

Financial Report for FY2018.3 (April 2017 – March 2018)

April 2018
Osaka Gas Co., Ltd.

1

Let me introduce myself. My name is Takehiro Honjo and I am Representative Director and President of Osaka Gas.

Thank you for taking the time to join the briefing today on Osaka Gas's business results for FY2018.3.

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 FY2018.3 and the forecasts for FY2019.3.

Contents

I . Business Results for FY2018.3 and Forecasts for FY2019.3

Summary of Business Results for FY2018.3 and Forecast for FY2019.3	- 4
Results for FY2018.3	- 5
Sales-Related Results for FY2018.3	- 8
Results of Investment for growth in FY2018.3	- 9
Forecasts for FY2019.3	-10
Sales-Related Forecasts for FY2019.3	-13
Free Cash Flow (FCF) for FY2019.3	-14

II . Facts and Figures

Sales variance for FY2018.3	-17
Sales variance for FY2019.3	-19
Residential Gas Sales	-21
Non-Residential Gas Sales	-22
Sales variance for FY2018.3 (with forecasts)	-23
Risk Factors for Annual Earnings Results	-26
Forecast	

I. Business Results for FY2018.3 and Forecasts for 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 FY2018.3 and Forecasts for FY2019.3

Year-on-Year Comparison of Results for FY2018.3

Consolidated Net sales	Increased by 9.5 % (¥112.3 billion) to ¥1,296.2 billion due to an increase in the unit price of gas sales and electricity sales volume, etc.
Consolidated Ordinary income	Decreased by 19.9% (¥19.1 billion) to ¥77.0 billion due to the time-lag effect* in gas business and decrease in international energy business, etc. The time-lag effect totaled +¥0.5 billion (The time-lag effect* in previous year was +¥13.7 billion).
Consolidated Net income**	Decreased by 38.4% (¥23.5 billion) to ¥37.7 billion due to an impairment loss of upstream business, etc.

Year-on-Year Comparison of Forecasts for FY2019.3

Consolidated Net sales	Expect to increase by 4.9% (¥63.7 billion) to ¥1,360.0 billion due to an increase in the unit price of gas sales, etc.
Consolidated Ordinary income	Expect to decrease by 9.2% (¥7.0 billion) to ¥70.0 billion due to the reaction in the gas business of the impact of low air and water temperatures in FY2018.3, the impact of competition, etc. The time-lag effect totaled +¥2.7 billion (The time-lag effect* in previous year was +¥0.5 billion).
Consolidated Net income**	Expect to increase by 23.3% (¥8.7 billion) to ¥46.5 billion due to the reaction of the recording of the impairment loss for an upstream business in FY2018.3, etc.

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

**Profit attributable to owners of parent

In FY2018.3 we recorded higher sales but income was lower.

Consolidated net sales increased by 9.5% from the previous year to 1,296.2 billion yen due to an increase in the unit price of gas sales, an increase in electricity sales volume and other factors.

Consolidated ordinary income decreased by 19.9% from the previous year to 77.0 billion yen due to a decrease in time-lag profit in the gas business, a decrease in international business and other factors.

Profit attributable to owners of parent decreased by 38.4% from the previous year to 37.7 billion yen due to an impairment loss of upstream business and other factors.

For FY2019.3 we forecast higher sales and lower income compared with FY2018.3.

Consolidated net sales are expected to increase by 4.9% from the previous year to 1,360.0 billion yen due to an increase in the unit price of gas sales and other factors.

Consolidated ordinary income is expected to decrease by 9.2% from the previous year to 70.0 billion yen due to the reaction in the gas business of the impact of low air and water temperatures in FY2018.3, the impact of competition and other factors.

Profit attributable to owners of parent is expected to increase by 23.3% from the previous year to 46.5 billion yen due to the reaction of the recording of the impairment loss for an upstream business in FY2018.3 and other factors.

Results for FY2018.3 - I

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

Consolidated, billion yen	A. FY18.3	B. FY17.3	A-B	(A-B)/B(%)	Remarks
Net sales	(1.25) 1,296.2	(1.31) 1,183.8	+112.3	+9.5%	Increased in the unit price of gas sales and electricity sales volume, etc.
Operating income	(1.64) 78.1	(1.76) 97.2	-19.1	-19.7%	Decreased in the time-lag effect* in gas business and decreased in international energy business, etc.
Ordinary income	(1.32) 77.0	(1.37) 96.2	-19.1	-19.9%	Decreased due to the repercussion of an impairment loss of upstream business, etc.
Net income**	(0.86) 37.7	(1.12) 61.2	-23.5	-38.4%	
EBITDA	167.1	188.4	-21.3	-11.3%	
The time-lag effect**	0.5	13.7	-13.2	—	
Ordinary income excluding time-lag profit	76.5	82.4	-5.9	-7.2%	
Crude oil price*** \$/bbl	57.0	47.5	+9.5		
Exchange rate yen/\$	110.9	108.3	+2.5		
Number of subsidiaries	138	150	-12		
<p>* The time-lag effect /loss= Profit / loss on fuel cost adjustment system</p> <p>** Profit attributable to owners of parent</p> <p>***Average of preliminary monthly data up to March.</p>					

This shows a summary of financial results for FY2018.3.

Results for FY2018.3 - II

billion yen	Net sales			Operating income + Equity in earnings of affiliates			Remarks
	A.FY18.3	B.FY17.3	A-B	A.FY18.3	B.FY17.3	A-B	
Domestic energy - Gas	971.4	911.2	+60.1	42.6	55.2	-12.6	Net sales: Increased in the unit price of gas sales, etc. Profit: Decreased in the time-lag effect, etc.
Domestic energy - Electricity	157.7	107.5	+50.2	20.7	16.2	+4.5	Net sales and Profit: Increased in electricity sales volume, etc.
International energy	22.5	22.6	-0.0	-5.3	8.0	-13.3	Net sales: Almost same level as the previous year. Profit: Decreased due to loss from sales of IPP project in North America , etc.
Life & Business Solutions	208.9	208.3	+0.5	18.6	18.6	+0.0	Net sales and Profit: Almost same level as the previous year.
Elimination/consolidation	-64.5	-65.9	+1.4	1.7	0.9	+0.7	
Consolidated	1,296.2	1,183.8	+1,12.3	78.3	99.0	-20.6	

Including profit/loss on market value of derivative
A.FY 18.3 -3.3, B.FY 17.3 -0.4, A-B -2.8

This shows financial results for FY2018.3 by segment.

Domestic energy – Gas segment profit decreased by 12.6 billion yen from the previous year to 42.6 billion yen due to the time-lag effect and other factors.

The decline in time-lag effect was 13.2 billion. Excluding this influence, roughly the same as the previous year. Although it had a competitive effect, it was due to an increase in gas sales volume for households due to the influence of low air and water temperature.

Domestic energy – Electricity segment profit increased by 4.5 billion yen from the previous year to 20.7 billion yen primarily due to higher sales volume resulting from an increase in retail contracts.

The International energy segment recorded a loss of 5.3 billion yen, a decrease by 13.3 billion yen from the previous year. In addition to loss from sales of IPP project in North America , there was a reaction from a one-off gain in the Freeport Project in the previous year.

Life & Business Solutions segment profit was 18.6 billion yen, virtually unchanged from the previous year.

Results for FY2018.3 - III

Consolidated, billion yen	A. FY 18.3 end	B. FY 17.3 end	A-B	Remarks
Total assets	1,905.2	1,886.5	+18.6	Increased in current assets, etc.
Net worth	999.5	961.9	+37.6	
Interest-bearing liabilities	503.7	540.6	-36.8	
Number of employees	19,997	20,762	-765	Decreased due to impact of restructuring of LPG company, etc.
Net worth / Total assets	52.5%	51.0%	+1.5%	
D/E ratio	0.50	0.56	-0.06	
	A. FY 18.3	B. FY 17.3	A-B	Remarks
Capital expenditure	81.7	88.6	-6.9	Decreased in investment for upstream business, etc.
Depreciation	88.7	86.2	+2.5	
Free cash flow*	116.3	100.5	+15.7	Decreased in payment of income taxes, etc.
ROA	2.0%	3.3%	-1.3%	
ROE	3.8%	6.6%	-2.7%	
EPS (yen/share)	90.7	147.3**	-56.6	
BPS (yen/share)	2,403.7	2,312.7**	+91.0	

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

**Calculated based on the assumption of the share consolidation.

This table shows assets, liabilities, and primary financial indicators.

Net worth / Total assets increased by 1.5 percentage points from the previous year to 52.5% and D/E ratio decreased by 0.06 from the previous year to 0.50 due to an increase in Net worth and a decrease in Interest-bearing liabilities.

ROA decreased by 1.3 percentage points from the previous year to 2.0% and ROE decreased by 2.7 percentage points from the previous year to 3.8%.

Sales-Related Results for FY2018.3

■ Gas Sales

*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

45MJ/m ³	A.FY18.3	B.FY17.3	A-B	(A-B)/B(%)
Number of units for gas supply* (thousands)	5,970	6,230	-260	-4.2%
Installation of new meters (thousands)	111	111	+0	+0.3%
Monthly gas sales volume per household (m ³ /month)	30.8	29.3	+1.5	+5.1%
Residential	2,160	2,103	+57	+2.7%
Non-Residential	6,387	6,560	-173	-2.6%
Non-consolidated gas sales volume (million m ³)	8,546	8,662	-116	-1.3%
Consolidated gas sales volume (million m ³)	8,580	8,694	-114	-1.3%

■ Electricity Sales(Consolidated)

	A.FY 18.3	B.FY 17.3	A-B	(A-B)/B(%)
Retail	2,355	995	+1,360	+136.8%
Wholesale, etc.	8,596	7,954	+643	+8.1%
Electricity Sales Volume(GWh)	10,951	8,948	+2,003	+22.4%
Number of low-voltage electricity supply (thousand)	619	305	+314	+103.1%

■ Customer Accounts(Consolidated)

	A. FY 18.3 end	B. FY 17.3 end	A-B	(A-B)/B(%)
Number of customer Accounts(thousand)	8,270	8,000	+270	+3.4%

8

This table shows the results of gas and electricity sales volumes and the number of customer accounts.

The gas sales volume on a consolidated basis decreased by 1.3% from the previous year to 8,596 million m³ as an increase in the gas sales volume for residential use could not offset a decrease in the gas sales volume for non-residential use.

Regarding the gas sales volume for residential use, an increase in demand for hot water supply and heating, reflecting the impact of low air and water temperatures, exceeded the impact of the cancellation of gas service contracts by existing customers following the full deregulation of the gas retail market.

On the other hand, regarding the gas sales volume for non-residential use, an increase owing to cultivation of demand and higher facility utilization by existing customers was offset by the impact of the cancellation of gas service contracts by existing customers and lower facility utilization by certain customers.

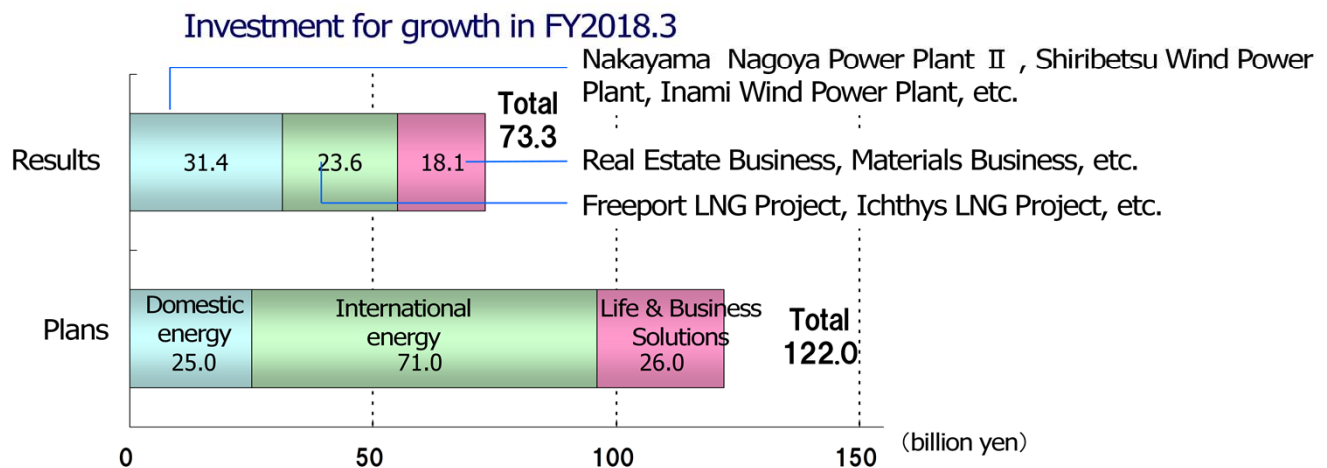
The electricity sales volume in Japan increased by 22.4% from the previous year to 10,951 GWh mainly due to an increase in the retail sales volume as a result of winning retail contracts.

The number of customer accounts increased by 270 thousand from the end of March 2017 to 8,270 thousand because of installation of new meters in the gas business, winning of electricity retail contracts, and increases in the number of maintenance service contracts, despite the impact of the decrease in the number of customers in the gas business.

Results of Investment for growth in FY2018.3

- Total investment in FY2018.3 were ¥73.3(60% of the plan in FY2018.3)
 - Domestic energy : ¥31.4 billion (Mainly electricity business)
 - International energy : ¥23.6 billion (Mainly ongoing projects)
 - Life & Business Solutions : ¥18.1 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.



Next, I would like to explain our investment for growth.

Investment in FY2018.3 totaled 73.3 billion yen, including investment in power stations in the domestic energy business and continued investment in ongoing projects in the international energy business.

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 income	(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 income	(1.51) 70.0	(1.32) 77.0	-7.0	-9.2%	Increase due to the repercussion of the impact of the impairment loss of upstream business in FY2018.3, etc.
Net income*	(1.29) 46.5	(0.86) 37.7	+8.7	+23.3%	
EBITDA	160.5	167.1	-6.6	-3.9%	
The time-lag effect**	2.7	0.5	+2.2	—	
Ordinary income 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		

* Profit attributable to owners of parent

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

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

This shows our forecasts for FY2019.3.

Forecasts for FY2019.3 - II

billion yen	Net sales			Operating income + 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	971.4	+22.5	35.0	42.6	-7.6	Net sales: Increase in the unit price of gas sales, etc. Profit: 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	Net sales: Increase in sales volume, etc. Profit: Decrease due to the impact of competition, etc.
International energy	29.5	22.5	+6.9	2.0	-5.3	+7.3	Net sales: Increase in sales volume of Gorgon Project, etc. Profit: Increase due to reaction of sales of IPP project in North America in FY2018.3, etc.
Life & Business Solutions	208.0	208.9	-0.9	19.0	18.6	+0.3	Net sales and Profit: Almost same level as the previous year.
Elimination/consolidation	-68.5	-64.5	-3.9	2.0	1.7	+0.2	
Consolidated	1,360.0	1,296.2	+63.7	74.5	78.3	-3.8	

11

This shows our forecasts for FY2019.3 by segment.

Domestic energy – Gas segment profit is expected to decrease by 7.6 billion yen from the previous year to 35.0 billion yen due to the repercussion of the impact of low air and water temperatures in FY2018.3, the impact of competition, and other factors.

Domestic energy – Electricity segment profit is expected to decrease by 4.2 billion yen from the previous year to 16.5 billion yen due to the impact of competition and other factors despite higher sales volume resulting from an increase in retail contracts gained.

International energy segment profit is expected to increase by 7.3 billion yen from the previous year to 2.0 billion yen due to reaction of sales of IPP project in North America in FY2018.3 and other factors. .

Life & Business Solutions segment profit is expected to be 19.0 billion yen, virtually unchanged from the previous year.

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	1,905.2	+29.4	
Net worth	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.
Net worth / Total assets	52.9%	52.5%	+0.4%	
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	Decrease due to working capital, etc.
ROA	2.4%	2.0%	+0.4%	*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	

This shows our forecasts for assets, liabilities, and primary financial indicators.

Net worth / Total assets is expected to increase by 0.4 percentage points from the previous year to 52.9% and D/E ratio is expected to increase by 0.01 from the previous year to 0.51.

ROA is expected to increase by 0.4 percentage points from the previous year to 2.4% and ROE is expected to increase by 0.7 percentage points from the previous year to 4.6%.

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(thousand)	8,900	8,270	+630	+7.6%

This shows our forecasts for gas and electricity sales volumes and the number of customer accounts.

The gas sales volume on a consolidated basis is expected to decrease by 10.0% from the previous year to 7,723 million m³.

This decrease reflects the impact of the cancellation of gas service contracts by existing customers and lower facility utilization by certain customers, in addition to the absence this year of the positive impact of low air and water temperatures on gas sales volume for residential use.

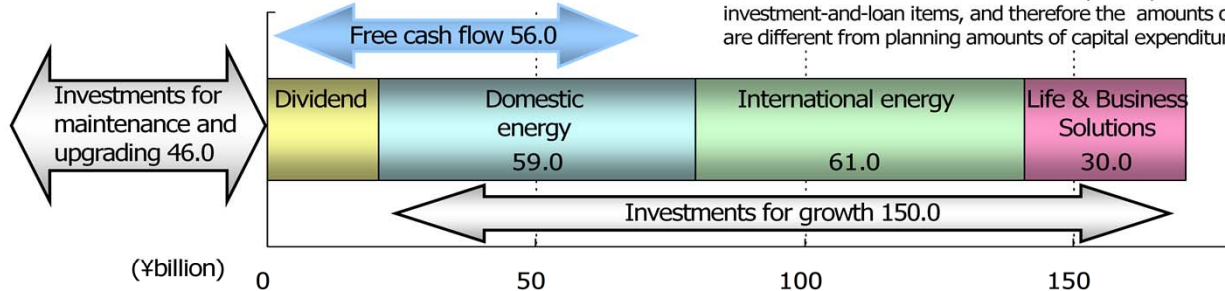
The electricity sales volume in Japan is expected to increase by 6.6% from the previous year to 11,671 GWh owing to an increase in the retail sales volume as a result of winning retail contracts and other factors.

Our target is to increase the number of customer accounts to 8.9 million by the end of March 2019. Although we expect the gas business to continue to suffer a negative impact from the cancellation of gas service contracts by existing customers, we aim to achieve this target by winning electricity retail contracts and increasing "Sumikata Plus" service subscribers etc.

Free Cash Flow (FCF)* for FY2019.3

- FCF for FY2019.3 is expected to decrease by ¥60.3 billion from the previous year to ¥56.0 billion.
- Plan to invest ¥150.0 billion for growth.

* FCF = Cash flows from operating activities - Ordinary capital expenditures (investments for maintenance and upgrading).
Amounts of investment include both capital expenditure items and investment-and-loan items, and therefore the amounts of investment are different from planning amounts of capital expenditures.



Risk management of investment

- ◆ Invest for growth to the extent that financial soundness secured.
- ◆ Establish standard for investment, and evaluate projects by **the specialized department**.
- ◆ Establish **criteria for monitoring invested projects** and monitor them annually.
- ◆ Invest in international energy business focusing on lower risk projects such as **middle and downstream projects and producing upstream projects**.

Mid- to long-term plan of FCF

- ◆ 2017-first half of the 2020s : FCF < Investment for growth (increase in investment in international energy business and power plant construction)
- ◆ Mid 2020s-2030 : FCF > Investment for growth (increase in return from invested projects)
- ◆ **In the cumulative total of 14 years from 2017 to 2030, FCF plans to exceed the investment for growth.**

14

Next, I would like to comment on free cash flow.

Free cash flow for FY2019.3 is expected to be 56.0 billion yen.

We plan to invest a total of 150.0 billion yen for growth and to cover this with free cash flow and borrowings.

In investing for growth, we fully recognize investment risks and we will thoroughly manage risks while steadily implementing the items listed here.

Finally, regarding the annual dividend for FY2018.3, after the stock consolidation, we plan to pay an ordinary dividend of 50 yen per share, including an interim dividend, taking into account the impact of stock consolidation.

For FY2019.3, we plan to pay a year-end dividend of 50 yen per share as an ordinary dividend, including an interim dividend.

This concludes my presentation on the business results for FY2018.3 and forecasts for FY2019.3

II . Facts and Figures

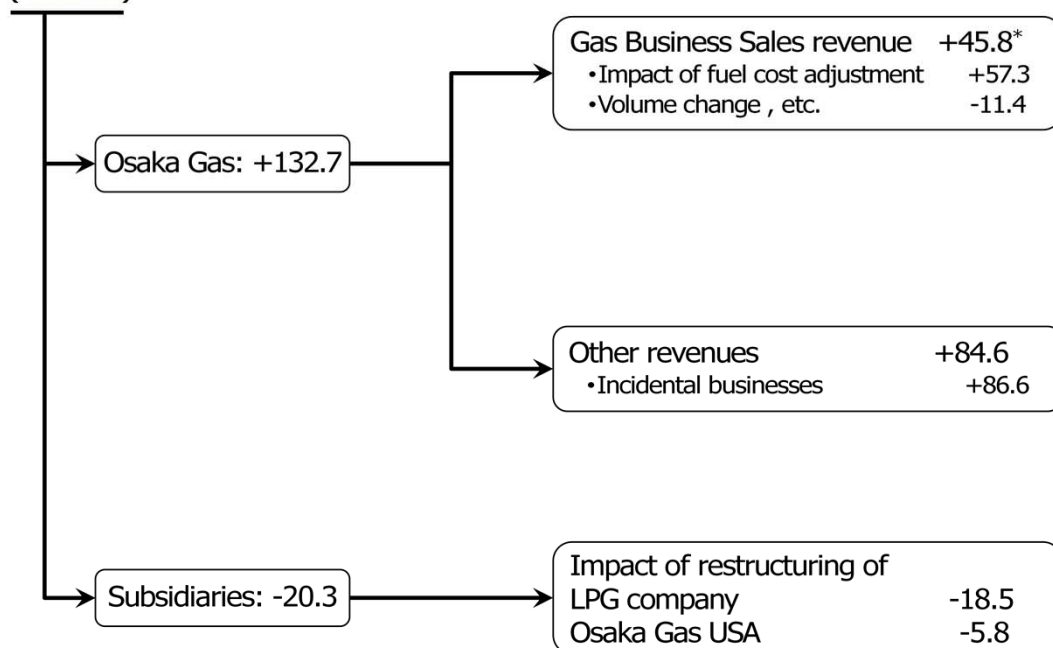
Sales variance for FY2018.3 (Year-on-Year)

FY17.3 → FY18.3 (differences)

1,183.8 1,296.2(+112.3)

(billion yen)

*Variance based on values calculated the performance figures of FY2017.3 by using the account items for FY2018.3

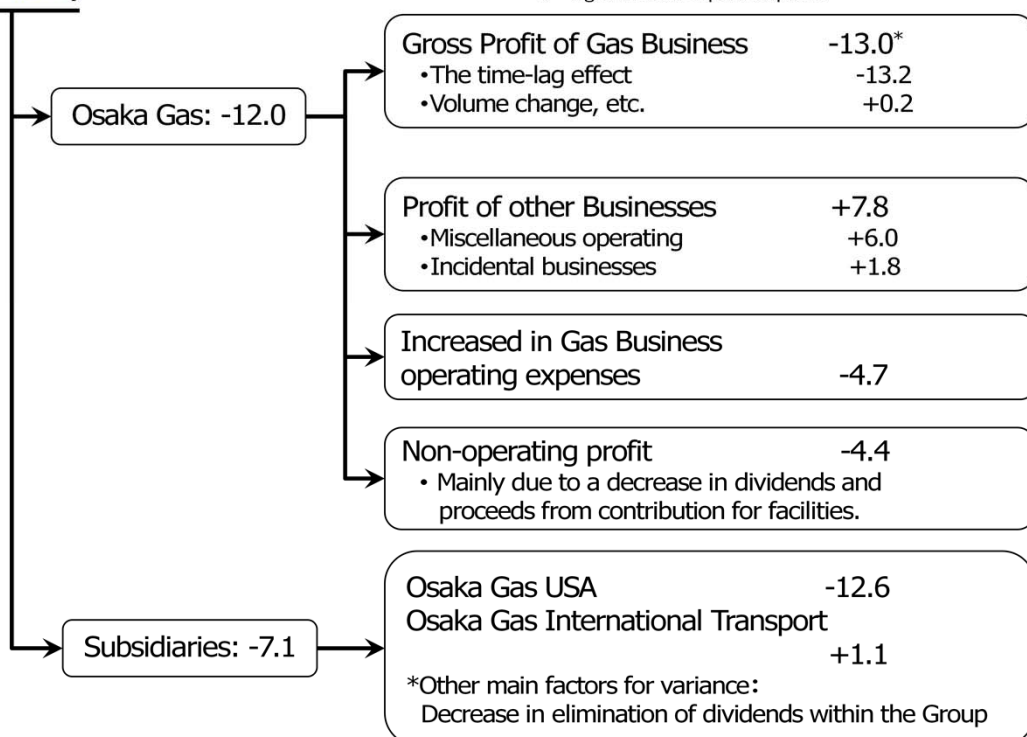


Ordinary income variance for FY2018.3 (Year-on-Year)

FY17.3 → FY18.3 (differences)
 96.2 77.0 (-19.1)
 (billion yen)

*Variance based on values calculated the performance figures of FY2017.3 by using the account items for FY2018.3

+/- signs indicate impact on profit.



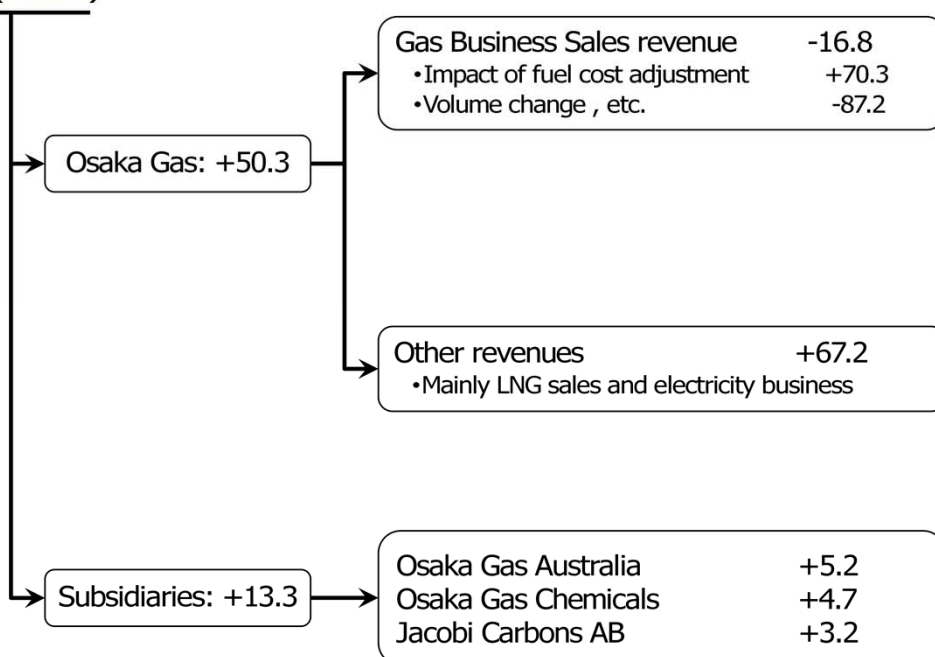
Sales variance for FY2019.3 (Year-on-Year)

FY18.3 → FY19.3 forecasts (differences)

1,296.2 1,360.0

(+63.7)

(billion yen)



Ordinary Income variance for FY2019.3 (Year-on-Year)

FY18.3 → FY19.3 forecasts (differences)

77.0 70.0
(billion yen)

(-7.0)

Osaka Gas: -11.7

Gross Profit of Gas Business -22.9
• The time-lag effect +2.2
• Volume change, etc. -25.2

Profit of other Businesses -3.7
• Mainly electricity business

Decrease in Gas Business
operating expenses +16.5

Non-operating profit -1.4
• Decreased in exchange gain, etc.

Subsidiaries: +4.6

Osaka Gas USA +4.6
Jacobi Carbons AB +1.9
Osaka Gas Urban Development -1.0

+/- signs indicate impact on profit.

Residential Gas Sales

FY18.3

	YoY change	Remarks
Number of customers	-3.4%	
Impact of temperature	+7.2%	Average annual temperature: 16.8 degrees Celsius (-0.6 degrees Celsius from the previous year)
Others	-1.1%	High-efficiency of gas appliances, decrease in household size, etc.
Total	+2.7%	



FY19.3 forecasts

- 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

FY18.3

	YoY change	Remarks
Demand development	+1.0%	Equipment introduction, fuel conversion, etc.
Impact of temperature	+0.3%	
Capacity utilization of facilities	+1.4%	Increased in operation due to economic impact
Individual factor	-4.0%	Decreased in capacity utilization of customers' facilities, due to individual factor(Including impact of Gas switching)
Others	-1.3%	Change in the classification of gas used from non-residential to self-use
Total	-2.6%	



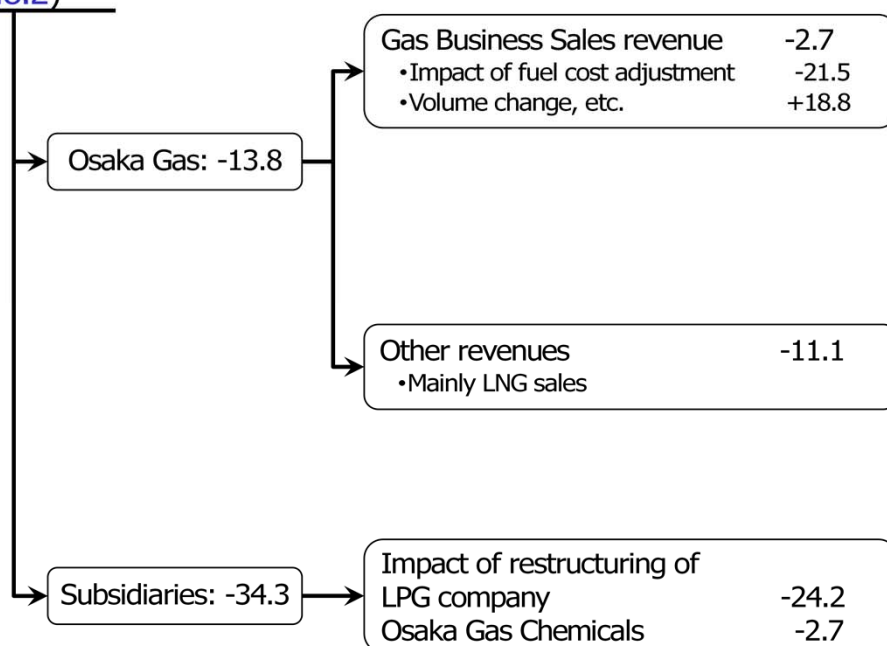
FY19.3 forecasts

- 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.

Sales variance for FY2018.3 (with forecasts)

FY18.3 forecasts → 18.3 (differences)

1,344.5 1,296.2 (-48.2)
(billion yen)



Ordinary Income variance for FY2018.3 (with forecasts)

FY18.3 forecasts → FY18.3 (differences)

64.0

(billion yen)

77.0

(+13.0円)

Osaka Gas: +23.2

+/- signs indicate impact on profit.

Gross Profit of Gas Business +12.4
 •The time-lag effect -0.3
 •Volume change, etc. +12.8

Profit of other Businesses +9.8
 •Mainly electricity business

Increase in Gas Business operating expenses -2.6

Non-operating profit +3.4
 •Increase in dividends and exchange gain, etc.

Subsidiaries: -10.1

Osaka Gas USA -6.1
 Jacobi Carbons AB -1.7
 Equity method affiliates -1.4

Segments variance for FY2018.3 (with forecasts)

billion yen	Net sales			Operating income + Equity in earnings of affiliates			Remarks
	A.FY 18.3	B.FY 18.3 Forecasts	A-B	A.FY 18.3	B.FY 18.3 Forecasts	A-B	
Domestic energy - Gas	971.4	1,019.5	-48.0	42.6	29.0	+13.6	Profit: Increased in sales volume, etc.
Domestic energy - Electricity	157.7	167.0	-9.2	20.7	14.0	+6.7	Profit: Increased in sales volume, etc.
International energy	22.5	25.0	-2.4	-5.3	4.0	-9.3	Profit: Decreased due to loss from sales of IPP project in North America , etc.
Life & Business Solutions	208.9	208.5	+0.4	18.6	19.0	-0.3	Profit: Almost same level as the assumption.
Elimination/ consolidation	-64.5	-75.5	+10.9	1.7	2.2	-0.4	
Consolidated	1,296.2	1,344.5	-48.2	78.3	68.2	+10.1	

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 annual ordinary income.
- 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. -1.1 billion yen on annual ordinary income.
- 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.

A horizontal bar with a blue-to-white gradient, starting with a solid blue square on the left.

Thank you