , due to increasing demand for heating and hot water caused by lower air and water temperatures in spring
Non-Residential	Increased by 2.9% (43 million m <sup>3</sup> ) to 1,541 million m <sup>3</sup> , due to the increase in capacity utilization and progress in stimulating demand

### ■ Electricity Sales Volume

Consolidated electricity sales volume (GWh) *Excluding the sales in overseas	Increased by 34.9% (557 GWh) to 2,150 GWh , due to the increases both in retails and wholesale sales
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# Gas Sales Volume Results for 1<sup>st</sup> Quarter of FY2018.3

45MJ/m <sup>3</sup>	A. FY18.3 1Q	B. FY17.3 1Q	A-B	(A-B)/B (%)
Number of units for gas supply (thousands*)	6,129	6,210	-81	-1.3%
Installation of new meters (thousands)	24	22	+2	+10.5%
Monthly gas sales volume per household (m <sup>3</sup> /month)	29.4	28.0	+1.4	+4.9%
Residential use	524	501	+23	+4.7%
Non-Residential	1,541	1,498	+43	+2.9%
Non-consolidated gas sales volume (million m <sup>3</sup> )	2,065	1,999	+67	+3.3%
Consolidated gas sales volume (million m <sup>3</sup> )	2,076	2,009	+67	+3.3%

■ Electricity Sales Volume	A. FY18.3 1Q	B. FY17.3 1Q	A-B	(A-B)/B(%)
Retail	360	82	278	+339.6%
Wholesale, etc	1,791	1,512	279	+18.4%
Electricity Sales Volume(GWh) *Excluding the sales in overseas	2,150	1,594	557	+34.9%

# Results for 1<sup>st</sup> Quarter of FY2018.3 - I

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

Consolidated, billion yen	A. FY18.3 1Q	B. FY17.3 1Q	A-B	(A-B)/B	Remarks
Net sales	(1.26) 292.7	(1.28) 276.3	+16.4	+6.0%	Increase in the electricity sales volume, etc.
Operating income	(1.42) 23.7	(1.17) 38.4	-14.7	-38.3%	Decrease in gross profit of gas businesses, etc.
Ordinary income	(1.14) 25.7	(0.86) 40.3	-14.6	-36.3%	Decrease in gross profit of gas businesses, etc.
Net income*	(0.99) 17.4	(0.74) 26.9	-9.4	-35.3%	

\* Profit attributable to owners of parent

		A. FY18.3 1Q	B. FY17.3 1Q	A-B
Profit / loss on fuel cost adjustment system	billion yen	-7.0	14.5	-21.6
Crude oil price	\$/bbl	** 53.4	40.9	+12.5
Exchange rate	yen/\$	111.1	108.0	+3.1

(\*\*) Average of preliminary monthly data up to June

# Results for 1<sup>st</sup> Quarter of FY2018.3 - II

Consolidated, billion yen	A. FY18.3 1Q end	FY17.3 1Q end	B. year end	A-B	Remarks
Total assets	1,822.7	1,736.5	1,886.5	-63.8	Decrease in current assets, etc.
Net worth	966.0	896.7	961.9	+4.1	
Interest-bearing liabilities	520.8	552.7	540.6	-19.8	
Number of employees	21,221	21,137	20,762	+459	
Net worth / Total assets	53.0%	51.6%	51.0%	+2.0%	
D/E ratio	0.54	0.62	0.56	-0.02	

Consolidated, billion yen	A. 18.3 1Q	B. 17.3 1Q	A-B	Remarks
Capital expenditure	16.7	15.4	+1.3	System for liberalization, etc.
Depreciation	21.5	20.6	+0.9	
Free cash flow	-14.3	8.8	-23.1	

# Results of Investments for growth in FY2018.3

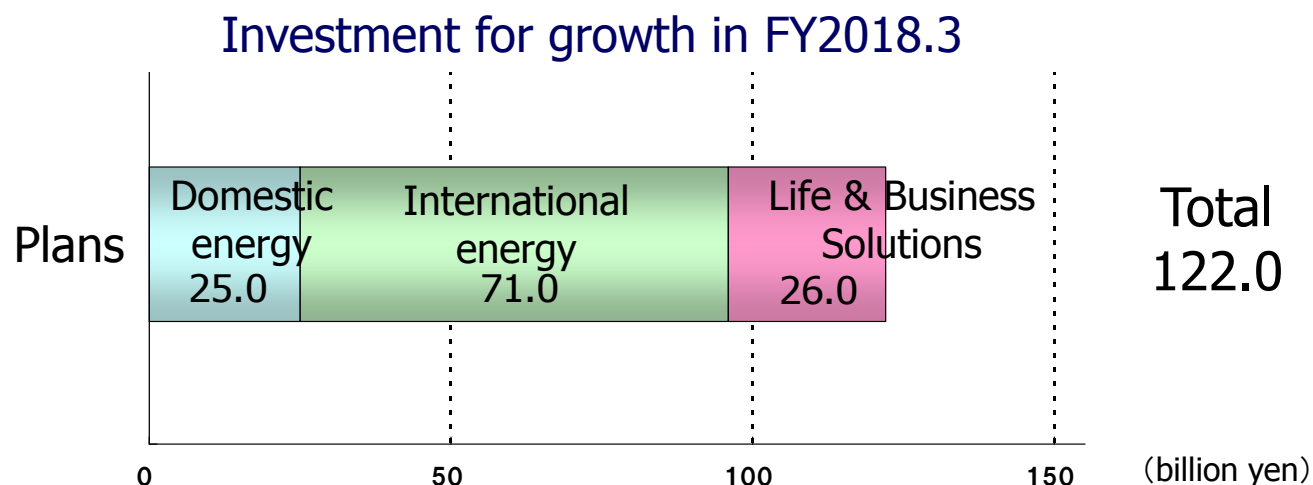
Total investment in FY2018.3 were **¥11.3 billion** (9% of the plan in FY2018.3)

Domestic energy : 3.0 (LPG business, electricity business, etc.)

International energy : 4.3 (Upstream business, downstream business, etc.)

Life & Business Solutions : 3.9 (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



# Results for 1<sup>st</sup> Quarter of FY2018.3 by Segments

From FY18.3, business segments are revised to following 4 segments.

"Domestic energies - Gas", "Domestic energies - Electricity", "International energies", "Life & Business Solutions

billion yen	Net sales		Operating income + Equity in earnings of affiliates		Remarks
	FY18.3 1Q	FY17.3 1Q (*)	FY18.3 1Q	FY17.3 1Q(*)	
Domestic energies - Gas	227.6	221.4	17.3	35.8	<u>Net sales</u> : Increase in LNG sales volume, etc. <u>Profit</u> : Decreases in time-lag profit and loss, etc.
Domestic energies - Electricity	28.2	17.9	2.1	0.6	<u>Net sales</u> : Increase in electricity sales volume, etc. <u>Profit</u> : Increase in electricity sales volume, etc.
International energies	4.4	3.0	0.7	-2.3	<u>Net sales</u> : Increase in the utilization of LNG tankers, etc. <u>Profit</u> : Increase due to Freeport LNG terminal project, etc.
Life & Business Solutions	44.4	46.8	2.8	2.9	<u>Net sales</u> : Decrease in sales in urban development business, etc. <u>Profit</u> : Almost same level as the previous year
Elimination/consolidation	-12.0	-12.9	0.7	0.6	
Consolidated	292.7	276.3	23.8	37.7	

\* The figure are provisional one replaced by new segment basis (from FY18.3). 8





## II. Facts and Figures

# Sales variance for 1<sup>st</sup> Quarter of FY2018.3 (Year-on-Year)

FY17.3 1Q → FY18.3 1Q (differences)

276.3                      292.7                      (+16.4)

(billion yen)

Osaka Gas: +16.5

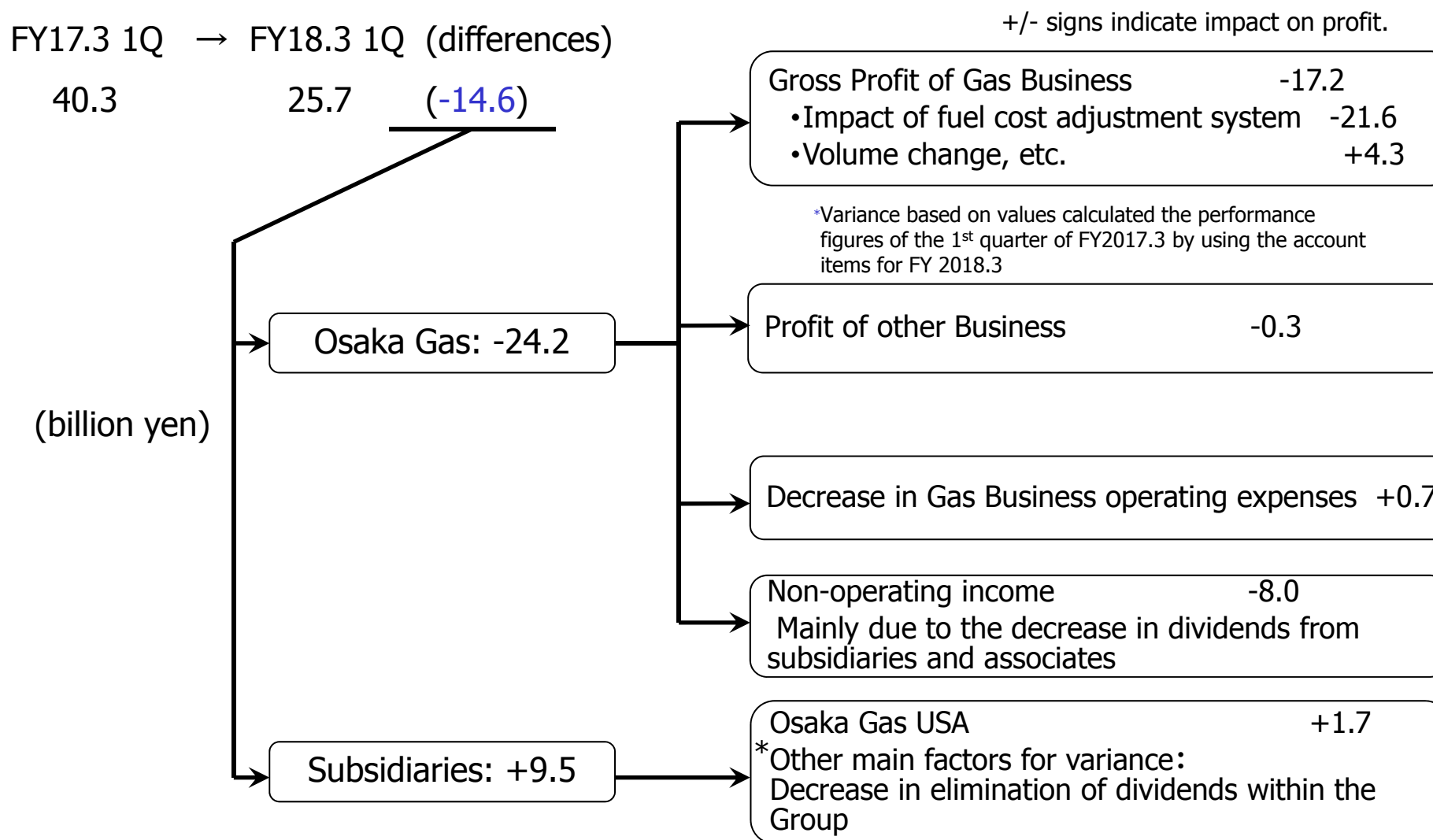
Subsidiaries: -0.0

Gas Business Sales revenue                      +0.5  
•Impact of fuel cost adjustment                      -6.2  
•Volume change , etc.                      +6.7

\*Variance based on values calculated the performance figures of the 1st quarter of FY2017.3 by using the account items for FY 2018.3

Other revenues                      +15.4  
Mainly electricity business

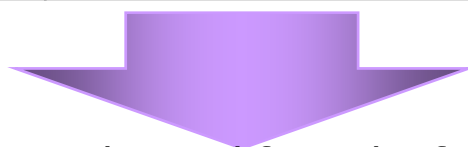
## Ordinary income variance for 1<sup>st</sup> Quarter of FY2018.3 (Year-on-Year)



# Residential Gas Sales

## FY2018.3 1Q results

	YoY change	Remarks
Number of customers	-0.5%	
Impact of temperature	+6.9%	Average annual temperature: 19.8 degrees Celsius (-0.5 degrees Celsius from the previous year)
Others	-1.8%	High-efficiency of gas appliances, promotion of energy efficiency among customers, etc.
Total	+4.7%	



## FY2018.3 forecasts

Unchanged from the forecasts announced on April 26

- Residential gas sales volume is expected to increase by 8 million m<sup>3</sup> (0.4%)
- from the previous year to 2,111 million m<sup>3</sup>, assuming the same
- temperature level as in usual years and lower temperatures in 1st half
- period, etc.

# Non-Residential Gas Sales

## FY2018.3 1Q results

	YoY change	Remarks
Demand development	+1.5%	Demand development focused on heating
Impact of temperature	+0.5%	
Capacity utilization of facilities, etc.	+2.2%	
Individual factor	-1.6%	Decreased in capacity utilization of customers' facilities, due to individual factor
Others	+0.3%	Effect of the number of days for meter reading, etc.
Total	+2.9%	



## FY2018.3 forecasts

Unchanged from the forecasts announced on April 26

- Non-residential gas sales volume is expected to decrease by 552 million m3 (8.4%) from the previous year to 6,008 million m3, reflecting a decrease in gas sales volume for power generation due to the change in the classification of gas used from non-residential to self-use , etc.

# 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. -1.3billion 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. -0.8 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



## III. Facts and Figures (2)

- Forecasts for FY2018.3

Maintaining our full-year forecasts unchanged from the April forecasts

## Gas / Electricity Sales Volume Forecasts for FY2018.3

### ■ Gas Sales Volume

45MJ/m <sup>3</sup>	A. FY18.3 forecasts	B. FY17.3 results	A-B	(A-B)/B
Residential use	2,111	2,103	+8	+0.4%
Non-residential total	6,008	6,560	-552	-8.4%
Non-consolidated gas sales volume total (million m <sup>3</sup> )	8,118	8,662	-544	-6.3%
Consolidated gas sales volume total (million m <sup>3</sup> )	8,150	8,694	-544	-6.3%

### ■ Electricity Sales Volume

	A. FY18.3 forecasts	B. FY17.3 results	A-B	(A-B)/B
Consolidated electricity sales volume total (GWh) *Excluding the sales in overseas	10,303	8,948	+1,355	+15.1%



# Forecasts for FY2018.3 - I

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

Consolidated, billion yen	A. FY18.3 forecasts	B. FY17.3 results	A-B	(A-B)/B
Net sales	(1.28) 1,344.5	(1.31) 1,183.8	+160.6	+13.6%
Operating income	(2.38) 66.5	(1.76) 97.2	-30.7	-31.6%
Ordinary income	(1.83) 64.0	(1.37) 96.2	-32.2	-33.5%
Net income*	(1.57) 42.5	(1.12) 61.2	-18.7	-30.6%
SVA**	17.5	33.3	-15.7	-47.4%
Profit/loss on fuel cost adjustment system	billion yen 0.9	13.7	-12.8	
Crude oil price	\$/bbl 55.0	47.5***	+7.5	
Exchange rate	yen/\$ 115.0	108.3	+6.7	

\* Profit attributable to owners of parent

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

\*\*\* Average of preliminary monthly data up to March.

# Forecasts for FY2018.3 - II

Consolidated, billion yen	A. FY18.3 end forecasts	B. FY17.3 end results	A-B
Total assets	1,842.9	1,886.5	-43.6
Net worth	945.5	961.9	-16.4
Interest-bearing liabilities	543.3	540.6	+2.6
Number of employees	21,374	20,762	+612
Net worth / Total assets	51.3%	51.0%	+0.3%
D/E ratio	0.57	0.56	+0.01
	A. FY18.3 forecasts	B. FY17.3 results	A-B
Capital expenditure	92.5	88.6	+3.8
Depreciation	85.9	86.2	-0.2
Free cash flow *	81.9	100.5	-18.5
ROA	2.3%	3.3%	-1.0%
ROE	4.5%	6.6%	-2.0%
EBITDA	157.0	188.4	-31.4
EPS (yen/share)	102.2**	29.5	72.7
BPS (yen/share)	2,273.1**	462.5	1,810.6

\*Cash flows from operating activities - capital expenditures for upgrading existing businesses.

\*\*Reflecting the effect of consolidation of shares.

# Forecasts for FY2018.3 by Segments

From FY18.3, business segments are revised to following 4 segments.

"Domestic energies - Gas", "Domestic energies - Electricity", "International energies", "Life & Business Solutions

(billion yen)	Net sales		Operating income + Equity in earnings of affiliates		Remarks
	FY18.3 forecasts	FY17.3 results*	FY18.3 forecasts	FY17.3 results*	
Domestic energies - Gas	1,019.5	911.2	29.0	55.2	<u>Net sales</u> : Increase in the unit price of gas sales, etc. <u>Profit</u> : Decrease in time-lag profit, etc.
Domestic energies - Electricity	167.0	107.5	14.0	16.2	<u>Net sales</u> : Increase in Electricity sales volume, etc. <u>Profit</u> : Decrease in the unit price of electricity sales, etc.
International energies	25.0	22.6	4.0	8.0	<u>Net sales</u> : Increase in the LNG Project in Australia, etc. <u>Profit</u> : Decrease in the energy business in U.S., etc.
Life & Business Solutions	208.5	208.3	19.0	18.6	<u>Net sales/Profit</u> : Almost same level as the previous year
Elimination/consolidation	-75.5	-65.9	2.2	0.9	
Consolidated	1,344.5	1,183.8	68.2	99.0	

\* The figure are provisional one replaced by new segment basis (from FY18.3).



Thank you