

Medium-Term Management Plan

MTMP 2027 (2025 to 2027)

Bring the blessings of land to our society
and to the future

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K&O Energy Group Inc.

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We will pursue diverse approaches to achieve VISION 2030 based on our management policy toward 2030

Management policy toward 2030

Achieve growth as a corporate group and contribute to the development of local communities by proactively working on resolving social issues

Measures and goals set out in VISION 2030



Energy resource development

- Stably produce natural gas and brine water
- Develop renewable energy



Energy supply Energy services

- Provide diverse value through energy supply
- Provide services closely linked to local communities and people's lifestyles



Iodine

- Increase global production and sales of iodine through strengthened alliances



Carbon neutrality

- Take on initiatives to achieve carbon neutrality by 2050
- Contribute to GHG reduction by 300,000 tons/year compared to 2021



Workforce capability enhancement

- Develop human resource strategies linked to management strategies



Strengthened management foundation Improved governance

- Grow as a sustainable corporate group

On track to achieve financial targets thanks to strong iodine market with non-financial targets likely to be partially unmet

		Financial targets	MTMP 2024 targets	2024 results (forecast)
		Ordinary profit	4.8 billion yen	8.7 billion yen
		ROA	2.9%	4.7%
		Non-financial targets	MTMP 2024 targets	2024 results (forecast)
E	For the realization of a low-carbon society	Production volume of domestic natural gas	190 million m ³ /year	180 million m³/year
		No. of renewable energy-related development projects	5	7
		CO ₂ emissions from offices	70% reduction	70% reduction
S	For the development of lifestyles and society	Gas sales volume	1.0 billion m ³ /year	0.93 billion m³/year
		Iodine sales volume (including potassium iodide)	1,800 t/year	1,720 t/year
		Retail electricity sales volume	66 GWh/year	66 GWh/year
		No. of customer accounts	200,000	200,000
		No. of serious accidents	0	1
G	For becoming a sustainable corporate group	Ratio of women among new graduates	30%	24%

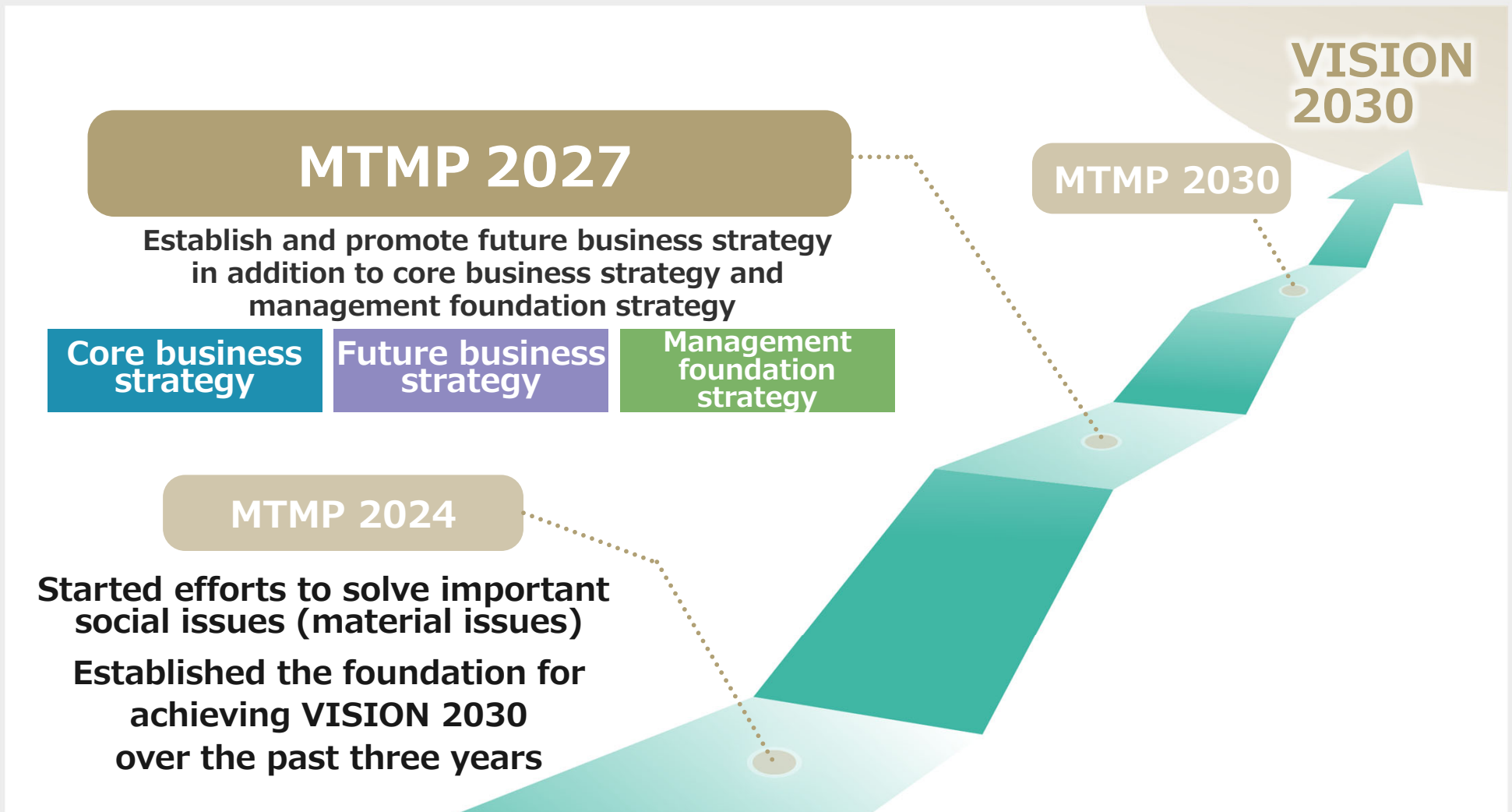
Steady progress was also made on the following qualitative targets: S "Continuous improvement of anti-disaster measures and contribution to the disaster prevention of local communities;" G "Restructuring systems to promote the active participation of senior citizens and strengthen human resources," "Promoting of digitization," and "Improving corporate governance"

**Over the three years of MTMP 2024 period,
we worked to solve important social issues (material issues*)
and laid the foundations for achieving VISION 2030**

Financial targets	Achievement status
Ordinary profit	Achieved thanks to strong iodine market.
ROA	
Non-financial targets	Achievement status
Production volume of domestic natural gas	Not achieved mainly due to delays in some development plans.
No. of renewable energy-related development projects	Achieved by promoting business participation in fields including geothermal power generation business.
CO ₂ emissions from offices	Achieved mainly due to the introduction of solar power generation facilities.
Gas sales volume	Not achieved due to a reduction in operations for industrial applications and others.
Iodine sales volume (including potassium iodide)	Not achieved as the production of brine water as raw material, was below the plan.
Retail electricity sales volume	Achieved targets for sales volume and the number of contracts through sales promotion campaigns and other measures.
No. of customer accounts	Achieved by increasing the number of customers steadily, mainly in the electricity business.
No. of serious accidents	Not achieved as one work-related accident occurred.
Ratio of women among new graduates	Not achieved as a result of the selection although there was a certain number of applicants.

* Challenges in society that have a material impact on corporate management and finance.

We will steadily pursue each business strategy toward 2030



We are working hard to solve material issues to contribute to creating a sustainable society

Core business strategy

Increase production of gas/iodine through resource development. Develop comprehensive energy services that meet energy consumer needs

Material issues 1 2 3 4 5

1 Resource development

2 Energy business

3 Iodine business

Future business strategy

Improve our corporate value by entering into related business domains that contribute to carbon neutrality, such as renewable energy and CCS

Material issues 1 2 3

1 Renewable energy business

2 CCS business

3 Forest conservation business

Management foundation strategy

Promote diversity, work on DX and human resources strategies, and improve corporate governance to achieve sustainable management

Material issues 6 7 8

1 Human resources

2 Digital Transformation (DX)

3 Governance



Addressing important social issues (material issues)

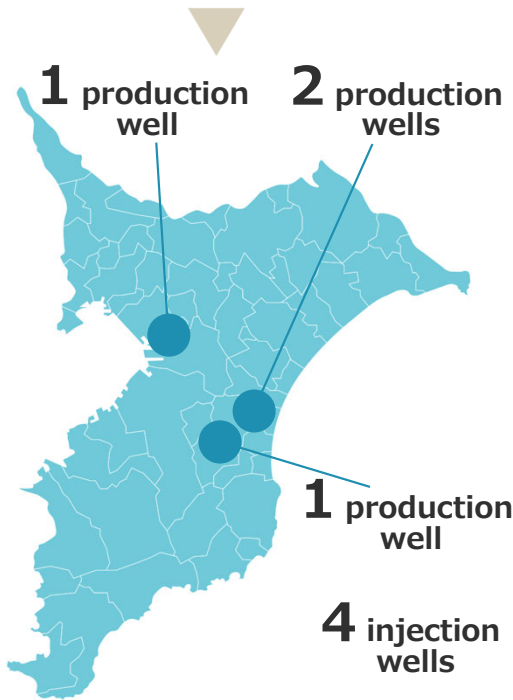
- 1 Contribution to measures against climate change 2 Conservation of the natural environment
3 Business growth and expansion, creation of business for the next generation
4 Ensuring a stable supply of energy and iodine, ensuring safety and security
5 Coexistence with local communities 6 Promotion of diversity and enhancement of human resources
7 Promotion digital transformation 8 Improving corporate governance

Material issues of
K&O Energy Group

We pursue resource development whilst being mindful of the environment as a leading company in the development of water-soluble natural gas

Key measures

Develop new 4 production wells and 4 injection wells



Promote

research on environmentally harmonious technologies for stable and sustainable operations

Initiatives to curb subsidence

- Operations with thorough consideration for ground conditions
- Research on next-generation technologies for ground deformation observation using satellites

Compliance with nitrogen wastewater regulations

- World's first practical application of technology to remove nitrogen from wastewater using anammox bacteria in salt water

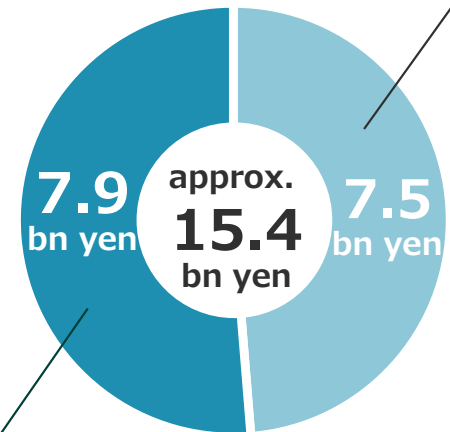
Collaboration with external organizations

- Joint research with other companies in the industry and universities through participation in the Water-soluble Natural Gas Environmental Technology Research Association.

Investment plan

Invest approx. 15.4 bn yen/3 years to maintain and expand production volume

Resilience improvement



Maintenance and expansion of production

Local production for local consumption - Chiba's blessings for lives in Chiba - Supplying natural gas produced in Chiba with excellence in S+3E

Safety

Security measures
Disaster prevention



Countermeasures against earthquake and disaster prevention

Achieved a stable supply even during disasters such as the 2011 Great East Japan Earthquake, Typhoon No. 19 in 2019, and Typhoon No. 13 in 2023. We are working to ensure that we are fully prepared for disasters at all times and to accumulate know-how.



Energy Security

Geopolitical risk-free natural gas produced and consumed in Chiba



Abundant reserves

Calculation method: JIS (M-1006-1992)

Recoverable reserves natural gas in the mining areas of our group: 110 billion m³



Approx. 600 years' worth of reserves when converted to the current annual production

Economic Efficiency

Less susceptible to overseas conditions, with less price fluctuation

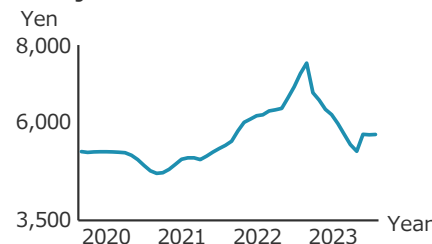


Stable prices

The Group supplies competitive gas produced in Chiba



Average city gas bill (residential) in major cities in Chiba Prefecture



Source: Prepared by the Company based on the Retail Price Survey by the Statistics Bureau of the Ministry of Internal Affairs and Communications.

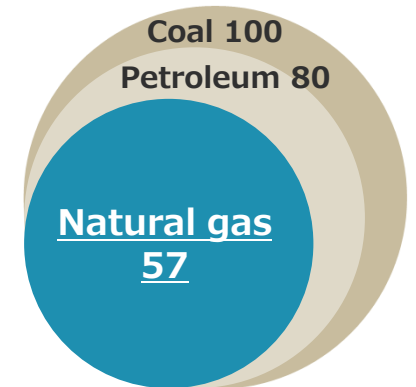
Environment

Lowest CO₂ emissions of all fossil fuels



CO₂ emissions

(Indexed as 100 for coal)



Source: The Japan Gas Association website

Provide optimal energy services to our customers

Key measures

For achieving 210,000 customer accounts*¹

Provide services contributing to the environment

- Promote energy conservation and low carbon through the introduction of Ene-Farm.
- Provide solar x storage battery services
- Sell carbon offset gas and carbon neutral electricity according to needs

Expand proposals tailored to customers' lifestyles

- Reduce the burden of housework by promoting the use of high-performance built-in stoves and gas clothes dryers
- Improve safety and security by promoting the installation of equipment that can cope with power outages

Provide optimal services through new proposals

- Strengthen relationships with customers and propose optimal services centered on fuel conversion
- Propose new solutions through PPA*²

For ensuring stable energy supply

Provide daily safety and security

- Ensure the security of gas business
- Study on the promotion of smart security
- Strengthen cooperation with business partners
- Replace aging facilities

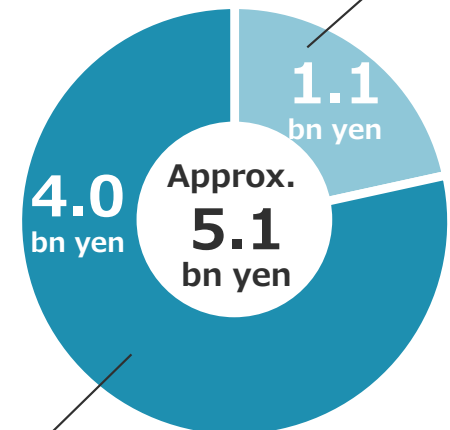
Provide safety and security in the event of a disaster

- Continue to take earthquake resistance measures
- Speedy response to landslides
- Continue to contribute to local disaster prevention
- Detect abnormalities using AI

Investment plan

Committed to investing **5.1 bn yen**/3 years for stable energy supply

Resilience improvement



Maintenance and expansion of gas sales volume

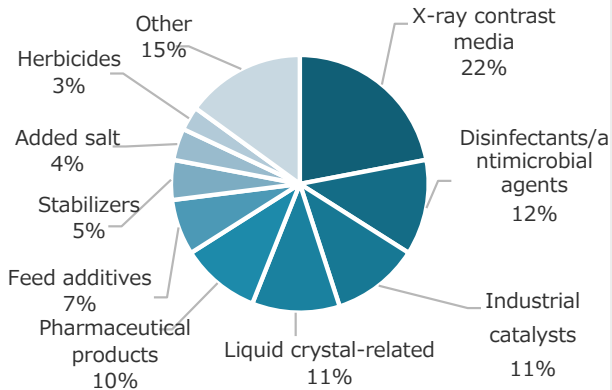
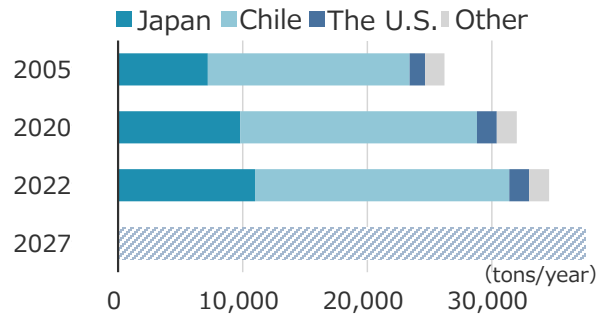
*¹ Total number of contracts in city gas, electricity, LPG, and other services

*² A contract in which a power producer installs solar power generation equipment and customers who wish to use renewable energy purchase the power for a long period of time

Endeavor to increase iodine production to meet the growing demand as a supplier of iodine, a globally scarce resource

Key measures

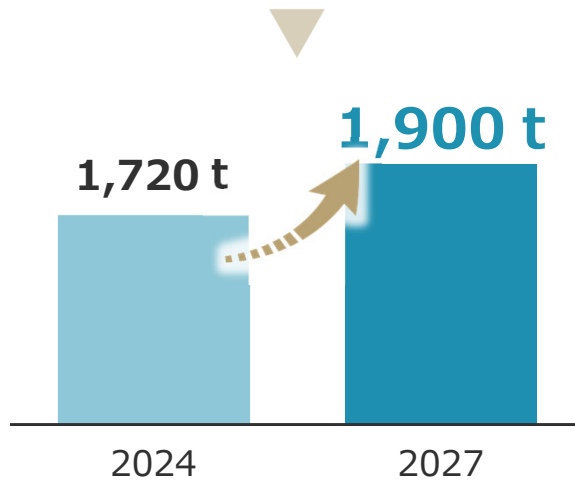
Iodine market size and applications*1



Expansion factors

- Increase in demand for X-ray contrast media
- Popularization of perovskite solar cells

Aiming to achieve sales volume of 1,900 tons/year*2 in 2027 by increasing production

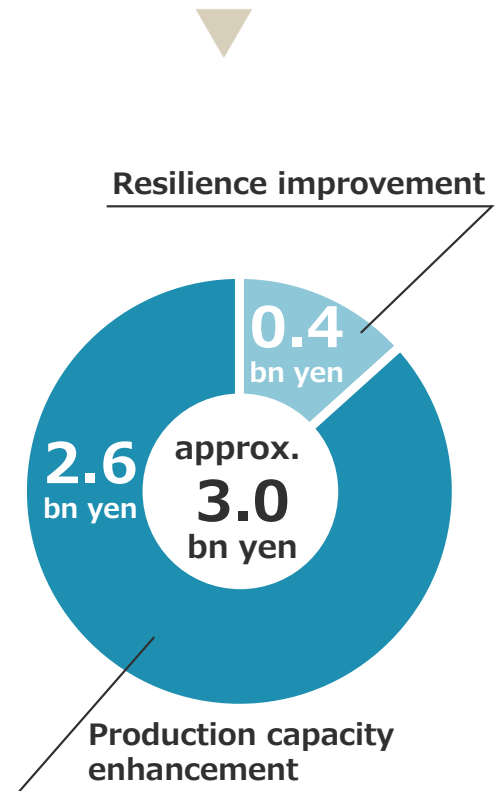


Measures to increase production

- Construction of new iodine adsorption equipment adjacent to gas wells
- Improvement of the iodine recovery rate from brine water

Investment plan

Invest 3.0 bn yen/3 years to enhance production capacity



*1 Based on our research

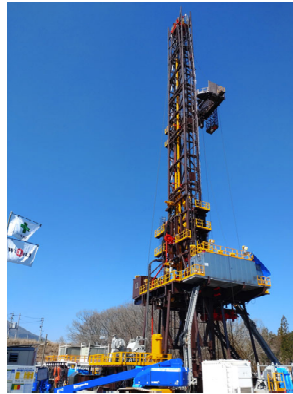
*2 Contains the production of potassium iodide

Invest more than 3.0 billion yen in renewable energy, aiming to venture into renewable energy-related business such as geothermal and offshore wind

Geothermal power generation and geothermal well drilling business



WELMA



Promote geothermal surveys in the southern foot area of Mt. Kurikoma while developing the geothermal well drilling business

Strengths of K&O Energy Group

- Underground resource development capabilities cultivated over many years in the natural gas business
- WELMA's geothermal well drilling technology and accomplishments

Offshore wind power business



Aim to enter the offshore wind power business in Chiba Prefecture

Strengths of K&O Energy Group

- Reliability and track record in Chiba Prefecture as a community-oriented company

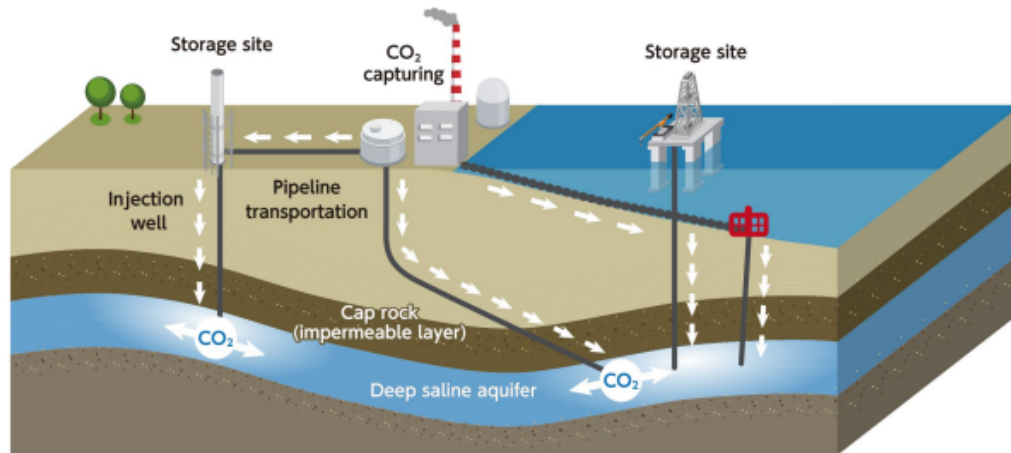
Other renewable energy initiatives

- Increase the number of solar power generation facilities owned by the Company and use them as our power source
- Consider participation in overseas renewable energy projects

Promote studies for the application of CCS

CCS (Carbon dioxide Capture & Storage)

CCS: technology to capture and store CO₂



Source of the image: "Practical Guidance for Geological CO₂ Storage," Geological Carbon Dioxide Storage Technology Research Association

Strengths of K&O Energy Group

- Underground resource development capabilities cultivated over many years in the natural gas business
- Reliability and track record in Chiba Prefecture as a community-oriented company

CCS project currently underway

Metropolitan Area CCS Project

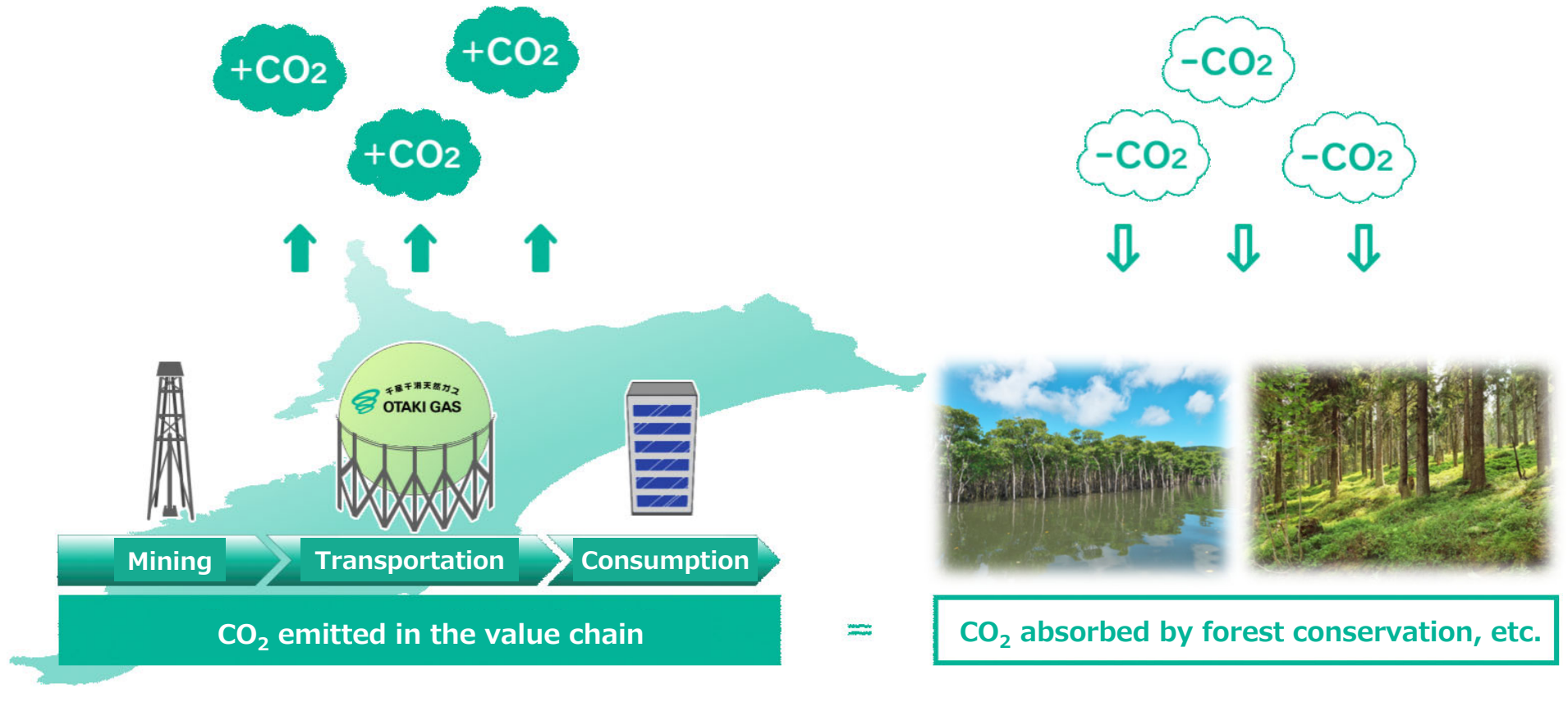
The Metropolitan Area CCS Project being promoted jointly with our partner companies was adopted as a Japanese Advanced CCS Project by JOGMEC in August 2024.

Companies awarded by JOGMEC	INPEX CORPORATION Nippon Steel Corporation <u>Kanto Natural Gas Development Co., Ltd.</u>
Storage area	Off the East Coast of the Boso Peninsula in Chiba Prefecture (Offshore aquifer)
Storage	Approx. 1.4 million tons/year
Emission sources	Nippon Steel's East Nippon Works Kimitsu Area and multiple industries in the Keiyo Industrial Zone in the Tokyo metropolitan area
Transportation method	Pipelines

Promote initiatives to participate in domestic and international forest conservation projects by around 2030

Forest conservation business

Working to offset the CO₂ produced by the Group while creating credits, through forest conservation



We are committed to strengthening our workforce capabilities to “foster a corporate culture in which every employee brushes up and exerts their abilities actively and endeavors to attain lofty goals.”*

Our vision

Enable diverse talent to thrive across various domains

Enable every employee to actively brush up and exert their abilities

Create an environment and pursue systems that broaden opportunities for employee contributions

Key initiatives under MTMP 2027

- Increase the proportion of female hires to 30% or more and actively pursue the recruitment of diverse talent, including mid-career professionals
 - Develop systems and environments that support flexible workstyles and leave options tailored to individual lifestyles
 - Recruit and develop talent in DX (digital transformation) and new business domains
-
- Review and enhance training frameworks while increasing investment in employee education
 - Revise and enhance support systems for acquiring professional qualifications
 - Establish learning platforms utilizing e-learning and other resources
-
- Formulate and utilize model career paths for employees
 - Accelerate the development of future leaders
 - Promote active personnel exchange within and outside the Group
 - Explore the introduction of internal recruitment and in-house exchange programs

* Excerpt from the Group's management philosophy

Promote the measures by putting in place a foundation of digital transformation (DX) toward 2030

Digital transformation (DX) initiatives toward 2030

DX in production and supply

Improve productivity and strengthen resilience

- Improve productivity of resources and energy, and ensure a stable supply
- Improve productivity of iodine
- Improve preventive maintenance and safety through the use of digital technology

DX in sales

Strengthen customer contact points

- Enhance digital communication with customers
- Promote data accumulation in business

DX in back-office operations

Improve the digital environment in the office

- Improve operational efficiency through the digitization of business processes
- Develop a foundation for the use of AI and smart devices
- Strengthen communication through tools

Develop DX talent

Develop human resources that promote innovation and new business by utilizing digital technology

Focus on six key measures to grow as a sustainable corporate group

Our vision as a sustainable corporate group

**Make quick and decisive
decisions**

**Continue to be a trusted
company**

**Maintain and improve
corporate value**

Key initiatives under MTMP 2027

Corporate governance

- (i) Expand discussions on material matters such as management strategies
- (ii) Continue to implement evaluations of the effectiveness of the Board of Directors

Compliance

- (iii) Continue to perform compliance activities (education and meetings)
- (iv) Strengthen information security

Stakeholders

- (v) Disclose information in a timely and appropriate manner
- (vi) Enhance dialogue with diverse stakeholders

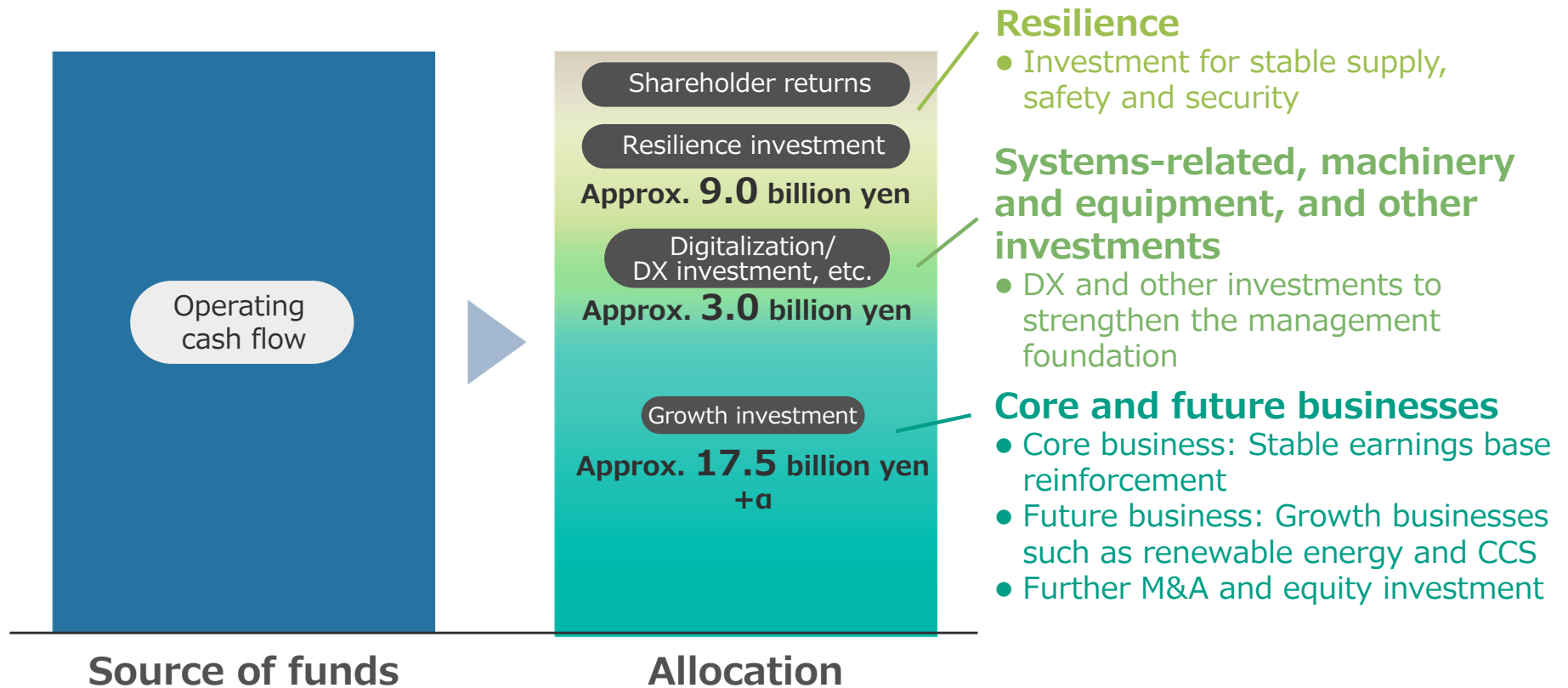
Financial goal	Target for 2027
Ordinary profit*	7.5 billion yen

Non-financial goals	Targets for 2027	Material issues of K&O Energy Group					
		(i) Contribution to measures against climate change	(ii) Conservation of the natural environment	(iii) Business growth and expansion, creation of business for the next generation	(iv) Ensuring a stable supply of energy and iodine, ensuring safety and security	(v) Coexistence with local communities	
E: For the realization of a low-carbon society	Production volume of domestic natural gas	180 million m ³ /year	○		○	○	
	No. of decarbonization-related development projects	12	○	○	○		
	Gas sales acquisition volume	5.4 million m ³ (cumulative)	○				
S: For the development of lifestyles and society	Iodine sales volume (including potassium iodide)	1,900 t/year				○	
	No. of customer accounts	210,000			○		
	No. of serious accidents	0				○	○
	Continuous improvement of anti-disaster measures and contribution to the disaster prevention of local communities					○	○
G: For becoming a sustainable corporate group	Recruiting and promoting the success of diverse talent, expanding investment in employee education, and advancing efforts to brush up and exert abilities while broadening areas for employee contribution and active engagement		(vi) Promotion of diversity and enhancement of human resources				
	Pursuing seven initiatives aimed at improving productivity through enhancing operational efficiency, strengthening resilience, and introducing AI technologies		(vii) Promoting digital transformation				
	Strengthening corporate governance and enhancing dialogue with stakeholders		(viii) Improving corporate governance				

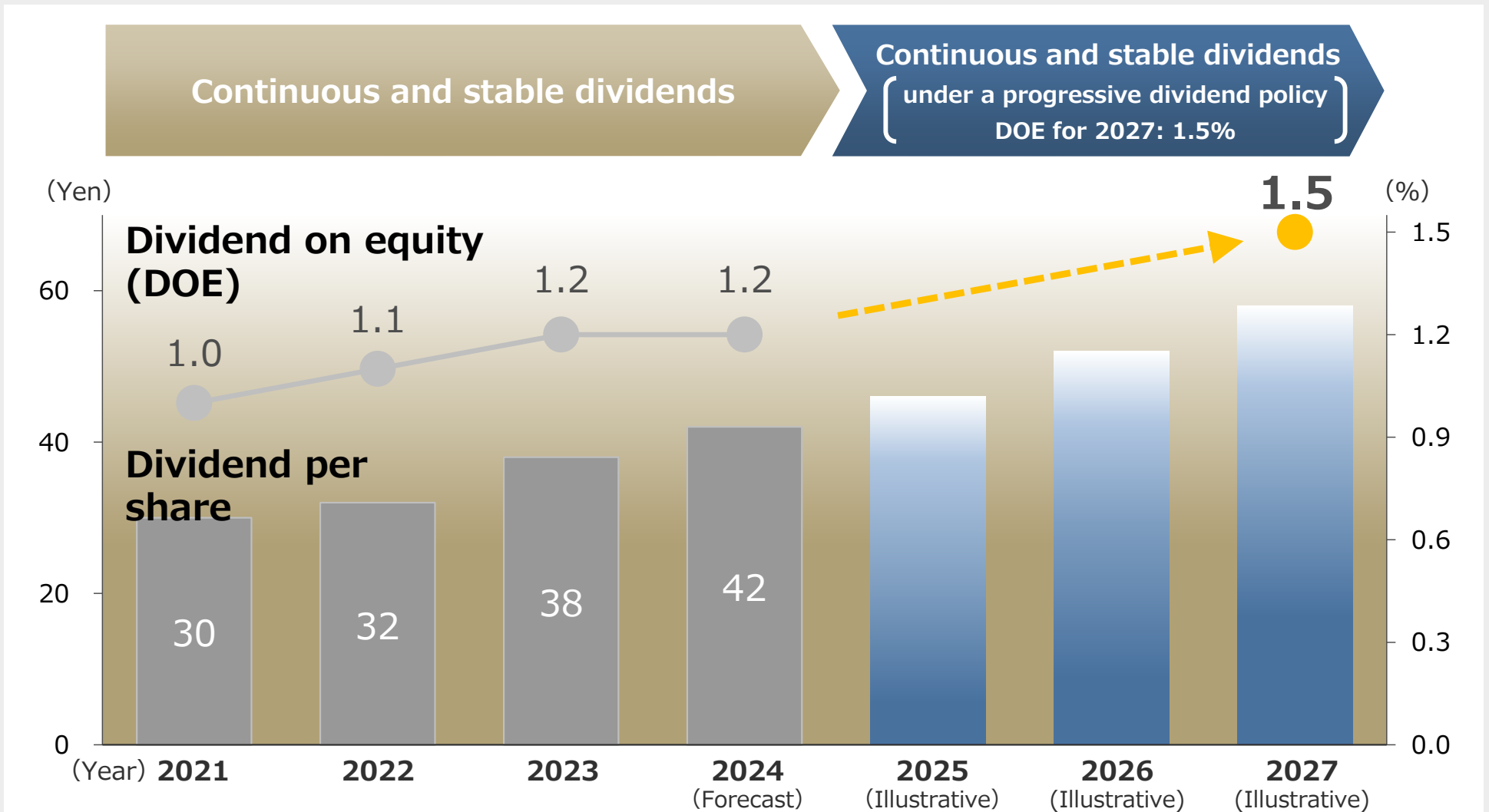
*Assumed an exchange rate of 145 yen per dollar

Improve corporate value through growth investment and shareholder returns

Cash allocation (Total for three years from 2025 to 2027)



We will introduce a progressive dividend* policy and set the dividend on equity (DOE) as our shareholder return indicator, targeting to achieve 1.5% for the final year of MTMP 2027



* A dividend payment method in which a company does not reduce its dividend for a certain period of time, but either increases or maintains its dividend.

We continue our efforts to live in harmony with local communities

Partnership agreement

We contribute to the region's carbon neutrality and safe recovery in the event of a major disaster through partnership agreements.

Mobara City

Agreement on Cooperation in the Event of Major Disasters (July 2024)

Agreement on Cooperation for Realization of Local Decarbonization (April 2022)

Yachiyo City

Comprehensive Collaborative Agreement for the Realization of a Carbon Neutral City

Otaki Town

Comprehensive Collaborative Agreement for the Creation of a Decarbonized City (November 2023)

Mobara Tanabata Festival

Every year, we participate in the Mobara Tanabata Festival, one of the three major Tanabata festivals in the Kanto region, in Mobara City, Chiba Prefecture, where our corporate group is based.



Natural Gas Museum

We use the Natural Gas Memorial Museum in Otaki Town to inform people about natural gas and iodine in Chiba Prefecture.



Contribution to regional education

We offer delivery classes and dispatch instructors to elementary, junior high, and high school students in Mobara City, and provide educational content on our learning portal website.

