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# 205th Annual Meeting of Shareholders
# Other Electronic Provision Measures Matters

(Matters Omitted from the Documents Delivered in Response to a Request for Delivery of Documents)

## 205th Fiscal Year

(April 1, 2022 to March 31, 2023)

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**OSAKA GAS CO., LTD.**

**Business Report (Systems to Ensure the Properness of Operations)**

**I. Description of Internal Control Systems**

The Company establishes systems (internal control systems) to ensure that Directors of the Company execute the duties in compliance with the laws and regulations and the Articles of Incorporation and other systems necessary to ensure the properness of the Group's operations at meeting of the Board of Directors, and such systems are briefly described below.

**1. Systems to ensure that the execution of the duties complies with the laws and regulations and the Articles of Incorporation**

(1) Directors and employees of the Group shall sufficiently acquire and investigate information as the basis to execute the duties and through accurate understanding of the facts, make reasonable decisions in accordance with regulations on responsibilities and authorities.

(2) For the Board of Directors to make appropriate decisions and enhance its supervisory role, executive Directors shall retain independent outside officers. In addition, the executive officer system shall be adopted to enhance the Board of Directors' supervisory role and ensure efficiency in the execution of duties.

(3) Executive Directors shall hold Executive Board to provide information to the President and the Board of Directors to assist in the decision-making process and discuss strategies and important matters concerning its management of the business.

(4) Executive Directors shall establish the "Daigas Group Code of Business Conduct" based on "Daigas Group Charter of Business Conduct." By familiarizing the Directors and employees with the Code, executive Directors shall not only ensure the performance of duties in compliance with applicable laws and regulations and the Articles of Incorporation within the Group but also promote business activities in a fair and appropriate manner, which includes contributing to the preservation of the environment, promoting social contribution activities and dissociating from antisocial forces.

(5) Executive Directors shall make efforts to understand the status concerning compliance within the Group and promote compliance practices by establishing a consulting and reporting system as an internal reporting system and an ESG committee.

(6) If any problems are discovered regarding compliance, Directors and employees of the Group are required to consult with or report to an executive Director or other superior, or report the matter via the consulting and reporting system depending on the level of seriousness or urgency. Executive Directors, General Manager of the General Affairs Dept. or other superiors shall investigate details of such matter and take necessary remedial measures.

**2. System concerning the maintenance and the management of information on execution of duties**

(1) Executive Directors and employees of the Group shall prepare minutes of the meetings of the Board of Directors, approval documents or other similar documents specifying matters including matters

affecting decisions and the process by which a decision was reached, in accordance with regulations on responsibilities and authorities.

(2) Executive Directors and employees of the Group shall properly store and manage the minutes of the meetings of the Board of Directors, approval documents or other information on execution of duties according to its nature.

**3. Regulations and other systems to manage the risk of losses**

(1) Executive Directors of the Group shall take all possible steps to ensure the safety and stability of gas supplies in gas businesses by establishing safety regulations on matters concerning the construction, maintenance and operation of production and supply facilities, and by promoting the improvement of the production and supply systems.

(2) Executive Directors of the Group and organizational heads of the Company (managers of basic organizations of the Company) shall take measures to prevent the occurrence of risks and minimize losses in the case of occurrence, and manage the risk of losses for each category of risk (risks due to external factors, internal factors, transactions with outside parties or other factors).

(3) The risk of losses shall be managed at the level of each basic organization and each affiliated company, and the managers of the basic organizations shall promote the management of the risk of losses and regularly confirm its effectiveness.

(4) The emergencies that might have a material impact on the management of the Group shall be addressed according to the regulations on disaster and accident countermeasures and business contingency plans.

**4. Systems to ensure the efficient execution of duties**

(1) Executive Directors of the Group and organizational heads of the Company shall determine matters concerning the division of duties and decision-making within the Company and the Group in accordance with regulations on responsibilities and authorities. They shall also provide regulations regarding details of organizations and general matters to be observed during the execution of duties. By familiarizing employees with such regulations, they shall ensure the smooth management of organizations and the improvement of quality and efficiency of operations.

(2) With the aim of maximizing corporate value, executive Directors of the Group and organizational heads of the Company shall establish medium-term business plans and annual plans for the Company and the Group, monitor its attainment by means of performance indicators and focus on achieving these plans.

**5. Other systems to ensure the properness of business operations**

In addition to the above, executive Directors shall take the following measures and make efforts to ensure proper operations.

(1) Companies to play a central role in each business area of the Group (Core Non-Energy Business Companies, Network Company, and Overseas Regional Headquarters) or basic organizations to supervise affiliated companies (management support organizations) shall be designated to be responsible for day-to-day management of affiliated companies.

(2) Compliance with applicable laws and regulations and the Articles of Incorporation, the efficiency and other similar matters of the Group as a whole shall be audited internally by the head of the Auditing Department. If necessary, in light of the results of such audit, remedial measures shall be taken promptly.

(3) Internal control procedures shall be maintained, operated and evaluated in relation to financial reporting to ensure its credibility.

**6. Matters concerning employees assisting Audit & Supervisory Board Members in the performance of their duties**

(1) Executive Directors, if requested by the Audit & Supervisory Board Members, shall appoint employees to assist the Audit & Supervisory Board Members in the performance of their duties and establish an Audit & Supervisory Board Members' office staffed by these Audit & Supervisory Board Members' assistants.

(2) Audit & Supervisory Board Members' assistants shall be engaged solely in assisting the Audit & Supervisory Board Members in the performance of their duties.

**7. Matters concerning independence of Audit & Supervisory Board Members' assistants from Directors**

(1) Executive Directors cannot direct or give orders to Audit & Supervisory Board Members' assistants except where such directions or orders apply equally to all employees.

(2) The opinions of the Audit & Supervisory Board Members regarding the evaluation, transfer, etc., of Audit & Supervisory Board Members' assistants shall be sought in advance and respected.

**8. Systems for reporting to the Audit & Supervisory Board Members**

(1) Directors shall report immediately to the Audit & Supervisory Board Members if a matter that is significantly detrimental to the Company is discovered.

(2) Directors and employees of the Group or auditors of the affiliated companies shall report without delay matters that have a material impact on the business of the Group, the results of internal audits, the situation regarding the main reports under the consulting and reporting system and other important matters to the Audit & Supervisory Board Members.

(3) Directors of the Group and employees of the Company shall report without delay when requested by the Audit & Supervisory Board Members to report on matters concerning the execution of duties.

(4) Executive Directors and other supervisors of the Group shall not disadvantageously treat any person who reports to the Audit & Supervisory Board Members according to the preceding items for the reason that such report was made.

**9. Other systems to ensure effective auditing by the Audit & Supervisory Board Members**

(1) The Audit & Supervisory Board Members may exchange opinions periodically with the Representative Directors and the accounting auditor.

(2) The Audit & Supervisory Board Members may attend Executive Board and all company committee meetings. They may investigate as appropriate material information concerning the execution of duties, such as approval documents.

(3) Executive Directors shall ensure the Company provides the expenses or liabilities necessary for the execution of the duties of the Audit & Supervisory Board Members.

**10. Confirmation of operation status, etc.**

(1) Executive Directors shall periodically confirm and assess the status of the operation of the internal control system and report the results to the Board of Directors.

(2) Executive Directors shall take necessary measures by taking into consideration the assessment results of internal control system and other situations.

**II. Operating Status of the Internal Control Systems**

The Company confirms the operating status of the internal control systems on a periodic basis by identifying items to confirm for various matters and receiving reports from the organizational heads and other persons concerned. At the meeting of the Board of Directors held on April 26, 2022, it was reported that the internal control systems were operating in a proper manner.
The operating status of the internal control systems during the fiscal year under review is described in the following.

(1) Matters concerning compliance, etc.
The ESG Committee promotes initiatives in each sector, including sustainability activities, through the "Compliance and Risk Management Subcommittee," "Environment Subcommittee," and "Social Contribution Subcommittee."
With the movement towards decarbonization gaining pace globally in response to the issue of climate change, the Company formulated and announced Energy Transition 2030 in March 2023, integrating an overall roadmap for the transition to low carbon and carbon neutral energy, as well as the Group's specific initiatives and the solutions it can provide for customers.

Educational materials, including a guide to the “Daigas Group Code of Business Conduct,” are posted on the intranet at all times to familiarize Directors and employees of the Group with said Code to promote and ensure its understanding.

The consultation and reporting system has been revised in light of the Partial Amendment of the Whistleblower Protection Act (Act No. 51, 2020), which came into effect in June 2022. Effective April 1, 2022, the number of affiliated companies with whistleblower hotlines was expanded, and measures have been taken to ensure the independence of whistleblowing processes involving management. During the fiscal year under review, the Company is implementing measures to improve the operational quality of whistleblower hotlines at affiliated companies.

**(2) Matters concerning risk management, etc.**

Organizational heads of the Company and presidents of the affiliated companies promote the management of the risk of losses and periodically conduct risk management assessments. Each basic organization or affiliated company identifies risk items, checks the status of management concerning the risk items and conducts follow-ups or other measures by using such means as the “G-RIMS (Gas Group Risk Management System),” which systematizes the self-assessment of risk management practices.

Regarding the management of risks concerning security and disaster prevention which are common to the Group, the organization in charge is clearly specified, and the organization supports each basic organization and affiliated company to ensure risk management on a Group-wide basis.

With the legal separation of our gas pipeline division, effective April 1, 2022, we established a Security and Disaster Prevention Committee to coordinate and promote cross-organizational measures related to safety and disaster prevention within the Group, and are taking all possible measures to ensure safety and disaster prevention after the legal separation. We also implemented internal investigations to confirm the status of measures to block the transfer of information between the Network Company and the Company and its affiliated companies, which are gas retailers, and the status of information management.

To prepare for emergencies, regulations for disaster countermeasure and business continuity plans are prepared. We also carry out company-wide disaster-prevention drills, which consist of earthquake drills and BCP exercises. During the fiscal year under review, in addition to drills assuming disasters occurred amid an epidemic, we also implemented emergency coordination training and drills, including the use of remote communications, to ensure coordination between the Network Company and gas retailers.

The Cyber Security Committee has been established to further strengthen measures against attacks from outside the Group’s network such as by carrying out periodic inspections and following up on the Group’s security.

**(3) Matters concerning the management of businesses in the Group**

The affiliated companies to be managed by the Core Non-Energy Business Companies, the Network Company, the Overseas Regional Headquarters, or the management support organizations are designated, and their managerial tasks are monitored by receiving regular reports and reports on important issues from the affiliated companies. In addition, day-to-day management of those affiliated companies is performed by using the G-RIMS and/or conducting audits.

The Company’s Auditing Department, which conducts internal audits, implements planned internal audits of the Company’s organizations and the affiliated companies and provides follow-up after a certain period of time.

**(4) Matters concerning the effectiveness of audits by Audit & Supervisory Board Members**

Full-time Audit & Supervisory Board Members have periodic exchanges of opinion with the Director and Chairman, the Representative Director and President and the accounting auditor, in which Outside Audit & Supervisory Board Members also participate as necessary. Partly through the opportunity to exchange opinions with the accounting auditor, Audit & Supervisory Board Members evaluate the qualifications, expertise and independence of the accounting auditor.

Full-time Audit & Supervisory Board Members attend important meetings such as the Executive Board, the ESG Promotion Meeting, the Investment Evaluation Committee, etc., and read approval documents and other important documents. Through a Board of Directors’ resolution on the internal control systems, they also clarify important matters to be reported to Audit & Supervisory Board Members and disseminate information.

Five assistants to Audit & Supervisory Board Members are in place to engage solely in assisting Audit & Supervisory Board Members in the performance of their duties.

## Consolidated Statement of Changes in Equity (April 1, 2022 to March 31, 2023)

(Millions of Yen)

| | Shareholders' equity | | | | | Accumulated other comprehensive income | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | **Non-controlling interests** | **Total net assets** |
| **Balance at beginning of period** | **132,166** | **19,071** | **965,951** | **(2,115)** | **1,115,073** | **67,905** | **(15,313)** | **(737)** | **39,108** | **53,624** | **144,586** | **24,472** | **1,284,132** |
| Cumulative effects of changes in accounting policies | | | 11,956 | | 11,956 | | | | | | | | 11,956 |
| **Restated balance** | **132,166** | **19,071** | **977,907** | **(2,115)** | **1,127,030** | **67,905** | **(15,313)** | **(737)** | **39,108** | **53,624** | **144,586** | **24,472** | **1,296,089** |
| **Changes during period** | | | | | | | | | | | | | |
| Dividends of surplus | | | (24,939) | | (24,939) | | | | | | | | (24,939) |
| Profit attributable to owners of parent | | | 57,110 | | 57,110 | | | | | | | | 57,110 |
| Purchase of treasury shares | | | | (38) | (38) | | | | | | | | (38) |
| Disposal of treasury shares | | 25 | | 108 | 133 | | | | | | | | 133 |
| Net changes in items other than shareholders' equity | | | | | | 179 | 40,582 | (1,209) | 58,729 | (10,742) | 87,538 | 1,285 | 88,824 |
| **Total changes during period** | **—** | **25** | **32,170** | **69** | **32,265** | **179** | **40,582** | **(1,209)** | **58,729** | **(10,742)** | **87,538** | **1,285** | **121,089** |
| **Balance at end of period** | **132,166** | **19,096** | **1,010,078** | **(2,045)** | **1,159,295** | **68,085** | **25,268** | **(1,947)** | **97,838** | **42,881** | **232,125** | **25,757** | **1,417,178** |

**Notes to Consolidated Financial Statements (April 1, 2022 to March 31, 2023)**

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

(2) Application of the equity method

Number of equity method associates: 32

(Names of principal equity method associates)
ENEARC Co., Ltd. and FLIQ1 Holdings, LLC

(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: | |
| Other than stocks and other securities with no market price: | Stated at fair value (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.) |
| Stocks and other securities with no market price: | 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 mainly been used for overseas consolidated subsidiaries and 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.

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

Allowance for doubtful accounts

To provide for the bad debt 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.

(iv) Basis for recognition of significant revenues and expenses

a. Revenue from sales of goods or products

For the sale of goods or products in each of the Group’s businesses, the Group recognizes revenue at the point of delivery for goods or products that do not require installation under the contract with the customer, and at the point of completion of installation for goods or products that require installation under the contract with the customer, based on the judgment that the customer has acquired control over the goods or product and the performance obligation has been satisfied at such point. For contracts in which the Group is entitled to receive consideration that directly corresponds to the value to the customer of the portion of performance completed, the Group recognizes revenue in the amount it is entitled to claim in accordance with Paragraph 19 the Implementation Guidance on Accounting Standard for Revenue Recognition.

Revenue is measured at the amount of consideration promised under the contract with the customer, less discounts, rebates, and other items. Consideration is usually received within approximately one year from the satisfaction of the performance obligation, and it does not include significant financial elements.

b. Revenue from provision of services, etc.

For the gas business, revenues from the provision of services, etc., including maintenance and servicing related to gas appliances are recognized on a straight-line or percentage-of-completion basis over the service period in which the customer receives the benefit if the performance obligation is satisfied over a certain period.

For transactions that combine the sale of goods or products with the provision of services, etc., each promise to transfer goods or services is identified as a separate performance obligation. The stand-alone selling price is determined at the inception of the contract, and the transaction price is allocated in proportion to such selling price. Consideration is usually received based on the progress towards complete satisfaction of performance obligation or in the form of advance payments based on contracts with customers, and it does not include significant financial components.

c. Revenue from construction contracts, etc.

For revenues from construction contracts, including engineering in the gas and electricity businesses and software development in the information solutions business, the Company estimates the progress towards complete satisfaction of the performance obligations and recognizes revenues over a certain period based on the progress. The progress is measured based on the percentage of costs incurred by the end of the period to the estimated total costs. However, for construction contracts with short construction periods, etc., revenue is recognized when the performance obligation is fully satisfied.

Consideration is generally received in the form of contractual milestone payments based on the progress towards complete satisfaction of performance obligation or in the form of advance payments based on contracts with customers, and it does not include significant financial components.

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

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.

2. Notes to Changes in Accounting Policies

(1) 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 (ASBJ) Guidance No. 31, June 17, 2021, hereinafter "Implementation Guidance on Fair Value Accounting Standard") since the beginning of this consolidated 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 consolidated financial statements by adopting the guidance.

(2) 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 non-consolidated financial statements in accordance with the "Accounting Rules for Gas Utility" (Ministry of International Trade and Industry Ordinance No. 15 of 1954; hereinafter the "Accounting Rules for Gas Utility") and "Regulation on Corporate Accounting" (Ministry of Justice Ordinance No. 13 of 2006; hereinafter "Regulation on Corporate Accounting"), and therefore prepared our consolidated financial statements in accordance with the Accounting Rules for Gas Utility and the Regulation on Corporate Accounting. 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 non-consolidated financial statements in accordance with the Regulation on Corporate Accounting since the beginning of this consolidated fiscal year. Along with this, we have also prepared consolidated financial statements in accordance with the "Regulation on Corporate Accounting" since the beginning of this consolidated 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 cumulative effect has been reflected in net assets at the beginning of this consolidated fiscal year. The opening balance of retained earnings on the consolidated statement of changes in equity was ¥11,956 million higher as a result.

3. Notes to Changes in Presentation Method

As stated in "Notes to Changes in Accounting Policies," whereas the Company previously prepared its consolidated financial statements based on the Accounting Rules for Gas Utility and Regulation on Corporate Accounting, from the beginning of this consolidated fiscal year, it prepares these statements based only on Regulation on Corporate Accounting. The main content of the change is presented below.

(1) Consolidated balance sheet

The capital arrangement was used in the previous consolidated fiscal years. The current arrangement is used in this consolidated fiscal year.

Whereas the content of "property, plant and equipment" was classified by function in the previous consolidated fiscal year, it has been classified by form in this consolidated fiscal year.

Whereas "long-term loans receivable," "current portion of non-current liabilities," "deferred tax liabilities," "provision for gas holder repairs," "provision for safety measures," and "provision for gas appliance warranties" were presented separately in the previous consolidated fiscal year, they have been included in each section of "other" in this consolidated fiscal year.

(2) Consolidated statement of income

"Selling, general and administrative expenses," presented in the previous consolidated fiscal year, is presented as "selling, general and administrative expenses" in this consolidated fiscal year (Change in Japanese only; English unchanged).

Expenses associated with the supply of gas, which were included in "selling, general and administrative expenses" in the previous consolidated fiscal year, have been included in "cost of sales" in this consolidated fiscal year.

"Miscellaneous operating expenses" and "expenses for incidental businesses," which were included in "cost of sales" on the Company's statement of income in the previous consolidated fiscal year, were included in "cost of sales" and "selling, general and administrative expenses," respectively, in this consolidated fiscal year.

The Company's inhabitant tax on per capita basis, which was included in "selling, general and administrative expenses" in the previous consolidated fiscal year, were included in "income taxes - current" in this consolidated fiscal year.

4. 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 | ¥1,243,788 million |
| Intangible assets | ¥105,120 million |
| Investment in entities accounted for using equity method | ¥260,406 million |

(2) Collectability of deferred tax assets

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

| | |
|---|---|
| Deferred tax assets | ¥35,148 million |

(3) Calculation of retirement benefit obligations

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

| | |
|---|---|
| Retirement benefit asset | ¥116,038 million |
| Retirement benefit liability | ¥19,703 million |
| Remeasurements of defined benefit plans | ¥42,881 million |

5. Notes to the Consolidated Balance Sheet

(1) Assets pledged as collateral and secured liabilities

(i) Assets pledged as collateral

| | |
|---|---|
| Property, plant and equipment | ¥117,906 million |
| Investments and other assets | ¥187,918 million |
| Others | ¥62,059 million |
| Total | ¥367,884 million |

(ii) Secured liabilities ¥130,341 million

In addition to above, shares of subsidiaries and associates, etc. of ¥35,657 million offset as a result of consolidation are pledged as collateral.

(2) Accumulated depreciation of property, plant and equipment: ¥2,923,843 million

(3) Guarantee liabilities, etc.

Guarantee liabilities: ¥11,208 million

6. 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).

7. 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.

Shares of subsidiaries and associates, unlisted shares, and other stocks with no market price (amount recorded on the consolidated balance sheet: ¥304,660 million) are not included in "(1) Securities and investment securities."

In addition, "Cash and deposits," "Notes and accounts receivable - trade, and contract assets," "Notes and accounts payable - trade" and "Short-term borrowings" are omitted because their fair values approximate their book values due to cash and short term settlements.

(Millions of Yen)

| | Amount recorded on the consolidated balance sheet | Fair value | Difference |
|---|---|---|---|
| (1) Securities and investment securities | 136,250 | 136,191 | (59) |
| Total Assets | 136,250 | 136,191 | (59) |
| (2) Bonds payable[1] | 435,038 | 404,255 | (30,783) |
| (3) Long-term borrowings[1] | 446,157 | 444,963 | (1,193) |
| Total Liabilities | 881,196 | 849,219 | (31,977) |
| Derivative transactions[2] | 27,316 | 27,316 | — |

[1] Includes those due within one year.

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

(Note) Description of valuation techniques and inputs used in the calculation of fair value

The fair value of financial instruments is classified into the following three levels based on the observability and materiality of the inputs used to calculate fair value.

Level 1 fair value: Fair value calculated using (unadjusted) quoted prices in active markets for identical assets or liabilities

Level 2 fair value: Fair value calculated using inputs other than Level 1 inputs that are directly or indirectly observable

Level 3 fair value: Fair value calculated using significant unobservable inputs

When multiple inputs that have a significant impact on the calculation of fair value are used, fair value is classified to the level with the lowest priority in the calculation of fair value among the levels to which each of those inputs belongs.

Assets

(1) Securities and investment securities

Listed stocks and Japanese government bonds are valued using quoted market prices, and their fair values are classified as Level 1 fair value because they are all traded in active markets. Other investments are valued using the discounted present value method, etc., and their fair values are classified as Level 3 fair value.

Liabilities

(2) Bonds payable

The fair value of bonds payable issued by the Company is based on their quoted market prices and is classified as Level 2 fair value.

(3) Long-term borrowings

Long-term borrowings with fixed interest rates are classified as Level 2 fair value, which is calculated using the discounted present value method based on the total amount of principal and interest and an interest rate that takes into account the remaining term of the debt and credit risk. 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 and is classified as Level 2 fair value.

Derivative transactions

The fair value of derivative transactions is primarily based on the price quoted by the counterpart financial institutions and is classified as Level 2 fair value. 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. The fair value of forward foreign exchange contracts that are accounted for under the allocation method is included in the fair value of the relevant accounts payable, etc., because they are accounted for as an integral part of the accounts payable, etc., which are hedged items.

8. 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 |
|---|---|
| 202,838 | 292,895 |

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: ¥6,174 million) are not included in the table above as development is currently underway and therefore it is difficult to determine fair value.

9. 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 28, 2022, the following were resolved with March 31, 2022, as a record date.

Dividends of common shares

(a) Total amount of dividends ¥12,469 million
(b) Dividend per share ¥30.00
(c) Effective date for dividends June 29, 2022

b. At the meeting of the Board of Directors held on October 27, 2022, the following were resolved with September 30, 2022, as a record date.

Dividends of common shares

(a) Total amount of dividends ¥12,470 million
(b) Dividend per share ¥30.00
(c) Effective date for dividends November 30, 2022

(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 23, 2023, the following will be proposed with March 31, 2023, as a record date. Dividends are to be appropriated from retained earnings.

Dividends of common shares

| | | |
|---|---|---|
| (a) | Total amount of dividends | ¥12,470 million |
| (b) | Dividend per share | ¥30.00 |
| (c) | Effective date for dividends | June 26, 2023 |

10. Notes to Per Share Information

| | | |
|---|---|---|
| (1) | Net assets per share: | ¥3,347.34 |
| (2) | Earnings per share: | ¥137.39 |

11. Notes to Revenue Recognition

(1) Segmentation of revenue

The Group operates its businesses through three reportable segments: the Domestic Energy Business, the International Energy Business, and the Life & Business Solutions Business. The goods and services of each reportable segment are gas business, electricity business, international energy business, urban development business, information solutions business, material solutions business, and other life and business solutions business.

Revenues from contracts with customers were ¥1,945,521 million for the Domestic Energy Business, ¥97,871 million for the International Energy Business, and ¥180,435 million for the Life & Business Solutions Business.

Subsidies, etc. received through the Electricity and Gas Price Volatility Mitigation Project are included in revenue for the Domestic Energy Business.

(2) Basic information to understand revenue

The information is disclosed in “(iv) Basis for recognition of significant revenues and expenses, (3) Accounting policies, 1. Notes to Significant Matters Forming the Basis of Preparation of the Consolidated Financial Statements” in Notes to Consolidated Financial Statements.

12. Other Notes

Adoption of the group tax sharing system

During this consolidated fiscal year, the Company and some of its consolidated subsidiaries in Japan applied for and received approval for the adoption of the group tax sharing system, and have decided to transition from a non-consolidated taxation system to the group tax sharing system from the next consolidated fiscal year.

From the end of the his consolidated fiscal year, the Company applies Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (ASBJ Practical Solution No. 42, August 12, 2021) regarding the accounting treatment and disclosure of tax effect accounting related to income taxes.

Transactions under common control

On April 1, 2022, the Company transferred the general gas pipeline service business and other businesses through a company split to Osaka Gas Network Co., Ltd.

(1) Outline of the transaction

a. Name of the subject business and description of the business

General gas pipeline service business and incidental businesses

b. Effective date of the business combination

April 1, 2022

c. Legal form of business combination

An absorption-type split in which the Company is the splitting company, and Osaka Gas Network Co., Ltd., a wholly-owned subsidiary, is the succeeding company.

d. Name of company after combination

Osaka Gas Network Co., Ltd.

e. Purpose of business combination

Pursuant to the June 2015 amendment of the Gas Business Act, the Company, a general gas pipeline service business operator, is prohibited from engaging also in the retail gas business or the gas production business from April 2022 from the perspective of ensuring further neutrality in 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, the Company established Osaka Gas Network Co., Ltd., a wholly-owned subsidiary of the Company, on April 1, 2021, and, on April 23, 2021, executed an absorption-type split agreement with the subsidiary to transfer our general gas pipeline service business to the subsidiary which became effective on April 1, 2022.

Based on the above, the Company transferred the business to Osaka Gas Network Co., Ltd.

(2) Summary of accounting procedures performed

The transaction was accounted for as a transaction under common control in accordance with Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, January 16, 2019).

## Non-Consolidated Statement of Changes in Equity (April 1, 2021 to March 31, 2022)

(Millions of Yen)

| | Shareholders' equity | | | | | | | | | | | | | | Valuation and translation adjustments | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Capital surplus | | | Retained earnings | | | | | | | | | | | | | |
| | | | | | | Other retained earnings | | | | | | | | | | | | |
| | Share capital | Legal capital surplus | Other capital surplus | Total capital surplus | Legal 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 | Total 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 | **Total net assets** |
| **Balance at beginning of period** | 132,166 | 19,482 | 14 | 19,497 | 33,041 | 241 | 9,738 | 217 | 89,000 | 62,000 | 476,503 | 670,742 | (2,115) | 820,291 | 45,602 | (6,391) | 39,211 | 859,502 |
| Cumulative effects of changes in accounting policies | | | | | | | | | | | 11,956 | 11,956 | | 11,956 | | | | 11,956 |
| **Restated balance** | 132,166 | 19,482 | 14 | 19,497 | 33,041 | 241 | 9,738 | 217 | 89,000 | 62,000 | 488,460 | 682,699 | (2,115) | 832,248 | 45,602 | (6,391) | 39,211 | 871,459 |
| **Changes during period** | | | | | | | | | | | | | | | | | | |
| Decrease by corporate division | | | | | | (46) | | | | | 46 | — | | — | | | | — |
| Reversal of reserve for overseas investment loss | | | | | | | (2,880) | | | | 2,880 | — | | — | | | | — |
| Dividends of surplus | | | | | | | | | | | (24,939) | (24,939) | | (24,939) | | | | (24,939) |
| Loss | | | | | | | | | | | (45,244) | (45,244) | | (45,244) | | | | (45,244) |
| Purchase of treasury shares | | | | | | | | | | | | | (38) | (38) | | | | (38) |
| Disposal of treasury shares | | | 25 | 25 | | | | | | | | | 108 | 133 | | | | 133 |
| Net changes in items other than shareholders' equity | | | | | | | | | | | | | | | (2,639) | (7,656) | (10,296) | (10,296) |
| **Total changes during period** | — | — | 25 | 25 | — | (46) | (2,880) | — | — | — | (67,258) | (70,184) | 69 | (70,089) | (2,639) | (7,656) | (10,296) | (80,385) |
| **Balance at end of period** | 132,166 | 19,482 | 40 | 19,522 | 33,041 | 195 | 6,858 | 217 | 89,000 | 62,000 | 421,202 | 612,515 | (2,045) | 762,158 | 42,963 | (14,048) | 28,914 | 791,073 |

**<u>Notes to Non-Consolidated Financial Statements (April 1, 2022 to March 31, 2023)</u>**

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: | |
| Other than stocks and other securities with no market price: | Stated at fair value (Unrealized valuation gains and losses are accounted for as a component of net assets; cost of sales is determined using the moving-average method.) |
| Stocks and other securities with no market price: | 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:

| | |
|---|---|
| Merchandise: | Stated at cost based on the moving-average method |
| Finished goods: | Stated at cost based on the total-average method |
| Raw materials and 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.

(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.

(4) Basis for recording revenue and expenses

(i) Revenue from sales of goods or products

For the sale of goods or products in each of the Company's businesses, the Company recognizes revenue at the point of delivery for goods or products that do not require installation under the contract with the customer, and at the point of completion of installation for goods or products that require installation under the contract with the customer, based on the judgment that the customer has acquired control over the goods or product and the performance obligation has been satisfied at such point.

(ii) Revenue from provision of services, etc.

For the gas business, revenues from the provision of services, etc., including maintenance and servicing related to gas appliances are recognized on a straight-line or percentage-of-completion basis over the service period in which the customer receives the benefit if the performance obligation is satisfied over a certain period.

(5) Other significant matters for the preparation of these non-consolidated financial statements

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.

2. Notes to Changes in Accounting Policies

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 non-consolidated financial statements in accordance with the “Accounting Rules for Gas Utility” (Ministry of International Trade and Industry Ordinance No. 15 of 1954; hereinafter the “Accounting Rules for Gas Utility”) and “Regulation on Corporate Accounting” (Ministry of Justice Ordinance No. 13 of 2006; hereinafter “Regulation on Corporate Accounting”). 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 non-consolidated financial statements in accordance with the Regulation on Corporate Accounting since the beginning of the fiscal year under review.

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 cumulative effect has been reflected in net assets at the beginning of the fiscal year under review. The opening balance of retained earnings on the non-consolidated statement of changes in equity was ¥11,956 million higher as a result.

3. Notes to Changes in Presentation Method

As stated in “Notes to Changes in Accounting Policies,” whereas the Company previously prepared its non-consolidated financial statements based on the Accounting Rules for Gas Utility and Regulation on Corporate Accounting, from the beginning of the fiscal year under review, it prepares these statements based only on Regulation on Corporate Accounting. The main content of the change is presented below.

(1) Non-consolidated balance sheet

The capital arrangement was used in the previous fiscal years. The current arrangement is used in this non-consolidated fiscal year.

Whereas the content of “property, plant and equipment” was classified by function in the previous fiscal year, it has been classified by form in this non-consolidated fiscal year.

Whereas “accounts receivable from subsidiaries and associates - trade,” “short-term receivables from subsidiaries and associates,” “investments in subsidiaries and associates,” “long-term loans receivable from subsidiaries and associates,” “short-term debt to subsidiaries and associates,” and “long-term debt to subsidiaries and associates” were presented separately in the previous fiscal year, “accounts receivable from subsidiaries and associates - trade” has been included in “accounts receivable - trade", “short-term receivables from subsidiaries and associates” have been included in “accounts receivable - trade” and “short-term loans receivable,” “investments in subsidiaries and associates” have been included in “investment securities,” “shares and investments in capital of subsidiaries and associates,” and “other” under investments and other assets, “long-term loans receivable from subsidiaries and associates” have been included in “long-term loans receivable,” “short-term debt to subsidiaries and associates” was included in “accounts payable - trade,” “short-term borrowings,” “accounts payable - other,” “accrued expenses,” and “other” under current liabilities, and “long-term debt to subsidiaries and associates” was included in “other” under non-current liabilities in this non-consolidated fiscal year.

“Accounts receivable - other” was presented separately in the previous fiscal year, but included in “accounts receivable - trade” in this non-consolidated fiscal year.

“Advances received” in the previous fiscal year was presented in “advances received” and “other” under current liabilities in this non-consolidated fiscal year.

“Finished goods,” “raw materials,” “supplies,” and “other current assets” were presented separately in the previous fiscal year, but included in “merchandise and finished goods” and “raw materials and supplies” in this non-consolidated fiscal year.

“Other intangible assets” in the previous fiscal year was presented in “software” in this non-consolidated fiscal year.

Whereas “advance payments,” “supplies,” “patent right,” “leasehold interests in land,” “investments in capital,” “long-term prepaid expenses,” “current portion of non-current liabilities” “provision for gas holder repairs,” “provision for safety measures,” and “provision for gas appliance warranties” were presented separately in the previous fiscal year, they have been included in each section of “other” in this non-consolidated fiscal year.

(2) Non-consolidated statement of income

Whereas “sales from gas business,” “miscellaneous operating revenue,” and “revenue from incidental businesses” were presented separately in the previous fiscal year, they have been presented as “net sales” in this non-consolidated fiscal year.

“Supply and sales expenses” and “general and administrative expenses” in the previous fiscal year are presented as “selling, general and administrative expenses” in this non-consolidated fiscal year.

"Miscellaneous operating expenses" and "expenses for incidental businesses," which were presented separately in the previous fiscal year, were included in "cost of sales" and "selling, general and administrative expenses," respectively, in this non-consolidated fiscal year.
Expenses associated with the supply of gas, which were included in "supply and sales expenses" in the previous fiscal year, have been included in "cost of sales" in this non-consolidated fiscal year.
The Company's inhabitant tax on per capita basis, which was included in "general and administrative expenses" in the previous fiscal year, were included in "income taxes - current" in this non-consolidated fiscal year.
Whereas "interest income," "interest on securities," "dividend income," "dividends from subsidiaries and associates," and "miscellaneous income" were presented separately in the previous fiscal year, "interest income," "interest on securities," "dividend income," "dividends from subsidiaries and associates" were included in "interest and dividend income" and "miscellaneous income" was included in "other" in this non-consolidated fiscal year.
Whereas "interest expenses," "interest on bonds," "amortization of bond issuance costs," and "miscellaneous expenses" were presented separately in the previous fiscal year, "interest expenses" and "interest on bonds" were included in "interest expenses," while "amortization of bond issuance costs" and "miscellaneous expenses" were included in "other" in this non-consolidated fiscal year.

4. 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.

(1) Calculation of retirement benefit obligations

| | |
|---|---|
| Provision for retirement benefits | ¥1,969 million |
| Prepaid pension costs | ¥55,212 million |

(2) Collectability of deferred tax assets

| | |
|---|---|
| Deferred tax assets (before offsetting with deferred tax liabilities) | ¥48,667 million |

5. Notes to the Non-Consolidated Balance Sheet

(1) Assets pledged as collateral

| | |
|---|---|
| Investments and other assets: | ¥9,430 million |

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

| | |
|---|---|
| Accumulated depreciation of property, plant and equipment: | ¥538,819 million |
| Accumulated amortization of intangible assets: | ¥9,614 million |

(3) Guarantee liabilities, etc.

| | |
|---|---|
| Guarantee liabilities: | ¥80,238 million |

(4) Monetary claims and obligations with subsidiaries and associates

| | |
|---|---|
| Short-term monetary claims: | ¥166,166 million |
| Long-term monetary claims: | ¥394,414 million |
| Short-term monetary obligations: | ¥206,058 million |
| Long-term monetary obligations: | ¥6,140 million |

6. Notes to the Non-Consolidated Statement of Income

Amount of business from operational transactions with subsidiaries and associates:

| | |
|---|---|
| Sales to subsidiaries and associates: | ¥192,738 million |
| Amounts of purchases from subsidiaries and associates: | ¥640,229 million |

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

¥25,678 million

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

Number of treasury stock at the end of the fiscal year: 1,000,693 common shares

8. Notes to Tax Effect Accounting

(1) The main factors for the deferred tax assets are tax losses carried forward, loss on valuation of investment securities, and deferred gains or losses on hedges.

(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.

(3) Adoption of the group tax sharing system

During this non-consolidated fiscal year, the Company applied for and received approval for the adoption of the group tax sharing system, and have decided to transition from a non-consolidated taxation system to the group tax sharing system from the next non-consolidated fiscal year. From the end of this non-consolidated fiscal year, the Company applies Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (ASBJ Practical Solution No. 42, August 12, 2021) regarding the accounting treatment and disclosure of tax effect accounting related to income taxes.

9. 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 Network Co., Ltd. | 100% direct holding | Subsidiary | Increase in capital (Note 1)<br>Dividend of surplus (Note 1) | 322,954<br>186,500 | — | — |
| Osaka Gas Gorgon Pty. Ltd. | 100% indirect holding | Subsidiary | Debt guarantee (Note 2) | 28,429 | — | — |
| Osaka Gas USA Corporation | 100% direct holding | Subsidiary | Debt guarantee (Note 3) | 19,358 | — | — |

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

Notes: 1. The Company subscribed to the increase in capital of Osaka Gas Network Co., Ltd. associated with the transfer of the general gas pipeline service business and other businesses through a company split to Osaka Gas Network Co., Ltd., implemented on April 1, 2022, and received dividends of surplus from Osaka Gas Network Co., Ltd.

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

3. The Company provided a guarantee for the derivative transactions implemented by Osaka Gas USA Corporation to hedge business risks.

10. Notes to Per Share Information

(1) Net assets per share: ¥1,903.09

(2) Loss per share: ¥(108.85)

11. Notes to Revenue Recognition

Basic information to understand revenue

The information is omitted since the same description is disclosed in “a. Revenue from sales of goods or products, b. Revenue from services provided, etc., (iv) Basis for recognition of significant revenues and expenses, (3) Accounting policies, 1. Notes to Significant Matters Forming the Basis of Preparation of the Consolidated Financial Statements” in Notes to Consolidated Financial Statements.

12. Other Notes

Transactions under common control

On April 1, 2022, the Company transferred the general gas pipeline service business and other businesses through a company split to Osaka Gas Network Co., Ltd.

(1) Outline of the transaction

a. Name of the subject business and description of the business

General gas pipeline service business and incidental businesses

b. Effective date of the business combination

April 1, 2022

c. Legal form of business combination

An absorption-type split in which the Company is the splitting company, and Osaka Gas Network Co., Ltd., a wholly-owned subsidiary, is the succeeding company.

d. Name of company after combination

Osaka Gas Network Co., Ltd.

e. Purpose of business combination

Pursuant to the June 2015 amendment of the Gas Business Act, the Company, a general gas pipeline service business provider, is prohibited from engaging also in the retail gas business or the gas production business from April 2022 from the perspective of ensuring further neutrality in 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, the Company established Osaka Gas Network Co., Ltd., a wholly-owned subsidiary of the Company, on April 1, 2021, and, on April 23, 2021, executed an absorption-type split agreement with the subsidiary to transfer our general gas pipeline service business to the subsidiary which became effective on April 1, 2022.

Based on the above, the Company transferred the business to Osaka Gas Network Co., Ltd.

(2) Summary of accounting procedures performed

The transaction was accounted for as a transaction under common control in accordance with Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, January 16, 2019).