

Operating Results for the Second Quarter of the Fiscal Year Ending March 31, 2020 (202nd Term)

October 29, 2019
Osaka Gas Co., Ltd.

1. Operating Results (April 1, 2019 – September 30, 2019)

(1) Overview of Operating Results

Consolidated net sales for the six months ended September 30, 2019 increased year-on-year primarily due to the higher unit selling price of city gas under the fuel cost adjustment system of the Gas Business. Consolidated ordinary profit increased primarily due to the impact of the time lag between fluctuations in raw material costs and their reflection in the unit selling price of city gas(*) in the Gas Business and decreases in its expenses. Furthermore, profit attributable to owners of parent increased.

(*)There is a time lag between fluctuations in raw material costs and their reflection in the unit selling price of city gas under the fuel cost adjustment system, which causes a temporary increase/decrease in profit. This resulted in a temporary increase in profit for the current second quarter and a temporary decrease in profit for the previous second quarter, respectively.

[billion yen]

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent (Note)
Consolidated	652.9 (+7.5%) [607.4]	44.3 (+101.9%) [21.9]	49.8 (+118.2%) [22.8]	33.4 (+147.7%) [13.5]
Non-consolidated	515.1 (+6.1%) [485.6]	26.1 (+3925.9%) [0.6]	35.0 (+294.4%) [8.8]	27.1 (+274.8%) [7.2]

(Note) "Profit" for non-consolidated results

The figures in [] brackets in each box represent actual results for the same period of the previous fiscal year.

The percentage figures in () parentheses in each box represent the changes from the same period of the previous fiscal year.

(2) Overview by Segment

Segment profit of "Domestic Energy/Gas" increased, mainly due to the impact of the time lag between fluctuations in raw material costs and their reflection in the unit selling price of city gas, as well as decreases in Gas Business expenses. Segment profit of "Domestic Energy/Electricity" decreased, mainly due to a fall in electricity prices, an increase in operating costs, low temperature in the summer season, and an irregular suspension of operations at a power plant, despite an increase in retail sales volume. Segment profit of "International Energy" decreased, mainly due to the impact from expenses related to the Freeport LNG project. Segment profit of "Life & Business Solutions" increased mainly due to an increase in sales in the Materials Business and an increase in the number of projects in the Information Solutions Business.

[billion yen]

	Net sales	Segment profit (loss) (Note)
Domestic Energy/Gas	462.4 (+6.4%) [434.5]	28.9 (+946.5%) [2.7]
Domestic Energy/Electricity	99.4 (+8.3%) [91.8]	4.9 (-26.0%) [6.6]
International Energy	25.4 (+39.7%) [18.2]	4.0 (-17.5%) [4.8]
Life & Business Solutions	105.1 (+5.8%) [99.4]	9.0 (+14.6%) [7.8]

(Note) Segment profit (loss): Operating profit (loss) + Share of profit (loss) of entities accounted for using equity method

The figures in [] brackets in each box represent actual results for the same period of the previous fiscal year.

The percentage figures in () parentheses in each box represent the changes from the same period of the previous fiscal year.

(3) Non-consolidated Gas Sales Breakdown

Gas sales on a non-consolidated basis [45MJ/m³] decreased year-on-year. Sales volume of residential gas remained at approximately the same level as that of the same period of the previous fiscal year, mainly due to an increase in the demand for hot water supply and air heating due to lower air and water temperature despite the effect of customers switching to other companies. Sales volume of non-residential gas decreased year-on-year, mainly due to the effect of customers switching to other companies as well as a decrease in operation of customers' facilities.

Gas sales volume (million m ³)	3,504 (-6.2%)
Residential	682 (-0.4%)
Non-residential	2,821 (-7.5%)
Number of gas supply (thousands)	5,332 (-6.7%)

The percentage figures in () parentheses in each box represent the changes from the same period of the previous fiscal year.

(4) Domestic Electricity Sales Breakdown

Sales volume of domestic electricity increased year-on-year due to an increase in retail sales volume.

Electricity sales volume (million kWh)	6,349 (+7.8%)
Retail	2,095 (+33.7%)
Wholesale, etc.	4,255 (-1.5%)
Number of low-voltage electricity supply (thousands)	1,160 (+50.6%)

The percentage figures in () parentheses in each box represent the changes from the same period of the previous fiscal year.

2. Forecast for the Fiscal Year Ending March 31, 2020

Considering recent performance trends in the Domestic Electricity Business such as an irregular suspension of operations at a power plant and low temperature in the summer season, forecasts of consolidated and non-consolidated financial results for the fiscal year ending March 31, 2020 have been revised from previous forecasts.

【New forecast】

[billion yen]

	Consolidated	Non-consolidated
Net sales	1,412.0 (+2.9%)	1,124.0 (+1.8%)
Operating profit	85.0 (+25.0%)	47.0 (+68.2%)
Ordinary profit	81.0 (+28.4%)	56.5 (+39.3%)
Profit attributable to owners of parent (Note)	55.0 (+63.7%)	43.0 (+71.0%)

(Note) "Profit" for non-consolidated results

The percentage figures in () parentheses in each box represent the changes from the fiscal year ended March 31, 2019.

(Reference) Assumptions for the crude oil price and exchange rate in the new forecast

	1H results (1Q/2Q)	2H forecast (3Q/4Q)	Annual average
Crude oil price (All Japan CIF price) USD/bbl	68.9	65.0	67.0
Exchange rate (TTM rate) JPY/USD	108.6	110.0	109.3

【Previous forecast (released on April 24, 2019)】

[billion yen]

	Consolidated	Non-consolidated
Net sales	1,426.0 (+3.9%)	1,138.0 (+3.0%)
Operating profit	91.0 (+33.9%)	53.0 (+89.6%)
Ordinary profit	81.0 (+28.4%)	56.5 (+39.3%)
Profit attributable to owners of parent (Note)	55.0 (+63.7%)	43.0 (+71.0%)

(Note) "Profit" for non-consolidated results

The percentage figures in () parentheses in each box represent the changes from the fiscal year ended March 31, 2019.