

Third Quarter of the Fiscal Year Ending March 31, 2022

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.

January 31, 2022

Name of Listed Company	: Osaka Gas Co., Ltd.	Listed Exchanges:	1 st Section 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:	Kazushige Nomura
Scheduled Date of Financial Report Filing with the Financial Services Agency	: February 10, 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 Nine Months Ended December 31, 2021 (April 1, 2021 - December 31, 2021)

(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, 2021	1,043,768	8.4	42,676	-43.0	57,292	-29.8	44,816	-22.2
Nine months ended December 31, 2020	962,883	-1.2	74,876	37.9	81,576	37.3	57,612	65.5

(Note) Comprehensive income: Nine months ended December 31, 2021 59,262 million yen (58.6% YoY)
 Nine months ended December 31, 2020 37,371 million yen (287.8% YoY)

	Earnings per share	Diluted earnings per share
	yen	yen
Nine months ended December 31, 2021	107.79	-
Nine months ended December 31, 2020	138.57	-

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity / Total assets
	million yen	million yen	%
As of December 31, 2021	2,564,786	1,150,549	43.4
As of March 31, 2021	2,313,357	1,114,597	46.8

<Reference> Shareholders' equity: As of December 31, 2021 1,113,642 million yen
 As of March 31, 2021 1,081,881 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, 2021	-	25.00	-	27.50	52.50
Year ending March 31, 2022	-	27.50	-		
Year ending March 31, 2022 (Forecast)			-	27.50	55.00

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

3. Forecasts of Consolidated Financial Results for the Fiscal Year Ending March 31, 2022 (April 1, 2021 - March 31, 2022)

(% 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	1,547,000	13.4	80,500	-28.4	95,000	-25.6	77,500	-4.2	186.40

(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, 2021 (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 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: None

(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, 2021 416,680,000 shares

As of March 31, 2021 416,680,000 shares

(ii) Number of treasury shares at the end of each period: As of December 31, 2021 890,903 shares

As of March 31, 2021 920,065 shares

(iii) Average number of shares during each period: Nine months ended December 31, 2021 415,779,947 shares

Nine months ended December 31, 2020 415,776,732 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 February 1, 2022.

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

(Reference) Forecasts of Non-Consolidated Financial Results for the Fiscal Year Ending March 31, 2022(April 1, 2021 - March 31, 2022)

	Net sales		Operating profit		Ordinary profit		Profit		Earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	Yen
Full year	1,156,000	9.7	5,000	-91.7	50,000	-31.5	48,000	-12.2	115.45

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

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1. Overview of Quarterly Consolidated Financial Results

(1) Consolidated Operating Results

Consolidated net sales for the nine months ended December 31, 2021 increased by ¥80.8 billion year-on-year to ¥1,043.7 billion. This was primarily due to an increase in sales from a rise in LNG prices in the Domestic Energy Business and an increase in sales from the upstream project in the USA and the Freeport LNG project in the International Energy Business. Consolidated ordinary profit decreased by ¥24.2 billion year-on-year to ¥57.2 billion. This was primarily due to the impact of a time lag between fluctuations in raw material costs and their reflection in the unit selling price of city gas(*) in the Domestic Energy Business, despite an increase in profit from the International Energy Business. Profit attributable to owners of parent decreased by ¥12.7 billion year-on-year to ¥44.8 billion.

(*)There is a time lag between fluctuations in raw material costs and their reflection in the unit selling price of city gas under the fuel cost adjustment system, which causes a temporary increase/decrease in profit. This resulted in a temporary decrease in profit for the current third quarter and a temporary increase in profit for the previous third quarter.

(billion yen)

	Consolidated results (a)	Compared with previous fiscal year		Non-consolidated results (b)	Ratio of consolidated results to non-consolidated results (a) / (b)
		increase / decrease	increase / decrease rate (%)		
Net sales	1,043.7	+80.8	+8.4	783.8	1.33
Cost of sales	772.0	+116.0	+17.7	621.1	1.24
Selling, general and administrative expenses	229.0	-2.9	-1.3	183.1	1.25
Operating profit (loss)	42.6	-32.1	-43.0	-20.3	-
Ordinary profit	57.2	-24.2	-29.8	8.3	6.86
Profit attributable to owners of parent*	44.8	-12.7	-22.2	12.3	3.64

*"Profit" for Non-consolidated results

(Quarterly Gas Sales Breakdown)

		Nine months ended December 31, 2021 (a)	Nine months ended December 31, 2020 (b)	YoY Changes (a) - (b)	YoY Changes rate (%)	
Non-consolidated	Number of gas supply (thousands)	4,928	5,069	-141	-2.8	
	Gas sales volume* (million m ³)	Residential	1,046	1,090	-44	-4.1
		Non-residential	3,795	3,810	-15	-0.4
		Total	4,841	4,900	-59	-1.2
Consolidated gas sales volume* (million m ³)		4,867	4,928	-60	-1.2	

[45MJ/m³]

*Gas sales volume is based on monthly meter readings.

(Quarterly Domestic Electricity Sales Breakdown)

		Nine months ended December 31, 2021 (a)	Nine months ended December 31, 2020 (b)	YoY Changes (a) - (b)	YoY Changes rate (%)
Number of low-voltage electricity supply (thousands)		1,592	1,476	+116	+7.9
Electricity sales volume* (GWh)	Retail	4,294	3,914	+381	+9.7
	Wholesale, etc.	7,689	7,522	+167	+2.2
	Total	11,983	11,435	+547	+4.8

*Electricity sales volume for the nine months ended December 31, 2021 reflects the estimated usage amount for the period between the last meter reading day in the account closing month and the account closing date, as the revenue for electricity sales is estimated and recorded based on Article 103-2 of the Implementation Guidance on Accounting Standard for Revenue Recognition.

Electricity sales volume for the nine months ended December 31, 2020 is based on monthly meter readings.

(2) Consolidated Financial Position

Total assets as of December 31, 2021 increased by ¥251.4 billion compared with March 31, 2021 to ¥2,564.7 billion. This was primarily due to an increase in non-current assets resulting from progress of investment activities, and an increase in current assets mainly resulting from an increase in inventories.

Net assets totaled ¥1,150.5 billion and the ratio of shareholders' equity to total assets was 43.4%.

(3) Forecasts of Consolidated Financial Results

Considering recent trends in our performance and other factors, forecasts of consolidated and non-consolidated financial results for the fiscal year ending March 31, 2022 have been revised from the previous forecasts as shown in the tables below.

As for non-consolidated results, net sales is expected to exceed the previous forecasts mainly due to the rise in the unit selling prices in the Gas Business caused by a rise in crude oil prices. Operating profit in the Gas Business is expected to decrease compared to the previous forecasts mainly due to a decrease in profit from the gas appliance sales as a result of difficulties in component procurement stemming from the shortage of semiconductors and the impact of the COVID-19 pandemic. Ordinary profit and profit are expected to increase compared to the previous forecasts mainly due to an increase in dividends received from subsidiaries and associates.

As for consolidated results, net sales is expected to increase as in non-consolidated results. Operating profit and ordinary profit are expected to remain unchanged from the previous forecasts, mainly due to an increase in profit from the International Energy Business caused by factors such as a rise in crude oil prices and a decrease in profit from the non-consolidated results. Profit attributable to owners of parent is expected to exceed the previous forecasts mainly due to gain on sales of investment securities in subsidiaries and associates.

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

Crude oil price (All Japan CIF price) at 85USD/bbl

Exchange rate (TTM) at 115JPY/US

Changes from the previous forecasts of consolidated and non-consolidated financial results in the Brief Report of Consolidated Financial Statements for the Fiscal Year Ending March 31, 2022 announced on July 29, 2021 are shown in the tables below.

Revision of Forecasts of Consolidated Financial Results for the Fiscal Year Ending March 31, 2022
(April 1, 2021 - March 31, 2022)

	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)	1,510,000	80,500	95,000	70,500	169.56
Revised Forecasts (B)	1,547,000	80,500	95,000	77,500	186.40
Changes (B - A)	+37,000	-	-	+7,000	
Changes (%)	+2.5	-	-	+9.9	
(Reference) Actual Results of Fiscal Year Ended March 31, 2021	1,364,106	112,491	127,752	80,857	194.48

(Reference)

Revision of Forecasts of Non-Consolidated Financial Results for the Fiscal Year Ending March 31, 2022
(April 1, 2021 - March 31, 2022)

	Net sales	Operating profit	Ordinary profit	Profit	Earnings per share
	million yen	million yen	million yen	million yen	yen
Previous Forecasts (A)	1,126,000	13,000	46,500	42,500	102.22
Revised Forecasts (B)	1,156,000	5,000	50,000	48,000	115.45
Changes (B - A)	+30,000	-8,000	+3,500	+5,500	
Changes (%)	+2.7	-61.5	+7.5	+12.9	
(Reference) Actual Results of Fiscal Year Ended March 31, 2021	1,053,584	60,496	73,035	54,641	131.42

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(million yen)

	As of March 31,2021	As of December 31,2021
Assets		
Non-current assets		
Property, plant and equipment		
Production facilities	89,701	91,304
Distribution facilities	268,755	266,922
Service and maintenance facilities	53,481	45,771
Other facilities	546,456	594,180
Construction in progress	112,215	139,865
Total property, plant and equipment	1,070,610	1,138,043
Intangible assets	97,912	101,720
Investments and other assets		
Investment securities	377,074	382,187
Other	185,213	201,488
Allowance for doubtful accounts	(800)	(803)
Total investments and other assets	561,487	582,872
Total non-current assets	1,730,009	1,822,636
Current assets		
Cash and deposits	167,083	172,326
Notes and accounts receivable - trade	211,696	-
Notes and accounts receivable - trade, and contract assets	-	179,157
Inventories	94,187	172,146
Other	110,983	219,158
Allowance for doubtful accounts	(602)	(638)
Total current assets	583,347	742,150
Total assets	2,313,357	2,564,786

(million yen)

	As of March 31,2021	As of December 31,2021
Liabilities		
Non-current liabilities		
Bonds payable	354,995	364,998
Long-term borrowings	333,263	372,584
Provision for gas holder repairs	1,138	1,260
Provision for safety measures	8,892	7,568
Provision for gas appliance warranties	12,195	4,898
Retirement benefit liability	18,758	19,123
Other	146,731	143,678
Total non-current liabilities	875,975	914,112
Current liabilities		
Notes and accounts payable - trade	60,453	96,432
Other	262,331	403,692
Total current liabilities	322,784	500,125
Total liabilities	1,198,759	1,414,237
Net assets		
Shareholders' equity		
Share capital	132,166	132,166
Capital surplus	19,469	19,440
Retained earnings	861,746	882,511
Treasury shares	(1,852)	(1,793)
Total shareholders' equity	1,011,530	1,032,324
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	69,811	69,102
Deferred gains or losses on hedges	(30,365)	(41,094)
Revaluation reserve for land	(737)	(737)
Foreign currency translation adjustment	(2,383)	23,538
Remeasurements of defined benefit plans	34,025	30,508
Total accumulated other comprehensive income	70,350	81,317
Non-controlling interests	32,716	36,906
Total net assets	1,114,597	1,150,549
Total liabilities and net assets	2,313,357	2,564,786

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

(million yen)

	Nine months ended December 31,2020	Nine months ended December 31,2021
Net sales	962,883	1,043,768
Cost of sales	656,013	772,014
Gross profit	306,870	271,754
Selling, general and administrative expenses	231,993	229,077
Operating profit	74,876	42,676
Non-operating income		
Interest income	1,527	1,494
Dividend income	3,164	2,832
Share of profit of entities accounted for using equity method	9,714	13,727
Miscellaneous income	8,496	8,916
Total non-operating income	22,902	26,970
Non-operating expenses		
Interest expenses	8,365	7,749
Miscellaneous expenses	7,837	4,605
Total non-operating expenses	16,202	12,355
Ordinary profit	81,576	57,292
Profit before income taxes	81,576	57,292
Income taxes	22,668	9,706
Profit	58,907	47,585
Profit attributable to non-controlling interests	1,295	2,768
Profit attributable to owners of parent	57,612	44,816

Quarterly Consolidated Statements of Comprehensive Income

(million yen)

	Nine months ended December 31,2020	Nine months ended December 31,2021
Profit	58,907	47,585
Other comprehensive income		
Valuation difference on available-for-sale securities	17,569	(723)
Deferred gains or losses on hedges	(13,521)	(17,359)
Foreign currency translation adjustment	(9,472)	24,323
Remeasurements of defined benefit plans	(1,571)	(3,868)
Share of other comprehensive income of entities accounted for using equity method	(14,539)	9,304
Total other comprehensive income	(21,536)	11,676
Comprehensive income	37,371	59,262
(Breakdown)		
Comprehensive income attributable to owners of parent	37,041	55,783
Comprehensive income attributable to non-controlling interests	329	3,478

(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, 2021 (April 1, 2021 - December 31, 2021)

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)

(Accounting Standard for Revenue Recognition and Other Standards)

We have adopted the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan Statement No. 29, issued on March 31, 2020, hereinafter "Accounting Standard for Revenue Recognition") and other standards since the beginning of the first quarter of this fiscal year. The new standard recognizes revenues for goods or services based on the amount estimated to be received in exchange for such goods or services at the point when control of the promised goods or services is transferred to the customer.

The main changes caused by adopting the new standard are described below.

(1) Revenue Recognition for the Feed-in Tariff System for Renewable Energy

We were previously recognizing revenue for the charges collected from customers under the Act on Special Measures Concerning Procurement of Electricity from Renewable Energy Sources by Electricity Utilities based on the feed-in tariff system for renewable energy. However, we are no longer recognizing the charges as revenue from the beginning of the first quarter of this fiscal year because it is collected on behalf of a third party.

Subsidies received in connection with the purchase of renewable energy under the Act on Special Measures Concerning Procurement of Electricity from Renewable Energy Sources by Electricity Utilities was previously recognized as revenue, but the method of revenue recognition has been changed to deduct such subsidies from expenses.

(2) Revenue Recognition for Agent Transactions

For certain sales transactions in which the role of the Company and its group is to act as an agent in providing goods or services to a customer, the entire amount received as compensation from the customer was previously recognized as revenue, but the method of revenue recognition has been changed to recognize revenue at the net amount, which gross amount received from the customer less the amount paid to the supplier.

(3) Revenue Recognition for Maintenance Service Provision

For certain equipment maintenance service contracts, revenue was previously recognized at the beginning of contracts, but the method of revenue recognition has been changed to recognize the revenue over a certain period as performance obligations are fulfilled.

(4) Revenue Recognition for Electricity Sales

Revenue for electricity was previously recognized based on monthly meter readings, but the method of revenue recognition has been changed to recognize the revenue which reflects the estimated usage between the last meter reading day in the account closing month and the closing date in accordance with Article 103-2 of the Accounting Standard for Revenue Recognition.

We have adopted the Accounting Standard for Revenue Recognition transitionally, in accordance with the proviso in Article 84 of the standard. We have calculated the cumulative effect of retroactively applying the new policy from the beginning of the first quarter of this fiscal year, adjusted for retained earnings at the beginning of the first quarter of this fiscal year, and applying the new policy to the remaining balance at the beginning of the first quarter of this fiscal year. However, the new accounting policy has not been applied retrospectively to the contracts in which almost all of revenues has been recognized before the beginning of the first quarter of this fiscal year in accordance with the previous treatment by applying the method stipulated in Article 86 of the standard. Furthermore, using the method specified in explanatory note (1) of Article 86 in the standard, retained earnings at the beginning of the first quarter of this fiscal year are adjusted by the cumulative effect of contract terms and conditions effective after applying all contractual changes made before the beginning of the first quarter of this fiscal year.

As a result, consolidated net sales for the nine months ended December 31, 2021 decreased by 28,521 million yen, the cost of sales decreased by 31,990 million yen, selling, general and administrative expenses increased by 70 million yen, operating profit increased by 3,397 million yen, ordinary profit and profit before income taxes increased by 3,385 million yen respectively, compared to using the previous method. Retained earnings at the beginning of this fiscal year decreased by 1,184 million yen.

Due to the adoption of the Accounting Standard for Revenue Recognition and other standards, “Notes and accounts receivable - trade” which were included in “Current assets” in the consolidated balance sheet for the previous fiscal year, are included in “Notes and accounts receivable - trade, and contract assets” since the first quarter of this fiscal year. Furthermore, receivables for credit agreement which were included in “Notes and accounts receivable - trade” recorded as 55,659 million yen in the consolidated balance sheet as of March 31, 2021 are included in “Other” in “Current assets” to distinguish them from receivables for revenue from contracts with customers within the scope of application of the standards since the first quarter of this fiscal year.

In accordance with the transitional treatment stipulated in Article 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year are not restated.

(Accounting Standard for Fair Value Measurement and Other Standards)

We have adopted the Accounting Standard for Fair Value Measurement (Accounting Standards Board of Japan Statement No. 30, issued on July 4, 2019, hereinafter “Fair Value Accounting Standards”) and other standards since the beginning of the first quarter of this fiscal year. In accordance with the transitional treatment set forth in Article 19 of Fair Value Accounting Standards and Article 44-2 of “Accounting Standard for Financial Instruments” (Accounting Standards Board of Japan Statement No. 10, issued on July 4, 2019), the Fair Value Accounting Standards and others have been adopted prospectively. There is no effect on the quarterly consolidated financial statements by adopting the standard.

(Segment Information)

Nine months ended December 31, 2020 (April 1, 2020 - December 31, 2020)

(million yen)

	Domestic Energy	International Energy	Life & Business Solutions	Total	Adjustments	Consolidated
Net sales	814,507	32,303	154,350	1,001,161	(38,277)	962,883
Segment profit						
Operating profit	57,200	658	12,720	70,579	4,296	74,876
Share of profit of entities accounted for using equity method	719	8,995	-	9,714	-	9,714
Total	57,919	9,654	12,720	80,294	4,296	84,591

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	868,689	55,949	163,343	1,087,982	(44,214)	1,043,768
Segment profit						
Operating profit	1,682	24,939	14,802	41,424	1,251	42,676
Share of profit of entities accounted for using equity method	1,365	12,361	-	13,727	-	13,727
Total	3,048	37,301	14,802	55,152	1,251	56,404

(Note) Disclosure of changes in reportable segment

The Company's business segments were renewed in the Medium-term Management Plan 2023 "Creating Value for a Sustainable Future" announced in March 2021. Thus, effective from the first quarter of the fiscal year ending March 31, 2022, "Domestic Energy / Gas" and "Domestic Energy / Electricity" segments have been combined into "Domestic Energy" segment; Osaka Gas International Transport Inc. engaged in LNG transport and the other companies, which were previously included in the "International Energy" segment, have been combined into "Domestic Energy" segment to facilitate integrated operation of "energy sales" and "demand and supply management"; and the operating expenses of Osaka Gas Co., Ltd. for the International Energy Business previously reported in "Domestic Energy / Gas" segment have been transferred to "International Energy" segment. The segment information for the nine months ended December 31, 2020 has been reclassified based on the new reportable segments.