

# ESG-conscious Management toward Achievement of the

The Daigas Group declared that it pursues its Long-term Management Vision 2030 and Medium-term Management Plan 2020 cherishing the three guiding principles that embody its Corporate Principles. The Group applies global environmental, social and governance (ESG) criteria in business to “continue to earn the trust of investors, corporate partners, employees and society,” one of the guiding principles.

ESG-related Issues in the Long-term Management Vision		CSR Charter	
Environment E	Business that continues to earn the trust of stakeholders	Work style reforms and personnel development to enhance productivity	
	<ul style="list-style-type: none"> <li>■ Support customers in introducing high-efficiency energy equipment, and provide them with energy services</li> <li>■ Promote fuel conversion to natural gas, a clean energy source, and introduction of energy-saving technologies</li> <li>■ Develop and introduce leading-edge thermal power plants and renewable energy</li> <li>■ Promote environmental management focusing on resources recycling, biodiversity, chemical substances safety, etc.</li> </ul>	<p><b>Attitude Reform</b></p> <ul style="list-style-type: none"> <li>■ Spontaneously think and act with a sense of ownership and motivation for reform and improvement</li> <li>■ Work with speed in a smart and efficient way</li> <li>■ Be always ready to adopt external or new viewpoints and flexibly change ways of thinking</li> <li>■ Pursue growth by taking up challenges beyond the boundaries</li> </ul> <p><b>Work Style Reform</b></p> <ul style="list-style-type: none"> <li>■ Develop human resources who can play important roles in the global community</li> <li>■ Shift human resources to highly creative jobs while improving work efficiency with ICT</li> <li>■ Share business know-how among employees to make them immediately available in business and improve service quality</li> <li>■ Establish workplaces that attract first-rate personnel</li> </ul> <p><b>Work Environment Improvement</b></p> <ul style="list-style-type: none"> <li>■ Promote collaboration among individuals and companies with diverse values</li> <li>■ Provide employees with equal opportunities irrespective of nationality, age, gender or location of residence</li> <li>■ Establish a work environment and systems that allow employees to work without restriction of location or time</li> </ul>	<p><b>II Harmonizing with the Environment and Contributing to Realizing a Sustainable Society</b></p>
	Social S		
Social S	<ul style="list-style-type: none"> <li>■ Pursue activities in accordance with international norms, such as the Global Compact</li> <li>■ Promote activities relevant to the entire value chain including initiatives to protect human rights</li> <li>■ Engage in co-creation with local communities (social design activities, community communication activities, community building, etc.)</li> </ul>		<p><b>I Creating Value for Customers</b></p> <p><b>III Being a Good Corporate Citizen Contributing to Society</b></p> <p><b>IV Complying with Laws and Regulations and Respect for Human Rights</b></p> <p><b>V Management Policy for Human Growth</b></p>
	Governance G		
Governance G	<ul style="list-style-type: none"> <li>■ Promote dialogue with stakeholders</li> <li>■ Pursue fair business practices</li> <li>■ Enhance diversity of employees and executives</li> <li>■ Disclosure of ESG information in accordance with global standards</li> <li>■ Take measures to ensure information security</li> </ul>		<ul style="list-style-type: none"> <li>■ Basic Views on Corporate Governance</li> <li>■ System and Efforts Aimed at Enhancing Corporate Governance</li> <li>■ Analysis and Evaluation of Effectiveness of the Board of Directors as a Whole</li> </ul>

# Long-term Management Vision 2030

The Daigas Group has been conducting its CSR initiatives, setting specific goals in line with its CSR Charter. As we position ESG as a key factor in the management of the Group, we will strive for sustainable development of society and the Group by further deepening our CSR initiatives going forward.

## CSR Charter and Activity Indicators

### Materiality (Priority Initiatives)

#### II Energy / Emissions

#### Common Themes

- Economic Performance
- Supplier Assessment  
(Impact on the environment and society, human rights and labor practices)

#### I Customer Health and Safety

#### III Local Communities

#### IV Customer Privacy

#### V Training and Education

#### V Diversity and Equal Opportunity

Materiality was revised in FY2018.3 following changes in the business environment (the Paris Agreement coming into effect, adoption of SDGs, issuing of GRI Standards, expectations of stakeholders, etc.) and formulation of the Long-term Management Vision and the Medium-term Management Plan.

#### ■ Director and Audit & Supervisory Board Members Remuneration

#### ■ Risk Management

#### ■ Status of Internal Control

### CSR Indicators ("visualizing" CSR activities)

#### II Environmental Management Efficiency

#### I Customer Satisfaction Survey: Seven Customer Service Duties

#### III Communication events

#### III Social contribution activities

#### IV Scores on Compliance Awareness

#### IV Percentage of employees receiving the compliance training

#### V Employee Attitude Survey

## Long-term Management Goals

### Indicators for FY2031.3

#### Expand business domains

- Energy source capacity (domestic and international)\*1

**9,000 MW**

- Number of customer accounts

**10 million or more**

- Scale of natural gas business\*2

**17 million t**

#### Environment/CSR

- Contribution to reduction in CO<sub>2</sub> emissions\*3

**Approx. 70 million t**

#### Quality improvement

- Customer satisfaction at each contact point\*4

**95 %**

#### Security and safety

- Ensure security and safety of gas pipelines, gas manufacturing, and power generation business

**Maintain the status of zero serious accidents**

#### Investment

- Growth investment\*5

**¥1,450 billion**

## Contribution to the Sustainable Development Goals (SDGs)



\*1 The ratio of procurement from markets and other companies will be reviewed depending on circumstances in systems and regulations imposed by the national government. \*2 Includes sales of LNG to domestic and international energy operators and handling of overseas LNG terminal operations. \*3 Total reduction in amount from FY2018.3 through FY2031.3. Includes contribution to reduction at customer sites and overseas. \*4 Customer satisfaction for opening gas valves, equipment repairs, and sales and installation work. \*5 Total investment amount from FY2018.3 through FY2031.3.

# Indicator-based Evaluation of CSR Activities and Contribution

In 2009, the Daigas Group introduced CSR Indicators under each chapter of the CSR Charter to promote and “visualize” CSR initiatives. Meanwhile, important aspects of CSR (materiality) were identified with the assistance of experts for promoting specific activities. Each indicator is determined by the approval of the ESG Council, the highest level of decision-making bodies regarding the Group's CSR activities.

CSR Charter		Materiality Indicators and CSR Indicators		Target (FY2018.3-FY2021.3)
Common themes	CSR Charter I - V	<b>Materiality</b> Economic Performance GRI Standards: 201-2	Financial implications and other risks and opportunities due to climate change	Recognition of risks and opportunities
		<b>Materiality</b> Supplier Assessment (Impact on the environment and society, human rights and labor practices) GRI Standards: 308-1 414-1	Percentage of new suppliers that have been screened using criteria regarding environment, social impact, human rights and labor practice	100%
I	Creating Value for Customers	Customer Satisfaction Survey: Seven Customer Service Duties	Overall satisfaction rate	91% or more
			Satisfaction rate for each of the seven customer service duties	86% or more
		<b>Materiality</b> Customer Health and Safety GRI Standards: 416-1	Percentage of city gas for which health and safety impacts are assessed for improvement against total city gas provided by Osaka Gas	100%
II	Harmonizing with the Environment and Contributing to Realizing a Sustainable Society	Environmental Management Indicator	Environmental Management Efficiency	14.2 yen / 1,000 m <sup>3</sup> or less *Target set for FY2021.3
		<b>Materiality</b> Energy / Emissions GRI Standards: 305-5	Contribution to reduction in CO <sub>2</sub> emissions	Cumulative reduction of 7 million tons *Target set for FY2021.3
III	Being a Good Corporate Citizen Contributing to Society	Communication events	Number of such events held (environmental education and food education, and visit to the Gas Science Museum)	1,950 events or more
		Social contribution activities	Number of such events held	600 events or more
		<b>Materiality</b> Local Communities GRI Standards: 413-1	Percentage of operations with implemented local community engagement, impact assessments and development programs	100%
IV	Complying with Laws and Regulations and Respect for Human Rights	Scores on Compliance Awareness	Individual: Recognition level of “Code of Conduct” Organization: Degree of compliance penetration in the organization	Higher than the previous year Higher than the previous year
		Percentage of employees receiving the compliance training	Percentage of employees receiving the compliance training	100%
		<b>Materiality</b> Customer Privacy GRI Standards: 418-1	Total number of substantiated complaints regarding breaches of customer privacy	Assessment of management situation
V	Management Policy for Human Growth	Employee Attitude Survey *Surveyed every two to three years	Job satisfaction and attachment to the company	Maintain sufficient levels
		<b>Materiality</b> Training and Education GRI Standards: 404-1	Average hours of training per year per employee	Development of human resources, improvement of work environment
		<b>Materiality</b> Diversity and Equal Opportunity GRI Standards: 405-1	Percentage breakdown of employees and executives by gender and age	Promotion of diversity























# to SDGs

For reports on the Daigas Group's CSR initiatives, please refer to the CSR Report or our website.

[https://www.osakagagas.co.jp/csr\\_e/](https://www.osakagagas.co.jp/csr_e/)

CSR information posted on the Web  > CSR of Daigas Group

Under the promotion system that serves as the basis for our CSR activities, we are striving to accurately evaluate the steps we are taking and what we have achieved, as measured by the results of each materiality indicator, while making our PDCA (plan-do-check-act) management more effective. This effort should help us to achieve our targets for several of the Sustainable Development Goals (SDGs).

Achievement of FY2020.3	Points of Contribution to SDGs by Achieving the Indicator	SDGs to which Contributions are Made
Recognition of risks and opportunities	<ul style="list-style-type: none"> <li>Management of the amount of CO<sub>2</sub> emissions</li> <li>Management of the amount of renewable energy</li> <li>Management of the environmental burden in the value chain</li> <li>Including activities toward low-carbon society in business plans</li> </ul>	   
100%	<ul style="list-style-type: none"> <li>Understanding the status of suppliers through CSR questionnaires, etc.</li> <li>Understanding fair training opportunities</li> <li>Understanding safe and secure labor environments</li> <li>Understanding BCP measures</li> </ul>	  
92%	<ul style="list-style-type: none"> <li>Increasing opportunities to provide clean energy through improvement of customer satisfaction</li> <li>Implementing management and assessment of quality of city gas / understanding the impact in case of disasters</li> </ul>	    
90% or more for all seven duties		
100%		
13.5 yen / 1,000 m <sup>3</sup>	<ul style="list-style-type: none"> <li>Management of the amount of CO<sub>2</sub> emissions</li> <li>Management of the amount of renewable energy</li> <li>Management of the environmental burden in the value chain</li> <li>Including activities toward low-carbon society in business plans</li> </ul>	   
Total reduction of 3.34 million tons		
2,979 events *Target revised to 2,915 or more	<ul style="list-style-type: none"> <li>Increasing opportunities to provide clean energy by improvement of customer satisfaction</li> <li>Control of the impact on stakeholders in case of disasters</li> </ul>	 
1,099 events *Target revised to 1,090 or more		
100%		
<ul style="list-style-type: none"> <li>Down 1.7 percentage points year-on-year (82.7%)</li> <li>Up 1.3 percentage points year-on-year (93.1%)</li> </ul>	<ul style="list-style-type: none"> <li>Improving awareness of compliance to secure equal opportunities for leadership</li> <li>Improving awareness to promote safe and secure labor environments</li> </ul>	 
100% (No. of employees covered by the survey: 23,063)		
There were no substantiated complaints regarding breaches of customer privacy		
Maintained sufficient levels •3.86 against scale of 5 for job satisfaction •4.25 of scale of 5 for attachment to the company (Result of FY2019.3)	<ul style="list-style-type: none"> <li>Securing equal opportunities for leadership, understanding the status of promotion of safe and secure labor environments through employee attitude surveys</li> <li>Understanding fair training opportunities</li> </ul>	 
<ul style="list-style-type: none"> <li>Average hours of training per employee: 25.3</li> <li>e-Learning (safety, information security, environment) program*</li> <li>•No. of participants: 5,324 / course</li> <li>•No. of hours: 3.17 hours / person</li> </ul> Note: Includes some temporary employees and part-time workers		
<ul style="list-style-type: none"> <li>Percentage of women among personnel hired for career-track positions in April 2020: 26.8%</li> <li>Percentage of women in management positions*: 5.2% (as of April 1, 2020)</li> </ul> Note: Managerial or higher position		



## Special Feature 1

# Daigas Group's Environmental Management

Environmental conservation on a local and a global scale is an extremely important mission for the Daigas Group, whose operations center on the energy business. Greenhouse gases (GHG) in particular are a leading cause of climate change, which is a global issue with huge impact on society, ecosystems, and the world as a whole. Because GHG emissions are a large part of the environmental impact caused by the business activities of the Daigas Group, we actively engage in taking appropriate measures.

## Understanding and management of environmental impact throughout the Daigas Group value chain

The Daigas Group calculated the amount of greenhouse gas (GHG) emissions from companies that constitute the Daigas Group's value chain network, based on the GHG Protocol, an international emission standard. The methodology of the calculation and its results have been certified by an independent organization to verify their reliability and accuracy. Combined GHG emissions by the Daigas Group and value chain companies, measured by CO<sub>2</sub>, totaled about 33.03 million tons in the fiscal year ended March 31, 2020.

### GHG emissions

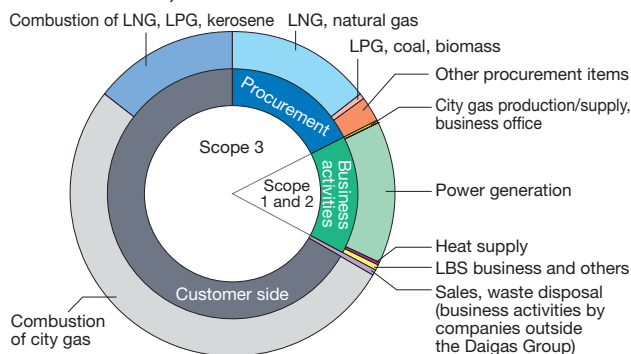
GHG emissions from the Daigas Group's business activities (Scope 1 and 2), measured in terms of CO<sub>2</sub>, amounted to about 4.96 million tons (about 15% of total emissions) in the fiscal year ended March 31, 2020, of which 4.49 million tons were from the power generation business. As a way of reducing GHG emissions from power generation, the Group will continue to actively introduce highly advanced energy-efficient power generation facilities and use renewable energy sources. GHG emitted by organizations involved in our value chain (Scope 3) in terms of CO<sub>2</sub> came to about 28.07 million tons (about 85% of total emissions), of which GHG emissions from city gas combustion on the customer side amounted to 16.85 million tons. We will work toward reducing CO<sub>2</sub> emissions throughout society by widely providing high-efficiency equipment and systems, such as ENE-FARM and cogeneration systems, while promoting energy conservation using natural gas that emits less CO<sub>2</sub>. In addition, GHG emissions from material and fuel procurement totaled 5.76 million tons, of which the procurement of energy sources accounted for nearly 90%. We will continue our efforts to improve fuel efficiency regarding the operation of LNG tankers in collaboration with material suppliers.

## Contribution to CO<sub>2</sub> Emissions Reduction

The Long-term Management Vision 2030 aims to reduce the Group's CO<sub>2</sub> emissions by a cumulative total of about 70 million tons during the 14-year period from the fiscal year ended March 31, 2018 to the fiscal year ending March 31, 2031. The targeted reduction is calculated by totaling the reduction contribution of highly energy-efficient facilities and low-carbon energy sources planned to be introduced in the Group's business activities during the period. The reduction contribution is estimated by multiplying the introduction amount of those high-efficiency facilities and low-carbon energies by the CO<sub>2</sub> emission reduction effect of those compared to the emission associated with replaced operation of existing facilities / energy use.

As shown on the right, the Daigas Group expects to see its Scope 1, Scope 2 and Scope 3 GHG emissions grow in line with its expanding business size due to the nature of the business. However, the introduction of a low-carbon energy system through the Group's efforts will reduce emissions at other companies and their value chains, which in turn will contribute to society-wide emission reductions.

### GHG Emissions Throughout the Value Chain in the fiscal year ended March 31, 2020



GHG emissions: 33.03 million tons-CO<sub>2</sub>

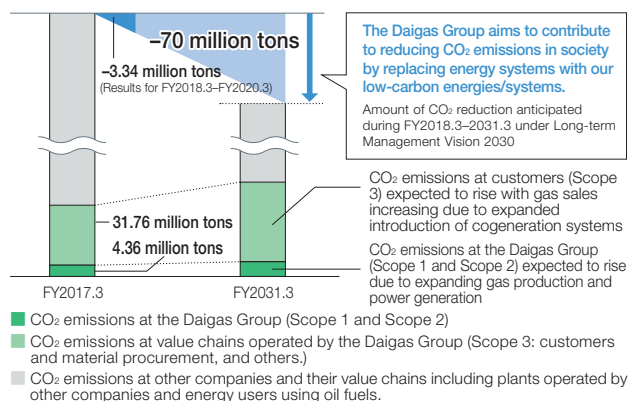
Companies subject to the calculation of GHG emissions: Osaka Gas Co., Ltd. and 57 companies among 156 consolidated subsidiaries are subject to calculation of GHG emissions. Those housed in office buildings as tenants and whose environmental data are difficult to grasp and whose environmental effects are minimal are not subject to such calculation. Also excluded from the calculation are overseas companies, except one company.

\* Environmental performance data for the fiscal year ended March 31, 2020 was reported on the website following third-party verification by Bureau Veritas Japan Co., Ltd.

### Environmental impacts other than GHG emissions

The recycling rates for the disposal of waste (general waste and industrial waste) and the disposal of excavated soil and polyethylene pipes associated with gas pipe construction are high, a state that we will aim to maintain in the future. About 97% or more of water used for our industrial activities is taken from the sea. Such water is mostly used to vaporize LNG at LNG terminals. Seawater is also used as coolant inside the steam turbine condenser at some power plants. Once used, the water is discharged into the sea under strict control.

### Contribution to Reducing CO<sub>2</sub> Emissions in Society



## Climate Change Initiatives

### Risks and Opportunities Associated with Climate Change

Tackling climate change is seen as one of the Sustainable Development Goals (SDGs) adopted by the United Nations. The Paris Agreement, a UN accord on climate change, went into force in November 2016. The accord is recognized as a framework of international efforts since 2020 for solving issues related to climate change. The Daigas Group recognizes that reducing greenhouse gas (GHG) emissions, known to be a factor for causing climate change, significantly and on a long-term basis, addressing the worldwide challenge of creating a low-carbon society in the future, and responding to heightened risks of natural disaster amid growing climate change are social issues facing the global community. In addition, the Daigas Group believes reducing CO<sub>2</sub> emissions is an extremely important mission for the company, whose primary business field is energy. The Group also assumes that climate change may negatively affect its earnings and costs throughout its energy businesses.

On the other hand, in June 2017, the Task Force on Climate-Related Financial Disclosures (TCFD), established by the Financial Stability Board (FSB) at the request of G20 nations against a backdrop of demand from investors in the wake of growing ESG investment, published recommendations to support and encourage companies to disclose climate change-related information (TCFD

recommendations), which are gaining attention. In support of the TCFD recommendations, we disclose the Group's efforts on climate-related "governance," "strategy," "risk management," and "indicator and targets," as suggested by the TCFD recommendations. Furthermore, we are involved in scenario analysis to understand the impact of climate change on the business of the Daigas Group on a medium- and long-term basis and to evaluate and prepare countermeasures. We also participate in the TCFD Consortium, where discussions take place on efforts toward information disclosure on responses to climate change based on the TCFD recommendations. Needless to say, climate change initiatives are important. However, for the Daigas Group, which is engaged primarily in the energy business, initiatives for stable supply and improvement of economic efficiency are also important under the basic viewpoint of Japan's energy policy, 3E+S\*. We believe that balancing them will contribute to the sustainable development of society.

\* 3E + S

The nation's Basic Energy Plan (2018) describes "3E + S" as the basic viewpoint of Japan's energy policy, and states: "The point of the energy policy is to first and foremost ensure stable supply ('Energy Security'), and realize low cost energy supply by enhancing its efficiency ('Economic Efficiency') on the premise of 'Safety.' It is also important to make maximum efforts to pursue environmental adaptability ('Environment')."

### Response to Risks and Opportunities Associated with Climate Change

Phenomena deriving from climate change	Extreme weather, natural disaster	Temperature rise	Change of competitiveness of products and facilities developed by Osaka Gas	Stricter regulation of GHG emissions	Change of energy preference by customers	Booming of ESG investment	Rise of LNG prices
<b>Risks</b>	<ul style="list-style-type: none"> <li>Damage to manufacturing and supply facilities</li> <li>Interference on LNG procurement</li> </ul>	<ul style="list-style-type: none"> <li>Fall in gas sales (demand for hot-water supply, heating)</li> </ul>	<ul style="list-style-type: none"> <li>Decline of competitiveness</li> <li>Fall in demand for products and facilities which Osaka Gas adopts or provides, and subsequent decline in their utilization</li> <li>Difficulty of recollecting capital-investment cost</li> </ul>	<ul style="list-style-type: none"> <li>Concern over fossil-based fuels</li> <li>Fall in gas and electricity sales</li> <li>Difficulty of recollecting capital-investment cost</li> </ul>	<ul style="list-style-type: none"> <li>Fall in capital procurement power</li> <li>Decline in stock prices</li> </ul>	<ul style="list-style-type: none"> <li>Rise in procurement cost</li> <li>Fall in gas and electricity sales</li> </ul>	
<b>Opportunities</b>	<ul style="list-style-type: none"> <li>Increase in demand for products and facilities with disaster-response functionality</li> <li>Price rise in the LNG spot trading market</li> </ul>	<ul style="list-style-type: none"> <li>Increase in gas and electricity sales (demand for air-conditioning)</li> </ul>	<ul style="list-style-type: none"> <li>Comparative advantage</li> <li>Increase in demand for products and facilities which Osaka Gas adopts or provides, and subsequent rise in their utilization</li> </ul>	<ul style="list-style-type: none"> <li>Preference on energy systems emitting less GHGs</li> <li>Increase in gas and electricity sales</li> <li>Expansion of renewable energy sources and energy-saving services</li> </ul>	<ul style="list-style-type: none"> <li>Expansion of capital procurement power</li> <li>Increase in stock prices</li> </ul>		
<b>Our response</b>	<ul style="list-style-type: none"> <li>Make important facilities water-tight, raise the level of important facilities, divide gas supply areas into blocks</li> <li>Development of products and facilities resilient to disasters</li> <li>Diversify LNG procurement sources</li> </ul>	<ul style="list-style-type: none"> <li>Expand the scope of business fields where demand growth is expected</li> </ul>	<ul style="list-style-type: none"> <li>Develop and introduce highly energy efficient products and facilities, and facilities using renewable energy sources (Osaka Gas and customers)</li> <li>Switch fuels to natural gas</li> <li>Secure stable LNG supply through launching upstream business including gas field development and LNG projects</li> </ul>	<ul style="list-style-type: none"> <li>Propose and promote energy-saving services</li> <li>Promote research and studies of innovative technologies, such as hydrogen, clean gas and CCUS*</li> </ul>	<ul style="list-style-type: none"> <li>Promote dialogue with investors concerning the Daigas Group's contribution to GHG emission reduction and business vision</li> </ul>	<ul style="list-style-type: none"> <li>Diversify procurement sources</li> <li>Launch upstream business</li> <li>Make conditions for procurement contracts flexible</li> </ul>	

\* CO<sub>2</sub> capture, utilization and storage

Please see the Company's website for more details of the Group's efforts on climate-related "governance," "strategy," "risk management," and "indicators and targets," which are recommended to be disclosed by the TCFD recommendations.

### Scenario analysis

Since FY2020.3, we have been working on climate change scenario analysis that is intended to be utilized as reference material in the evaluation and preparation of countermeasures, and to understand the impact of climate change on the business of the Daigas Group on a medium- and long-term basis. Using this analysis method based on scenarios established by external authorities, we assessed our energy business which is expected to experience the greatest impact from climate change among the Group's businesses, for the purpose of acquiring suggestions related to relevant factors and measures for mitigating / tapping into the impact.

Specifically, based on the scenario published by the International Energy Agency, we assume the environment surrounding its energy business by using a double-track scenario that takes into

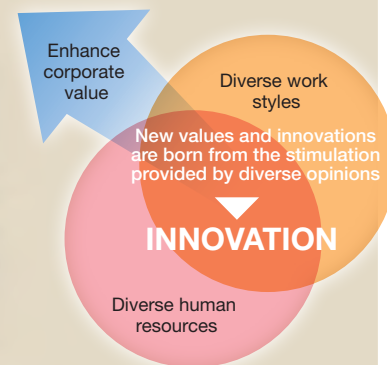
account the progress of energy conservation and changes in the composition of power sources, etc., and identifies possible risks and opportunities and examines measures.

As the global response to climate change continues to progress, the scenario's preconditions may also change in the future. We will continue to heighten scenario analysis and steadily implement initiatives to increase the resilience of the Daigas Group's businesses, while applying the suggestions gained from scenario analysis to our evaluation of medium- and long-term business strategies.



## Special Feature 2

# Daigas Group's Diversity & Inclusion



## Accepting diverse values to bring about the creation of new corporate value

### Top Commitment

The Daigas Group works to promote diversity toward expanding our fields of business.

#### Message from the officer in charge of human resources

The Daigas Group strives to be an innovative energy and service company that continues to be the first choice of customers, and implements initiatives that “go beyond boundaries” in all of their businesses. Amid the ever-changing market environment, in order to go beyond customer expectations, business boundaries, and corporate boundaries, we operate based on the principles of respecting the individuality of each and every employee who makes up the core force behind realizing these ideals, providing them with a rewarding work environment, and offering them the opportunity to grow together with the Company.

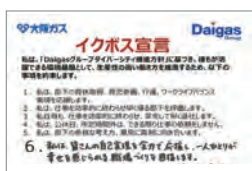


Senior Executive Officer in charge of human resources

**Fumitoshi Takeguchi**

The Daigas Group is working to build this foundation based on the Diversity Promotion Policy formulated in 2014. The diversity and inclusion promoted by the Daigas Group serves to develop a culture in which each and every employee can fully display their abilities based on their roles and lifestyles. We strive to foster a workplace environment that will encourage the free expression of opinions among our diverse selection of employees irrespective of gender, age, physical disabilities, or nationality. Above all, we have set forth numerical targets for providing female employees with greater professional opportunities, and we regard the success of female employees as an essential feature of promoting diversity through which we are committed to building a work environment for all employees to achieve their higher career objectives. The Daigas Group will continue to pursue the creation of new corporate value through accepting diverse values and promoting active roles for more diverse human resources.

In January 2020, the Company became a member of “IkuBoss,” a corporate alliance spearheaded by the nonprofit organization Fathering Japan that is dedicated to promoting reforms in awareness within each company and developing the ideal work supervisors of a new era through cooperative efforts to enhance their abilities to serve as role models and improve their expertise in employee training.



### Basic Policy

The Group is committed to promoting diversity within their organization to achieve creation of new corporate value through building strong organizations.

We will seek to realize a group of enterprises with rewarding work environment where employees are respected, and without discrimination, their diversity is recognized, including gender, age, physical disabilities, nationalities, form of employment, lifestyles<sup>\*1</sup>, religions, sexual orientation<sup>\*2</sup>, and gender identity<sup>\*3</sup>.

As a basis for employees to pursue their career opportunities, we implement policies to enhance work productivity and to realize suitable work-life balance for each employee.

<sup>\*1</sup> Lifestyles: Work style during certain life stages such as childcare, nursing care, etc.

<sup>\*2</sup> Sexual orientation: Lesbian, gay, bisexual, etc.

<sup>\*3</sup> Gender identity: Transgender (including those with gender identity disorders)

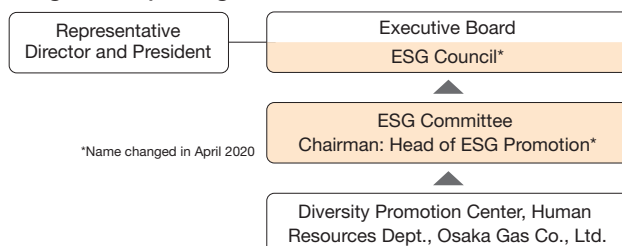
### Diversity Promotion System

In 2013, the Daigas Group established the Diversity Promotion Center within the Human Resources Department of Osaka Gas Co., Ltd. as a specialized department for promoting diversity. We proceeded to formulate the Diversity Promotion Policy in 2014, and have taken an active approach toward this policy by including it in the Long-term Management Vision announced in 2017.

The targets set forth in the Diversity Promotion Policy are linked to “Diversity and Equal Opportunities,” a materiality indicator that serves as a KPI for CSR activities. Progress we have made on achieving these targets is reported at the ESG Council every year, and relevant activities are, in principle, reported monthly to executives through direct distribution or by being posted on the Group portal site. Items related to promoting diversity are also included in the Daigas Group's Employee Attitude Survey\* to ascertain the extent to which this sentiment has diffused throughout the entire Group.

\* Daigas Group's Employee Attitude Survey: A survey conducted every two to three years to confirm changes over time in the attitudes of Group employees.

### Diversity Promotion Policy Formulation and Progress Reporting Process



\*Name changed in April 2020

## Raising Awareness in Group Employees for Diversity Promotion

We believe that it is essential for all Group employees to share the understanding that "diversity is a management strategy," and we have made various efforts such as arranging a forum for childcare workers to participate in together with their supervisors, providing diversity training for all employees, and holding the Diversity Promotion Forum. Over 18,000 Group employees have received diversity promotion training, and the rating of employee sentiment for promoting diversity recorded in the Daigas Group's Employee Attitude Survey for FY2019.3 increased significantly from the initial survey conducted in FY2015.3.

(Osaka Gas Co., Ltd. FY2015.3: 3.75 ⇒ FY2019.3: 4.01  
Daigas Group FY2015.3: 3.91 ⇒ FY2019.3: 4.04 Five-point scale)



(Childcare Worker + Supervisor Forum)

Furthermore, in order to raise awareness of diversity promotion, we believe that it is important for male employees to understand and participate in childcare as a particular feature of their lifestyle, and in addition to our system allowing employees to take childcare leave, we have set up an original method of providing paid leave we call "nurturing

leave\*" as our system for providing support. About 90% of all eligible employees take nurturing leave, and more than 80% of this population are male employees. As for childcare leave, although the number of male employees who take childcare leave is small, half of them were able to take an extended period of one month or more off, and male employees are becoming more aware of childcare and participating in more active roles.

[ Major Initiatives ]

- Childcare Worker + Supervisor Forum
- Diversity promotion training for all employees
- Holding a Diversity Promotion Forum
- Extensive information provision through Group portal site and online newsletters
- Holding luncheon meetings on all sorts of themes

### Number of Employees Taking Childcare-related Leave System

	FY2017.3	FY2018.3	FY2019.3	FY2020.3
Male employees who took childcare leave	1	4	5	14
Employees who took nurturing leave (Rate)	168 (76.7%)	198 (88.8%)	201 (84.1%)	201 (93.1%)
Of which, male employees	149	172	178	172

\* Osaka Gas Co., Ltd.'s original system for providing paid leave. Employees can take one day off within the first 3 months after a child's birth.

## Initiatives Aimed at Promoting Female Employees to Managerial Positions

In order to cultivate an organization in which female employees play an active role and can freely exchange opinions, in addition to increasing the number of women hired, supporting internal networking and cultivating career awareness, one of our primary targets is to increase the ratio of women in managerial positions so that a diverse selection of human resources can be involved in the decision-making process. As a result, the number of women in career-track positions rose to 226, which is 1.6 times the number of women seeking the same positions in FY2014.3, the initial year of this initiative, and an increasing number of women who have participated in our mentoring programs are being promoted to managerial positions.

[ Major Initiatives ]

- Seminars for female students
- Implementing mentoring programs for young employees and candidates for managerial positions
- Regularly holding career-design seminars for women and roundtable talks between female workers on careers
- Active dispatch of mid-level employees, candidates for managerial positions, and employees of all levels for external work experience, etc.

### Targets for Empowering Women in the Diversity Promotion Policy

- Maintaining a 30% or higher percentage of new women graduates in career-track positions
- Achieving a female manager\* ratio of 5% by 2020
- Appointing female executives in an expeditious manner

\*Percentage of women in managerial or higher positions

### Results

- Maintaining a 30% or higher percentage of new women graduates in career-track positions ⇒ 7-year average of 30.2% since FY2015.3

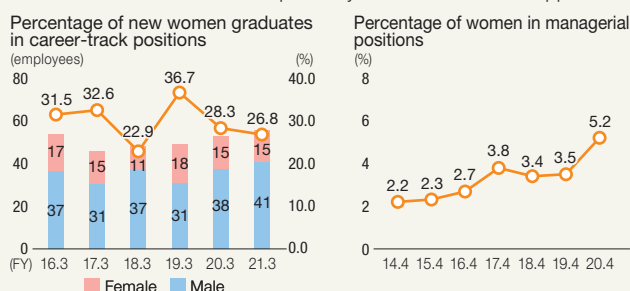
	FY2015.3	FY2016.3	FY2017.3	FY2018.3	FY2019.3	FY2020.3	FY2021.3	7-year average post Diversity Promotion Policy
Male (persons)	42	37	31	37	31	38	41	257
Female (persons)	20	17	15	11	18	15	15	111
Female personnel ratio	32.3%	31.5%	32.6%	22.9%	36.7%	28.3%	26.8%	30.2%

- Achieving a female manager ratio of 5% by 2020 ⇒ 5.2% as of April 2020\*

\* Although the total number of female managers only increased slightly, the ratio improved due to a significant decrease in the total number of managers (men and women) from the previous fiscal year as a result of an organizational restructuring of the Group in April 2020.

- Appointing female executives in an expeditious manner

⇒ Female Outside Audit & Supervisory Board Member was appointed



## Promotion of Effective Work Styles

In order to support work styles based on each employee's lifestyle, we believe that it is necessary to improve flexibility in working hours and locations and to establish appropriate evaluation systems, and are working to promote and ensure the introduction and utilization of a various selection of systems.



Satellite office in Grand Front Osaka

[ Major Initiatives ]

- Promoting telecommuting system and use of satellite offices
- System for shorter working hours and flexibility thereof
- Using flexible-hours system
- Visualization of working hours
- Establishment of evaluation items for work styles that increase productivity, etc.

Outside  
Evaluation



Logo of the leading company  
in empowering women

Logo of certification from the  
Ministry of Health, Labour and Welfare



# Governance

## Corporate Governance



Representative Director Tadashi Miyagawa   Representative Director and Chairman Hiroshi Ozaki   Representative Director Masataka Fujiwara   President Takehiro Honjo   Representative Director Takeshi Matsui

### Basic Views on Corporate Governance

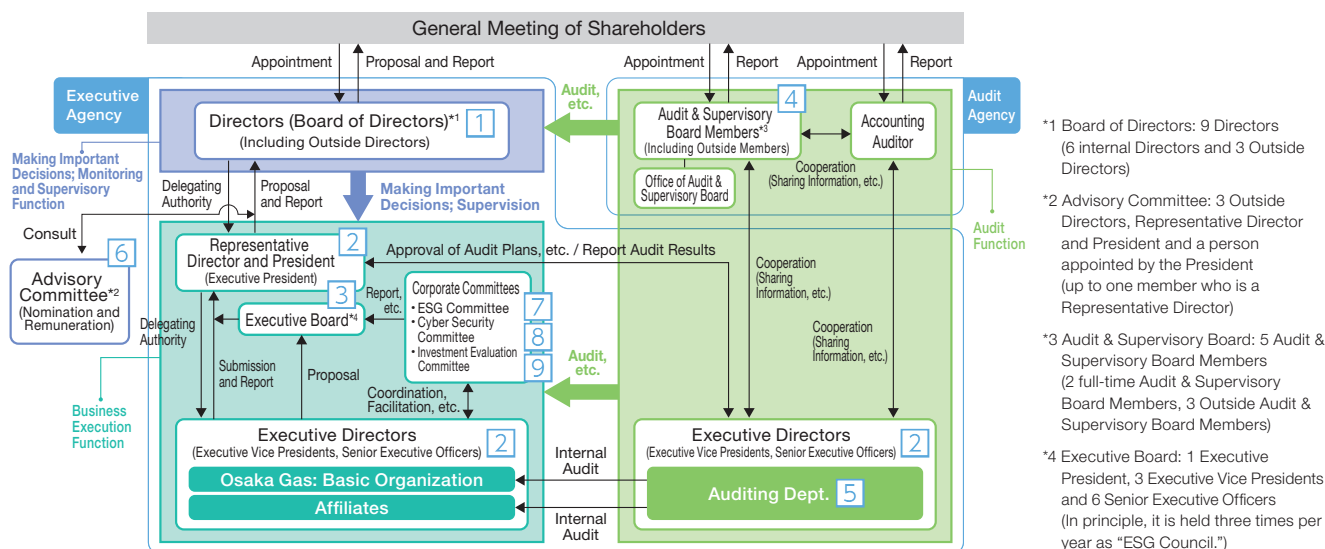
To implement measures envisaged under the Long-Term Management Vision 2030 and the Medium-Term Management Plan 2020, both formulated in March 2017 and together called "Going Forward Beyond Borders," Osaka Gas will ensure transparency, fairness and boldness in decision making, and execute its assigned business duties efficiently and adequately, based on the Daigas Group CSR Charter, a set of guiding principles for employees, and specific standards for actions—the Daigas Group Code of Conduct and the Daigas Group Environmental Activities Policy. By doing so,

the Company aims to attain sustainable growth and enhance its corporate value on a medium- and long-term basis. We will further raise the CSR level of the Group by responding appropriately to the exercise of shareholder rights and working to maintain and improve trust through dialogue and collaboration with stakeholders. We will continue to enhance and strengthen corporate governance with the aim of global standard management that takes ESG (environment, society, and governance) into consideration.

### Corporate Governance Organization Chart (as of June 26, 2020)

The Company has selected to be a company with Audit & Supervisory Board and conducted the introduction of an executive officer system, appointment of multiple Outside Directors, and establishment of voluntary advisory committees corresponding to appointment of Directors and Audit & Supervisory Board Members and Director remuneration. The Company considers its current governance system best suited in order for responding swiftly to changes in the business

environment, ensuring transparency, fairness and boldness in decision-making, and implement efficient and appropriate actions. In addition, by reducing the number of Directors to nine in June 2020 and thereby increasing the composing ratio of Outside Directors to one-third, the Company will seek to further improve the mobility and efficiency of decision-making and execution of business in management, and further strengthen the supervisory role of the Board of Directors.



## 1 Board of Directors, Directors of the Company

The Board of Directors consists of nine Directors (including three Outside Directors). Its mission is to make swift and appropriate decisions about important matters that affect the whole Group including subsidiaries and to enhance supervisory capabilities. To attain sustainable growth and improve medium and long-term corporate value for the Group, candidates for Directors are in principle selected from a diverse group of people without regard to sex or nationality, etc., taking their knowledge, experiences, abilities, and personalities etc. into account.

Based on this, when selecting, the Company takes into consideration expertise in managing the Group's energy business and other businesses for internal Director candidates and the individual's independent-mindedness for making objective judgments, and whether they have wide-ranging knowledge, wealth of experience, and expertise in their specialized fields for Outside Director candidates. The Board of Directors met a total of 13 times in the fiscal year ended March 31, 2020, and had an attendance rate of 98.2%. There was adequate time for deliberations, and active discussions were conducted.

## 2 Executive Officers

The Company has adopted an executive officer system, which enables the Directors of the Company to focus on making business decision and monitoring and supervisory functions, and worked toward strengthening the business efficiency and the supervisory functions by vitalizing the Board of Directors. Executive Officers perform duties determined by the Board of Directors, and some Representative Directors and Directors concurrently serve as Executive Officers to make management decision-making more accurate and efficient.

## 3 Executive Board

The Company examines basic management policies and important management issues at the Executive Board and fully deliberates the foregoing before decision-making. In accordance with internal regulations, the Executive Board consists of the President, Executive Vice President, Senior Executive Officer, Head of Corporate Headquarters, and Head of Business Division. In principle, the Executive Board is held three times per year as "ESG Council," which deliberate and supervise CSR activity plans and its execution.

## 4 Audit & Supervisory Board, Audit & Supervisory Board Members

The Audit & Supervisory Board consists of five Audit & Supervisory Board Members, of whom three are Outside Auditors and each Audit & Supervisory Board Member monitors the execution of work duties by the Directors.

Office of Audit & Supervisory Board with a dedicated full-time staff which is not under the direct control of the Executive Directors has been established to support the Audit & Supervisory Board Members' auditing work and thus improve the auditing system.

## Analysis and Evaluation of Effectiveness of the Board of Directors as a Whole

Each fiscal year, the Company analyzes and evaluates the effectiveness of the Board of Directors, centering on outside officers (Outside Directors and Outside Audit & Supervisory Board Members).

Specifically, the Board of Directors Secretariat conducted questionnaires and interviews with all Directors and Audit & Supervisory Board Members individually on questions such as whether the operation and information provision of the Board of Directors were appropriate and sufficient, and whether the opinions received from outside officers during evaluation last year (e.g., enhancement of discussion relating to important management themes including business plans and continued provision of information for deeper understanding of Board of Directors resolutions) have been addressed, and in light of the results thereof, held discussions with all outside officers, and made its evaluations, which

## 5 Auditing Department

The Company has established the Auditing Department as a section in charge of internal auditing affairs. Based on a yearly auditing plan, it evaluates, from independent and neutral viewpoints, the adequacy of business activities in light of in-house standards, their efficiency, and the appropriateness of various systems and standards adopted by the Company. In addition to giving recommendations and conducting follow-ups that lead to business improvements in the organizations subject to audit, the department summarizes the issues and reports its results to the Executive Board. The Auditing Department is subject to periodical evaluation from an outside party to maintain and improve its auditing abilities.

## 6 Advisory Committee

To maintain objectivity and achieve transparency in the decision-making process, matters relating to appointment of Director and Audit & Supervisory Board Member candidates, appointment and dismissal of Representative Director and other Executive Directors, and matters relating to Directors' remuneration are deliberated at an advisory committee of which a majority is Outside Directors before decision is made by President Takehiro Honjo pursuant to delegation by a resolution of the Board of Directors. The committee is comprised of inside and outside members, with outside committee members being all of the Outside Directors (all three members satisfy the standards for determining independence specified by the Company). The inside committee members are the President and if necessary, persons appointed by the President (the President may appoint up to one member who is a Representative Director). The committee chairperson is appointed by the committee members.

## 7 ESG Committee

The Company has established the ESG Committee to coordinate and advance group-wide CSR activities, which is chaired by the Head of ESG Promotion, who is the Representative Director / Executive Vice President in charge of overseeing the Group's CSR activities, and is composed of the General Managers of relevant divisions. The ESG Committee promotes information security, risk management and other aspects of the Group's CSR activities.

## 8 Cyber Security Committee

In August 2019, to reinforce the cyber security measures of the Group, we set up the Cyber Security Committee which is chaired by the officer in charge of the Information / Communication Systems Department, and is composed of the General Managers of relevant divisions.

## 9 Investment Evaluation Committee

The Company has established the Investment Evaluation Committee, which is chaired by the Head of the Corporate Planning Headquarters and composed of the General Managers of relevant divisions. The committee examines risk and return and makes an evaluation on investments exceeding a certain amount, and it reports findings to the Executive Board and assists appropriate investment decisions.

confirmed that such matters have been appropriately addressed.

Furthermore, as a result of the outside officers reporting the results of these evaluations to the Board of Directors and holding relevant discussions in turn, the Company has confirmed that the Board of Directors conducts lively exchanges of questions and answers based on necessary and sufficient information, including materials provided in advance and other explanations, and sufficiently ensures that it is operating in an effective manner.

The Company will take into consideration the opinions of outside officers, and take initiative to enhance discussions by further increasing the provision of information on important management challenges of the Group, etc., and otherwise further enhance the effectiveness of the Board of Director going forward.

# Directors



Representative  
Director and  
Chairman

**Hiroshi  
Ozaki**

[ Biography ]

1972. 5 Joined the Company  
1999. 6 General Manager of Materials Dept.  
2002. 6 Director  
2002. 6 Tokyo Representative; seconded to the Japan Gas Association  
2005. 6 Managing Director  
2005. 6 Head of LNG Terminal & Power Generation Business Unit  
2007. 6 Head of Commercial & Industrial Energy Business Unit  
2008. 4 Representative Director and President  
2009. 6 Representative Director and President, Executive President  
2015. 4 Representative Director and Chairman (current)  
2019. 6 Member of the Board of Shionogi & Co., Ltd. (current)



President

**Takehiro  
Honjo**

[ Biography ]

1978. 4 Joined the Company  
2003. 4 General Manager of Corporate Strategy Dept.  
2007. 6 Executive Officer  
2008. 6 Senior Executive Officer  
2008. 6 Head of Commercial & Industrial Energy Business Unit  
2009. 6 Director, Senior Executive Officer  
2010. 6 Head of Residential Energy Business Unit  
2013. 4 Representative Director, Executive Vice-President  
2015. 4 Representative Director and President, Executive President (current)



Representative  
Director

**Masataka  
Fujiwara**

[ Biography ]

1982. 4 Joined the Company  
2009. 6 General Manager of Keiji Energy Sales Dept., Commercial & Industrial Energy Business Unit  
2012. 4 Executive Officer  
2012. 4 General Manager of Energy Business Development Dept., Commercial & Industrial Energy Business Unit  
2013. 4 Representative Director and President of Osaka Gas Chemicals Co., Ltd.  
2015. 4 Senior Executive Officer  
2016. 4 Executive Vice-President  
2016. 4 President of Corporate Planning Headquarters  
2016. 6 Representative Director, Executive Vice-President (current)  
2020. 4 Head of Energy Solution Business Unit (current)



Representative  
Director

**Tadashi  
Miyagawa**

[ Biography ]

1982. 4 Joined Ministry of International Trade and Industry  
2013. 6 Director-General of Manufacturing Industries Bureau, Ministry of Economy, Trade and Industry  
2014. 7 Retired from Ministry of Economy, Trade and Industry  
2015. 1 Joined the Company  
2015. 4 Senior Executive Officer  
2016. 6 Director, Senior Executive Officer  
2018. 4 Representative Director, Executive Vice-President (current)  
2020. 4 Head of LNG, Power & Engineering Business Unit (current)



Representative  
Director

**Takeshi  
Matsui**

[ Biography ]

1983. 4 Joined the Company  
2009. 6 General Manager of Finance Dept.  
2013. 4 Executive Officer  
2014. 4 General Manager of Human Resources Dept.  
2016. 4 Senior Executive Officer  
2016. 4 Head of Energy Resources & International Business Unit  
2017. 6 Director, Senior Executive Officer  
2019. 4 President of Corporate Planning Headquarters  
2019. 4 Representative Director, Executive Vice-President (current)



Director

**Takayuki  
Tasaka**

[ Biography ]

1985. 4 Joined the Company  
2011. 4 General Manager of Corporate Strategy Dept.  
2015. 4 Executive Officer  
2015. 4 General Manager of Planning Dept., Residential Energy Business Unit  
2016. 4 Senior Executive Officer  
2016. 4 Head of Residential Energy Business Unit  
2018. 4 Head of Commercial & Industrial Energy Business Unit  
2018. 6 Director, Senior Executive Officer (current)  
2020. 4 President of Corporate Planning Headquarters (current)



Outside Director

**Hideo  
Miyahara**

[ Biography ]

1989.10 Professor, Faculty of Engineering, Osaka University  
1998. 4 Dean of the Graduate School of Engineering, Dean of the Faculty of Engineering, Osaka University  
2002. 4 Dean of the Graduate School of Information Science and Technology, Osaka University  
2003. 8 President of Osaka University  
2007. 9 President of the National Institute of Information and Communications Technology  
2012. 6 Representative Director of Knowledge Capital Association (current)  
2013. 4 Specially Appointed Professor, Graduate School of Information Science and Technology, Osaka University  
2013. 6 Director of West Japan Railway Company (current)  
2013. 6 Director of the Company (current)  
2016. 4 Visiting Professor, Graduate School of Information Science and Technology, Osaka University (current)

Board of Directors Meetings Attendance Record (April 1, 2019–March 31, 2020)

Attended 13 of 13 meetings of the Board of Directors. He made comments as appropriate based on his considerable experience and extensive knowledge in organizational management and from his independent position as an outside director.



Outside Director

**Kazutoshi  
Murao**

[ Biography ]

1976. 4 Joined Nippon Telegraph and Telephone Public Corporation  
2009. 6 Representative Director and Senior Executive Vice President of NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION  
2012. 6 Representative Director and President of NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION  
2018. 6 Counselor to the president, NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION (current)  
2019. 6 Director of Keihan Holdings Co., Ltd. (current)  
2019. 6 Director of the Company (current)

Board of Directors Meetings Attendance Record (June 20, 2019–March 31, 2020)

Attended 11 of 11 meetings of the Board of Directors held after he assumed the office of Director of the Company on June 20, 2019. He made comments as appropriate based on his considerable experience and extensive knowledge in corporate and organizational management and from his independent position as an outside director.



Outside Director

**Tatsuo  
Kijima**

[ Biography ]

1978. 4 Joined Japanese National Railways  
2012. 6 Vice President of West Japan Railway Company  
2016. 6 President, Representative Director, and Executive Officer of West Japan Railway Company  
2019.12 Vice Chairman and Director of West Japan Railway Company (current)  
2020. 6 Director of the Company (current)



## Audit & Supervisory Board Members



Audit & Supervisory Board Member (full time)

**Toshimasa Fujiwara**

[ Biography ]

1981. 4 Joined the Company  
2010. 6 General Manager of Human Resources Dept.  
2012. 4 Executive Officer  
2014. 4 Representative Director and President of Osaka Gas Customer Relations Co., Ltd.  
2015. 4 Senior Executive Officer  
2015. 4 Head of Residential Energy Business Unit  
2015. 6 Director, Senior Executive Officer  
2018. 4 Director, Chairman and Director of Osaka Gas Customer Relations Co., Ltd.  
2018. 6 Advisor  
2019. 6 Audit & Supervisory Board Member (current)



Audit & Supervisory Board Member (full time)

**Hisaichi Yoneyama**

[ Biography ]

1986. 4 Joined the Company  
2013. 4 General Manager of Technology Planning Dept.  
2014. 4 Executive Officer  
2014. 8 President of Osaka Gas USA Corporation  
2017. 4 Senior Executive Officer  
2017. 4 Head of LNG Terminal & Power Generation Business Unit  
2018. 4 Head of LNG, Power & Engineering Business Unit  
2018. 6 Director, Senior Executive Officer  
2020. 6 Audit & Supervisory Board Member (current)



Outside Audit & Supervisory Board Member

**Yoko Kimura**

[ Biography ]

1987.12 Assistant Professor, Faculty of Home Economics, Nara Women's University  
1993.10 Assistant Professor, Faculty of Human Life and Environment, Nara Women's University  
2000. 4 Professor, Faculty of Human Life and Environment, Nara Women's University  
2000.12 Member of Local Public Finance Council  
2010. 4 Chairperson of the Board of Directors, Council of Local Authorities for International Relations  
2014. 4 Advisor of Japan Center for Cities  
2014. 6 Audit & Supervisory Board Member of the Company (current)  
2015. 4 Director, Nara Prefectural University (current)

Board of Directors Meetings and Audit & Supervisory Board Meetings Attendance Record (April 1, 2019-March 31, 2020)  
Attended 13 of 13 meetings of the Board of Directors and attended 14 of 14 meetings of the Audit & Supervisory Board. She made comments as appropriate based on her considerable experience and extensive knowledge in organizational management and from her independent position as an outside Audit & Supervisory Board Member.



Outside Audit & Supervisory Board Member

**Eiji Hatta**

[ Biography ]

1985. 4 Professor, Faculty of Economics, Doshisha University  
1996. 4 Dean, Faculty of Economics, Doshisha University  
1998. 4 President, Doshisha University  
2008. 2 Chairman, Japan Student Baseball Association (current)  
2009. 4 Vice Chairman, Japan University Auditors Association (current)  
2011.10 Chancellor, The Doshisha  
2015. 6 Vice President, Baseball Federation of Japan  
2015. 6 Audit & Supervisory Board Member of the Company (current)  
2015. 9 Director, Japan High School Baseball Federation (current)  
2017. 4 President, The Doshisha (current)  
2017. 4 Chancellor, The Doshisha (current)

Board of Directors Meetings and Audit & Supervisory Board Meetings Attendance Record (April 1, 2019-March 31, 2020)  
Attended 13 of 13 meetings of the Board of Directors and attended 14 of 14 meetings of the Audit & Supervisory Board. He made comments as appropriate based on his considerable experience and extensive knowledge in organizational management and from his independent position as an outside Audit & Supervisory Board Member.



Outside Audit & Supervisory Board Member

**Shigemi Sasaki**

[ Biography ]

1974. 4 Appointed as judge  
2011. 5 Chief Judge, Takamatsu High Court  
2012. 3 Chief Judge, Osaka High Court  
2013. 3 Retired from judgeship  
2013. 4 Professor, Graduate School of Law, Kyoto University  
2016. 6 Audit & Supervisory Board Member of the Company (current)

Board of Directors Meetings and Audit & Supervisory Board Meetings Attendance Record (April 1, 2019-March 31, 2020)  
Attended 13 of 13 meetings of the Board of Directors and attended 14 of 14 meetings of the Audit & Supervisory Board. He made comments as appropriate based on his considerable experience and specialized knowledge as a legal professional and from his independent position as an outside Audit & Supervisory Board Member.

### □ Outside Directors and Outside Audit & Supervisory Board Members

Osaka Gas appoints three outside directors and three outside Audit & Supervisory Board Members. To attain sustainable growth and improve medium and long-term corporate value, candidates for Directors and Audit & Supervisory Board Members are in principle selected from a diverse group of people without regard to sex or nationality, taking their knowledge, experiences, abilities, and personalities etc. into account. Based on this, when selecting outside officer candidates, the Company takes into consideration the individual's independent-mindedness for making objective judgments, and whether they have wide-ranging knowledge, wealth of experience, and expertise in their specialized fields. Outside directors participate in decision-making as members of the Board of Directors' meetings and monitor and supervise the execution of duties of the managing directors from an independent position

based on their knowledge and experience. Outside Audit & Supervisory Board Members use their knowledge and experience to conduct strict audits on the execution of duties of the managing directors, also from an independent standpoint. In addition, outside directors Hideo Miyahara, Kazutoshi Murao, Tatsuo Kijima and outside Audit & Supervisory Board Members Yoko Kimura, Eiji Hatta, and Shigemi Sasaki have no special interest relationships with the company affecting decision-making, and as they meet the criteria for the independence of outside officers stipulated by the company, they are judged to have sufficient independence. Based on the above, they are reported as independent officers to the financial instruments exchanges on which the company is listed.

## □ Director and Audit & Supervisory Board Members Remuneration

To maintain objectivity and achieve transparency in the determination process, the remuneration for each Director shall be deliberated at an advisory committee of which a majority is outside officers before decision is made by Representative Director and President Takehiro Honjo pursuant to delegation by a resolution of the Board of Directors, with such amounts being within the maximum amount approved at the General Meeting of Shareholders of June 28, 1990 (¥63 million per month (not including the portion of wages for employees who are also Directors); 27 persons). In deciding amounts of remuneration, the Company follows rules specified by a resolution of the Board of Directors, and refers to each Director's roles and responsibilities and levels of remuneration at other companies. To encourage officers' efforts to realize sustainable growth and increase medium- to long-term corporate value, about 40% of overall remuneration is linked to the business results of the Company. In order to contribute to short- and medium- to long-term corporate value enhancement, the performance-based amount is linked to profit attributable to owners of parent (consolidated profit) for the past three years. The plan and results for consolidated profit are shown in the table below. The meeting of the voluntary advisory committee corresponding to remuneration for the fiscal year ended March 31, 2020 was held in May 2019 in accordance with rules specified by the resolution of the Board of Directors with attendance of eight committee members (including six outside officers) and deliberations were held on matters such as the appropriateness of calculation methods for the portion linked to business results, payment coefficient, and remuneration levels, which were then decided by the Representative Director and President as mentioned above. The amount of

remuneration for Outside Directors consists only of a fixed portion because they are in positions independent of the execution of the Company's businesses. Directors, except Outside Directors, purchase the Company's shares through officers' shareholding association, to which they contribute a certain amount of money from their monthly remuneration.

The advisory committee is comprised of inside and outside members, with outside committee members being all of the Outside Directors from February 2020. The inside committee members are the Company President and if necessary, persons appointed by the President (the President may appoint up to one member who is a Representative Director). The committee members elect the committee chairperson from amongst themselves.

The above-mentioned policy on deciding remuneration is determined by President within the scope of resolutions of the Board of Directors and the results of deliberation by the voluntary advisory committee.

Remuneration for each Audit & Supervisory Board Member shall be determined through discussions among Audit & Supervisory Board Members within the amount of remuneration (up to ¥14 million per month; five persons) approved at the General Meeting of Shareholders of June 29, 1994, taking into consideration the position, etc. of each Audit & Supervisory Board Member. The amount of the remuneration for Audit & Supervisory Board Members (including Outside Audit & Supervisory Board Members) consists only of a fixed portion because they are in positions independent of the execution of the Company's businesses.

The system of paying retirement benefits to Directors and Audit & Supervisory Board Members has been abolished.

### Profit Attributable to Owners of Parent (Consolidated Profit) for the Last Three Years

Fiscal year			199th	200th	201st
Fiscal year			FY2017.3	FY2018.3	FY2019.3
Profit attributable to owners of parent	million yen	Plan	52,000	42,500	46,500
		Results	61,271	37,724	33,601

### Total Amount of Remuneration by Officer Classification and by Type of Remuneration, and Number of Eligible Officers

Classification	Total amount of remuneration (million yen)	Total amount of remuneration by type of remuneration		Number of payees
		Fixed (million yen)	Performance-linked (million yen)	
Directors (excluding outside directors)	513	308	205	11
Audit & Supervisory Board Members (excluding outside members)	69	69	—	3
Outside directors	31	31	—	4
Outside Audit & Supervisory Board Members	32	32	—	3

Note: The number of persons and amounts include one internal director, one outside director, and one Internal Audit & Supervisory Board member who retired as of the close of the Company's 201st General Meeting of Shareholders held on June 20, 2019, and one outside director who retired in February 2020.

- The total amount of remuneration for each officer is not stated as there is no officer with a total amount of consolidated remuneration of 100 million yen or more.
- There are no employees concurrently serving as officers.

## □ Risk Management

Organizational heads of the Company and Presidents of the affiliates promote the management of the risk of losses and periodically conduct risk management assessments. Each basic organization or affiliate identifies risk items, checks the status of management concerning the risk items and conducts follow-ups or other measures by using such means as the "G-RIMS (Gas Group Risk Management System)\*," which systematizes the self-assessment of risk management practices. Regarding the management of risks concerning security and disaster prevention which are common to the Group, the organization in charge is clearly specified, and the organization supports each basic organization and affiliate to ensure risk management on a Group-wide basis.

To prepare for emergencies, regulations for disaster countermeasure and business continuity plans are prepared. During the fiscal year under review, we carried out company-wide disaster-prevention

drills, which consist of disaster response and BCP exercises, and collaboration training and exercises to ensure collaboration between gas pipeline operators and gas retailers in case of disaster.

In light of the spread of COVID-19 in Japan and abroad, we set up a task force and confirm the status of the Group's responses, while taking appropriate measures to prevent infections.

To reinforce the cyber security measures of the Group, we set up the Cyber Security Committee and strengthened countermeasures against cyberattacks from outside the Group network.

\* G-RIMS is a system for risk management in routine business operations. The manager of each organization and affiliated company checks if preventive measures have been implemented or an early-detection system is in place as required, using a checklist comprising about 50 risk items. G-RIMS is also designed to evaluate the magnitude of risks and identify risks to be addressed, before PDCA (plan-do-check-act) is operated for improvement.

## □ Training Policy for Directors and Audit & Supervisory Board Members

When appointed, the Company provides internal officers an opportunity to acquire knowledge regarding their roles, legal duties to be complied with, and responsibilities expected for a Director or Audit & Supervisory Board Member. Subsequently, the Company regularly provides opportunities internally or externally for officers to receive training regarding legal affairs, risk management, compliance, and other matters to continue to acquire knowledge necessary for comprehension of legal revisions and other latest world trends. Further, as part of the succession plan for top management, human resources to oversee the Company's management are fostered through such means as the systematic

rotation of the areas of responsibility of internal Directors and Executive Officers.

As for outside officers, the Company explains the Group's businesses and offers an opportunity to the officers upon appointment to deepen their understanding so that they can put to practice their expertise and experience in each of their fields for supervising and auditing the Company's business. Later, the Company also offers opportunities as necessary in which the business environment and business trends are explained accurately in a timely manner so that outside officers can gain an understanding.

## □ Business Risks

The following are examples of risks that can affect business performance and financial conditions of the Group. Matters concerning the future as stated are based on the Daigas Group's judgment and assumptions as of the end of the fiscal year ended March 31, 2020.

### (1) Risks Related to All Businesses within the Group

- ① Changes in economic, financial, and social conditions as well as market contraction
- ② Occurrence of catastrophic disasters, accidents, or infectious diseases
- ③ Changes in international rules, politics, laws and regulations, and institutional systems
- ④ Changes in foreign exchange rates and borrowing rates
- ⑤ Uncollected investments
- ⑥ Climate change
- ⑦ Intensifying competition
- ⑧ Breakdown or malfunction of critical IT systems and information leaks
- ⑨ Quality issues with products or services
- ⑩ Non-compliance with laws and regulations

### (2) Risks Related to Major Businesses

- ① Domestic energy business
  - a. Impact of fluctuations in temperature/water temperature on energy demand
  - b. Changes in raw fuel costs
  - c. Difficulty in procuring raw fuels
  - d. Difficulties in gas production/power generation and gas/power supply
  - e. Gas equipment and facility issues
  - f. Intensifying competition in the industry and the resulting increase in choices available to consumers
- ② International Energy Business
 

Changes in the operating environment, such as decreased profitability or project delay or cancellation, resulting from the public policies, implementation of or changes in regulations, deterioration of economic or social conditions, market fluctuation in areas including crude oil prices and gas prices, technical problems, or damage by natural disasters in the countries in which the Group operates
- ③ Life & Business Solutions
 

Changes in the operating environment, such as soaring material costs and worsening economic conditions

In addition to the measures preparing for the above risk, the Daigas Group aims to mitigate impact on our business in cases where such risks emerge by appropriately understanding and supervising the situations of business operations, while considering the degree and time period of the potential for risks to materialize.