

Message from the President

Introduction

During the three years since March 2017 when we announced the Long-term Management Vision 2030 and Medium-term Management Plan 2020 “Going forward, Beyond Borders,” the business environment continued to change drastically, with the competition intensifying in the fully deregulated energy markets, large-scale disasters hitting the country increasingly frequently, and customer values widely diversifying. This situation goes beyond our base assumption for the Long-term Management Vision anticipating the impact of the population decline in the Kansai area and the liberalization in the retail markets of gas and electricity.

Amid these changes, we have built new business structures and foundations in Japan and overseas to enhance the four types of value we provide to our stakeholders, namely value for customers, value for society, value for shareholders, and value for employees. This demonstrates our unwavering commitment to realize our vision of becoming “an innovative energy and service company that continues to be the first choice of customers” as stated in the Long-term Management Vision as well as to accomplish our aim of “powering continuous advancement in consumer life and business” under the “Service First” Corporate Motto, which has been passed on since the Group’s founding. We have also introduced a new Group brand, the “Daigas Group,” to strengthen the ties among our Group employees who are deployed globally. We continue to take on various challenges to “go beyond borders” in response to changes in the business conditions in order to achieve sustainable growth.

Under the current circumstances where the business environment is undergoing even greater change mainly due to the spread of the coronavirus, we strive to ensure the stable energy supply to our customers while preventing the spread of the infection. In 2020, we continue our endeavors to go beyond customer expectations, business boundaries, and corporate boundaries as we respond flexibly to changes in the business landscape, in order to maximize the value we provide to our customers.

President

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Takehiro Honjo



Progress toward Sustainable Growth

In the fiscal year ended March 31, 2020 ("FY2020.3"), we made progress that will lead to future sustainable growth in the Domestic Energy Business and the International Energy Business, by following the policies formulated in the Medium-term Management Plan. In the Domestic Energy Business, we established core energy business companies and restructured our organization while increasing customer accounts and enhancing energy rate plan options and services. For further expansion, we built up a business foundation in the greater Tokyo area and developed new power plants. In the International Energy Business, we acquired a company in the upstream business and advanced construction work toward commencement of commercial operations of a natural gas liquefaction facility and a power plant. As a remarkable milestone in the International Energy Business, we succeeded in developing business outside Japan we participate in as a core player, advancing to the next stage toward accumulating the expertise and achieving independent growth as a local business operator. We have also enhanced the stability in LNG procurement and city gas supply by diversifying procurement sources and reinforcing pipeline network. In promoting safety and security in our customers' gas usage, we improved standards of maintenance and disaster prevention.

Domestic Energy Business—Organizational Restructuring

To ensure sustainable growth in the Domestic Energy Business as we adapt to changes in the business conditions, we need to continue to be the customers' first choice that they can count on for maximizing their value and responding to their needs

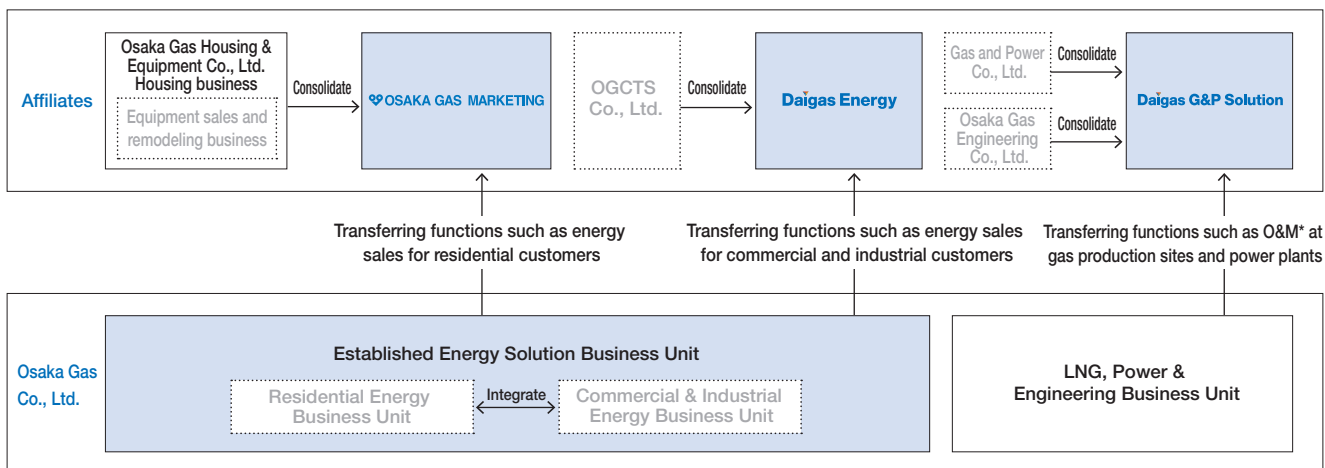
with speedy business operations and customer oriented approaches. To this end, we serve customers better now by providing one-stop, optimal services through our newly established core energy company and leveraging the expertise owned by Osaka Gas and its existing affiliates united through operational consolidation. We also respond to customers' needs more swiftly with speedy business operations in which decision-making process is conducted at levels closer to our customers. To coincide with the start of this new business structure in April 2020, we publicized a new message to our customers, which expresses our goal of creating a better tomorrow by providing enhanced value to customers through closer communication.

The organizational restructuring that we have implemented is an extremely drastic transformation accompanied with the reassignment of approximately 2,000 Group employees in order to adapt to changes in the business environment. We executed the transition after careful preparation for an optimal organizational structure from the ground up without being restricted by existing frameworks.



Customers and business partners

Providing optimal services that utilize the Daigas Group's solutions quickly at one-stop.



*Operation & Maintenance

Domestic Energy Business—Expansion of Customer Accounts

During the one-year period from April 2019 to March 2020, we steadily increased our customer accounts by 360,000 from 8.75 million to 9.10 million. This accomplishment was made possible partly by introducing new energy rate plan options in the Kansai area: the With Plan, which is bundled with entertainment options, and the Style Plan, which is bundled with options suited to various lifestyles, such as free annual subscription to Amazon Prime. Other measures we have taken include the introduction of new IoT services such as D-Fire, an IoT service for factories, and the launch of a new ENE-FARM Type S product in April 2020 that features improved power generation efficiency, ease of installation, and convenience. In the Greater Tokyo area, we have gained more alliance partners, introduced new rate plan options, and enhanced direct marketing through CD Energy Direct Co., Ltd., our energy sales company that covers the Greater Tokyo area, by conducting effective mass promotion.

Domestic Energy Business—Building a Business Foundation in the Greater Tokyo Area

In the last twelve months, we built our energy infrastructure and business foundations in the Greater Tokyo area through CD Energy Direct Co., Ltd. As part of the energy infrastructure, we began commercial operations of a calorific value adjustment system with a capacity of approximately 1.10 million tons of city gas per year in April 2020 at Ogishima City Gas Supply Co., Ltd., in which we have taken part since 2017. In the Fukushima Natural Gas Power Plant, in which we have taken part since 2016, we began the commercial operation of Unit 1 in April 2020, which will be followed by Unit 2 scheduled to commence commercial operation in August 2020. To strengthen our business foundations, we transferred our electricity sales business in the Greater Tokyo area jointly conducted by Chubu Electric Power Co., Inc. to CD Energy Direct, which aims for sustainable growth in the energy business in the largest energy market in the country.



Calorific value adjustment system at Ogishima Natural Gas Supply Co., Ltd.



Fukushima Natural Gas Power Plant

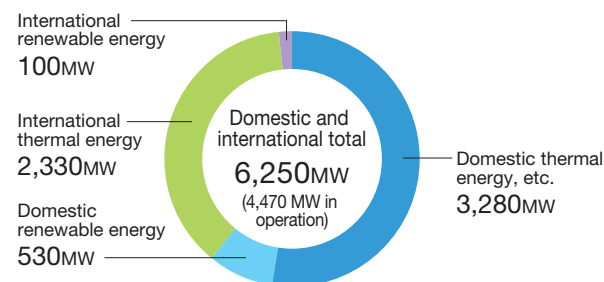
Domestic Energy Business—Power Source Development

In power source development, we advanced construction work for renewable energy power sources in which we had previously made decisions to invest. We also decided to invest in Himeji Natural Gas Power Plant, a power plant with low environmental impact and high cost competitiveness. As of March 31, 2020, the Group's global total power generation capacity amounted to approximately 4,500 MW and reaches 6,250 MW if it includes projects under construction and those for which investment decisions have been made. We are making steady progress toward achieving the power source procurement goal of 9,000 MW by 2030 as set in the Long-term Management Vision. In the Group's power portfolio, renewables amount to approximately 340 MW in total as of March 31, 2020 and 640 MW including projects under construction, demonstrating that we are ahead of schedule for the target of 1,000 MW by 2030. We continue building a power source portfolio that is stable, competitive, environmentally-friendly, and well-balanced, consisting of our natural gas-fired power plants, renewable power plants, and the power purchased from the market and other power producers. We are not only increasing our own renewable power capacity but also promoting wider development of renewable energy power sources. In November 2019, we began a service to purchase surplus electricity generated by photovoltaic systems. And in March 2020, we started a joint study of new businesses for creating new added value in the renewable energy field with West Holdings Corporation. Through these initiatives to promote the introduction of renewables, we aim to contribute to the reduction of greenhouse gas emissions and the establishment of a low-carbon society and decarbonized society in the future.

As of March 31, 2020

(includes projects under construction and for which decisions have been made)

Domestic total 3,810 MW (2,030 MW in operation)
International total 2,440 MW (2,440 MW in operation)
Renewable energy total 640 MW (340 MW in operation)



Progress in International Energy Business

In FY2020.3, we made progress in realizing what we aim to be in the Long-term Management Vision, particularly in the International Energy Business.

In the upstream business, through the acquisition of all shares in Sabine Oil & Gas Corporation ("Sabine"), we have been joined by the members of a shale gas development company in the U.S., which gave us the capabilities of operating the upstream business in the country, enhancing the outlook for continued success in the field. With our U.S. shale gas development business integrated into Sabine, we continue to expand the business as the foundation to promote our upstream business in the U.S.

In the medium and downstream business, with the Freeport LNG Project's Trains 1 to 3 and the Fairview natural gas-fired power

plant in the U.S. being in commercial operation now, we have gained greater confidence in the projects' continuous success and further synergies with our business in related fields. With the Freeport LNG Project, a highly stable liquefaction business, we enhance our LNG procurement position and trading business by utilizing the destination-free LNG indexed to a U.S. hub price. We also accumulate the know-how of building up and operating the LNG project for the future plan to develop our own liquefaction business. In the Fairview power plant, the core project for our North American electricity business development, we accumulate the know-how in independently running the U.S. power generation business including fuel procurement and electricity sales to the market, which is essential for our U.S. power business expansion through the enhancement of our existing project value and capabilities to discover next key projects. In renewables, as we invest in SolAmerica Energy, LLC, a distributed photovoltaic power generation developer, we also enter into renewable energy business, which is expected to significantly grow in the U.S. going forward.

Outside North America, we are accelerating business development in Southeast Asia, in which the demand for natural gas is expected to increase, by utilizing our expertise in the energy business developed in the Kansai area. In Australia, the Gorgon LNG Project and the Ichthys LNG Project have been in smooth operations. In Singapore, we have established Osaka Gas Energy Supply and Trading Pte. Ltd., and we are working on further cost reduction in LNG procurement through the trading company.



Shale gas mining area of Sabine Oil & Gas Corporation in the United States



Freeport LNG Terminal in the United States
Courtesy of Freeport LNG Development, L.P.



Fairview natural gas-fired thermal power plant in the United States



Earning the Trust of All Stakeholders

In achieving sustainable growth of our business, we consider it of utmost importance to continue earning the trust of stakeholders through ESG (Environment, Society, and Governance)-conscious management.

Since our founding, the Daigas Group has performed various forms of ESG-conscious management, helping society and expanding its business. For example, in the initial stage, the company contributed to reducing the occurrence of fires frequently caused by oil lamps at that time by replacing them with gas lamps, which was the aim of the company's establishment in 1897 as stated in the application for incorporation. In later years, the company contributed to the enhanced stability in energy supply and the reduced environmental burden through the introduction of natural gas to the market.

Through environmentally-conscious management, we accelerate the development of renewables such as wind power and photovoltaic power sources as well as the introduction of high-efficiency equipment to customers, as our goal to contribute to a reduction of 70 million tons of CO₂ emissions cumulatively from FY2018.3 through FY2031.3. In society-conscious management, we promote human rights activities, proper labor practices, workstyle reform and diversity to maintain a healthy and sound Daigas Group while ensuring a stable supply of energy. Concerning governance, in light of the recent business environment, we increased the ratio of Outside Directors to one-third following the organizational restructuring. We continue our efforts to improve our governance and to enhance our information disclosure, striving to earn high evaluations from investors, analysts, and evaluation bodies around the world while thoroughly implementing fair business practices.

In April 2020, with ESG positioned with increased importance as a management issue, we launched the ESG Office within the Corporate Strategy Department, an internal body to promote further incorporation of the ESG perspective in our company-wide policies and decision-making, in order to accelerate our ESG-conscious management.