



Financial Report for 1st Half of FY2018.3 (April 2017 – September 2017)

October 2017
Osaka Gas Co., Ltd.

I am Takehiro Honjo.

Thank you very much for taking your time to attend this briefing.

On behalf of the Company, I would like to express my gratitude for your continued cooperation and understanding in regard to the Company's businesses.



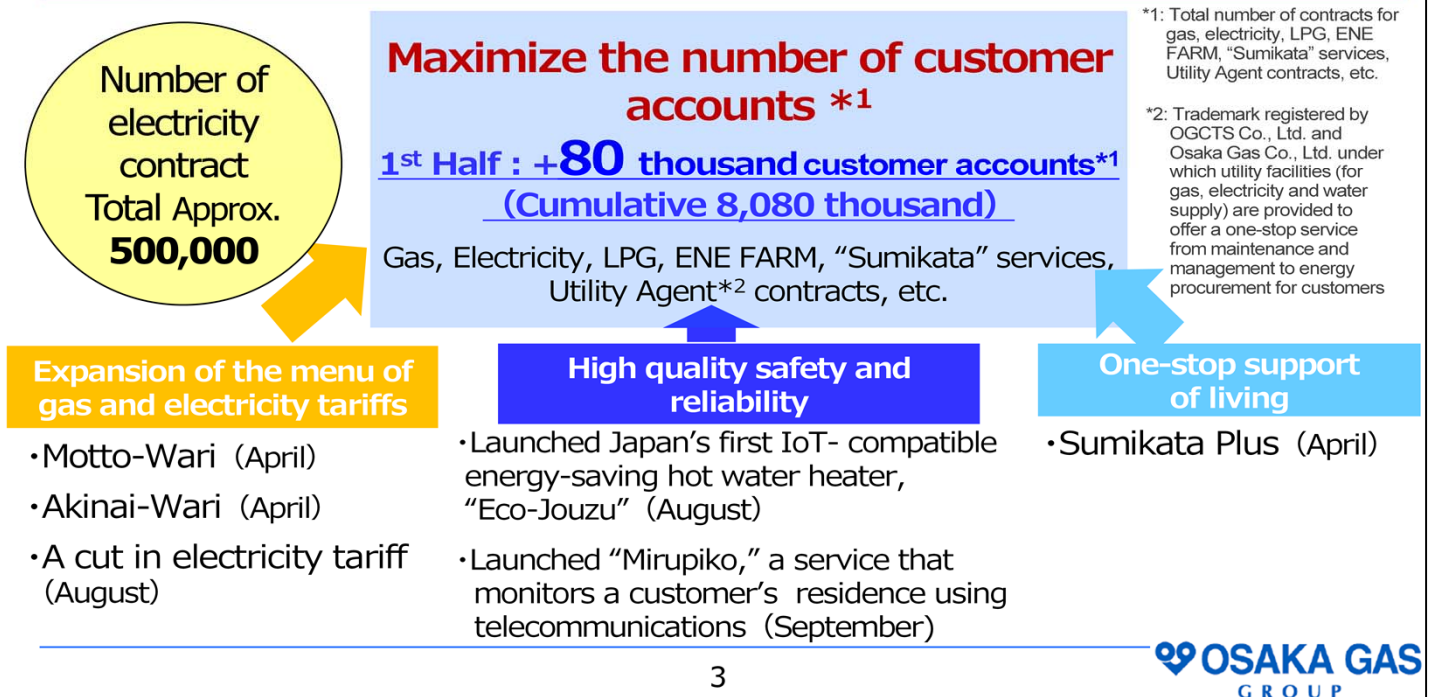
I. Review of 1st Half of FY2018.3

Before explaining the business results of Osaka Gas, I would like to briefly review the first half of the fiscal year.

Review of 1st Half of FY2018.3

① Full deregulation of electricity and gas retail markets

- Provide customers with the total services, the menu of tariffs, high quality safety and reliability, and one-stop support of living, and focus on activities that will maximize the number of customer accounts
- Increase the number of accounts by bringing in electricity and other service contracts



As you know, the gas retail market was fully deregulated in April 2017. In the newly liberalized small-lot user sector, over 200,000 customers have switched utilities as of this point, making for a very harsh environment. However, we believe that a cumulative total of about 500,000 customers supplied with retail electricity is a solid accomplishment.

We believe that to earn customers' business, it is important to provide total services with the menu of tariffs, high quality safety and reliability, and one-stop support of living. We are taking measures to augment these services.

Regarding the menu of tariffs, in April, we added "Motto-wari and Akinai-wari" as new tariffs for gas. There has been a solid increase in those subscribing to "Motto-wari and Akinai-wari."

Also, electricity charges for "Electricity of Osaka Gas," provided

since 2016, were lowered in August. We continue to acquire electricity customers at a steady pace.

With the aim of ensuring high quality safety and reliability, in August we launched the sale of “Eco-Jouzu,” an energy-conserving gas water heater that is IoT compatible. In order to create “a smarter, more secure and comfortable lifestyle,” new functions and services have been added, such as bath monitoring and healthcare management that can be used with an application exclusive for smartphones.

“Mirupiko” was launched in September, which is a service that uses telecommunications to monitor gas leaks and fires 24 hours a day, 365 days a year, and notify customers of their gas use by phone and email.

As regards, services for “support for customers’ lifestyles,” in fiscal 2016, we launched “Sumikata Service (Home Services),” which provides customers with one-stop support services involving water facility repairs, air conditioner repairs, and house cleaning. In addition to this service, “Sumikata Plus” began in April. This program provides unlimited call-outs for emergency residential problems and living support services, with the payment of a monthly fixed fee.

In addition, we focused on activities aimed at maximizing the number of customer accounts, or the total number of contracts with customers, laid out in our long-term vision. Although some existing customers cancelled their gas service, new gas and electricity contracts and various service contracts

outnumbered the cancelled contracts, and resulted in an increase in the number of customer accounts by 80,000 in the first half.

We will continue to value our communication with customers, primarily through face-to-face channels, and will strive to maximize the number of customer accounts.

Review of 1st Half of FY2018.3

② Progress with growth investment plan

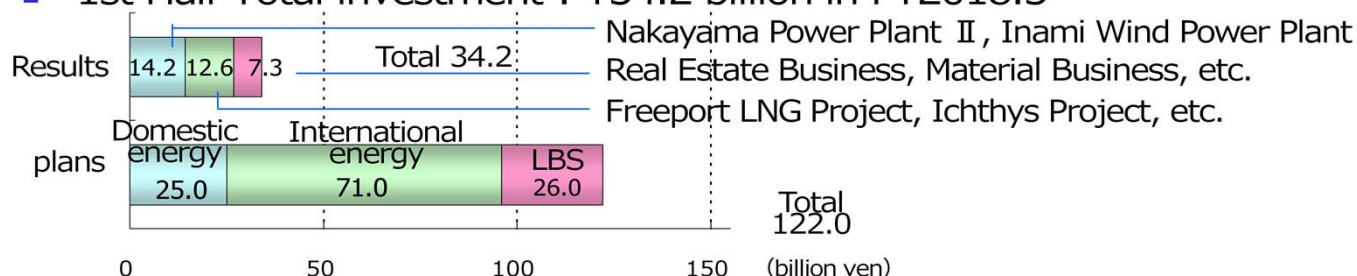
<Investments>

- Domestic Energy : ¥14.2 billion (Mainly electric power plant)
- International Energy : ¥12.6 billion (Mainly Ongoing projects)
- Life&Business solutions (LBS) : ¥7.3 billion (Mainly Real estate business, Material business)

<Decisions>

- Commercialize a biomass power generation plant in Ichihara City, establish a new city gas manufacturing and supply company in Kawasaki City and acquire an information company, etc.

■ 1st Half Total investment : ¥34.2 billion in FY2018.3



■ New projects decided in 1st Half

- Decision to commercialize a biomass power generation plant in Ichihara City, Chiba Prefecture
- Established a new city gas manufacturing and supply company in Kawasaki City's Ogishima area
- Acquisition of all of the shares in Agnie Consulting Corporation. (OGIS-RI Co., Ltd.)

Total investments for growth, one of the pillars of our medium- and long-term vision, made in the first half amounted to 34.2 billion yen.

These included 14.2 billion yen for the Domestic Energy business, 12.6 billion yen for the International Energy business and 7.3 billion yen for Life & Business Solutions business.

In the Domestic Energy business, investments were primarily made in the energy generation business, including the Nakayama Nagoya Power Plant II and the Inami Wind Power Plant. The Nakayama Nagoya Power Plant II began operating in September.

In the International Energy business, investments were made primarily to complete the Freeport project and Ichthys Project, which had already been planned.

In the LBS business, investments were primarily made in the urban development sector.

In the first half we also decided on investments in the

commercialization of a biomass power generation plant in Ichihara, Chiba in September and established a city gas manufacturing and supply company in Kawasaki City's Ogishima area.

In October, OGIS-RI Co., Ltd. acquired all of the shares in Agnie Consulting Corporation.

We will continue to make investments for growth.

Review of 1st Half of FY2018.3 ③ Main Topics

GAS • LPG

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|-----------|--|
| August | <ul style="list-style-type: none"> • Reorganization and consolidation of wholesale and retail liquid propane gas business, establishment of a new company "ENEARC Co., Ltd." • Launched Japan's first IoT-compatible energy-saving hot water heater, "Eco-Jouzu" |
| September | <ul style="list-style-type: none"> • Launched "Mirupiko," a service that monitors a customer's residence using telecommunications • Established a new city gas manufacturing and supply company in Kawasaki City's Ogishima area |

Electric power

- | | |
|-----------|---|
| September | <ul style="list-style-type: none"> • Start of operations for Nakayama Nagoya Power Plant II (G&P) • Decision to commercialize a biomass power generation plant in Ichihara City, Chiba Prefecture |
|-----------|---|

Inter national

- | | |
|-----|---|
| May | <ul style="list-style-type: none"> • Start of supply for onsite energy supply project for Yokohama Tire Manufacturing (Thailand) Co., Ltd. in Thailand |
|-----|---|

LBS

- | | |
|---------|---|
| October | <ul style="list-style-type: none"> • Acquisition of all of the shares in Agnie Consulting Corporation. (OGIS-RI Co., Ltd.) |
|---------|---|

ESG

- | | |
|-----------|---|
| September | <ul style="list-style-type: none"> • Selected for inclusion in the Dow Jones Sustainability World Index for the first time |
|-----------|---|

*All the above are from press releases during the month listed.

This page lists the major projects for which press releases were issued in the first half.

We expect competition to become even more intense going forward, which means that it is all the more important to lay the groundwork for success in the future. We will steadily implement the "Going Forward Beyond Borders" measures laid out in our long-term vision and strive to become a revolutionary energy and service company that will continue to be chosen in all ages.

We will now move to an explanation of earnings in the first half of the fiscal year.

I. Business Results for 1st Half 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/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 1st Half of FY 2018.3

Year-on-Year Comparison

■ Overview

Consolidated Net Sales	Increased by 9.8 % (¥52.2 billion) to ¥584.6 billion due to the increase in sales volume in Electricity Business and time-lag effect.
Consolidated Ordinary Income	Decreased by 27.3% (¥13.6 billion) to ¥36.4 billion due to the time-lag effect. Excluding the time lag effect, Increased by 32.5 % (¥10.6 billion) to ¥43.3 billion due to the increase in sales volume in residential Gas

■ Gas Sales Volume

Residential	Increased by 2.5% (19 million m ³) to 765 million m ³ , due to increasing demand for heating and hot water caused by lower air and water temperatures in spring
Non-Residential	Decreased by 0.6% (18 million m ³) to 3,203 million m ³ , due to the decrease in gas sales volume for power generation, the change in the classification of gas used from non-residential to self-use, etc. Meanwhile, there was the increase due to increased facility operation and demand development.

■ Electricity Sales Volume

Consolidated electricity sales volume (GWh)	Increased by 17.8% (759 GWh) to 5,022 GWh , due to the increases both in retails and wholesale sales
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*Excluding the sales in overseas

Please look at page 7. This page shows a summary of the business results.

The first half of the fiscal year ending March, 2018 resulted in an increase in net sales and a decrease in ordinary income.

Net sales increased by 9.8% from the same period of the previous fiscal year to 584.6 billion yen, due to the increase in sales volume in the Electricity Business and time-lag effect.

Ordinary income decreased by 27.3% from the same period of the previous fiscal year to 36.4 billion yen, due to the decrease in gross profit of gas business caused by the decrease in time-lag profit.

Gas sales volume for residential use increased by 2.5% from the same period of the previous fiscal year to 765 million m³ due to lower air and water temperatures in spring.

Gas sales volume for non-residential use decreased by 0.6% from the same period of the previous fiscal year to 3,203 million m³ due to a decrease in gas sales volume for power generation the change in the classification of gas used from non-residential to self-use , etc.

Meanwhile, there was an increase due to increased facility operation and demand development.

Consolidated electricity sales volume increased by 17.8 %from the same period of the previous fiscal year to 5,022 GWh due to the increase both in

retails and wholesale sales.

Gas and Electricity Sales Volume Results for 1st Half of FY2018.3

45MJ/m ³	A.FY18.3 1st Half	B. FY17.3 1st Half	A-B	(A-B)/B (%)
Number of units for gas supply (thousands*)	6,076	6,211	-135	-2.2%
Installation of new meters (thousands)	47	45	+3	+6.0%
Monthly gas sales volume per household (m ³ /month)	21.6	20.9	+0.8	+3.6%
Residential use	765	746	+19	+2.5%
Non-Residential	3,203	3,222	-18	-0.6%
Non-consolidated gas sales volume (million m ³)	3,968	3,968	+0	+0.0%
Consolidated gas sales volume (million m ³)	3,986	3,985	+1	+0.0%

*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

■ Electricity Sales Volume	A. FY18.3 1H	B. FY17.3 1H	A-B	(A-B)/B(%)
Retail	943	318	+625	+196.4%
Wholesale, etc	4,079	3,945	+134	+3.4%
Electricity Sales Volume(GWh)	5,022	4,263	+759	+17.8%

*Excluding the sales in overseas

This table shows the gas and electricity sales volume results for the first half of the fiscal year ending March, 2018.

Results for 1st Half of FY2018.3 - I

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

Consolidated, billion yen	A. FY18.3 1st Half	B. FY17.3 1st Half	A-B	(A-B)/B	Remarks
Net sales	(1.27) 584.6	(1.29) 532.3	+52.2	+9.8%	Increased in electricity sales volume
Operating income	(1.98) 33.2	(1.32) 49.9	-16.6	-33.5%	Decreased in gross profit of gas business
Ordinary income	(1.55) 36.4	(0.98) 50.1	-13.6	-27.3%	
Ordinary income excluding time-lag effect	43.3	32.7	+10.6	+32.5%	Increased in residential gas sales volume
Net income*1	(1.31) 23.8	(0.84) 33.3	-9.5	-28.6%	*1 Profit attributable to owners of parent
EBITDA	77.8	90.7	-12.9	-14.2%	
			A. FY18.3 1H	B. FY17.3 1H	A-B
Profit / loss on fuel cost adjustment system	billion yen	-6.8	17.4	-24.3	
Crude oil price*2	*2 Average of preliminary monthly data up to September. \$/bbl	51.4	43.8	+7.6	
Exchange rate	yen/\$	111.0	105.2	+5.8	
Number of subsidiaries		148	147	+1	

On page 9, This table shows Supplementary Financial Information for the first half of the fiscal year ending March, 2018.

Results for 1st Half of FY2018.3 - II

Consolidated, billion yen	A. FY18.3 1H end	FY17.3 1H end	B. year end	A-B	Remarks
Total assets	1,863.6	1,711.2	1,886.5	-22.9	Decreased in current assets, etc.
Net worth	977.0	881.6	961.9	+15.1	
Interest-bearing liabilities	527.2	546.6	540.6	-13.4	
Number of employees	21,107	21,009	20,762	+345	
Net worth / Total assets	52.4%	51.5%	51.0%	+1.4%	
D/E ratio	0.54	0.62	0.56	-0.02	
	A. FY18.3 1H	B. FY17.3 1H	A-B		Remarks
Capital expenditure	40.5	34.8	+5.7		
Depreciation	43.7	41.6	+2.0		
Free cash flow*	22.0	22.1	-0.1		*Cash flows from operating activities - capital expenditures for upgrading existing businesses.
ROA	1.3%	1.9%	-0.6%		
ROE	2.5%	3.7%	-1.3%		
EPS (yen)	57.3	80.2	-22.9		Decreased in gross margin of gas business, etc.
BPS (yen)	2,349.3	2,119.3	+230.1		

The results for assets, liabilities, and other major financial indicators are shown in the table.

Results of Investments for growth in 1st Half FY2018.3

Total investment in FY2018.3 were ¥34.2 billion (28% of the plan in FY2018.3)

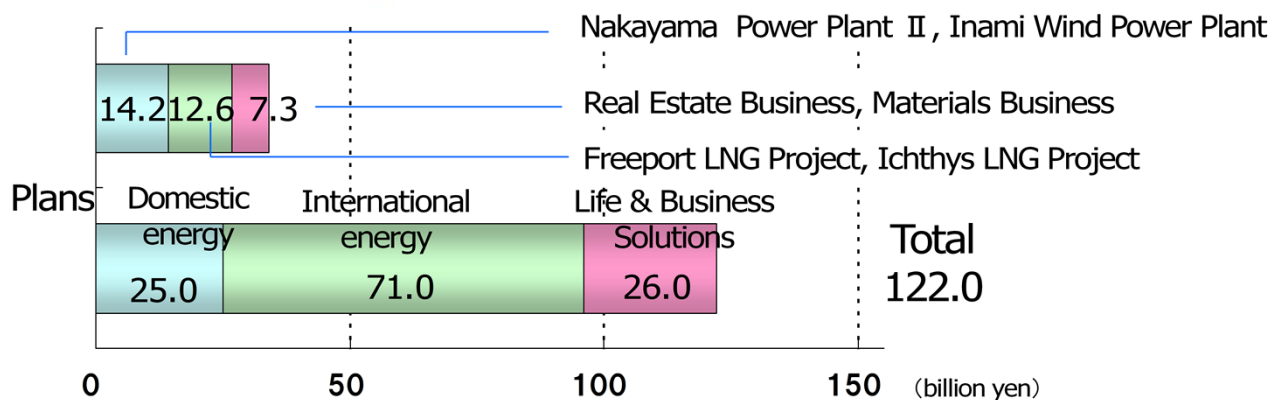
Domestic energy : ¥14.2 billion (Mainly electricity business)

International energy : ¥12.6 billion (Mainly ongoing projects)

Life & Business Solutions : ¥7.3 billion (Mainly Real estate business, Material 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

Investment for growth in FY2018.3



The progress of growth investment is as I mentioned at the beginning.

Results for 1st Half of FY2018.3 by Segments

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

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

billion yen	Net sales		Operating income + Equity in earnings of affiliates		Remarks
	FY18.3 1st Half	FY17.3 1st Half(*)	FY18.3 1st Half	FY17.3 1st Half (*)	
Domestic energy - Gas	436.0	409.7	13.4	36.0	<u>Net sales</u> : Increased in the unit price of gas sales, etc. <u>Profit</u> : Decrease in time-lag profit, etc.
Domestic energy - Electricity	70.8	48.8	9.4	8.4	<u>Net sales</u> : Increased in electricity sales volume, etc. <u>Profit</u> : Increased in electricity sales volume, etc.
International energy	10.7	6.4	1.8	-1.6	<u>Net sales</u> : Increased due to Gorgon LNG project, etc. <u>Profit</u> : Increased in Idemitsu Snorre Oil Development, etc.
Life & Business Solutions	95.5	95.8	7.8	6.9	<u>Net sales</u> : Almost same level as the previous year <u>Profit</u> : Increased in Real Estate Business, etc.
Elimination/ consolidation	-28.5	-28.5	1.6	0.1	
Consolidated	584.6	532.3	34.1	49.8	

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Please take a look at the table on Page 12. This table shows the business results by segment.

Domestic Energy - Gas segment profit decreased by 18.8 billion yen from the same period of the previous fiscal year to 13.4 billion yen, due to reactionary slide margin and other factors.

Domestic energy - electricity segment profit increased by 1 billion yen from the same period of the previous fiscal year to 9.4 billion yen due to increased electricity sales volume and other factors.

International Energy segment profit increased by 3.4 billion yen from the same period of the previous fiscal year to 1.8 billion yen due to an increase equity method investment income in the North Sea oil field.

Life & Business Solutions segment profit increased by 0.9 billion yen from the same period of the previous fiscal year to

7.8 billion yen due to an increase in real estate business and other factors.

The rest of this Report contains further information including the analysis of factors that caused year-on-year differences in net sales and ordinary income. Please take a look after this presentation.

Moreover, we maintain our full-year forecasts unchanged from April forecasts.

This concludes the presentation.

Thank you for your kind attention.



II. Facts and Figures

Sales variance for 1st Half of FY2018.3 (Year-on-Year)

FY17.3 1st Half → FY18.3 1st Half (differences)

532.3

584.6

(+52.2)

(billion yen)

Osaka Gas: +48.9

Subsidiaries: +3.2

Gas Business Sales revenue +15.5*
 •Impact of fuel cost adjustment +14.9
 •Volume change , etc. +0.6

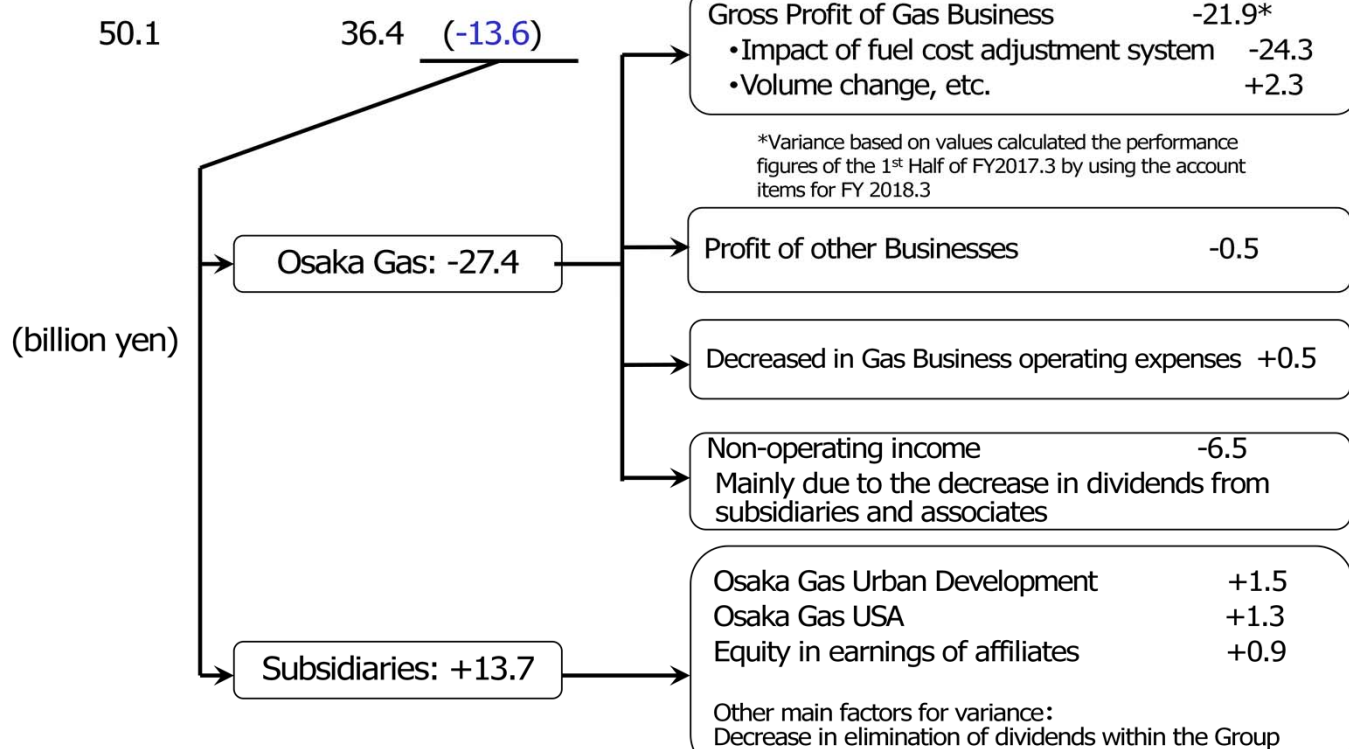
*Variance based on values calculated the performance figures of the 1st Half of FY2017.3 by using the account items for FY 2018.3

Other revenues +32.2
 Mainly electricity business

Ordinary income variance for 1st Half of FY2018.3 (Year-on-Year)

FY17.3 1st Half → FY18.3 1st Half (differences)

+/- signs indicate impact on profit.



Residential Gas Sales

FY2018.3 1st Half results

	YoY change	Remarks
Number of customers	-1.1%	
Impact of temperature	+5.5%	Average annual temperature: 23.7 degrees Celsius (-0.4 degrees Celsius from the previous year)
Others	-2.0%	High-efficiency of gas appliances, Decrease in household size, etc.
Total	+2.5%	



FY2018.3 forecasts

Unchanged from the forecasts announced on April 26

- Residential gas sales volume is expected to increase by 8 million m3 (0.4%) from the previous year to 2,111 million m3, assuming the same temperature level as in usual years, high efficiency of gas appliances, decrease in household size, and Gas switching, etc.

Non-Residential Gas Sales

FY2018.3 1st Half results

	YoY change	Remarks
Demand development	+1.0%	Equipment introduction, fuel conversion, etc.
Impact of temperature	+0.2%	
Capacity utilization of facilities	+1.8%	Increased in operation due to economic impact
Individual factor	-2.5%	Decreased in capacity utilization of customers' facilities, due to individual factor(Decrease in power generation demand)
Others	-1.1%	Change in the classification of gas used from non-residential to self-use
Total	-0.6%	

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. -0.7billion yen on ordinary profit since the 3rd quarter (Oct. 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. -1.0billion yen on ordinary profit since the 3rd quarter (Oct. 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 ³	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 ³)	8,118	8,662	-544	-6.3%
Consolidated gas sales volume total (million m ³)	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**	147.3**	-45.1
BPS (yen/share)	2,273.1**	2,312.7**	-39.5

*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 energy - Gas", "Domestic energy - Electricity", "International energy", "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 energy - 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 energy - 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 energy	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