

Third 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.

January 31, 2019

Name of Listed Company : Osaka Gas Co., Ltd. Listed Exchanges: 1st 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 : February 13, 2019
 Scheduled Date of Dividend Payment : —
 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 Nine Months Ended December 31, 2018 (April 1, 2018 - December 31, 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	
	million yen	%	million yen	%	million yen	%	million yen	%
Nine months ended December 31, 2018	943,610	3.7	23,321	-52.0	25,481	-49.4	5,200	-83.6
Nine months ended December 31, 2017	909,589	12.7	48,544	-19.0	50,359	-15.4	31,660	-19.7

(Note) Comprehensive income: Nine months ended December 31, 2018 6,806 million yen (-86.9% YoY)
 Nine months ended December 31, 2017 52,058 million yen (-% YoY)

	Earnings per share	Diluted earnings per share
	yen	yen
Nine months ended December 31, 2018	12.51	—
Nine months ended December 31, 2017	76.13	—

(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
	million yen	million yen	%
As of December 31, 2018	2,032,480	1,014,439	48.3
As of March 31, 2018	1,897,230	1,028,799	52.7

<Reference> Shareholders' equity: As of December 31, 2018 982,474 million yen
 As of March 31, 2018 999,569 million yen

2. Dividends

(Record date)	Dividends per share				
	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
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	1,381,000	6.5	63,000	-19.4	61,500	-20.2	30,500	-19.2	73.35

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

*Notes

- (1) Changes in significant subsidiaries during the nine months ended December 31, 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 December 31, 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 December 31, 2018	861,887 shares
	As of March 31, 2018	830,077 shares
(iii) Average number of shares during each period :	Nine months ended December 31, 2018	415,836,312 shares
	Nine months ended December 31, 2017	415,889,563 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 a results briefing for institutional investors and analysts on February 1, 2019. Immediately after the briefing, the presentation materials 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
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	1,111,500	6.9	27,000	-43.4	38,000	-34.7	27,000	-38.7	64.93

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

Table of Contents for Attachment

1. Overview of Quarterly Consolidated Financial Results	2
(1) Consolidated Operating Results	2
(2) Consolidated Financial Position	3
(3) Forecasts of Consolidated Financial Results	3
2. Quarterly Consolidated Financial Statements and Notes	4
(1) Quarterly Consolidated Balance Sheet	4
(2) Quarterly Consolidated Statement of Income and Comprehensive Income	6
(3) Notes to the Quarterly Consolidated Financial Statements	8
(Going Concern Assumption)	8
(Significant Changes in the Value of Shareholders' Equity)	8
(Adoption of Special Accounting Treatments for Quarterly Consolidated Financial Statements)	8
(Segment Information)	9
(Additional Information)	9

1. Overview of Quarterly Consolidated Financial Results

(1) Consolidated Operating Results

Consolidated net sales for the nine months ended December 31, 2018 increased by ¥34.0 billion year-on-year to ¥943.6 billion. This was primarily due to an increase in sales volume in the Electricity Business. Consolidated ordinary profit decreased by ¥24.8 billion year-on-year to ¥25.4 billion. This was 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 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 ¥26.4 billion year-on-year to ¥5.2 billion. This was primarily due to extraordinary losses recorded as one-time amortization of goodwill associated with the acquisition of a new subsidiary of ¥8.9 billion and loss on disaster of ¥2.0 billion.

(*) 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 third quarter and a temporary increase in profit for the previous third quarter respectively.

(billion 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	943.6	+34.0	+3.7	755.1	1.25
Cost of sales	687.4	+67.8	+11.0	576.6	1.19
Selling, general and administrative expenses	232.8	-8.6	-3.6	186.1	1.25
Operating profit	23.3	-25.2	-52.0	(7.7)	—
Ordinary profit	25.4	-24.8	-49.4	3.3	7.67
Profit attributable to owners of parent*	5.2	-26.4	-83.6	(0.2)	—

*"Profit" for Non-consolidated results

(Quarterly Gas Sales Breakdown)

		Nine months ended December 31, 2018 (a)	Nine months ended December 31, 2017 (b)	YoY Changes (a)-(b)	YoY Changes rate (%)	
Non-consolidated	Number of gas supply (thousands)	5,626	6,028	-402	-6.7	
	Gas sales volume (million m ³)	Residential	1,105	1,275	-170	-13.4
		Non-residential	4,471	4,731	-260	-5.5
		Total	5,576	6,006	-430	-7.2
Consolidated gas sales volume (million m ³)		5,602	6,031	-430	-7.1	

[45MJ/m³]

(Quarterly Domestic Electricity Sales Breakdown)

		Nine months ended December 31, 2018 (a)	Nine months ended December 31, 2017 (b)	YoY Changes (a)-(b)	YoY Changes rate (%)
Number of low-voltage electricity supply (thousands)		857	545	+312	+57.3
Electricity sales volume (million kWh)	Retail	2,299	1,489	+810	+54.4
	Wholesale, etc.	6,203	6,241	-38	-0.6
	Total	8,502	7,730	+772	+10.0

(2) Consolidated Financial Position

Total assets as of December 31, 2018 increased by ¥135.2 billion compared with March 31, 2018 to ¥2,032.4 billion. This was primarily due to an increase in non-current assets associated with investments in the International Energy Business. Net assets totaled ¥1,014.4 billion and the ratio of shareholders' equity to total assets was 48.3%.

(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. Operating profit, ordinary profit and profit on a non-consolidated basis are expected to increase compared to the previous forecasts, mainly due to the decreased 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. On a consolidated basis, operating profit and ordinary profit are expected to increase compared to the previous forecasts. On the other hand, profit attributable to owners of parent is expected to decrease compared to the previous forecast, mainly due to one-time amortization of goodwill associated with the acquisition of a new subsidiary. Also, we have revised the assumptions for the crude oil price as follows.

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

Crude oil price (All Japan CIF price) at 65USD/bbl

Exchange rate (TTM rate) at 110JPY/USD

Changes from the previous financial results forecasts in the "Brief Report of Consolidated Financial Statements for the Second Quarter of the Fiscal Year Ending March 31, 2019" announced on October 30, 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
	million yen	million yen	million yen	million yen	yen
Previous Forecasts (A)	1,400,000	59,000	56,000	36,000	86.57
Revised Forecasts (B)	1,381,000	63,000	61,500	30,500	73.35
Changes (B-A)	-19,000	+4,000	+5,500	-5,500	
Changes (%)	-1.4	+6.8	+9.8	-15.3	
(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
	million yen	million yen	million yen	million yen	yen
Previous Forecasts (A)	1,130,000	20,500	29,500	23,000	55.31
Revised Forecasts (B)	1,111,500	27,000	38,000	27,000	64.93
Changes (B-A)	-18,500	+6,500	+8,500	+4,000	
Changes (%)	-1.6	+31.7	+28.8	+17.4	
(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

(million yen)

	As of March 31, 2018	As of December 31, 2018
Assets		
Non-current assets		
Property, plant and equipment		
Production facilities	89,523	85,995
Distribution facilities	275,331	266,019
Service and maintenance facilities	56,924	55,251
Other facilities	393,116	408,422
Construction in progress	66,925	70,635
Total property, plant and equipment	881,822	886,325
Intangible assets	79,743	127,866
Investments and other assets		
Investment securities	323,212	366,904
Other	110,415	113,761
Allowance for doubtful accounts	(1,245)	(1,220)
Total investments and other assets	432,382	479,446
Total non-current assets	1,393,948	1,493,638
Current assets		
Cash and deposits	171,529	112,635
Notes and accounts receivable - trade	190,445	202,727
Inventories	76,861	138,268
Other	65,950	86,468
Allowance for doubtful accounts	(1,504)	(1,257)
Total current assets	503,281	538,842
Total assets	1,897,230	2,032,480

(million yen)

	As of March 31, 2018	As of December 31, 2018
Liabilities		
Non-current liabilities		
Bonds payable	164,984	164,987
Long-term loans payable	243,255	326,299
Provision for gas holder repairs	1,326	1,293
Provision for safety measures	12,936	11,757
Provision for loss on investment	6,999	-
Provision for gas appliance warranties	13,607	11,929
Net defined benefit liability	16,958	16,958
Other	84,219	79,102
Total non-current liabilities	544,288	612,328
Current liabilities		
Notes and accounts payable - trade	58,542	83,748
Short-term loans payable	22,179	23,059
Other	243,420	298,904
Total current liabilities	324,142	405,712
Total liabilities	868,430	1,018,040
Net assets		
Shareholders' equity		
Capital stock	132,166	132,166
Capital surplus	19,222	19,222
Retained earnings	769,801	754,015
Treasury shares	(1,663)	(1,733)
Total shareholders' equity	919,527	903,671
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	56,977	47,475
Deferred gains or losses on hedges	(7,650)	428
Revaluation reserve for land	(737)	(737)
Foreign currency translation adjustment	19,530	18,582
Remeasurements of defined benefit plans	11,922	13,054
Total accumulated other comprehensive income	80,042	78,802
Non-controlling interests	29,229	31,965
Total net assets	1,028,799	1,014,439
Total liabilities and net assets	1,897,230	2,032,480

(2) Quarterly Consolidated Statement of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

(million yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Net sales	909,589	943,610
Cost of sales	619,525	687,417
Gross profit	290,064	256,193
Selling, general and administrative expenses	241,519	232,872
Operating profit	48,544	23,321
Non-operating income		
Interest income	368	414
Dividend income	3,945	4,088
Miscellaneous income	9,178	7,720
Total non-operating income	13,492	12,222
Non-operating expenses		
Interest expenses	7,149	7,266
Miscellaneous expenses	4,528	2,796
Total non-operating expenses	11,678	10,062
Ordinary profit	50,359	25,481
Extraordinary losses		
Loss on disaster	-	2,019
Amortization of goodwill	-	8,901
Total extraordinary losses	-	10,921
Profit before income taxes	50,359	14,559
Income taxes	17,689	6,696
Profit	32,669	7,863
Profit attributable to non-controlling interests	1,008	2,663
Profit attributable to owners of parent	31,660	5,200

Quarterly Consolidated Statement of Comprehensive Income

(million yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Profit	32,669	7,863
Other comprehensive income		
Valuation difference on available-for-sale securities	13,257	(9,455)
Deferred gains or losses on hedges	(1,471)	(229)
Foreign currency translation adjustment	(269)	(20)
Remeasurements of defined benefit plans	4,972	1,377
Share of other comprehensive income of entities accounted for using equity method	2,900	7,270
Total other comprehensive income	19,389	(1,057)
Comprehensive income	52,058	6,806
(Breakdown)		
Comprehensive income attributable to owners of parent	50,561	3,961
Comprehensive income attributable to non-controlling interests	1,497	2,844

(3) Notes to the Quarterly Consolidated Financial Statements

(Going Concern Assumption)

Not applicable

(Significant Changes in the Value of Shareholders' Equity)

Nine months ended December 31, 2018 (April 1, 2018 - December 31, 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 third quarter is included were estimated based on reasonable assumptions. Tax expenses for this third 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)

Nine months ended December 31, 2017 (April 1, 2017 - December 31, 2017) (million yen)

	Domestic Energy / Gas	Domestic Energy / Electricity	International Energy	Life & Business Solutions	Total	Adjustments	Consolidated
Net sales	683,455	108,088	15,426	143,463	950,434	(40,844)	909,589
Segment profit (loss)							
Operating profit (loss)	24,577	13,133	(3,119)	12,858	47,450	1,094	48,544
Share of profit of entities accounted for using equity method	101	118	1,215	—	1,436	—	1,436
Total	24,679	13,252	(1,903)	12,858	48,886	1,094	49,980

Nine months ended December 31, 2018 (April 1, 2018 - December 31, 2018) (million yen)

	Domestic Energy / Gas	Domestic Energy / Electricity	International Energy	Life & Business Solutions	Total	Adjustments	Consolidated
Net sales	687,400	131,498	27,002	149,511	995,413	(51,802)	943,610
Segment profit (loss)							
Operating profit (loss)	(1,329)	5,589	5,608	12,095	21,963	1,357	23,321
Share of profit (loss) of entities accounted for using equity method	485	(381)	2,183	—	2,287	—	2,287
Total	(844)	5,208	7,792	12,095	24,251	1,357	25,608

(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 the first quarter of this fiscal year, a subsidiary included in "Life & Business Solutions" segment has been transferred to "Domestic Energy / Gas" segment. The segment information for the nine months ended December 31, 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 the first quarter of this fiscal year. Accordingly, deferred tax assets have been classified as investments and other assets, and deferred tax liabilities have been classified as non-current liabilities.