



# Financial Report for 3rd Quarter of FY2019.3 (April 2018 – December 2018)

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January 2019  
Osaka Gas Co., Ltd.

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### **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.

# I. Business Results for 3rd Quarter of FY2019.3 and Forecasts for FY2019.3

# Summary of Business Results for 3rd Quarter of FY2019.3 and Forecasts for FY2019.3

## Year-on-Year Comparison

Consolidated net sales	Increased by 3.7% (¥34.0 billion) to ¥943.6 billion due to the increase in sales volume in Electricity Business, etc.
Consolidated ordinary profit	Decreased by 49.4% (¥24.8 billion) to ¥25.4 billion due to the time-lag effect and due to the impact of high air and water temperatures in gas business, etc. Time-lag loss totaled ¥16.1 billion (Time-lag profit of the 3rd quarter of the previous year totaled ¥0.9 billion)
Consolidated profit*	Decreased by 83.6% (¥26.4 billion) to ¥5.2 billion due to extraordinary losses recorded including one-time amortization of goodwill associated with the acquisition of a new subsidiary** and loss on disaster***, etc.

## FY2019.3 Forecast against Previous Forecast

Consolidated net sales	Expect to decrease by 1.4% (¥19.0 billion) to ¥1,381.0 billion due to the impact of the rise in crude oil prices, etc.
Consolidated ordinary profit	Expect to increase by 9.8% (¥5.5 billion) to ¥61.5 billion due to the impact of the rise in crude oil prices, etc. Time-lag loss totaled ¥11.7 billion (Time-lag loss of the previous forecasts totaled ¥12.7 billion)
Consolidated profit*	Expect to decrease by 15.3% (¥5.5 billion) to ¥30.5 billion due to extraordinary losses recorded including one-time amortization of goodwill associated with the acquisition of a new subsidiary, etc.

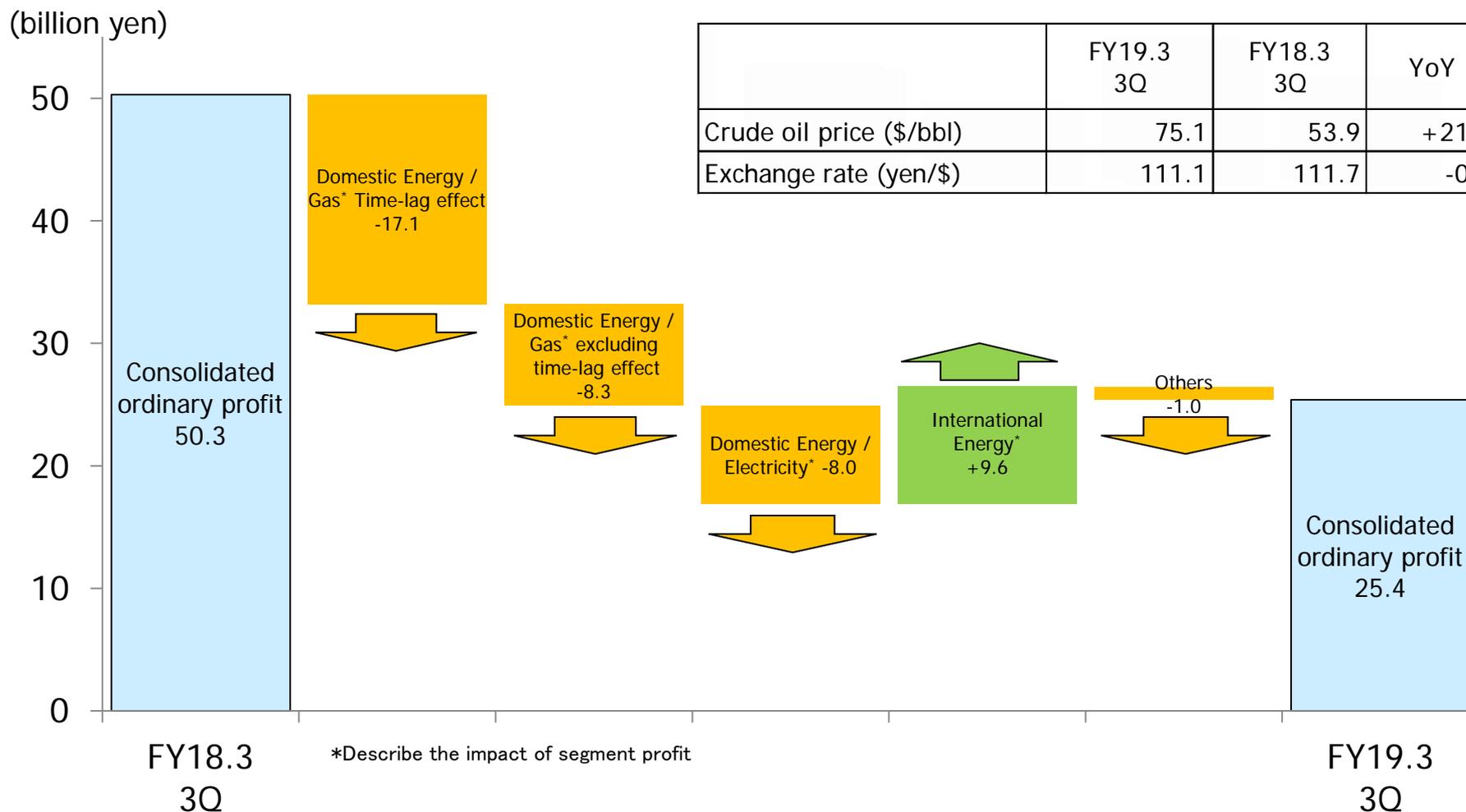
\* Profit attributable to owners of parent

\*\*One-time amortization of goodwill associated with the acquisition of a new subsidiary 8.9 billion

\*\*\*Loss on disaster 2.0 billion

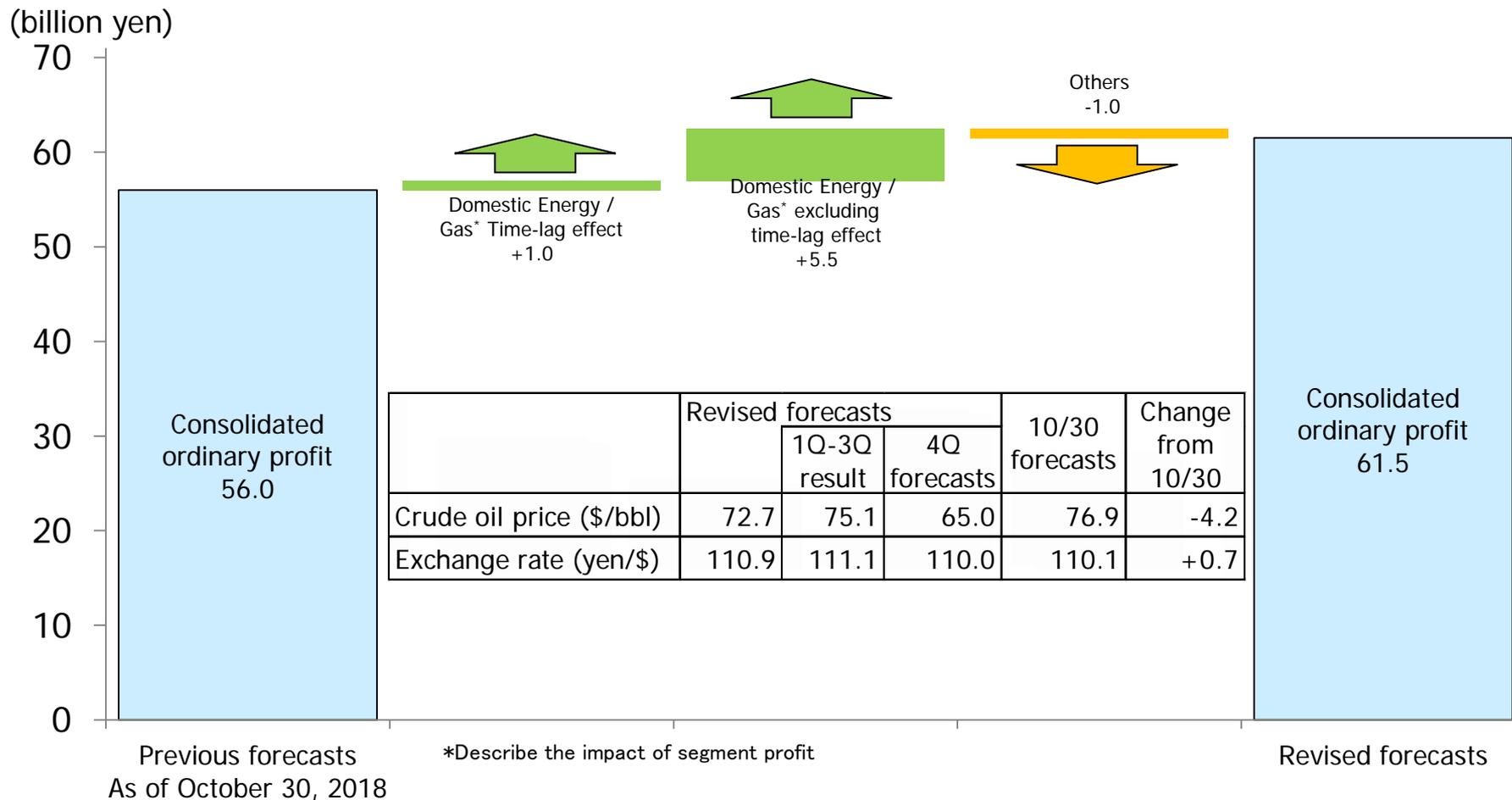
# YoY Comparison of 3rd Quarter of FY2019.3

Consolidated ordinary profit for the 3rd quarter of FY2019.3 decreased by ¥24.8 billion year on year to ¥25.4 billion due to time-lag effect in Domestic Energy / Gas business, etc.



# FY2019.3 Forecasts against Previous Forecasts

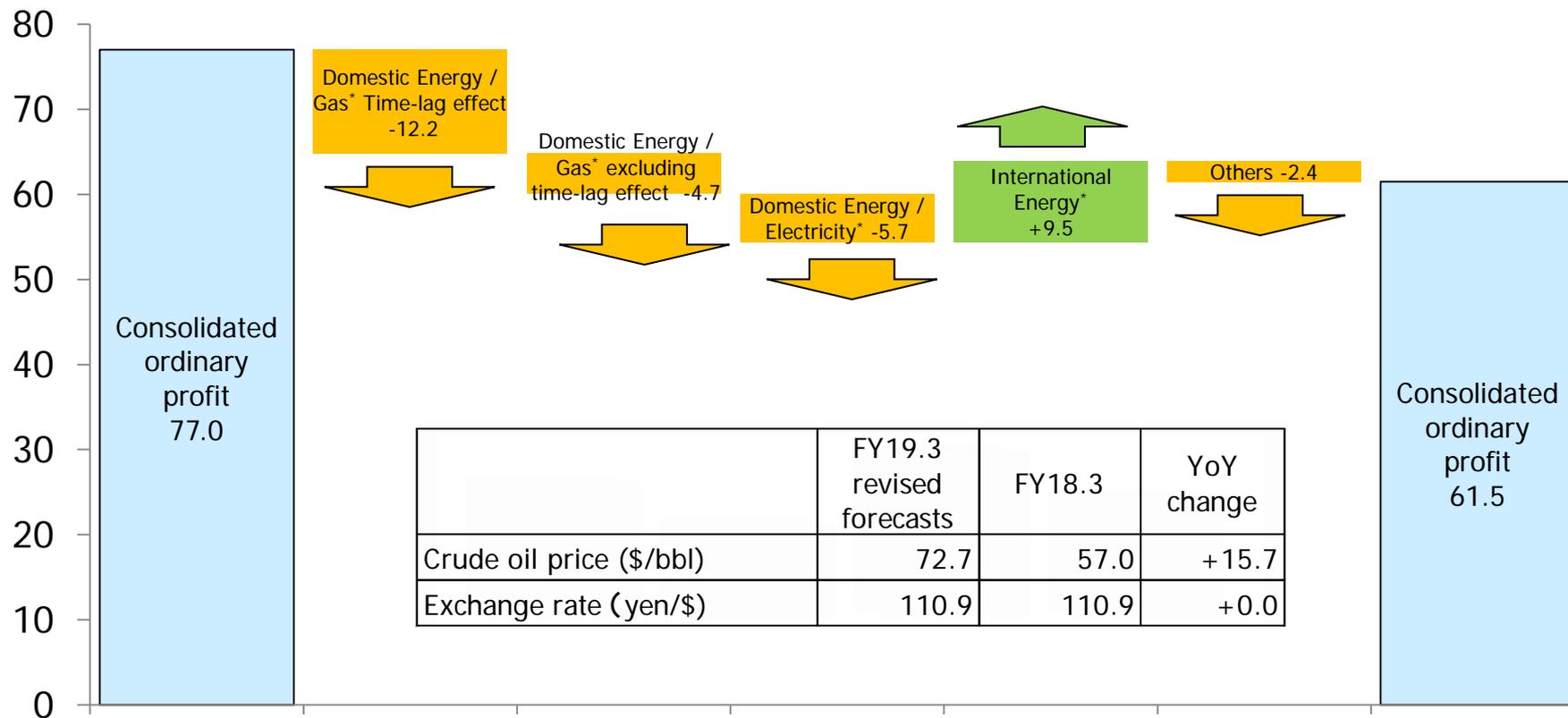
We have revised up our forecasts of the consolidated ordinary profit for FY2019.3 to ¥61.5 billion by ¥5.5 billion compared to previous forecasts as of October 30, due to time-lag effects with crude oil prices decline and due to decrease in cost of gas business, etc.



# YoY Comparison of FY2019.3 Forecasts

We assume our forecasts of the consolidated ordinary profit for FY2019.3 to ¥61.5 billion by ¥15.5 billion compared to the previous fiscal year, due to time-lag effects in Domestic Energy / Gas business, etc.

(billion yen)



FY2018.3

\*Describe the impact of segment profit

FY2019.3 revised forecasts

# Results for 3<sup>rd</sup> Quarter of FY2019.3- I

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

Consolidated, billion yen	A. FY19.3 3Q		B. FY18.3 3Q		A-B	(A-B) /B(%)	Remarks
Net sales	(1.25)	943.6	(1.26)	909.5	+34.0	+3.7	Increased in the sales volume of electricity, etc.
Operating profit	(-)	23.3	(1.72)	48.5	-25.2	-52.0	Decreased due to the time-lag effect and the impact of high air and water temperatures in gas business, etc.
Ordinary profit	(7.67)	25.4	(1.38)	50.3	-24.8	-49.4	Decreased due to extraordinary losses recorded including one-time amortization of goodwill associated with the acquisition of a new subsidiary, etc.
Profit*	(-)	5.2	(1.14)	31.6	-26.4	-83.6	
EBITDA **		101.0		115.9	-14.9	-12.9	
The time-lag effect		-16.1		0.9	-17.1	-	
Ordinary profit excluding time-lag effect		41.6		49.4	-7.7	-15.7	
Crude oil price*** \$/bbl		75.1		53.9	+21.2		
Exchange rate yen/\$		111.1		111.7	-0.5		

\* Profit attributable to owners of parent

\*\* EBITDA=operating profit/loss + depreciation + amortization of goodwill + equity in earnings/losses of affiliated companies

\*\*\* Average of preliminary monthly data up to December

## Results for 3<sup>rd</sup> Quarter of FY2019.3- II

billion yen	Net sales			Segment Profit*			Remarks
	A.FY19.3 3Q	B.FY18.3 3Q	A-B	A.FY19.3 3Q	B.FY18.3 3Q	A-B	
Domestic Energy / Gas**	687.4	683.4	+3.9	-0.8	24.6	-25.5	Profit : Decreased due to the time-lag effect and due to the impact of high air and water temperatures, etc.
Domestic Energy / Electricity	131.4	108.0	+23.4	5.2	13.2	-8.0	Profit : Decreased due to the impact of competition and the rise in crude oil prices, etc.
International Energy	27.0	15.4	+11.5	7.7	-1.9	+9.6	Profit : Increased due to impact of loss from sales of IPP project in North America from previous year, and increased in sales volume of Gorgon Project, etc.
Life & Business Solutions**	149.5	143.4	+6.0	12.0	12.8	-0.7	Profit : Almost same level as the previous year
Adjustments	-51.8	-40.8	-10.9	1.3	1.0	+0.2	
Consolidated	943.6	909.5	+34.0	25.6	49.9	-24.3	

\* Segment profit = Operating profit(loss) + Share of profit(loss) of entities accounted for using equity method

\*\* Since 1Q of FY19.3, Osaka Gas Engineering Co., Ltd. changed its segment from "Life & Business Solutions" to "Domestic Energy / Gas". FY18.3 3Q results are calculated based on the contents after change

Including profit/loss on market value of derivative  
A.FY19.3 3Q 1.0, B.FY18.3 3Q -1.2, A-B +2.2

## Results for 3<sup>rd</sup> Quarter of FY2019.3-III

Consolidated, billion yen	A. FY19.3	FY18.3		A-B	Remarks
	3Q end	3Q end	B. year end		
Total assets*	2,032.4	1,854.0	1,897.2	+135.2	Purchase of IPP projects in North America, etc.
Shareholders' equity	982.4	991.4	999.5	-17.0	
Interest-bearing liabilities	688.4	509.6	503.7	+184.6	
Number of employees	20,420	20,257	19,997	+423	
Shareholders' equity / Total assets*	48.3%	53.5%	52.7%	-4.3%	Increased in interest-bearing liabilities, etc.
D/E ratio	0.70	0.51	0.50	+0.20	

\* Calculated by taking "Partial Amendments to Accounting Standard for Tax Effect Accounting" into account

Consolidated, billion yen	A. FY19.3	B. FY18.3	A-B	Remarks
	3Q	3Q		
Capital expenditure	81.0	58.7	+22.2	Purchase of upstream project in North America, etc.
Depreciation	75.4	65.9	+9.4	
Free cash flow**	-47.2	30.1	-77.4	Decrease in operating profit and increase in working capital, etc.

\*\* Free cash flow = cash flows from operating activities - capital expenditures for upgrading existing businesses

# Forecasts for FY19.3- I

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

Consolidated, billion yen		A. FY19.3 Forecasts		B. FY19.3 Previous forecasts		A-B	(A-B)/B(%)	Remarks
Net sales	(1.24)	1,381.0	(1.24)	1,400.0	-19.0	-1.4	Decrease in LNG sales volume and decrease in residential gas sales volume, etc.	
Operating profit	(2.33)	63.0	(2.88)	59.0	+4.0	+6.8	Impact of crude oil price decline and decrease in cost of gas business, etc.	
Ordinary profit	(1.62)	61.5	(1.90)	56.0	+5.5	+9.8		
Profit*	(1.13)	30.5	(1.57)	36.0	-5.5	-15.3	Decrease due to extraordinary losses recorded including one-time amortization of goodwill associated with the acquisition of a new subsidiary, etc.	
EBITDA **		158.5		146.5	+12.0	+8.2		
* Profit attributable to owners of parent								
** EBITDA=operating profit/loss + depreciation + amortization of goodwill + equity in earnings/losses of affiliated companies								
The time-lag effect		-11.7		-12.7	+1.0	-		
Ordinary profit excluding time-lag effect		73.2		68.7	+4.5	+6.5		
Crude oil price	\$/bbl	72.7		76.9	-4.2			
Exchange rate	yen/\$	110.9		110.1	+0.7			

## Forecasts for FY19.3- II

billion yen	Net sales			Segment Profit*			Remarks
	A.FY19.3 Forecasts	B.FY19.3 Previous forecasts	A-B	A.FY19.3 Forecasts	B.FY19.3 Previous forecasts	A-B	
Domestic Energy / Gas	1,013.2	1,031.7	-18.5	26.0	19.5	+6.5	Profit : Impact of crude oil price decline and decrease in cost of gas business, etc.
Domestic Energy / Electricity	199.3	199.3	-	15.0	15.0	-	
International Energy	32.2	33.0	-0.8	4.2	5.0	-0.8	Profit : Impact of Freeport project
Life & Business Solutions	211.1	208.0	+3.1	18.3	19.0	-0.7	Profit : Increase in raw material cost in material business
Adjustments	-74.8	-72.0	-2.8	1.0	2.0	-1.0	
Consolidated	1,381.0	1,400.0	-19.0	64.5	60.5	+4.0	

\* Segment profit = Operating profit(loss) + Share of profit(loss) of entities accounted for using equity method

## Forecasts for FY19.3-III

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	(1.24)	1,381.0	(1.25)	1,296.2	+84.7	+6.5	Impact of the rise in crude oil prices.
Operating profit	(2.33)	63.0	(1.64)	78.1	-15.1	-19.4	Decrease due to the time-lag effect and due to the impact of high air and water temperatures in gas business, etc.
Ordinary profit	(1.62)	61.5	(1.32)	77.0	-15.5	-20.2	
Profit*	(1.13)	30.5	(0.86)	37.7	-7.2	-19.2	
EBITDA **		158.5		167.1	-8.6	-5.1	
The time-lag effect		-11.7		0.5	-12.2	-	
Ordinary profit excluding time-lag effect		73.2		76.5	-3.3	-4.4	
Crude oil price	\$/bbl	72.7		57.0	+15.7		
Exchange rate	yen/\$	110.9		110.9	+0.0		

\* Profit attributable to owners of parent

\*\* EBITDA=operating profit/loss + depreciation + amortization of goodwill + equity in earnings/losses of affiliated companies

## Forecasts for FY19.3-IV

billion yen	Net sales			Segment Profit*			Remarks
	A.FY19.3 Forecasts	B.FY18.3	A-B	A.FY19.3 forecasts	B.FY18.3	A-B	
Domestic Energy / Gas**	1,013.2	976.2	+36.9	26.0	42.9	-16.9	Profit : Decrease due to the time-lag effect and due to the impact of high air and water temperatures, etc.
Domestic Energy / Electricity	199.3	157.7	+41.5	15.0	20.7	-5.7	Profit : Decrease due to the impact of competition and rising crude oil prices, etc.
International Energy	32.2	22.5	+9.6	4.2	-5.3	+9.5	Profit : Increase due to impact of loss from sales of IPP project in North America from previous year, and increased in sales volume of Gorgon Project, etc.
Life & Business Solutions**	211.1	201.4	+9.6	18.3	18.2	+0.0	Profit : Almost same level as the previous year
Adjustments	-74.8	-61.8	-12.9	1.0	1.7	-0.7	
Consolidated	1,381.0	1,296.2	+84.7	64.5	78.3	-13.8	

\* Segment profit = Operating profit (loss) + Share of profit(loss) of entities accounted for using equity method

\*\* Since 1Q of FY19.3, Osaka Gas Engineering Co., Ltd. changed its segment from "Life & Business Solutions" to "Domestic Energy /Gas". FY18.3 results are calculated based on the contents after the change

## Forecasts for FY19.3- V

Consolidated, billion yen	A.FY 19.3 end forecasts	B. FY 18.3 end	A-B	Remarks
Total assets*	1,985.0	1,897.2	+87.7	Purchase of IPP projects in North America, etc.
Shareholders' equity	998.0	999.5	-1.5	
Interest-bearing liabilities	638.0	503.7	+134.2	New borrowing, etc.
Number of employees	20,555	19,997	+558	Increase in Osaka Gas Information System Research Institute Group, Jacobi Carbons AB, etc.
Shareholders' equity / Total assets*	50.3%	52.7%	-2.4%	
D/E ratio*	0.64	0.50	+0.14	

\* Calculated by taking "Partial Amendments to Accounting Standard for Tax Effect Accounting" into account

	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	93.9	88.7	+5.2	
Free cash flow**	10.3	116.3	-106.0	Decrease in operating and profit increase in working capital, etc.
ROA	1.6%	2.0%	-0.4%	
ROE	3.1%	3.8%	-0.8%	
EPS (yen/share)	73.3	90.7	-17.4	
BPS (yen/share)	2,400.1	2,403.7	-3.6	

\*\* Free cash flow = cash flows from operating activities - capital expenditures for upgrading existing businesses

# Sales-related results for 3<sup>rd</sup> Quarter of FY2019.3

\* 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

\*\* The difference factors are described on pages 18 and 19

## ■ Gas sales volume

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

	A.FY19.3 3Q	B.FY18.3 3Q	A-B	(A-B)/B(%)
Number of units for gas supply* (thousands)	5,626	6,028	-402	-6.7
Installation of new meters (thousands)	67	71	-5	-6.5
Monthly gas sales volume per household (m <sup>3</sup> /month)	22.2	24.2	-2.0	-8.2
Residential**	1,105	1,275	-170	-13.4
Non-Residential**	4,471	4,731	-260	-5.5
Non-consolidated gas sales volume (million m <sup>3</sup> )	5,576	6,006	-430	-7.2
Consolidated gas sales volume (million m <sup>3</sup> )	5,602	6,031	-430	-7.1

## ■ Electricity sales volume (Consolidated)

	A.FY19.3 3Q	B.FY18.3 3Q	A-B	(A-B)/B(%)
Retail	2,299	1,489	+810	+54.4
Wholesale, etc.	6,203	6,241	-38	-0.6
Electricity Sales Volume(GWh)	8,502	7,730	+772	+10.0
Number of low-voltage electricity supply (thousands)	857	545	+312	+57.3

## ■ Customer Accounts (Consolidated)

	A.FY19.3 3Q end	B.FY18.3 end	A-B	(A-B)/B(%)
- Number of customer Accounts (thousands)	8,660	8,270	+390	+4.7

## Sales-related forecasts for FY2019.3

### ■ Gas sales volume

\* The difference factors are described on pages 18 and 19.

45MJ/m <sup>3</sup>	FY19.3 Previous forecasts	A. FY19.3 forecasts	B. FY18.3 results	A-B	(A-B) /B(%)
Residential*	1,957	1,895	2,160	-265	-12.3
Non-Residential*	5,732	5,996	6,387	-391	-6.1
Non-consolidated gas sales volume (million m3)	7,690	7,891	8,546	-656	-7.7
Consolidated gas sales volume (million m3)	7,723	7,924	8,580	-656	-7.6

### ■ Electricity sales volume (Consolidated) Unchanged from the forecasts announced on October 30.

	A. FY19.3 forecasts	B. FY18.3 results	A-B	(A-B) /B(%)
Electricity Sales Volume (GWh)	11,671	10,951	+720	+6.6

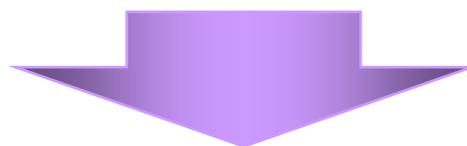
### ■ Customer Accounts (Consolidated) Unchanged from the forecasts announced on October 30.

	A. FY19.3 forecasts	B. FY18.3 end	A-B	(A-B) /B(%)
Number of customer Accounts (thousands)	8,900	8,270	+630	+7.6

# Residential Gas Sales

FY19.3 3Q

	YoY change	Remarks
Number of customers	-4.5%	Switching to another company, etc.
Impact of temperature	-6.0%	Average annual temperature: 20.8 degrees Celsius (+0.8 degrees Celsius from the previous year)
Others	-2.8%	Effect of meter reading days, high-efficiency of gas appliances, decrease in household size, etc.
Total	-13.4%	



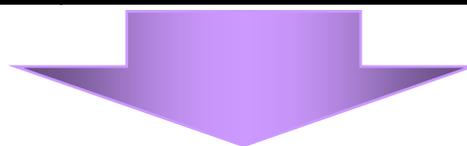
FY19.3 forecasts

- Residential gas sales volume is expected to decrease by 265 million m<sup>3</sup> (12.3%) from the previous year to 1,895 million m<sup>3</sup>, due to reaction to the low air and water temperatures of the previous fiscal year and Gas switching, etc.

# Non-Residential Gas Sales

FY19.3 3Q

	YoY change	Remarks
Demand development	+0.9%	Equipment introduction, fuel conversion, etc.
Impact of temperature	-0.1%	
Capacity utilization of facilities	-0.3%	
Individual factor	-4.9%	Decreased due to switching to another company and decrease in capacity utilization at specific customers, etc.
Others	-1.2%	
Total	-5.5%	



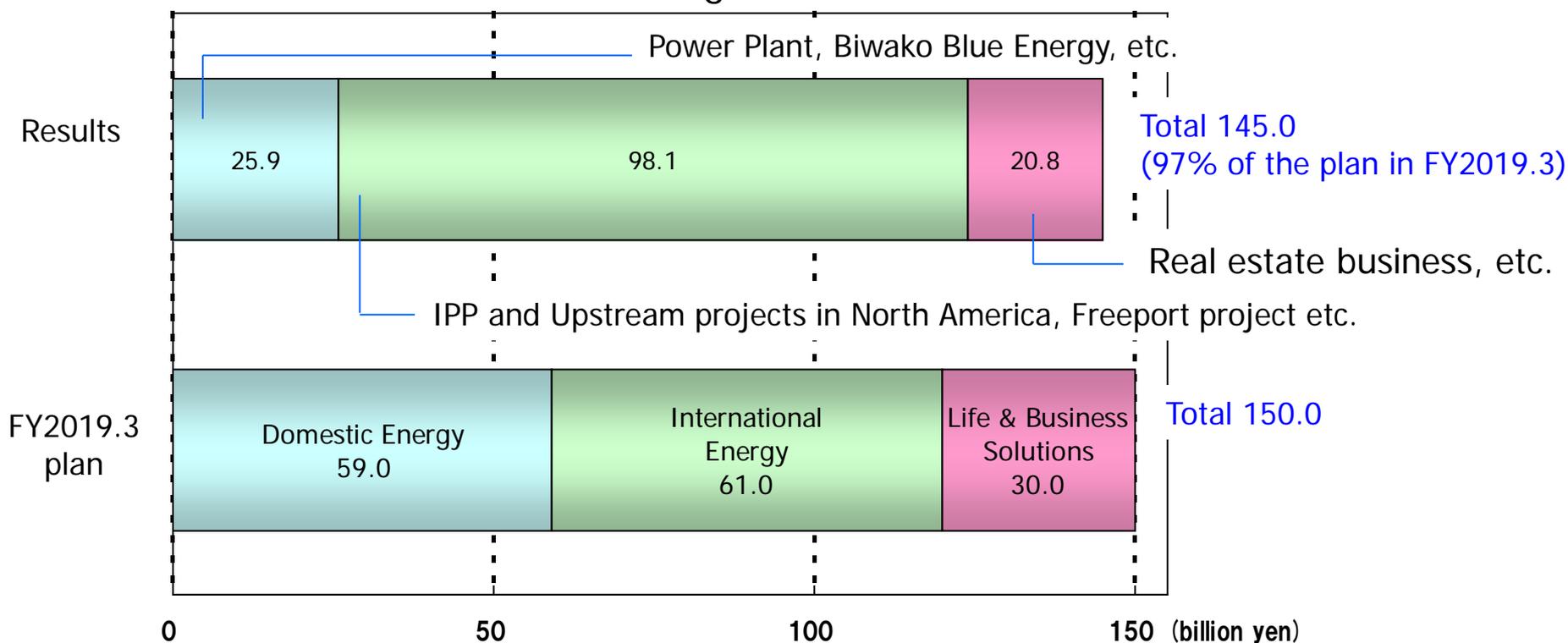
FY19.3 forecasts

- Non-residential gas sales volume is expected to decrease by 391 million m<sup>3</sup> (6.1%) from the previous year to 5,996 million m<sup>3</sup>, due to impact of Gas switching and certain customers' factor, etc.

# Results of Investment for growth for 3rd Quarter of FY2019.3

Investment for growth for 3rd quarter FY2019.3 amounted to ¥145.0 billion, accounting for 97% of the annual plan. Mainly in the International Energy business, made investments in IPP and Upstream projects in North America, etc.

Results of investment for growth for 3Q of FY2019.3\*



\*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.

## Main Topics in the 3rd Quarter of FY2019.3

Apr.	<p>Investment in U.S.-based venture fund WiL Fund II, L.P.</p> <p>Acquisition of a natural gas-fired power plant in Michigan, U.S.</p> <p>Investment in The Reliance Energy Okinawa, Incorporated</p> <p>Establishment of CD Energy Direct Co., Ltd.</p>
May	<p>Entered into an agreement to provide consulting services on construction of LNG receiving terminal in Taiwan</p> <p>Acquisition of a natural gas-fired power plant in Connecticut, U.S.</p> <p>Development of "gas recovery visualization system"</p>
June	<p>Participation in a shale gas project in Texas, U.S.</p> <p>Earthquake occurred in the northern Osaka area, halting gas supply to 110 thousand households</p> <p>Start of energy sales business in the Tokyo Metropolitan area</p> <p>Cut down electricity rates and partially modified rate plans</p> <p>Start of commercial operation of Inami Wind Power Plant</p>
July	<p>Decided to commercialize biomass power plant in Sodegaura City, Chiba</p> <p>Supported quality Daiginjo sake brewing by image recognition technology – Fushimi Sake Brewers Association and Osaka Gas jointly developed a new method for the evaluation of sake rice</p>
Aug.	<p>Launched a new service "ekul toilet," an IoT service that manages the availability of toilets</p> <p>Commenced a joint proof-of-concept trial with a U.S. startup that offers a VPP platform</p> <p>Established a new electricity rate plan "Style Plan" that caters to customers' lifestyles and individual needs and started accepting registration for the "Style Plan P" service</p>
Sep.	<p>Established a liquid carbon dioxide and dry ice production and sales company in Nagaoka City, Niigata</p> <p>Selected for the DJSI World Index for the second consecutive year</p> <p>Established a joint venture responsible for the introduction of natural gas-fired thermal power plant and the supply of natural gas for Asahi Kasei Corp. plants in the Nobeoka Area</p> <p>Commencement of the On-Site Energy Supply Project for Thai Honda Manufacturing Co., Ltd.</p>

## Main Topics in the 3rd Quarter of FY2019.3

Oct.	<p>Consortium consisting of Osaka Gas, JFE Engineering and Waterworks Co., Ltd. was selected as a preferred bidder in Otsu City Gas Specific Operation Project etc.          Establishment of PT OSAKA GAS INDONESIA          --Commencement of Natural Gas Joint Marketing Business in Indonesia with Pertamina Group--</p>
Nov.	<p>Construction of "Amagasaki / Kumiya line (tentative name)"</p>
Dec.	<p>Conclusion of an implementation agreement concerning Otsu City Gas Specific Operation Project, etc. and transfer of shares of a new company BIWAKO BLUE ENERGY Co., Ltd.          Securing of an order for construction of an LNG terminal of Himuka LNG for domestic vessels          Osaka Gas USA acquires stake in a natural gas-fired power plant in Connecticut, US</p>

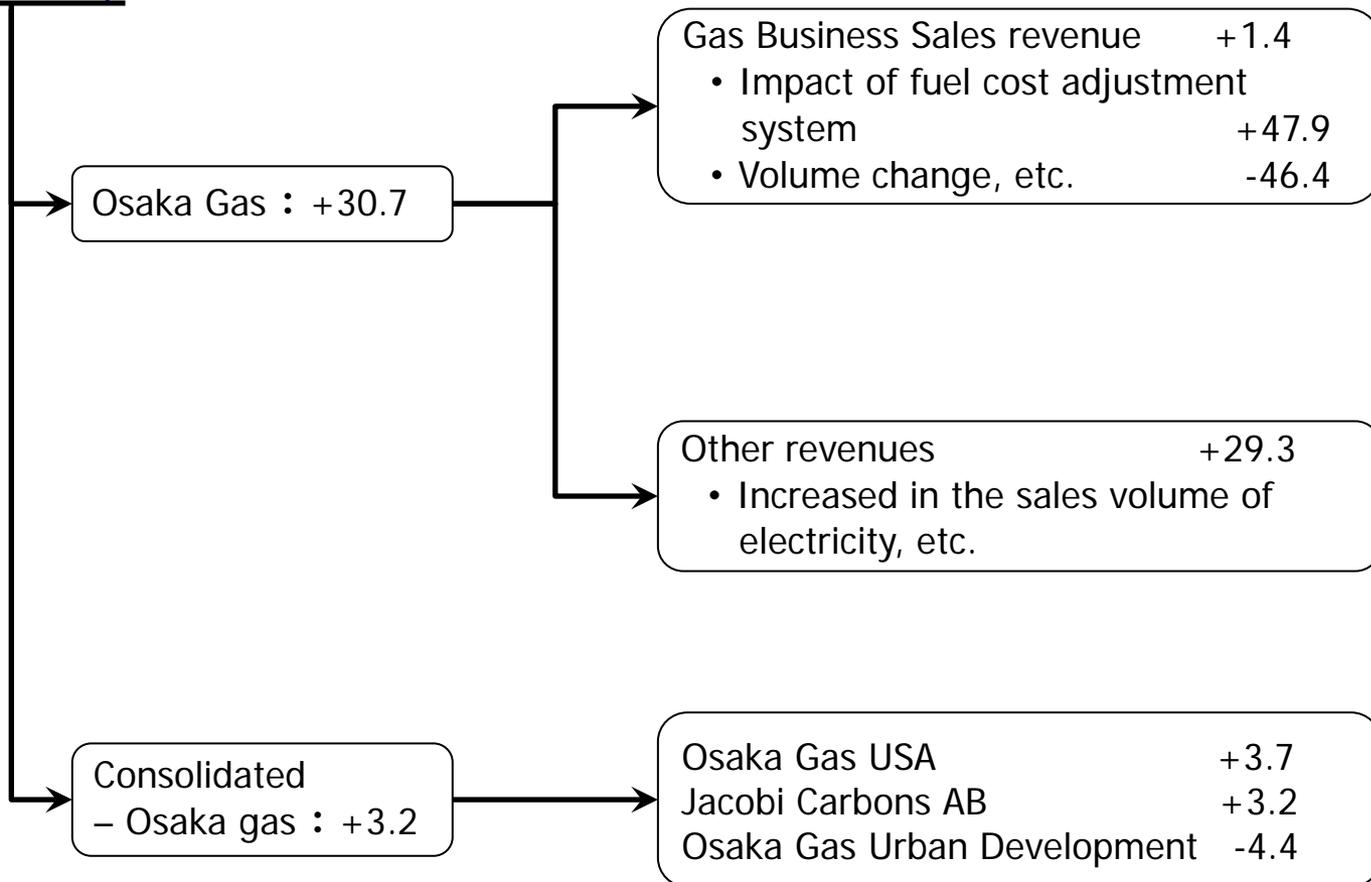
## II . Facts and Figures

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

FY18.3 3Q → FY19.3 3Q (differences)

909.5            943.6 (+34.0)

(billion yen)

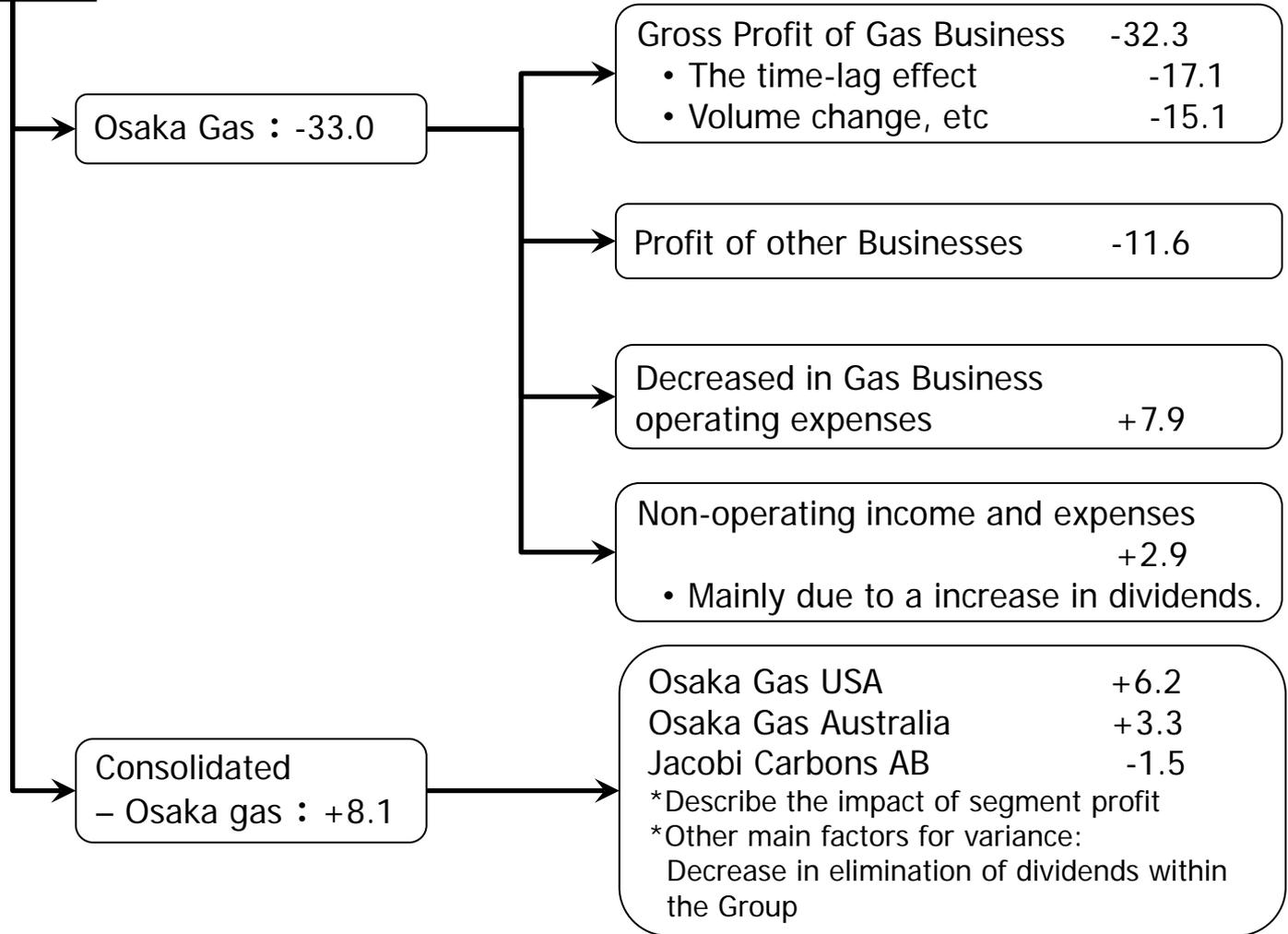


# Ordinary profit variance for 3rd Quarter of FY2019.3 (Year-on-Year)

FY18.3 3Q → FY19.3 3Q (differences)

50.3  
(billion yen)

25.4 **(-24.8)**

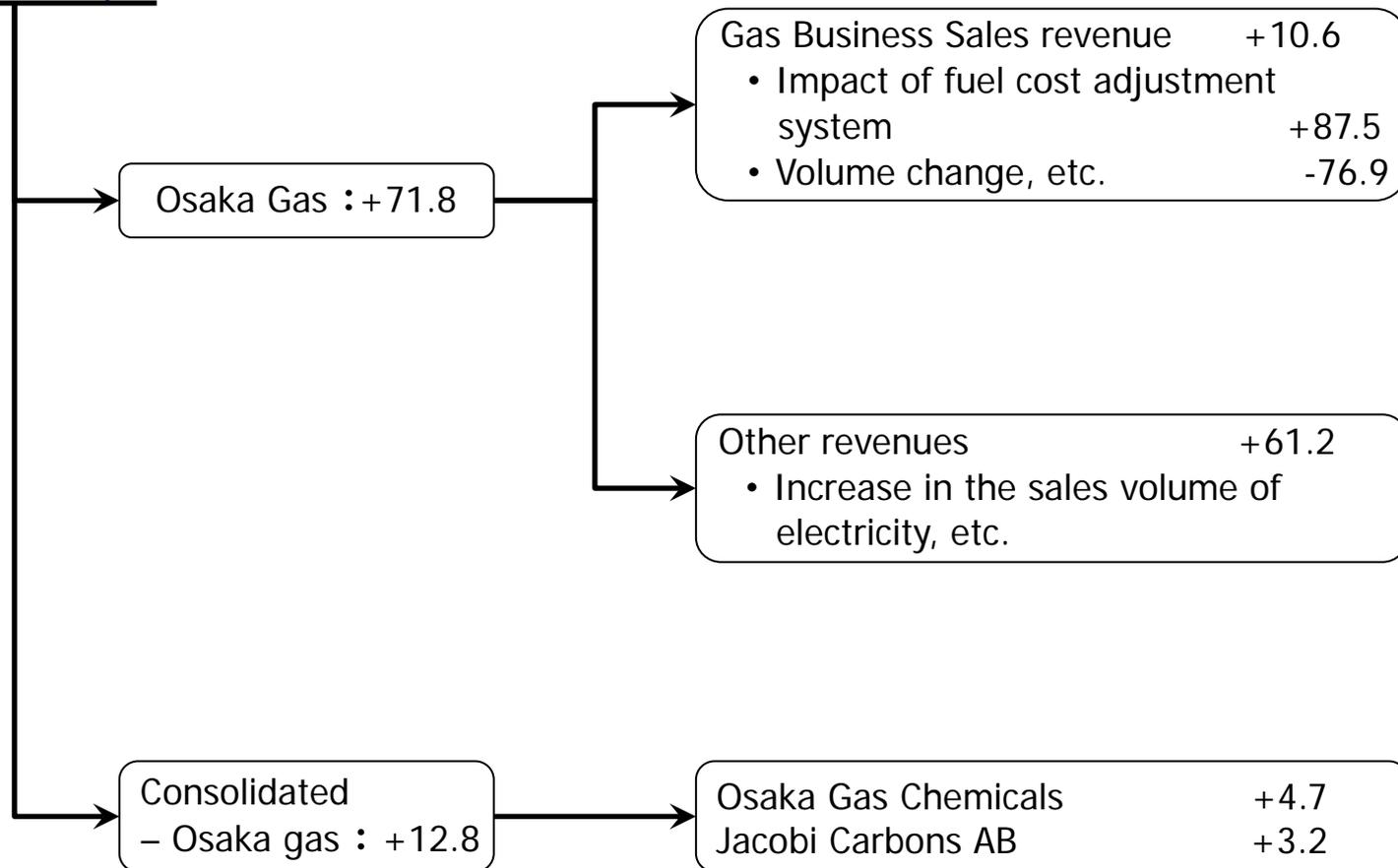


# Sales variance for FY2019.3 Forecasts (Year-on-Year)

FY18.3 → FY19.3 forecasts (differences)

1,296.2    1,381.0 (+84.7)

(billion yen)



# Ordinary profit variance for FY2019.3

## Forecasts (Year-on-Year)

FY18.3 → FY19.3 forecasts (differences)

77.0      61.5 (-15.5)  
 (billion yen)

Osaka Gas :-20.2

Consolidated  
 - Osaka gas : +4.6

+/- signs indicate impact on profit.

Gross Profit of Gas Business      -35.4  
 •The time-lag effect                      -12.2  
 •Volume change, etc.                      -23.2

Profit of other Businesses              -5.2  
 •Mainly electricity business

Decrease in Gas Business  
 operating expenses                      +20.0

Non-operating income and expenses  
     +0.5

Osaka Gas USA                              +4.9  
 Osaka Gas Australia                      +4.3  
 Jacobi Carbons AB                        -0.5

\*Describe the impact of segment profit  
 \*Other main factors for variance:  
 Decrease in elimination of dividends within  
 the Group

## Risk Factors for Annual Earnings Results Forecasts

- 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. -0.8 billion 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

Thank you