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Consolidated Statement of Changes in Equity
Notes to Consolidated Financial Statements
Non-Consolidated Statement of Changes in Equity
Notes to Non-Consolidated Financial Statements

The 202nd Fiscal Year (From April 1, 2019 to March 31, 2020)

OSAKA GAS CO., LTD.

Consolidated Statement of Changes in Equity (April 1, 2019 to March 31, 2020)

(Millions of 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		
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
Restated 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 in 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 in items other than shareholders' equity						(10,496)	(10,154)	—	(1,104)	(6,300)	(28,055)	(530)	(28,585)
Total changes in 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

Notes to Consolidated Financial Statements (April 1, 2019 to March 31, 2020)

1. Notes to Significant Matters Forming the Basis of Preparation of the Consolidated Financial Statements

(1) Scope of consolidation

Number of consolidated subsidiaries: 156

(Names of principal consolidated subsidiaries)

Osaka Gas Chemicals Co., Ltd., Osaka Gas Urban Development Co., Ltd. and OGIS-RI Co., Ltd.

(Material change in scope of consolidation)

Sabine Oil & Gas Corporation has been included in the consolidated financial statements because it has newly become a subsidiary due to the acquisition of its shares.

(2) Application of the equity method

Number of equity method associates: 23

(Names of principal equity method associates)

Idemitsu Snorre Oil Development Co., Ltd. and Sumisho Osaka Gas Water UK, Ltd.

(Names of principal associates not subject to the equity method)

The associates not subject to the equity method include primarily ENNET Corporation.

The equity method is not applied to these associates because they do not have a material impact on profit or loss, retained earnings, etc., and are not material as a whole.

(3) Accounting policies

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

a. 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., on the closing day. (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

b. 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.

c. Derivatives: Stated at fair value

(ii) Depreciation and amortization method of significant depreciable assets

- a. Property, plant and equipment (excluding leased assets) are depreciated primarily using 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.
- b. Intangible assets (excluding leased assets) are amortized primarily using the straight-line method. For internal-use software, the straight-line method based on the term available for use within Osaka Gas Co., Ltd. (“the Company”) and each subsidiary has been applied.
- c. Leased assets resulting from non-ownership-transfer finance leases are depreciated or amortized using the straight-line method over the useful life equal to the lease terms assuming no residual value.

(iii) Basis for recording significant allowances

- a. Allowance for doubtful accounts

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

- b. 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.

- c. 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.

- d. 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.

(iv) Other significant matters for the preparation of the consolidated financial statements

a. Accounting for retirement benefits

For the purposes of employee retirement benefits, based on the estimate of the retirement benefit obligations at the end of this consolidated fiscal year, an amount obtained by deducting plan assets from retirement benefit obligations is provided.

i Method of 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.

ii Amortization of actuarial gains and losses and past service costs

Past service costs are expensed mainly in the consolidated 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 consolidated fiscal year after occurrence.

b. Accounting for consumption taxes and other taxes

Consumption taxes and other taxes are calculated using the net-of-tax method.

2. Notes to Changes in Accounting Policies

Having applied from the beginning of the current consolidated fiscal year “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries, etc. for Consolidated Financial Statements” (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) (together, hereinafter referred to as “PITFs No.18 and 19”), when the foreign subsidiaries adopt IFRS 9 “Financial Instruments” and elect to present subsequent changes in fair value of equity instruments in other comprehensive income, amounts equivalent to gains or losses on disposal of or losses on impairment of the equity instruments are reclassified as profit or loss in the current consolidated fiscal year by the consolidation adjustments.

Having followed the transitional treatments regarding the application of PITFs No.18 and 19, cumulative effects of changes in such accounting policies are accounted for in the beginning balance of retained earnings in the current consolidated fiscal year.

As a result, the beginning balance of retained earnings has decreased by ¥1,215 million and valuation difference on available-for-sale securities has increased by ¥1,215 million in the consolidated balance sheet.

3. Notes to Changes in Presentation Method

As Osaka Gas USA Corporation, a consolidated subsidiary of the Company, acquired all shares of Sabine Oil & Gas Corporation, a U.S. shale gas developer, in the current consolidated fiscal year, the assets relating to gas field development acquired by Osaka Gas USA Corporation and recorded as intangible assets in the previous year have been presented as property, plant and equipment in accordance with the asset management method of Sabine Oil & Gas Corporation.

4. Notes to the Consolidated Balance Sheet

(1) Assets pledged as collateral and secured liabilities

(i) Assets pledged as collateral	
Property, plant and equipment	¥132,490 million
Investments and other assets	¥125,251 million
Others	¥59,949 million
	<hr/>
Total	¥317,691 million
(ii) Secured liabilities	¥73,605 million

In addition to above, shares of subsidiaries and associates, etc. of ¥27,481 million offset as a result of consolidation are pledged as collateral.

(2) Accumulated depreciation of property, plant and equipment:	¥2,704,741 million
(3) Guarantee liabilities, etc.	
Guarantee liabilities:	¥9,368 million

5. Notes to Revaluation Reserve for Land

Commercial land of certain consolidated subsidiaries has been revaluated 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. 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).

6. Notes to Financial Instruments

(1) Matters concerning the status of financial instruments

It is the Group's policy to raise its operating funds through borrowings from financial institutions and the issuance of bonds and to conduct fund management through a conservative financial portfolio. Also we comply with our accounting manual, etc., to diminish risks on counterpart credit risk against the note and trade accounts receivable. In derivative transactions, we use interest swap for adjusting the ratio between fixed and floating interest rates and fixing the interest level for bonds and borrowings, exchange forward contracts and currency option contracts for reducing fluctuation of cash flow due to exchange fluctuation, swap and option of crude oil and natural gas prices, etc., for reducing fluctuation of cash flow due to change in crude oil and natural gas prices, etc., and weather derivatives for reducing fluctuation of cash flow due to temperature variability. We do not invest in speculative transactions.

(2) Matters concerning fair value, etc., of financial instruments

Amounts recorded in the consolidated balance sheet, fair values and the difference between such amount and value at the end of this consolidated fiscal year are as follows. Financial instruments for which it is extremely difficult to determine the fair value are not included in the table below (see Note 2).

(Millions of Yen)

	Amount recorded on the consolidated balance sheet	Fair value	Difference
(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 transaction ²	(675)	(675)	—

¹ Includes those due within one year.

² Receivables and payables incurred by derivative transactions are shown in net amount.

Notes: 1. Matters concerning calculation method for fair value of financial instruments, and matters concerning securities and derivatives

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 book value. Therefore, the book value is listed as the fair value for these items.

(3) Securities and investment securities

Fair values of shares are prices quoted by stock exchanges.

The fair values of bonds are prices quoted by securities exchanges or prices presented by financial institutions.

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 book value. Therefore, the book value is listed as the fair value for these items.

(3) Bonds payable

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

(4) Long-term borrowings

The fair value of long-term borrowings with fixed interest rate is calculated by discounting the sum of the principal and interest with the interest rate of new borrowings for the same amount. The fair value of long-term borrowings with floating interest rate is its book value because the fair value is considered to be approximately equal to the book value.

Derivatives

The fair value of derivative transactions is primarily based on the price quoted by the counterpart financial institutions. The fair value of derivatives for which special exception for interest swap is applied is included in the fair value of long-term borrowings as it is treated as part of such long-term borrowings which are hedged.

2. Shares of associates and unlisted shares (amount recorded on the consolidated balance sheet: ¥245,870 million) are not included in “(3) Securities and investment securities” as they have no market price and their future cash flows cannot be estimated. Therefore, it is recognized as being very difficult to obtain fair value.

7. Notes to Leased Properties, etc.

(1) Matters concerning the status of leased properties

The Company and some of its consolidated subsidiaries own office buildings for lease (including land) in Osaka Prefecture and other areas.

(2) Matters concerning fair value of leased properties

(Millions of Yen)

Amount recorded on the consolidated balance sheet	Fair value
143,553	232,263

- Notes: 1. The amount recorded on the consolidated balance sheet is the amount which deducts the accumulated depreciation amount and accumulated impairment loss amount from the acquisition cost.

2. The fair value at the end of this consolidated fiscal year is the amount (including the amount adjusted by using the index, etc.) based mainly on the method prescribed by the “Real Estate Appraisal Standard” and other similar methods.

8. Notes to the Consolidated Statement of Changes in Equity

- (1) Number of shares issued and outstanding as of the consolidated fiscal year end
416,680,000 common shares

- (2) Dividends

- (i) Amount of payment of dividends

- a. At the Annual Meeting of Shareholders held on June 20, 2019, the following were resolved with March 31, 2019, as a record date.

Dividends of common shares

- | | |
|----------------------------------|-----------------|
| (a) Total amount of dividends | ¥10,395 million |
| (b) Dividend per share | ¥25.00 |
| (c) Effective date for dividends | June 21, 2019 |

- b. At the meeting of the Board of Directors held on October 29, 2019, the following were resolved with September 30, 2019, as a record date.

Dividends of common shares

- | | |
|----------------------------------|-------------------|
| (a) Total amount of dividends | ¥10,394 million |
| (b) Dividend per share | ¥25.00 |
| (c) Effective date for dividends | November 29, 2019 |

- (ii) Dividends of which the record date falls within this consolidated fiscal year and of which the effective date falls within the next consolidated fiscal year

At the Annual Meeting of Shareholders to be held on June 26, 2020, the following will be proposed with March 31, 2020, as a record date. Dividends are to be appropriated from retained earnings.

Dividends of common shares

- | | |
|----------------------------------|-----------------|
| (a) Total amount of dividends | ¥10,394 million |
| (b) Dividend per share | ¥25.00 |
| (c) Effective date for dividends | June 29, 2020 |

9. Notes to Per Share Information

- | | |
|---------------------------|-----------|
| (1) Net assets per share: | ¥2,399.06 |
| (2) Earnings per share: | ¥100.50 |

10. Notes to Significant Subsequent Events

Since March 2020, the global outbreak of COVID-19 has led to a decrease in energy prices including crude oil prices, etc. Although this will likely have an effect on the Osaka Gas Group's operating results

and financial position in the next fiscal year and thereafter, it is extremely difficult to calculate its impact at this point in time due to a number of uncertainties.

11. Other Notes

Osaka Gas USA Corporation, a consolidated subsidiary of the Company, acquired all the shares of Sabine Oil & Gas Corporation, a U.S. shale gas developer, on November 30, 2019, to gain stable income from wells in production and acquire operatorship to take the lead in promoting upstream energy projects in the United States. The acquisition cost was ¥63,036 million, and no goodwill or negative goodwill was recognized.

Non-Consolidated Statement of Changes in Equity (April 1, 2019 to March 31, 2020)

(Millions of Yen)

	Shareholders' equity												Valuation and translation adjustments			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		Total valuation and translation adjustments
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings					Total retained earnings						
						Reserve for reduction entry of specified replaced properties	Reserve for overseas investment loss	Reserve for adjustment of cost fluctuations	General reserve	Retained earnings brought forward							
Balance at beginning of period	132,166	19,482	11	19,494	33,041	241	16,563	89,000	62,000	379,349	580,196	(1,744)	730,112	37,760	(2,860)	34,900	765,013
Changes in items during period																	
Reversal of reserve for overseas investment loss							(1,799)			1,799	—		—				—
Dividends of surplus										(20,790)	(20,790)		(20,790)				(20,790)
Profit										44,979	44,979		44,979				44,979
Purchase of treasury shares												(60)	(60)				(60)
Disposal of treasury shares			(0)	(0)								2	2				2
Net changes in items other than shareholders' equity														(7,362)	(2,136)	(9,498)	(9,498)
Total changes in items during period	—	—	(0)	(0)	—	—	(1,799)	—	—	25,989	24,189	(57)	24,131	(7,362)	(2,136)	(9,498)	14,633
Balance at end of period	132,166	19,482	11	19,494	33,041	241	14,763	89,000	62,000	405,339	604,386	(1,802)	754,244	30,398	(4,996)	25,402	779,646

Notes to Non-Consolidated Financial Statements (April 1, 2019 to March 31, 2020)

1. Notes to Matters in respect of Significant Accounting Policies

(1) Basis and methodology for the valuation of assets

(i) Valuation of securities:

Bonds held to maturity:	Stated at amortized cost
Shares of subsidiaries and associates:	Stated at cost based on the moving-average method
Other investment securities:	
Securities for which it is practical to determine fair value:	Stated at fair value based on the market price, etc., on the closing day (Unrealized valuation gains and losses are accounted for as a component of net assets; cost of sales is determined using the moving-average method.)
Securities for which it is not practical to determine fair value:	Stated at cost based on the moving-average method

(ii) Inventories are valued as follows; provided, however that inventories held for trading recorded on the balance sheet are depreciated to write down the carrying amount based on depreciation of profitability:

Finished goods:	Stated at cost based on the total-average method
Raw materials:	Stated at cost based on the moving-average method
Supplies:	Stated at cost based on the moving-average method

(iii) Derivatives are stated at fair value.

(2) Depreciation and amortization method of non-current assets

- (i) Property, plant and equipment (excluding leased assets) are depreciated using 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.
- (ii) Intangible assets (excluding leased assets) are amortized using the straight-line method. For internal-use software, the straight-line method based on the term available for use within OSAKA GAS CO., LTD. (“the Company”) has been applied.

- (iii) Leased assets resulting from non-ownership-transfer finance leases are depreciated or amortized using the straight-line method over the useful life equal to the lease terms assuming no residual value.
- (3) Basis for recording allowances
- (i) As for the allowance for doubtful accounts, to provide for the bad debts loss of accounts receivable, loans receivable, etc., an estimated uncollectible amount is provided which is based on an amount calculated based on the default ratio in the past for general receivables and the individual collectability for certain receivables including receivables with default possibility.
 - (ii) As for the provision for retirement benefits, for the purposes of employee retirement benefits, an amount is provided based on the estimate of the retirement benefits obligation and pension assets at the end of the fiscal year.
 - a. Method of attributing projected retirement benefits to periods of service
In calculating retirement benefit obligations, the benefit formula basis is applied to attribute projected retirement benefits to periods of service until the end of this fiscal year.
 - b. Amortization of actuarial gains and losses and past service costs
Past service costs are expensed in the period when such costs are incurred.
Actuarial gains and losses are amortized on a straight-line basis over a period of 10 years beginning from the next fiscal year of occurrence.
 - (iii) As for the 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.
 - (iv) As for the 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.
 - (v) As for the 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) Other significant matters for the preparation of these non-consolidated financial statements
- (i) The method of accounting for unrecognized actuarial differences and unrecognized past service costs concerning retirement benefits on a non-consolidated basis is different from that on a consolidated basis.
 - (ii) Consumption taxes and other taxes are calculated using the net-of-tax method.

2. Notes to the Non-Consolidated Balance Sheet

- (1) Assets pledged as collateral
- | | |
|-------------------------------|----------------|
| Investments and other assets: | ¥5,933 million |
|-------------------------------|----------------|
- (2) Accumulated depreciation of property, plant and equipment and accumulated amortization of intangible assets
- | | |
|--|--------------------|
| Accumulated depreciation of property, plant and equipment: | ¥2,282,496 million |
| Accumulated amortization of intangible assets: | ¥11,344 million |
- (3) Guarantee liabilities, etc.
- | | |
|------------------------|-----------------|
| Guarantee liabilities: | ¥57,007 million |
|------------------------|-----------------|

3. Notes to the Non-Consolidated Statement of Income

Amount of business from operational transactions with subsidiaries and associates:

Sales to subsidiaries and associates:	¥100,982 million
Amount of purchases from subsidiaries and associates:	¥194,998 million

Amount of business from non-operational transactions with subsidiaries and associates:

¥33,978 million

4. Notes to the Non-Consolidated Statement of Changes in Equity

Number of treasury stock at the end of the fiscal year:	895,971 common shares
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5. Notes to Tax Effect Accounting

- (1) The main factors for the deferred tax assets are loss on valuation of securities, provision for gas appliance warranties and over-depreciation of depreciable assets.
- (2) The main factors for the deferred tax liabilities are valuation difference on available-for-sale securities, prepaid severance and retirement benefit expenses and reserves required under the Special Taxation Measures Law.

6. Notes to Transactions with Related Parties

Company name	Holding ratio of voting rights	Relationship	Substance of transaction	Transaction amount (Millions of Yen)	Item	Outstanding amount as at the year-end (Millions of Yen)
Osaka Gas USA Corporation	100% direct holding	Subsidiary	Underwriting of capital increase (Note 1)	72,384	—	—
Osaka Gas Gorgon Pty. Ltd.	100% indirect holding	Subsidiary	Debt guarantee (Note 2)	27,279	—	—

Conditions of transaction and decision policy for conditions of transaction, etc.

Notes:

1. The Company underwrote a capital increase through shareholder allocation carried out by Osaka Gas USA Corporation.
2. The Company provided a guarantee for the long-term borrowings of Osaka Gas Gorgon Pty. Ltd. to Japan Bank for International Cooperation, etc.

7. Notes to Per Share Information

(1)	Net assets per share:	¥1,875.12
(2)	Earnings per share:	¥108.18