



Financial Report for 1st Quarter of FY2020.3 (April 2019 – June 2019)

July 2019

Osaka Gas Co., Ltd.

Contents

I. Summary of Business Results for 1st Quarter of FY2020.3 and Forecasts for FY2020.3

□ Summary of Business Results for 1 st Quarter of FY2020.3 and Forecasts for FY2020.3	- 4	□ Forecasts for FY2020.3	- 13-15
□ YoY Comparison of 1 st Quarter of FY2020.3	- 5	□ Sales-related results for 1 st Quarter of FY2020.3	- 16
□ YoY Comparison of FY2020.3 Forecasts	- 6	□ Sales-related forecasts for FY2020.3	- 17
□ Results of Investment for growth for 1 st Quarter of FY2020.3	- 7	□ Residential Gas Sales	- 18
□ Main Topics in 1 st Quarter of FY2020.3	- 8	□ Non-Residential Gas Sales	- 19

II. Business Results for 1st Quarter of FY2020.3 and Forecasts for FY2020.3

□ Results for 1 st Quarter of FY2020.3	- 10-12
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III. Facts and Figures

□ Variance for 1 st Quarter of FY2020.3	- 21-22
□ Variance for FY2020.3 Forecasts	- 23-24
□ Risk Factors for Annual Earnings Results Forecasts	- 25

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.

I. Summary of Business Results for 1st Quarter of FY2020.3 and Forecasts for FY2020.3

Summary of Business Results for 1st Quarter of FY2020.3 and Forecasts for FY2020.3

Year-on-Year Comparison of Results for 1st Quarter of FY2020.3

Consolidated net sales	Increased by 12.8% (¥37.9 billion) to ¥335.0 billion due to an increase in the unit price of gas sales, etc.
Consolidated ordinary profit	Increased by 77.4% (¥18.0 billion) to ¥41.4 billion due to the impact of the time-lag effect and a decrease in operating expenses in the Gas Business, etc. The time-lag effect totaled ¥+5.2 billion (The time-lag effect* in previous year was ¥-6.6 billion).
Consolidated profit**	Increased by 83.1% (¥12.9 billion) to ¥28.6 billion

Year-on-Year Comparison of Forecasts for FY2020.3

Unchanged from April 2019 forecasts

Consolidated Net sales	Expect to increase by 3.9% (¥54.1 billion) to ¥1,426.0 billion due to an increase in electricity sales volume, etc.
Consolidated ordinary profit	Expect to increase by 28.4% (¥17.8 billion) to ¥81.0 billion due to the time-lag effect, etc. The time-lag effect totaled ¥+6.9 billion (The time-lag effect* in previous year was ¥-13.2 billion).
Consolidated profit**	Expect to increase by 63.7% (¥21.3 billion) to ¥55.0 billion due to the rebound from one-time amortization of goodwill*** and loss on disaster****, etc.

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

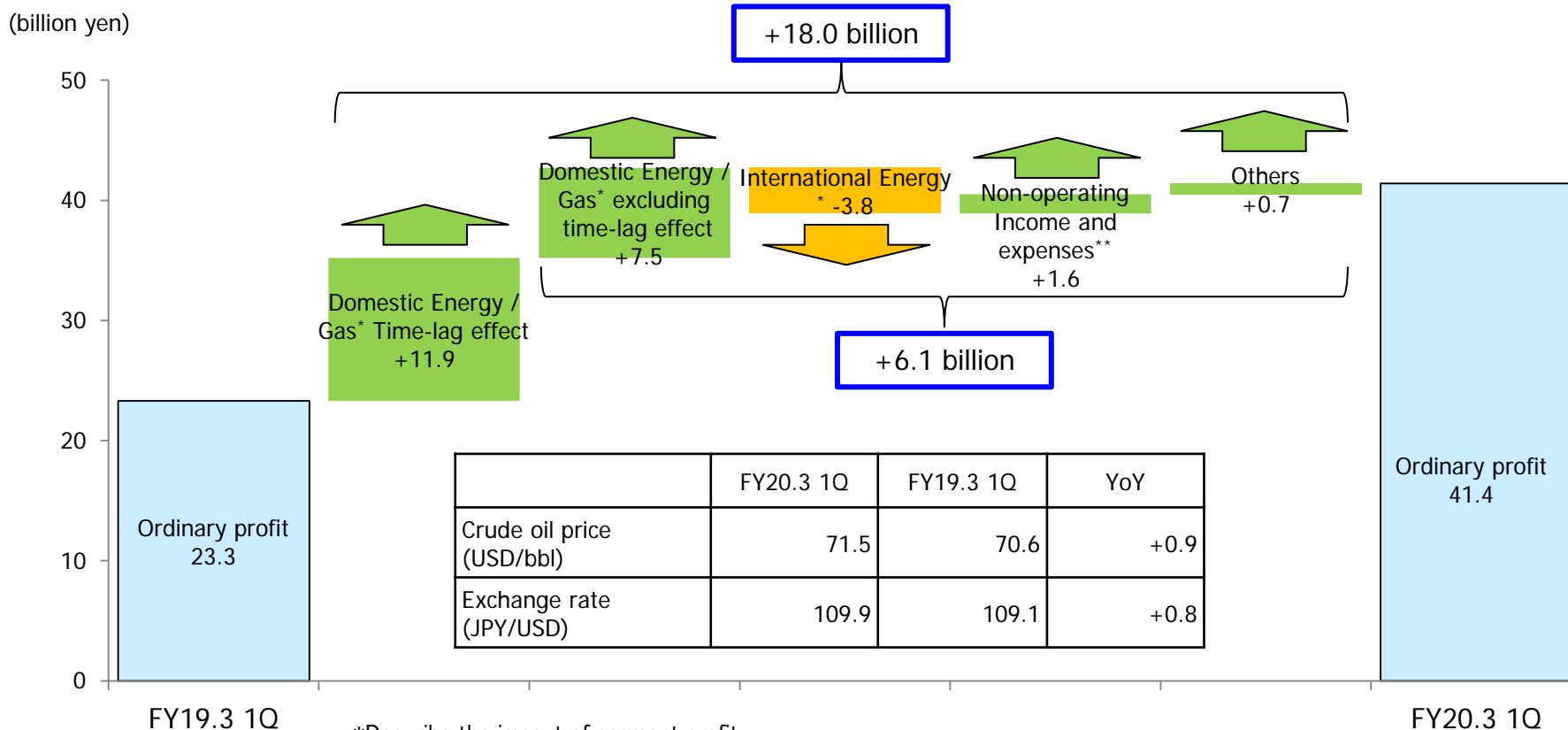
**Profit attributable to owners of parent

*** 8.9billion yen

****2.1 billion yen

YoY Comparison of 1st Quarter of FY2020.3

- Consolidated ordinary profit increased by ¥18.0 billion year-on-year to ¥41.4 billion due to the impact of the time-lag effect and the decrease in operating expenses in the Gas Business, etc.
- Excluding the time-lag effect, consolidated ordinary profit increased by ¥6.1 billion year-on-year due to the decrease in operating expenses in the Gas Business exceeded the decrease in International Energy business.



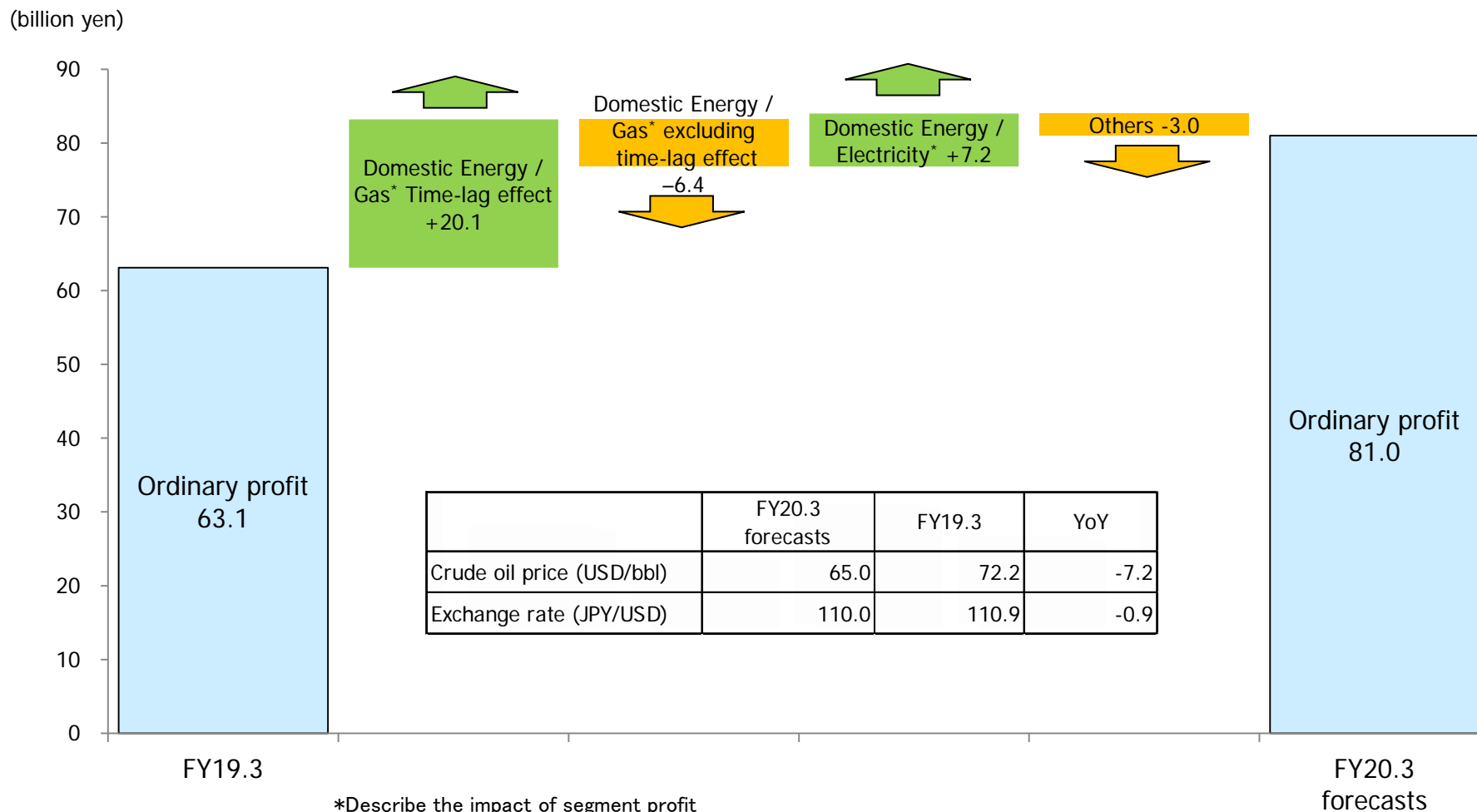
*Describe the impact of segment profit

**Excluding share of profit(loss) of entities accounted for using equity method

YoY Comparison of FY2020.3 Forecasts

Unchanged from April 2019 forecasts

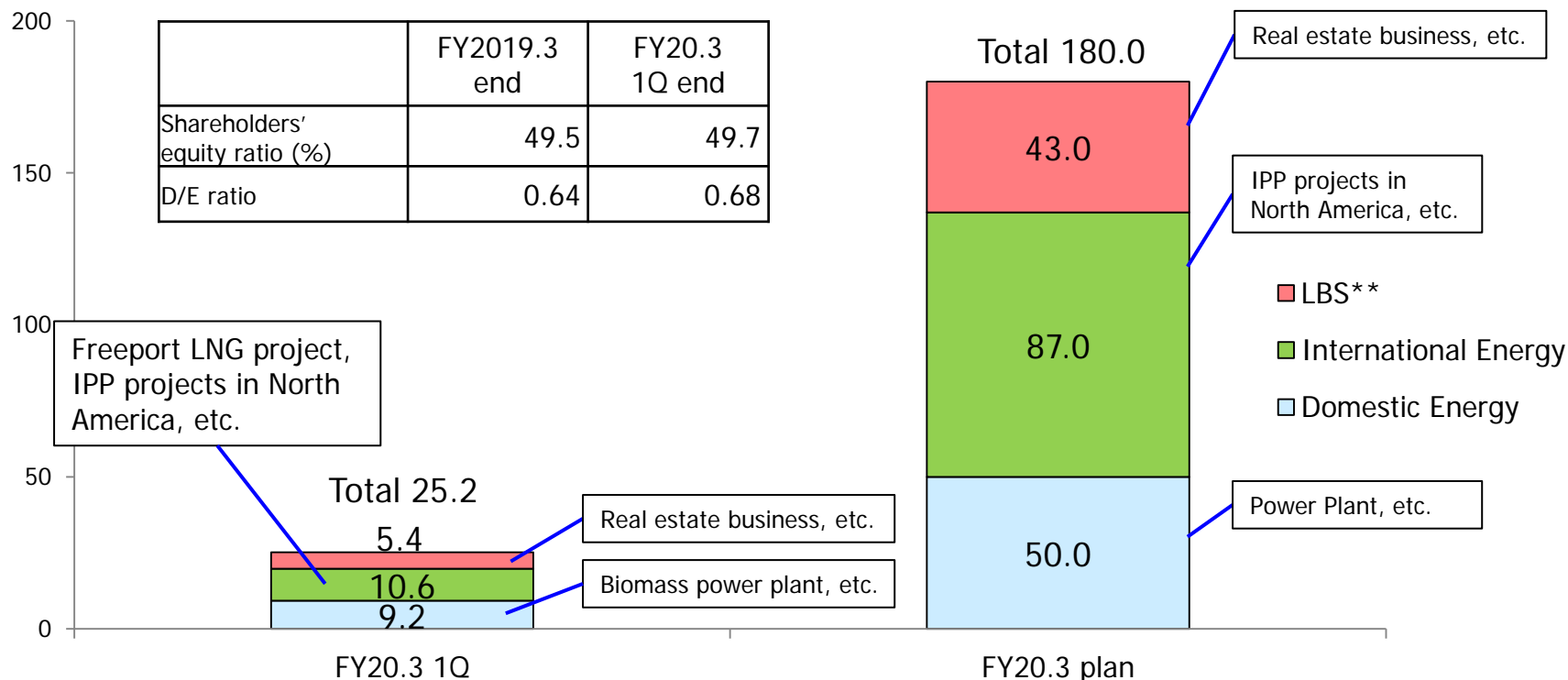
- Consolidated ordinary profit is expected to increase by ¥17.8 billion year-on-year to ¥81.0 billion. This is primarily due to the impact of the time-lag effect in the Gas Business.



Results of Investment for growth for 1st Quarter of FY2020.3

- In 1st Quarter of FY2020.3, we invested ¥ 25.2 billion for growth in the International Energy business, etc., accounting for 14% over of the annual plan.
- The financial soundness indicator maintains a Shareholders' equity / Total assets ratio of around 50% and a D / E ratio of around 0.7.

(billion yen)



* 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.

** LBS: Life & Business Solutions

Main Topics in the 1st Quarter of FY2020.3

Apr.	<ul style="list-style-type: none"> Osaka Gas Withdraws from Construction Plan for Nishiokinoyama Power Plant (provisional name)
May	<ul style="list-style-type: none"> Osaka Gas to Issue the 36th and 37th Series of Unsecured Straight Bonds of 20 Billion Yen Each (Domestic Bonds) Osaka Gas to Start Service to Purchase Surplus Electricity Generated by Photovoltaic Systems (for customers whose feed-in tariff period for renewable energy will end) Osaka Gas Releases AVANCE Built-in Stove Equipped with Area Sensors, an Industry-First Technology
June	<ul style="list-style-type: none"> Establishing a Natural Gas Supply Company in Vietnam Concluded an agreement on comprehensive cooperation with National Research Institute for Earth Science and Disaster Resilience
July	<ul style="list-style-type: none"> Acquisition of all shares of Sabine Oil & Gas Corporation, a US shale gas development company Osaka Gas Co., Ltd.: Investments and a Conclusion of Collaboration Agreement with AGP International Holdings Pte. Ltd., as Development of Natural Gas Infrastructure Proceeds Cook Delicious Food with Less Time and Effort Our New Class S Built-in Stoves with New Functions Will Expand Your Cooking Cooperation in the Carbon Offset Program at the 90th Intercity Baseball Tournament Establishment of Solar Power Company in Thailand

* Press releases were issued in the above indicated months.

II. Business Results for 1st Quarter of FY2020.3 and Forecasts for FY2020.3

Results for 1st Quarter of FY2020.3- I

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

Consolidated, billion yen	A. FY20.3 1Q	B. FY19.3 1Q	A-B	(A-B) /B(%)	Remarks
Net sales	(1.24) 335.0	(1.23) 297.1	+37.9	+12.8	Increased in the unit price of gas sales, etc.
Operating profit	(1.28) 36.6	(2.16) 20.7	+15.9	+76.8	Increased due to the impact of the time-lag effect and the decrease in operating expenses in the Gas Business
Ordinary profit	(1.10) 41.4	(1.32) 23.3	+18.0	+77.4	
Profit*	(0.98) 28.6	(1.15) 15.6	+12.9	+83.1	
EBITDA **	60.4	43.3	+17.1	+39.4	

* Profit attributable to owners of parent

** EBITDA=operating profit(loss) + depreciation + amortization of goodwill + Share of profit(loss) of entities accounted for using equity method

The time-lag effect	5.2	-6.6	+11.9	-	
Ordinary profit excluding time-lag effect	36.1	30.0	+6.1	+20.4	

Crude oil price***	USD/ bbl	71.5	70.6	+0.9	
Exchange rate	JPY/ USD	109.9	109.1	+0.8	

*** Average of preliminary monthly data up to June

Results for 1st Quarter of FY2020.3- II

billion yen	Net sales			Segment Profit*			Remarks
	A.FY20.3 1Q	B.FY19.3 1Q	A-B	A.FY20.3 1Q	B.FY19.3 1Q	A-B	
Domestic Energy / Gas	251.4	220.4	+30.9	30.9	11.3	+19.5	Profit : Increased due to the impact of the time-lag effect and the decrease in operating expenses, etc.
Domestic Energy / Electricity	42.0	37.1	+4.8	1.1	2.1	-1.0	Profit : Decreased in sales unit price and increased in operating expenses, etc.
International Energy	11.1	11.3	-0.2	0.9	4.8	-3.8	Profit : Decreased due to the impact from Freeport LNG project and a decrease in sales volume of Gorgon Project, etc.
Life & Business Solutions	49.0	46.7	+2.3	3.5	3.1	+0.4	Profit : Almost same level as the previous year
Adjustments	-18.6	-18.6	-0.0	1.8	0.4	+1.3	
Consolidated	335.0	297.1	+37.9	38.5	22.0	+16.4	

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

Including profit/loss on market value of derivative
A.FY20.3 1Q -0.4, B.FY19.3 1Q 1.3, A-B -1.8

Results for 1st Quarter of FY2020.3- III

Consolidated, billion yen	A. FY20.3	FY19.3		A-B	Remarks
	1Q end	1Q end	B. year end		
Total assets	2,042.3	1,859.8	2,029.7	+12.6	
Shareholders' equity	1,014.2	993.9	1,004.3	+9.9	
Interest-bearing debts	689.1	538.3	647.4	+41.7	Bond issue, etc.
Number of employees	20,689	20,354	20,224	+465	Increased in Osaka Gas Information System Research Institute Group, Jacobi Carbons AB, etc.
Shareholders' equity / Total assets	49.7%	53.4%	49.5%	+0.2%	
D/E ratio	0.68	0.54	0.64	+0.03	

Consolidated, billion yen	A. FY20.3 1Q	B. FY19.3 1Q	A-B	Remarks
Capital expenditure	25.7	17.8	+7.8	
Depreciation	21.9	21.3	+0.6	
Free cash flow*	45.9	-33.5	+79.4	Decreased in working capital, etc.

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

Unchanged from April 2019 forecasts

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

Forecasts for FY2020.3 - I

Consolidated, billion yen	A. FY20.3 forecasts		B. FY19.3 results		A-B	(A-B)/B(%)	Remarks
Net sales	(1.25)	1,426.0	(1.24)	1,371.8	+54.1	+3.9	Increase in the sales volume of electricity, etc.
Operating profit	(1.72)	91.0	(2.43)	67.9	+23.0	+33.9	
Ordinary profit	(1.43)	81.0	(1.56)	63.1	+17.8	+28.4	Increase due to the time-lag effect in gas business, etc.
Profit*	(1.28)	55.0	(1.34)	33.6	+21.3	+63.7	Increase due to the rebound from one-time amortization of goodwill and loss on disaster, etc.
EBITDA**		180.2		159.9	+20.2	+12.7	

* Profit attributable to owners of parent

** EBITDA=operating profit (loss) + depreciation + amortization of goodwill(excluding one-time amortization of goodwill) + share of profit (loss) of entities accounted for using equity method

The time-lag effect		6.9		-13.2	+20.1	-	
Ordinary profit excluding time-lag profit		74.0		76.3	-2.2	-3.0	

Crude oil price*** USD/bbl		65.0		72.2	-7.2		
Exchange rate JPY/USD		110.0		110.9	-0.9		

*** Average of preliminary monthly data up to March

Forecasts for FY2020.3 - II

billion yen	Net sales			Segment Profit [*]			Remarks
	A. FY20.3 forecasts	B. FY19.3 results	A-B	A. FY20.3 forecasts	B. FY19.3 results	A-B	
Domestic Energy / Gas	1,015.5	1,012.6	+2.8	49.5	35.8	+13.6	Profit : Increase due to the time-lag effect, etc.
Domestic Energy / Electricity	218.0	184.3	+33.6	16.0	8.7	+7.2	Profit: Increase in the sales volume of electricity, etc.
International Energy	55.5	40.4	+15.0	6.5	5.9	+0.5	Profit : Almost same level as the previous year
Life & Business Solutions	216.0	210.9	+5.0	20.0	17.7	+2.2	Profit : Increase in material business
Adjustments	-79.0	-76.4	-2.5	1.5	0.8	+0.6	
Consolidated	1,426.0	1,371.8	+54.1	93.5	69.0	+24.4	

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

Forecasts for FY2020.3 - III

Consolidated, billion yen	A.FY 20.3 end forecasts	B. FY 19.3 end	A-B	Remarks
Total assets	2,234.6	2,029.7	+204.8	Increase in the investment for growth, etc.
Shareholders' equity	1,038.6	1,004.3	+34.2	
Interest-bearing debts	792.0	647.4	+144.5	Increase due to new borrowing, etc.
Number of employees	20,788	20,224	+564	Increase in Osaka Gas Information System Research Institute Group, Jacobi Carbons AB, etc.
Shareholders' equity / Total assets	46.5%	49.5%	-3.0%	Increase in interest-bearing debts, etc.
D/E ratio	0.76	0.64	+0.12	
	A.FY 20.3 forecasts	B. FY19.3 results	A-B	
Capital expenditure	145.0	107.2	+37.7	Increase in the investment for growth, etc.
Depreciation	86.6	99.7	-13.0	
Free cash flow [*]	82.6	20.9	+61.7	Decrease in working capital, etc.
ROA	2.6%	1.7%	+0.8%	
ROE	5.4%	3.4%	+2.0%	
EPS (yen/share)	132.3	80.8	+51.5	
BPS (yen/share)	2,497.7	2,415.4	+82.4	

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

Sales-related results for 1st Quarter of FY2020.3

* 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 ³	A.FY20.3 1Q	B.FY19.3 1Q	A-B	(A-B)/B(%)
Number of units for gas supply* (thousands)	5,430	5,847	-417	-7.1
Installation of new meters (thousands)	23	23	+0	+1.0
Monthly gas sales volume per household (m ³ /month)	29.1	27.2	+1.9	+7.1
Residential**	459	462	-4	-0.8
Non-Residential**	1,340	1,415	-74	-5.2
Non-consolidated gas sales volume (million m ³)	1,799	1,877	-78	-4.1
Consolidated gas sales volume (million m ³)	1,812	1,888	-76	-4.0

■ Electricity sales volume (Consolidated)

	A.FY20.3 1Q	B.FY19.3 1Q	A-B	(A-B)/B(%)
Retail	869	601	+268	+44.6
Wholesale, etc.	1,914	2,013	-98	-4.9
Electricity Sales Volume(GWh)	2,783	2,614	+170	+6.5
Number of low-voltage electricity supply (thousands)	1,077	702	+374	+53.3

■ Customer Accounts (Consolidated)

	A.FY20.3 1Q end	B.FY19.3 end	A-B	(A-B)/B(%)
Number of customer Accounts (thousands)	8,890	8,750	+150	+1.7

Sales-related forecasts for FY2020.3

■ Gas sales volume

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

45MJ/m ³	A. FY20.3 forecasts	B. FY19.3 results	A-B	(A-B)/B(%)
Residential*	1,824	1,892	-67	-3.6
Non-Residential*	5,736	6,010	-274	-4.6
Non-consolidated gas sales volume (million m3)	7,560	7,901	-341	-4.3
Consolidated gas sales volume (million m3)	7,599	7,935	-336	-4.2

■ Electricity sales volume (Consolidated)

	A. FY20.3 forecasts	B. FY19.3 results	A-B	(A-B)/B(%)
Electricity Sales Volume(GWh)	12,148	11,653	+496	+4.3

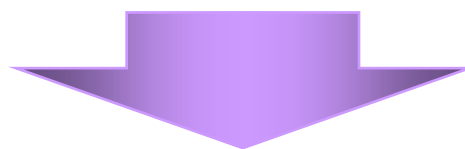
■ Customer Accounts (Consolidated)

	A. FY20.3 end forecasts	B. FY19.3 end	A-B	(A-B)/B(%)
Number of customer Accounts (thousands)	9,000	8,750	+260	+2.9

Residential Gas Sales

FY20.3 1Q

	YoY change	Remarks
Number of customers	-5.7%	Switching to another company, etc.
Impact of temperature	+6.6%	1 st quarter average temperature: 19.8 degrees Celsius (-0.4 degrees Celsius from the previous year)
Others	-1.7%	High-efficiency of gas appliances, decrease in household size, etc.
Total	-0.8%	



FY20.3 forecasts

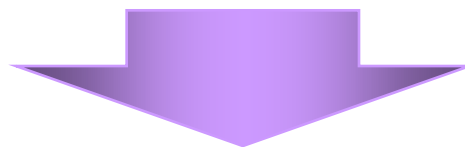
Unchanged from April 2019 forecasts

- Residential gas sales volume is expected to decrease by 67 million m³ (3.6%) from the previous year to 1,824million m³, due to the impact of gas switching and the rebound from high air and water temperatures of the previous fiscal year, etc.

Non-Residential Gas Sales

FY20.3 1Q

	YoY change	Remarks
Demand development	+1.2%	Equipment introduction, fuel conversion, etc.
Impact of temperature	+0.6%	
Capacity utilization of facilities	-1.0%	
Individual factor	-6.1%	Decreased due to switching to another company, etc.
Others	+0.0%	
Total	-5.2%	



FY20.3 forecasts

Unchanged from April 2019 forecasts

- Non-residential gas sales volume is expected to decrease by 274 million m³ (4.6%) from the previous year to 5,736 million m³, due to the impact of gas switching and certain customers' factor, etc.

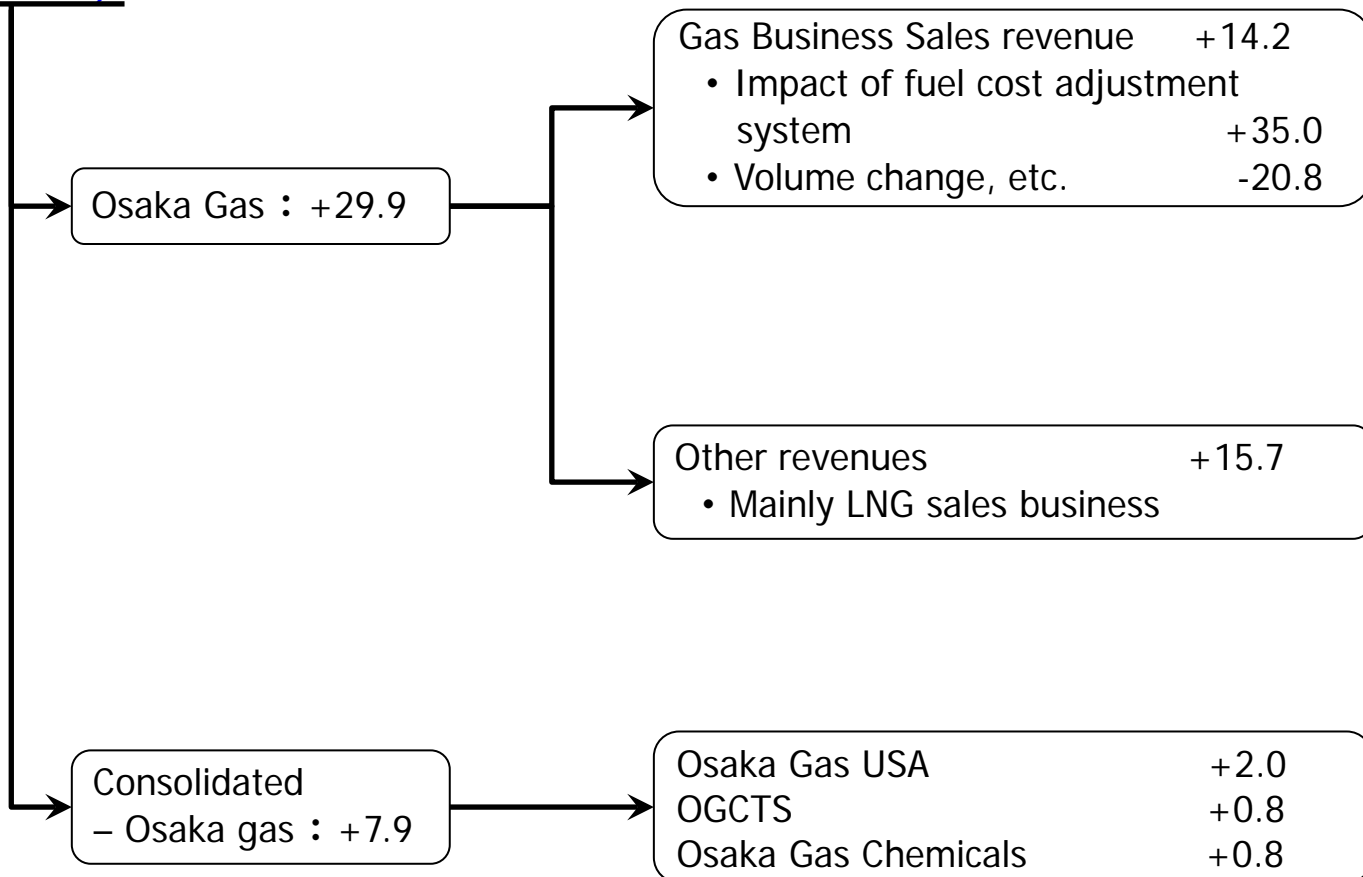
III. Facts and Figures

Sales variance for 1st Quarter of FY2020.3 (Year-on-Year)

FY19.3 1Q → FY20.3 1Q (differences)

297.1
(billion yen)

335.0 (+37.9)



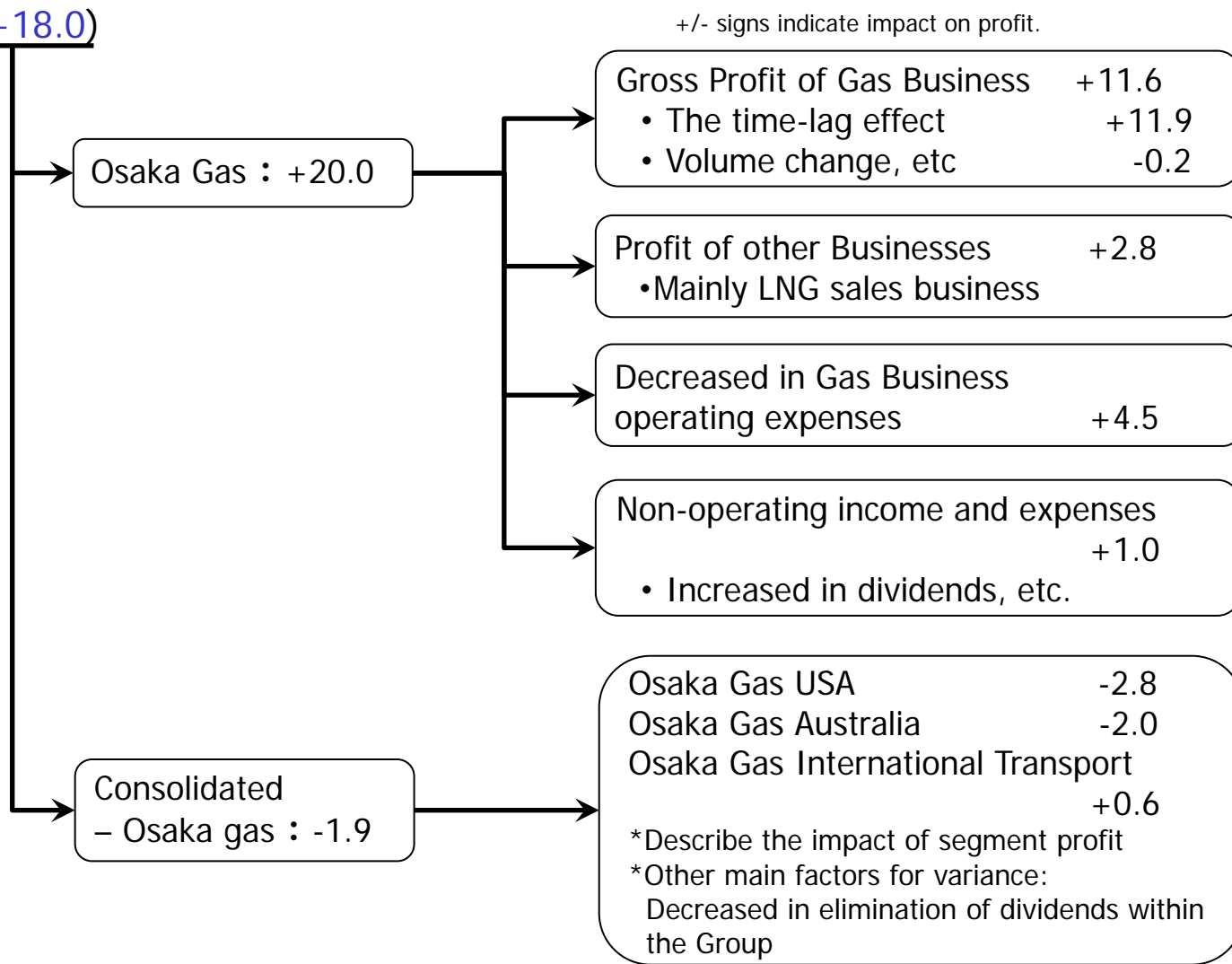
Ordinary profit variance for 1st Quarter of FY2020.3

(Year-on-Year)

FY19.3 1Q → FY20.3 1Q (differences)

23.3 41.4 (+18.0)

(billion yen)

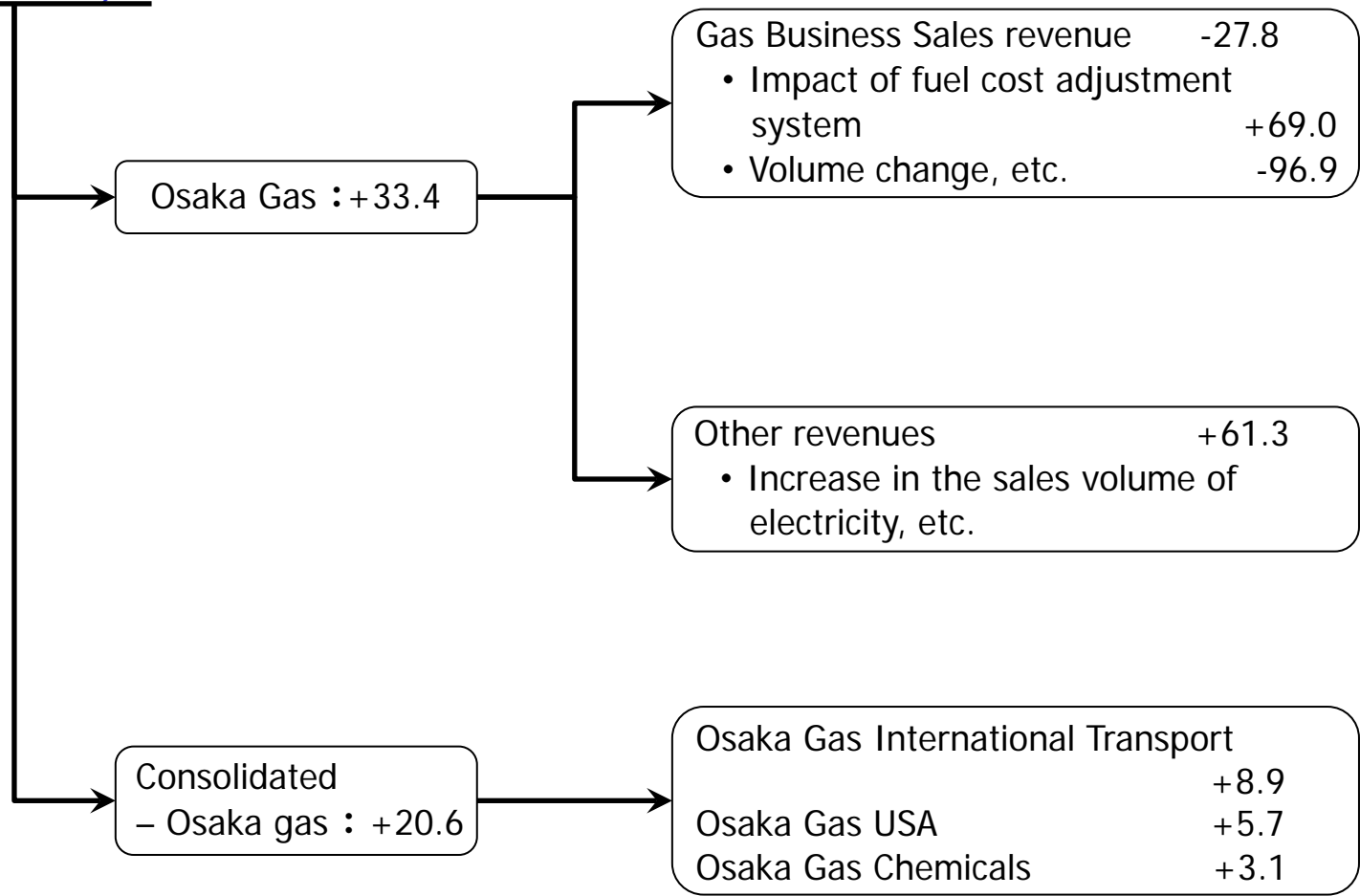


Sales variance for FY2020.3 Forecasts (Year-on-Year)

FY19.3 → FY20.3 forecasts (differences)

1,371.8 1,426.0 (+54.1)

(billion yen)



Ordinary profit variance for FY2020.3 Forecasts (Year-on-Year)

Unchanged from April 2019 forecasts

FY19.3 → FY20.3 forecasts (differences)

63.1 81.0 (+17.8)

(billion yen)

Osaka Gas : +15.9

Consolidated
– Osaka gas : +1.9

+/- signs indicate impact on profit.

Gross Profit of Gas Business +9.6
 • The time-lag effect +20.1
 • Volume change, etc. -10.5

Profit of other Businesses +11.9
 • Mainly electricity business

Decrease in Gas Business
operating expenses +3.4

Non-operating income and expenses -9.1
 • Decrease in dividends, etc.

Jacobi Carbons AB +2.6
 Osaka Gas Chemicals +1.1
 Idemitsu Snorre Oil Development -2.6
 *Describe the impact of segment profit

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 +1USD/bbl. change in crude oil prices will have an effect of approx. -0.8 billion yen on ordinary profit since the 2nd quarter (Jul. thru. Mar.) of this fiscal year.

- Foreign exchange rate
 - LNG prices are affected by fluctuations in the USD/JPY exchange rate. A +1 yen fluctuation in the USD/JPY exchange rate will have an effect of approx. -1.0 billion yen on ordinary profit since the 2nd quarter (Jul. 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. +1.9 billion yen on annual consolidated non-operating expenses.

Thank you