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

Q1: What were the main factors behind the upward revision of the full-year ordinary profit forecast excluding the time-lag effect to 226.0 billion yen? What level of profit will serve as the starting point for the next Medium-Term Plan?

A1: The upward revision reflects several factors: improved competitiveness of our long-term LNG contracts relative to JLC, which has increased gross profit in the gas business in Japan; the impact of higher crude oil prices on our Australian upstream business; and earnings opportunities arising from market conditions, including at the Freeport LNG terminal. On the other hand, as higher crude oil prices are expected to result in time-lag losses in the Domestic Energy segment, we have maintained our ordinary profit forecast including the time-lag effect at 190.0 billion yen. Although earnings are subject to fluctuations due to market conditions, our underlying profitability has steadily improved. We aim to achieve sustainable profit growth, using this profit level as the starting point for the next Medium-Term Plan.

Q2: What was the rationale for setting the next Medium-Term Plan as a four-year plan? What is the strategy for achieving ROIC of around 6% and ROE of around 10% in the early 2030s?

A2: The four-year period was chosen to align the next Medium-Term Plan with our Long-Term Vision, rather than to bring forward the target achievement dates for ROIC of around 6% and ROE of around 10%. Our goal of achieving these levels in the early 2030s remains unchanged. Under the next Medium-Term Plan, we will pursue sustainable profit growth and improved capital efficiency, while further strengthening the growth drivers in the Domestic Energy, International Energy, and Life & Business Solutions (LBS) segments. We will also consider investment opportunities to support growth beyond 2030.

Q3: How is the tentative "Flexible Capital Allocation Buffer" positioned? What are the priorities for investment and shareholder returns?

A3: Our basic approach to capital allocation remains unchanged. We will continue our progressive dividend policy while prioritizing investments expected to generate returns exceeding the cost of capital and enhance our medium- to long-term earnings and cash generation capabilities. If investment opportunities are limited or management of our shareholders' equity is necessary, we

will consider additional shareholder returns, taking into account our ROE target, financial position, and other relevant factors.

Q4: Why was the full-year forecast for the electricity business, excluding the time-lag effect, maintained at 12.5 billion yen? What is the outlook for the second half?

A4: In the first half, major negative factors included lower earnings from electricity market transactions and higher fixed costs associated with the commencement of operations at the Himeji Natural Gas Power Plant. In addition, unplanned maintenance at certain power plants reduced utilization and earnings. In the second half, we expect the positive impact of higher electricity market prices to continue, and the power plants undergoing maintenance are scheduled to resume operations as planned. Based on these factors, we have maintained the full-year forecast. As both the positive and negative factors are significantly affected by market conditions, we will continue to monitor developments closely.

Q5: What measures are being considered to improve profitability in the gas pipeline business, including a review of the tariff system?

A5: The gas pipeline tariff system is under review, taking into account the need to maintain stable operations amid inflation and rising interest rates. At the same time, costs are expected to increase due to the introduction of smart meters and the facility renewal. While prioritizing safety and stable supply, we will pursue efficiency improvements and enhance profitability in the gas pipeline business.

Q6: Improved price competitiveness of long-term LNG contracts was cited as a factor contributing to higher gross profit in the gas business. What was the impact in the first half, and what is your outlook for the second half?

A6: Although various activities in the gas business contributed to earnings, much of the increase in profit was attributable to the improved price competitiveness of our long-term LNG contracts relative to JLC. The full-year forecast was calculated based on revised assumptions for crude oil prices and other indicators. It therefore incorporates not only the impact already realized in the first half but also the impact expected in the second half.

Q7: What is the direction of tariff diversification under the next Medium-Term Plan? Given rising feedstock and fuel costs and changes in the business environment due to inflation and other factors, what types of tariff plans are being considered? How does the new tariff plan introduced in October for new residential customers fit into this direction?

A7: For residential customers, we introduced a new tariff plan in October for new contracts, with a revised balance between the basic charge and the usage-based charge. As the plan does not apply to existing customers, it will take some time to contribute to earnings. Our immediate priority is to steadily increase its adoption among new customers. Going forward, while keeping a close eye on the competitive environment, we will consider various options, including bundled plans combining energy services with equipment and other services, and continue to offer a diverse range of plans tailored to customer needs.

Q8: Market fluctuations have had a significant impact on earnings in the current fiscal year. How should such exposure be viewed? How will it be addressed in the next Medium-Term Plan?

A8: We have long pursued a management strategy based on natural hedging. A business portfolio focused solely on domestic operations would be more exposed to fluctuations in foreign exchange rates and crude oil prices. In addition, given the maturity of the domestic market, we expanded overseas and built a portfolio combining domestic and international businesses to establish a stable earnings base. Our International Energy business has now become a key pillar supporting Group earnings. Meanwhile, in the Domestic Energy segment, we aim for further growth by promoting fuel switching in gas sales, expanding the electricity business, and leveraging our highly efficient in-house power generation assets to capture new demand from data centers and other customers. Going forward, we will continue to grow our domestic and international businesses in a balanced manner, building a business portfolio that combines earnings stability with growth potential and is less susceptible to fluctuations in any particular market.

Q9: In light of rising interest rates and increasing business risks, what financial position should be maintained under the next Medium-Term Plan?

A9: We are currently developing the financial strategy for the next Medium-Term Plan. As our businesses become more diversified, including overseas operations and volatility increases due to geopolitical and other risks, maintaining a sound financial foundation is essential for sustainable growth as a company responsible for social infrastructure. Under the next plan, taking into account the direction of our business portfolio described earlier, we will manage our finances with a focus

not only on the shareholders' equity ratio but also on cash flow. We also recognize that rising interest rates increase the cost of capital, making it necessary to review investment hurdle rates. As various investment opportunities emerge, it will be important to carefully assess the business rationale and likelihood of success of each project and build a portfolio of carefully selected, high-quality investments for growth.

Q10: What is the approach to financial soundness, including the shareholders' equity ratio, under the next Medium-Term Plan?

A10: In determining the appropriate shareholders' equity ratio, we need to take into account the characteristics of our businesses. Historically, the ratio was around 45%, but it rose above 50% in preparation for full retail liberalization. Since then, our shareholders' equity has continued to accumulate without significant erosion. Our financial strategy is based on three principles. First, as a company responsible for social infrastructure and serving a public-interest function, we aim to maintain a sound financial foundation so that we are prepared for contingencies such as a major Nankai Trough earthquake. Second, rather than simply increasing leverage, we seek to create corporate value through investments that enhance cash generation capabilities and generate returns exceeding the cost of capital. Third, we take into comprehensive consideration the expectations of and relationships with our various stakeholders, including customers, shareholders and investors, employees, Group companies, and business partners. These three principles form the foundation of our financial strategy.

Q11: What is the approach to free cash flow during the next Medium-Term Plan period?

A11: We aim to steadily build free cash flow from a medium-term perspective rather than focusing on short-term results. As we move into an environment with positive interest rates, interest expenses associated with financing are expected to gradually increase compared with the negative-interest-rate environment. We therefore aim to maintain a virtuous cycle of steadily increasing profits and generating cash. Under the next Medium-Term Plan, improving ROIC in the Domestic Energy segment will be a key priority, alongside continued growth in the International Energy segment. We will also expand nationwide by leveraging the expertise and know-how developed in the Kansai region.

Q12: How will investments be allocated to improve ROIC in the Domestic Energy segment?

A12: The scale of investment is not expected to be as large as in the International Energy segment. Rather than pursuing growth through large-scale investments, we will leverage the strengths of our existing businesses, further enhance our products and services, and expand them nationwide. To strengthen our operations outside the Kansai region, securing human resources—particularly personnel for installation and maintenance—will be important. M&A is one option for securing these resources.

Q13: The next Medium-Term Plan is expected to focus on realizing synergies among businesses within the Domestic Energy segment. Are any organizational changes or new initiatives being considered to achieve this?

A13: We are not currently considering any major organizational changes. Instead, we aim to achieve profit growth by further strengthening collaboration among existing business units and Group companies. In the domestic renewable energy sector, many operators focus solely on generation. However, our development and sales teams can work together to promote sales and conduct sales activities nationwide. We can also create synergies between the gas and electricity businesses by optimizing facility operations based on LNG and gas prices and electricity market conditions. We will implement these and other measures to maximize earnings.

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