Osaka Gas Co., Ltd. (9532)
Q&A Session (English Translation)
First Quarter Financial Results Briefing for Fiscal Year Ending March 2027 (FY2027)
(Held on July 30, 2026)

Q1: The full-year forecast for gross profit in the gas business has been revised upward by 5.0 billion yen. Does this revision reflect only the Q1 results, or does it also incorporate updated assumptions for energy market indicators from Q2 onward? Given the Company's relatively high procurement of U.S. LNG, including from Freeport, wouldn't the current combination of relatively low Henry Hub prices and high JKM prices provide a tailwind for the Company?

A1: The full-year forecast has been revised to reflect both the Q1 results and the updated assumptions from Q2 onward. Specifically, our crude oil price assumption has been revised from $65/bbl to $80/bbl from Q2 onward, and our exchange rate assumption from 155 yen/$ to 160 yen/$. While we do not disclose the details, we have also revised other assumptions. Henry Hub prices affect both the Domestic Energy and International Energy segments. In the International Energy segment, higher Henry Hub prices have a positive impact on earnings. However, because we have hedged a significant portion of our exposure, the overall negative impact on the Domestic Energy segment is greater. Compared with JLC, changes in JKM have a greater impact, and under our current LNG procurement portfolio, higher JKM prices have a larger positive impact on the Company.

Q2: What are the main factors behind the upward revision to the full-year forecast for the electricity business? Also, what are the actual and assumed JEPX price levels, and is the recent increase in JEPX prices positive for the Company overall?

A2: Fundamentally, we view higher JEPX prices as a positive factor for our full-year results. While we cannot disclose the specific JEPX price assumptions underlying our full-year forecast, they are slightly more conservative than the actual prices in the first quarter. In our wholesale electricity business, higher market prices directly contribute to higher earnings in some areas. In addition, by optimizing the operation of our power plants in response to JEPX prices, we believe we can further benefit from higher JEPX prices.

Q3: What is the current status of discussions on the next Medium-Term Plan?

A3: To achieve sustainable growth under the next Medium-Term Plan, we are considering how to continue delivering profit growth while maintaining disciplined management of shareholders' equity. As we work toward our long-term targets of achieving an ROE of 10% and an ROIC of 6% in the early 2030s, we are currently considering the appropriate targets for the next Medium-Term Plan.

Q4: Regarding the revised full-year forecast excluding the time-lag effect, to what extent has upside potential from Q2 onward been incorporated? In the current environment, despite the volatility in crude oil prices, JKM prices have risen above expectations, and JEPX prices are trending upward. If current market conditions continue, is it fair to understand that this would represent upside potential for the Company?

A4: While we cannot disclose specific figures, most of the upside was realized in Q1, and we do not expect any significant additional upside from Q2 onward. If JKM or JEPX prices exceed our assumptions, that would fundamentally represent upside potential. However, as the market volatility remains difficult to predict, our revised forecast is based on our current assumptions.

Q5: In the International Energy segment, profit in the U.S. decreased by 0.9 billion yen. What were the primary factors behind the changes in each business?

A5: The primary factor was a 2.1 billion yen decrease in profit from the U.S. IPP business. On the other hand, profit from the upstream business increased, driven by slightly higher production in response to higher Henry Hub prices.

Q6: Gross profit in the gas business in the Domestic Energy segment increased year on year in the first quarter. How much did the improved competitiveness of our long-term LNG contracts relative to JLC contribute to these results?

A6: While we cannot disclose the exact figures, the improved competitiveness of our long-term LNG contracts has partially offset the negative impact of time-lag losses.

Q7: What is the breakdown of the 6.4 billion yen year-on-year decrease in profit in the electricity business? Additionally, a further reduction in the electricity market price cap is scheduled to take effect in September. Has the impact of this been factored into the full-year forecast?

A7: On the downside, lower profits from electricity market transactions and higher fixed costs at the Himeji Natural Gas Power Plant were negative factors. These were offset by about half by the positive impact of higher electricity market prices. While the electricity market framework continues to be revised, we believe the changes introduced at the beginning of this fiscal year had the most significant impact on our business. Therefore, although future revisions have not been incorporated into our full-year forecast, we expect their impact to be limited.

Q8: Regarding the Q1 results, what were the main factors behind the higher earnings from LNG sales included in "Others" in the Domestic Energy segment?

A8: Profit from LNG sales increased primarily due to sales price optimization.

Q9: Regarding the revised full-year forecast, are there any one-off factors included in the revised ordinary profit forecast of 197.0 billion yen excluding the time-lag effect?

A9: Of the difference between the revised full-year forecast and the previous fiscal year's results, the 11.0 billion yen increase in "Others" is considered a one-off factor. Apart from that, we believe the remainder largely reflects our current underlying earnings power.

Q10: What is the Company's current view on the gas pipeline tariffs? In the electricity sector, there are moves toward rate increases reflecting inflation and higher interest rates. Are there similar moves in the gas sector?

A10: The gas pipeline tariff system is currently under review by the Working Group on Improvement of the Gas Business Environment. An interim report is scheduled to be issued in August. The current discussions include mechanisms to reflect increases in prices and labor costs, as well as a review of the methodology for calculating the allowed rate of return in light of recent interest rate increases. We view the proposed direction positively, as it would make it easier for gas pipeline tariffs to reflect inflation and higher interest rates, whereas these costs were previously borne by gas distribution operators. However, given the applicable conduct regulations, we are not in a position to know the specific timing or scale of any future changes.

Q11: What are the main factors behind the year-on-year decrease in profit in the U.S. electricity business? Also, what is the current status and outlook for Freeport LNG?

A11: The primary factor behind the decrease in profit in the U.S. IPP business was the decline in capacity market prices for certain power plants. Regarding Freeport, profits were higher than expected last fiscal year due to a combination of strong production and favorable market conditions. This fiscal year, operations are progressing as planned. However, if favorable market conditions continue as they did last year and stable production can be maintained, there may be opportunities to generate additional earnings.