

Message from the President



President

本庄武宏

Takehiro Honjo

Introduction

Two years have passed since the announcement of the “Long-term Management Vision and Medium-term Management Plan: Going Forward, Beyond Borders” in March 2017. During that time, in addition to the harsh business environment, such as the declining population in the Kansai area and the fully deregulated retail markets of gas and electricity in Japan, which were recognized in the Long-term Management Vision, there have been various changes that were not anticipated when the vision was formulated, such as increasingly volatile overseas situation and unstable economic conditions, frequent large-scale disasters, low carbonization and decarbonization movement reflecting heightened awareness of climate change risks, advancements in digitalization, and diversification of customers' sense of values.

While responding flexibly to these changes, we will push ahead with initiatives going beyond customer expectations, business boundaries, and corporate boundaries in order to realize what we aim to be for sustainable growth.

Efforts Toward Sustainable Growth

In the fiscal year ended March 31, 2019, we managed to increase the number of customer accounts, expand the Wide Area Business, and develop power source in the Domestic Energy Business, and build upstream businesses and middle and downstream businesses in the International Energy Business.

In addition to building each business, we also made efforts in the Domestic Energy Business to ensure stable energy supply that enables customers to use it safely and securely, including responses to frequent large-scale disasters.

Development of the Domestic Energy Business for a New Era

- 1 Gas manufacturing and sales*
- 2 Gas distribution
- 3 Electric power generation and sales

Acceleration of the International Energy Business Development

- 4 International upstream and trading businesses
- 5 International middle and downstream businesses

Expansion of the LBS Business

- 6 Real estate
- 7 Materials
- 8 IT

Expansion of New Business Fields

- 9 New business fields and others

* Includes equipment sales, service sales, LNG sales, etc.

ツナガルde機能



Style Plan



Style Plan S

For customers who wish to be prepared for housing problems



Style Plan P

For customers who wish to make life convenient and comfortable with Amazon shopping



Style Plan d

For customers who wish to automatically earn a pile of d Points



Style Plan E

For customers who wish to choose electricity with more consideration of the environment

Expansion of the Number of Customer Accounts

In the Domestic Energy Business, we increased the number of customer accounts from 8.27 million at the end of March 2018 to 8.75 million at the end of March 2019 by offering products, services, and rate plan options that respond to the diversification of customers' sense of values and advancement in digitalization. For residential products and services, we expanded the IoT service options through products such as the Sumikata Plus service and voice-controlled gas appliance operation through smart speakers. The Sumikata Plus service is used by over 300,000 customers. We also aggressively sold ENE-FARM, achieving cumulative sales of 100,000 units.

For commercial and industrial products and services, we expanded ICT services, such as by increasing the ekul service options, and in April 2019, we also launched solution provision services that use IoT to improve factory productivity.

As for rate plan options, we released in stages electricity rate plan options that meet various lifestyles of customers, such as Style Plan P in partnership with Amazon and Style Plan d in partnership with NTT DOCOMO, INC, in order to win new customers. In November 2019, we will start a service to purchase surplus electricity generated by solar power systems.



Expansion of Wide Area Business

Regarding the expansion of the Wide Area Business, CD Energy Direct Co., Ltd. started sales activities in the Greater Tokyo area in the fiscal year ended March 31, 2019, and we won approximately 70,000 customers as of the end of March 2019. Outside of the Greater Tokyo area, we are also steadily exploring and making proposals for customer needs and building our track record in energy services.

Biwako Blue Energy Co., Ltd., which we acquired in December 2018, started a gas retail business that we took over from Otsu City in April 2019 and provides comprehensive energy services that combine our electricity, gas equipment, Sumikata Service, and other services.

In addition, we are expanding the Wide Area Business by establishing Nagaoka Tansan Co., Ltd. in Niigata Prefecture, which operates the liquefied carbon and dry ice business, developing the LNG terminal business through Himuka LNG Co., Ltd. in Nobeoka City, Miyazaki Prefecture, and developing LNG sales business through Progressive Energy Corporation in Okinawa Prefecture.

Expansion of Power Source Development

In the fiscal year ended March 31, 2019, we decided to participate in three biomass power generation projects in Ichihara City, Chiba Prefecture, Himeji City, Hyogo Prefecture, and Tokushima City, Tokushima Prefecture. As a result, we expanded the renewable energy power source capacity to approximately 600,000 kW, including projects under construction.

We will continue to work on the development of offshore wind power generation and geothermal power generation, aiming to have a one million kW renewable energy power source by fiscal 2030.

In March 2019, we also established Green Power Fuel Corporation, a company that procures and sells domestically grown woody biomass for biomass power generation fuel, which is currently mainly imported. On the back of long-term demand for fuel at biomass power plants which the Group is operating or planning the commercialization of, we will work on sustainable use of domestic forest resources while exploring competitive suppliers of domestically grown woods and securing long-term stable procurement of domestically grown woody biomass.

Meanwhile, we decided to withdraw from the plan to build a new coal-fired power plant in Nishiokinoyama, Ube City, Yamaguchi

Prefecture, which we were pursuing with Electric Power Development Co., Ltd. and Ube Industries, Ltd. The decision is the result of a comprehensive evaluation based on the company's investment criteria in light of the changing business environment of the electric power industry and future risks.



Matsusaka Biomass Power Generation Plant

Development of International Energy Business

We are planning to significantly grow the International Energy Business in order to realize what we aim to be in fiscal 2030.

In the fiscal year ended March 31, 2019, in North America, we acquired interests in three IPP projects in Michigan and Connecticut and in a shale gas production and development project in Texas that has been producing gas. These projects not only increased profit contributions but also aided in accumulating business expertise.

In particular, we aim to accumulate more expertise through further expansion of business operations in North America to enhance the business value of each project and to discover new ones by using synergies with expertise cultivated in the Domestic Energy Business in Japan.

Outside North America, with the aim of expanding businesses by utilizing our expertise of the Domestic Energy Business, we are also accelerating business development in Southeast Asia, such as the establishment of a natural gas joint marketing company in Indonesia and a natural gas supply company in Vietnam.

In addition, we are steadily implementing actions for existing projects, such as efforts to start the operation of the Freeport LNG terminal and the Fairview natural gas-fired thermal power plant, smooth operation of the Gorgon LNG Project, and production commencement of the Ichthys LNG Project.



Freeport LNG Terminal (artist's rendition)



Earning the Trust of Stakeholders

We think that it is necessary to perform ESG-conscious management and earn the trust of stakeholders in order to grow our business sustainably. Our company was established in 1897 with the aim of solving the problem of oil lamps that frequently caused fires at that time by replacing them with gas lamps. Since then, we have grown our business by solving energy-related issues, such as by introducing natural gas in order to achieve a stable supply and contribute to the environment. This approach remains unchanged.

Going forward, we continue to exercise environmentally-conscious management, under which we will further accelerate the introduction of high-efficiency equipment to customers and the development of renewable energy power sources such as wind and solar power. Through society-conscious management, we continue with workstyle reform to maintain a healthy and sound Daigas Group and ensure stable supply and security, while promoting human rights activities and appropriate labor practices. Concerning governance, we pursue continuous enhancement of our PDCA activities that respond to changes in the business environment and information disclosure, so that we continue receiving high evaluations from investors and assessment bodies inside and outside Japan, as well as ensure fair business practices.

Responses to Large-Scale Disasters

The fiscal year ended March 31, 2019, saw a series of major disasters, such as the earthquake centered in northern Osaka Prefecture, the West Japan Heavy Rain Disaster, and Typhoon Jebi. As an energy infrastructure operator, we strongly reaffirmed the significance of our responsibility for supporting our customers' lives and businesses, as well as for supporting restoration and recovery efforts in disaster-stricken areas.

Due to the earthquake that centered in northern Osaka Prefecture in June 2018, the first major wide-area disaster that our company experienced since the Great Hanshin-Awaji (Kobe) Earthquake, we suspended gas supply to about 110 thousand households. In the face of the disaster, we successfully managed to recover the gas supply on the seventh day after the earthquake, owing to the efforts we made thus far to improve our disaster response capabilities and the assistance and cooperation of gas service providers across the country. Furthermore, we enhanced our capability of dispatching information on the status of recovery by introducing a system to visualize the recovery situation and utilizing SNS flexibly.

