



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

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April 2018  
Osaka Gas Co., Ltd.

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# 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](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/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.

# 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

# 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%	
Net income**	(0.86) 37.7	(1.12) 61.2	-23.5	-38.4%	Decreased due to the repercussion of an impairment loss of upstream business, etc.
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		

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

\*\* Profit attributable to owners of parent

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

## 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	<u>Net sales</u> : Increased in the unit price of gas sales, etc. <u>Profit</u> : Decreased in the time-lag effect, etc.
Domestic energy - Electricity	157.7	107.5	+50.2	20.7	16.2	+4.5	<u>Net sales and Profit</u> : Increased in electricity sales volume, etc.
International energy	22.5	22.6	-0.0	-5.3	8.0	-13.3	<u>Net sales</u> : Almost same level as the previous year. <u>Profit</u> : 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	<u>Net sales and Profit</u> : 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

## 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.

## 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 <sup>3</sup>	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 <sup>3</sup> /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 <sup>3</sup> )	8,546	8,662	-116	-1.3%
Consolidated gas sales volume (million m <sup>3</sup> )	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)

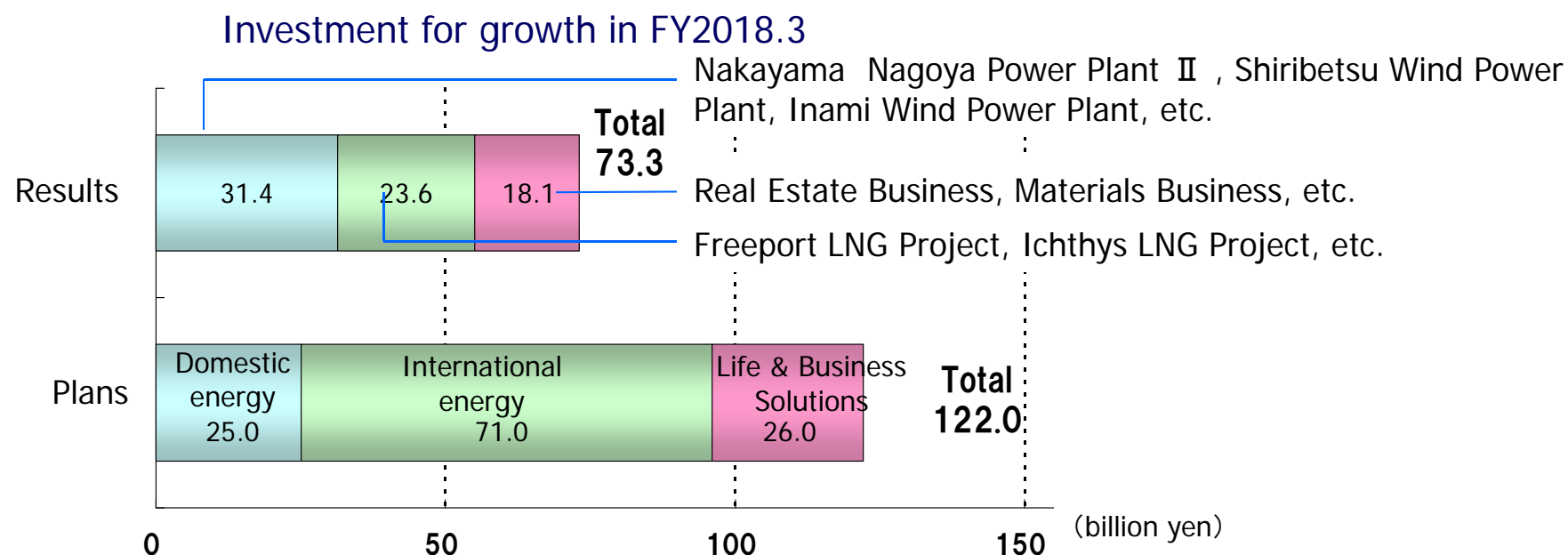
	A. FY 18.3 end	B. FY 17.3 end	A-B	(A-B)/B(%)
Number of customer Accounts(thousand)	8,270	8,000	+270	+3.4%



## 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.



# 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%	
Net income*	(1.29) 46.5	(0.86) 37.7	+8.7	+23.3%	Increase due to the repercussion of the impact of the impairment loss of upstream business in FY2018.3, etc.
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.

## 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	<u>Net sales</u> : Increase in the unit price of gas sales, etc. <u>Profit</u> : 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	<u>Net sales</u> : Increase in sales volume, etc. <u>Profit</u> : Decrease due to the impact of competition, etc.
International energy	29.5	22.5	+6.9	2.0	-5.3	+7.3	<u>Net sales</u> : Increase in sales volume of Gorgon Project, etc. <u>Profit</u> : 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	<u>Net sales and Profit</u> : 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	

## 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%	
ROE	4.6%	3.8%	+0.7%	*Cash flows from operating activities - capital expenditures for upgrading existing businesses.
EPS (yen/share)	111.8	90.7	+21.1	
BPS (yen/share)	2,460.2	2,403.7	+56.6	

## Sales-Related Forecasts for FY2019.3

### ■ Gas Sales

45MJ/m<sup>3</sup>

	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 <sup>3</sup> )	7,690	8,546	-857	-10.0%
Consolidated gas sales volume (million m <sup>3</sup> )	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)

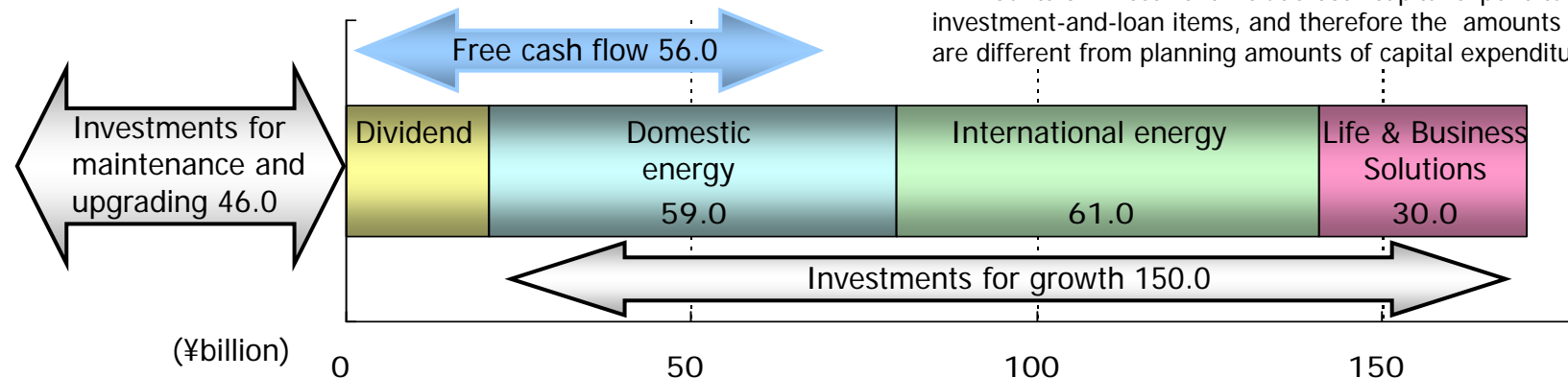
	A.FY 19.3 end forecasts	B. FY 18.3 end	A-B	(A-B)/B(%)
Number of customer Accounts(thousand)	8,900	8,270	+630	+7.6%

## 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.**

## II . Facts and Figures

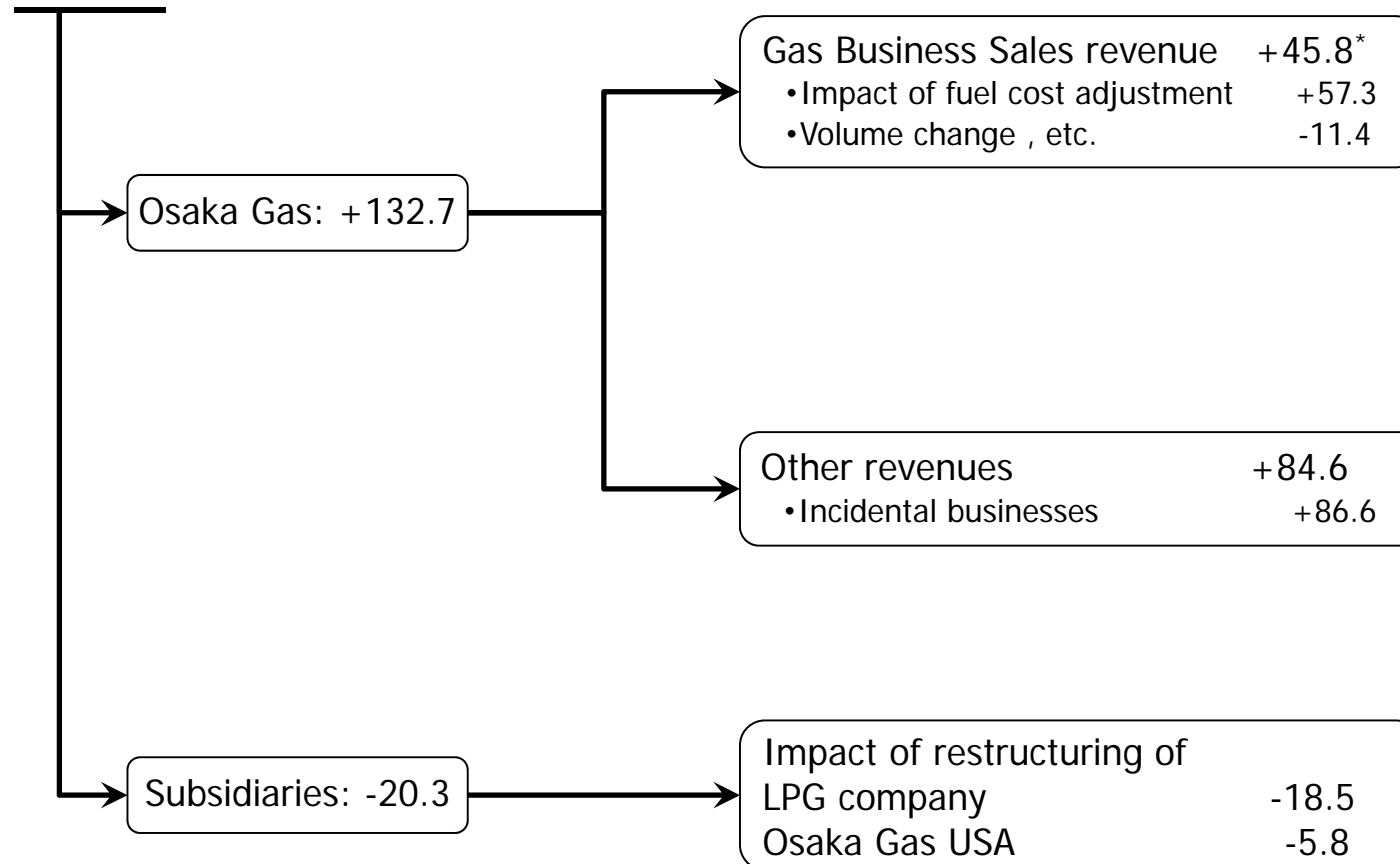




## Sales variance for FY2018.3 (Year-on-Year)

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

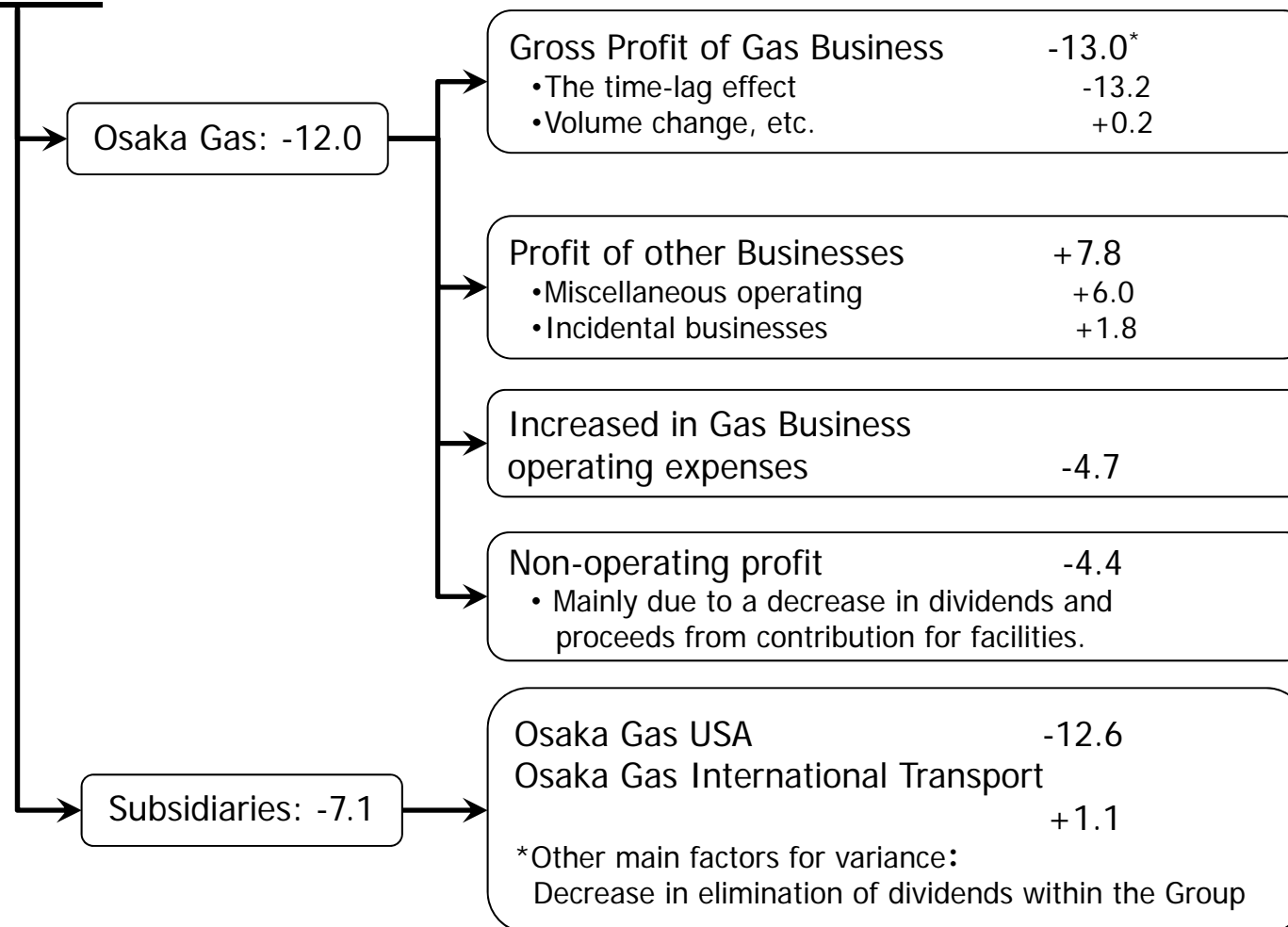


## Ordinary income variance for FY2018.3 (Year-on-Year)

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.



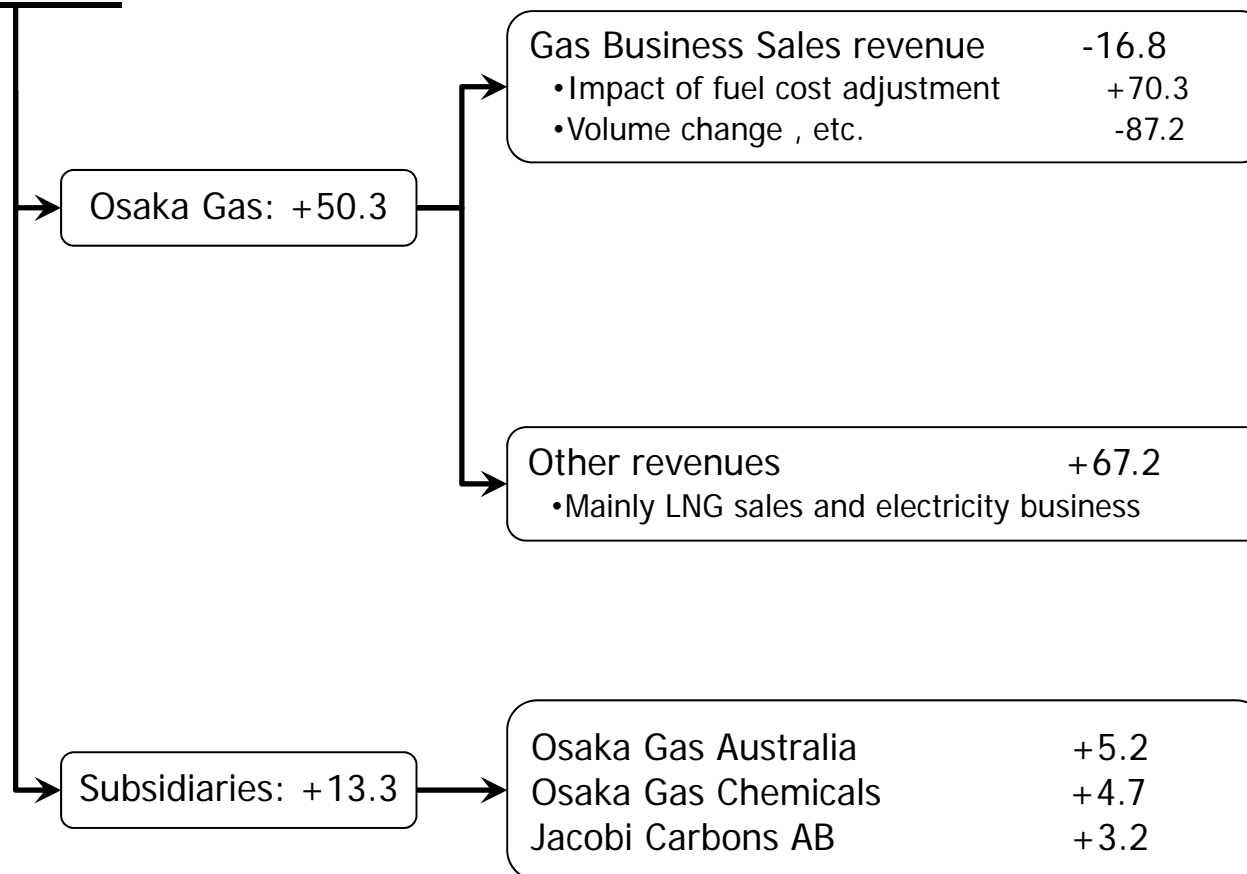
## Sales variance for FY2019.3 (Year-on-Year)

FY18.3 → FY19.3 forecasts (differences)

1,296.2    1,360.0

(+63.7)

(billion yen)



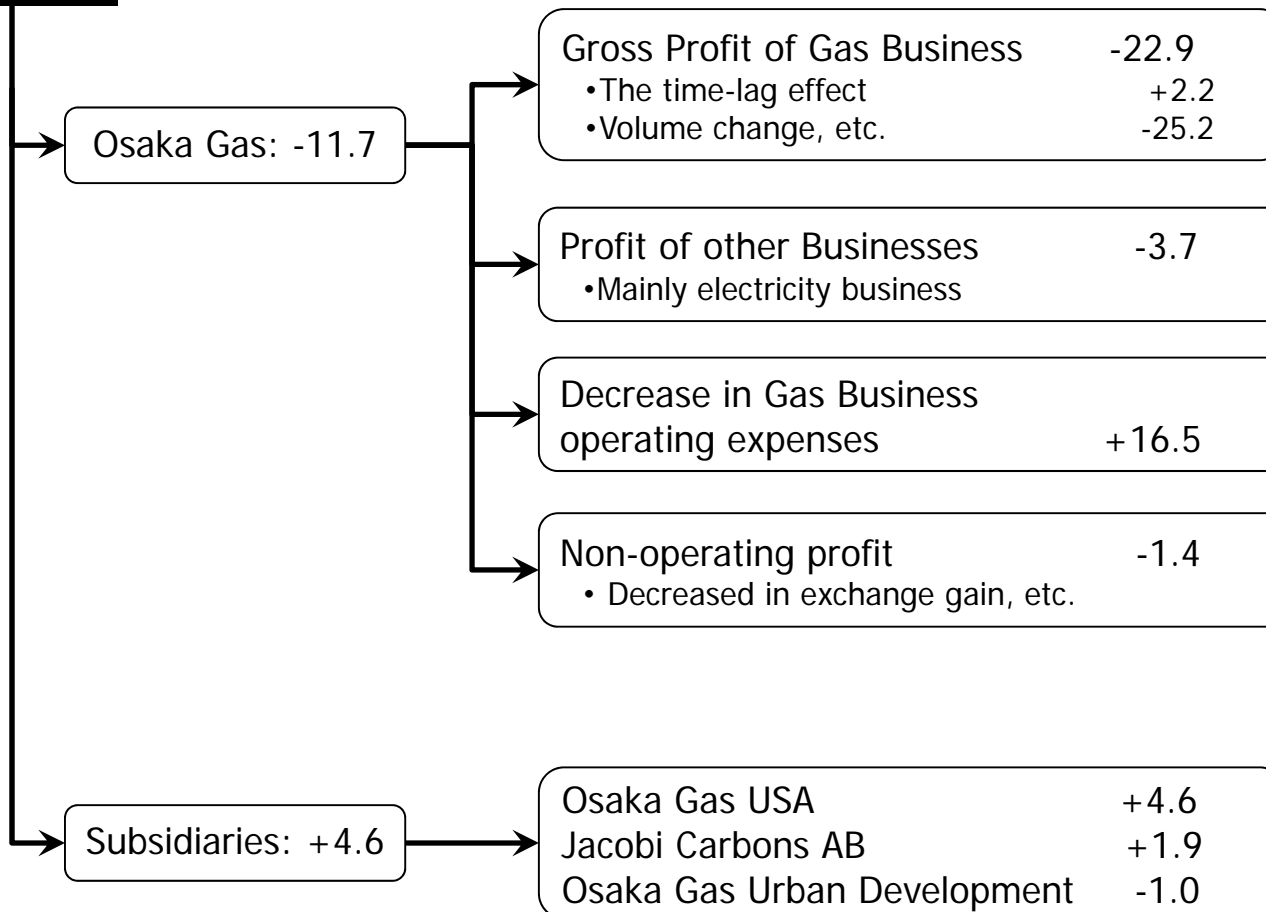
## Ordinary Income variance for FY2019.3 (Year-on-Year)

FY18.3 → FY19.3 forecasts (differences)

77.0      70.0  
(billion yen)

**(-7.0)**

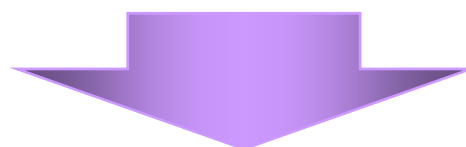
+/- signs indicate impact on profit.



## 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 m<sup>3</sup> (9.4%) from the previous year to 1,957 million m<sup>3</sup>, 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

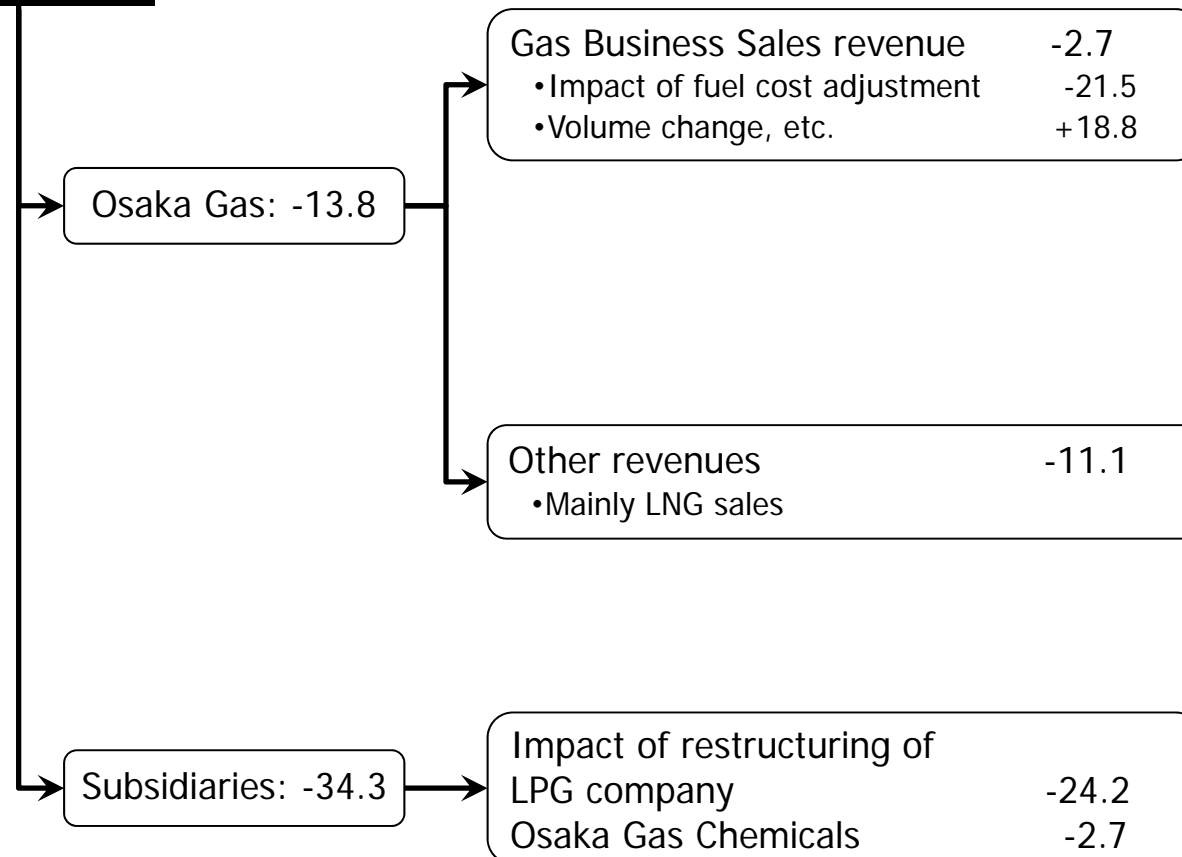
- Non-residential gas sales volume is expected to decrease by 654 million m<sup>3</sup> (10.2%) from the previous year to 5,732 million m<sup>3</sup>, due to impact of Gas switching and certain customers' factor, etc.

## 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)

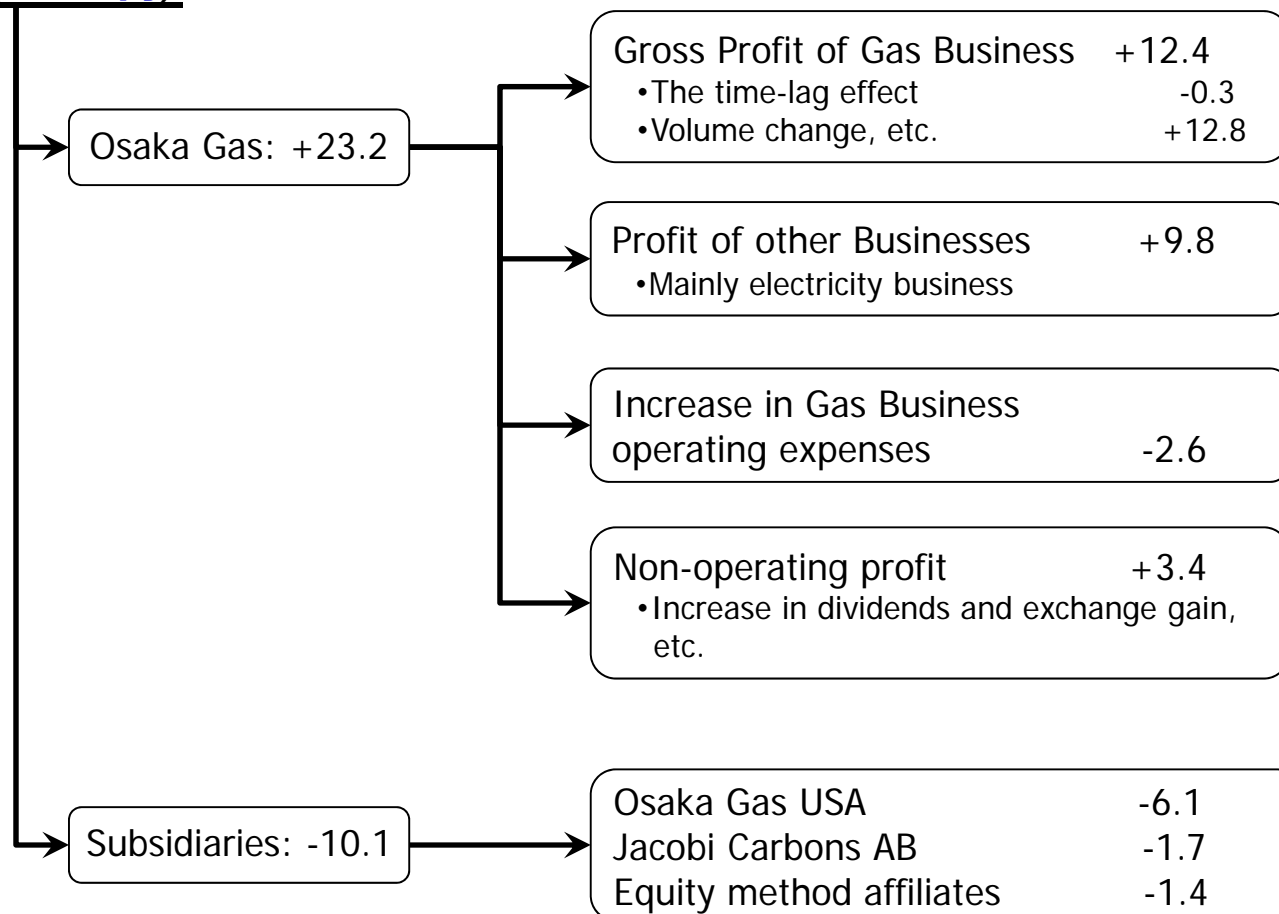
64.0

(billion yen)

77.0

(+13.0円)

+/- signs indicate impact on profit.





## 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	<u>Profit</u> : Increased in sales volume, etc.
Domestic energy - Electricity	157.7	167.0	-9.2	20.7	14.0	+6.7	<u>Profit</u> : Increased in sales volume, etc.
International energy	22.5	25.0	-2.4	-5.3	4.0	-9.3	<u>Profit</u> : 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	<u>Profit</u> : 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.

Thank you