

Osaka Gas Co., Ltd. (9532)

Q&A at the Analysts' Meeting held on March 13, 2026, on the Business Plan for fiscal year ending March 31, 2027 (FY27.3)

Q1: Is the 8% ROE target for FY2027.3 based on profit excluding the time-lag effect? If the FY2027.3 profit falls short—for example, due to a higher-than-expected increase in shareholders' equity—would the target be achieved through capital control?

A1: The ROE target is based on profit excluding the time-lag effect. To achieve this target, both earnings growth and capital control are being pursued, with capital control considered one of the available measures.

Q2: How is shareholders' equity, the denominator for ROE, calculated?

A2: There has been no change from the forecast presented in our third-quarter financial results. While a share repurchase of 70 billion yen currently being executed, no additional measures have been decided for FY2027.3, and therefore none are reflected in the ROE calculation.

Q3: What are the key factors driving changes in profit by segment for FY2027.3?

A3: In the Domestic Energy segment, profit is expected to decrease. This is based on a crude oil price assumption of \$65/bbl for FY2027.3, under which the time-lag gains are expected to narrow. In addition, higher fixed costs are anticipated in the electricity business, including depreciation related to the Himeji Power Plant. In the International Energy segment, profit is expected to increase, driven by a rebound from valuation losses on U.S. renewable energy recorded in FY2026.3, as well as higher shale gas production in the U.S. upstream business. In the LBS segment, gains on sales are expected to increase, supported by favorable real estate market conditions.

Q4: What would be the impact of higher JKM and coal prices?

A4: Higher JKM prices would have a positive impact on profit. This is because retail gas prices are linked to JLC, and increases in JKM may be accompanied by higher JLC and retail prices. In addition, our LNG procurement is primarily based on long-term contracts, with a relatively low share of spot purchases compared to peers. Similarly, higher coal prices would also have a positive impact on profit, primarily because retail electricity prices are adjusted in line with Kansai Electric Power's fuel cost adjustment system. Given the relatively low share of coal-fired power in our portfolio, the increase in fuel costs is limited. That said, the overall impact will depend on the specific scenario, as prices may move independently, for example our LNG procurement costs or coal prices may rise on their own.

Q5: What are the ROIC levels by business within the Domestic Energy segment?

A5: As an indicative breakdown, using the segment's planned FY2027.3 ROIC of 3.3% as a benchmark, gas retail and production are above this level, while the electricity and network businesses are below it. The electricity business is below the benchmark due to higher fixed costs associated with the Himeji Power Plant. The network business is also below the benchmark, reflecting the delay in passing on inflationary costs.

At the segment level, ROIC remains below our medium-term target. One factor is that the FY2027.3 plan was formulated before the deterioration in the Middle East situation, when JKM was trending below the assumptions used in our Medium-Term Management Plan. As a result, the plan reflects a relative decline in the competitiveness of our long-term contracted LNG linked to JLC. ROIC is expected to improve gradually, supported in part by a steady reduction in fixed costs at the Himeji Power Plant.

Q6: What are your Henry Hub price assumptions and hedged levels for the U.S. upstream business in FY2027.3?

A6: Our Henry Hub price assumptions are not disclosed; however, they are broadly in line with market levels. In addition, approximately 80% of our production volume has been hedged.

Q7: The sensitivity to crude oil, excluding the time-lag effect, is negative 200 million yen per \$1/bbl increase. What drives this?

A7: Higher oil prices have a positive impact on our upstream business in Australia, but a negative impact on the domestic electricity business. The net effect is a decrease of 200 million yen per \$1/bbl increase.

Q8: Within the Domestic Energy segment, what is expected to drive the increase in profit from FY2026.3 to FY2027.3, excluding the time-lag effect?

A8: In LNG sales, profitability is expected to improve, driven by optimization of the sales portfolio.

Q9: What are your plans for LNG procurement from Oman and Russia?

A9: Our long-term contract with Oman expired in FY2026.3, and there will be no procurement from Oman from FY2027.3 onward. Procurement from Russia will continue, but it represents only a limited share of our total volume.

Q10: How do your long-term LNG procurement contracts work? Can volumes be adjusted during periods of low demand?

A10: In general, long-term contracts require us to off-take of fixed annual volumes in exchange for supply stability. When domestic demand declines and results in surplus LNG, the surplus is monetized through trading by reselling it to other regions.

Q11: The FY2026.3 forecast remains unchanged from the third-quarter financial results. Is progress in line with the plan?

A11: The forecast has been maintained as there have been no significant changes in the business environment. The current situation in the Middle East is not expected to affect our FY2026.3 results, as LNG prices for March have already been fixed.

Q12: Will fluctuations in electricity spot prices affect your financial performance?

A12: The impact of electricity spot price volatility on our overall results is expected to be limited. This is because our plan includes not only selling but also procuring a certain volume of electricity through JEPX. In addition, during actual operations, power generation is optimized, and therefore our performance does not necessarily move in line with market conditions.

Q13: What is the breakdown of investments for quality improvement and investments for growth for FY2027.3?

A13: Investments for quality improvement are broadly in line with previous years, with the largest allocation to pipeline-related construction, followed by maintenance of regasification facilities and commercial equipment. The overall amount is expected to decline year-on-year due to the absence of costs related to the rebuilding of our research facilities in FY2026.3. Regarding investments for growth, a significant portion in the Domestic Energy segment is allocated to the electricity business. Unit 1 of the Himeji Power Plant is already operational, and Unit 2 is scheduled for completion in May 2026; as a result, capital expenditure in this area is expected to decline compared with FY2026.3. In the International Energy segment, investment in the U.S. upstream business is increasing. In the LBS segment, real estate accounts for the majority of investments, with total investment rising, supported by favorable market conditions.

Q14: Growth in the domestic solutions business has historically been a focus. Going forward, will growth be driven by increased gas sales volume, or by profit from value-added services rather than gas sales?

A14: Our strategy is to grow profit through added value. For example, "Sumairoof" is a residential service under which we install and own solar panels on customers' roofs, with customers paying a monthly fee equivalent to their electricity bill, eliminating the need for upfront investment. Similar services are offered for commercial and industrial customers. As these business models recover investment over several years, they do not generate significant profit initially; however, we expect profits to accumulate steadily over time as a stock-type business.

Q15: Regarding the expansion of the battery storage business, is it currently generating substantial profit, or is it still in an exploratory phase?

A15: Currently, with only two storage facilities in operation, profit remains limited. As profitability depends on electricity market conditions, this is not yet a business that guarantees substantial profit. While it still has elements of a development phase aimed at future expansion, we recognize its significant potential. Recently, battery prices have declined relative to historical levels, partly due to a slowdown in global EV market growth, creating an opportunity to install equipment at lower cost. Over the medium to long term, we believe that combining solar power with battery storage has the potential to provide a stable and affordable decarbonized power. Reflecting this potential as a future growth driver, we have set a target of 1 GW in operating capacity (on an investment decision basis) by FY2031.3.

Q16: What are your initiatives for the India business in FY2027.3?

A16: We will continue to expand gas sales volume through the construction of CNG stations and the extension of pipelines. We aim to steadily grow volume to 3.5 billion cubic meters by FY2031.3, equivalent to half of our domestic gas sales volume.

Q17: Is the solutions business expected to undergo structural changes relative to the conventional ESCO business, including through AI-driven initiatives?

A17: While no fundamentally new technologies have emerged compared with the past, we are now targeting a nationwide market. For example, there are approximately 10,000 designated energy management factories, representing a significant market opportunity. We provide tailored solutions to meet individual customer needs, including solar power, air conditioning, water treatment, and demand response. In addition, as the number of personnel capable of engineering design at these factories declines, we are promoting implementation proposals positioned as factory automation focused on energy management and carbon neutrality.

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