SAIBU GAS HOLDINGS CO., LTD.

9536

Tokyo Stock Exchange Prime Market
Fukuoka Stock Exchange Main Board

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Contents

Summary

Ordinary profit reached a new record high in FY3/26. Stepped up investment to drive growth in the energy business

SAIBU GAS HOLDINGS CO., LTD. <9536> (hereafter, also "the Company") is the pure holding company of the Saibu Gas Group, which will celebrate its 100th anniversary in 2030. In April 2021, SAIBU GAS CO., LTD., a city gas company serving primarily the Fukuoka, Kitakyushu, Kumamoto, and Nagasaki areas, changed its trade name and transferred its businesses through a company split to SAIBU GAS CO., LTD., SAIBU GAS KUMAMOTO CO., LTD., SAIBU GAS NAGASAKI CO., LTD., and SAIBU GAS SASEBO CO., LTD., thereby transitioning to a new group structure. As of the end of March 2026, the Group comprised 45 consolidated subsidiaries, 5 equity-method associates, as well as other subsidiaries and associates, and was engaged in a wide range of businesses, including gas, LPG, electricity and other energy businesses, and real estate.

1. Overview of FY3/26 results

In the FY3/26 consolidated results, net sales were ¥261,823mn, up 2.9% year on year (YoY), operating profit was ¥12,463mn, up 18.4%, ordinary profit was ¥12,583mn, up 18.6%, and profit attributable to owners of parent was ¥7,147mn, up 12.3%. All profits increased for the second consecutive fiscal year, with ordinary profit reaching a new record high. Net sales, operating profit, and profit attributable to owners of parent also reached their second-highest levels on record. By segment, the gas business posted higher profit, primarily due to lower depreciation expenses at the Hibiki LNG Terminal (Kouyoumachi, Wakamatsu-ku, Kitakyushu City), while the electricity and other energy business also recorded higher profit, driven by lower capacity contribution fees in the electricity sales business and increased transaction volume in the international energy business. Together, these gains more than offset the decline in profit in the real estate business resulting primarily from valuation losses in the overseas business, driving growth in overall operating profit.

2. FY3/27 forecasts

For the consolidated results in FY3/27, the Company is expecting declines in both sales and profits, except for profit attributable to owners of parent. It is forecasting net sales of ¥253.0bn, down 3.4% YoY; operating profit of ¥10.0bn, down 19.8%; ordinary profit of ¥12.0bn, down 4.6%; and profit attributable to owners of parent of ¥8.0bn, up 11.9%. A raw material cost adjustment system is applied to city gas rates, under which rates are, in principle, adjusted monthly based on the three-month average of raw material prices in trade statistics, resulting in an inevitable time lag. The FY3/27 forecast incorporates a ¥2.2bn negative impact from this time lag in the city gas business. Given that the positive impact of the time lag boosted profit by ¥1,678mn in the previous fiscal year, the time-lag effect is considered to be the primary factor behind the expected declines in both operating profit and ordinary profit.

3. Medium-Term Management Plan

Under the Group's Medium-Term Management Plan "ACT 2027," the Group views growing demand for natural gas in Japan and overseas as its greatest business opportunity. Its basic policy is to maximize profits by accelerating growth in the energy business through initiatives such as fully capturing energy transition demand and commencing the expansion of the capacity of Hibiki LNG Terminal, while securing stable earnings from the real estate business and improving capital efficiency by enhancing the Group's business administration. For FY2027 (FY3/28), the final year of the Medium-Term Management Plan, the Group has established financial targets of ROE of approximately 8.0%, ROIC of approximately 2.3%, an equity-to-asset ratio of at least 23.0%, and cumulative ordinary profit of ¥38.0bn for the three-year period from FY2025 through FY2027. However, in FY3/26, the Group had already achieved its targets for two of these indicators, recording an equity-to-asset ratio of 24.7% and an ROIC of 2.3%. However, as cash outflows associated with the expansion of the capacity of Hibiki LNG Terminal and other projects begin in earnest, a focal point will be whether the Group can manage its finances in line with the cash allocation set out in its Medium-Term Management Plan toward maintaining proper control over financial risks.

4. Shareholder return policy

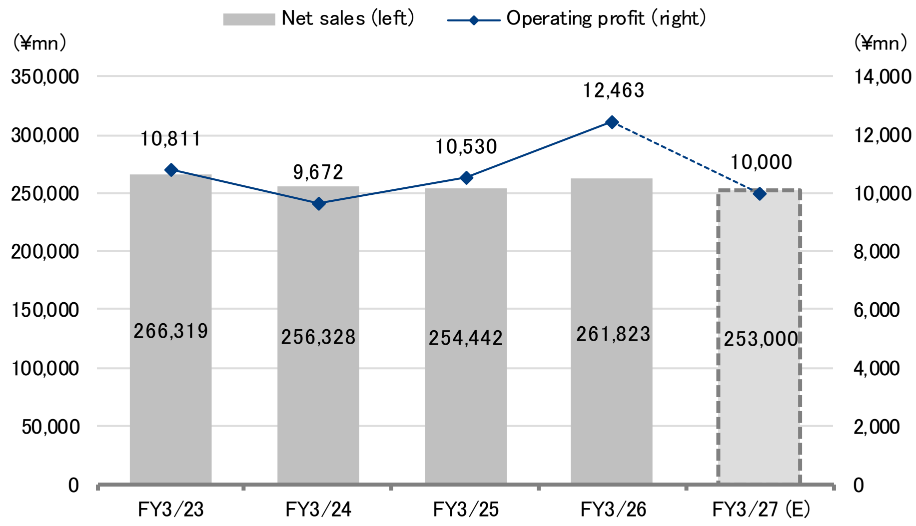
The Company's basic policy is to provide sustainable and stable shareholder returns by maintaining a minimum annual dividend of ¥70 per share while flexibly implementing additional shareholder return policies, such as stock repurchases, after taking into account its medium- to long-term business performance and other factors. Based on this policy, in FY3/26 the Company paid an annual dividend of ¥70.0 per share and conducted a stock repurchase of up to ¥2.0bn, resulting in a total return ratio of 63.5%. For FY3/27, the Company plans to maintain an annual dividend of ¥70.0 per share, unchanged from the previous fiscal year.

In addition, as part of its efforts to enhance shareholder returns, the Company introduced a shareholder benefit program in FY3/26. Specifically, shareholders holding at least two trading units (200 shares), whose names are recorded or registered in the shareholder registry as of the end of March and September each year, are eligible to receive points in proportion to their shareholding. These points can be exchanged for more than 5,000 items, including gourmet foods, home appliances, and Amazon gift cards.

Key Points

- Profits increased for the second consecutive period in FY3/26, with ordinary profit reaching a new record high
- Ordinary profit is expected to decline in FY3/27, primarily due to the impact of time lags in the gas business and other operations
- Aiming to maximize profits by accelerating growth in the energy business and securing stable earnings in the real estate business, while also achieving improvement of capital efficiency under the Medium-Term Management Plan
- In addition to paying a stable dividend with a minimum annual dividend of ¥70.0 per share, implemented a stock repurchase of up to ¥2.0bn in FY3/26

Results trends



Source: Prepared by FISCO from the Company's financial results

Company profile

The pure holding company of the Saibu Gas Group, which will celebrate its 100th anniversary in 2030

1. Company profile

The Company is the pure holding company of the Saibu Gas Group, which will celebrate its 100th anniversary in 2030. In April 2021, SAIBU GAS CO., LTD., a city gas company serving primarily the Fukuoka, Kitakyushu, Kumamoto, and Nagasaki areas, changed its trade name and transferred its businesses through a company split to SAIBU GAS, SAIBU GAS KUMAMOTO, SAIBU GAS NAGASAKI, and SAIBU GAS SASEBO, thereby transitioning to a new group structure. As of the end of March 2026, the Group comprised 45 consolidated subsidiaries, five equity-method affiliates, as well as other subsidiaries and affiliates, and was engaged in a wide range of businesses, including gas, LPG, electricity and other energy businesses, and real estate. The Company maintains a cooperative relationship with Kyushu Electric Power Company, Incorporated, including through joint investments in power generation and other businesses. Based on its core Management Philosophy of "Local contribution, responsibility, and unity" the Company has established the Saibu Gas Group Code of Conduct.

Saibu Gas Group Code of Conduct

- Business activities that ensure safety and peace of mind
- Compliance and fair business practices
- Fair disclosure of information and constructive dialogue with stakeholders
- Respect for people and an enhanced workplace environment
- Initiatives to address environmental issues
- Rigorous crisis management
- Top management leading by example

2. History

The Company's predecessor, SAIBU GAS, was established in December 1930 after the supply operations covering the cities of Fukuoka, Kumamoto, Sasebo, and Nagasaki were spun off from Toho Gas <9533>. In July 1943, it merged with Kyushu Gas Co., Ltd., whose primary supply area was Kitakyushu. Subsequently, as the fuel shift from coal to petroleum and natural gas progressed, the Company began introducing LNG as a feedstock at its former Kitakyushu Works in July 1986. In March 1989, it began converting city gas to natural gas in the Kitakyushu area, and by July 2005, with the Nagasaki area being the last to complete the shift, the Company had fully completed the natural gas conversion across its entire operations.

To respond flexibly and swiftly to changes in the business environment and to expand the Group's corporate value through unified efforts, the Company transitioned to a new Group structure (a pure holding company structure) in April 2021. In April 2022, following a review of market classifications by the Tokyo Stock Exchange (hereinafter "TSE"), the Company transitioned from the TSE First Section to the Prime Market.

In the city gas business, the Hibiki LNG Terminal began operations in November 2014. Furthermore, in April 2025, its subsidiary SAIBU GAS and JERA Co., Inc., Japan's largest thermal power generator, entered into a partnership regarding the strategic utilization of the Hibiki LNG Terminal. As for power business related matters, the Company established eneseed Co., Ltd., a wholly owned subsidiary, in April 2012 to launch its renewable energy initiatives. Furthermore, in April 2022, it established Hibiki Power G.K., an equity-method affiliate engaged in LNG-fired power generation, through a joint investment with Kyushu Electric Power, and the power plant began commercial operation at the end of March 2026.

History

Date	Main events
December 1930	SAIBU GAS CO., LTD. was established with capital of ¥10mn and headquartered in Fukuoka City following the separation of the gas supply operations serving the cities of Fukuoka, Kumamoto, Sasebo, and Nagasaki from Toho Gas Co., Ltd.
July 1943	Absorbed Kyushu Gas Co., Ltd. (serving the cities of Kokura, Moji, Yahata, Wakamatsu, Tobata, and Shimabara) through a merger
January 1947	The former Kumamoto Works (now the Hagiwara Supply Station) began operations
June 1949	Listed on the Fukuoka Stock Exchange
July 1949	Established Saibu Gas By-Products Co., Ltd. (now SAIBU GAS ENERGY CO.,LTD.)
April 1950	Listed on the Osaka Stock Exchange (now the Tokyo Stock Exchange)
October 1951	The former Fukuhoku Works began operations
April 1964	Changed the calorific value of the supplied gas
September 1971	The former Nagasaki Works began operations
October 1971	Established City Service Co., Ltd. (now Saibu Gas Urban Development Co., Ltd.)
January 1974	Listed on the Tokyo Stock Exchange
October 1977	The former Kitakyushu Works began operations
April 1984	Established Saibu Gas Living Hanbai Co., Ltd. (now Saibu Gas Living, Inc.)
July 1986	Began using LNG as a feedstock at the former Kitakyushu Works
August 1988	Relocated headquarters to Chiyo, Hakata-ku, Fukuoka City
March 1989	Began the conversion to natural gas in the Kitakyushu area
October 1993	Established an LNG terminal at the former Fukuhoku Works and began importing LNG from Malaysia
October 1994	The number of gas supply customers exceeded one million households
April 2000	The Kumamoto No. 2 Manufacturing Plant (now the Kumamoto Works) began operations
October 2001	Began receiving product gas from Kyusyu Gas Assou Co., Ltd. at the former Kumamoto Works (now the Hagiwara Supply Station)
March 2003	The new Nagasaki Works (now the Nagasaki Works) began operations
July 2005	Completed the company-wide conversion to natural gas, with the Nagasaki area being the last to complete the shift
October 2011	Changed the calorific value of the supplied gas
November 2014	The Hibiki LNG Terminal began operations
April 2021	Changed its trade name from SAIBU GAS CO., LTD. to SAIBU GAS HOLDINGS CO., LTD.., and simultaneously transferred its businesses through a company split to SAIBU GAS CO., LTD., SAIBU GAS KUMAMOTO CO., LTD., SAIBU GAS NAGASAKI CO., LTD., and SAIBU GAS SASEBO CO., LTD.
April 2022	Established Hibiki Power G.K. Following the Tokyo Stock Exchange's market restructuring, transitioned from the First Section to the Prime Market
April 2025	SAIBU GAS CO., LTD. and JERA Co., Inc. agreed to form a partnership regarding the strategic utilization of the Hibiki LNG Terminal and other initiatives
March 2026	The Hibiki Power Plant commenced commercial operation

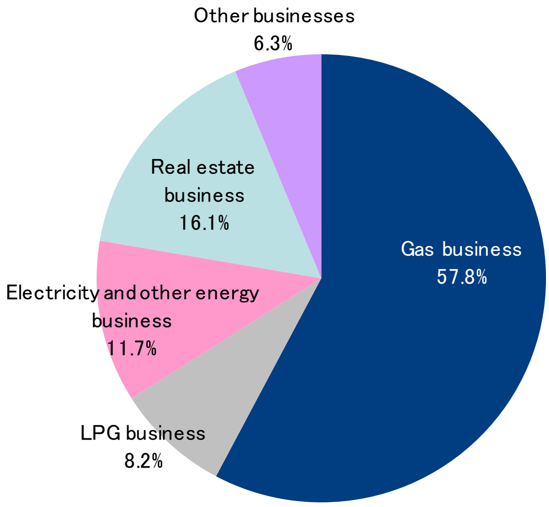
Source: Prepared by FISCO from the Company's Annual Securities Report and news releases

Business overview

Engaged in a diverse range of businesses centered on the city gas business, including electricity and real estate

The Group is engaged in a diverse range of businesses centered on its core gas business. It has four reportable segments: gas business, LPG business, electricity and other energy business, and real estate business. Other businesses not included in the reportable segments include food sales, information processing, and restaurant operations. Among these, the gas business, centered on city gas operations, is the Group's core business.

Net sales by business segment (FY3/26)



Source: Prepared by FISCO from the Company's financial results

1. Gas business

The Group's gas business comprises city gas sales, city gas appliance sales, gas pipeline construction, and LNG sales. Its core business is city gas sales, with LNG received at the Hibiki LNG Terminal and used to supply city gas throughout its service area in northern Kyushu. The subsidiary SAIBU GAS is responsible for gas production, supply, and sales, while the subsidiaries SAIBU GAS KUMAMOTO, SAIBU GAS NAGASAKI, and SAIBU GAS SASEBO sell gas produced from LNG purchased from SAIBU GAS.* Kurume Gas Co., Ltd. and Omuta Gas Co., Ltd. supply and sell gas using product gas purchased from Group companies. In addition, the subsidiaries Hibiki LNG Co., Ltd. and Kyusyu Gas Assou Co., Ltd. undertake gas production on behalf of SAIBU GAS and other companies.

* Tank trucks are used to deliver LNG.

In the Fukuoka area, the Group's largest demand center, the Kyushu-hokubu Pipeline (Kyuhoku Pipeline), a high-pressure transmission pipeline, began operations in December 2020, completing a dual-pipeline system between the Hibiki LNG Terminal and the Fukuoka area. Because the pipeline network was developed primarily in densely populated urban areas with concentrated industrial activity based on profitability considerations, the areas that can be supplied directly by pipeline from the Hibiki LNG Terminal are largely limited to the Fukuoka and Kitakyushu areas. In many other areas, gas is produced from LNG delivered by tank trucks before being supplied through pipelines.

The Hibiki LNG Terminal began operations in November 2014 and is equipped with a pier capable of accommodating some of the world's largest LNG tankers. The site covers approximately 326,000 m² and features two LNG tanks each with a capacity of 180,000 kL. By December 2025, the terminal had established a solid operating track record, with the cumulative number of large LNG tankers handled reaching 50.

The Hibiki LNG Terminal is operated by Hibiki LNG, a subsidiary of the Company in which the Company holds a 90% stake and Kyushu Electric Power the remaining 10%. It plays a central role in the Group's energy business by receiving and storing LNG imported from overseas, processing it into city gas, supplying it to the Fukuoka and Kitakyushu areas through the pipeline network, and shipping LNG by tanker truck to Group companies, other gas utilities, and industrial customers. In November 2024, the Company decided to expand the terminal's capacity through the addition of LNG Tank No. 3 (230,000 kL) and related facilities. The total project cost is estimated at approximately ¥50bn, with operations scheduled to commence in the first half of FY3/2030. Since LNG is procured primarily from Malaysia, Tokyo Gas, and other suppliers, the Company is not expected to be materially affected by the situation in the Middle East and is considered to be able to procure LNG on competitive terms at present. Nevertheless, LNG procurement trends following the capacity expansion will warrant close monitoring.

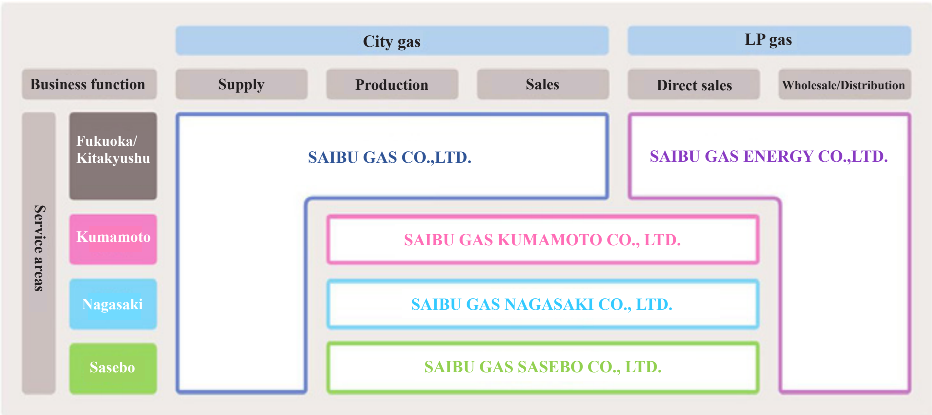
In April 2025, SAIBU GAS and JERA agreed to form a partnership regarding the strategic utilization of the Hibiki LNG Terminal. The partnership is expected not only to help capture demand and ensure a stable supply through the expansion of LNG Tank No. 3, but also to enable mutual LNG exchanges between the two companies through the shared use of the new tank, thereby contributing to the terminal's stable business operation and securing earnings. In line with this partnership, the two companies carried out their first LNG exchange transaction in November of the same year.

Furthermore, as part of Japan's electricity and gas system reforms, the gas retail market was fully liberalized in April 2017, prompting electricity suppliers, LP gas providers, and other companies to newly enter the city gas retail business. However, the impact is considered to be generally limited. Even after the full liberalization of the gas retail market, the Company's ability to secure stable earnings, primarily through its city gas business and supported by mechanisms such as the raw material cost adjustment system, is considered a major factor underpinning its creditworthiness.

2. LPG business

The Company is engaged in the sale of LPG and LPG appliances, as well as installation work associated with them. Its subsidiary, SAIBU GAS ENERGY CO.,LTD., is responsible for the sale of LPG and LPG appliances and related installation work. In addition, it supplies LPG to SAIBU GAS for use as feedstock in city gas production. When the Group transitioned to its new organizational structure in April 2021, it established SAIBU GAS KUMAMOTO, SAIBU GAS NAGASAKI, and SAIBU GAS SASEBO to create a locally rooted business structure and integrate its energy gas businesses, specifically, the city gas and LPG businesses, thereby providing customers with one-stop service. As a result, in the Fukuoka and Kitakyushu service areas, city gas continues to be supplied by SAIBU GAS and LPG by SAIBU GAS ENERGY, as before, while in the Kumamoto, Nagasaki, and Sasebo service areas, each subsidiary is responsible for both city gas and direct LPG sales.

Roles of each subsidiary by service area



Source: Excerpt from CORPORATE GUIDEBOOK 2025

3. Electricity and other energy business

The Company is engaged in electricity sales, the heat supply business, renewable energy business, and international energy business. Its subsidiaries, eneseed Co., Ltd. and eneseed Hibiki Co., Ltd., operate renewable power generation businesses using solar and other renewable energy sources, while Saibu Gas Techno Solution Co., Ltd. is engaged in the heat supply business. The Group's renewable energy business began with the establishment of its wholly owned subsidiary, eneseed Co., Ltd., in April 2012. It currently operates 23 solar power plants with a combined generating capacity of 54.4 MW and one wind power plant with a generating capacity of 4.0 MW, primarily in the Kyushu region. Among these, the eneseed Hibiki Solar Power Plant is the largest, with a generating capacity of 22.4 MW. The subsidiary that operates the plant, eneseed Hibiki Co., Ltd., is a joint venture with AGC Inc. <5201>.

Hibiki Power Plant

Source: Excerpt from the Company's results briefing materials

On March 2, 2026, Hibiki Wind Energy Co., Ltd.—in which SAIBU GAS holds a 10% stake and Electric Power Development Co., Ltd. (J-POWER) <9513> is the largest shareholder with a 40% stake—began commercial operation of the Kitakyushu Hibiki-nada Offshore Wind Farm. Upon commencing commercial operation, it became Japan's largest offshore wind farm. The project is planned to operate for 20 years and comprises 25 large wind turbines, each rated at 9,600 kW, with a total generating capacity of 220,000 kW. Although the Saibu Gas Group's ownership interest is relatively small, the project also forms part of its carbon neutrality initiatives. In addition, the Hibiki Power Plant began commercial operation at the end of March 2026. Operated by Hibiki Power G.K.—a joint venture between SAIBU GAS and Kyushu Electric Power, with voting rights of 20% and 80%, respectively—the plant is a state-of-the-art LNG combined cycle power plant consisting of a single 620,000-kW generating unit. As a result, the Group will be able to meet the majority of the electricity procurement needs of its electricity sales business through its in-house power sources. The project is also expected to improve the utilization rate of the adjacent Hibiki LNG Terminal, which supplies LNG to the power plant.

Furthermore, in its international energy business, the Company is leveraging the Hibiki LNG Terminal's geographical advantages of being closest to East Asian countries to capitalize on growing LNG demand driven by low carbonization and decarbonization efforts across Asian countries. To this end, it is engaged in businesses such as LNG reshipment using LNG carriers utilizing the terminal, as well as gas up/cool down operations, which are preparatory procedures carried out when LNG carriers return from periodic inspections and other maintenance.

4. Real estate business

The Company is engaged in real estate sales, rental, property management, residential construction, and residential land development. In October 2020, it consolidated its real estate rental operations into its subsidiary, Saibu Gas Urban Development Co., Ltd., to strengthen competitiveness. The subsidiary is involved in a wide range of activities, including the planning and development of office building rental, rental logistics facilities, rental housing, and commercial facilities. In addition, S TRUST Co., Ltd. markets the O-VISION series of condominiums (for sale) primarily in the Kyushu and Yamaguchi regions, while Kyushu Yaesu Co., Ltd. markets the JOYNUS series of single-family residences in the Fukuoka metropolitan area. Overseas, the Group's Thai subsidiary is engaged in the development and sale of single-family residences, among other businesses.

5. Other businesses

Among the Group's consolidated subsidiaries, SG Incubate Investment Limited Partnership Nos. 1, 2, and 3 engage in investment activities; HASSENKAKU Co., Ltd. operates restaurants; and SAIBU GAS INFORMATION SYSTEMS CO., LTD. provides information processing and related services. In addition, among the Group's equity-method affiliates, GREENLAND RESORT COMPANY LIMITED operates an amusement park and a golf course, while MARUTAI CO., LTD. manufactures and sells instant noodles.

Results trends

Profits increased for the second consecutive period in FY3/26, with ordinary profit reaching a new record high

1. Overview of FY3/26 results

In the FY3/26 consolidated results, net sales were ¥261,823mn, up 2.9% YoY, operating profit was ¥12,463mn, up 18.4%, ordinary profit was ¥12,583mn, up 18.6%, and profit attributable to owners of parent was ¥7,147mn, up 12.3%. All profits increased for the second consecutive fiscal year, with ordinary profit reaching a new record high. Net sales, operating profit, and profit attributable to owners of parent also reached their second-highest levels on record.

FY3/26 consolidated results

(¥mn)

	FY3/25		FY3/26				YoY	vs. revised forecast
	Results	% of sales	Initial forecast	Revised forecast	Results	% of sales		
Net sales	254,442	-	256,000	260,000	261,823	-	2.9%	0.7%
Cost of sales	177,407	69.7%	-	-	180,554	69.0%	1.8%	-
Gross profit	77,035	30.3%	-	-	81,269	31.0%	5.5%	-
Selling, general and administrative expenses	66,504	26.1%	-	-	68,805	26.3%	3.5%	-
Operating profit	10,530	4.1%	10,500	11,500	12,463	4.8%	18.4%	8.4%
Ordinary profit	10,611	4.2%	11,000	12,000	12,583	4.8%	18.6%	4.9%
Profit attributable to owners of parent	6,362	2.5%	7,000	8,000	7,147	2.7%	12.3%	-10.7%

Source: Prepared by FISCO from the Company's financial results

A raw material cost adjustment system is applied to city gas rates, under which rates are, in principle, adjusted monthly based on the three-month average of raw material prices in trade statistics. The raw material prices used are the import prices of LNG and LPG used as feedstocks for city gas. For example, city gas rates for the December meter reading are determined based on the average LNG and LPG import prices from July through September, which inevitably results in a time lag. Accordingly, as the effect of this time lag, it acts as a profit increasing factor when raw material prices are declining and as a profit reducing factor when raw material prices are rising. The Company discloses this effect as the "slide time lag." After adjusting for this effect, operating profit would have been ¥10,785mn, indicating that the slide time lag boosted operating profit by ¥1,678mn. In addition, when a discrepancy arises between the trade statistics price of raw materials and the Company's actual procurement price, the resulting procurement gains or losses affect profit. Unlike in the previous fiscal year, however, the impact of such procurement gains or losses was minimal.

The gas business and the electricity and other energy business contributed to profit growth

2. Trends by business segment

Overall, the gas business recorded higher profit, primarily due to lower depreciation expenses at the Hibiki LNG Terminal, while the electricity and other energy business also posted higher profit, driven by factors including lower capacity contribution fees in the electricity sales business and increased transaction volume in the international energy business. These gains more than offset the decline in profit in the real estate business, which was primarily attributable to valuation losses in the overseas business, and drove the expansion of company-wide operating profit. In addition, in line with the policy of promoting “capital cost management” under the Medium-Term Management Plan (FY3/26–FY3/28), the Company reviewed the reporting segment classifications of certain businesses beginning in FY3/26. As a result, it reclassified the renovation business, which had previously been included in the real estate business segment, into the gas business segment, among other changes.

FY3/26 results by business segment

(¥mn)

	FY3/23	FY3/24	FY3/25	FY3/26	YoY	
					Change	Change (%)
Net sales	266,319	256,328	254,442	261,823	7,381	2.9%
Gas business	165,975	159,366	159,109	153,490	-5,618	-3.5%
LPG business	26,718	25,421	26,864	26,098	-766	-2.9%
Electricity and other energy business	21,334	22,082	23,274	31,419	8,145	35.0%
Real estate business	41,777	42,715	41,317	47,700	6,382	15.4%
Other businesses	27,748	25,568	22,256	23,603	1,347	6.1%
Adjustment	-17,234	-18,825	-18,379	-20,488	-2,109	-
Operating profit	10,811	9,672	10,530	12,463	1,932	18.4%
Gas business	6,165	5,236	5,682	7,914	2,232	39.3%
LPG business	268	-253	-217	1	219	-
Electricity and other energy business	539	838	228	1,235	1,007	441.8%
Real estate business	4,086	3,729	4,170	3,329	-840	-20.1%
Other businesses	177	1,130	288	60	-228	-79.1%
Adjustment	-425	-1,009	379	-77	-457	-

Note: Figures for FY3/25 and FY3/26 are presented after changes in segment classification, including the reclassification of the renovation business from the real estate business segment to the gas business segment.
Source: Prepared by FISCO from the Company’s financial results and supplementary results briefing materials

(1) Gas business

City gas sales volume was held to 913,410 thousand m³, down 1.8% YoY. By category, residential gas sales volume was 200,962 thousand m³, down 2.7%, primarily due to higher average temperatures than in the previous fiscal year; commercial gas sales volume was 592,840 thousand m³, down 1.4%, due to reduced operations at existing customers; and wholesale gas sales volume to other operators was 119,608 thousand m³, down 2.6%, due to lower demand from wholesale customers. Net sales were ¥153,490mn, down 3.5%, reflecting not only the decline in city gas sales volume but also downward adjustments to gas rates under the raw material cost adjustment system. Segment profit was ¥7,914mn, up 39.3%. While lower sales volume reduced profit by ¥1,011mn, the time lag associated with the raw material cost adjustment increased profit by ¥1,284mn, and lower depreciation expenses at the Hibiki LNG Terminal contributed a further ¥2,104mn increase in profit.

(2) LPG business

Although sales volume increased 4 thousand metric tons YoY to 112 thousand metric tons, this was more than offset by lower average selling prices and other factors, resulting in net sales of ¥26,098mn, down 2.9%. Segment profit returned to profitability at ¥1mn (compared with a loss of ¥217mn in the previous fiscal year), primarily due to lower average LPG procurement costs.

(3) Electricity and other energy business

Driven by higher sales volumes in the electricity sales and international energy businesses, net sales were ¥31,419mn, up 35.0% YoY, while segment profit was ¥1,235mn, up 441.8%. The increase in segment profit was primarily attributable to a ¥445mn increase in profit from the electricity sales business, driven by higher sales volumes and lower capacity contribution fees, as well as a ¥492mn increase in profit from the international energy business due to higher transaction volumes.

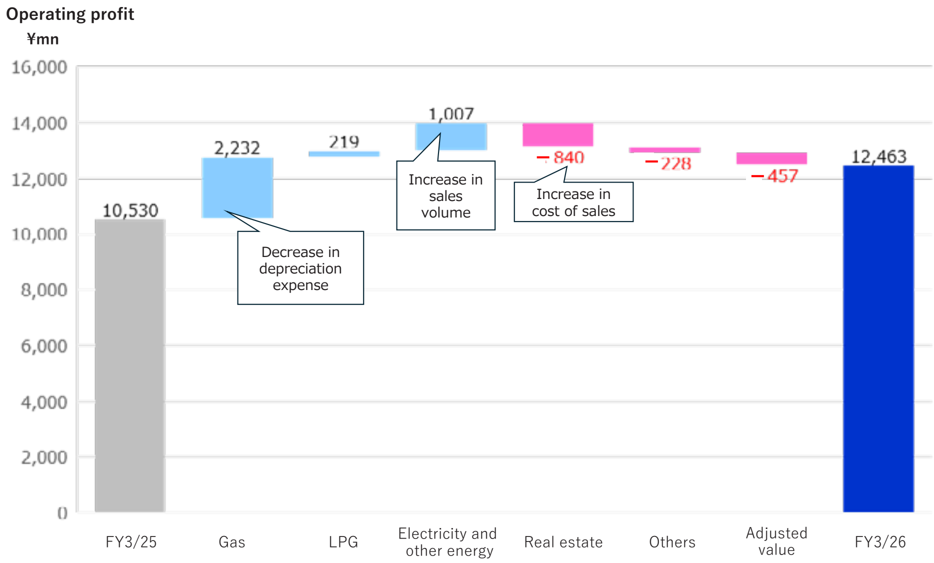
(4) Real estate business

Driven by higher selling prices for condominiums (for sale) and other factors, net sales were ¥47,700mn, up 15.4% YoY, while segment profit was ¥3,329mn, down 20.1%. Although gains on real estate sales increased by ¥311mn, a ¥1,593mn valuation loss in the overseas business was the primary factor behind the decline in profit.

(5) Other businesses

Driven by higher sales in the information processing business and other factors, net sales were ¥23,603mn, up 6.1% YoY. However, segment profit was ¥60mn, down 79.1%, due to higher selling, general and administrative expenses and weak performance in the carbon material business.

Factors affecting changes in operating profit



Source: Excerpt from the Company's supplementary results briefing materials

With growth investments expected to expand in the future, proper financial risk management remains a challenge

3. Financial position and management indicators

Looking at the financial position as of the end of FY3/26, total assets increased by ¥18,071mn from the end of the previous fiscal year to ¥465,845mn. The main factors behind these changes were a ¥28,148mn rise in non-current assets, mainly reflecting higher investment securities due to rising market values, which more than offset a ¥10,076mn decline in current assets, primarily cash and deposits, notes and accounts receivable - trade, and contract assets. Total liabilities increased by ¥6,449mn from the end of the previous fiscal year to ¥342,514mn. The main factors behind these changes were a ¥7,759mn increase in non-current liabilities and a ¥1,309mn decrease in current liabilities; however, the increase in short-term borrowings was the principal factor, taking into account that the current portion of non-current liabilities is classified as a current liability. Total net assets increased by ¥11,622mn from the end of the previous fiscal year to ¥123,331mn. Despite the stock repurchases, net assets increased primarily due to the accumulation of retained earnings and an increase in the valuation difference on available-for-sale securities reflecting higher market values.

Regarding management indicators, the financial structure continued to show an improving trend, with the equity-to-asset ratio rising to 24.7% (23.2% at the end of the previous fiscal year) and the net debt-to-equity ratio improving to 2.30 times (2.41 times at the end of the previous fiscal year). These improvements were driven by the accumulation of equity through retained earnings and efforts to restrain growth in interest-bearing debt. Profitability indicators also improved overall, with ROA (return on assets) increasing to 1.6% (1.4% in the previous fiscal year), ROE to 6.5% (6.3%), and ROIC (return on invested capital) to 2.3% (2.1%), reflecting improved earnings. However, cash outflows are expected to increase going forward as the Company undertakes growth investments, including the expansion of the capacity of Hibiki LNG Terminal, making an increase in its financial burden unavoidable.

The Company's creditworthiness is underpinned by its ability to secure stable earnings from its core city gas business. Although a deterioration in its financial profile is unlikely to have an immediate impact on its creditworthiness, large-scale investments are expected to increase its financial burden more than ever before, making proper control over financial risks a key challenge.

Consolidated balance sheet and management indicators

(¥mn)

	End of FY3/23	End of FY3/24	End of FY3/25	End of FY3/26	Change
Non-current assets	291,907	308,456	323,385	351,533	28,148
Property, plant and equipment	226,051	227,911	231,090	234,185	3,095
Intangible assets	3,208	4,271	6,734	11,555	4,821
Investments and other assets	62,647	76,272	85,560	105,792	20,232
Current assets	122,360	123,329	124,388	114,312	-10,076
Cash and deposits	36,778	27,397	29,475	23,481	-5,994
Inventory	45,628	49,991	52,718	50,844	-1,874
Notes and accounts receivable - trade, and contract assets	29,495	29,715	30,067	26,696	-3,371
Total assets	414,268	431,785	447,774	465,845	18,071
Non-current liabilities	213,439	217,397	213,078	220,837	7,759
Long-term borrowings and corporate bonds	199,704	202,710	196,967	201,679	4,712
Current liabilities	107,205	108,812	122,985	121,676	-1,309
Notes and accounts payable - trade	11,344	14,797	15,389	10,281	-5,108
Short-term borrowings	29,628	37,198	36,968	46,010	9,042
Current portion of non-current liabilities	49,378	39,084	42,182	37,117	-5,065
Total liabilities	320,644	326,210	336,064	342,514	6,449
(Interest-bearing debt)	281,902	282,610	279,819	288,195	8,376
Total net assets	93,624	105,574	111,709	123,331	11,622

	FY3/23	FY3/24	FY3/25	FY3/26	Change
Profitability					
ROA (Return on assets)	3.3%	1.5%	1.4%	1.6%	0.2pp
ROE	16.4%	6.6%	6.3%	6.5%	0.2pp
ROIC	2.3%	1.9%	2.1%	2.3%	0.2pp
Operating profit margin	4.1%	3.8%	4.1%	4.8%	0.7pp
Stability					
Equity-to-asset ratio	20.9%	22.8%	23.2%	24.7%	1.5pp
Net D/E ratio	2.82 times	2.59 times	2.41 times	2.30 times	-0.11

Note: Net D/E ratio = (Interest-bearing debt – Cash and deposits) / Equity. ROIC is based on the Company's disclosed figure.
Source: Prepared by FISCO from the Company's financial results and results briefing materials

4. Cash flow status

Cash flows from operating activities for FY3/26 decreased YoY to ¥25,329mn, primarily due to a decrease in accounts payable, despite an increase in profit before income taxes. Cash flows from investing activities resulted in an outflow of ¥33,812mn, mainly due to higher expenditures for the acquisition of property, plant and equipment related to the expansion of the capacity of Hibiki LNG Terminal. As a result, free cash flow (operating cash flow less investing cash flow) turned to an outflow of ¥8,483mn, reflecting the ongoing expansion of the Company's growth investments. Cash flows from financing activities resulted in a net inflow of ¥2,898mn, primarily due to an increase in short-term borrowings, and cash and cash equivalents at end of period totaled ¥22,834mn, down ¥5,521mn from the end of the previous fiscal year. The Company is also actively selling assets, including cross-shareholdings, and intends to continue doing so going forward.

Cash flow statements

(¥mn)

	FY3/23	FY3/24	FY3/25	FY3/26
Cash flows from operating activities (a)	21,749	22,124	38,557	25,329
Cash flows from investing activities (b)	-15,969	-28,151	-29,951	-33,812
Cash flows from financing activities (c)	2,959	-4,018	-6,699	2,898
Free cash flow (a) + (b)	5,780	-6,026	8,605	-8,483
Cash and cash equivalents at end of period	35,720	26,446	28,355	22,834

Prepared by FISCO from the Company's financial results

Outlook

Ordinary profit forecast to decline in FY3/27, primarily due to time lags in the gas business and other operations

1. FY3/27 forecast

For the consolidated results in FY3/27, the Company is expecting declines in both sales and profits, except for profit attributable to owners of parent. It is forecasting net sales of ¥253.0bn, down 3.4% YoY; operating profit of ¥10.0bn, down 19.8%; ordinary profit of ¥12.0bn, down 4.6%; and profit attributable to owners of parent of ¥8.0bn, up 11.9%. Following the announcement of the Saibu Gas Group Management Plan for FY2026 in March 2026, the Company revised its assumptions for crude oil prices from US$70/bbl to US$80/bbl and for the exchange rate from ¥150/US$ to ¥155/US$, based on subsequent market conditions, including the impact of the situation in the Middle East. Consequently, it revised downward its forecast for FY3/27. Prior to the downward revision, the Company had projected growth in ordinary profit, and no material revisions appear to have been made other than to these underlying assumptions. The primary factors behind the projected decline in ordinary profit are believed to be the time-lag effect in the gas business resulting from the revised assumptions, together with higher costs in the electricity business.

FY3/27 consolidated results forecast

(¥mn)

	FY3/26 Results	FY3/27		YoY (Revised forecast)	
		Management plan	Revised forecast	Change	Change (%)
Net sales	261,823	247,000	253,000	-8,823	-3.4%
Operating profit	12,463	12,000	10,000	-2,463	-19.8%
Ordinary profit	12,583	14,000	12,000	-583	-4.6%
Profit attributable to owners of parent	7,147	9,000	8,000	853	11.9%

Note: Figures for the management plan are based on the Saibu Gas Group Management Plan for FY2026.
Source: Prepared by FISCO from the Company's financial results, results briefing materials, and press releases.

2. Forecast by business segment

While the real estate business is expected to post higher profit, reflecting a rebound from valuation losses in the overseas business, the gas business is projected to report lower profit primarily due to the time-lag effect, and the electricity and other energy business is also expected to post lower profit due to factors such as lower sales in the international energy business. As a result, consolidated profit is expected to decline.

(1) Gas and LPG businesses

Segment profit is forecast at ¥6.5bn, down 17.7% YoY. The forecast incorporates a ¥3.9bn YoY negative impact on profit from the time lag in the city gas business. However, given that the positive impact of the time lag was a ¥1,678mn profit increase factor in the previous fiscal year, the Company is effectively forecasting an increase in profit on a like-for-like basis, excluding the impact of the time lag.

(2) Electricity and other energy business

Segment profit is forecast at ¥1.0bn, down 17.0% YoY. The forecast assumes a ¥0.2bn reduction in profit due to factors such as lower sales in the international energy business. Securing stable power sources—including the Company's in-house power sources, such as the Hibiki Power Plant, as well as electricity procured through bilateral transactions—remains an ongoing challenge.

(3) Real estate business

Segment profit is forecast to increase 40.2% YoY to ¥4.6bn. While a decline in condominium (for sale) unit sales is expected to reduce profit by ¥0.5bn, a rebound in the overseas business following the valuation losses recorded in the previous fiscal year is expected to increase profit by ¥1.5bn. On March 26, 2026, a corporate group comprising eight companies, led by Sumitomo Corporation <8053> and including SAIBU GAS, was officially selected as the land use operators for the former Kyushu University Hakozaki Campus redevelopment project under the public call for proposals for land use operators conducted by Kyushu University and the Kyushu regional office of the Urban Renaissance Agency (UR). The project is expected to become one of Japan's largest smart city developments, with the town opening scheduled in FY2028. In addition to energy supply and residential development, the group including the Company plans to participate in carbon neutrality initiatives, energy services, and urban greening. The project is expected to become an important contributor to future earnings and will be worth monitoring.

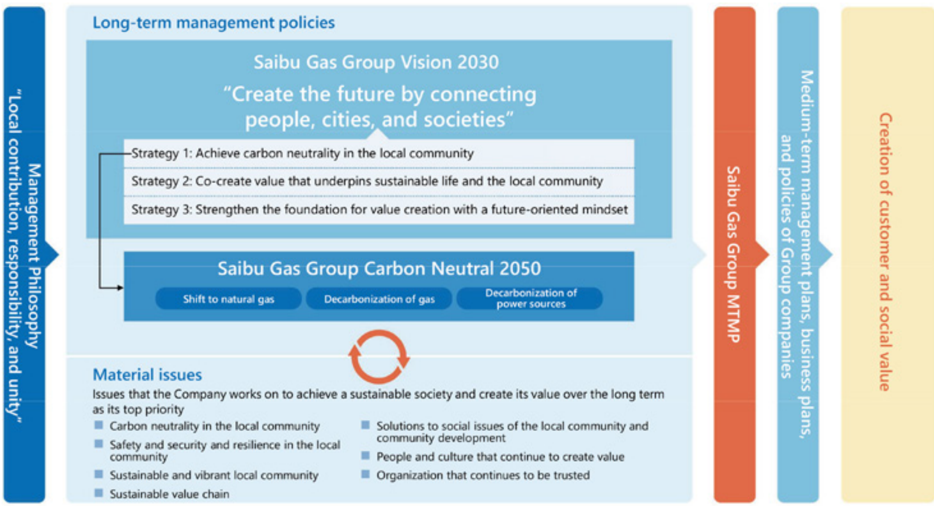
Medium- to long-term growth strategy

Maximize profits by accelerating growth in the energy business and securing stable earnings in the real estate business

1. The Group's value creation system

Based on the principle of its long-term vision, "Saibu Gas Group Vision 2030"—"Create the future by connecting people, cities, and societies"—the Group has established three strategies: (1) achieve carbon neutrality in the local community; (2) co-create value that underpins sustainable life and the local community; and (3) strengthen the foundation for value creation with a future-oriented mindset. The Medium-Term Management Plan outlines the Group's medium-term initiatives for realizing this vision by leveraging its strengths and assets—namely, its "community-rooted customer base," "people and organizations that ensure safety and earn trust," and "sustainable infrastructure network"—as capital resources. Furthermore, under its promotion of sustainability management, the Group has identified the following seven material issues that the Company works on to achieve a sustainable society and create its value over the long term as its top priority: (1) carbon neutrality in the local community; (2) safety and security and resilience in the local community; (3) sustainable and vibrant local community; (4) sustainable value chains; (5) solutions to social issues of the local community and community development; (6) people and culture that continue to create value; and (7) an organization that continues to be trusted.

The Group's value creation system



Source: Excerpt from the Medium-Term Management Plan materials

2. Saibu Gas Group Vision 2030

The Saibu Gas Group Vision 2030, announced in November 2021, sets out the Group's desired future state—a vision it seeks to realize in order to continue contributing to the development of local communities and remain the preferred choice for customers over the long term, in light of changes in the Group's operating environment, the global trend toward carbon neutrality, and the Group's 100th anniversary in 2030. The Group defines this desired future state as: "Harnessing the power of connection to create value that transforms the future and leading the way toward the realization of a sustainable and prosperous society."

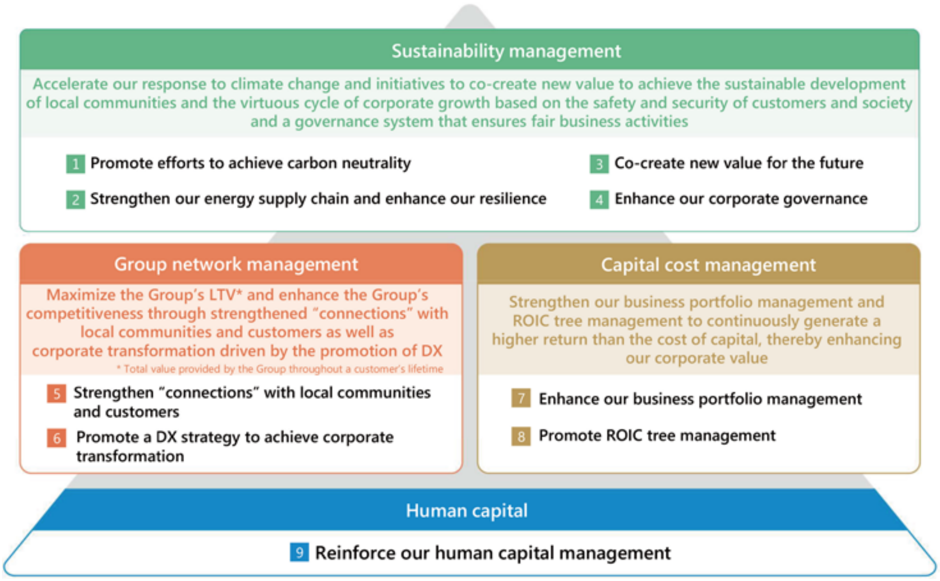
To achieve this vision, the Group is advancing three strategic priorities: achieve carbon neutrality in the local community; co-create value that underpins sustainable life and the local community; and strengthen the foundation for value creation with a future-oriented mindset. The Group has set consolidated financial targets for FY3/31 of ¥250.0bn in net sales and ¥15.0bn in ordinary profit. It has also established the following carbon neutrality targets: a CO_2 emission reduction contribution of 1.5mn tons, a renewable energy power source transaction volume of 200,000 kW and a carbon-neutral gas ratio of at least 5%.

3. The Group's Medium-Term Management Plan

Under the Group's Medium-Term Management Plan, "ACT 2027 (FY2025–FY2027)," the Group's basic policy is to regard expanding natural gas demand in Japan and overseas as its greatest business opportunity. It aims to maximize profits by accelerating growth in its energy business—through initiatives such as fully capturing demand arising from the energy transition and commencing the expansion of the capacity of Hibiki LNG Terminal—and by securing stable earnings from its real estate business. At the same time, the Group will work to improve capital efficiency by enhancing the Group's business administration. The plan is named "ACT" to signify that it is a critical period during which the Group will take more proactive (ACTIVE) ACTION to ACTIVATE the Group as it pursues the realization of Group Vision 2030. Compared with the previous Medium-Term Management Plan, "Next 2024," which sought to expand businesses outside the gas energy business through growth in the electricity and real estate businesses, this plan represents a significant strategic shift reflecting changes in the business environment.

To advance the basic policies outlined above, the Company has established three pillars of its Group-wide strategies, together with nine priority initiatives associated with those strategies. With the strengthening of human capital as the foundation supporting all of its strategies, the Company has identified "Sustainability management," "Group network management," and "Capital cost management" as the pillars of its Group-wide strategies.

Overview of the pillars of the Group-wide strategies and priority initiatives



Source: Excerpt from the Medium-Term Management Plan materials

"Promote efforts to achieve carbon neutrality," one of the initiatives under "Sustainability management," includes securing demand for natural gas during the energy transition and supplying low-carbon electricity through the operation of the Hibiki Power Plant. In addition, initiatives under "Group network management" include promoting the real estate business and urban development by strengthening connections with local communities and customers, as well as promoting DX strategy aimed at corporate transformation.

With respect to "Capital cost management," the Company has positioned "enhancing business portfolio management" and "promoting ROIC tree management" as company-wide initiatives aimed at continuously generating returns that exceed the cost of capital and enhancing corporate value. The background to implementing capital cost management and introducing ROIC is considered to be a significant change in the broader business environment, including the Tokyo Stock Exchange's request that all companies listed on the Prime and Standard Markets take measures "to realize management that is conscious of the cost of capital and stock prices." In business portfolio management, the Company will implement strategic allocation of business resources with an emphasis on the cost of capital by restructuring business management unit and responsibility system, and by utilizing ROIC in portfolio management. From this perspective, the Company recognizes that there is room for improvement particularly in the real estate business and is proceeding with a review that includes asset replacement and real estate securitization measures.

As part of its human capital initiatives, the Company has set forth the goal of strengthening human capital management, and published the "Saibu Gas Group Human Capital Report 2025" in November 2025 to demonstrate its commitment to this initiative. Based on its Medium-Term Management Plan, the Group has identified improvement in employee engagement as its most important KPI. It is advancing its human resource strategy based on three pillars: (i) take management strategy-linked human resource measures (recruitment, development, and assignment), (ii) support growth through challenges (challenge support and self-directed career development support), and (iii) strengthening organizational foundation that accelerates value creation (advancing DE&I and KENKO Investment for Health). Key initiatives include the development of management talent across the Group and strategic talent, the ongoing operation of its corporate university (SOZO University), support for reskilling (self-directed learning), promotion of well-being, and a next-generation manager development program. To further strengthen human capital management, the "Saibu Gas Group Human Capital Committee" was established in February 2025, chaired by the President and CEO, with the Director responsible for the Human Resource Strategy Department serving as Vice Chair, and the presidents of Group companies as members. The committee meets at least once a year and has a framework for reporting important matters to the Management Committee and the Board of Directors. Under the committee, the "Saibu Gas Group Diversity Subcommittee" and the "Saibu Gas Group KENKO Investment for Health Promotion Subcommittee," both chaired by the Director responsible for the Human Resource Strategy Department, have been established to work with Group companies to maximize the value of human capital.

For FY2027 (FY3/28), the final year of the Medium-Term Management Plan, the Company has set the following financial targets: ROE of approximately 8.0%, ROIC of approximately 2.3%, an equity-to-asset ratio of 23.0% or higher, and cumulative ordinary profit of ¥38.0bn for the period from FY2025 to FY2027. A key development is the introduction of a ROIC target as part of efforts to promote capital cost management. The Company has already achieved these targets in FY3/26 for two key indicators—an equity-to-asset ratio of 24.7% and ROIC of 2.3%—but the hurdles to achieving the targets remain significant, given factors such as the full-scale cash outflows associated with the expansion of the capacity of Hibiki LNG Terminal. During the Medium-Term Management Plan period (FY2025–FY2027), the Company expects total cash outflows, including growth investments, of approximately ¥150.0bn, and operating cash inflows of ¥76.0bn. It plans to finance the remainder through interest-bearing debt and asset sales. A key focus will be whether the Company can manage its finances in line with this cash allocation to ensure proper management of financial risks.

4. Medium- to long-term basic policy

From a medium- to long-term perspective, the Company has indicated a strong commitment to its global energy business initiatives. Aiming to position its overseas energy business as the third pillar of its operations—after its energy business and real estate business—by FY3/31, the Company plans to expand its terminal utilization business through the full use of LNG Tank No. 3 at the Hibiki LNG Terminal. It also identifies overseas mid- and downstream gas businesses and overseas LNG sales as new areas to take on challenges. While overseas expansion involves certain challenges, the Company is expected to remain in a trial phase for the time being, primarily centered on its investment in Vietnam. With regard to the partnership with JERA on the strategic utilization of the Hibiki LNG Terminal, the Company intends to leverage the terminal's geographic advantages to promote global business activities—particularly in Asia—in the future, and further progress in this partnership is expected.

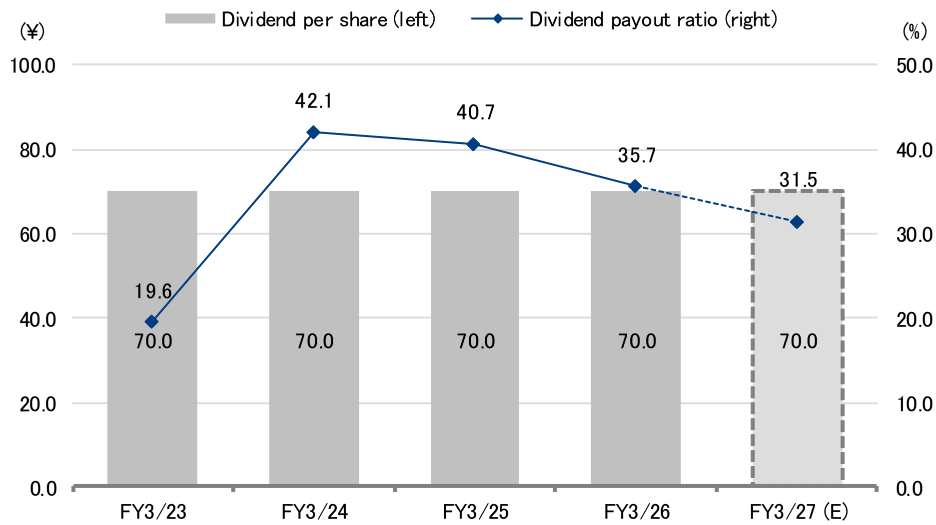
Shareholder return policy

The Company maintains a minimum annual dividend of ¥70 per share while flexibly implementing stock repurchases

1. Shareholder return policy

The Company pays dividends as part of its shareholder return policy. Under the shareholder return policy set forth in the Group's Medium-Term Management Plan "ACT 2027," the basic policy for the plan period (FY3/26–FY3/28) is to provide sustainable and stable shareholder returns with a minimum annual dividend of ¥70 per share, while flexibly implementing additional shareholder return policies, such as stock repurchases, after taking into account its medium- to long-term business performance and other factors. Based on this policy, in FY3/26 the Company paid an annual dividend of ¥70.0 per share and conducted stock repurchases of up to ¥2.0bn, resulting in a total return ratio of 63.5%. For FY3/27, the Company plans to maintain an annual dividend of ¥70.0 per share, unchanged from the previous fiscal year.

Dividend per share and payout ratio



Source: Prepared by FISCO from the Company's financial results

2. Shareholder benefits program

As part of its efforts to enhance shareholder returns, the Company has introduced a new shareholder benefit program from FY3/26, in addition to dividends and stock repurchases. Specifically, shareholders holding at least two trading units (200 shares), whose names are recorded or registered in the shareholder registry as of the end of March and September each year (effective from the shareholder record date as of March 31, 2026), are eligible to receive points in proportion to their shareholding. These points can be exchanged for more than 5,000 items, including gourmet foods, home appliances, and Amazon gift cards. They can also be converted into “WILLsCoin,” a universal shareholder benefit coin that can be combined with points from other companies participating in the Premium Benefit Club.

Shareholder benefits points table

Number of shares held	Number of shareholder benefits points (End of March)	Number of shareholder benefits points (End of September)	Timing of the granting of shareholder benefit points
200–399 shares	6,000 points	6,000 points	Around May and around November
400 shares or more	12,000 points	12,000 points	

Source: Prepared by FISCO from the Company’s news releases

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