

STAYING RESILIENT BY FORGING STRONG PARTNERSHIPS

The past few years have been challenging for energy-related industry players, as disruption in supply chains, price volatility and fluctuations in the foreign exchange market have made it difficult for many players to survive. Nevertheless, Saibu Gas Co., Ltd and Hokuriku Electric Power Co. have demonstrated remarkable resilience, as they build on strategic partnerships with PETRONAS serving as the reliable energy partner for their journey toward even brighter days ahead.

DECADES OF EXCELLENCE

Established in 1930 and headquartered in Fukuoka, Saibu Gas Co., Ltd has long been known for its role as a producer and supplier of city gas, as well as liquefied natural gas (LNG) for northern Kyushu.

Today, Saibu Gas has transformed into a multi-business company, with supplying gas energy as its core business and expansions into real estate, power and other energy sectors. With close to 4,000 employees, the company has achieved revenue of 266.3 billion yen, with an operating profit of 11.8 billion yen in FY 2022.

One of the drivers for Saibu Gas' success is its prompt reaction to the changing environment.

"In response to the ever-changing business and market environment, including full deregulation of electricity and gas retail, the global trend toward carbon neutrality, and the societal transformation due to the Covid-19 pandemic, we have strived to promptly and appropriately address these environmental changes," says Takao Kinoshita, Director, Associate Senior Executive Officer of Saibu Gas.

He says the diversification into new business segments is part of the group's strategy to transform into a "comprehensive energy and lifestyle services company."

"Our aim is to achieve a 50:50 revenue composition between gas energy and non-gas energy businesses by 2030," Kinoshita says.



A bird's eye view of the Toyama-Shinko Power Plant



Saibu Gas' 1.6 MW photovoltaic power plant began operation in 2022

Meanwhile, situated in Toyama, about 340 km north of Tokyo, Hokuriku Electric Power has been responsible for supplying electricity to the Hokuriku region since 1951.

Hokuriku Electric Power currently has the highest ratio of hydropower generation in the power generation industry, as it is able to harness abundant hydropower resources in the Hokuriku region.

As of the end of 2022, 58% of its electricity is generated by thermal power, and 25% by hydropower. For the financial year ended March 31, 2023, it was able to grow its revenue by 33% year on year to 817.6 billion yen. The group remains upbeat about its long-term outlook and has announced its commitment to promoting the use of renewable energy.

"We aim to achieve renewable energy development of more than 1 million kW in the early 2030s, or more than 3 billion kWh per year compared to fiscal 2018," says Seisho Shiotani, Representative Director & Executive Vice President of Hokuriku Electric Power.

SIGNIFICANT PLAYERS IN THE LNG ECOSYSTEM

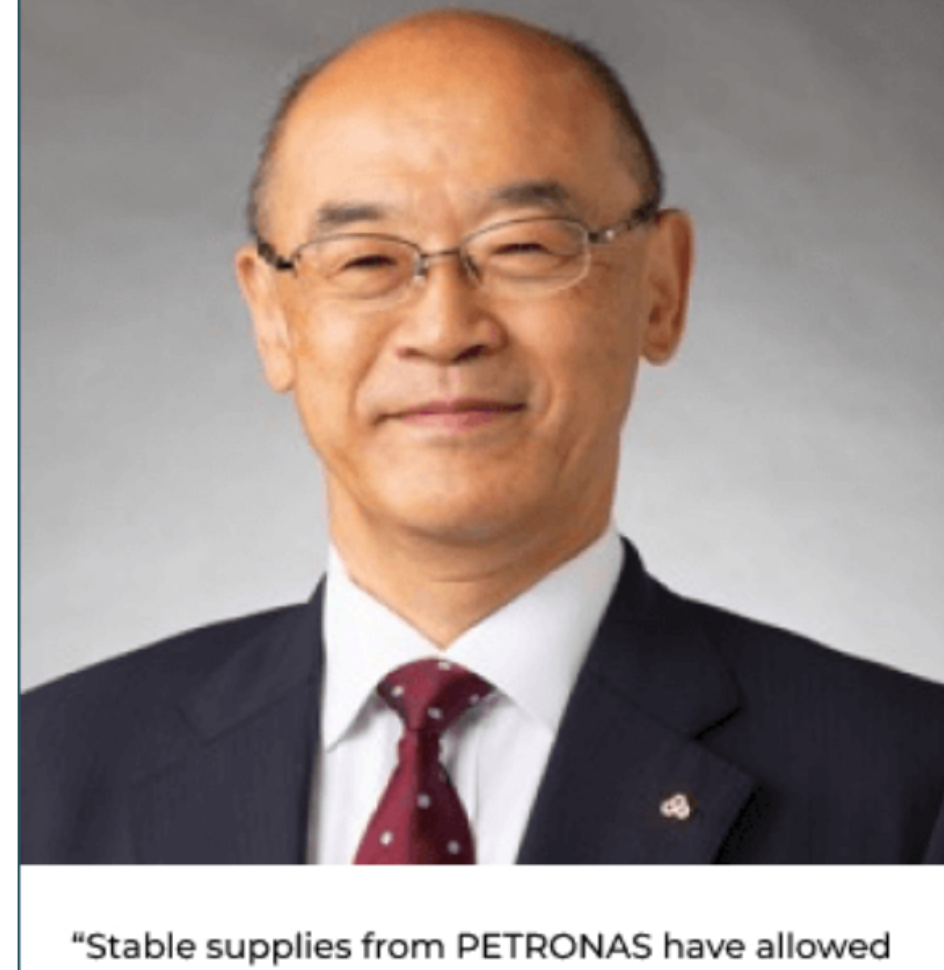
While Saibu Gas and Hokuriku Electric Power operate in different segments of the energy industry, they both play a key role in the LNG ecosystem. As part of their efforts to achieve carbon neutrality, and to reduce dependency on coal, Saibu Gas and Hokuriku Electric Power have started adopting LNG solutions.

Shiotani says Hokuriku Electric Power announced a plan in October 2010 to further diversify its power sources and to replace the Toyama-Shinko Thermal Power Station Coal Unit 1 with LNG to further reduce its CO2 emissions.

The company began commercial operations of its first LNG-fueled Toyama-Shinko LNG Unit 1 in November 2018. The plant is also the only thermal power plant in Japan that stores and uses three fuels: oil, coal and LNG, Shiotani says.

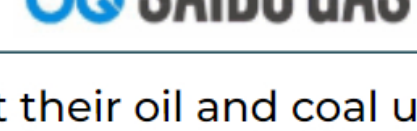
"The introduction of LNG thermal power can provide a stable supply by diversifying and decentralizing fuel procurement. Also, our company has been able to reduce CO2 emissions, which has great environmental significance and has become a valuable power source development," he says.

Meanwhile, Kinoshita says Saibu Gas has been proposing to its customers to convert their oil and coal usage into LNG and liquefied petroleum gas (LPG) fuels.



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TAKAO KINOSHITA,
DIRECTOR, ASSOCIATE SENIOR
EXECUTIVE OFFICER



Central Control Room at Hibiki Terminal

GROWTH FUELED BY STRONG PARTNERSHIPS

While a company's success is largely dependent on its leaders' business strategies, the employees' commitment, and to a certain extent the external market and economic environment, both top executives agree that having good partners can go a long way.

Shiotani explains that during the selection process for a partner to supply LNG to Hokuriku Electric Power's first LNG-fueled plant, the Toyama-Shinko LNG Unit 1, it was also crucial to consider whether the partner had suitable vessels for passing under the iconic Shinminato Bridge, the largest cable-stayed bridge on the Sea of Japan coast, located in Imizu, Toyama prefecture.

"In the end, PETRONAS was selected as the contract partner. The contract was signed in December 2016 for a 10-year period starting from 2018, with a basic volume of six vessels, or 380,000 tons a year," he says.

He adds that PETRONAS was selected because it has "excellent overall ratings" including the aspects that the Malaysian oil company is able to provide Hokuriku Electric Power with "consistent and reliable" supplies.

Meanwhile, Kinoshita recalls the challenges Saibu Gas faced in 2022 during an LNG supply-demand squeeze caused by the Russia-Ukraine conflict and the rising crude oil prices. On top of that, the depreciation of the yen did not help improve the situation either. As a result, prices of LNG spiked.

"While there was a risk of substantial losses through spot procurement of LNG, stable supplies from sellers including PETRONAS allowed us to operate our business smoothly without resorting to spot procurement. PETRONAS has clearly shown that it is a reliable partner, even at a time of unprecedented crisis," says Kinoshita.

He adds that when the company decided to shift from petroleum-based gas to natural gas for city gas production, it considered PETRONAS' experience as an LNG supplier.

"We also considered their relationships with Japanese companies like Tokyo Gas and Tokyo Electric Power Company. These factors influenced our choice, and our positive relationship has continued since then," he says.

Saibu Gas' partnership with PETRONAS is now in its 30th year, and Kinoshita says that the partnership has provided the company with a stable supply of LNG and a suite of customer-centric solutions, as the Malaysian company is consistently able to respond to its "demanding request".

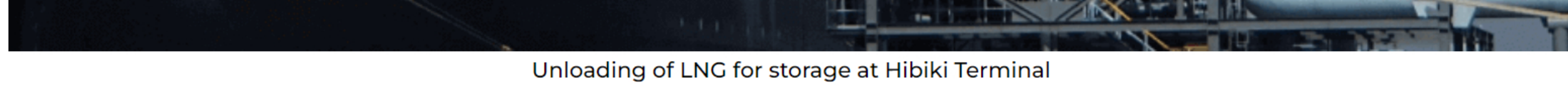
"When we constructed the Hibiki LNG Terminal in 2014 and prepared to receive our first large ship, PETRONAS, being a customer-centric solutions provider, communicated closely with us and cooperated with our preparation, enabling us to successfully accept the first ship and ensuring a stable supply since then," he shares. "This was achieved via close communications and cooperation."

Kinoshita says PETRONAS' proactive efforts on developing innovative solutions have helped Saibu Gas to meet its business objectives and solve its operational pain points. "PETRONAS' LNG products have provided stable quality supply, enabling us to easily adjust the quality when supplying LNG to our customers as city gas. Beyond existing products, PETRONAS has also made continuous progress in product diversification in meeting the increasingly complex market demand, including carbon-neutral LNG and Carbon Capture and Storage (CCS), responding to the needs of end-users like us."

CCS is a term used in the energy industry involving the capture of CO2 emissions from industrial processes, or from fossil fuels in power generation. The carbon is then transported from where it was produced and injected into rock formations deep underground for permanent storage.



A bird's eye view of Saibu Gas' operations



Unloading of LNG for storage at Hibiki Terminal

EXCITING FUTURE AHEAD

Saibu Gas and Hokuriku Electric Power expect their relationship with PETRONAS will continue moving forward, partly driven by PETRONAS' commitment in various sustainability initiatives.

"Collaborating with partners who share the same vision is more efficient and feasible in terms of implementing sustainability initiatives within the supply chain versus pursuing sustainability alone. Our sustainability vision, including efforts to a carbon-neutral society by 2050, aligns with PETRONAS' approach in gradually reducing CO2 emissions. Additionally, we share the consideration of exploring e-methane in the future," Kinoshita says.

Shiotani describes PETRONAS as a committed, reliable partner and emphasized that both companies have maintained a sound, long-term partnership built on trust, open communication and mutual understanding.

"PETRONAS and our company have a united stance in their commitment to mutual growth and sustainability. This partnership creates a better future by promoting innovative and environmentally sound practices," Shiotani says. "We will continue to collaborate and explore new business opportunities as an important partner with PETRONAS."



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REPRESENTATIVE DIRECTOR &
EXECUTIVE VICE PRESIDENT



Hokuriku Electric Power Company



LNG tanker Puteri Nilam

