

Q1: What businesses and projects will drive future profits to enhance ROE?

A1: In the Domestic Energy segment, the construction of the Himeji Natural Gas Power Plant is progressing as planned, with Unit 1 scheduled to commence operations in January 2026 and Unit 2 in May 2026. By leveraging this new generation capacity, we aim to boost electricity sales volume to generate additional profits starting in 2026. We anticipate that this new power plant will drive further profit growth, though its depreciation will temporarily increase expenses after operations commence. As we navigate a challenging landscape in the gas sector, we are actively exploring new opportunities mainly in telecommunications and our Sumai LINK service, which we anticipate will contribute to our profit growth.

In the International Energy segment, we plan to continue making investment in promising new projects to drive growth. Among our existing businesses, we focus on Sabine Oil & Gas to increase profits by boosting the shale gas production while closely monitoring market conditions, where the Henry Hub price is not favorable at present. In the US power business, we foresee potential profit growth opportunities driven by the increasing demand for electricity from data centers.

In the LBS segment, we are focused on achieving steady growth. This segment's profits are growing as projected in the Medium-Term Management Plan.

Q2: Shareholders' equity serves as the denominator in the ROE formula. What were the considerations behind the decision to implement share buybacks totaling 20 billion yen in the second half of this fiscal year?

A2: Considering our target profit range of 160 to 180 billion yen for FY2027.3, we recognize the necessity of maintaining shareholder's equity at its current level. To reach this goal, we have concluded that implementing share buybacks in the second half of this fiscal year is a suitable approach. In determining the buyback amount, we have set it at 20 billion yen, taking into the account the balance with our financial indicators and our investments for growth to enhance capital efficiency.

Q3: The share buyback in the first half of the fiscal year ended in September. Following this, was the company able to effectively control its shareholders' equity during the month and a half leading up to the financial results announcement?

A3: When we announced the share buyback a year ago, we indicated 20 billion yen as the upper limit because it is the maximum amount that would not disrupt the market, in line with a buyback limit guideline of approximately 10% of 1 million circulating shares. For the second half of this fiscal year, we estimated the buyback amount at 20 billion yen, prioritizing growth, effective control of shareholders' equity, and our goal of achieving an 8% ROE for FY2027.3, rather than following the 10% guideline. If shareholder's equity increases, we aim to generate profits at a corresponding rate; conversely, if profits fall short of our targets, we will manage shareholder's equity accordingly.

Q4: Typically, a share buyback of 20 billion yen and a total shareholder return of 70% are viewed favorably by the market. However, today's decline in share price indicates that the market may perceive them differently. As the President of the company, what is your assessment of the recent share buyback?

A4: Given the decline in stock price following our share buyback announcement, it seems that the market does not regard it positively. Shareholder returns can be challenging because, once share buyback is executed, its effects are incorporated into the stock price, creating a situation where subsequent actions are only considered significant if they surpass the impact of the previous buyback. As a company with limited experience in share buyback, we strive to provide maximum shareholder returns at appropriate timing, viewing profit generation as the fundamental principle. We are navigating challenges, such as the severe competition, unstable supply-demand balance, and geopolitical risks while considering how to hedge our risk profile. Considering the current profit outlook and the suitable level of shareholder's equity, we consider approximately 80 billion yen, combining dividend increase and share buybacks, as the maximum shareholder returns for this year.

Q5: Page 4 of the presentation materials states that the gross profit of the gas business decreased by 2 billion yen year-on-year. Given that high temperatures impacted gas sales volume for residential use, what accounts for the relatively modest decrease in gross profit for the gas business?

A5: The high air and water temperatures in April reduced heating demand, resulting in a decline in overall gas sales volume, with both residential and commercial/industrial sales volumes experiencing similar levels of decrease. The impact of declined sales volume on profits from industrial use was relatively minor, as this sector generally yields smaller profit margins despite its higher levels of consumption. Additionally, the profits gained from the gap with JLC increased compared to the previous year, positively affecting the gross profit of the gas business.

Q6: Have there been any recent changes in the competition for gas and electricity?

A6: Since the full liberalization of the electricity market in 2016 and gas in 2017, customer switching has slowed down. In recent years, telecommunications companies have begun offering gas and electricity as added-value services, creating a complex landscape where we operate both as a wholesaler and a retailer. While we have seen an increase in the number of our electricity customer accounts, the number of gas accounts has declined. Overall, the number of customer accounts, including gas, electricity, gas equipment leasing, and other services, such as telecommunications, has exceeded 10 million and continues to grow. We aim to enhance profits by advancing account acquisition.

Q7: Sabine Oil & Gas' shale gas business showed a strong performance in the second quarter. Does that indicate that their hedging and production strategies are effective?

A7: We are actively executing our hedging strategies to ensure a steady income stream. Although the current Henry Hub price is not favorable, we plan to increase production while closely monitoring the Henry Hub price trend.

Q8: The unplanned plant shutdown at Freeport LNG contributed to the downward revision of the full-year outlook. What are the recent status of the shutdown and its potential impact on the outlook?

A8: Freeport LNG faced operational challenges in January 2024, resulting in intermittent train shutdowns for inspections and repairs that continued until early May. Additionally, Freeport LNG experienced a shipping halt in July due to a hurricane, which is expected to affect our third quarter performance. Both of these factors have been incorporated into our forecasts.

Q9: The e-methane demonstration project, developed in collaboration with INPEX, is situated in Nagaoka

Prefecture and utilizes INPEX's facilities. What is the significance of Osaka Gas' involvement?

A9: This project, subsidized by the New Energy and Industrial Technology Development Organization (NEDO), is significant for Osaka Gas as it demonstrates to government agencies, research institutions, and the global community that it is feasible to produce and inject e-methane into the pipeline network in a volume equivalent to a 10,000-household gas demand, which makes it the largest initiatives of its kind in the world.

Q10: While pages 11-13 of the presentation materials are well-organized and clear, it would be beneficial to include specific figures that outline how profit growth will be achieved by FY 2027.3.

A10: We will strive to provide specific figures to enhance the credibility of our investor relations.

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