

Third 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.

February 6, 2023

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: Shinji Konno
Scheduled Date of Financial Report Filing with the Financial Services Agency	: February 6, 2023
Scheduled Date of Dividend Payment	: -
Preparation of Supplementary Explanation Documents for Operating Results	: Yes
Holding of an Informational Meeting for Operating Results	: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Nine Months Ended December 31, 2022 (April 1, 2022 - December 31, 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	%
Nine months ended December 31, 2022	1,596,525	50.7	-14,926	—	-6,820	—	-1,396	—
Nine months ended December 31, 2021	1,059,067	10.0	58,016	-22.5	71,698	-12.1	55,159	-4.3

(Note) Comprehensive income: Nine months ended December 31, 2022 116,401 million yen (67.2% YoY)
 Nine months ended December 31, 2021 69,605 million yen (86.3% YoY)

	Earnings per share	Diluted earnings per share
	yen	yen
Nine months ended December 31, 2022	-3.36	-
Nine months ended December 31, 2021	132.67	-

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity / Total assets
	million yen	million yen	%
As of December 31, 2022	3,106,383	1,387,014	43.8
As of March 31, 2022	2,588,086	1,296,089	49.1

<Reference> Shareholders' equity: As of December 31, 2022 1,361,877 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	-	30.00	-		
Year ending March 31, 2023 (Forecast)			-	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	2,275,000	43.0	43,000	-56.7	46,000	-59.5	36,000	-72.4	86.58

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

*Notes

(1) Changes in significant subsidiaries during the nine months ended December 31, 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 9 of the Attachment to this Brief Report of Consolidated Financial Statements.

(3) Changes in accounting policies, changes in accounting estimates, and restatements

(i) Changes in accounting policies due to revisions to accounting standards, etc.: Adopted

(ii) Changes in accounting policies other than (i) above: 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 December 31, 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 December 31, 2022 997,431 shares

As of March 31, 2022 1,036,697 shares

(iii) Average number of shares during each period: Nine months ended December 31, 2022 415,668,794 shares

Nine months ended December 31, 2021 415,779,947 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 4 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 February 6, 2023.

Immediately after the briefing, the presentation materials and contents will be made available on the Company's website.

Table of Contents for Attachment

1. Overview of Quarterly Consolidated Financial Results	2
(1) Consolidated Operating Results	2
(2) Consolidated Financial Position	3
(3) Forecasts of Consolidated Financial Results	4
2. Quarterly Consolidated Financial Statements and Notes	5
(1) Quarterly Consolidated Balance Sheets	5
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	7
(3) Notes to the Quarterly Consolidated Financial Statements	9
(Going Concern Assumption)	9
(Significant Changes in the Value of Shareholders' Equity)	9
(Adoption of Special Accounting Treatments for Quarterly Consolidated Financial Statements)	9
(Changes in Accounting Policies)	9
(Segment Information)	10

1. Overview of Quarterly Consolidated Financial Results

(1) Consolidated Operating Results

(Overview of Quarterly Operating Results)

Consolidated net sales for the Nine months ended December 31, 2022 increased by ¥537.4 billion year-on-year to ¥1,596.5 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 the USA and Australia in the International Energy Business. Consolidated ordinary profit decreased by ¥78.5 billion year-on-year to a loss of ¥6.8 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 ¥56.5 billion year-on-year to a net loss of ¥1.3 billion. This was primarily due to the reasons mentioned above and the recording of a gain on sales of cross-held shares as an extraordinary income.

(*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	1,596.5	+537.4	+50.7
Cost of sales	1,468.8	+610.5	+71.1
Selling, general and administrative expenses	142.5	-0.1	-0.1
Operating profit (loss)	-14.9	-72.9	—
Ordinary profit (loss)	-6.8	-78.5	—
Profit (loss) attributable to owners of parent	-1.3	-56.5	—

(*)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)

		Nine months ended December 31, 2022	YoY Changes rate (%)
Gas sales volume (million m ³)	Residential	1,096	-5.2
	Non-residential, etc.	3,834	+0.5
	Total	4,931	-0.8
Number of gas supply (thousands)		4,997	-0.8

[45MJ/m³]

(Quarterly Domestic Electricity Sales Breakdown)

		Nine months ended December 31, 2022	YoY Changes rate (%)
Electricity sales volume (GWh)	Retail	4,579	+6.6
	Wholesale, etc.	6,909	-10.1
	Total	11,487	-4.1
Number of low-voltage electricity supply (thousands)		1,685	+5.8

(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 since 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 December 31, 2022 increased by ¥518.2 billion compared with March 31, 2022 to ¥3,106.3 billion. This was primarily due to an increase in current assets resulting from an increase in accounts receivable - trade and an increase in non-current assets resulting from progress of investment activities.

Net assets totaled ¥1,387.0 billion and the ratio of shareholders’ equity to total assets was 43.8%.

(3) Forecasts of Consolidated Financial Results

Considering recent trends in our performance and other factors, forecasts of consolidated financial results for the fiscal year ending March 31, 2023 have been revised from the previous forecasts as shown in the tables below.

Consolidated net sales is expected to exceed the previous forecasts mainly due to the rise in the unit selling price of city gas under the fuel cost adjustment system. Consolidated operating profit and consolidated ordinary profit are expected to remain unchanged from the previous forecasts, as the negative impact, including increases in costs and losses associated with a fire broken out at the liquefaction plant of the Freeport LNG Project, is expected to offset the positive impact, including an increase in profit of city gas caused by the improvement of our long-term LNG contract competitiveness compared to JLC price, and a reduction of negative impact of the time lag. Profit attributable to owners of parent is expected to increase due to the recording of a gain on sales of cross-held shares as an extraordinary income in the third quarter of this fiscal year.

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

Crude oil price (All Japan CIF price) at 85USD/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 Second Quarter of the Fiscal Year Ending March 31, 2023 announced on October 31, 2022 are shown in the tables below.

The revised forecast includes the estimated negative impact of approximately 149.5 billion yen (*) due to costs, losses and expected revenue decrease associated with a fire broken out at the liquefaction plant of the Freeport LNG Project, one of the Group's investments and LNG sources. As a result of recording 115.8 billion yen in costs and losses associated with above in the consolidated financial results for the third quarter of the fiscal year ending March 31, 2023, the negative impact of 125.8 billion yen out of estimated negative impact of approximately 149.5 billion yen has appeared.

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)	2,250,000	43,000	46,000	29,000	69.75
Revised forecasts (B)	2,275,000	43,000	46,000	36,000	86.58
Changes (B - A)	+25,000	-	-	+7,000	
Changes (%)	+1.1	-	-	+24.1	
(Reference) Actual results of fiscal year ended March 31, 2022	1,591,120	99,201	113,525	130,421	313.69

(*) It is calculated under the certain assumptions based on information available as of the date of publication of this document.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(million yen)

	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	131,089	178,278
Notes and accounts receivable - trade, and contract assets	227,118	366,347
Inventories	145,445	244,957
Other	204,636	209,564
Allowance for doubtful accounts	(639)	(1,059)
Total current assets	707,651	998,088
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	188,637	183,940
Machinery, equipment and vehicles, net	580,547	642,310
Land	222,350	228,240
Leased assets, net	10,609	10,270
Construction in progress	138,915	175,532
Other, net	15,221	13,972
Total property, plant and equipment	1,156,281	1,254,267
Intangible assets	95,251	104,761
Investments and other assets		
Investment securities	359,225	450,771
Other	270,407	299,232
Allowance for doubtful accounts	(731)	(739)
Total investments and other assets	628,901	749,265
Total non-current assets	1,880,434	2,108,294
Total assets	2,588,086	3,106,383

(million yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	104,935	131,747
Other	295,254	612,830
Total current liabilities	400,190	744,577
Non-current liabilities		
Bonds payable	364,998	424,998
Long-term borrowings	350,502	394,300
Retirement benefit liability	18,853	19,328
Other	157,452	136,162
Total non-current liabilities	891,806	974,791
Total liabilities	1,291,996	1,719,368
Net assets		
Shareholders' equity		
Share capital	132,166	132,166
Capital surplus	19,071	19,096
Retained earnings	977,907	951,571
Treasury shares	(2,115)	(2,038)
Total shareholders' equity	1,127,030	1,100,795
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	67,905	63,048
Deferred gains or losses on hedges	(15,313)	9,284
Revaluation reserve for land	(737)	(737)
Foreign currency translation adjustment	39,108	141,545
Remeasurements of defined benefit plans	53,624	47,941
Total accumulated other comprehensive income	144,586	261,081
Non-controlling interests	24,472	25,137
Total net assets	1,296,089	1,387,014
Total liabilities and net assets	2,588,086	3,106,383

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

	(million yen)	
	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net sales	1,059,067	1,596,525
Cost of sales	858,348	1,468,883
Gross profit	200,718	127,642
Selling, general and administrative expenses	142,702	142,569
Operating profit (loss)	58,016	(14,926)
Non-operating income		
Interest income	1,494	2,434
Dividend income	2,832	3,647
Share of profit of entities accounted for using equity method	13,727	8,476
Miscellaneous income	7,983	9,649
Total non-operating income	26,037	24,208
Non-operating expenses		
Interest expenses	7,749	9,290
Miscellaneous expenses	4,605	6,811
Total non-operating expenses	12,355	16,101
Ordinary profit (loss)	71,698	(6,820)
Extraordinary income		
Gain on sale of investment securities	-	10,481
Total extraordinary income	-	10,481
Extraordinary losses		
Impairment losses	-	3,948
Total extraordinary losses	-	3,948
Profit (loss) before income taxes	71,698	(287)
Income taxes	13,770	61
Profit (loss)	57,928	(349)
Profit attributable to non-controlling interests	2,768	1,047
Profit (loss) attributable to owners of parent	55,159	(1,396)

Quarterly Consolidated Statements of Comprehensive Income

(million yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Profit (loss)	57,928	(349)
Other comprehensive income		
Valuation difference on available-for-sale securities	(723)	(4,909)
Deferred gains or losses on hedges	(17,359)	91
Foreign currency translation adjustment	24,323	102,278
Remeasurements of defined benefit plans	(3,868)	(5,562)
Share of other comprehensive income of entities accounted for using equity method	9,304	24,853
Total other comprehensive income	11,676	116,751
Comprehensive income	69,605	116,401
(Break down)		
Comprehensive income attributable to owners of parent	66,126	115,097
Comprehensive income attributable to non-controlling interests	3,478	1,303

(3) Notes to the Quarterly Consolidated Financial Statements

(Going Concern Assumption)

Not applicable

(Significant Changes in the Value of Shareholders' Equity)

Nine months ended December 31, 2022 (April 1, 2022 - December 31, 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 third quarter is included were estimated based on reasonable assumptions. Tax expenses for this third quarter were then calculated by multiplying the income before income taxes of respective subsidiaries for the quarter by the estimated effective tax rates.

(Changes in Accounting Policies)

(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 Nine months ended December 31, 2021 each increased by 14,365 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 liabilities 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)

Nine months ended December 31, 2021 (April 1, 2021 - December 31, 2021) (million yen)

	Domestic Energy	International Energy	Life & Business Solutions	Total	Adjustments	Consolidated
Net sales	884,315	55,949	163,343	1,103,609	(44,541)	1,059,067
Segment profit						
Operating profit	17,898	24,939	14,802	57,640	376	58,016
Share of profit of entities accounted for using equity method	1,365	12,361	-	13,727	-	13,727
Total	19,264	37,301	14,802	71,367	376	71,743

(*)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.

Nine months ended December 31, 2022 (April 1, 2022 - December 31, 2022) (million yen)

	Domestic Energy	International Energy	Life & Business Solutions	Total	Adjustments	Consolidated
Net sales	1,376,086	90,392	183,136	1,649,616	(53,090)	1,596,525
Segment profit (loss)						
Operating profit (loss)	(83,696)	48,469	20,386	(14,841)	(85)	(14,926)
Share of profit of entities accounted for using equity method	2,435	6,041	-	8,476	-	8,476
Total	(81,261)	54,510	20,386	(6,364)	(85)	(6,450)