



Financial Report for 3rd Quarter of FY2018.3 (April 2017 – December 2017)

January 2018
Osaka Gas Co., Ltd.

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Thank you for taking the time to join the Osaka Gas business results conference call briefing today. 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 would like to explain the business results of Osaka Gas for the 3rd quarter of FY2018.3.

First, I will explain the current status of deregulation.

As of December 31, 2017, more than 300,000 of the gas customers had switched utilities, a number that we consider very large. There is fierce competition in non-residential sectors, and the gas business thus faces a challenging environment. We expect a difficult business environment to continue in the fourth quarter and beyond.

On the other hand, the business environment also remains competitive in regard to electric power, where competition is fierce, but we think that a cumulative total of about 560,000 customers supplied with electricity as of January 30, 2018 is a solid accomplishment, and we will continue to endeavor to secure electricity contracts.

Next, I will summarize the Company's business results.

I. Business Results for 3rd Quarter of FY2018.3 and Forecasts for 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 the Results for 3rd Quarter of FY2018.3- I

Year-on-Year Comparison

■ Overview

Consolidated Net Sales	Increased by 12.7 % (¥102.1 billion) to ¥909.5 billion due to an increase in the unit price of gas sales and electricity sales volume.
Consolidated Ordinary Income	Decreased by 15.4% (¥9.1 billion) to ¥50.3 billion due to the time-lag effect* in gas business. Excluding the time lag effect, increased by 13.9 % (¥6.0 billion) to ¥49.4 billion due to an increase in gas sales volume for residential and electricity sales volume.

*The time-lag effect = Profit / loss on fuel cost adjustment system

■ Gas Sales Volume(non-consolidated)

Total	Increased by 0.7% (43 million m ³) to 6,006 million m ³
Residential	Increased by 5.7% (69 million m ³) to 1,275 million m ³ , due to increasing demand for heating and hot water caused by lower air and water temperatures, despite the effect of gas switching.
Non-Residential	A similar level to the previous year, 4,731 million m ³ , due to declines owing to a change in the classification of gas used from non-residential to self-use and gas switching, and increases owing to increased facility operation and demand development.

■ Electricity Sales Volume(Excluding the sales in overseas)

Consolidated electricity sales volume (GWh)	Increased by 23.3% (1,459 GWh) to 7,730 GWh, due to an increase both in retails and wholesale sales
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Please look at page 3.

The 3rd quarter of FY2018.3 resulted in an increase in sales and a decrease in income from the same period of the previous fiscal year.

Net sales increased by 12.7% from the previous year to 909.5 billion yen, due to an increase in the unit price of gas sales and electricity sales volume.

Ordinary income decreased by 15.4% from the previous year to 50.3 billion yen due to the decrease in gross profit in the gas business caused by the time-lag effect, but increased by 13.9% from the previous year to 49.4 billion yen if the time-lag effect is excluded, owing to an increase in gas sales volume for residential and electricity sales volume.

Total gas sales volume increased by 0.7% from the previous year to 6,006 million m³. By application, gas sales volume for residential use increased by 5.7% from the previous year to 1,275 million m³, due to lower temperatures, despite the effect of gas switching.

Gas sales for non-residential use remained at a similar level to the previous year, at 4,731 million m³, due to increases owing to increased operation of customers' facilities and demand development, which offset declines owing to a change in the classification of gas used from non-residential to self-use.

Consolidated electricity sales volume increased by 23.3% from the previous year to 7,730 GWh due to the increase both in retail and wholesale sales.

Summary of the Results for 3rd Quarter of FY2018.3- II

Progress on our full-year forecasts

Maintaining our full-year forecasts unchanged from the April 2017 forecasts.

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	FY18.3 3Q	FY18.3 forecasts	FY18.3 3Q	
Domestic energy - Gas	1,019.5	680.5	29.0	24.5	Profit exceeded our assumption due to an increase in gas sales volume for residential and the time-lag effect etc.
Domestic energy - Electricity	167.0	108.0	14.0	13.2	Profit exceeded our assumption due to an increase in electricity sales volume etc.
International energy	25.0	15.4	4.0	-1.9	Profit fell short of our assumption due to sale of equity in North America IPP etc.
Life & Business Solutions	208.5	147.6	19.0	12.9	Profit was roughly as expected
Elimination/ consolidation	-75.5	-42.1	2.2	1.0	
Consolidated	1,344.5	909.5	68.2	49.9	Profit slightly exceeded our assumption

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GROUP

On page 4, I will explain our progress against full-year forecasts for FY2018.3 by segment.

Domestic energy – Gas segment profit is progressing at a rate exceeding our assumption, due to increased gas sales volume for residential and the time-lag effect and other factors.

Domestic energy – Electricity segment profit is progressing at a rate exceeding our assumption, due to increased electricity sales volume and other factors.

International energy segment profit is progressing at a rate below our assumption, due to a loss occurring in line with the sale of equity in an IPP in North America and other factors.

Life & Business Solutions segment profit is progressing roughly in line with expectations.

Overall, segment profit is progressing at a rate moderately exceeding expectations, but there are no changes to our full-year forecasts.

Sales-Related Results for 3rd Quarter of FY2018.3

■ Gas Sales

45MJ/m ³	A.FY18.3 3Q	B. FY17.3 3Q	A-B	(A-B)/B(%)
Number of units for gas supply (thousands*)	6,028	6,234	-206	-3.3%
Installation of new meters (thousands)	71	71	+1	+0.9%
Monthly gas sales volume per household (m ³ /month)	24.2	22.5	+1.7	+7.5%
Residential use	1,275	1,207	+69	+5.7%
Non-Residential	4,731	4,757	-26	-0.5%
Non-consolidated gas sales volume (million m ³)	6,006	5,963	+43	+0.7%
Consolidated gas sales volume (million m ³)	6,031	5,988	+44	+0.7%
*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

*Excluding the sales in overseas	A.FY18.3 3Q	B. FY17.3 3Q	A-B	(A-B)/B(%)
Retail	1,489	569	+921	+161.9%
Wholesale, etc	6,241	5,703	+538	+9.4%
Electricity Sales Volume(GWh)	7,730	6,271	+1,459	+23.3%
Number of low-voltage electricity supply (thousand)	545	250	+295	+118.3%

■ Customer Accounts

	A.FY18.3 3Q	B. FY17.3 3Q	A-B	(A-B)/B(%)
Number of customer accounts(thousand)	8,230	8,000	+230	+2.9%

On page 5, this page shows sales performance-related results.

Customer accounts totaled 8.23 million, an increase of 230,000 from the end of March 2017.

Although there were customer switches in the gas business, it increased due to reorganization and consolidation of wholesale and retail liquid propane gas business, new construction in the gas business and acquisition of power contracts.

Results for 3rd Quarter of FY2018.3 - I

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

Consolidated, billion yen	A. FY18.3 3Q	B. FY17.3 3Q	A-B	(A-B)/B	Remarks
Net sales	(1.26) 909.5	(1.30) 807.4	+102.1	+12.7%	Increased in the unit price of gas sales and electricity sales volume
Operating income	(1.72) 48.5	(1.59) 59.9	-11.3	-19.0%	The time-lag effect of gas business
Ordinary income	(1.38) 50.3	(1.17) 59.5	-9.1	-15.4%	
Ordinary income excluding time-lag effect	49.4	43.3	+6.0	+13.9%	Increased in gas sales volume for residential and electricity sales volume
Net income*1	(1.14) 31.6	(0.98) 39.4	-7.7	-19.7%	*1 Profit attributable to owners of parent
EBITDA	115.9	124.0	-8.0	-6.5%	
		A. FY18.3 3Q	B. FY17.3 3Q	A-B	
Profit / loss on fuel cost adjustment system	billion yen	0.9	16.1	-15.1	
Crude oil price*2	*2 Average of preliminary monthly data up to September. \$/bbl	53.9	44.9	+9.0	
Exchange rate	yen/\$	111.7	106.5	+5.1	
Number of subsidiaries		138	147	-9	

On page 6, this table shows supplementary financial information for the 3rd Quarter of the fiscal year ending March, 2018.

Results for 3rd Quarter of FY2018.3 - II

Consolidated, billion yen	A. FY18.3 3Q end	FY17.3 3Q end	B. year end	A-B	Remarks
Total assets	1,857.5	1,731.9	1,886.5	-29.0	Decreased in current assets, etc.
Net worth	991.4	884.1	961.9	+29.5	
Interest-bearing liabilities	509.6	550.6	540.6	-30.9	
Number of employees	20,257	21,014	20,762	-505	
Net worth / Total assets	53.4%	51.0%	51.0%	+2.4%	
D/E ratio	0.51	0.62	0.56	-0.05	

	A. FY18.3 3Q	B. FY17.3 3Q	A-B	Remarks
Capital expenditure	58.7	58.2	+0.5	
Depreciation	65.9	63.2	+2.7	
Free cash flow*	30.1	22.8	+7.2	

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

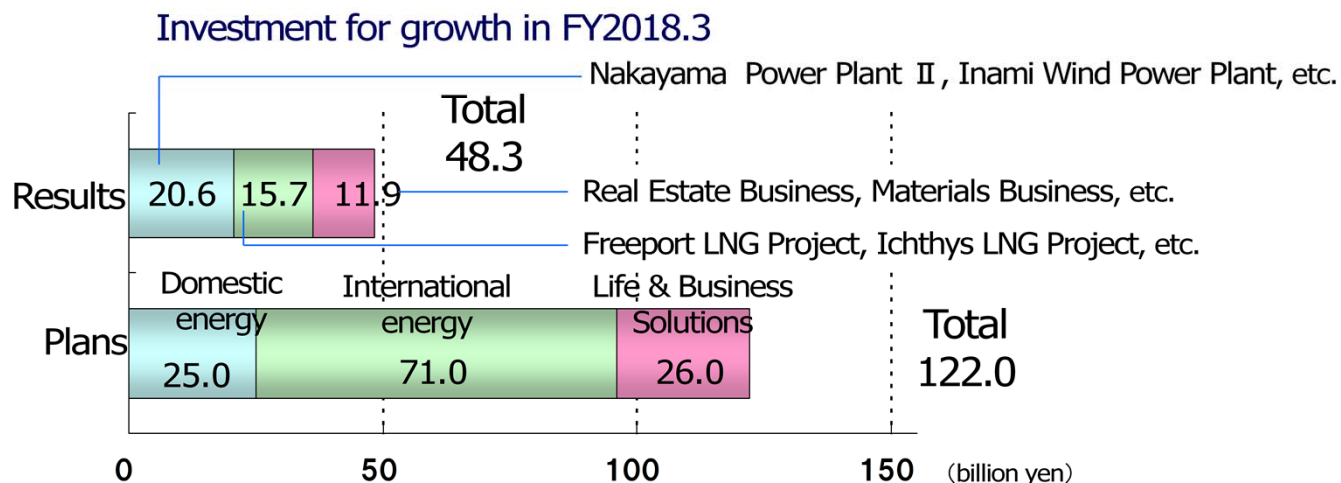
On page 7, this table shows the results for assets, liabilities, and other major financial indicators are shown in the table.

Results of Investment for growth in 3rd Quarter of FY2018.3

Total investment in FY2018.3 were ¥48.3 billion (40% of the plan in FY2018.3)

Domestic energy : ¥20.6 billion (Mainly electricity business)
 International energy : ¥15.7 billion (Mainly ongoing projects)
 Life & Business Solutions : ¥11.9 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



On page 8, this page shows the progress of growth investment.

The actual amount of growth investment is 48.3 billion yen, a progress of 40% against the annual plan.

Regarding breakdown, investment amount in investment in domestic energy business was ¥ 20.6 billion, mainly investment in power plant was carried out. Investment in overseas energy investment amounted to 15.7 billion yen, and we continued investment in participated projects. Investment in the Life & Business Solutions business was 11.9 billion yen, mainly investing in urban development projects.

Results for 3rd Quarter 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 3Q	FY17.3 3Q (*)	FY18.3 3Q	FY17.3 3Q (*)	
Domestic energy - Gas	680.5	621.6	24.5	37.6	<u>Net sales</u> : Increased in the unit price of gas sales, etc. <u>Profit</u> : The time-lag effect , etc.
Domestic energy - Electricity	108.0	72.8	13.2	10.5	<u>Net sales</u> : Increased in electricity sales volume, etc. <u>Profit</u> : Increased in electricity sales volume, etc.
International energy	15.4	10.1	-1.9	-0.4	<u>Net sales</u> : Increased due to Gorgon LNG project, etc. <u>Profit</u> : Decreased due to sale of equity in North America IPP , etc.
Life & Business Solutions	147.6	146.1	12.9	12.6	<u>Net sales</u> : Almost same level as the previous year <u>Profit</u> : Almost same level as the previous year
Elimination/ consolidation	-42.1	-43.4	1.0	0.3	
Consolidated	909.5	807.4	49.9	60.7	

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On Page 9, this table shows the business results by segment.

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.

This concludes the presentation.
Thank you for your kind attention.



II. Facts and Figures (1)

Sales variance for 3rd Quarter of FY2018.3 (Year-on-Year)

FY17.3 3Q → FY18.3 3Q (differences)

807.4

909.5

(+102.1)

(billion yen)

Osaka Gas: +103.6

Subsidiaries: -1.4

Gas Business Sales revenue

+39.8**

- Impact of fuel cost adjustment +35.9
- Volume change , etc. +3.9

*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

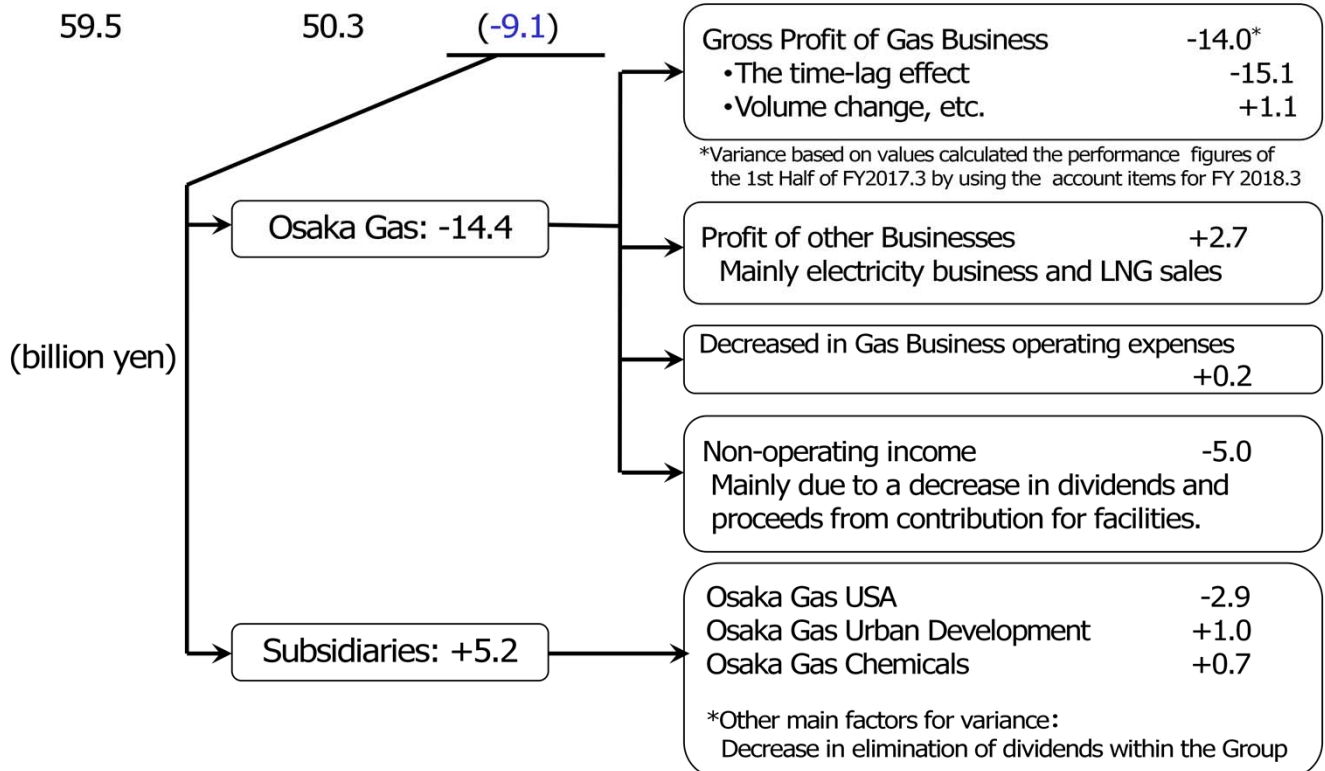
+62.0

Mainly electricity business and LNG sales

Ordinary income variance for 3rd Quarter of FY2018.3 (Year-on-Year)

FY17.3 3Q → FY18.3 3Q (differences)

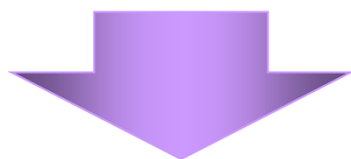
+/- signs indicate impact on profit.



Residential Gas Sales

FY2018.3 3rd Quarter results

	YoY change	Remarks
Number of customers	-2.3%	
Impact of temperature	+8.8%	Average annual temperature: 20.0 degrees Celsius (-0.8 degrees Celsius from the previous year)
Others	-0.8%	High-efficiency of gas appliances, decrease in household size, etc.
Total	+5.7%	



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 3rd Quarter results

	YoY change	Remarks
Demand development	+1.1%	Equipment introduction, fuel conversion, etc.
Impact of temperature	+0.0%	
Capacity utilization of facilities	+1.7%	Increased in operation due to economic impact
Individual factor	-2.2%	Decreased in capacity utilization of customers' facilities, due to individual factor(Decrease in power generation demand)
Others	-1.2%	Change in the classification of gas used from non-residential to self-use
Total	-0.5%	

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. -0.0billion yen on ordinary profit 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. -0.8billion yen on ordinary profit 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. -0.4 billion yen on annual consolidated non-operating expenses.

Main Topics

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

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. |
| January | <ul style="list-style-type: none"> Participation in biomass power generation project in Matsusaka city, Mie prefecture. |

Inter nationa |

- | | |
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| May | <ul style="list-style-type: none"> Start of supply for onsite energy supply project for Yokohama Tire Manufacturing (Thailand) Co., Ltd. in Thailand |
| November | <ul style="list-style-type: none"> Commercial demonstration start of biogas refining and natural gas automobile fuel supply in Thailand Completion of stage II construction on site energy supply project for Honda Automobile (Thailand) Co., Ltd. and start of supply. |

LBS

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

- | | |
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| September | <ul style="list-style-type: none"> Selected for inclusion in the Dow Jones Sustainability World Index for the first time. |
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II. Facts and Figures (2)

- Forecasts for FY2018.3

Maintaining our full-year forecasts unchanged from the April 2017 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
A-B (A-B)/B

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