

First Quarter of the Fiscal Year Ending March 31, 2018

Brief Report of Consolidated Financial Statements (Japanese GAAP)



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

July 27, 2017

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 Finance Ministry	: August 10, 2017
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 First Quarter of the Fiscal Year Ending March 31, 2018 (April 1, 2017 — June 30, 2017)

(1) Consolidated Operating Results (Percentages (%) represent changes from the same period in the previous year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
Three months ended June 30, 2017	292,758	6.0	23,703	-38.3	25,730	-36.3	17,414	-35.3
Three months ended June 30, 2016	276,308	-19.1	38,407	-46.9	40,382	-45.5	26,909	-48.4

(Note) Comprehensive income Three months ended June 30, 2017 14,708 million yen (-% YoY)
Three months ended June 30, 2016 501 million yen (-98.9% YoY)

	Earnings per share	Diluted earnings per share
	yen	yen
Three months ended June 30, 2017	8.37	—
Three months ended June 30, 2016	12.94	—

(2) Consolidated Financial Position

	Total assets	Net assets	Net worth /Total assets
	millions of yen	millions of yen	%
As of June 30, 2017	1,822,751	996,004	53.0
As of March 31, 2017	1,886,577	991,870	51.0

<Reference> Net worth: As of June 30, 2017 966,041 million yen As of March 31, 2017 961,905 million yen

2. Dividends

	Dividends per share				
(Record date)	June 30	September 30	December 31	March 31	Annual
	yen	yen	yen	yen	yen
Year ended March 31, 2017	—	5.00	—	5.00	10.00
Year ending March 31, 2018	—				
Year ending March 31, 2018 (Forecast)		5.00	—	25.00	—

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

The Company plans to carry out a share consolidation at a ratio of 5 shares of common shares to 1 share, effective on October 1, 2017. Accordingly, the forecast for dividends per share for the year ending March 31, 2018 takes the share consolidation into account. For detailed information, please refer to the "Notes on proper use of forecasts and other matters."

3. Forecasts of Consolidated Operating Results for the Fiscal Year Ending March 31, 2018 (April 1, 2017 — March 31, 2018)

(Percentages (%) represent changes from the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	yen
Full year	1,344,500	13.6	66,500	-31.6	64,000	-33.5	42,500	-30.6	102.18

(Note) Revision of the forecasts previously announced: None

The forecast for earnings per share for the year ending March 31, 2018 takes the share consolidation into account. For detailed information, please refer to the "Notes on proper use of forecasts and other matters."

*Notes

(1) Changes in significant subsidiaries during three months ended June 30, 2017 (changes in certain subsidiaries resulting in a change in the consolidation scope): 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 7 of the Attachment to this Quarterly Brief Report of Consolidated Financial Statements.

(3) Changes in accounting policies and estimation methods, corrections and restatements

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

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

(iii) Changes in accounting estimates : None

(iv) Corrections and restatements : None

(4) Issued shares (common shares)

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

: As of June 30, 2017 2,083,400,000 shares

As of March 31, 2017 2,083,400,000 shares

(ii) Number of treasury shares at the end of each period: : As of June 30, 2017 3,804,461 shares

As of March 31, 2017 3,764,066 shares

(iii) Average number of shares issued and outstanding in each period Three months ended June 30, 2017 2,079,614,658 shares

Three months ended June 30, 2016 2,080,131,413 shares

*Quarterly Brief Report of Consolidated Financial Statements is out of scope of quarterly reviews.

*Notes on proper use of forecasts and other matters

1. Forward-looking statements in this document, including operating results forecasts, are based on information currently available to Osaka Gas (the Company) and certain assumptions that the Company regards as reasonable. Actual results may significantly differ from these forecasts, affected by various factors. As for notes regarding assumptions used for operating forecasts and regarding the use of operating forecasts, refer to "1. (3) Forecasts of Consolidated Operating Results" on Page 2 of the Attachment to this Quarterly Brief Report of Consolidated Financial Statements.

2. The Company is planning to hold a conference call for institutional investors and analysts on July 28, 2017. Immediately after the briefing, the presentation materials used on that day are made available on the Company's web site.

3. Forecasts of financial results and dividends after the share consolidation

At the 199th annual general meeting of shareholders held on June 29, 2017, the proposal of carrying out a share consolidation has been approved. Accordingly, the Company will carry out a share consolidation at a ratio of 5 shares of common shares to 1 share of the Company's share effective on October 1, 2017.

Forecasts for consolidated/non-consolidated financial results and dividends per share without taking the share consolidation into account are as follows;

Forecast for consolidated financial results for the fiscal year ending March 31, 2018 (Earnings per share): 20.44 yen

Forecast for non-consolidated financial results for the fiscal year ending March 31, 2018 (Earnings per share): 12.98 yen

Forecast for dividends for the fiscal year ending March 31, 2018 (Dividends per share): 5 yen

(Reference) Forecasts of Non-Consolidated Operating Results for the Fiscal Year Ending March 31, 2018

(April 1, 2017—March 31, 2018)

(Percentages (%) represent changes from the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	Yen
Full year	1,053,500	16.2	28,000	-49.4	35,000	-50.2	27,000	-50.6	64.91

(Note) Revision of the forecasts previously announced: None

The forecast for earnings per share for the year ending March 31, 2018 takes the share consolidation into account. For detailed information, please refer to the "Notes on proper use of forecasts and other matters."

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1. Overview of Quarterly Consolidated Financial Results

(1) Consolidated Operating Results

Consolidated net sales for the first quarter (three months ended June 30, 2017) increased by ¥16.4 billion year-on-year to ¥292.7 billion. This was primarily due to an increase in sales volume in Electricity Business. Consolidated ordinary income decreased by ¥14.6 billion year-on-year to ¥25.7 billion. This was primarily due to a decrease of effects caused by a time lag in reflection of changes arisen in raw material prices to a sales price of city gas(*) in the fuel cost adjustment system compared to the same period in the previous fiscal year. Profit attributable to owners of parent decreased by ¥9.4 billion year-on-year to ¥17.4 billion.

(*) There is a time lag of fluctuation of raw material costs to be reflected to unit selling price 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 first quarter, and a temporary increase in profit for the previous first quarter.

(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	292.7	+16.4	+6.0	233.1	1.26
Cost of sales	188.5	+31.5	+20.1	152.8	1.23
Selling, general and administrative expenses	80.5	-0.4	-0.5	63.4	1.27
Operating income	23.7	-14.7	-38.3	16.7	1.42
Ordinary income	25.7	-14.6	-36.3	22.5	1.14
Profit attributable to owners of parent*	17.4	-9.4	-35.3	17.6	0.99

*Quarterly Net Income for Non-consolidated results

(Quarterly Non-consolidated Gas Sales Results)

		Three months ended June 30, 2017 (a)	Three months ended June 30, 2016 (b)	YoY Changes (a)-(b)	YoY Changes rate (%)
Number of units for gas supply (thousands)		6,129	6,210	-81	-1.3
Gas sales volume (million m ³)	Residential	524	501	+23	+4.7
	Non-residential	1,541	1,498	+43	+2.9
	Total	2,065	1,999	+67	+3.3

[45MJ/m³]

(2) Consolidated Financial Position

Total assets as of June 30, 2017 decreased by ¥63.8 billion from the end of the previous fiscal year to ¥1,822.7 billion. This was primarily due to a decrease in current assets such as Cash and deposits, Notes and accounts receivable - trade, due to seasonal factors. Net assets totaled ¥996.0 billion and the ratio of net worth to total assets was 53.0%.

(3) Forecasts of Consolidated Operating Results

There has been no revision made from the previous forecasts of the operating results announced on April 26, 2017.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(millions of yen)

	As of March 31, 2017	As of June 30, 2017
Assets		
Non-current assets		
Property, plant and equipment		
Production facilities	91,943	90,988
Distribution facilities	286,889	282,427
Service and maintenance facilities	58,912	58,491
Other facilities	387,286	380,386
Construction in progress	87,706	88,640
Total property, plant and equipment	912,737	900,934
Intangible assets	77,483	74,961
Investments and other assets		
Investment securities	316,981	316,049
Other	98,688	99,551
Allowance for doubtful accounts	-1,376	-1,410
Total investments and other assets	414,293	414,190
Total non-current assets	1,404,514	1,390,086
Current assets		
Cash and deposits	167,583	106,104
Notes and accounts receivable - trade	177,512	157,015
Inventories	69,778	100,290
Other	68,817	70,798
Allowance for doubtful accounts	-1,629	-1,544
Total current assets	482,062	432,664
Total assets	1,886,577	1,822,751

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(millions of yen)

	As of March 31, 2017	As of June 30, 2017
Liabilities		
Non-current liabilities		
Bonds payable	194,979	194,980
Long-term loans payable	267,666	251,894
Provision for gas holder repairs	1,416	1,452
Provision for safety measures	10,897	10,731
Allowance for investment loss	6,999	6,999
Provision for gas appliance warranties	14,282	13,816
Net defined benefit liability	18,709	18,928
Other	117,485	110,429
Total non-current liabilities	632,436	609,235
Current liabilities		
Notes and accounts payable - trade	50,246	47,609
Short-term loans payable	23,118	24,318
Other	188,904	145,582
Total current liabilities	262,269	217,511
Total liabilities	894,706	826,746
Net assets		
Shareholders' equity		
Capital stock	132,166	132,166
Capital surplus	19,319	19,317
Retained earnings	752,872	759,888
Treasury shares	-1,492	-1,510
Total shareholders' equity	902,865	909,862
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	51,678	55,006
Deferred gains or losses on hedges	-9,500	-11,128
Revaluation reserve for land	-737	-737
Foreign currency translation adjustment	17,993	11,768
Remeasurements of defined benefit plans	-393	1,270
Total accumulated other comprehensive income	59,040	56,179
Non-controlling interests	29,965	29,963
Total net assets	991,870	996,004
Total liabilities and net assets	1,886,577	1,822,751

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

	(millions of yen)	
	Three months ended June 30, 2016	Three months ended June 30, 2017
Net sales	276,308	292,758
Cost of sales	156,995	188,554
Gross profit	119,312	104,204
Selling, general and administrative expenses	80,904	80,500
Operating income	38,407	23,703
Non-operating income		
Interest income	73	87
Dividend income	1,938	2,850
Miscellaneous income	4,445	2,162
Total non-operating income	6,457	5,100
Non-operating expenses		
Interest expenses	2,350	2,429
Miscellaneous expenses	2,131	644
Total non-operating expenses	4,482	3,074
Ordinary income	40,382	25,730
Income before income taxes	40,382	25,730
Income taxes	13,283	7,844
Profit	27,098	17,885
Profit attributable to non-controlling interests	189	471
Profit attributable to owners of parent	26,909	17,414

Quarterly Consolidated Statements of Comprehensive Income

	(millions of yen)	
	Three months ended June 30, 2016	Three months ended June 30, 2017
Profit	27,098	17,885
Other comprehensive income		
Valuation difference on available-for-sale securities	-4,678	3,329
Deferred gains or losses on hedges	-3,311	-2,252
Foreign currency translation adjustment	-10,057	-6,363
Remeasurements of defined benefit plans	1,542	1,659
Share of other comprehensive income of entities accounted for using equity method	-10,093	449
Total other comprehensive income	-26,597	-3,177
Comprehensive income	501	14,708
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	567	14,552
Comprehensive income attributable to non-controlling interests	-65	155

(3) Notes on the Quarterly Consolidated Financial Statements

(Notes Regarding Uncertainties of Entity's Ability to Continue as Going Concern)

Not applicable

(Notes Regarding Significant Changes in the Value of Shareholders' Equity)

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 the current first quarter is included were estimated based on reasonable assumptions. Tax expenses for the first 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)

Three months ended June 30, 2016 (April 1, 2016 — June 30, 2016)

(millions of yen)

	Domestic Energy / Gas	Domestic Energy / Electricity	International Energy	Life & Business Solutions	Total	Adjustments	Consolidated
Net sales	221,466	17,985	3,020	46,827	289,300	-12,991	276,308
Segment income (loss)							
Operating income (loss)	35,914	639	-1,722	2,941	37,773	634	38,407
Share of profit (loss) of entities accounted for using equity method	-91	43	-614	—	-662	—	-662
Total	35,823	682	-2,336	2,941	37,110	634	37,745

Three months ended June 30, 2017 (April 1, 2017 — June 30, 2017)

(millions of yen)

	Domestic Energy / Gas	Domestic Energy / Electricity	International Energy	Life & Business Solutions	Total	Adjustments	Consolidated
Net sales	227,684	28,210	4,439	44,447	304,782	-12,023	292,758
Segment income							
Operating income	17,517	2,121	464	2,894	22,998	705	23,703
Share of profit (loss) of entities accounted for using equity method	-170	64	299	—	194	—	194
Total	17,347	2,186	764	2,894	23,192	705	23,898

*Note: Disclosure of changes in reportable segments

The business segments were renewed in the Long-term Management Plan 2030 and Medium-term Management Plan 2020 "Going Forward Beyond Borders" formulated in March 2017. Thus, effective from the first quarter of the fiscal year ending March 31, 2018, the Electricity Business, which was previously included in the "LPG, Electricity, and Other Energy Business" segment, is separated and its segment name is changed to "Domestic Energy/Electricity Business". In addition, LPG Sales Business, LNG Sales Business, and Industrial Gas Sales Business have been transferred to former "Gas Business" segment, and its segment name is changed to "Domestic Energy/Gas Business".

The segment information for the three months ended June 30, 2016 has been reclassified based on the new reportable segments.