

Osaka Gas Co., Ltd. (9532)

Q&A at the Analysts' Meeting held on January 30, 2024, on the financial results for the 3rd quarter of fiscal year ended March 31, 2024 (FY24.3)

Q1: What caused the lower growth of profits from the electricity business in the third quarter compared to the first half of the year?

A1: In the first half of the fiscal year, profit growth was temporarily boosted by sales increase in the reserve market. However, in the third quarter, the profits were squeezed due to the inventory of high-priced coal procured last year for the coal-fired power plant, which resumed operations after the maintenance in the first half of the year. As a result, the growth of profits in the electricity business slowed down in the third quarter.

Q 2: What are the factors behind the forecast of a loss in the Domestic Energy business in the fourth quarter, which is the high-demand season for gas?

A2: It is anticipated that the Domestic Energy business will report a loss in the fourth quarter due to a significant time-lag loss and overhead expenses.

Q3: The forecast for non-operating profit/loss for the fourth quarter seems conservative. Is there any reason for the expected decline in income?

A3: The 13.6 billion yen increase in non-operating profit throughout the first three quarters was due to foreign exchange gains related to LNG purchases, interest income from higher interest rates, and profit from selling investment securities. We revised the non-operating profit forecast upward by 8.5 billion yen but did not incorporate all the gains from the first three quarters into the forecast, given the possibility that the exchange rate and interest rate may continue to fluctuate through the fourth quarter. Therefore, the outlook for non-operating profit/loss in the fourth quarter appears to be rather conservative. Depending on the exchange rate, interest rate, and other market conditions, it is possible that the profit increase up to the third quarter may remain until the end of this fiscal year.

Q4: What is the source of the extraordinary gains and losses expected to be recorded in the fourth quarter?

A4: We expect to record an extraordinary loss in the fourth quarter from the sale of our water business in the U.K.

Q5: Regarding the PFAS (per-and polyfluoroalkyl substances) regulation, which has been making headlines recently, what are Jacobi's strategies and future earnings outlook for its activated carbon business?

A5: Our subsidiaries, Osaka Gas Chemicals and Jacobi, hold a significant market share in the activated carbon space. Recently, there has been a growing interest in utilizing activated carbon for PFAS adsorption and removal, and we have been conducting research to meet the demand. Although we have yet to be able to provide specific figures, we intend to seize this opportunity.

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