Osaka Gas and Leapton Energy Sign a Contract for Electricity Purchase from FIP Power Plants —
Expansion of the Effort to Help Stabilize Profits of Renewable Energy Developers under the FIP System

March 1, 2023
Osaka Gas Co., Ltd.
Leapton Energy Co., Ltd.

Osaka Gas Co., Ltd. (President: Masataka Fujiwara, "Osaka Gas") and Leapton Energy Co., Ltd. (CEO: Shu Meihi, "Leapton Energy") today signed a contract under which Osaka Gas would purchase over a long period through bilateral trading the electricity and environmental value derived from multiple solar power plants developed and owned by Leapton Energy under the feed-in premium (FIP) system (the "FIP Power Plants"). The two companies will aim to continuously develop and utilize renewable energy sources, with a goal of 5,000 kW or more per year.

The FIP system is an alternative to the feed-in tariff (FIT) system, which Japan introduced in 2012 for the spread of renewable energy. The country introduced the FIP system in April 2022 for the purpose of making renewable energy sources self-sustaining. The FIP system requires power producers to not only conduct such tasks as imbalance[*1] management and the sale and purchase of electricity and environmental value in the market but also deal with the risk of profit fluctuations associated with these tasks.

Osaka Gas has extensive know-how in the renewable energy business, ranging from a project, which started in 2020, involving the purchase of electricity from newly built non-FIT solar power plants and utilization of such electricity in the retail business to power generation projections using its proprietary weather forecasting technology.[*2] Utilizing this know-how, Osaka Gas has initiated an effort to reduce power producers' workload and profit fluctuation risk (the "Effort").

Today, Osaka Gas has entered a business partnership with Leapton Energy, a power producer, on electricity purchase from FIP Power Plants (the "Business Partnership") to further expand the Effort.

Under the Business Partnership, by making use of the company's stable power business infrastructure, Osaka Gas will purchase on a long-term basis at fixed unit prices the electricity and environmental value derived from the FIP Power Plants owned by Leapton Energy (already-certified FIT power plants that will shift to FIP and FIP power plants that will newly receive certification in the future). Furthermore, by utilizing its renewable energy business know-how, Osaka Gas will conduct transactions in electricity and environmental value, including imbalance management and supply to customers on behalf of Leapton Energy, and it will bear the risk of fluctuations in imbalance fees and revenues from electricity and environmental value.

The Business Partnership will enable Leapton Energy to enhance the predictability of profits from its investment in renewable energy source development, thereby further expanding its business. Meanwhile, continuous purchase of renewable electricity from Leapton Energy will lead to further

expansion of Osaka Gas's renewable energy business.

The Daigas Group aims to contribute to the spread of the use of renewable electricity sources worth 5 GW[*3] both in Japan and overseas, including in-house development and ownership as well as procurement from other companies, by FY2030. At present, the Daigas Group's contribution to this mission is worth about 1.95 GW, including in-house development and ownership as well as procurement from other companies.

Leapton Energy, which entered the renewable energy business in 2012, manufactures solar cell modules and frames at its own factory, and has the edge in high quality[*4] and stable supply. At present, the company owns 76 power plants (approximately 26,000 kW) both in Japan and overseas.

By combining Leapton Energy's capability of developing renewable energy sources with Osaka Gas's business foundation and know-how, the two companies will continuously develop renewable energy and further expand the renewable energy business. Through the supply of renewable electricity, they will also strive to make renewable energy sources self-sustaining, thereby contributing to achieving a carbon-neutral society.

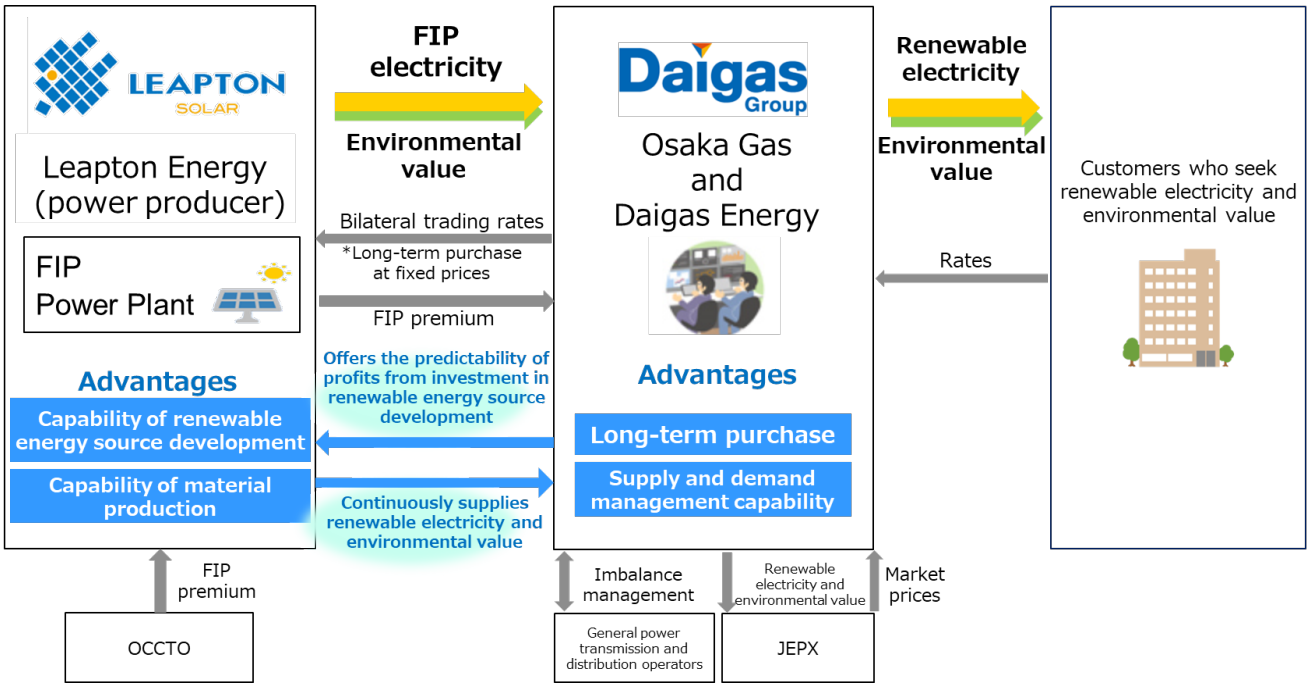
*1: Imbalance refers to the difference between the projected output and the actual output. Under the FIP system, power producers are required to pay imbalance charges to general power transmission and distribution operators according to the difference between the pre-submitted, projected output and the actual output, as in the case of non-FIT power plants.

*2: This technology enables detailed forecasting that takes topographical effects into consideration by dividing the forecast area into small high-resolution meshes and performing data analysis. Machine learning based on observation data is combined for even higher accuracy.

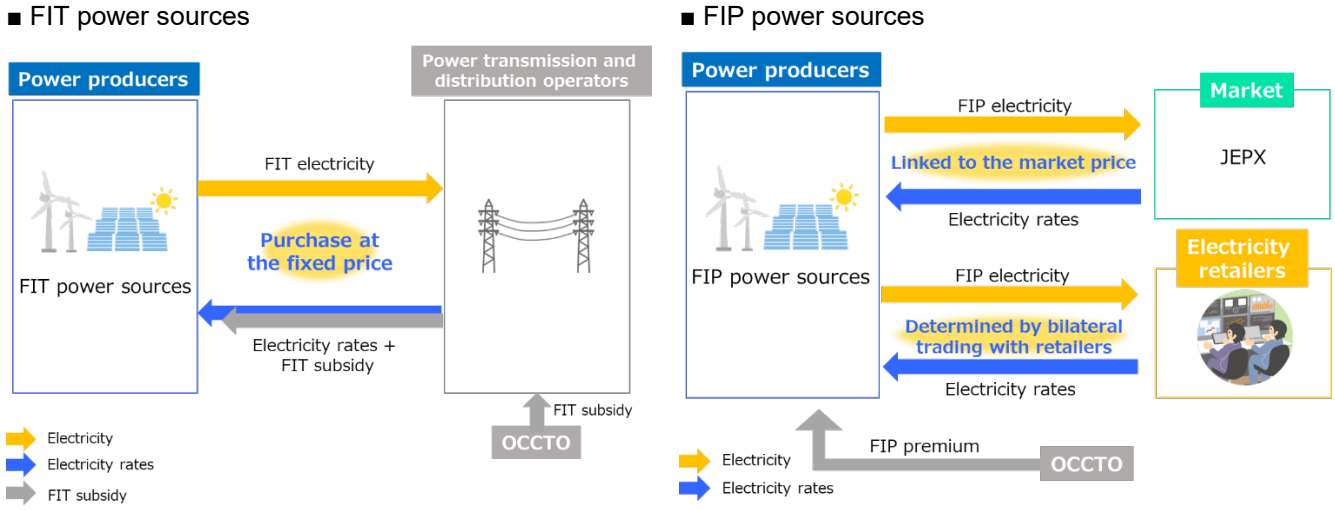
*3: The renewable energy mentioned here includes energy from power sources to which the FIT program applies, such as solar, wind, and biomass power.

*4: Leapton Energy's solar cell modules have been included for the 10th time in the "Tier 1 list" published quarterly by Bloomberg New Energy Finance (BNEF), defining "Tier 1 as top class". The quality of the modules is highly recognized both in Japan and abroad.

1. Business model based on FIP procurement



(Reference) Difference between the FIT and FIP systems



Under the FIP system, the Organization for Cross-regional Coordination of Transmission Operators, Japan (OCCTO) grants a FIP premium (the difference between the FIP strike price and the reference price), which power producers receive other than the profits they earn by buying and selling electricity and environmental value in the wholesale electricity market. The FIP strike price is determined for each power plant through a bidding system, in principle. (When a power plant already certified under the FIT system shifts to the FIP system, the strike price will be the same as the FIT procurement price, and the FIP premium will be granted over the remaining FIT procurement period.) The reference price is linked to the market price and is reviewed on a monthly basis.

2. Solar power plants owned by Leapton Energy

Solar power plant in Ibaraki Town, Ibaraki Prefecture
(Installed capacity: 1,050 kW)

Solar power plant in Yamada, Namegawa Town, Saitama Prefecture
(Installed capacity: 1,870 kW)

3. Company profiles

<Osaka Gas>

Company name	Osaka Gas Co., Ltd.
Head office	4-1-2 Hiranomachi, Chuo-ku, Osaka, Japan
Representative	Masataka Fujiwara, President and Representative Director
Capital	132,166,660,000 yen
Establishment	April 10, 1897
Main business	Production and sale of gas; generation and sale of electricity, etc.

<Leapton Energy>

Company name	Leapton Energy Co., Ltd.
Head office	Tosei Bldg. 6F, 1-2-1 Aioi-cho, Chuo-ku, Kobe-shi, Hyogo, Japan
Representative	Shu Meihi, CEO
Capital	499,990,000 yen
Establishment	July 2012
Main business	Development/sales of solar power generation systems, production/sales of solar power cell modules and installation units, setting up/operation/maintenance of solar power plants