

[Consolidated Financial Statements and Notes]

(1) [Consolidated Financial Statements]

Osaka Gas Co., Ltd. and Consolidated Subsidiaries, the Fiscal Years Ended March 31, 2019 and 2020

Consolidated Balance Sheet

Assets

(million yen)

	Previous Year (As of March 31, 2019)	Current Year (As of March 31, 2020)
Non-current assets		
Property, plant and equipment		
Production facilities	85,086	84,258
Distribution facilities	265,421	264,657
Service and maintenance facilities	55,176	55,072
Other facilities	427,821	542,101
Construction in progress	74,222	68,482
Total property, plant and equipment	※ 1, ※ 2, ※ 3 907,728	※ 1, ※ 2, ※ 3 1,014,572
Intangible assets	※ 1 109,297	※ 1 98,322
Investments and other assets		
Investment securities	※ 4 359,737	※ 4 332,200
Long-term loans receivable	22,862	25,981
Retirement benefit asset	49,074	44,264
Other	49,389	65,924
Allowance for doubtful accounts	(562)	(802)
Total investments and other assets	※ 1 480,502	※ 1 467,568
Total non-current assets	1,497,528	1,580,462
Current assets		
Cash and deposits	116,289	147,201
Notes and accounts receivable - trade	※ 5 219,206	210,515
Lease receivables and investment in leases	40,445	47,844
Inventories	※ 6 112,327	※ 6 108,092
Other	45,616	47,005
Allowance for doubtful accounts	(1,691)	(640)
Total current assets	※ 1 532,194	※ 1 560,019
Total assets	2,029,722	2,140,482

Note: Details of ※ 1, 2, 3, 4, 5, 6 and 8 are provided in "d. Notes to the Consolidated Balance Sheet" on page 65.

This annual report is not subject to auditing by an independent auditor.

However, the accompanying consolidated financial statements, and notes are reprinted from the securities report which has been audited by an independent auditor.

Liabilities

(million yen)

	Previous Year (As of March 31, 2019)	Current Year (As of March 31, 2020)
Non-current liabilities		
Bonds payable	144,989	289,993
Long-term borrowings	367,418	363,757
Provision for gas holder repairs	1,247	1,290
Provision for safety measures	11,207	9,339
Provision for gas appliance warranties	12,454	13,074
Retirement benefit liability	17,228	17,590
Other	86,919	105,455
Total non-current liabilities	※ 1 641,465	※ 1 800,502
Current liabilities		
Current portion of non-current liabilities	60,134	71,294
Notes and accounts payable - trade	※ 5 66,087	59,363
Other	226,991	181,654
Total current liabilities	※ 1 353,212	※ 1 312,312
Total liabilities	994,678	1,112,815

Net assets

(million yen)

	Previous Year (As of March 31, 2019)	Current Year (As of March 31, 2020)
Shareholders' equity		
Share capital	132,166	132,166
Capital surplus	19,222	19,483
Retained earnings	782,523	802,313
Treasury shares	(1,744)	(1,802)
Total shareholders' equity	932,167	952,160
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	50,617	41,336
Deferred gains or losses on hedges	(4,007)	(14,161)
Revaluation reserve for land	※ 8 (737)	※ 8 (737)
Foreign currency translation adjustment	11,189	10,085
Remeasurements of defined benefit plans	15,110	8,809
Total accumulated other comprehensive income	72,172	45,332
Non-controlling interests	30,704	30,174
Total net assets	1,035,044	1,027,667
Total liabilities and net assets	2,029,722	2,140,482

Consolidated Statement of Income

(million yen)

	Previous Year (April 1, 2018 - March 31, 2019)	Current Year (April 1, 2019 - March 31, 2020)
Net sales	1,371,863	1,368,689
Cost of sales	※ 1, ※ 2 981,086	※ 1, ※ 2 961,983
Gross profit	390,777	406,705
Selling, general and administrative expenses	※ 1, ※ 3 322,800	※ 1, ※ 3 322,913
Operating profit	67,977	83,792
Non-operating income		
Interest income	584	4,262
Dividend income	4,465	7,070
Share of profit of entities accounted for using equity method	1,096	5,225
Miscellaneous income	8,454	8,187
Total non-operating income	14,600	24,746
Non-operating expenses		
Interest expenses	10,126	12,192
Miscellaneous expenses	9,348	10,327
Total non-operating expenses	19,474	22,520
Ordinary profit	63,103	86,018
Extraordinary losses		
Loss on disaster	2,136	—
Amortization of goodwill	※ 4 8,901	—
Impairment loss	—	※ 5 15,568
Total extraordinary losses	11,038	15,568
Profit before income taxes	52,064	70,449
Income taxes - current	19,683	23,451
Income taxes - deferred	(4,160)	4,056
Total income taxes	15,522	27,507
Profit	36,542	42,942
Profit attributable to non-controlling interests	2,941	1,153
Profit attributable to owners of parent	33,601	41,789

Note: Details of ※ 1, 2, 3, 4 and 5 are provided in "e. Notes to the Consolidated Statement of Income" on page 66.

Consolidated Statement of Comprehensive Income

(million yen)

	Previous Year (April 1, 2018 - March 31, 2019)	Current Year (April 1, 2019 - March 31, 2020)
Profit	36,542	42,942
Other comprehensive income		
Valuation difference on available-for-sale securities	(6,319)	(10,455)
Deferred gains or losses on hedges	(142)	(1,442)
Foreign currency translation adjustment	(5,943)	(1,638)
Remeasurements of defined benefit plans	3,457	(6,189)
Share of other comprehensive income of entities accounted for using equity method	372	(8,219)
Total other comprehensive income	※ 1 (8,575)	※ 1 (27,945)
Comprehensive income	27,966	14,996
(Breakdown)		
Comprehensive income attributable to owners of parent	25,731	13,728
Comprehensive income attributable to non-controlling interests	2,235	1,268

Note: Details of ※1 are provided in "f. Notes to the Consolidated Statement of Comprehensive Income" on page 67.

Consolidated Statement of Changes in Equity

(million yen)

	Shareholders' equity					Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Fiscal year ended March 31, 2019 (April 1, 2018 - March 31, 2019)													
Balance at beginning of period	132,166	19,222	769,801	(1,663)	919,527	56,977	(7,650)	(737)	19,530	11,922	80,042	29,229	1,028,799
Cumulative effects of changes in accounting policies			(87)		(87)								(87)
Resulted balance	132,166	19,222	769,713	(1,663)	919,439	56,977	(7,650)	(737)	19,530	11,922	80,042	29,229	1,028,711
Changes of items during period													
Dividends of surplus			(20,791)		(20,791)								(20,791)
Profit attributable to owners of parent			33,601		33,601								33,601
Purchase of treasury shares				(85)	(85)								(85)
Disposal of treasury shares		0		3	3								3
Change in ownership interest of parent due to transactions with non-controlling interests					—								—
Net changes of items other than shareholders' equity						(6,359)	3,643	—	(8,340)	3,187	(7,869)	1,474	(6,394)
Total changes of items during period	—	0	12,809	(81)	12,728	(6,359)	3,643	—	(8,340)	3,187	(7,869)	1,474	6,333
Balance at end of period	132,166	19,222	782,523	(1,744)	932,167	50,617	(4,007)	(737)	11,189	15,110	72,172	30,704	1,035,044
Fiscal year ended March 31, 2020 (April 1, 2019 - March 31, 2020)													
Balance at beginning of period	132,166	19,222	782,523	(1,744)	932,167	50,617	(4,007)	(737)	11,189	15,110	72,172	30,704	1,035,044
Cumulative effects of changes in accounting policies			(1,208)		(1,208)	1,215					1,215		7
Resulted balance	132,166	19,222	781,314	(1,744)	930,959	51,833	(4,007)	(737)	11,189	15,110	73,388	30,704	1,035,051
Changes of items during period													
Dividends of surplus			(20,790)		(20,790)								(20,790)
Profit attributable to owners of parent			41,788		41,788								41,788
Purchase of treasury shares				(60)	(60)								(60)
Disposal of treasury shares		(0)		2	2								2
Change in ownership interest of parent due to transactions with non-controlling interests		260			260								260
Net changes of items other than shareholders' equity						(10,496)	(10,154)	—	(1,104)	(6,300)	(28,055)	(530)	(28,585)
Total changes of items during period	—	260	20,998	(57)	21,201	(10,496)	(10,154)	—	(1,104)	(6,300)	(28,055)	(530)	(7,384)
Balance at end of period	132,166	19,483	802,313	(1,802)	952,160	41,336	(14,161)	(737)	10,085	8,809	45,332	30,174	1,027,667

Consolidated Statement of Cash Flows

(million yen)

	Previous Year (April 1, 2018 - March 31, 2019)	Current Year (April 1, 2019 - March 31, 2020)
Cash flows from operating activities		
Profit before income taxes	52,064	70,449
Depreciation	99,745	91,925
Amortization of long-term prepaid expenses	5,000	5,159
Impairment loss	—	15,568
Decrease (increase) in retirement benefit asset	3,057	(3,511)
Interest and dividend income	(5,049)	(11,332)
Interest expenses	10,126	12,192
Share of loss (profit) of entities accounted for using equity method	(1,096)	(5,225)
Decrease (increase) in trade receivables	(27,714)	12,239
Decrease (increase) in inventories	(35,078)	4,014
Increase (decrease) in trade payables	6,895	664
Increase (decrease) in accrued expenses	6,068	3,316
Increase (decrease) in accrued consumption taxes	(4,085)	4,568
Other, net	(19,156)	(3,645)
Subtotal	90,776	196,384
Interest and dividends received	13,523	21,844
Interest paid	(10,186)	(12,280)
Income taxes paid	(28,997)	(23,056)
Net cash provided by (used in) operating activities	65,116	182,892
Cash flows from investing activities		
Purchase of property, plant and equipment	(80,099)	(117,574)
Purchase of intangible assets	(21,943)	(9,173)
Purchase of long-term prepaid expenses	(6,150)	(9,045)
Purchase of investment securities	(4,680)	(7,997)
Purchase of shares of subsidiaries and associates	(68,760)	(22,965)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(22,811)	※ 2 (63,350)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	2	—
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	558
Long-term loan advances	(5,133)	(5,443)
Other, net	5,382	2,724
Net cash provided by (used in) investing activities	(204,192)	(232,266)
Cash flows from financing activities		
Net increase (decrease) in commercial papers	46,000	(46,000)
Proceeds from long-term borrowings	129,306	44,170
Repayments of long-term borrowings	(37,759)	(47,418)
Proceeds from issuance of bonds	—	175,000
Redemption of bonds	(30,000)	(20,000)
Proceeds from share issuance to non-controlling shareholders	195	240
Dividends paid	(20,801)	(20,799)
Dividends paid to non-controlling interests	(980)	(1,165)
Other, net	(698)	(4,754)
Net cash provided by (used in) financing activities	85,262	79,272
Effect of exchange rate change on cash and cash equivalents	(1,478)	1,145
Net increase (decrease) in cash and cash equivalents	(55,292)	31,043
Cash and cash equivalents at beginning of period	171,061	115,769
Cash and cash equivalents at end of period	※ 1 115,769	※ 1 146,813

Note: Details of ※ 1 and 2 are provided in "h. Notes to the Consolidated Statement of Cash Flows" on page 69.

[Notes]

a Significant Matters Forming the Basis of Preparation of the Consolidated Financial Statements

1. Scope of consolidation

Number of consolidated subsidiaries:

150 (Previous fiscal year), 156 (Current fiscal year)

The names of consolidated subsidiaries are omitted as they are stated in page 89 "Group Companies."

The Company has acquired shares in Manisha Encarbon (Pvt) Ltd, Osaka Gas Marketing Co., Ltd., Daigas Energy Co., Ltd., Daigas Gas and Power Solution Co., Ltd., Sabine Oil & Gas Corporation, Sabine East Texas Basin LLC, Sabine East Texas Gathering Utility LLC, OSAKA GAS CHEMICALS (TAIWAN) CO., LTD., Nikki Mirai Solar, Co., Ltd., Osaka Gas Energy Supply and Trading Pte. Ltd.,

2. Application of the equity method

Number of equity method affiliates:

23 (Previous fiscal year), 23 (Current fiscal year)

The names of equity method affiliates are omitted as they are stated in page 89 "Group Companies."

The Company has acquired shares in SolAmerica Energy Holdings, LLC. As a result, it is included as an equity method affiliate from the current fiscal year.

In addition, the Company has acquired additional shares in Nikki Mirai Solar, Co., Ltd., newly making it a subsidiary of the Company. As a result, said company has been excluded as an equity method affiliate and included in the scope of consolidation

3. Fiscal year, etc. of consolidated subsidiaries

Consolidated subsidiaries whose fiscal year-end is different from the consolidated fiscal year-end are Osaka Gas Australia Pty. Ltd., Osaka Gas Gorgon Pty. Ltd., Osaka Gas Ichthys Pty. Ltd., Osaka Gas Ichthys Development Pty. Ltd., Osaka Gas Niugini Pty. Ltd., Osaka Gas UK, Ltd. and other companies, totaling 86 companies.

4. Accounting policies

(1) Basis and methodology for the valuation of significant assets

① Inventories

Primarily stated at cost based on the moving-average method
Inventories held for trading recorded on the balance sheet are depreciated to write down the carrying amount based on depreciation of profitability

② Investment securities

Bonds held to maturity
Stated at amortized cost

Other investment securities

Securities for which it is practical to determine fair value
Stated at fair value based on the market price, etc. at the fiscal year-end (Unrealized valuation gains and losses are accounted for as a component of net assets; cost of sales is determined primarily using the moving-average method.)

Securities for which it is not practical to determine fair value
Primarily stated at cost based on the moving-average method

③ Derivatives

Stated at fair value

and OSAKA GAS SOLAMERICA, LLC, making them newly subsidiaries of the Company. As a result, those subsidiaries are included as consolidated subsidiaries of the Company from the current fiscal year. Nikki Mirai Solar, Co., Ltd. has changed its trade name to Daigas Oita Mirai Solar Co., Ltd.

Sakai Wellness Co., Ltd. (liquidated), OGPA Guam, LLC (dissolved), Marianas Energy Company, LLC (sold), OGPA Guam, LLC (dissolved), and OG East Texas, LLC (merged into Sabine Oil & Gas Corporation) are no longer consolidated subsidiaries of the Company from the current fiscal year.

from the current fiscal year.

A major affiliate for which the equity method is not applied is ENNET Corporation.

With regard to affiliates for which the equity method is not applied, their impact on profit or loss and retained earnings, etc. for the current fiscal year is not significant and immaterial on the whole. Therefore, investments in those affiliates are measured at cost.

When the fiscal year-end of equity method affiliates is different from the consolidated fiscal year-end, the financial statements for the fiscal year of such affiliates are used.

Although the above consolidated subsidiaries have a fiscal year-end of December 31, the difference between that date and the consolidated fiscal year-end (March 31) does not exceed 3 months. Therefore, the consolidated financial statements are prepared using their financial statements as of their fiscal year-end.

(2) Depreciation and amortization method of significant depreciable assets

① Property, plant and equipment (excluding leased assets)

Primarily the declining-balance method
However, the straight-line method has been used for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998 and for facilities attached to buildings and structures acquired on or after April 1, 2016.

② Intangible assets (excluding leased assets)

Primarily the straight-line method
For internal-use software, the straight-line method based on the term available for use within the Company and each subsidiary has been applied.

③ Leased assets

Leased assets resulting from non-ownership-transfer finance leases
The straight-line method over the useful life equal to the lease terms assuming no residual value

(3) Basis for recording significant allowances

① Allowance for doubtful accounts

To provide for the bad debts loss of accounts receivable, loans receivable, etc., an estimated uncollectible amount is provided by considering the default ratio in the past for general receivables and the individual collectability for certain receivables including receivables with default possibility.

② Provision for gas holder repairs

To provide for the necessary expenditure for periodical repairs of spherical gas holders, an estimated amount for the next scheduled repair is provided based on the actual expenditure for the previous repair, which is proportionally allotted for the period up to such next scheduled repair.

③ Provision for safety measures

To provide for the necessary expenditure to ensure the safety of gas business, an estimated amount of the expenditure necessary for promoting the widespread use of safety-enhanced models, for strengthening inspections and ensuring wide awareness as well as for countermeasure works on aged gas pipelines is provided.

④ Provision for gas appliance warranties

To provide for the payment of any service costs under warranty after the sale of appliances, an estimated amount of such costs is provided.

(4) Accounting for retirement benefits

① Method for attributing projected retirement benefits to periods of service

In calculating retirement benefit obligations, the benefit formula basis is mainly applied to attribute projected retirement benefits to periods of service until the end of this consolidated fiscal year.

② Method for recognizing actuarial gains and losses and past service costs

Past service costs are expensed mainly in the fiscal year when such costs are incurred. Actuarial gains and losses are amortized on a straight-line basis mainly over a period of 10 years beginning from the next fiscal year after each occurrence.

(5) Criteria for translating significant assets or liabilities denominated in foreign currencies into Japanese currency

Assets and liabilities of overseas subsidiaries are translated into Japanese yen at the spot exchange rate as of the fiscal year-end. Revenues and expenses of overseas subsidiaries are translated into Japanese yen at the average exchange rate during the fiscal year. The resulting translation differences are included in foreign currency translation adjustment and non-controlling interests in net assets.

(6) Significant hedge accounting method

① Hedge accounting method

Deferred hedge accounting is adopted. When applicable requirements are met, exceptional accounting for interest rate swaps and allocation accounting for forward exchange contracts, etc. are adopted.

② Hedging instruments and hedged items

Hedging instruments

- Interest rate swaps
- Forward exchange contracts or currency options
- Loans payable denominated in foreign currencies
- Swaps and options on crude oil price, etc.

Hedged items

- Bonds, loans payable
- Forecast transactions denominated in foreign currencies (purchase prices of raw materials, etc.)
- Interests in overseas subsidiaries and associates
- Purchase prices of raw materials, etc.

③ Hedging policy

The Group hedges foreign exchange rate and interest rate risk based on its internal rules. Derivative transactions are not entered into unless they are backed by actual demand.

④ Method for assessing the hedge effectiveness

Hedge effectiveness is assessed by identifying the corresponding relationship between hedging instruments and hedged items.

(7) Method and period for amortization of goodwill

Goodwill is amortized on a straight-line basis over its estimated useful life within 20 years after initial recognition; provided, however, that immaterial goodwill is recognized as income or expense in full upon acquisition.

(8) Scope of funds in the consolidated statement of cash flows

Funds stated in the consolidated statement of cash flows (cash and cash equivalents) comprise cash on hand, demand deposits and short-term investments that are readily convertible and subject to an insignificant risk of changes in value with original maturities of three months or less.

(9) Other significant matters on the preparation of the consolidated financial statements

Accounting for consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

b Changes in Accounting Policies**(Changes in accounting policies)**

“Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries, etc. for Consolidated Financial Statements” (Practical Issues Task Force (PITF) No. 18; September 14, 2018) and “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method” (PITF No. 24; September 14, 2018) have been applied from the beginning of the current fiscal year. When a foreign subsidiary or other such entity applies International Financial Reporting Standards (IFRS) No. 9 “Financial Instruments,” and elects to present subsequent changes in the fair value of an equity instrument in other comprehensive income, a gain or loss equivalent on the sale of the equity instrument and an impairment loss equivalent to the equity instrument are to be adjusted and recognized as a profit (loss) for the relevant fiscal year in preparing the consolidated financial statements of the parent company. The Company has applied these PITFs according to the transitional provisions. The 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 decreased by ¥1,215 million and valuation difference on available-for-sale securities increased by ¥1,215 million on the consolidated balance sheet.

(Accounting standards, etc. not yet applied)

- “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29; March 31, 2020)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30; March 31, 2020)

(1) Summary

These are comprehensive accounting standards on revenue recognition. Revenue is recognized by applying the following five-step approach:

- Step 1: Identify the contracts with customers
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

(2) Scheduled date of application

Effective from the beginning of the fiscal year ending March 31, 2022.

(3) Effects of application

In the process of measuring the effects at the time of preparing the accompanying consolidated financial statements.

- “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30; July 4, 2019)
- “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31; July 4, 2019)
- “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9; July 4, 2019)
- “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10; July 4, 2019)
- “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19; March 31, 2020)

(1) Summary

In order to increase comparability with rules of international accounting standards, the “Accounting Standard for Fair Value Measurement” and “Implementation Guidance on Accounting Standard for Fair Value Measurement” (“Fair Value Measurement Standards”) have been developed, defining guidance, etc., on methods for fair value measurement. The Fair Value Measurement Standards will be applied to fair values of the following items.

- Financial instruments in “Accounting Standard for Financial Instruments”
- Inventories held for the purpose of trading in “Accounting Standard for Measurement of Inventories”

In addition, the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” has been revised to stipulate notes for each level of fair value for financial instruments, including breakdowns.

(2) Scheduled date of application

Effective from the beginning of the fiscal year ending March 31, 2022.

(3) Effects of application

In the process of measuring the effects at the time of preparing the accompanying consolidated financial statements.

- “Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections” (ASBJ Statement No. 24; March 31, 2020)

(1) Summary

The purpose of this statement is to indicate principles for adopted accounting treatments and outline procedures when the provisions of related accounting standards, etc., are unclear.

(2) Scheduled date of application

Effective from the end of the fiscal year ending March 31, 2021.

- “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31; March 31, 2020)

(1) Summary

The purpose of this statement is to disclose information that contributes to users' understanding of financial statements, regarding the contents of accounting estimates for items containing the risk of materially affecting the financial statements for the next fiscal year, among amounts recorded on the financial statements for the current fiscal year that are accounting estimates.

(2) Scheduled date of application

Effective from the end of the fiscal year ending March 31, 2021.

c Changes in Presentation**(Notes to the Consolidated Balance Sheet)**

Osaka Gas USA Corporation, the Company's consolidated subsidiary, acquired all shares in Sabine Oil & Gas Corporation, which conducts the U.S. shale gas development business, during the current fiscal year. Accordingly, the assets of Osaka Gas USA Corporation related to the development of gas fields, which had been acquired in the previous fiscal year through said company and recorded as intangible assets, are now displayed as property, plant and equipment in accordance with the asset management methods of said company. The previous fiscal year's consolidated financial statements are reclassified to reflect this change in presentation.

As a result, ¥18,335 million included in “intangible assets” in the consolidated balance sheet of the previous fiscal year is reclassified into “other facilities” under “property, plant and equipment.”

“Deferred tax liabilities,” stated as a separate item under “non-current liabilities” for the previous fiscal year, are included in “other” under “non-current liabilities” starting from the current fiscal year due to decreased materiality. The previous fiscal year's consolidated financial statements are reclassified to reflect this change in presentation.

As a result, “deferred tax liabilities” of ¥22,811 million under “non-current liabilities” in the consolidated balance sheet of the previous fiscal year are reclassified as “other.”

“Short-term borrowings,” stated as a separate item under “current liabilities” for the previous fiscal year, are included in “other” under “current liabilities” starting from the current fiscal year due to decreased materiality. The previous fiscal year's consolidated financial statements are reclassified to reflect this change in presentation.

As a result, “short-term borrowings” of ¥22,751 million under “current liabilities” in the consolidated balance sheet of the previous fiscal year are reclassified as “other.”

(Notes to the Consolidated Statement of Income)

“Share of profit of entities accounted for using equity method” included in “miscellaneous income” under “non-operating income” for the previous fiscal year are stated as a separate item from the current fiscal year due to increased materiality. The previous fiscal year's consolidated financial statements are reclassified to reflect this change in presentation.

As a result, ¥1,096 million included in “miscellaneous income” under “non-operating income” in the consolidated statement of income of the previous fiscal year is reclassified into “share of profit of entities accounted for using equity method.”

(Notes to the Consolidated Statement of Cash Flows)

“Amortization of goodwill,” stated as a separate item under cash flows from operating activities for the previous fiscal year, is included in “depreciation” under cash flows from operating activities from the current fiscal year due to decreased materiality. The previous fiscal year's consolidated financial statements are reclassified to reflect this change in presentation.

As a result, ¥11,381 million presented in “amortization of goodwill” in the previous fiscal year's consolidated statement of cash flows is reclassified into “depreciation” under cash flows from operating activities.

“Share of loss (profit) of entities accounted for using equity method” included in “other” under cash flows from operating activities for the previous fiscal year is stated as a separate item from the current fiscal year due to increased materiality. The previous fiscal year's consolidated financial statements are reclassified to reflect this change in presentation. As a result, ¥(1,096) million presented in “other” under cash flows from operating activities in the previous fiscal year's consolidated statement of cash flows is reclassified into “Share of loss (profit) of entities accounted for using equity method.”

d Notes to the Consolidated Balance Sheet

※1 Assets pledged as collateral and liabilities with collateral

Assets pledged as collateral are as follows:

	Previous Year (As of March 31, 2019)	Current Year (As of March 31, 2020)
Other facilities	98,092 million yen	125,258 million yen
Investment securities	100,949	92,135
Intangible assets	43,173	39,445
“Other” under investments and other assets	17,078	33,116
Cash and deposits	12,958	18,628
Other	39,662	9,107
Total	311,914	317,691

In addition to the above, loans receivable, etc., of ¥7,463 million for the previous fiscal year and shares of subsidiaries and affiliates, etc. of ¥27,481 million for the current fiscal year, which were offset as a result of consolidation, were pledged as collateral.

Liabilities with collateral are as follows:

	Previous Year (As of March 31, 2019)	Current Year (As of March 31, 2020)
Long-term borrowings	61,260 million yen	73,006 million yen
(current portion thereof	925	1,347)
Short-term borrowings	1,077	499
Other	100	100
Total	62,437	73,605

※2 (1) Accumulated advanced depreciation deducted from the acquisition cost of assets related to contribution for construction, etc. is as follows:

	Previous Year (As of March 31, 2019)	Current Year (As of March 31, 2020)
Production facilities	781 million yen	826 million yen
Distribution facilities	260,330	262,736
Service and maintenance facilities	746	719
Other facilities	5,228	5,908
Total	267,086	270,190

(2) Advanced depreciation deducted from the acquisition cost of assets related to expropriation, etc. is as follows:

	Previous Year (As of March 31, 2019)	Current Year (As of March 31, 2020)
Distribution facilities	9 million yen	— million yen
Other facilities	65	—
Total	74	—

※3 Accumulated depreciation of property, plant and equipment is as follows:

	Previous Year (As of March 31, 2019)	Current Year (As of March 31, 2020)
Accumulated depreciation of property, plant and equipment	2,652,657 million yen	2,704,741 million yen

※4 Items for affiliates are as follows:

	Previous Year (As of March 31, 2019)	Current Year (As of March 31, 2020)
Investment securities (stock)	249,346 million yen	229,227 million yen
(including investments in joint ventures	138,443	127,661)

※5 The settlement of trade notes maturing at the fiscal year-end is accounted for on the date of bank clearance.

As the end of the previous fiscal year was a bank holiday, the following notes maturing on the fiscal year-end are included in the balance of the item outstanding at the end of the previous and current fiscal years:

	Previous Year (As of March 31, 2019)	Current Year (As of March 31, 2020)
Notes receivable - trade	591 million yen	— million yen
Notes payable - trade	74	—

※6 The breakdown of inventories is as follows:

	Previous Year (As of March 31, 2019)	Current Year (As of March 31, 2020)
Merchandise and finished goods	20,906 million yen	21,579 million yen
Work in process	8,220	8,965
Raw materials and supplies	83,200	77,548

※7 Contingent liabilities

(1) Guarantees and quasi-guarantees for bank loans, etc. to companies other than consolidated companies are as follows:

	Previous Year (As of March 31, 2019)	Current Year (As of March 31, 2020)
Fukushima Gas Power Co., Ltd.	4,600 million yen	4,600 million yen
Ichthys LNG Pty. Ltd.	19,072	1,396
Aurora Solar Corporation	1,238	1,147
Ruwais Power Company PJSC	1,135	1,086
Other	611	1,138
Total	26,657	9,368

(2) Contingent liabilities related to debt assumption agreements for bonds are as follows:

	Previous Year (As of March 31, 2019)	Current Year (As of March 31, 2020)
The 23rd domestic unsecured bond	20,000 million yen	— million yen

※8 Revaluation reserve for land

Commercial land of certain consolidated subsidiaries has been revalued in accordance with the Act on Revaluation of Land (Law No. 34 of March 31, 1998) and the Amendment to Act on Revaluation of Land (Law No. 19 of March 31, 2001). Any difference (excluding any amount associated with tax effect accounting) resulting from the revaluation is included in net assets as revaluation reserve for land.

(1) Method for revaluation

The revaluation is made by making reasonable adjustments to the valuation by road rating which is provided for in Article 2, Item 4 of the Enforcement Order of the Law Concerning the Revaluation of Land (Cabinet Order No. 119 of March 31, 1998).

(2) Date of revaluation

March 31, 2002

e Notes to the Consolidated Statement of Income

※1

Previous Year (April 1, 2018 - March 31, 2019)

The R&D expenses included in "Selling, general and administrative expenses" and in the manufacturing expenses for the fiscal year are ¥10,961 million.

Current Year (April 1, 2019 - March 31, 2020)

The R&D expenses included in "Selling, general and administrative expenses" and in the manufacturing expenses for the fiscal year are ¥10,174 million.

※2 The balance of inventories at the end of the fiscal year is an amount after write-down of the carrying amount due to decreased profitability, and the following loss on valuation of inventories is included in cost of sales.

	Previous Year (April 1, 2018 - March 31, 2019)	Current Year (April 1, 2019 - March 31, 2020)
	7 million yen	1,289 million yen

※3 The major expense items and amounts thereof are as follows:

	Previous Year (April 1, 2018 - March 31, 2019)	Current Year (April 1, 2019 - March 31, 2020)
Salaries	46,197 million yen	45,736 million yen
Retirement benefit expenses	5,199	(1,014)
Provision for gas holder repairs	145	137
Provision for gas appliance warranties	658	—
Provision of allowance for doubtful accounts	46	574
Depreciation	48,292	47,983
Consigned work expenses	57,320	64,413

※4 Amortization of goodwill

Goodwill is amortized in accordance with Paragraph 32 of “Practical Guidelines on Accounting Standards for Capital Consolidation Procedures in Preparing Consolidated Financial

Statements” (the Japanese Institute of Certified Public Accountants, final amendment issued on February 16, 2018, Accounting Practice Committee Statement No.7)

※5 Impairment loss

Current Year (April 1, 2019 - March 31, 2020)

(1) Concept of grouping

- ① All non-current assets used in operating the gas business from production to sales of gas are categorized into one asset group as these assets generate cash flows from the gas business in an integrated manner.
- ② Non-current assets used for businesses other than those described above are generally categorized into groups based on business divisions controlling such non-current assets.
- ③ Generally, other non-current assets are treated individually.

(2) Details of impairment loss

In accordance with the grouping described in (1) above, an impairment loss of ¥15,568 million was recognized. Significant losses included in this are as follows:

Asset	Location	Type	Impairment loss (million yen)
Property for business use	Northern Territory of Australia / East Timor	Intangible assets	10,036
	Northern Territory of Australia	Property, plant and equipment	2,524
		Intangible assets	1,909
		Total	4,434

These properties were acquired for the purpose of participating in the gas and condensate development business. The Company reassessed the business value, taking into account the effects of reviewing the development plan and other matters, and accordingly the carrying amount of the assets was reduced to

their recoverable amount, and the reduction was recorded as an impairment loss in extraordinary losses. The recoverable amount of these assets was measured at net sale value determined based on reasonable estimates in consideration of past transactions, etc., or market value.

f Notes to the Consolidated Statement of Comprehensive Income

※1 Reclassification adjustments and tax effects related to other comprehensive income

	Previous Year (April 1, 2018 - March 31, 2019)	Current Year (April 1, 2019 - March 31, 2020)
Valuation difference on available-for-sale securities		
Incurring in the fiscal year	(8,830) million yen	(14,537) million yen
Reclassification adjustments	17	168
Before tax effect adjustments	(8,813)	(14,368)
Tax effect	2,494	3,913
Valuation difference on available-for-sale securities	(6,319)	(10,455)
Deferred gains or losses on hedges		
Incurring in the fiscal year	(283) million yen	244 million yen
Reclassification adjustments	(125)	604
Before tax effect adjustments	(409)	848
Tax effect	266	(2,290)
Deferred gains or losses on hedges	(142)	(1,442)

Foreign currency translation adjustment		
Incurring in the fiscal year	(5,943) million yen	(2,317) million yen
Reclassification adjustments	—	679
Before tax effect adjustments	(5,943)	(1,638)
Tax effect	—	—
Foreign currency translation adjustment	(5,943)	(1,638)
Remeasurements of defined benefit plans		
Incurring in the fiscal year	2,192 million yen	(5,171) million yen
Reclassification adjustments	2,573	(3,438)
Before tax effect adjustments	4,765	(8,609)
Tax effect	(1,308)	2,420
Remeasurements of defined benefit plans	3,457	(6,189)
Share of other comprehensive income of entities accounted for using equity method		
Incurring in the fiscal year	(1,268) million yen	(10,018) million yen
Reclassification adjustments	1,641	1,798
Share of other comprehensive income of entities accounted for using equity method	372	(8,219)
Total other comprehensive income	(8,575)	(27,945)

9 Notes to the Consolidated Statement of Changes in Equity

Previous Year (April 1, 2018 - March 31, 2019)

1 Matters on shares issued and outstanding

Type of shares	As of April 1, 2018	Increase	Decrease	As of March 31, 2019
Common shares (thousand shares)	416,680	—	—	416,680

2 Matters on treasury shares

Type of shares	As of April 1, 2018	Increase	Decrease	As of March 31, 2019
Common shares (thousand shares)	830	38	1	867

(Overview of reasons for change)

The major reason for increase is as follows: Increase by repurchase of fractional shares 38 thousand shares

The major reason for decrease is as follows: Decrease by disposal of fractional shares 1 thousand shares

3 Matters on subscription rights to shares, etc.

Not applicable.

4 Matters on dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends paid (million yen)	Dividends per share (yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 28, 2018	Common shares	10,396	25.00	March 31, 2018	June 29, 2018
Board of Directors' Meeting held on October 30, 2018	Common shares	10,395	25.00	September 30, 2018	November 30, 2018

(2) Of the dividends whose record date belongs to the fiscal year, the dividends whose effective date falls in the following fiscal year

Resolution	Type of shares	Total dividends paid (million yen)	Dividends per share (yen)	Record date	Effective date	Source of dividends
Annual General Meeting of Shareholders held on June 20, 2019	Common shares	10,395	25.00	March 31, 2019	June 21, 2019	Retained earnings

Current Year (April 1, 2019 - March 31, 2020)

1 Matters on shares issued and outstanding

Type of shares	As of April 1, 2019	Increase	Decrease	As of March 31, 2020
Common shares (thousand shares)	416,680	—	—	416,680

2 Matters on treasury shares

Type of shares	As of April 1, 2019	Increase	Decrease	As of March 31, 2020
Common shares (thousand shares)	867	29	1	895

(Overview of reasons for change)

The major reason for increase is as follows: Increase by repurchase of fractional shares 29 thousand shares

The major reason for decrease is as follows: Decrease by disposal of fractional shares 1 thousand shares

3 Matters on subscription rights to shares, etc.

Not applicable.

4 Matters on dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends paid (million yen)	Dividends per share (yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 20, 2019	Common shares	10,395	25.00	March 31, 2019	June 21, 2019
Board of Directors' Meeting held on October 29, 2019	Common shares	10,394	25.00	September 30, 2019	November 29, 2019

(2) Of the dividends whose record date belongs to the fiscal year, the dividends whose effective date falls in the following fiscal year

Resolution	Type of shares	Total dividends paid (million yen)	Dividends per share (yen)	Record date	Effective date	Source of dividends
Annual General Meeting of Shareholders held on June 26, 2020	Common shares	10,394	25.00	March 31, 2020	June 29, 2020	Retained earnings

h Notes to the Consolidated Statement of Cash Flows

※1 The relationship between the balance of cash and cash equivalents at end of period and the amount of cash and deposits in the consolidated balance sheet is as follows:

	Previous Year (April 1, 2018 - March 31, 2019)	Current Year (April 1, 2019 - March 31, 2020)
Cash and deposits	116,289 million yen	147,201 million yen
Time deposits with more than 3 months to maturity	(520)	(388)
Cash and cash equivalents	115,769	146,813

※2 Primary components of assets and liabilities of companies that newly became consolidated subsidiaries through acquisition of shares

The following are components of assets and liabilities at the time of commencing consolidation following the new consolidation of Sabine Oil & Gas Corporation ("Sabine") through acquisition of shares, as well as the relationship between the acquisition cost of shares in Sabine and the expenditures (net) associated with acquiring Sabine.

Current assets	4,765 million yen
Non-current assets	70,092
Current liabilities	(8,558)
Non-current liabilities	(3,263)
Cost of share acquisition	63,036
Cash and cash equivalents	(733)
Foreign currency translation adjustment	(374)
Balance: Expenditures associated with acquisition of shares	61,929

i Notes to Leases

1 Finance lease transactions (As lessor)

(1) Breakdown of lease investment assets
(Current assets)

	Previous Year (As of March 31, 2019)	Current Year (As of March 31, 2020)
Lease payments receivable component	39,507 million yen	46,292 million yen
Estimated residual value component	505	501
Amount equivalent to interest income	(8,246)	(9,339)
Lease investment assets	31,767	37,454

(2) Amounts of lease receivables and lease payments receivable components of lease investment assets expected to be collected after the fiscal year end
(Current assets)

	Previous Year (As of March 31, 2019)					
	One year or less (million yen)	More than one year, up to two years (million yen)	More than two years, up to three years (million yen)	More than three years, up to four years (million yen)	More than four years, up to five years (million yen)	More than five years (million yen)
Lease receivables	1,312	1,193	1,054	937	795	3,904
Lease investment assets	6,913	6,313	5,747	5,037	4,259	11,236

	Current Year (As of March 31, 2020)					
	One year or less (million yen)	More than one year, up to two years (million yen)	More than two years, up to three years (million yen)	More than three years, up to four years (million yen)	More than four years, up to five years (million yen)	More than five years (million yen)
Lease receivables	1,587	1,447	1,298	1,131	981	4,970
Lease investment assets	8,032	7,421	6,819	5,942	4,830	13,245

2 Operating lease transactions (As lessee)

Future lease payments payable for non-cancellable operating leases

	Previous Year (As of March 31, 2019)	Current Year (As of March 31, 2020)
Due within one year	1,084 million yen	1,230 million yen
Due over one year	4,232	3,959
Total	5,316	5,190

(Lessor)

Future lease payments receivable for non-cancellable operating leases

	Previous Year (As of March 31, 2019)	Current Year (As of March 31, 2020)
Due within one year	1,954 million yen	2,154 million yen
Due over one year	4,242	4,657
Total	6,197	6,812

3 Amounts recorded on the consolidated balance sheet before deducting amounts equivalent to interest for sublease transactions

(1) Lease receivables and lease investment assets

	Previous Year (As of March 31, 2019)	Current Year (As of March 31, 2020)
Current assets	9,032 million yen	10,714 million yen

(2) Lease obligations

	Previous Year (As of March 31, 2019)	Current Year (As of March 31, 2020)
Current liabilities	628 million yen	708 million yen
Non-current liabilities	6,627	7,644

j Notes to Financial Instruments

1 Matters on the status of financial instruments

(1) Policies for dealing with financial instruments

It is the Group's policy to raise its operating funds through loans from financial institutions and the issuance of bonds and to conduct fund management through a conservative financial portfolio which limits exposure to losses. The Group uses derivative transactions to hedge the risks described later and does not engage in speculative transactions.

(2) Details of financial instruments, risks thereof and risk management structure

Notes and accounts receivable - trade, which are operating receivables, are exposed to customer credit risks. To deal with this risk, the Company and the Group companies manage due dates and balances for each counterparty in accordance with their accounting rules and manuals regarding receivable management, etc. and seek to mitigate collectability concern.

Securities and investment securities, which comprise mainly shares of companies with which the Group has business relationships, are exposed to risks including market price fluctuation risk. The Group continuously reviews its shareholding position by periodically monitoring their market price and the financial condition of the issuers (customer companies), as well as considering the relationship with such customer companies.

Notes and accounts payable - trade, which are operating payables, are mostly settled within one year. Of bonds and loans payable, short-term borrowings are mainly to procure funds for operational transactions, while bonds and long-term borrowings are mainly to procure funds for capital expenditures. Bonds and long-term borrowings procure funds with fixed interest rates.

In derivative transactions, the Group uses interest rate swaps for adjusting the ratio between fixed and floating interest rates and

fixing the interest level for bonds and loans payable, forward exchange contracts and currency option contracts for reducing the fluctuation of cash flows due to change in foreign exchange rates, swap contracts and option contracts on crude oil and natural gas prices, etc. for reducing the fluctuation of cash flows due to change in crude oil and natural gas prices, etc., and weather derivative contracts, etc. for reducing the fluctuation of cash flows due to change in temperature. Matters on hedge accounting including hedging instruments, hedged items, hedging policy and method for assessing the hedge effectiveness are as described in 4 (6) of "Significant Matters Forming the Basis of Preparation of the Consolidated Financial Statements."

In conducting derivative transactions, the Group primarily enters into contracts only with financial institutions, etc. with high ratings in order to minimize credit risks. Execution and management of derivative transactions are performed by the finance department of each Group company, and the finance department of the Company controls their activities. Transactions by Group companies are conducted in accordance with the internal rules.

Although operating payables, loans and bonds payable are exposed to liquidity risk, the Company maintains high credit ratings and secures stable fund procurement measures. In addition, the Group has implemented a cash management system (CMS) and a global cash management system (GCMS) to facilitate funding for Group companies.

(3) Supplementary explanation to fair value of financial instruments

Please note that contract amounts of derivative transactions in "2 Matters on fair value, etc. of financial instruments" do not, in themselves, indicate the market risk pertaining to the derivative transactions.

2 Matters on fair value, etc. of financial instruments

The carrying amount in the consolidated balance sheet, fair value and difference between them are as follows. Financial instruments whose fair value is deemed to be extremely difficult to determine are not included in the table below (see Note 2).

Previous Year (As of March 31, 2019)

	Carrying amount in the consolidated balance sheet (million yen)	Fair value (million yen)	Difference (million yen)
(1) Cash and deposits	116,289	116,289	—
(2) Notes and accounts receivable - trade	219,206	219,206	—
(3) Securities and investment securities	95,429	95,429	—
Total assets	430,925	430,925	—
(1) Notes and accounts payable - trade	66,087	66,087	—
(2) Short-term borrowings	22,751	22,751	—
(3) Bonds payable (※1)	164,988	177,943	12,954
(4) Long-term borrowings (※1)	404,188	417,956	13,768
Total liabilities	658,014	684,738	26,723
Derivative transactions (※2)	(1,446)	(1,446)	—

(※1) Includes those due within one year.

(※2) Assets and liabilities arising from derivative transactions were offset and indicated by parentheses () when the amount offset was a liability.

Current Year (As of March 31, 2020)

	Carrying amount in the consolidated balance sheet (million yen)	Fair value (million yen)	Difference (million yen)
(1) Cash and deposits	147,201	147,201	—
(2) Notes and accounts receivable - trade	210,515	210,515	—
(3) Securities and investment securities	86,329	86,329	—
Total assets	444,046	444,046	—
(1) Notes and accounts payable - trade	59,363	59,363	—
(2) Short-term borrowings	20,029	20,029	—
(3) Bonds payable (※1)	319,992	327,165	7,172
(4) Long-term borrowings (※1)	401,827	420,116	18,288
Total liabilities	801,213	826,674	25,461
Derivative transactions (※2)	(675)	(675)	—

(※1) Includes those due within one year.

(※2) Assets and liabilities arising from derivative transactions were offset and indicated by parentheses () when the amount offset was a liability.

Note 1: Method for measuring fair value of financial instruments and matters on securities and derivative transactions

Assets

(1) Cash and deposits, and (2) Notes and accounts receivable - trade

As these items are settled within a short term, the fair value is approximately equal to the carrying amount. Therefore, the fair value is determined by the carrying amount.

(3) Securities and investment securities

The fair value of shares is based on the market prices at the exchange. The fair value of bonds is based on the market prices at the exchange or the prices provided by counterparty financial institutions. For information on securities classified by holding purpose, please refer to "Notes to Securities."

Liabilities

(1) Notes and accounts payable - trade, and (2) Short-term borrowings

As these items are settled within a short term, the fair value is approximately equal to the carrying amount. Therefore, the fair value is determined by the carrying amount.

(4) Long-term borrowings

The fair value of long-term borrowings with fixed interest is measured by discounting the sum of the principal and interest at the rate assumed for new similar loans.

The fair value of long-term borrowings with floating interest is determined by the carrying amount, as the fair value is deemed approximately equal to the carrying amount. Interest rate swap contracts which determine the interest rate level of long-term borrowings with floating interest qualify for exceptional accounting. Long-term borrowings with floating interest accompanied by such interest swaps are accounted for as a whole, and the fair value is determined by discounting the sum of their principals and interests at a reasonably estimated rate applied for similar loans.

(3) Bonds payable

The fair value of bonds payable issued by the Company is based on their market prices.

Derivative transactions

Please refer to "Notes to Derivative Transactions."

Note 2: Carrying amount in the consolidated balance sheet of financial instruments whose fair value is extremely difficult to determine

(million yen)

Category	March 31, 2019	March 31, 2020
Shares of affiliates	249,346	229,227
Unlisted stocks, etc.	14,962	16,643

As the above financial instruments do not have market prices and their future cash flows cannot be estimated, their fair value is extremely difficult to determine. Therefore, they are not included in "(3) Securities and investment securities."

Note 3: Expected redemption amounts of monetary receivables and securities with maturities after the consolidated fiscal year-end

Previous Year (As of March 31, 2019)

	One year or less (million yen)	More than one year, up to five years (million yen)	More than five years, up to ten years (million yen)	More than ten years (million yen)
Cash and deposits	116,289	—	—	—
Notes and accounts receivable - trade	219,206	—	—	—
Securities and investment securities				
Held-to-maturity bonds (Corporate bonds)	—	—	—	180
Available-for-sale securities with maturities (Government bonds and municipal bonds)	—	—	—	98
Available-for-sale securities with maturities (Other)	210	1,578	1,277	0
Total	335,706	1,578	1,277	279

Current Year (As of March 31, 2020)

	One year or less (million yen)	More than one year, up to five years (million yen)	More than five years, up to ten years (million yen)	More than ten years (million yen)
Cash and deposits	147,201	—	—	—
Notes and accounts receivable - trade	210,515	—	—	—
Securities and investment securities				
Held-to-maturity bonds (Corporate bonds)	—	—	—	180
Available-for-sale securities with maturities (Government bonds and municipal bonds)	—	—	—	98
Available-for-sale securities with maturities (Other)	43	2,211	2,339	0
Total	357,760	2,211	2,339	279

Note 4: Expected repayment amounts of bonds payable, long-term borrowings and other interest-bearing debts

Previous Year (As of March 31, 2019)

	One year or less (million yen)	More than one year, up to two years (million yen)	More than two years, up to three years (million yen)	More than three years, up to four years (million yen)	More than four years, up to five years (million yen)	More than five years (million yen)
Short-term borrowings	22,751	—	—	—	—	—
Bonds payable	20,000	30,000	10,000	30,000	10,000	65,000
Long-term borrowings	36,769	37,099	60,513	37,372	49,289	183,144
Total	79,520	67,099	70,513	67,372	59,289	248,144

Current Year (As of March 31, 2020)

	One year or less (million yen)	More than one year, up to two years (million yen)	More than two years, up to three years (million yen)	More than three years, up to four years (million yen)	More than four years, up to five years (million yen)	More than five years (million yen)
Short-term borrowings	20,029	—	—	—	—	—
Bonds payable	30,000	10,000	30,000	10,000	—	240,000
Long-term borrowings	38,070	69,332	39,703	48,713	47,651	158,356
Total	88,099	79,332	69,703	58,713	47,651	398,356

k Notes to Securities

1 Available-for-sale securities

Previous Year (As of March 31, 2019)

	Carrying amount in the consolidated balance sheet (million yen)	Acquisition cost (million yen)	Difference (million yen)
1 Available-for-sale securities whose carrying amount in the consolidated balance sheet exceeds the acquisition cost			
(1) Stocks	93,207	21,724	71,482
(2) Bonds			
Government bonds and municipal bonds, etc.	—	—	—
Subtotal	93,207	21,724	71,482
2 Available-for-sale securities whose carrying amount in the consolidated balance sheet does not exceed the acquisition cost			
(1) Stocks	2,123	3,224	(1,101)
(2) Bonds			
Government bonds and municipal bonds, etc.	98	98	—
Subtotal	2,222	3,323	(1,101)
Total	95,429	25,048	70,381

Note: As unlisted stocks (carrying amount in the consolidated balance sheet: ¥11,704 million), etc. do not have market prices and their future cash flows cannot be estimated, their fair value is extremely difficult to determine. Therefore, they are not included.

Current Year (As of March 31, 2020)

	Carrying amount in the consolidated balance sheet (million yen)	Acquisition cost (million yen)	Difference (million yen)
1 Available-for-sale securities whose carrying amount in the consolidated balance sheet exceeds the acquisition cost			
(1) Stocks	78,384	21,297	57,087
(2) Bonds			
Government bonds and municipal bonds, etc.	—	—	—
Subtotal	78,384	21,297	57,087
2 Available-for-sale securities whose carrying amount in the consolidated balance sheet does not exceed the acquisition cost			
(1) Stocks	7,845	8,045	(199)
(2) Bonds			
Government bonds and municipal bonds, etc.	98	98	—
Subtotal	7,944	8,143	(199)
Total	86,329	29,441	56,887

Note: As unlisted stocks (carrying amount in the consolidated balance sheet: ¥11,859 million), etc. do not have market prices and their future cash flows cannot be estimated, their fair value is extremely difficult to determine. Therefore, they are not included.

2 Available-for-sale securities sold during the fiscal year

Previous Year (April 1, 2018 - March 31, 2019)

Stocks	Total sales	125 million yen
	Total gain on sales	51
	Total loss on sales	26

Current Year (April 1, 2019 - March 31, 2020)

Stocks	Total sales	1,147 million yen
	Total gain on sales	1,128
	Total loss on sales	1

3 Securities for which impairment loss is recognized

For the previous fiscal year, an impairment loss of ¥2,125 million for shares of subsidiaries and associates and an impairment loss of ¥42 million for available-for-sale securities were recognized.

For the current fiscal year, an impairment loss of ¥1,041 million for shares of subsidiaries and associates and an impairment loss of ¥205 million for available-for-sale securities were recognized.

I Notes to Derivative Transactions

1 Derivative transactions to which hedge accounting is not applied

Previous Year (As of March 31, 2019)

Underlying asset	Derivative instrument	Type of transaction	Contract amount (million yen)		Fair value (million yen)	Valuation gain (loss) (million yen)
				More than one year		
(a) Commodities	Swap contracts and option contracts on oil price, etc.	Other than market transactions	7,978	7,726	(368)	(368)
(b) Currencies	Forward exchange contracts	Other than market transactions	271	—	(1)	(1)
Total			8,249	7,726	(369)	(369)

Note 1: The fair value is measured mainly based on the prices provided by counterparty financial institutions.

Note 2: As certain derivative transactions no longer satisfy the requirements for hedge accounting, hedge accounting is discontinued for such transactions.

Current Year (As of March 31, 2020)

Underlying asset	Derivative instrument	Type of transaction	Contract amount (million yen)		Fair value (million yen)	Valuation gain (loss)(million yen)
				More than one year		
(a) Commodities	Swap contracts and option contracts on oil price, etc.	Other than market transactions	42,448	31,129	(1,112)	(1,112)
(b) Currencies	Forward exchange contracts	Other than market transactions	258	—	(10)	(10)
Total			42,706	31,129	(1,123)	(1,123)

Note 1: The fair value is measured mainly based on the prices provided by counterparty financial institutions.

Note 2: As certain derivative transactions no longer satisfy the requirements for hedge accounting, hedge accounting is discontinued for such transactions.

2 Derivative transactions to which hedge accounting is applied

Previous Year (As of March 31, 2019)

Underlying asset	Derivative instrument	Hedge accounting	Major hedged item	Contract amount (million yen)		Fair value (million yen)
					More than one year	
(a) Interest rates	Interest rate swap contracts	Exceptional accounting of interest rate swaps	Long-term borrowings	70,466	67,463	(Note 2)
		Principal method of accounting	Long-term borrowings and bonds payable	105,706	97,174	(1,379)
(b) Currencies	Forward exchange contracts and currency option contracts	Allocation accounting of forward exchange contracts, etc.	Forecast transactions denominated in foreign currencies	9,377	2,659	276
		Principal method of accounting	Forecast transactions denominated in foreign currencies	100,092	18,584	399
(c) Commodities	Swap contracts and option contracts on oil price, etc.	Principal method of accounting	Purchase prices of raw materials, etc.	51,056	35,407	(373)
Total				336,698	221,288	(1,077)

Note 1: The fair value is measured mainly based on the prices provided by counterparty financial institutions.

Note 2: As interest rate swaps subject to exceptional accounting are accounted for together with the hedged long-term borrowings, their fair value is included in that of the long-term borrowings.

Current Year (As of March 31, 2020)

Underlying asset	Derivative instrument	Hedge accounting	Major hedged item	Contract amount (million yen)		Fair value (million yen)
					More than one year	
(a) Interest rates	Interest rate swap contracts	Exceptional accounting of interest rate swaps	Long-term borrowings	65,962	65,642	(Note 2)
		Principal method of accounting	Long-term borrowings and bonds payable	116,353	110,473	(6,235)
(b) Currencies	Forward exchange contracts and currency option contracts	Allocation accounting of forward exchange contracts, etc.	Forecast transactions denominated in foreign currencies	7,012	203	55
		Principal method of accounting	Forecast transactions denominated in foreign currencies	139,829	134,509	13,859
(c) Commodities	Swap contracts and option contracts on oil price, etc.	Principal method of accounting	Purchase prices of raw materials, etc.	62,937	35,982	(7,186)
Total				392,095	346,812	493

Note 1: The fair value is measured mainly based on the prices provided by counterparty financial institutions.

Note 2: As interest rate swaps subject to exceptional accounting are accounted for together with the hedged long-term borrowings, their fair value is included in that of the long-term borrowings.

m Notes to Retirement Benefits

1 Summary of the adopted retirement benefit plans

The Company and its consolidated subsidiaries have adopted funded and unfunded defined benefit plans and defined contribution plans. As for defined benefit plans, the Company and most consolidated subsidiaries provide lump sum retirement payment plans, and the Company and certain consolidated subsidiaries provide defined benefit corporate pension plans or corporate pension fund plans.

The Company has adopted a defined benefit corporate pension

plan since August 1, 2006 and a defined contribution pension plan to which part of the defined benefit plan transitioned since January 1, 2005.

As certain consolidated subsidiaries participate in the corporate pension fund of the multi-employer pension plans, they cannot determine the amount of pension assets corresponding to their contribution. Therefore, such plans are accounted for in the same manner as defined contribution plans.

2 Defined benefit plans

(1) Reconciliations of the opening and closing balances of retirement benefit obligations

	Previous Year (April 1, 2018 - March 31, 2019)	Current Year (April 1, 2019 - March 31, 2020)
Balance at beginning of year	290,953 million yen	290,819 million yen
Service cost	8,277	8,596
Interest cost	1,428	912
Actuarial loss (gain)	5,842	(298)
Benefits paid	(15,753)	(14,531)
Increase associated with an increase in consolidated subsidiaries	—	2,179
Other	71	5
Balance at end of year	290,819	287,683

Note: Consolidated subsidiaries which have adopted the simplified method are included.

(2) Reconciliations of the opening and closing balances of plan assets

	Previous Year (April 1, 2018 - March 31, 2019)	Current Year (April 1, 2019 - March 31, 2020)
Balance at beginning of year	320,399 million yen	322,665 million yen
Expected return on plan assets	6,740	6,749
Actuarial loss (gain)	8,125	(5,478)
Contributions paid by the employer	1,849	1,802
Benefits paid	(14,444)	(13,376)
Increase associated with an increase in consolidated subsidiaries	—	1,997
Other	(5)	(0)
Balance at end of year	322,665	314,358

Note: Consolidated subsidiaries which have adopted the simplified method are included.

(3) Reconciliations of the closing balances of retirement benefit obligations and plan assets, and retirement benefit liability and asset recorded in the consolidated balance sheet

	Previous Year (As of March 31, 2019)	Current Year (As of March 31, 2020)
Funded retirement benefit obligations	273,522 million yen	270,077 million yen
Plan assets	(322,665)	(314,358)
	(49,143)	(44,280)
Unfunded retirement benefit obligations	17,297	17,606
Total net defined benefit liability (asset) recorded in the consolidated balance sheet	(31,846)	(26,674)
Retirement benefit liability	17,228	17,590
Retirement benefit asset	(49,074)	(44,264)
Total net defined benefit liability (asset) recorded in the consolidated balance sheet	(31,846)	(26,674)

Note: Consolidated subsidiaries which have adopted the simplified method are included.

(4) Retirement benefit costs and components thereof

	Previous Year (April 1, 2018 - March 31, 2019)	Current Year (April 1, 2019 - March 31, 2020)
Service cost	8,277 million yen	8,596 million yen
Interest cost	1,428	912
Expected return on plan assets	(6,740)	(6,749)
Net actuarial loss amortization	2,591	(3,396)
Past service cost amortization	(30)	(30)
Total retirement benefit costs	5,525	(667)

Note: The retirement benefit cost for consolidated subsidiaries which have adopted the simplified method is included in "Service cost."

(5) Remeasurements of defined benefit plans

Items (before tax effect) recorded in remeasurements of defined benefit plans are as follows:

	Previous Year (April 1, 2018 - March 31, 2019)	Current Year (April 1, 2019 - March 31, 2020)
Past service cost	30 million yen	30 million yen
Actuarial gain (loss)	(4,796)	8,579
Total	(4,765)	8,609

(6) Remeasurements of defined benefit plans

Items (before tax effect) recorded in remeasurements of defined benefit plans are as follows:

	Previous Year (As of March 31, 2019)	Current Year (As of March 31, 2020)
Unrecognized past service cost	(46) million yen	(15) million yen
Unrecognized actuarial gain (loss)	(20,967)	(12,388)
Total	(21,013)	(12,404)

(7) Plan assets

① Major components of plan assets

The proportion of major categories to total plan assets is as follows:

	Previous Year (As of March 31, 2019)	Current Year (As of March 31, 2020)
Bonds	27.0 %	23.9 %
Stocks	31.6	31.3
Cash and deposits	24.5	28.3
Other	16.9	16.5
Total	100.0	100.0

Note: The main assets of "Other" are beneficiary securities in the real estate investment trust fund.

② Method for setting long-term expected rate of return

In determining the long-term expected rate of return, the current and projected allocations of plan assets and the current and expected long-term investment returns on various assets constituting plan assets are taken into account.

(8) Actuarial assumptions

Major assumptions for actuarial calculations are as follows:

	Previous Year (April 1, 2018 - March 31, 2019)	Current Year (April 1, 2019 - March 31, 2020)
Discount rate	Mainly 0.3 %	Mainly 0.3 %
Long-term expected rate of return	Mainly 2.1 %	Mainly 2.1 %

3 Defined contribution plans

The contribution required to the defined contribution plan of the Company and its consolidated subsidiaries was ¥1,103 million for the previous fiscal year and ¥1,272 million for the current fiscal year.

4 Multi-employer pension plans

The multi-employer pension plans were accounted for in the same manner as the defined contribution plan. The contribution required to the corporate pension fund of the multi-employer pension plans was ¥76 million for the previous fiscal year and ¥84 million for the current fiscal year.

(1) Recent funded status of multi-employer pension plans

	Previous Year (As of March 31, 2018)	Current Year (As of March 31, 2019)
Amount of plan assets	248,188 million yen	245,472 million yen
Total amount of actuarial obligation and minimum actuarial reserve in pension financing	203,695	200,586
Balance	44,493	44,885

(2) Share of the Group's contribution to overall multi-employer pension plans

Previous fiscal year 1.17% (weighted average) (March 1, 2018 - March 31, 2018)

Current fiscal year 1.16% (weighted average) (March 1, 2019 - March 31, 2019)

(3) Supplementary explanation

The major factor contributing to the balance in (1) above was retained earnings (¥44,561 million for the previous fiscal year and ¥44,936 million for the current fiscal year).

n Notes to Stock Options

Not applicable.

o Tax Effect Accounting

1 Breakdown of major causes for deferred tax assets and deferred tax liabilities

	Previous Year (As of March 31, 2019)	Current Year (As of March 31, 2020)
Deferred tax assets		
Tax loss carryforwards (Note 2)	38,913 million yen	83,123 million yen
Excess depreciation of depreciable assets	5,510	23,917
Petroleum resource use tax for international business	19,710	17,447
Other	38,924	55,015
Subtotal deferred tax assets	103,059	179,504
Valuation allowance on tax loss carryforwards (Note 2)	(12,959)	(31,113)
Valuation allowance on the total of deductible temporary differences	(37,981)	(58,833)
Subtotal valuation allowance (Note 1)	(50,940)	(89,946)
Total deferred tax assets	52,118	89,557
Deferred tax liabilities		
Temporary differences related to investments in affiliates	(14,909)	(43,960)
Valuation difference on available-for-sale securities	(19,500)	(15,586)
Retirement benefit asset	(13,756)	(12,399)
Other	(8,783)	(22,463)
Total deferred tax liabilities	(56,950)	(94,409)
Net deferred tax assets (liabilities)	(4,832)	(4,851)

Note 1: Valuation allowance has increased by ¥39,005 million compared with the previous fiscal year. The primary component of this increase is an increase of ¥32,668 million in valuation allowance on deductible temporary differences at Osaka Gas USA Corporation, a consolidated subsidiary.

Note 2: Tax loss carryforwards and associated deferred tax assets by carryforward period

Previous Year (As of March 31, 2019)

	One year or less (million yen)	More than one year, up to two years (million yen)	More than two years, up to three years (million yen)	More than three years, up to four years (million yen)	More than four years, up to five years (million yen)	More than five years (million yen)	Total (million yen)
Tax loss carryforwards (a)	51	106	39	39	101	38,575	38,913
Valuation allowance	26	81	38	39	101	12,671	12,959
Deferred tax assets	25	24	0	—	—	25,903	25,954(b)

(a) A tax loss carryforward is the amount obtained by multiplying by the effective statutory tax rate.

(b) Deferred tax assets of ¥25,954 million is recorded for tax loss carryforwards of ¥38,913 million (amount obtained by multiplying by the effective statutory tax rate). The Company does not recognize valuation allowances for the portion of the tax loss carryforwards deemed to be recoverable due to the prospect of future taxable income from the Australian upstream business and the North American IPP business.

Current Year (As of March 31, 2020)

	One year or less (million yen)	More than one year, up to two years (million yen)	More than two years, up to three years (million yen)	More than three years, up to four years (million yen)	More than four years, up to five years (million yen)	More than five years (million yen)	Total (million yen)
Tax loss carryforwards (a)	53	11	13	87	85	82,871	83,123
Valuation allowance	35	11	13	87	57	30,908	31,113
Deferred tax assets	18	—	—	—	28	51,963	52,010(b)

(a) A tax loss carryforward is the amount obtained by multiplying by the effective statutory tax rate.

(b) Deferred tax assets of ¥52,010 million is recorded for tax loss carryforwards of ¥83,123 million (amount obtained by multiplying by the effective statutory tax rate). The Company does not recognize valuation allowances for the portion of the tax loss carryforwards deemed to be recoverable due to the prospect of future taxable income from the North American IPP business, the Freeport LNG Project, and the Australian upstream business.

2 Breakdown of major items causing the difference between the statutory effective tax rate and the burden rate of income taxes after applying tax effect accounting

	Previous Year (As of March 31, 2019)	Current Year (As of March 31, 2020)
Statutory effective tax rate	28.0 %	28.0 %
(Reconciliation)		
Valuation allowance	6.2	10.9
Petroleum resource use tax for international business	(15.6)	3.2
Difference between the parent's and subsidiaries' effective statutory tax rates	1.7	1.9
Temporary differences related to investment in affiliates	2.2	(5.0)
Other	7.4	(0.0)
Burden rate of income taxes after applying tax effect accounting	29.8 %	39.0 %

P Notes to Business Combinations, etc.

Current Year (April 1, 2019 - March 31, 2020)

Business combination through acquisition

1 Overview of business combination

(1) Name of company acquired and business description

Name of company acquired	Sabine Oil & Gas Corporation ("Sabine")
Business description	Shale gas development business

(2) Main reasons for conducting business combination

Sabine is a shale gas developer that holds approximately 1,000 km² of mining area in Eastern Texas in the United States, producing gas equivalent to approximately 1.9 million tons per year (as of the date of business combination) when converted to LNG. Through this business combination, the Group will own the entire mining area held by Sabine, which will lead to acquiring stable revenue from the wells in production as well as acquiring operatorship to proactively promote projects in the U.S. energy upstream business, thereby achieving more strategic business operations.

(3) Date of business combination

November 30, 2019

(4) Legal structure of business combination

Acquisition of shares

(5) Name of the company after the combination

Unchanged

(6) Voting rights ratio acquired

Voting rights ratio acquired on the day of business combination: 100%

(7) Main reasons leading to the determination of the acquired company

Osaka Gas USA Corporation, the Company's consolidated subsidiary, acquired all shares in Sabine in consideration for cash.

2 Business results period of acquired company included in the consolidated financial statements

From December 1, 2019 through December 31, 2019
Although the fiscal year-end of the acquired company is different from the consolidated fiscal year-end, the difference between the

fiscal year-ends does not exceed 3 months. Therefore, the consolidated financial statements are prepared using said company's figures as of its fiscal year-end.

3 Acquisition cost of the acquired company and breakdowns for each type of consideration

Consideration for acquisition Cash	63,036 million yen
Acquisition cost	63,036

4 Details and amounts of primary acquisition-related costs

Advisory expenses, etc.	558 million yen
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5 Amount of goodwill incurred, cause of generating goodwill, method of amortization and amortization period

Neither goodwill nor negative goodwill was incurred.

6 Amounts of assets accepted and liabilities assumed on the day of business combination and their main breakdowns

Current assets	4,765 million yen
Non-current assets	70,092
Total assets	74,858
Current liabilities	8,558
Non-current liabilities	3,263
Total liabilities	11,822

7 Estimated amounts of impact on the consolidated statement of income for the fiscal year ended March 31, 2020 if the business combination is assumed to have been completed on the beginning date of the fiscal year ended March 31, 2020, as well as the calculation method

Net sales	20,788 million yen
Ordinary profit	9,058
Profit attributable to owners of parent	9,058

(Calculation method for estimated amounts)

Assuming that the business combination was completed on the beginning date of the fiscal year ended March 31, 2020, the estimated amounts of impact are calculated with the net sales and profit (loss) information of the acquired company through the date of business combination as the basis.

Note that this note is outside the scope of audits.

q Notes to Asset Retirement Obligations

Not applicable.

r Notes to Leased Properties, etc.

The Company and certain consolidated subsidiaries own office buildings and other properties for lease (including land) in Osaka Prefecture and other areas. Gains from the lease of such leased properties (recorded mainly as operating profit) are ¥7,190 million for the fiscal year ended March 31, 2019 and ¥7,258 million for

the fiscal year ended March 31, 2020.

The carrying amount in the consolidated balance sheet, changes during the fiscal year, and the fair value of the leased properties are as follows:

	Previous Year (April 1, 2018 - March 31, 2019)	Current Year (April 1, 2019 - March 31, 2020)
Carrying amount in the consolidated balance sheet		
Balance at beginning of year	115,788 million yen	128,315 million yen
Increase (decrease)	12,527	15,237
Balance at end of year	128,315	143,553
Fair value at end of year	209,421	232,263

Note 1: The carrying amount in the consolidated balance sheet is stated at acquisition cost less accumulated depreciation and accumulated impairment losses.

Note 2: The main factor contributing to an increase was the acquisition of properties (previous fiscal year: ¥10,147 million, current fiscal year: ¥15,500 million).

Note 3: The fair value at the end of the fiscal year is the amount (including the amount adjusted using the index, etc.) determined based mainly on the method prescribed by the "Real Estate Appraisal Standard" and other similar methods.

s Segment Information, etc.

【Segment Information】

1 Summary of reportable segments

The Daigas Group's reportable segments are organizational units for which separate financial information is available, and they are regularly reviewed by the Board of Directors to determine the allocation of management resources and assess business results. The Daigas Group classifies its products and services into business segments on the basis of two business domains: the Domestic and International Energy Business, and the Life & Business Solutions Business. It then divides those business segments into the following four reportable segments by considering the similarities of products and services: the Domestic Energy/Gas Business, the Domestic Energy/Electricity Business, the International Energy Business, and the Life &

Business Solutions Business.

The Domestic Energy/Gas Business manufactures, supplies, and sells city gas and gas appliances, conducts gas pipeline installation, and sells LNG, LPG and industrial gas. The Domestic Energy/Electricity Business produces and sells electricity. The International Energy Business conducts development and investment related to petroleum and natural gas, supplies energy, and transports LNG. The Life & Business Solutions Business conducts development and leasing of real estate, information processing services, and sales of fine materials and carbon material products.

2 The method of measurements of sales, profit (loss), assets, liabilities, and other items by reportable segment

The method of accounting for reportable segments is generally the same as that stated in the basis for preparing consolidated

financial statements. Intersegment revenue and transfers are determined according to prevailing market prices.

3 Information of sales, profit (loss), assets, liabilities, and other items by reportable segment

Previous Year (April 1, 2018 - March 31, 2019)

(million yen)

	Reportable Segment				Total	Adjustments (Note 2)	Consolidated (Note 2)
	Domestic Energy/Gas	Domestic Energy/ Electricity	International Energy	Life & Business Solutions			
Net sales							
Sales to external customers	999,476	183,067	22,113	167,206	1,371,863	—	1,371,863
Transactions with other segments	13,166	1,245	18,376	43,707	76,497	(76,497)	—
Total	1,012,642	184,313	40,489	210,914	1,448,361	(76,497)	1,371,863
Segment profit							
Operating profit	34,778	9,350	5,283	17,714	67,126	850	67,977
Share of profit (loss) of entities accounted for using equity method	1,031	(625)	691	—	1,096	—	1,096
Total	35,809	8,724	5,974	17,714	68,222	850	69,073
Segment assets	866,906	165,322	572,881	374,311	1,979,422	50,300	2,029,722
Other items							
Depreciation	55,639	7,998	14,762	11,352	89,752	(1,389)	88,363
Amortization of goodwill (Note 3)	8,901	192	465	1,820	11,381	—	11,381
Investment in entities accounted for using equity method	14,405	2,477	213,821	—	230,703	—	230,703
Increase in property, plant and equipment and intangible assets	48,139	16,188	24,760	19,888	108,977	(1,717)	107,259

Note 1: Adjustments are as follows:

(1) A major adjustment in segment profit (loss) is the elimination of intersegment transactions.

(2) A major adjustment in segment assets is for investment securities held by the Company.

Note 2: Segment profit (loss) is adjusted by adding share of profit (loss) of entities accounted for using equity method to operating profit (loss).

Note 3: Amortization of goodwill includes amortization of goodwill recognized in extraordinary losses.

Current Year (April 1, 2019 - March 31, 2020)

(million yen)

	Reportable Segment				Total	Adjustments (Note 1)	Consolidated (Note 2)
	Domestic Energy/Gas	Domestic Energy/ Electricity	International Energy	Life & Business Solutions			
Net sales							
Sales to external customers	961,082	203,659	33,430	170,516	1,368,689	—	1,368,689
Transactions with other segments	12,677	1,195	27,823	48,916	90,613	(90,613)	—
Total	973,759	204,855	61,254	219,432	1,459,302	(90,613)	1,368,689
Segment profit							
Operating profit	52,612	8,427	2,952	19,676	83,669	122	83,792
Share of profit (loss) of entities accounted for using equity method	534	(517)	5,209	—	5,225	—	5,225
Total	53,146	7,909	8,162	19,676	88,895	122	89,018
Segment assets	867,755	217,545	625,410	390,693	2,101,405	39,076	2,140,482
Other items							
Depreciation	54,774	8,176	16,800	11,676	91,428	(1,469)	89,958
Amortization of goodwill	—	242	17	1,705	1,966	—	1,966
Investment in entities accounted for using equity method	14,408	470	195,768	—	210,647	—	210,647
Increase in property, plant and equipment and intangible assets	65,717	27,099	8,914	32,216	133,947	(2,937)	131,010

Note 1: Adjustments are as follows:

(1) A major adjustment in segment profit (loss) is the elimination of intersegment transactions.

(2) A major adjustment in segment assets is for investment securities held by the Company.

Note 2: Segment profit (loss) is adjusted by adding share of profit (loss) of entities accounted for using equity method to operating profit (loss).

【Related Information】

Previous Year (April 1, 2018 - March 31, 2019)

1 Information by product and service

The information is omitted as similar information is disclosed in “Segment Information.”

2 Information by geographical area

(1) Net sales

The information is omitted as net sales in Japan account for more than 90% of net sales in the consolidated statement of income.

(2) Property, plant and equipment

(million yen)

Japan	Australia	Other areas	Total
745,316	129,417	32,994	907,728

3 Information by major customer

The information is omitted as there is no external customer who accounts for 10% or more of net sales in the consolidated statement of income.

Current Year (April 1, 2019 - March 31, 2020)

1 Information by product and service

The information is omitted as similar information is disclosed in “Segment Information.”

2 Information by geographical area

(1) Net sales

The information is omitted as net sales in Japan account for more than 90% of net sales in the consolidated statement of income.

(2) Property, plant and equipment

(million yen)

Japan	Australia	Other areas	Total
784,218	123,503	106,850	1,014,572

3 Information by major customer

The information is omitted as there is no external customer who accounts for 10% or more of net sales in the consolidated statement of income.

【Information about impairment loss for non-current assets by reportable segment】

Previous Year (April 1, 2018 - March 31, 2019)

Omitted due to immateriality in amount.

Current Year (April 1, 2019 - March 31, 2020)

(million yen)

	Reportable Segment				Total	Elimination/ Corporate	Total
	Domestic Energy/Gas	Domestic Energy/ Electricity	International Energy	Life & Business Solutions			
Impairment loss	61	—	14,816	690	15,568	—	15,568

【Information about the amortized amount and unamortized balance of goodwill by reportable segment】

Previous Year (April 1, 2018 - March 31, 2019)

(million yen)

	Reportable Segment				Total	Elimination/ Corporate	Total
	Domestic Energy/Gas	Domestic Energy/ Electricity	International Energy	Life & Business Solutions			
Amortized amount during year	8,901	192	465	1,820	11,381	—	11,381
Unamortized balance at end of year	—	2,504	3	9,025	11,533	—	11,533

(Note) Amortized amounts during the fiscal year include amortization of goodwill recognized in extraordinary losses.

Current Year (April 1, 2019 - March 31, 2020)

(million yen)

	Reportable Segment				Total	Elimination/ Corporate	Total
	Domestic Energy/Gas	Domestic Energy/ Electricity	International Energy	Life & Business Solutions			
Amortized amount during year	—	242	17	1,705	1,966	—	1,966
Unamortized balance at end of year	—	4,868	(14)	7,285	12,139	—	12,139

【Information about gain on bargain purchase by reportable segment】

Previous Year (April 1, 2018 - March 31, 2019)

Not applicable.

Current Year (April 1, 2019 - March 31, 2020)

Not applicable.

【Related Party Information】

Not applicable.

t Per Share Information

	Previous Year (April 1, 2018 - March 31, 2019)	Current Year (April 1, 2019 - March 31, 2020)
Shareholders' equity per share	2,415.37 yen	2,399.06 yen
Earnings per share	80.80 yen	100.50 yen

Note 1: Since there were no potential shares with a dilutive effect, data on diluted earnings per share is not presented in this document.

Note 2: The following data was used for calculating earnings per share:

	Previous Year (April 1, 2018 - March 31, 2019)	Current Year (April 1, 2019 - March 31, 2020)
Profit attributable to owners of parent (million yen)	33,601	41,788
Amount not attributable to common shareholders (million yen)	—	—
Profit attributable to owners of parent attributable to common share (million yen)	33,601	41,788
Average number of common shares during the fiscal year (thousand shares)	415,831	415,798

u Subsequent Events

Since March 2020, there has been a global spread of COVID-19, which has led to a decline in energy prices including crude oil prices. Even though this may affect the consolidated operating results and financial position in the next fiscal year and thereafter, it is extremely difficult to quantify its impact at this point in time due to a number of uncertainties.

Annexed Consolidated Detailed Schedules

[Annexed consolidated detailed schedule of corporate bonds]

Company	Name of issue	Date of issuance	Balance at the beginning of current fiscal year (million yen)	Balance at the end of current fiscal year (included portion due within 1 year) (million yen)	Interest rate (%)	Collateral	Maturity
Osaka Gas	The 18th domestic unsecured bond	February 12, 2003	19,994	19,996	1.47	None	December 20, 2022
Osaka Gas	The 19th domestic unsecured bond	March 10, 2005	19,999	—	1.83	None	March 19, 2020
Osaka Gas	The 20th domestic unsecured bond	August 17, 2005	19,997	19,999 (19,999)	1.79	None	September 18, 2020
Osaka Gas	The 21st domestic unsecured bond	June 23, 2006	9,997	9,997	2.33	None	June 23, 2026
Osaka Gas (Note 2)	The 23rd domestic unsecured bond	July 25, 2007	—	—	2.14	None	July 25, 2019
Osaka Gas	The 28th domestic unsecured bond	March 9, 2011	10,000	10,000 (10,000)	1.345	None	March 9, 2021
Osaka Gas	The 29th domestic unsecured bond	December 9, 2011	10,000	10,000	1.16	None	December 9, 2021
Osaka Gas	The 30th domestic unsecured bond	December 14, 2012	10,000	10,000	0.759	None	December 14, 2022
Osaka Gas	The 31st domestic unsecured bond	October 18, 2013	10,000	10,000	0.748	None	October 18, 2023
Osaka Gas	The 32nd domestic unsecured bond	March 24, 2014	15,000	15,000	1.606	None	March 24, 2034
Osaka Gas	The 33rd domestic unsecured bond	October 24, 2014	20,000	20,000	1.402	None	October 24, 2034
Osaka Gas	The 34th domestic unsecured bond	March 5, 2015	10,000	10,000	1.685	None	March 3, 2045
Osaka Gas	The 35th domestic unsecured bond	December 9, 2016	10,000	10,000	0.986	None	December 8, 2056
Osaka Gas	The 36th domestic unsecured bond	June 6, 2019	—	20,000	0.642	None	June 4, 2049
Osaka Gas	The 37th domestic unsecured bond	June 6, 2019	—	20,000	0.818	None	June 6, 2059
Osaka Gas	The 38th domestic unsecured bond	September 5, 2019	—	20,000	0.4	None	September 3, 2049
Osaka Gas	The 39th domestic unsecured bond	September 5, 2019	—	5,000	0.545	None	September 5, 2058
Osaka Gas	The 40th domestic unsecured bond	September 5, 2019	—	10,000	0.7	None	September 5, 2069
Osaka Gas	#1 Unsecured corporate bonds with interest deferrable clause and early redeemable option (subordinated corporate bonds)	December 12, 2019	—	50,000	0.44	None	December 12, 2079
Osaka Gas	#2 Unsecured corporate bonds with interest deferrable clause and early redeemable option (subordinated corporate bonds)	December 12, 2019	—	50,000	0.6	None	December 12, 2079
Total	—	—	164,988	319,992 (29,999)	—	—	—

Note 1: The redemption schedule within 5 years after the consolidated fiscal year-end is as follows:

One year or less (million yen)	More than one year, up to two years (million yen)	More than two years, up to three years (million yen)	More than three years, up to four years (million yen)	More than four years, up to five years (million yen)
30,000	10,000	30,000	10,000	—

Note 2: The 23rd domestic unsecured bond (¥20,000 million) of Osaka Gas Co., Ltd. is accounted for as redeemed, since this debt was assigned to banks under debt assumption agreements concluded with said banks.

The obligation to redeem the 23rd domestic unsecured bond is reported as contingent liabilities in bonds to the consolidated balance sheet.

[Annexed consolidated detailed schedule of borrowings]

Category	Balance at beginning of year (million yen)	Balance at end of year (million yen)	Average interest rate (%)	Payment due
Short-term borrowings	22,751	20,029	0.4	—
Current portion of long-term borrowings	36,769	38,070	0.9	—
Current portion of lease obligations	1,151	1,582	—	—
Long-term borrowings (excluding current portion)	367,418	363,757	1.4	From April 2021 to March 2048
Lease obligations (excluding current portion)	8,386	10,574	—	From April 2021 to March 2038
Other interest-bearing debt	46,000	—	—	—
Commercial paper (one year or less)	—	—	—	—
Total	482,477	434,013	—	—

Note 1: "Average interest rate" shows weighted average interest rates with respect to the year-end balances of borrowings. "Average interest rate" for lease obligations is not stated because lease obligations are recorded in the consolidated balance sheet at the amount before deducting the interest-equivalent component included in the total lease payment.

Note 2: The repayment schedule within 5 years after the consolidated fiscal year-end for long-term borrowings and lease obligations (excluding current portion) is as follows:

	More than one year, up to two years (million yen)	More than two years, up to three years (million yen)	More than three years, up to four years (million yen)	More than four years, up to five years (million yen)
Long-term borrowings	69,332	39,703	48,713	47,651
Lease obligations	1,415	1,050	989	929

[Annexed consolidated detailed schedule of asset retirement obligations]

The amount of asset retirement obligations was 1% or less of total liabilities and net assets at the beginning the current fiscal

year as well as at the end of the current fiscal year. Therefore, the schedule of asset retirement obligations is not disclosed.

(2) [Other]

Quarter results for the current fiscal year

(Cumulative period)		First quarter	Second quarter	Third quarter	Full year
Net sales (million yen)		335,068	652,987	974,503	1,368,689
Profit before income taxes (million yen)		41,462	49,881	54,901	70,449
Profit attributable to owners of parent (million yen)		28,631	33,449	34,800	41,788
Earnings per share (yen)		68.86	80.44	83.70	100.50

(Accounting period)		First quarter	Second quarter	Third quarter	Fourth quarter
Earnings per share (yen)		68.86	11.59	3.25	16.81

Independent Auditor's Report and Internal Control Audit Report

June 26, 2020

To the Board of Directors
Osaka Gas Co., Ltd.

KPMG AZSA LLC
Osaka Office

Designated Limited Liability Partner Engagement Partner	Certified Public Accountant Kenryo Goto (Seal)
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Designated Limited Liability Partner Engagement Partner	Certified Public Accountant Kenta Tsujii (Seal)
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Designated Limited Liability Partner Engagement Partner	Certified Public Accountant Shoichiro Shigeta (Seal)
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<Financial Statements Audit>

Opinion

Pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, we have audited the accompanying consolidated financial statements of Osaka Gas Co., Ltd. included in "Financial Information" for the fiscal year from April 1, 2019 to March 31, 2020, which comprise the consolidated balance sheet, the consolidated statements of income, comprehensive income, changes in equity and cash flows, as well as significant matters forming the basis of preparation of the consolidated financial statements and other notes, and annexed consolidated detailed schedules.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Osaka Gas Co., Ltd. and its consolidated subsidiaries as of March 31, 2020, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the annexed consolidated detailed schedules, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the annexed consolidated detailed schedules as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and the annexed consolidated detailed schedules.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the annexed consolidated detailed schedules, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the annexed consolidated detailed schedules or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the consolidated financial statements and the annexed consolidated detailed schedules are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements and the annexed consolidated detailed schedules, including the disclosures, and whether the consolidated financial statements and the annexed consolidated detailed schedules represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

<Internal Control Audit>

Opinion

Pursuant to Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act, we have audited the internal control report dated March 31, 2020 of Osaka Gas Co., Ltd.

In our opinion, the internal control report, in which Osaka Gas Co., Ltd states that internal control over financial reporting was effective as at March 31, 2020, presents fairly, in all material respects, the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our internal control audit in accordance with internal control auditing standards in relation to financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Internal Control Audit section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Internal Control Report

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the internal control report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Corporate auditors and the board of corporate auditors are responsible for overseeing and verifying the status of design, implementation and maintenance of the Company's internal control in relation to financial reporting.

Internal control over financial reporting may not completely prevent or detect financial reporting misstatements.

Auditor's Responsibilities for the Internal Control Audit

Our objectives are to obtain reasonable assurance about whether the internal control report is free from material misstatement, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists.

As part of our audit in accordance with internal control auditing standards in relation to financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Conduct audit procedures to obtain audit evidence regarding the results of evaluation on internal control in relation to financial reporting, as stated in the internal control report. The audit procedures for the internal control audit shall be selected and applied at our discretion, based on the materiality of the impact on trustworthiness of financial reporting.
- Consider the statements in the internal control report as a whole, including statements by management on the scope of evaluation, evaluation procedures, and results of evaluation on internal control in relation to financial reporting.
- Obtain sufficient and appropriate audit evidence regarding the results of evaluation on internal control in relation to financial reporting, as stated in the internal control report. We are responsible for the direction, supervision and performance of the audit on the internal control report. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding the planned scope and timing of the internal control audit, results of conducting the internal control audit, any significant deficiencies in internal control identified during our audit that must be disclosed, results of remedies thereof, and other matters required in the internal control audit standards.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Conflicts of interest

Our firm and engagement partners have no interest in the Company or its consolidated subsidiaries which should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

End of report

* The above is an electronic version of the original audit report, which is kept separately by the Annual Securities Report (Yuka Shoken Houkoku) filing Company.