

Second Quarter of the Fiscal Year Ending March 31, 2019

Brief Report of Consolidated Financial Statements (Japanese GAAP)



* This document is an English translation of materials originally disclosed in Japanese and is provided for reference purpose only.

October 30, 2018

Name of Listed Company : Osaka Gas Co., Ltd.	Listed Exchanges: 1 st Section of Tokyo and Nagoya
Code No. : 9532	URL: http://www.osakagas.co.jp
Representative Officer : Title: President	Name: Takehiro Honjo
Contact : Title: Manager, Finance Dept.	Name: Kazushige Nomura
Scheduled Date of Financial Report Filing with the Financial Services Agency	: November 13, 2018
Scheduled Date of Dividend Payment	: November 30, 2018
Preparation of Supplementary Explanation Documents for Operating Results	: Yes
Holding of an Informational Meeting for Operating Results	: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down to the nearest million yen.)

1. Consolidated Financial Results for the Six Months Ended September 30, 2018 (April 1, 2018 - September 30, 2018)

(1) Consolidated Operating Results (% of change from the same period in the previous year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
Six months ended September 30, 2018	607,453	3.9	21,954	-33.9	22,862	-37.3	13,504	-43.4
Six months ended September 30, 2017	584,633	9.8	33,219	-33.5	36,476	-27.3	23,838	-28.6

(Note) Comprehensive income: Six months ended September 30, 2018 17,788 million yen (-33.2% YoY)

Six months ended September 30, 2017 26,623 million yen (-% YoY)

	Earnings per share	Diluted earnings per share
	yen	yen
Six months ended September 30, 2018	32.47	—
Six months ended September 30, 2017	57.32	—

(Note) The Company conducted a share consolidation at a ratio of 5 shares of common shares to 1 share, effective on October 1, 2017. Accordingly, the earnings per share is calculated based on the assumption that the share consolidation had been conducted at the beginning of the previous fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity /Total assets
	millions of yen	millions of yen	%
As of September 30, 2018	1,960,541	1,035,946	51.3
As of March 31, 2018	1,897,230	1,028,799	52.7

<Reference> Shareholders' equity: As of September 30, 2018 1,005,646 million yen

As of March 31, 2018 999,569 million yen

2. Dividends

	Dividends per share				
(Record date)	End of First Quarter	End of Second Quarter	End of Third Quarter	End of Fiscal Year	Annual
	yen	yen	yen	yen	yen
Year ended March 31, 2018	—	5.00	—	25.00	—
Year ending March 31, 2019	—	25.00			
Year ending March 31, 2019 (Forecast)			—	25.00	50.00

(Note) Revision of the dividend forecast from previously announced figures: None

The Company conducted a share consolidation at a ratio of 5 shares of common shares to 1 share, effective on October 1, 2017. As for year ended March 31, 2018, dividends per share for the end of second quarter show the amount before the share consolidation, dividends per share for the end of fiscal year show the amount after the share consolidation, and annual dividends per share is listed as "—".

3. Forecasts of Consolidated Financial Results for the Fiscal Year Ending March 31, 2019 (April 1, 2018 - March 31, 2019)
(% of change from the previous fiscal year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	yen
Full year	1,400,000	8.0	59,000	-24.5	56,000	-27.4	36,000	-4.6	86.57

(Note) Revision of the financial results forecasts from previously announced figures: Yes

*Notes

(1) Changes in significant subsidiaries during the six months ended September 30, 2018 (changes in specified subsidiaries resulting in a change in the scope of consolidation): None

(2) Adoption of special accounting treatments for quarterly consolidated financial statements: Adopted

(Note) For detailed information, please refer to "2. (3) Adoption of Special Accounting Treatments for Quarterly Consolidated Financial Statements" on Page 8 of the Attachment to this Summary of Consolidated Financial Statements.

(3) Changes in accounting policies, changes in accounting estimates, and restatements

(i) Changes in accounting policies due to revisions to accounting standards, etc.: None

(ii) Changes in accounting policies other than (i) above: None

(iii) Changes in accounting estimates: None

(iv) Restatements: None

(4) Issued shares (common shares)

(i) Number of issued shares at the end of each period (including treasury shares) :

As of September 30, 2018 416,680,000 shares

As of March 31, 2018 416,680,000 shares

(ii) Number of treasury shares at the end of each period : As of September 30, 2018 850,104 shares

As of March 31, 2018 830,077 shares

(iii) Average number of shares during each period : Six months ended September 30, 2018 415,841,425 shares

Six months ended September 30, 2017 415,903,897 shares

(Note) The Company conducted a share consolidation at a ratio of 5 shares of common shares to 1 share, effective on October 1, 2017. Accordingly, (iii) the average number of shares during each period is calculated based on the assumption that the share consolidation had been conducted at the beginning of the previous fiscal year.

*Quarterly Brief Report of Consolidated Financial Statements is outside the scope of quarterly review by a certified public accountant or an audit firm.

*Notes on proper use of forecasts and other matters

1. Forward-looking statements contained in this document, including financial results forecasts, are based on information currently available to Osaka Gas Co., Ltd. (the "Company") and certain assumptions that the Company regards as reasonable. Actual results may differ significantly from these forecasts, due to various factors. As for notes regarding assumptions used for and the use of the financial results forecasts, please refer to "1. (3) Forecasts of Consolidated Financial Results" on Page 3 of the Attachment to this Brief Report of Consolidated Financial Statements.

2. The Company plans to hold an informational meeting for institutional investors and analysts on November 1, 2018.

Immediately after the meeting, the presentation materials and the contents of the presentation will be made available on the Company's website.

(Reference) Forecasts of Non-Consolidated Financial Results for the Fiscal Year Ending March 31, 2019

(April 1, 2018 - March 31, 2019)

(% of change from the previous fiscal year.)

	Net sales		Operating profit		Ordinary profit		Profit		Earnings per share
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	Yen
Full year	1,130,000	8.7	20,500	-57.0	29,500	-49.3	23,000	-47.8	55.31

(Note) Revision of the financial results forecasts from previously announced figures: Yes

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1. Overview of Quarterly Consolidated Financial Results

(1) Consolidated Operating Results

Consolidated net sales for the six months ended September 30, 2018 increased by ¥22.8 billion year-on-year to ¥607.4 billion. This was primarily due to an increase in sales volume in the Electricity Business. Consolidated ordinary profit decreased by ¥13.6 billion year-on-year to ¥22.8 billion. This was primarily due to the increased impact of the time lag between fluctuations in raw material costs and their reflection in the unit selling price of city gas(*) compared to the previous second quarter, in addition to a decrease in sales volume for city gas due to high air and water temperature in the Gas Business. Profit attributable to owners of parent decreased by ¥10.3 billion year-on-year to ¥13.5 billion. Extraordinary losses of ¥1.9 billion were recorded due to an earthquake that occurred in northern Osaka.

(*) 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 decrease in profit for the current and previous second quarter, respectively.

(billions of yen)

	Consolidated results (a)	Compared with previous year		Non-consolidated results (b)	Ratio of consolidated results to non-consolidated results (a)/(b)
		increase /decrease	increase /decrease rate (%)		
Net sales	607.4	+22.8	+3.9	485.6	1.25
Cost of sales	434.4	+43.8	+11.2	363.3	1.20
Selling, general and administrative expenses	151.0	-9.7	-6.1	121.6	1.24
Operating profit	21.9	-11.2	-33.9	0.6	33.82
Ordinary profit	22.8	-13.6	-37.3	8.8	2.57
Profit attributable to owners of parent*	13.5	-10.3	-43.4	7.2	1.87

*"Profit" for Non-consolidated results

(Quarterly Gas Sales Breakdown)

			Six months ended September 30, 2018 (a)	Six months ended September 30, 2017 (b)	YoY Changes (a)-(b)	YoY Changes rate (%)
Non- consolidated	Number of gas supply (thousands)		5,717	6,076	-359	-5.9
	Gas sales volume (million m ³)	Residential	685	765	-79	-10.4
		Non-residential	3,049	3,203	-154	-4.8
		Total	3,734	3,968	-234	-5.9
Consolidated gas sales volume (million m ³)			3,753	3,986	-234	-5.9

[45MJ/m³]

(Quarterly Domestic Electricity Sales Breakdown)

		Six months ended September 30, 2018 (a)	Six months ended September 30, 2017 (b)	YoY Changes (a)-(b)	YoY Changes rate (%)
Number of low-voltage electricity supply (thousands)		770	472	+298	+63.0
Electricity sales volume (million kWh)	Retail	1,566	943	+624	+66.2
	Wholesale, etc.	4,322	4,079	+242	+5.9
	Total	5,888	5,022	+866	+17.2

(2) Consolidated Financial Position

Total assets as of September 30, 2018 increased by ¥63.3 billion compared with March 31, 2018 to ¥1,960.5 billion. This was primarily due to an increase in non-current assets associated with investments in the International Energy Business. Net assets totaled ¥1,035.9 billion and the ratio of shareholders' equity to total assets was 51.3%.

(3) Forecasts of Consolidated Financial Results

Considering recent trends in the raw material costs and other factors, forecasts of consolidated and non-consolidated financial results for the fiscal year ending March 31, 2019 have been revised from the previous forecasts as shown in the tables below. Profit on a non-consolidated basis is expected to decrease compared to the previous forecasts, mainly due to the increased impact of the time lag between fluctuations in the raw material costs and their reflection in the unit selling price of city gas in the Gas Business. As a result, consolidated operating profit, ordinary profit, and profit attributable to owners of parent are expected to decrease compared to the previous forecasts.

Also, we have revised the assumptions for the crude oil price as follows.

(Reference) Assumptions for the crude oil price and exchange rate (October 2018 to March 2019)

Crude oil price (All Japan CIF price) at 80USD/bbl

Exchange rate (TTM rate) at 110JPY/USD

Changes from the previous financial results forecasts for the fiscal year ending March 31, 2019 in the Brief Report of Consolidated Financial Statements announced on April 26, 2018 are shown in the tables below.

Revision of Forecasts of Consolidated Financial Results for the Fiscal Year Ending March 31, 2019
(April 1, 2018 — March 31, 2019)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Earnings per share
	millions of yen	millions of yen	millions of yen	millions of yen	yen
Previous Forecasts (A)	1,360,000	74,000	70,000	46,500	111.82
Revised Forecasts (B)	1,400,000	59,000	56,000	36,000	86.57
Changes (B-A)	+40,000	-15,000	-14,000	-10,500	
Changes (%)	+2.9	-20.3	-20.0	-22.6	
(Reference) Actual Results of Fiscal year ended March 31, 2018	1,296,238	78,118	77,087	37,724	90.71

(Reference)

Revision of Forecasts of Non-Consolidated Financial Results for the Fiscal Year Ending March 31, 2019
(April 1, 2018 — March 31, 2019)

	Net sales	Operating profit	Ordinary profit	Profit	Earnings per share
	millions of yen	millions of yen	millions of yen	millions of yen	yen
Previous Forecasts (A)	1,090,000	37,500	46,500	36,000	86.57
Revised Forecasts (B)	1,130,000	20,500	29,500	23,000	55.31
Changes (B-A)	+40,000	-17,000	-17,000	-13,000	
Changes (%)	+3.7	-45.3	-36.6	-36.1	
(Reference) Actual Results of Fiscal year ended March 31, 2018	1,039,629	47,722	58,200	44,028	105.87

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(millions of yen)

	As of March 31, 2018	As of September 30, 2018
Assets		
Non-current assets		
Property, plant and equipment		
Production facilities	89,523	87,295
Distribution facilities	275,331	268,942
Service and maintenance facilities	56,924	55,670
Other facilities	393,116	409,267
Construction in progress	66,925	59,283
Total property, plant and equipment	881,822	880,460
Intangible assets	79,743	115,928
Investments and other assets		
Investment securities	323,212	346,162
Other	110,415	112,738
Allowance for doubtful accounts	-1,245	-1,197
Total investments and other assets	432,382	457,702
Total non-current assets	1,393,948	1,454,091
Current assets		
Cash and deposits	171,529	136,893
Notes and accounts receivable - trade	190,445	186,965
Inventories	76,861	101,908
Other	65,950	82,026
Allowance for doubtful accounts	-1,504	-1,343
Total current assets	503,281	506,450
Total assets	1,897,230	1,960,541

Osaka Gas Co., Ltd. (9532)
Brief Report of Consolidated Financial Statements for the Second Quarter of the Fiscal Year Ending March 31, 2019

	(millions of yen)	
	As of March 31, 2018	As of September 30, 2018
Liabilities		
Non-current liabilities		
Bonds payable	164,984	164,986
Long-term loans payable	243,255	319,074
Provision for gas holder repairs	1,326	1,398
Provision for safety measures	12,936	12,240
Provision for loss on investment	6,999	6,999
Provision for equipment warranties	13,607	12,560
Net defined benefit liability	16,958	17,066
Other	84,219	88,310
Total non-current liabilities	544,288	622,637
Current liabilities		
Notes and accounts payable - trade	58,542	54,493
Short-term loans payable	22,179	23,631
Other	243,420	223,832
Total current liabilities	324,142	301,958
Total liabilities	868,430	924,595
Net assets		
Shareholders' equity		
Capital stock	132,166	132,166
Capital surplus	19,222	19,222
Retained earnings	769,801	772,909
Treasury shares	-1,663	-1,708
Total shareholders' equity	919,527	922,590
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	56,977	62,169
Deferred gains or losses on hedges	-7,650	-3,787
Revaluation reserve for land	-737	-737
Foreign currency translation adjustment	19,530	12,728
Remeasurements of defined benefit plans	11,922	12,682
Total accumulated other comprehensive income	80,042	83,055
Non-controlling interests	29,229	30,299
Total net assets	1,028,799	1,035,946
Total liabilities and net assets	1,897,230	1,960,541

(2) Quarterly Consolidated Statement of Income and Comprehensive Income
Quarterly Consolidated Statement of Income

	(millions of yen)	
	Six months ended September 30, 2017	Six months ended September 30, 2018
Net sales	584,633	607,453
Cost of sales	390,539	434,408
Gross profit	194,094	173,044
Selling, general and administrative expenses	160,874	151,090
Operating profit	33,219	21,954
Non-operating income		
Interest income	210	287
Dividend income	3,070	3,100
Miscellaneous income	6,254	4,151
Total non-operating income	9,535	7,538
Non-operating expenses		
Interest expenses	4,893	4,567
Miscellaneous expenses	1,385	2,062
Total non-operating expenses	6,278	6,630
Ordinary profit	36,476	22,862
Extraordinary losses		
Loss on disaster	—	1,972
Total extraordinary losses	—	1,972
Profit before income taxes	36,476	20,890
Income taxes	11,485	5,970
Profit	24,991	14,919
Profit attributable to non-controlling interests	1,152	1,415
Profit attributable to owners of parent	23,838	13,504

Quarterly Consolidated Statement of Comprehensive Income

	(millions of yen)	
	Six months ended September 30, 2017	Six months ended September 30, 2018
Profit	24,991	14,919
Other comprehensive income		
Valuation difference on available-for-sale securities	4,907	5,191
Deferred gains or losses on hedges	-2,842	-2,365
Foreign currency translation adjustment	-4,191	-6,370
Remeasurements of defined benefit plans	3,315	893
Share of other comprehensive income of entities accounted for using equity method	443	5,519
Total other comprehensive income	1,632	2,868
Comprehensive income	26,623	17,788
(Breakdown)		
Comprehensive income attributable to owners of parent	25,643	16,517
Comprehensive income attributable to non-controlling interests	979	1,270

(3) Notes to the Quarterly Consolidated Financial Statements

(Going Concern Assumption)

Not applicable

(Significant Changes in the Value of Shareholders' Equity)

Six months ended September 30, 2018 (April 1, 2018 - September 30, 2018)

Not applicable

(Adoption of Special Accounting Treatments for Quarterly Consolidated Financial Statements)

(Calculation of tax expenses)

For major consolidated subsidiaries, the effective tax rates (after applying tax effect accounting) expected to be imposed on their income before income taxes applicable to the tax year in which this second quarter is included were estimated based on reasonable assumptions. Tax expenses for this second quarter were then calculated by multiplying the income before income taxes of respective subsidiaries for the quarter by the estimated effective tax rates.

(Segment Information)

Six months ended September 30, 2017 (April 1, 2017 - September 30, 2017)

(millions of yen)

	Domestic Energy / Gas	Domestic Energy / Electricity	International Energy	Life & Business Solutions	Total	Adjustments	Consolidated
Net sales	437,783	70,874	10,738	93,151	612,547	-27,913	584,633
Segment profit							
Operating profit	13,570	9,337	966	7,737	31,611	1,608	33,219
Share of profit (loss) of entities accounted for using equity method	-45	115	849	—	920	—	920
Total	13,525	9,453	1,816	7,737	32,532	1,608	34,140

Six months ended September 30, 2018 (April 1, 2018 - September 30, 2018)

(millions of yen)

	Domestic Energy / Gas	Domestic Energy / Electricity	International Energy	Life & Business Solutions	Total	Adjustments	Consolidated
Net sales	434,574	91,880	18,241	99,404	644,100	-36,647	607,453
Segment profit							
Operating profit	2,305	6,720	4,018	7,862	20,906	1,048	21,954
Share of profit (loss) of entities accounted for using equity method	457	-46	870	—	1,281	—	1,281
Total	2,763	6,673	4,888	7,862	22,187	1,048	23,235

(Note) Disclosure of changes in reportable segments

Due to a restructuring of the organization, Engineering Department was integrated into LNG Terminal & Power Generation Business Unit, and became LNG, Power & Engineering Business Unit as of April 1, 2018. Therefore, starting from this first quarter, a subsidiary included in "Life & Business Solutions" segment has been transferred to "Domestic Energy/Gas" segment. The segment information for the six months ended September 30, 2017 has been reclassified based on the new reportable segments.

(Additional Information)

"Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No.28, February 16, 2018) has been applied from the beginning of this first quarter. Accordingly, deferred tax assets have been classified as investment and other assets, and deferred tax liabilities have been classified as non-current liabilities.