

Osaka Gas Co., Ltd. (9532)

Presentation script at the Analysts' Meeting held on May 8, 2023, on the financial results for the fiscal year ended March 31, 2023 (FY23.3).

I am Masataka Fujiwara, President of Osaka Gas.

Thank you for taking the time today to participate in this meeting on the financial results for the fiscal year ending March 31, 2023 (FY23.3).

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

I will refer to the slides of the FY23.3 Financial Report for FY23.3, which are available on our website. Please look at page 3.

P3. Highlights

I would like to start with highlights, as summarized in the following five points.

1. FY23.3 consolidated ordinary profit remained positive despite the significant losses in the Domestic Energy segment, mainly due to the Freeport plant shutdown during the market price surge period. This outcome was made possible by the Group's success in its portfolio management, recovering some of the losses with the increased earnings due to a higher price environment in the International Energy segment and a steady income growth in the Life & Business Solutions segment.
2. FY24.3 consolidated ordinary profit is expected to be higher than FY23.3 in light of the Freeport plant's resumed operations and the improvement of the time-lag impact.
3. FY23.3 ROIC declined from the last year due to decreased NOPAT. FY24.3 ROIC is expected to reach the 5% target set for the final year of the current Medium-Term Business Plan due to the capital efficiency-focused management promoted throughout the Group.
4. FY23.3 financial soundness indicators ended up at the Medium-Term Plan's target levels despite a temporary decline during the fiscal year due to highly costly replacement LNG procurement following the Freeport plant shutdown. FY24.3 indicators are expected to remain at the target levels.
5. FY24.3 dividends are targeted at 65 yen/share, a 5-yen increase from the previous year. The Daigas Group intends to achieve the target by executing a steady-growth strategy to overcome the energy market crunch, high commodity prices, and uncertainties in the market.

P4 FY2023.3 Results vs FY2022.3 Results

Page 4 summarizes a year-on-year comparison of ordinary profit.

Net sales were 2.275 trillion yen, up 6,839 billion yen from the last year due to the higher unit selling prices of city gas and LNG in the Domestic Energy segment and the price boom in the US and Australian upstream businesses in the International Energy segment.

Ordinary profit was 75.6 billion yen, down 37.8 billion yen from the last year, mainly due to losses related to Freeport LNG's plant shutdown.

Profit attributable to owners of the parent was 57.1 billion yen, down 73.3 billion yen from the last year, mainly due to losses related to Freeport LNG's plant shutdown and the absence of deferred tax assets and income taxes

deferred gain recorded in the previous fiscal year.

The annual dividends were 60 yen/share, up 2.5 yen from FY22.3, as originally planned.

P5 FY2024.3 Forecasts vs FY2023.3 Results

Page 5 shows a comparison between the FY24.3 forecasts and the FY23.3 results.

In FY24.3, net sales are expected to decrease from the FY23.3 level due to lower LNG prices reducing city gas unit selling prices in the Domestic Energy segment.

Ordinary profit and profit attributable to owners of the parent are expected to increase from the FY23.3 level based on the assumption of the Freeport LNG plant's operation resumption and the improvement of the time-lag impact.

ROIC is expected to reach the 5% target set for the final year of the current Medium-Term Plan. The dividends are targeted at 65 yen/share, up 5 yen from FY23.3.

P6 Impact of Freeport LNG's Plant Shutdown

Page 6 summarizes the impact of the Freeport LNG Project's plant shutdown on the FY23.3 business performance.

The total losses related to the plant shutdown due to the fire in June 2022 were 147.7 billion yen.

In the Domestic Energy segment, losses were 131.7 billion yen, including the cost of replacement LNG procurement and losses related to LNG wholesale contracts to third parties. In the International Energy segment, losses were 14.4 billion yen due to lost earnings from the owner's equity in the Freeport LNG project.

The plant has gradually resumed operations since February 2023, and Osaka Gas has taken LNG cargoes in the volume and timing as planned.

P7 YoY Comparison of Results

Page 7 summarizes a year-on-year comparison of ordinary profit by segment.

The consolidated ordinary profit decreased by 37.8 billion yen from the previous year.

In the Domestic Energy segment, ordinary profit decreased by 71.4 billion yen from the last year, mainly due to losses related to Freeport LNG's plant shutdown

In the International Energy segment, ordinary profit increased by 25.3 billion yen due to the robust performances of Sabine Oil & Gas and Osaka Gas Australia's upstream businesses.

In the Life & Business Solutions segment, ordinary profit increased by 5.7 billion yen due to the earnings growth of Jacobi and the real estate business.

P8 Comparison between Forecasts (Feb 6, 2023) and Results

Page 8 summarizes a comparison between the previous forecasts announced in February 2022 and the FY2023.3 results.

Ordinary profit increased by 29.6 billion yen from the previous forecast, primarily due to LNG's higher unit selling prices boosting the LNG sales profit, the stronger yen resulting in the gas business' higher earnings, and the profit growth in the Life & Business Solutions segment.

P9 Comparison between FY2023.3 Results and FY2024.3 Forecasts

Page 9 shows a comparison between the FY23.3 results and FY24.3 ordinary profit forecasts.

The consolidated ordinary profit is expected to increase by 83.3 billion yen from the previous year due to a significant earnings recovery in the Domestic Energy segment in light of the Freeport plant's operation resumption and the improvement of the time-lag impact.

P10 Investment for Business Growth: FY2023.3 Results and FY2024.3 Forecasts

Page 10 shows the FY23.3 investments for business growth and the financial soundness indicators.

In FY23.3, we invested 172.2 billion yen for business growth, mainly in power generation in the Domestic Energy segment, North American upstream business development in the International Energy segment, and real estate business in the Life & Business Solutions segment.

As for the financial soundness indicators, we maintained the shareholder equity ratio of around 50% and a D/E ratio of approximately 0.7, as targeted in the Medium-Term Plan.

Please refer to:

- pages 11 to 16 for FY23.3 financial results,
- pages 17 to 22 for a comparison between the FY23.3 results and forecasts announced in February 2023, and
- pages 23 to 28 for a comparison between the FY24.3 forecasts and the FY23.3 results.

This concludes my presentation. Thank you.

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