

Osaka Gas Co., Ltd. (9532)

Q&A Session (English Translation)

Analysts' Meeting on Financial Results for the Year Ended March 31, 2026 (FY2026.3) (Held on May 11, 2026)

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**Q1: What is the outlook for the investment environment in the U.S. power generation business?**

**Higher capacity prices in the PJM market are providing tailwinds, while turbine, equipment, and EPC costs are also rising, raising concerns about the ability of power operators to secure adequate returns.**

A1: We have more than 10 years of experience in the U.S. power generation business and have expanded our presence not only as an investor, but also through asset management capabilities. The earnings environment has improved significantly, with PJM capacity prices rising from around \$50/MW to more than \$320/MW, supported in part by growing data center demand. At the same time, we recognize challenges such as longer equipment lead times and higher construction costs. We will continue to consider measures to address these issues, including collaboration with power operators.

**Q2: What is the policy on cash allocation under the next Medium-Term Management Plan toward the targets of ROIC of around 6% and ROE of around 10% in the early 2030s? How should the balance between investments for growth, capital efficiency, and shareholder returns be viewed, and which investment areas are regarded as promising?**

A2: At this stage, we do not expect a significant change in our current growth trajectory. In terms of investments for growth, we will continue to focus on the U.S. upstream business, where strong profitability is expected. In Japan, we plan to steadily advance the development of Himeji Natural Gas Power Plant Unit 3 through the Long-Term Decarbonization Power Source Auction framework.

We also intend to continue investing in renewable energy. In the real estate business, where the market remains firm mainly in the Greater Tokyo area, we will continue to pursue opportunities selectively.

In terms of the balance, we will continue to pursue investments for growth while maintaining disciplined control of shareholders' equity.

**Q3: What is the background and earnings impact of the recently announced gas tariff rebalancing revision? Some peers have also raised basic charges for existing customers. Why were new customers mainly targeted, and how should fixed cost recovery in an inflationary environment be viewed?**

A3: This tariff revision mainly targets new general tariff customers, and therefore the impact on FY2027.3 earnings is expected to be limited.

The purpose of the revision is to rebalance fixed cost recovery, which has become overly weighted toward volumetric charges, by allocating an appropriate portion to the monthly basic charge. We also intend to ensure that customers with relatively low gas usage share fixed costs appropriately.

Fixed costs, including outsourcing expenses related to safety maintenance and gas appliance inspections, continue to rise. We will continue to carefully consider the appropriate approach to fixed cost recovery as a medium- to long-term management issue.

**Q4: What was the background to the ¥80 billion share buyback, and was there room for additional shareholder returns while targeting 8% ROE?**

A4: The size of the share buyback was determined not only with reference to the FY2027.3 ROE target, but also from a medium- to long-term perspective, including the goal of achieving ROE of 10% in the early 2030s.

Regarding the FY2027.3 ROE outlook, shareholders' equity increased more than initially expected due to factors such as foreign exchange rates and stock prices. As a result, the forecast ROE is lower than the level envisioned when the plan was announced in March 2026. However, based on current conditions, we believe achieving 8% ROE remains well within reach.

In LNG procurement, we rely primarily on long-term contracts, with only limited exposure to spot procurement linked to JKM prices. As a result, we believe there remains room to improve competitiveness.

Going forward, we will maintain a flexible approach to share buybacks while balancing investments for growth with medium- to long-term improvement in ROE.

**Q5: What were the main factors behind the FY2026.3 results and the expected decline in FY2027.3 earnings for the domestic electricity business? In addition, what impact could instability in the Middle East have on the business?**

A5: In FY2026.3, we secured a certain level of profit from electricity market trading. However, following the commencement of Himeji Natural Gas Power Plant Unit 1, increased fixed costs, including depreciation, outweighed these gains, resulting in lower overall profit.

For FY2027.3, profit is expected to decline mainly due to changes in the electricity market trading rules. In addition, with Unit 2 of the Himeji Power Plant scheduled to begin operations in May, fixed costs are expected to increase year on year. However, the operation of newer, high-efficiency facilities is expected to partially offset these cost increases.

Regarding the impact of instability in the Middle East, one concern is a potential domestic

shortage of naphtha. If this leads to lower utilization rates at customers' factories, sales volumes for both electricity and gas could decline.

Our FY2027.3 forecast continues to assume the same sales volume levels as those used when the plan was announced in March 2026. However, given ongoing changes in market assumptions, accurately forecasting the full impact remains difficult.

In terms of earnings sensitivity, higher crude oil prices would have a negative impact, while higher coal prices and higher JEPX prices would have a positive impact. Overall, on an ex-time-lag basis, we expect the impact to be slightly positive.

**Q6: Which profit indicators are regarded as more important under the next Medium-Term Management Plan: figures including or excluding the time-lag effect?**

A6: The time-lag effect caused by fluctuations in resource prices is largely outside the scope of management control. Therefore, we consider profit figures excluding the time-lag effect to be an important indicator in assessing underlying earnings power.

At the same time, we recognize that the gas rate adjustment system and resulting time-lag gains and losses can make earnings trends less transparent. Accordingly, we intend to maintain transparency by also presenting accounting figures including the time-lag effect.

**Q7: What impact are rising interest rates expected to have on investments for growth, ROE, and ROIC? Have there been any changes in financial strategy or investment hurdle rates due to higher interest rates?**

A7: Historically, we have maintained relatively low funding costs by preserving strong credit ratings. In addition, a portion of our interest-bearing debt consists of ultra-long-term financing with maturities of 30 to 40 years secured during periods of low interest rates.

Going forward, we intend to mitigate the impact of rising interest rates by flexibly incorporating floating-rate debt during refinancing while taking asset liability management (ALM) into consideration.

For new investments, we will reflect higher interest rates in WACC assumptions for each business. As a result, we believe it is necessary to gradually raise hurdle rates and pursue higher returns on individual projects.

Although macroeconomic uncertainty is increasing due to geopolitical risks and other factors, we believe our relatively low funding costs provide a competitive advantage in selecting favorable investment opportunities compared with peers.

Based on these strengths, discussions for the next Medium-Term Management Plan will focus on maintaining an appropriate balance between financial and business strategies

**Q8: How are the benefits of procurement price differences reflected in the FY2027.3 earnings forecast?**

A8: We refrain from disclosing specific figures. However, in an environment where JKM spot prices are rising due to developments in the Middle East, our stable LNG procurement portfolio provides a competitive advantage

We believe this will contribute positively to earnings and view it not as a temporary factor, but as the result of our procurement strategy.

**Q9: What are the main ROIC challenges and improvement measures by segment?**

A9: In terms of ROIC, we recognize room for improvement in the Domestic Energy segment. In the regulated network business, we face challenges including rising outsourcing costs, such as construction-related expenses, as well as downward pressure on gas sales volumes. We will continue discussions with the authorities regarding frameworks that lead to improved profitability. In the renewable energy business, we believe our added value is highly regarded by customers, including data centers entering into PPAs (Power Purchase Agreements). Going forward, we aim to improve capital efficiency by utilizing various schemes to move assets off balance sheet while increasing off-take volumes.

**Q10: Is it possible to bring forward the target of achieving 10% ROE in the early 2030s, and what would be the appropriate net D/E ratio while balancing shareholder returns with the maintenance of credit ratings?**

A10: Regarding the possibility of achieving the 10% ROE target earlier than planned, we will continue discussions during the formulation of the next Medium-Term Management Plan from the perspectives of both earnings growth and capital efficiency improvement.

In maintaining credit ratings, a balance between cash flow generation and debt levels is generally regarded as important. Accordingly, our policy is to maintain disciplined control over debt within an appropriate range.

At the same time, domestic rating agencies place strong emphasis on the shareholders' equity ratio, with around 50% generally viewed as an appropriate benchmark.

Taking these indicators into account, we will continue discussions regarding optimal financial management.

**Q11: What impact could the ongoing decline in Henry Hub price have on earnings from FY2028.3 onward, and what is the hedging strategy going forward?**

A11: For FY2027.3, we have already hedged sales prices for approximately 70% to 80% of production volumes, and therefore do not expect a significant impact on earnings for this fiscal year.

From FY2028.3 onward, however, the impact will depend on developments in the global supply-demand balance. We intend to stabilize earnings by implementing hedges on a staggered basis over time while continuing to monitor natural gas market conditions closely.

In the U.S. market, upstream operators have been increasing shale oil production in response to higher crude oil prices. As a result, associated gas production has also increased, leading to inventory accumulation in the domestic market, which we believe is the primary factor behind the decline in Henry Hub prices.

Looking ahead, we expect the supply-demand balance to improve as new LNG export terminals begin operations.

**Q12: What impact could instability in the Middle East have on the Indian market?**

A12: In India, LPG prices are currently rising due to developments in the Middle East.

At the same time, the Indian government has been promoting policies to shift residential, commercial, and industrial fuel demand from LPG to natural gas in order to expand the use of domestically produced natural gas.

As a result, we believe the current rise in LPG prices could accelerate the shift toward natural gas in India and support the expansion of our business.

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