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Consolidated Statement of Changes in Equity  
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The 203rd Fiscal Year (From April 1, 2020 to March 31, 2021)

**OSAKA GAS CO., LTD.**

## Consolidated Statement of Changes in Equity (April 1, 2020 to March 31, 2021)

(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		
<b>Balance at beginning of period</b>	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
<b>Changes during period</b>													
Dividends of surplus			(20,788)		(20,788)								(20,788)
Profit attributable to owners of parent			80,857		80,857								80,857
Purchase of treasury shares				(52)	(52)								(52)
Disposal of treasury shares		0		2	2								2
Change in scope of equity method			(635)		(635)								(635)
Change in ownership interest of parent due to transactions with non-controlling interests		(13)			(13)								(13)
Net changes in items other than shareholders' equity						28,474	(16,203)		(12,468)	25,215	25,018	2,541	27,560
<b>Total changes during period</b>	—	(13)	59,433	(49)	59,369	28,474	(16,203)	—	(12,468)	25,215	25,018	2,541	86,930
<b>Balance at end of period</b>	132,166	19,469	861,746	(1,852)	1,011,530	69,811	(30,365)	(737)	(2,383)	34,025	70,350	32,716	1,114,597

## Notes to Consolidated Financial Statements (April 1, 2020 to March 31, 2021)

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

#### (1) Scope of consolidation

Number of consolidated subsidiaries: 154

(Names of principal consolidated subsidiaries)

Osaka Gas Chemicals Co., Ltd., Osaka Gas Urban Development Co., Ltd., OGIS-RI Co., Ltd., Osaka Gas Marketing Co., Ltd., Daigas Energy Co., Ltd. and Daigas Gas and Power Solution Co., Ltd.

#### (2) Application of the equity method

Number of equity method associates: 27

(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 principal associate not subject to the equity method is ENNET Corporation.

The equity method is not applied to those associates which 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

Available-for-sale 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

The net-of-tax method is used.

c. Accounting policies and procedures adopted in the absence of requirements in relevant accounting standards, etc. that specifically apply to events or transactions that are accounted for

Basis for recording revenue and expenses

Revenue from gas and electricity sales is recorded based on the meter reading date, in which gas or electricity usage is measured in a monthly meter reading and the calculated fees are recognized as revenue for that month.

(Additional information)

The Company and its subsidiaries adopted “Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections” (ASBJ Statement No. 24, March 31, 2020) to the consolidated financial statements for the current consolidated fiscal year, and therefore “accounting policies and procedures adopted in the absence of requirements in relevant accounting standards, etc. that specifically apply to events or transactions that are accounted for” are disclosed.

2. Notes to Changes in Presentation Method

Changes for adopting “Accounting Standard for Disclosure of Accounting Estimates”

The Company and its subsidiaries adopted ASBJ Statement No. 31 “Accounting Standard for Disclosure of Accounting Estimates” (March 31, 2020) to the consolidated financial statements for the current consolidated fiscal year, and therefore accounting estimates are disclosed in the note to the consolidated financial statements.

### 3. Notes to Accounting Estimates

Items for which the amount was recorded in the consolidated financial statements for this consolidated fiscal year based on accounting estimates and which may have a significant impact on the consolidated financial statements for the next consolidated fiscal year are as follows.

- (1) Impairment of property, plant and equipment, intangible assets, and investment in entities accounted for using equity method

Amounts recorded on the consolidated balance sheet for this consolidated fiscal year

Property, plant and equipment	¥1,070,610 million
Intangible assets	¥97,912 million
Investment in entities accounted for using equity method	¥210,091 million

- (2) Collectability of deferred tax assets

Amounts recorded on the consolidated balance sheet for this consolidated fiscal year

Deferred tax assets	¥25,933 million
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- (3) Calculation of retirement benefit obligations

Amounts recorded on the consolidated balance sheet for this consolidated fiscal year

Retirement benefit asset	¥83,494 million
Retirement benefit liability	¥18,758 million
Remeasurements of defined benefit plans	¥34,025 million

### 4. Notes to the Consolidated Balance Sheet

- (1) Assets pledged as collateral and secured liabilities

- (i) Assets pledged as collateral

Property, plant and equipment	¥108,136 million
Investments and other assets	¥123,166 million
Others	¥65,525 million
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Total	¥296,828 million

- (ii) Secured liabilities ¥97,339 million

In addition to above, shares of subsidiaries and associates, etc. of ¥25,044 million offset as a result of consolidation are pledged as collateral.

- (2) Accumulated depreciation of property, plant and equipment: ¥2,754,029 million

- (3) Guarantee liabilities, etc.  
Guarantee liabilities: ¥4,624 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 energy prices, etc., for reducing fluctuation of cash flow due to change in energy 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 amounts 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	167,083	167,083	—
(2) Notes and accounts receivable - trade	211,696	211,696	—
(3) Securities and investment securities	127,620	127,620	—
Total Assets	506,399	506,399	—
(1) Notes and accounts payable - trade	60,453	60,453	—
(2) Short-term borrowings	13,546	13,546	—
(3) Bonds payable <sup>1</sup>	364,995	366,069	1,073
(4) Long-term borrowings <sup>1</sup>	392,244	407,656	15,412
Total Liabilities	831,240	847,726	16,486
Derivative transactions <sup>2</sup>	(2,980)	(2,980)	—

<sup>1</sup> Includes those due within one year.

<sup>2</sup> 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 counterpart 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.

#### Derivative transactions

The fair value of derivative transactions is primarily based on the price quoted by the counterpart financial institutions. The fair value of derivative transactions 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: ¥249,454 million) are not included in “(3) Securities and investment securities” because they are recognized as being very difficult to obtain fair value as they have no market price and their future cash flows cannot be estimated.



7. Notes to Properties, etc. for Lease

(1) Matters concerning the status of properties for lease

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 properties for lease

(Millions of Yen)

Amount recorded on the consolidated balance sheet	Fair value
161,763	241,772

Notes: 1. The amount recorded on the consolidated balance sheet is the amount which deducts the accumulated depreciation amount and accumulated impairment losses 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.

3. Properties in development (amount recorded on the consolidated balance sheet: ¥3,763 million) are not included in the table above as development is currently underway and therefore it is difficult to determine fair value.

8. Notes to the Consolidated Statement of Changes in Equity

(1) Number of shares issued and outstanding as of the end of this consolidated fiscal year

416,680,000 common shares

(2) Dividends

(i) Amount of payment of dividends

a. At the Annual Meeting of Shareholders held on June 26, 2020, the following were resolved with March 31, 2020, 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	June 29, 2020

b. At the meeting of the Board of Directors held on October 29, 2020, the following were resolved with September 30, 2020, 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 30, 2020

- (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 25, 2021, the following will be proposed with March 31, 2021, as a record date. Dividends are to be appropriated from retained earnings.

Dividends of common shares

(a) Total amount of dividends	¥11,433 million
(b) Dividend per share	¥27.50
(c) Effective date for dividends	June 28, 2021

9. Notes to Per Share Information

(1) Net assets per share:	¥2,602.18
(2) Earnings per share:	¥194.48

10. Notes to Significant Subsequent Events

Conclusion of an Absorption-type Split Agreement for Spin-off of the Gas Pipeline Service Business

By resolution of the Board of Directors' meeting held on April 23, 2021, it was decided that on April 1, 2022, as a tentative date, the Company will transfer the general gas pipeline service business through a company split to Osaka Gas Network Co., Ltd. (hereinafter referred to as "Osaka Gas Network" or the "succeeding company"). On the same date, we executed an absorption-type split agreement with the succeeding company (this company split shall be hereinafter referred to as the "Split").

The Split is subject to the approval for the absorption-type split agreement at the Annual Meeting of Shareholders scheduled in June of this year and the competent authorities' approvals necessary for the Split.

(1) Background and purpose of the Split

Pursuant to the June 2015 amendment of the Gas Business Act, the Company, a general gas pipeline service business operator, will be prohibited from engaging also in the retail gas business or the gas production business from April 2022. The purpose of this amendment is to further secure neutrality of the gas pipeline service business.

In order to comply with the regulatory requirement and to establish an organizational structure to increase the value of our Group, we established Osaka Gas Network, a wholly-owned subsidiary of the Company, on April 1 of this year and executed an absorption-type split agreement with the subsidiary to transfer our general gas pipeline service business to the subsidiary which will become effective on April 1, 2022.

After the absorption-type split, our Group, including Osaka Gas Network, will continue to be a group of companies taking responsibility for the infrastructure sector, including the energy business, and to increase the value of our Group by fulfilling the obligation of the companies in our Group and maximizing the value we provide in our businesses.

(2) Outline of the Split

(i) Schedule of the Split

Board of Directors' meeting to approve the absorption-type split agreement (the Company)	April 23, 2021
Determination by directors to approve the absorption-type split agreement (succeeding company)	April 23, 2021
Execution of the absorption-type split agreement	April 23, 2021
General shareholders meeting to approve the absorption-type split agreement (the Company)	June 2021 (tentative)
Extraordinary general shareholders meeting to approve the absorption-type split agreement (succeeding company)	June 2021 (tentative)
Effective date of the absorption-type split	April 1, 2022 (tentative)

(ii) Type of Split

This is an absorption-type split in which the Company is a splitting company, and Osaka Gas Network, our wholly-owned subsidiary, is a succeeding company.

(iii) Particulars of allotment due to the Split

As part of the company split, Osaka Gas Network, the succeeding company, will issue 6,700,000 common shares and allot all of them to the Company.

(iv) Treatment of the Company's share options and corporate bonds with share options

The Company has not issued any share options or corporate bonds with share options.

(v) Increase or decrease in share capital due to the Split

There will be no change in share capital due to the Split.

(vi) Rights and obligations transferred to the succeeding company

In accordance with the absorption-type split agreement, which was executed between the Company and the succeeding company on April 23, 2021, the rights and obligations of the Company in relation to the general gas pipeline service business and its incidental businesses will be transferred to Osaka Gas Network on the effective date of the agreement. With respect to the assumption of obligations by Osaka Gas Network through the Split, Osaka Gas Network will assume the obligations on a non-cumulative basis. In addition, the succeeding company will not assume the obligations associated with the existing bonds we have offered publicly.

(vii) Expectation of performance of obligations

It is expected that the Company and the succeeding company will continue to have assets in excess of liabilities after the Split, and presently, we do not expect the occurrence of any events that would cause an impediment to the performance of obligations arising after the Split. For these reasons, we have determined that there will be no concerns with respect to the ability of the Company and the succeeding company to perform the obligations after the Split.

(3) Outline of parties to the Split

	Splitting company (As of March 31, 2021)	Succeeding company (As of April 1, 2021)
(i) Company name	Osaka Gas Co., Ltd.	Osaka Gas Network Co., Ltd.
(ii) Location	4-1-2, Hiranomachi, Chuo-ku, Osaka, Japan	4-1-2, Hiranomachi, Chuo-ku, Osaka, Japan
(iii) Title and name of authorized representative	Masataka Fujiwara, President and Representative Director	Tsuyoshi Nakamura, President and Representative Director
(iv) Description of business	Manufacturing, supply, and sale of city gas, sale of LPG, and generation and sale of electricity, etc.	Does not conduct business
(v) Share capital	132,166 million yen	100 million yen
(vi) Date of establishment	April 10, 1897	April 1, 2021
(vii) Total number of issued shares	416,680,000 shares	2,000 shares
(viii) End of accounting period	March 31	March 31
(ix) Major shareholders and ratio of shareholding	The Master Trust Bank of Japan, Ltd. (Trust Account) 8.13% Custody Bank of Japan, Ltd. (Trust Account) 4.96% Nippon Life Insurance Company (Standing Proxy: The Master Trust Bank of Japan, Ltd.) 4.63% Custody Bank of Japan, Ltd. (Trust Account 7) 2.78% MUFG Bank, Ltd. 2.69%	Osaka Gas Co., Ltd. 100%

	Splitting company (As of March 31, 2021)	Succeeding company (As of April 1, 2021)
(x) Operating results and financial position for the most recent fiscal year		
Fiscal year	Fiscal year ended March 31, 2021, consolidated	—
Net assets	1,114,597 million yen	100 million yen
Total assets	2,313,357 million yen	100 million yen
Net assets per share	2,602.18 yen	50,000 yen
Net sales	1,364,106 million yen	—
Operating profit	112,491 million yen	—
Ordinary profit	127,752 million yen	—
Profit attributable to owners of parent	80,857 million yen	—
Earnings per share	194.48 yen	—

Note:

Since the succeeding company was incorporated on April 1, 2021 and has no preceding fiscal year, (x) Operating results and financial position for the most recent fiscal year show the Net assets, Total assets and Net assets per share as of the date of incorporation.

(4) Outline of business unit to be split

(i) Description of business unit to be split

General gas pipeline service business and incidental businesses

(ii) Operating results of business unit to be split (Fiscal year ended March 31, 2021)

Description of business unit to be split	Net sales of business subject to split (a)	Non-consolidated net sales of the Company (b)	Ratio (a/b)
General gas pipeline service business and its incidental businesses	58,983 million yen	1,053,584 million yen	5.6%

Note: External net sales are stated.

(iii) Items and amounts of assets and liabilities to be split (As of March 31, 2021)

Assets		Liabilities	
Item	Book value	Item	Book value
Current assets	49,149 million yen	Current liabilities	32,116 million yen
Non-current assets	327,898 million yen	Non-current liabilities	10,105 million yen
Total	377,048 million yen	Total	42,222 million yen

Note:

The amounts shown above are estimates pursuant to the current status as of March 31, 2021. The amounts that will actually be transferred will reflect any increase or decrease that may occur up to the day immediately preceding the effective date of the Split.

## (5) Status after the Split (As of April 1, 2022 (Scheduled))

	Splitting company	Succeeding company
(i) Company name	Osaka Gas Co., Ltd.	Osaka Gas Network Co., Ltd.
(ii) Location	4-1-2, Hiranomachi, Chuo-ku, Osaka, Japan	4-1-2, Hiranomachi, Chuo-ku, Osaka, Japan
(iii) Title and name of authorized representative	Masataka Fujiwara, President and Representative Director	Tsuyoshi Nakamura, President and Representative Director
(iv) Description of business	Manufacturing and sale of city gas, sale of LPG, and generation and sale of electricity, etc.	General gas pipeline service business, etc.
(v) Share capital	132,166 million yen	6,000 million yen
(vi) End of accounting period	March 31	March 31

## Non-Consolidated Statement of Changes in Equity (April 1, 2020 to March 31, 2021)

(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 investment promotion taxation	Reserve for adjustment of cost fluctuations	General reserve	Retained earnings brought forward							
<b>Balance at beginning of period</b>	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
<b>Changes during period</b>																		
Reversal of reserve for overseas investment loss							(2,155)				2,155	—		—				—
Provision of reserve for investment promotion taxation								299			(299)	—		—				—
Dividends of surplus											(20,788)	(20,788)		(20,788)				(20,788)
Profit											54,641	54,641		54,641				54,641
Purchase of treasury shares													(52)	(52)				(52)
Disposal of treasury shares			0	0									2	2				2
Net changes in items other than shareholders' equity															16,864	2,127	18,992	18,992
<b>Total changes during period</b>	—	—	0	0	—	—	(2,155)	299	—	—	35,708	33,852	(49)	33,802	16,864	2,127	18,992	52,795
<b>Balance at end of period</b>	132,166	19,482	11	19,494	33,041	241	12,607	299	89,000	62,000	441,048	638,238	(1,852)	788,047	47,263	(2,868)	44,394	832,442

**Notes to Non-Consolidated Financial Statements (April 1, 2020 to March 31, 2021)**

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
Available-for-sale 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 non-consolidated 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 non-consolidated 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.
  - (iii) Accounting policies and procedures adopted in the absence of requirements in relevant accounting standards, etc. that specifically apply to events or transactions

that are accounted for

Revenue from gas and electricity sales is recorded based on the meter reading date, in which gas or electricity usage is measured in a monthly meter reading and the calculated fees are recognized as revenue for that month.

(Additional information)

The Company and its subsidiaries adopted “Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections” (ASBJ Statement No.24, March 31, 2020) to the non-consolidated financial statements for the current fiscal year, and therefore “accounting policies and procedures adopted in the absence of requirements in relevant accounting standards, etc. that specifically apply to events or transactions that are accounted for” are disclosed.

2. Notes to Changes in Presentation Method

Changes for adopting “Accounting Standard for Disclosure of Accounting Estimates”

The Company adopted ASBJ Statement No. 31 “Accounting Standard for Disclosure of Accounting Estimates” (March 31, 2020) to the non-consolidated financial statements for the current non-consolidated fiscal year, and therefore accounting estimates are disclosed in the note to the non-consolidated financial statements.

3. Notes to Accounting Estimates

Items for which the amount was recorded in the non-consolidated financial statements for this non-consolidated fiscal year based on accounting estimates and which may have a significant impact on the non-consolidated financial statements for the next non-consolidated fiscal year are as follows.

Calculation of retirement benefit obligations

Provision for retirement benefits	¥2,520 million
Prepaid pension costs	¥35,253 million

4. Notes to the Non-Consolidated Balance Sheet

(1) Assets pledged as collateral

Investments and other assets: ¥9,793 million

(2) Accumulated depreciation of property, plant and equipment and accumulated amortization of intangible assets

Accumulated depreciation of property, plant and equipment:	¥2,322,102 million
Accumulated amortization of intangible assets:	¥13,631 million

(3) Guarantee liabilities, etc.

Guarantee liabilities: ¥50,244 million

5. Notes to the Non-Consolidated Statement of Income

Amount of business from operational transactions with subsidiaries and associates:

Sales to subsidiaries and associates:	¥94,013 million
Amount of purchases from subsidiaries and associates:	¥224,796 million

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

¥29,927 million

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

Number of treasury stock at the end of the fiscal year: 920,065 common shares

7. 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.

8. 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 Gorgon Pty. Ltd.	100% indirect holding	Subsidiary	Debt guarantee (Note)	26,246	—	—

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

Note:

The Company provided a guarantee for the long-term borrowings of Osaka Gas Gorgon Pty. Ltd. to Japan Bank for International Cooperation, etc.

9. Notes to Per Share Information

(1) Net assets per share:	¥2,002.22
(2) Earnings per share:	¥131.42

10. Notes to Significant Subsequent Events

Conclusion of an Absorption-type Split Agreement for Spin-off of the Gas Pipeline Service Business

By resolution of the Board of Directors' meeting held on April 23, 2021, it was decided that on April 1, 2022, as a tentative date, the Company will transfer the general gas pipeline service business through a

company split to Osaka Gas Network Co., Ltd. (hereinafter referred to as “Osaka Gas Network” or the “succeeding company”). On the same date, we executed an absorption-type split agreement with the succeeding company (this company split shall be hereinafter referred to as the “Split”).

The Split is subject to the approval for the absorption-type split agreement at the Annual Meeting of Shareholders scheduled in June of this year and the competent authorities’ approvals necessary for the Split.

(1) Background and purpose of the Split

Pursuant to the June 2015 amendment of the Gas Business Act, the Company, a general gas pipeline service business operator, will be prohibited from engaging also in the retail gas business or the gas production business from April 2022. The purpose of this amendment is to further secure neutrality of the gas pipeline service business.

In order to comply with the regulatory requirement and to establish an organizational structure to increase the value of our Group, we established Osaka Gas Network, a wholly-owned subsidiary of the Company, on April 1 of this year and executed an absorption-type split agreement with the subsidiary to transfer our general gas pipeline service business to the subsidiary which will become effective on April 1, 2022.

After the absorption-type split, our Group, including Osaka Gas Network, will continue to be a group of companies taking responsibility for the infrastructure sector, including the energy business, and to increase the value of our Group by fulfilling the obligation of the companies in our Group and maximizing the value we provide in our businesses.

(2) Outline of the Split

(i) Schedule of the Split

Board of Directors’ meeting to approve the absorption-type split agreement (the Company)	April 23, 2021
Determination by directors to approve the absorption-type split agreement (succeeding company)	April 23, 2021
Execution of the absorption-type split agreement	April 23, 2021
General shareholders meeting to approve the absorption-type split agreement (the Company)	June 2021 (tentative)
Extraordinary general shareholders meeting to approve the absorption-type split agreement (succeeding company)	June 2021 (tentative)
Effective date of the absorption-type split	April 1, 2022 (tentative)

(ii) Type of Split

This is an absorption-type split in which the Company is a splitting company, and Osaka Gas Network, our wholly-owned subsidiary, is a succeeding company.

(iii) Particulars of allotment due to the Split

As part of the company split, Osaka Gas Network, the succeeding company, will issue 6,700,000 common shares and allot all of them to the Company.

(iv) Treatment of the Company's share options and corporate bonds with share options

The Company has not issued any share options or corporate bonds with share options.

(v) Increase or decrease in share capital due to the Split

There will be no change in share capital due to the Split.

(vi) Rights and obligations transferred to the succeeding company

In accordance with the absorption-type split agreement, which was executed between the Company and the succeeding company on April 23, 2021, the rights and obligations of the Company in relation to the general gas pipeline service business and its incidental businesses will be transferred to Osaka Gas Network on the effective date of the agreement. With respect to the assumption of obligations by Osaka Gas Network through the Split, Osaka Gas Network will assume the obligations on a non-cumulative basis. In addition, the succeeding company will not assume the obligations associated with the existing bonds we have offered publicly.

(vii) Expectation of performance of obligations

It is expected that the Company and the succeeding company will continue to have assets in excess of liabilities after the Split, and presently, we do not expect the occurrence of any events that would cause an impediment to the performance of obligations arising after the Split. For these reasons, we have determined that there will be no concerns with respect to the ability of the Company and the succeeding company to perform the obligations after the Split.

(3) Outline of parties to the Split

	Splitting company (As of March 31, 2021)	Succeeding company (As of April 1, 2021)
(i) Company name	Osaka Gas Co., Ltd.	Osaka Gas Network Co., Ltd.
(ii) Location	4-1-2, Hiranomachi, Chuo-ku, Osaka, Japan	4-1-2, Hiranomachi, Chuo-ku, Osaka, Japan
(iii) Title and name of authorized representative	Masataka Fujiwara, President and Representative Director	Tsuyoshi Nakamura, President and Representative Director

	Splitting company (As of March 31, 2021)	Succeeding company (As of April 1, 2021)
(iv) Description of business	Manufacturing, supply, and sale of city gas, sale of LPG, and generation and sale of electricity, etc.	Does not conduct business
(v) Share capital	132,166 million yen	100 million yen
(vi) Date of establishment	April 10, 1897	April 1, 2021
(vii) Total number of issued shares	416,680,000 shares	2,000 shares
(viii) End of accounting period	March 31	March 31
(ix) Major shareholders and ratio of shareholding	The Master Trust Bank of Japan, Ltd. (Trust Account) 8.13% Custody Bank of Japan, Ltd. (Trust Account) 4.96% Nippon Life Insurance Company (Standing Proxy: The Master Trust Bank of Japan, Ltd.) 4.63% Custody Bank of Japan, Ltd. (Trust Account 7) 2.78% MUFG Bank, Ltd. 2.69%	Osaka Gas Co., Ltd. 100%
(x) Operating results and financial position for the most recent fiscal year		
Fiscal year	Fiscal year ended March 31, 2021, consolidated	—
Net assets	1,114,597 million yen	100 million yen
Total assets	2,313,357 million yen	100 million yen
Net assets per share	2,602.18 yen	50,000 yen
Net sales	1,364,106 million yen	—
Operating profit	112,491 million yen	—
Ordinary profit	127,752 million yen	—
Profit attributable to owners of parent	80,857 million yen	—
Earnings per share	194.48 yen	—

Note:

Since the succeeding company was incorporated on April 1, 2021 and has no preceding fiscal year, (x) Operating results and financial position for the most recent fiscal year show the Net assets, Total assets and Net assets per share as of the date of incorporation.

(4) Outline of business unit to be split

(i) Description of business unit to be split

General gas pipeline service business and incidental businesses

(ii) Operating results of business unit to be split (Fiscal year ended March 31, 2021)

Description of business unit to be split	Net sales of business subject to split (a)	Non-consolidated net sales of the Company (b)	Ratio (a/b)
General gas pipeline service business and its incidental businesses	58,983 million yen	1,053,584 million yen	5.6%

Note: External net sales are stated.

(iii) Items and amounts of assets and liabilities to be split (As of March 31, 2021)

Assets		Liabilities	
Item	Book value	Item	Book value
Current assets	49,149 million yen	Current liabilities	32,116 million yen
Non-current assets	327,898 million yen	Non-current liabilities	10,105 million yen
Total	377,048 million yen	Total	42,222 million yen

Note:

The amounts shown above are estimates pursuant to the current status as of March 31, 2021. The amounts that will actually be transferred will reflect any increase or decrease that may occur up to the day immediately preceding the effective date of the Split.

(5) Status after the Split (As of April 1, 2022 (Scheduled))

	Splitting company	Succeeding company
(i) Company name	Osaka Gas Co., Ltd.	Osaka Gas Network Co., Ltd.
(ii) Location	4-1-2, Hiranomachi, Chuo-ku, Osaka, Japan	4-1-2, Hiranomachi, Chuo-ku, Osaka, Japan
(iii) Title and name of authorized representative	Masataka Fujiwara, President and Representative Director	Tsuyoshi Nakamura, President and Representative Director
(iv) Description of business	Manufacturing and sale of city gas, sale of LPG, and generation and sale of electricity, etc.	General gas pipeline service business, etc.
(v) Share capital	132,166 million yen	6,000 million yen
(vi) End of accounting period	March 31	March 31