

Third Quarter of the Fiscal Year Ending March 31, 2020

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 30, 2020

Name of Listed Company	: Osaka Gas Co., Ltd.	Listed Exchanges:	1 st Section of Tokyo and Nagoya
Code No.	: 9532	URL:	https://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, 2020		
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, 2019 (April 1, 2019 - December 31, 2019)

(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, 2019	974,503	3.3	54,286	132.8	59,396	133.1	34,800	569.2
Nine months ended December 31, 2018	943,610	3.7	23,321	-52.0	25,481	-49.4	5,200	-83.6

(Note) Comprehensive income: Nine months ended December 31, 2019 9,637 million yen (41.6% YoY)
 Nine months ended December 31, 2018 6,806 million yen (-86.9% YoY)

	Earnings per share	Diluted earnings per share
	yen	yen
Nine months ended December 31, 2019	83.70	-
Nine months ended December 31, 2018	12.51	-

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity /Total assets
	million yen	million yen	%
As of December 31, 2019	2,125,545	1,022,978	46.7
As of March 31, 2019	2,029,722	1,035,044	49.5

<Reference> Shareholders' equity: As of December 31, 2019 992,544 million yen
 As of March 31, 2019 1,004,340 million yen

2. Dividends

	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, 2019	-	25.00	-	25.00	50.00
Year ending March 31, 2020	-	25.00	-	-	-
Year ending March 31, 2020 (Forecast)	-	-	-	25.00	50.00

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

3. Forecasts of Consolidated Financial Results for the Fiscal Year Ending March 31, 2020 (April 1, 2019 - March 31, 2020)

(% 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	1,419,000	3.4	84,000	23.6	81,000	28.4	51,000	51.8	122.66

(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, 2019 (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 Brief Report 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.: Adopted
(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, 2019 416,680,000 shares
As of March 31, 2019 416,680,000 shares
(ii) Number of treasury shares at the end of each period :
As of December 31, 2019 891,903 shares
As of March 31, 2019 867,201 shares
(iii) Average number of shares during each period :
Nine months ended December 31, 2019 415,802,880 shares
Nine months ended December 31, 2018 415,836,312 shares

*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 January 31, 2020.
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, 2020
(April 1, 2019 - March 31, 2020)

(% 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	1,131,000	2.4	46,000	64.6	56,500	39.3	43,000	71.0	103.41

(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 nine months ended December 31, 2019 increased by ¥30.8 billion year-on-year to ¥974.5 billion. This was primarily due to the higher unit selling price of city gas under the fuel cost adjustment system of the Gas Business, and an increase in sales volume in the Electricity Business. Consolidated ordinary profit increased by ¥33.9 billion year-on-year to ¥59.3 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(*), and a decrease in expenses in the Gas Business. Profit attributable to owners of parent increased by ¥29.6 billion year-on-year to ¥34.8 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 increase in profit for the current third quarter and a temporary decrease in profit for the previous third quarter, respectively.

(billion yen)

	Consolidated results (a)	Compared with previous fiscal year		Non-consolidated results (b)	Ratio of consolidated results to non-consolidated results (a) / (b)
		increase /decrease	increase /decrease rate (%)		
Net sales	974.5	+30.8	+3.3	772.0	1.26
Cost of sales	690.3	+2.9	+0.4	563.3	1.23
Selling, general and administrative expenses	229.8	-3.0	-1.3	180.5	1.27
Operating profit	54.2	+30.9	+132.8	28.2	1.92
Ordinary profit	59.3	+33.9	+133.1	39.9	1.49
Profit attributable to owners of parent*	34.8	+29.6	+569.2	31.0	1.12

*"Profit" for Non-consolidated results

(Quarterly Gas Sales Breakdown)

		Nine months ended December 31, 2019 (a)	Nine months ended December 31, 2018 (b)	YoY Changes (a) - (b)	YoY Changes rate (%)	
Non-consolidated	Number of gas supply (thousands)	5,287	5,626	-339	-6.0	
	Gas sales volume (million m ³)	Residential	1,077	1,105	-28	-2.5
		Non-residential	4,114	4,471	-357	-8.0
		Total	5,191	5,576	-385	-6.9
Consolidated gas sales volume (million m ³)		5,220	5,602	-381	-6.8	

[45MJ/m³]

(Quarterly Domestic Electricity Sales Breakdown)

		Nine months ended December 31, 2019 (a)	Nine months ended December 31, 2018 (b)	YoY Changes (a) - (b)	YoY Changes rate (%)
Number of low-voltage electricity supply (thousands)		1,241	857	+384	+44.8
Electricity sales volume (GWh)	Retail	3,137	2,299	+838	+36.5
	Wholesale, etc.	6,268	6,203	+65	+1.0
	Total	9,405	8,502	+903	+10.6

(2) Consolidated Financial Position

Total assets as of December 31, 2019 increased by ¥95.8 billion compared with March 31, 2019 to ¥2,125.5 billion. This was primarily due to an increase in non-current assets from acquisition of new subsidiaries overseas. Net assets totaled ¥1,022.9 billion and the ratio of shareholders' equity to total assets was 46.7%.

(3) Forecasts of Consolidated Financial Results

Considering recent trends in our performance and other factors, forecasts of consolidated and non-consolidated financial results for the fiscal year ending March 31, 2020 have been revised from the previous forecasts as shown in the tables below. As for net sales, both non-consolidated and consolidated results are expected to increase compared to the previous forecasts, due to an increase in sales volume in the Electricity Business. On the other hand, both results for operating profit are expected to decrease compared to the previous forecasts, mainly due to a decrease in profit of the Electricity Business as an effect of high temperature during the fall and winter. As for ordinary profit, both results are expected to remain unchanged from the previous forecasts, mainly due to a decrease in expenses in the Gas Business and a gain on sales of investment securities. As for profit, the non-consolidated result remains unchanged from the previous forecast but the consolidated result is expected to decrease from the previous forecast due to an impairment loss of upstream business.

Changes from the previous forecasts of the financial results in the "Brief Report of Consolidated Financial Statements" for the Second Quarter of the Fiscal Year Ending March 31, 2020 announced on October 29, 2019 are shown in the tables below.

Revision of Forecasts of Consolidated Financial Results for the Fiscal Year Ending March 31, 2020
(April 1, 2019 - March 31, 2020)

	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)	1,412,000	85,000	81,000	55,000	132.27
Revised Forecasts (B)	1,419,000	84,000	81,000	51,000	122.66
Changes (B - A)	+7,000	-1,000	-	-4,000	
Changes (%)	+0.5	-1.2	-	-7.3	
(Reference) Actual Results of Fiscal year ended March 31, 2019	1,371,863	67,977	63,103	33,601	80.80

(Reference)
Revision of Forecasts of Non-Consolidated Financial Results for the Fiscal Year Ending March 31, 2020
(April 1, 2019 - March 31, 2020)

	Net sales	Operating profit	Ordinary profit	Profit	Earnings per share
	million yen	million yen	million yen	million yen	yen
Previous Forecasts (A)	1,124,000	47,000	56,500	43,000	103.41
Revised Forecasts (B)	1,131,000	46,000	56,500	43,000	103.41
Changes (B - A)	+7,000	-1,000	-	-	
Changes (%)	+0.6	-2.1	-	-	
(Reference) Actual Results of Fiscal year ended March 31, 2019	1,104,537	27,946	40,553	25,139	60.45

<Assumptions for the crude oil price and exchange rate (January 2020 to March 2020)>

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

Exchange rate (TTM) at 110JPY/USD

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(million yen)

	As of March 31, 2019	As of December 31, 2019
Assets		
Non-current assets		
Property, plant and equipment		
Production facilities	85,086	84,476
Distribution facilities	265,421	262,299
Service and maintenance facilities	55,176	54,499
Other facilities	427,821	521,168
Construction in progress	74,222	66,678
Total property, plant and equipment	907,728	989,122
Intangible assets	109,297	104,962
Investments and other assets		
Investment securities	359,737	340,684
Other	121,326	130,417
Allowance for doubtful accounts	(562)	(878)
Total investments and other assets	480,502	470,224
Total non-current assets	1,497,528	1,564,309
Current assets		
Cash and deposits	116,289	138,940
Notes and accounts receivable - trade	219,206	205,010
Inventories	112,327	125,527
Other	86,061	92,361
Allowance for doubtful accounts	(1,691)	(603)
Total current assets	532,194	561,236
Total assets	2,029,722	2,125,545

(million yen)

	As of March 31, 2019	As of December 31, 2019
Liabilities		
Non-current liabilities		
Bonds payable	144,989	299,993
Long-term borrowings	367,418	371,604
Provision for gas holder repairs	1,247	1,355
Provision for safety measures	11,207	10,100
Provision for gas appliance warranties	12,454	9,935
Retirement benefit liability	17,228	17,456
Other	86,919	108,955
Total non-current liabilities	641,465	819,401
Current liabilities		
Notes and accounts payable - trade	66,087	54,878
Other	287,125	228,286
Total current liabilities	353,212	283,165
Total liabilities	994,678	1,102,566
Net assets		
Shareholders' equity		
Share capital	132,166	132,166
Capital surplus	19,222	19,483
Retained earnings	782,523	795,317
Treasury shares	(1,744)	(1,794)
Total shareholders' equity	932,167	945,173
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	50,617	55,690
Deferred gains or losses on hedges	(4,007)	(22,028)
Revaluation reserve for land	(737)	(737)
Foreign currency translation adjustment	11,189	1,228
Remeasurements of defined benefit plans	15,110	13,218
Total accumulated other comprehensive income	72,172	47,370
Non-controlling interests	30,704	30,434
Total net assets	1,035,044	1,022,978
Total liabilities and net assets	2,029,722	2,125,545

(2) Quarterly Consolidated Statement of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

(million yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Net sales	943,610	974,503
Cost of sales	687,417	690,350
Gross profit	256,193	284,152
Selling, general and administrative expenses	232,872	229,865
Operating profit	23,321	54,286
Non-operating income		
Interest income	414	1,373
Dividend income	4,088	6,774
Share of profit of entities accounted for using equity method	2,287	4,029
Miscellaneous income	5,432	5,741
Total non-operating income	12,222	17,918
Non-operating expenses		
Interest expenses	7,266	9,077
Miscellaneous expenses	2,796	3,730
Total non-operating expenses	10,062	12,808
Ordinary profit	25,481	59,396
Extraordinary losses		
Impairment loss	-	4,495
Loss on disaster	2,019	-
Amortization of goodwill	8,901	-
Total extraordinary losses	10,921	4,495
Profit before income taxes	14,559	54,901
Income taxes	6,696	18,736
Profit	7,863	36,164
Profit attributable to non-controlling interests	2,663	1,364
Profit attributable to owners of parent	5,200	34,800

Quarterly Consolidated Statement of Comprehensive Income

(million yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Profit	7,863	36,164
Other comprehensive income		
Valuation difference on available-for-sale securities	(9,455)	3,822
Deferred gains or losses on hedges	(229)	(6,166)
Foreign currency translation adjustment	(20)	(8,282)
Remeasurements of defined benefit plans	1,377	(1,839)
Share of other comprehensive income of entities accounted for using equity method	7,270	(14,062)
Total other comprehensive income	(1,057)	(26,527)
Comprehensive income	6,806	9,637
(Breakdown)		
Comprehensive income attributable to owners of parent	3,961	8,778
Comprehensive income attributable to non-controlling interests	2,844	858

(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, 2019 (April 1, 2019 - December 31, 2019)

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.

(Changes in Accounting Policies)

"Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries, etc. for Consolidated Financial Statements" (Practical Issues Task Force (hereafter "PITF") No.18 of September 14, 2018) and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (PITF No.24 of September 14, 2018) have been applied from the beginning of the current fiscal year. When the foreign subsidiaries adopt "Financial instruments" (International Financial Reporting Standards (hereafter "IFRS") No.9), and record subsequent changes of the fair value of financial instruments through other comprehensive income, gain or loss from sales of financial instruments and impairment loss are recognized through profit or loss for the current fiscal year on consolidated financial statements.

The Company has applied the PITF No.18 according to the transitional provisions stipulated in PITF No.18. Cumulative impact of changes in accounting policies is recorded as retained earnings for the beginning of the current fiscal year.

Consequently, retained earnings for the beginning of the current fiscal year has decreased by ¥1,215 million and valuation difference on available-for-sale securities has increased by ¥1,215 million on the quarterly consolidated balance sheet.

(Segment Information)

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

Nine months ended December 31, 2019 (April 1, 2019 - December 31, 2019) (million yen)

	Domestic Energy / Gas	Domestic Energy / Electricity	International Energy	Life & Business Solutions	Total	Adjustments	Consolidated
Net sales	691,870	145,435	43,291	156,859	1,037,457	-62,953	974,503
Segment profit							
Operating profit (loss)	34,130	4,875	(442)	13,437	52,001	2,285	54,286
Share of profit (loss) of entities accounted for using equity method	307	(287)	4,009	-	4,029	-	4,029
Total	34,437	4,587	3,567	13,437	56,030	2,285	58,316