

First Quarter of the Fiscal Year Ending March 31, 2023

Brief Report of Consolidated Financial Statements (Japanese GAAP)



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

August 1, 2022

Name of Listed Company	: Osaka Gas Co., Ltd.	Listed Exchanges:	Prime Market of Tokyo
Code No.	: 9532	URL:	https://www.osakagas.co.jp/en/
Representative Officer	: Title: President	Name:	Masataka Fujiwara
Contact	: Title: Manager, Finance Dept.	Name:	Haruhiko Katsurayama
Scheduled Date of Financial Report Filing with the Financial Services Agency	: August 1, 2022		
Scheduled Date of Dividend Payment	: -		
Preparation of Supplementary Explanation Documents for Operating Results	: Yes		
Holding of an Informational Meeting for Operating Results	: Yes (for institutional investors and analysts)		

(Amounts less than one million yen are rounded down to the nearest million yen.)

1. Consolidated Financial Results for the Three Months Ended June 30, 2022 (April 1, 2022 - June 30, 2022)

(1) Consolidated Operating Results (% of change from the same period in the previous year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Three months ended June 30, 2022	467,119	49.0	7,366	-79.9	13,413	-67.3	11,200	-63.5
Three months ended June 30, 2021	313,524	-1.2	36,734	45.2	41,014	27.8	30,690	41.9

(Note) Comprehensive income: Three months ended June 30, 2022 28,775 million yen (-53.4 % YoY)
 Three months ended June 30, 2021 61,697 million yen (- % YoY)

	Earnings per share	Diluted earnings per share
	yen	yen
Three months ended June 30, 2022	26.95	-
Three months ended June 30, 2021	73.82	-

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity / Total assets
	million yen	million yen	%
As of June 30, 2022	2,847,147	1,311,966	45.2
As of March 31, 2022	2,588,086	1,296,089	49.1

<Reference> Shareholders' equity: As of June 30, 2022 1,286,987 million yen
 As of March 31, 2022 1,271,617 million yen

2. Dividends

	Dividends per share				
	End of First Quarter	End of Second Quarter	End of Third Quarter	End of Fiscal Year	Annual
	yen	yen	yen	yen	yen
Year ended March 31, 2022	-	27.50	-	30.00	57.50
Year ending March 31, 2023	-	-	-	-	-
Year ending March 31, 2023 (Forecast)	-	30.00	-	30.00	60.00

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

3. Forecasts of Consolidated Financial Results for the Fiscal Year Ending March 31, 2023 (April 1, 2022 - March 31, 2023)

(% of change from the previous fiscal year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	2,171,000	36.4	43,000	-56.7	46,000	-59.5	31,500	-75.8	75.76

(Note) Revision of the financial results forecasts from previously announced figures: Yes

*Notes

- (1) Changes in significant subsidiaries during the three months ended June 30, 2022 (changes in specified subsidiaries resulting in a change in the scope of consolidation): None
- (2) Adoption of special accounting treatments for quarterly consolidated financial statements: Adopted
(Note) For detailed information, please refer to "2. (3) Adoption of Special Accounting Treatments for Quarterly Consolidated Financial Statements" on Page 8 of the Attachment to this Summary of Consolidated Financial Statements.
- (3) Changes in accounting policies, changes in accounting estimates, and restatements
- (i) Changes in accounting policies due to revisions to accounting standards, etc.: Adopted
 - (ii) Changes in accounting policies other than (i) above: Adopted
 - (iii) Changes in accounting estimates: None
 - (iv) Restatements: None

(4) Issued shares (common shares)

(i) Number of issued shares at the end of each period (including treasury shares):	As of June 30, 2022	416,680,000 shares
	As of March 31, 2022	416,680,000 shares
(ii) Number of treasury shares at the end of each period:	As of June 30, 2022	1,039,146 shares
	As of March 31, 2022	1,036,697 shares
(iii) Average number of shares during each period:	Three months ended June 30, 2022	415,642,249 shares
	Three months ended June 30, 2021	415,758,444 shares

*Quarterly Brief Report of Consolidated Financial Statements is outside the scope of quarterly review by a certified public accountant or an audit firm.

*Notes on proper use of forecasts and other matters

1. Forward-looking statements contained in this document, including financial results forecasts, are based on information currently available to Osaka Gas Co., Ltd. (the "Company") and certain assumptions that the Company regards as reasonable. Actual results may differ significantly from these forecasts, due to various factors. As for notes regarding assumptions used for and the use of the financial results forecasts, please refer to "1. (3) Forecasts of Consolidated Financial Results" on Page 3 of the Attachment to this Brief Report of Consolidated Financial Statements.
2. The Company plans to hold a results briefing for institutional investors and analysts on August 1, 2022. Immediately after the briefing, the presentation materials will be made available on the Company's website

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1. Overview of Quarterly Consolidated Financial Results

(1) Consolidated Operating Results

(Overview of Quarterly Operating Results)

Consolidated net sales for the three months ended June 30, 2022 increased by ¥153.5 billion year-on-year to ¥467.1 billion. This was primarily due to an increase in sales from a rise in LNG selling prices and the higher unit selling price of city gas under the fuel cost adjustment system in the Domestic Energy Business and an increase in sales from the upstream project in Australia and the USA in the International Energy Business. Consolidated ordinary profit decreased by ¥27.6 billion year-on-year to ¥13.4 billion. This was primarily due to increased costs for LNG procurement(*1) and the impact of a time lag between fluctuations in raw material costs, etc. and their reflection in the unit selling prices(*2) in the Domestic Energy Business, despite an increase in profit from the International Energy Business and the Life & Business Solutions Business. Profit attributable to owners of parent decreased by ¥19.4 billion year-on-year to ¥11.2 billion.

(*1)A fire broke out at the liquefaction plant of the Freeport LNG Project (hereinafter “Project”), one of the Daigas Group’s (hereinafter “Group”) investments and LNG sources, and the Project’s operations at the plant have been suspended since. In response to the shutdown, we have been preparing to secure replacement LNG for the volumes the Group originally planned to procure from the Project during the shutdown period and has been arranging modification regarding the contracts related to its LNG procurement from the Project.

(*2)There is a time lag between fluctuations in raw material costs and fuel costs and their reflection in the unit selling prices under the raw material and fuel costs adjustment system, which causes a temporary increase/decrease in profit.

(billion yen)

	Consolidated results	Compared with previous fiscal year(*)	
		increase/decrease	increase/decrease rate (%)
Net sales	467.1	+153.5	+49.0
Cost of sales	414.4	+183.8	+79.7
Selling, general and administrative expenses	45.3	-0.8	-1.9
Operating profit	7.3	-29.3	-79.9
Ordinary profit	13.4	-27.6	-67.3
Profit attributable to owners of parent	11.2	-19.4	-63.5

(*)Starting from the first quarter of this fiscal year, we prepare quarterly consolidated financial statements by following the “Regulation on Quarterly Consolidated Financial Statements”. In these quarterly consolidated financial statements, figures for the same period of the previous fiscal year were calculated retroactively in accordance with the “Regulation on Quarterly Consolidated Financial Statements”. Until the previous fiscal year, we followed the “Regulation on Quarterly Consolidated Financial Statements” and the “Accounting Rules for Gas Utility” in preparing quarterly consolidated financial statements.

(Quarterly Domestic Gas Sales Breakdown)

		Three months ended June 30, 2022	YoY Changes rate (%)
Gas sales volume (million m ³)	Residential	390	-3.6
	Non-residential, etc.	1,274	+3.9
	Total	1,664	+2.0
Number of gas supply (thousands)		5,004	-1.6

[45MJ/m³]

(Quarterly Domestic Electricity Sales Breakdown)

		Three months ended June 30, 2022	YoY Changes rate (%)
Electricity sales volume (GWh)	Retail	1,216	+6.6
	Wholesale, etc.	2,175	-8.1
	Total	3,391	-3.3
Number of low-voltage electricity supply (thousands)		1,649	+6.8

(2) Consolidated Financial Position

Starting from the first quarter of this fiscal year, we prepare quarterly consolidated financial statements by following the “Regulation on Quarterly Consolidated Financial Statements”. Until the previous fiscal year, we followed the “Regulation on Quarterly Consolidated Financial Statements” and the “Accounting Rules for Gas Utility” in preparing quarterly consolidated financial statements. As of the end of the previous fiscal year, “Property, plant and equipment” was classified by function in accordance with the “Accounting Rules for Gas Utility”, but as of the first quarter of this fiscal year, it is classified by form in accordance with the “Regulation on Quarterly Consolidated Financial Statements”. The amounts at the end of the previous fiscal year have been prepared on a retrospective basis.

Total assets as of June 30, 2022 increased by ¥259.0 billion compared with March 31, 2022 to ¥2,847.1 billion. This was primarily due to an increase in cash and deposits because of issuance of commercial paper and an increase in inventories.

Net assets totaled ¥1,311.9 billion and the ratio of shareholders' equity to total assets was 45.2%.

(3) Forecasts of Consolidated Financial Results

On June 8, 2022 U.S. CT (June 9, 2022 JST), a fire broke out at the liquefaction plant of the Freeport LNG Project (hereinafter “Project”), one of the Group’s investments and LNG sources. The Project’s operations at the plant have been suspended since. On June 30 U.S. CT, the Project announced that it expects to partially resume operations in early October 2022, which is an extension of its initially estimated plant shutdown period.

The Group’s annual LNG offtake volume from the Project under the liquefaction tolling agreement is approximately 2.32 million tons, which is approximately 19% of the Group’s total annual LNG handling volume. In response to the shutdown, we have been preparing to secure replacement LNG for the volumes the Group originally planned to procure from the Project during the shutdown period and has been arranging modification regarding the contracts related to its LNG procurement from the Project. In addition, as the Project may incur losses due to restoration costs of facilities, etc., and we may record the losses in an amount proportionate to our equity interest in the Project.

In light of the expected revenue decrease, costs and losses associated with the above, the recent crude oil price and exchange rate, and other factors under certain assumptions, we have estimated their impact on our financial results for the fiscal year ending March 31, 2023, and revised our financial forecasts for the fiscal year ending March 31, 2023, announced on April 26, 2022, as shown below.

(Reference) Assumptions for the crude oil price and exchange rate (July 2022 - March 2023)

Crude oil price (All Japan CIF price) at 110USD/bbl

Exchange rate (TTM) at 135JPY/USD

Changes from the previous forecasts of consolidated financial results in the Brief Report of Consolidated Financial Statements for the Fiscal Year Ending March 31, 2022 announced on April 26, 2022 are shown in the tables below.

Revision of Forecasts of Consolidated Financial Results for the Fiscal Year Ending March 31, 2023
(April 1, 2022 - March 31, 2023)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Earnings per share
	million yen	million yen	million yen	million yen	yen
Previous forecasts (A)	1,853,000	106,500	115,000	82,000	197.22
Revised forecasts (B)	2,171,000	43,000	46,000	31,500	75.76
Changes (B - A)	+318,000	-63,500	-69,000	-50,500	
Changes (%)	+17.2	-59.6	-60.0	-61.6	
(Reference) Actual results of fiscal year ended March 31, 2022	1,591,120	99,201	113,525	130,421	313.69

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(million yen)

	As of March 31,2022	As of June 30,2022
Assets		
Current assets		
Cash and deposits	131,089	240,576
Notes and accounts receivable - trade, and contract assets	227,118	231,914
Inventories	145,445	204,874
Other	204,636	218,951
Allowance for doubtful accounts	(639)	(796)
Total current assets	707,651	895,520
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	188,637	186,795
Machinery, equipment and vehicles, net	580,547	593,298
Land	222,350	222,776
Leased assets, net	10,609	10,148
Construction in progress	138,915	148,498
Other, net	15,221	14,734
Total property, plant and equipment	1,156,281	1,176,252
Intangible assets	95,251	97,366
Investments and other assets		
Investment securities	359,225	389,743
Other	270,407	289,055
Allowance for doubtful accounts	(731)	(791)
Total investments and other assets	628,901	678,007
Total non-current assets	1,880,434	1,951,627
Total assets	2,588,086	2,847,147

(million yen)

	As of March 31,2022	As of June 30,2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	104,935	102,135
Other	295,254	503,713
Total current liabilities	400,190	605,849
Non-current liabilities		
Bonds payable	364,998	395,998
Long-term borrowings	350,502	364,096
Retirement benefit liability	18,853	18,912
Other	157,452	150,324
Total non-current liabilities	891,806	929,332
Total liabilities	1,291,996	1,535,181
Net assets		
Shareholders' equity		
Share capital	132,166	132,166
Capital surplus	19,071	19,071
Retained earnings	977,907	976,638
Treasury shares	(2,115)	(2,121)
Total shareholders' equity	1,127,030	1,125,755
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	67,905	67,550
Deferred gains or losses on hedges	(15,313)	(22,950)
Revaluation reserve for land	(737)	(737)
Foreign currency translation adjustment	39,108	65,352
Remeasurements of defined benefit plans	53,624	52,017
Total accumulated other comprehensive income	144,586	161,231
Non-controlling interests	24,472	24,978
Total net assets	1,296,089	1,311,966
Total liabilities and net assets	2,588,086	2,847,147

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

(million yen)

	Three months ended June 30,2021	Three months ended June 30,2022
Net sales	313,524	467,119
Cost of sales	230,602	414,443
Gross profit	82,921	52,675
Selling, general and administrative expenses	46,187	45,309
Operating profit	36,734	7,366
Non-operating income		
Interest income	408	463
Dividend income	1,476	1,842
Share of profit of entities accounted for using equity method	3,800	5,707
Miscellaneous income	2,565	2,423
Total non-operating income	8,250	10,437
Non-operating expenses		
Interest expenses	2,522	2,635
Miscellaneous expenses	1,448	1,755
Total non-operating expenses	3,970	4,390
Ordinary profit	41,014	13,413
Profit before income taxes	41,014	13,413
Income taxes	9,472	1,617
Profit	31,542	11,796
Profit attributable to non-controlling interests	851	596
Profit attributable to owners of parent	30,690	11,200

Quarterly Consolidated Statements of Comprehensive Income

(million yen)

	Three months ended June 30,2021	Three months ended June 30,2022
Profit	31,542	11,796
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,897)	(346)
Deferred gains or losses on hedges	7,044	(17,438)
Foreign currency translation adjustment	19,076	25,788
Remeasurements of defined benefit plans	(1,301)	(1,839)
Share of other comprehensive income of entities accounted for using equity method	9,233	10,814
Total other comprehensive income	30,154	16,979
Comprehensive income	61,697	28,775
(Breakdown)		
Comprehensive income attributable to owners of parent	60,234	27,845
Comprehensive income attributable to non-controlling interests	1,463	930

(3) Notes to the Quarterly Consolidated Financial Statements

(Going Concern Assumption)

Not applicable

(Significant Changes in the Value of Shareholders' Equity)

Three months ended June 30, 2022 (April 1, 2022 - June 30, 2022)

Not applicable

(Adoption of Special Accounting Treatments for Quarterly Consolidated Financial Statements)

(Calculation of tax expenses)

For major consolidated subsidiaries, the effective tax rates (after applying tax effect accounting) expected to be imposed on their income before income taxes applicable to the tax year in which this first quarter is included were estimated based on reasonable assumptions. Tax expenses for this first quarter were then calculated by multiplying the income before income taxes of respective subsidiaries for the quarter by the estimated effective tax rates.

(Changes in Accounting Policies)

(Implementation Guidance on Accounting Standard for Fair Value Measurement)

We have adopted the Implementation Guidance on Accounting Standard for Fair Value Measurement (Accounting Standards Board of Japan Guidance No. 31, issued on June 17, 2021, hereinafter "Implementation Guidance on Fair Value Accounting Standard") since the beginning of the first quarter of this fiscal year. In accordance with the transitional treatment set forth in Article 27-2 of the Implementation Guidance on the Fair Value Accounting Standard, the Implementation Guidance on Fair Value Accounting Standard has been adopted prospectively. There is no effect on the quarterly consolidated financial statements by adopting the guidance.

(Revenue Recognition for Gas Sales)

As a "deemed gas retailer formerly conducting general gas utility services" and pursuant to the Act for Partial Revision of the Electricity Business Act and Other Related Acts (Act No. 47 of 2015, hereinafter "Revised Act"), parts of our supply area in which proper competitive relations with other gas retailers or energy suppliers not being ensured were designated as "designated former service area" and transitional rate regulation was imposed on us in the area. The purpose of this regulation is to protect the interests of consumers against the full liberalization of gas retail business. Effective October 1, 2021, the designation as "designated former service area" for a "deemed gas retailer formerly conducting general gas utility services" was lifted, pursuant to Article 22, Paragraph 2 of the supplementary provisions on the Revised Act. Also, pursuant to the June 2015 amendment of the Gas Business Act, we, a general gas pipeline service business operator, have been 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 sector. In order to comply with the regulatory requirement and to establish a new organization to increase the value of our Group, we established Osaka Gas Network Co., Ltd., a wholly-owned subsidiary of the Company, on April 1, 2021 and transferred our general gas pipeline service business to the said subsidiary effective April 1, 2022 through absorption-type split.

Since we had been positioned as a "deemed gas retailer formerly conducting general gas utility services" and a "general gas pipeline service business operator", we had prepared our quarterly non-consolidated and consolidated financial statements in accordance with the "Regulation on Quarterly Financial Statements", the "Regulation on Quarterly Consolidated Financial Statements" and the "Accounting Rules for Gas Utility". As transitional measures for a "deemed gas retailer formerly conducting general gas utility services" were lifted and we are no longer in a position of a "general gas pipeline service business operator", we have prepared quarterly financial statements in accordance with the "Regulation on Quarterly Financial Statements" since the beginning of the first quarter of this fiscal year. Along with this, we have prepared quarterly consolidated

financial statements in accordance with the “Regulation on Quarterly Consolidated Financial Statements” since the beginning of the first quarter of this fiscal year.

For the reasons given above, the way to recognize gas sales revenue has changed from recognizing gas fee calculated on the gas sales volume based on monthly meter readings as revenues for the month to reflecting the estimated usage amount for the period between the last meter reading day in the account closing month and the account closing date in accordance with Article 103-2 of the Implementation Guidance on Accounting Standard for Revenue Recognition. The change in accounting policy has been applied retrospectively, and the quarterly consolidated financial statements for the previous fiscal year have been prepared on a retrospective basis.

As a result, consolidated net sales, operating profit, ordinary profit and profit before income taxes for the three months ended June 30, 2021 each decreased by 1,156 million yen compared to those before retrospective application. Notes and accounts receivable - trade for the previous fiscal year increased by 18,267 million yen, other in current assets increased by 1,660 million yen, other in non-current liabilities increased by 4,649 million yen and retained earnings increased by 2,164 million yen. Retained earnings at the beginning of previous fiscal year increased by 9,792 million yen as the cumulative effect amount was reflected to net assets at the beginning of the previous fiscal year.

(Segment Information)

Three months ended June 30, 2021 (April 1, 2021 - June 30, 2021)

(million yen)

	Domestic Energy	International Energy	Life & Business Solutions	Total	Adjustments	Consolidated
Net sales	255,975	17,610	51,612	325,197	(11,673)	313,524
Segment profit						
Operating profit	23,047	9,163	4,464	36,675	59	36,734
Share of profit of entities accounted for using equity method	365	3,434	-	3,800	-	3,800
Total	23,412	12,598	4,464	40,475	59	40,534

(*)Starting from the first quarter of this fiscal year, we prepare quarterly consolidated financial statements by following the “Regulation on Quarterly Consolidated Financial Statements”. In these quarterly consolidated financial statements, figures for the same period of the previous fiscal year were calculated retroactively in accordance with the “Regulation on Quarterly Consolidated Financial Statements”. Until the previous fiscal year, we followed the “Regulation on Quarterly Consolidated Financial Statements” and the “Accounting Rules for Gas Utility” in preparing quarterly consolidated financial statements.

Three months ended June 30, 2022 (April 1, 2022 - June 30, 2022)

(million yen)

	Domestic Energy	International Energy	Life & Business Solutions	Total	Adjustments	Consolidated
Net sales	400,632	27,807	56,097	484,538	(17,419)	467,119
Segment profit (loss)						
Operating profit (loss)	(12,901)	16,067	5,057	8,223	(857)	7,366
Share of profit of entities accounted for using equity method	500	5,207	-	5,707	-	5,707
Total	(12,401)	21,275	5,057	13,931	(857)	13,073