COMPANY RESEARCH AND ANALYSIS REPORT

Toho Gas Co., Ltd.

9533

Tokyo Stock Exchange Prime Market

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Contents

Summary

In 1H FY3/26, the Company recorded increases in both net sales and profits. Increase in number of customer accounts in various energy businesses

Toho Gas Co., Ltd. <9533> (hereafter, also "the Company") is a comprehensive energy provider based in Aichi, Gifu, and Mie Prefectures that is engaged in city gas, LPG, electricity and peripheral businesses. Its Corporate Mission is "We, together with our Group companies, are dedicated to the creation of a rich and exciting life and the development of attractive and vital communities by setting our greatest value on the trust placed in us." Guided by this Corporate Mission, the Company has been contributing to local communities. It is a long-established company that marked its 100th anniversary in 2022. In step with the changing times, the Company has undergone repeated transformations, shifting its raw materials for energy from coal to petroleum and then to natural gas. In the city gas business, the Company is one of the industry's top three companies, alongside Tokyo Gas <9531> and Osaka Gas <9532>. The Company stands out for its substantial commercial sales volume in the three Tokai prefectures, which are home to a thriving manufacturing industry. The Company has 32 subsidiaries, 40 affiliates, and 6,074 employees (as of the end of FY3/25), and provides energy via city gas, LPG, and electricity to a total of approximately 3.10 million customer accounts (as of the end of September 2025) in the region.

1. Results trends

In the consolidated results for 1H FY3/26, both net sales and profits increased, with net sales increasing 4.7% year on year (YoY) to ¥307,161mn, operating income increasing 24.7% to ¥23,817mn, ordinary income increasing 17.1% to ¥26,734mn, and net income attributable to owners of the parent increasing 12.5% to ¥20,236mn. Net sales in the mainstay Gas business remained strong, rising 4.9% to ¥200,925mn. Net sales in the LPG and other Energies business decreased 2.4% to ¥43,168mn. The Electricity business recorded steady growth, with net sales up 8.5% to ¥50,211mn. The number of customer accounts for the city gas, LPG, and the electricity businesses steadily increased. Sales in other businesses grew, with net sales up 9.2% to ¥26,915mn. On the profit front, one main factor behind the increase in operating income was an increase of approximately ¥3,500mn in the Gas business due to the effect of market fluctuations, etc. (such as the effect of crude oil prices and exchange rates) related to procurement costs for raw materials, including a time lag on the cost adjustment system (gain on timing difference between raw material costs and net sales of approximately ¥5,000mn).

In the consolidated forecast for FY3/26, the Company expects a decrease in net sales but an increase in ordinary income, forecasting net sales to decrease 4.0% YoY to ¥630,000mn, operating income to decrease 12.6% to ¥27,000mn, ordinary income to increase 1.8% to ¥33,000mn, and net income attributable to owners of the parent to increase 6.1% to ¥27,000mn. As such, it revised its net sales and all profit forecasts upward to reflect the strong results during 1H FY3/26. For net sales, the Company expects a decrease of ¥26,000mn due to a decline in city gas sales prices accompanying lower raw material costs and other factors being anticipated. The number of customer accounts in each business is expected to increase steadily, with those in the city gas business up 7 thousand to 1,757 thousand accounts, those in the LPG business up 2 thousand to 648 thousand accounts, and those in the electricity business up 35 thousand to 727 thousand accounts. Regarding operating income, while the Gas business is expected to benefit from positive factors such as the effect of the time lag on the cost adjustment system (an increase of approximately ¥4,000mn) and the effect of costs, etc. (an increase of approximately ¥3,000mn), these will be outweighed by negative factors, including the difference between purchase price and consumption price (a decrease of approximately ¥1,500mn) and other negative effects from market fluctuations, etc. related to the procurement cost for raw materials. Overall, operating income is expected to decline by approximately ¥4,500mn. For FY3/26, the Company is forecasting a crude oil price of $71.8, down $10.6, and an exchange rate of ¥150.5, reflecting an appreciation in the yen of ¥2.1. For ordinary income, the Company expects an increase of ¥587mn (up 1.8%), reflecting improvement in non-operating income and expenses. FISCO believes that the Company is fully capable of achieving its results forecasts for FY3/26, considering factors such as the high accuracy of its planning, and the fact that recent energy price and long-term temperature forecast trends are within the expected range.

2. Growth strategy

In April 2024, the Company announced its “Action to Implement Management that is Conscious of Cost of Capital and Stock Price,” and is aiming to improve asset efficiency and achieve an appropriate capital structure to enhance its price-to-book ratio (PBR). In its efforts to improve asset efficiency, the Company will enhance the profitability of each of its businesses as well as accelerate the pace of sales of cross-shareholdings. Specifically, for the time being, the Company will proceed to sell approximately one-third of its holdings based on their appraisal value relative to the balance as of the end of March 2024, focusing particularly on holdings with diminished holding purpose. As an appropriate capital structure, the Company has set a target equity capital level of ¥400,000mn, which it aims to achieve by the end of FY3/28. Most recently, equity capital was ¥448,300mn as of the end of FY3/25 and ¥456,700mn as of the end of September 2025, trending around ¥450,000mn. The Company is planning a decrease in equity capital of approximately ¥50,000mn over the medium term, with share buybacks being the main driver of that decrease. It conducted ¥30,000mn in share buybacks during FY3/25, and plans to conduct share buybacks in the same amount in FY3/26 (having bought back ¥15,000mn in shares in the first half). In terms of 1H FY3/26, the scale of the share buybacks is evident, with the Company having bought back ¥15,000mn in shares compared to distributing total dividends of ¥3,900mn. As the Company is expected to continue share buybacks over the medium term, shareholders can anticipate satisfactory returns.

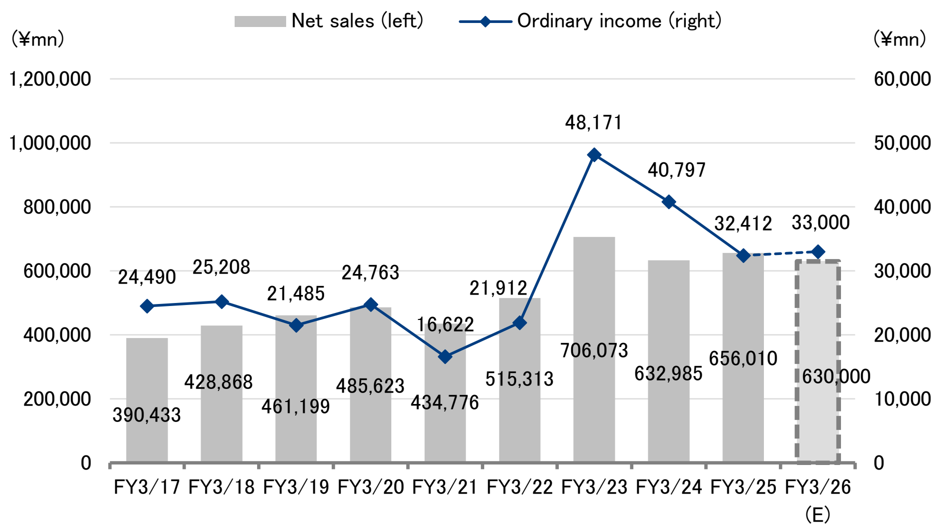
3. Shareholder return policy

The Company's basic policy on profit distribution is to strengthen its management foundation and provide stable dividends. During the period of the Medium-Term Management Plan (FY3/26 to FY3/28), the Company is planning to increase dividends progressively in line with profit growth. It also plans to continue share buybacks and strive for optimization, aiming for equity capital of ¥400,000mn by the end of FY3/28. (Equity capital at the end of 1H FY3/26 was ¥456,700mn.) For FY3/26, the Company is forecasting an annual dividend of ¥90 per share (an increase of ¥10, with an interim dividend of ¥45 already paid and a year-end dividend of ¥45 forecast), for a dividend payout ratio of 31.4%. In FY3/26 as well, the Company is proceeding with share buybacks of ¥15,000mn in the first half (completed) and ¥15,000mn in the second half (announced in September 2025), with the total payout ratio expected to rise above 100%. The Company has a shareholder benefit program under which shareholders who have held 100 or more shares continuously for at least 6 months as of the end of March are awarded shareholder benefit points based on the number of shares held and the length of the holding period. These points can be used to redeem local specialty products from regions associated with the Company or applied toward the payment of the Company's gas and electricity bills. The shareholder benefit program has been expanded for the second consecutive year. In FY3/25, the number of shareholder benefit points awarded increased by 3,000–6,000.

Key Points

- A comprehensive energy provider based in the three Tokai prefectures, engaged in city gas, LPG, electricity, and peripheral businesses. The core businesses are the Company's mainstay Gas business and LPG and other Energies business. The Company's strengths lie in its ability to propose solutions
- In 1H FY3/26, the Company recorded increases in both net sales and ordinary income. The main factor was the positive impact of raw material market fluctuations, etc. in the mainstay city gas business. Increase in number of customer accounts in various energy businesses
- For FY3/26, the annual dividend will be ¥90 per share, up ¥10 YoY (interim dividend of ¥45 already paid and year-end dividend of ¥45 forecast)

Consolidated results trends



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

Company profile

A comprehensive energy provider based in the three Tokai prefectures, engaged in the city gas, LPG, electricity, and peripheral businesses

1. Company profile

The Company is a comprehensive energy provider based in Aichi, Gifu, and Mie Prefecture, engaged in city gas, LPG, electricity, and peripheral businesses. Its Corporate Mission is "We, together with our Group companies, are dedicated to the creation of a rich and exciting life and the development of attractive and vital communities by setting our greatest value on the trust placed in us." Guided by this Corporate Mission, the Company has been contributing to local communities. It is a long-established company that marked its 100th anniversary in 2022. In step with the changing times, the Company has undergone repeated transformations, shifting its raw materials for energy from coal to petroleum and then to natural gas. Under its Group Vision, as well as its Medium-Term Management Plan that is currently underway, the Company is also planning to drive growth in the electricity and overseas businesses as well as in fields that go beyond the traditional energy sector. In the city gas business, the Company is one of the industry's top three companies, alongside Tokyo Gas and Osaka Gas. The Company stands out for its substantial commercial sales volume in the three Tokai prefectures, which are home to a thriving manufacturing industry. The Company has 32 subsidiaries, 40 affiliates, and 6,074 employees (as of the end of FY3/25), and provides energy via city gas, LPG, and electricity to a total of approximately 3.10 million customer accounts (as of September 30, 2025) in the region.

2. History

The Company was founded more than 100 years ago, in 1922. Its first president, Sakura Okamoto, started the city gas business. At the time, he used coal as the raw material. The Company expanded its operating area through new company establishments and mergers, solidifying its base in the three Tokai prefectures and Okayama Prefecture. In 1949, its shares were listed on bourses in Tokyo, Nagoya, and Osaka. In 1959, it commenced its LPG business and began expanding its operating areas. From the 1960s onward, the Company gradually shifted the raw material for gas from coal to petroleum, and by 1993, had completed the transition to natural gas. In 2012, the Company joined the Ichthys LNG Project in Australia, marking the launch of its overseas business development. Currently, the Company has bases in Australia and Singapore and is advancing projects primarily in Asia and North America. In 2016, it entered the Electricity business in step with the liberalization of electricity retailing, and the business has since grown into a core pillar for the future. As part of the 2022 market reorganization of the Tokyo Stock Exchange and the Nagoya Stock Exchange, the Company transitioned to the Tokyo Stock Exchange Prime Market and Nagoya Stock Exchange Premier Market.

History

Date	Main events
July 1922	Established the Company and acquired Nagoya Gas Co., Ltd., starting the gas business
May 1925	Established Gifu Gas Co., Ltd.
August 1930	Established Godo Gas Co., Ltd.
December 1936	Acquired the shares of Okazaki Gas Co., Ltd. (established in April 1910) and participated in its management
January 1940	Began operations at Atsuta Works, in addition to Nagoya Works (formerly Sakurada Works)
April 1942	Established Mizushima Gas Co., Ltd.
May 1949	Listed the Company's shares on bourses in Tokyo, Nagoya, and Osaka
November 1959	Established Toho Liquefied Fuel Co., Ltd. (now Toho Liquefied Gas Co., Ltd.) and began the LPG business
October 1970	Began operations at Sorami Works
October 1974	Exceeded 1 million city gas customer accounts (total for 5 companies in the Gas business)
November 1976	Began operations at Chita Works (now the Chita Calorific Value Adjustment Center)
September 1977	Commenced operations at the Chita LNG Terminal and received first LNG vessel
June 1978	Began shifting to natural gas
October 1991	Began operations at Yokkaichi Works
May 1993	Completed shift to natural gas
May 2001	Began operations at Chita-Midorihama Works (full-scale operations began in November)
April 2003	Merged Godo Gas Co., Ltd., Gifu Gas Co., Ltd., and Okazaki Gas Co., Ltd.
October 2009	Completed circular transportation trunk line
January 2012	Entered into an interest transfer agreement for the Ichthys LNG Project in Australia
September 2013	Began operation of the Ise Bay Crossing Gas Pipeline
April 2016	Entered the retail electricity business
April 2021	Established Toho Gas Network Co., Ltd.
April 2022	Following the market reorganization of the Tokyo Stock Exchange and the Nagoya Stock Exchange, the Company transitioned from the First Section of each to the Tokyo Stock Exchange Prime Market and Nagoya Stock Exchange Premier Market

Source: Prepared by FISCO from the Company's annual securities report and Integrated Report 2024

3. Business description

The Company's business segments are the Gas business, LPG and other Energies business, Electricity business, and Others business. In the Gas business, the Company conducts a wide range of operations primarily in Aichi, Gifu, Mie, and Okayama Prefecture, including the manufacture and sale of city gas, the sale of gas equipment, the entrusted transportation and supply of gas, and gas supply piping work. This segment accounts for 62.6% of Group-wide net sales (1H FY3/26; same applies below), and 84.0% of segment income, serving as the foundation of Group-wide performance. The LPG and other Energies business includes the sale of LPG and LPG equipment, as well as the sale of LNG and the heat supply business. It accounts for 13.4% of Group-wide net sales and -2.0% of segment income. In the Electricity business, the Company conducts the sale of electricity. While this business has limited recent earnings, accounting for 15.6% of Group-wide net sales and 5.4% of segment income, it has high growth potential. The Others business engages in a wide range of activities, including real estate management and leasing, plant and equipment design and construction, the CN×P (Carbon Neutrality × Professional/Package/Partner) business (carbon neutrality support business), information processing services, leasing of vehicles and equipment, and overseas development and investment related to natural gas and other resources. It accounts for 8.4% of Group-wide net sales and 12.6% of segment income, making a significant contribution to earnings.

Segment overview

Segment	Overview	Main companies	Results (1H FY3/26)			
			Net sales (¥mn)	Net sales composition	Segment income (¥mn)	Segment income composition
Gas	Manufacture and sale of city gas, sale of gas equipment, entrusted transportation and supply of gas, gas supply piping work, sale of residential equipment, and call center and billing operations, primarily in Aichi, Gifu, Mie, and Okayama Prefecture	The Company Toho Gas Network Co., Ltd. Toho Gas Life Solutions Co., Ltd. Toho Gas Communications Co., Ltd. Mizushima Gas Co., Ltd. Toho Gas Customer Service Co., Ltd. Toho Gas Techno Co., Ltd.	200,925	62.6%	19,317	84.0%
LPG and other Energies	LNG sales, heat supply business, LPG sales, LPG equipment sales, LPG piping work, sale of coke and petroleum products, etc.	The Company Toho Liquefied Gas Co., Ltd.	43,168	13.4%	-458	-2.0%
Electricity	Sale of electricity	The Company	50,211	15.6%	1,242	5.4%
Others	Entrusted LNG processing, real estate management and leasing, design and construction of plants and facilities, comprehensive utility services business, provision of information processing, leasing of vehicles, equipment, etc., overseas development and investment related to natural gas, etc.	The Company Toho Gas Real Estate Development Co., Ltd. Toho Gas Energy Engineering Co., Ltd. Toho Gas Information System Co., Ltd. Toho Service Co., Ltd. Toho Gas Australia Pty Ltd Toho Gas Ichthys Pty Ltd	26,915	8.4%	2,905	12.6%

Note: Net sales include internal sales. Operating income is before adjustment.
Source: Prepared by FISCO from the Company's annual securities report and financial results

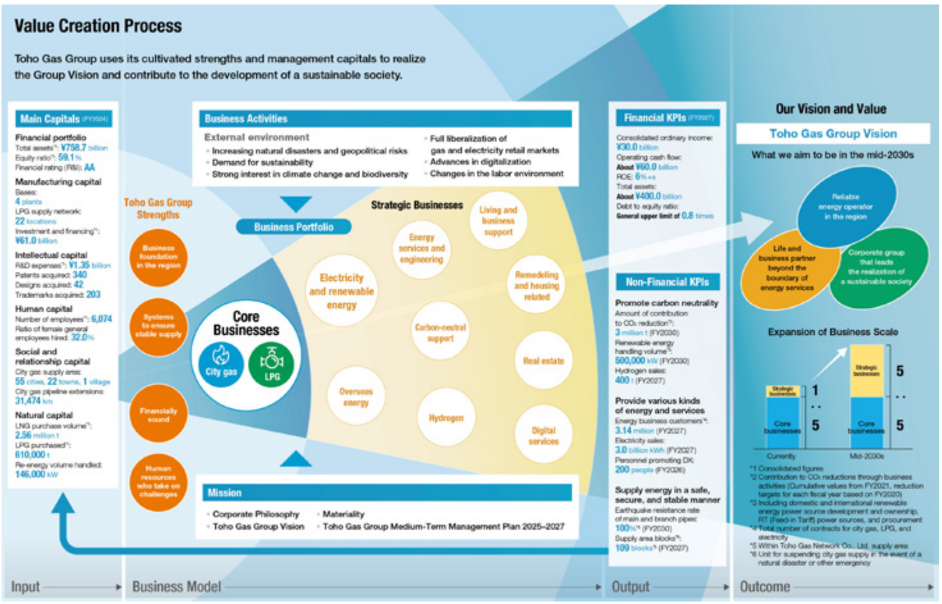
Business overview

The core businesses are the Company's mainstay Gas business and LPG and other Energies business

1. The Company's strengths

The Company's strengths include proposing and providing diverse energy services, maintaining contact and relationships of trust with regional customers, and having human resources that enable stable energy supply. These strengths have been cultivated through the Company's history and accumulated experience. Having entered an era that calls for carbon neutrality, the Company leverages its considerable strengths of concrete proposals of solutions that take advantage of its diverse knowledge of energy sources and technologies on the customer side and its customer base in the Gas business for developing new customers in businesses such as the Electricity business. The Company possesses various forms of management capital (financial portfolio, manufacturing capital, intellectual capital, human capital, social and relationship capital, and natural capital) accumulated through its services over time. These serve as the source of its ability to propose solutions.

The Company's management capital and value creation process



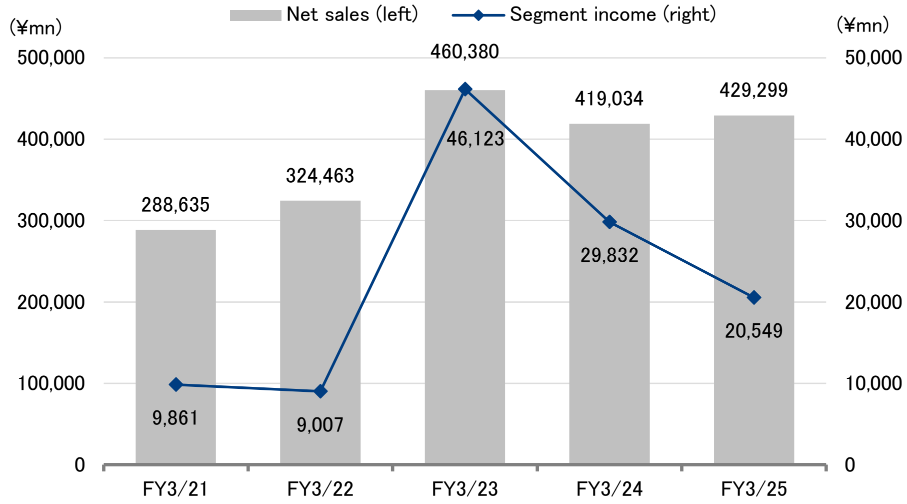
Source: The Company's Integrated Report 2025

2. Gas business: Features and results trends

The Gas business, which encompasses a range of operations related to the supply of city gas, has continued since the Company's founding and forms the backbone of its operations. In Aichi, Gifu, and Mie Prefecture, the Company conducts the manufacture and sale of gas, as well as the sale of gas equipment. In addition, through its subsidiaries, it carries out entrusted gas transportation and supply, gas supply piping work, call center operations, and billing services. Also, its subsidiary Mizushima Gas Co., Ltd. is engaged in the manufacture, supply, and sales of gas and in related businesses in Okayama Prefecture.

Net sales in the Gas business have remained relatively stable since FY3/21. As sales volume in the Gas business continues to trend slightly downward since FY3/19, the increase in net sales appears to have been caused by higher selling prices arising from rising procurement costs for raw materials. In recent years, in an environment in which temperatures have remained above average, gas usage for water heating has tended to decline. Segment income has shown relatively large fluctuations, also largely due to the impact of the time lag associated with changes in raw material prices. In terms of annual sensitivity, since October 2025, a $1 per barrel increase in crude oil prices reduces operating income by approximately ¥200mn, while a ¥1 appreciation in the yen-dollar exchange rate similarly reduces operating income by about ¥200mn. For 1H FY3/26, while the number of customer accounts and sales volume remained mostly flat, net sales increased slightly, up 4.9% YoY to ¥200,925mn. Segment income was positively impacted by approximately ¥3,500mn due to the effect of market fluctuations, etc. related to procurement costs for raw materials, including a time lag on the cost adjustment system (gain on timing difference between raw material costs and net sales). Overall, segment income increased 33.2% to ¥19,317mn.

Results trends in the Gas business



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

Trend in the number of customers and sales volume in the Gas business

	Unit	FY3/21	FY3/22	FY3/23	FY3/24	FY3/25	CAGR
Total number of customers at fiscal year-end	Thousands of accounts	1,793	1,756	1,741	1,747	1,750	-0.6%
Total sales volume	Millions of m^3	3,610	3,613	3,454	3,370	3,350	-1.9%
Sales volume (household)	Millions of m^3	659	640	583	563	562	-3.9%
Sales volume (commercial, etc.)	Millions of m^3	2,951	2,973	2,871	2,806	2,788	-1.4%

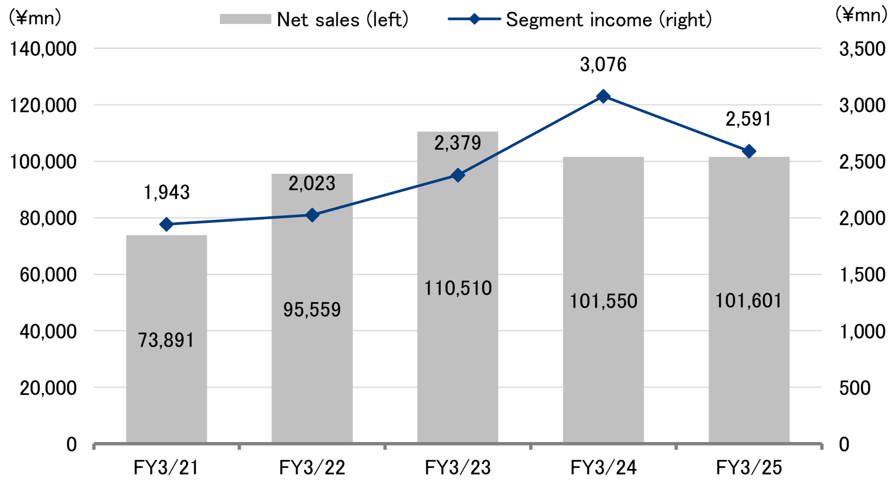
Source: Prepared by FISCO from the Company's financial results

3. LPG and other Energies business: Features and results trends

The LPG and other Energies business was launched in 1959. The Company conducts this business over a wide area that includes not only the areas of Aichi, Gifu, and Mie prefectures, but also Shizuoka and Nagano prefectures, the Hokuriku area, and certain other locations. Subsidiaries such as Toho Liquefied Gas Co., Ltd. conduct the sale of LPG and LPG equipment, and LPG pipe construction work, as well as the sale of coke, petroleum products and other items. A feature of this business is that it involves logistics operations such as delivery and collection.

Net sales in the LPG and other Energies business have been on an upward trend since FY3/21. The number of customers, which underpins this growth, has increased at a CAGR of 2.1%, and sales volume has remained largely stable in line with this trend. Changes in segment income have been gradual and stable. Meanwhile, the segment income margin remains low, standing at 2.6% (FY3/25). For 1H FY3/26, net sales in the Electricity business declined 2.4% YoY to ¥43,168mn. Segment loss increased ¥378mn to ¥458mn.

Results trends in the LPG and other Energies business



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

Trend in the number of customers and sales volume in the LPG business

	Unit	FY3/21	FY3/22	FY3/23	FY3/24	FY3/25	CAGR
Total number of customers at fiscal year-end	Thousands of accounts	594	603	604	615	645	2.1%
Total sales volume	Thousands of tons	462	486	475	465	474	0.6%

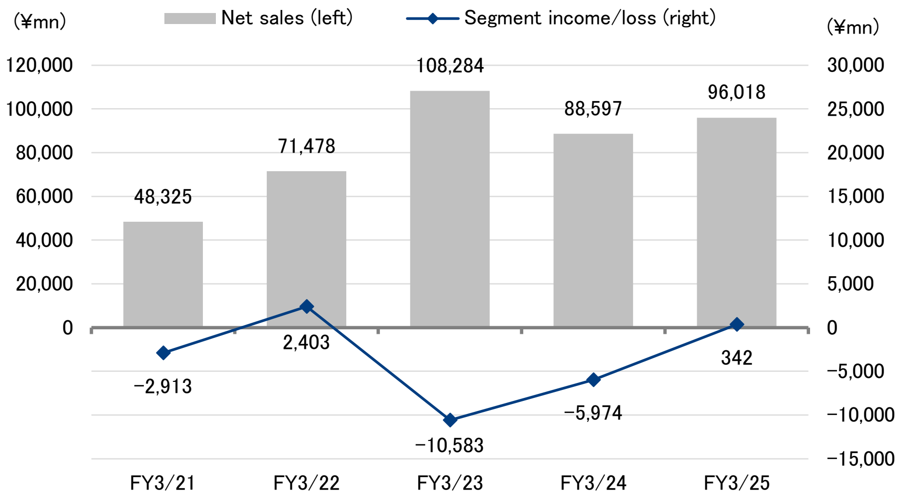
Source: Prepared by FISCO from the Company's financial results

4. Electricity business: Features and results trends

With the liberalization of electricity retailing for general households in 2016, the Company entered the Electricity business. Now in its 10th year, the business has grown to a scale comparable to the long-established LPG business, with net sales of approximately ¥100,000mn and around 700 thousand customer accounts. The Company leverages its accumulated customer contact points in city gas and LPG to offer proposals that combine gas and electricity, which serves as a business advantage.

Net sales in the Electricity business have been on an overall uptrend since FY3/21 despite some fluctuations. The number of customers, the underlying driver of this growth, has been increasing at a CAGR of 12.1% and sales volume has been trending upward in line with this trend. Operating income has fluctuated significantly in the past. For example, in FY3/23, market prices surged due to factors such as the Russia-Ukraine conflict, pushing up electricity procurement costs and causing a sharp decline in the Company's operating income. The Company has strengthened initiatives to improve profitability such as conducting diversified procurement from multiple companies, staggering contract years and durations, and combining bilateral contracts and spot procurement. As a result, it achieved profitability in this business for the full FY3/25. For 1H FY3/26, net sales increased 8.5% YoY to ¥50,211mn and segment income decreased 3.1% to ¥1,242mn. Both of these remained strong.

Results trends in the Electricity business



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

Trend in the number of customers and sales volume in the Electricity business

	Unit	FY3/21	FY3/22	FY3/23	FY3/24	FY3/25	CAGR
Total number of customers at fiscal year-end	Thousands of accounts	438	514	576	638	691	12.1%
Total sales volume	Millions of kWh	1,602	2,126	2,369	2,579	2,815	15.1%

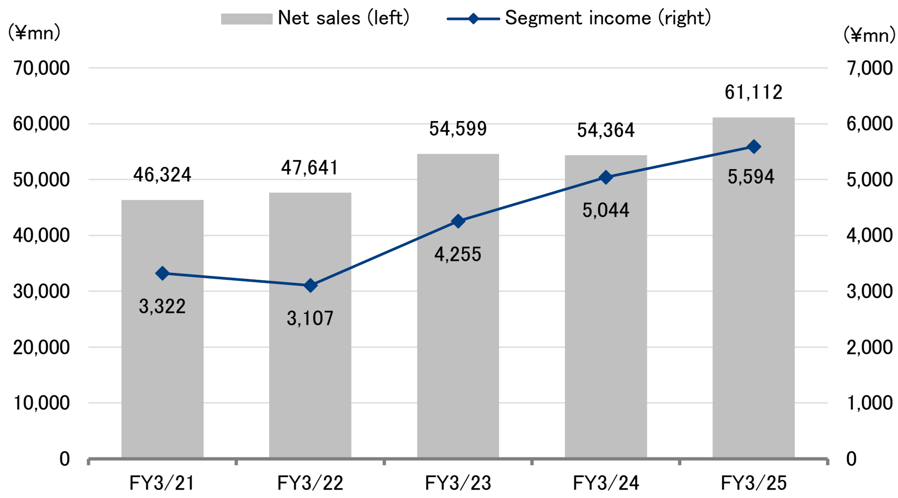
Source: Prepared by FISCO from the Company's financial results

5. Others business: Features and results trends

As one part of its vision for the mid-2030s, the Company seeks to become a "Life and business partner beyond the boundary of energy services." Under its Medium-Term Management Plan that is currently underway, the Company has identified "Deeper cultivation of region-based businesses" as a non-energy strategy. It has established the following five specific fields: 1) lifestyle and administrative support; 2) engineering; 3) town development and real estate development; 4) information services; and 5) agri-food. The Company is targeting ¥5,000mn in business profits from its community-based value creation businesses in FY3/28. The key players in this business are Toho Gas Real Estate Development Co., Ltd., which manages and leases real estate; Toho Gas Energy Engineering Co., Ltd., which designs and constructs plants and equipment; and Toho Gas Information System Co., Ltd., which provides information processing and related services. In addition, the overseas business is also included in this segment.

Net sales in the Others business have been on an upward trend since FY3/21. Profitability is also high, with the segment income margin reaching 9.2% in FY3/25 to surpass energy-related businesses. For 1H FY3/26, net sales in the Others business rose 9.2% YoY to ¥26,915mn. Segment income rose 19.9% to ¥2,905mn, reflecting a steady expansion in business scale.

Results trends in the Others business



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

Results trends

In 1H FY3/26, the Company recorded increases in both net sales and profits. The main factor was the positive impact of raw material market fluctuations, etc. in the mainstay city gas business

1. Overview of 1H FY3/26 results

In the consolidated results for 1H FY3/26, both net sales and profits increased, with net sales increasing 4.7% YoY to ¥307,161mn, operating income increasing 24.7% to ¥23,817mn, ordinary income increasing 17.1% to ¥26,734mn, and net income attributable to owners of the parent increasing 12.5% to ¥20,236mn.

Net sales in the mainstay Gas business remained strong, rising 4.9% YoY to ¥200,925mn. The number of city gas customer accounts increased 2 thousand from the previous fiscal year-end to 1,754 thousand, while sales volume decreased 0.9% to 1,569 million m^3. Factors behind the slight decrease in sales volume include operating rates at customer facilities falling below those of the same period of the previous fiscal year in commercial, etc. Net sales in the LPG and other Energies business decreased 2.4% to ¥43,168mn. The number of LPG customer accounts increased by 30 thousand from the previous fiscal year-end, and sales volume rose 0.9% to 211 thousand tons. The Electricity business recorded steady growth, with net sales up 8.5% to ¥50,211mn. The number of electricity customer accounts increased 42 thousand from the previous fiscal year-end, and sales volume rose 4.4% to 1,430 million kWh. Sales in other businesses grew, with net sales up 9.2% to ¥26,915mn.

On the profit front, one main factor behind the increase in operating income was an increase of approximately ¥3,500mn YoY in the Gas business due to the effect of market fluctuations, etc. (such as the effect of crude oil prices and exchange rates) related to procurement costs for raw materials, including a time lag on the cost adjustment system (gain on timing difference between raw material costs and net sales of approximately ¥5,000mn). Selling, general and administrative expenses (SG&A) expenses were kept under control, with the SG&A expense ratio on par with that of the same period of the previous fiscal year at 21.3%. A gain from the sale of cross-shareholdings of ¥1,384mn was recorded under extraordinary income.

1H FY3/26 results

(¥mn)

	1H FY3/25		1H FY3/26		
	Results	% of net sales	Results	% of net sales	YoY
Net sales	293,404	100.0%	307,161	100.0%	4.7%
Cost of sales	211,784	72.2%	217,807	70.9%	2.8%
Gross profit	81,619	27.8%	89,353	29.1%	9.5%
SG&A expenses	62,520	21.3%	65,536	21.3%	4.8%
Operating income	19,098	6.5%	23,817	7.8%	24.7%
Ordinary income	22,839	7.8%	26,734	8.7%	17.1%
Net income attributable to owners of the parent	17,989	6.1%	20,236	6.6%	12.5%

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

Equity ratio is 60.0%, indicating a sound and stable financial base

2. Financial position and management indicators

As of the end of 1H FY3/26, total assets were up ¥2,053mn from the previous fiscal year-end to ¥760,818mn. This was mainly due to a ¥13,587mn increase in non-current assets and a ¥20,256mn increase in investments and other assets. Current assets were down ¥11,534mn from the previous fiscal year-end. This was mainly due to cash and deposits (a decrease of ¥18,423mn) and notes and accounts receivable - trade, and contract assets (a decrease of ¥16,890mn) being down despite securities (an increase of ¥22,000mn) being up.

Total liabilities were down ¥6,295mn from the previous fiscal year-end to ¥304,075mn. Of this amount, non-current liabilities decreased ¥627mn and current liabilities decreased ¥5,668mn. This was mainly due to accrued expenses, accounts payable - other, and other items being down. Interest-bearing debt decreased ¥1,109mn YoY to ¥152,279mn. Total net assets increased ¥8,348mn to ¥456,743mn and the equity ratio came to 60.0% (59.1% at the previous fiscal year-end), indicating a sound financial base is being maintained. Note that the Company is pushing forward with share buybacks in the medium term in order to optimize its equity capital with a target of ¥400,000mn.

Consolidated balance sheets and management indicators

(¥mn)

	End of FY3/25	End of 1H FY3/26	Change
Non-current assets	571,040	584,627	13,587
Investments and other assets	255,596	275,852	20,256
Current assets	187,725	176,191	-11,534
Cash and deposits	46,749	28,326	-18,423
Total assets	758,765	760,818	2,053
Non-current liabilities	190,077	189,450	-627
Bonds payable	87,500	87,500	-
Long-term loans payable	43,722	40,412	-3,310
Current liabilities	120,293	114,625	-5,668
Current portion of non-current liabilities	22,166	24,367	2,201
Total liabilities	310,370	304,075	-6,295
Total net assets	448,394	456,743	8,348
Total liabilities and net assets	758,765	760,818	2,053
<Stability>			
Current ratio (Current assets ÷ Current liabilities)	156.1%	153.7%	-
Equity ratio (Shareholders' equity ÷ Total assets)	59.1%	60.0%	-

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

Outlook

In FY3/26, ordinary income is forecast to increase 1.8% YoY to ¥33,000mn. Upward revision to reflect the strong results during 1H FY3/26

In the consolidated forecast for FY3/26, the Company expects a decrease in net sales but an increase in ordinary income, forecasting net sales to decrease 4.0% YoY to ¥630,000mn, operating income to decrease 12.6% to ¥27,000mn, ordinary income to increase 1.8% to ¥33,000mn, and net income attributable to owners of the parent to increase 6.1% to ¥27,000mn. As such, it revised its net sales and all profit forecasts upward to reflect the strong results during 1H FY3/26.

For net sales, the Company expects a decrease of ¥26,000mn YoY due to a decline in city gas sales prices accompanying lower raw material costs and other factors being anticipated. The number of city gas customer accounts is expected to increase by 7 thousand from the previous fiscal year-end to 1,757 thousand, while sales volume is forecast to decrease 2.1% to 3,279 million m^3. The number of LPG customer accounts is forecast to increase by 2 thousand to 648 thousand and sales volume is expected to increase 1.9% to 483 thousand tons. The number of electricity customer accounts is projected to grow 35 thousand from the previous fiscal year-end to 727 thousand, and sales volume is forecast to increase 0.8% to 2,838 million kWh.

Regarding operating income, while the Gas business is expected to benefit from positive factors such as the effect of the time lag on the cost adjustment system (an increase of approximately ¥4,000mn YoY) and a decrease in costs, etc. (approximately ¥3,000mn), these will be outweighed by negative factors, including the difference between purchase price and consumption price (a decrease of approximately ¥1,500mn) and other negative effects from market fluctuations, etc. related to the procurement cost for raw materials. Overall, operating income is expected to decline by approximately ¥4,500mn. For FY3/26, the Company is forecasting a crude oil price of $71.8, down $10.6, and an exchange rate of ¥150.5, reflecting an appreciation in the yen of ¥2.1. For ordinary income, the Company expects an increase of ¥588mn (up 1.8%), reflecting improvement in non-operating income and expenses. As in FY3/25, the Company is also continuing to sell cross-shareholdings, and is therefore expected to record gains on sales of investment securities as extraordinary income (1H result of ¥1,384mn). FISCO believes that the Company is fully capable of achieving its results forecasts for FY3/26, considering factors such as the high accuracy of its planning, and the fact that recent energy price trends are trending slightly south of the expected range.

FY3/26 forecast (consolidated)

(¥mn)

	FY3/25		FY3/26		
	Results	% of net sales	Forecast	% of net sales	YoY
Net sales	656,010	100.0%	630,000	100.0%	-4.0%
Operating income	30,887	4.7%	27,000	4.3%	-12.6%
Ordinary income	32,412	4.9%	33,000	5.2%	1.8%
Net income attributable to the parent	25,454	3.9%	27,000	4.3%	6.1%

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

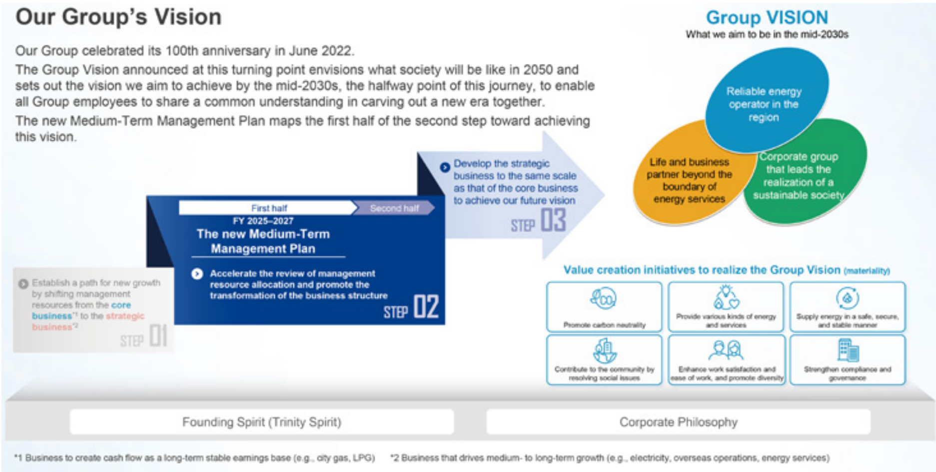
Growth strategy and topics

Accelerating measures such as share buybacks (in the range of ¥30,000mn per annum) with an equity capital target of ¥400,000mn over the medium term

1. Aims for ordinary income of ¥30,000mn under the Medium-Term Management Plan (FY3/26 to FY3/28)

The Company is currently executing a three-year Medium-Term Management Plan with FY3/26 as the first year and FY3/28 as the final year. Under the Group Vision, the Company seeks to be a provider of diverse forms of energy as a "Reliable energy operator in the region," along with being a "Life and business partner beyond the boundary of energy services." To this end, the Company aims to carry out deeper cultivation of problem-solving businesses and expand its business areas through collaboration with other sectors. Its basic strategy is to accelerate the review of management resource allocation and promote the transformation of the business structure. The Company plans to strengthen the profitability of core businesses and actively reinvest the cash generated into strategic businesses to support further growth.

Vision



Source: The Company's Medium-Term Management Plan

The profit target under the new Medium-Term Management Plan is consolidated ordinary income of ¥30,000mn in FY3/28. Based on an assumed current normalized base income of ¥25,000mn, the plan calls for an increase of ¥5,000mn over that amount. Although various cost increases (such as increases in prices, wages, and interest payments) are anticipated during the Medium-Term Management Plan period, the Company aims to enhance overall profitability by continuing to improve efficiency and strengthen profitability in core businesses while also achieving growth in its strategic businesses (including the electricity, overseas, and region-based problem-solving businesses).

2. Progress in core businesses and strategic businesses

The Company's core businesses, the city gas business and the LPG business, are promoting initiatives at each stage of the supply chain, with the aim of generating stable cash flows. In 1H FY3/26, the number of customer accounts for both city gas and LPG increased, resulting in the steady expansion of the Company's customer base. The Company is also focusing on the installation of smart meters as an upfront investment. While this will increase costs in the short term, the benefits in the medium term, such as greater efficiency in meter reading, are considerable.

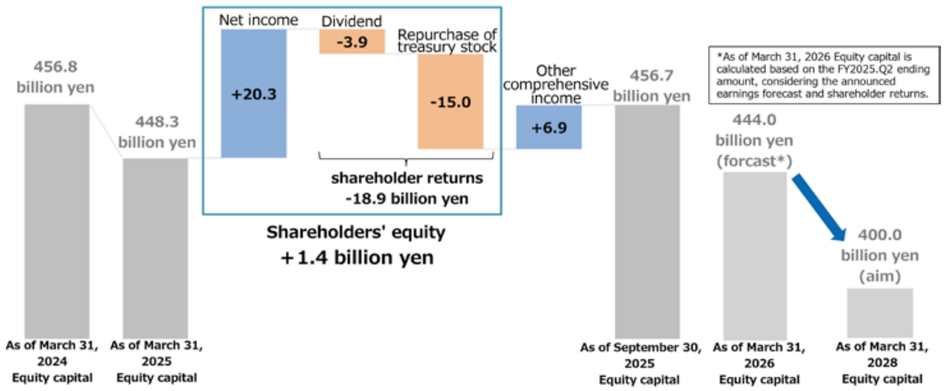
The Company has identified its strategic businesses as the electricity, overseas, and region-based problem-solving businesses. In particular, the electricity and overseas businesses, which can fully leverage the Company's strengths (infrastructure, technologies, and knowledge) that it has cultivated in the Gas business, will serve effectively as the driving force for profit growth in the next era. The Electricity business has already reached net sales of around ¥100,000mn, achieving profitability in FY3/25, and has been performing strongly. During the Medium-Term Management Plan period, the Company will work on building competitive power sources, promoting renewable energy development, and diversifying sales solutions, among other endeavors. As for the development of the Company's own large-scale power sources, preparations are underway for those power sources to enter operation in 2029. In its overseas business, to date, the Company has contributed to the decarbonization and reduction of carbon emissions in various regions through the expanded adoption of natural gas and renewable energy. In FY3/26, the Company has been pursuing investments mainly in Southeast Asia.

The region-based problem-solving businesses are primarily classified under “Others” in the Company’s segment categories. Leveraging its strengths in the five fields of lifestyle and administrative support, engineering, town development and real estate development, information services, and agri-food, the Company is striving for deeper cultivation of problem-solving businesses that lead to win-win relationships and harmonious coexistence with local communities, businesses, local governments, and other partners. Examples of the Company’s results in those businesses include land-based salmon aquaculture and Shine Muscat grape cultivation and sales in the agri-food field.

3. Accelerating measures such as share buybacks (in the range of ¥30,000mn per annum) with an equity capital target of ¥400,000mn over the medium term

In April 2024, the Company announced its “response to realizing management with an awareness of capital cost and share price,” and is aiming to improve asset efficiency and achieve an appropriate capital structure to enhance its price-to-book ratio (PBR). In its efforts to improve asset efficiency, the Company will enhance the profitability of each of its businesses as well as accelerate the pace of sales of cross-shareholdings. Specifically, for the time being, the Company will proceed to sell approximately one-third of its holdings based on their appraisal value relative to the balance as of the end of March 2024, focusing particularly on holdings with diminished holding purpose. As an appropriate capital structure, the Company has set a target equity capital level of ¥400,000mn, which it aims to achieve by the end of FY3/28. Most recently, equity capital was ¥448,300mn as of the end of FY3/25 and ¥456,700mn as of the end of September 2025, trending around ¥450,000mn. The Company is planning a decrease in equity capital of approximately ¥50,000mn over the medium term, with share buybacks being the main driver of that decrease. It conducted ¥30,000mn in share buybacks during FY3/25, and plans to conduct share buybacks in the same amount in FY3/26 (having bought back ¥15,000mn in shares in the first half). In terms of 1H FY3/26, the scale of the share buybacks is evident, with the Company having bought back ¥15,000mn in shares compared to distributing total dividends of ¥3,900mn. As the Company is expected to continue a high level of share buybacks over the medium term, shareholders can anticipate satisfactory returns.

Variable factors and plans for equity capital



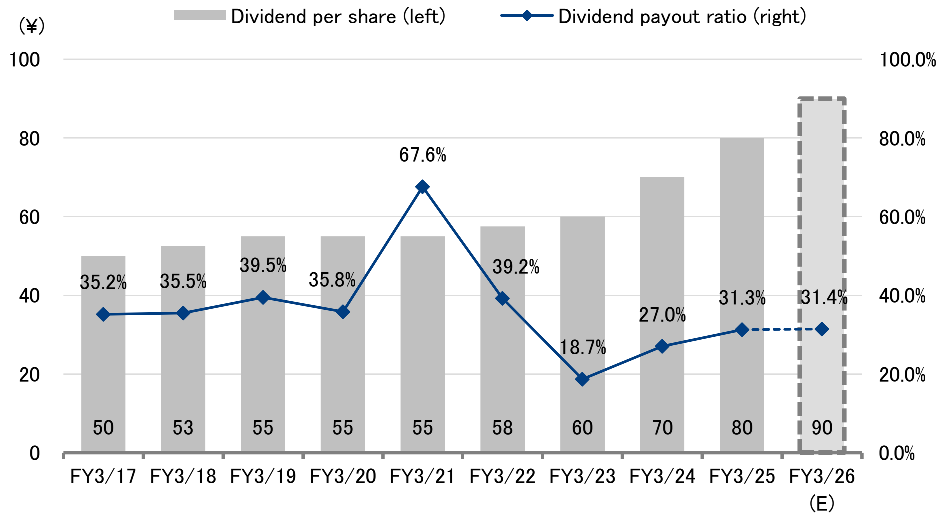
Source: The Company’s results briefing materials

Shareholder return policy

Forecasting an annual dividend of ¥90 per share, up ¥10, for FY3/26

The Company's basic policy on profit distribution is to strengthen its management foundation and provide stable dividends. During the period of the Medium-Term Management Plan (FY3/26 to FY3/28), the Company is planning to increase dividends progressively in line with profit growth. It also plans to continue share buybacks and strive for optimization, aiming for equity capital of ¥400,000mn by the end of FY3/28. (Equity capital at the end of 1H FY3/26 was ¥456,700mn.) For FY3/26, the Company is forecasting an annual dividend of ¥90 per share (an increase of ¥10, with an interim dividend of ¥45 already paid and a year-end dividend of ¥45 forecast), for a dividend payout ratio of 31.4%. In FY3/26 as well, the Company is proceeding with share buybacks of ¥15,000mn in the first half (completed) and ¥15,000mn in the second half (announced in September 2025), with the total payout ratio expected to rise above 100%.

Dividend per share and dividend payout ratio



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

The Company has a shareholder benefit program under which shareholders who have held 100 or more shares continuously for at least 6 months as of the end of March are awarded shareholder benefit points based on the number of shares held and the length of the holding period. These points can be used to redeem local specialty products from regions associated with the Company or applied toward the payment of the Company's gas and electricity bills. The shareholder benefit program has been expanded for the second consecutive year. In FY3/25, the number of shareholder benefit points awarded increased by 3,000–6,000.

Shareholder benefit point table (1 point = equivalent to ¥1)

Number of shares held	Shareholding period		
	More than 6 months but less than 3 years	More than 3 years but less than 5 years*	5 years or more*
100 shares to less than 200 shares	4,000 points	6,000 points	8,000 points
200 shares to less than 300 shares	5,000 points	7,500 points	10,000 points
300 shares to less than 400 shares	6,000 points	9,000 points	12,000 points
400 shares to less than 500 shares	7,000 points	10,500 points	14,000 points
500 shares or more	8,000 points	12,000 points	16,000 points

* Shareholders who have held shares for 3 years or more are those who have been continuously listed or recorded under the same shareholder number in the Company's shareholder register as of March 31 each year for at least 3 consecutive years. Likewise, shareholders who have held shares for 5 years or more are those who have been continuously listed or recorded for at least 5 years in the same manner.
Source: Prepared by FISCO from the Company's website

FISCO

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