

Osaka Gas Co., Ltd. (9532)

Presentation script at the Analysts' Meeting held on May 9, 2024, on the financial results for the fiscal year ended March 31, 2024 (FY24.3).

Speaker: Masataka Fujiwara, Representative Director and President

I am Masataka Fujiwara from Osaka Gas.

Thank you for taking the time today to participate in this meeting on the financial results for the fiscal year ended March 31, 2024 (FY24.3).

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 Financial Report for FY24.3, which are available on our website.

Please look at page 2.

Highlights

First, I would like to share the highlights of the presentation.

1. In FY24.3, the final year of the Medium-Term Management Plan, ordinary profit increased from FY23.3. This was primarily attributed to reduced LNG procurement costs due to the resumption of the Freeport LNG plant's operation, increased time-lag profit, and expanded profit contributions from the businesses in the International Energy and Life & Business Solutions segments.
ROIC exceeded the Medium-Term Management Plan 2023 target of around 5%.
2. FY25.3 ordinary profit is forecast to decrease from FY24.3. The main factors include a decrease in the time-lag profit and the absence of the temporary profit increase we had in FY24.3, such as the foreign exchange gains on LNG procurement.
3. We increased the FY24.3 annual dividend, exceeding the dividend forecast announced on March 7, as per the Medium-Term Management Plan 2023 shareholder return policy: a dividend payout ratio of 30% or more, excluding short-term profit fluctuation factors.
We plan to increase the FY25.3 annual dividend as per the new shareholder return policy in the Medium-Term Management Plan 2026: DOE of 3%.
4. We also plan to repurchase own shares in the first half of FY25.3. Our aim is to improve capital efficiency by maintaining shareholders' equity at an appropriate level to achieve ROE of 8%, a target set in the Medium-Term Management Plan 2026.

I. Summary of FY2024.3 Results and FY2025.3 Forecasts

P4 FY2024.3 Results vs FY2023.3 Results

Next, I would like to discuss the financial results for FY2024.3.

Net sales decreased year on year, mainly due to the lower gas selling prices during the winter peak demand season and the lower LNG selling prices in the Domestic Energy segment.

Ordinary profit increased year on year due to the operation resumption of the Freeport plant, increased time-lag profit, and expanded profit contributions from the businesses in the International Energy and Life & Business Solutions segments.

Profit attributable to owners of the parent was 132.6 billion yen, up 75.5 billion yen from FY24.3.

P5 YoY Comparison of Results

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

In the Domestic Energy segment, profit increased by 119.5 billion yen from FY24.3, mainly due to the change from a time-lag loss to a time-lag profit and the Freeport LNG plant's operation resumption.

In the International Energy segment, profit increased by 9.9 billion due to the Freeport LNG plant's operation resumption and the increased profits from electricity businesses in the USA, despite the decreased income from upstream businesses in the USA and Australia.

In the Life & Business Solutions segment, profit increased by 1.8 billion yen, mainly due to the increased income from the real estate property development business.

In Others, profit increased by 19.5 billion yen, mainly due to the increased non-operating income from foreign exchange gains on LNG purchases.

P6 Comparison between Forecasts (January 30, 2024) and Results

Page 6 summarizes the comparison between the forecasts announced on January 30 and FY2024.3 results.

The overall result exceeded the forecasts by 56.5 billion yen.

In the Domestic Energy segment, profit exceeded the forecasts by 27.2 billion yen, mainly due to the increased residential gas sales volume attributed to the lower temperatures in March and the increased income from LNG sales.

In the International Energy segment, profit exceeded the forecasts by 7.6 billion yen, mainly due to the increased income from electricity businesses in the USA and the increased income from the upstream businesses attributed to the higher oil price.

In the Life & Business Solutions segment, profit exceeded the forecasts by 3.5 billion yen, mainly due to the increased income from the IT solution business and real estate property development business.

In Others, profit exceeded the forecasts by 18.1 billion yen, mainly due to the increased non-operating income from foreign exchange gains on LNG purchases.

P7 Summary of FY2025.3 Forecasts vs FY2024.3 Results

Page 7 shows a comparison between the FY25.3 forecasts and the FY24.3 results.

In FY25.3, net sales are expected to decrease by 97.0 billion yen from FY24.3 to 1,986.0 billion yen, mainly due to the lower gas and LNG selling prices in the Domestic Energy segment.

Ordinary profit is expected to decrease by 73.5 from FY24.3 to 153.0 billion yen, mainly due to a decrease in the time-lag profit and the absence of the temporary profit increase we had in FY24.3, such as the foreign exchange gains on LNG procurement.

Profit attributable to owners of the parent is expected to decrease by 20.6 billion yen from FY24.3 to 112.0 billion yen.

P8 Comparison between FY2024.3 Results and FY2025.3 Forecasts

Page 8 shows a comparison between the FY24.3 results and FY25.3 ordinary profit forecasts.

I would like to discuss the main factors contributing to the difference between FY24.3 results and FY25.3 forecasts by segment.

In the Domestic Energy segment, profit is expected to decrease by 39.7 billion yen, mainly due to a decrease in the time-lag profit.

In the International Energy segment, profit is expected to decrease by 7.1 billion yen, mainly due to the absence of profit from selling an IPP business as we had in FY24.3 and a profit decrease in the upstream businesses attributed to the lower oil price.

In the Life & Business Solutions segment, profit is expected to remain at almost the same level as FY24.3.

In Others, profit is expected to decrease by 25.6 billion yen, mainly due to the absence of the increased non-operating income from foreign exchange gains on LNG purchases.

P9 Results and Forecasts for Investment for Growth

Page 9 shows the investments for business growth and the financial soundness indicators.

We invested 166.2 billion yen for business growth, mainly in power generation in the Domestic Energy segment, upstream business development in the USA in the International Energy segment, and real estate property development in the Life & Business Solutions segment.

As for the financial soundness indicators, the shareholders' equity ratio is 55.9%, which exceeds the target level set in the Medium-Term Management Plan 2023.

For FY25.3 and beyond, we aim at 45% or more in the shareholders' equity ratio and around 0.8 or less in the D/E ratio, as set in the Medium-Term Management Plan 2026.

P10 Review of Medium-Term Management Plan 2023

Finally, I would like to review the results of the Medium-Term Management Plan 2023.

During the last 3 years, we strengthened our business portfolio management and succeeded in significant profit expansion in the International Energy segment and steady growth in the Domestic Energy and the LBS segments, despite the unexpected events, such as the shutdown of Freeport plant and energy price hikes.

FY24.3 profitability indicators and financial soundness indicators reached the target levels set in the Medium-Term Management Plan 2023, partly due to foreign exchange gains resulting from JPY depreciation, in addition to profit growth in each segment.

We have increased the annual dividend every year to return our profit growth to the shareholders. During the three-year period, the dividend increased from 52.5 yen/share in FY21.3 to 82.5 yen/share in FY24.3.

Please refer to:

- pages 11 to 16 for FY2024.3 financial results,
- pages 17 to 22 for a comparison between the previous forecasts and results, and
- pages 23 to 28 for a comparison between the FY25.3 forecasts and the FY24.3 results.

This concludes my presentation.

Thank you.

Disclaimer:

This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Certain statements contained herein are forward-looking statements, strategies, and plans, which reflect our judgment based on the information so far available. Actual results may differ materially from those discussed in such statements. Among the factors that could cause actual results to differ materially are: economic trends in Japan, sharp fluctuations in exchange rates and crude oil prices, and extraordinary weather conditions.