

Osaka Gas Co., Ltd. (9532)

Presentation script at the Analysts' Meeting on the financial results for the 3<sup>rd</sup> quarter of fiscal year ended March 31, 2023 (Held on February 6, 2023)

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I am Hiroki Matsui, General Manager of IR Department of Osaka Gas.

Thank you for taking the time today to participate in this meeting for the 3<sup>rd</sup> quarter of the year ending March 31, 2023 (3Q FY2023.3).

On behalf of the company, I would like to express our gratitude for your continued support and understanding as we pursue our goals in our businesses.

I will refer to the slides of Financial Report for 3<sup>rd</sup> Quarter of FY2023.3, which are available on our website. Please look at page 3.

### **P3 Summary of Business Results of 3Q and Forecast Revision**

Now, I would like to explain the financial results for 3Q FY2023.3.

Net sales for 3Q increased from the same period last year, mainly due to the higher LNG selling prices and higher unit selling price of city gas in the Domestic Energy business and the sales increase in the upstream businesses in the USA and Australia in the International Energy business.

Ordinary loss was 6.8 billion yen, down 78.5 billion yen from the same period last year, and net loss attributable to owners of the parent was 1.3 billion yen, down 56.5 billion yen year on year, mainly due to the losses related to Freeport LNG's plant shutdown and an increase in the time-lag loss.

Next, I will explain the key points of the forecasts.

As a result of recent business trends, we decide to update our full-year forecasts for net sales and net profit attributable to owners of the parent.

We have revised net sales forecast upward by 25.0 billion yen from the previous forecast due to the higher unit selling price of city gas under the gas resource cost adjustment system.

Ordinary profit forecast remains unchanged from the previous forecast. We expect increased costs due to Freeport LNG's plant shutdown, as well as positive factors, such as the enhancement of our long-term LNG contract competitiveness compared to JLC, a reduced time-lag loss, which will offset the negative impacts.

Forecast for net profit attributable to owners of the parent have been revised upward by 7 billion yen from the previous forecast, mainly due to the recording of extraordinary income from sales of cross-held shares.

Regarding the assumptions for the forecast of business performance from January onward, we have revised the crude oil price from the previously assumed \$100/bbl to \$85/bbl and the exchange rate from ¥145/\$ to ¥135/\$.

### **P4 Impact of Freeport LNG Project's Plant Shutdown**

On page4, I would like to explain the impact of the Freeport LNG Project's plant shutdown on our business performance this fiscal year.

Losses related to the Freeport LNG project shutdown due to fire was 125.8 billion yen in the 3<sup>rd</sup> quarter results.

The full-year forecast for the total impact on ordinary profit has been revised downward by 40.0 billion yen from the previous forecast to -149.5 billion yen due to the delay in the restart of Freeport LNG's plant operations and increased costs associated with LNG procurement due to the soaring LNG spot prices and other factors identified after we released previous forecast in October 2022.

We expect losses related to LNG for gas retail and LNG for wholesale in Domestic Energy segment and the owners' loss in the International Energy segment.

While the Freeport LNG project continues working to resume operations, it expects to restart operations partially soon as it has received a series of regulatory approvals for the preparatory work for resumption.

#### **P5 YoY Comparison of 3Q Results**

Page 5 summarizes the year-on-year comparison of consolidated ordinary profit.

Ordinary loss for FY2023.3 3Q was 6.8 billion yen, down 78.5 billion yen from 71.6 billion yen in the same period last year.

In the gas business, despite the positive factors, such as an increase in profit due to the enhancement of our long-term LNG contract competitiveness against JLC and increased profit in the International Energy business and the Life & Business Solutions business, overall profit decreased from the previous year due to the significant negative impact of a 125.8 billion yen loss related to the Freeport shutdown and a 32 billion yen increase in the time-lag loss in the Domestic Energy business.

#### **P6 Comparison between Forecasts (Oct. 2022) and Revised Forecasts**

Page 6 summarizes the comparison between the previous forecasts announced in Oct. 2022 and the revised forecasts.

The forecast for our consolidated ordinary profit is unchanged from the previous forecast of 46.0 billion yen.

We have revised the forecast for the Domestic Energy segment profit downward by 5.5 billion yen. The major negative factor is the impact of losses related to Freeport's prolonged shutdown, which is expected to increase by 40.0 billion yen. The positive factors include the enhancement of our long-term LNG contract competitiveness against JLC and a decrease in the time-lag loss due to the decline in the oil price and the appreciation of the yen.

In the International Energy segment and the Life & Business Solutions segment, we expect to see an increase in profits compared to the previous forecast.

#### **P7 Comparison between Results of Previous Year and Forecasts**

Page 7 shows the comparison between FY2022.3 results and revised forecasts for FY2023.3.

Our forecast for ordinary profit for the fiscal year ending March 31, 2023, is 46.0 billion yen, down 67.5 billion yen from the previous year results of 113.5 billion yen. This decrease is mainly due to the significant negative impact of a 149.5 billion yen loss related to the Freeport shutdown, which exceeds the scale of the positive factors, such as an increase in gas business profit due to the decrease in the time-lag loss and the enhancement of our long-term LNG contract competitiveness against JLC.

## **P8 Results and Forecasts for Investment for Business Growth**

Page 8 shows the results of investments for business growth.

In the 3<sup>rd</sup> quarter, we invested 123.4 billion yen for business growth mainly in power plants in the Domestic Energy business, upstream business development in North America in the International Energy business, and real estate business in the Life & Business Solutions business.

Although financial soundness indicators as of the end of 3Q are below the Medium-Term Management Plan's targets of around 50% for shareholders' equity ratio and around 0.7 for D/E ratio, we expect that shareholders' equity ratio will go up to 50.8 % and D/E ratio to 0.66, which are calculated based on the 50% equity nature of hybrid bonds, by the end of the fiscal year.

Please refer to:

- pages 9 to 14 for 3Q financial results,
- pages 15 to 20 for comparison between the revised forecasts and the previous forecasts,
- pages 21 to 26 for comparison between the revised forecasts for FY2023.3 and the results of FY2022.3, and
- page 28 for a summary of the Daigas Group's positions in the Freeport LNG project, including procurement and investment.

This concludes my presentation. Thank you.

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